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# Structure of the Presentation

- ▶ The core of RM and its characteristics - theoretical reviews
- ▶ Practical RM strategy - 3T Model
- ▶ Innovative practices - a case in Chengdu hotel industry
- ▶ Future trends - key factors that shape the RM development



# Theoretical reviews

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- ▶ The core of RM is to sell the **right** products to the **right** customers at the **right** prices with the purpose of maximizing expected revenue.

--(McGill and Van Ryzin, 1999)

- ▶ Do things right – tactics

Do the right things – strategy

Choose the right time and right place with right people



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# Common characteristics of RM:

- (i) Relatively fixed capacity
- (ii) Time-variable demand
- (iii) Perishable inventory
- (iv) Ability to segment the market
- (v) Product sold in advance
- (vi) Low marginal sales costs



Demand forecasting methods  
and sells models

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$$F_0(i+1) = \frac{X_0(i) + X_0(i-1) + \dots + X_0(i-N+1)}{N}$$

$$F_0(i+1) = \alpha X_0(i) + (1 - \alpha)F_0(i)$$

<i>Category</i>	<i>Method</i>	<i>Description of method</i>
<i>Non-pickup methods</i>	MA	Use the average of observed data to generate forecasts
	ES	Use the previous observation and
	EST	
<i>Classical pickup methods:</i> only use the data from departed cruises to generate forecasts		
<i>Advanced pickup methods:</i> use the data from both departed and non-departed cruises to generate forecasts		
	AP	Use the pickup in each week
	AP-ES (add)	Use ES to forecast the pickups in each week
	AP-ES (mult)	Use ES to forecast the incremental ratio in each week
	AP- ARIMA (add)	Use ARIMA to forecast the pickups in each week
	AP- ARIMA (mult)	Use ARIMA to forecast the incremental ratio in each week
	AP-EST (add)	Use EST to forecast the pickups in each week
	AP-EST (mult)	Use EST to forecast the incremental ratio in each week

Leave the “disruptive” technique problems to the professionals.

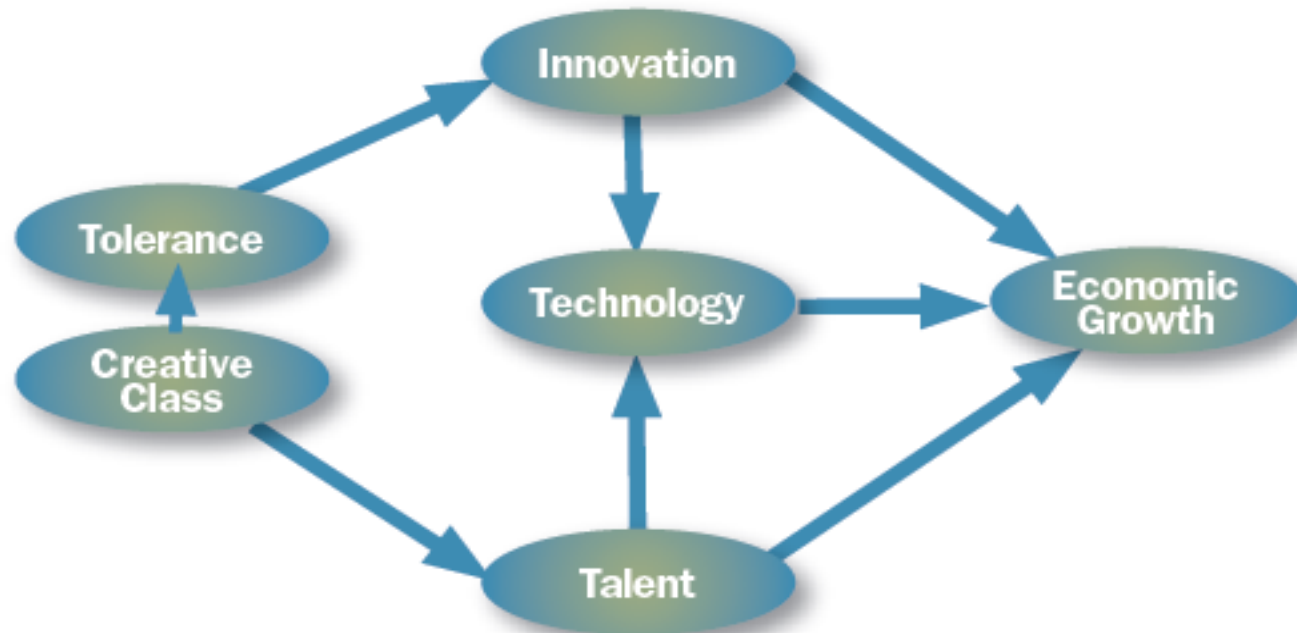
Focus on the “red sea” of RM as a strategic management tool.

