Masterclass in
Total Revenue Management

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Total Revenue Management

<u>What You'll Learn</u>

Topic 1 – TRM – What is it?
Understand the fundamentals of Total Revenue Management in the context of a hospitality business

Topic 2 – TRM, how to make it work
Learn to understand the principles of TRM

Topic 3 – TRM, Action Plan
Outlining step–by–step approach

Total Revenue Management – the concept

For some time now, it's been conventional wisdom in the hotel industry that revenue management needs to move beyond rooms to encompass all revenue streams to achieve total revenue management.

➢ *The Need for TRM (e.g., recouping losses from Covid …)*

➢ *Breaking down silo-thinking, gaining synergies*

➢ *Shifting from inventory-centric to customer-centric*

Total Revenue Management vs. Ancillary Revenues

→ TRM – the totality/sum of all revenue-generating departments

→ Ancillary revenues can be defined as any additional revenues generated from products and services other than the main products and services offered by a hotel.

This will of course vary depending on the hotel and the type of services offered, but in general, ancillary revenues include revenues from movies, Internet access, business center, mini-bar, laundry, spa services, and fitness center.

Benefits of Applying Total Revenue Management

→ Increased Revenues, in turn, increased Profitability

→ Improved Pricing Strategy

→ Improved Resource Allocation

→ Improved Customer Satisfaction

Challenges in Applying Total Revenue Management

→ lack of appropriate platforms or RM systems; data integrity,

lack of trained RM staff

→ tracking of guest flow/spending in all outlets; lack of metrics (*apart from*

TREVPAR)

→ Problems of traditional segmentation; how to deal with customer loyalty

→ where to start – most promising areas are f&b, function space, spa

Two Approaches in Applying Total Revenue Management

→ A siloed approach and a holistic approach to Total Revenue Management (TRM) are two different ways of managing revenue in a hotel.

What are the key differences between the two approaches?

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Two Approaches in Applying Total Revenue Management

→ **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.

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Two Approaches in Applying Total Revenue Management

→ **Holistic Approach**

Focuses on maximizing revenue per guest,

taking into account the guest's entire journey,

from prearrival to post-departure.

Uses a single system and process for all revenue streams, leading to integrated data and decision-making.

Applying Total Revenue Management – Action & Implementation Plan

Applying Total Revenue Management – Action & Implementation Plan

The Conceptual Model

▶ Developing a THRM Strategy

▶ The 5 P's (Product, Price, Promotion, Place, People)

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Applying Total Revenue Management – Action & Implementation Plan

The Conceptual Model

▶ The 5-step Process

- – Establishing the baseline
- – Understanding the causes
- – Developing a strategy
- – Implementing the strategy
- – Measuring success

Applying Total Revenue Management – Action & Implementation Plan

The Conceptual Model

▶ The Tools (linked to different demand periods)

▶ The TRM Culture

Applying Total Revenue Management – Action & Implementation Plan

→ Initiating: say what the aim of this project is and identify stakeholders.

Who are the typical stakeholders in a total revenue management project?

Starting with the GM, revenue manager, head of department (F&B,

meetings/banquet, and spa), and CFO

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Applying Total Revenue Management – Action & Implementation Plan

→ Planning: develop a *project plan*. Planning the costs. Planning the sources. Planning the risk.

→ Executing: how RM, hotel managers, GM and stakeholders will work together to develop the project.

→ Monitoring & Controlling: Review change controls and all those departments mentioned before in order to see if they are following the plan and if not take actions to solve it.

Applying Total Revenue Management – Action & Implementation Plan

→ Inform & convince the relevant stakeholders

→ Educate your staff on the cost of room distribution, and cost of customer acquisition (CAC)

→ create a 'Revenue' culture, set goals & incentives; develop metrics

→ define the data sources; synchronize the data flow & information = TRF

Applying Total Revenue Management – Detailed Action Plan

→ Identify the path to TRM / profitability

      - involve all stakeholders

      - SWOT / departments strength and weaknesses

      - Revenue and cost structure

→ Identify the business flow, and key revenue drivers

      - use data (*at least 3 years of historical data*)

      - understand patterns (*seasonal, local demand, loyalty, etc*.)

Applying Total Revenue Management – Detailed Action Plan

→ Review your value proposition.

- involve all stakeholders,

- check for trends, demand patterns, and your matching offers

- investigate customer flow (*e.g., using service blueprint*), to understand
  time spend, consumption patterns

→ Remove obstacles and barriers for revenue optimization

- booking process simplifies, convenient, upselling integrated etc.

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Applying Total Revenue Management – Detailed Action Plan

→ Organize responsibilities and processes

      - involve all stakeholders, share information

      - lines of reporting

      - data flow etc.

→ Create a Total Revenue Optimization Culture

      - involve all stakeholders, share information

      - inter-departmental, flexible and multi-tasking workforce

      - use data analytics for KPI sharing and benchmarking

Applying Total Revenue Management – Action & Implementation Plan

→ Masterclass exercise – what are the possible risks, of implementing TRM?

Applying Total Revenue Management – Sample Plan

→ Let's develop together

Total Revenue Management – Sample Plan

Introduction (State why you are doing this)

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.

Total Revenue Management – Sample Plan

Market analysis (What information do you need to maximize guest spending?)

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.

Make your wish list

I wish I knew the needs of your target audience, both hotel and local guests

I wish I knew the willingness to spend while staying in a hotel

Total Revenue Management – Sample Plan

Revenue sources (How will you manage each revenue source?)

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.*

Total Revenue Management – Sample Plan

Revenue sources (2)

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.

Total Revenue Management – Sample Plan

Customer segments (Analyze data from the hotel PMS)

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 (You need a system – Excel sheets is not practical)

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.

Total Revenue Management – Sample Plan

Roles and responsibilities (Define the job for the team and for each role)

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 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.

Total Revenue Management – Sample Plan

Performance metrics (Select a few essential metrics – avoid KPI paralysis)

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.

Total Revenue Management – Sample Plan

Action plan (you cannot do everything at once - set a timeline)

Q1

Conduct market analysis and identify ideal customer segments

Q2

Implement Total Revenue Management system and processes

Total Revenue Management – Sample Plan

Action plan

Q3

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

Q4

Monitor and evaluate TR

That was easy!?

Now let's share any challenges you may need to overcome while implementing total revenue management at your hotel.

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Total Revenue Management – Outlook

→ Individual hotels/regional chains might be the frontrunner in

  implementing TRM

→ Planning is key

→ Data quality is key

→ In the long-term shift to new RM metrics: REVPAC