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Ms. Dickinson

REVENUE MANAGEMENT

Revenue Management for Owners... From the Outside, Looking In

By [Kristie Dickinson](#), Vice President, Capital Hotel Management

In the lodging industry, no topic is more relevant or timely given continued anticipated RevPAR recovery, than revenue management. In all of its complexity, this multi-faceted discipline, tasked with delivering the right business, at the right price, at the right quantities and at the right time, can make or break a hotel's bottom line. The last time I was officially "inside" hotel operations, revenue management consisted of a white board with color-coded magnets hung in the reservations office. Adjusting the rate strategy was about as dynamic as the manual scoreboard at Fenway Park... updated by hand, run by run, one inning at a time.

Fortunately, that was a while ago and the sophistication of modern day revenue management has evolved into a discipline in and of itself. With the birth of new booking channels, new technology and new customers within the confines of a highly dynamic marketplace, the world of revenue management and the ability to impact hotel performance continues to expand every day. Even the most seasoned hospitality professionals can be challenged to meet all of the skills required in today's operating environment which transcends many areas of expertise including technology, relationship management, forecasting, financial analysis and marketing, to name just a few. With this evolution, however, comes great opportunity, made possible through advanced training and industry organizations, providing analytical tools and information technology solely dedicated to revenue management. This, coupled with an industry-wide paradigm shift that suggests revenue management is being applied not only to rooms, but throughout all operating departments, bodes extremely well for the future of hotel operations and industry profitability.

Lodging experts have written numerous articles aimed at addressing specific tactical issues on pricing, distribution and measuring results for those "inside" the operation. By contrast, this article is intended for the "outsider" – namely individuals who are closely vested in hotel performance, but not directly involved in daily operations...hotel Owners. The importance of revenue management, coupled with the complexity surrounding the discipline, can often leave hotel owners scratching their heads, trying to gain some semblance of order and perspective on the strategy being employed and the resulting performance of their hotels. Fortunately, most hotel owners employ qualified management companies who have the expertise necessary to manage the day-to-day operation (and if not, this is a good place to start). Further, an increasing number of owners today are relying on hotel asset management companies to represent their interests, act as an extension of ownership and actively engage with the operating team to enhance performance. The art and science of revenue management should ultimately continue to lie in the hands of these experts. However, there are some key considerations which may be helpful to hotel owners in evaluating at a 30,000-foot level, the role of revenue management, and understanding the influence that it can have on hotel performance and overall asset value.

Revenue Management... a term used widely across many industries, but what does it mean for hotel owners? Is it a job description? A philosophy? Well, effectively implemented, it's both. Technically, revenue management is the "art and science of predicting real-time customer demand at the micro market level and optimizing the price and availability of products to match that demand," a definition provided in HSMAI's publication, The Evolving Dynamics of Revenue Management. Perhaps a more simplified definition for hotel owners might be the strategic, simultaneous optimization of top line revenue and bottom line profitability through effective pricing and distribution of guest rooms, meeting space,


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Feature Focus

Discussions on Emerging Growth Markets

MARCH: Revenue Management Maintain Rates & Avoiding Price Wars



Five Revenue Lessons Hotels Can Learn From Wall Street

By [Jean Francois Mourier](#), Founder & CEO, RevPar Guru Inc.

The hotel industry can benefit from the adoption of stock market principles in the area of revenue management. Because of the many similarities between the product sold by hotels and the products traded on various exchanges by financial professionals, many of the same theories and tenets apply. The industry must make some fundamental changes in the perception of its core product, and recognize that as a perishable, uniform item that is subject to the forces of supply and demand and the sale of which is difficult to forecast, rooms are as much like options and commodities as anything else. Once this change in perception occurs, stock market principles will find acceptance among revenue managers, general managers and owners in hotels across the world. [READ MORE](#)



Avoiding Price Wars: Exploring Discounting and Strategies that Determine Your Rates

By [Ahmed Mahmoud](#), Founder, [revenueyourhotel.com](#)

Pricing is more than a calculation: it is the process of monetizing your enterprise's value in the marketplace. It also helps you define your profitability, which has an affect on the rest of your hotel reflected in Revpar and GOP. At its core, good pricing strategy will enhance your enterprise's overall marketing and business strategy. [READ MORE](#)



Who do I Trust... My Gut or My Revenue Management System?

