

PRICING STRATEGIES IN HOSPITALITY. ANALYZING COURTYARD BY MARRIOTT'S POLICIES AND THEIR IMPACT ON OCCUPANCY RATES

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Abstract

Groups and events play an important role in hotel profit generation as they offer significant opportunities to maximize occupancy and utilization of dedicated spaces. Each segment has its own requirements and expectations, which require a strategic approach to pricing, whether it is for groups, corporate meetings, conferences or private events. Guest purchasing decisions are influenced by positioning the hotel competitively in a dynamic market by implementing customized pricing strategies for groups and events. In this case, rates need to be flexible and transparent and adapt to local demand, seasonality, group size and length of stay. This article focuses on the most effective pricing methods for groups and events, emphasizing the financial benefits for hotels and the impact on the guest experience. Best practices for optimizing rates and the key elements influences purchasing decisions and ensure a balance between profitability and guest satisfaction. This article includes a case study of the Courtyard by Marriott hotel, which is a well-known brand for event and corporate group management, to demonstrate the applicability and effectiveness of group and event pricing strategies. The study analyzes the pricing techniques used by hotels and how they affect revenue, occupancy and guest satisfaction. Through data collected from interviews with hotel employees, internal reports, and feedback from event organizers, the analysis provides practical insight into the implementation of the strategies discussed.

Keywords: pricing; strategy; packages; discount; guests

JEL Classification: O52, R11, Z30, Z32, Z33

Introduction:

The tourism and hospitality sectors have changed dramatically over the past ten years, raising the bar for companies looking to gain a competitive edge. In fact, the industry's intense competition and the pervasive use of new technologies have compelled operators to seek methods to enhance both their short-term tactical tactics and long-term goals.

With the introduction of new methods for quickly and simply adjusting rates in real time online, one of the most significant and dramatic shifts has taken place in the pricing sector.

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A significant component of hotel revenue comes from groups and events, which help to fill rooms and generate additional revenue using dedicated spaces, catering and other facilities. Events and conferences have a direct financial effect on the hospitality industry, on average, they generate a 30% increase in spend per room compared to individual bookings¹³.

Market Analysis for Groups and Events

To understand different customer requirements, it is essential to conduct a market analysis. Groups can include company members, tourists, sports teams or groups coming together for a special event such as a wedding or family reunion. Business conferences, product launches and team-building meetings are just some of the types of events.

One of the most studied topics in hotel management is pricing strategy. A well-designed pricing strategy must meet customer expectations, remain competitive, and maximize revenue. Pricing strategy for groups and events must take into consideration certain aspects such as total group size, because rates can be modified according to volume, offering progressive discounts for larger groups, length of stay, hotels may offer higher discounts and reduce fixed costs with longer stays, seasonality, because during periods of low demand, more attractive offers are necessary, while group prices may include surcharges during periods of high demand and services included such as catering, technical equipment and decorations¹⁴.

Case Study: Courtyard by Marriott Bucharest Floreasca

One of the best-known global brands that has a solid strategy in group and event management is Courtyard by Marriott Bucharest Floreasca. The modern Courtyard by Marriott Bucharest Floreasca is in the center of the Floreasca business district, which is among the most vibrant areas of Bucharest. The hotel opened in 2019 and offers both business and leisure travelers an ideal combination of functionality, comfort and contemporary design. The hotel features 259 stylish guest rooms with modern amenities such as ergonomic workspaces and free internet. Courtyard by Marriott Bucharest Floreasca offers over 500 square meters of conference space for business or social events. These spaces are divided into flexible and fully equipped rooms¹⁵. To increase revenue on the groups and events side, the Courtyard by Marriott's sales department offers customized offers depending on availability, period, client. Being a business hotel, requests come from corporate clients, who have certain

