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PRICING AND NON-PRICING INSTRUMENTS IN REVENUE MANAGEMENT SYSTEM OF HILTON HOTEL CHAIN

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Specialization “ International Hotel
Business ”

Khrystyna V.
Stelmakh

Scientific adviser
Candidate of Sciences (Economics),
Associate Professor of hotel and
restaurant business department

Mariia V. Kulyk

Manager of the educational program
Doctor of Sciences (Economics),
Professor of hotel and restaurant
business department

Margarita H. Boyko

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Kyiv National University of Trade and Economics

Faculty of	Restaurant, hotel and tourism business	Department of	Hotel and restaurant business
Specialty	241« Hotel and Restaurant Business »		
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Approved by

Head of the Department _____
(Margarita H. Boyko)
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Task

for a final qualifying paper

Khrystyna V. Stelmakh

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Purpose of research is to develop theoretical and methodological regulations, methods of effectiveness estimation, guidelines and suggestions for implementation of pricing and non-pricing instruments in the hotel industry based on the study of new conceptual framework and methodological approaches to improve the assessment of the development of hotel Revenue management system.

The object of research is theoretical, methodological and practical aspect of pricing and non-pricing instruments at hotel industry enterprises.

The subject of research is implementation of pricing and non-pricing instruments in Revenue management system of Hilton hotel chain.

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8. Scientific adviser of the final
qualifying paper _____

Mariia V. Kulyk

9. Manager of the educational
program _____

Margarita H. Boyko

10. The task received by the
student _____

Khrystyna V. Stelmakh

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INTRODUCTION

For an organization to become economically prosperous and active, it is more than essential to have different application moves at the same time. Financial capability and strategic capability are some of the major forces which are some of the essentials for an organization to become economically prosperous.

RMS use sophisticated algorithms that allow hotels to price their availability to greatest effect. Revenue management systems provide a way to more easily manage an effective pricing strategy, as well as expand hotel available markets.

Purpose of research. To develop theoretical and methodological regulations, methods of effectiveness estimation, guidelines and suggestions for implementation of pricing and non-pricing instruments in the hotel industry based on the study of new conceptual framework and methodological approaches to improve the assessment of the development of hotel Revenue management system.

The main objective of this study is to identify the revenue management system in a hotel and to analyze the main economic and competitive advantages of using different pricing and non-pricing instruments in Hilton hotel chain.

Achieving the goal of work involves solving the following tasks:

- To define the essence of pricing instruments in the hotel industry;
- To consider the organizational and economic assessment of Hilton hotel chain;
- To characterize the features of revenue management system in the hotel;
- Give a general description of Hilton hotel chain;
- To consider the way of implementation of pricing and non-pricing instruments in Hilton hotel Revenue management system;
- To carry out a revenue analysis in Hilton hotel chain;
- To evaluate the efficiency of the proposed pricing strategies and instruments of RMS in Hilton hotel chain.

Subject of research is implementation of pricing and non-pricing instruments in Revenue management system of Hilton hotel chain.

Methods of research. Different methods and techniques of scientific research are used in this work: statistical observations - for establishing the dynamics of individual

indicators, analysis and synthesis - for structuring approaches to classification, comparison, grouping, typing - for comparative analysis of indicators of the development of a hotel company, expert estimation techniques, mathematical methods. In order to identify the hotel development trends and systematize the information received, computer processing techniques are used.

Scientific innovation. The question of the theory and practice, including the functioning of Hilton hotel chain in the international market, pricing and revenue optimization, improvement of hospitality industry sales, is devoted to works by both domestic and foreign scholars such as M. C. Sturman, J. B. Corgel, L. Weatherford, D. Zhang, Lazarev, S. E. Kimes, S. Ivanov, R. Verma and many others. Paying due weight to the scientific works of these authors, there is a necessity in developing revenue management system in international hotel chains, which determines the need for more detailed information in order to find out this issue.

Practical value. The results of analysis of Hilton hotel chain and proposals of RMS development can be used in the practice of the hotel, including systematic sociological research and expert interviews in order to monitor and prevent the problems associated with Hilton reputation. The results of research were published in the Scientific Journal "International Hotel Business and Tourism" (Appendice A)

PART 1

THEORETICAL FOUNDATIONS OF IMPLEMENTATION OF PRICING AND NONPRICING INSTRUMENTS IN HOSPITALITY INDUSTRY ENTERPRISES

1.1. Essence of pricing instruments in hotel industry

Price is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability. A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others. It is targeted at the defined customers and against competitors [12].

There is not one correct pricing strategy for every hotel. Each hotelier must consider the pricing strategy or pricing strategies that work best for their particular brand.

Firstly, we are going to talk about the competitive pricing strategy as one of the most popular and well-known strategies in hospitality industry.

In a competitive pricing strategy, a hotelier must identify their top competition in the local area and price their rooms accordingly. This puts the hotel in direct competition with other top hotels in the area, and requires guests to recognize the superior options that your particular brand offers [3].

Secondly, we are about to discuss the Middle market pricing strategy. With this pricing strategy, a hotelier will price their high-end rooms around the same rate as basic rooms that are available at competing hotels. This allows the hotel to grab the attention of the middle market — the travelers who are looking for a good price as well as value in their next hotel [10].

The third one is the value-added pricing strategy. This pricing strategy offers a surprising twist. With this strategy, the hotelier should set their room rates higher than the local competition while also offering more extras in the basic package. This gives

the illusion that the hotel offers a premier experience that focuses on value rather than just low rates [13].

The last but not least is the discount pricing strategy. This pricing strategy is an ideal option for the slow travel season, when it's more important to get low-paying bookings than to let a room sit empty. With a discount strategy, rooms are priced as low as possible for a very short period of time to drum up extra business.

Companies must adjust their basic prices to account for differences in customers and situations.

There are seven price adjustment strategies: discount and allowance pricing, segmented pricing, psychological pricing, promotional pricing, geographical pricing, dynamic pricing and international pricing [12]. All of them are shown on the picture below (Figure 1.1.).



Figure. 1.1. Price adjustment strategies.

Now let's make a deep look into all of the price adjustment strategies that have been presented before.

The first one of the price adjustment strategies which is called *Discount and Allowance Pricing*, is applied in a large share of businesses. Especially in B2B, this price adjustment strategy is rather common. Most companies adjust their basic price to reward customers for certain responses, such as the early payment of bills, volume purchases and off-season buying [8].

Discount and allowance pricing can take many forms: Discounts can be granted as a cash discount, a price reduction to buyers who pay their bills promptly. Typical payment terms look like this: "2/10, net 30", meaning that payment is due within 30 days, but the buyer can deduct 2 per cent if the bill is paid within 10 days. Also, a quantity discount can be given, which is a price reduction to buyers who buy large volumes. A seasonal account is a third form of discount, being a price reduction to buyers who buy merchandise or services out of season[6].

Allowances refer to another type of reduction from the list price. For instance, trade-in allowances are price reductions given for turning in an old item when buying a new one. Especially in the car industry, trade-in allowances are very common. Promotional allowances refer to payments or price reductions to reward dealers for participating in advertising and sales support programs[13].

Let's continue with the next strategy which is called *Segmented Pricing*.

Often, companies adjust their basic prices to allow for differences in customers, products and locations. In short: adjusting prices to account for different segments. In segmented pricing, the company thus sells a product or service at different prices in different segments, even though the price-difference is not based on differences in costs.

Several different forms of segmented pricing exist. Under customer-segment pricing, different customers pay different prices for the same product or service. For instance, museums and theatres may charge a lower admission for students and senior citizens. Under product-form pricing, different versions of the product are priced differently, although the difference is not due to cost differences. To give an example, look at a bottle of Evian mineral water. It may sell for €1 at the local supermarket. But

if you buy a 150ml aerosol can of Evian Brumisateur Water Spray, you will pay more than €8 in beauty boutiques and spas. The content, though, is the same, only in a different product form [55].

Under location-based pricing, a firm charges different prices for different locations, although the cost of offering each location is the same. For instance, in the USA, state universities charge higher tuition fees for out-of-state students, and theatres vary their seat prices because of audience preferences for certain locations. Finally, under time-based pricing, the firm varies its price by the season, the month, the day or even the hour. This is commonly applied in the hotel business [9].

Of course, several conditions must be met for this price adjustment strategy to work. The market must be segmented, and segments must show different degrees of demand. In addition, the cost of segmenting and reaching the single parts of the market cannot exceed the extra revenue obtained from the price differences created.

It is most important that segmented prices reflect real differences in customers' perceived value.

The next price adjustment strategy is *Psychological Pricing*.

Another one of the price adjustment strategies is psychological pricing. It refers to pricing that considers the psychology of prices, not simply the economics. Indeed, the price says something about the product.

For instance, many consumers use price to judge quality. A €100 bottle of perfume may contain only €3 worth of scent, but people will be willing to pay the €100 because the high price indicates that the product is something special.

However, this does not work forever. When consumers can judge the quality of a product by examining it or by calling on past experience with it, price is less used to judge quality. But when they cannot judge quality, price becomes an important signal. Just to give an example: who is the better lawyer? One who charges €50 per hour or one who charges €500? It would need a lot of research and experience to answer this question objectively. Most of us would simply assume that the higher-priced lawyer is the better one [8].

In fact, for most purchases, consumers simply do not have all the skill or information they need to work out whether they are paying a good price. Often, time, ability or inclination to research different brands or stores, compare prices and get the best deals is lacking. Therefore, psychological pricing may be the most powerful one of the price adjustment strategies [12].

Promotion pricing calls for temporarily pricing products below the list price, and sometimes even below cost, to increase short-run sales. Thus, companies try to create buying excitement and urgency. Promotional pricing could take the form of discounts from normal prices to increase sales and reduce inventories. Also, special-event pricing in certain seasons to draw more customers could be used. Even low-interest financing, longer warranties or free maintenance are parts of promotional pricing [6].

However, promotional pricing can have adverse effects. If it is used too frequently and copied by competitors, price promotions can create customers who wait until brands go on sale before buying them. Or the brand's value and credibility can be reduced in the eyes of customers. The danger is in using price promotions as a quick fix in difficult times instead of sweating through the difficult process of developing effective longer-term strategies for building the brand. For that reason, price adjustment strategies such as promotional pricing must be treated with care [1].

The next one of the price adjustment strategies is *geographical pricing*. In geographical pricing, the company sets prices for customers located in different parts of the country or world [20]. Should the company risk losing the business of more-distant customers by charging them higher prices to cover the additional shipping costs? Or should the same prices be charged regardless of location?

There are *five geographical pricing strategies*:

- *FOB-origin pricing*: goods are placed free on board a carrier, the customer thus pays the freight from the factory to the destination. Price differences are the consequence.
- *Uniform-delivered pricing*: the company charges the same price plus freight to all customers, regardless of their location. Thus, there are no geographical price differences.

- *Zone pricing*: the company sets up two or more zones. All customer within a zone pay the same total price, the more distant the zone, the higher the price.
- *Base-point pricing*: the seller designates some city as a base point and charges all customers the freight cost from that city to the customer. This can level the geographical price differences if a central base-point is selected.
- *Freight-absorption pricing*: the seller absorbs all or part of the freight charges to get the desired business. Price differences are thus eliminated [55].

Dynamic pricing refers to adjusting prices continually to meet the characteristics and needs of individual customers and situations. If you look back in history, prices were normally set by negotiation between buyers and sellers. Thus, prices were adjusted to the specific customer or situation. Exactly at that point, dynamic pricing starts. Instead of using fixed prices, prices are adjusted on a day-by-day or even hour-by-hour basis, taking many variables into account, such as current demand, inventories and costs. In addition, consumers can negotiate prices at online auction sites such as eBay.

As you can see, dynamic pricing is one of the price adjustment strategies that has developed rapidly in recent years and becomes more and more common [51].

The last one of the major price adjustment strategies is *international pricing*. Companies that market their products internationally must decide what prices to charge in the different countries in which they operate. The price that a company should charge in a country can depend on many factors, involving economic conditions, competitive situations, laws and regulations, and the development of the wholesaling and retailing system. In addition, consumer perceptions and preferences may vary from country to country, calling for differences in prices. Also, the company might have different marketing objectives in different markets, which require changes in pricing strategy [8].

Without doubt, costs play an important role in setting international prices. Higher costs of selling in another country, which is the additional costs of operations, product modifications, shipping and insurance, import tariffs and taxes, and even exchange-rate fluctuations may create a need to charge different markets in the various markets [6].

A disciplined approach to revenue management, backed by the appropriate technology, is essential for hotels looking to optimize their revenue and ROI. Today's

consumer has more purchasing intelligence, putting greater pressure on hoteliers to make accurate forecasts relative to booking demand, room pricing, and promotions.

Due to different booking behavior and price sensitivities across online channels, revenue managers are involved in each sales and marketing activities in order to reach customers with the right balance of price, promotion and cost. By providing a granular understanding of the demand generation forecast, revenue management can work with sales and marketing to strategies more effective promotional plans to reach consumers with the right mix of offerings across different channels with the best affordable cost for each distribution channels [5].

With the rise of OTAs and other online distribution channels, a hotelier's price and value perception is on public display across more digital touch points and platforms than ever before, according to several studies the hotel untraditional channel is in the rise i.e. mobile travel bookings increasing by 22%, the studies saying as well that 21% of travellers have used Facebook to research hotel information and 13.8% used the popular networking site to book a room [14].

Hotels rooms are for sale in a dynamic and volatile distribution landscape that is launching many markets savvy and financially well-endowed "gatekeepers" that will become a new breed of third party intermediary (e.g., Google, Facebook, and Apple); their power will grow as they gradually become the preferred points of entry for consumers to do travel shopping and buying [2].

After having investigated the 7 price adjustment strategies, it is clear that their application depends on the specific situation the company is in. However, all of the price adjustment strategies can also do harm and damage if executed in the wrong way. Therefore, careful preparation, analysis and execution is an absolute prerequisite. Only then, the price adjustment strategies will lead to a short- and long-term increase in sales and continuous success [11].

Traditionally, the effectiveness of revenue management strategy is measured using the following formula.

Occupancy rate – the number of occupied rental units at a given time, compared to the total number of available rental units at that time [55].

$$\text{Occupancy rate} = \text{Rooms sold} / \text{Room available} \quad (1.1)$$

Average daily rate (ADR) – this rate is applied to a room’s average rental income during a certain period of time. It’s compared to hotel’s historical ADR or competitors’ metrics.

$$\text{ADR} = \text{Rooms revenue earned} / \text{Number of rooms sold} \quad (1.2)$$

Revenue per available room (RevPAR) – a KPI that assess financial and business performance of a hotel. RevPAR measures ability of a property to fill all the rooms and define the best price for them. There are two ways to calculate it:

$$\text{RevPAR} = \text{Rooms revenue} / \text{Rooms available} \quad (1.3)$$

$$\text{RevPAR} = \text{Average daily rate} * \text{Occupancy rate} \quad (1.4)$$

Total revenue per available room (TRevPAR) – a metrics that accesses total revenue, generated by property and based on room cost and money spent on it. This KPI captures a snapshot of overall business performance. TRevPAR is one of the main benchmarking tools for big hotels and resorts. The higher the TRevPAR, – the better the revenue [55].

$$\text{TRevPAR} = \text{Total revenue} / \text{Total number of available rooms} \quad (1.5)$$

Net revenue per available room (NRevPAR) – a KPI that allows hotel revenue managers to calculate the distribution cost to see how the room revenue is generated. NRevPAR includes spendings on marketing and distribution.

$$\text{NRevPAR} = (\text{Room revenue} - \text{distribution costs}) / \text{Number of available rooms} \quad (1.6)$$

Gross operating profit per available room (GOPPAR) – measures the profit of a hotel and value of all assets at any given time. GOPPAR measures profit to capacity, including all a hotel’s spendings and taxes [55].

$$\text{GOPPAR} = \text{Gross Operating Profit} / \text{Number of available rooms} \quad (1.7)$$

A revenue manager’s task is to track these KPIs and develop a strategy to improve the metrics, making the hotel a successful business. A hotel revenue manager has to deal with multiple reports and data. **Revenue management software** can save time and resolve some issues. In the next section, we’ll look closer at some of those systems [55].

Typically, a revenue manager spends most of the time managing reports manually, rather than analyzing them and working on an effective pricing strategy. Automated revenue management software can facilitate everyday manual tasks that he/she performs.

Hotel revenue management software facilitates setting the best prices for hotel rooms, based on data and helps generate dynamic offers. Typical features are:

- Detecting the most profitable pricing options
- Demand forecasting
- Analysis of lost revenue due to overbooking or cancellations
- Revenue reports by KPIs
- Collection of historical inventory data
- Channel- and segment-based revenue analysis
- Day- or week-based performance analysis [18].

The software can consist either of several modules or be oriented to particular revenue management tasks. Let's look at the most popular tools [5].

Duetto – industry-leading software with modules for revenue management in hotels (BlockBuster), casinos (GameChanger), sales (PlayMaker), and reporting (ScoreBoard).

IDEaS – another popular automated solution for revenue management, pricing, forecasting, and reporting. IDEaS also offers products that track revenue of parking lots and function space.

TravelClick – offers iHotel suit with revenue management and channel management modules. iHotel also has media and web modules for driving direct bookings through an online presence.

Kepion – a revenue management platform with integrated planning and reporting features. And, the vendor offers additional solutions with an expanded business intelligence module.

RateBoard – a software that uniquely focuses on yield management and analysis. It analyses booking habits and the market to suggest prices for 365 days in advance.

RevPar Guru – software focused on tracking Occupancy, ADR, and RevPAR. Besides the revenue management system, RevPar Guru has a channel management module and a booking engine.

ResNexus – a yield management solution with front desk, CRM, reservation manager, housekeeping integrations, and reporting.

On top of that, some hotel property management systems like Maestro, Oracle PMS, or IQware have integrated revenue management modules [20].

The application of automated hotel revenue management systems is one possible strategy to increase revenue. In the following section of the article, we will go into more details on the most effective strategies at work in the hospitality industry today.