By [Moti Tadmor](#), Technology Business Analyst, MICROS Systems, Inc.

While rate dilution provides a temporary occupancy fix for properties it has the potential to cause long-term damage to both the property and its reputation among consumers. Hotel management must remain proactive and work collaboratively across property teams to influence a property's rate strategy and avoid the rate dilution war. When management works with all departments that could provide insight, including marketing, operations and sales, teams they can generate a proactive strategy based on in-depth market knowledge. While each hotel does not have an on-site revenue

restaurant seats, spa treatments and anything else you could possibly sell at a hotel. Revenue managers are responsible for recommending and executing sales strategies that will significantly impact the overall revenue and profitability of the hotel. Owners know better than anyone that enhanced profitability translates into enhanced asset value. Therefore, it is fair to say that revenue management can directly influence hotel value and deserves a high degree of attention.

Organizationally speaking, owners can learn a lot about a hotel's culture and emphasis on revenue management by examining the organizational chart. At minimum, owners should expect that the position of Director of Revenue Management (DORM) exist, which is commonplace at properties managed by national brands and by most third-party management companies. Assuming there is a DORM on property, look to see where they are positioned within the management structure. Experience suggests a correlation between where the DORM is positioned within the organization and the degree to which revenue management is engrained in the overall operating culture. There are many structures in place today and what works for one property may not work for another, but close examination of the existing structure can provide keen insight on the DORM's sphere of influence. Industry best practices suggest that revenue management-centric hotels have elevated the DORM position in recent years to the executive committee level, working side by side the likes of the Director of Sales and Marketing and Director of Operations with a direct reporting line to the General Manager. This structure allows for close coordination between the key leaders, while also promoting a culture by which revenue management practices can be disseminated throughout the property. Similarly, this structure fosters regular group discussion, acts as a catalyst for strategic thinking and a platform for making critical business decisions. Owners should understand how revenue management is treated within their hotels, including on-property resources and centralized support that may exist to ensure the operation is focused on maximizing revenues and profitability.

Ownership approval rights over the selection and hiring of key senior executive personnel, such as the General Manager, Director of Sales and Marketing, Director of Food and Beverage, among others, is typically standard language in most Hotel Operating Agreements (HOAs). What may not be typical, depending on when the HOA was negotiated, is the inclusion of the DORM as a position for which ownership maintains approval rights. The ever evolving job description and skill set required of revenue management professionals can make truly qualified candidates difficult to come by and appropriate incentives must be in place to attract and retain the right talent. Given the importance of this role, owners might consider pursuing a modification to the HOA to explicitly include the right to interview and approve proposed revenue management candidates. Additionally, provisions for temporary replacement of revenue management personnel might also be a point of negotiation with the management company to minimize disruption in the event of a position vacancy.

Invest in the toolbox. The universe of available tools, services and technology supporting revenue management has exploded over the last five years. The list of available products, spanning everything from social media monitoring tools to revenue management system software, can be overwhelming, as can the cost to implement. Out of necessity, most operating teams have recently been focused on "what can we cut?" rather than "what can we buy?" While a prudent strategy over the last 12 to 18 months, this mentality can potentially stifle efforts to explore and research new products and tools that may drive revenue and ultimately save money. Some examples may be technology to support direct connectivity to online channels, thus eliminating the need for manual inputting of rates and reservations. Similarly, additional spend on website optimization may drive more business to book directly and at a lower cost than a third-party reservations. While these are over-simplified examples, the point is that revenue managers should be encouraged to explore and learn about the products and services available and present a comprehensive business case to ownership for those anticipated to yield a positive return on investment. This may be as simple as additional training and education, but the structure needs to be in place to foster open communication between operators and ownership to collectively evaluate opportunities.

