

# Revenue Management in 2020 and Beyond

RMAPI Webinar

18 November 2020

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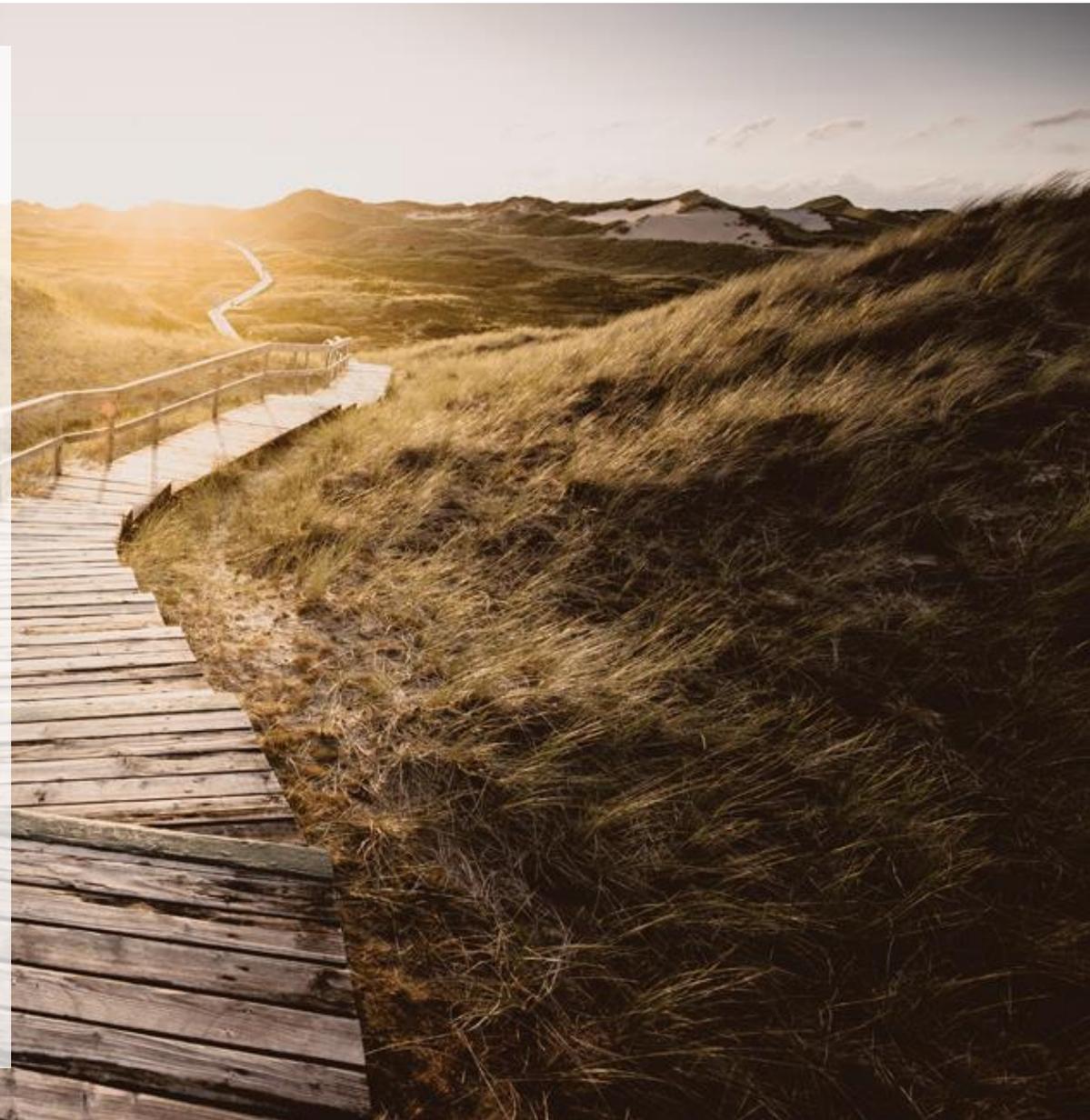
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## Before we start

- This RMAPI seminar is a forum explore and discussion the challenges to revenue management and pricing from COVID-19.
- Just as with the RMAPI Conferences, these must not be used as a forum to attempt, or engage in, any practices which are in breach of Competition Law within the UK, Europe or Internationally.
- The presenters, and the audience, of these Webinars must recognise the principles and provisions of competition law and must not use these webinars to make agreements, decisions or practices which may directly or indirectly fix purchase or selling prices or any other trading conditions; nor limit or control production, markets, technical development or investment.



## Today's speakers



**Dimitris Hiotis**

Global Head of Leisure,  
Travel and Tourism

Simon-Kucher & Partners



**Rosalind Hunter**

Partner

Simon-Kucher & Partners

## Today's session: Revenue Management in 2020 & Beyond

Since our webinar series with RMAPI back in May the world has continued to change as we all battle with the impact of the resurgent crisis both personally and professionally.

In our session we will reflect on the trends seen across revenue management in the past 6 months and how this compared with the views of RMAPI members as the crisis unfolded.

We will then turn to 2021 and discuss the key trends we expect to see alongside the views of RMAPI members on what the future holds.

# Recap from our webinars in May 2020

Key takeaways from the sessions earlier in the year...



- ## 1 We are facing a resurgent crisis, uncertainty is the only certainty

  - We are **entering a period of a resurgent crisis**, with **volatile demand** driven by a health and an economic crisis
  - **Lacking a clear plan** on how the UK will emerge from lockdown, particularly for Travel and Leisure firms
  - Everything needs to be **more agile and “dynamic”**- an opportunity for RM professionals

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- ## 2 Customers’ intention to travel varies considerably

  - Three camps of customers; those that want to **travel as soon as possible (28%)**, some that will **travel** once they are **convinced it is safe (45%)** and those who do **not** intend to **travel for the foreseeable future (27%)**
  - Companies need to build **confidence on health** as part of their re-opening preparations

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- ## 3 New offerings are being developed to meet new needs

  - **Many businesses have adjusted their offerings** to try and retain customers and mitigate the impact of coronavirus on their business
  - The most common responses seen so far have been **increasing flexibility** through relaxed cancellation and changeability restrictions and a **shift towards digital offerings**

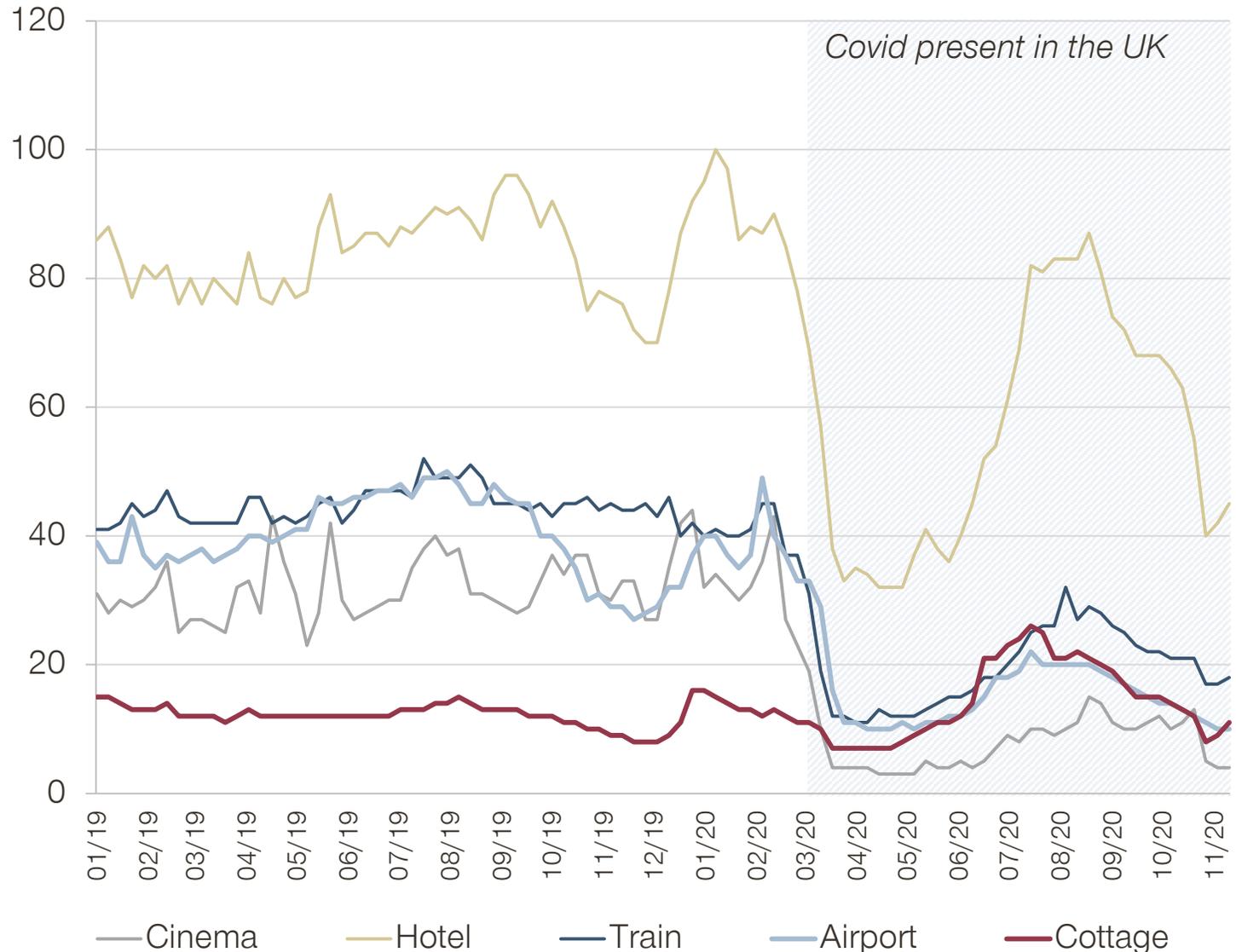
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- ## 4 Pricing and RM approaches need to adjust

  - RM systems **rely on historical data** and on the principle that **future behavior will follow previous patterns** – **this is not generally considered to be true** for this interim period
  - Businesses are generally **not well set up for widespread manual pricing**, having come to **rely on automated mechanisms** to manage their relatively complicated portfolios

