Sell honestly, never sell your honesty: revenue management and corporate reputation management

Xuan Lorna Wang
Department of Economics and International Development
Middlesex University, London
Email: l.x.wang@mdx.ac.uk

Introduction

Corporate reputation management (CRM) and its possible effect on a company's financial performance have been studied fairly extensively in the generic marketing field but in the hospitality and tourism industries it remains an area that is in need of insightful studies particularly in today's highly interactive marketplace where social media expands the spectrum of reputation risks and boosts risk dynamics (Aula, 2010). From a revenue management (RevM) perspective, a focus on corporate reputation is predicted for 2013, as it is vital for the company to have a positive reputation and online customer review score in order to enhance its revenue performance (Landman, 2013).

This study explores the link between corporate reputation and revenue management practice in the hospitality and tourism industries. It seeks answers to two key questions: first, whether or not there is a link between corporate reputation and revenue management, and second, how revenue management practice may affect corporate reputation, and vice versa. More specifically, it examines whether the negative effects of sales-driven RevM practice has had on customers, such as unfair perception, reduced relationship stability and mistrust relating to the company, could lead to any corporate reputation risks. This paper also argues that in today's dynamic marketplaces, both offline and online, including various social media sites, effective marketing management of the 4Rs - namely, Revenue, Relationship, Risks and Reputation - is as important as managing the traditional marketing mix of 4Ps. A fine balance of these 4Rs and indeed how to prioritise these 4Rs in a paradoxical situation could, arguably, be the making or the breaking factor for a company.

Theoretical Foundation

Corporate reputation management and reputation risks

Corporate reputation has gained its ground as 'a driving philosophy behind corporate public relations' (Hutton, Goodman, Alexander and Genest, 2001:247). It is a relatively new academic subject (Chun, 2005) that has drawn interest from different disciplines; from accountancy, economics, and marketing to organisational behaviour and strategy management (Fombrun and van Riel, 1997). Good corporate reputations are valuable intangible assets (Institute of Directors, 1999) that have strategic value for the companies who hold them (Weigelt and Camerer, 1988). Firms with relatively good reputations are better able to sustain superior profit outcomes over time (Roberts and Dowling, 2002). The attempt to manage corporate reputation has led to the quest to understand measures of reputation. So what constitutes corporate reputation and how it is measured? Chun (2005:105) suggests that CRM is essentially about 'managing what happens inside an organisation to influence external perception'.

Davies and Miles (1998) suggest there are three main elements of corporate reputation: *identity* – what the company is; *desired identity* -what the company says it is, and *image* – what the customers think it is. Any misalignment or gap between these three key elements can affect a firm's reputation (Chun, 2005). Ranking produced by the various media appears to be one of the most established measures of reputation (Chun, 2005) although in recent years the rapid growth of social media has expanded the spectrum of reputation risks and has boosted the risk dynamics (Aula, 2010). Eccless, Newquist and Schatz (2007) identify three types of reputation risk factors:

- Risk is increased when the gap between an organisation's reputation and its reality grows;
- Risk is increased by a change in the expectations of consumers;
- When an organisation is internally unable to react to changes in the environment, a highly 'important source of reputational risk is poor coordination of the decisions made by different business units and functions'

Possible RevM impact on corporate reputations

While revenue management is expected to become more customer-centric, customer perception of RevM practice has not been favourable. Although the link between corporate reputations and revenue management is yet to be established, findings derived from RevM and customer relationship management studies (Kimes and Wirtz, 2003; Noone et al., 2003; Wirtz, 2003; Choi and Mattila, 2004; McMahon-Beattie; 2011; Wang, 2012) imply that RevM practice could have a negative impact on a firm's image, which is one of the three main elements of corporate reputation in a number of areas. The first is the perceived fairness issues of RevM; that is, if customers think that the company acts unfairly (increase price during high-demand days), this is likely to have a negative impact on the company's image. The second is the issue of honesty, whereby if customers deem the company acted dishonestly particularly when the company deliberately withheld information about cheaper rates or available rooms in order to maximise its revenue, this would pose a reputation risk. The third element is that the mistrust that develops as a result of unfair perception, dishonesty and opportunistic behaviour could have a long-lasting negative effect on the company's brand image, and thus pose a risk to reputation. Lastly, the potential internal management conflicts between the sales-driven RevM and relationship-driven account managers could also easily lead to uncoordinated decisions being made, thereby potentially causing reputation risks.

