

**BÁRBARA MIRANDA COELHO**

**CAN CUSTOMER RELATIONSHIP MANAGEMENT HELP  
MAXIMIZING REVENUE MANAGEMENT?  
INTERNSHIP AT AP HOTELS & RESORTS**



**UNIVERSITY OF ALGARVE**

**FACULTY OF ECONOMICS**

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**INTERNSHIP AT AP HOTELS & RESORTS**

Master's in Management

Internship Report made under the supervision of:

Prof. Doutora Maria Margarida Teixeira Custódio dos Santos



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**Work Authorship Declaration**

I declare to be the author of this work, which is unique and unprecedented. Authors and works consulted are properly cited in the text and are included in the listing of references.

Bárbara Miranda Coelho

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## ABSTRACT

This internship report follows the curricular internship completed at AP Hotels & Resorts as part of the Master's in Management with specialisation in Tourism, taught at the Faculty of Economics of the University of Algarve.

The objective of the curricular internship was to apply, in the professional reality and the work context, the knowledge acquired in the academic component of the Master's and, thus, develop practical skills in Revenue Management (RM).

This work aims to present the tasks performed during 1560 hours of internship. The report is divided into six main sections: the introduction to the study; the literature review where the main guiding themes of the internship and the elaboration of this report are presented; the research methodology that guided the student's performance during the internship; the characterisation of the company; the presentation of the tasks developed in the internship context; the presentation and discussion of the results; and, finally, the final remarks.

This work addressed a gap identified within the company: the need to maximise revenue through customer relationships, which led to an empirical investigation and analysis of Revenue Management, Customer Relationship Management (CRM), and the integration of these concepts. The results allowed to provide strategies that integrate RM and CRM to overcome the limitations of each hotel unit.

The completion of the internship proved to be crucial for the development of skills in the area of RM, as it allowed the practical application of the tools acquired during the theoretical component of this Master's degree.

**Keywords:** Management; Hospitality; Customer Relationship Management; Revenue Management; Internship; AP Hotel & Resorts

## RESUMO

Este relatório de estágio surge na sequência do estágio curricular concluído no AP Hotels & Resorts no âmbito do Mestrado em Gestão com especialização em Turismo, lecionado na Faculdade de Economia da Universidade do Algarve. O objetivo do estágio curricular foi aplicar, à realidade profissional e no contexto de trabalho, os conhecimentos adquiridos na componente académica do Mestrado e, assim, desenvolver competências práticas em *RM*.

Este relatório, com o objetivo de apresentar as tarefas realizadas durante as 1560 horas de estágio, está dividido em seis capítulos principais: introdução ao estudo; a revisão de literatura onde são apresentados os principais temas orientadores do estágio e da elaboração deste relatório; a metodologia de pesquisa que orientou a atuação da aluna durante o estágio; a caracterização da empresa; a apresentação das tarefas desenvolvidas em contexto de estágio; a apresentação e discussão dos resultados; e, por fim, as considerações finais.

O estágio envolveu um *crosstraining* passando por diferentes departamentos das várias unidades hoteleiras do Grupo AP Hotels & Resorts, levando a estagiária a adquirir conhecimentos em *RM*, *Housekeeping*, *Hotel Management*, *Food & Beverage*, *Front Office*, Finanças e Comercial. Assim, a estagiária testemunhou em primeira mão como todos os departamentos estão interconectados, com foco na influência que estes têm em *RM* e como são afetados pelo mesmo.

Este trabalho abordou uma lacuna identificada dentro da empresa: a necessidade de maximizar a receita por meio do relacionamento com os clientes. O que levou a investigação empírica à análise de *RM*, *CRM*, e da integração destes conceitos. *RM* permite atribuir o quarto apropriado ao cliente certo no momento oportuno, pelo preço conveniente e por meio do canal de distribuição mais adequado de forma a maximizar a receita e performance da empresa. Por outro lado, o *CRM* permite gerir e analisar as interações com clientes ao longo do ciclo de vida do consumidor de forma a aperfeiçoar o atendimento ao cliente, promover a retenção dos mesmos e o crescimento das vendas. A integração destes dois conceitos permite encontrar o devido equilíbrio entre a maximização da receita e o relacionamento a longo prazo com o cliente. Os resultados da investigação permitiram elaborar estratégias que integram *RM* e *CRM* para ultrapassar as limitações de cada unidade hoteleira.

Assim, a estagiária determinou como o *RM* poderia ser maximizado pelo *CRM* e propôs estratégias para superar as limitações que impactam o desempenho da receita nas unidades hoteleiras. Por exemplo, para aumentar a procura no verão, o AP Maria Nova Lounge deverá ter como alvo os clientes dos mercados português, espanhol e britânico que visitam Tavira para turismo cultural, oferecendo pacotes que incluem entradas para o Museu Islâmico, passeios de comboio urbano *Hop on Hop off, tour* do chocolate em *TukTuk* e apresentação de Fado com degustação de vinhos. Para aumentar a estadia no hotel, o AP Eva Senses deverá visar o mercado sol e mar do segmento de lazer, criando pacotes que incluem experiência de observação de golfinhos, aluguer de *jet ski*, aluguer de *stand up paddle* e caiaque, aulas de *surf* e serviço de *shuttle* para a ilha de Faro, oferecendo *upgrade* de quarto para mercados que reservem  $\geq 4$  noites. Estas estratégias simultaneamente aumentam as reservas e a receita, enquanto estimulam o relacionamento com o cliente, pois aprimoram a experiência do mesmo ao agregar valor à oferta.

Após analisar os conceitos de *RM* e *CRM*, bem como as boas práticas e as evidências empíricas encontradas em estudos académicos sobre a integração destes sistemas, a estagiária identificou que, na empresa, esses conceitos são aplicados em paralelo, mas não integrados, contrariando as recomendações dos estudos académicos. Durante o estágio, a estagiária experimentou um desalinhamento de visão entre o *RM* e os outros departamentos, pois estes não entendem completamente os objetivos e responsabilidades do *RM*. Além disso, a diferença de metas e gestão representa uma barreira para a integração de *RM* e *CRM*, pois os líderes de departamento adotam uma visão orientada a *RM* ou *CRM* em vez de uma visão integrada.

Na realidade da empresa, os dados do sistema de *CRM* não se integram com o sistema de *RM*, dificultando que este seja centrado no cliente, que crie maior valor para o mesmo e que direcione o *CRM* para a maximização das receitas. Quanto ao *CRM*, o conceito não é implementado de forma eficaz na empresa, pois a falta de visão e estratégia claras, e funcionários qualificados, treinados e motivados impedem que este alcance um relacionamento superior com o cliente. O *RM* está principalmente focado na venda de quartos, deixando as soluções de maximização, previsão e otimização de receitas de centros alternativos de receita, como a restauração, spa e salas, sob a responsabilidade de outros departamentos. A empresa carece da aplicação de sistemas de *RM* para fluxos de

receita não relacionados a quartos e estratégias de distribuição para inventário dos mesmos.

Em resposta à percepção de iniquidade de preços em relação às estratégias de preço de *RM*, a empresa implementou o *AP Club*, solução que reforça a estratégia de *CRM* da empresa, cultivando a retenção de clientes, agregando valor à oferta e aprimorando a experiência do cliente. Como resultado, a resposta para a pergunta de pesquisa é que o *CRM* pode ajudar a maximizar o *RM*, e a empresa reconhece o valor que o *CRM* pode agregar ao *RM* quando esses conceitos são integrados. No entanto, a empresa atualmente não tem condições de investir na integração de sistemas.

A realização do estágio revelou-se crucial para o desenvolvimento de competências na área de *RM*, pois permitiu a aplicação prática das ferramentas adquiridas durante a componente teórica do mestrado. Para além disso, permitiu também compreender como outros departamentos podem condicionar a performance de *RM* e como o mesmo pode influenciar esses departamentos, e assimilar a importância da satisfação do cliente e da sua percepção de valor para a maximização da receita e da performance da empresa. Para estudo futuro, são sugeridas a análise dos resultados da implementação das estratégias propostas, a utilização de um sistema integrado de *RM* e *CRM*, e o estudo da aplicação de tal sistema em fontes alternativas de receita.

Palavras-chave: Gestão; Hotelaria; *Customer Relationship Management*; *Revenue Management*; Estágio; AP Hotels & Resorts



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## ABBREVIATIONS LIST

| <b>Abbreviation</b> | <b>Meaning</b>                               | <b>Page</b> |
|---------------------|--|-------------|
| ADR                 | Average Daily Rate                           | 5           |
| AI                  | All-inclusive                                | 30          |
| BB                  | Bed and Breakfast                            | 30          |
| BI                  | Business Intelligence                        | 10          |
| CRM                 | Customer Relationship Management             | v           |
| DIEN                | Double Income, Empty Nest                    | 31          |
| DINK                | Double Income with No Kids                   | 66          |
| DSS                 | Decision Support System                      | 12          |
| e-WOM               | Eletronic Word Of Mouth                      | 13          |
| F&B                 | Food and Beverage                            | 7           |
| FB                  | Full Board                                   | 31          |
| FO                  | Front Office                                 | 33          |
| HB                  | Half Board                                   | 31          |
| HM                  | Hotel Management                             | 33          |
| IT                  | Information Technology                       | 15          |
| KM                  | Knowledge Management                         | 16          |
| KPIs                | Key Performance Indicators                   | 5           |
| MICE                | Meetings, Incentives, Conferences and Events | 31          |
| LOS                 | Length of stay                               | 8           |
| OCC                 | Occupancy Rate                               | 5           |
| PMS                 | Property Management System                   | 23          |
| RAG                 | Room Availability Guarantee                  | 18          |
| RevPAC              | Revenue Per Available Customer               | 19          |
| RevPAR              | Revenue Per Available Room                   | 5           |
| RM                  | Revenue Management                           | v           |
| RMS                 | Revenue Management System                    | 10          |
| SM                  | Social Media                                 | 10          |
| THRM                | Total Hotel Revenue Management               | 10          |
| TO                  | Tour Operator                                | 49          |
| USA                 | United States of America                     | 3           |
| WOM                 | Word Of Mouth                                | 13          |
| WHOP                | Wealthy, Healthy, Older People               | 31          |

## Chapter 1. INTRODUCTION

The current outlook of the Hospitality Industry is focused on its recovery from the halt caused by the COVID-19 pandemic. The World Tourism Organization (2022) predicts a gradual recovery in 2022. According to Confederação do Turismo em Portugal (2022), overnights in Portugal reached 2,9 million in February 2022, of which 81% corresponded to overnights in hotel units. This number indicates an increase of 621% in overnights in hotel units compared to the same period in 2021. However, there is still a deficit of 26% when compared to February 2020, when the pandemic had not yet affected Portugal.

According to Zaki (2022) and Guillet and Chu (2021), hoteliers who rely on RM are more likely to benefit from the gradual recovery of the tourism sector as RM allows hoteliers to identify potential business opportunities in their markets through the analysis of the market context, competitive positioning and customer segmentation. RM entails using analytics and performance data to assist hoteliers in predicting customer behaviour. The data is then used to make suitable decisions regarding pricing and distribution strategies. The goal of RM is to sell the right room to the right customer at the right time, place and rate. Through this goal, one can maximise revenue and, as a result, profit. However, several authors have identified limitations in implementing RM, as tactical RM practices can negatively impact the hotel's long term relationship with its key clients.

CRM consists of practices, strategies and technologies used to manage and analyse customer interactions and data throughout the customer lifecycle. The goal of CRM is to improve customer service relationships, which promotes customer retention and sales growth. According to the literature, the integration of CRM and RM can enhance the firm's outcomes and mitigate RM's limitations regarding customer relationships. Thus, the importance to study these concepts.

The present study was carried out to complete a Master's degree in Management with a specialisation in Tourism. The elaboration of the study involved an internship in RM and crosstraining at AP Hotels & Resorts Group (hereafter, AP Group). The goal of the internship was to develop the ability to apply the theoretical knowledge acquired, using adequate methodologies to solve real problems of the professional reality related to the scientific area of the Master – Tourism Management –, making an adequate articulation between the process of curricular training and the application of knowledge acquired in a

professional context. The internship objectives were to acquire experience and knowledge of day-to-day hospitality procedures through a crosstraining, understand how other departments influence RM and are influenced by the latter, and develop competence in RM.

In order to respond to a problem faced by the company, the intern identified, in consensus with the latter, a gap: the need to maximise RM through customer relationships. Thus, the empirical study aims to answer the research question: can CRM help maximise RM? – in the context of an internship at AP Hotels & Resorts. The main objective of the empirical study was to understand how RM can be maximised by CRM, identifying strategies that integrate these concepts to overcome limitations that impact revenue maximisation within the hotel units.

The present report aims to detail the main tasks developed, the challenges encountered and the literature that guided the student's performance during the 1560 hours of internship. Its structure is divided into seven chapters. The report begins with this introductory chapter that provides contextualisation for the upcoming chapters. Next, the chapter of the empirical study provides a literature review on RM and CRM, clarifying the guidelines that guided the intern's performance throughout the internship. Then, the third chapter defines the research methodology applied – action research – which follows a cyclical method. This study presents two cycles of research.

Covering the first cycle of action research, chapter four and five provide the company characterisation and describe the internship plan and crosstraining. After summarising the limitations identified in previous chapters, the sixth chapter begins the second cycle of action research, where: the strategies to overcome the limitations are identified; the results of the analysis of collected data are presented and discussed; and the identified strategies are applied to the obtained results to solve the identified limitations. The seventh chapter concludes the study, identifying new limitations and aspects for future reflection.



## Chapter 2. RM AND CRM IN THE HOSPITALITY SECTOR

This chapter presents a literature review on the application of RM and CRM in the hospitality industry. The review of literature will follow a general to specific orientation on RM, CRM and their integration. Firstly, the definition of RM will be provided, moving to the processes involved and the RM system. Then emerging themes and limitations of RM will be explored. Secondly, the definition and implementation of CRM are explained, followed by the importance of CRM systems and the characterisation of Salesforce Inc. Lastly, the benefits of RM and CRM integration and the barriers to the latter are discussed.

### 2.1 RM in Hospitality

RM, sometimes mentioned as Yield Management, consists of selling perishable service products to the most lucrative mix of customers to optimise revenue (Klein et al., 2020; Heo and Lee, 2011). According to Altin et al. (2017), Yield Management corresponds to a narrow capacity control-based view that evolved to RM, a strategic view for profit maximisation. This progression corresponds to a shift from the earlier market-based short-term pricing approach to the current long-term strategic approach.

