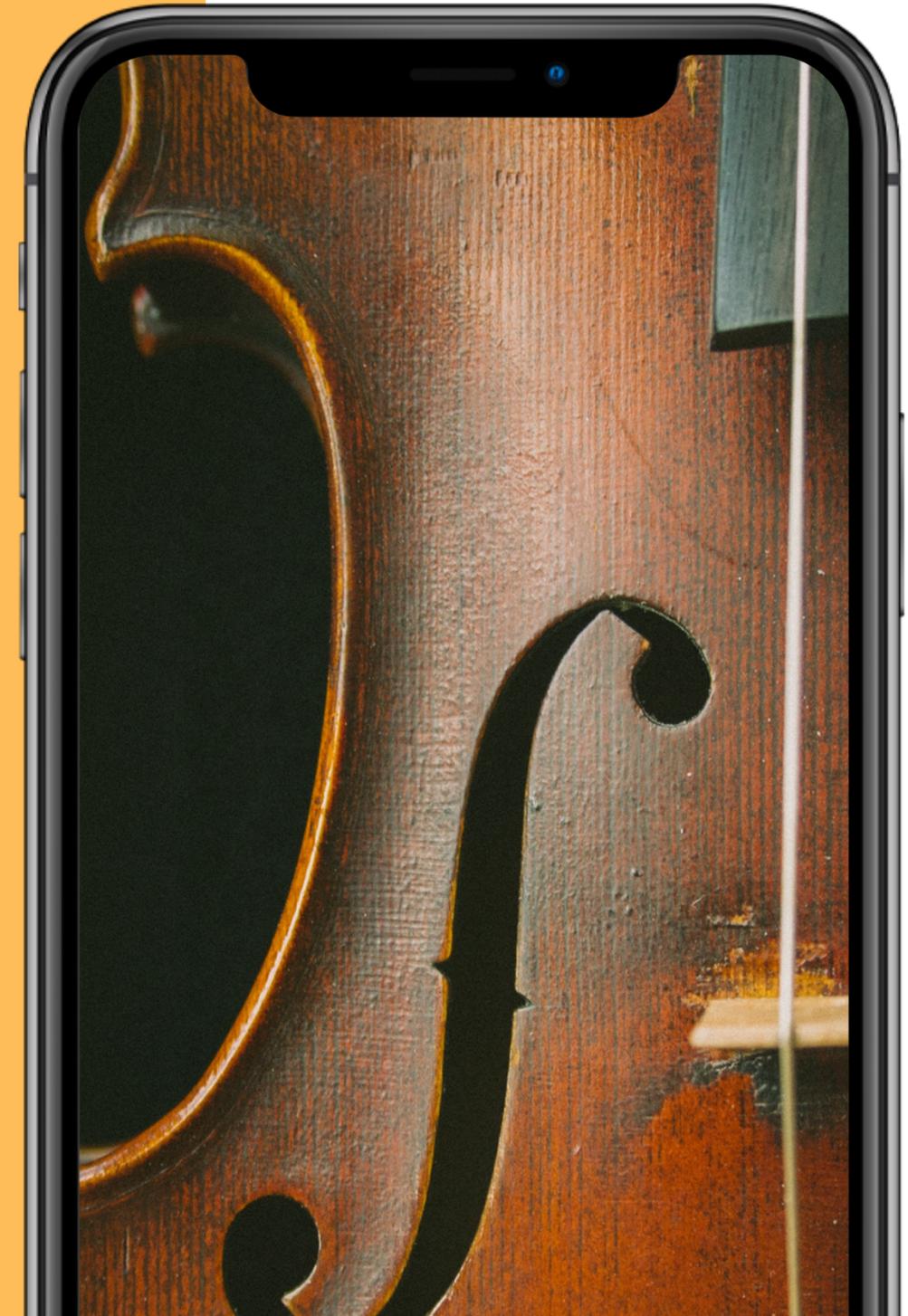


OCTOBER 6, 2020

Key Revenue Management Instruments for Managing Demand



By Dwight Yang &
Lee Knauer



Why the time is now →



The economic landscape for short-term and vacation rentals is swiftly changing, bringing new challenges each day. The industry experienced a screeching halt in demand caused by the global pandemic and in many leisure markets, a summer with a blossoming revitalization of demand.

It's easy to get off course with moving targets, evolving traveler behavior and projections modified in some cases, daily. Getting back to basics with revenue management fundamentals and reframing all of the levers available during periods of quickly shifting demand, will help you re-gain your stride and plan for a solid close of the year.

