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How to choose the right RMS

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REPORT FROM THE U.S.—Regardless of the state of the economy, revenue is top of mind for all hoteliers. Revenue-management systems can be a valuable key to unlocking greater performance, but there are a number of considerations before a system is installed.

“It’s probably the most important thing that any company does to drive top-line revenue,” said Lovell Casiero, senior VP of sales, marketing and client relations for Fairfax, Virginia-based Crescent Hotels & Resorts. “If a company doesn’t have a very strong revenue management structure, then they’re probably not performing to the competition that does. The people that have the revenue management (system) are the companies putting the money at the top line.”

Bonnie Buckhiester, principal of Seattle-based consulting firm Buckhiester Management and a HotelNewsNow.com columnist, said that less than 5 percent of the hotels in the world have revenue-management software.



Bonnie Buckhiester, Buckhiester Management

“It’s a piece of technology that will come into its own and has strengthened in the past 10 years, but you might open a hotel and not have one,” she said. “Eventually over time RMS will be as common in hotels as (property-management systems). Markets in most cases are far too complex today to try to manually forecast the variations and nuances of consumer buying behavior.”

Mark B. Hoare, a partner at The Prism Partnership, a Boston-based hotel consulting company, said the intelligence of the systems has improved, and they have a benefit regardless of the economic climate.

“The applicability is very dependent on the type of hotel you are, the type of business you do and where you are,” he said. “The fundamental question is ‘If I were to have one of these, what is my (return on investment) going to be? Is it going to improve my occupancy? The answer is probably no. Is it going to improve my (average daily rate)? Quite possibly yes. Will it improve my bottom-line profit margin? Yes.’”

No such thing as autopilot

Regardless of how sophisticated a hotel’s RMS is, it still requires a human touch to maximize its performance.

Buckhiester said all RMSes have optimization periods throughout each day, but that isn’t the end of the process.

Read, "[Brand benefits: Revenue-management systems.](#)"

“There is the opportunity to override if there are unique circumstances and there is information the system wouldn’t know,” she said. “You can’t put it on autopilot. It’s still art and science. There’s no RMS in the world that’s going to tell you you’ve got a blizzard outside your door.”

Hoare said revenue-management companies would suggest that hotels let the system make the decisions and then apply those decisions to their selling strategy.

“I’m not sure I’ve ever seen any hotel company that has put that much trust into the system that they don’t at least review the recommendations before implementing them,” he said. “The data which is provided to the RMS often needs to be augmented with data that isn’t available in the PMS or CRS. You need a human to do that.”

Casiero said Crescent relies on the human tools at multiple levels throughout the company.

“Sometimes revenue management is an hourly thing,” she said. “There’s no autopilot. The system doesn’t understand everything that’s going on. Any number of things can change the landscape of what you’re doing that day.”

Jess Pettit, corporate director, sales and marketing for HEI Hotels & Resorts in Norwalk, Connecticut, said HEI has at least one person in charge of revenue at each property.

“The ability to take all of the data that all the systems have and organize it in a way a skilled revenue manager can make decisions is all we can ask for,” Pettit said. “We trust the individual to make decisions more than the system. The system points you in the right direction.”

Hoare said another RMS limitation is that very few truly integrate and factor wholesale allocation and group business.

“They’re almost exclusively managing transient business,” he said. “If you’re a resort or convention hotel, you’re probably going to have a lesser value return on putting in a RMS. If you’re an airport hotel that really has only transient traffic, you would have a much better return on your investment.”



Jess Pettit, HEI Hotels & Resorts

Hoare said the first thing a hotel needs to determine is whether or not they truly understand revenue management.

"It isn't going to replace the mechanics," he said. "See if a revenue management system can make you better, smarter, faster. A lot think that if they put in an RMS they're going to see 6 percent extra on the bottom line overnight and that's not the case at all."

Buckhiester said the first place she starts is to determine if the hotel executives created buy-in to the approach they want to take or just put it in the budget and so buy it.

"We see many that get installed but not used at all," she said. "Our object is to make sure they become a user who uses it 90 percent, not 30 percent."

Buckhiester then conducts an analysis of the hotel's or company's core competencies in revenue management and if they're not at a high level, she'll recommend holding off on a purchase until they have stronger best practices.

Step two

A development plan and a look at the technology come next, according to Buckhiester.

"The technology piece needs to be talked about a lot before you even talk about RMSes," Buckhiester said. "There's a lot of hotels that have legacy systems and interoperability. You want to know how the databases are going to be leveraged and how much integration you can expect."

Step three

Her next step is a request for proposal process that encompasses five steps: vendor and vendor background; functionality; data and security; implementation and support; and references, pricing and guarantees.

Hoare said it's critical for a hotel to fully understand its current rates and selling strategy and what executives would like them to be.

Choosing a system

Bonnie Buckhiester, principal of Seattle-based consulting firm Buckhiester Management, offered these steps as integral to selecting a revenue management software system:

Vendor and vendor background: How unique is the system and the vendor? What are their characteristics?

Functionality: Interfaces, functional comparisons with other systems, weaknesses.

Data and security: What reports can be pulled, data analysis, how the system works with other systems.

Implementation and support: Find out what ongoing support the vendor offers to get the hotel through the first few weeks when the process is most difficult.

References, pricing and guarantees: Find out what the price is and what guarantees they offer (some offer incremental revenue guarantees). Always find independent references along with the ones the vendor supplies.