With the deregulation of the United States of America (USA) aviation industry in the 1970s, the airline industry was the first to apply RM, and it has since gained widespread support among capacity-constrained service industries as a way to optimise income by effectively managing demand and capacity (Klein et al., 2020; Gönsch, 2017; Ivanov and Zhechev, 2012; Heo and Lee, 2011). Airlines, hotels, and car rentals became the three leading industries to apply RM in daily operations (Wang et al., 2015; Ivanov and Zhechev, 2012).

In the late 1980s, RM was in its early stages of development, and major North American hotel chains like Marriott, Hilton, Sheraton, and Holiday Inn had already implemented what is now deemed rudimentary RM systems (Murimi and Wadongo, 2021). With perishable inventory, reservations made in advance, an adequate cost structure, variable demand, and segmentable markets as necessary conditions for RM (Ivanov and Zhechev, 2012).

Since then, RM has become a vital strategic tool for the hospitality industry, commonly used, for example, to maximise profits by getting revenues from rooms that would

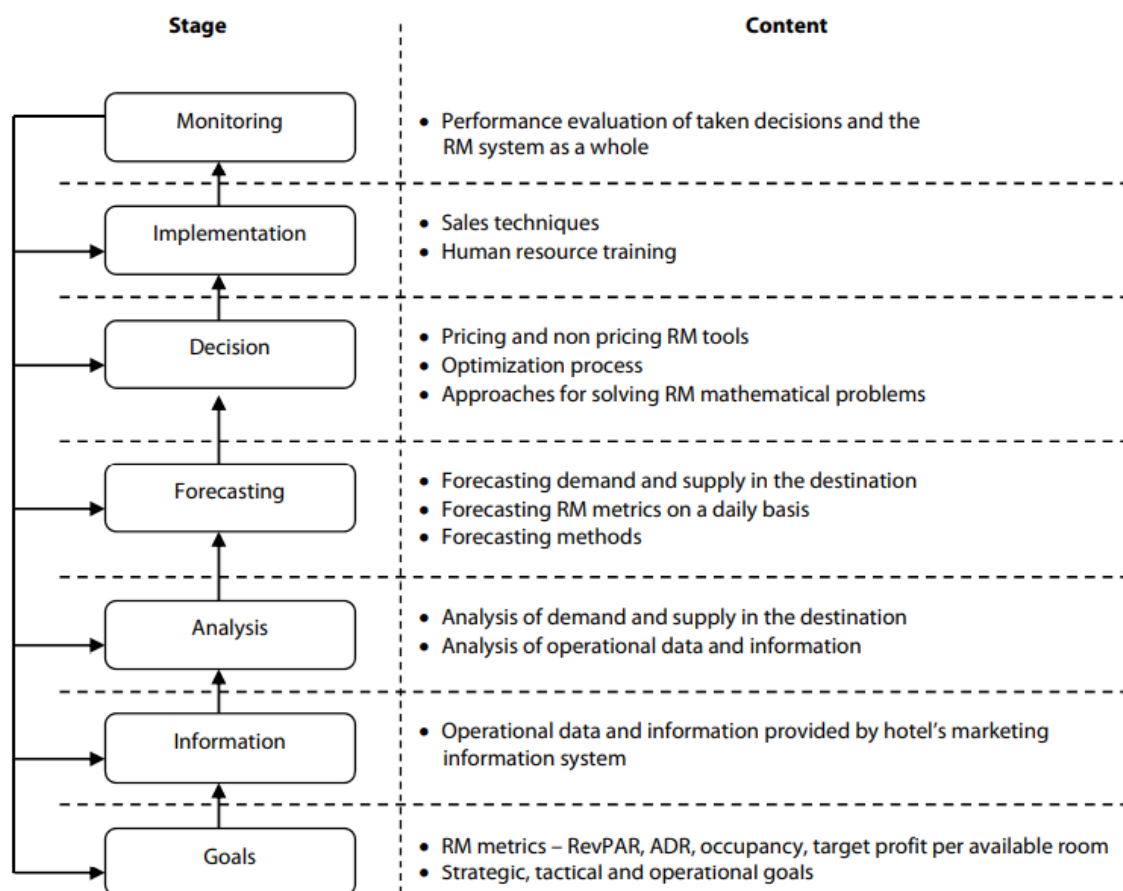
otherwise be unsold (Murimi and Wadongo, 2021). When demand is strong, RM attempts to maximise revenue by charging premium pricing and cutting prices to boost demand when it is low. RM entails many operational processes, including segmenting consumers, pricing and rate fences, and capacity management to maximise income from the fixed capacity (Heo and Lee, 2011).

To better understand all aspects that hotel RM entails, the main elements of its process and system are discussed in the next two sections.

### 2.1.1 Hotel RM process

Ivanov and Zhechev (2012) proposed a hotel RM process model (Figure 2.1) that includes seven stages: setting goals, gathering information, analysing, forecasting, deciding, implementing, and monitoring.

Figure 2.1: Hotel RM process



Source: Ivanov and Zhechev, 2012

### **Goals, information, and analysis**

The RM process begins with the goal-setting phase with the establishment of specific strategic (years), tactical (months), and operational (days) time horizons (Murimi and Wadongo, 2021). They pertain to the values of various RM metrics, such as revenue per available room (RevPAR), average daily rate (ADR), occupancy rate (OCC), and target profit per available room. The hotel's marketing information system provides the RM software's essential operational data and information. The operational data is analysed, giving insight into the hotel's RM metrics patterns for the following period (Ivanov and Zhechev, 2012). The third step includes a demand and supply analysis (at the individual hotel level, hotel chains in the destination, and at the destination level).

### **Forecasting**

Forecasting entails various forecasting techniques to predict the future evolution of RM Key Performance Indicators (KPIs), demand, and supply (Murimi and Wadongo, 2021). Hotels must be able to estimate demand in order to use RM effectively. Ivanov and Zhechev (2012) identified three types of forecasting methods: historical, advanced booking and combined. Time series analysis is used in historical methods. Knowing how a variable has evolved might provide insight into how it will change in the future. They are reasonably simple to use and require little data. The main disadvantage is that other factors such as demand, rivals' actions, or unique events at the destinations that boost demand are disregarded. Advanced booking models estimate the number of booked rooms on a particular arrival day based on the number of booked rooms on a previous day (reading day) and rooms' pick-up between the reading day and the arrival day. Combined methods enable the inclusion of more variables in forecasting models and, as a result, may produce better forecasts (Murimi and Wadongo, 2021; Ivanov and Zhechev, 2012).

### **Decision and implementation**

The forecasts are fed into mathematical models that generate suggestions for the best price levels, rate structures, and overbookings, assisting the revenue manager in making decisions (Murimi and Wadongo, 2021; Ivanov and Zhechev, 2012). The implementation of the latter requires the training of employees to use a variety of sales strategies (e.g., up-selling, cross-selling) in order to close a transaction at a higher rate or refuse a booking for a shorter stay in order to sell the room for an extended stay and meet the RM targets.

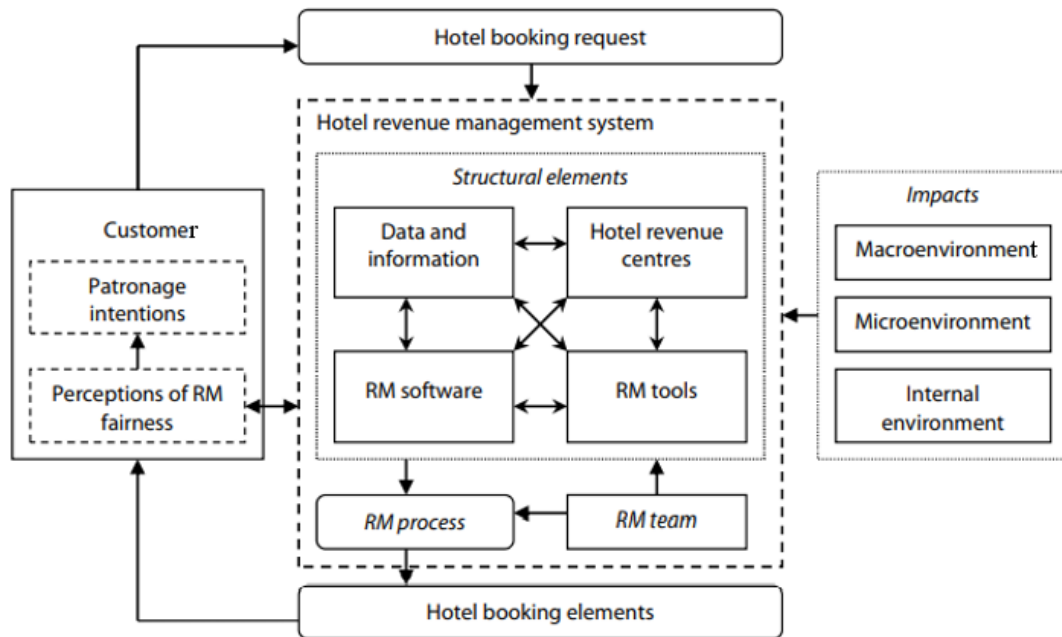
## **Monitoring**

Finally, the RM process entails keeping track of all stages of the process and looking for ways to improve it at each one (Murimi and Wadongo, 2021). RM should only be used to improve the hotel's bottom line by raising revenue and offsetting expenditures, which involves assessing the effectiveness of a hotel's RM system on an individual or chain level (Ivanov and Zhechev, 2012).

### 2.1.2 Hotel RM system

Ivanov and Zhechev (2012) contributed to the understanding of the hotel RM system through a framework illustrated in Figure 2.2. According to the authors, RM is a system consisting of four structural elements: data and information, hotel revenue centres, RM software, and RM tools; managed by the RM team and RM processes. The operational outputs of these processes are specific elements of booking requests, such as booking status, the number of rooms, category of room, duration of stay, price, cancellation and modification policies. The customer's perceptions of the fairness of the hotel's RM system and the intention of future bookings with the same hotel are influenced by the booking information and the operation of the entire RM system (Ivanov and Zhechev, 2012). The RM system is constantly influenced by external (macro and micro) and internal environmental factors in which the hotel operates (e.g., company's goals, financial situation, legislation, competition, changes in demand, destination's image, or force majeure events). Revenue managers' decisions must take all of these factors into account.

Figure 2.2: Hotel RM system



Source: Ivanov and Zhechev, 2012

### Data and information

The use of RM demands a large amount of data on various RM measures, such as ADR, RevPAR, gross operating profit per available room, OCC, yield, and profit per available room (Murimi and Wadongo, 2021). In addition, the RM system requires:

- Daily information about the hotel's future bookings;
- The sale of additional services in other revenue centres;
- Competitors' rates and strategies;
- Information about legislative changes;
- Special events to be held in the destination;
- Any other data/information related to the hotel's demand, supply, revenues, and financial results.

### Revenue centres

Hotel revenue centres analyse the hotel's prospective revenue sources – such as room division, Food and Beverage (F&B), function rooms, spa and fitness facilities, golf courses, casino and gambling facilities, and other additional services – and its ability to employ pricing as a revenue generation tool (Ivanov et al., 2021). Up until recently, most

hotel RM research has been concentrated on the rooms division. However, all revenue centres, not just rooms, should be included in the hotel's RM system because they can considerably contribute to its total revenue. On most occasions, the additional revenue centres will only generate revenue if the customers stay at the hotel. Nonetheless, some guests may use the hotel's additional services without staying. In this case, the goal of maximising room revenues may conflict with maximising total revenue. Revenue managers may reduce room rates to attract more guests to the hotel, stimulating demand for the other revenue centres (Ivanov and Zhechev, 2012).

### **RM tools**

RM utilises tools that influence the revenue obtained from customers, which can be divided into pricing and non-pricing tools (Murimi and Wadongo, 2021). Price discrimination, rate fences, dynamic and behavioural pricing, lowest price guarantee, and other approaches that actively influence hotel rates are examples of pricing tools. Non-pricing tools do not directly affect rates but are related to inventory control and channel management (Nair, 2019).

#### *- Pricing tools*

The most commonly used pricing tools in hospitality are price discrimination, dynamic pricing, and the lowest price guarantee. Pricing discrimination occurs when a hotel charges different prices to different clients for the same rooms, assuming that price sensitiveness differs between market segments (Nair, 2019). Hotels use price fences to prevent customers from switching from high-priced to low-priced products. These are incorporated in the booking terms and conditions. Price fences vary according to the day of the week, length of stay (LOS), guest characteristics, cancellation, amendment, and payment terms, all of which influence hotel prices. The lowest price guarantee is another pricing tool that matches the price if a customer finds a lower rate for the same or similar hotel (Nair, 2019).

Dynamic pricing enables hotels to maximise RevPAR and yield by setting pricing that matches current demand and OCC levels, adjusting it as these change (Gönsch, 2017). As a result, customers frequently pay varying prices based on the time of reservation, even when they have identical booking details. On the one hand, dynamic pricing can be rather profitable from a financial standpoint. However, because it results in various rates for

what appear to be equivalent facilities, consumers may consider such RM practices unfair (Abrate et al., 2021).

Room rate influences the ideal level of overbookings, demonstrating the interdependence of pricing and non-pricing tools. Finally, hotels strive for price parity throughout and within the many distribution channels, which demand pricing and non-pricing RM strategies (Ivanov and Zhechev, 2012).

- *Non-pricing tools*

Inventory management encompasses capacity management and control, overbooking, and LOS control. In a nutshell, hotel capacity refers to the capacity of the rooms division or the total number of overnights the hotel can accommodate on any particular date (Klein et al., 2020; Gönsch, 2017). In practice, the hotel can reduce room capacity by closing separate wings or floors or increase it by offering day-let rooms. However, room capacity has minimal flexibility in any case. In a broader sense, hotel capacity includes the hotel's Food & Beverage (F&B) outlets, golf courses, function rooms, and other revenue centres that provide more capacity management options.

Overbooking is predicted on the idea that some customers who have reserved rooms will not show up for check-in (no show), will cancel or change their reservations at the last minute, and that a third would terminate their stay early. To avoid losses, the hotel confirms more rooms than it has available capacity, hoping that the number of overbooked rooms will equal the number of no shows, last-minute cancellations, and modifications (Nair, 2019). This demands careful consideration of the most appropriate level of overbookings; otherwise, costs to accommodate the additional guests in other properties will occur.

