

## Setting Hotel Sales Goals During a Period of Recovery

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Image provided by johnchow.com

**The hotel industry** in 2020 endured one of the biggest challenges in history. Four months into 2021 we are now starting to show signs of improvement. Having a strong sales incentive program with realistic goals will be one of the tickets to quicker recovery. Setting sales goals during a period in which revenue projections are 50%-70% below pre-COVID performance levels, can be overwhelming. From an operational perspective, some might consider it unreasonable for a hotel to offer any type of sales incentive until revenues return to acceptable levels. But, as a hotel owner or operator, does it really make sense to restrict your sales team's earning potential when the need for current and future revenue is so critical?



**This article will review** some of the key factors to consider when setting goals for your sales managers during this period of post-COVID recovery. And to support the achievement of these goals, HPS can help your hotel implement a revised sales incentive plan with components to ensure your sales team and the hotel benefits financially.

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**Hotel operators have faced immeasurable financial hardships** this past year and the last thing an owner wants to consider is the potential added costs associated with incentivizing their sales team. It is short-sighted to assume that the hotel's sales leader and team, should be thankful that they have been able to keep their job or have been recently called back to work. Owners should consider the underlying issues perceptions and challenges these sales professionals have endured over the past 14 months. Further, they should assess the future challenges they will face as market demand returns. Rapid recovery should be the focus at this time.

**Underlying issues to consider:** The mental fitness of your sales team needs to be considered with extra steps to ensure they have the right attitude and drive to represent your hotel effectively.

- **For the team members laid off** over an extended period due to the COVID pandemic, many may be experiencing behavioral issues. Examples include obsessive-compulsive disorder, general anxiety, and chronic loneliness brought on by social isolation. Some may have a general 'lack of meaning' in the value of themselves and their past job. Additionally, some may be experience the stress of unemployment and the loss of income.\*\*

\*\*For further examples visit <https://www.bbc.com/worklife/article/20201021-coronavirus-the-possible-long-term-mental-health-impacts>

- **For the team members who continued to hold down the sales office** throughout the pandemic, their level of stress has also gone up exponentially. They have had to cope with long periods of low occupancies, which eliminated their ability to achieve their sales goals and previous incentives. They were often asked to perform multiple crossover roles due to compensate for reduced staffing levels. Some were even advised that they must accept a reduction in their salary to help the hotel deal with such financial hardships. It sends a blurred message – is the focus building revenues or reducing costs?

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**The Covid Pandemic has created change throughout the workplace.** For most hotels, initial sales staffing will be less until market demand fully returns. The client's needs have also changed. Reduced business levels and modified mid-week travel affect the way your clients now conduct their business. The size, frequency and format of group meetings and conventions have changed. The services your hotel provides to support your guests have changed. As a result of these shifts, the financial expectations of your owners and management have also changed. All these factors will require strategic planning, training and revisions in the way that you select, deploy and train your future sales teams. The labor pool has also reduced as sales team members have abandoned the Hospitality Industry. The potential for more inexperienced sales team leaders will further complicate these issues.

**An assessment of the demand and growth potential** of each market segment your hotel accommodates will need to be thoroughly reviewed to determine how they have been impacted by the COVID pandemic. Based on the results of your analysis, you will then need to revise your sales deployment to coincide with the shifts in demand, travel needs, and expectations. For example:

- Most hotels are reporting a sharp decrease in corporate transient demand and that is not anticipated to rebound for a while longer. Alternate segments will need to be explored to replace this business funnel.
- The needs of the various group segments have changed, and most hotels will not be able to accommodate the same large functions as before to remain compliant with social distancing ordinances.
- Hotels dependent on citywide conventions will need to refocus their efforts to secure smaller self-contained groups, and that may require increased sales deployment.

**Establishing sales goals** requires the hotel to consider all of the above factors and to then strategize accordingly to realistically achieve future budget targets. For example, some market segments may perform at similar occupancy levels to pre-COVID times, but at considerably lower, average rates. Other segments, such as group, might be substantially down in

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occupancy but would be willing to leverage higher rate, to conduct their meetings in a preferred venue. Competitive factors, of course, will also still need to be taken into consideration. Once a budget, with specific revenues by market segment, are established revenue goals for each sales manager deployed to that market can be determined. These goals should also be inflated with an added percentage or “reach” to compensate for potential short-term decreases in room block consumption. Varying consumer confidence is present within specific market segments following the pandemic. Hotel operators need to set goals accordingly. Of course, the final benchmark to assist in goalsetting is a review of the hotel’s historic booking pace. The last two years of booking performance offer little in establishing trends to create budget targets.

**The establishment of an incentive program** should consider the following during its development:

- If sales manager maximizes revenues and goal potential, will the hotel achieve or exceed budget projections? Assuming the budget established is less than pre-COVID times, it stands to reason that the incentive payout should be proportionally less as well.
- Will this incentive represent a substantial enough payout that the sales manager will value and strive to achieve it? For example, if the goals established are too high and unrealistic, the incentive program will not be effective and yield the desired revenues for the hotel. If the reward is minimal, the same result might occur.
- How will the incentive be viewed by ownership? If the incentive payout is viewed as an expense, rather than a cost of doing business, the owner / operator may not be supportive of such a program.

**A solid hotel sales incentive program** rewards salespeople that achieve/exceed budgeted revenue, future booking goals, market share gains and profit goals for the hotel. The incentive plan should utilize quarterly results, with an added component that allows for the reconciliation of future booking incentives paid that late cancel or actualize with less revenues. Lastly, the

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plan should include incentive components to drive share growth within target markets as well as flow/profit results. Payout percentages should increase in proportion to goal achievement.

**In summary**, we reviewed that, as demand starts to pick up for the hospitality industry, it is vital that hotel owners and operators have a realistic and achievable goals supported by solid sales incentive plan. We shared that the goals need to take into considering changes in market segment demand, competitive factors influencing rate, and the segments the sales managers are targeting. Supporting the sales team's efforts, especially during these highly competitive times, is critical to future success. An incentive program that rewards achievement of budgeted revenues future booking goals, market share growth and profit benchmarks for the hotel is critical to your recovery plan. HPS can help you build a program that accomplishes all of these goals.

### **About Hospitality Performance Systems, Inc. (HPS)**

*Hospitality Performance Systems (HPS) was created to provide operational and sales support to the hospitality industry globally. Founded in 2009 this enterprise takes advantage of its founder and President, Stanton D Jacobs, CHA, with over 30 years of proven success in the hospitality industry and strategic relationships globally, HPS is affiliated with a wide array of professionals specializing in their respective disciplines, enabling HPS to provide a wide range of services. <https://www.hps-strategic.com> <https://www.linkedin.com/in/stantonjacobs/>*