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Mr. Bartnick

Revenue Management

### The Next Generation of Revenue Management Strategies

By Fabian Bartnick, Senior Hospitality Consultant, Asia Pacific, IDeaS - A SAS Company

There is one constant in the hospitality industry - change. What was once considered leading practice in terms of customer service, like express check-outs to avoid morning queues or offering free Wi-Fi to guests, is now expected by many travellers as base level service. Just as service offerings to guests have evolved through the years, so have the operational technologies hoteliers themselves use to ensure that their properties are running as efficiently and profitably as possible.

practice was first used to simply fill rooms, with no real view to the long term effects of these pricing decisions. Using revenue management in this way provided hoteliers in the short term with more customers and spikes of increased revenue, however, this approach also led to longer term negative effects and hoteliers who simply slashed their rates to fill rooms usually took time to recover financially from short term pricing decisions. Over the years, revenue management has evolved to become more reliant on advanced

Revenue management has been used in the hospitality industry for well over a decade. The

technologies which promote a strategic, longer term approach to pricing and sales. However, even using revenue management to strategically price hotel rooms and ancillary services is no longer enough in today's dynamic operating environment where the way guests choose the hotel they want to stay in and what price they are willing to pay is constantly changing. It is time that hoteliers stop thinking about revenue management as it has been known, and start thinking about the next generation of revenue management strategies that are adapted for today's digital environment and take additional revenue streams into account.

# Today's Hotel Guest is Empowered, in Charge and Online

All hoteliers need to realize that their guests have never had more power. While many hotel managers will argue that the guest has always been their core focus and offerings, services and the way rooms are packaged and sold has been tailored towards them, it is not the same guest from the past. Today's hotel guests have increased expectations and are in control of every part of their experience.



have changed the way in which they book hotels over recent years - in the past they may have been more reliant on travel agents or travel brochures to actually inform them of the best places to stay and relied more heavily on a traditional star rating process and descriptions of the hotel generated by the hotel themselves. These days, when a traveler goes to book a room in a location that they may not be familiar with; their selection process is much different. In many cases potential guests search for information on the hotels in the area online and specifically look to third party review sites for impartial past guest reviews to "aid" in the selection process.

Both business and leisure travelers

When searching online for a hotel, travelers may look for a hotel that has both a good reputation rating as well as a good price. For a hotel in these situations looking to attract new

guest in a digital environment, it is always a balancing act between price and reputation. Research has shown that guests will pay more if a hotel's reviews are better compared to the alternative - which is why it is critical that hoteliers understand what is being said about their property online and why social media reputation is critical in practicing total revenue management. Most hotels have both a social media presence and have undertaken some form of monitoring

as to what is being said about their property or brand online. On a basic level hotels primarily

focus on the servicing aspects of their properties in relation to social media. For example, if

the prevailing comment in social media about a hotel is that the check-in process was tedious, the operations team at the hotel will likely pursue how to rectify this and create a better experience for users. In the same way, if a hotel is highly rated with the majority of comments related to the tastefully decorated rooms and comfy beds, the marketing department will build on these positive reviews. Through a hotel knowing what social media sentiment exists for their property they are better placed to understand the likelihood of demand - if a property is consistently being talked

about online as offering a poor guest experience relative to the price being paid to stay there, it is advisable that the property look at their pricing structure or the customer service levels they are offering. Conversely, if a property is consistently being talked about in positive terms online it may be in a position to look at pricing itself more aggressively in the future. While this new and constantly evolving operating landscape may be concerning to some hoteliers who feel they don't have the scale or the operational systems in place to adapt to a

new world where revenue management needs to be applied across multiple revenue streams and the customer has more power than ever, it is important to understand that the actual basis of revenue management hasn't changed. Hoteliers can and should still base their decisions on data and supply and demand and it is still critical for hoteliers to understand who their most valuable guest is and do everything in their power to attract and retain them. Conferences and Events - Driving Better Revenue

