

Guidelines for Revenue Management in Small, Medium, and Micro

Restaurant Enterprises: A Case Study Approach

Thembisile Molose

School of Tourism and Hospitality Management, University of Johannesburg, P.O. Box 17011,
Doornfontein, Johannesburg, South Africa

* E-mail: tmolose@uj.ac.za

Abstract

Using a case study approach, this paper is concerned with assessing the awareness and attitude of SMME restaurant businesses towards Revenue Management (RM). The main objective is to develop and share guidelines for RM in SMME restaurant businesses. Data collected from 2 semi-structured interviews representing small restaurants suggests that the application of RM practice is unknown in the sense that there is an absence of documented proof of its practice. The need for RM is warranted in the number of hotels and restaurants that are able to cope with the changing environment because Revenue Management strategies are on the increase. Since the Revenue Management approach has not been pursued vigorously as a stream of research within the South African SMME business context, this approach would provide a framework for small business researchers to initiate future research efforts, which in turn could help SMME restaurant businesses cope with Revenue Management strategies.

Key words: Case study, Revenue Management, SMME Restaurant Enterprise.

1. Introduction

Despite the extent and depth of developments in the field of Revenue Management (RM) methods over the past 30 years, the researcher of this paper is concerned that the actual practical application of the theory, including, but not limited to creative RM thinking, is nowhere near as advanced as theory and best practices suggest in SMME restaurant businesses. These concerns are evidenced to be well founded, given insight from the results of interviews into RM application in SMME restaurant businesses in Johannesburg. Theoretically, and if it is managed effectively, Revenue Management (RM) or revenue management strategy provides a major shift of direction in improving competitiveness and achieving business excellence. Revenue Management is seen as an important business strategy because businesses within the restaurant industry face the challenge of sustaining their profitability (Chathoth, Ching Yick-Tse & Olsen, 2006: 603). Hotels and related tourism and hospitality services according to Schwartz (2006: 128) face a growing challenge as savvier consumers adapt to Revenue Management (RM) systems. The RM argument is that there are several goals that an organisation aims to achieve: Selling the right capacity to the right customer at the right price and at the right time. To achieve this, Kimes (2004:333) posits that restaurant Revenue Management examines the most effective ways of balancing restaurant demand and supply to maximise revenue without compromising customer satisfaction. Important tools in the Revenue Management arsenal according to Kimes (2004:333) have been those that account for the amount of time and money spent at a table and the rate at which money is spent. Of key interest to restaurant owners who seek to maximise the revenue potential of a restaurant are the duration, average check and revenue per available seat-hour (RevPASH). A further element in determining revenue potential of a restaurant is capacity in terms of the number and configuration of tables (Kimes, 2004:334). Other types of manageable capacity directly related to the quality of service include equipment, facility and employees (Hwang, 2008:336). While sophisticated Revenue Management methods hold great promise, operators of small restaurant SMME restaurant businesses will not be able to take full advantage of such methods unless they view their customers, employees and available capacity as a resource that can be profitably managed. Revenue Management (RM) has been touted as one of the methods to improve revenue controls for airlines, hotels and car rentals (Kimes, 2004: 333; Mainzer, 2004:285; Kimes, 2003:131; Bertsimas & Shioda, 2002:472). Even though Kimes and Thompson (2004:372) indicate that the literature on restaurant RM is fairly recent, other studies observed that RM techniques are now receiving attention by companies beyond the travel industry, including the restaurant sector, golf courses and function spaces (Mainzer, 2004:285). In essence, Kimes (2003:131) suggests that many operations accordingly fit within the scope of revenue management which requires that a business have some combination of six attributes, viz: Relatively fixed capacity, perishable inventory, reservation made in advance, appropriate cost structure, variable demand and segmentable markets. Earlier research advances three key aspects

towards operational effectiveness; “(a) analyse competition – by carefully evaluating competitive strengths and weaknesses (b) understand consumer demand - accurately measure how customers value products; in so doing, quantify the relationship between price and unit sales movement, and (c) align pricing with enterprise objectives by continually aligning pricing with enterprise goals for profit, revenue and competitive price image (Rodríguez, 2009 & Bell, 2001:4)”.

