UNIVERSITY OF AGDER

Implementation of Revenue Management in Small and Medium-Sized Enterprises

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Acknowledgment

This thesis is written as the final stage in my master's degree of Business Administration in the course BE-501. The purpose of this study is to understand what antecedents a small and medium-sized enterprise (SME) in the tourism and culture industry needs to possess in order to implement revenue management successfully. During my studies, I have worked part-time in the hotel industry, and so when it came to choosing the topic for my master's thesis, the tourism industry felt like a natural choice. This thesis is written as a part of a research project conducted by Adger Research.

I would like to thank my supervisors, Stine Rye Bårdsen and Tor Helge Aas, for excellent advice and insight, and for assuring me that they 'had seen worse' every time I handed in something that could not be used. I would also like to thank project manager Geir Jørgensen at Agder Research for patiently explaining what they were looking for in terms of the research question, and for help constructing the interview guide.

Lastly, I would like to thank my mother and grandfather for their encouragement and support, and Martine Stensrud Finholdt and Erik Egeland for editorial help.

Elise T. Rushfeldt

Kristiansand, December 1, 2014.

Abstract

The purpose of this study has been to look at small and medium-sized enterprises (SME) in the culture and tourism industry and their antecedents for successful implementation of revenue management. The ten firms that are the basis for this study are all located in Southern Norway, and have participated in a year and a half long seminar in revenue management offered by the Arena USUS cluster. The group of firms are quite varied, ranging over different sub-industries within the tourism and culture industry. 60% of the firms have a commercial focus, and 40% have a non-commercial focus.

This study is conduced as a qualitative multiple-case study, and each firm has been interviewed using semi-structured interviews. The aim of this study has been to add to the limited research done on implementing revenue management in SMEs. The framework for analysis offered a guideline for what factors might lead to a high degree of implementation or revenue management in SMEs based on factors that have been shown to be important for firms in general. The framework suggests that absorptive capacity, change agents, and a structured change process may be significant for an SME during the implementation process.

The results showed that the firms could be split into three groups based on their level of implementation: firms with a high degree of implementation, firms with little degree of implementation, and firms with no degree of implementation. The factors from the framework seem to be significant for a firm to achieve a high level of implementation. These do not seem to differ based on the firm's commercial or non-commercial focus.

There is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage than a new order of things.

– Niccolò Machiavelli, *The Prince* (1513)

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Chapter 1 Introduction

Revenue management have become an increasingly popular term within the tourism and culture industry in recent years (Phillips, 2005; Talluri & van Ryzin, 2005). Revenue management originated in the US airline industry as a result of stricter regulations, and have, since then, spread to industries with similar characteristics as the airline industry, e.g. the hotel industry, the cruise ship industry, the rental car industry, as well as theatres and sporting arenas (Huefner, 2011; Talluri & van Ryzin, 2005).

Revenue management is concerned with making decisions based on sales and demand factors in the market place (Talluri & van Ryzin, 2005). This can be either structural decisions, or decisions regarding price or quantity, e.g. how to use segmentation and price differentiations, what should be included in the price, how to allocate capacity, and whether or not to accept a booking at a particular price (Phillips, 2005; Talluri & van Ryzin, 2005). The goal of revenue management is to attract new customers in order to increase the firm's revenues and total profits (Cross, Higbie & Cross, 2011; Talluri & van Ryzin, 2005). In order to do this, the firm needs to understand what the customers perceive as *value,* and what their willingness to pay for that value is, and then incorporate this into the products and prices offered to that particular customer segment (Cross et al., 2011).

Revenue management can be demanding to implement in an organisation (Talluri & van Ryzin, 2005). Challenges range from difficulties determining potential customer segments, collecting data, finding an appropriate information system to handle the data, forecasting, etc. (Phillips, 2005; Talluri & van Ryzin, 2005). The implementation process itself can also be a challenge as it may require the firm to develop a new mindset with regards to customer handling and pricing (Cross et al., 2011; Talluri & van Ryzin, 2005). It may also require a restructuring of the organisation, and new training for the employees (By & Dale, 2008; Kotter, 2012).

The ability to attract and retain profitable customers, as well as to keep costs down, are some of the main challenges Norwegian firms face in the tourism industry today (Innovasjon Norge, 2014). In 2012, the Norwegian government launched *Destination Norway*, a program aimed at helping tourism firms overcome some of these challenges, and making the firms more resilient to changing market conditions (Ministry of Trade and Industry, 2012). This program is also aimed at increasing productivity within the Norwegian tourism industry, create job stability for employees by increasing the level of year-round positions and reducing the number of seasonal jobs, and promote the quality of the experiences offered by Norwegian tourism firms (Ministry of Trade and Industry, 2012). The goal is to create a more sustainable industry for the future.

In 2012, 99,5% of all registered firms in Norway less than 100 employees (Nærings- og Handelsdepartementet, 2012). This means that small and medium-sized enterprises (SMEs) have a large impact on the Norwegian economy. The European Commission (2005) defines an SME as a firm with less than 250 employees. A firm can be defined as either medium-sized (50-249 employees), small (10-49 employees), or micro (0-9 employees) under these conditions.

Tourism is one of the largest industries in the world (UNWTO, 2014), and a large part of it consists of SMEs, which are highly susceptible to seasonal fluctuations and operate with limited resources (European Commission, 2014). Despite the large number of SMEs in the tourism industry, there has been very little research conducted on SMEs with regards to adoption and implementation of revenue management (Cross et al., 2011; Lee-Ross & Johns, 1997; Luciani, 1999). Most studies have centred on large hotels chains or other large firms (Cross et al., 2011; Noone, Kimes & Renaghan, 2003; Wang, 2012). This study will aim to add to the limited research available on SMEs.

The purpose of this study is to examine what conditions that should be present in the firm that may lead to successful implementation of revenue management for an SME in the tourism and culture industry. From this, the research question will be as follows:

"What are the antecedents of successful implementation of revenue management in SMEs in the tourism and culture industry?"

In order to answer the research question, this study will be conducted as a multiple case study of 10 firms from the tourism and culture industry in Southern Norway. These firms have attended a year and a half long seminar with 9 workshops concerning revenue management, while at the same time attempting to implement revenue management techniques in their respective firms. By conducting in-depth semi-structured interviews with each participant, this study will look more closely at the implementation process of each firm, and at what conditions that may contribute to successful implementation of revenue management in SMEs.

This thesis is structured in the following way: In chapter 2, previous literature regarding revenue management and implementing a major change in an organisation will be presented to form a background of the study. A framework for analysis will be constructed based on this, and used as a suggestion of what antecedents to look for in an SME. Chapter 3 presents the methodology this study is based on. In chapter 4, the results of the study will be presented, and chapter 5 will contain the discussion and conclusion. Chapter 5 will also address possible limitation and suggestions for further studies.

Chapter 2 Theory

The literature in this paper will focus on two main areas of theory. The first is revenue management. This section will cover some general background information and implementation issues both SMEs and large organisations can face. The research question looks specifically at implementing *revenue management* in the tourism and culture industry and, as such, the assumption is that the firms will need to understand the principles behind revenue management and in what way this could be applied to their firm.

The second area of theory to be explored, is organisational change. This section looks deeper into what prerequisites need to be present for a firm to manage and implement a successful change in the organisation. The focus will be on the firm's absorptive capacity, change agents within and outside the firm, and how to manage a successful transformation process. At the end of the chapter, a framework for analysis will be presented to give an overview of in which way the theory will be used to answer the research question.

2.1 Revenue Management

2.1.1 Background

In the 1970s, airlines in the United States needed to find a way to keep their competitive edge when new regulations from the airline authorities made it possible to introduce charter airlines in the market (Huefner, 2011; Talluri & van Ryzin, 2005). The charter airlines were able to sell destination tickets at a cheaper rate than the full-service airlines, which increased the competition and lead to an increased focus on cost-saving techniques for the airlines. However, American airlines focused on their revenues instead, and in what ways these could be increased without increasing the costs proportionally. They called this 'yield management' (Cross et al., 2011; Huefner, 2011; Talluri & van Ryzin, 2005).

American airlines introduced flex prices that varied due to demand, available capacity, time-of-day, destination, and day-of-the-week; instead of the fixed prices that had been the norm in the airline industry up until that point (Huefner, 2011; Talluri & van Ryzin, 2005). After low-cost carriers were introduced in the 1980s, yield management spread to other airlines as they tried to gain a competitive advantage in the market, and today it has become a widespread, common practice in this industry (Huefner, 2011; Rouse, Maguire & Harrison, 2010; Talluri & van Ryzin, 2005).

The airlines used yield management to attract new customers to fill up available seats in the airplanes by trying to predict customer behaviour and their willingness to pay (Cross et al., 2011; Talluri & van Ryzin, 2005). This was done by segmenting the customers and differentiate ticket prices in order to maximise the airline's total revenues and, ultimately, to increase profits. After a while, the practice spread to other similar industries like the hotel industry, the rental car industry, cruise lines, theatres, operas, and sporting events, but also to other industries such as the retail industry, media and broadcasting, natural-gas storage and transmission, the electricity industry, and the manufacturing industry (Cross et al., 2011; Rouse et al., 2010; Talluri & van Ryzin, 2005). After this practice was introduced in the hotel industry it was renamed 'revenue management' as 'revenue' is a common term among hotels, whereas 'yield' is used in the airline industry (Huefner, 2011).

2.1.2 Characteristics

There are several definitions of revenue management in the literature. Cross et al. (2011, p. 9) define revenue management as:

"(...) understanding customers' perception of product value and accurately aligning product prices, placement and availability with each customer segment."

Huefner (2011, p. 1) states that:

"Revenue management encompasses differential pricing and other techniques to influence customer demand for an organization's products and services."

Talluri and van Ryzin (2005, p. 12) uses a slightly different definition wherein:

"[Revenue management] addresses the structural, price, timing and quantity decisions a firm makes in trying to exploit the potential of this multidimensional demand landscape."

From the definitions above, it can be derived that revenue management techniques – such as differential pricing, available capacity, and the timing of these – is used to understand and predict customers' perception of the firm in order to maximise revenues. Revenue management focuses on attracting *new* customers to accumulate incremental revenues, which will add to the total profits of the firm (Huefner, 2011; Rouse et al., 2010). It is important to note that the firm's costs need to be controlled and managed at the same time, making sure that it will not increase at the same rate as the revenues and leave the profits unchanged or, even worse, decreased. The ultimate goal of revenue management is to increase the firm's incremental revenues in order to increase the profits (Huefner, 2011).

Differential pricing is used either by increasing prices when demand is high in order to extract maximum revenues from the customers, or by lowering the prices in order to attract new customers and gain the incremental revenues that will come from additional sales (Talluri & van Ryzin, 2005). The different prices can be derived from *"(…) personalized pricing, markdowns, display and trade promotions, coupons, discounts, clearance sales, and auctions and price negotiations (…)"* (Talluri & van Ryzin, 2005, p. 175) and targeted towards different customer segments. When using these techniques it is important to understand *who* the firm's potential customers are and what they want (Rouse et al., 2010; Talluri & van Ryzin, 2005). The most important thing is that the customers attribute some *value* to the product (Huefner, 2011; Rouse et al., 2010), and to make the customer believe that the price differentiation is *fair* (Heo & Lee, 2009; Schwartz, Stewart & Backlund, 2012). If the customer is not willing to pay and believe the price is not justified, or that the product will not bring them any significant value, they will go to a competitor, and the firm will lose the potential revenue.

During the early uses of revenue management, five characteristics where identified to describe industries which would be suitable for adopting this practice (Huefner, 2011):

1. *Relatively fixed capacity:* The total physical capacity of a firm could not easily be expanded. For example: A hotel cannot increase their total number of rooms overnight just because there is an unexpected increase in demand when the hotel is already fully booked. In order to increase their total number of rooms the hotel would need to build an extra floor or wing to the hotel, which would take a long time. As revenue management focuses on increasing revenues on the basis of a firm's total available capacity, this capacity should be relatively fixed and predictable.
2. *Perishable service capacity:* The firm's inventory should be perishable and not be able to be stored to be sold at another point in time. This was especially applicable for service industries where, for example, *yesterday's* airplane seat cannot be sold *today* – that particular seat is now a 'new' seat which requires a new ticket – and the revenue it could have generated yesterday will not be possible to generate today, it will become lost revenue for that day.
3. *High fixed costs and low variable costs:* Firms with low variable costs will have a low marginal cost, as an increase in sales will only lead to a small increase in costs. This means that an increase in profits will be more or less equal to the increased revenues of adding, for example, one extra passenger on an airplane. In industries where this is not the case, where the marginal cost is higher, the costs need to be given more consideration in the decision-making process before the extra sales happens with regards to what the firm needs to do to compensate for the added expense.
4. *Volatile demand patterns:* With uncertain or seasonal-dependent demand, the firm will experience periods with underutilised capacity. This capacity should be used to attract more customers, as different customer segments are assumed to be price sensitive and will respond to different price changes. For example: Leisure travellers are expected to be more price sensitive than business travellers, and will most likely chose the cheapest prices and respond to price reductions.
5. *Ability to forecast demand:* It is essential for the firm to be able to locate where they have excess capacity. This is used to attract new customers and

gain extra revenue. The earlier customers book their tickets, the easier it will be for the firm to forecast future demand. This means that industries that experience a high level of bookings in advance, will be able to use the excess capacity to attract customers with targeted campaigns.

