How to Build an Effective Pricing Strategy

A Guide to Making the Most Revenue From Your Rooms **for Property Managers and Hoteliers**

1. Introduction

Whether you're running a hotel or managing a portfolio of properties, one of your main goals should be making your business as profitable as possible. While dedicated revenue management teams can help you in this area, they're not a given for modern hospitality businesses to succeed. This is especially true for those who own, operate and/or manage independent accommodation.

So, if you want to take the lead yourself when it comes to driving revenue from your accommodation, where should you focus your efforts?

Your pricing is an excellent place to start.

A study of 840 hotels in 17 major European cities has found that, on average, accommodations that implemented a deliberate price strategy and were able to adjust their prices based on current market demands earned 8.6% more revenue per available room than those that did not.* And eviivo's Global Traveller Survey shows that 33% of respondents cite price as the most important factor when deciding to book accommodation.**

This white paper gives you actionable advice on how to plan and develop the most effective room pricing strategies for your business. It provides evergreen guiding principles, and explains, step by step, how to:

- Identify and track the main growth drivers for your business.
- Collect competitive market data to inform your strategy.
- Reach out to more guests and work effectively with Online Travel Agencies (OTAs).
- Know when and to what extent you should increase or reduce your rates.
- Use promotional tools to influence behaviours and gain competitive advantages.
- Avoid common mistakes and use automation to reduce time-consuming tasks and manual effort.

Your pricing strategy should go beyond flat, static rates and guesswork. It needs to be operational at all times and cover a minimum of 12–24 months, especially when you are not that busy. Make sure you don't miss out on the low season's big upsides such as Black Friday and Cyber Monday (Christmas and Thanksgiving) or Black Tuesday (January sales), when many early bookers look for bargains and start planning their summer holiday. Consider when people are more likely to stay with you, but also when they are most likely to book, as both periods are critically important.

So, whether you are just starting out or leaving another high season behind you, it's time to do the maths. Let's get you ready for the next high season!

*Abrate, Graziano, Juan Luis Nicolau, and Giampaolo Viglia. "The impact of dynamic price variability on revenue maximization." Tourism Management 74 (2019): 224-233.

**eviivo Global Traveller Survey, August 2022

2. Get Your Metrics Right

Effective pricing starts with the right insights.

If you have been running your business for a while, take a good look at the previous year's results. If you are new to running accommodation, have a conversation with your tourism association or local real estate agents and restaurants.

Both are an excellent way to find answers to important questions such as:

- When did you sell most rooms, and at what price? When do local businesses experience the highest demand?
- When did you have to lower your prices to get bookings? When do other local businesses close down or find things slow?
- What days of the week, and which periods of the year, are the most popular? Is there a pattern?
- How long did your guests stay with you on average?
- How far in advance did your guests book (also known as your "Booking Window")?
- When did you have to refuse bookings because you were fully booked?
- When do you struggle to get bookings?

The above information is critical to help you understand when demand is strongest, when to increase or reduce your rates, and when to impose minimum lengths of stay or apply more stringent conditions of sale to maximise cash flow and revenues.

If you are just starting out, you will have to make key assumptions. Set these as a benchmark to measure your performance and – most importantly – make any necessary changes quickly, should your first year not unfold exactly as planned. The key to success here is to ensure you can spot any deviations fast.

Either way, let us first review a few **key performance indicators (KPIs)** that will help you drive growth. This section explains what they measure, why they matter, and how to calculate them. Many of these metrics are used daily by top revenue management professionals in the world's best hotels and property management companies. So, let's start with a little bit of jargon busting and give you the tools you need to impress your investors, your accountant, or your mortgage lender.

Key metric calculation symbols : / = divided by | * = multiply by

2.1. Metric 1: Available Room Nights

A critical element used to calculate several key metrics for your business. This represents the number of nights that a given accommodation unit is available.

Calculate Your Available Room Nights:

Multiply the no. of available units by the no. of days in your reporting period. Examples:
1 accommodation unit sold over 365 nights = 365 room nights per year.
2 accommodation units sold over 365 nights = 730 room nights per year.

2.2. Metric 2: Room Revenue

The booking revenues generated from the room nights you have sold over a given period, for any given accommodation units.

2.3. Metric 3: Average Daily Rate (ADR)

The Average Daily Rate is the booking revenue received in a given period, divided by the number of room nights actually sold in that period for any given accommodation unit. This **measures the average price you are able to command per room night.**

Calculate Your ADR:

[£] Total room revenue / [X] room nights sold in the period

2.4. Metric 4: Occupancy Rate

Your Occupancy Rate is the number of room nights that **you sold** in a given period divided by the number of room nights **available** over the same period.

Calculate Your Occupancy %:

[X] room nights sold (occupied) / [X] available room nights * 100 = % occupancy

2.5. Metric 5: Revenue Per Available Room (RevPAR)

The Revenue Per Available Room or RevPAR is a key metric used to help you:

- Understand how well you are doing.
- Set up the correct target prices for your rooms.
- Compare your performance to competitors.

RevPAR takes your occupancy rate (i.e. the number of room nights sold as a % of all available room nights) and multiplies it by the average daily rate (i.e. the average price you command for each room night).

Consider it good news when your RevPAR increases, and bad news when it decreases. A higher price or a higher occupancy drives a higher RevPAR. A lower price or a lower occupancy drives a lower RevPAR.

Calculate Your RevPAR:

[X%] occupancy rate * [£] average daily rate

⚠ **BEWARE:** When calculating this particular metric, both the occupancy rate and your average daily rate used must cover a matching reporting period.

Good to know: You can also use more refined alternative metrics here such as:

- **TRevPAR** (Total Revenue Per Available Room): Rather than use your average daily ***rate*** per room night, this uses your average daily **total revenue** per room night. This includes the sales of any extras such as food, drinks, spa treatments, etc. [6]
- **GOPPAR** (Gross Operating Profit Per Available Room): Rather than use your average daily rate, this uses your average daily **profit** per room. This is your total revenue minus your running costs for the room. Rather than just focusing on occupancy (demand) and rates, this metric will show whether or not your prices are high enough to cover your running costs, and how well you have optimised those costs.

2.6. Metric 6: Average Length of Stay

The longer a guest occupies a unit, the cheaper the administrative and operating cost for you. No need to meet and greet, run a full cleaning service, or make the bed and change towels every day (especially useful if you are trying to be carbon neutral). This is one reason why it is so important that you understand how the average length of stay changes over the year.

This is especially crucial in the vacation rental business. If you run a ski chalet or a beach rental, you may be able to impose 7-day minimum stays in the high season, and operate more flexibly by reducing them to 2 or 3 nights in the low season.

Calculate Your Average Length of Stay:

Number of room nights sold / Number of bookings

You can also use this metric to decide when to kick off a promotion that encourage longer stays.

Pro Tip

Use these promotions to give guests incentives to stay longer and reduce your running costs. In simple terms, if it costs you £50 more to manage a guest changeover and run a full cleaning service, anyone staying multiple nights will save you £50 per night. Therefore, you can easily give them a promotional discount of £10 or £20 and still be better off!

2.7. Metric 7: Average Booking Window

Calculate the Booking Window for Each Booking:

Calculate the number of days between booking date and check-in date.
Calculate Average Booking Window Overall:: Add all Booking Windows together (in no. of days) / Number of bookings

The booking window measures the average number of days that elapse between the moment a reservation is made and the date the guest checks in. It tells you how far in advance your guests book at your property. Understanding this allows you to take the right action to encourage early bookings.

