INDUSTRY DEBATE

REVVING UP

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

How has the revenue management role changed over a period of time, especially after the pandemic?

Aman Gupta (AG): Historically, the revenue management role was limited to demand management. However, during the pandemic, it evolved into demand generation. Revenue managers constantly need to look at new strategies to create demand during low-demand periods to ensure the topline revenues are optimised while also looking at the profitability aspect of the business.

Also, a lot of decision-making pre-pandemic was done based on historical data. However, the current decision-making is more about forward-looking data, which has made the role of revenue management more critical in guiding the commercial teams at hotels in the right direction

Chandran (C): Post pandemic, the function of revenue management has taken on a whole new dynamic model with its own set of challenges and opportunities.

The revenue managers are working in a newly developed complex business environment with a fundamental shift in the segments and the guest profiles coming to their property.

With seismic trends affecting the hospitality industry with lockdowns, re-openings, closings and travel restrictions, revenue managers have taken up a leadership role in driving commercial strategy as it requires constant attention and frequent deployment of short-term strategies to capture the available demand and generate demand for the weeks ahead.

With the uncertainty and swift change in the demand, and a limited booking window, the frequency of daily rate changes is doubled, and the pickup is faster than ever before. Revenue Managers become the only ones to know when and how marketing

PANEL OF EXPERTS:

- **Aman Gupta,** Area Director of Revenue Management, Hyatt Regency Pune
- **Chandran,** Revenue Manager, Radisson Blu Resort Temple Bay (Chennai)
- **Devinder Kumar,** Assistant Vice President – Revenue Management and Distribution, Lemon Tree Hotels
- **Vishvesh Madhavan,** Market Head of Revenue – Bangalore Hilton Cluster

campaigns should run and create value-based offers for the customers in the highly volatile market, which requires close attention.

The confidence in static contracting towards locally negotiated corporate accounts had a paradigm shift, and most revenue managers targeted leisure travellers with attractive staycations and drivable destinations. The business traveller segment had negligible numbers due to work-from-home options for almost two years.

Post pandemic, the shift in the dynamic model on almost all segments is a key factor in higher ADRs of 30%

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to 50% we are witnessing across the country. Specific verticals that were contributing 20 to 25% have increased to 40 to 45% because of various factors such as zero inbound business and desperate domestic customers who want a break after staying inside for months. Capturing this surging demand and taking the right decisions was not so easy for the overall performance of the hotels and resorts.

Devinder Kumar (DK): Revenue management has evolved from traditional ways of managing/analysing macro segments to independent consumer behaviour. Revenue management has to advance its efforts for better analysis of data which is now more structured and available in real-time, by strategising and using technology to reduce time to market to capture demand and maximise revenue for the company. Apart from revenue management, basic processes on existing business data cuts, forecasting and pricing, an additional level of analysis, including digital (understanding of Google analytics), is now being incorporated to directly deep dive into sentiment analysis and understand the voice of customers. Revenue management is not just managing/analysing existing demand. It is now more towards creating additional/new orders. Due to restrictions and currently limited inbound travel, the ~30% pre-pandemic demand may not return.

Vishvesh Madhavan (VM): The revenue management role has always been an ever-evolving discipline with robust trends dictating the way forward for topline revenues. Prior to the global Covid-19 pandemic, distribution and channel production was limited to the concentration of volumes through limited channels, i.e. Global Distribution System (GDS) and online production, which accrued to the lion's share of the business in tier 1 cities. However, after the pandemic, it has become crucial to leverage all channels and distribution opportunities (both online and offline) to maximize topline revenue.

### What are the new challenges that the hotel faces in revenue generation?

AG: The uncertainty and unpredictability of market dynamics have constantly forced hotels to review their strategies. Many markets during the pandemic witnessed a significant dip in average selling rates, and many hotels are finding it difficult to take them back to similar levels, directly impacting the hotels' overall profitability.

Also, technologically hotel companies are still not online travel agents who have entirely changed how they operate from a technological aspect. Hotels' dependence on OTA's increased significantly during the pandemic, increasing the cost of distribution for the hotels.

C: The revenue management role requires specialised skills and knowledge. Apart from this, the right tools are needed to assist the revenue manager with better pricing decisions, which is an expensive technological hurdle. However, these are near mandatory to keep us in the race.

Without the right technology, RM's time to make decisions is increased with the spreadsheets and other data points, which is a hindrance in the fast-paced markets. Unfortunately, due to spending cuts to minimise the losses during/post-pandemic, many hotels have suspended or terminated the available technological support of RM's, which I would say is a short-term benefit of saving money, but it will not lead us to a sustainable and profitable future.

