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Hotels



Tailor-made pricing with RMS

Dynamic pricing is an important new challenge for the hotel industry and one which can only be met with the aid of sophisticated Revenue Management technology. Achieving the best price for each room depends on many factors ranging from seasonal demand, and historical performance to the booking channel and type of guest. Finding the answers to these complex issues is the mission of Serge Chamelian, Business Development Manager for the Revenue Management unit at Amadeus. Here Serge describes why dynamic pricing is such a key issue for the industry.



Serge Chamelian
Business Development
Manager RMS

HBG, Amadeus

“Simply put, it enables hoteliers to fill hotel rooms at the most profitable price according to market demand,” he says.

The Amadeus RMS, the automated business management ‘tool’, has traditionally been used to provide hoteliers with crucial, timely information to run their business. But now a more modern revenue management technique is beginning to emerge: dynamic pricing.

Pricing with a twist

Under this model, which Serge refers to as “pricing with a twist,” rates can differ from night to night according to availability and demand. “In a nutshell, it is a framework whereby more fluid pricing between the buyer and seller is integrated with modern revenue management principles and practices,” he says. Dynamic

pricing allows hotels the flexibility to adjust prices by aligning room prices daily or seasonally based on historical information on capacity and seasonal factors but also taking into account market trends which include competition.

“While the Internet has brought with it vast opportunities for travellers and the travel industry,” says Serge, “there is something to be said for traditional reservation methods, when hoteliers could make pricing decisions based on clear market segmentation. It was obvious if it was a business or leisure traveller.”

This type of intelligence used to shape pricing, but the popularity of travel booking websites means hotels do not usually glean any information to differentiate between customer types. “The beauty of dynamic pricing is that it still allows hoteliers to optimise the price, regardless of guest type,” says Serge.

By using the richest information possible – where customers live; what they buy; how much they spend, how competitors book – gathered from customers and the marketplace themselves, dynamic pricing will allow online companies to tailor prices to an individual’s spending inclination.

Customer-tailored room pricing

That said, in future, rather than based on daily or seasonal data, dynamic pricing will be based on price sensitivity, market trend and competitive analysis says Serge. “By using the richest information possible – where customers live; what they buy; how much they spend, how competitors book – gathered from customers and the marketplace themselves, dynamic pricing will allow online companies to tailor prices to an individual’s spending inclination,” he says. There are interesting times ahead.

Amadeus’ new RMS version 6.d uses information based on this room price sensitivity to help hoteliers set prices in future. Despite this, the system is suitable for new hotels, as it can be set up from scratch, using information from the huge repository of data Amadeus has at its fingertips.

Further into the future, we may see wider use of other revenue management methods, such as hotels located in or near airports that charge for rooms by the hour, aimed at delayed travellers, which are already growing in number. For now though, dynamic pricing is by far the most attractive model for the broadest range of hotels. “It is a far cry from the days of fixed prices for rooms. Thanks to the maturity of the technology that drives it, based on invaluable industry intelligence, it is a welcome development for hotels globally,” says Serge.