

SHA531: Introduction to Hotel Revenue Management

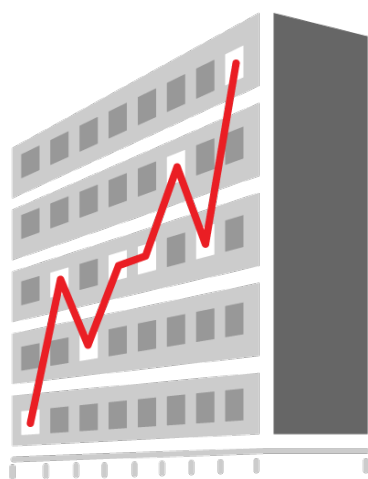
This course includes

- Two self-check quizzes
- Two discussions
- Four Ask the Expert interactives
- Two activities
- A downloadable tool to use on the job
- An action plan to apply what you learn
- One video transcript file

Completing all of the coursework should take about five to seven hours.

What you'll learn

- Describe hotel revenue management and its benefits
- Apply the strategic levers of hotel revenue management to increase revenue
- Address critical factors in hotel revenue management and measure revenue performance
- Consider ways in which revenue management can be applied to other hospitality-related industries



Course Description

Revenue management is a way of increasing profitability and can be applied to any business that has relatively fixed capacity, perishable inventory, and time-variable demand. This course, produced in partnership with the Cornell School of Hotel Administration, introduces you to the basics of revenue management in the hotel industry. You will learn how to apply pricing and length-of-stay tools and how to measure your revenue management performance.

Drawing on her extensive experience and research in this field, Professor Sheryl Kimes will inspire you to shift your thinking about revenue management from a focus on occupancy

and average room rate to a focus on revenue per available room (RevPAR). You will develop an action plan to use these concepts to address your own real-life business problems.



Sheryl Kimes
Professor of Operations Management,
School of Hotel Administration, Cornell University

Sheryl E. Kimes is a professor of operations management at the School of Hotel Administration. From 2005–2006 she served as interim dean of the school and from 2001-2005 she served as the school's director of graduate studies. Kimes teaches restaurant revenue management, yield management, and food and beverage management. She has been named the school's graduate teacher of the year three times. Her research interests include revenue management and forecasting in the restaurant, hotel, and golf industries. She has published over 50 articles in leading journals such as *Interfaces*, *Journal of Operations Management*, *Journal of Service Research*, *Decision Sciences*, and the *Cornell Hospitality Quarterly*. She has served as a consultant to many hospitality enterprises around the world, including Chevys FreshMex Restaurants, Walt Disney World Resorts, Ruby's Diner, Starwood Asia Pacific, and Troon Golf. Kimes earned her doctorate in Operations Management in 1987 from the University of Texas at Austin.

Table of Contents

Course Modules

Module 1: What is Hotel Revenue Management?

1. Module Introduction: What Is Hotel Revenue Management?
2. Watch: An Overview of Hotel Revenue Management
3. Watch: Necessary Conditions for Revenue Management
4. Tool: Six Necessary Conditions
5. Read: First There Was Yield Management
6. Watch: Revenue Management Evaluation Guide
7. Watch: Where Can You Apply It?
8. Watch: An Implementation Overview
9. Select the Revenue Management Candidate
10. Get Started on Your Action Plan
11. Module Wrap-up: What Is Hotel Revenue Management?

Module 2: Measuring Success with RevPAR

1. Module Introduction: Measuring Success with RevPAR
2. Watch: Measuring Revenue
3. Activity: RevPAR—Measuring Revenue
4. Read: Hot, Warm, and Cold RevPAR
5. Calculate RevPAR
6. Reflect on RevPAR in Your Action Plan
7. Module Wrap-up: Measuring Success with RevPAR

Module 3: Managing Duration

1. Module Introduction: Managing Duration
2. Watch: Redefining Duration
3. Watch: Reducing Duration Uncertainty
4. Read: Tips for Managing Duration
5. Activity: Manage that Duration

6. Reflect on Duration in Your Action Plan
7. Module Wrap-up: Managing Duration

Module 4: Controlling Price

1. Module Introduction: Controlling Price
2. Watch: Variable Pricing
3. Watch: What Prices Will You Charge?
4. Watch: Who Pays Which Price?
5. Read: Best Available Rate
6. Leverage Price
7. Reflect on Price in Your Action Plan
8. Module Wrap-up: Controlling Price

Module 5: Implementing Revenue Management

1. Module Introduction: Implementing Revenue Management
2. Watch: Component Parts of Implementation
3. Ask the Expert: Neal Fegan on Hotel Analytics
4. Ask the Expert: David Warman on Skills for Revenue Managers
5. Read: What You'll Need to Get Started
6. How Do I Get Started?
7. Reflect on Implementation in Your Action Plan
8. Module Wrap-up: Implementing Revenue Management

Module 6: Revenue Management Everywhere

1. Module Introduction: Revenue Management Everywhere
2. Watch: Managing Revenue in Other Industries
3. Ask the Expert: Alfonso Delgado on Revenue Management in Other Industries
4. Ask the Expert: Vivek Bhogaraju on the Evolution of Revenue Management
5. Read: Revenue Management Retrospective
6. Module Wrap-up: Revenue Management Everywhere
7. Complete and Submit Your Action Plan
8. Watch: Thank You and Farewell

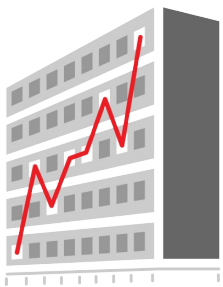
Module 1: What is Hotel Revenue Management?

1. Module Introduction: What Is Hotel Revenue Management?
2. Watch: An Overview of Hotel Revenue Management
3. Watch: Necessary Conditions for Revenue Management
4. Tool: Six Necessary Conditions
5. Read: First There Was Yield Management
6. Watch: Revenue Management Evaluation Guide
7. Watch: Where Can You Apply It?
8. Watch: An Implementation Overview
9. Select the Revenue Management Candidate
10. Get Started on Your Action Plan
11. Module Wrap-up: What Is Hotel Revenue Management?

