



A step-by-step guide for

Hotel Revenue Management



TABLE OF CONTENTS



- ★ What is hotel revenue management?
- ★ Why hotels should consider working on revenue management?

★ **Basic Strategies**

1. Think again on OTA connections
2. Perform smart inventory distribution
3. Focus on direct bookings
4. Upsell, upsell, upsell
5. Use reviews

★ **Advance Strategies**

1. Perform demand forecasting
2. Competition analysis
3. Yield management
4. Pricing strategies

What is hotel revenue management?

Revenue management is the backbone of a profitable hotel business. However, it has always seemed challenging to hotels because of many misconceptions.

Revenue management for hotels can be wrapped up into 5 R's. It is all about selling:

1. Right Room
2. to Right Guest
3. at Right Moment
4. at Right Price
5. on Right Platform.

That's it!






Why hotels should consider working on revenue management?

Over the years, the hotel industry has become truly competitive. It is challenging for hotels to survive and stand ahead among their competitors.

Besides, your hotel business is not meant to be run on the grounds of going with the flow.

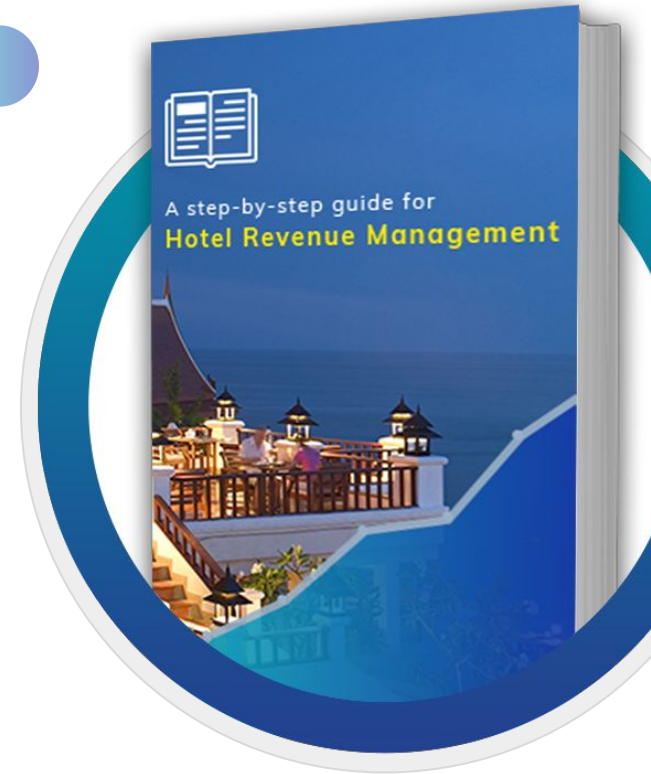
Here is when revenue management comes into the picture. It helps you fight against all these problems and have,

1. A successful hotel business
 2. A headway among your competitors
 3. A steady flow of income regardless of any factor
- 

How to use this guide?

1. Go through all the strategies and action steps in this guide.
2. Implement them.
3. Analyse results.
4. Continue strategies that performed well.

Disclaimer: *The strategies mentioned in this guide are generalized for all property types. All strategies are not for everyone. Choose the strategies on the basis of the mentioned points and your convenience.*





Let's go through basic revenue
management strategies

1. Think again on OTA connections

First things first, choose the right OTAs for your property.

For example: If you're a hostel in China then,

A. Connect to the relevant regional and global OTAs

- A regional OTA like Ctrip.
- Global OTAs such as Expedia and Booking.com.

B. Select the OTAs as per your accommodation type

- List yourself on Hostelworld and Hostelbookers where your potential customers are.

C. Choose the OTAs that fall into your budget

- Select the OTAs that are not heavy on your pockets.

#Note: You can negotiate the commission rates with the OTAs. But with less commission, they might cost you the visibility on their platform.



