



Full Length Review Article

STRATEGIES ADOPTED BY 5 STAR HOTELS IN PUNE CITY TO INCREASE THE ROOM REVENUE

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ABSTRACT

Today, it is seen that the hospitality industry has flourished and become a major source of revenue generation all over the world. The growth of hospitality industry led to emergence of many hotel chains in India. The Pune city has also shown a drastic change in number of hotels in the last 15 years. In 1999 there were only 4 nos. of 5 star hotels in Pune while by end of 2014 there are 18 nos. of 5 star hotels in Pune district. The study is thus directed towards strategies adopted at 5 star hotels in Pune to increase the room revenue of the particular hotel. The study is conducted by a survey and gathering details on the various strategies to increase room revenue. It is tabulated and analyzed to give the ranking which gives the most effective strategy. The analysis also gives the positive effect on the average room rate and revenue per available room on the sample hotels and the overall picture.

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INTRODUCTION

The Pune district has shown an increase of room supply by 700% in last 15 years. In 1999 there were only 530 rooms compared to 3700 rooms by end of 2014 in terms of room supply of 5 star hotels. The increasing competition and over supply of rooms has led to fall in the prices of room rates thus affecting the room revenue and the average room rate. The average room rate has come down from INR 17000/- in 1999 to INR 3650/- in 2014. This condition has compelled the hotels to work on strategies and techniques to maximize the room revenue. The increase in room supply in the Pune market has not been in par with the demand. Considering the over supply of rooms in the city hotels tried to lower the rates to gain maximum market share. Thus the room rates began to fall and in turn the room revenue. The increasing cost and less revenue affected most of the hotels. This led to hotels coming up with strategies to enhance the room revenue. This condition has compelled the hotels to work on strategies and techniques to maximize the room revenue. The study is thus necessary to find out the strategies which will boost the hotel room sales. Room revenue has a major share in the total hotel revenue. Room revenue contributes up to 60% part of the total revenue. Therefore, there is a need to have a systematic plan to enhance the hotel room revenue.

The study will help the new entrepreneurs in studying the strategies required to enhance the room revenue of the hotel in the cut throat competition. It will assist the existing organizations to increase their room revenue.

Significance of Study

Room revenue has a major share in the total hotel revenue. Room revenue contributes up to 60% part of the total revenue. It is also an important factor while comparing hotel performance with the competitive hotels and city as a whole. The room revenue is important since it helps to cover the fixed costs of the hotel and also enhance the profitability of the hotel. Therefore, hotels are coming up with systematic plans and strategies to enhance the hotel room revenue. The study will help the upcoming hotels coming up in the city and the new entrepreneurs in studying the strategies required to enhance the room revenue of the hotel in the cut throat competition. It will assist the existing organizations to increase their room revenue. It will also explain the important role of room revenue, in a profit orientated business.

Literature review

"5 ways to increase the hotel room revenue" by Amy Bair attempts to put a light on the various techniques which can be adopted by hotels to boost up room sales over a period of time.

There is further analysis to enumerate 5 different strategies which are enumerated and which are explained with regards to its importance and how much it is profitable if used. One of the most important part of this study is that the techniques are simplified and can be adopted easily by any organization at its various levels of hierarchy. In his article, "Tools to boost hotel sales online" Tarun Gulati puts forth the importance of various online tools in achieving positive results in terms of room sales. Today a customer at least carries 2 devices with internet facility and making a booking is one click away. The optimum use of various marketing tools on the internet will help in boosting room sales over a long period of time for the hotels. The following online tools are described which can be used to enhance the room revenue-

