



Operations Management in Hospitality

Assignment 11

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Pricing in Hotels: Factors that affect Pricing Decisions

Hotel pricing is a very important strategic point that tends to maximize the revenue and be competitive and attractive to the guest at the same time. A mix of external market and internal operational factors determines hotel prices which is increasingly being backed by the data-driven revenue management practices.

Demand and seasonality are one of the significant determinants of hotel prices. The hotels have a fluctuation in demand with time of the year, on which day of the week and special occasions like conferences or festivals. The higher room rates in busy seasons are because of high demand and low supply whereas the low season prices are usually lowered in order to generate bookings and keep the rooms filled (Hayes and Miller, 2011). This is the demand-based pricing strategy which is the basic pillar of the dynamic pricing of the hospitality industry.

The other important factor is competition and location. Hotels need to put into consideration the prices charged by competitive properties that have the same services and quality. Pricing should also be consistent with the competitors in very competitive markets to prevent the loss of customers. Moreover, hotels in the most strategic locations, including city centres, tourist destinations, or those adjacent to transport centres, usually charge more because they provide more convenient access and they are perceived to be of high value (Hotel Contract Beds, 2023).

The other key factor in pricing is customer segmentation and behaviour. The price sensitivity of the various customer groups is different. The business travellers tend to be less price-sensitive, and usually more convenient and flexible, and the leisure travellers tend to react more to discounts and promotions. Targeting certain segments, hotels modify their prices depending on the booking channels, length of stay, and booking lead time (STAAH, 2023).

In addition, there are the economic factors that affect the price, as well as operational costs. The hotels need to guarantee that the room rates would meet the cost of labour, utilities, maintenance, and high-tech investments. The fluctuation in inflation, tax, or exchange rates will raise the cost of operation or influence the demand in other regions with the demand being in various countries, and in response, hotels will change their prices (Hayes and Miller, 2011). Hotel pricing has also been changed by the advancement in technology and revenue management systems. The modern systems evaluate the historical data, real-time demand, and

competitor prices to suggest the best rates of the rooms, which helps the hotel to react fast to the existing market conditions and enhance profitability (STAHAH, 2023).

Conclusion

In summary, the demand trends, competitiveness, consumer behaviour, operation cost, and technological capacity influence pricing decisions of hotels. Having a perfect balance between these variables will enable the hotels to determine prices that will help them maximise revenue and also satisfy the expectation of their guests. With the increasing competition and changing technology, such an industry as the hospitality sector will need the effective pricing strategies so aided by the data-driven tools to ensure ultimate success in the long-term perspective.

References

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