Let's compare hotel room pricing strategy and ADR performance. Hotel room pricing is a difficult subject within the larger school of revenue management, and as such it has garnered much study over the years. At the heart of any pricing discussion is the balance between healthy average daily rate and high occupancy; the metric representing this balance is revenue per available room, or RevPAR. Pricing strategies generally take three forms: those that try to maximize ADR, those that try to maximize occupancy and those that try to maximize RevPAR. Though each of these categories of strategy may be applicable in different situations, the only consistently workable pricing strategy is one that focuses on keeping RevPAR at a high, sustainable level. On a property level, a hotel may be able to lower prices in certain circumstances to generate enough demand within a comp set to result in a net positive revenue outcome. However, because the rates are so transparent and prominent in current and emerging digital venues, by the time the competitors match the lowered rate, the first hotel that lowered its rates loses any benefit in terms of a demand bump and the entire competitive set may have a harder time increasing rates commensurate with the increased cost of doing business [27].

With an effective revenue management strategy in place, a hotel operator is able to drive bookings during the slow season while capitalizing on high demand during the busy season.

While the top priority of any revenue management strategy is to create competitive hotel pricing and increase hotel revenue, there also are other benefits to implementing a hotel revenue management strategy that works. For instance, effective hotel revenue management strategies can help hoteliers better manage their resources, ensuring that they are not paying too many staff members during a slow time of the year, while also verifying that they have adequate staff on hand during the busiest time periods[44].

The best hotel revenue management strategies recognize that hotel pricing is fluid, and can change from one day to the next. It's critical that any hotelier creates a revenue management strategy that is adaptable to the current conditions. With this in mind, it's pivotal that hotel operators, managers and owners utilize a software solution that can implement any revenue management strategy at any given time [27].

1.2. Essence of non-pricing instruments in the hotel industry

Inventory management includes capacity management and control, overbookings and length of stay controls.

Capacity management and overbooking are the two most influential techniques and, at the same time, the most controversial issues in revenue management.

Capacity management involves planning, analysis and optimization of potentiality to meet demands efficiently and cheap cost. They observed capacity management as a process with wide dimension that sums up business; utility and asset capacity requirements to secure maximum utilization of assets to attain the acceptable standards of performance. Capacity management, therefore, is the most critical and strategic decision area of operations incorporating decisions on how to juggle demand and the potential of delivering services to meet demands. A service company's achievement or failure in the process of juggling service quality and assets control, represented in terms of asset productivity, depends on its skill in controlling capacity to meet demand [34].

As seen before, the capacity management is a very complex and difficult task in services. The failure to synchronize supply and demand, leads to a loss in opportunity to attend certain customers when demand is higher and to high costs due to the loss in

income when demand is insufficient. Another of the barriers in services is the problem of seasonal demand. Adenso-Diaz says that one of the important aspect is the human resource planning [60].

Hotel capacity can vary a lot. From very few rooms up to 1000s. Here some of the biggest hotels in the world:

- First World Hotel in Genting Highlands counts with 7.351 rooms and suites.
- The Venetian and The Palazzo in Las Vegas counts with 7.117 rooms and suites.
- MGM Grand Las Vegas in Las Vegas counts with 6.852 rooms and suites.
- Sands Cotai Central in Macau counts with 6.000 rooms and suites [50].

If we look at Europe here some ratio of average hotel capacity by country (Figure 1.2.) according to the data of Eurostat in 2017 [61]:

- The Netherlands 70,8
- Italy 64,3
- UK 50,1
- Spain 95,8
- Germany 51,9

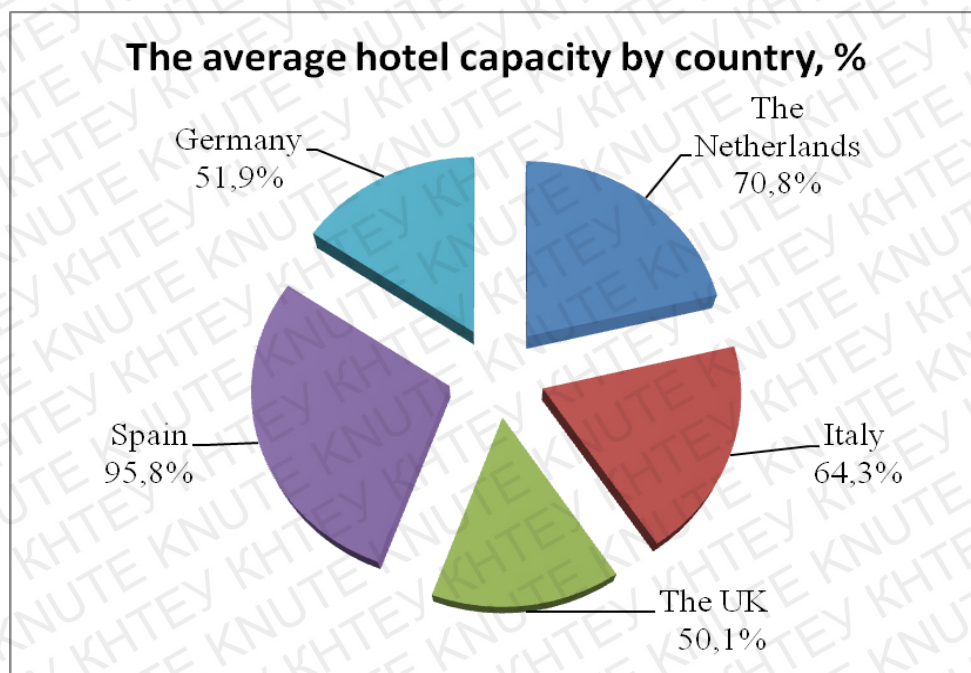


Figure 1.2. The average hotel capacity by country, %

From a narrow perspective, hotel's capacity refers to the Rooms Division capacity only, i.e. the total number of overnights the hotel can serve at any given date.

Practically, the hotel can efficiently decrease its room capacity by closing separate wings or floors, or expand it by offering day-let rooms, but in any case room capacity has very limited flexibility as defined by Pullman and Rogers. From a wider perspective, hotel's capacity includes also the capacity of the F&B outlets, the golf course, the function rooms and other revenue centers in the hotel that provide greater options for capacity management[50].

Overbooking is a well-known practice in the hotel industry which could be defined as confirming more rooms than the available capacity of the hotel. The optimal overbooking level balances the lost revenue due to empty seats/rooms, and the penalties (financial compensation) and loss of customer goodwill when the firm is faced with more demand than available capacity [45].

The theoretical and practical problems in calculating the optimal number of overbookings concerning demand forecasting, non-linear costs of overbookings, dynamic booking limits, variation of capacity .The standard expected marginal revenue technique must be used [40].

According to it, the optimal level of overbookings is where the expected marginal cost associated with overbooking an additional room is equal to the expected marginal revenue of the same additionally overbooked room [45].

Management of overbookings can be defined as a set of managerial techniques and activities connected with continuous planning, reservation and control, aimed at revenue and yield maximization through confirming more rooms than the available capacity of the accommodation establishments [63]. It includes two groups of activities:

- Defining and reserving the optimal number of overbookings for each date and its controlled modification according to the market changes and specific demand and booking patterns.

- Managerial decisions and operational activities connected with walking guests with overbookings (redirecting clients to other hotels).

Several reasons why hotels overbook:

- 1) From their practical experience managers know that not all booking confirmed for a particular date will be really used. Because of different reasons some of the guests

do not arrive and are considered no show, other bookings are cancelled or amended in the last minute, the stay of other guests is reduced, and the rooms remain unsold. For nonguaranteed reservations this percentage is much higher than for guaranteed bookings [63].

Table 1.1

The advantages and disadvantages of overbooking

Advantages of Overbooking:	Disadvantages of Overbooking:
<p>Helps the hotel to achieve 100% occupancy by hedging against guests who do not arrive or cancel their reservations.</p> <p>Maximize expected revenue.</p> <p>Optimizes the operations efficiency by increasing profitability.</p> <p>Long-term revenue and profit increases</p> <p>Overbooking is a Low risk and the oldest most commonly used method to increase profitability.</p> <p>Widely used strategy in hotel revenue management.</p> <p>When overbooking done based on past statistics then chances of miscalculation decreases.</p> <p>Compensation are normally cheaper than keeping a room empty.</p> <p>Rules of refusing are predetermined and also acceptable.</p> <p>Because hotel rooms are considered as perishable products, overbooking yields considerable impact on hotels revenue.</p>	<p>Do not justify the guest expectations which result to bad experience and reputation.</p> <p>The additional financial loss for example guest staying at the hotel might have used other hotel facilities.</p> <p>Guests can be negatively affected by it and therefore it is not a good long-term strategy for hotels.</p> <p>Negative reviews on internet e.g. Social media, Tripadvisor, lodginglists.com and OTA's reviews.</p> <p>Requires professionally trained and experienced staff to reduce risk of miscalculation.</p> <p>Guests need to be walked to other hotels in case predicted overbooking is more than actual availability.</p> <p>Sometimes Overbooking decisions can be very expensive e.g. Walkingguest to alternate arrangement / higher cost.</p> <p>All possible service recovery efforts should be followed.</p> <p>Reservations must be closely monitored to control overbooking.</p> <p>Loss of room and other potential revenue.</p> <p>Decreased customer loyalty.</p> <p>Loss of hotel reputation.</p> <p>The potential risk of denied services.</p> <p>Lost future business from the walked guest.</p> <p>Negative word-of-mouth publicity.</p>

2) Rational hotel managers aim at maximizing the revenues and profits of hotels. If they limit the reservations to the available capacity of the hotel because of no shows and late cancellation some of the rooms will be empty and the goal of maximizing the revenues and profits will not be fulfilled.

3) Hotel services are perishable and cannot be stored or moved to other geographical location. The lost revenue from each unsold room is gone forever.

4) Hotels have fixed capacity. In order match capacity with demand they react to short-run changes in demand with changes in prices and the number of confirmed rooms [63].

Last minute cancellations, amendments and no shows are random variable which the hotel cannot control. That's why walking guests is inevitable even with most precise planning of overbookings. In this regard several managerial decisions must be taken in order to minimize the negative effects of walking guests with confirmed overbookings:

1) Who to be walked? A suitable approach is to accommodate clients on the "first come-first served" basis and walking late arrivals to other hotels. This approach, however, does not take into account the different importance of company's customers. Thus, we must consider also:

- *Length of stay* – guests with shorter stays (one night) will be walked. Resort hotels could also offer to already accommodated guests to spend their last night at a luxury airport hotel for free.

- *Regular clients*. Walking a regular client might incur more negative impacts than walking a first-comer. That's why they should never be walked.

- *Room rate*. Usually hotels walk guests who have paid the lowest rates. This means that hotels prefer to accommodate direct customers at the expense of the clients sent by tour operators and travel agents. Such an approach, although financially reasoned in the short-run, might cause the termination of the contract between the hotel and the tour operator/travel agent in the long-run, especially in systematically walking guests of tour operators and travel agents [41].

2) Where to walk the guests? The hotel must redirect its guests to another establishment of the same or higher category. If this is impossible (there is no other

similar hotel in the city/resort or no rooms are available), clients can be walked to a hotel of a lower category and they must receive a refund equal to the price difference of both hotels. It is possible that the clients receive a full refund for the inconveniences caused by accommodating them in a lower category hotel than their initial booking [32].

3) The costs of walking of guests include the costs of accommodation in the alternative hotel, transportation of guests to it and are paid by the overbooked hotel. The latter can provide as a compensation also a complimentary overnight/lunch/dinner, souvenir, bottle of wine/champagne or other gift [63].

At practical level, hotel managers are required to establish service recovery programs with standard procedures to be followed by the receptionists if they find that too many rooms have been overbooked.

Length of stay control is a much neglected research area. It allows hotels to set limits on the minimum and, rarely, maximum number of nights in customer bookings. Length of stay control allows hotels to protect themselves from losing revenues when customers book rooms for short stays in periods of huge demand (e.g. during special events). They also provide the possibility to generate additional revenues from overnights in days when demands historically low (e.g. when a business hotel requires compulsory stay over Saturday nights for all bookings that include a Friday overnight). Vinod highlights that length of stay control has one major disadvantage – it is static and, therefore, not very flexible [63].

As a non-pricing RM tool, channel management has not received its deserved attention from academic literature, in contrast to its profound importance in hotel RM practice. Although the structure of the intermediaries used by a hotel and the terms and conditions in the contracts with them influence significantly the ADR, RevPAR and the whole RM system of the hotel, only few authors discuss the distribution channels utilized by the hotel from an RM perspective. Cross, for example, state that after 9/11 hotels looked for wider exposure to clients and were eager to work with third party websites and online merchants against big discounts, but the huge discounts clients were getting from them, rather than the hotel itself, eroded the relationship between the hotels and their guests and people began to shop the third party sites first. Furthermore,

Myung, Li and Bai investigate the impact of e-wholesalers on hotel distribution channels and find in their research that hotels were generally satisfied with the performance and relationships with the e-wholesalers, despite the conflicts that arouse with them. However, Choi and Kimes conclude that applying RM strategies to distribution channels might not help hotels that are already optimizing their revenues by rate and length of stay. This might explain the lower interest in channel management as an RM tool compared to the plethora of operations research on overbookings [41].

Hotel packages are desirable among leisure travelers because they combine the costs of overnight accommodations with the activities they want to enjoy in your area. The packaged price is both a convenience for your guest, and a marketing tool for you to sell rooms during traditionally low-occupancy periods [58].

The best packages include accommodations and one or more entertainment components from the local area. These can be passes for admission to local attractions (tours, theme parks, museums, zoos, etc.), restaurant discounts, or tickets to special events, such as a concert or festival. Let's take a look at a few examples of hotel packages [62]:

- The “Insider Gourmet” package at the Intercontinental Hotel in Sydney, Australia includes accommodations, buffet breakfast for two, and two adult tickets for the “Sydney Gourmet Tour,” a guided tour of culinary hot spots provided by a local tour operator.
- The Hyatt Regency in Mumbai, India offers an “Explore Package,” which includes full breakfast, late checkout, and a chauffeured city tour including the Gateway of India, a popular historic monument, or the Chor Bazaar flea market.
- The Pavilion hotel on Catalina Island in California, U.S., offers two packages for adventure travelers. Both the Heli-Hiking and Heli-Biking packages include a helicopter ride and either a hike or bike ride; as well as meals and a special wine and cheese pairing at the hotel [59].

Generally, the hotel serves as the guest's primary contact when purchasing a package, handling the transaction via credit card. It may or may not also take a

concierge role in facilitating the other aspects of the package, such as booking the guest's local tour or making restaurant reservations [50].

There are two ways this usually works. The hotel pays the attractions or partners in advance for tickets, passes, etc. If they don't sell all the packages, they can return the leftover tickets to their partners for reimbursement, depending on the arrangement that everyone has agreed to. If the partner is an event, such as a one-time concert, and tickets remain after the event has happened, then the hotel absorbs the cost [45].

Alternatively, the hotel can sell the packages, and purchase the additional components on demand. This works well if they are high-priced items and there isn't a budget to outlay in advance. However, if demand is high, there could be a lot of interruption for your sales staff to make these arrangements each time a package is sold.

The Nebraska (U.S.) Tourism Commission offers a different option to the state's tourism businesses in its "12 Steps to a Vacation Package" white paper.¹ It suggests creating numbered packets, and working with a local or regional CVB (Convention and Visitors Bureau) as a financial intermediary. All the package components—restaurant gift certificates, admission tickets, coupons—are assembled and sealed in numbered envelopes. The hotels then book the package, distribute the envelopes to the guest upon check-in, and track the numbers of the packets issued. On a regular basis, the hotel sends a record of the packet numbers and accompanying receipts to the CVB, with a check paying for the entire value of the packets used. The CVB would then distribute the money owed to the rest of the partners based on the number of packets that were sold [65].

Should the hotels and attractions partnering together on a package deal discount their rates before putting the pieces together? Not necessarily, although a savvy traveler who does their research might not see the point in booking a \$200 hotel and tour package if they learn that the hotel's rates are normally \$150, and the tour costs \$50. However, the real value of the package comes from the time savings of one-stop-shopping [46].

"A primary benefit of offering a package to the visitor is the convenience of paying for their vacation with a one-time payment, in advance if they choose," says Heather

Hogue, tourism consultant for the Nebraska Tourism Commission. “A discounted rate would be an added bonus for the visitor, but is not required [61].”

1.3. Role and place of pricing and non-pricing instruments in hotel Revenue management system

Essentially, a Revenue Management System, or RMS or short, is a software solution, which allows you to carry out important revenue management tasks more efficiently and effectively. It will make use of data from your own hotel, and from the market at large, in order to help you to make more informed decisions.

Typically, a good Revenue Management System will use the data and its own algorithms to carry out a real-time analysis of the state of the market, and of demand, in order to calculate ideal room rates. As a result, most of the important revenue management decisions can be carried out from a single, centralized dashboard [43].

The primary reason why a Revenue Management System is important for those in the hospitality industry, regardless of the size of their hotel, is because it allows complex calculations to be carried out quickly and allows for the kind of real-time tracking of market data that is virtually impossible to replicate manually [40].

A Revenue Management System makes it easy to adjust prices across various distribution channels, without having to individually log in to each of those different systems. As a result, key performance indicators, such as revenue per available room (RevPAR) can be improved, increasing the hotel’s top and bottom lines [33].

The use of an RMS is important in smaller hotels, because fewer rooms means it is more important to maximize the revenue each room generates. However, it is arguably even more important in larger hotels, because the sheer workload of manual revenue management becomes problematic, resulting in poorer decisions and more errors [8].

In most cases, Revenue Management Systems are comprehensive software packages, with a whole range of features and functions to make use of. With that being said, the following are the most important features of RMS that are shown on the Table 1.2. below [55].

Table 1.2

The most important features of RMS

Important RMS features	Description
1. Rate Recommendations	Perhaps the most crucial feature for most Revenue Management Systems is the ability to quickly and accurately calculate ideal room rates, using sophisticated algorithms, past performance data, current market data and other information. Room rates can then be easily adjusted from the main dashboard, across distribution channels.
2. Competitor Information	Most RMS software includes an integrated competitor rates feature, allowing you to easily check room rates for other hotels in the area, or other hotels of a similar size. This feature is valuable, because when armed with a knowledge of competitors' rates, you can subsequently adopt a more strategic approach to your own pricing.
3. KeyPerformance Data	Additionally, a Revenue Management System will store and provide key performance data, including occupancy rates, revenue per available room (RevPAR) and average daily rates (ADR). In most cases, users will be able to see performance data from the prior month, from the same time last year, and a variety of other options.
4. Revenue Estimations	Finally, aside from displaying past data and helping you to set your room rates, a Revenue Management System will also provide you with estimates for both the revenue and the profit you are likely to generate through your current pricing strategy, and allow you to easily see estimates for alternative pricing strategies too.

