Use of Revenue Management as a Factor in Increasing the Sustainable Development of Enterprises in the Hospitality Industry

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ABSTRACT

Accommodation requirements are constantly changing. Hotel companies find themselves in the conditions of uncertainty due to the imposed or canceled restrictions, as well as due to changes in the terms of service. According to experts, domestic tourism is beginning to recover, there are already positive assessments for the completed summer season. Due to this situation, the transition of the hotel company from planning to effective forecasting seems to be the most optimal solution. Use of the revenue management system will allow the hotel company to build a more flexible pricing system, analyze income and expenses, develop ready-made tactics and apply them when market conditions change. The efficiency of the hotel business undoubtedly affects the entire tourist infrastructure of the region; it will allow maintaining not only the sustainable development of a particular enterprise, but also forms the image of the region and affects its economic development.

Keywords: revenue management, hotel development strategy, hotel rates, management decisions, statistics, performance indicators.

1. INTRODUCTION

Over the past two years, the domestic hotel industry has faced a number of difficulties in its work. Introduction of a number of restrictions, including restrictions at the regional level, strongly affect the occupancy of the room stock. One example of this is the introduction of restrictions on the non-proliferation of coronavirus infection in the regions of the Krasnodar Territory, which, according to experts, has lost a significant share of possible bookings during the "off-peak season". In this regard, hotels need to very competently think over their pricing policy and sales technologies. One of the options for solving this problem can be the introduction of the revenue management system, i.e. building a sales policy in a hotel company, which implies obtaining the highest possible income at each time interval based on demand analysis. Attention to the efficient allocation of resources, as well as the competent construction of the revenue management system is becoming in demand and does not lose its relevance over the past few years. Optimization of income and expenses concerns not only personal and household finances, but also enterprises, including enterprises in the hospitality industry. In the context of constant changes, restrictions, changes in consumer preferences, existing and customary strategies become ineffective, respectively, competent financial management can become a trend in the hotel business and positively affect the development of accommodation facilities in the regions, which in turn will contribute to sustainable demand for regional domestic tourism (due to the availability of the necessary tourist infrastructure), and, accordingly, the sustainable development of the region as a whole.

2. MATERIALS AND METHODS

When writing the article, the main methods of analysis, generalization, analogy, abstraction, the philosophical method of ascent from the abstract to the concrete were used. Methods such as analysis of reference data and Internet resources were also used to enter the concepts necessary for the study such as revenue management, booking curve, segmentation, income per room, operating profit of the hotel company, and etc.

Assessment of statistical and analytical data on changes in the tourist infrastructure was also carried out.

Foreign experience in application of revenue management technology was studied, modern trends were studied both in the hospitality industry and the list of services provided by domestic hotel companies, as well as changes in consumer preferences of travelers.

3. RESULTS AND DISCUSSION

The main objectives of the revenue management for a hotel business are as follows:

— building a tariff policy, as well as planning the utilization of the hotel room stock to maximize profits, regardless of the seasonality of services;

— regulation of the reporting system and analysis of results;

— analysis and regulation of demand for services of a hotel company;

— building "open" business models;

— identifying new opportunities for increasing the profitability of the hotel company as a whole, as well as decomposing major goals and developing recommendations for each hotel service;

— rationing of the process of making management decisions based on calculations and analysis of data on the activities of the hotel company.

Therefore, the revenue management system, the goal of which is a constant balance between the selling price of a room and the occupancy of the room stock at a given price level, is exactly the system that includes all the named tasks. According to this definition, during the "high" season, the hospitality industry needs to effectively optimize the rates for its services.

The very concept of the "revenue management" has long been associated exclusively with the financial sphere, analytics, statistics, large amounts of digital data, construction of charts and tables. Currently, the definition has undergone significant modification and has become a tool that complements the functions of the sales and marketing department and determines the best sales policy.

The fundamental goal of any commercial enterprise, and the hotel business is no exception, is to make a profit. To maintain the balance of optimal costs with the maximum possible income, it is necessary to constantly apply innovations, improve the management system, apply new marketing strategies, analyze changes in consumer preferences and introduce new service systems to achieve maximum guest loyalty.

The key elements of revenue management for the hotel company will be the current sales strategy based on the daily price determination of the room stock and the construction of an effective system of interaction between the top management and other departments of the hotel.

