Revenue management and distribution (Extrait d'article de recherche)

Distribution channels expansion is a mandatory step to develop business growth in the tourism and travel industry: it means to deal with new technologies, worldwide complexity and powerful partners. According to Vinod (2004), the arrival of the internet and its online supermarkets has led academicians and researchers to revisit the merchant model and to fit with demand generation via E-distribution channel. Forgacs (2010) reminds that the strategic objective of distribution channel management is three-fold: revenue producer, cost effective and easy to control. As specified by Vinod (2009), RM and product distribution are inextricably linked to each other, distribution being the storefront that displays products according to RM recommendations. This section focuses on the distributors, the so-called indirect channels because it raises additional revenue optimization challenges we intend to develop.

Distributors can provide pure hosting services (for instance the Global Distribution System) billed as a fee, act as a travel agency selling the products within their own processes and systems against a commission, or repackage the product into broader packages including a mark-up as a Tour Operator or through third-party websites (Toh &Al, 2011). Distributors have to generate an incremental demand in order to offset the commission and distribution fees. Otherwise this would result in just cannibalizing the existing goodwill.

For Mauri (2013), channel management has arisen as a crucial component of RM. Whether to differentiate inventory access between direct channel and trade, however, is highly debatable. For the sake of partnering principles and to facilitate the sales dialog inventory access should be strictly the same. However, revenue-speaking, the service producer should offer a wider availability of access to its own direct customers in order to reduce the volume of commissions and distributor fees. RM decisions are usually based on maximizing expected net contribution, and incremental costs are to be incorporated in the inventory control model (Phillips, 2005).

Inventory access will be managed differently for direct and indirect channels when fees and costs are integrated in the revenue contribution. Then more availability opportunities will be assigned to the direct channel especially during the constrained periods and when there are few remaining unities to sell. On the other hand, the revenue contribution is calculated in gross revenue when the availability management policy is non differentiation.

Securing availability access to partners during the most constrained periods is a major consideration. The yearly agreements could include some dedicated allocations to protect capacity for the partners
instead of managing it through free sale only. These allocated capacities are managed by the RM team and the contracted capacity allocation is the result of intensive sessions between the RM and the sales division acting as a spokesperson for the partners. Introducing an allotment policy into the reservation inventory is a considerable responsibility and brings with it a weighty additional workload because it implies daily monitoring to comply with the agreed contracts while applying special sales conditions.

RM performs the proper analysis to allocate the right level of capacity to trade partners by first assessing the direct channels potential as a basis and then by identifying the forecasted remaining capacities to be proposed for the partner's allocation.

In case of a high-discounted campaign run with a specific partner, the RM function is to steer and limit the demand over the weakest periods. As mentioned in Noone (2003), RM strategy can be adjusted with some partnering efforts including availability guarantees, dedicated pricing or promotions to support "true friends" partners, according to customer segmentation proposed by

Reinartz and Kumar (2002), over a long-term profitability vision that outweighs any short-term rate dilution. Channels management implies the capability to build mutual agreements based on the proper tradeoffs on a yearly basis and the capacity for the RM to perform two-tier performance measurement: traditional RM performance for the direct channel and a second one including Lifetime Value for trade.

The long-term risk is not negligible because the cycle of tough negotiations with major partners tends to result in the transferring of significant margins from the services producer to its distributors, and business-to-business (B2B) relationships could turn the service producer into a simple sub-contractor providing raw products with a limited margin. RM plays the role of counterbalancing the pressure by providing revenue and profitability insights, and should be associated more with strategic decisions related to channels management. According to Venkat (2009), this could be through a move from the traditional RM to profit optimization by integrating RM, Marketing Pricing and Distribution toward consistent data, synchronized analysis and coordinated actions in response to corporate requirements.

Channels management is finding the right compromise between demand generation and revenue leakage over a long-term horizon. Taking back control over product distribution is becoming a priority and efforts are made to modernize the direct channels devices: web portal designing, smart media development, search optimization engine and call center streamlining. Improvements may focus on processes and analytical tools for reinforcing the RM role, thus leveraging different fare and availability policies depending on the channel in use.

Source: REVENUE MANAGEMENT: PROGRESS, CHALLENGES AND RESEARCH PROSPECTS

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