Revenue Management Workshop Introduction

Welcome

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How does ARMA support industry?

- Online courses in revenue and yield management

- Graduate Certificate in Revenue Management in partnership with Torrens University Australia

- APAC Revenue Management Summit

- eSKillsHUB – online general business certifications

- E-learning course development and online portals

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Lorraine Golightly, Owner Operator BIG4 Beacon Resort Victoria

"After applying some of the strategies learnt in training we have seen an increase in revenue well in excess of $100K.

We have been yielding the same way for well over 10 years and never have we seen a spike in revenue quite like this. We are thrilled with the results"

Margaret Shannon , Park Manager - BIG4 Great Lakes at Forster-Tuncurry

"We found that the yield management principles that were introduced by ARMA at the 2015 BIG4 Conference really assisted management in making decisions that helped us to maximise our inventory and average rate.

Greater revenue has occurred year round, and one of our <u>peak periods</u> in particular seeing a <u>40% increase in tourist revenue despite only an 8% increase in occupancy</u>."

Session Overview

- **Topic #1 – Revenue management overview and questions**

- **Topic #2 – Common practices stealing your money daily**

- **Topic #3 – Key measurement metrics explained**

- **Topic #4 – Dynamic pricing**

Melissa Kalan I Founder, ARMA

Your Host for Today's Session

Definition

"Revenue Management is the process of driving maximum return on investment through effective utilisation of space when the product (the space) is perishable and linked with segmented demand driven by different needs and sensitivities"

BALANCING RISK

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Applied across industries

- Car rental
- Car parking
- Cruise
- Airlines
- Accommodation
- Advertising and Television
- Theme parks / Theatre shows
- Food and beverage outlets
- Conference facilities and events
- Barber shop

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I know you might be thinking...
I have no time – true, but you cant
determine optimal pricing without an
accurate forecast

Melissa Kalan I Founder, ARMA

Your Host for Today's Session

Revenue Management Questions

- Was it the <u>BEST MIX</u> of business from all the demand that wanted to stay?

- Did I identify booking trends <u>EARLY ENOUGH</u> to adjust rates and have impact?

- Did the business we secured 6-12 months ago <u>HELP or HINDER</u> our revenue strategy?

- How much <u>DAMAGE</u> was done by closing a night to bookings only to re-open it again?

- Was my forecast accurate to identify <u>OPPORTUNITY</u> in advance to make a difference?

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- How much <u>PRODUCT WASTAGE</u> is occurring with late wash and no shows, when we were certain we would sell out?

- Did I <u>BLINDLY FOLLOW</u> a competitors rates only to trade down business that would have stayed anyway?

- Did I base my decisions off our <u>TRUE COMPETITIVE</u> set?

- Did I select the right pieces of business with <u>TOTAL GUEST VALUE</u> and <u>SPEND</u> in mind?

- Did I drive rate and <u>SACRIFICE</u> too much occupancy or vice versa?

- Yes, we made targets but what went <u>UNSEEN</u>, how much more could we have achieved?

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2 - Revenue Thieves

High Rate Spill

- Sold out too early at lower rate
- Missed higher yielding business closer to arrival

Low Rate Spill

- Protected for too many higher yielding rates
- Missed the price sensitive earlier booking window

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Dilution or trade down

- A customer that would have paid more takes a lower rate in the market
- Discounts / sale periods / in correct "fencing"

Spoilage

- We were sold out at some point but ended up with rooms available
- Significant revenue losses across industries

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#3 - Measurement Metrics

Guess who?

- Revenue per available seat-hour (RevPASH)

- Revenue per available square metre-hour (RevPASMH)

- Revenue per available treatment hour (RevPATH)

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Guess who?

- Win per available seating hour (WPASH)

- Revenue per available tee time (RevPATT)

- Net ticket revenue (NTR) per passenger cruise day (RevPACD)

