DOI: https://doi.org/10.4038/ijcbr.v3i2.22
International Journal of Contemporary Business Research
Volume 3, Issue 2_2024

Analyzing the Effectiveness of Revenue Management Techniques for Maximizing Revenue in Casual Dining Restaurants

Aththanayake R.D.K.G[1], Karunarathne A.C.I.D[2], Narampanawa I.S.[3]

Department of Tourism Studies, Uva Wellassa University, Badulla[1]

Senior Lecturer, Department of Tourism Studies, Uva Wellassa University, Badulla[2]

Lecturer, Department of Tourism Studies, Uva Wellassa University, Badulla[3]

hte19019@std.uwu.ac.lk[1], chandi@uwu.ac.lk[2], samindinarampanawa@gmail.com[3]

Abstract

Revenue management represents a pivotal strategy for restaurants, involving the strategic calibration of pricing, demand, and capacity utilization to optimize profitability. This study seeks to address the empirical void surrounding revenue management strategies and their impact on revenue optimization. Specifically, it aims to delineate the challenges, opportunities, and effective methodologies for refining revenue management in casual dining establishments. Employing a quantitative research design, the study utilizes questionnaires as the primary data collection tool. The sample comprises casual dining restaurants with a seating capacity of twenty or more, (because smaller restaurants typically do not practice RM practices regularly) with a sample size of 191 determined using the Krejcie and Morgan Table. Hence data were collected from the above-mentioned restaurants category from Badulla district especially Ella, Bandarawela, Badulla, Mahiyanagana, Haputhale, Beragala & Welimada areas. The data were analyzed using SPSS software to assess the influence of various revenue management strategies on revenue optimization, while also identifying the most salient strategies. Additionally, Smart-PLS software was leveraged to explore the critical factors that affect revenue optimization, offering profound insights into the interplay between strategic initiatives and financial outcomes. The findings underscore the paramount importance of a data-driven approach to revenue optimization within the casual dining sector. Both the analytical results and corroborating prior research highlight the significant role of both pricing and non-pricing strategies in optimizing revenue, with pricing strategies demonstrating a more substantial impact than non-pricing tactics such as overbooking and capacity management. These results not only enrich the academic discourse on revenue management but also provide actionable insights for restaurant managers, enabling them to leverage these strategies to maximize revenue generation more effectively.

Keywords*: Revenue Management, Revenue Optimization, Casual Dining Restaurants, Pricing Strategies, Non-Pricing Strategies.*

1. Introduction

Casual dining restaurants occupy a unique niche within the broader restaurant industry, balancing affordability and quality with a more relaxed atmosphere. Understanding how casual dining differs from other types of restaurants, such as fast food, fine dining, or fast-casual, helps to appreciate its place in the dining out experience.

Casual dining restaurants typically feature a comfortable, unpretentious setting, offering a relaxed dining experience. The décor is often themed or designed to create a cozy atmosphere, making it a good spot for social gatherings, families, and group dining. These restaurants generally offer full table service, meaning that waitstaff take orders, serve food, and handle customer needs during the meal. This sets them apart from fast food establishments, where customers typically order at a counter or drive-The menu at casual dining restaurants tends to be diverse, offering a variety of dishes that cater to different tastes. This includes popular items like burgers, steaks, pasta, and salads, with options for both lighter and heavier meals. The menu often features a mix of traditional and contemporary. Casual dining is generally more affordable than fine dining, but it costs more than fast food. The price range varies, but it typically falls in the mid-range, making it accessible for most people while still offering a more elevated experience than fast food chains. These restaurants attract a wide range of customers, from families to groups of friends to couples, and cater to both casual and special occasions. The ambiance and pricing make them suitable for dining out without the formalities and high cost associated with fine dining.

Differences from Other Types of Restaurants:

Fast food chains like McDonald's or Wendy's focus on quick service and affordability, often offering a limited menu focused on burgers, fries, and similar items. Customers order at a counter or through a drive-thru, and the dining experience is typically much faster and less personalized compared to casual dining. Fast food also has a more utilitarian and less comfortable setting, emphasizing convenience over atmosphere. Fine dining establishments offer a highly formal, upscale experience with a focus on top-quality ingredients, expertly prepared dishes, and exceptional service. The ambiance is often elegant, with professional waitstaff and an extensive wine list. Fine dining restaurants are significantly more expensive than casual dining and typically cater to special occasions, with a strong emphasis on the dining experience as an event rather than just a meal. Fast-casual chains like Chipotle or Panera Bread offer higher-quality food than fast food, but they differ from casual dining in that they typically involve counter service rather than table service. The food is often fresher and healthier, but the atmosphere is still more laid-back and less formal than casual dining. Fast-casual restaurants also tend to have a faster turnover and may not provide the same level of personal service as casual dining. The tourism industry has become a significant dynamic income-generating source for Sri Lanka’s economy

by generating 388,487 of total employment including both direct and indirect. It is the 3rd largest foreign income generator which contributes 4.9% to the GDP of the country's economy (SLTDA, 2019). The implementation of revenue management strategies in the hospitality sector, particularly in casual dining restaurants, is crucial for maximizing profitability and optimizing revenue. Sustained success in the Badulla District of Sri Lanka, where informal consumption of restaurants serves a diversified customer, depends on comprehending and putting into practice effective revenue management tactics. Many casual dining restaurants that attract both domestic and international travelers can be found in the Badulla District, which is well-known for its rich cultural diversity and varied gastronomic experiences. As a result of seasonal variations, visitor influxes, and local consumer behavior, these restaurants operate in a dynamic market where customized revenue management strategies are necessary to maintain competitive pricing, effective resource allocation, and improved customer satisfaction. The introduction should frame the study in a larger context and emphasize why it is important. It should state the aim and significance of the research.

