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FUEL SALES ■ INSPIRE MARKETING ■ OPTIMIZE REVENUE

Pricing Psychology in Challenging Times



Welcome: our webinar will begin shortly

Thank you to our ROC 2020 Preferred and Platinum Partners:



HOSPITALITY SALES & MARKETING ASSOCIATION INTERNATIONAL

Other resources & upcoming events

HSMAI Coronavirus Resources:

<https://global.hsmmai.org/insights/coronavirus-resources/>

Our next Confronting Coronavirus webinar in this series:

Crisis Communication and Marketing Expert Insights

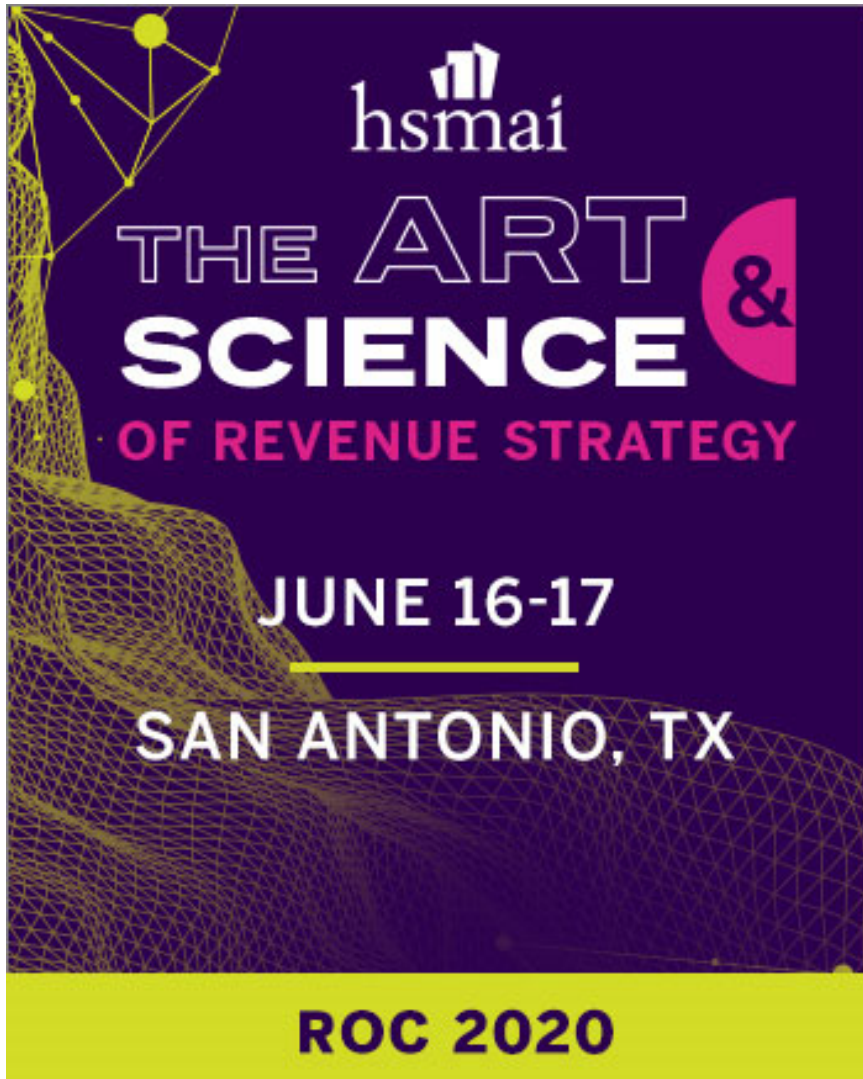
Chris Davidson, MMGY and
Laura Guitar, rbb Communications
Thur Marct 12, 3pm ET



ROC Americas
June 16-17, 2020
San Antonio, TX

Sales Leader Forum
October 27-28, 2020
Frisco, TX

Marketing Strategy Conference
Feb 24-25, 2021
New York, NY



Get a midyear strategy boost in this uncertain environment.

We'll address the issues through the lens of what they mean in periods of low and/or no demand, demand uncertainty, and recovery:

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Pricing Psychology in Challenging Times

Carter Wilson | SVP, Consulting & Analytics

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A jagged line graph on a light gray background. The line starts on the left, rises to a peak, then drops sharply to a trough, and finally rises again. The segment of the line that drops from the peak to the trough is highlighted in red, while the rest of the line is dark gray. The text "How Do Hotels Behave Under Extreme Duress?" is centered over the red segment.

**How Do Hotels
Behave Under
Extreme Duress?**



What We Know

U.S. ADR plummeted in 2009

Demand declines preceded ADR declines

No major markets were immune



What We've Heard

**One hotel in the comp set lowered rates first...
...forcing the others in the comp set to follow**



What We Are Solving For

Evidence of “rogue” hotels

(initial rate-slashing by a single property in a comp set)

IF TRUE, THEN:

Did other hotels follow?

What was the timing gap?

Did any hotels NOT drop rate?



