Revenue management: the impact on business-to-business relationships

Xuan Lorna Wang
School of Social Sciences, Middlesex University, London, UK, and

David Bowie
Department of Hospitality, Leisure and Tourism Management, The Business School, Oxford Brookes University, Oxford, UK

Abstract

Purpose – This paper aims to explore the links between revenue management and business-to-business (B2B) relationships and explains how revenue management can both support and damage B2B relationships.

Design/methodology/approach – A single case study method was employed to conduct qualitative research into a company and its key accounts. In-depth data were collected from three divergent sources (company revenue managers, company account managers and nine of the company's key accounts) through semi-structured interviews, observations and document studies.

Findings – The research findings reveal that from the company's perspective, managers acknowledge that revenue management has positively influenced the process of identifying and analysing key account activities and conducting contractual decision making with key accounts. However, from the key accounts' perspective, revenue management practices were found to have significant negative consequences which damage trust and undermine long-term relationships and commitment.

Research limitations/implications – Although the research findings cannot be generalised to other service sectors because of the single-case study research method, the implications of this study suggest that the impact of revenue management practice on B2B relationships should be further investigated in a wide range of organisational and industry settings.

Practical implications – The research findings confirm the long-held assumption that revenue management can negatively affect B2B relationships. The benefits of revenue management primarily reward the company, whilst long-term B2B relationship development suffers from the short-term consequences of the company's opportunistic behaviour.

Originality/value – This paper bridges the gap in the literature between revenue management and key account management. It also explores the conceptual incompatibility between revenue management and a long-term relational approach to B2B relationships and provides evidence to support this proposition.

Keywords Yield management, Channel relationships, Key accounts, Hotels, Business-to-business marketing, Corporate strategy

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

Introduction

Revenue management (also known as yield management) has been widely adopted by a range of capacity-constrained sectors in the service industry in the past two decades. Examples in the hospitality literature include Orkin (1988a), Kimes (1989), Brotherton and Mooney (1992), Weatherford and Kimes (2001), in health care Kimes (1989b), in convention centres Hartley and Rand (1997), in theme parks Goulding and Leask (1997), in cruise lines Hoseason and Johns (1998), and in golf Kimes (2000). The practice of revenue management has, therefore, been a popular area for academic studies in the service industry. However, considering the extensive research in revenue management and business relationship studies conducted in the service industry, there is limited empirical research, which examines the impact of revenue management on customer relationships, especially in a business-to-business context. This research bridges that gap between revenue management and B2B relationship; and reports on the findings derived from a case-based study of a hotel company, which investigated the connection between revenue management and its impact on business-to-business relationships. The research aims to answer the following questions:

Q1. Does revenue management affect B2B relationships?

If the answer to this question is yes:

Q2. Does revenue management support or damage B2B relationships?

This paper consists of five sections. Firstly, there is a review of revenue management literature in the service industry and its

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possible impact on customer relationships. Secondly, it examines literature pertaining to key account management (KAM) theory to explore what strengthens or weakens B2B relationships at a company level. Thirdly, the research methods employed for this investigation are discussed; and then findings are presented and discussed within the context of the literature. Finally, the paper concludes by highlighting the theoretical and the practical implications of the research findings and puts forward recommendations for further study.

Revenue management

Revenue management (also known as yield management) originated from the American airline industry following its deregulation in 1978 (Donaghy, 1996). Airline deregulation was a revolutionary concept that allowed the industry freedom in developing marketing and pricing strategies. These market conditions forced airline management to focus on new approaches to managing airlines' perishable product – the passenger seat on each scheduled flight. The concept of revenue management was, therefore, developed to rescue the industry from declining market demand and increased competition (O'Rian, 1986; James, 1987; Fockler, 1991; Donaghy, 1996). Earlier definitions suggest that revenue management is a technique that companies can use to successfully increase yield (or revenue) by allocating fixed fares to predetermined seating capacities, instead of trying to compete on highly discounted fares (James, 1987). The management focus of the American airline industry had gradually moved away from regulated market conditions, where the emphasis was on selling occupancy (the maximum number of inventory units or seats), to the post regulated market – where companies were forced to focus on overall revenue through monitoring yield (revenue per available seat on the aircraft). Managing yield is a more effective strategy because flexing the combined average rate and occupancy level is more profitable than the previous approach where managers either lowered average rate to buy higher occupancy levels, or maintained high rates whilst losing revenue from a low occupancy.

There is no commonly agreed definition for revenue management. Definitions differ according to different service sector perspectives (Sieburgh, 1988; Kimes, 1989; Orkin, 1989; Dunn and Brookes, 1990; Brotherton and Mooney, 1992; Lieberman, 1993; Jauncey *et al.*, 1995). However, the literature confirms that the core concept is to maximise revenue through the effective management of three main areas: pricing strategy, inventory control and control of availability. The terms revenue management and yield management are currently used synonymously.

