



Six Months On: Sokos Hotels Now Surging Ahead of the Competition with IDeaS V5i Revenue Management Solution

Since 2007, IDeaS Revenue Optimization has been working closely with Sokotel, part of the extensive S-Group, to roll out IDeaS V5i Revenue Management system initially across 13 Sokos Hotels and 7 Radisson BLU properties.

In January 2010, Sokos Hotels completed the deployment of IDeaS V5i automated Decision Upload to each of their selling systems. Reviewing the six months since this time, the utilization of IDeaS V5i has helped Sokos Hotels not only remain competitive in an increasingly tough marketplace but to excel against the competition.

In addition to emerging as leaders within their competitive set, Sokos Hotels have also been able to track and demonstrate a number of remarkable results in a variety of key areas that are paramount for any hotelier or hotel group. In keeping with our core client-focused values of 'START', 'CARE' and 'COACH', IDeaS revisited Veli-Petteri Korpi, IDeaS V5i and OPERA Reservation System Business Manager for Sokos Hotels, to discuss just some of the results already seen in two leading properties, the Hotel Aleksanteri and the Hotel Flamingo, as well as results seen across the wider Sokos portfolio.

Sokos Hotel Aleksanteri – Pushing the Boundaries from 'Great' to 'Exceptional'

The Sokos Hotel Aleksanteri is a 151 bedroom property, situated in the centre of Helsinki next door to the historic Alexander Theatre. Due to its central location, the hotel is a premiere property for Sokos and is popular with both leisure and business guests alike.

When comparing the year on year Occupancy and RevPAR figures for the period January – May 2010, some impressive



Clarity.
Confidence.
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FAST FACTS

Hotel - Sokos Hotels

Geography - Finland

Solution - IDeaS V5i™

- Group Pricing Module
- Budgeting Module
- Custom Reports Module
- Centralized Control Module
- New Hotel Success Service Package (NHSSP)

Challenges -

- Automate revenue management strategies across multiple properties
- Focus time and energy on strategic planning instead of consolidating data from different spreadsheets
- Streamline and automate strategic forecasting and rate quotation

improvements have already become apparent. One of the strongest indicators of success is the fact that occupancy rates at the Aleksanteri are now 39% greater than the same period in 2009 and, though the temptation might be to put this down to a return in business and leisure travel post-recession, it is also worth noting that each hotel in the Aleksanteri's direct competitor set has only managed to increase their occupancy by 7.3% during the same period.

This is further reinforced when taking a look at the hotel's achieved RevPAR (Revenue per Available Room) index, and again comparing it with the competition. The Sokos Hotel Aleksanteri's RevPAR index is 21% greater than during this same period in 2009, while the competitor set actually posted a loss in RevPAR – down by an average of 4.5%

When discussing these gains, Veli-Petteri Korpi identifies one unique factor, "During this period IDEaS V5i has been controlling the pricing and availability. Since typically the forecasts have not shown high demand, without a revenue management system, a revenue manager may have opened all of the lower rates, and missed out on the opportunities that a human would not immediately identify. During these times, there is always the desire to push for higher rates quickly, and IDEaS V5i has made sure that we capture these opportunities too, without being subject to any emotional and perhaps misplaced driver."

Sokos Hotel Flamingo – Leading the Competition and Emerging from the Recession

Despite the economic downturn, remarkable revenue and room night gain can be seen in a number of hotels since the installation of IDEaS V5i. Another example of this is the Sokos Hotel Flamingo – a 309-room hotel with meeting facilities, located close to Helsinki Airport. Since implementing the IDEaS V5i revenue management system, The Flamingo has achieved a market penetration index of around 150, and is continually gaining. On top of this, The Flamingo has seen a 13.7% increase in Occupancy and 11.3% increase in RevPAR, while the rest of the market has only shown a marginal RevPAR increase of 4.5%.

Although the core functionality of the IDEaS V5i revenue management system is to increase revenue for any given hotel, it is also essential in protecting hotels, and

maximizing revenue during tough periods of low demand. It is interesting to note that when considering the difficult economic situation the world faced in 2009/2010 the Average Daily Rate (ADR) for The Flamingo's overall competitor set fell by 7.6% year on year for January to May. However, the optimization and controls put in place by the IDEaS V5i system helped to minimize the direct impact of this phenomenon on The Flamingo – resulting in a decrease of only 2.1%.

Due to the controls set by the system, Sokos has been able to see revenue gain on both busy nights and on shoulder nights. So instead of focusing on the busy nights only (which is often the case in traditional manual environments), Sokos are seeing increased benefit through true network optimization, over the full inventory window, with significantly less manual input.

According to Korpi, "Customers also benefit from automated rate decisions, since all changes in the forecast have an impact on the available rates in the marketplace. For example, I have often seen in various manual environments that the controls restricting lower rates are there just because no one has had enough time to remove them. So truly this is a win-win situation."

Sokos Hotels – Powerful Results and Added Benefits Across the Board

Within Sokos Hotels, there have also been a number of additional benefits across the board since the implementation was completed.

Korpi sees overbooking controls as the biggest reason for the room night gain on high occupancy dates, with "IDEaS V5i controls now driving business to fill shoulder and low days, we are no longer just relying on rates based on demand and occupancy for busy nights only".

"We have reached these figures by letting the IDEaS system control the available rates. However, this is quite interesting because while the system may choose to control rates in specific hotels, it will simultaneously set different controls in others based on demand forecasting and the individual markets each hotel operates within. Overall, eight properties out of ten have managed to improve

their RevPAR penetration against the market during Jan-May 2010. In most of these cases this doesn't just come through increased ADR, but also from improved occupancy percentage by driving demand on shoulder nights, and overcoming the impact of cancellations and no shows through accurate Overbooking," added Korpi.

Other remarkable benefits that have since emerged at Sokos include improved forecasting reliability and ease of forecasting processes through automation, as well as the possibility of exploring new reservation channels thanks to IDeaS V5i setting BAR rates to various channels through Channel Direct / Channel Manager. Additionally, group pricing with the Group Pricing module now allows Sokos to have the functionality to determine a group enquiries' total value to the hotel, factoring in all of rooms, costs and commissions, conferencing and banqueting, ancillary spend and profits as well as the value of any business being displaced before it is booked, The IDeaS V5i's unique ability to forecast group materialization, and group wash by market segment, has finally allowed Sokos to have greater understanding of the total demand for their individual hotels, and estate.

According to Korpi, "When talking about benefits I would also like to pay attention to the fact that having IDeaS V5i manage both the PMS (Property Management / Reservation System) and external channels we are now finally able to add new distribution channels that have no direct connectivity with our PMS. Earlier that was not the case, since any new smaller channel would have caused an additional workload to the revenue managers since the rates and availability must be controlled manually through extranets and that is quite time consuming."

Korpi goes on to explain another unanticipated additional benefit from implementing the IDeaS V5i system, "Within Sokos, there has been a sudden desire to understand, and learn more about revenue management within the operational/hotel level, which has been caused by the increased number of controls in the reservation system. There is a whole new attitude across the organization, which has led to improved quality of data, a revision and

adjustment of current business practices to create a stronger revenue management culture and all of it is due to the system being implemented. The revenue managers of the hotels have learned to look at the forecasts from a different angle and make different kinds of decisions. Not to mention the staff working at each of the hotel's front desks; they have also experienced a wake-up call to update their processes. Revenue Management is currently a hot topic in the whole S-Group," he added.

"Really, no matter how you look at it, I think we have managed to gain additional room nights and most importantly revenue in most of our properties since IDeaS came along," concluded Korpi.



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