Emerald Insight

International Journal of Contemporary Hospitality Management

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Exploration of revenue management practices – case of an upscale budget hotel chain

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Abstract

Purpose – The purpose of this study is to investigate the implementation of revenue management (RM) pricing practices and managers' perceptions towards this practice in a budget hotel chain and to provide recommendations for improving the adoption of and perception towards this practice.

Design/methodology/approach – A single case study method was adopted to conduct an in-depth qualitative research in a hotel organization. In-depth data were collected through semi-structured interviews, observations and documentation.

Findings – The research findings indicate that the implementation of revenue management system (RMS): needs to be clearly communicated and made tangible to employees; can impact the profitability of the budget hotel sector and not only mid-scale or luxury sectors; and remains a profit-oriented decision with little consideration for customer outcomes.

Research limitations/implications – The findings may not apply to mid-scale or luxury properties, as the results cannot be generalized to other hotel chains in other countries that apply complex pricing structures. Future research might develop multiple case study design to increase the rigor of the research by focusing on themes or patterns uncovered in a single case study.

Practical implications – The practical application of the study is twofold: the recommendation to maintain ongoing implementation activities, such as designing operational plans and training programs; the recommendation for a RM pricing strategy that maintains positive price fairness perceptions and results in positive behavioral intentions.

Originality/value – This study helps advance our understanding of the characteristics that influence the success of RM implementation in the budget hotel context and provides us with useful insights to design effective dynamic strategies to enhance the implementation process both for the organization and its stakeholders.

Keywords Tourism, Revenue management, Dynamic pricing, Behavioral intentions, Budget hotels, Fairness perceptions

Paper type Research paper

1. Introduction

The concept of revenue management (RM) has been regarded as one of the most researched areas in hospitality operations management study (Shoemaker and Gorin, 2008). RM is the practice of dynamically pricing a perishable product and selectively allocating scarce capacity across segmented demand and distribution channels, while taking into account customers' profitability and value, in an effort to maximize gross total revenue and, therefore, improve profitability (El Haddad, 2009). RM techniques

assist an organization in finding the optimal inventory allocation and price setting for various services in a profitable way. The idea is to maximize an organization's effective use of its resources by moving away from mass pricing and mass marketing, to the management of the micro market (El Haddad *et al.*, 2008). RM applies to almost all businesses with perishable inventory, ranging from merely adopting the RM attitude with an emphasis on supply, demand and price management to using high-powered algorithmic tools (Cross, 1997).

In view of its importance and despite its abundance of research in the travel and hospitality industry, there are gaps existing in the RM literature. On the one hand, few studies provided knowledge on the implementation of RM practices and their implications on the managing organization (Okumus, 2004; Sigala *et al.*, 2001; Jones, 1999; McMahon-Beattie *et al.*, 1999; Donaghy *et al.*, 1998; Farrell and Whelan-Ryan, 1998; Hansen and Eringa, 1998; Yeoman and Watson, 1997; Kimes, 1989a). The RM literature remains mostly concentrated on forecasting, decision-making and mathematical modeling issues, and the implementation of a RMS is seen as a leap forward in delivering a higher yield to management while also ensuring an optimum occupancy that is both satisfactory for stakeholders and customers. Moreover, RM academics have over time created a number of models and frameworks in which they have tried to explain the necessary steps and tools for the introduction of a RM system into a hotel and the relationships that exist among these steps and tools. However, early work indicated a lack of understanding of the concept, as models were clearly inadequate and limited in their usefulness, as they failed to be tested in a real dynamic hotel environment to allow generalizability and external validity. On the other hand, using RM may benefit a hotel chain financially by maximizing short-term revenues from selling its fixed capacity, but it could also result in alienating long-term customers' relationships (Hwang and Wen, 2009; Martin *et al.*, 2009; and Noone and Mount, 2009; Vaidyanathan and Aggarwal, 2003; Choi and Mattila, 2005; Kimes, 2002). It is argued that when customers perceive these practices as unfair, their satisfaction decreases and, as a result, a loss of business arises.

Empirical studies incorporating managerial perspectives on the impact of RM implementation and practices with regard to budget hotel firms, in particular, are very limited in the hospitality literature. This paper responds to this gap by investigating the aspects of the implementation of a centralized RM system that contributes to its success by interviewing managers of a budget hotel chain in the UK, as it is a limited researched sector within the hotel industry despite its growth and vibrancy (Brotherton, 2004). In particular, several aspects of RM implementation and practices are explored to determine its value and measure the perceptions of such a practice across managers.

This study aims to investigate the implementation of RM pricing practices and managers' perceptions towards this practice in a budget hotel chain and to provide recommendations to improve the adoption of and perception towards this practice. Findings from the study will help advance our understanding of the characteristics that influence the success of RM implementation in the budget hotel context and deliver us with valuable understanding to devise successful dynamic strategies to improve the implementation process both for the organization and its stakeholders.

This paper is organized as follows; in the next section, we present the theoretical background of the implementation of a RM system and its practices in a budget hotel chain. Next, we describe our research design and data collection. We then examine the

results followed by a discussion on managerial implications. We conclude with a discussion on the scope of future research and limitations of the study.

2. Literature review

RM is frequently applied in the hotel industry to assist hotels to determine room price and allocation to maximize revenue by selling rooms to the highest-paying customers (El Haddad, 2009; Okumus, 2004). In a RM practice, it is necessary for an organization to quantify and assess the effectiveness of its diverse business decisions (Cross *et al.*, 2009; DeLain and O'Meara, 2004). Imprecise forecasts result in suboptimal decisions about price and availability suggestions made by the RM system, which have an undesirable impact on hotel revenue and customers. This section will review, on the one hand, the literature on the implementation of RM and will suggest amendments to Jones' model and, on the other hand, will examine previous research regarding the impact of RM practices on customers.

