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Hotel Revenue Management

Woody G. Kim, Ph.D.
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Florida State University
Dedman College of Hospitality
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1 Hotel Revenue Management

2 What is Revenue Management (RM)?

- Definition: "The management of a business's sales and prices to maximize revenue."
- RM is a critical component of a business's success, as it helps to ensure that the business is able to maximize its revenue by selling its products and services at the right price at the right time.

3 Revenue Management Definition continued

- Revenue management is the process of managing a business's sales and prices to maximize revenue.
- It involves a variety of techniques, including dynamic pricing, yield management, and demand management.
- The goal of revenue management is to ensure that the business is able to maximize its revenue by selling its products and services at the right price at the right time.

4 Supply and Demand Curve

5

6 DEMAND CURVE & MARKET

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What is Revenue Management (RM)?

- **Definition:**
 - RM is the application of disciplined tactics that predict consumer behavior at the micro-market level and optimize product availability and price to maximize revenue growth.
- RM is not only a computer system. It is an integrated set of business processes that brings together people and technology with the goal of understanding the market.

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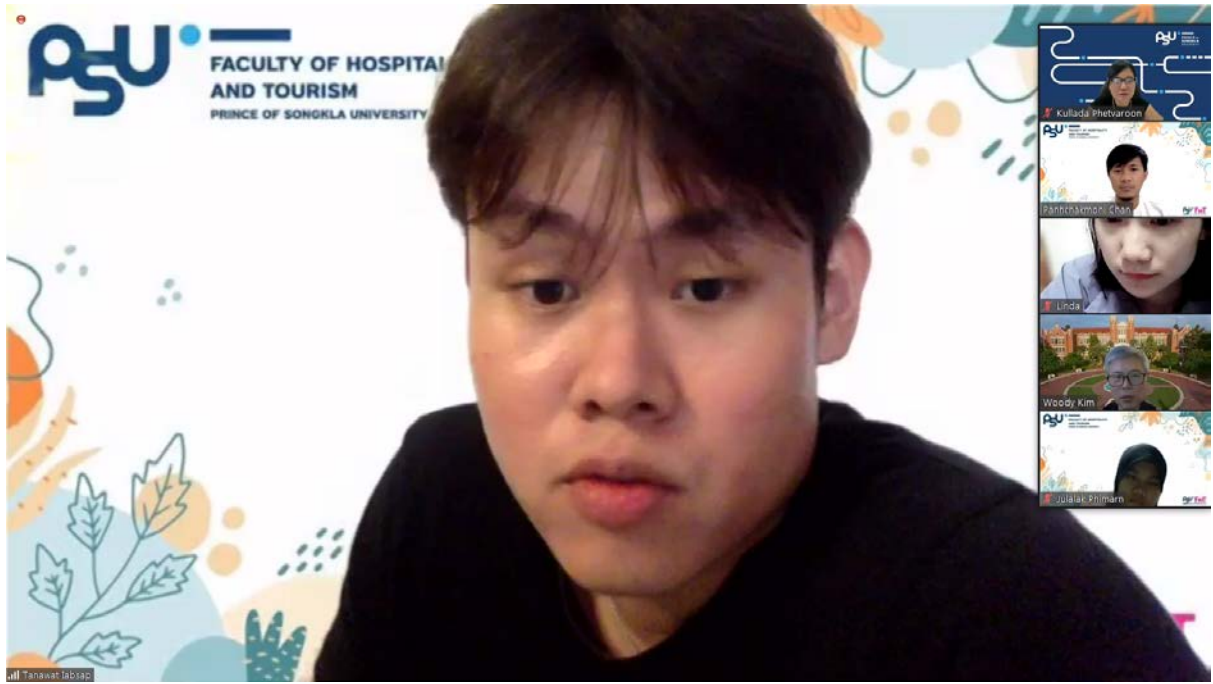
Revenue Management Definitions- continued

- A business philosophy and a systematic approach to applying price and inventory controls in order to increase revenues and maximize returns on assets by responding to current and potential demand.
- The art and science of predicting real-time customer demand at the micro market level and optimizing the price and availability of products to match that demand.
- Sell the right product through the right channel to the right customer at the right time for the right price.

