

REVENUE MANAGEMENT IN HOTELS AND RESORTS

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ABSTRACT:

Revenue management plays a critical role in the success and sustainability of hotels and resorts by optimizing profitability and ensuring financial stability. This research explores the application of revenue management strategies within the hospitality industry, focusing on its impact on pricing, inventory control, and customer segmentation. By leveraging dynamic pricing models, demand forecasting, and distribution channel optimization, hotels and resorts can maximize revenue across varying market conditions. The study examines the significance of technology like Channel Managers,OTAs in modern revenue management practices and highlights case studies showcasing successful implementation. Furthermore, the research discusses challenges such as market competition, fluctuating demand, and customer satisfaction while proposing best practices for overcoming these obstacles. The findings aim to provide practical insights for hospitality professionals to enhance revenue generation while maintaining operational efficiency and guest satisfaction.The below notes are mainly driven out of the practical studies and procedures maintained in Hotels and Resorts.

Keyword: Revenue Management, Yield Management, Dynamic Pricing of Room Tariff

INTRODUCTION:

Revenue Management is a vital concept in the hospitality industry, ensuring that a property maximizes its income potential by understanding and responding to market demands. The perishable nature of hotel inventory—rooms and services that cannot be sold once the day ends—makes Revenue Management a critical practice for achieving financial success. The key to effective Revenue Management lies in understanding the principles of demand and supply, applying yield management strategies, and strategically pricing and promoting services.

This research note explores the concept and practices of Revenue Management in hotels and resorts, dividing the discussion into two main areas: Accommodation and F&B (Food & Beverage) operations. Each section examines strategies and tactics to optimize revenue generation and drive profitability.

REVENUE MANAGEMENT IN ACCOMMODATION:

Accommodation forms the backbone of a hotel's revenue. Effective management of room inventory and allied services such as spa, business center, travel desk, and laundry is essential for achieving revenue targets.

DYNAMIC PRICING FOR ROOMS

Room tariffs should be variable and based on real-time market demand. By employing dynamic pricing strategies, hoteliers can adjust room rates to reflect fluctuations in demand. Several factors should be considered when setting room tariffs:

Demand and Supply Analysis:Room rates should increase when demand is high and decrease during periods of low demand. Historical occupancy data, local events, and city-specific demand trends must be analyzed to anticipate demand.

Competitor Analysis ("Comp Set"):

A thorough review of competitor rates is essential to remain competitive. Pricing should be aligned with the property's market positioning, amenities, and services offered.

Segmented Pricing Strategies:

Offering segmented rates for different customer groups, such as corporate clients, leisure travelers, and long-stay guests, helps target diverse market segments. Special packages, such as “Stay & Dine” or “Spa Getaways,” can attract specific clientele and increase ancillary revenue.

Yield Management Practices:

Yield Management is a pricing strategy that focuses on maximizing revenue from fixed inventory.

KEY COMPONENTS OF YIELD MANAGEMENT:

Demand Forecasting: Utilizes last sales data, market analytics, and external variables such as events and seasonality to predict future demand patterns, enabling informed decision-making.

Dynamic Pricing: Implements real-time pricing adjustments based on demand fluctuations, occupancy levels, and competitive benchmarks to maximize revenue potential. As said earlier a Revenue Management Personnel must be aware of the demand fluctuation of the city to determine the pricing.

Inventory Control: Strategically manages room inventory by prioritizing allocation to the most profitable distribution channels while maintaining an optimal balance between direct bookings and third-party platforms. Generally, during the “highest demand” dates hotels give priority on direct booking or OTAs selling at rack tariff.

HERE’S HOW IT CAN BE APPLIED EFFECTIVELY IN ACCOMMODATION:

Room Inventory Pricing Tiers:

Divide the room inventory into pricing tiers to maximize revenue. For example for a property of 100 rooms we can go for the following fashion:

First 50 rooms: Base price.

Next 30 rooms: Increase price by 10%.

Final 20 rooms: Increase price by 15-20%.

This approach ensures higher revenue as demand increases.

Promotional Offers:

Last-minute deals, early bird discounts, and long-stay offers help attract bookings during low-demand periods. Exclusive benefits for logged-in users or premium subscribers on online travel agencies (OTAs) increase conversion rates.

Demand-Based Discounts:

During low-demand periods, offer discounts or bundled packages that include additional services such as airport transfers, laundry, or dining credits.

Tie Up with Various OTAs:

There are various OTAs which run advertisement mode, generally for good properties, where the advertisement comes in banner form of that particular portal or increases the page ranking for that particular property. Also we can tie up with them for payments like “per click wise” in return they will improve the page ranking.