2. Literature review

2.1 Revenue management – An overview

Changing its original name from Yield Management to Revenue Management, Kimes (2003:131) clarifies that the first stage in the early development had started what would now be considered the rudimentary Revenue Management system. Over the past three decades, the concept has gained widespread acceptance among hospitality industry practitioners in general, and the hotel and airline analysts in particular (Peister, 2007:71). The use of Revenue Management has a number of advantages, including facilitating decisions regarding the utilisation of available capacity over time, improved sales through price discrimination, raised productivity through enticing more demand, and increased competitive advantage through capacity utilisation and revenue generation (Yousef, 2007:2). In common with the concept of Strategic Management, Revenue Management involves a series of steps covering the tasks of analysing the opportunities and threats that exist in the external environment to ensure optimal use of capacity and achievement of the enterprise goals. The concept is viewed as a broad heading that describes management activities to manipulate the price-to-demand curve and thereby yield maximum revenue for the company (Pinchuk et al., 2003, cited in Peister, 2007:71). The most commonly used performance metric in Revenue Management is “Revenue per Available Time-Based Inventory Unit” (RevPATI), (Kimes & Thompson, 2004:376). Hotels measure Revenue per “Available Room-Night”, restaurants measure Revenue per “Available Seat-Hour” (RevPASH), and car rental companies measure Revenue per “Available Car-Day”. Kimes and Thompson believe that RevPATI gives a good indication of both capacity utilisation and of revenue generation. It is therefore acknowledged that very different stages or approaches of Revenue Management models exist (Reece & Sobel, 2000:1001). In view of these approaches, Reece and Sobel (2000:1001) suggest that the first stage in the airline industry is (a) to segment the market into groups of customers with different demands (b) the firm creates restrictions that separate the categories of service offered to the customer groups, (c) establishing prices for each category based on anticipated demand represent a third set, and finally, (d) the firm allocates its fixed inventory (capacity) among the categories. The proposed Revenue Management model for the accommodation sub-sector of the hospitality industry according Emeksiz, Gursoy and Icoz (2006:540) takes into account the following stages: Revenue Management preparation, supply and demand analysis, implementation of Revenue Management, evaluating Revenue Management activities and close-by monitoring and revising the strategy. Even though it is believed that the literature on studies conducted on Revenue Management in the restaurant sub-sector is fairly recent (Kimes et al., 1999, 1998, in Kimes & Thompson, 2004:372), in practice, Revenue Management has meant setting prices according to predicted demand levels so that price-sensitive customers who are willing to purchase at off-peak times can do so at favourable prices, while price-insensitive customers who want to purchase at peak times will be able to do so (Kimes & Thompson, 2004:372). Contrary to the popular perception that literature on restaurant Revenue Management is less understood Kimes and Thompson (2004: 377) pioneered a Revenue Management model in a restaurant context. The model uses the following steps: (1) baseline performance of the restaurant should be established, (2) the causes of non performance should be understood, (3) a Revenue Management Strategy should be developed, (4) the strategy should be implemented, and (5) it should be evaluated with the help of POS (i.e. point of sale) information system. Thus, the model according to these pioneers could easily be applied to other problem settings such as airlines, hotels, performing arts centres and sports arenas.

In conclusion, Revenue Management should be seen as a forward thinking continuous process, consisting among others of capacity management in which demand and supply are managed by manipulating length of usage and price. In this way, Revenue Management can be viewed as an element of Strategic Management, which suggests that the application of the concept is likely to improve the operational and financial performance of the firm. In support of this view, Emeksiz et al. (2006:536) studied the Revenue Management model for five star hotels and their results suggested that the application of the model are likely to improve the performance of these hotels both in operations and financially.

2.2 Restaurant businesses – Revenue Management Perspective

Unlike the widespread application of Revenue Management methods in the airline, hotels and car rentals, the number and depth of studies of Revenue Management in restaurants have been comparably thin (Bertsimas & Shioda, 2003:473). Some researchers (Kimes & Thompson, 2004; Bertsimas & Shioda, 2003; Kimes, Chase, Choi, Lee & Ngozi, 1999; 1998) have been among the first to directly address the issue of restaurant Revenue Management.

