PREREQUISITES FOR THE INTRODUCTION OF REVENUE MANAGEMENT IN HOTEL ENTERPRISES

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Revenue management is a complex form of supply and demand management that helps a business maximize revenue by balancing pricing and inventory control [1, 2]. In practice, revenue management means pricing according to forecasted demand levels so that price-sensitive guests can buy at a good price during off-peak periods, while non-price-sensitive guests can still buy during periods of high demand. So, revenue management is the management of customer behavior at the individual level using price and the availability of limited resources to maximize profit.

At its most basic level, revenue management is the hotel's ability to segment its customers, price and potential differently within those segments – essentially practicing a form of price discrimination [3]. The purpose of revenue management is optimization and maximization of revenues and profits received by the enterprise, and its meaning is as follows:

- makes it possible to determine the optimal distribution of stocks and set prices for various services in order to obtain the profit;
- improves the ability to forecast future demand for reservations;
- allows the use of price discrimination through market segmentation;
- controls costs by providing more accurate forecasting, allowing better optimization of manpower and other resources for periods of higher demand, avoiding overstaffing and unnecessary costs during periods of low demand.

To use the practice of revenue management, enterprises and their business processes must meet the basic characteristics, namely:

1) relatively fixed capacity: inability to easily change total capacity or increase (decrease) it in response to fluctuations in demand. Airlines, for example, have a certain number of planes and scheduled flights; hotels have a fixed number of rooms of different types. Capacity modification cannot usually be done quickly and is usually expensive;

2) capacity is perishable: the opportunity to sell services is short-lived; unused capacity cannot be inventoried for future use. Departing flight with free seats; free hotel rooms for the night and rental cars left on the lot all mean the ultimate loss of income opportunities;

3) high fixed costs and low variable costs: although this characteristic is not inherently mandatory, it was common to early

applications of revenue management. If a small amount of costs varies with sales, then most of the additional revenue from applying differential pricing or other revenue management techniques will accrue to the bottom line; the increase in profits will roughly equal the increase in revenues;

4) the demand structure is uncertain or changes over time: if demand is constant over time, it is easier to match capacity with demand. But there is usually no constant demand, it varies over time. Depending on the location, the hotel may have high occupancy during the week and less occupancy on weekends. These situations are fertile ground for revenue management techniques to attract customers to underutilized periods through appropriate pricing. A demand fluctuating situation is associated with changes in demand over a period of time. Since the product is perishable and the hotel company cannot store unused inventory, RM is used to respond more effectively to changes in demand;

5) demand can be segmented into clearly defined parts (needs, behavior, willingness to pay). The main idea of market segmentation is the possibility of developing different marketing strategies for different types of consumers that the hotel attracts. For example, a hotel will try to offer discounted rates combined with certain restrictions (advance booking, cancellation policy, etc.) and high room rates with certain preferential conditions (last room, late check-in, etc.);

6) demand forecasting ability: companies using revenue management to attract additional customers to underutilized service times need demand forecasting ability to identify times when excess service capacity is likely to exist. The ability to decide which customers should receive lower price offers is also required. The goal is to attract potential new customers, not to convert existing customers who would otherwise pay full price. This feature makes it easier to forecast demand.

References

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