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Restaurant Revenue Management Practices in Johannesburg

Abstract. The concept of revenue management (RM) is becoming increasingly important globally as more and more restaurants are interested in how these strategies can help them become more profitable. The objective of the study was to investigate the effects of RM practices used by restaurants located in Melville, one of Johannesburg's suburbs, to ensure their financial sustainability. Data for this exploratory qualitative study were collected during semi-structured interviews with ten restaurant managers or owners. The findings indicate that while restaurant managers lack the theoretical knowledge of RM, many of the strategies developed in this area are already part of management practices, e.g. restaurant managers try to minimise costs while maintaining the quality of the products and services. After the COVID-19 pandemic, the struggle for restaurants' financial sustainability persists because of the reluctance and slow return of customers, changes in economic status, ever-increasing expenses, and additional operational costs. According to the interviewees, employee training, marketing and customer relationships play a vital role in day-to-day operations. On the other hand, they see the need to implement other RM strategies regarding pricing, capacity, time management, menu engineering, customer relationship management, and restaurant reservations.

Keywords: : restaurant revenue management, revenue management strategies, profit maximisation, hospitality, qualitative research

1. Introduction

Revenue management (RM) in the hospitality industry evolved from yield management in the airline industry, where revenue was maximised by optimising seat sales (Aten, 2017). RM is broadly defined as selling the right product to the right

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customer, using data and analytics to forecast demand, adjust prices and maximise profitability (Hayes, Hayes & Hayes, 2021; Lacalle, 2021). Some hospitality managers remain hesitant to adopt RM, even though it has gained importance with technological advancements (Denizci Guillet, 2020). Restaurant managers often lack sufficient knowledge in this area, which makes it difficult to apply RM principles effectively. By correctly implementing RM strategies restaurants can optimise pricing, enhance revenues and profits, and identify new income streams, all of which help to ensure long-term financial sustainability.

The financial success of revenue management prompted other industries, notably hospitality, to adopt similar strategies. The hotel sector was among the first to implement RM, though initial guest resistance highlighted shortcomings in pricing strategies and demand forecasting (Stuart-Hill, 2021; Webb, Ma, & Cheng, 2023). Over time, hotels refined their practices, demonstrating the value of RM in enhancing operational efficiency and long-term revenue growth.

In the restaurant industry, RM has only recently been introduced to improve financial performance and sustainability, since restaurants are faced with a very specific challenge: they typically operate on lower profit margins compared to hotels and airlines, and many establishments fail within the first five years due to a limited understanding of RM principles (Tang, Repetti & Raab, 2019). Furthermore, traditional RM tools, such as dynamic pricing, are difficult to implement before guests are seated, limiting restaurants' ability to adopt the same strategies as those used by hotels (Webb et al., 2023). This reinforces the need for sector-specific approaches to RM, as a direct transfer of strategies from other industries is not always feasible (Kimes & Ho, 2019).

Hospitality organisations that adopt RM strategies report measurable revenue growth. While the RM concept has been widely studied in the context of hotels and airlines, there is still limited literature on its application in restaurants. Globally, restaurants are vital employers of the youth, women and minority groups, so restaurant sustainability has an economic impact on communities, especially in developing countries. Therefore, raising awareness and encouraging the adoption of RM is critical for improving profitability and ensuring the sustainability of restaurant operations (Lacalle, 2021).

Despite these challenges, a growing recognition of the benefits that can be derived from RM has led restaurants to explore its application. Although results may not be immediate, RM has the potential to optimise table turnover, improve menu pricing, and identify additional revenue streams, all of which contribute to long-term financial sustainability. The following study aimed to investigate the use and effects of RM in restaurants in the Melville area of Johannesburg.

2. Literature Review

2.1. Operational Strategies and Service Quality Management in the Gastronomy Sector

Hospitality businesses offer various services to guests who are away from home, including travel, lodging, food, beverages and/or entertainment (Hayes, Hayes & Hayes, 2021). As specialised entities within the hospitality industry, restaurants, either general or restricted, differ in their service capacity, service duration and physical constraints, all of which affect profitability (Heo, 2013). Restaurants can operate as part of hotels, as independent establishments or be part of a restaurant chain (brand). They can also be categorised depending on the type of food they serve as fine-dining, bistro style and/or quick service. This literature review includes restaurant revenue management strategies used in hotels, independent (street) or chain (branded) restaurants, because there are overlaps between them.

The growing offerings of the tourism and hospitality industries can help to boost the economic empowerment of local people (Maharaj, Sucheran & Pillay, 2006). Customers' perceptions of the value of dining at a certain restaurant help them feel emotionally connected when they experience the food and service quality, together with menu prices that match their expectations (DiPietro, 2017). The process of RM involves the analysis of a business, its pricing strategy, forecasting, optimisation of price and inventory, and the analysis and evaluation of the restaurant's performance (Denizci Guillet, 2020). If restaurant managers implement these strategies, using RM can determine current and future revenue, enabling restaurants to survive in a highly competitive industry (Vieveen, 2018). Restaurant management must ensure that staff feel valued, as they will be loyal for longer if happy and motivated. The emphasis is on mutual respect between staff and management, which contributes to a healthy work environment and a fun workplace. According to Hanson (2023), the management should motivate their staff and will boost their morale, foster good relationships and communication among team members, resulting in quality customer service.

According to Gupta (2018), the hospitality industry should prioritise customer experience because it strengthens customer loyalty and creates a repeat customer base. Most restaurant managers blame market conditions and strong competition when their profits and revenues suffer. They must develop innovative ideas that establish a competitive advantage for the business (Finke, 2020). It is the manager's responsibility to know all the business activities to be able to explain the details to employees. Transparency helps employees maintain standards and consistency across operations, ultimately leading to customer satisfaction. The COVID-19 pan-

demic resulted in numerous changes, not only in how managers run their businesses but also in customers' expectations. During crises, innovative management approaches are often inspired by customer feedback (Breier et al., 2021), while businesses can benefit from the reputation of strong brands. While the pandemic caused many restaurants to suffer a total loss of income, in some cases it motivated the management to be innovative.

