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Developing Revenue Management of a Spa Resort, Case study: Holiday Club Resorts Ltd

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ABSTRACT

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In the present work, the author provides an analysis of the revenue management in the hotel accommodation business in the spa resort, which is an active unit of a timeshare company. The analysis starts from the general description of the main objectives of the timeshare company. It highlights importance of the hotel operations. Detailed focus is on the development of each aspect in the hotel accommodation management. That will lead to higher performance of each room as a profitable unit in the timeshare company.

From the theoretical perspective, action research is used as the main method in the research. Eden and Huxham (1996) state that theory building, as the result of action research is moving from practical to general issues in small steps. The result of the study generates a theoretical knowledge. This knowledge develops from the data and practical body of the theory, which gave the research intention.

The empirical result of the study provides a vision to create revenue management strategy for the spa resort. Revenue management in the hotel accommodation is a currently developing area of the timeshare business, which needs specific attention. It is problematic enough to be the center of the research.

Keywords: revenue management, spa-resort, timeshare company, hotel accommodation revenues

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1 Introduction

In order to find out the real value of the service or a product it should be measured and compared. Desire to buy products relates to the customer needs as the service value concerns about its performance. Both product and service value is directly connected to the price, where price will be measured with the customers satisfaction. *In general, value increases with higher use, esteem and exchange values, but decreases with higher cost value* (Iyer 2009, p. 62.) These basics can be transferred to the tourism industry, where the whole business organizational model is focused on the value creation and apprehension. Value creation, delivery and detention is built on the viable and reliable relations between a customer, service provider and society. The key to this is customer's satisfaction. Company in the tourism industry can gain it by delivering its own value to the customer. (Valčić & Bagarić 2015.) In order to achieve that, companies should plan business strategies concerning customer service improvement. Such strategies have a direct impact on the companies' revenues and help to create the entire value structure for the company. Companies can get better noticeability on the market through the value creation, likewise beneficial resource allocation and favorable transaction costs. (Priem 2007.) Revenue management is one of the practical tools of hotel operations to achieve such goals.

Revenue management (RM) is a fundamental tool in hotel operations. Simultaneously, it is a decisive area for the hospitality management studies. With the development of the IT- technologies, this field is becoming more and more complex, multidisciplinary and analytical. The fact that customers are becoming wider knowledgeable in the touristic products and services, makes RM play a strategic role in hotel management practice affecting yields from all revenue streams. (Kimes 2011.) The importance of the RM in the hotel industry is the value creator for this thesis work. RM is the core of the whole research. For the clear perception of what has been already done in the field, researcher is citing the article of Guillet and Mohammed (2015) "Revenue management research in hospitality and tourism. A critical review of current literature and suggestions for future research". The authors examined the hospitality RM

studies in the recent decade to identify the possibilities and directions for future research. Their findings can be summed up into three main statements.

First, the reviewed papers were mostly empirical rather than conceptual or theoretical. They emphasize that there is a wide field for the RM researcher to develop theoretical framework of the discipline.

Second, research results highlight that the hospitality and tourism RM researches should also focus on the methodology used. For example, same comparable area of the airline revenue management has been more deeply developed and clearly structured. It means that there is a wide range of the methodology advancements in hospitality and tourism RM research.

Finally, the research revealed that modern hotel RM systems include a wide range of revenue centers (restaurants, bars, casino, theme park, travel/tour agency, golf and spa). Such a RM diversity and complexity should have furthermore additional research efforts. (Guillet and Mohammed, 2015.) These findings are opening opportunities for further development of the RM concept in hotel management on different levels.

Apart from any theoretical or practical need, any research should begin with the researcher's personal interest in the field. This masters' thesis work has a high impact on the author's future career, because in a long perspective he sees himself as a hotel manager. Hotel management is a multi-task duty. Everybody knows or has heard about it. Yet, in the book of Hotel Management and Hotel operations, Ph.D. Denney G. Rutherford and his colleague Ph.D. Michael J. O'Fallon (2007) claim that surprisingly little has been written about hotel general managers (HGM). Little attention has been paid to the development of their career and the skills and strengths they bring to their jobs.

From the entrepreneur point of view, the main goal of the hotel managers' work is to look for ways to change the organization for the better. HGM should seek for new improvement ideas, initiate and supervise development projects. In addition, HGM is responsible for allocating of all important resources of the

organization, both financial and human, including how the manager schedules their own time, organizes work, and authorizes actions. (Rutherford and O'Fallon, 2007, p. 91.) All of these different duties, which the HGM has to carry on a daily basis, should lead to business profitability. In this regard, RM will be one of the key measurements of the HGM's success.

Further discussion on the topic of revenue management requires a clear identification of the term 'revenue management'. For this purpose, a comprehensive explanation has been chosen from the book *Hotel Revenue Management* by Stanislav Ivanov (2014). *He recognizes revenue management, which is also known as yield management, as an essential instrument for matching supply and demand by dividing customers into different segments based on their purchase intentions and allocating capacity to the different segments in a way that maximizes a particular firm's revenues. At the same time, revenue management is defined as the application of information systems and pricing strategies to allocate the right capacity to the right customer at the right price at the right time.* (Ivanov 2014, p. 7.) This generalized explanation gives an overview on the revenue management activities. In this thesis, such topics as right customer, price and time are explained, discussed and analyzed in a closer connection to the research field. All the theoretical knowledge should be relevant and helpful for practical use. *Vise versa*, all the real life practices should be analyzed and structured using some methodology. In order to achieve such ambitious tasks, the practical research sample is picked from the relatively big and reliable player in the tourism industry in the area.

For the last years researcher has been working in the Spa Resort Holiday Club Saimaa in Finland, which has appropriate qualities to fit for the data collection sample for this study. This spa resort is part of the company Holiday Club Resorts Ltd (HCR Ltd.). HCR Ltd. is the leading weekly timeshare company in Europe and a significant operator in the fields of holiday housing and tourism. The company is owned by the acting management, Mahindra Holidays & Resorts India Ltd, Varma, Finnish Industry Investment Ltd, Fennia Group, Ilmarinen and a group of Finnish private investors. HCR Ltd. has 30 resorts and

1,700 holiday homes. The resorts are located in Finland, Sweden, on the Costa del Sol in Spain and in the Canary Islands. (Holiday Club Resorts 2016.)

In this case, HCR Ltd. is not just a simple hotel chain in the tourism industry. It is the whole infrastructure of different tourism and real estates sets of businesses, integrated under the same brand.

Before moving to the specific area of the hotel room revenue management, it is important to expand theoretical framework to the field of the timeshare industry. That will help to provide a better vision on the case company. Timeshare industry is built on three basic milestones: real estate development and sales; consumer financing and resort management. The core idea of the timeshare industry refers to the real estate development and sales. This component of business includes resort creation, planning, constructing, development, sales and marketing. Also, it incorporates supporting activities: accounting, finance, human resources, laws and regulations, etc.

Since the resort infrastructure is set up, a homeowners' association is formed. This association becomes management, which is running the resort. Usually, the association hires a management company that will be operating the resort. In the timeshare industry properties are split and sold in weekly shares to customers, who later become timeshare owners. They have to pay fees to the homeowners' associations. These payments are creating the budget for the organization to run the resort: pay the electricity and water bills, facility and area maintenance, refurnishing, provide staff for the resort, etc. In addition to the general operations of the resort, same as hotel management and operations, timeshare resorts must also maintain and manage a homeowners' association. This is the second component of the larger timeshare business. The third component of the timeshare business is consumer financing. (Legohérel, Poutier and Fyall 2012.) In its entirety, hotel business is referred to the first and second components in the timeshare company, as they include resort operational management. But it will also play a significant role in the last one, as it helps to maintain business operations for the company in general.

On the whole company level of HCR Ltd. hotel business operations are united under one department with the hotel operations director – Marco Hiltunen. He is managing general operations of 8 Holiday Club spa hotels. One of the useful tools in correct handling and performing these duties will be revenue management. In order to use the best revenue practices Anne Männistö is running RM department of HCR Ltd. These two persons are the stakeholders for this thesis work. Together with the researcher of this study they identified the specific unit for this study – Holiday Club Saimaa spa hotel. Spa hotel is located in the timeshare resort with different facilities: ice arena, Cirque de Saimaa spa, wellness area, BowlCircus bowling arena, 18-hole golf course and four restaurants and bars. Hotel provides different types of accommodation:

- Club Saimaa hotel: 137 spacious rooms accommodating up to 4 adults, or 2 adults and 2 children;
- Castle hotel: 63 romantic rooms;
- Gant hotel: 21 luxury rooms;
- Deluxe Pavilion Rooms: 8 new and unique rooms.

Timeshare units include Holiday Club Villas (flats with 1 or 2 bedrooms, fully equipped kitchen, private sauna, glazed balcony, etc.) and Holiday Club Cottages (high-quality holiday homes with kitchen, sauna and terrace in the immediate vicinity of the spa). Members of the Holiday Club Resorts and guests at the hotel can feel as being in a dream holiday. (Holiday Club Resorts 2016.)

The number of accommodation facilities is growing from year to year. The reason is that unlike traditional hotels which are constructed in single phase and opened all at once, timeshare resorts are typically built in phases. Every new phase starts depending on the sales of the existing units. The whole process can take decades.

Important notice for the revenue research will be in distinguishing between resort occupancy and rental occupancy of the timeshare units. Resort occupancy is similar to the traditional revenue management calculations: total room nights occupied/total room nights available. In the timeshare industry, resort occupancy can be misleadingly high since it includes owned inventory. To avoid such mistakes, timeshare operations take in account rental

occupancy, which calculates as units rented/total units available for rent. As a result, timeshare resort does not have a very high occupancy rates all year around, but when comparing on a seasonal basis, rental occupancies may be more similar with typical occupancies rates of hotels and resorts. (Legohere, et al 2012.) This notice has a direct connection to the researched unit.

Holiday Club Saimaa is one of the biggest and newest spa-resorts in Finland, which keeps on growing. The huge amount of different capacities for accommodation needs a precise pricing strategy. This strategy should be flexible to the daily changes on the tourism market. It was noticed by the acting management of HCR Ltd. that although the resort is often fully booked, and all the capacities are sold out, profitability expectations are not reaching the estimated level. That creates a need for an analysis of the revenue management of the Holiday Club Saimaa resort. It should be done from the perspective of the hotel management so that the results could be used to improve the current situation by the acting management.

Getting adequate data for the research will require different tools and techniques. The most common ones were already mentioned by Stanislav Ivanov (2014): the application of revenue management requires a lot of data regarding different revenue metrics such as average daily rate (ADR), revenue per available room (RevPAR), occupancy, yield and profit per available room. Additionally, revenue management system requires information about hotel bookings on a daily basis, number of additional services sales in the other revenue centres, competitors' actions and room rates, information on the local and regional events, changes in the laws, and any other data that includes previous results of the hotel, demand forecasting, supply routes. Wide range of data collection channels can create different research results. At the same time, possibilities to get different types of data and information give a researcher an opportunity to use different analytical methods and tools.

One of the modern methodologies to conduct such a research and structure it in the logical and clear order is the technique of "action research". In the book *Action Research: From Practice to Writing in an International Action Research*

Development Program, Davydd J. Greenwood (1999) claims that researchers can use action research methodology to avoid the limitations of traditional methodologies when researching changing situations. He managed to summarize the action research definition into eight methodological principles:

- action research combines research and action;
- the main stakeholders of the action research are participants and researchers;
- action research creates and develops knowledge and has a unique explanation;
- action research starts from the desire to develop modern society and provide a equality in the society;
- feedback is one of the measurement tools in action research;
- action research practical process is based and related to the existing knowledge;
- participants of the action research get new skills and attainment;
- action research requires a wider understanding of different historical, political and ideological principles and facts. (Greenwod 1999.)

The presented methodologies are applicable to this research as they will analyze the live data on the daily changing satiation in RM of the hotels; research will involve managers from different departments on different levels; the objective of the thesis work is to develop relevant revenue management knowledge in the area of spa resorts; it will combine different tools of hotel operations and provide necessary data for the different departments; all that together will help the company to create and develop its RM strategy.

Preliminary literature review and creation of the theoretical framework gave an opportunity for the author to create a clear research plan together with the active management of the company: Marko Hiltunen, Hotel Business Operations Director, and Anne Männistö, Revenue Manager. Based on the general definition of revenue management and the case companies' request, this thesis includes:

1. Room price analysis:
 - room costs and expenses;
 - seasonality;
 - timeline for the week, month, year;
 - relation between room prices, occupancy and revenues.

Result: Strategy for the room price as part of RM.

2. Identification of the competitors:
 - competitors identification for spa resort room;
 - analysis of competitors' actions.

Result: Analysis of the current market situation;

3. OTA – online travel agencies.
 - Analysis of revenue management of OTA channels vs. own website.

Result: Analysis of the price strategy via different online channels.

4. Strategy for hotel room revenue management (Product, room price, place – online channels, when to sell the room) of a spa resort.

In the present research, the hotel rooms of the HC Saimaa will be taken as a sample. This destination represents the largest and one of the best companies' facilities, and has had relevant RM history and data for the past four years.

The literature review on the topic showed that there is a gap in the literature regarding revenue management in a timeshare resort. There are potentially related articles about casino hotels, which have similarity in their business concept and structure of the revenue centers to the spa resort, but generally, have a crucial difference in guests' target group. On the other hand, Holiday Club Resorts has a request to investigate revenue management of spa resorts. Results of the research should help create a new solution for the revenue management in spa hotel. In this perspective, the research question is:

- How to optimize revenues from the hotel rooms in the spa resort?

This is a generalized question, which should be added with the support questions:

- What are the room prices that will generate the best profit?

- What is the revenue management strategy for the hotel rooms?
- How should the company run the online reservation systems in order to achieve the highest occupancy rates on the most efficient prices for the hotel rooms?