In addition to these characteristics, the firm's customers should be heterogeneous for it to be possible to separate them into different customer segments (Talluri & van Ryzin, 2005). The characteristics are not set in stone, and many can be applied by different industries on a more general level (Huefner, 2011; Phillips, 2005). There are many industries today that use revenue management that differs from the more traditional service and tourism industries where revenue management originated, such as the car manufacturing industry and the theme park industry. The car manufacturing industry does not have perishable inventory, but car parts that can be stored and used at a later time (Phillips, 2005). The theme park industry shares many of the same characteristics with the hotel and airline industry, however theme parks often has more flexible or 'unlimited' capacity in their outdoor areas, and they also have limited bookings in advance (Heo & Lee, 2009; Schwartz et al., 2012). The same applies for not-for-profit or government-owned national parks (Schwartz et al., 2012). Revenue management can be used by practically every industry as long as the techniques and conditions are adapted and used in a way that will gain that industry (Rouse et al., 2010).

There are two concepts that play a crucial role in revenue management: *capacity analysis* and *the theory of constraints* (Huefner, 2011; Rouse et al., 2010). Before a firm can implement revenue management, it needs to know the total available capacity in the firm. This means that they will be able to follow which periods they reach maximum capacity, and when they have periods of excess capacity (Huefner, 2011). When the total capacity has been accounted for, the firm can start using revenue management techniques to try to increase demand in periods with excess capacity. Decreasing prices on a cruise line ticket during off-seasons, in order to attract price sensitive passengers and to encourage them to book their holiday during periods when the firm has excess capacity, can for example do this. The same principle can be applied with the theory of constraints, whereby the firm will increase the price when demand is high and the firm has limited capacity (Huefner, 2011). For example, increasing the prices on a cruise line ticket during peak seasons to attract customers with a high willingness to pay and that are less price sensitive.

Even though revenue management has been practiced in some form or another for a long time, it has only been used as a large-scale system to increase competitiveness the last couple of decades (Talluri & van Ryzin, 2005). This is because revenue management, as practiced today, require a level of technology that was not available, or even invented, 20-30 years ago. Increasingly sophisticated information and software systems, as well as access to the Internet, have made information-gathering possible on a much larger scale than previously (Talluri & van Ryzin, 2005). An airline, for example, have hundreds of departures and transits every day, as well as several prices that change several times a day based on the demand and available capacity. Complex IT-systems will make it possible to keep track of all this information as the system will respond automatically based on a complex algorithm that contains a huge number of variables, which in turn will create the appropriate prices and give signals to the firm and the decision-makers about appropriate actions to take (Phillips, 2005; Talluri & van Ryzin, 2005). Information from customer relationship management (CRM) databases is also used in order to gain useful insight in what the firm's customers really want, which will help extract maximum revenues based on their willingness to pay (Phillips, 2005).

2.1.3 Implementation of revenue management in SMEs

Despite the frequent use of revenue management in some parts of the tourism industry, there are still some areas that have been relatively under-researched. One of these areas is the impact of revenue management can have on SMEs (Lee-Ross & Johns, 1997; Luciani, 1999). Most research today has been conducted based on large hotel chains, airlines, and other large organisations, and the challenges *these* types of firms face when trying to implement revenue management, as well as the benefits gained from these techniques (Noone & Griffin, 1999; Noone et al., 2003; Schwartz et al., 2012; Wang, 2012).

What little research that has been done on implementation of revenue management in SMEs has mostly been limited to small, independent *hotels* (Lee-Ross & Johns, 1997; Luciani, 1999). The hotels in these studies were found to typically not have *growth* as their *main* focus or goal; it is more important for them to be able to *survive* in quickly changing market conditions and as a small agent (Lee-Ross & Johns, 1997; Luciani, 1999). This is a somewhat different view from what many other studies have focused on when regarding implementation of a change in SMEs. These have mostly focused on SMEs ability to be highly flexible, innovative, and growth-oriented (By & Dale, 2008; Cooper, 2006; Fosfuri & Tribó, 2008). However, this view may not be accurate for tourism SMEs.

There are several problems small hotels can be faced with when trying to implement revenue management (Lee-Ross & Johns, 1997; Luciani, 1999). Many of the firms have not heard about revenue management before, which makes them unaware of the potential benefits it can bring (Luciani, 1999). In addition to this, the management and employees at the firm may lack the education and management skills needed to implement such a large structural change, and there may also be some resistance to a formalisation of organisational routines. During this, it can be difficult to motivate employees, and therefore it is important to make sure that the revenue management system fits in with the firm and their firm-specific challenges and market conditions (Lee-Ross & Johns, 1997).

Other aspects that may hinder the hotels are the technology requirements needed to implement this system (Lee-Ross & Johns, 1997; Luciani, 1999). The firms seem to have some difficulty finding an information system that would not be too complex and too expensive for their use. There might also be some shortage of technology expertise amongst the employees, who will require extensive training if a new IT-system is implemented (Lee-Ross & Johns, 1997; Luciani, 1999). In addition to this, many of the hotels have insufficient routines when it comes to collecting relevant information about market condition, how their customers behave, their customer segments, walk-ins, and the level of bookings in advance, and so on (Lee-Ross & Johns, 1997; Luciani, 1999). This makes it difficult for the firms to forecast future available capacity and to know when they have excess capacity (Luciani, 1999). There is also the fact that in such a small hotel, the employees will often have a very wide range of responsibilities within the firm, they cannot just be employed as ‘one’ thing, they have to help out where they are needed (Lee-Ross & Johns, 1997). This often leads management to believe that implementing and operating revenue management will be too time consuming for their firm.

2.1.4 Conflicts between implementation of revenue management and CRM

Current literature about implementation of revenue management mentions that many large organisations have found it to be challenging to integrate revenue management with CRM (Cross et al., 2011; Noone et al., 2003; Wang, 2012). Organisations struggle to combine these disciplines, as they feel these have conflicting goals. The main goal of revenue management is to extract as much money as possible from *new* customers, whereas the goal of CRM is to build a long-term relationship with the organisation's most profitable *existing* customer in order to obtain more revenue in the long term (Wang, 2012). More often than not, one of the disciplines will usually trump the other. The 'winner' often turns out to be revenue management as it's objectives are more in line with the management's own objectives, which is to increase the firm's revenues and profits (Wang, 2012).

The main goal of CRM, as mentioned, is to build strong relationships with the firm's customers in order to retain them in the long term (Kotler, Keller, Brady, Goodman & Hansen, 2012). By building a relationship with the customer, the goal is to be able to target marketing campaigns, ads, and promotions to the individual customer's needs, and in doing so, make sure they return to the firm for other purchases. An important aspect of CRM is *customer lifetime value*, which adds up all current and future profits the customer is expected to yield over his or her 'lifetime' with the firm (Gupta & Lehmann, 2005). The present value of this will give an indication of whether or not the customer will be profitable in the long term and whether any effort should go into trying to retain them. The goal is to maximise the total lifetime value of the firm's customers.

Customer-perceived value is a term that is often used with regards to CRM. Kotler et al. (2012, p. 419) defines customer-perceived value as *"(...) the difference between the prospective customer's evaluation of all the benefits and all the costs of a company's offering and the perceived alternatives."* Customers will try to maximise their own utility, and will choose the product they perceive to have the highest value for them. Customer-perceived value is very difficult to calculate for the firm as so many of the factors are intangible and customer-specific (Gupta & Lehmann, 2005; Kotler et al., 2012).

These two aspects – customer lifetime value and customer-perceived value – are important in order to create *customer satisfaction* (Gupta & Lehmann, 2005; Kotler et al., 2012). Customers who are satisfied with the products and services of the firm are more likely to choose that particular firm during their next purchase, and remain loyal to the brand (Gupta & Lehmann, 2005). In this way, the firm will create a competitive advantage within a market (Kotler et al., 2012).

In revenue management, the goal is to increase revenues by managing inventory in an efficient and effective manner (Talluri & van Ryzin, 2005). Often, the most effective way of managing inventory, will be at the expense of the customer (Wang, 2012). When revenue management starts becoming the main focus of the firm, long-term customers may feel neglected and under-appreciated by the firm (Noone et al., 2003). The customers may perceive the impact of revenue management as *unfair* as the firm may not be willing to offer the same benefits as before (Noone et al., 2003; Wang, 2012).

The result of one discipline being prioritised over the other, is that the managers of the different departments will be performing their duties in ways that does not complement each other (Noone et al., 2003; Wang, 2012). Wang (2012) found that this was the result of management goals and timelines, business assets, performance indicators and management focuses that differed between the two disciplines (Wang, 2012). Top management and revenue managers both believed that the CRM aspect would be taken care of by itself by offering customers discounted prices or contracted rates (Noone et al., 2003; Wang, 2012).

2.2 Implementing Organisational Change

Managing the implementation of a major change in an organisation can be a difficult undertaking – implementing the change *successfully* can be even harder (Kotter, 2012; Trompenaars & Prud´homme, 2004). Due to globalisation and increased competition, a firm's ability to survive in the market may depend on the way they adopt innovations and adjust to change, and to what extent the firm will able to exploit these in order to obtain a competitive advantage (By & Dale, 2008; Cooper, 2006; Kotter, 2012).

The amount of literature concerning successful implementation of organisational change, has increased exponentially in recent years, and is still a very much discussed topic (Kotter, 2012; Trompenaars & Prud´homme, 2004). However, a neglected area in this field is how firms in the tourism industry deal with implementing change, and there is even less research done concerning how SMEs handle this process (By & Dale, 2008). This section will cover theory concerning change management in firms *in general*, which can be split into three categories: absorptive capacity, change agents, and a structured process when implementing the change.

2.2.1 Absorptive Capacity

Absorptive capacity has become an increasingly relevant subject in recent years. Cohen and Levinthal (1990, p. 128) define absorptive capacity as: *"(...) the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends (...)*". Absorptive capacity can therefore be considered the firm's ability to take advantage of new knowledge, and exploit it in order to improve their competitive advantage. When talking about absorptive capacity in an organisation, one also has to consider the individual absorptive capacity of the firm's employees, not just the absorptive capacity of the firm (Cohen & Levinthal, 1990). This does not mean that each employee has to have the same knowledge, but rather that diversity in knowledge can help the firm obtain a more efficient and diverse absorptive capacity.

Theory on cognitive learning abilities suggests that thorough understanding of the basic aspects of a subject is critical to an individual's understanding and perception of more advanced problems within the same subject when new information is introduced (Cohen & Levinthal, 1990). The level of *prior knowledge* about a subject the firm possesses is crucial, as this will help the firm be able to 'recognise the value' of the new information they have obtained (Cohen & Levinthal, 1990). If the firm already inhabits a basis of general knowledge about a subject, it follows that it should be easier for the firm to be able to use the new knowledge as they already have some previous experience with the subject (Cohen & Levinthal, 1990; Zarah & George, 2002).

Absorptive capacity is a difficult term to study, as it is an intangible ability embedded in the firm's employees, and in its organisational structure (Cohen & Levinthal, 1990). Zarah and George (2002, p. 198) have added to this term by viewing absorptive capacity as a dynamic capability and defined it as: *"(...) a set of knowledge-based capabilities embedded within the firm's routines and strategic processes."* This definition differs from Cohen and Levinthal (1990), were they view absorptive capacity as a more static capability. By redefining the capabilities associated with absorptive capacity as knowledge acquisition, assimilation, transformation, and exploitation, Zarah and George (2002) argue that absorptive capacity can be split into two components: *potential absorptive capacity* and *realised absorptive capacity*. A firm's potential absorptive capacity concerns their ability to acquire new external knowledge and understand and integrate this knowledge into the firm. The firm will then use its realised absorptive capacity in order to transform and exploit the knowledge that has been collected so that it will benefit them in their competitive environment (Zarah & George, 2002). These two terms are interdependent of each other, as one cannot be done without the other (Fosfuri & Tribó, 2008).

Absorptive capacity is a *path-dependent* ability (Cohen & Levinthal, 1990). Path-dependency means that the more absorptive capacity a firm accumulates in one period, the easier it will be for it to obtain even more in the next period, and so on. This also means that the longer a firm waits to obtain absorptive capacity, the more expensive and difficult it will be for the firm to obtain it at a later stage (Gomez & Vargas, 2009).

