

## **IN TROUBLED TIMES, SAVVY TRAVEL MARKETERS UNLEASH THE VALUE OF THEIR INVENTORY**

*By Jody Merl, President of Innovative Travel Marketing*

The tentacles of a volatile economy are permeating New York's travel industry. Occupancies are drastically plummeting due to pull-back in demand, with more and more unsold hotel rooms available. Insightful hoteliers are tapping the equity of their empty accommodations as a strategic financial tool. By converting that inventory into 'currency', they are using the value of unsold rooms as purchasing power to help finance marketing.

Executives have a fiduciary responsibility to hotel owners and shareholders to maximize the inherent equity of their unsold rooms. Integrating a barter line in the marketing budget is genius: it's a no brainer, yet the "it's not in the budget" argument gets in the way of common sense.

Even a small percentage of unsold hotel rooms can be exchanged to fund valuable marketing tools, such as consumer advertising; plus, the hotel benefits from the end users of these "barter" rooms -- guests who ultimately bring new business, revenue and occupancy to the hotel company.

Once an outside-the-box financial strategy, barter is now growing in prevalence as a mainstream business practice, yet, there remains reluctance among some companies to practice trade. Why doesn't everyone barter? Many hesitate due to lack of knowledge of barter's benefits, or they limit themselves due to an antiquated accounting system, or they are dealing with executive bonus systems that are based on budget (hoteliers typically earn bonuses on their ability to make it through the year within budget, as opposed to receiving incentive compensation on profit and cash flow).

Clever hoteliers use barter to expand their ability to buy needed services and product, whether buying advertising or soft goods. By taking 1% of your potential room revenue that goes unsold, your hotel can realize a significant credit to purchase media placements, merchandise or hotel upgrades that would increase sales. This is the fundamental benefit of barter: transforming inventory into currency that can procure goods and services to drive revenue.

In turn, most media companies are trading their unsold (and perishable) advertising space or air time to bring in new advertising clients, or they may be bartering such advertising for hotel and travel services to save money on travel/entertainment expenses and sales promotional costs.

NYC properties as wide-ranging as Affinia Hotels, Flatotel, The Carlton and The Sherry-Netherland, are using barter. These hotels creatively use the value of their unsold rooms as purchasing power to help finance marketing, while at the same time, they expand their cash flow.

The practice of trading goods and services has been around for centuries, but today barter is one of the most innovative financial tools available in the corporate world and a multi-billion dollar industry, according to the Barter Industry Association. In the world of the hotel business, the practice of bartering perishable rooms should be a requisite financial strategy.

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