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Revenue Management and it impacts on its actors in the hospitality industry

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Summary

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Introduction

According to the World Tourism Organization[1] the tourism industry is one of the most important one in the world as much as the oil industries or the automotive industries, and even more. This industry also creates a lot of works and brings revenues to developing countries. The World Tourism Organization[2] said in 1980 "the tourism became a civilization phenomenon… The extent it gained made it pass from a limited plan of an elite pleasure to a general plan of social and economic life". Then it shows that tourism sector is definitively important.

The hospitality industry is part of the tourism industry of that always as a lot of activities with a lot of travelers a year whether for leisure as for business. Hospitality industry is growing even if it is not as important as before. Indeed, the past years the growing rate was about 3% and was only 1,2% in 2013. However, still that there is a growing of the hospitality industry which is leaded by the international hospitality groups[3]. The European and North American market start to be saturated so international groups are moving to the emerging markets as Asia. Even if there is a worldwide crisis this sector persist and continues to deliver a huge number of rooms, they were about 19,5 millions of rooms in January 2014.

One thing that can explain why hospitality industry is that much important is that it is a product that every people in the world can possibly need one day. It could be for holidays, for business, to make a halt, to spend a week-end or as a provisory accommodation. But customers can need it any many different ways so it means that hospitality can reach many different customers for different needs.

As said before, international hospitality groups are the leaders on the market but there is another kind of hotels, the independents ones, that are also many over the world maybe more than the groups. However, some of these independents hotels regroup themselves into

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[1] Organisation Mondiale du Tourisme. Pourquoi le tourisme ?
http://www2.unwto.org/fr/content/pourquoi-le-tourisme
[2] Geotourisme. Le Tourisme Dans Le Monde.
http://geotourweb.com/nouvelle_page_2.htm
[3] HospitalityOn. Communiqué de presse : « *Classement hôtelier mondial : les leaders se renforcent* »
http://hospitality-on.com/fileadmin/Emailings/CP/CP-Classement-monde-2014.pdf

networks as for example, Logis[4] or Relais & Chateaux[5] that can helps customers to identify hotels and feel secured because they know that these networks requires a level of quality from hotels. So this could bring more opportunities for the hotelkeeper to get customers.

However, even if the hospitality industry seems to have a lot of customers that can bring revenues there is a high competitiveness among the hotels and each of them tried to earn the best he cans. Hotels can adopt different strategies but one was developed over the past years and is mainly used in international hotels groups. This strategy appeared after 1970 with the deregulation of airlines companies and was then extended to other industries. This kind of management is mainly about pricing and how to attract customers with a price but is does not depend only of that.

A hotel is not only made of a welcome desk, charwomen and bar or restaurant. It involves a lot of more departments as accounting or finance, marketing and human resources. All of these departments play essential role. For example without the accounting or finance department, a hotel will be in a difficult position to pay its suppliers and to do the daily accounting tasks. Revenue Management depends on numbers and its aim is to increases profits which are linked to finance.

Marketing is a department that is in charge to promote a hotel to make it known but not only, also to develop new ideas, concepts and products. They are also in charge to organize some events and to organize the strategy of a hotel about the kind of customers it targets or how to have new customers. Marketing department does it best to highlight the good effects and the wellbeing a hotel can have and procure. Revenue Management is about satisfying customers with prices which can be linked to the concept of marketing that want to deliver the best product to its target of customers.

Then the human resources department is also important as it ensure the good quality of service. Indeed hospitality is a service and a service is delivered through personals and their qualities. The mission of this department will be to find the best person for each job

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[4] Logis Hôtels.
http://www.logishotels.com/
[5] Relais & Châteaux.
http://www.relaischateaux.com/

position. Revenue Management is not an easy thing to do and that is why human resources is linked to by trying to find qualified person and also by providing training to employees.

Many studies have been done about Revenue Management and customers' feelings about this and other studies were conducts to know its economic impacts. However, we do not know the real interaction between Revenue management and the various departments that constitute a hotel. This study will lead us to understand the connections that can be done between Revenue Management and the other departments but also with customers that are also actors of this practice.

From the previous elements we raised a problematic that we will be focused on which is the following: "What are the impacts of the Revenue Management over its external actors, the customers, and its internal actors, different departments of a hotel?"

On the first hand, we will lead a theoretical study about the Revenue Management. The main aim of this part is to have an overview on Revenue Management, explaining it, studying its levers, and to see if it is applicable in hospitality.

On the other hand, we will have an empirical approach of the Revenue Management in order to see its links with its actors. The goal is to really identify what can be the impacts of Revenue Management over them but also if they do have impacts on Revenue Management.

Methodology

In order to respond to our problematic "*What are the impacts of the Revenue Management over its external actors, the customers, and its internal actors, different departments of a hotel?*" our study will be divided in two parts: one theoretical study in the other one empirical study.

In our first part which is the theoretical study, we will study the Revenue Management by defining it, defining its concepts, its functioning through levers and Revenue Management Systems. To lead this study we gathered information through the books of the library, articles and we also made research on Internet.

In the second part, we will do an empirical approach of the subject to analyze the impacts of Revenue Management over its actors. This study will be conduct by a qualitative study thanks to interviews of Revenue Managers to know the impacts over the internals actors and also by a qualitative study thanks to a survey submitted to customers.

To answer to our problematic, we thought that defining the Revenue Management and its actors in the hospitality industry would be two important aspects to know. Then, once we do know about the concepts we will confront them into an empirical study to gather information that would answer to the problematic.

Part 1: Theoretical study, Revenue Management and actors of hospitality industry

I.   Revenue Management : a strategic management

1. Definition of Revenue Management

In this first section we will define what Revenue Management is, how did it appear in our economy, its mandatory conditions of application and its principles.

1.1 Historical of the Revenue Management

The Revenue or Yield management follows from the deregulation of airlines companies in 1978 in the United States[6]. The deregulation of this sector (*Airline Deregulation Act, 1978*) leaded to the creation of new airlines companies, creating a situation of high concurence[7]. Because of this deregulation, airlines companies launched a kind of price war so they had to try to optimize their strategic tool that is why Revenue Management contributes to manage this price war[8]. The aim of Revenue management is to improve an organization's performance by obtaining the best revenue streams possible from its resources[9]. According to Sinsou[10] the technical and economical innovations, that is to say performant management tools as marketing and pricing, computerization of the reservations and the development of Global Distribution Systems[11] (GDS), facilitated the development of Revenue Management.

Nowadays, the Revenue Management is not only limited to the airlines companies but it has been introduced to various other companies of services. The main industries using the Revenue Management are hospitality (International groups as Accor, Starwood, Intercontinental, and independent hoteliers), railway transport companies (SNCF),

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[6] Capiez, A. (2003). *Yield Management: optimisation du revenue dans les services*. Hermes Science.

[7] Poutier, E and Legohérel, P. (2010). Revenue Management – *Optimisation des ventes dans les Services*. Dunod, Paris.

[8] Ibid

[9] Rousse, P., Maguire, W. and Harrison, J. (2010). *Revenue management in service Organization*. Kenneth A.Merchant.

[10] Sinsou, JP. And Rannou, B. (2005). *Gestion de la recette des services périssables*. Institut des transports aériens.

[11] Poutier, E and Legohérel, P. (2010). *Revenue Management – Optimisation des ventes dans les Services*. Dunod, Paris.

restaurants, cruises companies (Brittany Ferries, Costa Croisere), entertainment parks (Disneyland, Parc Asterix).

1.2 What is Revenue Management?

1.2.1 Definition

From its apparition in the eighties until now, Revenue Management had taken importance in various industries and had acquired things that defined it.

According to Capiez[12], Revenue Management can be defined as "an optimization method seeking to maximise income of services' company under the constraint of available capacity that must be allocated according the demand expressed." (from the French book of Alain Capiez: "une méthode d'optimisation cherchant à maximiser le revenu de l'entreprise de services sous le contrainte d'une capacité disponible qu'il faut allouer en fonction de la demande exprimée »). In other words, from Smith, Leimkhuler and Darrow[13] it is a process of allocation of the best service at the best client, at the best price and the best time. Badinelli[14], resumed by Okumus, explain that "the basic idea behind Revenue Management is that customers are willing to pay different amount for the service" To resume, the goal of Revenue Management is to maximize the revenue of a company by managing the risks and by using different methods under certain market conditions.

1.2.2 Hospitality and Revenue Management

Hospitality industry is one of the industries using Revenue Management as it is an industry of services but not every industry can use Revenue Management process as a strategy. The companies using that process are subject to some conditions.

Indeed, according to Sinsou and Rannou[15], Revenue Management is applicable when "any product not immediately consumed is irretrievably lost" (from the French book of Sinsou, J-P. and Rannou, B. "tout produit non immédiatement consommé est irrémédiablement perdu").

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[12] Capiez, A. (2003). *Yield Management: optimisation du revenue dans les services*. Hermes Science.

[13] Poutier, E and Legohérel, P. (2010). *Revenue Management – Optimisation des ventes dans les Services*. Dunod, Paris.

[14] Okumus, F. (2004). *Implementation of Yield Management Practices in Services Organisations: Empirical Findings from a Major Hotel Group*. The Service Industries Journal.

[15] Sinsou, JP. And Rannou, B. (2005). *Gestion de la recette des services périssables*. Institut des transports aériens.

When a room of a hotel is not used it is an opportunity to increase revenue by trying to sell it at discounted price if the revenue is higher than the cost of the service[16]. Sinsou and Rannou[17] also argued that a cyclical demand is part of the conditions of Revenue Management. In hospitality, companies are highly subject to that as the booking of rooms depends of holidays or particular events.

Another condition to apply Revenue Management is to have high fixed costs and low variable costs[18]. Hotels will have high fixed costs because of the cost of the infrastructure to welcome customers and because of the employees to pay whereas the variables costs will be lower. The variable costs concern the purchase of products for the hotel or the outsourcing for some activities.

The third condition to apply Revenue Management is the rigidity of the capabilities[19]. Hotels can only offer a limited amount of rooms per night, they cannot extend or reduce the existing number of rooms has they need or want. They are constrained to deal with the current number of rooms they have. It means that if a hotel has more demands than what they can offer they have to refuse them and if they have more rooms than demand they have to manage to fill those rooms.

The fourth condition, according to Sinsou and Rannou[20], is to practice anticipated sales of the service. In the case of the hospitality it means that a hotel can offer the rooms in advances to its customers and also can forecast if the hotel will have a high occupancy rate or not. Practicing anticipated sale is important in hospitality especially when it is about a group because the manager will have to foresee whether yes or not it is beneficial to accept it.

The last condition to apply Revenue Management is to segment the market. According to Sinsou and Rannou[21], it is necessary that a company is able to separate its customers

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[16] Okumus, F. (2004). *Implementation of Yield Management Practices in Services Organizations: Empirical Findings from a Major Hotel Group*. The Service Industries Journal.

[17] Sinsou, JP. And Rannou, B. (2005). *Gestion de la recette des services périssables*. Institut des transports aériens.

[18] Tardieu, J-M,. (2004). *Marketing et gestion des services*. Edition Chiron.

[19] Poutier, E and Legohérel, P. (2010). *Revenue Management – Optimisation des ventes dans les Services*. Dunod, Paris.

[20] Sinsou, JP. And Rannou, B. (2005). *Gestion de la recette des services périssables*. Institut des transports aériens.

[21] Ibid

in different categories. For example in hospitality customers can be divided between business travellers, leisure travellers families on holidays, travellers' group, customers that are price sensitive or not, etc. This segmentation of customers helps managers to identify the right product or services to the right client at the right price, as it defines the need of the customer.

1.2.3 The 5 principles of Revenue Management

Now that we know the conditions to apply Revenue Management and we have seen that hospitality respect them we will see the principles of it. These five principles have been defined by Tardieu[22].

The first principle is the segmentation of the market. When a company want to use Revenue Management one of the first things to do is to divide you customers into different categories. This would help the hotel to differentiate its customers in order to apply different marketing strategies and different price policies. The aim of the segmentation in Revenue Management is to adapt your strategy to customers. In hospitality, the segmentation of the market permits a hotel to position itself in low cost services or luxury depending on the kind of customers they receive and sometimes a hotel can try to do both if possible. A hotel can chose to develop a spa and a restaurant if they target customers with high willingness to pay[23] or to offer only basic hotel service that is to say rooms and breakfast.

The second principle is the price policy, which a service company who wants to practice Revenue Management, has to control. Indeed, from each segment identified it is necessary to adapt the price. Prices must vary from a segment to another as all segments do not have the same willingness to pay and hotels do it. For example many hotels offer different kinds of rooms, as standard rooms or superior rooms; given that these rooms are of different type there will be a variation in the price. Moreover price of rooms can vary depending on the season, if it is high season, for example during holidays, prices of rooms will rise while when it is low season they will diminish.

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[22] Tardieu, J-M,. (2004). *Marketing et gestion des services*. Edition Chiron.

[23] Rousse, P., Maguire, W. and Harrison, J. (2010). *Revenue management in service Organization*. Kenneth A.Merchant.

Third principle of the Revenue Management is the forecasting of the demand. It means that a company try to predict its future sales based on the various elements as the results of the previous years, or the seasonality of the product or services. In hospitality industry, hotels are able to do that as they can base themselves of the seasonality of the services their offer. But also they can identify based of the previous years the proportion of each segment that came in order to take decision related to the price.