[Back to Table of Contents](#)

Module Introduction: What Is Hotel Revenue Management?

What Is Hotel Revenue Management?



The goal of hotel revenue management can be summed up simply as follows: selling the right room to the right customer at the right price at the right time. On a playing field defined by duration and price, the game of hotel revenue management presents the challenge of maximizing revenue per available room. In this first module, you will explore the basic concepts of the revenue management approach. You will use price and duration characteristics to define the most suitable candidates for revenue management, and you'll find out about other conditions necessary to its implementation.

When you have completed this module, you will be able to name the two strategic levers of hotel revenue management, describe the benefits of implementing a systematic revenue management process, use a four-quadrant framework to evaluate suitability for revenue management, and list the conditions necessary for implementing revenue management.

[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Watch: An Overview of Hotel Revenue Management

An Overview of Hotel Revenue Management

Imagine that you are a consultant who has been asked to improve revenue at a mid-size hotel located in a major city. As you review reports and meet with staff, you learn several things that you believe might be relevant. For one, the hotel offers just one rate for all guests, regardless of the day of the week, time of the year, or a guest's potential group affiliation. Also, occupancy levels seem to be quite low, though demand for rooms should be high. You learn that current management is tracking no-shows but not forecasting no-shows. In fact, very little is being done with regard to forecasting.

How would you improve occupancy levels and overall profitability at a hotel like this? In the video below, Professor Kimes describes the four basic questions involved in hotel revenue management, an approach you could use in this situation and at your hotel or business.



[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Watch: Necessary Conditions for Revenue Management

Necessary Conditions for Revenue Management

Revenue managers focus on maximizing the revenue per available time-based inventory unit, known as RevPATI. In the case of a hotel, this time-based inventory unit is a room-night. For airlines, this unit is the seat-hour. Why does revenue management work so well for hotels and certain other businesses? For the answer to that question, watch this video on the necessary conditions for revenue management, and then study the tool on the next page.



[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Tool: Six Necessary Conditions

Six Necessary Conditions

Six Conditions for Revenue Management

The techniques of revenue management can be applied to room sales as well as certain other hospitality enterprises -- and also certain enterprises in other industries. This tool provides a downloadable, concise summary of the conditions under which revenue management should prove useful. As you consider applying revenue management to your own operations, keep this tool handy as a quick reference.

[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Read: First There Was Yield Management

First There Was Yield Management

Yield management is the process of allocating the right type of capacity to the right kind of customer at the right price so as to maximize revenue or yield

Revenue management applies the yield management process using the levers of price and duration

In the late 1980s, when hotels were beginning to adopt yield management approaches similar to those first used in the airline industry, Professor Kimes wrote an article outlining what issues hotel operators should consider in implementing such an approach.

Appropriately tailored to the hotels they served, yield-management systems generally increased revenue and took much of the guesswork out of room-management decisions. Entitled "The Basics of Yield Management," this article includes suggestions for successful implementation of such systems, and it remains a good place to begin a study of revenue management.

[View the Basics of Yield Management article](#)

[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Watch: Revenue Management Evaluation Guide

Revenue Management Evaluation Guide

Price and duration, the two strategic levers critical to revenue management, can serve as the basis of a four-quadrant framework useful for determining how well a business or industry is positioned to take advantage of revenue management methods. Using this framework, you can see how those businesses that are not well positioned to use revenue management now can make the changes needed to use it effectively in the future. In addition, you can see how businesses that are in a good position now can achieve a better one over time. Watch this video to see Professor Kimes describe how she evaluates businesses to determine their fit with revenue management.



[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Watch: Where Can You Apply It?

Where Can You Apply It?

Is revenue management useful for most hotels or just certain ones? And, if your hotel is using revenue management to increase rooms' revenue, can you use it anywhere else in the hotel? Yes, revenue management can help increase revenue at all kinds of hotels, and it can be used in many areas in addition to room sales. Watch this video to find out more about all the ways that revenue management can be applied.



[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Watch: An Implementation Overview

An Implementation Overview

Implementing revenue management is a multifaceted project that involves many areas of a hotel or business. In this video, Professor Kimes outlines the implementation process and provides some useful guidance about how to move forward.

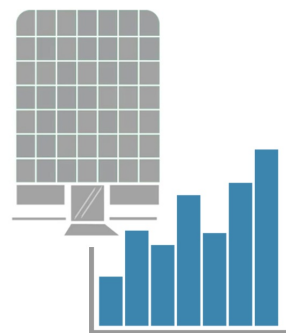


[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Select the Revenue Management Candidate

Revenue management can be implemented in a variety of industries depending on certain necessary conditions. In the hotel industry, revenue management can improve revenue even when business is good. The following questions test your understanding of revenue management's basic concepts.



You must achieve a score of 100% on this quiz to complete the course. You may take it as many times as needed to achieve that score.

Points: 6

[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Get Started on Your Action Plan

This course introduces revenue management in the hotel industry, explaining how to use two strategic levers, price and duration, to increase revenue.

At the end of the course, you will be required to submit an action plan that outlines how you intend to apply what you have learned. While you will draft most of this action plan at the end of the last module, you will do some initial work on it now.

If you are not currently associated with a hotel or business, base your action plan on a hotel or business with which you are familiar.

Instructions:

Download the [Introduction to Hotel Revenue Management Action Plan](#).

Review the plan document so you are familiar with its structure.

In the Key Business Problem section, write an initial draft of a business problem you would like to address using the concepts in this course. You can modify this later, but make an initial attempt to describe a revenue management problem.

In the section labelled Notes, make notes of concepts or recommendations contained in module 1 that you think may be useful to consider when you work further on your action plan. For each item you include, indicate why you think it may be relevant to your situation. Save your work at a convenient location on your computer or storage area. This action plan is a course requirement, but **do not submit it at this time**.