2.1 Implementation of RM

Although manual approaches remain prevalent in RM, research on "systemizing" the implementation of RM is scarce. The facilitation that a systemized RM model yields to management is beneficial in terms of optimum performance and maximizing profits by opting for a RMS. The literature review reveals the existence of few models that studied the development and implementation of RM techniques (Sigala *et al.*, 2001; Jones, 1999; Farrell and Whelan-Ryan, 1998; Donaghy *et al.*, 1998; Hansen and Eringa, 1998; Yeoman and Watson, 1997; Kimes, 1989a).

Drawing from previous research, human resource management (HRM) has been recognized as one of the vital elements together with the relevance of creating a yield culture in the organization (Jones, 1999), a team approach (Sigala *et al.*, 2001; Donaghy *et al.*, 1998), whereby commitment and participation from all management levels is achieved, and emphasizing training, education and support given to RM practitioners (Kimes, 1989a; Yeoman and Watson, 1997), as these elements establish the greatest success or failure of embracing and using RM.

Donaghy *et al.* (1998) suggested an operational framework focusing on ten key areas; this framework fails to provide links between the ten areas, is not clear and evident and, thus cannot be used as a tool to assess the implementation and performance of RM systems. Farrell and Whelan-Ryan (1998) built on an existing previous model and from the extended research they carried out, they suggested an eight-step model for the implementation of RM. The model appears to be flexible and dynamic but, however, was not tested empirically to validate its steps, thus limiting its effectiveness. Hansen and Eringa (1998) proposed an approach to RM that failed to identify the strategic and operational roles of RM and the importance of the technological element. Jones (1999) developed a model, which addresses several characteristics acknowledged by existing models/steps in the literature and includes crucial aspects to be considered when implementing a RM system, as a result of interviewing key managerial staffs in nine hotels. This model was tested empirically in full service hotels.

While previous research has suggested models and/or steps for RM implementation, few problems and inconsistencies arise from these models/steps, questioning their reliability and efficacy. Indeed, some of these models failed to differentiate between the strategic and the operational role of RM; to consider the technological element of RM

systems; and to realize the importance of management commitment towards RM implementation and management feedback towards RM practices and the customer. Thus, the development and implementation of RM techniques through these models are viewed as linear and rational procedures, whereby the stages suggested show discrepancies and gaps. Even if these models/steps offer a theoretical framework for the implementation of RM, their pertinence in practice is restricted, as a number of them have not been tested empirically, hence limiting their effectiveness.

Hence, this study will review RM implementation through a conceptual model, adopted from Jones' (1999) model, and will suggest improvements to that model (identified in red in Figure 1) by adding the following links between operational decision-making and:

- *Human support*. As discussed above by Farrell and Whelan-Ryan (1998) and Hansen and Eringa (1998), who all recognized the importance of revenue managers in providing feedback, support and praise for their employees performing RM activities. This explains the one-way direction of the arrow from management to employees in the figure.

- *Strategic decision-making*. Several authors (Farrell and Whelan-Ryan, 1998; Hansen and Eringa, 1998) highlighted the relevance of measuring the success of the RM system and its activities. Revenue managers need to give feedback on long-term policies and procedures, which may in turn lead to alteration of such decisions. This explains the one-way direction of the arrow in the figure.

- *Demand analysis*. To guarantee that the strategies (such as pricing decisions, restriction controls, procedures, etc.) are accurately deployed, revenue managers
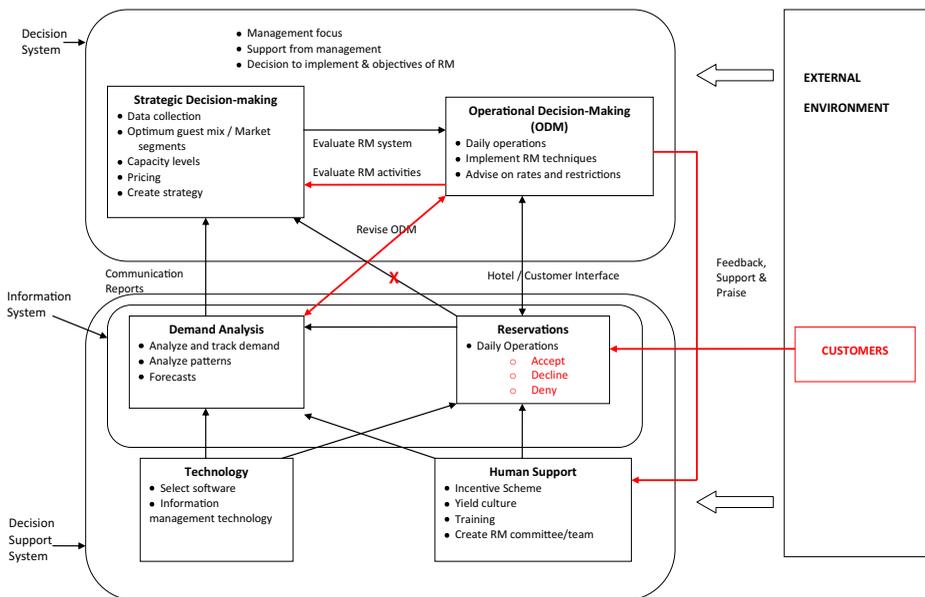

Figure 1.
Revised hotel revenue management model

Source: Adapted from Jones (1999, p. 1115)

need to examine them in relation to real-time environment dynamics and alter and/or improve them by formulating new decisions (Farrell and Whelan-Ryan, 1998; Hansen and Eringa, 1998). Hence, the two-way direction of the arrow in the figure. This new link eliminates the existing association between reservations and strategic decision-making (where an X is placed), as in practice, a short-term decision made on whether to accept, decline or deny a customer's booking request does not correlate with long-term tactics and strategies on RM.

None of the above reviewed models acknowledged RM's impact on customers and their relationships with the hotel. RM must not only sustain the day-to-day revenue maximization, but also enable customer relationship development. The proposed RM model also integrates the customer component at the reservation level, whereby a booking request can be accepted, declined or denied due to a myriad of factors such as price and availability among others.

