HOTEL DAILY DEALS: A REVENUE MANAGEMENT PERSPECTIVE

Katarzyna MINOR, PhD, Senior Lecturer
(Corresponding Author)
Welsh Centre for Tourism Research, Cardiff
Metropolitan University, Wales, UK
E-mail: Kbminor@cardiffmet.ac.uk

Stanislav IVANOV, Professor
Varna University of Management, Bulgaria
E-mail: stanislav.ivanov@vum.bg
Director, Zangador Research Institute, Bulgaria,
E-mail: info@zangador.institute

Miha BRATEC, MSc, Senior Lecturer
University of Primorska, Slovenia
E-mail: miha.bratec@fts.upr.si

Abstract

Purpose—Daily deals (DDs) form part of the current hotel e-distribution landscape and revenue management tools, yet academia and practitioners lack an understanding of their proper use. This study explores DDs through a revenue management lens and outlines the key aspects for successful revenue optimisation through DDs.
Methodology/Design/Approach – Using a combination of grounded theory and case study research strategies, the paper qualitatively explores the reasons behind the use of DDs, and maps out how, why, and when they can be used while generating examples from a comparative case study of Wales and Slovenia.
Findings – The paper highlights the strategic use of DDs to achieve multiple goals, e.g. boosting occupancy, covering fixed costs and attracting new customers. The paper finds that the hotel managers' perceptions of success depend upon the goals originally set out and the type of DD websites used. Additionally, DDs are valued for supporting occupancy and/or value-led sales, by a mix of advance and last-minute selling tactics, especially from the perspective of generating, or safeguarding overall revenue. Lastly, the paper identifies that performance monitoring and success of the DDs use is measured with a combination of revenue and non-revenue factors.
Originality of the research – This is the first to study the use of daily deals in a cross-country, European context. It used the lens of revenue management to investigate engagement, effectiveness and evaluation processes of daily deals for hotels in Slovenia and Wales.
Keywords daily deals, revenue management, e-distribution, hotel management, discounting, inventory management.

INTRODUCTION

Daily deals (DDs) also known as flash sales (Berezina et al., 2016), emerged during the 2009 recession as a social form of shopping for discounted hotel rooms. Hoteliers' desire to mitigate the lowered demand fuelled the propagation of heavily discounted hotel vouchers. This resonated positively with their cash-strapped customers. Many DD websites subsequently began specialising and focusing purely on hospitality products and largely moved away from coupon-based marketplaces. They serve as an inventory distribution and marketing channel (Berezina et al., 2016; Berezina & Semrad, 2022), offering real-time availability and reservation functionality akin to online travel agents (OTAs) (Budler et al., 2020).

DD websites are controversial (Berezina et al., 2016) as they require hotels to offer steep discounts (between 30% and 70%) while charging high commission rates (20% to 40%). They form a part of the hotel e-distribution system, yet lack of understanding and guidance on how to best use them persists (Mattila & Gao, 2016; Minor & Bratec, 2020). While DD websites offer hotels an opportunity to apply a plethora of different pricing and revenue management (RM) tactics ranging from coupon discounts, bundling and best available rates to advance selling and last-minute discounting, these applications have not been thoroughly explored. Hospitality-focused studies are insufficient (Sigala, 2013; Aday & Phelan, 2015; Bratec et al., 2023), with most of them looking into restaurants DDs (e.g. Dholakia & Tsabar, 2011; Zhang et al., 2013; Bai et al., 2020). Hotel-focused studies discuss the benefits and drawbacks of DDs (Berezina, 2014; Berezina & Semrad, 2022), effectiveness (Cassia et al., 2015), customer experiences (Kimes & Dev, 2013; Cox, 2017; Dsilva & Elangovan, 2021; Geerts & Masset, 2022; Zhi & Ha, 2023), reviews (Nakahata & Kuo, 2013), motivations and satisfaction (Piccoli & Dev, 2012). Together with non-industry-specific studies, these tend to show conflicting results related to profitability and benefits. They do not address the pending answers related to hotel strategic DDs use, i.e. finding the right customer at the right time who is willing to pay the right price - all fundamental questions RM addresses. Hotels mostly use DDs intuitively (Bratec et al., 2018) and lack clear evaluation mechanisms for DDs' profitability and success evaluation metrics (Berezina et al., 2016).

This research uses a qualitative approach to provide insights into DD website use from an RM perspective. It explores the reasons behind the use of DDs within the hotel context and maps out how, why and when they should be considered as they make sense to improving the RM targets. To aid in this analysis we focus on three stages: pre-, during and post-DD engagement. The study is a cross-country case study of Wales and Slovenia and focuses on the context of use, the effectiveness of DDs performance and success evaluation methods. The case studies are purposefully selected for their diversity and common tourism-reliant economies focusing on nature and countryside experience, yet the industry majorly differs in ownership, managerial practices, property size, and historical development. To date, the European DDs perspective lags in exploration when compared with Asian or US settings and there is no comparative, cross-country study in the DD hospitality setting available, making this research even more unique.