Disclaimer:
There Are No Winners Here



Methodology

Chicago, IL Market, All Hotels

Daily Data Analysis, 2008 - 2010

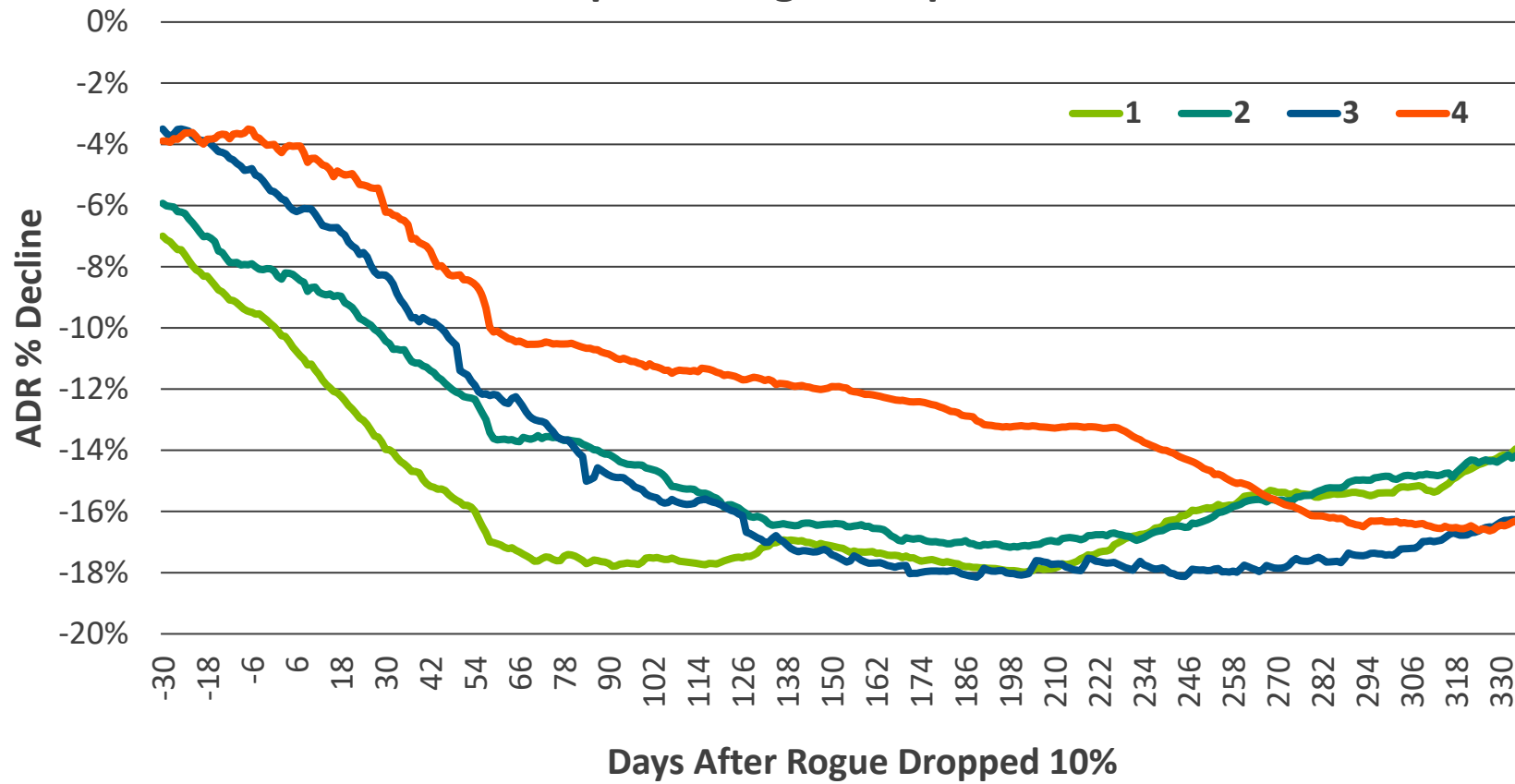
Threshold ADR Drop of 10% = “Slashed”

