Advance booking and hotel price variability online: Any opportunity for business customers?

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Abstract:

Is it possible for business customers to effectively adjust their purchasing strategies, as a response to revenue management? We consider daily online best available rates for a panel of 357 hotels in Milan and Rome, up to an advance booking of 29 days.

We analyse price trajectories, finding that dynamic pricing strategies with no established trend towards the arrival date are prevalent, with a predominance of decreasing trajectories for lower-scale hotels in Milan during fairs. We show that price levels are explained by a variety of structural determinants. We quantify the effects of advance booking, room quality, services, competition, seasonality and fairs, underlining their different importance on leisure and business destinations. Other features, such as breakfast and refunding options, appear to be used as marketing tools to differentiate rooms, keeping a low pace in price adjustment. Managerial implications are discussed, with reference to both corporate travel departments and hôteliers.