

RM for casino hotels is slightly different to that of normal hotels and resorts. For many years, in order to attract guests to visit the gaming floor, casino hotels offered comp rooms under over-generous conditions and the hotel room became just a convenient place to stay, but not a great revenue generator. This situation is changing as a new breed of revenue managers begin to implement specific yield strategies and sophisticated casino RM technology to transform casino hotels from loss-leaders to solid profit centers.

Revenue Management at a casino hotel is different from a regular hospitality operation because it considers a guest's theoretical future gaming value as well as potential room rate and other additional revenue, such as spa use and dining.

Revenue Management Systems began life as ASP systems, but have recently begun to morph into in-house systems, to become an integral part of the PMS. Hoteliers can choose whether to implement an ASP standalone system, or an in-house system, but many PMS providers now offer RM as part of a total solution. Our consultants believe Best of Breed is dying out, as PMS providers assume more and more of the roles of other systems. But the question remains: How good are these built-in systems? What can they do? What value can they offer if they only allow a property to tier sell?

Five years ago, the most common solution was a premise-based separate third-party solution. This was installed at the hotel, but although the system cost around \$50,000, installation would cost in the region of \$60,000. With the advent of third-party ASP, such as solutions by **IDEaS**, who offer their ASP-based Revenue Optimization Solutions, RM

applications have become faster and cheaper. Another economical option is to buy a PMS with a Revenue Management module.

MICROS, for example, offer their OPERA Revenue Management System, a consolidated and versatile product which can be customized for a single independent hotel as a client server system; any size and type of hotel or resort as a three-tier distributed enterprise system; or a subscription-based ASP configuration for all of the above.

AltiusPAR started with Reservations and built their PMS on top of that, now offering AltiusPAR RM (revenue management controls), as a module within its Central Inventory System.

Amadeus offers Amadeus Revenue Management System (RMS), an automated business management tool that captures daily production results and booking activity from the hotel PMS; the solution is custom-built for each hotel customer and is compatible with 45 different PMS and CRS systems.

Mark Ozawa can think of no fundamental changes in the functionality of RM – 'it is more of an evolution than a revolution,' he said. However, now, Revenue Management has divided, like so much other contemporary technology, into standalone ASP-based solutions, and integrated solutions. There is an evident trend for both, and so we highlight the benefits of each type of application.

Paul Margailan, MD of **Easy (Ez) Revenue Management Solutions Ltd.**, one of the three main players in the ASP-based RM market, believes that the main benefit of an ASP Solution is to overcome the issues that still restrict mass penetration of RMS within the industry today. He names these as: speed of deployment;

localized knowledge base; management control; process support; cost of implementation; client technical environment; channel management and optimization; regional yielding capabilities; and processing power, ultimately translating to speed of optimization.

In contrast, Pierre Boettner, Product Manager for ORMS, is a supporter of integrated solutions, and thinks that integrated RM 'will be a pre-requisite to being successful in the market, and will become widely used and accepted.'

For MICROS, full integration translates to lower annual costs for the operator, and systems that are much easier to use, and that do not need to be constantly maintained if they are to function properly.

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Scott Marble, Director of Individual Travel at **Cheyenne Mountain Resort** in Colorado, operated by **Benchmark Hospitality**, is also of the school of thought that thinks that most profitable revenue management processes are created at the intersection of people and technology.

‘Our business mix is always changing,’ he said. ‘This means we are continually refining our pricing strategy to track with demand fluctuations from our corporate, leisure and military segments. Since each segment has a different value to the property, we proactively decide on the most profitable segment mix to maximize revenue, and then use our Maestro PMS to implement our strategy.’

Marble added that demand is constantly shifting, so the property’s rate strategy needs to be adjusted often. ‘When we see the house begin to fill quickly, we can increase our revenue potential by using Maestro to adjust rates by any dollar amount for any segment. The system is a great revenue management tool,’ he said.

Benchmark Hospitality International is currently ranked #3 on the list of “Top 20 Performers” in *Lodging Magazine’s* 2007 Leaders & Visionaries supplement, and has Maestro systems installed at sixteen of its properties.

AltiusPAR

AltiusPAR offers Revenue Management combined with online, real-time central inventory control. Accuvia spoke to Connie Rheams, VP of Business Development and Marketing, who explained that the company offers built-in RM controls that can be utilized in two ways.

First, they can be applied manually. By this, Rheams means that hotel operators, through their existing CRS or PMS, apply what AltiusPAR calls ‘manual static controls’ to manipulate these systems and achieve higher revenues. Apparently some independent properties and chain hotels still operate this way - without a dedicated RM system - and Rheams thinks this is because ‘there has to be a certain level of demand for a property – there are certain thresholds.’

High-occupancy and larger hotels are those that need a dedicated system, as profits are made when rooms are filled, and in these cases, operators need to manage every detail of their guests’ arrivals and departures. Some hotels only have seasonal high occupancy, during which, said Rheams, ‘one hour can make a big difference.’ She adds that it is just not possible for one person to run the controls and manipulate by the hour – which is why AltiusPAR offers controls in the system to manage rates and inventory.

The second way which hotels can use AltiusPAR revenue

Hotel group operators are also leveraging multi-property revenue management technology to drive optimized rate strategies across entire portfolios.

Lisa Jane Gibson, Director of Revenue Management for **Vintage Hotels**, said ‘Our three hotels use a single-database system from Maestro that fully integrates our Maestro Yield module with our two-way GDS reservation connectivity, which enables each property to sell rooms for all properties with the same centrally controlled optimized rates.’

