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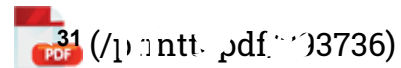
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Hoteliers adjust pricing strategies to be more dynamic

07 FEBRUARY 2019 9:19 AM

Hoteliers continue to experiment with dynamic pricing but also seem to realize that even if guests receive all the industry's latest education and thinking on rates, partnerships with online travel agencies will not be a thing of the past.

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From left: Jan Lundborg, Scandic Hotels; Amy Jagenow, Yotel; and Alex Woodcock, RLH Corporation. (Photo illustration: Rachel Daub)

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GLOBAL REPORT—Hoteliers' strategic goals must include a more dynamic approach to pricing hotel rooms that can better adapt to shifts in demand, sources said.

Dynamic pricing—a strategy in which prices continuously change based on algorithms that take into account demand and other external factors—is not new to the hotel industry, but its use is somewhat fragmented and inconsistent.

Part of the challenge is that technological improvements have added transparency to pricing. Guests believe this gives them more control over the rates they pay, but the complexity of the market actually makes it even more of a quagmire to wade through, sources said.

However hoteliers adjust pricing strategies, online travel agencies will remain part of the mix, and continue to be valued partners with hotels in many instances.

“As long as hotels are maintaining hotel rate parity, I don't think that our hotels will have a chance of competing against OTAs as a search tool,” said Amy Jagenow, VP of revenue management at Yotel.

But educating guests and setting the right rate at the right time with the right technology will help tip scales towards hotel firms, sources said.

Dynamic thinkers

One hotel company moving more into dynamic pricing is Swedish firm Scandic Hotels.

Jan Lundborg, chief commercial optimization officer at Scandic Hotels, said his company plans to gradually phase out static pricing in favor of dynamic pricing. The plan initially calls for contract agreements to be renegotiated in 2020, with static pricing making up no more than 10% of its business. He said this will ensure rates are always competitive.

"The general feeling is that we've been doing this for years, but there remain leakage of rates," he said. "Rate integrity is not being adhered to when partners resell our rates, where and how, and what margins they are taking out. With new technology, we can now track this."

Alex Woodcock, VP of corporate strategy and analytics at RLH Corporation, said his firm works with a variety of third-party technology companies to add to its direct bookings and give its brands an edge over competitors.

"If you're not pricing dynamically, you're doing a disservice to your property or to your franchisees," he said.

Jagenow said that while revenue-management systems increasingly are calculating demand by day as well as by market segment, with retail pricing hoteliers still have to take a human approach to reviewing the competition and considering cultural events.

Lundborg said Scandic (<http://www.scandichotels.com>)'s adoption of dynamic pricing will put the company ahead of its biggest competitors.

"We will sell rooms at the right rate," Lundborg said, but he added that "in the Nordics, not everyone is doing (dynamic pricing)."

"We have a best-rate guarantee, so we need to make sure the rates we send out are dynamic," Lundborg said. "There can always be small (rate) effects from different currencies, but not 100 (Swedish krona) (\$10.87), 200 krona (\$21.74).

"The major change is that technology and transparency are increasing so much it is easier to share information. Everyone is in bed with everyone else, creating an untrustworthy environment. And the consumer is not fooled by advertising as, for example, pricing changes after you click, which certainly is not good for the industry."

Evolving practice

Hoteliers do not see much risk from conducting dynamic pricing.

"It's been part of the airline and rental car industry for so long, I don't see a backlash from consumers. We've not seen it for our upscale properties," Woodcock said. "The only risk of doing this in-house is with making sure we educate our franchisees to the benefits. Most buy in, but there are some who just think the old way is fine, so we need to come with data on why it's a better practice."

Of course, hoteliers need to be prepared for the results, Jagenow said.

"Running flash sales in-house can be risky because of the amount of people it might capture," she said. "It can also be problematic as hotels will have to maintain the technology themselves and work collaboratively with external vendors. In addition, since guests have become familiar with flash sales at set times, we have noticed that it forces the decision to make a booking rather than generate incremental demand."

Jagenow said flash sales have proven to boost bookings for Yotel (<https://www.yotel.com/en>).

"More and more hotels are introducing their own technology in an attempt to be agile and to adopt real-time demand," she said. "At Yotel, we use time-based flash-sale models (like Black Friday). This means when potential guests are on our website, they are offered large discounts, which drives additional bookings."

Dynamic pricing will continue to evolve, sources said.

"The next step ... is isolating and segmenting your customer base into the channels that are unique to them and maximizing your revenue through their booking channels," Woodcock said. "By understanding the demand flows in different channels over a period of time, you can create pricing that is unique to individuals and the channels they are shopping on to maximize return."

What's not likely to change anytime soon is the hotel-OTA relationship.

"We think of our OTAs as incredibly important partners, so we don't think of this as a way to push back against them," Woodcock said. "We want to make sure that price changes are pushed out to all of our distribution partners and pricing parity is maintained, so we always need to make sure that all of our systems are operating without interruptions."

From the guest perspective, considerations will remain the same, Jagenow said.

"Guests no longer consider best-rate guarantees as a differentiator," she said. "Instead, they value OTAs' straightforward search capabilities. When booking a hotel, if potential guests are given multiple options (that) meet their criteria, it is likely that they will opt for the most cost-efficient, convenient option."

Transparency is key, Woodcock added.

"We believe everyone is shopping around, so we are trying to be transparent with all aspects of our pricing and believe that the consumer values transparency," he said.

A banner for Aptech Computer Systems. On the left, there is a logo consisting of a stylized '@' symbol inside a square, followed by the text 'Aptech' in a large, bold, green font, and 'Computer Systems' in a smaller, green font below it. To the right of the logo, the text 'Get Your Data On.' is written in a large, white, bold font on a dark green background. Below this, the text 'Anywhere. Actionable. Profits.' is written in a smaller, white, italicized font.

(<http://www.aptech-inc.com>)

A banner for the Young Hoteliers Summit. On the left, there is a large blue number '10' with 'th edition' written in small red text above it. To the right of the number, the text 'YOUNG HOTELIERS SUMMIT' is written in white, bold, uppercase letters. The background of the banner is a blue sky with white clouds. On the right side, the text '"The Scope of Hospitality Envisioning - Defining - Succeeding"' is written in white, bold, italicized font. Below this, the text 'Tickets are on sale now!' is written in a smaller, white, bold font. At the bottom right, the text 'March 25th - 27th, 2019' is written in a smaller, white, bold font.

(<http://yhsglobal.com>)

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