



Revenue Management

The Key to Increasing Your Revenue in 2019

Please be respectful of your colleagues by silencing your phone. If you need to answer a call, please go to the hallway.

Working Smarter Not Harder

- Insert your presentation



- Tell the story of the old engineer with the chalk and the X to fix the broken machine.
- Effort is important but knowing where to make the effort makes all the difference

20 Minutes a Day is worth Tens of Thousands!

- Insert your presentation

Yield Management vs. Revenue Management

- Yield Management is all about rooms
- Revenue Management is about all sales revenue (other products and services)

Who uses Revenue Management

- Revenue Management started with the Airline Industry. But today many more industries use Revenue Management:
- Hotels
- Car rental, Train companies
- Theatres, Cinema
- Now starts with Restaurants IKEA offers lower prices at time of the week when demand is low

Why one size doesn't fit all

- You're NOT a hotel
- Your Inn, Market, and Seasons are Unique

What is Revenue Management

- Both Increasing and Decreasing Your Rates
- A word about “Discounting”
- RM let's you logically (and scientifically) plan your rates in advance so that you don't emotionally panic

What is Revenue Management

- *Selling the Right Room to the Right Client at the Right Moment at the Right Price*
- We would like to add the following to that description:
- *On the Right Distribution Channel with the best commission efficiency*

You've got the cart before the horse

- Product
- **PRICE!**
- Place
- Promotion

Why Promotion is the Last "P" in Marketing

- And "Price" the second!

Getting Rates Correct

- Methods to determining Rates
- WAG
- Emotions
- Competition (a moving target)
- Historical data + educated guesses
- Consultants

Adjusting your rates

- How changing your rates effects the rates of your entire market (as everyone is watching everyone else)
- How to drive your competition crazy!

Why you need a consultant

Why many inns don't utilize RM

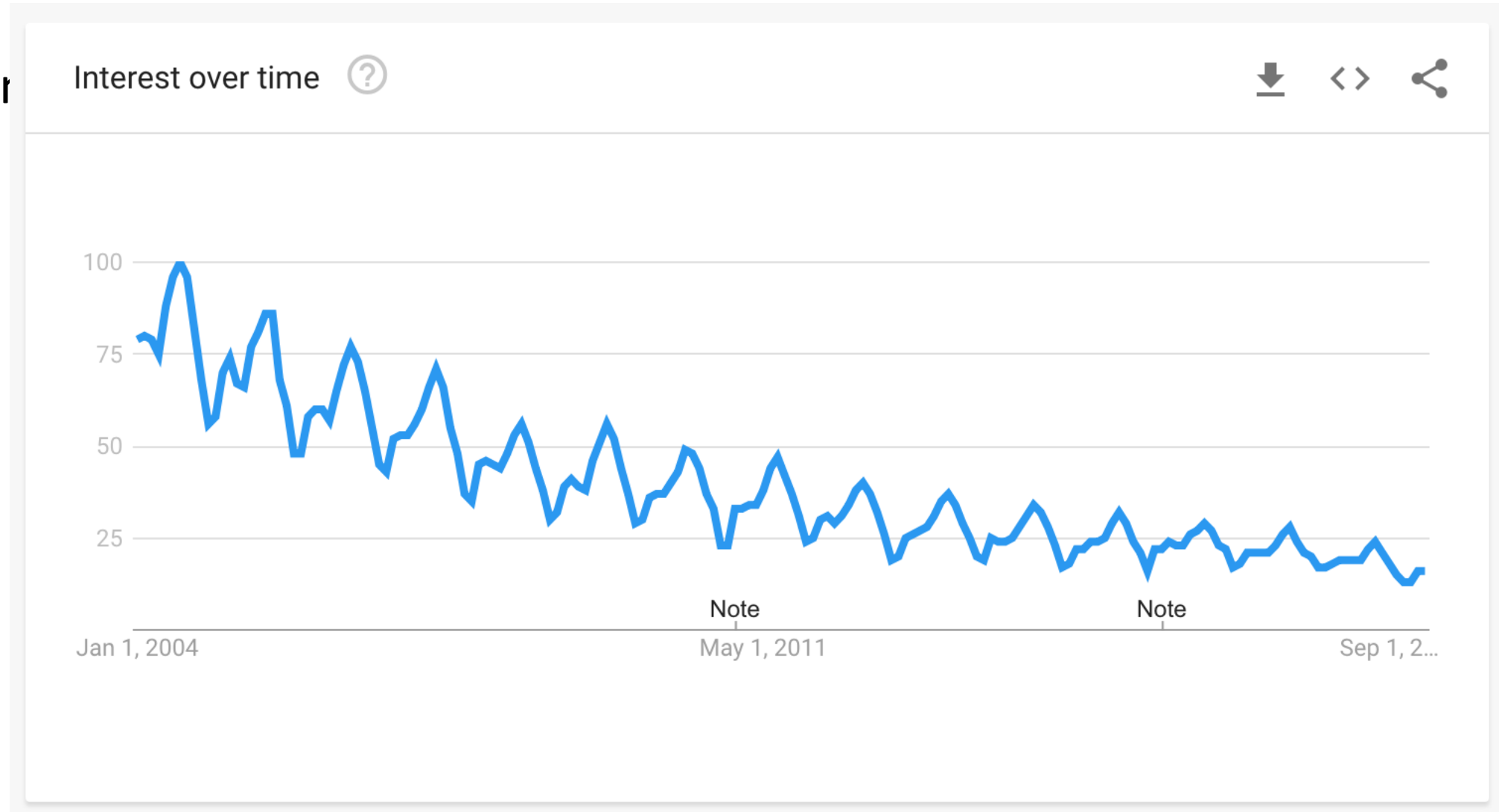
- Fear (the guests will talk and be angry at breakfast)
- Emotional pricing
- Divorce

