

Mythbusting the Discount → Sales → Revenue Trap

The Case for an Aggressive Rate Posture and Pricing Courage

A matched, property-by-property look at what happened after rate cuts in a historical-run log test.



The Illusion: Discounting Manufactures Demand

We often treat price as if it summons guests — a hidden reservoir of travelers who weren't going to stay anywhere last night, pulled off the highway the moment the price dropped. But nobody decides they need a hotel room on a Thursday because the rate fell.

**In this market segment
— often same-day, often need-driven, budget economy —
the guest pool at any given hour is basically fixed
by things that have nothing to do with us.**

Case Study: A Property In Freefall

“At least we sold something” felt like proof the cuts worked.

A property cut rack rate from \$249.99 to \$99 — over 60% off — across a single day. Occupancy never moved past the mid-80s. One or two rooms sold.

\$249.99

start



\$224.99



\$189.99



\$99.00

> 60% off

Occupancy never got past the mid-80s. No bump was realized after any single cut — price and occupancy came completely apart from each other, which is usually the tell that the thing you thought was driving the outcome wasn't.

Case Study: A Property In Freefall

Why “We Sold Something” ≠ “The Discount Worked”

The Cannibalization Trap

The one or two rooms that *did* sell:

There’s no evidence they sold *because of* the discount. Occupancy was flat all day regardless of price — the more likely story is those guests needed a room that night and would have taken it at \$249.99 just as readily as at \$99. They weren’t shopping; they were tired and it was dark out.

The discount didn’t add a sale. It paid less for a sale that was going to happen anyway — a well-known revenue-management trap: mistaking demand that would’ve converted at full price for demand we created.

Singh, A. & Corsun, D.L. (2023). “Price elasticity of demand and its impact on hotel revenue performance during the COVID-19 pandemic.” *Cornell Hospitality Quarterly*. 2,500+ hotels, 2018–2021: hotel demand is price-inelastic; hotels that raised or held rates outperformed hotels that cut them. journals.sagepub.com/doi/10.1177/19389655231184475

“Our price doesn’t decide how many people need a room tonight — it only decides how much we get paid by the ones who do.”

Not “price never matters”

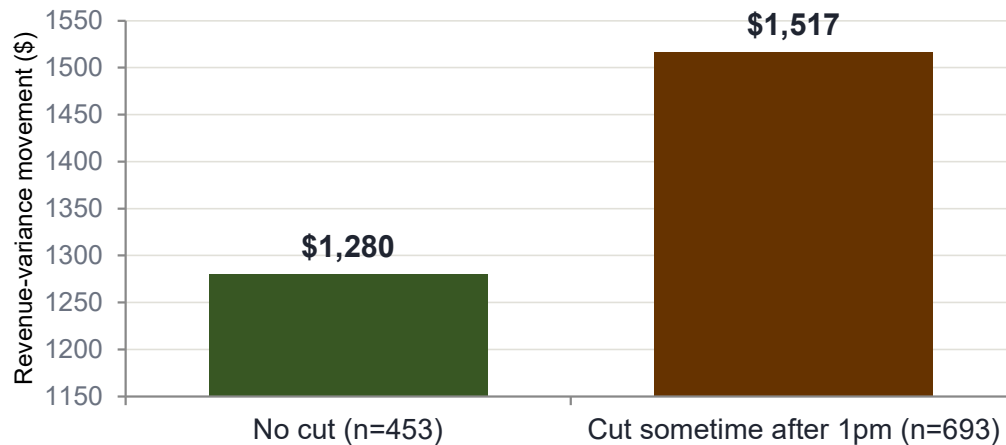
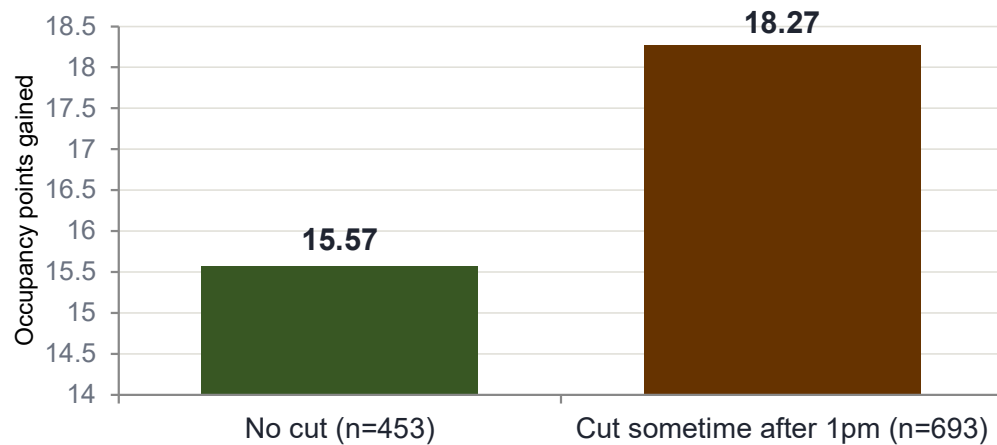
Advance-purchase travelers comparing five properties on an OTA three weeks out — real cross-shopping, real elasticity. A lower number can win that booking.