LOS control allows hotels to limit the minimum and the maximum number of nights in customer reservations. When clients book rooms for short stays during periods of high demand, hotels might use the LOS control to protect themselves from losing revenue. It also allows generating extra revenue from overnights on days when demand is often low (Nair, 2019).

Channel management is another non-pricing RM tool. The structure of a hotel's intermediaries and the terms and conditions of their contracts significantly impact ADR, RevPAR, and the entire RM system (Nair, 2019).

## **RM software**

Without adequate RM software, processing massive databases is impractical, and hotels that use it gain a strategic advantage over those that rely solely on intuitive RM decisions (Murimi and Wadongo, 2021). RM software assists RM managers by generating recommendations for price changes, inventory control, and channel management, but it also impacts revenue managers' decision-making (Ivanov and Zhechev, 2012). The software examines massive data sets and generates relevant forecasts using optimisation models. Consequently, the software's interface impacts revenue managers' judgment and willingness to change the computer's estimates. Nevertheless, the choice is ultimately in the hands of the RM team. A variety of RMS providers include Amadeus, Elektra, IDEaS, Opera and XLR8 (Murimi and Wadongo, 2021).

### 2.1.3 Emerging RM themes

With the constant evolution of RM across the various industries, emerging RM themes have been discussed by academics as well as by practitioners, such as Total Hotel RM (THRM), Big Data analytics, Revenue Integrity, Social Media (SM), Revenue Management Systems (RMS) and Business Intelligence (BI).

#### **THRM**

This concept involves leveraging the largely unexplored revenue potential of the hotel's non-room revenue-generating sources, maximising profitability (Ivanov et al., 2021). THRM entails a deep understanding of customer value and a shift from top-line metrics to bottom-line, considering distribution and operating costs (Noone et al., 2017). The most likely non-room revenue centres included in RM are function space, restaurants, spas, and retail.

#### **Big Data Analytics**

Big Data refers to the rapidly expanding availability of structured and unstructured data with high volume, velocity, and variety. Big Data has the potential to improve all phases of the RM cycle. For example, by incorporating clickstream data into the models, demand forecasting could become much more accurate (Altin et al., 2017). Additionally, the hotel's competitive set could represent consumer perspectives rather than similar hotel attributes. A Big-Data-based system can support immediate decisions (e.g., whether to



approve or decline a booking request) based on real-time, dynamic access to customer data. As Wang et al. referred that

“Such information comprises online activity directly or indirectly related to the reservation including search patterns, booking and post-purchase evaluations, rates paid in the past for hotel rooms and other products, guest profile, consumer/psychological profile, time of travel, loyalty patterns, time of booking, the mode of transportation, the customer's response to various marketing efforts in the past, and weather at the point of origin and destination among others (Wang et al., 2015:800)”.

When this real-time Big Data information is linked with similar data of potential future guests' reservation requests, it can be leveraged to customise each customer's product and price combination (Wang et al., 2015). The ambition of true, most efficient optimisation may be within reach if each guest's needs, wants, and willingness to pay can be effectively assessed.

## **SM**

The feasibility of using social networking sites like Facebook, Twitter, TripAdvisor, and YouTube to reach out to potential consumers, comprehend customer behaviour, build and manage customer relationships, and impact customers' value perceptions has become a hot topic (Chu et al., 2020). Perez-Aranda et al. (2019) suggest that hotels must actively foster customer relationships through SM, monitor reviews, and manage online reputation as they strongly impact customer behaviour. According to Anagnostopoulou et al. (2020), guest reviews significantly affect hotel performance, as it influences room bookings, sales, booking income, prices, and occupancy. Review scores and volume positively relate to bookings, ADR and RevPAR. Hence, RM is predicted to eventually focus on corporate reputation, as having a positive reputation and a high online review score are critical for a company's revenue performance enhancement.

## **RMS**

Xu et al. (2019) defend that the next generation of RMS will be more customer-centric and user-friendly. Through the widespread adoption of hybrid demand models incorporating customer booking behaviour such as buydown when a lower fare is available and incorporating customer profiling and tactics-building from tracking systems (Wang et al., 2015).

## **BI**

BI consists of the modern-day Decision Support System (DSS) that combines model orientation and data orientation of earlier DSS technologies. A DSS is an interactive computer-based information system that uses decision rules and models coupled with a comprehensive database. BI can be valuable to the RM practice through complex combinations of data sources; automatic insights and optimised actions; conditional alerting, report scheduling, and automation of routine tasks; advanced embedded analytics such as predictive modelling and specific capabilities such as text analytics (Kharitonova, 2019).

### 2.1.4 Limitations of RM

Several authors have identified limitations of the implementation of RM. Tactical RM practices can negatively impact the hotel's long term relationship with its key clients (Altin et al., 2017), thus the importance of customer fairness perception and understanding the relationship between price paid and hotel review ratings. RM also falls short in maximising the total potential revenue from alternative revenue centres.

#### *- The importance of consumer fairness perception of RM pricing strategies*

RM pricing strategies often incur price changes that affect price fairness perception. Unconsistent pricing can have a negative impact on customer's fairness perception and loyalty. According to Jiang and Erdem (2018), customers' perception of fairness has a direct influence on the intention to purchase and repurchase, significantly affecting customer behaviour. Extreme reactions arise when customers believe they have been treated inequitably, especially when no viable alternative is offered (Heo and Lee, 2011). People can penalize a company by refusing to do business with them again and spreading unfavourable word-of-mouth recommendations (Jiang and Erdem, 2018). Therefore, customer satisfaction, loyalty, and long-term profitability are all dependent on the customer's fairness perception of RM tactics and pricing (Heo and Lee, 2011).

According to Abrate et al. (2021), a reference transaction and reference pricing must be regarded when considering fairness. A reference transaction reflects how customers believe a transaction should be handled, and reference pricing is the benchmark for how much a service should cost according to customers. Customers typically use internalized reference prices, such as the most recent price paid, and externalized reference prices,

such as the most regular price paid, market prices, and advertised rates, to assess the fairness of a price (Heo and Lee, 2011). Customers have little differential information to justify pricing disparities when there is a high degree of perceived similarity between transactions. Therefore they are inclined to assume they are entitled to equal prices and consider price differences as unfair (Abrate et al., 2021).

In terms of pricing strategies, customers may consider it unfair to pay a greater rate than those who booked the same type of room earlier. Room rates fluctuate between high and low days based on changes in demand. Influenced by their previous experiences and rate expectations, customers may be misled by the reference rate (Abrate et al., 2021). Thus, when regular guests are required to pay a higher fee on high demand days instead of receiving a privileged rate, they may be disappointed. Hotel companies also employ reference pricing to charge customers varying costs based on their characteristics. Therefore, hotels may charge a higher rate to less price-sensitive guests to maximise revenue from each transaction. Customers charged overpriced rates might believe the practice is unjust (Guillet and Shi, 2019).

Often, RM practices are perceived as fair when information on varying pricing options is provided, feasible restrictions follow considerable discounts, and services with distinctive prices are perceived differently (Abrate et al., 2021; Jiang and Erdem, 2018). Balanced RM decisions are also fundamental, as deeply discounted rates may lower consumers' reference prices and raise price-conscious customers' opinions of RM pricing as unfair, without increasing occupancy to compensate for the rate decrease (Heo and Lee, 2011). As a result, even during economic downturns, hotels must make careful pricing decisions by clearly limiting the bottom line of their discounted rate, as it takes a long time to recover from it.

- *Relationship between the price paid and hotel review rating*

Price has a significant influence on customer purchasing intentions and activates expectations about perceived quality. Tourists establish expectations about their upcoming service interaction elements before they arrive (Abrate et al., 2021). Review information and prices are seen as reassurance indicators, as tourists try to gather information on the quality of the service. Electronic word of mouth (e-WOM) plays a relevant role in hotel reviews and ratings, affecting purchase intention, price levels and revenue (Abrate et al., 2021; Wang et al., 2019)

When an experience exceeds or falls short of the user's expectations, it is referred to as positive or negative disconfirmation of expectations. If a service is expensive, customers will have high expectations for the experience (El-Said, 2020). Negative disconfirmation happens when the outcome does not match expectations, and the opposite occurs when the experience exceeds expectations (Abrate et al., 2021). Because high expectations are more likely to be negatively confirmed, while low expectations are more likely to be positively confirmed, there is a negative influence. As a result, it is more challenging to match higher service expectations because customers are more likely to be disappointed. If there is a high expectation that the hotel would be expensive, it is more probable that there will be a letdown with the hotel experience due to the high expectations (Abrate et al., 2021).

Price can operate as a quality indicator when quality is subjective, such as in-service encounters. The same product can be offered at different prices. A lower-quality product can be sold at the same price as a higher-quality one, impacting consumers' opinions and quality perceptions. High pricing can also lead to an impression of superior quality, which might increase a consumer's propensity to buy (El-Said, 2020). Consumer reviews reflected the perceived quality and the gap between quality and price (perceived value), demonstrating that price significantly impacts reviews. The influence of price on perceived quality is positive, but it negatively impacts perceived value. The price significantly impacts perceived quality for higher-star luxury hotels than for lower-star, budget hotels (Wang et al., 2019). Furthermore, whereas pricing significantly impacts perceived quality for business travellers, the same is not valid for leisure tourists (Abrate et al., 2021).

- *Alternative revenue centres*

Even though the industry is now moving toward expanding the scope of RM practice beyond rooms division, non-room revenue streams continue to be often neglected (Ivanov et al., 2021; Wang, 2012). The lack of appropriate platforms and an integrated RM solution hinder the overview of individual customers and customer segments. There are also technological challenges regarding capturing share-of-wallet data. Noone et al. (2017) identified the need to: develop RM programs for non-rooms revenue streams; extend pricing opportunities across revenue streams and segments; develop a distribution strategy for non-rooms inventory; capture more customer-level data and share it.

Technology has not yet progressed to the point where all revenue streams can be optimized simultaneously.

## 2.2 CRM in Hospitality

As the hotel industry becomes more competitive, putting a lot of pressure on businesses to keep and grow their consumer base, customers' expectations are rising, creating a new industry standard (Sota et al., 2020). CRM integrates a company's entire supply chain to create customer value at every step, whether through enhanced benefits or cheaper costs. Businesses have discovered that keeping a customer is less expensive than finding a new one (Law et al., 2018). Thus the importance and focus of CRM. According to Pareto's Principle, 20% of a company's customers are responsible for 80% of its profits. Moreover, a 5% increase in retention of existing customers results in a 25% or more boost in profitability (Hassan et al., 2015).

The term relationship marketing was first used in 1983 by Berry, based on retention and long-term relationship with customers (Berry, 1983). Loyalty programs, first established in 1981 by American Airlines for CRM, have become one of the most widely used methods for maintaining long-term relationships with customers and attracting them to make repeat purchases (Sota et al., 2020). Throughout the years, CRM evolved, shifting from transaction- to customer-based approaches, in which information technology (IT) plays a valuable role. The contemporary literature emphasises advanced technologies, SM, and Big Data analytics (Sota et al., 2020).

The literature has not yet reached a consensus regarding the definition of CRM. The view on CRM diverge from a business philosophy, a business strategy, a technological tool and even the integration of all three perspectives (Rahimi et al., 2017). The integrative view consider CRM to be the construction of a customer-oriented culture by which a strategy is created to acquire, enhance the profitability of customers and retain the latter. All of which are enabled by IT developments and advances.

Although a long range of benefits that can be obtained from implementing CRM system, many fail to implement it effectively. According to Farhan et al. (2018), the main reasons for CRM implementation failure are the lack of top management support, lack of clear vision and strategy, poor management of change, poor training program, lack of customer-centred orientation, and a poor skillful human resources. On the other hand, the

key success factors in the implementation of CRM are top management support, IT systems integration/management, skilled, trained and motivated staff, organizational culture, and accurate Knowledge Management (KM). Only when these are used simultaneously, a superior customer-relationship capability is achieved. It is essential for a company that strives for successful CRM implementation to have a customer-focused structure, culture, policy, and reward systems, aiming to achieve deep customer relationships to become indispensable to its most profitable customers. Furthermore, the efforts should be organisation-wide, with the entire company cultivating these valuable relationships through customer-focused cross-functional teams (Farhan et al., 2018).

Successful CRM requires effectively transforming customer information into customer knowledge. Information about the customer should be gathered across all firm functions, establishing, maintaining and updating a 360-degree customer view (Migdadi, 2021). This allows the company to address customers' current and anticipated needs. In its turn, technological innovations allow to collect and analyse data on customer patterns, develop prediction models, respond timely and effective customised communications, and efficiently deliver personalised value offerings to individual customers. Incorporating CRM-based technology enhances customer satisfaction, retention, and more profitable long-term relationships (Sota et al., 2020).

To better understand and serve customers, an increasing number of organisations are creating sophisticated CRM systems such as Salesforce Inc. According to Latif and Nina (2020), Salesforce Inc. is a global leader in CRM (by revenues) that allows clients to develop relationships with consumers through cloud computing software. In the following sub-section, a more detailed characterisation of Salesforce Inc is provided.

### 2.2.1 Salesforce Inc

Salesforce Inc. is a cloud-based CRM software firm based in the US that aims to enhance the performance of management, sales and marketing (Koponen, 2018). The company was founded in 1999 by Marc Benioff and his associates, offering a web-based solution that integrates all the applications and services in one platform and creates a 360-degree view of businesses. This solution is consumer-friendly, easy to use and work by a licensing model (Ehrnrooth, 2017). Salesforce Inc enables companies of all sizes and industries to connect with customers through emerging technologies such as cloud, Internet of Things, mobile, artificial intelligence and social networks (Joe, 2019).

Salesforce Inc offers different cloud-based applications such as Marketing Cloud, Commerce Cloud, Sales Cloud, Service Cloud, and Salesforce Platform.

Through Marketing Cloud, a company can integrate all marketing channels to the same platform and personalise every interaction with customers. The Commerce Cloud allows delivering seamless customer experiences across all e-commerce shopping touchpoints on various platforms like social, mobile and web. The shopping experience for users can be personalised with an artificial intelligence-powered commerce solution for marketing, merchandising and promotion. Sales Cloud is focused on enhancing the effectiveness of the sales team and increasing the number of sales. In its turn, Service Cloud improves customer service efficiency across channels by creating a single view of a customer's activity and using tools for field service, web chat, computer telephony integration, and social customer service. The Salesforce Platform allows companies to create and manage applications easily (Ehrnrooth, 2017).