The above models concentrate mostly on operational issues of maximizing revenues, although issues of profitability and performance have not been considered (Burgess and Bryant, 2001). A strong need to quantify the expected returns the organization will receive from investing in a RM system is fundamental (DeLain and O'Meara, 2004). Hence, it is essential to monitor the performance of RM to determine the quality of the data, the accuracy of the models and, therefore, the return on the investment (Vinod, 2004). The primary concern is to know who should get credit for the improved revenue performance of a hotel with a newly installed RM system. Several arguments can be made; the system delivered benefits, the new advertising campaigns or the higher guest satisfaction ratings generated considerable repeat business and so on (Jain and Bowman, 2005). The application of RM in the hotel industry has been regarded as successful (Cross *et al.*, 2009) with its yield-oriented sales boosting many hotels' bottom line (Orkin, 1988). For instance, Marriott International Hotels praise their RM system, as a revenue increase of $100 million per year was achieved (Cross *et al.*, 2009; Farrell, Whelan-Ryan, 1998).

This study will test the model adopted from Jones (1999) on a budget hotel chain which is implementing a centralized RM system and will evaluate the impact of RM practices on the chain's profits and on its customers.

2.2 Impact of RM on customers

Hotels provide identical rooms to various types of customers. Though hotel managers aim to attract highly profitable customers to their hotels, it is also essential to accommodate less profitable customers to avoid rooms from remaining vacant. It is crucial to make the right choice of either accepting a reservation and making revenue now or rejecting it in the hope to attract a more profitable booking request in the future (Goldman *et al.*, 2002). Thus, RM aims at acquiring the correct combination of hotel customers to maximize revenues. In this study, specific attention is dedicated to explore managers' perspectives of how customers perceive RM practices as it aids them in managing prices effectively and understanding how customers may respond to price changes to enhance customers' behavioral intentions with the hotel. To the best of our knowledge, there is no published work that looked into the impact of RM on customers from managers' viewpoint and used managers' perspectives to develop measures, procedures and policies that foster customers' relationship with the hotel.

Despite the extensive discussion in the marketing literature of relationship marketing dimensions such as customer loyalty and consequences of price (un)acceptance to the long-term success of organizations, the impact of dynamic pricing – a RM practice – on customers, specifically in the hotel industry, has not received a sufficient degree of empirical attention. To manage pricing effectively, revenue managers should understand how customers respond to price changes and assess their fairness price perception. Fairness is defined as the belief of the outcome to be just, honest and truthful (Martin *et al.*, 2009). Price fairness is the evaluation of the buyer's perceived reference price and the seller's actual prices (Martin-Consuegra *et al.*, 2007) to identify how just the price is. Customers' perception of fairness is said to be prominent to the maximization of an organization's long-term profits (Kimes, 2003; Kahneman *et al.*, 1986a). Actually, previous research shows that customers are willing to penalize unfair pricing behavior, even at some costs to themselves (Kahneman *et al.*, 1986a, 1986b). Thus, if customers perceive a price as unfair, then they will use revengeful actions. Noone and Mount (2009) assessed data about leisure customers from a major full-service hotel chain. Their findings state that the price paid for the room had a direct and negative effect on customers' return intentions and might trigger customers to switch to another service provider (see also Varki and Colgate (2001) study in the banking sector). Homburg *et al.* (2005) performed three scenario-based studies and discovered that higher repurchase intentions were identified when customers perceived the reason behind a price increase as "fair". More specifically, they state that the magnitude of a price increase affects the level of repurchase intentions. In another scenario-based experiment in the restaurant sector, Martin *et al.* (2009) portrayed that preferential views of loyal customers with regard to price fairness are cancelled out under high price increases. Choi and Mattila (2005) concluded from their study that most customers are unfamiliar with operational policies and procedures associated with dynamic pricing and, thus, assume that the hotel is behaving unfairly in their regard to gain additional profits. Moreover, a scenario-based survey of 291 shoppers in a grocery store conducted by Hwang and Wen (2009) found that customers perceived hotel pricing practices unfair which negatively affects their repurchase intentions and loyalty towards the hotel chain. Consequently, concerns about the fairness price perceptions arise, affecting negatively the behavioral intentions (Namkung and Jang, 2009; Zeithaml *et al.*, 1996).

3. Research methodology

The study focuses on understanding the chain's approach towards the implementation of a centralized RM system by identifying the aspects that support the success of the implementation. The methodology relies on using a single case study method to conduct an in-depth qualitative research in a selected hotel organization. In-depth data were collected through semi-structured interviews, observations and documentation. To preserve anonymity, the authentic name of the case study hotel chain will remain anonymous; therefore, it will be referred to as Unidom Hotels.

Gaining and maintaining access into an organization appears to be a challenging task, especially when researchers aim at an in-depth research and particularly due to the skeptical attitude of organizations to the role of outsiders (Okumus *et al.*, 2007). For this research paper, access was gained into the participant hotel chain through the Chief Executive Officer (CEO) of one of the leading UK budget hotel chain at a social

gathering. After sharing a few thoughts about the organization's performance and RM as a strategy to maximize profits, the CEO was interested in the research topic which resulted in offering the researcher access to the data at the budget hotel chain.

3.1 Context of the study
The success of the budget hotel business model has largely been attributed to a fixed pricing policy (Brotherton, 2004; Senior and Morphew, 1990). However, budget hotel chains have had to efficiently compete in the market by altering their strategies and have initiated differential pricing strategies. Thus, budget hotels have pursued the business model of low-cost carriers, departing from a fixed rate strategy to embrace a dynamic rate structure. To the author's knowledge and despite the growth and importance of the budget hotel sector to the hospitality industry, there has been a lack of empirical academic research in understanding the budget hotel sector, especially in the RM literature. Indeed, more research on RM practices has been undertaken in the mid-scale to up-scale hotel sectors (Emeksiz *et al.*, 2006; Okumus, 2004). Brotherton (2004, p. 944) asserts that "given the vibrancy and growth in this sector of the UK hotel industry […] relatively limited research has been conducted". Consequently, the rapid and aggressive growth, changing trends, the importance of price as a major attribute in the budget hotel sector and the fact that it is underresearched have led this study to consider the budget hotel operations as the main context.

