

A low-angle, upward-looking photograph of several modern skyscrapers against a clear blue sky at dusk. The buildings are illuminated from within, with warm yellow and orange lights glowing from the windows. The perspective creates a sense of height and scale. A large, semi-transparent orange circle is overlaid on the left side of the image, containing the title and logo.

# Pricing by Segment and Business Mix Strategy

**IDEAS**<sup>™</sup>  
A sas COMPANY

# What We Will Cover Today...

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- Understand how segmenting impacts your pricing decisions
- Introduce demand based dynamic pricing
- How to price for
  - BAR
  - Corporate Contracted
  - Leisure Contracted
- Explain Business Mix Strategy
- Case Studies



# How Do You Segment a Market?

## Demographic

- Age
- Sex
- Religion
- Race
- Income
- Nationality
- Occupation

## Psychographic

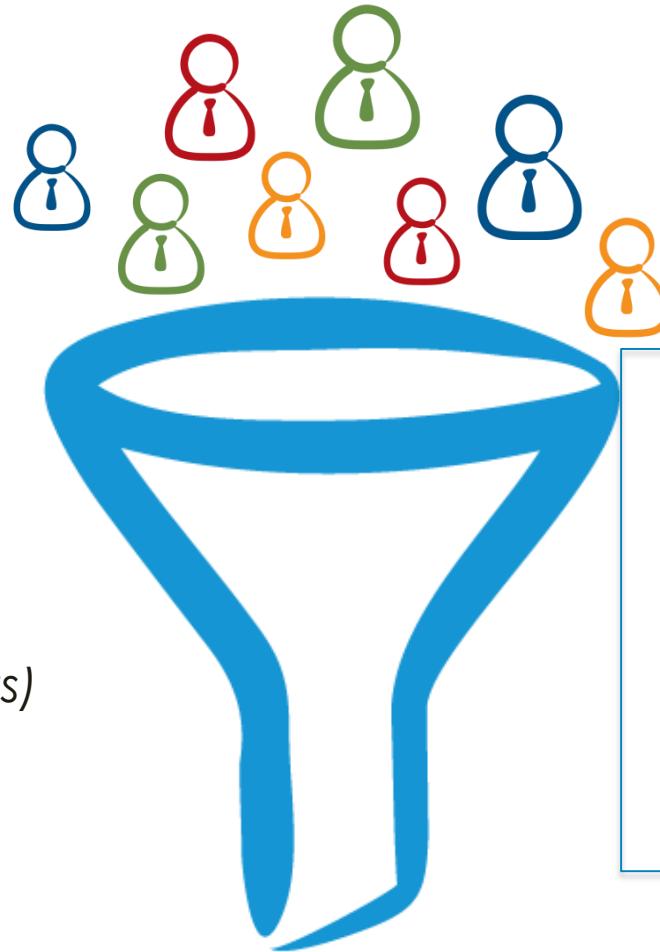
- Lifestyle  
(activities/interests)
- Personality
- Social class

## Geographic

- Region
- Country size
- Density
- Climate

## Behavioral

- Occasion
- Benefits
- Usage rate
- Readiness to buy
- Attitude towards product
- Loyalty Status



# Behavioral Variables

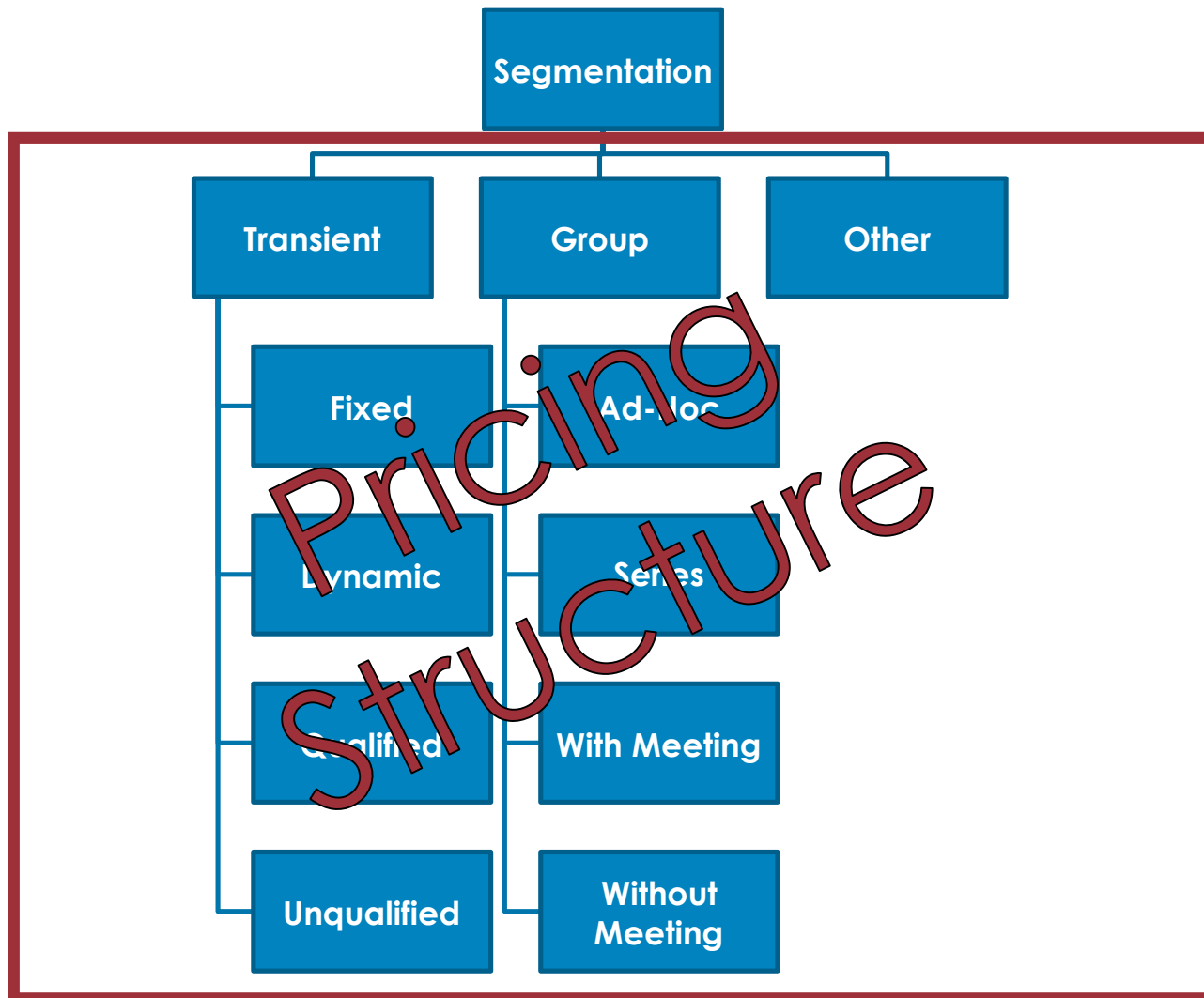
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*What are some common behavioral variables tracked in a hotel?*

- Unit/Product types
- Additional spend
- Sold Nights
- Rate
- Frequency of purchase
- Distribution Channel
- Day of Week
- Length of stay
- Revenue

