

Successful Positioning in saturated and stagnating markets

The Monitoring of Hostel Values and Yield Management

European Hostel Meeting 2009, Dresden



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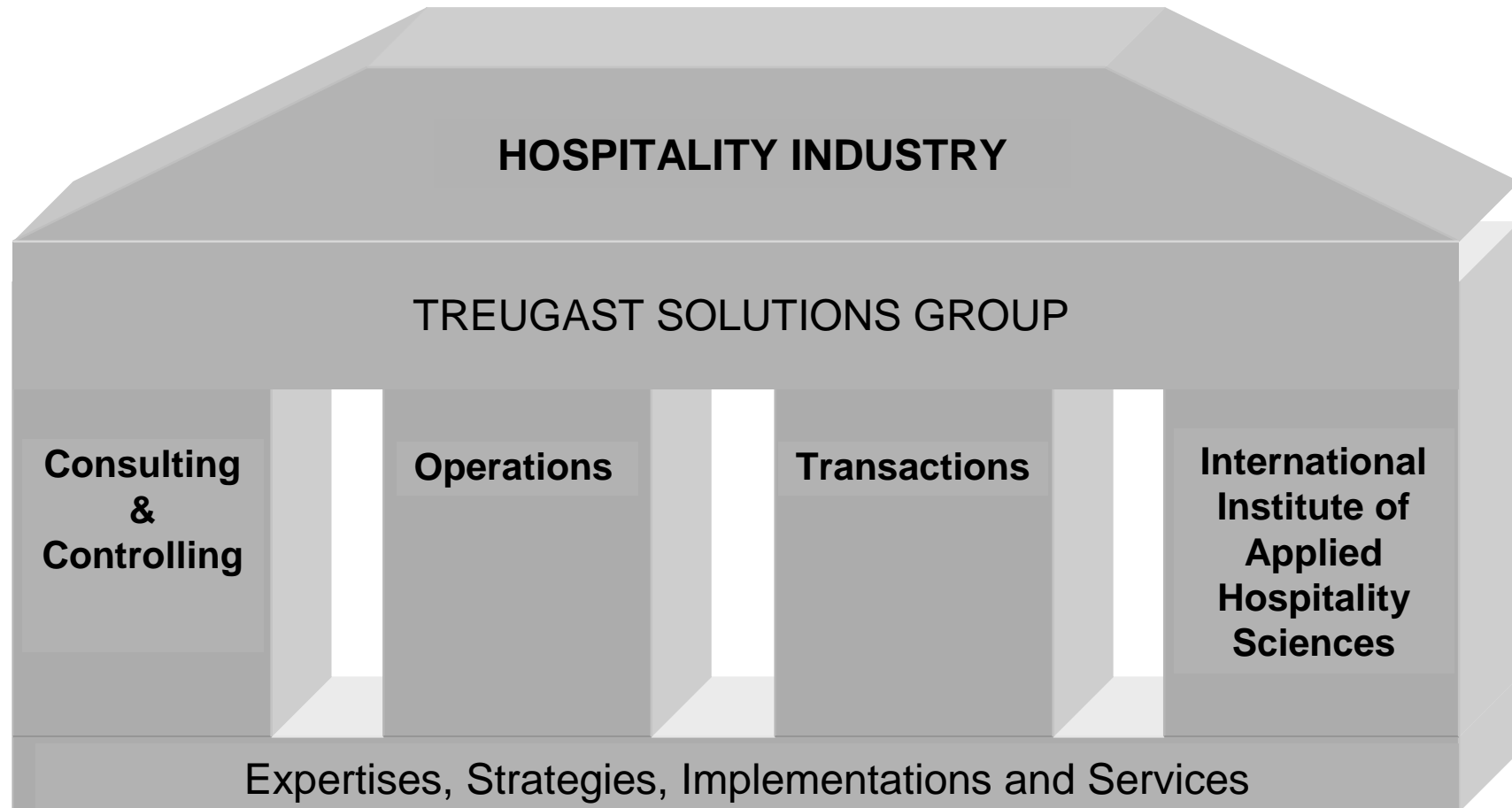
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Introduction

Field of Activity and Business Divisions



Introduction

AWARD

TREUGAST Solutions Group is the first consulting company worldwide which was awarded with the Star Diamond Award by the American Academy of Hospitality Sciences.



