

Analysis of Hotel Booking Cancellations and Revenue Generation

Abstract:

This report focuses on the analysis of hotel booking cancellations and explores various factors impacting the revenue generation of City Hotel and Resort Hotel. Both hotels have been experiencing high cancellation rates, leading to financial challenges and underutilization of hotel rooms. The primary objective of this report is to provide comprehensive business advice aimed at reducing cancellation rates and increasing revenue efficiency. Additionally, the report emphasizes the exclusion of non-relevant factors in order to maintain a focused analysis solely on business-related aspects and yearly revenue generation.

Assumptions:

- No unusual occurrences between the analysed years (2015-2017) will have a substantial impact on the data used for analysis.
- The information used in this report is up-to-date and applicable for efficient analysis of hotel plans.
- There are no unforeseen negative consequences to the hotels implementing the recommended techniques.
- The hotels are not currently implementing any of the suggested solutions.
- Booking cancellations have the most significant impact on the hotels' revenue generation effectiveness.
- Cancellations result in unoccupied rooms for the duration of the original booking.
- Clients typically make hotel reservations within the same year they cancel them.

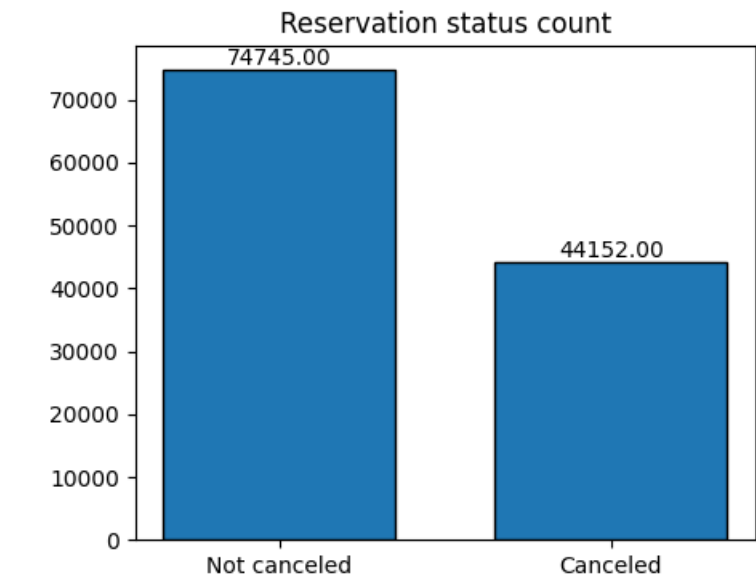
Research Questions:

- What are the key variables influencing hotel reservation cancellations?
- How can hotel reservation cancellations be reduced or better managed?
- How can hotels be supported in making pricing and promotional decisions to minimize cancellations and maximize revenue?

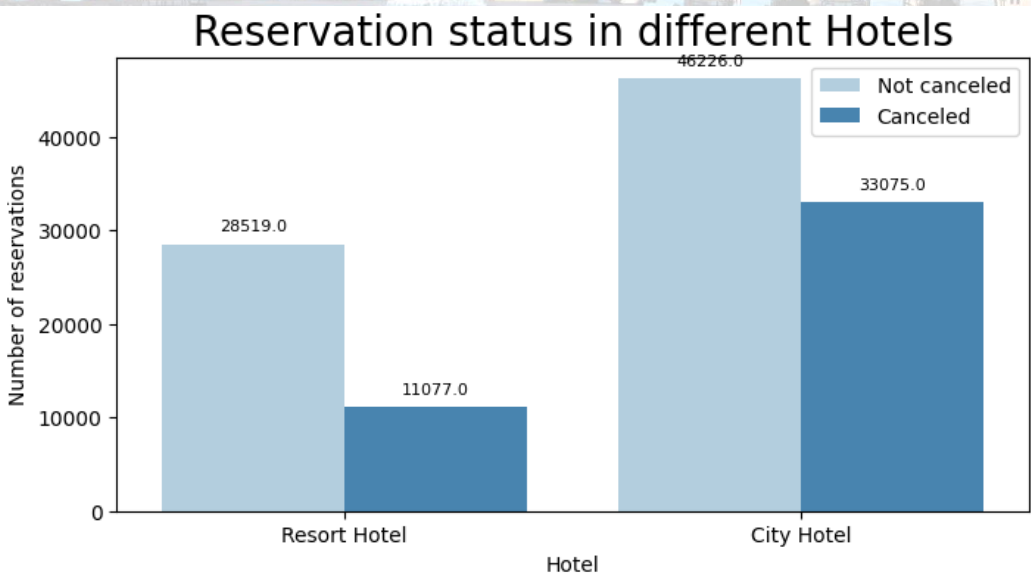
Hypotheses:

- Higher prices are associated with a higher number of cancellations.
- Customers are more likely to cancel their reservations when there is a longer waiting list.
- The majority of clients make their hotel reservations through offline travel agents.

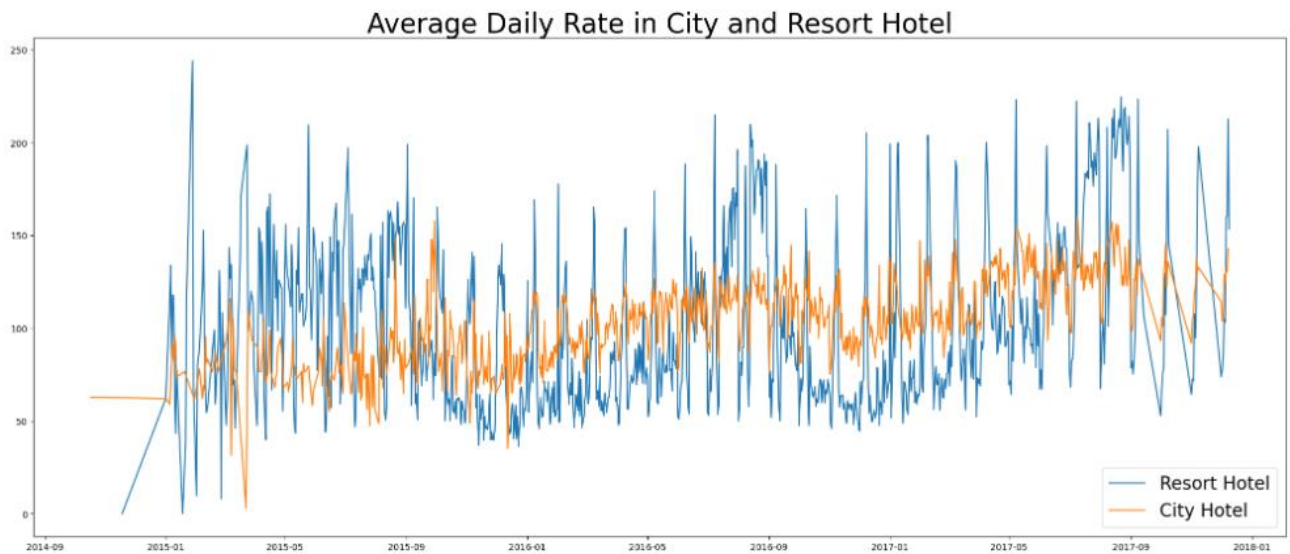
Analysis and Findings:



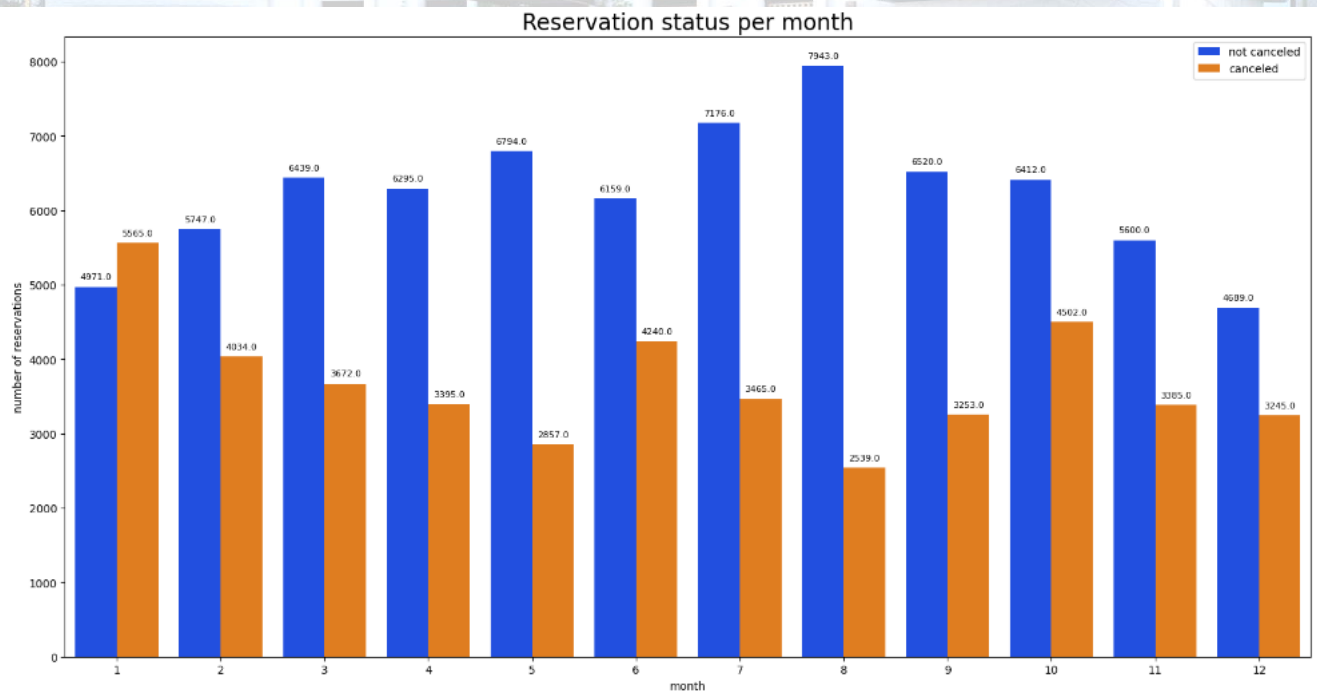
The accompanying bar graph displays the distribution of reservation cancellations and non-cancellations. The graph illustrates that a considerable portion of reservations remains intact, indicating that not all bookings are cancelled. However, it is noteworthy that 37% of clients have cancelled their reservations, highlighting a substantial impact on the hotels' earnings.



In comparison to resort hotels, city hotels experience higher booking volumes but also higher cancellation rates. Despite having more bookings overall, city hotels face a greater number of cancellations when compared to resort hotels. This phenomenon suggests that the cancellation rate in city hotels is relatively higher, potentially impacting their revenue and operational efficiency.

