

The Politics Of Revenue Management - By Doug Kennedy

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How interesting it has been for seasoned hospitality executives to witness firsthand the emergence of the profession of revenue management, and simultaneously, the significant improvements in revenue per available room our industry has achieved these last 20 or so years.

Yet as far as we have come as an industry, most revenue-management visionaries agree that we have so far actualized only a small percentage of industry's potential benefit. Despite an up market, there is still far too much money being left on the table by hotels that have failed to actualize their revenue optimization potential.

While it is true that overall most hotels do a good job at yielding their transient market segments and are increasingly aware of the costs of distribution according to channel, not enough are:

- œ Applying revenue management principles to group bookings, such as factoring-in the often-overlooked distribution costs of this 'channel.'
- œ Integrating revenue management technology with CRM processes and systems.
- œ Using dynamic pricing for corporate and wholesale channels.
- œ Auditing actual room production midyear, versus annually, and adjusting rates/terms accordingly for key accounts.
- œ Employing channel conversion techniques to encourage guests to book directly next time through less costly channels.
- œ Training reservations agents to understand and execute pricing strategy and to maintain the various 'fences' that exist around rates without creating ill will.

In making the rounds on the conference circuit these days, it seems to me there's a huge discrepancy between the way revenue management is practiced between hotels and hotel companies. On one side of the equation, you have hotels that have embraced revenue management as an integral part of their entire corporate culture; besides having a director of revenue, you also have a general manager, director of sales, and the even ownership/investment stakeholders understanding that how fundamental revenue management principles impact financial performance.

At the other extreme, you have other hotels and hotel companies that still believe that revenue management is nothing more the new title of their old reservations manager, who is now in charge of managing electronic distribution channels since reservations was outsourced. Why this discrepancy? How is it that some company cultures have evolved while others have been stuck in their past ways?

It's been said that revenue management is both an art and science, but perhaps we should say revenue management is mostly about political science. In today's industry environment, most financially successful hotels have the necessary technology to forecast demand, manage their inventory, and adjust to changing trends in the market as they are emerging. Those that don't no longer have an excuse, as there is a wide variety of supplier/partners who are marketing systems of all levels of sophistication, according to the property's needs and budgetary constraints.

No, it's not the systems that are holding so many hotels back from succeeding, but rather the people and their corporate politics. It's the director of sales who stands up at the end of the revenue management meeting and says, 'Yeah, but I still think we should take them because it's a sure thing,' after the transient displacement report and banquet-room demand forecast both indicate the dates are peak demand. It's the general manager who sits atop an org-chart where the revenue management is an assistant/supervisor level staff member. It's the vice president of operations who still thinks that revenue management is a person rather than a core hotel management function crossing all disciplines within his or her company. It's the owner/investor who doesn't see the need to pay for the competitive-set pricing reports on the market these days and says 'Why can't they just check the Web and call around themselves?'

To remove these barriers, we first of all need capable revenue management professionals who possess the analytical skills necessary to collect and evaluate myriad reports and data resources and to make sound revenue management decisions, which are already highly coveted skill sets in the labor market. But we also need revenue management professionals who are able to bring more than the numbers to the revenue meeting and can convincingly present their paradigm and convince others of its validity.

So how can we help our revenue management professionals prepare themselves for dealing with the political side of revenue management? Here are some suggestions:

- œ Make sure you have a reporting structure that gives your director of revenue management (DORM) the necessary authority to execute their strategies.
- œ Avoid becoming 'ethno-centric' regarding your company's revenue management's philosophies.

œ Encourage your DORM to network with their colleagues at conferences and meetings at the regional/destination level as well as within the brand/company if applicable.

œ If necessary, encourage them to build their presentation skills by attending organizations such as Toastmasters International.

œ Purge your company culture of old-school bias towards certain market segments or distribution channels; if there's a new way to make more GoPAR (Gross Operating Profit Per Available Room) then be open to it.

œ Educate owners and investors, because the key to a functional and healthy revenue management corporate culture is an appreciation of the concepts at the ownership levels.

Finally, if you are looking to help your DORM get to the next level, you'll definitely want to encourage join to participate in HSMIAI's revenue management special interest group. By attending this association's annual strategy conference, (scheduled this year on June 19 in Minneapolis), or by participating in one of the regional workshops or Webinars to be presented by HSMIAI University, you'll make sure they are exposed to the latest suggestions and ideas of their peers. See www.revmanagement.org

for more details about this association and its events.

By supporting your DORM and giving them the tools they need to succeed, you'll not only be winning at the politics of Revenue Management, but you'll also make sure that your hotel has the right numbers when the 'results are in.'

About the Author



Doug Kennedy has been a fixture on the hotel industry conference and lecture circuit since 1989, having presented over 1,000 hotel/travel industry workshops, conference sessions, or keynotes. He is the former President and Co-Founder of HSA International, which he exited after 15 years to found The Douglas Kennedy Company. His consulting and training clients have represented all segments of the lodging industry from select/limited service to upscale/luxury to specialty/niche.

Besides his monthly column at Hotel & Motel Management, Doug's articles have been reprinted Internationally in 14 publications. He is the author of a number of books, manuals, and multi-media training programs including audio and video scripts, netconferences, and webcasts. Visit www.douglaskennedy.com for more details or e-mail Doug directly at Douglas@douglaskennedy.com.

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