

Revenue Management for Hospitality and Tourism

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and Alan Fyall

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Contents

Preface	vii
Acknowledgements	vii
Introduction	ix
About the editors	xi

Part I Revenue Management Concepts and Techniques 1

1	The Emergence of Yield Management	2
	Patrick Legohérel, Elisabeth Poutier and Alan Fyall	
2	The Components of Revenue Management	20
	Patrick Legohérel, Elisabeth Poutier and Alan Fyall	
3	The Role of the Revenue Manager	37
	Patrick Legohérel, Elisabeth Poutier and Alan Fyall	
4	The Revenue Manager's Approach	53
	Patrick Legohérel, Elisabeth Poutier and Alan Fyall	
5	Setting up a Revenue Management System	74
	Patrick Legohérel, Elisabeth Poutier and Alan Fyall	

Part II Revenue Management in Practice 87

6	Revenue Management for Fixing Quotas and Prices of Perishable Commodities under Uncertainty	88
	SS Padhi	
7	Revenue Management in China's Lodging Sector: Practices and Challenges	104
	Larry Yu and Huimin Gu	
8	Restaurant Revenue Management	118
	Cindy Heo	
9	Revenue Management at Heritage Visitor Attractions	130
	Anna Leask	

10	Theme Parks Revenue Management	143
	Ady Milman and Kelly Kaak	
11	Revenue Management in the Cruising Industry	157
	David Selby	
12	Revenue Management in Hotels and Airlines: A Critique	169
	Paul Whitelaw	
13	Car Rental Revenue Management	182
	David Cretin and Emanuel Scuto	
14	Revenue Management and Customer Relationship Management	194
	Xuan (Lorna) Wang	
15	Staff Empowerment and Revenue Management	213
	Frederic Toitot	
16	Risk Management as a Tool to Optimise Revenue during Black Swan Events	223
	Kate Varini and Sarah Kamensky	
17	Timeshare Revenue Management	240
	Amy Gregory	
	Conclusion	251
	Index	253

Boxes

1.1:	Price dilution in the air transport sector	8
1.2:	Revenue management and tour operating	10
1.3:	Expert opinion - revenue integrity	13
1.4:	Revenue management – from technician to strategist	18
2.1:	What is the pricing system used by iDTGV?	24
2.2:	Changing distribution patterns at Best Western	35
3.1:	The case of iDTGV: The yield manager function and pricing	46
3.2:	The case of Corsairfly: The revenue manager function	47
3.3:	The case of ACCOR: Place or subsidiary and managed hotel revenue managers	48
3.4:	The case of the Carlton Hotel: The revenue manager function	49
3.5:	Proposition : A competence frame of reference for revenue managers	51
4.1:	The case of the Carlton Hotel: The function of the revenue manager and forecasting	58

4.2: Decision making processes in the air transport sector	62
5.1: PEC_Professional event calendar: A Web-based application to focus on analysis and action	77
5.2: Corsairfly and revenue management Excel tools	79
5.3: Successful revenue management adoption at Aeroflot Russian Airlines	81
5.4: The Carlton Hotel and the choice of a RMS combining an overall system and Excel	83
10.1: Pacific Ocean Park's development of the pay-one-price admission strategy	147
10.2: Walt Disney World Resort's RM strategy: The evolution of Magic Your Way pricing	150
10.3: Bundling services at Holiday World	152
11.1: AIDA Short Cruise from Germany to Norway and Denmark	160

Figures

1.1: Cross throwers	12
3.1: Organisation Chart	38
3.2: Organisation Chart with Revenue Management Function	38
3.3: Corsairfly Organisation Chart.	40
3.4: Revenue Management Diagnostic	43
4.1: Integrated Revenue Management Systems	54
4.2: An Example of Pickup for a 5-star Hotel	56
4.3: The Pickup for the same date at N-1 (same hotel, same period)	57
4.4: Comparison of 2009 and 2010 Pickup Curves	57
4.5: Overbooking	69
4.6: Ideal Control in Revenue Management	70
5.1: Architecture of the Revenue Management System	76
5.2: Airline Revenue Management Solutions	80
6.1: Decision Steps for Fixing of Optimal Quota	91
6.2: Multilayer perceptron with single hidden layer	93
6.3: Network of criteria and commodities	95
7.1: 4-star hotel RevPar performance, 2002–2009	108
7.2: 5-star hotel RevPar performance, 2002–2009	108
8.1: Typology of revenue management industries	119
8.2: The Impact of capacity utilisation in a restaurant.	121
10.1: Approximate sources of theme park revenues	145
10.2: Disneyland 'E' Ticket, circa late 1970s	146
10.3: Advertisement for pay one price admission at Pacific Ocean Park, circa 1961	148
11.1: AIDACara itinerary NE6, from Warnemunde (Germany) to Oslo and Copenhagen	160
13.1: Proportion of Key Performance Index (KPI) per types of clients	184