As the first step, the book toolkit for Action Research by Sandra M. Alber (2010) recommends to focus the study and to set the stages for it. In order to achieve the research goals, they should be set correctly from the beginning. Based on these practical and theoretical aims and a project plan, the research is divided into explicit stages as shows Table 1:

No.	Stage	Stage outcome
1.	Theoretical	Creation of the theoretical framework for the revenue management in: <ul style="list-style-type: none"> • timeshare business; • Holiday Club Saimaa; • hotel revenue management.
2.	Practical	Project implementation: <ul style="list-style-type: none"> • data collection on the room prices; • data collection on the occupancy rates; • data on the online channels pricing; • data on the market competition.
3.	Analytical	Analyze collected data in order to answer research questions and develop a revenue management strategy: <ul style="list-style-type: none"> • data analysis; • planning the suggestions and recommendations.
4.	Final	Conclusion and outcomes: <ul style="list-style-type: none"> • in the practical field; • in the theoretical field.

Table 1. Stages of the development project

An essential part of the research is to explain the significance and potential implications of the research and practice. In this study, the researcher transforms from practitioner to researcher by providing different analyses, descriptions and explanations of practice in the researched field. Critical evaluation practices and conceptual frameworks help to make sense of

practice. The conducted research challenges the existing theory and introduces new concepts as well as transfers the abstract RM theory into methodological power sharing, where practitioners' practical theories are seen as equally valid and significant. (McDonnell & McNiff 2014.)

2 Context of the research project

Hotel revenue management can be defined as the constellation of the tools and actions dedicated toward the achievement of an optimal level of the hotel's net revenues and gross operating profit by offering the right product to the right customer via right distributional channel at the right time at the right price with the right communication (Ivanov 2014, p.8). This complex definition incorporates several key points:

- *Optimal level of hotel's net revenues and the gross operating profit* – in the situation when the hotel occupancy is close to the total, the ability of the staff to pay attention the each single customer decreases. It can be explained with the lack of employees, operational mistakes, high work pressure. Consequences can have a negative impact on the customers' satisfaction, including grounds for complains. All together, it leads to the lower numbers on the gross operating profit in the hotel. One of the ways to increase the gross operating profit is to use the cost-cutting strategy. That can be harmful for the service quality, lack of professionals as well as future loss of the revenues. Therefore, the main aim of revenue management is not only to focus on maximizing the revenues of the hotel at all costs, but achieving the highest revenues and gross operating profit simultaneously;
- *Right customer* – it is important for the company to decide target marketing segment;
- *Right product* – different customers are looking for the different products;
- *Right distribution channel* – more and more customers prefer internet resources to make their buyers decision;
- *Right price* – the price that the customer is willing to pay for accommodation or service in the correlation to price the hotel is willing to charge;

- *Right time* – one which moment of sales customer is willing to pay the highest price;
- *Right communication* – different communication tools can be used: phone call, email, direct meeting. (Ivanov 2014, pp. 8-12.)

It is important to remember that hotel product is a service which cannot be stored for later on or tested beforehand. In today’s world, tourists can check online availability for thousands of destinations with a large number of hotels and suppliers and compare prices. This increases the price elasticity of demand. This gives RM system extra challenge to have a right set of structural, procedural and human resource elements dedicated toward the achievement of the best performance. It is important that the hotel’s RM system includes all revenue centers, not only the guest rooms, because they can significantly contribute to the hotel’s total revenues and financial results. (Ivanov 2014, pp. 8-12.)

At the case company, Holiday Club Resort Ltd., all the revenues are collected on the daily basis and presented on the weekly basis in the hotel revenues weekly report, presented in Table 2:

Holiday Club Saimaa												
	Situation now				Whole month							
	Realization	%	Forecasr	%	Budget	%	Forecast	%	Previous year	%	Realization +forecast	%
Sales												
Sales adjustment												
Turnover												
Other opeating income												
Purchases and change in inventories												
The gross profit												
Staff costs												
Guests services												
Other services												
Salary costs												

Table2. Example of a weekly report in Holiday Club Saimaa spa hotel (Holiday Club Resorts 2016)

This table is a simplified financial statement. The data presents figures for current sales, sales per month, estimations, and data from the previous year. It gives adequate data for the hotel managers to analyze their work performance. This report can also be presented at the department levels, in which all the indexes are split for the division. According to Ivanov (2014), besides rooms the hotel can have additional revenue centers, which complicates the revenue management process. For the timeshare resort Holiday Club Saimaa, as well as all the others resorts of the chain, the same tables are completed everyday. Timeshare resort report includes the same table but including for all the hotel revenue centers:

- hotel;
- restaurants;
- treatments;
- aqua park;
- activities;
- conferences.

For example, in order to achieve better performance, revenue managers might decrease room rates to attract additional guests to the hotel that will subsequently increase the demand for the other revenue centers (Ivanov 2014). Spa resorts have many different revenue centers, so hotel room occupancy rates play an important role in this perspective. According to the interview of Marko Hiltunen, Hotel Business Operations Director of Holiday Club Resorts, it can be highlighted that in the spa resort, the occupancy rate should be at least 75% in order to reach the critical mass of customers. It will be the required number of guests to run all the facilities of the resort. Important to remember, that the aqua park in the hotel is working every day. It is no matter, if there are only 10 or 100 customers visiting aqua park on the certain day. It means that the fixed costs – water and electricity will be always high. Sport bar O’learys will be opened every day in the hotel – in order to provide customers with the restaurant service. It will have high staff costs. In order to plan other revenue centers activities, it is preferably to fulfill the hotel with the highest number of

customers. That will bring more revenues not only to the hotel rooms, but to the whole resort in general. (Hiltunen 2015.)

However, from a research point of view, up to now, the additional revenue centers were considered and studied as separate business units, which are not directly connected with the revenue management of the hotel rooms. In this regard, it is necessary that the RM research takes them into the revenue maximization process of the hotel in search of total hotel revenue management. When calculating the revenues hoteliers should consider all revenues generated by the customer, not only the room rates, which is the basis of the total revenue management concept. (Ivanov, 2014.) The total revenue management concept includes different levels of the revenues analysis starting from the general strategic aims on the company level.

2.1 Levels of revenue management

Strategic planning is a key activity in developing the hotel business. That is the only way to enable accomplishing activities with a high degree of effectiveness and efficiency. Its power is such that through creation and choice of suitable strategies, the hotel can conquer competitor, expand its business, conquer new markets and target groups.

In frames of this research, several benefits from improvement and development of the hotel business can be mentioned. Hotel managers should be able to identify the general hotel activity and provided services. Managers should see possibilities and threats they have to face. Hotel and its services unique characteristics will provide a better noticeability on the market, attract new customer, and create a new tourist offer. Strategic planning empowers to design a clear concept for the managers and other employees in what direction to move the business. It identifies if the hotel has power to enter a new business or to broaden the regular offer and which activities any of them should take to move the business in that direction. The strategic plan coordinates the total hotel activity, every organizational part of the company works in harmony and the activities of all organizational parts are coordinated, moving the company towards the clearly defined aim, towards achieving a comparative advantage

and improving the result. (Simoncheska 2010.) Successful revenue management requires consistent execution at three levels:

- strategic – to segment market and differentiate prices;
- tactical – to calculate and update booking limits;
- booking control – reservation system (Phillips 2005).

In this study, strategic level for the hotel Holiday Club Saimaa is represented with the room prices analysis. This includes identifying room costs, analyzing room revenues in comparison to the room prices during a specific period and occupancy rates at the same time, proposing a strategy for establishing possible rates. The tactical level includes competitor analysis and a tactical plan for the room rates in the perspective of the market demand and competition. For the hotel Holiday Club Saimaa, online booking control of the different booking channels can bring an improvement to RM. One of the research aspects concerns defining the current room sales on the different channels and proposing general strategy, considering the competitors' actions.

2.2 The pricing analytics process

Pricing analytics is an iterative process using historical price/demand data to adjust the price of a product in order to maximize profits by analyzing the trade-off between price, volume, and costs. In general, the field has moved toward the term 'price analytics' and away from the term 'price optimization' because optimization implies that it is possible to analytically determine the single price that will maximize profits with a reasonable degree of confidence. In practice, there is always uncertainty about whether a given price is "right" price. The data typically used in a pricing analytics process are historical transaction data that shows how much demand occurred for a given time period, a given location, and a given price. Care must be taken to ensure the accuracy of this data set before beginning the pricing analytics process. (Bodea & Ferguson 2014, p.138.) Pricing analytics for the hotel RM refers to the tactical variable pricing. Tactic variable pricing can be defined as the process when a seller with constrained capacity adjusts prices in response to anticipated changes in demand in order to maximize return from fixed capacity. Important characteristics of variable pricing are:

- *demand is variable but follows a predictable pattern;*
- *the capacity of seller is fixed in the short run;*
- *inventory is perishable or expensive to store- otherwise buyers would learn to predict the variation in prices and stockpile when the price is low;*
- *the seller has the ability to adjust prices in response to supply/demand imbalances.*

Under these conditions, sellers can use variable prices to shape demand to meet fixed capacity or supply by exploiting differences in customer preference. (Phillips 2005.)

In this perspective, the right offer of the different activities (including aqua park and bowling, for example) at the right price at the right time will be one of the keys to optimize revenue management at all the hotel revenue centers of Holiday Club Saimaa.

3 Data collection and analysis

The thesis study interview was held on 10 December 2015 in the headquarters of Holiday Club Resorts Ltd in Helsinki. As a result of discussion between the acting management and the author of the thesis it was decided to organize price analysis of the hotel rooms of Holiday Club Saimaa via different online channels as well as to collect data on the competitors' prices for accommodation at the same type of facilities. At this stage, it is important to highlight one of the terms used in the study. Occupancy levels are the result of marketing effort, marketing is always targeting prospective customers, not just customers but "bookers". A "booker" is a customer or an agent of the customer, who makes a reservation for one or more persons, for one or more nights, in any form of accommodation (Middleton, Fyall & Morgan 2009). This term is used through the thesis work. In the case of identifying a booker who has already checked in to the hotel and is currently staying in its premises, the term "guest" is used.

3.1 Hotel room expenses

One of the most important outcomes of this thesis work is the process of identifying the room costs and evaluating the prices for the rooms in the hotel. Pricing decisions are found critical, challenging and chaotic. Pricing is not only the outcome of the marketing forces. It conveys something to customers about the quality of a product. The pricing decisions are influenced by the number of variables (Jha 2009). For clearer establishment of room rates it is crucial to remember that the price for the room should be between a minimum (determined by cost) and a maximum (determined by competition situation) price. Establishing of the minimum room rate refers to the internal factors of the hotel room pricing – daily direct and indirect costs per room. Table 3 presented below was provided by the Holiday Club Saimaa Hotel Manager Anne Puhakainen. Eight new Deluxe Pavilion Rooms of Holiday Club Saimaa are not included in the room price costs as a separate unit, as they were just opened and their accommodation price is still on the special offer basis. Yet, in the overall capacity of the hotel these units are included.

		Club	Gant	Castle
Variable costs	Cleaning costs			
	Loundry			
	Duver cover			
	Cover			
	Pillow case			
	Small towel			
	Big towel			
	Bath robe			
	Bathmath			
	Small Accessories			
	2in1 soap, 0,25L*			
	Hand soap, 0,25L			
	Paper**			
	<i>Total</i>			
Fixed Costs	Water, electricity, heat and other fixed costs per square			
	Total			
		Average:		

Table 3. Room prices expenses (Holiday Club Resorts 2016)

Direct and indirect costs are clearly summed up in Table 3 for the three types of hotel rooms. The most expensive are fixed costs. Variable costs are dependent on the room occupancy and duration of the guests' stay. Full room cleaning with changing all the laundry and replacing all the small accessories is high-priced. The longer the guest stays, the less costly it is. For the simplicity of the work, the author determined average room costs on the level 29.40 euros for any type of the room in the hotel.

3.2 Accommodation price analysis structure

The research task provided a clear structure for the data collection. All the requirements were directly specified and structured with the stakeholders of the thesis work: Marko Hiltunen, Hotel Business Operations Director, and Anne Männistö, Revenue Manager. Requirements for the research were clarified as:

- period of data collection: 14 December 2015 – 29 February 2016 – as the winter season was already ongoing;
- competitors: “4” star hotels by online evaluation in the area;
- product for evaluation: standard double room price per one night booked three days in advance;
- notes on the competitors' discounts and special offers on the room prices;
- online prices are collected from three different resources: the companies own website, OTA – Booking.com and another OTA price aggregator HotelPriceBot.com.

Successful performance of these stages is guaranteed by daily checking, collecting and controlling prices via online services. Data on the hotel's own prices is retrieved by collecting information via the hotel's own website at www.holidayclub.fi, the most popular website among customers, especially Russians at www.booking.com, and online service www.hotelpricebot.com, which provides the best available price for the booker by analyzing other online channels and providing the lowest available price. Collecting data via different channels helps to identify the price strategy, special offers and real-time situation on the hotel reservation system.

At the same time similar actions are taken in order to collect data on the so called “competitors”. The collected data is testing material for further analysis and provision of a room price strategy not only concerning the hotel’s own prices, but in correlation with the competitors’ prices. The most convenient way of data collection is to fill in the form. This form presented in Table 4 is a simple Excel table. It has basic information on the hotels, their services offered and the accommodation prices. Daily price data collected via different channels, and the offers in that time period is presented in the daily column.