The Need for Revenue Management

- Some traditional marketing methods aren't working
- Perishable product
- high fixed costs and low variable costs
- product can be priced differently
- demand evolves
- product can be sold in advance
- market can be segmented
- AirBnB

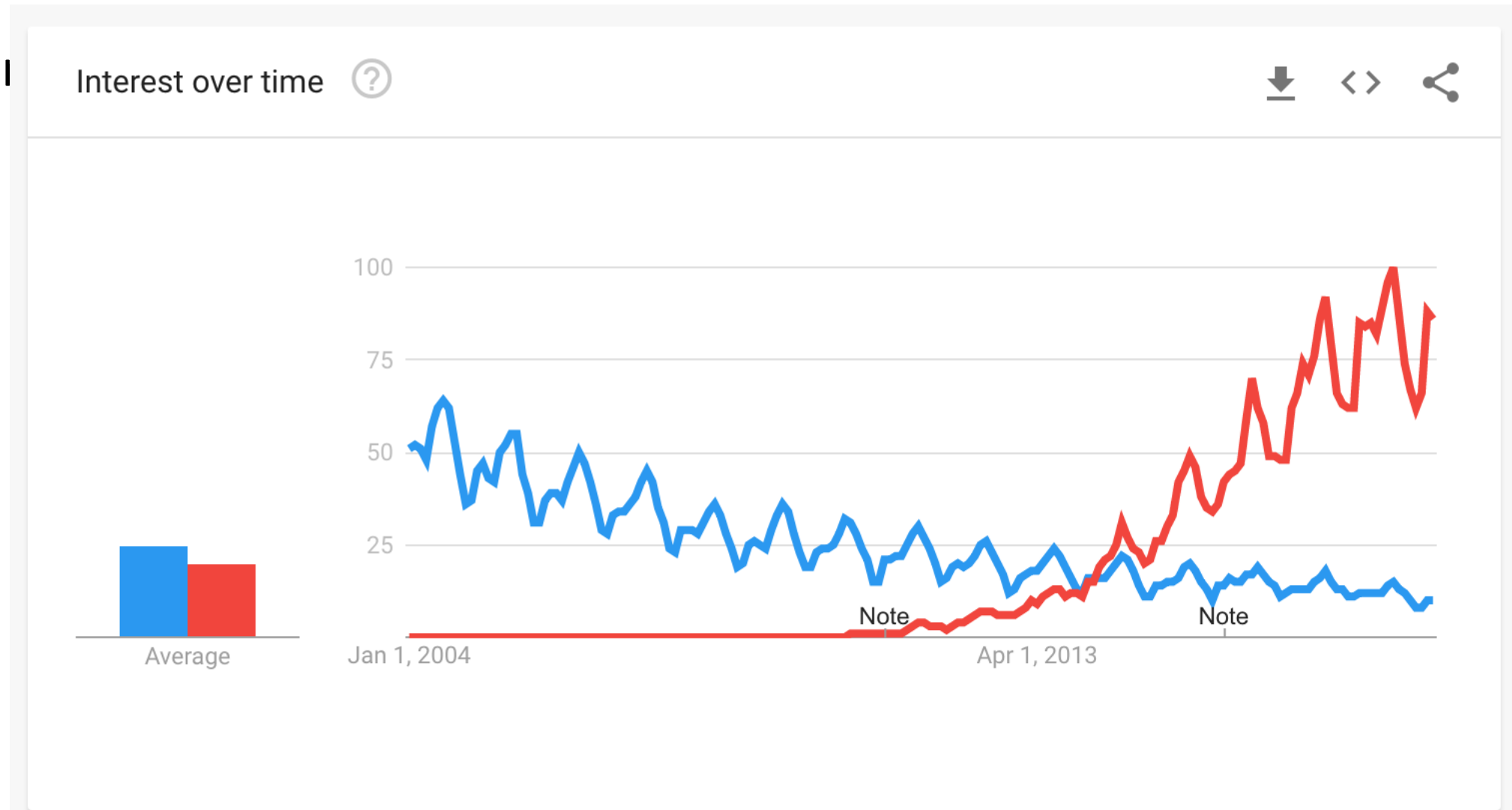
Bed and Breakfast Decline – Google Trends

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Bed and Breakfast vs AirBnB – Google Trends

- II



2003 Cornell Study

- Hotel room discounting doesn't increase hotel revenues or drive business, Cornell study shows
- "The prevailing wisdom is that reducing room rates entices new consumers to enter the market and buy more rooms... Instead, existing consumers simply get more for less, and hotel revenues fall."

