Potential Applications For Modern Revenue Management In Golf Resorts

Nenchev, Kristian; Ermen, David

PwC Switzerland, Switzerland

E-mail: kristian.nenchev@ch.pwc.com

Aim of the research

This research aims to identify ways in which golf resorts can learn from modern revenue management in the airline and hospitality sectors. A short survey amongst golf courses in Europe will provide the basis for our analysis of current gaps and potential for improvement. The research is ongoing and will yield recommendations for further research and practice.

Theoretical background or literature review

The golf industry is in a phase of transition, driven by changing golf culture, a need to recruit new players from a broader spectrum of the population, and evolving consumer behaviour. One of the primary challenges is generating more revenue from the capital intensive asset that the golf course represents. Revenue management, a commercial discipline originating from the airline and hospitality industries, may help golf course operators to optimise revenue and appeal to a broader customer base. The authors argue that revenue management tools and techniques can strengthen golf courses' business models and bottom lines, while they adapt to the changing industry.

Golf course are characterised by similar variables to hotels and airlines; perishable inventory, variable demand, limited capacity, and varying customer sensitivity (Kimes, 2000; Kimes & Schruben, 2002), making it a good platform for experimenting with revenue management tools. For any business with perishable inventory, the perishable component must be reflected in the key performance indicators. This is evident in the hotel industries Revenue per Available Room-Night (RevPAR) and airlines' Revenue per Available Seat Mile (RevPASM), and restaurants' Revenue per Available Seat-Hour (RevPASH).

Kimes, one of the pioneers of revenue management in the hotel industry, suggests Revenue per Available Tee Time (RevPATT) as the key performance indicator of success in golf revenue management, as it entails a space and time value component of the golf course. IN driving change in this indicators, two strategic levers can influence RevPATT — round duration control and demand based pricing (Kimes & Schruben, 2002). A variety of Revenue Management tools have been developed on the basis of these two levers, yet there seems to be a consensus that revenue management for golf courses is still under-utilised (Wirtz & Kimes, 2007).

Customers seem to perceive many golf revenue management practices as unacceptable and unfair (Wirtz & Kimes, 2007). For example, in the principle of dual entitlement (Thaler, 1985) holds that most customers believe that they are entitled to a reasonable/rational price and that firms are entitled to a reasonable profit. Therefore, raising price just to increase profits is perceived unfair by customers. Additional obstacles in establishing effective revenue management practices in the golf industry include difficulties in demand forecasting, price optimisation, and tee-sheet optimisation. Furthermore, many if not the majority of revenue management tools suggested by researchers are only viable in situations where demand exceeds supply and therefore needs to be optimised rather than stimulated.

At the same time, mega-trends such as advancing technology, big data, and hyper-connectivity enable the revenue management practice in other industries to advance at a rapid pace. The discipline of revenue management is evolving into a data-driven, consumer insight practice that intersects with many other disciplines, such as online marketing, social media, and finance. These advancements enable the practitioners of effective revenue managers to significantly outperform their competitors.

In this paper the authors identify the current ecosystem of golf course revenue management along with the most common tools and practices. In addition, the authors highlight eight revenue optimisation techniques with a proven track record from the hospitality and airline industry that may help golf course operators to appeal to a broader customer base and maximise financial and operational performance.

Methodology, research design, and data analysis

Survey amongst European golf courses to determine the current state of their golf course revenue management systems and tools used.

Results, discussion, and implications/conclusions

Study ongoing. Results will be available before the conference.

The paper will present implications for research and practice.

References

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