Hotel	Services	Web-resource	14/12 Mon	15/12 Tue	16/12 Wed	17/12 Thu	18/12/ Fri
Holiday Club Saimaa	bre+aquapark	Hotel website	118	118	118	118	158
		OTA	118	118	118	118	138
		Booking.com	118	118	118	118	128
Rantasipi Imatran Valtionhotelli	bre+indoor pool	Hotel website	146	146	146	116	113/116/126
		OTA	155	155	155	125	135
		Booking.com	135	135	135	105	115
Imatran Kylpylä	bre+aquapark	Hotel website	120	120	120	120	155
		OTA	155	155	155	145	155
		Booking.com	90	90	90	90	102
Original Sokos Hotel Lappee	bre+ swimming pool+sauna	Hotel website	133	135	135	130	115
		OTA	133	131	135	130	111
		Booking.com	133	135	115	110	95
Scandic Patria	bre + sauna	Hotel website	133	137	137	133	116
		OTA	137	141	141	137	119
		Booking.com	137	141	141	137	119

Table 4. Room prices data collection

Table 4 includes the required information to analyze all the competitors’ steps in the pricing strategy during peaks and low days. In addition, it defines how the market responds to the actions taken by Holiday Club Saimaa. Daily prices are analyzed in comparison to the occupancy and booking rates during the researched period. The hotels under review provide accommodation with breakfast included in the price, as well as some indoor spa activities: spa, aqua park and sauna. Full data on Table 4 is presented in the appendix to this work, which includes all the data collected on the room prices during the whole researched period.

3.3 Hotel occupancy and room prices

Holiday Club Resorts as a company established in Finland uses Finnish software for running the hotel business. In all the hotels of the chain the internal network has an installed program Hotellinx – Hotel Management Software. Hotellinx Systems Ltd is a privately owned Finnish software company. It specializes on developing information management systems and services for the tourism industry. Company offers services for all types of business in the hospitality industry: starting from big hotel chains as Holiday Club Resorts, conference centers, restaurant groups, to privately owned small motels and apartments. Special strength of these services is their flexibility and a wide range of tools. They cover different reservation channels as well as restaurant booking and forecasting demand. One of the special features of the software is centralized reporting. In a multi-hotel environment, different tools help managers to see the data about the current situation in the business operations and compare it to the previous history. One of such features is Daily, which provides information on the room rates and the average room rates during a specific period. (Hotellinx Systems Ltd.) This information is presented in Table 5. An extra column is added in the table: Revenues€. This column includes revenues per room: $(Average\ room\ price) - (Room\ expenses)$. The average room expenses price, as it was mentioned in the Table 3. Room prices expenses, is calculated at 29.40 euros. That creates the formula: $(Average\ room\ price) - (29.40)$. Table 5 below includes occupancy rates, average room price (ARP), and room revenues.

Date	Week Day	Hotel rooms occupied	Rooms in total	Occupancy %	ARP €	Revenues €
14/12	Mon					
15/12	Tue					
16/12	Wed					
17/12	Thu					
18/12	Fri					
19/12	Sat					
20/12	Sun					
21/12	Mon					
22/12	Tue					

23/12	Wed					
24/12	Thu					
25/12	Fri					
26/12	Sat					
27/12	Sun					
28/12	Mon					
29/12	Tue					
30/12	Wed					
31/12	Thu					
1/1	Fri					
2/1	Sat					
3/1	Sun					
4/1	Mon					
5/1	Tue					
6/1	Wed					
7/1	Thu					
8/1	Fri					
9/1	Sat					
10/1	Sun					
11/1	Mon					
12/1	Tue					
13/1	Wed					
14/1	Thu					
15/1	Fri					
16/1	Sat					
17/1	Sun					
18/1	Mon					
19/1	Tue					
20/1	Wed					
21/1	Thu					
22/1	Fri					
23/1	Sat					
24/1	Sun					
25/1	Mon					
26/1	Tue					
27/1	Wed					
28/1	Thu					
29/1	Fri					
30/1	Sat					
31/1	Sun					
1/2	Mon					
2/2	Tue					
3/2	Wed					
4/2	Thu					
5/2	Fri					

6/2	Sat					
7/2	Sun					
8/2	Mon					
9/2	Tue					
10/2	Wed					
11/2	Thu					
12/2	Fri					
13/2	Sat					
14/2	Sun					
15/2	Mon					
16/2	Tue					
17/2	Wed					
18/2	Thu					
19/2	Fri					
20/2	Sat					
21/2	Sun					
22/2	Mon					
23/2	Tue					
24/2	Wed					
25/2	Thu					
26/2	Fri					
27/2	Sat					
28/2	Sun					
29/2	Mon					

Table 5. Holiday Club Saimaa key indicators data

To avoid complexity in interpreting the presented data, the author decided to split research period of 14 December 2015-29 February 2016 into three sub-periods:

- 14 December 2015 –10 January 2016 – Christmas and New Year period;
- 11 January 2016 – 07 February2016 – low season after the holidays;
- 08 February 2016 – 29 February206 – typical winter season.

All the data is presented in three sub-period figures. In Figures 1 – 3 the reader can find graphs:

- accommodation sales price on a specific date provided in the hotels' own web reservation system at Holiday Club Saimaa;
- occupancy rates of hotel accommodation on a specific date;
- information on the room revenues on that date.

Figures 1 – 3 below highlight changes in the room prices in euros, accommodation occupancy rates in percentage and the room revenues in euros. The graphics clearly identify the correlation between accommodation price, room occupancy and the average room revenues on each specific day of the week.

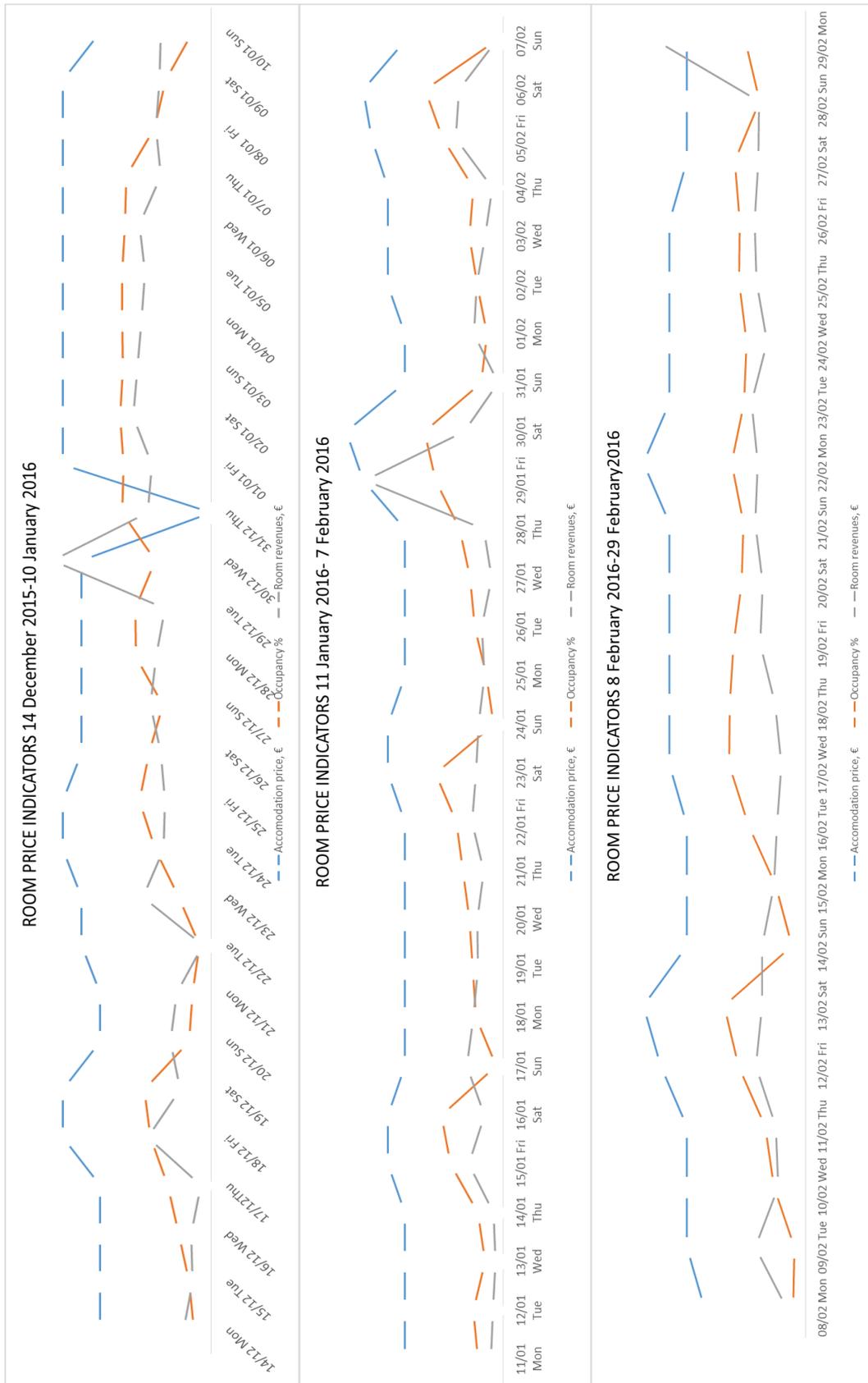


Figure 1.

Figure 2.

Figure 3.

Figure 1. Room price indicators 14 December 2015 – 10 January 2016

Figure 2. Room price indicators 11 January 2016 – 07 February 2016

Figure 3. Room price indicators 08 February 2016 – 29 February 2016

First research period represents the Pre-Christmas, Christmas, New Year and Russian Christmas vacation time. This time can be called high-season for the hotel industry in the region of South Karelia as well as for the whole Finland. From the graph it can be noticed that during the first two weeks the prices rose up during Friday and Saturday. On Tuesday 22 December 2015 room price is already put so high that it does not match the occupancy rate on that day. It means that the room price was increased earlier than the demand for the services started. Both occupancy and room revenues show the lowest numbers. Starting from Wednesday 23 December 2015 all the indexes were rising, as the hotel got fully booked firstly with Finnish customers coming to celebrate Christmas.

During the pre-Christmas time and a few days before the peak day, the hotel may offer a low price for the first night, in the case the booker prefers a longer duration of staying. On the New Year's Eve accommodation bookings got the hotel almost fully booked. In this case sales via the hotel's own channels were closed down. New Year's Eve reservations, especially during 31 December 2015 – 07 January 2016, should be considered with special care and attention. The graphs show positive dynamics for all indexes. On the last days of the period guests can be offered discounted prices for prolonging their stay in the same accommodation. Such an idea was already implemented with a discount of 25%. During that period, there can be even a bigger discount, just to keep guests to stay longer. This will keep their buyers' activity for a longer time and provide extra income for the other revenue centers, such as restaurants.

The next research period represents a regular winter season. The highest demand is achieved on the weekend. An explanation for that is the main customer group, families coming to visit the aqua park. Sunday occupancy is clearly the weakest point in the sales. During the period of 26 January 2016 – 31 January 2016 South Karelia region was the venue for Finnish cross-country ski competition. This event attracted many guests from all over Finland and other countries. Huge media support for the event provided a high number of booking requests. During that weekend all the indicators rose. This shows that

the right revenue decisions were made in advance and a strong pricing policy was planned in advance. Straight after the event, there was a considerable decrease in the number of hotel guests, which continued until the regular uprise on Thursday – Saturday.

The third research period included such events as the Finnish Shoe Industry Week and winter vacation week. The Finnish Shoe Industry Week is an annual event, which is regularly held in Holiday Club Saimaa. As their online marketing brochure claims: *Shoe Week is the largest event in the joint industry of shoe and handbag retailers. During the week you can meet with the key suppliers of the brands in the industry, and at the same time compare the collections, and make purchases cost-effectively and centralized.* (Suomen Kenkaviikot Ry 2016.) This event gathers numbers of people in Holiday Club Saimaa, but this event is pre-planned with special rates for the participants and guests. Room pricing is made as a sales decision, when making the event proposal for the organizers. All the unused free rooms were sold at a higher rate than they are usually sold during regular weeks. This can be explained by the high occupancy rates at the hotel. At the same time these rates cannot be lower than the event special rates, in order to protect event bookings. After this event, season continues with the winter vacations, which are held on different times in different regions of Finland. Winter holidays, in the web resource Juhlapyhät.fi (2016) are scheduled as follows:

- Week 8 (22 February to 26 February 2016): schools in Southern Finland: Uusimaa, Southwest Finland and Satakunta, as well as the Åland Islands;
- Week 9 (29 February to 4 March 2016): schools in Central Finland including Häme, Pirkanmaa, Ostrobothnia, Central Finland, Kymenlaakso, South Savo and South Karelia;
- Week 10 (7 March to 11 March 2016): Eastern and Northern Finland, for example, Lapland, North Savo, North Karelia, Kuopio, Joensuu and Kajaani.

Winter holidays are typical time for the families to travel to another region. Winter vacations are considered as the time for healthy sport activities for the

children; they are mandatory for primary and secondary schools pupils. In that time parents get winter vacations from work, too; and planning travelling to resorts all over Finland to get together with the families for outdoor activities. This is tradition. The winter vacation time is highly important for a spa resort such as Holiday Club Saimaa. Occupancy rates clearly rise during every single day of the week. In this situation, strategic decisions should be made and direct monitoring of the room prices should be implemented. As the graphs of Figure 3 show, prices on the hotel's own web site were frozen at certain levels, which were then higher during weekdays than weekends.

3.4 Hotel room accommodation prices via different online channels

Hotel managers use the whole set of different online and offline channels in order to maximize the revenues, increase the market share and reduce operational costs. Usage of the online travel agencies (OTAs) and other third-party websites requires additional costs for the booking process. Nonetheless, OTAs developed a wide range of different online distributional channels to offer a multiple choice of varieties for the traveller. In terms of distribution OTAs are considered as competitors for the hotel's own websites. Although, OTAs became an important tool for filling rooms that might otherwise not be sold. There is a large number of bookers using the intermediates. This situation increases extra costs hotels need to pay in order to get the higher booking volumes. (Beritelli & Schegg, 2016.)

