

How to capture more Revenue with Automated Pricing

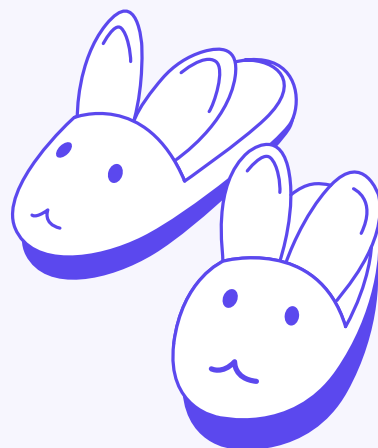
*A guide
for
Independent
Hotels*



room
price
genie

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1

Earn More Revenue While You Sleep

1. Earn More Revenue While You Sleep

Managing pricing is one of the biggest challenges for hotels. *Are you charging enough for your rooms? Are you missing out on bookings? Why did the hotel across the street increase its rates – what do they know that you don't?*

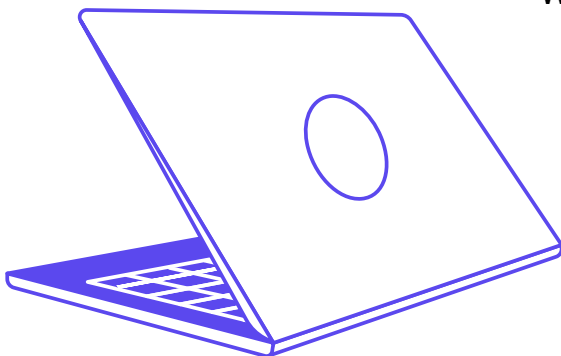
Today, hotels change prices frequently in response to shifts in demand, sometimes up to several times per day. And travelers are perfectly fine with it. In fact, they expect it.

The problem is owners and operators of smaller, independent properties are too busy taking care of other aspects of their business to constantly monitor market conditions. As a result, their pricing is often out of sync with other properties in their area, and they miss out on revenue opportunities.



Fortunately, there's a solution: **automated pricing**.

In this guide, we'll explain everything you need to know about automated pricing, whether you own a boutique hotel, inn, or hostel, manage a small hotel group, or oversee a collection of vacation rentals.



We'll show you why automated pricing is the secret to capturing more bookings, higher room rates, and more revenue all day, every day, even while you sleep.

That is if you have time for sleep.

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How Competitive Is Your Pricing?



2. How Competitive Is Your Pricing?

It's a tough time to be an independent hotelier. Just as the travel industry was recovering from the pandemic, inflation hit and a labor crisis kicked in. Today, hoteliers are trying to do more with fewer resources, and sometimes it's exhausting.

Yet demand for rooms has been strong, and hotels have been able to offset rising operating costs with increased room rates. The question is, how long will that last? With fears of an economic downturn in the air, travelers are becoming more price sensitive.

Meanwhile, small, independent hotels are facing a rising tide of competitors, primarily big hotels and branded properties with deep pockets for marketing, staffing, and technology, but also from short-term rentals, Airbnbs, and serviced apartments.



With so much volatility and so little time, how can you stay competitive?

The good news is independent hotels have never been more favorably positioned to rise to the challenge. With the right know-how and technology in place, you can ensure your rooms are always priced to attract the optimal volume of high-value bookings.



3

Dynamic Pricing: Aligning Rates with Market Demand

As consumers, we know that prices play a pivotal role in our decision-making. For travelers, in fact, pricing is second only to location when choosing accommodation, according to a recent survey from [STR](#).

To ensure they're getting the best price, travelers spend hours comparing rates across hotels. And they have all sorts of platforms for doing so, from online travel agencies (OTAs) like Booking.com and Expedia to Google, Tripadvisor, and hotel websites.

If your property's rates are significantly higher on these platforms than comparable properties around you, travelers probably won't book it. On the other hand, if your rates are significantly lower, they are more likely to choose it. In either scenario, you are missing out on revenue opportunities.

