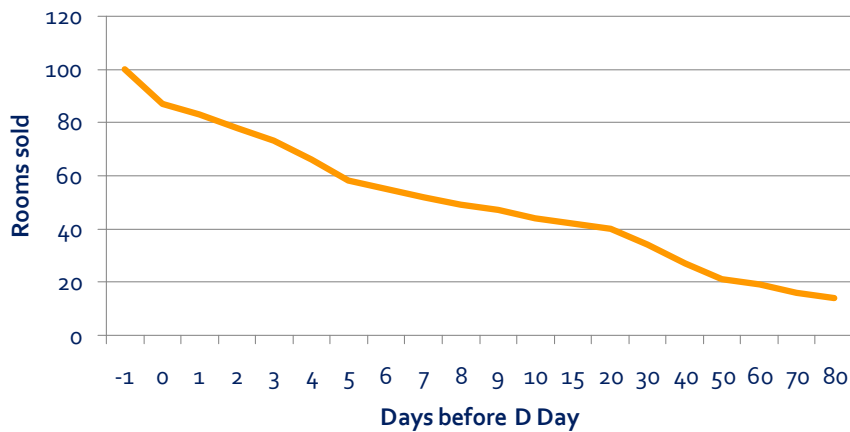




## Leadership in Revenue Management

Historical booking curve



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## About Xotels

Xotels is an innovative hotel management company that helps independent hotels to compete effectively in today's highly complex and competitive market place.

Through many years of experience, our proven game-changing techniques and unique best practices we turn around distressed hotels into market leaders.

Our team of hotel experts specializes in:

- Revenue Management
- Online Distribution
- Internet Marketing
- Business Development

We believe in sharing our thoughts and knowledge freely for the hotel industry as a whole to develop to a more professional level. Hence we have put together this eBook titled 'Leadership in Revenue Management'. It is an introduction to the operational structure and strategies involved in yield for hotels.

We hope you enjoy it.

Cheers,

Patrick Landman  
CEO & Co-Founder



P.S. If you are looking for more, you can always subscribe to our blog: [click here](#)

*This document has been compiled to spread knowledge and share best practices on revenue management within the hotel industry. It is strictly forbidden to copy in whole or part its content or to redistribute it for commercial purposes. We do encourage you however to pass it on freely to fellow hoteliers and share this knowledge with them.*



## Revenue Management Definition and Fundamentals

### The Definition

Selling the Right Room to the Right Client at the Right Moment and the Right Price.

We would like to add the following to this:

On the Right Distribution Channel with the best commission efficiency

Revenue Management helps to predict consumer demand to optimize inventory and price availability in order to maximize revenue growth. Revenue Management means not selling a room today at a low price to sell it tomorrow at a higher price. Revenue Management also means selling a room at low price today if you do not expect higher demand.

Revenue Management challenges the resources to gather information about the market so that you can be proactive and not reactive. Use the information to divide your market and adjust your products through distribution, to the right customer at the right time and at the right price.

Revenue Management is not only maximizing in high period demand, it helps stimulating demand in low periods while avoiding pricing cannibalism. Revenue Management is long term strategic, takes all revenue with their profitability into consideration, can sell low rates even in high demand period.

What makes hotels suitable to be able to apply Revenue Management?

- fixed capacity
- 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

Revenue Management started with the Airline Industry. Today it is applied in many more industries:

- Hotels
- Car rental, Train companies
- Theatres, Cinema
- Restaurants



In essence, almost every industry would benefit some ways from Revenue Management techniques. For instance IKEA offers price discounts at times of the week when demand is low.

## Revenue Management is a culture and philosophy

Are you ready to say No to business? General management, sales and reservations need to agree on same vision and objectives. Conflicts can happen! Weekly meetings are necessary to share. Set short, medium and long term strategy together.

Decisions must be based on knowledge, not on feelings!

Knowledge on:

- Clients
- Pricing
- Events
- History
- Competition
- Distribution
- Systems

Practice of Revenue Management may go faster than technology: does your PMS allow Flexible pricing? Record statistics for knowledge based decisions.

### ACTION 1

1. Yield meeting should be organized once a week: agree on a same vision on how demand will evolve first.
2. Develop culture of Revenue Management in your hotel: anyone should understand REVPAR, anyone should understand the reasons of saying **NO** to some business, and everyone should sell not only price but also value.
3. Records statistics for knowledge based decisions. Train your team for recording properly reservation information. Keep consistent records of your data: reservations on the books, waitlist, denials, walk out, cancellations, offers.
4. Do you know all options and reports available in your PMS & distribution software?

## Ingredients of Effective hotel Revenue Management

So what do you need to apply effective hotel Revenue Management?

- Market Segmentation
- Historical Demand and Booking Patterns
- Demand Forecast and Displacement Analysis
- Pricing and Inventory Management
- Overbooking
- Information Systems



All those ingredients will be developed further in the following sections. With regard to overbooking, it is simply necessary to oversell to reach 100% occupancy, without having to walk away clients. If there is a risk of walking guests, the costs should be taken into account in the evaluation of the overselling (extra rooms revenue sold versus the costs of walking away or out-booking).

## How to measure your efficiency? Hotel KPI

Here are some key performance indicators to measure the results of your hotel revenue management strategy:

- **REVPAR**- Room Revenue per available Room
- **TREVPAR** - Total Revenue per available Room
- **TREVPEC** - Total Revenue per Client
- **GOPPAR** - Gross Operating Profit per available rooms
- **REVPAM** - Conference and Banqueting Revenue per available Square Meters
- **REVPASH** -Food & Beverage Revenue per available seats and hour (forF&B outlets)



Do you measure REVPAR, GOPPAR, and all above ratios (past results and future on the books) on a daily basis?

## Market Segmentation

One of the components needed to apply revenue management in hotels is market segmentation. It allows you to target a variety of consumer groups with different behavior with an offer that matches their needs and budget level.

Your market segmentation shall help to identify the purpose of the trip: either business or leisure. The price does not determine the market segmentation. Clear distinction must also be achieved between individual and group business.

The market segmentation shall help you identify the trends of your business:

- Length of Stay
- Day of Weeks stays
- Total Revenue per room, Total Revenue per client
- Lead Time
- Cancellations
- No Show ratio

Today's ways of booking makes it difficult to identify the purpose of the trip. Segment by default the individual bookings for short midweek stays as business. Identify as leisure the booking of a double room over the week-end. And which market segment to apply to Internet bookings? You can also introduce the following question in the reservation process on your hotel website: 'Is your booking for business stay or leisure?'

You may want to introduce sub-segments such as your pricing points such as BAR and how yieldable the segment is.

	Sub Market Segments	Room Nights
BAR1	150 euro	750
BAR2	160 euro	900
BAR3	170 euro	1000
BAR4	180 euro	850
BAR5	190 euro	300
<b>Corporate</b>		
LRA		1100
NLRA		1500
<b>Tour Operators</b>		
Free sale		850
Allotment		1250





Here an example of a hotel market segmentation we use:

- Public
  - BAR Website - Best Available Rate sold through the own hotel website
  - BAR Direct - Best Available Rate sold direct by phone, email, fax
  - BAR Indirect Commissionable - Best Available Rate sold through commissionable online travel agencies
  - BAR Indirect Net - Best Available Rate sold through net rate online travel agencies
- Promotions
  - Opaque; hidden hotel discount programs
  - Flash Sales; promotional website offering membership discounts
  - Mobile; mobile websites offering same-day or last-minute discounts
  - Bidding; rooms sold through bidding or auction websites
  - Online Campaigns; internet publication offers and packages
  - Offline campaigns; print publication offers and packages
  - Special Event; packages and offers during holidays, festivals, concerts
- Negotiated Rates
  - Corporate Dynamic Rates
  - Corporate Flat Rates
  - Government
  - Crew
- Groups
  - Leisure
  - Business
  - Conference / Banquet
  - Incentive
  - Wedding
  - Events
  - Crew
- Wholesale
  - FIT
  - Tour Operators
  - Wholesalers
- Other
  - Complimentary
  - Barter
  - Walk-In
  - Overbooking (from another hotel)
  - House Use
  - Time Share

The above segmentation and sub segmentation is a general example. You may find that for your hotel there are other segments which are not included above, or a simpler segmentation would be more applicable. Each hotel has to decide what segmentation best fits their market and property.

## Yieldable versus Non Yieldable Segments

The non yieldable market segments are the bookings which you can not reject even if you could sell at a higher rate on those dates i.e. Last Room Availability (LRA) corporate contracts, Tour Operators allotment, etc.

<p><b>- Non Qualified Business</b></p> <p>Yieldable</p> <p><b>- Qualified Business</b></p> <p>Non Yieldable</p> <p>Semi Yieldable</p> <p>Yieldable</p>
--

You should have a clear picture of when your contracted accounts produce. How many times in the year do you have to accept contracted bookings when you could sell at higher rates? Of course your accounts should be producing year through. Still it is recommended to make the evaluation to recognize which months you may be losing revenue against the months the accounts bring additional revenue. The balance should of course be positive?

### Example of displaced revenue:

	03 February	04 February	05 February
<b>Available rooms</b>	20	5	15
<b>Public selling price</b>	175	200	175
<b>Minimum Length of Stay</b>		2	
<b>Last Room Value</b>		400	
<b>OTHER SEGMENTS</b>	OPEN	CLOSE	OPEN

With the example, if a LRA account books 2 nights arriving 04 February, the hotel will have to accept the reservation. Let's say that the account contracted rate is 100 euro. The hotel will lose with that stay 200 euro (corporate room value minus the last room value).

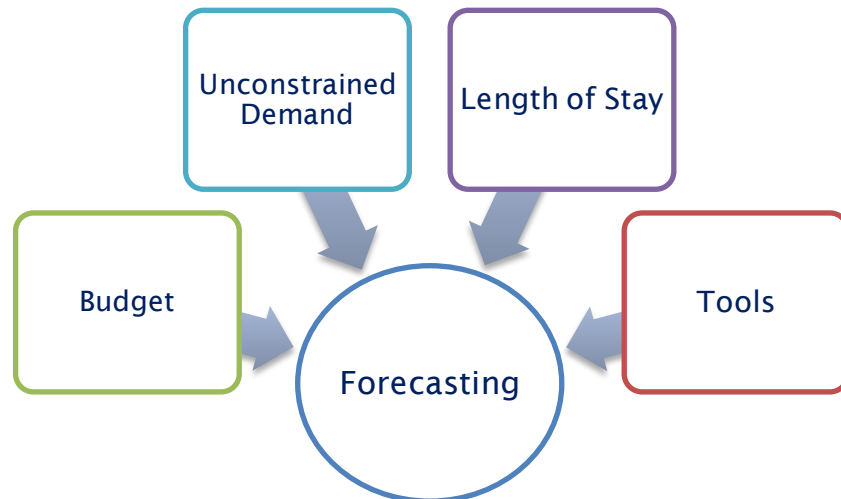
The Last Room Value (LRV) is the total value of the last rooms to sell. It can also include the Total Revenue or the Total Net Revenue. A displacement analysis should be regularly performed on your main accounts to evaluate the revenue gain: revenue displaced on identified dates minus the positive revenue on non constrained dates. That requires extracting the day by day production of your TOP accounts (Tour Operators, Corporate and IDSs) and evaluating day by day the possible displacements.

## ACTION 2

1. Challenge your market segmentation, should you introduce pricing points?  
Recognize non Yieldable segments?
2. Can you identify today trends per market segments? Check which PMS reports can provide knowledge on LOS per arrival days? Lead time information per days of the week and segments? Cancellation ratio per day of the week? Total revenue per client and per market segment?
3. Can you move some of your non yieldable segments to Yieldable?
4. Review the production of your main clients on basis of the displacement analysis. What is their true revenue gain? Assess if you could revise your pricing accordingly.

## Forecasting

This section will develop the following topics:



### Forecasting in hotels starts with making a budget

The budget is indeed your first forecast. But how do we make an accurate forecast for a hotel? To do so we will be discussing the following elements; unconstrained demand, stay patterns, booking pace

Your Budget should be realistic but it is also the time to set new targets. What if you invest in sales resources, what if you invest in online marketing, what if you increase your online visibility? The budget should be developed day by day, to answer the following question:

*At which rate and how many rooms can you sell for every future day (booking pace)?*

The budget can therefore be developed by market segments in room nights and revenue. The budget can also be widened with a monthly forecasting per country of origin and top accounts (corporate, tour operators). How do you anticipate the business demand, the leisure demand per country? At which rate can you sell on the upcoming months? How will your main corporate accounts behave?

The forecast will reflect the expected situation in the short term (1 to 3 months). Forecasts will be compared to the budget. New rate and selling strategies will be applied depending on the new Revenue expectations to maximize Revenue.

Besides of the frequency of the budget review you can implement a Rolling Budget. That means keeping up constantly a 12 or 13 month strategy. It will help you be more



accurate as the data you will use to budget or forecast for the same month next year is fresh in your mind.

## Demand Calendar – Hotel Revenue Management Tool

A demand calendar is the first step before budgeting, and it will also help you make informed pricing decisions based on solid data and statistics. It is a yearly roadmap to build your revenue management strategy. It demonstrates historical demand patterns matching them with future events. Sounds nice, right? But what are we talking about ...

Identify all events that impact your demand. Positive or negative demand generators must be recognized. Once updated, a demand calendar should not sleep. It should be updated every time you identify an event impacting your demand... that means one update a week at least!

The demand calendar will help to evaluate how much revenue each event can generate. But don't forget to take into consideration demand exceptions.

