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Mr. van Meerendonk

Revenue Management

Cashing In: How Revenue Management Can Help Bolster the Bottom Line

By [Paul van Meerendonk](#), Consulting Manager, IDEaS Hospitality Consulting

In recent years both the residential and commercial real-estate sectors have resembled more of a roller-coaster ride than a sensible place to invest for capital growth. The same can be said specifically about hospitality. Increasing levels of competition have led to a near oversupply of rooms and decreasing levels of ongoing customer loyalty. Hotel owners and

investors alike have also faced major challenges around how to best manage their hotel assets to increase the value of their properties and maximize ROI.

While the past five years have seen some hotel markets face key challenges to maintain profitability, many markets are experiencing strong growth, leading to increased interest from investors in the sector. A recent report focusing on the Australian hotel market recorded that, "Investment in the hotel industry outperformed all other competing property sectors in terms of financial returns for the quarter ending Mar 2014, posting an 8.8% annualized return."⁽¹⁾

In other words, things are getting better. But hotel owners and investors today face new challenges to look beyond balance sheets toward the technology and systems they're using to drive bottom-line value.

Technology moves quickly, and while keeping up with these constant changes can be difficult, owners should still understand the role technology can play in their business strategy. In the past, many hotel investors and owners have viewed revenue management technologies and strategies, for example, as a discipline that is too 'micro-level,' this could not be further from the truth in today's dynamic and technology-driven industry.

Jake Egberts, Senior Vice President at Jones Lang LaSalle Hotels, highlighted a key reason why investors should have an increased interest in revenue management technologies: The ability to extract value from an asset even in the face of increased competition. He said, "In a competitive hotel market, revenue management is a key tool to manage the business. It assists management in understanding their markets and helps to maximize revenues. Investors should expect their operators to be leading the way on this in order to help them to extract optimum value out of the asset."⁽²⁾

Leading the way how? Continued advancements in technology, coupled with a seemingly endless number of booking channels, are necessitating revenue management tools to maximize revenue from hotel guests, in both high and low periods of demand. Revenue management technologies can create a high flow of additional revenue that directly impacts bottom-line results, making it

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Foreign Investment in U.S. Hotels with Liquor Licenses:

By [Robert J. O'Hara III](#), Attorney, Flaherty & O'Hara, PC

Thanks to the compromises that brought about the failed social experiment of Prohibition in 1936, the laws governing the manufacture and sale of alcohol in the U.S. are a patchwork quilt that vary wildly and widely from state to state. Federal law lays over this patchwork of state laws to create a layered web and, together, state and federal laws make alcohol one of the most heavily regulated – if not the most heavily regulated – consumer-oriented products available at retail without a prescription in the world. [READ MORE](#)



Re-Branding? Everyone's Doing it, but Beware of Intellectual Property Issues

By [Francine Friedman Griesing](#), Founder, Griesing Law LLC

For the hotel industry, 2014 may well go down as the year of rebranding. This is in response to the intense competition and the need to cater to a new audience: the millennials. To ensure a successful transition, properties should consider business and legal implications to avoid costly time-consuming problems especially intellectual property issues. To those unfamiliar with legal jargon, it boils down to creating and protecting strong trademarks, trade dress, and an



a key tool in increasing a hotel's valuation.

It's therefore in an owner's best interests to ensure management is leading the way when it comes to

revenue management, so optimum value can be extracted from their asset. This increased value will have a number of flow-on benefits for owners, including a greater ability to service debt, obtain higher loans, or re-invest funds into other business ventures, and keep investors happy.

Revenue Management and How Investors View this Around the World

It is true that savvy hotel owners and investors in mature markets are already recognizing the importance of revenue management technologies and its ability to positively influence a hotel's bottom line. In this case, some investors are actively seeking ways to work closely with revenue management departments to ensure their hotel's value is continually enhanced over its life-time.

But just as some investors have realized the very real benefits of revenue management, others - especially in emerging markets - still view it as an additional cost rather than a strategic tool for increasing returns.

Moving Beyond Room Rates to a Holistic Approach to Revenue Management

Revenue management can no longer be just a tactical approach to room pricing and management only. The practice and technology has evolved, and the industry needs to take a holistic approach to revenue management. Put simply, true benefits come when users do more than just calculate the best price for a hotel room.

Modern day revenue management should be integrated into all areas of hotel marketing and operation. Today, a revenue manager should be considering total revenue contributions, not just concerning themselves with managing room inventory and pricing. They should extend their focus to include the management and pricing of function spaces, group business and ancillary revenues. Wise revenue managers will also consider and analyze not just revenue contributions, but also costs to ensure there is a clear management focus on profit, not just revenue.

While hotel owners and major investors alike don't necessarily need to be heavily involved in the day-to-day operations of a property, it is important they help communicate the overall goals and direction for the hotel to senior management. This open communication can directly influence the role of the revenue manager. For example, if the hotel is a new asset, an owner's objective could be to realize a quick return on investment by selling the asset after just a few years of successful operations. This plan would need to be shared with the revenue management department and worked into the hotel's overall strategy, to help reach these objectives.

Understanding the Operational Benefits of Revenue Management

Another key benefit of revenue management technology is its ability to deliver detailed, accurate demand forecasts. And while many hotel owners or investors may have an arm's length understanding of how revenue management can help influence a property's profits, these forecasts can influence not only traditional room pricing strategies, but can also inform decision-making across a hotel's entire operation. For example, accurate forecasts can be instrumental in helping with planning inventory and staffing levels.

