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Impact of Social Media on Revenue Management

No matter where I turn today, whether it's a conversation with a colleague, friend, or family member…or a story in the traditional press…or a revolution in a distant country…social media is at the forefront. I know that for my teenage niece, email is dead. And for my twenty-something nephew, catch him on Facebook or don't catch him…along with 500+ million other people in the world. And if I wanted to follow the Masters in Augusta last month, Twitter was a good bet. But how is all of this commotion and online chatter impacting hotels? And more importantly…how is it impacting hoteliers' ability to optimize demand? The answer is: a great deal. So, enter stage left…the revenue manager whose task today is significantly more complex.

The distribution piece alone keeps Revenue Managers busy. Any hotel worth it's salt is tracking it's TripAdvisor position religiously, responding to peer reviews (good or bad) immediately, and assessing the value of a business listing. The decision by Expedia to spin off TripAdvisor as a separate, publically traded company is a testimonial to it's enormous value and influence. Interestingly, more hotels are paying closer attention to their "value score" on TripAdvisor (vs. their overall rating) and using the value score to provide pricing signals. If the score is very high, there's confidence to push the rate. If the score is low, they know they have a pricing and/or product quality issue.

But the ease and speed with which consumers can share their latest deal is staggering; virtually every website displays social media hyper-link icons. There is no question that viral distribution is making the revenue manager's job that much harder. For example, Google is already changing its algorithms based on social media traffic and research suggests that the use of mobile devices to book travel will outpace desktop/laptop applications at lightening speed. Currently statistics indicate that 70% of mobile hotel bookings are same day. With an ever-shrinking booking window, revenue managers have less time to react. Hence the critical need for very accurate and detailed demand forecasts. Translation: hotels of even modest size cannot afford to operate without a revenue management system. Without sophisticated software, revenue managers using homegrown spreadsheets are no match for rapid changes in consumer buying behavior. When the consumer can utilize sites like Bing.com's Farecast, giving them access to airfare and hotel room rate forecasts, it puts the revenue manager at an almost insurmountable disadvantage.

And I haven't even started my diatribe on group or collective buying sites and flash sales. Whether it's public or members-only sites like Groupon, Rue La La, Jetsetter & LivingSocial, or those associated with the big OTA's (Expedia's Snique Away & ASAP-A Sudden Amazing Price and Travelocity's Top Secret Hotels), hotel margins are being attacked even more aggressively. Commissions at 25% pale in comparison to an additional 50% off the OTA price. So what does this mean for the revenue management effort? It means hoteliers must become better managers of business mix across all time horizons – short, medium and long-term. And, hotels have to get serious about tracking profitability by market segment. No longer can properties guess which market segments are ultimately the most profitable – both from an associated costs and "other spend" perspective. The Uniform System of Accounts will have to evolve to include disaggregated market segment profitability. And hotels will routinely forecast market share to ensure their strategies offer a balanced approach to market demand.

But electronic distribution and business mix are just the tip of the iceberg. Social media is having an impact on every single component of a good revenue management program. Take the area of product alignment – the practice of manipulating individual room type inventory based on demand. Few hoteliers are paying sufficient attention to RevPAR by room-type and using this data to optimize consumer

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demand. Websites like Tripkick.com are forcing hotels to listen to the likes and dislikes of guests. At this website guests can research (by actual room number) which guestrooms are most appealing. It's not unusual for a frequent guest to have a favorite room, but what if suddenly all guests have this option?

Another website that is gaining in popularity is Room 77. At this site, the user can see the actual view from each room simply by clicking on the guestroom map. No more guessing and no more disappointing views. This implies a need for very detailed room categorization. No longer will the hotelier be able to lump rooms into a single category that have been judged by the guest to be inferior. Imagine the impact on guestroom stratification from both an aesthetic and technological perspective. The manner in which room types are entered and coded in hospitality systems (property management, global distribution, central reservation, sales/catering and revenue management) is quickly becoming a major issue. And the desire of consumers to have this type of hyper detail is growing every day.

We are also seeing social media having a profound impact on traditional benchmarking. The use of reputation management market intelligence is becoming more and more common. Hotels are carefully monitoring online chatter and starting to benchmark guest experience against similar hotels. Now that confidential third parties are gathering data, traditional guest comment card feedback categories (rooms, housekeeping, dining, staff, value, etc.) can be benchmarked. For the sake of argument let's call these soft metrics and hard metrics. A comparison might look something like this:

HARD METRICS	SOFT METRICS
Annual budget	Competitor popularity rating/ranking
Last year	TripAdvisor rating/ranking/categories
Forecast	OTA & other peer review ratings/rankings
Market share	# Facebook fans
GDS share	# Twitter followers/tweets/retweets
OTA share	# Photos and/or videos shared
Divisional profit	# Blogs/bookmarks
EBITDA	# Foursquare venue stats

The use of reputation management market intelligence to benchmark against similar hotels (example: mid-scale full service hotels) will eclipse traditional guest comment card feedback and hotels will continue to disaggregate this data to access drill-down benchmarking metrics across all categories of feedback, comparing their performance to their competitive set(s). The practice of comparing market share improvement to social media metrics will also become commonplace. Social media is adding a new dimension to benchmarking with the consumer fully engaged in the process.

As we continue to stumble our way through a plethora of social media activity, we must also contend with the giant of all giants…Google (whose acquisition of ITA Software is now approved)…and their new search features that aggregate real-time hotel rates and availability with Google Maps. Our challenge to seek out attractive positioning on all of the major websites is proving formidable. One good trend though is the consumers' focus on value vs. price. Websites like DealBase.com not only allow the user to sort by value, but also lay out the retail price of each component of a package. So the better the hotelier is at incorporating meaningful yet profit-viable value, the more likely they are to close the sale.

Bottom line…social media is here to stay. Deploy a revenue management software system today and accept that this is only one component of a good revenue management program – having a good system does not a revenue management program make. Purchase market intelligence including reputation management and learn to interpret and act upon the data. Evaluate the level of strategic leadership of your RM effort, and question your RM resource choices and allocation of time; you may have the wrong person for a sound 21st century RM effort.

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