2003 Cornell Study

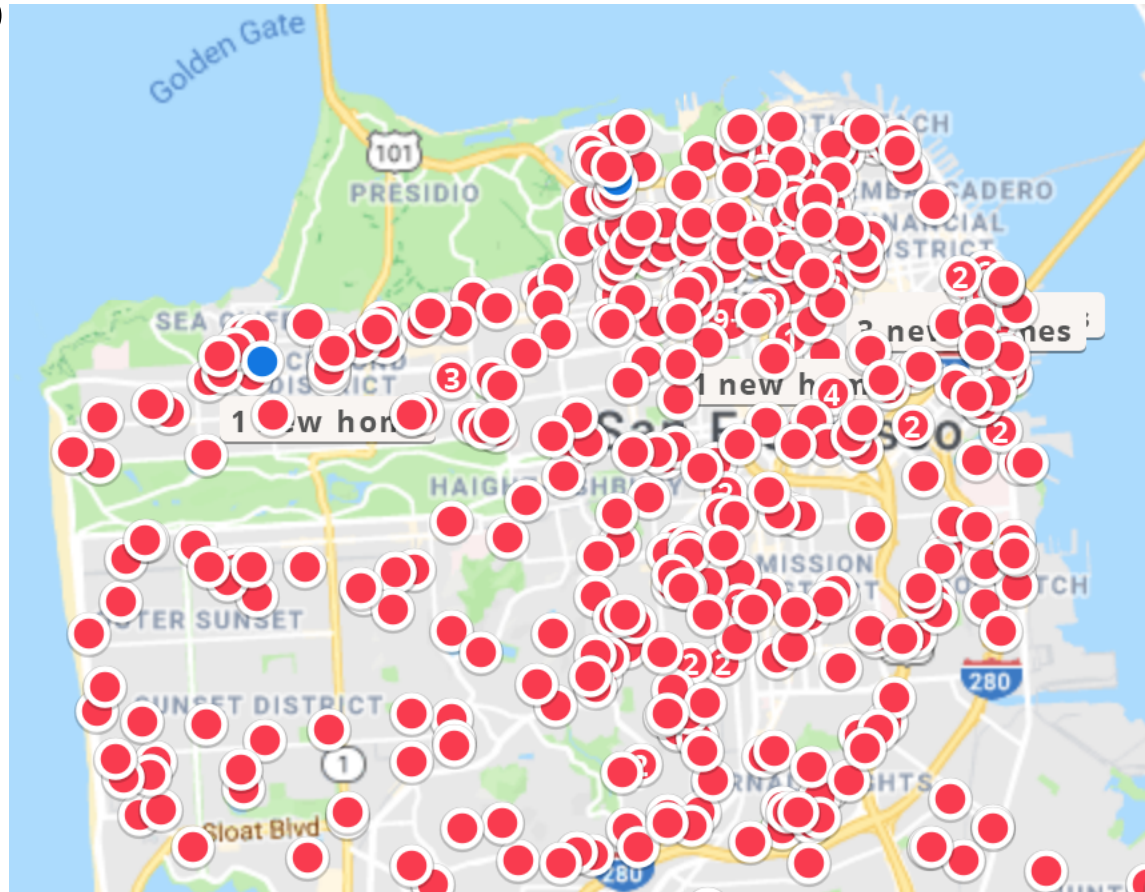
- Problems with the interpretation of the data
- You're NOT a hotel

2009 Cornell Study

- Competitive Hotel Pricing in Uncertain Times
- Hotels that offer average daily rates above those of their direct competitors experienced lower occupancies compared to those other hotels, but recorded higher relative RevPARs
- Overall the results suggest that the best way to have better revenue performance than your competitors is to have higher average rates.

Understanding Supply and Demand

- San Francisco



Understanding Supply and Demand

- San Francisco < \$500,000



How Revenue Management is based on supply and demand

- As the number of available rooms decreases for a given area, the price goes up.