To prevent those lost opportunities, hotels practice revenue management. This is the process of managing room availability, pricing, and distribution to maximize revenue and profitability. A key part of revenue management is pricing.

Pricing Today: A Moving Target

In the good old days, room pricing used to be simple. Hotels set rates by season and rarely changed them unless the World Cup or Superbowl was coming to town. As a result, however, hotels were often underpriced when travelers were willing to pay more and overpriced when travelers were more price sensitive.

Today, most hotels take a more dynamic approach to pricing. This means adjusting rates frequently in response to shifts in demand for rooms. When demand for hotel rooms increases, such as during weekends, holidays, and special events, prices go up to capture a higher average rate. When demand decreases, such as during winter season and on shoulder nights, prices go down to attract more bookings.



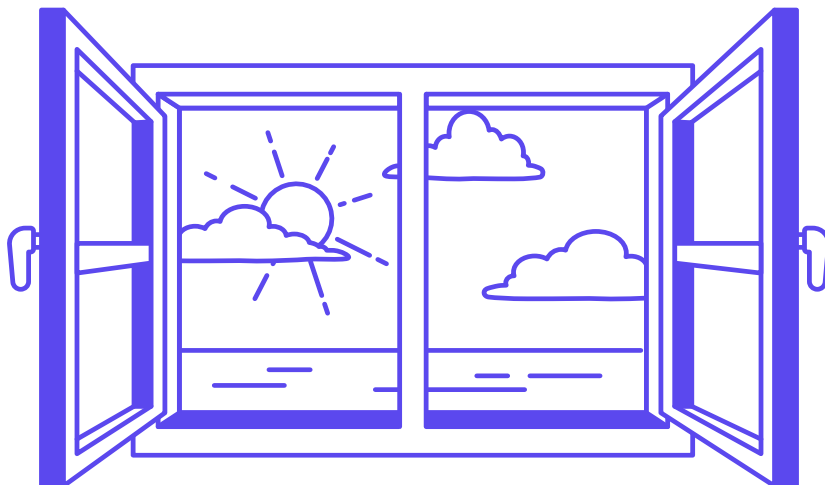
3. Dynamic Pricing: Aligning Rates with Market Demand

Dynamic pricing helps hotels increase occupancy, average daily rate (ADR), and revenue. And because many hotel costs are fixed, a higher proportion of the incremental revenue goes straight to the bottom line.



But dynamic pricing is a complex, time-consuming undertaking. It requires closely monitoring competitor rates, market conditions, and occupancy levels and regularly adjusting prices to meet changing conditions, sometimes as often as several times a day.

Owners and operators of small, independent hotels – and by small hotels we mean any property with 5 to 100 rooms – simply don't have the time required. They're too busy taking care of guests, multitasking, and performing the myriad of other duties that come with operating a small property. And this puts them at a serious disadvantage.



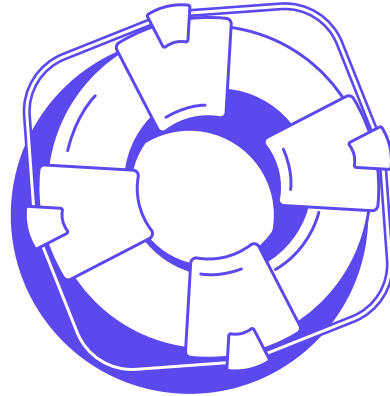
Using Dynamic Pricing to Capture Desired Bookings

Let's look at an example. Taylor Swift is a force to be reckoned with, not just in the music industry but also in the hospitality industry. This summer, the so-called "[Taylor Swift Impact](#)" brought over \$208 million in additional revenue to U.S. hotels. And the Eras tour is now heading to Latin America, Asia, and Europe.

Now imagine that a Taylor Swift concert is announced in your city, resulting in a spike in demand from all the Swifties swarming in for the big event. But you're too busy making beds and bussing tables due to staffing shortages to hear the news. By the time you raise your rates, your property is already sold out with lower-rated bookings.