DK: During the pandemic, salary deductions, layoffs and leaves
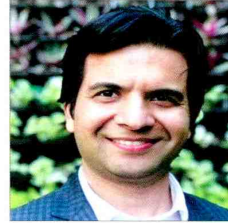
> " Historically, revenue managers were considered custodians of room revenue only. Today, they have to work towards total hotel revenue management and, simultaneously, focus on the profitability aspect of every business."
> — **Aman Gupta, Area Director of Revenue Management, Hyatt Regency Pune**

> " With seismic trends affecting the hospitality industry revenue managers have taken up a leadership role in driving commercial strategies."
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without pay have led to the loss of quality resources who have chosen different fields. Today hotels are struggling to get quality resources. Additionally, many hotels are still not focusing on digitisation and are still relying on the traditional way of revenue generation. Revenue Management Solutions (RMS), which assists in forecasting and pricing based on traditional segments, went completely manual during the pandemic. RMS are struggling with forecast accuracy, the process of forecasting and pricing. However, with the return of demand, which optimistically should remain consistent and growing, RMS can automate forecasting and pricing better.

How has the social media influx changed the way revenue is managed and what has been its impact on the present and future?

AG: Social media websites provide valuable insights/data points on consumer behaviour. Such information is very useful for revenue managers as data points from such analysis are utilised to define better revenue management strategies based on the specific consumer requirements, which could give them an edge over the competition. While historically, the hotels had been dependent immensely on internal data analysis, with the advancement in social media usage, the hotels in future will have to look at these external data points to stay relevant in the market.

C: In today's world, from the consumer point of view, it is not only a trip advisor, but the digital world plays a key role in reviews and feedback, which pre-set the customer's mind while searching for accommodation. It may not impact the larger picture; however, a momentum impact is expected for sure. Social media promotions are not a direct ROI but act as an influenced ROI on a hotel's performance indices and feedback indices.

Social media helped deliver the short campaigns effectively, especially when the hotels reopened multiple waves of post-pandemic. They were used as a medium to target domestic

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audiences with *specific* demographic filters attached. The inceptive ads created with the help of marketing agencies helped the revenue managers to get their pie on the buoyant domestic market.

DK: Social media has become the primary source to market your brand, product, promotions and packages with far better market penetration than print media but has limited reach now. Social media platforms assist revenue managers in target marketing with specific interests/behaviour for driving direct conversion and ROI. Additionally, it is easy to track the success using an analytical platform on reach, look-to-book ratio, etc., on the campaign being run. However, with GDPR/PDP compliance reaching out to consumers using this platform may be limited.

What other engagement tools and strategies are hotels looking at to maximise their revenue?

AG: Hotels have started working on driving direct bookings and promoting hotels' own booking channels to reduce the acquisition cost of business. A lot of efforts by hotel companies are to strengthen their loyalty programs to increase engagement with travellers and ensure repeat travel. Tools like additional loyalty points, discounted loyalty rates for rooms as well as F&B are something the hotels are focusing on increasing the direct share

C: We have invested in platforms which integrate sales and revenue tools which communicate to PMS in two ways and deliver one-centric decisions on pricing. New tools are available which enhance the revenues by up-selling rooms, food and beverage, spa and other facilities of the hotels before even the guest arrives. Once the reservations are made, automated systems send communications to the guests on their handheld devices, enticing them to book an upgraded lake view or a special seafood dinner on rooftops.

DK: The traditional ways of engaging customers with telephone calls and email/messages are now moving prominently towards Social media, WhatsApp, and chatbots using a CRM solution to reach out and drive direct conversion, upsell, cross-sell, etc. Hotels work with RMS to have a real-time flow of inventory and pricing with the Property Management System, as ~55% to 60% of demand is in within D0-D3 days, where more pricing changes based on inventory play an important role in maximising revenue.

VM: For matured markets, the occupancy levels are already near pre-pandemic levels, which means that the better half of this year should witness an increase in rates and pricing. With inflation of 6-7%, hotels will have to push the ante on pricing, and corporate pricing will be a pivotal strategy to employ and witness healthy growth – considering the flat pricing over the past two years.

What, according to you, are the changes that the revenue management will have to adapt to stay relevant in the years to come?

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AG: Historically, revenue managers were considered custodians of room revenue only. However, in the current times, for revenue management to stay relevant, they have to work towards total hotel revenue management and, simultaneously, focus on the profitability aspect of every business coming into the hotel. Revenue management as a discipline needs to evolve both from a technology as well as a skill set perspective to enable revenue managers to act as commercial leaders for the hotel.

C: Revenue management is largely focused on room revenues currently, but we have to adapt to a more holistic approach and look at the hotel's overall revenue to drive more profits. The functionality should evolve and be seen as a profit generation rather than revenue management. New integrated revenue management tools with the support of data analytics giving near accurate profit projections than merely room revenue are required for the years to come.

DK: Adoption of technology with AI/ML to become entirely data-driven, including data from multiple customer touch points/points of sales, including the hotels' data for accommodation, F&B and other services, and marketing (google/loyalty). RMS need to evolve with CRM capabilities. We encourage customers to adapt to booking electronically using the brand booking engine/preferred corporate channel for faster confirmations/assurance of bookings getting confirmed. The direct flow of reservations from the online channel in the Property Management System will also ensure instant inventory deduction to avoid overbooking and better forecasting and pricing decisions.

VM: Considering revenue management has been majorly limited to rooms, the way forward will be to diversify revenue management into F&B outlets, catering and ancillary departments, among others. The endeavour is to maximize the top line in every functionality of the hotel services spectrum. H