

How Rate Insight's new Enhanced Demand Metric improves hotel revenue forecasting

A whitepaper by Lighthouse



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Executive Summary

This whitepaper explores the capability of the Enhanced Demand Metric, a significant upgrade within Rate Insight, Lighthouse's rate shopping solution.

This complimentary enhancement is designed to deliver highly accurate demand forecasting, empowering hotel revenue managers to make informed pricing decisions with confidence.

The new metric outperforms its predecessor by providing a closer alignment with final On-the-Books (OTB) data, insights on longer lead times, and a heightened ability to detect last-minute and subtle changes in demand.

We'll explore real-life scenarios to showcase how the Enhanced Demand Metric can transform your revenue management strategy.



INTRODUCTION

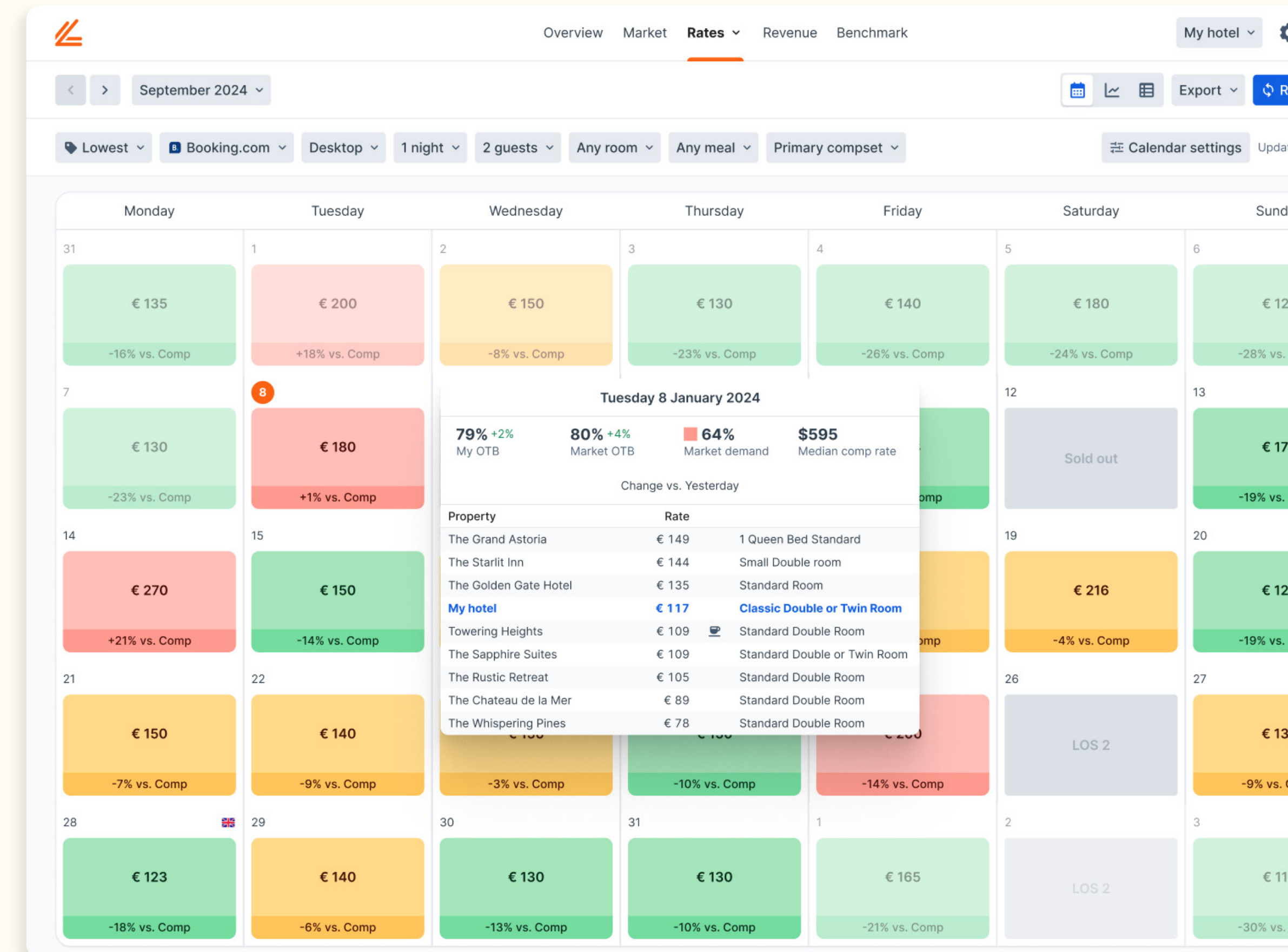
Why refine Rate Insight's demand metric?

