

Revenue management revolution

Hotels across the region are joining the revenue management bandwagon and learning first-hand of its true potential. **Lee Jamieson** explores the development of this relatively new discipline

REVENUE MANAGEMENT

In recent years, revenue management has become the lynchpin of any successful hotel business operating in the Middle East.

Intense interest in revenue management has been triggered by the maturation of the region's hospitality industry and the increasingly competitive marketplace. For many years, the Middle East was considered to be a small, fast-growing market fuelled by strong demand, under supply, rising rates and high occupancy — but those days have gone.

Rapid development and the emergence of major international hotel operators in all of the sectors have created a very different business environment. If the rules of the game have changed then hoteliers need to implement new disciplines and methodologies to retain their market



The industry has realised that revenue management involves far more than understanding graphs and spreadsheets.



Taj Palace Hotel Dubai GM Andreas Mueller.

share. Therefore, the need for robust revenue management strategies is greater than ever before.

“The hospitality industry in the Middle East has evolved tremendously after the downturn in the

economy,” explains ResNet World managing director, Saahil Mehta. “Prior to the downturn, several hotels were under construction in anticipation of the growth in both business and leisure tourism in the region.

“With the downturn we witnessed a combination of a reduction in demand, lower ADR, and lower occupancy levels, resulting in a decrease in revenue. With this in mind, it is no surprise that revenue

IMPROVE YOUR REVENUE MANAGEMENT: TOP TIPS

- **Change:** be prepared to transform the way your company operates because revenue management can only be successful if it is embraced horizontally and vertically by staff throughout the hotel organisation
- **Enable communication:** think carefully about where to place your revenue management team within your organisation to best secure good communication between various departments
- **Foster engagement:** ensure that your entire team is engaged with the strategy from the very start
- **Technology:** embrace the new technology and ensure that its value is appreciated
- **Drive action:** ensure your revenue management strategy has the ability to turn data analysis into actionable recommendations
- **Accountability:** have a dedicated revenue manager in place
- **Training:** revenue management is a relatively new and fast-moving discipline — something that should be reflected in an ongoing training programme
- **Explore other areas:** widen your strategy to encompass a hotel's food and beverage, conference, spa and health club operations
- **See it though:** have a long-term strategy and stick to it
- **Evaluate:** ensure that you respond to the constantly changing market

“
**NO MATTER
 WHAT PEOPLE
 SAY, REVENUE
 MANAGEMENT
 IS STILL A
 NEW DISCIPLINE
 IN HOTELS**
 ”

management has become a top priority. The truth of the matter is that if you ignore it, you will slowly start to trail behind.”

TIME FOR CHANGE

Although revenue management is now being taken more seriously by hoteliers across the region, the discipline is still in its infancy. By all accounts, only a handful of hotel operators have successfully managed to implement a comprehensive revenue management strategy that has been fully embraced in all areas of the organisation.

In reality, most hotels are midway through a process of change whereby the accountability and the principles

of revenue management have been adopted, but these principles are operating in isolation from certain parts of the organisation.

“No matter what people say, revenue management is still a new discipline in hotels,” explains Taj Palace Hotel Dubai general manager, Andreas Mueller. “It has only been around for about a decade in our industry, and for the most part, revenue managers in hotels are still relatively junior positions.

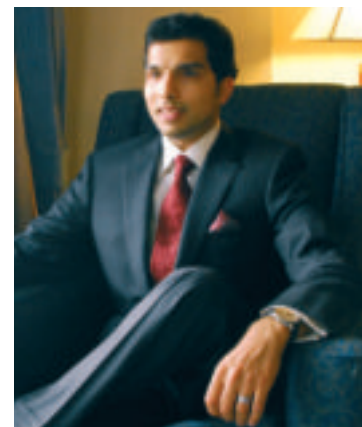
“That salaries between sales and marketing directors and revenue managers remain far apart is testament to this. Revenue managers are often senior reservation managers, so we are not there yet.”

Correctly positioning and integrating revenue management into the organisational structure is the key to success. Revenue management is the glue that binds departments together and success is predicated on sales, reservations and marketing all appreciating its value.

“If a hotel company is starting on the revenue management journey, they should be aware that it is not a quick fix to make extra revenues during high demand times,” explains Jumeirah’s group director for revenue management, Stefan Wolf.

“Rather it’s a transformation of a company to improve its long-term profitability. If revenue management is already part of the organisation, its function needs to be truly understood and supported to be able to have a meaningful impact.”

In short, for a strategy to work, the entire organisation must be behind it. Whilst this may be easily achievable in individual properties, pan-regional organisations have a mammoth task ahead of them.



Saahil Mehta, managing director, ResNetWorld: The financial crisis has changed the hospitality industry.

The implementation of a new culture is by far the greatest challenge for operators who are looking to introduce robust revenue management procedures.