The paper is organised as follows: the next section explores the extant literature on daily deals in the context of RM practices. The methodology outlines the approach and sampling used and introduces the case study countries. The fourth section discusses the findings concerning the context of engagement, the effectiveness, and measures of performance of DDs. The last section focuses on the contributions and limitations of the study.

1. LITERATURE REVIEW

1.1. Revenue Management

Price discrimination, involving the segmentation of customers for differential pricing of the same product (Talluri, 2012), plays a major role in traditional RM. However, the concept expanded to a Total RM (Cross et al., 2009) aiming at maximising profitability by considering not only room revenue but overall property revenue. This expands the focus from maximising yield or average daily rate (ADR) to optimising revenue across the property (Anderson & Xie, 2010), while accounting for pricing's impact on hotel review ratings and online reputation (Abrate et al., 2021).

Despite RM being a mature field (Shoemaker & Gorin, 2008), there remains no unified model to describe the process, activities, or implementation (Talón-Ballestero & González-Serrano, 2013), nor its categorisation. For instance, Baltazar (2008) categorised RM under operations research and management science, Ivanov (2014) under marketing management and pricing research, Jones (1999), Jones and Hamilton (1992), and Sfodera (2006) under organisational development. Noone et al. (2017) consider the total hotel RM to include consideration of multiple revenue sources and a deep understanding of a customer's value, with a shift from top-line metrics to bottom-line metrics, taking the distribution and operating costs into account. Further, Ivanov and Zhechev (2012) distinct between 'non-pricing' RM tools such as inventory and distribution channel management, and 'pricing' tools. This leads to a complex and unpredictable implementation of efficient RM in dynamic and departmentalised organisations best understood through organisational complexity theory (McKelvey, 1999), which becomes even a step more complex in currently turbulent times full of exogenous shocks (Yeoman, 2022).

1.2. Discounting and engaging with DDs (pre-DD engagement)

This and the next two sections review the relevant issues related to the daily deals from a revenue management perspective before, during and after the hotel applied DDs, respectively.

Hotels face the challenges of perishable products and fixed capacity, which RM addresses by optimising capacity allocation, pricing, timing, and distribution channels (Kimes, 2011). Whilst it is natural for a hotel to operate within fluctuations of seasons, forecasting the demand is vital. DDs experienced exponential growth during the Global Financial Crisis, where hospitality businesses struggled to gain customers. Historical demand forecasts became impossible and heavy discounting emerged to off-load distressed inventory. Long-term, the resulting 'deal-seeking' culture poses challenges to RM strategies as it can bring low-season prices even lower (Webb, 2016; Scaglione et al., 2019) and creates deal-anticipation behaviours (Chen & Schwartz, 2013). This means that in the DD context, demand forecasting needs to be balanced against time and need.

Time element is a key element of time-based price discrimination as it will dictate what type of consumer segment a hotel will attract (Chen & Schwartz, 2013). DD customers actively seek online deals and promotions (Christou, 2011), fitting within optimal time and lowest price criteria. Perceptions and assessment of the likelihood of future events, such as the hotel selling out or the quoted rate changing, affect their likelihood of booking a deal (Chen & Schwartz, 2013). Thus, scheduling DDs to sell rooms within an immediate timeframe should guarantee the best volume of sales. However, to date, this has not been explored as a viable revenue strategy in the DD context, contrary to literature which emphasises the need for an in-depth understanding of price promotions (Dawra & Katyal, 2023). Further, hotels are highly vulnerable to occupancy effects of seasonality, with more severe impacts on businesses located in rural or coastal, far-off locations, than city ones (Lundberg et al., 2009). Most of the causes of seasonality are external, uncontrollable factors, thus hotels tend to seek to address occupancy fluctuations with RM practices. DDs may aid in addressing these problems by supplying volumes of customers when the hotel is at its most vulnerable (Piccoli & Dev, 2012; Berezina et al., 2016). DDs, therefore, would seem to be a viable RM tactic designed to attract any customers, particularly in the offseason, to cover fixed costs, especially for businesses located in hard-to-reach or habitually affected by seasonality. Conversely, restrictions on when the deal may be used, may fuel non-redemption, i.e. vouchers bought but never used (Scheinbaum et al., 2019). What remains unknown is whether deal terms affect negatively a hotel's occupancy and if this in turn affects deal evaluation.

The need refers to the internal financial condition of the hotel. Some DD websites provide an influx of revenue before the service has taken place (Kumar & Rajan, 2012), which could potentially be beneficial for covering variable costs. What is unknown to date is whether scheduling a DD further into the future and limiting capacity is aiding in short-term cash flow problems and ensuring the possibility of non-DD revenue to be generated in the future (e.g. full-price sales, upsells), especially since high-price and shorter lead times increase the likelihood of extra sales generated in restaurant settings (Besharat et al., 2021).