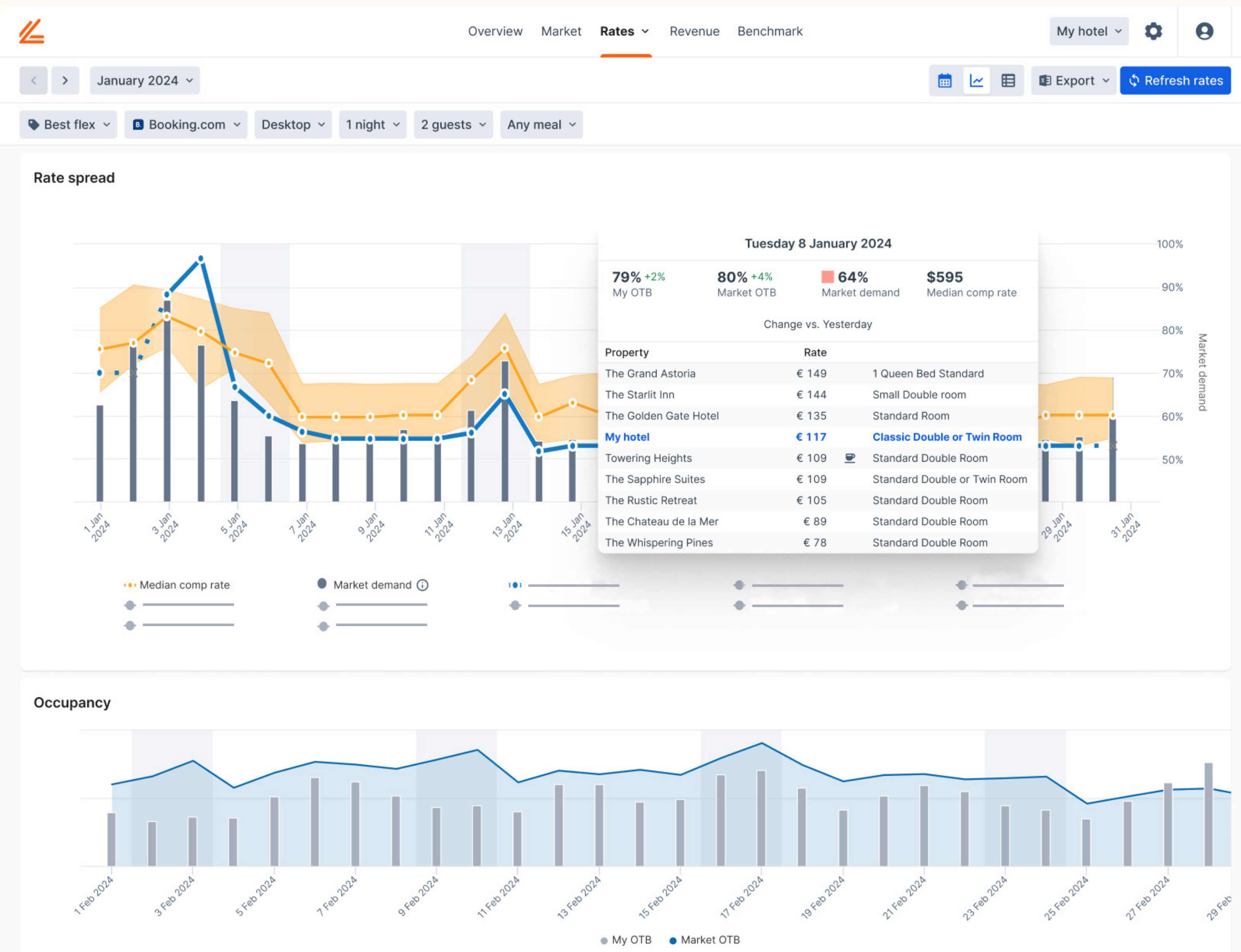
Accurately forecasting demand is at the heart of successful revenue management. It guides essential decisions, from budget planning and inventory management to promotional activity and, most crucially, your room pricing strategy.

By effectively predicting market demand, **you can adjust room rates to maximize occupancy and revenue** – your number one priority.

At Lighthouse, we're committed to continuously refining our products when our research indicates an improvement to be made. By making improvements such as these we are able to provide hoteliers with the most accurate tools to understand your market.

Rate Insight, recognized as the top-rated shopping and market intelligence solution by Hotel Tech Report for four consecutive years, now offers a significantly upgraded demand metric, delivering unprecedented accuracy.





The new Enhanced Demand Metric surpasses the accuracy of its predecessor, leading to:

- Higher correlation with final OTB data, both for short and long lead times
- Insights on longer lead times, with demand now shown for the next 60 days, instead of 45 in the previous version
- Heightened sensitivity to last-minute and fractional changes in demand
- For those also using Market Insight, demand is now visible for the next 365 days, instead of 60. You will also see the same level of demand in both Rate Insight and Market Insight.

In the following chapters, we will explain how this Enhanced Demand Metric works and illustrate its practical advantages for Rate Insight users.



How does the Enhanced Demand Metric in Rate Insight work?

How is the Enhanced Demand Metric calculated?

The Enhanced Demand Metric was created by the Lighthouse data science team to provide an accurate view of hotel room rates in a given area. Here's how it's done:

1. The process starts with collecting the input data, such as room rates, for relevant hotels in the area, for each stay date.
2. This data is then standardized to make it easier to work with.
3. That standardized data is then fed to the main algorithm that calculates an initial demand metric taking into account all the data, while avoiding outliers (such as extreme prices) to skew the results.
4. As a last step, this initial demand metric is converted to the percentage value shown, using a method that ensures the numbers are easy to understand and accurate.

Now, let's unpack how these calculations provide an accurate picture of market demand in Rate Insight.

How to make sense of the Enhanced Demand Metric

The Demand Metric Enhanced is an estimate of the total hotel demand in a specific area at any given time.

It considers several important factors to determine the demand for your market reliably:

- **Rate patterns and pricing**
By analyzing the pricing strategies of hotels in your area that adjust their prices dynamically, we can ensure that our demand estimate accurately reflects the market's state.
- **Inclusivity**
Our metric encompasses all types of accommodations, from budget-friendly to luxury options, offering a holistic view of demand.
- **Long-term view**
While we provide a demand forecast for the next 60 days, our analysis incorporates a full year's worth of data, accounting for seasonal trends and long-term patterns.
- **Short-term dynamics**
Special attention to one-night stay rates helps us capture short-term demand shifts and immediate booking trends.
- **Representative sampling**
To ensure our metric is balanced, we consider a minimum number of 3, 4, and 5-star hotels in our calculations.

Now you know the science behind the Enhanced Demand Metric, let's explore how you can use it to your advantage in real life.



Three benefits of the Enhanced Demand Metric illustrated with real-life examples

Market demand is a dynamic entity, and without the right real-time data, your forecasting and subsequent pricing decisions risk being reactive rather than proactive.

The Enhanced Demand Metric **is designed to anticipate future market behavior with precision**, allowing you to predict demand even before it becomes apparent.

Whether it's large-scale events, sudden shifts, or longer-term trends, this feature is your key to staying ahead.

Below, we will demonstrate the power of the Enhanced Demand Metric across various common demand forecasting scenarios that you're likely to encounter when aligning your room rate strategy with market conditions.



