

What's the fuss about Revenue Management?

By Nadhirah Rosli | October 15, 2.00pm SGT

When we talk about hotel management, the focus has always been about service and operations. Many people forget that, while the industry is primarily focused on serving, dining, and lifestyle, there is still a technical component including effective data management and analysis that constitute the basis and backbone for the company's survival and growth.

After six years in this position, I've lost track of how many individuals have approached me, curious about what I do and invariably relating revenue management to the finance department, thinking that we are all under the same umbrella.

Why is Revenue Management such a specialized department, and what exactly is the big deal about it?

Picking the right revenue lead for a hotel is like playing Russian roulette. The person in this position will have a significant impact on major business choices and, as a result, the hotel's entire business culture. Hence, should the General Manager pick the wrong candidate for this role, it could be detrimental to the survival of the hotel itself.

The role and the in between

Before we get into the details of why Revenue Management is so essential, it's important to first understand the basics of the job. What does it do, and what qualities are required of a successful Revenue Manager.

In the simplest terms, a revenue manager's job is to set pricing that maximizes the hotel's profitability, while still meeting its strategic objectives. While this activity may not appear difficult at first, making appropriate price recommendations requires a combination of analytical abilities, market research, critical thinking, and a little bit of gut feeling. Great revenue managers must also balance the hotel's mix of group and transient business, which necessitates marketing and sales negotiations.

Importance of the role in the new era and what it entails

The pandemic has taught us that revenue management is more critical now than ever. Revenue teams at successful organizations shifted away from system management positions and toward a more holistic approach to commercial decision-making.

We must recognize that recovery will take time, and the Revenue Management discipline will need to evolve as well. The classic adage of finding the right customer at the right time, at the right price, and through the right channel is more relevant than ever. Nobody can predict how the leisure, business, and group travel markets will evolve in the long run, so what would be the preparation for it?

It all begins with data. Revenue leaders can no longer rely on local competitions and on-the-books data to be successful. The scope must be broadened to include a comprehensive examination of the market. Weekday and weekend competitors may differ from those in the past. Alternative accommodation providers, such as Airbnb and vacation rentals, should be considered in the forecast.

It's crucial to look for indicators of future demand in the area, such as search volume and flight searches. Leaders must broaden the scope of their event search. In the new era, events that might not have brought revenue in the past can open up a fresh window of opportunity.

One should also examine the performance of the Competitive Set (or CompSet) and their digital approach. With all this data gathered, the hotel will be able to gain a better knowledge of market demand movements, put up a dynamic ADR yielding strategy, and acquire new business.

Gathering all of this information might be a daunting task. The only way to effectively achieve this is to take use of today's technological breakthroughs. Previously, hotels were wary of new technology, particularly when it involved automation. Another major obstacle was the cost of entry, but as more items enter the market, costs are becoming much more reasonable. The key to a successful post-pandemic business will be to invest in technology.

Another distinct change in the time frame is that the pandemic has thrown prior performance into disarray as a forecast of future performance; as a result, understanding market demand is vital to successful operation. Without real-time demand data, hotels don't have any precise information about possible guests, thus determining the optimum yielding pricing might be difficult. The outbreak exposed the flaws in existing revenue management systems, which determined hotel rates mostly based on past data.

To achieve recovery, revenue managers must look beyond top-line room income. The concept of Total Revenue Management has been around for a while, but the crisis has brought it to the fore. As a result of the sharp decline in demand, we noticed new concepts and offers across all operating areas. Upsell and cross-selling strategies have become increasingly important. Another important push was fee-based add-ons, and many businesses have already implemented or are in the process of implementing attribute-based pricing.

Conclusion

The presence of revenue management in a hotel setup becomes undeniably more valuable. With the rise of digitalization, the traditional sales setting is no longer applicable.

Unfortunately, as the chain grapples with the imminent change in business dynamics, the relevance of this job has been forgotten. Considering revenue has long been a reclusive profession for many senior executives, top talent is fleeing to a more lucrative position outside the sector. It is critical for the industry to focus on building a strong talent bench capable of implementing all of the new revenue management norms in the post-pandemic environment.

In the new reality, management businesses that acknowledge the need for innovation, talent pool development, and cross-team integration will lead the recovery.

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