External Environment	
Macro Environment	**Micro Environment**
• Political • Economic • Sociocultural • Technological • Demographic • Natural	• Competitors • Customers • Publics • Marketing Intermediaries • Suppliers

1.2. Revenue management approach to product management

- **The differences in competition analysis**

Marketing Approach	RM Approach
• Analyse the competition from the big picture first (industry characteristics and structure) • Analyse each brand competitors and its performance • Measure the SW of each competitor based on objectives and subjective data • Comparisons may be based on a wide range of performances	• No big picture • Focuses on the average of the competitive set • Quantitative comparisons between company's performance and the competitive set • Comparisons based on narrowly defined aspects of performance

1.2.1. The RM' Product Management Approach

- **Rooms as inventory**

As RM emphasis distribution (place strategy) and price strategy, rooms are seen as inventory
RM does not address product evaluation or product design issues

- **Inventory control**

RM must determine the number of rooms available in each product, rate or channel category to have 'control' after them.

LOS Control	Arrival and Departure Dates Control
• Minimum LOS • Maximum LOS	• Opened to arrival • Closed to arrival

In order to maximize revenue, controlled durations must be made to ensure a maximised usage of the meeting space and available rooms.

1.2.2. The Marketing' Product Management Approach

- **Product Attributes**

"Characteristics of a good which make it distinct from other products. Attributes include size, colour, functionality, components and features that affect the product's appeal or acceptance in the market"

When evaluating product attributes for improvements, there should be a red line between the concept of STP and product attributes

- **Product line**

"A group of related products manufactures by a single company"

A hotel can have linen, food, catering, events named as a product line

~Distinction between product mix and product line example ~

Product mix: Phones, fridge, tablets, pc's etc.
Product line: Touch screen phones, QWERTY phones, bar phones etc.

4. Forecasting

Reasons for forecasting as a challenge
- lack of forecasting abilities
- unawareness of the importance and purpose for the different forecasts that are created and managed
- includes intuition / 'gut' feeling

4.1. Models and Theories

* Different approaches for different objectives

Forecast type	Objective	Frequency
Demand	To determine the anticipated demand without constraints	Long-term based on booking window
Strategic	To support strategic objectives such as understanding the impact the impact of the unconstrained demand and its effect on occupied rooms	Medium term/ monthly
Revenue	To have a realistic picture of probably occupied rooms and rates to use to compare to budgets and identify variances	Short term / weekly
Operational	To use for operational necessities such as scheduling	Short term / weekly

4.1.1. Demand forecasting

- **Purpose**

To determine the unconstrained demand for the hotel to ensure proper strategies are implemented to support the projected demand and it is not to be discussed with the ownership or senior management

$$Transient\ 'onthe\ books'bookings + anticipated\ unconstrained\ transient\ bookings + group\ 'onthe\ books'bookings + anticipated\ group\ bookings = Demand\ Forecast$$

- **Important notes**
  - It requires the tracking of historical and future patterns, i.e.

Room nights	Group rooms	Rate changes	Walk-ins
Lead time/booking pace per segment	Departures	RevPAR	Early departures
'on the books' bookings	Extended stays	Cancellations	LOS pattern
Transient and group mix	Denials/regrets	Transient rooms	No shows
Group blind cut and group wash	Demand generator	Arrivals	Revenue

  - Key points before a demand forecast can be created

✓ Identify current technology
✓ Identify available reports that provide the necessary information
✓ Identify the gaps in the tracking ability
✓ Implement manual business process to track missing information