The researcher has chosen Badulla District`s casual dining restaurants as the sample. The reasons are,

Badulla, a district in Sri Lanka, is known for its scenic beauty, including attractions like the Ella Rock, Diyaluma Falls, and the Nine Arches Bridge etc. These sites draw both local and international tourists. Previous studies have shown that tourism directly influences dining behaviors (Sri Lanka Tourism Development Authority, 2020). With the growth of the tourism sector, the demand for dining options, particularly casual dining, increases as tourists seek comfortable yet affordable dining experiences. According to a study by (Fernando, 2018) on Sri Lanka's tourism industry, the development of tourism in areas like Badulla has contributed to a rise in demand for casual dining options that cater to both tourists and locals. This indicates a growing market for casual dining restaurants.

Badulla is located in the Uva Province, which has seen significant growth in its hospitality sector. The province has become increasingly attractive to investors in the food and beverage industry. Research by (Wickramasinghe,2019) highlights that areas with growing tourism and middle-income populations experience an expansion in the number of restaurants, including casual dining establishments, to cater to the rising demand.

Example: According to (Wickramasinghe ,2019), the Uva Province, which includes Badulla, has experienced a steady increase in the number of hospitality businesses, including casual dining establishments, due to the region's increasing appeal as a tourist destination.

The trend toward casual dining has been growing in Sri Lanka, especially in areas with a mix of locals and tourists. Research by (Perera & Jayasinghe ,2021) emphasizes that with the shift in consumer behavior towards more relaxed dining experiences, casual dining has emerged as the most popular choice for both domestic and international consumers in the post-pandemic era.

Example: A study by (Perera & Jayasinghe, 2021) found that casual dining restaurants are increasingly in demand in regions where there is a combination of both urban and rural populations, such as in Badulla, where locals and tourists alike prefer informal dining settings over more expensive or formal options.

Badulla's population consists of a diverse mix of urban and rural residents, as well as a significant number of tourists.

According to the (Census of Population and Housing ,2011), the district has a young population, with a rising middle class. The increase in disposable income and shifting lifestyle preferences contributes to the growth in demand for casual dining options.

Example: Research by (De Silva,2020) indicates that middle-class consumers in Sri Lanka, including those in Badulla, are increasingly opting for affordable yet quality dining experiences. This demographic shift supports the growth of the casual dining segment.

Badulla has seen improvements in transportation infrastructure in recent years, making it more accessible to both domestic and international tourists. With enhanced road networks, the district is now more connected to key cities like Colombo, Kandy, and Nuwara Eliya, further boosting its appeal as a tourist destination.

Example: A report by (Sri Lanka's Ministry of Tourism ,2019) highlighted that improvements in infrastructure in regions like Badulla have contributed to a rise in tourism and, subsequently, an increased demand for food and beverage services, particularly casual dining.

Despite the growing interest in casual dining in Sri Lanka, limited research has been conducted on this sector within specific districts like Badulla. By choosing Badulla for your research, you can fill this gap in the literature, contributing to the understanding of local dining trends in emerging tourism destinations.

Example: While studies such as (Perera, 2017) and (Gunaratne ,2018) have looked at casual dining trends in larger cities like Colombo, there is a lack of region-specific studies focusing on smaller tourist destinations like Badulla. Your research would provide valuable insights into how tourism and local preferences intersect in the casual dining sector.

While numerous studies have investigated revenue management strategies in the restaurant industry, there remains a dearth of research focusing on casual dining establishments in smaller districts. Studies that delve deeper into the nuances of revenue management in these contexts are crucial to provide actionable insights for restaurant owners and managers. (Perera & Silva, 2016) Existing literature predominantly emphasizes revenue management in fine dining or fast-food restaurants, overlooking the unique challenges faced by casual dining establishments. Research that examines the effectiveness

of revenue management strategies in casual dining restaurants, particularly in regions like Badulla District, is warranted to fill this gap. (Fernando & De Silva, 2012). Accordingly, this study examined the factors that influence on implementing revenue management strategies, while analyzing its impact and identifying the most significant revenue management strategy for Micro Small & Medium Enterprises (MSME) level casual dining restaurants.

2. Literature Review

2.1 The Role of Revenue Management in Optimizing Profitability

Revenue management plays a crucial function in optimizing profitability for organizations in the hospitality industry (Kimes & Wirtz, 2003). By adopting data-driven decision-making processes, organizations may align pricing strategies with market demand, customer preferences, and competitive landscapes. This dynamic strategy allows firms to optimize revenue, enhance operational efficiency, and improve overall profitability (Kimes & Wirtz, 2003).

2.2 Revenue Management Strategies

2.2.1 Pricing Strategies

Among various pricing strategies Dynamic Pricing act as a complex pricing approach characterized by the real-time change of prices in reaction to multiple factors such as demand, competition, and market conditions (Wang, 2018). The core ideas underpinning dynamic pricing strive to optimize revenue by aligning prices with the perceived value of goods or services at any given instant. This method needs continual monitoring and analysis, allowing organizations to modify prices dynamically and strategically (Ryzhkova et al., 2019). Moreover, Organizations utilize Demand-depending Pricing, as it is a strategic technique that involves determining prices depending on the amount of demand for a product or service. This pricing technique tries to capitalize on peak demand periods, ensuring that prices coincide with the perceived value of the product or service during high-traffic hours (Chiang et al., 2018). By closely connecting pricing to swings in demand, organizations utilizing this method strive to optimize revenue and capture market value effectively. On the other hand, cost-based pricing is identified as a pricing approach that involves determining prices based on the production or operational costs incurred by a business, ensuring that prices cover expenses and add to total profitability (Hansen et al., 2017). This strategy usually includes the evaluation of variable costs, fixed costs, and targeted profit margins to establish the final pricing of a product or service.

