

8 BEST PRACTICES IN REVENUE MANAGEMENT DURING & AFTER COVID-19

DESPERATE TIMES CALL FOR DESPERATE MEASURES, RIGHT?

Not when it comes to revenue management. Despite demand being lower than ever and hoteliers under immense pressure to generate cashflow, this is not the time to throw the rulebook out the window.

“Revenue management is in crisis, but this doesn’t mean we should change our core strategies,” says Dr. Detlev Remy, Associate Professor at the Singapore Institute of Technology. “We do, however, need to adjust our tactics, focusing more on existing customers, loyalty, marketing, untapped revenue opportunities and data analytics.”

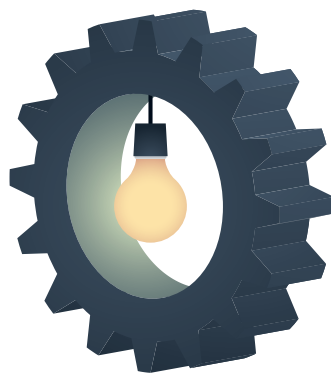
When hotels reopen and travel restarts, it’s time to apply all that good training and discipline by following these 8 best practices.



1. DON'T LOSE SIGHT OF THE GUIDING PRINCIPLE OF REVENUE MANAGEMENT

IT'S BEEN REPEATED SO OFTEN AND IN SO MANY WAYS it now borders on cliché, but the core objective of revenue management still holds true: selling the right product to the right customer at the right price at the right time on the right channel.

What has changed for many hotels, at least in the short-term, is who their customers are, the products they're interested in purchasing and the prices they're willing to pay.

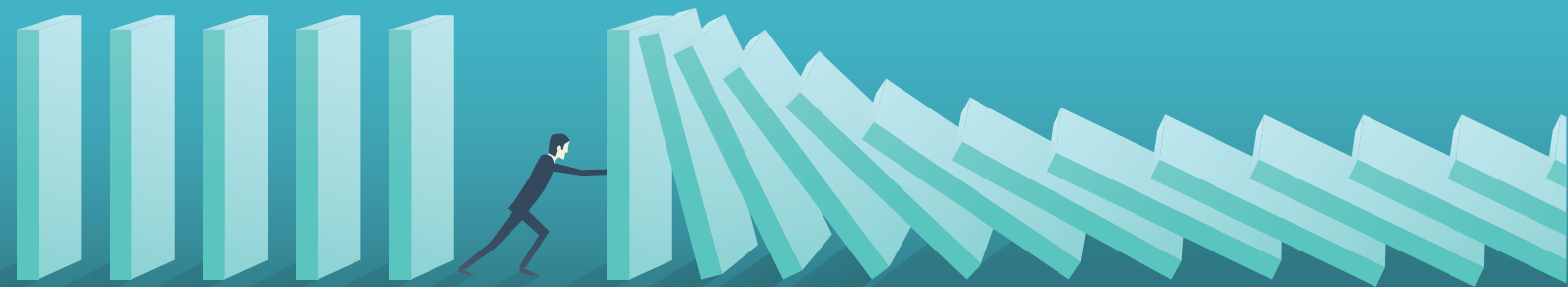


2. RESIST THE URGE TO SLASH RATES

WHEN DEMAND FALLS SO PRECIPITOUSLY, THE NATURAL reaction is to slash rates in order to capture as much occupancy as possible. But experience shows us that lower rates do little to stimulate demand, especially if people are concerned about safety. And price wars can have a devastating impact on ADR.

Case in point: A study of [U.S. hotels from Cornell University](#) found that, during good times and bad times from 2001 to 2007, hotels that offered average daily rates above those of their direct competitors had lower comparative occupancies but higher relative RevPAR.

Moreover, the deeper you discount rates, the longer it will take to bring them back up when the economy picks up. After the 9/11 attacks in the United States, ADR bounced back relatively quickly in the U.S., in part because hotels didn't discount too heavily. During the financial crash of 2008-09, however, when hotels discounted more heavily, it took much longer to recover, [according to data from STR](#).



3. USE VALUE – ADDS AND PRICING TACTICS TO SHOW VALUE

LET'S BE REALISTIC, WHEN PEOPLE START TRAVELING AGAIN, THEY will expect deals and so will corporate clients and groups. How best to satisfy them? Rather than rampant discounting, show value with bundles and inclusions that take less from the bottom line. This may include room upgrades, early check-in/late checkout, breakfast, F&B credits, Wi-Fi, parking or complimentary services and amenities.

When offering discounts, protect your rate and brand positioning by employing tried-and-tested tactics like fencing and framing, opaque pricing, packages and rate parity. Slashed-through pricing and offers like "Pay three nights, fourth night free" will help protect your reference price and encourage longer stays.



4. SHOW FLEXIBILITY, BUT SET LIMITS

AFTER YEARS OF TRAINING TRAVELERS TO PAY A PREMIUM FOR convenience, hotels now must shift gears. To restore booking confidence at both the individual and group levels, hotels need to reassure customers that they can change dates or cancel without penalty. This may mean putting nonrefundable rates on hold for now.

