

2012 Olympics: recommendations for UK hoteliers

A major event presents an opportunity that has to be handled carefully and intelligently if it is going to fully deliver the financial revenue expected. **Paul van Meerendonk** has a number of recommendations for hoteliers to get the most out of the Games.

While many hoteliers have already started planning for the Games, as summer 2012 approaches quickly, those who have not are left wondering what pricing and distribution strategies will be most effective. As we have discovered during the debate on the previous pages (p24-27), these questions are further complicated by the lack of certain predictions on how, when and how much Olympics-related demand will actually materialise leading up to, during, and after the Games.

Past host cities have been affected by the Olympics in uniquely different ways, leading to a lack of comparable information for London. A general overview indicates that the Games have serious potential to be a catalyst to long term growth for tourism. On the other hand, Atlanta (1996) and Beijing (2008) demonstrated that success is not guaranteed for the host country's tourism industry. It will be hard work, conditional on planning and preparation.

London is an international tourist destination of a completely different profile to previous host cities and it is interesting to note that the two most successful cities in creating post-Olympic inbound growth, Seoul and Barcelona, both had low-profile tourism industries at the time of hosting the Games. London

hotels were already completely sold-out during the summer of 2010 without the Olympics, and, on average, 400,000 visitors come to London during the main tourism season. As London already stands as a high-profile tourist attraction, hoteliers have to be extra careful not to displace regular demand.

To put this point in context – the UK attracts six times as many international visitors as Australia annually, and twice as many as Greece; so while the Sydney Olympics attracted 1.10,000 visitors, and Athens 200,000, if London was to see 300,000 Olympics-specific visitors, for example, that would represent just 2% of London's average annual visitor numbers.

London hoteliers will have a unique responsibility to do their best to positively impact 'Brand Britain'. London hotels are an integral part of the UK tourism industry and may even play a more pivotal role in shaping how a guest views London than the Games itself. This will have either a positive, or negative, long-term demand and financial impact on the entire UK market, and is an important aspect to consider when planning for the event. For "Brand Britain" to be successful in the long-term, hoteliers must ensure that new visitors receive a consistent, high-quality experience. Only then will the industry experience repeat business from the Games.



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Iconic London landmarks will be the backdrop for a number of Olympic events.



Recommendations

Balancing

Balancing various factors will be critical for both short-term and long-term Olympic success. Hoteliers will need to balance the demand from the Games' attendees willing to pay high rates, with the need to maintain their existing customer base. It will be finessing this balance that will contribute to revenue success in the long-run.

Research undertaken has shown there is a potential for many known customers to be hesitant due to pricing and logistical concerns, and a strategy carefully planned and aimed at this segment of the market will need to be developed by the hotel manager and any relevant sales and marketing staff involved.

Optimal pricing

Optimal pricing will be a key part of this strategy, and will help ensure hotels have the right business mix to confirm a comfortable level of regular business base, with enough inventory left over to adjust to market conditions at the last minute, and pick up a large share of transient booking. Most Games' visitors will make full use of online price comparison tools, making it essential that hoteliers price rooms within the dynamics of their competitive market set.

Group contributions

Hoteliers are also advised to keep group contributions between 45%-55%, as our research indicates that there is no real advantage in pursuing a solely group or transient focused business strategy. Again, keeping a balanced business mix will be crucial for staying responsive throughout the event period.

Pre-payment and cancellations

To minimise the impact of costly last-minute cancellations, hotels should implement a system of phased pre-payment restrictions. For every major event there is a large amount of expected cancellations, however, if your hotel has a watertight, clear and concise cancellation policy you will be able to dramatically minimise any negative impact on revenue. Make sure the hotel's cancellation policies are communicated clearly to your sales and reservations teams and online, in order to avoid any unpleasant discussions or legal problems in the future.

Overbooking

Appropriate overbooking levels need to be set in order to counteract an expected rise in cancellations, and to achieve 100% occupancy. Data observed has shown that in most cases, hotels did not reach more than 95% occupancy during major sporting events. Depending on your business mix and the number of guaranteed bookings you have, it can be recommended to overbook your hotel by at least 5%.

Length of stay restrictions

There will be a fair mix of domestic and international tourists coming to London and other venues to attend the Games, meaning the average length of stay will not be as long as it would be with only demand from international visitors. In order to make the most of the demand period, it is recommended that length of stay restrictions are enforced for a minimum of three nights, depending on the situation and business mix of the hotel.

Extended length of stay packages

As summer is peak tourist season for London, it is likely that a large number of Games attendees will be transient leisure travellers combining the Games' attendance with sight-seeing and other tourist activities. Put together extended length of stay packages, including food and beverage promotions and reduced rates during the shoulder periods before and after the Games. These packages should be made available during the booking process and as an ongoing up-sell marketing programme to confirmed guests.

Food and beverage revenue

London hoteliers should not put too much emphasis on food and beverage efforts for the 18 days of the Games. Our research has shown that food and beverage revenue tends to come in below expectations on major event days as guests are drawn away from the hotel property. It is therefore important to focus on both meeting and event sales and food and beverage marketing efforts on the days before and after the Games, as there will be a greater need to drive revenue during these periods. There will be a host of marketing opportunities associated with both 'Brand Britain' and the Olympic spirit. ■

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