

# Investigation of the revenue management practices of accommodation establishments in Turkey: An exploratory study



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## ARTICLE INFO

### Article history:

Received 22 August 2016

Received in revised form 17 March 2017

Accepted 23 March 2017

Available online xxxx

### Keywords:

Hotels

Revenue management

Yield management

Turkey

Inventory management

Pricing

Forecasting

Revenue management team

## ABSTRACT

This exploratory research paper investigates the revenue management practices of accommodation establishments in Turkey through a survey of 105 managers. The findings indicate that hoteliers put the emphasis on price discrimination and room availability guarantee and are less likely to consider overcontracting and overbooking. Most respondents do not have a revenue manager and do not intend to hire one: revenue management is usually within the responsibilities of the general manager, front office manager or the marketing manager. Online travel agencies, hotel's website, tour operators and travel agents are the most important distribution channels. The size of the property, its category, location and chain affiliation have significant impact on the degree of application of the various revenue management practices. Revenue management is mostly adopted by high category, chain affiliated, urban and seaside hotels with large number of rooms. Managerial implications, limitations and future research directions are discussed as well.

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## 1. Introduction

### 1.1. Background and rationale

Revenue management (RM) has been widely recognised as a key technique for matching supply and demand in tourism and hospitality (Anderson & Xie, 2010; Cross, Higbie, & Cross, 2009; Forgacs, 2017; Hayes & Miller, 2011; Ingold, McMahon-Beattie, & Yeoman, 2001; Ivanov, 2014; Legohérel, Poutier, & Fyall, 2013; Mauri, 2012; Tranter, Stuart-Hill, & Parker, 2008; Wang, Heo, Schwartz, Legohérel, & Specklin, 2015; Yeoman & McMahon-Beattie, 2004, 2011) and other industries (Ng, 2009; Talluri & van Ryzin, 2005). Building on Kimes (1989) and Kimes and Wirtz (2003), hotel revenue management can be defined as the constellation of tools and actions dedicated toward the achievement of an optimal level of the hotel's net revenues and gross operating profit by offering the right product to the right customers via the right distribution channel at the right time at the right price with the right communication. Its arsenal includes various pricing, non-pricing and combined revenue management tools (Ivanov, 2014;

Ivanov & Zhechev, 2012) used by hoteliers to maximise the revenues and the yield of their properties – price discrimination (Mauri, 2012), rate parity (Demirciftci, Cobanoglu, Beldona, & Cummings, 2010; Haynes & Egan, 2015), lowest price guarantee (Carvell & Quan, 2008), early bird/last minute offers (Chen & Schwartz, 2013; Schwartz, 2008), overbookings (Hwang & Wen, 2009; Ivanov, 2015), channel management, etc. Its adoption by hoteliers is largely led by the argument that the application of revenue management contributes positively to hotel's financial results although the exact contribution varies greatly by property (Rannou & Melli, 2003).

While hotel revenue management has grown tremendously as a research field during the last 20 years and its application in developed economies is widely acknowledged and researched, its application by the hotel industries in Central and Eastern Europe, Middle East, Latin America and Africa has not received much attention in the specialised academic literature with some notable exceptions (Emeksiz, Gursoy, & Icoz, 2006; Gehrels & Blamar, 2012; Güler, 2012; Ivanov, 2014; Ivanov & Piddubna, 2016). This paper aims to partially fill this gap by focusing on the application of various RM practices by the accommodation establishments in Turkey. The authors have chosen Turkey due to the size and importance of its hotel industry (3131 accommodation establishments with 807,316 beds that generated over 130 million overnights in 2014 (Ministry of Culture and Tourism, 2015a, 2015b)) and the lack of sufficient empirical research about the RM practices of

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accommodation establishments in Central and Eastern Europe and the Middle East. The paper provides a reality check by looking at whether the theoretical concepts in the field of hotel revenue management have found their ways into the actual business practices of the accommodation establishments in the country. Prior research has shown that hoteliers in countries in the region (see Ivanov (2014) for the case of Bulgaria) have adopted only a small fraction of the hotel revenue management tools elaborated in the academic literature. Specifically, the paper looks at the RM system (revenue centres, RM tools, RM software, RM metrics, RM team and RM process) of the respondents and the external influences (such as competitive actions and customer characteristics) on the revenue management decisions of hoteliers. It examines the role of accommodation establishment's characteristics (category, location, size and chain affiliation) on the level of adoption of the various revenue management techniques by its managers. Other problems that fall within the RM framework like value creation, segmentation, profiling and targeting, information provision, customers' perceptions of the fairness of the RM practices, the links between RM and social media, and the measurement of the exact impact of RM on hotel's bottom line go beyond the scope of this exploratory research.

### 1.2. Research objectives

In the light of the above discussion the following research objectives were formulated:

- ✓ *Objective 1:* To critically evaluate the application of various revenue management practices by accommodation establishments in Turkey.
- ✓ *Objective 2:* To assess the influence of accommodation establishments' characteristics (chain affiliation, category, location and size) on their revenue management practices.