Booking.com



tripadvisor



#UltimateSecret: Don't limit yourself to 2-3

OTAs.
If you do so then...

- Your hotel does not get required exposure.
- You do not get more bookings.
- You do not get right guests.
- You do not get more reviews.
- Your online presence will scale down.



2. Perform smart inventory distribution

Too much dependency on an allocated inventory distribution, walk-ins or one booking source is now an old-school method. Avoid doing that.

Do inventory distribution smartly.

Adopt a uniform distribution method (AKA pooled inventory concept) and list all your inventories on all channels.

Use a channel manager to practice this pooled inventory distribution method.

Let's understand it better by an example.



Without uniform distribution method

Consider you have 25 rooms. Out of that, you've listed 15 rooms on OTAs and kept 10 rooms for walk-ins or website.

Scenario 1

- You might receive than 15 bookings from different OTAs.
- Since you've listed only 15 rooms, you will receive 15 bookings only.

Scenario 2

- You might receive more than 10 offline bookings via walk-ins or through phone calls.
- But you don't have enough available inventories.

So, you **lose potential booking opportunities.**

With uniform distribution method

In the uniform distribution method, if you've 25 rooms, then list all the 25 rooms on all the channels.

Only Scenario

- Let's say you received 3 online bookings, then the channel manager will update the inventory across all the platforms.
- You still have 22 rooms across all the channels to accept bookings.

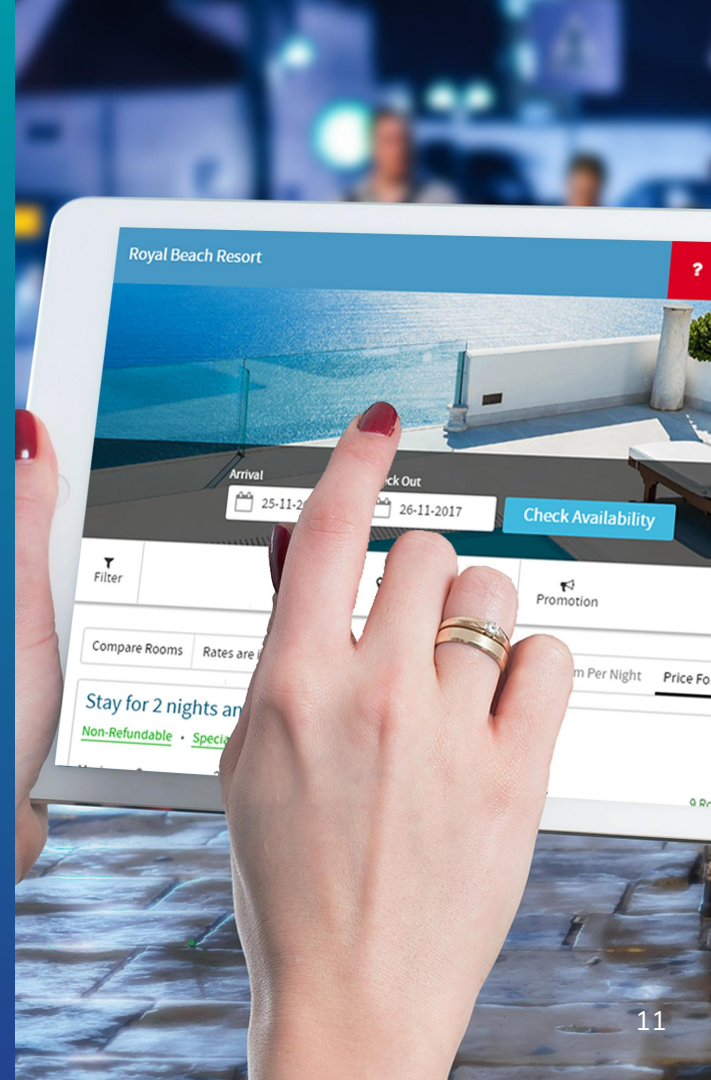
Since the inventory is managed centrally, you don't have to worry about overbookings, or remaining underbooked.