The Process

1. Identify forecasting tool

2. Customise tool to reflec all constants (e.g. market segments, no. of rooms)

3. Determine how far out to do the forecast (as far out as the booking are received)

4. Collect all required information by market segment

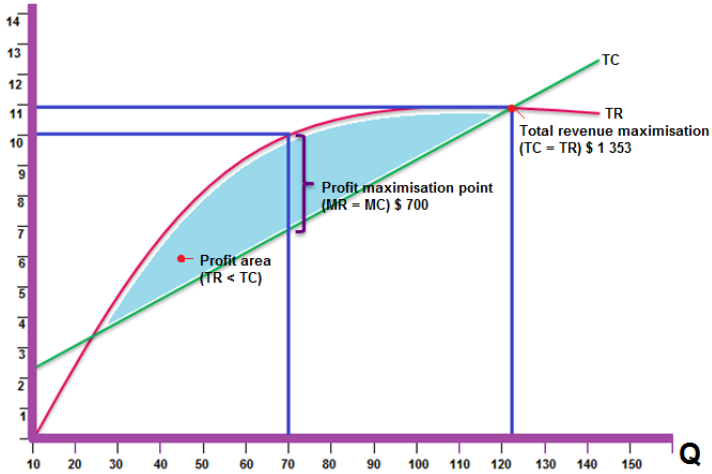
5. Begin data entry process
- Enter special parameters for out of order rooms, demand generators etc
- Enter all on the book information
- Enter all projected demand (Rooms, revenue, and ADR)
- refer to historical information, demand generators, current booking pace, patterns, and internal analysis

- **Key terms**

Denial	**II** *"When a facility is not able to accommodate a guest due to unabilable rooms (product / service) at that price"*
Regret	**II** *"When a facility has the product / service available, but the customer chooses not to buy based on price or some other factor"*
Stay	**II** *"Number of nights the guest occupies the rooms "*
Stay Pattern	**II** *"A pattern in the arrival day, number of nights stayed, and departure for a guest"*
Constrained Demand	**II** *"Demand that is held back or confined by rules, restrictions and availability"*
Unconstrained Demand	**II** *"Naturally occurring demand in the absence of restrains and restrictions"*
Lost Business	**II** *"Business that had considered an organisation's product/services, but in the end decided to purchase from another organisation"*

- **Reasons to track loss business:**
  - ✓ Highlight physical deficiencies
  - ✓ Help management to justify needed capital expenditure
  - ✓ Problems with customer service
  - ✓ Open the view of other competitors
  - ✓ Evaluate the appropriateness of the organisation's pricing policy and strategy

10.1. How to Maximise Profit

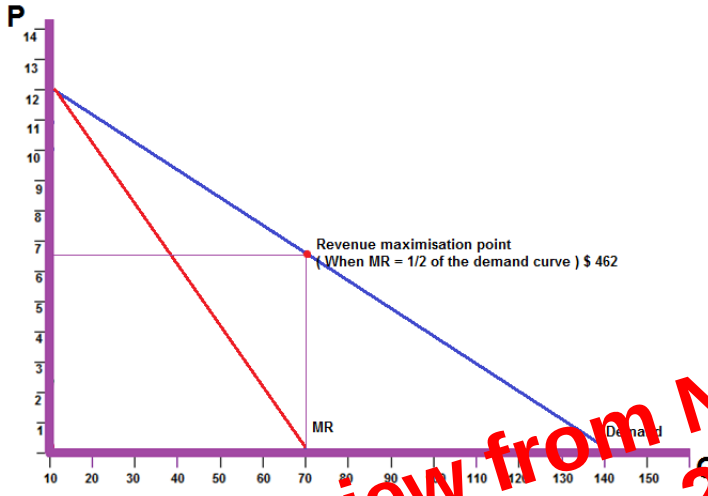


Scenario	Action
MR > MC	Sell more units
MR < MC	Sell less units
MR = MC	Reach maximum profit point

Maximise profit when MR = MC

When the slopes are equal, the fattest part of the 'lens' is the profit maximisation point

