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ISSUE SPECIAL
REVENUE MANAGEMENT

PERSPECTIVE
BLOCKCHAIN

Navjit Ahluwalia, senior VP
and country head, India,
Hilton Hotels & Resorts and
Alan Watts, executive VP
and president, Asia Pacific,
Hilton Hotels & Resorts.

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DOING THE MATH

As the hotel business witnesses accelerated change, revenue managers are developing innovative strategies to optimise demand and improve room occupancy

BY BINDU GOPAL RAO

An underlying premise that drives hospitality is profitability. With changing landscapes driven by an intensely competitive business dynamics, revenue managers are working on newer business models and techniques to strengthen pricing across all product domains to improve overall profitability.

The key to optimising revenues is to

develop strategies that can spur demand and improve room occupancy. Occupancy again is dependent on demand and prices. Demand forecasting and appropriately managing rates, according to seasonal demand, can play a vital role in driving occupancy.

“Many hoteliers fail to forecast and gather the status for forthcoming months. It is always vital to know how many room nights you are picking up

each day for every future date for at least up to three months. This has to be done for all the market segments of a hotel. This can help one make strategies in advance for all market segments and determine how many rooms to allot for each market segment,” said Chandrakant Shetty, CEO, VITS Luxury Business Hotels.

Stephanie Tanpure, VP, sales, Sands China added, “Today’s consumers are

CATCHING THEM YOUNG

Travellers today have more purchasing intelligence, putting greater pressure on hoteliers to make accurate forecasts relative to booking demand, room pricing and promotions. Also, there are several changes taking place in the distribution landscape. Increasingly, hotels are relying on Online Travel Agencies (OTAs) for their distribution with only large chain hotels relying on Global Distribution System (GDS). Many hotels also rely on Google by searching for hotel+location and identifying the sites their competitors appear as.

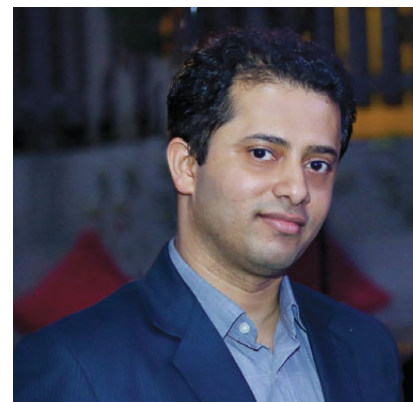
"Hoteliers can easily see how Google/Search engines and OTAs have become very powerful marketing agencies in this era, which is going to continue for a long time. There has been a rapid growth in a consumer's use of search using mobile and social media for planning their travel or making room reservations. A hotel's revenue manager, therefore, has to become conversant about the multitude of ways in which these tools can be utilised," said Shetty.

One clear trend is that online booking is growing fast in Asia – 50% in China, 31% in Japan and 22% in India, according to one industry report. "Another clear trend is that OTAs are leading the charge with OTA hotel bookings growing faster than hotel direct bookings. Given these trends, it is critical that hotels implement the necessary distribution and marketing strategies, put the right structures and resources in place to capture new customers, optimise customer acquisition costs with the right channel mix, maximise revenues and profitability, and improve the in-destination experience offerings by leveraging data and technology," explained Remson Fernandes, corporate revenue manager, Mars Enterprises and Hospitality.

According to a recent survey conducted by a major OTA, young Indians are the driving force behind the changing travel landscape in the country. About 66% of the total trips are made by travellers in the age group 18-30 years. "Tapping the handset market is very important with the recent announcement that there are more mobile devices than people in the world. Every guest is now moving from desktops and laptops to smartphones, this means that hoteliers now have a

inundated with information that is used to form decisions on where and when to book a hotel room. The ability to collect and analyse this information strengthens a hotel's position as far as optimising demand and driving occupancy is concerned."