Three conceptual perspectives help guide this study: McGuire and Kimes (2006) concept of Waitlist Management Techniques, Hwang's (2008) Restaurant Table Management theory, and Noone, Kimes, Mattila and Wirtz' (2007) concept of the meal pace on customer satisfaction. The underlying principle of McGuire and Kimes's (2006:121) concept is that restaurant managers are faced with the problem of fulfilling the policy of seating the right customer at the right seat at the right time and at the right price to maximise revenue. It is asserted that some restaurants use reservation to overcome this problem, while others rely primarily on walk-in business (McGuire & Kimes, 2006:121). These studies (McGuire & Kimes) found that when the restaurant is busy, managers must ask customers to wait in a physical queue or to put their names on a waitlist for a table. In view of this situation, restaurant managers usually accept customers' requests on a first-come-first-served basis and seat the waiting customers without considering how much revenue that customer or party will bring in. The Waitlist Management Policy according to McGuire and Kimes (2006:122) includes seating by party size (matching party size to table size), giving priority to VIP customers (seating important or valuable customers ahead of other customers), taking reservations for only large parties (i.e. parties of eight or more) and using call-headed seating (customers phone in advance of arrival to be placed on a waiting list). McGuire and Kimes (2006: 123) hold that this policy may help to increase revenues in the short-term, but if customers perceive the policy to be unfair, they may be reluctant to return, diminishing the long-term prospects of support for the restaurant. They maintain that restaurant managers can implement policies that can help increase revenue without damaging customer satisfaction. Thus, restaurant managers should either avoid or exercise caution in using some of these techniques. More recently, Hwang (2008) employed the Revenue Management concept in her research in studying Restaurant Table Management and Customer Waiting time. Correspondingly, she indicates that studies on Restaurant Table Management are conducted mostly within the framework of Revenue Management. Hwang expresses that long waiting times in restaurants can be a major source of customer dissatisfaction. It is also emphasised that managing Restaurant Table Capacity is recognised as an "effective operational strategy that can be used to reduce customer waiting times without costly capacity expansion" (Hwang, 2008:335). The underlying premise according to Hwang is that Table Management is the process in which a host assigns dining room tables to customers and allocates staff to their waiting stations. Specifically, Table Management involves the management of when the seats are assigned, and how the server handles the station (Durocher, 2005, in Hwang, 2008:335). In short, Hwang (2008:335) contends that customers may balk upon their arrival if they see long waiting lines, or may leave during their wait if they are not seated on or near the time expected. She observes that fluctuating and uncertain demand is one challenge identified by service firms. In concluding, Hwang (2008:336) believes that "because restaurant demand is complicated, its variability and uncertainty across many dimensions (i.e. party size and customer arrival time), have long been recognised by many practitioners as the main causes of uncertainty in demand". Another conceptual framework that guided this study derives from the research conducted by Noone et al. (2007). Foremost, Noone et al. (2007:231) argue that in general "the goal of Revenue Management is to maximize revenue by means of variable Pricing and Duration Control". They add that for restaurants, the concept has been used with Early Bird Specials and other Pricing Strategies to influence demand. More recently, restaurants according to Noone et al., (2007:231) have joined other services to use the Duration-based Revenue Management approach. Other studies (Thompson, 2002; Kimes et al. 1999, 1998:32) have documented newly proposed applications of Revenue Management approach in Restaurants for Table Turns and Area Capacity. Noone et al. (2007:231) support the notion that restaurants also face the problem of Duration Management in that the length of customer use of the service is not set in advance. They maintain that if restaurant providers can reduce Dining Duration during periods of high demand (known as hot period), they will be able to serve more customers, which in turn, will lead to increased revenues generated. Once again, Noone et al. (2007:232) agree with McGuire and Kimes (2006) that a focus on Dining Duration may yield result, but it may have effect on customer satisfaction. These authors hold that the advantages to restaurant operators of reducing Dining Duration especially during peak demand periods, include "shorter wait times for tables", "reduce likelihood of losing customers due to excessive waits", and "an increase in covers and revenues". Correspondingly, they believe that the benefits are less clear to the customer, yet they propose that the effect of pace on satisfaction may be influenced by the norms that customers associate with the particular type of restaurant (Noone et al., 2007:233).

To set the context, the Revenue Management phenomenon which started to blossom in the early 1980s, is credited for the early writings on the subject. To list but a few studies, Kimes (2004: 96), Kimes and Thompson (2004:372) and Quante, Meyr and Fleischmann, (2008: 32) contend that recent years have seen great successes, notably in the airline, hotel and car rental businesses. Typically, Kimes (2004:96) claims that airlines set aside a certain number of seats for full fare customers, and hotels set aside a certain number of rooms for rack rate customers. She adds that restaurants have two similar problems: the number to set aside for important customers and the number of tables to set aside for walk-in business. Kimes (2004:96) provides an example to support an earlier statement, by indicating that restaurants in casino hotels would prefer to seat high-spending gamblers (high rollers) than low-spending customers. In addition, restaurants need to decide how many tables to set aside for these high-spending gamblers, while still making sure that they have tables available for other customers. Similarly, restaurants need to make sure that they have sufficient tables set aside for walk-in customers. According to studies by Quante et al. (2008:32), "Revenue Management relies on identifying and exploiting differences in the customers' willingness to pay while some approaches exploit these differences by offering multiple product variants, tailored to different customer segments, such as different fare classes in the airline industry". Quante et al. (2008:32) add that other approaches stick to a single product variant, but adjust their price dynamically over time. In conclusion, research on Restaurant Revenue Management indicates that the concept (RM) examines the most effective ways of balancing Restaurant Demand and Supply to maximise revenues without affecting Customer Satisfaction (Kimes & Robson, 2004: 333). While earlier studies by Kimes (2004:95) review Forecasting at most restaurants, thus, the studies suggest that Forecasting is fairly rudimentary, and generally, the only Forecast made, is for the daily number of covers (customers). The underlying principle for Restaurant Forecast, it should be developed by time period (hour) and party size Kimes (2004:95). Forecasting methods that have been developed for the hotel and airline industry could be applied to the restaurant industry and that Revenue Management holds enormous potential for the restaurant industry (Kimes, 2005:96). As applied to this study, the researcher concludes that possessing the coping mechanisms to deal with the external environment for small businesses, and the extent to which they have the knowledge and skills to fit in and become sustainable in their industry, can highly impact their livelihood moving from sustainable small to medium, even larger enterprise. The primary objective of this study is to develop RM guidelines through the literature review as a framework that would lead to a proposed theory of advanced RM practices in small restaurants within the South African context. It attempted to make, albeit small, a contribution to the literature on the practice of RM in the real business world of small restaurants in cities like Johannesburg.