Another significant element of revenue management is the comparison of the company's activities with the market situation as a whole and the management of periods of maximum load and periods of minimum load in order to optimize revenues. Implementation of this direction is possible subject to use of an effective automation system of the hotel company. [2]

The reasons for use of the revenue management system are also the level of competition within the framework of a moderately increased tourist flow. Also, the change in the financial capabilities of consumers makes hotel companies more attentive to their pricing policy, many hotel companies are introducing loyalty cards, discount systems, and etc. Another problem is the growth in the number of online sales channels. According to the results of recent studies, about 80 % of bookings are made through online sales based on the analysis of offers on the market (including the analysis of offers on aggregators). Therefore, the consumer can compare the pricing policy, as well as the system of discounts for accommodation facilities of a certain category and choose the most acceptable one. Given this trend, the hotel business needs to maintain price parity on its website. [1]

It is also important to assess the efficiency of revenue management based on the economic performance of the hotel company. There are a large number of performance indicators, these are load estimates, profitability calculation, the most indicative for assessing the revenue management system are the indicators of income per number (RevPAR) and gross operating profit per room (GOPPAR). RevPAR for many small accommodation facilities is the main one and allows to evaluate the efficiency of room fund management. Wherein, with a wider hotel infrastructure, the value of this indicator is no longer enough, and the values of GOPPAR, an indicator of gross operating profit, which is the difference between total revenue and direct and retained expenses, become more illustrative. [3]

Due to the fact that the main task of revenue management is making decisions on tariffs, planning and forecasting becomes a priority task for the hotel company. To make an effective forecast, the following rules must be observed:

— segmentation;

— analysis of the history of bookings;

— assessment of the growth rate of bookings and change in load;

— use of an automation system.

Let's consider each of these rules in more detail. Segmentation involves analyzing the behavioral

characteristics of the target audience of the hotel company. The main values that you need to pay attention to are such parameters as:

— -average length of stay;

— days of the week on which reservations are made;

— RevPAR indicator;

— percentage of cancellations from a previously made reservation;

— percentage of no-shows.

The analysis of this information allows the hotel company to more effectively build its policy of attracting guests, as well as to understand which services of the hotel company, in addition to the main accommodation service, are more in demand, and, accordingly, allow them to make forecasts, plan and optimize the financial performance of the hotel, redirecting demand to the required segment. [8] Also, this system allows making decisions on group bookings, in the case when the main guests are corporate clients or tourist groups. The main task is to properly segment, focusing on the behavioral characteristics of the guest.

The demand calendar is another tool in forecasting the activity of the hotel company. The basic information that is included in the calendar consists of the following data:

— quantitative and percentage values of the loading of the hotel company;

— the level of demand for the services of the hotel company;

— indicators of industrial and economic activity of the hotel company;

— eventfulness of the region (holding festivals, holidays, business events, and etc.);

— the number of arrivals, and etc.

It is advisable to maintain a demand calendar on an ongoing basis, for further analysis of trends at different time intervals. The calendar also allows you to see downturns in demand and make suggestions to change this situation, namely to choose a specific pricing strategy or marketing strategy. The calendar is a tool that allows to identify patterns, as well as determine not only the amount of possible discounts, but also the maximum price for placement, acceptable to the consumer.

Also, to ensure the accurate forecasting, the hotel company needs statistics related to cancellations and rejections. This information allows the hotel company to analyze the reasons, which may be, for example, the lack of rooms of the required category or restrictions on the period of stay. The analysis of these statistics also allows the hotel company to conclude that overbooking is

possible. Whenever possible, planning shall be carried out for at least the coming quarter.

Also, special attention shall be paid to the pick up report when making the forecast. This report has different time frames and can be daily, monthly, statistical, operational, and allows to estimate the occupancy of the hotel company on a specific date and allows, in case of deviation from the plan, to optimize occupancy by changing the room rate. [9] In the future, the report allows to evaluate the effectiveness of the actions taken based on the comparison of the planned data and the actual data obtained as a result of the change in pricing policy, which allows to avoid constant cost reductions and use of higher rates for room stock when possible. Also, if the actions of the sales department and revenue management do not match, on the basis of the report, it is possible to identify segments that will compensate for decrease in the financial performance of the hotel company. The analysis of statistical data is most often carried out on the basis of the booking curve, which allows you to quickly assess the change in demand for a specific date. The booking curve is always compared with the statistical curve, which allows to assess the reasons why bookings were made more often in previous periods, as well as the advisability of selling the room stock at the lower price. Also, with the predicted high demand for the services of the hotel company, it may be more expedient to reject bookings for short periods in favor of long-term bookings. [6]

Therefore, with introduction of the revenue management technology, the hotel company will solve the following tasks.