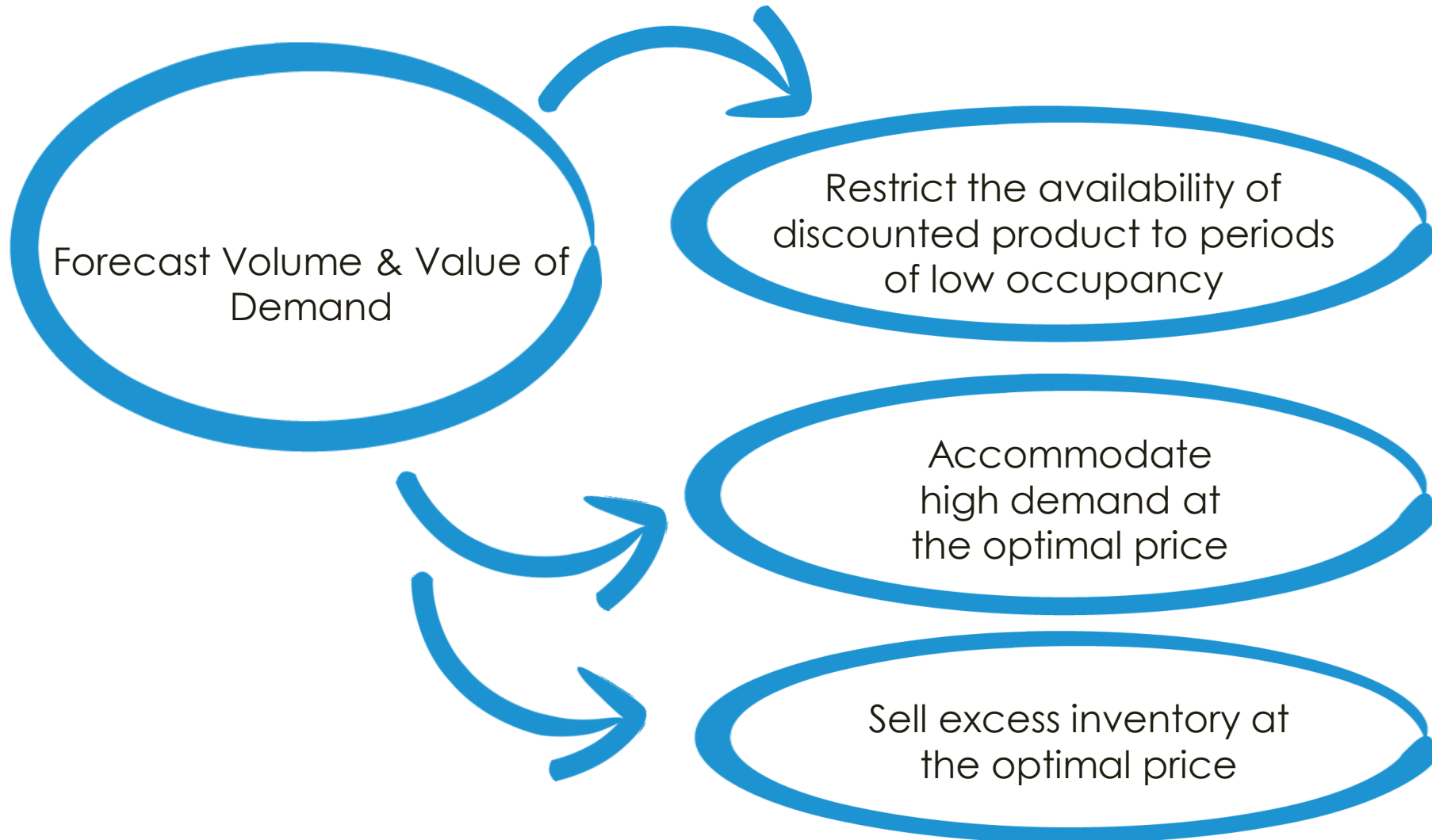
*How is segmentation data collected by your organization?*

# How Segments tie into Pricing





# Demand Based Dynamic Pricing

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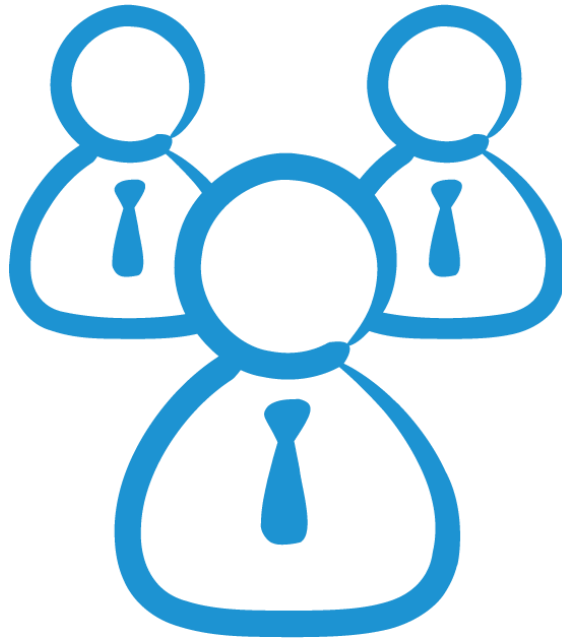
# Best Available Rate

## Dynamic Pricing Structure – An Example

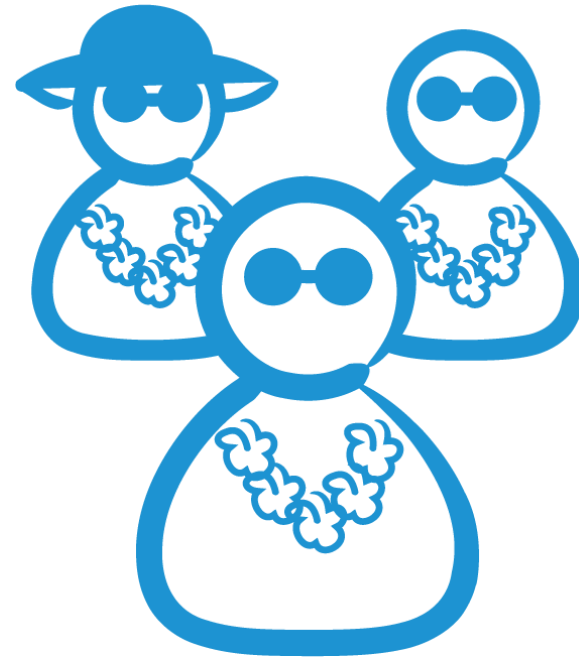
	 Flexible		 Fenced	
DEMAND	Value Add	BAR(\$)	Small Discounts	Deep Discounts
	+\$20	X	- 10%	- 20%
<50%	\$120	\$100	\$90	\$80
50%-70%	\$140	\$120	\$108	\$96
70%-90%	\$160	\$140	\$126	\$112
>90%	\$180	\$160	\$144	\$128