# How do we apply RM as strategic management tool?

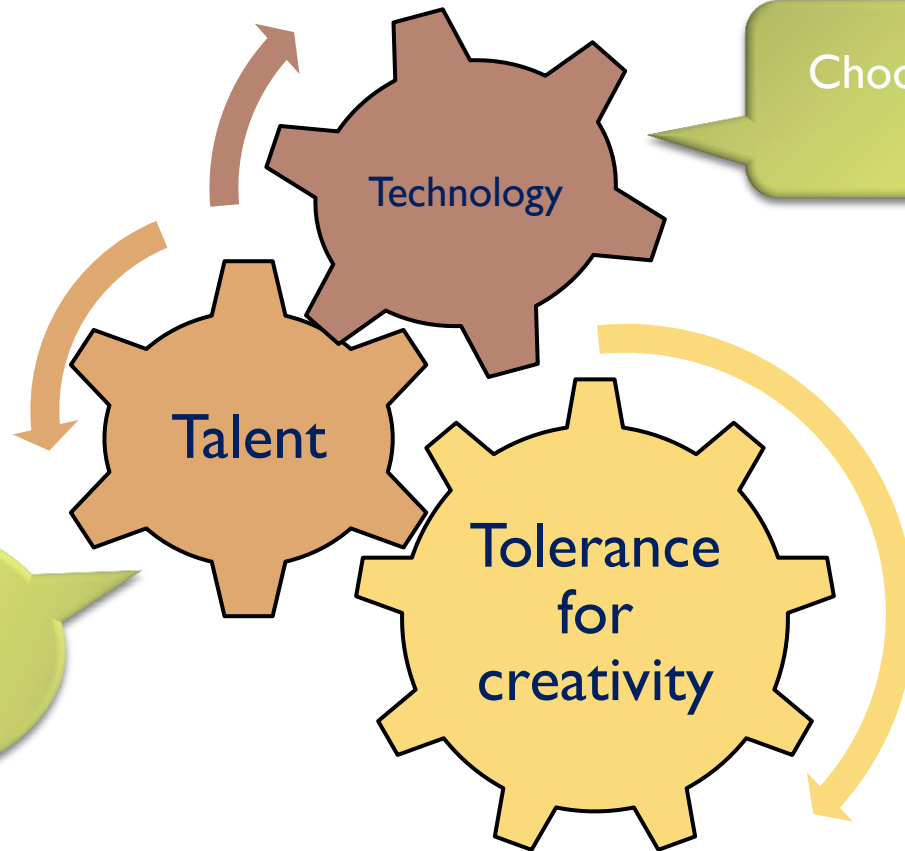
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- ▶ Inspired by the 3T model of the creative class theory  
-- Richard Florida