An exception applies to the behavior of one segment which is not normal i.e. much more corporate bookings than usual on two days, or much less tour operator bookings than usual. Can you identify in advance exceptions today? Find ways to identify them and record them on your demand calendar (ideally with the reason). That is the first step to build your future day by day budget. Will the exception or event repeat or not?

The most basic version of a demand calendar contains the following information;

- RevPAR last year
- Groups or events last year
- Demand level indicator last year (High, Medium, Low, Distressed)
- Demand level indicator this year
- Bank holidays
- School holidays
- Exceptional demand indicators



Take a look at the example below:

DEMAND CALENDAR																													
August					September					October					November					December									
Day	D	RV	G	LY	TY	Events	TY	D	RV	G	LY	TY	Events	TY	D	RV	G	LY	TY	Events	TY	D	RV	G	LY	TY	Events	TY	
1	W	63.8			L	S	85	M	M	37	M	M	37	M	T	92	M	Group BG	H	S	107	H							
2	T	62.4			L	S	67.8		L	T	77	M		M	F	101	H		H	S	62.9	H							
3	F	65			L	M	78.8	M	Concert M	H	W	35	M		M	S	113	H		H	M	73	L						
4	S	71.5	Y		L	T	94	Y	M	H	T	74	L		M	S	71	L		L	T	59.3	L						
5	S	70.3			L	W	117	Y	H	H	F	108	H		H	M	101	H		H	W	73.6	L						
6	M	69.1			L	T	144	Y	H	TOW	H	S	119	H		H	T	84	M	EX Corpor	H	T	59.8	L					
7	T	68.7			L	F	148	Y	H	TOW	H	S	71	L		L	W	37	M	EX Corpor	H	F	92.5	M					
8	W	66.9			L	S	146	Y	H	TOW	H	M	86	M		M	T	91	M	EX Corpor	H	S	103	H					
9	T	72.2			L	S	143	Y	H	TOW	H	T	113	M	Trade DST	H	F	92	M		H	S	41.3	H					
10	F	75.2			L	M	132	Y	H	TOW	H	W	97	M	Trade DST	H	S	103	H		H	M	57.1	L					
11	S	72.9			L	T	108		H	TOW	H	T	109	M	Trade DST	H	S	59	L		L	T	57.0	L					
12	S	66.5			L	W	99.6	H		H	F	105	M	Trade DST	H	M	78	M		M	W	81.9	L						
13	M	71.2			L	T	115	H		H	S	117	H		H	T	112	Y	H	H	T	64.2	D						
14	T	71.5			L	F	106	H		H	S	67	L	SH	W	126	Y	H		M	F	84.3	M						
15	W	69.7			L	S	104	Y	H		H	M	70	L	SH	T	79	M		H	S	88.5	M						
16	T	70.6			L	S	79.5	Y	M	SDAE	J	T	92	Y	H	F	96	H		H	S	53.0	D						
17	F	80.5			L	M	131	Y	H	SDAE	H	W	78	H	SH	M	S	89	M		H	M	38.3	D	School Hol				
18	S	81.8			L	T	130	Y	H	SDAE	H	T	78	M	SH	M	S	37	L		L	T	35	L	School Hol				
19	S	59.6	Y		L	W	118	Y	H	SDAE	H	M	109	H	SH	H	M	54	P		L	W	53.6	D	School Hol				
20	M	71.2	Y		L	T	124	Y	H		H	S	110	H	SH	H	T	71	Y	M	L	T	56.9	L	School Hol				
21	T	75	Y		L	F	114	H		H	S	79	M	SH	M	W	57	Y	M		L	F	49.2	D	School Hol				
22	W	69.1			L	S	104	H		H	M	79	M	SH	M	T	70	Y	M		L	S	58.1	L	School Hol				
23	T	75.6			L	S	58.6	H		L	T	90	M	SH	M	F	98	H		H	S	53.5	D	School Hol					
24	F	81.4			L	M	105	H		H	W	94	M	SH	M	S	95	H		H	M	59.8	L	School Hol					
25	S	83			L	T	102	M		H	T	90	M	SH	M	S	58	L		L	T	50.5	D	BH					
26	S	65.5			L	W	84.2	H		H	F	106	H	SH	H	M	78	M	Asia Group	M	W	59.7	L	School Hol					
27	M	57.0			L	T	105	H		J	J	106	H	SH	H	T	57	L	Asia Group	M	T	71.5	L	School Hol					
28	T	74.3			L	F	99.2	H		H	S	61	L	SH	L	W	52	L	Asia Group	M	F	120	H	School Hol					
29	W	73.7	Y		L	S	89.7	M		H	M	59	L	SH	L	T	54	L	Asia Group	M	S	122	H	School Hol					

A hotel needs an extensive revenue management demand calendar showing multiple demand indicators to appropriately analyze market situations.

So a lot of the information is easy to get. RevPAR last year, groups or events in the hotel etc, can be retrieved from internal PMS data. To determine if school holidays or bank holidays affect you, you should run arrival statistics of last year's holidays per feeder market (country) against their holidays.

This way you can see if any particular school or holiday from a particular country affects your hotel. It will allow you to target it intelligently with special offers and packages this year.

The data and information from your demand calendar can now be integrated into your OTB (on the books) and pick-up summaries. It will give you a much broader view of where your hotel is trending.

In the end informed decisions are better decisions, leading to better results!

### **ACTION 3**

1. Develop and update your demand calendar for any recognized exceptions.
2. Implement day by day budget, ideally by segments with room nights and average selling rate.
3. Put into action a rolling forecast to keep 12 months day by day rate strategies open on all your public distribution channels.



## Unconstrained Demand

The unconstrained demand of a hotel is your total demand for a particular date irrespective of your capacity. Hotels should identify when unconstrained demand is above the capacity of the hotel. This is an important part of your hotel revenue management strategy.

The unconstrained demand will help you calculate your Last Room Value for certain dates, and possible length of stay restrictions that may apply. Once peak periods are detected, you can start regretting low paying business. Historical data capture will help to calculate potential unconstrained demand. It is possible to develop manual tools which would help to identify those periods, such as with excel.

Day	OTB	1	2	3	4	5	6	7	8	9	10
Segment 1	Room nigths	23	25	19	33	33	19	17	15	10	5
	Pick up Exp	3	5	10	11	12	15	17	23	25	30
Segment 2	Room nigths	12	13	10	17	17	10	9	8	5	3
	Pick up Exp	7	9	14	15	16	19	21	27	29	34
Segment 3	Room nigths	27	29	23	37	37	23	21	19	14	9
	Pick up Exp	5	7	12	13	14	17	19	25	27	32
Total Bookings		77	88	88	126	129	103	104	117	110	113
Number of Hotel Rooms		100	100	100	100	100	100	100	100	100	100
Exceeding demand		0	0	0	26	29	3	4	17	10	13

The unconstrained demand shall help you to evaluate the Last Room Value and displaced revenue.

Record your denials for individuals but also for group bookings: by length of stay, by market segments, with total value for groups. What is your group unconstrained demand? Develop your denial and regrets reasons:

Hotel Sold Out / Closed Status	DENIAL
Closed To Arrival	DENIAL
Group Block Not Open / Sold Out	DENIAL
Minimum Length of Stay	DENIAL
Cancellation / Deposit Rule Too Restrictive	REGRET
Information Only	REGRET
Room Feature Not Available	REGRET
Rate Resistance / Too Expensive	REGRET



You may also record on your demand calendar when you main competitors are fully booked or sell high rates as this affects the demand to your hotel.

## Group Trends

Group patterns and trends are different from your regular demand. You can look at your reservations ‘On the Books’ (OTB) and pick-up, but this does not reveal all the trends.

Evaluate what you should record: How many leads have you received? How many leads do you currently receive in total? How does that compare to the past months, and to the same period last year? What are the trends? How can you incorporate that into your forecasts and selling strategies?

What is your conversion ratio? (Number of groups converted by leads received). Depending of the size of your hotel, you may develop the calculation by group market segments.

Lead received, Conversion ratio of Groups

		January 20XX	January 20XX+1	February 20XX	February 20XX+1	March 20XX	March 20XX+1	April 20XX	April 20XX+1	May 20XX	May 20XX+1	June 20XX	June 20XX+1
January	Lead	5	7	10	15	20	15	10	14	13	17	22	27
	Conversion	20%	14%	10%	13%	15%	27%	20%	21%	31%	18%	18%	15%
February	Lead			13	18	23	18	13	17	16	20	25	30
	Conversion			15%	17%	17%	28%	23%	24%	31%	20%	20%	17%
March	Lead					21	16	11	15	14	18	23	28
	Conversion					19%	31%	27%	27%	36%	22%	22%	18%
April	Lead							14	18	17	21	26	31
	Conversion							36%	33%	41%	29%	27%	23%

### Elements to consider

- Conversion ratio
- Lead time ratio on basis of the dates of request.
- Total spend by group
- Size of the groups
- Wash factor
- Segmentation of groups: leisure or corporate
- Denial and cancellation stats with reasons

#### **ACTION 4**

1. Record your turnaways or denials for all types of business: individuals, groups, day meetings, conferences etc.
2. Decide of the level of details of recording turnaways: days of stay, market segment, total revenue value
3. Develop reasons for turnaways in order to evaluate your decisions.
4. Track your conversion ratio for groups, day meetings, conferences, etc.
5. Anticipate your room blocks wash in your decisions : analyze periodically the wash per group types (initial versus actual room blocks)



## Pick Up Report

The pickup report will help you to follow the booking pace of your hotel. We will give example of a monthly pick-up and daily pick-up report to demonstrate on what basis you can monitor and quantify your pick-up trends key for revenue management decisions.

### Monthly Pick up Analysis

Record on every first day of the month the monthly occupancy percentage for every future month. It is recommended to record only the definite on the books for more precise comparison.

	Year	20XX	
	Month	March	
	January	February	March
January	51%		
February	35%	40%	
March	35%	45%	60%
April	40%	35%	50%
May	31%	35%	40%
June	19%	25%	40%
July	25%	30%	35%
August	28%	35%	42%
September	20%	22%	30%
October	15%	17%	25%
November	7%	10%	15%
December	2%	3%	10%

A more detailed tool can be developed to understand and compare from previous months.

Month Year	January for January 20XX										TOTAL RN / ARR
	1st of Month	Daily Pick Up								...	
	1	2	3	4	5	6	7	8			
Segment 1	1000	10	23	5	19	12	11	23	25		1128
	195,56	196	196	194	195	195	195	196	197		197
Segment 2	850	-14	15	13	23	14	11	17	19		948
	186,43	186	187	187	187	187	187	187	187		187,35
Segment 3	790	15	50	0	0	10	-15	-20	34		864
	176,55	177	163	163	163	163	164	165	167		167
Segment 4	270	35	0	10	-1	33	0	0	0		347
	169,88	171	170	170	170	176	176	176	176		176
Segment 5	1500	-55	15	2	1	44	34	4	12		1557
	155	155	153	153	153	156	155	155	155		155
<b>Total Room nights Pick Up</b>		-9	103	30	42	113	41	24	90		434

The above tool can be developed for the same month i.e. January for January but also for future months i.e. January for February, January for March. The room night pick up can be informative but the ARR knowledge can definitely be built with such a tool. Check your existing pick up tool how to develop the knowledge on ARR pick up. What explains the increase or decrease of ARR? Is the decrease of the corporate segment ARR normal i.e. your large main corporate accounts book last minute with its lowest rate. Again such tools should help you to identify new trends to forecast better the future pick up.

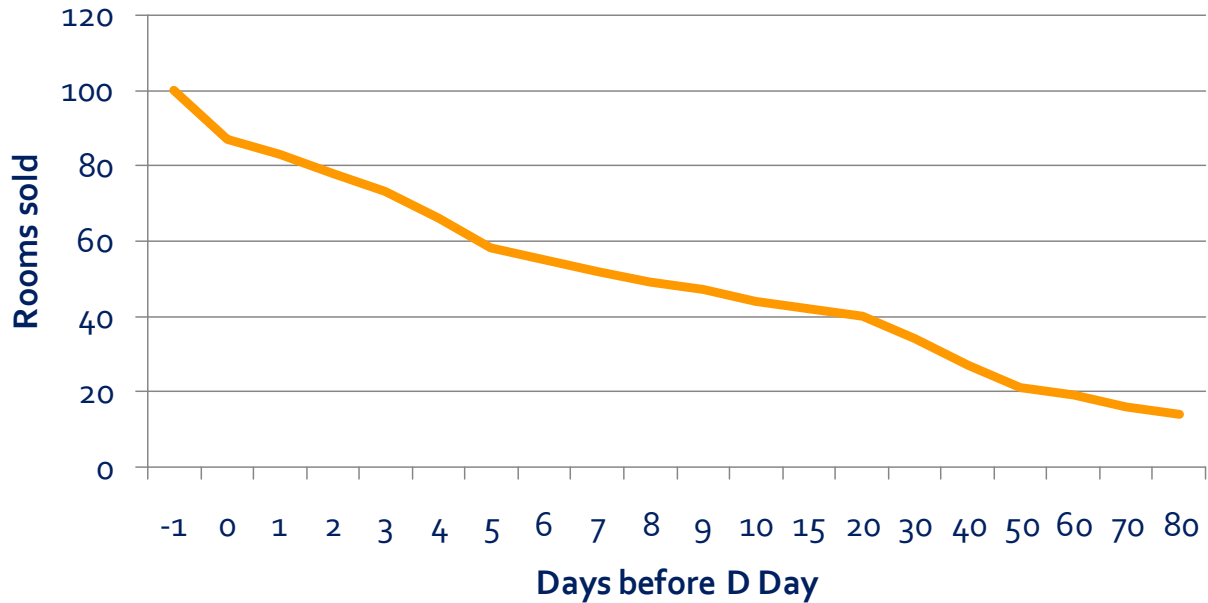
To give you even more detailed knowledge of the trends in your hotel, a pick-up tool should include statistics or data per segment. This way you can identify exactly which market segment is contributing to the reservation production.