Data, diligence, delivery →

Review and analyze occupancy and rate performance for your portfolio by season, event, and day of week periods. Compare and benchmark against your own historical trends and relevant market performance data. Determine if there is opportunity to increase revenue for future periods by driving occupancy, rate, or both.



Data, diligence, delivery →

Periodically review changes in the amount and quality of supply in your market. You should also analyze relevant changes in competing destinations that may affect your local market and adjust your strategies accordingly.



Data, diligence, delivery →

Significant changes in booking pace can be caused by overall supply/demand volatility, a shifting booking window, the shrinking/extending of traditional seasonal periods, or some combination of these. Analyze your pace and that of the market to determine if your pricing and availability is deployed optimally to address changing conditions.



Automation & Intelligence →



If you've invested in technology to optimize performance, then let it work for you. Leverage the capabilities in your chosen property management system (PMS) and/or revenue management system (RMS) by spending time to properly configure your settings and enable automation, event triggers, alerts, and market intelligence that drives the forecasting engine. Strike a balance between providing inputs that your system can't learn on its own, against constantly overriding system recommendations. Strive to become a superuser.

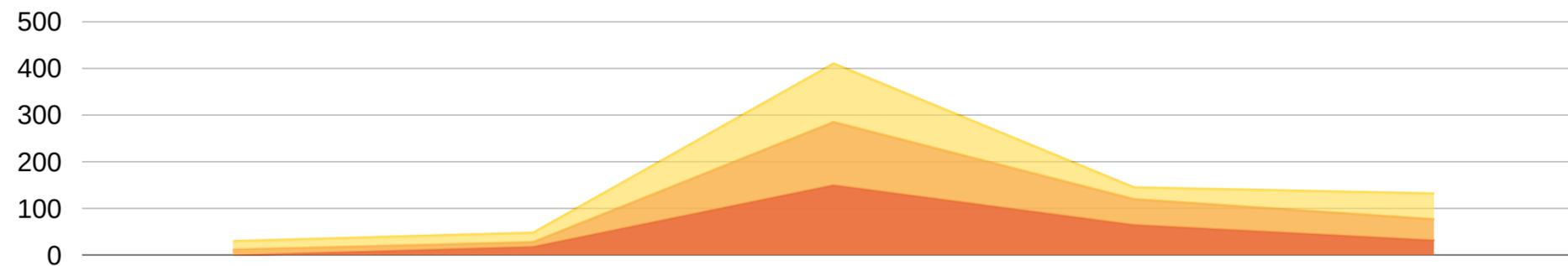
Competitors & Pricing →



Analyze the baseline pricing of your unit as it relates to location, bedrooms, amenities, ratings, and market class. Conduct a price/value exercise versus your competitive set to guide your ideal positioning. Define and apply varying premiums for your unit attributes during high and low demand periods.

Demand Analysis →

During high demand periods, make sure your pricing and stay restrictions will protect your peak nights, but also drive production to your shoulder and gap nights. Compression caused by special events, holidays, and local demand drivers are opportunities to maximize rate as market availability decreases. Hold rates appropriate for the surge in demand and position your units to sell later, rather than earlier, compared to your competitive set. Remove any length of stay or affiliate pricing rules that apply discounts and peel back from less profitable channels.



During low demand periods, market your units attractively by having compelling rates, reduced stay restrictions, and the most lenient cancellation and deposit policies your business model is able to support. Enable discounting by activating promotions from 3rd party channels that will turn on tagging, utilize slash through pricing, and help promote a higher sort ranking. Configure discount pricing rules that encourage both early bookings and last-minute deals. Provide availability on as many channels as possible, while maintaining a profitable rate structure.

Forecast & Repeat →



To quickly and clearly understand when strategies should be adjusted, consistently re-forecast with current data. Relevant levers that affect pricing, availability, promotions, marketing, and distribution should be on stand-by and ready to activate should thresholds in your forecasts be triggered. Whatever tool you have for forecasting should be easy to adjust and read, especially when sharing with other stakeholders within strategy and performance discussions. Invest time and effort in establishing forecast tools that work for you and not the other way around.

Impact →

There will always be market leaders and laggards. To seize the opportunity of maximizing rate while capturing your fair share of occupancy, be nimble and invest the time to review your positioning. The fundamentals are simple, yet it is easy to be lead astray in times of uncertainty. We have an opportunity to lift the industry, if we collectively invest in analyzing the data and adapt our strategies to align with these times of massive change.