

Hotel Revenue Management and Its advantages and Disadvantages to Organization, its employees and customers

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Abstract- This research talks about the concept of revenue management and its adoption by the hotel industry. The study made analysis of its pros and cons for the management as well as its employees and guest. Revenue Management moves parallel to strategic and competitive pricing and elasticity of demand in the competitive market. It Later highlights the reasons of revenue management being used in the hotel industry.

Index Terms- Revenue Management, organization, employees, customers, guests, advantages and disadvantages.

I. INTRODUCTION

Kasavana and Brooks (1998), indicate that the idea of revenue management was introduced by the airlines in 1980s as yield management. In reference to Huefner (2014), airline industry used this to understand and compare the approach of saleable services, with an ability to forecast demand. The concept was adopted by the hotel industry to understand the trends and maximization of revenue. Matching the correct means of trade, revenue management aims at providing the appropriate commodity aimed at the correct customers at the suitable time and price, creating value for money (Hospitality net 2013).

Hospitality Professional Association (HOSPA) (2013), argues that one of the main function of revenue management is to evaluate the profit earned to maximize revenue for hotel's inventory and other Points of Sale (POS). According to Dr. Forgacs (2013), revenue management favors market segmentation, improvements in business plans, forecasting elasticity of demand and strategic pricing like discounts, packages, commercial rates compliments etc. It segments the market by understanding target customers, appropriate time and demand with its fluctuating prices and strategies. Keeping in mind the customers' potential and as well as preferences, gives data to forecast revenue and profit. Revenue Management is an advantage for the hotel industry but it can only be applied to financially sound hotels. Implementation requires a lot of capital that is invested both for automation and operations (Enz *et al.* 2012). AHLA (2006), states that revenue management will be detrimental in a hotel with financial issues as expense would increase with no guaranteed results. According to Baker, et al. (2000), strategic and differential pricing such as offering different rates at different time to different guest and lack of customer education might result in losing good or regular guests (Hospitality net 2013). As revenue management involves more analytical approach, it is very time consuming to analysis and

understand its results (Abbott and Lewry 1999; Hayes and Miller 2011; Enz *et al.* 2012).

Cross (1997), states that as the hotel's demand is forecasted it gives employees an edge to co-ordinate manpower and improve inter-departmental communication. According to Hayes and Miller (2011), revenue management helps employees take ownership of their work, increased incentive and bonuses, and increased opportunity for training and development. Cross (1997), argues that it involves very analytical approach. This makes it very complicated for an operational employee to understand and implement. Abbott and Lewry (1999), highlight the difficulties faced by an untrained professional.

(Baker, et al.2000; Hayes and Miller 2011), indicates towards the increase in guest satisfaction varying in demand and preferences from time to time. Legohérel, et al. (2013), strategic analytical pricing of rooms would help the guest in comparing different rates of different rooms and choose the service standard according to its paying potential and self-satisfaction. Revenue management helps to increase communication with the expected guest, as hotels nowadays are widely assessable in different networks internet, on calls, e-mails etc. Ismail (2002), compares revenue management to best available rate or (BAR) rate as different pricing techniques would give optimum service in minimal rates. However Cross (1997), does not support the above argument as fluctuating demands and rates might make the guest feel cheated. Guests believe that it would be unfair to pay an increased price for a particular service or preference if not reserved earlier. Agreeing to the same Yeoman and McMahan-Beattie (2011), state that strategic and differential pricing creates confusion for the guest not identifying the true value for money for the customer.

II. CONCLUSION

Counting on the research made above the inclination would be towards preferring the usage of Revenue Management in hotels. To survive and explore in the competitive market it is very essential to understand and segment the market according to guest, there availability and preferences, maximizing profit at the best available rate for the hotel consistently. Revenue Management acts as the key tool which helps an organization to understand and develop themselves both internally and externally, to survive and create the best value for money for the guest.

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