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Hotels need long-term plan for F1 packages: study

HOTELS need to have in place a long-term pricing strategy when it comes to room rates and hospitality packages for the Formula One race to ensure that visitors keep coming back for subsequent races.

Integrated Decisions and Systems International Inc (IDeaS), which provides revenue optimisation software to the hospitality industry, released a study conducted last September which examined two Grand Prix weekends in Shanghai, Kuala Lumpur (KL) and Melbourne.

While both occupancy and daily room rates saw an increase on average, both Shanghai and KL did not achieve full occupancy. Instead, hotels in the two cities saw occupancies of 87 per cent and 85 per cent respectively on Saturday night of the race weekend.

This could be due to weaker demand from F1 fans than anticipated, coupled with insufficient bookings from base business such as groups and air crew, the study said. A mix of customer base - both leisure and base bookings - would be ideal to maximise revenue.

Average daily rate for hotel rooms should be 55-60 per cent higher during the race weekend compared with surrounding weeks, while revenue per available room (RevPAR) generally registers an 80-90 per cent jump, the study recommends.

For Singapore, reasonable prices could prove an added incentive for visitors, should the novelty of a night race lose some of its shine over the next few years.

However, cancellations also reached a high as people might be inclined to shop around, said IDeaS' director of services, Klaus Kohlmayr, who suggested that in addition to deposits or cancellation charges, hotels should consider overbooking their rooms. Describing overselling as a 'manageable risk', he pointed out that cancellation was averaging 60 per cent higher during the race period in the three markets analysed.

A review of the booking curves for Shanghai and KL also revealed that bookings began to flow in much closer to the actual date, with the majority of demand occurring about two to three months before the race itself and over 50 per cent of individual reservations taking place within a month of arrival.

This article was first published in The Business Times on Jun 5, 2008

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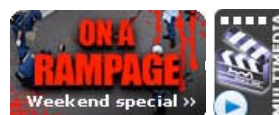
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