# The relative peaks and troughs across leisure, travel and hospitality have varied

Google trends, Interest over time, United Kingdom searches



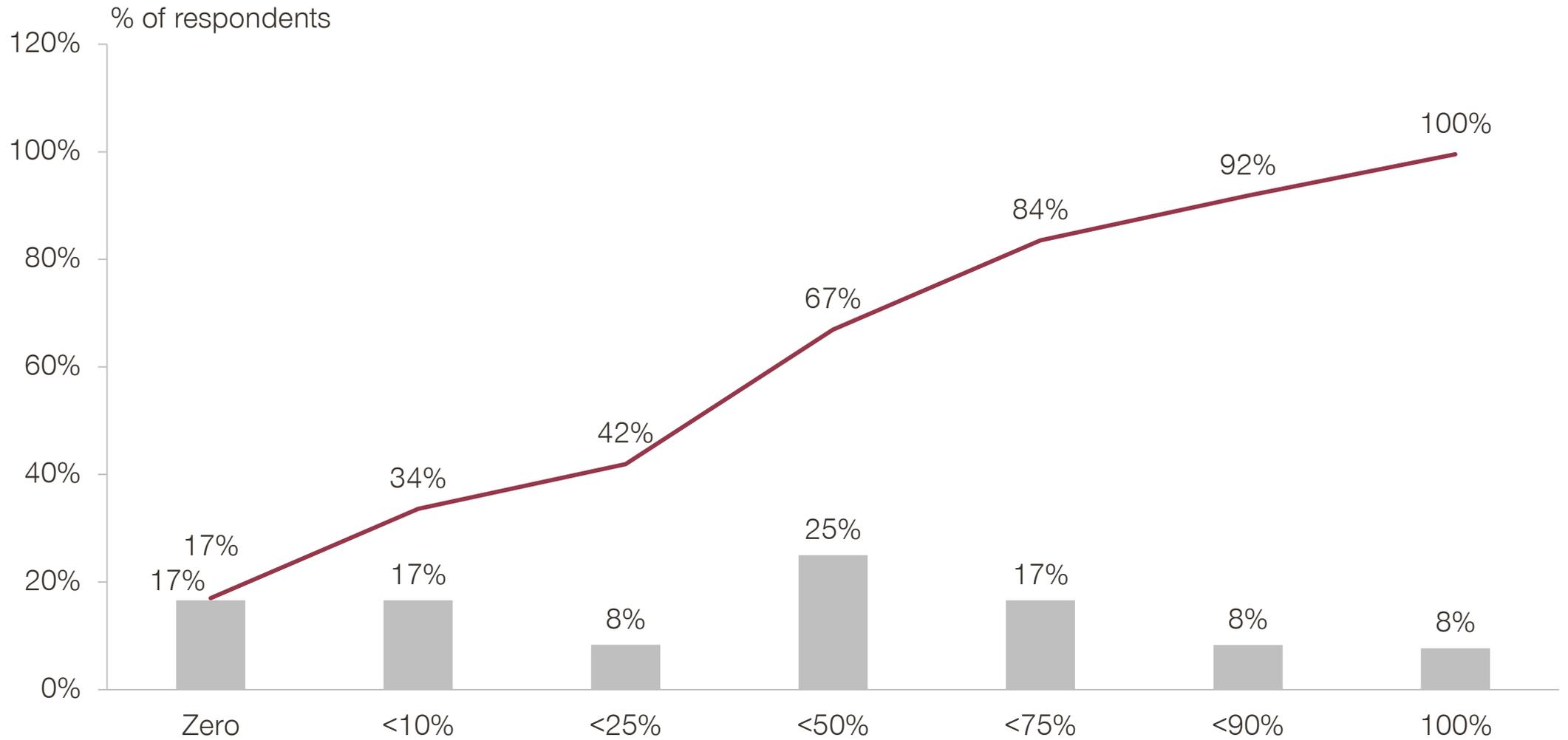
## Varying impacts seen across areas of leisure, travel and hospitality:

- Hotels showed searches also rebounding to pre-crisis levels by August
- Cottages saw demand actually exceed previous levels
- Cinema searches have not neared previous search levels

Source: trends.google.com. Interest over time: Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

# During this second wave, 70% of respondents are operating at capacity levels less than 50%

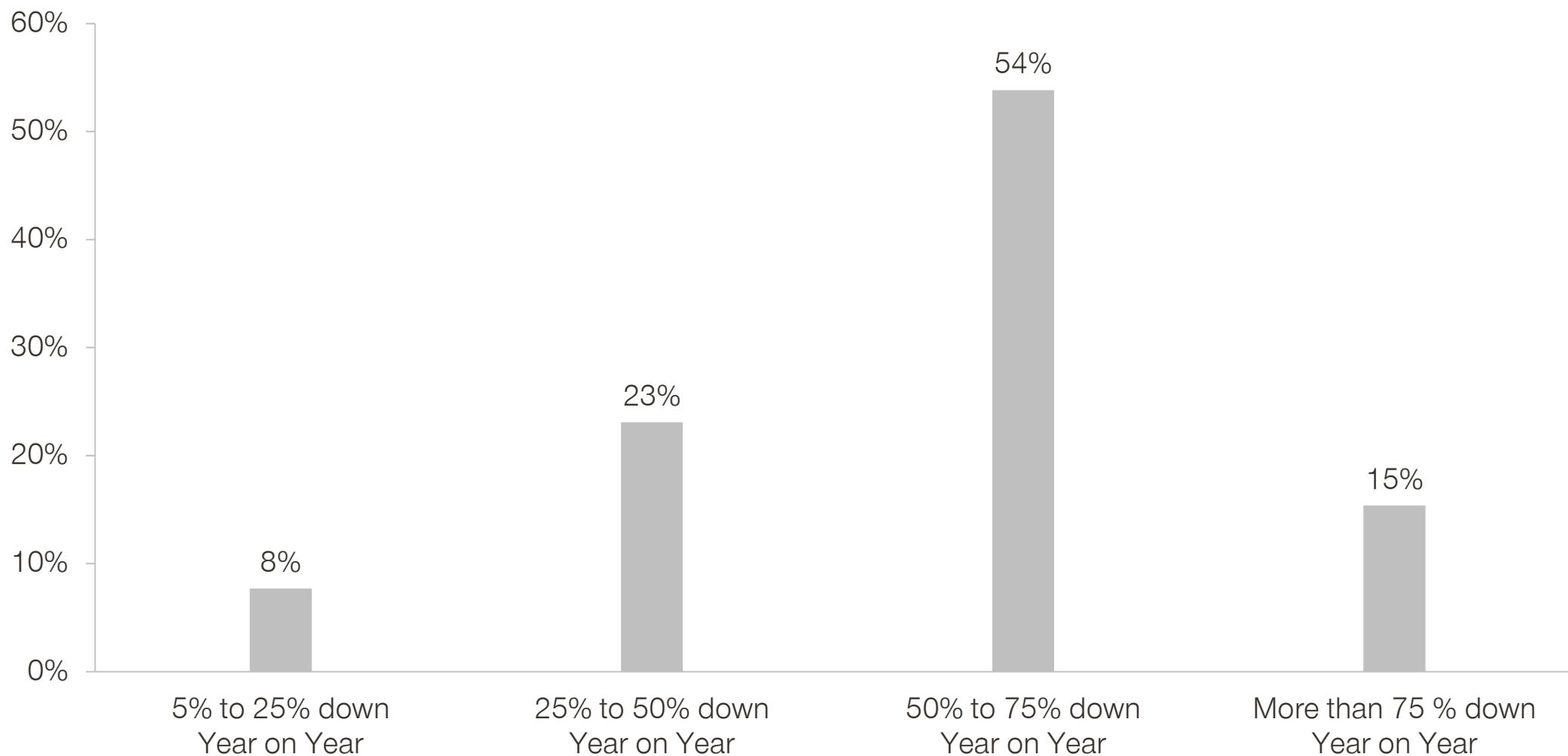
**? What percentage of your capacity is operational during this current/second phase of COVID-19 Restrictions?**



# The end result for 2020, most saw trading down 54% overall

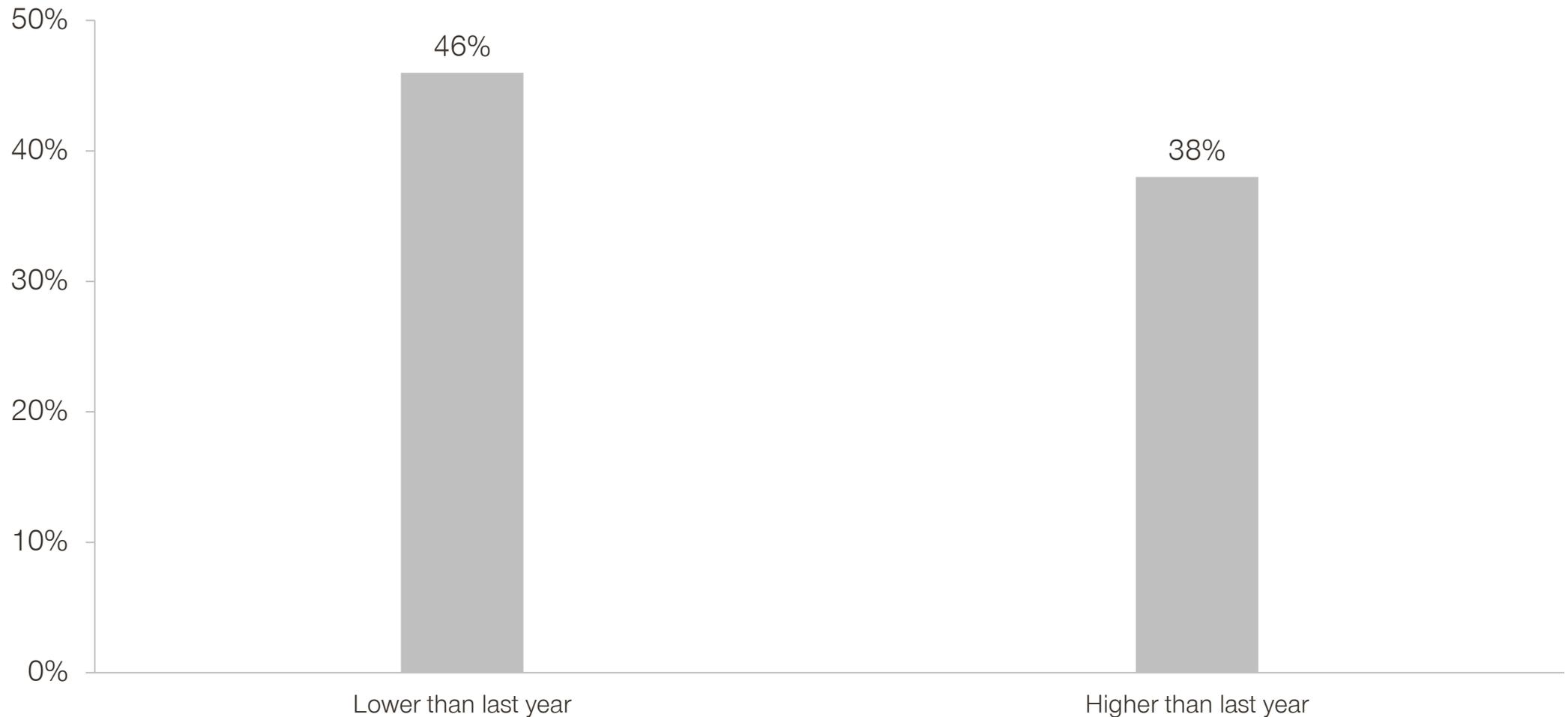


Considering your trading overall for 2020, how does it compare with last year?



