

Overcoming the Five Dysfunctions of Revenue Optimization

Inspired by The Five Dysfunctions of a Team by Patrick Lencioni



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1. Absence of Trust.
2. Fear of Conflict
3. Lack of Commitment.
4. Avoidance of Accountability.
5. Inattention to Results

BACKGROUND:

Article by Lynn Zwibak

Revenue Management: It's Not Just for Revenue Managers Anymore - By Lynn Zwibak

How often have you seen this at your hotel: Sales managers referring to the revenue management team as 'the sales prevention department' because they keep turning away their leads? Front office complaining about how revenue management keeps selling low opaque rates? Or event managers showing up to pick-up meetings without the answers to the questions they know they will be asked. It doesn't have to be like this.

During more than ten years of on-property revenue management, I experienced this firsthand. I would speak with angry front office agents about how they had walked guests the night before. I would be embroiled in adversarial discussions with sales managers about needing to shift their group's pattern. I would sit through painful pick-up meetings with conference managers who resented all of my questions about their group's room blocks. But when I explained to the front

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desk agents that we oversell because we expect cancellations, and doing so saves us from going down with empty (and how these decisions are based on history and estimates, and sometimes more guests show up than we expected), their faces would soften, and they would nod in understanding. When I explained to the sales managers that we would sell out on the peak nights of the group at a much higher rate, but we could offer availability (at a lower rate!) if we shifted the peak to a night with lower demand, their posture would relax, and the challenge would energize them. When I explained to event managers how the group pick-up forecast is the foundation of all short- to mid-term hotel decisions, walked them through the STR® report, and started to show them the correlation between high forecast accuracy and high RevPAR indexes, pick-up meetings became celebratory and fun. A little explanation goes a long way in gaining buy-in from those implementing your strategies on the front lines.

But my mission to educate all corners of the hospitality industry comes from an even deeper place. Long before I was explaining revenue management to sales and operations, I was one of those bewildered and resentful sales managers myself. I would approach our director of revenue for approval on a group quote, and she would turn me away with talk of “undesirable pattern” and “poor rooms-to-space ratio.” I would return to my desk, angry and frustrated. I became more interested in understanding her thought process than in prospecting for new business. The more I learned, the more the pieces fell into place. In hindsight, I would have made much more money for the hotels I sold for (and myself) if I knew then what I know now about revenue management. The revenue management discipline has come a long way since I started selling in 2002, but it is still a black box that few people on the outside understand. And with all due respect to my fellow revenue managers, as a discipline, we do a poor job of letting outsiders see inside. In all fairness, though, it is not a black box that those on the outside seem anxious to peer into. It doesn't have to be like this. Revenue management is not just Excel spreadsheets and data analysis. Nor is it a magic discipline that only special people should have access to. When we make the concepts accessible to everyone whose job it is to make the hotel successful, we increase the chances of that happening.

What do I wish I had understood back when I was a sales manager? I could write a hundred articles and not begin to fully answer that question, but I will address a few here. If I had understood the impact of pattern on the group's value, I would have asked groups about the possibility of shifting their arrival date much earlier in the conversation. I wasted a lot of time pursuing groups that never had any chance of passing business review. If I had understood how critical the availability of function space was to maximizing the sale of our guestrooms, I would have invested less energy in those space-heavy groups I tried so hard to close. And if I had understood where the rates I was told to quote were coming from – how they resulted from analysis of the hotel's history, the market, the budget, and predictions about consumer behavior – I would have sold them with more confidence and dropped them less often, even when I was told that I could.

That's not all. If I had been taught to understand a STR® report (not just read off the numbers), I would have felt more ownership of the hotel's success, and not focused solely on my sales goal. If anyone had walked me through a budget or a forecast, I would have better understood how the business I booked impacted the rest of the sales team and the other hotel departments. And all of that would have helped me to pursue, and book, more valuable business.

I also would have had a much better relationship with the revenue managers I worked with, and been able to collaborate more to increase the value of the business I brought in. When it comes

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down to it, every hotel team member is trying to achieve the same thing: make as much money as possible for the hotel while making the guests happy. How much more could I have achieved against that goal if someone had explained some of those concepts to me? We will never know. But why waste the opportunity to give our current teams that level of knowledge, helping them to contribute even more to the value of the hotel? We are all working towards the same goal. Why not give everyone the same tools to achieve it?



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