Before you begin:

While you won't submit the document now, please review the **rubric** (list of evaluative criteria) that will be used when you submit the document with notes and completed plan at the end of the course. Also review [eCornell's policy regarding plagiarism](#) (the presentation of someone else's work as your own without source credit).

Grading Type: Points

Points: 0

[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

Module Wrap-up: What Is Hotel Revenue Management?

What Is Hotel Revenue Management?

In this first module, you explored the basic concepts of revenue management. You saw how price and duration characteristics are used to define the most suitable candidates for revenue management, and you found out about the conditions necessary for the implementation of revenue management.

You now know the two strategic levers of hotel revenue management. You can describe the benefits of implementing a systematic revenue management process and use a four-quadrant framework to evaluate suitability for revenue management.

[Back to Module 1: What is Hotel Revenue Management?](#)

[Back to Table of Contents](#)

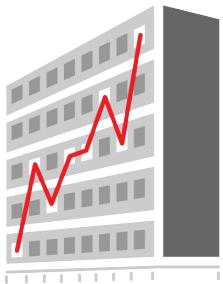
Module 2: Measuring Success with RevPAR

1. Module Introduction: Measuring Success with RevPAR
2. Watch: Measuring Revenue
3. Activity: RevPAR—Measuring Revenue
4. Read: Hot, Warm, and Cold RevPAR
5. Calculate RevPAR
6. Reflect on RevPAR in Your Action Plan
7. Module Wrap-up: Measuring Success with RevPAR

[Back to Table of Contents](#)

Module Introduction: Measuring Success with RevPAR

Measuring Success with RevPAR



There are many measures of the success of a hotel. Hotel managers and others often look at total revenues to determine if a hotel is successful. The revenue management approach recommends that hotel revenue managers use revenue per available room-night (RevPAR) as a measure. What makes RevPAR better than total revenue? This module explains what RevPAR is, how it is calculated, and why it is a powerful tool for assessing profitability.

When you have completed this module, you will be able to define and calculate RevPAR. You will also be able to use RevPAR to identify opportunities for revenue management.

[Back to Module 2: Measuring Success with RevPAR](#)

[Back to Table of Contents](#)

Watch: Measuring Revenue

Measuring Revenue

Imagine that in your job as a consultant you are given data on a group of hotels. Some hotels have impressive occupancy levels. Other hotels have high average room rates. Still other hotels in the group have achieved good occupancy levels and better-than-average room rates. Which hotel is achieving the highest revenue?

Interpreting occupancy and rate data can be made easier by using RevPAR. Watch the following video to learn what RevPAR is and how it is calculated. Then decide how you would determine which hotel is achieving the highest revenue.



[Back to Module 2: Measuring Success with RevPAR](#)

[Back to Table of Contents](#)

Activity: RevPAR—Measuring Revenue

RevPAR—Measuring Revenue

What metric should a hotel use to gauge how well its rooms are being managed?

It could look at average daily rate. The average daily rate is the sum of all room-night rates paid, divided by the number of room-nights purchased.

Or it could look at occupancy levels. The occupancy level is the number of rooms sold, divided by the total number of rooms in the hotel. This number will be a fraction that is less than one, but it is often written as a percentage.

Neither average daily rate nor occupancy level give a complete picture. For example, here are the average daily rates and occupancy percentages for three hotels:

Hotel M \$250, 40%

Hotel N \$200, 50%

Hotel Q \$125, 80%

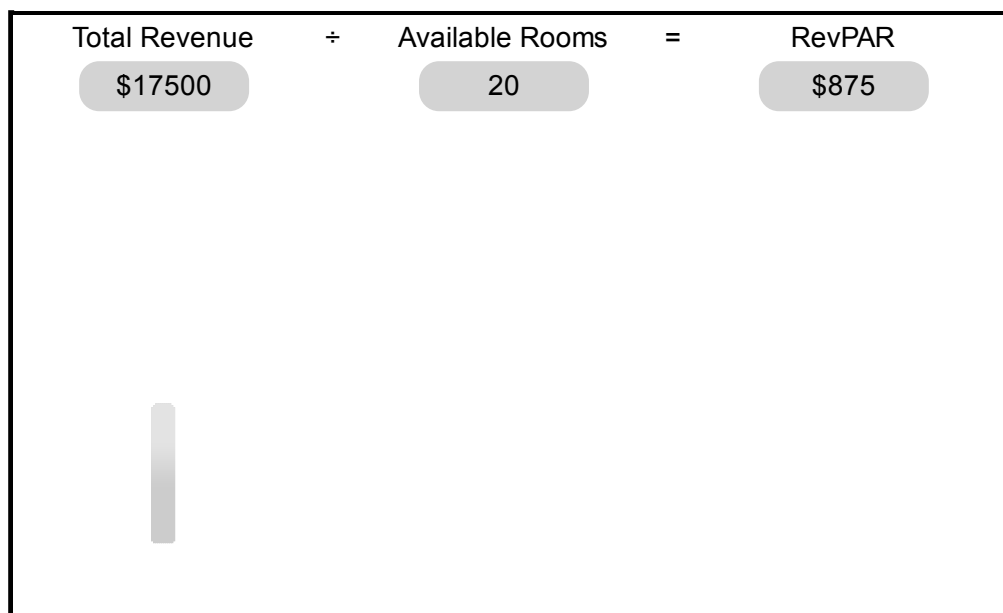
Hotel M has the highest average daily rate, but Hotel Q has the highest occupancy. Which hotel is most successful?

RevPAR can help answer this question. Recall that RevPAR can be calculated by multiplying the average daily rate by the occupancy percentage. Using the sliders below, you can see how average daily rate and occupancy percentage influence RevPAR through this relationship.



As you can verify using the sliders, all three hotels in the example have RevPARs of \$100/room-night.

Remember that RevPAR can also be calculated by dividing total revenue by the number of available rooms. Use the slider below to explore this relationship.



