

COMPARATIVE ANALYSIS OF ROOM REVENUE EARNINGS OF SCALE HOTELS OF DELHI AND AHMEDABAD.

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ABSTRACT:

This paper tends to analyze room revenue earnings of scale hotels of Ahmedabad and Delhi. New Delhi is capital of India and it has one of the largest hotel market in the country, whereas Ahmedabad is not only former capital and largest city of Gujarat but it has recently emerged as an important industrial hub of North India. The study is descriptive and is based on secondary data of Smith Travel Research, Global in which Trend report (Publication date, August 16, 2017) of Ahmedabad and Delhi hotel market is used. The finding of this paper supports that for Ahmedabad hotel market, a significant growth has been seen in room revenue earnings from Jan 2010 to Jun 2017, but on contrary for Delhi this growth is insignificant.

Keywords: Ahmadabad , Delhi , Room Revenue , Hotel , Smith Travel Research.

INTRODUCTION:

Indian hotel market comes under tourism industry and is contributing in between 7 to 8 percent in country's GDP. According to World Travel and Tourism Council (WTTC), this contribution is expected to grow consistently in coming decade. This paper tries to examine the room revenue earnings of scale category of hotels of Delhi and Ahmadabad hotel market from Jan 2010 to Jun 2017. New Delhi is capital of India and also holds the political and economic centre of the country. It has one of the largest hotel market in the country. Thus, it makes it one of the prominent place for investors to open a hotel. On the other hand, Ahmedabad is former capital of Gujrat and is recently emerged as an important economic and industrial hub of North India. It IS 946.5 Km away from New Delhi and rapid industrial growth leads to development of many commercial hotels in recent years. The present study is conducted in order to full fill the following objective:

- To analyze room revenue earnings of Delhi and Ahmedabad sale hotels from Jan 2010 to June 2017.

2. LITERATURE REVIEW:

As per the report of CARE ratings, Sept 2017 on Indian Hotel Industry – Structure and development, Indian hotel industry is expected to see a positive growth in room revenue at the rate of about 11-13 % compound annual growth ratio from 2017 to 2021. This report also states that this sector account 7.5 % in the Gross Domestic Product (GDP) and is a third largest foreign exchange for the country. Thus, it becomes imperative for hotel operators to understand this segment, so that one should take right decision at right time. Understanding market conditions not only helps in decision making, but also helps to understand product and customer's need. Hotel managers around the world always seek the best strategy to set their prices for getting better profit because even a small increase in price would cause their customers to stop purchasing their hotel rooms and sent them to a competitor (Cannina et al., 2008).One of the effective way to know about hotel market is to analyze different key performance indicators (KPIs). Key performance indicators, shows the performance of a business and is use in hotel industry to know its performance in terms of, market capitalization, revenue generation and customer satisfaction. These KPIs are use heavily in lodging and tourism industry to monitor performance. (Failte, 2013). This mindset considers pricing as a strategic capability that is integral to a company's overall strategy (Dutta et al.,2002). Ransley and Ingram et al.,

2004, use penetration analysis to forecast hotel occupancy which finally leads to revenue generation. Anna and John (2003), examined the relationship between guest satisfaction, hotel room prices, occupancy percentage. In their study they found that price was a important and significant predictor of overall guest satisfaction while occupancy percentage unable to do so.

The review of literature shows the importance of analysis of hotel market for running a successful hotel business. Hotel managers are using various data and analyze them to understand their present market conditions. But unfortunately there is very less work done on these matrixes in Delhi and Ahmedabad for scale hotels. Thus, there lies a research gap. The paper tries to examine the potential and scope of Delhi and Ahmedabad hotel market in terms of room revenue generation.

RESEARCH METHODOLOGY :

This study is descriptive study and its approach is deductive. In this study secondary data of Smith Travel Research , Global is used. As per STR census data there are 100 hotels under different scale category which are considered for the study. These properties are from Delhi and Ahmedabad and belong to different scale categories i.e, Luxury chains, Upper Up scale chain, Upscale chains, Midscale chains , Economy chain and Independent hotels. Table 1 , shows month wise mean value of Room Revenue earnings of different scale hotels of Delhi and Ahmedabad city.