# Pricing for BAR, Corporate and Leisure

## BEST AVAILABLE RATE (BAR)



CORPORATE



LEISURE

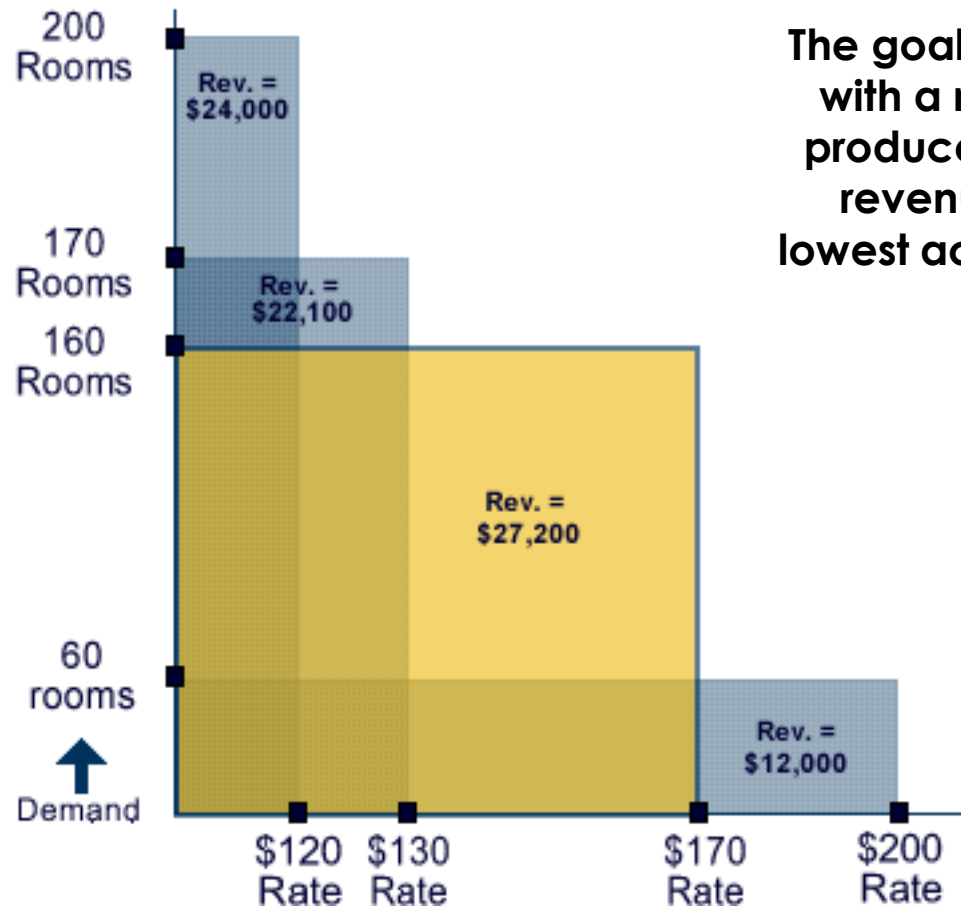


# Benefits of BAR - Impact of Rates on Demand

## BEST AVAILABLE RATE (BAR)

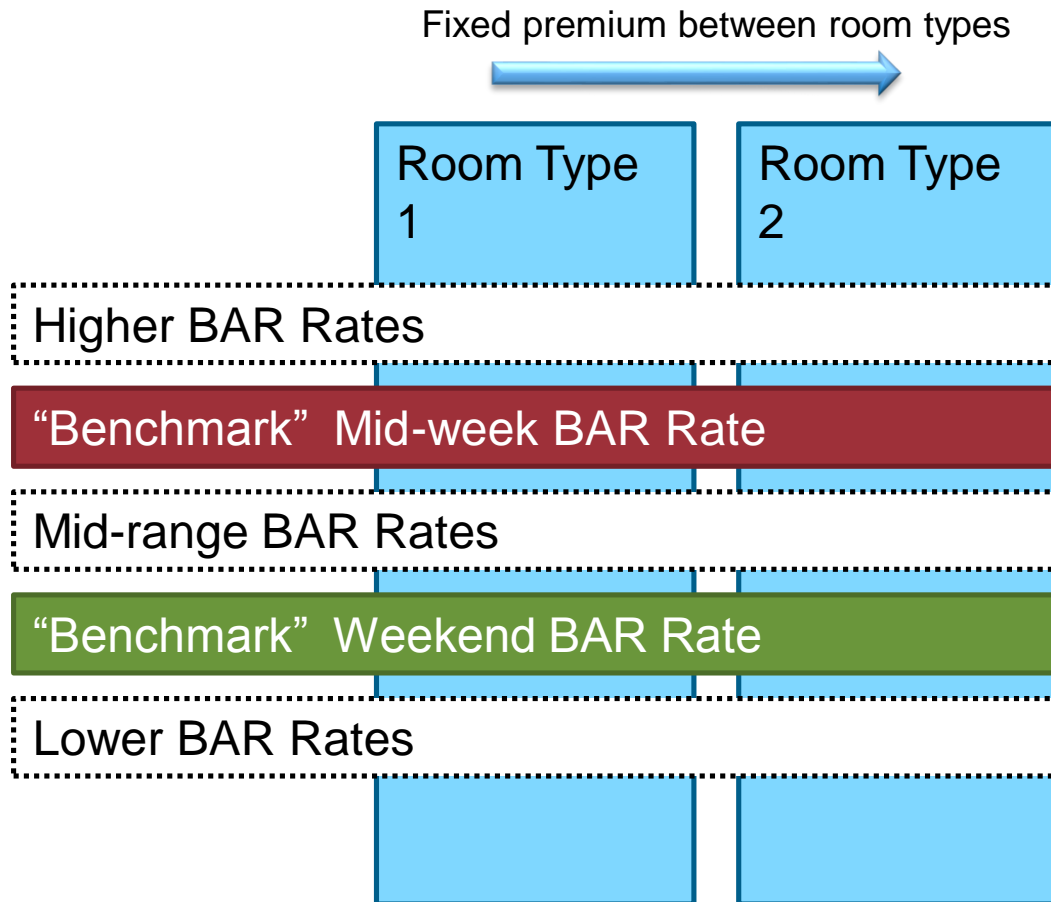
A Rate that is too high could sacrifice revenue and encourage opportunities to go to others

A Rate that is too low could fill the hotel, but sacrifice revenue



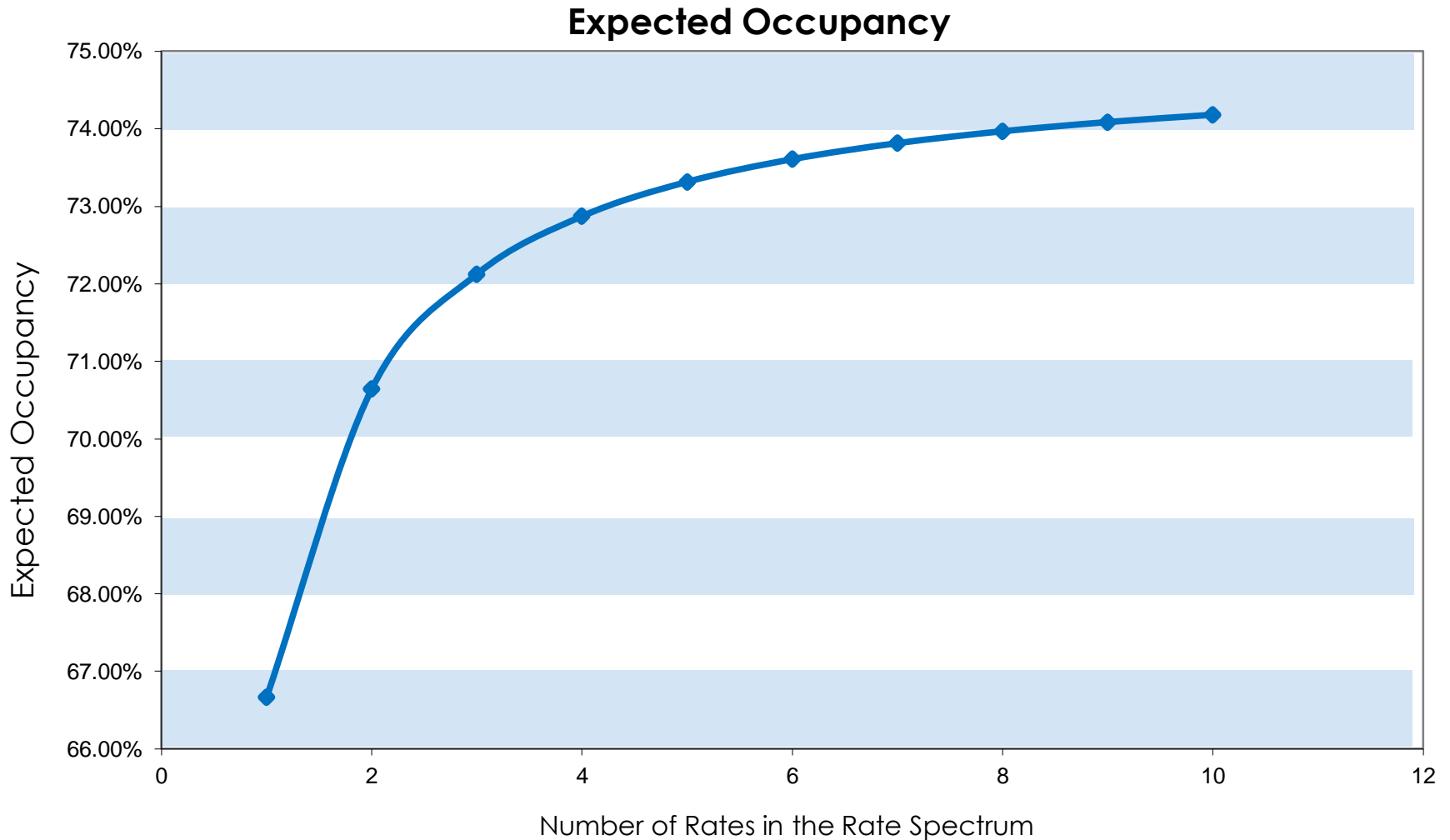
The goal is to operate with a rate that will produce the highest revenue with the lowest acceptable risk

# Rate structure



# How many BAR levels do we need?

## Occupancy Impact



# How many BAR levels do we need

– real world statistics:

## Frequency Counts

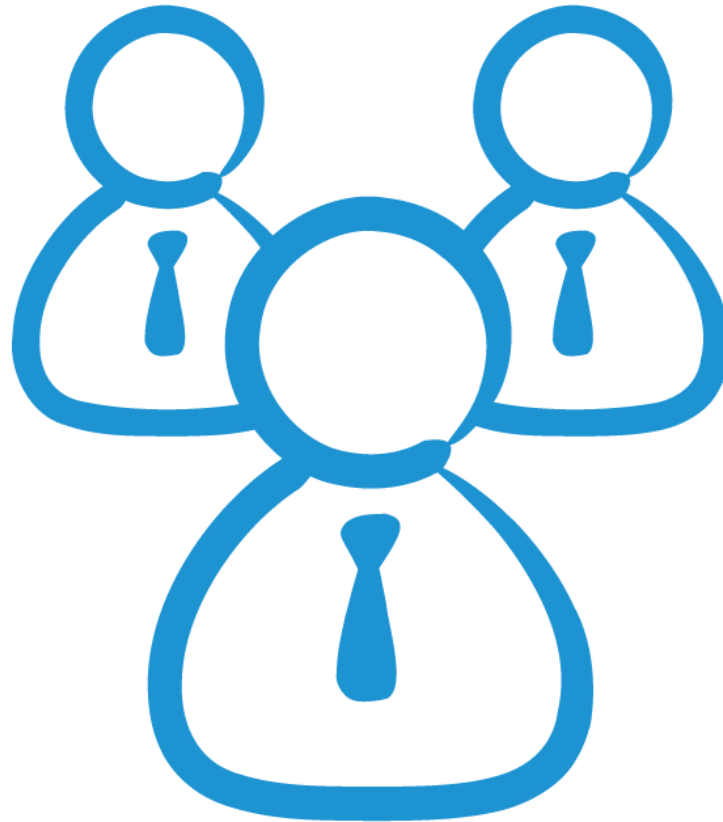
Value	Count	Percents Cell	Cum
1	11	1.0	1.0
2	7	0.6	1.6
3	8	0.7	2.3
4	8	0.7	3.0
5	29	2.5	5.5
6	33	2.9	8.4
7	49	4.3	12.6
8	119	10.4	23.0
9	371	32.3	55.3
10	88	7.7	62.9
11	74	6.4	69.4
12	42	3.7	73.0
13	23	2.0	75.0
14	27	2.3	77.4
15	31	2.7	80.1
16	33	2.9	82.9

