



CRUNCHING NEWER AVENUES

The role of a revenue manager today isn't just about crunching the numbers – it's a 360 degree cycle of profit making through innovation

BY MADHULIKA DASH

Every hotel room not sold, is dead – in 1980s, this was single, most important reason that led to the inception of a specialised segment we today call revenue management. The expectation from revenue managers was simple and straight: They had to generate incremental revenues using the basic principles of supply and demand economics in a tactical manner. But not for long. With travellers looking for more than just the frills of a luxurious bed and bathroom and the hugely tricky social media as the ticking bomb, the role has changed. The revenue manager's role has expanded to include more areas of focus and work area and is far more complex. Saket Gupta, VP, sales & marketing, Mars Enterprises, Vijayan Gangadharan, GM, Four Points by Sheraton Hotel & Serviced Apartments, Pune, Ashish Vohra, founder & CEO, jüSTa Hotels & Resorts, Kunal Gujral, VP, sales & marketing, Resort Rio, Goa, Jai Kishan, GM, Novotel Kolkata Hotel & Residences, Sanjay Nagalia, COO, IDEaS Revenue Solutions and Avinash Lodha, CEO, RezNext Global Solutions talk about the changing rules of revenue management – and the road ahead.

How has the revenue management role changed over a period of time?

Saket Gupta: Earlier revenue management was all

I. Resort Rio, Goa.

about maintaining a balance between your corporate, walk-ins, travel agents and hotel website bookings; today it is more about creative negotiation, better liaisoning and effective OTA collaboration, especially since now OTAs contribute significantly towards the revenue. In a market where everyone is trying to increase their share, it is extremely important to keep a check on rate parity. Revenue managers need to be well-versed with marketing as well.

Vijayan Gangadharan: Revenue management is not only about rooms anymore and has extended to all sale heads. Hotel teams are keen to maximise revenue per available seat per hour (RevPASH). Price variances are set which helps capture both price sensitive clientele as well as leisure guests. Banquet spaces are yet another addition to the revenue management basket. It can today be defined as a complex cycle of market analysis along with a significant involvement of psychological approach. It is more about leadership, effective communication, technical advancements and agile tactics, thanks to the digital approach that travellers and potential guest have chosen.

Ashish Vohra: Revenue Management is extremely critical to business and as such has been highly optimised to the level that it details out how rooms are made available at various point of sales (POS) across the globe on different platforms and at different

times. The same approach is taken with the rates. This has been made possible with the advent of channel managers and apps which are now available at your fingertips.

Kunal Gujral: It initially was used to look at forecasting, pricing and managing demand. Now revenue managers have to look at generating demand through various electronic channels. The department is also now closely working with digital marketing teams to generate online business. Furthermore, it now also gets involved in guest reviews/ feedback as this has a direct impact on the online sales conversions. At Resort Rio, we have realised the importance and potential of revenue management and have in-sourced a company called RevMutu to take care of this critical function. They are responsible for our channel distribution and revenue management.

Jai Kishan: Today, revenue manager's role is more than just assisting in optimising revenue; it also ensures that strategies work in the long run. The other thing that has changed is the approach of revenue generation: from traditional practices of garnering revenue through rooms, F&B, banquets and catering, it has now moved to experience enhancing avenues like banquets, health clubs, spas, salons, golf courses and more. This is why hotels are opening up these facilities to non-resident guests as well.

Sanjay Nagalia: The industry has moved past merely filling rooms to approaching the practice using more holistic revenue strategies. This marked shift has largely become possible since today's technology now incorporates data on competitor pricing activity and provides revenue management for departments outside of guest rooms. The influx of large volumes of guest data and its impact on future pricing decisions and hotel promotions is also one of the biggest changes the industry has recently been experiencing. Today's revenue managers are beginning to evaluate total revenue contributions, which includes the management and pricing of meeting and event spaces, group business and ancillary revenues.

Avinash Lodha: In some hotels, the revenue manage-



Jai Kishan, GM, Novotel Kolkata Hotel & Residences.



