

Analyzing Hotel Booking Trends: Minimizing Cancellations and Maximizing Revenue Generation



Prepared by
GAURAB KUNDU

02



BUSINESS PROBLEM

In recent years, both the City Hotel and Resort Hotel have encountered substantial cancellation rates, resulting in several challenges such as reduced revenue and suboptimal room occupancy. As a crucial priority for these establishments, reducing cancellation rates stands as the primary objective to enhance revenue generation efficiency. Our aim is to provide comprehensive business advice to tackle this issue effectively.

The focal points of this report are the analysis of hotel booking cancellations and the exploration of various factors unrelated to their business operations and annual revenue generation.

ASSUMPTIONS 03

"PREDICTING SUCCESS BEGINS WITH ASSUMPTIONS, BUT EXCELLENCE LIES IN ANTICIPATING THE UNEXPECTED WHILE NAVIGATING THE CANCELLATIONS OF TODAY INTO THE BOOKINGS OF TOMORROW."



- No significant anomalies occurred between 2015 and 2017 that would substantially impact the utilized data.
- The provided information remains current and viable for efficient analysis of potential hotel strategies.
- There are no unforeseen adverse effects anticipated if the hotel implements any recommended techniques.
- The hotels presently do not employ any of the proposed solutions.
- Cancellations are the predominant factor influencing income generation effectiveness.
- Cancellations lead to unoccupied rooms for the duration of the booked period.
- Clients make hotel reservations within the same year they initiate cancellations.

RESEARCH QUESTIONS

04

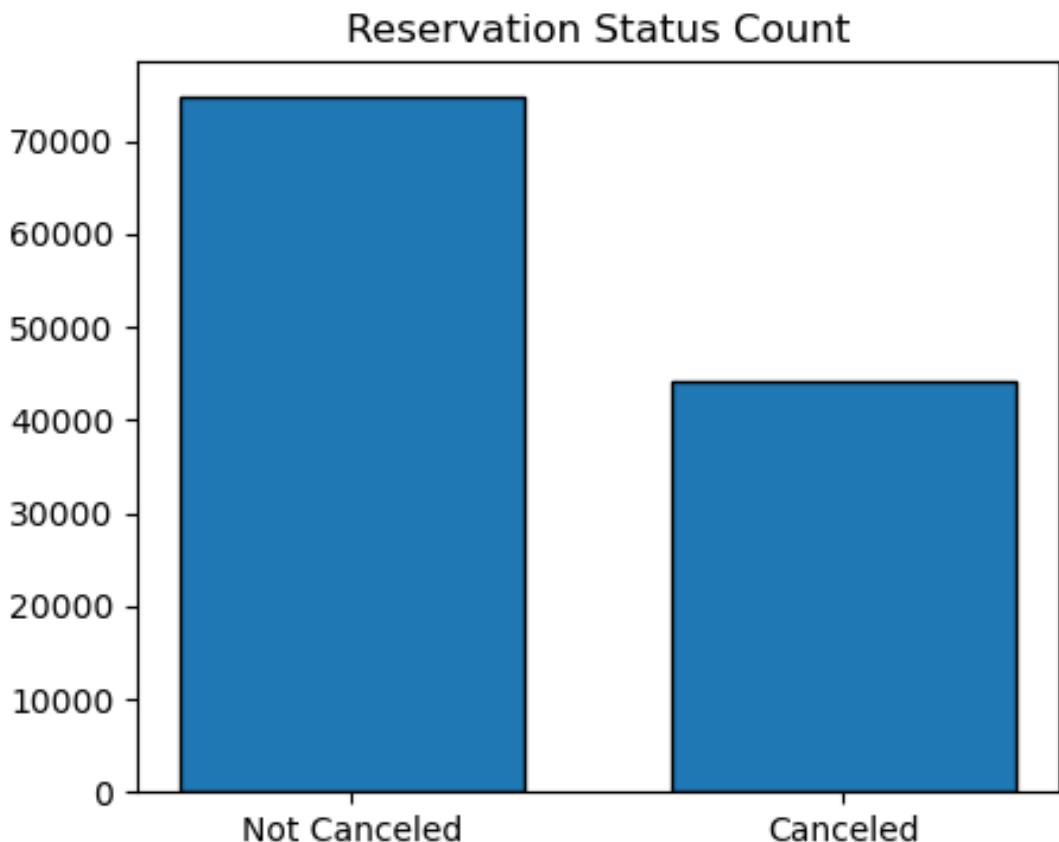
- What variables contribute to hotel reservation cancellations?
- What strategies can improve hotel reservation cancellation rates?
- How can hotels receive guidance in formulating pricing and promotional strategies to address cancellations?