A Guest-centric Approach to Hotel Pricing is so called Reputation Pricing. Reputation Pricing aligns your hotel's pricing strategy with guests' knowledge, expectations, and willingness to pay – at the point of purchase. In the age of big data and the abundance of social channels, user generated content acts as a signaling mechanism by the better-informed party to the less-informed party to communicate the true characteristics of a product or service [23].

The emergence of social platforms and value transparency of consumer goods now enable prospective guests to consider a hotel's online reputation – and even prioritize it over price – when determining the value of each choice. One of the leading research studies on the impact of online reputation on hotel pricing, by SAS Institute's Kelly

McGuire, clearly indicated that “reviews are the most powerful value indicator for consumers.” The reason why this is so important is because today online reputation is eliminating or diminishing the long-held consumer perception of “price = quality. [52]”

Reputation pricing enables hotels to utilize the benefits of peer-to-peer social technologies to influence the intent to purchase at the point of decision making. The technology to integrate online reputation into pricing analytics empowers revenue managers to keep up with their guests’ technology consumption and turn them into dynamic revenue-optimizing inputs. Graphical tools that help hoteliers visualize their market position in relation to both rate and reputation will arm them with additional insights and data to measure the impact on their online reputation performance. The correlation between a hotel’s rate and reputation indicates over time helps identify new pricing opportunities, especially every time there is a visible change in relative trends of rate and reputation. Chris Anderson of Cornell Hospitality Research reported, based on the transactional data from Travelocity, that “if a hotel increases its review scores by 1 point on a 5-point scale (e.g., from 3.3 to 4.3), the hotel can increase its price by 11.2 percent and still maintain the same occupancy or market share [29].”

Most reputation programs help hotels not only identify operational advancement opportunities for improving guest experiences but also increase the effectiveness of their marketing programs by leveraging their reputation performance. The next era in leveraging online reputation for hotels is to take their reputation management programs beyond operations and marketing and to utilize it for making more competitive pricing decisions [10]. But how should hotels accomplish that?

Specifically, how can hotels set pricing strategies for demand as a function of price when demand is also a function of reputation? The answer has to do with how online reputation impacts guests’ price elasticity: user generated content minimizes guests’ perceived cost of uncertainty when making online purchases, and influences their price-elasticity especially as the cost of the decision increases. According to one Market Metrix Hospitality study, user generated content influenced guests more than the importance of location, price, and loyalty programs in luxury, upper upscale, and timeshare categories [56].

Hotels have long incorporated rate shopping and competitive pricing in executing their revenue management strategies. However, as Kelly McGuire's research study "Pricing in a Social World" also emphasized, "competing on price alone is not a winning strategy." Revenue Managers worldwide must integrate the impact of guest ratings and reviews into their optimally and competitively priced offerings. In the age of big data and value transparency it is absolutely imperative that hotels utilize their reputation performance to enhance their pricing capabilities to realize new revenue opportunities and drive rates. Guest-centric pricing not only introduces reputation management into the revenue management realm but also provides an avenue to promote collaboration between operations, marketing and revenue management teams.

"Dynamic pricing is a necessity in today's environment as rates are accessible directly by the clients and across a wider variety of distribution channels than ever before. While traditional yield management was achieved through length of stay restrictions and similar tactics, the most innovative hotel companies are moving toward a revenue optimization approach based around the optimal price point for every day in the future, per channel and segment. Technology will help further drive our approaches to dynamic pricing, with pricing by customer (segment of one), becoming a reality in the not too distant future", - said Klaus Kohlmayr, director of IDeaS Advantage [3].

In practice, most hotel prices are set either with competitive pricing or, in some cases, through negotiation. Hotels generally obtain competitive information from three sources: phone calls to other hotels ("shopping"), third-party data providers (i.e., TRAVELCLICK and Smith Travel Research), and through various distribution channels (i.e., Expedia and Travelocity) [42].

If hotels decide to charge multiple prices, they must differentiate those prices so that customers feel like they are purchasing different products. For example, consider the example hotel that charges three rates (\$75, \$100, and \$125). Customers paying the \$125 rate may receive additional services, such as complimentary breakfast, more desirable rooms, and late checkout while those paying the discounted \$75 rate may be required to make their reservations well in advance and receive less desirable rooms.

The conditions associated with different rate categories (or prices) are referred to as *rate fences*. Essentially, a rate fence is the reason why people pay different prices [56].

There are basically three ways to raise prices without upsetting customers: raise the reference price, obscure the reference price, and attach restrictions or benefits with different prices:

1) *The raise the reference price.* If the reference price (for hotels, this would be rack rate) is raised, other prices will be seen as relatively low compared to the reference price. For example, airlines frequently use this practice when they offer "super-saver" fares, which offer a substantial discount off of their full fare. Since less than 5% of airline passengers actually pay full fare, the discount seems a lot better than it actually is. Similarly, many hotels post their rack rates in their guest rooms, and customers often use these rates to evaluate the price that they paid for the room [38].

2) *Obscure the reference price.* Hotels with excess inventory that they would like to sell at a lower price may be concerned that an extremely low price could send the wrong signal to current and potential guests. If a hotel can package the lower-priced hotel room with some other products (such as airline fare or rental car), it would effectively obscure the reference price since customers will not know how much the room actually costs. Tour operators and more recently, Expedia and Travelocity, have been very successful in offering packages and allowing hotels to distribute their inventory while obscuring the actual room rate[38].

3) *Attach restrictions or benefits with different prices.* If hotels include certain benefits (such as a better room or free Internet access) with higher rates and attach restrictions (such as time of booking or change penalties) to lower rates, they can effectively differentiate not only the price but also the hotel room. The key factor to remember is that the benefits have to be things that guests value (and don't cost the hotel very much) and that the restrictions must seem reasonable to the guest. Customers believe that they are entitled to a reasonable price but also that companies are entitled to a reasonable profit. If the balance of customer and

company value changes (as can happen when benefits and restrictions are used), perceptions of fairness may occur [38].

This makes the rates opaque in nature, without compromising on the integrity of the brand. Another way of obscuring rates and protecting them is by adding value adds to an already existing rate structure (for instance, breakfast, free parking, high-speed Internet, etc.). Value adds are very beneficial because they cost the hotel very little but have a very high "perceived value" in the minds of the customer. Participation in opaque sites (e.g., Priceline, Hotwire) is another way to test the rates for a specific season and see if they "stick." But since the hotel name is not shared with the customer until the end of purchase, it serves the purpose [5].

Without appropriate hotel revenue management strategies, you are simply leaving money on the table. Not only will your booking pace be slower than it should be, but you'll often be charging a lower price for your room than ideal rate, and lose many booking opportunities when you keep high rates than required. So, it's extremely important to start optimizing your pricing as much as possible [37].

So, the key to successful hotel revenue management is:

- To sell the right product (guest room, banquets, ancillary services)
- To the right customer (business, leisure, government guest)
- On the right day (weekday, weekend)
- For the right price (rack rate, corporate rate, group rate, government rate, discount rate)

Kimes pinpoints the RM practices that customers consider acceptable or unacceptable (Figure 1.3). Obviously, when information about booking, cancellation and amendment terms is available and understood by the customers or when different prices are charged for products perceived by them as different, customers are more inclined to accept revenue management practices [6].

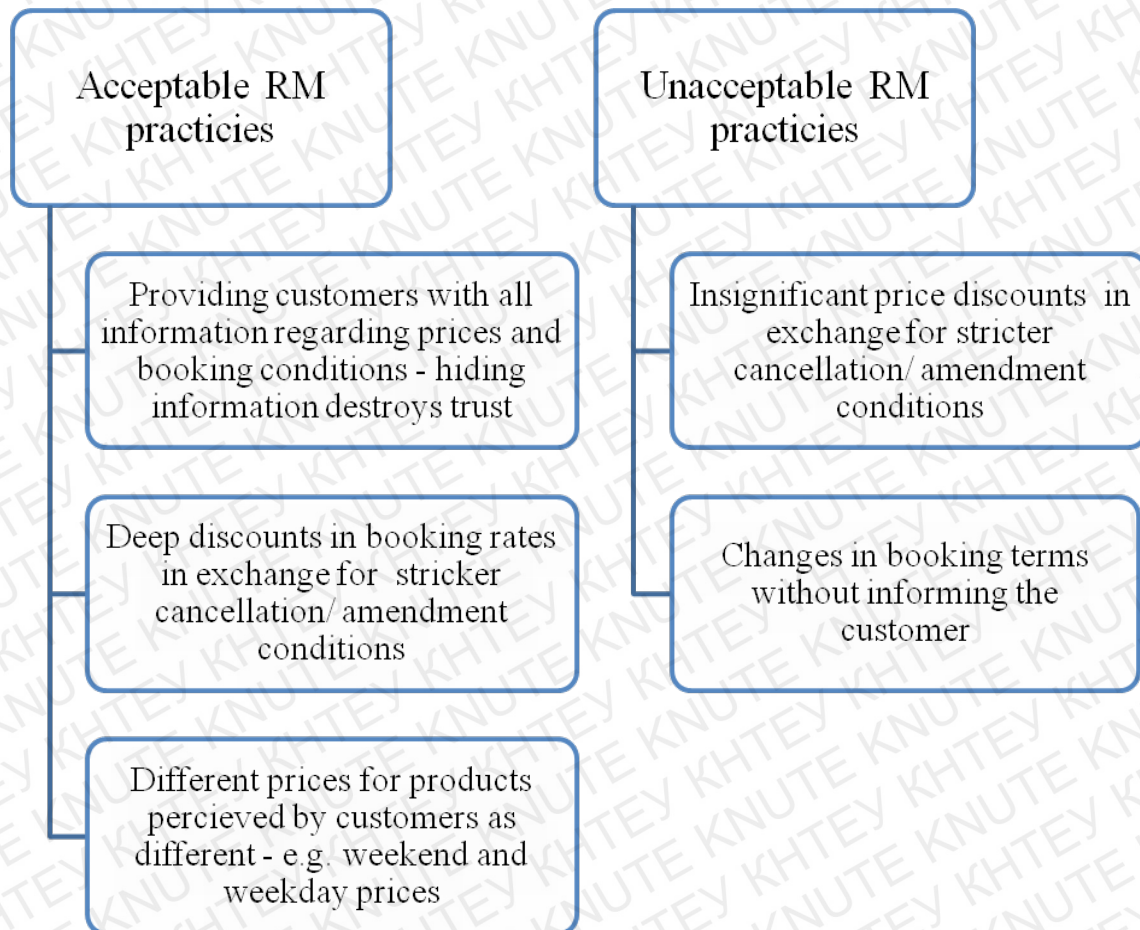


Figure 1.3. The acceptable and unacceptable RM practices

Revenue management in the hotel industry is still relatively young and has grown exponentially in the last decade, particularly in the last few years. We have explore the changing role of revenue management in the hotel industry and the developments which we can expect to see in the near future.

1. Revenue management is moving up a notch

A growing trend of elevating the role of revenue management can be observed in the hotel industry. Many hotels are now seeking the analytical overview and strategic knowledge which only this area can provide. This information and knowledge is used to make key decisions. Revenue managers are increasingly participating in executive committees, with the same status and stature as directors of marketing and sales departments. Equally, many hotels no longer have a revenue manager but rather a director of revenue management, lending far greater weight to the role [59].

2. The role of revenue management will continue to expand

Revenue management is undergoing constant change, to a far greater extent than other departments. This is due to its close links with technological capability. As technology evolves, analytical methods will be far more powerful. At the current time, a revenue manager must be able to tackle marketing and sales challenges [5].

3. Revenue management will expand to other sectors

Revenue management is forecast to expand to other revenue-generating areas in hotels such as hotel restaurants, venue hire, room service and leisure facilities.

4. Profit management will play a central role for hotels and revenue managers

The increase in importance of revenue managers in hotels is down to one key factor: they are in a unique position to help generate profits. For this reason, the role will increasingly be perceived as profit generation rather than revenue management. As a result, revenue managers are focusing more and more on increasing profit margins instead of increasing revenues. This focus on profit will intensify this year, as revenue management uses new methods to better understand customers and improve margins.

5. Revenue managers will focus on guest analysis

The hotel sector is more competitive today than ever. Hotels are not only competing with their rivals in the same city, but also with competitors in other cities and even their international counterparts. Online travel agencies, the increase in Airbnb apartments and high demand from guests are making the industry more and more competitive. As a result, hotels are resorting to customer analysis in order to offer better products adapted to each segment [7].

Conclusions to part 1

If a hotel competes solely on price, it will not succeed since other hotels will quickly undercut the price or will offer additional value for the same price. In order to build a sustainable competitive advantage, hotels must use price as a strategic weapon, not a tactical tool. By deciding the prices to be charged to specific market segments and

by concentrating on delivering superior value, hotels will achieve long-term and sustainable revenue gains.

Current literature review has identified some gaps in the existing research. In view of them, we suggest that future research agenda might focus on several directions:

Firstly, hotel RM mathematical problems could be expanded from single-unit to multiple-unit problems. When a hotel chain has several substitutable properties in terms of location, services and category in one destination, it can coordinate the individual properties' RM practices in order to maximize chain's revenues as a whole, not the revenues of individual properties. Booking requests for hotels with no availability, for example, can be directed to other chain properties. In this case, the chain's overbooking policy treats chain hotels as one property, not as single separate units. Although hotel chains and RM software developers actively adopt multiple-unit RM strategies, the academic research in the field is severely lagging behind.

Secondly, RM theory would benefit significantly, if special events are included in the mathematical models. During special events demand for rooms is much higher than normal business days and historical booking data might not be suitable (or even available if it is a first-of-a-kind event in the destination). Nevertheless, regression models and neural networks could be adjusted to account for special events. In this direction for future research practice is again ahead of theory, as special events are already incorporated in RM software.

Thirdly, the additional hotel revenue centers (restaurants, casinos, golf courses, function rooms, spa centers, paid sports facilities, room service, minibar, etc.) have to be incorporated into the mathematical models. Such an exercise will provide a more comprehensive approach towards the maximization of hotel revenues as a whole, not only its separate departments. Currently, hotels take steps to move towards total revenue management, that integrates all revenue centers in the hotel, but the researching the area has yet to catch the RM practice. Again here the RM practice is better developed than the theoretical research and many hotels / hotel chain have already adopted total revenue management, but the latter is still to find its way in academic research.

Fourthly, research could concentrate on length of stay controls as well. The limitations about minimum (rarely maximum) stay at the hotel during special events, weekends or other periods, has a direct impact on the number of bookings the hotel receives and its revenues. Despite its importance as a non-pricing RM tool, our review of related literature revealed that length of stay control is quite neglected, which provides ample space for future research in the field.

PART 2

PRACTICAL ASPECTS OF PRICING AND NONPRICING INSTRUMENTS IN HILTON HOTEL CHAIN

2.1. Organizational and economic assessment of Hilton hotel chain

Hilton Worldwide is an American multinational company, specialized in hospitality. Hilton worldwide manages multiple branches of hotels and resorts. In total Hilton Worldwide has 14 brands that are active in different segments including Conrad Hotels & Resorts, Canopy by Hilton, Curio - A Collection by Hilton, Hilton Hotels & Resorts, DoubleTree by Hilton, Embassy Suites Hotels, Hilton Garden Inn, Hampton Inn, Homewood Suites by Hilton, Home2 Suites by Hilton, Hilton Grand Vacations and Waldorf Astoria Hotels & Resorts, Tru by Hilton, and Tapestry Collection by Hilton. In 2016 Hilton Worldwide had a reported revenue of \$11.663 billion and 169,000 employees [29].

Some of the major methods like SWOT and Porter's Analysis are quite essential for an organization to analyze the loopholes in their current operations and then recommend the effectiveness in it.

A strategic management tool which is used to analyze the strengths, weaknesses, opportunities and threats of an organization is known as SWOT. It is one of the most important strategic management tools which is used to assess the effectiveness of a company along with analyzing its loopholes as well. By analyzing the loopholes of a company, management official of an organization would become able to manage their problems, complains and sometimes their operations as well. The main mantra of SWOT analysis is merely to strengthen the operations of the company by taking effective decisions based on the information available. This particular tool is very important even making a business plan. Both new and old companies can apply SWOT analysis (Table 2.1.) techniques on their operations merely to have the information related to the loopholes of the company [40].

Table 2.1

SWOT Analysis of Hilton Worldwide

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Extensive experience and a vast scope of the business 2. Effective customer retention schemes 3. Strong property portfolio 4. Strong and effective leadership by managerial staff 5. A high level of service customatization achieved via technological integration 	<ol style="list-style-type: none"> 1. Overdependence on the US market 2. High levels of debts 3. Little global market share, despite the large portfolio of brands 4. Lack of flexibility due to its large size
Opportunities	Threats
<ol style="list-style-type: none"> 1. Further International market expansion 2. Formation of strategic alliances 3. Focusing on research and development 4. Establishing presence in the mid-level budget hotel sector 	<ol style="list-style-type: none"> 1. Threat of terrorism and political instability 2. Adverse changes in macroeconomic climate 3. Ethics-related issues in Hilton hotels 4. Loss of key talent and key personnel

Now we are going to look closely at every part of Hilton SWOT analysis.

Strengths of Hilton Worldwide:

- The brand recognition of the company is high, which is a perfect sign for a company and it is a driving force from which Hilton Worldwide can compete with some of the biggest names of the industry.
- Technical innovations are high to improve the customer's experience and satisfaction in terms of upgrading the business process.
- The retention of employees in Hilton Worldwide is fantastic.
- Portfolio of products and hotels are strong as more than 540 hotels are working in over 80 countries of the world.

- Strong and long experience comprises on 93 years that made them real experts in the field.
- The reputation of the company in the market is strong and effective [13].

Weaknesses:

- The brand recall of the company is marvelous and effective; however the market share of the company is still not very high and good.
- The company is having some problems in managing their supply chains from a number of years which should be overcome accordingly.
- Worker's strikes and crack down of undocumented workers are some of the major issues associated with the Hilton Worldwide which is creating problems for the company and may be ineffective for them in the future [45].

