

Can independent hotels afford not to be revenue savvy?

 By [Theresa Prins](#)

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Revenue management, although a well-established discipline in the industry for more than a decade, is a misunderstood, if not entirely absent concept in many hotels. Decision-makers know that they need a revenue management strategy, but they are either (1) confused as to exactly why and what revenue management can do for the business; or (2) perceive this to be something only major hotel chains can afford.



Theresa Prins

I believe that independent hotel properties actually have more to gain from a revenue or yield management strategy than major chains. Revenue management is the discipline of applying proven scientific principles to data generated from your business in order to drive sales. It is not just about changing your price online in a reactive attempt to generate demand. Of course price elasticity and demand have a role to play – and yes, if you outplay your competitor, you could have some short-term success.

Understanding demand behaviour

What I am emphasising is that applying yield management insights and rules, to how, when and who you sell to, will have a much greater impact and long-term benefit. One needs to understand your demand behaviour before you do what Johnny down the road is doing and just follow their pricing blindly.

Online sales are a major contributor and best available rates (BAR) is the current new buzz word, but are you using this at the right time to reach the right people, platform and/ or audience? What about your other segments, and how do you balance the mix of sales?

Having observed revenue management practices in independent hotels firsthand, I believe that there is so much more that these properties can do and achieve - and no, it need not bankrupt you. After all, revenue management is the game of optimising revenue and profits. There will obviously be an initial investment, but it offers a significant return on investment if your revenue management strategy is well-planned and executed.

Observing trends, driving development

What revenue management is not, is a quick fix to increase your demand. Price plays a role, but randomly chasing your neighbours' pricing model is not the solution to total revenue optimisation in the long run. It's more a cry of desperation and a very easy way to start a price war.

The biggest challenge that seems to face independent hotels, other than not applying revenue management strategies, is Property Management Systems (PMS) investment. You don't need the Rolls Royce of PMS's, but you must be able to do the basics.

After all, the data stored in the PMS is your lifeline. It tells you everything about your customer trends and behaviours. Having a PMS that is cost-effective and fit-for-purpose is a must-have tool if you are hoping to grow and drive your business' development. There are solutions available that are right for you.

Based on that information, and the promise of a powerful tool that will enable you to make strategic pricing decisions that are well-informed and data-driven, do you think you can afford not to be revenue savvy?

ABOUT THERESA PRINS

Theresa Prins is the founder of Revenue Resolutions, a strategic revenue management agency for the hospitality, leisure and property management industries. Prins has over 25 years experience in the hospitality industry and is an expert in revenue optimisation.

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