Research Methodology

A multiple case study method will be employed to investigate five hospitality and tourism organisations to explore the link between corporate reputation and revenue performance; the case studies are: a coffee chain, a restaurant chain, an international hotel company, a tour operator and a full-service airline. A purposive sampling strategy will be adopted to choose the typical cases and also taking data accessibility into consideration. Predominately taking a qualitative approach, data will be collected from a wide range of secondary sources such as company reports, local and international media coverage, customer review websites and various social media sites to establish how and why RevM practice may affect corporate reputations, and vice versa. Primary data will also be collected through semi-structured interviews with relevant company managers or directors to gain an in-depth understanding of whether the negative impacts that RevM has had on customer relationships generate any reputation risks and if so, why.

Conclusions and Implications

In recent years, hospitality and tourism marketing has experienced notable changes following the rapid growth of social media usage. One of the major challenges faced by the industry is how to better monitor, understand and manage customer online reviews that could lead to reputation risks, while at the same time being able to capitalise on the opportunities that social media provides to enhance corporate reputation in order to achieve better revenue performance.

It is anticipated that there will be an increased number of research interests in reputation management in the years to come, and therefore, this paper serves the purpose of initiating more interdisciplinary studies into this emerging hospitality and tourism research area. Although it is premature to project what findings this study may yield, it is believed that the outcomes of this research should provide some insightful understanding about corporate reputation management and revenue management.

References

Aula, P. (2010). Social media, reputation risk and ambient publicity management, *Strategy and Leadership*, 38(6), 43-49.

Choi, S. & Mattila, A.S. (2004). Hotel revenue management and its impact on customers' perceptions of fairness. *Journal of Revenue and Pricing Management*, 2(4), 303-315.

Chun, R. (2005). Corporate reputation: meaning and measurement, *International Journal of Management Reviews,* 7(2), 91-109.

Davies, G. & Miles, L. (1998). Reputation management: theory versus practice. *Corporate Reputation Review*, 2(1), 16-27.

Eccless, R. G., Newquist, S.C. & Schatz, R. (2007). Reputation and its risks. *Harvard Business Review*, 85(2), 104-114.

Fombrun, C.J. & van Riel, C.B. (1997). The reputational landscape. *Corporate Reputation Review,* 1(1/2), 6-13.

Fryxell, G. F. & Wang, J. (1994). The Fortune corporate 'reputation' index: reputation for what? *Journal of Management*, 20(1), 1-14.

Grant, R.M. (1995). *Contemporary Strategy Analysis: Concepts, Techniques, Applications*. Cambridge, MA: Blackwell.

Hall, R. (1992). The strategic analysis of intangible resources. *Strategic Management Journal*, 13, 135-144.

Hutton, J.G., Goodman, M.B., Alexander, J.B. & Genest, C.M. (2001). Reputation management: the new dace of corporate public relations? *Public Relations Review*, 27, 247-261.

Institute of Directors (IOD) (1999). *Reputation Management: Strategies for Protecting Companies, their Brands and their Directors*. London: Director Publications (Director's Guide Series).

Kimes, S.E. & Wirtz, J. (2003b). Has Revenue Management become Acceptable? Findings from an International Study on the Perceived Fairness of Rate Fences. *Journal of Service Research,* 6(2), 124-135.

Landman, P. (2013). Revenue Management Focus in 2013. http://www.xotels.com/en/revenue-management/2013-focus [accessed on 1st July, 2013]

McMahon-Beattie, U. (2011). Trust, fairness and justice in revenue management: Creating value for the consumer. *Journal of Revenue and Pricing Management,* 10(1), 44-46.

Noone, B. M., Kimes, S. E. & Renaghan, L. M. (2003). Integrating Customer Relationship Management and Revenue Management: A hotel perspective. *Journal of Revenue and Pricing Management,* 2(1), 7–22.

Roberts, P.W. & Dowling, G.R. (1997). The value of a firm's corporate reputation: how reputation helps and sustain superior profitability. *Corporate Reputation Review*, 1(1/2), 72-76.

Roberts, P.W. & Dowling, G.R. (2002). Corporate reputation and sustained superior financial performance. *Strategic Management Journal,* 23, 1077-1093.

Sergeant, A. & Frenkel, S. (2000). When do customer contact employees satisfy customers? *Journal of Service Research*, 3(1), 18-34.

Wang, X. L. (2012). Relationship or Revenue: potential management conflicts between customer relationship management and hotel revenue management. International Journal of Hospitality Management, 31(3), 864-874.

Weigelt, K. & Camerer, C. (1988). Reputation and corporate strategy: a review of recent theory and applications. *Strategic Management Journal,* 9(5), 443-454.

Wirtz, J., Kimes, S., Ho, J. and Patterson, P. (2003). Revenue management: resolving potential customer conflicts. *Journal of Revenue and Pricing Management,* 2(3), 216–226.