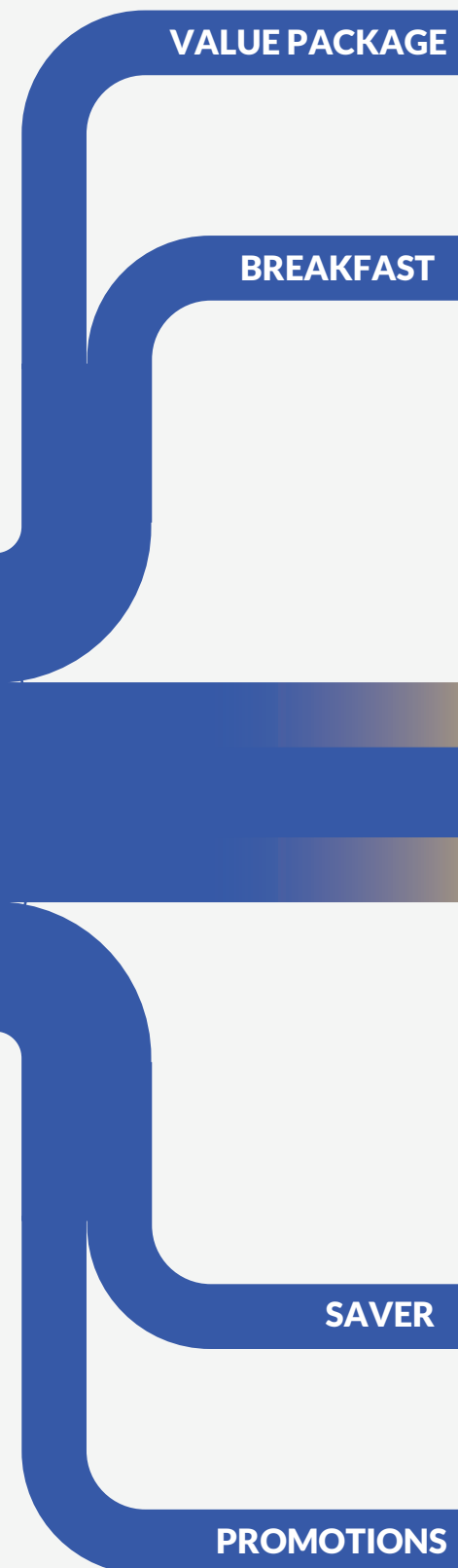


# Ripple Effect. When a price is changed.



In many cases hotels will have a retail rate structure consisting of 4 Rate Plans that are derived from BAR. Two of those are typically Value Add Rates (\$ Add) and 2 are Discounts Off (% Off). Those rate plans can have different fences associated with them:

