

Web Shopping Data: The Secret to Unconstrained Demand



Web shopping data: The secret to unconstrained demand

Tracking regrets and denials paints a more accurate picture of a hotel's true unconstrained demand, driving operational insights and more profitable pricing decisions

Historical booking data can tell us a great deal about our hotel's supply and demand patterns. But analyzing past bookings or current reservations on the books is just beginning to scratch the surface of the supply-demand equation. A forecast is much more accurate when you're accurately measuring unconstrained demand.

Traditional models of measuring unconstrained demand can give you an idea, but there are new and more accurate ways to "unconstrain" your demand. Analyzing your hotel's web-shopping data—specifically regrets and denials—is one of the most reliable ways to see the true market of shoppers and not just bookers. With web-shopping data, you can observe travelers who considered your hotel but did not book for whatever reason, and then factor that lost business data into your forecast and pricing strategy.

Being able to observe all your potential guests, not just the ones who eventually booked your hotel, will give you better insight into how your inventory is being considered in the marketplace. Often times, this data will paint a very different picture than evaluating just historical and pricing data.



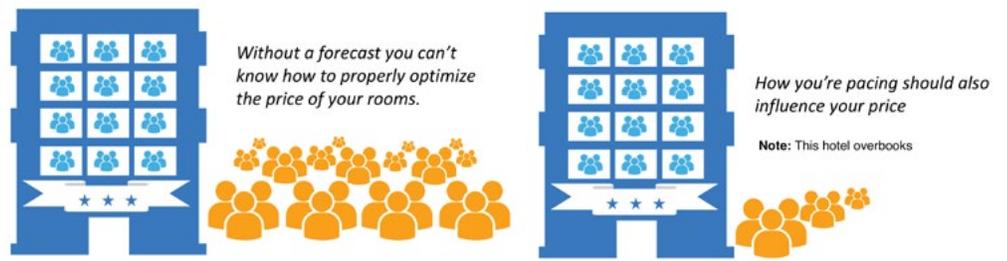
Today, as more bookings are made online, hoteliers armed with the right tools can get a more holistic picture of unconstrained demand.

Another benefit of tracking web-shopping behavior is that you are considering forward-looking data as opposed to archived data. This is especially beneficial for new hotels that don't have the ability to analyze past booking data.

Until recently, measuring regrets and denials was a difficult proposition at best. Call centers could loosely track the number of inquiries they received and number of people who hung up without booking, but the data was largely unreliable. Today, as more bookings are made online, hoteliers armed with the right tools can get a more holistic picture of unconstrained demand.

You can see who visited your website, what pages they looked at and even any information they entered into a field box. Behind the scenes, technology can capture and sort this lost business data, influencing forecasts and pricing algorithms and providing key information that drives better operational decisions and ultimately more revenue.

Constrained vs. Unconstrained Demand



A constrained forecast caps demand at the available room inventory of the hotel. For instance, a constrained forecast for a hotel with 200 rooms would never show demand exceeding 200 rooms. This makes sense because you know that even on your busiest days you will not be able to accommodate more guests than the rooms you have. This type of forecast is perfect for operating departments trying to staff appropriately and is adequate for a financial analyst building a budget, but it has serious shortcomings for revenue managers.

For example, imagine that you are managing the same 200-room hotel and you are looking at two days that are approximately two months in the future. Both days are forecasted to be sold out so the forecast shows 100% forecasted occupancy. However, you notice that one day has 100 rooms on the books and the other already has 140 rooms sold due to a recent spike in bookings. Are these two days really the same?

An unconstrained forecast provides a much better representation of the intensity of demand by day. The forecast extrapolates from what has already been booked and the pace of bookings to determine how many room nights would be consumed if the

current pricing and distribution strategies were continued. In the example above, the first day may be pacing to an occupancy of 205 rooms whereas the other day may be pacing to 287 rooms. Therefore, the first day has unconstrained demand of five rooms and the second day has 87 rooms of unconstrained demand, which is much more useful information to have when determining appropriate pricing and distribution than to simply note on the forecast that both days will sell out.



Today's hoteliers might be forecasting for both constrained and unconstrained demand, but in most cases they are using only backward-looking data—historical data in combination with the number of rooms on the books—which can be extremely limiting. With the introduction of web-shopping data, hoteliers can begin to quantify their unconstrained demand with real data on the whole universe of potential guests. Tracking web shopping data—consumers not only booking on a hotel's website but also those abandoning before booking or being turned away because of availability issues—adds much more visibility.

Web-shopping data consists of two important components: regrets and denials. Regrets are defined as travelers who abandoned your site before booking and denials are defined as potential guests who were shut out because the room type or date was unavailable.

In addition to web regrets and denials, competitive pricing information has become a valuable piece of the puzzle. Local events, flight arrival information, social reviews and weather information also can be layered in to help augment your unconstrained demand forecast.

Understanding Lost Business



New solutions are making it possible to track consumer activity on your website by adding a javascript tag to your booking engine. With these tags, you can track everything down to room type and rate code level, enhancing hoteliers' ability to use this data in analytics.

However, the most difficult part of collecting and analyzing web-shopping data is keying in at the right points in the booking flow. It's also important to consider how you track guests. For example, if a potential guest shops multiple times, is that one regret? If a traveler shops, abandons, shops again and then books, is that a regret or a booking? What if a traveler searches multiple times over multiple days, changing the dates slightly between each shop?

