



Let's Play

Introduction to Revenue Management

Achieving profit



RevenYou



Your Facilitator today - Tamie Matthews

- ▶ Having spent a lifetime working in 3-5 star branded properties around the world, Tamie's passion is helping hoteliers across Asia Pacific **upskill** their knowledge, understanding and skills in pricing, revenue management, distribution, sales & marketing.
- ▶ Tamie and the team at RevenYou manage pricing, distribution, sales & marketing for a variety of properties all around the country. As we work with industry insiders daily, we're always up to date on the issues facing the industry, which allows us a unique opportunity to develop strategies tailored to the people managing properties, based on the latest **best practice**. You learn from our **team's collective experience and expertise**
- ▶ Tamie is solutions driven and brings with her a wealth of knowledge and practical experience in how to increase profit margins by using what is available for free or at very little cost
- ▶ She trained as a teacher at University; therefore, she focuses on making learning entertaining and interactive



Revenue Management?

Right Room

Right Client

Right
Moment

Right Price

Right
Distribution
Channel

Best Cost
Efficiency

Common Mistakes



- ▶ Outdated competitor set
- ▶ Lack of Market Knowledge
- ▶ Ignoring trends and recent research
- ▶ 1 price x 365 days
- ▶ Not using restrictions
- ▶ Cost v Profit
- ▶ Set and forget
- ▶ Fixating on ADR or Occupancy whilst forgetting RevPar
- ▶ Revenue Management Culture

PART 1: Let's Play

1. Your hotel has 10 rooms
2. Your goal is to make money, to be profitable
3. A departure clean costs \$50, stay clean costs \$25
4. You have 2 special rates loaded for direct bookings only: 7 and 5 night rates. These rates do not include stay cleans, departure clean only
5. Commission to OTAs is 15% and travel agents is 10%
6. Breakfast is \$25 and short stay bookings are 70% more likely to add this. Breakfast costs you \$7.50 to make
7. Saturday is a peak leisure night, Tuesday and Wednesday are peak corporate nights. Average occupancy is 95%. Do you wish to add a minimum stay?
8. As we go through the game, I will call out length of stays and pricing, add to your sheet if you wish to accept the booking or not.
9. Once you accept a booking, you cannot cancel or change it.
10. If you miss a booking, you cannot go back and accept it later.
11. You will need to make quick decisions.



Game Time

DO YOU WISH TO ADD A MINIMUM STAY?