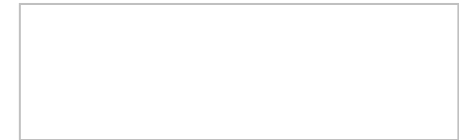
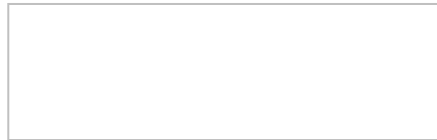
Hostels in Dynamic Hotel Markets

International tourist arrivals by sub region (millions)

| | 2008 | 2007 | 2000 | % vs. 2007 | % vs. 2000 | 2008 Market Share % |
|--------------------------------|--------------|--------------|--------------|-------------|--------------|------------------------|
| Asia Pacifica | 188,3 | 185,4 | 109,3 | 1,6 | 72,3 | 20,4 |
| North East Asia | 104,7 | 104,3 | 58,3 | 0,4 | 79,6 | 11,3 |
| South East Asia | 61,8 | 59,6 | 35,6 | 3,6 | 73,6 | 6,7 |
| Oceania | 10,6 | 10,7 | 9,2 | -1,5 | 15,2 | 1,1 |
| South Asia | 11,3 | 10,8 | 6,1 | 4,3 | 85,2 | 1,2 |
| Europe | 488,5 | 488,0 | 392,4 | 0,1 | 24,5 | 52,9 |
| Northern Europe | 56,8 | 58,0 | 43,7 | -2,1 | 30,0 | 6,1 |
| Western Europe | 153,1 | 154,9 | 139,7 | -1,2 | 9,6 | 16,6 |
| Central/Eastern Europe | 99,4 | 96,8 | 69,2 | 2,6 | 43,6 | 10,8 |
| Southern/ Mediterranean Europe | 179,2 | 178,2 | 139,8 | 0,6 | 28,2 | 19,4 |
| Middle East | 52,9 | 47,5 | 24,4 | 11,3 | 116,8 | 5,7 |
| Africa | 46,9 | 44,9 | 27,9 | 4,6 | 68,1 | 5,1 |
| North Africa | 17,1 | 16,3 | 10,2 | 5,3 | 67,6 | 1,9 |
| SubSahara Africa | 29,8 | 28,6 | 17,7 | 4,1 | 68,4 | 3,2 |
| Americas | 147,6 | 142,0 | 128,2 | 3,6 | 15,1 | 16,0 |
| Central America | 8,4 | 8,0 | 4,3 | 7,9 | 95,3 | 0,9 |
| South America | 21,1 | 20,0 | 15,3 | 5,9 | 37,9 | 2,3 |
| North America | 98,4 | 95,0 | 91,5 | 3,2 | 7,5 | 10,6 |
| Caribbean | 19,7 | 19,0 | 17,1 | 1,2 | 15,2 | 2,1 |

→ 2008 new record: number of tourist arrivals 924 millions!

→ Compared to 2000: +35,5%!



