

# Case Study: Comparing Different Arrival Upsell Approaches

## 1 INTRODUCTION TO CASE STUDY

At Nor1 our goal is to provide hotels with solutions that are efficient; sustainable; and most importantly that optimize the amount of revenue that can be extracted from available inventory or in-house outlets.

The following case study analyses just one of the touch-points that Nor1 serves during the Upsell Lifecycle – Arrival Merchandising. Three different approaches to conducting upsell activities at the front desk are compared. Two older but effective approaches: In-House Manual based programs that are performed internally by hotel properties; 3rd Party Vendor - Training/Support approaches and finally Nor1's new PRiME CheckIn Merchandising solution that combines state of the art training and technology.

To create an “apples to apples” comparison our data scientists only considered the Nor1 transactions that occur at the Front Desk, not included are the upsell transactions that Nor1 conducts at booking and via pre-arrival communications (email and SMS). Nor1 has unique insights into inventory dynamics and utilization for our clients. We believe that we analyzed a sufficiently large sample size (15+ million reservations; across full service properties; broken into 4 groups; (No Program; In-House; 3rd Party; PRiME CM) and over a representative time period – all of 2017.

**Jason Bryant, Founder, CEO, Nor1**

## 2 PROGRAM CHARACTERISTICS

### In-House Program – 100% Manual

- Internally created; managed. (Usually no brand standard)
- Manual Static Pricing & Merchandising.
- Complete Manual Data Entry, Auditing and Reconciliation Process.
- Heavy reliance on a single management person (Program champion)
- Prone to low sustainability over time because of agent turn-over; attrition or champion being reassigned.

### 3rd Party Vendor – (Training-Support)

- Manual Static Pricing & Merchandising.
- Require frequent re-training to cover agent turn-over; attrition or Champion being reassigned. (High cost associated)
- No Real-time Feedback or Stats.
- Heavy reliance on a management person at property
- Partial/Complete Manual Data Entry, Auditing and Reconciliation Process.

### PRiME CheckIn Merchandising – Automated Intelligence (Technology, Training & Support)

- Intelligent Pricing & Merchandising with Real-time Inventory. (Revenue & inventory optimization)
- 2-Way Interface with PMS, Automatic Posting and Real-time Inventory. (Operational efficiency with minimize human error)
- Continuous Training, Feedback & Engagement with Real-time Online Dashboard & Live-chat Support.
- High sustainability regardless of agent turn-over; attrition or champion being reassigned.
- Complete Automatic Auditing and Reconciliation Process. (No manual effort, No data entry)

# 3 UPSELL OPTIMIZATION INDEX

In order to accurately evaluate performance across different measurement periods (*there are too many variables to simply compare month over month revenue*), **Nor1®** has created an **Upsell Optimization Index** that correlates to the revenue opportunity by taking all of the following measurable factors into consideration:

## Supply Statistics:

- | Volume of standard, suite and premium inventory room.
- | Blocking and assignment.  
(High cost associated)
- | Volume of suite and inventory sold at booking.
- | Volume of non-room offers available.

## Demand Statistics:

- | Price of suite and premium offers.
- | Value of “non-booked” suite and premium inventory.
- | Number of eligible guests arriving.
- | Number of eligible guests engaged with offer.
- | Number of engaged guests who respond.

**Nor1's Optimization Index** is expressed as a percentage of 100% optimization, which can be applied to calculate overall revenue performance

# 4 UPSELL OPTIMIZATION INDEX (AVERAGE OPTIMIZATION BY PROGRAM)

IN-HOUSE MANUAL

37%

3RD PARTY TRAINING  
SUPPORT

53%

PRIME® CHECKIN  
MERCHANDISING™

67%\*

## AVERAGES BASED ON:

- 15+ Million Transactions
- Full-service Profiled Properties
- 482 Properties
- 2017 Performance (365 Days Reviewed)

## Notes:

1. For this analysis, commissions for both **PRIME® CM™** and 3rd Party Training Support Solutions have been equalized.

(although in practice PRIME® CM™ is typically offered with far more competitive terms).

2. Analysis assumes a 12 month-rolling assessment of programs.

(A single month's performance doesn't accurately reveal a program's sustained performance)

\* This percentage solely reflects the comparative performance value of Nor1's CheckIn Merchandising solution. If the full Nor1 suite of products were included in the revenue optimization equation Nor1's equalized index would be 77%.

# 5 OBSERVATIONS FROM ANALYSIS

- In-house programs exhibited an upper-bound limit (~40%) of optimization based on a variety of factors. Primary factors include lack of real-time offer and pricing management, agent measurement, engagement tools and operational friction.
- PRiME® CM™ has a higher upper-bound limit based on the fact that each transaction is optimized real-time and is based on a number of inputs. Number of check-ins with an upgrade offered is higher. Conversion of each transaction is higher. The price point per transaction is higher.
- Both In-house and 3rd party training systems exhibit diminished returns on optimization after 60 days of training. Without manually re-training, they lose about 30% of overall value before stabilizing.
- PRiME® will exhibit deterioration, however this is remedied each month based on the ability of PRiME® to detect sub-optimal performance real-time with clear recommendations on remediation.

# 6 COMPARISON SUMMARY

## REVENUE

- PRiME® CM™ generates ~20% to ~25% more revenue than other 3rd party manual/training systems.
- PRiME® CM™ generates ~40% to ~50% more revenue than in-house systems.

### Net Revenue Production Comparison (Including Commission Paid)

	vs. In-House	vs. 3rd Party	vs. PRiME
In-House	N/A	↓ -23%	↓ -52%
3rd Party	↑ 23%	N/A	↓ -24%
PRiME CM	↑ 52%	↑ 24%	N/A

### Gross Revenue Created

	vs. In-House	vs. 3rd Party	vs. PRiME
In-House	N/A	↓ -44%	↓ -79%
3rd Party	↑ 44%	N/A	↓ -24%
PRiME CM	↑ 79%	↑ 24%	N/A

## EXPENSES

- PRiME® CM™ requires ~75% less expense (than either an in-house or a 3rd party system) for hotel to manage, monitor and administer upgrades at check-in.

# 7 BENEFIT SUMMARY OF PRIME<sup>®</sup> CM<sup>™</sup>

## Superior Revenue Performance

- **20% to 25%** greater than **3rd party systems** and **40% to 50%** better than **property based systems**.

## Greater Operational Efficiency

- **50%-75%** less time to manage and administer program. (Time returned to staff that can be focused on guest service.)

## Significantly Better Guest Engagement

- Each transaction is generated specifically for the guest checking in, taking any previous upsell transaction into consideration.

## Built for the Future

- Architected to accommodate both **eCheckIn** and **Front Desk Check-ins**. Assures that upgrade revenue is consistent across both channels, even as the shift toward **eCheckIn** occurs.
- Compatible with and directly integrated into the **PRIME<sup>®</sup>** merchandising platform. (**eStandby; eXpress; eDirect; eReach**)