

Total Hotel Revenue Performance!

... optimizing all the hotel's saleable products.



By Mark B. Hoare

Every good hotel management school graduate will have been well coached in the value of revenue-optimizing all an hotel's saleable products as a single holistic and complementary business unit. They will also have learned business units that operate in silos generally end up competing and vie with sharp elbows to attain their own discrete budget targets. This is perhaps most true when it comes to the Meetings & Events operation contending with Group Sales for their share of discounted sleeping rooms, and both competing with the Room Division who are looking to fill the hotel with high ADR transient room-only guests. And not forgetting Corporate Sales who are also elbowing their way to populate the hotel with volume, discounted transient room-only business.

No surprise therefore that Revenue Management has the devil's own job of being a friend to all these vying constituents and has, depending on the business composition of the hotel, generally gravitated toward the revenue management of transient room-only business, followed by a moderate activity within, and for, the Group Sales area. Historically, little to no revenue management specialization has been deployed within the hotel's Meetings & Events business unit. The separation of foundational revenue management practices across these three discrete business areas becomes even more apparent when we consider the extent of solutioning by leading-edge revenue management systems.

Well, this disparity of revenue management and revenue management system support for all three areas may be leveling out, as hotel owners and hotel managers are again looking to yield their property's products as a whole, and not as separate businesses. Several of the leading hotel revenue management system providers are, in their own way, successfully providing performance improvement for transient sales and are now pointing their undisputed skills at both the Group Sales, and Meetings & Events business. Let's look at two examples of this starting with Meetings & Events.

Meetings and Events

This is perhaps the poorest relation of the principle hotel profit centers when it comes to revenue management support, and the availability of specialized revenue management systems. The term RevPAS (revenue per available square foot) is hardly as well-known as RevPAR or even NetRevPAR, but specialized KPIs exist for Meetings & Events just as they do for measuring Sleeping Room performance.

IDeaS have taken a particular interest and leading position in bringing Revenue Management automation to this area with their Smart Space solution. Almost two years ago IDeaS acquired Smart Space Strategy to extend their products and services into Meetings & Events revenue optimization. A clear indication of their intent to stir an interest in hoteliers evolving to practice total-hotel-revenue(profit) performance.

Due to the overly institutionalized, manual approach to making event-booking and pricing decisions, it is reasonable to expect similar adoption challenges that befell the introduction of RMS automation to the sleeping-room area, but the prospect of effectively addressing the inability to accurately and efficiently measure M&E performance and to make vastly improved decisions using specialist software is compelling. Added to this IDeaS are now opening the door to powerful data-analytics being applied to revenue and profit optimization across and between the M&E, Groups and Room divisions of the hotel.

As with any mainstream Revenue Management System there's a crucial requirement for a real-time feed of relevant and timely information from the hotel's transactional systems to provide the foundational dataset with which to conduct specialized analytics, primarily the PMS for transient business. In the case of Smart Space the data source is the Sales and Catering System (SaC). The more detailed and effective this RMS<>SaC integration becomes the more effective the recommendations and pricing outputs will become.

Group Sales

Another leading hospitality revenue optimization firm, Duetto, has also diverted some of its attention away from the well serviced Transient Room revenue optimization space and invested in the Group Rooms area of the hotel business. While the Group Sales area has seen revenue management system support dating back decades to the Opus II, Eric Orkin, days, Duetto are taking a much more converged approach to optimizing Group revenue 'and' Transient revenue with a more dynamic pricing approach brought about by the advent of their BlockBuster product.

Whereas most Group acceptance and pricing decisions have been driven by the practice of simple displacement analysis - how much higher value transient business will I miss out on if I take this lower-priced Group booking - Duetto, have opened the door to a more holistic technique of incorporating the Transient and Group segment of the hotel's revenue management strategy by considering the hotel's Sleeping Rooms as a common asset where the best revenue and profit decision prevails whether it be Group or Transient.

From a purely technical point of view, both the IDeaS and Duetto solutions offer what might be considered groundbreaking progress but will be best employed if intelligently integrated with the property's Sales and Catering system. The importance of integration is more apparent when considering the lukewarm adoption of the Sales and Catering System itself in most properties.

With a more unified and collaborative interaction between the RMS, the SaC and the PMS systems the future of Total Hotel Revenue (Profit) Performance looks much brighter indeed. ■

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