¹³ Tourism Management, Volume 55, August 2016, Pages 123-132

¹⁴ Idem

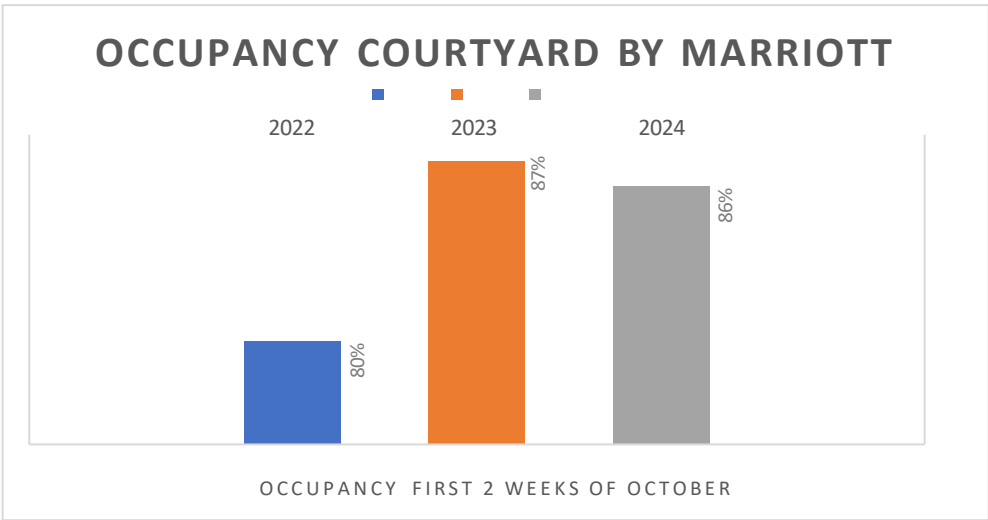
¹⁵ <https://www.marriott.com>

meetings or conferences from September through May and especially on weekdays.

During these periods, the offers are quite similar. To be able to attract customers even during less favorable periods, `courtyard has implemented several promotional packages and discounts in 2024. One offer implemented at the end of the year was the Christmas party offer. This offered free room rental, discounts on accommodation, specific decorations and customized menus for the Christmas season. Also, the hotel used the strategy of offering discounts for those who confirmed one month before the day of the event. This package brought about 5 Christmas parties from certain companies, an increase from 2022 and 2023.

Another promotional package that was implemented starts from 2023 and continued to be available for 2024 is the weekend event package. During the weekend there are generous discounts on both accommodation and event organization.

Figure 1. Occupancy Courtyard by Marriott



Source: History and Forecast Report

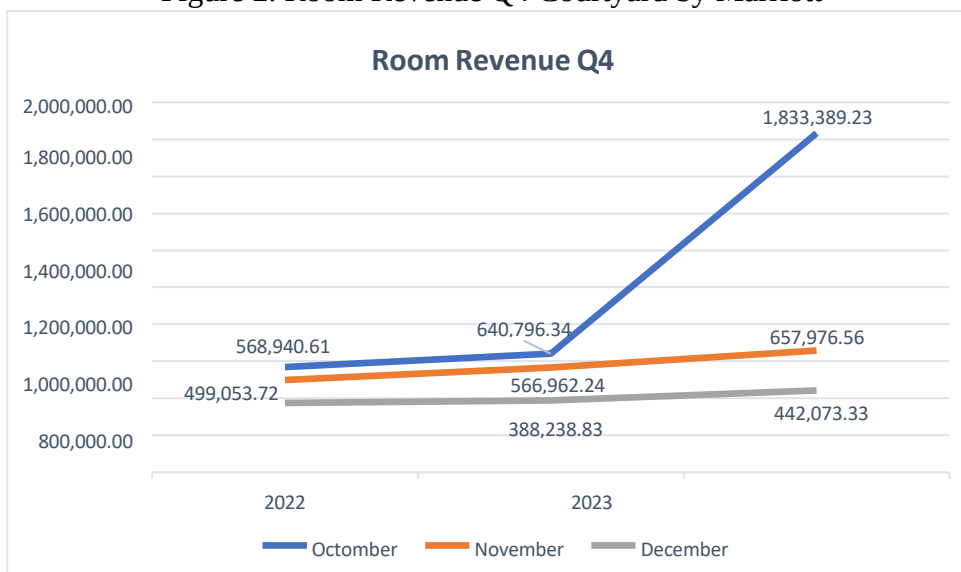
We conducted an analysis of occupancy levels in the first two weeks of October over three consecutive years to identify how promotional packages affected the performance of the Courtyard by Marriott Bucharest Floreasca. In 2022, occupancy was 80 percent; in 2023, it was up 7 percentage points from 2022; and in 2024, it was up 86 percent (a slight decrease of 1 percentage point from 2023, but still up 6 percentage points from 2022).

