

# SMERF

## A Multi-Billion Dollar Market Worth Pursuing

For some people the odd-sounding word “SMERF” conjures up images of blue-skinned gnome-like cartoon characters, but hotel marketers know that the word is really an acronym for a desirable yet hard to measure market. SMERF encompasses the social, military, education, religious, and fraternal group travel market, and because many of these organizations are run by volunteers, it can be daunting to find and market to those decision makers.

**T**racking the size of the SMERF market is difficult. Groopie, a Denver-based privately-owned Web site that serves the leisure group travel market, is perhaps the only entity that has come up with an estimate on the overall size of the SMERF market. Working with PhoCusWright, a travel, tourism, and hospitality research firm, Groopie just subsidized a study of the SMERF market that reports that in 2006 group leisure travel bookings were worth \$87.3 billion. This figure contrasts sharply with an earlier Groopie study that estimated the market at \$18 billion. The discrepancy implies that the real size may not

yet be known, or that ways of measuring it are still being perfected.

Although it may be immeasurable, amorphous, and elusive, the SMERF market is tremendously enticing to most hotels. Mike Fegley, vice president for global sales with InterContinental Hotels Group in Atlanta, estimates that in the military sector alone his sales group does more than \$400 million a year.

InterContinental’s Holiday Inn and Holiday Inn Express, with 2,300 hotels between the two brands, are extremely popular with the Navy and Army due to their price point and location—the hotels are well represented in places where the military has a heavy presence like Norfolk, Virginia, and San Diego, California. Additionally, notes Fegley, the Express brand has “complimentary continental breakfast and the military really likes that.”

“We’re an \$11 billion company as far as room revenue goes,” continues Fegley, “so the military is a considerable piece of our business.” Those numbers could be even higher for InterContinental because it’s difficult to track sales figures from individual hotels that might be working directly with military groups. Furthermore, Fegley estimates that InterContinental’s share is only 12 to 15 percent of the overall military market. “There’s certainly more military business out



there,” he notes.

Valerie Amstutz, Best Western International’s director of worldwide sales operations, admits that it’s hard for her company to measure how much of its overall income comes from the SMERF market since “so much business goes directly to the hotel.” Echoing Fegley, Amstutz says, “Because of the breadth of our organization, group business in general is important to our properties whether they are pursuing that business on their own or whether it is the integration of the business and group opportunities they get from the brand.”

### REACHING GROUP TRAVEL PLANNERS

Plug in the key words “group travel” on a search engine and Groople is one of

site. It also has a partnership with Groople and other third-party group travel sites.

Inquiries for four or more rooms automatically trigger a personal response from Best Western. “At most hotels you can only book up to a certain number of rooms on their Web site or on their toll-free number. Requests for more rooms decrease a hotel’s inventory, so a specially equipped group agent must handle those bookings,” explains Amstutz.

Traditional meetings and convention groups, notes Louise Hurlbut, vice president of marketing for Groople, are easy to define and reach because they usually are planned and managed by individuals who are fairly sophisticated about handling bookings and working with hotels. In contrast, she says,

other third-party group Web sites provide a free, turnkey service to mostly inexperienced group travel planners. Visitors to Groople plug in a destination, dates, and define the type of group they represent. Then Groople presents the organizers with its search results in which hotels are prioritized in terms of appropriateness. “That’s where we’re really different [from our competitors],” asserts Hurlbut. “Because we’ve done so much research about groups, we pretty much know what particular groups are looking for. Our results are tailored to how the group is identified, so organizers don’t have to search through a myriad of hotel possibilities, since we’re able to present them with properties that are specific and relevant to them.”

As more hotels like Best Western introduce their own group booking Web sites, Hurlbut believes the competition will help draw attention to the SMERF market. “Hotels have always had group desks,” she notes, “and many realize that the SMERF market can be profitable business for them, so they are using a variety of marketing strategies to reach it. We think there’s enough business out there to go around. It is a very big market.”

