THE BENEFITS OF TOTAL REVENUE MANAGEMENT

Prepared for

Prepared by

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FUEL SALES ∙ INSPIRE MARKETING ∙ OPTIMIZE REVENUE

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The benefits of Total Revenue Management

INTRODUCTION TO THE BENEFITS OF TOTAL REVENUE MANAGEMENT

Total Revenue Management (TRM) is a business strategy that aims to optimize revenue from all sources within a hotel. It is a holistic approach involving all departments, from sales and marketing to revenue management, to work together to increase the average guest spend and maximize revenue per room.

In the past, revenue management focused mainly on optimizing room revenue. However, with the increasing competition in the hospitality industry, hotels need to find new ways to increase their revenue. TRM is the solution. Considering all revenue sources, from rooms and meetings to food & beverage, and spa services, hotels can offer a more personalized experience to their guests, resulting in a higher average guest spend and increased revenue.

However, implementing TRM can be challenging. Many hotels still work in silos, where each department operates independently, leading to inefficiencies and missed revenue opportunities. To overcome these challenges, hotels must establish a common goal, assign clear roles and responsibilities, collect and share data and insights, and develop KPIs to track their progress.

One of the key benefits of TRM is the ability to understand the customer journey and make data-driven decisions. By collecting and analyzing data on guest behavior, hotels can identify the most profitable revenue streams and adjust their offerings accordingly. These insights allow them to increase revenue while improving the guest experience.

Another vital aspect of TRM is the role of technology. Today's hotel revenue management systems offer a range of tools and functionality to help hotels optimize their revenue. From real-time data reporting to demand-driven pricing and sophisticated pricing algorithms, technology plays a critical role in the success of TRM.

The implementation of TRM also requires a change in mindset. Hotel owners, management, revenue managers, sales and marketing teams, and guests all have a role to play in the success of TRM. By understanding the benefits of TRM and working together, hotels can maximize their revenue and improve their guest experience.

This whitepaper will provide an in-depth overview of Total Revenue Management, including its benefits, challenges, and the critical steps to get started. The focus will be on the importance of a holistic approach, the role of technology in optimizing revenue, and the importance of involving all stakeholders in the process. By following the best practices outlined in this whitepaper, hotels can increase their revenue, improve their guest experience, and remain competitive in a rapidly changing industry.

We invite you to share the experiences of your TRM journey and welcome a continuous discussion.

A/Prof. Dr. Detlev Remy, Brandon Chan, and Anders Johansson in a Singapore hotel meeting with industry experts for the industry view on total revenue management.

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1 INCREASE REVENUE AND PROFITS
Hotels are starting to implement TRM

There are two approaches to define total revenue management and three additional aspects to consider.

Defining total revenue management

Total Revenue Management (TRM) is a comprehensive approach to optimizing hotel revenue. The goal of TRM is to maximize the overall revenue of a hotel by considering all aspects of the business, such as room sales, food and beverage, meetings and events, and ancillary services. It involves data analysis and forecasting techniques to make informed decisions about pricing, inventory, and distribution strategies.

TRM is an integrated approach that considers market demand, competition, seasonality, and other factors to determine the optimal pricing and availability strategies for each product and service offered by the hotel. This helps hotels increase their revenue and profitability by ensuring they get the most value from each sale.

TRM is a dynamic process that requires continuous monitoring and adjustment in response to market conditions and customer demand changes. By using data-driven insights and advanced technology, hotels can effectively manage their revenue and achieve their financial goals.

Two approaches

A siloed approach and a holistic approach to Total Revenue Management (TRM) are two different ways of managing revenue in a hotel. Here are a few key differences between the two approaches:

Siloed Approach

- Focuses on optimizing revenue for individual revenue streams, such as room revenue, Food & Beverage revenue, or meeting space revenue.
- Uses separate systems and processes for each revenue stream, leading to siloed data and decision-making.
- Misses out on cross-selling opportunities, as there is limited coordination between different revenue streams.
- This can result in suboptimal pricing strategies, as prices are set without considering the impact on other revenue streams.

Holistic Approach

- Focuses on maximizing revenue per guest, taking into account the guest's entire journey, from pre-arrival to post-departure.
- Uses a single system and process for all revenue streams, leading to integrated data and decision-making.

- Encourages cross-selling opportunities, as there is coordination between different revenue streams.
- Results in more optimal pricing strategies, as prices are set taking into account the impact on all revenue streams.
- This leads to a more guest-centric approach, as the focus is on improving the guest experience and maximizing guest spending over the long term.

In conclusion, a holistic approach to TRM offers a more integrated and customer-centric approach to managing revenue in a hotel, whereas a siloed approach focuses on optimizing individual revenue streams in isolation.

> *"Revenue managers need to go beyond technical competence and numbers-centricity to be able to connect the dots in terms of analyzing revenues and costs in all revenue generating departments, that will enable them to develop a revenue optimization strategy that benefits the business as a whole."*
>
> Revenue Director, Luxury Hotel Chain

Capacity-, profit-, or customer-driven?

