

# Corralling Price Elasticity

How do you monitor and impact price elasticity while protecting your margin, as the travel landscape changes?

BY STACEY SUTHERLAND



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If you're like everyone else in the travel and hospitality industry, you find yourself glued to the news — hoping we will wake up and the bad dream will be over.

Every day, we contemplate when a vaccine for COVID-19 will arrive, spend days on end issuing and reading travel indicator surveys and juggling the balance between low occupancy and limited staff.

As we start to see increased activity in domestic and close-to-home travel, we are starting to feel like there may be a light in that tunnel somewhere. *But, how are we going to look in six months? In a year?*

For businesses lucky enough to have survived this long and that are now fighting a different battle for market share, the crisis has rendered meaningless the typical reference points, such as booking and occupancy trends that drive price optimization, otherwise known as “price elasticity.”

These dramatic changes have turned revenue management systems into blank slates. Further, the average cost for a nightly stay, an airline ticket — even the purchase price for timeshare has trended slightly down. So, how do you monitor and effect price elasticity in order to protect your margin as the travel landscape changes?

While no one can predict a sharp increase in travel once a vaccine is in place, companies that move fast while being flexible and adapting to the new conditions have the greatest potential to recover and gain significant market share. As we look to the future, we must not only carefully manage our pricing to capture any revenue we can, we must also pay close attention to our customer relationships and perceived value — while keeping an eye on optimizing revenues into recovery.

By taking a few steps, we can address the issues at hand and help minimize revenue dilution as the crisis slowly fades and we emerge. We have to start consciously looking for alternatives and laying the groundwork for recovery.

First, many of us have already put pricing policies in place and developed standards that can override revenue management systems. But, we also need to closely monitor market signals and identify indicators to understand what recovery may look like in order to optimize prices during the recovery. Investing in analysts and tools to track and build models is imperative because *historical data will not matter as we move forward.*

For example, back-to-school season has proven to be one of the most unpredictable we have ever experienced, with

false starts and selective online learning options shaping an all-too-unfamiliar August and September. Whereas this season is generally quiet, we saw a slight uptick in travel year over year as students and their parents realized they could learn and work virtually from anywhere. As we move forward, analysts will need to track data by market, because the intensity of recovery will differ by region, event and customer segment.

Secondly, whether you are trying to get your owners/members to come back to your properties, activate package leads to travel and tour, or boost your rental bookings, developers must maintain communication with their customers and take steps to reduce uncertainty and fear by relaxing cancellations, refunds, and “re-bookings.”

Airlines are doing it best right now by ditching change fees and extending

premium advantages to loyal customers as a sign of good faith. These, combined with messages of health and safety measures and helpful travel information, will help customers understand what steps you are taking to protect them and ease hesitation.

Thirdly, adding value to the existing programs you already have make customers feel like you are taking care of them, even in unusual times when perks or benefits are generally removed or reconfigured. Generational trends continue to lean toward subscription models, and timeshare resale companies continue to attack owner/member bases — while developers are turning to providers of travel to offer immediate ancillary value with capital-light, seamless network integration.

Some of these companies already have the tools and analytics to provide valuable insights about your customers and can deploy trigger and geotarget-based

marketing campaigns to reassure and engage them at just the right time. This results in moving customers from *dreaming of travel* to *booking travel* with one-stop-shop travel solutions. Additionally, custom-branded solutions allow you to create new product categories and new ancillary revenue streams such as term membership products.

As the travel landscape continues to evolve and demand begins to return, it's more important than ever to implement timely and effective actions that will make the difference in your performance recovery. Looking for creative ways to move fast and adapting to the new conditions are key to flexing your price elasticity and gaining significant market share while protecting your margin as travel picks up. Partners who offer ancillary value that comes with additional benefits at little-to-no cost can help prepare you for the new age of travel. ■



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