## Hotel Booking Curve

To be able to make solid decisions without any doubts, it is advisable to convert the data from your pick-up reports into graphs. A booking curve graph will help you visualize the booking pace of your hotel.

Example on the next page:

## Historical booking curve

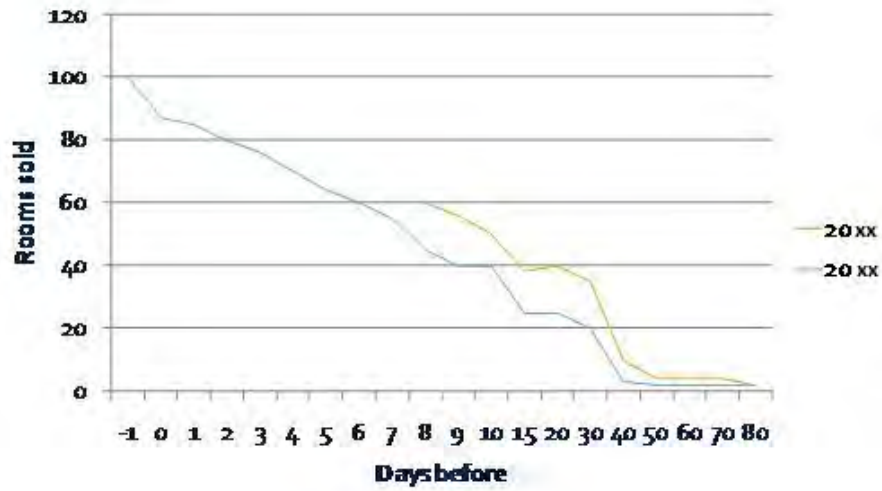


All the cancellations will be taken into consideration on the reservations curve.

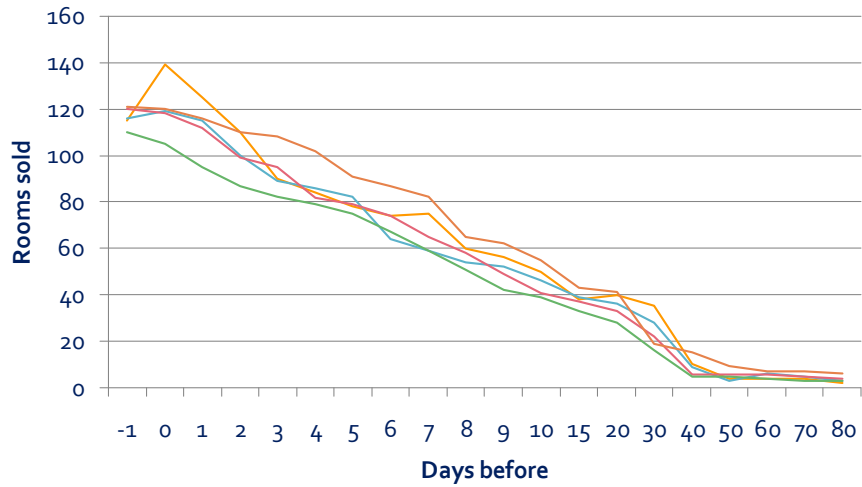
Identify your Hot Days (or cold Days) Is it what you expected? If not;

- Analyze
- Understand
- Can you influence it?
- How is it affecting your forecast?
- Are you losing opportunities?

Your selling strategy affects your forecast; therefore every time you make a rate change, you should analyze the impact on your forecast. Are your actual rates affecting your booking curve in a way you did not expect? What are your trends and how they compare to your city or region?



Develop a tool which allows comparison i.e. last year same day versus this year pick up or past 5 Wednesdays as per following graph.



## **ACTION 5**

1. Develop your macro and micro pick up studies (month and day by day) to recognize exceptions, Hot and Cold periods?
2. Decide of the level of details: total hotel, pick up by segments.
3. Develop pick up studies on ARR per segments.
4. Check on linking your pick up tool to your forecast tool in order to create an automatic forecast.

## Stay Controls or restrictions

How fast can you identify future fully booked days? Stay controls help to build the shoulder days. This is where your revenue potential is.

You should have the knowledge of the number of one night stays, two nights stays, three nights stays, four nights stays plus. How? Refer to your Guest In House list same period previous year including your denials/regrets. Check the patterns on your future on the books.

Which hotel stay restrictions can you apply and where?

- MLOS / minimum length of stay
- Maximum length of stay
- Min / Max length of stay combination
- Understand
- CTA / closed to arrival
- CTD / closed to departure
- Stay through restriction

	PMS	CRS	IDS1	IDS2
Minimum Length of Stay	YES	YES	YES	YES
Maximum Length of Stay	YES	YES	NO	NO
Minimum and Maximum Length of Stay	YES	YES	NO	NO
Closed to Arrival	YES	YES	YES	YES
Closed to Departure	YES	YES	NO	NO
Stay Trough	YES	YES	YES	NO

Evaluate the revenue impact on shoulder days if you decide to sell out one day!

The impact of the 4<sup>th</sup> of February on shoulder days as shown below:



	3 February	4 February	5 February
Available	35	-2	38
Individuals	15	27	12
Group	0	25	0

Unconstrained Demand to come	3 February	5 February
LOS 1N	10	
LOS 2N	10	
LOS 3N	3	3
LOS 4+N	3	3

Revenue Lost (basis 150€ ARR)	2400	900
-------------------------------	------	-----

## ACTION 6

1. Develop your knowledge on lengths of stays by arrival days for all days of the weeks, per segment and as per number of days left to sell (lead time).
2. If PMS reports cannot be built, read your on the books (OTB), last year actual stays on comparable periods including your turnaways.
3. Take into account the revenue loss on shoulder days if you decide to sell all rooms for one or two nights

## What Influences to consider for your hotel forecast?

It is important to keep the history of your competitors' availability and prices. That piece of information is an important part of the understanding of the demand to come to your hotel.

Does your main competitor sell more or less expensive on the forecasted period versus the same period previous year? How will that impact the demand to come to your hotel? Does your pick up curve reflect your competitors' strategies?

### Elements to consider

- Fully booked dates
- Changes in their selling strategies
- Low or High rates periods
- Opening and closing of Hotels (buildings)
- New management
- Refurbishments

## Rate Code, Channel and Origin Statistics

Can you develop pick up tools to analyze pick up on channels, nationalities? Which rates and/or channels your clients are booking in the future? What are the on the books (OTB) nationalities of your clients and the trends? Is it what you expected?

	Start	End	Pickup	Total RN	% From Total	Total Pick Up
<b>January</b>	460	990	530	2350	42%	1010
<b>February</b>	567	1083	516	2500	43%	978
<b>March</b>	732	1230	498	2659	46%	876
<b>April</b>	796	1345	549	3200	42%	920
<b>Average</b>	638.75	1162	523.25	2677.25	43%	920

## Top Accounts Expectations

Anticipate your top accounts production: Internet, Corporate, Consortia, Whole Sale - Tour Operators, Meetings / conventions. I.e. does the on the books of one IDS reflect the general trends of your total on the books? Speaking of one main corporate account clients, will they book as much as in the past? Will they book on the same days of the weeks? Will they keep spending as much as they did? Will their length of stay remain the same? Gather information when meeting your clients, asking questions on projects, expectations...



Know your sales strategies by account and analyze how it affects your global strategy. Forecasting must be as much quantitative as qualitative! Forecasting must be participative: the front-office, the sales team receives information from clients you may need.

## Accuracy of your hotel Forecast

You should aim at 5% maximum (+/-) variance for the next month, variance between your forecast and the actual results. Take the time to analyze the variances to understand, learn and improve your hotel forecast and revenue management decisions.

How much do the room nights or the ARR variance impact to total variance? Study the forecast variance by day of the week and by segments.

A variance can also be caused by an incorrect on the books; before extracting your on the books, ensure that:

- The segmentation is correct
- Review all your definite groups. Evaluate the possible increase or decrease of the block. Ensure room blocks are well updated
- Evaluate your group tentative and apply a materialization factor
- Verify you do not have duplicate bookings
- Ensure that you do not have pending reservations not entered yet in the PMS
- Take out oversold rooms on expected cancellations and base your forecast on the number of rooms available to sell
- Every room block and reservations are attached to a correct rate or rate code.

The accuracy of your forecast is the key to profitability or GOPPAR of your hotel. Other departments depend of it. Therefore we set the bar even sharper, and only allow ourselves a maximum of 3% variance.

## Forecasting Model and Tool

According to your yield opportunities, you may decide of a more or a less developed forecasting tool. You may also consider Computerized - Revenue Management System. Here some examples of hotel forecasting tools in excel.

Forecasts are not perfect. It is a strategic management tool. A basic Forecast is better than none. It is the path to market and customer knowledge. It reinforces your pro-activeness in terms of inventory and rate management.

Your forecast module can help to forecast the double occupancy, the number of arrivals and departures: useful for the front-desk and housekeeping. On the basis of your forecasted number of nights by segment, you can anticipate the number of guests: it helps housekeeping to forecast their costs, and the restaurant the number of

breakfasts. The forecast can help you to prevent and identify challenges in reaching your objectives: it gives time to adapt strategies or work out additional actions.

The forecast can help to identify low demand period: you can develop it as a communication tool taken over by sales department to focus their efforts on sales.

### Basic Forecasting Model

Date : 30th November	Days	31	Rooms	120			
<b>Month : December</b>	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday
	1	2	3	4	5	6	7
Rooms on the books	60	70	55	70	20	40	45
% Occupancy on the books	50%	58%	46%	58%	17%	33%	38%
Expected Pick up	0	4	5	5	3	15	17
Forecast	60	74	60	75	23	55	62
Forecast % Occ	50,0%	61,7%	50,0%	62,5%	19,2%	45,8%	51,7%
<b>Pick Up Room Nights</b>							
<b>Individual Groups</b>	2	5	10	10	3	15	17
<b>TOTAL</b>	-2	-1	-5	-5	0	0	0
	0	4	5	5	3	15	17

### Advanced Hotel Forecast

Month : December	Wednesday	Thursday	Friday	Saturday	Sunday
	1	2	3	4	5
Rooms on the books	87	112	88	108	93
Individual Business	10	15	11	16	21
Companies	45	50	15	15	10
Wholesale	15	20	25	30	5
Meeting and Congress	10	15	20	25	30
Groups Leisure	7	12	17	22	27
% Occupancy on the books	73%	93%	73%	90%	78%
Expected Pick up	3	2	11	12	7
Forecast RN	90	114	99	120	100
Forecast ARR	109,2	108,0	96,1	96,4	95,8
Forecast % Occ	75%	95%	83%	100%	83%
<b>Pick Up Room Nights</b>					
Individual Business	5	5	10	10	7
Companies	-1	-2	0	0	0
Wholesale	-1	-1	5	5	2
Meeting and Congress	0	0	-2	-1	0
Groups Leisure	0	0	-2	-2	-2
<b>TOTAL</b>	3	2	11	12	7
<b>ADR</b>					
Individual Business	125	125	110	115	105
Companies	115	115	125	125	120
Wholesale	90	90	80	80	80
Meeting and Congress	100	100	100	100	100
Groups Leisure	90	90	75	75	75
<b>TOTAL ARR</b>	109,17	107,98	96,06	96,38	95,75

## ACTION 7

1. Develop pick up tools on specific sources of business : channels, top accounts
2. Search for qualitative information when meeting clients to build your forecast trends.
3. Depending of the size of your hotel, involve team members in the forecasting process i.e. group forecast performed by the group sales manager.
4. Ensure your on the books is correct with systematic checks when building your forecast.
5. Decide of the level of details of your day by day forecasting tool: total hotel, room nights, ARR, by segments, total revenue.

## Benchmarking

How do the clients compare your hotel to the other hotels? Develop knowledge not only on their selling rates but also on the value they offer. Actually when is the last time you stayed at a competitor hotel?