Total Revenue Management (TRM) can be seen as a combination of capacity, profit, and customer-driven approaches.

Capacity-driven

In a capacity-driven approach, the focus is on utilizing the available capacity in a hotel, such as rooms, meeting space, and Food & Beverage outlets, to maximize revenue. This involves setting prices based on demand patterns, adjusting pricing in response to changes in demand, and optimizing the utilization of the hotel's resources.

Profit-driven

In a profit-driven approach, the focus is on maximizing profit by optimizing pricing and yield management. This involves setting prices based on the cost of the product or service, the value the customer places on it, and the competition in the market.

Customer-driven

A customer-driven approach focuses on creating a positive customer experience and maximizing customer satisfaction and loyalty. This involves understanding the customer's needs and preferences, providing personalized offers and experiences, and using data and insights to drive decision-making.

TRM typically uses a combination of these approaches, focusing on maximizing revenue per guest by utilizing capacity and optimizing pricing while also considering customer experience and satisfaction. The goal is to balance the needs of the customer, the hotel's resources, and the financial bottom line to create a sustainable and profitable revenue strategy.

B2B and B2C total revenue management

B2B (Business-to-Business) and B2C (Business-to-Consumer) total revenue management differ in terms of the customer segments they target and the strategies used to maximize revenue.

B2B Total Revenue Management

For B2B customers, TRM may involve creating customized packages and offers for groups, meetings, and events and working with corporate clients to negotiate rates and packages that meet their specific needs and budget. B2B customers may also require more advanced forecasting and reporting tools, such as demand forecasting for meetings and

events, and more complex pricing strategies, such as negotiated corporate rates. Here is what Revenue managers need to keep in mind.

- Targets businesses that are potential hotel customers, such as corporate clients, event planners, and travel management companies.
- Involves selling meeting and event space, rooms, and Food & Beverage packages to corporate clients.
- Requires a deep understanding of the needs and preferences of business customers, as well as the ability to negotiate and close deals.
- Typically involves longer sales cycles, with multiple touchpoints and decision-makers involved in the process.
- This may involve customizing offers and packages to meet the specific needs of each business customer.

> *"Covid was a game changer for Raffles Hotel Singapore in embracing TRM as part of our organizational culture. HODs and department managers were more open to exploring revenue optimization strategies across all areas of our business (Restaurants, Bars, Boutique, Banquet, Spa). Similarly, customers became more accepting of the restaurants' push to guarantee reservations during peak demand periods, and to maximize turnover due to safe-distanced seating requirements."*
>
> *Limin Cheng, Director of Revenue Management and Raffles Service, Raffles Hotel Singapore*

B2C Total Revenue Management

For B2C customers, TRM may involve dynamic pricing strategies to adjust room rates based on demand and competition, offering personalized packages and offers based on customer preferences and behavior, and promoting food and beverage, ancillary services, and other revenue-generating activities to guests. B2C customers may also benefit

from up-selling and cross-selling techniques and more user-friendly technology and tools, such as online booking and mobile apps. Here is what Revenue managers need to keep in mind.

- Targets individual consumers who are potential guests of a hotel.
- Involves selling rooms, Food & Beverage, and other services to individual consumers.
- Requires a deep understanding of consumer behavior and the use of data and insights to drive decision-making.
- Typically involves shorter sales cycles, with customers making decisions based on price, location, and reputation.
- It may involve personalization and guest profiling to create targeted offers and experiences.

In conclusion, B2B and B2C total revenue management require different approaches and strategies to maximize revenue. While both approaches aim to maximize revenue per guest, the target customer segments, sales processes, and pricing strategies differ significantly.

Common industry terms

General customer related terms

B2B	Business to Business
B2C	Business to Consumer
CLV	Customer Lifetime Value
CAC	Customer Acquisition Cost

Hotel specific customer related terms

H2C	Hotel to Customer (B2B)
H2G	Hotel to Guest (B2C)
CLV	Customer Lifetime Value (B2B)
GLV	Guest Lifetime Value (B2C)
MICE	Meetings, Incentives, Conferences, and Events

Revenue management terms

RevPAR	Room revenue per available room
RGI	Revenue Generation Index
ADR	Average Daily Rate
ARI	Average Rate Index
OCC	Occupancy %
MPI	Market Penetration Index
TRM	Total Revenue Management
TRevPAR	Total revenue per available room

System terms

CRS	Central Reservation System
PMS	Property Management System
RMS	Revenue Management System
POS	Point of Sales System
CRM	Customer Relationship Management System
CDP	Customer Data Platform

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GET ALL STAKEHOLDERS ONBOARD

Stakeholders have different perspectives, but they all benefit by implementing Total Revenue Management

Different perspectives

The stakeholders in total revenue management in hotels have different perspectives on TRM.

Hotel owners and investors: The owners and investors in the hotel want to see a return on their investment and maximize profits.

Hotel management: The hotel management wants to focus on optimizing the hotel's overall performance.