The level of innovation in a firm is closely related to a firm's level of absorptive capacity and external information available (Escribano, Fosfuri & Tribó, 2009). Firms with a high level of absorptive capacity will have a higher level of innovation than firms with a less developed level of absorptive capacity, and they will also be able to better exploit the external knowledge flows available. When a firm possess some level of absorptive capacity, they will be better equipped to obtain new knowledge from the external environment. Often firms experience difficulties gaining access to external knowledge by themselves (Cohen & Levinthal, 1990; Fabrizio, 2009). In this case, a firm can collaborate with external sources, e.g. research facilities or a scientific environment, that have access to new research and knowledge, which can be used to help the firm become more competitive. This can increase the firm's absorptive capacity, which can decrease the time gap between assimilating the new knowledge and exploiting it, and the rate of innovation will be more efficient (Fabrizio, 2009). This means that an innovation will move more quickly from idea to concept, and then put to commercial use (Escribano et al., 2009).

Research have shown that firms that invest in accumulating absorptive capacity will be more likely to take advantage of the new technological advances and operate in a proactive manner with regards to changing market conditions (Cohen & Levinthal, 1990; Gomez & Vargas, 2009). These firms will be better at exploiting opportunities in the market, and do this more efficiently than firms that do not have sufficient absorptive capacity. Firms that acquire information from a variety of different outside sources will have a more diverse absorptive capacity that can be utilised to further the firm's goals and visions (Zarah & George, 2002). Absorptive capacity can also often come as a by-product of the firm's R&D activities, which means that the firm has to be willing to invest in R&D internally (Cohen & Levinthal, 1990; Zarah & George, 2002). This means that innovative firms have a higher level of absorptive capacity than firms with little R&D activity.

Past experience heavily influences firms with regards to how they choose to go about collecting information, and also the way they choose to exploit it (Zarah & George, 2002). Many firms look for new knowledge within fields they are already familiar with, and some try to use the new knowledge in ways the firm has made use of before (Cohen & Levinthal, 1990; Fabrizio, 2009). The level of open communication within a firm will affect the relationship between the potential and realised absorptive capacity (Zarah & George, 2002). With fewer barriers to communication and information sharing, the gap between potential and realised absorptive capacity will be reduced, and the firm's total absorptive capacity will be increased (Fosfuri & Tribó, 2008). This will also be affected by the employees' ability to share implicit and explicit knowledge within the organisation.

Absorptive capacity is a firm-specific capability (Cohen & Levinthal, 1990). If different firms collect the same information, they may not be able to exploit it in the same way. This is a consequence of the fact that absorptive capacity is path-dependent (Cohen & Levinthal, 1990). Each firm will interpret the information in different ways depending on their previous experience within that area, and their level of prior knowledge (Cohen & Levinthal, 1990; Zarah & George, 2002). This is particularly the case with the firm's *potential* absorptive capacity as this lays the basis for the firm's ability to exploit the information into something commercially useful (Zarah & George, 2002).

A well-developed absorptive capacity can be a firm's greatest source of competitive advantage (Cohen & Levinthal, 1990; Zarah & George, 2002). Firms that use their absorptive capacity actively and take advantage of it have a higher chance of being successful in their competitive environment (Fosfuri & Tribó, 2008). Research have found that smaller firms often can be more flexible than large organisations, and therefore might be more suitable for innovations and implementing new knowledge as they will develop a greater sense of absorptive capacity with regards to implementing change in the organisation (By & Dale, 2008; Cooper, 2006; Fosfuri & Tribó, 2008).

2.2.2 Change Agents

Before the transformation process can happen in an organisation, the *idea* that a change might be needed have to appear. Rogers (2003, p. 5) calls this a 'diffusion of innovation' and defines 'diffusion' as: "*(...) the process in which an innovation is communicated through certain channels over time among the members of a social system.*" This means that 'diffusion' is the process in which an innovation is spread throughout the organisation and communicated between the employees. Diffusion can, as such, be viewed as a social change where the social structure and functions are reorganised into the social system of the firm that is adapting the innovation (Rogers, 2003).

A 'change agent' is the person who communicates an innovation to a firm (Rogers, 2003). They will try to influence the firm's decision-making process by attempting to convince the firm that the change process is necessary. The change agent may also be the one that manages and drives the change process forward (Kotter, 2012; Rogers, 2003). However, a change agent might also try to stop or hinder the implementation of an innovation if they feel it will be detrimental to the firm (Rogers, 2003). A successful change agent needs to be perceived as trustworthy by the firm and the employees, and have the required expertise needed to implement the change (Rogers, 2003).

Innovation can be defined as *"(...) an idea, practice, or object that is perceived as new by an individual or other unit of adaptation"* (Rogers, 2003, p. 12). The fact that the innovation will be *new* for the firm, will give the exchange of information a level of *uncertainty* that separates this type of information exchange from other types of communication (Rogers, 2003). It is this uncertainty that makes implementing an innovation very difficult, as it brings with it a level of risk and a fear of the unknown (Kotter, 2012; Rogers, 2003). An already existing innovation can be 'perceived as new' by an organisation as long as the firm does not have any previous experience with the innovation, and have yet to form an opinion about it (Rogers, 2003). An innovation may be new to an organisation, however it may have been available and existed for a long period of time, it has just not been noticed by the firm (Rogers, 2003).

A change agent does not necessarily have to be a person with regards to communicating the need to change. Zarah and George (2002) argue that 'activation triggers' will influence the way a firm goes about collecting new information and the way it is evaluated and exploited. These kinds of triggers can activate the need for change, and can be wither external or internal to the firm (Kotter, 2012; Zarah & George, 2002). External triggers are factors that affect the firm at the industry level (Zarah & George, 2002). This could, for example, be new technological advances, changes in government policies, a shift in consumer preferences, etc., which would force the firm to change their operations in order to stay competitive. Internal activation triggers could be an organisational 'crisis' such as the firm, for example, not making a profit, or that there is a poor workplace environment within the firm (Zarah & George, 2002).

The activation triggers can vary in intensity, however when they are very strong it will most likely urge the firm to deal with the 'crisis' that has emerged. In many cases this could involve finding an innovation in the external environment (Zarah & George, 2002). Large internal crises have been found to have a significant 'wake-up' effect on the firm in terms of understanding what parts of the firm's operations that need to change (Fosfuri & Tribó, 2008; Kotter, 2012; Rogers, 2003). Internal restructuring can be a way of implementing new strategies, processes, and other organisational changes in order to solve this crisis (Zarah & George, 2002).

The rate of adoption for an innovation in an organisation will depend on the way the organisation perceives the innovation's attributes (Rogers, 2003). If the relative advantage and compatibility of the innovation is high, the adoption will happen faster. If the innovation more or less conforms with the firm's values and norms, the innovation will also be adopted more easily (Rogers, 2003). The rate of adoption will also depend on if it is possible to try the innovation in a limited fashion first, before deciding to implement it (Rogers, 2003). This will increase the change for the innovation being adopted by the firm. This will also be the case if the firm is able to see some effect from implementing the innovation, e.g. decreased costs or higher profit margins (Rogers, 2003).

2.2.3 The Eight-Stage Process of Change

There has been little research done to discover in what way SMEs in the tourism industry can successfully implement organisational change (Cooper, 2006; Shaw & Williams, 2009). Due to the lack of research, Kotter (2012) has been chosen as an example of how *any* firm can undertake a successful transformation process. Kotter (2012) have identified an eight-stage process (Figure 1) the firm needs to go through in order to achieve successful implementation of an innovation. In each stage there is mainly one factor that is responsible for the firm falling behind or impeding the transformation process.

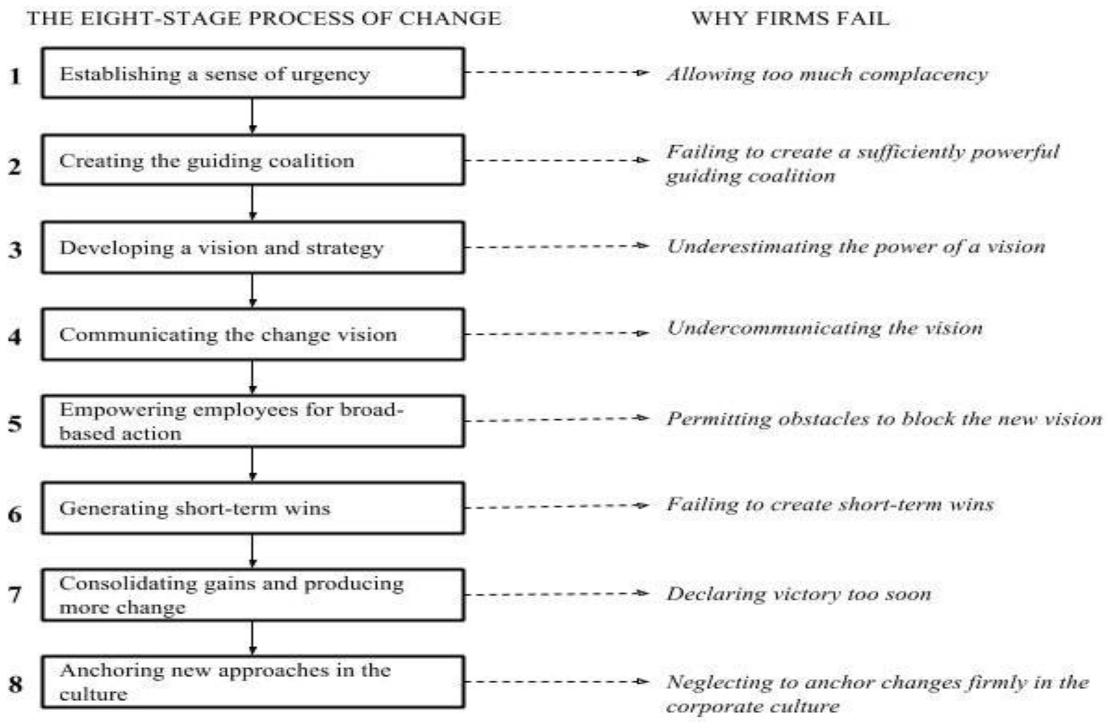

Figure 1: The eight-stage process of creating major change (Kotter, 2012)

Implementing change in an organisation is a huge undertaking and, according to Kotter (2012), it all begins with establishing *a sense of urgency*. It will be difficult to change anything in a firm if no one is able to se *why* the firm *needs* to change. The best way to increase the sense of urgency in a firm is through a ‘crisis’ (Kotter, 2012). This could come in a form as activation triggers that activate the need to change in a firm, as mentioned previously (Rogers, 2003; Zarah & George, 2002). Allowing too much complacency in the firm will lower the collective sense of urgency the change will need in order to be implemented successfully (Kotter, 2012).

A major change within an organisation needs someone to drive it forward, and to make sure the project stays on course and does not drift out of focus. In order to do this, a firm needs a strong *guiding coalition* (stage 2) consisting of the right people who are able to work closely together and trust each other (Kotter, 2012). The guiding coalition will act as the ‘change agent’ for the firm in order to introduce the change and implement it (Rogers, 2003).

Creating a *vision* (stage 3) is essential in order to successfully complete a major change within an organisation. The vision should be made up by the guiding coalition and should serve as a simple and clear purpose of why the firm is undergoing the change and what the goals of the transformation are (Kotter, 2012). The vision should also have a motivating effect on the employees, and help guide and coordinate them in the right direction. The most common mistake firms do in this stage is to underestimate the power a vision can have on a firm (Kotter, 2012). A long and complicated vision will not have any effect other than making the employees unsure of what they are supposed to achieve.

In stage 4, the vision should be communicated throughout the firm (Kotter, 2012). This should be done by the guiding coalition or the change agent (Kotter, 2012; Rogers, 2003). A common mistake many firms make is that it underestimates the number of times the vision should be communicated and repeated to the employees. Both the employees and the management, as well as outside stakeholder and shareholders, should be aware of why the firm needs to change and what the vision for the change is (Kotter, 2012). This will create a common understanding and purpose, which will make the change process go more smoothly.

Many firms encounter problems in stage 4 if the first three stages have not been properly accomplished or paid attention to (Kotter, 2012). It will be very difficult to communicate the vision if it is unclear and difficult to understand. This will also be the case if the sense of urgency is low, as people will disregard the vision as unimportant and just another policy change from the management (Kotter, 2012). Also, if a formal guiding coalition has not been formed to communicate the vision, people may be unsure where and who the vision is actually coming from.

In stage 5, the guiding coalition needs to make sure that the employees feel, and become, empowered (Kotter, 2012). By empowering employees, barriers or obstacles to implementation may be diminished or removed altogether, creating a smoother course for the guiding coalition when they try to implement changes. A lack of empowerment can make the employees feel helpless (Kotter, 2012). If the structure and formal systems of the firm discourages them from taking action or doing things in a new way, the transformation will be very difficult to achieve, even though the employees understand the vision and see the need for change (Fosfuri & Tribó, 2008; Kotter, 2012; Zarah & George, 2002).

Implementing a major change in a firm can often take years. In order to show both management and outside stakeholders that the change process is going according to plan, a series of short-term goals, and wins, should be added to the implementation strategy (Kotter, 2012). This is the general purpose of stage 6. Short-term wins will help keep the morale up, both with management and employees, and will guide the transformation in the right direction by providing feedback about how and why they managed to reach their goals. This will also help the guiding coalition build momentum and add supporters to the transformation process (Kotter, 2012).

