Revenue Management Should Mean Planning and Action at Every Type and Size Hotel (Part 2 of 2)

KEYS TO SUCCESS™

By John Hogan, CHA CHMS CHE CHO

Maximizing Revenues does not automatically mean raising prices, but means reacting to the market, to your competitors to some degree and to the uniqueness of your hotel's clientele.

Most markets have some kind of seasonal demand. When it is off-season, some rates naturally tend to drop due to lower demand. A proven practice even in off-season is to maintain some high rates because rate alone is not the only driver of business to our hotels. Customers choose hotels partially because of price, but also because of location, brand preference, previous positive experience or simply availability.
achieving better REVPAR and operating results. Part 1 of this 2 part short series provided tips to maximize revenues in periods of lower demand or weaker shoulder seasons.

- **High Demand Tactics: (use when you expect 85% occupancy or higher)**
  1. Close deep discounts (honoring mandatory discounts such as AAA and AARP, discount from the rack rate), but recognize a Manager’s Special at a 20% discount could be a good business decision to fill those last 5 rooms
  2. Use minimum length of stay restrictions carefully
  3. Reduce group allocations if not picked up according to agreements
  4. Reduce or completely eliminate 4 or 6 p.m. holds
  5. Apply stricter guarantee/cancellation policies, i.e. accept only credit card guaranteed reservations with 24- or 48-hour cancellation requirements
  6. Raise rates to be consistent with your competition
  7. Evaluate and possibly raise rates for all packages, or limit their availability on certain days
  8. Save suites/executive room types for full price
  9. Don’t automatically eliminate sell-through reservations, as a multi-night stay that coincides with high demand night could net a week long stay. Look carefully at recent history of no-shows and cancellations
  10. Double check all corporate and credit card guarantees - be certain to fill all those rooms

- **Excess Demand Tactics: (use when demand exceeds availability)**
  1. Put in all of the restrictions as you would for high demand
  2. Be sure you know what is causing demand, e.g.: a one-day vs. a three-day special event
  3. Apply minimum length of stay restrictions
  4. Use these tactics during forecasted sold-out days
Follow up on all Situations

1. Continually monitor your PMS and CRO statistics
2. If you part of a chain or brand, work with your Reservations and Revenue Representatives at the CRO - they are your experts and can greatly assist you with their experience
3. Ensure appropriate restrictions are consistent between all channels of distribution (GDS, CRO, PMS, OTA)
4. Review and revise strategies
5. Communicate strategies to the Front Desk.

Think Tank Question

We provide questions to stimulate discussion about the way we do business. There is not necessarily only one "correct" answer - the reason for this section of the column is to promote an awareness of how we might all improve our operations.

Topic: Maximizing Revenues

1. Does someone with responsibility at your hotel specifically review the next 90 to 180 days at least once a week? If so, do they identify trends and take steps to maximize revenues? If not, why not?
2. How often is the marketing plan (or sales action plan) reviewed? Who is charged with this task?
3. When was the last time the topic of "sales" and "maximizing revenues" was presented to the entire hotel staff? It is the best interest of everyone to be thinking "sales" and staff often have GREAT ideas, as they are close to the customers daily.

Hospitality Tip of the Week™: Focus on Planning AND Action

This is especially true in paying attention to trends in demand and adjusting pricing in hotel revenue management.

At least 25% of our weekly tips focus on sales and marketing.

We must remember that we must focus on delivering the right services to the right customer at the right price, which means attentiveness to sales and marketing efforts are essential.

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