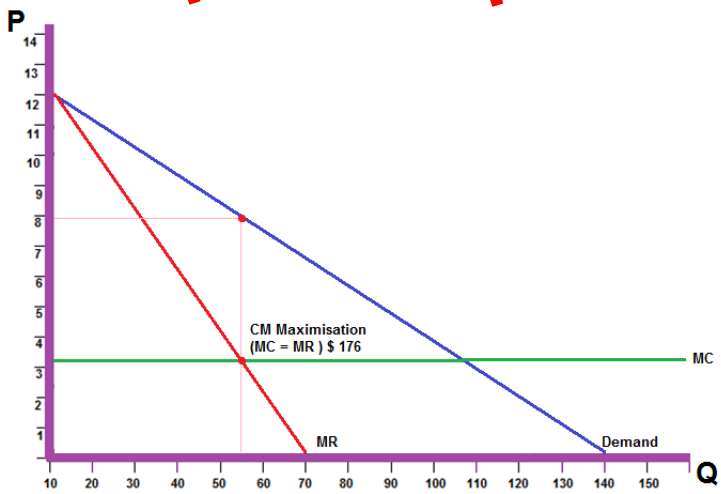
10.2. How to Maximise Revenue



If the demand curve is halfway, revenue is maximised

$P = -0.5\,x + the\ amount\ MR\ is\ at\ \$0$

10.3. How to Maximise the Contribution Margin



The CM is maximised when MC = MR

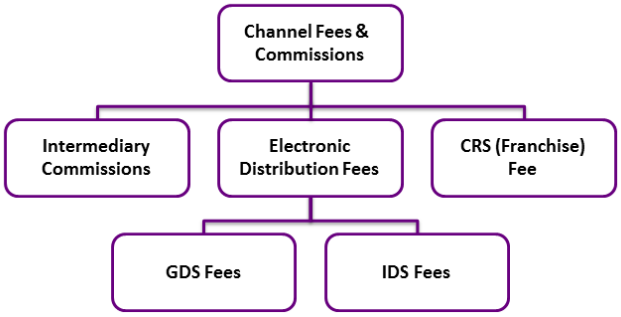
10.3.1. How to Calculate Maximum Contribution Margin

- Solve the equation

$$MR = -Q + Amount\ when\ MR\ is\ at\ \$0$$

- Standard steps
  - Calculate the price of the highest revenue
  - Add 50% of the VC/unit to the answer of 2.1.

1.4 Types of fees/commission



There are a number ofays to calculate channel efficiency depending on the model used in agreement between the hotel and the intermediary

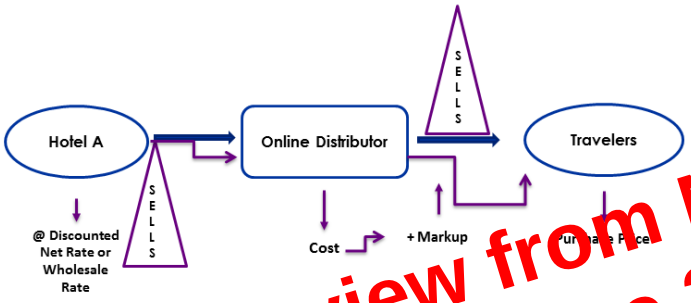
- **Key terms**

Commission	*"A percentage of selling price paid to an intermediary for selling the hotel rooms"*
Fee	*"A fixed amount per stay paid to the intermediary for selling the hotel rooms"*
Net rate/ wholesaler rate	*"The amount per room rate the intermediaries charge its clients or the rate the hotel agrees to sell to the intermediaries "*

1.5 Channel of distribution and markup and markup chain

In conventional terms, mark up is the amount of the seller adds to the unit of cost of a product to derive at the seller price.

- **Merchant model**



- **Opaque model/ reverse auction**

Takes the payment of the customer and compares the difference between the net rate of the hotel and the rate offered by the customer. It allows hotels to pick up incremental revenue without damaging their rate integrity.

- Electronic distribution channels information exchange

- **Social media**

It is an avenue to reach customers, allowing an organisation to

- ✓ Understand shifts in the customers' behaviour
- ✓ Monitor online comments across all social platforms

2. Overbooking models

2.1 Overbooking concept

2.1.1 Goal

To maximise revenue by achieving as close to 100% occupancy on any given day

2.1.2 Difficulties in reaching 100% occupancy (Reasons to overbook)

✓ No shows	✓ Early departures	✓ Hold overs
✓ Cancellations	✓ Unexpected stay overs	✓ Protected room types

2.1.3 Application of overbooking

- ✓ When capacity is constrained and perishable
- ✓ When cancellations and no shows are applicable
- ✓ When the cost of denying service to a customer is relatively low