



Article Title

Online Auctions: Dynamic Pricing and the Lodging Industry

Citation

Kasavana, M. L., & Singh, A. J. (2001). Online auctions: dynamic pricing and the lodging industry. *Journal of Hospitality & Leisure Marketing*, 9(3-4), 127-140. DOI: 10.1300/J150v09n03_09

Abstract

As Internet based mediums of distribution become more prevalent, traditional pricing models are being supplanted with dynamic pricing. A dynamic pricing model represents a flexible system that changes prices not only from product to product, but also from customer to customer and transaction to transaction. Many industry leaders are skeptical of the long run impact of online auctions on lodging industry profit margins, despite the fact pricing theory suggests that an increase in the flow of information results in efficient market. The future of such endeavors remains promising, but controversial.

Methods

Conceptual review

Conclusion

Until about 200 years ago, most trading took place in open marketplaces or bazaars, where prices fluctuated dynamically and continuously. The Internet provides an electronic format and opportunity to return to an open market environment where prices are no longer fixed, information is instantly available, and buyers and sellers interact to achieve a mutually beneficial transaction. As businesses transition to new trading models, it is clear buyers and sellers are not rapidly flocking to new market space venues. Old shopping habits and the comfort with traditional pricing models will act as a deterrent to change. Therefore, we can expect for the next several years, multiple channels of distribution, offering customers and suppliers various choices. However, as old habits wane as a result of changing technology and shifting demographics, auctions become more appealing. It is anticipated that both hotel companies and potential clientele will perceive an increased incentive to participate in online auctions. However, to the extent that hotel companies (and travel partners) find that dynamic pricing models lead to decreasing revenue and profit margins, the growth of online auctions will be inhibited.