

Dynamics of pricing

Revenue management systems show their strengths when competition is tough, reports *Christina Kautzky*

Show All Details Hide All Details		Details		Date	Occ. DTB / Forecasted	ADR, DTB / Forecasted	Rev/PAR, DTB / Forecasted	Season
▶	Close	Sun 20-07-08	66.16 / 100.00 (%)	3,375.89 / 3,240.26 HKD	2,233.44 / 2,340.26 HKD			
▶	Close	Mon 21-07-08	47.22 / 60.86 (%)	3,452.11 / 2,907.38 HKD	1,600.16 / 2,350.60 HKD			
▼	Close	Tue 22-07-08	41.73 / 77.30 (%)	4,040.05 / 3,093.62 HKD	1,660.00 / 2,391.45 HKD			
Physical Rooms		300	Total Block Rooms	375	Forecasted Reserved Rooms	113		
Out Of Order		46	Deductible Block Rooms	26	Forecasted Arrival Rooms	54		
Overbooking		50	Non Deductible Block Rooms	349	Forecasted Reservations	67		
Rooms Reserved		106	Block Rooms P/U	26	Forecasted Cancellations	13		
Available Physical Rooms		148	Forecasted Block Rooms	59	Forecasted Overbooking	22		
▶	Close	Wed 23-07-08	38.97 / 72.96 (%)	4,094.34 / 3,089.29 HKD	1,587.79 / 2,253.94 HKD			
▶	Close	Thu 24-07-08	39.42 / 77.45 (%)	3,860.52 / 2,886.99 HKD	1,521.67 / 2,236.11 HKD			
▶	Close	Fri 25-07-08	45.62 / 93.26 (%)	3,353.77 / 2,809.05 HKD	1,530.01 / 2,433.28 HKD			
▶	Close	Sat 26-07-08	43.75 / 92.10 (%)	3,496.45 / 2,356.53 HKD	1,529.69 / 2,354.67 HKD			

An RMS solution from Micros Fidelio

Double digit increases in sales of revenue management systems (RMS) show a hospitality industry that is both expanding and increasingly aware that RMS are one of the key methods of ensuring profitability, and keeping room occupancy rates high. The systems back track booking trends and update price and availability based on those findings but as with the success of any technology, it is the willpower and determination of the hotel that mark the difference between success and failure.

Evidently, hotels are listening to the advocates of RMS because system use is on the rise. Explains Oliver Winzer, Regional Director for IT, Amadeus Asia, "We've seen an increase of more than 30 percent over the past two years. New markets are emerging and opening up, which has increased the need [for these types of products and systems]." As hotels can see a return on investment in as little as three to six months, the industry should be taking a closer look. But with the adoption of new systems come a host of questions: what does it take to run the system effectively? How does it actually help the hotel or group? What are the implications for the future of this technology?

Smart investment

To understand what a valuable tool yield management can be, the industry needs to fully grasp what it can do. "Revenue management is all about strategies," says Winzer, pointing to an ability to seamlessly shift regional focus, change room prices, and offer extras to potential customers, all to increase occupancy and raise profit margins every day of the year.

Grahame Tate, Managing Director IDEaS, Asia-Pacific explains, "By focusing on revenue opportunities on peak and shoulder nights, IDEaS v5i system will calculate the demand for the hotel for each



IHG have implemented RMS in half their Asian properties

night for the next 365+ days." Group pricing models, centralised systems, availability adjustments and seamless links to portals like Expedia or Travelocity make RMS increasingly effective.

Realistically, the investment required for yield management software is generally applied to three areas: additional hardware and interfacing requirements at the hotel or hotel group's corporate centre, the software programmes from a provider, and hiring professionals for training and ongoing maintenance of the system.

In terms of what it can do, as Chris Adams, Director of Business Development – Hotel Systems, Micros-Fidelio Asia Pacific explains, the possibilities are limitless. "Micros has established two-way interfaces with over 100 distribution partners, ranging from Synxis, Travelclick and Myfidelio through to direct connections such as to Expedia and Pegasus. This has helped ensure many of our 11,000

hotel partners can be confident of ensuring their inventory is kept up to date across the ever increasing number of distribution channels.” Tying every channel together means profitability and revenue increases across the board.

