

# Factors Influencing Room Pricing in India's 5-Star Hotels: Insights and Implications

Uma Barman

*Uma Barman, Research Scholar, Faculty of Commerce, Banaras Hindu University, Varanasi-221005, U.P., India*

**Abstract-** This research paper examines the average room prices of 5-star hotels in India from 2010 to 2023, highlighting the trends of increase, decrease, and fluctuations in pricing over this period. By analyzing data collected from various sources, the study identifies the key determinants influencing room rates, including market demand, seasonality, location, hotel characteristics, and external economic factors. The findings reveal that while there has been a general upward trend in room prices, significant fluctuations can be attributed to changes in tourism patterns, global economic conditions, and competitive dynamics within the hospitality sector. Understanding these determinants is crucial for hotel operators to formulate effective pricing strategies and enhance profitability. This paper provides valuable insights into the complex landscape of hotel pricing, offering a comprehensive framework for future research and practical implications for hotel management in India.

**Keywords:** Attributes of Hotel Room Rates, 5-star hotel, Average pricing, Determinants of Hotel

## I. INTRODUCTION

People don't visit 5-star hotels just to spend the night; they also want to experience the quality of services offered by the hotel staff. Gradually, India has become a tourist hub due to its diverse culture, spiritual significance, and historical events that attract tourists from all over the world. In such a scenario, it becomes crucial to understand which hotels tourists prefer when they come to India. Our study focuses on 5-star hotels in India, where we are examining the average room rates from 2010 to 2023. We aim to explore the reasons behind the changes in these room rates, identifying the factors that influence the pricing in 5-star hotels across India.

This paper discusses the impact of various factors on the 5-star hotel industry in India. The hotel industry must charge reasonable prices while ensuring that customers are willing to pay these rates. Understanding these dynamics is important for the growth and sustainability of the hotel industry.

## II. LITERATURE REVIEW

Martorell Cunill,(2024), in this study the researcher tries to show the different performance of equity strategy (own hotels) and non equity strategies(hotels under rental, franchise, and management contract) where it found that equity strategy hotels performed better than non equity strategies hotels. In this study, they found the negative performance of food and beverages services or we can say negative synergy. Dubé, J., Lapointe, A., Martel, V., Placide, M. B., & Torres Ospino, I. V. (2024), the study found that a sea view can add 0-20% to room prices, with more stable prices, especially in summer. Singh, V., Sharma (2023) In this study the researcher found that technology infrastructure, compatibility, relative advantage, top management support, and social influence are important determinants in the adoption of hotel pricing. Here the researcher used regression analysis. Asshofi, I. U. A., Putri, M. A., Saputra, R. D., & Wijayanti, A. (2023), the study found that customers' views on fairness in pricing are mainly shaped by how familiar they are with the pricing practices. As customers understand these practices better, they tend to accept them more. While providing information and the type of trip also affect fairness perceptions, these factors are less impactful than familiarity. Brand type doesn't change customers' fairness views, suggesting they see variable pricing as common across the whole industry.

Satpute, P., & Venkatraman, D. P. (2021) in this research researcher studied the duration or length of time when a guest stays in hotels. Here "duration control" (a method of managing the length of guest stays) helps hotels reach their break-even point more efficiently, ultimately boosting profitability. Sharma, H., & Aggarwal, A. G. (2021) this study finds that user-generated content (UGC), like guest reviews and ratings, significantly influences hotel sales along with financial factors. It also shows that UGC impacts luxury and budget hotels differently, with luxury hotel features generally standing out more than those of budget hotels. Kim, J., Jang, S., Kang, S., & Kim, S. J. (2020), this study examines how room prices relate to hotel attributes like size, age, service quality, and location (proximity to airports, highways, and tourist spots). Effective room pricing strategies, including dynamic, value-based, competitor-based, occupancy-based, and length-of-stay pricing, are essential for hotels to stay profitable and competitive. A flexible, data-driven approach that adapts to market trends, demand, and customer satisfaction can help hotels balance profitability with guest loyalty. Gumaste, R. R., Shende, K. M., & Shah, G. D. (2019), this study on 5-star hotel guests reveals that men and women prioritize different in-room facilities. Both genders value proper ventilation and air quality. However, men emphasize safety and security more, while women focus on room size and the layout of utilities like beds, seating, and bathroom design. Other in-room facilities were less important to both. Phillips, P., Barnes, S., Zigan, K., & Schegg, R. (2017), in this study the researchers found various determinants that help to decide the room rate of hotels where the main attributes are services provided by hotels, location of rooms, and the food services. Ben Aissa, S., & Goaid, M. (2016), this paper highlights four main findings on hotel efficiency. First, broader factors like international appeal and competition directly impact hotel performance. Second, efficiency varies based on specific hotel traits, including its age, type, management style, and location. Third, management characteristics, such as the general manager's tenure, board members' education, and the number of managers, also play a role. Lastly, higher tourism wages are linked to improved corporate hotel efficiency scores. Taylor, W. J., & Kimes, S. E. (2010), this study analyzed room prices from hotels along the St. Lawrence River in Quebec (Canada)

during peak winter and summer seasons. Using matched data and hedonic pricing models, it measured how much having a sea view increases room prices.