OPTIMIZING OTA LISTINGS:

Online Travel Agencies (OTAs) play a crucial role in driving bookings. To optimize room sales through OTAs:

1. Maintain visually appealing listings with high-quality images and detailed descriptions.
2. Offer rate parity across OTAs and the hotel’s direct booking platform to build trust.
3. Use OTA analytics to understand booking trends and refine pricing strategies.

ANCILLARY REVENUE OPPORTUNITIES:

Hotels can boost revenue by leveraging allied services. Examples include:

- a. **Spa and Wellness Packages:** Promote seasonal wellness programs or couple spa packages.
- b. **Business Services:** Offer meeting rooms and business center services as part of corporate travel packages.
- c. **Laundry Services:** Provide discounted laundry rates for extended stays.

REVENUE MANAGEMENT IN F&B OPERATIONS:

F&B operations are a significant revenue stream for hotels, particularly for properties with restaurants, bars, banquets, and catering services. Effective strategies can help maximize F&B revenue.

RESTAURANT REVENUE STRATEGIES:

Happy Hours: Offering discounts on beverages during specific hours increases footfall and drives incremental sales.

Chef's Choice Menus: Highlighting limited-time offers or daily specials, such as a "Chef's Signature Dish," encourages impulse purchases.

Promotional Discounts: Seasonal promotions, such as "Summer Coolers" or "Festive Buffets," attract diners during off-peak hours.

Dynamic Menu Pricing: Adjust menu pricing based on demand trends, ingredient availability, and food costs.

BANQUET AND CATERING REVENUE STRATEGIES

Banquets and events are high-margin revenue generators for hotels. Effective practices include:

Demand-Based Pricing: Charge premium rates for high-demand dates such as holidays, weekends, and festival seasons. Offer early-bird discounts for event bookings made well in advance.

Value-Added Services: Include complimentary services such as décor, AV equipment, or valet parking for large events.

Customized Packages: Tailor packages for weddings, corporate events, and private parties to meet client needs while maximizing revenue.

Upselling Opportunities: Offer additional services, such as themed décor or premium menus, to boost event revenue.

FOOD DELIVERY AND TAKEAWAY SERVICES :

Incorporating delivery and takeaway services can help hotels tap into local demand. Key strategies include:

1. Partnering with food delivery platforms.
2. Promoting exclusive delivery-only offers through social media.
3. Offering family meal bundles to attract larger orders.

BEST PRACTICES FOR REVENUE MANAGEMENT IN HOTELS :

Technology Integration:

Use Revenue Management Systems (RMS) to analyze demand trends, forecast occupancy, and adjust pricing dynamically. Use of Channel Manager like Staah, Maximojo etc will be very helpful. Implement Point-of-Sale (POS) systems in F&B outlets to monitor sales and optimize menu pricing.

Staff Training: Train sales and front office teams to upsell and cross-sell services effectively. Empower F&B staff to recommend high-margin dishes and beverages.

Data-Driven Decision-Making: Leverage historical data and real-time analytics to identify booking patterns, high-demand periods, and revenue leakage points.

Loyalty Programs: Offer rewards for repeat customers through loyalty programs that encourage direct bookings and F&B spending. We must adopt various CRM tools that has already been adopted by the retail Industry and large groups of hotels.

CONCLUSION:

Revenue Management is a crucial aspect of hotel operations, requiring a proactive approach to pricing, promotions, and inventory control. By understanding market demand, employing yield management strategies, and optimizing ancillary services, hotels can maximize revenue while delivering value to their guests. Accommodation and F&B operations, when managed strategically, serve as pillars of financial success, ensuring the long-term sustainability and profitability of the property.

By adopting the practices outlined in this report, hotels and resorts can enhance their Revenue Management strategies and achieve consistent growth in a competitive marketplace.

PROFESSIONAL SUMMARY: GAURAV GOSWAMI:

Gaurav Goswami is a dynamic and results-oriented hospitality professional with extensive experience in managing hotel operations across diverse domains, including Front Office, Sales & Marketing, Online Channel Sales, Revenue & Inventory Management, Administration, and Loss Prevention. With a proven track record of more than 17 years of streamlining operations, driving revenue growth, and enhancing customer satisfaction, he is a strategic leader committed to delivering excellence.

An accomplished author of the globally published book "Sustainable Hotel Management – Balancing Profit, People, and Planet" (ISBN registered), Gaurav is recognized for his innovative contributions to the hospitality industry. He has earned several prestigious accolades, including:

Hospitality Super Star 2018 (Stars of the Industry Awards)

Best Emerging GM 2019 (Hospitality Conclave)

India Excellence Award 2023 (IEAO)

Best General Manager (Hotels - East) 2023 (IA India)

Top 30 Recommended GM 2023 (Hospitality.com)

Best GM 2024 (CMO Asia)

Currently, Gaurav serves as the **Resort Manager at a super luxury resort in Oman under the Al Nahda Group of Hotels and Resorts.**

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