



### Article Title

How economic crisis affects revenue management: the case of the Prague Hilton hotels

### Citation

Gehrels, S., & Blonar, O. (2013). How economic crisis affects revenue management: the case of the Prague Hilton hotels. *Research in Hospitality Management*, 2(1-2), 9-15, DOI: 10.1080/22243534.2013.11828284

### Abstract

This study explores revenue management practices in two Prague hotels throughout the past years of economic crisis. Data were collected through participant observation, accessing company documents, and by soliciting inputs from key informants. This study identifies the necessity for careful pricing strategies and to resist discounting. Rate dilution and price wars in the market should be avoided in order to prepare for times of recovery. To maximize revenue, forecasting should be accurate, group contract conditions should be monitored, and over-sales versus spoilage factors balanced. Strategies aimed at both direct and indirect channels should be aligned to maximize value and cost-effectiveness.

### Methods

For this research, a qualitative case study design was chosen, which can serve as a representative case and example for other businesses. Participant observation was used as primary data collection technique, supported by company documents and analysis of company websites. Observed actions concerning revenue management procedures were noted.

### Results

Market segmentation did not change during the economic crisis in the Prague Hiltons. Pricing, on the other hand, was exposed to discounting and significant rate decreases by as much as 26%, in response to overall low demand, which declined by 20%, resulting in room revenue dropping 41%. Major changes in demand forecasting occurred in booking patterns.

### Conclusion

Based on the analysis of the market segments, it was found that the market segmentation structure did not change during the economic crisis. What changed was the buying behavior of customers from different market segments.