In stage 7, the guiding coalition should not allow too much leniency after a short-term goal has been reached (Kotter, 2012). The goals should of course be celebrated, but not too much. If too much emphasis is placed on reaching the short-term goals, and not on completing the overall vision of the change, people may loose their sense of urgency and rather assume that all the hard work is done when some of the short-term goals have been reached (Kotter, 2012).

In the final stage of the transformation process, the change needs to be properly integrated in the corporate culture of the firm (Kotter, 2012). The corporate culture in a firm consists of the shared values, beliefs, and norms that everyone in the organisation inhabits, and these can often be *very* integrated in an employee (Kotter, 2012; Trompenaars & Prud´homme, 2004). The corporate culture of a firm is therefore very difficult to change, also, in part, due to the fact that most people are risk averse and changing the structure of a firm will bring much uncertainty into the work environment (Kotter, 2012).

The change process is a continuous cycle (Kotter, 2012). A change process can rarely be summarised as one static, step-by-step action. A transformation is made up by many different stages, and as the change progresses it may become clear that more change is needed than originally planned (Kotter, 2012). For example, if a firm wishes to become more customer-friendly in the way it operates, they might need to change the way the customer service department function, and make the process easier for the customers. However, they may then also need to change the layout of their webpage and the communication channels between e.g. the repair department and the production department, and the way they all communicate with each other. This example shows the complexity of a major transformation. What first seemed like a simple change within one department, ripples throughout the entire firm and can have repercussions for other departments as well (Kotter, 2012).

This *interconnectedness* between departments within a firm is a typical characteristic of today's dynamic firm structure (Kotter, 2012). This means that while the firm undergoes one overall major change, several other smaller change processes are happening all at once within the firm. Several change projects will have to be managed at the same time, and this is part of what makes a successful transformation difficult (Trompenaars & Prud´homme, 2004).

2.3 Framework for analysis

Based on the theory presented in this chapter, a framework for analysis can be drawn up, which is presented in Figure 2. The framework has been created for analytical purposes, due to the limited research available on revenue management implementation in SMEs, which makes it difficult to know on what grounds to base the analysis on. This framework will work as a guideline in this regard, as it has been focused on factors found to have an impact for firms in *general,* and, as such, it might be assumed that these factors can be important for an SME when trying to implement revenue management.

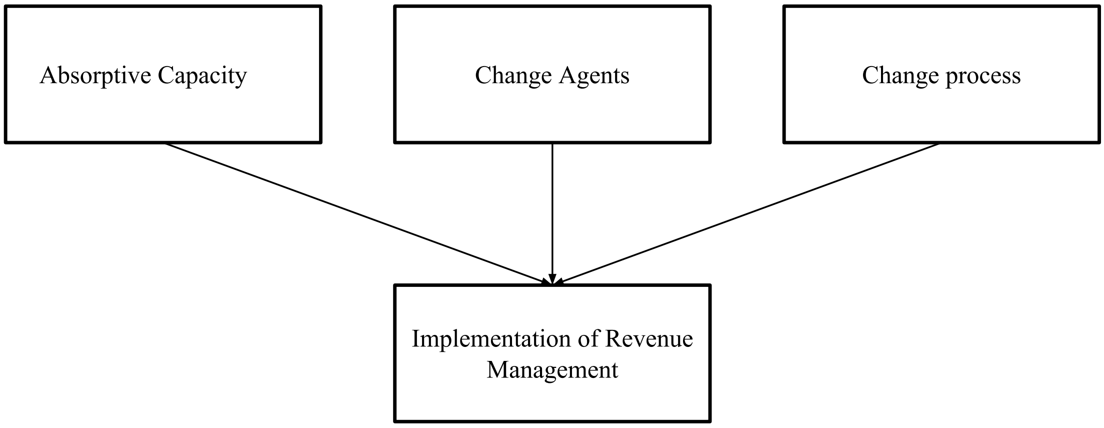

Figure 2: Framework for analysis

Firstly, it can be assumed that an SME may need to possess some kind of absorptive capacity in terms of prior knowledge about revenue management, and with implementing change in an organisation in general. In terms of absorptive capacity, the firm may need to possess both *potential* absorptive capacity and *realised* absorptive capacity in order to be successful with the implementation process and exploit revenue management for commercial gains.

Secondly, it can be assumed that an SME needs a change agent to communicate revenue management throughout the rest of the firm. A change agent is an important driver for change for firms in general, and so it can be assumed that the change agent may be the one responsible for convincing the SME that revenue management will be suitable for them. This change agent may also be needed to drive the transformation process forward.

And thirdly, as for any firm, an SME may need to go through a structured change process in order to implement revenue management. The eight-stage process of creating major change can be used as a guideline for an SME about what challenges to be aware of during the different stages, and what factors may be important in order to obtain a successful implementation of revenue management.

Chapter 3 Methodology

This chapter will explain the methodology used to conduct this study. The chapter is split into three sections: the design used to conduct this study, the sample this study is based on and a description of each firm and its characteristics, and the measurement used when creating the interview guide.

3.1 Design

The research question for this study is:

"What are the antecedents of successful implementation of revenue management in SMEs in the tourism and culture industry?"

As mentioned previously in the introduction, there has been very little research done on what conditions are needed in order to obtain successful implementation of revenue management in SMEs. There are very few SMEs that are actively using revenue management today, and, as such, there is not enough data available to conduct a quantitative study, as this research approach often requires a much larger sample size than what this study has. Due to this, a qualitative research approach will be best suited in order to answer the research question and give the desired in-sight.

Qualitative research is focused on gaining a deeper understanding in a phenomenon (Myers, 2009; Zikmund, Babin, Carr & Griffin, 2013). This method goes more in-depth in a problem than quantitative research, and tries to understand *behaviour* and the *motivation* behind that behaviour. This research design is also used when the research question is ambiguous and unclear, which is the case for this study, as previous research is limited. The small sample size and the level of uncertainty with regards to the outcome of this study, make a qualitative approach the best choice as the limited research does not give a clear analytical framework to base the study on.

The main disadvantage of a qualitative research is that it is generally difficult, or not possible, to generalise the results to a larger sample or to the general population, as the sample size is quite small compared to quantitative research (Myers, 2009; Yin, 2014; Zikmund et al., 2013). However, it is possible to generalise the findings into *new theory*, which is known as *analytical* generalisation (Yin, 2014). This study will aim to do add to the existing limited theory and provide a more comprehensive foundation on which to base further studies.

When doing research, it can either be done exploratory or confirmatory (Zikmund et al., 2013). A qualitative study will usually be carried out with an *exploratory* research design (Zikmund et al., 2013). This will also be the case for this study due to the exploratory nature of the research question, which is due to the limited level of previous research done on the implementation of revenue management in SMEs. An exploratory research design will be suitable when there is little previous knowledge about the research question that can be used to create hypotheses for further research and testing (Zikmund et al., 2013).

There are many different methods of performing a qualitative study, for example action research, case study, ethnographic research, grounded theory, etc., (Myers, 2009; Zikmund et al., 2013). Yin (2014, p. 9) identifies three conditions that should be considered before choosing a research design:

1. The type of research question posed
2. The extent of control the researcher has over actual behavioural events
3. The degree of focus on contemporary events

In the case of this study, a *case study* will be best suited to obtain the desired results. As this study will use several firms this will be a multiple-case study (Yin, 2014). A case study will give the researcher the level of details needed to get a clear picture of an event and the motivation behind the occurrence (Zikmund et al., 2013). However, a case study is highly dependent on the researcher, as the interpretation of the results will depend on the researcher's subjective view (Yin, 2014). This is one of the main limitations of conducting a case study.

3.2 Sample

This study is based on 10 firms that have participated in a seminar about revenue management facilitated by Arena USUS[1]. This sample was chosen as a consequence of this seminar. Revenue management is not very widespread amongst SMEs and, as such, it would have been very difficult to find participants who fit the criteria for this study. In addition to this, most of the participants of the seminar were completely new to revenue management and all firms have, during to the workshops, been through the same program and modules, which gives this study an in-depth look into what challenges these firms face. The firms in the seminar come from a wide range of sub-industries within the tourism and culture industry; however due to the seminar, all of the firms will have obtained the same fundamental knowledge regarding revenue management. This may be an advantage when trying to discover what antecedents may be important for a successful implementation process.

The revenue management seminar was lead by two seminar leaders from Horesta[2] over the course of 9 two-day workshops from the period November 2011 – January 2013. It was expected that the participants of the seminar had intermediate to advanced IT-knowledge, particularly regarding Excel. Before the seminar started, Arena USUS offered an introductory 2-hour course in Excel for the participants. During the seminar the participants where required to use data collected from their own firms in order to complete the exercises given during the workshops. The participants were supplied with a ready-made Excel spreadsheet were they could insert their collected data. After each workshop, the firms were given homework to be completed before the next workshop. When the homework had been completed, the firms were able to send it to the seminar leaders for feedback on what they had done, and to ask for help. This is the first time this type of seminar has been offered in Norway in which the participants follow a course program, while at the same time implementing revenue management in their own firms (Arena USUS, 2014).

[1] A cluster program for firms in the tourism and culture industry in Southern Norway.
[2] The Danish hotel, restaurant and tourism industry's employers' organisation.

There were 11 firms in total that participated in the seminar. All firms were approached, either via telephone or via email, and asked to join this study, and asked to participate by conducting face-to-face semi-structured in-depth interviews. The firms were told that the interviews would be part of the evaluation of the seminar, and that their different pricing techniques before and after the seminar would be discussed, as well as what they had gained from participating in the seminar. One firm chose not to participate in the study due to the fact that the part of their operation that had focused on revenue management had been closed down. One of the firms in the sample was not contacted, as a previous interview concerning similar aspects about the seminar had been conducted at an earlier point in time, which covered the areas of the study as well. The rest of the firms all agreed to participate in the study.

Below follows a description of the firms that participated in the seminar. The firms have been randomised and made anonymous. They have also been split according to whether they have a commercial focus or not. In this study, having a commercial focus will mean that the firm's goal is profit maximisation. If the firm has a non-commercial focus their goal can be, for example, to convey and preserve history or a historical event.

Firm A. A relatively large hotel located in the countryside. The hotel has over 50 employees, and has a commercial focus. They cater mostly to leisure travellers in the peak seasons; however, they also try to attract business travellers, especially during off-season periods. The hotel has a conference department and a restaurant. This firm fits the criteria for being suitable for revenue management, due to its fixed total capacity, perishable 'inventory', and ability to forecast future demand to some extent.

Firm B. A small museum that also hosts cultural events. The museum is located in the countryside, and has less than 10 employees. They mainly receive public funding, but may have some private sponsors for specific events. The museum had a non-commercial focus. This firm have more flexible demand, with a lower ability to forecast demand than, for example, a hotel. They have perishable 'inventory' in terms of admission tickets to some of their cultural events. Firm B is in joint ownership with firm E, and there are some cooperation between the firms.

Firm C. A museum that serves as a preserver of cultural history. It is located in the countryside. They host cultural events, a souvenir shop, and a café that offers limited serving. They also have a small overnight lodge. The firm receives public funding, and, in addition to this, a large portion of their revenues comes directly from their own operations. However, their main focus is non-commercial. The firm has less than 50 employees. The museum has very flexible or 'unlimited' capacity, and some ability to forecast demand. They also have perishable 'inventory' in terms of admission tickets to the museum and their cultural events.

Firm D. A museum that serves as a preserver of cultural history. The museum is located in a small city. They host cultural events and sell souvenirs. A small amount of their revues are created from their own operation, but most come in form of public funding. This means that they have a non-commercial focus. The museum has less than 10 employees. They have flexible demand, a limited ability to forecast demand, as well as perishable 'inventory' in terms of admission tickets.

Firm E. A hotel with under 50 employees. It is located in the countryside. They cater to both leisure and business travellers and have a conference department and a restaurant. They mostly have leisure travellers during peak seasons. The hotel has a commercial focus. A firm traditionally suitable for revenue management with fixed capacity, perishable 'inventory', and the ability to forecast demand. Firm E is in joint ownership with firm B, and there are some cooperation between the firms.

Firm F. A firm that caters to conferences and private events. They also have a café and a restaurant. The firm had less than 50 employees, and is located in the countryside. Firm F has a commercial focus. They have fixed capacity in terms of conferences and in the restaurant. However, in the café and outdoor areas their capacity is very flexible. They have perishable 'inventory', but a limited ability to forecast demand.

Firm G. A museum that serves as a preserver of cultural history and craftsmanship. It is located in the countryside with less than 50 employees. They have a non-commercial focus. The museum receives most of their revenues from public funding, with a small portion of their revenues coming from their own operations. They have flexible capacity, with some ability to forecast demand. They also have perishable ‘inventory’.

Firm H. A firm that hosts cultural events, and is located in a small city. The firm has less than 10 employees. Some of their revenues come from public funding and private sponsors, and some come from their own operations. However, the firm have a commercial focus. They have perishable ‘inventory’, flexible capacity, and the ability to forecast demand to a certain extent.

