Hotel revenue management impacts on customer relationships management: the influence of organizational culture
Research proposal

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1. Background: Revenue management and customer relationships management in the hospitality industry

In the hospitality industry revenue management (RevM) has been the subject of researches. Hotels are sellers of services that are not storable which means that these “services are time dependent and are therefore nonstorable” (Shy 2008). Hotels have to deal with the advanced booking, no-shows or cancellations and service classes while they are setting the price of the rooms. The purpose of revenue management is “to maximize revenue and ultimately profit through improving sales” (Wang 2011) and the revenue manager has to set the right prices in order to sell the maximum of rooms at the highest price the customer is willing to pay. This is done by “increasing the operating efficiency and effective management of three main areas: pricing, inventory control and customer mix” (Wang 2011). Revenue management focuses especially on short term profit maximization and is an essential tool for hotels to make profit.

On the contrary, customer relationships management (CRM) focuses on a long term relationship with the customer in order to increase the profit. Researches have been done in the marketing field on the customer relationships management. CRM “has a strong focus on the management and development of profitable customer relationships” (Wang 2011). According to Ryals, “the implementation of CRM activities generates better firm performances when managers focus on examining the value of customer (Ryals 2005). Maintaining a good relation with a good customer is another way to maximize profit for the hotels because they provide services and have a strong incentive to satisfy their customer. This is why it is difficult to imagine how could a hotel making profit without considering CRM.

Both RevM and CRM have an influence on profit maximization but work in a different way with different objectives. Revenue management allows the hotels to maximize their revenue but few researches have been done on its effects on customer relationship. In fact, RevM implies customer conflicts. It can be view as unfair by customers. For instance they may ask “why people who stay at identical hotel room sizes end up paying different prices” (Shy 2008)? If the hotel does not set a loyalty program, it may happen that loyal costumers find out that others pay less because they booked earlier or later and never book a room in the same hotel any more. Using revenue management, hotels maximize their profit and increase their revenue in short term but might lose some clients, and not perform in the long term if they under evaluate the customer relationships management.

It could be therefore difficult to combine RevM and CRM. X.L. Wang in her study Relationship or revenue: Potential management conflicts between customer relationship management and hotel revenue management tried to find “where, how and why CRM and RevM practices may or may not be compatible”. (Wang 2011). She found several reasons for
the incompatibility between RevM and CRM based on a single-case study with four embedded multiple cases. She highlighted the managers’ dilemma to choose between long term relationship value and immediate revenue return. She concludes her study by underlining the research literature gap in the impacts of RevM on costumer relationship.

The author of the research proposal has a six months experience in the administrative department in a Spanish hotel and has a better understanding on how a hotel works. The interest for this industry and passion for tourism are factors that encourage the author to pursue a career in this field. This is why it would be wise for the author to write on this topic.

The literature research gap in the RevM impacts on CRM, the experience in hospitality industry and the desire to work in this industry are the motivations of the author to write a research paper on this topic.

2. Purpose and aim of the study

In order to pursue Wang study, the purpose of the research is to explore and compare different approach to revenue management and customer relationships managements to explain how the organizational culture of the hotel could influence the revenue management impacts on customer relationships. The study could be based on two study cases in different hotels in order to have a better understanding of the influence of the organizational culture. The potential management conflicts between RevM and CRM have practical implications and this research could lead to identify how the organizational culture may influence it. Furthermore this research could lead to better understand the roots of the management conflict and find solutions to combine CRM and RevM . It is important to make deeper research on this topic because it has managerial implications and it is directly related to the financial success of this kind of companies.

Hypothesis

The hypothesis of the study is that organizational culture does influence the RevM impacts on customer relationships. The factors could be the way sales and marketing department of each hotels are organized and related, if both managers share enough information, if the key decision maker between the revenue manager or the customer manager differs from one hotel to another. These factors can influence the answers of the managers and could show that organizational culture does influence RevM impacts on CRM.

Review literature

Wang article that focus on management issues and the potential conflicts that occur between RevM and CRM will be a basis for the research and will be pursued by analyzing the influence of organizational culture. The concept of organizational culture has been studying by Alvesson in his book Understanding organizational culture and can be used to understand what organizational culture is and some aspects will be studied and compared.

Revenue management also called yield management has been defined by Kimes as “the process of allocating the right type of capacity to the right kind of customer at the right price
so as to maximize revenue or yield” (Kimes 1989). Kimes also studied the implementation issues for the revenue managers. RevM has been studied by numerous researchers, Anderson and Xie in their article *Improving hospitality industry sales* offer a review of twenty five years of revenue management and include a list of more than twenty articles from 1988 to 2009 about hotel revenue management.