The more people book early, the better your cash flow, the quicker you fill out, and the more likely you are to command higher prices in the high season.

2.8. Metric 8: Revenue Per Property

Your total revenue per property is the sum of all the bookings and extras you have sold across all the accommodation units in your property. This includes food and drinks, plus other ancillary products and services.

If you manage multiple properties, you will want visibility over each property's performance, especially if you have to report to an investor or the property's owner. Your overall business revenue, of course, is the sum of the revenue achieved for each of the properties you own or manage.

2.9. Metric 9: Bookings and Revenues by Channel

If you are selling your rooms through various channels (such as OTAs, direct bookings online, and offline bookings) it is important to measure the performance of each one. Track how many bookings and how much revenue you receive per channel. Compare direct bookings via your website (which are commission-free, provided you use a commission-free booking engine) versus bookings that come from OTAs such as Booking.com, Google, Expedia or Airbnb (where you pay a commission).

Look at both the number of bookings and the revenue value of these bookings. **Bear in mind that the first profit driver for your business is volume – i.e. occupancy**. So, your first job is to fill up. If the commission on bookings via OTAs is only ~15% of the booking value, it's better to secure more bookings at 85% of the price than to get fewer bookings at the full price!

Building quality year-on-year data about your property's performance is key to making informed strategic decisions about pricing and promotion. It is also the main reason why you should consider the reporting capabilities of any property management system (PMS) you are interested in. The longer you use a PMS, the richer the data you collect for more insightful reporting.

The best PMSs allow you to create custom reports from scratch using all available data: bookings, financials, room and property details, guest info, extra products/services, payments, and OTA payouts. This allows you to get tailored insights that can directly inform your pricing strategy. For example, you may want a more granular overview of comparative channel performance and therefore design a report that displays subtotals (like revenue gross and number of bookings) per channel over a specific period.

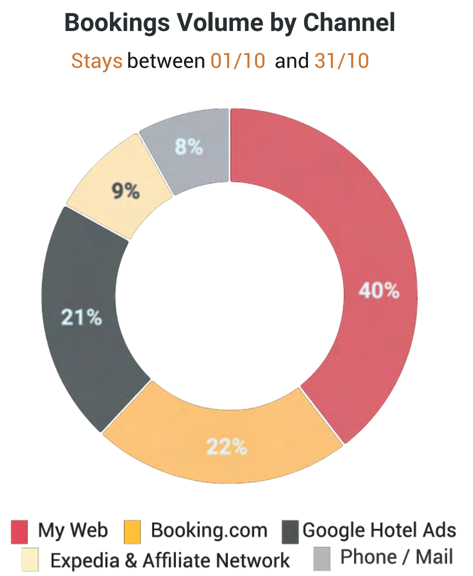

Fig. 1: Booking Volume by Channel (sample eviivo Suite graph)

This shows that just under half of business comes from direct low-commission bookings (phone, mail or online on "My Web"). Google and Booking.com are the channels that perform the best for this property to use in capturing new guests.

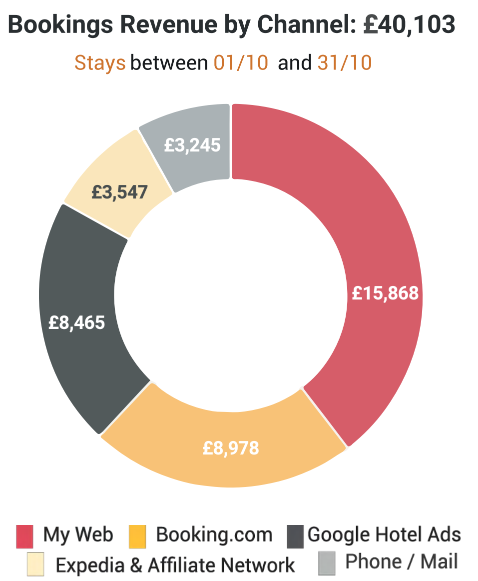

Fig. 2: Booking Revenue by Channel (sample eviivo Suite graph)

This shows that the total revenue is fairly evenly split across direct, low commission channels and indirect channels. The split indicates this is a strong mix of channels for the property to use.

Pro Tip

Hotels in highly competitive areas regularly share top-level data, such as Average Daily Rate and Occupancy Rate, with their competitors to enhance market intelligence. Data on rental and occupancy levels for your area may also be available from your local tourism association or directly from certain OTAs like Booking.com, who share data on the last two weeks of customer demand in your market that you can access through eviivo Suite (if subscribed to the Performance Manager option). eviivo Suite's integration with Key Data enables property managers to synchronise their PMS data with local and regional market intelligence for real-time benchmarking.

2.10. Metric 10: Revenue & Profit Forecast

If you are starting a new business and need to convince your bank to give you the necessary loan or overdraft, this is the magic formula you should use to work out your business plan.

1. Take the total **number of accommodation units** you can sell. Multiply these by the number of days in the year (minus any days where you know your business will be closed).
2. Make an **occupancy rate assumption**. NB no one ever sells 100% all year long! If you are starting up we recommend you take a conservative approach to avoid any nasty surprises.
3. **Make an assumption on the average price** you think you will command for each room night (i.e. your Average Daily Rate). [9]
4. Multiply all the above results to work out your **Revenue Forecast**.

Together with any loan you received, your annual revenue forecast should be enough to cover all your annual costs plus any loan repayments. If it does not, you need to either reduce your costs, increase your price, or convince your investor to back you for a little longer. Rather than just increase your occupancy rate, it is strongly advised that you remain conservative on your occupancy assumptions. Occupancy levels are not fully under your control, but costs and prices are.

Calculate Your Annual Revenue Forecast:

Forecast = [X] accommodation units * [X] days * [£] ADR average daily rate * [X%] occupancy rate

Note: Your occupancy rate should reflect any period in the y ear where your business might be closed.

You can take this one step further by forecasting your profit. To do this, you need to analyse your annual cost base. Your equation should become the below.

Calculate Your Annual Profit Forecast:

[£] annual forecast - [£] annual cost = annual profit forecast

Revenue

Last 12 months

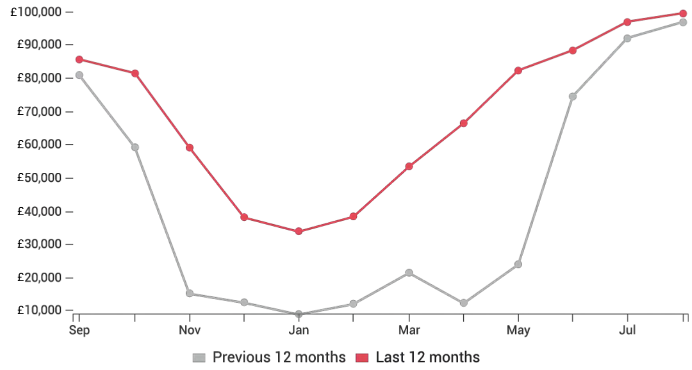

Fig. 3: Current and historic revenues over 12 months (sample eviivo Suite chart)

This shows that 1) this business makes most of its revenues in the summer and 2) the business performance in the low season has much improved year on year.

