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The Role of the Revenue Manager

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Learning outcomes

After reading this chapter, you should be able to:

- Understand that the integration by service companies of the techniques of revenue management has led to the development of a new function, usually referred to as the revenue manager.
- Appreciate the different components which will enable fuller understanding of the meaning and contents of the revenue manager function.
- Define the revenue manager's place in the general organisation of the company, its interactions with other functions, and its missions and skills in the various sectors which have adopted and developed revenue management.

■ Place of the revenue management function

In those companies entirely focused on reception and services, the revenue manager function is preminent. It has progressively been established and developed through the influence of players in various economic and managerial contexts. The revenue manager function is a new one, compared to the traditional functions such as marketing, finance, or human resources management. At the beginning, during the 1990s, its positioning was rather nebulous, and the yield missions (the term revenue management was not used then) were often given to services already in place such as marketing or operations. Nowadays, the revenue manager function is clearly identified but remains variously positioned in the companies' organisation charts.

In some companies, the revenue management unit reports directly to senior management. The revenue manager function is central in the organisation chart and viewed as an essential and strategic function. It is attached directly to the

decision-making organs and to senior management, and it is placed on the same level as the other big functions, namely the marketing, sales, financial, and human resources functions.

Its expertise in the company's revenue optimization, the discriminating analyses it contributes to, and the strategic and operational recommendations it elaborates, influence and determine the company's strategic orientations in such sectors as the hotel industry, theme parks, airlines, and advertising agencies.

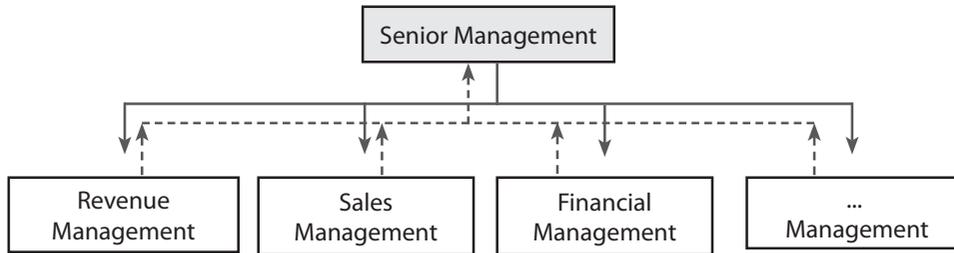


Figure 3.1: Organisation Chart

Downward (top-down) and upward (bottom-up) communication flows will follow the chain of command, and the final decision-making processes are eventually corporate, made by a management or executive committee that meets more or less often depending on the company.

In other companies, the revenue/yield management unit reports to a sub-directorate or assistant management position. The levels of responsibility are shared between the general management function and the various assistant management functions. Even though the revenue manager function does not occupy a pre-eminent position in the company, it does exert *de facto* influence through its distinct expertise.

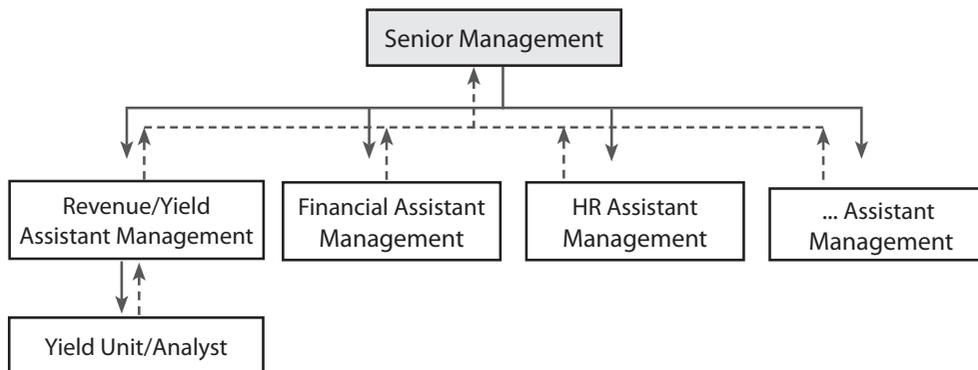


Figure 3.2: Organisation Chart with Revenue Management Function

There is a difference between the revenue manager function and the yield/revenue analyst function. The yield/revenue analyst function retains an operational role:

the objective of the yield/revenue management unit, placed at an operational level, is site optimization. It is responsible for market awareness, forecasting, budget fine-tuning of a site (e.g. hotel), pricing arbitration and sale quotas related to price levels, decisions to open or close fares, and distribution network management.

Hence, whereas yield managers used to be technicians, history and pricing experts, revenue managers increasingly take on the role of strategists who recommend commercial options to optimise the entire company revenue. Their job is to reach the best possible balance between occupancy rates and client-generated revenue.

Let us consider the specific example of the hotel industry. In the large hotel groups, each region comprises a certain number of hotels that do not all necessarily have a revenue manager. In each regional head office, several revenue managers handle each hotel in the place/region and formulate recommendations regarding the fare policy and capacity allocation to the hotel managers who ultimately make the decisions. Head office deals with the group's brand management and quality control, and each hotel manager is fully independent regarding sales, makes decisions without necessarily automatically referring back to head office, and consequently is fully in charge of business profitability. Numerous examples in the field of transport and the purchase of advertising space can help illustrate the place of the revenue manager function and its strategic positioning in a company's general organisation chart.

In the transport industry, we can look at the case of a new player in the railway transport sector, iDTGV. Created in 2004, iDTGV is a subsidiary of the SNCF Group, part of the SNCF Travel branch, one of the five Group branches. The subsidiary was created for two main reasons: competing with the low-cost airlines and anticipating the legal opening of the passenger traffic to competition from January 2010. The reality is that, for a number of years, low-cost airlines such as EasyJet or Ryanair have been gaining market share at the expense of the rail transport sector, particularly for the long trips the SNCF operates in the domestic market. These companies offer increasingly low fares with few services which enables them to reduce their production costs. iDTGV is a young company which has integrated yield management from its beginnings. The yield management unit reports to senior management. The head of the yield management and pricing unit leads a team composed of a pricing manager, an iDTGV transport plan manager collaborating with the SNCF, and analysts. The yield management strategy, fully adapted to the market context, is two-fold:

- Off-peak price relaxation in order to maximise the trains' occupancy rates.
- High season train set revenue maximization, driven by a tight fare strategy.

Another interesting example, this time in the air transport industry, is that of Corsairfly, the second French airline after Air France. Corsairfly's marketing