

School of Hospitality

Course Code :BSCH3003

Course Name: Front Office Management

Revenue Management



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History of Revenue Management

The concept of revenue management originated in the airline industry, but has since proven successful in these industries:

- Lodging
- Car rental
- Cruise line
- Railroad
- Touring

The Key to Successful Revenue Management

The key to successful revenue management is:

- To sell the right product (guestrooms, banquets, ancillary services)
- To the right customer (business, leisure, convention, or government guest)
- On the right day (weekday, weekend),
- For the right price (rack rate, corporate rate, group rate, government rate, or discount rate).

Potential Scope of Revenue Management Techniques

Hotels can use revenue management techniques to evaluate the total revenue potential of a guest or group, including revenue from:

- The sale of food and beverages
- Telephone service
- Internet access
- Spa services
- Fitness center services
- Business center services
- Other hotel goods and services

Revenue Management Is Based on Supply and Demand

Prices tend to rise when demand exceeds supply, which is why revenue management seeks to increase revenue by focusing on high-profit bookings instead of high-volume bookings to high-profit bookings. As a result:

- By increasing bookings on low-demand days and by selling rooms at higher room rates on high-demand days, the industry can improve its profitability.
- In general, room rates should be higher (in order to maximize rate) when demand exceeds supply and lower (in order to increase occupancy) when supply exceeds demand.

The Critical Importance of Forecasting

All hotel companies share a common problem: they have a fixed inventory of perishable products and there is no way to recover the time and revenue lost. Revenue management strategies seek to address this issue by maximizing the efficiency of the sales that are made, but this cannot be done without the ability to forecast effectively. Thus, managers need:

- Reliable information upon which to base their forecasts.
- A thorough understanding of the property they manage and the competitive market in which the property operates.
- To consider future events—or variables—that might affect business.

Other Applications of Demand-Forecasting Strategies

- Room reservation systems
- Management information systems
- Room and package pricing
- Rooms and revenue management
- Seasonal rate determination
- Pre-theater dinner specials
- Special, group, tour operator, and travel agent rates

Benefits of Revenue Management

- Improved forecasting
- Improved seasonal pricing and inventory decisions
- Identification of new market segments
- Identification of market segment demands
- Enhanced coordination between the front office and sales divisions
- Determination of discounting activity
- Improved development of short-term and long-term business plans
- Establishment of a value-based rate structure
- Increased business and profits
- Savings in labor costs and other operating expenses

Common Guest Segments

- Group guests
- Business travelers
- Leisure guests
- Government travelers
- Contract guests

Revenue Management Methods

- Capacity management
 - Balances risks of overbooking against potential loss of revenue from reservation cancellations, early departures, and no-shows
- Discount allocation
 - Restricts time period and product mix (rooms) available at reduced or discounted rates

References

- **Hotel Front Office – R. Jatashankar Tewari – Oxford Publication—
Core Textbook, Students & Faculty to follow this book.**
- Hotel Front Office – A Training Manual By Sudhir Andrews – Tata McGraw Hill
- Managing front office Operations by Michale L Kasavana (AHLEI - Books)
- Front Office Operations and Management by Ismail Ahmed (Cengage Earning)
- Text book of front office operations and Management by Sudhir Andrews (Tata McGraw Hill)



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Name of the Faculty: Jyoti

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