Value	Count	Percents Cell	Cum
17	28	2.4	85.4
18	15	1.3	86.7
19	30	2.6	89.3
20	20	1.7	91.0
21	14	1.2	92.3
22	18	1.6	93.8
23	12	1.0	94.9
24	3	0.3	95.1
25	15	1.3	96.4
26	3	0.3	96.7
27	2	0.2	96.9
28	1	0.1	97.0
29	8	0.7	97.7
30	1	0.1	97.7
31	2	0.2	97.9

Value	Count	Percents Cell	Cum
32	2	0.2	98.1
35	2	0.2	98.3
36	2	0.2	98.4
38	1	0.1	98.5
47	1	0.1	98.6
49	1	0.1	98.7
55	1	0.1	98.8
59	2	0.2	99.0
62	1	0.1	99.0
63	2	0.2	99.2
64	2	0.2	99.4
66	4	0.3	99.7
68	1	0.1	99.8
88	1	0.1	99.9
89	1	0.1	100.0

# Corporate Contracted Pricing

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# Different Corporate Contracted pricing models

- Fixed
- Dynamic
- Dual / Ceiling



# Fixed Pricing

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- A fixed rate is offered to an account
- Can be seasonal or mid-week vs. weekend but is not affected by the daily BAR rate



FIXED

# Dynamic Pricing

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- Corporate rates are tied to the Best Available Rate
- A “discount-off” BAR is offered
- Level of discount depends on the RevPAR contribution of each account and other factors like displacement, strategic value and additional revenues.



DYNAMIC



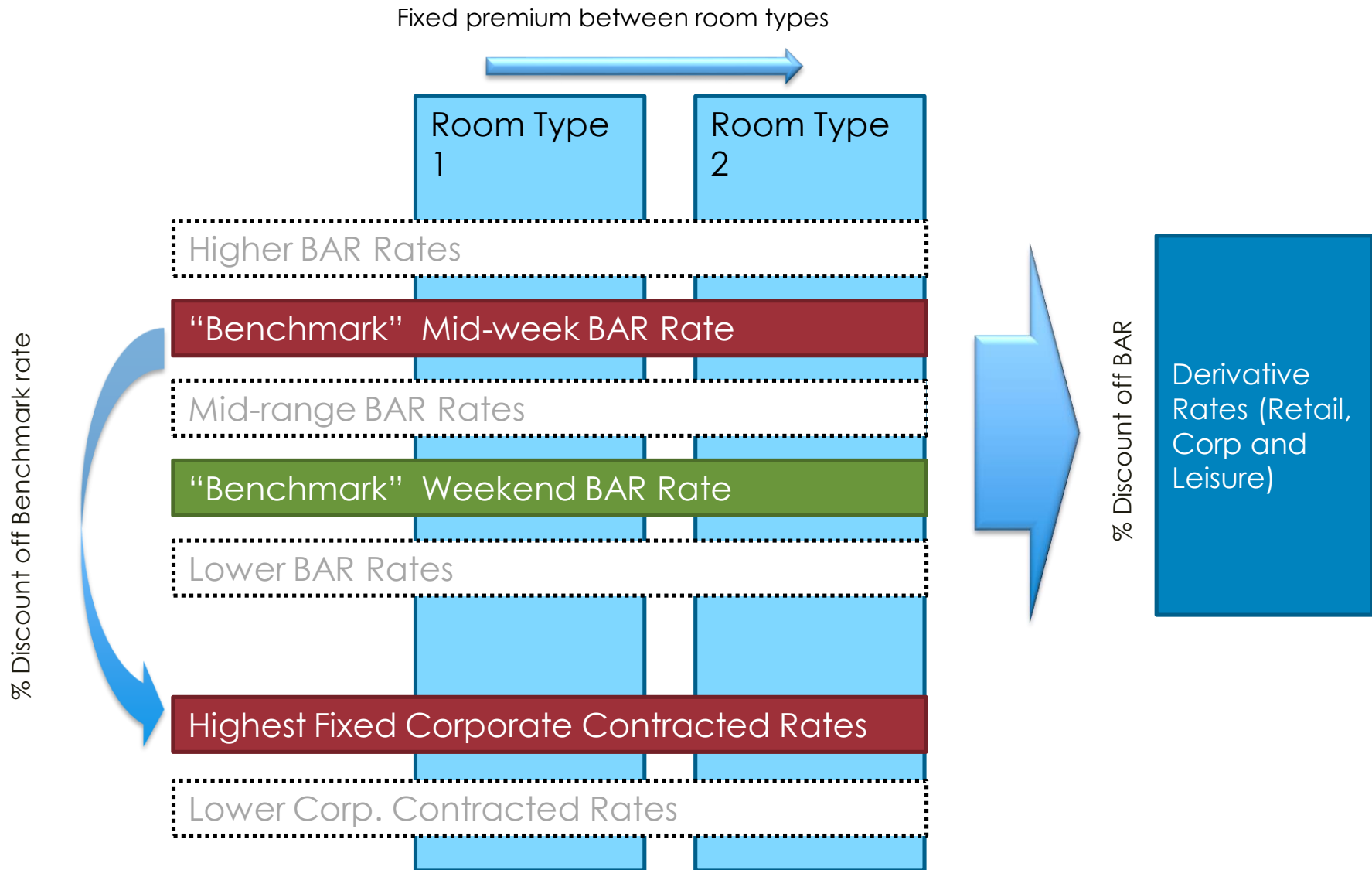
# Dual Pricing

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- Fixed rate with a best-price guarantee:
  - Accounts are offered a fixed rate
  - If the BAR rate is lower than the fixed rate, the BAR rate will be offered to the client
- Dynamic rate with a guaranteed maximum or 'ceiling' rate:
  - Corporate rate set in relation to daily BAR rate.
  - But a ceiling amount is set that it will never rise above



# Rate structure



# Corporate Contracted Pricing Structure



## **Non-Last Room Availability (NLRA)**

Hotel can close the rate, even though the room type is still available in the hotel for sale at other rates (e.g. BAR)

## **Last Room Availability (LRA)**

The rate offered to the account will be available until the last available room by ROOM TYPE or UNLIMITED

# Corporate Contracted Pricing Structure

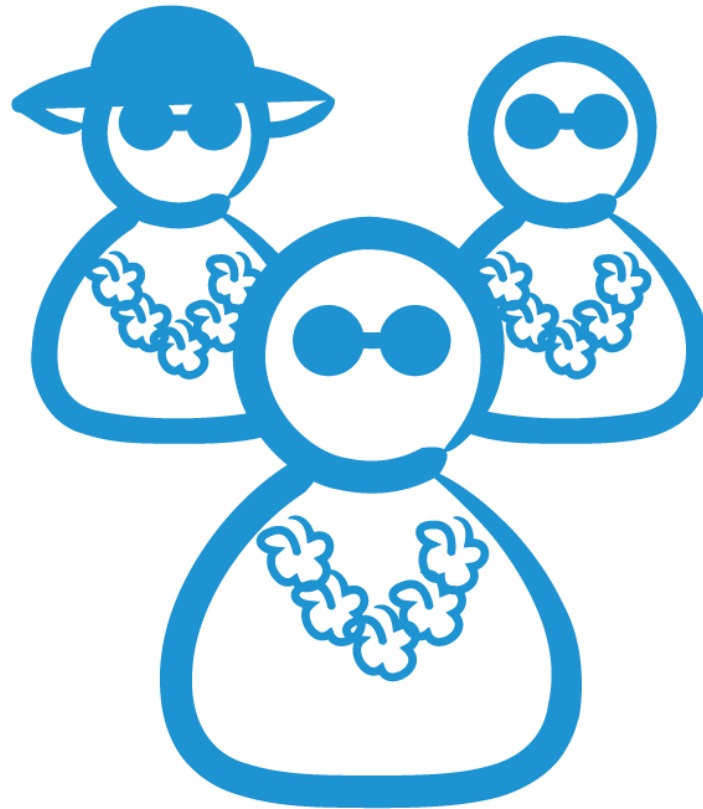
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- Other considerations
  - Consortia
  - Commissionable
  - Room types
  - Seasonality, Special Events
  - Contracting terms

