

Hotel Revenue Management Strategies during Fall Foliage Travel Season

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Abstract:

Tourism during the fall seasons is mostly recognized during the months when changes in leaf color offer bright colors of many trees and foliage marking the end of the growing season in some regions of U.S. Hotel pricing analysts have increasingly used revenue management (RM) techniques and pricing strategies in hotels to assist in maximizing revenues during these seasons. This study examines how fall foliage tourism demand impacts hotel pricing strategies and hotel revenue management practices in areas experiencing seasonal increases in overnight travelers. The study area is the region around the Great Smoky Mountains National Park bordering both Tennessee and North Carolina. The area includes a portion of the Appalachian Mountains and is the most visited National Park in the United States. Most hotel revenue management strategies focus on one hotel property and not hotel pricing strategies in a region or area like this study. In some regions of the U.S., tourism generated by changing colors of the fall foliage season has grown to be one of the most important parts of the travel season. Tourism during the fall seasons is mostly recognized during the months when changes in leaf color offer bright colors of many trees and foliage marking the end of the growing season. Depending on the area of the U.S., this change in foliage color in the United States occurs mainly during the months of September, October and November each year. Travel and tourism increases

each year in key areas of the U.S where fall color changes are most dramatic. This seasonal increase in travel and tourism in these key fall foliage areas increases overnight travelers and increases in the demand for hotel rooms in these areas. This study examines how fall foliage tourism demand impacts hotel pricing strategies and hotel revenue management practices in areas experiencing seasonal increases in overnight travelers. The study area is the region around the Great Smoky Mountains National Park bordering both Tennessee and North Carolina. The area includes a portion of the Appalachian Mountains and is the most visited National Park in the United States with 9.68 million visitors in 2013. Most hotel revenue management strategies focus on one hotel property and not hotel pricing strategies in a region or area like this study. The concept of price elasticity of demand explains how sensitive consumers are to changes in prices. Price elasticity of demand has been defined as “a measure of the percentage change in quantity demanded resulting from a one percent change in price along a given demand curve” (higher or lower) [7]. When examining the market for hotel guests, they are usually grouped into two submarkets: leisure travelers and business travelers [8]. In order to accommodate the demand of these different market segments from business and leisure travelers, a hotel property must have a mix of different types of hotel rooms [2]. Business travelers in general tend to not be sensitive to hotel price rate fluctuations, leading to more inelastic demand for hotel rooms. However, leisure travelers tend to be more sensitive to hotel price rate fluctuations, leading leisure travelers to be more elastic demand for hotel rooms.