Impact of Promotional Packages

The significant increase in occupancy in 2023 can be attributed to the introduction of strong promotional packages, which have been designed to attract corporate clients and groups during this period. Typically, the first two weeks of October coincide with the start of the corporate conference and event season. Increased demand from business groups after the summer vacation

Occupancy of 86% indicates that the hotel has been able to maintain high demand, strengthening relationships with corporate and social segment customers. A decrease of 1 percentage point from 2023 is due to increased competition from other hotels. A marginal decrease in demand from certain groups, possibly due to economic changes or guest priorities. To date, the success is largely due to promotional packages, which have included attractive discounts available for larger groups with larger bookings and offering a wide range of solutions for conference organizers including accommodation, function rooms and catering.

Figure 2. Room Revenue Q4 Courtyard by Marriott



Source: History and Forecast Report

The evolution of the revenue generated from rooms in the months of October, November and December from 2022-2024 is illustrated in the graph. Significant variations in the data and monthly trends of growth or stagnation are the basis for the observations and conclusions. October 2022-2023: Revenues increased by approximately 12.6% to \$71,816.33. Between 2023 and 2024, revenues increased significantly by \$1,193,132.89, an increase of approximately 186.2%. The rapid growth that has occurred since 2024 could be

the result of important measures such as implementing more aggressive dynamic pricing. Strong promotional campaigns that increase demand attracting customers to the company or organizing important events. December 2022-2023: Growth was only 13,684.65 (+3.65%) lower. Between 2023 and 2024, revenue increased 13.8 percent to 53,834.50. Because demand was lower in December compared to October and November, December growth was slower. This is due to the special season in December when customers prefer other destinations or services.

Some of the most significant factors contributing to this growth include the promotion of weekend discounts. Special weekend offers attracted leisure customers, who replaced the predominant corporate traveler segment. The hotel was able to maximize its capacity utilization by reducing rates during periods of lower demand. In the months of October and November, when business demand begins to decline slightly and when attracting city-break customers becomes a priority, this strategy was highly effective. Direct bookings increased when offers combined accommodation with additional benefits such as breakfast included, restaurant discounts or free access to facilities. Packages were designed to meet the needs of different types of customers, both individuals and groups; this led to an increase in the number of rooms sold and a greater diversity of customer bases. The steady year- on-year growth in revenue since November was the result of using this approach.

December, which is typically a less favorable month for accommodations, benefited from sustained growth thanks to the launch of offers specifically designed for groups and companies. Christmas party packages for companies include event rooms, customized catering and accommodation at great rates. Promotions for families and groups of friends, as well as discounts on accommodation for festive events. The strategy contributed to an increase of over 13.8% in December 2024 revenue compared to 2023. This partially offset this month's weak seasonality. The venture to collaborate with online travel agents and publish packages and discounts on the hotel's social media sites increased the visibility of offers. Thanks to historical data on consumer behavior, personalized marketing was able to attract specific customer groups.

Dynamic vs. Fixed Pricing: A Comparative Perspective

There are two main pricing strategies in the hospitality industry: fixed and dynamic pricing. Each strategy has advantages and disadvantages. Either of the two can be chosen depending on the hotel's objectives, market behavior and the targeted customer group. Fixed prices refer to a constant price for rooms or services, regardless of changes in demand or other external factors. Because the rates remain the same for a certain period of time or within a contract, the hotel and customers benefit from predictability. It is a popular option for corporate packages and long-term contracts. In this case, customers know exactly what

they will pay, which creates confidence; rate administration is simpler, which reduces operational effort; and the predictability offered by fixed prices is preferred by corporate clients and event organizers.

Dynamic prices are adjusted in real-time or at intervals based on demand, availability, seasonality and consumer behavior. The rates can vary daily or even at shorter intervals, depending on market developments. In this case, during periods of high demand, hotels can increase rates or apply discounts to attract bookings during periods of low demand, allows quick adaptation to market changes and can be used to reach different segments using customized pricing (e.g. offering higher rates for last-minute customers).

