



Revenue Management

Summit dives deep into revenue-management strategy

by [Glenn Haussman](#) | Aug 10, 2016 12:30pm



All revenue is not created equal. In today's revenue-focused industry, it's a critical matter of where that business came from and how much it cost to secure. Long gone are the days of setting rates just a few times a year, then paying a standard travel agent commission.

Now, reservations come through myriad channels. There's the various online travel agencies, negotiated contracts, walk-ins, direct bookings and other reservation sources. And each one of them costs a different amount to obtain. Plus, changing consumer booking windows and morphing motivations behind purchasing choices complicate revenue management further. To maximize rates in 2016, it's not just about filling rooms, it's about filling the right percent of rooms from specific channels yielding the best possible rates and profit.

It's such a complicated science that the Revenue Strategy Summit sprang up four years ago to help those grappling with this complex task and exchange best practices. Held this year in early July in Washington, D.C., the event helped attendees figure out what they need to know now and what's on the technology horizon.

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Isaac Hicks, VP, asset management with Host Hotels & Resorts [left] and Gary Isenberg, president of LW Hospitality Advisors, share their thoughts about industry disruptors.

Book Direct?

The predominant theme was OTAs vs. direct booking vs. how people really want to book a room. Big brands want people to book direct, but customers don't necessarily feel that way. And owners aren't necessarily aligned with brand interests, either.

"Direct booking is incredibly important, but I am very concerned because some pricing discounts we are giving are too much. It winds up being the same [profit] as an OTA when figuring on costs such as reward programs," said Jeremy Welter, EVP of asset management, Ashford Hospitality Trust. "We are trying to get OTA reservations down, but discounting our most loyal customers to do it."

Welter said the brands are not focused on how giving deals to the least price-sensitive guests results in lost rate. He said the company believes average-daily-rate growth could be even higher with current occupancy levels, but, he said, they discount a "big portion of folks" who would pay more. But the brands want to lower the number of OTA reservations by a percentage point.

"Owners are stuck in the middle, and are paying for this war," Welter said.

Matter of Loyalty

"Brands want to grow their rewards program; owners don't necessarily want that. It frustrates me we are at the highest [room] rate we have ever seen, and brands think we need to motivate customers with a discount," said Chad Crandell, managing director and CEO of CHMWarnick.

Ash Kapur, chief revenue officer and SVP, Starwood Capital, said the more loyal guests he has, the higher rates he can charge.

"The more repeat guests I have, the less discounting I have to do. We are missing focus on repeat guests, and that surely affects profit optimization," he said. "We have to understand [each] guest better, respective of channel and segment. Being loyal to us means we should be able to drive higher rates and profitability, and not a discount."

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On the wider web, Nathalie Corredor, SVP of strategy, Hilton Worldwide, also sees personalization as the industry's future. "The secret sauce. There is too much information today for an individual to process," she said.



"The winner will be the one who can personalize information for the individual user. The future of search for travel is 'this is the best option.'"

Even so, everything you thought you knew about setting rates will eventually be forever altered. The future is about customer recognition and specialized pricing to go along with it.



The event, held in Washington, D.C., addressed coming technology and its effect on revenue management.

Andrew Rubinacci, SVP, distribution and revenue management, InterContinental Hotels Group, believes harnessing data will reinvent how rooms are priced. "Data will change pricing in short order. Each individual will get their own price," Rubinacci said. The idea is to better understand the customer's desires to such an extent, you know what the triggers are to get them to buy a hotel room, and how much they'll pay for it. "This will be a real consumer satisfier."

Oliver Bonke, chief commercial officer with Loews Hotels, said the data issue is a big challenge. "What has eluded us over the years is that we have islands of data but haven't connected the muscles to move in a synchronized manner. I have a lot of data points, but they are too disparate and do not feel like a single organism. I need a cohesive set of points we can make decisions from."

For now, customers will go where they want to go.

"Customers are going to choose the place that comes to mind when they need to book a reservation," said Gary Isenberg, president of LW Hospitality Advisors. "If you don't tell the customer where to go, then they don't know."

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