[Back to Module 2: Measuring Success with RevPAR](#)

[Back to Table of Contents](#)

Read: Hot, Warm, and Cold RevPAR

Hot, Warm, and Cold RevPAR

We have established that both occupancy percentage and average daily rate communicate something about a hotel's success at generating revenue. RevPAR offers something more: a measure of the hotel's revenue capacity.

Let's look at how we might calculate, display, and use RevPAR data. Click through the three tabs below to see an example.

1. Occupancy Data
2. RevPAR Data
3. Hot, Warm, and Cold

	WED	THU	FRI	SAT	SUN
May	75%	65%	100%	85%	55%
June	75%	85%	90%	100%	40%
July	65%	45%	65%	100%	75%
August	75%	65%	75%	100%	75%
September	90%	100%	85%	100%	100%
October	75%	75%	100%	90%	80%
November	75%	75%	100%	90%	75%
December	75%	65%	95%	85%	55%

1. Occupancy Data

Here are occupancy data for an example hotel. As we have noted, occupancy data like these provide information about the revenue the hotel is taking in.

According to the revenue management approach, we should examine RevPAR values for each time period. The occupancy data can be converted using the formula $\text{RevPAR} = \text{Occ\%} \times \text{Avg Daily Rate}$. In this example, the average daily rate is \$100. Let's take a look at the table with RevPAR values instead.

✓ Click tab 2 to see the results of the RevPAR calculation.

	WED	THU	FRI	SAT	SUN
May	\$75	\$65	\$100	\$85	\$55
June	\$75	\$85	\$90	\$100	\$40
July	\$65	\$45	\$65	\$100	\$75
August	\$75	\$65	\$75	\$100	\$75
September	\$90	\$100	\$85	\$100	\$100
October	\$75	\$75	\$100	\$90	\$80
November	\$75	\$75	\$100	\$90	\$75
December	\$75	\$65	\$95	\$85	\$55

2. RevPAR Data

The results of the conversion are shown in the RevPAR data table to the left.

Now let's think about how we can use this RevPAR data in making decisions at the hotel. A technique used by revenue managers to make it easier to read the table is to color code the values. In the hot/warm/cold approach to color

coding, high RevPAR values are red for hot, low RevPAR values are blue for cold, and RevPAR values in the middle usually remain white. Let's apply this approach.

✓ **Click tab 3 to see the hot, warm, and cold coding applied to the RevPAR data table.**

	WED	THU	FRI	SAT	SUN
May	5.12	5.12	5.12	5.12	5.12
June	5.12	5.12	5.12	5.12	5.12
July	5.12	5.12	5.12	5.12	5.12
August	5.12	5.12	5.12	5.12	5.12
September	5.12	5.12	5.12	5.12	5.12
October	5.12	5.12	5.12	5.12	5.12
November	5.12	5.12	5.12	5.12	5.12
December	5.12	5.12	5.12	5.12	5.12

3. Hot, Warm, and Cold

Now it's easier to see the hot, warm, and cold periods that occur throughout the week. Using this table, hotel staff can quickly decide when to apply one revenue management strategy as opposed to another. For example, during a hot period, the hotel may want to close all discounted room rates. During a cold period, the hotel may want to make discounted room rates available.

Why is it preferable to use RevPAR rather than average daily rate or occupancy as a revenue management tool? RevPAR provides more information about revenue and about revenue increases. RevPAR shows an improvement when the hotel raises a rate during a hot period, whereas occupancy percentage may not change at all. Similarly, looking only at rates, the hotel might be concerned about a drop in average daily rate during cold periods. However, looking at RevPAR, this rate change is positive, resulting in greater revenue per available room.

[Back to Module 2: Measuring Success with RevPAR](#)

[Back to Table of Contents](#)

Calculate RevPAR

Use this quiz to test your mastery of the concepts covered in this section.

You must achieve a score of 100% on this quiz to complete the course. You may take it as many times as needed to achieve that score.

Points: 5

[Back to Module 2: Measuring Success with RevPAR](#)

[Back to Table of Contents](#)

Reflect on RevPAR in Your Action Plan

In the previous module, you began work on the action plan you will submit for evaluation at the conclusion of the course. You will now perform further work on that plan.

Instructions:

Open the action plan and review the work you did in the previous module. In the section labelled Notes, make notes of concepts or recommendations contained in module 2 that you think may be useful to consider when you work further on your action plan. For each item you include, indicate why you think it may be relevant to your situation. Save your work. This action plan is a course requirement, but **do not submit it at this time.**

Before you begin:

While you won't submit the document now, please review the **rubric** (list of evaluative criteria) that will be used when you submit the document with notes and completed plan at the end of the course. Also, review **eCornell's policy regarding plagiarism** (the presentation of someone else's work as your own without source credit).

Grading Type: Points
Points: 0

[Back to Module 2: Measuring Success with RevPAR](#)

[Back to Table of Contents](#)

Module Wrap-up: Measuring Success with RevPAR

Measuring Success with RevPAR

In this module, you learned what RevPAR is, how it is calculated, and why it is a powerful tool for assessing profitability. You also learned how to use RevPAR to identify opportunities for improved revenue management.

[Back to Module 2: Measuring Success with RevPAR](#)

[Back to Table of Contents](#)

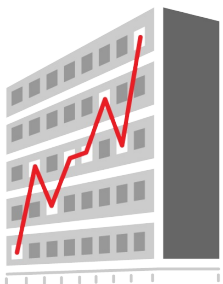
Module 3: Managing Duration

1. Module Introduction: Managing Duration
2. Watch: Redefining Duration
3. Watch: Reducing Duration Uncertainty
4. Read: Tips for Managing Duration
5. Activity: Manage that Duration
6. Reflect on Duration in Your Action Plan
7. Module Wrap-up: Managing Duration

[Back to Table of Contents](#)

Module Introduction: Managing Duration

Managing Duration



Your success as a revenue manager depends on your ability to manage duration effectively. That is, you must be able to make the duration of your guests' stays more predictable. This module examines how managers can work with duration, one of the two strategic levers of hotel revenue management, to increase revenue.

