

The benefits of implementing the strategy of Revenue Management

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Objectives

We will try to find out:

- What is Revenue Management?
- Why do we need Revenue Management?
- Role of a Revenue Manager within an organization
- Do we have the Right Tools for implementing a Revenue Management?



What is Revenue Management?

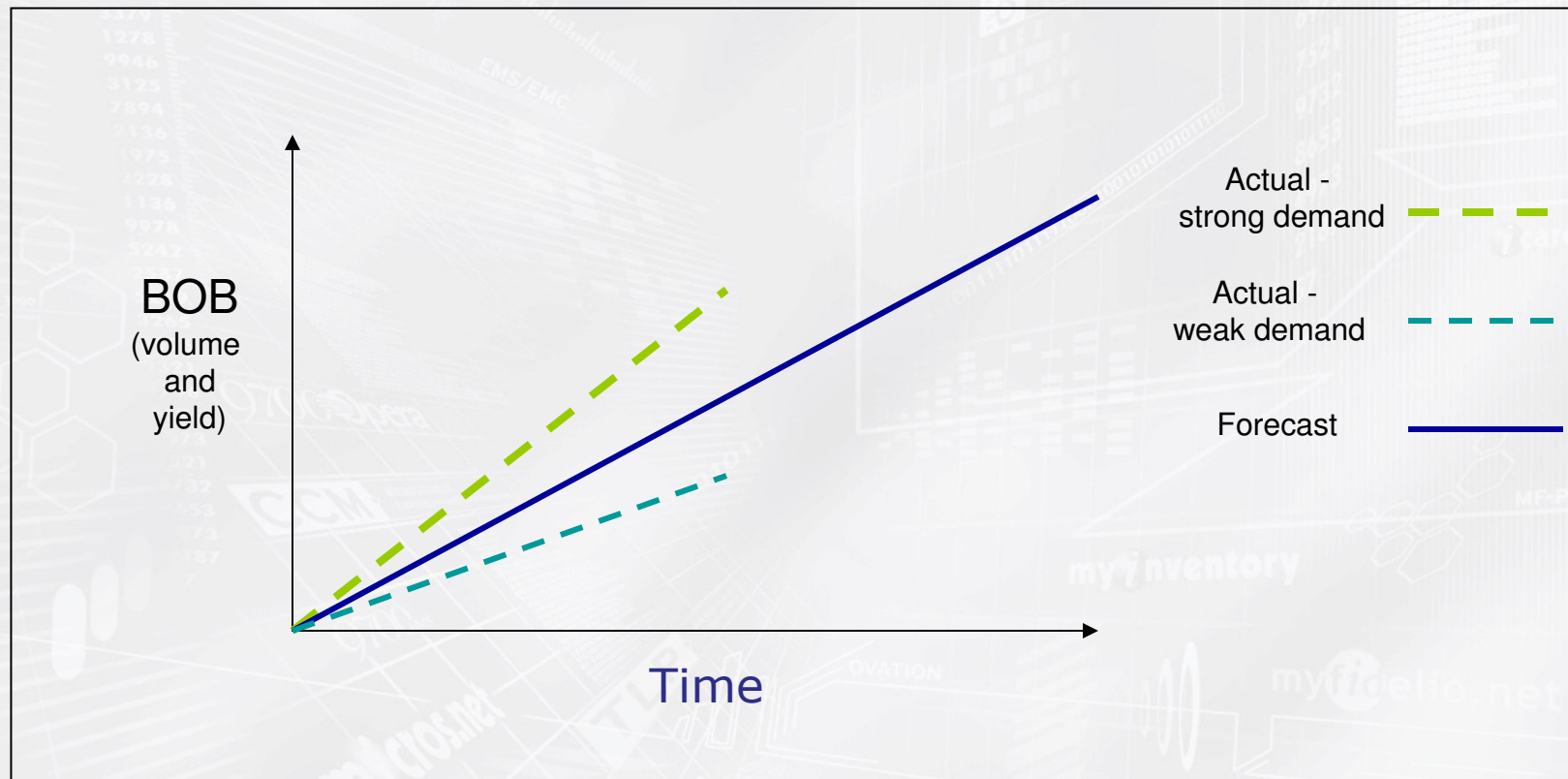
Revenue Management - “Selling the right thing to the right person at the right time”

- Selling the right thing = pricing / product
- To the right person = segmentation
- At the right time = promotion / distribution

- Market conditions will influence decision making in two areas:
 - ◆ Responding to current demand
 - ◆ Creating demand

Why do we need Revenue Management?

