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Abstract of the Bachelor Thesis

Factors that affect the implementation of Revenue Management in luxury hotels in Prague

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Summary

The overall aim of this thesis is to analyze different points of revenue management function at a sample of luxury hotels in Prague. This research monograph clarifies the essential concepts in the field of revenue management like revenue management system, market segmentation, analysis, forecasting, process strategies, profiling, and metrics. The work is divided first into a theoretical part of revenue management, its different strategies, development, and tools of revenue optimization, and second to a practical investigation of the collected results and information. Therefore, based on this to identify the main factors affecting revenue management and provide recommendations for its improvement.

Keywords: Luxury hotels, Revenue Management, Yield Management, Development, Profitability, Dynamic Pricing, Segmentation, Forecasting

Introduction

The concept of Revenue Management (RM) also known as yield management is one of the most discussed subjects in the field of hospitality operations management. RM is an intelligent tool that increases profits and revenues of the company by using an application of disciplined techniques that focus deeply on the market research and perfectly seal the deal with the demand and the relationship of the product offered at a specific time and place for the right price with the desired customer by predicting consumer behavior at the micro market and directing the product to customers that have been divided into different segments based on their purchase intentions. The idea is to use this tool with focusing on the control of customer demand through the use of capacity management and dynamic pricing to raise profitability.

Benchmarks and objects of studying this research are going to be four different international hotels of four different chains. All hotels are placed in the city center of Prague- Czech Republic.

Objectives

- Based on both existing bibliographic and electronic resources, combined with several opinions of several experts from the RM in the hotel sector, the main

objective of this work is to identify and determine the factors that play an important role in RM field by applying various analysis of pricing and non-pricing tools and focusing deeply on the current issues related to the concept of marketing and operations of the hotel.

- Evaluate principles, practices and techniques that influence the degree of implementation of RM in hotels.

- Other specific objective of this study is to identify whether these factors are related to the attitude of the staff (trainings and specific education), economic status (whether the hotel can be afford to invest in specific software, the professional training of staff, etc.) or general conditions of the hotel as the size of membership chain.

Hypothesis

The following hypothesizes are established after studying the theory of Revenue Management and analyzing the literature on this subject:

-H1 Factors that influence the degree of implementation of revenue management in the hotel sector are: the size of the hotel chain, staff specially trained in the field of RM or missing the needs to change the prices of their services according to the type of the customer, season or the market and economic status of the hotel.

-H2 hotel that belongs to international chains are able to implement the RM in greater degree than the European hotel chains

-H3 the RM tool is used in a wider range and on a higher degree in larger hotels.

Methodology

The in-depth interview is the main and most important method of this research, since the information needed for this study are the answers and opinions of those interviewed.

The four in-depth interviews have been conducted to get better knowledge of procedures for implementing Revenue Management in each hotel. Same questions were presented to all respondents which allowed the comparison of responses and to highlight common characteristics. The average interview length was 30 minutes. The structure and model has been designed in English language. Each interview was divided into four blocks:

Block 1: Overview of the Revenue Management at the hotel

Block 2: Factors influencing the Revenue Management

Block 3: The bases of Revenue Management: market segmentation, the seasons, revenue centers

Block 4: Personal opinion and recommendations for the future

Results and Conclusion

First, the main objective was to identify and determine factors that have an important role in the field of RM and influence the degree of implementation of RM in hotels. Based on the answers of the interviews we can highlight several factors that influence the RM in the hotel sector, taking in consideration that several experts emphasized different factors. However, the most common factors found in the responses were human resources, staff training, access to information and statistics, and economic opportunities to invest in revenue system. Another factor that appeared in the responses was the size of the hotel and belonging to a chain. We can refer these factors to the H1 hypothesis where it is assumed that factors influencing the RM would be "the size of the hotel, belonging to the national or international chain, the staff experience and education in RM field and the need of the hotel to change the prices of their services due to the type of customer, the season, the market, and the economic status of the hotel". After analyzing the results it can be seen that also the hotels needs to change the prices of their services according to the type of customer

and season is considered by all four hotels as the basis of revenue management and is being applied in their strategies of RM.

The second part of the objectives in this research was "to compare if the hotels belonging to international chains are able to implement the RM in greater degree than the European hotel chains". By investigating two international and two European chains we can note that all four hotels are using the tools of revenue and that the condition of its implementation is not the membership of a specific chain but the size of the hotel. For example we can see that the smallest hotel of our sample (Hotel D) with his 62 rooms is having a revenue director responsible for more than an one establishment due to the lack of need for an own director while in hotel A the revenue department is not directing more hotels because of the size of the hotel but due to their wide experience and the size of their revenue management team. However, in the other two hotels no difference was noted in the degree of implementation. Therefore, H2 where we stated that "the hotels belonging to international chains have greater degree of implementation of RM" is rejected. On the other hand H3-hypothesis "the larger hotels use the RM tool in wider range and greater degree that the smaller hotels" could be confirmed based on the results of the investigation.

Recommendations

It is recommended to the hotel sector the need to train the working staff not only in the department of revenue in the hotel but also in other departments, because for customer loyalty, satisfaction and the ability to offer quality products and services you need to have trained personnel who know how to sell the service. Moreover, managers are recommended to invest in trainings in the field of RM, because it is fairly a new filed and many revenue directors, even if they are successful, have started in other fields and have experience from other departments like sales or reception.

Also the investment in the RM software is highly recommended, because it will allow the director to better access to the information and also save it and take it as a basis for making decisions. As we have seen in the in-depth interview some establishments would like to have more effective ones but they are limited by the financial resources.

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