

## Changing the Perception of Revenue Management Within an Organization is a Slow Process

2008-08-27

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Revenue management as a discipline finally seems to be getting its due in the industry.

For their part, some senior practitioners of RM acknowledge that rather than only focusing on the technical skills (Pricing, Accounts Analysis, Distribution Channels, and System Configuration), the RM teams should also concentrate on other areas such as management skills.

In order to know more about the role of revenue managers, EyeforTravel's Helen Raff recently interviewed three revenue managers - Gregg Chapman, Manager, Revenue and Profit Management for Walt Disney Parks and Resorts, Susan Cary, Director of Revenue Management for Alaska Airlines and Melissa Skluzacek, Director - Pricing & Revenue Management for Midwest Airlines.

Here is what three executives, who all are scheduled to speak during EyeforTravel's Revenue Management and Pricing in Travel conference, scheduled to take place in Las Vegas this October, had to say:

**Helen Raff:** Considering your vast experience, what's had the biggest impact on the way you do your job especially over the last couple of years?

**Gregg Chapman:** The biggest impact for me has been technology. Science has evolved and technology has enabled revenue managers to process vast amounts of information. Before this technology was available, a revenue manager was not always able to execute their goals.

**Melissa Skluzacek:** I think that the erosion of market segmentation has been the biggest impact on revenue management. We used to be able to divide people into groups according to price and restrictions, but now the ability to segment customers has diminished. We have to re-evaluate how to forecast demand because the old ways don't work any more. The revenue management science has had to adapt to these changes.

**Susan Cary:** There is so much more information available on the web. It's changed the way a customer views you and the competition. This also provides much more information we have to consider.

**Helen Raff:** Is there is a danger that overuse in technology can downplay the humanistic side of Revenue Management?

**Melissa Skluzacek:** Revenue management is both science and art - models can't know everything and although you can use historical data as guidance, you still need to qualitatively estimate how the future will differ from the past.

**Gregg Chapman:** There is a little danger of this happening. There is always a need to inform your revenue management system of things that it cannot know, for example a revenue management system is not going to know about year to year changes of school schedules or regional holidays that do not always fall on the same date each year.

**Helen Raff:** Has the perception of revenue management changed? Do people understand what you do?

**Gregg Chapman:** Changing the perception of revenue managers within an organisation is a slow process - you have to continually proselytize and evangelise about your science. You have to explain what revenue management does and what value it brings to your company.

**Melissa Skluzacek:** People underestimate the complexity of revenue management. You need to make sure that senior management understands all of the drivers and variables in the process. I think that airlines today realize how important RM is to the company's bottom-line, which is great, but also adds pressure to the group.

**Susan Cary:** People are starting to understand what a revenue manager can do. Revenue management is more visible now and there is greater pressure to offset increased costs. With revenue management in the spotlight it increases the chance for senior management to invest in RM technology and the RM department.

**Helen Raff:** As revenue managers, do you often conflict with other departments in your organisation, and if so, why?

**Gregg Chapman:** The obvious conflict is between sales and revenue management and this is an area that we are continually addressing. The goal of the revenue manager is to maximize company profit but the goal of a sales team is often driven by a static volume target. In a perfect world, sales people should not be penalized because of revenue management decisions that may result in reducing their volume but increasing profit for the company.

**Melissa Skluzacek:** I think that if there isn't conflict between these departments you are probably aren't doing either correctly!

**Susan Cary:** There should be a natural and healthy conflict with sales and marketing, but we know that more cooperation is needed. For us it's important to minimize the ongoing conflict. We need to work together and offer each other support because at the end of the day, we all have the same corporate goals. Revenue management can help the marketing team understand what markets to leverage. At Alaska Airlines, our co-ordination between revenue management and sales and marketing is very good, and we're constantly striving to align ourselves further. We are beginning to understand what the

other side responds to and get a greater understanding of what the other department is trying to achieve.

**Helen Raff:** What should a revenue manager do during times of an economic slowdown?

**Melissa Skluzacek:** Right now, it's a double-edged sword for the travel industry - first there is a slow down in the economy and then there is the increase in fuel prices. Revenue managers need to forecast the impact of these factors on demand more accurately than ever.

**Gregg Chapman:** Compared to events, such as 9/11, which you can't plan for, revenue managers should be looking at the external environment to ensure we are considering factors such as the economic downturn. A downturn has a broad effect on the consumer's willingness to travel, and the travel industry gets hit particularly hard. It's a revenue managers job to help the company weather the storm - we can't make a bad situation good, but we can minimize the impact that is felt by the company by being out front and making correct decisions.

**Helen Raff:** Finally, is it a struggle to recruit and retain revenue managers, and what do you look out for?

**Gregg Chapman:** Few people truly understand revenue management, even internal departments get it wrong. The first challenge is to get people to actually seek out a revenue management role.

**Susan Cary:** It's very difficult to find qualified revenue managers! It's hard because candidates often lack the necessary experience - so instead of just recruiting a revenue manager, you have to develop them. The core competencies, math and statistics, are not enough, A great revenue manager needs to be self-motivated, and comfortable with constant change and variability. It's a hard job because the goal of the revenue manager is not perfection, but rather continuous improvement.

Melissa Skluzacek summed up the interview with this comment: "Our industry is at a major crossroads and the biggest thing for Revenue Management is adaptability. What you knew to be true in the past, may not necessarily be true now. Historical data is becoming less relevant so revenue managers need to learn to adapt quickly to market changes"

Gregg Chapman, Manager, Revenue and Profit Management for Walt Disney Parks and Resorts, Susan Cary, Director of Revenue Management for Alaska Airlines and Melissa Skluzacek, Director - Pricing & Revenue Management for Midwest Airlines will all be speaking on this issue at EyeforTravel's Revenue Management and Pricing in Travel conference on October 1-2 in Las Vegas. For more information visit: [www.eyefortravel.com/tdsusa/revenue](http://www.eyefortravel.com/tdsusa/revenue)

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This article comes from Hotel News Resource

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