In the meeting at the headquarters Anne Männistö, Revenue manager of HCR Ltd., suggested that future revenue monitoring of online bookings should be more effective via online channel manager programs. This request should be analyzed via testing and providing analysis on different channels. The chart below, Figure 4, was created based on the data collected during the research period; and it gathers data from Table 3. Room prices collection data. The data picked from Table 3 is the daily room prices from three different channels.

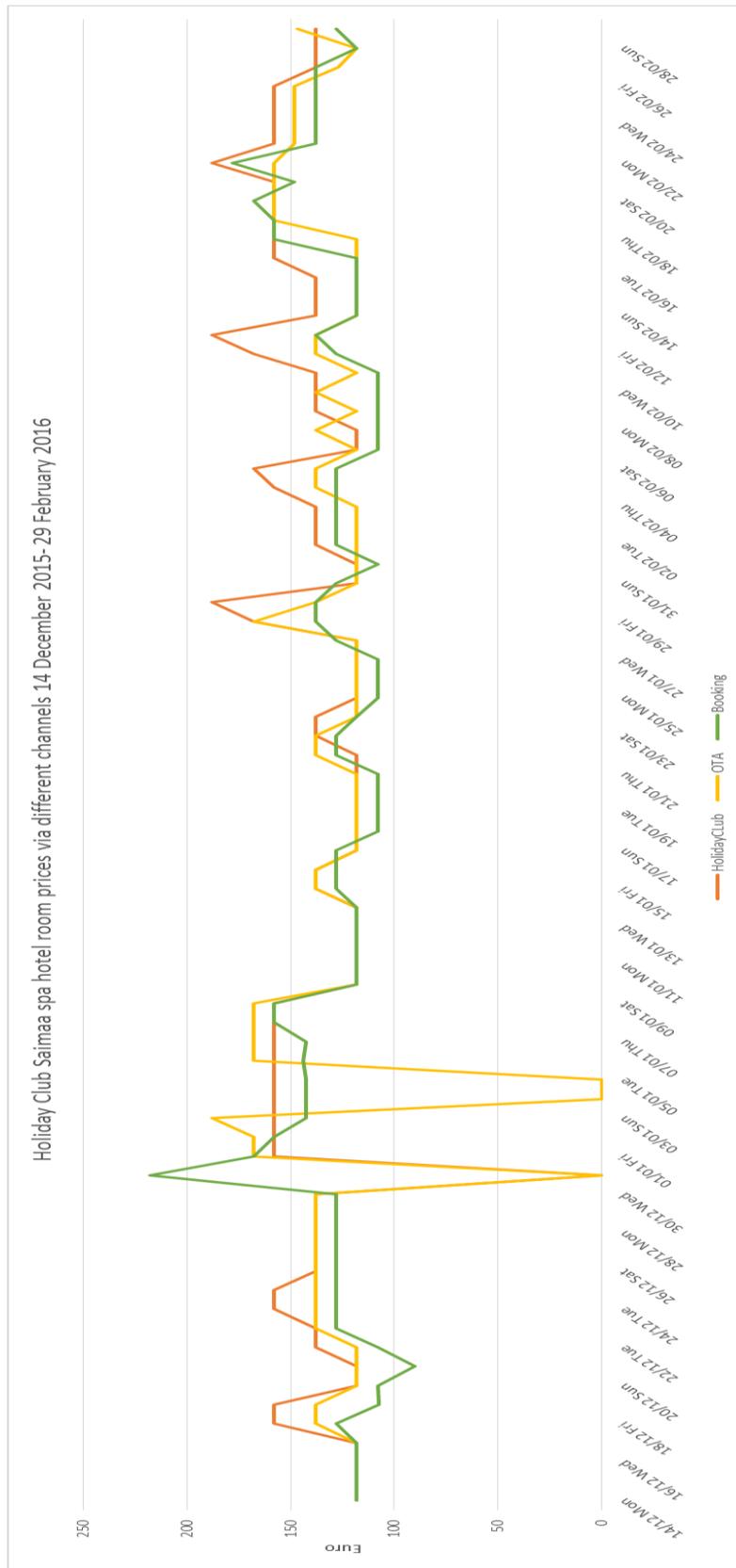


Figure 4. Holiday Club Saimaa spa hotel room prices via different channels 14 December 2015 – 29 February 2016

Figure 4 clearly defines the room prices provided via different web resources in the period of time for the same type of accommodation. These channels were as follows:

1. The hotel's own web site at www.holidayclub.fi. Reservations via this channel go directly to the company's system, hotel reception. These reservations are run by the company Holiday Club Resorts.

2. World leader in booking accommodation online www.booking.com.

The companies' vision explains clearly the main idea of the business: *Booking.com B.V. is an informative, user-friendly website that guarantees the best available prices. Our goal is to provide business and leisure travelers with the most accessible and cost-effective way of discovering and booking the broadest selection of accommodation, in every corner of the world. Our Hotel and Content teams work from local support offices with our property partners to support transparency, availability, and best pricing for all our customers.* (Booking.com B.V. 2016.) This channel was highlighted as one of the most significant ones on the Russian market, but also is well-known in Finland.

3. The third channel was picked among independent ones, to provide a more reliable sample for the research: price aggregator HotelPriceBot.com. The company claims: *Hotelpricebot.com is a completely independent hotels comparison web site. We search all the major hotel web sites so that you can simply make one search and be guaranteed that the prices that we show are the best to be found on the web. Hotelpricebot.com acts as an intermediary between you and the hotel bookings' sites; the actual bookings are processed through the major operators whose sites we search, all of whom are multi-national trusted companies. Our search engine checks the price of rooms in the same hotel through multiple operators; letting you choose the room type that suits you at the lowest price around.* (HotelPriceBot.com 2016.)

Three different indicators in Figure 4 are closely competing with each other. The highest room rate was offered via Booking.com B.V. on 31 December 2015 for the price 218 euros per night. At the same time sales via other channels were closed, which is shown with the mark N/A on the other indicators. It can be noticed that the lowest prices are provided via Booking.com channel. This is related to the fact that the aqua park access is offered on the additional fee and is not included in the room price. Usually, that is the first price data the booker

gets when accessing Holiday Club Saimaa information on this channel. As the next step, the booker can choose if aqua park access should be added to the reservation. Often, at that moment the price of the reservation will be almost the same as on the own website of Holiday Club Saimaa. The highest rates are offered via multiple OTA channels, as there are different policies provided on the booking. The Holiday Club Saimaa own website provides prices in the middle range, which can be easily ranked:

- 118 euros for a standard room for two persons with breakfast and aqua park access on a regular day reservation from Sunday to Thursday;
- 138 euros for a standard room for two persons with breakfast and aqua park access from Sunday to Thursday on high season, or from Friday to Saturday reservations during a low season;
- 158 euros for a standard room for two persons with breakfast and aqua park access from Friday to Saturday reservations during a high season;
- 168 euros for a standard room for two persons with breakfast and aqua park access if the hotel is almost fully booked on peak days or high season weekends.

In comparison, these prices are from online booking websites:

- OTA Prices are 13% lower around or almost the same;
- Booking.com prices are almost always 15-19% lower.

Rates comparison demonstrates that hotels should have strict regulations across all the online distributional channels in order to provide the best rate guaranteed, reduce indirect online reservation costs and increase of direct business – to – customer (B2C) transactions. If the hotel companies want to work with the fewer intermediates, they need to increase the number of product offerings. These offerings should include packages: bed – breakfast – visit to aqua park, romantic offers, sports and wellness treatments, which are offered only via own distributional channels. These offers should include loyalty programs and rewards for direct channel bookers. Hotel company's ability to communicate directly with the customer will decrease the dependence on the third parties, as a result, commissions and other fees charged by intermediaries will decrease. This automatically increases the hotels' profits. At the same time,

customers are more loyal to contact directly the hotels when making the booking. Customers' loyalty is the next step which hotel can take after gaining customers trust. Therefore, hotel companies must implement rate parity and deliver the "best rate guarantee" promise for the booker. Such ambitious targets cannot be achieved without investment into the latest technologies for hotel's own websites in order to increase user - friendliness and optimization. (Gazzoli, Kim & Palakurthi, 2008.)

It is commonly agreed that online hotel bookings will be a continuing trend in the hotel industry. Already now, it can be seen that products offered via direct and indirect booking channels have similar products on the relatively same prices for the customers. Concerning this, customers are facing difficulty in choosing a suitable product, which will hit their expectations. Apart from large variety of prices, reservations via different channels are offering different terms and conditions (T&C). On the one hand, own hotel websites usually providing bookers with the more privileged T&C, but offer higher prices. On the other hand, intermediary websites underline lower room rates but relatively less favorable T&C. Based on the personal preferences, customers can chose their favorable booking channel. Although hotel companies are offering wider services at no extra charge, their T&C may be more suitable for business guests than for leisure ones. The higher room rates on the own hotel websites may mislead leisure and budget travelers from booking directly. After checking online rates, these customers are rarely choosing direct channels. Therefore, to attract different groups of customers, hotels should find a balance between T&C and price strategy. It might seem that implementing a low-price strategy via own online channels may increase reservations volume, but it can create a new difficulty in business operations. Low-price product and services can generate an image of a low quality offer as well as low product value in the customers' eyes. In general, customers are not willing particularly revise all the T&C of a specific offer, as it is provided on the lower cost on indirect channel. This, perhaps, is the main difference between the direct and indirect market segmentation for online booking channels. Although, it is hard to state which strategy is better to the customer, it is more important that the customer certainly understands better the T&C before making an online reservation. (Law

& Wong, 2010.) Establishing of the reasonable price for the product and service will require suitable T&C legislation. Right combination of these tools is the main hotel advantage on the market in order to win the tight competition for a specific customers' group.

3.5 Own prices vs. competitors prices

Comparative advantage is one of the key concepts in the analysis of the company's own abilities to win the market competition. It is about the products, services, methods of operation, distribution and resources of the hotel. The application of this concept has value only if there is a possibility for applying it on a particular market. The application of comparative advantage offers the possibility for distinctive capabilities to cross into comparative advantages of the hotel. So, to be a producer of a product with the highest quality in its rank, it's possible but not necessarily means having a comparative advantage for the company. *Possession of such capacity and its use does not always lead to market advantage over the competition. If the market is satisfied with average quality and does not know or want higher, this ability of the enterprise will not become its advantage over the competition. To plan effective competitive strategies, the hotel company must recognize the actions of their competitors in order to be a step ahead of them. They must constantly compare their products / services and prices with those of their close competitors. In this way the company can find areas where there is a potential competitive advantage or disadvantage.* (Simoncheska 2010.) In order to use the competitive advantage hotel companies need first of all to establish the right pricing policies and strategies on the local market. The analysis of the competitors' actions on the market will lead to the better understating of the positioning of own offers via the right channel on the right level of customers perception. Figures 5–7 provide data on the accommodation prices, presented on the web reservation systems of the competitor hotels of Holiday Club Saimaa on the local market during the research period. Holiday Club Saimaa is located in the area of Lappeenranta municipality and is presented technically on all the marketing and informational markets of Lappeenranta, but geographically it is located closer to the Imatra city center. That explains the competitors sample choice.

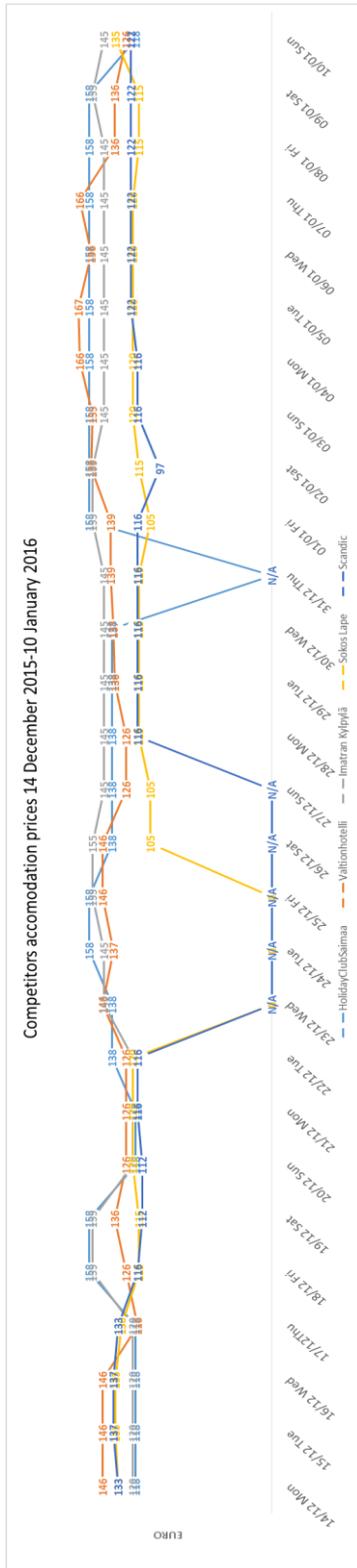


Figure 5.