“A great revenue management strategy needs to be built on a firm foundation,” explains IDEaS senior account manager, Guy Barnes. “A strong culture must be in place that secures buy-in from all of the depart-

“**EVERY MONTH OF THE YEAR HAS ITS OWN DYNAMICS AND EACH DAY OF THE MONTH ALSO NEEDS TO BE LOOKED AT SEPARATELY**

Turab Saleem, hospitality consultant, Røya International.

”



HOUSE OF MARIA DOWLING

SIGNATURE TREATMENTS

Inspired by clients / Created by you
Made easy by the experts

Unique and beautifully simple, our Signature Treatments concept allows you to create treatments and bespoke menus that are only available within your spa environment.

For those spas with protocols and products already in place, Signature Treatments provide the easiest way to introduce cost-effective, limited edition or seasonal therapies that add

variety to existing menu selections. All our professional-use formulas are luxurious, hand-crafted, fragranced with only the purest essential oils and free from synthetics and parabens.

Whether you offer limited or full-spa services, we can facilitate low volume orders without compromise to quality or price.

House of Maria Dowling
tel: 04 3941796 | uae@houseofmariadowling.com

www.houseofmariadowling.com



Total Revenue Solutions director Jennifer Keen: We must put the focus on to people and behaviours first.

ments across the organisation — and do so vertically from the CEO down to the housekeeper.”

NEW TECHNOLOGY

By combining historical data like reservations, booking patterns and rate structures with future predictions of economy, seasonal data and demand, revenue management systems offer an opportunity to take a fresh look at a hotel's productivity.

In the past, a hotel's performance and trend data has been viewed undynamically, making it hard to fully interrogate the relationship between different data sets. In effect, managers were forced to build a picture of an organisation's performance from data produced departmentally and identify key correlations by hand.



REVENUE MANAGEMENT IS NOT A QUICK FIX TO MAKE EXTRA REVENUES DURING HIGH DEMAND TIMES



Stefan Wolf, group director for revenue management, Jumeirah.

Technology systems like Opera Revenue Management System (ORMS) by Micros-Fidelio have transformed hotel data analysis and forecasting. Within a year, ORMS can increase room revenue by 4-7% by instantly identifying inefficiencies and providing remedies – with some surprising results.

“We recently had a customer who started analysing their rate structures and realised that they were never actually selling their deluxe



Micros-Fidelio's Oliver Menzel: Rate structure is vital.

rooms at the indicated price!” says Micros-Fidelio's Oliver Menzel. “Their deluxe rooms were mainly occupied by guests paying for a standard room, who had been upgraded free of charge. Such a discovery is vital, as it will allow the management to review both their selling strategy and pricing on deluxe rooms.”

Essentially, a successful revenue management strategy is characterised by how dynamically an organisation can interact and interpret market data from four sources: market segmentation, forecasting, pricing and inventory allocation.

“What makes a successful strategy is how artistically one interplays with these four components to optimise the potential revenue,” explains Røya International's hospitality consultant, Turab Saleem.

“For example, every month of the year has its own dynamics and each day of the month also needs to be looked at separately. You then have to apply your in-depth market understanding. If you can efficiently trace economic metrics, airline per-



IdeaS senior account manager, Guy Barnes: Good foundations are essential for revenue management.

formance, currency fluctuation, performance of competitive destinations and understanding of competition, then you can effectively plan your revenue management policies to maximise the potential revenue.”

Of course, automated systems cannot replace real-life business instinct, but they can identify potential opportunities and ensure that the relevant data is submitted to the right person at the right time.

This is the philosophy behind IdeaS own revenue management solution, which delivers pricing, forecasting and optimisation services via software as a service (SaaS).

“Accurate demand forecasting should provide sales and marketing with a specific understanding of when and where there is business

ON THE MARKET: REVENUE MANAGEMENT TECHNOLOGY

MICROS-FIDELIO

The Opera Revenue Management System uses historical and real-time data to analyse, evaluate and recommend price levels and overbooking limits. The system can take historical data from an existing PMS to make instant recommendations. It can also be used in conjunction with a rate shopping tool, adding real-time competitive data for selected segments.

Micros products are distributed by Key Information Technology in the Middle East.

Tel: (+971) 4 398 9999 (ext 300)

Email: saleshsd@kit.ae

Web: www.kit.ae

IDEAS

The automated revenue management solution from IdeaS is delivered via software as a service (SaaS), requires very little infrastructure and is therefore a cost-effective solution. The system utilises pricing, forecasting and optimisation strategies to give hoteliers a clear view of their data.

The company says that its services will make an ‘immediate impact on revenue’.

IdeaS distribution partner in the Middle East is Wide Computer Systems.

