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What Part of No Don't You Understand? How to Track and Assess Lost Group Business

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Introduction

Sales managers hear the word "no" more often than "yes." Booking group business in hotels, conference centers, and convention centers typically requires a large number of leads in the expectation that a few of those leads will ultimately convert into the sale of hotel rooms and function space. Most sales managers would consider the conversion of one in five leads to a piece of group business as an excellent conversion rate. However, there has not been a systematic way for managers to analyze their methods. HVS proposes to offer a new way for sales managers to assess their own efforts and gain more information about their markets.

In assessing their performance, sales managers naturally tend to dwell on the smaller set of positive outcomes and avoid considering the more frequent experiences of failure. They direct their future sales efforts toward the types of clients with which they have achieved success and try to replicate the sales strategies and techniques that have worked in the past. While this is an understandable and useful approach, an exclusive focus on past success may have the affect of narrowing sales approaches to only the tried and true. Ignoring lost sales only limits the potential for sales growth.

Sales managers can gain a wealth of information through a complete understanding of the reasons for lost business. Knowledge about the losses can lead to new sales strategies and product improvements that can increase the rate of success. A thorough understanding of failures can also help sale managers avoid unsuccessful strategies and better develop sales leads.

Failure to Understand the Reasons for Lost Business

As industry analysts, HVS frequently combs through lost business reports of hotel sales departments, convention and visitor bureaus, and convention centers. For the most part, we find that these reports generate an incomplete understanding of the reasons for lost business and may create inaccurate perceptions that are counter productive to improved sales strategies. For example, a singular focus on the lack of hotel room capacity as the reason for lost business may lead to a strategy of room supply expansion that does not address important secondary reasons for lost business. Lack of capacity may just be the easiest and most comfortable excuse offered by the event planners, when in fact, lack of destination appeal or poor service quality may ultimately cause event planners to choose other destinations for their events. Facilities management needs accurate data on the causes of lost business in order to avoid wasting time and money on purported remedies that fail to address the true problems.

Likewise, for their own success, sales managers need the feedback that solid data on lost business can supply. Sales managers often rely on anecdotal information about the success or failure of particular sales initiatives—usually the most recent experience—rather than analysis of accumulated data. Even good sales strategies are not always successful and a short-term and narrow focus on failures may lead to unnecessary changes in sales strategies. Aggregate information and long-term trends provide the best guides to understanding the reasons for success and failure.

A New Approach

This article describes an approach to consistent and thorough gathering of lost business data. The sales process starts with a "lead" which may include any prospective client regardless of its level of interest. A conversion of a lead to "tentative booking" involves tentatively reserving dates, space, and/or hotel room blocks. For the purpose of this

Summary

Group sales managers in hotels, convention and conference center, and CVB's need to understand the reasons for lost business. This article presents a comprehensive approach to lost business analysis that helps increase group sales.

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article, HVS defines lost business as the failure to convert a tentative booking to a sale. This is not to ignore the analysis of lost leads at the initial phases, but rather to focus on the decisions of serious potential buyers. A sale should be considered complete or "definite business" once a contract is signed, even for events that may be subsequently cancelled.

The Five Ws

Lost business reports should answer five questions about each lost event: What? Who? When? Where? and Why?

What Type Of Event?

The answer to this question—what type of the event was lost?—has at least five components. Sales managers should classify lost business using a uniform classification system[i] that indicates:

1. the type of organization (association, corporate, SMERF, government, etc.),
2. the size of the event as measured by the number of room nights and/or potential attendees,
3. the geographic origin of attendees (international, national, regional, state, or local),
4. the industry classification of the event (medical, manufacturing, accounting, etc.), and
5. the types of spaces that would have been used by the event (meeting, ballroom, exhibit, etc.)

Each of these five classifications should include a standardized set of mutually exclusive categories that capture a meaningful distribution of event types. For example, if nearly all group business is corporate, then a more refined breakdown of the types of corporate business may be appropriate (e.g. training sessions, shareholder meetings, product introductions).

Who Decides?

Who made the decision not to hold the event at your venue? The decision making process is not always apparent to sales staff. Event location decisions may be made by the event planner, a selection committee, a board of directors, a senior executive, or a combination of the above. Understanding the source of the decision and the process by which that decision is made is essential to the ability to influence potential clients.

When Does the Loss Occur?

The question of when the lost business occurs has two necessary answers for each event:

1) the date on which notification of lost business occurred (if any) and

2) beginning and end dates on which the event occurred or would have occurred had it not been lost.

This data is particularly useful in measuring positive and negative trends in sales efforts. An increase in the amounts of lost business may indicate a stronger sales effort if it is associated with a higher volume of tentative business. Increases in lost business may also indicate a declining conversion rate of tentative to definite business. Unfortunately, most lost business databases don't include successful conversions and therefore do not allow for the calculation of conversion rates, which is a key measure of the effectiveness of a sales force.

Where Did the Event Go?

The answer to the question—"Where was the event held?—identifies the winning city and/or the winning property. Information on the identity of the successful competitor combined with data on their facility characteristics, lost event types, conversion rates, and the reasons for lost business, can yield valuable information on the strengths and weakness of the primary competitors. Sometimes lost business databases use "lost to a competitor" as a reason for lost business which it is not. Most lost business databases identify multiple competitors for a single event, but they often fail to identify the successful bidder. Frequently, event organizers are unwilling to identify the property they ultimately selected so it may be necessary to rely on reader board services to identify the specific property in which the event was located.

Why Was the Booking Truly Lost?