The article thus puts a light on new marketing techniques which have come up in recent years and is helping in boosting the room sales. In his article, "Revenue management strategy for 2015" Jean Francois Mourier puts forth a detail summary of the revenue management strategy which ideally hotels should adopt in the year 2015. The parameters considered are the room revenue, average daily rate and revenue per available room "Strategies to improve hotel room sales" by Edward A. Merritt attempts to put a light on the various techniques which can be adopted by hotels to boost up room sales over a period of time. There is further analysis to enumerate the techniques under 15 points which is in detail explained with regards to its importance and how much it is profitable if used. One of the most important part of this study is that the techniques are simplified and can be adopted easily by any organization at its various levels of hierarchy. In his article, "How to increase room revenue in hotels?" Molly Thompson puts light on the fact that the ever traveling customer is always in need of a right accommodation which suits his standard of living, cost and needs of travel. In his article, "Boosting hotel sales-effective marketing strategy 2015." Ashok Malkani explains how effective marketing strategy will help in boosting the hotel room sales and lead to long term profitability. He considers marketing a long term process which gives results in a long run.

Statements of Hypotheses

Researcher has developed following statements of hypotheses to be tested through this study.

Null hypothesis

- There is a correlation between the strategies adopted by 5 star hotels and the room revenue.

Alternative hypothesis

- There is a no correlation between the strategies adopted by 5 star hotels and the room revenue.

Objectives

To present the study related to the Hotel industry in the Pune city, researcher will have following objectives:

- To study the various strategies adopted by 5 star hotels in Pune city to increase the room revenue.

- To identify the most effective strategy to increase room revenue adopted by 5 star hotels in Pune.

MATERIALS AND METHODS

Research Design

The type of research adopted is an exploratory research based on 5 star hotels in Pune city. It is based on exhaustive data analysis collected from both, primary and secondary sources.

Nature of study

The study is an exploratory study of the strategies adopted to increase room revenue. The study is based on ranking of the strategies and the effect on average room rate and the revenue per available room. It is exploration of relation between the strategies adopted and the room revenue.

Type of questionnaire

The questionnaire is an unstructured undisguised questionnaire which has questions relating to emphasis on the hotel room revenue and then on the average room rate & revenue per available room. The questionnaire is compiled to gather data from the revenue managers or sales managers that play an important role in room revenue generation.

Types of analysis

Collected data is classified, tabulated and arranged in order of objectives and hypotheses. Simple statistical techniques such as mean, averages, ratios and percentages is been used to analyze the data and arrive at inferences. Ranking method is used in order to determine the most effective strategy after analysis of data.

Graphical representation techniques used are

1. Bar Graph
2. Pyramid Chart

Sample Design

The Population of 5 star hotels in Pune city is 18 (as per STR update), of which a sample of 50% hotels, have been selected for detailed investigation. The sample size is fairly representative of the universe under study based on non probability sampling based on purposive nature.

Table 1. Sample Details (size and brand)

Sr No	Sample No	Hotel type by size	Brand
1	Sample No 1	Medium	International
2	Sample No 2	Medium	International
3	Sample No 3	Large	Domestic
4	Sample No 4	Small	International
5	Sample No 5	Small	International
6	Sample No 6	Medium	International
7	Sample No 7	Small	Domestic
8	Sample No 8	Very Large	International
9	Sample No 9	Medium	International

(Sources- field work)

Table 2. Sample details (nos. of rooms)

Hotel Type	No of rooms
Small	100-200
Medium	200-300
Large	300-400
Very Large	400 & above

(Sources- field work)

Basic Terminology

Room Revenue: The sum total of money generated by sale of guest rooms for a given period of time. Also called as room sales.

Average Room Rate: Average room rate is a statistical unit used in hospitality industry and is the average rental income per occupied room for a given time period. It is calculated by dividing the total room revenue generated in a specific duration of time by total number of rooms sold in that duration.

ARR = Room Revenue / Rooms Sold

Revenue per available room: Revenue per available room is the revenue earned per available room. It is used to measure and compare performance of two or more hotels.

Rev PAR= Average room rate* Occupancy percentage

Revenue management: Revenue Management, also known as yield management, is a process for capacity-constrained industries to maximize profitability by allocating the right inventory to the right customers at the right price.

