



leadership insights



2015
HSMAI
Chief
Revenue
Officer
ROUNDTABLE

e-REPORT

In June I was privileged to attend, as an observer, HSMIA's annual Chief Revenue Officer Roundtable meeting. This is a gathering of very senior revenue management professionals who daily face the challenges of an ever-evolving discipline. In fact the pace of change in revenue management today reminds me of an old saying one of my bosses used... "it's like trying to shoe a horse on a dead run." This, I think, accurately depicts the state of the revenue management discipline today, and the discussions around the table reflected this sentiment.

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Now I'm not in a position to share the specific comments of these highly regarded and influential revenue management leaders, as the whole idea of the Roundtable is one of anonymity, with strict promises that no one shall be quoted. And so I vow to break no rules in my overview of this prestigious gathering, but only to provide some context and insight into the discussions that ensued. What I can guarantee to the reader is that there were many valuable lessons learned from this group of sage individuals.

As for me, my first impression was one of solemnity. Although the industry is doing very well, certainly in North America, there did not seem to be a correspondingly upbeat mood. Perhaps that goes with the territory. Revenue management people can be very serious. But with all the positive things happening — record room nights, average rates, revenues — there was still a focus on the significant challenges that remain. These included leadership issues, the dearth of talent, a preponderance of tactical vs. strategic RM, the lack of investment in technology, ongoing issues with distribution, and the involvement of more and more stakeholders in typical RM efforts.

So how is a senior RM leader to choose amongst these issues? What should be prioritized? In this 24/7 world, how does one elevate oneself sufficiently to act in a truly strategic manner? These were not easy questions, but the discussions around leadership were insightful. One very concise and meaningful statement was that leadership is all about *making change happen*.

And so the conversation focused first on communication skills, which in itself is not surprising, but remains a huge challenge for many revenue management specialists. I've repeatedly witnessed communication exchanges between Directors of Revenue and revenue teams where the salient points simply missed the target. The ability to "tell the story" in a concise, compelling manner, both verbally and visually, remains a challenge for RM professionals today. So...Lesson #1: take some courses in communication skills; become an expert in data visualization; ask your audience what they would like to see.

Another line of discussion focused on the customer and these conversations centered on *knowing your customer*. In recent years, RM professionals have experienced work scope creep, especially in the areas of digital marketing and online presence, the very place where the product meets the customer. But typically, if you ask a revenue manager about reputation management and the impact of social media, the answer all too often is that someone else handles this area. I can certainly appreciate that revenue managers do not have time to become social media experts, but they must know and understand the metrics around customer feedback, and then use those metrics to make better revenue management decisions. So...Lesson #2: know your customer intimately; scrutinize reputation management metrics; closely align RM with the online marketing effort.

Conversations then turned to the plethora of technology issues and challenges facing the revenue management discipline. Today's senior RM leaders must prioritize technology needs. Unlike the airline business, the hospitality industry is highly fragmented. We all know that a single hotel may very well be branded by one company, management by another, and owned by yet another. Decisions to invest in technology inevitably involve conflicting objectives.



Executives taking part in HSMAI's Chief Revenue Officer Executive Roundtable June 16 in Austin, discussed trends in revenue optimization and challenges for 2015 and beyond, with an emphasis on leadership.

SURPRISES AND CHALLENGES DISCUSSED BY THE GROUP WERE:

- Many revenue managers still focusing too much on tactical short term actions vs. strategic longer term tactics.
- Difficulty in keeping pace with pace of changes in technology
- Challenge in getting support for adoption of new technology
- The war on talent, especially when going into new markets
- Continued push and pull on revenue management teams with time and not giving them the opportunity to be the leaders
- Why there's not more momentum on competing with OTAs technology in terms of investment and analytics
- Need for more emphasis on mentoring and developing people
- The short term rental market and its impact on occupancy and ADR – need to look at as an industry
- More owners and asset managers hiring revenue management leaders to manage the management companies

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The key is to create a technology plan that is simple, integrated, flexible, and easily modified. This means that all stakeholders must be aligned and support the plan. In this regard a RM leader must be both diplomat and disciplinarian, constantly measuring adoption, utilization, and performance. This also necessitates investment in training.