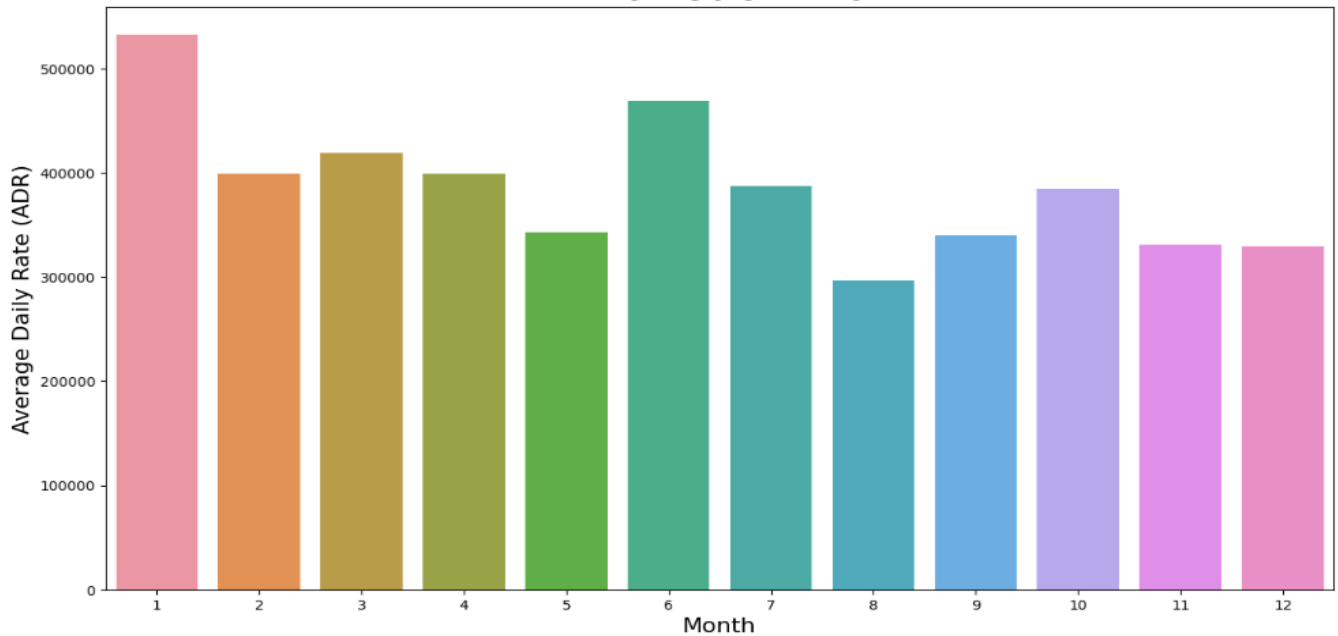


The line graph above demonstrates that the average daily rate for a city hotel is consistently lower than that of a resort hotel on certain days, and even lower on other days. It is important to note that resort hotel rates tend to increase during weekends and holidays, potentially contributing to the price discrepancy between city hotels and resort hotels. These variations in average daily rates reflect the dynamic nature of the hospitality industry and the influence of seasonal factors on pricing strategies.



We have constructed a grouped bar graph to analyse the reservation levels in different months based on their status. The graph reveals that both the number of confirmed reservations and cancelled reservations reach their highest levels in the month of August. On the other hand, January stands out as the month with the highest number of cancelled reservations.