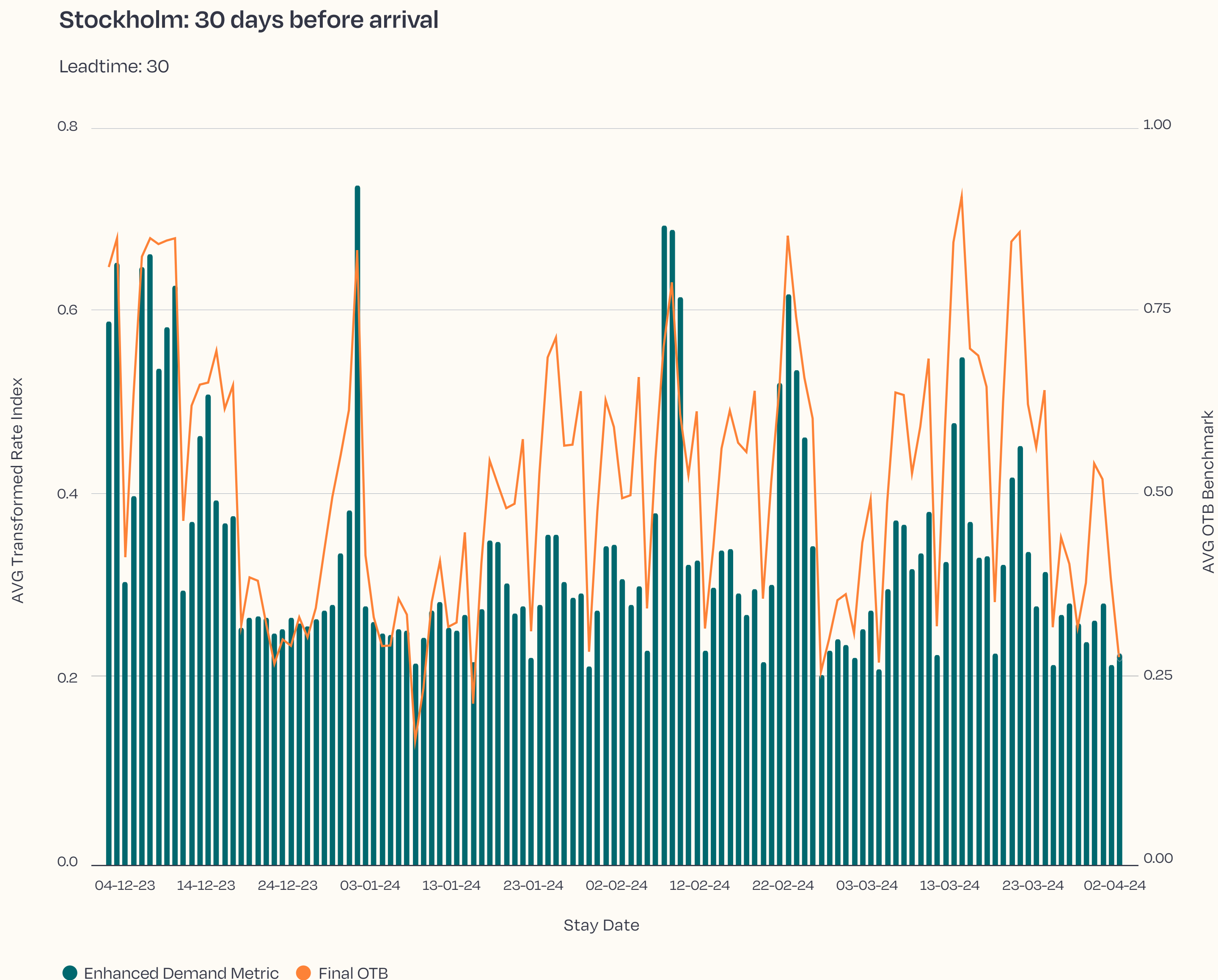


1. Increased accuracy at different lead times demonstrated by close correlation to final occupancy numbers

In the charts below we look at three destinations, with different lead times, where the average correlation between the Enhanced Demand Metric and final OTB is 87% at a lead time of 1 day.

The Enhanced Demand Metric closely mirrors the OTB trajectory in each chart, particularly in terms of peaks and troughs. Although the final correlation is 87%, the metric fluctuates in almost perfect synchrony with market demand shifts.

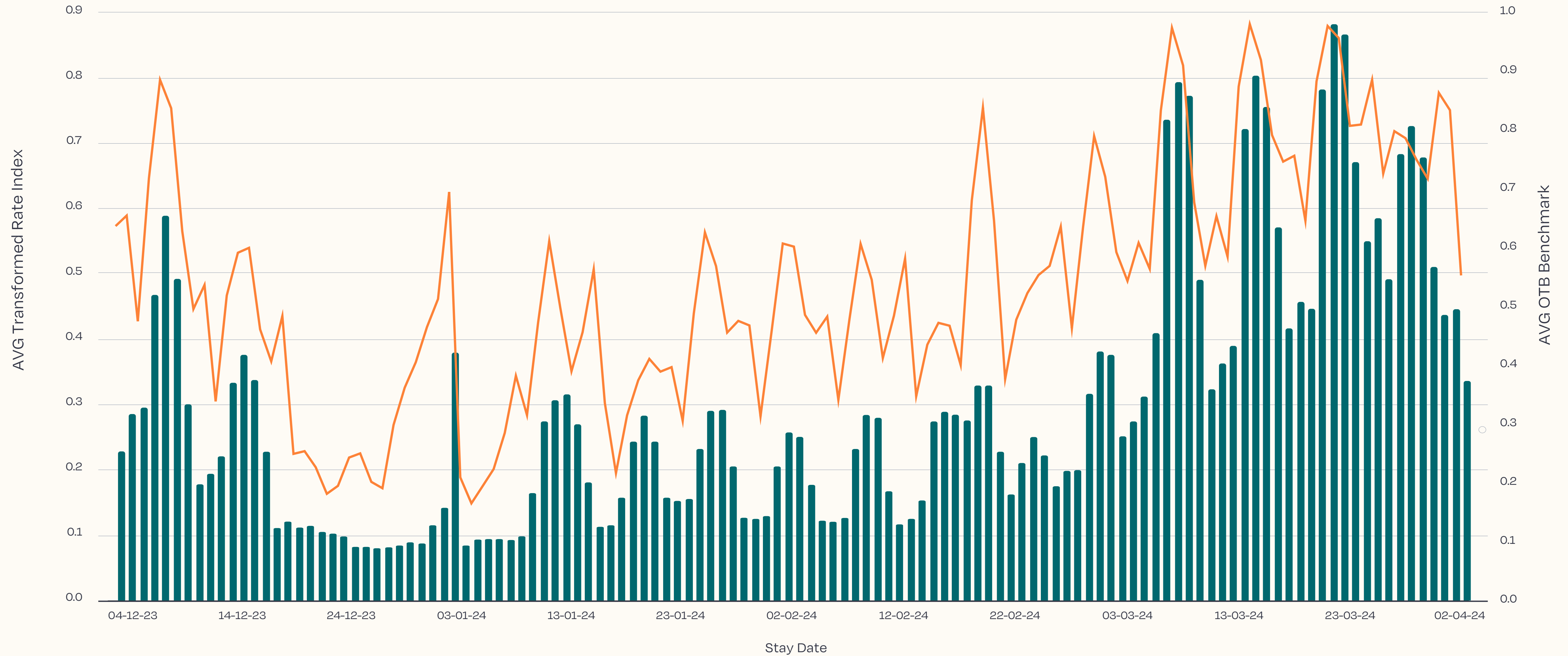
With this information, you can leverage demand data up to 2 months in advance and be confident that you can align your room pricing strategy to predicted occupancy.