Firm I. A firm with a hotel operation and a cultural events operation. The hotel operation also includes a restaurant. The firm has over 50 employees, and is located close to a city. They have a commercial focus. The firm has fixed capacity, perishable ‘inventory’, and the ability to forecast demand.

Firm J. A hotel with a small convenience store. They have less than 50 employees, and are located in the countryside. They have a commercial focus. The firm has fixed capacity, perishable ‘inventory’, and the ability to forecast demand.

For analytical purposes, the firms will be separated into two groups: one for firms with commercial focus and one for the ones with non-commercial focus. As shown in Table 1, the first group accounts for 60% of the participants in the study, and the latter accounts for 40%.

Commercial focus	**Non-commercial focus**
Firm A	Firm B
Firm E	Firm C
Firm F	Firm D
Firm H	Firm G
Firm I	
Firm J	

Table 1: Firm categories

3.3 Measurement

This study was conducted using semi-structured in-depth interviews. The use of semi-structured interviews makes it possible for the researcher to “address specific issues” (Zikmund et al., 2013, p. 150). These issues will give the researcher a deeper understanding of the event that has occurred by using probing questions to follow up. The open-ended questions give the participant the ability to say what they experienced and felt without limitations, which can be the case with close-ended questions (Yin, 2014; Zikmund et al., 2013). A semi-structured interview was chosen in this case, as there was little information known beforehand about the possible result and so the participants were given the opportunity to respond as they wished based on their experiences and feelings. This also lead to many different probing questions being prepared, as it was difficult to predict in advance what the different participant would respond.

Each interview was between 25-60 minutes long and conducted at each firm’s place of business, with the exception of firm B that was interviewed via the telephone. Firm I had previously been interviewed with regards to the seminar in revenue management and, as such, did not need to be interviewed again. Each interview was conducted with the participant who actually attended the seminar in order to get their first-hand views and impressions. Each participant had a key function at their respective firm and was part of the management group. Each interview was recorded, and later transcribed by the researcher.

The interview guide (Appendix 1) was structured in a way as to guide the participant through the implementation process from before they attended the revenue management seminar, during the seminar, what happened after the seminar, and where they were today in terms of their pricing and exploitation of revenue management techniques. In addition to this, the interview guide followed the structure of Kotter’s eight-stage process of creating major change in order to gain an understanding of the progress of the firm’s own implementation process.

The interview began by asking the participants to describe their firm and what their main responsibility within the firm was, in order to gain some background information about the firm and the participant. It then went on to inquire about how they had been pricing their products and services before participating in the revenue management seminar, as well as what information the firm had about their customers. The firms were asked about why they decided to participate in the seminar, if they were looking to gain anything specific from it or had any expectations regarding the outcome of the seminar.

The participants were asked what they learned from attending the seminar and if the seminar met their expectations. They were also asked if they felt anything could have been done differently during the seminar. The participants were asked if they had changed the way they set their prices as a result of the seminar and what factors they felt were challenging and that impeded the implementation process. At the end of the interview, the firms were asked if implementing revenue management had had any effect on the firm in terms of increased revenues or profits, and what their future plans were with regards to pricing techniques.

Chapter 4 Results

In this chapter the results of the study will be presented based on the interviews conducted with each participant. The chapter will be split into three sections according to the time line of the revenue management implementation process: before the seminar, during the seminar, and after the seminar. The results will also be divided based on which group the firms belong to: commercial or non-commercial. From the previous chapter, the group with commercial focus contains firms A, E, F, H, I, and J, and the group with non-commercial focus consists of firms B, C, D, and G.

4.1 Revenue management practices before the seminar

This section will present the way the firms priced their products and services, and their mindset around this. The firms' organisational routines will also be presented, as well as why they decided to participate in the revenue management seminar. The participants' background information will also be regarded.

4.1.1 Commercial firms

Before the revenue management seminar, most of the firms in this group had fixed prices, with the exception of firm E. These prices were usually fixed over a period of time, for example a fixed price for a one-week-stay at a hotel. The prices were, to some extent, calculated, but were also based on experience, and a 'market feeling'. The firms would quality check their prices against their competitors to make sure that they did not overprice their products. Firm H and I took a fixed price per ticket for their cultural events. At this point in time, the hotel operation of firm I had not yet opened.

Firm E was a bit further ahead with regards to pricing, and was already differentiating their prices. Their prices were to some degree adjusted to the available capacity, and they were very concerned with following their competitors' prices on online platforms. This meant that they would adjust their prices up or down depending on their competitors' prices. Firm A differentiated their conference prices somewhat, based on whether the customer was a private or a public firm, or if it was a private person.

The firms in this group mentioned that they spent some time reading business literature that was of current interest to their specific industry. This could be, for example, market research and analyses, customer preferences, things other firms had done successfully, and so on. The firms mentioned that they received much of this information through cooperation networks such as Arena USUS and Innovation Norway. The firms mentioned that a common reason for why little time was spent reading new research, was the fact that they felt they did not have enough *time* as they were such a small firm with few employees.

"It is difficult – there are limits to what a small firm with few resources can achieve, so you have to make some choices".

– Firm H

However, none of the firms read much business literature regarding management or pricing techniques. Firm E mentioned the fact that there was very little literature concerning hotels in more rural areas and the countryside, most were usually about larger city hotels, which they did not feel were applicable to them. Firm A, H, and I mentioned that they were often active in different research projects, which lead to them obtaining new knowledge.

The firms were asked in which way they used to share new knowledge with the rest of the management and employees if they had, for example, attended a seminar were they learned something new. Only firm E and I said that they shared new information and ideas during scheduled meetings. The rest answers that they consider the management within the firm to be too small, the management consisted of less than 5 people, and that it would not feel natural to schedule a meeting. The information sharing was done more informally in these firms.

In terms of customer information, all the firms felt that their registration systems were too poor, with the exception of firm J. Firm A had a CRM system in place, but felt that is was not particularly user-friendly, and struggled to see in what way they were to make use of it. Firm F's system for registering from which customers their revenues originated from, were too old-fashioned, and did not give them any information about their drop-in customers. Firm H felt that they did not get enough information about their customers from the ticket-booking platform where they were present. Firm E did not know much about where their customers came from or who they were, and mentioned that they did not segment their customers, as the demand at the time was too low, and that they had too few customers at that time. Firm I and J were the only firms that already had functioning CRM systems that gave them satisfactory information about who their customers were and what they wanted. Firm I wanted to further develop their CRM system to gain even more customer information, however firm J was satisfied with the information their system gave them.

> *"(…) in reality we know too little. We do not know enough, even today, about how the customer perceives us, what they want, and what is important for them when they are here."*
>
> – Firm F

When asked about why they registered to participate in the revenue management seminar, the firms stated that they wanted to learn more about it and gain a better understanding of how to control their revenues, as well as how to deal with, and manage, seasonal fluctuations. Firm H and I mentioned that their focus on sales and pricing of products had increased and, as such, they were interested in learning about tools to help them manage their revenues. Firm E stated that the idea to participate in the seminar came from firm B, who was interested in what the seminar was offering. However, firm E also felt that is was always good to learn more about managing their revenues even better. Most of the participants had only *heard* about revenue management before attending the seminar, but did not really know much about what it was, with the exception of firm F that had never heard of it and did not know what it was.

"The reason for [participating], in our case, was that we know that we have been excellent at delivering exceptional cultural experiences but generally not good enough at controlling our finances. We were not that good at selling tickets, had poor cost control, etc. (...)."

– Firm H

For the firms with commercial focus, it was the general manager from each firm participated in the seminar. From firm I, the person who worked as a controller for the firm also attended, as he would have some of this as his responsibility. All the participants had some kind of college/university degrees within business or administration, and had long experience with managing a business. The exception was the participant from firm E, who did not have any education past upper secondary school, but did, however, have long working experience with managing a business and doing the bookkeeping in these firms.

The present situation in the commercial firms differed somewhat at the start of the revenue management seminar. Firm A was one of the main participants in a major investment project at the time, and firm E was at the beginning of entering a local hotel and restaurant collaboration group. Firm H were faced with a need to have a stronger focus on cost control, and firm I was preparing to launch their hotel operation, and also looked at becoming more sales oriented. Firm J was about to enter an online booking platform that demanded a price-per-day instead of per-week, which meant that their pricing strategies were in need of change.

4.1.2 Non-commercial firms

Before the revenue management seminar, the non-commercial firms typically did not like to set their prices too high in fear of being *too* 'commercial'.

"(...) I think [the pricing] has been quite random. (...) we've had – and this is my subjective opinion – a firm practice here which consists of many [employees] who like to play Santa Claus all year long because it is nice to be able to say 'oh no, just come in', and 'of course you don't have to pay' (...)"

– Firm C

Firm C, D, and G charged admission tickets that were differentiated between adults and children, and seniors. Firm B did not have admission tickets as they were in collaboration with firm E, and the exhibition premises doubles as a conference room, and so charging admission tickets would be difficult. However, all firms charged admission fees to the cultural events they hosted when it was appropriate. These prices would usually be somewhat lower than what the market otherwise would charge. For packaged tours, firm C and D charged a price per group, whereas firm G charged a price per person in the group. Firm B did not have any kind of group pricing. Firm C also offered limited accommodation opportunities, which had a fixed price per week, which was significantly lower than the current market rate.

As with the commercial group, all the firms in the non-commercial group stated that they did not spend much time researching new trends within management or accounting, but they did read some business literature concerning the trends within their fields of expertise. *Time* was brought up as the constricting factor in this regard, and many mentioned reading business literature were one of first things that were given less priority to during a busy day. All of the firms, with the exception of firm B, mentioned that they, like the commercial firms, were used to being part of, and managing, research projects, which the firms felt gave them some insight in new developments within the industry.

When sharing new knowledge obtained externally from the firm, only firm D and firm G scheduled weekly meetings, which were used as an arena to inform other employees about new ideas. Firm B and C used more informal gatherings. Firm C mentioned that they were looking for a way to make their information sharing more efficient and, to some extent, more structured.

The firms in this group did not have much customer information other than the number of visitors and what nationality they had, as the museums were obligated to report these numbers to the government. Due to admission tickets, firm C, D, and G were aware of the ratio of adults to children. Firm B had very little information about who their visitors were, as they did not charge admission tickets to enter into the museum or exhibition area. In addition to this, none of the firms in this group felt they had well-functioning visitor registration systems that gave them the kind of information they were looking for.

"(...) we knew the number of children and the number of adults visiting, but that was it. The rest was guesswork."

– Firm D

None of the firms had any experience with, or had even heard of, revenue management before participating in the seminar. This meant that the firms did not have a particular reason for registering for the seminar other than assuming it could be generally useful to learn. An exception to this was firm D, who were undertaking an organisational restructuring around the time of the revenue management seminar, and looked for ways of being able to do things more efficiently.

"We were quite aware that things could be done better and that there was a potential for increasing our revenues, and that this could be controlled and managed in some way."

– Firm D

When asked why they were the ones that had been chosen to participate in the seminar, all of the firms responded that they had responsibilities within product development, marketing, and outward communication in the firm. This meant that it was the participants that would be doing this in practice at the firm, and they already had responsibilities within this area, and so it felt natural to be the one to attend the seminar. In firm B and G, this was the general manager. The general manager in firm G had a university degree in tourism, but the rest of the participants did not possess relevant degrees within the area of business or administration. However, they were all highly educated with university degrees, and they all had long experience with regards to pricing products in non-commercial firms.

4.2 Revenue management practices during the seminar

In this section, findings about what the participants learned, and brought with them back to their firms, from attending the revenue management seminar will be presented. Positive and negative aspects of the seminar will also be addressed.

4.2.1 Commercial firms

As the seminar was based around a fictitious hotel in Copenhagen, the examples used were very centred around the hotel industry. Both firm F and firm H commented that the seminar was too centred in the hotel industry, and that it did not use any examples from other industries or ways to use the different techniques in other types of firms. Firm F and H were the only non-hotels in this group. However, the seminar leaders were made aware of this, and sometimes mentioned how things could be done in other types of firm that did not have hotel rooms.

"And of course it would have been a challenge for the seminar leaders as well. I don't think they've had such a wide rage of firms present at their seminars before (...). (...) and to what extent they actually perceived it to be relevant [for us], I'm not too sure about, to be honest."

– Firm H

When asked what they learned from attending the seminar, firm F, H, I, and J stated that the seminar introduced them to a new way of thinking – they gained a new *mindset*. They became more aware of the customers' willingness to pay, and started looking for ways to extract this as much as possible. Only firm A and firm E reported that they did not find the seminar useful. Both responded that there were too many different kinds of firms in the seminar, which limited the potential benefit of the seminar. Firm H, I, and J attended approximately all the workshops in the seminar. Firm F attended around three-quarters of the workshops, and firm A and E only attended about half of the workshops.

"It was too much… I don't think hotels should have been included, it should've just been for other types [of firms]."

