

PhocusWire

Powered by Phocuswright

THE HOSPITALITY EXECUTIVE'S GUIDE TO RMS TECHNOLOGY

Manage Rates

Optimize

Publish

Add Filters

No filters applied

Segments Room Types Summary

July 2022

BAR >

Stay Date	Current	<input checked="" type="checkbox"/> Recommended	Override	Res
Tue, 4/26	€100.00	<input checked="" type="checkbox"/> €355.00	▲	€35
Wed, 4/27	€88.00	<input checked="" type="checkbox"/> €355.00	▲	€35
Thu, 4/28	€355.00	==	€355.00	€355
Fri, 4/29	€355.00	🔒	✈️	€355
Sat, 4/30	€355.00	==	€355.00	€355
Sun, 5/1	€355.00	==	€355.00	€355
Mon, 5/2	€355.00	==	€355.00	€355

Lock...
Recommend...
If you...
removed.

GameChanger Scoreboard Block

duetto Rates Strategy

Rate Management

+ Filter

1 Day Pickup > 15

Yielding Room Types Restriction

Stay Date	BAR	Special P
6/3 Wed	7-8-1	1-6-
6/6 Sat	4-5-3	1-6-
6/8 Mon	7-8-1	2-7-5

In partnership with

duetto

Written by
Cristina Polo

Table of Contents

The Hospitality Executive's Guide To RMS Technology	3
How deploying a revenue management system helps to support the hotel group's connected commercial strategy	4
Originally, revenue management was about long-horizon demand forecasting to defined rates	4
An integrated tech stack with a revenue management system at the core of the enterprise-level strategy helps to support the commercial strategy and guest-centric approach	5
How an RMS enhances commercial agility	5
Evolve your hotel tech stack: from property-level revenue optimization to enterprise-level revenue strategy	7
Moving from legacy RMS to SaaS cloud-based open pricing	7
Look for innovative algorithms based on commercial data points	7
Taking the leap (transformation process and opportunities)	8
Attracting talent: skills and profile required	8
Case Studies: Melia Hotels International and NH Hotel Group	9
Conclusion	11



The Hospitality Executive's Guide To RMS Technology

The relevancy of past performance data is now limited, and hoteliers need help to read the market recovery signs and define their revenue and connected commercial strategy.

Historically, revenue management systems (RMS) were viewed as exclusive software that only large properties or hotel groups could afford. A few hotel groups developed their own proprietary solutions, while others endorsed external, legacy vendors for their higher revenue-generating hotel tiers.

In recent years, particularly with the development of cloud-based technology, more hotels have decided to invest in revenue optimization tools, however, it is still often a property-led initiative. Currently, less than 5% of all global hotel stock uses revenue technology.

Now, possibly as a result of the pandemic and a need to forecast, predict and price more accurately, more hotel groups have embraced an enterprise-level strategy, partnering with an RMS provider and deploying the solution at a large scale, i.e. at a portfolio and/or brand level.

As expected, rolling out an RMS at the enterprise level supports hotel companies with the development of a group-wide revenue strategy to optimize today's [unconstrained] demand for a future date. Nevertheless, the objective is not just about room revenue management: the goal is to elevate commercial performance across multiple customer touchpoints. It's about total revenue management.

How deploying a revenue management system helps to support the hotel group's connected commercial strategy



Originally, revenue management was about long-horizon demand forecasting to define rates ¹.

The emphasis was on the quality and horizon of the forecasting. RMS' were relying on historical data, past and current market dynamics, length of stay data, competition pricing shopped and inventory available to come up with the best possible BAR (best available rate).

Forecasting was the backbone of hotel revenue management, which would then impact rates.

With the pandemic, accurate forecasting based on historical data has been nearly impossible – 2020 and 2021 could not be planned using 2019 data, for example. Today, hoteliers still need help analyzing other sources to develop a strategy that is forward-looking and optimizes the market demand.

1 <https://www.duettocloud.com/library/how-can-and-should-hotels-put-strategy-before-forecast>

The relevancy of past performance data is now limited, and hoteliers need help to read the market recovery signs and define their revenue and connected commercial strategy (A connected commercial strategy aligns revenue, sales and marketing, operations and all other revenue-generating functions).