Opportunities:

- The potential of hotels and resorts are emerging and increasing tremendously well which is creating lots of new opportunities and business segmentations for Hilton Worldwide.
- The current emergence in the innovation in customer based and services is opening new doors of opportunities for the hospitality companies and it is equally applicable for Hilton Worldwide.
- Better usage of technology and digitalization is one of the major aspects which are creating excellent opportunities for hospitality based companies.
- Global hospitality sectors are on a booming stage all over the world, because the amounts of tourists all over the world are increasing with a regular interval.
- The hotel has now emerged in the wedding and birthday planning functions as well, which is creating lots of new opportunities for them in the near future [24].

Threats:

- The competition in hospitality is increasing all over the world because of the high potential of the company.
- Economic and political turbulence in most of the countries are creating problems for hospitality companies all across the globe.

- The regulations on the hospitality market and industry is increasing for the companies operating in the same line of business which may hamper their growth in near future [33].

In 2017, Hilton achieved record-setting growth, introduced their 14th brand, and unveiled industry-leading innovations, all while remaining purpose-driven in making Hilton a Great Place to Work.

Geographically, management conducts business through three distinct geographic regions:

- the Americas;
- Europe, Middle East and Africa (“EMEA”);
- Asia Pacific.

The Americas region includes North America, South America and Central America, including all Caribbean nations. Although the U.S. is included in the Americas, it represented 74 percent of our system-wide hotel rooms as of December 31, 2017; therefore, the U.S. is often analyzed separately and apart from the Americas geographic region overall and, as such, it is presented separately within the analysis herein. The EMEA region includes Europe, which represents the western-most peninsula of Eurasia stretching from Iceland in the west to Russia in the east, and the Middle East and Africa (“MEA”), which represents the Middle East region and all African nations, including the Indian Ocean island nations. Europe and MEA are often analyzed separately and, as such, are presented separately within the analysis herein. The Asia Pacific region includes the eastern and southeastern nations of Asia, as well as India, Australia, New Zealand and the Pacific island nations [3].

Hilton strategic objectives include the continued expansion of its global footprint and fee-based business. As they enter into new management and franchise contracts, they expand our business with minimal or no capital investment by us as the manager or franchisor, since the capital required to build and maintain hotels is typically provided by the third-party owner of the hotel with whom they contract to provide management or franchise services. Additionally, prior to approving the addition of new properties to our management and franchise development pipeline, they evaluate

the economic viability of the property based on its geographic location, the credit quality of the third-party owner and other factors. By increasing the number of management and franchise contracts with third-party owners, they expect to increase overall return on invested capital and cash available for return to stockholders. As of December 31, 2017, they had a total of 2,257 hotels in the development pipeline, representing approximately 345,000 rooms under construction or approved for development throughout 105 countries and territories (Figure 2.1.), including 39 countries and territories where they do not currently have any open hotels. All of the rooms in the pipeline are within Hilton management and franchise segment. Over 182,000 of the rooms in the pipeline, or more than half, were located outside the U.S. Additionally, over 174,000 rooms in the pipeline, or more than half, were under construction [9].

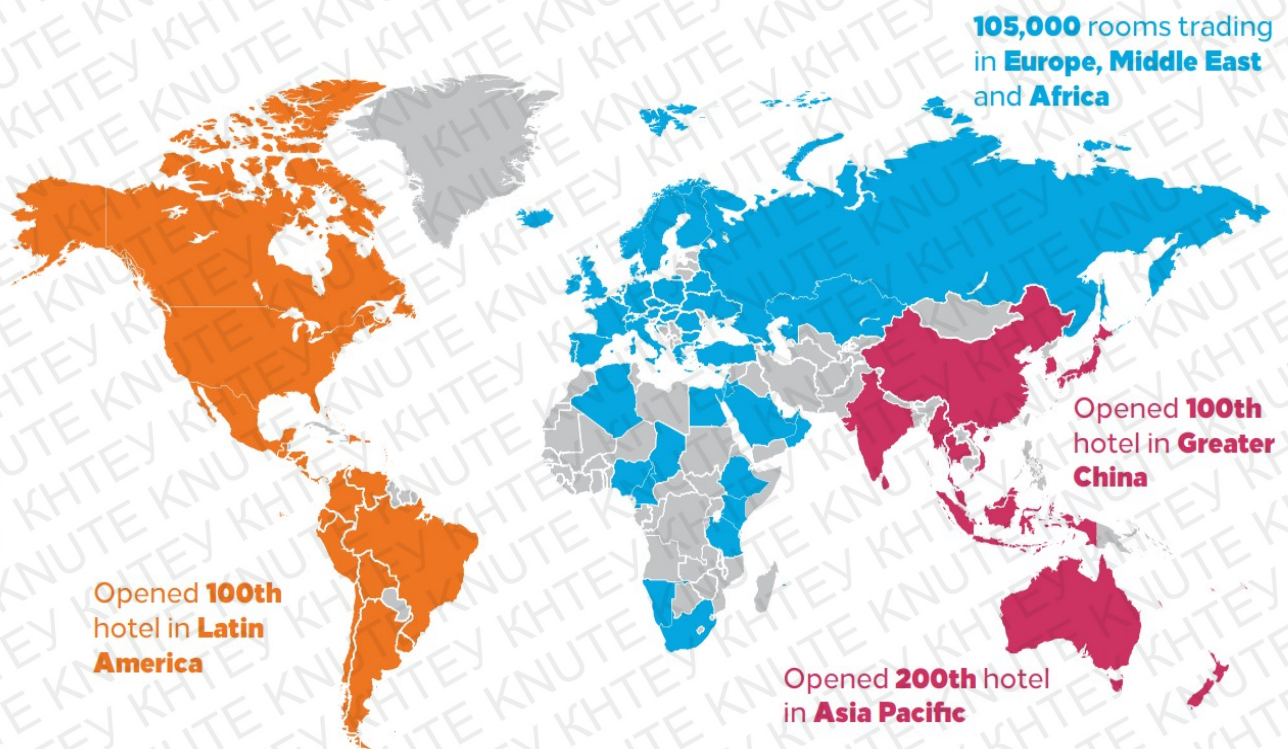


Figure 2.1. Expanded Hilton global footprint to 105 countries & territories in 2017

Saying about the latest financial data (Table 2.2) of Hilton hotel chain, it is pretty clear that the company increase its total revenues every year, as well as operating income and cash dividends declared per share [29]. In 2017 total revenues in Hilton

increased on the amount of \$1,758 mln, comparing to the year 2016 when the revenues increased only for \$249 mln. On the other hand, the cash dividends per share decreased in 2017 from 0.84% to 0.6%.

Table 2.2

Hilton financial data of 2017, in millions \$ (except per share data)

	2015	2016	2017	2016/2015	2017/2016
Selected statement of Operations Data:					
Total revenues	7,133	7,382	9,140	249	1,758
Operating income	900	952	1,372	52	420
Income (loss) from continuing operations, net of taxes	881	-8	1,264	-889	1,272
Net income (loss) from continuing operations per share	2.67	-0.05	3.88	-2.72	3.93
Cash dividends declared per share	0.42	0.84	0.60	0.42	-0.24
Selected Balance Sheet Data:					
Total assets	25,622	26,211	14,308	589	-11,903
Long-term debt	5,894	6,616	6,602	722	-14

Hilton premier brand portfolio includes: their luxury and lifestyle hotel brands, Waldorf Astoria Hotels & Resorts, Conrad Hotels & Resorts and Canopy by Hilton; their full service hotel brands, Hilton Hotels & Resorts, Curio— A Collection by Hilton, DoubleTree by Hilton, Tapestry Collection by Hilton and Embassy Suites by Hilton;

their focused service hotel brands, Hilton Garden Inn, Hampton by Hilton, Tru by Hilton, Homewood Suites by Hilton and Home2 Suites by Hilton; and their timeshare brand, Hilton Grand Vacations. As of December 31, 2017, Hilton had approximately 71 million members in their award-winning guest loyalty program, Hilton Honors, a 20% increase from December 31, 2016 [29].

The new *Tru Hilton hotel brand* was designed to capture the very youngest travelers into the Hilton HHonors program, while also providing a more efficient construction model for owners and developers.

Presently there are 102 confirmed agreements with owners, and over 30 others in various stages of negotiations, throughout North America in cities including Chicago, Dallas, Atlanta, Portland, Phoenix, Charlotte, Houston, Nashville, and others.

The big differentiators for this hotel brand are price and design [26].

Room rates at Tru by Hilton are expected to average between \$90-\$100 nightly, compared to \$120 at Hampton Inn, another of Hilton's midscale flags.

To accomplish that, there are only two standard guest room types, and both fall below the hotel industry average of 300-350 square feet in North America. The King and Double Queen rooms are 230 and 275 square feet respectively, which puts them more on par with European standard guest room sizes [29].

The rooms won't have desks, bathtubs, closets, bedsprings or in-room coffee machines. They will have a fun little rolling chair with a pop-up desk, irons/ironing boards, a mini-fridge, and 55-inch TVs with 152 DIRECTV channels [28].

According to Phil Cordell, global head of focused service brands for Hilton Worldwide (Table 2.3), all Tru properties will be new builds or adaptive reuse projects. Because the guest room sizes are smaller than average, that means that no previous hotels in the U.S. will likely be converted into Tru properties [29].


All Tru by Hilton hotels will have keyless mobile entry and a 48-hour window pre-arrival where guests will be able to choose their specific room through the Hilton HHonors app. All of this is designed to improve operational efficiencies and save on labor costs [2].

Compared with other big hotel chains, Hilton has a lower mix of luxury and upper upscale rooms. An increasing supply of such upscale hotels may not have a rewarding impact on Hilton. Unless the company develops its luxury portfolio alongside its other rooms, it has a good chance of losing out on the emerging demand [7].

Table 2.3

Brand portfolio of Hilton hotel chain

The brand	Description
<p>HILTON HOTELS & RESORTS</p> 	<p>With more than 570 properties across six continents, Hilton Hotels & Resorts stands as the stylish, innovative leader of hospitality. As the most recognized name in the industry, Hilton remains synonymous with the word "hotel." From inaugural balls and Hollywood award galas to business events and days to remember, Hilton is where the world makes history. The flagship brand of Hilton has more than 144,000 Team Members that shape experiences in which every guest feels cared for, valued and respected.</p>
<p>WALDORF ASTORIA™ HOTELS & RESORTS</p> 	<p>In landmark destinations around the globe, Waldorf Astoria Hotels & Resorts truly reflect their location and are fresh expressions of the legendary True Waldorf Service. Guests receive personalized attention that creates unforgettable moments and adds up to memories that can only happen at a Waldorf Astoria. Extraordinary Places. A Singular Experience.</p>
<p>CONRAD® HOTELS & RESORTS</p> 	<p>At Conrad Hotels & Resorts, luxury is a style you can connect with and service that is attuned to your every need. A style that is sophisticated, global and thoughtful. Service so smart, it helps you be an even better you. It's the Luxury of Being Yourself.</p>
<p>CANOPY BY HILTON</p> 	<p>Designed with character, each Canopy by Hilton is different, but all provide uncomplicated comforts and uncommon value. Inviting beverages and great, healthful food, with complimentary tastings every night. You'll feel the difference our just-right room makes-an energizing environment for work, rest and play.</p>
<p>DOUBLETREE BY HILTON™</p>	<p>DoubleTree by Hilton is a place that's a world apart from everything, yet with a feeling of the comforts of home. Full-service and full of warmth, DoubleTree by Hilton has more than 400 wonderful places to stay, occupying prime locations in gateway cities and getaway destinations around the globe. Every hotel greets each guest with our warm chocolate-chip cookie</p>

	<p>welcome — a simple touch that sets the tone to create a rewarding experience for a guest's entire stay.</p>
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The end of table 2.3

<p>HILTON GARDEN INN™</p> 	<p>From starting your day with a full, cooked-to-order breakfast to ending it in one of our oh-so-comfortable beds, we've got the amenities you'd expect at prices you won't. As a matter of fact, we've been helping our guests take care of business for over 15 years. With state-of-the-art fitness centers for stress-busting workouts, 24/7 business centers with complimentary printing and wireless access — everything we do, we do for you. Visit HGI.com to learn how Hilton Garden Inn can help you stay successful on your next trip.</p>
<p>TRU BY HILTON™</p> 	<p>Welcome to Tru by Hilton, a revolutionary new brand that is simplified, spirited and grounded in value for guests with a zest for life and a desire for human connection. We have created an original, back-to-basics experience with soul—grounded in value and anchored in the DNA of Hilton—to win the hearts and minds of guests who are looking for social engagement, unexpected certainty and vibrant simplicity.</p>
<p>HOMEWOOD SUITES BY HILTON™</p> 	<p>At Homewood Suites, we don't think going away should mean leaving your whole life behind. So in every suite we give you a spacious living room and a real kitchen with a full-sized fridge, and a comfortable bedroom with space to spread out and organize. You may be surprised at all you get here. But we do it because we think life on the road should be more about life and less about the road. So stay with Hilton and Be at home.</p>
<p>HOME2 SUITES BY HILTON™</p> 	<p>Home2 Suites by Hilton is more than a midscale, extended-stay hotel; it's a spirited and innovative hotel brand for the savvy, value-wise traveler staying a few months or a few nights. From studio and one-bedroom suites to complimentary bonuses like the Inspired Table™ continental breakfast, high-speed Internet access, combined fitness and laundry facilities and inviting outdoor spaces — at Home2, you're always Free to be you™.</p>
<p>HILTON GRAND VACATIONSTM</p> 	<p>Hilton Grand Vacations develops, markets and operates a collection of high-quality vacation ownership resorts in renowned travel destinations. Offering spacious and well-appointed suites with all the comforts of a second home, Hilton Grand Vacations properties treat owners and guests to uncompromising service in spectacular settings. The company also operates two innovative club membership programs, Hilton Grand Vacations Club and The Hilton Club, providing exclusive exchange, leisure travel and reservation services for more than 176,000 Club Members.</p>
<p>CURIO COLLECTION</p>	<p>Individuality. It's what unifies the hotels in Curio Collection by</p>

<p>BY HILTON™</p> <p>CURIO COLLECTION BY HILTON™</p>	<p>Hilton™. These hotels exude authenticity. They capture you. Each with a distinct character and a personality you can't duplicate. Each hotel in the Curio Collection is completely different from the next. Curio is a collection of hand-picked hotels that are authentic, independent and remarkable.</p>
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In a bid to maintain its position as the fastest-growing global hospitality company, Hilton is continuing to drive unit growth. In 2017, the company witnessed net unit growth of 18,400 rooms. Further, in the first quarter of 2018, the company achieved net unit growth of 7,100 rooms and witnessed an increase of 7% from the prior-year quarter. For 2018, the company projects an approximate 6.5% net unit growth. It also continues to have more rooms under construction in Europe, the Middle East and Asia Pacific than any other hotel chain [57]. The company expects greater international expansion in 2018.

Hilton's broad geographic diversity lowers the effect of volatility in individual markets. Evidently, Mexico and Canada have been experiencing strong leisure demand, leading to solid RevPAR growth. Further, Europe's RevPAR trends are being supported by favorable exchange rates as well as strength in regions including Spain, the U.K., Germany, Turkey and others. Meanwhile, strength in China and Japan has led to solid RevPAR growth in the Asia Pacific region as well [9].

The company has created one of the largest loyalty programs, Hilton Honors. With about 74 million members, this network has created an extremely valuable asset for the company. In 2017, the company added over 11 million members to the program. Further, more than 3 million members were added to Hilton Honors in the first quarter of 2018. In the meantime, innovations such as the Hilton Honors app continue to drive growth in the program [29].

Further, Hilton has transformed into a capital-light operating business backed by the spin-offs of a portfolio of hotels and resorts as well as timeshare business. Post spin-off, the company expects to be a resilient, fee-driven business with disciplined strategies. In fact, the focus is expected to be on growing market share, units, free cash flow per share as well as preserving its strong balance sheet and accelerating return of capital. Furthermore, as Hilton's unit growth is mostly financed by third parties, the company is capable of generating substantial returns on minimal capital investment [3].

Increasingly, the company also faces competition from new channels of distribution in the travel industry. Additional sources of competition include large companies that offer online travel services as part of their business model such as Alibaba (BABA), search engines such as Google, and peer-to-peer inventory sources such as Airbnb and HomeAway, allowing travelers to book stays on websites that facilitate short-term rental homes and apartments from owners, consequently providing an alternative to hotel rooms. Further, intense competition from large hotel chains like Marriott and Hyatt as well as smaller independent local hospitality providers remains a potent threat [5].

2.2. Pricing instruments in Hilton hotel chain

The hotel industry appears to be quite glamorous and exciting to all of us. Top class hospitality, well-equipped rooms, fancy facilities, etc. – all this is done with an aim to create a seamlessly pleasant experience for guests. Needless to say, all this comes at a price which the guest actually has to pay.

However, at the back end of the hotel, things are a little more complex and tricky. The revenue leaders are often grappling with a lot of insights and information to come up with best practices for the benefit of the guest. A host of technology-driven hotel revenue management system and processes are required to be put in place, and some good people and procedures need to be employed to ensure that the customer gets the best share of offerings, price being the most important component [39].

The practice of hotel revenue management has assumed a significant role in the recent years, with the techniques of revenue management being increasingly adopted by all kinds of hotels, big or small, helping them to stand out in the clutter and steer their way forward. Essentially, it is a practice wherein hotels, by the use of different tools and actions, try to achieve an optimal level of net revenues [46].

Pricing is certainly critical to the success of all hotels and a well-designed hotel pricing strategy can do wonders by giving a strong push to the hotel revenues. What is important is how you derive at the appropriate pricing and what kind of strategy you

choose. Hence, revenue management is the new way of doing business in the hospitality industry [45].

Appropriate pricing strategy is a key ingredient and an important step towards hotel revenue maximization. A good price can be an indication towards healthy profit margins, which confirms growth. To a consumer, a price might seem to be just a plain number quoted by the hotel, which they might choose to vary from guest to guest or from time to time. But the reality is different [6].

The revenue leaders delve deep down into their pricing strategy to derive a perfect sense of this important aspect. One of the most important factors which is to be taken into consideration while setting the prices is the demand-supply balance i.e. demand is to be matched with the available inventory, and then an optimal price is derived by making use of data analytics. If the demand shoots up, a high pricing appears as the best solution, and vice-versa. The economics of demand and supply also suggests that lower prices lead to more bookings, but at the expense of generating high revenue. On the other hand, higher prices could lead to more rooms staying unoccupied. Price is clearly, one of the most effective variables that can be manipulated to encourage or discourage demand in the short run [8].