Then, the fourth principle that a company must respect when using Revenue Management is the management of the stocks. Companies must have the less possible unsold products or services especially in hospitality because when a room is not sold it is a loss. This management of the stocks is done thanks to the forecasting of the demand because it helps to manage the stocks. For example, when a hotel sees that comparing to the previous year they have less booking for July they should manage their prices to try to attract more customers in the hope of selling the most rooms they can.

The last principle to be taken into account when using Revenue Management is the booking and anticipated sales. The aim of this is to respond to the demand of customers in terms of availability of services and sometimes negotiate with them for another proposition of product when the one desired is not anymore available. This principle is applicable to a hotel for example it could happen that the kind of room desired by the customer is not anymore available at the dates wanted then the hotel will try to sell another kind of room, more expensive or cheaper, or to propose another date that would be available.

1.2.4   The particularities of Revenue Management in hospitality

Revenue management in hospitality is similar to airlines ones but there are things that make it a bit different. According to Sinsou[24] there are three things that make Revenue Management in hospitality different because there are not done in other industries. First one is about annexes revenues are the extras that are sold in addition to the room. They can be drinks, meals, meeting rooms, spa activities that can be sold by a hotel and will contribute to increase its revenues. Secondly, the booking for several nights is specific to hospitality. Indeed, this is not possible to realise in airlines companies for example. It implies that a

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[24] Sinsou, JP. And Rannou, B. (2005). *Gestion de la recette des services périssables*. Institut des transports aériens.

customer can arrive during a night at low rate and spend the rest of it stay during high rate. So revenue managers have to manage that kind of thing. The last particularity of Revenue Management is the optimization of the number of customer per room. It can happen sometimes that a hotel rent a room of three beds to a couple without any children which means that one bed is "loss". A room can be sold differently but it is important that the hotel sells its rooms in a way that it will optimize its revenues. If it is the last room of the hotel and if it is late in the day then it is probably more interesting to sell it to the couple rather than not having anyone inside of it for the night.

1.3 Conclusion of section

We have seen in this first section that Revenue Management exists since a little over thirty years and has been creating within the airline companies. Since that time, the Revenue Management was expanded to other industries and many companies of services can use it as long as they respect the conditions of application and the principles that define this strategy. In the first section we have also seen that Revenue Management is applicable to hospitality as it coheres to the conditions of applications and principle to respect of the Revenue Management. As we know more about the Revenue Management we will see now how does it works and what is necessary to implement in order to have an effective strategy.

2. The functioning of Revenue Management

In this second section of the chapter one, "Revenue Management: a strategy", we will study the levers that compose Revenue Management and also the means necessary to its functioning that is to say the Revenue Management System.

2.1 Levers of Revenue Management

There are various levers that can helps manager to hold a Revenue Management strategy. These levers had evolved over the years with the increasing importance of Revenue Management and some new were created. Ivanov and Zhechev[25] talk about Revenue Management tools that can be divided into two kinds of tools: pricing Revenue Management tools and non-pricing Revenue Management tools.

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[25] Ivanov, S. and Zhechev, V. (2012). *Hotel revenue management – a critical literature review*. Tourism Review.

2.1.1 Pricing Revenue Management Tools

In pricing Revenue Management tools there are two main tools that we will study: Price Discrimination and Dynamic Pricing. In general, this two price's tools depend of the willingness to pay of customers and according to Rousse, Maguire and Harrison[26] it is "the maximum price each customer is willing to pay to acquire a product or service". Moreover, customers pay a lot of attention to price and again according to Rouse, Maguire and Harrison[27] "if the price is too high, the customer will not buy the product because they think they are not getting value for money. If the price is too low, this can also cause problems because the customer may use price as a signal of quality, and very low prices signal inferior quality". This means that pricing tools must be linked to the willingness to pay to be efficient, and it is important to be careful to what customers are ready to pay for a product or service to ensure that a product is sold.

First, according to the article of Ivanov and Zhechev[28] "the price discrimination is the heart of pricing Revenue Management tools". Price discrimination is to charge customers different prices for the same product or service. According to Capiez and Poutier[29] resuming the work of Pigou[30] there are three discrimination degrees: the first one is about a product sold at a different price from a person to another one, the second discrimination degree is when prices vary depending on quantities bought and the third discrimination are price which differ by categories of customers based on the segmentation of the market (from the French review[31]: "la discrimination du premier degré où les différentes unités d'un produit (bien ou service) sont vendues à des prix différents d'une personne à l'autre, la discrimination du deuxième degré où les prix varient selon les quantités achetées, et la discrimination du troisième degré où le prix diffèrent selon les catégories de clients en s'appuyant sur une segmentation du marché.").

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[26] Rousse, P., Maguire, W. and Harrison, J. (2010). *Revenue management in service Organization*. Kenneth A.Merchant.

[27] Ibid

[28] Ivanov, S. and Zhechev, V. (2012). *Hotel revenue management – a critical literature review*. Tourism Review.

[29] Capiez, A. and Poutier, E. (2008). *Le nouveau "pricing" en Revenue Management : vers l'intégration de la valeur-vie du client.* La Revue des Sciences de Gestion.

[30] Pigou, A-C. (1920). *The Economics of Welfare*, 4th ed. London:Mc Millan

[31] Capiez, A. and Poutier, E. (2008). *Le nouveau "pricing" en Revenue Management : vers l'intégration de la valeur-vie du client.* La Revue des Sciences de Gestion.

The second and the third discriminations are the most used in Revenue Management in hospitality. Indeed, for the second degree of discrimination, at the moment of the reservation a customer that buy many rooms will have a kind of reduction as he will spend quite a lot of money to get the rooms compared to a customer that book only one room. To satisfy the customer and to make sure that he will book the rooms it is better for a hotel to make a price rather than getting nothing. The third degree of discrimination is focused on the different segments and their preferences but also the maximum price they are ready to pay. In that case, hotels will pay attention to the different segments of customers they have and must adapt their offer to the segment.

Secondly, again according to the article of Ivanov and Zhechev[32] there is the dynamic pricing which is another point of pricing Revenue Management tools. This pricing, used by companies of services, depends of the current level of demand and occupancy; it means for hotels that they will adapt their prices depending on the demand and occupancy rate. Here the aim of hotels is to maximise the Revenue Per Available Room (RevPAR). This pricing implies that customers will book the same rooms in the same conditions but at different prices because it will depend of when did they book the room. Frequently, the earlier a customer books the services the cheapest it will be. Dynamic pricing is another pricing tool but it can also be a non-pricing tool and be used as quantity Revenue Management tool[33]. Indeed, if a hotel wants to reduce or slow down the sales instead of limiting the supply it can increase prices of rooms. This is beneficial to hotels to practice this technic because instead of reducing sales by reducing the supply and at the end having rooms that are not sold, hotels will reduce the sales but some customers will continue to buy rooms even if the price is high. As it the hotel has control over the bookings but still have rooms to be bought. Within the dynamic pricing there are various technics that companies can use. In hospitality, hotels mainly use: Peak user pricing, Time of purchase and Changing conditions[34]. First, the peak user pricing is about setting different price depending on the need of the product at a certain moment. For example, in hotels, the prices during week-ends can be higher than during weeks because there are more reservations during the week-end. Secondly, the time

[32] Ivanov, S. and Zhechev, V. (2012). *Hotel revenue management – a critical literature review*. Tourism Review.

[33] Kaylan, T. T. and Garrett, J. V. R. (2005). *The Theory and Practice of Revenue Management.* Ed Spinger. p.177.

[34] Magloff, L. *Dynamic Pricing Strategy*. Houston Chron. http://smallbusiness.chron.com/dynamic-pricing-strategy-5117.html Consulted the 02/01/2015

of purchase, as said before it is offering different prices depending on when do customers buy the products. In some hotels, or mainly hotels' groups earliest the room is booked, cheapest it will be. The third technic of dynamic pricing is the changing conditions. It means that prices will be adapted depending the conditions in which is the product, in hospitality it refers to the seasonality of the industry. For example, during holidays the price of rooms will increase, as the hotel is more sure that client are willing to pay the price offered, whereas in quiet period prices will be diminished to have more chance to get customers.

Pricing tools are important in Revenue Management, there are linked to the customers' willingness to pay and they have impact on customers' decision. Hotels must be careful when setting price to ensure that they will get the maximum of customers ready to pay for their products.

2.1.2   Non-Pricing Revenue Management Tools

According to Ivanov and Zhechev[35] there are also non-pricing tools in Revenue Management, the two mainly use in hospitality are: Overbooking, Length of Stay control and Channel management. Contrary to the pricing tools, these non-pricing tools do not depend of the willingness to pay of customers but depends on how managers or directors want to manage their hotels. Non-pricing Revenue Management are criticised[36] because they can create the dissatisfaction of customers but we will talk more about this in the second chapter two of part one. Non-pricing tools, as its name shows, do not influence directly pricing[37] these tools are linked to the inventory management. However, a hotel can use at the same time pricing and non-pricing Revenue Management tools to optimize its revenues. Firstly, the overbooking is a tool used a lot in Revenue Management as for example in airlines companies, hotel, and railway transports. In their work Rouse, Maguire and Harrison[38] explain that companies of services where customers are booking in advance can have sometimes problems of customers that do not come, it is called no-show. To overcome

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[35] Ivanov, S. and Zhechev, V. (2012). *Hotel revenue management – a critical literature review*. Tourism Review.

[36] Ibid

[37] Ivanov, S. and Zhechev, V. (2012). *Hotel revenue management – a critical literature review*. Tourism Review.

[38] Rousse, P., Maguire, W. and Harrison, J. (2010). *Revenue management in service Organization*. Kenneth A.Merchant

these difficulties, hotels apply overbooking practices to protect themselves from losses in case customers do not come, hoping that the number of overbooking will match the number of no-show[39]. It means that more rooms will be booked than the capacity available. However, it can happen that all the customers come and that there are customers that could not receive any rooms. In that case the hotel has no other choice than refuse the customer and must rehouse him in another place. The rehousing imply costs[40] such as direct costs that concern the rehousing, in case the room of another hotel cost more the hotel responsible of the overbooking will have to pay the difference and sometimes to pay the taxi, but also indirect costs that refer to the dissatisfaction of the customer with respect to the hotel that has done the overbooking. This practice is quit risky and nowadays other practices derived from the overbooking had emerged named penalties of no-show[41] they can be financial sanctions or impossibility to report the service. For example in hospitality when doing a booking online it is frequently that customers can only cancel maximum 24h in advance otherwise if customers do not come they will have to pay the first night minimum.

Then, another tool frequently used by hotels is the length of stay control. This tool consists in managing the time customers want to stay at the hotel, it manage the minimum stay of clients. In their paper Jain and Bowman[42] define it as the fact of "rejecting customers needing only a one-night stay in favor of customers needing multiple night stay". It is more beneficial for a hotel to accept someone that will pay 75€ each night, so 150€ in total, rather than someone paying 100€ for one night, the revenue gain will be 50€. According to Ivanov and Zhechev[43], this tool will helps hotel to avoid having loses when in periods of huge demand customers want to book only for one night as it generates more revenues when customers stay longer. However, Vinod[44] put in evidence that there is a disadvantage in this practice which is that there is no flexibility but this length of stay control has also impacts of customers as dissatisfaction because they are obliged to stay for certain minimum amount of

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[39] Ivanov, S. and Zhechev, V. (2012). *Hotel revenue management – a critical literature review*. Tourism Review.

[40] Poutier, E and Legohérel, P. (2010). *Revenue Management – Optimisation des ventes dans les Services*. Dunod, Paris.

[41] Ibid.

[42] Jain, S. and Bowman, B. (2004*). Measuring the gain attributable to revenue management*. Journal of Revenue and Princng Management Vol 4. N°1.

[43] Ivanov, S. and Zhechev, V. (2012). *Hotel revenue management – a critical literature review*. Tourism Review.

[44] Vinod, B. (2004*). Unlocking the value of revenue management*. Journal of Revenue and Pricing Management Vol 3. N°2.

nights and are not free to select the number of nights the want.

Finally, hospitality, as many other companies of services, use channel management as another non-pricing tool. This tool is about selling rooms through internet or tour operators. Indeed over the past years, the amount of Internet users increased a lot and nowadays 57% of travel reservations are made on Internet[45]. Most of the customers that book online, go on the internet website of the hotel directly they are about 65,4% and the others go to third party distributor or online merchants website that have partnerships with hotels. From Cross, R., Higbie, J. and Cross, D.[46], resumed by Ivanov and Zhechev[47] hotels had the desire to be more visible by customers and to avoid big discount clients they decided to work with online wholesalers but they did not realized that it would bring more price-discounted clients. That is how the number of bookings online increased because of the reductions available on Internet. This tool is an important one as it allows practicing easier the other tools of Revenue Management as dynamic pricing and price discrimination but also length of stay and eventually overbooking.

According to Poutier and Legohérel[48] the goal of companies using this tool is to "optimize sales and increase revenue by choosing networks adapted to customers and efficient from a commercial point of view and control (reduce) cost linked to the distribution" (from the French book *Revenue Management – Optimisation des ventes dans les Services* "optimiser les ventes et accroitre le revenu par le choix de réseaux adaptés aux clientèles et efficients d'un point de vue commercial; et contrôler (réduire) les coûts liés à la distribution"). Channel management tool is then important for companies to better catch customers depending on their segment and how do their segment prefer to buy. In hospitality, many of the bookings are done online however, some customers prefers to do it differently as by calling the hotel or using a travel agency.

