



The 2019 Smart Decision Guide™ to Hospitality Revenue Management

Everything you need to know about AI-powered revenue management – and how to select the right solution for your hotel or resort



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and distributed by:



Table of Contents

Introduction	pg. 3
Chapter 1: Topic Overview and Key Concepts	pg. 5
Chapter 2: Buying Considerations and Evaluation Checklist	pg. 12
Chapter 3: Must-Ask Questions	pg. 19
Chapter 4: Roadmap and Recommendations	pg. 24
Chapter 5: Inside Voices and Outside Voices	pg. 29
Appendix	pg. 32



Introduction

Ask any hotel revenue manager of a certain age what it was like for them to do their jobs before the advent of next-generation revenue management systems. Few, if any, will wax nostalgic about “the good old days.” Certainly, none will say they miss spending their time and energy continuously collecting and integrating endless pieces of information dispersed across multiple data silos. Or creating macros to run calculations on Excel spreadsheets. Or constantly logging into the extranets of distribution platforms to enter updated rate information. Or obsessively pouring over mountains of data in search of discrepancies and input errors with the analytical equivalent of a fine-toothed comb. Or manually reviewing forecasting models and demand reports in the hope of identifying opportunities for improvement in pricing and inventory control decisions.

Technology innovation has rendered the mundane, tedious, and cumbersome tasks associated with revenue management practices of yesteryear virtually obsolete, to nobody’s chagrin. By taking the most repetitive — including the most complex — tasks off their plates, new technology solutions have liberated revenue managers from the daily grind of manual data collection, entry, analysis, and updating. The best of today’s solutions fundamentally redefine what it even means to be a revenue manager. The job is no longer about crunching numbers and updating prices. Instead, it’s about creating high-value, big-picture strategies that serve to optimize financial performance across all parts of the organization.

Enabled by artificial intelligence (AI) and machine learning, the science of pricing optimization is now capable of running largely on autopilot. The best of today’s solutions adapt in real time to dynamic markets characterized by ever-changing numbers, patterns, and results to optimize pricing decisions in much the same way a jetliner uses autopilot to find the best flight path while minimizing turbulence by automatically changing speed, direction, and altitude and by oscillating the wings. The best of today’s solutions automatically calculate demand forecasts for future use of every guest room, recommending selling strategies and overbooking levels to maximize yield with an unprecedented degree of accuracy, and without the need for human judgment (which, in fact, often leads to suboptimal results).

Technology innovation has rendered the mundane, tedious, and cumbersome tasks associated with the revenue management practices of yesteryear virtually obsolete.



Introduction

AI has played a crucial role in the evolution of revenue management capabilities, making it possible to handle increasingly large volumes of data with ease and develop increasingly sophisticated algorithms to improve decision engines. With the latest advances in machine learning, a next-generation solution has the capacity to gain knowledge and insights, enabling it to progressively improve the accuracy of its forecast models by itself. Simply put, AI makes it possible for a machine to accurately predict not only how many guests will check into your hotel at any given point in time (often, months into the future), but also what types of guests they will be, what kinds of rooms they will want, the maximum rate they will pay, and how much they will spend during their stay at the hotel.

An AI-powered revenue management solution tends to be far more precise in its predictive capabilities — and, also, quicker to react to unexpected situations — than the most cutting-edge solutions of only a few years ago. It also tends to be less dependent on historic data, which has long been the bread and butter of revenue management solutions. Generally speaking, an AI-powered solution can detect emerging patterns related to guest bookings and competitive actions much faster and more accurately than was ever before possible, giving revenue managers the ability to enact strategies that are proactive rather than reactive.

Importantly, the best of today's solutions have proven out their value in terms of ROI, improving the financial performance of a hotel in highly predictable ways and with decidedly positive outcomes. In fact, according to research conducted for this Smart Decision Guide, large and very large hotels have enjoyed an 11 percent increase in RevPAR, on average, which can translate into millions of dollars in additional profit. Midsize and limited-service hotels have fared only slightly less favorably, with an 8.5 percent average increase in RevPAR. This Smart Decision Guide explores the myriad of benefits, financial and otherwise, that AI-powered revenue management solutions deliver. It offers a framework for thinking about revenue management (hint: it's not just about guest rooms and nor is it just about technology) and a roadmap for not only selecting the right technology solution but also for driving continuous performance improvement.

With the latest advances in machine learning, a solution gains knowledge and insights that enable it to progressively improve the accuracy of its forecast models and pricing decisions.



Chapter 1

Topic Overview and Key Concepts



Chapter 1: Topic Overview

Automation has become the driving force in the evolution of revenue management. Leveraging advances in artificial intelligence and machine learning, the best of today's solutions make pricing decisions and rate updates automatically. This allows revenue managers to focus their time on tactics and strategy rather than spending it crunching data and punching numbers into spreadsheets. The speed and complexity of the pricing decisions, and financial outcomes they generally produce, are unmatched by the most seasoned revenue manager using the most advanced solutions on the market only a few years ago. Such has been the blindingly rapid pace of technology innovation.

The ability to integrate new sources of data has also played a key role in driving smarter pricing decisions. The best of today's solutions leverage not only the repository of historic data that resides in a hotel's property management system, but also, in many cases, a vast array of market intelligence and other data, from competitor rates data to booking trends data. This makes it possible to more accurately forecast demand, and, as a result, increase hotel revenue and profitability in unprecedented ways.

That being the case, it's no surprise that next-generation, AI-powered revenue management has taken the industry by storm. Some of the leading AI-powered solutions, often replacing legacy solutions that use a hands-on, rules-based approach for generating pricing decisions, now automatically generate in excess of a 100 million decisions across tens of thousands of properties each day. The results are impressive, with major hotel brands seeing their revenue numbers increase by millions of dollars a year. Smaller properties, too, are seeing substantial gains, in some cases driving incremental sales lift by more than 15 percent.

Interestingly, AI-powered solutions sometimes produce pricing decisions that revenue managers may view as overly aggressive, irrational, or just plain wrong. Therein lies the power of big data and machine learning compared to the data processing and analytical capabilities of mere mortals. Even the most experienced revenue managers report that they have sold rates recommended by AI-enabled solutions that they would not have published in the past.

The best of today's solutions are now capable of making pricing decisions that optimize a hotel's financial outcomes in ways that could scarcely be imagined until very recently.



Chapter 1: Topic Overview

AI-powered revenue management is all about smart pricing. It's about using demand forecasts, competitor rates, and price sensitivities — while taking into account any number of other inputs, including demand drivers like seasonality, special event dates, and day-of-week differences —to maximize room occupancy at the best possible price. Smart pricing also means considering other factors, such as the type of room, the length of stay, and the extent to which a discounted price promotion could potentially dilute revenue and profits in the long run. The combinatorial complexities involved in smart pricing are nothing to sneeze at.

Smart pricing is channel agnostic. Rather than thinking in terms of “OTA booking versus direct booking,” for example, smart pricing considers the relative value of all distribution channels, weighing how much each channel drives guest room demand and will help achieve the overriding objective, which is to maximize the profitability of hotel inventory. Smart pricing calculates demand from all sources, including OTAs. In an ideal world, algorithms then automatically apply the right tactics and strategy to funnel business through the most profitable channels.