2.2.2 Non-Pricing Strategies

To manage the revenue of an organization, pricing strategies should be effectively utilized along with the non-pricing strategies. Capacity Management can be identified as one strategy focused on optimizing the use of current resources, whether seating, rooms, or services, to fulfill demand without compromising quality or customer happiness (Kimes, 2004). The essential value of capacity

management is in its ability to ensure that firms can successfully handle fluctuations in demand while maintaining operational excellence (Bititci et al., 2018). By matching existing resources with shifting levels of demand, firms can boost overall efficiency and profitability. Overbooking is a crucial scenario that hotels or restaurants would avoid, nevertheless overbooking can be adopted as a strategic method to avoid the losses gained from sudden cancelations of reservations. In such a scenario, organizations accept more reservations or bookings than the available capacity, understanding that a certain percentage of clients may not show up. This method is founded on statistical probability and depends on historical data and predictive modeling to forecast the chance of no-shows or cancellations (Ryzin, 2015).

2.3 Revenue Optimization

2.3.1 Reservation and Occupancy Rate

The link between reservations and occupancy is a fundamental part of good revenue management in the hospitality company. Reservations indicate promises made by clients to employ a service or book a room at a given time, while occupancy rate monitors the actual utilization of available resources, such as hotel rooms or restaurant seating (Wang et al., 2018). Understanding this link requires aligning reservation data with the actual occupancy reached, delivering significant insights into customer behaviour, demand patterns, and the success of pricing and marketing efforts (Wang et al., 2018).

2.3.2 Menu Item Sales Mix

Menu engineering plays a vital role in revenue optimization for organizations in the hospitality industry, especially in casual dining places. It includes a strategic review of the menu to uncover high-profit and popular products, ultimately impacting pricing, promotion, and placement (Kasavana & Smith, 2018). Understanding the sales mix, or the proportion of different menu items sold, is vital. By categorizing items depending on their profitability and attractiveness, organizations can execute focused methods to maximize income. This research informs options on pricing adjustments, promotions, and menu redesign to boost total profitability (Kasavana & Smith, 2018).

2.3.3 Average Revenue Per Customer

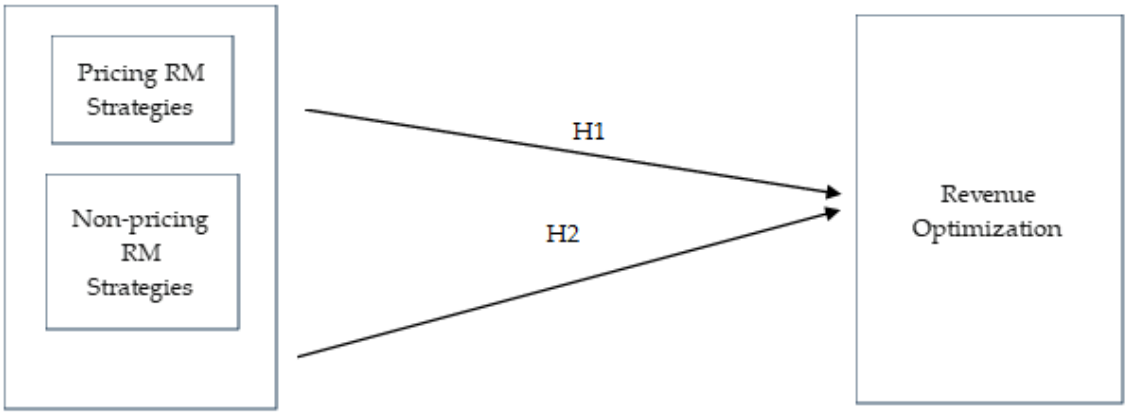
Average Revenue Per Customer (ARPC) is a crucial indicator in revenue management for organizations in the hospitality industry. ARPC provides useful insights into the typical spending behaviour of individual customers, delivering a full view of revenue generation (Nguyen & Hu, 2019). Understanding ARPC helps firms to segment 22 their client base, discover high-value consumers, and customize marketing and pricing tactics to optimize income streams. This statistic is crucial in analysing the efficacy of upselling, cross-selling, and loyalty programs, delivering actionable data for strategic decision-making (Nguyen & Hu, 2019).

2.4 Casual Dining Restaurants

The casual dining sector in the hospitality market offers a different dining experience that sits between fast food and gourmet dining. Casual dining restaurants offer a casual ambiance, table service, and a variety menu, making them attractive alternatives for a broad 23 client base (Meneses et al., 2017). This sector is typified by a welcoming ambiance, fair price, and a focus on offering a good dining experience for families, friends, and people alike. Examples include huge chain restaurants and local establishments that offer a balance between convenience and a comfortable dining experience base (Meneses et al., 2017).

3. Conceptual Framework & Hypothesis

Figure 16 Conceptual framework



Source: Developed by the researcher based on the literature

3.1 Hypothesis

H1: The Pricing Strategies of Restaurant Revenue Management significantly impact on Revenue Optimization in Casual Dining Restaurants.

This hypothesis tests whether different pricing strategies (such as dynamic pricing, discount offers, product bundle pricing, etc.) can significantly influence the revenue generated by casual dining restaurants.

H2: The Non-Pricing Strategies of Restaurant Revenue Management significantly impact Revenue Optimization in Casual Dining Restaurants.

This hypothesis investigates the impact of non-pricing strategies (such as capacity management, overbookings, menu design, and customer service improvements) on revenue optimization in casual dining restaurants.

4. Methodology

This research study utilized a quantitative research approach to identify how revenue management strategies impact revenue optimization in casual dining restaurants. The study consisted of six independent variables and three dependent variables and was based on primary data collected through a survey. The data-gathering instrument was a self-administered questionnaire, and the data were transferred from the questionnaire to the survey for analysis. SmartPLS was used for statistical analysis. The unit of analysis was the owner or manager involved in revenue management in casual dining restaurants. The population consisted of casual dining restaurant owners or managers in the Badulla district, specifically those with restaurants that have a seating capacity of 20 or more. The restaurant data was collected through the data sheet received through the Uva Provincial Tourism Ministry. According to that there were around 382 Casual Dining Restaurants with above mentioned seating category. According to the Morgan table (or Sample Size Table), if population size is 384, the appropriate sample size for a 95% confidence level with a 5% margin of error is

- Sample Size = 191

This means, for a population of 384, a sample size of 191 is typically recommended for accurate and reliable results.