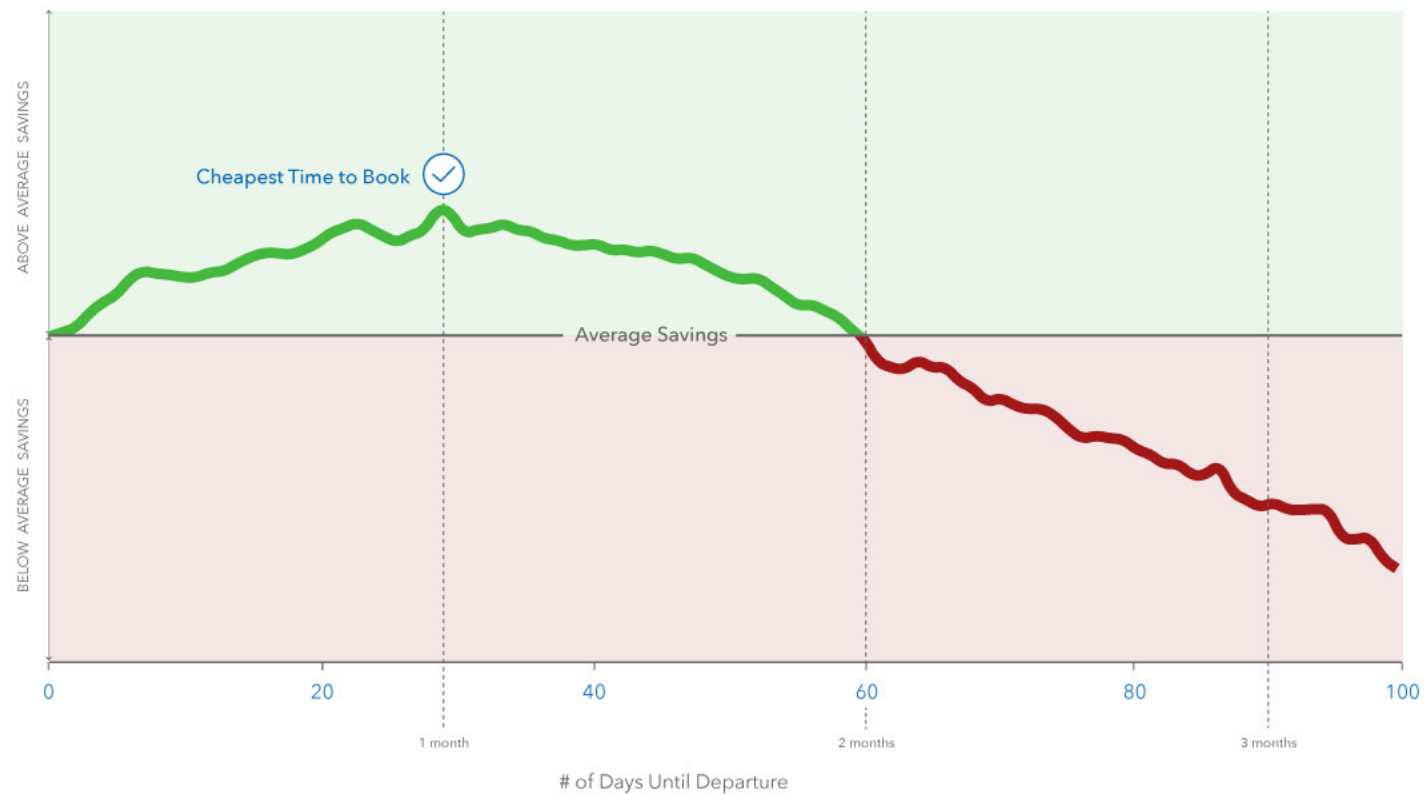
How Prices Change as the Stay Date Approaches