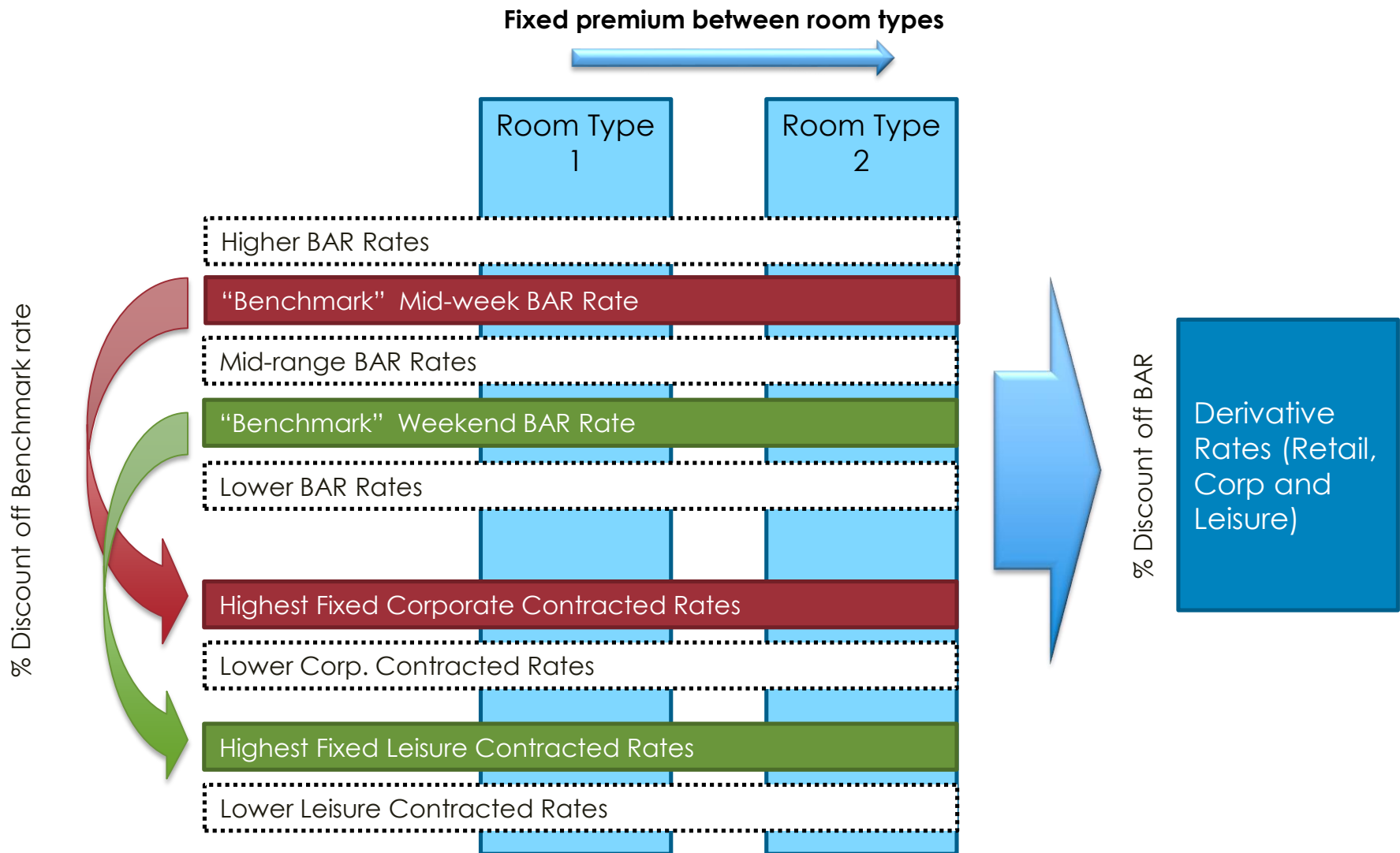


# Leisure Contracted Pricing Structure

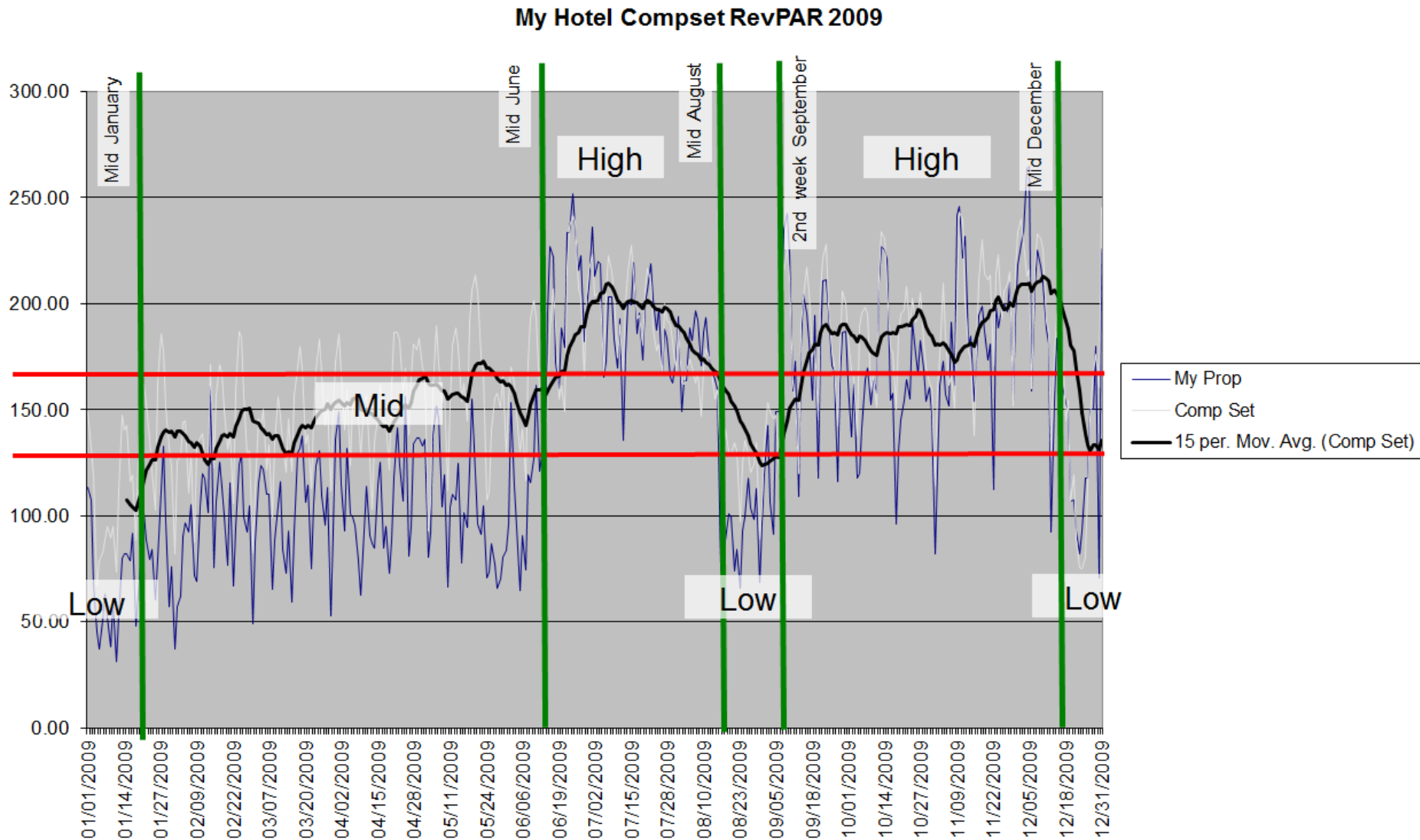
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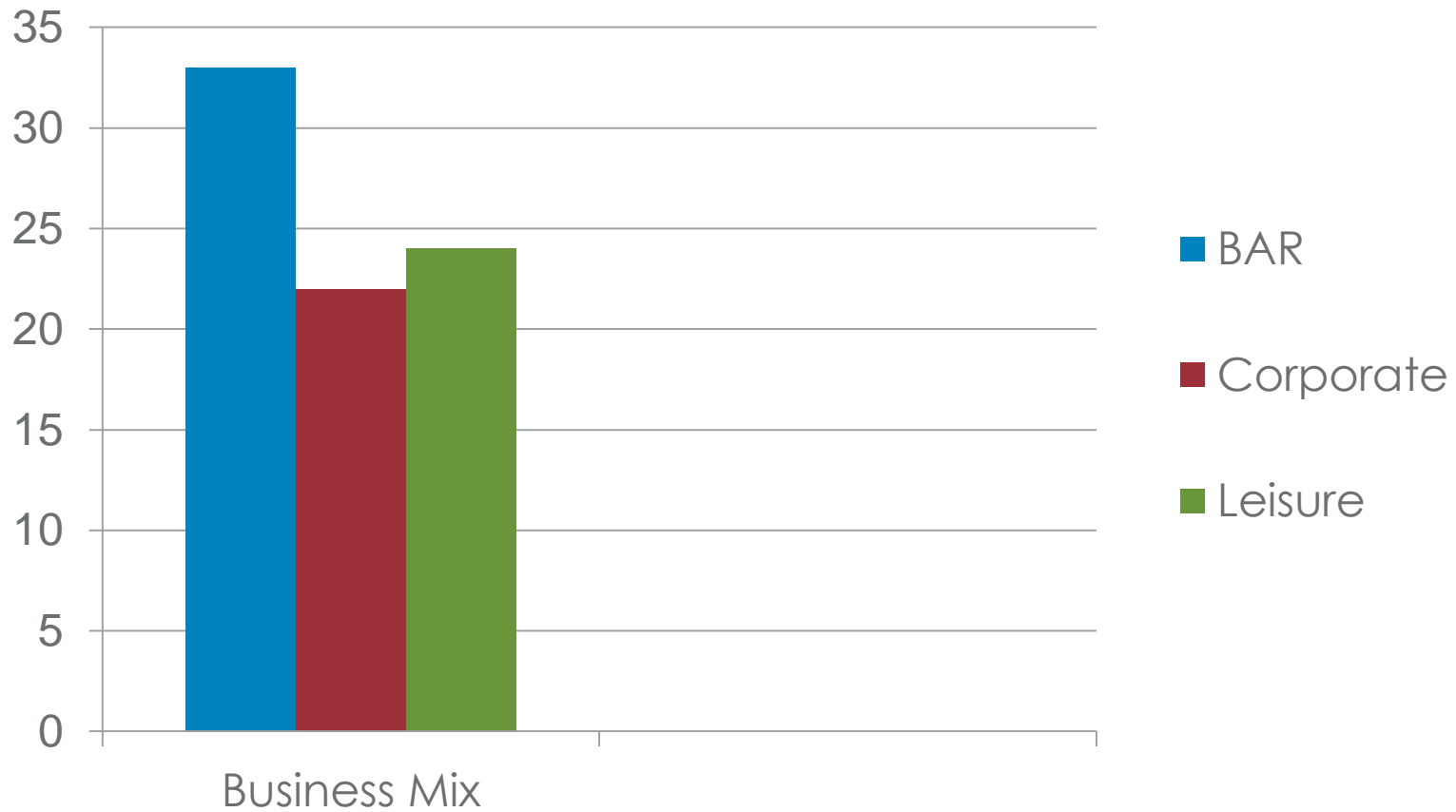
# Rate Structure