Benchmarking your competitors means benchmarking on the following criteria:

- the prices
- the product
- the level of service
- the location
- the distribution channel

A competitor may be competing only on few segments and at different time (i.e. weekends)

### Anticipate the Rate Strategies of your Competition!

Winter Period		LOS : 1 Night			
	Comp 1	Comp 2	Comp 3	My Hotel	
Public Rate	150	135	155	155	
Corporate Rate	130	110	130	120	
Wholesale Rate	100	85	110	100	
Group Business Rate					
10-40 rooms	130	120	130	130	
41-60 rooms	140	110	140	130	
Group Leisure Rate					
10-40 rooms	100	90	110	100	
41-60 rooms	90	90	100	110	
Relation in % Versus Public Rate	Comp 1	Comp 2	Comp 3	My Hotel	
Corporate Rate	-13,33%	-18,52%	-16,13%	-22,58%	
Wholesale Rate	-33,33%	-37,04%	-29,03%	-35,48%	
Group Business Rate					
10-40 rooms	-13,33%	-11,11%	-16,13%	-16,13%	
41-60 rooms	-6,67%	-18,52%	-9,68%	-16,13%	
Group Leisure Rate					
10-40 rooms	-33,33%	-33,33%	-29,03%	-35,48%	
41-60 rooms	-40,00%	-33,33%	-35,48%	-29,03%	



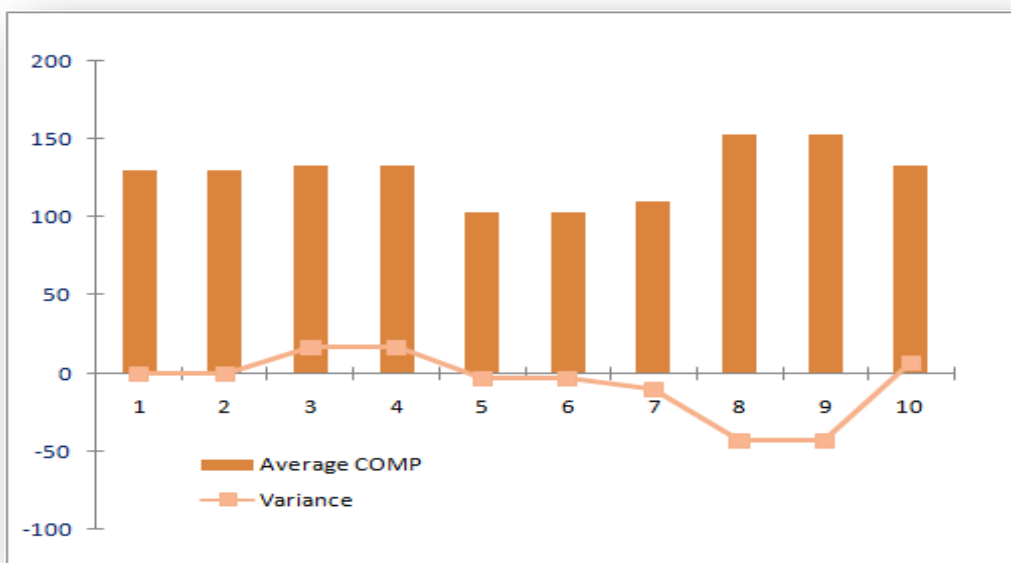
Benchmark your competitors' rates in order to anticipate their strategies. How will their selling strategies by segments evolve? How will that impact your demand to come to your hotel?

## Rate Shopping

Check the public rates of your competition, at least once a week. What are their strategies? What is the probability that they will decrease or increase their rates on specific period? Make sure you know what rates your competition is selling at...

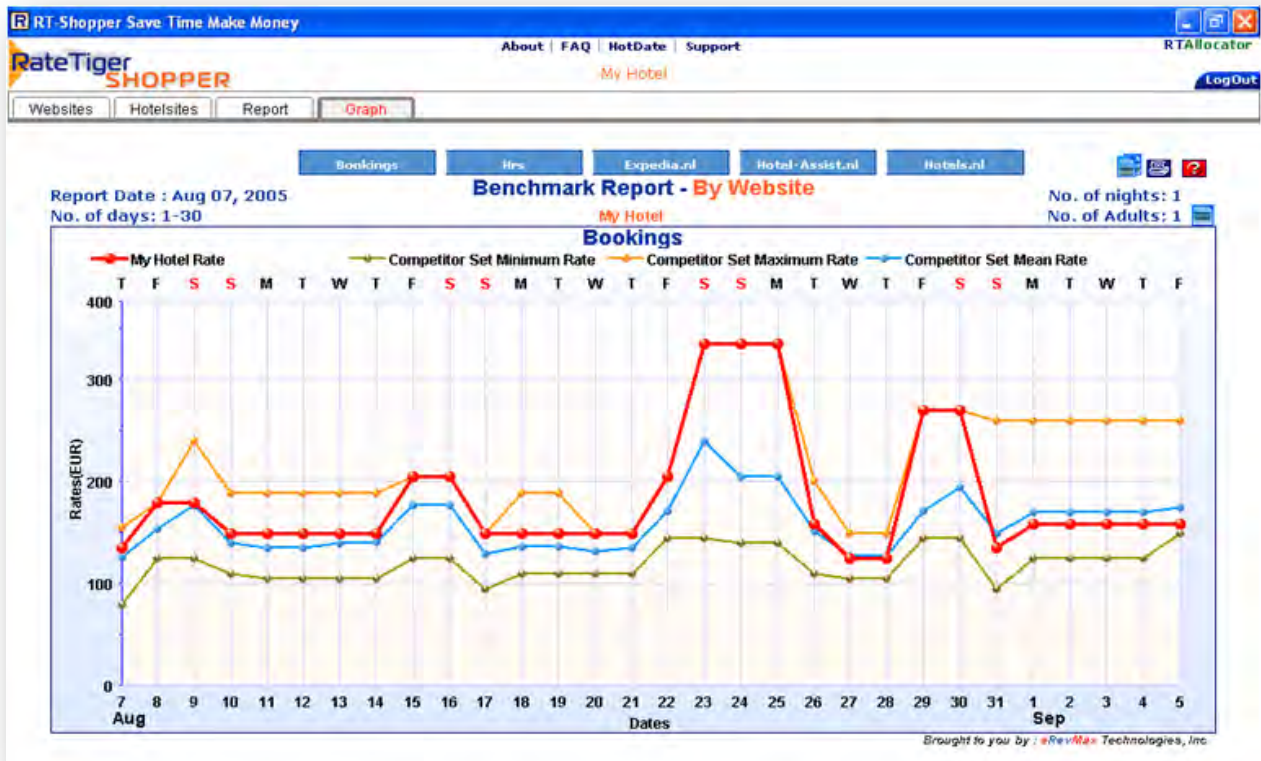
Also check periodically pricing by LOS i.e. 2 nights stay by arrival day, 3 nights stay by arrival day etc.

	COMP A	COMP B	COMP C	My Hotel	AVERAGE COMP
1	120	130	140	130	130
2	120	130	140	130	130
3	150	130	120	150	133
4	150	130	120	150	133
5	100	110	100	100	103
6	100	110	100	100	103
7	120	110	100	100	110
8	150	160	150	110	153
9	150	160	150	110	153
10	120	130	150	140	133
<b>Average</b>	<b>128</b>	<b>130</b>	<b>127</b>	<b>122</b>	



Identify opportunities when you can follow up the market as shown in the above example!

You may decide to subscribe to a Rate Shopping Tool (below an example from RateTiger Shopper).





## ACTION 8

1. Develop benchmarking of your competition: public rates by LOS and arrival days.
2. Benchmark periodically your competitors' rates on other market segments
3. Anticipate the rate strategies of your competitors: what will be their rate positioning in the coming year, per periods? How that will affect the demand to come to your hotel. How can you differentiate your hotel in terms of Pricing & Value?

## Evaluate the Value Proposition of your Competitors

Do you really know what you are up against? Is your product and service level better or inferior compared to your competitor hotels? To develop a well-balance revenue management strategy, you have to evaluate the value proposition of your hotel's competition. And there is only one way, go check them out...

You might remember from back in the days during marketing class, a SWOT analysis... Strengths, Weaknesses, Opportunities, Threats... It still applies!



You can take the following steps to analyze your hotel value:

- Identify the strengths and weaknesses of your hotel
- Develop a check list to evaluate your competitors in terms of product & quality
  - Welcoming and openness of the employees
  - Quality and cleanliness of the bedroom
  - F&B outlets and other services
  - Location
- Score the quality of your competitors
- Score your competitors

You can make your hotel competitor survey look something like this:

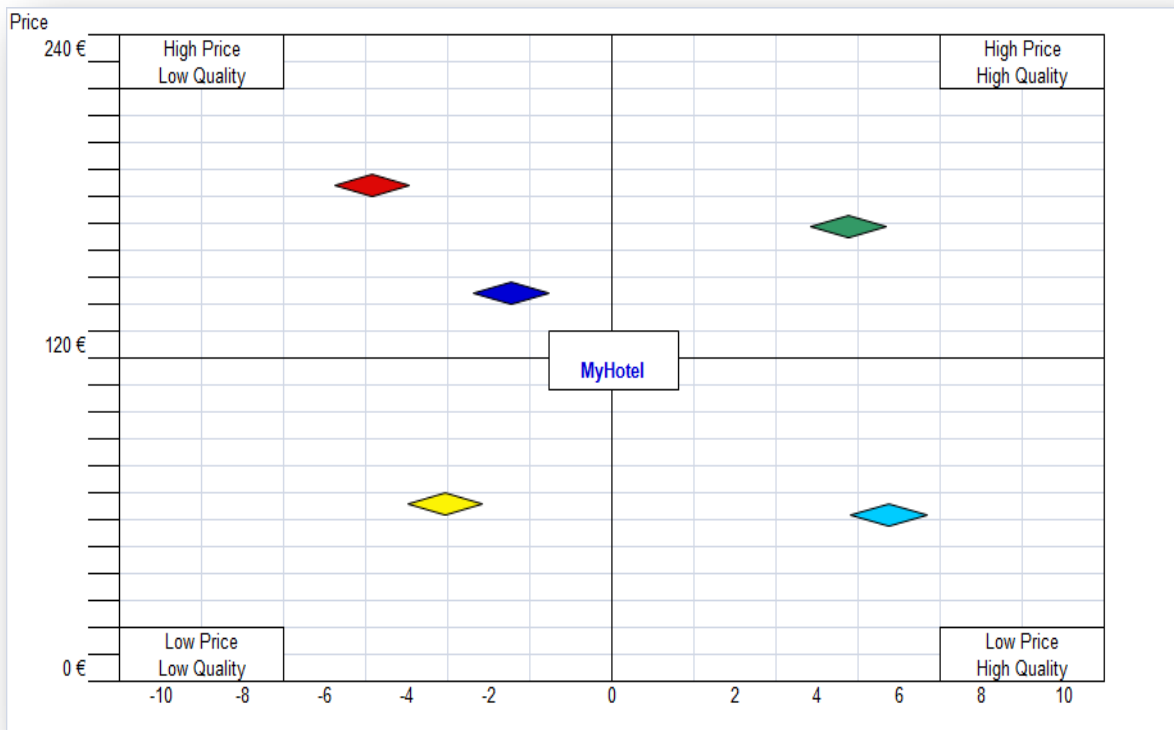
My Hotel Name		X H otels				
X H otels	QUALITY VARIABLE	Comp1	Comp2	Comp3	Comp4	Comp5
0	Location	1	1	-1	1	1
0	Technology	2	1	-2	2	2
0	Quality of the rooms	1	2	-1	1	1
0	Rooms locations: views, luminous...	-1	2	0	1	0
0	Comfort of the rooms	-2	1	0	1	0
0	BathRoom Amenities	0	2	1	0	1
0	Exterior of the Hotel: façade	1	0	2	0	-1
0	Accesibility	2	0	1	0	-2
0	Service Quality	1	0	2	0	-1
0	Profesionism	1	0	-1	-1	0
0	Service efficiency	1	1	-2	-2	0
0	Decoration	1	2	-3	-1	-1
0	Restaurant and Food and Beverage	0	1	1	0	0
0	Lobby and communal areas	-1	2	2	1	1
0	Meeting Rooms	2	2	3	1	1
0	Quality of Core Programs	0	1	-1	2	1
0	Quality of Promotions	0	1	-2	1	-1
0	Quality on Reservations process: Voice	0	1	-2	-1	-2
0	Totals Quality...	9	20	-3	6	0

In the day and age of internet and social media you can of course also put into the mix score from hotel review sites like TripAdvisor, TravelPost, IgoYouGo, HotelsCombined, HolidayWatchDog, Zoover, Vinivi, Trivago and reviews featured on IDS / OTA channels.

## Rate Value Matrix

Reflect your positioning on a matrix. Does your positioning make sense? How often are you more or less expensive than your competitors? Do you take into account your positioning and value offer when deciding of your daily rates? One more element to consider in your hotel revenue management plan:

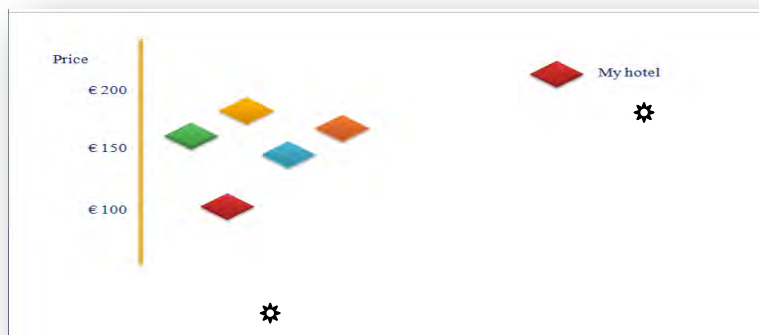
A Rate or Price Value Matrix looks like this. Again something we have looked at or might remember from back in the days during marketing class but probably never used again. It is vital though to understanding and communication your hotel pricing strategy and positioning.