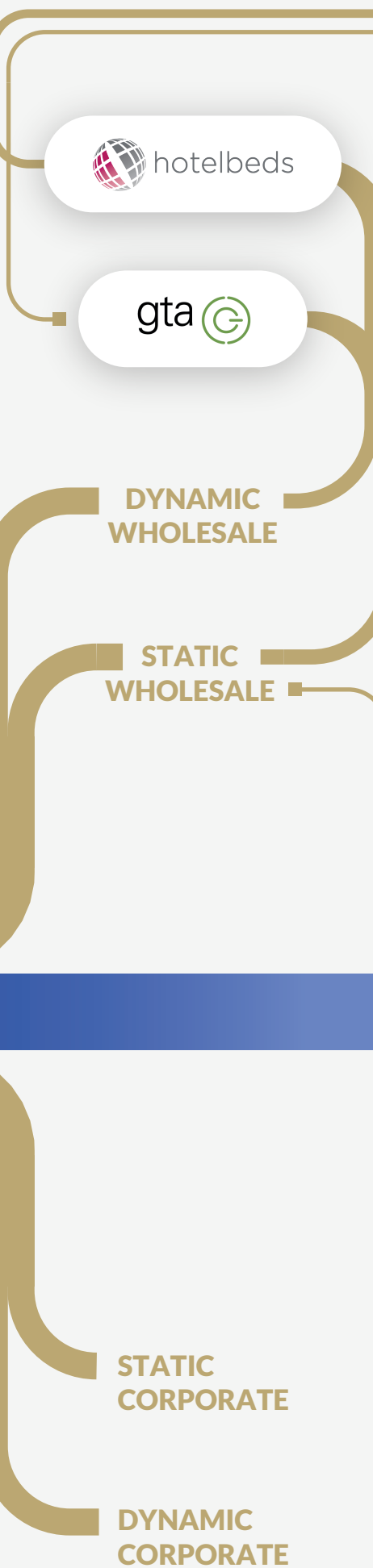


Value Packages +\$ = E.g. Honeymoon Package

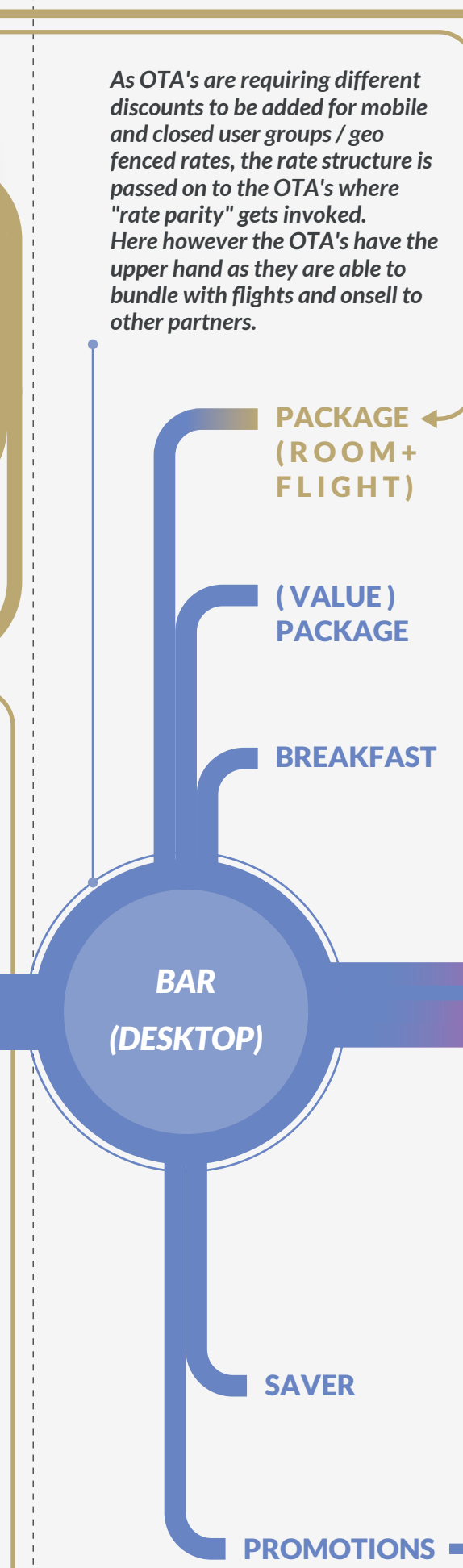
Breakfast Rates +\$ = Inc. B&B

Saver % off = Advanced Purchase

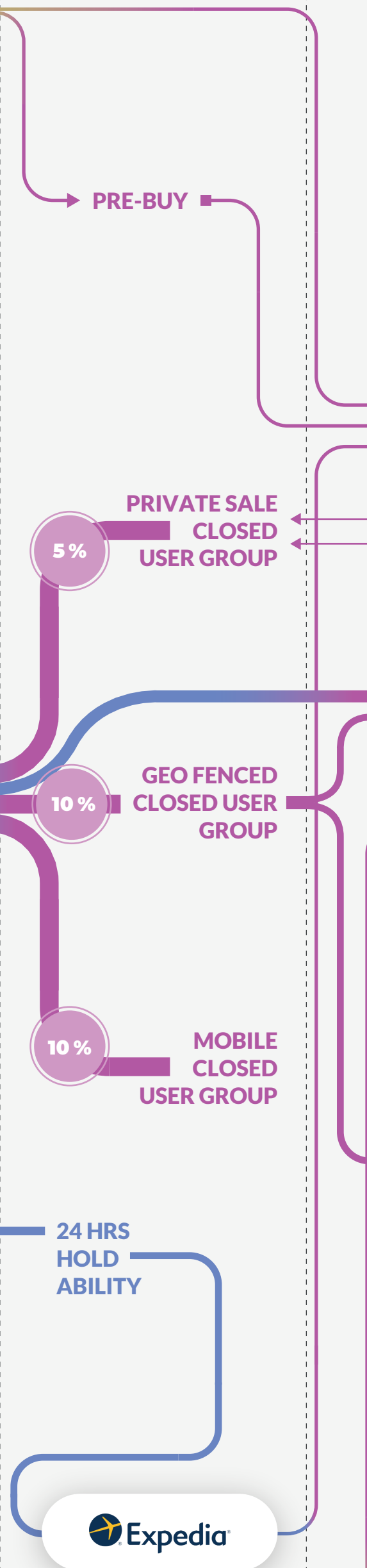
Promotion % off - Easter Special, Deal of Day, Flash Sale.