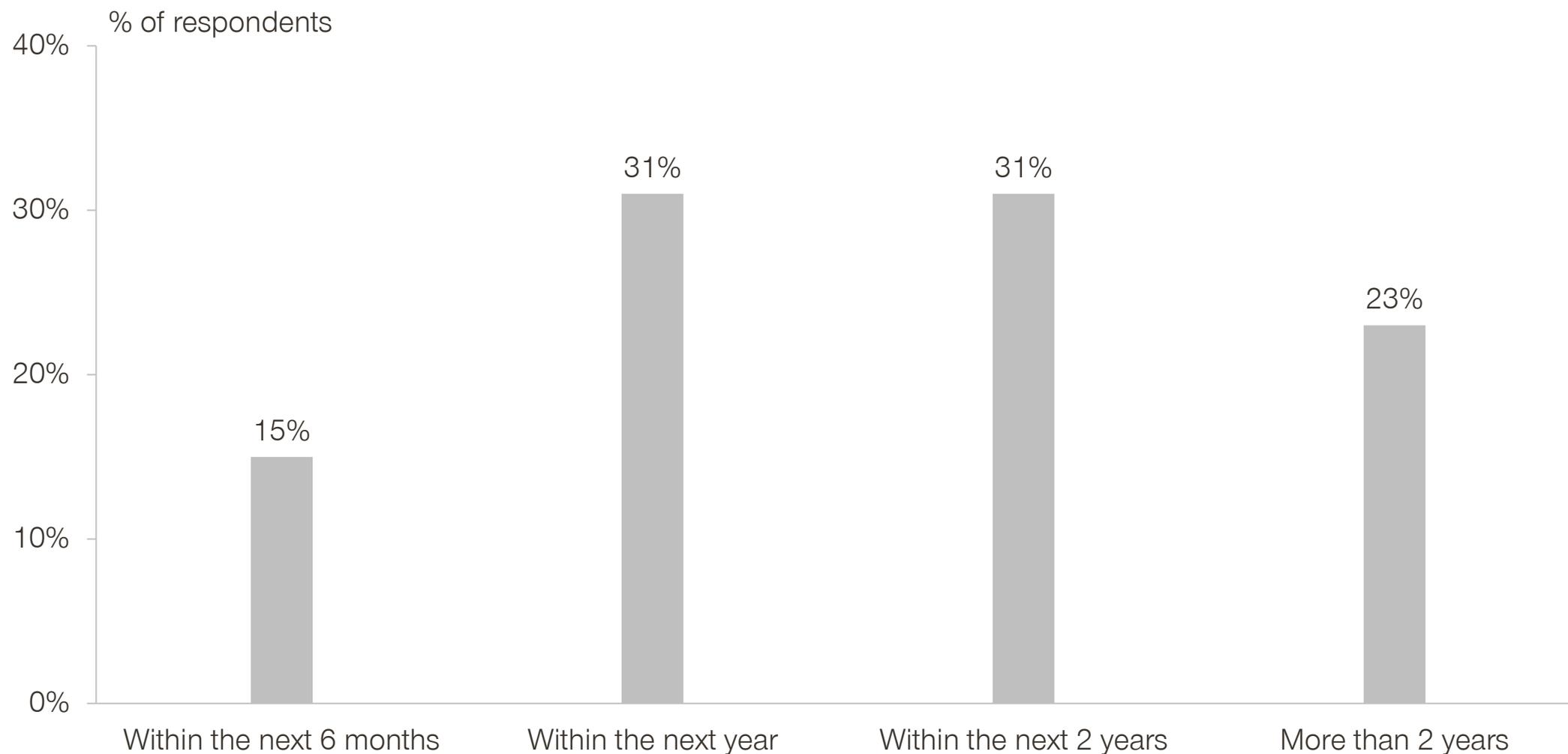
# Significant split in sales being above and below for 2021 at this stage as well

**?** If you currently selling products (e.g. holidays, tickets, hotel rooms) for delivery in 2021, how are your sales to date for 2021 compared to the same point last year?



# Half felt it will take more than a year to recover to 2019 level

## ? When do you expect your business volume to return to 2019 levels?



# We saw a mix of customer behaviour across transport modes, destinations and views on product needs

## Big drop in demand but **car is winning**

When will I travel again...

**21%** as soon as allowed

**40%** when safety measures are in place

**39%** not until 2021

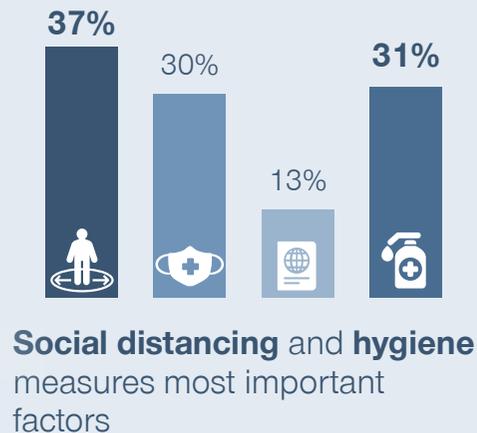
Will you travel more or less compared to pre-covid?



## Health and flexibility to restart travel

**40%** of people **demand health measures to travel**

But **money back guarantee** is as important as health



## Staycations travel rebound

**31%** of people will do more **domestic** trips than before vs. **5%** more **international**

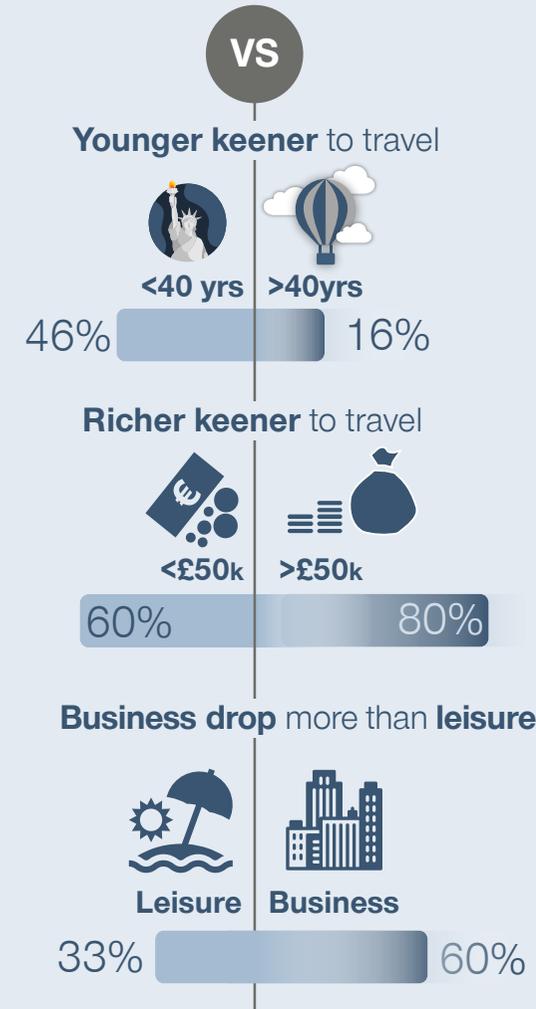
Increase in everyday travel by

Car/Bike **37%**

Shared bike/mobility **38%**

Car rental **8%**

## ...but it all differs by segment



# As COVID hit we discussed product adaptation across industries - its important to be proactive, not reactive

## 1 Streamline inventory

Manage product volume, switch products or introduce a related offering to meet current demand



## Focus on digital 3

Social distancing measures have significantly reduced footfall on the high street. Sales channels need to shift online and consumers become aware you are open for business. Provide additional forms of communication with FAQ as call centres face long wait times



## 2 Focus on strong customers

Some customers will be more affected by the crisis than others. Whilst it is important to maintain contact with all prospects, focus on fostering long term relationships with those who are most likely to be sheltered from the crisis through effective marketing communication and CRM.



# There has been plenty of creativity on new product offerings...

## Travel buffs dine in grounded Singapore Airlines plane

24 OCT 2020

Singapore's flag carrier, which has cut thousands of jobs and grounded nearly all its planes this year, offered passengers the chance to dine on board two of the world's biggest passenger jets.



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### DISCOVER GUEST FAVORITES



#### EDITION Robe

Wrap yourself in luxury with our EDITION Hotel robes. Complete with extra-soft microfibers and plush terry inner lining for adults, our robes are perfect to nestle into.