Now imagine that the concert is canceled, resulting in a flurry of canceled bookings. Hotels across the city drop their rates to try to capture business from other sources, but you decide to hold your rates, banking on a busy weekend nonetheless. While bookings do pick up, most of them go to your lower-rated competitors, and you end with a lot of empty rooms – and no Taylor Swift.

It's a fast-paced world out there. A concert is just one of many events that affect demand for rooms. Only by responding quickly to changing conditions, with market data to back your decisions, will you be able to reach your true revenue potential.



“ Dynamic pricing is crucial for one's positioning in the market. The booking behavior of guests is changing more and more and is becoming more spontaneous. As a hotel, we have to react to this, and the best way to do this is to adjust our prices to demand. ”



– Anne Klaus, Head of Reception,
Hotel Rössli Gourmet & Spa, Switzerland



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Obstacles to Dynamic Pricing



4. Obstacles to Dynamic Pricing

Large hotels and chain properties have practiced dynamic pricing for decades now. Why have smaller, independent properties been so much slower on the uptake?

At RoomPriceGenie, we speak with hundreds of passionate, hardworking hoteliers every day, and we know it's not due to lack of awareness or will. Rather, it's due to:

- Lack of sufficient time to monitor competitor rates
- Limited access to information about market conditions
- Uncertainty about when to change prices and by how much
- Fear of upsetting guests by pricing too high or too low
- Frustration with trying to manage dynamic pricing manually

Doing Your Best, but Still Leaving Money on the Table

Here's what hoteliers are saying about dynamic pricing. Do these comments sound familiar to you?

“ I was spending so much time manually updating our pricing, but we were still leaving a lot of money on the table. Sometimes, demand was high but our rates were low. Other times, the rates were high and our demand was low. Pricing wasn't optimized at all. ”



– Purvi Patel, Owner, La Hacienda Inn, USA

“ Our strategy was always to start off at our lead-in rate which we wanted for each apartment and then lower prices closer to the time based on occupancy levels. However, this was very time consuming and, in some cases, didn't always work in our favour. ”



– Charlie Guest, Owner, Your Apartment, UK



4. Obstacles to Dynamic Pricing

“ Getting around to updating our room pricing every day was a mission. On many days, we were too busy running the motel and just left the prices [as is]. We knew we missed out on revenue opportunities. ”



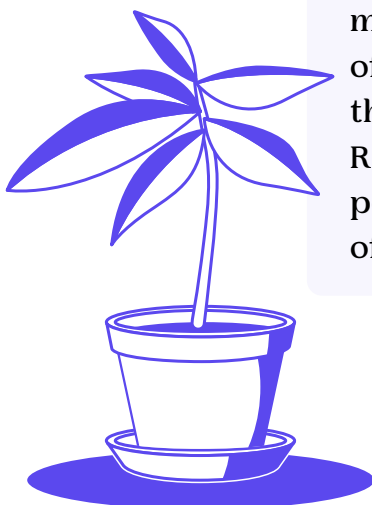
– Emma Browning and Tony Reid, Owners,
The Hanmer Springs Scenic View Motel, New Zealand

Is Dynamic Pricing Fair?

Another barrier to dynamic pricing is fear that guests will think hotels are engaging in unfair pricing practices or even gouging. However, [a study from ZHAW School of Management and Law](#) found that while hotels experienced significant increases in average rate and occupancy after implementing a dynamic pricing solution, there were no significant changes to guest satisfaction, perceived price fairness, or intention to recommend.

Dynamic pricing isn't about taking advantage of travelers, it's about charging market rates. Travelers expect to pay more when demand is high. (Have you booked a flight lately?) And they know it works both ways. When demand is low, they get better deals.

Aligning your hotel's pricing with the market is not only smart business, it's a customer-friendly practice.



“ While I was initially uncomfortable about raising my prices, when I checked online, I was still the cheapest of my comp set by far. I found out pretty quickly that people weren't shocked by my higher prices. Rather, they expected it. I realized at that point that I had been missing out on a lot of money over the past few years ”



– Patrick Lexis, Hotel de la Bourse, Netherlands

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Automated Pricing: A Game Changer

5. Automated Pricing: A Game Changer

Because so many big, branded hotels practice dynamic pricing and so few smaller, independent properties do, it creates an imbalance.