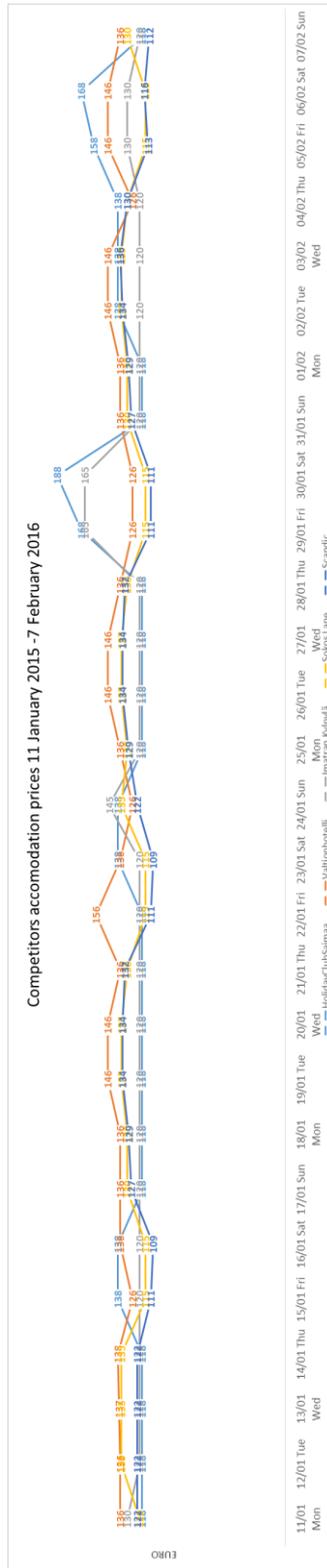


Figure 6.

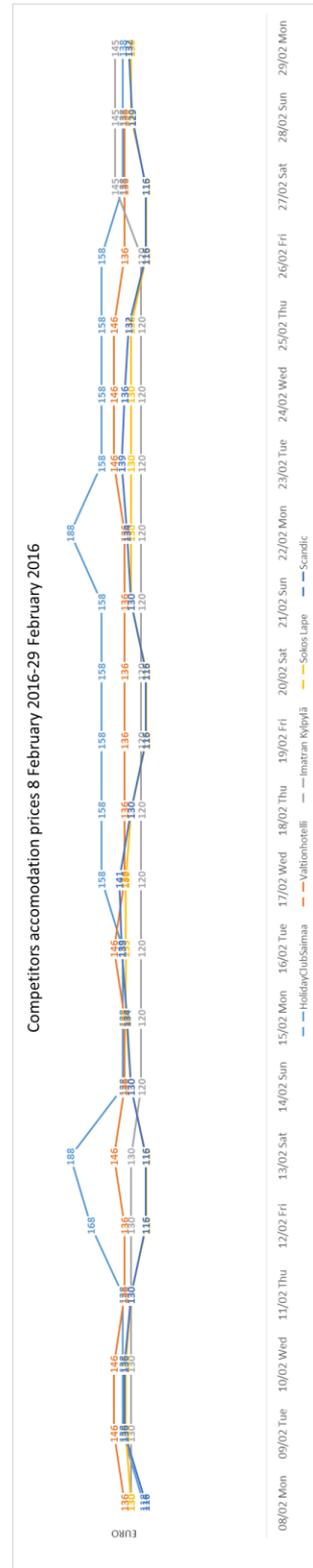


Figure 7.

Figure 5. Competitors accommodation prices 14 December 2015 – 10 January 2016

Figure 6. Competitors accommodation prices 11 January – 07 February 2016

Figure 7. Competitors accommodation prices 08 February – 29 February 2016

There are 4 major competitors on the local market for Holiday Club Saimaa hotel: Spa Hotel Rantasipi Imatran Valtionhotelli, spa hotel Imatran Kylpylä, Original Sokos Hotel Lappee and hotel Scandic Patria Lappeenranta. The limitation for these tables is that prices of Holiday Club Saimaa are not discussed in this part, as they were already analyzed. They are still presented in Figures 5–7 to provide the reader with the understanding of the relations between all the competitors in the market. During the first period of analysis starting from the first week all the competitors' actions were included in the record. These actions can be summed up as follows:

- Spa Hotel Rantasipi Imatran Valtionhotelli gives the highest price during the beginning of the week. Valtionhotelli is located in the center of Imatra in the historical building which is complimented with the renovated modern wing, offering the spa facilities. This hotel is targeting both tourists and business travelers, as well as marketing on Finnish and Russian market. On the hotel's own web pages the booker can find the prices for the whole upcoming week and compare them. The earlier the booking is made before the arrival date, the cheaper price the booker gets. On the OTA web pages Valtionhotelli offers the price at around 189 euros, but provides a discount offer, to hit the market and create luxury hotel brand recognition. On the web channel booking.com the prices can be in the range of 121-126 euros with a discount of 13-19%.
- Another local player on the market is the spa hotel Imatran Kylpylä. This hotel has a long history of operations in the area. It is well known among Finnish and Russian customers. Customers can find aqua park, bowling, ice arena, restaurants and other facilities in its premises. Customers are loyal to this hotel and know what to expect. During weekdays it provides the lowest prices for accommodation and the price rise during Friday and Saturday, because the main target customer group is families with kids, travelling to access the aqua park. On their own web-pages the prices for accommodation are from Sunday to Thursday 120 euros with the access to the aqua park, and round 140-150 euros during Friday and Saturday. On the other OTA web channels the price is higher, as the hotel is targeting the European market, but stays in the range between 140-155 euros during the whole week period. On the booking.com

channel Imatran Kylpylä provides the lowest prices, as it is generally targeting Russian market, which is currently suffering from the ruble exchange rates. Still the room price is not offered at the lowest rate, but with a discount on the normal price. This action develops customer loyalty, and creates a feeling that the booker got the very best offer from the hotel.

The next two competitors are located in the Lappeenranta city center.

- Original Sokos Hotel Lappee is part of a hotel chain. There is a revenue manager who is in charge of the room prices in the hotel. From the collected data it can be noted that the hotel is targeting business travelers. Prices for one night accommodation vary on different channels from Monday to Thursday, on the level between 110–135 euros, and on Friday – Saturday falling to 95–115 euros. The price range is almost the same on their own web pages and OTA. As an exception booking.com prices are offered via other channels, but have a slight discount in the range of 4-9%.
- Another competitor is hotel Scandic Patria Lappeenranta, which is also located close to the city center and harbor. The hotel identifies itself as a business customers hotel, offering all ranges of conference facilities. This hotel has strict price policies: during the whole period of the research it offered higher prices on weekdays, 130–140 euros, and lower on weekends, 112–120 euros. The price range is similar on all the channels, but on their own web pages the hotel offers 4 euros discount if payment is made at the same time as reservation.

At Christmas time both Sokos Hotel Lappee and Scandic Patria were closed, as it is indicated with the not available mark on the Figure 5 23 December – 25 December 2015. For the New Year time, Scandic and Sokos hotels offered lower room prices, as they had no big New Year's program for the guests. At the same time, the highest competition between Holiday Club Saimaa, Valtionhotelli and Imatran Kylpylä was on the last day of the period 10 January (prices were 139–166 euros).

In the next research period from 11 January – 7 February Valtionhotelli was one of the most expensive ones for the booker with rates of 136–156 euros. Imatran Kylpylä simply froze the room prices at 120 euros on their own web pages and other OTAs, with a discounted price on booking at 102 euros and rising the price for the weekends. It can be noticed that Imatran Kylpylä is monitoring the prices of Holiday Club Saimaa and considering it as a competitor in the market. This can be clearly seen during the period of 28 January – 1 February, when the area was hosting the Finnish cross-country ski competition.

The next research period had the limitations in the room price analysis of the Holiday Club Saimaa and its competitors. The reason for that was an event held in the premises of Holiday Club Saimaa. Overall it can be noticed that Valtionhotelli continues the price strategy based on its unique location and historical background, being the most expensive hotel. Imatran Kylpylä uses stable room prices in order to win customer loyalty. Scandic Patria and Sokos Lappee take each other's' actions into consideration when planning their revenue strategy.

The presented analysis, data, figures and numbers will help to create a revenue management strategy, as this information describes the current situation. Changes in the present-day business surrounding require a need for a strategic thinking by managers in hotel companies. In this context strategic planning is the only way to succeed in the work, adapting to the requirements and needs of the tourist market. That enables identify strategic direction by which the hotel will create a better hotel product in relation to the competitors and will successfully position on the competitive tourist market. The core element of the strategic planning is using only the right strategies, which are based on the special capabilities of the hotels. Right implementation of these strategies will create comparative advantages that will be better than those of the competitors. The task of the managers is to identify these distinctive capabilities, as this is a process that starts and ends from the customers. Areas of distinctive capabilities of every hotel are innovation, working, sale and marketing, distribution and services. They are the basis for definition of comparative advantages of the hotel. Therefore, hotel manager's obligation is to

continuously develop their own skills and comparative advantages, which could be extracted from these areas. (Simoncheska 2010.)

4 Data clarification and explanation

Creation of a revenue strategy includes identifying of the hotels' competitive advantage. Competitive advantage is difficult to identify if the company is seen as a whole set of different services or it is the result of activities performed by the hotel. Considering the difficulty to understand the competitive advantage of the company as a whole, Simoncheska D. (2010) states that there are several methods used in identifying all separate operations of the company, which are considered as competitive advantages. Such operations are united under the concept of the chain of values. It includes distinguishing of the company's costs, behavior and verification of the possible sources for the competition differentiation as operational strategic activities. The chain of values is a set of primary and auxiliary activities. Usage of the different chains of values between competitors represent a major source for identifying the competitive advantage. In the analysis of the chain of values, the activities are divided and analyzed as primary and auxiliary activities of company. Their examination is giving information in four areas:

- 1st segments – different types of services that are created and category of tourists that are using them;
- 2nd vertical dimension – the extent to which activities are performed in the company;
- 3rd geographical dimension – refers to the regions and countries with which the company competes on the market;
- 4th industrial dimension – number of related industries with which the company accomplishes business contacts and competes with a coordinated strategy. (Simoncheska 2010)

The concept of chain value helps to choose the right operational activities in the hotel management, which can be used later on as primary ones for competitive advantage creation. In this perspective, the concept of value chain has an implementation on the levels of strategic planning. In this chapter the author

analyzes the research outcomes for the hotel Holiday Club Saimaa using the chain of values.

4.1 Holiday Club Saimaa accommodation services

It was clearly noticed that the main target group of hotel guests are families, in other words leisure tourists. Depending on the services provided for the specific tourist group, hotels accommodation can be defined as served and non-served. For example, hotel accommodation in Holiday Club Saimaa is referred to the served one, as staffs are available on the premises to provide some services, such as cleaning, meals, aqua park, ice arena or bars. The availability of such services, even if they are not in fact used, is included in the price charged. In comparison, for business and other non-leisure visitors key to the trip motivation will be provision of the necessary facilities, which are making it comfortable and convenient to do their work, while rooms will be the secondary aspect of the destination choice. In marketing terms, locational convenience, high standards of comfort, efficiency and value for money are, therefore, the primary features or core product. Within their price band, the extent to which the primary elements are perceived to be delivered is the basis for customer choice. Accommodation plays an important but still functional role. (Middleton, Fyall & Morgan 2009.) Practical relevance of this statement can be confirmed by the data collected in research period three, when Holiday Club Saimaa was hosting the event of Finnish Shoe Industry Week. Guests were staying in the hotel because they were participants of the event. For the event organizers it was important that they could get that large number of people under the same roof, providing the place for the expo event, conference and food and beverages services. In this particular example, all the revenue centers were actively involved in the process. In this situation, room rates were special ones and as low as it was enough to get this event to rent out more hotel facilities. So the lower room rates were compensated by the income from the other revenue centers. However, for holiday and leisure tourists an accommodation plays a very different role in the hotel product. While a destination's attractions will remain to be the major motivation for visiting that specific area, destination choices are also directly related to the area image and accommodation availability. These factors are creating value, that motivates customers repeatedly travel to the

same destination. Especially for packaged tours, the destination's appeal is a more decisive element in motivation and choice of destination. Also for Holiday Club Saimaa, it is crucial in marketing actions to advertise and promote the resort as a destination where the guests can have stylish and comfortable accommodation with an easy access to the aqua park, bowling and restaurants. Guests do not need to worry and can create their dream holiday. In this respect, a dream holiday is a package. In other words, for leisure purposes, accommodation is directly connected to the destinations attractions as well as being part of the facilities. Nowadays travellers prefer shorter stays at the destination. It should be taken into consideration for the destination marketing, as including accommodation in area marketing strategy will help to benefit for both parties. In other words, the key for boosting the occupancy and developing the destination is co-branded promotion campaigns. (Middleton et al. 2009.) In this respect, for Holiday Club Saimaa dream holiday is a package for the family/leisure tourists.

4.2 Visitors' attractions management

In recent years, the global growth of tourism gave the tourists an opportunity to reach different destinations all around the world, and have access to the natural, cultural and man-made resources. Most of those destinations are still in the unmanaged state, which highlights the importance of the development of visitors' attraction management at the destination. Visitors' attraction management is control and management of permanent resources for their own sake and for the enjoyment, entertainment and education of the visiting public. (Middleton, Fyall & Morgan, 2009.) The web pages of the resort provide the booker with the information on the main attractions in the area: *Holiday Club Saimaa takes the holiday concept into a whole new dimension. In a beautiful natural landscape of South-Eastern Finland, on the 300 hectares (over 700 acres) of grounds, this spa hotel which was opened in October 2011 is packed with experiences to delight all the senses. Immerse yourself in the world of the Cirque du Saimaa spa, spin across the ice of the skating rink or hold a meeting in a box overlooking the arena. Relax in the sauna or pamper yourself with a luxurious Harmony Spa treatment. Bring the whole family to discover Saimaa, organize a conference trip or indulge in a romantic holiday in the peace and*

quiet of the Castle hotel. Explore the yet undiscovered world of Holiday Club Saimaa and book your own place in the spotlight now. (Holiday Club Resorts 2016.) These few lines clearly show that apart from the gorgeous accommodation facilities, the resort is offering multiple activities for the guest. All the attractions of the resort can be visited independently from the hotel accommodation and make the guest more familiar with the area. Here in Table 6 there is a list of the resort activities with current prices:

Service	Normal price €	Pre –paid price €
<i>Breakfast (Adult)</i>	15	13
<i>Breakfast (Child)</i>	10	8
<i>Lunch (Adult)</i>	18	
<i>Lunch (Child)</i>	9	
<i>Dinner (Adult)</i>	28	
<i>Dinner (Child)</i>	9	
<i>Aqua park 2,5h (Adult)</i>	20	10
<i>Aqua park 2,5h (Child)</i>	12	5
<i>Sauna world (Adult)</i>	7	
<i>Sauna world (Child)</i>	5	
<i>Angry Birds Park Daily Visit</i>	18	
Joint ticket AngryBird park + Aquapark 28€ - adult, 25€ -child		

Table 6. HC Saimaa Activities Prices (Holiday Club resorts 2016).

