

The Evolving Revenue Manager

Revenue Management originated with the deregulation of the US airline industry, when airlines like American, Delta and United embarked on a strategy to manage capacity.

Wise men have opinions galore about the slew of positives in revenue management driving the benchmark indices ahead.

Revenue Management is the process that allows the strategic management of demand throughout the year. Simply put, revenue management is all about selling the right product (packaged optimally) to the right customer, for the right price, at the right time and for the right duration.

A sound revenue management exercise reflects a steady position in the virtually duopolistic medium and heavy hospitality services profile. About a decade ago revenue managers became the new heroes of the hospitality industry.

In the early days, Revenue Management was a facet of the role played by Front Office Managers. Managing inventory, the essential aspect was under the control of Front Offices and hence it was but natural that the function of revenue management came under this umbrella too.

With the evolution of the industry, the role of revenue managers has evolved too. From being a facet of a role, this has transitioned to a role in itself and is moving away from being a Front Office function to more of a Sales and Marketing function.

Consider the definition of revenue management as above. Revenue Management has build itself a diversified portfolio that all experts talk about. Selling to the right customer for the right price is the core of the pricing strategy decided by the sales and marketing department. Even as this department is responsible for figures, forecasts and sales targets and hence revenue, as a consequence the management of revenue and yield becomes a sales and marketing function.

The competitive scenario today demands strategic revenue and yield management in addition to strategic management, more as unexpected upheavals due to various events such as terror attacks and SARS rock our world on a quarterly basis. Results of these events affecting the industry eventually take their toll on revenues. It hence today becomes critical to manage inventory, pricing and revenue to optimise yield and hence this role becomes even more critical.

So who is the Revenue manager ? Which planet does he come from ? What are the essential qualities and pre requisites of this animal ?

Responsible for analysis of revenue, profit, and demand associated with the hotels room inventory ands accountable for preparation of forecasts (budgets, projections). Prepares analysis of progress to budget, projections, and forecasts. Prepares critiques of sales strategy effectiveness. Prepares analysis of revenue and profit opportunity (historical and future). Develops and/or utilizes analytical tools and systems toward the goal of maximizing revenue and profit. Serves as a demand expert to the rest of the revenue management team

Basic Essential Skill Sets -

- Excellent analytical skills and mathematical skills
- Strong understanding of the sales process
- Excellent knowledge of MS Office, database management, and other analytical tools.
- Should be detail oriented
- Knowledge of operations research principles and concepts.
- Market analysis skills – Economic/Political /Competitive etc
- Knowledge of Property Management System to maximize yield
- Good understanding of Front Office operations and Reservations
- Balance short, mid-term, & long-term business understanding
- Clear communication skills
- Excellent time management skills

- Ability to work with limited support
- Strong organizational skills
- Detail in follow-up
- Strong budgetary, projections, and cost control skills

Where lies the Future ?

Revenue management deserves a different and a more serious approach from hotel managers in order to unlock its full potential rather than the simple service quality analysis and pricing analysis against competitor set, gone are the days of only advertising , promotions and sales teams generating business and wining, dining and schmoozing guests. Today's guest is a customer first and guest later like in any other business and has a bouquet of hotels to choose from in most places and questions your product to the other as a bed is a bed is a bed and a coffee is a coffee is a coffee so what differentiates you from the other? Is it the address, the brand name, the service level, the value added benefits, the offer, the incentive points he makes or a culmination of all the above.

Knee jerk reactions leading to instant discounting may not be the answer. Is it a pricing problem alone in the first place? If it is not, is it fair to expect a solution through price control?

Changes in the global traveler along with changes in the global and local market conditions from economic to political need to be clearly understood by management before applying revenue management solutions. If we don't know the root cause behind our challenges, we may pull or push the wrong levers.

Today various analysis software's such as Fidelio, IdeaS, Optim's, Cognos, or even MS Office - Access etc are available to help us grow into this role of analysed decision making to maximize yield rather than gut feel reactions to our daily situations , hence those of us who challenge ourselves and go the extra mile and look beyond their front office and are willing to use more elements from the Revenue Manager's bag of tricks, rather than jumping to straight discounted room rates and addition of value add on's, will be better positioned to upgrade their yield and influence guest footfalls through our doors.