


AxisRooms Hotel Revenue Strategy

Guide to everything
you need to know



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INTRODUCTION



It is common knowledge now that the current business environment is unreliable and subject to further changes as things unfold in the world economy post Covid-19. In such a scenario, is it sufficient to look at only eliminating costs or renegotiating with existing partners, to survive in the unpredictable market? Certainly not.

Successful companies strive to push revenue through sales, but most marketers often fail at achieving their bottom-line goals, because the process is made to be complicated. Quantifying objectives and drawing a clear strategy helps align the goals between sales and marketing. Without a proper strategy, a growth in revenue is unlikely.

A Revenue Strategy is a system which aims to increase a company's revenue by leveraging the short- and long-term sales potential. Considering the prevailing context while generating a Revenue Strategy makes for one that provides value, as does encompassing factors such a strategy, structure, people and process.



While creating a Revenue Strategy, one must ask a few pertinent questions, such as:

- ❖ What are the opportunities available to you presently that can be maximized?
- ❖ What kind of structure would do justice to your strategy?
- ❖ Are the people at your disposal adept at undertaking necessary tasks?
- ❖ What kind of sales processes should you have and how can you implement them?

Through this E-Book we would be further exploring the concept of Revenue Management at hotels and considering it as a method of achieving cost-efficiency in various domains of a hotel's functioning.

1. REVENUE MANAGEMENT – The Essence



In the context of a hotel, a room that is left unsold implies loss in revenue. Revenue Management then is the method of strategically distributing a property's perishable inventory, while employing the right pricing tactics, to the right audience, at the most opportune moment. Ancillary aspects such as the amenities, restaurants, spas etc. are also a part of this.

Revenue Management efforts see success when a customer's value, in other words, what he/she is willing to pay for your products and services, is regularly measured, as is the supply and demand of your inventory. The potential of any customer to add value to your hotel is limited; yet, through Revenue Management methods, you can seize as much value as is possible within the available gap. This can be done by means of encouraging your audience to make direct bookings with your hotel, through your website's booking engine or by upselling your inventory and other services etc.

With the changes that occur in a market scenario, any fluctuations in room rates are highly suspected and therefore, Revenue Strategies must take into consideration this fluidity in hotel pricing. Increasing room rates might sound like a big risk, but you must never deter from applying such a change, if it is bound to benefit your business. Demand and cost will continue to change and so should prices.

In addition to the above, hotel Revenue Management strategies can help hoteliers in other ways such as in effectively managing resources - reducing the number of staff members called on duty during the low business periods, at the same time amping up manpower to tackle demand during heavy business days. Revenue management has the potential to spearhead a business plan, if executed effectively. Distribution of available rooms must be done strategically as it forms a big part of revenue management. Online distribution channels such as OTAs must be well utilized in order to make use of their marketing abilities and the large market they open up for hotels, across the globe.

Another facet of Revenue Management is its direct link with In-bound marketing strategies. While the latter is all about building awareness about a brand in order to drive demand/sales, the former focuses on matching that demand with an appropriate pricing strategy to boost revenue, as well as profit. With its direct relation with In-bound marketing strategies, Revenue Management presents a huge opportunity to improve business performance, when marketing and sales teams unite to achieve the same goals. There must be agreement between both teams with regard to the strategy and must see tracking, reporting and analyzing as methods that lend insights into the strategy itself. Results from studies strengthen the assumption that closely knit sales and marketing teams achieve higher sales and also retain more customers.

2. REVENUE MANAGEMENT – Benefits for hotels



❖ Diminishes Expenses

Several factors influence booking trends; they range from economic conditions of a place, holiday seasons/festivals to even health related restrictions, such as those which are now being imposed due to Covid-19. As a result, the price at which a room at your hotel is sold today, may or may not be the ideal selling price at a later date. A Revenue Management strategy would help you determine that ideal for your hotel business. It also weighs the need for resources with the current demand and allows you to optimize resources to save costs.

❖ Improves Guest Quality

Hotels employ several tactics to attract guests to their property, and that involves heavy expenses. It is therefore more lucrative for hotels when they get repeat customers or customers who after a single visit continue to extend their patronage. Similarly, when due to poor Revenue Management and for the purpose of ensuring full occupancy, rooms are sold at prices much lower than their profit-making capacity, it leads to inadvertent losses.

