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# Contemporary Techniques of Managing Revenue in Star Properties: An Overview

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## Abstract

A hotel's success depends on the pricing particularly of all the products and services on offer to a guest. A well designed pricing strategy can give a much needed impetus to the hotel's revenue maximization effort. A guest is more concerned about a good rate, but hotels have to achieve a fine balance between demand / supply of rooms and make a profit. Revenue management is said to be the foundation of a profitable property. The art lies in selling the right room to the right guest at the right time and at right price perceived both by the guest and the hotel.

In today's technology driven world, any business has several ways to increase its footfall or market to the consumers. Products and services can be easily made available to the buyers. A hotel's overall growth depends upon its financial health. The main product that the hotel sells is the room which fetches the maximum amount of revenue in a relatively short time. A well thought out pricing strategy can make a positive difference to increase business and chalk out plans for future growth. Today properties struggle to sell rooms which poses as a major roadblock to earn revenue as a room not sold today results in room revenue lost forever. It is prudent for hotels to examine their revenue management systems and fortify them according to market conditions. Hotel business has changed drastically from guest and hotel point of view. There are several factors for this transformation. In such a changing scenario, this overview throws light on the techniques which can be used to manage revenue in an effective manner following a systematic etc. These hotel has to promise pricing and rate integrity, good inventory etc. These a dependable distribution network, understand the intangible value of business, gives important to service which results in profits.

**Keywords:** Revenue, Up selling, Forecasting, Pricing

## REVENUE MANAGEMENT IS APT FOR THE HOTEL BUSINESS AS

1. They have a fixed capacity of rooms to sell. Hotels room inventory is limited. Capacity of a hotel is how many guests the hotel can service at any given point. When we consider the capacity, it is calculated as one night and the room capacity of the hotel would be the number of beds in the hotel. Some Hotels sells rooms for smaller periods like daytime to make extra revenue. To combat this issue hotels close down floors as it brings down operating costs. Other way is to increase the capacities of other revenue centers like banquet halls, covers added to existing seating in restaurants which does not involve any reconstruction of the building or anything major change in. Overbooking is another way to purposefully sell rooms more than the inventory in the hotel in order to remove the effect of cancellations, no-shows or early departures.
2. The product they sell is highly perishable. Rooms not sold on a particular day is revenue lost forever. The hotel's product is basically a service which night cannot be stored. What may be an option is to give an alternative to the guests who have been denied the service for a particular period when hotel is busy. Value of a product can be told to customers through Guest reviews about the hotel, photos of the property and description. The marketing department has to take special effort for these activities.
3. The hotel business is about high fixed costs and low variable costs. Fixed costs do not get eliminated according to the influx of guest numbers in a hotel. Fixed costs include salaries, depreciation, expenses related to energy systems etc. These account for 60 to 80% of a hotel's expenses. Variable costs are the

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ones those change are food cost, cleaning costs, purchase and laundry costs to name a few.

4. The product sold can be differentially priced. The nature of demand for the product is of an ever changing nature. In case a hotel has good occupancy daily around 90 to 95% it doesn't have to take pressure to attract more customers. But when tourism demand is uncertain and depends upon season it becomes important to look for different options to manage demand.
5. The product that is the room can be sold in advance. Services of a hotel can be booked much prior to the guest actually using them. The hotel guarantees accommodation to guests and the hotel gets information about demand and how to keep track of the booking made for a particular dates.
6. The market for this product is highly segmented. Segmentation refers to the process of dividing the consumers into distinct groups with similar needs and wants which requires different marketing mixes by the hotel. However the compatibilities of the customer groups must be assessed well by the hotel. A hotel can accommodate different segments at the same time but has to take care to house them appropriately so there are no complaints. A good customer mix is important because it directly influences its revenue and profit.

## TYPES OF PRICING STRATEGIES HOTELS FOLLOW

### Competitive Pricing Strategy

In this type of pricing the hotel must know who are their top competitors in the local area and position the room rates accordingly. This puts the hotel in direct competition with the other properties in the same vicinity. Guests are well informed and will see the value added offers and opt to stay at your hotel.

### Middle Pricing Strategy

With this pricing strategy, a hotel will price its high rooms around the same rate as basic rooms that are available at competing hotels. This compels the guests who want a good option but also want value for money they spend to turn their attention to your property

### Value Added Pricing Strategy

This strategy comes with a mind bender for guests. With this strategy the hotel should position its rates higher than the local competition which may be offering more value additions on rates they are charging in the basic package. This gives a feeling that the hotel is giving an first class experience that focuses on value not only on the rates.

### Discount Pricing Strategy

This pricing strategy is an ideal option for the off season and low travel period. This is imperative to get booking which pay low rather let rooms sit idle. This is done so that in spite of rates being low the property may get increased booking in a short period of time. This is particularly good for business.

## TRENDS IN REVENUE MANAGEMENT

- 1) System Integration: Many hotels have many software programs designed for each management function namely from operations to revenue management which gets a little hectic for the end user. If the data can be collected at one place about all hotel revenue which includes Room revenue and Food and beverage revenue also gives the hotel an idea how group bookings contribute to the revenue. Room Revenue is important but focus should on banqueting, Spa wellness and all the points of sales. Revenue management principles must be implemented to increase incidental charges.
- 2) Online Travel Agencies: Hotel revenue has been considerably shaken with the emergence of OTAs. The pricing strategies are also being controlled by the online travel agents which leave very little scope for hotels to have control. Most OTA's have a wide plethora of offers and options to choose from .A hotel needs to think further into this and evaluate the positive and negative effects.
- 3) A Wider Angle: Hotel managers need to know or understand the profitability of the business. A business hotel should focus on business customers but should not ignore the contribution of the groups as a business opportunity. Business development is a task by itself and very precious from revenue earning point of view.