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KPI Focus

Occupancy	Average Rate	REVPAR/Yield	NETREVPAR	GROWTH
Rooms Sold /Capacity x 100	Room Revenue / Rooms Sold	Room Revenue / Capacity	Room Revenue - Vcosts / Capacity	This year - last year / last year x 100
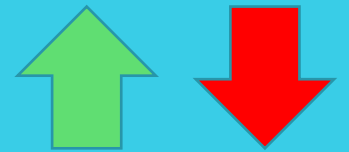
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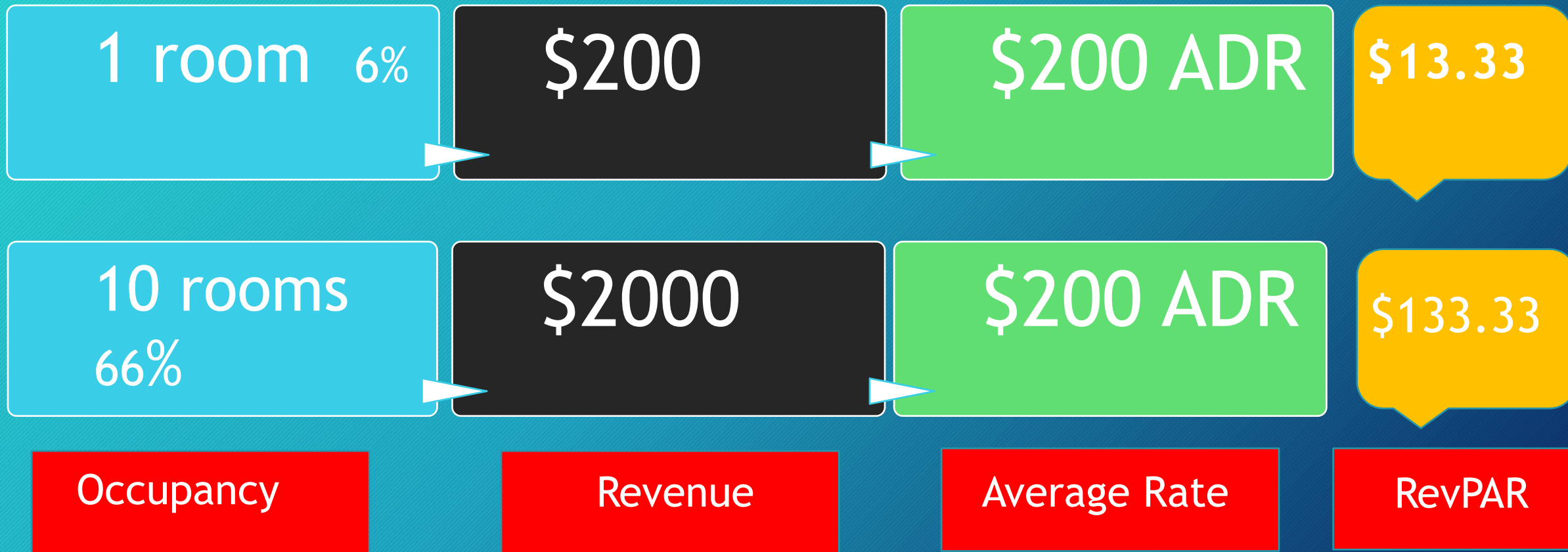
Inventory Controls
- Help to optimise space

MS (Minimum)