3.2 Case study
The single case study of the UK's largest hotel chain, forming the basis of this paper, was identified as suitable, as it allows the development and generation of theoretical insights into, and a better understanding of, RM practices and their impact on customers in a real-life context (Stake, 2000). It was also preferred, as it is a strategy focused on detailed understanding of the dynamics within single settings (Eisenhardt, 1991). Moreover, case studies are the preferred method of choice when trying to answer *how* questions and are suitable when the phenomenon is poorly understood (Yin, 2003). Indeed, Yin (2003) believes that a single case study is an appropriate research if the company is seen as a "critical" case (one which gathers all the conditions needed to examine the theory), where an "extreme" or "unique" case can be identified and where the organization can be thought of as a "revelatory" case (where limited examples are found; thus, the examination of even one is judged valuable). Moreover, as there is a lack of research into the implementation of a RM system, especially in the context of the budget hotel sector, the chosen case justifies the use of a single case study on the grounds of its revelatory nature.

3.3 Semi-structured interviews
A semi-structured interview consists of a number of prearranged questions with the freedom to adapt the order and wording of these questions (Saunders *et al.*, 2007; Robson, 2002). Face-to-face semi-structured interviews (nine in total; refer to Table I and the Appendix) were carried out at the head office of the hotel budget chain. The respondents were initially approached via an email which informed them about the topic by outlining its core objectives and a brief overview of the issues to be covered at the interview. This method, adopted for the wealth of data it delivers (Arksey and Knight, 1999), intends to portray the interviewees' thoughts, perceptions, feelings and experiences (Fraenkel and Wallen, 2005) and then explores the similarities/

Management level	Area	Respondent	Gender	Background
Senior management	Revenue management	Head of Revenue Management	Male	2.5 years with Unidom Hotels Previously held several roles at Thistle, Hilton, Holiday Inn and InterContinental
	Customer insight	Head of Guest and Quality Insight	Male	8 years with the conglomerate group Previously held managerial positions in the wine industry
		Guest Recommend and Insight Manager	Female	Over 6 years with the conglomerate group Previously held the position of Customer Service Manager at this chain
	Customer service	Head of Customer Contact Centre	Female	20 years with the conglomerate owning group Held diverse positions at this group in the areas of service quality, customer service and call center
	Business – IT	Project Manager	Female	2.5 years with Unidom Hotels Previously worked in the sales department at InterContinental Hotels
Middle management	Revenue management	Revenue Manager Automation	Female	2.5 years with Unidom Hotels Always worked in the hospitality industry Previously as a Revenue Manager at Hilton
		Pricing Manager	Male	2.5 years with Unidom Hotels Previously, for 6 years, working at an airline organization as Pricing Revenue Manager
		Revenue Manager Key Cities	Male	2.4 years with Unidom Hotels Always worked in the hospitality industry Previously as National Revenue Manager at Folio Hotels
		Revenue Support Manager	Female	4.6 years with Unidom Hotels Held previously a sales position in this chain

Table I.
Overview of the top and middle managers interviewed

Note: This table illustrates the profile of the managers interviewed at the budget hotel chain. It demonstrates their position and department within the hotel chain, their gender and a brief overview of their background
Source: Chain's documents

differences between their real-life incidence and theoretical concepts. Furthermore, questions were asked in no particular order which guaranteed the pertinence of respondents' reply to the predetermined questions (Robson, 2002; Patton, 2002). Interviews are recorded using a digital tape recorder, transcribed and analyzed on the basis of a thematic analysis. Hence, this style of interview guarantees that the

same basic lines of inquiry are followed with each interviewee, with some autonomy to pursue novel or unfamiliar insights (Fontana and Frey, 2003; Patton, 2002).

Thematic analysis focuses on the identification of prominent or repeated themes revealed from summarizing the data collected through different textual materials under thematic headings (Saunders *et al.*, 2007; Dixon-Woods *et al.*, 2005). It allows recognition and examination of patterns (themes) within data. This approach also helps to choose important themes to investigate and to detect evolving concerns that result from the process of data collection and analysis that the researcher did not intend to focus on (King, 2004). Therefore, it is a flexible method and can generate unanticipated insights (Braun and Clarke, 2006). The data analysis involved a constant moving backwards and forwards between transcripts, memos, notes, that is the entire data set, the coded extracts of data and the analysis of the data. The strength of this approach is that it is based on a systematic and disciplined procedure, allowing the author to reconsider and rework the ideas. The approach comprises of six stages, as portrayed below. Although described separately, the processes are highly interlinked: Number list

(1) *Familiarizing with data*. The process of familiarization already starts during the interviews to become accustomed with the data by listening to the interviews, reading through the transcripts and analyzing the notes. The purpose of this stage is to obtain a feeling and an overview of the richness and variety of data. Key ideas and recurrent themes are listed.

(2) *Generating initial codes*. This stage consists of the creation of primary codes from the data. The process of coding helps to organize the data into meaningful groups. A thematic map is produced to provide a general and complete concept interpretation of the data patterns and relationships that exist between them.

(3) *Searching for themes*. This stage refocuses the examination of the data at a holistic level, that of themes rather than codes. It consists of classifying the codes into potential themes. In essence, the author is considering the possibility that the range of codes may join to develop an overarching theme, based on the relevance and importance of issues.

(4) *Reviewing themes*. This stage involves two levels of reviewing the themes; on the one hand, the author has to study all the citations for each theme and decide whether they outline a consistent pattern. On the other hand, the researcher considers the strength and soundness of individual themes compared with the data set and also whether the thematic map precisely suggests the connotations apparent in the data set as a whole. This process ends with defining and naming themes.

(5) *Producing the report*. Stage 6 comprises of the analysis and write up of the report, in which associations between themes are presented and explanations for the findings are provided. During this stage, the author compares and contrasts the views of the respondents and compares them with findings in the literature and looks for patterns and connections in the answers given by the respondents.

