



By Annemarie Gubanski  
CEO Taktikon AB  
Title: Revenue Management in the organization  
Date: 22<sup>nd</sup> of May 2014

## The future Revenue Management Organization

The increasing importance from Social Media as well as the move towards Total Revenue Management and Profit Management has an effect on the organization. In the near future we will see that the different departments will work more closely together.

Having an effective Revenue Management oriented organization will be more vital than ever. In this article I will try to highlight which effects are behind the necessity to work more closely together and what impact it has on your organization.



## The Social Media effect

Social Media was, from the beginning, seen as “the thing for the Marketing people”. Fortunately, organizations are now acknowledging the effect it has on the entire organization.

A [study that Micros published in april 2013](#) showed that a high position on TripAdvisor can lead to an increased amount of reservations through the hotels website. Cornell published in november 2012 a study on [The Impact of Social Media on Lodging Performance](#) where they stated that a hotel can increase their price by 11,2% and still maintain MPI if it increases its review scores by 1 point on a 5-point scale. This is confirmed by Expedia, who find that “good reviews of 4.0 or 5.0 generate more than double the conversion of a review of 1.0 – 2.9.”

So, Social Media can help increase both occupancy and rate. This means that these media are important tools for the hotel industry and for Revenue Management in order to increase result. And what are our guests talking about? Apart from the size of the room and location of the property, the comments mainly involve Operations oriented issues, such as cleanliness, friendliness, quality of food, etc. This means that one of the most important marketing channels; Social Media, actually is influenced by your operational departments. The better they function, the higher the rate and better the chance you get to increase your result.

We are moving towards a more individualized world, certainly helped with the increase of Social Media. We are so used to being talked to individually on the net, that we no longer are attracted by marketing campaigns directed to a broader group. We want to feel like a company is talking to us directly. This forces us to have a different approach towards our Market Segmentation. In a more individualized world, we can no longer group our market segmentation mainly depending on booking pattern and rate impact. We need to work with segments that enable us to send individualized marketing campaigns to our clients. You can read more about this in my earlier blog regarding Client segmentation.

So, Social Media has an immediate impact on our result as it has a positive effect on both rate and number of reservations. Furthermore, they are excellent channels that enable us to talk to our guests individually. The departments that ensure an increase can be achieved are the Operations Departments, the departments handling Social Media and the departments handling the brand website.

## The Total Revenue Management effect

A clear trend within Revenue Management is the step towards Total Revenue Management. This means that we are no longer "only" focusing on Room- and/or Conference Revenue Management but apply this on all revenue increasing departments, such as F&B outlets, minibar, spa, parking, sport, etc.



Applying Revenue Management on different departments is interesting, as each department has its conditions to take into account. The Time factor is different on Room Revenue as it is on most of the other departments, as hotel rooms usually are booked per night, whereas the other departments can face multiple requests that can differ from a few hours to a few days. Menu Engineering is frequently used within Spa- and Restaurant Revenue Management and is an excellent tool that enables properties to maximize profit. I will write more on that in a later blog.

Smart scheduling can help optimize the use of the spa facilities, as Smart Menus are used to attract the highest-margined dishes. At its turn, all departments have the possibility to create highly commercial packages and can calculate which impact the different package elements should have on the different departments in order to create the optimized result.

This means that, besides increased knowledge in Total Revenue Management, an organization needs to establish Who Does What and have a close look into the different job descriptions and commission

schemes for the individual departments in order to make sure that all departments are willing to work together to get the best total result for the property.

## The Profit Management effect

With the move to Total Revenue Management, we see a further swift towards Profit Management. This means that we not only look at the revenue generated by the different departments, but even at the different margins from each reservation. This involves both flexible and fixed cost such as distribution, labor, rent, cleaning, purchasing, travel expenses and allowances.

This means that we will need to have a different approach when it comes to mapping the different financial department codes towards the revenue streams. Finance will need to have an increased cooperation with the Revenue Management department in order to get the best





[www.taktikon.com](http://www.taktikon.com)

picture. If done right, we are able to calculate the exact net impact per reservation type or market segment and with this obtain the best profit possible.

## Are you ready for the future?

All commercial departments, operational departments and Finance will be working together more closely in the future and if done right, properties have the possibility to increase their net result drastically. The question is; are you ready for the future?