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Hotel Prices

- Insert y

 **Hotel Price Index: General Price Evolution**

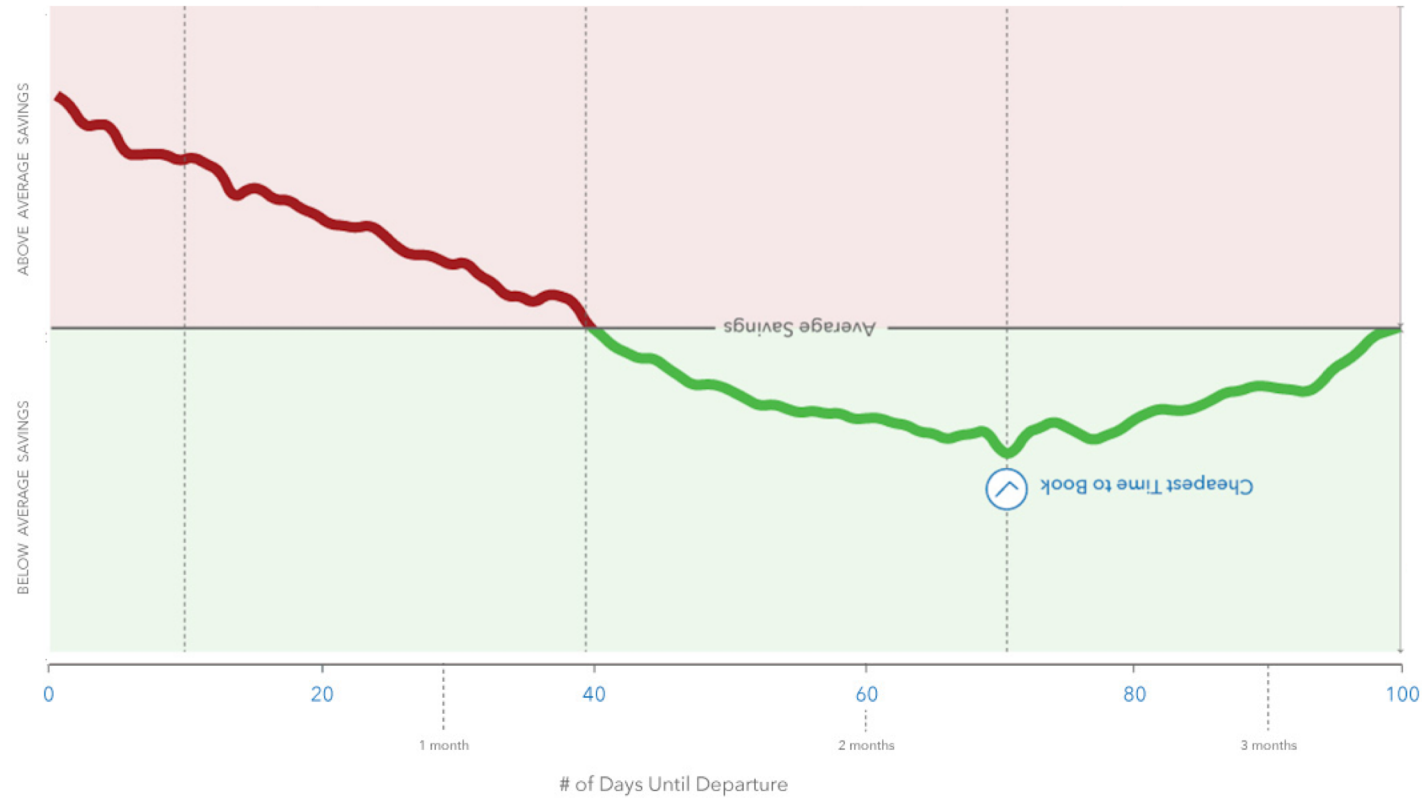


Turned on their head!

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Hotel Price Index: General Price Evolution



What's the greatest threat?