1.3. Factors influencing the effectiveness of promotions (during DD engagement)

1.3.1. Price and value

The price is one of the main factors that influence the decision on where and when to go, as it serves as a clue to the quality of purchase (Drozdenko & Jensen, 2005; Abrate & Viglia, 2016). Chen et al. (2015) note the connection between pricing and guest satisfaction, with low prices potentially leading to guest satisfaction but excessively low prices possibly suggesting reduced service quality. Discounting, including negotiated group rates, helps counter seasonality and adjust supply and demand (Xiong & Hu, 2011; Croes & Semrad, 2012). However, within the DDs context, heavily discounted prices can alter perceptions of the product or service. This is particularly complex for high-end hotels due to potential reputational risks, as consumer perception of discounts varies between low- and high-end establishments (Hu et al., 2006). Additionally, customers at high-end establishments are typically less price-sensitive, with marginal satisfaction improvements from discounts (Zhang et al., 2013). Therefore, high discounts on DD websites may attract deal-prone, price-sensitive customers (Dawra & Katyal, 2023; Kumar & Rajan, 2012).

Focusing on occupancy alone in RM can pose risks and as such effective RM involves considering long-term customer value, efficient booking control, and sales management to maximise company profit and customer satisfaction (Talón-Ballestero & González-Serrano, 2013). Thus, to be an effective RM option DDs would need to offer value beyond occupancy alone. Berezina and Semrad (2015) highlight the ability of DDs to attract new customers who are price-focused and loyal to the DD website (Krasnova et al., 2013), where the repeat purchase value is created for the DD website, not the hotel. Thus, the DD customer may be more variety-seeking when compared with regular guests, i.e. they would likely choose an offering by a hotel previously not visited (Berezina, 2014), undermining the long-term benefit of RM strategy. It remains unclear whether DDs are successful if they address only short-term occupancy aspects of RM without considering long-term effects.

1.3.2. Distribution

Distribution is a vital aspect of RM processes (Ivanov & Zechev, 2012), enabling potential customers to align their needs with the hotel's offerings (Mun Lim, 2009). To maximise revenue opportunities, distribution channels must be chosen in line with organisational goals (O'Connor & Frew, 2004) including the cost they incur (i.e. commission) and the customers' socioeconomic profile. How the hotels position and choose DDs in respect of other distribution channels and the decision-making process relating to the exact choice of the channel remains unexplored. Whilst hotels are accustomed to paying OTAs commissions, DD websites work on a combination of a heavily discounted hotel product at a chargeable commission. Initially, they appear low-risk – if no sales are generated, there is no commission incurred. However, the main goal of the websites is commercial gain, thus, they will maximise their revenue by charging the maximum possible commission and structuring the offer to sell the most amount of DDs (Boon et al., 2012), suggesting that the DD may be less fair and less profitable to hotels (Wang & Pham, 2014), which in turn puts establishments under considerable financial pressure (Boon et al., 2012; Berezina & Semrad, 2015). Faced with the dilemma of maintaining higher rates or higher occupancy (Enz et al., 2004), some may struggle to disassociate from the discounts offered or make a conscious decision regarding a choice of a channel based on the incurred cost.

Two distinct DD business models exist, generic and niche, which tend to offer different value and benefits to its stakeholders, hotels and customers alike (Budler et al, 2020). Minor (2017) explained that some of the websites were believed to focus on customers' socioeconomic profiles and lifestyle choices, whilst others were believed to provide volume, but not necessarily well-matched customers in terms of their spending power and expectations. Therefore, it is imperative to investigate whether the choice of a DD distribution channel will create additional value for the hotels and support different parts of RM strategies and activities.

1.4. Performance evaluation (post-DD engagement)

Performance evaluation literature on DDs is scant. Traditionally, revenue per available room (RevPAR) seems to be a dominant metric which hotels use to benchmark their performance. One of the major weaknesses of RevPAR is the lack of consideration of the size and variety of rooms, making it an appropriate metric for larger hotels with a uniform set of bedrooms. DD websites have been known to attract smaller hotels, which often struggle to gain exposure on other promotional platforms because of their size and low marketing budget (Boon et al., 2012). These may have a wider choice of rooms, which are likely to yield higher revenues. Further, this metric ignores profitability; hotels can have a high RevPAR but still may not be profitable after accounting for all business costs.

Many hotels use the average daily rate (ADR) as the primary performance measure. This metric is more likely than others to reflect revenues affected by DD discounting, particularly if only a proportion of rooms is sold on this basis. However, ADR, would not account for commission and other costs, such as credit card charges often passed on from the website to hotels. Thus, in line with total RM, focus should be given to property-wide profits. To date, it is uncertain which measures are taken into consideration when evaluating a DD. For instance, spend per customer beyond the room price seems to be an important measure of performance during a DD, since hotels could recoup some revenues compromised by discounting the rooms by selling other services (Piccoli & Dev, 2012). However, this forms a narrow performance review measure, warranting further exploration of how hotels evaluate the success of the deal.