3.4 Observation
Observation was not the primary data collection method due to limited time resources, as observing the implementation of a RM system can take several months and observing the actual process would be impossible. This method gives an opportunity to compare

the picture with interview findings. Nevertheless, it was anticipated that carrying out observation with specific departments would provide an opportunity to get close to the actual setting and give context-specific knowledge. Thus, when possible, the researcher assembled discreet observations during internal meetings. Moreover, the researcher was invited to attend 16 workshops and meetings related to RM practices and took part as a participant-as-observer. The attendance at and participation in these meetings gave the chance to obtain first-hand data from different managers' concerns and interests during the process, especially between RM and Quality and Guest Insight departments.

3.5 Documentation
Documentary analysis was also chosen as another suitable data collection method. Documents such as minutes of meetings, formal reports, manuals, memoranda, agendas, publications and others can provide vital information to case studies, as they comprise an extensive period of time. These documents would strengthen and correlate to the findings from interviews and observations and provide an opportunity to assess the findings. Organization documents collected were organized in chronological order under two main headings: RM related and customers related for later analysis (Table II).

4. Findings and discussion
This section outlays the findings emerging from the investigation of the implementation of a centralized RM system, compares them to previous research, identifies some consistencies and inconsistencies and shares some commonalities with prior studies. Unidom Hotels believed that by implementing the RM system, it could overcome the limitations of previous approaches to managing revenue and occupancy manually. However, developing a yield culture and implementing a centralized RM system was contextually a challenging task.

Continuous changes in the hospitality industry aim to decrease costs, improve inventory management and enhance RM through the applications of RM strategy. Data gathered within the hotel chain provided insights into the implementation of a RM system and its impact on customers from a managerial viewpoint. The qualitative findings are discussed below.

4.1 Improved pricing strategy
The fixed pricing strategy has served the budget brand well and helped it to develop as the leading brand. Indeed, the fixed pricing strategy is enhanced where applicable by mid-week/weekend price differential and a choice of four seasonal periods, as explained by the Pricing Manager: "it is a fixed strategy with seasonality and midweek/weekend split". This enables the opportunity to maximize periods of high demand. To remain competitive on the market, head office executives have introduced quarterly pricing reviews which will ensure all hotels are appropriately priced for the market and competition throughout the four seasons. Moreover, a pricing tool was introduced to assist the hotel chain in observing the suitability of its hotel units pricing against the top seven branded UK competitors. This tool resulted in employees recognizing their price positioning against their key competitors. Further, the Pricing Manager observes customers' feedbacks with regard to pricing through the Guest Recommend Survey (which is a survey sent to customers within three days of checking out from a hotel unit and seeks to assess customers' stay at the budget hotel chain in terms of pricing, value

Document name	Document type
Manugistics' network solutions PROVA conclusions	Hospitality revenue optimizer – first study to implement revenue management
Revenue management enhancements train-the-trainer	Introduction to revenue management: glossary, quizzes, policies and procedures, customer communication
An introduction to the quality and guest insight team	Department overview; explanation of the guest satisfaction survey; brand standards and audit and good night guarantee program
Does a single pricing strategy ever optimize revenue?	Presentation to introduce revenue management
Restaurant operations managers – revenue management training	Presentation targeting restaurant operations manager for the implementation of revenue management at their hotels
Discounting – 3rd party suppliers	List of hotels working with third party intermediaries
Should we go dynamic?	Presentation about Project Dynamo for the implementation of dynamic pricing trial
Impact of event pricing	Presentation by ORC International (market research company) to assess the impact of event pricing on customers' likelihood to recommend, stay again and value for money
Guest satisfaction survey	Survey sent to customers three days after their check out to assess their satisfaction level following their stay
Automated channel report	Report summarizing the reservations booking activities via the company's web site
Revenue update	Weekly e-report which highlights weekly activities at the revenue, automation, customer contact centre, pricing and distribution levels
Revenue management 'Healthcheck'	Presentation that outlines the objectives of the 'healthcheck' followed by a copy of the 'healthcheck' report
Reports workbook: Impact summary Impact report MGR report MGR summary report	The weekly workbook shows the comparative performance of hotels using RMS against hotels which control their bookings manually. The reports analyze occupancy, length of stay, average room rate and RevPar for three periods
Revenue management talk lines brief	Set of talk lines developed based on the feedback from several hotel sites to assist employees in positively conveying to guests issues on length of stay and event pricing
Event pricing report	Report that compares all hotels by concepts on their implementation of event pricing and its impact on customers' likelihood to recommend, stay again and value for money (based on two years)
Guest obsession – price questions	Guest Recommend survey measures and results in reference to questions on price
TRI HotStats for budget hotels	Report showing the position of a hotel's performance in its HotStats market set
	(*continued*)

Document name	Document type
Quality and Guest Insight Plan 2008/2009	Plan discussed key integration tasks for the whole group and key activities for the several companies within the group
Company's panel lifestyle report	ORC International established a panel of 6,000 guests who have signed up to participate in research so far aimed at collecting data such as: demographics, interests, hobbies and other general information about the guests
Guest measures	The group's guest recommend summary; brand audit summary; and service quality results
Key cities portfolio	Report displaying the four periods 'healthcheck' performance of the seven key cities and their year-to-date RevPar with variances when compared to different periods

Table II.

for money and many others) to ensure that the customer is satisfied and does not feel ripped off:

> It is important for me to keep an eye on what the customer says; it is very easy to get driven by numbers […] Generally speaking, value for money normally goes from excellent to good, never from excellent to poor, that's the majority of times.

Further, this fixed pricing strategy is flexible to allow the application of a premium when demand is high. The Project Manager describes the latter:

> I think we have got the right attitude in terms of fixed pricing but given such flexibility where the demand is really high and strong that we are still competitive within the market by applying event pricing (Unidom Hotels uses a premium over and above their usual price linked to a specific event e.g. The Boat Show).

The pricing strategy adopted by Unidom Hotels (such as event pricing) indicates a move away from the simplicity of budget hotels known for their fixed pricing structure. Indeed, the chain evolved from providing clean, comfortable and standardized rooms with limited facilities and services at low fixed prices, to offering several range and types of services with varying pricing structure. The literature lacks empirical research on the implementation of RM system in the budget hotel sector, specifically in the area of dynamic pricing. These findings indicate that RM needs to be clearly communicated and made tangible to employees to guarantee a successful implementation of the system. In other words, RM should not be/remain an abstract concept.