That’s not our guest at 6pm, day-of. That guest is closer to “I need a bed within twenty minutes of where I am” than “I’m optimizing across five listings.”

Mythbusting the Trap: “Nothing Bad Happened” Isn’t Proof It Worked

- ❖ A rate manager cuts a rate, sees nothing bad happen by end of day, and files that away as **“my instinct was right.”**
- ❖ One quiet day, one property, no way to know what would’ve happened at the old rate — a sample size of one, with no counterfactual.
- ❖ It’s exactly the kind of evidence gut instinct is most likely to over-trust, because it feels like direct experience. But it’s not proof.

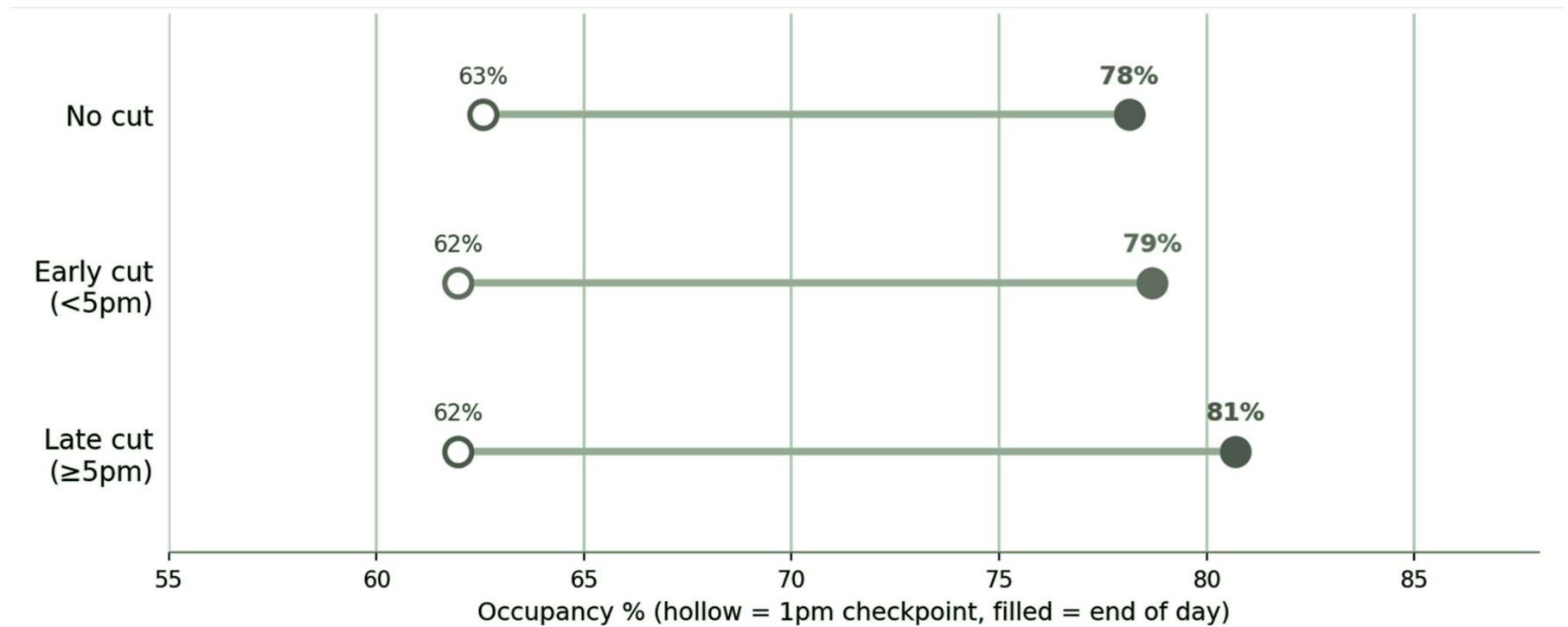
Mythbusting the Trap: The Problem With “Eyeballing” the Data