2. STUDY DESIGN

This study adopts a combined approach of grounded theory and case study research designs (Fernandez, 2005; Yin, 2009). Grounded theory is a suitable strategy to research a phenomenon through direct contact with the social world and a rejection of a priori theorising, aiming at a 'discovery of unknown facts' (Locke, 2001). Case study research aims to understand "how and why" phenomena occur and can contribute to theory development (Yin, 2009). Both strategies are appropriate to explore recent phenomena in practice-oriented fields such as hospitality RM or of which limited prior knowledge exists (Yin, 2009). This combined approach follows the steps of case study set out by Beske et al. (2014): 1) determining the object of study, i.e. the hotel owners or managers, 2) selecting the cases, i.e. hotels in Wales and Slovenia, and 3) collecting and organising the data gathering and analysing the data to reach conclusions, i.e. semi-structured interviews and NVivo assisted thematic analysis.

2.1. Sampling and sample

The multilevel sampling process included typical case, criterion and snowballing methods. Hotel listings in each country were used to establish a typical case (size and star rating, facilities, etc.). Between 2015 and 2020 DDs platforms were observed in each country to identify the hotels matching the typical case characteristics; a list containing 45 properties in Wales and 70 in Slovenia was created, which formed a basis for the cold calling or personal connections approach. Every recruited participant was asked to recommend a further one they may know. The resulting sample comprised 8 owners/managers of 11 properties in Wales and 7 managers of 20 properties in Slovenia (see Table 1) (i.e. 24 % and 28 %, respectively of the total sampled hotel population). Once data saturation in both countries had been reached, i.e. no new themes were identified, data collection was stopped. Interviews were conducted face-to-face, or via Skype/WhatsApp, held in English and later transcribed. The following hotel categorisation was adopted: small – below 50; medium – 50 to 100; large – over 100 bedrooms (Minor, 2017). The properties attracted different socioeconomic markets. They were categorised according to the managers' descriptions into low, mid, mid-upper- and upper-class hotels and further categorised based on ownership and location.

Table 1: **Participant profiles**

| Country | Code | Age | Sex | Experience (in years) | Number of managed properties | Property characteristics | | | |
						Size	Location	Ownership	Market segment
Slovenia	R1	30-40	M	>10	1	Medium	Rural	Independent	Mid-upper
	R2	40-50	F	>10	1	Large	Rural	Independent	Upper
	R3	30-40	M	>10	1	Medium	Rural	Independent	Mid
	R4	30-40	M	>5	5	Large	Beach	Independent	Upper
	R5	50-60	M	>10	7	Large	Beach	Chain	Mid
	R6	40 - 50	F	>10	2	Large	Thermal	Independent	Upper
	R7	40-50	F	>10	3	Large	Thermal	Chain	Mid
Wales	R8	50-60	M	>10	1	Small	Rural	Independent	Upper
	R9	40-50	F	<10	2	Small	Rural	Independent	Upper
	R10	50-60	M	>10	1	Small	Rural	Independent	Upper
	R11	40-50	M	<10	2	Small	Rural	Independent	Mid
	R12	30-40	M	>10	1	Medium	Beach	Independent	Mid
	R13	30-40	M	>10	2	Small	Beach	Independent	Upper
	R14	30-40	M	> 5	1	Small	Urban	Independent	Mid
	R15	40-50	M	< 10	1	Small	Rural	Independent	Upper

Source: (Authors)

Following grounded research methodology (Locke, 2001; Charmaz, 2006), the researchers deliberately chose for the interviews not to be guided by a specific RM literature but designed the questions to stimulate a broader discussion of the participant's experiences concerning DDs, to uncover all possible aspects related to DDs.

Data underwent thematic analysis using Brown and Clarke's (2006) framework, chosen for its ability to identify data patterns while preserving context and allowing consideration of emerging relationships (Strachan et al., 2015). Reviewing theory concurrently with data analysis aided coding iteration (Charmaz, 2006), employing both deductive and inductive approaches (Strachan et al., 2015). Analysis occurred at latent and manifest levels, the latter reflecting data content and the former researchers' interpretation (Brown & Clarke, 2006; Strachan et al., 2015). Two researchers independently coded data to mitigate bias, resolving discrepancies through discussion.

2.2. Case study areas

2.2.1. Wales

Wales, with 3.1 million residents (ONS, 2021), annually welcomes about 11 million overnight visits, mostly domestic (Welsh Government (WG), 2020; Visit Britain, 2019). Tourism employs 11.3% of the workforce, vital in rural economies (WG, 2020), with a value rising to £3.4 billion by 2019 (WG, 2022a). Micro, small, and medium-sized enterprises (SMEs) dominate the sector, heavily affected by seasonality (WG, 2022a). On average, UK hotels and similar establishments have 16 to 17 bedrooms (ONS, 2011). The sector is dominated by 3- and 4-star hotels (WG, 2023). Coastal and rural tourism, focused on outdoor activities, dominates, with hotels showing 64% average occupancy in 2021, peaking in summer months (WG, 2022b).