Choosing a clear price positioning strategy for your base rate will help strengthen your value perception to consumers. There are several strategies you can follow;

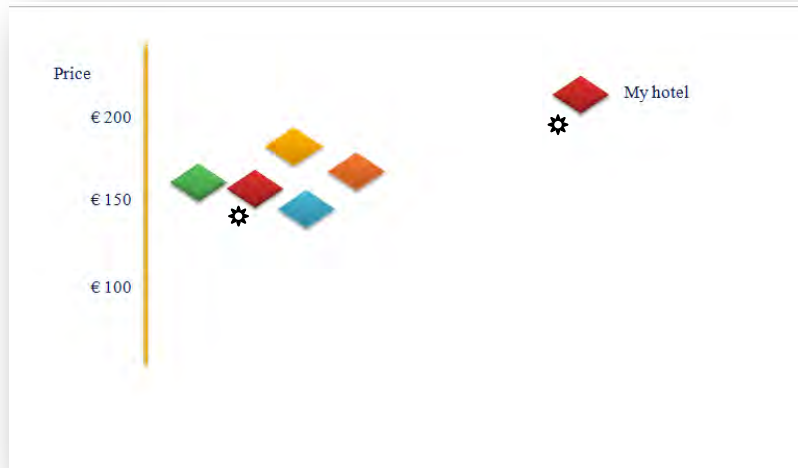
- penetration pricing strategy
- equal pricing strategy
- surrounding pricing strategy
- skimming pricing strategy

### Penetration Pricing Strategy



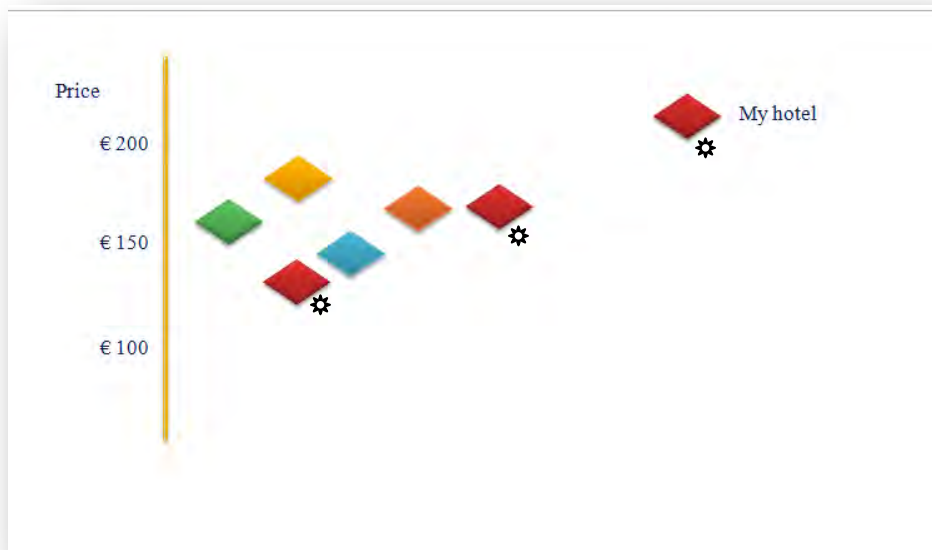
The market accepts and understands your positioning: among the cheapest in the market. That can work if that positioning does not drive the market rates down. Is there an opportunity to still sell more expensive on specific periods? How does your client value your hotel?

### Equal Pricing Strategy



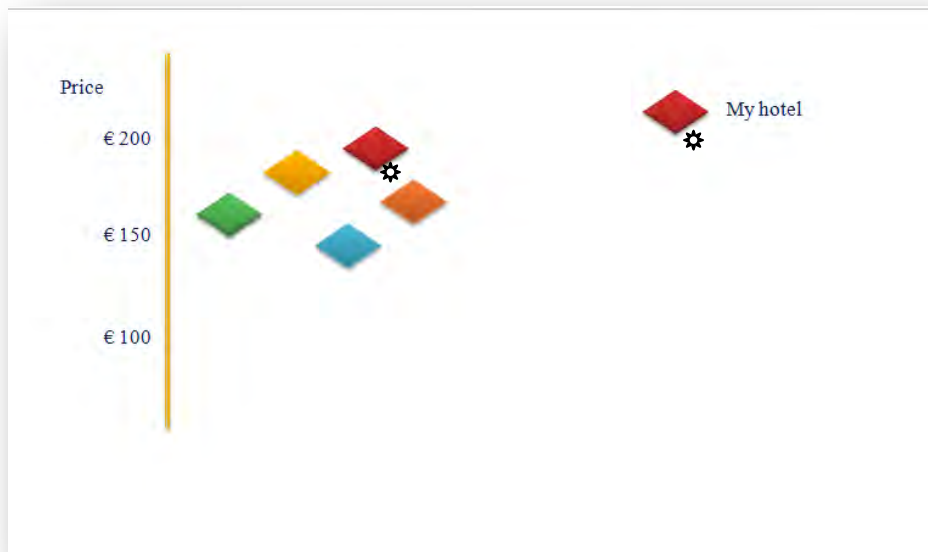
The hotel sells at comparable rates. Your hotel value will make the difference in the clients' decisions.

### Surrounding Pricing Strategy



Your first room type will be the cheapest in the market or among the cheapest ones. Your superior room type will be sold at a rate close to the first available rates of your competition. The key success is to offer added value. Think in terms of room types with better facilities or specific features, and additional amenities.

### Skimming Pricing Strategy



The skim strategy is to position clearly your hotel among the most expensive. Price leaders often achieve among the highest profitability. Can you provide more value than your competitors? Can the consumers clearly understand the reasons that they would pay more staying in your hotel? What are the consumers ready to pay for?

### Distribution Benchmarking

Are you competing with your competitors on the same distribution channels? Are there any regional or local websites in other countries that have distribution strength for your destination? On which distribution channels should you be present?

	Competitor A	Competitor B	Competitor C	My Hotel
Own Website	YES	YES	YES	YES
Expedia	YES	YES	NO	NO
Bookings	YES	YES	NO	YES
Venere	YES	YES	NO	NO
Amadeus.net	YES	YES	YES	YES

	Competitor A	Competitor B	Competitor C	My Hotel
Own Website	1	1	1	1
Expedia	1	14	4	0
Bookings	1	10	0	3
Venere	1	25	0	0
Amadeus.net	1	3	5	2

Where are your competitors? Benchmarking from time to time your on line competitiveness will give insight in the understanding of your booking pace. Also check their ranking via Google searches and third party websites!

Use Google to identify distribution opportunities;

- Search for 'hotel + your destination; on the different country sites of Google... (Google.com, .co.uk, .fr, .de, .it, .es, .nl, etc)
- search for competitor hotels on the different country sites of Google
- make an overview and contact the sites that appear on page one, or advertise on Google, Yahoo and Bing

Your hotel distribution strategy is a vital part of your revenue management plan. Make sure you are on the internet distribution channels that promote your destination online. And remember the power of marketing they have. The put your hotel in front of many consumers you can't reach directly, and some of them even book directly.

## ACTION 9

1. Value how consumers understand and appreciate the Quality and Experience staying in your hotel versus those of your competitors.
2. Perform periodic check of your competition value. Develop a check list to evaluate and compare your hotel to your competitors thanks to a Price/Value Matrix.
3. How can you differentiate better your hotel? Challenge your positioning in terms of pricing and value. Do you target the right clientele in terms of revenue development? Could you target higher spenders? What would be the improvements and changes needed?
4. Anticipate the strategies of your competitors? Can you identify changes in the value they deliver? Does that match the clients' expectations?



## Market Penetration Index

Is your hotel getting its fair market share? Use KPI like MPI, ARI, RGI to benchmark the results of your hotel's revenue management performance. What is your market penetration index?

Compare regional arrivals statistics with yours. Stats can be obtained from airport, tourism boards. Are you getting your part or fair share of the pie?

N vs N-1		
Trends in arrivals	Region	My hotel
Austria	3%	-2%
Belgium	5%	5%
Canada	0%	0%
Deutschland	3%	-1%
England	-3%	5%
etc		
Japan	10%	5%

	ARR Variation
Austria	0%
Belgium	-5%
Canada	1%
Deutschland	0%
England	3%
etc	
Japan	3%

## Market Share Report

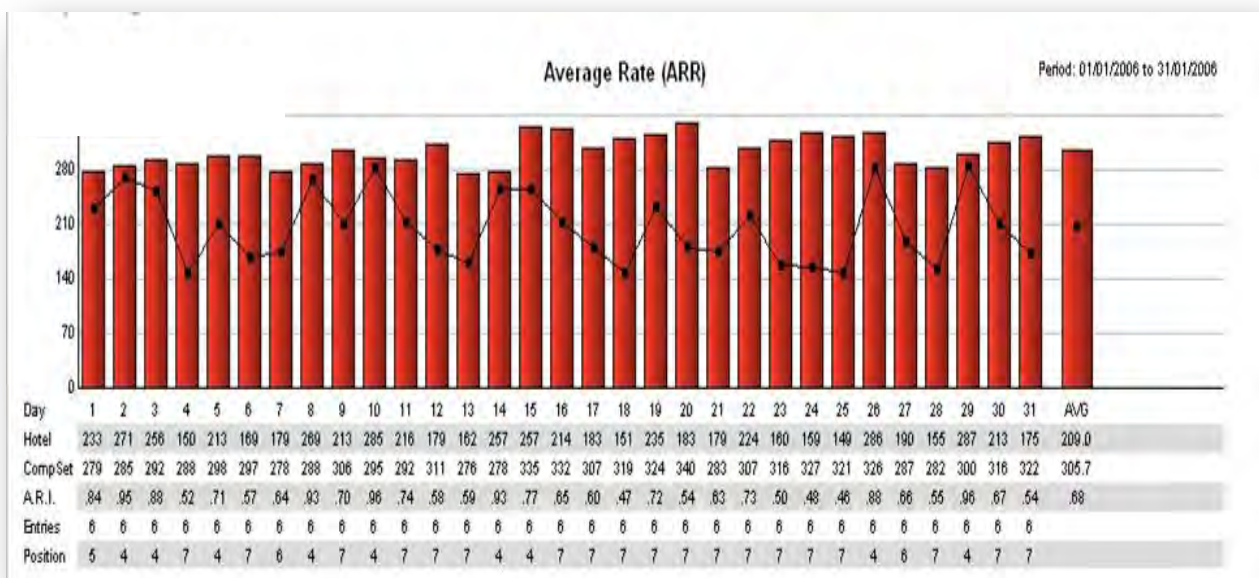
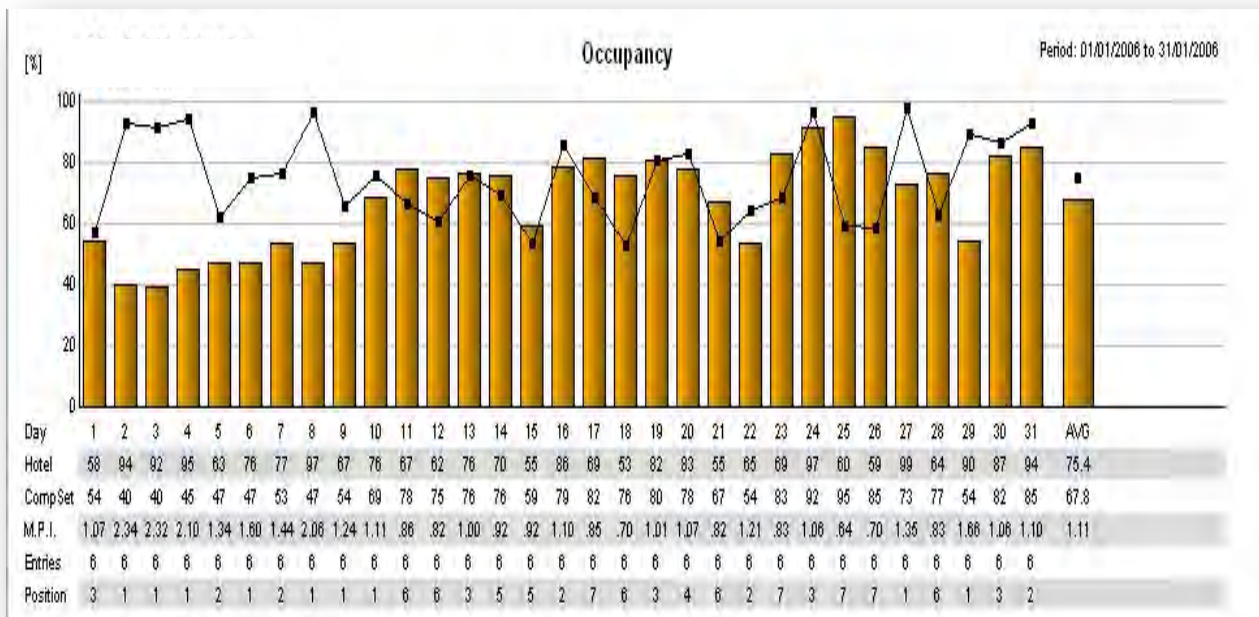
Market share reports help you to understand your performance versus your competitors, both in terms of occupancy and average rate.

They can provide the following information:

- **MPI** - Market Penetration Index (your occupancy results versus the average occupancy of your competitors)
- **ARI** - Average Rate Index (your ARR versus the average ARR of your competitors)
- **RGI** - Revenue Generator Index (your revenue share of the market, the market being your hotel and the hotel competitors).

Your RGI should be above 100 (Index base 100). If not, that would mean that some of your competitors convert more business than you do. Reading the day by day RGI, when do you achieve the lowest score? Week-days, week-ends, events, low demand periods? Do you have the right market segmentation? Is your price positioning by segment correct? It is also important to compare yourself to the right competitors!

