On revenue management and last minute booking dynamics

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Abstract

Purpose
This study aims to explore booking behavior in an online experiment where the time before the date of stay was controlled for and where action and perceptions were recorded.

Design/methodology/approach
An initial pool of 302 students enrolled in various undergraduate and graduate courses in a Midwestern university were asked to participate in the study. Participants were assigned randomly to one of five groups. The treatments differed in the number of days participants had to complete the task of booking a room.

Findings
The findings suggest that a sharp increase in the participants' propensity to book occurs during the last week before the date of stay. In addition, the results of the binomial logistic regression provide strong support for the notion that time and the two assessed perceptions are strongly associated with the booking decisions of last minute deal seekers. Participants were more likely to book the closer it was to the date of stay if they thought the hotel was likely to sell out, and if they expected to be offered a better deal later in the process.

Originality/value
This study explored the role of time in hotel room booking decisions. Research suggests that two relevant trends are to be reckoned with when it comes to last minute bookings. First, a growing segment of the travel market is taking advantage of technological advances that facilitate effective deal-seeking behavior. Second, these patterns of deal-seeking behavior, and the manner in which consumers respond and adapt to revenue management policies in their attempt to book optimally, are not well understood yet. Accordingly, this study aimed to explore several aspects of last minute perceptions and behavior.

Keywords
Last minute  Advanced booking  Revenue management  Deal seeker  Consumer behaviour  Holidays  Perception

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Revenue Management began in the 1980s across the Airline Industry. To optimise financial results, airlines began to use ‘Dynamic Pricing’ where they would set seat prices based on anticipated consumer demand. Broadly speaking, Revenue Management is the use of analytical data, which can help to predict the behaviour of customers, so that product availability and price can be optimised in order to generate the maximum amount of revenue possible. In hotels, revenue management is a commonly used practise to sell smart. Direct Booking Incentives - Discounts, best rates or add ons made available for those customers who book direct. Another example is Loyalty Schemes. Revenue management is the application of disciplined analytics that predict consumer behaviour at the micro-market levels and optimize product availability and price to maximize revenue growth. The primary aim of revenue management is selling the right product to the right customer at the right time for the right price and with the right pack. The essence of this discipline is in understanding customers’ perception of product value and accurately aligning product prices, placement and availability. Back in the day, revenue management meant opening and closing availability and rates. When Online Travel Agents entered the scene, the industry became obsessed with simple adjustments of rates. Today, the playing field is drastically more complex. Modern revenue managers are experts at analyzing, forecasting, and optimizing hotel inventory through availability restrictions and dynamic rates and have, appropriately, become instrumental in managing a hotel's demand. Q: So, how do everyday hoteliers, general managers, and marketing staff wrap their heads around the technical, complex world of