Implementing Yield Management in Hotels: An Empirical Study on Small and Medium Hotels in Ghana

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Development in technology and in particular the innovation of yield management in the 1980s has a positive change in the performance and revenue of the service sector especially in large and international hotel chains. In Ghana a number of studies have been conducted in this area using large hotels. There is no research conducted on yield management implementation in small and medium size hotels. The purpose of the study was to examine the implementation of yield management in Small and Medium Hotels specifically in the Volta Region. Volta Region have high percentage of small and medium hotels in the lodging industry. The results of the study indicated, lack of awareness of yield management principles in small and medium hotels. An important finding was hoteliers were interested in the application and it is necessary to find a yield management implementation model which could be adapted to small and medium hotels in the region. Finally, policies should be made as to the implementation of yield management in small and medium hotels in Ghana.

Keywords: Yield management; Revenue; Innovation, hotel

Field of Research: Management

1. Introduction

Yield management is the umbrella term for a set of strategies that enable capacity-constrained service industries to realize optimum revenue from operations. The core concept of yield management is to provide the right service to the right customer at the right time for the right price (Gourville et al., 2002).The procedure used to maximize room revenue through systematic and continuous manipulation of rates in response to forecasted patterns of demand (Lee-Ross & Johns, 1997).

The main goal of a yield management system is to maximize the yield by obtaining revenue that is close to the potential revenue target as possible (Orkin, 1988).

Every single airline utilizes YM to maximize capacity, overall revenue and consequent net returns (Donaghy et al., 2008). The hotel industry has also started adopting the principles of yield management (Netessine, 2002). Like airlines, hotels utilize YM as a profit maximization technique that aimed to increase net yield through the predicted allocation of available room capacity to pre-determined market segments at an optimum price (Kimes, 2002). Hotel managers have long been using various pricing strategies to maximize their profits by bringing the seasonal demand for rooms and capacity limitations into a balance (Choi et al., 2004). However, yield

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Management literature is mainly interested in the system Implementation in hotel chains, instead of small and medium size hotels (Noone et al, 2003). Only few important studies have been developed in order to define differences or equalities between yield management in chain or big hotels (Bowen&Shoemaker,1998). Inaddition (Mcmahon et al., 1997) argue that, many small enterprises are faced with lack of pricing power, lack the awareness and understanding of yield management. However, only few important studies have been developed in order to define the differences or equalities between yield management in small and medium size hotels (Bowen, 1998). The purpose of the research was to assess the small and medium size hotels potentials for implementing yield management in selected hotels in the Volta Region. The following questions were identified:

Does implementation of yield management in small and medium hotels increase revenue?

Do small and medium hotels aware of the benefits associated with implementing yield management?

What are the factors that influence the usage of yield management in small and medium hotels?

The paper is organised into five sections. The second section discusses literature review. Section three discusses methodology. Section four discusses the research findings. Section five discusses conclusion, recommendations and limitations.

2.   Literature Review

Yield Management has become part of mainstream business theory and practice over the last fifteen to twenty years Gabor (2010). The concept involves careful definition of service, customer, time, price and the dimension of service, how, when it is delivered and whether it is reserved. Timing involves both the timing of the service delivery and the timing of when the customer makes known the desire for the service, whether by reservation or by walking in to the business (Bermudez et al. 2004). In addition Kime (1990) argued that, it is complex because it involves several aspects of management control, including rate management, revenue streams management and distribution channel management. The ideal outcome of a revenue management strategy is to match customers' time and service characteristics to their willingness to pay-ensuring that the customer acquires the desired service at the desired time at an acceptable price while the organization gains the maximum revenue possible given the customer and business characteristics John (2004). Yield management strategist frequently work with one or more other departments when designing and implementing Yield Management Aurelio (2007).Yield management takes into account many factors influencing business trends as yield management is an evaluation tool that allows the front office manager to use potential revenue as the standard against which actual revenue can be compared Anderson (2007). In addition, Griffin (1996) argue that, the term "Yield Management" has been coined in the airline industry and its objective is to manage the product inventory (seats on a given flight, rooms for a given night) in such a way as to maximise revenue and economic discipline appropriate to many service industries in which market segment pricing (price differentiation) is combined with statistical analysis to expand the

market for the service and increase the revenue "yield" per unit of capacity (Fitzsimons et al.,1998). It is set of demand forecasting techniques, optimisation models and implementation procedures which collectively determine which reservation requests to accept and which to reject in order to maximise revenue (Brooks et al., 2009). Moreover, Hiestra (1999) argue that, based on customers' demand levels and characteristics, management can shift the demand of those customers who are relatively price sensitive but time insensitive to off-peak times. According to him, yield or revenue management is not really new to hoteliers, since physically identical rooms have been sold for higher prices during high seasons and for lower prices during low season. This was done by more or less experienced staff with a varying talent to anticipate overall demand at certain days, weeks or periods of the year for a limited supply of rooms Vinod (2004). The strategic levers of yield management can be summarized as four Cs: namely, calendar, clock, capacity, and cost. They are bound together by a fifth C: the customer (Bowen,et al.,1998). The levers of yield management are geared to matching service timing and pricing to customers' willingness to pay for service in relation to its timing Varini (2000).