Another key factor to be taken into account in the highly competitive market scenario is the pricing quoted by the competition. The price offered to the consumer by any hotel is most often compared – with other hotels or with different aggregation channels which are known to offer the best rates in the industry most of the times. Yes, it is important to make sure that there isn't a high fluctuation in the price range across different channels in the industry. If the competition is offering lower prices than you, it might mean a loss of a significant chunk of your business. Thus, it is important to be updated with the industry trends and act in line with them [47].

The market share of Hilton Worldwide is extremely broad and high in the United States. Currently, Hilton Worldwide raises over US\$ 2.3 billion in the biggest ever hotel in the Initial Public Offering (IPO). Currently, the market capitalization of the company is US\$ 231.81 billion which is effective for their products and services [55].

Target market of Hilton and people directly related to this business. The hoteling business worldwide only depends on the loyal customers and upcoming market customers. Hence to maintain this loyalty, the hotels need to maintain its services, qualified staff and market image. As discussed above targeted customers are business executives hence to maintain the customer base it's important to provide the hospitality services in which The Hilton group has successfully served. Running support desk, customer services, and organizing different entertainment events for customers are some of the strong bases of Hilton success [29].

Being executive service provider Hilton's targeted customers are an exclusive segment of society. The cost of different types of hotels by Hilton group serves for the specific purpose. Just like Hilton Resorts are situated at beach/lakeside for the different experience than airport hotels. With this, all exclusive hotels, group has always maintained exclusive price segment. In India, the price range of single room of Hilton hotels is from 5000 to 35000 per night considering Indian metro cities. The price range varies with the value-added services as extra wi-fi, parking, food, exclusive services of guest cost get accumulated. Premium prices are calculated with the premium cost for value-added services like spa, restaurant, breakfast and dynamism services. The exclusivity of the brand is maintained by its exclusive customer segment pay premium tariffs [64].

Hilton group provides the variety of hospitality services across the world through its hotel chains. Luxury hotels chains, focused services like Hilton Garden Inn, executive services like extended stay suites and vacation hotels etc. are a part of its marketing mix product & service strategy. Loyalty program called 'HILTON HONORS PROGRAM' is among the special services for loyal customers. Hilton's target segments are the business segment with convention and leisure segments as well. For expanding the business Hilton have collaborated with airlines, car rentals, online platform, cruises, shopping and dining outlets, rail travels and financial institutions like American Express for easier payment methods. With different tier membership of Blue, Silver, Gold and Diamond, guests can access Hilton's services at subsidized prices. Among this 'Diamond Membership' is exclusive among all. The services of the hotel chain are

maintained by customer relations via feedback and satisfaction index. The statistics below shows the American customer satisfaction index scores for Hilton hotels in the United States from 2008 to 2018 [29]. Hilton received an American customer satisfaction index score of 81 in 2017 (Figure 2.1.) .

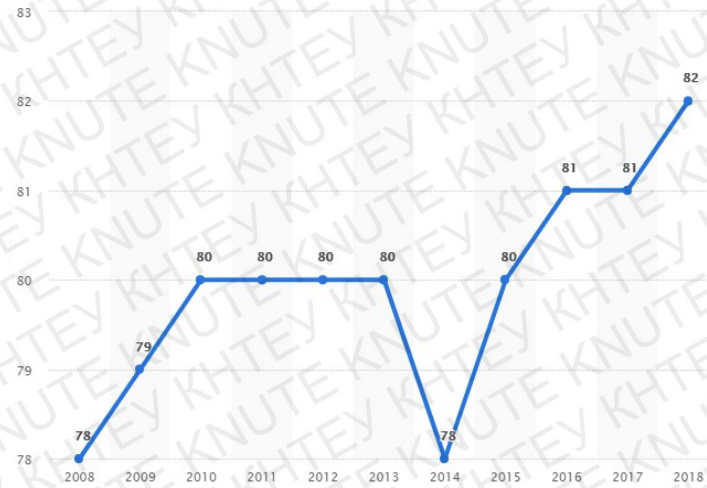


Figure 2.1. The American customer satisfaction index scores for Hilton hotels from 2008 to 2018

According to the American Customer Satisfaction Index's new travel report, people are generally more satisfied with hotels than they were a year ago. Services like Airbnb and the general fragmentation of the hotel market give travelers plenty of options for places to stay, so hotels have to stay at the top of their game to retain customers [7]. According to the report, the hotel companies with highest customer satisfaction (Figure 2.2.) are:

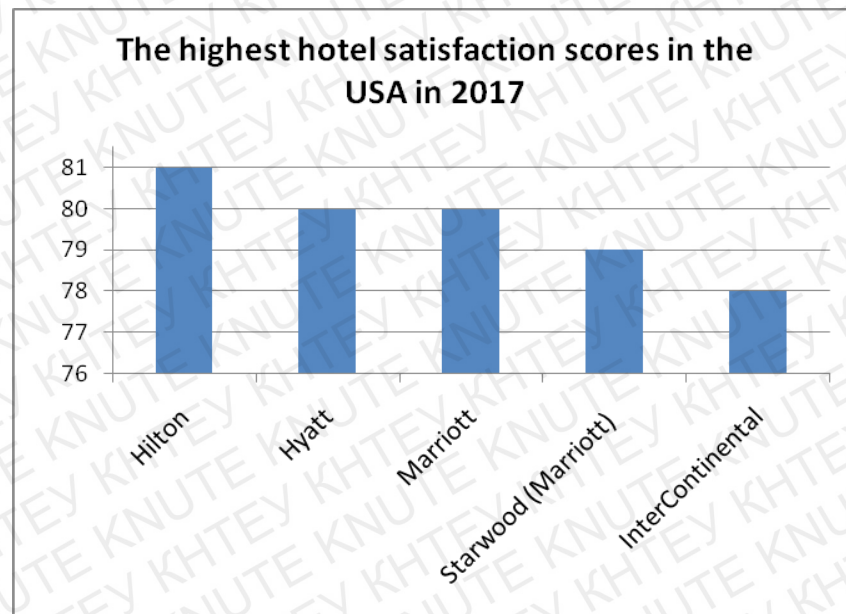


Figure 2.2. The highest hotel satisfaction scores in the USA in 2017

Hilton focuses on obtaining a competitive advantage by quality differentiation, which is also reflected in the pricing of its product. Hilton offers products and services through a premium pricing strategy. Their services bring high levels of customer satisfaction. The services have excellent qualities that contribute to an extraordinary experience for consumers. Hilton uses pricing tactics including dynamic pricing; location pricing; and customer segmentation pricing [42].

The emergence of multiple channels of online booking has led to a greater transparency in the price offerings, helping the consumers in decision-making. Any deviation in prices from the ongoing market trend catches the attention of the travellers very soon. It is a common behaviour of all consumers to raise eyebrows on any quoted price and to compare the same on different channels with an aim to steal the best offer. The online medium has made this simple [10].

So, if a traveler wants to book a room, probably he/she will choose the most popular website for making accommodation reservation. The one is called "Booking.com". In October the most popular Hilton hotels were those that are shown on the Figure 2.3.

Most booked Hilton hotels this month

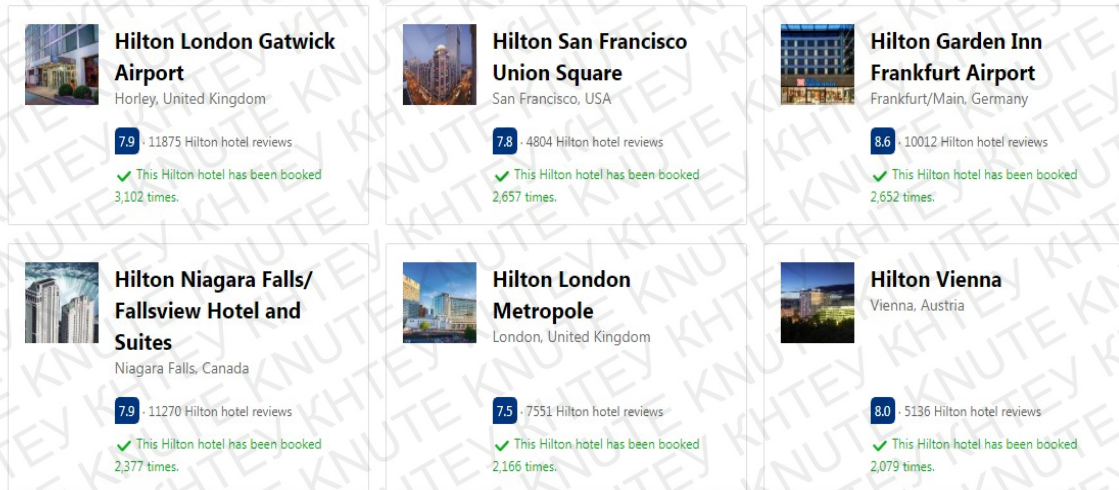


Figure 2.3. The most booked Hilton hotels in October 2018

Let's compare prices in two Hilton hotels with similar location relative to the airport. The first one is Hilton London Gatwick Airport, and the second hotel is Hilton Garden Inn Krakow Airport. The cheapest price in Hilton London Gatwick Airport will be **UAH 2,847 for 1 adult per night**. Hilton London Gatwick Airport is linked by a direct covered walkway to the South Terminal, and offers air-conditioned, soundproofed rooms and a 24-hour fitness centre (Figure 2.4).

Bestseller

Hilton London Gatwick Airport ★★★★★

Horley - Show on map (1.8 km from centre)

Good 7.9
11,890 reviews

11 people are looking at this moment

In high demand! Booked 129 times in the last 24 hours

Great Value Today

Double Guest Room - Bigger than most in Horley

In high demand!

~~UAH 3,897~~ **UAH 2,847**
includes taxes and charges

[See our last available rooms >](#)

Figure 2.4. The cheapest price in Hilton London Gatwick Airport

Just 30 minutes from central London, The Hilton Gatwick is just minutes away from Gatwick Airport Station, offering direct trains to London Victoria and London Bridge. The North Terminal is only 10 minutes away, and it is easily accessible via the free monorail.

Hilton London Gatwick Airport features 2 bars and a Costa Coffee shop. The Garden Restaurant serves breakfast and an evening buffet, whilst Amy's

Restaurant offers intimate modern dining [29]. And with all of that advantages the traveller gets also 25% discount! (Figure 2.5).

Room type	Sleeps	Today's price	Your choices	Select rooms
Double Guest Room Someone just booked this 1 double bed Bath • Air conditioning Private bathroom • Flat-screen TV Shower • Pay-per-view Channels Telephone • Hairdryer • Iron Ironing Facilities • Free toiletries • Toilet	2	UAH 3,807 UAH 2,847 includes taxes and charges Great Value Save 25% Today!	Good breakfast UAH 658 • Non-refundable ✓ Winter Sale	0 I'll reserve No booking or credit card fees! 11 other people looking now

Figure 2.5. The best affordable price in Hilton London Gatwick Airport

The elegant rooms each have a private bathroom, a work desk and high-speed internet access. Rooms also offer on-demand movies. The reception, concierge and room service are all 24-hour.

Solo travellers particularly like the location — they rated it **8.8** for a one-person stay.

At the same time in Hilton Garden Inn Krakow Airport the lowest price will be **UAH 3,254 for 1 adult per night**. Conveniently located just a 5-minute walk from Kraków Balice Airport, this 4-star hotel features a restaurant and a bar. Luggage storage and WiFi are available free of charge (Figure 2.6).

Each room in Hilton Garden Inn Krakow Airport is air-conditioned and comes with a flat-screen TV, a safety deposit box and a refrigerator. There is a private bathroom with free toiletries and a hairdryer [29].

Guests can enjoy a fitness centre free of charge. The hotel offers concierge service. Meeting and banquet facilities, as well as a business centre are available.

Hilton Garden Inn Krakow Airport is a 30-minute drive from the Old Town in Kraków and a 23-minute drive from Kazimierz Jewish District.

Business travellers particularly like the location — they rated it **9.5** for a work-related trip [29].

Room type	Sleeps	Today's price	Your choices	Select rooms	
Twin Room Last booked: 1 hour ago 2 single beds Air conditioning Private bathroom Flat-screen TV Free WiFi Shower • Safety Deposit Box • Hairdryer • Iron Refrigerator • Ironing Facilities • Free toiletries Toilet • Heating • Wake-up service • Towels Linen Prices are per room Included: 8 % VAT		UAH 4,853 UAH 3,254 includes taxes and charges Save 33% Today!	Very good breakfast UAH 433 ✓ FREE cancellation before 23:59 on 27 November 2018 ✓ NO PREPAYMENT NEEDED - pay at the property	<input type="text" value="0"/>	<input type="button" value="I'll reserve"/> No registration required 1 other person is looking now
		UAH 5,260 UAH 3,670 includes taxes and charges -30%	Very good breakfast included ✓ FREE cancellation before 23:59 on 27 November 2018 ✓ NO PREPAYMENT NEEDED - pay at the property	<input type="text" value="0"/>	

Figure 2.6. The best affordable price in Hilton Garden Inn Krakow Airport

As we can see on the pictures above, the traveler wanted to book an accommodation for one night between Friday and Saturday. In such case the traveler has had **the best affordable price** which is a special type of tariff rate, which depends on the time of purchase, is unlimited, arbitrary and excludes the use of discounts and contractual tariffs [40].

Let's look deeper at the general rules of tariffs rates at Hilton hotel chain. The cost of living is updated daily; the minimum rate for a night, valid for accommodation is specified, starting 60 days from the current date. The cost of cancellation may vary depending on the current tariff rate and local laws; exact information is set out in the terms and conditions of your booking [43].

In different hotels participating in the action, tariff rates may vary; in addition, the cost of living may be higher or lower than advertised depending on the selected dates. These rates may vary and are valid if the stay starts from Friday, Saturday or Sunday in Europe or from Thursday, Friday or Saturday in the Middle East and Africa. Each hotel has its own cancellation policy and / or closed dates may apply. Unless otherwise agreed, prices are per room per night and only for a double room; Prices do not include taxes, gratuities, additional costs, a fee for using the golf course, an additional charge at the hotel or other related costs (if applicable) [62].

Now let's discuss **discounts** at Hilton hotel chain. Available **only for current Hilton Honors members**. Offer is subject to availability at participating hotels and resorts within the Hilton portfolio. Hilton Honors members who booked a stay of 14 days will receive a 2% discount on the best price on any day of the week. Participants who booked stays for 15 or more days will receive a discount of 3% of the best price at the moment (BAR) if they stay from Sunday to Thursday (from Saturday to Wednesday in the Middle East) or 10% of the best price provided they stay from Friday to Saturday (from Thursday to Friday in the Middle East). The Middle East includes all hotels in the United Arab Emirates, Kuwait, Qatar, Saudi Arabia, Bahrain, Oman, Yemen, Egypt and Jordan. The current discount rate is related to the best-rate tariff (easy cancellation) at the moment (BAR) - a special tariff that can change freely depending on the time of payment, has no restrictions and does not include tariffs at a reduced price. Early departure fees, deposits and cancellation restrictions may vary by hotel. Unless otherwise indicated, the rate is calculated per room per night, single / double occupancy and does not include taxes, gratuities, additional costs and resort fees (if available). Discount is not available in hotels in mainland China, Macau, Hong Kong and Taiwan. The Hilton Honors discount is valid only when a participant makes a reservation of no more than two rooms [3].

This fare cannot be combined with other special offers, promotions or discounts and is not valid in conjunction with current reservations or groups. The fare cannot be transferred to another person, exchanged for money and cannot be used during another stay in the future [34].

Hilton Honors program terms and conditions cover membership of the Hilton Honors TM program, Points and Miles TM accumulation (Figure 2.7), when making a reservation through a direct channel, and using accumulated bonus points [29]. In such way travelers can upgrade their stay at Hilton hotel with elite status using the system of **the Hilton Honors American Express Cards**.

Card Name	Annual Fee	Bonus Points	Other Benefits
Hilton Honors American Express Card	No Annual Fee ²	Earn 75,000 Hilton Honors Bonus Points	after you spend \$1,000 in purchases on the Card within your first 3 months of Card membership. ¹
Hilton Honors American Express Ascend Card	\$95 Annual Fee ²	Earn 125,000 Hilton Honors Bonus Points	After you spend \$2,000 in purchases on the Card within your first 3 months of Card Membership. ¹
Hilton Honors American Express Aspire Card	\$450 Annual Fee ²	Earn 150,000 Hilton Honors Bonus Points	after you spend \$4,000 in eligible purchases on the Card within your first 3 months of Card membership. ¹ Annual Free Weekend Night Reward After receiving your Hilton Honors American Express Aspire Card, enjoy a free Weekend Night Reward. Plus, receive one free Weekend Night Reward every year after renewal. ¹
Hilton Honors American Express Business Card	\$95 Annual Fee ²	Earn 125,000 Hilton Honors Bonus Points	Earn 125,000 Bonus Points after you spend \$3,000 in eligible purchases with your Card within the first 3 months of Card Membership. ¹

Figure 2.7. The variety of the Hilton Honors American Express Cards

Almost all hotel searches have some discount built in, whether due to pricing agreements between hotels and booking companies, or the many discounts available on hotels' own sites to travelers with certain memberships or affiliations (think AARP, AAA/CAA, senior, government/military and the like).

If you're a member of one of these associations — and a huge number of travelers are — note that these discounts do not show up on the major booking engines (Expedia, Travelocity, Orbitz, etc.). Big booking sites frequently offer their own special discounts arranged in partnership with the hotel chains, and try not to compete with their own offers. As a result, to qualify for association membership discounts, you typically need to book directly with the specific hotel or chain [60]. But which association discounts will yield the biggest savings?

We did a large sample test on some of the most common hotel discount programs to see how they stack up against each other; here is what we found, along with some tips on getting the most from the programs [48].

The most common affiliate membership discounts are available to American Automobile Association (AAA) members, or members of its northern equivalent, the Canadian Automobile Association (CAA). The option to search for AAA prices shows on almost all hotel Web sites and discount program listings. This is also typically the first option offered by a hotel booking agent when you are making a phone reservation.

We have used my AAA membership to get a slightly better deal on almost every hotel stay on a “normal” trip in the past 20 years (by normal I mean other than package deals, points bookings, vacation rentals, etc.). Booking AAA discounts has become almost absurdly easy; most hotel Web sites have a checkbox for AAA visible at all times during the booking process, and you just click the box and hit Find Rates to see the discounts [56].

