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Sharpen Your Pricing Skills: Balancing Automation With Human Smarts

Speaker:
Basak Denizci Guillet PHD/CHE

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SHARPEN YOUR PRICING SKILLS
BALANCING AUTOMATION WITH HUMAN SMARTS

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SHARPEN YOUR PRICING SKILLS
Balancing Automation with Human Smarts

Dr. Ibrahim Mohammed, The Hong Kong Polytechnic University

Prof. Basak Denizci Guillet, Griffith University

The Human + System Dynamic

Revenue management is a hybrid space: algorithmic outputs + human judgment.

Decision-making occurs under bounded rationality, shaped by dual processing (fast vs. slow thinking).

EVERYONE OVERRIDES

BUT NOONE TRULY UNDERSTANDS HOW THE SYSTEM ARRIVES ITS DECISIONS

The High Stakes of Override Decisions

- 40%+ of RMS recommendations are overridden. But what drives these decisions—and how do they affect performance?

What Accompanies Human Judgment?

Heuristics: simplifying assumptions, tactics and strategies that individuals use to estimate probabilities, forecast and make decisions

Biases: the cognitive thought processes that involve flawed inferences or assumptions

There are 19 types of biases and heuristics

Why Do We Override RMS Recommendations?

Overrides result from organizational roles, data skepticism, local insight, urgency, and perceived system gaps.

Not all overrides are bad—but many are biased.

SOME HOTELS HAVE KPIS RELATED TO OVERRIDES

BUT MANY DON'T…

Input versus Output Overrides

Override Type	Definition	System Learning Impact	Perceived Effectiveness
Input Override	Changes to data inputs (e.g., demand forecast, events) to indirectly influence recommendations	**Supports learning**: Helps the RMS adjust and improve over time	Viewed as more sustainable and strategic
Output Override	Direct changes to system recommendations (e.g., changing price manually)	**Disrupts learning**: Bypasses RMS logic and prevents adaptive feedback	Considered short-term fix, often driven by overconfidence

Scenario

Scenario 1: Holiday Weekend Override

The RMS recommends $215 for an upcoming public holiday weekend.

Last year, the hotel priced at $249 and sold out.

The revenue manager overrides to $245, stating: 'This weekend always fills.'

Scenario 1: Analysis

Aspect	Details
Likely Bias	Anchoring
Trigger	Past performance reliance, performance pressure
Justification	Partially valid – historical data may help, but market context must be considered
Mitigation	Compare live demand and comp set data. Reflect on whether the override is evidence-based or habitual.

Scenario 2: Shoulder Night Intuition

The RMS recommends $180 due to weak demand.

The manager overrides to $210, saying: 'I know this market. The RMS always misses shoulder nights.'

Scenario 2: Analysis

Aspect	Details
Likely Bias	Overconfidence
Trigger	Local knowledge dominance, system mistrust
Justification	Weak – based on perception rather than data
Mitigation	Use pace and segmentation data. Test override on partial inventory. Require rationale documentation.

Scenario 3: Positive Signal Misread

The RMS recommends a 15% price drop for the coming week.

The manager sees a few new bookings and instead raises the rate by 5%, believing demand is turning.

Scenario 3: Analysis

Aspect	Details
Likely Bias	Confirmation Bias + Loss Aversion
Trigger	Selective attention to confirming cues, fear of perceived failure
Justification	Poor – driven by bias, not comprehensive data
Mitigation	Require multiple indicators before rejecting RMS (pace, pickup pattern, comp set).