## Hoteliers looking to bolster property revenues should be looking towards conferences and

events as their next big revenue driving opportunity. Group business represents up to 40 to 60 percent of revenue potential for many hotels these days, which means that hoteliers need to take a more holistic look at their sales and catering revenues as decisions they make for their function spaces can have a major impact on the bottom line. To ensure that a hotel is optimizing revenues from their function space, hoteliers must establish and review KPIs for their conference spaces. They must ensure that they have the right data collection and analysis tools in place and are able to define market segmentation, forecast accurately and identify their most valuable groups. Importantly hoteliers must also align their forecasting and function space management with a dynamic pricing approach to ensure that revenues from conferences and events are being optimized. To achieve optimal levels of revenue from conferences and events, hoteliers also need to

incentivize their sales team on achieving quality of business, rather than quantity. Having the right forecasting, data and metrics in place may not result in optimal business without the sales team delivering the right piece of business with highest revenue impact to the hotel. Sales teams therefore need to be incentivized appropriately on the right measurements, to channel their focus on quality of business, rather than on single dimensional metrics such as sale volume or space occupancy. By putting revenue management practices in place across all key revenue generating

increase their ability to identify and target these valuable revenue generators. Working Closer Together for Better Revenue Generating Outcomes

departments of a hotel, hoteliers will be able to build a holistic view of a customer, helping

#### Today's revenue managers must be guest-aware. Decisions as to who their most valuable guests are should be formed by integrating a complete customer revenue profile along with data from guest promotions and the marketing department.

Just as marketers can gain benefit from the data generated by revenue managers, marketers can also help revenue managers better understand their most profitable guests and adjust

packages to best suit their needs. Marketers are constantly putting packages together that

increase opportunities to generate revenue. Because marketers understand where guests live and what their interests are (e.g. adventurous families like to hike, bike and kayak), they can help revenue managers price hotel packages that will appeal to guests' interests and motivate them to visit the hotel. Marketers are experts at creating demand by inspiring people to commit to hotel products and services. By knowing when marketing places offers into the marketplace, revenue

lead to better revenue optimization. A Brave New World Needs Brave Hoteliers Today's hospitality environment seems to be undergoing constant evolution. What was best

managers can create better, more accurate forecasts in relation to demand, which can in turn

### practice two years ago, is expected as standard now and how guests assess and book their hotel rooms has changed in such a way that they have more choice and power than ever

before. It is no longer enough for hoteliers to simply utilize revenue management for their hotel rooms and keep employing the same customer promotions as they were in the past. Hoteliers have to ensure that revenue management strategies apply across all revenue generating streams of their properties and adapt to the digital world. They must understand where they fit in this new online landscape and what is being said about them. Hoteliers also have to ensure that all of their departments are working together in a cohesive way. As job descriptions blur and standalone hotel departments become more closely aligned, it is the hotels that embrace, not fight against, the next generation strategies that will be in a better place to practically manage their revenue and ensure long term profitability. Fabian Bartnick is the Senior Hospitality Consultant at IDeaS - A SAS Company. As the Senior Hospitality Consultant, Asia Pacific, Fabian is responsible for delivering consulting projects for the hotel industry across all of South East Asia such as Australia, Singapore,

mentoring, strategic product development and specialist revenue consulting. Mr. Bartnick started his hotel career at Accor in Washington DC as a Management graduate in Front Office Operations after studying Hotel and Tourism Management in Switzerland and Australia. Fabian then furthered his hotel experience in various operational roles in the UK. Mr. Bartnick can be contacted at +65-6398-8963 or fabian.bartnick@ideas.com Extended Bio... HotelExecutive.com retains the copyright to the articles published in the Hotel Business Review. Articles cannot be republished without prior written consent by HotelExecutive.com.