"Defining Revenue Management" by Kathleen Cullen

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Supply and Demand Curve

Price

P

Q

Quantity

4

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1 Hotel Revenue Management
Woody Kim, Ph.D.
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and Director of the Center for
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2 What is Revenue Management (RM)?
• Definition
Revenue Management is the process of
dynamically adjusting prices to maximize
revenue, based on forecasted demand.
• RM is not only a computer system, it is an
integral part of business processes that bring
together people and technology with the goal
of understanding the market.

3 Revenue Management Definition continued
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of understanding the market.

4 Supply and Demand Curve
The supply and demand curve is a graph
that shows the relationship between the
price of a good or service and the quantity
of that good or service that is supplied
and demanded.

5 Supply and Demand Curve continued
The supply and demand curve is a graph
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and demanded.

6 REVENUE & MARKET
The revenue and market is a graph that
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Supply and Demand Curve using RM

Price

P

Q

Quantity

5

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● = Customer Segments

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Micro-Market Segmentation-- A Practical Application of Micro-Economic Theory

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Participants: yuanyuan yao, Li Xue, Irina Vengidova, Bonnie SHUYU HOU, Woody Kim

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Single Price Optimization

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Single price: 2 market segments

Revenue = $p(Q_1 + Q_2)$

There is usually a p^* that optimizes revenue.

Price

p

Q_1 Q_2

Quantity Sold

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Sell to Micro Markets: Many of customers were willing and able to pay a higher price for the product and many more would have purchased it if they could have paid less

PRICE

\$100

\$50

\$1

1 50 100

DEMAND

DILUTED DEMAND

PRICE

\$100

\$80

\$60

\$40

\$20

\$1

1 20 40 60 80 100

DEMAND

UNACCOMMODATED DEMAND

- one price
- maximum achievable revenue of \$2,500.
- four prices
- broader market segments can be addressed
- produces \$4,000 in revenue

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History of Revenue Management

- The first major users of RM were American and Delta airlines starting around 1985.
- Both Tom Cook (American) and Robert Cross (Delta) have been cited as the “fathers” of corporate RM.
- 1978 – Airline Deregulation
- 1980 – Hotel Manual Inventory Control
- 2015 – Many industries use RM:
Rental Cars, Cruise Lines, Restaurants
Hospitals, Golf Courses, Electricity, Advertising,
Sport Events, Theater, Pop Concerts, Public transits

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9 Single price: 2 market segments
10 Two prices: 2 market segments
11 Price Discrimination - Multiple Price
12 Split by Market Segments
13 History of Revenue Management
14 Which Firms Use RM?

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Which Firms Uses RM?

- Airline (All?)
- Hotels (Hyatt, Marriott, Hilton, Sheraton, Forte, Disney..)
- Vacations (Club Med, Princess Cruises, Norwegian..)
- Car Rental (National, Hertz, Avis, Europcar..)
- Washington Opera
- Television Ads (CBS, ABC, NBC..)
- UPS
- Retail (Tetek, Khimetrics)
- Real estate (Archstone)
- Texas Children's hospital

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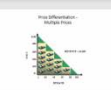
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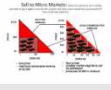
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9 Single price: 2 market segments
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No-Tech Revenue Management at Carol's Barber Shop Source: Cross

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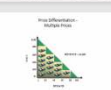
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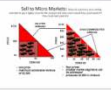
Video thumbnails on the right:


- Julalak Phimarn
- Rannakamon Chan
- Tanawat Iabsap
- Woody Kim
- 唐旭


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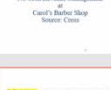
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Status Quo: one single price