Scenario 4: Brand Perception Pressure

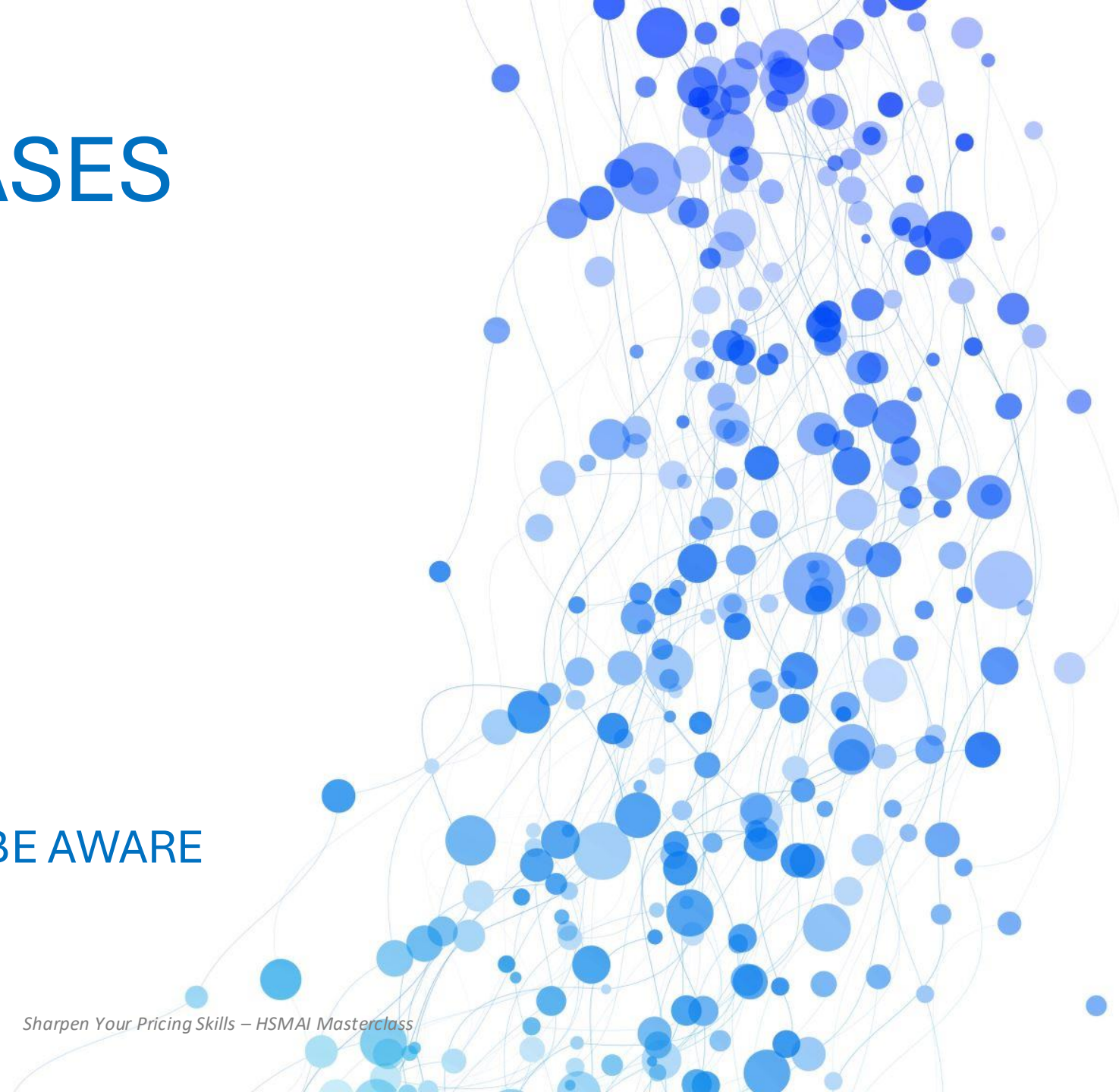
The GM requests higher pricing due to brand positioning.

The manager overrides the RMS, raises the rate, but does not log the decision.

Scenario 4: Analysis

Aspect	Details
Likely Bias	External Influence + No Feedback Loop
Trigger	Stakeholder pressure, lack of override review protocol
Justification	Politically required, operationally risky
Mitigation	Implement override logging and weekly effectiveness review. Align override policy with brand goals.