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[45] (2014). *Internet Travel Hotel Booking Statistic*. Statistic Brian.
http://www.statisticbrain.com/internet-travel-hotel-booking-statistics/ Consulted the 03/01/2015
[46] Cross, R., Higbie, J. and Cross, D. (2009). *Revenue Management's renaissance: a rebirth of the art and science of profitable revenue generation*. Cornell Hospitality Quarterly, 50(1), 56-81
[47] Ivanov, S. and Zhechev, V. (2012). *Hotel revenue management – a critical literature review*. Tourism Review.
[48] Poutier, E and Legohérel, P. (2010). *Revenue Management – Optimisation des ventes dans les Services*. Dunod, Paris.

2.2 Revenue Management System (RMS)

Pricing and non-pricing tools are important to have an efficient Revenue Management however; there are not the only tools that permit to manage it. From Jain and Bowman[49] "Revenue Management system takes as input the historical data of a hotel, the current booking levels and the forecasts of the potential market segments to optimize revenue and occupancy for the hotel". This tool, according to Poutier and Legohérel[50], will help revenue managers to analyze customers' behavior and the evolution of the market. Again according to them[51], Revenue Management systems must bring to hotels four principal advantages that are: knowing daily action to conduct, knowing the value of customers' segments to communicate, adjusting the ideal strategy and having the main indicators of portfolio. With this information, revenue manager will be in better position to apply the best Revenue Management possible.

Firstly, Revenue Management System works thanks to the data collected. Revenue Management Systems are made of software that collect the information of past years as the occupation rate, price rate, revenue per room, etc… Information will help managers to do forecast and visualize segments of customers that are more present during a period and to adapt the strategy to them. For example when there is a period of high occupancy of family, the hotel must adapt its prices and communication to them. This tool will help managers to adapt their reservations during a period; sometimes they will refuse some bookings in favor of other that could bring them more revenues.

Forecasting is then another important point of Revenue Management system as it helps to set the strategy. In hospitality, forecasting is very important because the activity flow of a hotel will depend of events that are around it. Poutier and Legohérel[52] give as example business hospitality which activity will rely on congress, seminars, trade shows, and leisure hospitality that will rely on scholar holidays, publics holidays. Because of events, managers can forecast when the demand will rise or diminish and that will help in optimizing the

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[49] Jain, S. and Bowman, B. (2004*). Measuring the gain attributable to revenue management*. Journal of Revenue and Princng Management Vol 4. N°1.
[50] Poutier, E and Legohérel, P. (2010). *Revenue Management – Optimisation des ventes dans les Services*. Dunod, Paris.
[51] Ibid.
[52] Ibid.

revenues of a hotel. Cancelation is also part of the forecasting and will help to manage the overbookings in case a hotel use this tool. Indeed based on the previous years and also on the currents events as political problems (political conflict can lead to cancellations), meteorological changes (a bad weather or not having snow in a ski resort can have repercussion on customers decision to come or not) a manager can better take its decision about the strategy to apply.

Nowadays, Revenue Management Systems are computerized to facilitate the collection of data and to be easier for the manager to analyze the data. Poutier and Legohérel[53] analyzed that there are two kind of computerized way of doing: using Excel or a RMS global. The Excel solution is the cheapest one it does not imply long procedures and will be quickly set up. However, the using will be limited to few actions as forecast the revenue, forecast the monthly demand, but not in detail as the no-shows will not be taken in account as the cancelations and finally to forecast the daily traffic. The RMS global, which is software, will be more precise with more data and will give more information to managers about the strategy to adapt. But there, this system will cost much more to the company because the implementation will be long, from 6 months to one year, and it will be necessary to engage a project team to implement all the system. Some companies use both of the computerized tools; in that case, Excel is used as a complement to the RMS global software.

2.3 Conclusion of section

In this part we have seen the levers that compose Revenue Management but also the Revenue Management System which is an important mean of the functioning of the Revenue Management. Levers are important because there are the tools of managers to conduct their Revenue Management strategy. It depends then of the type of hotel, the values of the hotel or the strategy wanted to choose the right tools. Regarding Revenue Management system it is a tool that will help managers to elaborate their strategy based on the previous years and events. Levers and Revenue Management systems are the heart of Revenue Management they are the things the permits it to works.

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[53] Poutier, E and Legohérel, P. (2010). *Revenue Management – Optimisation des ventes dans les Services*. Dunod, Paris.

3. Conclusion of the chapter one "Revenue Management: a strategic management"

Revenue Management is nowadays used in many industries and hospitality is one of them. This industry of services is predisposed to use it a lot because first it has all the criteria necessary to apply it but also because it is a very competitive industry where hotels must have the best strategy to succeed and to gain the maximum revenues possible.

The goal of this strategy is to find the best way to find the right customer, to the right product at the right price before you competitors do. It is then the role of managers to use the levers and Revenue Management system to find the best way of practice Revenue Management.

II. Actors of hospitality industry

1. External actors: customers and their behaviours

In the previous chapter we have seen what Revenue Management is and what is does. Revenue Management is the combination of levers that can be pricing and non-pricing tools and these ones can affect the image of hotels.

According to Brée[54], it is essential that an organisation knows perfectly the customers they are depending of. Indeed, customers are the ones that bring revenues to organizations, without them companies cannot work properly. In our current competitive world companies must find a way to bring added value to their products to be competitive to others and in order to keep its customers interested in it. To be able to offer that added value, it is crucial that a company analyse its customers to understand them and the decisions they are making when buying.

In marketing we often talk about customers behaviour but what exactly is that? First, from Oxford[55] dictionaries a customer is a person who buys goods or services from a shop or business. Secondly, again according to Oxford[56] dictionaries, behaviour is the way in which

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[54] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

[55] Oxford Dictionaries. *Customer.*
http://www.oxforddictionaries.com/definition/english/customer Consulted the 11/01/205

[56] Oxford Dictionaries. *Behavior.*
http://www.oxforddictionaries.com/definition/english/behaviour?q=behavior Consulted the 11/01/2015

one acts or conducts oneself in response to a particular situation or stimulus.

In its works, Dr Perner[57] explain that one of the definition that can be given is that customers behaviour is "the study of individuals, groups, or organizations and the process they use to select, secure, use and dispose of products, services, experiences or ideas to satisfy needs and that impacts that these processes have on the consumer and society". Customer behaviour is then a key success factor to the success for a company as it will permit to tie in what customers are expecting.

1.1   Decision making and risks

According to Brée[58], when a customer is making a choice he has to consider the products as attributes baskets but only a part of the characteristics will be kept for the decision. He explained that these attributes are classified in three levels. The first ones are important attributes that "are the ones to which the customers give the most importance because they are in adequacy to their expectation for a specific using"[59]. For example if for a customer the price of the room is the most important thing, he will stay fixed on it to find the right product. But the fact is that these important attributes do not always gives the decision to make to the customers.

So customers will take in account more elements, they will use important characteristics but they will add new elements of appreciation that will be relevant. These elements are called determining attributes. Here we can take as example a customer looking for a room in La Rochelle and the price is important to him. However, all the hotels he is looking at are the same price, about 40€ per night. Then he will have to find other elements that will help him in its decision making, for example he could give importance to the quality of service of the hotel and the number of star given to it.

And finally the salient attributes, they are the one coming to the mind of customers when making the decision. Here the customer as to take its final decision, again in the hospitality world as a final decision customer can take in account the location of the hotel to select the best hotel that would fit to its expectations.

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[57] Perner, L. (.). *Consumer Behavior: The psychology of marketing.* Available at: http://www.consumerpsychologist.com/index.html

[58] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

[59] Ibid.

Then when taking a decision, customers have to deal with risk and uncertainty. According to Taylor[60], customers have uncertainty about the outcomes of the decision and consequences of making mistakes once they had made it. In hospitality for example when a customer is booking a room he can be wondering "How can I be sure that the quality promised by the hotel is real?" this is uncertainty about the outcomes. Once a customer has booked the room he could be wondering "If the quality is not the one expected will my family and I spend a good week-end?". In its article, Talyor[61] explain that customers will try to reduce this uncertainty by first collecting as much information as they can and secondly, by reducing the amount involved or taking latter the decision. Because of uncertainty customers are trying to collect as much information as they can to ensure that they will be satisfied with their buying. In hospitality for example websites, as Trip Advisor or Booking (as customer can live comments), were developed to give feedback from customers to give information to potential future customers.

1.2 Variables of decision of customers

Brée[62] identify two kinds of variables in customers behaviour that have crucial impacts on their way of acting, buying, and thinking which are: internals variables and environmental variables.

1.2.1 Internals variables of customer

There are five internals variables according to Brée[63] which are: demographical social factors, needs and motivation, personality, implication and life style. In our study we will focus only on the two first.

▪ **Demographical social factors**

These factors make acting people differently depending on their age, sex, revenues, location, family status, etc… According to Brée[64] they are useful indicators however, their predictive

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[60] Taylor, J W. (1974). *The role of risk in customer behavior*. Journal of Marketing Vol38 N°2 (p 54-60)

[61] Ibid

[62] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

[63] Ibid.

[64] Ibid.

and explicative power is limited and they must be cross to other factors as implication, attitude, etc…

The first factor we will study it the age which, according to Brée[65] has a lot of influence on customers as depending on their age, customers will have different desire and needs. In hospitality for example, for vacation a child will want to have a hotel with swimming pool or entertaining things as play grounds whereas youth people will be more looking for a place with a lot of parties and retired people will be looking for a quiet place with a lot of places to visit.

Then, the economic revenues are another important notion to consider. Brée[66] states that they are about the revenuse of the customer but also other things are involved in that notion as the level of indebtedness, the patrimony and the professional activity. It means that households with high revenues will spend more money in leisure than others households who will spend money in things of first necessity. In hospitality it means that a household with high revenue will go on holidays or week-end more often than other and will be able to spend more money in costly a hotel and activities. A household with high revenues will book easier in a five star hotel whereas household with lower revenues will book in hotel one or two star hotel, or even sometimes in a non-classified hotel.

Finally, Brée[67] identify as a third demographical social factor the temporal resources. He explains that the free time that customers have has an impact on their way of consuming. This means that more customers have free time the most he will consume products that are not of first necessity. Retired people for example will have more free time than workers. In hospitality for example customers goes on holidays or week-ends depending on when they do have free time, so when they are not at work. It is an important resource to consider in hospitality as business consumers will not have the same expectation as leisure consumers; indeed, those first will be probably more hurried than leisure customers.

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[65] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.
[66] Ibid.
[67] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

▪ **Needs and motivations**

From the Collins Dictionary, a need is "the fact or an instance of feeling the lack of something"[68], there are then different kinds of need that we will go through later on. According to Brée[69] needs create desire, in hospitality for example, a customer has a need of sleeping but then it is a desire to choose to sleep in a luxury hotel. Basically, a customer does not need a hotel offering a multitude of services he just needs a bed to sleep. But this need can be transformed in a prestige desire where the customer will not only look after a place to sleep but will be searching other services or high quality. Brée[70] evokes the work of Maslow[71] about its theory of the needs which states that there are five hierarchical levels. A person can access the next level of the pyramid only stage by stage, that means the first need must be completed to access to the second one, then the second one must be completed to access to the third one and so forth. The first part of the pyramid is the physical needs as eating, sleeping, and drinking. In hospitality this need can be filled as hotels offer place to sleep and even sometimes a place to eat as a restaurant. Then there is the need of security and hotels will also guaranties that need to customers thanks to divers elements as code to enter in the room and sometimes code to enter in the hotel during the night or other hotels have a guardian or security man. Then the need for belonging to a group is satisfied in hospitality because of the classifying of a hotel. Indeed, when a customer will be in a hotel which is classified with stars he can feel that he is belonging to a group of person staying in that kind of hotel. This is linked also to the need of esteem which means being recognised by other in the society. Hotel ranking will contribute to satisfy this need but also if a hotel gives a warm welcome to customers by calling them by their name it could increase the satisfaction of this need. Customers will feel like privileged and the need of esteem will be completed. Then customers will potentially have access to the last need which is the need of fulfilment. In hospitality this need can be satisfied if the hotel provides extra services as spa, massages, excursions, diverse activities, etc…

These two internals variables of the customers are personal things that depend only of the customer himself. Each customer has its own internal variables that will influence its behaviour when consuming.

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[68] Collins Dictionaries. *Need*.
http://www.collinsdictionary.com/dictionary/english/need Consulted the 15/01/2015
[69] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris..
[70] Ibid.
[71] Maslow, A. (1970). *Motivation and personality*. 2nd edition. New York: Harper and Row.

1.2.2 **Environmental variables and the customer**

Then, Brée[72] explain that costumer behaviour is not only influenced by internal factors but also by five environmental factors which are: culture, groups, family, social class and situational factors. We will study them to understand the behaviour of the customer and to better understand his way of purchasing in hospitality when Revenue Management is mainly applied in many hotels. However, we will not talk about the social class as nowadays they are disappearing because of the mass consumption almost every consumer can have access to all kind of products.

▪ **Culture**

First of all, according to Collins Dictionaries[73], culture is the total of inherited ideas, beliefs, values and knowledge, which constitute the shared basis of social actions. Brée[74] explains that a culture varies from a country to another one and even sometimes in one country there are different cultures. Culture is acquired since childhood then it will be difficult to change it and this is why product must be adapted to customers in order to fit their expectations. In hospitality, customer will not have the same definition of quality and classification of a hotel. A German customer can be more exigent than an Indian one. The basic idea when developing internationally is "Think global, act local" so it means that you have to adapt your product to the location. For example prices and the notion of quality will vary from a hotel in a country to a hotel in another one so Revenue Management aim here is to find the right price for foreign customers and ensure that even if coming from another country the customer will find the right room at the right price.

