



# REVENUE OPTIMIZATION CONFERENCE

*A Commercial Strategy Event*



11<sup>th</sup>-12<sup>th</sup> May 2023

MARINA BAY SANDS **SINGAPORE**

# Linking Sustainability to Revenue Management



## REVENUE OPTIMIZATION CONFERENCE

**Michael Kruesi**

Associate Professor  
Singapore Institute of Technology

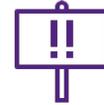
11<sup>th</sup>-12<sup>th</sup> May 2023

MARINA BAY SANDS **SINGAPORE**

## Hotel Sustainability



Love it or hate it... it's not a trend, or a fad – Sustainability is here to stay.



Demanded by the market and increasingly driven by regulation.



Requires a learning curve, an investment and time, but also presents an opportunity for early adopters.



Sustainability practices and policies could potentially lead to revenue maximization.



Investing in sustainability should therefore be viewed as a long-term business strategy.



A/Prof Remy and I are actively researching the link between sustainability and revenue management.

## Costs vs. Opportunities

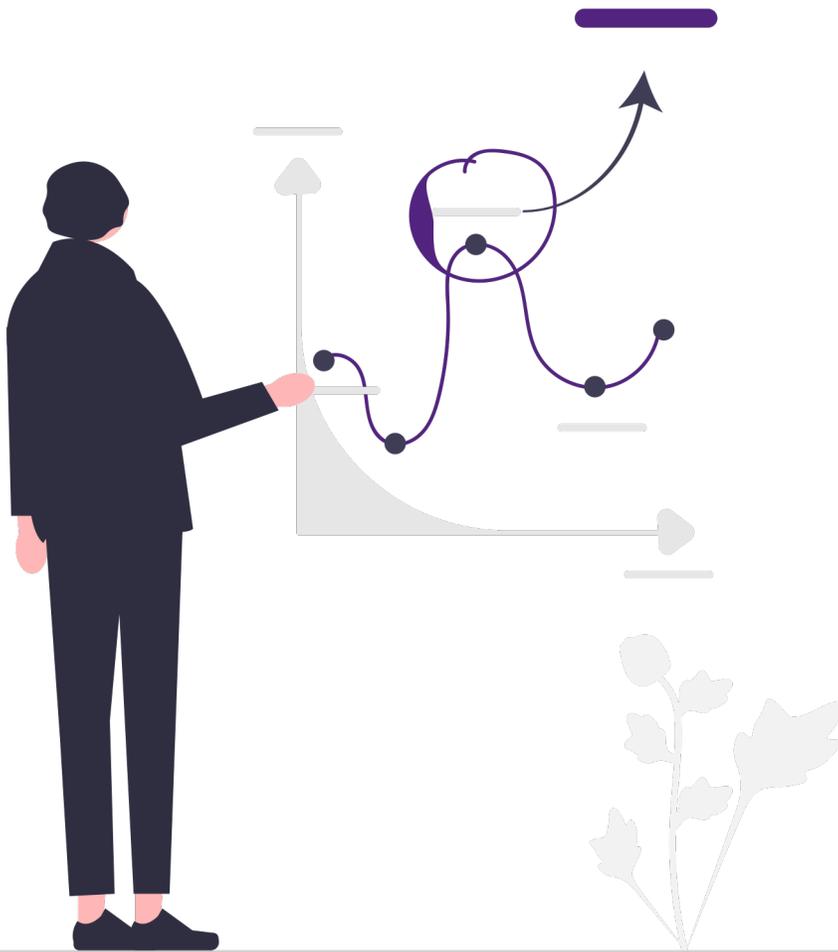
### Short-term Investment

- **Upfront Costs:** Implementing sustainable practices entails initial costs for hotels.
- **Employee Training:** Educating staff on sustainable practices and integrating eco-friendly habits.

### Long-term Opportunities

- **Cost Savings:** Sustainable investments lead to reduced operational costs in the long run. As well as the possibility of deductions.
- **Enhanced Reputation:** Hotels can attract more guests, resulting in higher occupancy and revenue. Specifically, guests who are willing to pay a premium.
- **Competitive Advantage:** First movers enjoy higher RevPAR and ADR than later adopters in their compset.
- **Regulatory Compliance:** Hotels can stay ahead of potential regulatory changes and avoid non-compliance penalties.
- **Customer Loyalty:** Guests who value sustainability are not only more likely to pay premiums but also to revisit, such loyal customers further contribute to long-term success.

## Online Reputation Management and Revenue Management – A Precedent



In the digital age, hotels must actively manage their online reputation to maintain a positive image and attract new business.



By effectively managing their online reputation, hotels can improve customer satisfaction, increase bookings, and ultimately drive revenue.



Research has shown that a 1-point increase in review scores on a 5-point scale allows hotels to raise their prices by 11.2%, while still maintaining the same occupancy and market share.

## Online Relationship Management – The Trust Score Model

- The ORM trust score model requires measuring and benchmarking various data points to objectively improve a hotel's reputation.
- Independent and unbiased reviews of a hotel's features, amenities and services are calculated into trust score. E.g., ReviewPro.
- Hotels must similarly assess their sustainability performance, identify areas for improvement, and demonstrate their commitment to eco-friendly practices.
- This transparency and accountability could contribute to building trust with guests and stakeholders, further enhancing the hotel's reputation optimizing your revenues and ensuring long-term success.

