



Case Study

Industry

Hospitality

Service

Revenue

Management

Date of Service

January 2020 – present

Maintaining Retail Pricing During a Downturn

A mid-size independent hotel that has been historically dependent on group sales business, due to its ideal location less than a mile from the city convention center, was forced to re-think its strategy when the pandemic created rapidly shrinking occupancy levels. The hotel sits in a highly competitive downtown market represented primarily by branded hotels and a combination of smaller limited service and upscale hotels. It consistently ranked 7/7 in occupancy and 4/7 in ADR, had very little corporate account production, and almost no transient leisure business. With group business drying up, the hotel had to find new business and put occupancy on the books fast. To complicate the situation, the competitive set attempted to drive demand by lowering rates. The hotel turned to PTG Consulting for help.

Solution

PTG Consulting began by examining the hotel's pre-pandemic pricing and found that, for an average week, its BAR ranked between 4 to 6 out of 7 on most days (*Table 1*). Also noticeable was the variance of the client hotel's price compared to the average price in the competitive set. Mid-week the hotel was priced US\$20 to US\$40 lower than the average price of its competitive set. PTG Consulting quickly identified that the hotel's retail pricing was too low and worked with the hotel's team to reset its pricing strategy.

Within the first month of the pandemic, when the client's competitive set began to drastically drop their retail price, PTG Consulting advised setting and holding a minimum rate for weekdays of US\$149 and weekends of US\$179. Regardless of how low the competitive set dropped its price, PTG Consulting insisted that the hotel hold its rate. A typical week going forward (*shown in Table 2*) showed the client hotel as number one in price positioning.



Results

The strategy taken by the hotel successfully negated the competitive set's attempt to drive demand through lowered rates. This can be seen from the following results.

- The client hotel historically thrived on group business, which is now non-existent for the client and represented just 1.2 occupancy points for its competitive set. By driving low rates, the competitive set achieved 10.4% transient occupancy compared to the client's 7.3%. However, the competitive set's incremental occupancy came at a cost – a lower price.
- Its average rate finished at US\$98.10, a decrease of 29.3% from the previous year, which was also US\$48.71 less than the client's ADR. Overall, the transient RevPAR for the client hotel exceeded the competitive set's, leading to a 104.4% RGI.
- What if the competitive set did not lower retail pricing? Would they have been able to generate the same occupancy? Perhaps occupancy might have been slightly lower; however, it is likely that they would have achieved a higher RevPAR overall if they had simply maintained their retail pricing.

104.4% RPI

+78.9% growth

149.7% ARI

+46.9% growth

69.7% MPI

+22.5% growth

STR Results

Occupancy	Transient	%Chg	Group	%Chg	Contact	%Chg	Total	%Chg
Client Hotel	7.3	-75.1	0.0	-100.0	0.0	0.0	7.3	85.8
Comp Set	10.4	-79.7	1.2	94.8	0.1	88.2	11.7	-84.3
Index (MPI)	69.7	22.5	0.0	-100.0	0.0	0.0	61.9	-9.6
ADR	Transient	%Chg	Group	%Chg	Contact	%Chg	Total	%Chg
Client Hotel	146.81	3.8	0.00	- 100.0	0.00	0.0	146.81	-5.1
Comp Set	98.10	-29.3	105.54	- 38.6	84.28	-2.3	98.67	-33.3
Index (ARI)	149.70	46.9	0.00	- 100.0	0.00	0.0	148.80	42.1
ADR	Transient	%Chg	Group	%Chg	Contact	%Chg	Total	%Chg
Client Hotel	10.66	-74.2	0.00	- 100.0	0.00	0.0	10.66	86.6
Comp Set	10.21	-85.6	1.24	- 96.8	0.12	- 88.8	11.58	-89.5
Index (ARI)	104.40	78.9	0.00	- 100.0	0.00	0.0	92.10	28.4

Source: STR



Hotel & Comp Set Rates (Original Pricing Strategy)

Comp Set - Rate Shops	STAR Chain Scale	Share	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Client Hotel - Independent	Indep	16.1%	\$139.00	\$159.00	\$159.00	\$159.00	\$139.00	\$159.00	\$159.00
Brand - Limited Services	Upscale	13.1%	\$154.00	\$179.00	\$289.00	\$229.00	\$214.00	\$129.00	\$134.00
Independent Full Service	Indep	5.2%	\$139.00	\$149.00	\$149.00	\$149.00	\$149.00	\$159.00	\$185.00
Independent Full Service	Upper Upscale	22.1%	\$155.00	\$175.00	Sold out	\$199.00	\$155.00	\$145.00	\$165.00
Brand - Full Service	Upscale	11.6%	\$174.00	\$184.00	\$225.00	Sold out	\$174.00	\$164.00	\$164.00
Brand - Limited Services	Upper Midscale	12.0%	\$109.00	\$129.00	\$149.00	\$149.00	\$109.00	\$99.00	\$99.00
Brand - Full Service	Upscale	19.8%	\$169.00	\$169.00	\$199.00	\$219.00	\$164.00	\$149.00	\$159.00

Daily Price - Subject Hotel Ranking	5	6	4	4	6	2	4
Comp Set Average Price	\$149.20	\$163.20	\$203.00	\$181.50	\$160.20	\$139.20	\$149.40
Variance to Comp Set Avg Price	\$ (7.20)	\$ (24.20)	\$ (44.00)	\$ (22.50)	\$ (21.20)	\$19.80	\$9.60

Source: OTA Insights

Table 1

Hotel & Comp Set Rates (Post-new Pricing Strategy)

Comp Set - Rate Shops	STAR Chain Scale	Share	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Client Hotel - Independent	Indep	16.1%	\$149.00	\$149.00	\$149.00	\$149.00	\$159.00	\$179.00	\$179.00
Brand - Limited Services	Upscale	13.1%	\$129.00	\$134.00	\$130.00	\$121.00	\$130.00	\$125.00	\$134.00
Independent Full Service	Indep	5.2%	\$129.00	\$139.00	\$139.00	\$139.00	\$159.00	\$179.00	\$199.00
Independent Full Service	Upper Upscale	22.1%	\$145.00	\$129.00	\$145.00	\$129.00	\$129.00	\$145.00	\$145.00
Brand - Full Service	Upscale	11.6%	\$129.00	\$129.00	\$129.00	\$129.00	\$129.00	\$129.00	\$129.00
Brand - Limited Services	Upper Midscale	12.0%	\$89.00	\$89.00	\$89.00	\$89.00	\$89.00	\$89.00	\$89.00
Brand - Full Service	Upscale	19.8%	\$129.00	\$139.00	\$139.00	\$139.00	\$139.00	\$139.00	\$149.00

Daily Price - Subject Hotel Ranking	1	1	1	1	1	1	2
Comp Set Average Price	\$124.20	\$124.20	\$126.40	\$121.40	\$127.20	\$133.40	\$139.20
Variance to Comp Set Avg Price	\$24.80	\$25.00	\$22.60	\$27.60	\$31.80	\$45.60	\$39.80

Source: OTA Insights

Table 2