Vijayan Ganagdharan, GM, Four Points by Sheraton Hotel & Serviced Apartments, Pune.

2. The role of revenue managers has expanded in the last decade.

ment function has a direct reporting line to the top management. With changing market dynamics, he is no longer only managing pricing decisions based on seasons and different events in the year. He has to stay on top of the hotel's distribution plan round-the-clock and adopt a proactive and aggressive response model to out-beat competition. Today's revenue manager is also one who leverages leading automation tools to get a forecast of performance. They are slowly moving away from working on different spreadsheet sheets to leveraging real-time data intelligence. They are also leveraging tools like the rate shopper to gauge their hotel's price across different meal plans and discounts vis-à-vis competition and are analysing sold out alerts in their vicinity to price their rooms appropriately based on the expected demand.

What are the new challenges that the hotel faces in revenue generation?

SG: In tier-I cities like Mumbai, the supply of hotel rooms tends to surpass the demand. This leads to heavy price cuts and unstable market conditions. Picture any successful hotel, and it's easy to view how F&B revenue today contributes to at least 30-40% of the total revenue, and is one of the factors that aid other product sale in the hotel. If your F&B cannot generate enough to support your room revenue, it definitely adds to the pressure. Yet another challenge is the technology choice. Today there are a lot of mobile applications that assist you with table reservations, CRM tools and marketing activities and promise to increase your revenue. Assessing the credibility and forecasting the success of these companies is one of the biggest challenges that the hotels face.

VG: Internally, the big challenge is between revenue and profitability. While most choose the former, given that it shows well on the balance sheet, it takes years of practice to evolve a system where a short term loss can lead to better profitability. Seasoned professionals deal with this by enlarging their measures before making their decisions to select concrete business deals however it still remains a challenge for many. The other issue is knowledge-based revenue concepts, which is still at a very nascent stage. Third is the technological aspect. For many of the hotels, technology is not yet so robust that they could put their thoughts into practice. Payment gateway, CRS, flawless and quick price changes etc are other challenges which pose as obstacles whilst trying to maximise revenues and opportunities. External challenges are essentially the OTAs and their malpractices, government policies, etc.

AV: A constant challenge faced is the over-supply of inventory, more so from independent property own-





ers, who are now riding the wave of aggregators and over-enthusiastic OTAs. In this scenario, quality loses out to lower pricing as is evident from stagnant ADRs. **KG:** The biggest challenge facing the industry today is maintaining rate parity across the channels. OTAs are entering the online space with their own bookings engines that is creating further rift in rates. Influence of online reviews is the first hurdle for revenue management. Booking lead times have shortened drastically resulting in unpredictability of the market, hence a challenge to forecast far out. This is affecting the growth of ADRs.

JK: The challenges are ingrained in the basics of guest profiling, social media engagement, value proposition and demand; and operational efficiency.

SN: Good revenue management decisions start with good data. Our industry continues to see an increasing amount of emerging data sources, these large volumes of data can be inundating for hoteliers and make it difficult to determine which emerging data sources positively impact their bottom line.

AL: Market conditions are always going to be dynamic and hoteliers need to adopt and move forward. These challenges require hoteliers to follow an agile distribution and revenue strategy. This means access to market trends is important and this information must be available in real-time. While closely monitoring competition it is important not to replicate the competitor's strategy in pricing. A revenue manager needs to look at his/her hotel as a distinct commodity and draw out a niche appeal for the same.

How has social media influx changed the way revenue is managed and what will be its impact?

SG: Social media is the most powerful marketing and revenue generation platform today. Take the case of its 'call-to-action' features, which itself allows hotels a new avenue to explore newer clients and market beyond the physical boundaries, and that too without paying exorbitant rates to any third party. We did a Facebook campaign a few years ago, with the agenda to increase room bookings via our brand's website. The entire campaign revolved around generating a code by participating in a quiz on our Facebook page.