Impact of the crisis

- UNWTO: 2009 drop of tourist arrivals between -1% and -2%
- Between October and December 2008 hotel prices around the world fell by 12% compared to 2007
- By the end of 2008, global prices for hotel rooms had fallen to a level just 1 percent above those in 2004
- North America fell by 12%, Europe by 10%

| Europe | Occupancy % | | Average Room Rate € | | RevPar € | |
|---------------|-------------|----------|---------------------|----------|----------|----------|
| | 2008 | Change % | 2008 | Change % | 2008 | Change % |
| All Europe | 65,7 | -3,7 | 107 | -1,5 | 70 | -5,1 |
| Euro zone | 63,9 | -4,4 | 106 | 0,8 | 68 | -3,6 |
| Non-Euro zone | 67,6 | -3,4 | 109 | -4,7 | 73 | -7,9 |

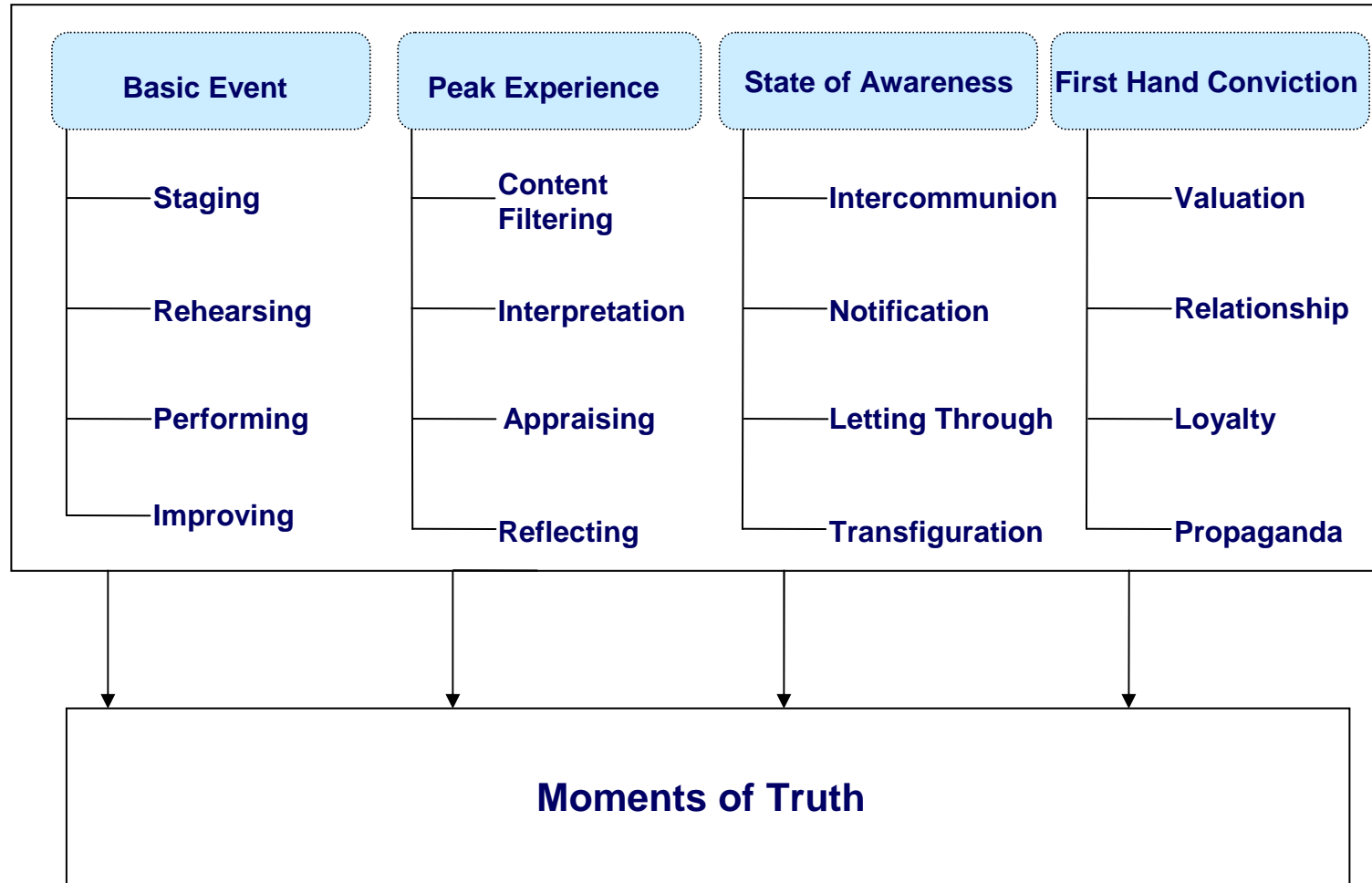
General strategic Options in challenging Markets

