Relationship or revenue: Potential management conflicts between customer relationship management and hotel revenue management

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ABSTRACT

The concepts of customer relationship management (CRM) and revenue management (RevM) have been embraced by managers in the hospitality industry although, in practice, companies may find it difficult to accommodate both fully. This paper examines the compatibility between the two practices and discusses the possible management conflicts that occur from both account managers' and revenue managers' viewpoints. Findings gathered from an international hotel company reveal several causes of potential management conflicts including: management goals, management timescales, perceived business assets, performance indicators and management foci between CRM and RevM due to divergence occurring in managers' priorities and in their approaches to achieving their individual set goals. These differences have rarely been comprehensively investigated in previous studies, yet are vital in integrating CRM and RevM practices.

1. Introduction

As the full extent of the recent economic recession has been realised, many companies have been forced to re-examine their business practices in order to sustain their financial success in a volatile market. A company's ability to increase revenue through effectively managed customer relationships is deemed to be vital in overcoming the uncertain economic outlook worldwide. However, in hospitality and tourism organisations such as airlines, convention centres and hotels, where revenue management is widely practised, companies may encounter difficulties in accommodating both customer relationship management and revenue management practices. This may be because the former stresses the importance of profitable return from well-managed customer relationships, whereas the latter emphasises revenue maximisation predominately through effective management of perishable inventory.

The effect of revenue management on customer relationships has drawn hospitality and tourism researchers' attention from both operations management and marketing perspectives in recent years. Revenue management studies carried out in the hospitality industry have not only endeavoured to harmonise the two practices by identifying areas of customer conflict (Kimes and Wirtz, 2002; Noone et al., 2003; Mathies and Gudergan, 2007), but have also recommended a range of functional marketing strategies to reduce these conflicts (Wirtz et al., 2003). In a business-to-

business relationship context, research findings suggest that hotel revenue management has had both positive and negative impacts on relationships with hotel key accounts, though there appears to be an imbalance between the positive benefits to the company as opposed to the mainly negative consequences for key clients (Wang and Bowie, 2009). Furthermore, the possibility of revenue management may be at odds with the relationship trust that has been highlighted by McMahon-Beattie et al. (2002) and McMahon-Beattie (2006). Nonetheless, the dilemma of choosing between a long-term relationship and immediate revenue gain continues to be troublesome. Investigations into the compatibility between CRM and hotel revenue management practices at management level continue to be limited. This paper aims to provide an insight into hotel managers' opinions on where, how and why the current CRM and RevM practices may or may not be compatible from a management perspective. It discusses real-life complexities of increasing revenue performance and illuminates the challenges hotel managers face in maintaining relationships with valuable key customers. It also suggests that CRM and RevM should be seen as complementary business practices; however, in order to achieve this, any potential management conflicts between them need to be explicitly identified and addressed.

2. Theory

2.1. CRM and its relational approach to customers

It is evident in the literature that relationships in marketing has been a popular area of study since the 1990s following the development of relationship marketing theory, regarded by some

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as a 'new marketing paradigm' (Kotler, 1992; Gronroos, 1994; Gummesson, 2001), a 'paradigm shift' (Sheth and Parvatiyar, 1993; Gronroos, 1994; Morgan and Hunt, 1994) and a 'global concept' in marketing practice (Egan, 2008). Relationship marketing may have 'refocuses [sic] marketing strategy away from products and their life cycles towards customer relationship life cycles' (Palmer, 1996:19), but more significantly, the concept of relationship marketing has caused companies to consider their relationships with their customers. As a result, by the early part of the twenty-first century an array of related concepts had emerged, including CRM. Although relationship marketing and CRM both stress the importance of two-way communication and focus on customer retention (Lockard, 1998; Deighton, 1996), their management priorities are different. The former is regarded as an alternative approach to marketing, based on the establishment and management of a number of relationships with both internal employees and external suppliers, customers and other stakeholders (Berry, 1983; Jackson, 1985; Gronroos, 1996; Gummesson, 1999). CRM, meanwhile, has a strong focus on the management and development of profitable customer relationships (Anton, 1996; Ryals et al., 2000; Buttle, 2004), which draws attention to identifying and retaining the most profitable customers and improving the profitability of less profitable customers or segments (Ryals et al., 2000).

The concept of CRM has also been the subject of considerable research in the marketing discipline. This is exemplified by the continuing trend of CRM studies that explore the significance of managing and developing relationships between companies and customers (Berry, 1995; Barnes, 1997; Rao and Perry, 2002; Buttle, 2004). In the context of service industries, CRM practice has been widely adopted in an endeavour to increase return on investment through a relationship-oriented management approach (Barnes and Howlett, 1998; Buttle, 2004). It is worth noting that despite the plentiful definitions provided in the marketing literature, it is still difficult to define the term CRM because the concept is composed of divergent aspects, each of which can be viewed from a different perspective. For instance, Zablah et al. (2004:476) suggest that there are 45 distinct CRM definitions. It is necessary, therefore, to clarify that this research examines CRM as a concept, which Hasan (2003:16) defines as 'a business philosophy aimed at achieving customer centricity for the company'. More specifically for the purpose of this study, CRM is about identifying, satisfying, retaining and maximising the value of a company's best customers (Rigby et al., 2002).

