

Chapter 8

Management and Implications of Daily Deal Promotions in the Hospitality Industry: Toward Their Holistic Understanding

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ABSTRACT

Discounting, a common practice in the hotel industry, used in order to mitigate seasonal demand fluctuation, was especially prominent at the time of the most recent recession. This coupled with consumer saving trends gave rise to the phenomenon of daily deal or flash sale websites. These are often also referred to as social shopping or group buying marketplaces and combine attractive discount for customers who propagate their offer using their social media channels. Though daily deal websites represent an interesting and multi-faceted e-commerce phenomenon, their nature within hospitality inventory distribution landscape remains largely unknown, even more so, their implications, particularly for the hotel industry. This chapter sets to fill this gap by collecting and structuring the available knowledge about daily deal websites according to the following themes: motivators for their use, profitability-related issues, marketing implications, operational issues, impacts upon branding.

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INTRODUCTION

The hospitality industry is characterised by highly perishable products and services, making operations particularly vulnerable to sudden changes of demands. Unsold hotel bedrooms and restaurant seats are a profit foregone, thus, unable to be recouped. The demand for hospitality services is closely linked to tourism and this makes the industry particularly sensitive to seasonal changes in demand. The most simple thing that hotels do, in order to mitigate the seasonal downturn, is discounting as a part of their dynamic pricing strategy. Discounting was especially prominent at the time of the most recent recession and this coupled with consumer saving trends gave rise to the phenomenon of daily deal or flash sale websites. These are often also referred to as social shopping or group buying marketplaces and combine attractive discount for customers who propagate their offer using their social media channels. Though daily deal websites represent an interesting and multi-faceted e-commerce phenomenon, their nature within hospitality inventory distribution landscape (Berezina et al., 2016) remains largely unknown, even more, so their implications, particularly for the hotel industry. This chapter sets to fill this gap by collecting and structuring the available knowledge about daily deal websites, whilst paying particular attention to motivators behind daily deal use, profitability-related issues, marketing implications, operational issues, and impacts of the websites upon hospitality branding.

We start the chapter by describing the characteristics of the hotel industry that are relevant for an in-depth understanding of daily deal websites, their functioning as well as defining them and their typologies. The latter part of the chapter is sectioned into two distinct parts- first one looking at factors that need to be taken into consideration prior the use of a daily deal website, such as motivators and profit; second one considering the consequences of the engagement, to include operations, branding and marketing implications. The chapter concludes with a future outlook on daily deal websites strategic management and indicating the areas in which they should further be explored. Therefore, the chapter can be viewed as a rounded collection of available knowledge about the daily deal websites and characteristics of their use in the hotel industry, including different aspects and purposefully omitting any disciplinary boundaries that hinder the progress of holistic understanding of daily deals in the current academic discourse.

THE NATURE OF HOSPITALITY BUSINESSES

The hospitality industry is highly seasonal with businesses often experiencing changes in demand depending upon the time of the year (winter-summer), week (weekday-weekend), or day (lunch- dinner). Fluctuations in demand due to seasonality typically

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