	M	T	W	Th	F	Sa	Sun	
Price	20	20	20	20	20	20	20	
Quantity	20	20	20	30	40	40	30	
	400	400	400	600	800	800	600	4000

Carol made 20% price increases during the weekend while offering 10% discount during the weekday

	M	T	W	Th	F	Sa	Sun	
Price	18	18	18	18	24	24	24	
Quantity	25	25	25	30	36	36	26	
	450	450	450	540	864	864	624	4242

16

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Video thumbnails on the right:

- Aissa zhang
- Dangsi Shikiki
- Andy XIAO
- Linda
- Jansuga

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The Origins of Revenue Management: Marriott Story

- Bill Marriott's story: Robert Cross wanted to interview Bill Marriott, because he was a big proponent of RM. I was escorted to his office. He got up from behind his desk, walked briskly toward me with a huge grin on his face. "I've been wanting to meet you for a long time," he said. "You think that this RM is such a new concept, but I've been doing it for a long time." I started my recorder, and he told me this story:
- In 1957, he was finishing a tour of active duty in the US Navy when his father Bill, Sr., just built his first hotel, the Key Bridge Marriott in Washington D.C. The elder Marriott asked his son to run it. Young Bill knew nothing about the hotel industry, or much about business, for that matter, but he proved to be very astute.
- Bill noticed that the hotel, which was very convenient to most of the governmental agencies, was almost always full during the middle of the week. At the time, the Key Bridge hotel had a very **simple pricing structure...\$9 per night, and \$1 for each additional person.** The average room slept four, and with a roll-away cot making a fifth bed, Bill could get up to **\$13 per night.**

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Video call participants: Dangsi Shikiko, Andy XIAO, Linda, jansuga, yuanyuan yao

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By Date and LOS

UserProfile [Request Id: thlapd / THLAP 30D All LOS GDS [54163049]] Dates: 0-30, any day of week
Sources: Properties: Doubletree, Park Plaza, Hol Inn Select, Ramada Inn, Courtyard Capital, Hilton Garden, Res Inn University
Products: GDS Rates Unrestricted

Details
Length of Stay: 1,2,3,7,14,30,60 Room Type: Any
Guests: 1 Accommodation: Any

Options
Currency: US Rate Changes (days prior): 1
Display Options: Rate Change

Exceptions
Exceptions:

GDS Rates, Unrestricted

	Los	Doubletree	Park Plaza	Hol Inn Select	Ramada Inn	Courtyard Capital	Hilton Garden	Res Inn University
Thu Jan-03-2008	1	159.00		89.00	69.95	164.00	109.00	179.00
Thu Jan-03-2008	2	129.00	[-20.00] 94.00	84.55	69.95	109.00	109.00	119.00
Thu Jan-03-2008	3	99.00	[-20.00] 94.00	84.55	69.95	109.00	109.00	119.00
Thu Jan-03-2008	7	4 99.00	4 114.00	4 84.55			4 109.00	3 99.00
Thu Jan-03-2008	14	4 99.00	4 122.57	4 84.55			4 109.00	3 89.00
Fri Jan-04-2008	1	99.00	[-20.00] 94.00	84.55	69.95	109.00	89.00	119.00
Fri Jan-04-2008	2	99.00	[-20.00] 94.00	84.55	69.95	109.00	89.00	119.00
Fri Jan-04-2008	3	99.00	[-20.00] 94.00	84.55	69.95	109.00	109.00	119.00
Fri Jan-04-2008	7	4 99.00	4 114.00	4 84.55			4 109.00	3 99.00
Fri Jan-04-2008	14	4 99.00	4 124.71	4 84.55			4 109.00	3 89.00

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Notes

Video call participants: Aissa zhang, Dangsi Shikiko, Andy XIAO, Linda, jansuga

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Tab 4 - Competitive Set Report

Check Report Generated: 10/26/2022 10:08:42 AM
 From: 10/1/2021 10:08:42 AM To: 10/31/2022 10:08:42 AM
 Date Created: 10/26/2022
 Monthly Competitive Set Data Includes Subject Property