The difficulties in determining a commonly agreed CRM definition has not stopped managers from embracing CRM on the basis of the perceived financial benefits it may bring (Berry, 1995; Rao and Perry, 2002). Studies within this discipline have substantiated the links between customer retention, customer profitability and customer lifetime value, which have further encouraged companies to view their customer as a 'valuable asset'; hence, the longer a company keeps its customers, the more profit it could gain from them (Kutner and Cripps, 1997; Gupta and Lehmann, 2003). Whilst the long-term financial gain from retaining and improving customer relationships could be one of the main benefits of CRM, other factors, such as increased market volatility and intensified competition, have also encouraged companies to employ CRM. Many companies strive to safeguard their customer base as a valuable long-term asset, particularly following the credit crunch and subsequent worldwide recession. Consequently, for many organisations, the adoption of CRM practice is no longer a choice but rather is a necessity for both 'offensive' and 'defensive' reasons (Buttle, 2004:28). The former is associated with a desire to improve profitability by reducing cost and increasing revenues through improved customer satisfaction and loyalty; the latter arises when companies fear losing customers and revenue (Buttle, 2004). However, in the hospitality and tourism industries, where revenue

management is commonly practiced, maximising today's revenue appears to be more tempting than retaining tomorrow's customers. Consequently, it is more sensible for revenue managers to maximise revenue – particularly during high-demand days – which results in customers and customer relationships not necessarily being considered the first priority. In order to comprehensively examine the conceptual differences between CRM and revenue management practices, the next section of this paper reviews literature pertaining to revenue management, with a focus on its effect on customers.

2.2. Revenue management and its potential conflicts with customers

Unlike CRM practitioners, whose main priorities are to maintain and develop profitable customer relationships, revenue management users aim to maximise revenue and ultimately profit through improving sales (Anderson and Xie, 2010; Siguaw et al., 2003) by increasing operating efficiency and effective management of three main areas: pricing, inventory control and customer mix. Although the revenue management (also known as yield management) concept was initially developed to save the US airline industry from declining market demand and increased competition (O'Rian, 1986; James, 1987; Fockler, 1991; Donaghy, 1996), it was soon adopted by other capacity-constrained service sectors. Examples include restaurants (Kimes et al., 1998, 1999, 2002; Kimes and Wirtz, 2003), health care (Kimes, 1989b); convention centres (Hartley and Rand, 1997), stadiums, cinemas and theatres (Kimes, 1989b), theme parks (Goulding and Leask, 1997), casino companies (Hendler and Hendler, 2004), cruise lines (Hoseason and Johns, 1998), golf courses (Kimes, 2000) and of course hotels (Orkin, 1988; Kimes, 1997, 1989b; Brotherton and Mooney, 1992; Cross, 1997; Weatherford and Kimes, 2001; Wang and Bowie, 2009; Anderson and Xie, 2010; Heo and Lee, 2011; Padhi and Aggarwal, 2011). In the hotel industry, RevM became part of the standard operating procedure as sophisticated electronic property-management systems were developed in the late 1980s. This appears to have revolutionised hotel operations management, with some noticeable claims for success (Cross, 1997). Despite the criticism that it is difficult to prove conclusively that revenue management improves hotels' operating performance (Jones, 2000) because implementation is not always precise, nor are common procedures adopted (Griffin, 1995; Jarvis et al., 1998), evidence from studies does suggest that revenue management leads to a 1–8% profit improvement in hotels (Jones, 2000).

Using revenue management may give a company financial lift by maximising revenue through selling their fixed asset (capacity), but concerns regarding its effects on customer relationships have been cited by academics as well as by practising managers. This is considered to be an under-researched area; Wirtz et al. (2003:217) appropriately pointed out that 'the customer seems to have been relatively forgotten in this [revenue management] stream of research'. Findings from existing revenue management studies suggest that there are a number of causes for potential customer conflicts. The first of these relates to customer perceptions towards the 'fairness' of revenue management practices (Kimes, 1994; Kimes and Wirtz, 2003; Huang et al., 2005; Choi and Mattila, 2006; Mathies and Gudergan, 2007; Heo and Lee, 2011). Kimes (1994) states that customers may perceive revenue management practice to be unfair if there is a lack of information on transactions and no rationalised pricing decisions are provided, potentially alienating customers. A second cause for conflict lies in the application of different pricing strategies such as those that are demand-oriented (Kimes and Wirtz, 2002), which often leads to unwelcome price fluctuation, especially during peak seasons, and could result in mistrust arising between the customers and the

company (McMahon-Beattie et al., 2002). Third, conflict can arise from the use of various allocation and availability inventory control restrictions (Wirtz et al., 2003), such as limited allocation for certain rate categories and availability control restrictions that tend to link to length-of-stay requirements, which are in the best interests of the company but not the customers; hence researchers 'concerns over customers' acceptance towards revenue management practices (Kimes and Wirtz, 2003), its negative effects on customer satisfaction (Kimes and Wirtz, 2002; Lindenmeier and Tscheulin, 2008), and trust (McMahon-Beattie et al., 2002).

It is evident from the literature findings that the notion of integrating RevM and CRM (Noone et al., 2003) may well lead the hospitality industry to 'a new era' (Mainzer, 2004:285), though not without challenges. Research conducted in the gaming industry (Hendler and Hendler, 2004) shows a positive outlook in combining RevM and CRM, but stresses that three conditions need to be met: a supportive organisational structure; the right technology; and human intelligence or analytical skills. Findings from hotel guests and airline passengers (Mathies and Gudergan, 2007:332) also reveal that 'the potential to cause [customer] conflict is even greater if a service firm simultaneously engages in RevM and customer-centric marketing practices', and suggest that the underlying cause of conflict 'mainly lies in the incompatible nature' of the RevM and CRM practices 'where available seats are withheld from award bookings and data collected about loyal customers is not used for personalised offers'. Therefore, unsurprisingly, 'many managers have been reluctant to adopt RevM practices because of possible customer dissatisfaction' (Kimes and Wirtz, 2003:126). Furthermore, the need for more research into modelling customer behaviour in RevM and auctions in the online marketplace has also been emphasised in generic operations management literature (Shen and Su, 2007:724) as 'one of the most important research areas in operations management' to enhance companies' ability to make effective operational decisions.