**Figure 1: Tolerance, Creativity & Economic Growth**



# Practical RM strategy - 3T Model



Choose the suitable methods for RM

Choose the right staff, partner & supplier

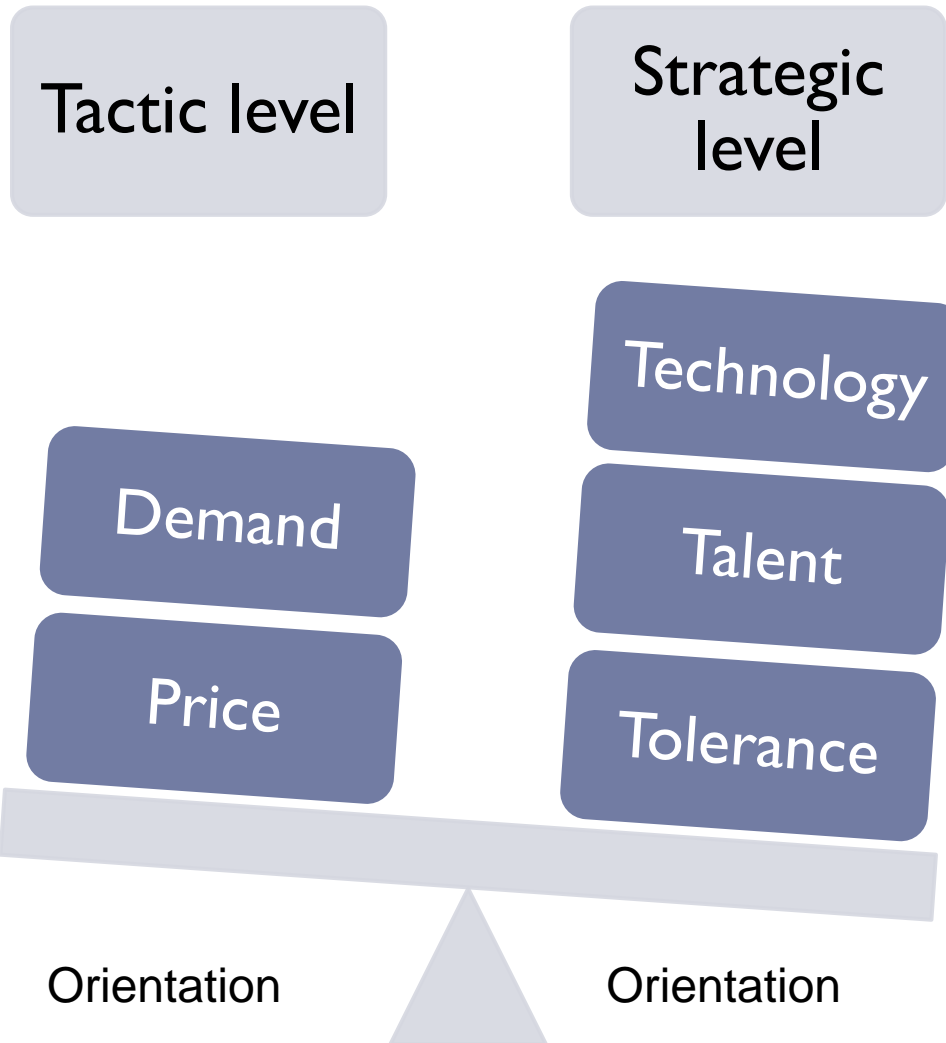
Choose to provide tolerant policies and inspirations for innovation

Do the right things – strategy

Choose the right time and right place with right people

# RM at different levels of Management

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# Innovative practices - in Chengdu

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- ▶ Association proposal between SMS hotels
  - Share everyday booking and sells data
  - Exchange ADR and RevPAR data
  - Combined decision making on pricing
  
- ▶ Cope with fierce competitions
  - Explore new products and services: attract niche market
  - Increase the value of service: make the price irrelevant
  - Help the IT sector more professional and mature



## Future trend of RM – especially in China

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- ▶ The automated RMS will not replace the role of revenue manager; neither will the function of RM be exaggerated for the successful management of a hotel.
- ▶ Yet with more and more new entrants into the local market, the concept and technology of RM will embrace robust growth in the rising markets, such as China.
- ▶ For the long-term application, RM should be applied not only at the management approach level, but at the strategic design level. And 3Ts should be well considered for shaping the development of RM in the future.