Unfortunately, many hotel groups lack an RMS to help with their enterprise-level strategy. It means that selected properties have a single strategy, using a bottom-up approach. On the other hand, early adopters of enterprise-level RMS deployment have group-wide technology (top-down) and have therefore a more strategic approach helping them to identify trends across regions.

This is precisely what NH Hotel Group did in 2016 and 2017 when the company decided to move its entire revenue management to the Duetto RMS.

Discover more about how NH Hotel Group transformed its revenue management on P9.

The other advantage in the case of a multi-brand portfolio is that with an enterprise-level strategy, the RMS supports rate integrity, which prevents the cannibalization of sister properties. When the configuration is done accordingly, every hotel can have its own strategy based on its brand or market segment; however, loyalty programs or discount rate plans are often driven at the brand level.

An integrated tech stack with a revenue management system at the core of the enterprise-level strategy helps to support the commercial strategy and guest-centric approach

First, RMS' evolved into revenue management "platforms," meaning that from a static system they evolved into a platform operating multiple applications with the potential to further integrate with third-party applications. Based on CRS data, group forecast, web booking engine data, and transient unconstrained demand forecast, they optimize profits across all segments by recommending rates and oversell limits. **The RMS contributes to consolidating and simplifying the huge amount of actionable/dynamic data to support the commercial strategy.**

An RMS does not just optimize RevPAR - these systems are also about TRevPAR and ultimately profit. Resorts and casinos have for a long time used an RMS.

Many hotel groups decided to continue their digital transformation during the pandemic or even initiate it. First, the lockdown allowed hotel groups to focus on the future in the absence of current business. Second, many realized that the success of the recovery phase would depend on their capacity to identify and rapidly act on recovery signs and trends. Duetto also witnessed an increased interest from non-traditional hospitality segments, such as campgrounds, or glamping properties, and continued strong performance in the apart-hotel/serviced apartments sectors.

An integrated tech stack with an RMS to support the commercial strategy and a guest-centric approach is at the core of the enterprise-level strategy. The starting point of an integrated tech stack isn't PMS anymore. In fact, at an enterprise level, it is the CRS since RMS is distributing recommendations through the CRS.

"There are so many data points and information to process that it is impossible to consider it all. When a Revenue Manager applies eight changes, the Revenue Management System has given over 100 pricing recommendations."

Fernando Vives

Chief Commercial Officer, NH Hotel Group

The RMS interprets data from other sources (CRS, PMS, business intelligence (BI), pre-arrival upselling platforms, etc.) to get revenue optimizing recommendations that will ultimately enhance the guest experience. Having the guest at the core of the tech stack is an interesting approach and it happens that RMS (and BI tools) gather most of the guest-related data, define the strategy, optimize profit, and distribute pricing recommendations across channels.

How an RMS enhances commercial agility

Once the hotel group has an integrated tech stack with an RMS at its core, it benefits from greater commercial agility.

Segmentation is more and more granular since technology² allows hotels to capture detailed guest profiles. Also, there are more marketing touchpoints, and therefore more revenue opportunities.

Also, post-pandemic, customers are booking more last minute, looking for flexibility. They are not willing to commit, and as a result, bookings come in bulk at the hotel, and booking pace statistics are not comparable. Regarding business travel, the shape of recovery is difficult to define. As a result, revenue managers need to be agile and creative.

As mentioned earlier, hotels must focus on the overall hotel revenue and commercial strategy more than the day-to-day optimization. Revenue managers need to zoom out and take a more meta approach to the situation. It is about being less focused on the day-to-day and being more focused on trends and teaming up with the other departments (sales and marketing, banquet sales, etc.) to reach/exceed revenue goals.

² <https://www.duettocloud.com/library/navigating-a-new-revenue-landscape>

In a pandemic context, an RMS helps to understand what business is there or not and to identify, evaluate and act upon trends ahead of the competition and in alignment with their brand strategy. This is how in the pandemic recovery phase, hotels using an RMS managed to drive their performance with an ADR development higher than the occupancy development.

Hotels on the Duetto platform operating in 2021 with a comparable comp set reported an 8% premium in ADR and RevPAR compared to their aggregated comp set. Also, as per STR Global data, hotels that have been operating with the Duetto platform since 2019 outperformed their competitors in 2021 by achieving an average of +12% RGI increase driven by a 10% ARI development.