Many studies show that firms employing revenue management practice normally claim a revenue increase between 3-7 per cent without any significant capital expenditure, which results in some cases in a 50-100 per cent increase in profits (Kimes, 1997; Cross, 1997). With such an attractive potential for profit enhancement, it is easy to understand why revenue management practices have been adopted in a variety of service organisations over the past two decades. Hotel companies, as a key beneficiary of this revenue maximisation concept, particularly welcomed the revenue management concept and the application of revenue management in the hotel industry has been as successful as in airlines (Sieburgh, 1988). The evidence from major hotel chains suggests that revenue management has enhanced profitability significantly – for example, over $100 million is generated annually at Marriott Hotels (Cross, 1997). Although the claims that revenue management can improve hotel operating performance significantly have been challenged on the grounds that environmental factors may have contributed to the revenue/profit enhancements (Griffin, 1995; Jarvis *et al.*, 1998), the evidence from recent studies still suggests that the implementation of a revenue management strategy leads to a 1-8 per cent profit performance improvement in hotels (Jones, 2000, IDeaS Yield Survey, 2001)

Revenue management impacts on hotel customer relationships

Although revenue management has been a well-researched topic in the service industry management literature, its effect on customer relationships appears to be a somewhat neglected area of study (Wang and Mitchell, 2001). Customers' reaction towards revenue management practice has not been fully explored by academic researchers. Indeed Wirtz's revenue management study suggests that one of the key actors in business relationships – "the customers" – seem to have been almost forgotten in this field of research (Wirtz *et al.*, 2003, p. 217), despite the notion that a relationship-orientated marketing approach has been embraced by many organisations in the service industries.

A small number of studies have tentatively looked into the revenue management implications on customer relationships and suggest that the financial benefits gained from maximising revenue could damage the relationship between a company and its customers, and even result in alienated customers (Kimes, 1994; McCaskey, 1998; Wirtz *et al.*, 2003). McCaskey (1998) argues that the tangible profit growth following the implementation of revenue management, ignores the potential conflict with a company's long-term marketing strategy. Thus, short-term revenue growth could damage customer relationships, resulting in the loss of tomorrow's customer. This is because the adoption of revenue maximisation selling strategies such as demand-oriented pricing, and controlled availability at certain rates to preferred customers only, may lead the customers (regardless of whether they are individual guests or company key accounts) to feel that they have been treated unfairly by the hotels, consequently affecting customer satisfaction (Kimes and Wirtz, 2002). Table I identifies potential customer conflict areas caused by revenue management and recommends marketing strategies to reduce customer conflicts (Wirtz *et al.*, 2003). Although these studies did not specify which customer group they referred to (e.g. individual traveller or company key accounts in a B2B setting), the findings suggest that revenue management practice can cause customer conflict due to the different pricing, inventory control and availability control tactics used to maximise hospitality firms' day-to-day revenue.

This table addresses the potential conflicts that may occur when a service company is trying to adopt both a relationship-orientation and a revenue management practice simultaneously. However, from a customer relationship perspective, these marketing strategies appear to be remedies, which are intended to rationalise and justify the damaging effects of revenue management practice to reduce customer conflicts, rather than modifying the practice in

Table I Strategies to reduce customer conflicts caused by revenue management

RM practice	Potential customer conflicts	Marketing strategies to reduce conflicts
Pricing strategies affecting the reference price	Perceived unfairness Reduction in reference price Perceived financial risk	High published price Physical and non-physical rate fences Bundling of services
Pricing strategies affecting the reference transaction	Change in the nature of the service Reduction in service quality	Spatially segregate customers Differentiate service benefits Determine and set optimal capacity limits
Inventory control **Capacity restriction** **Overbooking** **Length of usage restrictions**	Perceived unfairness Perceived lack of customer appreciation Perceived change in the nature of the service	Preferred availability policies for loyal customers Well-designed service recovery programmes Clear communication and positioning of length of stay usage restrictions

Source: Wirtz *et al.* (2003, p. 220)

accordance with customer relationship needs. In other words, these marketing strategies might help service firms to make revenue management sound like a relatively fair and more acceptable practice, whilst the essence of the practice remains revenue-oriented rather than relationship-oriented. Furthermore, the general solutions suggested by these studies (Kimes and Wirtz, 2002; Wirtz *et al.*, 2003) to overcome potential revenue management conflicts with customers are not specifically targeted at any particular customer group. This means that they do not offer any insights about business relationship-dependent conflicts or the significant consequences that an organisation may face, if these conflicts happen to key accounts. The following sections review the literature surrounding key account management (KAM) theory to explore what strengthens or violates a B2B relationship at the operational level.

Key account relationship management

Unlike revenue management, which focuses on short-term tactical revenue maximisation from fixed capacity, key accounts management (KAM) identifies the customer as a long-term investment for future profitability. This investment may require "a short-term sacrifice for prospective long-term gains" (Cheverton, 1999, p. 8). KAM is typically associated with B2B relationships (Ojasalo, 2001), which includes both the tangible and service elements (Gronroos, 1990). Building upon customer relationship management (CRM), KAM strives to deliver maximum sales from the key accounts (Wnek, 1996). Although the literature does not explicitly indicate whether the measure of success is sales volume, revenue or profit it is clear that "sales" in this context refers to the yielding source of KAM – the key accounts.