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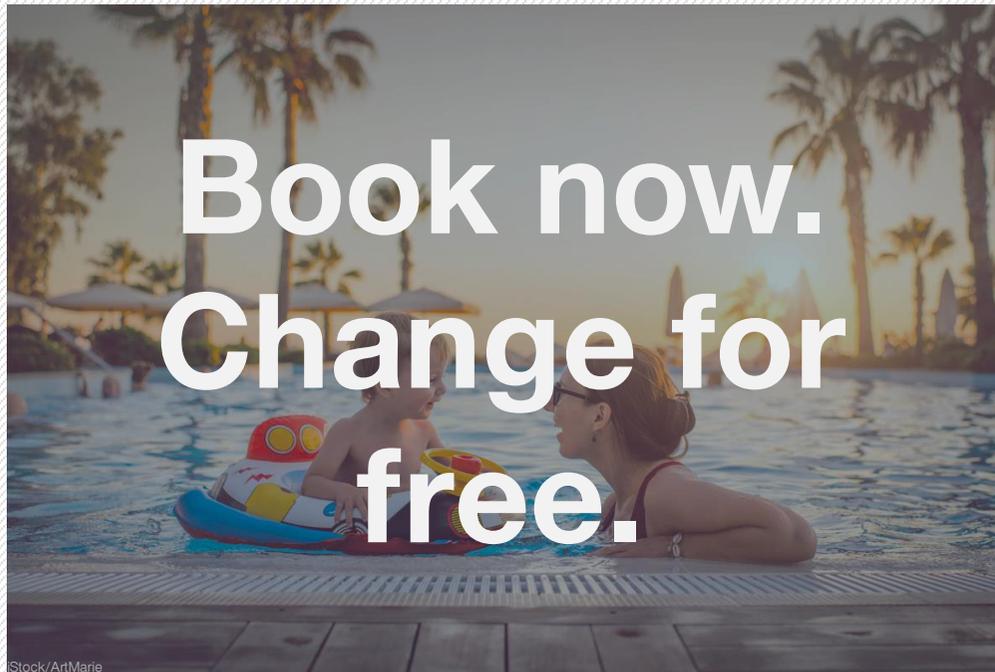
### An adults-only luxury resort in the Maldives is offering guests to book a year's worth of unlimited stays in 2021 for \$30,000

Taylor Ardrey Nov 14, 2020, 9:16 PM

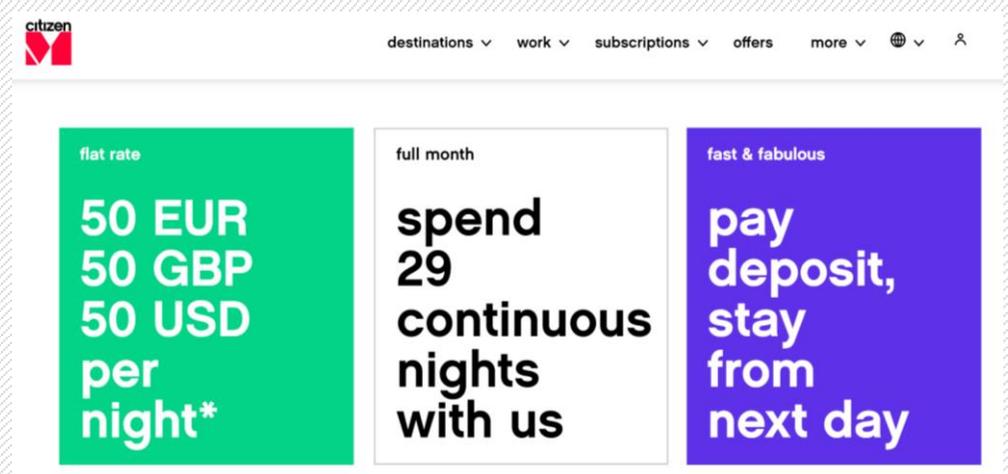


# Flexibility and subscriptions are the key trends emerging across leisure & travel, digital products simply don't work

## Flexibility



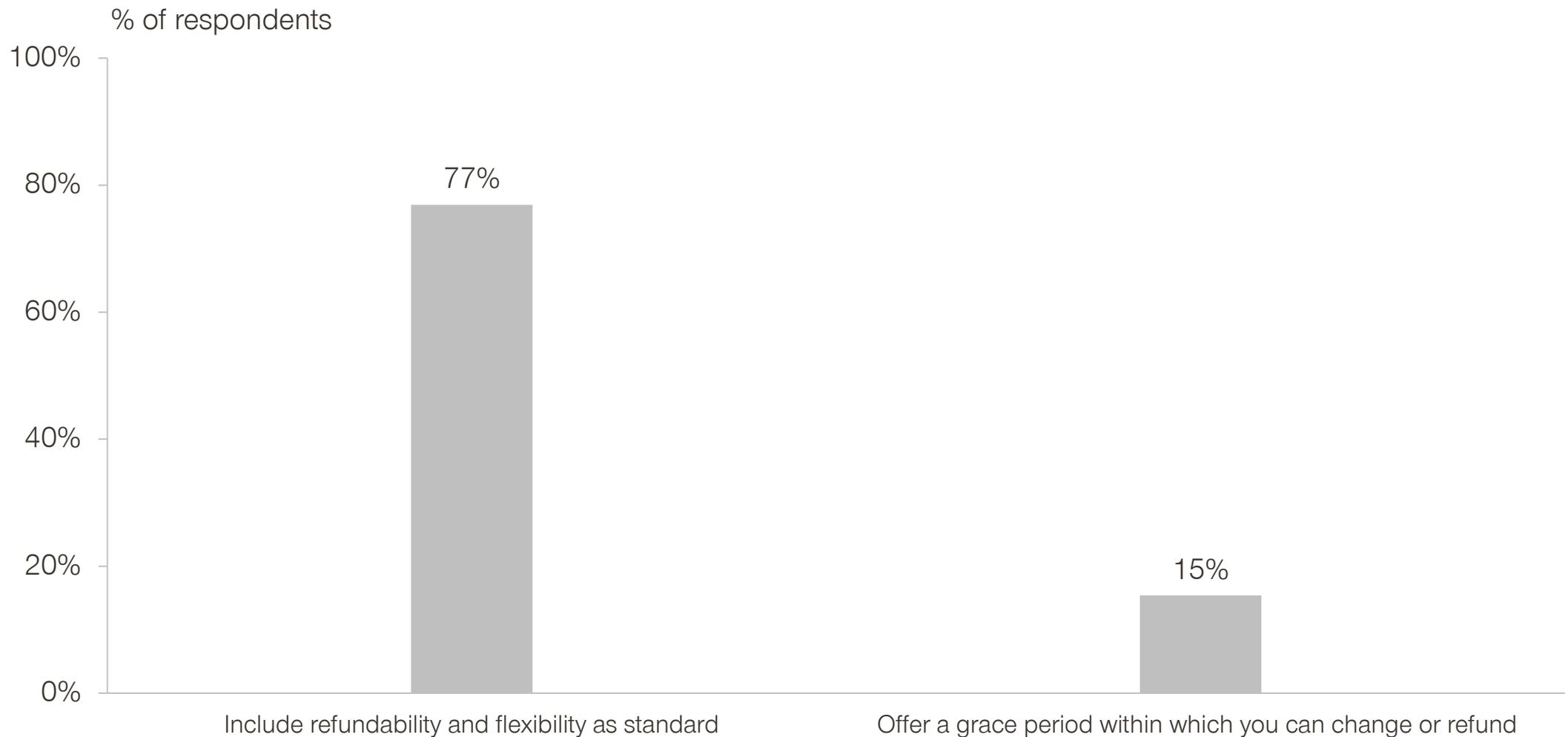
## Subscription



**Loyalty and personalisation also used to drive demand towards old and new product offerings**

## You also indicated that refunds and flexibility has now become a standard offering across sectors

**? Booking flexibility as a result of COVID-19 is now seen as very important to customers. Which statement below best describes your perspective on how to best fulfil this need?**



# No surprise that some of the travel aggregators have made flexibility a key filter

The screenshot shows the Kayak flight search interface. At the top, there's a navigation menu with the Kayak logo. Below it, a sidebar on the left contains various filter categories: Track prices (OFF), Recommended filters (Reset), Stops (Direct, 1 stop, 2+ stops), Flexible options (Flexible changes, Flexible cancellation), and Airports (LHR: Heathrow). The main content area displays flight results for Athens. A prominent banner for British Airways offers flights to Athens for £250, highlighting flexibility to change plans. Below this, a list of flight options is shown, including a direct flight from LGW to ATH for £111 on easyJet, and another direct flight for £194. Each flight listing includes details like departure time, duration, and a 'View Deal' button.

# So how do we RM in 2021?

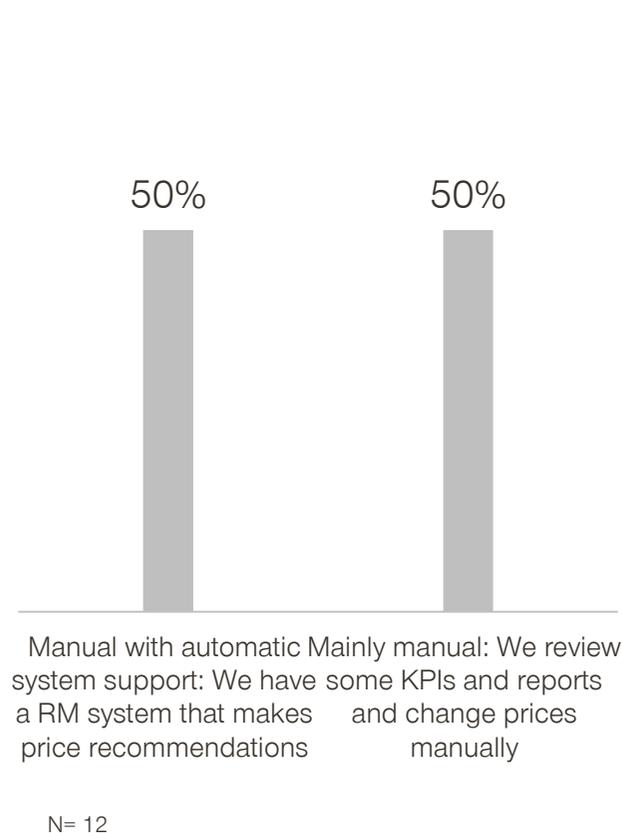


iStock/Creative-Touch

# Since COVID, pricing actions have become more manual relying less on the RM system

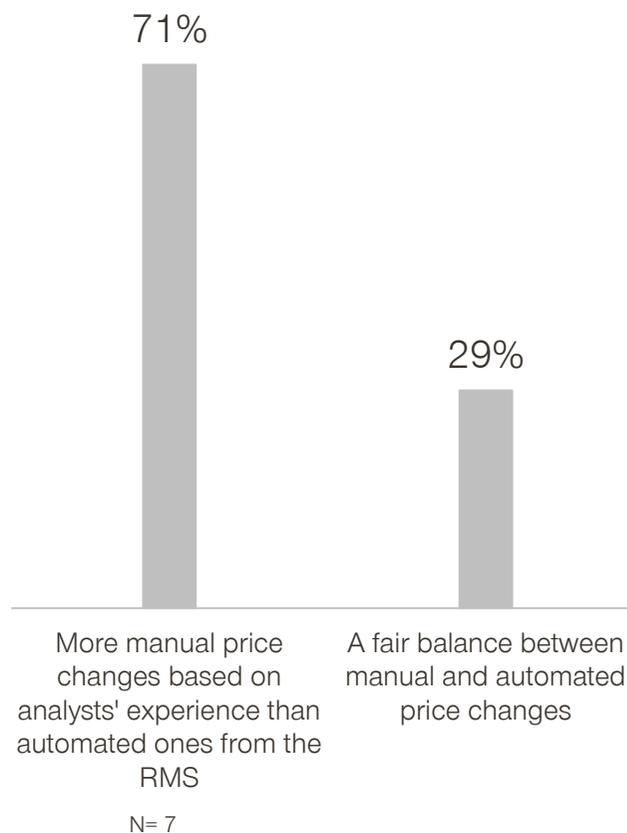
## RM systems split between mainly manual vs manual with automation

How would you describe your current RM capability in terms of systems/ reports and level of automated vs. manual price changes?