- ❖ Raw numbers look almost fine — rate cut days even edge out no-cut days here.
- ❖ In terms of OCC and in raw dollars, it *looks like* the rate cuts helped.
- ❖ It's an illusion... and one the case-matched, regression analysis that follows corrects.
- ❖ By comparing apples-to-apples and oranges-to-oranges, and by holding constant the variables that mask the impact of rate changes, the conclusion is reversed.

Mythbusting the Trap: The trap, Visualized

Raw and unadjusted, all three groups look fine on their own.
This is exactly the trap.



The Question and The Data

Looking for real, measurable evidence, we asked sharper version of the question across a 54-property dataset:

Across time, when a property cuts rate throughout the day, does it end the day better off than a matched property-day¹ that left the rate alone?

¹"Matched" = same property, same day of week, same occupancy already banked at time, same hours left in the day. Only the cut/no-cut rate decision differs.

- ❖ While dynamic pricing and within-day rate change strategy are industry standard, almost no one appears to keep a time-stamped record of those changes for after-the-fact analysis. That gap is exactly what Hunter Hospitality's proprietary dataset fills — and why this analysis was possible at all.
- ❖ Our data collection and storage systems are perpetually adding to our singularly unique database, pulling within-day rate movements and other KPIs² multiple times daily to test the actual effects of within-day rate changes.

²OCC, OCC Var, prior-day OCC, RevPAR, RevPAR Var, OOO Rooms, Revenue, Rev Var, ADR, ADR Var, ADR-Rack Var,

European hotel pricing study

916 hotels, 8 capitals, 2009–2010

Captured exactly **one snapshot per hotel per day**. Notes that roughly 20% of hotels repriced intraday — then can't study it, because its own method never captured more than one snapshot a day.

vtechworks.lib.vt.edu — "Dynamic pricing strategies: Evidence from European hotels"

Singh & Corsun (2023)

2,500+ hotels, 2018–2021 — cited earlier in this deck

The same Cornell Hospitality Quarterly paper behind the price-inelasticity finding — **built on annual operating data**. Not daily. Not intraday.

journals.sagepub.com/doi/10.1177/19389655231184475

How We Tested the Question

1,146 property-days, 52 of 54 properties, mid-band occupancy (50–90% at checkpoint)



Groups compared: No cut (n=453) • Cut before 5pm, “early” (n=159) • Cut at/after 5pm, “late” (n=534)