4.2 Results
The importance of implementing a centralized RM system at Unidom Hotels was given high priority and commitment among directors and head office executives, as it would help improve the chain's overall revenue and profitability. Indeed, the Head of RMstated:

> […] revenue management is one of the three top projects and has the highest status of any project. […] the increase as we started revenue management is 2 per cent […] (when comparing) those who are on revenue management system versus those who are not.

Several reports were initiated. For instance, seven reports were made available for employees from the RM system to assess their site's performance. The Head of RM affirms that:

> […] in terms of what it (report) has been given us, it's been very good; obviously it is only as good as what you use it and getting the people to use it […] We are obviously moving the culture of the business to become more reliant on self-generating reports.

The implementation of RM has strongly impacted Unidom Hotels' sales and improved their profitability. Indeed, the Head of RM stated "this new tool better positions us to fully optimize the value of our properties, while its statistical reports offer crucial business insights". Moreover, the Revenue Manager Key Cities revealed that applying event pricing as a RM decision influenced them massively:

> […] if you look two and a half years ago, we didn't really do any […] Last year, we had five million; this year we are going to do about nine million in terms of incremental revenue […] we have got a lot more aggressive in our prices at the moment.

It appears that event pricing has given Unidom Hotels a lot of scope to maximize their peak demand days, and hotels appear to be more and more proficient in applying it. In addition, the deployment of the RM system has helped the chain to better manage the demand by length of stay and allowed acceptance of bookings based on customer value versus rates, hence reducing shoulder periods and turnover costs. These findings support the work of Noone and Mount (2009), Cross *et al.* (2009) and DeLain and O'Meara (2004), as the chain pursued financial success through the management of revenue yield from a capacity viewpoint. We can conclude that the RMS implementation can impact different hotel sectors by increasing their profits and not only mid- and high-level properties.

4.3 Feedback on results

There were mixed responses as to whether the implementation of the RM system and its practices would affect customers' behavioral intentions toward the budget chain hotel. Some employees obviously reinforced the initiative and stated that customers in the hotel industry, similar to the airline industry, would learn and adjust to this new way of working. Indeed, the Pricing Manager stated "it is only a matter of re-education for them (customers)". Moreover, the Head of RM argued that RM has delivered "2 per cent increase in sales and very little effect on customer perception", as customers will still pay the best value in the market place. Other employees claimed that customers were exposed to the practice and comprehended it, as it was adopted by other hotel chains. However, another group of employees were afraid about this new approach, as it could endanger the relationship between the hotel units and their customers, particularly as no research has been undertaken within the chain to identify customers' perceptions toward RM practices. The Head of Quality and Guest Insight affirmed "there has been an impact but we haven't done research to quantify that", and the Revenue Support Manager stated:

> […] from my point of view, we have had very minimal complaints sort of negative feedback about it […] The customers luckily experienced it with competitors before they experienced it with us and they became used to that kind of pricing strategy before they came to us.

The Head of Customer Contact Center affirmed that very few customer complaints about the application of event pricing and length-of-stay restrictions have been received and affirmed that:

> It has been minimal […] I don't think it has driven a huge number of people away from us because we are still such a good value […] I guess on principle we've lost a few customers, and when I say a few, I mean a few.

Head office executives are willing to evaluate the RM strategies implemented if the data shown in reports reveal a negative impact on customers. These findings support the work of:

- Vaidyanathan and Aggarwal (2003), who observed that a price increase triggered by causes external (applying event pricing) to the hotel would be perceived fairer that when the price increase is not related to any cause; and

- Kimes (2002), who concluded that as customers become more exposed to RM practices and their acceptance toward this practice increases and the negative impact of the practice on their satisfaction declines.

We conclude that RMS implementation is still a profit-driven decision, with little consideration for customer outcomes as reinforced by the work of Choi and Mattila (2005), Hwang and Wen (2009), Martin *et al.* (2009) and Noone and Mount (2009) in supporting the factors driving negative behavioral intentions.

4.4 Top-down commitment
The importance of implementing a centralized RM system at Unidom Hotels was given high priority and commitment among directors and head office executives. Indeed, the Head of RM stated:

> […] revenue management is one of the three top projects and has the highest status of any project. So we have a 100 per cent commitment behind the roll out of revenue management into the 200 hotels (pilot) […].

This management commitment played a crucial role in assisting the RM department at head office to implement the system throughout all properties.

It was noticed that a yield culture was growing within the organization, aiding to enhance RM concepts and its financial benefits to the operation. Executives managed to raise employees' expectations by appointing several RM champions to enhance understanding and application of RM concepts and practices across hotel units. Several respondents mentioned the importance of "talk lines", particularly formed for length-of-stay restrictions and pricing controls. The talk lines, which are identified as scenarios or scripts, allowed employees to "understand how they can explain to a customer why he/she can stay Friday and Saturday but cannot just stay on Saturday". Other measures such as involving employees from different functional areas through RM champions; exploiting their existing know-how within the chain; and providing training, workshops, a revenue game, RM healthchecks and weekly newsletter assisted in reducing their resistance and guaranteed a superior reliability behind this contribution toward the implementation of a centralized RM system. The Revenue Support Manager stated: "the culture has changed a lot […]" and the Head of RM commented: "there has been a huge change embracing RM so the culture has improved