Hence, A total of 191 casual dining restaurants in the Badulla district were considered for this study. The researcher used a convenience sampling method, selecting respondents who were conveniently available to answer the questions.

The primary data was collected through a structured questionnaire specially designed for this study, consisting of three sections. The first part included questions related to demographic information such as gender, age, education level, and years of experience, providing a simple overview of the sample. The second part included questions related to the dimensions of revenue management strategies, covering both pricing and non-pricing strategies. These questions were created based on a five-point Likert scale to assess knowledge about revenue management strategies. The third part of the questionnaire consisted of questions related to revenue optimization. The reliability of the measurement instrument was evaluated using Cronbach's Alpha Test, which assesses how consistently the items within the instrument measure the same underlying construct.

5. Data Analysis Method

All the research outcomes and conclusions are based on data analysis, and it is the most crucial part of a study (Ibrahim and Ibrahim, 2014). This research utilized the following data analysis methods and tools to analyse the obtained primary data.

Table 44 Data Analysis Approaches

Objective		Analysis Methods and Tools
01	To identify the impact of revenue management strategies on revenue optimization in MSME level casual dining restaurants?	Structured Equation Modelling (SPSS)
02	To identify the most significant revenue management strategies in MSME-level casual dining Restaurants?	Structured Equation Modeling (SPSS)
03	To identify the factors that influence on implementing revenue management strategies in MSME-level casual dining restaurants	Factor Analysis (SMARTPLS)

Source : Developed by the researcher

6. Results

6.1 Reliability Analysis

Table 45 Reliability Analysis

Variable	Cronbach's Alpha
Dynamic Pricing	0.720
Demand Based Pricing	0.726
Cost Based Pricing	0.721
Product Bundle Pricing	0.737
Over Booking	0.794
Capacity Management	0.791

Source : Smart-PLS Data Output from Field Survey Information

Conducting a reliability analysis on the variables related to pricing strategies, overbooking, and capacity management, it was found that Cronbach's Alpha coefficients for each variable were 0.720,0.726,0.721, 0.737 0.794, and 0.791, respectively. These coefficients are indicative of the internal consistency or reliability of the measurement scales utilized for each variable. Generally, Cronbach's Alpha values above 0.70 are considered acceptable for research purposes, suggesting a satisfactory level of internal consistency among the items within each variable. Therefore, based on these results, it can be inferred that the items measuring pricing strategies, overbooking, and capacity management demonstrate adequate reliability, providing confidence in the validity of the constructs being assessed within the context of the study.

6.2 Inferential Analysis

Table 46 Inferential Analysis

Variable	No of Items	KMO	Bartlett's Test (Chi Square Value)	Sig	CR	AVE
Dynamic Pricing	206	0.500	11.129	0.000	0.855	0.664
Demand Based Pricing	206	0.500	12.768	0.006	0.799	0.697
Cost Based Pricing	206	0.500	21.967	0.001	0.842	0.706
Product Bundle Pricing	206	0.500	14.007	0.000	0.873	0.688
Over Booking	206	0.500	42.736	0.000	0.951	0.797
Capacity Management	206	0.500	6.024	0.012	0.820	0.622

Source : 1 Smart-PLS Data Output from Field Survey Information

In conducting inferential analysis on the variables of pricing strategies, overbooking, and capacity management, several key metrics were assessed. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy for all variables was found to be 0.500, indicating a moderate level of sampling

adequacy. Additionally, Bartlett's Test of Sphericity yielded significant results for Dynamic Pricing (Chi-Square Value = 11.129, p = 0.000), Demand Based Pricing (Chi-Square Value = 12.768, p = 0.000), Cost based pricing management (Chi-Square Value = 21.967, p = 0.001), Product Bundle Pricing (Chi-Square Value = 14.007. p= 0.000), Over Booking (Chi Squared Value =42.736, p = 0.000), Capacity Management (Chi Squared Value = 6.024, p = 0.012) suggesting that correlations between items within each variable were sufficiently large for factor analysis to be appropriate. Furthermore, the constructs' composite reliability (CR) values were observed to be 0.855, 0.799,0.842. 0.873, 0.951, and 0.820 for pricing strategies, overbooking, and capacity management, respectively, indicating high internal consistency among the items within each variable. Moreover, the average variance extracted (AVE) values were found to be 0.664,0.697, 0.706, 0.688 0.797, and 0.622 for pricing strategies, overbooking, and capacity management, respectively, suggesting that each variable accounts for a substantial amount of variance in its constituent items. These results collectively indicate that the variables under examination possess satisfactory reliability and validity, thereby providing a solid foundation for further inferential analysis within the study.

6.3 Confirmatory Factor Analysis

Table 47 Confirmatory Factor Analysis

Variable	Determinant (Factor)	Loading
Dynamic Pricing		
DP1	Demand Fluctuations.	0.736
DP2	Competitor Pricing	0.911
DP3	Customer Segmentation	0.745
Demand Based Pricing		
DBP1	Menu item Popularity	0.917
DBP2	Reservation patterns	0.866
DBP3	Peak hours & days	0.893
Cost Based Pricing		
CBP1	Cost of goods sold	0.874
CBP2	Operating expenses	0.819
Product Bundle Pricing		
PBP1	Profit margins	0.743
PBP2	Competitive Benchmarking	0.756

Over Booking		
OB1	Reservation no show	0.701
OB2	Table Turnover Time	0.721
Capacity Management		
CM1	Table Turnover Rate	0.799
CM2	Peak hour utilization	0.787
Reservation & Occupancy Rate		
ROR1	Reservation scale	0.843
ROR2	Occupancy Scale	0.798
Menu Item Sales Mix		
MISM1	Menu item popularity	0.965
MISM2	Sales quantity of each menu	0.889
Average Revenue per Customer		
ARC1	Typical customer spendings	0.832

Source : Smart-PLS Data Output from Field Survey Information

According to the results of the analysis, the Table shows all the outer loadings of constructs are positive and no negative values to reduce the quality of the study. All the outer loading values are also higher than 0.7 which means all the factors are significant.