- Hotels
- AirBnB
- OTA's

It's time to think differently

- When one-night-stays are better - Hillbrook

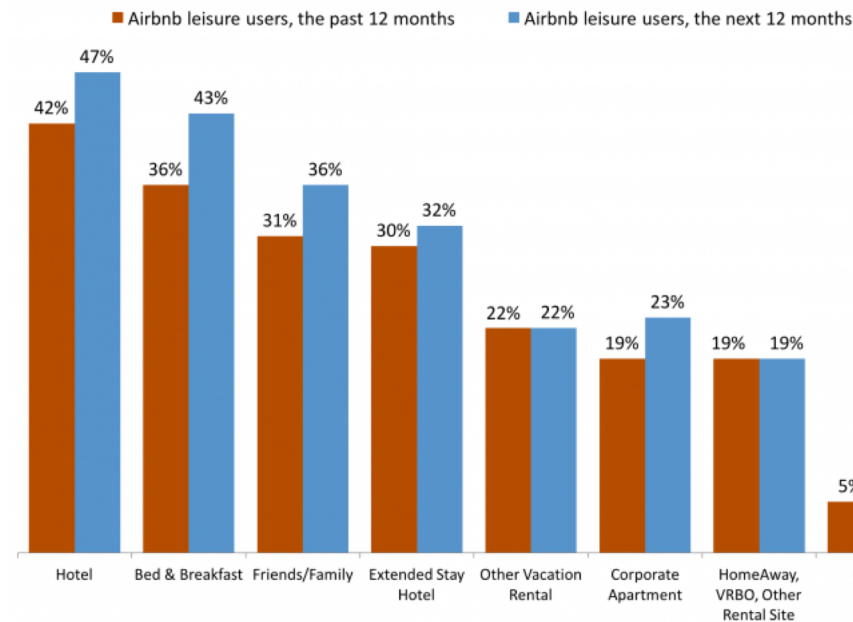
A Discussion on Value

- How the drive to add value to compete against hotels affected B&B Rates
- Terry Hammer – ultra value and the effect on rates