Revenue Forecast

Next 3 months

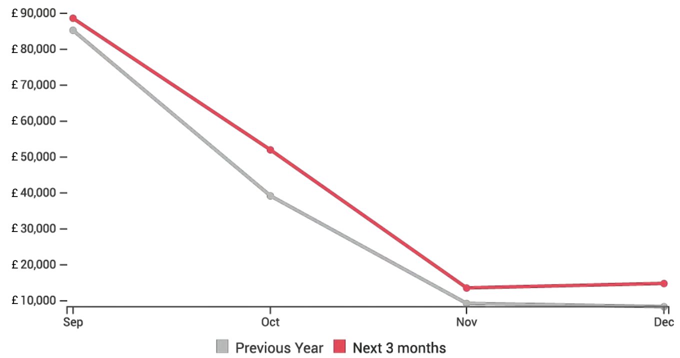

Fig. 4: 3-month forecast (sample eviivo Suite chart)

This shows that most bookings are made at the most 3 months in advance. When you compare it to the previous year, the business is getting more advanced bookings, which is good news.

Annual demand: Booking Activity

Last 12 months

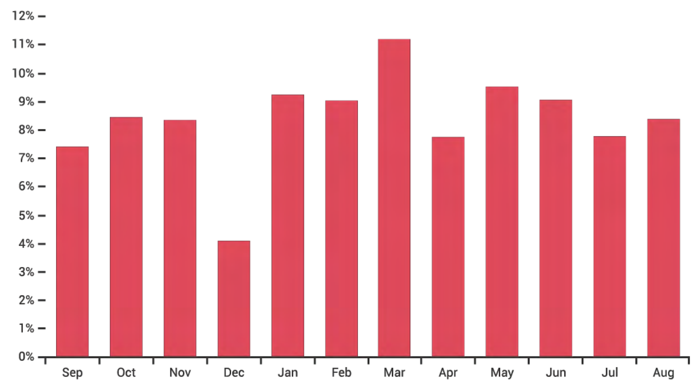

Fig. 5: Booking activity over 12 months (sample eviivo Suite chart)

This shows that most people book in March, May and June, while relatively few book in December. This makes December a good time to launch y our early bird promotions!

Annual demand: Guest Stays

Last 12 months

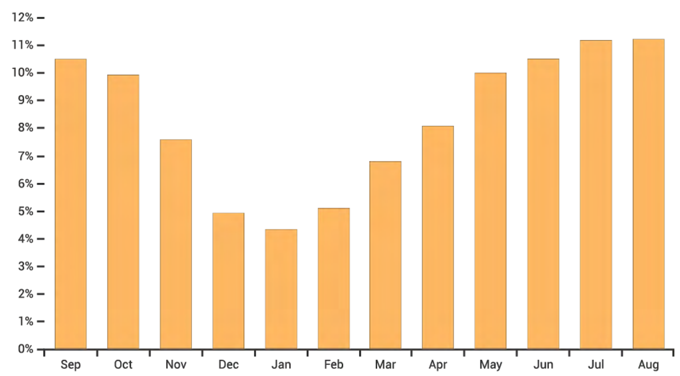

Fig. 6: Guest stays over 12 months (sample eviivo Suite chart)

This shows that most guests stay in July, August and September and very few stay in the winter. In this case, it is a good idea to offer lower rates and more relaxed T&Cs in the winter to encourage more business.

3. Understand Your Competition

Calculating your key metrics is just step one towards a winning pricing strategy. The next step involves collecting data on your competition that will inform your strategy.

You know the old saying: “Keep your friends close and your enemies closer”? Knowing how and what your competitors are doing helps you:

- Know what opportunities are available in your market, so that you can seize them.
- Set your positioning in your local market to differentiate yourself from the competition and be more attractive to targets.
- Know where your offer sits in terms of quality, price and target audience.
- Anticipate peaks and troughs in demand.
- Understand the key factors for a successful business.

Below are a few simple steps to build out your competitor set.

3.1. Define your target competitor set

A competitor set is a list of no more than half a dozen of your nearest competitors. To select a competitor set correctly, you need to look at properties that offer a similar service in close proximity to you. Remember: they do not have to be the exact same type of property. However, they should be the type of accommodation that potential guests might compare with yours when they research the area. Use the below data points to identify the competitors that have similar attributes to your property.

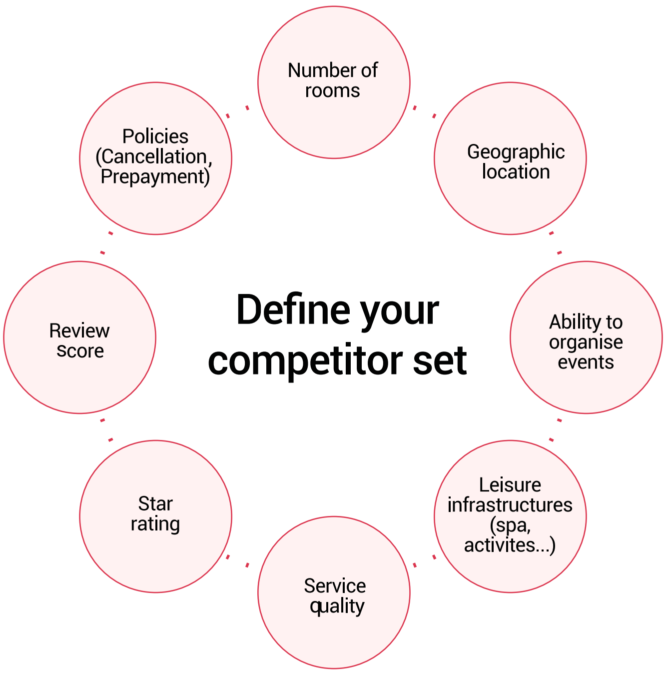

Fig 7: Data points to seek out when defining your competitor set

Pro Tip: Direct vs Indirect Competitors

Direct competitors offer a very similar product or service to you. They will provide a parallel type of accommodation with comparable rooms and a similar level of service and extras (food and drink, leisure activities, spa, etc.)

Indirect competitors may offer a completely different type of accommodation but position their offer and target their marketing at the same type of guests. For instance, vacation rentals may well compete with a hotel. They may offset the lack of breakfast provision by promoting more privacy, a great kitchen, a home-delivery service, or proximity to a nice restaurant.

It is very important to monitor your indirect competitors because they can adjust their offer or prices at any time to threaten your market share.

Having a lot of competitors does not mean that you will necessarily have a low occupancy rate. But it means you have to work harder to stand out. Offer a great property and impeccable service in order to win and retain your customers.

3.2. Compare your offer to your competition

Once you've identified your principal competitor set, the best way to compare your business to the competition is to run your own SWOT analysis. This means mapping your strengths and weaknesses against the competitors while identifying key opportunities and threats.

Consider these in both a global and local context. For example, a recent bomb scare in your country may deter global audiences from travelling there for a while. Look at the template below: fill one row for your business, and another for your most direct competitors. (You can use their website to find out what claims they make.)