If a hotel can anticipate demand it will be able to have the right levels of staff working at the right times, even, for example, down to forecasting peak check-in and check-out times. This will help, not only with optimizing wage costs, but will also increase guest satisfaction. Guests form opinions of a hotel largely from the first and last impressions, and there is no surer way to annoy a guest than making them wait for a long time to check-in or out. Accurate forecasts will also help with anticipating demand in restaurants and spas, meaning that levels of perishable inventory, such as fresh food, can be more accurately ordered, and waste minimized.

effective web presence. These are essential to debranding and rebranding to give a brand a competitive edge in the ever-growing hotel industry. [READ MORE](#)



Tip Pooling and Credits in the Hotel Industry

By *David Hogan*, Executive Director of Major Accounts, Heartland Payment Systems

To avoid landing in court, hotels must stay on top of the latest rules and regulations. In January, the Internal Revenue Service (IRS) issued new guidelines for tips and service charges. In addition to the IRS' new rules, the Fair Labor Standards Act (FLSA), which issues standards for the basic minimum wage and overtime pay, has a separate set of guidelines for service workers, which if not followed, makes the hotel industry vulnerable for lawsuits. Since each state has its own laws regarding service charges and tipping, hotel operators must ensure that they are compliant with their state regulations to avoid legal issues. [READ MORE](#)



How to Work with an Attorney

By *Robin Zeidel*, Founder & Owner, Zeidel & Associates P.C.

As a transactional attorney working in the hospitality sector, I work with companies and individuals having a variety of different levels of experience in working with outside attorneys. If you don't work with attorneys often, you may be unsure of what to expect or how to manage the relationship. Those who work with attorneys more regularly may wish to increase their level of satisfaction and efficiencies. Not surprisingly, when working with an attorney, good communication is the key to maximizing the relationship. Prior to forming my own legal practice, I hired and supervised many outside attorneys on behalf of a large corporation, and observed a wide range of working styles and personalities. Here at Zeidel & Associates, we strive to apply best practices. Here are a few tips on how to help the attorney of your choice work best for you: [READ MORE](#)



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Not All Business is Good Business

It is also critical that hotel investors understand that not all business is good business, and rather than just focusing on occupancy levels, a hotel's average daily rate (ADR) along with their revenue per available room (RevPar) are key indicators of the financial health of a hotel. These, in effect, have a direct flow through to bottom-line performance.

To help improve a hotel's RevPar or ADR, the right customer needs to be attracted at the right price. Revenue management technology can provide analysis and identify which customer can provide the greatest long-term value to the business. Hotels can easily fall into the habit of selling out rooms to lower rated business, in-turn losing out on higher rated business – which is essentially throwing money away. This is one area of revenue management that owners may find difficult to appreciate, because on the surface it would seem counterproductive to turn down business. Hoteliers must instead trust their forecasts and market pricing, and over time they will see that turning down the wrong business can lead to increases in revenue.

When is the Right Time for Revenue Management?

Hotel owners need to invest in revenue management technologies from an early planning stage, even before their property's doors first open for business. Putting effective revenue management in place from the early stages of a hotel's life-cycle will give everyone involved the right information about where they are going and how to get there, including anything from pricing structures to identifying any 'red flags' early on. Ideally it should come in at the investment stage, through feasibility studies and revenue projections, and the resulting flow-through, and then used to set strategy and establish a long-term action plan. But, in saying that, any point in a hotel's life-cycle is a good time to start utilizing its extensive benefits.

Given the increasingly competitive hotel landscape and fragmented booking channels, hotel owners who want to maximize returns and improve the value of their asset should be taking an interest in revenue management and ensuring its effective implementation at their hotel, so that even in times of a downturn, successful strategies can be put in place to increase the value of a hotel across its life-time.

References:

(1) *The Informed Investor - Why hotel owners and investors are increasingly 'checking in' to revenue management*

(2) *IPD Research Australia Quarterly Hotel Property Index for Q1 2014, sponsored by Accor Hotels, JLL and legal firm Ryan Lawyers.*

As Senior Manager, Consulting for IDEaS Consulting, Paul van Meerendonk leads a global team of revenue management consultants who are focused on hotel revenue optimization projects. Mr. van Meerendonk is currently responsible for the global development, management and operations of the Consulting team and overseeing the hiring, training and management of industry-leading consultants located in London, Beijing, Singapore and Atlanta, as well as growing the consulting team in line with business opportunities. Mr. van Meerendonk also represents IDEaS on industry thought-leadership initiatives related to trends and best practices within revenue management, including authoring a number of white papers, conducting public speaking engagements, as well as leading key client webinars with an average audience of over 200 global representatives. During his time with IDEaS, Paul has successfully led several high-profile consulting projects for key clients and hotel groups in gateway cities, resort destinations and regional hubs. Mr. van Meerendonk can be contacted at +44 (0) 118-82-8100 or Paul.vanMeerendonk@ideas.com [Extended Bio...](#)

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Coming Up In The January Online Hotel Business Review

FEATURE FOCUS

Mobile Technology: The Necessity for a Well-Defined Strategy



Mobile technology has altered the way the world does just about everything. With mobile devices in our hands (smart phones and tablets) and media and information up in The Cloud, the possibilities for immediate, worldwide, personal access are limitless. Smart mobile devices are dictating how we live our lives and as a result, these developments are game-changers for all businesses, but especially for service industries, including the hotel sector. These advancements are literally redefining how guests interact with a hotel in virtually every aspect of its operation, and savvy hoteliers who are implementing the latest mobile technologies and best practices in each critical channel will steal market share from their competitors, decrease dependency on their Online Travel Agents, and generate incremental revenues which will substantially increase their bottom line. A well-defined mobile strategy is no longer a "nice-to-have" but an essential weapon in an industry that is evolving at a blistering pace, and those operations that are slow to respond do so at their peril. The January Hotel Business Review will examine which mobile strategies some operators have adopted in order to meet these challenges, and will report on the solutions that are proving to be most advantageous for both companies and their guests.

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