Washington D.C.: 45 days before arrival



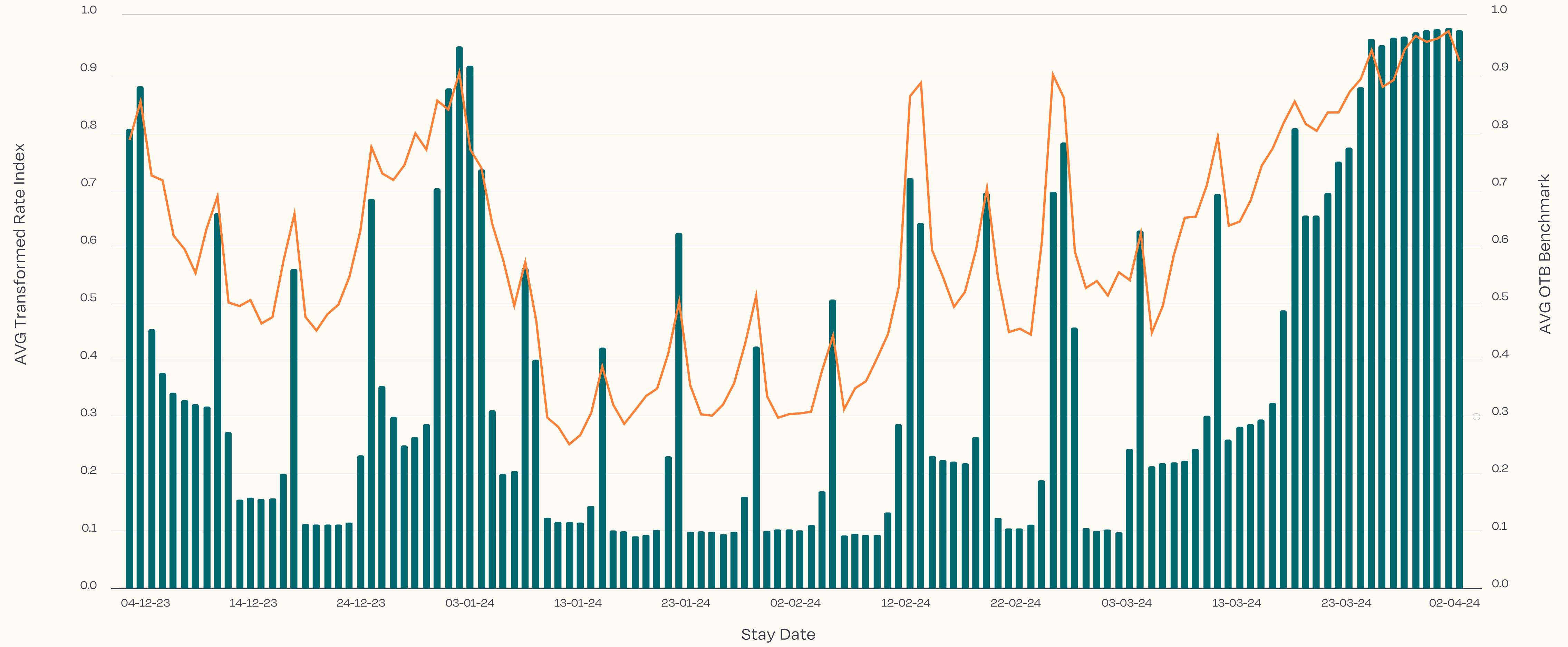
Leadtime: 45



● Enhanced Demand Metric ● Final OTB

Kyoto: 60 days before arrival

Leadtime: 60



● Enhanced Demand Metric ● Final OTB



2. Improved responsiveness to last-minute demand fluctuations due to events

In this example, the Enhanced Demand Metric monitors an event with a lead time shorter than 45 days. It accurately recognizes elevated demand over the event dates.