IDENTIFIED BIASES

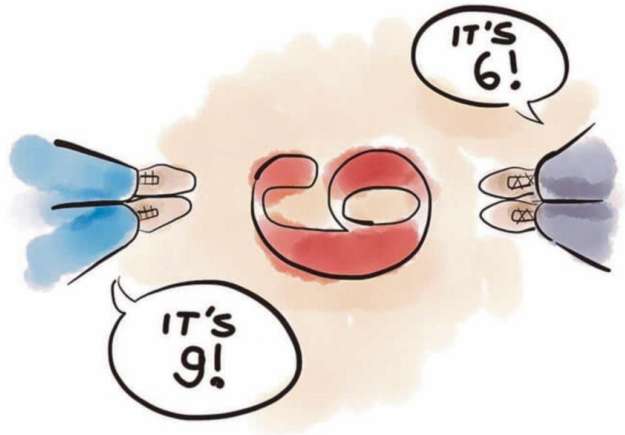


NOT NECESSARILY BAD, BUT BE AWARE

Inclination to evaluate a recommendation against one's beliefs rather than the evidence aforehand.

If your system recommends, for example, $5000 a night, you must override it because you know that it is not realistic or acceptable.

Confirmation bias



Propensity to base a decision on a predetermined value and failing to sufficiently adjust toward true value.

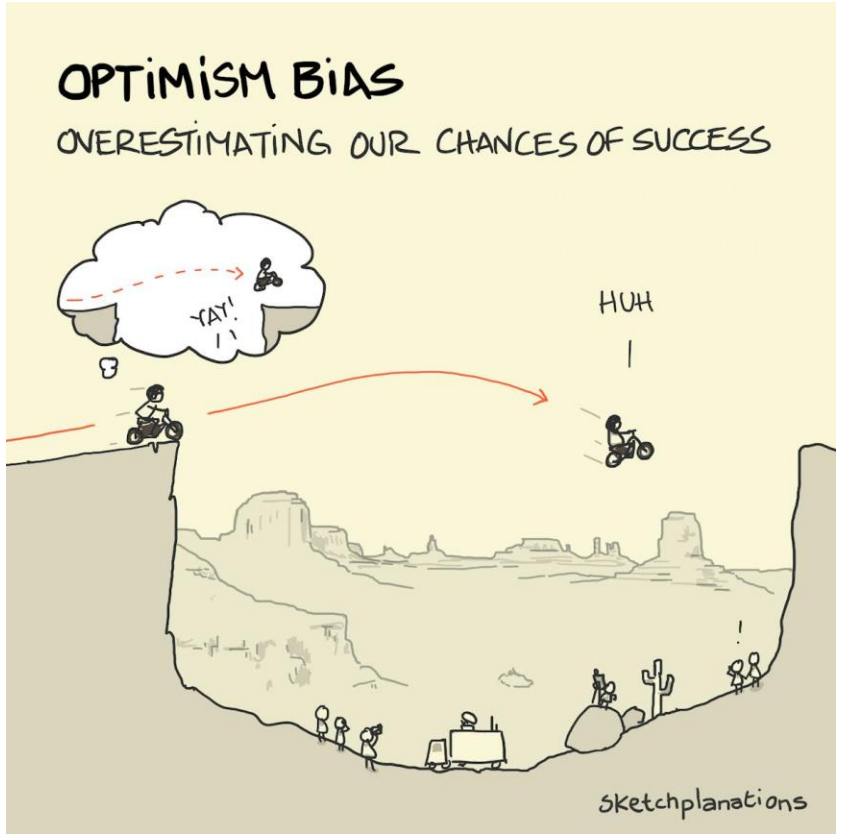
After adjusting the demand, I look at the optimised price by the system to see if it is where I want it to be, and if it is still not where I want it to be, then I override it directly.

