15 Staff Empowerment and Revenue Management

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Learning outcomes

After reading this chapter, you should be able to:

- Appreciate how hotel companies are able to recruit the best talents in revenue management, train them in the most effective way while ensuring they stay in the company as long as possible.
- Make connections between the efficiency of revenue management policies in a hotel company and the global organisation of that company.
- Understand the importance of the human factor in revenue management and describe the key steps for managing effectively the human resource processes, both at individual and corporate levels.
- Appreciate the development of revenue management practices in properties that cannot afford or are not willing to hire a full time expert.

■ Introduction

Multiple articles and books have described and analysed revenue management (RM) theories from a technical point of view: looking mostly at RM systems and processes. Indeed, thanks to very efficient RM systems (called *RMS*) and clear implementation guidelines, Revenue Management has allowed many industries to develop and optimise their revenues. Today the question is not so much about the effectiveness of the machines or the processes in place, but really about the people driving these machines, that is to say the revenue managers (or yield

managers). From a few expert positions in the airline industry in the 80's, the job of revenue manager has boomed across the world, becoming critical in many companies. But it appears that a lot of these companies are struggling to find the *right drivers for the right seats.*

■   Revenue management efficiency versus organisation in the hospitality sector

Hotels and resorts belong to the service industry in which clients have to be welcomed, served, accommodated and taken care of on a daily basis. It is the core of the business, and it will remain so. Historical positions, such as hotel manager, chambermaid, waiter or receptionist will last as long as hotels are in business – despite the fact that technology progress and cost restrictions may threaten some of their current responsibilities, especially in the economy segment. However, in recent years, many hotels belonging to a chain (whether a voluntary or integrated chain) have seen jobs and responsibilities transferred to their head office, or even externalized. We can quote the human resources, accountancy, IT, marketing and reservations. These transfers were the result of a cost rationalisation and effectiveness process.

In parallel, a new kind a job has emerged in the hospitality business, usually in relation with the development of the Internet; the position of revenue manager belongs to that family of new-trendy-fashionable-technology friendly-expert positions.

The good news coming from other pioneering sectors, such as the airline industry, is that the development of revenue management (RM) in the hospitality business has been so successful that it has convinced some industry leaders that their company cannot do without it. It has not, however, always been the case. Some senior managers still do not understand what is at stake with RM, or simply may not consider this management method as really critical for their business. Senior management support is crucial for RM to function effectively. Still viewed as new by many and considered as the 'black box', it is absolutely key that senior management believes in the effectiveness of the method. It means that one of the top priorities of the company should be the development and the implementation of a global RM strategy across all the properties. Then, this managerial vision has to materialise into an appropriate organisation linked to the hotel operations, sales, marketing and pricing teams. An effective organisation has to be set up and agreed across the board. Each model has its strengths and drawbacks but it will anyway have a strong impact on the way RM human resources will be recruited, managed and developed.

Three main models co-exist:

■ **Centralisation**: the RM resources are working in the same location, usually a head office (worldwide or regional). This allows an optimal sharing of best practices between experts, the delivery of a common message and more effective management and monitoring of the RM practices.

■ **Clusterisation**: the teams work by groups in various locations – usually covering a market place or a country. This option leaves more room for local initiatives, while keeping groups of revenue managers together.

■ **Decentralisation**: revenue managers work in the hotels under the responsibility of the hotel manager (they can work for up to 3 or 4 hotels). This gives more responsibility and autonomy to local operations, with an on-site expert close to the market and environment challenges.

The last success factor is linked to the actual responsibilities granted to the revenue managers in the organisation, whichever the model.

Power to the revenue managers: Revenue managers are definitely playing a strategic role in the optimisation of the global revenue of the properties they work for. To maximise their impact and make their recommendations heard and implemented, their positioning in the local organisation has to be clarified and well considered. In a head office or a regional office, the revenue manager must be part of the management committee. In a hotel, he should directly report to the hotel general manager (and not to the rooms division or sales & marketing manager). Failing to do so will lead to a probable dilution of the RM impact and certainly affect the revenue optimisation at the end of the day.

A revenue manager has to be considered as an expert, a decision-maker who can play an active role in the booking pick up, in the forecasting and optimization process. These strategic responsibilities have now to be confronted with the reality of the profiles found on the market, and how hotel groups manage to recruit, ramp up and develop the expertise of their revenue managers.

■ Increasing RM efficiency through the human factor

Revenue management can be approached on three angles:

■ The systems and tools at the revenue manager's disposal, from a simple Excel spreadsheet to a complex RMS.

■ The processes and methods agreed with the management: actions and tasks to achieve on a recurrent basis.

■ The human resources piloting and monitoring the whole RM strategy.

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