

Revenue management helps Marriott weather recession's aftermath

BY LAUREN ESPOSITO

BETHESDA, MD—The right revenue management program can be a powerful tool for any hotel. But right now as so many properties struggle with the conundrum of how to lift their rates after lowering them during the recession, the importance of effective revenue management has become exponentially greater. Marriott International is offering its hotels an exclusive application designed to enhance revenue management efficiency system-wide.

The new revenue management tool, called Retail Pricing Optimizer (RPO), was developed to be integrated into Marriott International's OneYield revenue management system, which is used by Marriott-branded properties worldwide. "We wanted RPO to have a global platform just like OneYield. Our vision was to expand revenue management capabilities. Revenue managers are expected to take so many factors and so much data into consideration from business trends to their market conditions that we wanted to take all that complex data and simplify it to help them make good business decisions," said Mike Keppler, senior vp, sales, marketing & revenue management.

The RPO helps to determine optimal transient retail rates using an analytically driven, market-based methodology. "Basically it provides a price elasticity model and then helps makes recommendations for the transient segment," Keppler said. The program utilizes the same decision factors that hotels consider

and then brings with it the science of measuring demand responsiveness to pricing.

In order to develop a tool that would prove useful to properties around the globe, the Marriott team spent significant time researching to determine what tools and metrics would best assist its revenue management teams. "We spent time in the field with users to best understand business practices today. Revenue management can be a very technical discipline and by simplifying it we can better engage general managers and sales teams at the property level. By polling all



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the key diagnostics in one place, users are able to recognize if they are pricing rooms correctly or if there are opportunities to raise rate," said Russell Vereb, vp, revenue management. "The system also considers how a property's competitors are pricing."

One of the RPO's main features is a pricing 'workbench,' which is a dashboard of sorts that helps hotels to pinpoint exactly where opportunities are. They are then color-coded and highlighted to be clearly defined for the user. As a result the infor-

mation can help to give hotels to drive rate when there is opportunity and increase efficiencies in the analyzing and decision making processes. "Every hotel must stay on top of weekday and weekend rates. But most people cannot spend a huge amount of time that is needed on deep research. The system gleans prices from the market and stores them in the database so the user can get a clear picture of what's happened in the past as well as what will likely happen in the next 90 days," Keppler explained.

Prior to its official rollout, Marriott International tested a prototype of the RPO in 43 hotels around the world for about four months and devoted significant time to properly instructing properties on the program's capabilities and how to use them. "To really learn the application, we put hotels through thorough training processes that went beyond revenue managers. We wanted general managers and sales managers to understand the basics and be able to interpret what the system was telling them," Keppler said. Following the launch, Marriott also held a series of webinars that enabled properties to address any questions they had.

Keppler noted that in terms of when the RPO was initiated, the timing couldn't be better. As properties were forced to lower their rates during the downturn, many are now in a quandary regarding how and when to raise their rates back up, especially when their competitor's rates are still

low. "The economy has really made a huge impact on the program," Vereb said. "In the past when we come out of any recession the challenge has been the uncertainty surrounding when to raise rates and how much. You've had to rely a lot on a gut feeling. Now with the RPO, properties can get a clear cut answer and have confidence in their decision."

Vereb went on to report that properties utilizing the new application are already seeing results. "We have a Marriott in San Juan, Puerto Rico, which is mainly driven by the leisure market. Understandably, they've seen a decrease in demand. Through the RPO, it was recommended they drop their rate. In just two weeks, the property saw a significant increase in demand and after three weeks, it was seeing RevPAR growth. Yes, the property lowered their rate, but that allowed them to increase their market share," he said.

Meanwhile, at a Residence Inn in Baltimore, the property was prompted to raise its rate by \$30 through the RPO—a suggestion met with skepticism by the property as it would mean pushing its rate over the \$100 mark. "The hotel was very apprehensive about the decision. But they did it and it marked the first time in 3 years the rate was over \$100, and the property lost no occupancy," Vereb said.

In addition to helping its existing properties get their rates back as the market cycles upward, Keppler is confident the RPO will also assist Marriott International as it continues to grow its portfolio. "It's a powerful tool that can be applied around the world and we're really excited about it helping us to drive business out of the recovery as well as our expansion strategy going forward," he said.

The online space is high on Choice's list of technology to watch

continued from page 3

how we were able to do it," Davis noted. "It is a very difficult, challenging thing to do to operate one platform around the globe, and I don't think there's anyone who's really done that yet."

The system has been almost fully deployed in the past 12 months, he said, in the United States and Canada, with the rest of the globe following throughout the rest of this year.

Looking forward, Davis isn't necessarily watching his direct, traditional competitors to see where technology for the hospitality industry will go next. Instead, he said, he is watching companies like Google and the various hotel deals sites, trying to maintain the choice.com Web site as the best rates a guest can get online. He also has big plans for mobile beyond the app for the franchisees, he said, noting that the firm will detail more

information on that later in the year. "We were one of the first out there with a mobile app for iPhone, and you're going to see some things happen this year around mobile which are going to be very exciting," he said.

Overall, Davis noted that both guests and owners are going to start to see the benefits from the new systems as they fall into place. For guests, the mobile and online presence is an obvious one, but he

said they will also start to see more efficient and helpful experiences at, for example, the call centers. And owners will see cost savings, as the newer technology can do more with less. "What we're able to do is stand up the capability faster and at a lower price point historically, because we were married to a lot of older technology; we still have some 20-year-old technology we're looking to replace as well."