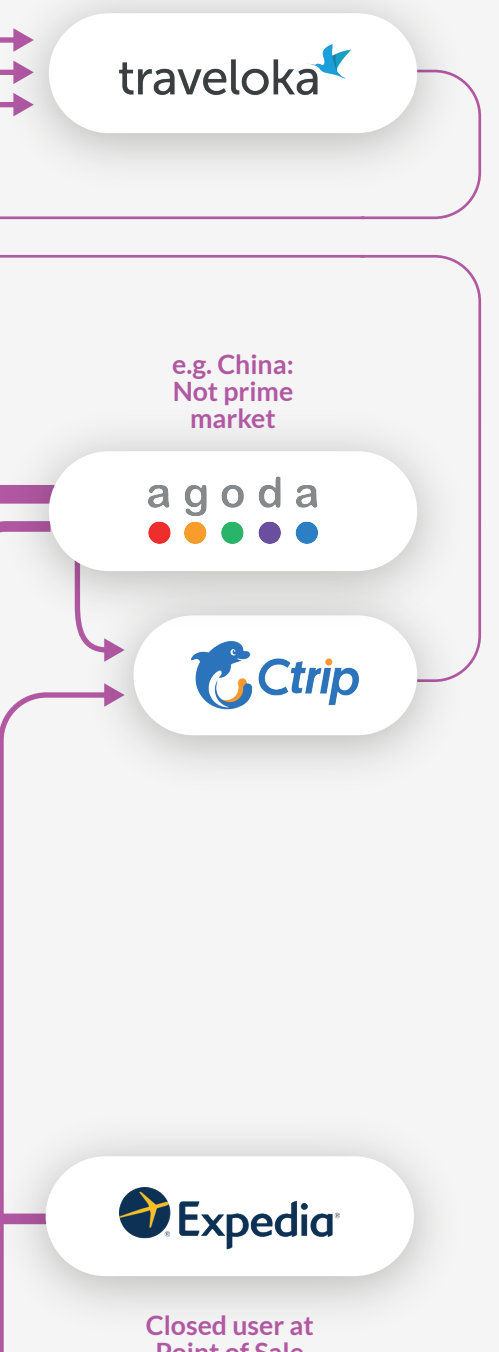
Offering both Static and Dynamic rates will leave the margin call on the wholesaler side as they can see which margin will give them the highest return on that customer. This means for hotels that they are not in control of which customer gets dynamic and which one gets static. In other words - the hotel will always get the one that yields them the lowest and the wholesaler the highest.



As OTA's are requiring different discounts to be added for mobile and closed user groups / geo fenced rates, the rate structure is passed on to the OTA's where "rate parity" gets invoked. Here however the OTA's have the upper hand as they are able to bundle with flights and onsell to other partners.



Hotels need to be mindful that everyone buys from everyone, 100% transparency. OTA's are able to sell your rooms without having ever signed a contract with you as they buy through someone else in the distribution chain, pass it on as a private deal or closed user group and the Reservation you get is from the middlemen, not the source... That is how rate leakage was born.



Closed user at Point of Sale

## KEY TAKEAWAY

Whenever a hotel changes a price, they need to be mindful of the Ripple Effect, such a change can affect their entire distribution landscape. Ultimately changing the dynamics of the positioning, ranking, channel distribution and customer acquisition.



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