Monthly Indexes

RevPAR Percent Change

21 22 23 24 25 26

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Kullada Phetvaroon

Tina gao

Ann

Wendy Ouyang Wen

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23 24 25 26 27 28

Phillips 1.2 The Financial Impact of Pricing and Revenue Optimization

- Some retailers are achieving gains in gross margins of 5-15% from pricing optimization systems

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Notes

121%

Geelia (Vangui Farj) Kullada Phetviroon Tiwar Diga Ann Uga

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Geelia (Vangui Farj) Kullada Phetviroon Tiwar Diga Ann Uga

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A27

ESTIMATOR													
	Occ.	Rms. Avail.	Days	Rms. Sold	WD %	WD Sold	WE %	WE Sold	WDWE %	Check			
	61%	300	92	16836	50%	8,418	50%	8418	100%				
Segments													
Leisure	WD	WE	WD	WE	WD	WE	WD	WE	WD	WE	WD	WE	WD
Market Mix % (HSR)	15%	15%	45%	45%	10%	10%	5%	5%	10%	10%	15%	15%	100%
Rooms Sold	1262.7	1262.7	3788.1	3788.1	841.8	841.8	420.9	420.9	841.8	841.8	1262.7	1262.7	8418
Rate (input pricing)	145	135	135	125	130	130	125	130	140	130	125	130	
Room Revenue	183,092	170,465	511,394	473,513	109,434	109,434	52,813	54,717	117,852	109,434	157,838	164,151	2,213,934
Additional Rev. % (HFR)	60%	60%	60%	60%	40%	40%	30%	30%	80%	80%	40%	40%	
Additional Rev. \$	109,654.9	102,278.7	255,696.75	236,756.25	43,773.6	43,773.6	15,783.75	16,415.1	34,281.6	31,547.2	63,135	65,660.4	
Revenue	292,946	272,743	767,090	710,269	153,208	153,208	68,396	71,132	212,134	196,981	220,973	229,811	3,348,891
Ave. Transaction Cost (HFR)	15	10	5	5	2	2	25	25	20	20	10	10	
Transaction Costs	18940.5	12627	18940.5	18940.5	1683.6	1683.6	10522.5	10522.5	16836	16836	12627	12627	
Total Revenue	3,348,891												
Transaction Costs	152,787												
Operating Cost	1,339,556												
Marketing Costs (HFR)	120,000	3.58%											
Undistributed Cost	1,172,112												
Total Costs	2,784,455												
Gross Operating Profit	564,436	17%											
Fix Costs	435,356												
Profit before tax	129,080												
Tax - 25%	32,270												
Net profit	96,810	2.89%											
Property & Equipment	40,500,000												
ROI	0.24%												

ADR 131.5 131.5
RevPar 80 80
GOPPar 20 20
TresPar 121 121

Tot # of rooms avail / quarter 27,600
Total RR 2,213,934
Total Rev 3,348,891
of rooms sold 16836
Gross OP 564,436

Estimator

Recording

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61%

ESTIMATOR

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	61%	300	92	16836	50%	8,418	50%	8418	100%	