Strengths	Weaknesses	Opportunities	Threats
What makes your property unique or special? How have guests described their experience?	Reasons why guests might not choose your property, or things you could improve (Includes things offered by competition that you cannot match)	What opportunities can you take advantage of? (Think renovations, tech or environmental enhancements, or anything else with a positive impact to your business)	What political, environmental or social threats could harm you? What is your competition doing? Could your weaknesses expose your business to risk?
E.g., heated pool, 24h reception desk service, spa, kids' amenities, you have hired a skilled new cook.	*E.g., small rooms, no parking, no wi-fi, needs refurbishing, no high-quality photos.*	*E.g., heavy investment from local tourist board, new train station, airport, new local events, new company setting up its HQ in your area.*	*E.g., closure of transport infrastructure, public health crisis, new competitors on the market, economic crisis, natural disaster.*

Knowing your competition also means knowing what products or services they do NOT offer. This may give you a great opportunity to **differentiate and gain a competitive edge**. Something as simple as a breakfast cooked to order, or a green or pet-friendly approach, can make all the difference.

Equally, if most of your competitors offer the same standard services (e.g. accommodation and breakfast) but have very restrictive arrival and departure times, why not offer contactless check-in and check-out? Give your guests the flexibility to arrive very late in the evening or depart before you are even awake. It doesn't require much investment and can be very attractive to travellers.

3.3. Monitor your competitors

If you do not know enough about your competition, investigate and monitor what they do. There are several key benefits to this

- Identify demand fluctuation throughout the year, based on their prices.
- Spot good marketing ideas that you can adopt and enhance.
- Use their weaknesses to your advantage.
- Better understand your local market and identify opportunities.

Large hotel chains pay armies of specialists who spend their workdays analysing demand and trends. They take exclusive meetings with major travel agencies in order to optimise and adjust their prices by the minute, similar to airlines. So, watch their price movements, as they are usually a good indicator of the demand levels they expect. Remember also that if large hotels take on a big conference, they may be fully booked, and this can mean more overflow business for you.

Fig. 8 displays all the types of competitor data you can easily collect online via Google, their website, their OTA listings, their social media platforms, their newsletters, and the local tourist board.

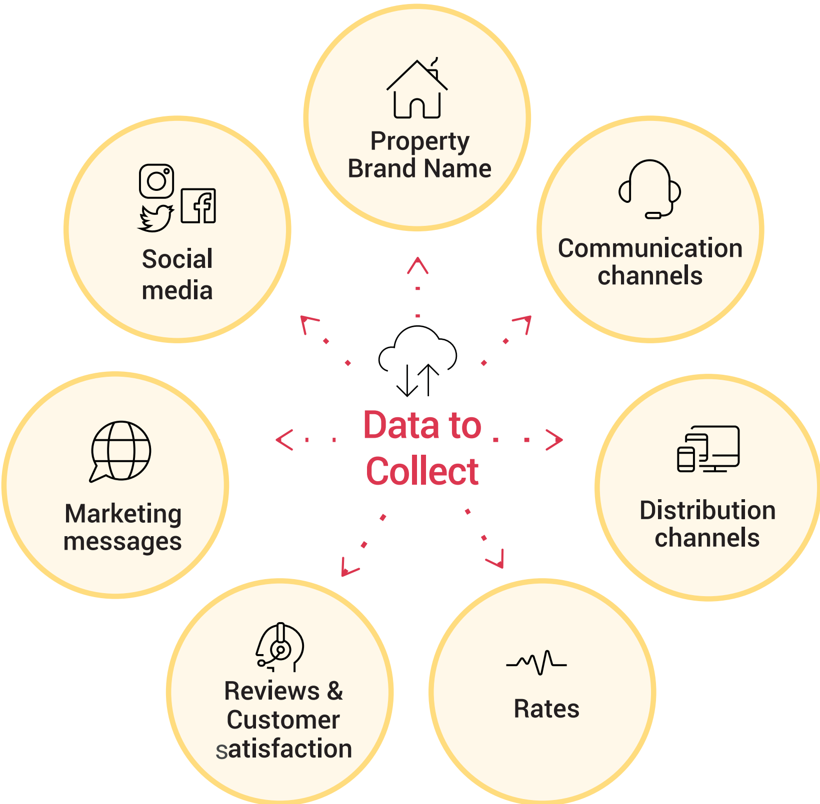

Fig. 8: Types of data to collect on competitors

Other valuable data to seek is your competitors' occupancy rate and average daily rate, as you can compare this to your own performance. If they are part of a chain, they may report this in their annual accounts (usually available online). Once you've done that, you can star t "rate shopping".

Rate shopping refers to regularly checking your competitors' pricing in order to adjust prices and remain competitive on your market and positioning while maximising profits.

To get started with manual rate shopping, build a very simple table with your top competitors (see Fig. 9 for example) and check the rates they publish at various dates in the year. This will give you a broad overview of their sentiment on demand levels. **Remember: you should forecast demand levels and set prices at least twelve months in advance.**

Pro Tip

Make sure you always compare rates like for like. Do not compare the price of your standard double room to your competitor' s superior double room.

	Competitor A	Competitor B	Competitor C	Your Property	Average Rate
Oct 15th	£100	£110	£100	£100	£103
Nov 15th	£120	£130	£140	£130	£130
Dec 10th	£150	£130	£120	£150	£133
Dec 25th	£150	£130	£120	£150	£133
Jan 1st	£150	£130	£120	£150	£133
Feb 15th	£120	£130	£140	£130	£130
Mar 15th	£100	£110	£100	£100	£103
Apr 15th	£100	£110	£100	£100	£103
May 15th	£120	£130	£140	£130	£130
Jun 15th	£120	£130	£140	£130	£130
Jul 15th	£150	£130	£120	£150	£133
Aug 15th	£150	£130	£120	£150	£133
Sep 15th	£120	£130	£140	£130	£130
Average rate	£127	£125	£123	£131	£125

Fig. 9: Example of simple rate comparison table

Pro Tip

Focus on critical dates in the year that are most relevant to leisure and/or business travellers in your area. This may be the summer or winter season, or dates around a special local event. Read more on this in Chapter 4.

From this table, you can gain an understanding of the average rates that your competitors offer for each period. This will give you a clear idea of the current market price for your type of accommodation and help you decide your own prices.

Update this table regularly to keep your competitor (and market) knowledge current and relevant. Pick dates that reflect key demand periods in your area. We will discuss why and how to do this in the next chapter.

4. Understand What’s Going On in Your Area

Monitoring your competitors using the methods we outlined in the previous chapter allows you to identify how demand fluctuates throughout the year. To develop an even firmer grasp on demand levels, and help set your seasonal pricing calendar accordingly, you should also pay close attention to your physical surroundings. Depending on where your property is located, demands levels may vary due to what is going on in the area, or even in neighbouring areas.

It is crucial to **identify key local and global events as far in advance as possible**, as they will affect demand levels. These may include regular seasonal events or ad-hoc special events:

Regular seasonal events:

- Regular seasonal events
- School holidays
- Long public holiday weekends
- Religious celebrations
- Regular festivals, concerts or sports events
- Regular trade shows, markets, fairs or conferences

Ad-hoc special events:

- One-off trade shows or business or political conferences
- Sporting events, concerts or festivals
- Natural phenomena (such as an eclipse)
- Recent media coverage
- Use as a TV or movie location or celebrity hangout spot
- Commercial activity (such as a new factory opening)

Also, consider times when your area is most attractive to visitors. Here are a few questions to ask yourself about the area:

- Do people travel there for the warm, sunny weather or for the snow?
- Are you primarily attracting business and contractor audiences or tourists and leisure travellers?
- Are there local sporting activities available only during a specific season?
- Does some of the local infrastructure close at particular times of the year?