Revenue Management software, which are mostly integrated with Property Management Systems help in identifying customers who can bring greater value to a business. Such software keeps track of all the expenses incurred by guests during their stay, in order to accurately evaluate their spending patterns, and eventually derive maximum value for a hotel.

❖ Data Mine for Marketing

When a hotel knows its guests, it can reach out to them, or a similar audience with their marketing or promotional activities to generate more leads. The data that automated Revenue Management tools provide is valuable in this regard. Hoteliers no longer need to sift through huge amounts of data manually to make sense out of them. This time-consuming yet crucial task is now undertaken by cloud-based software platforms which have been crafted specifically for this very purpose.

3. WAYS TO INCREASE HOTEL REVENUE



There are several strategies you could adopt to increase your hotel's revenue and they do not always have to do with pricing control or customer satisfaction. If the product/service offered is recognized universally as a cut above the rest, then it is justifiable if your prices are comparatively higher. As long as guests are convinced about receiving value in exchange for their money, they wouldn't hesitate to spend an extra buck.

As pointed out earlier, a hotel must always try to derive the utmost value from its existing customers as they have the largest role to play in augmenting revenue. To achieve this, you may need to employ certain schemes, such as the ones listed below:

❖ **Be Available Online**

While living in the digital world, being absent from it, would be a risk with grave repercussions. A growing number of people prefer or are switching to online mediums to conduct their pre-travel research, read reviews and make their reservations. As a hotel business it is therefore imperative to be available wherever your target audience navigates. Software systems like Channel Managers designed to distribute inventory online and take bookings are ideal for hotels to reach a large audience and increase bookings.

❖ **Keep A Revenue-Centric Approach**

Plan your hotel's activities around building revenue and involve everyone in achieving the related goals. When each party does its bit, a hotel gains a customer who is invested in the business and bestows his loyalty, which ultimately results in increased revenue.

❖ **Build A Product Range**

A hotel has more than just its rooms which it can use to earn revenue. Amenities such as swimming pools, banquet halls and point of sale outlets such as restaurants and spas can all bring in money, especially during times when demand for rooms is comparatively low. A hotel with a unique brand identity could also sell branded merchandise and even toiletries.

❖ **Make Use of Events and Attractions**

Events offer opportunities to hotels to provide their guests with a more enjoyable experience and to leverage them for revenue building. Hotels can offer packages to interested customers and draw their interest.

❖ Back Decisions with Data

Taking a deep dive into available data and calculating the performance of your hotel based on metrics such as RevPAR, ARR, Occupancy Rate, ADR etc would give you an unerring account of the climate of your business. Once you know which areas need improvement, efforts can be made in that direction, and results measured again, while taking into consideration the market conditions at that point in time.

4. REVENUE MANAGEMENT STRATEGIES TO IMPLEMENT



Revenue Management strategies must be developed on the premise that hotel prices are prone to rapid changes on an hourly, daily, weekly, monthly and even yearly basis. A lot of external factors, such as the room rates offered by competitors, the weather conditions etc., influence the prices set by hotels. Therefore, it must be able to sustain through the prevailing conditions of the time in question.

The next important factor to consider is the audience your hotel caters to. At the heart of a successful business lies its ability to understand its customer well and provide products/services that they would appreciate. It is therefore essential to take the time out to know what or how your customer seeks, expects, and needs, how they explore and choose experiences and finally, what those things are that they give priority to etc., in order to build a lasting relationship with them. Knowing your customer ensures their loyalty towards you and more repeat customers would mean a sure return of revenue with every booking, which leaves you room to concentrate on up-selling or offering other amenities & services.

Being prepared well in advance for the foreseeable future helps hotels thrive better in a competitive market. Knowing the kind of demand that you could have at a certain period of time or around an event and planning your pricing strategy accordingly will allow you to gear up to receive the influx of travelers who may already be planning their trips for the future.

Revenue Management is therefore the result of an amalgamation of customer segmentation, pricing strategies, demand forecasting and yield management. We will discuss these in greater detail below.

Pricing Strategies:

There is no one-size-fits-all kind of pricing strategy for hotels. Every hotel would need to evaluate strategies, as well as analyze data and other influencing factors to decide on one that suits their specific requirements. This would also help in making sure that a hotel has ample opportunities to maximize revenue.

Other points to consider include - Guest expectations, influence of strategies on related channels of distribution, ease of integration with channels and available expertise to zero down on a strategy.

