

# **Hospitality Technology:**

Revenue

Management 2018

 **DataArt**

# Hospitality Technology: Revenue Management

The hotel revenue management sector has evolved at a remarkable pace and is set to continue this course. It's an exciting time to be part of such a fast-moving industry, helping solution providers to deliver services to their clients.

STR Global, the consultancy, estimates that there are 164,090 hotels worldwide. Fewer than 10% of these hotels are using RMS, according to Tnooz estimates. This means that revenue management providers have significant scope to grow their market share. Increasing competition in hotel booking between OTA and hoteliers has spurred emerging demand for a revenue management solution that not only optimizes business and drives more revenue, but automates the control of price and availability.

As trends are also moving fast, what are the most important ones that you should be aware of?

In Hospitality Technology: Revenue Management 2018 we look at how the market is changing and creating new demand and analyze emerging trends and the technical challenges they present.



Andrew Sanders,  
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# Revenue Management

According to Markets and Markets, the revenue management market is estimated to grow from \$9.27 billion in 2015 to \$21.92 billion by 2020, at a compound annual growth rate (CAGR) of 18.8% due to the increasing cloud-based deployment of revenue management platforms and solutions.

Hospitality revenue management is about selling the right space at the right price at the right time to the right guest.

Revenue management benefits:

- Increase hotel revenue and profits
- Reduce time and costs associated with traditional pricing tactics
- Improve marketing and sales initiatives
- Gain competitive intelligence and market insight



Increase revenue and profits  
Increase profitability  
Maximize occupancy  
Increase ancillary revenue



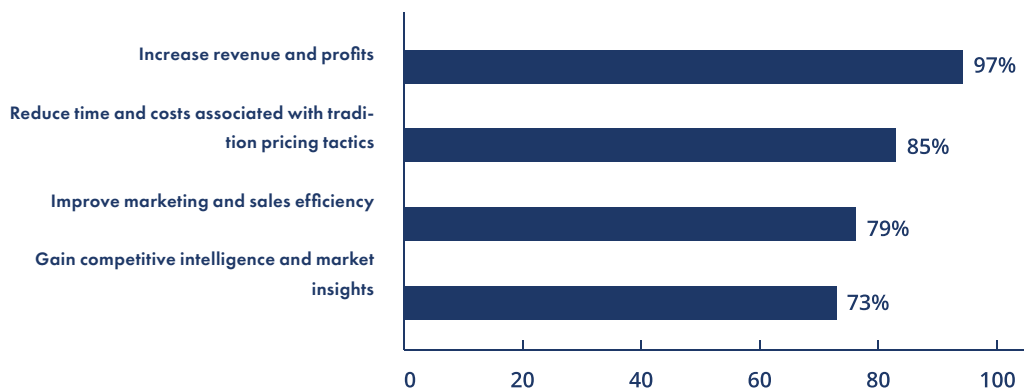
Improve marketing and sales efficiency  
Reduce time associated with traditional pricing tactics



Improve predictive abilities (occupancy, arrivals etc.)  
Generate more accurate reporting  
Gain market and guest insights that can point to new opportunities

## Research Data Point

What are the biggest benefits one can expected to gain with Hospitality Revenue Management ?



©Starfleet Media. Q4 2016 survey on Hospitality Revenue Management

# TOP RMS Providers - Global

IDEAS™



# Trends

## A holistic approach to revenue generation

Next-generation revenue management involves a shift to optimizing profitability and not just revenue. It means analyzing ancillary revenue streams (e.g., food and beverage as well as golf, spa, etc.) along with related cost data to understand profit contributions by guest segment. For hotels with casino operations, even the “theoretical loss” (the amount of money a player can be expected to lose during their stay) can factor into the pricing model.

Non-room-related revenue systems will be growing this year. According to the Total Hotel Revenue Management Research by Cornell Center, the focus on non-room revenue sources has changed the way hoteliers develop and use their demand forecasts. Technologies now allow revenue managers to create more detailed pictures of future demand and manage profit around the business. The right technology also reveals smarter pricing opportunities and makes it possible to develop the optimal business mix for a hotel.

Another trend has emerged because hoteliers have to simultaneously use multiple systems, from operations software to revenue management - the development of integrated systems that allow hoteliers to pull all their data into one place and easily forecast all hotel revenues rather than just room revenue.

## Technology enhancements in revenue management

The increased presence of automation is one of the dominant technology trends in revenue management. RM systems with automation are preferable to those without. Automation improves RM efficiency and helps managers focus on driving profitability. Today RM solutions are capable of defining the optimal room rate in real-time using machinelearning , which allows hotels to fully rely on software in control of their revenue.

