

17th annual

TDS North America 2015

October 19-20 | The Bellagio Las Vegas



Total Revenue Management



Total Revenue Management

- It is really about Profit Optimization for all revenue sources, not just room revenue
- What are your most profitable ancillary revenue sources?
 - Rooms (Upgrade, early check-in, late check-out, parking, resort fees)
 - Food and Beverage
 - Casino
 - Nightlife
 - Spa
 - Golf
 - Retail
 - Pool
 - Meeting space
- The goal is to save your last rooms for your most profitable customers!

Why focus on Profit Optimization?

- Applying Revenue Management principles and best practices: 3-5% increase in Room Revenue
- Applying profit-based total revenue management: 8-15% lift in Total Profit.
- Providing a tool where your Sales manager can quickly provide scientific optimized pricing: 11.4% increase in conversion and a 8.2% increase in group revenue
- The focus is shifting to target Millennials and not the Baby Boomers or Gen X
- Millennials are reaching the age where they are starting to have spending power. They are starting to accumulate wealth

Understanding your profitability

• Revenues Per Room

- Room Revenue (\$237)
- F&B Revenue (\$40)
- Meeting Room Rental (\$17)
- Casino Theo (\$25)
- Retail Revenue (\$10)
- Resort Fee Revenue (\$21)

• Total Revenue Per Guest is \$350

• Expenses Per Room

- Rooms Expense (\$55)* Includes Sales, Mkt, & Dist costs
- F&B Expense (\$30)
- Meeting Room Expense (\$6)
- Casino Expenses (\$10)
- Retail Expenses (\$8)
- Resort Fee Expenses (\$6)

• Total Expense Per Guest is \$115

Revenues per Room	\$350
<u>Expenses per Room</u>	<u>\$115</u>
Profit per Room	\$235

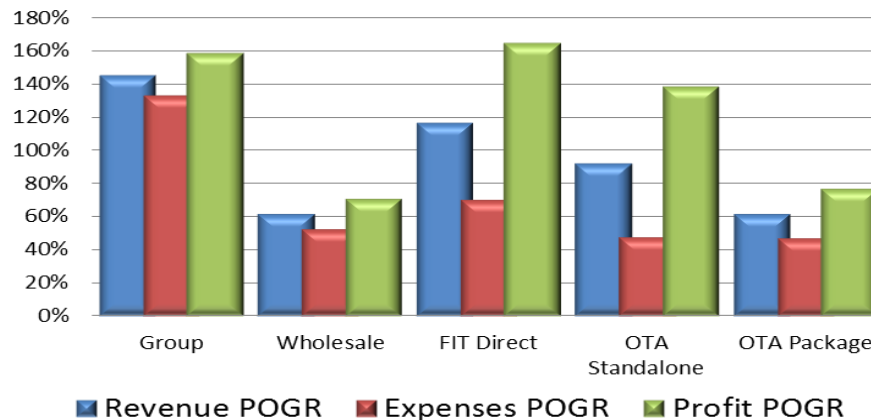
Understanding your profitability

Two primary items must be defined for each expense per segment:
% of expenses to segment AND distribution of said expenses within each segment

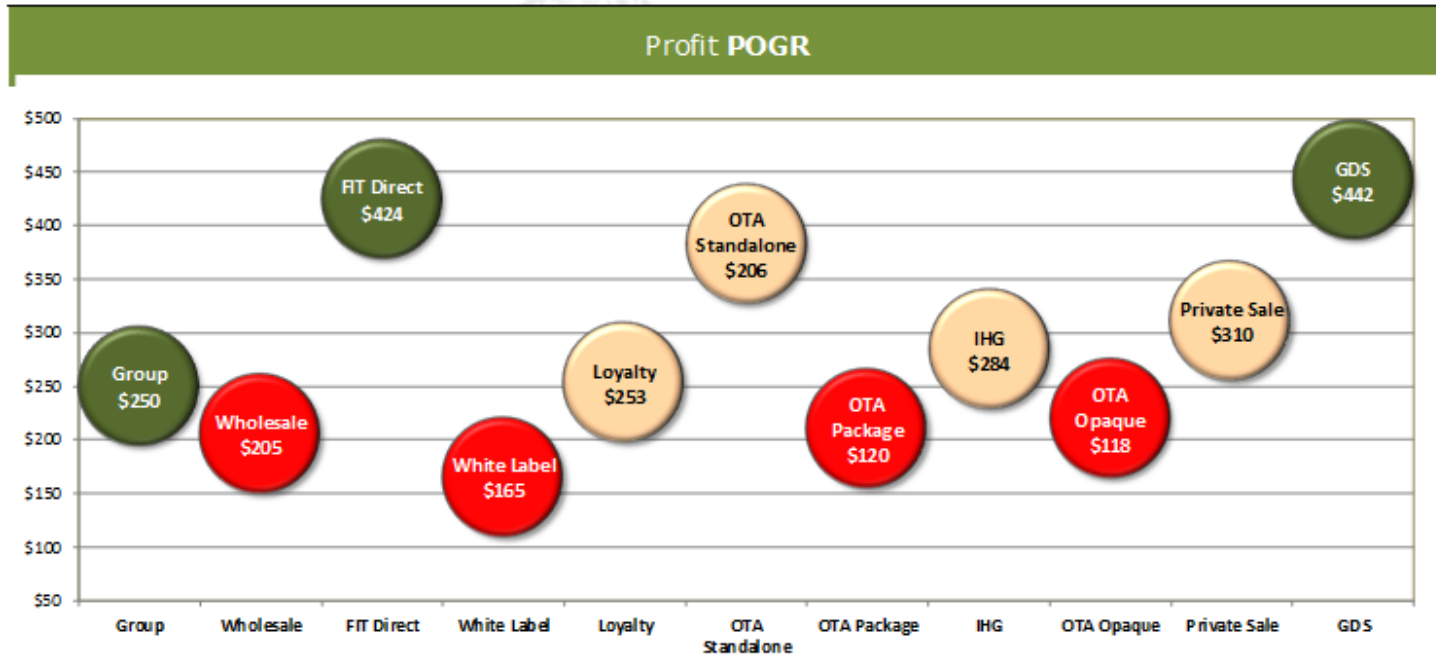
Expense	Expense Category Summary	Electronic Channel Portion	GD%	OTA %	IHG %	Sales	Corporate	Tradeshow	Wholesale
TOTAL PAYROLL EXPENSES	Departmental Expense	15%				30%	100%		
80150 - COMMISSIONS	Departmental Expense	50%			100%	50%	60%	30%	10%
80180 - CONTRACT LABOR	Departmental Expense	30%	33%	33%	33%	50%	33%	33%	33%
80185 - COMP-ON-PROPERTY	Departmental Expense	40%	12%	88%		40%		12%	88%
80210 - DUES, MEM. & SUBS	Departmental Expense	50%	100%			50%	50%		

