

## What Must We Trust? Avoiding the Collisions Among Strategy, Insight and Data

By [Jennifer Driscoll](#), Vice President of Revenue Management, McNeill Hotel Company | October 08, 2023



When we care for guests at our hotel properties, "numbers" are not the first thing on our minds.

Priorities include optimizing the check-in procedures; making sure each available room is "spic and span" and that everything is working as it should; and ensuring that each guest has everything they need at all times during their stay.

And, yes, there is a great deal of technology driving these operations, everything from reservation systems and programmable lighting and HVAC systems on site to the newer self-check in systems and chat-with-guest interfaces.

Regardless, our prime motivation is still about people serving people; making any guest stay much greater than the sum of its parts. Today, it is all about providing a rewarding and enjoyable

experience for each guest. More than ever, and within the reasonable constraints of a given property type, that means allowing the guest to define what that experience should be like. Which, of course, takes even better people skills on our part. Who doesn't love a challenge!

That being said, as we are all too aware in the modern hospitality era, a plethora of data is being gathered along the way in what is being referred to as the "Era of Big Data." The list of collected data is a long one. It includes core numbers like occupancy, asking rates, achieved rates, length of stay and timing of stays, a variety of potential non-room revenues and guest satisfaction scores. From this data, we can derive for starters secondary information like average daily rates (ADR), average occupancies, revenue per available room (RevPAR), total revenue per available room, and GOP and NOI from a myriad of competitive sets, including by room types, segmentation, booking window and by length of stay.

Then, we also have access to an ever-broader range of what might be termed business intelligence. This includes such areas as employment data, general national and global economic data, travel data, regional and local employment trends or business additions and subtractions, conventions and other attractions that can generate or negatively impact room nights. Today, even weather reports and natural disaster responses come into play as important data.

In addition, we also collect a variety of operational data related to areas that include labor costs; guest satisfaction scores; and housekeeping, maintenance or utility costs that further impact the bottom line. We leave the privacy issues regarding data collection to other articles.

### Big Data Realities

Regardless, the question always remains: what do we make of this data to properly position the pricing and availability of rooms, often right down to the minute. In this article, we will try to help us find our way through some of these developments in metrics and all the data we now have at our command. In particular, we will consider some of the latest points of emphasis in the use of data, when we must be mindful of our hotel portfolio's overall strategic direction and knowing when to allow time-honored insight to have its sway.

The reality is that we have always had access to a great deal of revenue management-related data, but it can be hard to know what to make of it when presented en masse; how can you put it together to be strategic and forward-looking. The new revenue management and analytical systems do this for us, allowing data to be digested more easily, whether we are considering what business we have on the books, the booking pace, length of stay patterns or customer pricing.

So much is changing at any one time that capturing the pace of revenue management has become critically important. Historical data is still important, but, maybe, not year-over-year as much anymore as opposed to a shorter-term booking window. Today, speed of adjustments is extremely important.

Thus, the new systems help us understand better all the moving pieces. A lot of them are certainly available. Each major brand has its own proprietary revenue management system. Moreover, increasingly, hospitality data systems from independent vendors will

incorporate cloud-based solutions also aimed at creating a "paperless" office. These systems may have modules for functions like budgeting, forecasting and business intelligence, all keyed to customizable hospitality metrics. In addition to hotel market and hotel business intelligence, a number of providers emphasize benchmarking against peers. As with other areas where technology is evolving rapidly in hospitality, one key competitive factor among vendors is for a given system to integrate well with other property management and revenue management systems, especially for one's given brand partners.

Additionally, having multiple systems available helps temper our revenue management judgments. For example, all the major brand revenue management systems have a forecasting function. Right now, understandably, these systems are forecasting aggressively with respect to rates. Multiple systems are excellent in this regard for cross-checking forecasts. Add in our experience and direct knowledge of local markets and we are able to fine-tune overall strategy.

More on rapid response and managing variables. Overall, today, revenue management has become more predictive focused, while, as discussed, it is also extremely important to respond rapidly to market conditions. Again, we must work with customized data pulls, tempered by local knowledge and our portfolio strategy, especially with respect to balancing transient and business-group guests.