In this way, you **get bookings from every source.**

3. Focus on direct bookings

Perform these steps to acquire direct bookings:

1. Get a hotel website that is attractive, responsive, and navigable
2. Add appealing photos and videos
3. Optimize it using different SEO strategies
4. Integrate a booking engine to gain direct bookings
5. Make significant efforts to increase your direct bookings through promotions and offers



Here are some tricks to increase your direct bookings:

1. Get listed on metasearch engines like TripAdvisor and Trivago
2. Give discounts on direct booking
3. Showcase your online reviews
4. Have a chatbot to attend to all your guests' inquiries
5. Highlight your amenities
6. Enroll with Google Hotel Ads only via **Authorized Integration Partner**
7. Start social media marketing for your hotel
8. Collaborate with local partners
9. Make the most of email marketing
10. Try your hands on radio ads and television ads (only if it suits your budget).
11. Consider hosting events at your hotel

4. Upsell, upsell, upsell

Earn revenue apart from room rates via upselling.

Upsell your meeting and event spaces, F&B services, recreational services, and other such activities.

#ActionStep: Using your guest database, gauge their nature.

- If one of your groups is of corporates, then upsell your meeting spaces.
- If your upcoming guests are a family, then offer your spa or pool services.





5. Use reviews

Delivering the best-in-class guest experience should be the **ONLY** aim of the hotels.

Reason being, it plays a significant role in improving your hotel's reputation.

The quality service impels your guests to give favourable feedback for your hotel.

And more the positive reviews, higher are your chances to get selected by guests.

Thereby, you shoot two birds with one arrow!

Earn a **good reputation** and **revenue**.



**Let's go through advance revenue
management strategies**

1. Perform demand forecasting

Demand forecasting is the prediction of future business performance. In which, **data is of utmost importance.**

This is how you can perform demand forecasting:

Data Collection: Gather data such as peak and weak season, long weekends, festivals and so on.

Analysis: Find out how you've performed on these occasions. Then predict how you'll be able to perform in the coming year.

Set your rates based on these two activities.



6 tips to make you a PRO at forecasting:

- Keep accurate records
- Make use of historical data
- Consider upcoming events and holidays
- Pay attention to market trends
- Competition analysis
- Analyse guest segments (types)



2. Competition analysis

Perform competition analysis. Because...

- It helps you understand the strengths and weaknesses of your competitors as well as yours.
- You can know your position among your competition and eventually work to get ahead in the race.



How to select your competitors?

Select your competitors by referring to the following parameters.

NOTE: Even if 7 parameters are meeting out of 10, then you can consider those properties as your competitors.

Parameters to define your competition set

	Competitor 1	Competitor 2	Competitor 3	Competitor 4
No.of rooms				
Room types				
Location				
Accommodation type				
Size of property				
Brand affiliation				
No. of OTA connections				

Parameters to define your competition set

	Competitor 1	Competitor 2	Competitor 3	Competitor 4
Number of services				
Any special amenities				
Marketing strategies				
Average ratings				
Social media presence				
Number of reviews				

3. YIELD MANAGEMENT: What, how and why?



Determining the right hotel room pricing is called “yield management strategy”.

In simple words, **increase the room rate when the occupancy increases and vice versa.**

#MYTH: Yield management = Revenue management.

No. Yield management is NOT the same as Revenue Management.

Yield management only encompasses the revenue generated from the room rates or occupancy, whereas revenue management involves a lot more than just occupancy.