Revenue Management - Responding to market conditions



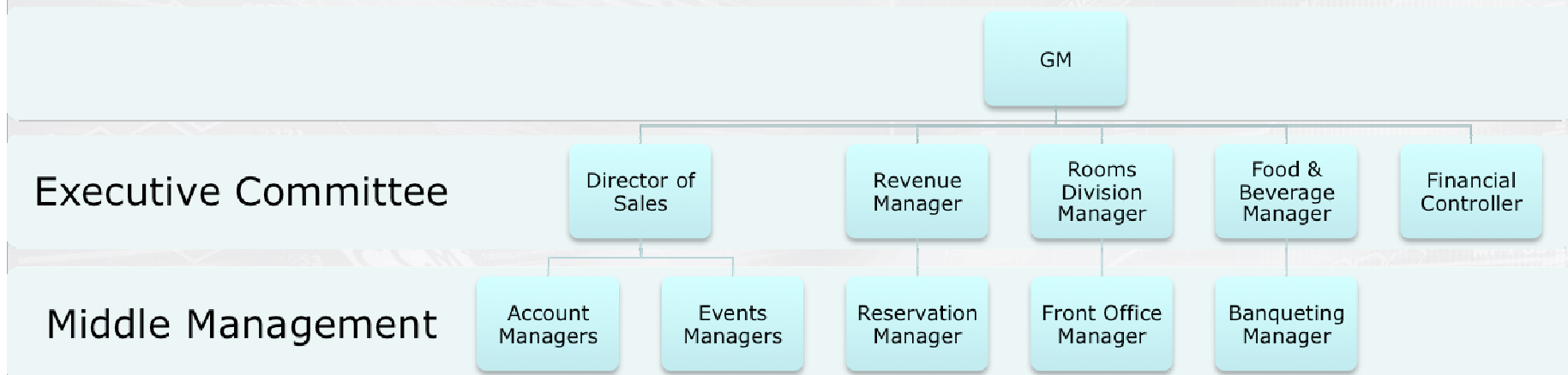
Different market conditions will prompt different revenue drivers

The role of a Revenue Manager

- Maximize all revenues to and for the Hotel, including but not limited to Rooms and Meetings & Events Revenues.
- Lead cross functional decision making of all revenue generating departments including Sales & Marketing, Rooms, Meetings & Events and Food & Beverage
- Manage all aspects of competitor intelligence; pricing; management of room inventory and/or the yield hurdle points; distribution channels, market business mix; acceptance/ denial of major group business.

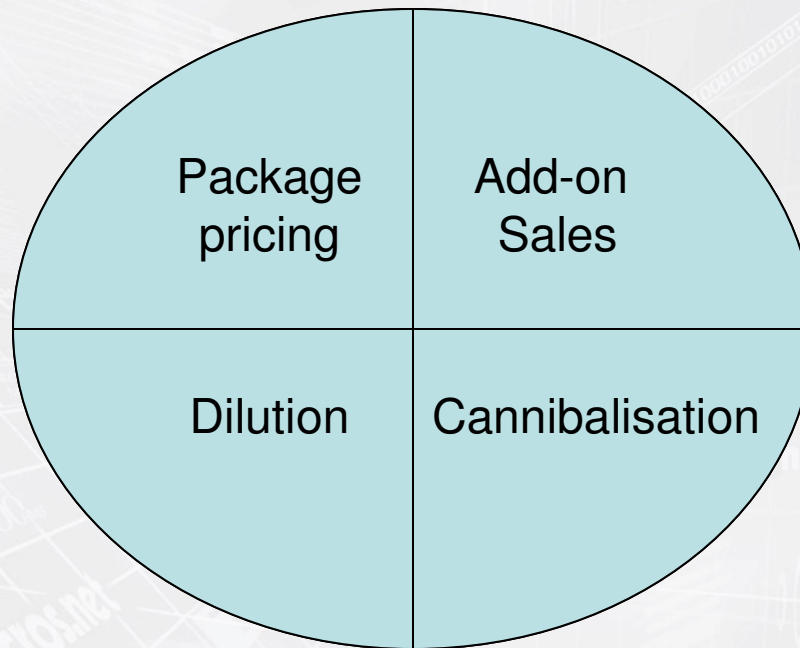
The role of a Revenue Manager within an organization

