

**Total Hotel Revenue
Management:
A case study**

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THRM

A brief Intro to THRM ...

- ▶ THRM is an adaption for the hotel industry from the theoretical framework of Total Revenue Management (TRM) (Noone *et al.*, 2014).

It is an approach that consider all revenue sources in a hotel and make a single revenue decision (Noone, Enz, & Glassmire, 2017).

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A brief Intro to THRM ...

- ▶ Although, others argue that THRM is also about designing pricing strategies that optimize the total performance of the hotel even if that means that some of the revenue streams are not optimized (Hernandez, 2014).

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A brief Intro to THRM ...

- ▶ THRM is only complete when the hotel understands how each of their guest segments use the assets within the hotel, and identifies the behaviors and segments that are most profitable.
- ▶ The end goal of THRM is to identify the most profitable mix of business for the hotel, and determine a plan to attract, nurture and retain that demand (McGuire, 2015).

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The Case ...

Now, THRM has been discussed since years, almost a decade, yet surprisingly just few hotels have claimed so far a practical application ...

Thus, I have been in contact with a hotel chain to learn about their experience with THRM.

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The Case ...

- ▶ International luxury hotel chain, in Europe and Asia,
- ▶ De-centralized organizational structure,
- ▶ 5 properties (in Europe) surveyed in 2016/17, with regular follow-ups,
- ▶ Participants: GM's, and DORM's,
- ▶ Research Objectives:
 - (a) to identify their THRM application and implementation,
 - (b) to identify opportunities, and limitations.

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The Start ...

- ▶ Firstly, participants have been asked (a) for their understanding of THRM, and (b) the reason to apply THRM:
 - > to optimize Revenue across different departments,
 - > to identify (and optimize) Total Spend per Customer.

- ▶ All respondents indicated that the initiative must come from the Revenue Management Team,

- ▶ And that knowledge about customer behavior is essential.

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Step One ...

- ▶ First thing to do - stimulate a yield culture:
 - for example, by inviting selected staff members to the weekly RM meetings,
 - by providing facts and figures, and hands-on education,
 - training on RM goals has been provided to front line staff, and others,
 - And most importantly, staff has to “*buy*” the idea.

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Step Two ...

▶ Identify the business mix and :
areas of revenue opportunities

- based on **Space, Price & Time**,

- i.e. Spa: treatment times, hours, treatment room-space, demand patterns etc.,

▶ For other areas, draft service blueprints (i.e. F&B).

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Step Three, Four and Five ...

- ▶ Identify demand patterns and metrics,
for example: REVPATH [Revenue Per Available Treatment Hour]
- ▶ Offer incentives and rewards systems,
- ▶ Monitor, evaluate and adjust (*and train ..*).

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The Barriers, and how to overcome these ...

- ▶ Barriers are mainly:
 - (a) silo thinking within the organizational structures, and
 - (b) misunderstandings of the THRM concept,

- ▶ Interdepartmental conflicts (*goals ...*) are existent,

- ▶ No immediate solutions, but transparency (*regarding goals & objectives*), and continuous communication helps ...

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The Barriers, and how to overcome these ...

▶ And the biggest barrier:

- the existing IT infrastructure,
different software systems, mostly room-oriented,

▶ On the positive side:

- More and more collaboration between marketing & sales and RM could have been observed.

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THRM in practice ...?

- ▶ Partially running, specifically in Spa's, F&B, and Banqueting,
- ▶ Interestingly, the focus was in the early stages on identification of "*Total Spend per Customer*" and, subsequently finding ways to optimize it, although this objective hasn't been achieved yet.

It was mainly the loyalty program which has been used to track individual total customer spend.

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Final thoughts ...

- ▶ THRM is a great concept, full of opportunities, and definitely needed,
- ▶ But, the implementation is a challenges on its own ..., (*and somewhat questionable if it should be really called THRM*)
- ▶ Reviewing the given (*Case study*) objectives: ***It's still a long way to go...***