Such reports are built in the following format, with day by day results:

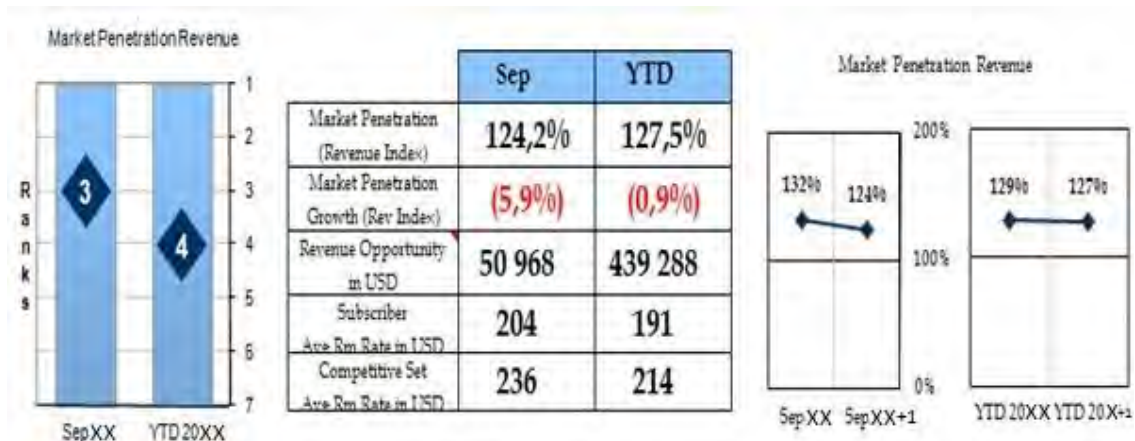


The Bench, MKG and Deloitte are among the main suppliers of such reports.

## GDS Benchmark Reports

Are you benchmarking your hotels GDS performance? Do you know you hotel's GDS market share? There are some useful benchmarking tools on the market for hotels you can use to monitor this...

The following table is an extract of the Hotelligence report (supplied by TravelClick), giving historical GDS results. It can help in the understanding of your pricing versus the competition as every account details booking the competitors are given (number of room night, ARR, lead time, length of stay information).



The following table is an extract of the Future Pace report (supplied by TravelClick), giving your future GDS market share results, day by day.

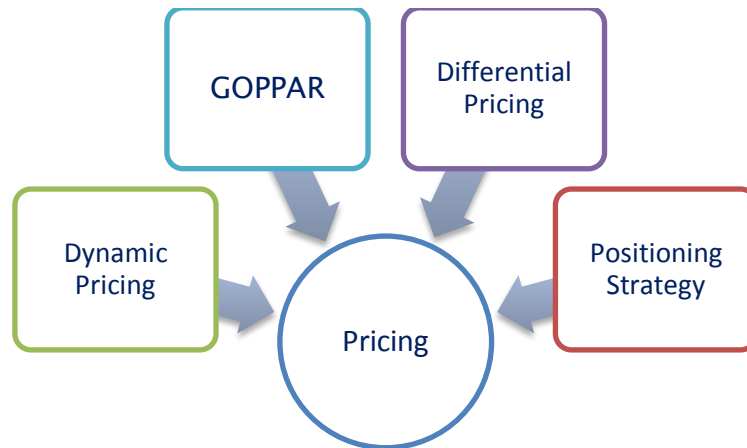
sun	mon	tues	wed	thur	fri	sat
				1 ▲	2 ▲	3 ▼
				97%	76%	91%
4	5 ▲	6	7	8 ▲	9 ▲	10 ▲
115%	117%	144%	97%	110%	142%	101%
11 ▲	12 ▲	13 ▲	14 ▲	15 ▲	16 ▲	17 ▼
174%	170%	138%	113%	88%	89%	131%
18 ▼	19 ▼	20 ▼	21 ▲	22 ▲	23 ▲	24 ▲
101%	134%	136%	122%	127%	141%	93%
25 ▲	26 ▼	27 ▼	28 ▼	29 ▲	30	
64%	135%	161%	67%	38%	0%	
						1 ▼
						40%
2	3 ▲	4 ▼	5 ▼	6 ▼	7 ▼	8 ▼
46%	77%	64%	41%	98%	107%	49%
9 ▲	10 ▼	11 ▲	12	13	14 ▲	15
103%	27%	19%	0%	40%	44%	27%
16 ▲	17	18	19 ▲	20 ▲	21 ▲	22 ▲
44%	66%	48%	48%	67%	89%	95%
23 ▲	24	25 ▼	26 ▼	27 ▼	28 ▼	29 ▼
159%	85%	108%	70%	121%	139%	32%
30 ▼	31					
139%	59%					

## **ACTION 10**

1. Subscribe to Market Share reports from the Bench, MKG or Deloitte and compare your hotel's performance objectively against the competitive set.
2. Get reports on your GDS performance from TravelClick: Hotelligence 360° and the Future Pace Report.
3. Obtain incoming traveler stats from your tourist board or hotel association against your hotel guest's nationality statistics.

## Pricing Strategies

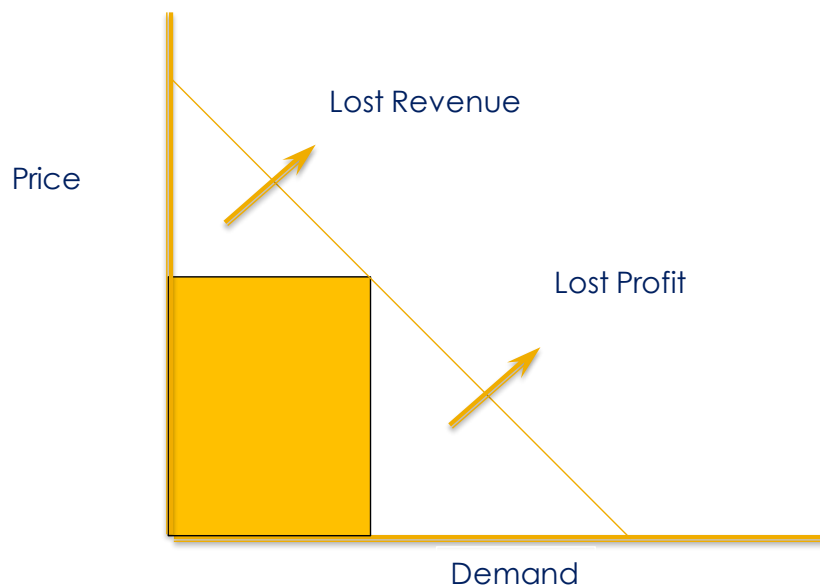
The elements that hotel pricing strategies exists of are:



## Price Discrimination

That of course sounds very interesting. But let's take a step back and look at the people who have to pay these prices. We call the consumers or rather guests. The striking thing about this group of clients is that they are different. They come from different countries, travel for different reasons and have a different budget.

Yield management in hotels can only succeed when you can target different types of clients at any time with different prices. We have tried to visualize it below;



If you don't have prices available for the potential clients with a higher budget range you will lose them to other hotels. Or if your prices are too low for what people are willing to pay, you will lose profit margin if they book you. Of course if your prices are too high for travelers with a lower budget you will lose out on bookings. Quite tricky all in all.

So how can you make the demand and supply of prices and budget match? Simple, you need to differentiate your product offer.



This basically means we are introducing a price segmentation or discrimination strategy for our hotels.

### How Many Public Rates can be offered?

Develop your pricing grid with products ready to sell as per your forecast and strategies.

The following matrix is a non exhaustive example of possible price building with non physical fences.

Price relationship	Package Elements	Lead Time	Length of Stay	Guarantee policy	Cancellation policy	Modification allowed
	Room Only	No	No	No	No	Yes
+10 euro vs BAR	Breakfast	No	No	No	No	Yes
Equal to BAR	10% off F&B		3 days minimum	Credit card	No charge up to 24 H	Yes
- 50 euro vs BAR	Room only	28 days	No	Credit card	Fully non refundable	Only once with 10 euro modification charge and new rate applicable
- 25 euro vs BAR	Room only	15 days	No	Credit card	Fully non refundable	Only once with 10 euro modification charge and new rate applicable
+30 euro vs BAR	Breakfast & Museum Pass	No	2 days minimum	Credit card	No charge up to 24 H	Yes

On non-constrained periods, ensure the selling of all products through all distribution channels.

Room type	Conditions	Max	Rate	Nr. rooms	Reservation
 <p><b>Basic Double Room</b> <b>Just booked!</b> Prices are per room. <b>Included</b> in room price: VAT, service charge. <b>Not included</b> in room price: city tax.</p>	<ul style="list-style-type: none"> <li>Refundable</li> </ul>	<p>☺☺</p>	<p>€148 <del>€78</del></p>	<p>0</p> <p>Only 3 rooms left</p>	
 <p><b>Room Facilities:</b> Shower, Safety Deposit Box, TV, Air Conditioning, Radio, Toilet, Seating Area <b>Taxes:</b> EUR 4.50 city tax per person per night is excluded.</p>					
<p>▶ <b>Medium Room</b> Prices are per room. <b>Included</b> in room price: VAT, service charge. <b>Not included</b> in room price: city tax.</p>	<ul style="list-style-type: none"> <li>Refundable</li> </ul>	<p>☺☺</p>	<p>€138 <del>€88</del></p>	<p>0</p> <p>Only 3 rooms left</p>	<p><b>Book now</b> It only takes 2 minutes!</p>
 <p>▶ <b>Basic Double Room</b> Prices are per room. <b>Included</b> in room price: VAT, service charge, buffet breakfast. <b>Not included</b> in room price: city tax.</p>	<ul style="list-style-type: none"> <li>Refundable</li> <li>Breakfast included</li> </ul>	<p>☺☺</p>	<p>€158 <del>€94</del></p>	<p>0</p> <p>Only 3 rooms left</p>	
<p>▶ <b>Large Double Room</b> Prices are per room. <b>Included</b> in room price: VAT, service charge. <b>Not included</b> in room price: city tax.</p>	<ul style="list-style-type: none"> <li>Refundable</li> </ul>	<p>☺☺</p>	<p>€148 <del>€98</del></p>	<p>0</p> <p>Only 3 rooms left</p>	
 <p>▶ <b>Medium Room</b> Prices are per room. <b>Included</b> in room price: VAT, service charge, buffet breakfast. <b>Not included</b> in room price: city tax.</p>	<ul style="list-style-type: none"> <li>Refundable</li> <li>Breakfast included</li> </ul>	<p>☺☺</p>	<p>€158 <del>€104</del></p>	<p>0</p> <p>Only 3 rooms left</p>	
 <p>▶ <b>Large Double Room</b> Prices are per room. <b>Included</b> in room price: VAT, service charge, buffet breakfast. <b>Not included</b> in room price: city tax.</p>	<ul style="list-style-type: none"> <li>Refundable</li> <li>Breakfast included</li> </ul>	<p>☺☺</p>	<p>€174 <del>€114</del></p>	<p>0</p> <p>Only 3 rooms left</p>	

✔ We offer you the Best Price Guarantee. [If we're not the lowest please tell us.](#)



Photos

### Townhouse Design Hotel Maastricht

Maastricht, Netherlands | [Map](#)

Centrally located in Maastricht, this property is near Centre Ceramique, Onze Lieve Vrouwe... [Read more](#)

Star Rating:

★★★★☆

**\$102**  
avg/night

[See Rooms & Rates](#)

Room type	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Avg per night	
Basic room	\$86	\$98	\$124	\$149	\$73	\$86	\$98	\$101.97	<a href="#">Select ▶</a>
Medium room	\$98	\$111	\$136	\$161	\$86	\$98	\$111	\$114.58	<a href="#">Select ▶</a>
Basic room Includes: Full Breakfast	\$106	\$119	\$144	\$169	\$93	\$106	\$119	\$122.14	<a href="#">Select ▶</a>

[Show more rooms](#) ✖ | Book online or call **1-800-551-2409**



## Physical versus non Physical Fences

Do your superior room types really match the needs of the consumers? Can the consumers really value the reasons that they would pay 35 euro extra to stay in your superior room? Do your clients really bother about the nice carpet?

If guests can clearly see the difference between room features, you have to differentiate them in your inventory.

If you have products with different benefits and characteristics, you have to identify them and sell them in a different way. It will help you create “physical rate fences”: justify higher or lower rates at different moments with competitive differentiation.

The screenshot shows the getaroom.com website interface. At the top, there is a navigation bar with the logo 'getaroom get a deal', a red banner that says 'Unlock the lowest rates on the web', and links for 'Hotels', 'Deals', 'Cars', and 'Activities'. A phone number '+44-845-8697565' is displayed on the right. Below the navigation bar, there is a search bar with a currency dropdown set to 'Euro (€)', and links for 'Sign In', 'My Reservations', 'My Account', 'Contact Us', and 'Help'. A search filter shows '1 Room • 2 Adults • 0 Children' and dates '05/24/20XX' to '05/26/20XX', with an 'update travel plans' button. The main content area features a large image of the W Barcelona hotel building. To the right of the image, the text reads 'W Barcelona ★★★★★', 'Barcelona, ES', and 'Barceloneta Beach Front, best view in Barcelona'. There are social media share buttons for Facebook and Twitter, and a 'Guest Satisfaction 4.0 out of 5' rating. Below this, it says 'Book Online or Call +44-845-8697565'. To the right of the hotel information, there are three room type listings: 'Wonderful Room' at €265,00 EUR, 'Fabulous Room' at €305,00 EUR, and 'Cool Corner Suite' at €518,50 EUR. Each listing includes a small image of the room, the room name, the price, and a 'book now' button.

## How to optimize your products

Products are a combination of price and value. Developing different products enable to target different type of clients with different needs.

