Rapidly changing market dynamics in the hotel industry mean price management is critical to a positive bottom line. This white paper examines the evolving role of the revenue manager and how the field of market price intelligence is powering a new era of price and rate management.
Competitive pricing, and its impact on revenue, is a mainstay of marketing in the highly competitive hotel industry. The emergence of the Internet as a formidable sales tool is changing the rules when it comes to pricing, and in the process, elevating the strategic importance of responsive rate management.

Online distribution channels now dominate the landscape for web booking companies, online travel agencies and lodging properties of all types, giving consumers transparent access to rate-related market information. The real-time nature of the Internet means that sales and revenue managers must abandon inward-looking cost-plus pricing models in favor of more rigorous outward-focused knowledge-based strategies.

**Drivers for change**

With globalization, and the proliferation of product lines and distribution channels, the hotel industry is increasingly volatile, fragmented and dynamic. Thanks to the Internet, the number of potential vendors, distribution channels and product alternatives has mushroomed. The result for rapidly changing, consumer-oriented industries – such as the hotel and lodging industry – is that fast response to competitors’ actions is now a priority.

In this environment, revenue managers need the ability to instantly evaluate the market impact that competitor rate changes create, and gain a deep understanding of what each change means for margin and market share. They also increasingly need to keep up to date with quality related information such as rankings and consumer reviews. Staying ahead of the curve depends on access to information that allows effective, agile response to quickly changing supply and demand conditions.

**Enter market price intelligence**

Timely market price intelligence enables informed price decisions and provides pricing managers the ability to:

- Timely market price intelligence enables informed decisions on rates, and provides revenue managers the ability to:
  - Increase demand, revenue, occupancy rates.
  - Recognize and act on major market events and opportunities.
  - Improve understanding of the relationship between price elasticity and market demand.
  - Paint a more accurate picture of competitor pricing positions.
  - Obtain a window into consumers’ opinions and perceptions of competitor properties.
  - Reduce process costs and eliminate possible fines due to rate parity violations.
  - Define the best price responses.

Solid market price intelligence facilitates comprehensive price management modeling and ongoing “what if” analysis that is crucial to price optimization. In fact, a lack of this type of information leads directly to a sort of corporate market paralysis: the inability to rapidly update and optimize pricing in response to market forces. The result? Revenue and profitability targets are placed at serious risk.

**The business intelligence challenge**

While demand for up-to-date, reliable price and quality intelligence information has been rising, the availability of accurate, concise, current data on market conditions has proved a sticking point. The proliferation of online channels, the burgeoning number of product lines, and shortening product development and life cycles has exponentially increased the amount of information online travel agencies, booking companies and lodging properties must track to ensure competitive and optimal decisions on rates.
Traditional manual research methods, on which many companies rely, simply cannot deliver the speed and data coverage necessary to respond quickly to changes in competitor offerings. The amount of information to be searched across a myriad of channels outpaces the ability of manual processes.

Creating advantages for pricing managers

The solution, while seeming obvious, has proven elusive: bypass manual data collection, and automatically harvest and aggregate data from all online distribution channels. Only now are advanced providers able to offer automated systems that deliver the intelligence on critical rate trends and quality information that powers price management and optimization.

A system that provides such market intelligence data creates important advantages for revenue managers. With access to a precise and complete daily market picture, managers can obtain accurate, real-time product and pricing comparisons. Constant monitoring of online sites and competitor portals means that managers can identify critical market events—including competitor discounting, lack of room availability, and even promotions—as they unfold. With this type of up-to-date information, managers can instantaneously identify best available rates and make market-smart pricing decisions.

Most importantly, automated market intelligence systems enable revenue managers to make real-time adjustments to competitive rate changes that significantly influence revenue. Businesses worldwide are realizing significantly improved revenue results as they implement these solutions. These results are short-term, with major companies achieving sizable gains in less than one year.

Adding discipline and insight to the pricing process

Not all systems that collect web-based pricing information are created equal. Only advanced intelligence systems present aggregated rate and review information in dashboards, alerts, and ready-to-use reports that add discipline and insight to the pricing process. With simple-to-access, easy-to-use consolidated market views, managers can conduct incisive analytics on rates and integrate online competitive comparisons with in-house forecasting and decisions on rates.

Managers responsible for rate decisions can view top- and bottom-performing strategies, conduct rate trend analysis, assess customer reviews, and analyze market reaction to rate changes in terms of volume. They can use competitor rate reports as the basis for undertaking rate refinements that support better brand and property positioning in the market.

With quick access to historical data, revenue managers can create models to illustrate how rates impact volume, and then define optimized rate ratios. They also can develop scenarios to test adjustments and trade-offs, evaluating the impact of rate and mix changes from the individual unit level all the way to property and brand levels.

Such market intelligence allows revenue managers to define new target rates and model them to explore the effect on revenue and margin. At the same time, they can correlate their own data with competitor data to suggest new rates and support enhanced decision-making on rate determination.
Empowering revenue managers with competitive intelligence

Results materialize in the short-term, with hotels achieving sizable gains in less than one year.

Structured rate management depends on access to accurate competitive information on market conditions. With pricing intelligence, today’s revenue managers have the ability to integrate competitors’ online rates into structured, in-house rate-determination processes, and make highly responsive decisions based on sound data analysis. Benefits range from assuring competitiveness to maintaining full control over rates. The addition of quality related customer reviews and rankings creates an even more accurate basis for rate management. In the short and long run, the end result is found on the bottom line—in maximized revenue and income.

Decision-making with market price intelligence

- Simple dashboards, alerts, ready-to-use reports
- Incisive rate analytics
- Integration of online competitive rate comparisons with in-house rate determination, forecasting
- Quality based consumer opinions and perceptions of competitor properties
- Rate trend analysis
- Analysis of market reaction to rate changes

Driving operational performance with competitive price visibility.

To learn more about the Lixto Price Intelligence Suite for the hotel industry, contact us today.

Lixto Inc.
650-741-4233
info@lixto.com
www.lixto.com

Lixto Inc. is an international leader in web data extraction and analysis. Extracting specific, precise data from the web, Lixto empowers better decision-making, drives operational performance, and offers competitive price visibility for pricing and revenue managers in the travel, consumer products and automotive supply chain industries.