The goal of maximizing profitability holds true not only for guest rooms but also for other property assets and revenue sources. Banquet and event function space, in particular, now increasingly factors into the equation. According to “The 2019 Global Meetings Forecast,” published by American Express, demand for function space was expected to grow by 3.2% this year. For some hotels, function space revenue now accounts for almost half of their total revenue. It only stands to reason, then, that hotels would be eager to apply revenue management strategies to their group sales and catering activities.

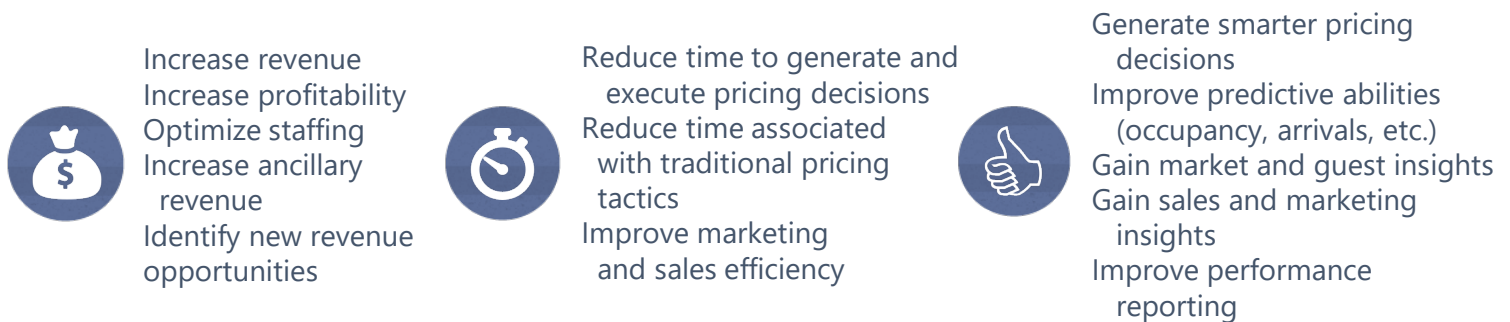
Total revenue management, as this bigger-picture approach to revenue optimization is often called, takes into account a guest's potential spend on recreational facilities, restaurants, spas, and various other ancillary revenue streams when making pricing decisions. For hotels with casino operations, even the “theoretical loss” (the amount of money a specific category of player can be expected to lose during their stay) should ideally factor into guest room and group sales pricing decisions.

The goal is to maximize profitability, regardless of channel, and that holds true not only for guest rooms but also for other hotel property assets and revenue sources.



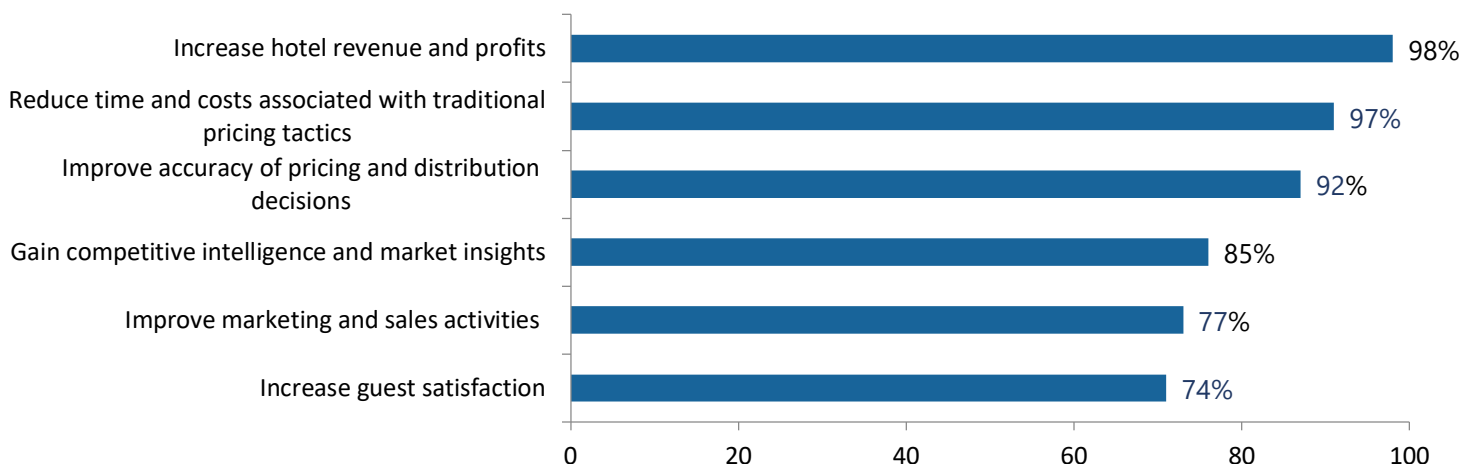
Chapter 1: Topic Overview

Empowering a hotel with the ability to make smart pricing decisions in an automated fashion makes the business case for investing in an AI-powered revenue management solution compelling. It is compelling in terms of driving increased profitability. It is also compelling in terms of averting potential revenue loss that can result when a hotel fails to maximize occupancy or, worse, experiences a loss in occupancy. Consider: A mere \$2 reduction in the ADR for a 500-room hotel with a 75 percent occupancy rate would cost it more than a quarter million dollars in lost profit in a single year. Other benefits abound. The business intelligence gleaned from the reporting capabilities, for example, can help improve sales effectiveness, generate competitive intelligence, and provide valuable insights into occupancy trends, guest demographics, market positioning, and channel profitability. A marketing department can use the forecasts as a guide for determining when to increase promotional spend to spur demand. An operations team can know when to increase (or decrease) staffing based on projected occupancy. In short, the benefits tend to go well beyond the department known as “revenue management,” ultimately transcending all parts of the organization.



Research Data Point

What are the biggest benefits one can expect to gain with next-generation hospitality revenue management?



Research findings are derived from the Q2 2019 survey on Hospitality Revenue Management.

Chapter 1: Key Concepts

With advances in technology innovation, hoteliers are getting closer to achieving the ultimate promise of revenue management: *to sell the right space at the right price at the right time to the right guest*. The following is a brief overview of some of the key concepts related to modern-day revenue management, including a look at the ever-evolving performance metrics for tracking and measuring success.

Dynamic pricing. The basic approach to pricing guest rooms has evolved from a technique that uses best available rate (BAR) pricing, which yields one primary rate with a tiered percentage or flat-amount-based discounts off BAR differentiating prices across distribution channels, to one that uses dynamic pricing based on demand forecasts that harness the power of big data processing, cloud computing, and advances in machine learning to enable continuous pricing adjustments in the face of constant market change. Machine learning makes it possible to perform complex computations that automatically evaluate market change as well as to incorporate predictive modeling mistakes. The algorithms become progressively smarter while avoiding the possibility of making the same mistakes in the future. Dynamic pricing is the antithesis of rigid, slow-to-implement pricing adjustments. Latency in making pricing decisions and rate updates can be costly for hotels.