Answering these questions helps you to **highlight periods when you are most likely to attract guests** and should give you the ability to set an effective seasonal pricing calendar.

You can use a PMS to keep track of both regular and ad-hoc events, in one place. This allows you to identify and anticipate periods of high or low demand at a glance.

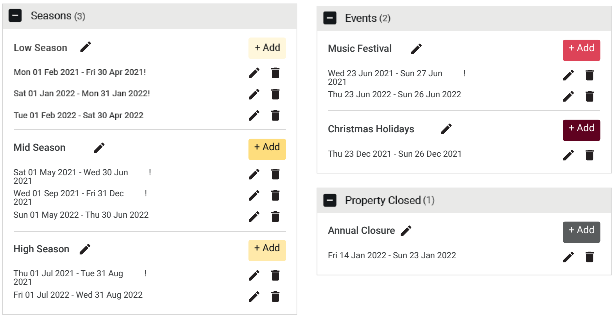

Fig. 10: Example view of seasons and events (as seen on eviivo Suite)

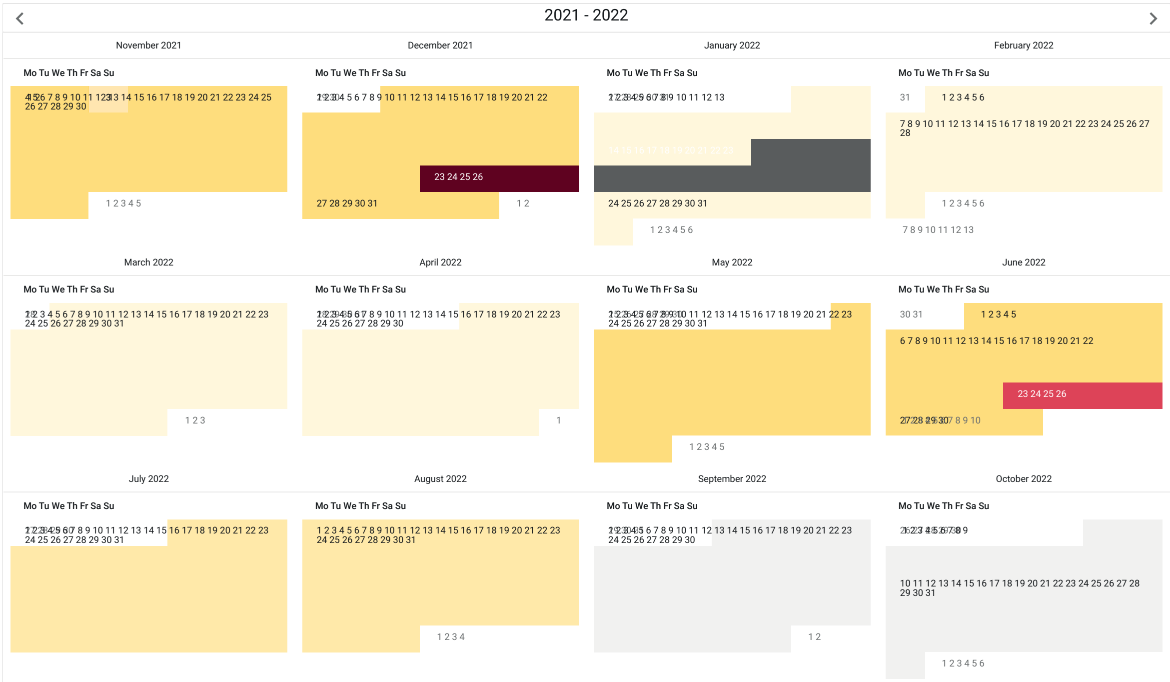

Fig. 11: A property's colour-coded seasons, closure period, and events (sample eviivo Suite calendar)

When all is said and done, if you are able to anticipate periods of high and low demand, the basic principle of effective pricing becomes very simple:

Increase your prices in periods of high demand, and decrease them in periods of low demand.

But first and foremost, you need to set your prices in advance for the whole year or more. Here's an example of why. Historically, a high proportion of travellers tend to book their summer vacation many months in advance. If you have not set up prices for next summer by the new year, you risk missing out on a lot of business. By presenting default "evergreen" rates only, you risk losing out to competitors who tuned their prices on time.

Pro Tip

Always set your prices at least 12 months in advance.

5. Understand How Best to Reach Your Prospective Guests

In marketing, what is known as the ***4 Ps (Product, Price, Place, Promotion)*** helps you set out your route to market and identify the major components of your offer that will make guests book with you.

Use the competitive information you gathered earlier. You now need to put your knowledge into action by working out your 4 Ps:

- **Product:** What should your baseline product offer be? How is it best described? Think about the strengths and opportunities you identified in your SWOT analysis (see Section 3.2).
- **Price:** What price and T&Cs should you apply and when? Use the events and high/low demand periods you identified in the previous section to cover every season and special event you can for at least 12 months.
- **Promotion:** Which channels are most likely to help you reach your targeted guest audience?
- **Place:** Where and how should your guests be able to book a room with you?

Here are some examples of the different channels and opportunities you can leverage for each of the 4 Ps.

Fig. 12: Components of the 4 Ps, used for establishing route-to-market strategies.

The more routes to market you can put to work, the better! The more channels you can use, the better!

That is ... as long as you can manage them all effectively without increasing your costs.

If managing all these channel s takes up your time and prevents you from looking after your guests, or costs you more than the bookings they deliver, reduce their number and focus on those that perform best. Just remember to avoid putting all your eggs in one basket, or you will have no fallback!

This list of channels may look a little overwhelming. However, in the following chapters of this white paper we will cover how you can leverage many of them to optimise your pricing strategy. See below for a quick guide on what to look out for:

- For more on rate structure, go to 6.1
- For more on online travel agencies, go to 6.2 and 6.4
- For more on your website, go to 6.3
- For more on terms and conditions, go to 6.5
- For more on promotions, go to Chapter 7

6. Optimise Your Pricing Strategy

The correct pricing strategy for your rooms will be one that is tailored to your unique goals, opportunities and pain points. There is no universal pricing strategy that works for every property.

However, there are **simple best practices** that professional revenue managers and hoteliers have used successfully for years to increase their accommodation's occupancy and revenues.

This section reviews all the variables you can leverage when it comes to optimising your pricing strategy. Although there is no one-size-fits-all approach, these golden principles have been proven to work time and again.

6.1. Keep it simple!

While you may be tempted to create an intricate rate structure, bear in mind that you will have to update your rates – at minimum once a year – across every channel where your property is listed. So, try to keep things as simple as possible for you and for your guests, while remaining attentive to your specific competitive and seasonal circumstances (as discussed earlier).

In particular, while you may pride yourselves on the unique décor in every room, refrain from creating a separate room type and rate plan for each one, unless something else helps you command a higher price. The reality is this: when people search online, they aren't looking for the "Prince William Room" — they're looking for a double room. **If you standardise, you'll reach more guests more easily**. Standardisation doesn't prevent you from giving each room its own name and character both on-site and on your website.

