

Chapter 66

Price Effectiveness in Hotels: Case Study Comparing Strategies Adopted by Mid-Size Hotels in New Delhi

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ABSTRACT

This case study focuses on the mid-size hotel industry in India. It will analyze the extent to which the pricing strategies are adopted in order to optimize revenues. The mid-size segment is comprised of three and four star hotels, which cater to the average foreign and domestic leisure travelers. Pricing is the single greatest challenge facing independent hotels today. It is studied how determining optimal rates based on the patterns of price sensitivity of demand still remains the biggest challenge for these hotels. Price sensitivity and its impact on revenue are examined. To determine and analyze this challenge faced by mid-size hotel industry, the case will focus on pricing strategies and challenges faced by a midscale chain hotel and a stand-alone economy hotel in New Delhi. The hotels have been taken from National Capital Region (New Delhi) which is the largest hotel market in the country both in terms of active assets under development and potential projects in planning.

BACKGROUND

Breakfast time at the coffee shop of a High-rise hotel was always refreshing. The majority of the guests who stayed at the hotel in the last 11 years gave that feedback. For Prashant Agnihotri it was surely one of the ‘wow’ factors for his hotel. He has already served as General Manager of the hotel for the last 5 years. He had joined the group in 2002 and had been promoted from an Executive to GM level in the same chain with maximum years spent in this New Delhi property. Prashant always

felt that interacting with the beaming guests at this time was the best way to start his day.

The High-rise Hotels, established in the year 2000, is one of India’s largest chains of upscale hotels and resorts. It has been the perfect choice for today’s discerning and value conscious traveler. Whether it’s business or pleasure that brings you to India, this chain of hotels adds great value to your travel experience. The hotel chain is generally comprised of hotels with inventory from 50-100 rooms. Within a span of 10 years they have set up hotels in major cities of India. High-rise Hotels in

DOI: 10.4018/978-1-4666-6543-9.ch066

Gurgaon, Delhi, Bengaluru, Chennai, Hyderabad, Indore, Chandigarh, Pune, Goa, and other cities are located within a convenient distance of key local attractions or business hubs. While 5 Star hotels in India are at par with global competitors, there is a near absence of internationally acceptable mid-market hotels. This gap is now being proficiently filled by this hotel chain which operates in the midscale segment in India.

This High-Rise Hotel, in New Delhi has 50 well furnished rooms. Guests can enjoy contemporary accommodation at reasonable rates, personal yet highly efficient service, and premium amenities, including fitness center, swimming pool, business center, on-site restaurants, and meeting rooms.

High-rise, New Delhi is rated in the top ten by trip advisor. It is highly rated in most Tourist/Traveller's Guides. It is in the heart of the downtown/suburban area, close to the business, entertainment, and shopping areas. Most rooms are deliberately maintained to cater to the needs of a business traveler.

The hotel gets 85% of its customers as foreign tourists. The occupancy rate in this hotel is 100% in busy months of February to April and September to mid-December. Rest of the year the occupancy is approx 75%. The rooms are occupied for the 365 days in this year. Most of the days, especially weekdays, demand is more than supply in this hotel. With a multi cuisine restaurant and 24 hour room service, the hotel does not practice differential pricing for its customers. It charges single price for all of its customers irrespective of different nationality. Tourists generally would like to stay in this hotel for the wonderful service provided by the hotel. Generally the hotel gets repeat customers and the customer loyalty is very excellent.

The daily morning meeting will start in some time. These meetings helped Prashant set agendas for the day and discuss and solve any last night issues, interact with his team, and understand daily problems. Though he knew, the real agenda was always the same: to ensure meeting budgeted

revenue targets of the hotel. For the last five years he has managed to keep this property in the top three, not only in the city in this segment of the hotel, but always amongst the High-Rise Chain.

He knew that according to World Travel and Tourism Committee (WTTC) estimates that the Hotel Industry in India has witnessed a tremendous boom in recent years. The current count of hotel rooms is 130,000, and the country is expected to require an additional 50,000 rooms over the next two to three years.

The competition had really increased in the last two years. Not only chain hotels of various segments were mushrooming in the city, but various stand alone properties coming up as well. One such stand alone property in the same segment, though established in 2010, has been giving tough competition to High-Rise.

Prashant has had few occasional informal meetings with Vaibhav Singh, the GM of Rest Inn hotel. Vaibhav had also invited Prashant for breakfast and evening tea and snacks as a friendly gesture. Prashant understands that the Rest Inn Hotel, New Delhi is a modern midscale/economy hotel in Delhi. It was established in the year 2010 with a corporate motto to provide an excellent delight for the corporate and leisure travelers offering a 'home away from home' concept.

Strategically located close to major commercial and shopping complex of the city, this budget Delhi hotel is a pleasant place to stay, near the biggest commercial centre in Delhi. It boasts of modern architecture and exquisite interiors, offering its guests traditional warm Indian hospitality, to ensure a comfortable stay.

This hotel has 40 rooms and suites, well-equipped with an array of amenities. All the rooms are nicely styled and look cozy and inviting. All rooms are well maintained. Its homey atmosphere, along with friendly staff, makes it a haven of solace and comfort for your complete accommodation in Delhi. It has a 24-hour multi-cuisine restaurant that serves amazing food and beverages, offering good delightful dining in Delhi. Due to its location

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