Secondary objectives

- To assess the awareness and attitude of restaurant owners/operators towards revenue management.
- To determine how it is applied in their businesses.

3. Method of study

The first step undertaken in this study was to identify and develop Revenue Management guidelines through the literature review. Developing an interview schedule according to the guidelines emerged as the second step. The criteria for deciding which restaurant to be included in the study represented the third step. The fourth step included the identification of cases for the analysis, followed by interviews with restaurant operators. Finally, the results of restaurants were compared with the guidelines identified.

The methodology involved constructing and administering a questionnaire for an in-depth interview with restaurant owners/operators. The questions were derived from the guidelines of the Revenue Management Theory (Kimes, 2008; Dacko, 2004; Quain, Sansbury & LeBruto 1999) and the knowledge of the researcher having taught this subject before. The interview schedule comprised of three sections, with the first section accumulating information regarding the type of business, annual turnover and number of employees. Section two ascertained the information about the awareness and practice of RM by the owners/operators of small restaurants. Section three of the interview schedule was based on the following revenue management guidelines, and the list proposed the following:

- Whether restaurant operators utilise restaurant information technology in their restaurants
- The contribution of employees in the business vision
- The effectiveness of marketing campaign
- The skills and knowledge of operators towards RM
- Whether operators make use of the information provided by existing customers

3.1 Identification of cases for analysis

A non-probability sample (purposeful sampling approach) was employed in this study. Five restaurants representing a choice of small restaurants were approached to participate in the study. Since the participation was voluntary and no disclosure of the name and address of the business enterprise were assured, two business enterprises agreed to participate in the study. The others did not participate, perhaps due to not comprehending the significance of the study and maybe they thought it is waste of time. The sample reflects two small micro restaurant businesses, an authentic food and beverage provider and South African Cuisine and offsite catering as shown in Table 1 (*Note 1*). Correspondingly, both businesses were centred on owner-managed non-franchised restaurant businesses in the Johannesburg CBD (Central Business District) and East of Johannesburg. The size and type of the selected businesses is in accord with the National Small Business Amendment (NSBA) Act 26 of 2003, (Du Toit, Erasmus & Strydom, 2007).

3.2 Criteria for selecting the cases

To decide which enterprise was to be selected for case studies, the enterprise had to conform to the following criteria: *see notes 1*

- Only SMME restaurant businesses were included in the study.
- Annual turnover was to be between R50 000 and R100 000.
- One to five staff members were to be employed.
- Ownership (in this case, it had to be black – owned enterprise).
- Operators with experience of at least 5 years in restaurant business were required.

The first criterion is included because the researcher's intention is to share Revenue Management guidelines with owners of small restaurant businesses. The reason is that restaurant operators may not be aware of the significance of RM. The second and the third criteria reflect the position of small businesses according to the South African National Business Amendment Act, 26 of 2003. This criterion is important, because small businesses are different to other types of businesses and therefore operate differently. The ownership of the enterprise is included to reflect the specific issues of small businesses in the South African three-tier economy. Specifically, it reflects Rogerson's (2005) argument regarding the correlation between the ownership of small businesses in the lower level, as well as specific issues and constraints influencing their operation. Lastly, the experience of restaurant operators is included on the assertion that the researcher will be able to share Revenue Management guidelines with them.