A seasoned traveler may prefer or be habituated with a certain type of pricing, such as one that gives them a detailed break-up of daily costs, while others may not wish to get into the nitty gritty of their stay expense. In cases like these, one can adopt strategies such as the Daily Pricing or Length of Stay.


However, to come up with a pricing strategy that would truly work for your hotel, you must be able to do a demand forecast. By anticipating demand, you would be in a better position to entice your travelers to book early and later, when there is less inventory to let out but more demand, you would be able to sell your rooms at a higher price.

Some of the pricing strategies are:

❖ **Dynamic Pricing:**

- Room rates change daily, sometimes even through the day, on influence by market situations.
- Price fluctuations are necessary to maximize revenue with changes in demand and supply.
- Compliments current market scenario and is opted by many.

❖ **Open Pricing:**

- Flexible pricing, based on target markets and channels of distribution.
 - Allows accurate forecasting of demand.
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❖ Value-Added Pricing:

- Increases chances of hotels to charge higher than their competition.
- Adding extra facilities into a package gives the illusion of premium experiences offered, highlighting the 'value' in them.

❖ Discount Pricing:

- Beneficial during low demand seasons.
- Occupancy can be increased by lowering base rates.
- Additional services in hotels contribute to revenue goals.

❖ Price-Per-Segment:

- Same product is offered at different prices to different customers.

❖ Length-Of-Stay:

- Useful during times when demand is greater than supply.
- A term is imposed for minimum length of stay to derive more value per customer.
- Lowering prices is not considered necessary in such cases.

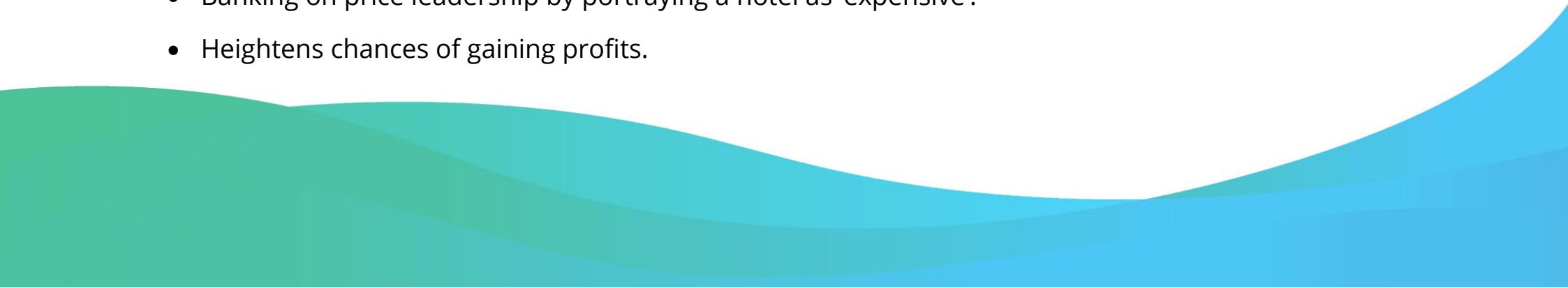
❖ Positional Pricing:

- Prices sway in favor of hotels for their brand value and reputation in the market.

❖ Penetration Pricing:

- Presenting a hotel as 'affordable' to gain more bookings.
- Inventory sold at higher rates, whenever necessary.

❖ Skimming:

- Banking on price leadership by portraying a hotel as 'expensive'.
 - Heightens chances of gaining profits.
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Market Segmentation:

Segmentation allows hotels to bifurcate their audience into sections, which then enables them to devise strategies accordingly. Every traveler can be approached differently, in a way that would support revenue growth. When examined closely, segmentation can provide useful insights into trends, specific to your business.

The most common factors considered for segmentation are reason for travel, such as wedding, vacation, adventure etc., and the medium through which a booking has been made, namely Agoda, Hotel Connect etc. Other factors include length-of-stay, cancellations, lead time etc.

Depending on which segment brings the most revenue for your hotel, you can decide which ones to focus on and which ones to block during particular periods of a year. Segmentation data can help hoteliers recognize which kind of audience must be pursued through marketing methods.



Price Forecasting:

Hotel price forecasting affects rate settings as well as a hotel's budget. It should be backed by historical data that is accurate and deep rooted. It also helps when the forecasting is done in advance, leaving sufficient scope for any strategy adjustments that may be required. Some of the components of a forecast chart include points like occupancy, reservations, market trends, room rates etc.