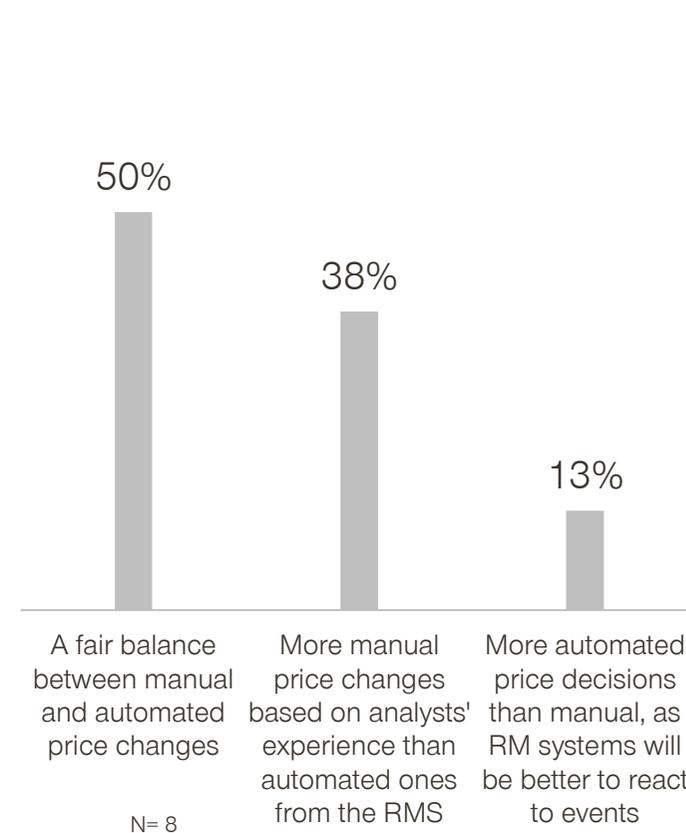
## During Covid there is more manual based price changes

Looking back at your trading during Covid, which of the following best describes the source of your pricing actions between automated and manual?



## Future price actions will be a fair balance between manual and automated

Looking forward for 2021, which of the following best describes how you think your pricing actions will be determined?



# RM systems viewed as less accurate to manage future bookings as they mostly rely on historical data

**? How accurate do you feel your existing RM system and reporting is to help you manage future bookings?**

% of respondents



# A resurgent crisis, requires commercial agility

## LONG-TERM PERFECTION IS SUITED FOR NORMAL DEMAND ENVIRONMENTS

*Build the best decision, then launch*

- ❌ Slow time-to-market but perfect solution – valid in more stable demand environment

Hypothesize, research, optimise and launch

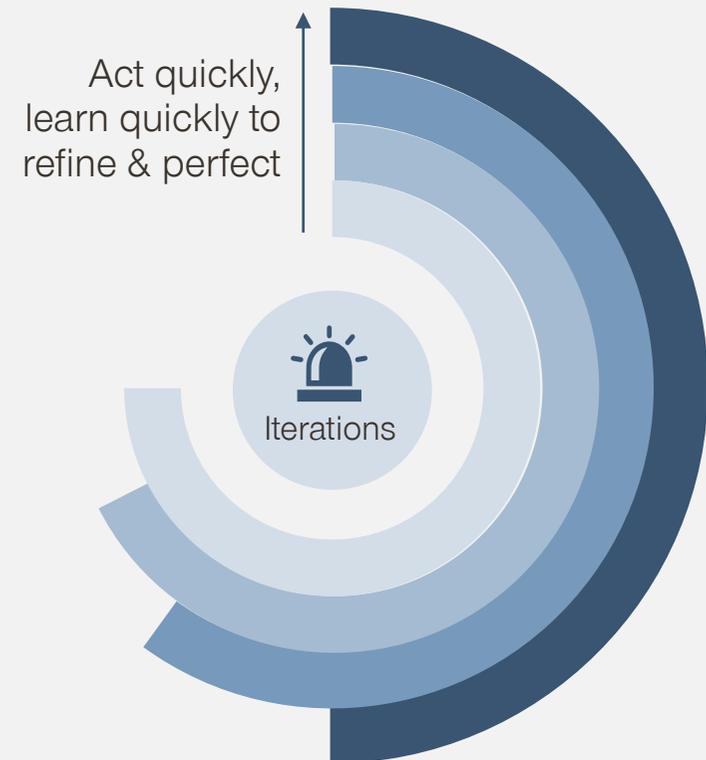


Step-by step to find the perfect solutions

## COMMERCIAL AGILITY IS CRUCIAL IN VOLATILE DEMAND ENVIRONMENTS

*Pick up market signals, react, learn & adjust*

- ✅ Quick actions are more important than perfect ones – valid in demand environments with high volatility



# So how do we incorporate this “agile” response to our RM systems and processes

- 1 Develop agile forecasting mechanisms that incorporate customer sentiment, market KPIs, internal sentiment and some very relevant Recent history**
- 2 Ensure your forecasts are dynamic enough to respond to recent rate of sale (even if your target/booking curves are not 100% accurate)**
- 3 Forget YoY – Week on Week is the new YoY both on tracking and also on updating your RM**
- 4 Employ Machine Learning methods that can pick up recent trends to help you make up-to date pricing decisions**
- 5 ...and if you are brave, build up a method to track when the “next wave” is coming to prepare you accordingly.**

# 1 Re-evaluate your demand considering a number of factors

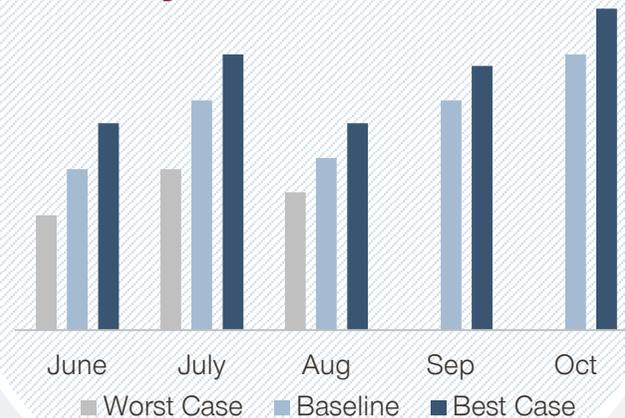
## a. Customer sentiment

- What is the **intention** to **purchase** post lockdown?
- What has changed in **customer needs**?
- What are the **barriers** to purchase?
- ...the **triggers** to purchase?
- What is the **WTP**?

## b. Market view

- What are the **signals** in the **market** when it comes to demand?
- What are the best **indicators** to signal **change** in **demand** for future changes?
- What have our **competitors** done and are they **stronger** or **weaker** out of this?

