

HOSPITALITY INDUSTRY ANALYSIS: REVENUE MANAGEMENT AND PEAK DEMAND STRATEGIES

Introduction to the Hospitality Industry
Assignment : 5

Submitted By:
Mohammed Adnan Siddiqui
Student ID : DE240374
Program : M.A in Tourism and Recreation

Submitted To:
Dr.Mahmoud Abdou

Scenario Analysis: High-Demand Holiday Weekend Pricing and Reservations

When a hotel approaches full occupancy during a peak holiday weekend and receives multiple same-day booking inquiries, strategic decision-making becomes essential to balance profitability with guest satisfaction.

How Revenue Management Maximizes Profit :

Revenue management relies on selling the right room to the right guest at the right time and price through demand forecasting and inventory control. When only a few rooms remain on a high-demand holiday weekend, revenue managers use real-time booking pace data and competitor rate shopping to capture maximum willingness-to-pay. Instead of selling the final rooms early at standard discounted rates, revenue management holds inventory for high-yield, last-minute travelers willing to pay premium rates. Furthermore, managers can implement length-of-stay (LOS) controls—such as requiring a two- or three-night minimum stay—to prevent single-night bookings from blocking multi-night guests across the peak holiday period.

Reservation Strategy :

Under near-full occupancy, the hotel should immediately close out low-yield distribution channels, such as discounted wholesale rates, promotional codes, and high-commission third-party Online Travel Agencies (OTAs), directing remaining inventory strictly through direct booking channels (the hotel website and reservations desk) to avoid commission fees. Simultaneously, the reservations team should apply a selective waitlist and guaranteed-reservation policy. Same-day callers should be offered the Best Available Rate (BAR) requiring immediate credit card authorization and a strict non-refundable cancellation policy to eliminate no-show risk. If the final rooms sell out, staff can place additional callers on a prioritized waitlist while partnering with nearby sister or partner hotels for seamless "walk" arrangements if unexpected overbooking occurs.

Why Room Prices Increase During Peak Holiday Periods :

Room rates rise during holiday weekends due to fundamental economic principles and operational realities:

- Supply and Demand Imbalance: Hotel room inventory is fixed and perishable—an unsold room tonight cannot be sold tomorrow. When holiday leisure travel surges while room supply remains constant, market clearing prices naturally climb.

- Price Inelasticity of Last-Minute Travelers: Guests booking on the same day during a holiday weekend typically have urgent travel needs and fewer available alternatives, making them far less sensitive to price increases.

- Higher Operating Costs: Peak holiday periods often require hotels to pay holiday overtime wages, hire temporary staff, and manage accelerated housekeeping turnover and utility consumption, making higher room rates necessary to protect profit margins.

References :

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