A small luxury hotel prospers in difficult times

Presented by Jamie Holmes and Madigan Pratt
The Challenge

The 2008 – 2009 economic downturn has impacted all businesses. The luxury travel industry is not exempt and in fact, has suffered the greatest decline among all hotel segments. For Nisbet Plantation, this was only one of the challenges it faced.

While air service to the Caribbean has declined 17%, service to Nevis has become virtually extinct. The island’s largest hotel — a major source of lift demand — closed in October 2008 for 20 months for repairs. Nisbet guests now have to fly to neighboring St. Kitts and take a water ferry to Nevis, making access to Nisbet somewhat arduous.

Faced with multiple challenges, many hotels have taken drastic measures to try to survive. However, Nisbet has remained focused on the basics. The resort has stayed true to its luxury brand, which was built around personal service, and its long-term customer relationship marketing (CRM) program.

With a strategy focused on the four P’s of marketing (product, price, place and promotion) and the customer experience, this small, independent hotel is successfully overcoming today’s difficult times. With a limited budget and a lot of ingenuity, Nisbet has fared far better than the region for occupancy and maintained average daily room rates for higher revenue.

The Solution

To protect its business, Nisbet addressed each of the four P’s of the marketing mix and how it related to the total customer experience, before, during and after a stay.

Product

Nisbet’s management team took steps to minimize the market’s impact by enhancing the customer experience and maintaining fiscal responsibility.

Manage staffing

Many staff members have been with the resort for more than a decade. They are engaged and committed, directly attributing to Nisbet's high guest satisfaction. With grim predictions for travel, management gathered its staff to discuss the impact and decide whether there should be layoffs or reduction in staff hours.

Employees decided to face the challenges together instead of having layoffs. Staff hours were adjusted based on occupancy, but were kept at appropriate levels to ensure consistent delivery of service. In addition, since the staff was involved in the decision, they remained committed to delivering the brand promise.

Cut expenses, enhance the experience

Every expense was scrutinized as to its importance on the resort’s operations and to the guest experience. Cost savings were implemented only when it did not have a negative impact for guests.

For example, the lowest room category was taken out of service to save on energy costs. However, reservations continued to sell the rooms. When guests who booked these rooms arrived, they received a complimentary upgrade much to their surprise and delight.

Expand amenities

While many hotels were cutting back, Nisbet was expanding its amenities. Kayaks, sailboards and scooters, which were available through a third party, were added at no cost to the resort.
At a minimal cost of $600, Nisbet purchased four Flip video digital cameras for complimentary guest use. The cameras have been warmly received by guests and the media. Nisbet has also received additional exposure due to guests sharing their videos on YouTube.

Price

During the 2001 – 2002 recession, Nisbet minimized rate reductions and recovered quickly. Despite the severity of the current recession, Nisbet once again decided to minimize brand-eroding rate reductions and focus on value.

Maintain rates

Many luxury resorts in the Caribbean and around the world have slashed rates in an effort to increase occupancy. Research has shown that this tactic not only hurts revenues, but in the long-term, damages brand integrity and hinders the hotel’s ability to recover post-recession.

To compete against such “deals” as $99 a night at a 5-star hotel and 65% off at an all-inclusive resort, Nisbet did reduce rates but only slightly (see ADR index on page 5).

Value-added packaging

Instead of focusing on rate reductions, the resort promoted added values with new amenities and special offers. Reservation agents also stressed the value of a Nisbet Plantation vacation to travelers.

Additionally, Nisbet’s management empowered the reservation agents to have ownership in making sales decisions. Agents had the authority to offer incentives to convert more inquiries to immediate bookings. Incentives were high in perceived value and low in cost, such as a $100 drink credit that cost the resort $30, and did not erode rates or RevPAR.

Place

Nisbet looked at all distribution channels to increase occupancy. To increase travel agent bookings, Nisbet Plantation makes regular sales calls to top agents.

Following a visit, Nisbet sends a personalized letter with a complimentary stay certificate for the agent and a guest. Nisbet Plantation also writes a personal thank you letter to travel agents for each booking.

Additionally, Nisbet has processes in place to capture contact information of travel agents that the resort has called upon, done business with or has met at events. Using this targeted list, Nisbet is able to communicate directly with the agents and build loyalty.

Nisbet also gives sales presentations to its leading tour operators, and regularly monitors online travel agencies to ensure its offers are competitive and its information is up-to-date.

Promotion

For nearly a decade, Nisbet Plantation has embraced the principles of CRM (see chart on next page). This approach seeks to manage the relationship throughout the customer lifecycle, from awareness to loyalty. At the core is a comprehensive database, which includes key customer, prospect and travel agent information.
This enables Nisbet to follow direct marketing best practices and send highly targeted personalized and relevant communications to guests and prospects.

CRM also enables Nisbet to be cost-effective in its efforts. Acquiring a new customer is five to seven times more expensive than maintaining a profitable relationship with an existing customer. Therefore, Nisbet focused more on retaining past guests and converting prospective travelers who expressed an interest in the resort.

Communications, focused on the experience and value, are integrated across all channels and are designed to elicit a measurable response such as a Web site visit or call to reservations.

**E-mail marketing**
A regular e-newsletter is sent to past guests and prospects. Open and click-through rates of approximately 40% far exceed hospitality industry averages.