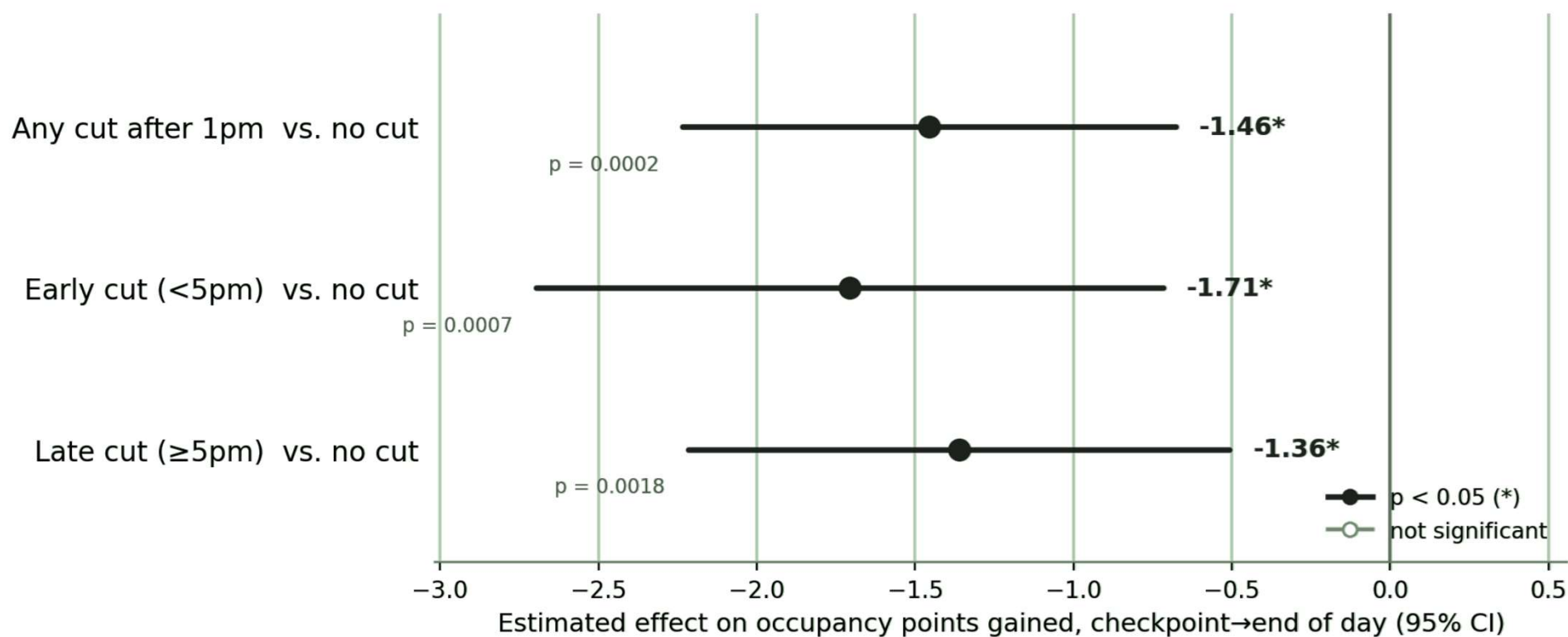
This Study

Hundreds of rate-change transitions, across dozens of properties — built specifically to isolate what the rate change itself did, apart from everything else moving at the same time.