Expense	Expense Category Detail
80515 - RENT EXPENSE	Operating Expense
TOTAL PAYROLL EXPENSES	Payroll
60001X - COMPLIMENTARY ROOMS	Complimentary
70205 - BONUS-OTHER	Payroll
60010X - COMPLIMENTARY OTHER	Complimentary
80185 - COMP-ON PROPERTY	Operating Expense
60002X - COMPLIMENTARY FOOD	Complimentary
80415-500 - OUTSIDE SERV-OTHER	Operating Expense
80210 - DUES, MEM. & SUBS	Operating Expense
80570 - TRAVEL/TRANSLODGING	Operating Expense
60003X - COMPLIMENTARY BEVERAGE	Complimentary
80569-001 - TRAVEL-UNALLOCATED EXPENSE	Operating Expense
90011-605 - SERVICE EXP-MBS	Intercompany Expenses
80150 - COMMISSIONS	Operating Expense
80390-010 - OPERATING SUPPLIES	Operating Expense
80410 - COMP-OFF PROPERTY	Operating Expense
80560-010 - TRAVEL MEALS	Operating Expense
80180 - CONTRACT LABOR	Operating Expense
80490 - PROMOTIONAL ITEMS	Operating Expense

Revenue, Expense & Profit per occupied guest room : % of average



Understand Profitability by Channel



Optimizing Profitability

Channel	Hotel 1 Rooms Sold @ \$200	Hotel 1 Profit	Hotel 2 Rooms Sold @ \$200	Hotel 2 Profit
IBE	30 (15%)	\$5,865	38 (19%)	\$7,429
Direct Voice	36 (18%)	\$6,768	43 (21.5%)	\$8,084
3 rd Party Voice	6 (3%)	\$1,044	6 (3%)	\$1,044
GDS- Standalone	12 (6%)	\$2,016	12 (6%)	\$2,016
OTA Hotel Collect	42 (21%)	\$6,741	42 (21%)	\$6,741
OTA Merchant Collect	42 (21%)	\$6,741	42 (21%)	\$6,741
GDS- Consortia	12 (6%)	\$1,800	12 (6%)	\$1,800
Opaque	10 (5%)	\$1,305	0 (0%)	\$0
Wholesale	10 (5%)	\$1,305	5 (2.5%)	\$652
Total	200	\$33,585	200	\$34,507

Profit Optimization

- Identify your most profitable channels and customers
 - Behaviors of your customers
 - How do they book?
 - When do they book?
 - What promotions/offers do they respond to?
 - How do they spend while on property?
 - How long do they stay?
 - Are they repeat customers?
- Once you know this, you can start to make better yielding and pricing decisions

Profit Optimization

Change your focus!

- Your property needs to stop working in silos!
- Build a profit-based revenue management culture
 - It starts with an accurate forecast
 - Explain your goals to everyone within the organization
 - Get out of your office!
- Weekly Revenue Team meeting
 - Everyone attends and contributes

Profit Optimization

- Change your incentive plans
- Change how you are measured!
 - You might discount room rates to capture the customers who spend more in your outlets
 - Decline in Room Revenue? It could happen!

Profit Optimization: Marketing

- Use an Enterprise Marketing approach
 - Understand your data and what is important to you
 - Drive business into the profitable segments and over time periods where you need the business
 - The stronger your database is the less you will need to depend on more expensive channels of business!
 - Have a plan established so you are ready when the market changes
- Collect as much data as you can thru all touchpoints
- Track profitability on all promotions
 - Pro and Post-forma

Profit Optimization: Distribution

- Understanding the profitability by channel
- Not all channels are equal!
 - Do the analysis on each
 - Commission
 - Booking Delivery Fees
 - Hotel paid commissions
 - Ancillary spend
- Get your pricing right in the beginning and capture more profitable business
 - No fire sales
 - Expensive opaque channels

Profit Optimization: Group

- Ensure you clearly understand group demand at your hotel.
Leverage outside data
- Analyze past groups from going tentative to actual – what happened (all revenue!)
- Benchmark sales managers to identify training opportunities
- Frame all of the above based on optimal mix

Thank you!

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