A unique feature of the Holiday Club Saimaa is the Angry Birds Park. It is the only one adventure park operating in the region on the whole year basis. GoSaimaa claims: *In the interior of Angry Birds Activity Park, visitors are met with a different scenery, allowing them to engage, for example, in a space adventure. The two floors of Angry Birds Activity Park provide plenty of fun for those seeking excitement. As Angry Birds Park is located in Shopping Centre Capri, visitors can easily pop over to shop. In Angry Birds Shop, guest can buy presents and souvenirs to bring back.* (GoSaimaa.com 2016.)

This is a comprehensive list of a wide range of leisure activities during the whole year. Holiday Club Saimaa is not only popular among tourists coming to stay in the hotel, but it is a place of active social communication for the local people. A visitor can come for a bowling competition with friends and continue

with a dinner at one of the restaurants. All of these activities represent additional revenue centers, which have an important impact on the total revenues of the hotel. Simultaneously, they are central attractions of the destination. All of them are related to the services of the Holiday Club Saimaa Resort. It is necessary to understand that it is crucial for the resort to attract the booker attention to it, and provide steps for him/her to become a guest as easy as it can be possible. One of the useful resources is concentrating on marketing the destination by GoSaimaa. *GoSaimaa Ltd is a corporation founded by the local cities, municipalities and travel companies. The key aim is to boost tourism in South Karelia by marketing the diverse product selection by the travel service producers. GoSaimaa Ltd is responsible for organizing joint marketing of the South Karelia and updating goSaimaa.com internet portal.* (GoSaimaa.com 2016.) If the booker wishes to get more information on the area activities and events, they will find it in the specific folios of the web-resource GoSaimaa.com or in the magazine, straight links to the Holiday Club Saimaa information, and will be directly forwarded to the company's own web page resource.

4.3 Competitors on the geographical market

Distinctive capabilities of the hotel company begin and end with tourists. It begins with the identification of the hotel target group and their needs and ends with their feedback and satisfaction. It is up to the hotel manager to find out and organize the work process to provide the greatest competitive advantage of a hotel. Achieving of a specific competitive advantage cannot be stored, but needs to be proven by the new ones. High costs and difficulties in implementation process are related to the changes of the hotel distinctive capabilities or verifying and using the second element of competitive advantage. That means that once the operational path is chosen, company should carefully plan the strategy, be ready to follow the plan in order to complete its stages in the future as well as being able to react to strategic initiatives of its competitors. (Simoncheska, 2010.) In the presented competitor analysis four other hotels were taken in consideration as the competitors. Their revenue actions on the hotel room prices were analyzed from the perspective of identifying the strategy and the whole set of techniques used. Some of the actions can be called wisely planned, some of the actions are hard to understand for the outside viewer due

to the lack of information. The Go Saimaa web resource information on the spa-resort in the area recognize Imatran Kylpylä and Valtionhotelli. These two hotels are also ranged as four-star hotels. One smaller player is hotel Lappeenranta Spa that appears in the same market for spa services. On the GoSaimaa web pages it reads: *The spa world at the Holiday Club Saimaa is full of fun experiences, with an amusement park and circus theme, whereas the Spa Hotel Rantasipi at Imatra (Valtionhotelli) and its Day Spa offer luxurious castle accommodation, and the Lappeenranta Spa pampers you in a traditional setting.* (GoSaimaa.com 2016.) From this angle, competition for offering spa activities in the region can be tense. Similar situation can be noticed at the same resource concerning sauna and wellness services. Here competition includes even more players on the market. In the area of golf tourism, which is popular during the spring, summer and early autumn time, Holiday Club Saimaa has noticeable advantage for other competitors: *Holiday Club Golf Saimaa new 18-hole course and driving range, completed for summer 2013, provide challenges and experiences of success for players of all skill levels.* (GoSaimaa.com 2016.) In this regard, the hotel provides special packages for the golf players. Again, if planning the trip to access this attraction, a booker can find a special price for the package on the web-pages of Holiday Club Saimaa. This list can be continued on every single feature of the resort. This shows that the way leading the booker to the room prices is often not the direct one. It starts from the booker's hobby or interest. This result should be taken into consideration when creating the room price strategy and the revenues from the hotel rooms. Both the pricing strategy for the hotel and activities should be considered as a whole one. This will help to be more competitive on the market and provide better services at a reasonable price in order to win the local competition for hotel guests.

4.4 Finnish tourism industry

Holiday Club Saimaa is not only one of the largest players on the touristic market in South Karelia in Finland, but it is also a big player on the whole domestic field as well as on the international field when talking about Finland as a destination. Provision of data on the Finnish tourism industry in general during the same period of time gives a wider picture. Statistics on the tourism data is

available for all readers on the official web-pages of Statistic Finland (2016). Important data for this research includes information on overnight stays in Finland. *In total, Finnish accommodation establishments recorded nearly 1.3 million overnight stays in January 2016, which was nearly the same as one year before, growing by just 0.4 per cent from January 2015. As usual, January was the most popular month for Russian visitors measured by overnight stays at accommodation establishments. They were still, by far, the largest group of foreign tourists with close to 148,000 overnight stays, even though the number still declined by 17.3 per cent from the year before. Russian visitors accounted for 29 per cent of all overnight stays by foreign visitors in January 2016. British visitors came next with 48,000 overnight stays. The number was 8.8 per cent higher than one year before. French and German visitors came third. Nearly 35,000 overnight stays were recorded at accommodation establishments for each of them. Overnight stays by French visitors increased by 9.9 per cent and those by German visitors by 8.0 per cent year-on-year. Swedish visitors had close to 25,000 overnight stays, which was 6.5 per cent more than in January 2015. Overnight stays by Dutch tourists increased by 19.4 per cent and accommodation establishments recorded 21,500 of them. A growth of around one-fifth was also attained by visitors from Italy and the United States. Accommodation establishments recorded 11,000 to 12,000 overnight stays for them. The biggest growth percentage came from China, 54.3 per cent and good 10,000 nights were recorded for them in January 2016. (Statistic Finland 2016.)* These numbers show that no matter the economical or political situation in the world, tourism industry is growing at the moment. If some markets can have recession, for example, the Russian market, there are always opportunities to find niches – the Chinese touristic market is one of the fastest growing. This positive dynamics of the tourism business should attract attention of the managers to the process of revenues management, to know the bookers' profile and provide them with the best offers. At the same time, competition on the touristic market happens on the regional market. In the researched sample, South Karelia is the region to analyze. For the revenue manager, data presented in Figure 8 on the overnight stays in the specific region where the hotel is located can give additional guidelines on the room prices strategy.

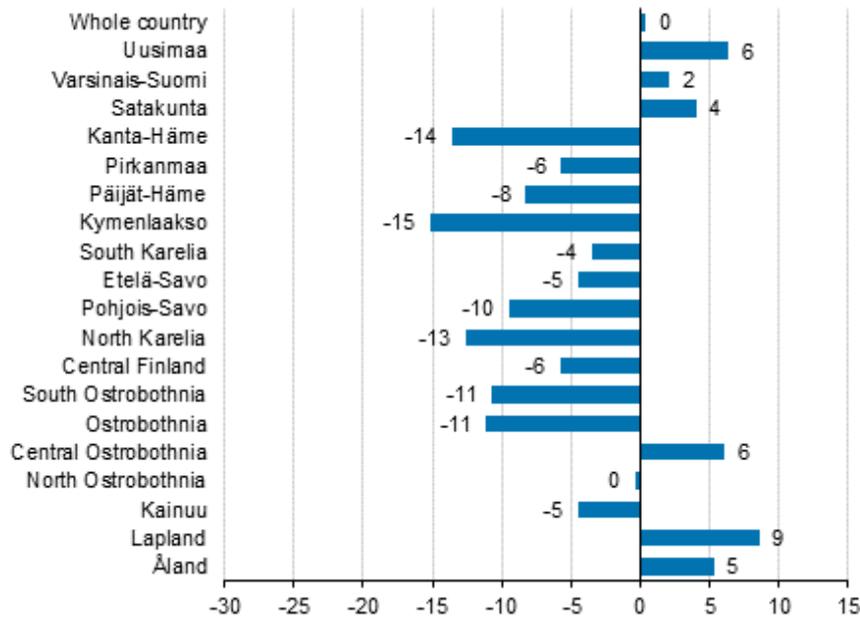


Figure 8. Change in overnight stays in January by region 2016/2015, % (StatisticFinland 2016)

Examined by region, in the South Karelia decrease in tourists was by 4%, compared to the last year. In January 2016, the total number of nights spent in hotels around Finland was 1.1 million. This figure is 0.5 per cent more than a year ago. Overnight stays by foreign tourists rose up by 5.8 per cent and hotels recorded a total of nearly 434,000 of them. Recorded nights spent by resident tourists in hotels numbered 679,000. The number was 2.6 per cent lower than in January 2015. Important factor in the changes of all numbers is the decrease in the number of Russian tourists, who are slowly replaced with the tourists from other countries. In the process of marketing in Russia, the hotel should have an exact strategy, especially in the current challenging situation. Beneficial for the Holiday Club Resorts is the opportunity to play on the Russian market using the company's own Sales office, located in St.Petersburg. In the tough market situation, prices will be the key factor, which is influencing the buyers' decision. For the hotels, it means the ability to establish the right room price, which is adequate to the market competition. In this regard, knowledge on the average room occupancy of the hotel room and average room price will be vital. As the statistics shows, the average occupancy rate of hotel rooms in Finland was 45.5 per cent in January. In 2015 it was 44.4 per cent. In January 2016, the average price of a hotel room was EUR 92.40 per day for the whole country. Twelve

months before, it was EUR 91.07. (Statistic Finland, 2016.) Average occupancy rate in comparison to the occupancy levels at Holiday Club Saimaa can be seen as an optimistic sign for the resort, which still manages to have high occupancy levels. The room prices at Holiday Club Saimaa are on an adequate level. Usually, bookers are not interested in such statistic information. When they compare average room prices in the statistic information to the current room price at a hotel, this information can influence bookers' decisions to choose specifically this hotel.

5 Implementation

In the theoretical field this thesis work extended the knowledge in hotel management. Findings are clearly connected to the practical research on revenue strategies made for the company Holiday Club Resorts Ltd. Holiday Club Saimaa is the unique resort, both from the tourist point of view as well as from the business point of view. Tourists who are choosing to visit the resort are attracted by the new accommodation facilities of the hotel, but the key factor of their travelling to the destination is the access to the aqua park.

Accommodation is combined with the ability to visit large enough aqua park during the whole stay, different restaurants, bowling, ice arena, gym, Angry Birds park, golf, beautiful nature – all at the same place. Such a wide range of attractions can be of interest to any type of leisure tourist, but it is the most appealing to the families. Usually, families are planning their visit in advance and have a specific budget for it.

One of the aspects in making decision on travelling, apart from all the suitable services provided in the hotel premises, will be the room price. Holiday Club Saimaa has a very stable price strategy, which helps families to plan their trip. Booking accommodation via the own web-pages of the Holiday Club Resorts provides guests with a discounted price for the aqua park visit and at the same time, via other channels, bookers can find the same offer. This provides them with alternatives in choosing the booking channel. Yet, at some specific timeline point, prices on a third party website can be lower.

This makes bookers to track hotel room prices via other OTAs than the hotel's own web pages. As Holiday Club Saimaa is a timeshare resort, there are other players located in the Holiday Club Resort, and advertising their services on the third party OTA web pages as part of Holiday Club Saimaa though they are not directly connected to the Holiday Club business operations. It became possible with the high credit of the customers loyalty to the Holiday Club brand and lack of management control over OTAs "competitors" actions. These so called "competitors" are undermining the revenue management of Holiday Club Saimaa, by using bench marketing and creating cheaper offers under the same roof. This does not refer to the private hotels which are located in the area and trying to cooperate with Holiday Club Saimaa by offering hotel services.

As the research data has shown, in leisure tourism not only accommodation but the destination attraction is playing an important role. In this case, specific attention should be paid to the aqua park as one of the key revenue centers. Currently the price of the aqua park ticket for a visitor not staying in the hotel is 20 euros for 2.5 hours. The same price applies to those who did not book the ticket in advance with the accommodation, but comes with the benefit of 24 hour access. If the guest books the aqua park access at the same time with the accommodation, it is 10 euros per day.

None of offers for the timeshare owners are included in this research. It was noted before that in this spa resort the period from Sunday evening to Thursday is the lowest occupancy time. No high season or specific events times are taken into consideration. Creation of a flexible price system during the weekdays can help to attract additional attention to this service as it is a fundamental one in the hotel, for example an offer of 12-15 euros for the aqua park visit on Monday-Thursday. Yet it is still more beneficial for the customer to pre-pay for the aqua park ticket when booking via the web pages of the hotel.

