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REVENUE MANAGEMENT A STRATEGIC LEVER OF HOLISTIC APPROACH

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Abstract:

This article shows that Revenue Management is both a mechanical and technical approach. Revenue management is a holistic approach to human resource management. After a review of the literature, we were able to show the theoretical and practical interest of the Revenue Management logic.

Key words:- Revenue Management, Performance, Holistic approach, Arbitration

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Introduction:-

Any exchange is a social process in which the contact person and the customer co-produce the service. The service companies have realized that to succeed in the customer relationship, it is necessary to have a competent staff with knowledge and skills. The application of Revenue Management implies the acceptance and involvement of the staff concerned. The success of such a vision involves not only software installation, forecasting, profitability or optimization, but also a culture change within the organization. Service companies that use automation without taking into account the cultural aspect often lose a lot by thinking that it is enough to press a button.

The success of such projects is generally linked to the ability of a company to integrate a new cultural approach that promotes the development of a customer orientation. The main objective is to promote the perception of the value of the offer by the customer.

Revenue management allows for the renewal of the service offering through a holistic vision that is based on transforming the beliefs, attitudes and values of staff working in the same organization. It is necessary to do training in Revenue Management to refine the skills of staff in direct contact with customers. The purpose of this research is to describe the key success factors of Revenue Management training.

Revenue management: a holistic approach

The Revenue management is not led by the same actors, the right to accept reservations over certain periods and especially at certain prices does not come back systematically in commercial service; the reservation service must also give its approval. "[1] Institutions that use automated systems without taking into account the staff in contact lose a lot when they think that it is enough to press a button. Revenue Management promotes an integrated culture of long-term profitability through the development of a good quality relationship with customers.

This observation shows that Revenue Management integrates in addition to the dynamic adjustment of supply on demand, a marketing perspective (see the figure1).