2.2. Restaurant Revenue Management Strategies

Restaurant RM strategies are based on demand and supply, aiming to predict future volumes and revenue generated (Mondal, 2023). Strategies include menu engineering, customer relationship management, variable pricing, revenue per available seating hour (RevPASH), and restaurant reservation strategies.

2.2.1. Dynamic Pricing

Pricing is a critical strategy in any organisation, as it directly influences customer decisions on whether to visit a restaurant. Customers often perceive price as a reflection of quality, making it a key indicator of organisational value (Hayes et al., 2021). Dynamic pricing, first developed in the airline industry through a data-driven approach, has been adopted more slowly in the hospitality industry, though in fewer application strategies (Gibbs et al., 2018). In restaurants, common pricing tactics include happy hours, "buy three for the price of two", or fixed-price menus, such as date-night specials. Dynamic pricing enables businesses to charge different prices for the same product, depending on customers' willingness to pay, thus maximising revenue opportunities (Abrate, Nicolau & Viglia, 2019; Rohlfs, 2020). Customers may view such pricing as fair when it is framed as discounts rather than premiums, positively influencing perceptions and boosting sales (Sajadi, 2018). Related to dynamic pricing is the concept of price fencing, which establishes rules and policies for segmenting customers and controlling product pricing. Widely accepted in hotels, dynamic pricing remains less accepted in restaurants, reflecting ongoing reluctance in the sector.

2.2.2. Menu Engineering

The menu, a fundamental sales tool in restaurants, is a list of available food and beverages with prices that must be clear and simple for customers (Spiro, 2020). As the first point of contact, the menu often creates a lasting impression and plays a decisive role in the success of a restaurant within a competitive market (Tom & Annaraud, 2017). Menus vary in structure, format, and presentation depending on the restaurant's style. Common formats include the *à la carte* menu,

where items are listed and priced individually; the cycle menu, which rotates based on seasons or days; the *table d'hôte* menu, offering a fixed-price multi-course meal; and the beverage menu, dedicated to drinks. Besides listing options, menus also shape customer expectations and experiences, particularly for international travellers who view dining as a key part of their journey (Linassi, Alberton & Marinho, 2016).

Menu engineering has emerged as a strategic approach to assess both the profitability and popularity of menu items (Kimes & Ho, 2019). It categorises items to identify those that need to be retained, removed, promoted or repriced (Linassi et al., 2016; Tyagi & Bolia, 2021). This process enables managers to optimise prices and the product mix, balancing financial outcomes with guest satisfaction (Rohlfs, 2020). Although it is an effective profitability tool, many restaurants do not fully adopt formal menu engineering methods but instead rely on their own analysis (Mutlu, Demircakmak & Dogan, 2022).

2.2.3. Customer Relationship Management

Customer relationship management (CRM) has been successfully implemented in the tourism and hospitality industry to build long-term relationships with customers (Rahimi et al., 2017). CRM helps restaurants win customer loyalty and satisfaction, ultimately enhancing their reputation. CRM focuses on creating a genuine relationship between customers and the organisation, which is the result of a rise in the number of customer purchases of new or more similar products (Hyun & Perdue, 2017). The relationship between the organisation and the customer is strengthened if customers are excited about the quality and their expectations are met (Matsuoka, 2022). Loyal customers of a restaurant tend to spread positive word-of-mouth messages to friends and family about its products and services (Ahmed et al., 2022; Matsuoka, 2022).

In addition to providing food and beverages, restaurants also create memorable customer experiences knowing that the greater the value created for both customers and owners, the more profitable the restaurant will be (Hayes et al., 2021; Nemeschansky, 2019). CRM is key to a restaurant's success and long-term competitiveness (Khan et al., 2022). Today, young people prefer eating out and spending much of their time in malls and cafés, which is why restaurants are trying to meet expectations of this customer segment so that they will keep returning (Limakrisna & Ali, 2016).

2.2.4. Restaurant Reservation Strategies

When it comes to table reservations, the value of each seat at each table must be considered so that reservation requests for different numbers can be accepted or

denied (Miao, Li, & Wang, 2018). These strategies include overbooking, meal duration, upselling and capacity management.

2.2.4.1. Overbooking

Overbooking is the acceptance of more reservations than the restaurant's seating capacity. While restaurants seldom overbook (Aten, 2017), the overarching goal of maximising revenue means that overbooking may become necessary because of the persistent problems of no-shows and last-minute cancellations, which result in high costs of wasted time and lost revenue. Hayes et al. (2021) suggested that reservations should not be accepted during high season so as not to lose sales. Overbooking can be part of a restaurant's solution to securing revenue, but unlike the hotel and airline industry, a restaurant cannot charge for cancellations and no-show reservations but rather earn and maintain customer loyalty (Chiang, 2021; Tse & Poon, 2017). Perhaps, discernment of the price for large groups or loyal customers should be considered.

2.2.4.2. Meal Duration

Meal duration is an example of time management and refers to the average time it takes to complete dining (Gregorash, 2016; Tyagi & Bolia, 2021). Lai et al. (2019) add that revenue management can be used to manage meal duration to increase traffic by turning tables more quickly. However, decreasing meal duration can negatively affect diners' experience by giving them a sense that they are being rushed (Tang et al., 2019). Meal duration should therefore be considered when pricing menu items.

2.2.5. Upselling

Upselling to customers involves encouraging customers to order additional menu items and results in short-term revenue gains (Norvell, Kumar & Contractor, 2018). Waiters should be trained and mentored to improve their upselling skills (Kimes & Ho, 2019). Some managers will reward servers who upsell without making guests feel obliged.

2.2.6. Capacity Management

Capacity management refers to offering a variety of table sizes to satisfy customers' preferred seating arrangement and ensure enough distance between tables. Capacity can be increased by adding more chairs to a table or placing two tables together (Tse & Poon, 2017). Capacity management is used to generate maximum revenue without increasing costs or compromising quality (Rohlfs, 2020; Wang et al., 2015).