AirBnB Growth – The New Competition

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Where Global Airbnb Users Are Switching From



Source: Morgan Stanley

BI INTELLIGENCE

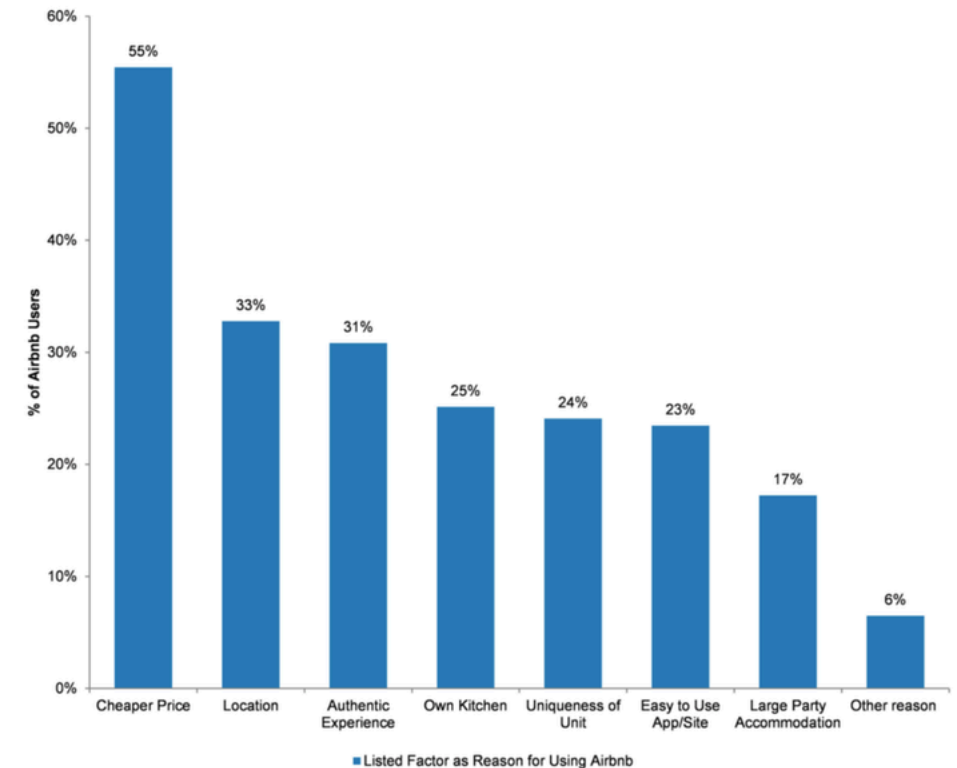
AirBnB – it's in the RIGHT value added!

- How to compete with AirBnB – Kitchen/Food!

- Unbundling, when it's better not to add
- Adding back value at a price (to compete hotels).

Exhibit 15: Price is the most important factor leading to Airbnb use

Question: What are the most important factors that led you to use Airbnb?



A different way to sell

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Two Night - Stay Your Way Experience