Organizational Chart for a medium size property



Revenue Drivers

Market conditions



Revenue opportunities

Packages

Combining a number of elements that create a VALUE hook that attracts new customers.

B&B
Weekenders
Park and Stay
etc..

Stretching the inventory
- selling weaker demand
periods.

Add-on Sales

Structured selling messages that encourage customers to SPEND MORE than their original price reference point.

“upgrade to a superior room for only 50 Lei more”

“stay an additional night for half the price...”

Stretching the purse
- maximum yield from a confirmed sale.
Needs SpendPAR to measure fully

Cannibalization

Selling something to somebody for
LESS
than they are
WILLING
to pay.

Need to build
FENCES
to only attract the incremental
business...

Advance purchase,
Length of stay.....

Dilution

Selling
INVENTORY
at a yield
LOWER
than you could have otherwise secured.

Need to ensure that selling systems are correctly
set up to manage sales strategies.

Close-out periods.

Key Components of Revenue Economics

■ Rooms:

- ◆ Occupancy (**occ%**)
- ◆ Average Daily Rate (**ADR**)
- ◆ Revenue per Available Room (**Revpar**)

■ Market Indexes

- ◆ Market Penetration Index (**MPI**)
- ◆ Average Rate Index (**ARI**)
- ◆ Revenue Generating Index (**RGI**)

■ Banqueting

- ◆ Occupancy (**occ%**)
- ◆ Revenue per Occupied Square Meter (**RevPoS**)
- ◆ Revenue per Available Square Meter (**RevPaS**)

Basic indicators in rooms

- Our performance

$$\text{Occ\%} = \frac{\text{Rooms Sold}}{\text{Rooms Available}}$$



$$\text{ADR} = \frac{\text{Rooms Revenue}}{\text{Rooms Sold}}$$

$$\text{RevPar} = \frac{\text{Rooms Revenue}}{\text{Rooms Available}}$$

Market Indexes

- Performance vs. competition

$$\text{MPI} = \frac{\text{Hotel Occ\%}}{\text{Market Occ\%}}$$

$$\text{ARI} = \frac{\text{Hotel ADR}}{\text{Market ADR}}$$

$$\text{RGI} = \frac{\text{Hotel RevPar}}{\text{Market RevPar}}$$

Basic indicators in banqueting

- Not a standard yet

$$\text{Occ\%} = \frac{\text{Square meters sold}}{\text{Square meters available}}$$



$$\text{RevPoS} = \frac{\text{Banqueting Revenue}}{\text{Square meters sold}}$$

$$\text{RevPaS} = \frac{\text{Banqueting Revenue}}{\text{Square meters available}}$$

Segmentation – Part of Revenue Management

- Recognising our customers as part of the revenue management process is a less widely understood practice.
- Customer segmentation is a fundamental part of delivering effective and profit driving revenue management.
- This generates a Business Mix which is the base for creating a Sales Strategy
- A Sales Strategy varies from one segment to the other, from one period to the other
- Selling rooms in a hotel without business segmentation is like selling goods directly from a truck in a completely dark parking space, in the middle of the night

Sample of a Business Mix

- Individual
 - ◆ Public rates
 - Unrestricted rates
 - Fenced rates
 - ◆ Contracted
 - Corporate
 - Government
 - Packages
 - Wholesale
- Groups
 - ◆ Meetings (MICE)
 - ◆ Government
 - ◆ Leisure
- Contracted Long Term Business (Crews)

THANK YOU!

Q&A

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