

Revenue Management for Hospitality and Tourism

Patrick Legohérel, Elisabeth Poutier

and Alan Fyall

(G) Goodfellow Publishers Ltd

(G) Published by Goodfellow Publishers Limited,
Woodeaton, Oxford, OX3 9TJ
<http://www.goodfellowpublishers.com>

British Library Cataloguing in Publication Data: a catalogue record for this title is available from the British Library.

Library of Congress Catalog Card Number: on file.

ISBN: 978-1-908999-50-4

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Design and typesetting by P.K. McBride, www.macbride.org.uk

Cover design by Cylinder, www.cylindermedia.com

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Preface

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

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

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

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

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

Kaye Chon, Ph.D.

Dean, School of Hotel & Tourism Management

The Hong Kong Polytechnic University

Acknowledgements

We are grateful to the many academics and practitioners who helped to make *Revenue Management for Hospitality and Tourism* a reality. In particular, we would like to thank Tim Goodfellow and Sally North of Goodfellow Publishers Limited for their support and to Professor Kaye Chon who kindly contributed the preface to the book. *Revenue Management for Hospitality and Tourism* also benefited from the generous contributions of those listed below who were willing to share their expertise and who took their valuable time to provide us with such high quality contributions to the book. Our gratitude is most sincere, thank you.

Jad Aboukhater, Carlton Hotel, Cannes, France

Julie Adam, America & Caribbean - Corsairfly, Paris, France

François Albenque, CDiscount, France

David Cretin, Europcar, France

Stephane Gauthier, Best Western, France

Olivier Glasberg, Kuoni Travel, France

Amy Gregory, Rosen College of Hospitality Management, University of Central Florida, USA

Huimin Gu, School of Tourism Management, Beijing International Studies University, China

Cindy Heo, Hong Kong Polytechnic University, SAR China

Christophe Imbert, Sabre Airline Solutions, France

Kelly Kaak, Rosen College of Hospitality Management, University of Central Florida, USA

Sarah Kamensky, Oxford Brookes University, UK

Anna Leask, Edinburgh Napier University, UK

Ady Milman, Rosen College of Hospitality Management, University of Central Florida, USA

Pascal Niffoi, Revenue Management Expert, Apex Conseil, France

SS Padhi, Swiss Federal Institute of Technology, Zurich, Switzerland

Emmanuel Scuto, WeYield Consulting, France

David Selby, Independent Cruise Consultant, UK

Frederic Specklin, Air France, France

Frederic Toitot, ACCOR Hospitality, France

Kate Varini, Oxford Brookes University, UK

Xuan (Lorna) Wang, Middlesex University, UK

Paul Whitelaw, Victoria University, Australia

Larry Yu, School of Business, The George Washington University, USA

Introduction

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

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

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

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

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

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

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

Patrick Legohérel and Elisabeth Poutier, Angers, France

Alan Fyall, Orlando, USA

February 2013

About the editors

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

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

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