Table 1: Room Revenue of different scale category of hotels of Delhi and Ahmedabad city

Sr.No	Year	Room Revenue (DELHI)	Room Revenue (AHMEDABAD)	Census Props (Delhi)	% Rooms STAR Participants (Delhi)	Census Props (Ahmedabad)	% Rooms STAR Participants (Ahmedabad)
1	Jan 10	4,53,20,13,809	21,71,76,309	379	30.7	39	24.8
2	Feb 10	5,05,81,18,488	19,02,01,214	380	31.7	40	29.7
3	Mar 10	4,70,94,76,249	19,45,82,298	380	31.7	40	29.7
4	Apr 10	3,55,25,14,955	15,15,85,415	380	32.3	40	33.7
5	May 10	3,10,24,90,873	14,47,14,980	380	32.7	40	33.7
6	Jun 10	2,79,85,95,856	15,29,26,182	382	32.6	40	33.7
7	Jul 10	3,17,51,39,178	14,81,09,637	383	33.5	40	33.7
8	Aug 10	3,38,63,79,749	14,13,94,000	384	31.2	40	33.7
9	Sep 10	4,11,18,47,347	13,93,94,260	386	31.7	40	33.2
10	Oct 10	5,34,12,40,321	18,70,82,975	387	33.1	40	33.2
11	Nov 10	5,52,68,36,442	17,09,23,845	388	33.1	40	33.2
12	Dec 10	4,47,63,75,712	20,70,59,780	391	32.9	40	36.9
13	Jan 11	4,00,81,45,746	25,68,85,663	392	37.0	40	36.9
14	Feb 11	5,29,19,73,762	24,52,51,788	394	37.1	40	36.9
15	Mar 11	5,08,12,97,879	19,48,72,996	396	36.4	40	36.9
16	Apr 11	3,51,61,96,655	15,74,86,385	397	39.0	40	36.9
17	May 11	3,17,52,00,112	16,00,56,020	399	39.9	41	39.1
18	Jun 11	2,75,62,30,234	14,66,47,699	406	40.1	41	39.1
19	Jul 11	3,00,77,46,055	15,56,44,741	408	41.2	41	38.8
20	Aug 11	2,81,03,44,590	15,42,40,075	411	41.0	41	38.8
21	Sep 11	3,57,66,35,134	16,79,13,601	412	41.2	41	38.8
22	Oct 11	4,50,01,70,224	14,87,22,933	415	41.6	41	42.0
23	Nov 11	5,25,66,48,255	22,87,78,442	415	41.6	41	41.1
24	Dec 11	4,11,43,20,813	21,13,44,077	417	41.6	41	41.1
25	Jan 12	4,46,34,69,381	21,35,37,552	418	42.1	41	41.1
26	Feb 12	5,02,06,81,854	21,57,37,516	418	42.2	41	41.0
27	Mar 12	5,07,34,55,485	18,58,92,393	419	42.3	41	41.0
28	Apr 12	3,70,18,18,366	16,71,39,162	422	42.8	41	41.0
29	May 12	2,92,90,53,839	15,94,89,103	422	43.6	41	41.0
30	Jun 12	2,66,48,43,033	16,58,91,881	423	43.9	41	41.0
31	Jul 12	2,86,85,61,065	16,83,09,300	424	43.2	41	42.6
32	Aug	2,63,63,65,884	16,04,07,364	424	44.1	41	42.6