When deployed at an enterprise level, an RMS enhances the entire hotel group's commercial agility.

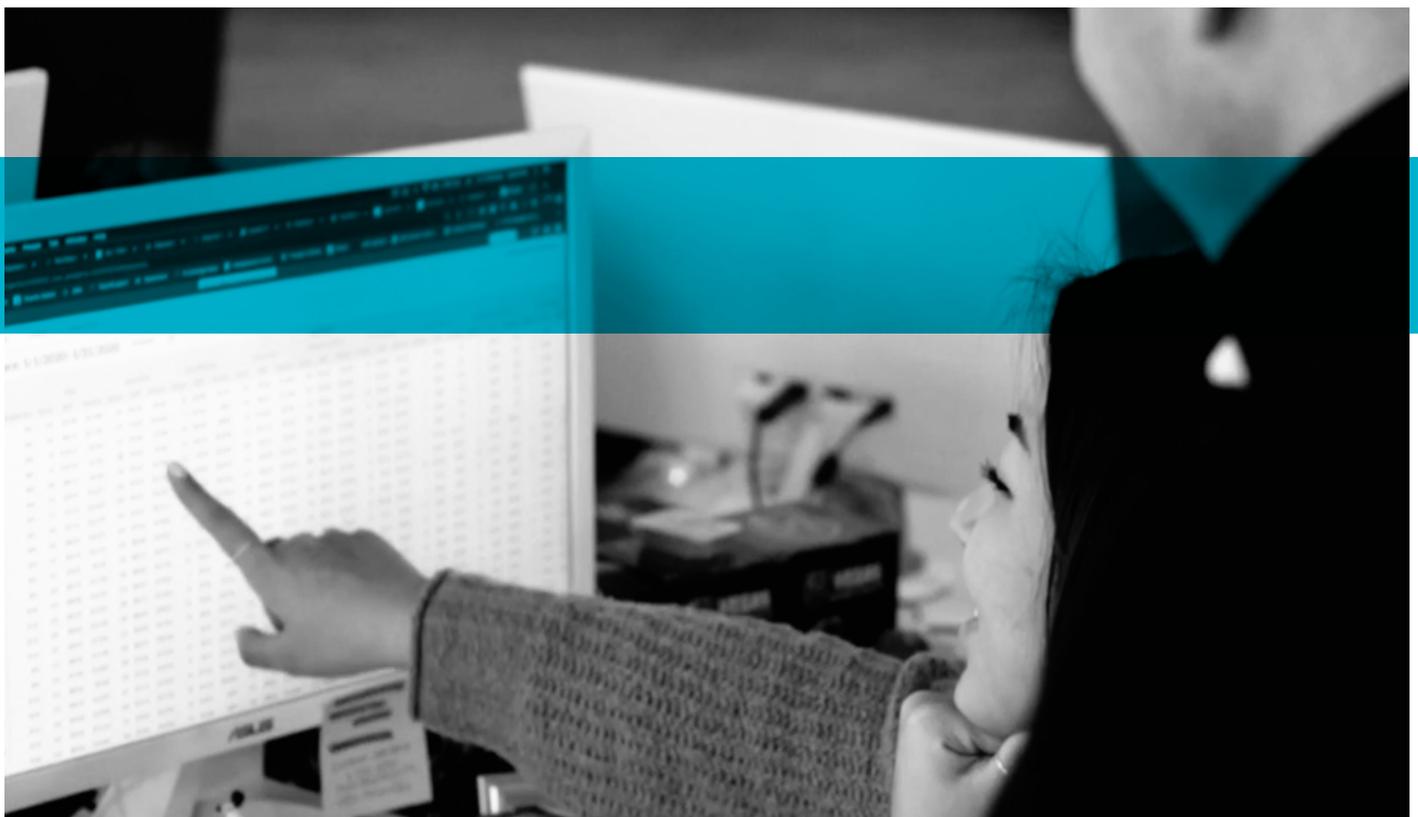
First, the system allows corporate executives to have a forecast at a macro level taking into consideration a great amount of actionable data and defining brand and portfolio strategies. Then, hotel groups can take strategic decisions and roll them out at the hotel level in a uniform manner, fast and very easily. This has been the case of staycation offers or other pricing offers, for instance.

