Could lead-time be the most undervalued KPI by hotel revenue managers?

The philosophy of hotel revenue management is to sell the right product to the right customer at the right time and at the right price, with the ultimate goal of maximizing the hotel's bottom line.

Normally, a hotel evaluates revenue management performance based on ADRs, RevPARs, and occupancy rates. So where do lead-times fit into this? Often this important KPI can be easily overlooked or undervalued.

Should a short lead-time be a point of concern? Today hotels accept that the market is very dynamic and has a high level of complexity: uncertainty is the new normal. So short-lead times are not automatically assumed to be bad – after all, last minute bookings can often be very profitable.

Nonetheless, in general longer lead-times are more desirable for a hotel as they provide many benefits. Few finance directors will turn down the cash-flow benefits or the ability to anticipate staffing schedules more cost effectively. But from a revenue management perspective this allows the hotel more time to shift inventory to direct channels, reduce discounts in opaque channels and reconsider other deals, all in order to maximize the yield.

There is, of course, one very important benefit for hotels when it comes to longer lead-times, and this one is not so easy to measure over the short-term. Longer lead-times allow you to spend more time understanding the profiles of your customers and focusing on preparing to provide them with a memorable experience upon arrival – thus earning more loyal guests.

Earlier this year, distribution technology provider D-Edge analyzed the online distribution performance of more than 200 different channels for 680 properties in Europe between 2014 and 2018. One of the key findings is that Hotelbeds has the highest average lead time, at 60 days, and almost twice as high as Booking Holdings (with only 35). The average lead time across all channels is 39 days and only the hotel's own website comes closest to Hotelbeds, at 41 days.

The lead-times vary from market to market. We at Hotelbeds have found that long lead-times often occur during the high-demand season or as a result of long-distance travel. According to booking data from the Hotelbeds platform in the year-to-date, 45% of United States travelers book APAC accommodation at least one month in advance.

But the one-month advance booking rate of the United Kingdom and Australian markets are even higher, with 63% and 72% respectively. By contrast, the one-month advance booking rate of Asian travelers is only about 39%.

To gain further insight into lead-time trends across different distribution channels and source markets don´t hesitate to contact us to find out more. And don't forget to include lead-times as a key performance indicator when you next do your planning and forecasting for your hotel!

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