3.3 Data collection methods

The primary data sources used to collect data included semi-structured interviews with owners/operators of small restaurant enterprises. The method involving in-depth interview with owners/operators using a semi-structured interview was considered appropriate to accumulate information. Any extra information provided by them was noted to be integrated in the study.

3.4 Data analysis

To analyse the data, content analysis was conducted on the interview transcripts. Content analysis is a technique that makes inference by objectively and systematically identifying specified characteristics of messages (Soltani, Van Der Meer & Williams, 2008:1404). Interview transcripts were coded. Following Okumus and Wong (2007), this study followed the following five steps:

- development of Revenue Management guidelines
- cross case analysis (i.e. comparing each case in a Table format)
- analysing the findings following the guidelines identified
- cross checking and refining the findings
- summarising and finalising the findings

4. Findings

The information collected showed that both restaurant owners/operators consider Revenue Management important, however, one of the two respondents perceived Revenue Management as having little importance. Table 2 (*Notes 2*) illustrates this statement. Overall results indicated that there was an insufficient level of awareness and knowledge of revenue management approach in the participating cases studied. In addition, the findings revealed that despite appreciating the large scope placed on RM strategies, the management's attitude towards learning and adopting them was somewhat negative. According to the Table two, it can be said that the owners/operators at both restaurants have

little or no knowledge of restaurant information technology, let alone understanding the benefits it can provide for the customer and the business in general. Similarly, the results indicated that owners/operators did not see any significance of employee contribution as something that can add value to the overall business objectives. Responding to the question – what marketing campaigns do you have, and how effectively does the business implement those campaigns, it was interesting to find that both firms placed emphasis on promotional activities such as free-samples (i.e. give-aways) and food tasting to determine how many more new customers will be attracted in return. Accordingly, the aim of such marketing campaign at both businesses was specifically chosen to spread the business through word-of-mouth. The study also found that in some instances, both enterprises believed in customer care and not necessarily service excellence, but also in creating good relationships with customers. In the course of this, one respondent indicated that they would not seek wealth from customers just because of Revenue Management application. On the other hand, it was also indicated that the inability to create revenue streams from existing customers was attributed to the lack of knowledge in the area of restaurant Revenue Management approach. Surprisingly, both restaurant business enterprises placed their lack of knowledge in the way they think, and believed it was something they needed to change. In view of this, one owner/operator felt strongly about obtaining the skills and knowledge on the subject of RM, or finding someone with the knowledge. The operator expressed the concern that as the owner, she is always bogged down with running the business as such. Thus, time to plan the future and administration of the business was a major problem.

5. Discussions

It is stated earlier that theoretically, and if it is managed effectively, Revenue Management strategies provide a major shift of direction in improving competitiveness and achieving business excellence. It is perceived by researchers (Kimes, 2003, 2004, Kimes and Thompson, 2004) as a management tool that holds enormous potential for the restaurant industry. In spite of such beliefs, the owners/operators in the restaurant small businesses choose to turn a blind eye to develop the awareness and insight into the subject of RM, using the excuse that such strategies are meant for large established businesses. The owners/operators as indicated during the interview, are of the view that “we are okay with the way we conduct our business”; “we give our customers tremendous care and treatment as a source of our income”. The information from the interviews reflected that the owners/operators trusted their businesses and customers so much that they felt providing good quality products and keeping up with customers can impact the contribution of customers in terms of revenues and efficiency. The findings also show that the lack of application of RM is also linked to operators’ attitude and knowledge hence it is not applied at all in their businesses. For example the in-depth interview with the interviewees showed that the managers of SMME restaurants had insufficient knowledge and skills of Revenue Management framework, and it had to be ignored at all times, casting a reflection on operational effectiveness. It was clear that both restaurants had undefined systematic revenue Controls compared to Revenue Management guidelines identified from the reviewed literature. Such well-defined guidelines and implementation of Revenue Management approach were not observed in any of the businesses. In view of this, the research shows that the manager’s attitude and knowledge are important factors in developing an insight into and implementation of RM (Kimes, 2004). It is of great concern from the business operations’ perspective that although both restaurant operators know the importance of customer treatment and the impact of RM, they are seemingly not willing to learn and adopt the subject (RM) to practice, or are not aware of the benefits that RM provides for businesses in terms of direction. On the whole, the interviews coupled with literature reviews suggest some important points as to why such a practice is not in place in the SMME restaurants representing the small-micro businesses in the restaurant sub-sector of tourism. Summing up, the findings have shown how application of RM in small restaurant businesses can assist in understanding the importance of its practice through the guidelines developed in this study. It is clear that if small restaurant businesses want to improve their operational effectiveness and attractiveness to selected users, it will be helpful to learn and undertake such guidelines and use them in their businesses, not only for optimum revenues, but also to remain in contact with new developments in the field. Without appropriate development and improvement of the current practices in the SMME businesses studied, those restaurant firms that are able to adapt in order to cope with their environment are likely to succeed at the expense of those that are not able to adapt. In view of the aims and objectives of this research, conclusions were drawn against the backdrop of the results. Thus, further research possibilities and recommendations are also outlined.