For example, data and our senses tell us that we are witnessing post-pandemic adjustments and normalization, as leisure travel moderates in some markets, especially as pent-up demands for travel are quenched or overseas travel by Americans picks up. These developments will directly impact our transient strategies as RFP season gets into high gear.

Increasingly, another area of revenue management where we must draw on local knowledge and rapid response is the dramatic weather events playing out across our nation. We must understand how hectic weather, flight cancellations or difficult road conditions will impact reservations and pricing, for leisure and business travelers, as well as the first responders who arrive to assist with disaster recovery.

The last example of variables that may be outside the purview or capabilities of revenue management systems is the varying requirements of ownership groups for specific properties within a larger portfolio. While areas like capital expenditures, preventive maintenance or staff standards may come first to mind, most ownership groups will also have a say in strategies centered on room availability, pricing and the bottom line.

### **Enhanced Focus on Cost of Acquisition and Total Spend**

Whether more and bigger data is responsible, today's wealth of hospitality numbers and the ease with which it can be custom analyzed has influenced developments in revenue management. Thus, with more ways to collect and analyze data, it is easier to assess areas like cost of acquisition for a room reservation and total spend per room night. Both areas seem to have been coming into focus as our understanding of and relationships with OTAs mature and with the continuing increases in hotel operating costs. The drive is on for net operating income and gross operating profit per available room.

For example, in recent years, the hospitality industry sought to wean itself off those, often, hefty OTA commissions, emphasizing direct bookings through brand web sites and marketing, as well as individual property placements. However, first, we must acknowledge the tremendous ability of OTAs to reach prospective guests.

On the other hand, reaching guests by individual property through targeted advertising buys and other forms of direct marketing has its own cost. The goal is not to disregard one means of getting a reservation, but, as it is with many areas of revenue management, striking the right balance. This is also an area where we work closely with local or area general managers and directors of sales to get their input on where our reservation acquisition dollars are best spent. In doing so, we are aided by data systems that can give us a comprehensive view of the full costs of acquiring any given reservation.

Another area of attention today is total room spend, where different property types have varied possibilities. Luxury and full-service properties can have multiple restaurants, including fine dining and gourmet venues; lounges, including with entertainment; retail shops; rentable meeting spaces; and even leased out spaces for service providers like a barber, hair salon or tailor.

In contrast, select service and extended stay properties will have limited fee-generating amenities beyond a market shop and smaller scale food service. While some hotels charge for breakfast or a premium breakfast, for the most part, a free breakfast will likely remain as a standard in our industry. The brands, in particular, are working at this cost issue in a different way. Instead of restricting or eliminating "free" breakfast, they are working with suppliers and operators to streamline the number and complexity of items available on the typical breakfast offering. This will help with ordering, inventory, food preparation, serving guests and cleanup, which should reduce or at least contain the costs of providing breakfast.

However, there are still ways to expand total guest spend for select service and extended stay properties, some influenced by our pandemic experience. These include pet fees, which remain popular post-pandemic when so many guests and families were travelling with our pets. While there may be some extra operating costs to maintaining a pet-friendly policy, they are exceeded by the net revenue generation and its ability to attract guests. It's no surprise that pet-friendly gets major brand endorsement.

On the other hand, post-pandemic, many hotel properties are less lenient about charging for no shows or late cancellations. While demand remains strong, more stringent no show, cancellation, early check-in or late check-out fees, applied with discretion, can be an

excellent revenue generator across all property types.

At the same time, we are seeing a renewed emphasis on presenting guests with the opportunity of room upgrades, either at time of booking for a room or upon arrival. This can also be a significant other-room revenue generator and is another area where today's advanced technologies are of great assistance in managing the possibilities.

As we have seen, the purposeful assembly of the wealth of hospitality data available to us today presents an excellent opportunity to better understand the forces driving occupancy and possible asking rates, as well as finer control of other areas of the guest visit. We are always learning and these systems, as offered by today's best vendors, continue to emerge. In the process, we are becoming more effective revenue managers, helping drive the bottom line and contributing in our own way to improved guest service.



Ms. Driscoll

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**[Extended Biography](#)**

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