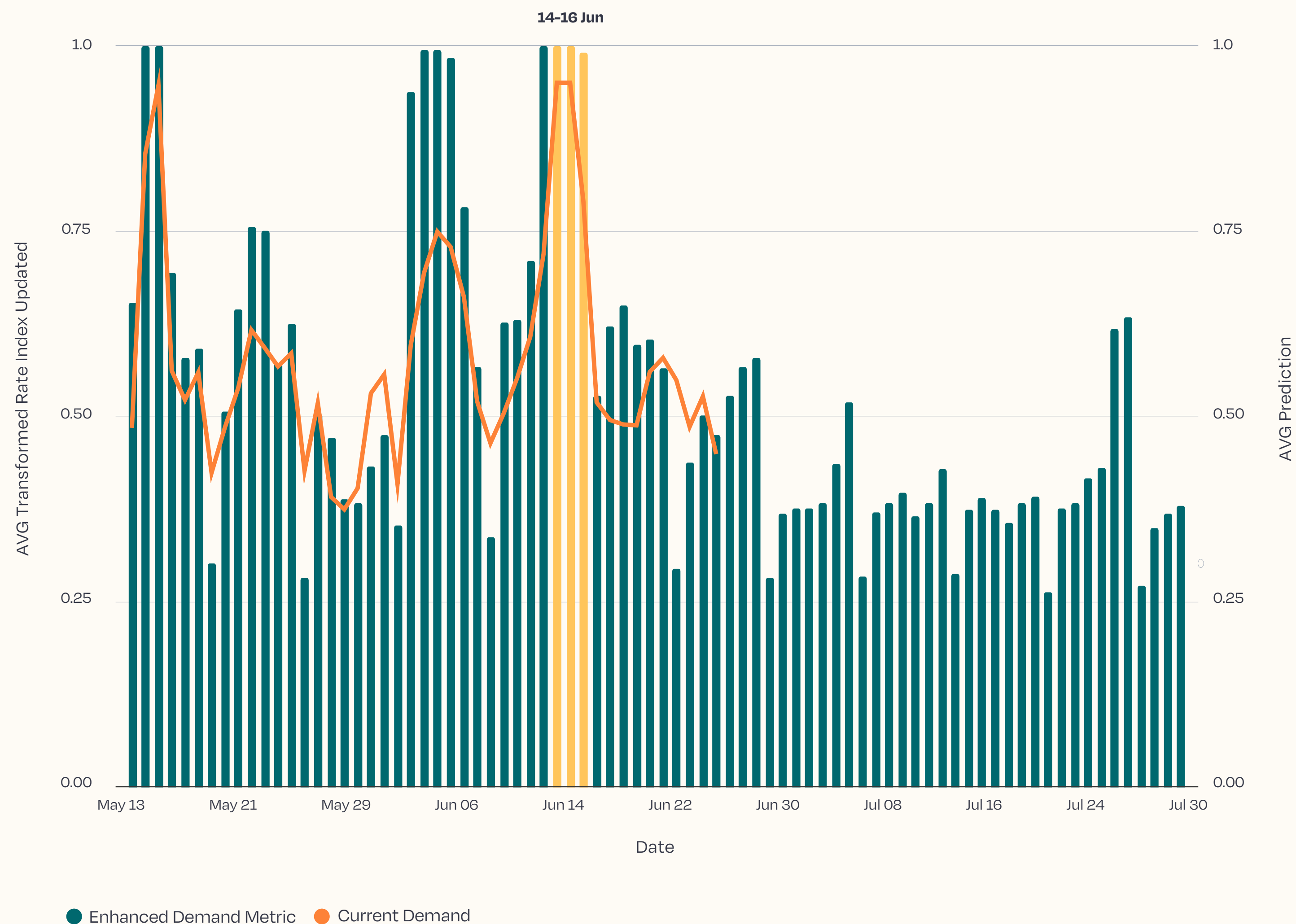
This real-time detection of last-minute demand changes allows you to:

- Immediately optimize room rates
- Create targeted promotions if needed
- Drive booking performance and occupancy

This swift action ensures you can make the most of a key revenue-generating opportunity of the year, rather than missing out.

Poznan: World Rowing Cup

Stay dates: 14-16 June / Lead time: >45 days





3. Improved long-term demand visibility for strategic planning

One of Japan's most popular summer festivals, Gion Matsuri, takes place in Kyoto every July, drawing more than a million visitors to the month-long celebration.

Between the main parades, from July 14-16, a mini festival takes place when Kyoto's downtown area is filled with food stalls, drink vendors, and festive displays - demand is significantly elevated over these stay dates.

The event lead time is 60 days in this example and the Market demand moves to very high levels, reaching 100%, with the Enhanced Demand Metric capturing this trend far in advance of the event.

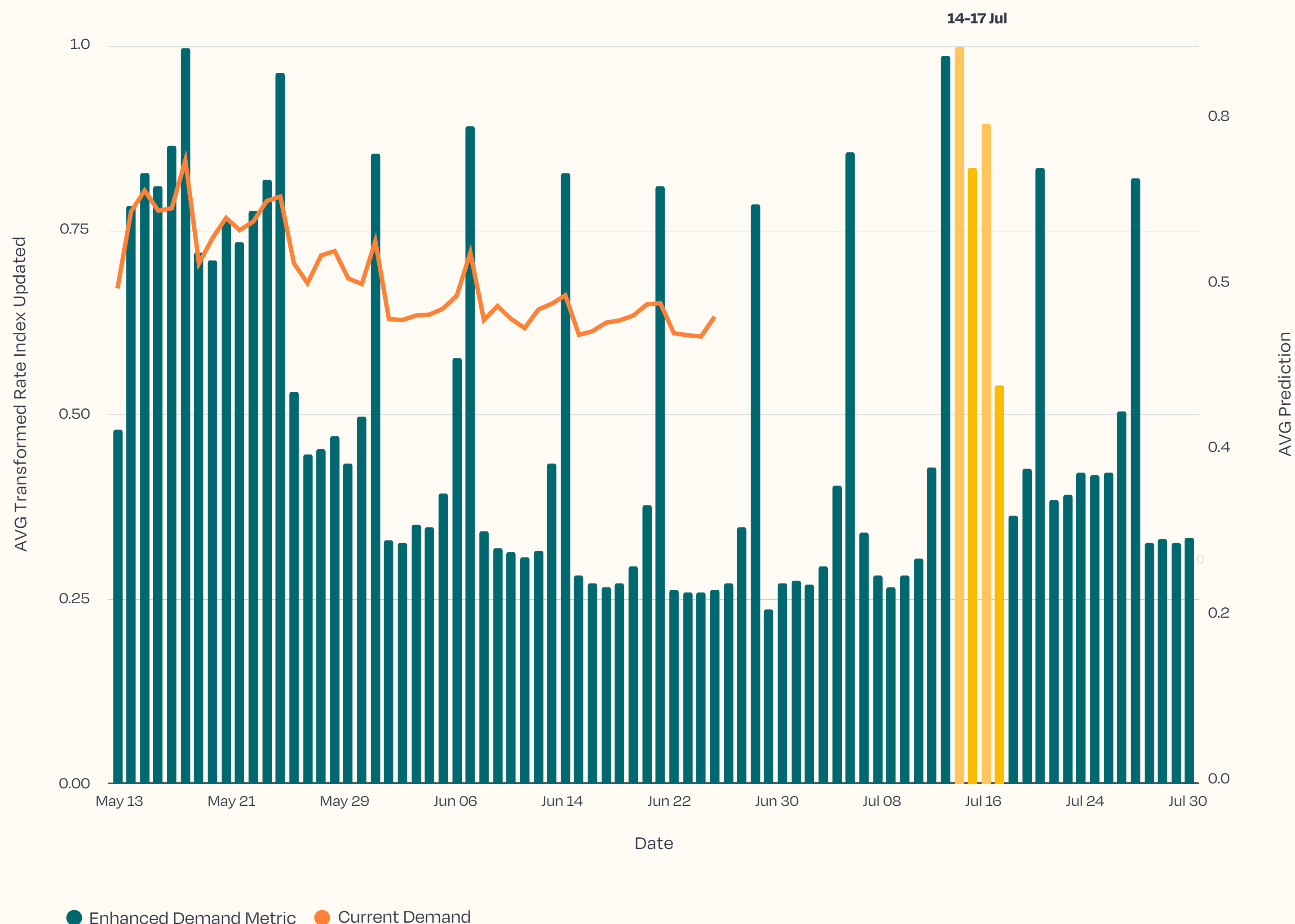
By being able to identify shifts in demand with long lead times accurately, you can capitalize on events before your competition and implement an appropriate pricing and marketing strategy to drive revenue performance.