2.2.2. Slovenia

In Slovenia, hotels offer 20,967 rooms in about 200 establishments, hosting 70% of overnight stays (SST, 2022; STO, 2022). Tourism contributes 6.5% to employment and 3.9% to GVA (SST, 2022). Normally, 75% of Slovenia's 6.2 million visitors are international (STO, 2019). However, hotel performance lags, with a 50.5% occupancy rate, well below the EU average of 70% (STO, 2019; Statista, 2022). Slovenian hotels, mainly in coastal, thermal, or mountain settings, face high seasonality, with January occupancy at 36% and August at 76%. Over 90% of Slovenian hotels are 3-, 4-, & 5-star, averaging 80 rooms, indicating a lack of small, family-owned properties (Slovenian Chamber of Commerce, 2022). International brand representation remains low, impacting brand recognition (Mihalič et al., 2012).

Table 2: **Summary of the comparison of the case study countries**

	Wales	Slovenia
Population	3,107,500	2,906,000
GVA	5%	3.9%
Hospitality business sizes	Micro & small 16-17 rooms average	Medium 80 rooms average
Ownership	Independent	Independent, local chains
Type of tourism	Rural/coastal/parks	Rural/coastal/thermal
Standard	Mid to upper mid	Mid to upper mid
Tourism dependence	Domestic	International
DD websites used	Global (TravelZoo, Groupon, SecretEscapes)	Local (Megabon, 1naDan, Kuponko) Global (SecretEscapes, Voyage Prive)

Source: (Authors)

3. FINDINGS AND DISCUSSIONS

Figure 1 presents a visual summary of the findings which are further elaborated in the text.

Figure 1: **Study Findings**
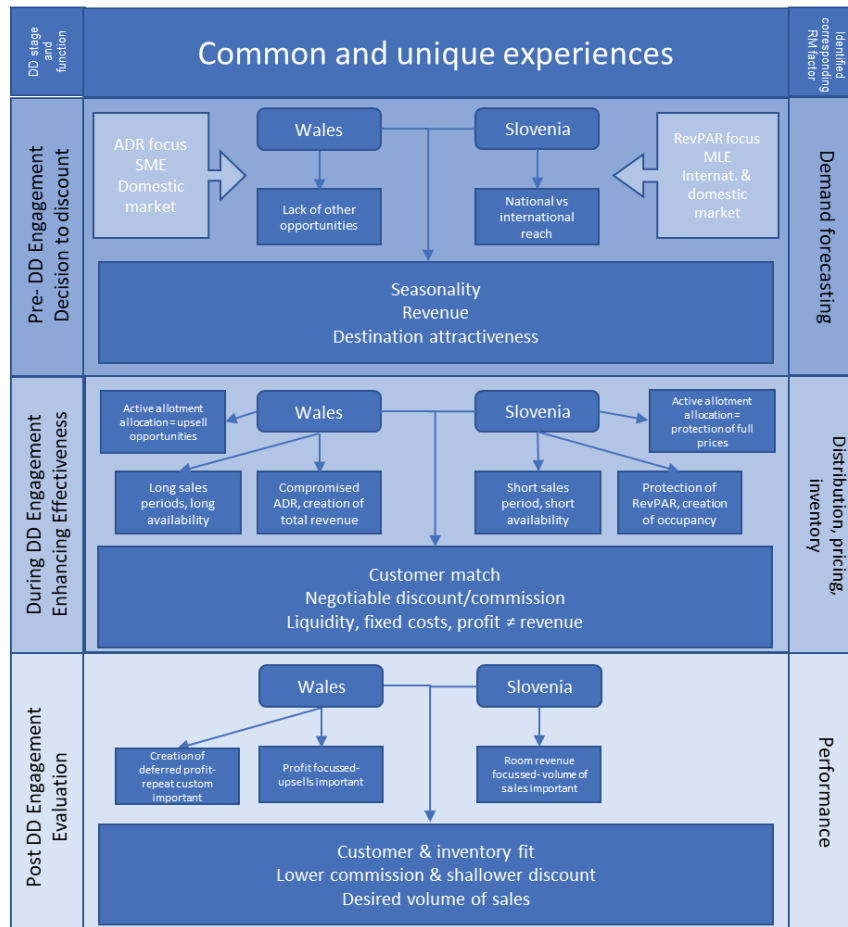
Source: (Authors)

3.1. Discounting and engaging with DDs (pre-DD engagement)

Findings show that in both countries, the evaluation of DDs as a part of RM depends upon the context of the initial engagement and the circumstances of its continuation, as depicted in Figure 1. The initial key motivators were driving decisions regarding RM activities, with demand forecasting embedded at the heart of the decision-making process. Results suggest there are five unique components governing decision-making processes: seasonality, revenue generation, exposure, limited options and national vs international reach. The first three were uniformly highlighted within both countries, while the latter two differed. Despite all five being distinct reasons for DD engagement, the hotels reported multiple combinations of all five as underlying factors. This supported the findings of previous research (Berezina et al., 2016) noting that DDs are channels with a dual purpose: marketing and distribution.

Seasonality emerged as one of the key aspects when considering demand forecasting and the possibility of DDs. Both yearly offseason and slow weekdays triggered consideration of a DD. All participants agreed that DDs during a low season are a '*necessary evil*' (R10), whereby no other channel seems to be as successful in bringing in customers during that time. Should they not suffer from seasonality, they would not run DDs. In the early days, most properties ran DDs on an ad-hoc basis; currently, they are treated as a part of a regular RM strategy to counteract seasonality, where the deal is scheduled in advance. This is in line with well-established principles of advance selling, whereby its use reduces uncertainty and demand variability (Tang et al., 2014; Piccoli & Dev, 2012) as it '*mitigates the effects of big, long-term pre-sold group cancellations*' (R5)'.