"We have quite a few centralized tools including Duetto, which we have used since 2018. We have created a model that is a mix between corporate teams and revenue managers in destination, which gives the possibility of having a strategy with corporate guidance."

Daniel Santiago González

RMS Operations Coordinator
Meliá Hotels International

Discover more about how Melia International uses technology for its revenue management on P10.





Evolve your hotel tech stack: from property-level revenue optimization to enterprise-level revenue strategy

To enable this agility, revenue management solutions have come a long way since the initial static tools were released on the market.

Moving from legacy RMS to SaaS cloud-based open pricing

Non-cloud-based legacy systems were focused on BAR-based pricing and discounting. Inventory and pricing recommendations were implemented manually in the various distribution systems or with limited automation. Also, the room revenue optimization was based on limited data points and a heavy reliance on historical data.

Nowadays, some of these systems have moved to the cloud after being challenged by native cloud-based RMS such as Duetto.

Cloud-based systems allow a two-way integration, they are safer, easier to deploy and scalable. Cloud-based integrations facilitate open standard connectivity between applications. Also, the cloud brings flexibility as the software is always on

the latest release (without required downtime for upgrades) and the support is easier to provide whenever needed.

Duetto enables revenue teams to yield each segment, channel, and room type independently in real-time, using its open pricing methodology. Also, automation allows the implementation and distribution of the recommendations across various channels.

Look for innovative algorithms based on commercial data points

As explained by Liberty Wright, vice president, enterprise projects at Duetto, the RMS's short-term forecast model, launched in 2020 as a direct reaction to the pandemic, can build a demand forecast with just 8-10 weeks of historical data.

Also, while the forecast is still important to build a baseline, pricing recommendations are not as heavily dependent on historical data. One of the benefits of operating with the short-term model is less dependency on the forecast in

an uncertain context. The other benefit of separating the two algorithms (short term and long term) is that forecast doesn't drive pricing, but pricing decisions can also positively influence the forecast.

Accuracy of the forecast and competition benchmarking data are beneficial for revenue executives to measure their performance.

Duetto ingests more data than any other RMS, including guest satisfaction scores and web search activity, showing that it isn't just about revenue management but a consolidated commercial strategy with the ultimate goal to enhance the guest experience.

Taking the leap (transformation process and opportunities)

An enterprise-level RMS deployment requires a plan. Depending on the existing tech stack and existing integrated systems, the detailed opportunities and threats must be assessed to prepare for the move.

The RMS partner must understand the global chain's business needs and suggest solutions that would not just support a single property/market requirements but the global strategy. As Liberty Wright explains, the important element is to take the hotel group where they are with the revenue culture and partner with them on the digital transformation and the revenue culture enhancement. The crucial qualifying question is where are you and where do you want to go? Her team puts a lot of emphasis on understanding the strategic objectives and workflow in the discovery (even more importantly in the post-pandemic context when resources are limited) and to ensure an efficient roll-out, consulting or extra support might be required.

Deploying an RMS at the enterprise level requires planning and the execution depends on the number of different PMS and properties involved, the organization chart (centralized team set-up vs. independent teams), and other factors such as the availability of the other involved technology partners' manpower (PMS staffing for example). Nevertheless, once the piloting phase is completed, the rollout can easily reach 40 properties a week.

To ease the onboarding phase and support adoption, flexible learning and development options must be offered to the entire commercial team at the property, cluster or regional level and also at the operational and management team

since an enterprise-level RMS opens the opportunity of centralizing revenue functions.

More and more companies are following the cluster and/or centralizing revenue trend further since the pandemic. In some cases, it was a forced decision at the beginning and slowly it appears to be an efficient decision.

As NH Hotel Group has experienced, with the right approach, an embedded revenue culture, and some support at the property level, it is a successful strategy to enhance total revenue.

Attracting talent: skills and profile required

RMS success stories at the enterprise level from the system point of view can be measured by the application usage and the rate acceptance percentage. According to Duetto, rate acceptance percentage is, on average, 90% since there will always be circumstances in which the revenue manager may need to override the tool.

