

Case Briefing

Revenue Management - Advanced

VB
COLLEGE



The Situation

The Hotel Magnificent is a downtown business hotel located in Kansas City, Missouri. Its competitive set is: Hotel Grand (3-star) and Hotel Haute (4-star). It is now July, which is in-season for the area hotels. Two Air-Balloon Jamborees are scheduled during the month. These Saturday events attract lots of visitors. The second Jamboree is the larger of the two.

Your Role

You are the Revenue Manager for the Magnificent. You have complete control of pricing, room restrictions, room inventory reallocation, and overbooking policies. The General Manager is dissatisfied with last years performance for July and wants you to do better.

Learning Phase

Step-by-step instructions will guide you through applying revenue management techniques for the Hotel Practice, located in Brimfield, KY, a town which hosts wildly popular weekend fleamarkets. You'll begin by examining rates from the same time last year and looking at your performance against your competitive set. Then you'll set rates for a busy weekend and run forward to see your results. Next you'll use room restrictions to increase revenue even further on a subsequent weeked. Then you'll reallocate unsold Suites to grab extra business. Finally, you'll use selective overbooking to keep your hotel near capacity despite cancellations. After learning each technique, it will automatically be applied to subsequent weeks to make learning quicker.

Challenge Phase

The GM of Hotel Magnificent has established your revenue goal for July. Specifics are presented in the case simulation. To meet your goal, you will need to assess your competitive set, establish room rates for key dates of the month, use room restrictions, possibly reallocate room inventory, and allow judicious overbooking.

At the option of your Professor, you may be able to retry the Challenge Phase multiple times. Only your best grade will count.

Advanced Techniques in the Simulation

The simulator realistically models the details of potential guests needs and behaviors. This allows you to get realistic performance improvements through advanced revenue management techniques. For example, on a busy weekend, there may be enough guests wanting a two night stay that setting a restriction requiring two night stays results in a sell out for both nights, rather than having single night guests take all the rooms on the more popular night. Similarly, some guests are no-shows. This makes selective overbooking a profitable option.

Discussion Questions

What was Hotel Magnificent's revenue management strategy in prior years?

What did you, as Revenue Manager, learn from past years' results?

What room restrictions or rate changes did you make and why?

Of all the revenue management techniques available to you, rank them from highest impact to lowest impact?