in the last year, through the efforts the team has gone through to change the culture and embrace revenue management". The findings indicate that employees across the group bought in to the idea of a RM system, especially when they realized the benefits that the pilot hotel units were getting from it. In line with that, the Head of RM indicated that they designed control and feedback mechanisms to examine the evolution and outcomes of the RM system. In this context, a benefits analysis focus group was created "[…] to make sure that we were checking that the Mimi hotels were out-performing the non-Mimi and also sort of getting our money worthwhile out of the RM system […]" (Revenue Automation Manager). It is worth noting that the budget hotel chain carried on a "Mimi" stage review meeting before deploying the system into the remaining hotel units. This review aimed at building on the success of the pilot and identifying what had worked well and what opportunities there were to do things differently and commencing the planning for the rollout project in the remaining hotel units. Such practice resulted in achievements and potential improvements on the RM project. These findings further reinforce the work of Emeksiz *et al.* (2006), Hansen and Eringa (1998) and Farrell and Whelan-Ryan (1998) in supporting the engagement and commitment from top management and operational managers to the success of implementing a RM system. Moreover, these research conclusions on employee involvement support the work of Sigala *et al.* (2001), Yeoman and Watson (1997), Donaghy *et al.* (1998) and Kimes (1989a), who recommended a team approach in the implementation of RM to gain commitment and participation from all levels. In contrast with the operational framework and suggestions of Donaghy *et al.* (1998) to implement a RM incentive scheme, Unidom Hotels does not intend to reward its employees based on the sales produced on different demand levels for hotel units. Executives mentioned that it would be very difficult to incorporate such a measure at head office and/or hotel units, as more than 50 per cent of room sales are generated via the chain's web site. Moreover, executives at Unidom Hotels established several measures to evaluate RM performance, communicated these results with their employees and took right actions when necessary.

4.5 Personification of the RM System

The implementation of the RM system was reconsidered and identified as an important business initiative, which led to the deployment of several measures to increase acceptance among employees. On the one hand, head office executives attempted to develop an identity around the RM system, which they named "Mimi", aiming at building a connection and an empathy between the employees and the RM system. Head office executives believed that people would relate to an entity rather than a system. The Project Manager stated:

> […] Mimi as a personality, as an entity in her own right […] she is the invisible team member […] she is the person who works with the hotels, with the GMs, with the central RM team, she is one of the team now, and it is not just about another system […].

Therefore, the initiation of the RM project was seen as a step forward in moving to a uniform working practice. These findings further reinforce the work of Emeksiz *et al.* (2006), Hansen and Eringa (1998) and Farrell and Whelan-Ryan (1998) in supporting the engagement and commitment from top management and operational managers to the success of implementing a RM system. Moreover, Guadix *et al.* (2010) state that

numerous studies support the essential adoption of technology RM by hospitality organizations for their survival.

5. Conclusion, implications and limitations
The main motivation from an operations management perspective was to:

- demonstrate the implementation and development of a centralized RM system in the UK's leading budget hotel chain;
- present a revised hotel RM model, which integrates several functional areas; and
- investigate managers' perspectives of how customers perceive RM practices.

RM has been one of the great success stories of applied operations management in the past few decades and has spurred much interest in the discipline.

The budget hotel chain's risk-averse strategy assisted the systematic deployment, which was associated with several learning outcomes and led to revisions in short-term decisions and evaluation of long-term strategies. Indeed, Unidom Hotels have identified key successes in the implementation of the RM project in terms of executives' commitment, training efforts, yield culture and process evaluation. However, it has also identified opportunities to improve the RM deployment in the remaining hotel units. Moreover, as managers adopted short-term transactional approach to sell the hotel inventory on a daily basis, negative impacts on customers' intentions toward the chain were perceived to be caused. The budget hotel chain collected limited data to measure the effect of RM practices on customers; thus, further research and investigation is required to minimize this impact.

5.1 Theoretical contribution
Among the contributions of this research is the framework within which the implementation of a hotel RM system is examined. The key findings of the study are compatible with some of the previous studies conducted and introduced in the literature such as the work of Guadix et al. (2010), Noone and Mount (2009), Cross et al. (2009), Hwang and Wen (2009), Martin et al. (2009), Emeksiz et al. (2006), DeLain and O'Meara (2004), Vaidyanathan and Aggarwal (2003), Kimes (2002), Sigala et al. (2001), Hansen and Eringa (1998), Donaghy et al. (1998), Farrell and Whelan-Ryan (1998), Yeoman and Watson (1997) and Kimes (1989a). As highlighted in the literature section, previous papers (Sigala et al., 2001; Jones, 1999; Farrell and Whelan-Ryan, 1998; Donaghy et al., 1998; Hansen and Eringa, 1998; Yeoman and Watson, 1997; Kimes, 1989a) underlined the complexity and dynamic nature of such a process but failed to recommend actions to increase the acceptance of RMS implementation across the organization. Thus, this research paper provides recommendation to improve the adoption of and perception toward a RM practice within the budget hotel sector. Moreover, this study helps advance our understanding of the characteristics that influence the success of RM implementation in the budget hotel context and delivers us valuable understanding to devise successful dynamic strategies to improve the implementation process both for the organization and its stakeholders.

The current study moved beyond this scope of investigation and expanded the understanding and modeling of the framework in the budget hotel sector in particular. Moreover, the successful deployment of the RM system at the participant hotel chain may be considered as practical propositions on implementing RM practices in hotel chains.

The context of the budget-type hotel sector represents an important contribution to the existing body of literature. There are scant studies published on the application of RM practices and techniques in the budget hotel sector. However, few, if none to the author's knowledge, have made an effort to examine:

- the implementation of RM practices in the budget sector; and
- the managers' view of this approach.

Therefore, this paper makes a significant contribution and provides improved understanding of the interrelationships among these constructs.

5.2 Practical implications
Hotel chains need to guarantee long-term benefits from RM practices; therefore, they have to cautiously evaluate customers' perceptions of fairness and how RM strategies might affect their behavioral intentions. Thus, necessary steps should be taken to minimize the negative impact of the business. The following section provides recommendations to the hotel industry, in general, and to Unidom Hotels as the budget hotel sector, in particular.

This research has adopted the budget hotel sector as the scope of the study, but the findings may inform pricing and inventory strategies and customer behavior within other sectors of the hotel industry.