Pricing for small hotels is often out of sync with the rest of the market, either too high or too low.

As a result, large hotels scoop up more bookings at higher rates, leaving the leftovers to smaller properties.

Is this fair? Of course not. It's because these hotels are armed with a secret weapon: a revenue management system (RMS). An RMS automates pricing, inventory control, and hundreds of other revenue management tasks on behalf of a hotel.

Until recently, RMSs were designed primarily for large hotels with a dedicated revenue manager who has ample time to learn and operate the technology. For smaller properties, the systems are too complex, too expensive, and too time-consuming.

However, all that is changing. Today, there are revenue solutions custom-built for smaller properties. These solutions strip away the advanced features smaller properties don't need and focus on automating the pricing process.

Easy to learn and operate, they don't require the expertise of a revenue manager; they can be managed by any manager in only one or two hours per week.

For small to medium-sized independent properties, automated pricing software is a game changer.

Before we explore the benefits, let's explain how the technology works.



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How Does Automated Pricing Work?

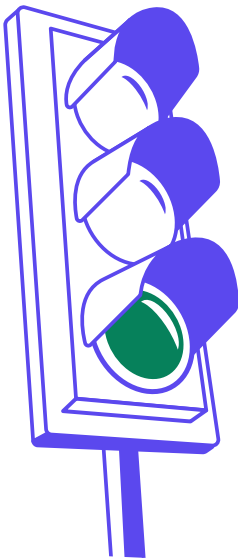


6. How Does Automated Pricing Work?

While we can't tell you how other pricing systems work, we can explain how RoomPriceGenie works.

On the front end, the dashboard is deceptively simple.

On the back end, however, the software's powerful algorithm processes thousands of data points and performs millions of calculations to produce the right rates at the right time.



The process can be divided into three main steps:

- 1. Collect data.** The software extracts pricing and demand data from internal and external sources.
- 2. Calculate pricing.** The algorithm analyzes the data and runs calculations to produce optimal rates, adjusting them based on the hotel's settings.
- 3. Update pricing:** Rates are updated in the hotel's PMS (or channel manager, if preferred).

All these steps are automatically repeated four to 12 times per day for each arrival date in the coming year or longer, depending on the hotel's subscription level.

How Does the Software Make Pricing Decisions?

In the data collection stage, the software pulls information from a variety of sources, assigning it different weightings according to its importance to pricing.

These sources include:

- Internal hotel data from the PMS, including occupancy, booking pace, and booking window (days left to sell).
- External market data, including rates from the hotel's competitive set, nearby hotels, and Airbnb (if relevant), as well as upcoming events and holidays.

6. How Does Automated Pricing Work?

Hotel Settings

A base price for the hotel's entry-level room type is calculated from the average rate over the past year. It is then adjusted according to the above data inputs and the hotel's settings. Hotel settings are input by the user and include minimum and maximum rates, occupancy goals, and preferred pricing aggressiveness, among other parameters.

Pricing for other room categories is derived from the entry-level room price according to the percentages or set amounts specified by the hotel. Additional rate plans, such as bed-and-breakfast packages and promotions, are derived from these prices.

All this data helps ensure your property is not only priced competitively, but that competitive advantages such as a prime location, superior amenities, or strong guest loyalty are priced in.

Auto-Pilot vs. Co-Pilot Mode

Hotels can also choose between Auto-Pilot mode, as described above, and Co-Pilot mode, in which the user can review pricing recommendations and make adjustments before uploading them to the PMS. In either mode, the hotel maintains full control over pricing settings and can override rates and set fixed rates if desired.



“ To stay competitive in today's dynamic and growing market, it is necessary to react quickly to all internal and external influences. Internal and external demand as well as customer behavior play an important role in order to price dynamically. ”



– Rafael Hollenstein, Manager,
Hotel Rössli, Switzerland

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Benefits of Automated Pricing

7. Benefits of Automated Pricing

With automated pricing, you don't have to worry about monitoring competitor rates, keeping up with market conditions, or deciding what rates to charge. The software does everything for you. Here's what hoteliers say about the key advantages.