Once defined the concept of RM and CRM, the integration of these concepts is discussed in the next section.

### 2.3 RM and CRM integration

Many hotels use RM and CRM as standard strategies for increasing profitability. According to the literature, the implementation of both processes has a beneficial impact on the firm's outcomes (Peco-Torres et al., 2021; Guillet and Shi, 2019; Noone et al., 2003). While RM eases the generation of demand, CRM helps build and maintain more valuable client relationships. However, both have the same goal: to enhance the firm's revenues and profitability through relationships with clients. Each, however, is built on distinctive perspectives and mechanics.

RM is more tactical and inventory-centric, whereas CRM is more strategic in focusing on the company's customer relationship. RM can be defined as the process of allocating the appropriate capacity to the appropriate customer at the right price, at the appropriate time, and through the appropriate distribution channel in order to maximise a company's revenue or performance (Peco-Torres et al., 2021; Guillet and Shi, 2019). RM is primarily concerned with inventory and demand, with minimal regard for customer satisfaction. Inappropriate RM strategies can adversely impact customer trust, commitment, and loyalty (Guillet and Shi, 2019; Altin et al., 2017).

It is critical to complement this process with proper CRM implementation to avoid RM from adversely affecting the stability of relationships and trust between businesses and their key customers and strike the right balance between revenue maximisation and long-term customer relationships (Peco-Torres et al., 2021). To put it another way, CRM allows RM to be improved from a tactical instrument to a more strategic one. CRM can also utilise RM's capabilities to identify market segments to prioritise marketing actions and build long-term connections (Peco-Torres et al., 2021). As a result, implementing CRM and RM at the same time is key to a company's success.

Vaeztehrani et al. (2015) attempted to integrate CRM with RM by dividing hotel guests into two categories depending on their lifetime value: occasional and loyal. Loyal customers are given lower prices, discounts and room availability guarantees (RAG). Vaeztehrani et al. (2015) proposed that hotels hold some rooms for loyal customers and allow them to book shortly before their arrival because hotel rooms are likely to sell out during peak season. Loyal customers should be rewarded with the privilege of paying a cheaper rate than other guests. This strategy is for hotels that seek to retain long-term profitability by cultivating strong relationships with loyal customers. The critical determinant of this strategy is if designing a RAG-discount program based on maintaining loyal customers can guarantee revenue growth that outweighs the short-term revenue losses (Guillet & Shi, 2019).

Several authors recommend integrating data from the CRM system utilised to inform the RM decision-making process to establish a long-term strategic direction based on benefit optimisation (Peco-Torres et al., 2021; Guillet and Shi, 2019; Noone et al., 2003). This strategy also ensures that RM is centred on the customer connection, resulting in higher customer value and a CRM designed to maximise revenue. Nevertheless, barriers to integration may occur, which are discussed in the next section.

### 2.3.1 Barriers to integration

Even though the integration of CRM and RM has great potential, it may encounter significant challenges. RM limitations (previously discussed in section 4.1.1.4) such as customer unfairness perception regarding price strategies may persist, impacting CRM. For example, LOS control, which limits clients to specific rates for a certain period, is seen as a strategy to maximise hotel revenues while paying little attention to customers. As customers begin to doubt whether they can get a good deal each time they make a



reservation, they may lose trust and hesitate to return to the hotel in question (Guillet and Shi, 2019).

The differences in goals, timelines, company assets, KPIs, and management focus cause compatibility challenges between RM and CRM from a management perspective (Wang et al., 2015). Revenue managers are responsible for maximising a property's revenue through inventory management and pricing controls. On the other hand, CRM aims to improve sales volume and consumer spending by managing customer relationships. While most hotels monitor revenue daily, CRM objectives are set for a far-reaching period, such as a year (Ivanov and Zhechev, 2012). Room inventory and availability control are the business assets of RM, whereas customers and relationships are the assets of CRM. The success of RM is measured by RevPAR. The total revenue generated by one customer over a period can be used as a CRM performance indicator (RevPAC). Finally, RM is concerned with pricing, inventory control, and customer mix, whereas CRM is concerned with relationship development. As a result, the revenue and account managers must align their understanding and goals for RM and CRM at the hotel (Guillet and Shi, 2019).

## Chapter 3. METHODOLOGY

In this chapter, the research methodology used in the elaboration of the present study is introduced according to literature, followed by the clarification of its application in practice. The methodology was chosen in alignment with the objective of the empirical study: to understand how RM can be maximised by CRM.

The research method applied in this report is designated action research. The method was first introduced in the 1940s by Kurt Lewin and consists of a methodology that encourages the development of constant work, study, and investigation dynamics, allowing for context-based intervention and outcomes analysis (Lewin, 1946). The main characteristics of this research method are represented in Table 3.1. According to Waterman (2007), action research aims for transformative change by combining the processes of action and research, which are linked by critical reflection. Hence, in terms of epistemology, this method follows the critical theory. It seeks to understand the research problem, bridging the gap between educational theory and professional practice in order to generate change.

Through action research, the researcher observes and identifies an issue or problem that needs to be addressed. Then, approaches to overcome the problem are identified and implemented by practitioners in their practices. The primary goal of action research is to learn through action, which leads to personal or professional development. It enables researchers to not only propose appropriate courses of action, but also to investigate the actual results of the latter, giving them an involving role. Research participants have an active contribution, being also object of the study.

Action research applies qualitative method to explain what is happening and to understand the effects of the intervention. The analysis of results is contextualised, subjective and complex. Finally, action research follows the principle of cyclical analysis and reformulation as the study progresses and, after review, the investigation is adjusted accordingly. The main objective is to understand the practice under analysis better to provide an improvement (Latorre, 2003).

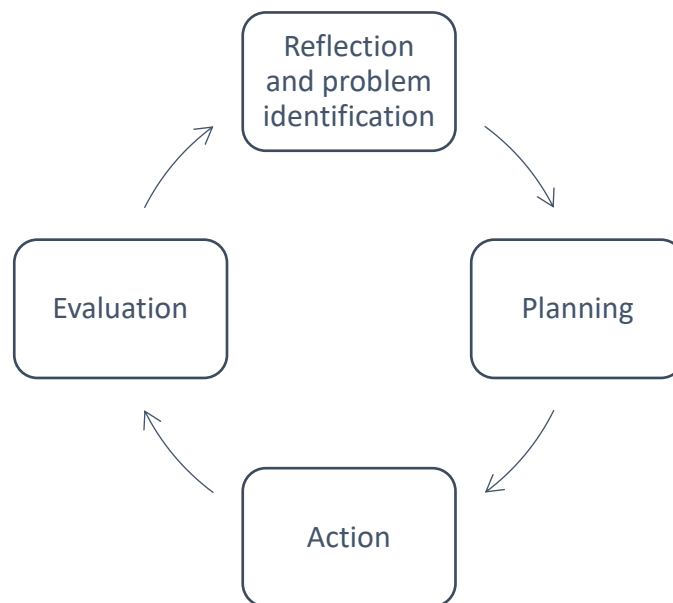
Table 3.1: Characteristics of action research

| Steps of the research process | Action research                     |
|-------------------------------|-------------------------------------|
| Epistemology                  | Critical theory                     |
| Research problem              | Understanding and change            |
| Methods                       | Qualitative; Cyclical               |
| Research participants         | Active; Object of own study         |
| Researcher role               | Involved; Effective                 |
| Analysis                      | Contextualised; Subjective; Complex |

Source: Adapted from Waterman (2007)

Action research entails planning, action, observation, and detailed reflection on what is implemented to induce improvements and a more enriched understanding of these practices. Figure 3.1 illustrates the process of action research developed by Lewin. After analysing and identifying the problem under investigation, the researcher devises an action plan to achieve a specific result. The next phase entails carrying out the action plan in a deliberate and controlled manner under the investigator's supervision. Before beginning a new cycle of investigation, the action plan's observation, analysis, and development should be closely monitored and followed by a moment of reflection.

Figure 3.1: Action research process



Source: Adapted from Lewin (1946)

According to Latorre (2003), in action research, data can be collected through: observation of the study, focussing on the investigator's perspective; conversation and interaction with participants of the study to obtain their perspective; and analysis of

documents that are accurate and informative. Action research helps to improve the company's practices by approximating the parties involved in the investigation, encouraging and promoting dialogue, collaboration, and sharing, which enhances the research process.

This methodology established the basis for a continuous work of research, critical reflection and writing, allowing to respond to problems that arose in the actual context of the internship, thereby contributing to constant learning. This methodology in the internship context resulted in two cycles marked by four steps and structured according to Lewin's model. Figure 3.2 presents the stages of the action research cycles and the application of each stage in the internship. Next, each step of the research cycle is explained.

### **Cycle I**

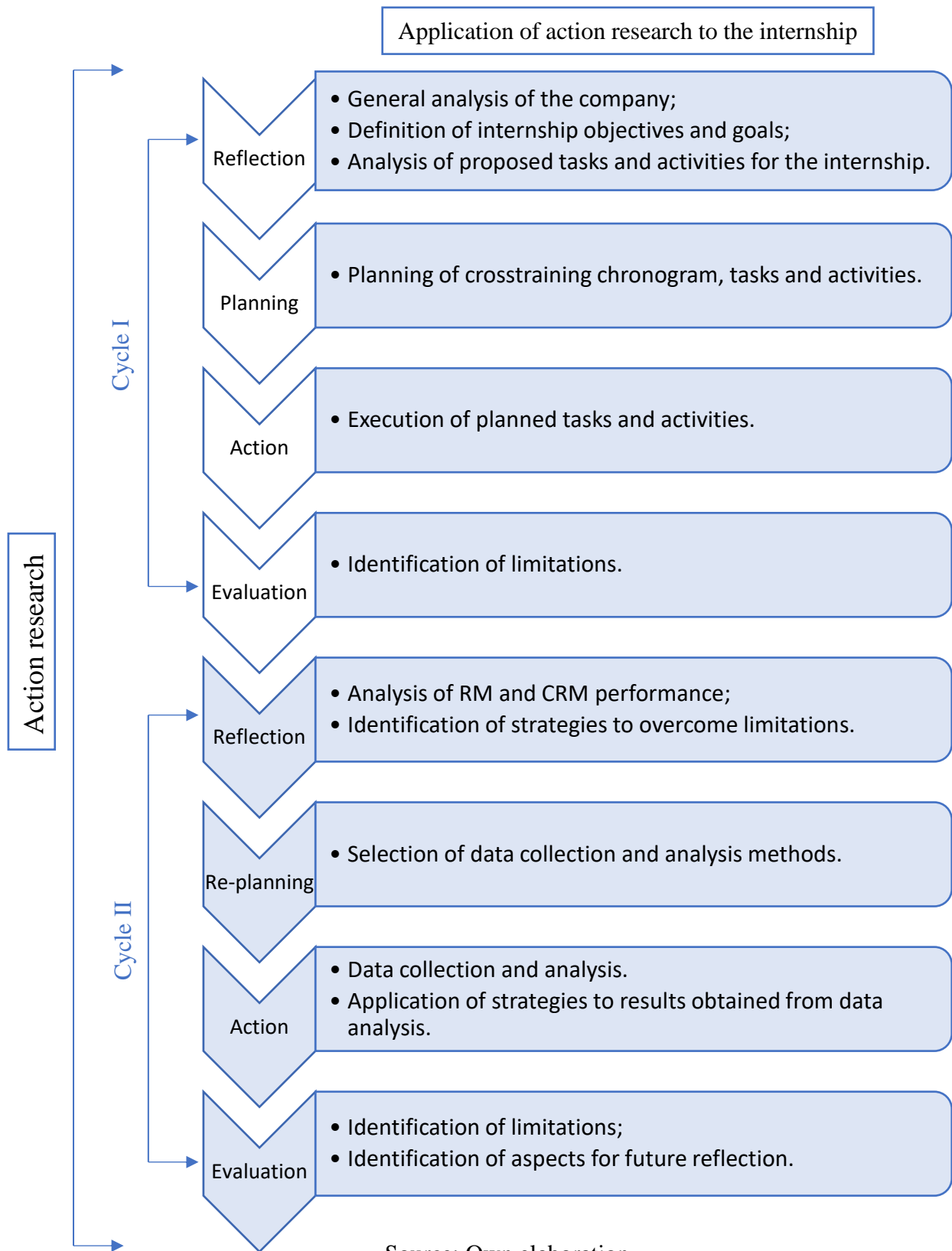
In the first phase, reflection, a general analysis of Madre Group and its sub-holdings was carried out, analysing AP Hotels & Resorts in more detail. Focused on RM, the main objectives and goals of the internship were identified: achieve alignment between RM and CRM to enhance the firm's revenues and profitability through relationships with guests; and understand, through a crosstraining, the relationship between RM and other departments. After reflecting on the activities and tasks proposed for the internship, one defined the chronogram, tasks and activities of the crosstraining. The following phases included the execution of the crosstraining plan and identification of limitations of each department concerning RM. Concluded the first cycle, the knowledge obtained and the limitations identified allowed a new reflection and reconceptualisation of the problem, reflected in cycle II.

### **Cycle II**

In this new reflection phase, the RM and CRM performance was analysed to identify strategies that allowed overcoming the identified limitations. Thus, the data collection and analysis methods necessary to implement such strategies were defined. The data collected through the different methods identified by Latorre (2003) had both quantitative and qualitative nature. Even though action research applies a qualitative research method, the data can be both qualitative and quantitative (Ivankova, 2014). All data are then interpreted qualitatively by the researcher in the context the problem being analysed.

Quantitative data was generated by the hotel's Host Property Management System (PMS), XLR8 RMS and Salesforce software. The descriptive method was adopted to analyse the quantitative data, using interpretative tables, bar graphs, multi-pie charts and stacked bar graphs. Qualitative data was obtained through conversation and interaction with department members, considering their perspective and the intern's observation of the study. After collecting and analysing the data, the identified strategies were applied to the obtained results to solve the identified limitations. On a final step, new limitations and aspects for future reflection were identified.

Figure 3.2: Action research applied to the internship



Source: Own elaboration

In the next chapter, and as the first cycle of action research, the characterization of the company is made, followed by the presentation of the internship plan and its execution. The sixth chapter summarizes the limitations identified in theory and in practice, through previous literature review and internship experience, and begins the second cycle of the action research, where: the strategies to overcome the limitations were identified; the results of the analysis of collected data was presented and discussed; and the identified strategies were applied to the obtained results to solve the identified limitations. On a conclusive chapter, new limitations and aspects for future reflection were considered.