The implementation of a RM system should not be seen as a rational and linear process. It is instead a complex and dynamic process, and there appears to be no one best way of implementing strategies which can be used in every situation. It should also be noted that implementation is a learning practice; difficulties and mistakes have to be identified and responded to on a permanent basis. Therefore, implementing a RMS and its practices and achieving positive results do not happen within a short period. RM practices should not be solely seen as a revenue maximization tool. Instead, it should be viewed as an integrated management practice, which emphasizes the sustainable revenue return from the fixed capacity and the profitable customer relationships. In addition, designing operational plans, implementing analytical activities, obtaining fundamental resources, selling the system within the hotel chain, developing training programs and monitoring its progress are all vital. However, it should be noted that most of these are not one-off tasks, but ongoing implementation activities.

The importance of reference points (i.e. reference transaction and reference price) and resultant fairness considerations in customer decision-making raises challenges and opportunities for managers in the hotel industry. The latter can either utilize their knowledge about customers' reference points to avoid negative variations or maneuver one or more factors to move reference points. Furthermore, as customers are more likely to search for information when price inconsistencies occur, managers in the hotel industry should switch their attention away from prices to focus on the value they provide to customers.

In light of the findings and conclusions of this study, a number of recommendations can be made for practicing managers and executives in the participant hotel chain by pointing out key areas for consideration. On the one hand, it is recommended that managers at head office track frequently asked questions on RM practices and formulate answers to these questions through scripts. It is also recommended to evaluate the price sensitivity and willingness to pay-off customers by adopting a customer-centric pricing strategy. In fact,

Unidom Hotels should examine its customers' price perceptions to make suitable pricing decisions that lead to positive behavioral intentions. Furthermore, it is proposed that reservations agents at the customer call center provide comprehensive information about the elements affecting the offered price, such as length of stay, advance booking, event pricing, days of week and others. When customers are reserving through the web site, it is recommended that an explanation of the price quoted is given to them to prevent their confusion arising from multiple rates and to enhance their RM price fairness perceptions. These practices will lead to customers' education about RM techniques, which will enhance their fairness perceptions and their behavioral intentions toward Unidom Hotels. This, in turn, will allow the budget hotel chain to induce customer choices to increase the likelihood of buying from them. Managers of the budget hotel chain are advised to take measures such as: providing relevant information and justification on pricing and inventory controls in advance, through several channels of marketing communication, to minimize the likelihood of severe perceptions of price unfairness and influence the formation of the reference price in customers' minds.

5.3 Limitations
Several limitations were associated with the study raising a number of areas where further research is required. From a methodological point of view, the choice of a single case study strategy can be considered a limitation. It could have been useful to develop multiple case study design to increase the rigor of the research by focusing on themes or patterns uncovered in a single case study. However, as there is scant research into RM practices in a budget hotel chain, it was decided to opt for an in-depth revelatory single case study strategy. As this study evaluated one hotel chain alone in one specific country, it could be considered a limitation, because the results cannot be generalized to other hotel chains in other countries that apply complex pricing structures.

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Appendix. Interview guide – managers at Unidom Hotels

This academic research project aims to assess the relationship between short-term RM decisions about accepting, denying and declining a reservation, and the implications of this on long-term customers' behavioral intentions.

I would like to ask you some questions about your RM implementation, pricing and its impact.
Introduce myself.
Introduce the study by providing a copy of the project summary.
Clarify confidentiality.
Ask interviewee's permission to tape-record the interview.

Part 1 – biographical details

(1) What is your present role and major responsibilities within the company?

(2) How long have you worked for *Unidom Hotels*?

(3) How long have you worked in your present position?

(4) How long have you been in the hospitality industry?

(5) Tell me about your experience in RM.

Part 2 – RM implementation

Objective – To measure the implementation of RM:

(1) From your perspective and experience, what is the company's approach toward RM?
(Centrally controlled by Head Office; Property Controlled)

(2) To what extent do you think *Unidom Hotels'* management team has been committed toward RM since its implementation?

(3) A RM implementation process requires the company to develop a "yield culture". What actions were taken by *Unidom Hotels* to develop such a culture?
(Education and training impact RM understanding and performance)

(4) What impact do you think RM implementation has had on information processing and software?

(5) How is the performance of RM implementation being measured?

Part 3 – pricing
Objective – To evaluate the application of pricing strategies:

(1) What is *Unidom hotels*' approach to pricing?
(Consider willingness to buy/pay; perceived value judgment of the customer […])

(2) What factors do you use as a base to set pricing rates and conditions?
(Factors considered: competition, events, costs, that is distribution channels […])

(3) Who are the people involved in making such a decision?

(4) What potential conflict(s) [between Head Office, regional level and individual unit level] have occurred during the implementation of RM?

(5) Do you think that event pricing (increased) has positively influenced RM performance?

(6) How is RM implementation offering you useful information on the success of pricing?
(Managers changed their way of pricing)

Part 4 – impact
Objective – To explore customers and employees' perceptions toward RM:

(1) What has been the impact of the company's sales after the implementation of RM?
(Positive, negative, strong, poor; Sales centralized? How did the sales team react toward RM? How did they react after RM training?)

(2) What impact do you think it has had on your employees?
(Training; levels of the organization: reservation and front office team? Performance? Employee role, morale and motivation; reward system/incentive)

(3) What impact do you think it has had on the relationship with your customers, from a hotel's perspective? At aggregate level?
(Customer selection; customer perception, attitudes, behaviors; action toward that; RM philosophy: re-orientation of the customer)

(4) Which would you give highest priority: long-term relationship with customers or short-term financial benefits? Why?

• Is it possible to recall a situation where RM has damaged the relationship?

• Is it possible to recall a situation where RM has supported the relationship?

How have customers' attitudes and behaviors been affected by event pricing and LOS restrictions?

(Repurchase intention; loyalty; recommend […])

(5) What has been the impact on the competition after the implementation of RM in terms of event pricing and LOS restrictions?

Part 5 – further comments

(1) Is there anything you would like to comment or add to this study?

(2) Any issues/documents I should be aware of?

(3) Is there anyone else you recommend to contact regarding this study?

Thank you for your time!

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Rania El Haddad, prior to joining the School of Business at the Lebanese American University
in 2010 as an Assistant Professor, worked as a Lecturer in universities in Europe and
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