	12						
33	Sep 12	3,23,97,33,124	15,73,22,360	425	44.1	43	48.9
34	Oct 12	5,09,83,68,199	19,64,36,546	427	43.7	44	46.8
35	Nov 12	4,77,33,66,469	20,67,50,463	427	43.4	45	49.7
36	Dec 12	4,30,78,61,004	25,15,29,117	427	42.7	46	46.8
37	Jan 13	3,93,31,48,003	30,48,13,809	428	45.2	46	51.0
38	Feb 13	4,37,58,13,128	22,68,31,964	428	45.2	46	51.0
39	Mar 13	4,08,37,83,346	18,55,22,025	429	45.5	47	50.5
40	Apr 13	3,55,90,84,695	19,05,75,464	429	45.3	47	50.5
41	May 13	2,99,80,25,663	17,32,51,856	430	45.8	49	56.8
42	Jun 13	2,44,48,30,847	16,48,07,181	430	45.8	49	56.8
43	Jul 13	2,83,81,99,237	16,49,36,834	430	46.6	49	58.5
44	Aug 13	2,62,45,48,406	17,12,93,937	430	46.9	49	58.5
45	Sep 13	3,24,76,49,537	19,08,04,949	431	46.8	49	58.5
46	Oct 13	4,66,95,80,564	19,93,25,364	434	45.6	49	58.5
47	Nov 13	4,53,48,01,725	24,30,51,688	434	48.0	49	58.5
48	Dec 13	3,80,70,15,509	31,74,16,390	437	48.2	51	58.2
49	Jan 14	3,82,00,27,091	26,27,95,272	437	50.8	51	54.8
50	Feb 14	4,96,82,13,886	30,11,30,357	437	51.1	51	54.8
51	Mar 14	4,16,93,59,339	21,96,94,176	439	50.5	52	54.3
52	Apr 14	3,12,97,33,919	20,35,72,059	439	51.2	52	57.7
53	May 14	2,87,11,88,984	18,59,08,566	439	51.2	52	64.9
54	Jun 14	2,49,24,91,023	17,60,58,827	440	51.7	51	64.3
55	Jul 14	2,91,49,06,330	19,02,30,327	440	51.7	51	64.3
56	Aug 14	2,81,85,62,088	20,44,34,622	443	52.4	51	64.3
57	Sep 14	3,51,08,31,974	23,09,35,852	443	52.5	51	66.9
58	Oct 14	3,76,47,16,686	20,23,29,869	444	52.8	51	66.9
59	Nov 14	4,78,56,20,757	28,54,41,667	447	53.3	52	68.5
60	Dec 14	4,08,61,91,195	31,62,88,116	447	53.3	52	67.1
61	Jan 15	4,13,88,89,326	46,76,01,664	447	53.3	52	68.5
62	Feb 15	4,86,52,32,590	44,34,69,102	447	53.4	52	68.5
63	Mar 15	4,37,41,26,784	22,73,00,205	448	54.1	52	68.5
64	Apr 15	3,65,99,34,647	25,43,48,614	449	54.4	53	70.1
65	May 15	3,13,14,40,304	22,06,86,931	449	54.4	53	70.1

66	Jun 15	2,86,59,86,431	22,45,53,356	449	53.6	53	68.3
67	Jul 15	3,10,80,81,966	24,03,51,497	449	53.6	53	68.3
68	Aug 15	3,13,65,16,596	21,07,12,145	449	53.6	53	68.3
69	Sep 15	3,44,41,68,170	22,17,33,298	449	53.6	53	68.3
70	Oct 15	4,79,97,04,198	26,13,92,435	449	53.6	53	70.1
71	Nov 15	4,71,57,39,133	23,17,12,910	451	54.5	53	70.1
72	Dec 15	4,58,41,21,295	37,32,62,345	451	54.5	53	70.2
73	Jan 16	4,27,70,82,582	34,72,23,393	453	54.5	52	71.0
74	Feb 16	5,11,51,99,571	33,27,57,437	454	54.6	53	71.4
75	Mar 16	4,91,76,26,521	26,93,35,709	456	54.7	53	71.4
76	Apr 16	4,11,80,34,702	25,02,05,655	455	54.5	53	71.4
77	May 16	3,41,55,70,974	24,16,54,398	455	54.7	53	71.4
78	Jun 16	2,97,86,53,761	22,63,70,637	455	54.8	53	71.4
79	Jul 16	3,50,68,97,979	26,36,23,144	455	55.4	52	68.4
80	Aug 16	3,51,25,27,792	26,08,49,185	455	55.1	53	66.8
81	Sep 16	3,95,68,74,609	29,69,73,623	455	55.7	53	69.1
82	Oct 16	4,39,16,40,911	30,72,49,776	454	55.3	53	69.1
83	Nov 16	5,44,89,32,254	33,85,06,665	456	55.4	53	66.1
84	Dec 16	4,73,53,36,581	39,35,48,904	458	54.6	53	66.1
85	Jan 17	4,25,79,78,603	63,77,70,811	459	56.1	53	66.1
86	Feb 17	5,28,60,74,976	35,47,54,389	459	56.1	53	66.1
87	Mar 17	5,11,15,25,782	30,16,99,212	459	55.4	53	66.1
88	Apr 17	4,31,10,80,383	27,91,55,084	461	55.3	53	66.1
89	May 17	3,70,01,60,620	41,93,50,284	462	56.0	53	66.1
90	Jun 17	3,17,88,23,550	29,24,15,927	462	55.0	53	69.1