When you have completed this module, you will be able to explain the importance of duration in managing hotel revenue and to employ strategies for managing duration.

[Back to Module 3: Managing Duration](#)

[Back to Table of Contents](#)

Watch: Redefining Duration

Redefining Duration

Imagine a local hotel where occupancy percentages are somewhat low, even though demand is normally high. Guests at this hotel check out at many times of the day, from early morning to late afternoon. Guests arrive for check-in at many times of the day and night, too—including mid-morning and after midnight. Some guests do not show up at all. In those cases, rooms remain empty even when there is a demand for them.

A lack of policies surrounding check-in, check-out, and no-shows can put a strain on a hotel's staff. Would it account for the hotel's problems with occupancy? Watch the following video to find out more about the importance of defining and managing duration.



[Back to Module 3: Managing Duration](#)

[Back to Table of Contents](#)

Watch: Reducing Duration Uncertainty

Reducing Duration Uncertainty

For a hotel revenue management program to succeed, hotel management must be able to reduce duration uncertainty. That is, hotel revenue managers must be able to manage arrival times, departure times, and lengths of stay. Watch this video to learn strategies for reducing duration uncertainty.



[Back to Module 3: Managing Duration](#)

[Back to Table of Contents](#)

Read: Tips for Managing Duration

Tips for Managing Duration

In hotel management, it is impossible to know in advance the exact arrival and departure times of your guests. Reducing duration uncertainty—the uncertainty of when and how long each stay will be—will help you manage revenue. Here are some suggestions for how to do it.

Reduce Arrival Uncertainty

External measures

- Require a credit card guarantee
- Call customers to remind them about their reservation
- Impose cancellation penalties

Caveat: You may end up annoying your customers. Do not use during slow periods.

Internal measures

- Use overbooking to reduce or control the no-show rate



Reduce Length-of-Stay Uncertainty

Internal measures

- Remind customers how long their stay is supposed to be
- Count how many people are going to be staying for one night, two nights, and three nights, and build that into the forecast

External measures

- Impose an early-departure fee
- Have guests initial a departure date when they check in
- Call guests to remind them of their length of stay

Caveat: You may end up annoying your customers with these external measures. Use judiciously.

Manage Duration Wisely

Do not limit your focus to cost: when evaluating approaches to managing duration, the cost of implementing a new approach may be significant, but the revenue you gain as a result of implementing that approach may be much greater.

Consider the impact on customer satisfaction. Use revenue management for the long term, not the short term. Be very careful that when you implement revenue management you keep your customers in mind.

[Back to Module 3: Managing Duration](#)

[Back to Table of Contents](#)

Activity: Manage that Duration

Manage That Duration!

In this activity, you must increase your hotel's profits by selecting and taking specific actions. Each action you take has consequences. This game of skill and chance is designed to help you answer an important question: can you manage duration?

Question 1 - Your hotel has been very busy lately, but you've been running into a problem. Even when you forecast a sell-out, you end up with about 95% occupancy. What action should you take?

a. Reduce arrival uncertainty. Require a credit-card guarantee from guests.

RESULT: Some customers ask why you require a credit card guarantee when your competitors don't. Your booking agents have not been trained to answer this question and they have trouble responding. As a result, you receive some negative feedback from potential guests and from booking agents, too. You decide to make some changes to your training program and to use this approach only during hot periods.

b. Reduce length of stay uncertainty. Count how many people are going to be staying for one night, for two nights, for three nights. Build that into the forecast.

RESULT: Your forecasting is more accurate, so you no longer have to guess how many rooms you have available. Your occupancy numbers and RevPAR go up. Congrats.

c. Do nothing. You're not sure what to do and you're worried about incurring new costs. For now, you'll just keep an eye on things.

RESULT: This method has resulted in no change. Your numbers are still down, and your boss is asking what you intend to do about it.

Question 2 - Your regional manager shares your concerns about occupancy levels. She's encouraging many of the managers to increase revenue by managing duration at their hotels. You suspect you could do more to increase occupancy, but you're concerned about costs. What action should you take?

aa. Call customers to remind them about their reservation and how long their stay is going to be.

RESULT: Your occupancy numbers and RevPAR have improved a little and you're hoping they will continue to improve. You have two good strategies in place and you're off to a good start!

ab. Do nothing. you're not sure what to do. you decide not to implement new revenue management policies because you don't want to incur new costs.

RESULT: Don't let some mildly negative feedback scare you. You made good choices in improving training and using the credit card guarantee only during hot periods. But what about cold periods? Your decision to do nothing is getting you nowhere. Manage that revenue!

ac. Reduce or control the no-show rate through overbooking.

RESULT: Your new overbooking policy has resulted in occupancy numbers going up, just as you had hoped! Your RevPAR has increased for hot periods. congratulations! You have two good strategies in place. You're a successful revenue manager.

ba. Impose an early-departure fee.

RESULT: Bad luck! Guest caused a scene.

bb. Have guests initial a departure date when they check in.

RESULT: Your front desk personnel engage guests in friendly conversation during check-in and now include this as a part of the exchange. Guest reaction is positive. RevPAR and occupancy have improved slightly. Overall, good job! Could you be more successful? Maybe! Why not try again.

bc. Require a credit-card guarantee from guests.

RESULT: Since implementing this new policy, your numbers have improved a little. Overall, good job! Could you have made other decisions and been more successful? Maybe! Why not try again...

===

ca. Impose cancellation penalties.

RESULT: You have not heard any negative feedback, so maybe there hasn't been any. Whatever the case, your occupancy numbers and RevPAR have improved. You're on the right track!

cb. Call customers to remind them about their reservation and how long their stay is going to be

RESULT: You have seen some slight improvements in occupancy and RevPAR, and you hope to see more. You're on the right track! Please try again. Now that you're more skilled at managing duration, you'll be able to improve your results. Revisit your earlier decisions to see if you can achieve greater increases in RevPAR and complete the challenge.

cc. Reduce or control the no-show rate through overbooking.