In addition, this approach empowers you to create suitable promotions, apply the right length-of-stay restrictions, and formulate lucrative upselling opportunities.

By leveraging these strategies, you're not just keeping pace with the market but leading the charge in a highly competitive period.

Kyoto: Gion Matsuri 2024

Stay dates: 14-17 July / Lead time: 60 days



Looking for even more demand precision? Leverage flight and hotel pre-booking data

As seen from the evidence above, the Enhanced Demand Metric in Rate Insight provides extremely accurate demand predictions, from short-term shifts to long-term forecasting and major events.

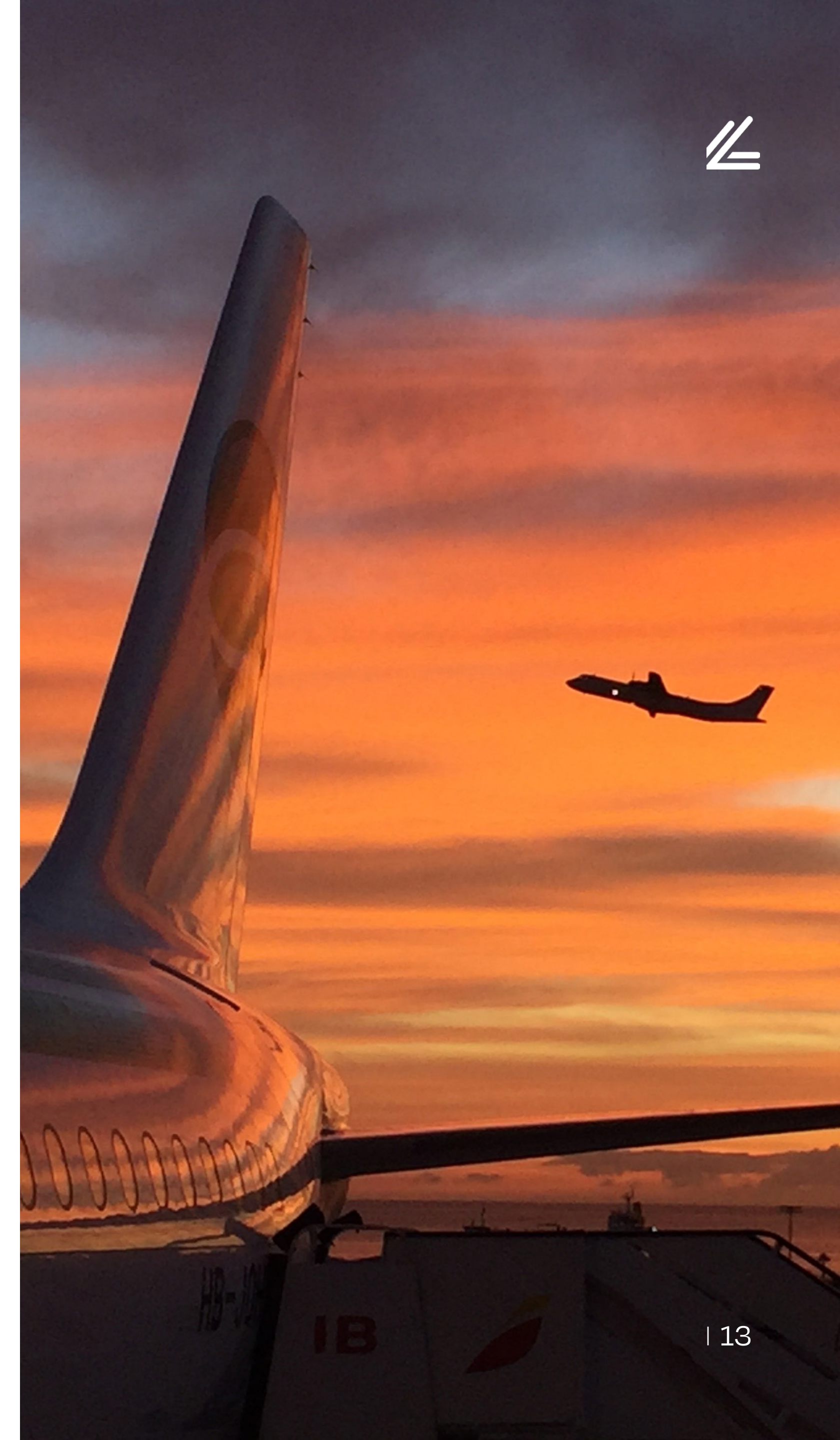
You can further enhance your demand accuracy **by connecting Rate Insight with our predictive market intelligence solution, Market Insight.**

Market Insight leverages forward-looking search data, so you can more effectively predict market demand at your hotel. By analyzing what prospective travelers are searching for, rather than just what they've booked, you gain valuable insight into emerging trends and can influence demand before it fully materializes - extending your window of opportunity to adjust your strategies and capture opportunities.