6.3 Confirmatory Factor Analysis

Table 48 Path Coefficient

	Original sample (O)	**Sample mean (M)**	**Standard deviation (STDEV)**	**T-statistics (|O/STDEV|)**	**P values**
NPS -> RO	0.488	0.488	0.09	5.409	0
PS -> RO	0.142	0.189	0.152	0.932	0.351

Source : Smart-PLS Data Output from Field Survey Information

The path coefficient specifies the direct effect of a latent variable assumed to be a cause on another latent variable assumed to be an effect. The path coefficients are standardized, and the value must be in between -1 and +1. If the calculated coefficients are close to 0, it indicates a weaker link. A good

path coefficient should be at least 0.100 at a significant P value (P value < 0.05) (Hair, Ringle and Sarstedt, 2013).

7. Discussion the Findings

H1 tests whether the Pricing Strategies of Restaurant Revenue Management significantly impact Revenue Optimization in Casual Dining Restaurants. The acceptance or rejection of the hypotheses is done based on the p values. If the p value is less than 0.05, then the hypotheses is accepted, otherwise, it is rejected. The P value of "PS -> RO" is 0.351 and this value is higher than 0.05. Therefore, H1 is not accepted. It can be concluded that the Pricing Strategies of Restaurant Revenue Management do not significantly impact Revenue Optimization in Casual Dining Restaurants. When it comes to casual dining, RRM is all about pricing tactics used to maximize revenue. Our existing literature is a treasure trove of detailed analysis of just how much these tactics can do to optimize revenue. Numerous studies illustrate the beneficial effects of RRM on revenue management and optimization in casual dining. For example, Kimes (2004) claims that dynamic pricing, which modifies prices to pace demand, can generate substantial revenue increases. This technique capitalizes on peak dining periods, advertising discounts during off hours to prompt more dinners and accelerate table turns. Similarly, Pavesic, (2018) argues that menu engineering, encompassing menu analysis and design, as well as demand forecasting through analytics, can significantly enhance revenue management efforts if done tactfully. They reach the conclusion that once restaurants become knowledgeable about customer preferences and behavior, they can adapt their menu fares and prices to optimize profits (Cross et al. 2009).

Additionally, Wang, (2018) conducted a study which supports these findings. The study showed that RRM practices such as reservation management system and demand-based pricing for tables and menu items significantly increase resource efficiency and customer satisfaction by allowing restaurants to better accommodate more customers while keeping them longer with better dining experience in the restaurants ultimately resulting in higher revenues.

Nevertheless, there is disagreement about the chance of success of revenue management systems. People against the tactics used in revenue management claim that the revenues gained through pricing strategies can ignore customer contentment and experience. Ghose et al., (2019) argue that customer dissatisfaction may stem from aggressive and frequent price variations that hotels and restaurants may implement. In fact, customers in the casual dining sector look more for transparency and consistency over exploiting dynamic pricing models because this could lead to a loss of loyal guests. Furthermore, there is a study conducted by Ryzhkova et al., (2019) explaining that even if RRM increases the short-run revenue, it may not always lead to long-term profitability. They mention that simply practicing pricing strategies excessively may result in turning the dining experience and food products into a commoditized item, where meals are completely perceived on prices rather than value. This

deterioration will diminish brand loyalty over time, therefore, transforming into a bad business practice.

H2 tests whether the non-pricing Strategies of Restaurant Revenue Management significantly impact Revenue Optimization in Casual Dining Restaurants. The P value of "NPS -> RO" is 0.000 and this value is less than 0.05. Therefore, H1 is accepted. It can be concluded that the Pricing Strategies of Restaurant Revenue Management significantly impact Revenue Optimization in Casual Dining Restaurants. Non-price tactics have taken center stage in casual dining Restaurant Revenue Management (RRM) in recent years because of their great impact on revenue optimization. These tactics, which go beyond pricing, concentrate on elevating operational processes, customer experience, and demand management.

In addition, it is obvious that they can also continue to take other customers' orders and simultaneously deliver them in the kitchen. Finally, when their customers leave restaurants, waiters can seat new customers at the tables. All these show that the full table turnover is continuously operating, this result will offer higher overall revenue. But, if a situation happens that made reservations left an empty space in restaurants on these days, waiters can make that space available again by taking other guests to this table. Reservations make sure and give confidence to restaurants that they will have generally the same number of customers on the same day at the same time since they know their reservations ahead. Again, if some customers cannot come on their reservation days or at their reservation times, restaurants can sell this opportunity to other customers since they don't have seats available for everyone on all days and all times. Therefore, it is not even considered that waiting takes place in an empty table environment since a new customer must come, to keep the rotation. Another importance of having reservations is told by González et al. (2005). They argued that customers always need and want to know that they eat their meal at "on their table," at "on their reservation time" and no hesitations are met, by "service providers."

Maximizing the table management and layout optimization is contributed. By strategical arrangement of tables and dining times management, the restaurant can serve more guests while increasing overall capacity and turnover rate to increase revenue. In addition, the authors' study has discussed the positive impact of marketing and promotions as a non-pricing strategy on the firm's performance. Their findings show that targeted marketing campaigns or loyalty programs can attract and keep customers resulting to steady revenues growth. Therefore, with prosperous brands and customer loyalty, casual dining restaurants can assure return business and positive word of mouth references.