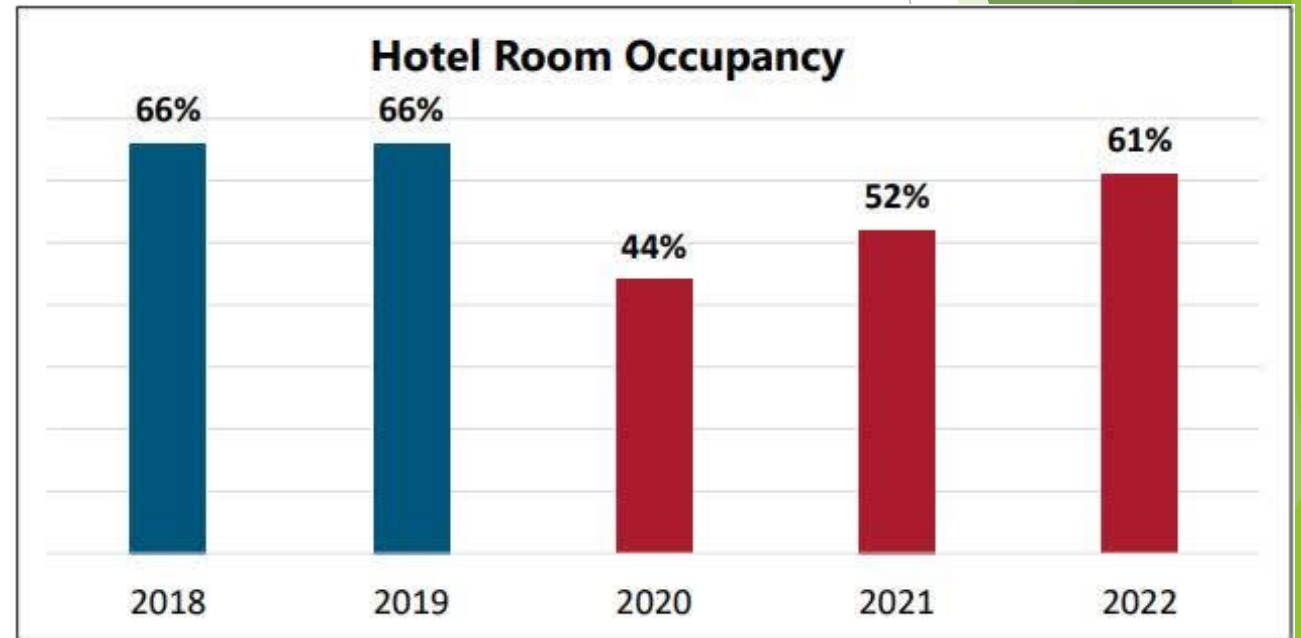
- ❑ 1 night stay - \$250 includes breakfast
- ❑ Corporate rate \$235 (10% commission for agents)
- ❑ Government rate \$220 nett
- ❑ 2 night stay - \$225 includes breakfast
- ❑ 3 night stay - \$200 includes breakfast
- ❑ 5 night stay - \$175 (excludes housekeeping) direct bookings only
- ❑ 7 night stay - \$150 (excludes housekeeping) direct bookings only
- ❑ Sunday night special - \$125 room only, restaurant is closed

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Minimum Stay							
Room 1							
Room 2							
Room 3							
Room 4							
Room 5							
Room 6							
Room 7							
Room 8							
Room 9							
Room 10							



Revenue KPIs (Key Performance Indicators)

- ▶ Occupancy
 - ▶ Day of week
 - ▶ Weeks
 - ▶ Month
 - ▶ Season
 - ▶ Year on Year
 - ▶ Month on Month
- ▶ Average Daily Rate
- ▶ RevPAR
- ▶ Length of Stay
- ▶ Lead time
- ▶ Booking Source
 - ▶ OTA
 - ▶ Phone
 - ▶ Direct website



PART 2: Revenue KPIs



Occupancy:

Number of rooms sold
Divided by
Number of rooms to sell
Times 100



ADR:

Total revenue
Divided by
Number rooms sold



Revenue Per Available Room (RevPAR):

Total revenue
Divided by
Number of rooms to sell that day / week

Costs: controlling costs increases profit



- ▶ Fixed costs
 - ▶ Rent
 - ▶ Utilities & Insurance
 - ▶ IT
- ▶ Variable costs
 - ▶ Commission
 - ▶ Labour
 - ▶ Laundry
- ▶ Do you know what it now costs per occupied and unoccupied room?
- ▶ Have your profit margins changed?
- ▶ Review quarterly at a minimum

100% is not the GOAL

- ▶ Higher occupancy =
 - ▶ Increased costs
 - ▶ Increased wear and tear
 - ▶ Increased staffing
- ▶ Target 80%
- ▶ Increase your pricing
- ▶ Add restrictions
- ▶ Review cost of distribution



GOPPAR

- ▶ Gross operating profit per available room
- ▶ Looks at the costs
- ▶ We can perform on KPIs like RevPAR but are we controlling costs
- ▶ Reviews management of expenses
 - ▶ Staff costs
 - ▶ Fixed: rent, IT, power
 - ▶ Variable: commission, laundry

Days in Period	28
# Rooms	24
Available Rooms	672
Rooms Sold	368
Occ%	54.76%
Room Revenue (Gross)	\$ 54,404.82
Commission	\$ 2,012.67
Distribution Costs (Inc monthly fees for CM, BE, GDS Fees, advertising etc)	\$ 325.00
ADR	\$ 147.84
F&B Revenue	\$ 13,232.79
Produce Costs	\$ 3,210.07
Other Revenue	
Utilities (Phone, Power, Water etc)	\$ 7,068.04
Wages	\$ 10,233.22
IT (Website, PMS etc)	\$ 1,991.80
Other expenses (rent, mortgage)	\$ 16,833.00
Gross Operating Profit	\$ 27,955.61
GOPPAR - Gross Operating Profit Per Available Room	\$ 41.60



PART 3: Analyse my pricing

What is your most profitable rate?