Budget and Demand Forecasting:

Your hotel's demand calendar must take precedence over your budgeting plan so that you can prepare accordingly. The demand forecast is usually done for a daily 30-day period or a weekly 90-day period. A Property Management System can provide you all the information you need in this regard, in an organized and comprehensive manner. The factors that are usually taken upon for tracking, from the previous year, include events conducted, public holidays, school holidays, RevPAR achieved etc. This kind of data empowers hoteliers to make informed decisions.

A hotel's budget can only be determined with some clarity on factors such as online marketing and distribution, competitor influences, refurbishments required etc. Your budget must be able to predict things like your hotel's business demand or the rate at which you will most likely be able to sell in the near future etc.

Hotel Benchmarking:

Comparing your hotel's performance with that of your competitors can help in giving you an idea of its position in the market. Evaluating your hotel's performance against your competitor's may not however give a conclusive idea about where you stand. Yet, the common factors considered for benchmarking include price, level of service, distribution channels used etc.

Unless your competition is also targeting the same audience as you are, they cannot be considered as competition in the true sense. Even if they were, it is unlikely that the same segments would be targeted at the same time. However, it would be of good use if their marketing strategies can be anticipated and learnt from to make necessary adjustments.

The Average Rate Index is a factor that can be looked into to know exactly how your hotel performed in comparison to others in the market. It is calculated by dividing the hotel ADR with the Market ADR and multiplying by 100. The result would indicate the percentage average of rates which your business was able to achieve, compared to your competitors. To win an edge over others in the market, hoteliers can make efforts to convert OTA bookers to website bookers, offer additional services or manage online reviews through reputation management tools.

5. AxisRooms Revenue Management



In the year 1980, airlines pioneered the concept of revenue management, where prices were altered every day. Soon hotels followed suit by offering their inventory to various types of customers - corporates, family groups etc., at customized rates based on specially developed rate plans.

As a norm, hotels would price their inventory higher on holidays, long weekends or during the time when there were business events planned and customers would make their reservations either in advance or at the last minute. Revenue Management strategies take into account all such factors like the customer, product, price and time to optimize returns for hoteliers.

Rooms at a hotel are a perishable commodity, therefore, the number of rooms that are occupied each day matters. Certain matrices like ADR, which stands for Average Daily Rate and give you the average rate at which you sold all your rooms or RevPAR which stands for Revenue Per Available Room and combine the qualities of occupancy and ADR; can give you an understanding of your hotel's performance. These matrices can give you an exact picture of how much monthly revenue your hotel is making, in comparison with the historical numbers. A Revenue Management tool like AxisRooms is built-in with such matrices to keep you up to speed with your business's performance.

The AxisRooms Revenue Manager can give you a detailed overview of your hotel's recorded business in a tabular form where information is laid out under heads like occupancy, ADR, Revenue, RevPAR and Usage Score. Hoteliers with multiple properties can also view such information in a group performance overview chart of the Revenue Management tool. Another chart can give you the same information, along with action oriented insights and yet another one can present information in a bar graph format for monthly and year-to-date data. It is also possible for you to view the performance of specific segments of your audience.

Since pricing strategy is extremely important to the process of managing revenue, the AxisRooms Revenue Management tool provides multiple methods of managing prices. These are:

- ❖ **BAR Pricing:** Optimize one price, system handles the rest
- ❖ **Occupancy Pricing:** Price-By-Demand, where each day has a different rate
- ❖ **Dynamic Discounts:** Intelligent discounting based on demand, season & booking window
- ❖ **Market Pricing:** Improve competitiveness as prices are better than those of competitors
- ❖ **Peak Pricing:** Special rates apply, where rules for holidays & events are prioritized
- ❖ **Room Type Demand Pricing:** Flexible pricing options allow a choice between hotel demand or room type demand

❖ **Auto Optimizer:** Optimizes when you're asleep, sends email notifications with summary of actions.

The Revenue Management tool also generates a 'Usage Score' sheet, for your understanding, which gives you a peek into how well you're utilizing the potential of the RMS and helps you make complete use of its benefits.

Another exciting feature of the AxisRooms revenue manager is that it lets you set 'Pick-Up Alerts', which basically tracks dates with higher than expected demand at your hotel.

Finally, and most importantly, on integration with a Property Management System, the AxisRooms Revenue Management tool effectively manages the prices for online channels by optimizing and publishing them onto the PMS.