By offering them products and services that are tailored to meet their individual needs, sales volume can be increased and profitability can be enhanced. Whether these interactions are in person, over the phone, through web chats, or electronically facilitated, customer relationship management creates a personal touch.

Improving Profitability

Revenue management (which is also called **yield management**), a foundational component of almost every MIS for tourism service suppliers, was developed by Bell Laboratories in 1988 and initially used as a scheduling tool for the airline industry. However, its effectiveness in addressing a host of marketing, management, and financial issues soon expanded its use to other tourism service providers such as hotels/motels, resorts, restaurants, theme parks, cruise ships, golf courses, and car rental companies. Basically, revenue management requires allocating capacity to customers at the right price and at the right time to maximize revenue or yield, enhance customer service, improve operating efficiency, and increase profitability under the following conditions.[18]

- ***When capacity is relatively fixed.*** For example, when demand increases, airlines cannot simply add more seats; hotels cannot add more rooms; and rental car companies cannot quickly enlarge fleets at specific locations.
- ***When demand can be separated into distinct market segments.*** For example, tourism service providers can segment demand based on specific customer profiles and needs.
- ***When inventory is perishable.*** For example, as we have previously mentioned, once a plane has left the gate, there are no more opportunities to fill its seats with revenue-paying passengers on that flight.
- ***When services can be sold well in advance.*** For example, reservation systems allow leisure travelers to save money by making advance reservations with specific time restrictions.
- ***When demand fluctuates substantially.*** For example, during periods of high demand, higher rates can be obtained, but during periods of lower demand, lower rates may be necessary to attract customers.
- ***When marginal sales costs are low and marginal capacity costs are high.*** For example, the cost of selling an additional reservation for an airplane seat or a night's lodging is minimal, but the cost of purchasing a larger airplane or adding rooms to an existing hotel would be very expensive.

Although revenue management has been widely applied in many different industries, each of these industries has their own specific characteristics and differences. Based on the two strategic levers unique to services, these industries could be segmented into four quadrants. The first lever is price. Price of service offerings could be fixed (one price for all) or variable (dynamic pricing). The second lever is duration; whether consumption duration of services can be predictable or not. When applying revenue management in different industries, strategies and focuses should be changed for each quadrant.[19]

"One of the underlying principles of revenue management is to understand what customers value and develop products that enable those customers that value a particular attribute to obtain what they want; albeit, having them pay for that privilege (p. 300)."[20] Technological advances now allow tourism service suppliers from airlines to rental car companies to sell everything efficiently from empty seats to unrented cars through GDSs, through their own Internet sites, or via intermediary Internet sites, such as Travelocity, Expedia, and Orbitz at the best possible price.