A revenue manager must take many factors into consideration, such as changes in consumer buying behaviour, the roles of various online distribution channels, and the activities of the competitive set. "Each segment drives a price point and a distribution mechanism. Hotels with the use of technology-based systems like rate shopper and channel managers, manage online and offline pricing, forecasting and inventory allocation through competitive performance reports like STR," said Rathish Kumar, revenue manager, Jaypee Greens Golf & Spa Resort.



➤ Rathish Kumar, revenue manager, Jaypee Greens Golf & Spa Resort.



➤ Sucheta Jadhao, director of revenue management, Sofitel Mumbai BKC.



➤ Stephanie Tanpure, VP, sales, Sands China.

24X7 booking window. Looking at the demand we will be soon launching our own Planet Hollywood Goa mobile app, which is in pipeline," said Sunil Amonker, revenue and e-commerce manager, Planet Hollywood Resort, a part of Viking Hospitality. Massive changes are seen in the recent years in terms of distribution landscape, more so in the online space. The distribution in the offline space is dominated through three parts – B2B, B2C and direct customer calls to



➔ Amit Maini, director of revenue strategy, Bengaluru, Marriott Hotels India

the hotel.

NEW VISTAS

Newer business models and techniques are being used by revenue managers using to strengthen pricing across all product domains to improve overall profitability as hoteliers have to ensure that the bottom line is not taking a hit with new sales strategies being implemented. Hoteliers cannot rely on Average Daily rate (ADR) and Revenue per Available Room (RevPar) alone to measure their profitability this is where gross operating profit per available room (GOPPAR) and other advanced budgeting models come into play which might differ from hotel to hotel based on which model they chose.

Kumar noted, "Moving from fixed pricing to dynamic pricing has caused a significant change in the way hotel rooms are priced and sold. Guests are now in a better bargaining position provided by the ever increasing value transparency." Sucheta Jadhao, director of revenue management, Sofitel Mumbai BKC added, "At Sofitel Mumbai BKC, we have implemented pricing strategies based on length of stay, which has proved to be effective in driving revenue. We also apply the competitive pricing model. Profitability can be maximised by applying measures to drive more traffic from direct channels which are cost effective. We also implement strategies to increase contribution across various categories, by launching an attractive up-selling programme by the front office and reservations teams, which helps improve room profitability."

Understanding the booking curve and



➔ Demand forecasting and appropriately managing rates, according to seasonal demand, can play a vital role in driving occupancy.

channels and what channels drive business into your markets at the highest volume and at the best rates is important. "Implement upselling is another easiest thing to apply. Use of technology is one of the most important recent ongoing changes is the increased presence of automation. RM systems with automation are preferable than those without. Automation increases RM efficiency and helps managers focus on driving profitability. They can spend more time on strategy, while data entry and logistics are automated," opined Amonker.

Again, buying patterns are segment-specific. Understanding specific differences in buying behaviour is the key to form custom distribution strategy and help hotels get a high ROI. "Additionally, with more data and trends at their disposal, hotels today are not considering room revenue as the only indicator of ROI. There is growing focus for other value that the investment adds such as On-spend of guests, loyalty and the gross margin of a guest relationship over time," averred Amit Maini, director of revenue strategy, Bengaluru, Marriott Hotels India.

DIRECT CONNECTION

There is also an increased focus on direct hotel bookings as every property strives for more direct bookings as they

have the lowest cost of acquisition and are better for a hotel's bottom line. A hotel's CRM or PMS holding guest data can identify who the guests are why they chose your hotel. Maintaining a compelling and user-friendly website is another crucial component of direct booking strategy.

Most importantly, encouraging direct bookings involves savings in the form of OTA commission. ROI is the core objective as the number of rooms which get unsold each day becomes a liability due to nature of business. There are permutations and combinations to overlook the ROI.

Direct channels are the cheapest way to get a booking in. With hotels paying 15-25% of top-line revenue in commissions to OTA's, this is usually the most-cited reason for increased focus on direct bookings. "Also with the increase in supply across markets, loyalty is extremely vital for hotel chains. The basic requirement for building a lasting relationship are contact details which are far easier to gather during a direct booking than on-property," said Maini.