The discounts tend to be significant, if not huge; my general feeling on AAA discounts is that they can often drop the nightly rate from the “ouch” range into the “okay, we can do that” range. On a large sample of test searches this past week, we found most discounts came in at \$12 – \$35/night, which in some cases constituted a 20 – 30 percent discount on the originally quoted rates. Not bad. We found prices to be more or less the same when asking for AAA rates over the phone [44].

Senior and AARP Discounts are also very popular nowadays. While some hotels and booking engines want you to be a member of the AARP to qualify for age-based discounts, many just require proof of age when you check in (the minimum age may be 60, 62 or 65; you will want to pay close attention to this). This is easy enough — hand over your driver’s license or passport, done. These discounts are available at almost all major chain hotels, although we did do at least a few searches while writing this article where generic senior rates simply were not available during peak travel times[5].

Doing a large sample of senior discounts for this article, we found that prices usually dropped out quite a bit when I clicked the “Senior discounts” button on hotel Web sites, with discounts of \$25 – \$30 per night very common for rooms priced in the \$140 – \$170 range, which puts the typical discount at 20 – 25 percent [44].

Membership in the AARP is open to folks starting at 50 years of age, so you can get a good 10 – 15 extra years of discounted deals when you join the AARP. That said,

AARP discounts usually must be booked through the AARP itself, or at least using the AARP Web site as a starting point — they don't always show up automatically on hotel booking sites, as do the AAA and CAA discounts [41].

The AARP has a more limited selection of hotel chains available than does AAA, but it is still a solid list, with discounts mostly stated as “up to 20 percent” at slightly higher-end hotels, and “up to 10 percent” at moderate or lower-priced hotels.

There are also **government and military discounts**. Many hotel chains offer special discounts to government employees as well as current and past members of the military; It is found that these discounts were very similar to the AAA and similar memberships, although they were available at fewer chains, and at fewer properties. Find more details on how this played out below [26].

Many professional and other associations offer hotel discounts through partnerships with specific chains. For example, you are a member of the United States Rowing Association, and are eligible for a 15 percent discount off the “Best Available Rate” at any of the 10 Hilton brand hotel chains. To get this kind of discount, typically you need to book through a special Web site or phone number, which you can usually find by calling or checking the Web site of the specific association. Other associations to look into for hotel discounts include alumni organizations and professional groups (such as the American Bar Association) [56].

We found that the USRowing membership did return better rates than a generic Web search, but boy, did I have to pay close attention.

We did a test search on a Hilton Homewood Suites property for an upcoming trip, and where a generic Expedia search gave me a price of \$194 average per night for a two-night stay, booking through the USRowing special link showed me a rate of \$194.65/night — at first. There was a patch of italics at the bottom of the search results, however, stating that “This rate changes during your stay. Please select the room link for more information [6].”

So we selected the room link, and found that while the first night's stay was \$194.65, the second night was only \$135.15, a savings of \$59.50 by booking through USRowing.

That wasn't the end of the comparison, however; the Expedia rate showed an additional \$28.73 in taxes and fees, for a total of \$445.44 for the two nights.

The Hilton booking simply mentions that there is a 15 percent tax per room, per night — but gives no indication at all whether that is included in the quoted rate, and there is no way to find out the grand total until after you have actually booked the room.

So the Hilton/USRowing room is either \$329.80 if taxes are included in the room quote, or \$379.27 if they are not — we couldn't find out without actually booking the room [64].

The Hilton/USRowing room options are also very difficult to figure out — “1KG ACC RI SHW STUDIO NSMK” refers to an accessible room, but it sure isn't easy to figure out.

All of that said, either way the Hilton/USRowing deal is better, by at least \$65 or so — which is exactly consistent with the original 15% discount offer. As we understand it, a portion of the proceeds goes back to the rowing association, so that is an additional upside [3].

Now let us compare some of membership offerings. The Hilton site allowed me to compare its AAA discount offer against the USRowing offer — USRowing won the race by around \$10/night, no matter how I did the search.

Comparing AAA and AARP (or rates merely noted as “senior rates” in some cases, which would simply require you show ID proving your age), the winner varied from case to case, although rarely by very much. Some searches showed results with no discounted senior rates available, but it seems it is always worth a try, as you could save a few dollars here and there [44].

That said, if you find a decent deal on a hotel room through one of your memberships (or by virtue of your senior status), you can usually book it without wondering if a substantially better deal exists out there. On the other hand, if you are a true discount chaser, as a lot of readers of a column like this one are, it is worth trying out your various options, as you could see a spike of 5 – 10 percent savings in some cases [5].

Of course, you'll want to check any of these membership discounts against shorter-term sales that might be running on the hotel site. It is also recommended doing a quick Google search for "Hilton promo code" or the like — you'll turn up sites like retailmenot.com, which could have discount codes or sales you weren't aware of.

Keep in mind that when you look for discounts, you could unintentionally narrow your options. Some hotel chains do not offer association discounts at their higher-end (and sometimes lower-end) hotels — so when you click the AAA box, those hotels might not show up in the search results at all [56].

We found this to be the case with a couple of Hilton properties near my family home. A search without the AAA discount button checked returned 22 hotels from nine brands, but when I checked the AAA button, we got back only 20 hotels from eight brands. Then we clicked the Senior Discount button, and got back only 18 hotels from seven brands. The Government and Military button brought back 14 hotels from seven brands [25].

Finally, be ready to show your ID Card. Until a few years ago, most hotels used an honor system for such bookings; you rarely had to give your member number over the phone or at the time of check-in. Lately, however, we have been asked on a couple of occasions to do both. This is due in part to the fact that many hotels are already offering sharply discounted rates, and are more stringent about confirming that travelers truly qualify for the membership discounts. Hotel and booking engine Web sites have even recently started to include warnings to this effect; the Hilton site explicitly reads "ID required at check-in [5]."

2.3. Non-pricing instruments in Revenue management system of Hilton hotel chain

At the official website also Terms and Conditions for Providing Free Wireless Internet presented.

Hilton Honors direct bookers get **free standard wireless Internet access** at any of the Hilton, Doubletree, Embassy, Waldorf, Conrad, Curio and Canopy hotels. Free

standard wireless internet access is provided to all guests who booked stays at Hampton Hotels, Hilton Garden Inn, Homewood Suites, and Home 2 Suites. Premium wireless Internet access is available for a fee at selected hotels (with the exception of Diamond members). Available for a fee in the premises for business meetings or in hotels with a valid resort fee [56].

Warning about the absence of a guarantee of providing free access to wireless Internet is made only for the members of the Hilton Honors.

Standard Wi-Fi access is free. Premium access (if available) is charged separately. For a fee in hotels with a resort fee.

Another solid option for those in the hotel industry attempting to maximize revenue is **to create packages**, allowing customers to pay for more than just a room. Additional items, services or products that may feature in a package deal include meals, bicycles, access to golf courses and equipment, and so on [23].

With packages, the actual room rate may be lower than the equivalent rate for an identical room on its own. However, your hotel will be able to sell more products at the same time.

Hilton hotel chain have great packages for those whose aim is leisure travelling.

The **Go Hilton Team Member and Family & Friends Travel Programs**. These programs are for leisure travel only, not business travel [10].

Eligible Participants ("Team Members") can take advantage of all Go Hilton privileges, including Team Member room rates, Family & Friends room rates, and Food & Beverage (F&B) discounts. The following groups are **Eligible Participants**:

- Active employees at Hilton corporate offices, Hilton owned/managed properties, Hilton Grand Vacations (HGV) locations, and active on-property employees at independently owned and operated franchised hotels. This includes all regular full-time and part-time staff and seasonal staff, as long as they are actually employed by Hilton and/or the hotel and work a regular schedule [3].

- All active business partners working at Hilton Reservations & Customer Care (HRCC) centers

- Owners Club Members

The following groups are NOT Eligible Participants, so they cannot access Team Member rates or F&B discounts. However, they would be eligible for Family & Friends rates if added as authorized users by an Eligible Participant [5].

- Family and friends of Eligible Participants
- On-call and other temporary staff who do not work a regular schedule
- Independent third-party contractors employed by Hilton and/or the hotel, even if they have a Hilton e-mail address
- Above property franchisees and management company representatives not working on property

The discounted rates per night per room (in US dollars) are different for different Hilton brands according to the travel programs shown above [6].

The standard **Team Member** rates are:

- **\$35 USD** for Hampton, Hilton Garden Inn, Homewood Suites, Home2 Suites and Tru by Hilton
- **\$45 USD** for Hilton Hotels & Resorts, DoubleTree, Embassy Suites and Tapestry
- **\$55 USD** for Curio, Canopy and Hilton Grand Vacations
- **\$75 USD** for Waldorf Astoria and Conrad

1) Team Member rates are per room per night up to the maximum allowed occupancy per room; they are not per person; 2) Team Member rates quoted above are before including any necessary taxes; 3) Any applicable resort fees are to be waived for Team Member rates (resort amenities should still be made available to Team Members); 4) For hotels in the EMEA and APAC regions, the Team Member rate includes breakfast for all guests in each room up to each room's maximum allowed occupancy; 5) Team Member rates may be higher for certain hotels with above average operating costs or where necessary based on local tax regulations [20].

The **Family & Friends** rate is 50% off the **Best Available Rate (BAR)**. BAR is the lowest advertised rate that is subject to the hotel's standard cancellation policy.

Please note: 1) The Family & Friends rate does not include breakfast; 2) The Family & Friends rate might be higher than 50% off BAR in certain locations based on local tax regulations [44].

There are also Food & Beverage (F&B) discounts at Hilton hotels.

The program offers Eligible Participants ("Team Members") an F&B discount of 50% globally. The discount applies to restaurants at owned, managed and franchised hotels, but is **only for restaurants that are under the same management company as the hotel** (i.e., does not include leased restaurants). Please check with the hotel or restaurant staff beforehand to see if the discount applies [60].

Eligible Participants ("Team Members") must be staying at the hotel under a Team Member rate or Family & Friends rate and must be present at the restaurant. The F&B discount can be applied for up to six people in a party, including the Eligible Participant ("Team Member"). Just show your photo ID and a current Team Member Hilton Honors card (or Owners Hilton Honors card if applicable) to receive the discount. Either a physical card or a virtual card from the Hilton Honors app is acceptable. If you do not have your physical or virtual Team Member Hilton Honors card yet because you enrolled recently, you must show your Team Member Hilton Honors enrollment confirmation e-mail [29].

The F&B discount does not apply to minibars or room service. In the United States or locations where not allowed by law, the F&B discount does not apply to alcohol.

Once the Go Hilton Long Tenure Travel Program launches, long-serving Team Members will be able to access discounts. Team Members who have 10 to up to 20 years of service can have access to Go Hilton Family & Friends rates for up to 30 room nights per calendar year for life. Team Members who have 20 or more years of service can have access to Go Hilton Team Member rates for up to 30 room nights per calendar year and Family & Friends rates for up to 30 room nights per calendar year for life. The years of service requirements above are for combined service in a Hilton corporate office, Hilton owned/managed hotels or on-property roles at franchised hotels in the Hilton portfolio of brands. The discounted rates only apply to eligible Team Members who have separated from service; discounted rates cannot be offered to their Family & Friends. Eligible Team Members who have separated from service must be present for the hotel stay to utilize these rates, and they will still need their Hilton Honors account

to sign into the Go Hilton booking site. All other standard Go Hilton booking rules and conditions will apply [29].

Hilton Hotels and Resorts can be classified as a full service hotel. Accordingly, the range of its services is extensive and includes meeting, wedding and banquet facilities and special event services, restaurants and lounges, food and beverage services, swimming pools, gift shops, retail facilities and other services [3].

Generally, products are divided into three levels: core, facilitating and supporting products.

Core products can be explained as a basic form of a product. To put it simply, core products are the main reasons for customers purchasing from a business. For Hilton Hotels & Resorts core product is hotel rooms that customers stay in for a specific period of time. *Peripheral services* can be explained as additional products and services above the core product that businesses offer to get competitive edge in the marketplace [31].

Facilitating products involve services that assist consumers in consumption of core products. Hilton offers a set of popular facilitating products such as customer services, bars and restaurants, and online reservation facilities [7].

Supporting products include additional products and services that are offered in order to obtain competitive advantage for the business by increasing the value of core products and services. A range of supporting products offered by Hilton Hotels include 24/7 room service, free newspapers and magazines for business travelers, concierge services etc.

Augmented product is benefit offer made by businesses that consist of core product and peripheral services. Augmented products offered by Hilton Hotels & Resorts include membership discounts, luxurious room and exterior designs, high class restaurants and relaxed hotel atmosphere [60].

One of the non-pricing instruments in Hilton hotel chain is SPA offering.

There are two kinds of SPA day. Standard spa-day offer body treatments and lifestyle services. Medical spas offer traditional spa services as well as services that must be provided by a licensed medical practitioner, such as acupuncture or microdermabrasion. Although conventional wisdom holds that true day spas must offer

hydrotherapies like Scotch hose treatments or underwater massage, many day spas do well with "dry" services alone [59].

"Not all clients are comfortable with water therapy," says Hannelore R. Leavy, founder and executive director of The Day Spa Association in Union City, New Jersey. "Americans are shy about taking off their clothes and standing naked in front of a stranger who will perform unfamiliar therapies on them. It's better to open your spa without water therapy, especially if your funds are limited. But you can put it into your business plan so you're ready to expand when and if your clients are ready for it [29]."

Treatments typically offered in day spas include massages; facials and makeup application; electrolysis; spa manicures and pedicures; body treatments like exfoliation, wraps and packs; aromatherapy; and hair services like cutting, styling and coloring. Hydrotherapies include hydro-massage, mineral and seaweed baths, dry and moist heat, and shower massage. Many spas also offer healing therapies such as Reiki (a form of "energy healing") and acupuncture, which must be performed by a licensed practitioner, depending on which state you're in. Services are usually combined in complementary spa packages that guests enjoy for four to eight hours, but à la carte services and pricing should also be available, both for clients who wish to mix and match their treatments, and for clients who would like to try something new [56].

For instance, SPA at Hilton Kyiv offers wide selection of membership programs for your choice offering exclusive access to premium fitness destination. In addition to unlimited use of the onsite facilities, such as 98 sq. m., indoor swimming pool, 3 baths, gym and other, members also enjoy a wealth of other exclusive benefits. This includes complimentary valet parking, discount on all Spa treatments and personalized approach from highly professional personal trainers [50].

Conclusions to part 2

From the analysis, it is found that the financial position of the company is perfect and well organized, showing that this particular aspect is essential. Hilton Worldwide is

a Public Listed Company, registered on the New York Stock Exchange (NYSE) and it is traded with the name of HLT.

The business values and mission of the company are effective which a perfect sign is for the company in particular. The mission of the company is “to be the preeminent global hospitality company, the first choice of guests, team members and owners alike”. Apart from the mission, the company has a dominating and effective vision as well. The vision of the company is “To fill the earth with the light and warmth of hospitality”. There are competitive advantages and values of the company are their effective hospitality, leadership, their integrity and intelligent ownership. From this entire description related to the company, it is found that the financial and strategic position of the company is effective and wealthy and it will be on the same mechanism in the near future.

For an organization to become economically prosperous and active, it is more than essential to have different application moves at the same time. Financial capability and strategic capability are some of the major forces which are some of the essentials for an organization to become economically prosperous. Entities always want to increase their portfolio and financial belongings from different angles and for that purpose they have to undertake different positions into consideration. History and analysis revealed that those organizations which are effective and responding towards overcoming their loopholes are more effective and productive as compared to those organizations which are not. For this very purpose, organizations use different strategic models and units which have been made specifically for the purpose of overcoming them.

Revenue Management Systems (RMS) are having their day. They have a solid track record of increasing revenue for hotels and provide a means to optimize profitability in both low and high demand cycles. Even in a soft market, or especially in a soft market, RMS use sophisticated algorithms that allow hotels to price their availability to greatest effect. Revenue management systems provide a way to more easily manage an effective pricing strategy, as well as expand your available markets.

While they have a reputation of being one of the more expensive hotel technology systems, many companies now offer more affordable subscription systems, along with documented results to support the cost. Some even offer guaranteed returns.

The high cost of deploying an RMS has slowed their adoption by independent hotels and resorts. Many properties rely only on the basic yield management tools included with their PMS or their own internal systems to manually analyze and finesse rates and inventory. Compared to the sophisticated analysis provided by leading revenue management systems, the manual tools are basic and offer only rudimentary results to the property.

There is a very real ROI when properties embrace an RMS. The industry reports that utilizing a revenue management system can add 5-7% to top line revenue results. Yet, increasing revenue isn't the only benefit of utilizing a RMS. Companies also report enhanced organizational efficiency, improved accuracy of forecasting and a better view to upcoming business trends.

PART 3

DIRECTIONS OF IMPROVEMENT PRICING AND NONPRICING INSTRUMENTS IN HILTON HOTEL CHAIN

3.1. Propositions for improvement of Revenue management system in Hilton hotel chain

Due to the increasing number of booking portals and the growing competition between them, hotels are now mainly assessed by ranking and quality.

Decision making has completely changed thanks to Big Data Analytics. Big Data optimizes results by allowing hoteliers to adjust room rates accordingly and offers

important information about the traveler. By understanding your ideal guest, you can offer personalized services and enhance the guest experience.

Revenue Management helps revenue managers use hotel resources more efficiently. Advances in technology has changed the way hotel establishments optimize revenue and manage day-to-day tasks. RMS (Revenue Management System), has made it easier to manage “volatile product inventory.” It’s not only important to have the right revenue management strategy, but it’s also important to be backed by the right technology to optimize hotel revenue and profitability [9].

Consumers today make smarter buying decisions, so hoteliers are pressured to be more precise in forecasting upcoming demand and be able to offer special promotions at the right time. With the rise of OTAs, metasearch engines and other online distribution channels, it becomes more important than ever for hotels to have a strong value proposition and the right prices to attract travelers on different digital platforms. It’s important that revenue management, marketing and sales departments work hand in hand so that their hotel’s market positioning and strategy is in alignment with public perception [2].

Staying up-to-date with the latest in revenue management doesn’t have to be stressful when you have the right technology. A revenue management solution can lessen your daily workload and help you efficiently manage your hotel’s marketing tasks. Revenue management technology offers many benefits to hoteliers. Here’s how an RMS can help improve the hotel’s profitability and distribution.