The rest of the paper is organised as follows. Next section provides focused literature review on hotel revenue management. Section 3 presents the empirical context, Section 4 elaborates the methodology, Section 5 analyses the findings while Section 6 discusses the paper's

contribution, managerial implications, limitations and future research directions.

## 2. Brief review of related literature

The vastness of hotel revenue management as a research field does not allow a comprehensive review of all RM topics in short space. Extensive, in-depth and comprehensive critical reviews of current debates in RM are provided by Wang et al. (2015), Mauri (2012), Ivanov (2014), and Ivanov and Zhechev (2012). Here we shall briefly outline only some of the key aspects of hotel revenue management that are relevant to this research.

Ivanov and Zhechev (2012) and Ivanov (2014) present the revenue management in a hotel as a system that includes four structural elements (data and information, hotel revenue centres, RM software and RM tools), the RM process and the RM team (see Fig. 1). The *revenue centres* are those departments in the hotel that generate revenues. Besides the rooms division, these may include F&B, parking, spa/fitness/sauna, golf course, casino, function rooms and other services. The wider the scope of revenue centres in a hotel, the greater the possibilities to generate revenues and not to depend on one main source (i.e. rooms). The variety of revenue centres is also one of the prerequisites for the application of cross-selling as a sales technique. Usually research in regard to the revenue centres focuses on a single hotel revenue centre or related hospitality industries like restaurants (Heo, 2013; Kimes & Thompson, 2004), casinos (Kuyumcu, 2002), function rooms (Orkin, 2003), golf courses (Rasekh & Li, 2011), and spa centres (Kimes & Singh, 2009), although recent publications have advocated on total hotel revenue management (Buckhiester, 2012; Forgacs, 2017; Wang et al., 2015) which takes into consideration all revenues generated from the customer, not only room revenue.

The *RM tools* include a variety of instruments used by hoteliers to manage demand and supply. Ivanov (2014) divides them into three groups. The first group includes the RM tools that concern only the price, namely: price discrimination (Mauri, 2012; Shy, 2008; Tranter et al., 2008), dynamic pricing/early bird/last minute offers (Abrate, Fraquelli, & Viglia, 2012; Chen & Schwartz, 2013; Schwartz, 2008), rate parity (Demirciftci et al., 2010; Haynes & Egan, 2015; Maier, 2011, 2013), lowest price guarantee (Carvell & Quan, 2008; Demirciftci et al.,

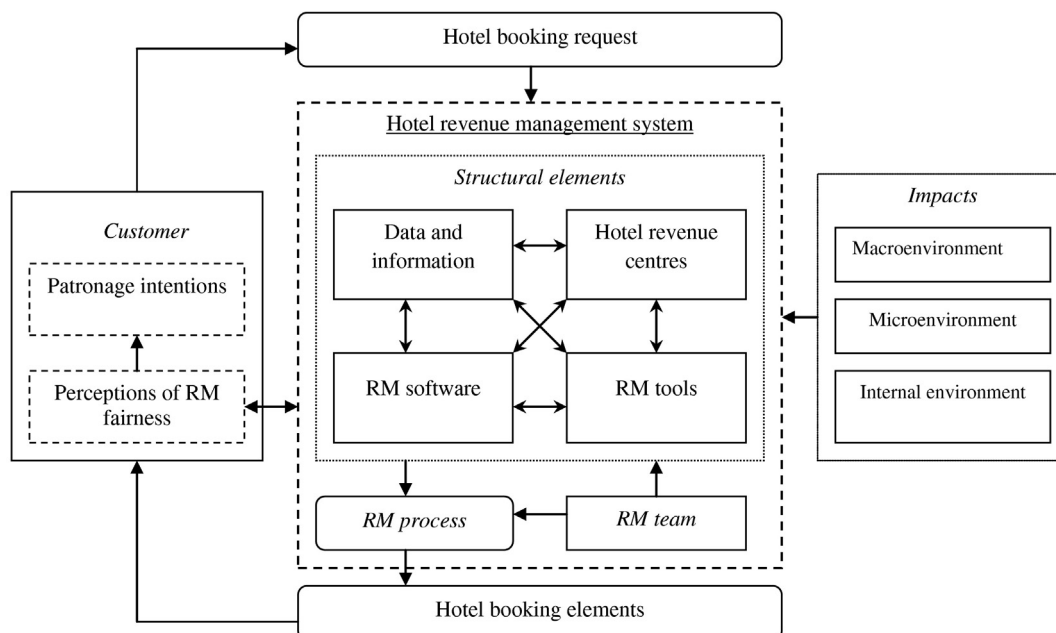


Fig. 1. Hotel revenue management system (adapted from Ivanov & Zhechev, 2012).

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