— Analytical work on formation of the hotel company reporting. Most of the analytics is carried out over the previous three years. In the current situation, statistical data may not always indicate the efficiency of the enterprise in view of the existing restrictions, however, the presence of this statistics is necessary for accounting, including financial losses. [7]

— Internal audit of departments related to room stock sales, including tariff policy, direct sales from the hotel website, as well as additional sales channels for hotel services.

— Determination of the tariff policy for a specific enterprise in the hospitality industry, considering the regional characteristics and seasonality of demand, considering the required profitability in the amount of at least 20 % of the total income of the hotel company.

— Implementation of the dynamic pricing system for the services of the company in the hospitality industry.

— Application of the principles of effective management for calculating the booking window and formation of tariff policy for the coming periods.

—— The combined use of marketing and revenue management tools to develop an advertising campaign for each offered tariff for both high and low seasons.

The modern system of effective management changes the focus on income directly from each guest, since compliance or non-compliance with consumer preferences can both increase the guest's expenses and reduce them to minimal values. In this connection, revenue management tries to evaluate every step of the guest, from the number of calls to interaction with the hotel staff and its impact on the scope of additional services purchased by the guest.

An efficiently built revenue management system allows to abandon unreasonable and unsubstantiated assumptions that are not based on mathematical analysis of data, which in turn makes it possible to make management decision-making systems more logical and reasonable, and, therefore, more effective. Any step in the field of sales must be analyzed and also be able to be adjusted when evaluating its effectiveness. [5]

Fragmentation of the departments of the hospitality company can also become a problem that can be solved using the revenue management. The modern world has become strongly correlated with creation of business ecosystems. This principle is used by large financial organizations and telecom operators. This principle has proven itself well in the activities of hotel companies. Access to the data of any department, as well as the position of a judge, allows revenue management to evaluate the offers of each department separately and influence the consistency of decisions made precisely from the standpoint of analytics.

The popular and seemingly obvious discount system ceases to work for the efficiency of the hotel business and becomes more likely a source of additional costs and lack of return on investment. The task of effective management is to identify additional items, in addition to an attractive price, to increase guest loyalty, as well as to increase the attractiveness of the hotel company for the consumer. The emphasis is not on the system of discounts, but on increasing the value of the services provided by the hotel, as well as on increasing brand awareness. [ten]

Transition from planning to forecasting is undoubtedly quite difficult in modern realities, but at the same time it shows its effectiveness. This approach allows to provide development and use of a much larger number of ready-made tactics and strategies of behavior, depending on the offered circumstances and much less dependent on what the external environment offers. [4]

Many hospitality businesses build their strategy solely on the basis of location. However, this strategy does not allow the hotel company to fully develop in the modern dynamically developing world, with constantly changing tactics of market behavior, restrictions,

economic and political crises, as well as fashion trends, it is quite difficult to survive using monotonous strategies. It is the use of effective management that can help a hotel company not only survive, but also choose new strategies for market behavior.

Summing up, it is worth noting that the undoubted advantages of introducing an effective management system, in addition to an established and effective reporting system, segmentation of guests and building a new tariff policy, is to identify the potential of both the accommodation facility itself and its target audience.
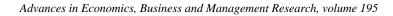
4. CONCLUSION

All the tools used by revenue management, its methods and techniques are focused on

determination of the possible demand for the services of the hotel company to optimize use of the hotel room stock and setting the appropriate prices. It is the use of revenue management that avoids the frequent mistake of the management of the hotel company – an unreasonable pricing policy, namely, increasing or decreasing tariffs for certain time intervals. Sometimes such decisions can come in line with the market conditions, but in most cases, unreasonable price reductions can lead to unjustified expenses for the hotel company. Revenue management allows to make the work of a hotel company more reasonable and tactful.

Today many analysts predict a change in demand and a quick abandonment of regional tourism towards international tourism when such an opportunity arises. Many of them are concerned that the current tourist season will reveal many problems in the domestic tourist infrastructure, which is not ready for the constant influx of tourists. In this regard, it seems appropriate to use more modern and relevant methods of hotel management. Domestic accommodation facilities have great potential in their development and can positively influence development of domestic regional tourism, which in turn will contribute to the sustainable development of regions. The importance of accommodation facilities in the tourist potential of the region is undoubtedly great and the main task is not only the provision of one-time accommodation services, but also formation of the region's image and the achievement of maximum consumer loyalty.

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