



Electronic Distribution Channels' Effect on Hotel Revenue Management

[Sunmee Choi](#) and [Sheryl E. Kimes](#) [View all authors and affiliations](#)[Volume 43, Issue 3](#) | <https://doi.org/10.1177/0010880402433002>

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The emergence of internet-enabled distribution channels has created both opportunities for and challenges to hotels' revenue-management practices. The potential to reduce distribution costs using internet channels has made hotel managers more conscious of the need to maximize contributions to gross profit (revenue less distribution costs) rather than just the revenue obtained from a given room sale. In addition to considering rate and timing of sales, hotel managers must evaluate the effects of distribution-channel management on their current revenue-management practices and determine how to benefit from it.

Although the potential benefit associated with revenue management of distribution channels has been discussed,¹ no study has been conducted to measure this notion. In this study, we extended commonly used revenue-management forecasting and optimization methods to consider the effects of distribution channels and used a computer simulation to test the performance of the extended models.

Problem Overview

Revenue management is the business practice of selling the right inventory to the right customer for the right price at the

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¹ See: A. Boyd, "Inventory Distribution Channel and the Practice of Revenue Management"; and V. Viswanathan, "E-Commerce and Its Evolution in the Airline Industry," papers presented at the 2000 International Revenue Management Conference, Atlanta, GA.

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