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The Room Rate Balancing Act

By Dorothy Creamer, Managing Editor | March 04, 2014

Revenue management goes far beyond merely crunching numbers for the people charged with this task — and it's not for the faint of heart. With often rollercoaster-like histrionics, pricing in the hotel industry has become a daily and, more often than not, an hourly concern. In addition to having to keep tabs on a myriad of data points in order to make smart rate decisions, there is also the prospect of pushing those rates out across all applicable distribution channels and keeping track of that inventory. While human perspective is an integral component of revenue management theory, when it comes to the actual practice, technology tools have proven to be invaluable assets for hotel operators. This is especially true when revenue is just one of the many responsibilities that fall on managers.

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Christelle Tropina knows all too well the demands inherent in hospitality. As the general manager of the 17-room luxury boutique hotel, Impala Miami **(www.im pala-miami.com)** , Tropina handles everything from sales, marketing and brochure writing to revenue. In the competitive Miami Beach market, pricing and yielding is a high-stakes and potentially time consuming game. "If I had to yield my rates myself, not only would I not be accurate enough, but I'd have to spend my whole day looking at competitors' prices," she says. Tropina was familiar with RevPar Guru **(www.revparguru.com)** from a previous position and knew that the technology would be invaluable to her in terms of time-saving. "There is the challenge to manage everything else I have to do plus providing accurate pricing that will allow me to sell," Tropina states. "It's not just about pricing itself, it's about managing the distribution channels, the websites and the GDS [global distribution services], and optimizing daily bookings."

For Tropina, RevPar Guru allows her the freedom to concentrate on other areas since the system basically shops the competition for her. "Whenever there is something that triggers a change, RevPar Guru will give me the highest possible rate and update everything," she explains. "It's integrated into our PMS, WebRezPro **(www.webrezpro.com).** So if I sell the room, I enter it in the PMS and RevPar Guru catches it and updates all the websites and adjusts my inventory accordingly."

The need for systems integration was what led Will Powell, revenue manager for Myrtlewood Villas **(www.myrtlewoodvillas.com)** to seek a new channel manager. Powell chose to implement Rate Tiger from eRevMax (www.erevmax.com) across the company's properties because of its two-way connectivity. "Before I even send rates, inventory and stop sales, the system tells me what is already out there for all three of those areas," Powell explains. "That combined with the reservation module that we have with eRevMax and the ability to get email communications rather than faxes from OTAs, makes it a one-stop-shop for managing all channels and was the most influential factor for

switching."

Mercurial market necessitates flexibility

For Jason Edwards, revenue manager for Summit Hospitality Group **(www.summithospitality.com)** which owns and operates 18 hotels including brands such as Marriott and Hilton, being able to make real-time adjustments is a primary concern. Edwards has been working with IDeaS **(www.ideas.com)** to implement revenue management solutions in some Hilton brands and the independent hotel, The Dunhill Hotel **(www.dunhillhotel.com)** in Charlotte, NC.

"One of the biggest challenges we had previously on an older PMS platform was that it made it difficult to put in the kinds of restrictions and strategies I'd like to put in place," Edwards admits. Switching to the Micros Opera PMS **(www.micros.com)** enabled full integration with IDeaS and other services from GDS to channel managers, providing Edwards with the available demand data and knowledge from as many sources as possible. "My brain can only analyze so much," Edwards admits. "IDeaS is great at really looking at true data and making changes on the fly about three times a day. It picks up those trends that I wouldn't. It's very helpful to have technology that is able to analyze far greater than anyone's individual mind can."

The system also will adjust accordingly to its forecast. Compiling data from the previous year, plus current trends, IDeaS uses the combined data to develop a forecast for a full year out. "If it's seeing a time frame that has a lot of demand pick up, and we need to adjust the forecast, it will do that and automatically put in a proper strategy for us," Edwards reveals. "It also takes a look at what the competition is doing — if a competitor is taking its rates down at a particular time, it will look at our internal demand and determine what particular rate needs to be sold to make sure we don't miss out on the opportunity due to our competition undercutting us."

Tropina believes that RevPar Guru reports work particularly well for independent properties like the Hotel Impala. She has found that the system takes all factors into consideration in order to make sure that Impala remains competitive. Tropina admits that sometimes if it makes sense for her current needs, she will override the system, but for the most part, she trusts the suggestions. "For me at the end of the month, money in is money in," she states. "Bigger hotels have other performance indicators to meet, such as they need to have high ADR or RevPar, so for them it wouldn't make sense to sell a room at a lower price because it would lower their ADR. For me that doesn't matter. As long as I'm making money on it I'd rather sell and sell out my hotel."

Overcoming analysis paralysis

With a steady stream of revenue comes a steady stream of reports that revenue managers look at regularly. "We've heard a lot recently about data overload for revenue managers and general managers at hotels," Camille Eslick, revenue manager for Waterfront Place Hotel **(www.waterfrontplacehotel.com)** states. "I'm always looking for reports and looking for different ways to pull reports in Maestro **(www.maestropms.com)** as well as our GDS connectivity provider and our OTAs —they also provide reports as well." Eslick explains that she is looking for information that will tell her historical data such as realized

rooms and total revenue to determine previous successes and failures with pricing strategies. She will then look at automated rate shops provided by TravelClick **(www.travelclick.com).** This gives her instantaneous information such as, did the hotel next door lower its rates or put out a new discount. "I will then pull in information from Maestro that I can tailor to a report that is useful for me and tie it all together," she concludes.

Compiling all the various revenue data points has emerged as a leading challenge for managers. Edwards faced the perplexing issue of how to bring all of that data from various platforms together and found a solution with Alloso Technologies (www.alloso.com), which provides information management systems for hotels. "Every night we have feeds that go into the web-based Portfolio One platform for financial consolidations. All of our nightly actual feeds come there and we can call up reports now for the next three months and see where every property expects to be forecast-wise, versus budget, versus last year," Edwards explains. "It has been beneficial for us. The president gets auto-emailed how every property did the night before and anyone in the company, based on access rights, can view the reports to take immediate action to get where we need to be."

Being seen equals being sold

Visibility is key for hotels in terms of revenue management and this is where OTAs are a major source of concern. Tropina understands the importance of OTAs explaining that modern travelers search for hotels by going on sites like Expedia to see available inventory. It is vital to price well in order to assure visibility on these sites. "Guests sort by category and price, so I want to be the cheapest in the highest category," Tropina says. "If I'm not competitive enough and if I don't show up on the first page of those OTAs, then chances are people don't bother going too far and you're out. The goal is to be visible."

Tropina does admit that paying commissions to the big sites can impact revenue, so she stresses the importance of having a strategy in place to capture shoppers while they are on the hotel's own website. Eslick also notes that revenue management becomes slightly more technically difficult when OTAs and GDAs are introduced. For example, she notes that budgeting for OTA contributions with accounting for a channel shift is technically more difficult, but she still feels the OTAs should be embraced. One positive Eslick has seen is the ability of partner OTAs to translate sites into other languages, which opens the hotel to an entirely new stream of potential overseas guests. "I view OTAs and GDAs as really an additional channel of distribution," Eslick stresses. "Guests are able to more thoroughly research hotel choices and make more informed decisions prior to making reservations. For me that's a very positive thing."

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