With this deeper and more comprehensive data set at your disposal, not only is the precision and reliability of the Enhanced Demand Metric significantly improved, but you can also predict demand trends 365 days in the future, rather than 60 days.

Every booking starts with a search. Flight and hotel search data serve as reliable gauges of demand, positively correlated to hotel occupancy.

Market Insight turns billions of these forward-looking search data points from OTAs, metasearch, global distribution system (GDS), flight search, events, short-term rental inventory and more, per destination, into real-time demand levels, all broken down by sub-location, stay pattern, and hotel types.





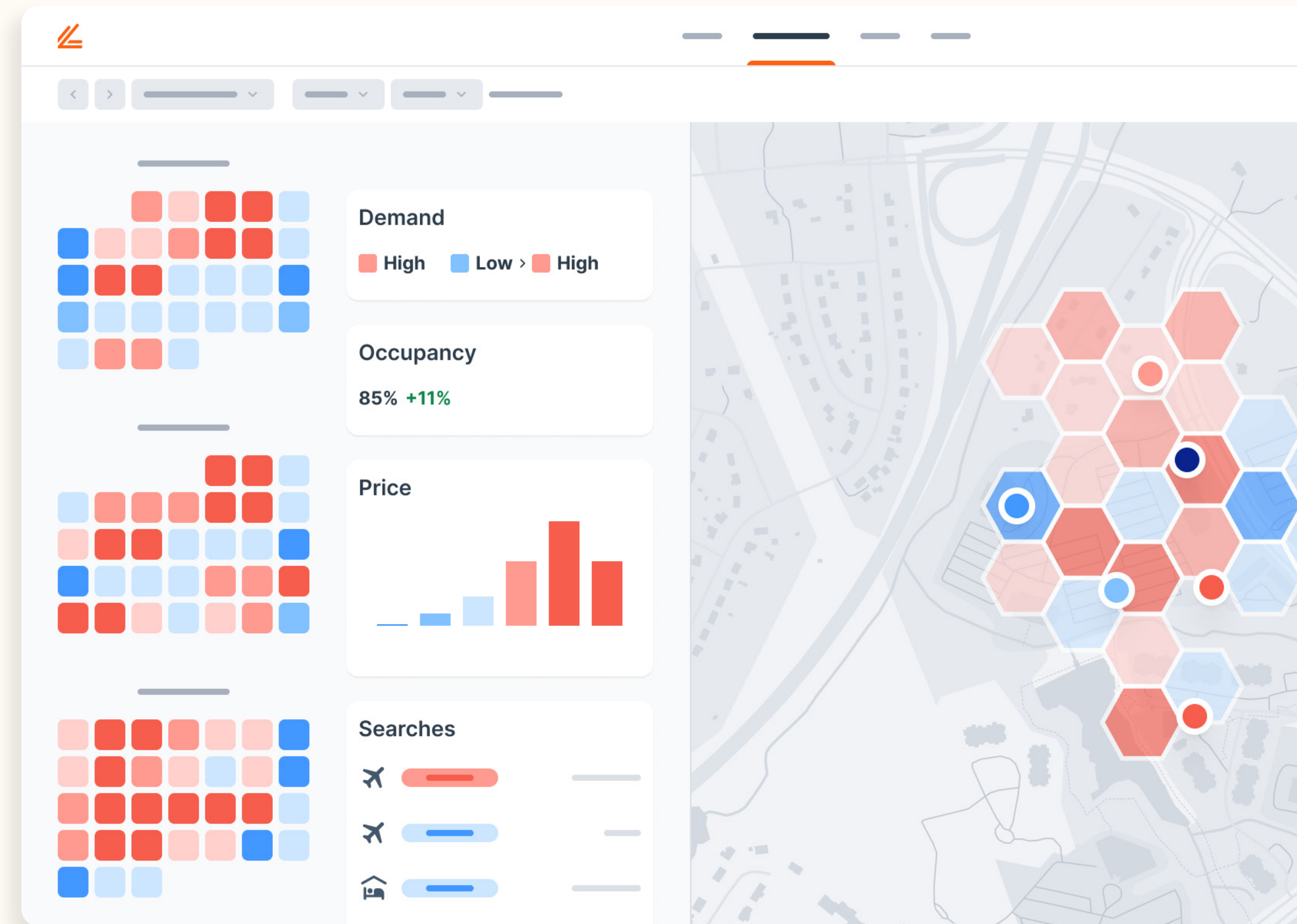
Unlocking deeper demand insights

Market Insight provides valuable demand insights such as the length of stay that guests may be interested in, as well as the intended travel dates, and the geographical location where the searches originate from, to indicate which source markets possess the highest demand.

The ability to visualize longer-term demand trends and use granular data enables even better decision-making and strategic planning - giving you a genuine competitive edge in forecasting and analyzing market behavior.

The results speak for themselves.

Market Insight users see a 4.7% boost in yearly occupancy and a 2.3% growth in yearly Revenue Per Available Room (RevPAR). Bringing Market Insight data into your occupancy forecasting can also boost its accuracy by up to 20%.





Conclusion

At Lighthouse, we believe that the right price is the one that meets the market at the right moment. Therefore, demand is a crucial factor in assessing which price point can be successful at any given point in time.

Rate Insight's free upgrade to the Enhanced Demand Metric offers a powerful instrument to accurately forecast market demand - displaying a higher correlation with your final OTB data, longer lead times and improved sensitivity to smaller changes in demand.

All these factors synergize, enabling you to make well-informed, data-driven decisions to fine-tune your pricing strategy, increase occupancy, and maximize revenue.