## Chapter 4. CHARACTERISATION OF THE COMPANY

This chapter will begin with the characterisation of the Madre SGPS (Sociedade Gestora de Participações Sociais) Group (Madre, hereafter), responsible for establishing the AP Hotels & Resorts. Then, a brief presentation of its sub-holdings and areas of action will be done. After contextualising the origin of the AP Hotels & Resorts, the latter will be characterised in more detail.

### 4.1 The Madre Group

Madre is a group with a great expression both in Portugal and internationally, currently operating in different industries such as audio-visual, renewable energies, tourism, winery, publishing, real estate, and agriculture. Madre was founded in 1983 and was initially directed for the machinery sector, metal manufacturing, and equipment hire. However, it saw potential and invested in other industries throughout the years, diverging from its initial operations (Madre SGPS, 2020).

Madre's mission is to create value sustainably, encouraging motivation to achieve competence, high levels of operating efficiency, and excellence. Over the decades, the Group has expanded by acquiring national and international business units, becoming a market leader in the sectors in which it operates. Thus, it is essential to understand its role in society and adopt best practices in environmental and natural resources conservation. The Group is inspired by values of business ethics, a commitment to market-oriented customer loyalty, and a continuous search for new business opportunities while keeping up with technological advancements and societal trends (Madre SGPS, 2020).

Due to its operations in different industries, to clarify Madre's structure, the Group was reorganised in 2019, following a strategic business units rationale, which led to the demerger of Madre SGPS into five sub-holdings (Figure 4.1).



Figure 4.1: The business structure of Madre Group



Source: Own elaboration. Logos collected from Madre SGPS (2021)

Next, each sub-holding will be presented in more detail.

#### 4.1.1 Madre Capital

Madre Capital invests in wine production, agriculture, and renewable energies sectors, aiming for sustainable development. In 2006, the Quinta de São Sebastião label had its first harvest, launching the properties' wine and consolidating itself as a reference producer in Arruda dos Vinhos. The properties' labels Quinta de São Sebastião, S. Sebastião, and QSS Rare are marketed by Multiwines, which consolidates growth in foreign markets. Two-thirds of its production is destined to USA, Brazil, Germany, and Angola. In 2020, Quinta de São Sebastião won the award of Best Red Wine in the World at the Vinalies contest in France (Madre SGPS, 2020).

In 2011, it entered the fruit cultivation segment with Agrivabe. After consolidating the production of red fruits (raspberries, blackberries, and blueberries) for exportation, the company expanded to tropical fruits, such as mango, papaya, and avocado.

In 2008, Madre made its first investment in renewable energies through Iberwind. Since 2010, Madre has been responsible for the Hypesolar Fotovoltaica, a company that builds and runs electrical energy production plants using photovoltaic technology, supplying the Public Electricity Transmission Grid (Madre SGPS, 2020).

#### 4.1.2 Madre Entertainment

In 1991, the Madre Group entered the audio-visual market via Nicolau Breyner Productions. Ten years later, 60% of the interest in the company was sold and, in 2007, the remaining 40% to the Media Capital Group (Madre SGPS, 2020).

SP Televisão was founded in 2007 by a team and a structure of actionists with more than fifteen years of experience in the national audio-visual market. SP Televisão has eight studios that account for 5100 and 18 editing rooms. The company values talent, professionalism, transparency, and integrity, which has led it to become the reference for independent producers in Portugal. SP Televisão has created 15 series and 21 soap operas, with highlight for the pieces *Laços de Sangue*, *Coração d'Ouro*, *Alma e Coração* and *Terra Brava*. SP Televisão has received nearly three dozen awards and 108 nominations in various categories at both national and international levels. The investment in internationalisation has led to the sale of its produced content to more than 32 countries (Madre SGPS, 2020).

Besides the audio-visual market, Madre Group has also entered the publishing sector in 2006 by acquiring an interest in *Guerra & Paz*, a publishing company. Two years later, Madre acquired a qualifying holding in the *Impresa Group*, playing a role in the Media through *SIC*, a renowned Portuguese television channel, and *Expresso*, the most prominent Portuguese journal (Madre SGPS, 2020).

#### 4.1.3 Madre Real Estate

The sub-holding Madre Real Estate invests in property assets, with a prominent position for the residential segment. These properties are located in Tavira, Cabanas de Tavira, Lisbon and Quinta do Cereiro, in Arruda dos Vinhos. Besides sale and leasing, the sub-holding offers a wide range of complementary investor advisory services, such as market research, project management, and asset management. Madre Real Estate aims to align with the United Nations Sustainable Development Goals, adding value to its projects and promoting prosperity and well-being. Additionally, it invests in real estate in Marbella, Spain, and Natal, Brazil (Madre SGPS, 2020).

#### 4.1.4 Madre International

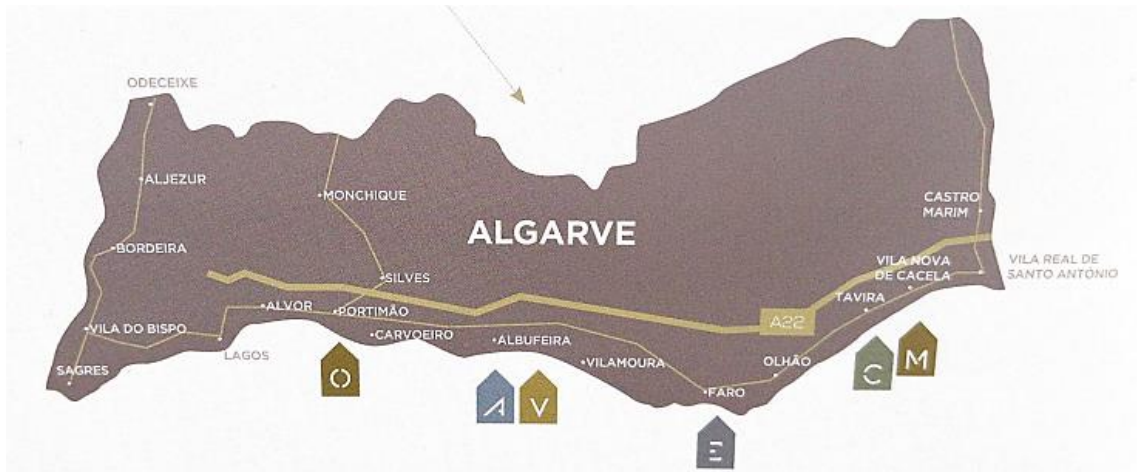
Investment opportunities abroad gave origin to Madre Colombia, based in Bogotá. The sub-holding has interests in *Macom Rentel*, which leases equipment at a national level, and *Vinal*, which imports and markets wine. Furthermore, the sub-holding invested in a hotel, offices, commerce, and a food court in the Bogotá Free Trade Zone. In Spain, the investment is focussed on the luxury real estate segment, in Marbella, in partnership with the Fintech company (Madre SGPS, 2020).

#### 4.1.5 Madre Tourism

The Madre Group entered the tourism market in 2007 through an investment in the Algarve region by acquiring the Adriana Beach Club. The AP Group was founded in 2016, with strategic principles focused on balanced growth, exploring opportunities for value creation based on sustainable and ethical development, and supporting the development of employees' set of skills. Market orientation and the promotion of customer loyalty and satisfaction through quality and competitive service are fundamental to accomplishing its mission (AP Hotels & Resorts, 2021).

The AP Group owns six 4-stars hotels in the Algarve region (Figure 4.2): AP Adriana Beach Resort (A), AP Eva Senses (E), AP Oriental Beach (O), AP Maria Nova Lounge (M), AP Victoria Sports & Beach (V), and AP Cabanas Beach & Nature (C).

Figure 4.2: Location of the AP Hotels & Resorts



Source: EDC, 2019

Some units are open all year round, offering more than one thousand rooms, from Tavira to Portimão, including Faro and Albufeira. The AP Group has received many national and international awards for its vitality, dynamism, and client orientation, distinguishing its efforts to save the environment and natural resources (Madre SGPS, 2020).

Once the company has been presented, and the internship will occur in the various hotel units belonging to the same, each hotel unit will be presented more in-depth.

#### 4.1.5.1 AP Adriana Beach Resort

The Adriana Beach Club, located in Albufeira, was acquired in 2007. It went through renovations in 2015 and was rebranded as AP Adriana Beach Resort, becoming a leisure and family-oriented resort. AP Adriana offers 438 rooms and possesses 17 hectares near Praia da Falésia, with extensive gardens in a pine forest area. The resort counts with many entertainment facilities, such as a theatre, a disco, two outdoor pools for adults and two for children, an indoor pool, a kids club, a spa, a gym, various sports fields, day and night animation for adults and children, shows and live music. The resort has direct access to the beach at a distance of 200 meters and operates exclusively in All-Inclusive (AI) regimen (AP Hotels & Resorts, 2021).

The main competitors of AP Adriana that offer a similar product are: São Rafael Atlântico Hotel (5-stars), 3HB Clube Humbria Resort (4-stars), Be Live Family Palmeiras Village (4-stars), and Jupiter Albufeira Hotel (5-stars) (AP Hotels & Resorts, 2021).

#### 4.1.5.2 AP Cabanas Beach & Nature

The hotel was first opened in 2017, entitled “AP Cabanas Park Resort”. Later on, it was demolished and rebuilt, having as its primary concern the environment, and pursuing sustainable growth. In 2021, the AP Cabanas Beach & Nature was inaugurated, located in Tavira and with an overall energy rating of A+. AP Cabanas uses 100% renewable energy, a rainwater harvesting system, thermal energy use, 100% high performance LED lighting and eco-friendly boat service to the Cabanas Island. The hotel offers 201 rooms, two restaurants, a rooftop pool, an outdoor pool, two bars, a spa and conference rooms (AP Hotels & Resorts, 2021).

The unit accommodates customers from 14 years old and operates in AI and Bed and Breakfast (BB) regimens. Its highest demand is from families of the national market and birdwatchers from German and Dutch markets. AP Cabanas has as its main competitors the Vila Galé Albacora Hotel, the Robinson Club Quinta da Ria, and The Prime Energize Monte Gordo Hotel, all of which are 4-stars (AP Hotels & Resorts, 2021).

#### 4.1.5.3 AP Eva Senses

The AP Eva Senses is located in the centre of Faro and offers a view over the Marina and Ria Formosa. It was inaugurated in 2015 and renovated in 2020, introducing the Eva

Market, a gourmet market that offers traditional snacks in a sophisticated environment. The hotel offers 134 rooms, a health club, Harune's restaurant, a bar, an outdoor pool, and eight conference rooms. Eva operates mainly with BB regimen but offers Half Board (HB) and Full Board (FB) as well (AP Hotels & Resorts, 2021). Located in the capital of Algarve and a few kilometres from the airport, AP Eva has high demand from the business segment, accommodating many corporate customers and hosting meetings, incentives, conferences and events (MICE).

The main competitors of AP Eva that offer a similar product are Hotel Faro & Beach Club (4-stars), Real Marina Hotel & Spa (5-stars), and 3HB Faro Hotel (5-stars) (AP Hotels & Resorts, 2021).

#### 4.1.5.4 AP Maria Nova Lounge

The AP Maria Nova Lounge was acquired in 2016 and completely renovated in 2017. The hotel is located in Tavira, has a modern contemporary adults-friendly concept, and currently possesses 134 rooms and three suites. In terms of facilities, it counts with the Nomad Lounge Terrace bar, a spa, and the restaurant Balsa by Quinta de São Sebastião. The hotel operates mainly with BB regimen, offering the HB and FB options as well (AP Hotels & Resorts, 2021). Its highest demand is from golfers and the English market.

AP Maria Nova has as its main competitors the Vila Galé Albacora Hotel, the Ozadi Tavira Hotel, Vila Galé Tavira Hotel and Eurotel Altura, all of which are 4-stars (AP Hotels & Resorts, 2021).

#### 4.1.5.5 AP Oriental Beach

AP Oriental Beach is an adults-friendly boutique hotel inspired by Arab architecture, located in Portimão. The hotel belongs to the AP Group since 2015 and includes 90 rooms, the restaurant Syrah by Quinta de São Sebastião, bar, outdoor pool, and fitness room. With direct access to Praia da Rocha, AP Oriental benefits from its location in a popular tourist destination. The hotel's primary regimen is HB but offers the option of FB (AP Hotels & Resorts, 2021). Its highest demand is from Wealthy, Healthy, Older People (WHOP), Double Income, Empty Nest (DIEN) consumers, and the German market.

The main competitors of AP Oriental are Algarve Casino Hotel (5-stars), Jupiter Algarve Hotel (4-stars), and Jupiter Marina Hotel (4-stars) (AP Hotels & Resorts, 2021).

#### 4.1.5.6 AP Victoria Sports & Beach

The AP Victoria Sports & Beach is a family and sports-oriented Aparthotel located in a pine trees area in Albufeira. It was acquired in 2016 and renovated in 2017, offering 121 fully furnished one- or two-bedroom apartments including kitchen, living rooms, and a large balcony or terrace. The hotel has a swimming pool for adults and another for children, an outdoor jacuzzi, a running track (400 meters), high jump, pole vault and long jump, a football pitch, paddle courts, tennis courts, a gym, restaurant, bar, and a Kid's Club. As an Aparthotel, the AP Victoria offers both BB and AI regimens (AP Hotels & Resorts, 2021).

Due to its sports-oriented concept, the hotel's high season is during winter, accommodation many sports teams and professional players. During summer, its highest demand is from families in AI regimen. The main competitors of AP Victoria that offer a similar product are Quinta Pedra dos Bicos Hotel, Luna Miramar Club, and The Patio Suite Hotel, all of which are 4-stars (AP Hotels & Resorts, 2021).

## Chapter 5. THE INTERNSHIP

The internship at the AP Group had a duration of nine months. It entailed a crosstraining through the different departments of three hotel units belonging to the AP Group, with specialisation in the RM department. The defined objectives for the internship at AP Hotels & Resorts are: to conciliate two areas of study – Tourism and Management; develop competence in RM; and experience day-to-day hospitality procedures through crosstraining. The internship will be supervised by Prof. Doctor Maria Margarida Teixeira Custódio dos Santos from the School of Management, Hospitality and Tourism of the University of Algarve, and Master Roberto Venâncio Florêncio, Cluster Revenue Manager at AP Hotels & Resorts.