- **Historical data and booking rate.** A hotel’s historical data is traditionally stored in the PMS. By using historical data in basic demand forecasting, hoteliers can make the most of their inventory. Don’t risk leaving money on the table. With the right technology and information you can increase profitability during high and low seasons. Having the ability to predict traveler behavior and adapt to projected demand accordingly, will give your hotel an upper hand.
- **Competitor prices.** An RMS can provide valuable data about your competitors. By giving you access to information such as room rates, offers and conditions, cancellation policies, etc., in real time, hotels will have a much clearer picture about

the general market. However, hotels shouldn't be quick to slash their rates in a desperate attempt to fill vacant rooms, but instead opt for having a unique value proposition as this will be the best way to face fierce competition during "last minute" bookings.

- **Macroeconomic factors and events.** Historical data plays an important role in determining room pricing around a given event. Staying updated on local events and news can also help you adjust your rates to factors that are beyond your control, but can greatly influence demand. For example, some macroeconomic factors that would generate room rate fluctuations would be your country's economic development, changes in transportation throughout the city and variations in fuel prices. With the right RMS, you can quickly adjust rates to market conditions.
- **Flight data.** The connection between flight travel and hotel demand is clear. The more flights scheduled for a destination, the greater the likelihood that travelers will look for a place to stay. Imagine that you find out a week in advance that your city's airport is scheduled to have a massive arrival of travelers. What does this mean for your hotel? If these travelers match your target audience, your hotel is more likely going to see an increase in occupancy. Although some situations are more favorable than others, it's important to adapt to any situation and connect with flights plus hotel. But of course, a good RMS already offers information about this type of product.
- **Online reputation.** Hoteliers are now more aware of their hotel's online reputation and the impact guest feedback has on a traveler's decision-making process. Price and online reviews are important to consumers so these factors should be top priority for hoteliers. Current revenue management systems take into account traveler perception to determine your hotel's market positioning. Higher classified hotels are able to charge higher prices because guests have a higher perception of service quality.
- **Meteorological factors.** Having access to data like the weather is important for hotels to be able to predict demand. You can also get additional information by monitoring the local weather in source markets. For hotels and tourist destinations,

the weather influences the market. Precise demand forecasts can condition your results and can even mean the difference between profit and loss.

- **Business Intelligence.** With today's technology, advanced analysis modules can help hoteliers gather important information about their segments and help in the decision-making process. Because hotels have to consider many factors such as market sales, segmentation, channels, agencies, and rates, this enables interdepartmental collaboration and communication. From this stems the concept of total hotel revenue management- the idea of optimizing all revenue streams together as opposed to thinking of each department separately. When your hotel team works cross-functionally, you have a better view of where your hotel stands in the marketplace.

Revenue Management has a promising future in the hospitality industry [64]. There are metrics like Net RevPAR and guest acquisition costs that are essential for Revenue Managers and owners for preparing a hotel's strategic plan. There's no denying that the revenue management department has become crucial to a hotel's success and to departments like sales, marketing and accounting. Revenue management strategies play a big role in increasing a hotel's bottom line. Decisions, for instance, are more proactive and directly connect profitability with tight margins. There's an increasing need to capitalize, especially during lean periods.

Although hotel revenue management doesn't evolve fast, strategies aimed at improving it develop in tandem with modern business and technological trends. Here are some practices that hotels use to improve the revenue that can be also implemented in Hilton hotel chain.

1. Shift to profit management

For a long time *Occupancy rate*, *ADR*, *RevPAR*, and *NRevPAR* were the most important KPIs in hotel revenue management. They measured business success and were compared to the same metrics of competitors, but today's paradigm is different.

Hotel revenue management is moving towards strategic profit management, as confirmed by a 2017 study *Total Hotel Revenue Management: A Strategic Profit Perspective*. This means that the KPIs will focus mostly on GOPPAR (gross operating

profit per room) and TRevPAR (total revenue per room). Another 2017 study, conducted by Sheryl E. Kimes of Cornell University School of Hotel Administration *The Future of Hotel Revenue Management*, reveals that GOPPAR and TRevPAR are indicated as the most important benchmarks with 33.7 and 17.5 percent of respondents supporting this idea. The research participants were 400 revenue management professionals. RevPAR (revenue per room) remains an important KPI for hotel revenue management, but its relevance is declining.

Compared to the other KPIs, GOPPAR and TRevPAR draw a broader picture of business performance. This means that a revenue manager focuses not just on a single parameter that relates to the occupancy, but the value of a room in the global economic prospects of a hotel. Another significant metric is NRevPAR (net revenue per room), because it allows revenue managers to account for expenses in their calculations.

2. Using data analysis and predictive analytics

Data is the foundation for effective business operations. Currently, data science and predictive analytics are trending in many business areas, the hospitality industry being one of them (Figure 3.1). By analyzing historical data on cancellation rates and denials, you can predict occupancy rate levels and room rates, based on past booking calendars. Deep analysis of customer behavior allows for personalizing the offers for different customer segments across distribution channels.



Figure 3.1. Data and forecasting in revenue management

Today hotel revenue managers shift from relying on general historical trends to current data that captures guest online activities, like shopping behavior analysis, cancellations and no-shows, booking patterns, and more. Such data allows hotels to improve marketing and dynamic pricing strategies. Grounding on this data, you can use predictive analytics in pricing strategies. During the last few years, some hotel giants like Marriott International have been creating analytics divisions that use existing data for further development of data-based pricing models [53].

In 2016, El Cortez Hotel & Casino started using Duetto revenue management software to track shopping behavior. Based on predictive analytics data, they took away discounts on some unnecessary positions, changed their pricing policy by decreasing midweek rates, and increasing rates on weekends or during some events. Also, the hotel changed their policy for the casino segment by identifying the most valuable players and offering them additional services. As a result, they achieved a 30 percent increase in

cash revenue, a 10 percent increase in ADR (average daily rate), and a 109 percent increase in direct room nights. The occupancy rate grew by 4.5 percent.

3. Channel and overbooking management

Revenue highly depends on the channels that guests use for booking. Channel management influences revenue management, preventing overbooking and managing customer bookings sources. Channel management software, like SiteMinder, AxisRooms, or ChannelRUSH, refreshes information about the available rooms, updating it across all the channels (OTAs and metasearch engines), and avoiding double bookings. But there are situations when overbooking can benefit the revenue of a hotel. Let's see how.

A revenue manager must analyze daily statistics by channel to understand where the bookings come from and watch the sources of double bookings to close sales on these channels. Sometimes a couple of overbookings won't matter if a cancellation is predicted. In case there isn't a cancellation, a hotel can either send a guest to another hotel, provide compensation, or offer a future discount, which costs much less than a room without a guest.

Selling slightly more inventory than is actually available can be a good revenue management strategy. For instance, it's widely applied by US airlines. Cancellations and no-shows, which always happen, lead to empty rooms. Overbooking strategy can maximize total capacity and increase revenue. In case of no-shows or cancellations, a hotel manager still can fill a previously booked room. Based on historical data of cancellations and no-shows, a revenue manager in cooperation with a front desk can distribute more property in a certain period of time to avoid unoccupied rooms.

4. Driving direct bookings

Before booking a room, travelers visit one to five websites, the 2017 Fuel Travel Behavior Study Report shows. Bookings that come from a direct channel increase RevPAR, remaining an effective distribution channel. At the same time, OTAs are growing more popular, making hotels visible to a larger number of travelers worldwide – for instance, in the United States OTAs had 39 percent of the digital travel market in 2017. But there is something that makes it less great: *rate parity*.

A legal agreement obliges a hotel to keep prices the same across all distribution channels. It means that regardless of the channel a person uses to book, via an OTA or directly at a hotel, it makes no difference to him/her because this traveler gets the room for the same price. But it does make a difference to the hotel by forcing it to pay a commission to an OTA.

Decreased spendings on OTA commissions allows for maximizing revenue, but here is the problem: how to encourage the travelers to book directly? First, by offering comps like free Wi-Fi, breakfast, or a discount for a direct booking.

Second, you can improve your website. In an increasingly competitive hospitality industry a hotel website must be user-friendly, as well as optimized for search engines and mobile channels. That is how travelers will find your property faster if they are looking for a room in your area. Current trends in driving direct traffic are SEM and SEO optimization (Figure 3.2).

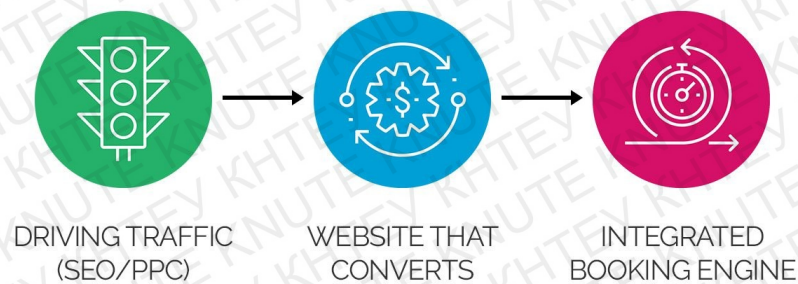


Figure 3.2. Elements of driving direct bookings online

And third, make online-bookings easier for them.

5. Mobile-driven booking

Today over one third of travelers book hotels online via their smartphones or tablets. So, once you have a website, make it mobile responsive for this category of customers. The three main elements of a mobile responsive website are: enhanced UX, a shorter reservation form, with only critical fields, and a secure mobile payment system.

A successful mobile app for a hotel is a great opportunity to cross-sell hotel services and make a guest's stay more comfortable with online check-ins and virtual

concierges. And if you add an opportunity to earn points through a customer loyalty program, the chances that a traveler will choose your hotel again increase.

6. Using AI and chatbots

Artificial intelligence and data science in the hospitality industry is not just trending, it's also impacting revenue. A chatbot on a website or within an app can answer common questions, upsell or cross-sell additional services 24/7, interacting with a customer in a natural conversation manner. A chatbot on social networks, like a hotel's Facebook group, can serve as an additional sales channel.

Chatbots can answer travelers' questions about a property, services, facilities – redirecting more complicated requests to humans – and collect information about the target audience, e.g. customer preferences and the purpose of a trip. To learn more about chatbots in the travel industry, check out our related article.

7. Generating ancillary revenue

In the hospitality industry, the term *ancillary revenue* refers to the revenue gained from sources other than the primary product offering, the rooms. These sources include food and beverage services (Figure 3.3), transportation, entertainment, spa and wellness, or miscellaneous services such as extra beds, flower delivery.

Several types of sources can be packaged and offered to a particular customer segment, like business, leisure, bleisure, family, or group travelers. Additional services are in high demand by business travelers of all age groups; while packages are more popular with leisure travelers.

Ancillary revenue influences GOPPAR, so a hotel that offers packages will be much more profitable than one that doesn't. There are internal and external packages. An internal package consists only of the items, produced, controlled, and offered by a hotel, for example, a wellness package that includes airport pick up, spa-service in a hotel, access to a gym, and a dinner at the hotel restaurant [1].

The most cost-effective way of maximizing your hotel's profitability doesn't need to involve investing several million euros or dollars in property. This is more than a matter of investing in data.

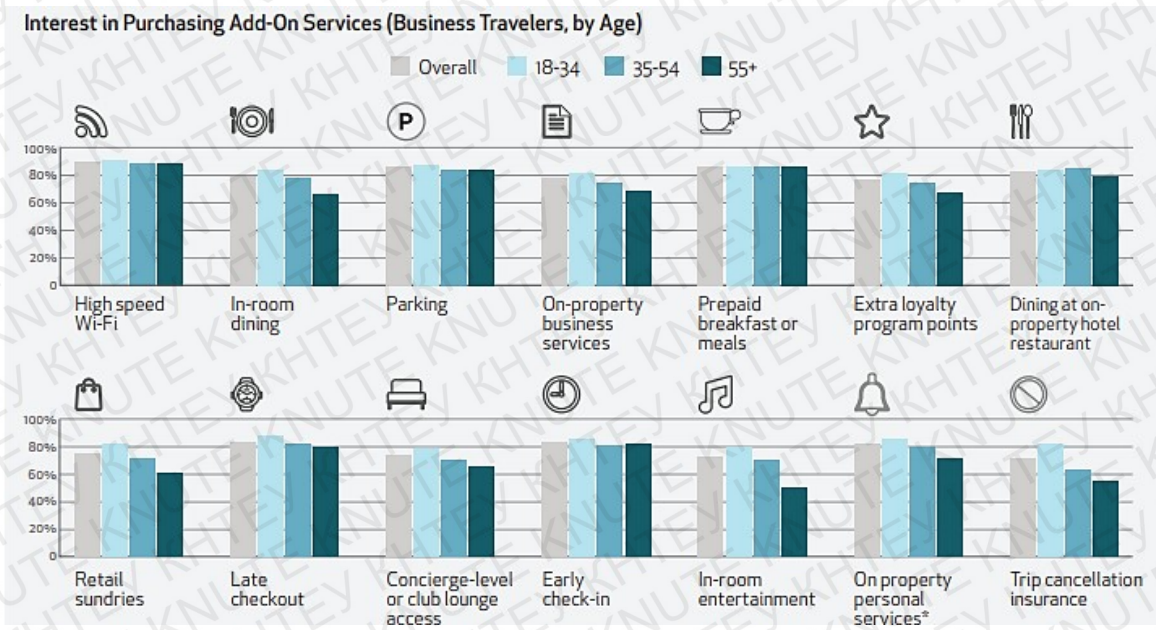


Figure 3.3. Interest of buying additional services by business travelers

Revenue Management Systems (RMS) help predict demand and therefore improve hotel management, track consumer behavior and maximize revenue associated with optimizing the booking profitability. This analysis is possible with sophisticated algorithms that facilitate customer-centric decision making and integrate the hotel's data.

3.2. Improvement of pricing and non-pricing instruments in Hilton hotel chain

Until recently, the guest experience began upon arrival at a hotel, and ended at departure. Now, this has changed; the experience will often begin at the reservation, and can continue post-stay. Guests are much more informed than they have been in the past, and will often carry out online research prior to even deciding where to go.

Today, engaging with guests and providing a great experience throughout their entire journey is critical, and getting it right can really set your hotel apart, create brand loyalty, and attract more bookings. Here is our recommendations what changes Hilton hotel chain need to implement in its activity.

First of all, it is needed to change the pricing strategy of the company, as the company has the same amount of pricing strategy for each of their consumers which is

not right, in this way the company has to change their pricing as per the affordability of the consumer.

Secondly, there is a need to enhance the level of motivation among the employees of the company through the Management By Objective (MBO) approach in which employees should become a regular part of the decision making of the company.

Thirdly, the company has to make new strategies and policies to compete with other organizations operating in the same line of business to prevent any sort of external assault and to have high market share.

After entering the 21st century, the globalization of the world economy and the knowledge economy are the two major characteristics of the rapidly growing wave in the world economy, the cross-border business has become all the only way for Hilton to develop. Multinational human resources management staffs have begun to focus on the development of the basis of this sign for the development of enterprises. Therefore, in order to promote staff, improve organizational performance and achieve common development, the enterprises and employees pay attention to the performance management in the new human resources management issues.

To maintain a competitive business proposition hotels need to be attentive to the needs of guests. Understanding the specific and varied desires of global travellers is paramount to providing world-class service.

Once you have this knowledge you can develop creative strategies that set you apart from competitors and give guests a reason to talk about, and return to, your hotel.

Here are four ways a hotel can set a higher standard for hospitality when international visitors come to stay.

1. To give guests control over the brand culture

Instead of telling guests what they will experience when they visit your hotel, let them shape the direction of their stay. By extension, this will also help contribute to your brand image and potentially improve the reputation of your hotel.

To do this you need to enable a social, intimate, and networked environment where there is a constant buzz around the property. It is necessary to consider the following tips:

- Repurpose spaces

Instead of a normal hallway, why not implement a mini art installation as guests roam your hotel?

- Facilitate positive interactions

Give your guests the opportunity to attend a bingo night where they can win prizes such as bar and restaurant vouchers, or amenity discounts.

- Create a social platform

A Facebook group specific to the guests staying at your property will encourage networking, meet-ups and a social atmosphere for guests who don't want to be cooped up in their rooms when they're not out and about.

Essentially, you should always gear activities towards giving your guests a chance to interact with each other and also your staff.

2. To emphasize the creation of valuable hotel experiences

Don't be afraid to experiment to ensure you're always presenting a fresh experience for guests. Travellers increasingly value experiences over materials or products so you should allow them to customize their own stay.

For example, some guests may prefer a downstairs room, later breakfast, or 24-hour gym access. Providing these choices will make the guest feel like they've had a more personalized stay.

You can also give guests a lasting experience by letting them purchase hotel features such as glassware, linen, or soap, and sending them home with interior design guides they can try themselves.

3. To create flexible and unique property spaces for long-term guests

You may want to pay closer attention to those guests who book for longer periods of time, visit frequently, or require more flexibility than the average traveller. Most often this group will be characterized by business travellers or families.

If you are targeting these travellers you'll need to foster an environment that promotes work, play, and relaxation. It's also important to remember you don't have to be in the heart of your destination, but where your guests want you to be. For instance, many business travellers enjoy a hotel that has close proximity to the airport.

Spaces within the hotel, such as under-utilised common areas, could be transformed into co-working areas or retail spaces for local businesses. Designing the hotel as a set of interconnected spaces, instead of a single centralized hub, will give guests more flexibility and choice about how they enjoy their stay.

4. Embrace the strengths of your property's destination

Demonstrating cultural awareness and sensitivity at your hotel will impress local and international travellers alike. Guests are looking for meaningful ways to engage with the local flavor of their destination so you will want to help them do this by incorporating it into your property.

Here are some things managers can do at the hotel:

- Open space for a farmer's market or other similar activities
- Collaborate with other companies to promote things like educational forums, public events, and exhibitions
- Incorporate the work of local designers, artists, and craftsmen into the spaces of the hotel

This will increase the authenticity of the hotel and make guests want to spend more time there, giving the hotel an opportunity to earn more revenue.

Conclusions to part 3

Revenue Management has a promising future in the hospitality industry. There are metrics like Net RevPAR and guest acquisition costs that are essential for Revenue Managers and owners for preparing a hotel's strategic plan. There's no denying that the revenue management department has become crucial to a hotel's success and to departments like sales, marketing and accounting. Revenue management strategies play a big role in increasing a hotel's bottom line. Decisions, for instance, are more proactive and directly connect profitability with tight margins. There's an increasing need to capitalize, especially during lean periods.

