

What Makes a Good Revenue Manager? More Than You Think - By Andy Archer

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The best can raise RevPAR 3 to 7%. Use these tips to spot top talent and improve your chain's bottom line

Hospitality's quest for every spare dollar available makes the corporate revenue manager one of the highest profile jobs in the industry today. An effective revenue manager using the right tools can raise a chain's average daily rate (ADR) as much as seven percent - most of which goes straight to the bottom line. With this kind of money at stake, operators can achieve significant benefit from identifying the best, brightest talent, as well as understanding what they need to achieve optimum results.

The job description and responsibilities for the corporate revenue manager vary from chain to chain, but regardless of the hotel company, nearly all revenue managers perform multifunctional roles that extend far beyond optimizing room rates and forecasting group profitability. Revenue managers are fast becoming corporate leaders who chair rate strategy committees, train property managers in pricing strategies, and guide sales and marketing teams in the most effective positioning for their selling strategies and campaigns. Every decision they make affects company profitability and because of this the position demands a professional competent in their ability to manage both people as well as revenue.

Revenue managers have two equally important jobs to do to achieve their goal of maximizing chain revenue: (1) develop the most effective rates and strategies to increase revenue; and (2) motivate corporate executives and chain managers to implement those rate and strategy recommendations.

Technology is only half the job

To accomplish the first part of their job, revenue managers need the best technology tools available. This means having a stable revenue management (RM) system that optimizes rates based on accurate analysis of vast amounts of data, including:

- Historical demand,
- Regional, seasonal and competitive influences, by property and market,
- Group performance across all property profit centers,
- Price sensitivity for a large number of segments and markets, and
- Demand and reservation costs across multiple sales channels.

In addition, effective performance depends on the system's ability to:

- Revise pricing recommendations anytime as new information becomes available,
- Perform its analysis quickly, and
- Deliver optimized daily rate recommendations for a portfolio of properties and their guest segments that extend out for date ranges of up to five years in the future.

This is the nearest thing to rocket science in the hospitality industry, and most chain RM systems are designed around statistical models created by Ph.D. mathematicians.

Sophisticated analytical tools need skilled professionals to make them perform, and more importantly, to communicate the valuable information they generate to corporate executives and property managers who must apply it to maximize revenue. A 2005 RM study by Softscribe Inc. revealed that in most chain-franchised properties, operators repeatedly resist corporate revenue management guidelines and set pricing and length-of-stay policy themselves based on 'gut' instinct. Why the resistance? Many operators lack an understanding of how corporate rate recommendations are developed and do not believe central revenue managers have an adequate knowledge of their property's unique market to provide realistic rate recommendations. The study showed that the result of not applying optimized pricing was consistently lower property revenue.

With this in mind, progressive operators must look for the following qualities in an effective chain revenue manager:

œ **Relationship skills:** The best revenue managers spend as much of their time managing people and building relationships as they do managing revenue; this is an essential quality.

œ **Creative thinking:** Top revenue managers are visionaries and corporate change agents who rely on innovative thinking to develop and implement strategies to increase chain profitability.

œ **Effective sales ability:** Although not sales people by profession, revenue managers spend most of their day selling rate recommendations to the chain executives, sales directors and general managers who must adopt their pricing strategies before they can impact revenue. At most chains, property GMs are responsible for their hotel's profitability. Convincing these managers to accept rate recommendations handed down from a corporate office hundreds of miles from the property requires

a skilled sales professional, not a computer programmer.

œ **Property management experience:** Many RM professionals have property management backgrounds and understand the unique characteristics of each of their hotel's markets. This knowledge enables them to communicate their pricing and length-of-stay recommendations to GMs and their staff in ways that are more likely to be adopted.

œ **Training experience:** Because of high property turnover, good teaching skills are critical to the successful implementation of RM recommendations. Each new property manager must be educated in how RM guidelines are created and the role they play in property profitability. If property managers do not understand the factors that go into RM recommendations, they often disregard their chain's pricing guidelines and lose money.

œ **Solid communication skills:** Good revenue managers are excellent communicators and listeners who are as effective in the conference room presenting their ideas to operations teams as they are using a computer.

With ADR and chain occupancy numbers on the line, operators must select the best revenue manager for their company. Surprisingly, the most effective chain RM professionals are not ivory-tower number crunchers who work behind closed doors, but creative thinkers and skilled sales people comfortable and competent with leadership. Be alert for candidates with these qualities -- they could mean money in the bank for your hotel company.

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