Revenue Managers: Maximizing total revenue from all revenue sources to deliver an optimal revenue mix to help operations maximize profits.

Sales and Marketing Teams: TRM is about creating the correct offerings to attracting, acquiring, and retaining guests and customers.

Guests and Customers: Guests and customers want a seamless and enjoyable experience.

These are five most important key stakeholders in total revenue management in hotels. By understanding the needs and interests of each stakeholder, hotels can ensure that their total revenue management strategies are aligned with the needs of the business and its stakeholders, leading to greater success in maximizing guest spend and revenue.

Which stakeholder will benefit the most from total revenue management?

It is difficult to determine which stakeholder will benefit the most from Total Revenue Management (TRM), as each stakeholder will benefit differently. However, the hotel owners and management are likely to directly impact the hotel's financial performance and profitability, as TRM helps optimize revenue and better utilize resources.

Revenue managers will benefit from improved accuracy and effectiveness in pricing and inventory management, as well as increased collaboration with other departments.

Sales and marketing teams will benefit from the improved alignment of pricing, distribution, and marketing strategies with demand and increased use of data and insights to drive decision-making.

Guests and customers will benefit from improved guest experience and satisfaction, as well as personalized offers and experiences.

In conclusion, each stakeholder will benefit from TRM differently, and the hotel owners and management will likely see the most direct impact on the hotel's financial performance and profitability. However, all stakeholders will benefit from im-

proved competitiveness, increased transparency and control, and increased guest satisfaction.

Typical benefits for each stakeholder

Total Revenue Management (TRM) can bring benefits to a variety of stakeholders in the hotel industry, including

Hotel Owners

- Improved financial performance and profitability.
- Better utilization of resources, such as rooms, meeting space, and Food & Beverage.
- Increased competitiveness in the market.
- Improved alignment of pricing, distribution, and marketing strategies with demand.
- Increased transparency and control over revenue and performance.

Hotel Management

- Improved financial performance and profitability.
- Better utilization of resources, such as rooms, meeting space, and Food & Beverage.
- Increased competitiveness in the market.
- Improved alignment of pricing, distribution, and marketing strategies with demand.
- Increased transparency and control over revenue and performance.

Revenue Managers

- Improved accuracy and effectiveness of pricing and inventory management.
- Better alignment of pricing and inventory management with demand.
- Improved collaboration with sales and marketing teams.
- Increased use of data and insights to drive decision-making.

- Improved guest satisfaction and loyalty.

Sales and Marketing Teams

- Improved alignment of pricing, distribution, and marketing strategies with demand.
- Improved collaboration with revenue management and other departments.
- Increased use of data and insights to drive decision-making.
- Improved guest satisfaction and loyalty.
- Increased competitiveness in the market.

Guests and Customers

- Improved guest experience and satisfaction.
- Increased loyalty and repeat business.
- Personalized offers and experiences.
- Improved availability of rooms, meeting space, and Food & Beverage.
- Increased transparency and control over pricing and availability.

In conclusion, TRM benefits each stakeholder, including hotel owners, hotel management and revenue managers, sales and marketing teams, and guests and customers. TRM helps the hotel improve its financial performance, competitiveness, and guest satisfaction by maximizing revenue and guest spend.

KPIs for each stakeholder

Each stakeholder in Total Revenue Management (TRM) will have different KPIs that are relevant to their role and responsibilities.

Hotel Owners

- Net Operating Income (NOI)
- Return on Investment (ROI)
- Total revenue from all revenue sources

Hotel Management

- Total revenue
- Average guest spend
- Customer Acquisition Cost (CAC)
- Customer Lifetime Value (CLV)
- Guest satisfaction scores

Revenue Managers

- Occupancy rate
- Average Daily Rate (ADR)
- RevPAR
- NetRevPAR

Sales and Marketing Teams

- Return on marketing spend
- B2B customer production
- Cross-sell and up-sell
- Repeat business rate

Guests and Customers

- Guest satisfaction scores
- Repeat business rate
- Net Promoter Score (NPS)

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How can each stakeholder contribute to the success of TRM?

Each of the five stakeholders in Total Revenue Management (TRM) can contribute to its success in different ways.

Hotel Owners

- Provide the financial resources necessary to invest in technology and data systems for TRM.
- Encourage a culture of data-driven decision-making and continuous improvement.
- Provide clear direction and support for TRM initiatives.
- Ensure that all stakeholders are aligned with the TRM strategy.

Hotel Management

- Develop and implement a clear TRM strategy.
- Foster a culture of data-driven decision-making and continuous improvement.
- Ensure that all stakeholders are aligned with the TRM strategy.
- Provide the resources necessary to support TRM initiatives, such as technology and personnel.
- Ensure that all departments are involved in TRM and working together.

> *"Hospitality managers need to break out of their silo mindsets to take a holistic view of revenue management that will benefit the business as a whole."*
>
> Sheran Loh, Vice President, Revenue Management, Frasers Hospitality Pte Ltd

Revenue Managers

- Develop and implement pricing and revenue management strategies aligned with the TRM strategy.
- Ensure that pricing and inventory management strategies are responsive to demand and market conditions.
- Collaborate with sales and marketing teams to ensure that pricing and inventory management strategies are aligned with demand.
- Use data and insights to make informed decisions about pricing and inventory management.

