

Revenue Management

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What are the core concepts of RM?

Ans: Sell to segmented micro markets and not to mass markets. Decisions to be taken based on knowledge and not supposition. Focus on price rather than costs when balancing supply and demand and replace cost based pricing with market based pricing. Exploit each product's value cycle and continually re-evaluate your revenue opportunities and save your inventory for the most valuable customers.

What are the benefits of Revenue Management?

Ans: Consistent best RM practices, unemotional and statistically driven approach to hotel pricing that has yielded at least 3-5% incremental growth. Well structured pricing policy across diversified markets. Helps remove the emotional volatility of a typical human response to external economic shocks. Helps create an organizational transparency and single source of pricing, forecasting and demand.

What does a Revenue Management Software do?

Ans: RM Software is a tool to help hotels make the best use of the demand that exists in the market by forecasting group and transient demand. Calculates the value of each type of demand that exists for the hotel. Produces decisions that help the property to accept the optimal mix of the business to maximize revenue; to sell rooms at optimum prices to maximize length of stay and to overbook efficiently to protect against any wash factor and risk of walking a guest.



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What is the misconception of Revenue Management?

Ans: Erroneous belief that it is designed to create an increase in market demand, designed to eliminate the unsold rooms, only applicable on unconstrained demand, designed to increase the rack rate, and incompatible with good customer service.

While a good thumb rule pricing is followed in what ways can RM Software help?

Ans: RM Software maximizes yield for the entire property and it does not set price per room. A statistically-driven system can automate the calculations of supply, demand and total revenue for the entire period to an optimum level. RM system helps hotels to maximize yield in any given demand situation.

What should a Revenue Manager do?

Ans: The RM should analyze the data to manage the market mix and set strategies to specific market segmentation and forecast hotel's occupancy. RM plays a key role in driving sales and developing the revenue management culture within the organization through driving customer service.

Does RM Software work consistently or can be shut upon an initial uplift?

Ans: A disciplined RM practice continues to pay benefits to the entire organization over a period of time. That's the reason that airlines, hotels, Car rental companies and casinos use it continuously. RM and YM is an ongoing effort. Automated RM creates organizational efficiencies, transparency and consistent best practices. Typically one, who has used it, is bit reluctant to go back to the old way of doing things.

Can a RM system replace the Revenue Managers?

Ans: Never, this system was developed for Revenue Managers to keep them free from tedious daily routine of manual statistics and fully use their online expertise to concentrate on RM strategies. The automation requires human intelligence to setup, maintain and constant monitoring and fine tuning to achieve optimal performance.

How do you measure the success of a pricing structure?

Ans: In a long term focus on performance measurement, I position that success should be measured across comparable business solutions rather than year over year. This helps provide business a more realistic and accurate picture of the impacts of the decisions even when economic conditions vary. It's particularly important when estimating the long-term impacts of a pricing strategy and also for identifying where changes to be made to optimize.

Source : Kumar Subramanian