

Pandemic Made Hotel Revenue Managers Get More Creative

Revenue Strategies Required Collaboration Among Different Disciplines



Chris Crenshaw, of STR, speaks to panelists (from left) Cassie Bond, of Chesapeake Hospitality; Roy Madhok, of Real Hospitality Group; and Linda Gulrajani, of Marcus Hotels & Resorts, during a session on revenue management at the Hotel Data Conference. (Jason Mallory, Event Coverage Nashville)

By **Bryan Wroten**

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The sudden drop-off in demand caused by COVID-19 and faster-than-expected recovery in leisure travel had hotel revenue managers playing catch-up throughout the pandemic.

During the “Revenue Managing a Recovery” panel at the [2021 Hotel Data Conference](#), revenue-management experts spoke about how the pandemic has affected their discipline and how they are adapting to the new environment.

In a review of annualized average daily rate and occupancy, revenue per available room in January 2006 was \$57, said Chris Crenshaw, vice president of digital data solutions at STR. RevPAR peaked at \$66 in 2008 with ADR at

about \$108 and 62% occupancy. Then the Great Recession hit, resulting in RevPAR bottoming out two years later at \$53. STR is CoStar's hospitality analytics firm.

"The recovery basically took us five years to get back to \$66 in RevPAR from our previous peak," he said.

Following that, the U.S. hotel industry kept breaking records in ADR and occupancy, reaching \$87 in RevPAR by January 2020, he said.

The pandemic-led downturn was a "very, very hard, fast crash" followed by an equally fast initial recovery, Crenshaw said. RevPAR dropped to \$39 and has come back to \$52 as of June.

"It really does put into perspective, not only was the downturn different, the recovery is going to be very different as well," he said.

There have been a number of contradicting headlines in the news about the pandemic and recovery, particularly of forecasting and inflation, he said.

"There's a lot of noise that we as revenue managers need to make sense of," he said. "We need to make decisions. We need to make decisions on pricing and distribution and everything else that we do."

Changes in Revenue Management

The CEO of Chesapeake Hospitality has a phrase that everybody needs to be doing what matters most, said Cassie Bond, vice president of revenue strategy at Chesapeake Hospitality. That has evolved into if someone isn't doing what matters most, they're missing out on any possible revenue stream.

"You were focused on any way to bring guests into our hotel," she said. "That was, of course, with limited resources, limited staff — doing more with less."

That meant having to be more creative and collaborative with other disciplines for the commercial strategy, she said. They had to make sure they weren't missing out on any possible top-line revenue coming into the hotel.

"If you weren't spending your time completely revenue centric-focused, then you were missing out, and you're a competitor right next door, he was beating you," she said.

When hiring new revenue managers, Marcus Hotels & Resorts Vice President of Revenue Strategy and Distribution Linda Gulrajani said the core person they looked for hasn't changed. What has helped, though, is that revenue managers can work normal hours and do their jobs from home.

HSMAI and STR have been working with faculty and students at hospitality schools to educate them on the revenue-management field and build a pipeline of people to work in the discipline, she said.

In revenue management, Roy Madhok, vice president of revenue management at Real Hospitality Group, said he must be able to trust that his systems can price and that his teams must understand pricing.

“The strategy is critical,” he said. “What I like to say is that every \$200 price is not equal. You can set the rate, but if you don’t understand how to distribute out the segments, you don’t understand how to forecast, if you don’t understand how to drive and really drill down for revenue, I’m not going to be hiring that person.”

Revenue managers are generally responsible for multiple hotels, Madhok said. It has been a trying year and a half for everyone, and revenue management is already a stressful job. If it’s stressful to be responsible for one hotel, it’s extremely stressful to have five. New job candidates need to be able to handle great adversity, because they are responsible for other people’s money.

New Approaches

Before the pandemic, revenue management was in a great place, Gulrajani said. Overnight, however, the focus turned to operations as it was all about letting people go and cutting costs.

“We lost all focus on revenue,” she said. “Now that we’re starting to get back into thinking about revenue, there’s still a huge operational focus, because we don’t have the right staff to clean rooms. It took a while for the revenue teams to start to push the operations teams to think more strategically.”

Hotels that found they couldn’t sell rooms for a night but already had a strategy in place with tons of discounts on the books lost a lot of revenue because they weren’t having the right conversations, Gulrajani said. Now the revenue teams are in the weeds with operations to better understand staffing levels and help provide data to help operations be more proactive so they can maximize the rooms that are available to sell.

“We need to make sure we have the right strategies in place to keep the little bit of momentum that we have going,” she said.

The first instinct is to slap on a “closed to arrival” or close the house, but that’s not always the right answer, Bond said. Hoteliers should try minimum night stays or cutting off their standard rooms and making their suites available at a higher rate. They should try layering in the extended-stay business earlier so they have already shrunk the house.

“There’s a lot of creativity that needs to happen ahead of time,” she said.

Future Demand Mix

To speak about “the recovery” isn’t exactly right, because there are many recoveries occurring depending on the hotel and the location, said Garth Peterson, area vice president of sales, the Americas, at Ideas Revenue Solutions. A hotel in Miami Beach has already recovered. Hoteliers in business-class cities are wondering when it’s going to happen for them.

“Business travel is coming as people get more and more comfortable and learn that in fact they can travel and live a normal business life with a mask on,” he said.

There will be the normal corporate travelers who return, because they want to have in-person meetings, Bond said. There will also be leisure travelers who are inexperienced but have been inspired to travel after being stuck at home so long.

“They’re going to be taking more trips whereas maybe they only took one a year or maybe they just spend a lot of time saving for a trip,” she said.

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