- If competitive Advantage is missing: Price War
- Consumption of all Rationalization Potentials
- Relaunch – Strategies
- Permanent Product Improvement
- Market Segmentation and further Differentiations
- Investments in new Offers

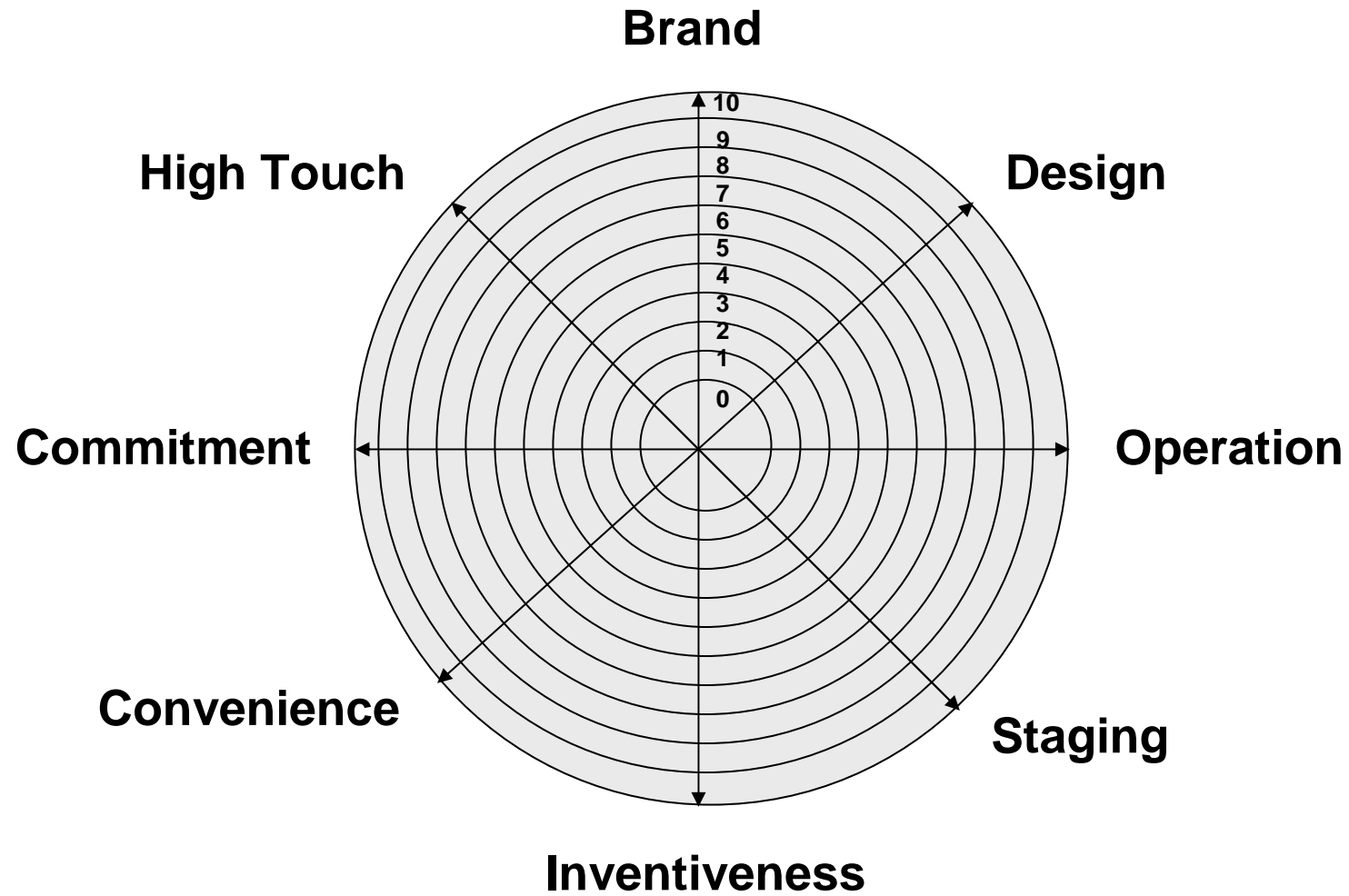
Strategic Options

- Enter new growing Markets
- Cooperations and Joint Ventures
- New Business Models
- Stronger Orientation to Themes, e.g. Hotels as Destinations
- Comprehensive Offers through Cooperations
- Quality Management
- Branding
- Extension of Customer Benefits with Staging Concepts

Set of Values



Set of Values



Set of Values

Branding: Emotional Branding through Status Certainty with Regard to the Cognition of the Brand (the Values – Focal Points of the company).

Infrastructure and Design: Psychological Aspects of Architecture, Environment and Room Composition in Context with the Significance for the Price-Performance, Ratio und the Experience Function.

Operation: Documented Process Orientation and current Application of Quality Techniques and Services.

Staging: Systematic Staging, Entire Use of all creative Instruments, Consideration of cultural Quality and Use of Theatre Effects.

Set of Values

Inventiveness: Trend Sensibility, , Rapidity with Regard to the Implementation of new Contents, Application of all Dimensions of Customer Stimulation.

Convenience: Classical Service (Retro - Relation), special Comfort, additional Services, Saving of Time and Attentiveness for the Guest.

