



# Moving from revenue management to revenue strategy

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**The hotel industry continues to see revenues bleeding away to intermediaries – and now to “metamediaries” as well. This wake-up call from Patrick Bosworth, CEO and co-founder of San Francisco-based Duetto, will help hoteliers see that they must take steps to strategically regain control of their net revenues – and they must do it now.**

You don't have to be a professor of economics to realize the industry is nearing an inflection point. Industry-wide revenues continue to increase, but commissions paid to distribution partners are growing twice as fast. In some cases, customer acquisition costs are as high as 40%. If hotel owners can't regain control of their bottom line, one of the most lucrative industries could join publishing, music and the airlines on the list of industries forever altered by the Internet.

Revenue management—a field that is vital to the success of any hotel—is no longer enough. A new revenue strategy is critical for hoteliers to survive and thrive in this new world of not just intermediaries, but now metamediaries that are taking a bigger cut of the action. This strategy must integrate revenue management and marketing and take advantage of all the tools and technology available.

## **Times have changed**

When Marriott took a page from American Airlines' yield management in the 1980s, the Internet barely existed. Expedia was still a decade from launching, Mark Zuckerberg was just a baby and Google was 20 years from changing the world.

Think about how customers booked hotels back then. Think about how it's done today. How many bookings today are processed or touched by others? Even the most profitable customers visiting the hotel's website to book are likely first

visiting other sites, more than 10 by some accounts, and many of those are getting a piece of the pie. In the case of Facebook and Apple, it's believable (check the patents), if not expected, that those sites will soon be even more involved in the hotel-booking process and taking more money from hoteliers.

Very little today constitutes a “direct booking,” and tomorrow, it will be even less. The Internet, cloud computing, open source software and mobile technology have changed the industry for good. The distribution and data science side of the business has become far more demanding, with new channels, social media and one-to-one marketing.

Yet many, if not most hoteliers today still use the same revenue management systems and strategy employed decades ago. Best-available-rate pricing is no longer acceptable when open and dynamic pricing is a viable option. Managing (and pricing) to meet budgets and mistaking inventory management for revenue management are costly mistakes that can't be made with today's thinning margins. If the right segments of customers aren't first understood and defined, and then yielded independently, money is being left on the table. Why don't most revenue management systems track customer behavior and take into account web-shopping data that could help get a clearer picture of price elasticity?



#### About Duetto

*Duetto provides dynamic, intelligent revenue strategy solutions to the world's leading hotels, allowing them to maximize profits through superior, actionable data to better manage pricing, revenue and business mix decisions. Leveraging a cutting-edge, cloud-based architecture, combined with a feature-rich product set, Duetto transforms the way hotels price and sell rooms. Duetto has attracted many of the highest regarded investors and advisors from the hospitality and technology industries, including, among others, Thayer Ventures, Battery Ventures, Benchmark Capital, Altimeter Capital, Trinity Ventures, Lee Pillsbury, founder and Chairman of Thayer Lodging, and Marc Benioff, founder, Chairman and CEO of Salesforce.com, Mark Lomanno, former CEO of STR, Rich Barton, former CEO/Co-Founder of Expedia and Sam Shank, CEO and Founder of Hotel Tonight.*

[www.duetto.com](http://www.duetto.com)

#### A new revenue strategy

The technology and tools used by hotels must change, but even more importantly, the overall approach to revenue generation must be reprinted. No longer can revenue management be done in a vacuum, separate from the marketing department that is tasked with stimulating demand.

A holistic and integrated revenue strategy must be used to combat the increasing commissions that threaten the livelihood of hoteliers. It must encompass sales, marketing, distribution, revenue management, loyalty and everything else that is a part of generating revenue. And revenue isn't even really the right ultimate goal anymore. It must be net revenue we talk about and strive for, because not all revenue is equal. The cost of acquiring that customer—the money being paid to intermediaries, now metamediaries and other marketing fees—is increasing exponentially.

Market intelligence gleaned from revenue management forecasts must serve as the starting point for proactive revenue strategies. How can marketing know how aggressive to be with offers and promotions when they don't know when they'll need them? If the promotions department is projected to fill 500 rooms in a month, are they filling them when demand is low or are they flooding the market with deals on days when it's not necessary? How much of an upgrade

should a loyalty program member receive for his 20 stays, and might that displace a customer willing to pay top dollar for that room that night? Data is available today that could answer those questions, but too often the departments that need it cannot get it, even when someone else within the organization has it.

The industry has changed, and continues to at warp speed. If hoteliers don't catch on, and up, they'll be forever left behind.





## Additional recommended reading

Reputation Management	Search Marketing	Social Media
<a href="#">✈ Hotel guests read 6-12 reviews before booking, says new TripAdvisor survey</a>	<a href="#">✈ Metasearch OTA channels - the who, what, why and how of the newest (and potentially, most lucrative) online distribution channel</a>	<a href="#">✈ Google, Facebook, TripAdvisor tout benefits   hotelnewsnow.com</a>
<a href="#">✈ Exclusive advice for hotels from Google, TripAdvisor, Facebook and Twitter</a>	<a href="#">✈ 9 Not-to-be ignored trends for hotel distribution in 2014</a>	<a href="#">✈ 5R's of digital marketing and social media engagement: renew, review, repute, replace and respond</a>
<a href="#">✈ A year in review on hotel reviews</a>	<a href="#">✈ Here's how Google search will change after a three-year battle with European regulators</a>	<a href="#">✈ Hotel social media strategies in 2014: painfully authentic, help not hype, and 24/7 coverage</a>
<a href="#">✈ Hotels: if your online reviews are negative guests won't consider you. Period</a>	<a href="#">✈ The top ten questions to ask your paid search vendor</a>	<a href="#">✈ Hotel marketing cannibalization: is your hotel website traffic eating itself?</a>
<a href="#">✈ The circle of trust   by Ben Jost</a>	<a href="#">✈ How metasearch is shifting the balance of power</a>	<a href="#">✈ 14 Hotel marketing trends for 2014 [infographic]</a>
<a href="#">✈ Travelers now read hotel reviews in a revolutionary new way: Weta-Reviews™ summarize everything said about hotels</a>	<a href="#">✈ The digital direction: hotel marketing budgets and a digital 101 for hotels</a>	<a href="#">✈ 4 Smart ways to optimize your hotel's social media strategy</a>
		