Strategies adopted to increase the room revenue: The strategies mentioned below are explained in terms of the understanding of the researcher.

Positive rate revision in company contracts: Hotels have contracts with various global and local corporate organizations. In order to enhance the room revenue, the rates are revised per year considering the business provided by the hotel. The parameters to revise the rates were-

- In case the company provides more business than as per the contract the rates are not revised.
- In case company provides business at par mentioned in the contract there is slight increase in the room rates.
- In case company does not provide business as promised in the contract there is a drastic increase in the room rates.

In order to justify the rate change various value add ons were given to corporate which feature generally in the costs and accruals and thus does not hamper room revenue, namely:

1. Airport Transfers
2. Office Transfers
3. High Speed Internet
4. Discount on Food & beverages and Laundry
5. Transfers to local attractions on weekends
6. Welcome amenities

This strategy is one of the most effective strategy adopted.

Pushing for hike in group rates/ taxes inclusive rates

Hotels in Pune have a tax structure of 18.42%. In case of taxes inclusive rate the room revenue earned thus would be less. Let us take an example of rate of INR 4000 inclusive of taxes- the revenue earned would only be INR 3377. In case of rate of INR 4000 exclusive of taxes the entire amount on INR 4000 will be earned as revenue. To earn more room revenue from group business following parameters are implemented by hotels:

- Any group giving a business in terms of banquet and rooms are offered taxes inclusive rates. In this case rates are provided if the total revenue is a huge sum in lakhs varying from hotel to hotel.
- Other groups are provided taxes exclusive rates.
- Some groups are quoted higher rates which are taxes inclusive but in par with the market rate of taxes exclusive. Eg a rate of INR 4000+taxes is same as rate of INR 5000 inclusive of taxes.

In order to justify the rate change various value add ons were given to groups which feature generally in the costs and accruals and thus does not hamper room revenue, namely:

1. Shared Airport Transfers
2. Shared Office Transfers
3. High Speed Internet
4. Discount on Food & beverages and Laundry
5. Complimentary tea and coffee services
6. Welcome amenities

New promotions and packages

The hotels in Pune come up with various packages and promotions to maximize the room revenue and are distributed over all channels of reservations. The promotions are:

- Early bird package- book certain days before and get discount up to 30%. These rates are non-amendable, non-cancelable and prepaid rates.
- Weekend package- packages for weekend with breakfast included applicable on Friday, Saturday and Sunday.
- Business packages- packages which include breakfast, 1 major meal and airport transfers.
- Minimum stay packages- these packages have a condition of minimum 2-3 night stay and guest enjoy discount on the room rate and also have inclusions like breakfast, airport transfers and flexi credit on hotel services.
- Family package- package for families with more than 2 rooms booked at time for leisure family trips. Include all three meals in the rate along with late check out facility as per individual hotel policy.

Up selling

The word up selling is basically meant to describe the activity of the hotel front office and reservations staff being able to sell a higher priced room to a guest who might have come with a

concept of hiring a comparatively a lower category room. It is also called sell high. Hotels have various room categories. The employees are trained to up sell the higher room rate room categories to guests at the time of making a room reservation or at the time of check in, in the hotel. The guests are explained the various benefits of the higher category room and thus is compelled to choose the higher category room. The up selling is of various types. Depending on the hotel, the guest can be up sold a higher category room with the inclusions of the higher category room or without the inclusions. The price of up sell may vary as per the type of up sell. Eg A guest may go for a suite room only for a more spacious room and hence may prefer an up sell without any suite room inclusions. On the other hand a guest on leisure trip with his family may go ahead for a suite room with all the inclusions. The hotels in some cases provide employees with incentives for up selling the guest rooms.

Marketing through online travel agents

Hotels in Pune are connected with various online and offline travel agents. Each online travel agent has his own commission percentage. Also Commission is given to other offline travel agents registered with the hotel that does the room bookings in the hotel. Apart from other travel agents-expedia and booking.com contribute 60% of the room bookings in the Pune city. The travel agents have to be given commission but in a longer run the marketing over the websites is beneficial as the hotel is marketed to various guests worldwide and also today 62% travelers book a hotel after viewing the details through any travel agent website.