2.3. RevPASH

Another RM strategy, REVPASH or Revenue Per Available Seat Hour, can also serve as a performance indicator (Lai et al., 2019). Generally, revenue is generated by using the restaurant's capacity (Tyagi & Bolia, 2021). The number and types of customers will usually depend on the time of day, the season and the weather, which means that menu offerings need to be adapted accordingly. REVPASH is a measure of revenue based on the hourly occupancy of a seat or table (Rohlfs, 2020). When restaurants implement RM strategies, the aim is to increase REVPASH by adjusting the average guest spend and the restaurant's capacity (Denizci Guillet, Law & Kucukusta, 2018). Increased revenue can be made per occupied seat, and REVPASH is a reliable indicator when the restaurant is at full capacity. It is an effective indicator of a restaurant's performance in terms of the number of customer arrivals, which determine how quickly customers are served (Denizci Guillet et al., 2018; Heo, 2017; Lai et al., 2019). It can be used to evaluate the effectiveness and efficiency of the service provided to customers.

2.4. Marketing Strategies

In a competitive environment, making a restaurant visit memorable for customers is a vital marketing strategy. Word of mouth (WOM) advertising is another strategy designed to boost a restaurant's revenue by shaping how customers share their opinions about a restaurant's products and services (Jalilvand et al., 2017). Customers spread positive WOM only when they are satisfied with the quality of products and service (Sajadi, 2018). Jalilvand et al. (2017) agree but emphasise that restaurant managers need to understand their guests' perceptions to make sure that good service is repeatable. Strategies that work well for restaurants to attract returning customers and gain new ones include WOM and social media, such as Facebook, WhatsApp, Instagram, TikTok, and X (Jenkins, 2015). Another strategy mentioned by Ferrell, Hartline and Hochstein (2021) is creating one-of-a-kind or special events associated with memorable customer experiences.

2.5. Restaurant Financial Stability

For restaurants to remain competitive, their managers need to explore new strategies to survive and remain profitable (Jenkins, 2015). Many restaurants have weak financial structures, with no sign of improvement, when the operating profitability is low and there is a lack of financial flexibility (Mun & Jang, 2015). Kimes and Wirtz (2015) believe that restaurants that apply RM strategies have shown a percent-

age increase in revenue. However, even if restaurants manage to be competitive, they operate with high costs, high risks, and low-profit margins (Song, Van Hoof & Park, 2017). After ensuring economic stability, a profitable restaurant can operate effectively by investing in staff training and development (Khachatryan, 2023). Vespia (2023) mentions an important way of achieving economic stability, namely budgeting, which is a simple way to plan and manage restaurant finances. Successful restaurant managers need to master the foundation of finances, how to budget for upcoming expenses, and control their books (Dinsmore, 2021). More generally, any business must focus on its sustainability long before it starts to operate, which means understanding the costs and building a strategic plan.

2.6. Theoretical Underpinning

In her work, Heo (2013) focuses on various aspects that could help restaurant managers increase capacity and average guest spend. She describes different types of restaurants and their differing management models, highlighting the need to clearly define the parameters in which a given restaurant operates, the restaurant's capacity, physical constraints and duration of service. Restaurant revenue management differs from hotel revenue management in that it includes capacity management, service time management, menu management (originally developed by Kasavana and Smith in 1982), price management and customer perception management as well as strategies to resolve identified shortcomings.

In summary, the concept of revenue management and its strategies, well entrenched in the hotel industry, should also be implemented in restaurants. Various restaurant types can use strategies to attract new patrons and increase revenue. Given the complexity and variety of restaurant operations, certain strategies are likely to be more easily adopted than others. Managers should thoroughly investigate the strengths and weaknesses of their businesses and look for threats and opportunities in their operations.

3. Restaurants in Melville, Johannesburg

The food service industry in South Africa has evolved since the end of apartheid in 1994. Under the previous regime, restaurants were mainly used by the white minority, but post-apartheid the customer base has grown considerably as a result of the increase in the middle class and globalisation, which helped to popularise the desirable socio-cultural aspects of a dining-out culture. The growing number

of customers should have been accompanied by an increase in the number of restaurants and restaurant-related jobs. However, a study conducted by Maharaj, Sucheran & Pillay (2006) in Durban, a popular international and local tourist destination, revealed that eating out was still regarded as too expensive for most. Also, owing to the declining image, security and infrastructure of the city centre, many restaurants moved to the suburbs.

Interestingly, Rogerson (2025) noted that formal and informal restaurants for Black African existed even during the Apartheid era. It is during that time that specific dining preferences and restaurant locations were established. Unfortunately, socioeconomic disparities between Black and White populations still exist, limiting access, inclusivity and affordability to most. Although there is a great variety of restaurants in South Africa, ranging from quick-service restaurants to those offering fine dining experiences, including dishes from different international cuisines, there is also much demand among tourists for traditional local dishes such as potjiekos (stew in a three-legged pot), samp and beans, pap and vleis (maize meal porridge and meat), crab curry and fresh seafood from the extensive coastline (Maharaj et al., 2006). In line with global trends, a coffee shop, bar and bistro culture has emerged too.

Since the time of the Witwatersrand Gold Rush in 1886, Johannesburg developed into one of the most diverse African cities (Abrahams & Everatt, 2019). It is also a city of great contrasts between the poor and those exceptionally wealthy, which is why it is often described as a place that is both "first world" and "third world". Johannesburg, which is home to 4.8 million inhabitants, is located in Gauteng, the smallest but the most populous of the nine South African province: 15 million of the country's 62 million citizens live there (StatsSA, 2025).