Segments	Leisure		Business		Corporate		Tour		Lg. Group		Sm. Group		WD Tot.	WE Tot.
	WD	WE	WD	WE	WD	WE	WD	WE	WD	WE	WD	WE		
7 hotel situation report	15%	15%	45%	45%	10%	10%	5%	5%	10%	10%	15%	15%	100%	100%
8 Market Mix SubSID	1262.7	1262.7	3788.1	3788.1	841.8	841.8	420.9	420.9	841.8	841.8	1262.7	1262.7	8418	8418
9 Rooms Sold	145	135	135	125	130	130	125	130	140	130	125	130		
10 Rate (input pricing)	183.092	170.465	911.394	473.513	109.434	109.434	52.613	54.717	117.852	109.434	157.838	164.151	2,213.934	
11 Room Revenue	60%	60%	50%	50%	40%	40%	30%	30%	80%	80%	40%	40%		
12 Additional Rev. % (HFR)	109854.9	102278.7	255696.75	236756.25	43773.6	43773.6	19783.75	16415.1	94281.6	87547.2	63135	65660.4		
13 Additional Rev. \$	292.946	272.743	767.090	710.269	153.208	153.208	68.396	71.132	212.134	196.981	220.973	229.811	3,348.891	
14 Revenue														
15														
16 Ave. Transaction Cost (HFR)	15	10	5	5	2	2	25	25	20	20	10	10		
17 Transaction Costs	18940.5	12627	18940.5	18940.5	1683.6	1683.6	10522.5	10522.5	16836	16836	12627	12627		
18														
19 Total Revenue	3,348.891													
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30														
31														
32 Property & Equipment	40,500.000													
33 ROI	0.24%													
34														
35														
36														
37														
38														
39														
40														
41														
42														

ADR 131.5 131.5 ADR= Total room revenue/number of rooms sold
RevPar 80 80 ADR= 2,213.934 16.836
GOPPar 20 20
TrevPar 121 121
Total # of rooms avail/quarter 27,600
Total RR 2,213.934
Total Rev 3,348.891
of rooms sold 16836
Gross OP 564.436

Estimator





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Phillips: Table 1.3

Results of two studies on the average impact of a 1% improvement in different variables on operating profit

	McKinsey (1992)	A.T. Kearney (2000)
Price Management	11.1%	8.2%
Variable cost	7.8%	5.1%
Sales volume	3.3%	3.0%
Fixed Cost	2.3%	2.0%

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121%

Video call participants: Cecilia (Yangu Fan), Kullada Phetvaroon, Tiwar Digi, Ann, Wendy (Xuewei Wei)

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Revenue Management

- Who are your competitors?
 - Surrounding hotels-Geographic Competitors
 - Comparable Amenities-Feature Competitors
 - Size of hotel-Capacity Competitors

Who will share the market demand?

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What is a "Competitive Set"?

- A competitive set is a group of hotels used primarily for comparison against a subject property for performance benchmarking purposes.
- The properties that comprise a comp set are competitive in nature; competing for the same guests and sharing similar qualitative and quantitative features.

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Participants: Wendy Quwei Wei, Alice Zhang, Dengqi Shikiko, yuanyuan yao, JILIN

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Hotel A's Primary Comp Set:

```

graph TD
    A((Hotel A)) -- Primary Competitor --> B((Hotel B))
    A -- Primary Competitor --> R((Hotel R))
    A -- Primary Competitor --> D((Hotel D))
    A -- Primary Competitor --> C((Hotel C))
    A -- Primary Competitor --> M((Hotel M))
    X((Hotel X))
    S((Hotel S))
  
```

- Hotel C
- Hotel D
- Hotel M
- Hotel R

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Participants: Wendy Quwei Wei, Alice Zhang, Dengqi Shikiko, yuanyuan yao, JILIN

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33 Revenue Management

34 Revenue Management

35 Revenue Management

36 What is a "competitive set"?

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Revenue Management

- Where am I now?
- SWOT Analysis
 - Strengths
 - Weaknesses
 - Opportunities
 - Threats
- The SWOT Analysis looks at the questions
 - “Who are you?,” and “Who are your competitors?”
 - Helps assess where your hotel stands within the competitive landscape.

Understanding where you are and how you sit in your competitive market is vital to formulating a working strategy for revenue generation.