Vintage Hotels then pushes the identical rates out to their Internet channels, which gives guests confidence that the rates offered to them will not be undercut elsewhere. ‘Maestro automation reduces the labor involved to maintain rates for our hotels because I can manage rates from a single location,’ explained Gibson, adding that since Vintage Hotels utilizes a single database system platform, it can sell out to the last room from any channel without being concerned about overselling.

‘Developing a proactive revenue management strategy is essential to this objective; automating the implementation of our strategy is what makes it work,’ said Gibson.

management controls is if the property is using a third-party RM system. AltiusPAR can then integrate with this system and enable it to accept ‘dynamic controls’, which automatically applies up-to-the-minute changes of rates and inventory based on individual customers’ requests. In summary, Altius can offer hoteliers either effective manual controls or dynamic, automated controls for Revenue Management.



Rheams thinks the key challenges hoteliers face when selecting a RM system are: Where to put it? Where does it link into? Generally the PMS produces more bookings than the CRS, but now, as distribution and reservation processing has become more complex with the rise of associated channels, the PMS is no longer entirely capable of managing revenue. ‘It was never intended for this,’ she said, ‘it was designed for the check-in, check-out and in-house operations - not as a revenue management generator and processor.’

Having heard much dialog about the PMS, and whether or not it should be used for RM, Rheams is adamant that it should not, despite the fact that it has evolved into a RM tool. ‘Hotels

were just forced to use the PMS because there were no other real solutions out there.' It is an interesting discussion nonetheless. Larger chains, and the more sophisticated operators, are beginning to take note, and have moved in the direction of making the CRS the single location where all reservations and RM should reside. 'The CRS should tell the PMS what to do,' said Rheams. 'Really, the PMS is slave to the CRS.'

AltiusPAR is agnostic about which RM systems are used by their customers, but can integrate these into the CRS or CIS so that Revenue Management is applied to 100 percent of bookings – not just to PMS bookings. According to Rheams, this is what makes AltiusPAR different, and is where the industry is headed. Another differentiator is that AltiusPAR can revenue manage group bookings. 'We are completely holistic in the way we apply RM,' said Rheams. She tells how some properties revenue manage groups against other groups – 'but we put the whole glass of water on the table and everyone can sip from the same glass through their

MaximRMS

For hotel RM, MaximRMS offers, eFlex, a solution that provides Total Profit Optimization, including the ability to incorporate room, gaming, spa, golf, F&B, entertainment, and ancillary revenues from all types of customers. MaximRMS' Marginal Value Engine (MVE) solution incorporates price sensitivity to correctly model customer buy-up and dilution response to changes in available rates.

'Details are critical!', said Don Wilson, Chief of Revenue Management Development for the Chicago, Illinois-based company. 'Our forecasting and optimization is executed at the most granular level – no arbitrary 'bucketing' of demand – and produces the most accurate full pattern length of stay controls.'

He explains how Maxim eFlex uses detailed information on all reservations transactions for transient and group bookings. In other Revenue Management systems that store demand data at a more aggregate level, said Wilson, certain changes in the rate category structure would invalidate the historical data and might require as much as several months of new data to produce reasonable bookings-based forecasts.

With respect to revenue management systems as part of the PMS, Wilson thinks these tend to get "diluted" due to the amount of tasks already required of a transactional processing system such as the PMS or CRS, versus a decision-support analytic system such as the RMS. 'RM analyses do not fit into the structure of a PMS system that is processing hundreds or thousands of reservation transactions, hotel operating transactions and accounting activities per day. Revenue Management is an advanced mathematical science, best done within specialized systems.'

individual straws.'

In terms of development, AltiusPAR is currently looking at how to manage inventory; not just rooms, but also amenities. Another future consideration is that RM offers at least two types of profit consideration. There is the room price, but this needs to be combined with who the customer is, and what their value is. The idea is to combine the overall customer value with traditional RM controls, so that profitability is made on both room and on customer. 'This is another future trend in the industry,' said Rheams.

One of AltiusPAR's most recent customers, **Citizen M**, is a new, Amsterdam, Netherlands-based hotel chain. 'These guys are doing some pretty unique things around selling,' said Rheams, 'including non-refundable, very low rates. They're applying a very different type of rate structure.' Citizen M is just about to launch, and will start accepting reservations this month.

In terms of the future, Wilson sees RM affected by four different factors. First, he thinks systems will become more sophisticated, with less reliance on simple manipulation of rates. 'More and more hotels are realizing that just varying the rates up and down, while profitable, does have limitations and drawbacks,' he said.



Pricing is the next factor, as in attempts to increase occupancy during low demand, some hotels keep cutting their rates further, even though demand will not make up for the lost revenue from lower rates, the brand can be weakened, and the marketplace comes to expect super low rates and only book when they are present. Pushing high rates when demand is highest has similar results, such as alienating good customers, and losing potential ones. 'Hotels should look at price testing to better understand customer response under various market conditions, and strategic pricing to properly position the hotel within their markets,' said Wilson.

Integration is another element of future change. 'We expect to see more integration of RM among all market segments equally - the same level of detail analytics and controls to maximize group, contract, and gaming/casino, spa and golf business as we have had for transient business.'

Automation is the final factor. 'The future holds a much greater penetration of automation, so that nearly every hotel is using an automated RMS, not just the larger chains.'