Melville is one of Johannesburg's oldest suburbs, famous for its original creative restaurants and unique shops (Dawdy, 2023). In the last couple of decades, this cosmopolitan suburb, known for its artistic, 'hippie' vibe and numerous restaurants, bars and shops lining the main street has started to attract business people from the surrounding areas, students from two nearby universities, other educational institutions, artists, and media professionals. For some time it functioned as a nightlife centre before it was replaced by the suburbs of Braamfontein and Maboneng. Seventh Street in Melville has a variety of restaurants, cocktail bars, and the Melville Comedy Club (Williams, 2019). Some restaurants in the area are popular for breakfast and lunch with free Wi-Fi; others are open 24 hours a day, seven days a week, have a large outdoor dining space, and may feature themed shows and live bands (Dawdy, 2023).

4. Research Method

This exploratory study is based on qualitative data. While its findings cannot be generalised beyond the sample, they do provide interesting insights into the problem of revenue management. The data were collected during semi-structured interviews with managers or owners of 10 restaurants located in Melville, between June and September.

The target population for the study were food service establishments in Melville, restaurants with or without a bar, coffee shops with or without a bakery but with services where customers can be seated, order food, and eat on the premises. For convenience in reporting, all participants (8 managers and 2 owners) are referred to as restaurant managers. Table 1 contains basic information about each establishment and the respondents.

Although South African restaurants are still recovering from the COVID-19 pandemic, fast food restaurants are increasing in number or expanding in size despite all the struggles. This is also the case in Melville and is accompanied by a change in the profile of customers. The main weakness of qualitative studies is their relatively small sample size (Guest, Bunce & Johnson, 2006; Strydom, 2021). Finding respondents willing to participate was also the challenge in this study: when the researcher approached restaurants and mentioned the topic, she was immediately chased away because the managers thought that she was going to ask for financial results. Ultimately, 10 respondents agreed to take part in face-to-face interviews. Data saturation was reached after eight interviews. The additional two interviews were conducted to ensure that no relevant information had been missed.

Following Braun and Clarke (2006), thematic analysis was conducted in six phases to identify the main themes and subsequent sub-themes.

Participation in the study was voluntary and permission was granted to record the interview.

Table 1. Demographics of study participants

Participant	Role	Years of hospitality / restaurant experience	Years in present operation	Restaurant
1	Manager	10 years		Restaurant
2	Manager	40 years		Restaurant
3	Manager	20 years	11 years	Restaurant with a bar
4	Manager		4 years	Restaurant with a bar
5	Manager	1.5 years	8 months	Restaurant with a bar
6	Manager	36 years	18 years	Bakery with a coffee shop
7	Owner	20 years	13 years	Restaurant

Participant	Role	Years of hospitality / restaurant experience	Years in present operation	Restaurant
8	Manager	14 years		Restaurant with a bar
9	Owner	35 years	15 years	Restaurant
10	Manager	7 years	5 years	Coffee shop

Source: Authors' own elaboration

5. Findings

5.1. Key Themes and Sub-Themes

Table 2. Restaurant revenue management themes and sub-themes

Themes	Sub-themes
Marketing management	Social media
	Word of mouth
	Promotions
	Other marketing strategies
Business management	Business model
	Operational standards
	Financial control
	Suppliers
Human resources management	Staff training
	Regular communication and good governance
Menu management	Review of the menu
	Menu engineering
Changing customer base	New vs loyal customers
Competitors	Competitors

Source: Authors' own elaboration

5.2. General Remarks

Since some customers prefer not to sit and eat, restaurants provide takeaways, which have seen an increase after the pandemic. Certain restaurants have professional bars that give customers places to eat their food on the premises. Many respondents agreed that Melville is now a student environment, as most prospective customers are university students but the area has always had an entertaining nightlife, with a variety of dining offerings to service these customers. Most inter-

viewees agreed that having a bar increases revenue thanks to the sale of alcohol, which can account for two thirds of total revenue.

> It's those extra costs that hurt us when it comes to finances, but when you have a bar … more money comes from the alcohol. Food is also good because when people buy food and drink, their bill will be higher, which is good for the business (P8).

However, two participants sell food without alcohol, as they do not have a bar or liquor license. They believe that their restaurants are different from others in Melville because when customers are drinking alcohol, they tend to be noisy, which may not be acceptable to all customers.

> I think we are different from all the restaurants around Melville. We don't do alcohol here, while most places here sell alcohol, and we are family-friendly, people love working here because we keep it quiet (P1).

> Families come with their children, and their kids enjoy playing … it's very family-oriented (P2).

5.3. Marketing Management

Restaurants must have marketing strategies so that customers know about their products or services. Marketing strategies identified during the analysis stage included social media, the power of word of mouth, posters and table talkers.

5.3.1. Social Media
Social media include platforms such as Facebook, WhatsApp, Instagram, Twitter, and TikTok. According to the restaurant managers interviewed, social media marketing is preferrable because it is easier, quicker and cost-effective. Managers are highly active on Facebook, Instagram, and WhatsApp, advertising their products and updating their customers on events taking place in their restaurants. Managers note that specific platforms appeal to different generations and they have had to learn and work with each of them to maximise their exposure.

> We market mostly on social media, Instagram and Facebook pages and our customers who come here are mostly marketing for us because when they come, they take pictures and people see the pictures and then come to our restaurant just to see and taste for themselves. That's how we get our customers most of the time (P10).

> We use Facebook, Instagram, and we also have WhatsApp number where we usually send out broadcast messages on certain specials, events that are happening (P3).

> Normally, we use Instagram page, and we have a WhatsApp group where we post so that people who are in the group can also see the specials (P4).

5.3.2. Word of Mouth (WOM)

Satisfied customers tend to share their positive experiences about the products and services of restaurants.

> We market by just word of mouth; I am an old man, what do I know about social media? (P9).

> We are marketing by word of mouth. Providing good service to customers, they have a good experience, and they tell more people about us (P2).

5.3.3. Promotions

Most of the interviewees agree that continually promoting the restaurant is necessary to maximise their revenue and attract new customers.

> We have a special on breakfast for two for R165.00 [approximately €7.85] and lunch for two for R175.00 [approximately €8.00]. In our bakery any baked products that are from the day before, we put it in bag, and we sell that for R20.00 [approximately €0.95] (P6).