HYPOTHESIS

- Increased cancellation rates correlate with higher pricing structures.
- Longer waiting lists tend to prompt more frequent cancellations from customers.
- A significant majority of clients make reservations through offline travel agents.

ANALYSIS & FINDINGS

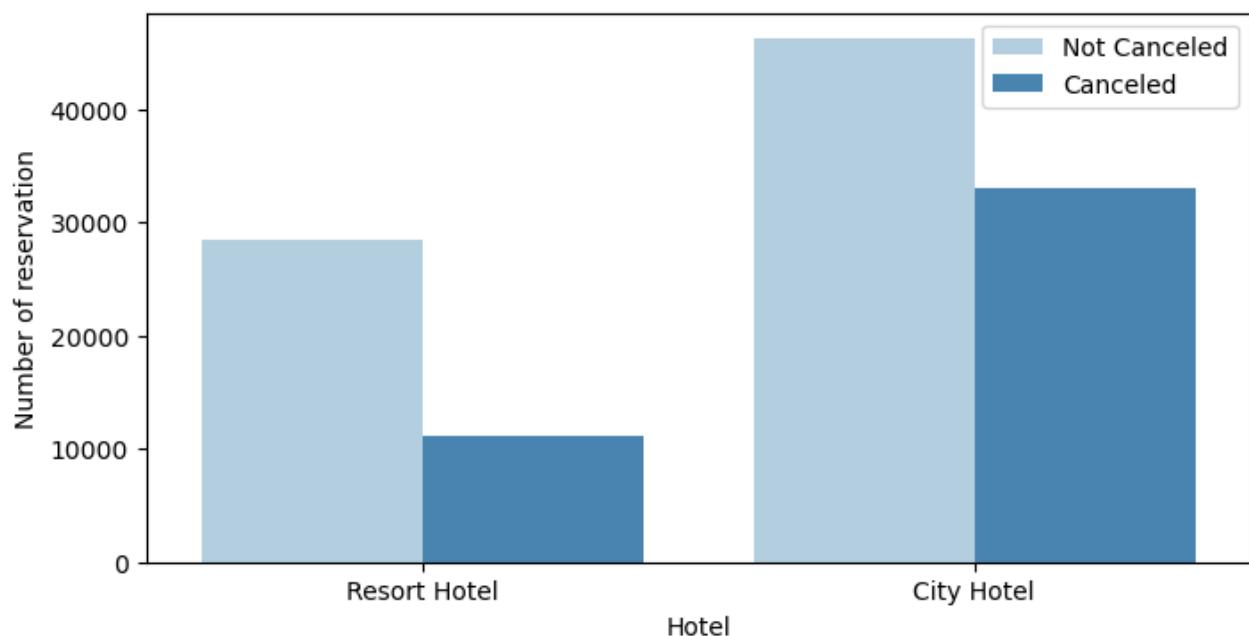
05



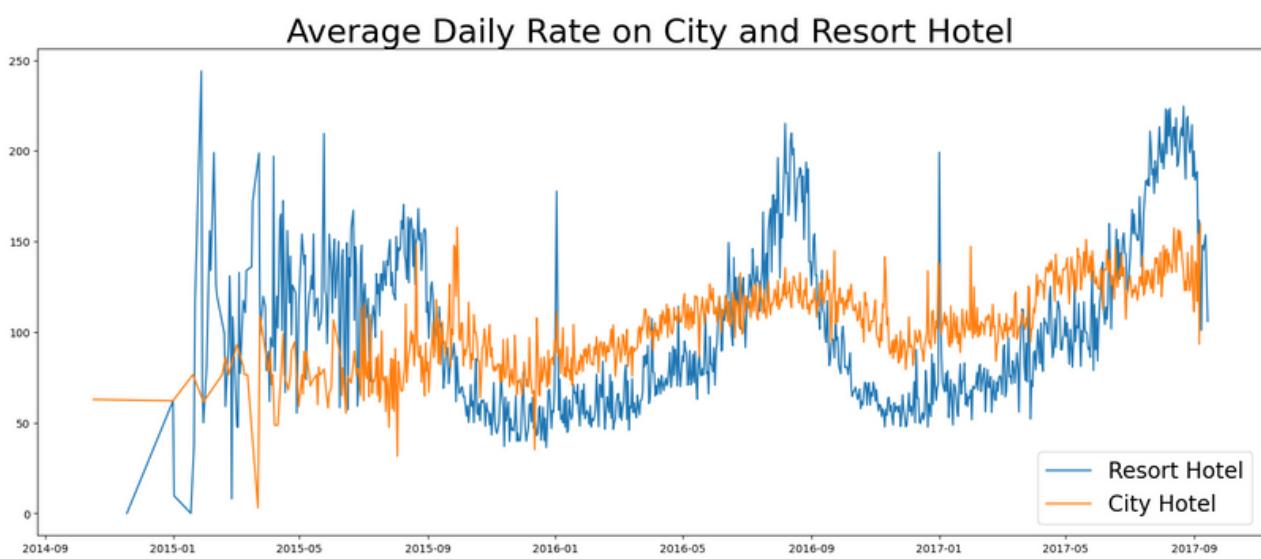
The bar graph illustrates the proportion of reservations that were canceled against those that were not. Notably, a considerable portion of reservations remains unaffected by cancellations. Approximately 37% of clients canceled their reservations, exerting a substantial impact on the hotels' earnings.