Downturn Began September 2008



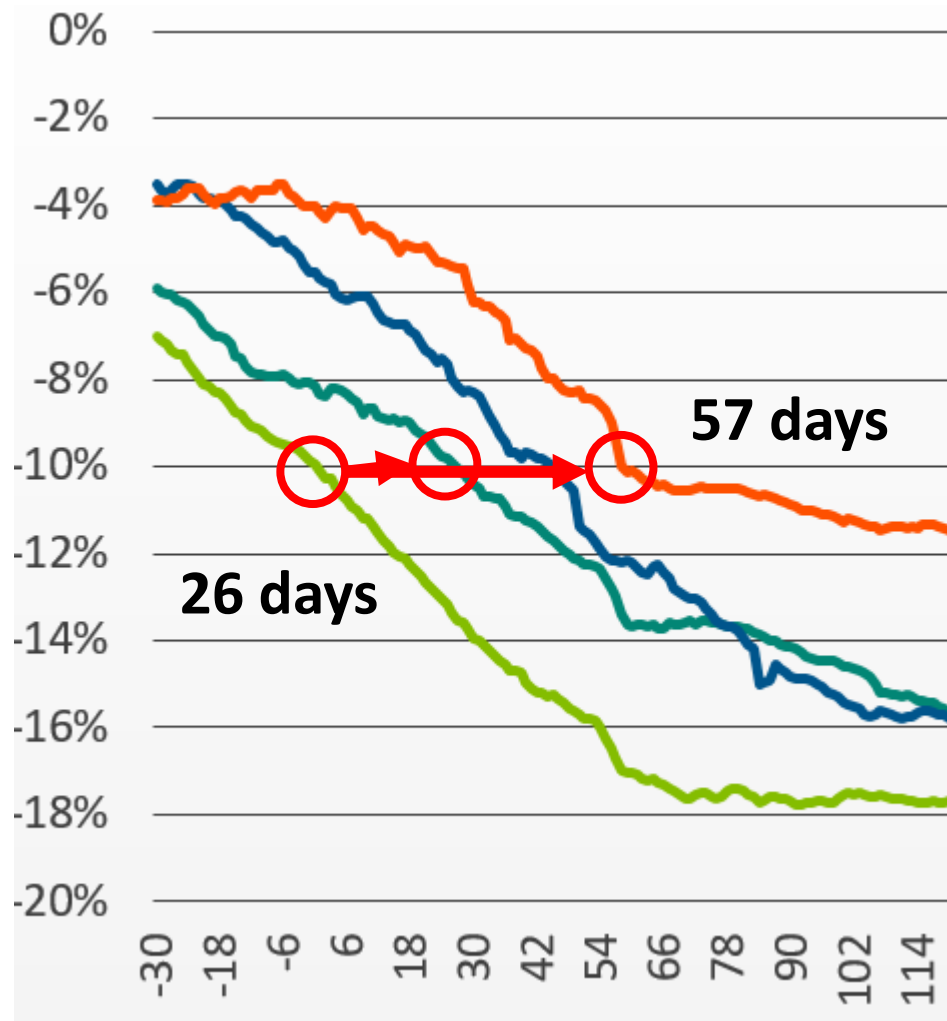
What We Found

Sample Chicago Comp Set

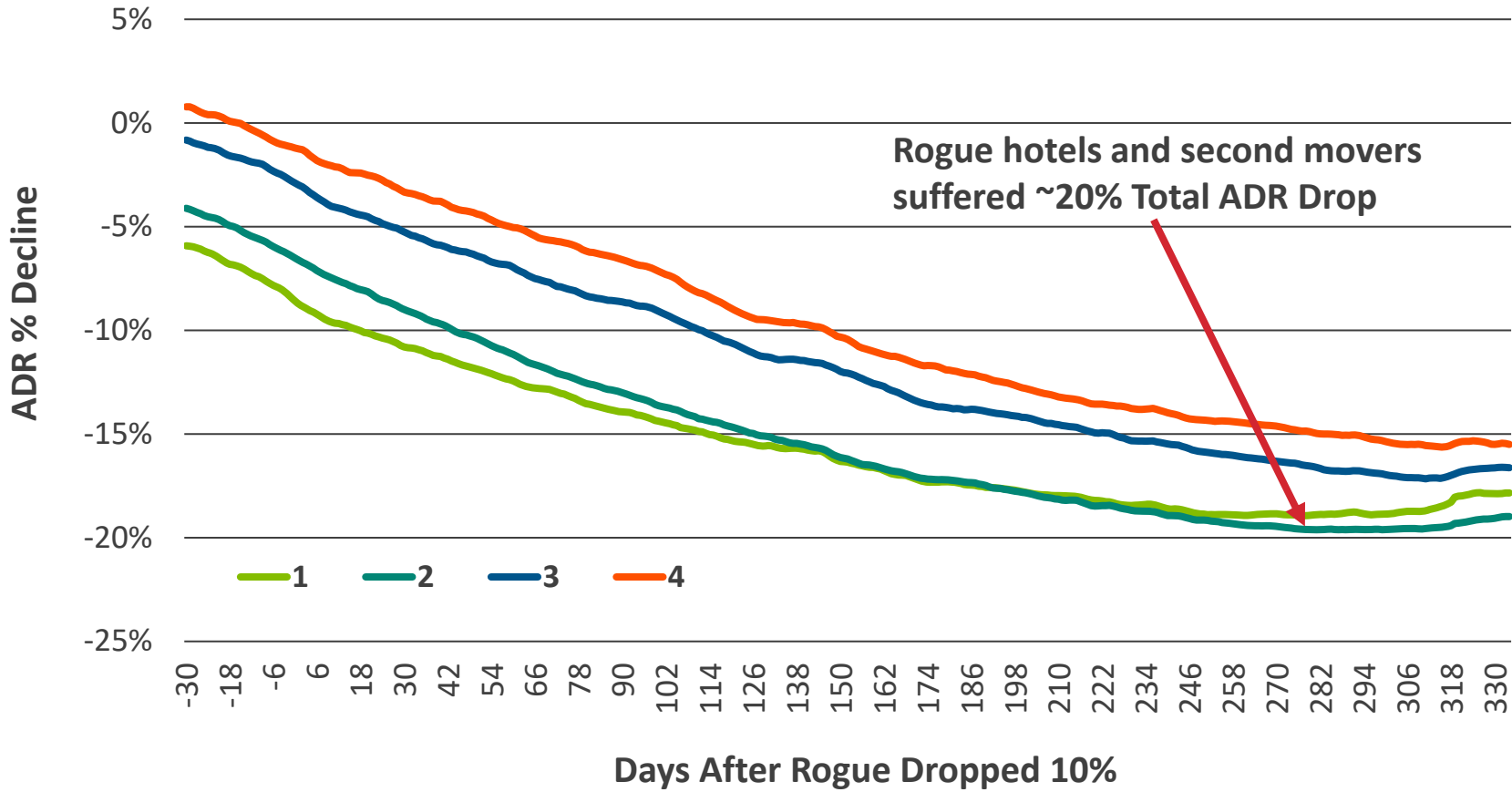


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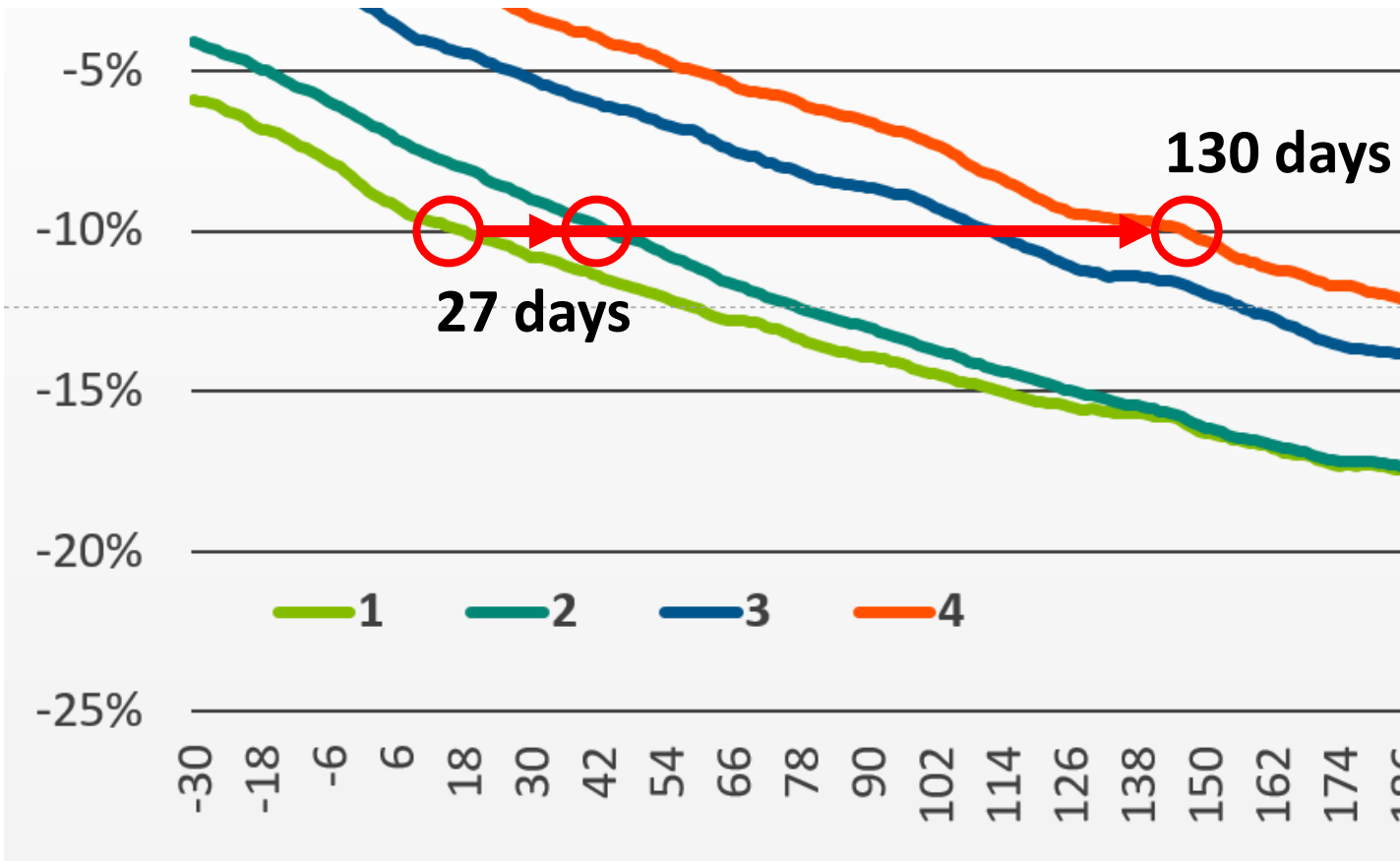


