

The Relationship between Revenue Management and Marketing: Part 1.

By Nick Curcuru - IDEaS Revenue Solutions

Monday, 7th November 2011

Why it's Crucial for These Departments to Work Together -



Amid today's uncertain economic times, revenue managers find themselves asking a slew of tough questions: How can I secure five percent uplift for the business? How can I proactively drive demand? How do I provide the right price to the right customer at the right time?

Although revenue managers face these grueling questions every day, they are not alone in their battle. Down the hall or within the next set of offices— often unbeknownst to revenue managers—marketers are asking themselves many of the same questions.

Although these departments have, historically, operated independently of one another; by working together, marketers and revenue managers can significantly enhance their hotels' bottom line and their careers.

Hotels whose marketing and revenue management departments collaborate have reported revenue increases of more than six percent, increased market share, and increased demand for shoulder and low-demand periods. Collaboration between these departments makes providing the right price to the right customer at the right time a reality.

In order to understand how and why this works, it's important to examine each department's strengths and how the departments can help each other – and ultimately the hotel – enhance profitability.

What Revenue Managers Have and Marketers Want:

1. Accurate Demand Forecasts

Conducted at the property level and sometimes at the regional level, demand forecasts can be powerful resources for marketers. Because they deal with revenue, these forecasts tend to be more accurate than any other company forecasts. The demand information lets the marketer know if and when a property needs to place offers in the market to fill low demand and shoulder periods.

2. Profitable Pricing (of Rooms and Packages)

No one understands pricing better than revenue managers. They use software and other datadriven tactics and strategies to accurately set rates that optimize revenue according to various market conditions and demand. Since marketers create offers and promotions that drive demand, it's important for them to have access to the right pricing information that will generate revenue.

3. Competitive Set Information

Revenue managers are constantly negotiating and setting rates relative to their competitive market set on a weekly and even daily basis. Although marketers also keep an eye on competitor

pricing, their competitive set information lags considerably in comparison to revenue managers—sometimes by as much as three months.

However, by obtaining competitive set information from revenue management, marketing can become more proactive about their campaigns and even adjust them at the last minute to remain competitive.

4. Booking Pace

Defined as “the rate in which reservations are made for the future”, a hotel’s booking pace varies throughout the year. By understanding booking patterns, marketing can better plan their campaigns so that they’ll drive demand at times when the property needs it most.

5. Access to Transaction-Level Data

Unlike marketers, revenue managers run reports on transactional data every day. The transactional data contains information that ties campaign offers to revenue. By working with marketing, revenue management can see which marketing campaigns make money and, more importantly, how much money the campaigns bring into the hotel. When these reports are provided to marketing, it completely changes how marketers communicate with the executive suite.

The conversation moves from “Campaign X had a 10 percent acceptance/commit rate” to “Campaign X cost the hotel \$XX and generated more than \$XX.” This information not only justifies marketing budgets, it tells marketers which campaigns work and which ones don’t so they can plan future campaigns accordingly.

What Marketers Have and Revenue Managers Want:

1. Refined Guest Segmentation

From a revenue manager’s perspective, customer segmentation is done at a higher level than marketing. For example, many hotels have a transient segment that can include individual, business and family.

However, marketing breaks these groups down even further. For marketers, the family segment could include “single family”, “family with kids”, “adults ages 55 and older”, etc. Revenue managers are always looking for ways to create opportunities to differentiate rates that will attract the right people to the hotel.

Exchanging this type of information creates a common language, or dictionary, between revenue management and marketing that makes it easier to work together to optimize revenue.

2. An In-Depth Understanding of Guest Demographics and Psychographics

Revenue managers are constantly putting packages together that increase opportunities to generate revenue. Because marketers understand where guests live and what their interests are (i.e. adventurous families like to hike, bike and kayak), they can help revenue managers price hotel packages that will appeal to guests’ interests and motivate them to visit the hotel.

3. Offers that Generate Demand

Marketers are experts at creating demand by inspiring people to commit to hotel products and services. By knowing when marketing places offers into the marketplace, revenue managers can create better, more accurate forecasts in relationship to demand. This knowledge will lead to better revenue optimization.

High Impact Synergy

As the revenue management industry continues to evolve, it's vital for hoteliers to embrace processes that enhance and magnify business analytics in order to maximize revenue. By opening up dialogue between the revenue management and marketing departments, hoteliers can compound the value of each department and more proactively take their revenue opportunities to the next level.

In addition, revenue managers and marketers will discover that through regular communication, not only can they significantly impact their hotels' bottom lines, but also their careers – experiencing more job satisfaction and growth as a result. In the end, blending these two valuable disciplines together is a win-win situation for everyone involved, including the hotel.

For additional information on the relationship between revenue management and marketing, stay tuned for Part 2 – which will include integration strategies as well as meeting objectives and agenda topics for introductory team meetings.

About the Author

Nick Curcuru is the lead consultant for the Americas region of IDEaS Revenue Solutions. Nick has worked for nearly 20 years in operations and consulting, delivering solutions with and for companies such as The Walt Disney Company, Royal Caribbean International and The Home Depot. Over the last 15 years working for Arthur Andersen and in the SAS Professional Services Group, Nick has focused on high-end analytics working with his clients to enable fact-based decisions by employing data mining, analytical forecasting, and operations research to drive revenue, understand customers, and determine the right products/services to offer in the market.



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