



[BY KLAUS KOHLMAYR]

# The Evolving Face of Revenue Management

Renowned U.S. banker David Rockefeller once said,  
“Success in business requires training and discipline and hard work.  
But if you’re not frightened by those things,  
the opportunities are just as great today as they ever were.”

Relevant words for any occupation, they are particularly applicable for today's revenue management professionals. Amid a post-recession economy marked by fluctuating demand and significant changes in consumer behavior—leading to heavy reliance on online travel agencies (OTAs) and new booking channels like the iPad—a lot of challenges exist about how to best generate hotel revenue, let alone maximize it. Although it's an exciting time for revenue executives, the industry is rapidly evolving, and it takes hard work, perseverance, and

an entrepreneurial spirit to navigate through and transform today's challenges into opportunities for financial growth.

Recognizing the increasing pressures placed upon revenue officers today, the Hospitality Sales and Marketing Association International (HSMIA) hosted its first ever Chief Revenue Officer Executive Roundtable at the 2011 Revenue Optimization Conference. Held in Austin, Texas on June 21, the Roundtable brought 26 senior revenue officers (by title: 1 global head, 14 vice presidents, 3 senior vice presidents, 7 directors and 1 manager) together to identify and discuss key industry concerns, trends and strategies.

Spanning three sessions and representing some of the hospitality industry's largest hotel brands, management companies and ownership groups, the roundtable provided a poignant overview of the industry and the direction it is going.

### Economic Landscape

To kick off the roundtable, Randy Smith, chairman and co-founder of STR (the parent company of HotelNewsNow.com), led a discussion on today's economic landscape and outlined the challenges of decision-making beyond the traditional market share approach. He pointed out that although demand is rising—a record number of hotel rooms were sold in the months just prior to the conference—room rates are *not*. An unprecedented and unanticipated situation, Smith cited the traveling public's affinity for negotiation as the main reason for the consistently low rates. Because consumers have been trained to constantly look for good deals and the lowest prices, there is too much rate transparency in the market, causing increased competition and undercutting. Smith also pointed out that group business negotiated during a time when rates were low has hampered the ability to raise rates for this segment today—an issue he says will persist for several months. He also identified today's heavy reliance on OTAs and the 2012 presidential election as two more challenges for the industry. He explained that negative



Randy Smith, chairman and co-founder of STR, led a discussion on today's economic landscape and outlined the challenges of decision-making beyond the traditional market share approach, at HSMIA's Chief Revenue Officer Executive Roundtable.

media stories over-emphasizing the nation's economic woes leading up to the election could potentially hurt consumer confidence and lower demand.

When the conversation transitioned to OTAs, an animated discussion took place among attendees regarding the power and usefulness of them. Some roundtable members expressed belief that OTAs have fundamentally changed hotel marketing and now influence both consumer behavior and hotel pricing strategies. However other members disagreed—saying that OTAs are overestimated and that low pricing results in decreased revenue rather than increased demand. One member at an independent hotel pointed out that lowering dependence upon OTAs requires cash reserves to allow for risk-taking and helps cushion short-term loss. All of the members seemed to agree that OTAs are a significant challenge to rate recovery and that how they are used is largely dependent on the hotel. Some companies have found OTAs useful for fulfilling large block availability or as a marketing tool to help increase demand in areas with little or no brand recognition. For independent hotels, the immediate results obtained by flash sales and deep discounts are attractive.

### Changes in Consumer Behavior

Immediately following Smith's session was a discussion led by Felix Laboy, President and General Manager at Sabre Hospitality Solutions, and a presentation by Shirley Tafoya, President of Travelzoo North America, on changes in consumer buying behavior and their impact on revenue management. Regarding the changing landscape of hospitality marketing and distribution, Laboy noted that hotel searches have become more transparent today and include rates, reviews and maps in addition to hotel listings. Google focuses on information searches rather than bookings, and remarketing—promoting advertising to consumers who have visited the booking channel but did not book—is becoming a lucrative model for

driving revenue—yielding 25 percent higher conversion rates.

Laboy also discussed the ways in which technology is evolving the industry. He noted that the iPad is the fastest growing mobile engine for hotel reservations and that social media sites such as Facebook are growing as distribution channels of the future. These platforms encourage same-day bookings and discounted rates and make rate parity a significant issue.