# Seasonality



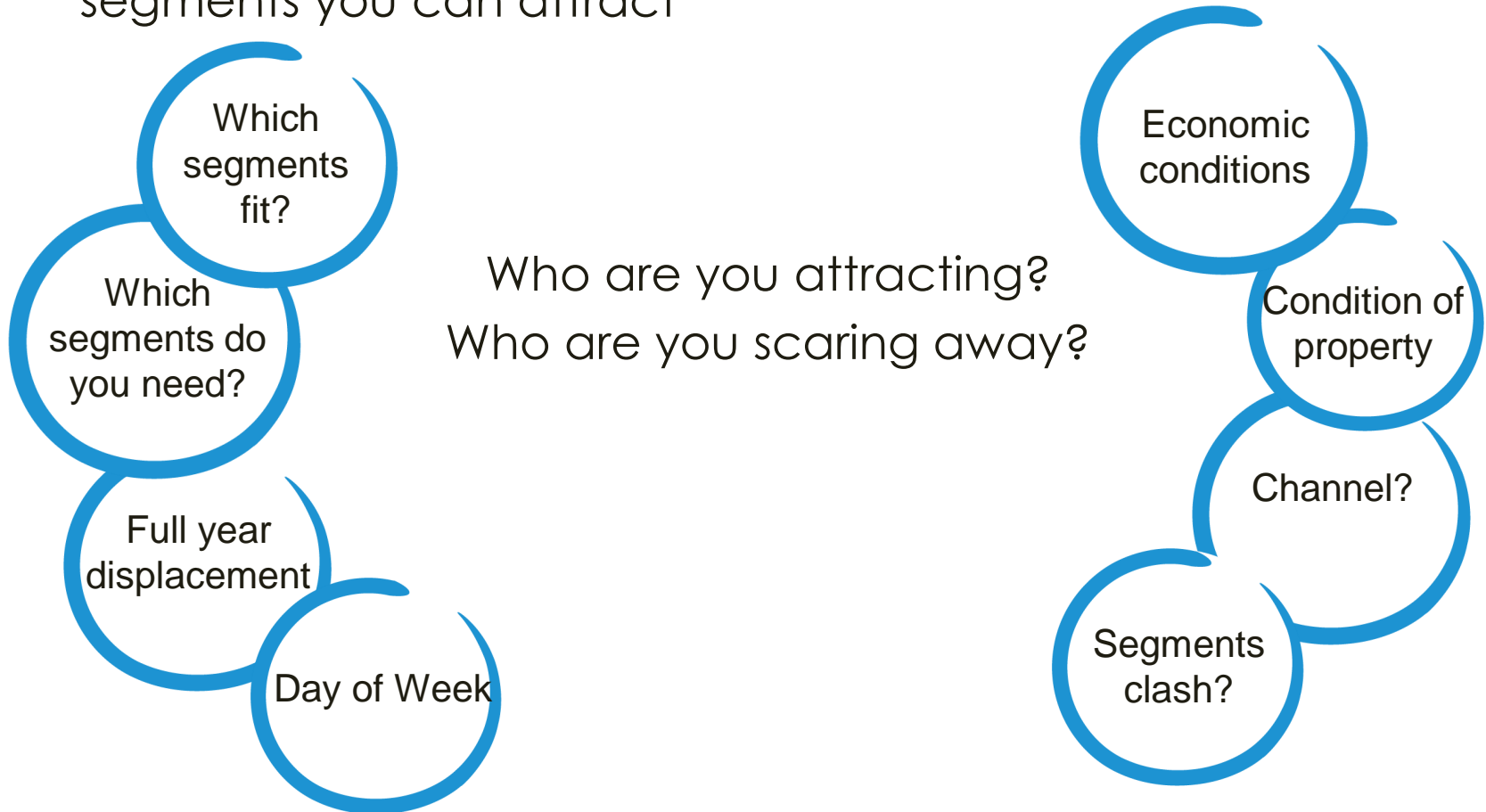
# Business Mix Strategy





# What is the Right Mix for your Hotel?

- Location and hotel amenities will determine greatly what segments you can attract



# How can you Influence your Mix using Pricing?

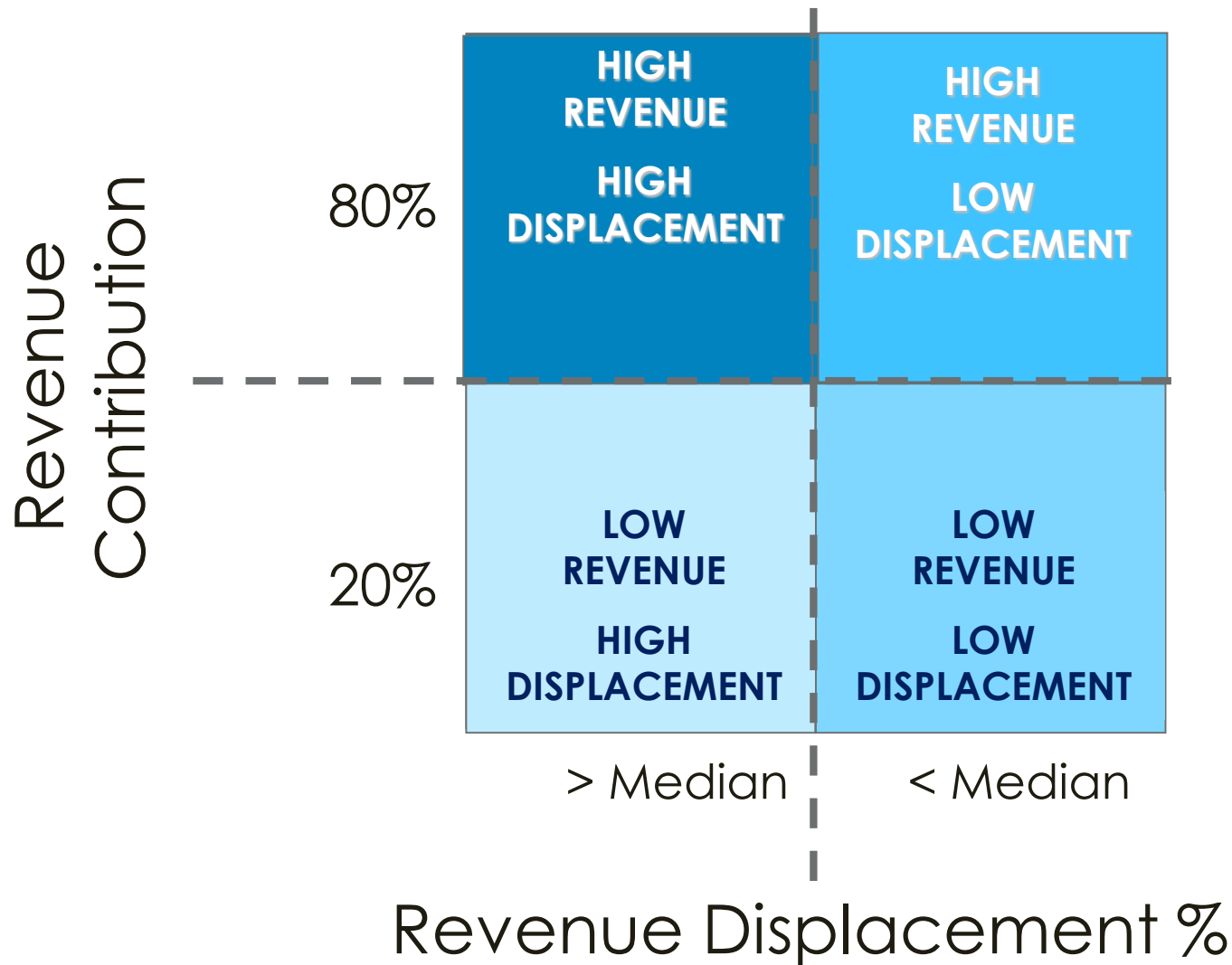
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- Segments
- Channels
- Fencing



But how clear or blurred  
are the lines of segmentation?