Findings

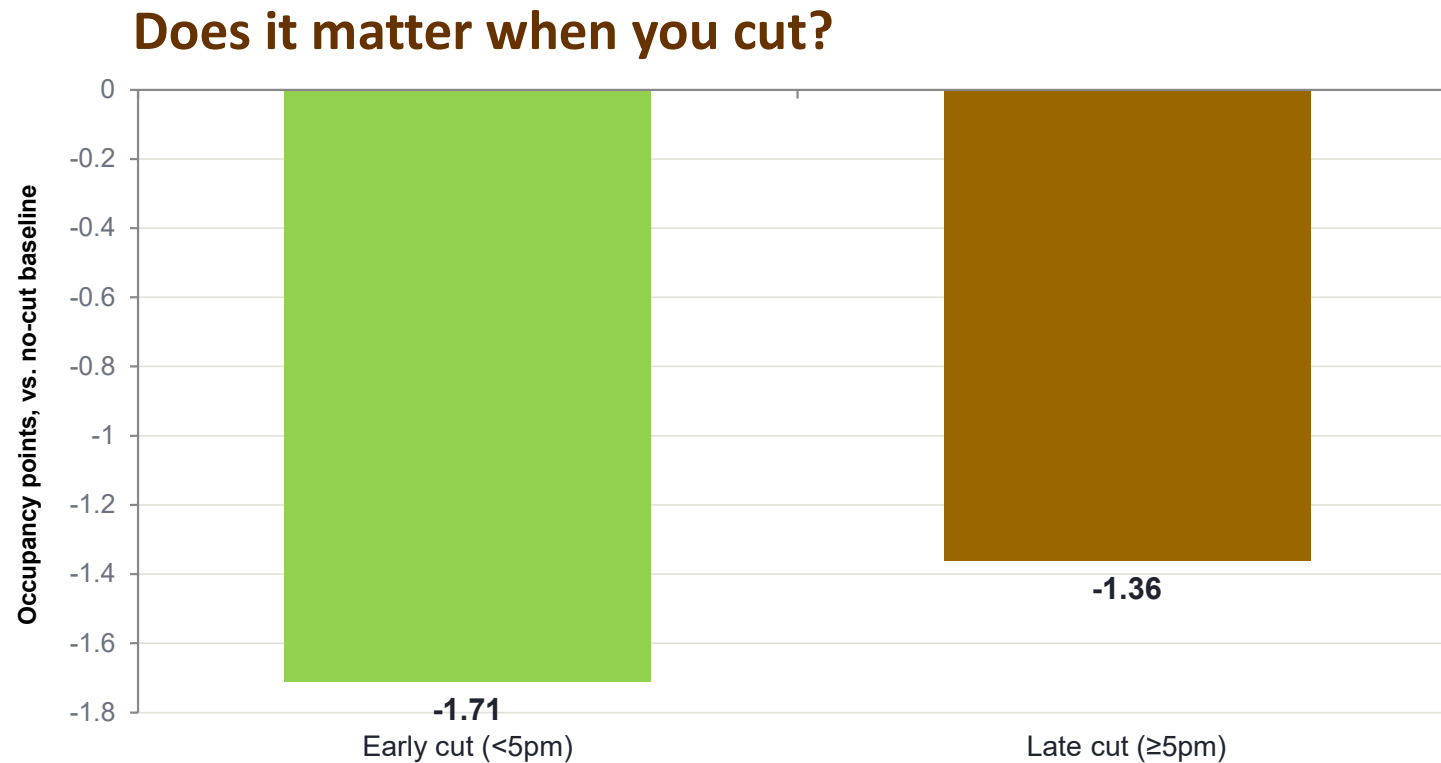
Mid-band occupancy only —
50–90% at checkpoint (n = 1,146 property-days)

Cutting rate after the 1pm checkpoint costs occupancy gain, not the other way around



Findings

Mid-band occupancy only —
50–90% at checkpoint (n = 1,146 property-days)