Referring to the theoretical approaches, own web-page of the hotel can be identified as the blue ocean. In their book, *Blue Ocean Strategy*, Kim and Mauborgne (2005) use "blue ocean" as a metaphor related to the aims and

strategies of companies. The main idea of this strategy is to create a new uncontested marketplace by creating new customer values and new offerings. *Features of the so-called red ocean strategy include competing in an existing market space, beating the competition, exploiting existing demand, making value-cost trade-offs, and aligning a firm's activities with its strategic choice of differentiation or reduced cost. Features of a blue ocean strategy include creating an uncontested market space, rendering the competition irrelevant, creating and capturing new demand, abrogating the value-cost trade-off, and aligning a firm's activities with its strategic choice of differentiation or reduced cost.* (Kim and Mauborgne 2005.) From this point of view, OTA can be considered as the red ocean, where hotels are competing with each other based on their room price, policies and additional services. A booker visiting these web pages is looking for the price and easily tracking the competition. Regarding that, in the red ocean or on the third parties market for the spa resort, it can be beneficial to offer only bed and breakfast for the reasonably competitive or low price, just to get the booker physically appear in the resort.

For example, average price for the hotel room in January 2016 by Statistic Finland was 92.40 euros per night in the whole country. This can be one of the milestones in operating on the OTAs – offering the room price in correlation to the average in the country. That will create appearance of the hotel accommodation on a wider range of options in the booker's search engine. Hotel accommodation prices get more attention via third parties' engines when more users of those resources pay attention to them. A large number of hotel guests will create the critical mass to make all other revenue centers compensate the lower room prices by extra charges for the services. As Jen-te Yang claim in the article (2012) "Identifying the attributes of blue ocean strategies in hospitality" published in International Journal of Contemporary Hospitality Management in 2012, *creating (or adding) value to hotel offerings would beneficially reinforce revenue management and strengthen market positions in the hotel marketplace. This leads to the evolution of a great number of modifications to room-associated amenities and to the development of hotel products and tourist packages for inbound and domestic tourist and guests. Such consideration of customer perceived value in developing new product*

offerings should, in turn, result in greater satisfaction and loyalty on the part of the customers. (Yang 2012.)

A key factor in avoiding the usage of OTA by the bookers is providing a better offer on the company's own web pages. In this perspective, the spa resort should offer its packages only via their own web pages, and leave the room price competition for the third parties. On the third party engines bookers are looking for the room prices. On the web pages of Holiday Club Resorts, bookers are creating their own dream holiday.

When describing the time line of the hotel occupancy rates, it was mentioned that the lowest numbers are at the beginning of the week. In this case, room prices are usually lowered in order to attract customers. One of the suggestions is to change the room prices strategy providing lower room prices on weekends, and mid-range prices on the weekdays. This is because the customers who decided to stay at the spa resort on Sunday – Thursday are in any case coming there. If they are business travellers, their booking decision is based on their knowledge of the hotel, and not related so much to the price as the company is usually paying for the travelling expenses.

On the other hand, families who decided to come during that period did perhaps plan that trip in advance. Most probably, they took vacations or extra days off. That means that higher room prices during the weekdays will help to compensate revenues from the lower occupancy times. Customers' loyalty will be gained back by offering lower prices on the resort activities during weekdays. In addition, this will attract local people and daily visitors from the region to visit the resort. Hotel occupancy is usually rising starting from Thursday to Saturday. Still there are unsold rooms. The same tactic, but in another way, can be implemented in the revenue strategy for the Thursday – Saturday period:

- lower room prices via different OTAs and the hotel web pages;
- a slight increase in price for the aqua park and other services.

This strategy will help to get the critical mass to appear at the resort, and will compensate all the room and operational costs by the revenues from addition centers: aqua part, restaurants, bowling golf, ice arena.

HOLIDAY CLUB SAIMAA

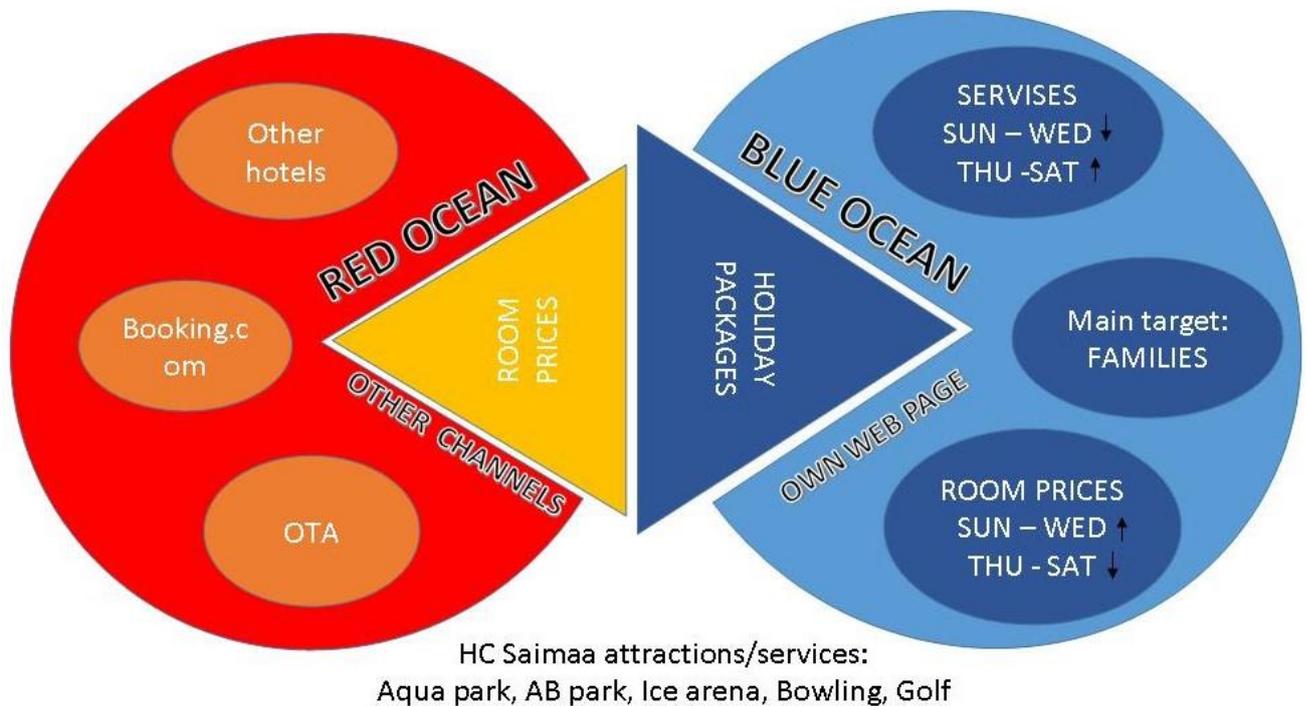


Figure 9. Holiday Club Saimaa revenue strategy

Figure 9 represents all the above discussed topics in a more simplified manner, but gives the reader a new way of perception at the presented strategy points. At the same time, some correlations can be found with the article published in 2003 by Stowe Shoemaker in the Journal of Revenue and Pricing Management: "Future of the revenue management. The future of pricing in services". Firstly, the author presents the evolution of a pricing strategy in a hotel as shown in Figure 10.

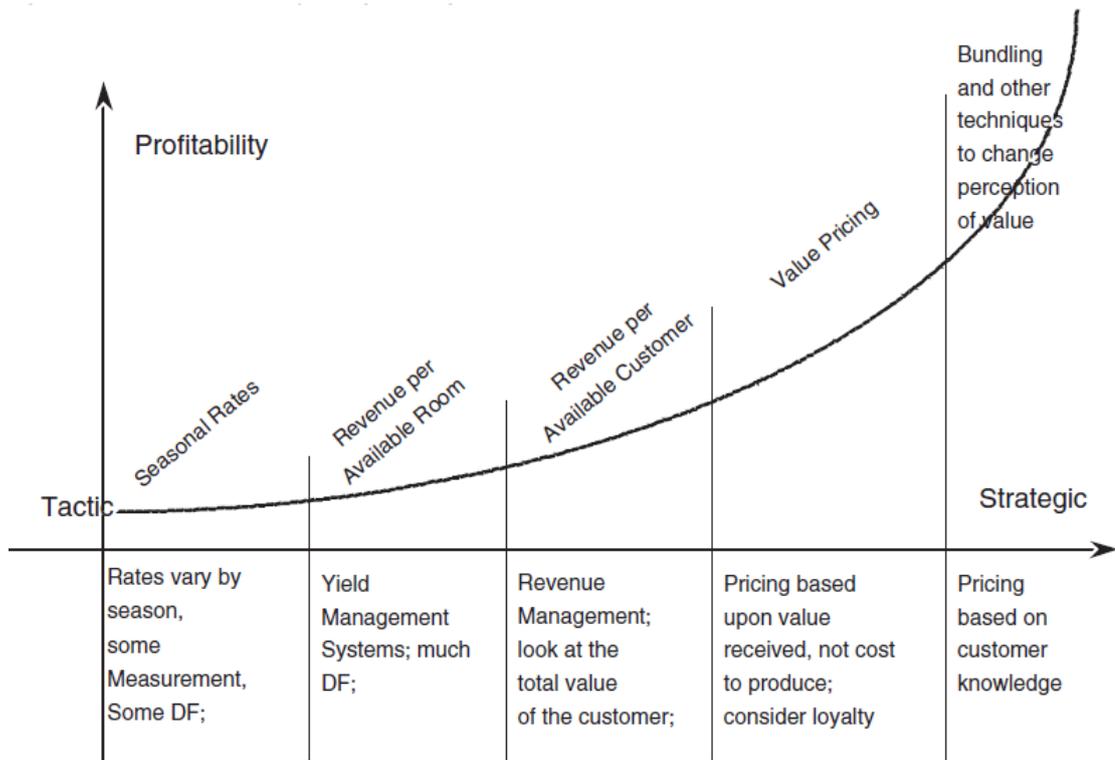


Figure 10. The evolution of pricing strategy in hotels (Shoemaker 2003)

Figure 10 shows the past and future of pricing. It shows that, in the beginning, hospitality firms offered the same price for their products, which changed only by season, not even week by week. The main reason of demand forecasting was aiming to identify the need in staff during certain periods.

The second phase of pricing started to develop with the implementation of the yield management concept in the airline industry. Later on, practices from the airline industry were applied and adopted to the hotel industry. Since that time, hotel managers started to use yield management information to forecast demand and change prices accordingly. The standard statistic method to measure the results was REVPAR, or revenue per available room.

In the third phase, the cooperation between revenue management and customer relationship management occurred. Measurement of the lifetime value of the customer buying service was developed in setting hotel prices and availability. In this phase of pricing, the standard statistic used to measure results is REVPAC, or revenue per available customer.

The fourth and next phase of pricing mainly focuses on the value delivered to the customer. These pricing methods might exclude the availability of inventory. Essentially, pricing managers move from concentrating on the control of revenue management systems but to consider them only as part of the overall marketing mix.

In setting rates, pricing managers examine the different techniques to deliver value through price and vice versa. In a down economy with the tendency of the price omission, these techniques can play a significant role. It is important to remember, that lowering the prices can destroy the brand image as well as prices rise is taken negative by the market when demand improves. The statistic used to measure this will be VALUEPAC, which is value generated by and for per available customer. The value by the customer is the price paid and the value for is the costs incurred by the firm supplying the value.

The principal is to deliver high valued products and services, which are produced on a little cost to the service firm. Pricing will reach the final phase when the consumer is absolutely incorporated in the pricing decision. Particularly, pricing managers will use consumer behaviour knowledge to regulate not only how to price, but how the pricing information is provided and displayed to the consumer. The measurement here will also be VALUEPAC. The VALUEPAC statistic will be higher in this phase than in the previous phases. The theory for this final phase comes from economics and psychology. In the hotel industry gaining the customer loyalty is the way to profit. Customer loyalty is based on the service quality and right pricing decisions for the right customer.

The goal is to make customer believe that the firm is truly looking after his or her best interest. Customer's incorporation directly into the company will bring extra revenue to the firm and will also create additional customer loyalty. As a result, the customer will provide value to the firm, and the firm will provide value for the customer. (Shoemaker 2003.) With respect to the hotel and timeshare business in Holiday Club Saimaa resort, the company itself is providing its

timeshare customers with the additional value of being a member of the Timeshare. The company claims: *As an owner, you are a key customer! As a Holiday Club Resorts timeshare owner, you are our key customer and you can enjoy great holidays the way you like. You can spend your vacation at your own apartment during your own week, or you can exchange your vacation for one at any of the 4,000 destinations around the world. Additionally, you can enjoy low-cost extra vacations and free benefits.* (Holiday Club Resorts 2016.) At this stage the customer is already strongly incorporated with Holiday Club Resorts.

Coming back to the hotel side of the business, revenue management is currently only starting to look for the changes from the third stage of simply analysing data by revenue tools, to the more customer oriented politics of the fourth stage of revenue management. More focus should be paid not specifically to the room prices as an independent unit of business, but to the whole package value offered to the unknown booker, who might become a full timeshare member of the company.

In general, this means that all the next operational actions with the hotel rooms in the timeshare spa resort are taken in order to weld this gap between the timeshare sales and hotel revenue management.

During the meeting in Holiday Club Saimaa on 10 May 2016 with the active stakeholders of the thesis work and active management of HC Resorts, Marko Hiltunen and Anne Männistö, key outcomes of this thesis work were presented, as well as more specific details were discussed and debated. One of them was the current challenging situation with the Russian market, especially in the South-Karelian region of Finland. This information can be proven with the statistics from the web resource of the Finnish Ministry of Tourism, VisitFinland.fi.