### Output: Likely demand scenarios



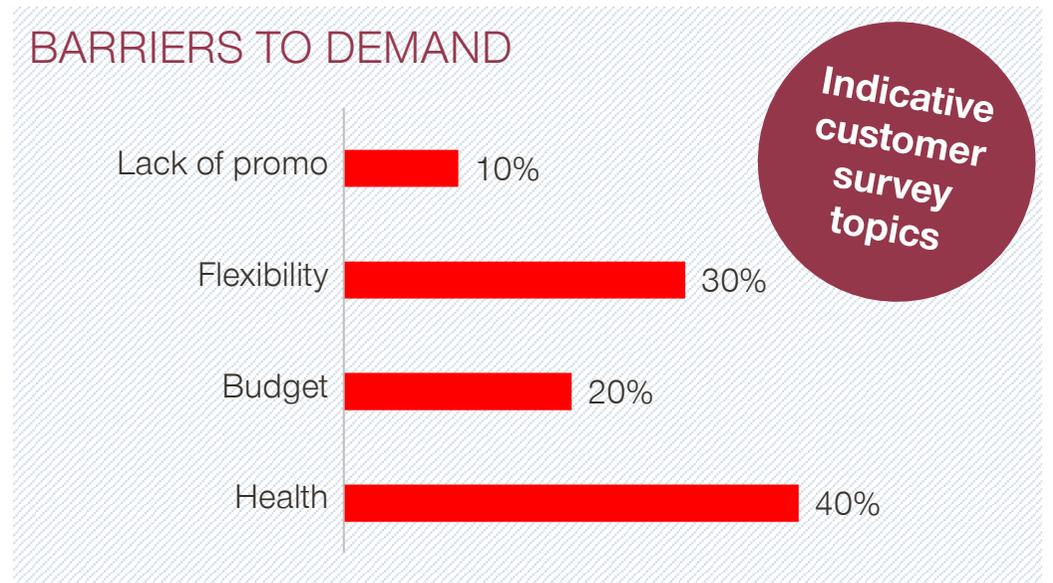
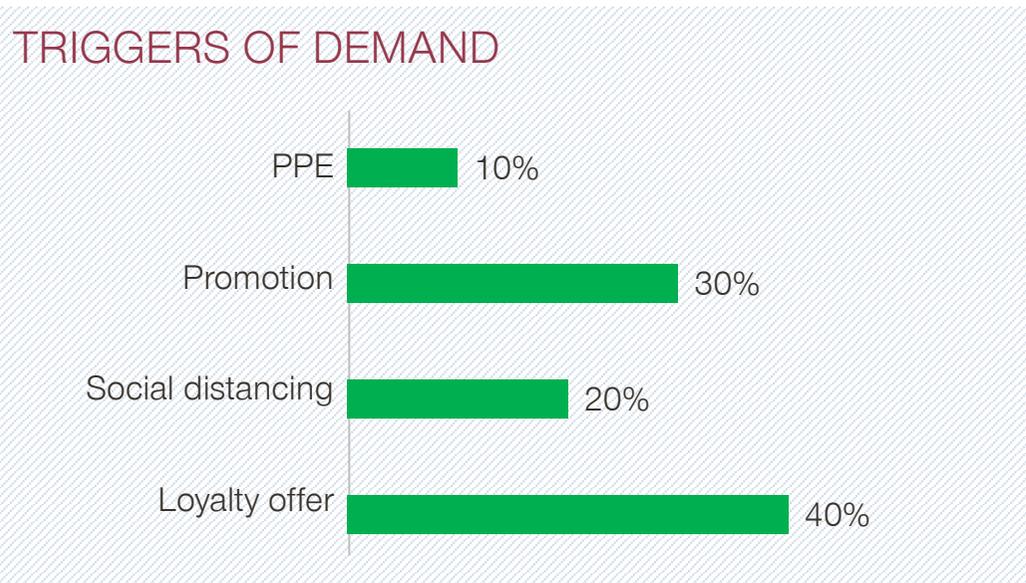
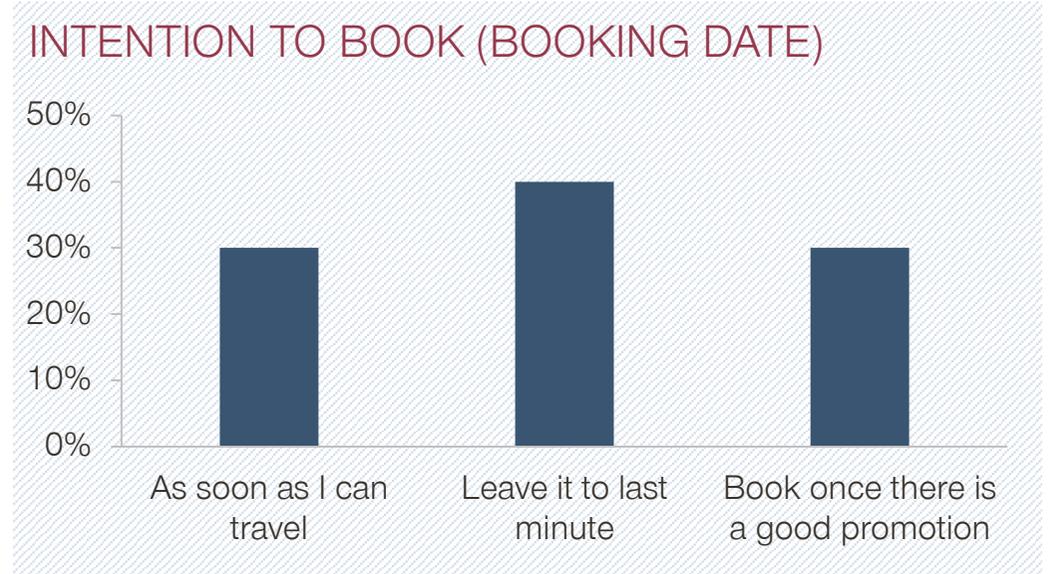
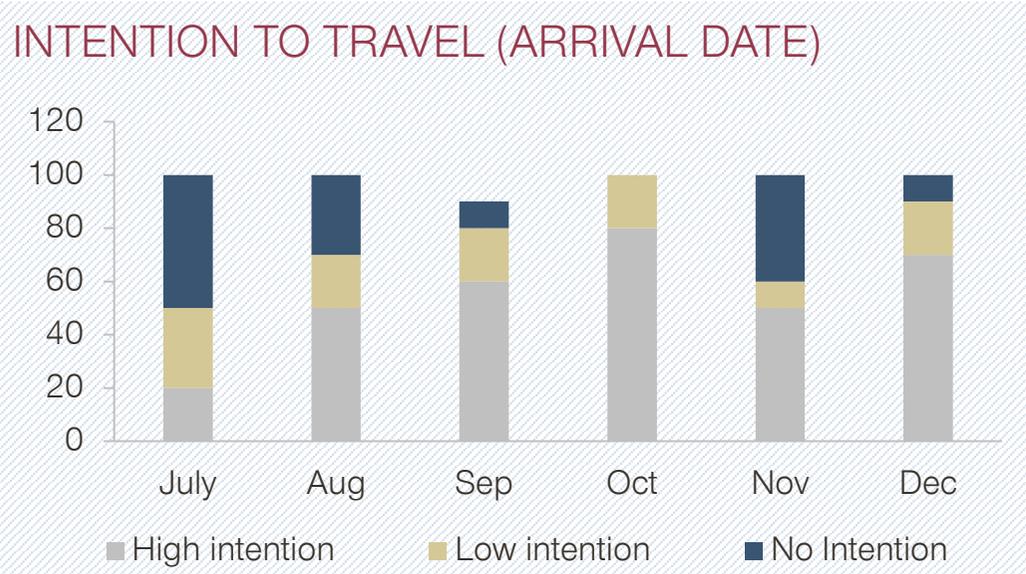
## c. Historical benchmarks

- Which **historical trends** still hold and which don't?
- What did we see happening in the **1<sup>st</sup> lockdown** and post the lockdown?
- ...how can we **translate this** to our **forecast** of demand?

## d. Internal view

- What have we seen happening from **internal data** or **early signals** (e.g. web-search, Google trends)?
- Is **acquisition**, **upsell** or **retention** the main focus?
- What are the **qualitative insights** from sales people talking to **customers**?

**1a Short customer surveys to understand better the intended demand and how to “unlock” it**



Source: Simon-Kucher & Partners

# 1b A set of internal and external indicators can quickly be used to reflect market demand signals

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- ✔ Likely to contribute insight (prioritize)
- ⚡ Contribution to be determined
- ✘ Likely not to contribute insight

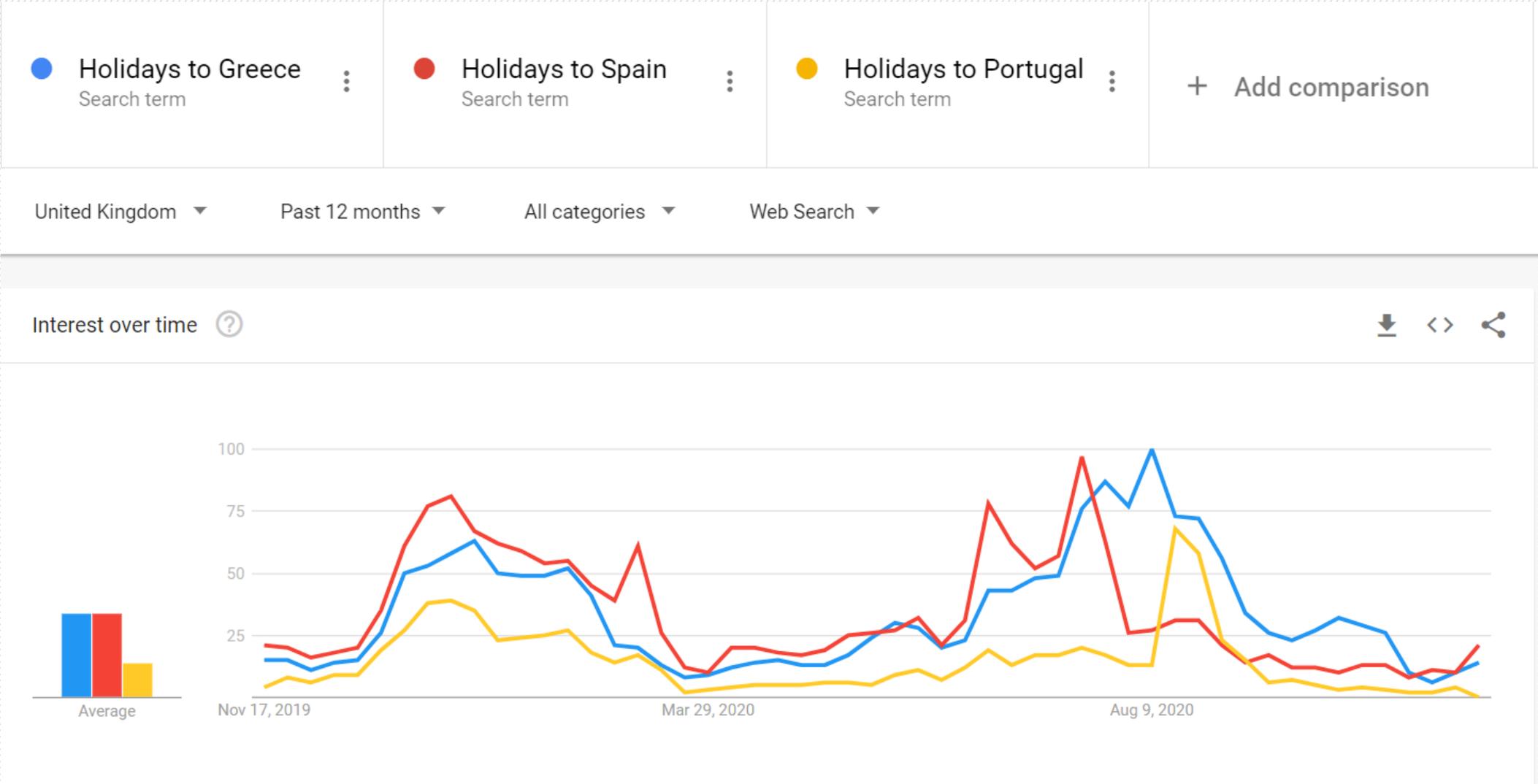
## Example for Hotel Industry

Dimension		Internal data					External sources							
		USALI <sup>1</sup>	Business on Books	Pick-up	L2B <sup>2</sup>	Group quotation	Govt. Policies	OAG <sup>3</sup>	STR	OTA forecasts	KATP <sup>4</sup>	Industry papers/memos	Google Trends	
Travel Dates	Past (used for performance)	✔	✘	✔	✔	✔	✔	✔	✔	✔	✘	✘	✔	✔
	Future (used for forecast)	✘	✔	✔	✔	✔	✔	✔	⚡	✔	✔	✔	✔	✔
Feeder Market	Domestic	✔	✔	✔	✔	✔	✔	⚡	✔	✔	✔	✔	✔	✔
	International	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	⚡	⚡	⚡
Sponsorship	B2C	✔	✔	✔	✔	✘	✔	✔	✔	✔	✔	✘	✘	✔
	B2B	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	⚡
R2M	Direct	✔	✔	✔	✔	✘	✔	✔	✔	✔	✔	✘	✘	✔
	Intermediated	✔	✔	✔	✔	✔	✘	✔	✔	✔	✔	✔	✔	✔
Granularity	Transient	✔	✔	✔	✔	✘	✔	✔	✔	✔	✔	✔	✔	✔
	Non-transient	✔	✔	✔	✘	✔	✔	⚡	✔	✔	✔	✔	✔	⚡
Travel Purpose	Corporate	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
	Leisure	✔	✔	✔	✔	✘	✔	✔	✔	✔	✔	✔	✔	✔

