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COMPETITION PATTERNS, SPATIAL AND ADVANCE BOOKING EFFECTS IN THE ACCOMMODATION MARKET ONLINE

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Abstract:

We study the characteristics of dynamic competition online in the accommodation market by exploiting daily best available rates (BAR) provided by online travel agencies, up to 28 days of advance booking. Based on a leader-follower scheme, we detect an underlying network defined by persistent competition relationships along the advance booking. Results indicate that, beside pure leaders and followers, some hotels adopt mixed behaviours. We recognize five competition profiles, characterized by significant differences in terms of chain affiliation, average BAR, capacity, services, location and density of neighbouring hotels. Agglomeration has a strong influence; we show that the probability of competition between two hotels decays geometrically with distance, as typically found in competition networks. The advance booking has a strong impact on the attitude towards dynamic competition: reactions to competitors' pricing policies acquire growing weight in the last minute, at the expenses of price stability.