13.2: Compared evolution of daily available fleet over two years	186
14.1: The links between relationship marketing, CRM and four relationship domains	196
15.1: Human resources and revenue management	216
15.2: Revenue Management Program	218
16.1: The crisis signal detection process	228
16.2: Factors used to adjust computer generated demand trends	232
16.3: Which channels pose most constraints?	232
16.4: Demand and crises	236
16.5: Risk reduction	236
17.1: Worldwide Timeshare Resort Distribution.	241
17.2: A comparison of occupancy levels in the United States.	246
17.3: Timeshare ownership	247

Tables

6.1: Basic statistics of profit data sets for training and testing	92
6.2: Model validation and 10-week profit forecasting for various commodities	94
6.3: Priority and importance weights of criteria and commodities	94
6.4: Observed parameter values	98
6.5: Value of parameter goals and constraints set by hotel management.	99
6.6: Optimal quota and favourable price of commodity	99
6.7: Comparison of optimal parameter values	100
7.1: Hotel ownership in China, 2011	106
7.2: Hotel capacity and financial performance by star-ranking categories, 2011	107
7.3: Chinese popular tourist cities by hotel performance, 2011	107
7.4: Hotel food and beverage financial performance by star-rank and management, 2011	112
9.1: Summary of HVA Categories	131
11.1: A comparison of UK cruise ships cabin configuration and lead prices	165
14.1: Managers' opinions on revenue management and key account relationships	206
16.1: Risk process initiation	226
16.2: Risk treatment options	227
16.3: Possible elements within the risk universe of senior revenue managers.	230

Preface

This book provides hospitality and tourism professionals and students with a primer in the application of revenue management techniques. This is a welcome addition to the learning resources in hospitality and tourism. With our customers making more informed choices and our industry becoming more competitive, revenue management is becoming an increasingly important topic in the hospitality and tourism industry.

Prices continue to fluctuate up and down; something that remains a mystery and a source of great confusion to most consumers. Hospitality and tourism companies are carefully managing the 'game' of revenue management in order to sustain the growth of revenue and profit. Part 1 of this book provides the reader with a thorough overview of the concepts and techniques underlying revenue management implementation in the hospitality and tourism industry.

Part 2, meanwhile, includes many contributions from revenue managers, consultants and academics from around the world, with both experience in and a passion for revenue management. Together, these contributions provide the reader with a comprehensive and contemporary review of revenue management issues in a series of sectoral settings. These include forecasting, customer relationship management and revenue management practices in the cruising, car rental, restaurant, heritage attraction, and theme park sectors of hospitality and tourism, in a number of regions and countries around the world. One such example relates to the exponential growth of the hotel industry in China and the implied need for hotel groups and independent hotels to implement revenue management processes and tools to improve their efficiency and performance. Key performance indicators (including REVPAR and others) are being watched carefully on a daily basis (and almost every minute!) by hotel chain managers and local entrepreneurs.

To survive and prosper in hospitality and tourism, students and professionals must be: (1) aware of the basic concepts of revenue management; (2) suitably qualified to implement revenue management tools and techniques; and (3) kept updated in order to keep improving the efficiency and performance of their business.

I want to congratulate the contributing authors for having produced such an important piece of work, which without doubt will be welcomed by students and professionals in equal measure.

Kaye Chon, Ph.D.

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Introduction

Through our experiences as consumers, each one of us has faced the phenomenon of price multiplicity and variation: when we enquire about the cost of a hotel room or air ticket, the prices that we are offered seem to be constantly and erratically changing. Many people have, in an aircraft or a train, discovered that the passenger to the right had paid half as much for the ticket as they had paid themselves ... while at the same time, the passenger on the left had paid almost double, and all this for a service which appears to be exactly the same! The consumers (passengers) are astonished and simply do not understand how this situation could have arisen. Is there a pilot (manager) in this plane (company)? Yes, of course there is, and these manoeuvres (sales and pricing decisions) are carried out with increasing skill and precision. New pilots have appeared throughout hospitality and tourism: they are called yield managers or revenue managers.

