Course title: Revenue Management in Tourism and hospitality

Code:

**Instructor:** Dr. Dalia Zelikovich

**Credit hours:** 2

**Year:** 2, **Semester:** A

**Academic year**: 2021-22

**Course objectives:**

Revenue Management, also known as yield management, is an essential practice in different industries aimed to maximize particular firm revenue. Revenue management was initially developed by the airline industry, and has extended to its current state as a common business practice in a wide range of industries. Each industry also has specific characteristics that determine the practical aspects of revenue management. This goal of this course is to identify and evaluate the revenue management principles, practices, and techniques applied by hotels. The course includes theoretical framework of hotel revenue management as a concept, analyses, and various other tools in the hoteliers’ arsenal.

**Intended learning outcomes:**

By the end of the course students will have the following abilities:

• Understanding the components of revenue management and pricing and the benefits of revenue management models.

• Evaluate historical price/demand data to identify distinct customer segments and target them with the right product at the right time and with the right price.

• Develop demand and revenue resulting from forecasts evaluation.

• Understanding the Apply tools and techniques to make revenue management decisions in a simulated environment.

**Schedule of lessons:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Lesson** | **Topic** | **Details** | **Relevant reading assignments** |
| **1** | **Introduction to Revenue Management (RM)** | **Overview of the RM functions within tourism industries**: Airline, Hotels, Car, Boats-Cruise, Restaurants, Tours, etc.  The importance of revenue Management to the organization (Performance, Marketing, Sales) | 2, part I, Legohérel et al.; part II, Selby; 4, chap. 1, 2; |
| **2** | **Economic fundamentals** | **The "Product-Service" in tourism**: Intangible, limited capacity, different costs elements, marginal cost unequal demand, forecast demand, market segment, price elasticity. | 2, part II, Padhi;  4, chap. 3, 4, 6; |
| **3** | **Information provision for the RM process** | **The RM decisions is based on data information sources:** internal (operations), micro (customers, competitors and distributers) and macro environment (PESTEL), in order to make the best decisions. | 2, part II, Wang  4, chap. 5, 11; |
| **4** | **Pricing & dynamic pricing** | **General pricing strategies and dynamic pricing.** Pricing models, Pricing tools Pricing - competitive advantage and pricing determining positioning. Factors influencing on pricing decisions | 2, part II, Pahdi; Gregory; 4, chap. 8; 5, Fisher et al. |
| **5** | **Forecasting** | **Forecasting is a key stage in the RM management process** in determines the decision-making process. Presenting different inventory revenue options; Forecasting methods | 2, part II, Whitelaw; 4, 15; |
| **6-7** | **Inventory management** | **Capacity Management and overbookings** are the two most influential techniques in RM. Commitment, allotment, cut off days, free sale, sales upon request. Overbooking (O/B) Module. Connectivity versus: Extra Net, YayaSoft , GTA, Hotelbeds and more. A case study | 4, chap. 9; |
| **8-9** | **RM Analysis** | **Data analysis:** operation, customers, competitors, distributors and the macro environment is implemented on three levels; strategic, tactical and operational.  **Strategic**: Long term analysis, tourism demand for destinations  **Tactical**: Short term analysis changes in inventory supply, pricing, commission, short term trends and market opportunities  **Operational**: Shortest time zone preformed daily, selling strategy, overbooking, inventory control.  A case study | 2, part II, Varini & Kamensky;  4, chap. 11, 12; |
| **10** | **RM segmentation profile & targeting** | Review of the relationships between customer behavior, market segments, Marketing, Sales and RM. Today’s digital influence on market segmentation. **Big data analytics** for Tourism Revenue Management | 4, chap. 3, 4; |
| **11** | **Hotel RM process** | **Review of the RM process**. The set and sequences of actions undertaken by RM on strategic, tactical and operation level in relation to managing the RM process.  A case study | 4, Chap. 10, 11; |
| **12** | **Channels management** | Combined RM tools include channel management and optimum inventory rate allocation. Traditional and digital channels | 2, part II, Whitelaw; Wang; 4, chap. 7, 15, 17 |
| **13** |  | Presentation and Case study |  |

**Grading scale:**

|  |  |
| --- | --- |
| **Assignment** | **Percentage of final grade** |
| Final assignment  Presentation | 80%  20% |

**Main bibliography:**

1. Forgacs, G., American Hotel & Lodging Association (2012). *Revenue Management*. Pearson College Div.
2. Legohérel, P., Poutier, E., Fyall, A., eds. (2013). *Revenue management for hospitality and tourism*. Oxford: Goodfellow.
3. Rouse, P., Maguire, W., Harrison, J., (2011). *Revenue management in service organizations*. NY: Business Expert Press.
4. Tranter, K., Stuart-Hill, T., Parker, J. (2009). *An introduction to revenue management for the hospitality industry: principles and practices for the real world*. Upper Saddle River: Pearson Prentice Hall.
5. Fisher, M., Gallino, S., & Li, J. (2016). Competition-based dynamic pricing in online retailing: A methodology validated with field experiments.

**Secondary bibliography:**

1. Anderson, C.K., Xie, X. (2010). Improving hospitality industry sales: Twenty–Five Years of Revenue Management. Cornell Hospitality Quarterly, 51 (1), 53-67.
2. Blal, I., & Sturman, M. C. (2014). The differential effects of the quality and quantity of online reviews on hotel room sales. Cornell Hospitality Quarterly, 55(4), 365-375
3. Cross R,G. Higbie J,A.,Cross Z,N. (2010). Milestones in the application of analytical pricing and revenue management. Journal of Revenue and Pricing Management Vol. 10, (1), 8–18
4. Ivanov, S. (2014) Hotel Revenue Management: From Theory to Practice. Varna: Zangador
5. Kimes, S. E. (2010). Strategic pricing through revenue management. InC. Enz (Ed.), The Cornell School of Hotel Administration handbook of applied hospitality strategy (pp. 502-513).
6. Kimes, S. E. (1989). The basics of yield management. Cornell Hotel and Restaurant Administration Quarterly, 30(3), 14-19.
7. Sunmee, C., Kimes, S E,. (6-2002) Electronic Distribution Channels’ Effect on Hotel Revenue Management. Cornell Hospitality Quarterly, 43 (3), 23-31.
8. Presentation: The Digital Revolution, Israel Hotels Association seminar, June 2015