Seasonality was considered a factor affecting other aspects of demand forecasting, i.e. properties which historically were suffering from lower occupancy in the offseason, run deals to protect profits generated in the high season. Properties, which generally struggled with cash flow or were new to the market (less than 3 years old), used DDs to inject revenue back into the business to meet fixed costs. Those managers underlined the reliance on DDs, despite costs associated with them (e.g. commission, VAT), due to impressions of an almost guaranteed business. R15 noted '*I can't reach the number of people that they can reach*'. Therefore, whilst DDs put the establishments under financial pressure (Boon et al., 2012; Berezina & Semrad,

2015), counterintuitively the risk was considered warranted if no alternatives existed to generate the level of occupancy to break even, or need for cash inflow outweighed the potential long-term loss.

A further consideration was the attractiveness of the destination. Far-off locations which struggle with attracting customers, particularly offseason, use DDs to expose their brands, whilst increasing occupancy: *'We are not city centre so we don't have, you know footfall traffic going by, so we need to bring in people here as a destination'* (R11). While in Slovenia this aided in revenue generation, in Wales, it served as a possible means to create deferred profit. Since Wales relies on domestic tourism, the managers hoped that a combination of exemplary service and attractive prices would create repeat customers who would pay the full price in the future. R10 explained '*we can start to use those customers as our own, or develop them as our own customers'*. This is in line with Talón-Ballestero and González-Serrano's (2013) concept of effective RM, where benefits need to be long- and short-term.

A unique demand forecasting factor to Slovenia was the international and national reach of DDs. Since Slovenia relies on international tourists, the hotels managed demand with global DD brands to attract international visitors, as a far-in-advance selling strategy '*to get good and spending guests from distant markets'* (R1). A short-term occupancy need made the hotels target domestic tourists through local DD providers, *'which we know are not ideal, but make us work even during the week'* (R2). This highlights the inherent flexibility of this channel concerning the tactical use in relation to RM processes. Since the Welsh properties rely on domestic tourism, they do not have two distinct markets to target. Most of the respondents declared that they saw no other means of dealing with perishable room stock than to sell via the DD, as they were most likely to bring the desired sales level. R9 explained *' [h]aven't we done them we probably wouldn't be here'*. This points to overdependence on DD websites and limited options particularly in the off-season.

3.2. Enhancing DDs' effectiveness (during DD engagement)

The results suggest that the perception of success differs based on the goals originally set out and the type of DD websites used. Thus, from a RM perspective, DD channels can enhance or curtail the ability to meet the RM goals by either supporting value or occupancy-led sales. Primarily this was due to different DD websites tapping into different socioeconomic groups, with varied spending power and price sensitivity. Since RM focuses on total revenues generated as opposed to room revenues alone (Anderson & Xie, 2010), consideration of additional spending per guest is particularly important to ensure the effectiveness of the DDs. Since some of these websites are highly effective in bringing customer volumes, the cost of the deal (i.e. combination of commission and discount, taxation implications) often means break-even or loss, particularly for smaller hotels, with R8 underlining *'not only do you have to offer a discounted product, which you then have to pay commission on that discounted product as well. So it's expensive'*. Other websites sold fewer deals but with higher spending in-house during the stay, yielding profit through additional sales. This is in line with Budler et al. (2019) study, in which niche and generic DDs websites were identified to offer unique but distinct value to stakeholders. Overall, most of the respondents in both countries considered that DDs drive up revenue but not profits. Equally, they are efficient in generating cash flow aiding in short-term business liquidity.

Further uniformly highlighted aspect of distribution channel management relates to the ability to negotiate commissions and discounts. DD websites which allowed to increase prices and offered more open relationships with hoteliers and lower commission rates, were likely to see repeat promotions from these properties. It was highlighted that whilst all OTAs affect profitability and revenues, only DDs operate on a combination of commission and discount, thus affecting the ability to generate profit and revenue, meaning that the ability to negotiate the best possible terms of sales is important when managing the DD channels.

Two further themes were identified when considering RM strategies to enhance the possibility of meeting the goals of DD. One was concerned with the creation of value through addressing the pricing aspect of RM while the second related to the inventory optimisations aspect. When considering DDs from a pricing perspective, it is not the price *per se* which is important, but the creation of a customer value. Initially, when the DDs were introduced in Wales, the pricing approach comprised multi-component packages to build an impression of better value, such as food, beverages and experiences. It was a general agreement that this approach was necessary to drive sales. This evolved to allow for additional sales to happen, thus driving revenue through other departments at a cost of ADR. It was reasoned that bundle offers were costing the hotels a commission on every item, not on the room rate alone, which directly affected the property-wide revenues. While the fixed cost of a bedroom is relatively stable, the gross profit related to food and beverage is far more difficult to control. Thus, DDs evolved to be structured in line with property-wide RM practices (Anderson & Xie, 2010).