Pro Tip

Use a channel manager to automate price updates across all channels. Make sure it has a fully integrated 2-way connection with all the major OTAs. This way, all you need to do is update your prices in one place, and the channel manager updates all the other sites instantly. The best channel managers will update not only your rates, but your content, images, policies, promos, taxes, house rules, and extra fees.

6.2. Strike a balance: Going direct vs working with OTAs

Many accommodation providers wonder how they could boost their direct business and reduce the amount of commission paid out to OTAs.

Increasing direct business is a good way to improve your cash flow and the control you have over your business. By cutting out intermediaries between you and the guest, you are able to apply your own booking terms and conditions, including deposit and prepayment policies.

Favouring direct channels and nurturing repeat business from regular guests is gold, but only if the actions you take do not cause your booking volumes to drop dramatically. OTAs are the most cost-effective form of advertising available, and a formidable one at that, so this is always a delicate balance.

Most of the subsequent sections in this chapter propose ideas on how to increase cash flows through direct channels without hurting your occupancy levels. However, section 6.4 delves into how to effectively manage your rates on OTAs.

6.3. Offer rewards for direct bookings

When eviivo surveyed OTA-partnered customers in the past, results showed that as many as two-thirds of guests end up booking their trips with online travel agencies. However, our most recent global traveller survey reveals that over 51% of travellers still prefer to book directly with their chosen accommodation.* Travellers use OTAs to browse available options within a destination, but once they've shortlisted their choice, they often explore the property's own website to learn more.

Our survey findings confirm this phenomenon, known as the **"billboard effect"**. You can put it to good use because:

- As OTAs advertise your property, they also play a key role in bringing you more direct customers.
- Travellers are always on the lookout for the best deals. While price is known to be the number one selection criteria online, it is not always about the lowest price – it has a lot to do with perceived value, and with how well a specific package is presented.

Your goal, therefore, should always be to **leverage the billboard effect and hook these online visitors by giving them a solid reason to book with you direct.**

This means that your website must be a convincing asset rather than a liability ask:

- Does your website display high quality pictures and descriptions, or small, blurry ones? Does it display equally well on mobiles, tablets, laptops and PCs?
- Is your website able to display pop-ups or special banners that draw attention to exclusive special packages?

**eviivo-conducted survey of 7,500 travellers.*

- Are visitors able to unlock special offers or the best rates available on your website?
- Are you able to offer exclusive packages only to targeted potential guests?
- Does your website reflect your brand? Are colours, styles and fonts coordinated? Is the booking and payment process instant and intuitive ? (No one likes to fill out long forms!)
- Can your website take bookings and payments instantly? If not, potential guests may click away.

Pro Tip

Pricing is not just about your rates or discounts, but about value for money and how well you present your offer to potential guests. So, instead of discounting your rates, consider offering a **free extra exclusively to guests who book directly**. How about home-baked cookies and a drink on arrival, a welcome fruit basket, or a more flexible cancellation policy? Be bold and creative to differentiate your offer from OTAs and your competitors.

6.4. Set consistent rates on OTAs

Some suggest that you should offer higher prices via online booking sites and keep lower rates for your own website. Here's why this is generally a bad idea:

- **Firstly, OTAs are not your competitors – other accommodation providers are!** Always peg your price to beat your direct competition.
- Once that price is set, you should give the same price to all the OTAs and let them fight it out as they compete for your business. The practice of maintaining consistent rates across all channels is known as **rate parity**. It allows you to see which channels perform best for you. If your place is a big seller, you may find that OTAs rank you higher, move more of their own advertising budget your way, or sacrifice their own commission points to get the business – without costing you a penny more..
- Next, commissions are a cost of doing business. OTAs advertise your property all year long for free, and when the ads work, they will produce volumes for you. If so, their commissions should never be an issue. **Ultimately, earning 85% from a large number of bookings is far better than getting 100% from only a few.**
- Finally, if you're experienced, have built a strong word-of-mouth reputation, and are consistently performing well on your own, then you can shut down OTAs when you don't need them. Some software solutions help you do this automatically as your place

fills up. But remember one thing: OTAs reward loyalty and performance because that is their business model. So, if you keep turning them on and off over long periods of time, they will not rank you as highly as other properties. Turning OTAs off is not always the best strategy, especially if you are just starting out and have not established your reputation yet.

6.5. Leverage your best available rate

Your best offer should be used to attract guests without putting your business at a disadvantage. It needs context. By this, we mean your lowest price should come with special terms & conditions that protect or help your business, whereas highly flexible T&Cs should always come at a higher price. Your cancellation policies, deposit policies, child policies, check-in policies and meal plans should also be adjusted to reflect the travellers you are targeting.

Let's look at two examples in more detail: low non-refundable rates or low room-only rates. These low prices are sure to grab a guest's attention, but they come at a cost.

Flexible vs Non-refundable

This has been a hot topic in recent years as travel restrictions became commonplace across many destinations. Even as restrictions have waned, your cancellation policy remains important. The rule of thumb is this:

The more flexible your policy, the higher your rate should be.

However, in actuality things are a little more complex, as your cancellation policy can also affect your visibility on certain online booking sites and, in the post-Covid era, cancellation and deposit policies have become a key factor in selecting accommodation.* We recommend having a range of cancellation policies in operation to accommodate the various booking preferences of your prospective guests.

**Market research conducted by Expedia Group in partnership with BVA BDRC shows that 62% of travellers (almost 2 out of 3) will not book if the only option is a non-refundable reservation.*

Breakfast Included vs Room Only

You may be tempted to create two rates, one including breakfast, and the other, much cheaper, as a 'room only' rate. The room only rate can become your headline price for online rankings since, more often than not, online searches return the lowest available prices first.

Again, think about the type of guest you are targeting: single, couples or families; corporate or leisure. And rather than using a room only rate, and losing part of your audience, you might consider a cheaper rate that includes a basic continental breakfast (i.e. coffee and baked goods), and leave the more copious home-cooked or buffet breakfast as something a guest can order when they arrive.

Pro Tip

Set up your breakfast as an optional extra that guests are able to book at an additional cost. The best channel managers on the market will let you set that up and automatically update it across all your OTA listings to save precious time.

6.6. Implement occupancy pricing where you can

If your property has the capacity to host a large number of guests e.g. an entire group, you can naturally charge more when it's booked to full capacity.

If you charge a supplement for each additional guest rather than setting a flat rate, both your revenue and profit will increase, as your workload remains constant. Regardless of the number of guests, costs for cleaning, electricity, or heating tend to stay roughly the same.

So, **setting your rates based on different occupancy levels is a great way to increase profits** while remaining competitive, when you sell the same accommodation to couples and single travellers. A property management system that allows you to 'combine' units and rooms in your properties when listing them online without risk of overbookings can also support occupancy pricing. For example, if you own a villa that can be divided into three individual suites, you can list each suite separately online and offer the entire villa as a single rental option. This lets you cater to various group sizes and budgets, giving you more flexibility for your occupancy pricing.

However, keep in mind that setting occupancy-based rates is only half the battle. Some guests could mistakenly book the room online for one person when they actually intend to bring six! So, make sure that your website, and any software you use to create automatic confirmation emails, **clearly state the number of guests and include booking terms** that emphasise your price will increase if more guests turn up on the day.

