

UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF NON-PRICING
TOOLS OF REVENUE
MANAGEMENT ON THE
PERFORMANCE OF HOTELS IN
MALAYSIA**

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ABSTRACT

Revenue Management (RM) is a strategic approach that entails allocating appropriate capacity to specific customer segments at optimal prices to maximise revenue. In the past decade, scholarly investigations into hotel revenue management have consistently focused on examining pricing strategies. Even though many studies have been conducted in the field, niche were on the non-pricing aspect of revenue management. Malaysia has exhibited a favorable trajectory in developing hotels and room supply, demonstrating growth from 2015 to 2025. The observation highlights with the increased hotel number of supply led to decreased in hotel revenue per available room (RevPAR). Consequently, hotel organizations must heavily depend on their distribution channels and strategies to sell their room inventory effectively. This study investigates the effects of hotel inventory management practices and distribution channels on revenue management performance (RMP). Non-pricing tools encompass various components, such as hotel inventory management, overbooking strategies, length of stay control mechanisms, room availability guarantees, and distribution channels. It is essential to acknowledge that the classification of distribution channels in this study involved the differentiation between traditional (TDC) and emerging distribution channel (EDC) models to assess their respective impacts on non-financial aspects of hotel performance, focusing on indicators such as average room rate (ARR), occupancy performance, and revenue per available room (RevPAR). In addressing the methodology, the study employed quantitative research by utilising an online survey. The data collected from 120 managers was analysed using the SPSS Statistics version 29 software. Subsequently, the empirical analysis was conducted using SmartPLS 4.0. The analysis method employed in this study was Partial Least Squares Structural Equation Modelling (PLS-SEM). The initial stage establishes the measurement model survey instruments' reliability and validity. Next, the researchers employed a structural model to evaluate the 22 hypotheses proposed in the study. The findings confirmed that inventory management and distribution channel models exhibit a different association with hotel RMP. As anticipated, the performance is influenced by the EDC model. The findings of this study highlight the significant impact of non-pricing tools and emerging distribution of revenue management on RMP. The TDC model was found to negatively influence the variable. The manager believes that the change in customer demand and the emerging distribution has contributed to booking volume and room revenue. Hence, the discovery of this study would contribute to addressing the decrease in Revenue per Available Room (RevPAR) within the hotel industry in Malaysia. Furthermore, this study has generated an interesting new knowledge regarding the non-pricing strategies implemented in hotel revenue management, particularly in Malaysia.

Key words: Revenue Management; Non-pricing tool; Capacity Management; Distribution Channels; Performance

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CHAPTER 1

INTRODUCTION

1.1 Preamble

This chapter establishes the theoretical framework and fundamental principles for the study. The primary objective of the first chapter was to provide an introductory overview and rationale for the present study. The investigation commenced by examining the hotel revenue management strategy and its consequential influence. The subsequent analysis pertains to the current state of Malaysia's travel and tourism sector, particularly emphasising the evolving dynamics of hotel provision within the nation. Formulating a problem statement is the foundation for defining the research purposes and objectives. Furthermore, the study emphasised the importance and potential impact of its findings to make a meaningful contribution to the current scholarly discourse. This chapter concludes with a brief overview of the structure employed in organising this thesis.

1.2 Background of the Study

Revenue Management (RM) is the art and science of predicting real-time guest at a micro-level and optimizing the price and availability to match that demand (Cullen & Hansel, 2006). RM involves the practice of allocating the right type of capacity to the right kind of customer at the right price to maximize revenue or yield (Kimes, 1989). Later in time, the definition is expanded with “at the right time” (Kimes, 2000) and “through the right distribution channel” (Hayes & Miller, 2011; Noone et al., 2017) and customer value (Atlin et al., 2017). In practice, Sheraton, Holiday Inn, Hilton Hotels Corp, and Marriott International have been pleased with their profits because of the successful application of the revenue management program (Mei & Zhan, 2013). Evidently, Li and Ma (2015) and Nair (2019) argue that revenue management has evolved into a competitive strategy within the hotel industry, serving as a significant indicator of success.

The RM tools include a variety of instruments used by hoteliers in managing demand and supply of hotel rooms. Ivanov (2014) divides them into three groups.