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Video call participants: Irina Venediktova, Bonnie SHUKU HOU, Xinyu Huang (Justin), Jansuda, Linda

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SWOT Analysis Tools

Print Area SAMPLE Value Assessment

	Meeting Room Total Sq. Footage	Number of Guest Rooms	Rate as of 7/1/14 Local Company Meeting	100% Business Location	100% Hotel or venue Image	100% Quality of Meeting Rooms	100% Quality Choice of BQT Rooms	100% Level of Service	100% Level of Banquet Service	100% Overall Physical Quality	100% Menu/Food Creative Quality	50% Quality of Business Center	100% Sales Staff Responsiveness	100% Overall Quality Assessment	TOTAL
OUR HOTEL															
My Property Anywhere	23,000	800	\$ 75												
CURRENT COMPETITION															
Competitor 1	12,000	400	\$ 95	0	3	2	2	3	0	1	-1	0	0	0	-2.3
Competitor 2	32,000	700	\$ 96	0	0	0	0	0	0	1	1	0	0	0	0.8
Competitor 3	22,000	633	\$ 79	0	-2	1	0	-2	-1	-2	-2	-1	-1	0	-3.2
Competitor 4	20,000	650	\$ 85	0	2	-2	0	2	0	1	0	0	0	0	0.2
Competitor 5	18,000	490	\$ 89	1	0	-2	-2	0	-1	-1	1	-1	-1	0	-1.5
Competitor 7	15,000	560	\$ 72	0	0	-1	0	0	0	2	2	0	0	0	1.2
Competitor 8	17,500	1,100	\$ 72	3	1	1	1	0	2	-1	-1	2	2	0	3.2
Competitor 9	12,500	780	\$ 89	1	1	0	0	1	1	2	0	1	1	0	2.2
Competitor 10	12,750	800	\$ 89	1	2	0	0	2	2	2	0	1	2	0	3.2
Competitor 11	13,000	650	\$ 89	-1	-1	0	-2	0	-1	1	-1	0	-2	-2	-2.3
Competitor 12	12,250	950	\$ 59	0	-2	-2	-1	0	-2	-3	1	0	0	0	-2.0
Competitor 13	17,000	890	\$ 89	-1	-2	1	-1	-1	-2	-2	1	-1	0	0	-1.3
Competitor 14	14,500	450	\$ 95	-2	-2	0	-2	-2	1	-1	-3	0	1	1	-3.7
Competitor 15	23,000	500	\$ 95	3	2	1	3	2	1	0	1	2	-3	3	5.8

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Video call participants: Irina Venediktova, Bonnie SHUKU HOU, Xinyu Huang (Justin), Jansuda, Linda

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Demand Forecasting

- All revenue management decision (rates, availability, restrictions) is based on what the anticipated demand is for the hotel
- Demand forecasting involves the use of **historical patterns** and **current trends** to forecast future demand

51

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Notes

Woody Kim

IRina Venediktova

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Xinyu Huang Justin

JANUSIA

Linda

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Xinyu Huang Justin

JANUSIA

Linda



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49 Demand Study

- Building your model by observing actual demand in the system
- Parameters
 - Capacity and Costs
 - Arrival Rates and Distributions
 - Service Times and Distributions
 - Routing Methods
 - Simulation Controls
 - Simulation Results
 - Performance by Scenario

50 Revenue Management

- Know where the demand is going
- Which pricing scheme
- Revenue-based forecasts
- Queue sizes
- Customer resources
- Intelligence by Scenario

51 Demand Forecasting

- All management decisions are often available by monitoring to learn what the anticipated demand is for the future
- Demand forecasting involves the use of historical patterns to predict trends to forecast future demand

52 Demand Forecasting cont'd

- Forecasting is a key component of revenue management
- Forecasting is used to determine the optimal pricing and capacity decisions
- Forecasting is used to determine the optimal service times and routing methods
- Forecasting is used to determine the optimal simulation controls
- Forecasting is used to determine the optimal simulation results

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System Overrides (00:46 / 02:55) | HELP | EXIT

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Unconstrained Demand

Unconstrained, or "True Demand," is demand that is not constrained by the capacity of the hotel. This is the demand that could be sold if the hotel had an unlimited number of rooms available to sell.

The picture below shows the performance of the hotel that was **constrained** by capacity.

Click the Unconstrained Demand button to see the **unconstrained** demand for the same timeframe.

