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Article Title

The Determinants of Hotel Room Rates: An Analysis of the Hotel Industry in Warsaw, Poland.

Citation

By: Pawlicz, Adam; Napierala, Tomasz. International Journal of Contemporary Hospitality Management, 2017, Vol. 29 Issue 1, p571-588, 18p.

Abstract

Purpose
This study aims to measure the effect on prices through the differing characteristics and attributes of hotels.

Design/methodology/approach
A hedonic price model (HPM) was adopted to estimate the impact of various site and situational factors on hotel prices in Warsaw, Poland. To better understand room rates not explained by HPM, spatial analysis of residuals was used. Datasets regarding prices from three different online travel agents (OTAs) and star ratings, either official or provided by OTAs, were investigated.

Findings
A significant impact on hotel prices by star rating has been confirmed. Every additional star allows the hotel to set approximately 25 to 36 per cent higher prices, which is in line with previous studies. Moreover, two factors indicated a high but still underestimated theoretical hotel prices: location within the city centre and proximity to the international airport.

Practical implications
The results of this study suggest that hoteliers should use a spatial analysis of room rates offered by the competing enterprises. Moreover, managers are expected to verify their price tactics and policies according to the geographical determinants of hotel prices investigated.

Originality/value
The uniqueness of the study is highlighted by comparison of HPMs based on data from different OTAs, analyzing differences in HPMs based on star ratings provided by OTAs and official

systems and spatial analysis of residuals of estimated HPMs. Moreover, this study is among the first to examine the usage of HPM in the hospitality industry in East-Central Europe

Summary

This study found OTAs as a reliable but incomplete source of information about hotel characteristics (including prices) in the capital of Poland. It must be emphasized, that Booking.com was indicated as the most popular OTA providing services for hoteliers there. However, almost 19 per cent of the hotels studied did not offer services through any OTA. Using room rates offered by hotels through different OTAs as dependent variables, we confirmed a positive impact of two independent variables: number of hotel rooms and number of stars representing the standard of the hotel services. We also noticed the negative effect of distance from the city center on hotel prices.

The findings confirmed that the "star rating" is the most relevant (statistically significant, with a robust effect on dependent variable) characteristic of hotel room rates. In previous models, "star rating" has been mainly established based on official classifications, which is under the supervision of either public authorities or hospitality organizations. OTAs, however, provide their own classification, which is, especially when doing international research, easier to obtain from practical point of view. Although OTA classification schemes are based mainly on customers' opinions, an official system is based on available hotel infrastructure, a significant correlation was observed between both systems.