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Price Discrimination and Capacity Allocation in the Hotel Industry

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Synopsis

Rajat Sharma after having a successful career in various engineering management roles across various blue-chip companies in India seeks to venture into the hotel industry in that he is looking to transform his recently acquired property into a world-class 5-star hotel. The 500-room hotel based in central India is expected to start its operations in March of 2024. Rajat understands that the hotel industry, particularly in the 5-star and above segment is getting competitive in that price discrimination plays an important role in the revenue maximization for the hotel. Rajat's market research suggests that most of the customers in this segment were corporate travellers, c-suite executives, or founders of successful startups. Further, the timing of booking a suite plays an important role in the price per night that a particular customer will be offered. Typically, there are two sets of customers. The first set books the accommodation within seven days of check-in or appears on the spot for accommodation. The second set books the accommodation ahead of seven days of check-in. The upcoming hotel plans to open the booking window before ninety days of check-in. Further, Rajat also considers the role that refund policy may play in better price discrimination.

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