Sales and Marketing Teams

- Align distribution, pricing, and marketing strategies with the TRM strategy.
- Collaborate with revenue management and other departments to ensure that pricing and inventory management strategies are aligned with demand.
- Use data and insights to make informed decisions about distribution, pricing, and marketing.
- Personalize offers and experiences for guests based on their needs and preferences.

Guests and Customers

- Provide feedback on the guest experience and make suggestions for improvement.
- Participate in loyalty programs and other initiatives that encourage repeat business.
- Provide information about their needs and preferences, which can be used to personalize offers and experiences.

In conclusion, each of the five stakeholders can contribute to the success of TRM in different ways. Hotel owners and management can provide the resources and support necessary for TRM initiatives, while revenue managers, sales and marketing teams, and guests and customers can provide the data and insights necessary to make informed decisions. By working together, each stakeholder can help to maximize revenue, improve guest satisfaction, and drive the success of TRM in the hotel.

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SIGNIFICANT IMPACT ON PROFITABILITY

By implementing Total Revenue Management, the hotel can optimize revenue from all sources, leading to increased profitability.

Highly positive impact on profitability

The profit of a hotel using Total Revenue Management (TRM) is likely to increase in several ways:

Increased revenue: By using data-driven insights and advanced technology, TRM helps hotels make informed decisions about pricing and distribution strategies that maximize revenue from all products and services, including room sales, food and beverage, meetings and events, and ancillary services.

> *"With an integrated total revenue management approach, the anticipated upside in terms of revenue growth could be as high as 30%."*
>
> Gracia Tan, Director Of Reservations
> And Revenue, Capella Singapore

Improved pricing strategy: TRM involves dynamic pricing that considers market demand, competition, seasonality, and customer behavior. This helps hotels to optimize room rates and generate more revenue from each sale.

Better inventory management: TRM helps hotels manage their inventory more effectively, ensuring they have the right products and services available at the right time to meet customer demand and maximize revenue.

Improved resource utilization: By optimizing the use of resources such as staff, equipment, and supplies, TRM helps hotels to reduce costs and improve efficiency, which can increase profit margins.

Increased customer satisfaction: By providing personalized and relevant offers and services to guests, TRM can help hotels to increase customer satisfaction, leading to repeat business and increased revenue.

Overall, TRM is a comprehensive approach to optimizing revenue that helps hotels to increase their profit by making informed decisions about pricing, inventory, and distribution strategies and improving resource utilization. Let's look into the details how each impact profitability.

Increased revenue

A hotel can increase revenue by selling more products and services to its potential guests. Here are some ways a hotel can do this:

- **Personalized offers:** By collecting and analyzing customer preferences and behavior data, hotels can create personalized offers and packages relevant to each guest. This can increase customer engagement and encourage guests to purchase additional products and services during their stay.

- **Upselling and cross-selling:** Hotels can upselling and cross-selling techniques to encourage guests to purchase additional products and services during their stay. For example, they can offer upgrades, add-ons, or packages that enhance the guest experience and increase revenue.
- **Dynamic pricing:** By using dynamic pricing strategies, hotels can adjust room rates based on demand, competition, seasonality, and other factors. This helps to maximize revenue by ensuring that rooms are priced optimally for each booking.
- **Maximizing food and beverage sales:** Hotels can increase revenue from food and beverage sales by offering high-quality, appealing menu options and promoting in-room dining and other food and beverage services to guests.
- **Meeting and event sales:** Hotels can increase revenue by promoting their meeting and event facilities to businesses and organizations, offering competitive packages and services, and providing high customer service.
- **Ancillary services:** Hotels can increase revenue by offering ancillary services such as spa treatments, transportation, and excursions. These services can provide additional value to guests and generate additional revenue for the hotel.

> *"With F&B being a significant revenue driver at Raffles Hotel Singapore, our approach to TRM is to look at each outlet as a business unit, to deep dive into their customer mix and demographics, and also understand their operational constraints in terms of manpower/ staffing, in order to curate a revenue optimization strategy that works for each restaurant or bar operation."*
>
> *Limin Cheng, Director of Revenue Management and Raffles Service, Raffles Hotel Singapore*

Using these and other strategies, hotels can increase revenue by selling more products and services to their potential guests and providing high customer service. TRM can help hotels to optimize their revenue-generating strategies by using data-driven insights and advanced technology.

