



Article Title

Why is a change of company pricing policy so hard to implement?

Citation

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Abstract

This paper analyzes the process of changing a competition-oriented room rate pricing approach into a company-wide value-based pricing process from the perspective of the resource-based view. From a sample of 33 hotels in 16 countries it evaluates data from 55 open-ended interviews, documentation and archival records. Employing systems methodology the study illustrates that pricing is an intra/inter-organizational activity involving cross-disciplinary processes at various hierarchical levels. It finds that changing to value-based pricing involves a remarkable level of especially intangible resources.

Methods

The exploratory nature of the research topic, as well as the intangible nature of pricing resources, required a qualitative method. 55 semi-structured open-ended interviews were conducted. To select the respondents a purposive homogeneous sampling technique was used. It was decided to gain data from four groups of managers at all organizational levels: (1) general managers; (2) revenue managers; (3) sales managers; and (4) financial controllers.

Results

The findings are structured into three parts. Firstly, an initial overview of the organizational context in which room rate pricing in a European hotel group takes place is presented. It identifies the key players and organizational levels of the process. It also provides information of the formal group policy and develops a matrix to disentangle room rate pricing processes in the hotel group. Secondly, the main processes employed are examined through systems modeling, with separate (but integrated) models constructed based on accounts of concepts purposeful acidity through the group. Thirdly, the activities required for implementing value-based pricing activities are explored.

Conclusion

The findings of this study suggest that the determination of room rate prices in an European hotel group involves a complex system of activities that can be regrouped into four major spanning processes: (a) developing pricing policy, approving pricing strategy and offering support; (b) determining and adjusting pricing strategy; (c) learning and fine-tuning prices; and (d) negotiating and explaining prices. The purpose of these processes is to integrate inside-out and outside-in processes that guide and inform pricing decision-making. The study shows how information constraints, tensions and goal conflicts in the determination of prices affect the four spanning processes and, hence, the development of value-informed pricing practice in a European hotel group.