Although hotel revenue management doesn't evolve fast, strategies aimed at improving it develop in tandem with modern business and technological trends. Here

are some practices that hotels use to improve the revenue that can be also implemented in Hilton hotel chain: first of all to use driving direct bookings and mobile-driven booking.

A successful mobile app for a hotel is a great opportunity to cross-sell hotel services and make a guest's stay more comfortable with online check-ins and virtual concierges.

Secondly, using AI and chatbots on the online platforms connected with Hilton hotel chain. A chatbot on a website or within an app can answer common questions, upsell or cross-sell additional services 24/7, interacting with a customer in a natural conversation manner.

Chatbots can answer travelers' questions about a property, services, facilities – redirecting more complicated requests to humans – and collect information about the target audience, e.g. customer preferences and the purpose of a trip.

There is also a need to enhance the level of motivation among the employees of the company through the Management By Objective (MBO) approach in which employees should become a regular part of the decision making of the company.

Thirdly, the company has to make new strategies and policies to compete with other organizations operating in the same line of business to prevent any sort of external assault and to have high market share.

To maintain a competitive business proposition hotels need to be attentive to the needs of guests. Understanding the specific and varied desires of global travellers is paramount to providing world-class service.

The most cost-effective way of maximizing your hotel's profitability doesn't need to involve investing several million euros or dollars in property. This is more than a matter of investing in data. Revenue Management Systems (RMS) help predict demand and therefore improve hotel management, track consumer behavior and maximize revenue associated with optimizing the booking profitability. This analysis is possible with sophisticated algorithms that facilitate customer-centric decision making and integrate the hotel's data.

CONCLUSIONS AND PROPOSALS

In order to build a sustainable competitive advantage, hotels must use price as a strategic weapon, not a tactical tool. If a hotel competes solely on price, it will not succeed since other hotels will quickly undercut the price or will offer additional value for the same price. By deciding the prices to be charged to specific market segments and by concentrating on delivering superior value, hotels will achieve long-term and sustainable revenue gains. Current literature review has identified some gaps in the existing research. In view of them, we suggest that future research agenda might focus on several directions:

Firstly, hotel RM mathematical problems could be expanded from single-unit to multiple-unit problems. When a hotel chain has several substitutable properties in terms of location, services and category in one destination, it can coordinate the individual properties' RM practices in order to maximize chain's revenues as a whole, not the revenues of individual properties. Booking requests for hotels with no availability, for example, can be directed to other chain properties. In this case, the chain's overbooking policy treats chain hotels as one property, not as single separate units. Although hotel chains and RM software developers actively adopt multiple-unit RM strategies, the academic research in the field is severely lagging behind.

Secondly, RM theory would benefit significantly, if special events are included in the mathematical models. During special events demand for rooms is much higher than normal business days and historical booking data might not be suitable (or even available if it is a first-of-a-kind event in the destination). Nevertheless, regression models and neural networks could be adjusted to account for special events. In this direction for future research practice is again ahead of theory, as special events are already incorporated in RM software.

Thirdly, the additional hotel revenue centers (restaurants, casinos, golf courses, function rooms, spa centers, paid sports facilities, room service, minibar, etc.) have to be incorporated into the mathematical models. Such an exercise will provide a more comprehensive approach towards the maximization of hotel revenues as a whole, not

only its separate departments. Currently, hotels take steps to move towards total revenue management, that integrates all revenue centers in the hotel, but the researching the area has yet to catch the RM practice. Again here the RM practice is better developed than the theoretical research and many hotels / hotel chain have already adopted total revenue management, but the latter is still to find its way in academic research.

Fourthly, research could concentrate on length of stay controls as well. The limitations about minimum (rarely maximum) stay at the hotel during special events, weekends or other periods, has a direct impaction the number of bookings the hotel receives and its revenues. Despite its importance as a non-pricing RM tool, our review of related literature revealed that length of stay control is quite neglected, which provides ample space for future research in the field.

From the analysis, it is found that the financial position of the company is perfect and well organized, showing that this particular aspect is essential. Hilton Worldwide is a Public Listed Company, registered on the New York Stock Exchange (NYSE) and it is traded with the name of HLT.

The business values and mission of the company are effective which a perfect sign is for the company in particular. The mission of the company is “to be the preeminent global hospitality company, the first choice of guests, team members and owners alike”. Apart from the mission, the company has a dominating and effective vision as well. The vision of the company is “To fill the earth with the light and warmth of hospitality”. There are competitive advantages and values of the company are their effective hospitality, leadership, their integrity and intelligent ownership. From this entire description related to the company, it is found that the financial and strategic position of the company is effective and wealthy and it will be on the same mechanism in the near future.

For an organization to become economically prosperous and active, it is more than essential to have different application moves at the same time. Financial capability and strategic capability are some of the major forces which are some of the essentials for an organization to become economically prosperous. Entities always want to increase their portfolio and financial belongings from different angles and for that purpose they have

to undertake different positions into consideration. History and analysis revealed that those organizations which are effective and responding towards overcoming their loopholes are more effective and productive as compared to those organizations which are not. For this very purpose, organizations use different strategic models and units which have been made specifically for the purpose of overcoming them.

Revenue Management Systems (RMS) are having their day. They have a solid track record of increasing revenue for hotels and provide a means to optimize profitability in both low and high demand cycles. Even in a soft market, or especially in a soft market, RMS use sophisticated algorithms that allow hotels to price their availability to greatest effect. Revenue management systems provide a way to more easily manage an effective pricing strategy, as well as expand your available markets.

While they have a reputation of being one of the more expensive hotel technology systems, many companies now offer more affordable subscription systems, along with documented results to support the cost. Some even offer guaranteed returns.

The high cost of deploying an RMS has slowed their adoption by independent hotels and resorts. Many properties rely only on the basic yield management tools included with their PMS or their own internal systems to manually analyze and finesse rates and inventory. Compared to the sophisticated analysis provided by leading revenue management systems, the manual tools are basic and offer only rudimentary results to the property. There is a very real ROI when properties embrace an RMS. The industry reports that utilizing a revenue management system can add 5-7% to top line revenue results. Yet, increasing revenue isn't the only benefit of utilizing a RMS. Companies also report enhanced organizational efficiency, improved accuracy of forecasting and a better view to upcoming business trends.

Revenue Management has a promising future in the hospitality industry. There are metrics like Net RevPAR and guest acquisition costs that are essential for Revenue Managers and owners for preparing a hotel's strategic plan. There's no denying that the revenue management department has become crucial to a hotel's success and to departments like sales, marketing and accounting. Revenue management strategies play a big role in increasing a hotel's bottom line. Decisions, for instance, are more proactive

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THE PRODUCT INNOVATIONS IN THE HOTEL CHAINS
 STELMAKH K., 1 COURSE OF MASTER FRHTB KNUTE,
 SPECIALITY «INTERNATIONAL HOTEL BUSINESS»

The article focuses on the study of the role and importance of innovation, its definition and classification, the problems of its application in the hotel industry with emphasis on the application of digital products within the hospitality industry.

Стаття присвячена вивченню ролі та важливості інновацій, їх визначенню та класифікації, проблемам застосування в готельній індустрії з наголосом на застосуванні цифрових продуктів в індустрії гостинності.

Key words: innovations, application, Innovation Space, hotel industry, hospitality.

Ключові слова: інновації, застосування, інноваційний простір, готельна індустрія, гостинність.

The actuality of the article. The hotel industry is considered to be the most important branch of tourism and the most significant type of accommodation because of its ability to provide revenue and satisfy the needs of the guests.

There is huge competition in the hotel industry so in order to be able to maintain or improve their market positions and reputations; they need to develop innovations. Because it is not difficult to copy

the innovation ideas from each other, they have to think about building very special hotels for special

target groups. Innovation raises attention, helps positioning, brand recognition and differentiation.

The purpose of the article is to find the most successful innovative products that have been implemented in the international hotels.

The object of the research is hotel products.

The subject is methods, instruments and different tools that help to implement innovations into hotel industry.

Innovation is essential for all kinds of companies. It is getting harder and harder to preserve for them to defend their position in the market. The best and necessary way to be able to do this is innovation. The concept of innovation was originally developed from the manufacturing industry but has become essential for companies dealing with services.

A lot of people are confused, when they hear the word: innovation. They do not know what exactly the word means and what the main characteristics of it are. The two words invention and innovation often get mixed up; sometimes they are even used as synonyms. The beginning of the process of transformation is called invention. It is used as an effective idea. "Invention is part of innovation or the innovation process." (Otterbacher, 2008, p. 342)

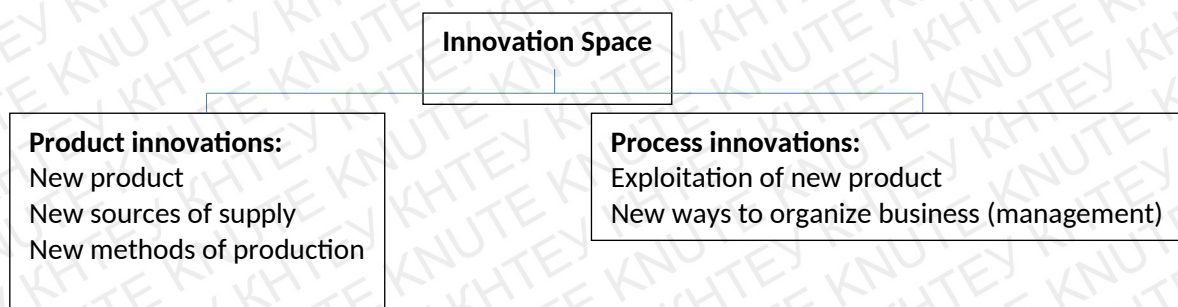
Tidd (1997) had an idea that innovation came from the word 'innovare'. It is a latin word, and the meaning is to create or make a something new. (Otterbacher, 2008) Schumpeter (1934) was one of the first researchers who developed the theory of innovation. He said that innovation was a new way of doing things or better/ unique combinations of production factors (Otterbacher, 2008). As he wrote, innovation is making new opportunities for additional valued added, it does not involve just the typical product/process innovation of manufacturing but also the market, organisational and resource input innovations, too. (Martínez-Ros & Orfila –Sintes, 2009).

Otterbacher (2008) asked the question: what is the secret of successful innovation? It needs a combination of a high degree of professional management and the use of creativity. Creativity is an

ability to develop new and useful ideas; it can open new ways to find out problems and opportunities at the exact company. “The innovation management is the ability to implement creative ideas to those problems and opportunities.” (Otterbacher, 2008, p. 341) Innovation management To run a formal well-planned process and to be successful in hospitality innovation, leadership style and know-how need to be the focus. The successful process is created from a clean, wellcommunicated strategy and vision, by managers who support the project strongly. (Otterbacher, 2008) It is essential to involve the employees, because they have the ability to repair the quality of the service and they always are aware of customers’ needs. John & Storey (1998) argued that the most likely pitfall with innovation is not enough employee energy invested; despite that they have the necessary knowledge and experience to develop the new service. As Schneider & Bowen (1995) said employees can analyse the customers’ demands, and they know how it should be fulfilled. ‘Furthermore, employee involvement in the process helps the organization to focus more strongly on the customer instead of focusing on process efficiencies.’ (Otterbacher, 2008, p. 355) Of course, an innovative idea is not enough. The critical part occurs when the idea is being converted into a product or a service.

If a hotel is not involved in any innovation process, its performance will sooner or later diminish and its competitiveness will be lost.

There is a wide range of factors affecting the application and development of innovation, i.e. consistent industry problems, specific mentality of consumers, cultural and national quirks of the customers enjoying hotel services, etc.



Researchers deal with different innovation groups and innovation activities as well. In order to measure innovation activities three main categories can be identified: (Tseng & Kuo & Chou, 2008, p. 1019)

- Technological innovation
- Organisational innovation
- Human capital innovation

Technological innovation

According to Sheldon (1983) this kind of innovative methods is capable to provide equipment and technologies (Tseng & Kuo & Chou, 2008, p. 1018) which offer new and improved tools/machines that are suitable for the production and enhance the effectiveness of management. This is very important for the hotel industry’s profitability. The technological innovation is shown primarily in the improving of the communication and computer networks. This kind of change is the strongest modifying and reshaping force in the market, so hotel CEOs know how important the innovation is, especially how important the innovation in the communication and how essential information technology’s potential benefits can be, which are deeply influenced by the relationship between the customer and the service. (Tseng & Kuo & Chou, 2008)

Organizational innovation

The organizational innovation shows the organizational capital changes. This kind of innovation refers to the efficiency and effectiveness of the innovation, and how to manage and develop the knowledge of the hotels’ CEOs, when they confront a competitive environment. This mode includes the organizational processes and the organizational culture as well. (Tseng &Kuo & Chou, 2008)

Human capital innovation

According to Orfila-Sintesa et al. (2005), the human capital innovation advocates that the adjustment of human capital skills is mostly equal to efforts in successful innovation implementation. (Tseng & Kuo & Chou, 2008) Updating these skills/capabilities emphasize the changing in training, in investment, and in the case of human resources (Griliches, 1990; Pine, 1992; Van de Wiele, 2007) .This updating plays an important role also in the success of the innovation. (Olsen & Conolly, 1999; Sirilli & Evangelista, 1998) The human capital innovation includes the collective hotel capability to bring out the right solution to the 649 knowledge of the employees and the employees skills such as a wide-ranging customer relationship or the experience.

We have highlighted few of the innovative products that are reshaping the hospitality Industry.

Diversification of Innovative products in the Hospitality Industry	
1. Smart In-room Technologies	<p>Smart in-room technology is taking the hospitality industry by storm.</p> <p>These smart in-room tech reshaping hotel industry include mobile keys, nifty devices that allow guests to unlock their room doors using their smartphones; in-room tablets; smart check-in & check-out systems; wireless charging pads; smart drapes & lighting; smart TVs, virtual reality and much more.</p> <p>With over 20% of hotels worldwide already on board, this top innovation in the hotel industry will continue to reshape the sector in the next decade or so.</p>
2. Self-Serve Tech	<p>Serf Service Technology is growing in importance within the hospitality industry.</p> <p>The hospitality industry has come a long way when it comes to automation of services – and with good reason. Today’s tech-savvy guests prefer tech over human interaction.</p> <p>That’s why automated check-ins and check-out options are now the norms.</p> <p>From browser-based applications to mobile apps, service automation is one of the most innovative products in the hotel industry.</p>
3. Robots in the Hospitality Industry	<p>Together with artificial intelligence, these robots can do just about anything in a hotel – from checking in guests to in-room service and even bellhop services.</p> <p>In Japan, there are even more advanced robots that do unbelievably well.</p> <p>In Hilton Hotels robot Connie works side-by-</p>

	side with Hilton's Team Members to assist with visitor requests, personalize the guest experience and empower travelers with more information to help them plan their trips.
4. iBeacons and Location-Based Tech	When it comes to top innovation in the hospitality industry, location-based services are making waves with guests. Although much of this nifty tech is in its infancy, we can expect them to help staff locate guest without much hassle. This is certainly one of the top innovative products of the hotel industry to keep an eye on.
5. SIP-DECT in the Hospitality Industry	SIP-DECT is a top innovation in the hospitality industry much like setups found in fixed networks. SIP-DECT, however, is a mobile-enabling technology that offers hotel works sizzling features without tying them to a fixed location. Picture something like VoWLAN – SIP-DECT is much more robust and agile.
6. Social Listening	Social listening technologies are reshaping hospitality industry like never before. Since most customers are already on social media platforms, hoteliers can get “an inside scoop.” This way, they can offer personalized services. Expect this to become more and more visible in the future.

According to Otterbacher & Gnoth (2005) there are several advantages to the use of innovation. ‘In the context of business and hospitality, the major benefit of successful innovation is to be or become, more competitive.’ (Otterbacher, 2008, p. 340) Each product or service goes through a life cycle: from birth, it goes through several stages, eventually dies, and is replaced by newer and better products or services. Every product or service declines once. This is the reason why companies have to develop new products and services. (Otterbacher, 2008)

The next advantage to be considered is competitiveness. Innovation helps to keep the portfolio of the service and product competitive and ‘thereby achieve a long-term competitive advantages.’ ‘The less quantifiable benefits of successful innovations include enhancement of a business’s reputation and increased loyalty of existing customers.’ (Otterbacher, 2008, p. 340)

As Otterbacher (2008) said there were some challenging characteristics of innovation for example ‘growing social and governmental constraints, downsizing, restructuring, technological change and changing customer demands’. Because of these features, hospitality companies do not afford to rely on past successes. This is precisely the reason why they are building new services, and are able to work in an innovative environment. [Otterbacher, 2008]

Cooper & Edgett [1999] argue that innovation is becoming more ‘vehement’. It was argued that hospitality organizations have two choices: either renew successfully, or fail. (Otterbacher, 2008)

For hospitality organizations, the dilemma is not only that the company's long-or short-term success is critical, but also that ‘the failure rate of new products and services is high.’ (Otterbacher, 2008, p. 341) Cooper (2001) has examined the failure rate of product innovation. This rate was between 25% and 45%. (The exact rate depends on the industry.) Griffin’s (1997) research showed that the average success rate of a new service project was 58%. That result pointed out that four out of

ten new services fail in the market. 'The high failure rate of innovations results in wasted time, money and human resources.' (Otterbacher, 2008, p. 341)

Apart from the high failure rate, innovation has other disadvantages for example it is expensive and risky. Not only small businesses are problematic in innovation management, but the large and successful companies too. It is not impossible that these successful organizations also fail with the introduction of new services. It happens in the hospitality sector as well, for example with McDonald's new menus where some failed. It is important that companies pay attention to the failures, because these do not entail only high costs and wasted resources, but can even destroy the image of the company as well. (Otterbacher, 2008)

CONCLUSION. Innovation has an important role in today's economies. There is no company which can survive in this changing environment without being able to innovate from time to time. In the paper first the innovation theories were introduced and reviewed including the success factors, the advantages, disadvantages and the pitfalls of innovation. The hotel chains concentrate on organizational and human capital innovation according to other grouping, but they are rarely applying technological innovation.

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Work is executed under scientific guidance of the Candidate of Economic Sciences,
Associate Professor, KULYK M. V.