The significance of staff training and service quality improvement is discussed by Noone and Kimes (2017). By investing in employee training, a better dining experience overall is enabled for customers, this in turn leads to increased customers satisfaction and increased returns. Superior service quality is

the critical differentiator in the competitive casual dining market, where short- and long-term optimization of revenue is essential.

8. Recommendations

Given the significant impact of pricing strategies on revenue optimization, restaurants should adopt dynamic pricing models that respond to demand fluctuations, customer preferences, and competitor pricing. Dynamic pricing strategies offer a potent tool for revenue optimization in casual dining restaurants by aligning prices with demand fluctuations, customer preferences, and competitor actions. This approach entails adjusting prices in real-time based on various factors, including peak times, special events, and market competition. By leveraging customer data and market analysis, restaurants can fine-tune their pricing strategies, making informed decisions that enhance profitability while maintaining customer satisfaction. This proactive pricing model not only boosts revenue but also supports efficient resource management and service delivery, making it an essential strategy for competitive differentiation and financial success in the hospitality industry. While overbooking has a nuanced effect on revenue optimization, managing it effectively can reduce the impact of no-shows and cancellations. As capacity management has shown a positive association with revenue optimization, restaurants should focus on optimizing table mix and layout, reservation management, and customer flow to increase turnover without compromising the dining experience. Enhancing capacity management is crucial for casual dining restaurants aiming to optimize revenue without detracting from the dining experience. Effective capacity management involves strategic planning of table mix and layout, reservation management, and managing customer flow to increase turnover rates. Focusing on customer experience is paramount for casual dining restaurants striving for revenue optimization, as achieving a balance between financial goals and customer satisfaction is essential. Despite the emphasis on strategic pricing, overbooking, and capacity management, the core determinants of customer loyalty and repeat business personalized service, quality food, and a compelling ambiance cannot be overlooked..

9. Future Research Directions

Based on the findings of this study, future research could delve deeper into the long-term impacts of various revenue management strategies on customer satisfaction and loyalty, which may be crucial for sustaining profitability in the casual dining sector. Further investigations could explore how different types of casual dining establishments—such as family-oriented, budget, or premium brands—respond to specific pricing and non-pricing strategies. Comparative studies across geographic regions or countries could also reveal contextual factors that influence the effectiveness of revenue management practices. Additionally, a more granular analysis using advanced machine learning algorithms could offer a more sophisticated approach to predicting demand patterns and optimizing pricing strategies in real-time. Research that integrates customer behavior analytics with revenue management frameworks

could yield further insights into the symbiotic relationship between service delivery, pricing tactics, and revenue generation. Lastly, investigating the role of emerging technologies such as dynamic pricing software, artificial intelligence, and big data analytics in enhancing revenue management would be crucial for understanding how the digital transformation of the restaurant industry impacts profitability in the evolving market landscape. Future research could explore the long-term effects of these strategies on brand loyalty and customer lifetime value, investigate the role of external factors such as economic conditions and technological advancements, and assess the applicability of these findings across different market segments and geographic regions.

10. Conclusion

The descriptive analysis highlighted the average propensity towards more aggressive or proactive practices in these areas, suggesting a general trend among the respondents towards leveraging these strategies for revenue enhancement. Reliability analysis confirmed the internal consistency of the measurements employed, ensuring that the findings are based on robust and reliable data. Inferential analysis, supported by significant p-values, reinforced the appropriateness of the factor analysis used, while the correlation analysis unearthed significant positive correlations among the variables, underscoring the intertwined nature of pricing strategies, overbooking, and capacity management in influencing revenue optimization. The ANOVA and Factor analyses further corroborated these findings, offering a granular understanding of the variables' distribution and impact. Ultimately, the hypothesis validation confirmed that both pricing and non-pricing strategies significantly impact revenue optimization in casual dining restaurants, aligning with the initial research propositions and contributing to the existing body of knowledge by offering empirical evidence of the strategies' effectiveness.

11. Conclusion

The descriptive analysis highlighted the average propensity towards more aggressive or proactive practices in these areas, suggesting a general trend among the respondents towards leveraging these strategies for revenue enhancement.

12. Appendices

Appendix - Questionnaire

Dear respondents,

My name is Geenath Aththanayake (UWU/HTE/19/019), a final year undergraduate from Uva Wellassa University, proudly affiliated with the Faculty of Management. Currently, I'm pursuing my BBM. Hons degree in Hospitality, Tourism & Events Management. As part of my final year academic,

I'm doing my research about "***The Impact of Revenue Management Strategies in Revenue Optimization: Reference with Casual Dining Restaurants in Badulla District***"

Thus, your support extended in this regard by filling out this questionnaire will be highly appreciated. Please kindly note that the information provided by you will be kept confidential.

Part A: Demographic Information

1 Age:

Under 18 ☐ 18-24 ☐

25-34 ☐ 35-44☐

45-54 ☐ 55 and above ☐

2 Gender:

Male ☐

Female ☐

3 Educational Level

Up to O/L☐

Up to A/L☐

Bachelor`s Degree Complete ☐ Reading☐

Master`s Complete ☐ Reading ☐

PhD Complete ☐ Reading ☐

4. Years of experience in the restaurant industry:

Less than 1 year☐ 1-3 years☐

4-6 years☐ 7-10 years☐

More than 10 years☐

To guide you through this exploration, I've designed a five-point Likert scale (1 for strongly disagree to 5 for strongly agree) for you to express your opinions. Please use the following scale:

1: Strongly Disagree

2: Disagree

3: Neutral

4: Agree

5: Strongly Agree

PART B: Independent Variable

Pricing Strategies

A) Dynamic Pricing

No.	Questions	1	2	3	4	5
1	Demand fluctuations impact revenue optimization in my restaurant					
2	Considering my competitors` pricing is important when strategizing for revenue optimization for a restaurant					
3	Adjust pricing to optimize revenue from different customer segments is important					

