Revenue Management for Hospitality and Tourism

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and Alan Fyall
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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.

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Introduction

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

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

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

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

The first chapter in Part I presents the foundations of yield/revenue management: its origins, principles, and the evolution of the revenue management function. Chapter 2 deals with the components of revenue management, from marketing fundamentals (customer analysis, segmentation, definition of the pricing policy, etc.) to the more specific elements (performance indicators and optimization levers). Chapter 3, meanwhile, presents the revenue management
function: its place in the company and interactions with other functions, the revenue manager’s missions, the required skills set, and the function profile. Chapter 4 then details the revenue manager’s operational approach: data management, forecasting, and decision making regarding capacity allocation and optimization, while Chapter 5 focuses on presenting the revenue management system and its implementation in the company.

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

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