Article Title
The Role of the Revenue Management and Sales Functions in Group Revenue Management

Citation

Abstract
Revenue management and sales staffs collaborate substantially in making decisions regarding rate setting, accepting group business, and forecasting. However, according to a survey of 82 sales and revenue management executives at three hotel chains (47 revenue managers and 35 sales executives), hotels could foster even better coordination between revenue management and sales by educating each group regarding the other group’s responsibilities. This might reduce sales staff frustrations about the way revenue managers make rate recommendations, and it might help revenue managers understand the importance that sales executives place on maintaining a relationship with a group, even when room rates do not meet targets. Forecasting is a major function for revenue managers, who take numerous factors into account, and some sales executives also are responsible for forecasting, primarily using one data source. Thus, the two groups focus on the data in different ways.

Methods
Researchers surveyed U.S.-based revenue management and sales personnel, at either the manager or director level, at three major hotel chains that have been at the forefront of revenue management development and implementation. Using the Pennsylvania State University alumni network, they acquired email contact information for ninety-four revenue managers and sixty-eight sales executives. Of the 174 questionnaires sent, they received 82 responses—47 from revenue management personnel (50 percent) and 35 from sales personnel (52 percent).

Results
Respondents suggest several ways to strengthen the relationship, including on-the-job training and education. For both groups, implementing performance assessments that involve several measures would allow the two groups to have some measures in common. Useful measures might include a group’s total revenue contribution, which is not commonly applied among these respondents. Another measure, the hotel’s total revenue or contribution, is a worthwhile consideration for both revenue managers and sales executives.

Conclusion
Given the sample size and composition, they cannot generalize from this study, but the comments offered by their respondents suggest the following three issues for hotel operators to consider.

1. Does your organization encourage a collaborative approach to rate setting and forecasting for groups?
Taking into account the diverse and distinctive insights from the two groups, developing a collaborative approach that takes advantage of the two departments’ perspectives will surely lead to more effective group pricing and forecasting decisions.

2. Would an educational program foster a mutual understanding between the revenue management and sales functions?
Many of their respondents suggested that conflicts between the two groups arise from a lack of understanding of each other’s roles and objectives. If this is the case in your organization, an education or training program regarding each of the functions might improve operations (and revenues). They think that this approach may be particularly relevant as hotels broaden the scope of revenue management to total hotel revenue management. Such programs can be done in-house, with revenue management personnel explaining the revenue management principles and sales personnel showing the revenue managers how the sales function operates through on-the-job exposure. As suggested by one revenue management respondent, this may take the form of accompanying sales personnel on field visits or client calls.

3. Does your organization measure revenue management and sales personnel performance in a manner that fosters a good working relationship between the two groups?
Coordinated revenue management and sales functions are essential to an effective, comprehensive revenue management strategy (not to mention an optimum sales effort). Since goal conflict can interfere with their relationship, it may be a beneficial exercise to reexamine the two groups’ performance measures. All goals and incentives should foster a collaborative working relationship between the two groups. If the performance of each function has several measures, some of them can involve common or shared goals. For example, tying some of both groups’ incentives to total hotel revenue or contribution should promote both transient- and group-related decisions that benefit the bottom line.