▪ **Groups**

According to Brée[75] a group is "a set of person susceptible to have an action on the attitudes and behaviours of a consumer" (from French "tout ensemble de personnes susceptible d'avoir une action sur les attitudes et sur les comportement du consommateur »).This means that are there are people that can have effects on the customers behaviors. Brée[76] then

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[72] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

[73] Collins Dictionaries. *Culture*.
http://www.collinsdictionary.com/dictionary/english/culture   Consulted the 17/01/2015

[74] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

[75] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

[76] Ibid.

identifies two groups that influence customers, primary group, which represent the closest person of customer such as family, friends and secondary group, which correspond to the organization to which the customer belongs to, such as its company, a sports club, a political party, etc… These groups will give recommendations, opinion on the product to be bought or already bought. Because of that Brée[77], resuming the works of Veblen[78] saying that a customer has other motivation than utilitarian to buy a product, explains that when customers buy a product there is a kind of message transferred, customers want to show their prestige to other and to belong to a group. To belong to a group customer is ready to buy a product for it. Moreover, a study of Bearden and Etzel[79] proves that the importance of brand is not the same whether the product is consumed in public or not. In hospitality, customers will feel that by spending a night or vacation in a high classified hotel they will gain prestige and be may be more recognized by members of their group.

- **Family**

Family is another variable of the environmental factors and is a category of groups that we have seen before. Again according to Brée[80], family members have influence on each other, buying products is sometimes a common decision to take. For example, when going on holidays parents are choosing together the place to go and the hotel and even, sometimes, children are involved to choose with them. In many cases, one of the partners has more decision power over the other. Brée[81] undertake the works of Blood and Wolfe[82] stating that the person that has more power is because of its resources. For example, in the case that a man is working and not his wife he will probably have more power on the decision of the hotel to choose for their holidays as he is the one managing the money. Then, Brée[83] explain that following the cycle of family life that customers behaviours will differ. For example, a single person will focus on the last trendy product and will spend a lot on leisure. Then a couple without children will have a good situation, if both are working, and will spend money even more in leisure. Whereas couple with children will be more careful, they will

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[77] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

[78] Veblen, T. (1899). *La Théorie de la classe des loisirs*. Viking Press (édition originale : Mac Millan).

[79] Bearden, W.O.and Etzel, M.J. (1982). "*Reference Group Influence on Product and Brand Purchase Decision*", Journal of Consumer Research.

[80] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

[81] Ibid.

[82] Blood, R.O. and Wolfe, D.M. (1960). *Husbands and Wives*, New-York, The Free Press.

[83] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

continue to spend money in leisure but not as much as they did before. Then a couple, more aged, without children will have a lot of resources as they will be probably at the top of their career, with no more huge investment to do so they will have money to spend in leisure as holidays or week-end away from home. And finally the retired people, they will have a bit less money than before however, they will have a lot of time to travel and spend money in hospitality industry. This is where Revenue Management is important to try to match to the budget of all customers.

- **Situational Factors**

Situational factors are the elements during a time that have influence on the consumer behaviour. Indeed, Brée[84] states that the appreciation of the performance of a service can depend of mood of the customer. In that sense, Belk[85] defines the situational factors as all the factors particular to the time and the space of observation which are not due to the personal knowledge or to the reaction to a stimulus and that have an effect demonstrable and systematic over a common behaviour. He means there that they are elements of a current situation in which the customer is not linked to a stimulus or to something experienced or that the customer knows. In hospitality for example, depending of its situation a customer will not choose the same hotel when he is on holidays for one week as when a need a hotel for night during a trip. When the customer will be in the situation f needing a night just for one night because he is traveling, he will not pay attention to the stars in most of the case he will be looking for a cheap night in a hotel on its road, he does not look for hotels with high services. When a customer is looking for a hotel for holidays for one week he will more analyse possibilities and try to find a hotel with services and will be ready to pay more.

1.3   Conclusion of section

We have seen in that section the customers behaviours and the variables that influence them. Revenue Management team must be aware of these variables and take them into account to ensure a good strategy and to be able to forecast customers reactions to price variations or regulations as length of stay. We also have to mention that Revenue Management can deteriorate the perceived quality of customers in case of overbooking for example. That can result in the frustration or anger from the customer that will share its wrong experience will its family and the groups he belongs to.

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[84] Ibid.

[85] Belk, R.W. (1975). "*Situational Variables and Consumers Behavior*", Journal of Consumer Research.

2. Internal actors: departments of hotels

Most of the time researches are made about the customer behaviour when hotels practice Revenue Management. We will know study the different departments to which Revenue Management can be linked to and what link can be made.

2.1 Accounting Department

First of all, in order to better understand the interactions between Revenue Management and the accounting department we will define it. From the article of Priti Ramjee[86], the accounting department provides accounting services and financial support to the organization it belongs to. This department is in charge to keep an eye on the other departments in terms of money spent and gained. The accounting department is a very important one as it manages all the money of a hotel and it is the department that has power over the profits. Then, this department is related to the management of flows of money and it will have three main responsibilities:

- Keep Financial Record

This is one of the most important responsibilities of the accounting department. It is about the registration of the transactions of money done such as the purchases and the sales in order to have an idea of the financial statement of a company. This will be then used by other departments also to know how much did they spend.

- Budgets and Inform managers

Another mission is to define budget per months or per years or per three years depending on the strategy of companies. Defining a budget will help each department to establish its strategy and to decide the actions to lead. It is also important that the financial department communicate with the managers to inform them about the financial situation of the hotel overall when there is crisis and that the economic situation is not good. Information will help managers in decision making and how to spend the money. According to Hales[87], revenue managers must communicate with this department and they must understand the basis of accounting to conduct the daily operation of their departments.

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[86] Ramjee, P. *What is the purpose of an accounting department within an organization?*. Houston Chron. http://smallbusiness.chron.com/purpose-accounting-department-within-organization-24374.html

[87] Hales, J. (2005). *Accounting and financial analysis in the hospitality industry.* Elsevier Inc.

- Payroll

The accounting department is in charge of paying wages to employee and also paying the suppliers when they receive the bills. These are current actions lead by this department. Moreover, the department is also in charges of paying the shareholders, the people that invested in the creation of the company.

The accounting department is in charge of supervising the generation of profits. Profits are calculating as following; Revenues less the Expenses done by the hotels, then Revenue Management can be considerate as fundamental for a hotel to increase the profits and is directly linked to the accounting department. According to Hales[88] "revenues are the first step of financial analysis because they start the cash flow process of a company". Indeed, revenues bring money to a company, which will probably lead to increasing the profits.

2.2   Human Resources Department

Foremost, human resources department is the place where are the employees managed such as recruitment, with interviews, define the wage to pay to employees, decide the benefit given to employees, manage the relations and provide trainings. However, this department does not only manage employees but also contribute to the strategy of the company by trying to find the most qualified people and by offering training to employees to improve their skills.

Revenue Management can be linked to human resources mainly because of the training that it provides. According to an empirical study lead by MacVicar and Rodger[89], resumed by Okumus[90], using Revenue Management in an organization "can have significant implication on employee relations, recruitment, training, and empowerment and on the delivering of quality services in organisations. Again resumed by Okumus[91], Luciani[92] made another research and conclude that training and communication between managers and employee is essential to implement Revenue Management. When thinking about these studies we can say

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[88] Hales, J. (2005). *Accounting and financial analysis in the hospitality industry.* Elsevier Inc.

[89] MacVicar, A. and Rodger, J. (1996). *Computerised Yield Management Systems: A comparative Analysis of the Human Resources Implication*. International Journal of Hospitality Management. Vol15. No4

[90] Okumus, F. (2004). *Implementation of Yield Management Practices in Services Organisations: Empirical Findings from a Major Hotel Group*. The Service Industries Journal.

[91] Ibid.

[92] Luciani, S. (1999). *Implementing Yield Management in Small and Medium Sized Hotels: An Investigation of Obstacles and Success Factors in Florence Hotels*. International Journal of Hospitality Management. Vol18. No2

that probably employees will need training about how to react face to a furious customer that cannot spend his night in the hotel because of overbooking. It would be then important that employees and managers are trained to communicate efficiently and to react quickly to situation of problem such as overbooking.

2.3   Marketing Department

To start with this point we need first to explain what marketing is. According to Lendrevie, Lévy and Lindon[93] marketing is "a set of methods and means available to a company to promote, to the customers targeted, behaviours favourable to the realization of its own objectives". Another definition provided by Silk[94] is "that marketing is the process via which a firm creates value for its chosen customers. Value is created by meeting customer needs". In other words, the aim of marketing is to satisfy the needs of customers and also to detect them.

When using marketing a company will have to manage its marketing mix which is composed of elements, called the 4P that are product, price, promotion and place. This tools when used properly will attract customers and generates sales. The first, product is the about what a company is going to sell. It concerns the type of product, its quality, its characteristics, and its warrantee. In hospitality the product will be, for example, the rooms that hotels offer and also the additional services as spa, or restaurants that some hotels propose. Secondly, there is the place, which concerns the channels of distribution, the warehousing, and the transportation. In hospitality, hotels are located in many places all over the world; a hotel can be built in many places. About the channels of distribution, hotels realize a lot of their sales through Internet, as seen in the chapter one but customers can also call or email the hotel to do a booking or even just walk in the hotel. Then the promotion, which is a big part of marketing, is about advertising, public relations, exchange with customers. For the promotion in hospitality, international groups use sometimes TV adverts but in many case hotels have website where they can propose their products and communicate about what they are doing. They also have Facebook pages, Twitter or Instagram and send newsletter to their customers. The last one price is about the pricing of a product, rebate, and conditions of payment and is related to Revenue Management. In marketing of services, for example in hotels, when the marketing department will be

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[93] Lendrevie, J., Lévy, J., Lindon, D. (2006). *Mercator*. Paris : Dunod

[94] Silk, Alvin J. (2006). *What is marketing*. Harvard Business Scholl Press.

working on the price tool they can use Revenue Management as a strategy of pricing. As seen in the previous chapter Revenue Management is using pricing as a lever to generate revenues and that is a part of marketing strategy also. Moreover, Tardieu[95] explain that nowadays, there are 3P more in marketing of services and that we are now in a 7P marketing mix. These 3P are the environment (from French "paysage), the personnel (refers to employees) and the participant (refers to customer). There are also important tools because they can have a link to the Revenue Management. The environment tool is about where the company is operating it is about the accessibility of it. According to Tardieu[96], the environmental tool as four main roles that are:

- Functional role: easy for the customer's need, simplify the things
- Informational role: simply delivers information to customers on the service
- Social role: employees close or not to the customers and attentive to them, prestige of the services
- Affective role: emotional experience, customer feel close to the company

In hospitality industry, the companies will focus more on the functional, social and affective role. Once the company has defined in which environment it is located the Revenue Management strategy can be then adapt because hotel that are prestigious will maybe not risk themselves to do overbooking because it is risky as then customers will may be think that this hotel is not as prestigious at it is supposed to be. Then about the personnel, they constitute the heart of the services as this one is assumed by them. They must be very performant when managing the bad consequences that Revenue Management can provoke as overbooking. Because customers can be very angry they must be very competent and must have high relational qualities to try to reduce the bad effects of it. And finally, the last tool is probably the most important for Revenue Management, it is the customers. Indeed without them the service cannot be realised so if there is no service then there is no need for Revenue Management. Customers are very concerned by Revenue Management as this strategy has impacts on them and their way of consuming so they must be highly took in account in the marketing of a services company. Marketing department segments its customers as needed in revenue management, and then we can say that both of them are linked because there are identifying their customers to find the good product that will fit to

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[95] Tardieu, J-M,. (2004). *Marketing et gestion des services*. Edition Chiron.
[96] Ibid.

each customer. Moreover, thank to promotion made by the marketing department, Revenue Management department can communicate on offers that can be sometimes made when the prices are decreasing to gain more customers when needed.

2.4   Conclusion of section

In this section, we have seen the main department of hospitality industry and overall hotels. Finance or Accounting department, Human Resources department and Marketing are the three essentials departments of a hotel that will permit it to deliver services of quality and to manage the services offered. Moreover, all of these services have a link to Revenue Management and they have to work all together in order to be successful.

3. Conclusion of chapter "Actors of hospitality industry"

The second part was about the actors of hospitality industry and so we have studied here the main one which is customers, finance department, human resources department and marketing department. All of them are linked to the Revenue Management and if one them is not well operating then it can have effect over the Revenue Management strategy and so over the other departments. Customers are really important because they are the basis of how the Revenue management will be done depending on the kind of customer the hotel is facing to.

Conclusion of theoretical study

After this study of what Revenue Management is and its actors in the hospitality industry it seems interesting to wonder what the links and impacts of Revenue management are over these actors. Then, we have risen up hypothesis that could answer to this question:

- *Hypothesis number 1:* The variables of the customers behaviours can affect the management of Revenue Management.

- *Hypothesis number 2:* Customers are aware of what Revenue Management is and its practices and are influenced in their choices by it.

- *Hypothesis number 3:* Revenue Management can be associated to accounting department as it generates more revenues and so higher profitability. But it can also be associated to marketing as there are both focused on the customers, the price and the channel of distribution. Then Revenue Management is strongly linked to other departments and cannot work without them.