Commitment: Individual Responsibility, Initiative and Engagement of the Employees.

High Touch: Shaping of Identity within the Company, special Closeness to the Employee and Customer.

„Value Monitoring“ can be

1. a Scoring – Model
2. an operative Help for Decision-Making for the systematic Selection of Action Priorities
3. a Score Evaluation Method with an electronic Scorecard
4. an Efficiency Analysis
5. an qualitative Evaluation Method for Potential- and Risk-Analysis
6. a Method of Process-Optimization
7. a Training-Tool for HR Management and Development

Yield Management

- Hotels and Hostels are capacity-constrained service providers
 - Capacity is relatively fixed (beds resp. rooms)
 - Demand is derived from distinct market segments (target groups)
 - Inventory is perishable, an unsold room today can not be sold twice tomorrow to make up for lost revenue
 - The product is often sold well in advance of consumption
 - Demand fluctuates significantly (high and low season...)
 - Relatively high fixed and low variable costs

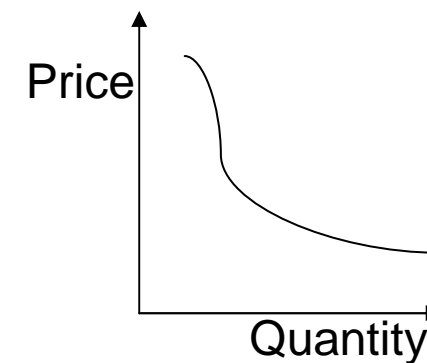
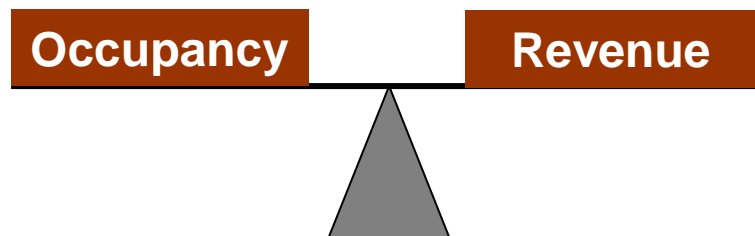
Yield Management

Allocating

- right type of capacity to the
- right type of customer at the
- right price and
- right time to maximize revenue or yield

→ $\text{RevPar} = \text{ARR} \times \text{Occupancy} = \text{Yield}$

→ Bed yield for hostels!



