

EUROPEAN INSTITUTE OF INNOVATION, ENTREPRENEURSHIP AND TECHNOLOGY

MODULE

Operations Management in Hospitality

Non-Pricing Revenue Management Tools in Hotels

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How Non-Pricing Revenue Management Tools Maximise Revenue without Changing Room Rates

Revenue management (RM) is often associated with adjusting price, but a distinct set of non-pricing tools lets hotels increase revenue by controlling how fixed room capacity is allocated and consumed, rather than how much each room costs. Empirical research on star-rated hotels identifies capacity management, overbooking, length-of-stay control, and room availability guarantees as the core non-pricing devices hotels rely on, alongside their pricing tools (Murimi & Wadongo, 2021).

Capacity management. Rather than changing rates, hotels allocate their fixed room inventory across different demand categories, such as tariff class, length of stay, and booking lead time, so that the categories most likely to generate the greatest total revenue are given priority access to rooms (Murimi & Wadongo, 2021). Modelling this allocation explicitly, using historical check-in and length-of-stay data to forecast demand by category and day, allows a hotel to protect its most valuable segments from being crowded out by lower-value ones without touching the price charged to any segment (Bandalouski, Egorova, Kovalyov, Pesch, & Tarim, 2021). Survey evidence confirms capacity management is the most highly rated non-pricing tool among hotel revenue managers (Murimi & Wadongo, 2021).

Overbooking. Because some confirmed reservations inevitably cancel or fail to arrive, accepting bookings slightly beyond physical room capacity is one of the most extensively studied non-pricing techniques in the RM literature (Murimi & Wadongo, 2021). Overbooking recovers revenue that would otherwise be lost to empty, unsold rooms caused by no-shows, without requiring any change to the rate charged for those rooms.

Length-of-stay control. By restricting short bookings around high-demand dates, for instance requiring a minimum multi-night stay across a peak weekend, hotels avoid a situation where a single low-value one-night booking blocks a room that could otherwise have been sold across several nights to a higher-value guest. Though less studied than overbooking, length-of-stay control is recognised as an established non-pricing lever for protecting total revenue across a full high-demand period (Murimi & Wadongo, 2021).

Room availability guarantees. Guaranteeing room availability under specific booking conditions protects guest trust and repeat business, supporting revenue over time through loyalty rather than through a price incentive at the point of sale (Murimi & Wadongo, 2021).

These tools work together because they all depend on the same underlying capability: disaggregating demand into categories and forecasting how each will behave over the booking horizon (Bandalouski et al., 2021). Once demand is forecast by category, a hotel can decide, in advance, how many rooms to release to which segment, how much to overbook to offset expected attrition, and which dates require length-of-stay restrictions, all without altering the headline room rate. In this way, non-pricing tools let a hotel extract more revenue from a fixed set of rooms by managing who books, for how long, and under what conditions, complementing rather than replacing price-based revenue management.

References

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