In the following section, the internship plan, goals and the performed tasks are presented. Then, the crosstraining is described by department: first, explaining what are the responsibilities of the department; second, how the department is organized in the AP Group; third, how does the department contribute to RM and is influenced by the same; fourth, which were the tasks performed by the intern; and fifth, which limitations did the intern identified within the department.

### 5.1 Plan of the internship

The intern and supervisor defined the internship plan and chronogram as illustrated in Table 5.1. The internship initiated in June 2021 at AP Adriana, where the intern was integrated in the company, got familiarised with the basic concepts and tasks of RM and began the training, acquiring knowledge in Yield & Pricing. Still at AP Adriana, the intern passed through the Hotel Management (HM) and F&B departments, with the goal to understand how these departments influence and are influenced by the RM department.

In December 2021, the intern gained knowledge in Finance, Front Office (FO), HM and Housekeeping departments at the Hotel AP Maria Nova and AP Oriental. In this stage, the intern obtained a broader perspective on how all hotel operations are linked and influence the company's global performance.

From January 2022, the intern returned to AP Adriana, where she assist the E-commerce and Reservations team at the RM department, understanding the roles and procedures of these departments while acquiring experience.

The crosstraining concluded in February 2022, passing through the Commercial department. At this final stage, the goal is to understand how these departments influence and are influenced by the RM department. The specific tasks to be completed in each department are detailed in Table 5.1.

Table 5.1: Plan of Internship

| Month          | Hotel                     | Department   | Goals   | Tasks   |
|----------------|---------------------------|--|---|---|
| June 2021      | AP Adriana Beach & Resort | RM   | Introduction to RM  | <ul style="list-style-type: none"> <li>- Daily forecast and segmentation</li> <li>- Predict market behaviour</li> <li>- Full communication and coordination with other departments</li> </ul>   |
| July 2021      |                           |  | Training in RM  | <ul style="list-style-type: none"> <li>- Maximise business mix vs. hotel inventory</li> <li>- Reports (Pick-up, Forecast, Account Management)</li> </ul>  |
| August 2021    |                           |  | Training in Yield and Pricing   | <ul style="list-style-type: none"> <li>- Production analysis, revenue and yield management</li> <li>- Price decision and inventory management</li> <li>- Analyse hotel performance and forecast</li> </ul>                            |
| September 2021 |                           |  |   | <ul style="list-style-type: none"> <li>- Strategic Planning and tactical decisions with leading segments in order to maximise revenue</li> <li>- Produce business intelligence to support and evaluate decisions by market</li> </ul> |
| October 2021   |                           |  |   |   |
| November 2021  | Hotel Management          | Understand how these departments influence and are influenced by the RM department | <ul style="list-style-type: none"> <li>- Accompany the Hotel Director in his daily tasks</li> </ul> |   |
|                | F&B                       |  | <ul style="list-style-type: none"> <li>- Menu engineering</li> </ul>                                |   |
| December 2021  | AP Maria Nova             | Finance  | Understand how these departments influence and are influenced by the RM department                  | <ul style="list-style-type: none"> <li>- Stock verification</li> </ul>  |
|                |                           | Housekeeping   |   | <ul style="list-style-type: none"> <li>- Team management</li> <li>- Cost reduction methods</li> </ul>   |
|                |                           | Hotel Management   |   | <ul style="list-style-type: none"> <li>- Accompany the Hotel Director in his daily tasks</li> </ul>   |
|                |                           | FO   |   | <ul style="list-style-type: none"> <li>- Standard check-in</li> </ul>   |
|                |                           | Housekeeping   |   | <ul style="list-style-type: none"> <li>- Team management</li> </ul>   |



| Month         | Hotel                     | Department       | Goals  | Tasks  |
|---------------|---------------------------|------------------|--|--|
|               | AP Oriental Beach         |                  | Understand how these departments influence and are influenced by the RM department | - Cost reduction methods   |
|               |                           | FO               |  | - Standard check-in  |
|               |                           | Hotel Management |  | - Accompany the Hotel Director in his daily tasks  |
| January 2022  | AP Adriana Beach & Resort | RM               | Training in Ecommerce  | - Inventory management on channel  |
|               |                           |                  | Training in Reservations   | - Verification of incoming reservations<br>- Price quotation to direct clients   |
| February 2022 | AP Adriana Beach & Resort | Commercial       | Understand how this department influences and is influenced by the RM department   | - Issue and file corporate contracts for 2022<br>- Manage Réveillon packages<br>- Learn the Group's Strategic Marketing Plan |

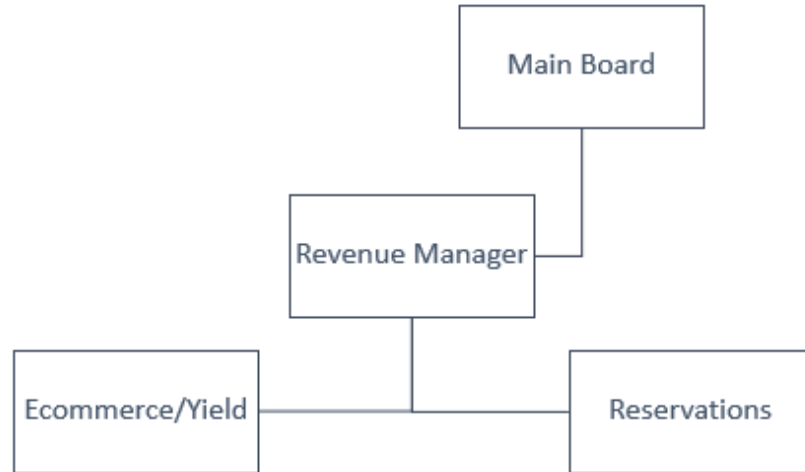
### 5.1.1 RM department

The goal of RM is to anticipate customer behaviour at the micro-market level and optimise product availability, leveraging price elasticity to maximise revenue and profit. RM is responsible for: budget preparation and expense control activities; analysing financial statements and determining monthly revenues and expenses; generating revenue reports and financial statements for Management review; forecasting monthly revenue, identifying and communicating revenue opportunities to Management; providing financial expertise to Management for revenue improvements; developing internal controls to support RM decisions; reviewing and recommending improvements to existing RM functions; identifying and resolving revenue-related issues promptly. Hence, RM defines the pricing strategies to be implemented on the sale of rooms, upselling and cross-selling of services.

At the AP Group, the RM department has an independent structure from the Commercial department, reporting to the Main Board and integrating the areas of e-commerce and yield, which are responsible for inventory and price management (Figure 5.1). While yield consists in adjusting prices to registered and expected demand levels, e-commerce

manages online distribution channels. The RM department also has the reservations department under its scope.

Figure 5.1: Structure of RM department at AP Hotels & Resorts



E-commerce and yield teams are crucial for RM as they manage price parity and inventory across different online channels; provide monthly reports on the online sales performance of each hotel unit; identify and propose new business opportunities; analyse the online market and competitors; and maximise business mix and hotel inventory. Hence, contributing to RM's goal of revenue maximisation. The reservations team is responsible for correctly creating reservations in the system and correct attribution of rates, as these impact RM's forecasting. Reservations are the heart of revenue creation as, without them, there would be no revenue recorded in the system, and the management and evaluation of revenue would not be possible. In its turn, RM predicts market behaviour and defines pricing strategies, providing the e-commerce, yield and reservations teams with the tools they need to execute their tasks.

As part of the tasks at the RM department, the intern assisted the e-commerce, yield, revenue and reservation teams. In terms of RM, the intern performed daily forecasts and segmentation; predicted market behaviour based on analysis of tourism and market tendencies obtained from Deloitte, ANA Airports, HVS Hospitality Management, Publituris, and PWC Tourism; issued reports on hotel room pick-up, forecast and account management; assisted on revenue projection for the following three months, identifying the main opportunities and alerts in each segment; helped to maximise business mix; and analysed the top accounts of each market segment and hotel unit. Monthly, the intern

would report the revenue and KPIs obtained on the closing month and measure the results obtained from expired offers. In addition, the intern inserted the yearly budget of the hotel units in the Host PMS.

In terms of yield, the intern sent daily emails to the receptions informing the daily rates to be applied to walk-in customers; analysed demand and inventory; suggested implementing pricing strategies that would maximise revenue; inserted approved pricing strategies in the XLR8 RMS; and updated the pricing grid. Moreover, the intern created the best available rate pricing for 2022 for each hotel unit. As for e-commerce, the intern assisted on inventory and yield management in online distribution channels and monitored price parity across channels. Finally, at the Reservations, the intern managed incoming calls, provided customer service and complaints management, sent price quotations to direct clients and inserted new reservations in the Host PMS.

In terms of customer fairness perception of RM pricing strategies, customers use a reference transaction and reference pricing as guidance on how a transaction should be handled and how much a service should cost, based on the most recent price paid or the most regular price paid. As the pandemic and the Russia-Ukraine war affects the entire economy, electricity, food and fuel prices rise. Consequently, hospitality costs rise, and hotels are forced to elevate service prices. In the AP Group, guests had expressed displeasure towards the prices applied in 2022 compared to the prices they had paid in previous years when costs were lower, and the lack of demand resulting from the COVID-19 pandemic forced hotels to lower prices significantly to draw demand and cover costs. The customers expressed dissatisfaction, threatened the hotel with refusal to do business with the company again and spread unfavourable WOM. In response, AP has attempted to explain why the price increased and implemented the AP Club (further explained in sub-chapter 5.1.2).

During the crosstraining at the RM department, the intern identified three limitations. First, the need to achieve comprehension from other departments about RM's vision, goals and responsibilities, as to achieve revenue maximisation, other departments must share the same vision and contribute to its fulfilment. Second, the software is not fully integrated or recently implemented, requiring adjustments and many manual actions, which can be time-consuming and unproductive. Third, the need for RM and CRM integration, as RM tactics often impact customer relationships, consequently affecting

revenue. This integration would allow increasing revenue maximisation while enhancing customer relationships. In the next section, these limitations are further discussed, presenting a SWOT analysis on the implemented RM and CRM systems, followed by an analysis of the integration of RM and CRM at AP Hotels & Resorts.

#### 5.1.1.1 Characterisation of RM and CRM within the AP Group

In this section, the software used for RM and CRM by the AP Group is presented, followed by the strengths, weaknesses, threats and opportunities of applying these tools within the company. Then, the need for integration is further explained.

##### **XLR8**

The RM department of the AP Group has obtained a strategic advantage through the XLR8 software since 2019. XLR8 is a strategic assistant for the hotel industry entirely based on AI technology. Its functionalities include daily occupancy forecasts, updates on market tendencies, Yield Management with automatic emails, competition price analysis, and BI structure. The system assists management decisions based on key data analysis by providing various reports that allow different filters, cross-referencing of various indicators, and flexible selection of dates. The strengths of XLR8 include the integration it offers with the hotel's PMS, channel managers, and rate shoppers. Additionally, it grants easy access from anywhere, including a user-friendly mobile application as a cloud-based system.

However, as a recently implemented software, the RMS is not fully integrated with the channel manager and Salesforce CRM system. Also, the fact that the software is not yet consolidated in the market, and faces much competition, represents a weakness. Nevertheless, it is a product designed by revenue managers, while many competitors are not explicitly designed for this purpose. In terms of opportunities, the use of this software allows the company to reach a higher level in terms of RM as the automation of the software provides more time for the RM team to make strategic decisions to react more quickly and effectively to market tendencies. In addition, not all the competition work with an RMS that integrates with other systems and provides quick, effective, and reliable data. Overall, the price-quality of the software can result in the long term on a good investment. However, as a new product in the market, the time it requires for further

development may represent a threat. Higher positions in the company's hierarchy might doubt the advantage of this investment.

## **Salesforce**

Salesforce is the CRM platform implemented at AP Group since 2020. From the available tools (mentioned in the Literature Review section), the Group acquired the Sales Cloud, Marketing Cloud, and Service Cloud. The strengths offered by the Sales Cloud are the amount of shared data available, the effective control of all processes involved, the possibility to create personalised reports based on the company's needs, the possibility to analyse the entire evolution of the business. In addition to verifying the production of accounts and allowing data to be cross-referenced, the Sales Cloud allows controlling and evaluating sales concerning the return on investment generated in the department. The strengths of the Marketing Cloud include the focus on customer service through personalised marketing (before and after the stay), the obtained customer loyalty and the track of marketing campaigns' evolution. The Service Cloud facilitates team coordination, the completion of tasks within deadlines and provides valuable reports such as the number of reservations made in a day. The three tools have some common weaknesses: the difficulty of configuration for a common user, it requires more machine capacity, and lacks integration with operators such as Gmail.

Nevertheless, Sales Cloud offers the opportunity to identify new selling opportunities, cross-sell products more effectively, and simplify sales processes. The Marketing Cloud gives the opportunity to provide more effective reach and marketing, develop better communication channels, collect customer-related data and create detailed profiles of individual customers. In its turn, the Service Cloud can improve response time to customer requests for information, provide access to customer information at all touchpoints, meet customer requirements, enhance customer loyalty, and improve customer service and support. Overall, Salesforce tools offer a better standing against global competition. However, the platform is costly, which might represent a threat. If the CRM implementation is not successful and the intended goals are not achieved, the investment can be harmful to the company in the long run. Moreover, resistance from team members on embracing this new software and adapting their daily procedures could pose another threat to the successful implementation of Salesforce.

### 5.1.1.2 RM and CRM integration in AP Group

The AP Group identifies the need to approximate the Salesforce tool to the monetisation, not only of rooms but also other revenue centres such as F&B, spa, parking, hairdresser, function rooms, fitness facilities, sports facilities, and other additional services. Furthermore, the company aims to use Salesforce to facilitate customers' pre-check-in and after-sales service, allowing the familiarisation of customers with the available services at the hotel. Through this initiative, the company will understand customers' preferences and anticipate their needs, influencing their predisposition to book some of these services through a discount or package offer. Ultimately, the integration of CRM and RM will simultaneously increase revenue maximisation and enhance customer relationships.

The direct integration of XLR8 and Salesforce is currently not a viable option for the company due to the cost of integration. Therefore, the AP Group has opted to analytically interpret the data obtained from XLR8 and Salesforce to develop strategies to improve the performance between RM and CRM.