The RMS open pricing is configured following the chain requirements. It gives a chain-endorsed framework and the required flexibility to develop the best possible revenue strategy in each marketplace.

It therefore means that the RMS does not replace a good revenue manager. Great talents must be recruited to drive these powerful tools. They should be eager to show their creativity and not just apply rigid standards defined at higher hierarchy levels. Revenue managers should have the opportunity to be creative and collaborative (with sales, marketing and operations) within a framework, to drive a connected commercial strategy.

So, what are the skills and profile required? Forward-thinking talents - great revenue managers are more than data analysts; they must be commercially driven and have communication skills and leadership. This is a great complement to the experience brought by industry veterans who often have moved from operations to more strategic roles such as revenue managers.

Attracting an individual with these skill sets may initially sound challenging, however, having the right/latest tech stack helps companies to recruit Gen Z revenue managers who are eager to work on the latest technology. As a result, it also has a positive impact on staff turnover.

Case studies

NH Hotel Group and Meliá Hotels International

Some hotel groups can be qualified as disruptive enterprise-level revenue companies. This is the case of NH Hotel Group and Meliá Hotels International, for instance. Early adopters of Duetto RMS, their tech partner, these companies have a disruptive revenue mindset. They embraced dynamic pricing/open pricing from BAR (rate plans, room types) very early.

They have an innovative customer-centric approach and are quick to analyze customer data across various touchpoints. NH Hotel Group optimizes not only B2C rates/segments but B2B as well (floating from BAR).

Discussion with Fernando Vives, Chief Commercial Officer at NH Hotel Group, early adopters of the Duetto platform.

How many NH Hotel Group properties are operating on the revenue management system?

The entire NH Hotel Group portfolio operates on the revenue management system. We made this strategic decision as part of the digital transformation plan initiated in 2014 and completed in 2017. Being asset-heavy (75% of the properties are owned or leased) made it easier. Duetto is at the core of our tech stack, we refer to it as the "NH Game-Changer." No one would think to operate a hotel without a PMS, well same applies to the revenue management system. We wouldn't run a hotel without it.

Tell us more about this digital transformation plan...

We are focused on revenue optimization and innovation is part of NH Hotels' DNA. In 2014, we decided to change the entire tech stack (PMS, CRS, ERP, etc.). We made the initial RFPs for the RMS the same year and chose Duetto, which we rolled out in 2016. It was a long process since we changed absolutely everything: pricing guidelines, rate codes, segmentation, and much more. To ensure the success of the shift and the digital adoption, we also trained the NH Hotel Group team. Not just revenue managers but reservations, sales, front office teams, and general managers. We ran pricing seminars for over 3,000 staff members and created the NH Revenue Management Academy.

What is the Revenue department organization chart then?

We have a team at the HQ level in charge of the strategy, the tools, the framework, etc. Then we have regional teams. At the property level, we have two hotel tiers: the low revenue management-need hotels (no F&B outlets, no MICE facilities, a simple room inventory), and the high revenue management-need hotels that are more complex, have a higher ADR and a higher total revenue per guest opportunity. The first tier is in the hands of delocalized cluster revenue managers who have an average of three to four properties to manage. There are trained staff members at a property level with access to the revenue management system for last-minute changes if needed. For the higher tier, we have dedicated revenue managers. Today, revenue managers are essential in the NH Hotel Group organization. Every piece of business is analyzed and evaluated. There are no fights with sales, the process is natural.

What is the outcome of the process?

We have a strong revenue culture. We optimize total revenue per guest, not just room revenue. We also look at F&B, MICE, etc. The tech stack (and the revenue management system in particular) is at the core of our operation. A true support. There are so many data points and information to process that it is impossible to consider it all. Technology with AI and

machine learning, based on data points is a real support to the revenue team. When a revenue manager applies eight changes, the revenue management system has given over 100 pricing recommendations. At NH Hotel Group, we do bionic revenue management: a symbiosis between the human (the expert) and the machine (the support with some level of automation). As part of the set-up, we created some pricing rules which sometimes overrule the system, so we adjust recommendations sometimes with rates distributed directly through the CRS to all channels, and the revenue management system is great support. During the pandemic, we accelerated the automation plan and went further in the process. In fact, since 2016/17, we have optimized the entire rate structure since we have dynamic pricing optimized with open pricing for all segments, which includes corporate, groups, and employee rates. The task of the revenue managers is therefore to optimize rate codes based on the lead time, for instance.