Anchoring bias

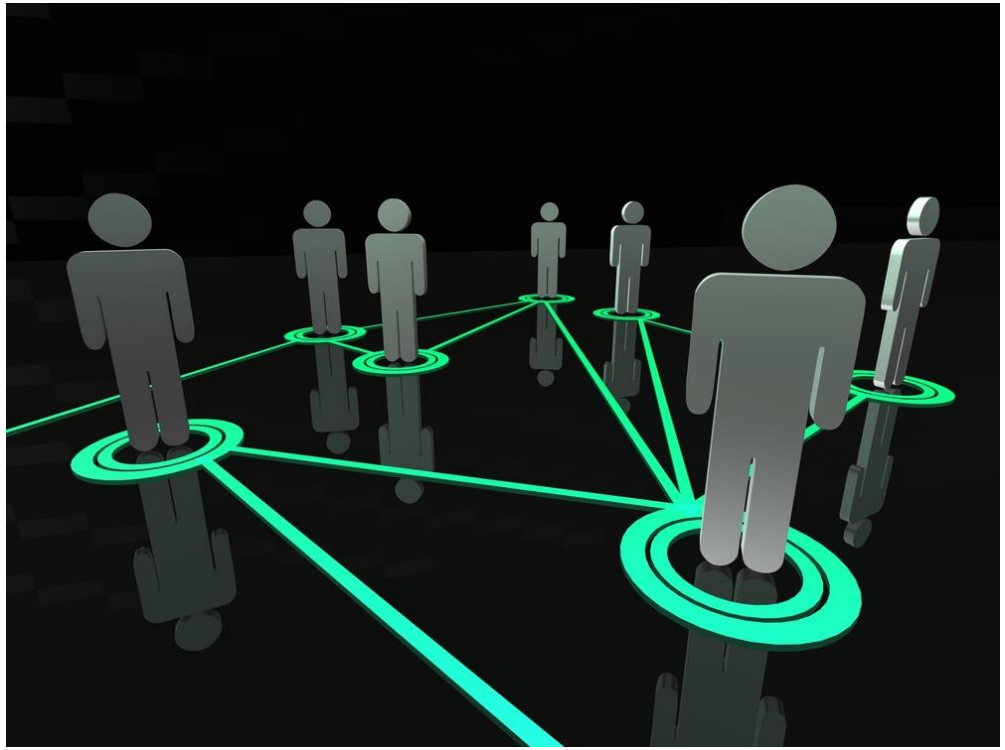
Tendency to overestimate one's likelihood of achieving a positive outcome and underestimate the likelihood of realising a negative outcome.

I have more confidence in myself to make the right output override decision than a wrong decision.

Optimism bias



Predisposition to be affected by peers' behaviour.



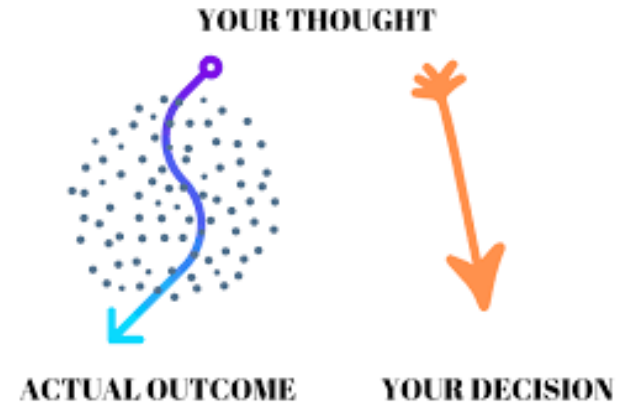
Although the system's recommendation may be mathematically accurate, I tend to go with my competitive set average if there is a marked deviation.

Peer effect bias

Tendency to be influenced by the outcome of a previous decision that may be independent of the current decision.

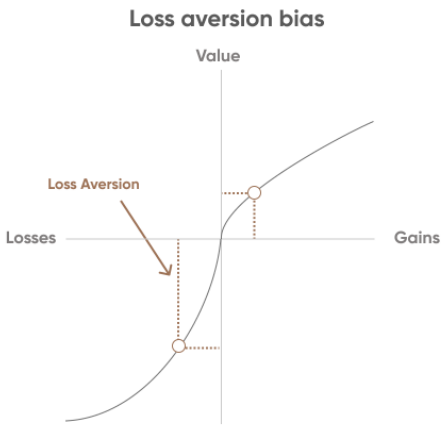
When overriding the system's recommendation, I try to remember the outcomes of my previous decisions and be guided by them.