### 5.1.2 Commercial department

The commercial department involves the areas of MICE, other events organisation, groups reservations, and marketing. This department's responsibility is to maximise sources of revenue by attracting corporate customers, such as groups, selling them accommodation, F&B (e.g., coffee breaks and banquets), and function rooms. The AP Group also works with individual corporate companies through contracts with request for proposal protocol, i.e., contracted tariffs applied in Global Distribution Systems, such as Galileo, Sabre, and Worldspan. The events team is responsible for the internal organisation of the events such as weddings and MICE, preparing the function rooms, and communicating with the F&B department to arrange banquets and coffee breaks.

The groups team manages reservations of ten rooms or more. These include corporate and leisure customers, golfers, and other sports teams. In terms of marketing, the department applies commercial marketing, directed to sales, contact with clients, direct sales and promotion; and strategic marketing, oriented to RM with annual planning of promotional packages (e.g., Mother's Day, Easter, Summer, and Réveillon) and the

preparation of a chronogram of packages to be released based on season and demand. In addition, to increase revenue, specific actions are taken in SM and social communication.

The commercial department contributes to RM as it guarantees a share of revenue and OCC throughout the year, and especially during off-peak season, through early booking rates and contractual tariffs. The department maximises revenue by selling additional revenue centres, other than rooms division, to corporate and sports groups. In addition, the brand identity management, marketing campaigns and CRM supervised by this department attract and retain the customers that RM requires to maximise revenue. In its turn, RM evaluates corporate contracts, offers and rate proposals and suggests adjustments to achieve the most beneficial arrangement for the hotel in terms of revenue incrementation.

During the crosstraining, the intern assisted the commercial team by sending corporate contracts of 2022 to companies and filing them. The intern followed up on bookings for Réveillon packages at each hotel unit, keeping track of the generated revenue and number of customers to guarantee the desired OCC was obtained and the maximum capacity was not exceeded. Furthermore, the intern learned about the marketing strategy of SM for 2022. The objective is to humanise the brand and associate it with sustainability, authenticity, safety, innovation, social responsibility, excellence, personality and trust. Hence, the company's slogan "Naturally Unique" communicates sustainability and environment awareness and a distinct product from competitors. The company also aims to increase its visibility nationally and internationally, promote the brand and customer loyalty, and achieve coherency across all social platforms regarding the AP brand. The department is developing the company's employee branding, promoting it as a workplace that valorises employees and provides a good work environment. Besides its presence in social platforms such as Facebook, Instagram, Twitter and LinkedIn, the department aims to develop its presence on Tiktok to attract younger generations.

In terms of CRM, the company developed a point-based loyalty program designated AP Club, where, upon registration, customers get 10% discount on the best available rate in all of the six hotel units. The AP Club consists in a virtual card without annual fees. Upon registering, customers gain automatically 250 points and access to exclusive promotions. From that moment onwards, for every 1€ spent in room reservations or additional services at the hotel, the customer receives one point in the AP Club. Table 5.2 illustrates the AP

Club point-based reward scheme applied in AP Adriana. The points are valid for two year and can be converted into complimentary nights, meals, SPA treatments, among other features.

Table 5.2: AP Club point-based reward scheme in AP Adriana

| Number of points | Reward   |
|------------------|--|
| 250 points       | Free room upgrade, per night, upon availability                                |
| 350 points       | 1 bottle of premium wine by Quinta São Sebastião                               |
| 500 points       | Premium drinks supplement per adult, per day                                   |
| 750 points       | Balinese bed per day (2 people), with champaign and fruits                     |
| 1000 points      | 1 relaxation massage of 30 minutes, per person                                 |
| 2500 points      | 1 additional night during low season, in reserved room typology, in AI regimen |
| 5000 points      | 1 additional night in high season, in reserved room typology, in AI regimen    |

Even though the commercial and RM departments contribute to one another, the intern identified some limitations. Firstly, diverging motivations as RM strives to convert bookings and drive ADR, while the commercial team works tirelessly to secure as much group business as possible, at times not fully considering or understanding the potential for higher-value groups that may come later, seeking that same inventory.

Often, the sales team does not have access to the big picture. Optimal pricing has a significant impact on the hotel's bottom line. In order to achieve this, an accurate estimate of anticipated demand from both group and transient business is critical. Accurate group demand forecasts must look beyond transient displacement. Other elements such as market conditions, comp set pricing, market segment characteristics, events, LOS, and more must all be considered, not to mention other revenue streams such as function rooms, transfers, equipment rental, audiovisual support, and F&B contribution. When the sales team cannot understand the what or why behind RM's suggested rates, they see them as an obstacle between them and profit. Revenue teams will not trust their analysis if sales managers cannot get instant, scientifically generated demand forecasts and prices. Which overall results in countless time-consuming meetings and layers of approvals.

This fundamental misalignment between commercial and RM teams hinders reaching peak performance, leading to below average KPIs, lost revenue and mediocre



performance relative to competitors. Another result is an unproductive cycle of politics and power struggles. The hotel cannot maximise profitability merely by managing inventory and rates or booking as many groups as possible. To achieve success, a significant culture shift must occur, where sales and revenue departments work together with the profitability of the entire property as a primary objective.

There may be days when the hotel needs to decrease group occupancy to generate ADR. Other days will justify accelerating the group's business and sacrifice ADR to achieve an overall goal. Both teams must always work together to achieve the right business mix to optimise hotel revenue and profitability.

### 5.1.3 F&B department

In hospitality, accommodation is the main focus of sales, with F&B being an addition to revenue (Mun et al., 2019). In the AP Group, F&B accounts for approximately 25% of the group's total annual revenue. Therefore, comprehensive management of this department is necessary to avoid revenue loss compared to what is put up for sale to the customer. The F&B manager is responsible for planning, organising, controlling, and evaluating the operations of restaurants, bars, and other businesses that operate serving food and beverages (Cousins et al., 2019). Attention must be paid to menu engineering, knowing which dishes have higher demand and profitability, and making decisions regarding adding or removing certain dishes (Saraswati et al., 2020). Good negotiation with suppliers is also crucial for the monetisation of the F&B department. In terms of sales, the lower the cost of production of a dish, the higher the profitability (Mun et al., 2019). At AP Group, the food cost ratio ranges from 30-35% and beverage 20-25%. Moreover, F&B is responsible for all the steps from purchasing products to the confection and monetisation of the same (Cousins et al., 2019). It is also responsible for the coffee breaks and banquets organised by the Events.

Previously, F&B sections were managed by each hotel unit's director, lacking an alignment of vision and procedures and leading to ineffective control of costs and revenue maximisation of these sections. In 2018, the F&B department was established in the AP Group, slowly gained independence and authority and then halted due to the Covid-19 wave. As a recently implemented department, many aspects still require implementation or improvement. The department lacks F&B-oriented software to support operations. It requires anticipated actions rather than corrective ones, more attention to menu

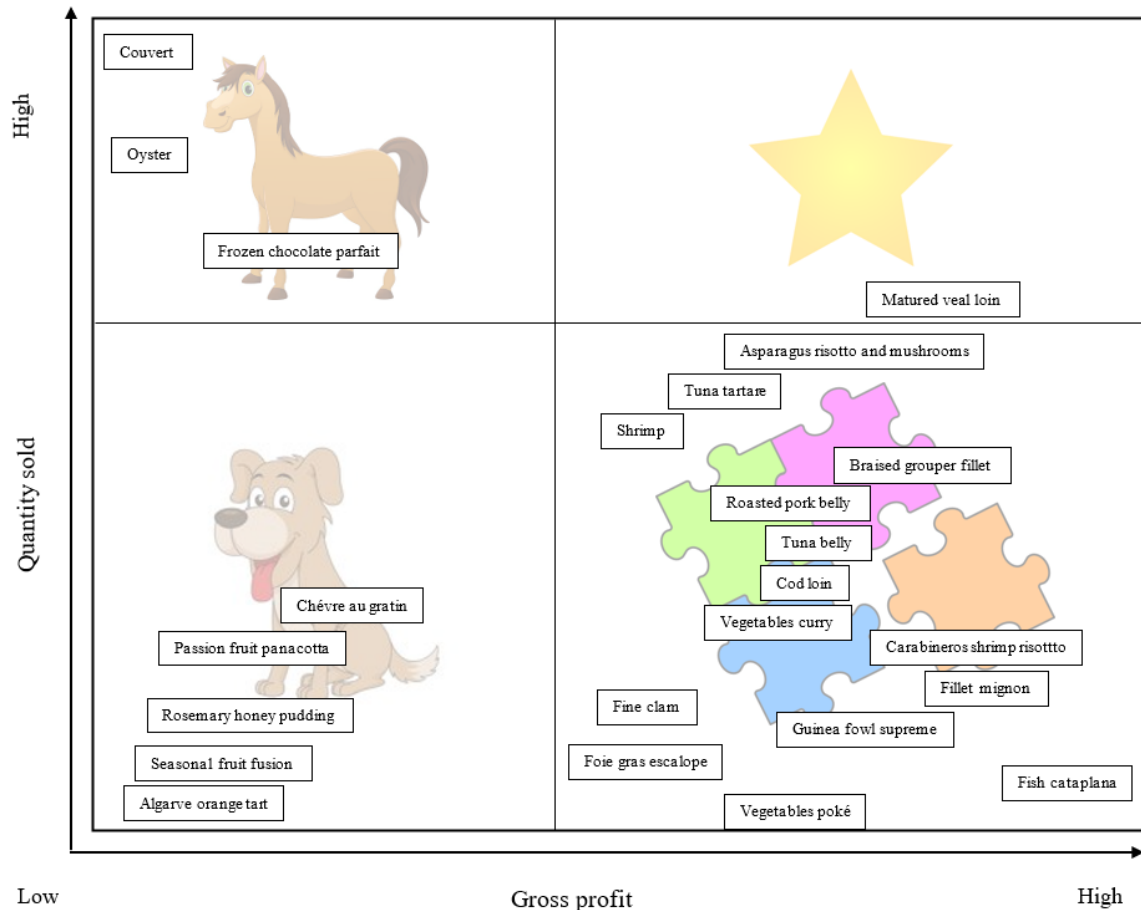
engineering, and better alignment from Commercial and Hotel Management with the F&B department to increase monetisation of F&B operations. Although there is still a long path to monetise the F&B department fully, the first step has been taken with the alignment of vision and objectives between the F&B and RM departments, working alongside to reach the common goal of revenue maximisation.

After learning about the relationship between the F&B department and RM, the intern has assisted the F&B director with the menu engineering of Nomad, the à la carte restaurant of AP Maria Nova. Menu engineering is the process of evaluating menu pricing and item placement in order to increase profitability per guest (Saraswati et al., 2020). Sales volume and contribution margin are assessed for each dish of the menu, classifying them to understand which are still feasible to maintain. The intern has entered in a formulated Excel sheet the cost of confection, sale price, and sale volume from March to November 2021 of each existing dish in the menu. The formulas resulted in the classification of each dish according to their performance, which can be: (1) Star are the dishes that obtain the highest profit for the hotel and popularity among guests, (2) Plowhorses are dishes with low profit and high popularity, (3) Dogs have low profitability and low popularity, and (4) Puzzles are dishes with high profit but low popularity (Saraswati et al., 2020).

Figure 5.2 illustrates the results of the menu analysis, allowing to consider possible menu engineering strategies. As a star dish, the matured veal loin should be highlighted in the menu and promoted as much as possible (Saraswati et al., 2020). The oysters and the chocolate parfait, as plowhorses, can be used to appeal to price-conscious customers and to motivate buyers. A possible strategy regarding plowhorse dishes is to position them in a less visible menu section. This way, guests will find and be interested in dishes with a better contribution margin before getting to the plowhorse dish. Alternatively, to increase the contribution margin of the plowhorse, the price can be increased, food cost can be lowered or a combination of both (Saraswati et al., 2020). The plowhorse dish can also be offered in a combo platter with a lower cost item to achieve greater contribution. Puzzle dishes such as vegetable poké and fish cataplana require understanding the reason for their low popularity. A better description of the dish, a more prominent position in the menu, increased promotion, a reinvention of the dish itself or a slight decrease in sale price might boost profits of puzzle dishes (Saraswati et al., 2020). The Algarve orange

tart and the seasonal fruit fusion are dogs. These should be reinvented and rebranded to increase their contribution margin and popularity or be removed from the menu (Saraswati et al., 2020).

Figure 5.2: Menu classification chart of Nomad Restaurant



Source: Own elaboration

#### 5.1.4 FO department

FO is responsible for direct customer service and walk-ins (Sari et al., 2020), invoicing the customer's stay upon check-out, sending invoices to companies and operators, upselling or cross-selling of hotel services (Ma et al., 2020), and selling external services such as tours, transfers, and excursions. The intern has accompanied the head of FO of AP Maria Nova and AP Oriental to learn the standard check-in procedure of the AP Group and to understand the relationship between the FO department and RM.

RM influences the FO department by providing different tools to quote direct reservations. These tools include a weekly updated pricing grid, daily rates sent to the

FO, and available rates on the hotel's booking engine website. In its turn, FO contributes to RM's goal of revenue maximisation by following the pricing tools on the sale of rooms and through the upselling and cross-selling of services. In addition, FO communicates to RM the upcoming events, congresses, and celebrations that might influence demand and price.

Nevertheless, the relationship between the FO department and RM differ in the two hotel units. At AP Oriental, FO is fully aligned with the RM's vision and objectives. AP Oriental is a boutique hotel with elevated price-quality and differentiating factors such as room size and product concept compared to its main competitors. Hence, AP Oriental shares the same view as RM, seeking revenue maximisation of its unit. In this hotel, the FO contributes to the monetisation of rooms and alternative revenue centres such as meal regimen, room service, laundry service, towel rental, wellness centre, bar and restaurant. Simultaneously, FO seeks the right balance between revenue maximisation and CRM. For example, welcome drinks are offered during check-in to promote the sale of the house wine – Quinta de São Sebastião (produced by the sub-holding Madre Capital). In addition, for lengthy stays exceeding ten nights, the FO presents the guest with a complimentary bottle of wine. The same is done to guests who spend their birthdays accommodated in the hotel. Thus, at AP Oriental, the relationship with guests is fostered while maximising revenue.

At AP Maria Nova, even though the pricing tools provided by RM are implemented, and FO promotes the monetisation of rooms and other sources of revenue, there is some resilience to the adoption of RM's vision and strategies. FO would like to have more influence on RM's pricing strategies and decisions. After understanding the FO's position regarding RM, the intern has learned the standard check-in procedure of the AP Group.