6. Conclusions

The purpose of this study was to assess the awareness and attitude of small restaurant enterprise owners/managers of Johannesburg towards Revenue Management, and how they applied it in their businesses. A literature review

suggests that Revenue Management has potential in the restaurant industry. While sophisticated Revenue Management methods hold great promise, a small restaurant enterprise will not be able to take full advantage of such methods unless it views and takes full advantage of existing customers. In addition, it will have to introduce different marketing efforts, obtain knowledge applicable to the field of restaurants, and appeal to its employees to make a contribution towards the business. The research findings which fully accord with the Revenue Management framework of restaurant Revenue Management pioneers and practical experiences with Revenue Management initiatives in small restaurant businesses suggest a need to extend the previous research by understanding how and why management of small restaurant businesses' rationale or mindset for pursuing a Revenue Management framework would lead not only to optimal revenues, but also a direction for business excellence. In the lower hierarchy of SMME businesses much work still remains to be done.

7. Recommendations

Based on interview results, it is evident that Revenue Management application is underutilized by restaurant small businesses. This culminates in management's awareness and attitudes which can impact on the sustainability of SMME restaurant businesses. The following recommendations serve as guidelines and remedial actions to mitigate this adverse situation. The researcher has developed a number of primary recommendations on Revenue Management practice going forward from the interviews and a review of recent literature. Justification of each recommendation is also noted:

1. SMME restaurant businesses should consider the use of business automation (information technology) committed to RM planning. This is justified on the basis of the importance of business automation (Kimes, 2008:297) and information management tool (Bertsimas & Shioda, 2003: 472) argued in the literature, and evidenced accumulated in the findings. Further, Kimes (2008:297) established that technology, when used in conjunction with revenue management principles can help restaurants of all types increase revenue and profits. SMME restaurant owners can with all the data that is collected by the restaurant information software technology, utilise a revenue maximisation policy.
2. SMME restaurant businesses ought to direct greater time and energy to management training to develop and accumulate knowledge in relation to RM thinking practice and business performance measures. Again, this is in accord with the arguments of Dacko (2004:18), Leask, Fyall and Garrod (2002:264) and Bruwer (2010:3). Success in Revenue Management, therefore, crucially depends on the acknowledgement that skills and knowledge elements are not only tactically recognised and understood, but also strategically developed within the restaurant businesses.
3. SMME restaurant businesses need to develop a greater awareness on how to manage employees and manage employees properly in their businesses to assist them in realising the vision of the business. Managed improperly, employees can be the biggest source of revenue leakage (Rodriguez, 2009: Online). Employee errors and mistakes could jack up costs. It is therefore recommended that businesses must let employees know what the success of the business would mean to them. For instance, employees need to know what is expected of them with regular performance reviews. Things such as taking care of the business and its customers from the side of the employees should be introduced. This can include such things as going an extra mile for the customers, suggestive selling and promotion of the business. Not only does employee contribution differentiate a restaurant from a crowded field, but it gives people something to talk about - namely the food or service or whatever, and gets them to recommend it to others (Quain et al., 1999:38). Employee contribution is critical to SMME restaurant business survival.
4. SMME restaurant businesses should create revenue streams from existing customers: elicit trust and loyalty to show that they understand their customers better than competition. This can be done by consistently delivering a rewarding, highly satisfying experience through each and every transaction. Customers should feel that the business is giving them not only quality products or services, but also opportunities for a valued partnership that they cannot find anywhere. This is justified on the basis of developments in understanding and managing customer relationships as strategic partner (McGuire & Pinchuk, 2009:342) and (Quain et al., 1999:46).
5. SMME restaurant businesses need to develop creative and effective marketing campaigns. Sadly, sometimes small business owners market their products or services, yet fail to evaluate the effectiveness of these campaigns. It is therefore important to understand which marketing campaigns result in more closed

sales. Marketing campaigns should be based on evidence. This is justified on the basis of marketing discipline (McGuire & Pinchuk, 2009:342; Dacko, 2004:18). Competing for consumers' money is forcing even the smallest independent restaurants to implement creative marketing programs (Barson, 2010: 1). SMME restaurant businesses need to take time to gather information and data on how well their marketing campaigns are executed, manage responses and track leads generated. This information could support Revenue Management efforts by generating lists of customers who are more likely to book during off-peak periods. Dacko (2004:18) suggested that promotional campaigns should be consistent with a company's marketing strategy, positioning, reputation and expectations of various customers if it seeks to attract over the longer term. Yet, McGuire and Pinchuk (2009:342) suggest that promotions could be designed to support revenue management's efforts to sell the product.