Pro Tip

During the low season, be sure to offer multiple occupancy options, especially at lower rates for singles and couples, to capture more booking opportunities. During the high season, when demand is higher, you can impose a minimum occupancy threshold. Therefore, even if a single person books the place, they would pay that minimum price regardless. Indeed, one can argue that if a single person books a family room in a high-demand period, they are effectively preventing you from selling it to a family of four, so it is fair that they pay the three or four-person premium you would otherwise command.

6.7. Understand when to impose Minimum Length of Stays (“MinLOS”)

Imposing a minimum length of stay can be useful for two reasons:

1. If you have another day job, do not live on-site, or simply cannot afford to hire as many staff as you would like, you will be keen to reduce the number of guest changeovers. You can do this by imposing a minimum stay of three or seven nights. You may also wish to restrict check-in or check-out to certain days to ensure the right staff are available.
2. Minimum stays can also be combined with discounted rates to drive longer stays, e.g., you offer a lower rate to guests who stay with you for longer.

Be careful though. When people initially plan their trip, they will usually browse and search for “**one night only”**. It is only after they have selected the chosen accommodation that they will proceed to enter the exact date range for their stay. If you impose multi-night stays, **your property will no longer come up as a choice** for guests who search for one night only, and your online visibility may drop.

The best time to impose a minimum length of stay is the peak season, when demand is high and travellers are more inclined to extend their stay. But in the low season this type of restriction makes less sense, especially if you are trying to fill gaps in occupancy.

Pro Tip

Choose a booking engine which displays any minimum length of stay clearly for each date, ideally with a message inviting the most ardent guests to contact you directly. Otherwise, you might lose potential bookings as the selected dates would show as “not available”. Where possible, keep a single person or two-person rate at play. This is definitely recommended in the low season, but consider doing it in the high season too, even if you price a single night as high as your four-person rate. You may not sell it at this price, but at least your property will show up when guests search for accommodation online.

7. All About Promos

If your property is listed on various online travel sites, you will inevitably have been invited to offer discounts in support of the OTAs' promotion campaigns. But promos are not just about discounting your rates and inflating the OTAs' margins.

You can use promos effectively to influence guests' booking behaviours, such as by encouraging direct bookings, early bookings, repeat bookings or longer stays.

Here is the list of the most popular promo tools, which we will then discuss individually in more detail:

Promo type	How it works
Was/Now pricing	The previous, higher price is displayed but 'crossed out' to show guests how much they are saving.
Early bird	Guests book early (i.e. a given number of days in advance) to get a discount.
Late availability	Guests book at the last minute and get a discount on a room that's still available.
Duration based	Guests stay more than a pre-set length of time (e.g. 3 nights) and receive a discount (or get a 'buy 3 nights and get 1 free'-style offer).
Policy based	Guests pay in advance to get a discount or a (non-refundable) low price.
Promo codes	Guests enter a special code to unlock a lower price.
Opaque promos	Discounts that can be unlocked by guests but which remain invisible to your competition.
Flash promos	Guests are offered short-term deals that are available 'for a few days only '.
Packages	Guests are given the option to combine the cost of their stay with a meal, flowers or an activity , then get a discount on the combined package.

Fig 13: Common promotion types

Now let's look at a few of these promo types in more detail to see whether and how they should be factored into your pricing strategies.

7.1. Late availability (last minute) deals

Last minute deals are not the smartest deals. People who book at the last minute know exactly what they want and where they want to go. More often than not, the y are desperate precisely because they are late.

Generally, most late bookers are willing to pay more as opposed to last-minute bargain hunters, who prioritise low costs – and may not always be the type of guests you wish to attract.

Since genuine late bookers are willing to pay more, **offering last-minute promotions means you are probably leaving money on the table.**

The better thing to do is **attract prospective guests early in the season** with enticing early-bird offers and your lowest prices.

7.2. Early bird offers

Early bird promos can help you start filling up **well in advance of a given arrival date.** As you do, your popularity score increases, thereby attracting even more bookers. The more people who book your accommodation, the higher it will rank online, since OTAs always spend more money advertising the properties that sell best. Eventually, you will command much higher prices as the busier season approaches, while others will have to drop theirs because they did not act early enough.

As mentioned above, an early bird promo should include a cheaper rate or an exclusive benefit such as an extra, and it should be tied to a prepayment and a more restrictive cancellation policy. This promo should **only be made available to people who book at least two weeks in advance.**

Once set, monitor the results. As you fill up, or get closer to check-in time, stop the promo and star t increasing your prices again.

7.3. Duration promos and long-stay incentives

If you want to get longer stays without hurting your online visibility , then this type of promo is for you. It' s simple: set up a discount that increases in line with the length of stay.

First, you need to **check the current average length of stay** in your property . You do not want to give away discounts for room nights that would have been booked anyway!

Then start discounting your rates for stays that exceed your current average length of stay.

Pro Tip

Hotels often use promos like "Book 3 nights, and get 1 free!" but they don't actually offer the fourth night for free. Instead they give a 25% discount on all four nights. This way they can have a catchy promotional pop-up message on their website.

7.4. Loyalty programmes and promo codes

There are multiple reasons why OTAs are so good at getting bookings, and their very aggressive loyalty programmes are one of them. The chances are that you've already heard some variation on "get 1 night free after you've booked your first 10 with us"!

So why not build up your own loyalty programme? Flag any guests that have stayed with you several times and offer them a loyalty code to use going forward.

If you run multiple properties, your post-departure email should invite guests to return. Include a link to your website where they can see all your properties, and, critically, a special discount code to reward them for coming back (for example, 10% off their next stay).

Some software packages also allow you to **set up a discount that can only be unlocked by guests at the time of booking**. This means that standard browsing, or rate shopping technologies, will not be able to scan your discounted prices. Your promotional rate remains invisible to competitors and OTAs, so only guests who manually unlock the deal are able to see it.

Finally, you can also **use promo codes to track your own email or ad campaigns**. For example, if you advertise a special weekend package by email, or via your local tourist board or newspaper's website, add a promo code inviting guests to get an extra 5% discount. This will help you track how effective the advertising campaign has been.

Make sure you can **automate this type of promo with a promo code functionality on your booking page,** so that you reward your most loyal guests.

7.5. Corporate offers

If you are targeting business travellers, start by making sure you have the right facilities in your property: a high-speed wi-fi connection, a desk and a comfortable chair in your rooms, a printer on premises, etc. Also, make sure you offer late check-in (if not in-person, at least through a contactless check-in process) and meals. This type of offer can be packaged.

Get in touch with local businesses and encourage them to send you guests by agreeing a special corporate discount with them. You should also look around for organisations that need to find accommodation for visitors, staff they are relocating, or contract workers. You can then assign a unique promo code to each individual company. Entering the code when they book online, or quoting it over the phone, will automatically give their employees or business contacts access to their special discounted rate. Just make sure you change the code regularly to prevent unauthorised use.

7.6. Partner deals

Generating more direct bookings should always be a goal. The key to reaching it may be developing a strong network of local partners, from local restaurants and taxi drivers to tourist boards. **Granting your partners a special promo code may encourage them to talk about your property and generate direct bookings**. The guests they refer to you will get a small discount and the code will also help you track which partners send you the most business.

7.7. Packages and flash promos

Remember, a promo doesn't necessarily have to be just a discount. Think about that popular music festival, fair or sporting event that takes place in your local area. You can package up special offers to cater for visitors coming to that special event. Speak to the local organisers; they might advertise you or give you a ticket allocation that you can sell together with your room nights.