The standard check-in procedure begins with customer greeting, welcoming, and luggage collection, followed by bureaucratic procedures such as introducing passport details in the system and confirmation of reservation details. Then, important information regarding the guests' stay is provided, namely reception and room service contact details, time and place of breakfast, restaurant, bar, spa, and other available services. The FO staff proceeds with the promotion and cross-sale of extra services and the advice on points of interest in the city. The reservation payment is processed, providing the room key and

accompanying the guest on a hotel tour and to the room. After confirming that the guest is satisfied with the attributed room, the luggage is brought.

The standard procedure aims to provide the best customer service. However, it is essential to analyse the customers' interest and willingness to participate in this interaction in its entirety (Sari et al., 2020). Some guests might be tired or not interested in all the information, longing for a quick check-in and room attribution. Hence, it is essential to analyse the guest to guarantee customer satisfaction (Sari et al., 2020).

#### 5.1.5 Housekeeping department

In hospitality, most generated revenue comes from the sale of rooms (Cunha and Oliveira, 2021). The Housekeeping department is responsible for ensuring that rooms and other guest areas are clean and neat. Thus, Housekeeping plays a vital role in the hotel's reputation, influencing customers' choice and ensuring customer satisfaction (Cunha and Oliveira, 2021; Bhatnagar and Nim, 2019). Without Housekeeping, the state of a hotel would quickly deteriorate.

The intern has met the heads of Housekeeping of AP Maria Nova and AP Oriental to understand how the Housekeeping department is influenced by RM and influences RM. From this analysis, the intern has learned that Housekeeping is strongly dependent on the occupancy forecast issued by the RM department. The attribution of days off, the number of necessary staff in-house, and the management of staff hired from external companies depend on the estimated occupancy for that period. On the other hand, as a department that does not generate revenue, Housekeeping can only contribute to RM by managing and reducing costs, mainly in team management, laundry, and amenities (Wood, 2017).

In terms of team management, costs can be reduced by hiring temporary workers, since the hotel is not required to provide holiday pay, Christmas pay, and other contractual benefits (Calbone, 2016). Moreover, the seasonality of the hospitality industry generates the necessity of hiring more staff during summer that can not be kept during winter. Thus the advantage of hiring temporary workers that can be easily dispensed when not needed, keeping only a few fixed workers during winter (Calbone, 2016). At AP Maria Nova, 25% of the housekeeping staff are directly employed by the AP Group, while the remaining 75% are temporary workers hired from external HR companies. AP Oriental,

on the other hand, relies 50% on fixed staff and 50% on temporary workers for the housekeeping department.

Regarding laundry, the service is outsourced and to reduce costs and meet the hotel's environmental preservation policy, towels are only changed when placed on the floor, and sheets are replaced every two or three days during the guests' stay. In terms of amenities, consumption can be reduced by installing dispensers.

In addition, Housekeeping must guarantee the best quality of service to avoid guests' complaints that can lead to the attribution of a new room. Otherwise, two rooms would have to be cleaned instead of one, increasing costs.

In sum, Housekeeping depends on RM for the smooth run of its daily operations and contributes to RM by reducing costs. Once understood the contribution of Housekeeping to RM, the relationship between Hotel Management and RM is considered in the next section.

#### 5.1.6 HM

HM is responsible for overseeing all operations and day-to-day activities (Nebel and Ghei, 2021), by: carrying out morning team briefing; checking if all rooms and common areas are in order and making decisions to improve it; checking if the food and presentation of F&B areas are in order and making decisions to improve it; confirming if the FO is receiving the processes of all central areas; controlling if daily maps, tasks and attendance maps of each team are in order to be sent to the Finance department; managing the budget of each department to guarantee the smooth run of its daily operations; and communicate with central areas. The main goal of the HM is to enhance the quality of the product as the hotel itself, the services provided and the customer experience (Nebel and Ghei, 2021).

Communication between HM and RM departments is essential, as one influences the other. HM feeds information to RM regarding customers' reactions to RM's pricing strategies, price-quality relationship, customers' needs and operational necessities, which affect RM decisions. HM guarantees the smooth run of daily operations according to RM's budget set for each department. Finally, HM contributes to RM's primary goal of revenue maximisation, as it seeks to boost profitability, increasing revenue while

lessening or maintaining costs, by taking the most advantage of the available resources (Nebel and Ghei, 2021).

The hotel units belonging to AP Group are oriented to different market segments, offering distinguished concepts and products. Consequently, the operations of each hotel differ. Thus, the HM operates differently in each hotel unit. Moreover, the relationship of this department and RM diverge, as well as how one influences the other. The intern has met the hotel directors of AP Adriana, AP Maria Nova, and AP Oriental to understand how these departments align with RM's vision and objectives. In addition, the intern has accompanied the hotel directors in their daily duties. Next, is a more specific analysis of the HM implemented in these hotel units, the relationship with RM, and the activities undertaken by the intern.

#### AP Adriana Beach Resort

As a family-oriented resort in AI regimen, this unit does not frequently experience walk-in customers. Most reservations are made prior to arrival at the hotel, either by a booking engine, direct email or phone call request to the reservations department or through tour operators (TO) and agencies. Having this in mind, the HM has little or no control over the prices of reservations. Due to the resort's AI regimen, the HM does not focus on alluring customers to spend additional money on extras. Instead, it aims to provide the best quality of services and guarantee customer satisfaction. This way, customers' trust and loyalty are gained, achieving customer retention and consequently guaranteeing their return and subsequent increase in revenue (Javed & Cheema, 2017).

In this unit, there is a misalignment in terms of the goals and vision of HM and RM. RM, continuously focusing on revenue maximisation, emphasizes the importance of cross-selling additional services like parking, room upgrade, gift shop, spa and beverages not included. On the other hand, HM identifies that customers do not want additional expenses in an AI context. Hence, HM does not prioritize cross-selling as it might negatively affect the relationship with the customers. In addition, HM indicates the need for a more operationally achievable budget from RM regarding the number of staff, target revenue and room nights.

At AP Adriana, the intern has accompanied the hotel director to inspect recycling containers as the hotel can be fined if materials are not adequately separated. Then, the

verification of food presentation at the lunch buffet, rearranging the display of food to guarantee the best presentation. Afterwards, the intern has assisted the director in inspecting the theatre for an upcoming event. Finally, the intern has accompanied the director on a tour of the hotel, checking the operation of the housekeeping team.

### AP Maria Nova Lounge

AP Maria Nova is a modern contemporary adults-friendly hotel that operates mainly with a BB regimen. In this unit, besides the sale of rooms, HM promotes the monetization of alternative sources of revenue such as the restaurant, bar, room service, conference room, banquets, gift shop, laundry services, spa services, and hairdressing services. Nevertheless, the vision and objectives of HM and RM are not entirely aligned, as HM prioritizes price-quality balance, customer satisfaction and retention over revenue maximisation.

HM defends that if prices are too high, customer retention is lost (Andrés-Martínez et al., 2014), whereas if prices are too low, the hotel may lose its value and prestige to customers. Thus, HM highlights the need for more communication with RM to balance RM's modern accionist vision, focusing on revenue maximisation, and HM's classic customer-oriented vision, focusing on customer satisfaction, loyalty, and retention. In addition, HM points out that the budget set by RM often does not match operational needs in terms of the necessary number of staff, consequently influencing operational capacity to achieve and respond to target revenue and room nights.

In AP Maria Nova, the intern has accompanied the hotel director in one of his daily duties: verifying food presentation, temperature and quality at the breakfast buffet. In terms of food presentation, the food must be placed to convey abundance (for example, through a colourful display of fruits and salads and an ample variety of pastries and bread) and freshness. Hot dishes are prepared in front of the customer, providing a show cooking experience. As for the temperature, hot dishes are kept in hot water and under heating lamps. Attention must be given, so food does not become overcooked and dry while being kept warm. Heated plates are provided to preserve the food's heat after it has been served. As guests arrive for breakfast, the receptionist communicates with the kitchen, guiding on the food quantity they must prepare to guarantee quality and variety for the upcoming guests and avoid food waste. The live piano is played as guests eat in this unit, providing a differentiating factor.



### AP Oriental Beach

AP Oriental Beach is an adults-friendly boutique hotel inspired by Arab architecture, operating mainly in HB regimen. In this unit, the intern has gathered the HM's considerations regarding RM. The hotel manager asserts a complete alignment in vision and objectives with RM. HM identifies AP Oriental as a boutique hotel with elevated price-quality and differentiating factors such as room size and product concept compared to its main competitors. Hence, HM defends the potential for revenue maximisation of its unit.

The HM considers that lowering prices is not a promising strategy, as lowering prices against fixed costs would reduce profitability and incur the need for cost reduction. In its turn, cost reduction would result in a quality decrease, which would impact customer satisfaction. Therefore, price reduction is not a beneficial approach (Roma et al., 2019). HM defends the importance of continuously adding value in product and service to its guests, which justify price augmentation (Pärnänen, 2018).

In terms of revenue centres, due to its dimension, the hotel does not have space capacity to host MICE events and provide F&B services to external customers that are not accommodated in the unit. Thus, the hotel can only provide its services to in-house guests. Nevertheless, HM makes every effort to promote and sell the available services to its guests, including additional meal regimen, room service, laundry service, towel rental, wellness centre, bar and restaurant.

In sum, the vision and objectives of the HM of AP Oriental are in accordance with RM, accepting and implementing the pricing strategies suggested by the latter.

#### 5.1.7 Finance department

The prominent roles of the Finance department are to pay suppliers, manage operators that work on credit, pay services inherent to all the hospitality operations, and manage all payment methods within the hotel units, including the website.

As part of the Finance department, Purchase is responsible for managing inventory and orders of products. Purchase is influenced by RM as it follows the budget for purchases set by the latter. In its turn, Purchase must negotiate the most beneficial deal with

suppliers and accurately manage inventory and orders to comply with the budget effectively.

The Primavera system facilitates inventory management. However, it has not yet been programmed to automatically reduce the stock of all products as they are consumed or sold. Therefore, on the first day of each month, the Purchase visits each operational area and counts the available inventory to correct the stock in the system. The intern has assisted with inventory count of all the available products at the bar, spa, housekeeping and pantry, where dry food is kept. At the bar, sealed bottles were counted by the unit, while opened bottles were counted by the dose. Bottles of 1l were considered to serve 17 doses, while bottles of 700ml were considered to serve 14 doses. This way, the remaining quantity of doses was estimated for each opened bottle. At the spa, the tare is deducted from the gross weight of products to obtain the net weight. Products of housekeeping were counted by the unit, while products from the pantry were counted in kilos, grams or units.

The lack of automatic and accurate stock contabilisation influences the Finance department, leading to product shortage and higher costs for last-minute supply. It also impacts the revenue maximisation of the F&B department, as it can not accurately account for consumption.

## 5.2 Conclusion of the internship

The concept, operations and services offered in the different hotel units belonging to the group differ as they are oriented to different market segments. Hence, the crosstraining was constructive for the intern to experience first-hand how the various departments of each hotel unit operate. Thus, developing a complete understanding of all the operations that influence the RM department, allowing it to maximise revenue.

In sum, each department where the intern has trained directly or indirectly contributes to RM and is influenced by the RM department. The intern has also observed how the HM's position regarding RM affects how the remaining departments perceive and implement RM. With the exception of AP Oriental, the remaining units somewhat reflect a misalignment of operational vision and objectives compared to RM. The HM of most units prioritises service quality maximisation, overlooking the need for revenue incrementation. RM is highly focused on increasing revenue whilst often neglecting

customers' fairness perception and impacting customer loyalty and retention. Thus, a mentality shift and a vision alignment are needed to work towards the same goal: to enhance the firm's profitability through relationships with clients.

The need for additional software investment, hotel renovation and product enhancement, staff training and rewarding, and a mentality shift from reactive to proactive were frequently mentioned throughout the crosstraining.

### 5.3 Self-assessment

The internship as an element of the conclusion of this cycle of studies and obtaining a Master's degree in Management is justified by the author's interest to apply the theoretical and methodological tools acquired in the teaching component of the program in a work context.

Unfortunately, the brief introduction to RM provided during the first year of the course was mostly focused on F&B; therefore, the intern had little knowledge regarding RM of rooms division. Having begun the internship little prepared regarding RM, the intern used past hospitality experience as a receptionist and contents learned in the Master's course (Tourism Operations Management) to facilitate familiarisation with RM's basic concepts and tasks.

The constant guidance and support provided by the RM team allowed, from the beginning, the agile and fast integration of the intern within the team. Followed by theoretical contextualisation, the team would give full liberty and support for practical implementation. Rapidly the intern gained autonomy and began to apply the obtained knowledge. This allowed the intern to have a relevant and participatory contribution in the different phases of development and operational execution of RM's different tasks and responsibilities. At the same time, regular team meetings also allowed a greater understanding of the department's strategy.

It is also important to mention that the research and reflection necessary for the development and writing of this internship report required a constant self-taught exercise, the articulation between the functions and respective tasks performed during the internship, the theoretical knowledge and the methodological tools used. In this sense, the Research Methodologies curricular unit proved helpful in the writing phase of this document and the elaboration of the internship plan.

The crosstraining was constructive for the intern to experience first-hand how the various departments of each hotel unit operate. Thus, developing a complete understanding of all the operations that influence the RM department, allowing it to maximise revenue.

This curricular internship allowed the link between theory and practice, which is crucial in the intern's training. The student's interaction with reality and critical reflection on the observed and shared actions in the context in which she was inserted affects her identity as a future professional in the industry. In short, the internship proved to be a very positive experience.

## Chapter 6. PRESENTATION AND DISCUSSION OF RESULTS

The present internship report with the aim of obtaining the master's degree was presented to the jury in its entirety, including the presentation and discussion of the results where seasonality and low demand were presented as a common challenge of the hotel units of the Group and particular challenges of each unit have been identified. In this publicly available version, *Chapter 6. Presentation and discussion of results* and the subchapters *6.1 Common challenges: seasonality and low demand* and *6.2 Identification of particular challenges of each hotel unit* were removed.

The removal of these chapters intended to protect the data that was analyzed but that should not be publicly available due to its reserved nature, in order to protect the company in its competitive environment. As a result, the jury decided that the aforementioned chapters should be dismissed from the document for public consultation. To keep the consistency of the final document, the same number of pages was kept in blank.









































































## Chapter 7. CONCLUSION

In order to protect the company in its competitive environment, *Chapter 7. Conclusion* was also removed from the final document to conserve the reserved nature of the data. To keep the consistency of the final document, the same number of pages was kept in blank.









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