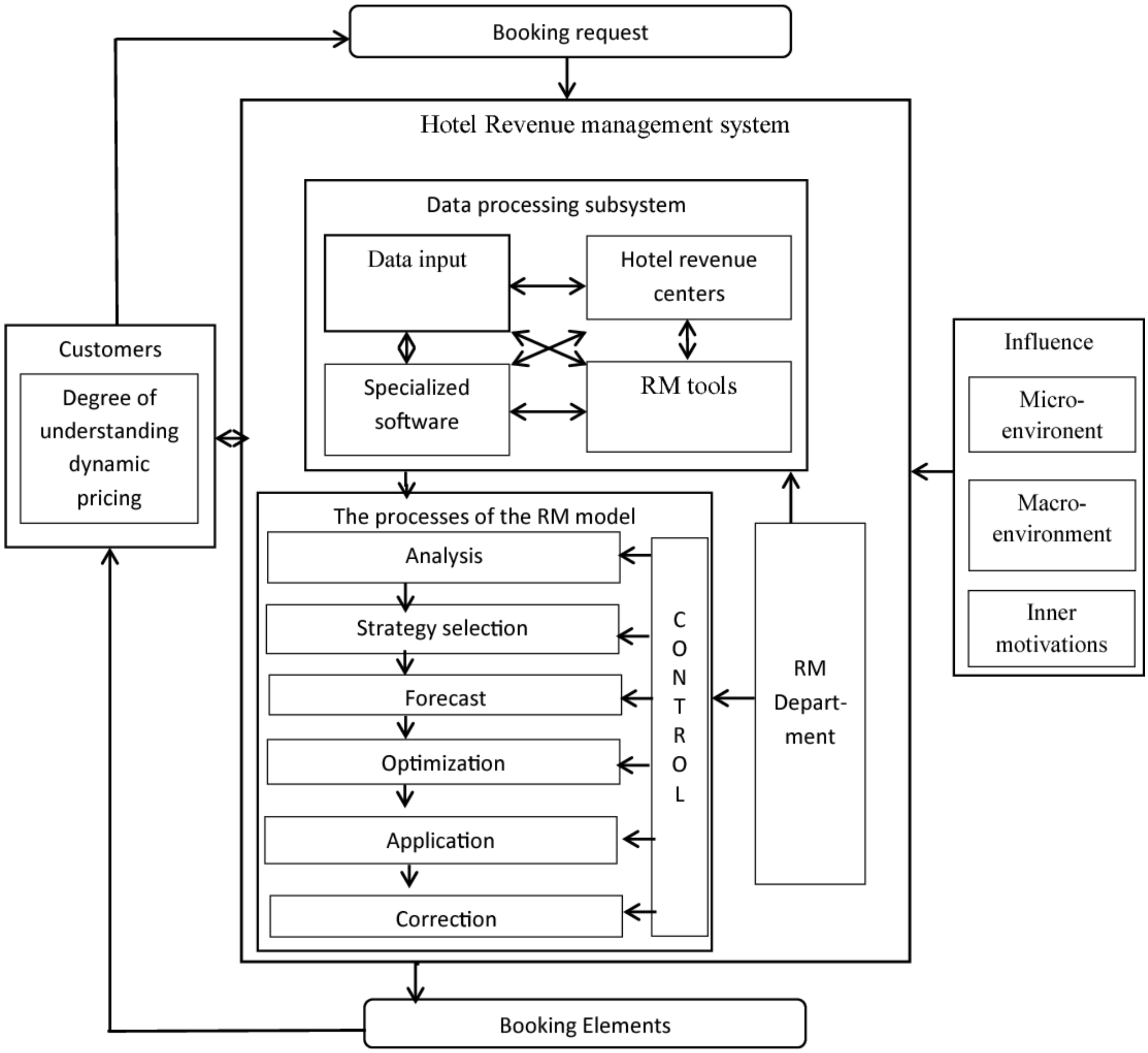

Figure 1: The processes of the Revenue management (Bandalouski and all, 2017).

In the face of sales difficulties encountered by service companies, the latter is obliged to recognize the sovereignty of the consumer: the consumer is king, the main task of the company is therefore to seek first to know the needs and desires of the consumer. Then find a product that can satisfy it and all in a profitable way for the company. Revenue management is in fact a strategic business approach with principles of profitability and revenue maximization that profoundly affect the service business culture as well as consumer behavior.

While the overall approach to revenue management is a strategic lever that allows clients to tailor service / price offerings to their needs without sacrificing profit maximization [2], it requires a common experience of shared and shared values.

The decision of arbitration

Arbitration is the decision of acceptance or refusal of the client is taken. Such an appropriate decision helps to reduce the risk of loss of income. For example, denying units at the full price as long as discounted units remain is a non-optimized decision. Purchasing and consumption behavior is predictable and segment-specific [3]. Consumers who are sensitive to the price to be booked in advance must be encouraged to benefit from a reduced rate. The time profiles of reservations and cancellations are accurately tracked.

Customer acceptance or refusal decisions take into account a number of factors, including "go-show" forecasts (see the figure2), no-shows, cancellations, length of stay and group problem. A "go-show" is the arrival of customers at the last minute. Conversely, the "no show" reflects the non-presentation of customers who booked. The cancellation of the reservation is different from the no-show by the fact that it causes an automatic reset of the corresponding capacity [4].

In the forecast, absences and cancellations are treated in the same way by the practice of overbooking. This practice is based on estimating an average number of cancellations and no-shows recorded in a previous period. In order to improve the quality of service and the respect of the customers, several hotels have tried to limit the overbooking, especially since it can be expensive, because of the risk of degradation of the image and the mouth with the negative ears.

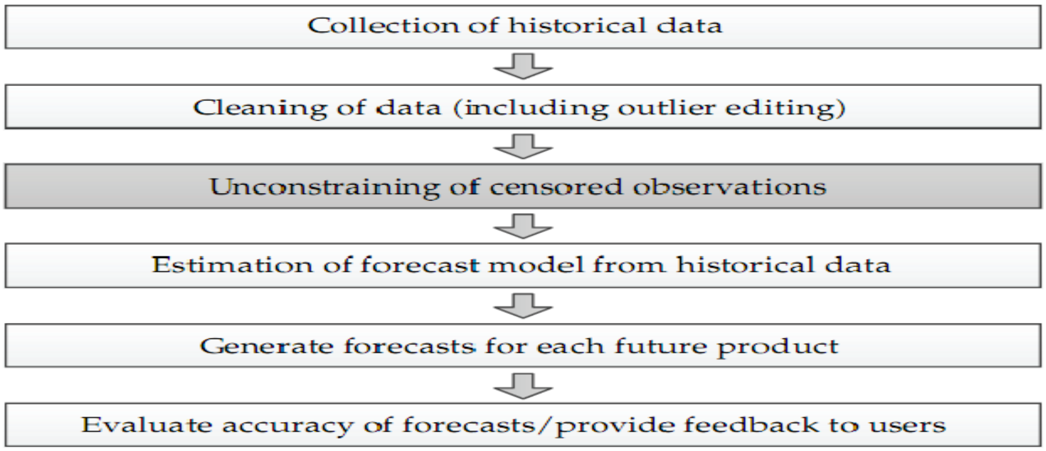

Figure 2: Revenue management forecasting steps. (Nikseresht and Ziarati, 2015)

A declined booking can cost up to twice the posted rate. In addition to the no-show, the cancellation and overbooking, the length of stay and the problem of the group are other elements that seem fundamental in the arbitration. The service company must know how to control demand, not only by day and by fare class, but also by length of stay. This is usually the average length of stay over a period of time and the number of arrivals over a period of days. This ensures good management of peak hours.

Reduce customer dissatisfaction

Revenue Management provides an optimal solution to reduce dissatisfaction with tariff modulation by matching supply with demand. Based on a clear, varied and appropriate pricing system for different targets, Revenue Management is a real commercial lever with the goal of profitability and customer loyalty [5].

There are marketing practices necessary for the application of Revenue Management [6]. These practices include customer segmentation and systematic consideration of customers' future needs and expectations (see the figure 3).