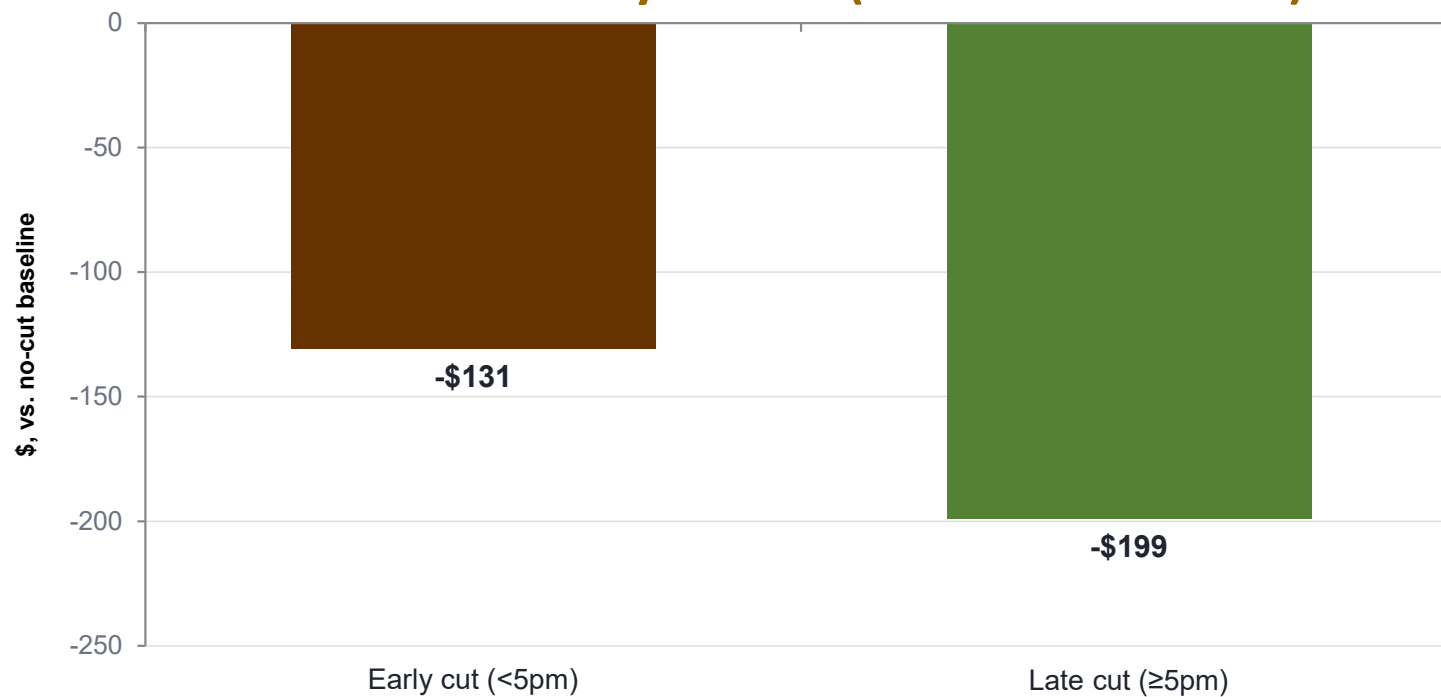


Both timings underperform holding the rate steady. Late cuts are not the safer option — they simply had more elapsed time to bank organic gains, which flattered the raw numbers.

Findings

Mid-band occupancy only —
50–90% at checkpoint (n = 1,146 property-days)