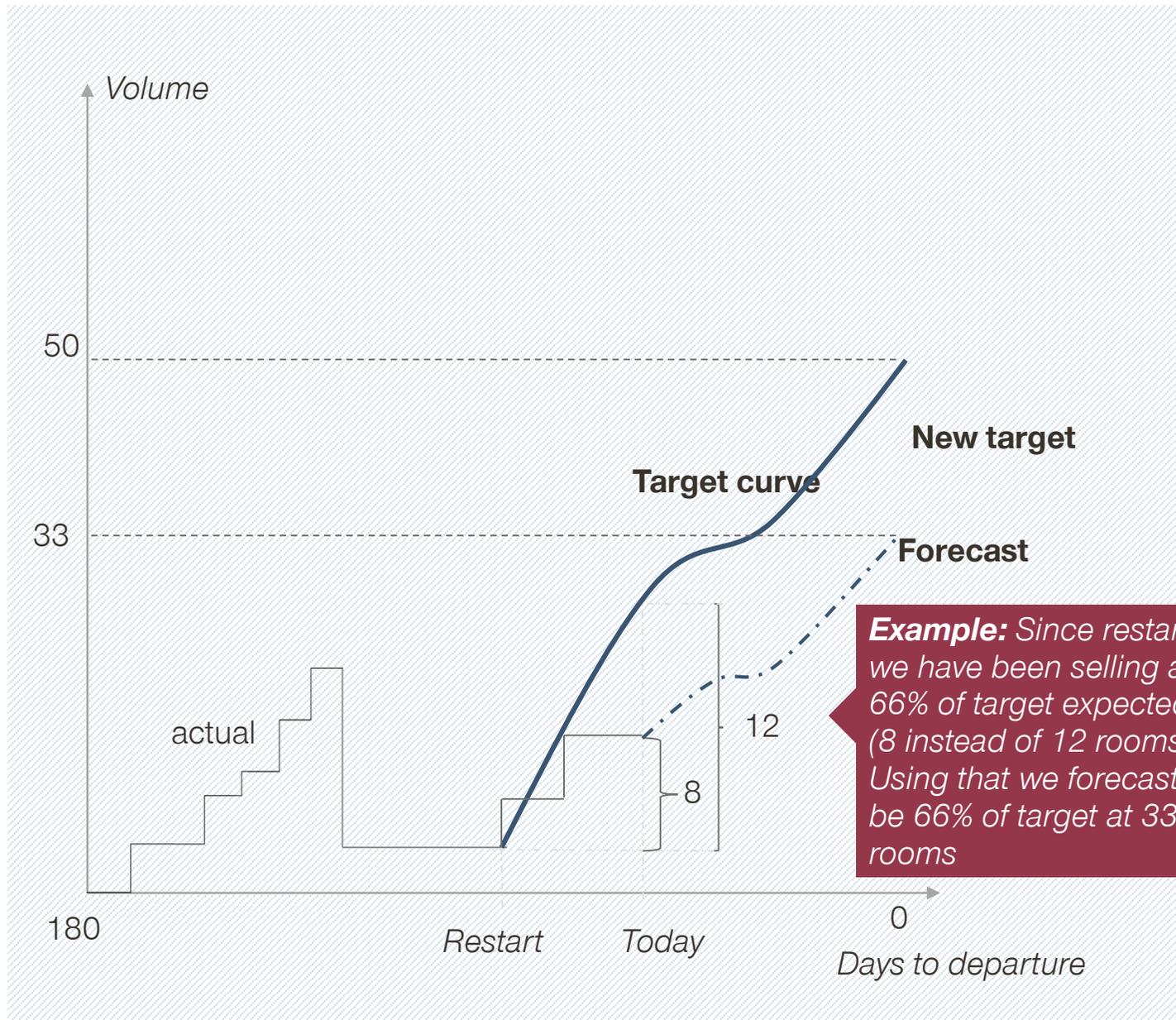
**KPIs must be prioritized according to relevance, not just availability!**

Source: Simon-Kucher & Partners; 1) Demand Strat: systematic aggregation of internal de-centralized feedback and sentiment 2) USALI: Uniform System of Accounts for the Lodging Industry 3) OTB: On The Books; 4) L2B: Look to book; 5) Client surveys: systematic consumer pulse 6) OAG: Flight data provider; 7) Key-Account Targeted Polling

# 1c Recent Covid-related history is a good proxy on what is likely to happen to demand



**2 Ensure you adjust your forecasts dynamically that reflect recent rate of sale..**



**Revert to reactive forecasting that picks up trends vs. target, rather than rely on historical performance**

- Using your revised target and target curve, start tracking your bookings against the target
- Using recent **rate of sale** (booking vs. target) **project likely forecast** position
- ...ideally use **as much recent data as possible** to ensure that your forecast are dynamically responding to demand

## 2 ...and forecast at multiple levels to balance recency with statistical significance

Rate of Sale based on...	 Hotel Week		 Hotel Week Date			 Hotel Week Date Room			
	1 DAY	100 bookings		10 bookings			1 booking		
3 DAYS	300 bookings		15 bookings			2 bookings			
1 WEEK	700 bookings		60 bookings			12 bookings			
2 WEEK	1,400 bookings		100 bookings			20 bookings			

Sufficient bookings to get a trend

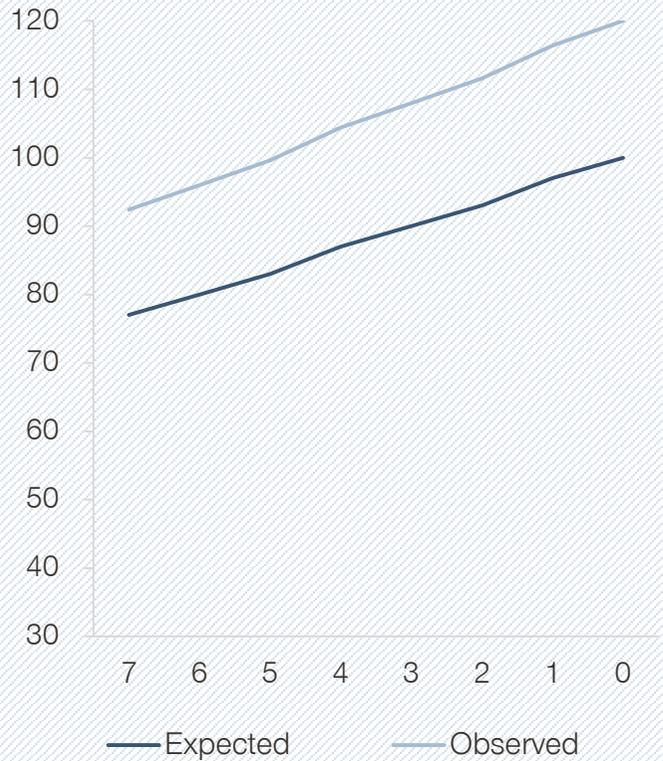
Almost enough data

Insufficient data for a trend

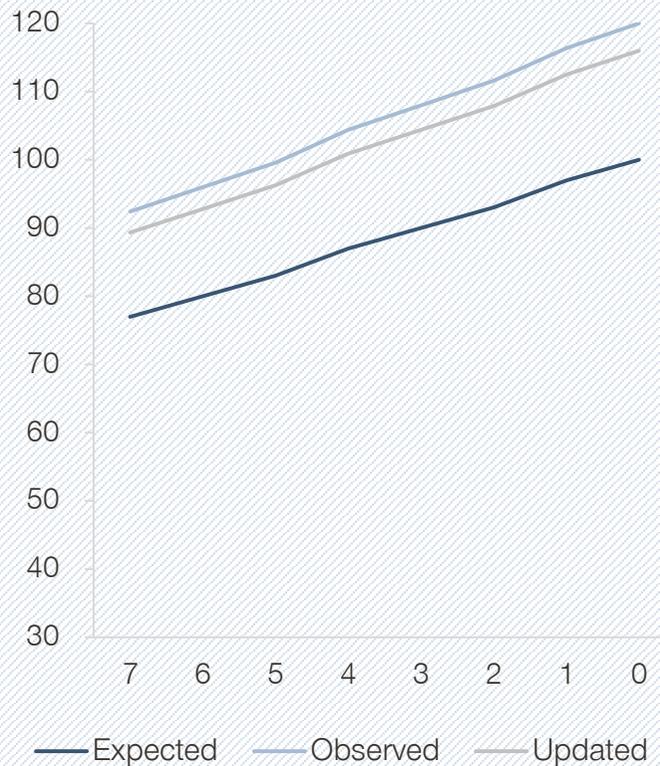
**Update your forecasts to have very recent trends from “high-level” but also extend our “range” of RoS for more specific insight on the relevant category you are pricing**