RESULT: That mild-mannered guy you turned away last Thursday happened to be your

boss's college roommate. Bad luck! You have an uncomfortable phone conversation with you boss, but you find out later that, in fact, your occupancy numbers and RevPAR are improving. You're on the right track! Please try again. Now that you're more skilled at managing duration, you'll be able to improve your results. Revisit your earlier decisions to see if you can achieve greater increases in RevPAR and complete the challenge.

[Back to Module 3: Managing Duration](#)

[Back to Table of Contents](#)

Reflect on Duration in Your Action Plan

In the previous modules you began work on the action plan you will submit for evaluation at the conclusion of the course. You will now perform further work on that plan.

Instructions:

Open the Action Plan and review your previous work.
In the section labelled Notes, make notes of concepts or recommendations contained in module 3 that you think may be useful to consider when you work further on your action plan. For each item you include, indicate why you think it may be relevant to your situation. Save your work. This action plan is a course requirement, but **do not submit it at this time**.

Before you begin:

While you won't submit the document now, please review the **rubric** (list of evaluative criteria) that will be used when you submit the document with notes and completed plan at the end of the course. Also, review **eCornell's policy regarding plagiarism** (the presentation of someone else's work as your own without source credit).

Grading Type: Points

Points: 0

[Back to Module 3: Managing Duration](#)

[Back to Table of Contents](#)

Module Wrap-up: Managing Duration

Managing Duration

This module examined how managers work with duration, one of the two strategic levers of hotel revenue management, to increase revenue. You now know the importance of duration in managing hotel revenue. In addition, you are able to employ strategies for managing duration.

[Back to Module 3: Managing Duration](#)

[Back to Table of Contents](#)

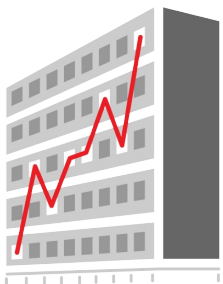
Module 4: Controlling Price

1. [Module Introduction: Controlling Price](#)
2. [Watch: Variable Pricing](#)
3. [Watch: What Prices Will You Charge?](#)
4. [Watch: Who Pays Which Price?](#)
5. [Read: Best Available Rate](#)
6. [Leverage Price](#)
7. [Reflect on Price in Your Action Plan](#)
8. [Module Wrap-up: Controlling Price](#)

[Back to Table of Contents](#)

Module Introduction: Controlling Price

Controlling Price



Your success as a revenue manager is contingent on your ability to work with price effectively. To do this, you must be able to control price and, in particular, use a multi-price approach. This module examines how managers can work with price, one of the two strategic levers of hotel revenue management, to increase revenue.

When you have completed this module, you will be able to compare the one-price model to variable pricing. You will be able to define *rate fence* and *optional price mix*. Finally, you will be able to develop a pricing policy for revenue management.

[Back to Module 4: Controlling Price](#)

[Back to Table of Contents](#)

Watch: Variable Pricing

Variable Pricing

Hotels offer a variety of prices, not only for different types of rooms but also for exactly the same room purchased at different times or by different customers. Why wouldn't a hotel offer just one price? Wouldn't that be easier? Watch this video to build your understanding of some of the issues involved in implementing a multi-price approach.



[Back to Module 4: Controlling Price](#)

[Back to Table of Contents](#)

Watch: What Prices Will You Charge?

What Prices Will You Charge?

As you saw in the previous video, managing price requires that you answer two difficult questions: what prices will you charge, and how will you determine who will pay which price? In this video, Professor Kimes presents some approaches to answering the first question: what prices will you charge?



[Back to Module 4: Controlling Price](#)

[Back to Table of Contents](#)

Watch: Who Pays Which Price?

Who Pays Which Price?

In pursuing a multi-price approach, revenue managers must answer the second question: who will pay which price? An important tool they use is the rate fence. With rate fences, the hotel allows consumers to segment themselves into market groups based on their willingness to pay, their behavior, and their needs. Watch this video to learn more about determining who pays which price.



[Back to Module 4: Controlling Price](#)

[Back to Table of Contents](#)

Read: Best Available Rate

Best Available Rate

"With best-available-rate pricing, customers are quoted individual rather than blended rates. This approach is perceived as fair and honest."

Variable pricing is a powerful tool for managers interested in optimally matching the supply of hotel rooms with customer demand. However, policies and procedures that stem from these strategies can be confusing to customers and may create a negative impression.

In this paper, Professor Kimes and her co-author explore the question of whether variable pricing can be used to maximize revenue without compromising customer satisfaction. Their survey explores the public perception of best-available-rate pricing, where customers are quoted individual rates, rather than one blended rate, whenever multiple rates apply. The survey findings indicate that customers view this approach as fair and honest.

[View the article](#)

[Back to Module 4: Controlling Price](#)

[Back to Table of Contents](#)

Leverage Price

Instructions:

You are required to participate meaningfully in at least two discussions in this course.

Discussion topic:

Managing price is a critical element of revenue management. Without a solid approach to pricing, no level of occupancy will guarantee your success. For this reason, it's important to be able to recognize problems when you see them. Consider the fictional Stay the Same Hotel. This multistory waterfront hotel has 200 rooms, all available at the same rate, regardless of view, accessibility, or floor. Let's consider what's missing from their pricing approach.

At Stay the Same, the pricing approach fails to address the key pricing questions, namely, which prices to charge and who should pay which price. A one-price approach does not take into account demand, load, competition, or customer expectations. It doesn't make any distinctions based on customer characteristics or product characteristics. It's very limited, and its limitations hurt the hotel's prospects for revenue.

Now consider your own organization or another organization you know well. It's unlikely that you charge just one rate for all rooms. Do you feel your current approach is the best it can be? If you could change your pricing policy, what changes would you recommend?

Join this online discussion to share your ideas with other learners. Draw on the information and examples provided in this course to create an analysis of the strengths and weaknesses of your own policy and to make your own recommendations on how to set prices and how to determine who pays which price.