Let us go beyond the consumer's (understandable) view that prices are fluctuating and consider the complex mechanism of commercial decision making and the revenue management function, which brings together various aspects of marketing management (segmentation, pricing, distribution, etc.) and other issues (turnover optimization, capacity and sales volume management, budget analysis, etc.).

The purpose of this book is to examine the revenue management function and to explain the mechanism of commercial decision making, from the definition of segmentation grids and pricing policy to the final decision to accept or refuse to sell a service at a given price on a given date. The revenue management function, always viewed as integrated to the marketing field, is central to hospitality and tourism companies and, from an operational point of view, reports more often than not to senior management.

The book incorporates many contributions from practitioners, academics, and revenue management experts from across the hospitality and tourism industry, including contributions that cover transport, accommodation, tour operations and car rentals. It has deliberately been written in a very engaging, accessible and student-friendly manner to facilitate learning, with a rich supply of contemporary case material included throughout the book. The case material has been carefully selected to provide the reader with an overview, as up-to-date as possible, of what is really going on in each sector, as well as providing a strong international coverage with case material originating from the USA, Europe and Asia.

The first chapter in Part I presents the foundations of yield/revenue management: its origins, principles, and the evolution of the revenue management function. Chapter 2 deals with the components of revenue management, from marketing fundamentals (customer analysis, segmentation, definition of the pricing policy, etc.) to the more specific elements (performance indicators and optimization levers). Chapter 3, meanwhile, presents the revenue management

function: its place in the company and interactions with other functions, the revenue manager's missions, the required skills set, and the function profile. Chapter 4 then details the revenue manager's operational approach: data management, forecasting, and decision making regarding capacity allocation and optimization, while Chapter 5 focuses on presenting the revenue management system and its implementation in the company.

Thereafter, Part 2 provides several examples of the application of revenue management systems in various sectors and types of companies across the wider hospitality and tourism industry. The book concludes with a short synthesis of those issues of particular significance for the future management of revenue in the dynamic industry that is hospitality and tourism.

Patrick Legohérel and Elisabeth Poutier, Angers, France

Alan Fyall, Orlando, USA

February 2013

About the editors

Patrick Legohérel is Professor at the School of Hotel and Tourism Management (ESTHUA – UFR ITBS), and member of the GRANEM Research Department, University of Angers, France. His work has appeared in academic journals such as the *European Journal of Marketing*, *Journal of Retailing and Consumer Services*, *Journal of Global Marketing*, *Journal of Travel and Tourism Marketing*, *International Journal of Hospitality Management* and *Journal of Hospitality and Tourism Research*. He is Co-Guest Editor of the *Journal of Travel and Tourism Marketing* Special Issue on Revenue Management (2004 & 2014). He also serves on the editorial boards of *Journal of Travel and Tourism Marketing*, *Journal of Global Marketing*, *Journal of Vacation Marketing*, *Journal of Destination Marketing and Management*, and *Journal of China Tourism Research*, while he reviews regularly for other academic journal such as *Tourism Management*.

Elisabeth Poutier is Professor of Marketing at ESSCA School of Management, France, where she is co-director of a dual Master's Degree in Revenue Management and Service Marketing awarded by ESSCA and the State University of Angers. She holds her PhD degree in Management from the Conservatoire National des Arts & Métiers (CNAM) in Paris. In addition to her research in the fields of service marketing and revenue management, she also has a keen interest in corporate social responsibility, ethics and fair trade, and is a member of the ESSCA Research Centre in Social and Solidarity-Based Economy (CeRESS).

Alan Fyall is Professor at Rosen College of Hospitality Management, University of Central Florida, USA. He has published widely in his fields of expertise and is the author of over 100 articles, book chapters and conference papers as well as 14 books. He is Co-Editor of Elsevier's *Journal of Destination Marketing & Management* and Co-Editor of *Contemporary Cases Online*, while he also serves on the editorial boards of *Annals of Tourism Research*, *Journal of Heritage Tourism*, *International Journal of Tourism Research*, *Anatolia* and *Regional Statistics*.

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