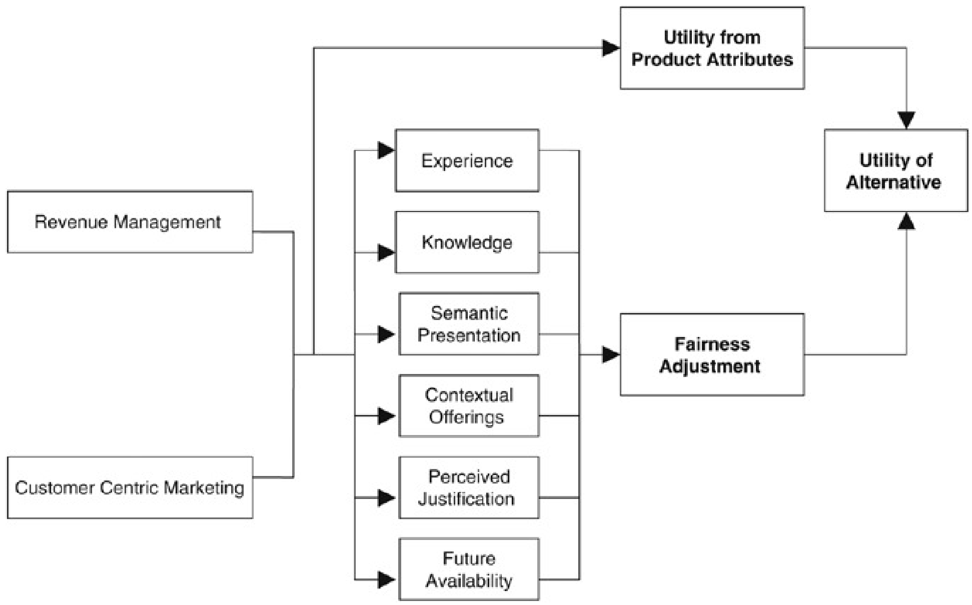

Figure 3 : Renenue management and Fairness adjustment, (Mathies and Gudergan, 2007)

Revenue Management encourages service companies to expand and refine their segmentation process. Targeting is the choice of segments on which a specific action will be directed. The choice of a few segments reflects the ability of a service business to deliver value to a specific group of customers. Customer selection is the critical strategic option, as is the refusal of certain segments of the market [7].

In the services sector, a revenue segmentation process can be implemented around the business and leisure segments, geographical areas, length of stay and expenditure profiles by market segment [8].

To adapt, companies will have to customize their services for increasingly narrow segments. They move from traditional segmentation to micro segmentation to finally reach the segment of a single customer.

Revenue Management considers marketing segment costs and information to distinguish different categories of customers from items they are sensitive to.

In fact, there are two categories of segments, price-sensitive and non-price-sensitive or profitable. The price sensitive segment includes leisure customers, customers making early bookings ...

The non-price-sensitive segment is made up of businessmen who come in when the need arises, agree to pay a higher price, spend more and do not pay interest in the booking season.

One must not forget to communicate in a transparent manner the tariff information concerning the different privileges of the profit category and the restrictions of the sensitive price category [9]. The existence of a price sensitive consumer segment seems interesting. This segment accepts significant restrictions reducing its flexibility. These restrictions exclude this category of consumers from other services intended for the business segment, such as the choice of total length of stay.

The Revenue Management vision also provides for special treatment for the usual clientele, which a company can provide several weeks or days in advance so that, during this period, the establishment, although highly solicited, keeps the price usual. It is true that the manager loses immediate profitability, but he develops a quality relationship with segments allowing him to work better in the medium and long term [9].

The objective of this offer is to spread attendance over the year in order to satisfy both the consumers who care about their wallet and those who are ready to pay the high price. This is why the search for consumer satisfaction, by focusing on the service for which the company can guarantee a good margin, improves the quality of the relationship between the consumers and the service company.

Conclusion

This research revealed that Revenue Management has exploited different domains and integrated various tools, including computer science and modeling. Revenue Management should integrate, in addition to the dynamic adjustment of supply-on-demand, a cultural vision that assumes that the main function of the service society is to produce the desired satisfactions.

The Revenue Management approach unites individuals in a social structure, itself integrated into a wider sociocultural context. This approach is a system of representations and a means of translating the image that the staff has of itself as a member of a social group. These different representations allow the service company to assimilate its operation and identify the most effective behaviors.

Indeed, it is a kind of application of behavioral norms allowing the synchronization of the actions and constituting a lever of global learning. These are changes in employees' reaction to a situation resulting from their past experiences. This is a new form of work organization and a new reconfiguration of the dynamic relationship between customers and staff.

We speak of a culture of servuction, oriented mainly towards research to better satisfy the customers. Staff in direct contact with clients must have the knowledge, skills, abilities and motivation to refine the new customer focus.

The application of Revenue Management requires adequate staff training in optimization techniques, pricing systems and communication with dissatisfied customers.

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