Data integration. Revenue managers have an embarrassment of riches when it comes to data they can feed into their forecasting models. Yet more data can also simply mean more noise. So what data is most relevant in terms of moving the needle and should be incorporated? The volume and depth of clean historical data related to occupancy, rate and revenue figures (booking dates, rate codes, arrival dates, departure dates and revenue by day) tends to provide the strongest basis for forecasting accuracy. Market-level data, including competitor rate information, is also a must-have. Web shopping data (the number of consumers looking at and booking rooms and at what price) may also provide some insights into current and future room demand as well as price sensitivity. The number of website visitors tends to correlate to the frequency of last-minute arrivals. More hoteliers are utilizing customer lifetime value (CLV) data, applying different pricing strategies to different customers with different lifetime values. With rules-based solutions, a revenue manager might set a rate for loyalty members to always be at a 10 percent

Revenue managers have an embarrassment of riches when it comes to data sources. Yet, at a certain point, more data simply means more noise.



Chapter 1: Key Concepts

discount to the best flexible rate. AI-powered solutions can adjust the discount dynamically, depending on its demand forecast. Add to the mix competitive rate data, demand data, multi-market economic data, and even air traffic, if desired. In the end, revenue forecasting accuracy tends to be a matter of quality over quantity rather than the more the merrier.

Data processing power. Thanks to advances in data processing power, AI-powered revenue management solutions are able to process increasingly large volumes of data, and faster than ever. That's a good thing, because combining all the data sets that a solution may use for just one hotel could amount to several hundred million observations. Generating the pricing and distribution recommendations could easily result in thousands of decisions being generated each day for every day into the future. Multiply that number for a hotel chain with dozens of properties and it quickly becomes clear that, more than anything, revenue management is a big data challenge. One major hotel brand recently revealed that it generates more than 45 million forecasts nightly for each hotel, segment, room type, and channel for the next 365-day period. While even the global hotel brands may not have data processing requirements that are in the same league as Amazon, Apple, Facebook or Google, their data processing needs are certainly large enough to stretch the limits of on-premise data storage and computing capacity. Buyers need to know that any revenue management solution under consideration can handle the rigors of big data processing and optimize pricing calculations in highly compressed timeframes. Data processing power will continue to fuel the evolution the revenue management, including the shift to what is known as probabilistic decision models, which some experts believe will produce even better financial outcomes.

Any revenue management solution under consideration can handle the rigors of big data processing and optimize pricing calculations in highly compressed timeframes.



Chapter 1: Key Concepts

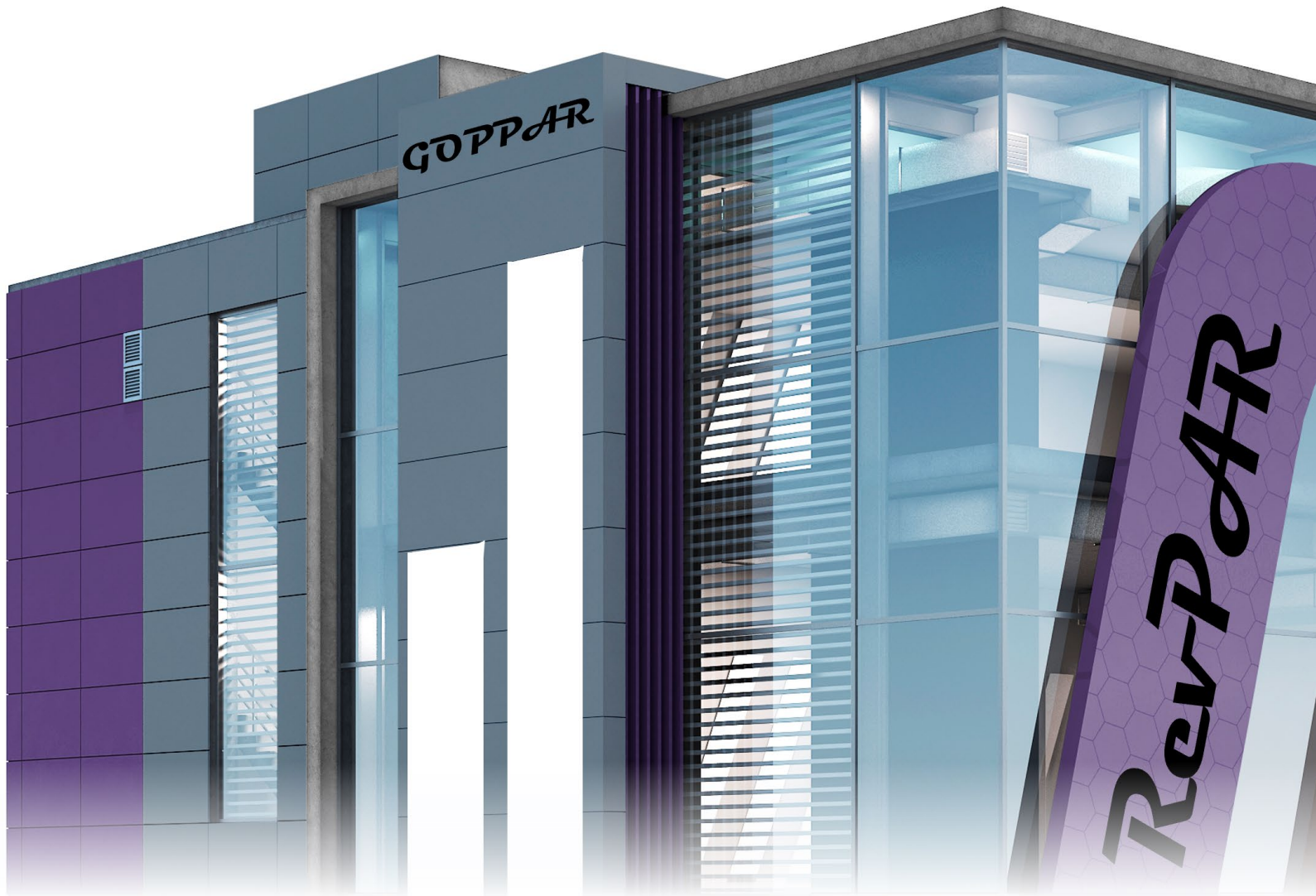
Performance metrics. While some of the metrics that hotels use to track and measure financial performance are still evolving, others have become standard and universally accepted. First and foremost is revenue per available room (RevPAR), which is calculated by either multiplying the average daily rate (ADR) by occupancy or by dividing the total guest room revenue by the total number of available rooms and then dividing that number by the number of days in a given time period. Occupancy refers to the percentage of guest rooms that are occupied during a given time period while ADR refers to the average room revenue per occupied room. Some hoteliers still make the mistake of focusing their promotional efforts solely on increasing room occupancy, no matter that higher occupancy can at times actually lead to lower profits. Yet while RevPAR provides a snapshot picture of performance, it fails to measure actual profitability. That's because RevPAR doesn't take into account Costs Per Occupied Room (CPOR). Without knowing the operating costs, one can't calculate the actual profit. Hence the emergence of GOPPAR (Gross Operating Profit Per Available Room), which takes into account not only the amount of revenue generated but also the actual operational costs. Still, neither RevPAR nor GOPPAR look at non-room revenue streams such as restaurants, casinos, parking, spas, golf courses, etc. This shortcoming helps explain the advent of other metrics like RevPOR (Revenue Per Occupied Room), RevPAG (Revenue Per Available Guest) and TRevPAR (Total Revenue Per Available Room). In addition, the industry is seeing new metrics around performance in other areas. Function space revenue performance can be measured in terms of meeting room utilization, attendee density and revenue per attendee. Revenue generating index (RGI), also known as RevPAR Index (RPI), looks at relative hotel revenue performance, by measuring the extent to which a hotel is achieving its "fair share" of revenue in comparison to a defined group of hotels. RGI is calculated by dividing the hotel's RevPAR by the RevPAR of the competitive set. Similarly, average rate index (ARI) measures the extent to which the hotel is achieving its "fair share" of ADR. It is calculated by dividing the ADR of the hotel by the ADR of the competitive set. RGI and ARI — and, also, market penetration index (MPI) — would seem to provide a solid basis for performance comparison.