In an insightful presentation on marketing tactics and flash sales, Tafoya talked about how email marketing is a powerful and useful tool during low demand periods, depending on the demographic of the hotel's target audience. She also emphasized the importance of converging revenue management and marketing and how advancements in technology are bringing these teams together. To help hotels drive revenue across multiple platforms, Tafoya recommends tailoring marketing goals to specific channels. As mobile technology is centered on convenience rather than pricing, she states that vacation packages work well for this model. Flash sales should stimulate new, incremental business while other channels should work on driving more sustainable demand.

### The Next Generation of Revenue Managers

The third and final session of the day was a roundtable discussion designated, "The Emerging and Future Role of Revenue Management." Almost immediately the conversation steered towards how to find and retain talented revenue management professionals. As the industry becomes more respected as a "mission-critical" component of hotel success, the demand for talented executives has risen. But according to members of the roundtable, shortcomings in job training and career incentives make finding talent an elusive task.

One of the reasons for this, members pointed out, is hospitality students' lack of awareness of and interest in revenue management. Hotel schools offer limited revenue management courses, resulting in more students being interested in the service side of hospitality than the business side, and members voiced that it's up to the schools to help foster interest in revenue management. In addition, despite today's widespread use of powerful revenue management systems, a lot of the coursework and even on-site training relies solely on Excel spreadsheets.



The first ever HSMAI Chief Revenue Officer Executive Roundtable brought together 26 senior revenue officers in Austin, TX, in conjunction with HSMAI's 2011 Revenue Optimization Conference.

Another hot issue discussed by members regarded salary. Although many companies, such as Disney, require a bachelor's degree in economics or statistics—with an MBA preferred—for revenue management positions, many college students go into the financial services industry instead of hospitality because of higher entry-level salaries. This is especially apparent, said one member, at Duke University, where there is a lot of interest in economic metrics, but little of how it extends into hospitality. More often than not, companies shop the average talent pool from second-tier schools rather than recruit top talent because of lower salaries. One roundtable member said he recruits younger executives at a lower pay scale but then convinces leadership to increase their salaries for retention. All of the roundtable members agreed that revenue managers need upward progression within their companies and are viable candidates for GM and marketing director.

### An Evolving Role

Another hot issue debated between roundtable members dealt with how revenue managers are perceived today. Although the role of the chief revenue officer (CRO) was not discussed during the conference, members believe the position is necessary to optimize revenue—particularly during the economic downturn. While most hotels are starting to recognize this, it's still common for revenue managers to take a back seat to meeting planners and sales managers instead of working alongside them to complement their initiatives. Although crossover is beginning to occur between revenue management and marketing—partly due to advancements in technology—members expressed the desire to see more of this collaboration in the future. The reality is that today's CRO is responsible for company profitability—which includes marketing, sales, inventory management and pricing. Having the word "revenue" in the title assumes the traditional revenue management role,

but all members agreed that revenue management focuses more on revenue *generation* than management.

## Conclusion

Although revenue officers have operated pretty conservatively in the past, today's volatile market conditions, fluctuating demand and changes in consumer buying behavior have elevated the science and art of revenue management to new heights. The occupation is becoming increasingly important to the success of the industry and as a result, revenue managers are dipping their hands into multiple pools across the hotel. Job responsibilities are increasingly becoming more aligned with or even mirroring that of the GM or Director of Marketing.

Perhaps the biggest challenges revenue managers face today is how to optimize revenue amid a traveling public well trained to negoti-

ate their prices. Symptoms of this include decreased booking windows, severe undercutting among competitors and consistently low room rates. Additional industry challenges include new distribution channels such as social media, new mobile platforms and complex revenue management technology. In order to navigate through these challenges and both generate and drive revenue at their hotels, revenue managers must be entrepreneurial in nature—able to react quickly and intelligently to market conditions and capitalize on emerging opportunities.

In addition, although corporate travel is rebounding and convention business is in recovery—great news for hotels—it isn't the only demand revenue managers are witnessing. As more emphasis is placed on the occupation, talented young professionals well-trained and familiar with revenue management software are also in demand, and it's up to the industry to ensure that the educational system keeps up.