The technology that powers revenue management systems is constantly changing and hoteliers need to rely on the right tools. Most hotels are now using a channel manager and there has

trigger the revise price post sale of first level of occupancy, quite similar to how airlines price the tickets.”

PROCEDURE CALL

Standard Operating Procedures (SOPs) related to revenue management involve daily audits, followed by price yield management in the early hours every day, comp set analysis, forecasting, pick-up analysis, segment-wise inventory bifurcation and distribution. Hotels need to be consistent with their distribution strategy.

Biggest mistake some hotels make is focus on channels based on need. “For example reduced focus on OTAs during high demand and then running back to the OTA to fill the rooms during low demand months. The hotels that I have seen with the most successful channel strategies are the ones who are consistent with their approach during good and bad times,” explained Maini.

Some common SOPs for revenue management are market segmentation, forecasting, pricing and market analysis. Market analysis also plays as an important procedure in revenue management. Being an independent hotel, we have the leverage to position ourselves differently as per market conditions.

“From competing with chain properties during peak seasons to competing with 4-star properties during slack, these are only possible if the manager understands the market and demand. Segmentation helps in building the positioning a hotel with higher corporate bookings can aim at promoting themselves in the same manner. Revenue management meetings along with sales is another protocol. Sales and revenue go hand in hand and same helps in forecasting by knowing what groups are coming in or what business is tentative,” said Fernandes.

Alexander Abraham, revenue manager, Conrad Bengaluru added, “I suggest having someone at the hotel who looks at revenue management. Although independent hotels rely on OTAs, investing in a fully-functioning website would help. Understanding competition, looking at pricing over the entire year instead of just over peak dates, and regular changes in pricing depending on demand and competi-



Remson Fernandes, corporate revenue manager, Mars Enterprises and Hospitality

tion should be prioritised. Ensuring data is tracked by market segment and channel so that one has control over forecasting is also key.”

NON-ROOM REVENUES

Non-room revenue include revenue sources from F&B, banquets, spa, gym, sauna, dry-cleaning and various other amenities available at the hotel. There is great opportunity for revenue management processes and insights to drive alignment between operational departments as well as enable marketing to undertake more effective and targeted campaigns and sales programmes.

According to Prashant Singh, revenue manager, Roseate House and The Roseate to ensure F&B outlets are registered on all key digital platforms and from time to time basis lucrative promotions and offers should be launched with proper target audience in mind. Spa services should be promoted to in-house and non-residential guests as well.

“Conversion of treatments is much easier with the guest in-house hence at the time check in itself Spa creative or collateral should be shared with the guest. Meeting Rooms and Ballrooms need to be sold as per the Total Revenue Contribution so that ‘Revenue Per Event’ can exceed our expectations. MICE, Social should be key area to discussed in weekly meetings and to make sure for high demand periods rate are optimum to match the city/market trends,” he added.

Revenue managers certainly have a task on their hand and it goes beyond counting cash for sure. ■

been a spike in the number of channel manager software services that have come through in this OTA-dominated hotel market.

“And introducing a rate shopping tool along with this can easily help any hotel to maximise their OTA revenue. Along with these two tools and an integrated cloud based PMS hotels get more power on controlling their prices and measuring occupancy levels and generating various other reports. At VITS we rely heavily on excel reports for revenue management and have developed our own RMS that incorporates business mix, tracking demand, forecasting and budgeting. These tools are the driving force for our chain of hotels and have given us rapid growth in terms of our YOY figures,” said Shetty.

Prasad Bal, general manager, online revenue, The Fern Hotels and Resorts explained, “We use Booking.com rate intelligence for almost all hotels and few key hotels we refer to STR data. Booking.com rate intelligence is comprehensive platform which clearly indicate competition pricing and demand for the respective city for 90 days window. Even Expedia’s RM module is also extensive platform to gather intelligence. We are also piloting the rate grid pricing structure via PMS which means PMS will