All Chicago Comp Sets



Source: STR

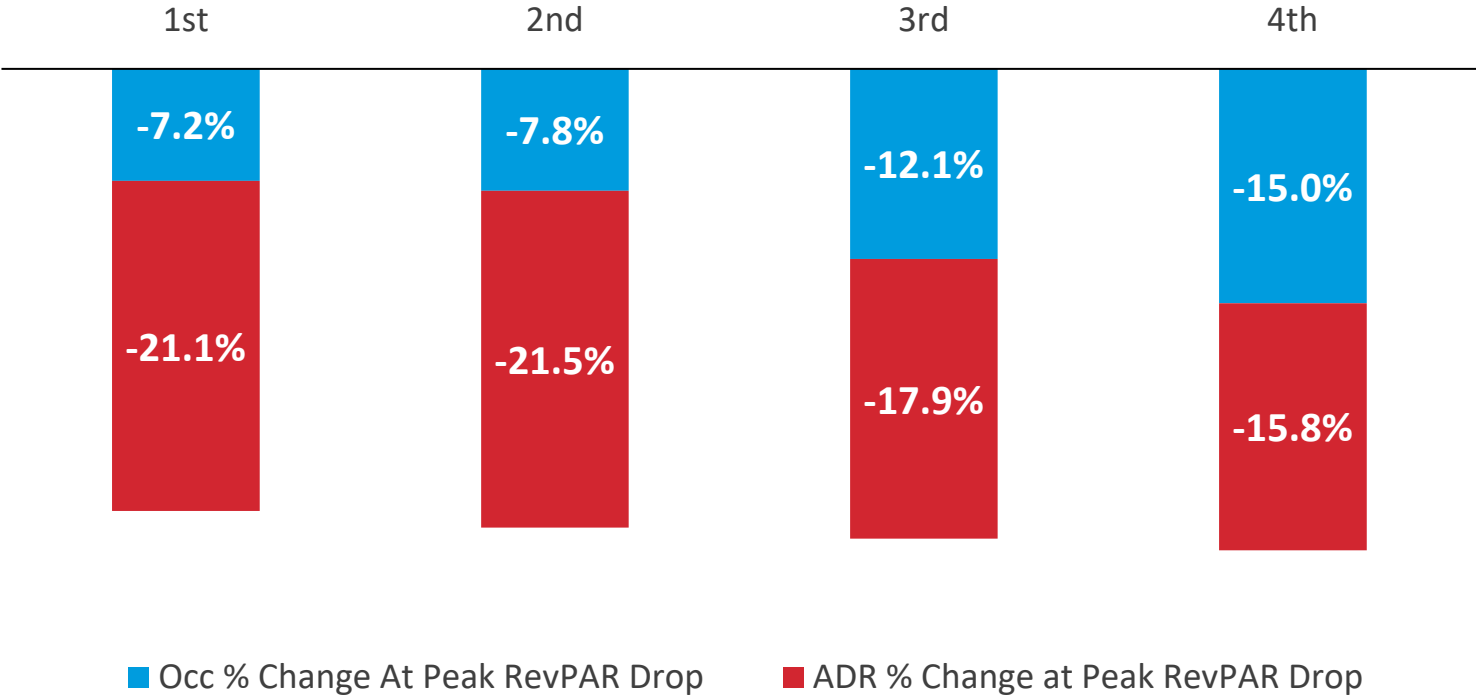
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3rd and 4th Hotels Were Willing to Sustain Double the Occupancy Loss



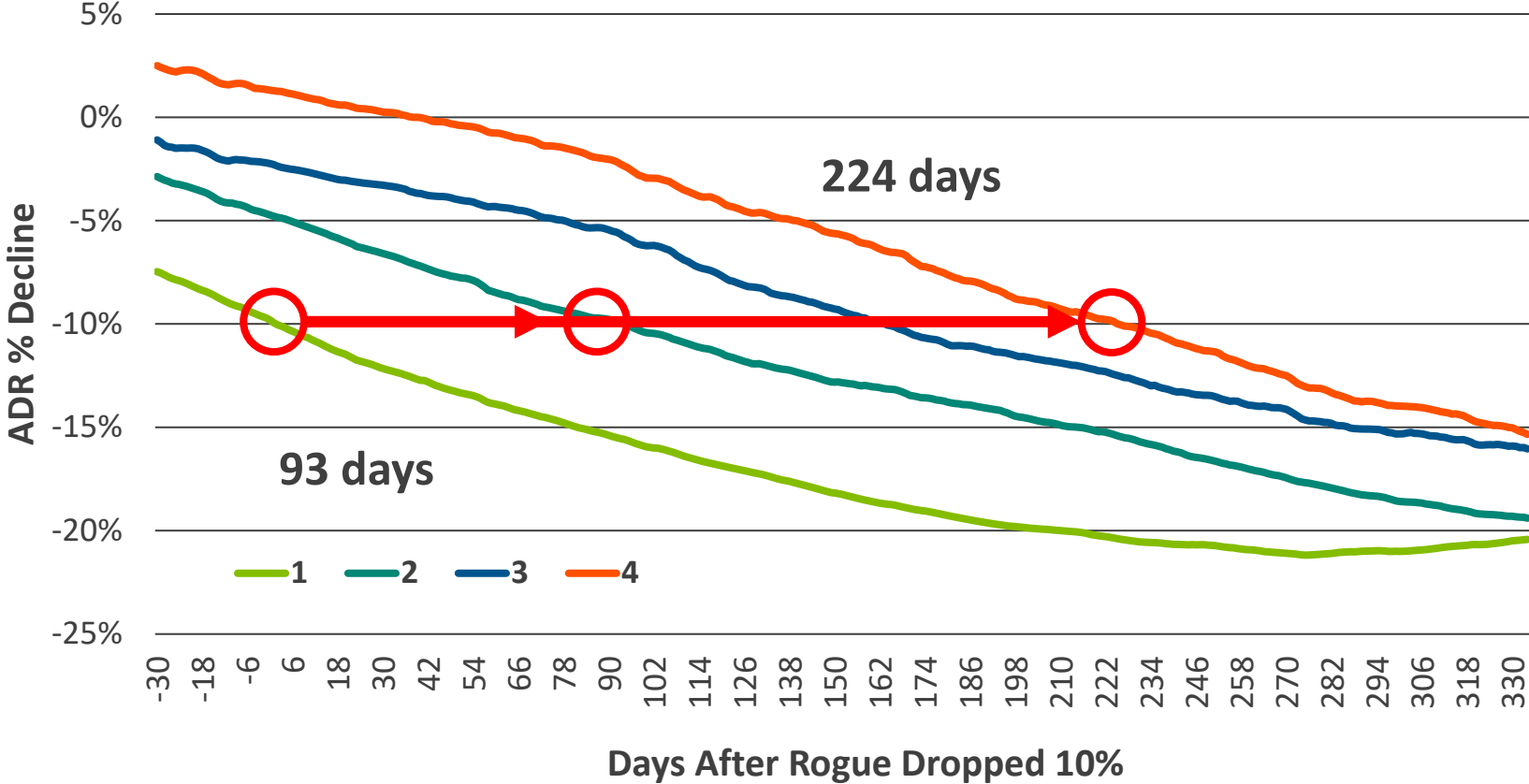
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By Class