Different terms, such as customers, clients and buyers, are used in the B2B literature when referring to key accounts. In order to illustrate the character of the customer group that is the focus of this research, the following definitions of a key account will be adopted. McDonald *et al.* (1997, p. 737) define key accounts as "the customers in a business-to-business market, who are identified by selling companies to be of strategic importance". Strategically important customers can be determined using several criteria. Campbell and Cunningham (1983) used sales volume; use of strategic resources; age of the relationship, the supplier's share of the customer's purchases; and profitability of the customer to supplier. Whilst McDonald *et al.* (1996) suggest three criteria to determine a key account – these are volume related; status related; and financial considerations. Alternatively, Millman and Wilson (1999) propose a combination of "hard (sales, profitability, etc.) and soft (compatibility, fit, trust, commitment)" data to define key account criteria.

The following definitions demonstrate that relationships are a critical construct in KAM. Diller (1992) defines KAM as a management concept, including both organisational and selling strategies to achieve long-lasting customer relationships. McDonald *et al.* (1997, p. 737) suggest that KAM is "an approach adopted by selling companies aimed at building a portfolio of loyal key accounts by offering on a continuing basis, a product/service package tailored to their individual needs." Further, according to Ojasalo (2001, p. 201) "to build, grow and maintain profitable and long-lasting relationships" is one of the four core elements for successful KAM; the other core concepts are setting criteria to identify key accounts, analysing the consumer and cost behaviour of key accounts and selecting suitable strategies to manage a key account. Clearly, relationship development with a key account is a central tenet of KAM, though relationship longevity does not necessarily guarantee customer profitability (Storbacka *et al.*, 1994).

To date, no study has investigated how the relationship between a company and its key accounts is affected by the practice of revenue management. This research strives to bridge that gap.

Research method

The research adopted a qualitative approach to investigate the impact of revenue management on B2B relationships from a variety of perspectives. Following an extensive review of the extant literature, a single case study method was employed to conduct the investigation from the point of view of both a company and that company's key accounts. This exploratory case study was conducted in a UK-based four-star hotel group. In-depth data were collected from three divergent sources (company revenue managers, company account managers and nine of the company's key accounts) through semi-structured interviews, observations and document studies (see Appendix 1). Initially, subject specialist academics and industry practitioners were consulted to provide insights into the topic (Glaser and Strauss, 1967). A research framework (see Appendix 2) was developed to examine the company's current revenue management policies and operations, and the relational implications of revenue management practice. This framework helped to facilitate the primary research by identifying that multiple data collection methods were required from divergent sources to provide a triangulated approach and to improve the reliability of the research (Miles and Huberman, 1994; Denzin, 1998 and Patton, 2002).

A range of non-probability sampling techniques (Saunders *et al.*, 2003) were selected in order to choose the appropriate case study company and key individuals based on two principles. Firstly, at an organisation level – to select the "right" hotel company and its hotels, to find a company, which represents the industry in terms of its size and status and which also practises revenue management; in other words, to select a case that would bring significant findings. Secondly, at a personnel level – to ensure the "right" people are approached in order to gain valid data from reliable sources. Finally, a UK-based international hotel group, with multiple brands, granted wide-ranging access to head office and four hotels over an 18 month period of intensive research.

Various data were collected through three main sources as indicated below:

1 Document studies – including company policy; hotel standard practices; training manuals; meetings' minutes; company memos; management reports and key accounts' contracts.
2 Non-participant observation – "shadowing" a number of key participants such as revenue managers and account managers; attending relevant management meetings; observing reservation agents who may also be involved in day to day revenue decision-making.
3 Semi-structured interviews – conducted individually with identified decision-makers in both revenue management and account management and with representatives from nine key account companies.

These multiple data-collection methods enabled rich data to be gathered from the different sources – the head office of the hotel company, centralised sales offices, individual hotels and key accounts.

After embarking on a few inductive analysis techniques and taking the complex nature of the study into consideration, a template analysis technique (King, 1998) was employed to analyse the data. This is because it is more conducive to the researcher's phenomenological position (Hycner, 1985). Guided by the research framework, the coding scheme was derived from the literature and emphasised the key themes that emerged in the textual data. Most of the data analysis consisted of deconstructing interview transcripts and observation notes, as well as documentation collected into manageable clusters with the purpose of classifying them under each code. This initial analysis process involved categorising and unitising the data, and then the data were coded and analysed to identify and explore themes, patterns and relationships (Miles and Huberman, 1994; Saunders *et al.*, 2003).

Findings and discussion

The research findings suggest that revenue management has both positive and negative impacts on key account relationships. From the company's perspective, managers acknowledge that revenue management significantly helps the process of identifying the profile and value of key accounts. At the same time company managers, especially those close to the customers (the account managers), point out that revenue management has also damaged business relationships with their clients. The findings from the key accounts confirm this negative view and suggest that resistance towards revenue management practice is discernable. Indeed, key accounts are so distrustful of revenue management practice that it devalues the long-term relationship that key account managers strive to develop.