Part 2: Empirical study about the link and impacts of Revenue management over the actors of hospitality industry

I.   Methodology

Now that we do have studied the Revenue Management and the actors around it in hospitality industry we have lead an empirical study about the links and impacts of Revenue management are over these actors to try to answer to the previous hypothesis formulated.

On one hand, we have realised an interview of a Revenue Manager because this is one of the person that better know of the subject and we supposed that this manager can going deep in its answers as she masters the details of it. This interviews focus mainly on the internal factors of the hospitality industry as accounting department, human resources department and marketing department as there are parts of the hotel as the manager. However, the manager could also give us her opinion about the customers behaviour regarding Revenue Management practices. This Skype interview permitted us to answer to our hypothesis about the internal actors.

On the other hand, we made a field study to have the impressions and feelings of customers of the practices of Revenue Management in hospitality and if they are aware of it or not. This survey was realised through a formulary created on Google Drive. The survey has been then shared on the social media to get answers. The results obtained allowed us to gains information for the hypothesis we formulated before.

II.   Study Case: Sofitel Quiberon and Hôtel Domaine des Abbatiales

1. Presentation of the Sofitel Quiberon

Sofitel Hotels are chain hotel that belongs to the international group hotels Accor. The group Accor is very developed over the world with around 3 645 hotels over the world and famous brands as Pullman, Grand Mercure, Novotel, Mercure, Ibis, Ibis Budget, Ibis Style, Hotel F1.

Sofitel brand represent the France over 42 countries, the aim of this brand is to bring a French experience abroad as it is a brand made in France. On the web site of Sofitel it is said "Each Sofitel hotel offers a genuine experience of French luxury and the best of local culture. Whether in the heart of a major city such as Paris, London, New York, Shanghai or Beijing, or nestled in the countryside of Morocco, Egypt, French Polynesia or Thailand"[97].

About the Sofitel of Quiberon, it was created in 1964 by a famous cyclist Louison Bobet. This hotel is a five stars hotel that has 129 rooms including 19 suites which are facing the sea. The hotel offers an access to the thalassotherapy center with a lot of massages, treatments and swimming pools and it also has a small golf, a tennis court and laundry service. In addition to these services, Sofitel Quiberon has some more common services as bars and restaurants but also room service and meeting room to rent. And finally, it offer basic services has parking (with a valet car if needed) and Wi-Fi.

2. Interview of the Revenue Manager of Sofitel Quiberon

We have interviewed Madame Pascale SALINAS, revenue manager at the Sofitel of Quiberon to have her opinion on the subject and to know if according to her there are interactions between Revenue Management and the other department of the hotel. We also seized the opportunity of this interview to question her about the customers behaviours and their feelings.

Madame SALINAS is Revenue Manager at the Sofitel of Quiberon since five years so she knows well the practices of Revenue Management of this hotel. When talking with her, she started to first explaining the pricing of the rooms. There several segmentations and several types of rooms which are the following:

- If customer is a *therapy's customer*, the rate chart is made all year round with a package including half-board and treatments and is divided in three seasons. For long stay it is six nights but she explained that are also possibility of short stay where customers can stay one to three nights or package of four days.

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[97] Sofitel Quiberon official website
http://www.sofitel.com/gb/luxury-hotel-experience/index.shtml

- If customer is coming *for leisure*, the hotel applies a dynamic pricing depending on the occupation rate and the average price of the portfolio. There is an elaboration of a basic rate chart for the year round with different rate or tariff levels that fluctuate according to the progression of the portfolio. She also explained that they have different price rate depending on the conditions of selling. That is to say if there is no possibility of cancelation of if there is a prepayment then the price of the room will be cheaper.

- If customers *MICE* (Meetings, Incentives, Congress, Exhibitions) the rate chart is done based on the one of leisure customers.

We then asked her about the link of Revenue Management to the other services of the hotel as accounting, marketing and human resources. According to her, Revenue Management is linked to all the departments of a hotel because it is involved in the prediction of the turnover and that then each service must adapt itself to this prediction.

Madame SALINAS explained that there are every day interactions between each other because they are a kind of complementary they bring to each other something. For example, she explained that Revenue Management is important to increase the revenue and so the profits of a hotel however, the other department and services as the booking department, the restaurant and the welcome desk must also be good sellers. She finished by saying that everyone in the hotel must be a sales' force.

Here we can say that our hypothesis number three about the interdependence between Revenue and other department is true. Indeed there is a very strong interaction with the accounting department according to Madame SALINAS as the developed along the discussion. But there is also interaction with the department of marketing that must adapt itself to the plan lead by Revenue Management. And finally as everyone must be a force of sales, it implies training that the department of human resources as to provide to the employees in order that they understand well the objectives.

Finally, Madame SALINAS expressed herself about the customers' feelings and behaviour about Revenue Management. According to her, it depends of the kind of customers but

generally they are more and more aware of this kind of management. And in her opinion customer adapted their behaviour to it to take advantage of the situation.

3. *Presentation of Domaine des Abbatiales*

Domaine des Abbatiales, located in Le Bono in Britany, is composed of two hotels: Hotel Mélaine and le Manoir de Kerdréan, all together they are about 70 rooms. The hotel is located along a river and is close to golf.

On the website there are a description saying "Our dining room (XIII century) offers a year-round traditional food and seafood. In winter, a fireplace emphasizes friendliness and authenticity. Our green park offers wildlife for relaxation and entertainment. Your four-legged friends are welcome"[98]. This shows conviviality within the hotel.

It is a three stars hotel that offers several services as room service, WI-FI, parking, tennis and outside swimming pool. This hotel organizes different event as weddings, conferences, exhibitions, birthdays, group meetings, there are a lot of various services which can clearly categorized it as a three stars hotel.

4. *Interview of the Front Desk Manager of Domaine des Abbatiales*

We have then interviewed Mister Nicola MAHE, front office at the hotel Domaine des Abbatiales to also have his opinion on the subject and to know if according to him there are interactions between Revenue Management and the other department of the hotel. We again asked him is opinion about customers behaviours.

Mr MAHE is front office manager at Domaine des Abbatiales since fourteen years so he is used to the practices of the hotel. We started the interview by asking him what are their practices of Revenue Management and he said that first they do not have length of stay control because they do not have enough customers to use this kind of lever and the hotel is huge so it takes time before having it full.

About the prices, they have a rate chart according to the different kind of room they have, from standard to suite, and there is not a lot of fluctuation within it except in high

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[98] Domaine des Abbatiales official website
http://www.domaine-abbatiales.com/

frequentation period, that is to say during holidays or when a group books many rooms for a seminar. For example next year the Tour de France will pass close to the hotel, and then the prices will increase because they are expecting to have more customers than usual. However, as Mr MAHE explained us it happens a lot that the hotel cannot applies its price rates because many times customers have looked at prices on Internet, through third party website where prices are cheaper, and so the hotel prefers to align its price to them rather than customer books through a website, which implies that the hotel will have a percentage to pay back to it, or not having the sale at all.

Indeed Mr MAHE explained that the website Expedia, for example, always wants to have the cheapest price, and if the hotel has a contract with them and if another website proposes cheaper prices than them, then penalties applies. So customers will be more interested to book through this website rather than calling to the hotel where prices will be higher. We talked then about Booking which is a very famous website in hospitality. The management of prices here is different, hotels can choose as they want the price they want to display. Currently the price for a room at Domaine des Abbatiales is around 60€ but in august prices will rise to 80€ as Mr MAHE explained because the hotel will be more sure to have booking. The goal is to have a base of bookings and then adjust prices depending on amount of bookings. Their strategy is to increase prices at the last moment for the last rooms they have to get the best revenue from it.

Then we talked about an interesting thing, probably due to the fact that it is an independent hotel, which is that, receptionists is the hotel are free to manage the price as they feel according to the bookings made. It means that depending of the number of rooms booked in for the night of for a period the receptionist can take the freedom of choosing by himself the right price for the customer, there is more flexibility than in big groups.

It is then important to notice that this hotel works a lot with partners with whom they have "deals" as Groupon, Weekendesk, Wonderbox, Smartbox. They are companies that offer to customers packages including room and breakfast or room, breakfast and dinner or even sometimes a bottle of Champagne. This attracts a lot of customers that can have for a very reasonable price a great week end less expensive that booking with the hotel.

We then approached the issue of the relationship between Revenue Management and the other department of the hotel and here Mr MAHE told us that they are a too small structure

to have such service and that the reception is in charge of the marketing while the human resources and the accounting is in the hands of Mr DOLBEAU the director of the hotel. However, he recognizes that it is important that receptionists must be aware of these practices and they are kind of trained once they are recruited. According to Mr MAHE there is a link between accounting and Revenue Management of course as this one brings revenues and so profits to a company however the relationship is not that much big because accounting department can function without Revenue Management and vice-versa. As he explained, receptionist that practice Revenue Management probably does not know anything about accounting which can be the same about accountants that do not know about Revenue Management.

Depending on the booking, Revenue Management will have different impact over marketing according to Mr MAHE. He said that when the hotel is empty or does not have a lot of bookings, marketing will have the "power" over the Revenue management, they will accept all demands from all the customers and the partners they have (Groupon, Weekendesk, Wonderbox, etc…) and all the offers that partners can offer. Conversely, when the hotel has a lot of bookings, and does not especially needs communications, they will focus on Revenue Management and this one will be more important.

For Mr MAHE, Revenue Management is an intelligent and costless way to generate more revenue but for this to be true, there must be enough customers. For him, Revenue Management does not cost too much he use Excel for its analyses, whereas hotel that are part of groups use most of the time expensive software. However even if Mr Nicolas thinks that Revenue Management is a source of revenues he said that not only this can bring them but also the restaurant and the bar and the quality of service will have impact.

About the customer perspective, Mr MAHE said that all customers or most of them are aware of this practice of Revenue Management. Indeed, they look at the price online and compare them and call to the hotel and when the receptionist gives the price, they then bargain saying that they have seen different prices on Internet. The hotel then adapts itself to the customers. Mr MAHE said that their behaviour is clearly influenced by the fact that they are aware of the practices.

From the two persons we interviewed they both confirmed that there are interactions between Revenue Management and the other departments of the hotel. However, the

interactions are different between hotel belonging to a group of hotel and independents hotels. We can say that our last hypothesis about the interactions between Revenue Management and the other department is partly verified as it is not applicable to all kind of hotels.

III.   Field Study about customers

1. *Presentation of the field study*

This survey has been created of Google Forms (Annex 1) and then submitted through internet to 177 persons. This survey is more an approach to customers contrary to the interview we had with Madame SALINAS. However, it gives us some additional information about customers behaviors and feeling that can be linked to the questions we asked to the revenue manager.

Our study is based on the answers of 133 women and 44 men and our panel is classified from the socio-professional categories established by the INSEE.
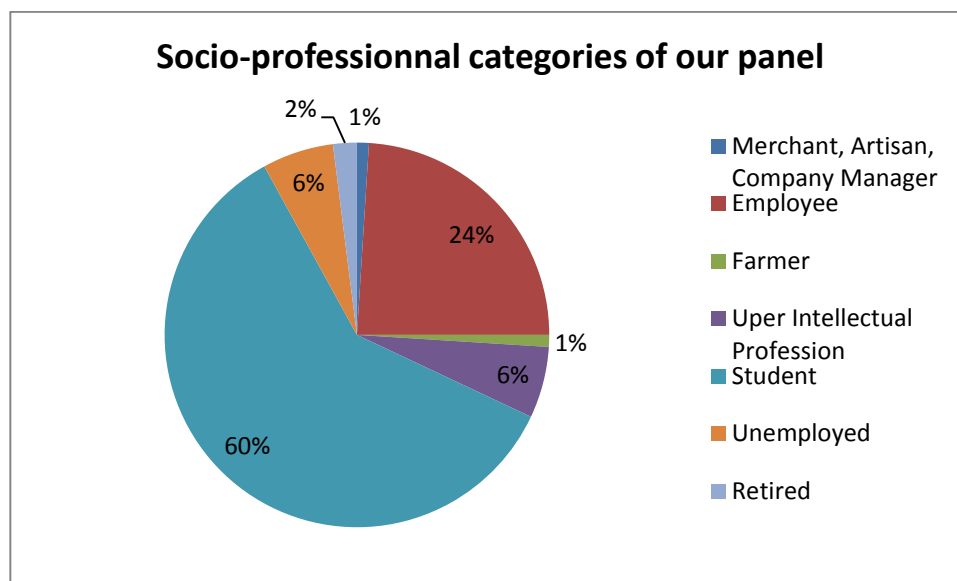
Feature 1: Socio-professional categories of our panel during our survey

Among the interviewed people 28% were less than 21 years old, 54% were between 21 and 30 years old, 5% were between 31 and 40 years old, 7% were between 41 and 50 years old; and 7% between 51 and 60 years old. Unfortunately, we did not have answer from the people who are 61 or more probably because of the way we launched the survey that did not reach them.

2. Analysis of the answers

Now that we know who composed our panel we will study their behaviour within the hospitality industry and if they are more or less aware of the Revenues Management practices.

▪ **Frequentation of hotels of our panel**

Among the person that answered to the survey, all of them have spent at least one night in a hotel.