The Enhanced Demand Metric is available now in Rate Insight. Start exploring today to turn enhanced demand forecasting into a competitive advantage.

If you want to take your demand forecasting to the next level and unlock granular demand insights for your market, 365 days in advance, get in touch for a [free trial](#) of Market Insight.

Date	My OTB	Events	Market demand ⓘ	Hotel 1	Hotel 2
Mon 01/01	36%	📅	7%	€ 179	€ 200
Tue 02/01	21%		28%	€ 179	€ 200
Wed 03/01	18%		76%	€ 179	€ 200
Thu 04/01	25%		69%	€ 179	€ 200
Fri 05/01	26%		24%	€ 179	€ 210
Sat 06/01	35%		62%	€ 179	€ 200
Sun 07/01	20%		21%	€ 179	€ 152
Mon 08/01	41%	📅	49%	€ 189	€ 169
Tue 09/01	59%		29%	€ 199	€ 174
Wed 10/01	65%		9%	€ 189	€ 169

The Lighthouse Commercial Platform

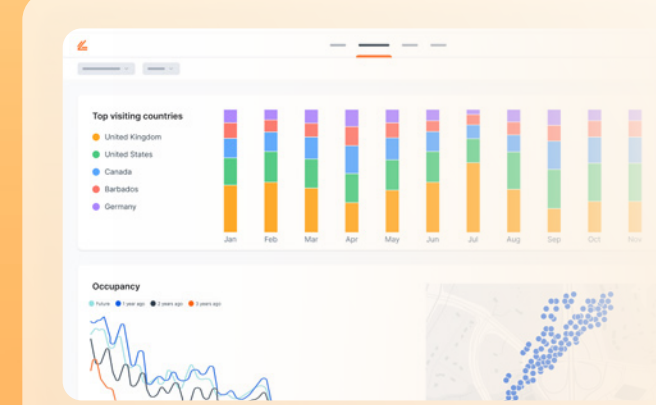
You too can access the largest source of hotel pricing and short-term rental data in the world by using our industry leading, cloud-based data intelligence platform.



Distribution Insight

Optimize distribution channel performance

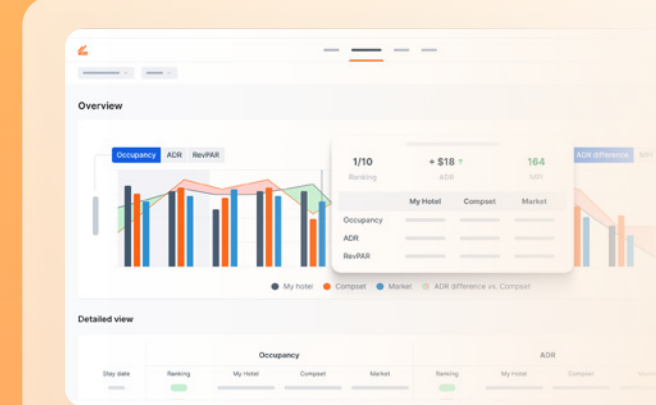
Request a demo



Destination Insight

Enrich your strategy with short-term rental insights

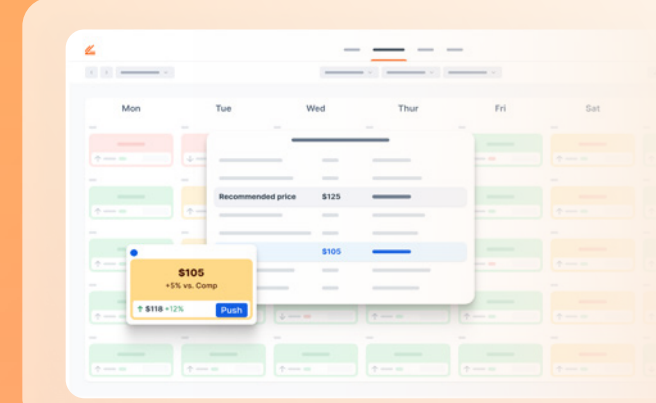
Request a demo



Benchmark Insight

Effectively navigate competitive performance trends

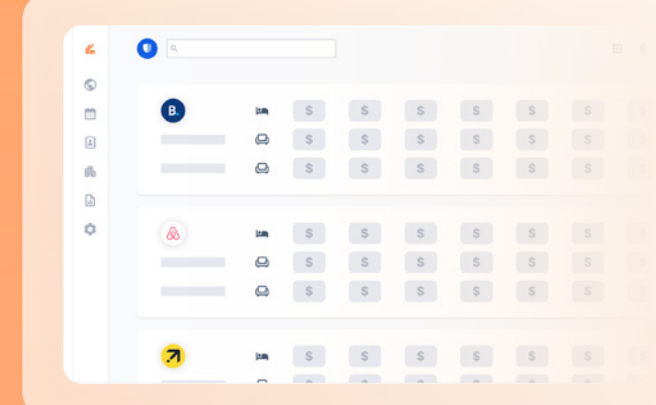
Start a free trial



Pricing Manager

Boost revenue with AI-driven room price recommendations

Start a free trial



Channel Manager

Optimize visibility, rates and channel distribution for independent hoteliers

Request a demo

Rate Insight

Track competitor pricing to maximize revenue

Start a free trial

Market Insight

Accurately predict future market demand

Start a free trial

Business Intelligence

Monitor, optimize, and report on your performance

Request a demo

Parity Insight

Identify and solve parity issues portfolio wide

Request a demo



Lighthouse is the global leader in cloud-based rate & market intelligence, parity management and business intelligence for the travel & hospitality industry.



About Lighthouse

Lighthouse (formerly OTA Insight) is the leading commercial platform for the travel & hospitality industry.

We transform complexity into confidence by providing actionable market insights, business intelligence, and pricing tools that maximize revenue growth.

We continually innovate to deliver the best platform for hospitality professionals to price more effectively, measure performance more efficiently, and understand the market in new ways.

Trusted by over 65,000 hotels in 185 countries, Lighthouse is the only solution that provides real-time hotel and short-term rental data in a single platform. We strive to deliver the best possible experience with unmatched customer service. We consider our clients as true partners—their success is our success.

