CASE STUDY: MEETINGS AND EVENTS REVENUE MANAGEMENT, KATE KEISLING, IDEAS—A SAS COMPANY

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Industry experts have been talking about optimizing function space for years. In rooms, we settled on a core set of metrics that we all agree are the best tools for measuring success, and these are widely reported. Basic metrics like occupancy, RevPAR and ADR are widely accepted across the hotel industry. Somehow, we haven’t done the same with function space. Room metrics provide the base for so much of our decision making. Other sources of income, specifically food and beverage, can make up nearly equal portions of a hotel’s revenue budget and are not represented in these metrics.

Function space is a bit like a jigsaw puzzle, both in reality and metaphorically. You have pieces for the various team members involved. The meetings and events business touches almost every department in the hotel, and they all have a potential impact, some more than others.

Then there are the pieces that represent the systems that meetings and events touch. These include the sales and catering system in which the meeting or event gets booked, all the way through the point of sale system where the banquet check for each event is created. Each system has unique data elements necessary to understand demand, revenue, and profit conditions.

And, of course there’s the fact that you don’t have a single price for function space. There are a lot of interdependent revenue streams involved. What impacts one revenue stream will likely impact another, sometimes in ways that might not be obvious without some data. You need to understand how the data fit together to predict whether those impacts will combine together in a positive or negative result.

If you take a simple but strategic approach and work your way through each element, you can fit all the data together and find ways to generate more positive results. Before you jump into collecting data and compiling spreadsheets, take a step back and look at current processes. Take into consideration all of the pieces involved in delivering meetings and events. Talk to each of the departments or team members involved from initial contact through reporting on actuals. Do a basic inventory of your current reports and methods for forecasting, evaluating business, and measuring results. Look at each of the systems involved in those processes. You might be surprised at what you find. As you do this, the adjustments needed will reveal themselves.

Group business evaluation in the absence of a revenue management system often consists of a first-come, first-served approach. It is tempting to take the first group that wants the rooms or space if you don’t have empirical data to show you that a better and more profitable group may be on the way. It is possible to do some basic evaluation without a system, but evaluating groups effectively requires comparison to established baselines and/or thresholds. Establishing those baselines and thresholds will depend on clean meetings and events data.

There are several baselines that can be established to help give a quick guideline on which to base a decision. These include identifying demand patterns by season, day of week, and segment and historical averages of revenue and profit. However, they all depend on clean data.

Appendix 2 contains some suggestions for improving data quality for accounts, bookings, guest rooms, and events.

Once you’ve gotten your data cleaned up, you can have more confidence in what it is telling you. The cleanup is the tough part. The payoff is in finding the patterns that will help you to fill gaps in low-demand periods and drive profits in high-demand times. In many sales organizations, knowledge of demand patterns is the biggest opportunity for improvement. With it, you can price dynamically and release function space to event-only business when group room demand wans, preventing unsold or undersold space. You can also better target profitable business that is still within their lead times that matches the openings in your inventory. Without knowledge of demand patterns, you are basically playing the odds.

In Appendix 2, I provide some suggestions for tracking demand patterns, including evaluating lead time, seasonality and day of week, demand calendars, and spend patterns.

No matter what your vision, it will require a set of performance metrics. This is where your work to clean up the data is really important. These metrics can be used not only to evaluate past performance but also to manage the business on an ongoing basis. Making them a regular part of your weekly revenue meetings will give them the emphasis they deserve and get the team to think more about the overall impact of their meetings and events.

Appendix 2 also contains a methodology for calculating some key metrics like utilization, profit per occupied space/time, and profit per available space/time.

You have many team members involved in selling, planning, and executing events. At each step in the cycle, your team members have the ability to impact the profitability of a group or even a single event. This is also an area of the business where there are habits and processes that have been in place for ages. Intuition plays a key role in meetings and events decision making because there have been so few tools to analyze the data and prove that intuition right or wrong. This is changing, but there is still a strong pull toward those old habits. Here are a couple of areas to include in your assessment:

When evaluating your meetings and events program, be sure to also think through incentive alignment, training, and organizational structure.

Knowledge really is power. Your systems and standard processes need to support the efficient collection of the data you need to understand the demand patterns and spending habits of your business. The entire selling and servicing team needs to be invested, both financially and emotionally, in success. Revenue management principles and concepts should be applied to all the revenue streams and should be a part of each person’s job.

Building a strong revenue management culture doesn’t happen overnight, but the more knowledge your team gains and the more success they see from its application, the faster it will build toward revenue breakthroughs in your meetings and events business.