While RevPAR provides a good picture of overall hotel performance, it fails to measure actual productivity because doesn't take into account costs per occupied room.



Chapter 2

Buying Considerations and Evaluation Checklist



Chapter 2: Buying Considerations

The idea of a revenue manager gazing into the dashboard equivalent of a crystal ball and basking in accurate demand forecasts for every night of the year across every guest room type and every guest segment used to be the stuff of fiction. The idea of that revenue manager stepping into the pricing decision and distribution equivalent of a self-driving car that takes them from Point A to Point B, dynamically updating rates across channels along the journey, was equally far fetched.

The analogy may be botched, but the message is clear as day. With recent technology innovation, revenue managers need not spend their valuable time making manual calculations, pulling pricing levers, and keystroking updated rate information. Instead, they can sit back and “manage by exception.” They can always take the controls, putting their foot to the gas pedal or steering in a different direction if they wish. But, generally speaking, there is no need, nor benefit, to doing so. Putting their faith in an AI-powered solution and taking a hands-off approach to day-to-day operations unless unusual circumstances arise and/or where human judgment is required, tends to be the better approach.

Next-generation revenue management solutions use rich data inputs to fuel a dynamic pricing decision engine designed to optimize financial performance. Yet, despite many similarities, not all solutions are the same. In fact, different solutions have dramatically different features and functions, are built on fundamentally different philosophies, and often produce dramatically different business results.

Some solutions allow revenue managers to yield by room type. If, for example, the solution detects a spike in demand for the “deluxe double” room type, it will automatically increase the price for that room type without also boosting prices on other room types. Some solutions yield each segment, channel, and room type independently in real time. Some set rates that optimize guest room and non-room revenue across various guest segments. Some solutions price by day or length of stay while also allowing hotels to price within a range or set specific price levels for certain attributes. Some solutions calculate demand forecasts for each future use of hotel rooms, and recommend the appropriate selling strategies, such as open/close rates, stay controls, open/close room categories, and overbooking levels.

Different solutions have dramatically different features and functions, are built on fundamentally different philosophies, and often produce dramatically different business results.



Chapter 2: Buying Considerations

Given all this, which solution is the right one? Which one will best meet the needs of the hotel and produce optimal results? The answer is: It depends. Here are a few key buying considerations to keep in mind when evaluating different options.

Technology interoperability and data integration. Technology integration is key to revenue management success. The PMS, the central reservations system (CRS) or channel manager, and the revenue management solution all need to seamlessly connect and share data —preferably, in a real-time manner. Inventory-related data needs to flow into all distribution channels, including direct booking platforms and call centers, as well as the global distribution system (GDS) and OTAs. The CRS needs to publish optimal pricing decisions and channel recommendations based on input from the revenue management system. No revenue management solution can be treated as a standalone application. It needs to seamlessly integrate with multiple data streams. It needs to integrate with marketing, sales and distribution systems as well as with the OTAs. Internally, point of sale (POS) data needs to integrate with PMS data to provide a holistic view of a guest's stay, including their ancillary spending on food and beverages, guest services, spa visits, etc. Buyers need to know that all technology components and data input sources are compatible with the solution and also that all historical PMS data can be readily extracted and validated.

Customization to user and property needs. Because users have differing needs, any revenue management solution will invariably require some degree of customization. Revenue managers should be able to create notifications based on predefined triggers that alert them to demand spikes or other deviations from the norm of which they wish to be made aware. They should be able to define the data inputs and dashboard views based on their own priorities and display preferences using integrated report building tools. Flexibility in configuration is needed to mine the right data and generate actionable insights based on hotel-specific parameters. Prospective buyers should have a high level of confidence that any solution under consideration provides the requisite flexibility and customization capabilities to meet the needs of the property as well as those of the revenue manager(s).

Revenue managers should be able to create notifications based on predefined triggers that alert them to demand spikes or other deviations from the norm.



Chapter 2: Buying Considerations

Channel management and rate publishing. Ensuring rate parity across channels is a key success factor. An integrated channel management tool publishes rate and inventory information, which need to be reflected accurately across all channels and touchpoints, including the OTAs. Otherwise, the prices that are presented to prospective guests on some channels may be lower than desired or the rooms that are presented on some channels as available may, in reality, be unavailable, and the property may, in fact, be overbooked. Inputting room rate and availability changes manually can result in errors that damage the brand's reputation and lead to revenue loss. The process of manual updates is also time-consuming and cumbersome. What is needed is an integrated rate publishing tool that automatically delivers channel updates through seamless rate management integration in a real time, concurrent fashion. It is important to understand the extent to which room change updates are handled automatically rather than manually through any revenue management solution under consideration and, also, what the average lag time is in publishing channel updates.

Group sales optimization. Function space revenue optimization can be as valuable as guest room revenue optimization. Buyers with group business goals should ensure that any solution under consideration provides group sales optimization capabilities. This means being able to evaluate group requests by forecasting the impact and displacement of transient guests while calculating ideal group rates. Some solutions are sophisticated, able to automatically detect, for example, that a large contract for a group booking has come in, signaling that the hotel should raise its rates for transient visitors during the same time period. Some solutions offer pricing recommendations by room type to maximize inventory and can provide meeting planners with a blended price quotation. Some solutions suggest alternate dates for flexible groups based on projected demand and availability to drive business to dates where the hotel stands to gain the most profit. Some solutions offer simultaneous evaluation of multiple properties to identify which one would be the most profitable for the entire enterprise. Price evaluation capabilities enable sales teams to understand unsold and undersold meetings and events space as well as less-than-optimal displacement of group business.

Rate and inventory information need to be reflected accurately across all systems and touchpoints, including the OTAs and other channels.

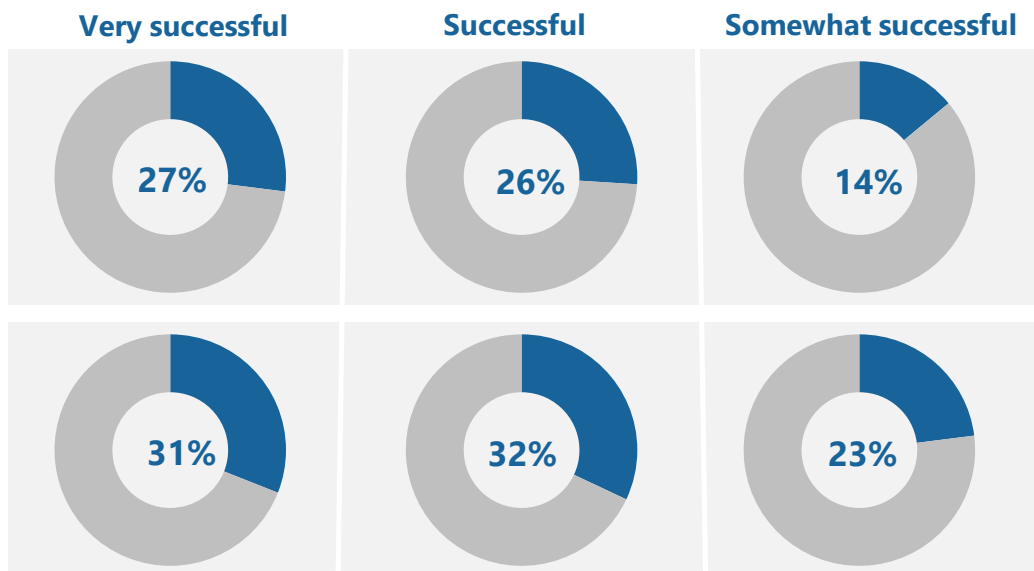
Chapter 2: Buying Considerations

Customer support. Buyers should consider the availability of customer support when evaluating a new revenue management solution. Poor customer support can put a big damper on a solution that may otherwise deliver superior performance and meet all other customer expectations. Knowledgeable resources should be available before, during, and after implementation. The solution provider should understand that new customers want an ally that is willing and eager to help the hotel maximize the value of its investment.