Improved pricing strategy

A hotel can improve its pricing strategy by applying Total Revenue Management (TRM) principles. Here are some ways a hotel can do this:

- **Dynamic pricing:** TRM involves using dynamic pricing strategies that take into account market demand, competition, seasonality, and customer behavior to determine the optimal room rate for each booking. This helps hotels maximize revenue by ensuring that rooms are priced competitively and appropriately for each booking.
- **Yield management:** Yield management is a key component of TRM that involves adjusting room rates in real-time based on changes in demand and other factors. By using yield management techniques, hotels can optimize room rates to maximize revenue and occupancy.
- **Price segmentation:** TRM can also involve price segmentation, which is the practice of dividing the market into different segments and charging different prices based on factors such as demand, customer type, and booking channel. This helps hotels to target specific segments and maximize revenue from each booking.
- **Package pricing:** Hotels can use package pricing to bundle room rates with additional products and services, such as meals, activities, and transportation. This can increase the value of each booking and encourage guests to purchase additional products and services.
- **Promotions and discounts:** Hotels can use promotions and discounts to attract customers and increase revenue. For example, they can offer seasonal discounts, loyalty program rewards, or special packages to encourage bookings.

Improved resource utilization

A hotel can improve resource utilization by applying Total Revenue Management (TRM) principles. Here are some ways a hotel can do this:

- **Demand forecasting:** TRM uses forecasting techniques to predict future demand for rooms, food and beverage, meetings and events, and other products and services. This helps hotels plan their resources more effectively and ensure they have the right resources available at the right time to meet customer demand.
- **Inventory management:** TRM also involves optimizing inventory management, including rooms, food and beverage, and other products and services. Hotels can use real-time data and advanced technology to ensure they have the right products and services available to meet customer demand and maximize revenue.
- **Staff scheduling:** TRM can also help hotels optimize staff scheduling by forecasting demand for each product and service and ensuring enough staff is available to meet customer needs. This can help to reduce staffing costs and improve efficiency.
- **Equipment utilization:** TRM can help hotels optimize equipment use, such as meeting and event facilities, by forecasting demand and ensuring that the right equipment is available for each booking. This can help to reduce equipment costs and improve efficiency.
- **Supply chain management:** TRM can also optimize supply chain management by ensuring that the hotel has access to the right supplies and materials at the right time to meet customer demand. This can help to reduce costs and improve efficiency.

"It is important to relook the training of revenue managers to enable them to also focus on ancillary revenue sources such as F&B, in order to fully optimise their roles and contributions."

Sheran Loh, Vice President, Revenue Management, Frasers Hospitality Pte Ltd

TRM can help hotels improve their resource utilization to reduce costs, improve efficiency, and maximize revenue.

Improved guest satisfaction

A hotel can improve guest satisfaction by applying Total Revenue Management (TRM) principles. Here are some ways a hotel can do this:

- **Personalized experiences:** TRM collects and analyzes customer preferences and behavior data to create personalized experiences for each guest. Hotels can increase guest satisfaction and encourage repeat business by offering personalized offers, packages, and services.
- **Upselling and cross-selling:** TRM can also help hotels to improve guest satisfaction by using upselling and cross-selling techniques to provide guests with relevant and valuable offers and services. This can enhance the guest experience and increase customer loyalty.
- **Dynamic pricing:** By using dynamic pricing strategies, hotels can offer guests competitive and relevant room rates and packages, increasing customer satisfaction and encouraging repeat business.
- **Food and beverage:** TRM can help hotels to improve food and beverage service by offering high-quality, appealing menu options and promoting in-room dining and other food and beverage services to guests. This can enhance the guest experience and increase customer satisfaction.
- **Meeting and event services:** TRM can also help hotels improve meeting and event services by offering competitive packages and high customer service. This can increase customer satisfaction and encourage repeat business.

TRM can help hotels to increase customer satisfaction, build customer loyalty, and drive repeat business.

B2B and B2C

It's difficult to make a blanket statement about the financial impact of Total Revenue Management (TRM) on B2B versus B2C customers, as it will depend on the specific circumstances of each hotel. However, here are some factors that may impact the financial impact of TRM on B2B and B2C customers.

For B2B customers

- Larger groups and events typically generate more revenue than individual bookings, so a successful TRM strategy for B2B customers can significantly impact revenue.
- B2B customers may require more advanced tools and resources to support their needs, such as demand forecasting, reporting, and negotiation. This can increase the cost of implementing TRM for B2B customers.
- B2B customers may be more price-sensitive, so hotels need to be more strategic in pricing decisions to maximize revenue.

For B2C customers

- The larger volume of individual bookings can result in a more significant financial impact of TRM on B2C customers than on B2B customers.
- B2C customers may be more responsive to personalized offers, packages, and promotions, which can increase revenue and customer satisfaction.
- B2C customers may be more likely to make additional purchases, such as food and beverage or ancillary services, which can increase revenue and improve profitability.

Hotels should thoroughly analyze their business and target market to determine the best approach to TRM to maximize the financial impact.

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HOW TO GET STARTED WITH TRM
Plan for success

Create a detailed action plan for successful implementation of Total Revenue Management.

Pre-planning in three steps

Buy-in from stakeholders

Before starting the implementation of total revenue management, a hotel needs to present the benefits of TRM to stakeholders and get their buy-in. This step is crucial because it ensures that everyone, especially the decision-makers, is on the same page and understands the importance of TRM.

