Savvy organizations have recognized the advantages of integrating marketing and revenue management decisions, but face nearly insurmountable organizational challenges when attempting to achieve this integration. In most organizations, revenue management and marketing are two separate departments with separate reporting structures, technology systems, data sources, goals and incentives. During the recent economic crisis, in the panic to generate some revenue from somewhere (while maintaining rate integrity and brand image), these two groups were forced to work more closely together. Weekly or even daily meetings became the norm, and will hopefully continue as we (slowly) pull ourselves out of the recession. But this level of interaction is not enough to achieve all of the potential benefits.

Imagine perfectly integrated revenue management and marketing. Every promotion is planned to stimulate the right amount of demand from the right market segments to fill the hotel during soft periods, while protecting rates in peak periods. Expected demand from promotions is incorporated in revenue management forecasts. Guest needs, preferences and lifetime value are considered in pricing decisions and drive individualized marketing offers, so each guest gets the right offer, for the right package, at the right time, at the right price and through the right channel. Propertywide revenue and profits are maximized by considering the guest spend across the enterprise, not just the room rate a guest is willing to pay. The sun shines, birds sing, and the revenue manager and marketer head off into the sunset together holding hands, skipping and laughing (all the way to the bank, bonus checks in hand). I got a little carried away there at the end, but we all get the point.

This utopian vision (with the exception of the skipping and laughing, of course), is not as far away as it may seem. In fact, technology is available today to enable the analytics that make successful integration possible. Access by both departments to the data and information generated by each enables better decision making. But this access has to be in real time, in the systems that each uses every day, not restricted to passing spreadsheets around via email or waiting until the weekly meeting. Most importantly, good data management ensures that the analytics are based on clean and credible data accessed from all of the disparate operating systems across the enterprise, giving confidence in decisions.

Marketing Data and Analytics

Marketers collect and manage data about individual guests, including stay patterns, demographics, booking channels, room types, on-property activities, travel purpose and geographic preferences. Advanced analytics turns this data into meaningful, actionable information:

- Micro-segmentation: to identify statistically significant subsets of guests with similar preferences and purchase behavior (e.g., eco-conscious families with children under 10 that travel in the summer).
- Market basket analysis: to identify missing products (e.g., business travelers who do not vacation with you).
- Social network analysis: to find guests who influence others’ behavior (e.g., every time a certain corporate guest stays, so do three other guests from the same company).
- Likelihood to respond: to determine which offers should be sent to which guests.
- Lifetime value calculations: to identify the most valuable guests.
- Cross-sell/up-sell: to determine which add-ons or upgrades to offer to which guests.

Revenue Management Data and Analytics

Revenue management is traditionally responsible for setting prices to maximize revenue from the limited capacity of hotel rooms. Careful analysis of demand patterns by location, date, room type, length of stay, market segment, channel and rate provides a comprehensive view of demand, which is used in forecasting and optimization algorithms that set prices.

Recently, hotels have begun to consider price optimization, which uses the price sensitivity of demand, rather than traditional inventory optimization. Some hotels are moving toward total asset profit optimization, where revenue streams from all ancillary outlets are managed to maximize enterprise-wide profits.

What has been missing from the revenue management decision is any consideration of the characteristics of the individual guest. When powerful information about the guest (described above) is integrated with demand patterns and price sensitivity analysis from revenue management, proactive demand sourcing becomes a reality. Revenue managers and marketers working together can synchronize promotion and pricing decisions to increase overall revenue and profits.
Integrating Revenue Management and Marketing Decisions

Insight provided by guest analytics incorporated into the revenue management process provides the opportunity to:

- Incorporate total guest value in the revenue management decision. Optimize propertywide revenue by considering the total guest spend profile beyond the room rate.
- Create dynamic packages. Allow the guest to choose the elements of the package, and then price the entire package appropriately based on forecasted demand for all components. Suggest alternate times and dates to push demand to slower periods.
- Reveal the next best offer. While guests are exploring your website or speaking with your agents, to encourage conversion by creating guest-specific offers based on their profiles, searching behavior and the current pricing recommendations.
- Cross-sell/up-sell. Optimize the price offered for cross or up-sell opportunities.

Figure 1 outlines key capabilities that are available to organizations today to help them make better decisions, leveraging data and analytics. These capabilities separately are beneficial, but the true advantage is in the intersections. The section above describes the advantages in the intersection of revenue management and guest analytics. The following will complete the vision by describing how organizations can incorporate automated, optimized, campaign management.

Campaign Management automates the process of planning, testing and executing marketing campaigns. Revenue management provides demand information and guest analytics identify those most likely to respond. Campaigns can then be designed to generate room nights only when they are needed, protecting peak periods and targeting those guests most likely to respond. After campaigns are launched, you can track and monitor campaign performance, making adjustments as needed.

Often guests are eligible for more than one offer at a time. Marketing budgets are tight. Contact policies restrict communication, and over-communication may cause valuable guests to opt out of your campaigns. Marketing Optimization completes the picture by taking all business constraints, including resources and contact restrictions, into account and returning the contact strategy that maximizes campaign return, ensuring that you make the most out of every guest contact.

Once the optimal contact strategies are in place and the campaign is launched, information about timing, placement, offer type, market segments and locations are sent back to the revenue management system so that the additional demand generated by the campaigns can be folded back into the forecasts – ensuring accurate pricing strategies.

I call this intersection of guest analytics, revenue management, campaign management and marketing optimization, intelligent demand management. This methodology helps to ensure that these crucial departments synchronize activities so that the organization develops a long-term, sustainable marketing and pricing strategy.

Establish, Integrate, Optimize and Innovate

This vision won’t happen overnight. A phased approach, like that described in Figure 2, ensures a successful technology project and organizational buy-in. The establish phase introduces the enabling technologies, the integrate phase establishes connections between them at the data level so that users can get used to working with the other organization’s data, and the optimize phase automatically incorporates the data into analytics to enable better decision making. This sets the stage for the innovate phase, where the sky is the limit, be it new data sources (social media), new business processes (mobile marketing) or new technology (real-time decision management). Of course, these innovative ideas may land you right back in the establish phase.