Return on Investment. Unlike many other technology-enabled business initiatives, the financial results of a revenue management initiative should be relatively easy to measure. Comparing historical performance to current performance is one approach. A careful measurement of RevPAR during a given time period compared against the same time period the year prior may allow hotel operators to track incremental improvement, given the ability to rule out other factors. The figure below speaks to the increases in RevPAR that, according to the research, midsize and limited service hotels, as well as large and full-service hotels, have achieved following the deployment of next-generation revenue management solutions as well their perception of overall success.

Research Data Point

“How would you rate your company’s success in terms of utilizing next-generation revenue management to improve financial performance?”



Midsize and Limited Service Hotels

- Have utilized revenue management for 10 years, on average
- Have increased RevPAR by 8.5% on average
- 34% have one or more dedicated revenue managers

Large and Full-Service Hotels

- Have utilized revenue management for 12-plus years, on average
- Have increased RevPAR by 11% on average
- 86% have one or more dedicated revenue managers

Research findings are derived from the Q2 2019 survey on Hospitality Revenue Management

Chapter 2: Evaluation Checklist

The following is an Evaluation Checklist for conducting an apples-to-apples comparison of key buying considerations for hospitality revenue management solutions. Additional considerations can be added. Relative weightings can be assigned on a scale of 1 ("This buying consideration has no bearing on our purchase decision") to 10 ("This buying consideration is a very important factor").

Buying Consideration	Weighting	Vendor 1	Vendor 2	Vendor 3
1. Technology interoperability / data integration				
2. Data processing power				
3. Intelligent pricing / analytic modeling				
4. Channel (OTA) optimization				
5. Customizability to property needs				
6. Cloud hosting (hybrid / native / multi-tenant)				
7. Flexibility in data analysis and reporting				
8. Group sales optimization				
9. Collaboration (supports data sharing between sales, marketing & revenue mgmt)				
10. Other features and functionality				
a. Demand forecasting management				
b. Group pricing management				
c. Multiple property management				
e. Meetings & events revenue management				
f. Competitive rate shopping management				
e. Other _____				
11. Support, training and consulting services				
12. Reputation / client base / success stories				
13. Cost (TCO) / Expected ROI				
Overall Rankings	N/A			

Chapter 3

Must-Ask Questions



Chapter 3: Must-Ask Questions

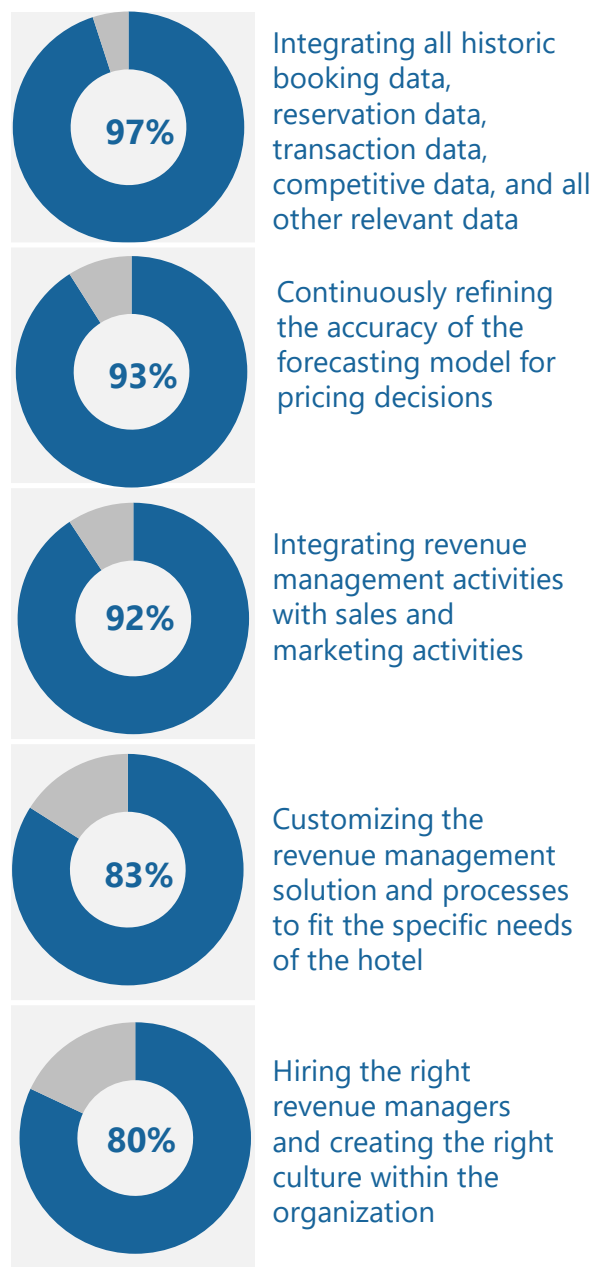
As the previous chapters have suggested, the world of hospitality revenue management is comprised of technology solutions predicated on two different approaches to pricing decisions. The first, which relies on statistical models based on historical data, is *rules-based decision-making*. This approach requires that revenue managers input business rules. For example: "When occupancy for Room Type B reaches X percent, then lower the rate by Y percent." These are the legacy systems. Those who champion rules-based decision-making solutions are generally those who are confident in their own expertise and prefer to take a hands-on approach to algorithmically-driven pricing decisions.

The second approach centers on *AI-powered decision-making*, which relies on dynamic decision models and machine learning. With this approach, computers are entrusted to make pricing decisions. Humans relinquish control and "manage by exception." Incidentally, when revenue managers override the system, the results are generally worse than if the solution had been allowed to do its job. As it turns out, AI-enabled decision models are smart. They can detect subtle signals in supply and demand better than their human counterparts.

It's easy to see why so many hotels are migrating to the AI-powered decision-making approach. It's agile, dynamic and responsive. Rules, by contrast, rule are rigid and fixed and may not be in sync with the ever-changing realities of our world. It's also easy to see why, according to the research, more than one-quarter (29%) of hoteliers who have not upgraded their revenue management capabilities within the past 3 years plan to do so in the next 12 months.

Research Data Point

Percentages of hoteliers who view each of the following success factors as "important" or "very important."



Research findings are derived from the Q2 2019 survey on Hospitality Revenue Management.