All too often training regimens are simply iterations of previous training. It's a bit like making a photocopy of a photocopy of a photocopy. Eventually the end product is so faded, as to be illegible, i.e. the person doing the training was trained by someone else, who was trained by someone else, and so on. We end up using about 30% of the functionality of the many systems that support the RM effort, and at the same time waste valuable, costly time on inefficient processes. So...Lesson #3: Think through what is truly required from the systems that surround and support revenue management; bring these issues to the forefront and seek solutions from all stakeholders; support recommendations with solid business cases.

The discussions then turned to talent management and acquisition. The bottom line is the industry simply does not have enough trained and talented revenue managers to meet the demand for this area of expertise. A simple revenue management explanation is that demand has increased faster than supply, but the issue is more complex than this.

At the same time demand has increased, rapidly evolving consumer buying behavior has thrust RM into an ever changing role, making it practically impossible to keep up with the changes in the discipline. Additionally, although higher education institutions specializing in hospitality have worked towards RM related curriculums, there still lacks a singular focus on this profession. Hence while some industries require an MBA for revenue management positions hospitality does not, and correspondingly does not typically offer remuneration levels commensurate with strong educational credentials. Certainly compensation packages are not fully aligned to the impact the revenue manager has on the organization.

Ongoing discussions revolved around internal talent development, compensation options, and less traditional career paths to revenue management. There was a sense that the RM discipline could be better defined to attract a broader scope of talent. There was also discussion around the separation of tactical and strategic revenue management roles. Are there separate roles for the analyst, the tactical "doer", and the strategist? So...Lesson #4: develop from within; be willing to increase compensation levels based on performance; actively support and encourage development of RM curriculums at hospitality educational institutions; budget every year for professionally guided recurrent training programs.

Finally, the Roundtable participants listened intently to a respected specialist in leadership development. They were told there were four critical skills required for leadership success, which included abilities as an architect, analyst, defender, and coach. Although there were extensive discussions around these critical skills there were four statements that really stood out to me:

“The architect must have the skills to be able to create, envision and articulate clearly the architecture of revenue management over several years.”

“The analyst’s skills must reach beyond platforms. They must demonstrate skills in critical thinking, communication, operational knowledge, analytical skills, objectivity, teamwork, storytelling and natural curiosity.”

“A defender is effective at defending the revenue management efforts – the vision, the team, the organization, and its priorities and actions.”

“The coach needs to possess the ability to listen to issues, details, and each team member’s needs and career plans, and be available, approachable, and motivational.”

All in all, these senior revenue management professionals have a difficult job trying to “shoe a horse on a dead run”. Whether it’s dealing with technology, talent, or the tumultuous online world, their leadership skills are being put to the test. So... The Final Lesson: take time each day to elevate to that strategic level; train yourself to ask the question “is what I’m doing right now adding value to my organization”?; and have I surrounded myself with people even stronger and smarter than I? To use a sports analogy...I love the game of tennis and I always play better when I’m playing with someone better than I.



Attendees at HSMAI’s Chief Revenue Officers Roundtable.

The session was sponsored by IDEaS Revenue Solutions, a SAS company, Rainmaker, and STR. Hotel companies represented at the Roundtable included Aimbridge Hospitality, Ashford Group of Companies, Atlantis Resort, Atrium Hospitality, Best Western International, Carlson Rezidor, Commune Hotels & Resorts, Concord Hospitality Enterprises, Denihan, Destination Hotels, Extended Stay Hotels, Hyatt, IHG, Interstate Hotels & Resorts, La Quinta Inns & Suites, Loews Hotels, Marcus Hotels & Resorts, Omni Hotels & Resorts, Outrigger Hotels Hawaii, Preferred Hotels Group, Pyramid Hotel Group, Red Lion Hotels, Red Roof Inn, SBE, Starwood Capital Group, Starwood Hotels & Resorts Worldwide, The Venetian, Viceroy Hotel Group, Wyndham Hotel Group

HSMAI Executive Roundtables provide senior executives access to experts and an opportunity to interact with their peers. HSMAI brings together Chief Marketing Officers, Chief Digital Marketing Officers, Chief Sales Officers, Chief Revenue Officers, and Hotel Management Company Sales & Marketing Executives through the year.

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