MX (Maximum)
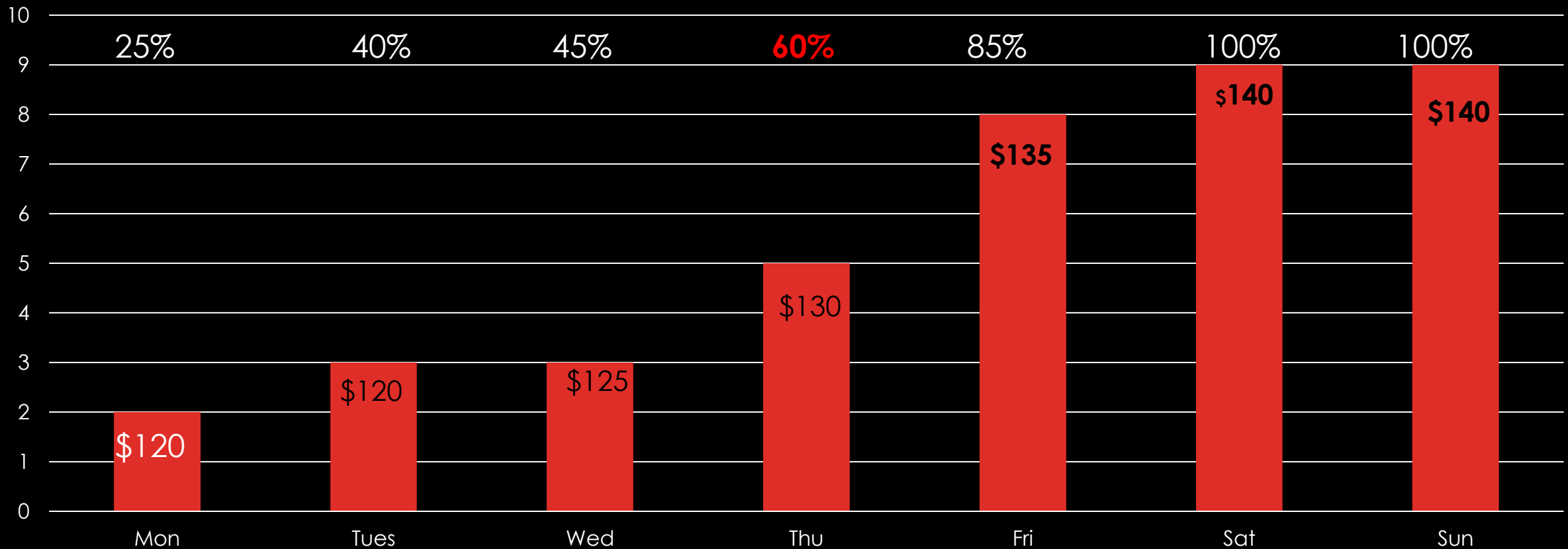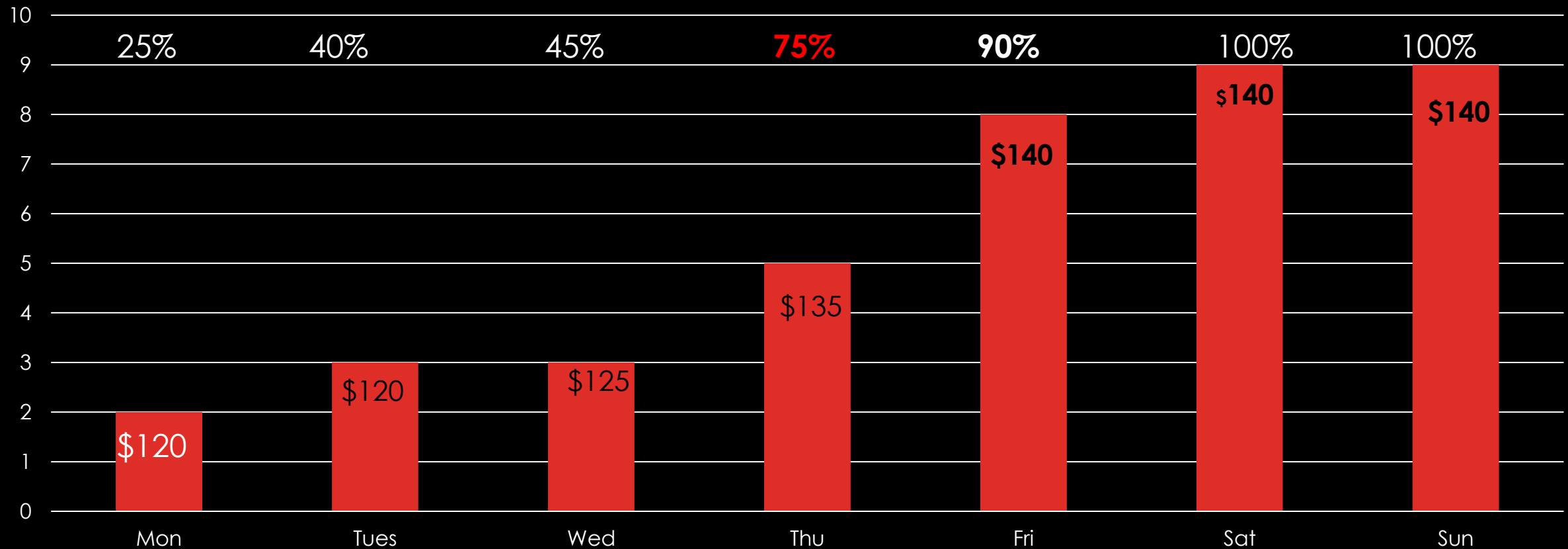
MX/MS (Combo)

CTA
Closed to arrival

STOP SELL

Dynamic Pricing

TODAY A BOOKING RINGS FOR THURSDAY 22 OCTOBER – WE ARE FORECASTING 60% OUR RATE IS -

Weekly Forecast and Availability

	Mon	Tues	Wed	Thu	Fri	Sat	Sun
Forecast	25%	40%	45%	**60%**	85%	100%	100%
Rate	$120	$120	$125	$130	$135	$140	$140

NEXT WEEK A BOOKING RINGS FOR THURSDAY 22 OCTOBER – WE ARE FORECASTING 75% OUR RATE IS -

Weekly Forecast and Availability

	Mon	Tues	Wed	Thu	Fri	Sat	Sun
Forecast	25%	40%	45%	**75%**	**90%**	100%	100%
Rate	$120	$120	$125	$135	**$140**	**$140**	**$140**