Secure a budget

Once the stakeholders are on board, securing an implementation budget is the next step. The hotel will use the funding to design processes, implement a TRM system, train staff, and any other expenses associated with the implementation.

Create an implementation plan

The final pre-planning step is to create an implementation plan. This plan outlines each step, the timeline, and the resources required for a successful implementation. It also includes the roles and responsibilities of each department and individual involved in implementing TRM.

By completing these pre-planning steps, a hotel is well prepared to start the implementation and maximize the benefits of TRM for the hotel.

> *"On my wish list is a revenue management system that can interface with the other operating systems in the hotel to enable us to look at all revenue streams holistically."*
>
> Gracia Tan, Director of Reservations and Revenue, The Capella Singapore

Detailed TRM action plan in four steps

Step 1 - Situational analysis

A situational analysis is the first step in implementing total revenue management in a hotel. It is important to assess the current situation of the hotel's operations and revenue streams. The following key areas should be included in a situational analysis.

- **Organizational Structure:** Analyze the organizational structure and the departments' reporting lines
- **Accountability and responsibilities:** Who holds the accountability and has the responsibilities across and within the departments/divisions for revenue, profit, customer acquisition- and retention costs.

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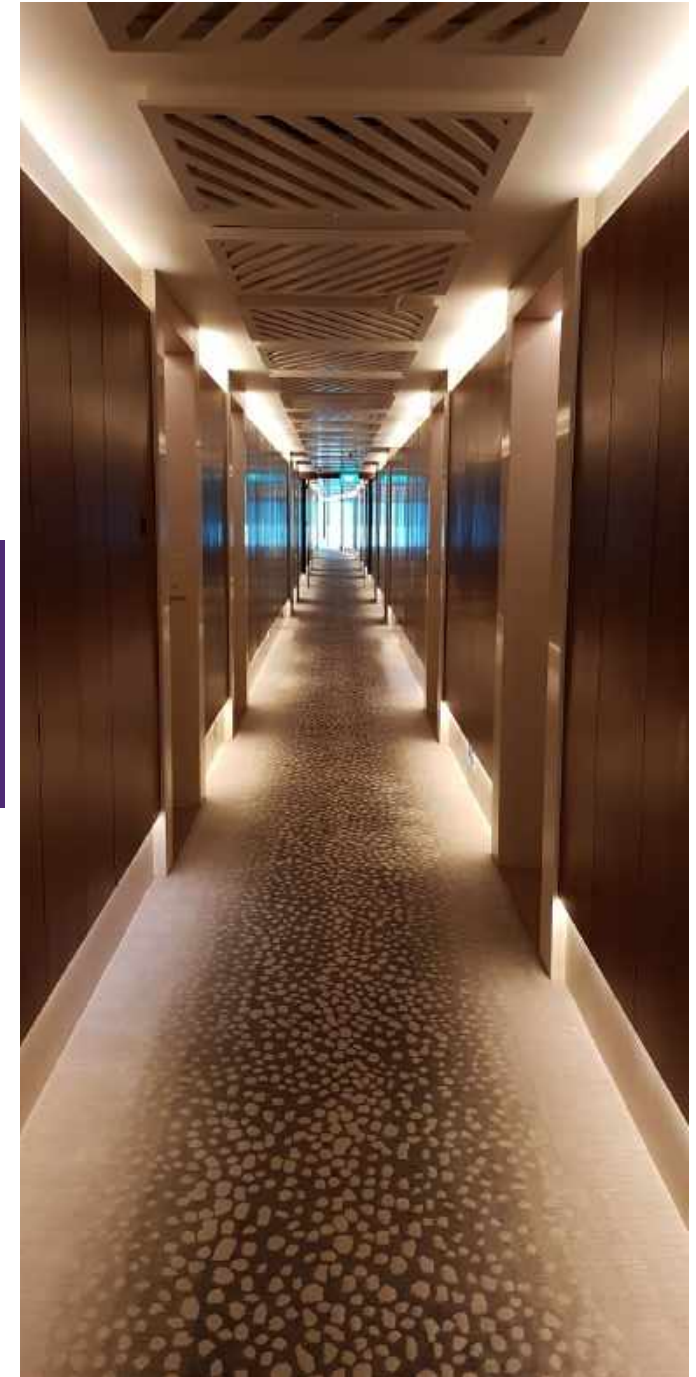
- **Data Management:** Evaluate the availability of data and the data management system in place, and assess the ability to access information and share KPIs.
- **IT Systems:** Assess the integration and compatibility of IT systems such as PMS, CRM, and POS.
- **Forecasting:** Evaluate the existing forecasting systems for each revenue-generating department.
- **Key Performance Indicators (KPIs):** Assess the existing KPIs and departmental objectives.
- **Profit Margins:** Analyze the profit margins and contributions of different departments.
- **Customer Segments:** Evaluate the existing customer segments and their spending patterns.
- **Marketing and Sales Strategies:** Assess the existing marketing and sales objectives and their alignment with TRM strategies.