- 1 night stay - \$250 includes breakfast
 - Corporate rate \$235 includes 10% commission for agents
 - Government rate \$220 nett
 - 2 night stay - \$225 includes breakfast
 - 3 night stay - \$200 includes breakfast
 - 5 night stay - \$175 (excludes housekeeping) direct bookings only
 - 7 night stay - \$150 (excludes housekeeping) direct bookings only
 - Sunday night special - \$125 room only, restaurant is closed
- ▶ **Commission:**
 - ▶ 10% for agents
 - ▶ 15% for OTAs
 - ▶ **Breakfast:**
 - ▶ Customer pays \$25
 - ▶ Costs \$7.5
 - ▶ **Housekeeping:**
 - ▶ Depart clean \$50
 - ▶ Stay clean \$20



PART 3: Did I make the right decision?

What is your most profitable rate?

- 1 night stay - \$250 includes breakfast = $\$250 - 15\% = \$212.50 - \$8 = \$204.50 - \$50 = \154.50
- Corporate rate \$235 includes 10% commission for agents = $\$235 - 10\% = \$211.50 - \$50 = \161.50
- **Government rate \$220 nett = $\$220 - \$50 = \$170$**
- 2 night stay - \$225 includes breakfast = $\$225 \times 2 = \$500 - 15\% = \$425 - \$32 = \$393 - \$75 = \$318 / 2 = \159
- 3 night stay - \$200 includes breakfast = $\$200 \times 3 = \$600 - 15\% = \$510 - \$48 = \$462 - \$100 = \$362 / 3 = \120.67
- 5 night stay - \$175 (excludes housekeeping) direct bookings only = $\$175 \times 5 = \$875 - \$725 / 5 = \145
- 7 night stay - \$150 (excludes housekeeping) direct bookings only = $\$150 \times 7 = \$1050 - \$200 = \$850 / 7 = \$121.43$
- Sunday night special - \$125 room only, restaurant is closed = $\$125 - \$50 = \$75$

- ▶ What is your most profitable rate?
- ▶ What package would you remove?



PART 4: Back to my grid

- 1 night stay = \$154.50
- Corporate rate = \$161.50
- Government rate = \$170
- 2 night = \$159
- 3 night stay = \$120.67
- 5 night stay = \$145
- 7 night stay = \$121.43
- Sunday night special = \$75

- ▶ How much money did I make per day?
- ▶ How much money did I make for the week?
- ▶ What decisions would you make differently next time you played?





How to make it work for you?

- ▶ Start out small
- ▶ Events, Day of Week
- ▶ Use OTA analytics
- ▶ Speak to your Market Manager
- ▶ Review your competitor set
- ▶ Find a mentor
- ▶ Try, analyse, learn, review
- ▶ Rev: Masterclasses
- ▶ Join the conversation

Action Plan

- ▶ What do you need to do asap?
- ▶ What can you delegate?
- ▶ What can you outsource?
- ▶ What do you need to do 1st, 2nd
- ▶ What is a reasonable timeline?

- ▶ Set SMART Goals
 - ▶ Specific
 - ▶ Measurable
 - ▶ Attainable
 - ▶ Relevant
 - ▶ Time-based



Summary

1. 100% is not the goal
2. Know exactly what it costs you to have an occupied room v an unoccupied room
3. Analyse each rate for profit
4. Review your costs frequently
5. Embrace GOPPAR
6. Start out small
7. Know your competitors
8. Know your demand drivers



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