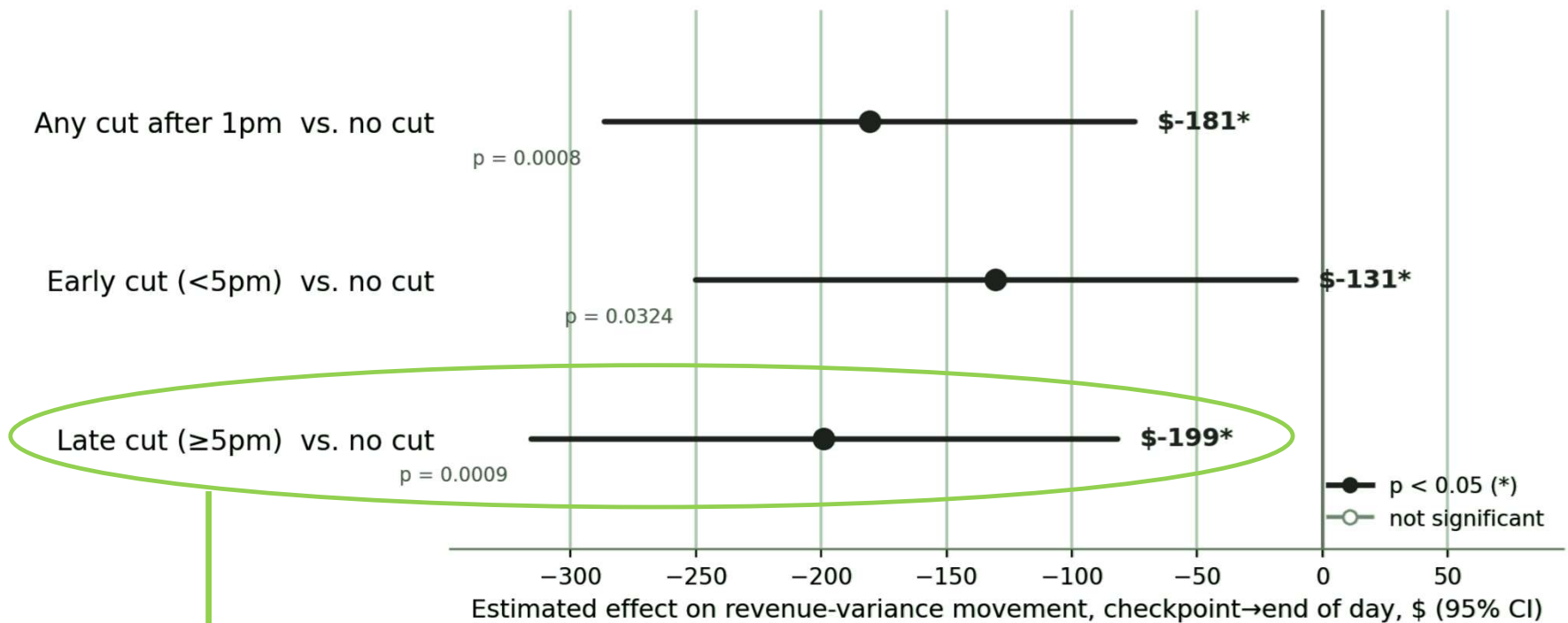
Does it matter when you cut? (Revenue Variance)



Findings

Mid-band occupancy only —
50–90% at checkpoint (n = 1,146 property-days)

Cutting rate after 1pm costs revenue-variance movement — and cutting late in the day costs more, not less



Late-day cuts are, if anything, the more costly of the two timings — not the safer one.

Reading the Dollar (and point) Figures

What these numbers are, and aren't

- **Per property-day, not per cut**

Each figure is the total swing across the rest of one day at one property — not a cost per individual rate cut, per room, or per dollar of price reduction.

- **Early and late are each measured against holding steady — not against each other**

“-\$131 early” and “-\$199 late” are each that timing's cost vs. a matched no-cut day, not a head-to-head. The direct early-vs-late price cut gap is the difference between them. Cutting early cost \$131. Cutting late cost roughly \$68 more, or \$199.

- **These are average-sized cuts**

A property with an outsized 60%+ price collapse over the course of the day — as the example at the top of this stack — may very likely see an effect substantially in excess of the average shown here.

All the Numbers in One Place

Matched-trajectory model — 1,146 property-days, 52 of 54 properties, mid-band occupancy (50–90% at checkpoint)

Comparison (vs. no cut)	Occupancy pts	p-value	Revenue variance	p-value
Any cut after 1pm (n=693)	−1.46	0.0002	−\$181	0.0008
Early cut, <5pm (n=159)	−1.71	0.0007	−\$131	0.0324
Late cut, ≥5pm (n=534)	−1.36	0.0018	−\$199	0.0009

All estimates: property + day-of-week fixed effects, clustered standard errors by property.

Controls: occupancy already banked at checkpoint, hours remaining (and, for revenue variance, revenue variance already banked at checkpoint).