A) Demand-Based Pricing

No.	Questions	1	2	3	4	5
1	The popularity of a menu item influences for making better revenue for the restaurant					
2	Different kinds of reservation patterns impact to creation of profitable pricing strategies for increased revenue					
3	Peak hours and days of my restaurant enable me to achieve high revenue					

A) Cost-Based Pricing

No.	Questions	1	2	3	4	5
1	Identifying the cost of the sold goods is important to create profitable pricing					
2	Minimize the operating expenses can create high revenue for my restaurant					

B) Product Bundle Pricing

No.	Questions	1	2	3	4	5
1	Compare my competitors` performances and tactics enables me to adjust prices with innovative product bundle techniques					
2	Setting profit margins for a group of items can generate successful income through effective product pricing					

Non - Pricing Strategies

A) Capacity Management

No.	Questions	1	2	3	4	5
1	Efficiently used tables enable maximizing the number of customers served and revenue optimization					
2	Restaurant effectively manages its resources to serve a large number of customers, and minimizing wait times enables high revenue potential for my restaurant					

B) Overbooking

No.	Questions	1	2	3	4	5
1	Utilize no show data to manage waitlist help to use available capacity during peak hours to get more revenue for my restaurant					

2	Balance speed and efficient meal service can reduce the table vacated time and get more revenue in my restaurant					

Part C: Dependent Variables

A) Reservation & Occupancy Rate

No.	Questions	1	2	3	4	5
1	Higher reservations lead to better revenue enhancements with better resource utilization					
2	More tables and seats occupied by customers lead to high demand and increased revenue					

A) Menu Item Sales Mix

No.	Questions	1	2	3	4	5
1	The popularity of a specific menu item can significantly increase the restaurant's revenue					
2	Increasing the sales quantity of a menu directly impacts revenue optimization					

B) Average Revenue per Customer

No.	Questions	1	2	3	4	5
1	Through an increase the typical customer spending restaurants can gain high revenue					

Thank you for your support & valuable time to fill out my questionnaire. Your valuable input is greatly appreciated and will contribute significantly to my research..

References

Alrawadieh, Z., Alrawadieh, Z. and Cetin, G., 2021. Digital transformation and revenue management: Evidence from the hotel industry. Tourism Economics, 27(2), pp.328-345.

Amin, A., Tareen, W.U.K., Usman, M., Ali, H., Bari, I., Horan, B., Mekhilef, S., Asif, M., Ahmed, S. and Mahmood, A., 2020. A review of optimal charging strategy for electric vehicles under dynamic pricing schemes in the distribution charging network. Sustainability, 12(23), p.10160.

Anderson, C. K., & Xie, X. (2019). Pricing strategies in the restaurant industry: Applying lessons learned from other industries. International Journal of Contemporary Hospitality Management, 31(8), 3123-3144.

Anderson, E. W., & Zeithaml, C. P. (1984). "Stage of the product life cycle, business strategy, and business performance." Academy of Management Journal, 27(1), 5-24.

Baloglu, S., & Pekcan, Y. A. (2006). The implementation of revenue management in the restaurant industry. Cornell Hotel and Restaurant Administration Quarterly, 47(3), 276-293.

Ban, G.Y. and Keskin, N.B., 2021. Personalized dynamic pricing with machine learning: High-dimensional features and heterogeneous elasticity. Management Science, 67(9), pp.5549-5568.

Barsky, J. D., & Nash, L. (2002). Evoking emotion: Affective keys to hotel loyalty. Cornell Hotel and Restaurant Administration Quarterly, 43(1), 39-46.

Bitner, M. J., Booms, B. H., & Tetreault, M. S. (1990). The service encounter: Diagnosing and unfavorable incidents. Journal of Marketing, 54(1), 71-84.

c. Kimes, S. E. (2003). "The Impact of Revenue Management on Hotel Operations." Cornell Hotel and Restaurant Administration Quarterly, 44(1), 104-109

Calmon, A.P., Ciocan, F.D. and Romero, G., 2021. Revenue management with repeated customer interactions. Management Science, 67(5), pp.2944-2963.

Chang, M. L. (2016). Revenue management: Opportunities and challenges for restaurants. Journal of Foodservice Business Research, 19(1), 21-36.

Chen, C. M., Chen, S. H., & Yeh, S. H. (2011). The impact of restaurant website quality on users' attitudes. International Journal of Hospitality Management, 30(3), 386-396.

Cho, M., & Olsen, M. D. (1998). Understanding restaurant segmentation by dining occasion. Cornell Hotel and Restaurant Administration Quarterly, 39(3), 44-53.

Choi, J. H., & Mattila, A. S. (2001). Perceived fairness of price changes and word-of-mouth intentions in the service industry. Journal of Hospitality & Tourism Research, 25(2), 127-148.

Cohen, M.C., Lobel, I. and Paes Leme, R., 2020. Feature-based dynamic pricing. Management Science, 66(11), pp.4921-4943.6

Cross, R. (2011). "Revenue Management: Hard-Core Tactics for Market Domination." Oaktree Press.

Dolnicar, S. (2002). A review of unquestioned standards in using cluster analysis for data-driven market segmentation. The Journal of Travel Research, 40(2), 202-213.

Enz, C. A. (2010). Hospitality strategic management: Concepts and cases. John Wiley & Sons.

Feigenbaum, S., & Hawkes, L. (2017). The impact of price promotions on the perception of service quality and customer satisfaction in the full-service restaurant industry. Journal of Hospitality Marketing & Management, 26(8), 862-881.

Fiori, A.M. and Foroni, I., 2020. Prediction accuracy for reservation-based forecasting methods applied in revenue management. International Journal of Hospitality Management, 84, p.102332.