Chapter 3: Must-Ask Questions

With different approaches to revenue management and different features, functionalities, and benefits even between AI-powered solutions, it's important to gain clarity on what to expect. The best way to do that is to ask questions of solution providers. By asking the right questions, hoteliers can determine which solution will best fits their needs and be best equipped to deliver the benefits they seek, and with minimal risk.

The hotel's revenue manager(s) should be included in the process. They need to feel comfortable that the new solution will allow them to do their jobs with maximum effectiveness. Also, they need to understand how their role might change with the deployment of a next-generation solution. In terms of actual interaction with the solution, they also need to look under the hood and understand how, for example, to spot trends and anomalies and how to respond accordingly. The following are just a few questions buyers may wish to explore with solution providers to ensure that, once implemented, the new solution will do what they want it to do.

To what extent does the solution offer flexibility with data analysis and reporting?

Not all data queries and reporting needs can be anticipated in advance. Out-of-the-box functionality may satisfy the needs of novice users or small properties with relatively simple needs. But it is likely to be insufficient for more sophisticated revenue managers and larger properties with multiple room types, customer segments and ancillary revenue streams. A solution should provide for flexibility, which is important when it comes to setting pricing, noting special events, adjusting segmentation schemes, etc. A solution should make it easy to accommodate virtually any need, including the need to monitor and measure individual property, portfolio, and departmental performance, the need to create customizable hierarchies for different geo-markets, channels, room types, time periods and loyalty programs. Important questions might include: Once problem areas are identified, can the solution guide users on how to take appropriate action? Can tactical decisions, including the overall impact, be tested live? Can the dashboards provide exception reporting, identifying areas needing the most attention? *Tip: Verify that the solution is flexible in terms of keys areas of functionality, including custom reporting, and validate all of the vendors' claims.*

To be effective, revenue managers require tools that will enable them to answer all of their day-to-day pricing questions. These may be voluminous and hard to always know in advance.



Chapter 3: Must-Ask Questions

What is the solution provider's track record of success? Company reputation and customer satisfaction are important factors in the decision-making process. Nobody wants to purchase and implement a solution that falls short of expectations due to known shortcomings in stability, reliability or promised benefits. No input may be more important to the buying decision than that which can be gleaned from existing clients, preferably lodging properties that share some commonalities in terms of size, typography and existing technology infrastructure. A solution provider or consultant may be willing to provide one or more client references. And some clients, particularly those operating in noncompetitive markets, may be willing to share their experiences and perhaps even disclose results in terms of percentage increases in RevPAR. Client testimonials and success stories can also be valuable sources of information. *Tip: Find out what performance issues may arise by talking to existing clients, preferable ones that are similar in size and existing technology infrastructure. Ask about the product roadmap to understand the plan for future features and functionality and ask about the provider's track record of delivering against that roadmap and deadlines.*

How long will it take for problems to be resolved? Decision makers should have clear expectations around customer support and problem resolution as well as the training that may be needed to get front desk employees and other staff up to speed on the new system. Almost three-quarters (73%) of hotel operators agree that user training ranks as a key success factor in ensuring that a revenue management solution is utilized as effectively as possible. Does the solution provider (or a certified subcontractor) offer adequate training? Do the team members in charge of support and training have revenue management experience of their own from previous jobs at hospitality companies? Does the provider offer online troubleshooting and diagnosis should technical issues arise? Is local in-person service and support a possibility? *Tip: Make sure that problems will get resolved in a timely manner. Some solution providers will go so far as to guarantee response and case resolution times.*

A solution should provide for flexibility, which is important when it comes to setting pricing, noting special events, adjusting segmentation schemes, etc.



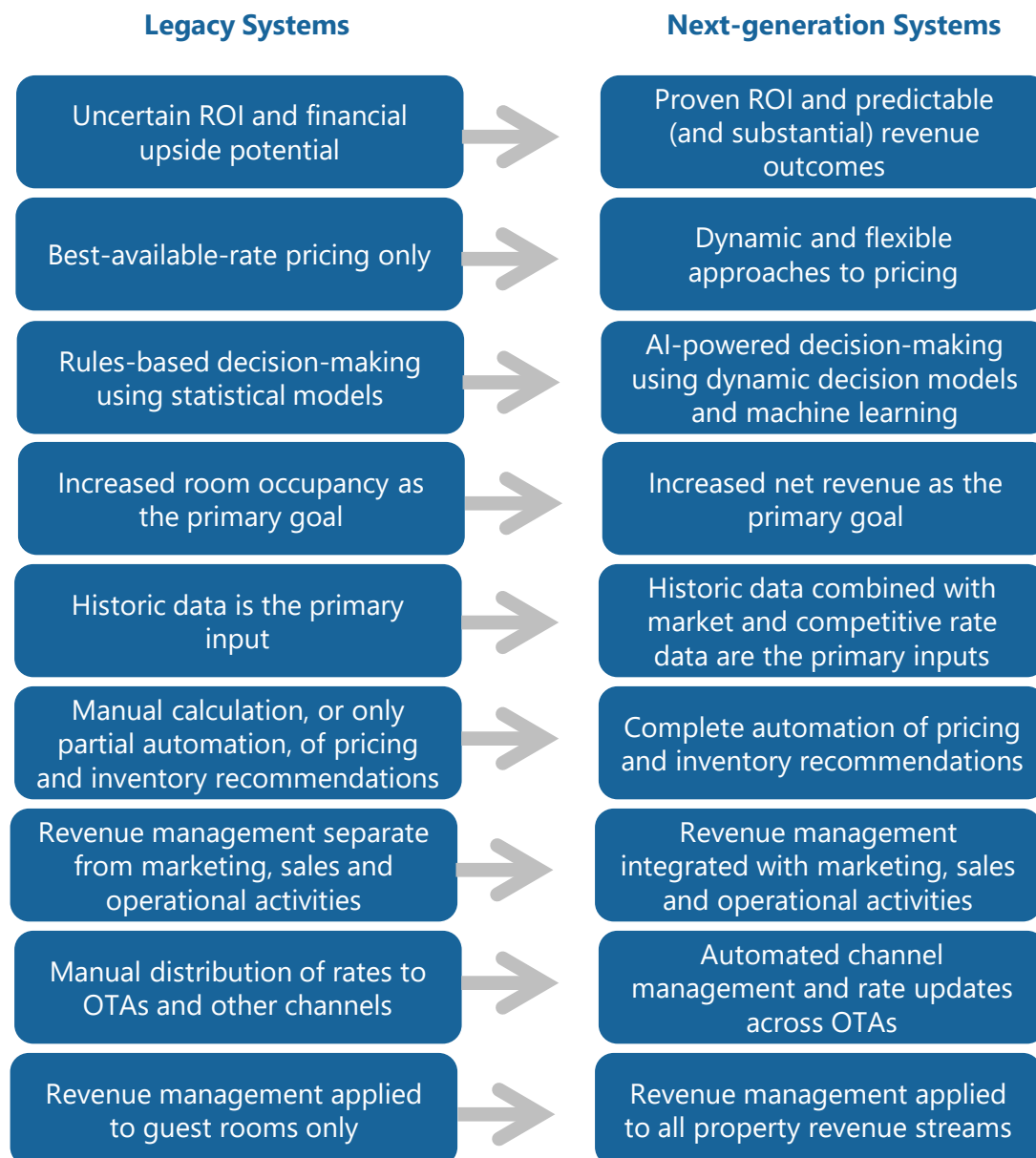
Chapter 4

Roadmap and Recommendations



Chapter 4: Roadmap

Hotel occupancy rates this year reached a record high in many parts of the world. In the United States, occupancy hit 66 percent, the highest it has ever been. Still, there is room for improvement. There is also opportunity to ink out additional gains in room rates, which, after all, is the promise of next-generation revenue management. The demand for AI-powered solutions has increased with the proliferation of OTAs with differing pricing and commission structures, shrinking booking windows, ever-more intense hotel competition, especially in popular destinations, and increasing pressure to drive profitable growth. Simply put, no hotelier wants to leave money on the table. The following roadmap diagram illustrates the migration path for revenue management solutions as they evolve in scope, sophistication, accuracy — and, ultimately, in delivering positive business results.