On the whole, a review of the extant literature has indicated that the majority of previous RevM studies with regard to customer relationships have focused on the fairness issues of RevM and external customer perceptions of RevM practice. There seems to be limited research into a company's internal practising managers' opinions on where, how and why CRM and RevM practices may or may not be compatible, especially when considering a long-term relationship with key customers. The answers to these questions are essential in enhancing mutual understanding among relevant managers and in minimising barriers to align CRM and RevM successfully as complementary business practices.

3. Methods

Considering the exploratory nature of this study and the fact that it is concerned with organisational attitudes, philosophies and practices, it is apparent that an inductive study taking a qualitative approach is required (Creswell, 1994). The qualitative research style is promoted by phenomenologically based researchers who employ an exploratory manner to develop insights into areas in which theory is limited or does not exist (Yin, 1994). It allows not only for the acquisition of in-depth information, but also for minimisation of the distance between the researcher and those being researched. Easterby-Smith et al. (2002) suggest that it contributes to an understanding of the complexity of organisational problems by revealing the texture of organisations and involving the activity interactions between management, employees and customers. After conducting an extensive literature review, a single embedded case study method was deemed to be appropriate in order to gain an in-depth understanding in a real life context (Yin, 1994). Subject-specialist scholars and relevant managers from a number of hotel

chains were also consulted at the initial stage of the research design, in order to gain their insights into the topic.

A research framework was subsequently devised. The framework proposed firstly to examine a company's relevant policy and practices as established by its head office, and to assess its applications in and implications for the hotel units; secondly, to evaluate the effectiveness of its implementation and operational implications in the sales and marketing units; and thirdly, drawing upon the information collected, to seek relevant managers' perceptions and opinions on the compatibility between CRM and revenue management.

3.1. Sampling

A variety of non-probability sampling techniques (Saunders et al., 2003) were used to select the suitable case study company, embedded properties and key informants. The selection process was guided by two main considerations: to find the 'right' company and the 'right' people. At the company level the aim was to select an organisation that not only represented the industry in terms of its size and status, but also one who practised revenue management and CRM. At an individual participant level the emphasis was placed on finding and gaining access to key personnel who would provide valid data and who were reliable sources. In order to gain rich information and to fully display multiple perspectives about the case study company, purposeful non-probability sampling techniques (Creswell, 1998; Miles and Huberman, 1994; Saunders et al., 2003) were used at the different stages of the research process.

Three international hotel companies were initially targeted through purposive sampling. However, after taking the companies' sensitive data accessibility into consideration (Creswell, 1994), the number of samples was reduced to two; both of whom were interested in taking part in the research. Finally, S Hotels, a UK-based international hotel group that operates predominately in the 4-star deluxe (B brand) and 4-star (C brand) markets, was self-selected as a 'voluntary sample' (Creswell, 1994) because one of the senior sales managers wanted to participate as he had 'strong feelings' about the research issues addressed. This research, therefore, benefited from the wide-ranging access granted by S Hotels and the facilitation of willing managers from their four London hotels. Subsequent to courtesy visits to the company's head office and three regional sales offices, four hotels (B1; B2; B3 and C4) located in central London were recommended by the internal members as appropriate multiple-cases embedded through snowball sampling, because they best represent the dilemma that most hotels are facing – managing revenue achievement and good customer relationships. Table 1 summarises the profiles of the four hotels chosen.

Initial meetings with the general manager, the director of sales and the revenue manager of each hotel then took place with the following aims:

- to confirm previous research outcomes;
- to further explain the research objectives;
- to seek the individual property's facilitation during the data-collection stage; and
- to arrange a suitable time to conduct data-collection activities.

It is worth noting that property C4 from the company's C brand (4-star hotels) was included in the study after the first three hotels were selected. This was as a result of the strong recommendation of the company's director of room development. The researcher was advised to speak with the managers of C4 because C4 is a large 4-star property (800+ bedrooms) located in central London and is well-known for revenue management success, and was therefore perceived to be beneficial to the study.

Table 1
Profile of the chosen four embedded hotels.

	Hotel name			
	B1	B2	B3	C4
Location	City centre	City centre	City centre	City centre
Style	Contemporary	Grand/traditional	Modern/international business	Modern high rise
No. of rooms	200+	300+	600+	800+
No. of restaurants	1	2	2	3
No. of bars	1	2	2	1
Leisure	–	Yes	–	–
Parking	–	Yes	Yes	Yes
Function rooms	6	7	9	8
Conference capacities				
Theatre	120	450	410	280
Classroom	80	310	186	160
Boardroom	50	80	78	92
Banquet	100	460	310	300

3.2. Data collection

Data were collected through multiple data-collection methods in order to ensure the validity and reliability of this case study at the design stage (Yin, 1994; Denzin, 1998). These methods included document studies, non-participant observation and semi-structured interviews from three divergent sources: head office; three centralised sales and marketing offices (Corporate Sales, Leisure Sales and Airline Sales) and four hotel properties.