### TARGETING INDIVIDUAL SEGMENTS IN SMERF

Allan Kane, vice president of intermediary marketing and worldwide sales, and Mary Sarkis, regional vice president of intermediary marketing with Silver Spring, Maryland-based Choice Hotels, jestingly call themselves the “king and queen” of SMERF. Kane notes that there are some segments within SMERF that are difficult to target, just as there are segments that are hard to target in other markets, such as leisure and corporate, “but there are others that are very easy to identify such as special interest associations, vacation clubs, church organizations.” Sarkis says that customers get introduced to Choice and other brands via print advertising, the Internet, and leads uncovered by national sales directors. “There are a lot

## Groople and other third-party group Web sites provide a free, turnkey service to mostly inexperienced group travel planners.

the first sites to pop up. The company, which was formed in 2004 to handle the group travel market, now partners with more than 60,000 hotels worldwide. Groople scored a recent coup when it became the official group travel provider for Travelocity, further enhancing its exposure. That partnership means that when visitors to the Travelocity Web site book more than five rooms they automatically and seamlessly come over to Groople.

Best Western, headquartered in Phoenix, Arizona, aggressively targets the group planner market with telesales initiatives as well as advertising initiatives and direct e-mail. It does a lot of list acquisition for telesales and e-mail campaigns in order to drive business to its Web site. The company has a group Web site accessed through its main portal called “groups on line” that requires users to establish profiles and passwords. The company currently has about 20,000 registered users of that

“SMERF groups are often run by volunteers or by people who may not handle an event from year to year. So when you’re dealing with a less experienced audience, you may need to help them through the process by providing the tools that make it easier for them to find the appropriate facilities and travel arrangements for their group.”

Amstutz agrees that the SMERF market needs more hand holding: “They need someone to help them through the entire process because they’re not professional meeting planners.” Best Western has a team of group specialists in Phoenix and an affiliate office in Milan that handles international requests. Staff members walk group organizers through the process and ask them a multitude of questions to determine what they’re looking for in a destination and what their groups’ special interests or needs may be.

Hurlbut says the best way by far to reach SMERFs is online. Groople and



of avenues available,” she notes.

Fegley says that his team doesn't have the resources to go after one-time business and therefore leaves it up to individual properties to focus on the social, educational, and fraternal part of SMERF. A lot of that business is captured by InterContinental's 800 number where requests for more than ten rooms automatically get transferred to a group desk. “Our group desk does about \$40 to \$50 million of those one-time meetings or groups. They take in over 100,000 calls a year,” he notes. The Internet has made it easier to reach these groups. A lot of events such as school reunions are posted online, making the Internet a prime place for hotel sales teams to do prospecting. “They can actually search social business on the Internet easier than before, but it takes a certain knack and it takes time,” says Fegley.

While much SMERF business is often one-time and ad hoc, Hurlbut notes that certain segments within the SMERF are more likely to be repeat consumers. Military groups tend to have annual reunions and Groople has noticed an upsurge in events for Vietnam vets.

School groups almost always have annual travel events. Participation in organized religion in America is huge, notes Hurlbut, so the religious market has tremendous value and potential.

The religious segment of SMERF is second only to the military for InterContinental Hotels. Fegley has a dedicated team that works directly with groups like the Religious Conference Management Association (RCMA). “It's a huge market,” he notes. “There are millions of room nights that are booked each year that are religious-related and the Holiday Inn and Crowne Plaza brands are very successful in that segment.” Fegley notes that many religious meetings favor the Southeastern United States as a destination. Until the city was devastated by Hurricane Katrina, New Orleans was the most popular venue for religious groups.

“We have a business plan targeting specific segments of the SMERF market,” notes Amstutz, who adds that Best Western rotates throughout the segments each year “to see where we're getting the best response rate.” Source codes allow the company to measure and track the effectiveness of its outreach efforts.

Sports group travel, whether professional or Little League, is such a huge category that some, like Amstutz, prefer to use the acronym “SMERFS” to denote that group. “Our sports business is probably about 25 percent of our total SMERF business,” she notes. At Choice, sports has its own Web site and booking desk.

### SOCIAL SEGMENTS

The wild card in SMERF is the social group. “Those are really occasion-driven events built around a birthday, a reunion, an anniversary, a wedding, a girlfriend get-together,” notes Hurlbut. Social groups are the hardest to target but tend to be the least price sensitive making them extremely attractive.

Kane and Sarkis agree with Hurlbut that the social segment is harder to reach. Sarkis says, “Social is a little more difficult only because you have volunteers involved in the planning as opposed to paid staff.” If it's a social group that meets annually, the person in charge of planning that meeting usually changes each year. Additionally, many social organizations have their annual meeting in close proximity to the president-elect's hometown.