The company's perspective

The findings revealed that the company's revenue managers and key account managers had different sets of criteria, which they used to identify the profile of a key account. These criteria are summarised in Table II.

The documentation findings showed that S Hotels defined a "key account (or key client)" as "an account negotiated in the UK, which includes one hotel with existing business at a minimum of 150 room nights". This sales and marketing policy illustrates that booking a minimum number of room nights is the primary determinant factor in awarding key account status. This approach is partially in line with the key accounts' selection criteria suggested by Campbell and Cunningham (1983) and McDonald *et al.* (1996), which used sales volume as one of the determining factors. However, S Hotels policy did not formally include other strategic criteria to determine the importance of a key account. For example the company's definition of a key account does not take into account the use of strategic resources, the company's share of the customer's purchases, and the profitability of the customer (Campbell and Cunningham, 1983); nor are there any status related or financial considerations (McDonald *et al.*, 1996). Thus, the key account policy used by S Hotels is limited and is primarily based on "room nights;" consequently the key account's real value to the hotel company is questionable.

On the other hand, the findings demonstrate that the revenue managers did not follow the company's key account definition based on room nights when they identified a key account. The revenue managers considered "revenue" as the determinant criteria for key accounts' selection. Three associated criteria were used by the revenue managers,

Table II Key account selection criteria – the differences between a company's revenue managers and key account managers

Revenue managers	Key account managers
Revenue (total revenue)	Business volume (room nights)
Business volume (room nights)	Account potential (promised business)
Staying profile (time of stay)	Production (revenue generated)
Market mix	Global contribution to the company
Other variables:	Other variables:
Method of delivery booking channels	Booking channels
	Booking pattern
Payment type	Time of stay
Global contribution to the company	Client profile

along with room nights, in key account selection. These were: total income generated; the amount of displaced business caused; and the clients staying profile (time of stay, i.e. weekday or weekend business). Although these factors are not specified in criteria for "strategic important clients" (Campbell and Cunningham, 1983; McDonald *et al.*, 1996), they do reflect what the company's revenue managers perceived as important key account selection criteria. Whilst most of the account managers still use "room nights" as an indicator of "business volume" to compare and select the "key" clients, some account managers explained they had started using revenue as the more important indicator especially in the corporate sales unit. This change in approach was a result of the analysis produced by revenue managers. Increasingly, the account managers realised that room nights alone cannot represent the value of a client, since some higher paying customers may stay less frequently, generate higher total revenue, and not cause any displaced business. Curiously, neither the revenue managers nor the account managers identified key accounts by profit, and such a crucial factor for business success was not mentioned or listed in the sub-variable factors for key account selection. This is inconsistent with the CRM and KAM literature, which emphasises profitable relationships and profitable customers (Campbell and Cunningham, 1983; Sheth and Sharma, 2001; Buttle, 2004). One explanation could be that both revenue managers and key account managers have little awareness of company profit drivers and limited knowledge of cost behaviour – especially since these managers' performances were predominately measured by sales volume, or revenue achieved, but not profit.

Previous yield management implementation studies (Jones and Hamilton, 1992; Brotherton and Turner, 2001) recognise that internal changes are to be expected and encouraged in order to achieve revenue success. Jones and Hamilton (1992) suggest organisations should adopt a "yield culture", which includes selecting revenue managers who have (or can acquire) the necessary skills to use the yield management IT systems; using performance criteria to evaluate business performance; and ensuring that forecasting and revenue management is part of the job description of the company's key managerial personnel. They also recommend that companies should include managers from all departments of the hotel in a revenue management forecasting and decision-making committee. Other authors believe that successful yield management depends on a highly trained and motivated team of staff, confirming that "full attention must be geared towards the people element" (Brotherton and Turner, 2001, p. 30). The findings from S Hotel fully support these views. After revenue management had been implemented, the essential criteria in identifying a "strategically important" client shifted from simply volume to a more complex set of criteria predominately based on revenue but including sub-criteria such as time of stay, length of stay, last room availability. From the company's perspective, there was a divergence between unit-based revenue managers and regional account managers. These tensions were caused by the hotel unit's focus on overall revenue performance in the property and the account managers' focus on the sales volume generated from each account. This conflict was exacerbated by different performance and reward measurements (see Table III).

However, the revenue managers believed that the revenue management approach helped to "rationalise the relationship" and to "better understand the real business value of each client." Furthermore, the Director of Corporate Sales emphasised this point stating that:

> With the value of key accounts no longer . . . (based on) . . . the revenue value or the volume value, we've started to ask when and how the revenue and business is generated [for example is revenue generated during high-demand days or low-demand days; what is the room revenue or the total revenue], because these factors are important from a revenue management perspective.