Outcome bias



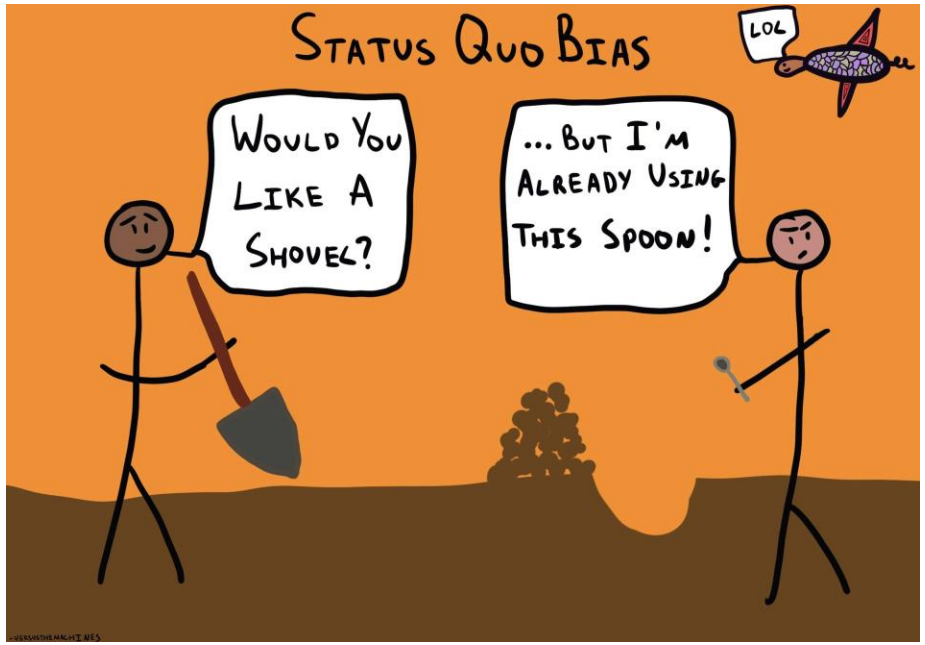
Preferring to avoid losses than acquiring corresponding gains.

