Data, history help revenue managers ID best guest mix

hotelnewsnow.com/Articles/137044/Data-history-help-revenue-managers-ID-best-guest-mix

Today's revenue managers are relying on demand data and cost analysis to home in on a hotel's booking sweet spot.

HVMG runs the 334-room Hyatt Regency North Houston, where the strategy to combat a downward trend in corporate demand is partly to layer-in more leisure bookings further out. (Photo: HVMG)

REPORT FROM THE U.S.— Hoteliers are crunching ever-increasing amounts of data when determining a property's ideal business mix, while also closely watching the wide range of customer sales costs within that overall demand pool. Since industry occupancies are still at robust levels, the emphasis remains on squeezing the most profit possible from each booking, rather than driving the sheer quantity of room nights sold.

That puts rates, and their sources, under a microscope. Since average daily rates can vary significantly among customer segments—corporate business travelers, for example, will generally pay more than leisure guests who bargain-hunt through online travel agencies—revenue managers are perpetually furthering the science of determining just how much demand to court from each and on which channels to sell those rooms.

"Things are very data intensive and focused," said Susan Guimbellot, VP of revenue and channel strategy for HVMG. She added that the more history revenue managers have to work with, the better idea they have of what might work.

"We look closely at the trends and then really dig down into the specific individual counts and try to understand who's there," she said. "We look at it holistically, so it's not just the best revenue, but what's the best profit, more of the bottom line."

As an example, Guimbellot pointed to markets recently impacted by the oil business, such as Pittsburgh and Houston, where HVMG manages the 334-room Hyatt Regency North Houston. Corporate demand has declined significantly in those markets, she said, so a smart strategy to combat the downward trend is to layer-in more leisure bookings further out, or even try to take more contract or crew business. Though such bookings are usually at a lower rate, the patterns are further out, and therefore hoteliers can potentially manage expenses better.

Weighing occupancy, rate
Other challenges can arise when occupancies are high and managers are wary of accepting lower-rated and/or short-stay business on peak nights. In these situations, a keen focus on pattern management becomes essential, with the goal of providing coveted mid-week rooms to guests who will stay longer and spend more within the hotel.

"If you're running 75% or 80% (average) occupancy, you're running 99% to 100% on Tuesdays and Wednesdays for most of the weeks of the year. It's critical that you're really managing that pattern and you're not filling up with flat, corporate one-night rates on Tuesday and Wednesday, and leaving yourself cold on Monday and Thursday," Guimbellot said.

"You really need to make sure that you're layering-in your group patterns well: You're almost never selling anything for Tuesday and Wednesday, and two-night group only, especially if (the hotel) doesn't have meeting space or food and beverage or some other really large incremental revenue component to it."

Securing that crucial F&B/incremental spend from group customers is becoming increasingly difficult, sources said. While in many cases group demand is up, once on-property those group guests aren't always spending enough to justify—at least from a revenue management perspective—the discounted group rate.

"What we've been challenged with is the banqueting companion to group business has not been as strong as group room night demand," said Tom Engel, president of the TR Engel Group, which asset manages the 474-room Renaissance Schaumburg Hotel & Convention Center in Schaumburg, Illinois, among others.

"Many of our groups prefer to have their dinner functions off-site, or don't want to have them at all. That's been somewhat troublesome," he said. "That trend has motivated us to really source not just group business, but group business that is going to qualify at a minimum of one major meal period and several breaks."

Origin of the guest
Experts recommend hoteliers also take a hard look at the costs associated with various distribution channels, and the customer segments that tend to favor each, when making business mix decisions. This tactic has become even more essential in the age of the OTAs and mobile bookings made on the fly.

"One of the key strategies needs to be really understanding your customer acquisition costs," said Gary Isenberg, president of asset and property management services for LW Hospitality Advisors. "We need to be managing toward profitability, not toward top-line revenue. Just because we increased RevPAR by 10%, if we did it by something that cost me 50% to acquire the customer, I actually lost money. We need to understand what it's costing us to gain that consumer. We're continuously going to have disruptors in our industry as technology progresses, so understanding true cost is more important than top-line revenue."

Isenberg cautioned it's equally critical to take stock of costs associated with branded distribution channels, which can cost the hotel more per booking, usually due to promotional or loyalty club giveaways.

For example, Isenberg said, brands have been offering incentives, such as discounted rates, to get frequent guests to book direct. Hypothetically, let's say it's a 10% discount on a $200 room, for a savings (or cost) of $20. On top of that, Isenberg explained, hoteliers typically pay 5% of that frequent guest's entire folio back to the brand for the points that the guest earned. So if that $200 per-night guest spends $300 total, another $15 (5%) is now added to the cost of the original $20 discount. Thus the one-night reservation costs the hotel $35 through brand.com, whereas a straight-up 12% commission paid to an OTA would only cost $24 to sell the same $200 room.

“The OTA, in that scenario, is less expensive than through the hotel brand,” Isenberg said. “Revenue managers of hotels are really working for the ownership, not the brands. They need to be making sure that they’re managing the cost of acquisition, not just the top line. Just because a rate is $150, if it’s cost you $50 to acquire that customer, it’s not a good deal.”