– Firm E

Interestingly, both firm A and F responded that they felt there were too *few* examples regarding hotels, and that the seminar leaders was too centred on the other industries present, and tried to give other examples concerning these industries. This is quite interesting as this is the complete opposite of what all the non-commercial firms answered, as well as firm F and H in the commercial group. This was not something the other hotels, firm I and J, mentioned as a problem. Firm A and E also stated that they believed that the techniques that were presented in the seminar would be more suitable for hotels located in more urban areas – in larger cities. City hotels would be able to charge more for the rooms, they stated, and so these hotels would be able to use the techniques more coherently than what they themselves would be able to. As firm A and E were both located in the countryside, they stated that they needed to lower their prices in order to attract their customers, as they were so dependent on this income, though, in terms of the quality of the services offered, they should have been able to charge more in terms of their hotel rooms.

"(...) we depend on having satisfied customers and being able to be flexible in order to retain them. The seminar, as I perceived it, and as I challenged it on, was that the [revenue management] techniques might be more feasible for a hotel in a larger city than a hotel in a rural area."

– Firm A

When asked about the positive aspects of the seminar, firm F, H, I, and J mentioned that they thought it was a good seminar and that the seminar leaders were quite experienced and good lecturers. Firm F and H said that it was useful to have other types of firms attending the seminar when exchanging experiences, making it possible to see how others tackled the same problems they faced as well. Firm F, H I, and J mentioned that, as the seminar stretched over approximately one and a half years, they were able to try out the techniques in their own firms and see what worked and did not work, with help from the seminar leaders. However, this did mean that, as a participant, you were obliged to do your homework and participate actively, which could – and did – mean a considerable amount of work on the firm's and participant's part. Firm H and I stated that the seminar was quite demanding and that you had to commit to it in order to obtain any results.

"(...) it was an important seminar, it was demanding, we had to do our homework. This way we were able to implement [our data] into a system while we were participating in the seminar, and then immediately start making use of it when we started working with it (...)."

– Firm I

However, there were some aspects of the seminar that the firms felt were not that useful. Firm A and J said that they felt that the workshop concerning social media was unnecessary, and that they had little to gain as they were already quite advanced in this field. In addition to this, some of the modules included in the seminar were too advanced for most of the firms. Firm J, for example, mentioned that the workshop concerning advanced statistical forecasting was not be useful for them.

"(...) I was interested in the revenue management part and allocating revenues in order to maximise the profit, but is was just as much a seminar regarding Facebook and how to post a picture on Instagram – things we had been doing for years."

– Firm J

"(...) then there was the forecasting part at the end, but I felt that was too theoretical, I realise that larger hotel chains can do this, but for us it was not particularly useful."

– Firm J

In addition to this, both firm E and F were challenged by the spreadsheets the seminar leaders distributed to the participants. Firm E mentioned that they did not see the need, or have the time, to update the spreadsheet daily. Firm F struggled with their own data materials when trying to translate it into the Excel spreadsheet, as they did not have the data systemised in an IT-program; it had been registered manually. This made inputting the large amount of data needed in the spreadsheet a very demanding task. In general, most of the commercial firms stated that the spreadsheet were too complex for their use.

"(...) I felt that our current IT-systems were too poor to cope with implementing anything in those huge spreadsheets we got (...). Of course [the seminar leaders] would help us, but I felt like, for my part, this was too much work (...)."

– Firm F

The firms is this group felt that they had somewhat limited influence with regards to the seminar. Both firm E and H said that the seminar leaders tried to adjust the seminar with regards to the point of time for the different workshops, and that they were open to questions. However, all firms generally agreed that the modules and structure of the seminar were quite pre-determined, and not open for discussion in terms of adapting the seminar more to fit the actual participants. The firms did, however, agree that there was a great deal of interaction between the firms *during* the workshops, which led to some exchange of experiences between the firms. Firm J pointed out that seminar leaders became quite involved with the different firms as they were required to use their own accounting data as they gave feedback on their homework.

4.2.2 Non-commercial firms

When asked what they learned from the seminar, all the non-commercial firms stated that the most important aspect was the revenue management *mindset*. This was a very innovative way for a museum to address their pricing issued, and many stated that there were several things they learned that the firms had never even thought about. Before the seminar, the firms had had a somewhat passive relationship with regards to their pricing and why they did what they did. The firms mentioned that they had realised that museums should be allowed to be a little bit more commercial than they had been before. The seminar taught them how to become more aware of how they could price their products and services in a more proactive way. In addition to this, some of the firms viewed what they had learned from the seminar as useful training if, for example, in the future museums had to rely more on their revenues in order to qualify for public funding.

"We do not have to apologise for being a museum (...). (...). And the museums have so much to learn from the tourism industry, and I think that we should be allowed to be a little bit commercial. "

– Firm G

Some of the positive aspects of the seminar was the fact that it provided an interesting arena for the firms to discuss and learn about the challenges and experiences other firms had had when trying to implement revenue management. Firm D felt it was useful to have a workshop about social media included in the seminar, as they were just about to launch a new webpage and create guidelines for the use of social media within the firm. Firm D also pointed out that the length of the seminar was good, in order to be able to test the techniques in practice during a summer season. Firm G stated that the seminar leaders gave quick feedback on their homework, and provided detailed information about what was happening at the next workshop, which made it easier to prepare. All four firms in this group attended approximately every workshop during the seminar.

The most significant problem with the seminar for this group, was that they felt the seminar was too hotel oriented. This was discussed several times during the seminar. Firm B, C, and G stated that they felt their level of influence on the seminar was limited in this regard. The seminar had already been held several times before, and so

the structure of the workshops and modules that were covered had already been decided, and the firms felt that the seminar leaders were not willing to change much of it. During the seminar, in most cases, it was up to the firms themselves to see how they could use the techniques they learned and adapt it to their own firm.
Another problem that was conveyed, was the level of Excel knowledge required to take the course. Firm C and D in particular, felt that this was a hindrance and that the different levels of the participants' IT-knowledge lead to delays. This also obstructed the learning abilities of some firms, to some extent.

"(...) when I, with my qualifications, were watching what was happening and trying to do it at the same time, I had more than enough with trying to pay attention to what was going on. I didn't really manage to utilise that knowledge so that I would be able to go home and implement it – I was not that good."

– Firm C

"That was something that was consistent throughout the seminar. There were always interruptions because someone was struggling with the system or tools. So I think it could have been more efficient, in some ways."

– Firm D

Several firms mentioned the fact that the seminar was too comprehensive for their level, and what they felt they needed. Firm C and D stated that the Excel spreadsheet handout were too complex, as it needed to be updated every day. The spreadsheet was also based on the firm's total available capacity, which was difficult for some of the firms with more 'unlimited' or flexible capacity, e.g. museums and firms with outdoor-areas. This meant that they struggled to use the spreadsheet, as they could not calculate their prices or price adjustments based on their level of excess capacity.

The firms in this group also expressed a concern for the seminar forcing them to be *too* commercial in terms of that a museum should be. They mentioned that museums should be available to the general public, and so they cannot charge prices their customers cannot afford. This meant that sometimes they had to lower the price so as to not make the experiences they offered unavailable for certain parts of the public. At the same time, the museums were very aware that their prices, especially the price of the admission ticket, needed to reflect the quality of the exhibition. Firm G, for example, explained that they could not take as low a price as 30 NOK for an admission as this would give the impression that the quality of the museum was poor, and send out the wrong signal. There needed to be a balancing act between being commercial and at the same time being available to the public.

"(...) putting a price on our products can be a bit tricky sometimes because if you try to calculate it (...), it would become way too expensive due to our long production time. (...) but it cannot be too low because we're not supposed to outdo others either!"

– Firm G

4.3 Revenue management practices after the seminar

This section accounts for what the firms actually achieved by attending the seminar – if they have managed to implement revenue management in their organisation, and to what extent the firms managed to use these techniques. The firms' suggestions about what could have been done differently in the seminar, and what challenges they faced in the implementation process will also be addressed.

4.3.1 Commercial firms

Of the firms in this group, firm I, firm J, and firm H made the most progress with implementing revenue management. Firm I have introduced '*from'*-prices on their admission tickets and hotel rooms. The hotel rooms are also differentiated by a price per day *per person*. This means that all tickets and rooms are now announced at a certain price level, with the best seats or rooms at a higher rate. At certain levels of limited or excess capacity, they will increase or decrease the prices by a fixed rate. Firm I pointed out that, for them, it was important to always be aware of constraints with regards to their total capacity. Firm I also mentioned that they had experienced a significant increase in revenues, especially from the ticket sales as increasing or decreasing prices did not have a significant incremental cost per ticket, which means that most of the increase in revenues went directly to the bottom line, and increased profits.

Firm J entered the Internet booking platform and differentiated their prices based on *per day*, instead of per week, and started regulating their room prices with regards to available capacity. They also started paying more attention to their competitors, and followed them quite closely with regards to how they adjusted their prices, both up and down. Firm J also experienced increased revenues from implementing theses techniques, but did not mention by how much.

Firm H started differentiating their prices based on which point in time the admission tickets were usually bought, and also operate with several different prices for different types of tickets. They have become more aware of ways to always offer add-ons to their tickets, and offer more bundled package prices as well. Firm H did not mention in which regard their revenues had changed after implementing some of the revenue management techniques.

Firm F has, to some extent, adopted the *mindset* of revenue management. They have become a bit ‘tougher’ with regards to their pricing, and have increased their prices during seasons when they know they get many requests. They did not mention any change in revenues as a consequence. Firm F experiences trouble due to their use of unsophisticated data recording systems at the time, which made gathering the data needed for the spreadsheet very difficult.

Firm A and firm E did not implement any kind of revenue management techniques in their firms. They mentioned that they believed these techniques to be more suitable for larger city hotels. Firm E already have a similar revenue system in place, which was a result of the cooperation group their were joining at the same time. Firm A and E felt that they could not set their prices too high because it would discourage the customer from choosing to stay at their hotels. Firm J had some of the same attitudes towards price versus quality as firm A and F, however they adapted the techniques to fit their needs.

“(...) I believe that our asking price is 30-35% too low in term of quality and what’s included in the price, but if I’d been located in a city I would have been able to increase the price a lot more than what I can do here.”

– Firm E

One problem that was common for every firm in the group was that they felt that *time* was a restricting factor when trying to implement revenue management. Firm A and E were both in the beginning phases of other time consuming projects at the same time as the revenue management seminar was in progress. Firm F, in addition to firm A, claimed that the initial data gathering that was necessary to participate in the seminar, were too time consuming and demanding, and they felt they did not have time to spare for this. Firm H and J stated that their low number of employees was a significant challenge; they did not have time to do everything they wanted during a day. Firm I experienced time constraints, in terms of having many projects that they wanted to work on at the same time.

> *"Even though we have few administrative resources allotted to [work with revenue management], it is always something I am very aware of, and think is important."*
>
> – Firm H

When asked about what could have been done differently in the seminar, both firm A and E mentioned that there could have been two separate seminars: one seminar just for hotels and one seminar for other types of firms, as they felt there were too few hotels to compare themselves with. Firm E stated that they would have been more interested in a seminar regarding revenue management for *other* aspects of a hotel, such as how it could have been used in the restaurant or in the kitchen, not just for hotel rooms. Firm F suggested that future seminars should use simpler spreadsheets that would not require daily updates. Other firms echoed this as well.

> *"Maybe if there was some a kind of simpler spreadsheet, it could have been a seminar that was directed towards smaller firms."*
>
> – Firm F

As previously mentioned, some firms felt that certain aspects of the seminar were too advanced at the time. However, firm H now expressed an interest in a more advanced seminar – adjusted to their current level – to help them get even better at revenue management, and also on how to use CRM as a part of this. Firm I would also be interested in help with the legal aspects concerning collecting customer information and in what way this could be used, as well as technical expertise to help finding and choosing the right IT-system for the firm.

4.3.2 Non-commercial firms

Many of the firms in this group reported that they have managed to make use of some aspects of revenue management, however not to such a degree as some of the more commercial firms.

Firm C, which in addition to their museum operations have a small overnight lodge, have differentiated their room prices with regards to whether it is a weekend or a weekday and whether it is peak season or off-season. They also increased and added more differentiation to their admission tickets, instead of just differentiating between adults and children. Firm C have experienced increased revenues from implementing revenue management, but was unsure of to what extent the increase was due to the revenue management techniques. Firm B tried to offer cheaper tickets to those that booked admission tickets early, and, to some extent, bundle prices into packages and group discounts, but did not mention if this had had any effect on their overall profits.

Firm D have implemented several different prices per product and per group, as well as always trying to encourage additional sales and offer add-ons to their package prices. They have implemented a new registration system for each drop-in visitor, which gives them quite a lot of information about who their customers are. Firm D experienced an increase in revenues *per person* in terms of their group and packaged prices, however they were unsure it they had experienced an increase in overall profits.

Firm G have began bundling their prices more with regards to groups or events, and they also implemented a new visitor registration form in order to obtain more information about their customers. By implementing revenue management, firm G managed to increase the revenues from their cultural events.