Loss aversion bias



Source: Quora

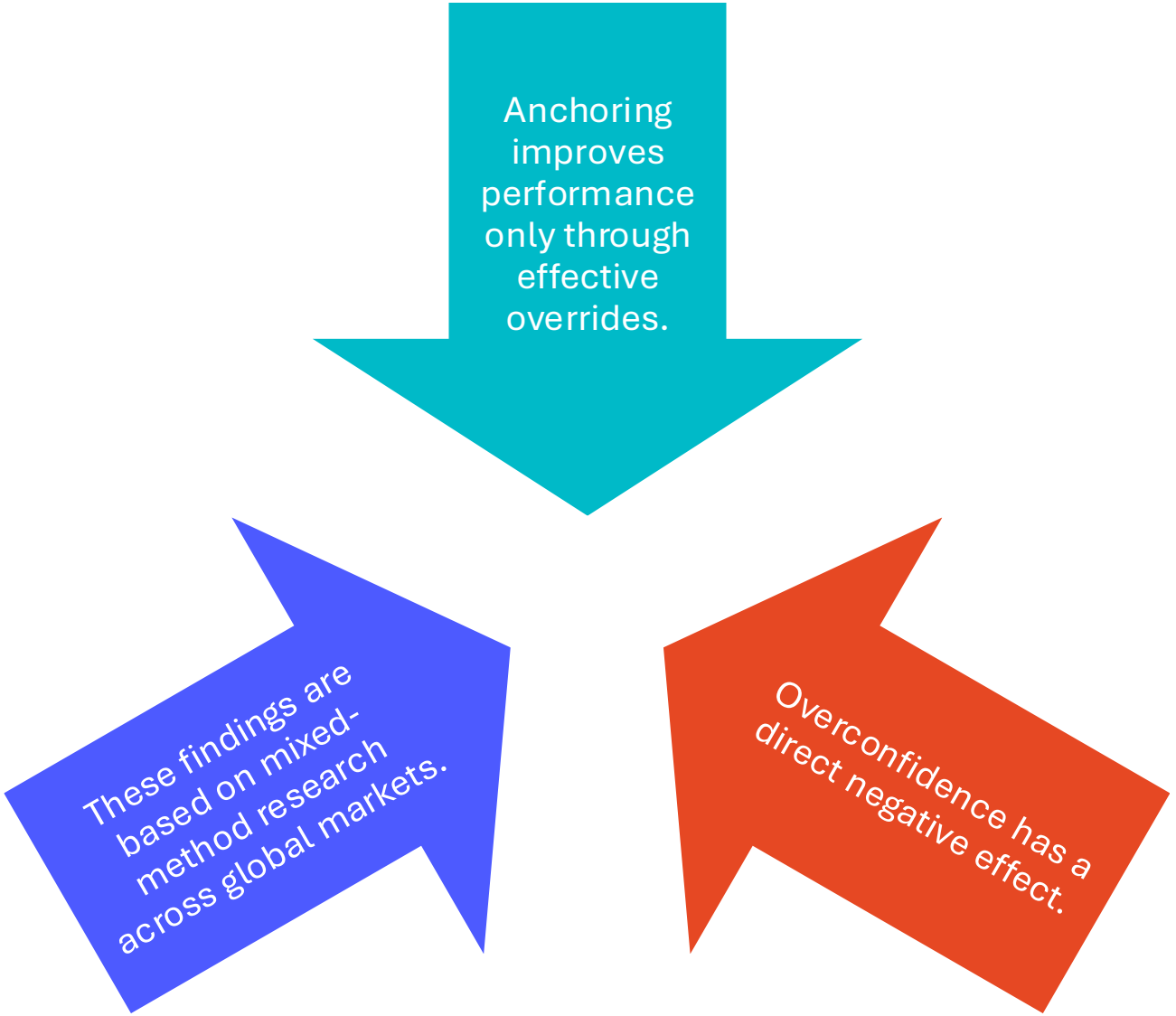
Preference for allowing the status quo to prevail rather than changing it.



When the system gives us a recommended rate, we follow it because it is also one of our KPIs.

Default or status quo bias

What the Research Shows



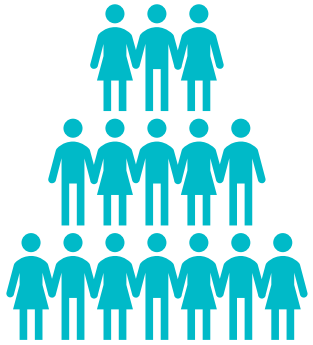
Anchoring Heuristic – More Than a Bias

- Used when managers adjust recommendations toward known reference points.
- Often done to 'guide' the system or fulfill perceived policy alignment.
- It can be useful—if overrides are effective.

Overconfidence – The Costly Intuition Trap

- Leads managers to trust themselves over the RMS.
- Rooted in lack of transparency and belief in superior personal insight.
- Directly harms performance when override effectiveness is low.

Organizational & Cognitive Triggers



Biases are not just personal—they are embedded in role expectations, system design, and performance culture.

Addressing override bias requires systemic solutions.

The Mediator – Override Effectiveness

This is the mechanism that determines whether an override helps or hurts.

Are we capturing and learning from overrides—or just bypassing system logic?

Override Decision Self-Check

Use these questions before each override:

1. What specific reason do I have for overriding?
2. Am I trying to teach the system or prove I know better?
3. Have I validated my reasoning with new data?
4. Would I be comfortable justifying this override to my GM?

Sharpening Your Pricing Instincts

RECOGNIZE YOUR BIASES.

EVALUATE OVERRIDE EFFECTIVENESS.

CREATE OVERRIDE LOGS.

INVOLVE THE TEAM.

USE THE RMS AS A PARTNER—NOT A RIVAL.

For more information

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