2.1. How often do you go to hotel?
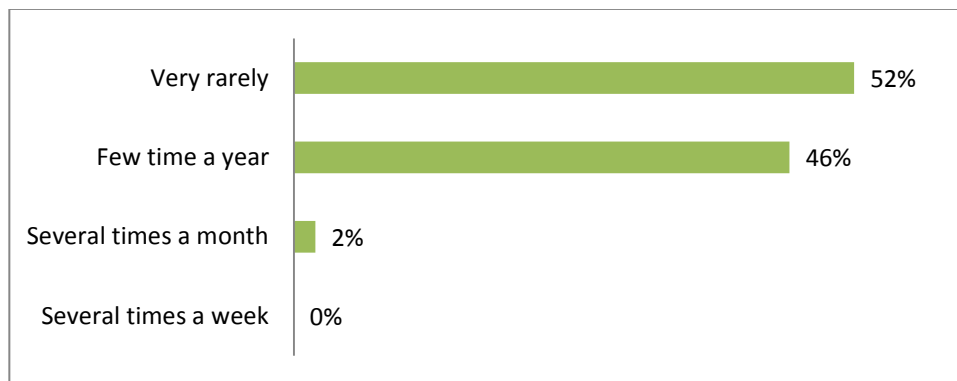
Feature 2: Going to a hotel frequency

It is important to note that most of these people are not regular customers as there are only 2% going several times a month. All the other are staying at hotels a few times a year or very rarely. From these answers we can say that they are two kinds of consumers: those who are regular customers and those that are punctual customers, staying at hotels just sometimes, and they represent the main part of the consumers.

2.2. For which reasons did you stay in a hotel?
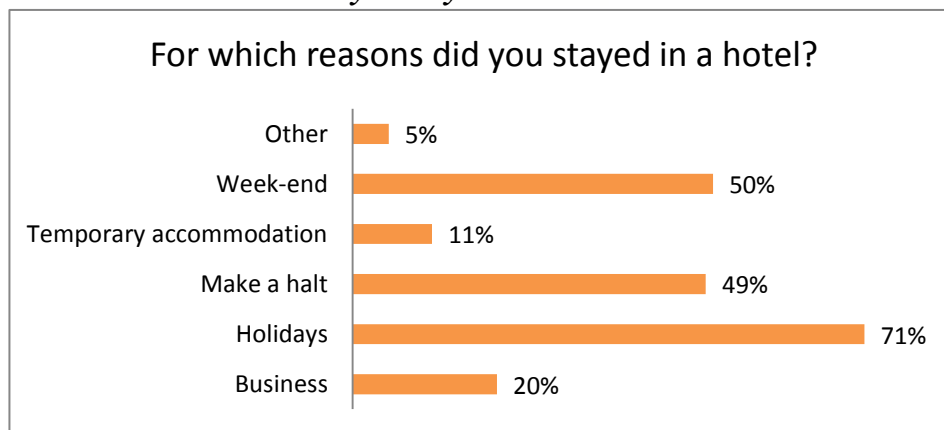
Feature 3: Reasons to stay in a hotel of our panel

From these two kinds of customers, we identify that there are four main reasons to go to hotels: week-end, holidays, make a halt mad business. Customers belong to one or more of these categories as can one day stay in a hotel for business and another time for holidays. The reasons to go to a hotel vary depending on the situation in which the customer is. This signify that it is difficult to identify the segments of customers of the hospitality industry as their reasons for coming to a hotel will depends of a current situation.

- **The Booking**

    2.3.   What is your degree of sensibility to the following criteria when choosing a hotel?
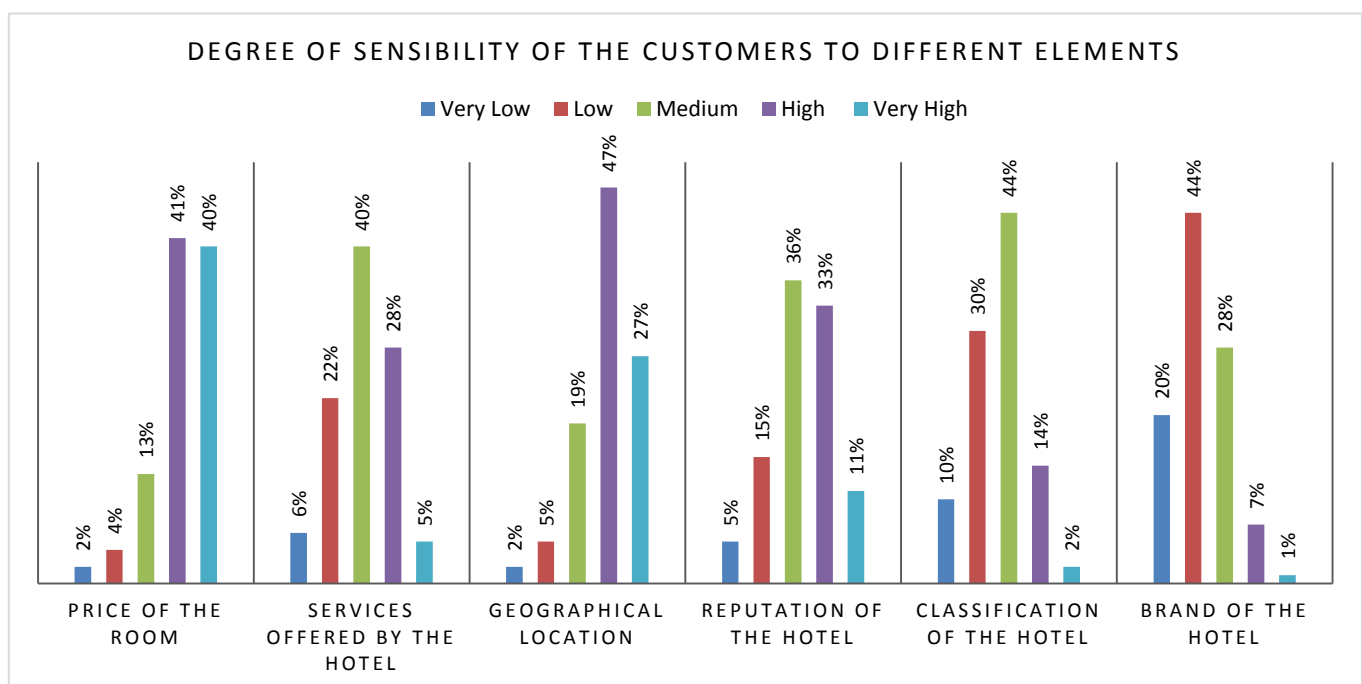
Feature 4: Degree of sensibility of our panel to different elements when looking for a room

We asked then what the most important thing is for our customers when they are booking a room in order to see if any of the variables listed by Brée[99] are really used by the customers as economics factors or groups' factors.

Four our panel, the most important thing is the geographical location of the hotel. We expected that the price would be more important than this criterion. However, it is normal that this element is important for them because when people are going to a hotel it is for a

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[99] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris

particular reason in most of the cases. If for example a customer is looking for a hotel to do a halt he will be looking for one that will be on his road. If it is for business the customer will be looking for a room close to its meeting point and when the customer is on holiday he will be looking for a room close to what he wants to visit or close the activities he wants to do or be in a particular city.

Then, the second most important thing for our panel when they are booking is the price. Indeed they are 41% considering that it is an element of high importance and 40% to think that it is an element of very high importance. This strong importance given to the price cans be explained by the economic crisis. The repercussion of this crisis is that people who are travelling are looking for the best price to save money. Moreover, price is part of one of the variables of Brée[100]: the economic factors that have impact on the behavior of customers.

Then the second important thing for our panel is the geographical location of the hotel. It is normal that this element is important for them because when people are going to a hotel is for a particular reason in most of the cases. If for example a customer is looking for a hotel to do a halt he will be looking for one that will be on his road. If it is for business the customer will be looking for a room close to its meeting point and when the customer is on holiday he will be looking for a room close to what he wants to visit or close the activities he wants to do or be in a particular city.

Finally, the reputation of a hotel seems important for customers. We specified in the question that it was about the commentaries made on internet as Trip Advisor or Booking and others. Customers give importance to these opinions given by previous customers because they receive a real feeling of an experience that someone like them had. The reputation means for them the satisfaction of the stay in the hotel so that will have an impact of them. They give more importance to the reputation of a hotel rather the number of stars probably because customers better trust other customers that experienced the hotel rather than stars that are given without the customers know how and on which criteria. This can be linked to the decision making and risk. Indeed, customers do not want to take risk or to be disappointed by the service they paid for and because of that they will be looking for information through internet and they will also ask for the opinion of their family

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[100] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

sometimes, which is one of the variable described by Brée[101].

So then about services, number of stars and brand of the hotel we can deduce from the answers that these elements are less considerate by customers. It is possible that our panel gives less importance to the quality of services number of star and brand of the hotel because they are young people mainly students that probably do not have a lot of money. However, the quality of services remain to be an important element for customers as 40% of them consider this element to be of medium importance, 28% of them consider it to be of high importance and 5% consider it to be of very high importance. Moreover as customers answered that brand does not have that much importance for them we can say that they are not loyal to any hotel and they are more focused of other aspects of the hotel.

We can say that some of the variables that we have seen in the first part can have effects of customers behaviours especially the economic variable which is linked to the price. Indeed, price is an important factor and is linked to the economic variable and this will have effect on Revenue Management about the pricing. Many segments seem to be price-oriented, revenue manager will have to manage and find a way to satisfy customers to find the right room at the right price. We can say that our first hypothesis can be moderated; customers behaviours will have a kind of effect over the practice of Revenue Management but only concerning prices. Indeed the goal of hotels is to get the maximum of rooms booked at the highest price customers are able to pay. So, revenue managers will have to adapt the price to the willingness to pay of customers which depend of the economic variable. Moreover, in the interview made with Mr MAHE he clearly said that customers are trying to bargain the prices of the room according to what they have seen on internet which prove that customers are preoccupied by the economic variable in their choices.

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[101] Brée, J. (2012). *Le comportement du consommateur*. 3rd Edition. Dunod, Paris.

2.4.   Do you book in advance?
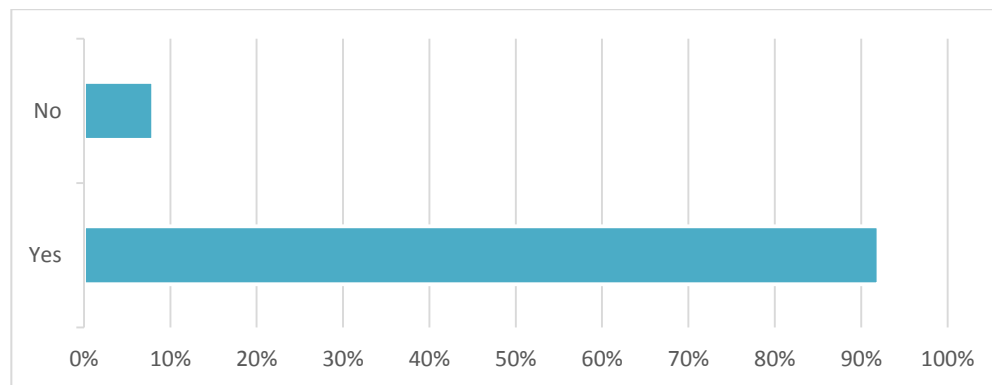
Feature 5: People of our panel that book in advance or not

2.5.   Do you think that booking in advance can help to find cheaper prices?
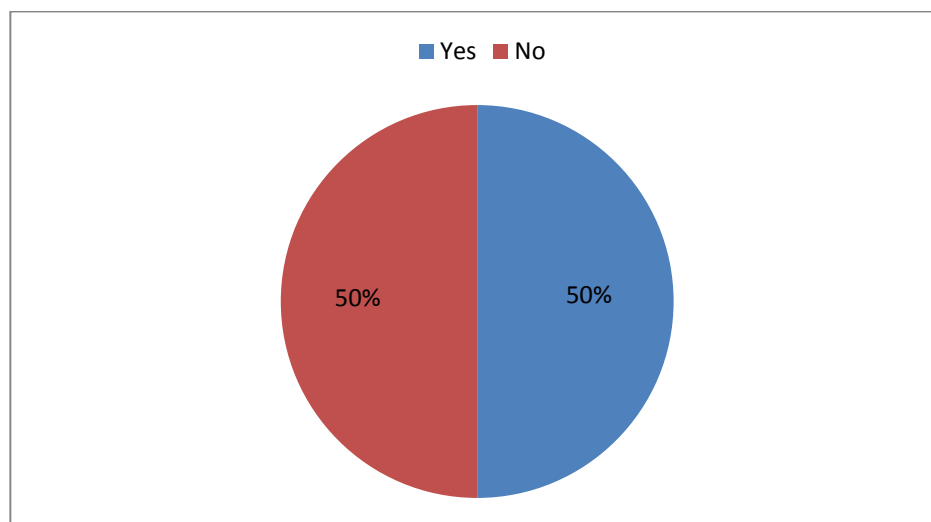
Feature 6: Feeling of our customer about if booking in advance help to save money

From the answers we get we observed that most of the person of our panel book in advance they are 92% to do it. However, even if mainly of them book in advance, there is half part of the panel which think that booking in advance do not help to do economies. We were expecting that more people would think that by booking in advance they can save money as it happens very frequently that people say that by booking in advance you can get cheaper prices.

However it is also true that sometimes by doing the reservation at the last moment customers can have good prices but probably more in airlines industry. Here we can say that people are booking in advance but however the behavior of the customers to book in advance is not

necessarily linked to the desire to have cheaper prices or to save money because half of them do not think that doing a reservation in advance help to save money.

