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## What Happened To Rate Parity?

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Dr. Sheryl E. Kimes, Singapore Tourism Board's Distinguished Professor in Asian Hospitality Management, challenged participants of the recent Revenue Management Roundtable with this question.

The Cornell-Nanyang Institute of Hospitality Management (CNI), along with iDeas, a SAS Company, hosted the CNI Thought Leaders in Revenue Management Roundtable last May 20, 2009. Led by Dr. Sheryl E. Kimes, the roundtable consisted of an exclusive group of invited hospitality leaders practicing Revenue Management, including senior executives from Amadeus Hospitality Business Group, The Ascott Group, Carlson Hotels Worldwide – Asia Pacific, Banyan Tree Hotels & Resorts, Fairmont Singapore & Swissôtel The Stamford, IDA Software Group, InterContinental Hotels Group, Micros-Fidelio Asia Pacific, Millennium & Copthorne International, Raffles Hotels and Resorts, Royal Plaza on Scotts, Shangri-La Hotels & Resorts, Synxis Asia-Pacific, Temasek Polytechnic, and the Nanyang Business School. Together, the participants discussed the challenges they face today.

Corporations prefer the stability of seasonal or fixed pricing, not dynamic pricing. Consumers love low prices, but make decisions based on their knowledge of the brand, rather than on price. Hotels are scrambling for market share just to get any business in the door.

What happened to rate parity?

Ms. Han Ju Yeon of Raffles Hotels & Resorts articulated it best by saying, "Attaining rate parity at the moment is very difficult. Rate integrity is easy if you have a very clear strategy to maintain it. However, the economy is changing so fast it's hard to control dynamic pricing along with changing management strategies."

All of the Revenue Managers present at the roundtable commented on the relationship of Revenue Management for "upholding the brand as a selling point", to quote Mohammed Hamzah, Director of Yield Management, of the Royal Plaza on Scotts Hotel.

However, the market is contradicting that strategy. Any business is critical to maintain when occupancy is so low.

From the wholesale business, through agents and consumers, the market is intensely dynamic. Yet the corporate market wants flat rates and stability. What is working against dynamic pricing in the corporate market is the visibility of pricing via the internet.

Mr. Peter Gebhardt, Director of Revenue Management of The Ascott Group said that "When you go into supply outstripping demand in the market, [the power] bounces back to the customer." Mr. Gebhardt further commented that, "Customers are dictating their terms. The tables have turned already. The customer has a lot more clout because we are all struggling to get the business."

Mr. Jos Weejes, Vice-President Distribution, Marketing & Revenue Management, Asia Pacific of the InterContinental Hotels Group cited a case where a Korean customer recently negotiated an account of 4,500 room nights. The customer sought a 10% discount on their current pricing. The Revenue Management strategy was to hold on to their Average Daily Room rate as closely as possible. IHG lost the account even though it had been with them for a long time. The customer cared more about the price than the brand value that IHG represented.

"Driven by the education of the consumer," said Mr. Weejes, "There are different pricing points by different regions. The consumer gets visibility over the internet. They are now comparing prices and have choices to make. This will feed into operations and procurement contracts and ultimately be better."

The corporate market is changing, however. It looks like a hybrid model is emerging. Corporate accounts that do not have contracts have employees going online to seek out the best rates. Locally negotiated accounts are occurring.

Mr. Gebhardt said that "This goes back to being consistent in your approach. You have to have a clear and consistent strategy and stick to it."

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