

What Hotels Should Consider with Strategic Partnerships

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Forming strategic partnerships with nearby demand generators can greatly benefit your hotel financially while increasing your reach and visibility. These associations and pinnacle partner affiliations, can help position your hotel within a referral market between the partner's client base and vendor



relationships. A truly effective partnership in which services and products are traded, however, must allow for both parties to achieve an acceptable return on their financial investment. Such investment may be in terms of cash and / or in services that have intrinsic value. The competitive benefits of a partnership can typically include the hotel securing guest room blocks as well as banquet functions that its competitors are not given the opportunity to capture. In trade for this funnel of business, partners receive discounted pricing, exclusivity, and often added publicity. This article will explore how the hotel should present proposed partnerships to its owners and management and the importance of evaluating the potential gain from these associations.

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Partnerships with Key Demand Generators: These partnerships help drive occupancy and revenue from the target customer base. Organized, youth sports facilities, professional athletic centers and entertainment destinations provide opportunities for guest referrals. Typically, this type of partnership does not involve any financial commitment or the exchange of services or products. This arrangement is strictly a marketing agreement between each entity and involves referring business to each other. It can also include cross-referencing each entity on their respective websites, social media platforms and circulated print materials. Additional examples of such partnerships might include museums, zoos, and theme parks.

Partnerships that Position the Hotel: With this type of partnership, the hotel is strategically aligning itself with a business entity that serves as a key revenue driver within their target market. The hotel becomes an extension of the partner and gains credibility in the eyes of their clientele. Some of these types of partnerships require a financial investment to be listed as the “Official or Preferred” hotel for the venue. Examples of this might include the local symphony, unique family destinations, art museums or key concert and entertainment venues. Such partnerships are designed to help differentiate your hotel from its competitors.

Partnerships with Services and Products Exchanged: This type of partnership is probably the most complex. Also referred to as a trade agreement, this type of partnership involves the exchange of services and products that have value and must be financially accounted for properly. Such partnerships require a detailed return on investment analysis. The following elements should be considered before entering into this type of alliance:

- **What is the reason for the trade?** The potential gain needs to be clearly defined as well as any external benefits from partnering. For example, how many anticipated room nights or how much food and beverage revenue would the hotel anticipate gaining from this trade agreement? What will the partner receive in exchange in terms of their services and products? At this time, you should also ask yourself if this agreement is necessary and beneficial to the overall success of the hotel.

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- **What services or products will be exchanged?** For this part of the ROI analysis, all services and / or products to be provided by each party needs to be clearly defined. For example, the hotel might agree to provide a specified number of rooms complimentary or at a reduced rate in exchange for a specific event exclusively utilizing their hotel. With such an arrangement, the financial value of the services and products need to be clearly specified.
- **What is the total value of services and products exchanged?** Continuing with the example above, when defining each service or product for this type of partnership, it will be critical to assign a dollar value to each item. This section of the analysis should also include any potential guestroom and banquet revenue displacement impacting the true ROI.
- **Terms of partnership agreement.** On this last element of your analysis with this type of partnership agreement, please remember this is a contract plain and simple. The terms and conditions of such an agreement should include all of the legally required language your regular group sales contracts would include, as written and approved by the hotel's owner or management group's legal counsel.

In summary, we reviewed that the ideal strategic partnership is one in which both parties have the opportunity to obtain an acceptable return on their investments. We outlined the various types of partnerships that a hotel might consider, with particular focus on those that involve an exchange or trade in services and products. Finally, an analysis of the value of the return on investment was encouraged. HPS supports the use of such partnerships to expand the reach and visibility of the hotel and reinforces the sales and marketing efforts of the property. Contact us to complete a competitive market analysis and to identify your pinnacle partnerships.

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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/>