

## Follow the Money: 10 Years of Profit Optimization Progress Pays Off for Operators

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Customer service, revenue management focus in two markets a winning strategy for The Rainmaker Group and its clients

When Tammy Farley, principal at The Rainmaker Group, considered Rainmaker's ten year anniversary this spring, she realized that her company, its clients and the global profit optimization industry have each shaped one another positively.

'In the past ten years, the industry has progressed from yield management to profit optimization, and the most significant change has been in the users themselves,' said Farley. 'Revenue management professionals are becoming more sophisticated strategic thinkers.' Farley observed that Rainmaker's customers have a hunger for both a wider variety of analytical data to optimize their profitability, and for real-time visibility into competitors' positioning.

Rainmaker, a profit optimization software company serving the gaming hospitality and multifamily housing industries, originally provided yield management and sales and marketing solutions to the airline industry. Farley and Bruce Barfield, Rainmaker's president, shifted the company's focus to the casino gaming industry gaming industry when Manugistics, since acquired by JDA Software, needed a partner to support its customer base in hospitality.

'We saw an opportunity with the Hotel Gaming Revenue Management product that Harrah's and others were using, and took on responsibility for developing , supporting and marketing the system in the casino gaming industry. We branded our new product revolutionSM,' Farley explained.

Farley and Barfield are both strong believers in personal client service. After taking over the product 'we pulled our customers together and asked them to tell us what their critical issues were.' They told us, and we tackled the top ten items. Eight months later we delivered the changes,' said Farley.

Rainmaker's success with its first two gaming hotel clients quickly attracted the attention of other companies also seeking proven hotel revenue management strategies. The company's new clients included:

Boyd Gaming, with its guest-value focus, which reduced comp expenses 35 percent and increased cash revenue four percent by automating its revenue management strategy,

IP Casino Resort Spa in Biloxi, Mississippi, with its post-Katrina resurgence including Average Daily Rates up 30% and very high occupancies.

Isle of Capri

MGM MIRAGE

Trump Entertainment Resorts, and

Hollywood Casino Tunica

Along the way Rainmaker began hosting Client Steering Committee meetings. 'We started to collectively get feedback from our customers at these user groups and to plan our product roadmap. This was instrumental to our success because our clients knew what they needed to be more profitable' said Farley. Another key factor to Rainmaker's momentum is 'the incredible staff of people who have joined our team over the years,' Farley noted. 'Without them, we would not be where we are today. We have best-in-class talent in many areas.'

### **Multifamily Housing Market Ripe for Lease Rent Options**

In 2005, Rainmaker entered the profit optimization field in the multifamily housing industry by assuming responsibility for the development and support of Archstone's Lease Rent Options (LRO) software. 'The LRO system, which we branded revolution LRO SM, had much in common with our other profit optimization system. The multifamily housing industry was ready for automated lease-rent optimization. Suddenly we had new business coming our way faster than in the casino gaming hotel side,' said Farley.

Multifamily companies that soon became LRO users included:

Post Properties, with lift rates of 4 - 5% in key locations,

Simpson Properties, with 3.6 - 4.1% Lease/ Rent Lift rates,

Mid-America Apartment Communities,

Equity Residential,

Archstone,

Home Properties, and

Julian LeCraw Company

### **Revenue Management is a Way of Doing Business**

In both markets, a shift in thinking was required. 'Revenue Management is not just a software system, it is a way of doing business,' said Farley. 'It requires a cultural change at most companies, we made that education part of our training plan.' Rainmaker provides best practices consulting to help clients become organizationally ready for the new information profit optimization software delivers.

### **Profit Optimization Boot Camp Helps Shift Corporate Cultures**

Farley outlined three ways a company can ready its culture to leverage profit optimization software:

1. Shift your focus from occupancy and rate to profitability.

As an example, for Las Vegas casino hotels, think profitability instead of separate food and beverage, show, and spa spends. Farley noted industry champions of this approach include Gary Loveman, chairman, CEO and president of Harrah's Entertainment, Inc., who brilliantly told Wall Street analysts their metrics do not fit the casino gaming industry. 'He said to look at gaming profit per room and gaming win per room instead of Average Daily Rate and occupancy,' said Farley. 'Harrah's annual report talks about lifts in those metrics.'

2. Move from silos to integrated departments. Consider letting the revenue management team report through sales and marketing instead of operations. This creates clear communication between the casino sales and marketing department, revenue managers and hotel operations.

3. Recognize the day in the life of a Revenue Manager has changed from crunching numbers to strategic thinking.

'Companies that develop a focused revenue management philosophy and appoint an experienced executive to manage the process realize the greatest return from a profit optimization system,' said Farley.

### **Tips for Optimizing Revenue in a Soft Market**

Farley noted that when Rainmaker started with casino hotels, the market was still reeling from 9/11. 'Later, we experienced a terrific ride where the market was just explosive,' said Farley. Out of that range of experience come the following tips for companies that want to optimize their profitability during a possible market softening.

1. Identify areas with less optimal demand early enough to make an impact with marketing.
2. Avoid overreacting to competitors' price reductions.
3. Resist taking low yield business when there is more valuable business yet to come.

Whether advising, training, speaking at industry events, or developing new versions of the software, customer service remains the central focus of Rainmaker's culture and success.

'The most important thing for us is to stay intimate with our customers, we never want to lose sight of that,' concluded Farley. 'Even though Rainmaker has experienced a lot of growth and expansion, Bruce Barfield and I are always on a road show, we still visit each of our customers on a regular basis.'

As the revenue management discipline globalizes, Rainmaker will continue to follow new corridors including, possibly, a new Silk Road in Asia that is emerging.

*Tammy Farley is co-founder of The Rainmaker Group, a world leader in profit optimization software and services for casino gaming hotels, multifamily housing and other industries. Hospitality clients include Boyd Gaming, Harrah's Entertainment, Omni Hotels, MGM MIRAGE, Trump Entertainment Resorts and other major hotel companies. Multifamily housing clients include Archstone,, Equity Residential, Post Properties, Simpson Properties, Mid-America Apartment Communities and a number of other leading multifamily housing companies. Please contact Tammy Farley at [tfarley@letitrain.com](mailto:tfarley@letitrain.com).*

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