### III. RESEARCH OBJECTIVE

To identify the determinants of the average hotel room rate in India

### IV. RESEARCH METHODOLOGY

Sources of data: For this planned research project, secondary data is used. Secondary data was gathered from government reports, annual reports of the hospitality sector, magazines, etc.

Period of data coverage: For the research study 13 years of average room rate in India is studied.

### V. DATA ANALYSIS

Average room rate in five-star hotels across India from the financial year 2010 to 2023 (in US Dollars)

| Financial Year | Average Room Rate in Five-Star hotels across India(in US Dollar) |
|----------------|------------------------------------------------------------------|
| 2010           | 134                                                              |
| 2011           | 140                                                              |
| 2012           | 128                                                              |
| 2013           | 108                                                              |
| 2014           | 94                                                               |
| 2015           | 91                                                               |
| 2016           | 84                                                               |
| 2017           | 90                                                               |
| 2018           | 94                                                               |
| 2019           | 93                                                               |
| 2020           | 92                                                               |
| 2021           | 71                                                               |
| 2022           | 69                                                               |
| 2023           | 91                                                               |

Source: Statista 2024

As we can see from the table the average room rate in India was highest in 2011 and the lowest was in 2022. From 2010 to 2013 the values were in three digits but from 2014 to 2023 they remained in double digits only. If we compare only the value of the average room rate in India in 2011 and in 2023, we can find the difference is vast as it shows  $(140-91) = 49$  US Dollars. The performances of hotels in the years of 2010, 2011, 2012, and 2013 are well in comparison to after 2014 performances.

## VI. CONCLUSION

There are various reasons behind the increasing and decreasing average room rates of 5-star hotels in India. In the literature review, we found the various determinants of fluctuating average room rates in different countries. In this fluctuation, the seasonal behavior of the weather of one country plays a very important role. The preference by gender male and female and their choices of selection the star star-rated hotels are different which is also a key determinant. By analyzing data collected from various sources, the study identifies the key determinants influencing room rates, including market demand, seasonality, location, hotel characteristics, and external economic factors. The findings reveal that while there has been a general upward trend in room prices, significant fluctuations can be attributed to changes in tourism patterns, global economic conditions, and competitive dynamics within the hospitality sector. Understanding these determinants is crucial for hotel operators to formulate effective pricing strategies and enhance profitability. This paper provides valuable insights into the complex landscape of hotel pricing, offering a comprehensive framework for future research and practical implications for hotel management in India.

## REFERENCES

- [1] Asshofi, I. U. A., Putri, M. A., Saputra, R. D., & Wijayanti, A. (2023). Analysis of room rates setting in hotel daily operations. *Journal of Gastro Tourism*, 1(1), 35-42.
- [2] Ben Aissa, S., & Goaied, M. (2016). Determinants of tourism hotel market efficiency. *International Journal of Culture, Tourism and Hospitality Research*, 10(2), 173-190.
- [3] Dubé, J., Lapointe, A., Martel, V., Placide, M. B., & Torres Ospino, I. V. (2024). Hotel room pricing and economic benefit for local economies: evidence from Canada. *Tourism Review*
- [4] Gumaste, R. R., Shende, K. M., & Shah, G. D. (2019). Gender preferences for guest room attributes in 5-star business hotels in Pune city. *Adalya Journal*, 8(9), 1205-1213.
- [5] Kim, J., Jang, S., Kang, S., & Kim, S. J. (2020). Why are hotel room prices different? Exploring spatially varying relationships between room price and hotel attributes. *Journal of Business Research*, 107, 118-129.
- [6] Martorell Cunill, O., Otero, L., Durán Santomil, P., & Gil Lafuente, J. (2024). Analysis of the effect of growth strategies and hotel attributes on performance. *Management Decision*.
- [7] Phillips, P., Barnes, S., Zigan, K., & Schegg, R. (2017). Understanding the impact of online reviews on hotel performance: an empirical analysis. *Journal of travel research*, 56(2), 235-249.
- [8] Satpute, P., & Venkatraman, D. P. (2021). The Study of Effect of Duration Control in Rooms Division on Break Even Room Revenue in Star Rated Hotels. *ATITHYA: A Journal of Hospitality*, 7(2).
- [9] Sharma, H., & Aggarwal, A. G. (2021). The influence of user-generated content on hotel sales: An Indian perspective. *Journal of Modelling in Management*, 16(4), 1358-1375.
- [10] Singh, V., Sharma, S., & Kapoor, B. (2023). Smart Technology and its Influencing Factors in Room Division Department of Selected Five Star Hotels of National Capital Region (NCR), India. *International Journal of Hospitality & Tourism Systems*, 16(3)
- [11] Taylor, W. J., & Kimes, S. E. (2010). How hotel guests perceive the fairness of differential room pricing