### Measuring:

- Collect sustainability data, to quantify the hotel's environmental impact, such as:
  - Energy consumption
  - Water usage
  - Waste reduction
  - Carbon emissions

### Benchmarking:

- Comparing the hotel's sustainability performance against compsets and industry standards.
- Evaluate the hotel's performance relative to competitors to understand its standing in the market
- Identify areas for improvement.

### Sustainability Performance Indicators:

- Establish clear, quantifiable indicators reflecting the hotel's sustainability goals and objectives.
- Continuously monitor and update these indicators, tracking progress, ensuring transparency, creating trust among guests and stakeholders.
- Ultimately move towards recognized certification.

## Rationale

Sustainability can be used by hotels to promote their sustainability efforts to potential customers.

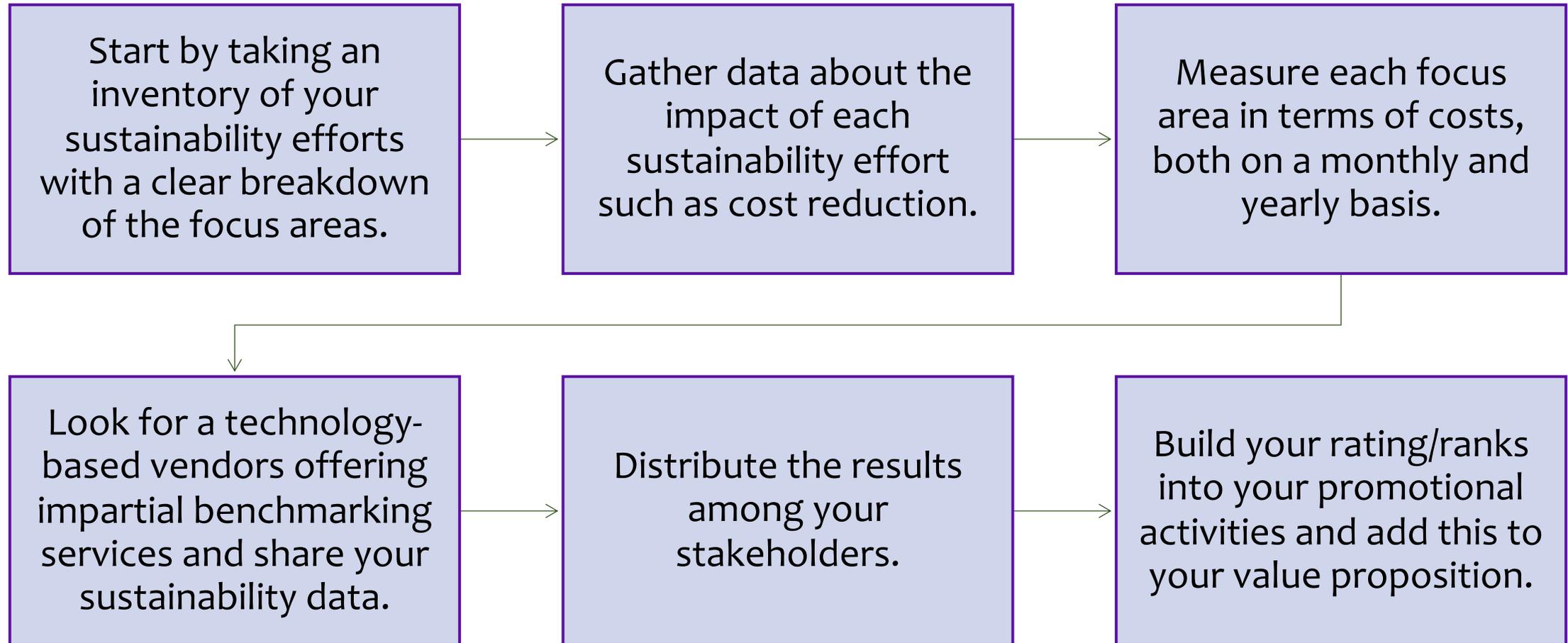
Measuring sustainability is complex and lacks standardization, making it difficult to benchmark and communicate environmental performance to stakeholders.

Revenue management and sustainability are interconnected. Both involve making decisions that balance short-term and long-term goals.

Challenges exist, including costs, identifying appropriate timing, measuring progress, and benchmarking against competitors and industry averages.

A lack of transparency and comparability undermined consumer confidence in the industry's commitment to sustainability. An objective trust score is needed.

## How can you move forward?



## Key Takeaway

- Sustainability is here to stay!
- The short-term costs are far outweighed by the long-term opportunities.
- A first mover advantage not only makes sense, but it should be actively pursued.
- Regarding the link to RM, it may well be the case that we will see a similar trend to that observed with ORM.
- We encourage hoteliers:
  1. To measure their hotels' sustainability efforts.
  2. To promote their standing/ranking through benchmarking their performance against their competition and industry averages.
  3. To use that information for revenue optimisation, in turn allowing for higher profit margins.



**If you would like to start measuring, documenting and promoting your sustainability efforts, we look forward to discussing with you after the session.**

## Hotel Sustainability Survey

Please scan this QR code and answer the short survey.

Thank you!





# REVENUE OPTIMIZATION CONFERENCE

*A Commercial Strategy Event*



11<sup>th</sup>-12<sup>th</sup> May 2023

MARINA BAY SANDS **SINGAPORE**