Revenue Management

Your Name (First M. Last)

School or Institution Name (University at Place or Town, State)

**Restaurant**

A restaurant is also called an eatery. The etymology of the restaurant can be traced back to the French word, "restorer” meaning to revive and restore. The term was first introduced in 1507 under the name of restorative beverages. It is significant to note that a generalized concept of the restaurant reflects a place where someone can order food, get it packed or eat it there. There are different types of restaurants such as "food category" and style of the offering.

**Scope**

The assumption of the restaurant is a tremendous task taking into account that it requires a large number of efforts, strength, and patience. There are different objectives in this industry such as money and time, which play a crucial role. However, in order to understand the scope of restaurants, it is necessary to understand its major components termed as, resource management, market analysis, location, finances, concept and licensing, along with layout.

**Finances**

It refers to the adjustment of economic resources within the restaurants. It involves all the expenses and sales that a restaurant makes.

**Resource Management**

It refers to the analysis of resources to be incorporated such as materials, staff, machinery, and other resources.

**Location**

It highlights the avenues, accessibility and the analysis of locality in terms of competitors and other premises.

**Market analysis**

It asserts the price of the product, its demand in the market, and the consideration of publicity, advertising, and other promotion plans.

**Concepts**

It signifies the underlying themes such as the type of food and serving style. Both are deciding factor how far a restaurant is going to meet the demands of customers.

**Licensing**

It asserts the legalization process such as the issuance of trademark, registration and the clearances involving legal and political departments (Guillet, et al., 2019).

**Layout**

Layout refers to the infrastructure and other in-house facilities that can attract the public.

**Business model**

 The business model of the restaurant is a plan that can facilitate the creation of a profitable business. Restaurants business model includes unique value positions. It refers to “what restaurant offers customers”. Startup costs and projections refer to future expenses and revenues. It is one of the particular elements of the business model that host the expenses.

**Main markets**

There are several major markets of restaurants. All these play a major role in contributing to the success of restaurants.

**Demographics**

It refers to the analysis of certain features of population segments such as shared characteristics, religion, age, race, education, and certain geographical locations. Demographics involves implementing such plans that can facilitate a large number of population (Jiang, et al., 2018).

**Behavior**

It refers to the analysis of population segment in terms of the behavior of customers. It includes the habit of target population such as buying habits, spending habits, hobbies, and digital behaviors.

**Psychographics**

It is the classification of people in accordance with their values, attitudes, and aspirations (Kimes, et al., 2016).

**Submarkets**

 There are two submarkets in the restaurant industry, termed as independent and regional restaurants. Independent restaurants refer to those restaurants that are owned by the small group of individuals. In this section, the restaurant is owned by a single entity or a handful of people (Guillet, 2015). Another section is regional restaurants, referring to the chain of restaurants accompanied by a collection of people who are working for it. It is significant to note that regional restaurants done have a nationality lineage. Such restaurants have a particular thing in commonly treated as their source of identity in a particular state or country.

**Evolution and nature of competition**

With the advancement of time, people started outing and found a homelike environment in restaurants. Demands of people also increased with increasing numbers of restaurants. The restaurant industry is highly competitive (Zeng, et al., 2016). Demographics and surrounding restaurant define the nature of competition but mostly competition depends on trends, reputation, location, quality of service and parking, etc.

**Inventory approaches**

Inventory of a restaurant consists of the items or material that is needed for preparing dishes. This system of inventory management helps the management in tracking each ingredient that has been used in a dish. Success in inventory management will reflect progress regarding revenue.

**Pricing conventions**

It is about the price of services and food that used to be provided to the client. It could be seen that like all other restaurants, the price remained a concern for George restaurant as well (De Vries, et al., 2018). Menu cost great effects on the reputation of a restaurant.

**Characteristics related to revenue management principles**

Revenue management is the somewhat controversial word in the hospitality industry, especially in restaurants field. It is simply a technique through which optimize income revenue from an inventory that is fixed yet perishable (Josephi, et al., 2016). It could be seen that revenue management is all about selling the right product to the right client at the right time in the right amount through a right channel (Vieveen, et al., 2018). So it could be said that characteristics that related to principles are forecasting, monitoring, controlling and optimizing services being provided in the restaurant (George restaurant).

**Revenue management principles applied in George restaurant**

Following are the revenue management principles that George restaurant applies practically

* Segmentation of market
* Past demands and patterns of setting price
* Allocating inventories
* Enter sales estimation
* Complete department budgets
* Menu management
* Management of pricing
* Increasing sales focus on decreasing costs.

**Challenges and limitations relevant to revenue management**

There are numbers of challenges or limitations that a restaurant has to face, especially George restaurant is facing the following challenges:

* It has been seen that restaurants despite expressing strong interest in the implementation of restaurant revenue management (RRM) is facing major problem in integration of management system.
* Mistakes and flaws in the internal infrastructure of a restaurant are something that could be a threatening challenge for a restaurant (Schaarschmidt, et al., 2017). If the internal infrastructure of the restaurant would be considered as one of the main pillars of the restaurant's framework, then focus must be brought on the revenue management to make positive changes.
* It has been seen that there used to be no or less synchronizing in tools and decisions that have been taken by revenue management (Wang, et al., 2015).
* The internal culture of the restaurant could serve as the biggest challenge that may not favor and efficiently serve customers of other cultures. Therefore, there should be no impact of internal as well as the external cultureon working of the restaurant so that it won’t disturb revenue management.
* Another major challenge could be meeting the expectations of people like this fact cannot be denied that if a restaurant wants to earn a good reputation along with having skilled management of revenue than it must have to take care of people (its customers). Satisfying people even with their ever-changing demands would be a great challenge for revenue management to achieve its set goals (Etemad-Sajadi, et al., 2018).

**Future directions about revenue management**

This fact cannot be denied that in the restaurant (hospitality industry) revenue management means selling the right seat to the right customer at the right time and in right time duration. Restaurants used to have long required a deposit for special occasions and events such as it could be seen that people used to reserve their table for New Year’s Eve or Mother’s day, although this practice meets customer’s resistance during times of low demands (Gregorash, et al., 2016). Deposit serves as a surety that customer is not going to cancel his plan. If the customers are going to cancel their reservation at the last moment it would cast negative impacts on the overall revenue management system of the restaurant. George Restaurant should call its customers and give them a reminder that would be a more service-oriented method for reducing no show to any cancellation. Management could call their customers in order to reconfirm about their reservation. This approach gives the customer a chance if he wanted to cancel his reservation (Miao, et al., 2018). This confirmation call could save a lot of money before start making preparations. For making this approach successful customers should be offset by increased revenue that is associated with a reduction in no show.

**Suggestions for additional revenue approaches**

There are many strategies that revenue management business allows itself to adapt. A data-driven approach helps it in deciding on which basis things services should be offered. Applying new and suitable approaches help in increasing the revenue through changes little way of promoting their service while the same services are provided as before**.**

**Limitation and downsizing:**

It has been seen that for maintaining system of revenue management of any restaurant, HR plays an effective role as they starts downsizing if it faces any financial issue, i.e. it could be seen that George restaurant, start downsizing of its employees when they go through a hard time and need to save more and more (Barton, et al., 2016). Downsizing is also a way of selecting the best out of best employees. Making an estimation of salaries of employees is also a part of revenue management as sales and salaries are the main areas of focus of revenue management in the restaurant industry (Marteau, et al., 2015). So as a whole it could be said that restaurant is an area of the hospitality industry that focuses on keeping its customer's happy increasing efficiency of its revenue management.

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