Avinash Lodha, CEO, RezNext Global Solutions

3. Rooms are no longer the main source of revenue for hotels.

4. Rate comparison is an important tool for strategising.

During the campaign, we saw a surge of around 7% growth (Q 3) in the total website bookings. All the social media platforms today allow you to target a precise audience which helps avoid spillovers. Looking at the current trends, I think the future lies in detailed tracking of travel patterns of customers.

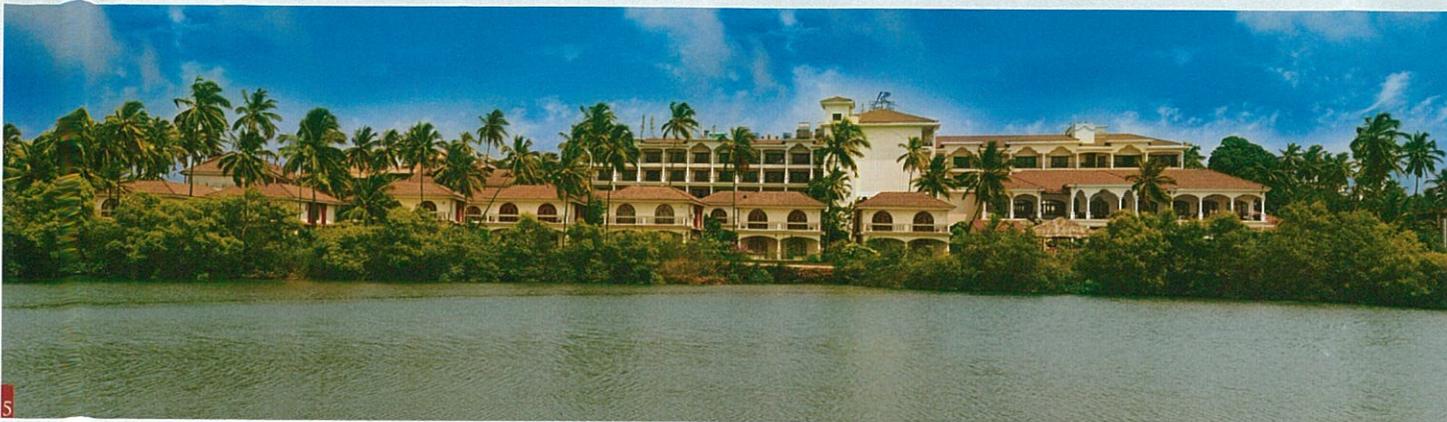
VG: Today, social media channels, blogging, online reviews are portraying the many facets of the brand. Although it is yet to make a significant contribution in revenues, it has definitely replaced the way marketing is done. Social media channels are touted to contribute significantly to the revenue figures and remain as a supporting channel to a brand online standing in the market. For the next few years, I see this market grow exponentially, and will determine the curve in-bound or outbound travelling will take – and in doing so the revenue avenues of a hotel.

AV: The influx of social media has definitely proved a strong force which has changed the basic tenets of marketing. It is majorly used for attracting new customers and engaging existing ones at a much lower cost than what traditional marketing methods would be. It offers more measurable reach and allows targeted marketing to the pre-set criteria for a specific audience. In many cases social media is more engagement oriented and not transactional in a direct way and will remain so in the coming years.

KG: Social Media is playing a major role in Revenue generation and this is purely by creating awareness of the brand and also engaging the customer to create brand loyalty. We were receiving booking queries on Facebook and so decided to create a direct booking engine on our Facebook Page. OTAs will continue to be a major contributor. Another advantage that would see more OTA-hotel collaboration is in the corporate hotel booking space.

JK: Social media platforms have significant implications for a hotel's online reputation and can directly





impact the approach to revenue management, pricing decisions and ability to attract the right guest for the right price. Hotel pricing strategies throughout 2016 and beyond will increasingly need to accommodate social media sentiment and online reviews, not only by using this social data for interpretation but by also integrating it into pricing and revenue management decisions from the outset.

What are the other engagement tools and strategies that hotels are looking at to maximize their revenue?