In 2008, Nisbet upgraded its database software. The new system automatically creates HTML e-mails for booking confirmations, pre-arrival messages, post-stay thank you letters and reminders. Messages can be customized for each guest, which is reflective of Nisbet’s personal touch.

**Public relations**
To increase visibility, Nisbet has a proactive public relations strategy. News and special offers are promoted to travel media through press releases, media pitches and relationships with key outlets. Nisbet also actively pursues media opportunities and press visits. Between 2008 and 2009, Nisbet Plantation’s press coverage increased by 85%.

**Social media**
Nisbet Plantation embraces the opportunity to have a dialogue with its public. It was one of the first Caribbean resorts to create a blog and it recently launched a Facebook fan page. While both sites attract significant numbers of visitors, the objective is to create an environment where guests and prospects can interact with each other and the resort’s staff.

**TripAdvisor**
Word of mouth is a hotel’s most effective advertising tool. In today’s digital age, it is even more powerful due to online review sites, such as TripAdvisor. While many hotels shun TripAdvisor, Nisbet embraces it as past guests are its strongest brand advocates.

To address this, the resort employs numerous proactive TripAdvisor strategies including ongoing monitoring of reviews and promptly responding where appropriate. It is one of only an estimated 4% of hotels on TripAdvisor that respond to negative reviews, a trait seen as favorable by prospects. In 2008, Nisbet was named “The Best Luxury Resort in the Caribbean and Latin America” in the TripAdvisor Traveler’s Choice Awards and today consistently maintains a top 10 standing in the region.
New brochure
Since full brochures are expensive to produce and distribute, Nisbet developed a new self-mailer brochure that mirrors the full brochure and includes new rates and photos. The mini brochure is a cost-effective way to distribute a quality message and drive prospects to the Web site for more information. It’s also an inexpensive way to communicate with key travel agents.

Web strategy
With communications driving responses online, Nisbet’s Web site plays an integral role in its CRM program. The resort regularly adds new photos and fresh content that would be of interest to prospective guests. To ensure search engine visibility, the site’s metrics and keywords are evaluated on an ongoing basis.

Results
Throughout these difficult times, Nisbet Plantation has achieved strong occupancy and maintained ADR rates that outperform the Caribbean.

![ADR Index Chart]

**ADR**
Financially, Nisbet experienced a record year in 2008 with increases of nearly 16% in ADR and 20% in room revenue compared to 2007. This was significantly better than the Caribbean, which experienced a 10% decline in ADR and a 4.5% decline in revenues during the same period².

Through August of this year, Nisbet’s ADR has declined 10% versus 2008. This is better than the Caribbean, which according to Smith Travel Research saw ADR drop 17% (see chart).

**Occupancy**
Prior to the economic downturn last fall, Nisbet Plantation historically maintained one of the highest occupancy levels in St. Kitts and Nevis. While Nisbet has experienced a drop in occupancy compared to 2008, it still has one of the strongest occupancy levels in the two-island nation⁵.

In July 2009, a traditionally slow month, Caribbean hotels reported an occupancy drop of 1.6%. Nisbet, however, reported a 20-point increase over 2008 with a record of near 60% occupancy. While one month doesn’t represent a trend, Nisbet is currently reporting strong forward bookings and is ahead of 2008.

Conclusion
Faced with challenging economic conditions and weak demand, many Caribbean hotels have resorted to deep discounting to attract travelers. This tactic has not stimulated demand and thus, ADR and revenue have both suffered. Research shows that deep discounting also negatively impacts long-term performance as hotels face trade and consumer resistance as they try to increase rates to pre-recession levels.

Nisbet Plantation has maintained its brand integrity and service promise, delivering an excellent guest experience before, during and after a stay. It has shied away from rate reductions, embraced its CRM program and thus fared significantly better than most Caribbean hotels. By focusing on the basics with innovative approaches, it is performing strongly and well-positioned to prosper as the economy recovers.

www.madiganpratt.com
About the Authors

Jamie Holmes, General Manager
Nisbet Plantation Beach Club, Nevis, West Indies

Jamie Holmes joined the staff at Nisbet Plantation as General Manager in summer 2008. Jamie has nearly 30 years of leadership and senior management experience at luxury and boutique hotel properties in the U.S. and Caribbean. While General Manager at Peter Island Resort & Yacht Club, he earned the honor of British Virgin Islands Hotelier of the Year.

A Certified Hotel Administrator, Jamie was the Founding Chairman of the Environmental Committee of the Caribbean Hotel Association and the Caribbean Alliance for Sustainable Tourism. In addition, Jamie has served as an Executive Committee member of The Caribbean Hotel Association and a Board member of the St. Thomas/St. John Hotel Association.

Madigan Pratt, Managing Director
Madigan Pratt & Associates, Inc., Williamsburg, Virginia

Madigan Pratt has more than 25 years of strategic marketing communications experience, including advising Fortune 500 companies, Tourism Boards and destinations, and luxury resorts. Madigan leads a team of marketing, public relations and social media professionals at Madigan Pratt & Associates. The customer relationship marketing agency specializes in helping upscale resorts, hotels and destinations acquire and retain profitable customers.

A well published author and popular conference speaker, Madigan provides expert counsel to the hospitality industry and publishes tips on his personal blog, www.HospitalityMarketingBlog.com. He has served on numerous travel industry association boards including the Caribbean Tourism Organization, The Association of Travel Marketing Executives and HSMAI Resort Marketing Advisory Board.

Sources

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