Saved Time

In addition to peace of mind, automated pricing can give back hours per week of a hotelier's time, even as much as a full day. This frees them up to spend more time on taking care of guests, supporting the team, and managing marketing activities.

"I have more time now," said Nick Fitzgerald, owner of Aura Accommodation in New Zealand. *"I logged on today for the first time in a week, and yet I knew that over the course of the last week my pricing was moving accurately and effectively with what was happening in the market."*

Faster Responses

Pricing software will pick up changes in both internal hotel demand, such as a fall in occupancy due to a canceled wedding, and outside demand, such as a spike in citywide demand after the local sports team gets into the playoffs.



“ We're finally able to capitalize on the events in our area without having to spend time manually watching the calendar and altering pricing. So, we're saving time and driving more revenue. **”**



– **Alexander Hochstein, manager**
Bio Hotel Kunstquartier in Germany

6. How Does Automated Pricing Work?

Data-driven Decisions

Too often, hoteliers make pricing decisions driven by intuition, guesswork, and emotions like fear or pride, leading to less than optimal results. On the other hand, quality data can drive bold, smart decisions that bring results they never thought possible.

“ I always considered my pricing to be aggressive on the high side. But this August I increased my ADR by 11 percent compared to last year whilst still being full. ”



– Steve Dorman,
owner of the Alexandra Hotel in England

More Revenue

Most importantly, automated pricing brings in more revenue, which can also boost profitability and asset value.

“Our sales are up 25 percent simply because we are now pricing rooms better,” Josef Dörig of Gasthaus Hof in Switzerland told us. Meanwhile, at La Hacienda Inn in the U.S., owner Purvi Patel said that the incremental revenue from automated pricing has increased the valuation of his business by 17 percent.

How much incremental revenue can hotels expect to earn from automated pricing? A case study from **RoomPriceGenie**, involving nine properties ranging in size from four to 55 rooms, found that hotels earned 22 percent more revenue on average year over year, an average of \$70,000 per property.

Many hotels find that the incremental revenue pays off their annual software investment in a matter of weeks.





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Pricing Strategies to Boost Performance

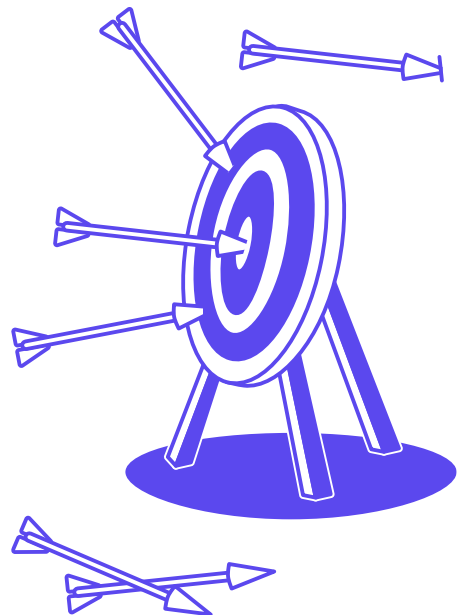
8. Pricing Strategies to Boost Performance

While automated pricing software will take care of day-to-day pricing management, hoteliers aren't off the hook entirely. These strategies will help support the system and ensure the most favorable outcomes.

Start with Clear Objectives

Before establishing your hotel's settings, clarify your overall revenue objectives. Do you want to drive higher occupancy or higher rates? Do these priorities change at different times of the year?

For example, if your property is new or recently renovated, you might want to prioritize building occupancy through less aggressive pricing. If your property is well established and demand is strong, you may decide to be more aggressive with your rates.



Don't Be Shy About Pricing

Most hoteliers undervalue their property, fearful of pricing too high and losing potential bookings. Yet hotels that charge higher rates than their competitors generate higher revenue per available room (RevPAR), according to [research from Cornell University](#).