SG: There are a lot of deal and discount sites that double as OTAs like Groupon, which has a massive reach and can generate considerable amount of business. There are a lot of mobile applications and websites that are currently focusing on the F&B segment. Some of these have the potential to generate high volumes of business. Targeting your regular customers either via a loyalty program or various other marketing strategies is yet another tool that has helped the cause of a revenue manager.

VG: Brand website and mobile apps are going to be the most prominent tools for hotels in future as since all hotels are optimising their online presence to create revenue strategies that bring in the moolah. Loyalty Membership Programmes also hold a lot of promise in pulling significant revenue. GDS and OTAs are going to play a more important role in revenue management as hotels have been constantly seeing an increase in their through put. Search Engine marketing and traditional marketing are other evident tools which will be used as marketing and business converting solutions in future.

AV: It's important not to put all the eggs in one basket. This principle also applies to hotel sales and marketing approaches. Likewise, sales continue to be the prime approach to generate business. Apart from these, PR activities, conversion of first time guests to repeat ones by offering great experiences and exclusive deals, cross-selling of other hotels in the chain. Operationally, we ensure personalisation of services that play a major part in achieving guest loyalty.

KG: OTAs have also started sharing customer feedback and engagement where the hotels are utilising these tools to improve on product and services re-



Saket Gupta, VP, sales & marketing, Mars Enterprises.



Sanjay Nagalia, COO, IDEaS Revenue Solutions

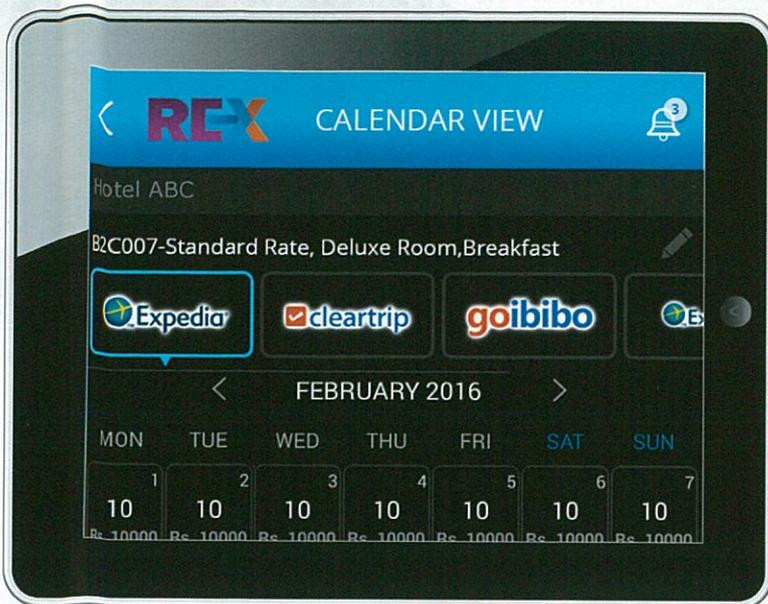
5. Revenue managers need to be aware of the competition.

sulting in maximising revenues. Also, review sites like Tripadvisor, help to engage with the customer to better understand their needs. Maintaining parity in the portal rates, closely monitoring the tariff and customising packages are some of the fundamental ways of maximising revenue. We have been clocking in an average growth of 25% YOY since the past two years. **JK:** In today's digital age where the guests are constantly connected, have a plethora of information and are spoilt for choices, personalization has emerged as key to maximising revenues. Hence, the race to mine travellers' data graph in real time. Simultaneously, we interact with our guests directly, respond to them via emails and truly believe that the best conversations with our clients is always interpersonal. Special training is imparted to guest relations teams and all other associates to enhance their communication skills through regular behavioural training modules.

SN: With advancements in the sophisticated technology available for hotels, hoteliers should start thinking about - and implementing - more holistic revenue strategies. Total Revenue Performance (TRP) is one that enables hotels to decide which business to accept across multiple revenue streams - based on which business delivers the greatest overall value to the hotel. Sophisticated analytics can transform large, disparate data into actionable intelligence, which is used for making accurate forecasts and strategic pricing decisions. It's important for hoteliers to remember that any pricing decision made within one hotel function produces a ripple that can directly affect the business performance of all other functions. Practicing TRP helps hotels integrate their forecasting across all services to reach an ideal mix of sales and profit so they can target the highest-quality revenue at any given time.