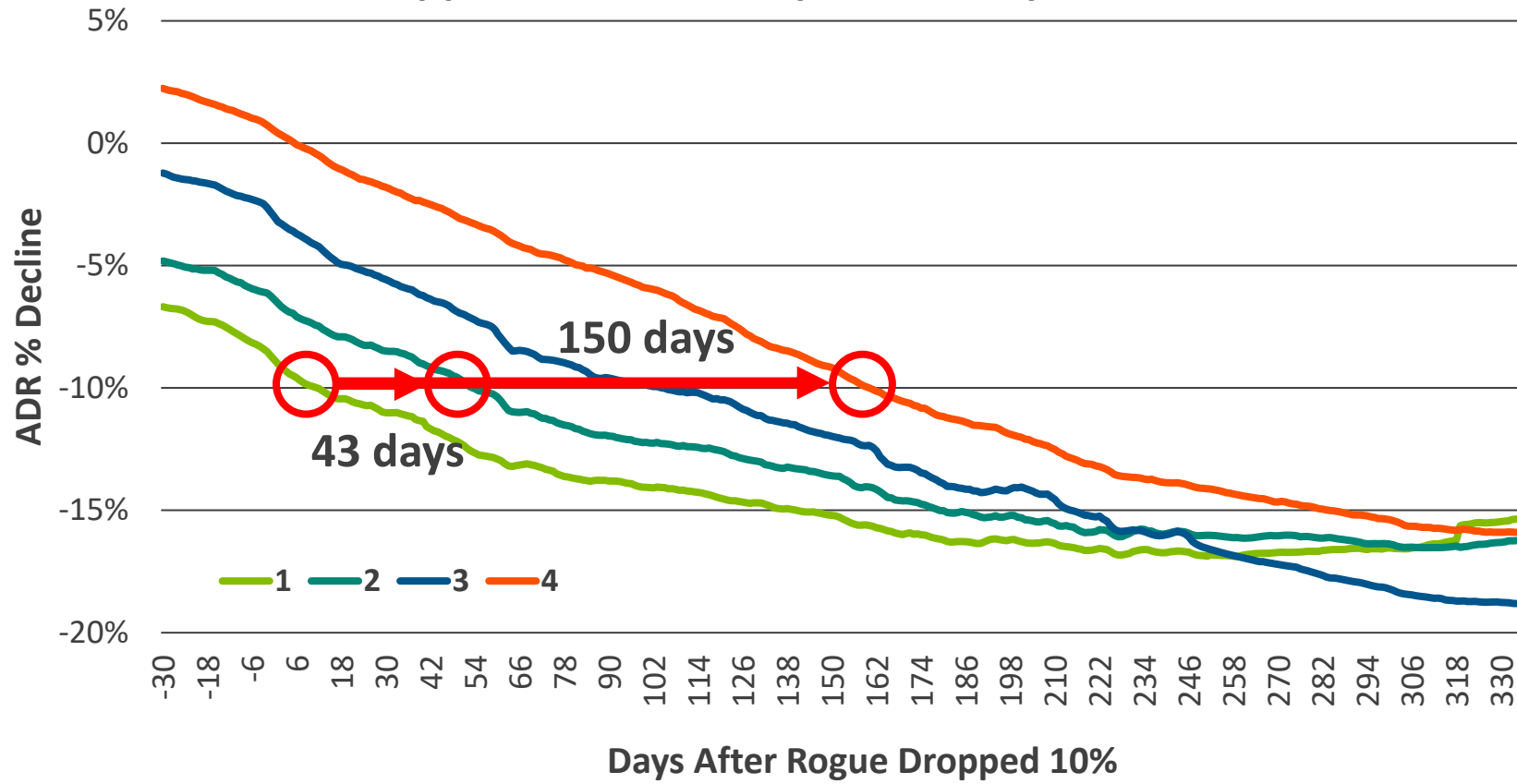
Economy & Midscale Comp Sets



Source: STR

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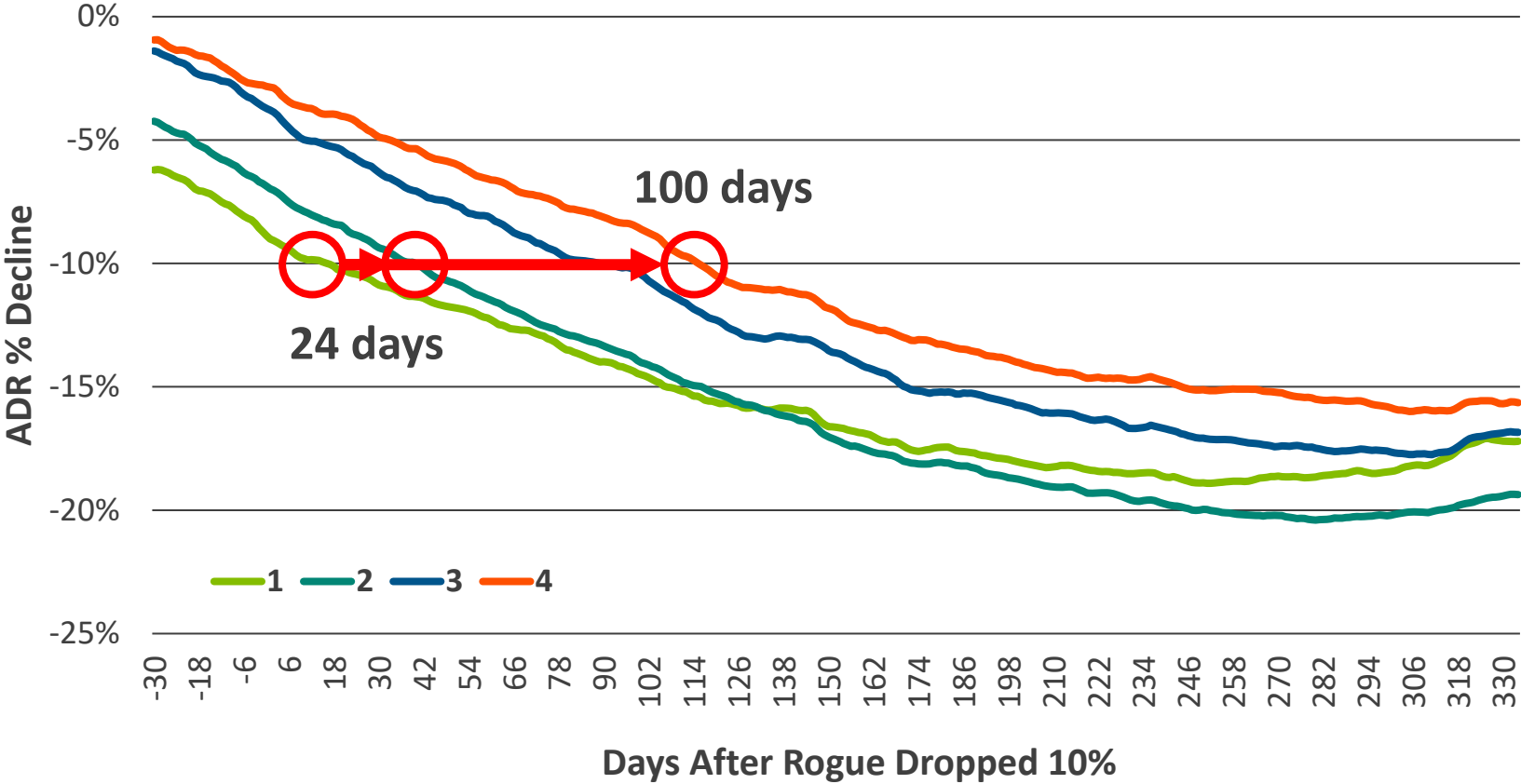
Upper Midscale & Upscale Comp Sets



