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Seeking a new generation of revenue managers

February 18 2013

The next wave of revenue managers need to possess leadership skills, a thirst for knowledge and an interest in digital-marketing trends.

Highlights

- There is a need for a new generation of revenue managers.
- Hospitality organizations are centralizing the revenue management function.
- As rising costs squeeze margins, the only option in a high fixed cost, low variable cost industry is to drive revenues.

By Bonnie Buckhiester
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We created the first generation of revenue managers in what seems like a billion years ago. These individuals were often reservation supervisors or managers artificially extracted from their reservation environments (or simply handed the additional workload) and given the title of revenue manager. Some succeeded, but many did not.

We learned over time the traits of a good reservations manager were not the needed traits of a good revenue manager. At the risk of oversimplifying things, the customer-service focus of a good reservations manager often lacked the analytical, number-crunching zeal required of a good revenue manager. Hence, the first generation of revenue managers was born.

As the revenue management discipline evolved so did what I'll call the second generation of talent. Many of these individuals today continue to bring number crunching to a new level spurred by what appears to be an insatiable appetite by senior management, asset managers and owners for boat loads of data—the more slicing and dicing, the better, or so it seems.

In many cases—not all to be sure—these individuals have been given the unceremonious moniker of “number nerds,” unable to communicate successfully with the operation, appearing to guard their



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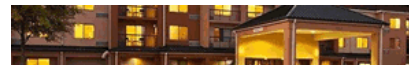


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precious inventory with the zest of a pit bull and unwilling to compromise with the lowly sales-and-marketing folks. (Note: At this very moment, I'm getting nasty emails from my fellow members of the Hospitality Sales and Marketing Association International's Revenue Management Advisory Board.) The second generation of revenue managers is born and still presides over the revenue management function today.

However, what's becoming clear is the need for a third generation of revenue managers to step up to the plate. And who might these professionals be? What traits must they possess? These are tough questions with difficult answers. What the revenue management discipline needs today is a hybrid version of the first and second generations, combined with extraordinary leadership skills, a genuine thirst for new knowledge and ample interest in digital marketing trends, results and consumer buying behavior. But that kind of talent is not easy to find.

Consider this, as digital marketing gets closer and closer to the property level, revenue management appears to be moving farther away. While Internet marketers focus on regional and local marketing initiatives, hospitality organizations are taking great pains to centralize the revenue management function. Why? Largely three reasons:

1. a dearth of talent;
2. the desire to manage costs; and
3. the expansion and evolution of the revenue management role.

The shortage of talent is driven by many factors, but certainly the ongoing extension of revenue management into midscale and even economy product means more hotels want to have access to revenue management expertise. As well, the cost management factor is ever present.

During a Hotel Industry Overview presentation for Vantage Hospitality by Jeff Higley, VP of digital media and communications for HotelNewsNow.com, its sister company STR Global and its parent company STR, on 4 December 2012, it was sobering (although not surprising) to see the facts about average daily rates. It was reported that "rates still have a ways to go to keep pace with inflation." This data compared the actual ADR with an inflation adjusted average rate for the period from 2000 to a forecasted 2013. Had rates kept up with inflation, they would be at the \$120 range versus a projected ADR for 2013 of \$111. While rates remain stagnant, costs continue to increase, squeezing margins endlessly.

At the same time, consumer-buying behavior is evolving rapidly, making the revenue manager's job more complex and difficult. This emphasizes the need for a third generation of revenue managers who are able to converge their efforts with the digital marketers as well as able to take advantage of all levels of demand from all channels (online and offline) and all market segments. As rising costs squeeze margins, the only option in a high fixed cost, low variable cost industry is to drive revenues. We all know this. Yet the industry is more apt to go into cost-containment mode than a stiletto focus on finding, hiring and training third-generation revenue managers.

My guess is many second-generation revenue managers will not make the leap to the third generation, not unlike the demise of the first generation. But for owners, operators, asset managers and senior-level corporate revenue management professionals, my advice is to focus your efforts on finding the third generation revenue management professional and engage this talent before your competitors and never look back.

Bonnie Buckhiester, a member of the [International Society of Hospitality Consultants](#) and president of Buckhiester Management USA. (Washington D.C., Seattle, Vancouver)

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Duncan Bramwell
February 28 2013

Succinctly put Bonnie, and full praise for tackling this thorny issue. Our industry requirement has certainly moved well beyond the "numbers nerds" you describe, and skillful leaders are requirement to ignite and steer the revenue culture within hotels. What is required is the ability to motivate and bind talents of the entire commercial function. Excellent article. Duncan Revenue Performance

David Turnbull
February 23 2013

this ultimately bolis down to a lack of cohesion between hotel organisation's revenue, sales, finance & marketing teams and focus on profit rather than topline revenues & costs. the technology available to drive true profit optimisation is in its infancy but the awareness and 'demand' for demand management is growing..David Turnbull (Director & Founder of Yield Solutions)

John Thomas
February 19 2013

Bonnie Bucheister - thank you, always insightful! Understanding the consumer mind set and buying behavior truly sets apart a Rev Mgr. It's not very difficult to become insulated from the ever dynamic market realities and so in addition to data crunching I am a proponent of getting out there in the market place and connecting with Customers. This also helps validate the 'Sales' tunes played out within the hotel. I've also found that it helps to have the dexterity to move from a moment where you are climbing the Everest on rate and then in the very next, get into a discussion on the 'walk away rate' for a valley period. One other strength that better Rev Mgrs have is an intrinsic ability to distinguish between initiatives that will work and those that seem lofty but have little or no steam to generate revenues, launching of packages or the numerous man hours on Facebook initiatives are typical cases in point. As contemporary marketing and RM converge, Rev Mgrs are in the hot seat, what fun for not very long from now Sales will report into Rev Mgrs.....did I hear someone say that will stir the pot? Well to cook, you've to stir and after all aren't we the ones who feed our Guests and ourselves. John Thomas; Rev Mgr - Coast Edmonton House

HotelMarketingStrategist
February 19 2013

I actually disagree with the comment above. I do not think that the industry one a whole has this in place at all. For the most part there does still exist a lot of disconnect between the persons who are in charge of marketing and those to whom the job revenue management has been entrusted. These functions are indeed inextricably intertwined and hence should ideally be: 1. The portfolio of one appointed person 2. Under the jurisdiction of someone who has the authority to make equal decisions in both areas. 3. Be headed by persons in both disciplines who have the respect, desire and capability to want to do the right thing for the property in question, more so than the desire to have brought the winning decision to the table. There needs to be a trend where the revenue manager realizes the importance of having and using the knowledge of consumer behavior and demand, marketing dynamics and strategy. There currently exists an almost rivalry relationship between the decision makers of these two disciplines and a competition of sorts of who has the ability to make the ultimate call of what action is best for the hotel. In fact it should be a decision of mutual collaboration if this vital role in decision making is shared between two persons from these disciplines. There definitely needs to be more partnership via teamwork and a true respect and understanding of the roles of both fields and how operating in a vacuum is detrimental to the ultimate success of the hotel that they have been put in charge to lead to success. As the DOS in one of my consulting client hotels recently said to me, as I tried to bridge the gap between the Director or Revenue Management and this Director of Sales..., she said..."Oh, you want us to have a helicopter view of it all, right?" She hit the nail on the head! I am not have used that exact word to describe it, but yes indeed, she was correct. Hotel Marketing Strategist

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