Slovenian respondents noted a need to differentiate themselves from competitors, making the customers' perceived value a necessity. Therefore, inclusions are far more important to drive sales than upselling contributions towards revenue. '*Guests love the free entrance to the sauna instead of paying 15 EUR for each visit'* (R4). The difference in the approaches may be explained by the distribution of revenue centres in the hotels, i.e. whilst Welsh properties are mostly SME, Slovenian ones tend to be bigger. Thus, the revenue generation from auxiliary spending on non-room-related items will be more important in Wales when considered as a total contribution to revenue. Those properties typically would not use RevPAR as a benchmark of performance due to greater diversity of bedroom types and prices than in larger properties, making RevPAR an inaccurate measure (Anderson & Xie, 2010). Slovenian properties drive revenue predominantly through room sales (Mitrovič, 2019), thus, aiming to protect RevPAR by creating a volume of sales at the cost of other departments' profitability.

Inventory optimisation involved selling periods, booking windows and allotment allocations. The Welsh properties had longer booking windows, typically the maximum period allowed by the DD contract, e.g. three months. Initially, hoteliers were not allocating a fixed contingent of rooms to DDs, filling the hotels with discounted business. Over time, hotels became proactive by letting only a proportion of rooms to DDs. Slovenian hotels set specifically designated time frames, in which guests could stay, and the lead period differs by market segment - last-minute for domestic and advance for international markets. The booking window is also closely managed, the deal being available to purchase for a limited period, creating an aura of urgency *'especially while filling in the rooms after cancellations on a short-term basis'* (R2). Conversely, the Welsh properties advertised on websites for a far longer time. A further tactic developed by some hotels was the sale of specific room types only. In Wales, the inclusion of standard rooms created an opportunity to upsell an upgrade, thus contributing to revenue generation; in Slovenia, allocating only a proportion of allotment to DDs allowed for full-price sales of more expensive rooms. Thus, the findings directly contradict Sheinbaum et al. (2019) who noted that purchase restrictions can drive non-redemption of the deal; yet within the context of this study purchase restrictions are an integral part of the RM process designed to safeguard profits and drive additional sales.

The respondents with experience of letting out long periods to DDs highlight the dangers of such a tactic. The hotels filled up with discounted business on dates that could have been otherwise sold at a higher price, such as weekends, instead of where the hotels needed them, such as midweek. Therefore, the management of terms and conditions, i.e. date exclusions, additional payments or increased rates for selected dates, was highlighted as a core activity linked to inventory management (Ivanov, 2014).

3.3. Performance evaluation (post-DD engagement)

All hotels devised unique methods of post-DD performance evaluation. Key measures of the DDs' success identified are the combination of revenue-affecting factors, such as discount and commission, overall- and upsell-related revenue and profit, and non-revenue-related factors, such as the success of addressing problems with perishable inventory. Therefore, from RM perspective the use of DDs is often evaluated in line with the organisational goals (O'Connor & Frew, 2004).

For Slovenian hotels, room revenue generated by DDs was the most important indicator for the DDs' success: *'it's all about the number of rooms we manage to sell really fast without much work by our sales team as the daily deal websites do the sales for us'* (R7). This is not only caused by the RevPAR focus but also by the relatively low percentage of sales that the DDs contribute to over the entire season. Whilst any additional sales would be an added benefit, the consensus was that upsell-related revenue was not a key measure of success. The measure of success included negotiation of the lowest possible commission rates and the ability to set variable DD prices in line with the hotels' long- or short-term needs. Thus, the frequent price changes were not perceived as affecting consumer choices (Swait & Erdem, 2022) nor affecting the reference price (Mejia et al., 2013). Welsh hoteliers overtly stated that the upsells often made the deal profitable. R11 explained *'[upsells] are critical. You can double your revenues easily with good incremental spends and correct upselling'*. The overall focus was on profit over room-related revenue, alongside costs beyond commission, such as commission-related VAT, staff cost and other increased variable costs. This difference can be explained by the overall percentage of sales that DDs represented in each case, with Slovenian hotels relying less on DDs than Welsh ones.

Another unique Welsh measure of DDs' was the deferred profit created through repeat custom. Due to the international nature of sales in Slovenia, repeat purchase was not a goal of DD and thus it would not constitute a key measure. Welsh hoteliers expressed a deep disappointment with DD customers' return, noting them to be deal-prone, price-conscious and brand-loyal to DD website rather than the hotel, confirming findings by Berezina (2014) and Krasnova et al. (2013).

In line with the literature (e.g. Piccoli & Dev, 2012) the ability to bring the required volume of customers was an important measure for both case study areas. Although Slovenian properties provided a substantially smaller room share to DDs, this measure of success was nonetheless important, as hotels aimed to protect the revenues generated in high season, i.e. *'we never do the local DDs in summers'* (R5). Since Welsh hotels face limited options, the ability to bring volumes of customers who would generate much-needed upsells was vital. Some properties, both in Wales and Slovenia, noted dwindling sales between the first and subsequent deals, suggesting shallow reach to new customers.