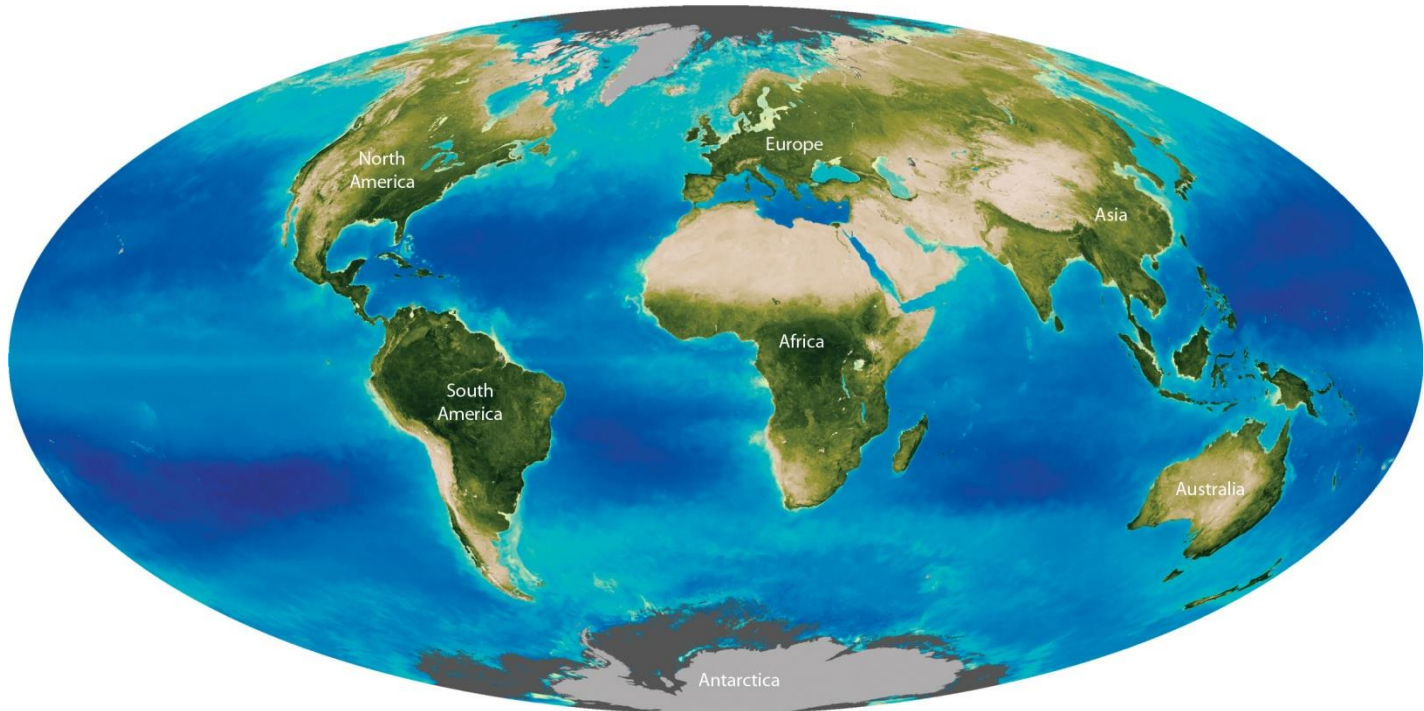


# Conclusions

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- ▶ In the flat world today, creative thinking and action is the driving factor for the sustainable and successful business.
- ▶ The role and application of RM in hotel business, may need a step forward and get re-identified.
- ▶ More creative methods of RM in sharing and communication between competitors are in demand.





Thank you!

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