> We are doing cheap burgers to accommodate everyone; we sometimes do a buy one burger and get one free (P7).

> We do specials on a buy one pizza and get one free on Tuesdays (P5).

One of the participants disagreed with the other managers about promotions and specials.

> We don't believe in promotions; it's something we don't do here. Customers should just spend their money if they want to (P2).

5.3.4. Other Marketing Strategies

Some restaurant managers use events to market their products and services because they believe more customers will be attracted, thus maximising revenue. They also

make use of posters, pamphlets, and table talkers to ensure that their products are known in the surrounding areas.

> …because for events we hosted last week Friday, there was a live band playing some jazz and more people came and enjoyed our food because the atmosphere was good … we do pamphlets and posters and then distribute them (P5).

> We have got a sip and paint that we do once a month, we have a Casanova event, which is an event for singing, baby showers, parties, and wine tasting that happens once a month … they come and watch for free, so we gain because they will be buying food and beverages from us. We also have a poetry reading once a month, we charge R150 then offer them food and beverages (P10).

> We also do promo as you can see, we have table talkers, and they also give customers the information on what is going on. We have certain posters for jazz evenings; these help us to market (P3).

> We make posters and move them around and distribute them so that people can see our offers (P4).

According to Jenkins (2015), Jalilvand, Salimipour, Elyasi and Mohammadi (2017), and Sajadi (2017), WOM and social media are powerful strategies that work well to encourage returning customers and even attract new ones. Jalilvand et al. (2017) noted that WOM is still an essential part of marketing in the restaurant industry and can be used to maximise revenue as it involves customers who share their opinions about the products and services of a certain restaurant. Another strategy is holding events; Ferrell et al. (2021) noted that customers enjoy a different experience and the atmosphere within the restaurant.

5.4. Business Management

Day-to-day operations are managed by overseeing restaurant activities and having the ability to manage them better than one's competitors (Walker, 2021).

5.4.1. Business Model
Restaurants have had to adjust their business model and operational strategies following the pandemic. The working budget had to be managed to control expenses and build financial reserves to improve resilience. In some cases this involved a change from a dining restaurant to quick service during the pandemic. Restaurant

managers had to negotiate their rental with their landlords because income was lower and did not cover all the expenses.

> So, we lowered expenses a lot during that time, we also had to negotiate with the landlord, showing them our financials just for them to see that we are not making much money, and what they are asking for is more than what we are making (P1).

> That's difficult because there was a lot of work from us as the management, waiters' side, cutting costs, just making sure that you work on a very small budget, understanding that there is not going to be much money coming into your pocket (P6).

> This is our 20th year, and my boss is so brilliant at what he does. I can safely say that we were thriving for sixteen years because we didn't have to worry until COVID-19 happened, and now we must readjust (P3).

As noted by Breier et al. (2021), COVID-19 changed business operations in the hospitality industry, but many of the changes are likely to define the future of the sector as the financial constraints have persisted because of geopolitical and local uncertainties.

5.4.2. Operational Standards

Businesses use standard operating procedures (SOPS) as a guide to provide quality products and services to their customers. The restaurants in the sample prioritised making good financial decisions to continue operating effectively and efficiently. This requires operational discipline, which refers to inventory monitoring, maintaining a hygienically clean kitchen and the dining area, efficient collaboration between front of house and back of house staff. Efficient coordination reduces errors, prevent delays and will probably result in higher tips for the waiters.

> He has his standards when it comes to business, like how you serve customers matters, and he expects that from us as staff. I believe that is why he is so successful, because he makes sure that the staff understands what the business is all about (P3).

Employees must maintain the standards set and be consistent when operating a business. Restaurants are responsible for innovative ideas that will benefit the business in any way that is better than their competitors (Finke, 2020). Promotions in the business are part of increasing revenue.

5.4.3. Financial Control

During the interviews it was mentioned that some restaurants have financial managers who make wise decisions regarding their financials to work within a small budget. Managers must devise strategies to improve their restaurant's revenue.

> Cutting down on costs, just making sure that you work on a very small budget. Understanding that there is not going to be much money coming into your pocket (P6).

> We must see what we get from our customers and then we will see what we can do with what we have (P9).

Businesses need to budget for upcoming expenses so that they can be monitored closely and reviewed daily (Dinsmore, 2021). Although there are different philosophies regarding finances, in the pursuit of higher revenue one should not neglect cost awareness, especially when building financial reserves. An internal audit may highlight areas where costs can be cut. A contribution margin analyses of the menu can also identify menu items that should remain on the menu because of their popularity and high contribution to revenues, as well as those that are slow movers, which results in increase wastage. The use of technology with user-friendly property management systems (PMS) can assure accurate tracking of transactions, reduce human error, help track customer spending trends and customer preferences so that more effective management decisions can be made. While PMS are expensive, they have become necessary.

5.4.4. Suppliers

Only two restaurant managers mentioned that during the COVID-19 pandemic they could not afford to pay their suppliers, as revenue was low. They had to use retailers to buy goods for the business. Other interviewees said that they compared and chose the cheapest suppliers to minimise costs.

> When you want a pack of potatoes, you compare with other suppliers to see which one is affordable and keep that one… but it doesn't mean that if you buy from a cheap supplier, you must downgrade the quality, the quality must still be there … you have to be consistent when it comes to the quality (P6).

Cho et al. (2021) emphasised that a supplier should be able to provide the business with quality food products and should meet safety and quality criteria.

5.5. Human Resources Management

Human resources (HR) management plays a role in the quality of service offered to customers, customer loyalty and satisfaction.

5.5.1. Staff Training

If employees are well trained, there is a spillover effect as they provide good service. The staff also feel valued, which gives them confidence to market the restaurant and menu. It is necessary to provide a conducive work environment which results in greater innovation and creativity. Passion, dedication and creativity contribute to profitability. Employees need to be friendly, respectful to customers and bosses, ensure they work as a team to satisfy customers and devise innovative ideas.

