

Opinions

Revenue managers and digital marketers need each other

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Sooner or later, the industry's sustained stretch of RevPAR growth will yield to some measure of decline, and history tells us that we often turn to rate to solve our problems. But there's a better way if your revenue manager and digital marketer work together closely.



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In a conversation recently with a colleague, I defined what I saw as the first, second and third generation of revenue-management professionals.

At the risk of over simplifying things, I described the first generation as pioneers, particularly in managing online electronic distribution; the second being the veterans and protégés of today's typical revenue-management effort; and the third as those who have begun to elevate their role from tactician to strategist and who are actively pursuing a "joined-at-the-hip" relationship with their digital marketer.

Sadly, though, there are relatively few who can honestly say they are part of this third wave of the discipline's evolution.

This is not to suggest that today's directors of revenue aren't strategists, but rather the position is so labor-intensive there's little time to be strategic. A typical day in the life of a revenue manager is heavily consumed in managing electronic distribution, liaising with other department heads, arguing with OTA market managers and responding to the "umpteenth" request from a general manager, an asset manager or a corporate office. Any spare time—of which there is none—is spent generating 30-, 60- or 90-day forecasts, preparing for weekly revenue meetings and analyzing myriad internal and external decision-support reports.

Marketing is designed to create demand, sales is meant to capture demand and the goal of revenue management is to manage demand. But when need arises, and the revenue manager must shift roles from demand manager to demand creator, traditional efforts explore few avenues that do not involve rate as the primary weapon. Unlike in the airline business, price does not create new demand in the hospitality industry. It just shifts existing demand around at lower rates. The best that can be achieved is share shift, which in turn heightens the probability of a negative impact on the bottom line.

But third-generation revenue managers are quickly finding there is a better way. They turn to their digital marketers and together they "fish where the fish are." Rather than taking a shotgun approach using OTAs, a third-generation director of revenue looks for ways to make surgical strikes and knows that the digital marketer has the precise data to target the right audience.

Second-generation revenue managers typically rely heavily on tools like Excel, but many are not really expert users of this tool. For example, the power of Excel to create dashboards is quite amazing and many would say that Microsoft's Power BI platform is Excel on steroids. But generally speaking, I'm not seeing business intelligence tools being put to good use by second-generation revenue managers.

Conversely, the use of tools like Power BI and Tableau by digital marketers is far more common. Not only can these tools slice and dice data far beyond the typical manipulation of traditional revenue-management data sets, but the visualization capabilities are enormous. The old saying "one picture is worth a thousand words" comes to mind. For example, using Tableau, the digital marketer can identify which zip codes produce the most business at the best rates and at which average lead times. Want to know your top 20 cities by total revenue? By occupancy? By ADR? Ask your digital marketer.

Whereas the revenue manager is still laboriously gathering data on channel production and costs, the digital marketer knows exactly the percentage of contribution by marketing channel, including paid ads, direct, email and organic. They know the percentage of contribution from direct channels and what it costs to drive that revenue. They have channel contribution, cost per channel and conversion ratios. It doesn't take a math genius to figure out how much one would need to spend to generate "x" amount of revenue if all those variables are known.



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I love the example Loren Gray of Hospitality Digital Marketing often relates. A hotel in a major market is facing a need period. Down the road, a large conference is taking place, but this compression has not spread far enough to create demand for the subject hotel. The subject hotel actually offers more attractive rates if attendees are willing to travel just a little further. So, how to reach those potential guests attending this conference? A highly targeted Facebook ad was created to reach individuals who met specific search criteria involving that particular conference and the company that organized the conference. As a result, the subject hotel filled.

Now, I'm not implying this strategy would work every time, but I am suggesting that second-generation revenue managers are not inclined to reach out to their digital marketer to solve a demand problem. Those who are find their jobs far more interesting with greater success. Yes, certainly, there's a need for a common vernacular in this budding relationship. And in this regard, I have to agree with Loren. He says that for the relationship between revenue managers and digital marketers to flourish, we must as an industry identify a common language, common key performance indicators and common goals. Luckily, third-generation revenue managers are doing just that.

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