- Sell more than one room type
- Create value differences between them
- Feed the pricing matrix for all the room types
- Ensure clear differentiation through your room type descriptions in your distribution systems and brochures

Contract all room type with corporate and tour operators accounts to yield on all type of clients during constrained periods.



**Eurostars BCN Design**  
Barcelona, Barcelona | Area: Eixample [Map](#)

Photos / Tours Situated in the Eixample neighborhood of Barcelona, this property is near Casa Leo-Morera,... [Read more](#)

Star Rating: ★★★★★




Guest Rating: ★★★★☆  
**3.9**  
5+ reviews

**Limited-Time Offer! Save 20% on This Reservation**

~~\$217~~ **\$174**  
avg/night

[See Rooms & Rates](#)

Room type	Tue	Avg per night	
Double or Single use	<del>\$217</del> <b>\$174</b>	\$173.82	<a href="#">Select</a> ▶
Romantic Package-Cava+Strawberries <small>Includes: Breakfast Buffet</small>	\$267	\$267.41	<a href="#">Select</a> ▶

Room type	Conditions	Max	Rate	Nr. rooms	Reservation
 <p>▶ <b>Deluxe Room</b> Prices are per room. <b>Included</b> in room price: VAT. <b>Not included</b> in room price: city tax.</p>	• Non refundable	11	<del>€ 255.20</del> € 189	<input type="text" value="0"/>	<a href="#">Book now</a> It only takes 2 minutes!
	• Flexible	11	<del>€ 255.20</del> € 199	<input type="text" value="0"/>	
 <p>▶ <b>Suite</b> Prices are per room. <b>Included</b> in room price: VAT. <b>Not included</b> in room price: city tax.</p>	• Flexible	11	€ 299	<input type="text" value="0"/> <small>Only 2 rooms left</small>	
 <p>▶ <b>Studio</b> <b>Just booked!</b> Prices are per room. <b>Included</b> in room price: VAT. <b>Not included</b> in room price: city tax.</p>	• Flexible	11	€ 229	<input type="text" value="0"/> <small>Only 5 rooms left</small>	

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### **ACTION 11**

1. Evaluate your clients' needs; price sensitive clients, clients valuing experience and services, what are the services they are ready to pay for?
2. Build products to target different types of clients with physical and non physical fences.
3. Work out clear differentiation in between your products with clear description in all your selling channels.

## Opaque Pricing

We hear a lot of talk about Opaque Pricing and Opaque Travel Websites, but what is it really? It is in short a non-transparent value offer. What??? This needs to be explained in a bit more detail, right?

A non-transparent value offer, or pricing opacity, basically means that you can't see the brand of the product type you are buying. It allows hotels to offer discounts, varying with great range from their public prices, without affecting their price positioning.

Wikipedia defines Opaque Inventory as follows: a term used to describe the market of selling unsold travel inventory at a discounted price (click here for more).

It is called 'opaque' because the supplier, in this case the hotel, remains hidden until after the reservations (purchase) is complete.

It allows hotels to reach more price conscious consumers apart from their direct target markets. This type of hotel guest is less concerned with the specifics of the hotels facilities and services. Instead he is driven mainly by price.

The best known Opaque Travel Websites are **Priceline** and **Hotwire**:

The screenshot shows the Priceline.com homepage. At the top, there's a navigation bar with links for flights, hotels, cars, vacation packages, cruises, activities, pricebreaker deals, city guides, rewards, and groups. The main content area is divided into several sections:

- shop for discount travel**: A search interface for flights, hotels, cars, vacations, and cruises. It includes a "package and save up to \$500:" section with radio buttons for "flight only", "flight + hotel", and "flight + hotel + car". There's a "NO BOOKING FEES + EARN AIRLINE MILES" banner. Search fields include "from (city or airport)", "to (city or airport)", "departing" (mm/dd/yy), "returning" (mm/dd/yy), "number of tickets" (1 ticket), and "seating class" (Economy/Coach). A "search now!" button is prominent.
- freshly negotiated travel deals**: A section with a "rental car big deal days - ends 6/2!" banner and a "SEE REAL WINNING BIDS" advertisement featuring a man in a suit (William Shatner) with the text "SAVE UP TO 50% ON HOTELS". Below this are links for "all-inclusive vacation package discounts" and "hotels for you".
- name your own price® - get deeper discounts**: Three cards showing "save up to 40% on flights", "save up to 50% on hotels", and "save up to 40% on cars", each with a "bid now" button.
- travel deals for you**: A section with "my deals" and "my rewards" links. It lists "Flight deals you might like:" with a table of flight options.

Flight deals you might like:	Price	Discount
New York City to Las Ve...	\$299	6%
New York City to Los An...	\$289	--
New York City to Chicag...	\$203	--
New York City to Miami	\$167	--
New York City to Orland...	\$185	--

I love William Shatner by the way. Best co-branding and marketing campaigns ever...

Home
Hotels
Cars
Flights
Vacations
Cruises
Deals
Help Center
Planning Tools

**Hotel deals you won't find anywhere else**

Atlanta  
 Boston  
 Chicago  
 Dallas  
 Las Vegas

London  
 Los Angeles  
 Miami  
 New York  
 Washington, DC

**Destination** See all cities   
  
[Go Local Search](#) - Find the best deals within driving distance.

**Check-in Date**     **Check-out Date**   
Same-day reservations OK

**Rooms**     **Adults**  (18+ yrs)    **Children**  (2-17 yrs)

Find a hotel

[Stay at top hotels | Low-price guarantee](#)

**Trip Watcher**

Know when prices drop on the trips you want

Search now and put Trip Watcher to work. [Learn more](#)

We compared. And we save you more.

**Hotwire Hot Rate®**  
**\$55**

Drizly® Rate  
\$104

San Francisco 3.5-star hotel

**Hotwire Hot Rate®**  
**\$79**

Priceline® Fixed Rate  
\$139

Orlando 4-star hotel

**Hotwire Hot Rate®**  
**\$79**

Drizly® Rate  
\$159

Washington, DC 4-star hotel

\*With Hotwire, you select the hotel name, location, and amenities. Hotel name shown only after booking.

[Show me deals](#)

4 star hotels. 2-star prices.™

Price	Location	Rating	Savings	Price	Location	Rating	Savings
\$79	Las Vegas	5-star	39%	\$57	Grapevine	4-star	50%
\$39	Sparks	4-star	16%	\$57	Richardson	4-star	43%
\$49	Dallas-Fort Worth	4-star	51%	\$57	Bridgewater	4-star	58%
\$54	Saint Louis	4-star	43%	\$59	Atlantic City	4-star	12%
\$55	Palm Springs	4-star	16%	\$59	Tampa	4-star	50%
\$56	Saint Petersburg	4-star	57%	\$59	Parsippany	4-star	60%
\$59	Scottsdale	4-star	10%	\$59	Columbus	4-star	54%

Rental cars from \$13.<sup>95</sup>

Get away for less.

[Show me deals](#)

Save up to 30% on last-minute flights.

[Show me deals](#)

They do not show the name of the hotel to the client until the reservation is confirmed and payment is taken.

Priceline is a bidding website where the consumer names his price and the website matches anonymous hotel offers. Hotwire however works with a fixed price for a hotel. It is a travel search site where the consumer can compare hotel location, facilities, services and star rating; just the hotel name is hidden.

This segment is an important one and offers a substantial amount of demand to help fill your unsold rooms. Potential of such importance that many online travel agency websites have since introduced their own variant of Opaque Pricing;

- Travelocity / Lastminute - Top Secret Hotels
- Getaroom.com - Unpublished Rates
- Booking - Hidden Hotel
- GTAHotels.com - Mystery Hotel
- Hotel.de - Hotel Roulette
- HotelsCombined.com - Hotel Roulette
- TravBuddy.com - Hotel Roulette
- Easyclicktravel.com - Off The Record

- [HotelDirect.co.uk](http://HotelDirect.co.uk) - Hidden Gem' Hotels
- [BookIt.com](http://BookIt.com) - Mystery Hotel
- [SuperBreak.com](http://SuperBreak.com) - Mystery Hotels
- [Wotif.com](http://Wotif.com) - Wot Hotel

There are even some communities or info board websites with tips and discussions by consumers on how to get the best deals on these opaque hotel websites;

- [biddingfortravel.yuku.com](http://biddingfortravel.yuku.com)
- [betterbidding.com](http://betterbidding.com)
- [bidontravel.com](http://bidontravel.com)

## Hotel pricing evolution

The growth of internet distribution has had the deepest impact on our rate strategies. With rates being distributed publicly on such a large scale, even corporate and consortia contracts are being pushed to become more dynamic and competitive. It is a pure natural development.

Of course this couple with the wide spread implementation of revenue management cultures and yield strategies in hotels. No longer are we working with static seasonal rates, even in many resorts.

Here an overview of some historical highlights in the evolution of hotel pricing:

- **1998** - Priceline introduces Opaque rates
- **2003** - Industry wide acceptance of the Rate Parity concept
- **2003** - Marriott and AMEX change fixed prices to dynamic pricing
- **2003** - Opaque rates grow, as Expedia scoops up Hotwire
- **2004** - Hilton and Intercontinental stop using fixed rates with Consortia
- **2004** - Wholesalers and FIT's start publishing offline rates online
- **2004** - Introduction of Dynamic Rate Rules (stay 4 pay 3 discounts) by OTA in order to get more competitive rates, and break rate parity
- **2005** - Accor moves to dynamic pricing model and reduces allotments
- **2005** - Hyatt and Starwood introduce flexible pricing models to selected corporate accounts
- **2006** - Introduction of B.A.R (Best Available Rate)
- **2006** - Introduction of Non-Refundable and Pre-Paid rates on hotel's own websites
- **2007** - LRA - Last Room Availability on corporate contracts being questioned
- **2008** - More acceptance by corporate accounts of rate derived from a Floating BAR
- **2008** - Meta-search websites like Kayak and HotelsCombined offer price transparency across the web.

- **2008** - OTA's launch hidden or secret hotel program to compete with Opaque rates
- **2009** - Resort Hotels moving more and more away from seasonal into dynamic pricing
- **2009** - OTA add value added promotion packages, at preset rates. By adding value and masking the rate, hotels feel that their price integrity stays intact
- **2009** - Direct PMS interfaces make OTA give up guaranteed allotment for Last Room Availability
- **2009** - Wide spread publication of Opaque and Wholesale / FIT rates, breaking the Rate Parity strategies of hotels.
- **2010** - Flash Sales introduced by OTA's = temporary discount, even for just one hour to pick up a few extra occupancy points.
- **2010** - Google is testing to display rates in hotel listing on Google Maps
- **2010**- Meta-Search is on the rise
- **2011** - Google Hotel Finder is Introduced
- **2012** - Mobile Apps offer same day discounts to consumer
- **2013** - TripAdvisor joins the Meta-Search game
- **2014**- Independent hotels can distribute prices directly on meta-search sites and battle OTA dominance

I am not sure if we got all the years exactly right, but that is beside the point really. Important fact is that in a few years time decades of hotel pricing strategies became outdated.

Don't be surprised if overnight new developments come about. The OTA and Travel Websites continue looking for creative ways to obtain more competitive offers than their competition. Best Rate is still the name of the game in online sales.

With the move of Google into meta-search this month, the rate parity struggle by hotels and competitive battle between OTA will only intensify. And with the social media and networks changing consumer internet behavior we certainly have interesting times ahead of us.

## Pricing Matrix

Now that we have our demand calendar, how do we start with pricing? We have found it effective, before setting a base price for each day, to develop a pricing grid. Such a hotel pricing matrix is an essential revenue management tool.

Every hotel should have the tools to sell expensive or cheap when needed. Such tools we call price or BAR levels. In your pricing matrix you can include various BAR levels to offer at different levels of demand.

Below an example of a basic hotel rate grid:

	RACK	PREFF	BAR1	BAR2	BAR3	BAR4	BAR5	BAR6	WKD1	WKD2
<b>Standard</b>	200	160	140	120	110	100	90	80	70	60
<b>Superior</b>	215	175	155	135	125	115	105	95	85	75
<b>Suite</b>	230	190	170	150	140	130	120	110	100	90

When putting together your pricing matrix take the following criteria into account:

- Build your pricing points (BAR levels) as per expected level demand (High to distressed for each season)
- Use a maximum of 12 BAR levels
- Check the price compression from one BAR level to the next one

To determine what prices each BAR level should have it will help if you study at what rates you sell the most by channels, month and rate types. This way you will not miss out on any rate levels.

For example if we take a look at the past production per rate level below, we will notice that the hotel had a high production of room nights at BAR 6. It might be effective to move earlier to BAR 5 and sell at a slightly higher price, or if the demand does not sustain such pricing to implement a BAR of 85.00 to capture some of that demand.

Rate Name	Price	Room Nights	Revenue	Rev %	RN%
<b>RACK</b>	200	50	10000	2%	1%
<b>PREFF</b>	160	100	16000	3%	2%
<b>BAR1</b>	140	1000	140000	22%	17%
<b>BAR2</b>	120	1400	168000	27%	24%
<b>BAR3</b>	110	900	99000	16%	15%
<b>BAR4</b>	100	400	40000	6%	7%
<b>BAR5</b>	90	300	27000	4%	5%
<b>BAR6</b>	80	1200	96000	15%	21%
<b>WKND1</b>	70	200	14000	2%	3%
<b>WKND2</b>	60	300	18000	3%	5%
<b>TOTAL</b>	107,4	5858	628000	100%	100%

We should also try to convert some of the demand for BAR 2 at 130.00. Some clear yielding opportunities that can only be analyzed if you work with BAR levels, instead of simply changing the rate in your PMS.





