

Featured Stories

5 questions every revenue manager should be asking

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REPORT FROM THE U.S.—While presenting at the Hospitality Leadership Forum in early November, Mark Lomanno, president of research firm Smith Travel Research, made a statement ominous enough to send chills up the spines of revenue managers everywhere.

“On an inflation-adjusted basis,” he began, “... it’s going to probably take eight to 10 years to get room rates back to where they were in 2007.”

This assessment was more severe than the reality faced in the aftermath of 9/11, when it took rates six years to recover on an inflation-adjusted basis, according to STR. But then again, this downturn also has seen historic extremes in industry performance declines.

Still, not everyone agreed with Lomanno’s projection. Jim Rozell, senior director of revenue optimization at Carlson Hotels Worldwide, said that 2007 was an inflated benchmark to begin with.

“In 2008, portions of 2007, rates were not where they should have been,” he said. “They were well above where they should have been,” adding rates are now where they should have been.

For the industry to think it will recover to 2007 levels is probably unrealistic, he said.

Yet others, such as Bonnie Buckhiester of Buckhiester Management, a Seattle-based yield management consulting firm, concurred

with Lomanno.

And whether you agree with the claim or not, it’s important to start thinking about recovering rates at the onset of the economic upturn. Here are five questions every good revenue manager should ask himself or herself to get started:

1. Have you forgotten your price point?

There’s a difference between slashing prices and making discounts look like promotions, Rozell said. The former implies cutting rates to establish the lowest competitive price point among your peers, assuming that guests’ booking decisions are based solely on price.

Promotional discounts, however, offer cost-conscious consumers a value-oriented deal that maintains a reference to the original price point. For example, if a guest buys two nights and gets one night free, they still know how much that third night is worth.

“The key thing is to keep that higher reference price out there, so that people being driven by value still realize this is a (US)\$299 product,” said Chris Anderson, assistant professor for the Cornell School of Hotel Administration.

2. Are you using the right comp set?

“Revenue managers have to go back and revisit their comp sets and determine if they’ve got the right comp sets,” Buckhiester said. This is especially important as revenue managers learn to navigate the new normal, in which five-star hotels are charging four-star rates, four-star hotels are charging three-star rates, and so on.

Read [“It’s all about who is in your comp set.”](#)

3. How often do you update your forecasts?

Monthly forecasts are great for C-level boardroom meetings, but they don’t provide the type of up-to-date information needed to make accurate, day-to-day decisions from the revenue management perspective, according to Buckhiester.

So how often is often enough? Track accuracy by the day, Buckhiester advised. This is especially important for hotels at which revenue management is not outsourced or automatic.

4. What’s your most profitable business mix?

It’s not enough to determine your most profitable business mix in general, Buckhiester said. You must determine the most profitable business mix for today’s market conditions, and then adjust it accordingly as the economic climate changes.

To do so, look at all revenue streams, all income, all internal and external costs, and really drill down into them to determine what mix of guests will generate the highest total revenue—not just the highest initial room rate.



Bonnie Buckhiester

5. Does the product match the price?

Price points shouldn't be arbitrary; they should accurately reflect the product and demand, Buckhiester said. While this might sound obvious, far too many hoteliers aren't analyzing where the demand for certain guestrooms and packages actually lie.

Buckhiester advised taking a month or two to track upgrades to see what guests want and are willing to pay for. Then, build in up-sell opportunities to capture that demand.

Kimpton Hotels, for example, offers guests upgrade opportunities in their confirmation e-mails. "This is what you bought ... you can get this upgrade for (US)\$10 right now instead of (US)\$20," Buckhiester said. "It may or may not be available when checking in, and you can change your mind."