Guan, X., Qin, J., Mao, C. and Zhou, W., 2023. A Literature Review of Railway Pricing Based on Revenue Management. Mathematics, 11(4), p.857.

Gupta, A. K., & Leunis, J. (2007). "An integrated approach to revenue management and marketing strategies: An empirical study of the US passenger airline industry." European Journal of Operational Research, 182(1), 508-530.

Hayes, D., & Miller, A. (2011). "Revenue Management for Hospitality."

Helmold, M. and Helmold, M., 2020. Total revenue management (trm) (pp. 1-12). Springer International Publishing.

Herrera, C. and Young, C.A., 2023. Revenue management in restaurants: the role of customers' suspicion of price increases. Journal of Foodservice Business Research, 26(3), pp.425-449.

Hopper, J. R. (2012). Lean thinking for competitive advantage: A case study of how the engineering, construction, and operations team in a large restaurant chain can utilize lean thinking for improved business performance. International Journal of Hospitality Management, 31(2), 469-478.

Jang, S. C., & Namkung, Y. (2009). Perceived quality, emotions, and behavioral intentions: Application of an extended Mehrabian–Russell model to restaurants. Journal of Business Research, 62(4), 451-460.

Kimes, S. E. (1989). Yield management: A tool for capacity-constrained service firms. Journal of Operations Management, 8(4), 348-363.

Kimes, S. E. (2002). The basics of yield management. Cornell Hotel and Restaurant Administration Quarterly, 43(5), 33-40.

Kimes, S. E. (2013). "The Basics of Revenue Management: What You Need to Know to Get Started." Cornell Hospitality Report.

Klein, R., Koch, S., Steinhardt, C. and Strauss, A.K., 2020. A review of revenue management: Recent generalizations and advances in industry applications. European Journal of Operational Research, 284(2), pp.397-412.

Kotler, P., & Armstrong, G. (2010). Principles of marketing. Pearson Education.

Lee, Y., & Lee, S. (2019). The influence of revenue management practices on restaurant performance: A resource-based view. International Journal of Hospitality Management, 82, 123-131.

Lewis, R. C., & Booms, B. H. (1983). The marketing aspects of service quality. Emerging Perspectives on Services Marketing, 99-107.

Li, J., Kim, W.G. and Choi, H.M., 2021. Effectiveness of social media marketing on enhancing performance: Evidence from a casual-dining restaurant setting. Tourism Economics, 27(1), pp.3-22.

Lin, X., Zhou, Y.W., Xie, W., Zhong, Y. and Cao, B., 2020. Pricing and Product-Bundling Strategies for E-commerce Platforms with Competition. European Journal of Operational Research, 283(3), pp.1026-1039.

Lobel, I., 2021. Revenue management and the rise of the algorithmic economy. Management Science, 67(9), pp.5389-5398.

Mattila, A. S., & Choi, J. H. (2005). The impact of cognitive and sensory cues on perceived fairness of yield management pricing. Journal of Hospitality & Tourism Research, 29(1), 3-19.

Mintel. (2019). "Foodservice Trends: Top Trends in the Restaurant Market."

Nguyen, L. V., & Jain, A. K. (2020). "Revenue management capabilities and business performance: A systematic review and future research agenda." International Journal of Hospitality Management, 89, 102577.

O'Neill, J. W., & Mattila, A. S. (2010). Hotel room price framing: The effects of disclosure, room rate comparability, and room type on consumer perceptions and choice. Journal of Hospitality & Tourism Research, 34(2), 180-198.

Oh, J. and Su, X., 2022. Optimal pricing and overbooking of reservations. Production and Operations Management, 31(3), pp.928-940.

Peters, K., & Buhalis, D. (2017). "Restaurants' strategic management for competitive advantage in contemporary society." International Journal of Contemporary Hospitality Management, 29(1), 91-119.

Petricek, M., Chalupa, S. and Melas, D., 2021. Model of price optimization as a part of hotel revenue management—stochastic approach. Mathematics, 9(13), p.1552.

Phillips, R.L., 2021. Pricing and revenue optimization. Stanford University Press.

Pine, B. J., & Gilmore, J. H. (1998). "Welcome to the Experience Economy." Harvard Business Review, 76(4), 97-105.

Roberts, K., Varki, S., & Brodie, R. (2003). Measuring the quality of relationships in consumer services: An empirical study. European Journal of Marketing, 37(1/2), 169-196.

Saharan, S., Bawa, S. and Kumar, N., 2020. Dynamic pricing techniques for Intelligent Transportation System in smart cities: A systematic review. Computer Communications, 150, pp.603-625.

Seabra, C., Abrantes, J. L., & Kastenholz, E. (2013). Structural and relationships aspects of restaurant image: The case of the Portuguese gourmet restaurant industry. International Journal of Hospitality Management, 33, 274-285.

Smith, A., & Leimkuhler, M. (2019). "Strategic Revenue Management in Hospitality: Principles and Practices." Routledge.

Talluri, K., & van Ryzin, G. (2004). "The Theory and Practice of Revenue Management."

Viglia, G., De Canio, F., Stoppani, A., Invernizzi, A.C. and Cerutti, S., 2021. Adopting revenue management strategies and data sharing to cope with crises. Journal of Business Research, 137, pp.336-344.

Weatherford, L. R., & Bodily, S. E. (1992). "Yield management: The case of the major airlines." Journal of Managerial Issues, 4(3), 271-28

Webb, T., Ma, J. and Cheng, A., 2023. Variable Pricing in Restaurant Revenue Management: A Priority Mixed Bundle Strategy. Cornell Hospitality Quarterly, 64(1), pp.22-33.

Yeoman, I., 2022. The continuing evolution of revenue management science. Journal of Revenue and Pricing Management, 21(1), pp.1-2.