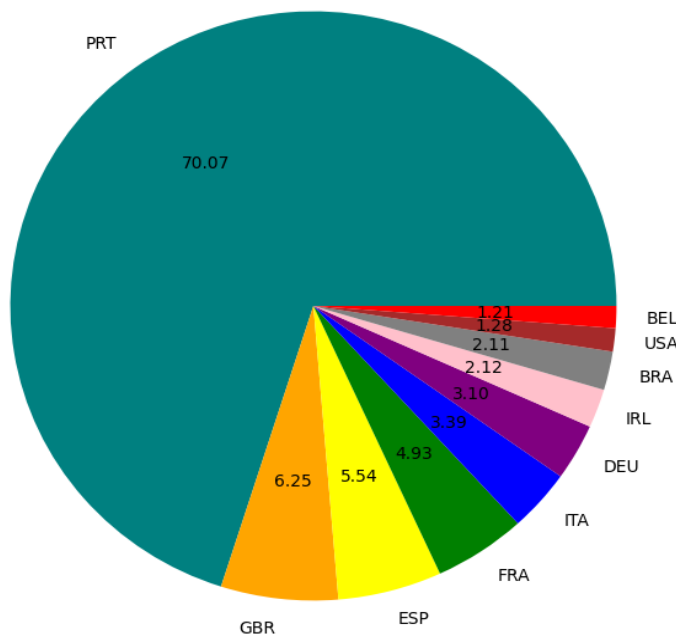
ADR for each month



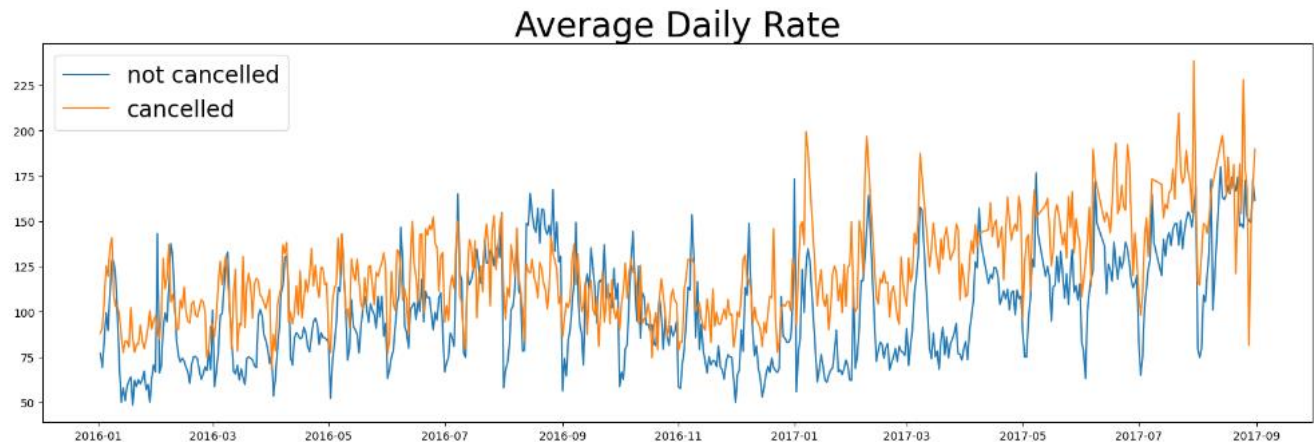
The Mentioned above graph illustrates that cancellations tend to be more frequent when accommodation prices are higher, and less common when prices are lower. It suggests that the cost of accommodation plays a significant role in reservation cancellations. Therefore, while price can influence cancellation rates, it may not be the sole determinant, and other factors should also be considered when addressing the issue of cancellations.

Now, let's examine which country has the highest number of cancelled reservations. According to our analysis, Portugal stands out as the country with the highest number of cancellations. This finding suggests that cancellations are more prevalent among reservations associated with guests from Portugal.

Top 10 countries with most reservation canceled



Let's analyse the sources from which guests are making reservations and visiting the hotels. We have categorized these sources into direct bookings, Groups, Online Travel Agents (OTA), and Offline Travel Agents. Our findings indicate that approximately 46% of clients make their reservations through online travel agencies, while 27% of bookings are attributed to group reservations. Surprisingly, only 4% of clients choose to book hotels directly by visiting them and making reservations. These insights highlight the significant role played by online travel agencies in driving bookings and suggest that hotels should focus on collaborating with OTAs to optimize their reservation volumes and maximize their reach to potential guests.



As observed from the graph, there is a clear trend indicating that reservations are more likely to be cancelled when the average daily rate is higher compared to when it is lower. This finding supports our earlier analysis, suggesting a correlation between higher prices and increased cancellation rates.

Suggestions:

- To mitigate cancellations, hotels should consider adjusting their pricing strategies. They can lower rates for specific hotels based on locations or offer discounts to incentivize guests to keep their reservations.
- Resort hotels tend to have a higher cancellation rate compared to city hotels. To address this, resort hotels can offer reasonable discounts on room prices during weekends or holidays. By providing special offers and incentives during peak periods, hotels can encourage guests to maintain their reservations and minimize cancellations.
- In January, which experiences the highest cancellation rate, hotels can implement targeted marketing campaigns with reasonable pricing to attract guests and increase revenue. By strategically promoting their offerings and highlighting the unique experiences available during this time, hotels can capture the interest of potential customers and encourage them to keep their reservations.
- To reduce the cancellation rate, hotels can focus on improving the quality of their services and facilities, particularly in Portugal, which has been identified as the country with the highest number of cancellations. By enhancing the overall guest experience and ensuring a high level of customer satisfaction, hotels can build trust and loyalty, reducing the likelihood of cancellations.
- It is important for hotels to analyse and implement a combination of these strategies to address the issue of cancellations effectively and increase revenue generation.