

What asset managers want from revenue managers

21 JUNE 2018 8:25AM

It can be hard for revenue managers to divine how to fully please owners, but a panel of experts speaking during the HSMIAI Revenue Optimization Conference said it often comes down to clear communication and finding a shared definition of success.



Robert Hayward, of CHMWarnick, and Liz Perkins, of Apple REIT, speak during the HSMIAI Revenue Optimization Conference in Houston. (Photo: Sean McCracken)

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HOUSTON—Owners and revenue managers share many of the same goals, even if it doesn't always seem that way to revenue managers.

But the revenue managers who put in effort to bridge that gap through effective communication will be poised for success, according to a panel of asset management experts at the HSMIAI Revenue Optimization Conference. That effort includes putting in the leg work to figure out what their owners are truly looking for.

Speaking during the “Executive perspective: Think like an owner” session, Robert Hayward, SVP at CHMWarnick, said successful revenue managers understand the top goal of any owner is to maximize asset value.

“Owners today are investing a significant amount of capital, not only in the initial acquisition but in maintaining properties over time,” he said. “So getting the maximum return on that capital is key.”

Revenue managers should strive to get on the same page as their owners on what key performance indicators matter most and overall strategy for the hotel, Hayward said.

“The positioning of the asset and maintaining it within their portfolio of whatever strategy they may have are key,” he said.

Chris Nixon, VP of revenue optimization for Ashford, Inc., agreed it’s important for revenue managers and owners to have a shared understanding of metrics and benchmarks. His company, which oversees two hotel real estate investment trusts, puts a large emphasis on revenue-per-available-room index and metrics that judge flow through to the bottom line, he said, and he believes revenue managers need to judge themselves on that basis.

“You have to figure out what’s important to your owner then make your interests their interests,” he said.

The importance of communication

Liz Perkins, SVP of corporate strategy and reporting for Apple REIT, said that often comes down to effective communication and collaboration from both sides of the equation.

“We have to ensure we are clear on what our expectations are and that we’ve aligned our interests,” she said.

She noted two years ago her company restructured management agreements to build incentives around the KPIs it values most.

Hayward said revenue managers should be prepared to educate owners on how operations work and how realistic the goals owners set are.

“We’ve all dealt with owners with unrealistic expectations,” he said, noting that can be avoided by adopting a collaborative process that can yield more “realistic plans that both are happy with.”

Frank Calaguire, principal for SCS Advisors, said he favors a cooperative approach when representing owners in dealing with operations, except in cases where a property is clearly struggling.

“When results are not what they need to be, then we’ll take a more aggressive approach and dictate things,” he said.

Nixon said one of the most important skills for a revenue manager is being able to quickly translate what they’re working on into simple, straight-forward language.

“This isn’t rocket science,” he said. “Often it’s pretty simple. You’ll look at a report and say, ‘oh there’s a lot of black on this; black is good. But this little area is red, and red is bad.’ Then we’ll ask why it’s red and how to make it black. It’s pretty straight forward, simple stuff.”

Leadership required

Revenue managers today also should be looking beyond their discipline for ways to generate more revenue or improve profitability, panelists said.

Nixon said the level of sophistication in revenue management has grown to the point that he now looks to hire revenue managers who can do more than the traditional core competencies of that job. He said now revenue managers need to understand things like the digital distribution landscape and how to stimulate finding new leaders.

“The leaders of tomorrow will be able to look across that and add value in each of those areas,” he said.

Perkins said she values revenue managers who are able to speak up and work effectively with the various functions across property to improve revenue.

“You’re a revenue leader, not just a manager,” she said. “You need to activate the various revenue teams. Work with sales and marketing and the ecommerce team. The digital ecosystem is constantly changing, so it’s important to know what levers you need to pull.”