

The background of the slide is a photograph of a hand holding a map. A red calculator is resting on the map. The map shows various streets and landmarks, with some text like 'Poznańska' and 'N25, N31, N37, N75, N81' visible. The overall image is slightly blurred, focusing attention on the text overlay.

# The advent of Hotel ancillary sales

Gerry Hanratty CEO Staypal. September 2017

staypal

## **Welcome!**

Thank you for downloading our White paper on Hotel ancillaries. This is written to start the conversation about how Hotels can manage the revenue opportunities from guests. It is possible to maximize revenue and improve guest experience by removing the friction of being a tourist in a strange city. We look forward to hearing from you and discussing this interesting area more. Enjoy

Gerry Hanratty, CEO Staypal

## **The advent of Hotel Ancillary Sales**

The price of a flight from Milan to Paris was €400 in 1992. Today it's only €25. A large part of these falling airfares is the advent of ancillary fees such as baggage and allocated seats – separating these out allow airlines to reduce basic fares.

Is a similar shift likely to take place in the accommodation sector? In some cases, ancillary revenue in hotels already outstrips the room rate. In Southeast Asia you might pay \$5 or \$10 for your room, but the same hotel could earn \$50 to \$100 by helping you book activities like guided tours, scuba diving or other tourist experiences.

Unlike airline ancillary fees, hotels can generate revenue by facilitating guests with purchases they are actively looking to make while on holiday. Hostels already understand that fees generated from tours are an important contributor to total revenue per guest. Recent figures show airline ancillary revenue at 15%, while hotel ancillary revenue is far behind at under 2%. Considering hotels have much longer customer engagements, how can this be?

Hotels manage room rates and availability across multiple channels. Technology is enabling hotels to achieve price parity across channels and increase direct bookings, but its ability to increase ancillary revenue *after* check-in has lagged behind. So, while revenue managers have adapted to the online challenges surrounding room rates and availability, it's been to the detriment of focus on the post check-in ancillary opportunity.

## **Shifting focus**

Hotels are in sales mode when converting website leads into confirmed bookings. The sales funnel doesn't end there, but when the guest arrives, hotels too often switch into service mode. How hotels think about the "revenue while resident" can make a huge difference to the hotel properties' yield.

After guests check in there are many opportunities to sell additional products and services during their stay. Failte Ireland report 94% of tourists are conducting research while on holiday – of that number, 83% use a smartphone (which rises when free Wifi is available). Couple this with the fact that tourists still want to gather information from offline sources such as hotel staff and the revenue opportunity becomes very clear.

Many hotels assume guests make their activity bookings pre-arrival, but according to Phocuswright, for certain activities over 80% of guests book after checking in. These are all indicators of existing opportunities for the hotels to become more heavily involved in ancillary sales. With the increase of on-demand and other services becoming available to book online, it's now much easier for a hotel to have a broad, seamless offering as part of their current operations.

### **Help to buy scheme**

Sales people often say, they don't sell: they help people to buy. This is a lesson hotels should note – the future won't be in charging for previously standard services: it's about offering new products and opportunities to guests.

Hotels have the opportunity to help guests book enhanced experiences inside or outside the hotel gates. Not only does this mean increased revenue: it also improves the guest experience, increases satisfaction and fosters loyalty, leading to a virtuous circle of repeated and growing business over time. It's very evident from Airbnb's recent acquisitions how guest expectations are evolving. Tourists demands no longer stop at lodgings. They have expanded into a desire for great holiday experiences all around their destination.

Airbnb now facilitate booking both experiences with local tour guides and restaurants through their recently acquired Resy restaurant booking platform. Before you recoil: I'm not advocating for hotel staff to walk up and down the corridors selling scratch cards. Rather, a more nuanced approach, looking holistically at what customers want from their holidays can yield increases in revenue per guest.

Most hotel websites focus on attracting prospects to book rooms directly. Why not extend this online presence to the guests currently staying with you and the opportunity they present – for example, including bookable tickets for attractions and restaurant bookings?

You can direct guests to your ancillary products from calls to reception, in-room cards, WiFi redirects, or even by allowing guests to use their favorite chat platforms, like Facebook Messenger.

This connectivity will become increasingly important over the next few years. Think about how many less engagements you would have with your family or friends if you didn't have chat apps.

What chat apps have done to social applies to business communications too. Following a pilot scheme for chat communications, Starwood noted "We quickly found guests naturally wanted to communicate with us the same way they did with everyone else".

Once hotels have worked out when to sell, they must address what to sell. Removing the things guests expect as a given with room bookings and charging extra for them probably won't work for most businesses.

Instead, start monitoring what your guests have been asking for. Can they be brought into your portfolio of guest services?

Perhaps guests are looking for Yoga classes or personal guided tours, services that you could easily find a local partner to provide. In the US, a company called Zeel are working with hotels to offer on-demand massage therapists, a great way for hotels to earn additional revenue, provide a great guest experience and all without a capital commitment.

Working with local suppliers can be a great way to enhance your guest offering. You may have a local brewery who would do beer tastings in your bar, or a local artisan food producer who would create a showcase menu for guests. This is a win-win scenario for everyone: the guests get a great experience, the producer gets increased exposure and you increase guest spend.

The opportunity for ancillary revenue doesn't need to be limited to leisure tourists. A large push is currently on to sell Ireland to business travellers. Using a service such as Irish company Meetingsbooker, hotels can earn additional revenue by filling excess meeting rooms.

Ancillary revenue is a simple equation: the more you can offer a guest the better their experience will be, adding up to more revenue generated for you, now and into the future. By focusing on the lasting guest experience, not just the transactional check in and out, you're responding to the needs of today's tourist, with the expert local knowledge that helps you curate their experience, making a great result for the industry and the customer

END

*Gerry Hanratty is CEO & Founder of Staypal, a travel tech company that creates in-destination tools that help hotels engage with tourists seamlessly to increase revenue and guest satisfaction.*