Finally, the SMME restaurant businesses should be availed to the opportunity to be exposed to the bigger picture of Revenue Management framework, and how it directly impacts on business sustainability. The bigger picture of Revenue Management implies that available capacity and resources should result in income.

8. Further research

It is suggested that future research be undertaken, using longitudinal research methodology pertaining to the Revenue Management tendencies of SMME restaurant businesses in South Africa. This could include other research methods as well. Such a study will reveal the trend of RM actions of SMMEs over a period of time, and help in isolating areas that need sustained and long term institutional interventions.

9. Limitation

This study is not without limitations. Any results emerging from the study need to be considered in light of certain limitations which include the size and type of enterprise, authenticity, time and quality of information provided by the respondents for the purpose of the study. This research was conducted with a geographically-restricted sample of small business enterprises from a single province (Gauteng) in South Africa's nine province structure. It is suggested that replication of this study in other provinces and regional locations in South Africa be undertaken to understand the complexities of SMMEs in general. The understanding of the subject of Revenue Management on the part of interviewees was another limitation in this study. Therefore, individual opinions may not be reflective of general industry practices.

10. Literature references

- Barson S. 2010. Creating additional revenue streams: Food service equipment and supplies, (48):1.
- Bell, P. 2001. Understanding and applying an effective strategy for the retail industry: Lake West Group Publication, Inc. Scottsdale: 1-6.
- Bertsimas, D. & Shioda, R. 2003. Restaurant revenue management: Operations research, Vol. 51 (3): 472-486.
- Chathoth, P.K., Ching -Yick Tse, E. & Olsen, M., D. 2006. Turnaround strategy: A study of restaurant firms. *International Journal of Hospitality Management*, 25 (1): 602-622.
- Dacko, S.G. 2004. Marketing Strategies for Last-Minute Travel and Tourism: Profitability and Revenue Management Implications: *Journal of Travel & Tourism Marketing*, Vol. 16 (4): 7 – 20.
- Du Toit, G.S. Erasmus, B.J. & Strydom, J.W. 2007. *Introduction to Business Management*. 7th Ed. Cape Town: Oxford University Press Southern Africa.
- Emeksiz, M., Gursoy, D. & Icoz, O. 2006. A yield management model for five star hotels: Computerised and Non-computerised implementation: *International Journal of Hospitality Management*, Vol. 25 (1): 536-551.
- Hwang, J. 2008. Restaurant table management to reduce customer waiting times: *Journal of Foodservice Business Research*, Vol. 11(4):334-351.
- Kimes, S.E. 2003. Revenue management: A retrospective: *Cornell Hotel and Restaurant Administrative Quarterly Journal*, Vol. 1 (2) 131-133.
- Kimes, S.E. 2004. Future of revenue management: Restaurant revenue management, could it work? *Journal of Revenue and Pricing Management*, Vol. 4 (1): 95 – 97.
- Kimes, S.E. 2008. The role of technology in restaurant revenue management, *Cornell Hospitality Quarterly*, Vol. 49 (3):297-309.
- Kimes, S., Chase, R., Choi, S, Lee, P. Y. & Ngozi, E. Y. 1999. Restaurant revenue management: Applying yield management to the restaurant industry: *Cornell Hotel and Restaurant Administration Quarterly*