Document studies were conducted first; these involved examining company policies, standard practices, training manuals, minutes of meetings, memos, management reports, customer complaint letters and customer contracts that are relevant to both CRM and revenue management areas. Secondary data were targeted because it is believed to be important to 'corroborate and augment evidence from other sources' (Yin, 1994:81). Documents often covered a long period of time and many events and settings, and gave exact names, references and details of events (Hodder, 1994). The variety of documents collected from head office, individual hotels and sales and marketing offices were also used to identify key informants such as revenue managers and influential account managers within the company. Data collected at this stage were compared and analysed in conjunction with later observations and interview data in order to increase the richness of the case data and construct a fuller picture of the company's policies, management priorities and the role relevant managers play in the RevM and CRM related decision-making process.

Non-participant observations were then carried out at four hotel properties with an average time spent in each location of two weeks, and a further two weeks spent in the three sales and marketing offices where the account managers are based. Benefiting from facilitated access, the researcher was able to gain rich data through 'shadowing' a number of key informants such as revenue managers and account managers, attending relevant management meetings and weekly operations meetings and observing reservation agents who might also be involved in day-to-day revenue decision-making. Non-participant observation was used to support the interviews (Schein, 1996), and the findings derived from this method enabled better understanding of how the company's policies and practices had been implemented and practised at different sites (Yin, 1994). In addition, shadowing the main decision-makers in the context of their phenomenal world facilitated in-depth understanding of different managers' interests and the reasons underlying the potential management conflicts arising between the revenue managers and account managers.

Although it is arguable that 'participant observation' allows the researcher to share the experience and to understand participants' feelings (Gill and Johnson, 1997:113), this was not perceived to be the preferential method in this case, as it was difficult for the researcher, as an outsider, to 'participate' in the decision-making. It is also worth noting that although the main advantage of direct observation is what Robson (2002) describes as its 'directness' or closeness, the researcher was aware that her daily presence might possibly influence the situation under observation. To minimise this impact, the researcher adopted the 'honest' approach of introducing herself and the purpose of the study to the informants upon arrival at each new site, and each participant had the right to anonymity.

A total of 18 semi-structured in-depth interviews were conducted individually with decision-makers in both revenue management and sales offices identified through document studies and observation. These included three general managers; three revenue managers; five corporate sales account managers; one global sales account director; two leisure sales managers; one airline sales director; one revenue director; one former training manager and one operations director. The semi-structured interview consisted of a list of open-ended questions (see Appendix A – interview question outline). Data obtained from interviews were compared and analysed in conjunction with document studies and observations. The multiple data-collection method enabled rich data to be gathered from different sources and strengthened foundation of theory by triangulation of evidence. It also helped in investigating the compatibility between CRM and RevM practices from different managerial perspectives, thus increasing the reliability of the research (Patton, 2002; Miles and Huberman, 1994; Denzin, 1998) by testing one source of information against another alternative explanation, and thereby allowing different standpoints to be examined.

Due to the complex nature of the study, a template analysis technique (King, 1998) was used to analyse data. This was more conducive to the researcher's phenomenological position (Hycner, 1985) and the need to discover what Remenyi et al. (1998:35) call 'the details of the situation to understand the reality or perhaps a reality working behind them'. Essentially template analysis refers to the production of a list of codes that represent themes identified in the textual data; it is a way of thematically analysing qualitative data, and hence is widely used in qualitative research to seek for themes in the data collected (King, 1998). The initial coding scheme (Appendix B – coding schema) was derived from the literature review, which reflected the research framework, and this was open to revision. In order to be able to identify the emerging themes that were mentioned by individual manager, data collected

from each interviewee was analysed separately by reading through the transcript several times to evaluate how each individual perceives the compatibility between RevM and CRM practices and why so. After this, the themes that emerged in each interview transcript were compared across individuals to identify common beliefs about the underlying reasons for potential management conflicts. The categories and themes were also validated by comparing the information with other informants; comparing emerging themes with the information obtained through document analysis and observation; checking the validity of the choice of themes with two selected senior informants: the company's Operations Director and the Sales and Marketing Director.

Most of the data analysis consisted of breaking down the interview transcripts and observation notes, as well as documentation collected, into manageable clusters with the purpose of classifying them under each code/grouping in order to identify and explore themes, patterns and relationships (Miles and Huberman, 1994; Saunders et al., 2003). However, as the data collection and analysis proceeded, a cut and paste approach was adopted whereby chunks of verbatim texts or summary notes were regrouped. Consequently, the place and level of the codes in the template hierarchy were also revised, modified and added to. Text annotation of a specific reference was attached to each paragraph or, where required, to each sentence. The original textual data was cross-referenced in order to trace the source, enabling examination of the process of abstraction. Perspectives of the informants at different levels/units of the company were also compared and contrasted.

4. Findings

The findings of this study suggest that whilst most of the participants agree that both CRM and revenue management should complement each other in theory, the different managers' opinions about the compatibility between revenue management and CRM practices remain divided. Findings from difference sources reveal that revenue managers and account managers feel it is difficult for revenue management and CRM practise to coexist if they are used without a mutual understanding of both. It was evident that a number of management conflicts have emerged since S Hotels implemented revenue management practice, and that this constrained the development of customer relationships. The primary areas of paradox included management goals, management timescales, management assets, performance indicators and management foci. This was mainly due to divergence occurring in their segregated management objectives and in their approaches to achieving their individual goals, which resulted in customer-perceived unfairness and a range of potential customer conflicts that have previously been identified in the literature (Kimes and Wirtz, 2002; Wirtz et al., 2003; Mathies and Gudergan, 2007). Details about these findings are now expounded and discussed.

