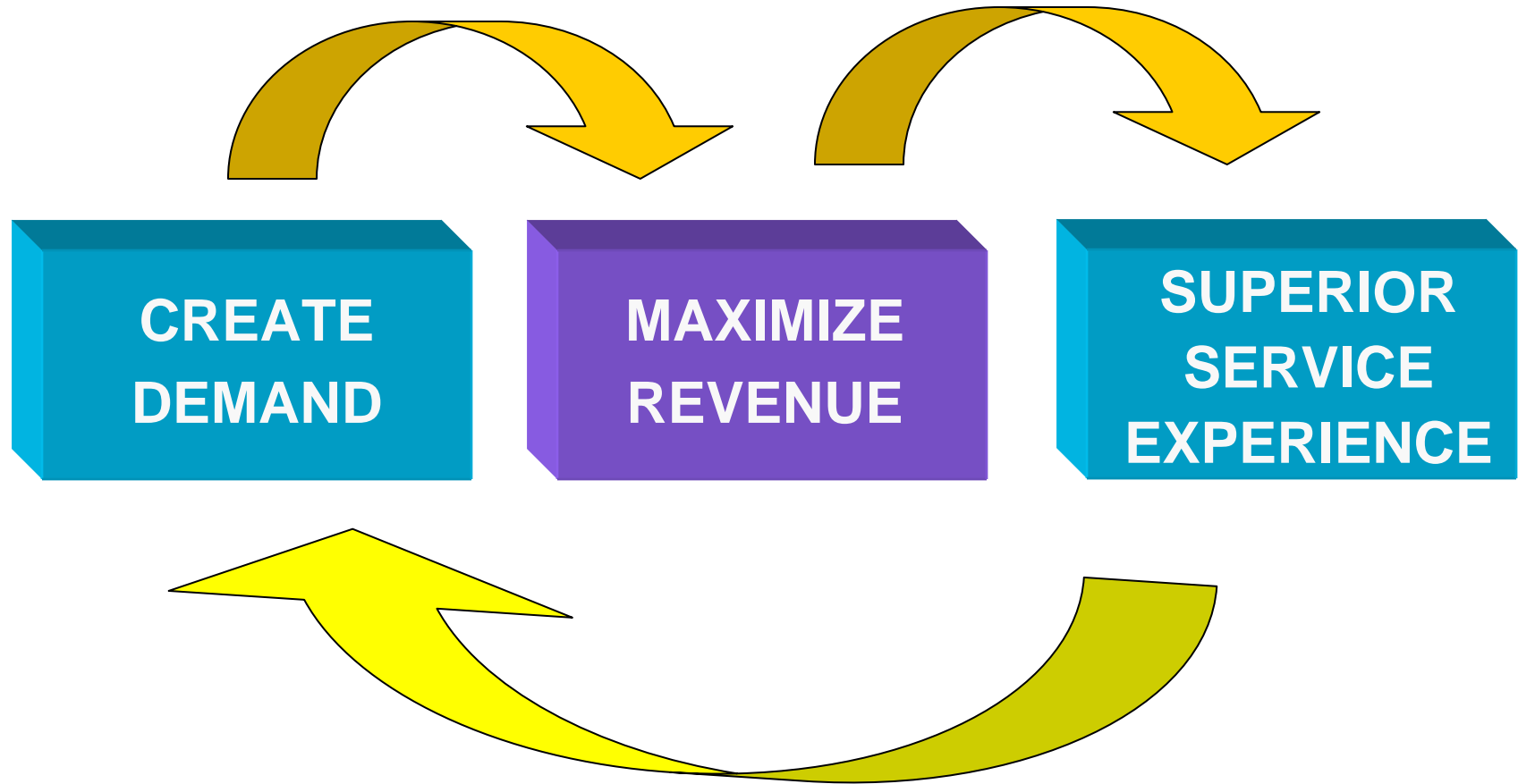


Hotel Yield Management How Corporate Business is Evaluated

The Revenue Cycle



What is Revenue Management?

Revenue Management is the art and science of predicting real time customer demand to determine the optimal price and availability of a product.

What is Revenue Management?

A better definition:

To sell the right product to the right customer at the right time for the right price, thereby maximizing revenue from a company's product.