Mauri in the article *Yield management and perceptions of fairness in the hotel business* considers the perception of fairness taking in account the customer view of revenue management. Kimes also in her article *Perceived fairness of yield management* deals with the difficulty to implement yield management while customer perceives it as an unfair practice.

Ryals wrote about customer relationships management by dealing with how CRM works and measuring lifetime value of customers. It can be found more articles about CRM in marketing journals.

**Research design and research strategy**

In order to understand how organizational culture can influence the RevM impacts on CRM, the research design that will be used is a comparative design. According to Bryman, a comparative design can be simply defined as “studying two contrasting cases using more or less identical methods”(Bryman 2012). More specifically “it embodies the logic of comparison, in that it implies that we can understand social phenomena better when they are compared in relation to two or more meaningfully contrasting cases or situations”(Bryman 2012). The multiple case studies will be used in order to compare the potential management conflicts between RevM and CRM in different hotels. The comparison will help to know how organizational culture does influence the RevM impacts on CRM.

After an extensive literature review, the research strategy will be a qualitative research based on interviews of revenue managers, sales account managers and general managers of two different hotels. It is important to interview the right persons and the right hotels but unfortunately the problem of non-response is likely to happen; all of the hotels and managers might not give any answers to participate to the study. The reliability of the study will depend on the managers interviewed and on the hotels chosen. This is why the sampling will be a non-probability sample which is “a sample that has not been selected using a random selection method. Essentially, this implies that some units in the population are more likely to be selected than others.”(Bryman 2012). It will be hard to interview some hotels outside of Europe because it is costly and it is uncertain to get positive answers so the study has to be limited geographically to Sweden, Norway or eventually to the original country of the author. The sampling will focus on international hotels and according to the answers two international hotel companies that are different in size or origin will be selected. This way it will be possible to compare two different organizational cultures. Some contribution of hotel managers from some hotels (e.g. contacts or hotels that will give answers or would like to contribute to the study) can be also used to get some more information about the topic. The
collection of data will also include document studies of both hotels to examine the hotel policy, practices, management reports, customers’ complaints, prices.

The objectives of the interviews are:

- To confirm previous research outcomes
- To know what the organizational structure is in each hotel
- To understand the conflict that can happen: situations when RevM had affect customer relationships
- To see if RevM or CRM receive the same management attention
- To know the opinion of the revenue manager and the customer relationship manager about the compatibility between both
- To link organizational culture with RevM impacts on CRM

According to the answers the results will be classified and compared using the organizational structure as an influence (if there is any).

Ethical issues that will occur are to respect the anonymity and confidentiality of the companies and respondents, and a consent form will be used with each participant. An example of this based on examples from UK Data Archive (2009) and Several UK Universities can be found in Bryman book:

A sample interview consent form

- I, the undersigned, have read and understood the Study Information Sheet provided….
- I have been given the opportunity to ask question about the Study.
- I understand that taking part in the Study will include being interviewed and audio recorded.
- I have been given adequate time to consider my decision and I agree to take part in the Study.
- I understand that my personal details such as my name and employer address will not be revealed to people outside the project.
- I understand that my words may be quoted in publications, reports, web pages and other research outputs but my name will not be used.
- I agree to assign the copyright I hold in any material related to this project to [name of researcher].
- I understand that I can withdraw from the Study at any time and will not be asked any questions about why I no longer want to take part.

Name of Participant : ___________________________ Date :
Researcher Signature : __________________________ Date :

Timetable/Plan

Supposing that the study has to be completed in about four full months (the second semester starts on the 20th of January and ends on the 9th of June) the plan could be divided this way:

- **February**
  - Review literature
  - Contact with the hotel
  - Document collection

- **March**
  - Preliminary research in the hotel selected
  - Study of the documents
  - Elaboration of the interviews

- **April**
  - Data collection: interviews
  - Analysis of the results

- **May**
  - Analysis of the results and review of the study

Resources

In order to conduct the study it will be required:

- Transportation to the hotels (depending on which hotels will be chosen)
- Computer to email or to Skype the hotels
- Computer to research
- Electronic database (available at the university or on the website)
- Dictaphone to register the interviews

Conclusion

Studying hotel revenue management and making a link with customer relationship management is important in order to find solutions to overcome the potential managerial conflict that can appear between both. These both practices are significant to lead to the financial success of the hotel and this is why it is really important to understand how the organization can influence the impacts that RevM can have on customers and to not neglect these effects. There is a gap in research on this topic and the study could participate to extend the research that has been done until now. Using a multiple case study based on interviews, it will be possible to have a direct contact with the managers and get better and wider information about the subject.
References