What, according to you, are the changes that the revenue management will have to adopt to stay relevant in the years to come?

SG: The most important thing for the revenue managers today is to stay abreast with the technological advancements and utilise them to optimise the revenue. The hotels which manage to stay in sync and in tune with the latest developments, will emerge winners. We might see the rise of a combo profile wherein one



person will be responsible for creating estate spaces that can be sold to its guests as premium services.

VG: We are in a digital world where communication has become easier and thus it has become the key to the success of any business. In future, revenue management would be more about internal and external communication and technological advancement which includes hotel teams, end-customer and potential buyers.

AV: It is imperative to remember that technology is only a means of achieving the objective of highest room sale at the highest price point. The smart hotelier who keeps this in mind while being flexible to explore and adopt new methods will continue to remain successful. Some of the new changes would be the continued use of mobile devices; single platform apps based functionality and access to specific hotel features and artificial intelligence available through bots for round-the-clock service.

KG: Revenue management will always remain a critical department and will have to now look at a profitability model rather than a revenue model. They will start focusing on GOPPAR (Gross Operating Profit Per Available Room) rather than RevPAR (Revenue Per Available Room). The other shift shall be the change in the pricing strategies as this has not changed for a decade now.

JK: The future of revenue management will include a rapid evolution of data as a strategic asset that can drive decision-making. Hoteliers will track, analyse, and maximise social networking platforms as an integral part of revenue management. They will reinvent their approach to be even more proactive and creative. Automated revenue management technology will become the dominant practice, quickly delivering significant increases in revenue and return on investments to those who adopt it.

SN: There are many innovative tools that IDEaS provides for clients to stay competitive, profitable and complement their long-term revenue strategies. Our



Kunal Gujral, VP, sales & marketing, Resort Rio, Goa



Ashish Vohra, founder & CEO, juSta Hotels & Resorts

6. RezNext app aiding revenue management function.

Ideal Pricing collection allows hotels the ability to evaluate different pricing options that best fit their hotel strategy and maximize revenue. The reputation pricing capabilities from IDEaS' revenue management solutions allow hoteliers to evaluate their opportunities to influence purchases at the point of decision making and identify their opportunities to increase guest satisfaction. The graphical displays provide hotels with additional insights to measure the impacts of their online reputation performance and identify new pricing opportunities. Additionally, the group pricing capabilities of advanced revenue management systems give hoteliers insights to capture the most profitable group business. Group displacement evaluations weigh potential group business across multiple dates, understanding the financial impacts of accepting a group over periods of high or low transient demand. These powerful evaluations consider and assess group costs and commissions, conference and banqueting, ancillary spend and profits, group rates and displaced transient revenue. This allows hoteliers to identify if accepting a potential group will make the hotel money - or if it will end up costing the hotel money to take the business.

AL: RezNext is actually bringing about a paradigm shift in the way hotels have managed their distribution and revenue management efforts previously. We are continuously educating our hoteliers on the salient aspects of managing distribution. It is one thing to connect to channels using a channel manager. We go beyond this with the intelligence that we provide with our rich integration with the hotel's property management system. We have created a disruption in the market with our recent launch of the distribution technology architecture that is powered by speed. We are today empowering our customers to analyse market trends and make updates to their offering - be it rate or inventory updates - to all their channels in sub seconds. Customers also receive real-time notifications of their update status allowing them to be in complete control of their distribution strategy. Also having understood the usage pattern of our customers and the industry need, we have launched our purpose-built mobile application recently. This allows hoteliers to concentrate on an important rate update, apply a stop sell or make a room available for sale while on-the-move. Another of our recent product launch is the advanced rate shopper solution released this last quarter. This features an industry niche rate index tool that lets our customers benchmark their pricing strategy as against the market. We are continuing to invest in product development and will bring to market niche offerings that will help demystify the global hotel distribution ecosystem. ■