3. Methodology

The study was based on small and medium hotels in Volta Region. The choice was necessitated by the fact that, the region has been characterised by small/ medium hotels. Volta Region has a potential of series of tourists attraction that are patronised by leisure and business travellers following the hosting of the World Tourism day in the region. Hotels have to develop new service and packages through which they can be differentiated from competitors, hence allowing the implementation of the system. In addition the theory by Edgar (1997) was also used. This author stated that, small and medium hotels in primary locations (cities and towns, with a high number of lodging firms), act more like their large counterparts, reflecting a `shadowing of the environmental forces and the closer competitive environment. The number of hotels selected for the analysis and their heterogeneity looked alike and appropriate for the study. They were selected based on convenience sampling technique (Gatfield et al. 1999). Gratified et al.argued that, convenience sampling method is extremely fast, easy, readily available, and cost effective, causing it to be an extremely attractive option to most researchers. Looking at time factor many researchers turn to this type of sampling for data collection, as they can swiftly gather data and begin their analysis. Also useful when researchers need to poll a large number of people, as they can quickly reach their desired number of participants by utilizing this method to draw from the nearby population. Besides researchers extrapolate generalized information from local public opinion.

The data on yield management was collected largely through qualitative method. Hoteliers were interviewed using open ended questions and answers were provided to have an in- depth understanding of the concept. Five (5) hotels were used for the study and hotel managers were interviewed, four staff from each of the hotels making a total of twenty (20) staff from the various hotels was also interviewed. Powell and Marcus (2003), argued that, qualitative data analysis consists of words and observations not numbers. As with all data analysis, interpretation is required to bring order and understanding. According to Powell and Marcus the goal of a qualitative work is not to generalize across population rather a qualitative approach seeks to provide understanding from the respondent's perspective. Data collected from the

respondents were edited for qualitative analysis. Individual interview, observations, open-ended questions and written comments on questionnaires may produce narrative data that required analysis (Powell and Marcus, 2003).

4.   Results & Discussions

Case Study of Five (5) Hotels in HO Township, Volta Region

Case Study A

Hotel A, is a 3 star hotel with 95 rooms, managed by the general manager, head housekeeper and a receptionist, they were interviewed. They have never heard about the term yield management tool. The hotel's Organisation structure is as follows; (Board of Directors, management team of seven (7), a manager, unit heads and the general staff).

The hotel has computers and personnel's are yet to be trained on technical skills. Demand is forecasted once in a while. Past data is analysed monthly and feedback derived by distributing questionnaires to clients. There is little internal and external information such as; customers' countries of origin, days of stay etc. Prices vary in relation to type of facilities in a room. The hotel prefers foreign groups mostly; few pricing systems are adopted with the aim of filling the hotel to capacity. On the issue of reservation analysis: The following are the specific quotes from some of the respondents.

 "The hotel's objective is to maximize occupancy and normally forecast the number of reservations to accept".(Manager). ''We do not have any software system all transaction are done manually or by computer '' (Supervisor).

Case Study B

Hotel B is rated two (2) stars with 120 rooms. Its organisation is simple because there is only an Executive Manager, Administration Manager, an accountant and two receptionists and other staff. The Administration manager was interviewed. The hotel has never heard of yield management, daily operations are done manually and computerised. The receptionist said they do not apply the yield management system because they are too small and it can only be used in big hotels. Their main objective is to have more conferences because it generates more revenue. Pricing system is different for every type of room. We do not forecast said the receptionist, if business is in season the front office handles it. Reservation is monitored by the front office personnel on daily basis. Overbooking is not practised because they believe it is risky. On the issue of the awareness and the concept of yield management and its application in the hotel sector; one specific quote is as follows:
"The hotel has never heard of yield management, daily operations are done manually and hotel is too small'' (Administrator)

Case Study C

Hotel C is a two (2) star with 66 rooms and is a partnership business. The structure of the hotel is as follows one executive manager, manager, unit heads and the

general Staff. The room division manager argued that, he never heard of yield management   before. Their main objective is to render better service to their guest. Daily operations are   manually done; they have few computers installed but lack knowledge of the yield management software, they analyze past data, forecast demand and compare previous demand to reveal their shortcomings, this comparison is done yearly. Reservation is controlled daily by front office, overbooking is risky says the manager. They do not have standard rates for rooms, the rooms have different facilities and also the type of guest will determine the rate to charge. The hotel's segment is for foreigners, business travellers. Prices differ between customers but interested in the yield management software. On the issue of strategic decision making in terms of pricing and management of capacity. One specific quote is as follows: ''Reservation is controlled daily by front office, overbooking is risky and prices differ between customers but interested in the yield management software''. (Manager).