06

Reservation Status in Different Hotels

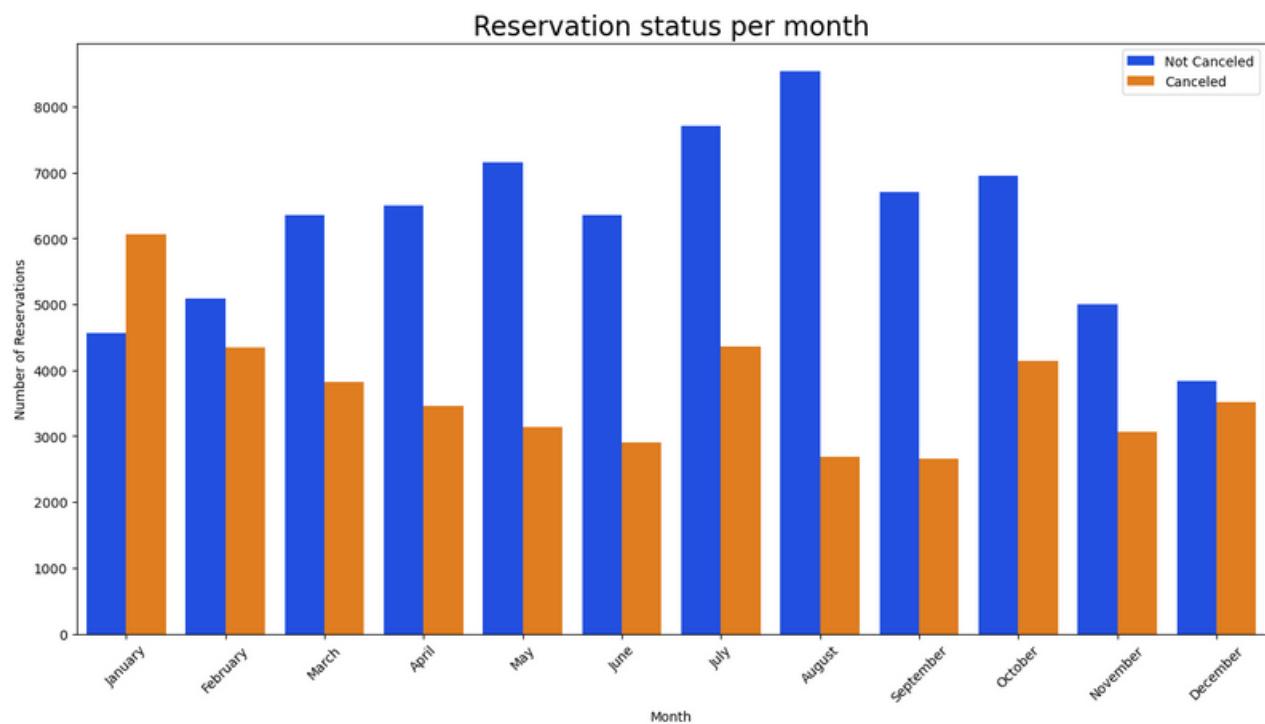


City hotels exhibit a higher volume of bookings compared to resort hotels. This discrepancy might suggest that resort accommodations potentially carry a higher price tag than those located in urban areas.



07

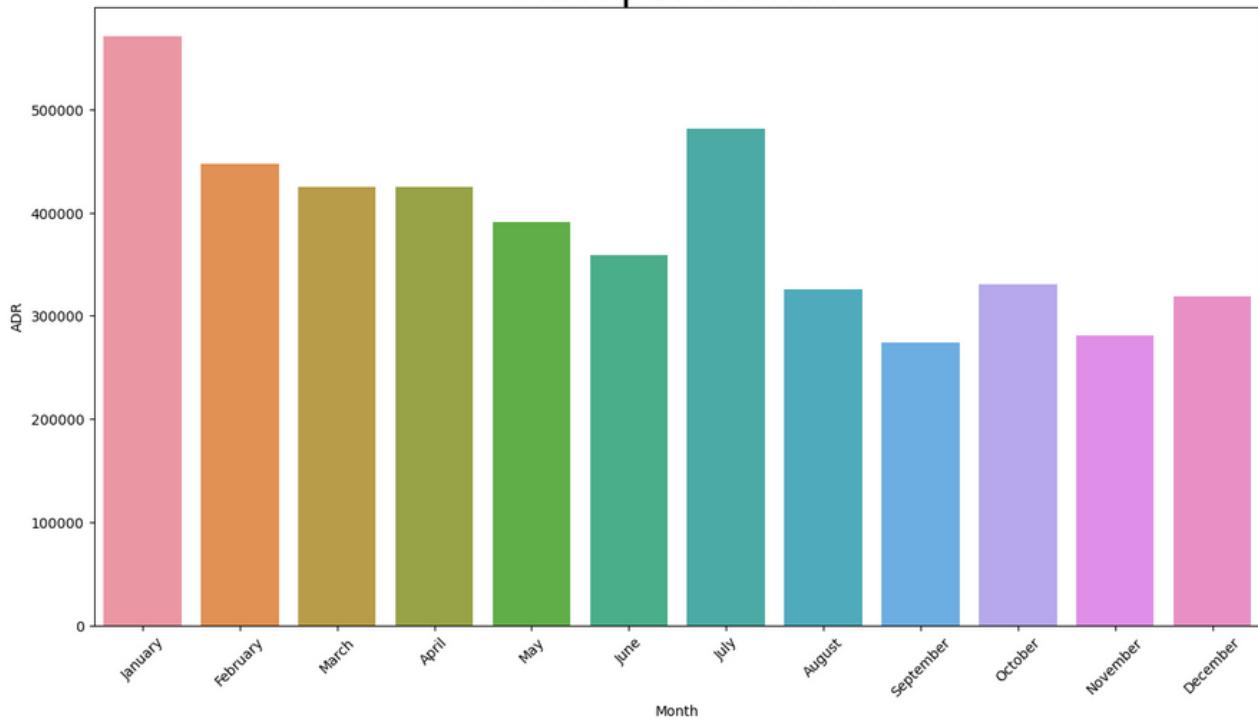
The line graph indicates fluctuations in the average daily rate (ADR) between certain days. It's apparent that some days register a lower ADR than that of a resort hotel, and on other days, it's even lower. This trend hints at potential increases in resort hotel rates during weekends and holidays.