Price Matrix

Rate Management – "Best Available Rate"
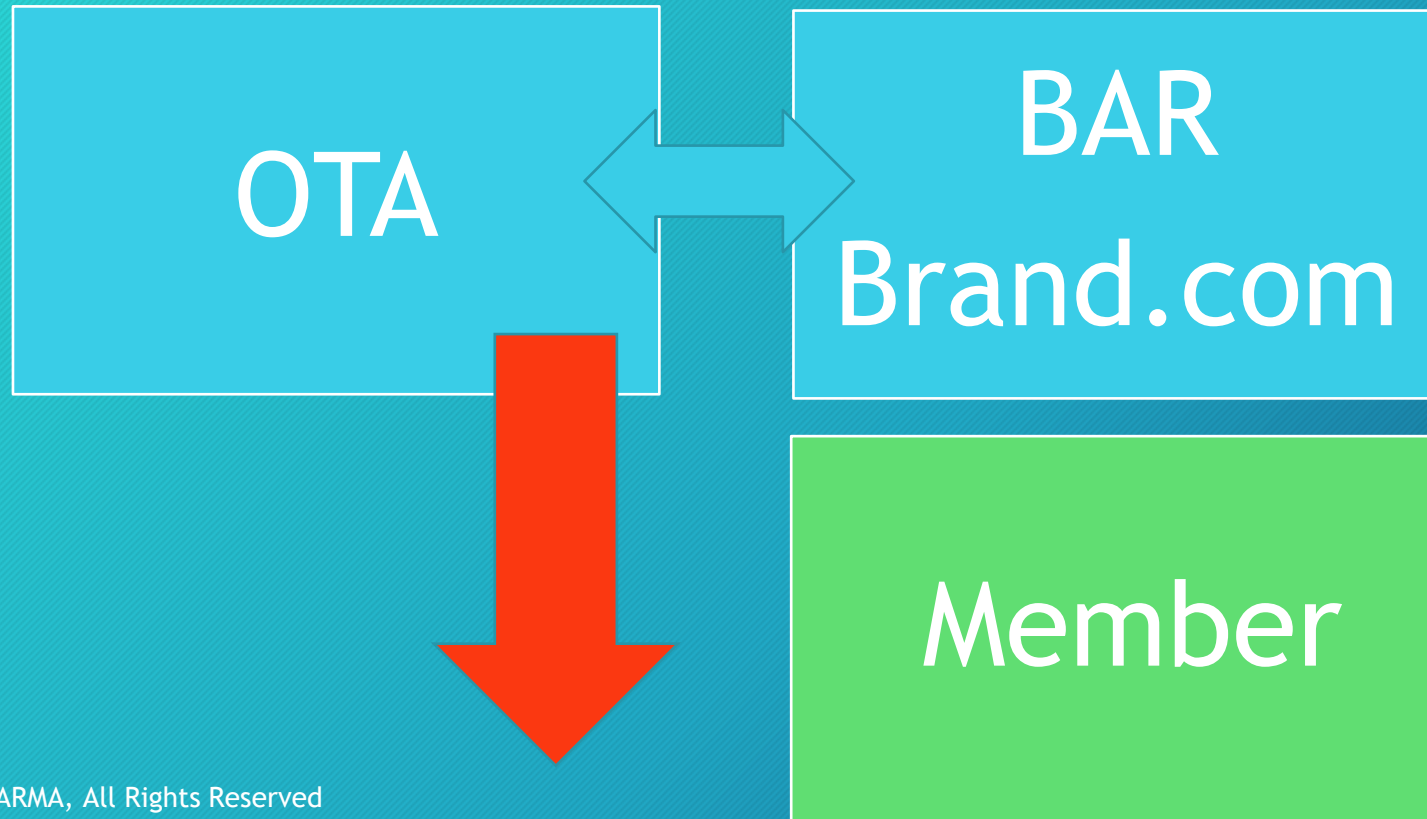
Pricing Matrix Example

PRODUCT	BAR3	BAR2	BAR1			PRODUCT	BAR3	BAR2	BAR1
STANDARD	69	55	49			STANDARD	129	115	109
SUPERIOR	99	85	79			SUPERIOR	149	135	129
DELUXE	119	105	99			DELUXE	169	155	149
LOW						HIGH			

FORECAST	OCTOBER	DOW	BAR3	BAR2	BAR1
100%	1	THU		MS4	MS5
90%	2	FRI		MS3	MS4
80%	3	SAT		MS2	MS3
70%	4	SUN			
65%	5	MON			
50%	6	TUE			
40%	7	WED			

Forecasting Basics

Forecasting Basics

"Once you have your pricing and segmentation sorted it is time to look at one of the most difficult and most important elements of Revenue Management – Forecasting"

"Forecasting allows up to detect <u>unconstrained</u> demand for the future"

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X 7 days

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X 52 WEEKS

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Forecasting Basics

Detail	Frequency	Future
Pick up	Pace	Review

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Customers

must see value, be engaged and psychologically guided

they have many needs & sensitivities

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The biggest opportunities can be in the smallest details

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