By conducting a situational analysis, hotels can identify their strengths, weaknesses, opportunities, and challenges regarding total revenue management. This information can then be used to set goals, objectives, and a road map for implementing total revenue management.

"My wish is for sales, marketing and revenue teams to collaborate on an approach that is focused on presenting a value-driven proposition to our customers and guests, beginning with a value-based strategy that has a purpose-driven product in mind."

Revenue Director, Luxury Hotel Chain

Step 2 – Setting Objectives and targets

Setting objectives and targets is important in implementing total revenue management (TRM) in a hotel. It involves defining the target outcomes and outlining the necessary steps. The following should be included in this step.

- **Clarify the overall objective:** Clearly define the common goal for all teams, such as maximizing guest spend and revenue. Set a target for revenue and profit growth.
- **Review of revenue-generating departments:** Assess the current departments that generate revenue in the hotel, identify potential revenue opportunities, and set growth targets.
- **Alignment of objectives with TRM strategies:** Review the sales and marketing objectives of the hotel and align them with the TRM strategies to ensure that they are aligned with the overall TRM goals.
- **Compensation and bonus schemes:** Align the compensation and bonus schemes with the overall TRM goals to ensure that all team members work toward the same goal.
- **Reorganization of the organizational structure:** The objective is to create an organization that will produce higher revenue and profits. Therefore, review and reorder the organizational structure and reporting lines to ensure a clear chain of command and accountability for TRM.

Step 3 - Create a roadmap

A hotel's total revenue management roadmap should include the following.

- **Definition of the TRM team:** A dedicated team should be formed to drive the implementation of TRM in the hotel, including key stakeholders such as the Director of Revenue Management, General Manager, Chief Financial Officer, and heads of different revenue-generating departments.

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- **Integration of technology:** Implementing a data management system that integrates all relevant IT systems, such as PMS, CRM, and POS, should be a key aspect of the roadmap. This will enable the hotel to access real-time data, which will be critical in making informed decisions.
- **Staff training:** Staff should be trained on yield culture and the importance of TRM in the hotel. This will help to create a culture of continuous improvement and drive the success of TRM in the hotel.
- **Re-evaluation of existing packages:** The existing packages offered by the hotel should be reviewed and re-designed to align with the TRM objectives. This will ensure that the hotel can maximize revenue from each guest.
- **Design of up-selling and cross-selling programs:** Programs for up-selling and cross-selling should be designed to increase customer spending. This will help maximize revenue per guest, a critical aspect of TRM.
- **Alignment of forecasting approaches:** Forecasting approaches should be synchronized and aligned based on TRM metrics. This will enable the hotel to make informed decisions and optimize revenue from all revenue streams.
- **Definition of TRM KPIs:** Specific TRM KPIs, such as Customer Acquisition Cost (CAC and Customer Lifetime Value (CLV), should be defined and set up to track the progress of TRM in the hotel. This will help to measure the success of TRM and make continuous improvements.
- **Customer segmentation:** The potential revenue and profit growth analysis should be done by segment to better allocate marketing spend.

Step 4 - Monitoring

The monitoring and assessment phase is a crucial part of implementing total revenue management in a hotel, as it helps to track progress, identify areas for improvement, and make adjustments as needed. Some key elements to include in this phase are.

- **Meetings:** Schedule regular meetings to measure the results versus targets to analyze and tweak the TRM strategy.
- **Key Performance Indicator (KPI) tracking:** Regularly track the KPIs identified in the roadmap, such as average guest spend, customer lifetime value, customer acquisition cost, cross-sell and up-sell, and total revenue from all revenue sources.
- **Customer satisfaction and retention tracking:** Measure customer satisfaction and retention rates, as these are important indicators of the success of total revenue management.
- **Performance analysis:** Regularly evaluate the performance of the total revenue management program by comparing actual results to goals and objectives.
- **Feedback from stakeholders:** Gather feedback from all stakeholders, including hotel management, revenue managers, sales and marketing teams, and guests, to identify areas for improvement and make changes as needed.
- **Continuous improvement:** Evaluate and improve the total revenue management program based on the monitoring and assessment phase results. This may involve changing the program, the data management system, the organizational structure, and reporting lines.
- **Regular reporting:** Provide regular reports to all stakeholders on the progress and results of the total revenue management program so that everyone is aware of the program's impact and can provide input and feedback.
- **Adjustments:** Make adjustments to the total revenue management program as needed, based on the results of the monitoring and assessment phase, to ensure that the program remains relevant, effective, and aligned with the goals and objectives of the hotel.

AN EXAMPLE OF A TOTAL REVENUE MANAGEMENT STRATEGY

Introduction

The purpose of this TRM strategy is to maximize guest spending and revenue for our 250-room hotel, which includes two restaurants, a popular bar, ten meeting rooms, and a spa. The strategy will optimize room revenue, food and beverage, meetings and events, and spa services using data and insights to inform pricing and sales decisions.