# Account evaluation



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# Case Study I

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# Background

## A Five Star Service Apartment in emerging market

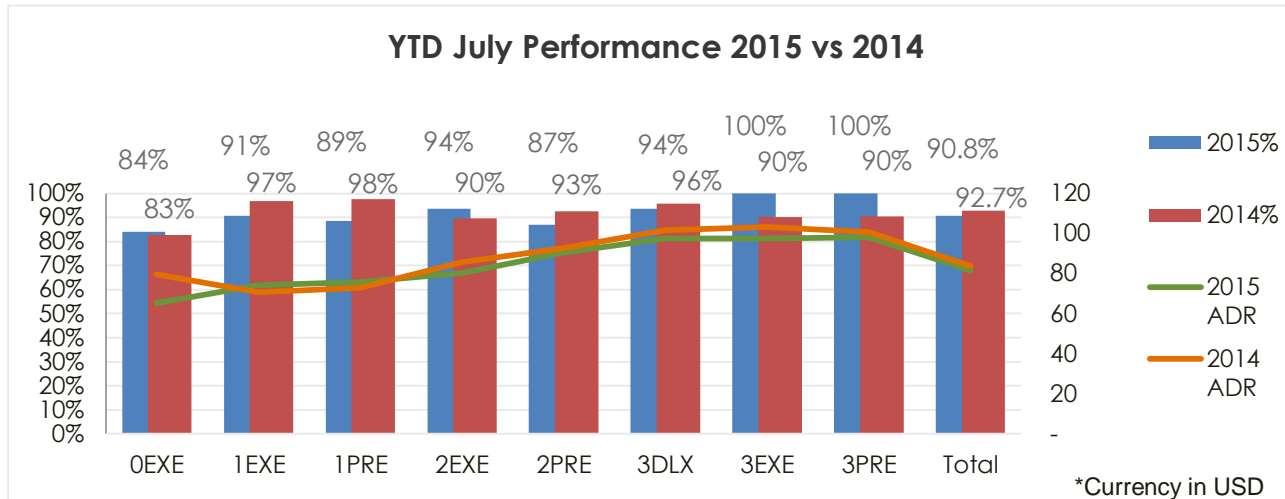
- Located in central business district
- 172 Apartments, range from Studio Apartment to 3 Bedroom Apartment
- Competition: new international brand coming to the market
- YTD July Occ 91%, ADR USD83, long Stay contributed 75% occ with ADR USD77  
Short Stay contributed 16% occ with ADR USD102
- Apartment Mix as below – 2 Bedroom Executive contributes to 30% inventory
- Challenge: How to best optimize long stay vs short stay mix and increase RevPAU?



Apartment Type			Studio Executive	1 BR Executive	1 BR Premier	2 BR Executive	2 BR Premier	3 BR Deluxe	3 BR Executive	3 BR Premier
Size (sqm)			36	60	73	97	105	110	130	138
Size (sq ft)			388	646	786	1044	1130	1184	1399	1485
Bed Configurations			1 King	1 King	1 King	1 K + 2 S	1 K + 2 S	1 K + 3 S	1 K + 3 S	1 K + 3 S
Max occupant (s) per unit of room type			2 pax	2 pax	2 pax	4	4	5	5	5
No of units per Room Type			14	20	36	54	23	21	1	3

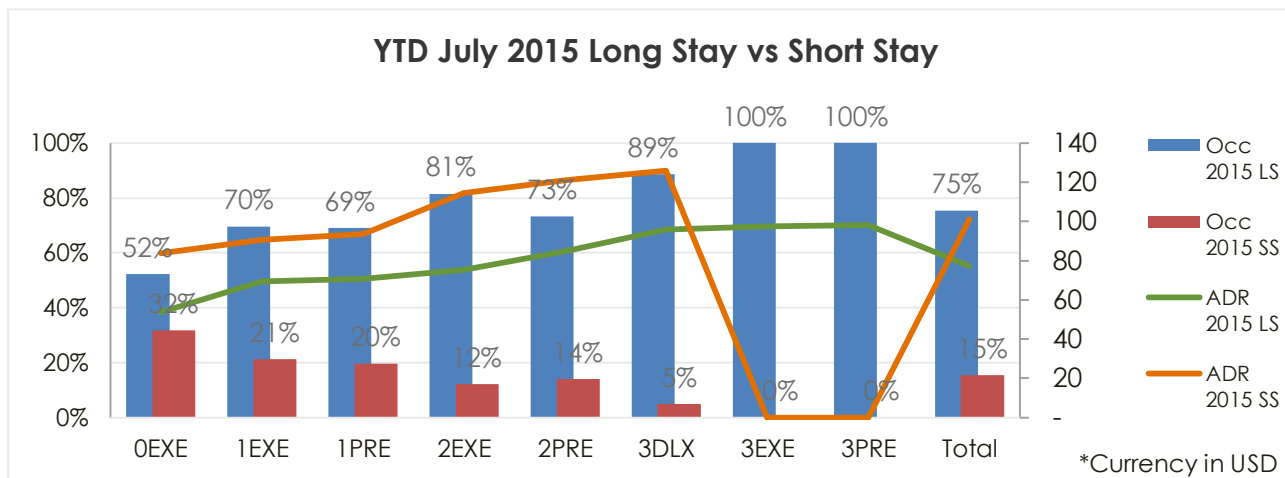
# Data Analysis

## Apartment Type Performance Analysis



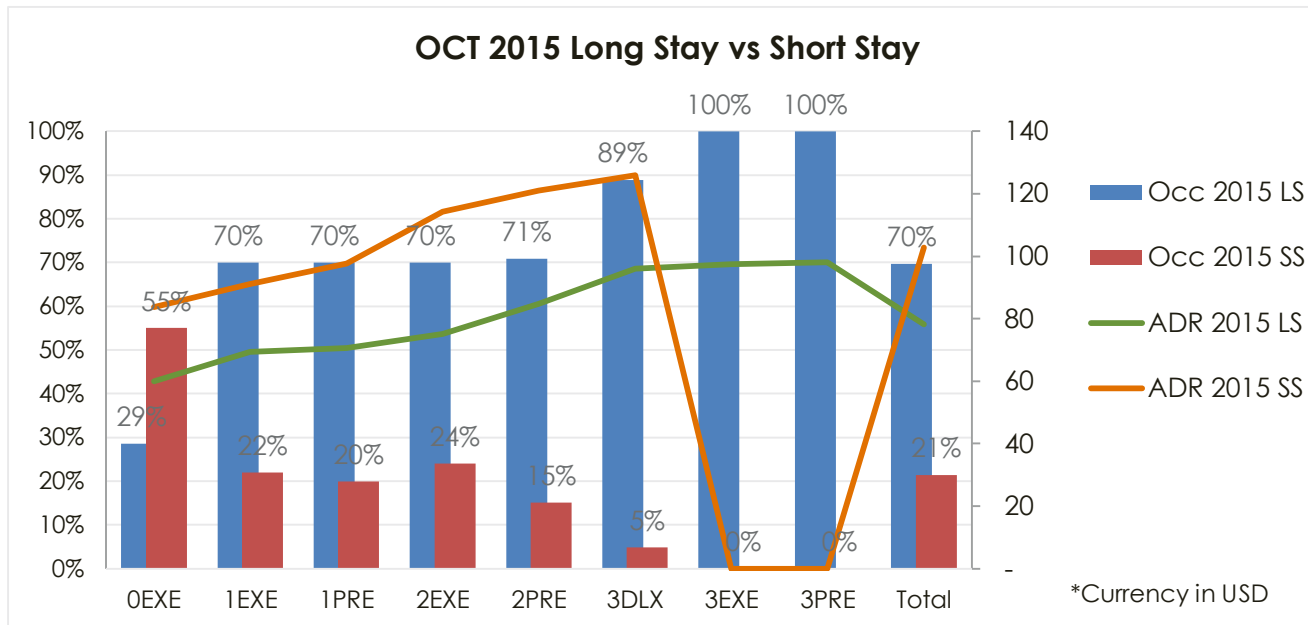
Identify the issue:

- 2015 ADR drop compared to 2014, especially for 0EXE (Studio)
- Long stay overweight



# Strategy & Implementation

Optimal short stay mix for popular apartment types: Studio and 2 Bedroom Executive



## Results:

- Occupancy slightly increase from 90.8% to 91.2%
- ADR increase 3.3% and RevPAU increase 3.7%

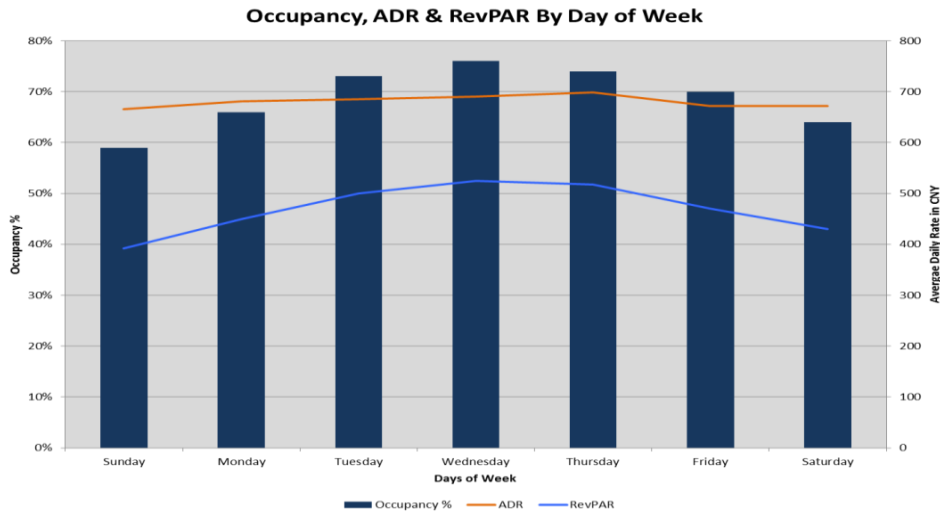
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# Case Study II

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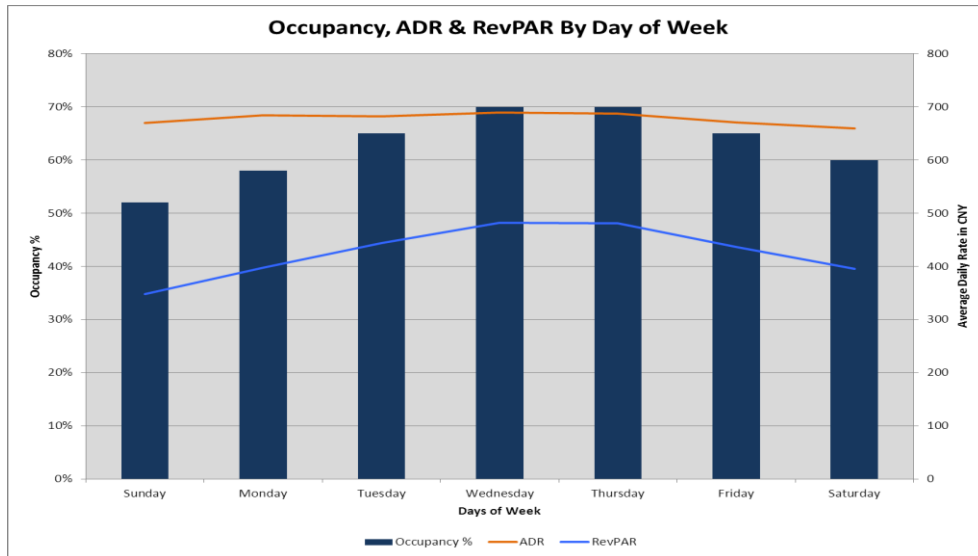


# Case Study – Adjust Bar by DOW



## Hotel A

Through Revenue Performance & Opportunity Analysis, we found that both Hotel A and Hotel B have lower occupancy on Mondays, therefore we decide to adjust Monday Bar rate



## Hotel B

# Case Study – Adjust Bar by DOW (Con't)

## Hotel A

Month of Nov 15

Additional Monday Revenue from BAR Segment	\$	2,944
Additional Revenue from BAR Segment	\$	7,797
Monday BAR Revenue growth compared to LY		2.4%
BAR Revenue growth compared to LY		0.7%

## Hotel B

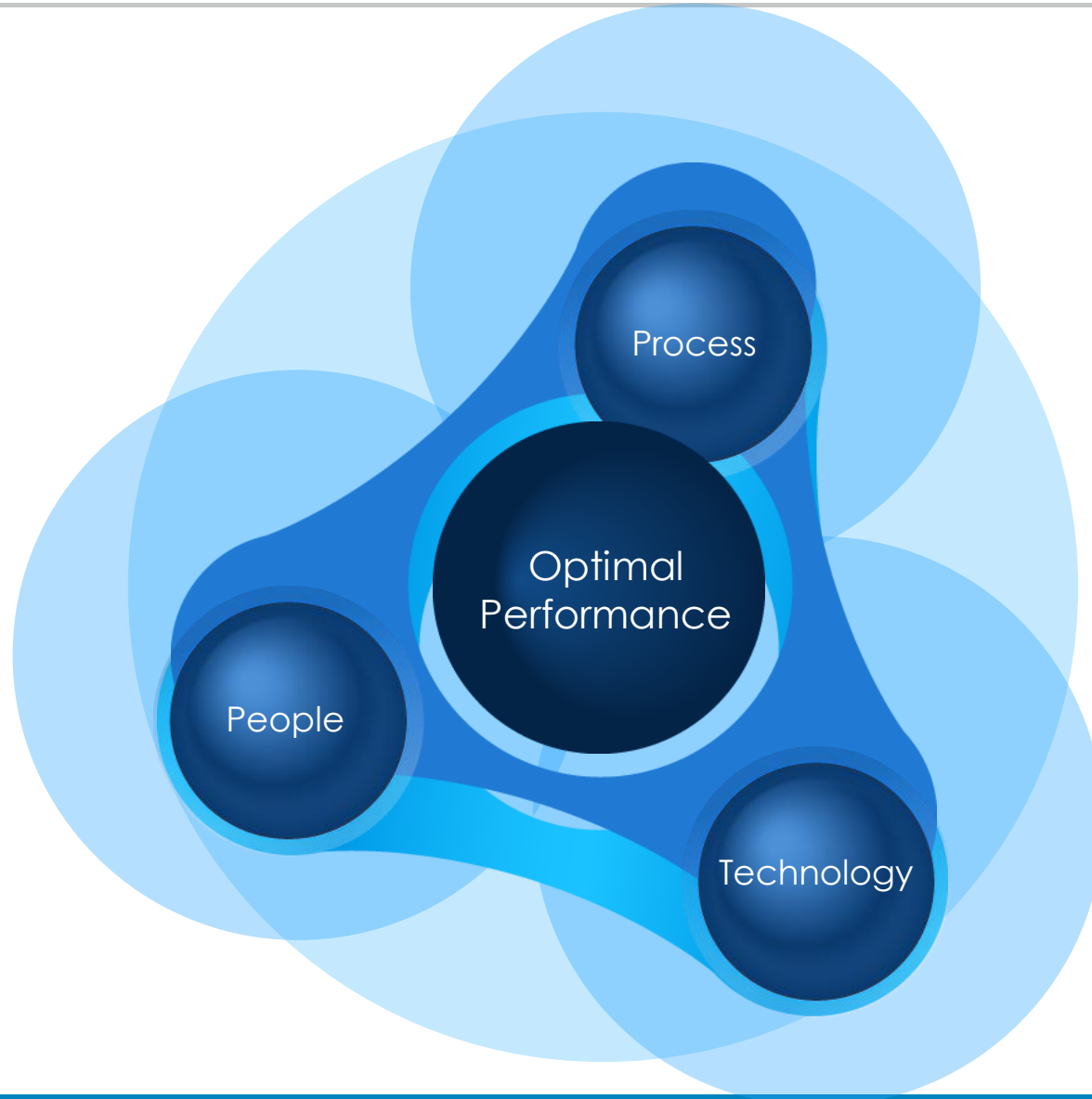
Month of Nov 15

Additional Monday Revenue from BAR Segment	\$	8,942
Additional Revenue from BAR Segment	\$	21,549
Monday BAR Revenue growth compared to LY		2.0%
BAR Revenue growth compared to LT		0.6%

**Conclusion:** Successful pricing strategy based on day-of-week demand patterns. Overall transient revenue has increased compared to same time last year.

# Achieving Optimal Revenue Performance

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# Thank You!

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