Because of these idiosyncrasies, simply tracking the data isn't enough. Hoteliers must be able to intelligently interpret the data to ensure they aren't over-counting or under-counting.

Let's say as your hotel fills up you start closing off rate codes or your entire house for a stay date, resulting in denials. It's important to consider a portion of these denials in pricing decisions. Clearly a portion of these guests would convert if you did not restrict availability. A sophisticated pricing algorithm can factor this into account when making rate recommendations.

Rather than waiting for a significant amount of actual bookings for a specific stay date to adjust your forecast and pricing, web-shopping data provides accurate insights into future demand far further into the future.

Rather than waiting for a significant amount of actual bookings for a specific stay date to adjust your forecast and pricing, web-shopping data provides accurate insights into future demand far further into the future.

More Benefits of Web Shopping Data

With web shopping data, you see those spikes in searches earlier than everyone else and can adjust your prices quicker to capture much of that lost revenue.



Web-shopping data helps hoteliers do more than price rooms. It sheds a whole new light on how many people are visiting your website, which can help gauge the frequency of last-minute arrivals, as well as other important insights.

It will tighten up your forecast and allow you to better price rooms to maximize revenue, while also helping operations teams set staffing levels.

Also, by tracking web-shopping data, you're able to measure not just unconstrained demand, but price elasticity as well. If you can see at what prices your customers are booking, and more importantly, when they are abandoning your site, you can gain incredible insight into the price sensitivity of those customers.

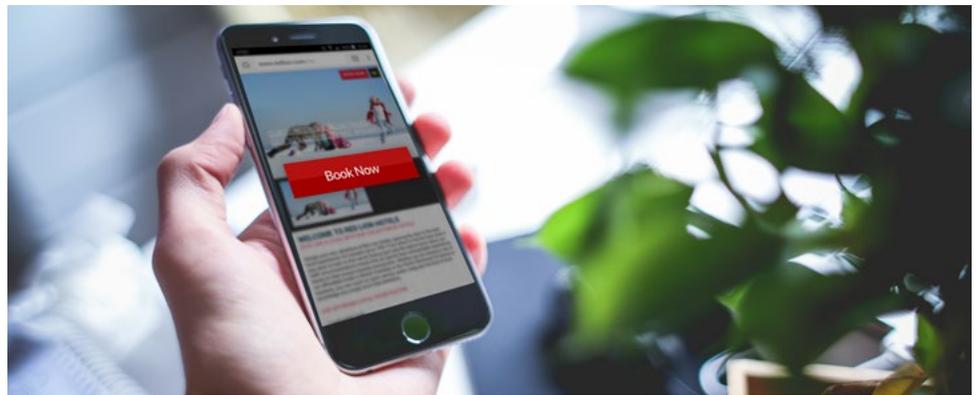
For example, if five people booked a specific date yesterday and that's all your system knows, it may recommend a price increase. But what might be missing is the fact that 100 people shopped that date and only five booked at that price, which paints a completely different picture than a day with five bookings and only 10 shoppers.

Regret data can tell us how the market is reacting to your prices. Too many regrets? Perhaps your price is too high. A high conversion rate? Perhaps your price is too low.

Here is a famous example of how tracking lost business data can provide a critical advantage over your competition: Years ago, when a huge music festival called the

Electric Daisy Carnival announced a venue change from Los Angeles to Las Vegas, tickets sold out in a week as did all the hotel rooms on The Strip for an average rate of \$99. Months later, when the event began, walk-in customers downtown – not even on The Strip – sold for \$1,000 a night. The market lost millions of dollars because hotels didn't see this coming and weren't able react in time. With web shopping data, you see those spikes in searches earlier than everyone else and can adjust your prices quicker to capture much of that lost revenue.

For the marketing department, much more analysis can be done when you know what offers have been booked vs. not booked, and at what price points. While marketers typically look at redeemed offers, it's just as important to consider people who clicked the offer, but did not redeem. And the price point they were offered when they declined to book adds another layer of knowledge.



Conclusion

Web-shopping data provides powerful new information for your revenue strategy. By giving hoteliers a more holistic view of both actual and potential demand, web-shopping data provides far more visibility into future demand and price sensitivity.

Unconstrained demand has long been an important consideration for any industry with perishable inventory. But until now, it hasn't been easily quantified in hospitality. As hoteliers begin to better understand web shopping data and more accurately forecast it, more profitable pricing decisions will be far easier to make.

About Duetto

With solutions that address the true challenge of today's distribution landscape, Duetto provides unique and powerful revenue strategy tools to optimize profit and guest loyalty. Duetto delivers powerful insights on pricing and demand to hotels and casinos through a 100% cloud-based application.

Utilizing new consumer-centric data sets such as web shopping regrets and denials, social review, air traffic, weather and more, Duetto GameChanger transforms the way hotels and casinos price and sell rooms by providing better and more actionable information. Make informed distribution choices and independently yield all channels, dates and room types with open pricing to drive healthy revenue and optimize profitability.

Thanks to modern cloud architecture, new features and upgrades are delivered seamlessly with zero system downtime. This rapid innovation enables Duetto to provide an industry-leading user interface and experience that's continually improving.

Working with and for the hospitality industry,
Duetto is changing the game.

