

LIXTO WHITE PAPER



Pricing for Profit in the Hotel Industry: Empowering Pricing Managers for Greater Bottom-line Impact with Improved Market Price Intelligence



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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 pricing and revenue manager, and how the field of market price intelligence is powering a new era of price management.



White Paper

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A system that provides market intelligence data creates important advantages for pricing managers.

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, however, is changing the rules when it comes to pricing, and in the process, elevating the strategic importance of responsive price management.

Online distribution channels now dominate the landscape for web booking companies, travel agencies and lodging properties of all types, giving consumers transparent access to quality- and price-related market information. The real-time nature of the Internet means that sales, pricing 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 marketplace 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 market is that fast response to competitors' actions is now a priority.

In this environment, pricing managers need the ability to instantly evaluate the market impact that competitor price 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 comprising rankings and consumer reviews. Staying ahead of the curve depends on access to information that allows effective, agile response to rapidly-changing supply and demand conditions.

Enter market price intelligence

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

- Identify assortment gaps.
- 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.
- Define the best price responses.

Solid market price intelligence facilitates the 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, 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 pricing.



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 pricing trends and quality information that powers price management and optimization.

A system that provides such market intelligence data creates important advantages for pricing 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 marketplaces and competitor portals means that managers can identify critical market events—including competitor discounting, lack of product availability, and even product promotions—as they unfold. With this type of up-to-date information, managers can instantaneously identify “best available pricing” for specific products and make market-smart pricing decisions.

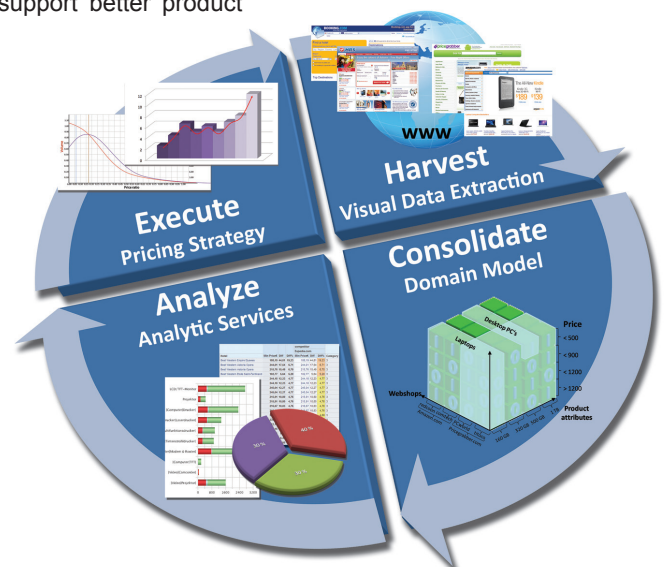
Most importantly, automated market intelligence systems enable pricing managers to make real-time adjustments to competitive price changes that significantly influence revenue. Corporations worldwide are realizing significantly improved revenue results as they implement these solutions. These results are generated in the 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 pricing 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 price analytics, and integrate online competitive comparisons with in-house pricing and forecasting solutions.

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

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Results are generated in the short-term, with major manufacturers and retailers achieving sizable gains in less than one year.

With quick access to historical data, managers can create models to illustrate how price impacts volume and then define optimized pricing ratios. They also can develop scenarios to test adjustments and trade-offs, evaluating the impact of price and mix changes from the individual product level all the way to the business unit level.

Such market intelligence allows pricing managers to define new target prices and model them to explore the effect on revenue and margin. At the same time, they can correlate product data with competitor data to suggest new prices and support enhanced price decision-making.

Empowering pricing managers with competitive intelligence

Structured price management depends on access to accurate competitive information on market conditions. With pricing intelligence, today's pricing managers have the ability to integrate competitors' online pricing into structured, in-house pricing processes and make highly-responsive decisions based on sound data analysis. The addition of quality-related customer reviews and rankings creates an even more accurate basis for pricing 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 price analytics
- Integration of online competitive price comparisons with in-house pricing, forecasting
- Quality-based consumer opinions and perceptions of competitor properties
- Price trend analysis
- Analysis of market reaction to product price changes

Driving operational performance with competitive price visibility.

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

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