Yield management revolves around these metrics

A. Occupancy

Occupancy is the key parameter to measure your hotel's performance. It can be calculated as:

$$\text{Occupancy \%} = \frac{\text{Number of occupied rooms}}{\text{Total number of available rooms}} * 100$$

C. Revenue per Available Room (RevPAR)

RevPAR is a measurement of a hotel's average daily rate and its ability to fill its rooms. There are two basic formulas to calculate RevPAR:

1.
$$\text{RevPAR} = \frac{\text{Room's revenue}}{\text{Number of available rooms}}$$

2.
$$\text{RevPAR} = \text{Average daily rate} * \text{Occupancy percentage}$$

B. Average Daily Rate (ADR)

ADR is a metric that measures the average revenue earned from the occupied rooms on a day. It can be calculated as:

$$\text{ADR} = \frac{\text{Revenue earned from rooms}}{\text{Number of rooms sold}}$$

(*ADR does not count:

1. Vacant rooms, complimentary rooms, hotel use rooms.
2. 'No shows' and forfeited deposit rooms.
3. Canceled bookings and charges levied for the same)

4. Pricing Strategies

Basically, your ultimate goal should be:

- Increased occupancy with high revPAR
- High revPAR with maximized yield

The only way to achieve this is to apply various **pricing strategies**.

Strategy 1:

Dynamic pricing as per occupancy

Dynamic pricing is also known as slab-wise pricing. In this strategy, different pricing slabs are made according to the occupancy percentage.

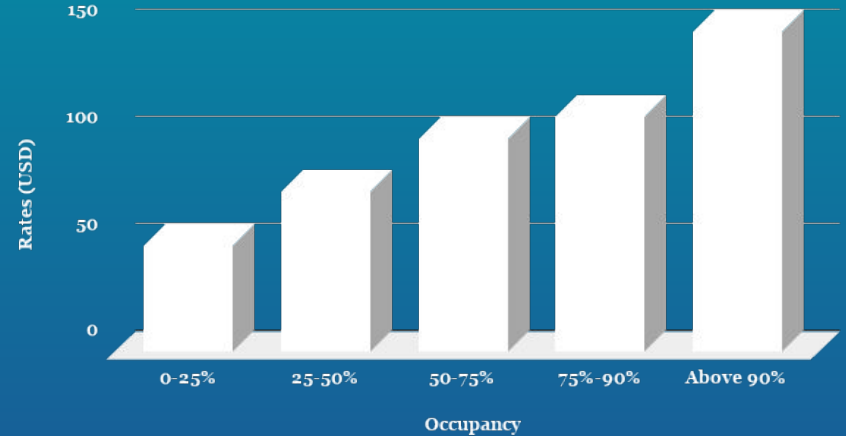
For example:

Your basic room rate is 50 USD. If your occupancy lies between 0-25%, keep the same room rate. (Refer graph.)

Then, as the occupancy increases, increase your room rates.

#ProTip: Adopt technology such as hotel software and booking engine to practice this pricing strategy.

Rates (USD) vs. Occupancy



IMPORTANT NOTE: This is not a standard slab. Depending upon the trends and your hotel's data, you can define your slab-wise pricing.

Strategy 2:

Segmented rates

In this strategy, segment your customers and offer different rates to each customer's segment.

For example:

1. Following the rate parity strategy, the rates for the open market should be the same.
2. On the other hand, offer negotiated rates to the corporate segment and in return ask them to commit a certain number of rooms for the negotiated rates.
3. Connect with a tour operator and sell them some rooms at special rates.

Strategy 3:

Discounted rates

In this pricing strategy, sell your rooms on a discounted price for a short period.

For example:

1. Offer nominal discounts few months before the peak season. This will help you acquire assured reservations in the peak season beforehand.

Book now at 30% off and enjoy your Christmas to New Year eve at Avalanche Resort.

2. Run attractive flash discount hours for a limited period. Offer big discounts on booking directly via your hotel website.

#ChristmasDiscount: *Get flat 25% off on booking. Offer available till 20 DEC only.*

Strategy 4:

Rates as per length of stay (LOS)

Adjust your prices on the basis of your guests' length of stay.

For example:

Mandate the length of your guest's stay by offering them good prices.

1. Decrease the rates in weak seasons

Get 3N/2D stay at Avalanche Resort and at 200 USD only.

