Reservation Best Practices

Dynamic Pricing: A Strategic Tool for State Park Reservations Revenue Management

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Dynamic Pricing: A Strategic Tool for Park Reservations Revenue Management

In the evolving landscape of park management, the principles of revenue management - first developed in the 1980s - have become an indispensable part of ensuring the sustainability and financial health of park systems. Revenue management leverages data and analytics to predict demand patterns, aiming to maximize the revenue potential of a property while also enhancing visitor experiences. This practice for America's state parks offers the potential to optimize both revenue streams and visitation, provided park managers have access to quality data for informed decision-making.

One of the most powerful tools in the revenue management toolkit is dynamic pricing. Already widely adopted in industries like hospitality, airlines, and car rentals, dynamic pricing adjusts fees based on real-time demand, allowing park systems to capitalize on peak periods while maintaining accessibility during off-peak times. This approach is particularly relevant for park reservations, where factors such as seasonality, weather, and even special events can dramatically impact visitor demand.

Aligned Goals: Revenue Optimization and Visitor Satisfaction

Revenue optimization is a core objective of any dynamic pricing model, as well as visitor satisfaction and park access. This balance ensures that parks remain an affordable destination for a wide range of visitors, while still capturing additional revenue from those willing to pay more during high-demand periods.

As Edward Lampert said, "The entrance strategy is actually more important than the exit strategy." In the context of dynamic pricing, this means that setting the right pricing model from the start, one that accounts for both visitor experience and financial sustainability, is key to long-term success. The objective should be to avoid drastic price jumps, such as the "First Increase Since" phenomenon, where fees remain stagnant for 5-10 years, only to rise suddenly and dramatically causing concern with visitors and PR issues for agencies. Gradual, data-driven pricing adjustments across a large number of reservations throughout the first fiscal year ensure that both revenue and visitation goals are met consistently over time.

Case Studies Highlighting the Success of Dynamic Pricing

Many state parks across the U.S. have already implemented these strategies with great success:

- **South Carolina State Parks:** Automated dynamic pricing was implemented before the COVID-19 pandemic, which fortuitously positioned the parks to benefit from a surge in demand during the summer of 2020. From Fiscal Year 2021 to 2024, camping and cabin revenue has increased 19%. This flexible pricing framework has continued to maximize revenue through high demand periods and maintain occupancy during slower periods.

- **Tennessee State Parks:** Dynamic pricing has not only sustained revenue growth but has also proven the parks' value to state lawmakers, leading to increased investment in park infrastructure and the development of new parks. This success has underscored the importance of dynamic pricing as a long-term revenue strategy.

Legislative Considerations

When seeking legislative approval for dynamic pricing models, it's essential to speak in terms that resonate with decision-makers. By drawing parallels to established models in the hotel and airline industries, where price fluctuations are commonplace and accepted, parks can effectively argue for the adoption of similar strategies.

A Balanced Approach to Sustainable Park Management

Dynamic pricing, when implemented thoughtfully, serves as a powerful strategy for maximizing revenue while maintaining the accessibility and park enjoyment. By aligning pricing with visitor demand and staying committed to continuous improvement, park systems can ensure their long-term financial sustainability while enhancing the overall visitor experience.

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Dynamic pricing optimizes revenue and visitation of parks when strategically managed

STEP 1	Review Occupancy, Revenue, and ADR from the past 3-5 years to identify trends
STEP 2	Identify & Define Seasons (Peak, Shoulder, Low)
STEP 3	Establish Product Pricing Groups – grouping similar sites together based on value/price (e.g.) "50/30 Amp FHU, Lakefront, Pull Through" for unified pricing across the group
STEP 4	Complete a Competitive Analysis aka "Comp Shop" • Identify a "Comp Set" • Review amenities, online reputation/reviews, rates, and stay restrictions for each competitor • Set baseline rates per pricing group, taking competitive analysis into account
STEP 5	Determine **maximum** rate for each pricing group for each season or rate period – **WTP:** What is the highest value someone would be willing to pay **for your last site** for each rate period?
STEP 6	Determine thresholds to gradually increase rates up to your maximum rate as occupancy rises Example: Pricing Group base rate is \$50. Maximum rate is \$100. Threshold 1: At 40% Occupancy increase rate to \$60 Threshold 2: At 60% Occupancy, increase rate to \$75 Threshold 3: At 80% Occupancy, increase rate to \$90 Threshold 4: At 95% Occupancy, increase rate to \$100
STEP 7	Implement your plan, Monitor, Review, and Adjust!

For dynamic pricing to be truly effective, it requires an ongoing commitment from park managers. The success of such a system depends on frequent analysis, adjustments, and optimizations to ensure that pricing remains aligned with both demand trends and overarching park goals. This includes reviewing historical occupancy data, tracking booking trends, forecasting based on advanced reservations, weather conditions, peak demand dates, and considering local competitor rates and amenities. Parks can refine their pricing strategies to ensure maximum effectiveness.