- Journal*, Vol. 39 (3): 32-39. Monograph: 2001.
- Kimes, S.E. & Robson, S.K.A. 2004. The impact of restaurant table characteristics on meal duration and spending: *Cornell Hotel and Restaurant Administration Quarterly Journal*, Vol. 45 (4):333-346.
- Kimes, S.E. & Thompson, G.M. 2004. Restaurant Revenue Management at Chevys: Determining the Best Table Mix: *Decision Sciences*, Vol. 35 (3): 371 – 392.
- Leask, A., Fyall, A. & Garrod, B. 2002. Heritage Visitor Attractions: managing revenue in the new millennium: *International Journal of Heritage Studies*, Vol. 8, (3): 247–265.
- Mainzer, B. W. 2004. Future of revenue management: Fast forward for hospitality revenue management: *Journal of Revenue and Pricing Management*, Vol. 3 (3): 285 – 289.
- McGuire, K. A. & Kimes, S.E. 2006. *The perceived fairness of waitlist-management techniques for restaurants: Cornell Hotel and Restaurant Administration Quarterly Journal*, Vol. 47 (2):121-134.
- McGuire, K. A. & Pinchuk, S. 2009. The future of revenue management: SAS Institute Inc., Cary, NC.
- Noone, B.M., Kimes, S.E., Mattila, A. & Wirtz, J. 2007. The effect of meal pace on customer satisfaction: *Cornell Hotel and Restaurant Administration Quarterly Journal*, Vol. 48 (3):231-245.
- Okumus, F. & Wong, K.F. 2007. A content analysis of strategic management syllabi in tourism and hospitality schools: *Journal of Teaching in Travel & Tourism*, Vol. 7(1):77-97.
- Peister, D. C. 2007. Table-games revenue management: Applying survival analysis: *Cornell Hotel and Restaurant Quarterly Journal*, Vol.48 (1):70-87.
- Perkins, C. 2007. Small businesses can remain unique and increase their success by systematizing their operations: Nation's restaurant news: Distributor News, October, 8, page 18.
- Quain, B., Sansbury, M.W. & LeBruto, S.M. 1999. Increasing restaurant profitability: *Cornell Hotel and Restaurant Administrative quarterly Journal*, Vol. 40 (3):38.
- Quante, R, Meyr, H and Fleischerman, M. 2008. Revenue Management and Demand Fulfillment: Matching applications, models and software, OR Spectrum, Springer. (31):31-62.
- Reece, W.S. & Sobel, R.S. 2000. Diagrammatical approach to capacity constrained price determination: *Southern Economic Journal*, Vol. 66 (4):1001.
- Rogerson, C.M. 2005. Unpacking tourism SMMEs in South Africa: structure, support needs and policy response: *Development Southern Africa* Vol. 22 (5):623-641.
- Rodriquez, G. 2009: Maximise the revenue potential of your small business: <http://www.powerhomebiz.com/vol.116/revenue.htm> [Accessed: 21 April 2010].
- Schwartz, Z. 2006. Revenues and Asymmetric Information: How uncertainty about Service Quality and Capacity Management affect Optimal Advanced Booking Pricing: *Journal of Quality Assurance in Hospitality & Tourism*, Vol. 7(4): 1 – 22.
- Soltani, E., Van Der Meer, P.R. & Williams, T.M. 2008. Managerial approaches towards service quality: the case of three service organizations: *The Service Industries Journal*, Vol. 28, (10): 1399-1414.
- Thompson, G. M. 2002. Optimising a restaurant's seating capacity: use dedicated or combined tables? *Cornell Hotel and Restaurant Administration Quarterly Journal*, (1):1-5.
- Yousef, D.A. 2007. The status of yield management in service organisations in the United Arab Emirates: Results of a survey: *Journal of Business and Public Affairs*, Vol. 1 (2): 1-9.

Acknowledgements:

The author is thankful to the two restaurant owners who agreed to participate in this study. The author is also thankful to the department of hospitality management at the University of Johannesburg for sponsoring the publication of this paper. Again, a great thank you to Mrs Kock (Departmental secretary) who spent time and energy to assist the researcher in transcribing the interview tape-records.

1. Notes # 1

Table 1: the two SMME restaurant cases studied

Type	Size	No. of employees	Turnover: P/A	Activity
1. Restaurant	Micro Five		60 - 80 K	Authentic food and beverages
2. Restaurant	Micro	Five	80 - 150 K + Off-site catering	South African Cuisine

2. Notes # 2

Table 2: Cross-case analysis and results (summarized characteristics of owner/operator)

RM Guidelines	Restaurant case study # 1	Restaurant case study # 2
<ol style="list-style-type: none"> 1. <i>Usage of restaurant information technology</i> 2. <i>Contribution of employees in the business</i> 3. <i>Marketing campaigns</i> 4. <i>Management skill and knowledge</i> 5. <i>Potential revenue streams from existing customers</i> 	<ul style="list-style-type: none"> • Knowledge is minimal. <ul style="list-style-type: none"> ○ Therefore, see no need to upgrade (IT) • Employees do not have the same vision as management towards business. • Business has always grown on word of mouth and free samples. • Acknowledges lack of skills & knowledge for not applying RM tool. • Not sure how to create revenue streams from existing clients. 	<ul style="list-style-type: none"> • Lack of knowledge of restaurant IT & neither the knowledge of the benefits it provides. • Employees lack ownership in the business. • Relating well with the customer, and in-house promotions. • Interviewee believes, in general, the way of thinking in SMMEs needs to change. • There is acknowledgement that customer base & information is not use to full advantage