2. Increase their length of stay in peak seasons

Stay for a minimum of 4 nights and at the cost of 3 nights only.

Strategy 5:

Packages

A package is a room rate clustered together with other products and services.

By offering packages, you can create a value perception among your guests.

For example:

Package 1: Free meal

If your guests have selected a European plan, then offer a free meal for the first day as a package.

Package 2: Pick up and Drop-off facilities

Offer them pickup and drop-off facilities from the airport as a package.

Package 3: Cancellation policy

Offer your packages at high rates with a refundable condition and vice-versa (with a non-refundable condition).

Bonus Strategy:

Run loyalty programs

Loyalty programs cannot be excluded from your revenue management. It is the best way to get business from repeat guests.

Also, running a loyalty program is a no-brainer. All you have to do is offer attractive rewards to increase your sales.

Running loyalty programs for your property benefit you in several ways. You can,

1. Retain your old customers
2. Attract new guests
3. Promote your brand value
4. Most importantly, **increase your revenue**



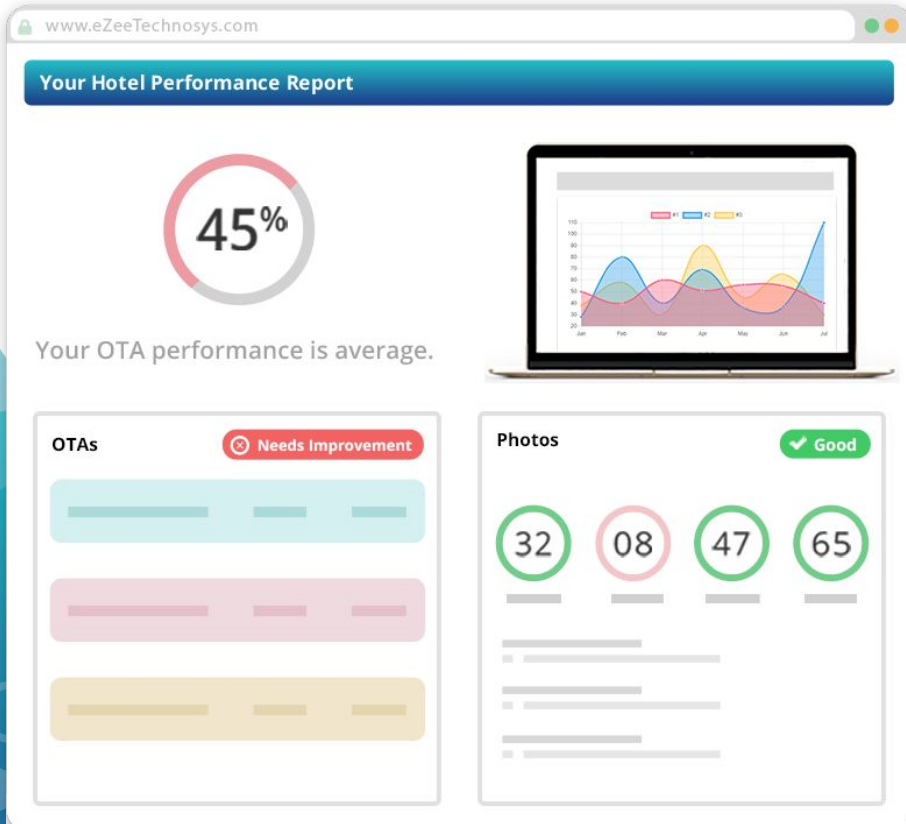
That's it!

The lock, stock and barrel of revenue management is sorted.

But before you start revenue management,
know **how your hotel business is currently performing in the market.**



Know how your hotel's doing with a **FREE** hotel performance report



Get your hotel's reality check done by industry experts on 45 parameters such as...

1. OTA connections
2. Direct bookings
3. Online reputation management
4. Metasearch connectivity and so on...

Get advice on how to improve your performance.

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