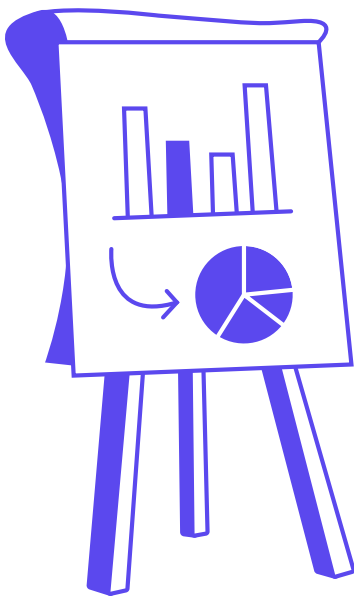
When you start out, experiment with your settings to see how they affect occupancy and revenue. And rest assured that the pricing software will only go to the maximum price if the data indicates the market will bear such rates.

8. Pricing Strategies to Boost Performance

Improve Guest Ratings

An essential part of rate strategy is ensuring that service and quality are commensurate with the prices charged. If you receive frequent complaints about pricing or value, you may need to review your pricing settings and the guest experience.

How can you enhance services and amenities to strengthen value perception, exceed guest expectations, and earn rave reviews? Higher guest ratings will increase your pricing power. [A study from Cornell](#) found that if a hotel increases its review score by one point on a five-point scale, it can increase its price by up to 11.2 percent without affecting occupancy.



Manage Room Inventory

Do your entry-level rooms always sell out first, resulting in premium rooms sitting empty or given away as upgrades? Try setting smaller pricing differentials between room categories and throwing in value-adds like breakfast or late checkout with suites.

If you receive a lot of cancellations, offer a deeper discount on nonrefundable rates and charge a premium for flexible cancellation. And if you often book up on weekends, use stay restrictions like minimum length of stay and closed to arrival to boost occupancy on shoulder nights.

Contain Acquisition Costs

More revenue is nice, but higher profitability is even better. If many of your bookings come from OTAs, the commission fees are cutting into your profits. If your pricing is right, you shouldn't need to avoid OTAs, but you may want to lower your dependency.

Before participating in promotions that require higher commissions or discounts, calculate the total costs and net rates. If you can sell those rooms on lower-cost direct channels instead, you will be much further ahead.

8. Pricing Strategies to Boost Performance

Generate Demand

Pricing software is designed to optimize rates for existing demand.

You will achieve even better results by engaging in marketing activities that generate higher demand.

This starts with the basics:

- Your website should feature high-quality imagery, helpful information, and simple navigation, with a real-time booking engine.
- Your profiles on OTAs, Google, and distribution channels should be detailed, appealing, and up-to-date to help drive conversions.
- Promotions sent to your email database and cost-per-click ads on Google, Facebook, or Instagram can be effective ways to entice guests back and find new prospects.

For more tips and ideas, check out our guide.





9

Features to Prioritize in Pricing Software

9. Features to Prioritize in Pricing Software

When shopping for pricing software, it's important to do your research. You don't want to pay for complex features you will never use, nor do you want to compromise on a cheap solution with limited capabilities.

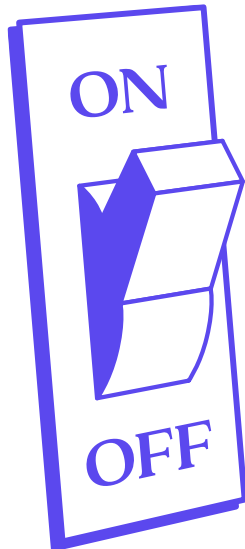
For small, independent properties, here are the features to prioritize.