4.1. Disparity in management attention towards revenue management and CRM

It was clear that there was an imbalance in the management attention paid towards revenue management and CRM in S Hotels. The document studies reveal that in contrast to a well-developed, detailed revenue management practice, CRM practice appeared to be a comparatively neglected area. One noteworthy document is the Revenue Management Best Practice (RevMBP) document, which was first introduced as a guideline in managing hotel yield in S Hotels in the year 2000, in parallel with the adoption of a computerised yield management system (henceforth abbreviated as CYMS). The standard revenue management process was enforced across the group. In the opening paragraph of the RevMBP, the company's chief operating officer referred to revenue management as 'the revenue generating game' and clearly indicated that the practice and associated training is designed to help the relevant personnel to '...collect salient information and then use that to make more informed revenue decisions'. Revenue management at S Hotels is clearly defined as 'a business practice that seeks to *maximise* revenues' by the effective management of pricing policies, inventory management, and customer/segment mix. The purpose, process, benefit and measurement criteria of various revenue management reports were also explained in the RevMBP with an enforced standard report layout. The unified revenue report system had also been set up as part of the RevMBP.

In comparison with the large quantity of documentation that is related to different aspects of RevM practice (at both the head office and the individual property level), there was little evidence of the company's attending to customer relationship development. The company's ex-regional sales director in the UK had verified the company's documentary gap in CRM practice and had also admitted that the company was 'deficient in customer relationship management practice development due to the senior management's inattentiveness'. However, the current director of corporate sales had explained such 'inattentiveness' was caused by 'the shortage of human and financial resources, as the company had other priorities such as sales centralisation on the agenda'.

4.2. Differentiation in management interests: revenue vs. relationship

Both documentation and observational findings suggested that there was a difference in the interests of revenue managers at individual properties, compared to the account managers in central sales units; this was later confirmed by the interview findings. These two groups of managers appeared to have varied interest and no longer worked together closely as a team, following centralisation of the company's sales. The property-based revenue manager prioritised hotel revenue maximisation through the effective management of inventory. This was emphasised by the fact that her/his performance was measured by whether or not the property's revenue target had been achieved. In contrast, the account manager focused on how much business her/his clients had actually generated for the overall hotel company, thereby achieving her/his sales target.

It was apparent that there was a mutual reliance – yet internal tension – between the revenue managers and the account managers, as witnessed during the observation and shadowing periods. On one hand, the revenue manager relied on the account managers to procure the preferred business for the property to ensure yield; on the other hand the account managers needed the revenue managers to give them the 'best rate' to attract more clients and retain existing clients, preventing loss to other hotel companies. In this case, account managers voiced their concerns about the tough approach taken from some of the revenue managers who they believed saw little value in developing and sustaining relationships. This attitude led at times to rejection by clients. One of the possible reasons for such tension may be due to their different managerial backgrounds: in B3 and C4, the two revenue managers had a grounding in both hotel operations and sales, and were demonstrably more persistent in questioning the relationship value of an account before determining the contract conditions, compared to those revenue managers in B1 and B2, who had no sales and marketing experience at all.

It was also evident that there were two different priority assets (capacity and customer) in the eyes of the revenue and the account managers, respectively, as indicated in some of the internal correspondences and verified by interview findings. There was also a different emphasis when assessing the value of a customer. The

Table 2
Company managers' views on the compatibility between CRM and RevM.

Answer	Head office		Account managers' view			Property's view		Total
	Operation director	Revenue director	Corporate	Leisure	Airline	Revenue managers	GMs	17
Yes	1	1	2	0	1	1	2	8
No	0	0	4	2	0	2	1	9

revenue managers tended to assess the *revenue value* of a customer (predominately based on factual figures about total revenue contribution, time of stay, length of stay, etc.), whilst the account managers were more inclined to focus on the *relationship value* over time of the customer (estimating prospective business generation in terms of current business volume, revenue and relationship potential).

4.3. Managers' opinions on the compatibility between CRM and revenue management

Observational findings from multiple sources showed that managers' views on whether or not CRM practice is compatible with revenue management were divided, and the interview findings supported this. Table 2 shows that out of 17 valid interviews, eight managers affirmed that CRM is/should be compatible with revenue management, whilst nine managers contended this suggestion. One interviewee (former training manager) had no strong opinions about the question as she was only involved in revenue management training and knew little about the company's CRM practice. From the account managers' perspective, most of the managers (including the director of global sales from the corporate sales unit) believed that revenue management and CRM were not compatible at present. However, two (out of six) managers from the same unit said that they are compatible, 'if the delicate issues [are] handled sensitively' or 'if the company is committed to CRM, and the hotels could realise the value of the customers, and adjust their management priority'. One of the corporate account managers was particularly outspoken about how he felt clients perceived revenue management:

They don't like [it]. It's a way of [the hotel] effectively saying look, we really value your business, we want to give you this fabulous rate, but if we're busy we'll get somebody else who's paying more. That's how it has been perceived [by the clients].

The account managers in the leisure sales unit shared a similar view with their colleagues in the corporate unit. They considered that revenue management practices had damaged, rather than helped, their relationships with clients. However, the sales director who was in charge of airline clients believed that revenue management was compatible with CRM, because 'they are two management practices which emphasise different aspects of one business, so they have to be compatible'. He admitted, however, that although revenue management might affect relationships with certain customers, it would not greatly affect his airline clients. This is because his relationship with the airlines' 'gatekeepers' had been developed over years and, as he said, 'it would not be easily affected by any new management practices; I won't let it happen'.