Discussion with Daniel Santiago González, RMS operations coordinator, Meliá Hotels International

How has rolling out an enterprise-level revenue management system helped Meliá Hotels International with its commercial strategy?

Our portfolio includes urban hotels but also holiday hotels. We have managed to dynamize our tour operators' segment by implementing dynamic prices for tour operators, especially in holiday hotels, with a revenue management team managing the demand in an agile way.

We have quite a few centralized tools including Duetto, which we have used since 2018. We have created a model that is a mix between corporate teams and revenue managers in destination, which gives the possibility of having a strategy with corporate guidance as well as a local revenue management team based on property.

This gives us a general and specific vision of the destination, and we can adapt the corporate strategy (local power with the corporate strategic guidance).

What is the profile of the revenue talents NH Hotel Group recruits?

A good revenue manager is of course tech-savvy and has forecasting and pricing skills. But this is not enough. They must be analytical, and commercially driven (we need to optimize the lifetime value of the customer) but also have great communication skills to work with marketing, sales, operations, etc. We need assertive, organized, curious, and passionate people. We have revenue managers from varied backgrounds: engineers, economists, and hoteliers of course. That being said, we have a very limited turnover in revenue management: we noticed that our tech stack and revenue culture help us to attract and retain talents.

Can you share some best practices for chains willing to deploy a revenue management system at the enterprise revenue level?

As for any project, define a task force team, plan all the steps and then roll it out.

Part of the planning stage involves harmonizing as much as possible the various codes and configuration standards across the portfolio to ease rollout and usage.

At a corporate level, define corporate rules for the RMS. The hotel group pricing strategy doesn't need to change.

What is the revenue department organization chart then?

We have a mix of corporate teams, including a dedicated department for RMS deployment and hotel-based clusters.

This approach allows us to keep a destination-level overview.



Conclusion

Revenue management systems connect enterprise-level revenue and commercial strategy, elevating the commercial performance across all segments, including contracted segments on dynamic pricing

Besides forecasting, an RMS allows commercial teams to simplify and consolidate into an actionable strategy numerous sources of data. The systems process amounts of data beyond human capabilities. Doing so brings agility with a direct impact on top-line and RGI metrics. More generally, it supports the commercial strategy and enhances the guest experience.

A well-thought-through plan, built and rolled out with the assistance of a cloud-based technology partner, the appropriate staffing structure and the right talents, can deliver measurable outcomes in just a few months or sometimes even sooner.

PhocusWire
Powered by Phocuswright

duetto

About PhocusWire

PhocusWire is a comprehensive daily news companion for the industry, powered by Phocuswright, the most respected travel research authority and events brand in the world.

With an existing arsenal of deep, research-driven assets at its disposal, only PhocusWire provides daily exposure to sought-after research, valuable industry data and expert analysis.

Technology and distribution form the backbone of travel, tourism and hospitality, the planet's largest industry.

At PhocusWire we cover, analyze and debate the most important industry developments.

www.PhocusWire.com

About Duetto

Duetto delivers a suite of cloud applications to simplify hospitality revenue decisions and allow properties to work smarter, increasing organizational efficiency, revenue, and profitability. The unique combination of hospitality experience and technology leadership drives Duetto to look for innovative solutions to industry challenges. The software as a service platform allows properties and casino resorts to leverage real-time dynamic data sources and actionable insights into pricing and demand across the enterprise. More than 4,000 hotel and casino resort properties in more than 60 countries have partnered to use Duetto's applications, which include GameChanger for pricing, ScoreBoard for intelligent reporting, and BlockBuster for contracted-business optimization. Duetto is backed by investors Warburg Pincus, Icon Ventures, Accel Partners, Battery Ventures, and Spectrum 28. In January 2022, Duetto was named the world's #1 revenue management system in the HotelTechAwards. The Awards rank and evaluate more than 200 of the top hotel technology products worldwide to deliver the ultimate list of best-in-class software products, based on customer feedback, integration compatibility, organizational health, partner network strength, and customer support quality.

www.duettocloud.com