



Article Title

Dynamic pricing strategies: Evidence from European hotels

Citation

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Abstract

How much do hoteliers actually make use of dynamic pricing strategies? We collected data on the price of a single room booked in advance (from three months to a single day), from almost 1000 hotels in eight European capital cities. Pricing strategies were analyzed by means of descriptive statistics, box plots and econometric panel data techniques. The empirical results show that the inter-temporal pricing structure primarily depends on the type of customer, the star rating and the number of suppliers with available rooms.

Conclusion

Through a better understanding of online pricing practices, hotel management room distributors can effectively manage the online market, leading to the capture of high-value customers. This research tries to bridge a gap in literature, investigating not only the customer perspective but also the relationship between online pricing strategies and the interest of hotel room suppliers. According to the empirical results, we demonstrated that over 90% of prices changed in the period considered, with an inter-temporal structure of the trend primarily depending on the type of customer (leisure or business) and on star rating.

Considering weekdays, when customers are prevalently business people, the lowest prices seem to appear in the period immediately preceding the hotel stay. Instead, on a weekend, when the number of leisure customers is predominant, prices tend to increase when approaching the check-in date. The presence of significant trends that are heterogeneous according to the booking period and hotel characteristics, such as the star rating, is confirmed by means of panel data

techniques. In particular, both in the mid-week and in the weekend date, last minute booking is characterized by a higher price differential between high star and low star hotels. Furthermore, a variable approximating demand shocks at the city level was created and proved to significantly affect hotelier pricing dynamics. As expected, the price tends to increase when there is a scarcity of hotels available to book in a certain area. This suggests strategic behavior, with hotels adapting optimal prices according to competitor room availability.