### 3 Develop Agile RM practices to ensure that booking curves and RM elements are updated week on week

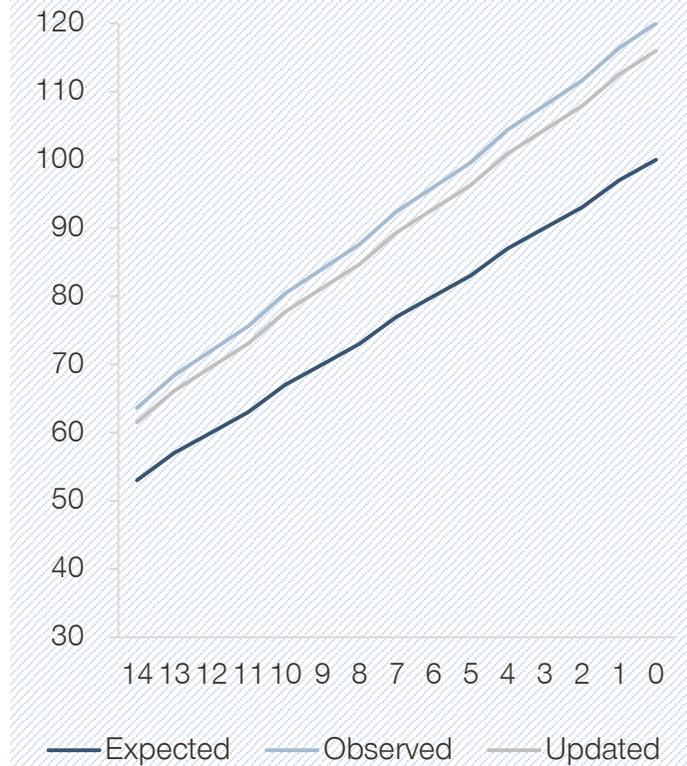
WEEK 1 – RECORD DEMAND VS. EXPECTATION



WEEK 2 – UPDATE YOUR EXPECTED CURVE WITH OBSERVED FROM WEEK 1



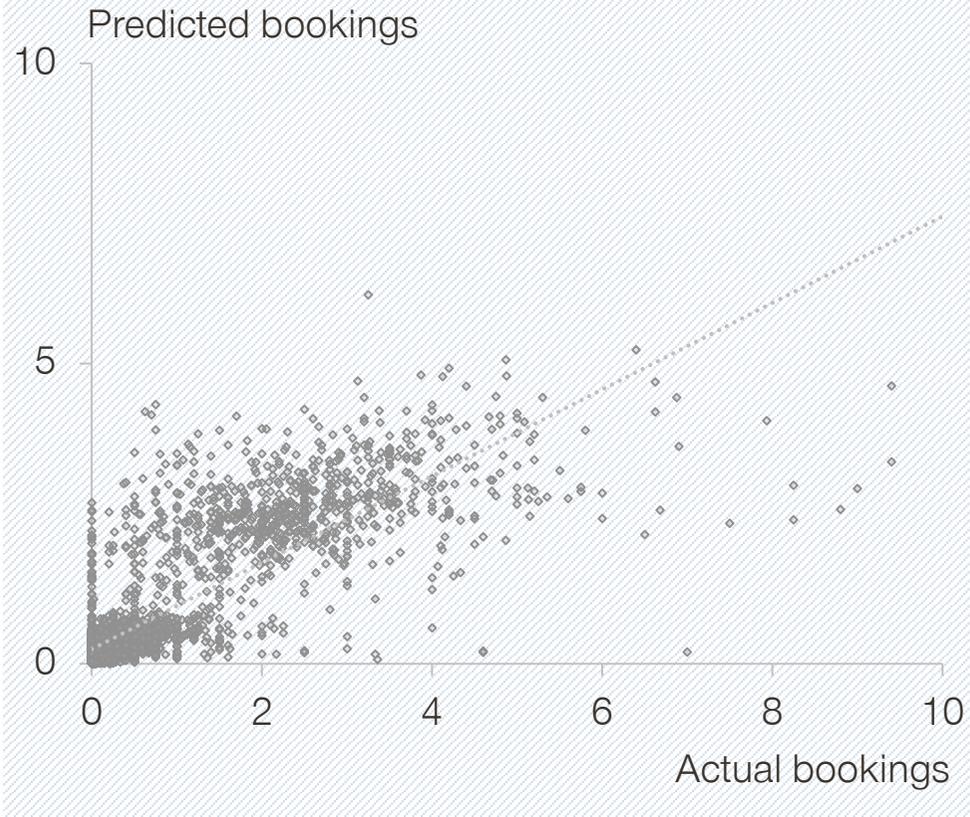
WEEK 3 – UPDATE YOUR EXPECTED CURVE WITH OBSERVED WEEK 1 & 2



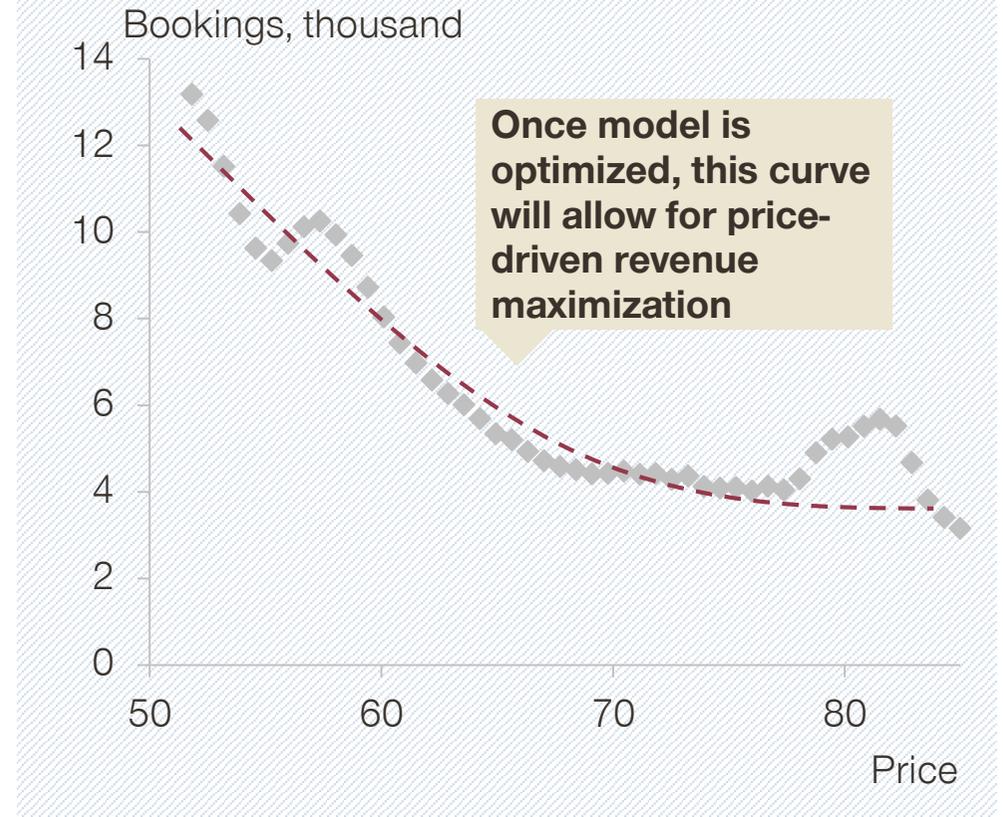
**YoY is dead → focus on week on week comparisons to update booking curves and other RM elements**

**4 ...and employ machine learning techniques to pick up price elasticity of demand quickly & effectively**

USE MACHINE LEARNING METHODS ON RECENT BOOKINGS TO PREDICT DEMAND BASED ON PRICE

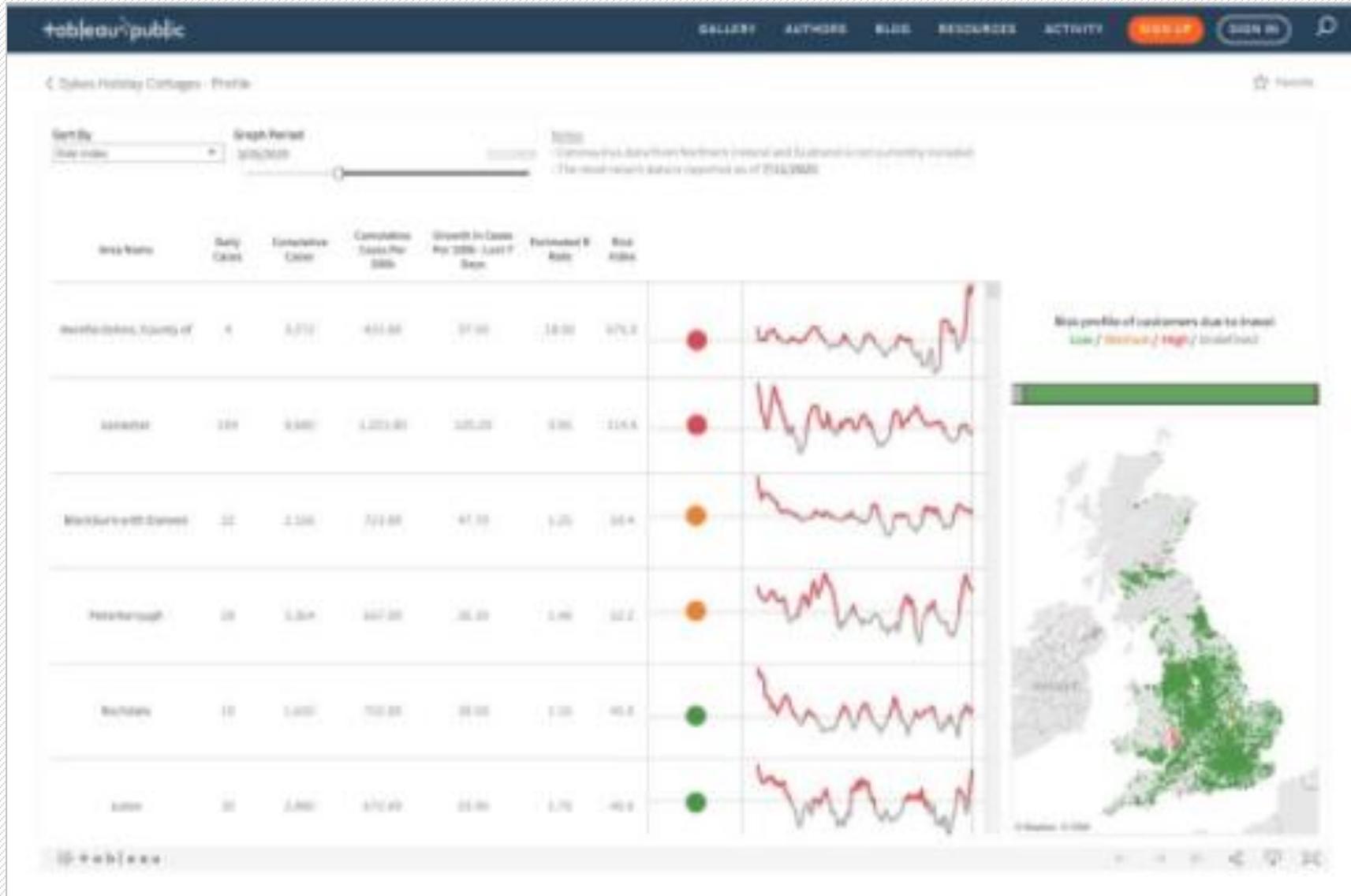


...AND USE INSIGHTS TO TRANSFORM IT TO A PRICE RESPONSE CURVE



**Employ machine learning methods to build price elasticity models quickly based on bookings made r post-Corona**

**5 ...and be ready to predict the next lockdown and where it is likely to hit**



## Don't despair – REVENGE travellers are on their way



### Golden Week Holiday in numbers:

- 425 million people travelled domestically in 1 week
- 15 million passenger trips by plane
- 50% rise in hotel bookings
- 11% YoY increase in demand vs. 2019

If you want to discuss any of the topics further then please get in touch!



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**Any questions?**

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