Company managers regarded such changes as positive, since the company obtained more detailed knowledge about the financial value and behaviour pattern of the key accounts. They also suggested that this in turn helps the company to provide a better value service that suits the client's needs (i.e. rate packages with discount on other hotel services).

The key account's perspective

Almost all of the respondents (26/27) agreed that the practice of revenue management affected business relationship development between key accounts and the company. However, from the key accounts' perspective, the hotel company's adoption of revenue management practice has had a negative impact on their relationships. The findings suggest that how a company enforces their revenue management policies influences the extent of the impact on key account relationships. When the company strictly enforces their revenue management policies, then key accounts clearly resent this treatment and there is a negative impact on the relationship. However, when employees override the company's revenue management rules by offering the key account a lower price and/or improved offer, then key accounts appreciate this response which helps enhance the relationship.

Most clients considered revenue management a necessary practice for hotels and they know, when negotiating contracts with hotel companies that they are competing against a yield situation. One key account commented on the issue:

> . . . We can't afford to talk to property by property; we have to talk to the chain. This is one of our biggest concerns . . . that in fact that sales don't always have the autonomy to make the decision, because they always have to go back to the GM to the Revenue Manager at each property, but that elongates the whole process of negotiation.

A key client in the airline market segment considered that RM had helped the hotels to realise that they need airline business:

> To a certain extent it [RM] has influenced our contract negotiation, because I think they [hotels representatives] come better prepared. They know they need us to fill up hotel on a day-to-day basis, so even if they couldn't reduce the price much, they would offer services that suits our needs.

The key account findings confirm that the hotel companies have become increasingly driven by a focus on short-term business to maximise yield and the longer term "relationship" value dimension has been devalued. It was evident that the key accounts perceived revenue management as "a practice or system, which focuses on sales not on relationships". Hence, when revenue management is practised to achieve its ultimate goal of maximising the company's revenue, it is not surprising that relationship needs become a secondary concern. Whilst Donaghy and McMahon (1995) suggested that organisations should include the "customers" in the key stages of implementing and evaluating a revenue management system, it was manifest that in this study key accounts had been

Table III Revenue and account managers' perceptions about RM impact on KA relationships

Revenue managers	Account managers
"It hasn't been helpful, because they've (yield management practice and key account management) not been well aligned . . . hasn't been joined up in a way that allows everybody to look at one form of measurement, and say we understand why you're doing this"	"It facilitates the decision-making process; it makes the relationship measurable and accountable"
"The rev. manager's job should be focused on maximising revenue on a day-to-day basis, and it is Sales' job to think about long-term customer relationships and provide evidence to convince Rev. managers that it's a relationship worth to maintain, even sacrifice short-term revenue"	"RM is obviously a necessary thing . . . the impact I've noticed on my relationship with my account is – if it is handled wrongly, or not addressed, it will damage the relationship"
"It has rationalised the business relationship, which should lead to better selection of targeted clients"	"RM – as far as clients are concerned it is a very dirty trick, something they don't like." "RM – is the kiss of death"

excluded from any involvement with hotel companies and that their relationship needs had been neglected. At the same time, key accounts acknowledged that this was not the fault of revenue management practice itself, but a result of the lack of the "human touch" in company S' revenue management practice.

Another reason that revenue management damages business relationships is the change in the character of the relationship, from long-term relationship development and stability to a short-term sales-oriented relationship. In other words, the various revenue maximisation tactics used – such as differential pricing and inventory control – may have helped hotel companies to generate major increases in revenue but at the cost of replacing significant relationships with superficial relationships. Key accounts view the "tricks" used by the hotel company as evidence of the company's opportunistic behaviour to seek revenue benefits that put their relationships at risk. Such findings suggest that the negative impacts of revenue management on key account relationships also caused the clients to adopt a distrustful view of the company and inhibit long-term relationship development. Indeed it is apparent that in a B2B relationship context, revenue management "has taken away the trust between two companies" by influencing account managers to become much more sales-oriented. The company managers' view, that revenue management supports key account relationships by helping the account managers to rationalise the business relationship and validate the key accounts' value, is actually perceived as a negative factor by the customers. This is because in revenue management practice, the B2B relationships have been primarily rationalised in accordance to the short-term revenue needs rather than long-term relationship needs. Table IV summarises the respondents' opinions on revenue management's impact on key account relationships as identified by company managers and key accounts.

Managerial implications

The findings of this study suggest that due to the perishable nature of its product, the case study company currently places a significant emphasis on maximising revenue from the day-to-day effective management of capacity in order to prevent any lost revenue. This approach can place B2B relationships in jeopardy, especially if the long-term value of a stable relationship is underestimated or neglected. Although customer relationships are not presented on a company's financial statement, management should recognise their value and treat the potential of this intangible asset with more diligence.