Table 3. Impact of strategies on room revenue

Effect on room revenue			
Sample No	Increase	Decrease	No effect
Sample no 1	Yes	No	No
Sample no 2	Yes	No	No
Sample no 3	Yes	No	No
Sample no 4	Yes	No	No
Sample no 5	Yes	No	No
Sample no 6	Yes	No	No
Sample no 7	Yes	No	No
Sample no 8	Yes	No	No
Sample no 9	Yes	No	No

(Sources- field work)

Marketing of brand website

The brand website is the cheapest channel for booking as the cost incurred to maintain it is very less compared to other reservation channels. Each hotel has its specific Brand website through which guest can do a hotel room booking. Unlike online travel agents the hotel also does not have to pay any commission for bookings through brand website. Also it serves as a tool for cross selling and up selling. Thus brand website is primarily marketed by the hotel in its marketing campaign overall.

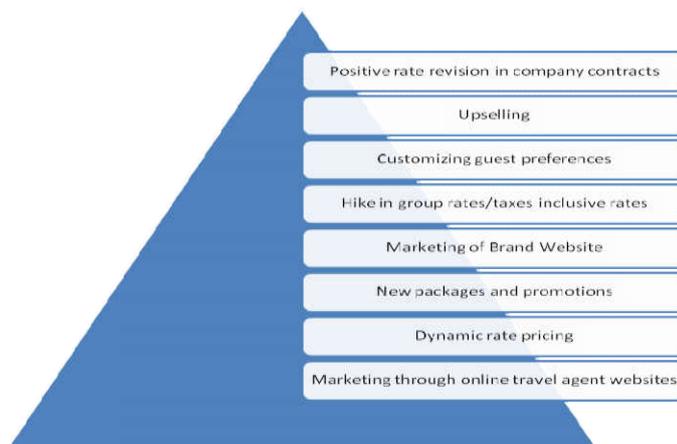
Customizing guest preferences

Today the customer is very well aware of his needs and hence is the king of the market. A guest most of the times wants a customized stay as per his needs and preferences. In order to attract such guest hotel in Pune have come up with an option of customizing the package.

Table 4. Ranking of strategies

Sample No	Ranking							
	Positive rate revision	Group rates hike	Upselling	Dynamic pricing	Marketing Brand website	Marketing OLTA	Customizing preferences	New packages and promotions
Sample no 1	4	5	2	7	3	8	1	6
Sample no 2	1	7	8	2	4	6	5	3
Sample no 3	2	8	1	6	7	4	3	5
Sample no 4	1	2	4	8	5	6	7	3
Sample no 5	7	2	4	8	5	3	1	6
Sample no 6	2	7	1	5	4	6	3	8
Sample no 7	3	4	5	8	7	6	1	2
Sample no 8	1	5	2	3	6	7	4	8
Sample no 9	1	3	2	4	5	6	7	8
Average	2.4	4.8	3.2	5.7	5.1	5.8	3.6	5.4
Rank	1	4	2	7	5	8	3	6

(Sources- field work)



(Sources- field work)

Figure 1. Ranking of strategies

As per customer needs the additional services are bundled with his room and the rate is calculated by adding the room rate and charges of these additional services. Some of the examples of such customized packages are:

- Rate inclusive of all 3 meals
- Rate inclusive of buffet breakfast and airport transfers
- Rate inclusive of buffet breakfast and high speed internet

Dynamic rate pricing

Under this strategy there are dynamic rate changes as per the seasonal variation. It follows the laws of economics where when demand is high the room rate is on the higher end and when demand is low the rate is on the lower end. The revenue manager on basis of history and forecast changes the rate considering the seasonal variation. One more aspect of this strategy is the rate parity which enables same rate through any channel of reservation. So any guest in any corner of the world would be aware of the room rate at one click. The rates featuring on brand website, hotel reservation desk, Global distribution system, online travel agents and hotel reception desk will be the same. This will also enhance in increasing the room revenue and providing the best deal to the guest in terms of a package rate.