Total Hotel – The Functions

Director of Market / Revenue Strategy

**Inventory
Management**

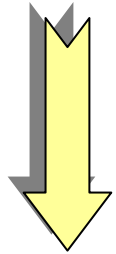
**Group Strategy/
Business Evaluation**

**Revenue
Analysis**

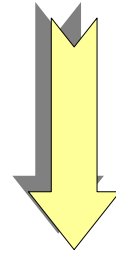


**Property Sales & Event Management-
Sales & Implementation**

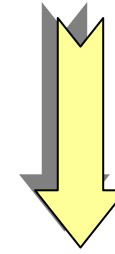
Maximizing Revenue



PRICING
How we
price our
product



INVENTORY
ALLOCATION
What we
put on the
shelf



SELLING
STRATEGY
How we
sell our
product

Pricing

The process of determining how each product will be defined in the marketplace.



Enabling A Rational Pricing Structure

CUSTOMER

- ◆ Who are my customers?
- ◆ What are they buying?
- ◆ What are they willing to pay for the quality offered?
- ◆ How do they book a room?

PROPERTY

- ◆ What is the quality of my product?
- ◆ What economic return is desired?
- ◆ What are my past pricing actions and results of those actions?
- ◆ What are my roomnights, rate, and mix trends by segment?

MARKET

- ◆ What is the state of the economy?
- ◆ What is the market outlook?
- ◆ What is demand . . .
 - ◆ Strength?
 - ◆ Pattern?
 - ◆ Consistency?
- ◆ What are my competitors doing?
- ◆ How will competitors react to my pricing actions?

Inventory Allocation

The process of determining how much to make available at each price point for each product.



Inventory Allocation

To make smart decisions, you need to know

How much
business
is out there?

When do
customers
typically book
and
how much?

How much
money
is the
customer
willing to
pay?

Managing Demand; Setting Strategy

Level ONE

Level TWO

Level THREE

Increasing Demand



0% - 75% Occupancy

- Focus on driving volume

76% - 80% Occupancy

- Hotel focuses more on mix of rate and volume
- Hotel re-qualifies Special Corporate discounts (performance review)
- Limiting discounts on peak patterns (unless significant shoulder night business)

80%+ Occupancy

- Hotel Focus is on rate
- Remove non producing accounts from discount programs
- NLRA for new customers

Sales Strategies

**Establishing and
communicating
what can be sold and
when...**



Sales Strategies

The best Sales Strategy takes into consideration:

- Customer Needs
- Property Financial Needs
- Market Dynamics

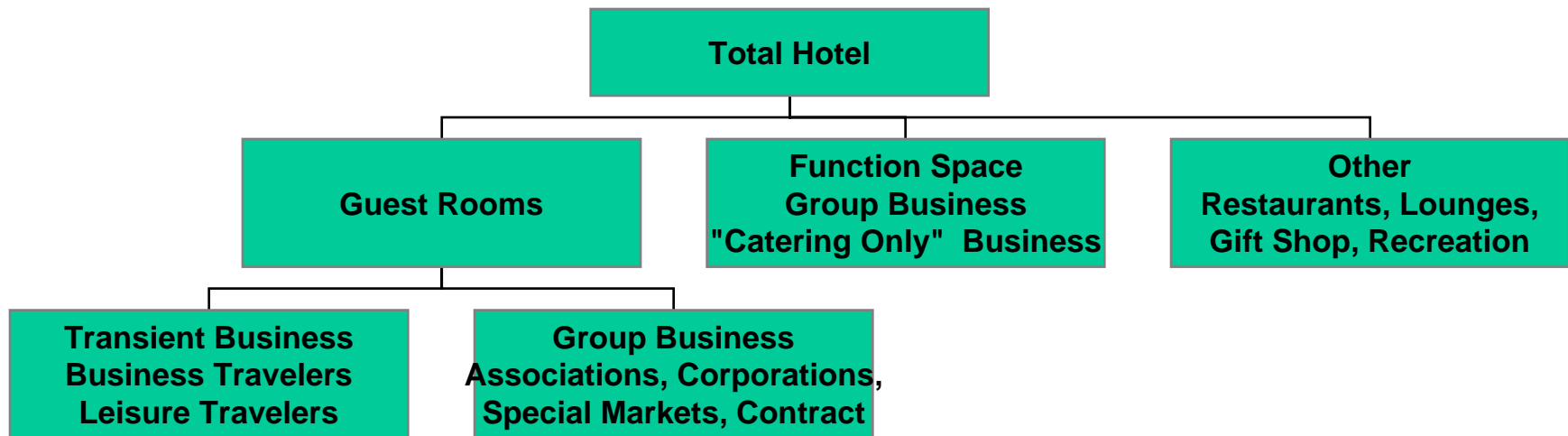


Success Measurements...