The choice between fixed and dynamic pricing for groups and events is a frequently discussed topic in literature. Dynamic pricing uses real-time data to optimize revenue by adjusting rates based on demand, availability and competition. At times when demand is unpredictable, this strategy works well but may anger organizers who prefer the predictability of fixed prices.

However, fixed prices are often preferred by organizers for events because they guarantee them money. A hybrid approach is suggested in the literature: fixed prices for events planned well in advance and dynamic pricing for last-minute bookings or price adjustments according to demand. Rates are constantly adjusted according to season, local events, market demand and occupancy. For example, hotel room prices increase during periods of high demand, but decrease during periods of low demand. Hotels use algorithms in online booking platforms, such as Booking.com, that automatically change prices based on real-time demand data. There are two ways to price special corporate negotiated volume producer rates: Fixed pricing: a price that is determined and may change depending on the season (e.g., \$150 during the low season, \$200 during the high season). Unless the account has specific instructions, a maximum of five seasons can be accepted for MarRFP accounts. Dynamic pricing: For local accounts, this is a price point that fluctuates by season (10% off retail in high season, 15% off retail in low season) and floats as a percentage off retail (10% off retail, for example). The Global Business Travel Association only allows one level of discount for MarRFP accounts, and that level will be applied to any room pool groups that the hotel chooses to provide to the account.

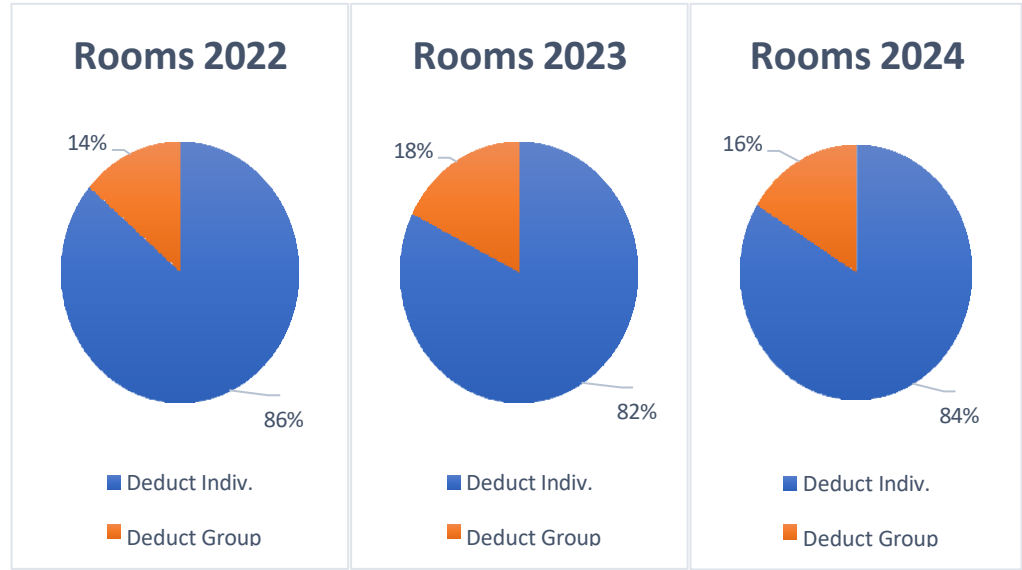
Key Metrics Analysis:

According to Marriott's analysis, hotels will typically profit from dynamic pricing for special corporate negotiated rates in an environment where retail prices are rising, while hotels will gain from fixed rate pricing in an environment of declining retail rates. During the most recent economic cycle, there were more years with rising retail rates than dropping ones, indicating that dynamic pricing was advantageous in many of those years. Because dynamic

special corporate rates vary with retail and get better when retail gets better, dynamic rates yield higher ADR than fixed rates. Dynamic rates result in higher ADR than fixed rates since dynamic special corporate rates move with retail and improve as retail improves. Hotels may benefit from switching from fixed to dynamic rates when retail ADR is anticipated to increase over the next years. It would be desirable to maintain stable rates if retail is predicted to stagnate or fall (with suitable modifications for market circumstances) and hold off on implementing dynamic till the subsequent economic boom. To find out if a MarRFP account is open to accepting a dynamic rate, consult the Strategic Account Profile (SAPP)¹⁶. When switching from fixed to dynamic pricing, hotels should take the agreed discount into account. The discount to retail is used to determine the effective discount for the special corporate account.