Recognizing the art in the science of revenue management is probably one of the most difficult things for hotel owners to do. At the end of the day, an owner's reality is clear and objective, spelled out in the P&L, in black and white (and unfortunately, sometimes red). Owners, rightfully so, have been more involved in operations during this most recent down cycle, trying to understand market dynamics and the future of their investment. While this active ownership can often help in aligning interests, in some instances, it can pose a distraction for the operating team, as they shift from focusing on the operation to explaining every blip on the radar to ownership. It is important for owners to recognize that revenue management, especially in a recovering economy, is going to involve a bit of trial and error, and may even call for some unconventional tactics and strategies. Following performance indices on a daily basis is a one-way ticket to an ownership panic attack. Rather, owners should take a step back, and attempt to understand the revenue strategy at large, or rely on experts, such as asset managers, to provide the context for better understanding of the numbers and initiatives underway. Sometimes too much information can elicit snap decisions that may negatively impact the long-term value of the asset. Owners should trust in the revenue management strategy of the operating team, but insist on transparency and accountability of the goals and objectives of the plan.

Kristie Dickinson, a New England transplant, brings more than 15 years hospitality industry experience to her current role as a Vice President for Capital Hotel Management (CHM), a leading hotel investment and asset management company. Ms. Dickinson is responsible for supporting the strategic planning efforts for hotels under asset management, with a focus

management team, every property does need a proactive, targeted plan. [READ MORE](#)



Thoughts on Maintaining Rates and Avoiding Price Wars

By Stan van Roij, Managing Director, Easy (Ez) Revenue Management Solutions Ltd

"How can I maintain rates in a downward market, and how can I avoid a price war?" is a question that is asked over and over again, and although plenty of answers have been given over the last few years by many people, the industry never ceases to ponder this dilemma. By no means do I claim to know it all, however in my experience there are a couple of simple, and in most cases, obvious things to keep in mind that do help to avoid a price war and that do help to maintain rate levels. [READ MORE](#)



Be Proactive to Combat Rate Dilution

By Scott Roby, Vice President, Revenue Management, Evolution Hospitality

Rate dilution has continually plagued the hotel industry; it provides a temporary fix to increase occupancy and sometimes increases market share. However, it also has the potential to incur long-term damage to a property and its reputation among consumers. When properties take a reactive approach and lower rates without a larger strategy behind that discount, they run the risk of losing loyal customers willing to pay full price – price cannibalization. Hotel management must remain proactive and work collaboratively across property teams to influence the property's rate strategy and avoid the rate dilution war. Following, note several best practices in property revenue management. [READ MORE](#)



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on revenue management practices, sales and marketing effectiveness, market positioning, segmentation and rate strategy development. Ms. Dickinson oversees special projects including feasibility and financial analyses aimed at operational enhancement, property acquisition and exit strategies. Ms. Dickinson can be contacted at 978-522-7002 or kdickinson@chmhotel.com **Extended Bio...**

Coming Up In The April Online Hotel Business Review

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FEATURE FOCUS

Exploring Social Media Strategies

A year ago, hotels assumed social media was a fad. Today, they're quickly trying to figure out how to use the new methods of communication to grow their guest base. Hotels that take advantage of this trend are seeing significant benefits in terms of online placement and revenue. Everyone is rushing to get on Twitter, Facebook, YouTube, LinkedIn, Flickr, Google Wave, Yammer, Foursquare, and Google Buzz, but now that you're there, what's next? Social media is not a fad, it is here to stay, and it is important to learn the tools to use them well.

Social Media ROI: Does Your Hotel Have a Competitive Advantage?

By Oliver Sohn, Partner, Seventh Art Media

Direct-to-Consumer PR: How to use the social web to share information

By Josiah Mackenzie, Author, Hotel Marketing Strategies

Social Media Analytics: Understanding the Tools to Help Drive Hotel Revenue Growth

By RJ Friedlander, Founder & CEO, ReviewPro

Social Media Marketing: Everything Hotels Need to Know About Using YouTube

By Michael McKean, CEO, The Knowland Group

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