	Nights spent	Change of nights spend, abs.	Change of nights spend, %	Arrivals	Change of arrivals, abs.	Change of arrivals, %	Duration of stay, days	Country's share of foreign nights, %
Total	57904	1712	3.0	31342	518	1.7	1.8	0.0
Domestic	40506	2407	6.3	23482	1271	5.7	1.7	0.0
Foreign	17398	-695	-3.8	7860	-753	-8.7	2.2	100.0
Foreign excluding Russia	1770	-455	-20.4	848	-44	-4.9	2.2	10.2
Russian Federation	15628	-240	-1.5	7012	-709	-9.2	2.2	89.8

Table 7. Nights spent and arrivals by country of residence on 13 May 2016 (VisitFinland.com 2016)

Table 7 shows the dramatic gap which appeared after the number of Russian tourists decreased due to the hard economic situation in the Russian Federation. As Marko Hiltunen claims, the management of the company took effective steps to target more actively the domestic market and find new solutions to provide the crucial minimum number of 75% of the guests staying in the hotel in order to achieve the breakeven point for the spa resort. The volume of customers is the decisive factor in achieving this target. One of the techniques in revenue management is splitting the inventory (in this case – hotel rooms) into limited price groups and creating specific rules for the pricing strategy in order to hit the market with the right price for the right customer at the right time via the right channel. For that reason, price is a very important element in a hotel's marketing mix: it is the only one element directly connected with the hotel's revenues. Establishing of the reliable price strategy is a basis for creating a sustainable competitive advantage. Price is a solid tool to get the right marketing position of a hotel and change the customer value perception for the hotel products or services. Room prices may vary according to the type of room, room standard, number of beds, room view, season of accommodation, time of booking, booking terms and cancellation policies, length-of-stay, distribution channel, guests' characteristics, their loyalty, group size, etc. (Ivanov 2014.) Table 8 presents different price types, in order to create an overall understanding of the price creation.

Price differentiation criteria	Types of Prices
Type of services	Prices in the various revenue centres of the hotel – rooms, restaurant, bar, minibar, sport facilities, parking, etc.
Board	Room only, Bed and breakfast, Half board, Full board, All inclusive
Room type	Single, double/twin, triple, family room, studio, suite, apartment
Room standard	Standard, superior, deluxe, executive rooms
Room view	Sea/Garden/Park/Mountain view
Time-based criteria	<p>Weekday/weekend prices</p> <ul style="list-style-type: none"> • Seasonal prices – main, shoulder, off-season prices • Booking lead period – discounts for early bookings • Length-of-stay – lower prices for longer stays
Payment terms	Lower rates for bookings with immediate payment
Cancellation terms	Lower rates for bookings without free cancellation
Distribution channel	Rack rates, prices for the various categories of distributors
Demography characteristics of guests	Age (prices for children, adults and senior guests), nationality
Specific characteristics of guests	Special rates for government/municipal/army personnel, business travellers, honeymooners, participants in incentive trips, travel agency employees, etc.
Group size	Rate for individual guests and groups
Guest loyalty	Special rates (lower or free overnights) for guests participating in loyalty programmes

Table 8.Types of prices in the hotel industry (Ivanov 2014)

Choice of the different prices is strongly correlated with the factors which influence these decisions. They are presented in Table 9.

Factor	Impact on pricing
Category	Higher prices for higher category properties
Quality/Value	Higher prices for hotels delivering higher value to their customers
Image	Positive image leads to higher prices than competing hotels
Product lifecycle stage	Lower prices during introduction and decline stages, higher during maturity
Additional services included in the price	More included services lead to price escalation
Location	Hotels closer to tourist resources boast higher prices
Competition	Serves as a benchmark
Sales value	Lower prices (discounts) for guests (distributors) booking more rooms
Demand	Higher prices during periods of high demand (e.g. special events)
Demand elasticity	Lower prices for price sensitive customers, higher prices for less price sensitive customers
Affiliation to a hotel chain	Payment of franchise/management fees increases costs and, thus, prices
Bargaining power of distributors	High distributor bargaining power leads to lower prices
Company's marketing strategy and goals	Focused differentiation strategy is related to high prices, while market penetration to low prices
Organisational structure	Determines who has the responsibility for pricing within the company
Taxation	Positive relationship with prices
Government regulations	Setting price ceilings (maximum prices) or price floors (minimum prices)
Costs	From an accounting perspective costs are a pricing factor. From a marketing perspective customers are interested in their costs (price, time, social costs, etc.) and the value they receive, not the costs of the company.

Table 9. Factors, influencing pricing decisions in the hotel (Ivanov 2014)

Table 8 and Table 9 together with the above discussed issues on the Holiday Club Saimaa revenue strategy give an opportunity for the author of the thesis to propose a plan for the pricing strategy. In Table 10, the author provides a suggestion for such a strategy.

Group	Room type	Services	Channel	Price
1.	Family room with French balcony (Aqua park +15€ per person on additional cost)	Breakfast	Bookig.com + OTA	X € -10%
2.	Gant with the view on the yard (no balcony) with the tea set (Aqua park +15€ per person on additional cost)	Breakfast	Bookig.com + OTA	(X € + 5€) -10%
3.	Castle with the view on the yard (no balcony) (Aqua park +15€ per person on additional cost)	Breakfast	Bookig.com + OTA	(X € + 10€) -10%
4.	Family room with the balcony (Rooms with balcony are provided only via own web page, or Upgraded from Booking + OTA)	Breakfast + aqua park	Own page	X € +20€
5.	Gant with the view on the lake (no balcony) with the tea set (Rooms with lake view are provided only via own web page, or Upgraded from Booking + OTA)	Breakfast + aqua park	Own page	(X € + 5€) + 20€
6.	Castle with the view on the lake (no balcony) (Rooms with lake view are provided only via own web page, or Upgraded from Booking + OTA)	Breakfast + aqua prk	Own page	(X € + 10€) + 20€
7.	Family + Gant + Castle with the lake view and balcony (Rooms with lake view and balcony are provided only via own web page, or Upgraded from Own page + Booking + OTA)	Breakfast + aqua park +sauna world	Own page	(X € + 20€) + 20€ + 8

In this table Normal price will be determined by the acting management and will be taken as the X € (including accommodation for one night for 2 persons in Family room + breakfast)

Special rules:

- additional accommodation via Booking.com+ OTA + 15 €(bre) / via own page +25€ (bre +aqua park) per person;
- weekend price (Friday + Saturday) for group 1& 4 increase +15%;
- weekend price (Friday + Saturday) for group 2,3, 5,6 increase +25%;
- weekend price (Friday + Saturday) for group 7 increase +10%;
- aqua park ticket price Sun- Thu 15€, Fri-Sat 22€;
- if prepaid - 4€ from the room price.

Table 10. Revenue management room prices strategy

All the three room types of the hotel are presented in the table. They are divided into groups due to their type, balcony availability and the lake view. Rooms are included into the packages with breakfast and visit to the aqua park. At the same time, positioning on the market of each room segment is taken into consideration. All of that creates different prices and reservation T&C to reach specific customers and generate revenues.

The presented strategy is a basic level suggestion, which should include more detailed specifications on the third parties' rules, terms and conditions of the reservations, reservation channels, cancelation policies, customer groups

targeting, marketing positioning and advertising channels. Additional consultations should be held with the sales and reception staff of the hotel, in order to check their ability to effectively operate with such rules and clearly understand them. In general, Table 10 expands the revenue management philosophy.

In the next stage of revenue management development, the hotels operation system can be upgraded to a more suitable and effective one. For that purpose, a special call for tenders should be addressed to the hotel software developers to provide the best available program at a reasonable price. All of sales, financial and service members of the staff should be trained to use the new operational system.

Another important outcome of the discussion is a need for nationwide pricing policies and regulations on the whole country level. A related example of such governmental support concerns Finnish domestic flights prices for the tickets from Helsinki to the Lapland region. Flight costs can be even more expensive than accommodation costs. Because of that, hotels are losing possible profit with the expensive accessibility level of the resorts. This factor should be taken into consideration by the Ministry of Tourism when developing the Roadmap for Growth and Renewal in Finnish Tourism for 2015–2025. Not only the attractiveness of the destination is making the traveller choose the trip, but the total price of it to pay from the travellers' pocket is one of the key factors.

6. Summary

In this chapter the author of the thesis summarizes all the outcomes, results, future plans and delivered objectives. This material relies on the author's own conclusion and all the decisions are considered as suggestions. This thesis has created a new living revenue management approach in such a tight knowledge framework as spa hotels. *Jack Whitehead in his paper "Creating a living educational theory from question of the kind 'How do I improve my practice?'" explains that Living Theory research is a form of self-study research in which practitioners research questions that are important to them to generate their*

values-based 'explanations of their educational influence in their own learning, the learning of others, and the learning of social formations' (Whitehead, 1989). Outcomes of this master thesis clearly provide new solutions for the case company, together with tips for the industry for developing related businesses, as well as developing the author's own skills and knowledge in the researched field. These solutions should help to optimize revenues from the hotel room in the spa resort. In order to achieve the best results, hotel management should use a whole set of different techniques, which are presented in the Table 11.

Stage	Action
First stage: Data collection	<ul style="list-style-type: none"> • clearly identify the main target group of the bookers for the hotel rooms; • classify attractions of the resort; • determine room costs and analyze room prices in comparison to the occupancy rates and revenues data; • observe room sales actions on different channels; • uncover all possible competitors in the local area and their actions; • review the possible data on the tourism provided by authorities on different level.
Second stage: Data analysis	<ul style="list-style-type: none"> • establish logical connection between different data groups on the internal data of the hotel – relation between different revenue centres; • identify competitors' strategy.
Third stage: Revenue management	<ul style="list-style-type: none"> • form spa resorts revenue centres actions; • establish prices policies for each unit of the hotel services as part of the whole resort.

Table 11. Revenue optimization for the hotel room in spa resort

In Table 11, the author provided simplified actions, which can be taken by any interested specialist in the industry to find out the revenue from the hotel rooms in the spa resort. One crucial milestone of such a specific revenue research is understanding the fact that spa resort rooms are not a separate unit of analysis, as these rooms can be identified in a business hotel in the city centre. In the spa resort rooms there are the tools to bring customers to the certain attraction in the area. This specific attraction is the value of the resort. In this perspective, the value of the spa resort can be the intangible price which customers are ready to pay for the whole sum of the positive emotions they can percept from the resort. The higher the emphasis on the unique experiences they could get, the more expenses customers are ready to cover on their trip. This value has a monetary equivalent. More precisely, revenue manager is able to identify and deliver a resort value to the customer via different pricing techniques, the better the resort revenue process will be organized, the higher revenues spa resort owners will be able to get from the same rooms and services.

Another aspect of the value perception of a spa resort is used in the timeshare industry. A timeshare company invites customers to visit the spa resort and enjoy the high value of it on the lowest costs. This lowest cost is not anyhow connected with the revenue management of hotel accommodation. It is related to the fact that timeshare sales managers need to bring the customer to the timeshare sales point. In this case the spa resort, especially the hotel accommodation, is presented as a sales unit and is sold on privileged conditions to the customer. This creates highly appreciated value for the resort and is the stimulus for the customer to be incorporated to the timeshare industry. For this side of the business, hotel room accommodation serves as a tool and will be enough when reaching the Break Even Point with its costs.

Recommendations for future research

This master thesis work has an outcome, which creates a new theoretical framework for revenue management in timeshare resorts. Timeshare resorts play an important role in the regional development of tourism in Finland. They create attractions for the area, a wider number of beds in the region, and

working places directly in the resort and indirectly in the partner companies. Timeshare resorts operations follow acts and regulations provided by the Ministry of Employment and the Economy. This Ministry is responsible to develop tourism, coordinating and support touristic activities and business as well as creating governmental laws, policies and regulations for the industry. The Ministry is involved into maintaining relations between nations and is part of international tourism-related matters in the EU and OECD. In the present the Ministry is developing a national project for the tourism industry of Finland “Achieving more together – the Roadmap for Growth and Renewal in Finnish Tourism for 2015–2025”. This project should help to renew and support growth of the Finnish hospitality industry. The main goal for Finland is to become number-one tourist destination in Northern Europe in 2025. The industry should be able to offer for the tourists unforgettable, high-quality experiences that offer good value for money. All of the services should be easy to find and buy both for individual travellers and tourism professionals. New international touristic companies should enter Finnish market due to its high level of internalization, innovative customer-oriented solutions in marketing and sales as well as digital solutions. The result of the project will be the increase of the intensity of travellers’ experiences and improved profitability. Sustainable tourism, profitability, new collaboration models, and quality management will be the key factors supporting success. (Ministry of Employment and the Economy, 2016.) This thesis work can be referred to with regard to the Finnish tourism roadmap as part of preparation of the strategic program for tourism. The results of the thesis work have shown that an important factor in revenue management is the correct collection of data, its analysis and provision of the adequate information for the hospitality businesses. Based on these well-timed reports, hotel managers or revenue managers can make relevant changes in the operation and pricing strategy. Market demand changes not only from season to season, but it can change during the same day in different directions. In order to avoid misleading directions, revenue managers should also rely on the information provided by the industry authorities and be acquainted to the regional and national strategy. For the Ministry of Employment and the Economy, it is beneficial to provide its industry players not only with the general plan of actions till 2025 and statistic information on the industry figures and numbers, but

create an informational field for all the players in order to help them make the right decisions and help the business develop.

Hotel prices, area attractions and their availability are the important factors influencing the bookers' decisions to visit a specific hotel, area or Finland as a touristic destination., The following topics and aspects can be taken in consideration in future research in the field of revenue management:

- hotels revenue strategies on the regional level – creation of sufficient and up-to-date informational flow for the companies on the seasonal changes in the field of tourism;
- development of the regional attractiveness by creating a revenue plan, as a guide for the local companies to build their revenue strategies;
- creation and development of the national system of tourism forecast, as part of the Finnish tourism roadmap project.

The presented concepts are only generalized proposals for future research. They can be taken for research separately, but the recommendation is to take these parts as a whole for future research on the doctoral level in cooperation with the authorities and all other concerned businesses.

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