Artificial intelligence helps revenue management with enhancements that will take care of basic tasks. Booking bots on the hotel side and concierge bots on the customer side drive the user experience to new levels while increasing productivity and conversions.

The increasing prominence of machine learning and predictive analytics tools is definitely a new “old” trend in revenue management. Predictive Analytics is not new to the hospitality sector and has been around for decades. What is new is the volume of data available. The reliability of the data and its real-time nature means that now businesses can respond to customer demand more quickly and provide a more personalized service and pricing point.

Technology that integrates with the revenue manager's workflow is key. This can include communication channel management systems, guest review systems and benchmark reporting systems.

## **A continuing shift in focus to mobile**

The shift to mobile is not entirely new as mobile interactions and mobile bookings have continued to grow during the past few years, becoming one of the strongest marketplaces.

For this reason, revenue managers will be keen to ensure that hotel mobile websites are optimized and responsive for customer engagement, performance measurement and business generation.

## **Focus on direct hotel bookings**

Direct commission-free bookings play a significant role in a hotel's revenue generation. This increases brand recall and loyalty, and generates repeat business. This has become critical for hotels operating in a highly competitive environment, especially considering the fact that OTAs - masters at conversion - are sidestepping hotels' revenue and pricing strategies. Mobile offers a unique platform to market the hotel via direct communication channels with the customer, offer deals and upsell additional services or room upgrades.

# Challenges

<b>RM Market Trend</b>	<b>RMS Vendor Challenge</b>	<b>Tech Solution</b>
<b>Non-room revenue management</b>	<p>Extracting data from different systems (SPA, F&amp;B etc) which have different structures and are stored in different places</p> <p>Using multiple systems from operations software to revenue management. Manager must open each in separate window - PMS and RM platforms are fairly well connected but when adding in CRM, POS, SPA, it can get confusing.</p>	<p>System Integrations Data Aggregation Data Normalisation Seamless integrations of widgets Integrated systems development that allow hoteliers to pull data into one place</p>
<b>Autonomous pricing</b>	<p>Quite a few RMS providers have an autonomous pricing solution. But there is an issue today concerning scientific-based solutions (algorithms) and rules-based platforms. It is uncertain who will win this battle.</p> <p>Technologies are ready to do autonomous pricing but revenue managers are not ready to rely exclusively on tech.</p>	<p>Machine Learning (ML) More convenient UI Educational programs for revenue managers</p>
<b>Using more channels of data for better forecasting</b>	<p>A greater number of integration with, for example, channel management systems, guest review systems and benchmark reporting systems - greater amount of data.</p>	<p>System Integrations Info scraping solutions Big Data</p>
<b>Increasing speed of price changing</b>	<p>Real time reaction on changing of the market conjuncture</p>	<p>Big Data</p>

# Conclusions

- The key trends identified in this report are that total hotel revenue management is the wave of the future and that technology and data analytics play an increasingly important role and help enhance RM decisions. [Cornell Hospitality Report](#) identifies information technology and data analytics as the two most important drivers of change in revenue management with indicators of 4.66 and 4.61 on a 5-point scale.
- Hotel data migrates to the cloud (“cloud first” strategy) and the traditional technology stack is going through a series of transformations. According to the [Lodging Technology Study 2018](#) 57% of hoteliers are planning to have revenue management systems in cloud in 2019.
- Hoteliers gave significantly more importance to revenue management being applied to function space, restau-



# Conclusions

rants, spas and parking than they did in 2010, [Cornell Hospitality Report](#). Non-room revenue management is on the rise and RM soon will be applied to all revenue streams in the hotel (e.g. Food and Beverage, Spa).

- RMS has tended to be integrated with more systems to gain greater insight that can improve forecasting. According to [Starfleet Research](#) 96% of hoteliers consider integrating all historic booking data, reservation data, transaction data, competitive data, and all other relevant data to be a very important success factor.
- According to [Cornell Hospitality Report](#) hoteliers cited online travel agencies as one of the most significant drivers of change – indicated by 4.03 on a 5 point scale. In order to compete with technically strong OTAs, hotels need to invest in digitalization in general and in revenue management solutions in particular.

# Conclusions

- High competition in hospitality + hotels shift to profit management = high demand for revenue management solutions.
- The technology challenges that hoteliers and revenue management solution providers are facing: hotel/hotelier data access, data normalization, mitigating different platform integration risks, development of integrated systems with convenient UI that allow hoteliers to pull all data into one place.