Click the forward arrow in the control panel below to continue.

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Slide 54 content:

Unconstrained Demand

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Video thumbnails on the left:

- 49 Demand Study
 - Building your model to determine what demand is for the hotel
- 50 Revenue Management
 - Revenue management is the process of maximizing revenue
 - What is revenue management?
 - Revenue management strategy
 - Revenue management tools
 - Revenue management challenges
- 51 Demand Forecasting
 - Forecasting is the process of predicting future demand
 - Forecasting is used to determine the number of rooms to sell
 - Forecasting is used to determine the number of rooms to sell
 - Forecasting is used to determine the number of rooms to sell
- 52 Demand forecasting cont'd
 - Forecasting is the process of predicting future demand
 - Forecasting is used to determine the number of rooms to sell
 - Forecasting is used to determine the number of rooms to sell
 - Forecasting is used to determine the number of rooms to sell
- 53
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Slide 58 of 81 English (United States)

Slide 58 content:

Unconstrained Demand

- Unconstrained demand is determined by tracking the true demand for a hotel regardless of capacity limitations
- UD can be estimated by declined reservations, or the requests that could have been accommodated if the hotel had unlimited space.

58

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Video thumbnails on the left:

- 53
- 54
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- 57
- 58 Unconstrained Demand
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Regrets and Denials

- **Unconstrained demand** can be divided into **denials** and **regrets**.
- **Denials** are customers who are turned away because of **capacity constraints or restrictions**.
- For example, if a function space is not available, or if sufficient guest rooms are not available, the hotel may be forced to decline the request for event space.
- **Regrets** are customers who turned down because they are not inclined to **pay the price** of the space or a room (i.e., shoppers). Those inquiries may not be a true representation of customers who intended to book.
- For this reason, it is more important to track denials than to be concerned about regrets.

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Hotel direct channels

- Hotel direct distribution channels include various ways that customers may use to make a reservation directly with the property.
 - walking in,
 - calling the hotel directly,
 - faxing or emailing a reservation to the hotel,
 - calling a toll-free central reservations number,
 - Some central reservation system (CRS) solutions are affiliated by hotel brands, and some other are available on the market to all players. An example of a brand-affiliated CRS is **MARSHA**, which stands for Marriott Automated Reservation System for Hotel Accommodations. Examples of CRS providers that are not affiliated with a hotel brand include **Pegasus** (www.pegas.com), and Vertical Booking (www.verticalbooking.com).
 - booking on the hotel website, or
 - booking on the chain website (brand.com).

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67 Writing content distribution channels

68 Writing content distribution channels

69 Room and rates of rate parity strategy

70 Price point and rate parity strategy

71 Writing content distribution channels

72

ADR	
Premium	
Direct	\$173
GDS	\$166
OTA	\$166
Wholesale	\$0
Total	\$169
BAR - Standard	
Direct	\$164
GDS	\$161
OTA	\$161
Wholesale	\$0
Total	\$162
Package	
Direct	\$199
GDS	\$199
OTA	\$198
Wholesale	\$0
Total	\$198
Guaranteed	
Direct	\$123
GDS	\$123
OTA	\$0
Total	\$123
Qualified	
Total	\$135
Contract	
Direct	\$135
GDS	\$135
Total	\$135
Tour	
Direct	\$142
Wholesale	\$142
Total	\$142
Large Group	
Direct	\$129
GDS	\$0
OTA	\$0
Wholesale	\$0
Total	\$129
Small Group	
Direct	\$123
GDS	\$0
OTA	\$0
Wholesale	\$0
Total	\$123

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69 Room and rates of rate parity strategy

70 Price point and rate parity strategy

71 Writing content distribution channels

72

73

Revenue per Available Room (REVPAR)

- = Rooms Revenue/Available Rooms
- Or = Occ x ADR
- Hotel A: (200 rooms x .8 x \$70 x 365)/ (200 x 365) = .8 x 70 = \$56
- Hotel B: (200 rooms x .7 x \$85 x 365)/ (200 x 365) = .7 x 85 = \$59.50

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Measures of Hotel Operational Performance

Introduction to iDeas V5 and Revenue Optimisation - Microsoft Internet Explorer

Introduction to iDeas V5 and Revenue Optimisation (00:41 / 02:45)

Measures of Performance

Let's look at three industry standard terms for measuring the success of Revenue Management decisions. Click each term to read its description.