Source: STR

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Upper Upscale & Luxury Comp Sets



Source: STR

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**The Higher the Chain Scale,
the Shorter the Timing Gap**

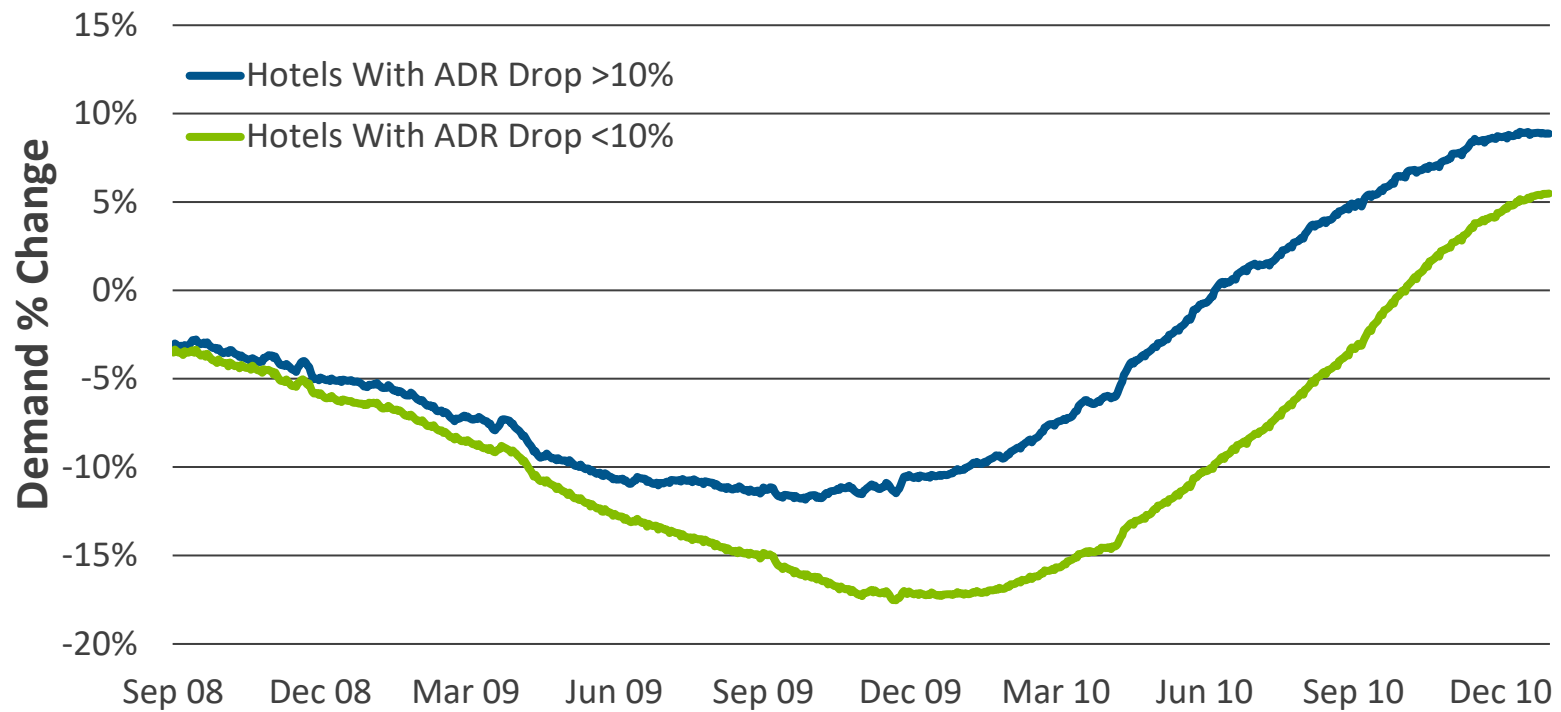


The Closer to Downtown, The Shorter the Timing Gap



Did Any Hotels NOT Drop ADR?