\$210 / NIGHT

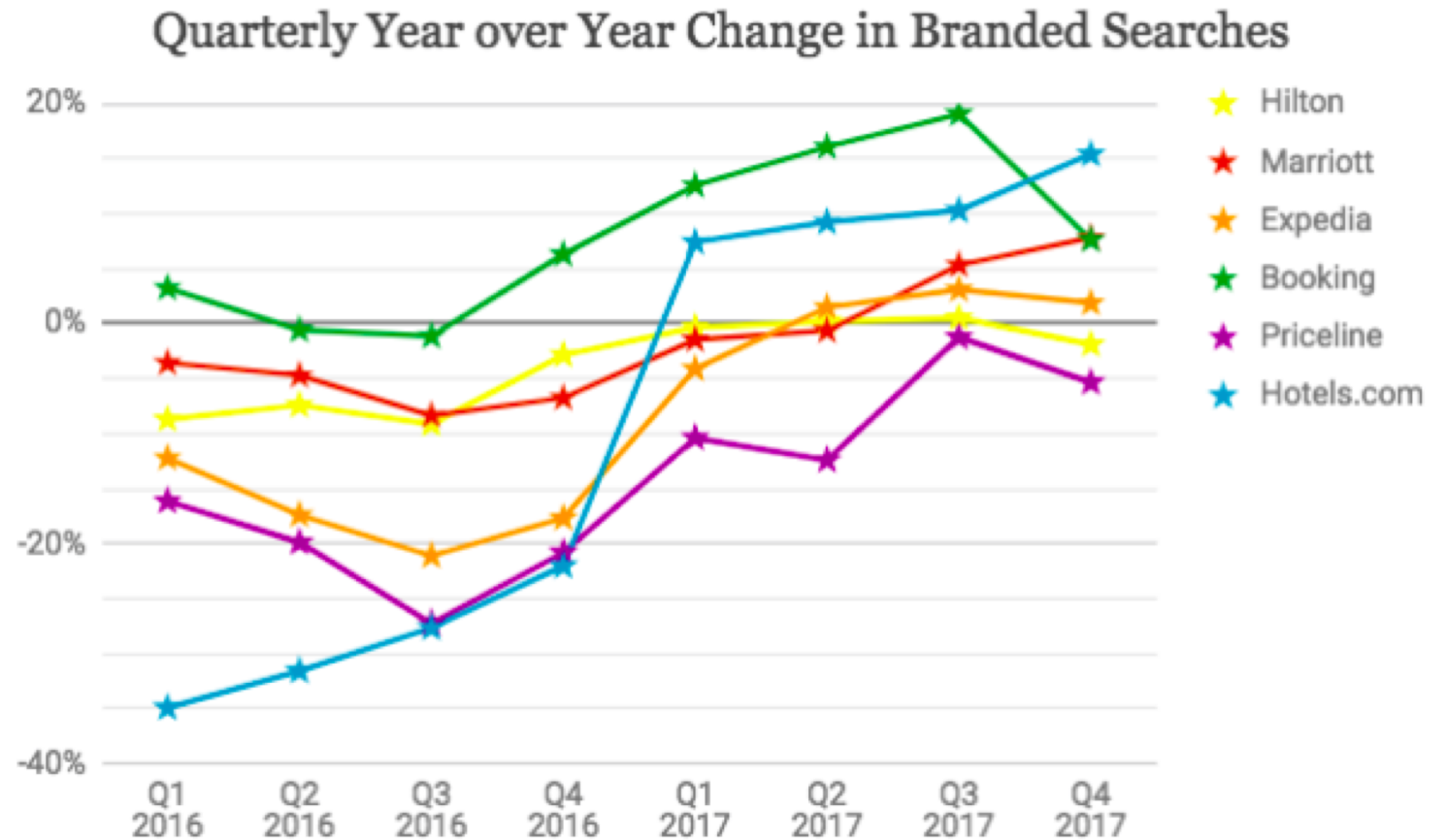
Stay Your Way with our new reservation experience that includes continental breakfast, gourmet breakfast, welcome tray, lunch dining experience with \$10 voucher to local stores, frozen margaritas. Does not include hot tub.

Two Night - Signature Experience

\$252.50 / NIGHT

Stay in our one of suites during a two night reservation with our Signature Experience including gourmet breakfast, welcome tray, lunch including a \$10 voucher for local stores (or choose a \$20 voucher) and

The OTA's and Revenue Management



The Need for Breakeven Analysis

- How to determine your breakeven analysis to more accurately determine your rates
- Do you really have many variable costs?

Manual vs. Automated RM

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Pricing Tips

- 1. Price match your competitors
- 2. Psychological pricing
- 3. Surround your middle market
- 4. Be better than the rest
- 5. Penetrate the market

Reviews (and Vendor Reviews)

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Scott Crumpton, CEO
White Stone Marketing
scott@whitestonemarketing.com
WhiteStoneMarketing.com

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