Telephone: (+971) 4393 4567

Web: www.ideas.com and www.widesystems.com

Email: sales@widesystems.com

TOTAL REVENUE SOLUTIONS

Aiming to deliver “revenue management with personality”, TRS will be launching a new online platform in January called TRRevOR. He (or it!) combines day-by-day segment forecasting, competitor monitoring and CRM capabilities. TRS also offers a range of remote revenue management systems which allows businesses to focus on their customer services and operations, while TRS advises them on potential pricing and commercial strategies.

Telephone: (+44) 7766 993253

Web: www.totalrevenuesolutions.com

Email: learnmore@totalrevenuesolutions.com

RESNET WORLD

ResNet World focuses on internet marketing, website development and e-distribution to attract potential guests and convert them into bookers. It has become the fastest growing company in the online presence and e-distribution sector in the region and uses its local knowledge and support to drive sales and marketing. The company was created by hoteliers with the express purpose of appealing to hoteliers and claims to ‘truly understand the needs of the industry’.

Telephone: (+971) 4 448 7222

Web: www.resnetworld.com

Email: info@resnetworld.com

need,” says Barnes. “IDeaS v5i solution can suggest when to advertise promotional rates or even alert you to any significant changes taking place as they happen.”

THE HUMAN TOUCH

Behind all technology is a good manager. Technological solutions are simply tools, powerful though they may be, to inform the decision making process of a dedicated and accountable revenue manager. Their business acumen and ability to drive proactive change throughout the organisation is integral to the success of any strategy.

Testament to this idea is the revenue management strategy of City Seasons Group, where revenue managers are positioned “on the ground” in individual properties in order to foster better understanding of the



City Seasons Group managing director, Thomas Tapken: Everyone must be part of revenue management.

discipline within the organisation and facilitate the overarching strategy of the group.

“I believe that our revenue managers must be as close to the market as possible because dependable market knowledge is now more essential than ever before,” explains City Seasons Group managing director, Thomas Tapken. “They must be aware of shifts in booking patterns and fully understand the competition on a daily basis.”

“But it’s also about educating the wider team and getting everybody actively involved in revenue management practices. Sales, marketing, communications and the rooms division manager all need to work together to create targeted measurable campaigns which are appropriate to the business needs of the

Traditionally revenue management has focused on rooms because of the revenue they generate.



particular hotel. In truth, we are still some way off the ideal scenario, but we will get there in time.”

The need for talented managers behind the technology and good corporate awareness of the discipline has not escaped the attention of the solution providers. Most package consultancy and training services into their software products to avoid hotels investing in a one-time system implementation with the unfounded expectation that nothing further will be required.

“I believe that it is important to focus on people and behaviours first, followed by the underlying processes,” explains Total Revenue Solutions director Jennifer Keen. “My number one piece of advice is always to foster engagement from your team from the very beginning, otherwise you could be in for a very long and uphill battle!

“It is critical that the revenue management team can drive action, not just analysis, and have the ability to turn data into recommendations. Also, the revenue management strategy needs to be given time — it needs to be a long-term strategy supported by short-term tactics. It would be hard to achieve all of this without an engaged and motivated team.”

A PROFITABLE FUTURE

The emergence of revenue management in the Middle East has been well-timed. The discipline has triumphed as the right solution able to respond to recent changes in the industry. At a time when hoteliers need to maximise their revenues and improve their efficiency, revenue management is able to deliver concrete results.

Momentum is likely to continue as revenue management firmly roots itself in the region’s business culture and, as the discipline is adopted into other departments, hoteliers will continue to see some impressive results in the long-term.

“Traditionally, revenue management has focused on rooms because they generate the majority of a hotel’s revenue,” explains Røya International’s Saleem. “In most cases, there has been relatively little focus on other areas of the hotel business, including areas such as banqueting, restaurants, spas and health clubs.

“But, these areas are very interdependent because success in one area can increase demand in another. It is therefore essential to apply revenue management techniques to all of these revenue generating areas in order to maximise the potential revenue in the long-term.”

The revenue management revolution has only just begun and its full capability is yet to be realised. As the discipline creeps into other hotel departments, it will gain momentum and likely establish itself as a fundamental business standard. If hoteliers can “stick to their guns” and adhere to their yield management strategies in the long-term, then the required cultural changes and inter-departmental buy-in will follow.

“The most important thing is to see it through” says Jumeirah’s Wolf. “Once a strategy has been identified, agreed and implemented, there might be initial adverse market reactions, but if it is the right strategy for your hotel, and if it has buy-in from all the relevant stakeholders, then the results of this strategy will eventually speak for themselves.” **HIVE**

LIGHTING, SEATING & DISPLAY SYSTEMS

FOR

- EVENTS
- WEDDINGS
- FESTIVALS
- EXHIBITIONS
- PARTIES



MORE
FUNKY
PRODUCTS ON
DesertRiver.com



EVENT RENTALS
DISTRIBUTION OF
EUROPEAN
LIFESTYLE PRODUCTS

T. +971 4 323 3636, F. +971 4 323 3686
info@DesertRiver.com



DESERT
RIVER