Rewards and returns

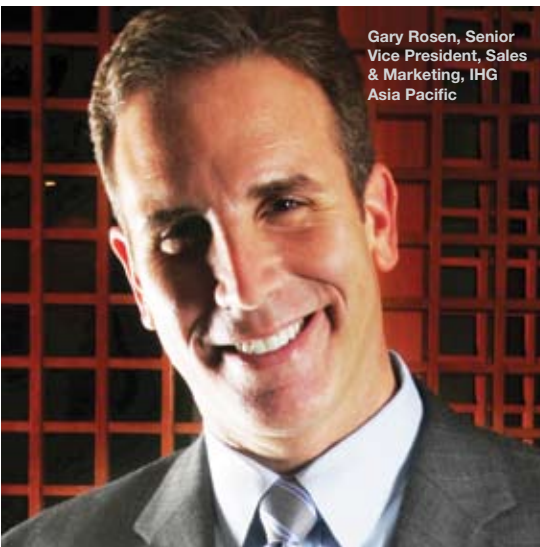
From the hotel’s perspective, RMS technology is a win-win situation. Gary Rosen, Senior Vice President, Sales & Marketing, IHG Asia Pacific told *AHCT*, “Automated yield management is key to driving incremental revenues. We have implemented yield management systems in half of our over 230 hotels in Asia Pacific, and after

hotel occupancy was compromised and yet RMS systems were able to help out in a pinch. In 2005 the tsunami that ravaged parts of Southeast Asia hit just over a month before Chinese New Year. “Singapore tends to be a big draw for travellers at that time,” says Winzer. “But many of them thought that Singapore was in an affected area. You had a lot of cancellations at [Singaporean] hotels and only the hotels that had sophisticated yield management systems were able to see this declining demand was coming from China. As a result, they were able to shift their focus to potential clients in other markets – like India – that might come to Singapore for reasons other than Chinese New Year.”



Oliver Winzer,
Regional Director for
IT, Amadeus Asia

“These decisions are dynamic, reacting to current market conditions”
Grahame Tate



Gary Rosen, Senior
Vice President, Sales
& Marketing, IHG
Asia Pacific



Grahame Tate,
Managing Director
IDEaS, Asia-Pacific

implementing the system, we have seen positive momentum in room revenue.”

By driving an RMS system and constantly being aware of the changing trends and drivers in hospitality bookings, hotels can see returns on a nearly constant basis. Says Winzer, “RMS constantly makes money. It just depends on how hard you drive the system.”

IDEaS’ Tate gives one concrete example of a client who saw returns almost immediately. In June, the company installed IDEaS in a 400-room property in Sydney that already enjoyed a 90 percent occupancy rate. Looking to capitalise on this, the system’s ability to play with pricing controls meant that for the month of August their room revenues had increased by more than 12 percent.

Amadeus’ Winzer points to an example of a situation in which

A relationship with the RMS technology company is as important as the technology itself, explains Tate. “As bookings materialise, overbooking decisions reflect the probability of cancellation. These decisions are dynamic, reacting to current market conditions, possibly changing after each optimisation. [But] if the revenue manager doesn’t agree or knows something the system hasn’t had a chance to learn yet, the RMS is in direct control of changing system based decisions.”

The next frontier

While there is certainty that this technology works, it is unclear how this niche segment of industry professionals will grow going forward. Successful revenue growth and profits must come from the people involved in fine-tuning the system. However, a recent report from the Cornell University School of Hotel Administration found that in a survey of 186 revenue managers, it was difficult to find qualified revenue managers. That could be because the path to promotions and the route to the role are undefined.

In her report, Professor Sheryl E Kimes noted, “Hotel revenue management needs stronger support from human resources policies ... Although

revenue management is largely viewed as a technical or quantitative process, pricing strategy and competitive tactics have become strong elements in revenue management.”

Currently, Micros-Fidelio’s Adams says, “In terms of who runs the systems, the hotels themselves play the strongest role in ensuring the yield management software remains up to date, however some companies are beginning to offer outsourcing services not only to maintain the technical components, but also the yield management processes themselves.”

With RMS on the rise and more and more hotels centralising their operations, training, technical and historical system knowledge as well as dedicated relationship managers are key to the growth and application of these systems. **AHCT**