Understanding the reasons for lost business is perhaps the most important information in a lost business database, yet the most elusive. First of all, obtaining honest and accurate information is difficult. Event planners may give the most convenient excuse rather than a more brutally honest answer. For example, it is easier to say "your price is too high" than to say "your sales presentation was confusing and disorganized." Secondly, causes for lost business are usually complex and involve many explanations. A complete lost business database should prioritize the importance of multiple reasons for lost business and measure whether any individual factors are "deal breakers." Lack of meeting room capacity, for example will break a deal, but lack of destination appeal may only partially influence a negative decision.

The categories of reasons for lost business are likely to be unique to each venue but they should provide a meaningful breakdown of the lost business so that any single reason such as "other" does not constitute a majority of events. The first level of explanation should distinguish the three following categories:

- Cancelled events—includes tentatively scheduled events that ultimately did not occur at any venue, but excludes events cancelled subsequent to the execution of a contract, which typically involves cancellation penalties.
- Turned-down business—includes tentatively scheduled events that venue management ultimately decided not book. Reasons for turn-down business may include schedule conflicts, concerns about the ability of the event organizer to adhere to the terms of the contract, or other reasons.
- Rejections—this category should be reserved for tentative business that was lost to a competitor due to a decision by the event organizer.

The reasons for lost business may apply to all three of the above categories of lost business. Often lost business reports summarize free form and unaided answers to the open ended question of "Why didn't you choose us?" While free form answers may contain some of the needed information, that information can only be aggregated and properly analyzed if the reasons are categorized and prioritized in a meaningful way. Categories of reasons for lost business may include:

- Capacity—lack of appropriate facilities (hotel rooms, meeting space, banquet space, exhibition space)
- Services—the quality and availability of required services (this may involve concern over the quality of food and beverage service, union work rules, and overall quality of staff services)
- Price—may include the costs of transportation, hotel rooms, space rental, food and beverage, and services
- Destination Appeal—which affects the ability to attract attendees (nearby restaurants, retail, and entertainment amenities and overall city image)
- Transportation Access—lack of access by attendees or delegates (airport capacity, highway access, proximity to attendees)
- Security—concerns over security and safety of attendees
- Climate—normal seasonal weather and fear of weather or geological events such as earthquakes, hurricanes, or floods
- Responsiveness—involves the relationship between the sales staff and the event organizer. Was the response to an RFP complete and well done? Did sales staff respond to calls in a timely manner? Did the sales staff understand the needs of the event organizer?
- Date Conflicts—preferred dates are not available for the event

The influence of each of these reasons should be ranked on the following scale: 1) extremely negative ("deal breaker"), 2) negative influence, 3) neutral, 4) positive influence, 5) extremely positive or 6) not a consideration.

How Should the Data Be Collected?

How should lost business data be collected? The answers to the first three questions: What, Who, and When can and should be addressed by the sales staff at the beginning of the sales process because it is information the event organizer is willing and able to supply. It is also information that is useful to sales managers during the sales process. The questions: Where and Why are questions that are more difficult to answer and can only be done after the business has been lost. Typically, the sales representative responsible for the client either relies on prior information exchanges or undertakes a follow-up call and asks to be debriefed on the decision. These informal exchanges are usually, but not always recorded into some form of lost business database.

This approach is unlikely to achieve the desired outcome of obtaining consistent and reliable information. The first problem is a lack of uniformity in the way in which the questions are asked. As in any survey, results can easily be skewed by the way in which the questions are posed. Secondly, as pointed out earlier, the event organizers may not provide candid answers to questions that reflect negatively on sales managers or their products and services.

The follow-up with event planners on lost business should have two goals: 1) acquiring unbiased information about the reasons for their decision and 2) fostering a positive ongoing client relationship. The request to event planners for lost business information should include an expression of appreciation for their interest and a commitment that the information they provide will remain confidential.

By using a third party such as HVS to survey the event planners, the facilities sales managers would no longer need to confront the event planners with whom they seek further business. In addition, an independent surveyor may be better positioned to obtain an unvarnished response. The confidentiality of event planner information is paramount and the third party must be absolutely committed to protecting the identity of the event planners and the information they provide.

HVS recommends conducting a standardized survey of the event organizer as soon as possible after the business is lost. The survey could be web-based and conducted via email or administered over the phone. A combination of email and phone methods would most likely produce the highest response rates. A well-designed standard form of survey will ensure that complete and uniform information is gathered with the least amount of burden on the event planner.

Finally, careful statistical analysis of the results that describes the distribution of responses to each question and cross tabulates responses from various questions will yield valuable information and pinpoint the reasons for success and failure. Consistent collection, aggregation and analysis of lost business data will provide indicators of relative strengths, weaknesses, and trends in sales efforts. Armed with appropriate lessons from their failures, sales managers can more accurately target their markets, undertake new sales strategies, and measure their improved success rates.

[i] For a thorough discussion of event classification, see: Thomas Hazinski, *What is an Event? Rebuilding the Tower of Babel*. (http://www.hvs.com/Jump/?aid=2722)

About the Author

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About Thomas A. Hazinski

Thomas Hazinski leads the HVS Convention, Sports & Entertainment Facilities Consulting practice (HVS CSE), which he founded in 2001. Tom advises state and local governments and private entities on the development of convention centers, sports facilities, performing arts centers, and many other types of public assembly facilities. HVS CSE provides feasibility studies, operational analysis, economic and fiscal impact analyses, and tax projections that support the issuance of public debt. Tom earned an advanced degree in Public Policy from the University of Chicago, where he has recently served as an adjunct professor, teaching a graduate level course in state and local finance. With seven years of governmental experience and over 25 years of consulting experience, he is a widely published industry leader. Tom has work on over 600 studies of public assembly facilities and mixed-use developments in nearly every state in the US. His extensive international experience includes hospitality and mixed-use projects in Europe, Asia, Africa, and the Middle East. Tom is also a leading expert on public/private partnerships in hotel development. Contact Tom at .