> The food is alright, the place is beautiful, but the staff makes the business. If the staff are not good, then the customers won't be happy no matter how good you are (P9).

> People keep on choosing us because of the staff. The staff know what they are doing because even before the customers can take their seat, the staff already know what the customer drinks and how they like it (P6).

Some staff are happy when they are praised for their work, but one participant said that the staff were unhappy because their money was going into the business.

> We are trying to make our money, but it ends up going to the business and we are the ones who lose more. We only make money from our tips; we work hard and push, but all the money ends up being for the business… when you thought you have made yourself some money, but they take it, and it belongs to the business. We are not happy honestly; we try by all means … we come from different backgrounds and try to make end meets … it's sad' (P4).

Although this manager reflected on the period immediately following the pandemic, their comment highlights the necessity of paying employees adequately and being fair and transparent in business dealings, especially because happy employees provide better service. A profitable restaurant can be operated when staff are developed through training (Khachatryan, 2023). Managers should teach their staff how to get to know their customers, their favourite food and beverages, and how they like to be served, as a strategy to ensure sustainability (Sao Joao, Spowart & Taylor, 2019). Staff should also be taught to upsell and cross-sell, to reduce wastage and encourage the sharing of innovative ideas. Additionally, training helps build con-

fidence and well-trained employees automatically impact guest satisfaction. The training of managers should also be a priority, using either on-the-job or formal training programmes to upskill managers and in particular, with RM programmes.

5.5.2. Regular Communication and Good Governance

For the interviewees, regular communication with employees is necessary for an efficient operation. Most of them understand the industry and why they need to adhere to business strategies that contribute to the restaurant's success.

> Our staff are friendly, some of our customers even write letters to us to tell us that the food was nice, and we provided good service. We are more like a family, the staff is amazing, and we appreciate the reviews the customers give us (P10).

> I remember during COVID, he filed for us so that we can get the UIF, he made sure that he sent us proof to show us that this is our money (P3).

As mentioned by Wasserman (2021), the UIF's TERS Scheme (Unemployment Insurance Fund Temporary Employer/Employee Relief Scheme) paid workers when businesses could not operate during the pandemic.

5.6. Menu Management

5.6.1. Review of Menus

Changing the menu is one way in which restaurant managers try to attract new customers and save loyal customers from menu fatigue. The interviewees agreed it is important to improve food preparation and the products on offer, as well as menu presentation. This is why it is important to conduct regular menu analyses, considering guests' feedback and their likes and dislikes. Another thing to consider is the relationship between portion sizes and menu item prices. Employees should be consulted for innovative ideas.

> If customers are not happy, something needs to be fixed. We normally review our menu, checking which items are not selling, which ones are popular, and where changes are necessary (P3).

5.6.2. Menu Engineering

Some managers return to basics, such as practising menu engineering. Individual menu items are evaluated to determine their contribution to the business. The menu is changed to see how well the products are doing; if products are not selling

as expected, they are removed because they are not popular and not making money for the restaurant. New items are added to the menu. The interviewed managers believe that the menu should be changed once or twice a year but occasionally, there is resistance from customers. After the pandemic they also started to question whether such extensive menu offerings are necessary, as there tends to be greater waste because in spite of *mise en place*[1] the items are not sold. It complicates purchasing and production, so a contribution analysis is necessary to determine which menu items to keep or not. A similar analysis should be carried out of the wines that are on offer as this inventory can carry a significant value.

> We don't change it completely, we just add some of the new items. We remove those that are not selling and add something else, same as when the customers don't like a certain dish, we remove it and give them what they like (P10).

> We are trying to change the food from time to time. We just continuously try to get whatever is new in the industry, food products, drinks that are new to the market, we just keep on trying to grow and sustain our business and keep up with the trends (P2).

> We are looking at trying to have students here to come and have breakfast after a night out of drinking, they should come and have a greasy breakfast in our shop so that it can get them started for a day (P6).

> They still order the same food even if it is no longer on the menu. Some of the dishes on the menu have been there for fifteen years and I can't take them off because they are still ordering them. Once I have changed the menu a few times, they come here and tell me that they want the dish they ordered while they were here last time, and I tell them that it's okay we will make it. A lot of people order that item, and I changed the menu and put it back again (P9).

The findings are consistent with those reported by Linassi et al. (2016) and Tyagi and Bolia (2021), who mention the practice of menu analysis to determine which items should be removed or whether or not prices should be increased. The presentation of dishes also needs to be adapted to current presentation techniques.

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[1] A French culinary term meaning "put in place", referring to the essential preparation process of organizing ingredients, tools, and workspace before cooking begins.

5.7. Changing Customer Base

The period after the pandemic saw a change in the customer base in Melville, due to the influx of foreigners and students. The older, loyal customers started to move away. Some interviewees welcomed this change and noticed that the new group of customers wanted to experience something different; they found it amazing that they can also become regulars who love the place and its products.

> We see people here that we never thought would come to Melville and they enjoy being in this place and later they even become our regulars (P1).

> We get new people every day, but we still have regulars that come because they are the ones that make the business to keep going (P8).

However, others said they did not normally see new faces often at their premises, but they still see some of their regulars because most are elderly people.

> So, a lot of my regulars have left, and most of them are over 60 years old so now we are working harder to try and establish a new clientele (P9).

This supports the findings of Matsuoka (2022), who said that when customers are satisfied with the quality of products and services, and their expectations are met, they become loyal, regular customers, who keep returning because they are comfortable, feel at home, their space and time are respected, and they are satisfied with the quality of products and services. By making products more affordable, managers try to accommodate their customers' budgets, and there is a pleasing relationship between the management, staff, and customers. In general, customer relationship management (CRM) helps a restaurant retain customer loyalty and their satisfaction, which creates a good, real relationship between the organisation and customers (Hyun & Perdue, 2017). Other comments regarding CRM include:

> I do not allow the booking of the whole restaurant because I have customers that come three times a week, am I going to tell them now that they can't come and dine because I am closing for money? No, I want them to come, this is their restaurant as much as it is ours (P9).