To participate in this discussion:

Click **Reply** to post a comment or reply to another comment. Please consider that this is a professional forum; courtesy and professional language and tone are expected. Before posting, please review [eCornell's policy regarding plagiarism](#) (the presentation of someone else's work as your own without source credit).

[Back to Module 4: Controlling Price](#)

[Back to Table of Contents](#)

Reflect on Price in Your Action Plan

You will now return to your action plan and do some further reflection on how the concepts in this course may apply to your situation.

Instructions:

Open the Action Plan and review your previous work. In the section labelled Notes, make notes of concepts or recommendations contained in module 4 that you think may be useful to consider when you work further on your action plan. For each item you include, indicate why you think it may be relevant to your situation. Save your work. This action plan is a course requirement, but **do not submit it at this time**.

Before you begin:

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Grading Type: Points

Points: 0

[Back to Module 4: Controlling Price](#)

[Back to Table of Contents](#)

Module Wrap-up: Controlling Price

Controlling Price

This module examined how managers can work with price, one of the two strategic levers of hotel revenue management, to increase revenue. You are now able to compare the one-price model to variable pricing. You can define *rate fence* and *optional price mix*, and you are able to develop a pricing policy for revenue management.

[Back to Module 4: Controlling Price](#)

[Back to Table of Contents](#)

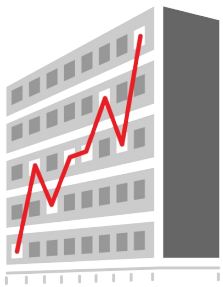
Module 5: Implementing Revenue Management

1. Module Introduction: Implementing Revenue Management
2. Watch: Component Parts of Implementation
3. Ask the Expert: Neal Fegan on Hotel Analytics
4. Ask the Expert: David Warman on Skills for Revenue Managers
5. Read: What You'll Need to Get Started
6. How Do I Get Started?
7. Reflect on Implementation in Your Action Plan
8. Module Wrap-up: Implementing Revenue Management

[Back to Table of Contents](#)

Module Introduction: Implementing Revenue Management

Implementing Revenue Management



This module explores some of the practical aspects of putting revenue management into action. It presents the component parts of the revenue management system and explains the key elements of revenue management.

When you have completed this module, you will be able to describe the parts of the revenue management system and list the important ingredients in revenue management.

[Back to Module 5: Implementing Revenue Management](#)

[Back to Table of Contents](#)

Watch: Component Parts of Implementation

Component Parts of Implementation

A successful revenue management implementation must consider more than just the technical side. Employees, customers, and competitors are factors in the launch of the program and in the ongoing operation. Professor Kimes explains why revenue management is a multifaceted system in this video.



[Back to Module 5: Implementing Revenue Management](#)

[Back to Table of Contents](#)

Ask the Expert: Neal Fegan on Hotel Analytics

Neal Fegan on Hotel Analytics



In this video, Neal Fegan, the Executive Director of Revenue Management for Fairmont Raffles Hotels International (FRHI), talks about what he looks for in a prospective revenue manager. Using Professor Kimes' phrase "geeks who speak," Mr. Fegan expresses the importance of being able to understand the analytics and also communicate with colleagues in other departments.



[Back to Module 5: Implementing Revenue Management](#)

[Back to Table of Contents](#)

Ask the Expert: David Warman on Skills for Revenue Managers

David Warman on Skills for Revenue Managers



In this video, David Warman, Vice President of Revenue Management and Distribution Operations for Four Seasons Hotels and Resorts, talks about the skills needed to be a successful revenue manager. In Mr. Warman's opinion, communication skills are key to revenue management, just as they are to leadership in general.



[Back to Module 5: Implementing Revenue Management](#)

[Back to Table of Contents](#)

Read: What You'll Need to Get Started

[Back to Module 5: Implementing Revenue Management](#)

[Back to Table of Contents](#)

How Do I Get Started?

Instructions:

You are required to participate meaningfully in at least two discussions in this course.

Discussion topic:

What industry are you currently working in? How well does that industry lend itself to revenue management? Does your organization currently practice revenue management? If so, how successfully, and how might it be done more effectively? If not, are your competitors practicing revenue management, and if so, how? What barriers or obstacles are preventing your organization from implementing revenue management and how might they be overcome?

To participate in this discussion:

Click **Reply** to post a comment or reply to another comment. Please consider that this is a professional forum; courtesy and professional language and tone are expected. Before posting, please review [eCornell's policy regarding plagiarism](#) (the presentation of someone else's work as your own without source credit).

[Back to Module 5: Implementing Revenue Management](#)

[Back to Table of Contents](#)

Reflect on Implementation in Your Action Plan

Once again, you will return to your action plan and capture some key points from this module.

Instructions:

Open the Action Plan and review your previous work.
In the section labelled Notes, make notes of concepts or recommendations contained in module 5 that you think may be useful to consider when you work further on your action plan. For each item you include, indicate why you think it may be relevant to your situation. Save your work. This action plan is a course requirement, but **do not submit it at this time**.

Before you begin:

While you won't submit the document now, please review the **rubric** (list of evaluative criteria) that will be used when you submit the document with notes and completed plan at the end of the course. Also, review **eCornell's policy regarding plagiarism** (the presentation of someone else's work as your own without source credit).

Grading Type: Points

Points: 0

[Back to Module 5: Implementing Revenue Management](#)

[Back to Table of Contents](#)

Module Wrap-up: Implementing Revenue Management

Implementing Revenue Management

In this module, you explored some of the practical aspects of putting revenue management into action. You examined the component parts of a revenue management system and how it typically operates. You are now able to describe the parts of the revenue management system and list the important ingredients in revenue management. You can identify other industries in which revenue management techniques could be applied successfully.