**As a “business unit,”
each property
has success
measurements
which they are
accountable for...**

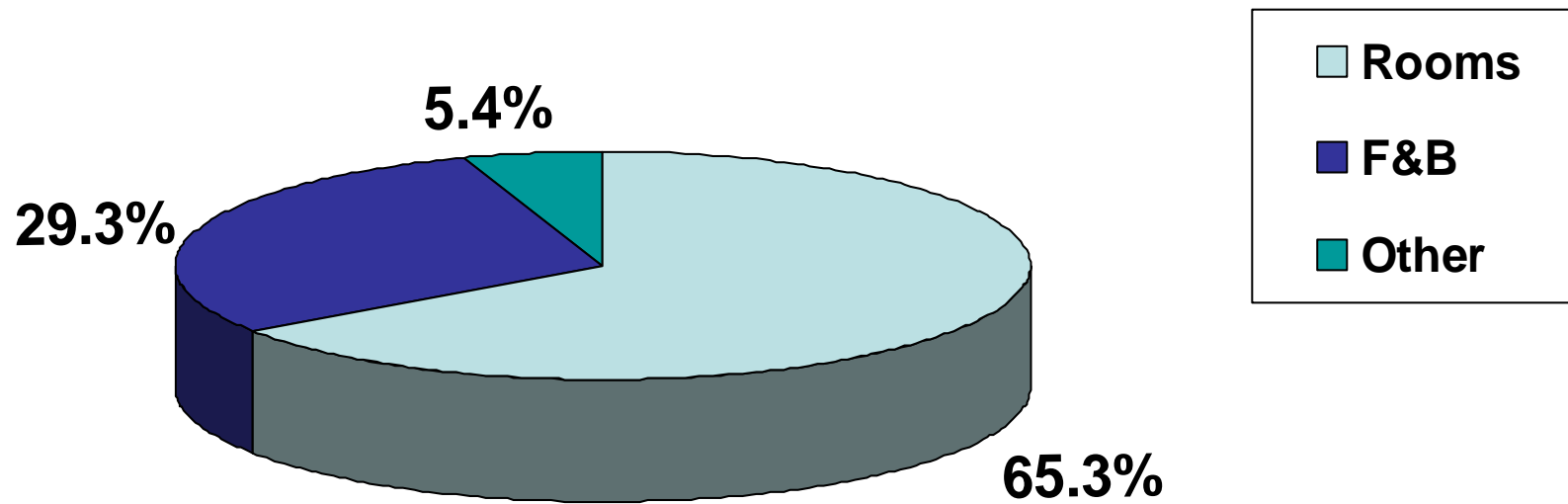


What Makes up Hotel Revenue?