To understand the dynamics of sales and the effectiveness of the strategies implemented by Courtyard by Marriott Bucharest Floreasca, we analyzed the number of rooms sold between 2022- 2024. The data is segmented into two categories: rooms purchased individually, and rooms booked by groups.

Figure 3. Number of Rooms Courtyard by Marriott



Source: History and Forecast Report

Over the three years, the total number of rooms sold increased from 56,233 in 2022, to 63,565 in 2023, and then to 66,694 in 2024. This represents a

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<https://mgsccloud.marriott.com/common/sales-mktg-and-rev-mgmt/pricing-account-services#toolsresources>

total increase of 18.6%, or 10,461 additional rooms. This upward trend is supported by two key segments:

Individual Customers: In 2022, there were 48,512 rooms sold to this segment, increasing to 52,357 in 2023 (+7.9%) and 55,890 in 2024 (+6.7%). Total growth over the three years is 15.2%, equivalent to 7,378 additional rooms. The flexible cancellation policy, combined with dynamic rates tailored to demand, has played a key role in attracting this type of customer.

Groups: The number of rooms booked by groups rose from 7,721 in 2022 to 11,208 in 2023, marking an impressive 45.2% increase. However, in 2024, the group's segment saw a slight decline with 10,804 rooms booked, representing a 3.6% decrease from the previous year. The overall increase between 2022 and 2024 remains significant at 39.9% (3,083 more rooms).

Another important strategy used by the Courtyard Hotel is to offer flexibility. The adaptable cancellation policy is becoming a necessity, not just to have a competitive advantage in this dynamic world where changes of plans are frequent. This strategy has been implemented by Courtyard by Marriott Bucharest Floreasca to better meet and fulfill customer expectations. Despite the fact that a flexible cancellation policy may seem at first glance to pose a risk to a hotel's revenue, there are clear strategic benefits to increased conversion rates. Customers make more reservations when they know they can cancel or change them without financial consequences and one positive experience makes customers return or recommend the hotel to others. The risk of last-minute cancellations, which can leave rooms empty, is one of the main problems with this policy. The hotel uses revenue management systems to adjust rates according to demand and maximize revenue. It also applies different rules for different categories of customers, such as non-refundable rates for promotional bookings or peak periods. The flexible cancellation policy helps build a relationship based on trust and loyalty through commitment to customer needs in addition to being a pricing strategy.

Conclusion:

The hospitality sector has experienced significant changes, and one of the most important aspects of staying competitive is pricing tactics. This analysis emphasizes how crucial well- thought-out pricing strategies are to meeting changing consumer needs, increasing sales, and attaining long-term success in a changing market. The use of creative and adaptable pricing techniques, along with group and event-specific promotional packages, has been very successful at Courtyard by Marriott Bucharest Floreasca. The success of these efforts is demonstrated by the notable rise in occupancy and income from 2022 to 2024, especially during times of high demand like October and the Christmas season.

The hotel was able to maintain a balanced occupancy rate across different client categories by using dynamic pricing to take advantage of times of strong

demand while providing alluring discounts during slower seasons or weekends. In addition to increasing reservations, the implementation of focused promotions including weekend event discounts and Christmas party packages improved ties with both business and leisure customers. The flexible cancelation policy has also become a competitive advantage. The approach has increased consumer confidence and loyalty, which has ultimately resulted in improved conversion rates and recurring business, despite the possibility of last-minute cancellations. When paired with cutting-edge revenue management technologies, the policy's flexibility guarantees that the hotel will continue to react quickly to changes in the market.

In conclusion, Courtyard by Marriott Bucharest Floreasca's data-driven, customer-centric pricing strategy is responsible for its notable revenue and occupancy increase. The hotel is well-positioned to maintain its competitive edge in a field that is becoming more and more difficult by consistently improving these tactics and utilizing information from market trends.

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