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2 June 2008

Revenue Management Maturing In Asian Hospitality Industry

Asian Revenue Management leaders say that Revenue Management in Hotels across Asia is here to stay and that the discipline is maturing



Cornell University



NANYANG TECHNOLOGICAL UNIVERSITY

Revenue managers from some of Asia's leading hotel groups, met for a Roundtable discussion last Wednesday. The ensuing discussions revealed that the practice of revenue management is well established in Asia, yet revenue managers are still grappling with issues of market maturity. Such issues include the positioning of revenue management as its own discipline, attracting talent with a leadership mindset and investment in technology.

That revenue management is positioned in the organization as its own department is seen as essential for effective performance. Participants shared anecdotes about how revenue managers initially reported to Sales & Marketing. Wisely, the revenue manager now reports directly

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to the general manager and the change in reporting structure has facilitated objective data analysis and effective recommendations for business strategies.

Most of the roundtable participants felt that Revenue Management was largely perceived to be spreadsheet and analysis driven, and numeric focused. The leaders present felt that the challenge and importance of the Revenue Manager's role is to analyze data in order to make a business case for recommended strategies, aligning the strategies with business goals. Unilaterally, they felt that this job description is not adequately communicated, nor is it yet appreciated by executive management, as reflected in remuneration levels.

Revenue Managers have traditionally risen from reservations and yet throughout the discussions, consensus was that the modern role of the revenue manager has to appreciate all the functions of general hotel management. The modern Revenue Manager requires sound analytic and leadership skills including business acumen, agile thought process, an ability to perceive and adjust to market conditions, and to make effective decisions that can be translated into actions. "Revenue Managers need a level of assertiveness", observed Greg Albertini, Regional Vice President Revenue Strategy Asia Pacific with Marriott International. "They need to bring an entrepreneurial spirit to the job." agreed Klaus Kohlmayr, Managing Director of IDeaS Advantage.

Succession planning is a key human resource issue pertaining to revenue management. Some hoteliers mentioned that departments such as sales and marketing or finance had well established human resource practices to develop staff and to define career path opportunities within the organisation and stated that such practices are lacking for revenue management departments. This appears to be a contributing factor to the migration of revenue management staff to other organisations, as Revenue Managers use new job opportunities for upwards career progression.

Investment in technology, specifically yield systems and tools that allow efficient and effective analysis, is a priority for most of the large hotel chains over the next five years. When asked to comment on the future of Revenue Management, Frank Trampert, Executive Vice President, Revenue Generation for Carlson Hotels said "Technology issues still provide a major obstacle in delivering sustainable revenue optimization performance. The battle we face is related to capital constraints at the hotel level, war of talent as well as data migration. We are addressing these issues by centralizing the revenue optimization function at the corporate level which includes the technology investment enabling data integration from various sources

– one of the key drivers of sustainable revenue optimization performance.”

Some of the hoteliers agreed that a centralized revenue management model was the solution. Quite a number felt that Revenue Managers needed to be at the hotel level, or to work with small clusters of hotels in a regional sense, where they are positioned to have a good grasp of market conditions and are actively involved in daily general management decisions. Trampert explained how Carlson intended to address this: “By using a consultancy model we transfer knowledge through weekly conference calls from the corporate to the hotel level. This allows us to provide ongoing training and gives us an opportunity to make recommendations for segmentation, pricing and forecasting decisions “.

Participants at the Roundtable were also asked to what extent they practiced non-traditional revenue management, that is, revenue management other than that for rooms. Some of the participants mentioned that they apply revenue management to their meeting space, but most said they do not yet do so. Profit is derived from rooms and not food and beverage or meeting space, which by comparison has a lower yield. “Rooms represent eighty per cent of the eighty-twenty rule, or thirty to forty per cent profit on the bottom line for an hotelier in Asia. So there is little likelihood that they will commit time and resource to non-traditional revenue management yet as there is still room for healthy yields from applying revenue management to rooms,” mentioned Kohlmayr.

The Roundtable consisted of an exclusive group of invited participants including senior executives from the IHG, Marriot, Raffles, Carlson, Millennium Hotels, Langham Fairmont, Swissôtel, Minor Group, SynXis and Revenue Management Solutions, who discussed issues concerning non-traditional revenue management and talent development. The session was sponsored by IDeaS Advantage and led by Dr. Sheryl E. Kimes, Singapore Tourism Board’s first Distinguished Professor in Asian Hospitality Management at the Cornell-Nanyang Institute of Hospitality Management (CNI).

About Cornell-Nanyang Institute of Hospitality Management

The Cornell-Nanyang Institute of Hospitality Management offers Asia’s first graduate hospitality management program. Enrolled students spend equal periods of time at Nanyang Technological University’s campus in Singapore and at Cornell University’s campus in Ithaca, New York. The collaboration unites Cornell’s School of Hotel Administration, the world’s leading hospitality management school, with NTU’s Nanyang Business School, one of the leading business schools in Asia, in what is

the first joint degree program for both institutions.

The program is aimed at cultivating Asia-centric leadership and bringing world-class standards to the fast-growing Asian hospitality industry. The program is accredited by the International Association for Management Education (formerly the American Assembly of Collegiate Schools of Business) and by EQUIS, the accreditation body of the European Foundation for Management Development. The Cornell-NTU collaboration is supported by the Singapore Tourism Board and the Economic Development Board, with International Hotel Management School Pte Ltd playing a lead industry role.

For more information, visit www.cni.ntu.edu.sg

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