> We don't allow booking of the whole restaurant if there is a birthday party it will be over there, but we won't close the whole restaurant. We only allow two birthday parties a day, we don't do more, and we won't be closed to the public (P2).

> We consider customers' suggestions because you need to remember that the customer is always right and the reviews and feedback from customers keep us going as a business because we won't know everything, sometimes we need their opinions especially on our products because they are the one buying the products (P10).

> We always make sure that we take our customers' advice (P7).

The business's reputation is based on the customers' perceptions (Khan et al., 2022), who are loyal to their preferred restaurant because their expectations are met. This is important because when customers are loyal, they tend to spread the news and do positive or good things for the restaurant (Ahmed et al., 2022; Matsuoka, 2022).

> The amazing thing is that our customers were sympathising with us and supporting us because they told us that they were afraid that if they didn't support us, the business may close so they were coming to support us. If they ordered a meal that was R100.00, they would pay R150.00 because they decided to help us run the business with their money by paying more than their required bill (P1).

> Customers keep coming back because of the good burger, it's good food and good quality (P7).

5.8. Competitors

A few of the interviewees mentioned competitors and agreed that for the business to compete with others, they need to see what other competitors are doing. They copy them but do things differently so that the business keeps its competitive advantage.

> We try and price competitively based on what is available elsewhere. What we do is that we will keep our prices slightly lower because it increases the sales and value. (P5).

> With specials, we must see what other competitors are selling, and we need to do it differently or cheaper or something that nobody has so that nobody will compare you with anyone else (P1).

Giving customers a great experience, from the preparation to serving the food, encourages customer loyalty. This implies that customers will choose your business because of their experience (Gupta, 2018). Restaurant managers must create in-

novative ideas that will keep their business open and better than their competitors (Finke, 2020). This is how one interviewee describes his restaurant's competitive advantage:

> We host only jazz every Wednesday night. It's a very nice event, very intimate, and it's a free entrance. It's something unique that not every business does, and I have heard from jazz musicians that our restaurant is the only place that is available for jazz musicians to come and perform, showing their craft (P3).

Although this study did not specifically investigate the impact of the pandemic, its lingering effects were evident. Many restaurants remain financially unstable, with expenses exceeding income. The interviewed managers noted that since the pandemic customer volumes have not returned to pre-pandemic levels, making revenue insufficient to cover fixed and variable costs. Additional burdens include the rising cost of generators and fuel to combat South Africa's electricity shortages, which further erode profit margins. These combined pressures create a financial crisis, leaving many restaurants operating at a loss. Moreover, uncertainty regarding daily customer numbers and transaction values forces the managers to exercise cautious income management, limiting opportunities for sustainable growth.

The opinions collected during the interviews confirm that the principles mentioned by Heo (2013) are not identified as revenue management practices but are already incorporated into the restaurant's management strategies. Given more attention and their intentional integration into future restaurant management activities could result in higher revenues, better resilience and sustainability of the restaurant industry in Johannesburg and in South Africa.

In summary, the interviewed managers agree that maintaining the quality of foods, attentive service, disciplined operational activities and a welcoming atmosphere are the four principles that need to be acknowledged to remain profitable. Despite these difficulties, the interviewees demonstrated resilience by keeping their businesses open. While COVID-19 restrictions were lifted in June 2022, their effects persist, and many restaurants are still recovering. To remain competitive, managers emphasised the importance of delivering quality food and service, maintaining strong customer relationships, and adapting menus to meet expectations. Service excellence and memorable dining experiences were identified as essential strategies for customer retention and survival in a highly uncertain environment.

6. Practical Conclusions and Recommendations

RM strategies applicable to restaurants include pricing, menu engineering, CRM, RevPASH, and reservations. However, restaurant managers remain reluctant to adopt reservation systems, perceiving them as unsuitable for their current operations. In contrast, CRM is widely valued because strong relationships between management and customers foster satisfaction and loyalty (Rahimi et al., 2017). The metric of RevPASH is not adequately used because it links to the lack or restricted use of PMS systems. Formal training programmes are likely to highlight the necessity to examine such metrics to make more informed decisions.

Menu engineering is increasingly applied, with restaurant managers encouraged to review menus regularly to assess item popularity and profitability. Unpopular items should be removed and replaced with newly tested dishes to align with customer preferences and market trends. New dishes can be tested by putting them on specials menus, to gauge the interest and to receive feedback from customers after they are eaten. In this way menus remain relevant while maximising contribution margins. Similarly, CRM plays a central role in RM practices. By learning customers' preferences, favourite dishes, and service expectations, managers and staff create personalised dining experiences. Positive interactions encourage repeat visits and promote word-of-mouth experiences, a vital driver of the restaurant's competitive advantage.

Capacity management is another strategy, though less frequently applied in restaurants. Operating at overcapacity can increase revenue, as higher guest volumes result in greater spending on food and beverages. Creative seating arrangements, such as shared tables or couches, can maximise space utilisation, foster social interaction among customers, and enhance the overall dining atmosphere. This creates memorable experiences and generates positive publicity. Adapting to changing customer characteristics is also critical. This is why it is essential that restaurant managers should track food and beverage trends to meet evolving expectations.

Social media posts from satisfied customers amplify marketing reach and attract new ones, as potential customers often rely on peer recommendations before dining out. Overall, RM strategies, such as menu engineering, CRM, and capacity management can strengthen restaurant sustainability. Managers should combine these approaches with open communication and responsiveness to customer feedback, ensuring both financial performance and a welcoming, memorable dining experience.

Looking more broadly at RM, various management and business concepts are recognised as necessary considerations in day-to-day operations. Table 3 provides a summary of the concepts that are actively engaged with in this study using this sample.