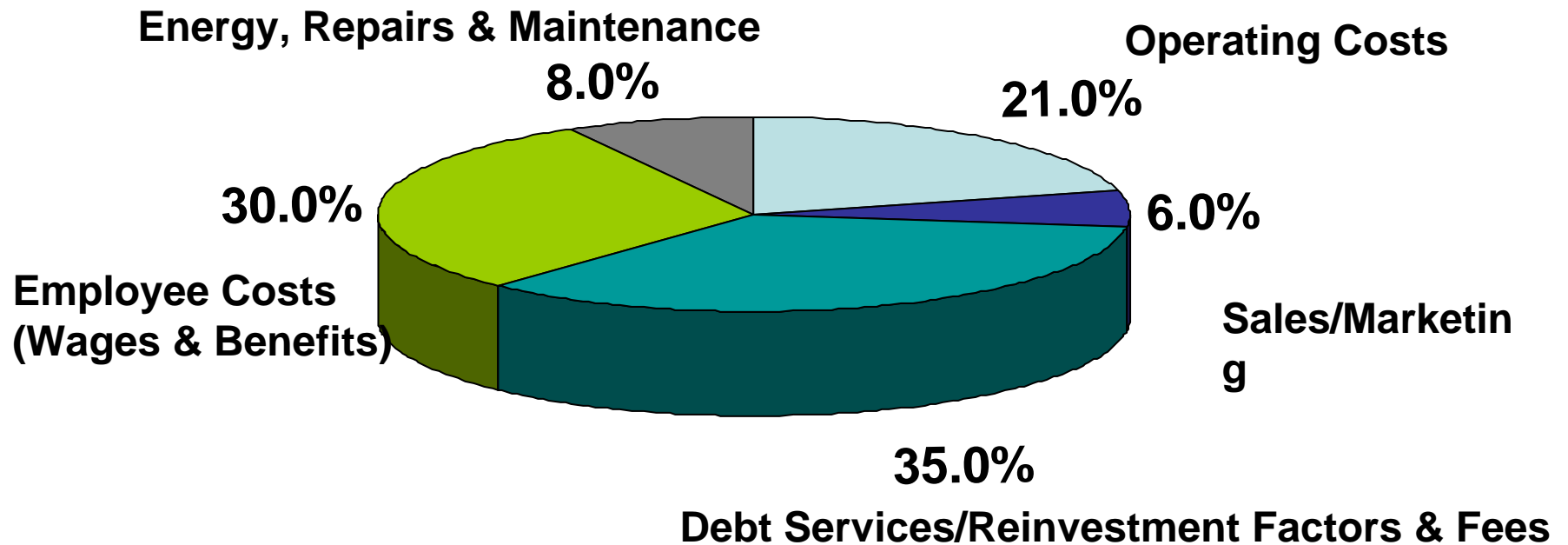
Revenue Breakdown

Full Service Hotel % Breakdown



Costs & Expenses

Full Service Hotels % of Total Revenues

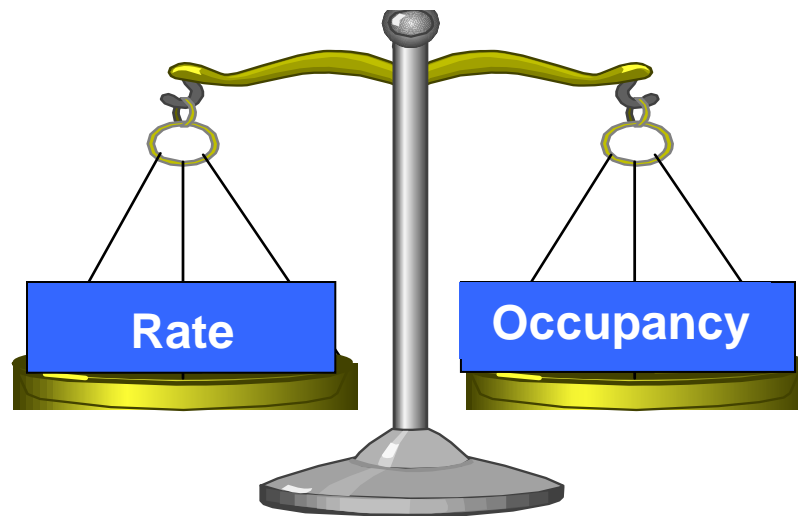


Other Factors Impacting Hotel Decisions

- Hotel chains rarely own their hotels
- Each hotel has a responsibility to its owner, mortgagor, and/or franchisee as well as company shareholders and associates to optimize revenue on a daily basis
- Most chains focus on the Management contract and Franchise models
- Hotel General Managers must answer to their own company in addition to the owners of the real estate
- Each hotel has its own P and L; therefore the negotiation principals are very different from the airlines

Success is Measured by REVPAR

$$\text{REVPAR} = \text{Average Rate} \times \text{Occupancy}$$



RevPAR allows us to measure the success of balancing occupancy and ADR resulting in maximized revenue.

Volume Relationships

Balancing

SHORT TERM

Maximize Revenue



LONG TERM

Customer Relationships



Volume Relationship Considerations

Maintain long term relationships with customers who:

- Demonstrate control
- Have the ability to move market share

Special Corporate Rate offered to those who:

- Demonstrate Control
- Have day of week patterns that build shoulder night occupancy
- Provide volume during periods of low demand

Rate Integrity

Rate integrity means many things to many people.
It could include:

- Getting your negotiated rate when you want it
- Having only your negotiated rate loaded for general inventory and not other rates loaded for upgraded room products
- Never finding another lower 'qualified' discounted rates
- Having the same rate made available through all reservation channels

Revenue Management for Barbershops

Carol's Barbershop

<u>Before</u>	<u>After</u>
Saturdays - Swamped	Raised Saturday Prices 20%
Tuesdays - Slow	Lowered Tuesday Prices 20%

Results:

- Retirees and children moved to Tuesday and were happy to do so for the cost savings
- Tuesday slack filled up
- Customers willing to pay more on Saturdays for the convenience were able to “get in” without lines
- Previously turned off customers returned
- This was a great resolution for Carol who knew that an absolute price increase was not possible
- *Overall Revenue increased by 20%*

The Goal

The goal is to manage high value relationships and make smart pricing decisions based on gathered intelligence impacting the market, the product, the competition and our customers.