Your objective should be to not lose any customer. By offering incentives to pay in advance, you'll help generate much-needed revenue. If plans change, encourage travelers to postpone rather than cancel. Program your CRM to send an automated email to guests who cancel with an offer to rebook or a credit for a future booking.

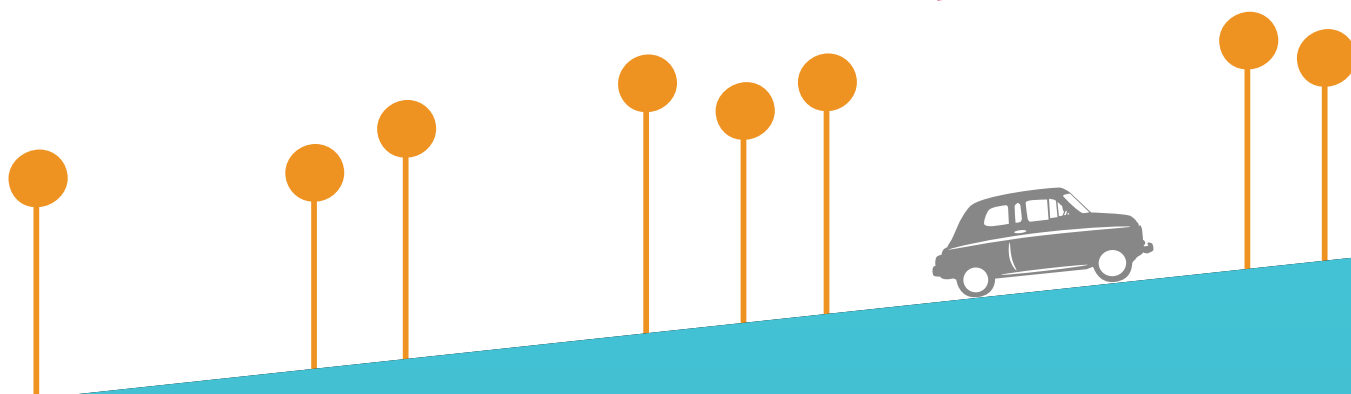
It's important to set time limits and conditions on waivers so that travelers don't grow to expect such flexibility in the future. Restrictions insure your property against cancellations and no-shows, and you'll want to reinstate them when the timing is right.

5. FOCUS ON TOTAL REVENUE AND PROFITABILITY

IN RECENT YEARS, MANY HOTELS HAVE SHIFTED FROM rooms-centric revenue management to total revenue management. While the long game should stay the same, not until F&B, meetings and other revenue streams resume operation can hotels fully realize the benefits.

Wherever your property may be in the lifecycle of the pandemic, every bit of revenue counts. As always, prioritize direct bookings and the most profitable channels, and implement upsell and cross-sell initiatives as appropriate. Coordinate with marketing, sales and operations to ensure alignment in optimizing total revenue and profitability.

“Rather than focus on rate, focus on profitability,” recommends Michael Bennett, Cendyn’s CMO. “Understand the costs behind your rates and value-adds to ensure you’re not giving away potential profit. Explain your strategy to ownership and your management company to get more leeway instead of being expected to massively cut rates.”



6. REDEFINE YOUR KEY TARGET MARKETS

WITH GROUPS AND VOLUME CORPORATE ON HOLD, WHERE will you find business? The early adopters will presumably come from local and drive-in markets when travel restrictions are lifted. Expect business to be short-lead, comprising independent travelers, couples, deal-seekers, ‘staycationers’, the young and the affluent. Among the sectors driving business travel will likely be essential services like government, healthcare, pharmaceutical, food & beverage, transportation and employees returning to work.

7. LET DATA GUIDE YOUR DECISIONS



FINDING TRAVELERS IN THE EARLY DAYS OF RECOVERY WILL require paying close attention to data and using it to guide decisions on pricing, inventory and restrictions. Fortunately, this comes naturally to seasoned revenue managers.

Make the most of internal tools like your PMS, CRM, revenue management system and business intelligence and benchmarking data. Work with marketing to mine guest profile data and target key feeder markets, previous guests, loyalty members and big spenders. Create customized offers based on interests, behavior and demographics.

External data may include market share reports, market trends and competitor data, as well as rate-shopping and reputation data. Updates like STR's weekly performance reports and webinars will help you monitor travel patterns and fluctuations in demand.

8. MASTER THE ART AND SCIENCE OF FORECASTING

FORECAST MUCH LATELY? REST ASSURED THAT YOU'RE performing a critical function that helps department heads, owners and management companies anticipate future revenue and manage planning and costs.

As challenging as it may be right now, it's important to be as accurate and realistic as possible. Your hotel's performance will be largely dictated by outside forces in the coming months. According to McKinsey, tourism and hospitality will take longer to recover than other sectors, in part because it depends on these sectors for business.

Pay close attention to market changes and reforecast regularly, utilizing available forecasting tools, data and resources to anticipate where and when travel will pick up again and ensure you're on the upswing of recovery.

The good news is that eventually this pandemic will end. The lodging market is cyclical and travelers are resilient. And the expertise, cool-headedness and discipline of revenue managers will be more valuable than ever as the world begins to travel again.