(Source: Smith Travel Research, Trend report of Delhi and Ahmedabad)

Objective of our study is to analyze room revenue earnings of scale category hotels of Delhi and Ahmedabad city. To achieve this objective two hypothesis are formulated which are given below:

- *Ho : There is no significant change in the room revenue earnings of scale category hotels in Ahmedabad city from Jan 2010 to Jun 2017.*
- *Ho : There is no significant change in the room revenue earnings of scale category hotels in Delhi city from Jan 2010 to Jun 2017.*

To test these hypothesis we conduct one way ANOVA. To conduct this parametric test, there are two assumptions i.e. data must be normally distributed and it must follow homogeneity of variance. We have use logarithmic transformation (Log 10) and P value of Kolmogorov Smirnov test (Sig value .200 and .063) shows that our data is normally distributed. To test homogeneity of variance , Levene test is conducted. P value of Levene statistic shown in Table 2 , shows that variance among the groups are equal.

Test of Homogeneity of Variances

Levene Statistic (Ahmedabad)	df1	df2	Sig.
.500	3	86	.684
Levene Statistic (Delhi)	df1	df2	Sig.
1.468	3	86	.229

Result of one way ANOVA shows that, in case of Delhi , P value is .173 which is more than .05 and for Ahmedabad city P value is .000 which is less than .05. Which means There is no significant change in the room revenue earnings of scale category hotels in Delhi city from Jan 2010 to Jun 2017, but in case of Ahmedabad city there is significant change in room revenue generation during this period. Result of one way ANOVA for Ahmedabad scale hotels is further analyzed by Tukey HSP post – hoc test at .05 significant level , which is shown in Table 3. Result of Post-hoc test shows that years in which significant change has been seen in room revenue earnings for scale hotels of Ahmdabad.

Table 3 : Multiple Comparisons

Dependent Variable: Room Revenue (Ahmedabad)

Tukey HSD

(I) Year	(J) Year	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
	2012-2013	-.04758	.02769	.321	-.1201	.0250
2010-2011	2014-2015	-.15089*	.02769	.000	-.2234	-.0783
	2016-2017	-.25239*	.02991	.000	-.3308	-.1740
	2010-2011	.04758	.02769	.321	-.0250	.1201
2012-2013	2014-2015	-.10330*	.02769	.002	-.1759	-.0307
	2016-2017	-.20481*	.02991	.000	-.2832	-.1264
	2010-2011	.15089*	.02769	.000	.0783	.2234
2014-2015	2012-2013	.10330*	.02769	.002	.0307	.1759
	2016-2017	-.10150*	.02991	.006	-.1799	-.0231
	2010-2011	.25239*	.02991	.000	.1740	.3308
2016-2017	2012-2013	.20481*	.02991	.000	.1264	.2832
	2014-2015	.10150*	.02991	.006	.0231	.1799

*. The mean difference is significant at the 0.05 level.

CONCLUSION

The findings of this papers supports that there is a significant growth in the room revenue earnings of scale hotels in Ahmedabad from January 2010 to June 2017. Whereas, in case of Delhi hotel market this growth is insignificant. This condition of New Delhi hotel market is because of two reasons firstly due to difference in the Demand and supply of rooms and secondly the suburbs of New Delhi have taken the lead from the city in terms of growth and development. Recent development of Aero city has added room supply in the New Delhi hotel market which has adversely affected ADR, Rev PAR ,occupancy rate and revenue earning of hotels as it increases the room inventory but the supply remains almost same. Delhi market is focused for its commercial hotels and target groups are people who come for MICE but recent development of suburbs like Gurgaon and Noida and other cities like Bangalore, Mumbai, Hyderabad we can see the fall in foot print of clients from this specific group which adversely affects its hotel business. Whereas, Ahmadabad continues to be a major upcoming location for continued investment in locations such as GIFT city and Sanand being the most notable. Thus, Ahmedabad could be one of the potential hotel market for the investors, as it is near to New Delhi and is also one of the prominent industrial hub. However the study is conducted on the secondary data provided by Smith Travel Research and data is collected by 100 different scale categories of hotels, the findings of this paper may provide helpful information to the investors and hospitality professionals who wants to invest, run or understand the behavior of the Ahmadabad and Delhi hotel market.

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