

## Unit 26: Revenue Management

<b>Unit code</b>	<b>Y/616/1810</b>
<b>Unit level</b>	<b>5</b>
<b>Credit value</b>	<b>15</b>

### Introduction

The aim of this unit is to provide an introduction to the theory and practice of Revenue Management (RM). RM, sometimes referred to as Yield Management, is an applied discipline whose value derives from the business results it achieves.

It has key elements of an applied science which combined with the technical (operational) elements of the core hospitality products requires rigorous treatment. Students will explore and use a range of methodologies to identify and develop opportunities for revenue optimisation in contemporary hospitality contexts.

The knowledge, understanding and skill sets gained (acquired) will assist students in developing their practical analytical ability and guide their future career plans within the hospitality industry.

## **Learning Outcomes**

By the end of this unit students will be able to:

1. Explore the origin, the core concepts and key characteristics of RM and their impact on the hospitality industry
2. Assess the relationship between RM system and process and how these link to strategic, tactical and operational hospitality business goals
3. Examine the information requirements of the RM process and the role of market segmentation in effective business analysis and forecast creation
4. Apply pricing and non-pricing tools in dynamic hospitality contexts to formulate and justify revenue optimisation decisions.

## Essential content

### L01 **Explore the origin, the core concepts and key characteristics of RM and their impact on the hospitality industry**

*The origin, evolution and concepts behind hospitality revenue management:*

The history and evolution of revenue management within the hospitality industry

The impact of digital technology on the evolution of RM

The relevance of the key concepts and principal economic characteristics of the core and non-core hospitality products to RM

How range of characteristics such as limited capacity affect RM

*Key performance measures:*

Use and interpretation of key internal and external RM performance benchmarks including occupancy, length of stay

Critical metrics that track hotel industry performance e.g. Average Daily Rate (ADR), Revenue per available Room (RevPar), Average Rate Index (ARI) etc.

The significance of RM to organisational structure and team performance in a range of hospitality scenarios

### L02 **Assess the relationship between RM systems and processes and how these link to strategic, tactical and operational hospitality business goals**

*Hospitality Revenue Management as a system: structural, procedural and human elements:*

How structural elements such as revenue Centres, data and information, revenue management tools and software and pricing and non-pricing approaches impact the RM system

The issues with digital technologies including search engine design, the use of algorithms, search engine optimisation, metasearch and its relationship to distribution and impact on RM tactics strategy

How procedural elements such as the formulation of business goals, information, analysis, forecasting, decision-making, monitoring and implementation influence strategic, tactical and operational outcomes

**LO3 Examine the information requirements of the RM process and the role of market segmentation in effective business analysis and forecast creation**

*Information requirements for the hospitality revenue management process:*

Information provision for the revenue management process from the strategic, tactical and operational perspectives to include dimensions, statistics and sources

*Market segmentation:*

The application and objectives of market segmentation in the hospitality sector

The use of digital technologies for data mining and statistical analysis

Criteria for effective segmentation: measurable, relevant, and distinguishable

The importance and value of market segmentation to the RM process  
Contribution to analysis and the creation of rooms and other forecasts including demand, operational and financial forecasts

**LO4 Apply pricing and non-pricing tools in dynamic hospitality contexts to formulate and justify revenue optimisation decisions**

*Pricing and non-pricing tools suitable for use in hospitality businesses:*

Different types of rates that maximise profitability

Different approaches to making price more variable

Set appropriate rate fences to customer segments

Issues associated with overbooking and pricing

The implications to RM of using various distribution channels

## Learning Outcomes and Assessment Criteria

Pass		Merit	Distinction
<b>LO1</b> Explore the origin, the core concepts and key characteristics of RM and their impact on the hospitality industry			<b>LO1 LO2</b> <b>D1</b> Critically examine the impact of RM and provide justified recommendations for the use and application of RM in the hospitality industry to achieve business goals and objectives
<b>P1</b> Discuss the origin of RM and its relevance to contemporary hospitality management  <b>P2</b> Examine the core concepts and characteristics of RM including fundamental economic principles and performance indicators that impact the hospitality industry	<b>M1</b> Review the impact of RM on hospitality businesses in terms of performance and organisational response		
<b>LO2</b> Assess the relationship between RM systems and processes and how these link to strategic, tactical and operational hospitality business goals			
<b>P3</b> Examine how structural, procedural and other elements of RM support the achievement of business goals within a hospitality organisation	<b>M2</b> Critically evaluate how RM supports the achievement of hospitality business goals within a hospitality organisation		
<b>LO3</b> Examine the information requirements of the RM process and the role of market segmentation in effective business analysis and forecast creation			<b>D2</b> Provide justified recommendations to improve market segmentation analysis in RM decision-making for a range of hospitality examples
<b>P4</b> Examine the information requirements of the RM process for core hospitality products  <b>P5</b> Evaluate the process of market segmentation, the creation of profit through customer definition and forecast creation using a range of hospitality examples	<b>M3</b> Critically evaluate the necessity for market segmentation in RM decision-making and its contribution to the creation of reliable forecasts using a range of hospitality examples		

Pass	Merit	Distinction
<b>LO4</b> Apply pricing and non-pricing tools in dynamic hospitality contexts to formulate and justify revenue optimisation decisions		<b>D3</b> Critically evaluate pricing and non-pricing tools to justify a coherent RM plan and strategy to optimise pricing and revenue within a hospitality context
<b>P6</b> Develop a functional RM plan and strategy to optimise pricing and revenue decisions using pricing and non-pricing tools within a hospitality context	<b>M4</b> Evaluate and apply pricing and non-pricing tools in support of pricing and revenue optimisation decisions within a hospitality context	

## Recommended resources

### Textbooks

BODEA, T. and FERGUSON, M. (2014) *Segmentation, Revenue Management and Pricing Analytics*. Oxford: Routledge.

FYALL, A., LEGHOREL, P. and POUTIER, E. (2013) *Revenue Management for Hospitality and Tourism*. Oxford: Goodfellow.

HAYES, A. and MILLER, A. (2010) *Revenue Management for the Hospitality Industry*. 1st ed. Chichester: Wiley.

IVANOV, S. (2014) *Hotel Revenue Management: From Theory to Practice*. Varna: Zangador Ltd.

TRANter, K., STEWART-HILL, T. and MILLER, A. (2009) *Introduction to Revenue Management for the Hospitality Industry: Principles, Practices for the Real World*. London: Prentice Hall.

### Websites

<a href="http://www.hedna.org">www.hedna.org</a>	The Hotel Electronic Distribution Association (General Reference)
<a href="http://www.hospitalitynet.org">www.hospitalitynet.org</a>	Hospitality Net (General Reference)
<a href="http://www.xhotels.com">www.xhotels.com</a>	XHotels Consultants Glossary (General Research)
<a href="http://www.littlehotelier.com">www.littlehotelier.com</a>	The Little Hotelier Revenue Management (General Reference)
<a href="http://www.smartehotels.com">www.smartehotels.com</a>	Smart Hotels Consultants Revenue and Yield-management-strategies (Research/Articles/General Reference)

### Links

This unit links to the following related units. *Unit 7:*

*Managing*

*Accommodation*

*Services Unit 15:*

*Hospitality Marketing*

*Essentials Unit 14:*

*Management*

*Accounting*

*Unit 27: Front Office Operations Management*

*Unit 28: Hospitality Distribution Channels Management*