Data Analysis and Interpretation

The above table reveals that 100% sample hotels agree that there is an impact of various marketing strategies adopted to increase room revenue. Table no. 04 and figure number 01 highlights the ranking of the various strategies used in Hotels to increase room revenue. Marketing through online travel agent websites and dynamic rate pricing are largely least preferred strategies as compare to others. Were as Positive rate revision in company contracts and upselling are most used by sample hotels.

Table 5. Increase in ARR and RevPAR

Sample No	% increase in ARR	% increase in RevPAR
Sample no 1	5	10
Sample no 2	5	5
Sample no 3	5	5
Sample no 4	5	10
Sample no 5	10	10
Sample no 6	5	5
Sample no 7	5	5
Sample no 8	5	5

(Sources- field work)

The above table explains the % of impact of marketing strategies on ARR and RevPAR. From the survey it is reveal that total 89% of hotels agree that there is 5% growth in ARR and 11% hotels feel that, there is a growth of revenue by 10% .So the researcher conclude that there is a positive impact of various marketing strategies on room revenues by 5%. The effect of the strategies is also seen on RevPAR. Of the hotel, 67 % of hotels agree that there is 5% impact and 33 % hotels feel that, there is a growth of revenue by 10%. This means there is an impact on RevPAR as well.

Hypothesis Testing: There is a correlation between the strategies adopted by 5 star hotels and the room revenue. The above hypothesis holds true as it can be seen that with the strategies adopted to increase the room revenue by 5 star hotels in Pune city there is increase in the total room revenue. Thus the Null Hypothesis put forth has been proven.

RESULTS

The following points summarize the findings:

1. There has been increase in the room revenue for all 5 star hotels in Pune city after adopting the various strategies.
2. The strategies can be ranked with regards to their effectiveness in following order
 - Positive rate revision in company contracts
 - Up selling
 - Customizing guest preferences
 - Hike in group rate/taxes inclusive rates
 - Marketing of Brand website
 - New packages and promotions
 - Dynamic rate pricing
 - Marketing through online travel agents
3. The average room rate has increased by 5% for 89% of the hotels in Pune city and by 10% for 11% of the hotels in Pune city.
4. The revenue per available room has increased by 5% for 67% of the hotels in Pune city and by 10% for 33% of the hotels in Pune city.

Suggestions

Hotel industry

1. The strategies used will be effective for 5 star hotels to increase the room revenue.
2. The techniques used can be effective parameters to measure performance of the hotel in terms of room revenue.
3. The techniques used can also help in comparing the performance with regards to immediate competitive hotels.
4. The effectiveness of the strategies can help in showing the positive performance to owners, higher management and stake holders.
5. The strategies help in increasing the average room rate (ARR) and revenue per available room (REVPAR) of the hotel.

Government

1. The government can help by reducing the direct and indirect taxes on the room revenue and also streamline the taxes overall India. The taxes vary state wise in India.
2. Infrastructure development and favorable opportunities by the government can help in boosting room revenue of business hotels.

Tourism Organizations (ITDC, MTDC)

1. The tourism organizations can help by advising the government with regards to streamlining of taxes which will help in boosting room revenue for 5 star hotels.

2. The tourism organizations can organize events where hotel representatives can meet travel agent, tour operators, MICE organizations to help develop their relations and will lead to enhancing of room sales business

Conclusion

The effectiveness of the marketing strategies used in sample hotels has helped to boost their performance and contribute to increase room revenue specially the Average Room Rate and Revenue Per Available Room. Positive rate revision in company contracts, Up selling, Customizing guest preferences and Hike in group rate/taxes inclusive rates are been proven as most effective strategies to be adopted in case like Pune City where the supply of rooms are more than the demand.

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