

Cornell Hotel Report Shows Hoteliers How to Work with Priceline

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New Hotel Revenue Management Report Helps Hoteliers Set Room Rates on Priceline.com to Maximize Yield

The opaque curtain maintained by Priceline.com between hotel marketers and would-be guests makes it difficult for hotels to determine what level of discount to offer for rooms they sell on that website. However, Cornell professor Chris Anderson has created a spreadsheet tool that pulls that curtain aside, so that hotels can set room prices that are most likely to be successful.

The method and calculations are given in an exclusive new hotel report, "Setting Room Rates on Priceline: How to Optimize Expected Hotel Revenue", which is available at no charge from Cornell's Center for Hospitality Research at www.chr.cornell.edu/research/chr/pubs/reports/abstract-14705.html. The accompanying tool, also available at no charge, allows hotel revenue managers to use their daily report from Priceline to plug in the data that will return most successful discount levels.

'What I've noticed about the way hotels use Priceline is that they treat those rooms as distressed inventory,' said Anderson, who is an assistant professor at the Cornell School of Hotel Administration. 'What I'm hoping is that hotels instead can use Priceline as another facet of their revenue management system and get the most possible revenue out of those discounted rooms.'

Hotel Report Allows Revenue Managers to Maximize Value of Priceline as a Distribution Channel

Anderson points out in the newly released hotel revenue management report that using Priceline's opaque auction presents a dilemma. Either the hotel overprices the room and never sells it, or the hotel underprices the room and sells it for too low a price. 'Either way, the hotel probably leaves money on the table,' he said. 'The catch is, there's no immediate way to tell how much money has been left behind. My model is designed to put that money into the hotel's cash drawer.'

Anderson uses the daily report that Priceline gives its clients to calculate the probability of guests' accepting various price levels according to each specified check-in day. Each day before arrival offers a different probability of acceptance and, therefore, a different discount off stated rates. The all-new hotel report shows the necessary calculations, and those calculations are embedded in the tool's spreadsheet.

'In part, I focused on Priceline for the specific reason that many potential guests begin their room search there,' Anderson explained. 'If the rooms are priced correctly, the search will also end there. By assisting hoteliers with the price calculation, I hope to make that happen.'

Meet and interact with Dr. Anderson, an active member of the executive education faculty at the School of Hotel Administration, when he presents sessions in the Professional Development Program:
<http://www.hotelschool.cornell.edu/industry/executive/pdp/>.

Thanks to the support of the partners listed below, all Cornell Hospitality Reports and Tools are made available free of charge from the center's website, www.chr.cornell.edu.

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