Percentage of Rooms Sold

Percentage of Rooms Sold is a measure of how full the hotel is.

$\text{Percentage of Rooms Sold} = \frac{\text{Rooms Sold}}{\text{Rooms Sold} + \text{Physical Capacity}}$

For example, what is the percentage of rooms sold for a hotel that has 80 rooms and has sold 40?

$\text{Percentage of Rooms Sold} = \frac{40}{80 + 40} = 0.5 = 50\%$

Percentage of Rooms Sold

Average Daily Rate (ADR)

Revenue per Available Room (RevPAR)

CONTINUE

Slide 74 of 81 English (United States)

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Measures of Hotel Performance

Introduction to iDeas V5 and Revenue Optimisation - Microsoft Internet Explorer

Introduction to iDeas V5 and Revenue Optimisation (01:00 / 02:45)

Measures of Performance - Check Your Understanding

Now it's time to check your understanding of the three Measures of Performance. Take a moment to review the results for the two hotels below.

Hotel One

Greater Occupancy %

85% Occupancy & \$40 ADR

Hotel Two

Greater ADR

60% Occupancy & \$56.67 ADR

Click the hotel that has the best revenue results.

Click the forward arrow in the control panel below to continue.

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Notes

121%

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There is a major sports events in Miami: We use RM

Number of rooms in each property is 100

Josh		Jordan		We: Seminole	
Occupied rooms	100	Occupied rooms	39	Occupied rooms	88
ADR	\$ 58	ADR	\$ 224.56	ADR	\$ 138.64
BAR	\$ 69	BAR	\$ 249.99	BAR	\$ 149.99
REV	\$ 5,800	REV	\$ 8,757.84	REV	\$ 12,200.32
OCC	100%	OCC	39%	OCC	88%
REVPAR	\$ 58	REVPAR	\$ 87.58	REVPAR	\$ 122.00

Because we have gauged demand and price resistance, we have achieved a higher REVPAR and more revenue than both properties

*BAR= Best Available Rate (Rack rate)

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BAR rate is Asking rate
To make a balance in OCC and ADR

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Revenue Manager Responsibilities

- Assist Executive Committee during budgeting process
- Work with **Marketing** Team to identify need periods
- Work with **Sales Team** on **group evaluations** and leisure promotions
- Complete and distribute financial reporting:
 - Short and long term forecasting
 - Key Metrics Results
 - Performance/Forecast Evolution
- Inventory control**
- Constant interaction with **marketing and reservation staff**

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75 Measures of Hotel Performance

76 There is a major split among all others: 50% use RM

77 **Revenue Manager: Revenue Management**

78 **Revenue Manager: Revenue Management**

79 **Revenue Manager: Revenue Management**

80 **Revenue Manager: Revenue Management**

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Job Description of RM- Continued

- Leads and guides strategic management of Marriott's Revenue Management discipline.
 - Business champion for pricing and selling strategies, rooms and space inventory in all distribution systems and channels (e.g., MARSHA, Internet, GDS, Strategic Accounts/Direct Sales, etc.).
- Executives on Marriott's revenue performance and outlook.
 - Responsible for Marriott Lodging RevPAR forecasting for long range planning.
 - Represents Revenue Management to the Industry.
 - Serves as a key Revenue Management interface to Marriott's Executive
- Leadership team.
 - Helps build owner and franchisee relations and appreciation of revenue management concepts and systems.
- 4-year degree from an accredited university in **Business Administration, Hotel and Restaurant Management**

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Thank you!

QUESTIONS

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