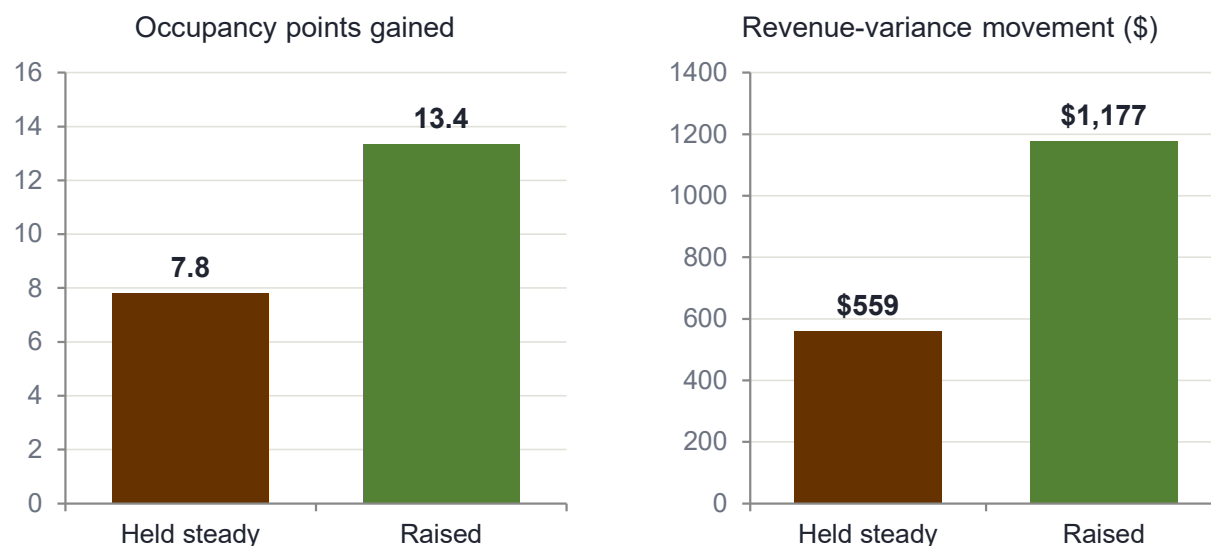
Once you compare each cut day to a matched day that started in the same place — same property, same weekday, same occupancy banked, same hours left — cutting rate comes out WORSE, not better, on both occupancy and revenue variance. Additionally, cutting later in the day is not the safer move; on the bottom-line revenue-variance measure, it's the more costly one.

Additional Finding: RAISING Late in the Day

Everything so far argues against cutting late in the day. That raises a natural follow-up: What's the effect of the inverse — INCREASING rate — especially in the last few hours before close?

The last few hours before close, held vs. raised

Average outcome from an evening checkpoint to end of day



Same property, same weekday, same starting position, same hours left — the only difference is what happened to the rate. n=456 held-steady evenings, 235 raised evenings, across 54 properties.

This finding holds within the same 50%–90% occupancy band used elsewhere in the deck (n=348 held, 219 raised; OCC +2.9 pts; Rev +\$228) *and* across the full observed occupancy range actually shown here (OCC at ~31%–102%; n=456/235).

The Bottom Line

WHERE THIS POINTS

Mid-band occupancy only —
50–90% at checkpoint (n = 1,146 property-days)



Hold firm late in the day.

Cutting rate when rooms are still open and revenue is lagging was the costliest move in every test we ran — raising or holding steady, not cutting, is what worked.



The Default Not the Exception

Across the portfolio, holding or raising the rate outperformed cutting it far more often than not. An aggressive rate posture is the evidence-backed default, not the exception.



Save the discount for the shopper, not the sleeper.

It's not that some algorithm says “demand is fixed.” It's that our specific guest, in this specific segment, at this specific booking window, isn't the kind of shopper discounting is built to attract. Real elasticity lives with advance-purchase, cross-shopping guests — not the same-day guest who needed a bed regardless of price.



One documented exception: properties already underwater.

For a lost-cause property — priced above comp, past its break-even floor, revenue variance already negative —tested guidance shows lowering rate toward comp helps. Different population; different strategy.