Chapter 4: Recommendations

An AI-powered revenue management solution is capable of performing some amazing feats. Yet plenty of challenges remain. Some challenges may relate to accessing the right data. Other challenges may relate to optimizing the technology to the property. In all cases, upgrading revenue management capabilities means not only implementing the right solution and integrating the right data sources — ones that have been shown to improve forecast accuracy and pricing decisions — but also putting the right organizational resources in place and creating a revenue-focused culture. Following are a few recommendations to keep in mind.

Focus on both data integration and data quality. The revenue management solution needs to seamlessly integrate with the property management system (PMS), which, in turn, needs to integrate with the central reservations system (CRS) or channel manager. The PMS also needs to incorporate valuable data streams from all point of sale (POS) systems in order to capture ancillary spending on food and beverage purchases, as well as function-specific solutions (spa, golf, etc.). It also needs to integrate with the CRM used for email marketing. Choose data sources that will help with accurate decision-making and steer clear of all the rest. Be wary of incorporating every last piece of data that may be available from every possible data source into the decision model. Also, put consistent processes in place that staff can follow to help improve data accuracy.

Build a revenue management strategy and culture. A revenue management strategy is a blueprint for improving financial performance over a specific period of time. It should incorporate all of the revenue streams from across all parts of the hotel as well as all of the revenue drivers, from the sales department to the online distribution channels. The strategy should be built upon a solid foundation of goals using relevant metrics for tracking progress. It should include a timeline with key milestones and spell out the tactics for achieving success. The strategy should be as specific as possible, detailing, for example, how the property approaches pricing. Done right, the strategy will help create cognitive alignment amongst all employees regarding the value of revenue management.

Be wary of incorporating every last piece of data that may be available from every possible data source into the decision model.



Chapter 4: Recommendations

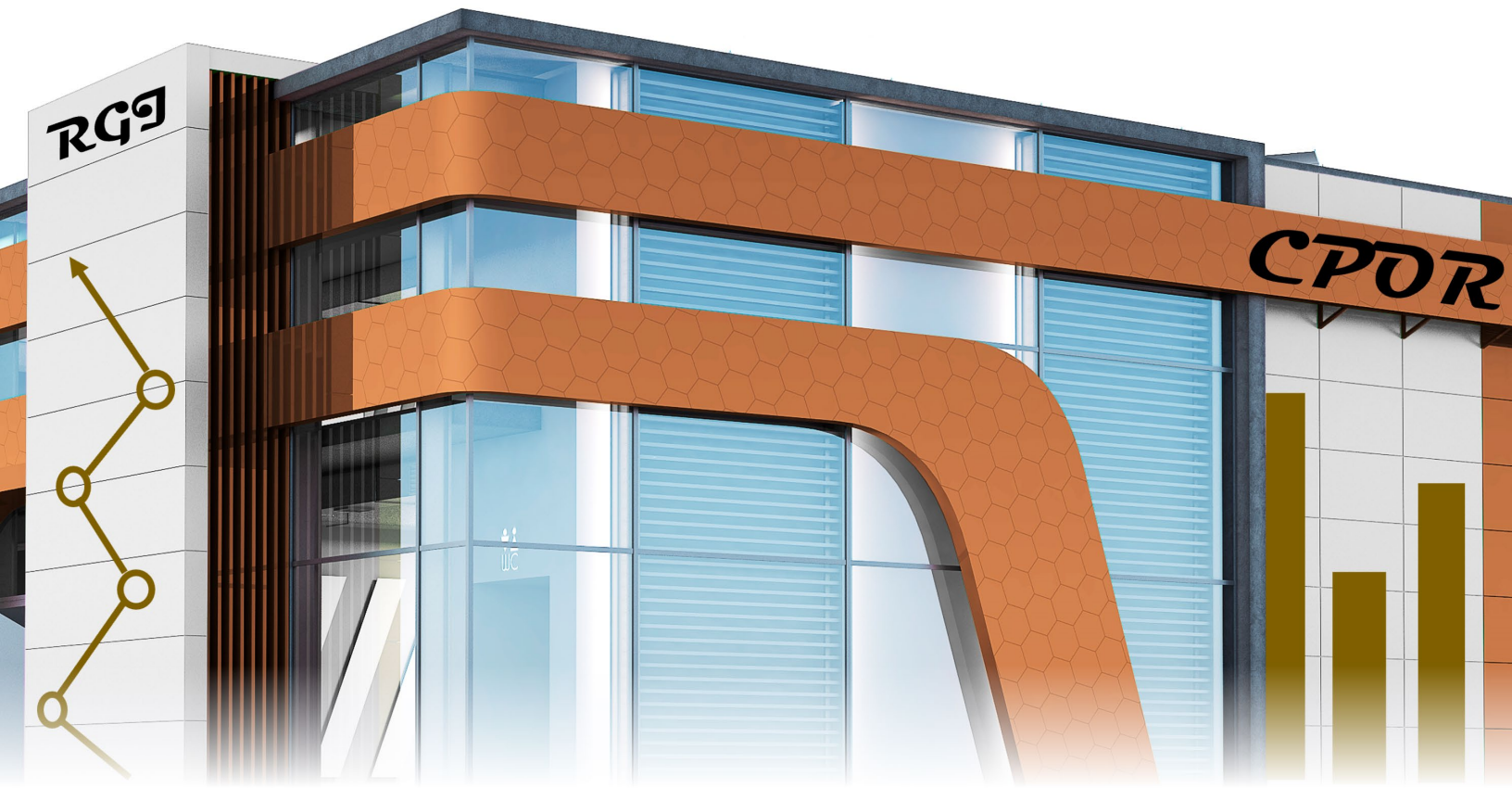
Think in terms of “total revenue management.” While guest room revenue is the bread and butter of most hotels, ancillary revenue streams can contribute significantly to overall revenue and profitability. Look to see if there may be a golden opportunity to apply revenue management tactics in these and other non-room categories to achieve optimal financial results. Hotels that fail to embrace next-generation solutions that enable “total revenue management” will fall behind their competitors. The best of revenue management solutions allow hotels to consider the contribution margins and capacity constraints of not just guest rooms, but also restaurants, bars and cafes, spas, golf courses, ski lifts, and any other assets of the property. Some advanced revenue management solutions include capabilities specifically focused on optimizing meetings and events revenue and driving profitability. These capabilities allow hoteliers to optimize profits across multiple revenue streams, from guest rooms and meeting spaces to food and beverage, catering, A/V equipment rental, ancillaries and more. Thinking in terms of total revenue management, taking into account the ancillary spending that takes place in hotel restaurants, bars, conference centers, banquet space, golf courses, etc. and not just revenue management as it pertains to guest rooms, can mean leaving a lot less money on the table and significantly boosting revenue and profitability.