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Discussions on Emerging Growth Markets FEBRUARY: Hotel Social Media: Adopting a

Comprehensive Strategy



As the opportunities for digital marketing tactics increase, so

do the affiliated expenses. The sawy hotelier will spend some time in 2014 analyzing their distribution channels to determine the true costs affiliated with each revenue stream. Once costs are identified, then a channel optimization process ought to be created and should drive your digital marketing strategy. The attached article reviews some fundamental steps each hotelier should take in 2014 to create a strong digital marketing strategy that will increase sales. READ MORE



and Local Perspective By Rob Palleschi, Global Head, Hilton Hotels and Resorts

In today's fast-paced travel market when an overwhelming number of consumers are utilizing social media as a tool for communication and commerce, it is essential for businesses - especially the hospitality industry - to adopt a comprehensive social media strategy to connect with guests and potential guests. Hotel brands must develop social media strategies to reach their global audience as well as to connect with local guests. Hilton Hotels & Resorts and parent company Hilton Worldwide have woven social media into their business plans to effectively engage with their guests around the world through social media platforms that strengthen relationships and encourage loyalty among travelers. READ



hospitality space was recently conducting a study on the "NPS of NPS." At the time of this writing the results were not known. The survey was brief and asked if you would recommend the use of Net Promoter Score (NPS) on its standard 0 to 10-point scale. Fred Reichheld, a partner at Bain & Company, introduced the concept of NPS in a 2003 Harvard Business Review article in which he proclaimed that the simple measure of consumers' likelihood to recommend the company's products or services was an accurate predictor of revenue growth. However, there's growing debate about the validity of the NPS as many believe it is too simple and too good to be true. A wealth of information and its evolution from Net Promoter Score to its current form of Net Promoter System can be found at http://www.netpromotersystem.com /about/. READ MORE



Is social media truly a distinct marketing channel OR is it

simply an amplification opportunity encompassing a hotel's entire portfolio of marketing activities? How does social media integrate at every stage of the consumer travel lifecycle: from looking to beyond booking? How can hotels use social media to stay top of mind at all times, from awareness to consideration, and purchase through retention? And finally, how can hotels create a strategy that seamlessly integrates across all marketing functions to create repeatable, successful social media practices that span the entire consumer travel lifecycle? According to PhoCusWright, the number of consumers using social media networks during the travel booking process has grown from 9% to 12% from 2010 to 2012. Considering that social networking reaches nearly 1 in 4 people around the world, it's undeniable that social media plays an important role in our industry as more than just an awareness channel. READ MORE



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### In a business that interacts with guests 24 hours a day, 365 days a year, success for a hotel is absolutely determined by the quality of staffing and service, and those vital operational elements are generally provided

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FEATURE FOCUS

# by the Human Resource department. However, staff recruitment is just one area of responsibility for today's HR professional. Generally, an HR team leads all aspects of new employee orientation and on-boarding; creating training systems; managing career development; and ensuring compliance with all legal,

Hotel Human Resources 2014: Not Just Recruitment

employment and government regulations. Today's HR professional must also be an effective communicator who is able to interact with all levels of staff, and establish good working relationships with all department heads. They must have an intrinsic desire to see others succeed, and be able to recognize potential in others. Finally, they must be able to work under pressure because there always seem to be crises anything from technology breaches to staffing shortages to personnel issues, so the ability to thrive in a multiple priority environment is a necessity. The March Hotel Business Review will document some of the biggest challenges currently facing HR professionals, and will report on some of the best practices they are employing to achieve their diverse goals. In this issue... The Growing Importance of Mobile Marketing Strategies for Hotels By Jennifer Dunphy, Vice President of Sales and Marketing, Vayu Media

Global Social Media: Taking Your Program Beyond the Ground Floor By Deanna Shimota, Director of Marketing, Sajan, Inc.

Is Your WiFi Network Really Good Enough? By Tony Heung, Director of Network Solutions, Quadriga Worldwide

Why Aren't There More Mobile Hotel Website Bookings? By Mariana Mechoso Safer, Senior Vice President, Marketing, HeBS Digital PLUS: Why Hotels Must Use Little Data, mPOS Expected to Replace POS, Why Aren't There More Mobile Hotel Website Bookings?, Mobile PMS, Managing Information for Optimal Results,

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