We've constructed a grouped bar graph to assess the months with the highest and lowest reservation levels based on their status. It's evident that both confirmed reservations and canceled reservations peak in August. Conversely, January stands out as the month with the highest count of canceled reservations.

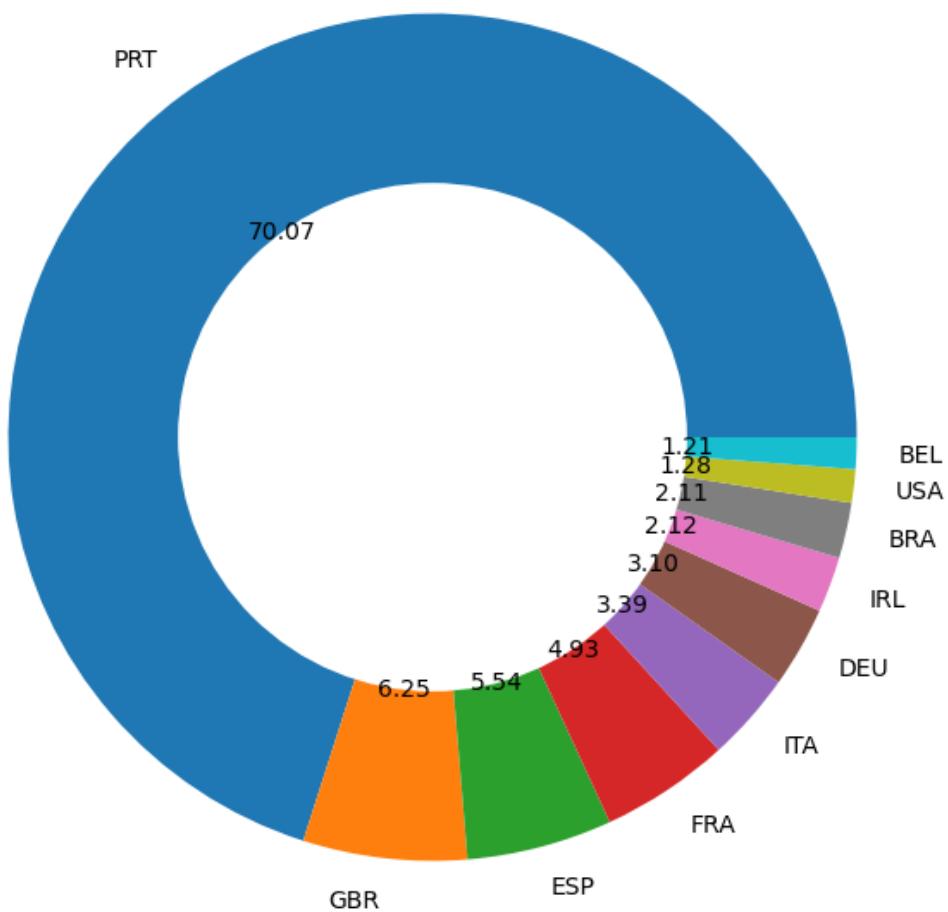
08

ADR per month



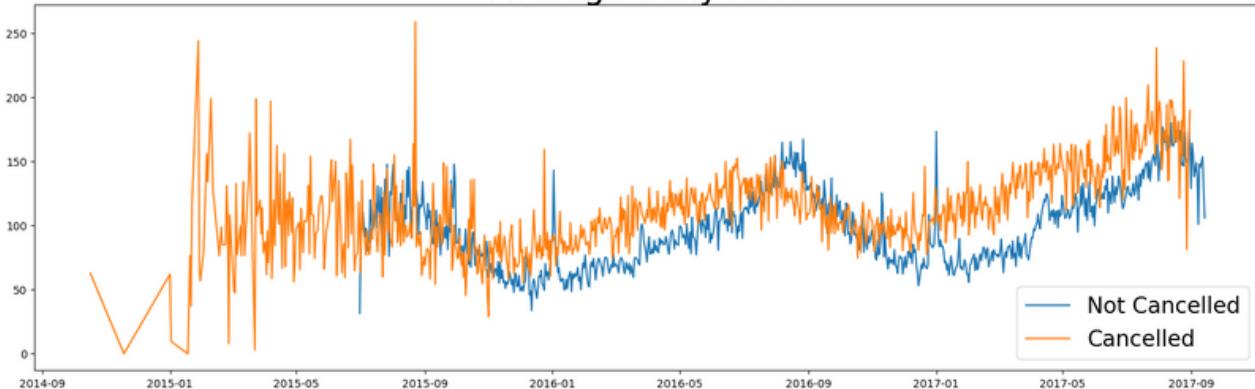
The bar graph showcases a pattern where cancellations are most frequent when accommodation prices are at their highest and least frequent when prices are at their lowest. Hence, the cost of accommodation appears to be the primary driver behind cancellations. Additionally, analyzing countries with the highest reservation cancellations reveals Portugal at the top with the highest number of cancellations.

Top 10 Countries with reservation canceled

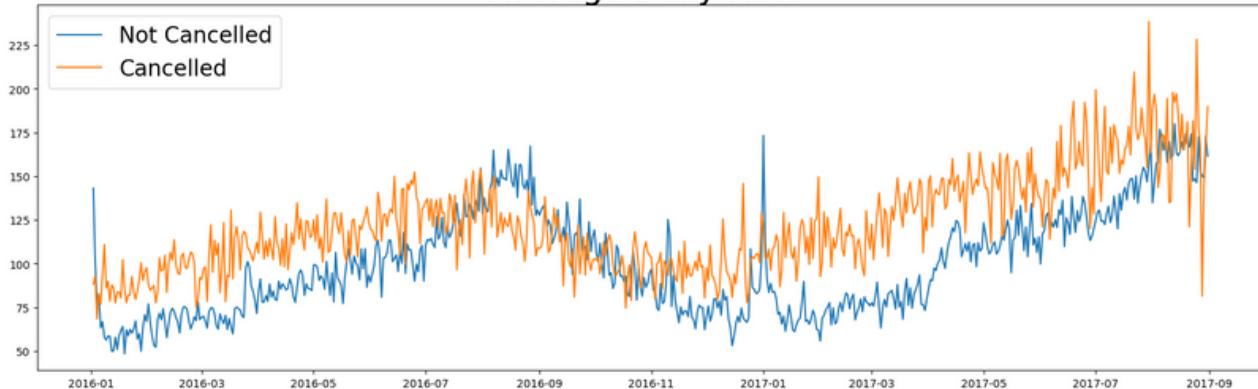


We'll examine the sources from which guests make hotel reservations—direct, groups, online, or offline travel agents. Approximately 46% of clients opt for online travel agencies, while 27% book through groups. Only 4% of clients directly visit hotels to make their reservations.

Average Daily Rate



Average Daily Rate



The graph illustrates that reservations tend to be canceled more frequently when the average daily rate (ADR) is higher compared to instances where reservations remain unaffected. This further validates the earlier analysis, affirming that elevated prices indeed contribute to increased cancellation rates.

SUGGESTIONS

- To mitigate reservation cancellations, hotels might consider revising their pricing strategies by offering targeted discounts for specific locations or lowering rates. Providing consumer discounts could also deter cancellations.
- Considering the higher cancellation ratio in resort hotels compared to city hotels, offering reasonable discounts during weekends or holidays specifically for resort accommodations could help balance cancellation rates.
- Initiating campaigns or promotional offers in January could help bolster revenue considering the increased cancellations during this month.
- Enhancing the quality of services and hotel amenities in Portugal could potentially aid in reducing cancellation rates in that region.