From the revenue manager's perspective, customer profitability and customer lifetime value for key clients, should be factored in to optimise revenue management decision-making. From the account manager's perspective, the total revenue generated and clients' staying profile (peak-days business or off-peak business) should also be recognised when selecting and determining the value of a key account. At the senior management level, service organisations need to be aware of the internal tensions between the individual properties/units and the corporate sales team caused by diverse performance measurements. Company managers at the corporate level should consider reviewing their current revenue management, and their key account management practices, to accommodate the needs of a long-term relational approach to key clients. Internal tension could be considerably reduced by increasing company managers' mutual understanding, of the need to balance the needs of the property/unit and the needs of the B2B client.

The study findings also signal the importance of the role revenue managers and account managers play in managing yield and developing customer relationships. There is a real need for hotel company senior management and general managers to review revenue managers' and account managers' primary responsibilities, and especially their performance indicators. Both of these customer contact roles appear to have diverse objectives and rewards. The revenue managers put property revenue maximisation as their priority, mainly through the effective management of the inventory, because their key performance measure was based on meeting revenue targets. In contrast, the account managers primarily focused on how much business her/his clients have actually generated, or could potentially generate for the company, in order to achieve her/his sales target. These measures were mainly sales volume, which in this case was the room nights contribution from the key clients. Hence, at the corporate level, the company needs to modify its divisionalised performance targets, to unify the objectives of RM and KAM to achieve a sustainable yield.

Conclusion

Although revenue management is recognised to be one of the most studied areas in the service industry management literature, its impact on customer relationship development was previously little known. A few studies tentatively

Table IV Respondents' opinions on revenue management and key account relationships

The arguments that revenue management is a positive influence on KA relationships	The arguments that revenue management is a negative influence on KA relationships
RM rationalises the business relationship, in terms of identifying and analysing the value of a KA	RM reduces the trust between key clients and the company because revenue management acts purely in the interests of the company and provides constraints on KA benefits
RM provides a better understanding of genuine customer value of the client instead of using business volume value	RM inhibits long-term relationship development because the objective of RM is to maximise daily revenue, which potentially can destroy relationship value
RM helps to identify market trends and enables the account manager to adopt a proactive selling approach	RM reduces relationship stability since KAs perceive that RM tactics are "opportunistic", and undermine attempts to develop long-term relationships
RM allows the management to take a proactive selling approach, which provides mutual benefits for both parties – instead of a "reactive approach towards market demand"	The lack of flexibility in RM systems and management's reluctance to override the system's decision means that KAs often have to pay market rates instead of preferential rates
RM facilitates long-term marketing planning by providing accurate information derived from client behavioural data collected through revenue management system	RM can therefore damage potential longer-term profitability as KAs respond by changing their buying behaviour, because of companies' opportunistic behaviour

examined customer perceptions toward RM by identifying the areas where customer conflicts could arise (Kimes, 1994; Noone *et al.*, 2003) and others proposed practical suggestions in an attempt to reduce the customer conflicts (Kimes and Wirtz, 2002; Wirtz *et al.*, 2003). More importantly, previous studies investigated customer conflicts at an individual guest level, not at a B2B level. Prior to this study, no empirical research had been conducted to investigate revenue management from both an organisation's and its customers' view, despite the importance of key accounts contribution to companies' overall revenue. Although in the field of marketing the value of retaining customers and the benefits of developed customer relationships have been studied extensively (Berry, 1995; Rao and Perry, 2002; Buttle, 2004), few studies in the service industry literature have researched the feasibility of the coexistence of revenue management and key account management. Hence the findings of this study contribute to the literature by enabling a deeper understanding of the actual effect revenue management has on B2B relationships.

This empirical study confirms the long-held assumption that revenue management affects B2B relationships. The findings suggest that revenue management impacts on B2B relationships in both positive and negative ways. However, and most significantly, there appears to be an in-balance between the positive benefits to the company as opposed to the mainly negative consequences for the key accounts. One of the positive impacts of revenue management is that the company can better identify and analyse key account values, which then helps support the key accounts' relationship by rationalising the business relationship and providing a better understanding of the customer's value to the company.

Clearly revenue management can damage key account relationships in B2B. Clients feel that revenue management erodes long-term relationship stability and trust between the two companies. Indeed in a few cases key accounts indicated that they actually terminated their relationship with a company because the opportunistic behaviour of replacing a key account with higher paying customers was exposed. This supports the generic marketing literature's view that one party's opportunistic behaviour reduces the trust between the two parties (McDonald *et al.*, 2000). From a services industry perspective where revenue management is widely practised, this paper substantiates the inherent contradiction between revenue management and key account management. A revenue orientation drives yield from a fixed perishable capacity, whilst the focus of key account management is to drive volume sales built upon customer relationships – regardless of customer behaviour patterns. Revenue management is effective for day-to-day revenue maximisation of the selling company in transactional relationships. Key account management is effective when building long-term mutually beneficial relationships.

The marketing literature on customer relationship management and key account management has not been updated in the light of revenue management. Historically, the marketing literature posits two main drivers for customer profitability and lifetime value; these are sales volume (Hallberg, 1995; Storbacka, 1997; Niraj *et al.*, 2001) and customer retention (Reichheld and Sasser, 1990; Blatterberg and Deighton, 1996; Reichheld, 1996; Buttle, 2004). This study identifies three other key criteria when selecting and evaluating the value of a key client in the service industry. These are: total income generated; total income less displaced business and the client staying/usage profile.