Partner with the sales and marketing departments. The pricing recommendations and market insights generated by revenue managers can be valuable across multiple parts of the organization. Access to the tools and dashboards should be made available to marketers, in particular, who are charged with demand generation activities. Insights, such as those that forecast periods of high demand versus low demand and that reveal which customer segments are planning to book rooms for a certain period, should inform every campaign. The insights should inform how aggressive to be with marketing offers and promotions, toward which customer segments the offers and promotions should be directed, and when, exactly, to present the offers and promotions, and which marketing tactics are most likely to elicit the desired responses. To achieve optimal results, it’s imperative that revenue managers work hand-in-hand with the sales and marketing functions and integrate all of their customer acquisition strategies.

Some advanced revenue management solutions include capabilities that are specifically focused on optimizing meetings and events revenue and driving profitability.

Chapter 5

Inside Voices and Outside Voices



Chapter 5: Inside Voices

Hotel revenue managers and other industry practitioners with first-hand experience with hospitality revenue management tend to have a lot to say about the topic. Following are a few perspectives gleaned from individuals who participated in the survey that produced the research findings included in this Smart Decision Guide.

The technology is evolving so quickly I can barely keep up. Hotels that use Excel spreadsheets for their revenue management needs are obviously at a distinct disadvantage. That's obvious. But so are hotels that use revenue management software programs that are only 7 or 8 years old. The software may have been great 7 or 8 years ago. But now, guess what? You're at a distinct disadvantage, too. That's how fast things are moving in this space. You have to constantly upgrade just to keep up with everyone else who is setting their prices based on stuff you can't see because you don't have the right technology.

Senior executive, full-service hotel

We deployed a new [revenue management] technology last year and it has already helped us grow by leaps and bounds. We're using the tools for all kinds of tasks. They're helping us perform competition analysis and understand customer behavior as well as allowing us to do better forecasting and inventory control.

Revenue manager, full-service hotel

The only way hoteliers can stay competitive is to adopt advanced revenue management strategies and solutions, especially now that there's this whole new world of data that can be integrated into the pricing model. Hoteliers that haven't updated their capabilities for managing pricing in recent years are probably leaving a lot of money on the table. For us, having these capabilities have made all the difference in the world.

Senior executive, full-service hotel

Don't think that you can implement a revenue management solution and you're done. It's not a plug-and-play app. There's a lot of configuration that needs to happen, at least initially, to be able to build accurate forecasts. There's a lot of data integration that needs to happen on the front end. After that, it gets easier. There's a lot less manual data entry and updating than before [with the previous system]. We're getting to the point where we're confident the system is making the best pricing decisions using the latest data. But it took us a while to get here.

Revenue manager, full-service hotel

Chapter 5: Outside Voices

Following are a few additional perspectives from industry observers, including industry practitioners as well as consultants, trade publication editors and market researchers, with insights into next-generation hospitality revenue management strategies and solutions.

Think about how many room types you have. Now multiply that by the number of channels that you're selling across. Take that number and multiply by the number of minutes in a year (525,600). Now factor in meteorological data, real time demand trends, local events and a changing competitive environment. If you're asking your revenue team to do all this in their heads or in Microsoft Excel - you are a cruel owner.

Hotel Tech Report, 2019

Today's systems are handling much of the complicated, repetitive and time-consuming tasks, simplifying human processes and freeing up revenue managers to spend more time away from their desks. In ideal scenarios, revenue managers are "managing by exception," or focusing less on pulling pricing levers and more on building strategies to capitalize on their most compressed days. With more time to strategize, they can assist in other important areas like digital marketing and distribution, providing departments across the hotel with accurate data on which to make optimal decisions. As an added benefit, they're working a more normalized work week, spending more time with friends and families.

Jason Freed, writer, *Hospitality Net*,
Hotel Technology News

Pricing within the travel industry is evolving to match consumers and what they are willing to pay far more accurately as a result of a better understanding of impacting variables and more ability to deploy granular prices across distribution networks. The upshot of this, according to a new report, is that travel brands can continuously adjust their pricing to suit their customers and thus maximize the revenue they get for each route or room.

EyeforTravel Report: *Why Dynamic Pricing Will Transform Travel Distribution*, 2019

Appendix

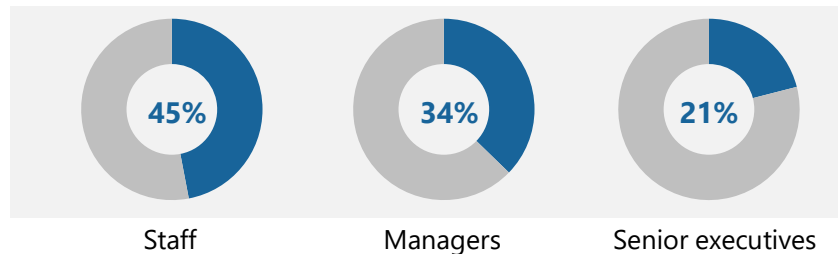
Research Notes and Underwriters



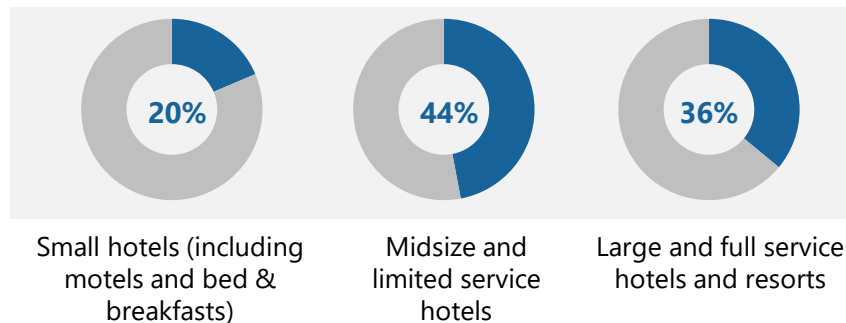
Appendix: Research Notes

In Q2 2019, Starfleet Media conducted an online survey, consisting of both multiple choice and open text questions, to capture the perspectives of industry practitioners with firsthand experience with hospitality revenue management. Some of the research findings are highlighted in this publication. Following is some basic information about the 256 qualified survey respondents who participated.

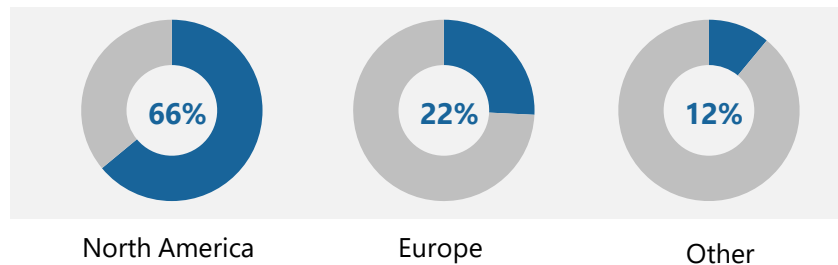
Job level / role of survey respondents



Size / category of survey respondents' hotel (or other lodging property) employers



Geographic location of survey respondents





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