From the individual property perspective, although two out of three general managers (GMs) believed that revenue management is compatible with CRM, they had little concern about their compatibility in practice. One of the reasons appeared to be that their management emphasis was focused on the service quality and financial performance of the overall property and had less direct involvement with customers and account managers compared with revenue managers. The other apparent reason was that their perception of CRM was limited to 'building the relationship through loyalty schemes, which should be overseen by the account managers and should increase our yield through repeat businesses' (as explained by one GM). However, another GM voiced concern about this, saying:

Ideally they [revenue management and CRM] should complement each other, but they're not at the moment because everyone has his own agenda [referring to sales]. Sales has to realise that they're not working for their clients, but we have to work together for the best of our property, so my job is to make sure there is a balance between what they [sales and customers] want and what the property needs.

Revenue managers from two of the hotels cast doubt on the compatibility between revenue management and CRM. They explained that, based on their experiences, there were three intrinsic differences between the two. These were related to the management of two different forms of assets: different performance measures, and different management priorities. It was also noted that there were two different indicators for measuring the management of these two assets. Revenue management was focused on the revenue generation per available room (Rev PAR), whereas CRM concentrated on the revenue contribution per available customer (Rev PAC).

The other revenue manager pointed out that this incompatibility is also due to managers lacking understanding of the underlying reasons for using the two practices. For revenue management, revenue maximisation runs on a day-to-day basis as every day each unsold room, or room sold at a low rate during high-demand days, represents 'lost revenue'. However, in the eyes of the account managers, this 'lost revenue' may represent 'relationship investment for the future', which eventually will pay back. The revenue manager considered revenue management to be compatible with CRM, and she said that her reason for this is because 'it [revenue management] rationalises the business relationship' and therefore enables the account managers to target the 'right customer' to develop a relationship with, and also to terminate a relationship if it doesn't yield or doesn't fit the property's needs.

Overall, the root of the incompatibility between revenue management and CRM at the management level was considered to lie in the different ways that revenue managers and account managers strive to achieve higher revenue from property for the former, and from customers for the latter. Revenue managers considered that effective management of room rate and available capacity is the way to achieve the revenue maximisation goal. This appeared to be in contradiction with the account managers' methods of gaining more business, which is through customer relationships.

As far as customer relationships are concerned, both the revenue managers and the GMs believed that by giving discounted rates or contract rates to their loyal customers, the relationship value has already been 'taken into consideration and appreciated' or 'rewarded'. The rate reduction, therefore, should have a positive effect on managing customer relationships and keeping valuable clients. The company's operations director commented that 'the incompatibility between revenue management and CRM is not insolvable if both sides [of management] understand the other's dilemma and work together to achieve the same revenue maximisation goal, regardless of which approach it takes'.

Table 3
Management conflicts between revenue management and customer relationship management in S Hotels.

Conflicts	RevM	CRM	Explanations
Management goals	Maximise revenue from the inventory	Revenue growth from increase in business volume and customer spending	The company's 'Revenue Management Best Practice' clearly defined YM (revenue management) as 'a business practice that seeks to *maximise revenues*', and it was evident that all managers across the company had been trained/briefed to strive to achieve it. On the contrary, the goal of CRM at S Hotels was comparatively ambiguous. Some literature suggested its aim to be to 'increase sales' and some documents indicated 'total revenue'. Most account managers regarded its aim to be to increase revenue through establishing and developing customer relationships in order to gain more customers/contracts with higher rates/spending
Management timescales	Daily	Long-term (minimum a year)	The revenue managers seek to maximise revenue on a day-to-day basis; therefore, yield is measured on a daily basis. In contrast, account managers assess each client's revenue contribution periodically. An account review was often carried out on a quarterly basis, but the clients may have a year to prove their potential
Business assets	Relatively fixed capacity	Customers and relationships	According to the revenue managers, fixed capacity (i.e. hotel rooms) is the yielding source for the hotel and is a business asset, from which the financial return comes. However, for the account managers, customers and relationships were the sources of business success, from which the return on investment would be derived
Performance indicators	Revenue per available room (Rev PAR)	Revenue per available customer (Rev PAC)	Accordingly, RevM and CRM have two different performance indicators. The efficiency of RevM is measured by Rev PAR on a daily basis, whereas CRM is assessed by Rev PAC over a longer period of time
Management focuses	Price, inventory units and customer or segment mix	Establishing and developing relationships	The revenue managers achieve higher Rev PAR through the effective management of the pricing policies, inventory control and customer mix. However, the account managers prioritise Rev PAC, which is achieved by finding more customers, and establishing and developing the relationships to ensure the sales targets can be met

5. Discussion

5.1. Potential management conflicts between revenue management and CRM

Findings from divergent sources point towards a number of potential management conflicts that appear to have constrained the development of customer relationships in S Hotels, especially after the Revenue Management Best Practice guidelines were enforced and centralised away from the previous property-based sales units. These potentially conflicting areas are listed in Table 3. This notes several reasons for the incompatibility between revenue management and customer relationship development under the headings of management goals; management timescale; management assets; performance indicators and management focuses.

The findings from this study concur with previous studies, which have identified that under revenue management, customers and customer relationships seem to 'have been relatively forgotten' (Lewis and Chambers, 2000; Wirtz et al., 2003:217). It was apparent that S Hotels pursued financial success predominantly through revenue management rather than what Noone and Griffin (1999) call the management of 'profit yield from customer relationships'. Consequently, the management of customer relationships has become a comparatively neglected area, and CRM and revenue management are two potentially disjointed management practices within one company. Despite the substantial revenue improvement recorded since the guidelines were implemented, there was little evidence that the company had considered revenue management effects on long-term customer relationships. Although (following the market trend) the company had introduced a guest loyalty scheme, it was indistinguishable from those implemented by competing hotel groups.