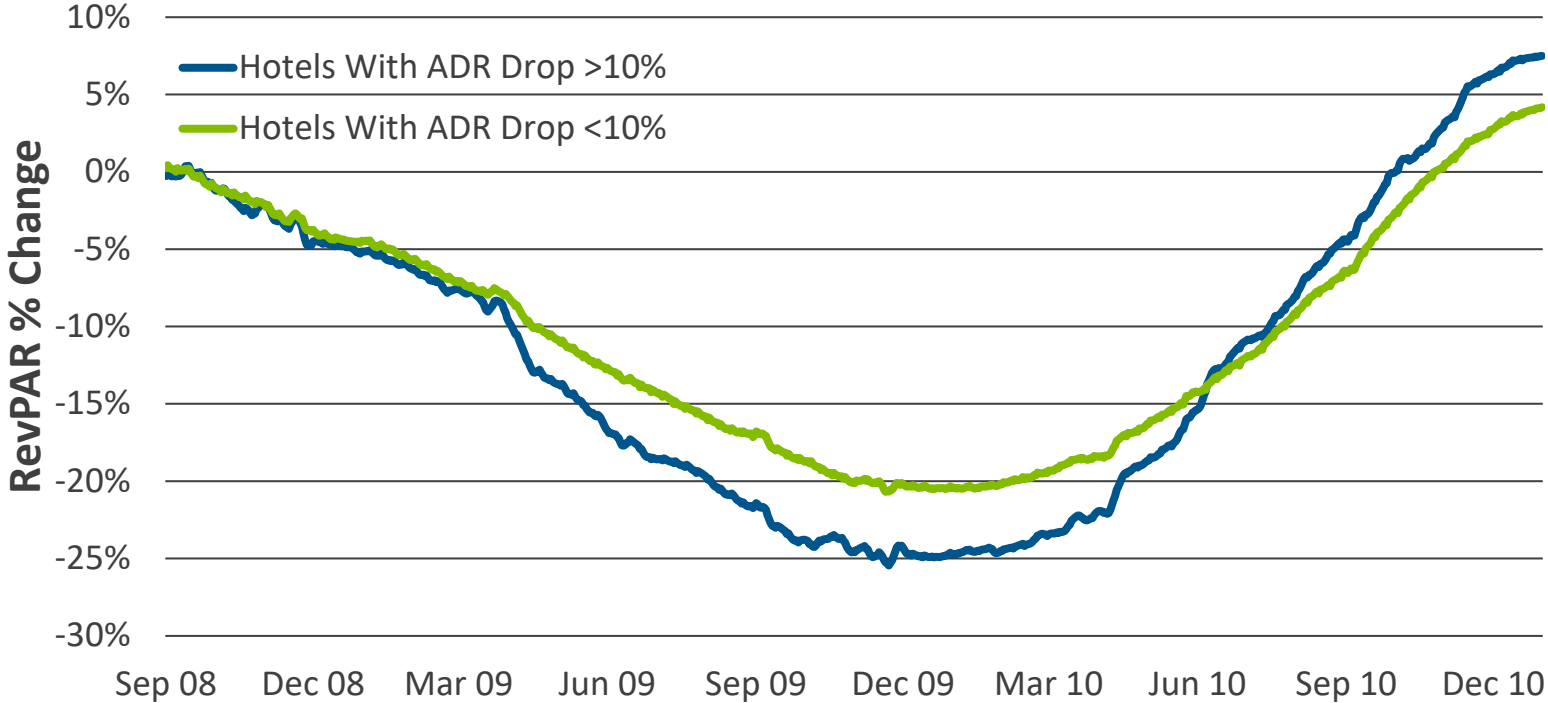
Hotels That Didn't Slash ADR Lost More Demand...



Source: STR

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...But Experienced Less Extreme RevPAR Declines



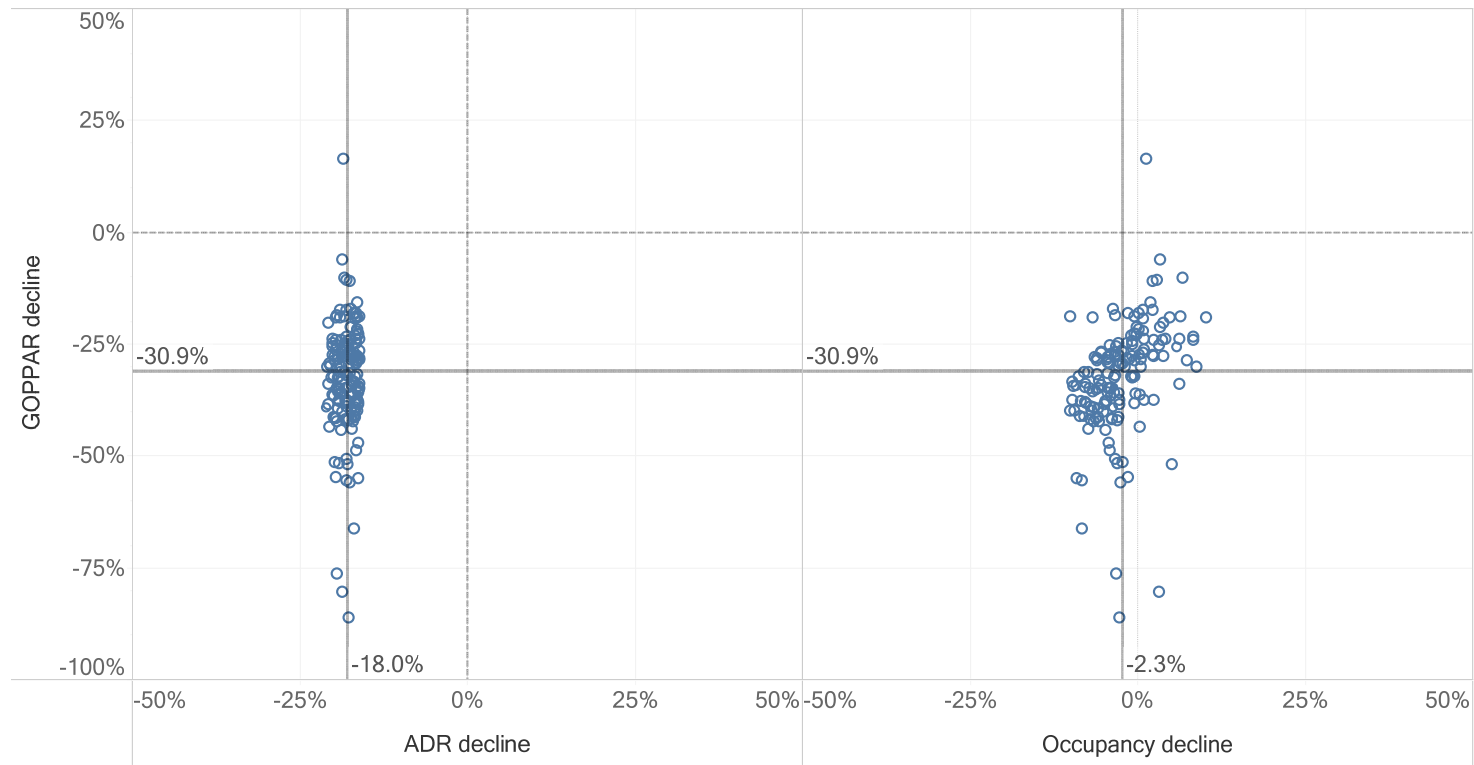
Source: STR



Chicago Market Summary

- It took an average 239 days of demand decline for first hotel to lose 10% ADR.
- The second property to drop ADR lowered about a month later, and the final property about four months later.
- Properties with the lowest ADR heading into the downturn tended to cut ADR first.
- Upper Upscale/Luxury sets dropped ADR faster than other chain scales.