Table 3. RM strategies and their adoption in Melville restaurants

Core RM theories	Melville Restaurants
1. Microeconomic Theory ▶ Supply and Demand ▶ Marginal Cost Pricing	▶ Flexible pricing is not well accepted in the restaurants so other strategies like planned events are necessary to manipulate customer spending. ▶ Fixed costs are high in restaurants, so management needs to intentionally manage costs so remain profitable.
2. Operations Management Theories ▶ Capacity Management ▶ Overbooking	▶ The restaurants' focus on managing perishable inventory to maximise utilisation. ▶ Capacity is focused on with 'careful' overbooking strategies to help optimise booking limits to reduce lost revenue from no-shows.
3. Customer Behaviour ▶ Consumer Perception ▶ Framing and Anchoring	▶ Post-COVID-19, managers listen intently to customer suggestions and feedback. ▶ Although dynamic pricing cannot be implemented easily, personalised pricing can be incorporated with events or family functions. ▶ Customer perceptions are recognised in menu pricing and package deals to steer customer choice.
4. Strategic Pillars of RM a. Market Segmentation b. Pricing Strategy c. Demand Forecasting d. Distribution Channel Management e. Technological and Analytical Tools f. Performance Metrics	▶ These pillars form the basis of this study. ▶ Management acknowledges that different customers are willing to pay, book and eat differently. Varying marketing strategies are therefore necessary. ▶ Dynamic pricing is not practised but bundling and specials are utilised to increase contribution margin. Rate fences and cancellation fees are not easily incorporated. ▶ The restaurants' competition is closely watched, bearing in mind competitive advantages. ▶ The use of historical data, seasonal trends, events and booking trends are used to increase occupancy. ▶ The restaurants have point-of-sale and limited technology usage. ▶ Social media is incorporated and updated regularly. Management recognises the vital role of social media to customers and the restaurants' marketing efforts. ▶ Cost management and profit margins are the most utilised analytical tools incorporated into the operation.

Source: Adapted from Hayes et al. (2021)

In summary, menu engineering, CRM, and capacity management need to be combined to maximise financial performance. Strategies need to be adapted to changing trends in customer behaviour. Ensuring customer satisfaction, loyalty, and memorable experiences are necessary for sustainable business growth. Unsurprisingly, the strategies confirm information found in the literature. However, the managers' lack of technical knowledge in this area makes it difficult to successfully manage a restaurant. This should be acknowledged by restaurant owners, who should ensure that their managers develop these revenue management skills.

The results indicate that although restaurant managers lack formal knowledge of RM, many associated strategies are already in practice, particularly those related to marketing, menu design, and customer service. However, a structured application of RM principles, including capacity and time management, could further enhance

revenue generation and sustainability. This study highlights the need for greater awareness and formal training in RM for restaurant managers, enabling them to integrate both traditional practices and modern RM strategies to balance improved profitability with greater customer satisfaction.

In closing, it should be noted that there are certain contemporary influences that the restaurant industry in Johannesburg, and more widely in South Africa, should embrace. COVID-19 had an unexpected and devastating effect on businesses, particularly hotels and restaurants and highlighted the need for crisis management. Another contemporary trend that needs to be taken into consideration is the focus on sustainability, ethical pricing, and labour practices, which should be included in cost management as they frequently add to the fixed costs of a restaurant if not intentionally managed. Owners of restaurants also need to acknowledge the digital transformation that can improve exposure to possible new customers as well as the chatbots, personalisation and predictive analytics that assist management.

7. Limitations

The main limitation of the study is its small sample size, but given the duration of the study and suspicion surrounding the topic, the interviews provided valuable and rich data. Secondly, the study focused exclusively on restaurants in Melville, which was chosen for its variety of restaurants and eateries, although the pandemic had brought about big changes in the area. Several restaurants had closed down because of lockdowns and their debilitating effect on the restaurant industry, especially on independent restaurants. Branded or chain restaurants introduced certain adaptations in their management structure and model thanks to the financial backing of the larger organisations.

CRediT Authorship Contribution Statement

DCN & ESJ — conceptualization, data curation, formal analysis, funding acquisition, investigation, methodology, project administration, resources, software, supervision, validation, visualization, writing — original draft, writing — review & editing.

Declaration of Competing Interest

None.

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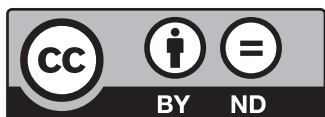
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Strategie zarządzania przychodami w restauracjach Johannesburga

Streszczenie. Na całym świecie rośnie znaczenie zarządzania przychodami, ponieważ coraz więcej restauracji liczy na to, że odpowiednie strategie w tej dziedzinie mogą przyczynić się do zwiększenia rentowności. Celem badania było zbadanie wpływu praktyk w zakresie zarządzania przychodami stosowanych przez restauracje działające na terenie Melville, jednego z przedmieść Johannesburga, w celu zapewnienia stabilności finansowej. Opisane w artykule badanie eksploracyjne oparte jest na danych jakościowych zebranych za pomocą częściowo ustrukturyzowanych wywiadów z udziałem dziesięciu menedżerów lub właścicieli restauracji. Wyniki wskazują, że chociaż menedżerowie restauracji nie posiadają wiedzy teoretycznej na temat zarządzania przychodami, w praktyce stosują już wiele strategii wypracowanych w tej dziedzinie, np. starają się minimalizować koszty przy jednoczesnym utrzymaniu jakości usług i produktów. Po pandemii COVID-19 restauracje nadal zmagają się z zachowaniem stabilności finansowej z powodu powolnego i niezbyt chętnego powrotu dawnych klientów, zubożenia społeczeństwa, stale rosnących wydatków i dodatkowych kosztów operacyjnych. Zdaniem respondentów, szkolenia pracowników, marketing i relacje z klientami odgrywają kluczową rolę w codziennej działalności. Z drugiej strony, dostrzegają oni potrzebę wdrożenia strategii dotyczących zarządzania cenami, liczbą miejsc i czasem posiłków, projektowania menu, zarządzania relacjami z klientami oraz rezerwacjami.

Słowa kluczowe: zarządzanie przychodami restauracji, strategie zarządzania przychodami, maksymalizacja zysku, hotelarstwo, badania jakościowe