Following the same logic, packaging special offers for events such as Christmas, Valentine's Day and Easter is another gr eat way to attract bookings.

Pro Tip

You can set up packaged promos that combine several extras such as FREE late check-out, a bottle of wine or glass of champagne on arrival, and breakfast. This can help you maintain a higher nightly room rate while increasing the value of your offer.

A flash promo, on the other hand, is usually used as a heavy discount that is only available for a very short time (typically 24-48 hours). **Flash promos should be used sporadically** for multiple future booking dates – so use them carefully, and remember them to avoid double discounting. Their main purpose is to act as a quick 'booster ' to fill awkward gaps on days where you are usually running empty, or to test your guests' appetite for price incentives ahead of time.

8. Taking It to the Next Level: Dynamic Pricing and Automation

Now that you're done with setting up your seasons, rate plans, terms and conditions, and promos, you need to think about automation. Running your first pricing strategy manually is well worth it, as it allows you to properly think things through. But once is usually enough, as pricing manually is time-consuming and far from the most pleasant part of the job!

These days, you can **use intelligent pricing software and configure basic rules for it to do the job for you, effortlessly.** This section lists the type of automation rules you can set up easily with any good hosting software.

8.1. Automated closeout rules

A good channel manager should enable you to automatically close your inventory on selected channels over a specific time period, or dynamically based on your availability. You can close out your rooms to online channels if you are pretty full, and keep them wide open for sale to all channels if you are empty.

Doing this may help you increase commission-free direct bookings. But remember what we said earlier – **you need to be confident that you can get these direct bookings**. If you are dependent on channel performance in the low-season, it is a give-and-take game. Turning channels off completely in the high season and activating them only when booking numbers are at their lowest is something that OTAs monitor; they will most likely not give you their best performance levels in the low season.

Furthermore, if you closeout and these direct bookings do not materialise, reopening channels at the last minute may not be enough. There is no guarantee that they will sell at the price you want, and you may not be able to get your accommodation properly serviced on time to accept these last-minute bookings, thus increasing the risk of a bad guest review.

Additionally, the best property management systems give you greater control over your inventory and allow you to drive more revenue by closing rates plans automatically based on specific criteria, such as seasonality or proximity to check-in. For example, closing your free cancellation rate plan during high season may help secure revenue by attracting guests who are more likely to follow through with their booking. Or, if you wish to prioritise long-term stays and reduce operational costs, you can keep short-term rate plans closed until 7 days before check-in, when you may be more open to shorter stays on unsold rooms.

Be mindful of applying the same considerations to closing rate plans that we discussed with closing channels. There's no absolute guarantee that closing certain rate plans in the high season or opening them last minute will yield the desired effect. So do your research and monitor the results once you implement your closeout rules.

8.2. Automatic rate increases and decreases

Along similar lines, setting up rules to automatically increase or decrease rates based on your inventory levels can be a highly effective way to save time and reduce the number of rate plans you need to manage. Your software will monitor your occupancy levels and, based on the rules you set, **will automatically increase your rates when you are full or decrease them when you are running empty**. This should ideally be based on occupancy thresholds that you set up yourself.

Automating rate changes allows you to optimise your pricing day by day, without lifting a finger. And if you have done a proper job with your prepayment policies, it should also help you secure a stronger cash flow.

You can augment this automation capability further by looking at specialised dynamic pricing software packages. These not only analyse your current inventory levels, but look at your historical performance in a previous year and external data sources to assess demand levels in your area. Here, your rates can be set to increase/decrease automatically based on the combination of these criteria.

9. Key Takeaways (and Common Mistakes You Can Avoid)

Now you know everything there is to know about pricing strategies and promo tools, we will close this white paper by highlighting common mistakes to avoid, before recapping the key pricing pointers to take away.

Avoid these four common pricing mistakes

1. Setting up a minimum length of stay during the low season.

If you are struggling to fill your accommodation during the low season or are going through a quiet spell, you need to make sure you are visible to the largest number of travellers across all your OTA channels. If your minimum length of stay is too high, the chances are that travellers will not even see your property among the many possible options.

2. Discounting rates when direct customers ask for it.

This is probably the easiest of these mistakes to make. But if your rate structure is set up correctly, prospective guests visiting your website should already see the benefit of booking directly. Running an attractive website with great quality photography and/or special incentives will go a long way. Other things that have a bigger impact than discounts include communicating your accommodation's unique story and offering extra options for services, facilities or activities that are not available through OTA channels.

3. Using extreme cancellation policies.

Having cancellation policies that are too strict or, too flexible may have a negative effect on your revenues. Overly strict policies will cause too many guests to book elsewhere. Overly flexible policies might lead to no shows, late cancellations or bad payers. The key here is to understand your target market. Calibrate your policy set by considering all the types of guests you want it to incorporate.

4. Lowering your rates as a knee-jerk reaction to global market changes.

During the numerous Covid lockdowns, we saw accommodation rates drop. But since a lockdown is an exceptional situation, cheaper rates did not generate more bookings. After all, they could do nothing to reinstate a government' s travel bans! On the contrary, hosts who did not drop their rates fared better because they collected more revenue on the few bookings that were fulfilled.

Lowering rates in the context of a major crisis will make little difference to your business. Only do it if you are offering help in exceptional circumstances. (For example, many hosts offered free accommodation to health workers during the Covid crisis.) Equally, you should not increase your prices or take advantage of the situation and risk accusations of profiteering.

In the case of a natural disaster, pandemic, or major transport crisis that affects your area, keep your rates steady. That the few bookings you might get will earn you precious extra revenue. Sometimes a special gesture at a time of need pays dividends later, in other ways.

Key takeaways of this white paper

For those who prefer the Reader's Digest version, here is a quick summary of the key points. Follow these guidelines and you'll be well on your way to implementing the right pricing strategy for your business.

- Understand key metrics and how to forecast business performance.

Forecast:

[X] accommodation units * [X] days * [£] ADR average daily rate * [X%] occupancy rate

- Study your competition.
- Understand what is going on in your area.
- Always use a mix of channels to reach guest.
- Keep things simple when you define your pricing strategy.
- Take a balanced approach between direct and indirect (i.e. OTA) channels.
- Give the same rates to every channel (and let them fight it out).
- Implement occupancy-based pricing wherever you can.
- Use promo tools to differentiate your offer and reward direct, early and repeat business.
- Avoid excessive minimum stay restrictions, especially in low-demand periods.
- Use automation and dynamic pricing tools to reduce your workload while continuing to monitor your performance through KPIs and reporting.

You've been a good study. Now you're ready to get out there and kill it.

About eviivo

eviivo, a market-leading and innovative property management software (PMS), has transformed operations for over 28,000 hospitality businesses across Europe and North America. By replacing clunky legacy systems with a seamless, unified platform, eviivo offers easy, one-click automation from back-office to front-office. eviivo's all-in-one PMS enables property managers to handle guest communications, bookings and OTAs on a single, integrated platform, boosting revenue, increasing occupancy, enhancing the guest experience and future-proofing their business. Visit https://eviivo.com.

Contact us

eviivo.com | linkedin.com/company/eviivo | twitter.com/eviivo | instagram.c om/eviivo

Sales

- UK: +44 (0)20 3103 3500
- International: +44 (0)203 103 3500

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