Downturn Profitability Analysis



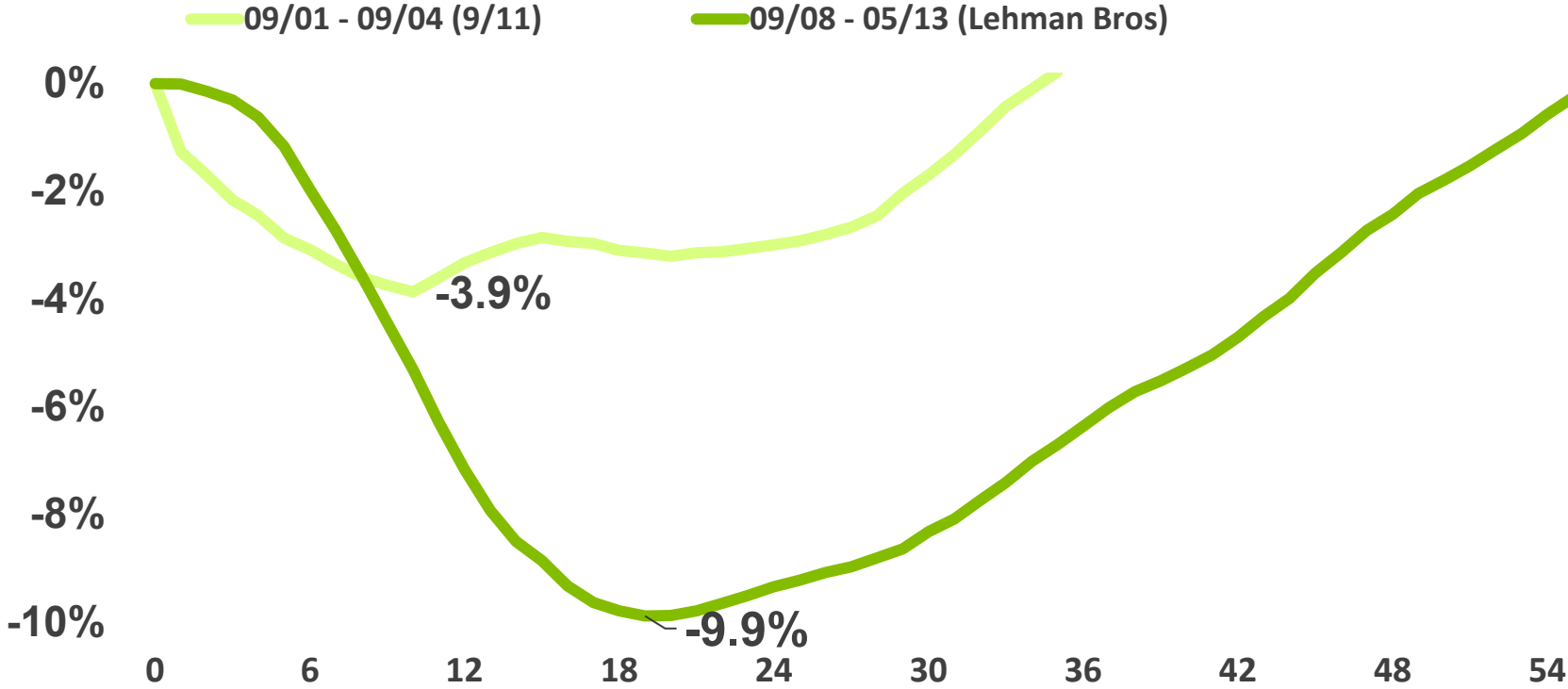


Results

- Nearly every hotel lost significant RevPAR in 2009
- Full-service hotels that sacrificed occupancy and held rate had profit declines of 24%
- Full-service hotels that sacrificed rate in favor of occupancy had profit declines of 31%
- Comparable results for limited-service hotels

ADR Rebound After External Shock Takes Time

Total U.S., 12MMA , Monthly ADR % Change, Indexed to Event

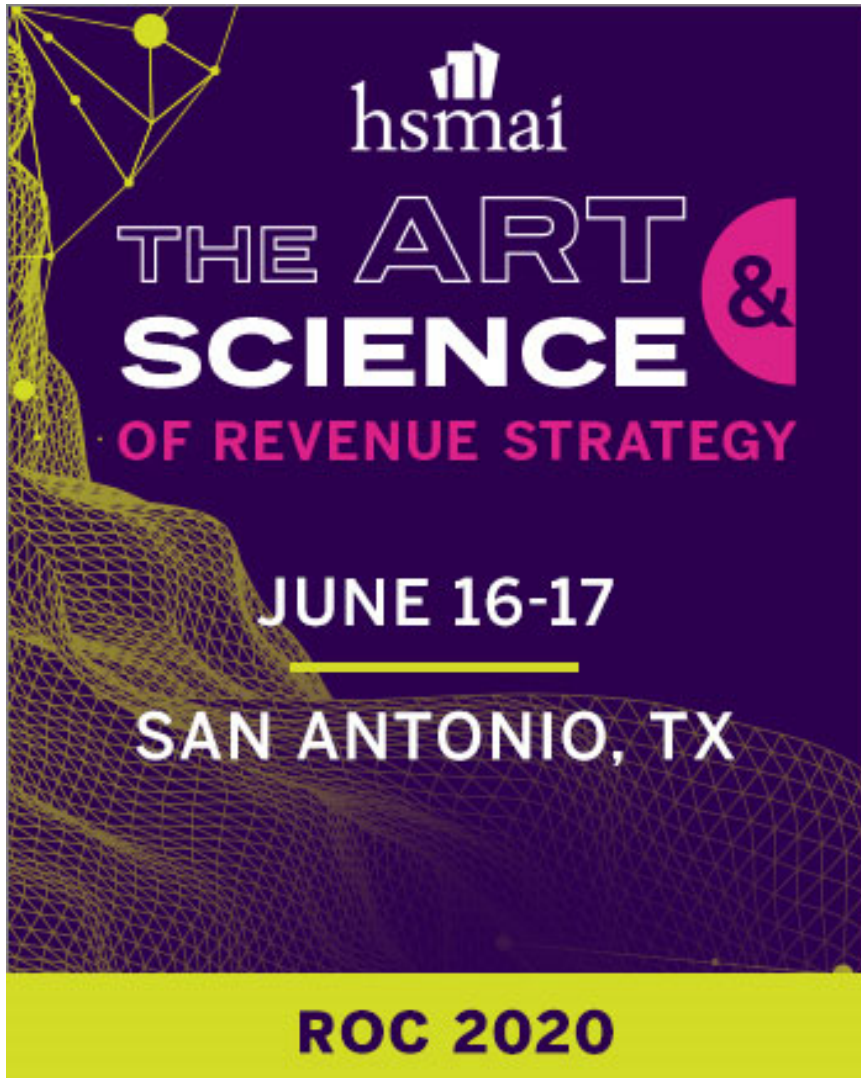


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Overall Key Findings

- Chicago overall patterns consistent with other markets we studied (Upper Up/Lux)
- Most hotels are unable to hold rate steady when competitors drop.
- Properties sacrificing rate for occupancy in 2009 had more severe profit declines
- There are no winners – all hotels had significant losses. Operators need to analyze impact of both ADR and occupancy on their properties. Create stress test to prepare for next downtown.



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