- **Feeling about prices of customers**

2.6.   Do you think prices can vary depending on the moment you are doing the booking?
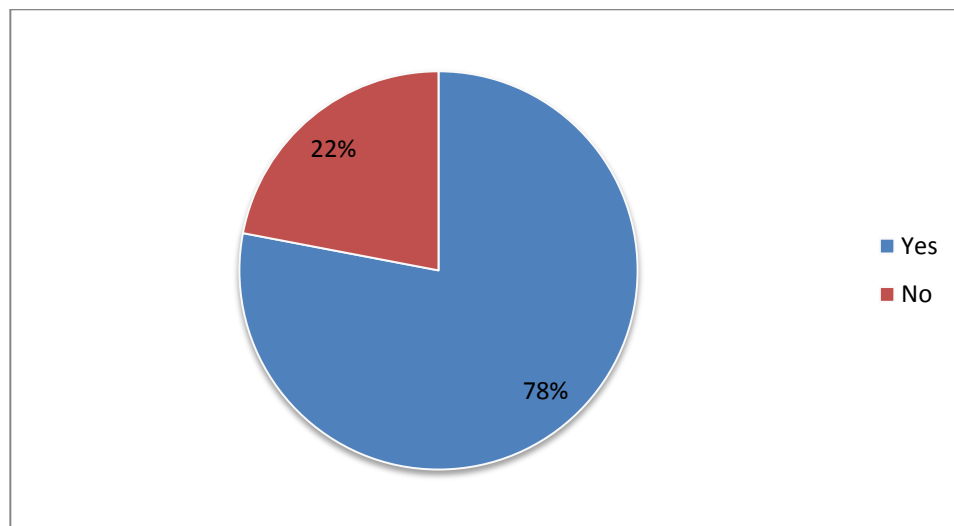
Feature 7: Feeling of our panel about the variation of prices when booking

In contrast, even if half of the persons think that booking in advance cannot help to save money they are 78% to think that price can vary depending on the moment you are doing the reservation.

From the previous question and that one, we can say that people are aware that there are movements of prices in hospitality about the prices of the rooms. However, they do not necessarily think that booking in advance will allow them to save money.

2.7. ***Do you think prices can vary depending on the date you are booking for? (holidays or not)***
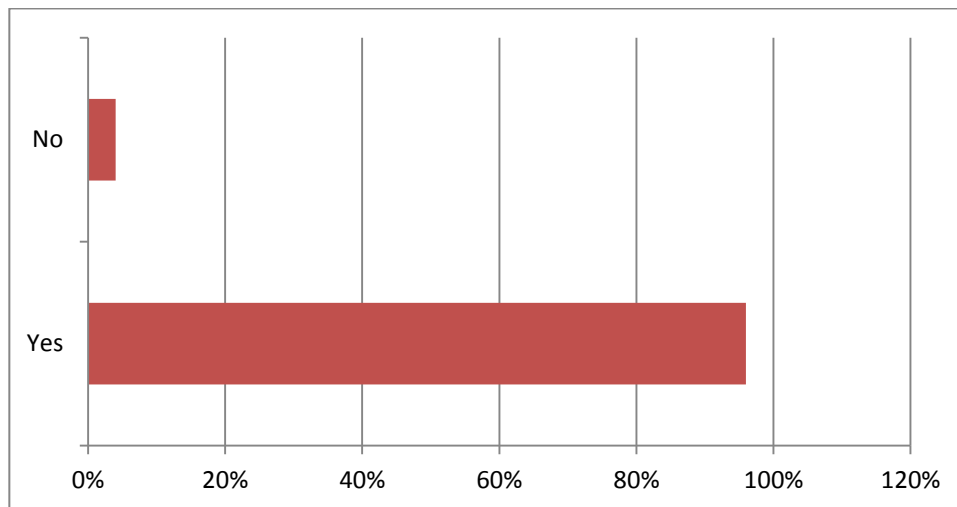
Feature 8: Feeling of our panel about the variation of prices on the date you are booking for

From the answers of our panel, we can see that they are aware that prices can vary following the date for which they booked the room. It can be explained because of their past experiences, experiences of friends but also because it can seem obvious that prices are rising when special events is happening. However, 4% of the panel think that the date they are booking for does not have impact on the price may be because they did not have enough experience with hotels.

2.8. ***Do you think prices can vary depending on the way you are doing the booking? (Booking.com, Expedia, web site of the hotel, calling to the hotel,..)***
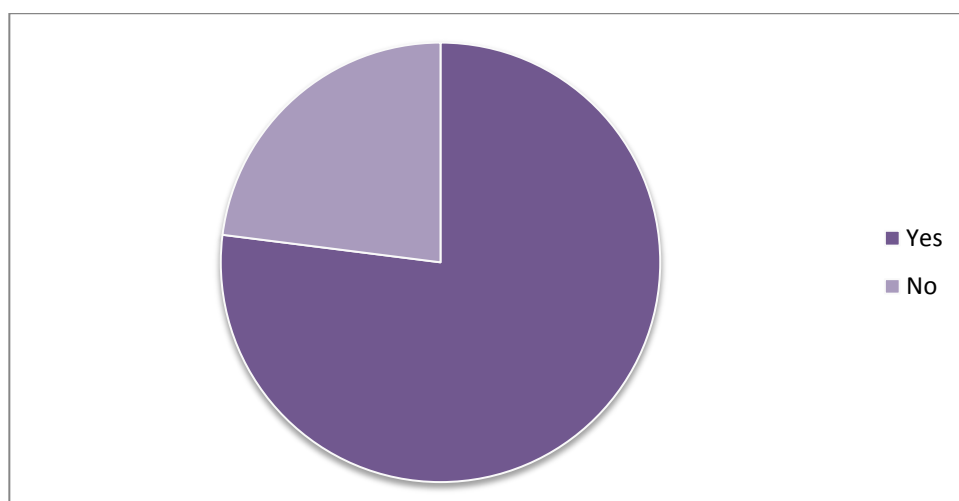
Feature 9: Feeling of our panel about the variation of prices depending on the way you are doing the booking

Through the answers of this questions we observed that more than three quarter of the panel agrees that prices can vary depending on how do they book, that is to say by the website of the hotel, through a third party website, by calling or emailing the hotel, or walk-in. People probably think that because of their past different experiences, they can have experienced different ways of booking. Indeed sometimes when booking online, with Expedia for example, customers can get better prices than calling to the hotel. The last quarter of answerers that think that prices do not vary depending on how you book did maybe not experienced different ways of booking.

Moreover as said in Part 1, most of the customer make the booking of their room online they are about 57% of customers to do that. Most of the customers are booking on the website of the hotel however, some other are using other website probably hoping that they will get a cheaper price. (Annex 2)

2.9.   *Do you think that for a room, a hotel can have different prices?*
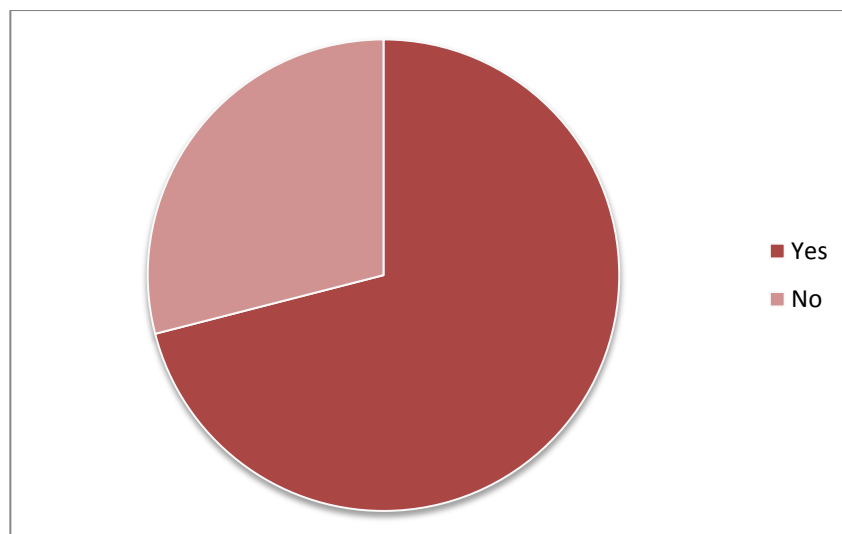
Feature 10: Feeling of our panel about the variation of prices for a room

2.10. What are according to you the elements that can have impacts on the price of a room? (multiple choices possible)
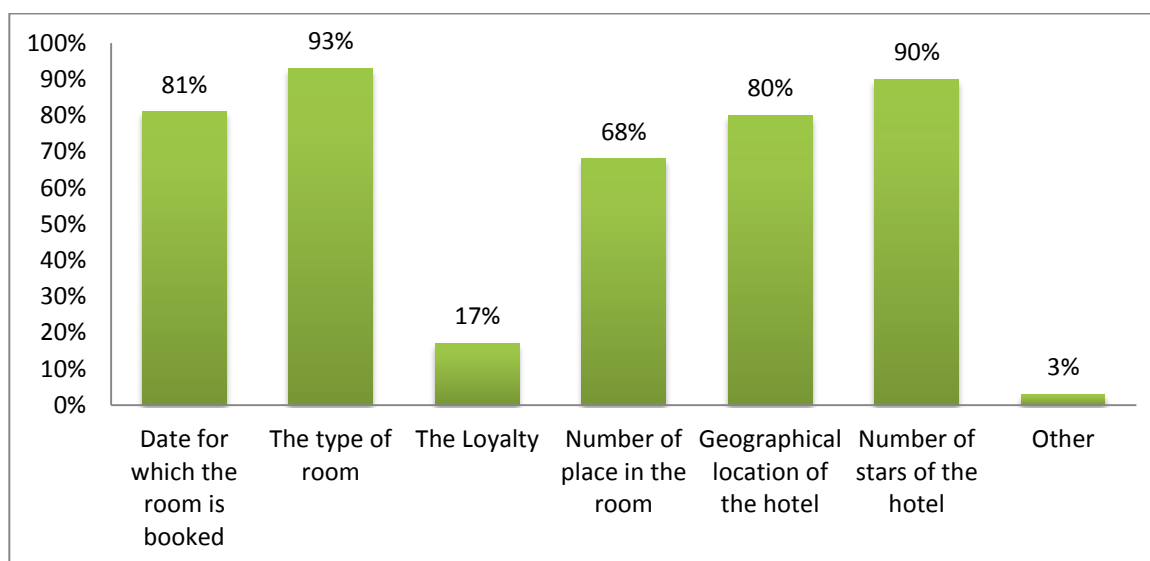
Feature 11: Feeling of our panel about the elements that
can impact the variation of prices for a room

Regarding the first question, we can say that most of our panel is aware that hotels can practice different prices for a same room as they are about 70% to think that for a room prices can vary.

We then wished to analyze which elements in their opinion can have effect over the price of the room. Here it is clearly showed that customers are aware that different prices are practiced for a room according to different variables as the seasonality, the location of the hotel, the type of room and its accommodation capacity but also the number of stars that a hotel can have.

The answers to the questions and thanks to what Mme SALINAS and Mr MAHE said we can say that customers are aware of a certain form of Revenue Management even if they are maybe not all able to clearly identify it. From our survey, the interview of Mme SALINAS and Mr MAHE and the annex 2 (that proves that a lot of customers book their room on Internet) we can say that customers adapted their behaviour to take advantage of Revenue Management by always looking for the cheapest way or moment to book the room. Then our hypothesis about the fact that customers are aware of what Revenue Management is, its practices and are influenced in their choices by it is verified because customers are influenced, mainly by the price, in their purchases and will try to get the best price as much as they can.

Conclusion

Revenue Management was originally created from the deregulation of the airlines companies and has been then adapted to several other industries as hospitality, railways companies, restaurants, entertainment parks.

The one we have studied throughout this thesis was the hospitality industry. From our researches and findings we can say that hospitality matches to the Revenue Management requirements. This industry has all the characteristics needed to apply Revenue Management, the main one is the perishable characters of the product: rooms which if they are not booked represent a loss of revenues.

We have seen that there are different kinds of levers in Revenue Management the one mainly use is pricing with price discrimination and dynamic pricing. Both of them are used a lot in hospitality and we have seen in our interviews that it depends of the hotel and number of customers. Some hotels use length of stay as a lever to generate revenues. However, this one is less used because of the difficulties to apply it to customers that probably will not accept it.

As seen in our theoretical study, pricing stay the main tool for the person in charge of managing the prices. We realized that management of prices, Revenue Management, could be strongly linked to the other actors of the hospitality industry. Indeed, customers are the main actors concerned by the Revenue Management and we observed, in our researches, that there are a lot of variables than can impact their behaviours. Nevertheless, an element seems to be recurrent: economic resources, which is linked to price. Socio-professional categories and economic variables are indicators of the wealth of customers and that would lead them in their choices.

We also studied how Revenue Management functions through Revenue Management Systems with tools and software. We find out the hotels can use basic software as Excel that will not cost a lot of money, but can be less precise, or very developed and precise, but will be expensive and will cost a lot of investment to the hotel. As we have seen during our interviews, this choice of system mainly depends of the size of a hotel and its average of occupation, as if there is high frequentation it would be may be better to have a developed software.

A part from customers, we find out that there are others actors that would interact with the Revenue Management which are the different departments of the hotel. We noticed in our research that when talking about Revenue Management we also talk about marketing and finance and even sometimes human resources. These departments are very important in hospitality as their aim is about managing gains and profits but also generating sales and Revenue Management will be complementary to them.

From the first part, the theoretical one, we learned the basis of Revenue Management and we are now able to understand it. This is a strategic kind of management that as for goal to increase revenues and so profits of a hotel. This is a done through pricing levers that would help to define which price is the right one at the right moment for the right customer. It can happen that the hotel is doing a kind of selection of its customers.