Market analysis

We will thoroughly analyze the local market to understand customer needs, trends, and competition. This will inform our TRM efforts and help us identify optimization opportunities.

Revenue sources

- **Room revenue:** We will use dynamic pricing strategies to optimize room revenue, considering demand, occupancy, and seasonality. We will also use data and insights to personalize offers and drive bookings from high-spenders and potential high-spenders.
- **Food and beverage:** We will optimize food and beverage revenue by aligning supply and demand and using dynamic pricing strategies. We will also use data and insights to personalize offers and drive sales from high-spenders and potential high-spenders.
- **Meetings and events:** We will optimize meetings and events revenue by using data and insights to personalize offers and drive sales from corporate and group customers. We will also use dynamic pricing strategies to optimize revenue from meeting space and food and beverage services.
- **Spa services:** We will optimize spa revenue by using data and insights to personalize offers and drive sales from high-spenders and potential high-spenders. We will also use dynamic pricing strategies to maximize revenue from spa services.

Customer segments

We will use data and insights to identify our ideal customer segments, including high spenders and potential high spenders, and tailor our TRM efforts to meet their needs and preferences.

Technology and processes

We will use a Total Revenue Management system to collect, analyze, and share data and insights across departments and stakeholders. The system will also support dynamic pricing and personalized offers to optimize revenue from all revenue sources.

Roles and responsibilities

- **Sales:** The sales team will sell rooms, food and beverage, meetings and events, and spa services to customers. They will use data and insights to personalize offers and drive sales from high-spenders and potential high-spenders.
- **Marketing:** The marketing team will promote the hotel, its services, and its offers to customers. They will use data and insights to target high spenders and potential high spenders and drive bookings and sales.
- **Revenue management:** The revenue management team will use data and insights to inform pricing and sales decisions and optimize revenue from all revenue sources. They will work closely with sales and marketing to ensure that TRM efforts are aligned and effective.

Performance metrics

We will track the following KPIs to measure the effectiveness of our TRM efforts.

- **Revenue uplift:** The increase in revenue from all revenue sources compared to the previous period.
- **Customer satisfaction:** Feedback from guests on their experiences and satisfaction with the hotel and its services.
- **Data-driven decision making:** The number and effectiveness of data-driven decisions to optimize revenue and profit.

Action plan

Q1

Conduct market analysis and identify ideal customer segments

Q2

Implement Total Revenue Management system and processes

Q3

Launch dynamic pricing and personalized offers for rooms, food and beverage, meetings and events, and spa services

Q4

Monitor and evaluate TR

hsmai

ABOUT DEMAND CALENDAR
We make life easy for the commercial team

Demand Calendar - Total Revenue Management
for easy collaboration between all stakeholders.

Over 100 functions for all roles in the hotel

Total revenue management

- Multi-property
- Performance dashboard
- Total Revenue reporting
- On the books and pick-up by segment
- On the books and pick-up by revenue source
- Forecasting by revenue source
- Rate shopping and benchmarking
- Market potential analysis
- Customer Acquisition Cost
- Extensive consolidated reporting

Marketing Management

- Market segmentation
- Analysis of 11 variables
- Cross-check analysis
- Campaign tracking
- Pick-up per campaign
- Guest spending

Hotel B2B Sales Management

- Hotel specific
- Contact and deal management
- Calendar and email sync
- Follow-up customer production
- Sales pipeline management
- Lists for targeting
- Company analysis
- Travel agent analysis

Automated Data Collection

In the interviews, revenue managers confirmed that managing data across multiple systems and departments is a significant challenge for hotels. Many hotels spend hours manually extracting data from siloed systems and compiling it in spreadsheets for analysis. Demand Calendar can automatically collect data from both internal and external systems into one system, making it easily accessible for all team members. Here are a few benefits.

Time savings: Saves time and increases efficiency by eliminating the need for manual data entry and compilation in Excel, saving staff time to focus on higher-value tasks.

Improved accuracy: Improves accuracy by reducing the risk of errors associated with manual data entry and management.

Comprehensive real-time data: Provides real-time data accessible to all team members with an instant overview of total revenue, down to detailed information about each revenue-generating department.

By automating data collection with Demand Calendar, hotels can streamline operations, improve decision-making capabilities, and ultimately increase profitability.

Total revenue management

The intuitive, insightful, and interactive nature of Demand Calendar helps all roles in the hotel to work collaboratively and efficiently toward total revenue management in several ways.

Intuitive interface: The user-friendly interface of Demand Calendar ensures that all team members can quickly access and understand the data and insights relevant to their specific roles.

Insightful analytics: With the comprehensive analytics provided by Demand Calendar, revenue management, marketing, and sales teams can gain deep insights into customer behavior, market trends, and performance. This helps them make decisions on pricing, marketing, and sales strategy.

Interactive collaboration: Demand Calendar offers an interactive collaboration platform that allows team members to communicate and work together in real time. This ensures that they can share information and make decisions quickly and effectively.

Overall, combining these features helps revenue management, marketing, and sales teams maximize total revenue for the hotel group.