- **Ease of use.** If the solution is complicated, staff may avoid it. A small property needs software that is quick to install, simple to learn, and easy to operate.
- **Transparency.** The dashboard should provide a calendar of daily hotel performance, including occupancy, ADR, revenue, and rooms left to sell, along with a breakdown of factors to explain pricing decisions.
- **Algorithmic pricing.** Be wary of simple rules-based tools that automate pricing based on occupancy or competitor rates. An algorithmic pricing model factors in a range of internal and external data sources to make better pricing decisions.
- **Smart automation.** Many tools provide recommendations only, requiring the user to approve rates and manually upload them to the PMS. To truly save time, find a solution that automates pricing decisions and uploads them to the PMS for you.
- **Control.** You should always maintain control of your pricing. This means being able to choose between decision and recommendation mode, set pricing aggressiveness and target occupancy, and implement fixed rates and overrides.



9. Features to Prioritize in Pricing Software

- **Forward-looking data.** Rather than rely on historical data and risk repeating past mistakes, the solution should make pricing decisions based on current conditions, adjusting rates as demand patterns change.
- **Two-way connectivity.** The solution should be cloud-based to allow user access from anywhere and feature a two-way integration with your PMS or channel manager to enable automatic updates several times a day.
- **Support.** To avoid upfront costs, ask about a monthly subscription model and free onboarding, as well as a free trial, fast setup, and flexible cancellation. Also important are customer support, advisory services, and learning opportunities.



“ When we started, our goals were to drive more revenue plus save time on the manual pricing work. And the results speak for themselves. Our occupancy is up by 10% compared to last year and revenue by about 15% ”



– Emma Browning & Tony Reid,
The Hanmer Springs Scenic View Motel, New Zealand

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Now
Is the Time
to Embrace
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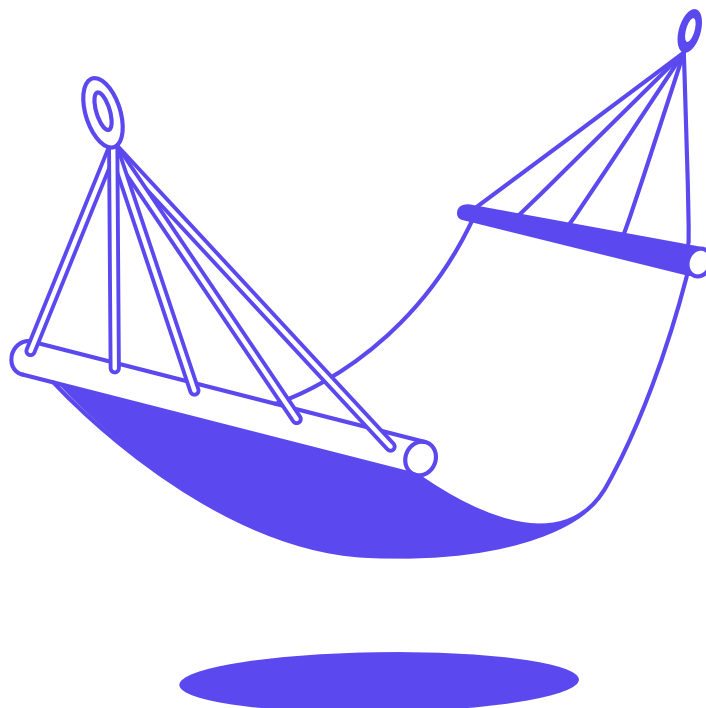
10. Now Is the Time to Embrace Automated Pricing

Automation is changing the accommodation business. It's helping hoteliers make smarter decisions and freeing them up to take better care of guests and support their team. This is especially crucial for small properties with limited resources.

Today, hotels that use automated pricing software are at a distinct advantage over hotels that don't. They have more time, less stress, and more revenue. However, adoption of these tools is happening so fast it won't be long before they become mainstream, and properties without pricing software will be at a serious disadvantage.

Now is the time to put automated pricing into place. Not only will you make more revenue while you sleep, you will sleep more peacefully.

Get
started
with your
free trial





RoomPriceGenie is the easiest way to ensure that your rooms are priced right, every night. Purpose-built for the independent hotelier, RoomPriceGenie is fast to implement, intuitive to use and simple to understand.

In an uncertain world, it's revenue that you can count on.
To find out more about automated pricing, start your free trial today



**GET
STARTED**