Our theoretical study leaded us to an empirical study whose aim was to find links between Revenue Management and other departments of a hotel, but also to find the impacts of it over other department and vice-versa. From this study, we established hypothesis that were:

- *Hypothesis number 1:* The variables of the customers behaviours can affect the management of Revenue Management.

- *Hypothesis number 2:* Customers are aware of what Revenue Management is and its practices and are influenced in their choices by it.

- *Hypothesis number 3:* Revenue Management can be associated to accounting department as it generates more revenues and so higher profitability. But it can also be associated to marketing as there are both focused on the customers, the price and the channel of distribution.   Then Revenue Management is strongly linked to other departments and cannot work without them.

From our empirical study, the result is that our first hypothesis was confirmed because we can say that customers are strongly looking for cheap price which means that they are influenced by the economic variable. Then because of this variable Revenue Management will be affected as customers will focus on price the managers will have to find the best way to match to this variable. However, even if Revenue Management can be affected by the behaviour of customers we also have to envisage that the hotel have a strong power because

it will be the one taking the final decision of which price to apply. It seems that in this strategic management, customers and professional of the hospitality industry are satisfy: customers can have good prices for what they want and hotel optimize their occupation rate and earn revenues.

Then, our field study and interviews showed that there are different kinds of customers in every hotels and that a same customer can stay in hotels for various reasons as for business one time and another time for leisure. What came out of these two studies is that almost every customer is aware of practices of Revenue Management, even if not clearly sometimes, they know that they are variation of prices. They adapted their behaviour to this by going on internet and trying to find the cheapest channel to book their rooms. Here our hypothesis number two is right, customers are aware of Revenue Management and its practices and from experiences they try to find the cheapest price through different channels or by trying to find the right moment to book the room.

We finally noticed from our interviews that there are links and impacts between Revenue Management and other departments of hotels. However, this hypothesis cannot be completely validated and must be moderated because in the case of small hotels they do not have a lot of interaction because of different practices, especially in marketing.

Both theoretical and empirical studies teach us a lot about the Revenue Management. As said before, we know how Revenue Management works and thanks to our empirical study, we have deeper expertise of it. We have established clearly links with customers but also with other departments.

Revenue Management is a strategic way of managing that is well working and that can bring a lot of positive impacts to a hotel. It first tries to ensure the biggest occupancy rate possible with the aim of generates the highest revenues possible. It also bring positive things to the customers has they have the chance to get good prices that was may be not possible for them before creation of it. It is all positive for the hotel as it will permit to increase the profit but also good for the customers that will be satisfy to find a price that matches to their expectations.

 However, even if it brings a lot of advantages to the hotels and to customers, negative aspects exist. As we said in our theoretical study, Revenue Management that use non-pricing tools as overbooking or length of stay control can give a wrong image of the hotel as

customers can be disappointed to not have a room when they arrive or be imposed to stay for more than the number of nights they want.

Revenue Management exists since many years and evolved to become a strong tool to generate revenues to companies of services and this tool works well. However, have to considerate that improvements can be made. Indeed, we know that there are links and interactions between Revenue Management and other services of a hotel, mainly accounting and marketing department. In order to improve Revenue Management, hotels could focus more on the links and interactions that could be done between then and we could suppose that this strategic tool could work even better that currently. But also it would be interesting to focus on the interaction between Revenue Management and the human resources department because this one could eventually bring positive impact over it; unfortunately we did not have any real opinion about this from our interviews.

Impacts of Revenue over the actors of hospitality industry are numerous. On one hand, departments have to coordinate themselves to permit the well-functioning of Revenue Management and this one also relies on them. On the other hand, customers are aware of the practices of Revenue Managements and adapted their behaviour to it. Then we could first wonder if Revenue Management is really applicable is small hospitalities' structures where there is sometimes not clear departments defined and where hotels can suffer from customers behaviour that consists in looking for the cheapest prices. And we could also ask if small independents hotels could be lead to disappear because of the customers behaviour.

Limits of our study

The study about Revenue Management that we made knows some limits which means that we could have done things differently or that all of our elements cannot be always relevant to every situation of Revenue Management.

First, we had a small time to lead our investigation as we had our disposal only 5 months to study Revenue Management and its impacts. It would have been great to lead this study during more months to collect more information to be more precise in our work.

Then, our quantitative empirical study was launched on social media and the result is that we get mainly answers of students that are under 21 to 30. This can distort the results we get because they were 82% aged between less than 21 and 30 but moreover, we get answers from students mainly, they represent 60% of our panel. It would have been better to try to find a way to control the answer and to better distribute the survey to have results that would be more realistic.

Then we can say that we did not had enough interviews. It would have been great to have more interviews to collect more opinions on the relation between Revenue Management and the other department to have a deeper expertise.

Annexes

ANNEX 1 : Survey submitted online

Investigation about customer behavior face to revenue management in hospitality

Bonjour, ce questionnaire s'inscrit dans le cadre de mon mémoire de fin d'études. Il porte sur le comportement du client face à certaines pratiques de tarification au sein des hôtels. Il n'y a évidemment pas de bonnes ou mauvaises réponses je cherche seulement l'avis de consommateurs.

Hello, this survey is part of my thesis of final studies. It concerns the behavior of the client face to certain pricing practices within hotels. There is obviously no right or wrong answers I seek only for the opinion of consumers.

*Obligatoire

Votre Fréquentation / Your Frequentation

Avez-vous déjà séjourné dans un hôtel? *
Have you ever stayed in a hotel?

- ○ Non / No
- ○ Oui / Yes

Quelle est votre fréquence de séjour en hôtel? *
How often do you go to hotel?

- ○ Plusieurs fois par semaine / Several times a week
- ○ Plusieurs fois par mois / Several times a month
- ○ Quelques fois par an / Few time a year
- ○ Très rarement / Very Rarely

Pour quelles raisons avez-vous séjourné dans un hôtel? (plusieurs choix possibles) *
For which reasons did you stayed in a hotel? (multiple choices possible)

- ☐ Affaires / Business
- ☐ Vacances / Holidays
- ☐ Faire étape / Make a halt
- ☐ Logement provisoire / Temporary accommodation
- ☐ Week-end
- ☐ Autre : [_____]

La Réservation / The Booking

Quel est votre degré de sensibilité à ces éléments lors de votre choix d'hôtel? *
What is your degree of sensibility to the following criterias when choosing a hotel?

	Très Faible / Very Low	Faible / Low	Moyen / Medium	Fort / High	Très Fort / Very High
Prix de la chambre / Price of the room	○	○	○	○	○
Services offert par l'hotel / Services offered by the hotel	○	○	○	○	○
Emplacement / Location	○	○	○	○	○
Réputation de l'hôtel (commentaires sur Internet) / Reputation of the hotel (Trip Advisor and commentaries on Internet)	○	○	○	○	○
Nombre d'étoiles de l'hôtel / Classification of the hotel (number of stars)	○	○	○	○	○
Marque de l'hôtel / Brand of the hotel	○	○	○	○	○

Réservez-vous en avance? *
Do you book in advance?

○ Oui / Yes
○ Non / No

Pensez-vous que le fait de réserver en avance aide à faire des économies? *
Do you think that making the booking in advance can help to find cheaper prices?

○ Oui / Yes
○ Non / No

Les Tarifs / Pricing

Pensez-vous que les prix peuvent varier suivant le moment de la réservation? (Longtemps en avance ou non) *
Do you think prices can vary depending on the moment you are doing the booking? (In advance or not)

○ Oui / Yes
○ Non / No

Pensez-vous que les prix peuvent varier suivant la date pour laquelle vous réservez? (période de vacances scolaires ou non, grands week-end des trois jours) *

Do you think prices can vay depending on the date you are booking for? (holidays or not)

○ Oui / Yes

○ Non / No

Pensez-vous que les prix peuvent varier suivant la façon dont vous réservez? (Booking.com, Expedia, site web de l'hotel, ou appel à l'hotel, etc...) *

Do you think prices can vay depending on the way you are doing the booking? (Booking.com, Expedia, web site of the hotel, calling to the hotel, etc..)

○ Oui / Yes

○ Non / No

Pensez-vous que pour une même chambre, un hôtel pratique différents prix? *

Do you think that for a room, a hotel can have different prices?

○ Oui / Yes

○ Non / No

Quels sont pour vous les éléments qui peuvent avoir un impacte sur le prix d'une chambre? (plusieurs choix possibles) *

What are according to you the elements that can have impacts on the price of a room? (multiple choices possible)

☐ Date pour laquelle la chambre est réservée / Date for which the room is booked

☐ Le type de chambre / The type of room

☐ La fidélité / The Loyalty

☐ Nombre de place dans la chambre / Number of place in the room

☐ Position géographique de l'hotel / Geographical location of the hotel

☐ Le nombre d'étoiles de l'hôtel / Number of stars of the hotel

☐ Autre : _____

A propos de vous / About you

Genre *

Gender

○ Femme / Woman

○ Homme / Man

Age *

Age

- ○ Moins de 21 ans / Less than 21 years
- ○ 21-30 ans/years
- ○ 31-40 ans/years
- ○ 41-50 ans/years
- ○ 51-60 ans/years
- ○ 61 ans et plus / 61 and more

Catégorie Socioprofessionnelle *

Socio-professional Category

- ○ Commerçant, Artisan, Chef d'entreprise / Merchant, Artisan, Company Manager
- ○ Employé / Employee
- ○ Agriculteur, Exploitant / Farmer
- ○ Cadre, Profession Intellectuelle supérieure / Uper Intellectual Profession
- ○ Etudiant / Student
- ○ Sans activité professionnel / Unemployed
- ○ Retraité / Retired

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Signaler un cas d'utilisation abusive - Conditions d'utilisation - Clauses additionnelles

ANNEX 2 : Statistics of bookings online

Online Travel Booking Statistics	Data
Number of travel bookings made on the internet each year	148.3 million
Percent of all travel reservations made on the internet	57 %
Percent of same day hotel reservations made from a smartphone	65 %
Internet Source for Hotel Booking	**Share of Bookings**
Brand Website: Website where distribution is operated and managed by the brand (e.g www.marriott.com/).	65.4 %
Merchant Website: (e.g. Expedia/Hotels.com, Travelocity and Orbitz).	19.5 %
Opaque Website: Customers to choose a fare or rate without knowing the brand of the supplier until after the item is purchased (e.g. Priceline).	11.3 %
Retail Website: Third-party distributor where the hotel lists inventory at the same price that it is sold to the consumer and hotel pays distributor agreed upon commission (e.g. HRS, Bookings, Venere in Europe).	3.7 %

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Table of contents

Abstract

Since its apparition in the seventies due to the deregulation of airlines companies, Revenue Management has evolved and became strong strategic management tool for companies of services. Some of the industries concerned by this management are airlines companies, hospitality industry, railway industry, restaurants, entertainments parks, etc… We focused our study on the hospitality industry. This industry is currently one of the most active in the world and there is strong competitiveness within it. Hospitality industry is made of many actors as customers and the different departments of a hotel; as marketing and accounting, all of them are part of the main important actors. Indeed, customers are the basis of the hospitality industry, without them the services does not exist. However, in order for a hotel to work properly, it is necessary to have supporting activities that will help the service to be offered. Then, as Revenue Management is about increasing the revenues to generate more profits but also to generate more sales by identifying the right customer for the right product at the right time, we can deduce that it is related to the marketing and accounting services that assume these functions. This study has demonstrated the links that can be made between the Revenue Management and customers but also to the different departments of a hotel. Indeed, the pricing made through Revenue Management is based on the customers' segmentation and especially their willingness to pay. Finally, departments of the hotel can be linked to Revenue Management because of the need of this one to be coordinated with them about sales, profit and turnover to reach.

Keywords

Revenue Management – Marketing – Accounting - Customer Behaviour – Impacts

Résumé

Depuis son apparition dans les années soixante-dix du fait de la dérégulation des compagnies aériennes, le Revenue Management a évolué et est devenu un puissant outil stratégique de gestion pour les entreprises de services. Certaines de ces industries sont les compagnies aériennes, l'hôtellerie, les compagnies de chemins de fers, les restaurants, les parcs d'attractions, etc… Notre étude se porte sur l'industrie de l'hôtellerie. L'industrie hôtelière est faite de nombreux acteurs comme les clients et les différents départements d'un hôtel par exemple, le marketing et le service comptabilité, ceux-ci font partis des principaux acteurs. En effet, les clients sont la base de l'hôtellerie, sans eux le service ne peut se faire. Cependant, pour qu'un hôtel fonctionne correctement, il est nécessaire d'avoir des activités de support que vont soutenir le service offert. Comme le Revenue Management a pour but d'augmenter les revenus pour accroitre le profit mais aussi de générer plus de vente en identifiant le bon consommateur pour le bon produit au bon moment, nous pouvons en déduire qu'il est lié aux services comptabilité et marketing qui assurent ces fonctions. Cette étude a démontré les liens qui peuvent être établis entre le Revenue Management and les consommateurs mais aussi sens liens avec les différents départements d'un hôtel. En effet, la tarification fait grâce au Revenue Management est basée sur la segmentation des consommateurs et plus spécialement sur leur consentement à payer. Enfin, les départements de l'hôtel peuvent être liés au Revenue Management du fait que celui-ci a besoin d'être coordonnés avec eux à propos des ventes, du profit and du chiffre d'affaire à atteindre.

Mots clés

Revenue Management – Marketing – Compatbilité – Comportement du consommateur - Impacts