Below an example of a channel price production analysis for the GDS, in which we can see clearly that BAR 6 overproduced. This is yet another yield opportunity for your hotel.

*Example of past production - GDS sales*

Rate Name	Price	Room Nights	RN%
RACK	200	30	1%
PREFF	160	40	2%
BAR1	140	800	33%
BAR2	120	500	21%
BAR3	110	100	4%
BAR4	100	120	5%
BAR5	90	60	2%
BAR6	80	750	31%
WKND1	70	10	0%
WKND2	60	15	1%
<b>TOTAL</b>		<b>2425</b>	<b>100%</b>

Studying your historical pick-up for various demand levels, you will be able to develop a more advanced pricing grid for your hotel, and get a real powerful revenue management tool.

Seasons Demand Patterns	November to March		April to June		July to August		September to October	
	Expected occupancy	BAR Base Rate	Expected occupancy	BAR Base Rate	Expected occupancy	BAR Base Rate	Expected occupancy	BAR Base Rate
<b>High demand</b>	> 75%	215	> 85%	230	> 95%	250	> 85%	230
		205		215		235		215
		180		195		215		195
<b>Medium demand</b>	65%	190	75%	215	85%	235	75%	215
		175		205		225		205
		165		180		200		180
<b>Normal demand</b>	55%	190	65%	190	75%	210	65%	190
		170		175		195		175
		150		165		185		165
<b>Distressed</b>	< 50%	140	>55%	150	>65%	170	>55%	150
		110		130		150		130
		75		115		135		115



## Selling “from” and “up to”

Don't forget that the price is a Selling TOOL. Price lets us segment and attract different target markets with the objective of maximizing Revenue. But we have to be careful our revenue management strategies based on price sensitivity don't turn against us.

Every week when talking to hoteliers we hear the comment that consumers are booking more last minute every year. The online travel agencies are the favorite scapegoat for causing this development.

Of course with the rising of the internet over the last 10 years it has become easier to book a hotel room online. It has become more readily accessible. I would like to argue though that this is merely an advantage to the worldwide hotel industry.

But the making of hotel reservations more last minute is partly caused by the social economic developments of our society. Consumers make more mini-trips to various destinations throughout the year, instead of extended vacations to one location. The shorter trips leave them more flexible in picking dates allowing them to search for the best experience and value.

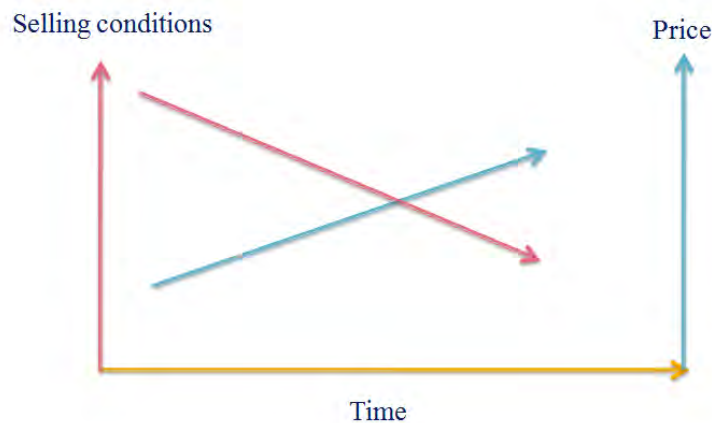
Should we not also ask ourselves if we are not part to blame for this decrease in booking window. Many of you surely remember Biology class in the first years of high school. We were taught about a Russian scientist, Pavlov, studying the behavior of dogs. The conditioning of the behavior, called the Pavlov effect, is exactly what we are doing with consumers.

We are conditioning, or teaching, consumers to wait with booking by offering aggressive last minute hotel deals. We are not make slight adjustments to our prices, but significantly repositioning our rates when forecasts, or rather expectations, are not met.

A classic example of one day where this categorically applies is New Years Eve. Every year we hoteliers put out high rates, MLOS restrictions and non-refundable fences, and we wait. But so do the consumers, who usually win, as hotels have to open up the gates with no solid base business on the books.

We have found it much more effective to accurately forecast the occupancy each day and plan in advance how many rooms we can and want to sell at each rate level. We start with offering the more moderate rates as an early bird offer, and systematically work our way up according to the booking pace, demand, we register.

Price sensitive client are incentivized to book early, outside of our regular booking window. By the time non-price sensitive consumers start shopping and making reservations, we already have built a healthy base.



We have to manage price sensitivity more effectively. And teach consumers to book early if they want a deal. Start selling from lower rates and keep increasing the rates until the arrival date, in order to reach a larger clientele base.

Of course we need to get our forecasts right, to be able to do this.

## Rate Parity

The objective of rate parity in hotels is to encourage consumers to book direct. They should not find any advantage of booking via a third party website over making a reservation on your own hotel website.

In order to implement rate parity properly in a hotel, and truly have the same price over all your distribution channels, you need to log and configure the taxes and margins of the 3rd party websites correctly.

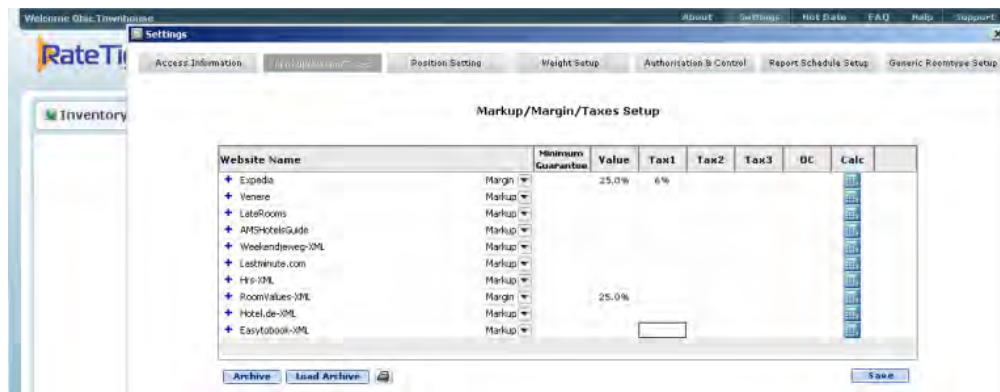
Too often we still see hotels making calculation mistakes. Simple math is at the basis of this. And of course we need to know what the difference is between margin and mark-up. This occasionally still is a challenge.

Make an excel table with all the conditions of each portal, include;

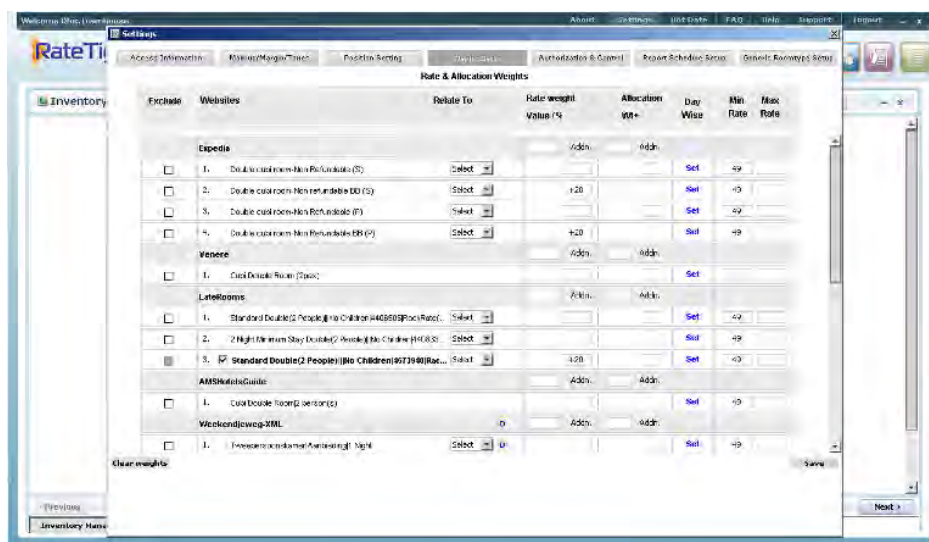
- Tax % (included / excluded)
- Net / commissionable
- Margin % / fees
- Cancellation policies
- Payment policies
- Free sale / allotment
- Release

It will help you better understand your hotel distribution mix.

Next step is to configure your channel management system with the correct margin and taxes so you can easily load the same sell rate for each extranet.



As surely you work with more than one room type per online travel agency website, you now have to configure a differential, variable per room type. For instance, set the difference between your superior room and deluxe room to €40.00. This way you will save time of rate loading a price for each single room type, and will only have to submit the BAR for one room type and your channel manager will update the rest.



As you can see, implementing rate parity in a hotel is quite easy. You just need to get organized. Having a channel management system surely helps.

Having the same rates on all public distribution channels will stimulate for more consumers to book directly with your hotel.

One final important question remains, can they find easily your website?

#### ACTION 12

1. Decide of your pricing points as per expected scenario of demand: from low to high demand at your hotel versus pricing and availability of your competitors.
2. Encourage starting selling first lower rates and higher rates closer to the dates: communicate that to your clients!
3. Check on moving all your fixed prices to dynamic pricing: packages, corporate rates.
4. Check on which corporate accounts you could introduce dynamic pricing on basis of your daily BAR.
5. Develop your hotel website to distribute dynamic pricing to corporate accounts. If you decide of clear rate parity strategy, ensure rate parity through all distribution partners, including Tour Operators thanks to contracting clauses.

## Group Pricing

Besides setting out strategies for the Transient, Corporate and Wholesale segments, we also have an opportunity to generate more revenue by preparing and planning for group business. Revenue management strategies have to be applied to groups as well.

So what should we be looking at? Where to start? First of all if we have made an overall demand calendar for the year as well as a forecast per segment, we will be able to determine how much of our hotel room capacity we can sell to groups.

Or taking it a step further, using a displacement calculation, how much we should charge to displace forecasted sales from other segment to generate additional income and profit for the hotel.

But let's go back a step and work on the foundation of our group strategy. We should make a group demand calendar which will serve as a guideline for the sales team on how and what to quote exactly, with confidence.

For this we will have to log for which periods we get group requests, when we get these requests, at which prices we do or do not convert. We need to track the regrets and denials of our groups.

This will help you to develop a group demand calendar which can look something like this:

ROOMS	120	%Occ OTB	Groups Confirmed	Tentative Groups	BAR Transient	Group Rate Range	Group Ceiling
Wednesday	1	61,00%	20	25	120	110 - 130	80
Thursday	2	59,00%	19		150	140 - 160	80
Friday	3	60,00%	34	25	150	X	0
Saturday	4	75,00%	100	25	150	X	0
Sunday	5	51,00%	14	25	120	100 - 120	100
Monday	6	65,00%	11	2	140	130 - 150	100
Tuesday	7	71,00%	10	10	170	160 - 180	60
Wednesday	8	75,00%	11	8	175	165 - 185	50
Thursday	9	82,00%	12		200	190 - 210	50
Friday	10	90,00%	29		220	210 - 230	30
Saturday	11	65,00%	22		160	150 - 170	100
Sunday	12	45,00%	10		140	130 - 150	100
Monday	13	65,00%	7		130	120 - 140	90
Tuesday	14	64,00%	9		145	135 - 155	50
Wednesday	15	71,00%	6		190	180 - 200	10



Based on the OTB and Forecast we can give a group rate and ceiling in terms of room capacity. Remember, such a tool is to be dynamic and gets adjusted as we analyze the pick-up from the various segments.

Knowing the lead time and conversion of your hotel’s group business will give you more confidence in quoting. The Historical data below would tell us to be confident with quoting groups in January and February for March and April, as we still expect many requests which will also convert well. So no need to negotiate or move on rates here...

Lead received, Conversion ratio of Groups									
		January	January	February	February	March	March	April	April
		20XX	20XX+1	20XX	20XX+1	20XX	20XX+1	20XX	20XX+1
January	Lead	5	7	10	15	20	15	10	14
	Conversion	20%	14%	10%	13%	15%	27%	20%	21%
February	Lead			13	18	23	18	13	17
	Conversion			15%	17%	17%	28%	23%	24%
March	Lead					21	16	11	15
	Conversion					19%	31%	27%	27%
April	Lead							14	18
	Conversion							36%	33%

Last but not least, as mentioned earlier, a displacement calculation should be performed if a group would take away capacity from other forecasted segments.

The group should generate more revenue and profit which we would be able to generate with the potentially displaced business. You will have to take into consideration not only room revenue but all spending, revenue sources, including meeting rooms, food and beverage, etc...

### ACTION 13

1. Check back your past group quotation. Have you finally been fully booked on those dates? Have you finally decreased the BAR? What were your market share results on those dates?
2. Develop a demand calendar for groups: Can you recognize trends when business and/or leisure groups are booking?
3. Develop group pricing benchmarking
4. Implement pricing per period (or even per day in relation to your BAR)
5. Introduce a group pricing sheet with day by day strategy in terms of rate and room stock available for groups in connection with your day by day forecast.





## Conclusion

Revenue management is a science and an art. The science part will be as strong as the knowledge you can develop on your clients. The art part will be successful as much as the time you can spend on analyzing and setting strategies. Revenue management is nothing without forecasting. Revenue management is day by day strategies. Share a same vision with your team and colleagues: how strong will be the demand? When the objectives and the risk taking are rewarded, it is a great team accomplishment.

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