Sarkis notes that destination 'bachelorette' parties and the like are a relatively new segment of the social market. Only a few years ago "you didn't see many women friends taking the bride off to Vegas or New York for a weekend away before she gets married." Even though an event such as a bachelorette party isn't going to repeat itself, notes Sarkis, "that type of business is really prone to a lot of solid referral business. If you do a good job of taking care of them once, believe me, they will tell all their friends." The referral market is "enormous," adds Kane, "because people talk." Family reunions are huge, observes Hurlbut, adding that togetherness has become more important post-September 11.

Sarkis' expertise is focusing on the affinity side of SMERFs, noting that every individual within a SMERF group has the potential to be a lifelong cus-

be more flexible."

"The SMERF market fulfills a very useful role in the hotel industry, particularly in the sector in which we play," notes Kane. "A lot of SMERF business is weekend business, and therefore it is a very attractive market to focus on because it complements the different buying categories that make up our place in the lodging industry—corporate during the week and SMERF on shoulder and weekend." Sarkis says that some of her SMERF groups have made a habit of meeting over certain holidays like Memorial Day or July 4th to make sure they get as much participation as possible, which works well for hotels.

Fegley also feels that SMERF groups are more flexible: "They love value so they're more flexible about the timing of their meetings. They're also flexible on where they meet, since they're searching for value." Hotels that need

distribution throughout the United States] is positioned very well for the SMERF market." Sarkis also notes that Choice's portion of the SMERF market has been growing. Kane says that the generally held belief is that the SMERF market is growing four to five percent annually, but Choice is "outpacing the market," running about 9 percent ahead of last year in SMERF-generated business. Sarkis attributes that growth to the Choice brands being "such a fabulous match" to the SMERF market: "We can give them the best dates at the best rates and we probably do that better than many other hotels."

Interestingly, while Sarkis notes that most hotels are chasing after the corporate market, not all hotels are pursuing the SMERF market. "You're not going to see some of the large upscale properties going out after the SMERFs," she says, "so there's less clutter for us to have to cut through to get to those meeting planners."

While the SMERF market is considered to be part of the leisure market, Amstutz believes that the group planner market is less vulnerable to economic fluctuations than the tour operator side. "People will pull back on purchased tours for leisure, but if it's a travel opportunity because of a reunion, a wedding, an anniversary party, they probably will spend the money to participate."

Ultimately, declares Kane, marketing to the SMERF market doesn't require any unique strategies: "I don't want to sound naïve, but if you think about all those people who fit into the acronym, they buy for exactly the same reasons that you and I book hotel accommodations. One is location, two is value for the money, three is lifestyle preferences—and the way sales and marketing professionals communicate these things is via the marketing toolkit, including advertising, brochures, word of mouth, public relations, news articles, the Web, trade shows, association meetings and conventions, and more. If people tell you that they have a way of communicating with the SMERF market that is not universally used in the sales and marketing toolkit, they're misleading you." ■

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tomers of Choice. For example when Kiwanis books meetings, Sarkis' goal is to target each individual within Kiwanis "so whenever they travel I want them to think Choice Hotels first."

### HOW HOTELS CAN USE THE SMERF MARKET

While everyone agrees that the social segment is the most elusive in the SMERF market, not everyone concurs with the premise that the SMERF market is more value-oriented, therefore making it more flexible and a good vehicle to fill up shoulder periods. The perceived flexibility of the SMERF market, cautions Amstutz, depends on the segment and its reason for travel. "If it's a family reunion they all need to be there at the same time," points out Amstutz. "If it's a religious conference they need to be there at a specific time. If they're traveling for social reasons they have a little more flexibility. Military and educational groups tend to

to fill space on weekends love the SMERF business. However, not all hotels work well with the SMERF market, and neither do all destinations: Fegley notes that New York City doesn't actively pursue SMERF business, but suburban New Jersey loves it.

### THE FUTURE OF SMERF

Everyone agrees that SMERF business has great potential. "Specifically this past year we've seen a nice increase in SMERF business," says Amstutz, "and we're also seeing a significant increase in group booking requests coming in off the Internet." She sees that as an indication of growing acceptance of and comfort level with the Internet. Groopie and PhoCusWright predict that by 2008 the size of the market will reach \$94.3 billion.

Amstutz says that in 2006, Best Western's revenue from the SMERF market grew 15 percent over 2005. "I think that the Best Western product [and its