At a conceptual level, the short-term revenue management goal of revenue maximisation contradicts the long-term relational approach of CRM as defined by the literature (Ryals et al., 2000; Bruhn, 2003). Revenue management practitioners in the company (revenue managers and in some cases hotel general managers)

viewed fixed perishable capacity as management assets, whereas CRM practitioners (account managers) considered their revenue yielding source to be a profitable customer base involving strong customer relationships (Jenkinson, 1995). Arguably, CRM aims at profits and other associated relationship benefits such as reduced costs, reference and referral, and joint use of strategic resources (Buttle, 2004), but revenue management focuses solely on maximising the revenue that a customer produces. The management timescale also affects the compatibility of CRM and revenue management. The findings show that, in order to achieve the goal of RevM, the sample hotels were focusing on the daily revenue maximisation opportunities. However, CRM studies (Morgan and Hunt, 1994; Gronroos, 1996; McDonald et al., 2000; Humphries and Wilding, 2003) advocate building a 'trusting relationship' that has a 'long-term payoff' for both parties. Similarly, Cheverton (1999:8) views customer relationships as 'an investment of time and effort' and asserts that in many cases this investment requires 'a short-term sacrifice for prospective long-term gains'. According to Buttle (2004:15), this 'long-term' goal of three to five years is clearly in opposition to the day-to-day revenue maximisation goal of revenue management.

One of the significant findings from this research, which also affects the compatibility of CRM and revenue management, is the performance measurement paradox occurring in hotels. The findings show that the account managers and the revenue managers used Rev PAC (revenue per available customer) and Rev PAR (revenue per available room) respectively as the performance indicators for the two forms of business assets (customer and capacity). For the account managers, their main responsibility is to increase sales revenue from improved Rev PAC. This was found to be in conflict with the revenue managers' primary duty, which is to maximise room revenue through increased Rev PAR by selling the maximum number of rooms at the highest possible rate.

The observational findings show that, unlike property revenue managers, account managers had limited control over rate, as once the contract rate was agreed between the property and the clients, it would normally be valid for a year, or a minimum of

six months. Thus, the account managers relied mainly on business volume to achieve higher sales revenue. In other words, the client's room night contribution would have a direct impact on the client's revenue generation, and therefore account managers' performance. Consequently, as the interview findings from the revenue managers suggest, in order to increase sales performance account managers often act on behalf of her/his clients to negotiate with the property revenue managers. The negotiation seeks to offer more rooms at the contract rate during high-demand days, or reduce the contract rate when market demand is low. In other words, in order to attract more business from customers, account managers often request the lowest possible rate from revenue managers in order to secure their sales target in room nights. The more room nights a client is committed to, the lower the expected room rate would be in recognition and reward. However, with the intention of achieving hotel revenue targets, the revenue managers have to resist such a 'buying business volume at a lower rate' approach. Thus, there was an internal tension found between the revenue managers and the account managers, which apparently has not been specifically mentioned in previous studies.

As a result of the above differences that exist in performance measurement, there was also a divergence in the revenue managers' and the account managers' management focuses. For the revenue managers, the priority is to achieve higher Rev PAR through the effective management of pricing policies, inventory control and customer mix (Kimes, 1989). However, since the account managers had Rev PAC as their managing priority, their management focus is on acquiring and retaining the right customers paying relatively high room rates and committing to a certain amount of the business volume. Such findings are dissimilar to the standpoint of the extant CRM studies (Reichheld and Sasser, 1990; Ryals et al., 2000), which draw attention to identifying and retaining the right customers according to their profit contribution rather than the revenue return, although some studies have demonstrated a link between profitability and sales volume (Hallberg, 1995; Storbacka, 1997; Niraj et al., 2001).

Furthermore, according to Payne's (1993) findings on the different characteristics of transactional and relationship marketing, the company's revenue-oriented, short-term based selling approach is transactionally focused rather than relationship focused. Also, there was little evidence to show that the company had positioned its customers as its first priority (Payne, 1993). Nonetheless, it was clear that as a company, at head office level, company directors agreed that CRM and RevM, as two management practices, should and need to be integrated in order to facilitate the company's long-term financial success.

6. Conclusions

In spite of revenue management being considered a well-researched area in the hospitality operations management literature, this study concludes that its impact on customer relationships has not been fully followed up. It highlights the industry practitioners' dilemma of choosing between long-term relationship value or immediate revenue return. This exploratory study has verified the long-held supposition that customer relationships may well be affected by revenue management practice. More significantly, it has identified a number of potential management conflicts that appear to have caused the incompatibility between customer relationship management and revenue management practices from a hotel company's perspective. These include: management goals, management timescales, perceived business assets, performance indicators and management foci between CRM and revenue management due to divergence occurring in managers'

priorities and in their approaches to achieving their individual set goals.

From a theory development perspective, this study makes a progressive contribution to the RevM and CRM literature by identifying the potential management conflicts that managers may face when attempting to sustain financial success through managing both customer relationships and revenue yield from capacity. It can be seen as a preliminary study that paves the way for further development in RevM and CRM concepts. It is hoped that this paper may initiate more discussions and interdisciplinary researches in integrating RevM and CRM in the hospitality industry.