## Chief Revenue Officer Executive Roundtable Attendees

**Caryl Helsel**, *Director of Reservations and Revenue Management, Aramark Parks and Destinations*

**Ron Pohl**, *Senior Vice President, Operations, Best Western International*

**Kathleen Mallery**, *Director of Planning and Development for Revenue Optimization, Carlson Hotels Worldwide*

**Daniel Young**, *Director, Business and Revenue Management, Colonial Williamsburg Resort Collection*

**Dar Johnston**, *Director of Revenue Management, CSM Lodging*

**Beverly Ramsook**, *VP, Revenue Management & Distribution, Denihan Hospitality Group*

**Scott Roby**, *Vice President, Revenue Management, Evolution Hospitality*

**Neal Fegan**, *Executive Director, Revenue Management, Fairmont Raffles Hotels International*

**Jack Easdale**, *Vice President of Revenue Management, Gaylord Hotels*

**Leo Barrit**, *Vice President, Revenue Management, HEI Hotels & Resorts*

**Kimberly Furlong**, *Vice President of Revenue Management, Hersha Hospitality Management*

**Kurien Jacob**, *Senior Vice President Revenue & Distribution, Highgate Hotels*

**Chris Silcock**, *Global Head, Revenue Management, Hilton Worldwide*

**Brian Berry**, *Vice President of Revenue Management, Host Hotels & Resorts*

**Sloan Dean**, *Vice President of Sales & Marketing, Interstate Hotels & Resorts*

**Ken Gifford**, *Vice President Revenue Management & Distribution, Kerzner International Resorts*

**Michael Sherwood**, *Vice President, Revenue Management, Larkspur Hotels & Restaurants*

**Tom Buoy**, *Senior Vice President Customer Marketing & Revenue Management, Morgans Hotel Group*

**Elizabeth Cambra**, *Corporate Director, Pricing & Revenue Optimization, Outrigger Hotels Hawaii*

**Barb Bowden**, *General Manager/Corporate Director of Revenue Management, Peabody Hotel Group*

**Jason Thielbahr**, *Vice President, Revenue Management, Red Lion Hotels*

**Robert Hubbard**, *Vice President Revenue Management, Red Roof Inn*

**Erin Butler**, *Corporate Revenue Manager, Regency Hotel Management*

**Chinmai Sharma**, *Vice President, Revenue Management, Wyndham Hotel Group*

**Dan Kowalewski**, *Vice President Revenue Management Services, Wyndham Hotel Group*

**Vishwas Bhatia**, *Senior Director, Corporate Revenue Optimization, Aston Hotels & Resorts*

Ultimately, the field is undergoing significant transformation, requiring ongoing discussion and education on emerging trends and strategies. In a final round of comments, members of HSMAl's first Chief Revenue Officer Executive Roundtable expressed their appreciation of and enjoyment in meeting together to discuss industry trends and challenges—instead of being separated by brands, management companies or company size. The variety of backgrounds and companies fostered productive dialogue on the larger issues facing revenue management professionals today and shed a great deal of insight on how the industry is evolving. ■

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Klaus Kohlmayr is Senior Director of Consulting at IDEaS. He is leading a rapidly growing team of Pricing and Revenue Optimization specialists located in the US, Europe and Asia assisting clients worldwide to develop innovative solutions and implement best practice revenue optimization, pricing and forecasting strategies and tactics.

Before joining IDEaS, Klaus worked for InterContinental Hotels Group in a variety of operational and Revenue Management, Pricing & Distribution roles in Vienna, New York, Paris, London and Singapore, leading teams of RM experts and participating in a range of global key strategic projects.

Klaus holds a B.S in Hotel Management from the Hotel Management and Catering School in Villach, Austria and a Certificate in Hotel Real Estate Investments and Asset Management with Cornell University's School of Hotel Administration. He is currently a member of the Revenue Management Advisory Board of HSMAl Americas and has previously been on the Revenue Management Advisory Board of the Cornell-Nanyang Institute of Hospitality Management, Singapore; Co-creator and facilitator of the annual Revenue Management Roundtable at Cornell-Nanyang, Board Member of the Asia Pacific Chapter and VP of the Singapore Chapter of HSMAl. Follow him on Twitter @Klaus\_Kohlmayr.

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