Case Study D

Hotel D is a two star hotel with 85 rooms and sole proprietorship. The executive manager and two receptionists were interviewed. The organizational structure is simple one made up of chief executive officer, general manager, four unit heads and the general staff. The front office staffs have not heard of yield management but the executive manager has read about it. They analyze past data on demand and supply for future development. Little internal and external information is gathered; also they control reservations on daily basis but when overbooking is experienced during peak seasons the guest are transferred to sister hotel with similar facilities. They have one standard room, therefore price is fixed. The interviewee argued that, management is in the process of installing the yield management software. On the issue of demand analysis: One specific quote is as follows: Past data on demand is analysed and supply for future developmental issues (executive manager).

Case Study E

Hotel E is also a two (1) star with 35 rooms. The front office manager and the general manager have not heard of yield management. The hotel has no software system, therefore operations are done manually. They have computers which are used in billing guests but has no software installed. The interviewee mention that, the executive manager made mention of installing software but not sure when it will be installed.

This hotel belongs to a sole proprietor with small hotels with the same capacity. The hotel's major customers are businessmen and other groups. The hotel tries to apply rack rate to business segment, has different prices depending on guest. The structure of the hotel is as follows: one executive manager, unit heads and other employees. The main objective of the hotel is to maximize revenue; yield management could speed – up many processes in the hotel if implemented says the manager.

 Other findings revealed that many of these hotels are independent; three (3) of the hotels lack the awareness and understanding of yield management principles and the benefit they would derive from its application. However, most of them were interested

in the software application after the education and welcome the idea of its implementation.

Generally most of the managers are not making effort to find out new trends in the tourism and hospitality industry to improve management of their facilities. They are glued to out-moded practices and reluctant to become innovative.

Based on the discussions with the managers one would argued that, the idea of yield management though a new concept in the tourism industry in Volta Region, some of the managers are not aware of the core concept and benefit they would derived when it is implemented in their hotels. Therefore the collected data supported the question one and two.

Question three cannot be confirmed because the interviewees could not come out with the problems hindering the implementation of yield management in small hotels in Ghana. The previous studies has been improved upon, thus this study contributes to the hospitality innovation literature in three ways. First, it represents an initial effort to simultaneously consider incremental and radical innovation in the small and medium hotels in the tourism sector in the Volta Region. Second, the role of managers in promoting incremental and radical innovation in the tourism sector was investigated. Thirdly, the study examines the joint impact of yield management practices among small and medium hotel organizations. The findings have practical implications for leveraging best practices to achieve superior innovative performance in small and medium hotels in the Volta Region.

5.   Conclusion

The implementation of a good yield management system can increase revenue. Yield management implementation in small and medium hotels in Volta Region is a new area that managers and hotel owners need to be given more education. However, the selected hotels under study have the potential to implement yield management software to improve upon their revenue since most of the selected hotels attract high customers due to their location. There is the need for the hotels to develop better information system and become highly technological due changing trends in the hospitality industry. The disadvantages of the current systems are information on customer's background and revenue generated within a particular period are not properly documented. Moreover, most personnel's have basic computer skills which can be upgraded through training to enable them render quick services. Many of the selected hotels also think that, they are too small to implement the yield management software. This implies that, small and medium hotel, think that yield Management is applicable only to large and hotel chains, limiting (small and medium hotels) from implementing the software. This idea should be discarded so that services especially revenue management improved in small and medium hotels. The study is limited to selected small and medium hotels in the Volta Region. This study could be replicated in other regions in Ghana since the tourism industry in Ghana is dominated by small and medium hotels.

5.1 Recommendations

Based on the findings and the conclusion drawn from the study area, the following recommendations are made.

Ghana Tourist Board and Ghana Hotel Association should organised workshop, seminars for small and medium hotels and educate them on the use of the yield management software and its advantages.

Computer houses should create the awareness by developing yield management software packages for small and medium hotels.

Management should arrange for training programmes for staff and educate them on the use of the software.

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