[Back to Module 5: Implementing Revenue Management](#)

[Back to Table of Contents](#)

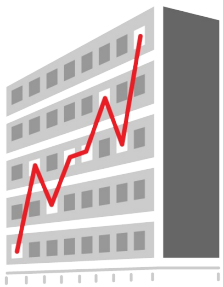
Module 6: Revenue Management Everywhere

1. Module Introduction: Revenue Management Everywhere
2. Watch: Managing Revenue in Other Industries
3. Ask the Expert: Alfonso Delgado on Revenue Management in Other Industries
4. Ask the Expert: Vivek Bhogaraju on the Evolution of Revenue Management
5. Read: Revenue Management Retrospective
6. Module Wrap-up: Revenue Management Everywhere
7. Complete and Submit Your Action Plan
8. Watch: Thank You and Farewell

[Back to Table of Contents](#)

Module Introduction: Revenue Management Everywhere

Revenue Management Everywhere



What you've learned so far about hotel revenue management should raise a number of questions in addition to answering many others. For example, can revenue management be applied to other areas of the hotel (not just rooms) and to industries other than the hotel industry? Just how far reaching is it?

When you have completed this module, you will be able to identify other industries in which revenue management techniques could be applied successfully.

[Back to Module 6: Revenue Management Everywhere](#)

[Back to Table of Contents](#)

Watch: Managing Revenue in Other Industries

Managing Revenue in Other Industries

Revenue management can be applied successfully to industries other than the hotel industry. In this video, Professor Kimes reviews the necessary conditions for revenue management and shows point by point that industries such as spas and golf courses meet these conditions.



[Back to Module 6: Revenue Management Everywhere](#)

[Back to Table of Contents](#)

Ask the Expert: Alfonso Delgado on Revenue Management in Other Industries

Alfonso Delgado on Revenue Management in Other Industries



Alfonso Delgado is Managing Director for Solution Development Partners. He has extensive experience in the fields of revenue management, strategic pricing, business analytics, hospitality operations, business development, and leadership. In these videos, he discusses the application of revenue management to other industries.

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Question

You've applied revenue management to a variety of industries. When you first approach a new industry, what sorts of things go through your head?

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Question

How would you analyze an industry in terms of suitability?

[Back to Table of Contents](#)

Ask the Expert: Vivek Bhogaraju on the Evolution of Revenue Management

Vivek Bhogaraju on the Evolution of Revenue Management



Vivek Bhogaraju is Director of Global Strategic Alliances for IDeaS, an SAS company. Based in Minneapolis, IDeaS provides revenue management solutions for the hospitality and travel industries, with more than 7,000 clients in 94 countries.

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Question

How is revenue management evolving around the world?

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Question

Are there some specific trends in adoption of revenue management in certain markets?

[Back to Table of Contents](#)

Read: Revenue Management Retrospective

Revenue Management Retrospective

"The techniques of revenue management have potential application in many industries—as long as customers view the resulting policies as being fair."

Professor Kimes' paper "Revenue Management Retrospective" reviews the evolution of her research in revenue management and discusses areas for further inquiry. It examines descriptive revenue management research, covering applications to other industries; pricing research, covering development of pricing strategies; and inventory-control research, covering customer arrival and use patterns.

It also includes information about many related articles that have appeared in the *Cornell Hotel and Restaurant Administration Quarterly*, as well as research questions that—at the time of its publication—had yet to be investigated.

[View the article](#)

[Back to Module 6: Revenue Management Everywhere](#)

[Back to Table of Contents](#)

Module Wrap-up: Revenue Management Everywhere

Revenue Management Everywhere

This module looked at whether or not revenue management can be applied to other areas of the hotel (not just rooms) and to industries other than the hotel industry. Having completed this module, you now are able to identify other departments and industries in which revenue management techniques can be applied successfully.

[Back to Module 6: Revenue Management Everywhere](#)

[Back to Table of Contents](#)

Complete and Submit Your Action Plan

Throughout this course, you have been looking at how to use two strategic levers, price and duration, to increase revenue. In your action plan, you have been taking notes relating to how these concepts and strategies may be relevant in your own situation, or in a hotel or business with which you are familiar. If a business has relatively fixed capacity, perishable inventory, and time-variable demand, you can use revenue management to increase revenue.

It's now time to complete your action plan.

Instructions:

Open the Action Plan document.

Referring to the notes you took, complete all sections of the plan.

Save your work.

Submit the Action Plan for instructor review by uploading it below. This assignment is required for course completion.

Before you begin:

Please review the **rubric** (list of evaluative criteria) for this assignment and [eCornell's policy regarding plagiarism](#) (the presentation of someone else's work as your own without source credit).

Grading Type: Points

Points: 20

Submitting: Online Upload

[Back to Module 6: Revenue Management Everywhere](#)

[Back to Table of Contents](#)

Watch: Thank You and Farewell

Thank You and Farewell

Thank you for taking this course.



[Back to Module 6: Revenue Management Everywhere](#)

[Back to Table of Contents](#)

Supplemental Reading List

The [Center for Hospitality Research](#) provides focused whitepapers and reports based on cutting-edge research.

"Discounting in the Hotel Industry: A New Approach." Hanks, Richard D., Robert G. Cross, and R. Paul Noland. *Cornell Hotel and Restaurant Quarterly* (August 2002): 94-103. (This article originally appeared in *Cornell Hotel and Restaurant Administration Quarterly* in February of 1992.)

"Perceived Fairness of Yield Management." Kimes, Sheryl E. *Cornell Hotel and Restaurant Administration Quarterly* (February 2002): 20-30.

"A Retrospective Commentary on Discounting in the Hotel Industry: A New Approach." Kimes, Sheryl E. *Cornell Hotel and Restaurant Administration Quarterly* (August 2002): 92-93.

"Wishful Thinking and Rocket Science: The Essential Matter of Calculating Unconstrained Demand for Revenue Management." Orkin, Eric B. *Cornell Hotel and Restaurant Administration Quarterly* (August 1998): 15-19.

"The '4-C' Strategy for Yield Management." Withiam, Glenn. *Center for Hospitality Research Reports* (2001): 1-20.

[Back to Table of Contents](#)
