The Hotel Yearbook 2023
The Uncertainty New Normal

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Rethinking Revenue Management for 2025 and beyond

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Synopsis
The industry's most impactful pricing strategies are intimately linked to data. In the post-pandemic era of ongoing uncertainty, hotels with access to the insights and automation needed to react to new market dynamics quickly will have access to a greater range of commercial opportunities. IDeaS' Chief Growth Officer Russ Stanziale explains why now is the time to rethink your revenue strategies to drive lasting change and improve profitability.

Many hoteliers are rethinking revenue management's place as a commercial function within the larger hospitality industry. The many challenges of the day – from staffing shortages and inflation to rising energy costs and rising competition among hotels – are testing operators' abilities to maintain consistency and profitability. Hotels that can overcome their preconceived notions about revenue management and its place in hotel operations will be better prepared to adapt to this evolving marketplace as the year progresses.

This process starts with reframing the people and technology hotels rely on to drive their daily success. With fewer hands on deck, their roles must inevitably change. Just as the purpose of the front desk has begun to transition into a more dynamic role, yesterday's revenue managers are becoming tomorrow's revenue leaders thanks to innovations allowing them to adapt to shifts in market dynamics on the fly.

For hotels to remain successful during this ongoing transformative period in and around hospitality, embracing the current rate of change will become necessary. Here are three key areas hoteliers can focus on that can positively impact hoteliers, staff, and guests.

ONE: CONSIDER OPPORTUNITIES BEYOND ROOM REVENUE

Hotel operators are often fixated on maximizing room revenue, and for a good reason: Room revenue is the bedrock that supports the hotel industry. But today, there are great incentives for hoteliers to consider a property's more general commercial functions. This trend is becoming more evident as travel levels surge and operators seek new ways to push rates. However, the properties that have found ways to increase ancillary revenue are quickly out-earning their competitive set.

Unfortunately, many hotels do not have their tech stack aligned in a manner allowing them to reach the full potential of their ancillary revenue management. These insights are formulated using hotel and guest data, which must be fed into the revenue management system. Such a strategy is only possible in a connected commercial organization that has lowered the barriers separating departments' data. Doing so changes how – and how often – your hotel makes decisions.

Centralizing hotel data in this manner will be one of the defining trends impacting hospitality over the next few years as operators continue to realize the benefits of a united hotel data ecosystem. Most importantly, it allows hotels to shift their focus away from room revenue to a deeper commercial understanding of their property and how it achieves financial success.

Most importantly, it can create a more impactful commercial culture within your property or organization, leading to better communication and decision-making overall.

TWO: SOLVING THE STAFFING CRISIS

The hotel industry has long been challenged to overcome staffing and talent shortages, but this issue has since passed its inflection point. Staffing and talent are currently down at least 15% - causing £21 billion in lost trade, clearly signifying that the industry is facing a crisis that can only be overcome by rethinking the model used by the industry today.

Step one is to convince hoteliers to call for a cease-fire in the recruitment war for new talent and instead refocus their efforts on building small, agile teams supported by technology.

Automation and mobile connectivity features have already evolved to save commercial teams vast amounts of time when processing and analyzing data, as well as improving communications between team members and guests. These investments have gone a long way toward improving efficiency and profitability across hospitality while leaving staff with more time to interact with guests rather than time-consuming administrative tasks.

Hospitality's staff shortage remains persistent and will not go away overnight. Instead, the industry will continue to iterate on the technology that has supported its success while investing in the workers driving it. Hotels must redefine technology's role across all departments to get there, particularly automation. Where systems can source, collate and analyze activity, people can focus on strategic opportunities identified in the data and act swiftly.

THREE: DIVERSIFY OR DIE – MAXIMISING PROFITABILITY FROM A WIDER PORTFOLIO

Hospitality has entered a new era of diversification, with major hotel companies announcing soft brands left and right to fill every niche – from business travel to alternative accommodation.

Serviced apartments and private hire properties, which had steadily grown in popularity before the pandemic, experienced a surge in demand as guests sought ways to minimize face-to-face interactions. With hospitality supply returning to pre-pandemic levels and hotels competing directly with alternative accommodation companies, pricing a hotel stay has never been more complicated.

Whether your brand is diversifying through property type and product mix or adding personalized services like activities and excursions, a wider portfolio is essential for maximizing revenue and profitability as we move toward 2025. Retaining competitive pricing in this environment will require access to advanced revenue management technology capable of automatically contextualizing the value of each of these rooms. Without these capabilities, hotel operations may become drowned in minutia when agility is needed most.

This trend highlights another challenge facing hospitality: the need to move away from Revenue Per Available Room as a key metric, and instead focusing on Revenue Per Available Guest (RevPAG). Assessing your hotel (or accommodation's) RevPAG is complex, but using revenue management tools to assess the relationship between business and guests is essential for attaining meaningful revenue growth.

CONCLUSION

As we round out the first quarter of the 21st century, technology and data use is increasingly vital. Data analytics and advanced pricing tools were valuable before the pandemic. Today, they are necessary for attaining a competitive advantage.

Information is the key to making informed and profitable decisions, and automation gives operators the leeway to act on the information collected from daily data analysis.

Once this is adopted in mentality and practice company-wide, rather than consigned to a revenue or commercial team, organizations will be primed to gain new insights into commercial opportunities. These new capabilities are helping hoteliers automate their back-end processes so that they can focus on hospitality by design.

Russ Stanziale — Chief Growth Officer, IDeaS
In his role as chief sales and growth officer, Russ is focused on the evolution of IDeaS in new industry segments, expansion of sales within various regions of the world, and the exploration of new verticals for future growth. Russ began his career with a wide variety of professional experiences. Following graduation from the University of Georgia (USA), Russ combined his data science degree and people skills to forge a successful career in consumer insights, marketing/pricing optimization, and supply chain analytics. After holding leadership positions at ACNielsen, Teradata, Hewlett Packard, and IDeaS, Russ briefly left IDeaS but returned in 2022 as the revenue solutions company's chief sales and growth officer.

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