As with the commercial firms, the non-commercial firms mentioned *time* and *limited resources* as the main problems when trying to implement the revenue management. The firms felt they had limited time, even though the participants' managers were very supportive of the implementation process, as they had other responsibilities in addition to the implementation process. The firms also stated that as they were so few employees, it became difficult to accomplish everything they would have liked to during a day. For some firms, this meant that the revenue management implementation was given less priority.

"It is challenging to have few employees when there is much you would like to accomplish."

– Firm D

When asked about what could have been done differently during the seminar, many suggested that the structure of the seminar should have been different. Firm C and D mentioned that the Excel preparation course could have been split into different levels, or that there could have offered a preliminary course in Excel to make sure everyone was at the same level when the seminar started. The firms also mentioned that the seminar leaders could have paid more attention to the composition of the group and then adjusted the contents so that it was less hotel oriented, and had simpler modules that were manageable for the participants. The complexity and share size of the spreadsheet could have been reduced, from having to be updated every day to, for example, once a week.

Firm D also expressed an interest in an advanced seminar regarding revenue management to help them get even better, as well as some tools or a seminar to help them start analysing the customer information they had gathered from their new registration forms in order to make use of it.

“(...) [the seminar] was so long ago that it is almost too late now to go back and pick up were you left off and think of other tools to use [to implement further change], I’ve almost forgotten it now.”

– Firm D

Most of the firms were struggling to find IT-systems that could give them what they wanted in terms of customer information, and how to use revenue management at the scale they needed.

“(...) we’re searching for a way to simplify this process. But there are very few museums that are using CRM so it is very difficult to find the right IT-system.”

– Firm D

Firm C mentioned that they found the legal aspect of obtaining customer information difficult. Firm C, and firm G, also pointed out that it could be difficult to motivate the other employees in the firm when they got home from the workshops, and to make them see what they could gain from implementing some of the techniques presented in the seminar.

"(…) it is one thing for me to become excited, and thinking that this is something we can use [in the firm] – it is also about making it happen internally."

– Firm C

4.4 Summary

In the tables below, the results for each group of firms are summarised. The percentages used for the number of workshops attended are approximates, and 'differentiated' is abbreviated 'diff.' in the tables. Revenue management is abbreviated 'RM'. Table 2 summarises the results for the commercial firms, and Table 3 summarises the results for the non-commercial firms.

	Firm A	**Firm E**	**Firm F**	**Firm H**	**Firm I**	**Firm J**
No. of workshops attended	50%	50-75%	75%	100%	100%	100%
Situation in firm at the time?	Start phase of other project	Start phase of cooperation	-	Needed more focus on finances and sales	More sales oriented, instead of market oriented	Entering new online booking platform
Implemented RM?	No	No	Some	Yes	Yes	Yes
What aspects?	-	-	Increased prices, 'tougher' pricing	Diff. prices, early booking discounts, add-ons	Highly diff. prices, adjusted based on availability	Diff. prices, adjusted regularly
Learned from the seminar?	-	-	Mindset, experiences from other firms	Mindset, experiences from other firms	Mindset	Mindset
Challenges?	Time, other project, not suitable, too demanding, too few hotels	Time, not suitable, have similar system in place, too few hotels	Time, too demanding to gather data, too focused on hotels, too complex spreadsheets	Time, some modules too advanced, too focused on hotels	Time	Time, some modules too advanced
Measured effect?	-	-	Not mentioned	Not mentioned	Yes, increased revenues	Yes, increased revenues
Previous participation in research projects?	Yes	-	-	Yes	Yes	-

Table 2: Summarised results for commercial firms

	Firm B	**Firm C**	**Firm D**	**Firm G**
No. of workshops attended	75-100%	100%	100%	100%
Situation in firm at the time?	-	-	New organisational structure	-
Implemented RM?	Some	Yes	Yes	Yes
What aspects?	Group discounts, early booking discounts	Differentiated prices for lodging and ticket prices, bundled prices	Differentiated prices, registration form, bundled prices, add-ons	Differentiated prices, visitor registration form, bundled prices
Learned from the seminar?	Mindset, share experiences	Mindset, share experiences	Mindset, share experiences	Mindset, share experiences
Challenges?	Time, tickets are not sold directly by the firm, too advanced, too hotel oriented, difficult to collect data	Time, too hotel oriented, limited IT-knowledge, time consuming to motivate employees	Time	Time, time consuming to motivate employees
Measured effect?	Not mentioned	Yes, increased revenues	Yes, increased revenues *per person* for packaged prices, not overall revenues	Yes, increased revenues on cultural events
Previous participation in research projects?	-	Yes	Yes	Yes

Table 3: Summarised results for non-commercial firms

Chapter 5 Discussion and Conclusion

This chapter will present the discussion and conclusion for this study. The discussion will be structured around the framework for analysis presented in chapter 2, which suggests that in order for an SME to successfully implement revenue management, the firm may need some level of absorptive capacity, a change agent, and follow a structured implementation process. These are some general capabilities that have been shown to be important for organisations *in general* when implementing a change, and, as such, these factors may be applicable for SMEs as well when implementing revenue management. At the end of the chapter, implications for SMEs in the tourism and culture industry will be presented, as well as limitations and further studies.

5.1 Level of implementation of revenue management

The different level of implementation of revenue management in the firms in this study can be categorised into three groups, as shown in Table 4 below.

Large degree of implementation (Group 1)	**Little degree of implementation (Group 2)**	**No degree of implementation (Group 3)**
Firm C Firm D Firm G Firm H Firm I Firm J	Firm B Firm F	Firm A Firm E

Table 4: Level of implementation of revenue management

The firms that have had a large degree of implementation of revenue management, have considered in what way these techniques would be useful for their particular firm, and managed to implement several features of the revenue management techniques they deemed suitable for their firm. They have managed to adopt the *mindset* of revenue management to a larger extent than the other firms in this study. Firms with little degree of implementation have not been able to properly integrate these techniques into the firms. However, these firms have managed to see what possibilities the revenue management mindset could offer them, and have adopted this way of thinking, to *some* extent. In both of these groups, 50% of the firms have a commercial focus, and 50% of the firms have a non-commercial focus. This seems to suggest that the results does not differ based on the firms' commercial or non-commercial focus.

The third group contains the firms that did not implement any of the revenue management techniques. This group of firms seems to have struggled with understanding in what way these techniques could be suitable for their firm. This is a quite surprising result as Group 3 consists of two of the hotels in this study, and it would be natural to assume that the hotels would make the most use of the techniques learned during the seminar regarding revenue management.

5.2 Framework for analysis

5.2.1 Absorptive capacity

A firm possesses some level of absorptive capacity when they are able to *realise the value* of the new information they have received, and exploit it commercially for the firm's own gain (Cohen & Levinthal, 1990; Zarah & George, 2002). It is clear from the results that the firms that attended close to all of the workshops during the seminar have the largest degree of implementation of revenue management of the firms in this study. These are the firms that belong in Group 1. They seem to have seen the value in the seminar, have absorbed the knowledge, and been able to successfully exploit it commercially to a greater extent than the rest of the firms. The firms in Group 2 attended approximately 75% of the seminar and were only able to absorb the *mindset* of revenue management. Group 3 attended approximately 50% of the workshops in the seminar and were not able to exploit any aspects of revenue management, and did not view the seminar as useful.

Based on the firms' level of attendance during the seminar, it can be assumed that attending a seminar concerning revenue management can be a good way for SMEs to accumulate knowledge concerning revenue management. This mindset, and the techniques used, can be quite demanding and complex to implement in a firm with no prior training or knowledge, which means that an SME attending a seminar regarding revenue management may be better equipped to implement revenue management successfully if they have accumulated some basic level of absorptive capacity during a seminar. At the seminar, the firms gained *prior knowledge* about revenue management, and used this to increase their absorptive capacity.

The firms that dropped out of the seminar early were not able to implement revenue management to such an extent as the firms that attended the entire seminar. Based on this, it may be assumed that SMEs gain both *potential* and *realised* absorptive capacity when attending a seminar. The results suggests that the firms in Group 2 only acquired *potential* absorptive capacity, as they were able to see the uses of which revenue management had (Zarah & George, 2002), but struggled with how to exploit these techniques commercially.

The firms in Group 3 were not able to see the use of revenue management for their firm and attended about 50% of the seminar, this suggests that they were not able to obtain neither *potential* nor *realised* absorptive capacity. This may be explained by the fact that absorptive capacity is a path-dependent capability (Cohen & Levinthal, 1990). The more workshops the firms attended, the more absorptive capacity they accumulated, which increased their ability to exploit the knowledge they had accumulated to a greater extant than the other firms in this study.

Prior knowledge about a subject is argued by Cohen and Levinthal (1990) as an important building block in a firm's absorptive capacity. The prior knowledge will make it easier to absorb more advanced knowledge as the firm already has some basis of understanding about the subject before obtaining new, more advanced, information. None of the firms in this study had much knowledge about what revenue management entailed prior to the seminar. However, this did not seem to be an obstacle for the firms in Group 1. This suggests that prior knowledge about revenue management before attending a seminar will not have any significant effect on the level of implementation. It seems to be more important for an SME to actually attend the entire seminar. All of the participants had some *past experience* with regards to pricing the firm's products or services, which may have lead to an increased absorptive capacity with regards to pricing techniques. However, the results are not conclusive in this regard, and, as such, the participants past experience with pricing will not be discussed further.

Based on the results, there might be an indication that the level of university/college education of the participant can impact the level of implementation of revenue management in an SME. It does not seem to be a significant factor that the education is relevant in terms of business or accounting. However, there may be a slight indication that a higher degree of university education may provide the participant with *general* absorptive capacity in terms of absorbing and exploiting new knowledge. A participant with a high university degree will have previous experience with absorbing new knowledge, and, as such, may give this participant an increased general level of absorptive capacity than a participant with a lower level of education.

The results suggest that firms that have previous experience with participating in research projects may have accumulated absorptive capacity in terms of being able to absorb new knowledge *in general*. Firms that have experience with other types of research projects may have obtained a higher level of absorptive capacity, as this type of experience have provided the firms with the ability to adapt to new information. This may have contributed to the high level of revenue management implementation in some firms in this study.

5.2.2 Change agents

An internal 'activation trigger' can push a firm towards a change (Zarah & George, 2002). In Group 1, which had the highest degree of implementation of revenue management, four out of six firms stated that they experienced some kind of internal trigger at the time of the start-up of the revenue management seminar. This seem to suggest that SMEs that experience an active internal trigger will be more motivated with regards to the implementation process. Trying to implement revenue management can be challenging and demanding for the firm, as well as time consuming. An internal 'trigger' or 'crisis' may influence the firm in terms of committing to the implementation process, and allocating the required time and resources needed to complete the process. As such, it can assume that internal triggers may be significant in terms of a high level of revenue management implementation.

The firms in Group 3 were both highly involved in other projects at the time the revenue management seminar started. These firms did not manage to implement revenue management. Based on this, one can assume that implementing revenue management is a time consuming process for an SME, and undertaking other demanding projects at the of implementation may impede the process. This suggests that allocating enough time to complete the implementation process may be significant in terms of successfully implementing revenue management. This also adds strength to the previous argument, that internal activation triggers may be important for the implementation process.

Another factor that seems to be significant is the role of the participant from the SME in a seminar. When attending a seminar regarding revenue management, the participant seems likely to become the ‘change agent’ for the SME, as this will be the person that will naturally share the new knowledge with the rest of the firm and, to some extent, decide if revenue management *should* be implemented and if these techniques are suitable for the firm. This indicates that a change agent may play a highly significant role in an SME in terms of attaining a successful implementation process.

As the change agent seems to be significant for an SME, the choice of participant may need to be carefully considered. The firms from Group 1 and 2 that have adopted some of the revenue management mindset and techniques, sent the person within the firm whose job description includes product development, financial responsibilities, marketing, etc. – i.e. the participant already had relevant responsibilities within the firm in terms of revenue management. The firm that have done this, seems to have a higher level of implementation of revenue management than the firm that did not.

The firms in Group 3 sent their general managers to attend the seminar. Hotel managers in SMEs may have a closer relationship to the sales department than in large hotels and knows more about what price should be charged for each room;

whereas this would mostly be handled by the reception manager in large hotels. In terms of the firms in this group, which have a front staff department, it may have been prudent to include reception managers in the seminar, perhaps in addition to the general manager. Implementing and using the revenue management techniques will be a large part of the job description for both the reception manager and the other receptionists as well. This gives strength to the argument that suggests that the participant from the SME should have pricing and product development as a relevant part of their current job description.

5.2.3 Change process

Most of the firms in the study seemed to follow a change process that was more simplified than Kotter’s (2012) eight-stage process of implementing major change. Based on the results, it may be assumed that the SMEs did not have a particularly conscious relationship regarding the different stages of an implementation process. Much of the process seems to be more implicit as the barriers to communication in the SMEs seem to be lower, and much of the decision-making process is suggested to be conducted more informally than in large firms. However, there are some stages in the change process that seems to be more significant than others.

