

Smart Revenue Management Techniques For 2009

By **Leora Lanz** and **Eydie Shapiro** and **Barbara Fischhof**, Feb 17, 2009

HVS shares tips for effective revenue management techniques as hotels ride the 2009 economic wave. Try to stay afloat; capture market share; be ready when the upswing returns.

With all the key industry indices down, 2009 is turning into one big challenge. So where's the good news?

Our industry is cyclical and the good times will return. Don't give up! Use this time as an opportunity to be smart with effective revenue management strategies. Weather the down cycle and be well positioned for when the recovery arrives.

While it may be difficult or impossible to grow revenue share, here's your opportunity to hone your skills and focus attention on effective (and constantly evolving) revenue management. The goal:

- Price rooms appropriately and affordably to keep your current client base,
- Attract new clients now and keep them for the long run;
- Ensure that you sell rooms at a profit;
- Maintain, and eventually grow, market share.

What constitutes effective revenue management strategies for today?

1. Know the cost-per-occupied room and establish reasonable Rev Par goals. Establish accurate cost breakdowns for special packages that include food and beverage items – ensure that special rate agreements with third party and opaque sites are priced properly and that your net (after the third party takes their cut) is not below the cost to maintain a room. Rate parity across all sites and on your website is a must. In addition, be creative and experiment with different rate plans and packages to generate more business.

Effective revenue management also means making the most of what you have -- merchandise. Here are a few examples:

- Up-sell suite upgrades at check-in;
- Improve food and beverage merchandising in your guest rooms, bar, restaurant and online if possible;
- Offer incentives to your staff when they up-sell particular items;

Good revenue management also includes reviewing wholesaler rates for this year and next. With wholesalers asking hoteliers to lower rates and offer free nights, use caution. Make sure that before you say "yes," you can actually afford to do this and that it will make sense in the long run. If you have to make rate concessions to good clients do them for the short term and do not lock yourself into long agreements that you will regret when the recovery approaches and your business improves.

2. Study the revenue data available to you through STR, PMS reservations and Hotelligence reports. Maximize your use of these all-important tools: Here are a few examples:

- STR Report – How is your hotel trending on a 7- and 28-day basis? If the comp set is outperforming you on any of these days, find out why and take steps to strengthen your position.
- Hotelligence Reports – Compare your hotel's arrival patterns with those of the comp set. Does the comp set enjoy strong Sunday arrivals, while your hotel does not? Find out why and work to fix it. Then look at the individual GDS channel production and how to increase production through GDS media. Study travel agency production figures and rate reports. Can you improve your GDS production through a more competitive Best Available Rate or GDS advertising?
- Reservation Systems – If denials in a particular rate category are high, make changes in that category and evaluate activity on a daily basis. Perhaps review the average length of stay and create minimum length of stay rates to capture additional transient room nights.

3. Know what your competitors are up to on a daily basis. Don't be afraid to call their reservations departments (both local and CRO) and ask about packages and special rates. In addition, be sure to visit your competitors' websites on a daily basis so you can be aware of rate changes and special web-only offers. Be sure to visit competitive set hotels to familiarize yourself with the product in order to price your own rooms competitively.

Revenue management is a daily practice, and should not be relegated to once a week meetings. Your GM, DOS/M, and Revenue, Reservations and Front Office Managers are all key players in successful rate management and hotel profitability.

The word on the street for Revenue Management is "Don't be foolish; don't discount." But since someone in your competitive set most likely will, it is a decision you will likely be faced with. Tread lightly in all market segments and remember to keep these arrangements on a short leash.

HVS Sales & Marketing Services can assist in developing your revenue management practices. We'll assess your current position and document a plan for improvement, establish a revenue management training program and strengthen your team by guiding weekly calls.

For information, visit www.hvs.com or contact Leora Lanz at 516-248-8828 x 278; or llanz@hvs.com.



About Leora Lanz

Leora Halpern Lanz joined HVS as its Director of Marketing in February 1999. She is responsible for coordinating the global marketing and external promotion of HVS' worldwide office network and comprehensive hospitality services. Additionally, she coordinates the internal communications for the firm as well as contributes to the production of the firm's weekly e-newsletter, website and intranet. Her efforts have earned her Awards from the prestigious Hospitality Sales & Marketing Association International (HSMAI) as well as awards from within HVS itself. Leora also serves as Director of HVS Sales & Marketing Services -- providing sales, marketing, revenue management and public relations expertise for

the hospitality industry. Specialties include: operational reviews; marketing plan development; sales and marketing assessments; and reviews of hotel marketing strategies, sales organizations and operations; public relations; sales and marketing coordination with the property's flag; sales action planning; pre-opening marketing; sales direction and training; publicity; and promotions including web marketing.

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