Bringing in the right volume of customers at the right time was also considered a measure of success, in line with Yang et al. (2016), with one of the Welsh participants noting a shift in the customer base where midweek was easier to fill, due to one website targeting a higher proportion of pensioners. Slovenian hoteliers noted that international markets and especially niche DDs websites often bring younger, well-off individuals who are a good fit in terms of desired guest characteristics, pointing to the ability of DDs to expose hotels to new and different customer markets when compared to other third-party channels.

CONCLUSIONS

This research used the lens of RM to investigate the context of DD engagement, effectiveness and evaluation processes for hotels in Slovenia and Wales. This is the first to study the use of daily deals in a European cross-country setting. The findings provide three major theoretical contributions. First, the paper contributes to the RM literature by outlining the benefits and specific aspects of RM which directly concern the use of DDs, thus expanding on Berezina (2014), Cassia et al. (2015) and Berezina and Semrad (2022) and contributing to debates surrounding effective RM practices (Talón-Ballestero & González-Serrano, 2013). As such, this paper provides new and detailed understanding of the DD-led discounting practice and its relation to RM practices. It shows that DDs are particularly valued for supporting occupancy and/or value-led sales, by a mix of advance and last-minute selling tactics, especially from the perspective of generating or safeguarding overall revenue. Second, the paper identifies DD-specific measures of success within the RM process, thus addressing Berezina et al. (2016) observations of lack of DD-specific performance metrics. It shows that the evaluation of success depends on the size, location and typical customer base of the hotel. These factors have not been identified previously and thus enrich the extant RM knowledge. Third, yet a counterintuitive conclusion, this study finds that DDs can be perceived as successful even if they do not generate profit, provided they meet the initial goals set, i.e. tackling the specific need which led to DD discounting. This builds on factors affecting satisfaction with the deals first identified by Piccoli and Dev (2012). This finding therefore challenges the primary goals in the conventional understanding of RM tactics, i.e. of maximising revenue generation, and thus rather resonates with the postulations of complexity theory in the organisational context (McKelvey, 1999), even when RM is in question.

From a managerial perspective, the study shows that to craft a successful DD, the hotels need to be creative with the non-pricing RM tools. Since DDs websites are overtly price-focused, hotels need to focus on other aspects of RM to unlock the DD channel revenue generation potential. As such the managers should strategically align DDs with upsell opportunities across the hotel services, such as room upsells, spa packages or dining experiences, thus creating incremental revenue generation opportunities to compensate for the discounted room rates. The managers are also encouraged to enhance the perception of value by creating high-value bundles which reinforce appeal to the target audience whilst maintaining operational efficiency via advance planning. Allotment management should focus on optimising stock and selling periods to protect the possibility of full-price sales. Booking and specific room restrictions as well as block-out dates are some of the strategies which can aid in inventory management. These practices further strengthen the position of RM as being both a creative and analytic skill, where the precise approach is determined by factors such as property size, market access, the severity of seasonality, and location. The approach to the management of DDs with RM at its core must remain flexible, continuously adapting to the property, customer and market dynamics.

The paper identifies that the reliance of hotels on DDs, or their specific type, will be governed by destination characteristics, i.e. its reliance on international and domestic tourism, or severity of seasonality. Thus, managers of properties operating on a single market should offer longer DDs with fewer items included on top of accommodation, while properties with multiple markets - shorter and more robust ones in terms of inclusions. Further, the research suggests that dedicating a large proportion of room stock to DDs can be beneficial towards revenue, providing the hotels are small, operating within single markets, offering DDs with long booking windows, and engaging in active upselling within the room and non-room revenue streams. In these cases, performance management should focus on the total revenue generated. Larger, multi-market properties should adopt a rooms-led revenue approach, i.e. focus on occupancy over auxiliary sales and use DDs to safeguard high-season occupancy rates and profits. These properties should use a plethora of DD channels and tactics, depending on the market of focus, with advance-selling for the international markets and last-minute selling aimed locally.

Further, this paper reveals that DDs' performance evaluation does not focus on the profitability of the single DD promotion, but on a) the type of customers the DD brings, b) customers' proneness to auxiliary expenditure and upsell, and c) the overall revenue generated. For Slovenian properties, which tend to be larger, this would be revenue measured through room sales; for Welsh hotels, which tend to be smaller, this would be through non-room sales. Thus, the hotels need to apply evaluation metrics in line with individual property characteristics.

Whilst the study benefits the industry by providing guidelines on how to improve the key considerations in using this channel, it has several limitations. Since this study was exploratory and qualitative, the results may not be generalisable or extended to other European countries but represent the two case study locations. The respondents, though theoretically sampled, represent their own views, which cannot be attributed to the entire group of both countries' hotel owners and managers. Therefore, in the future, the proposed findings should be further tested on larger samples across other countries. Future studies should also look at how other current phenomena, not elaborated on in this research such as the cost-of-living crises, AI-powered RM tools, wider destination characteristics and staff shortages impact the use of DDs in hotels.

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