Based on Kotter (2012) and Rogers (2003), a sense of ‘crisis’ or an activation trigger will increase the sense of urgency within the firms and increase the likelihood of the change process being implemented successfully. As previously mentioned, four out of the ten firms in the study already possessed some kind of internal activation trigger ahead of the seminar, which seems to have been significant in terms of the implementation process. This seems to suggest that creating a sense of urgency in the firm (stage 1) may give a higher degree of revenue management implementation in SMEs, as it may show the rest of the firm in what revenue management can be useful for their firm. A strong change agent may perhaps be able to achieve this as well. The firms in Group 2 and Group 3 seem to have struggled with creating a sense of urgency within the firm, which may been a contributing reason for their lack of successful implementation of revenue management.

As previously mentioned, the participant from the SME seems to become the change agent in the firm. The change agent will be lead the change, motivate the other employees, and make them aware of why the change process is necessary (Rogers, 2003). These are also the responsibilities of the guiding coalition (stage 2) (Kotter, 2012). In the case of SMEs, choosing the right participant seems to be highly significant, and, as such, this stage of the change process may also be significant for the SME. By creating a strong guiding coalition in the SME, a higher degree of implementation of revenue management may be achieved.

Many of the firms in Group 1 and 2 that managed to implement some aspects of revenue management mentioned that this was a new way of thinking about pricing different products and services for them. This seems to suggest that stage 8 in Kotter's framework may be significant for SMEs in terms of integrating the new mindset in the firm culture. It can also be assumed that this might be done relatively early in the change process, as the firms in Group 2, which had a low level of implementation, had still managed to adopt the *mindset* of revenue management.

5.3 Summary

Based on the framework for analysis, the antecedents suggest having an impact on achieving a high level of revenue management implementation may be presented. This is shown in Figure 3.

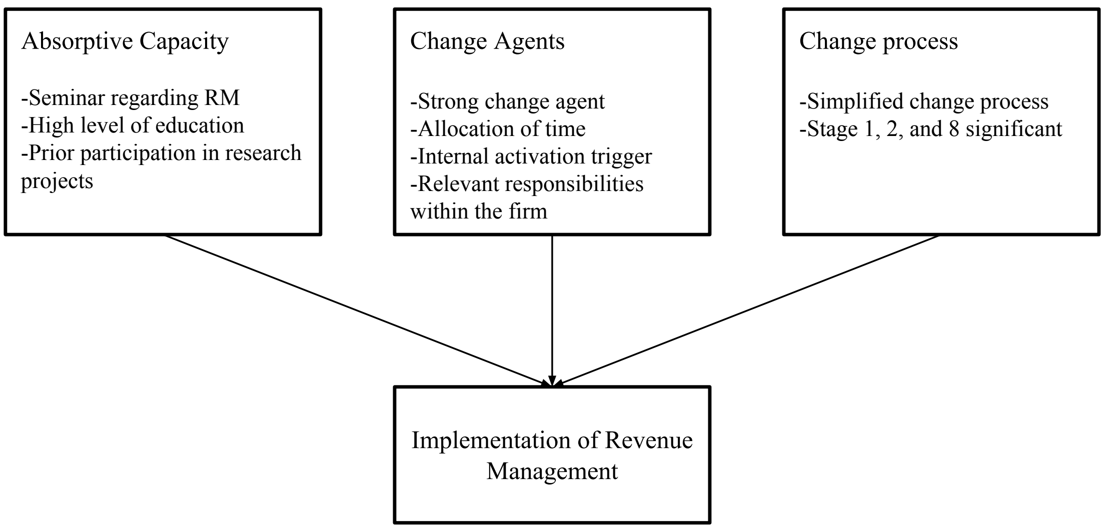

Figure 3: Summary framework for analysis

Many of the firms in this study were faced with some of the same challenges as previous literature points to concerning revenue management implementation in

SMEs in the tourism industry (Lee-Ross & Johns, 1997; Luciani, 1999). Most of the participants did not know what revenue management was and did not have a relevant business degree. This, however, did not seem to be a problem for the participants and it might be assumed that the attendance of the seminar helped the participants overcome these challenges by accumulating knowledge and absorptive capacity regarding revenue management. Some of the firms did mention that it could be challenging to motivate the employees, as they could be somewhat resistant to the implementation. However, most firms in the study claimed that the employees and management in the firm had been supportive, and that this had not been an issue.

A significant challenge for the firms in Group 2 were the fact that their IT-systems were not sophisticated enough to provide them with the necessary data they needed to start the implementation process. This seemed to be one of the reasons, especially for firm F, for their low level of implementation of revenue management, as their present IT-system at that time gave them very little information about where the revenues in terms of which type of customer and what type of product it came from. This is somewhat conclusive with previous literature, where the firms struggled to find revenue management systems which fit their criteria and level of expertise (Lee-Ross & Johns, 1997; Luciani, 1999).

The firms in Group 1 were able to collect the data they needed from their present IT-systems at that time. This suggests that the degree of implementation may depend on the level of sophistication of IT-systems in the firm and to what extent the firm will manage to use the data. This was not initially considered as one of the antecedents of successful implementation of revenue management, but the results seems to suggests that this may have a significant effect, specially for the firms that are able to realise what they could do with revenue management but are impeded by the firm's IT-system. This suggests that a certain level of technology sophistication need to be present in the firm in order to obtain successful implementation of revenue management.

The firms also struggled with *time* as a significant constraint for implementation, which was also mentioned as a challenge to implementation from firms in previous literature (Lee-Ross & Johns, 1997; Luciani, 1999). None of the firms mentioned that they had trouble integrating revenue management with CRM, as some literature mentioned (Cross et al., 2011; Noone et al., 2003; Wang, 2012). A reason for this may be that the SMEs did not have a complex and well-functioning CRM system, as many large hotel chains have for example, as, as such, the goals of revenue management and CRM did not end up conflicting internally in the firms.

5.4 Implications

This study has shown that SMEs in the tourism and culture industry may find some use in adopting revenue management techniques. Even though it may be ‘easier’ to implement revenue management in hotels with fixed capacity, non-commercial firms, such as museums, may find some of these techniques beneficial as well.

SMEs looking to implement revenue management should attend a seminar about revenue management to accumulate the required knowledge to start the implementation process. In terms of participants at the seminar, at least one of them should be the person within the firm that will be working with this in the daily operations of the firm, and already have the relevant responsibilities in his or her job description.

If the firm is going through a restructuring process and is looking for new ways of pricing their products, implementing revenue management during this process may give the firm a higher degree of implementation. An internal activation trigger may help push the firm through a change process, and as the firm is undergoing a restructuring process it might be easier to implement revenue management techniques as part of the corporate culture. Though, it is important for the firms to realise that implementing revenue management is a time consuming and demanding process, which may require a new mindset for many firms, which means that this process should not be attempted at the same time as other large projects as this may lead to one or all of the projects may loose momentum.

5.5 Limitations and further studies

There are some limitations present in this study. A common limitation with face-to-face interviews, is that the respondent answers what he or she thinks the interviewer would like to hear (Zikmund et al., 2013). In this case, the participants may have presented a skewed view of the seminar and their own participation in order to set themselves in a better light. In addition to this, the interviewer might ask leading questions that set the respondent up to answer what the interviewer would like to hear (Zikmund et al., 2013). During the time this paper is written it will be almost two years since the revenue management seminar finished, and the seminar itself lasted for a year and a half. This means that a lot of time has passed since the seminar occurred, when all the positive and negative aspects were fresh in the minds of the participants. There might be a chance that the respondents cannot recall some features of the seminar, and that they tend to downsize negative or escalation positive aspects of the seminar, which means that some of the antecedents may have been overlooked or misinterpreted.

Another limitation may be the framework for analysis. By constructing the framework, other important factors that may have lead to a high degree of revenue management implementation for SMEs may have been overlooked, as the interviewer may have focused on finding results that back up the framework. In addition to this, this study may have been able to produce more in-depth information regarding the antecedents to implementation if the firms had been studied and observed over time, during the workshops at the seminar, and between the workshops, to gain a more comprehensive view of what the SMEs were doing. The results of this study may have been more conclusive with the presence of a control group that had not attended a seminar, but attempted to implement revenue management on their own. This could have given an even clearer picture of the antecedents of successful implementation of revenue management.

This study offers many areas for further studies. Generally, implementation of revenue management in SMEs is still an under-researched area in the tourism industry. This has been a neglected area of study for some time. An interesting area of study could be to do an even more in-depth study over time of the implementation process of an SME, which could follow the firm, before, during, and after the seminar. Another study could look at the effect of revenue management in non-commercial firms, and what they can do to extract maximum benefits from these techniques. There is also a need for research regarding how to implement revenue management with so-called ‘unlimited’ total capacity, which is the case in some museums and in theme parks. Quantitative studies regarding the fiscal effect of implementing revenue management in SMEs could be interesting as well. Another multiple-case study, with the addition of a control group, may give more concise results with regards to antecedents to implementation of revenue management.

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Appendix 1: Interview guide

(Translated from Norwegian to English)

Tell me about your firm.

- What products and services do you offer?
- What is your most important focus area?
- How are your finances?
- How many employees do you have?
- Is there anything in particular you focus on in terms of profitability?
- What are the biggest challenges your firm will face in the future?

What is your main responsibility within the firm?

- What education do you have with regards to business administration?
- Formal education or experience (learning-by-doing)?

<u>**Before the revenue management seminar:**</u>

Why did the firm decide to join the Arena USUS cluster?

- What did you want to achieve and what attracted you to this cluster?
- Who was pushing to join the cluster – someone internal in the firm, or an external party?
- Had you heard about CRM or revenue management before?

Do you have a system in place to capture your different customer segments?

- What customer segments do you have?
- When did they visit you? Any particular seasons, e.g. summer, Christmas?
- Have you done any kind of customer surveys? If yes, in which way? If no, why not?
- Do you have an IT-system that records this information and categorises it?
- Do you have a CRM system?

How did you price your products or services?

- How did you arrive at those particular prices?
- How did you calculate them? E.g. cost-based pricing, mark-up pricing, etc.
- Did you differentiate your prices between your different customer segments?
- Have you used marked analysis? In which way?
- Do you know where most of your revenues are accumulated? Where?
- Do you use any kind of IT-system to manage/control your prices?
- Do you do any forecasting? In which way? Why not?

(If present:) Are there any kind of connection between your CRM-system and revenue-system?

- How do you use these together in any way?
- If yes, in what way? If no, why not?

Do you spend time reading business literature? Journals, magazines, etc.

- No, why no? Reason?
- Yes, which ones? Why?

How do you share new knowledge internally in the firm?
- Scheduled meetings or informal gatherings?

(Stage 1: A sense of urgency)

Why did the firm register for the revenue management seminar?
- Was it a specific event that led to this?
- Who was the driver to participate in the seminar? External or internal to the firm?
- Did you inform the other employees why you were participating? Did everyone agree?
- What information did you receive from the seminar leaders before the start of the seminar? Was it sufficient? Why/why not?
- What level of influence over the seminar did you feel you had? In which way/why not?

(Stage 2: Guiding coalition)

Why were you chosen to attend the seminar?
- Was there a special reason behind this?
- Who decided this? Was it a discussion?

(Stage 3: Vision & strategy)

Did you spend any time discussing what you wanted to achieve from the seminar?
- Yes: What? Why? Did you have a strategy for how you wanted to achieve this? How was this communicated to the employees?
- No: Why not?
- Did you have any expectations to the seminar?

<u>During the seminar:</u>

What did you learn/gain from the seminar?
- Yes: What? In which way? Was there a particular reason?
- No: Why not? Was there a reason for this?

Did the seminar meet your expectations?
- Yes: In which way? Was there a particular reason?
- No: Why not? Was there a particular reason?

How many workshops did you attend?
- Dropped out early: What was the reason for this?

Was there anything that could have been done differently during the seminar?
- Yes: What? In which way?

After the seminar:

(Stage 4: Communicate the vision)

How did you convey what you had learned during the workshops to the other employees?

- In which way?
- Did you teach the other employees?
- Why not?

What aspects from the seminar were implemented in the firm?

- What? In which way?
- Did you change your pricing methods? In which way?
- Have you change the way you segment your customers? In which way?
- Who decided what to implement in the organisation?
- Did you involve external parties to help with the implementation process? Consultants, etc.?

(Stage 5: Empower employees)

Why did you *not* implement something from the seminar?

- Did you try?
- How did the employees feel about this?

(Stage 6: Short-term goals)

Did you have any short-term goal during the implementation process?

- Why? What type of goals? How were they measured?
- Why not?

(Stage 7: More change / Stage 8: Integrate change into corporate culture)

Have you measured any effect of the implementation?

- What? In which way?
- Why not?

What do you think have been the reason for your degree of implementation?

- In which way?
- What could have done differently?

Do you envision the firm changing the way they set their prices in the future?

- Why? In which way?
- Why not?