

THE ROAD TO SUCCESS WITH YIELDSTAR REVENUE MANAGEMENT

by Guy Lyman

An interview with Scott Villani, head of marketing and revenue management for Forest City's multifamily portfolio

The buzz about revenue management was on the streets a few years before Forest City Residential began to look at it seriously. “We knew this was something we needed to be a part of,” says Scott Villani, the company’s Director of Marketing and Revenue Management. “The topic was being discussed increasingly in the industry, and our competitors were already part of the conversation.”

CHOOSING THE RIGHT SOLUTION

After evaluating the two products available in the market, Forest City chose YieldStar’s Price Optimizer solution. “YieldStar really listened to us and understood our needs,” says Villani. “When we made the decision to move forward, we had complete buy-in from all levels of management, and a commitment to make the necessary resources available to do this thing right. That kind of support is critical when you’re changing something as mission critical as pricing methodology.”

“YieldStar was the ideal partner for our implementation. They understand our business. They understand revenue management, and most importantly, they understand Forest City’s specific needs and operating objectives. YieldStar tailored their implementation to us specifically, which was a big driver of our success with the system,” says Villani.

IMPLEMENTING THE RIGHT WAY

“Getting people comfortable with using revenue management is mostly about patiently explaining the concept in a way that makes sense, and being there to answer questions as they come up,” says Villani. “We explain that revenue management is basically weighing all the factors we already do, but the weighing is done by a computer, which can consider more variables and data, and can do it all day long on a real-time basis – something we just don’t have the time or resources to do.”

“It’s also important to communicate to them that this is just a tool to assist in pricing; it’s not making their judgment irrelevant, any more than autopilot means a plane can fly itself; you’ve still got to have a pilot who knows how to fly, who can monitor things and who will know when and how to step in if something unexpected happens.”

Not surprisingly, the training team found more enthusiasm and motivation for the move to revenue management in markets where the technology was already being used by competitors. In general, properties in suburban secondary markets were more hesitant. But Villani explains that important factors helped win everyone over.

“The fact that YieldStar specializes in multifamily was a big plus in this transition,” says Villani. “It was important to us to partner with a revenue management provider that truly understands our business and can relate to the questions and needs we have.”

A second advantage has been the close connection between marketing and revenue management. Villani oversees both marketing and revenue management for Forest City’s multifamily portfolio. He says it’s a natural fit. “You can’t address pricing without promotion. They go hand in hand.”

THE FUTURE LOOKS BRIGHT

After achieving great results in the first 6 months with an initial group of properties (including a 3% occupancy improvement and 12% new lease effective rent growth), Forest City decided to implement YieldStar revenue management across its multifamily portfolio nationwide.

As each market launched the solution, Forest City partnered closely with a Strategic Revenue Advisor from YieldStar on training and support for revenue management. They recently hired an internal Revenue Manager and will be transitioning from using YieldStar’s support to handling things on their own for the most part. “We couldn’t have achieved the same level of success without YieldStar’s partnership along the way. Our portfolio is large enough to warrant having an internal resource manage pricing, but we’ll continue leveraging YieldStar for guidance. They’re an invaluable resource.”

Villani concludes: “I think everyone will eventually move to revenue management, and my overall suggestion about the transition would be this: plenty of hand-holding. This is not hard technology to use, but it’s a big change, and getting people to feel comfortable with the change is the key to success. Choosing YieldStar meant that we had the right business partner and the best possible system to drive that change as successfully as possible and achieve the results we wanted.”

Guy Lyman is a Dallas-based freelance writer who specializes in the multifamily industry.

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