This study also has a number of managerial implications. First, it reveals that the substantial revenue improvement achieved after the companies' adoption of revenue management practice takes the practice beyond controversy. However, the sustainability of the financial result may not be long-lived. This is because the process is product sales-driven and ignores the value of customer relationships and constrains the long-term customer relationship development. Since the total value of a customer may never have been accurately calculated, the profitability of a client and their relationship potential is unclear. As a result of the imbalance of development between revenue management and CRM, short-term revenue targets were promoted to the neglect of long-term relationship benefits.

Second, the findings of this research also signal the need for mutual understanding between account managers and revenue managers where both CRM and revenue management are practised in the hospitality and tourism industries. Whilst revenue management and CRM should been seen as complementary business practices, managers need to be aware of the potential conflicting areas that exist between the two practices in order to optimise the company's sustainable financial return from both developed customer relationships and effectively managed yield from perishable inventory stock. More importantly, at the head office level, company directors need to be aware of the internal tensions between the individual properties/units and the sales and marketing team caused by diverse performance measurements. Furthermore, in order to encourage and apply customer-oriented RevM practice, there is a need for senior management to review relevant personnel's responsibilities and their performance targets to unify potential conflicts of interest and to ensure the objectives set for individuals do not jeopardise the overall goal of the company.

6.1. Limitations and recommendations for future research

There are a number of limitations which have been identified in this research. Firstly, the study's comparability with other tourism sectors such as airlines may be open to question. Secondly, there is a recognised limitation in the scope of the study and the research sample size. It is also noted that it employed a single-case study approach, with four embedded multiple cases. Therefore, the in-depth research findings are limited to one international hotel company, which cannot be generalised since it lacks the breadth required for comparability with other organisations. In addition, the four embedded hotels are all located in one capital city. Therefore, from a revenue management perspective, the findings in urban settings may be significant because of the business dynamic, but this may not be reflected in a provincial setting. Thirdly, the researcher's presence *in situ* at different units of the case company may have introduced a bias by sensitising the participants and making the impact of revenue management on customer relationships appear more important than it may have been. Finally, as a company memo introduced the researcher and requested facilitation this could have led employees to perceive that the researcher was attached to the company. Some participants may have responded, deliberately, with the 'right' attitude rather than their real one.

Efforts were, however, made to minimise this potential effect and to enhance the rigour of the study by guaranteeing informants and interviewees' anonymity in advance and by comparing data that was collected from divergent sources, such as client interviews.

Future research may wish to address the limitations noted above. For instance, through a multiple case study approach, the different hospitality organisations' approach to revenue management and CRM could be explored and compared. This type of comparative study could explain in greater depth how the organisational culture could influence the revenue management impacts on customer relationships. It was apparent throughout this study that, following revenue management development in the hospitality and tourism industries over the past two decades, the revenue manager's role in the company has changed. Future research might investigate the role revenue managers and account managers play in achieving financial success. In addition, it could take the perishable nature of tourism products into consideration to explore the applicability of the current customer value determination model to the capacity-constrained hospitality organisations and to reflect upon the value of developing customer advocates to harness the benefits offered by social media. Further development in these areas of study could also help facilitate customer relationship management decisions and, ultimately, overall revenue management decision-making.

Acknowledgement

Appendix A. Interview question outline

A.1. PHASE 1: warm up—getting to know each other and the research

Introduction

- Introduce the research project
- Clarify the confidentiality issues
- Ask interviewee's permission to record the interview.

Interviewee's background and main responsibility within the company
    (Intended to gain contextual understanding about the interviewee's responses.)

A.2. PHASE 2: actual interview

1. *How would you describe the effects RevM has had on CRM?*
    (Intended to explore managers' perceptions towards RevM effects on CRM.)
2. *Are there any situations where RevM might have affected customer relationships? Why do you think that happened?*
    (Intended to identify specific RevM practices that may have affected customer relationships and may have caused potential management conflicts.)
    Pricing/availability control/allocation control/customer mix/overbooking.
3. *Who is normally involved in RevM and CRM related decisions?*
    (Intended to identify the key decision-makers and their roles, as well as how the company makes decisions with regards to RevM and CRM.)
4. *Are the current practices with regards to RevM and CRM compatible?*

    (Drawing upon the responses from Q1 to Q3, this question and Q5 intended to explore management opinions and the internal decision-making dynamics.)
5. *Why RevM may or may not be compatible with CRM practice?*
    (Intended to explore the underlying reasons for potential management conflicts and to identify specific causes for incompatibility.)
6. *What should or could be done to unify RevM and CRM practices?*
    (Intended to seek managers' suggestions to prevent or overcome potential management conflicts raised).

A.3. PHASE 3: following up—further comments

Is there anything you would like to add or any other issues you think may be relevant to this research?

Appendix B. Coding schema

1. *Background information on the case company and the embedded cases*
    (a) RevM practice at the case company
        i. Head office
        ii. Hotels
            - Embedded case 1
            - Embedded case 2
            - Embedded case 3
            - Embedded case 4
    (b) CRM practice at the case company
        i. Head office
        ii. Centralised sales and marketing units
        iii. Hotels
2. *Managers' background and main responsibilities*
    - Revenue managers
    - Account managers and directors
    - General managers
    - Company directors
3. *Managers' perceptions towards RevM effects on CRM*
    i. Pricing
    ii. Availability control
    iii. Allocation control
    iv. Customer mix
    v. Overbooking
4. *Managers' opinions on the compatibility between RevM and CRM*
    - Revenue managers
    - Account managers and directors
    - General managers
    - Company directors
5. *Managers' opinions on the underlying reasons for potential management conflicts*
    - Revenue managers
    - Account managers and directors
    - General managers
    - Company directors
6. *Suggestions to overcome potential RevM and CRM conflicts*

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