Conference Review

Revenue management and pricing international conference, 8 June 2017, London

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Revenue Management and Pricing International (RMAPI) has been running conferences for revenue management professionals for over a decade, and each conference brings in practitioners from different industries to discuss topical challenges that they have encountered. June's conference this year attracted talks from Peter McCarthy (Away Resorts), Manu Carricano (ESADE Business and Law School), Peter Baumgart (Kuoni) and Stephanie Gosling (Amaris Hospitality) as well as a panel discussion on Revenue Management-driven capacity adjustments.

Away Resorts run holiday parks with a turnover of around £50 million and Peter McCarthy's discussion emphasised the challenge of RM in a small to medium-sized enterprise (SME). Their market has changed in recent years with the rise of Generation Y-fickle and value conscious – meaning products need to be made “snazzy” and eye-catching. This brings challenges for RM in the

form of complex price structures, determining the competition and setting up a framework that deals with increased sophistication and allows for growth. Away Resorts' focus has been on developing tools and enablers including management information and analytical rigour, moving away from the traditional Excel and Access to newer tools such as Tableau.

The Panel Discussion included representatives from trains (David Thompson, Virgin East Coast), ferries (Chris Parker DFD Seaways) and hotels (Peter Baumgart, Kuoni) with Peter Dorhout, a well-known independent consultant the final member of the panel. The discussion focused on moving away from micromanagement of prices where price is used as a lever of demand to instead shaping supply to meet the demand. The flexibility of an industry to change supply in the short term varies considerably but strategies such as incentivising individual customers to free up

their seats on busy services can work as an alternative. Behind all of this is a need to accurately estimate true, unconstrained demand.

Dr Manu Carricano of ESADE Business and Law School, Barcelona started the afternoon with a talk on Rethinking Pricing in the Algorithm Era, which discussed the big data revolution and how data analysis has been democratised with the advent of improved user interfaces and access to thousands of examples from people who have done the same thing. This makes it easier to develop algorithms in-house but the large number of pricing decisions introduces a need for more agility in pricing execution: getting results quickly might be better than being optimal, with fast reaction to changes being more important than perfect pricing.

Peter Baumgart of GTA (part of Kuoni) described the non-standard elements of RM in

a B2B world, in particular the hotel room wholesale market. Additional complications for GTA are that wholesale is an off-peak business as it is only needed when hotels are unable to sell all of their capacity. Forecasting is also difficult, with 15 million room nights sold from 56,000 hotels, so less than one room night per hotel per day; therefore estimation is a sparse data problem. The proposed solution is to earn and learn simultaneously, choosing prices that help explore the market as well as making money.

The final talk of the day came from Stephanie Gosling at Amaris, who manage around 80 hotels in the UK. Her talk discussed hotel refurbishment but came back to the question of profit, and how we can move to consider total revenue rather than just rate information.

All in all, a great day of talks with some interesting ideas to think about.