- 4) **Artificial Intelligence:** This will take care of day to day work. The application of this seen in through Chatterbots which are very much in use. Booking bots on the hotel side and concierge bots on the customer's side will take consumer experience to new heights. This will increase efficiency, productivity and conversions.
- 5) **Mobile Booking:** Revenue managers have to be alert about the steady increase of mobile bookings. If pricing strategies are strong then getting guests to book should be treated with sustained effort and will need continuous monitoring. OTA's refer to more than ten thousand sites to test and judge the conversion. Hotel need to understand the reason for conversion.
- 6) **Revenue Managers:** Have to be develop a way of thinking to assess the market. Most websites are looked after by the marketing department and do not have any interaction with the website or the booking points. Revenue managers must keep a check on pattern of traffic and conversion across all platforms. Focus more on marketing promotions and develop strategies and work in close conjunction with the marketing department. Revenue managers need to know the mobile channels its nature and its impacts.
- 7) **Good Concise Information:** Many solutions are available to reach out to potential guests are available and it is up to the revenue managers to supervise and get correct features e.g. Rate intelligence is an interface or application that allows you to see the rate on the OTA'S while being active on your website. Quick steps for booking, Image and video resistant website when a page is being loaded. This application should have ability to up sell products and set promotional activities.
- 8) **Packaging of Offers:** Guests like add-ons. Any offer that combines a room rate and some local sightseeing or entertainment put in can be prove to be potential revenue rewarding. A hotel can partner with such places to increase value of their room product. A good profiling of guests can give a hotel an idea of their habits, needs and give them what they require. Focus must be given on ancillary revenue from transient as well as group booking as these guests may have some extra time to spend after work hour.

## TECHNIQUES TO INCREASE OVERALL REVENUE OF A HOTEL

- Forecasting and analysis of past records is the first step to understand the pattern of pricing fluctuation in the past financial year.
- A detailed knowledge of room price trends over a specific quarter inclusion of suitable strategies such as personalized and inclusive packages, longer stays and segmented room pricing.

Seasonal demand affects demand of rooms which are fluctuating and leveraging this seasonal demand is an important standard of measurement for room pricing.

- It is imperative to consider a steady increase of travelers for business and leisure as people wish to gateway and travel with families in holiday season.
- Planning different packages for selling rooms like weekend staycation which is steadily catching up. The guests from the same city come and check-in to a property on the weekend and enjoy a mini vacation in their city itself.
- Preplan the whole year's occupancy and observe which period needs more sales effort.
- Increasing profitability by collaborating and hosting national and international food festivals to increase footfall into the property all year round.
- The hotel can identify different segments along with rates which can be used during different seasons. It is wise to keep a check on market inclination and tendency.
- A hotel can also increase room occupancy and revenue by making contracts with their corporate clients to maintain the grip over business.
- An ideal pricing strategy would include a market share driven option during peak periods selecting the most ideal pricing strategy. Profitability for the year can be also enhanced with correct budget. eg keep heat lighting and power expenses at minimum.
- Package deals can be offered to the guest which includes extra meals, transport and complimentary offer. Many hotels let the guest decide while booking, where each guest is given an option to build on his/her room rate by selecting an option of add-on he/she is sure of using. This helps a hotel to cross sell services which in turn increase the overall revenue per occupied room.

- Room rates are also altered for long staying guests. An extended stay is favorable as the hotel is assured of guaranteed revenue and it is more likely that more incidental charges are incurred earning revenue. It is prudent to market a long stay from a hotel's point of view. It must not be forgotten that this is dependent on room inventory of that time.
- Trends show that a city hotel can benefit from package deal over the weekend when business is slow moving. This kind of package pricing works well for leisure properties. A longer stay has a better pricing for the hotel as some particular costs can be equally divided throughout the stay to reduce the effect on per night costing.
- Up selling is a very useful technique for hotels to sell their products and services. Better sales encourage guests to upgrade to better services and products (a higher up room type).

This contributes to the Average Daily Rate. The importance of up selling has doubled as there is a sea wave change in the way rooms are booked, introduction of infinite marketing channels and a well informed guest. Understanding the guest's need comes into picture here where recommendation of rooms can be done only to satisfy them. Genuine efforts to satisfy a guest will make him a repeat customer. Up selling can be done by positioning the next category of room on the website when a basic category room has been booked can be done by hotels.

- A good analysis of unoccupied room inventory is a valuable tool for sales directors and revenue managers. Regular calculation of unused rooms for sales should be done from sales research. Checking what the competition is doing, forecasting for the future occupancy on basis of future events and decide the course of action. Hotel should study the patterns of occupancy periods, a regular screening of potential customers willing to pay a visit and book a stay must be done. International guests who travel on business are an important segment. Luxury hotels organize art exhibitions, food festivals, explore cuisines that are trending which help to increase sales. MICE avenues to increase sales is crucial. Increase of business by bringing in of new accounts and develop existing ones should be done. A revenue manager must be aware of internal as well as external factors which contribute to the profit of the hotel.

- Use of block chain technology is an effective medium of distribution, which though in nascent stages which can hold decentralized records of the hotel room availability and rates. If this technology is used well, this would possibly eliminate the need for OTAs.

Thus, it has been observed that Revenue management has been and will continue to be a critical metric for the hotel industry especially as there is a rise of its role by hotels. Revenue Management has become more technology driven and the hotel depends on it. It has also become more customer relation oriented. These trends and techniques are utilized by hotels at this point of time but they will be surely replaced by new ones as the industry moves along. So it is advisable to take an account of the trends in future as well.

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