Limitations and recommendations for future research

The following limitations have been recognised in this study. Firstly, there is a limitation by industry and sector. The international full-service, up-scale hotel company selected as the case study for this research may not be comparable with budget, mid-market and luxury hospitality market segments; nor with other service sectors with capacity issues such as airlines. Secondly the researcher capitalised on her own work experience at the case company, who volunteered to participate because they knew her; this may have introduced an element of bias. For example the researcher's presence at different units of the case company may have influenced some participants to suggest that the impact of revenue management on customer relationships is a more important issue than they really believed. Finally, the study employed a single-case study approach, with four embedded multiple cases all located in one capital city. Consequently the results may not reflect RM implementation and customer relationship development in provincial cities or in other countries; and the research findings cannot be generalised.

Suggestions for further research include: a comparative study to explore the extent to which revenue management affects B2B relationships using multiple cases in different organisation and industry settings. This type of comparative study could explain in greater depth how organisational culture influences revenue management impacts on customer relationships. In addition, since the current key account management literature examines the buyer and supplier relationship development in a generic B2B context, its applicability to the service industry requires further research. Future studies could take the perishable nature of service products and the impact of the Internet into consideration to explore the applicability of the current key account relationship development model in capacity-constrained travel and hospitality organisations.

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About the authors

Xuan Lorna Wang is a Senior Lecturer in Tourism at the Middlesex University, London. Her research interests include revenue management, relationship marketing, customer relationship management and key account management. Xuan Lorna Wang is the corresponding author and can be contacted at: l.x.wang@mdx.ac.uk

David Bowie is Principal Lecturer in Marketing at Oxford Brookes University, Oxford. His research interests include corporate branding, place branding, and relationship marketing in hospitality and tourism.

Appendix 1

A total of 27 interviews were conducted during the fieldwork. The interviewees' details are listed below.

A total of 18 semi-structured in-depth interviews internally with:

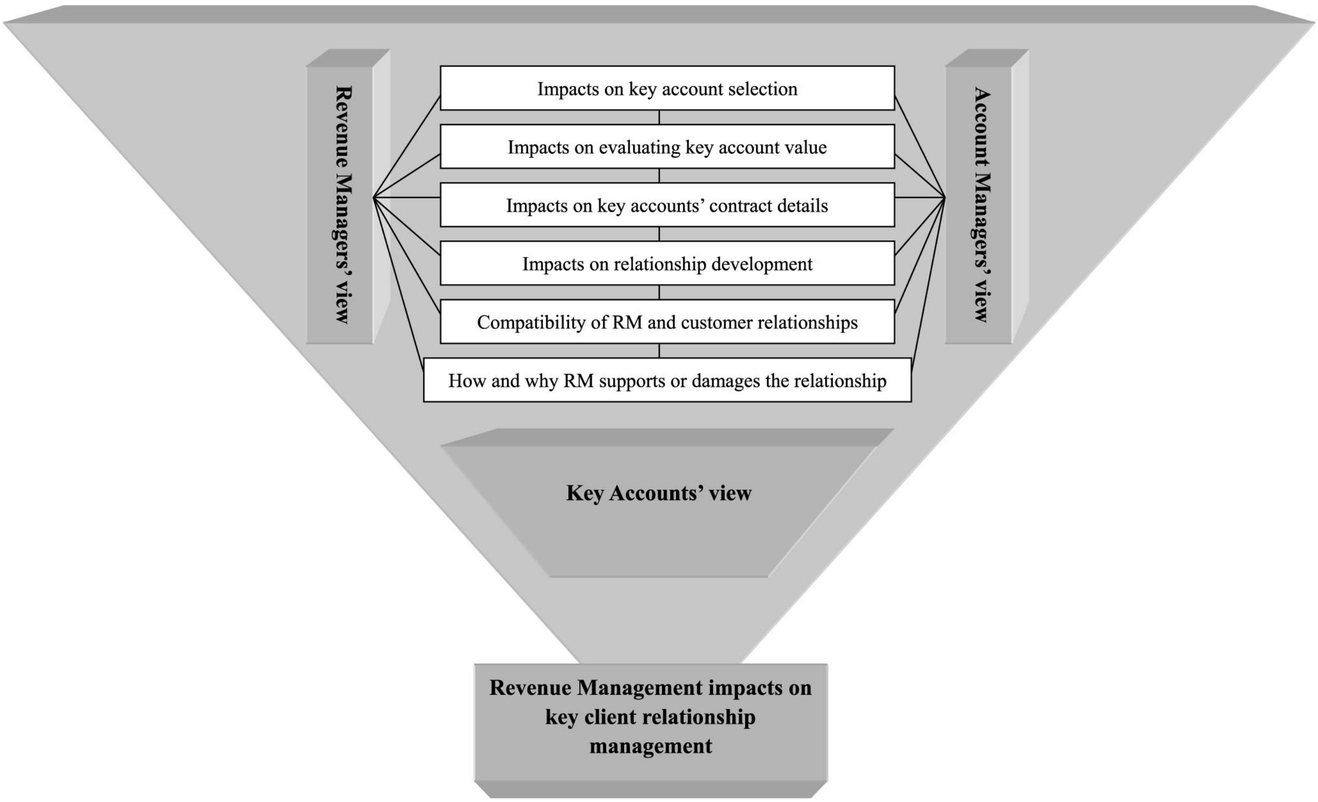
- three hotel general managers;
- three hotel revenue managers;
- five corporate sales account managers;
- one global sales account director;
- two leisure sales account managers;
- one company's airline sales director;
- one company's revenue director;
- one company's ex-training manager; and
- one company's operations director.