Yield Management

Known input parameters

- Capacity
- Price
- Occupancy
- Demand
- External factors (holidays etc.)

Unknown input parameters

- Future demand
- Cancellation rate
- No shows
- Unexpected external factors...

Pragmatic approach (example):

- Differentiate your guests (e.g. groups, individuals...)
- Fixed price for groups in one season for single / double room or dorm
- Fixed revenue per room for individuals, e.g. € 40 for a single / double room or € 10 for a 4 bed room in the low season, € 60 in the high season

Yield Management

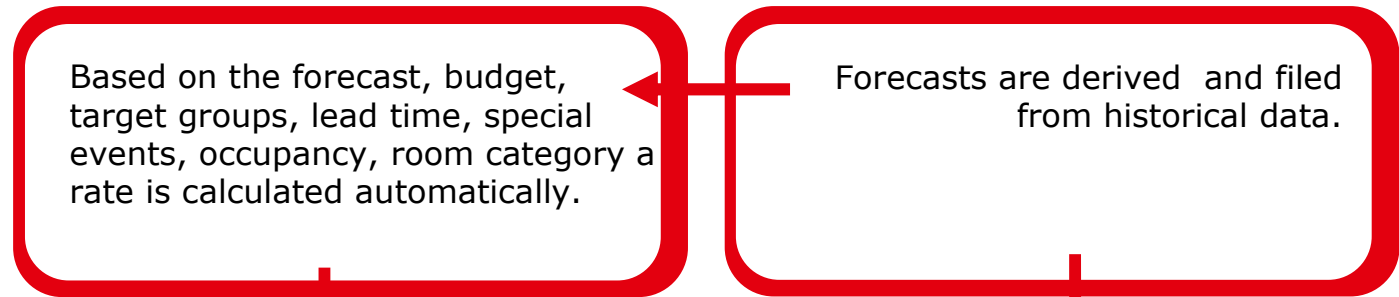
Key to successful yield management:

- Knowledge of what drives demand for your hotel
- Awareness of your competitors activities
- Experience of what can cause fluctuations in demand
- Understanding of what the hotel expects to achieve in yield
- Training all staff so that yield strategies make sense and can be explained simply to the guests

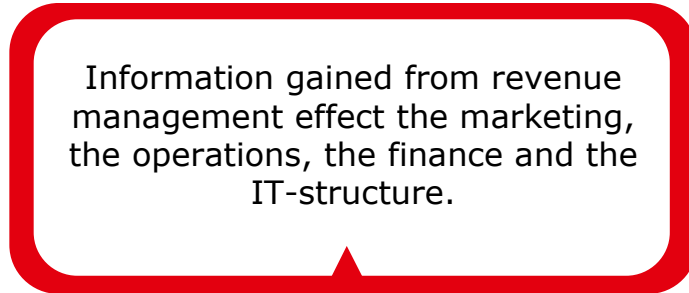
Best Practice

Pricing

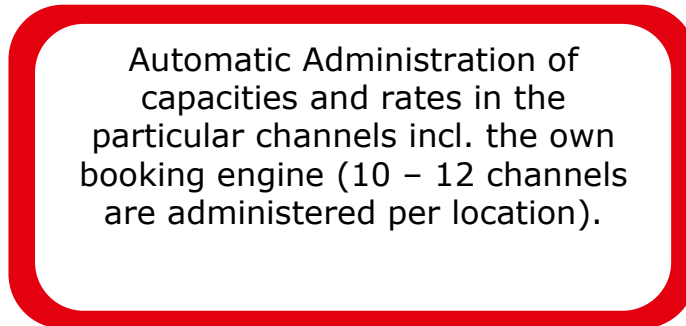
Forecast



Revenue Management



Distribution



THANK YOU FOR YOUR ATTENTION!

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