5 Questions to Evaluate Your Total Resort Revenue Strategy

By Blake Madril

Optimizing revenue for resorts is all about capturing and capitalizing on the unique opportunities that business model creates. While traditional hotels have well-established room revenue management processes, the modern resort business model encompasses a wider variety of revenue streams that can be incredibly complex, but not impossible, to manage.

Resorts require a more tailored approach that goes beyond the well-traveled road of rooms revenue management. Now resorts are seeking to optimize their flexible guest rooms to accommodate families of all sizes, while pricing per person or by unit, as well as dynamically price or yield a multitude of offers and wholesale rates.

The unique resort business model presents a wealth of opportunities for revenue strategists to transform their revenue performance, but it also introduces some barriers to success. Here are five questions resort owners and managers must ask themselves as they adopt revenue management principles to achieve total revenue optimization.

1. How do I get my pricing strategy up to par?

When it comes to pricing, developers, general managers and revenue managers all struggle to identify the optimal pricing strategy to maximize revenue at their properties. Achieving an optimal price point is difficult considering the amount of data across many systems, the integrity of that data and volatility in demand. Because of these complexities, and the many ways in which resorts must price their products, traditional dynamic pricing simply isn't an ideal solution for many resorts. Yet without it, there is a greater risk of resources spent on constant manual oversight of rules-based pricing.

Moving forward, resorts leading the charge in revenue innovation are deploying automated-pricing technology through machine-learning that can analyze historical and future market data to price each room product or rate plan for the desired channel. They can track and report on acquisition costs to personalize pricing based on guest attributes and understand their most profitable business to strategically shift business mix as desired. Whether all-inclusive resorts require optimized per-person pricing or a traditional resort is looking to analytically price each room type and strategic rate plan, only adaptive, automated technology will help resorts focus on total profit optimization.

2. We may need wholesale, but do we need it to dictate our revenue strategy?

Unlike traditional hotels, resorts have been known to derive up to 70 percent of their business from wholesale contracts. These contracts appeal to resorts because they often provide foundational business well in advance, year-round business and even preconfigured additional guest spend. With less "priceable" business to manage, resort owners may view revenue management as a lower priority.

Resort revenue managers' greatest ability to influence revenue performance is through the business they can price and yield—so it shouldn't be left on the back burner. When possible, resort revenue managers should determine "wish, want, walk" parameters internally and participate in evaluating wholesale contracts. They should push for contacts to be yieldable or governed by inventory controls—even when pricing cannot be flexed. Seasonal rates and blackout dates are good, but demand-based pricing and flexible inventory controls to promote length of stay are better. Wholesale rates can provide great incremental revenue opportunity, but resort revenue managers should ensure it supplements, not defines, their revenue strategy.

3. How do I build a revenue culture in all areas of the resort?

With a variety of revenue streams, resorts have less reliance on guest-room income than traditional hotels, and often require spend elsewhere at the resort to secure group rooms. The prospective revenue uplift in other areas is an opportunity for revenue management to broaden their breadth of knowledge—data-driven menu engineering in spas, restaurants and other outlets is becoming a regular practice at resorts. The additional amenities require hands-on attention from key operational staff, working alongside revenue managers, who can identify and enhance additional revenue for the property.

Broadening revenue strategy to another area of the resort does not mean the revenue stream will be optimized as seamlessly as guest

rooms overnight. Resort revenue managers and operational staff can begin by making small changes, based on the data they have readily accessible. Implementing processes to capture more meaningful data and drive small changes, with minimal strain on operations, can make a big impact on total revenue performance.

4. Am I forecasting demand and pricing for my constantly changing inventory successfully?

One of the assumptions of revenue management is that capacity is fairly fixed each day. But as resorts get more creative with their inventory that assumption may no longer be the case. Flexible guest-room inventory has become more prevalent and critical to a resort's ability to serve a variety of group sizes and needs. Many use of adaptable, virtual room types, or component rooms, which are comprised of a combination of two or more physical rooms that enable larger and more tailored accommodations. For example, the combination of a king room and a double room might be sold as a "suite."

This gives guests more tailored options while shopping, but managing multiple room configurations on top of conventional room inventory can be challenging. As a result, resort revenue managers have traditionally priced these assets manually and limited their availability online. Technology can now account for these component room complexities and, through artificial intelligence, arrive at the optimal price and configuration to sell on any given day and channel.

5. How can out-of-the-box technology manage my unique resort?

Although faced with pricing complexities, resort revenue managers are also presented with unique challenges and opportunities. Revenue managers at traditional hotels have transformed their strategies and eased the manual processes in their roles by implementing modern revenue technology. They have been able to apply an advanced, analytically-driven revenue strategy that provides automated forecasting and optimized pricing to drastically reduce manual data entry and report building. Yet, what works for one property or market may not work for another. Technology, now more than ever, must be easily configurable and tailored to business objectives, and it must avoid the costly practice of putting the onus on the user to constantly validate rules based on hunches rather than data-driven insights.

Resort developers and management need to carefully consider their approach to revenue management, property-wide revenue culture and how technology can support people and processes. Not only does top-tier revenue technology offer per-person pricing and component-room optimization, it also allows revenue management to optimize all business through a combination of room-type and rate-plan pricing based on guest demand and price sensitivity. Cloud-based, automated revenue management technology is here and firing on all cylinders for resorts. With the right technology, defined business objectives and revenue culture, resorts can be innovative and confident in their revenue strategy. ■

Blake Madril, Senior Industry Advisor, IDeaS Revenue Solutions, has over 10 years of experience in hospitality operations, marketing, sales, distribution and revenue management. Blake is responsible for global initiatives that enable IDeaS clients to implement, adopt and maximize their return on revenue technology and services ultimately aimed at helping hospitality, and new industries pioneering revenue management, develop the tools and processes to optimize profitability.