Nine semi-structured in-depth interviews externally with company's key clients that were identified by the general manager, revenue manager and account managers:

- three from the airline market;
- three from the corporate market; and
- yhree from the leisure market.

Appendix 2

Figure A1 Research framework



Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.*

While there may be no commonly-agreed definition for revenue management, or yield management as it is also known, there is a consensus that it is effective in maximising revenue for fixed or "perishable" assets – such as hotel rooms or seats on airplanes – by means of pricing strategy, inventory control and control of availability.

Effective maybe, but fair? Well that's a different matter entirely. Fruit and vegetable stallholders have been practising revenue management for years. But is it fair to a customer to sell him a peach or a pear at full price in the morning and to someone else cut-price when market trading is coming to an end and the stallholder does not want to be left with perishable stock?

Clearly there is scope for upsetting some customers as firms strike to maximise the revenue from what they sell. And it is not just the customers who might be disgruntled. If revenue managers have different criteria for success than key account managers within the same company, that is hardly a recipe for organisational harmony.

In a study involving revenue managers, company account managers and key accounts in a hotel chain, Xuan Lorna Wang and David Bowie ask whether revenue management affects B2B relationships and, if so, does it support or damage them. The following divergent responses from the sample revenue managers and account managers about their perception of RM's impact on key account (KA) relationships highlights why the subject is worthy of study:

- Revenue managers: "It has rationalised the business relationship, which should lead to better selection of targeted clients."
- Account managers: "As far as clients are concerned RM is a very dirty trick, something they don't like. RM is the kiss of death."

The tensions were caused by the hotel unit's focus on overall revenue performance in the property and the account managers' focus on the sales volume generated from each account.

Wang and Bowie explore the links between RM and business-to-business relationships, substantiating the inherent contradiction between RM and KA management. Clearly revenue management can damage key account relationships in B2B. Clients feel that revenue management erodes long-term relationship stability and trust between the two companies. Indeed in a few cases key accounts indicated that they actually terminated the relationship because the opportunistic behaviour of replacing a key account with higher-paying customers was exposed. This supports the marketing literature's view that one party's opportunistic behaviour reduces the trust between the two.

A revenue orientation drives yield from a fixed perishable capacity, while the focus of key account management is to drive volume sales built upon customer relationships – regardless of customer behaviour patterns. Revenue management is effective for day-to-day revenue maximisation of the selling company in transactional relationships. Key account management is effective when building long-term mutually beneficial relationships.

With some studies showing that firms employing RM practice claiming revenue increases of between 3-7 per cent, without any significant capital expenditure, resulting in some cases in a 50-100 per cent increase in profits, it is easy to understand why RM has been adopted in a variety of service organisations over the past two decades. Despite customers' reactions towards RM practice being somewhat neglected in research, it has been suggested that the financial benefits gained from maximising revenue could damage the relationship between a company and its customers, and even result in alienated customers. Short-term revenue growth could damage customer relationships, resulting in the loss of tomorrow's customer.

Wang and Bowie emphasise the need for senior management and general managers to review RM managers' and account managers' primary responsibilities, and especially their performance indicators. Both of these customer contact roles appear to have diverse objectives and rewards. The revenue managers put property revenue maximisation as their priority, mainly through the effective management of the inventory, because their key performance measure was based on meeting revenue targets.

In contrast, the account managers primarily focused on how much business her/his clients have actually generated, or could potentially generate for the company, in order to achieve her/his sales target. These measures were mainly sales volume, which in this case was the room nights contribution from the key clients. Hence, at the corporate level, the company needs to modify its divisionalised performance targets, to unify the objectives of RM and KAM to achieve a sustainable yield.

The findings suggest that revenue management impacts on B2B relationships in both positive and negative ways. However, and most significantly, there appears to be an imbalance between the positive benefits to the company as opposed to the mainly negative consequences for the key accounts. One of the positive impacts of RM is that the company can better identify and analyse key account values, which then helps support the key accounts' relationship by rationalising the business relationship and providing a better understanding of the customer's value to the company.

(A précis of the article "Revenue management: the impact on business-to-business relationships". Supplied by Marketing Consultants for Emerald.)