MANAGING REVENUE

Revenue management has become more important than ever to hotels such as Four Seasons Jakarta

Over the past decade pretty much everything about revenue management has changed as demand patterns have become unpredictable and increasingly dependent on user-generated content, especially reviews. *Donald Gasper* asks whether it is still possible to apply the old concept of revenue management

The rise of the internet, OTA, social media and review portals has changed everything very quickly.

It's all supposed to be easier and simpler but in fact it's more complex and it's not just simple mathematics any more.

Harry Suryadharma, DOSM at Four Seasons Hotel, Jakarta, says: "Revenue management has become more important than ever as the online business has grown significantly over the years."

Revenue management is critical to the successful operation of any hotel operating in the Asia-Pacific region today, agrees Rachel Grier, Asia-Pacific managing director of IDeaS Revenue Solutions.

Grier says that while the fundamental concepts of revenue management have not dramatically altered over the decades, "what has changed and will continue to change, is how the principles of revenue management are applied, and the volume and sources of data available for analysis which support demand forecasting and key pricing decisions."

MAXIMISING REVENUE

According to Christian Lukey, head of hotel distribution, Amadeus Asia-Pacific, revenue management has its origins in the airline industry.

Unlike airlines, however, hoteliers have more variables to manage and take into consideration: whereas a flight is a defined event with no customers on board at its conclusion, a hotel is constantly filled to different levels of capacity.

While the practice of revenue management has evolved over the years, the goal of hotels of all sizes - from large brands to independents - has always been to maximise revenue.

Selling the right room to the right client at the right moment and right price on the right distribution channel with the best commission efficiency is widely regarded as the accepted definition of hotel revenue management. It's about building profit and growth. But a hotel room is a perishable product and customer satisfaction and pricing remain dynamic variables subject to the same revenue management resources, so

Christian Lukey, head of hotel distribution, Amadeus Asia-Pacific

Capturing revenue from ancillary spend such as F&B is still a real challenge
(Photo: Four Seasons Jakarta open kitchen)

Rachel Grier, Asia-Pacific MD,
IDeaS Revenue Solutions
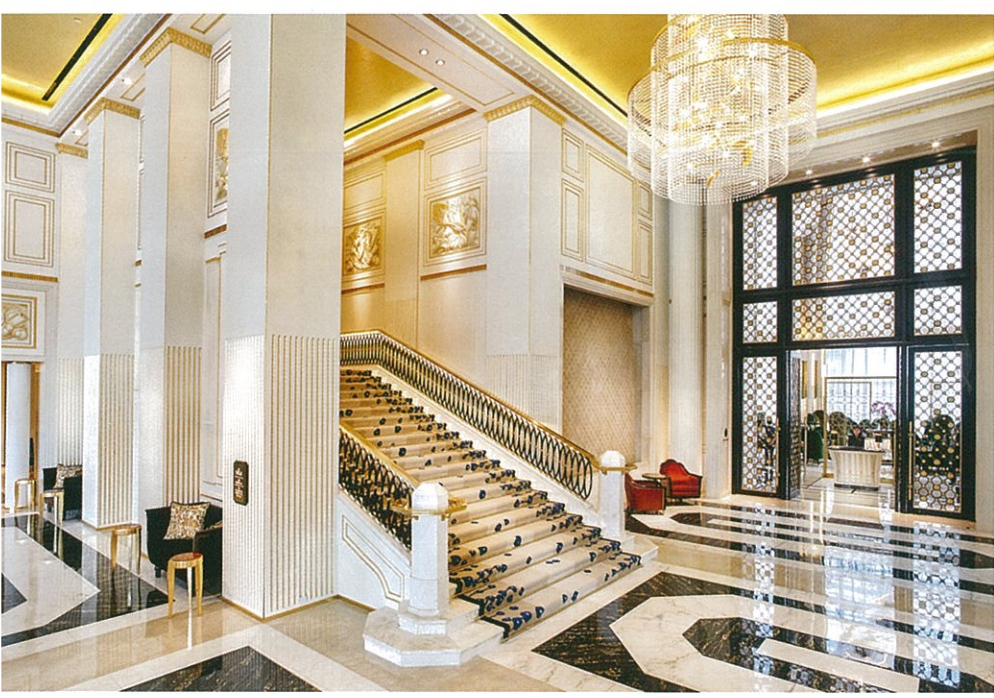
In future the science of revenue management may be combined with predictive analytics
(Photo courtesy: Four Seasons Jakarta)

it's about balancing demand and capacity by forecasting prices to maximise the effectiveness of those resources.

Because traditional hotel revenue management is typically based on historical data and current data, a room's value is determined by the number of vacant rooms left in a property at a precise moment in time. But these data are not enough because at midnight, rooms reach their sell-by date.

NEW MODELS

More fluid, dynamic price management models are emerging that aim to boost a hotel's revenue contribution and profitability by looking not only at historical data, but also at real-time market observations such as competitors' rates, online hotel ratings, overall market demand and customer information. It can then make intelligent rate and inventory recommendations to users.

Over the years, the industry has seen automated revenue management solutions replace inefficient, outdated manual processes like spreadsheets, says Grier.

Today, savvy hotel operators are placing more importance on skills and training, and there is a great focus on Total Revenue Performance and the role it plays throughout a property.

Hotels on the leading edge are not only automating the revenue management process they are developing a revenue management culture that infuses the practice of revenue management into every functional area and are working to create an organisational revenue management culture.

Executed correctly, this can be an incredible competitive advantage.

The hotels "getting it right" today, Grier says, are those that have "done the research to understand which data sources affect their revenue management equation. This is best highlighted when demand is higher than the number of rooms available in the market.

"At this point, filling your hotel is easy, but are you sure you are filling it with the most profitable business? The forecasting and pricing functions of automated revenue management systems help revenue managers determine which business to accept and at which price, leading to maximum revenue generation."

KNOWING YOUR CUSTOMERS

Knowing 'when' and 'where' customers are is a great start, says Lukey, but even more valuable is understanding 'who' they are.

By analysing booking and stay data in detail, it's possible for hotels to match their entire offer - from rooms, amenities, location, perceived quality and loyalty programmes - to the expectations of each guest.

This opens the door to capturing revenues from ancillary spend, as well as deep customer loyalty.

"This may sound straightforward but this is still a real challenge for hoteliers, partly due to outdated technology, disintermediation and increased competition.

"Amadeus sees a future where the science of revenue management is combined with the capabilities of predictive analytics to pull in contextual data about the guest, weather, traffic, flight delays, events, competitor pricing and other influencing factors to provide an intelligent approach to revenue management." AHCT