

# Addressing High Cancellation Rates at City Hotel and Resort Hotel

## **Introduction:**

City Hotel and Resort Hotel have encountered a significant challenge in recent years with elevated cancellation rates. This issue has led to various complications, such as decreased revenue and underutilized hotel rooms. Thus, the primary objective for both hotels is to mitigate cancellation rates to enhance revenue generation and operational efficiency. This report aims to analyze hotel booking cancellations and other relevant factors impacting business performance and annual revenue.

## **Business Problem:**

City Hotel and Resort Hotel have experienced a surge in cancellation rates, resulting in adverse effects on revenue generation and hotel room utilization. Lowering cancellation rates is imperative to improve operational efficiency and maximize revenue streams. This report will provide comprehensive business advice to tackle this pressing issue.

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## **Assumptions:**

1. Historical data from 2015 to 2017 is considered stable without significant unusual events that could skew the analysis.
2. The provided information remains relevant and applicable for efficient analysis of potential hotel strategies.
3. Implementation of advised techniques does not foresee any unforeseen negative consequences for the hotels.
4. Neither City Hotel nor Resort Hotel are presently utilizing any of the proposed solutions.
5. Booking cancellations have the most significant impact on revenue generation.
6. Cancellations lead to unoccupied rooms for the duration of the originally booked stay.

7. Clients typically make hotel reservations and cancellations within the same calendar year.
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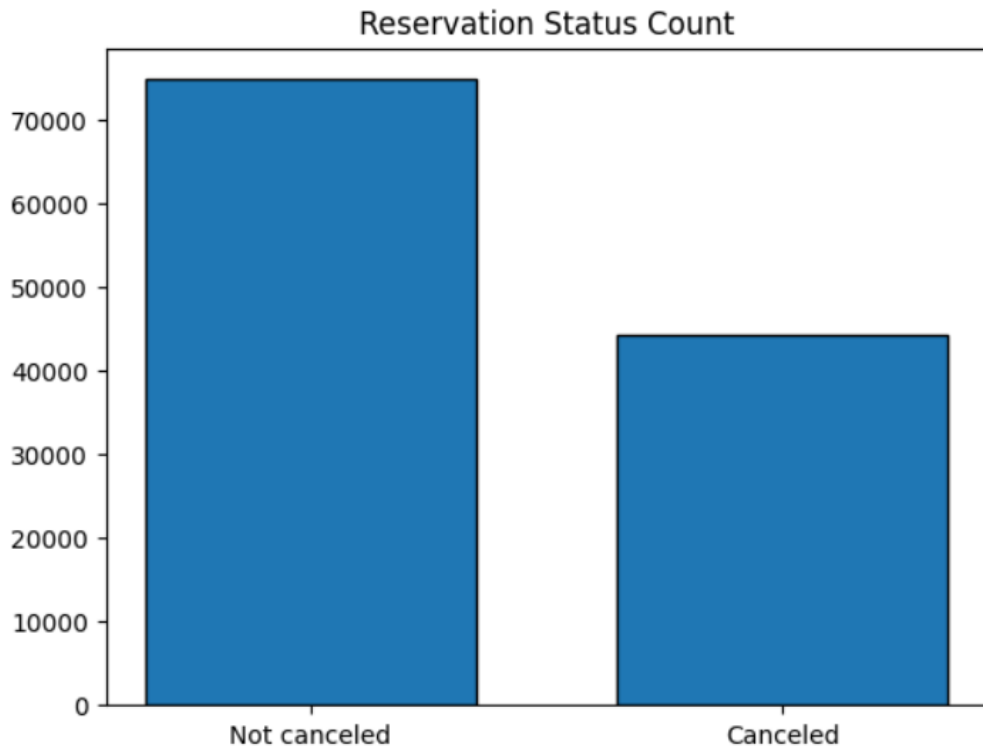
### **Research Questions:**

1. What are the key variables influencing hotel reservation cancellations?
  2. What strategies can be employed to minimize hotel reservation cancellations?
  3. How can hotels be supported in making informed pricing and promotional decisions?
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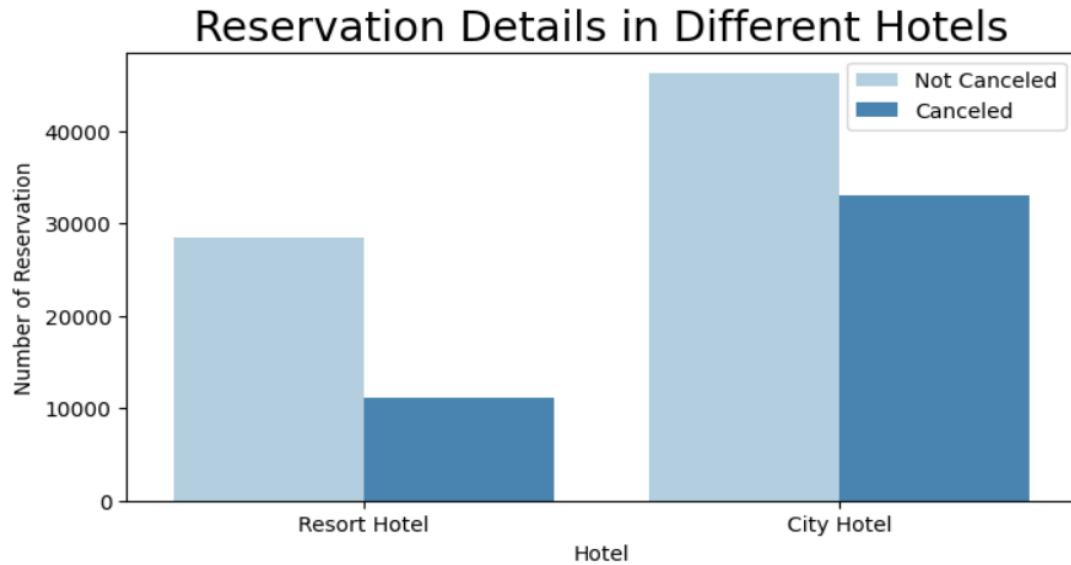
### **Hypotheses:**

1. Increased cancellation rates correlate with higher pricing.
  2. Longer waiting lists lead to higher cancellation frequency among customers.
  3. The primary source of client reservations is offline travel agents.
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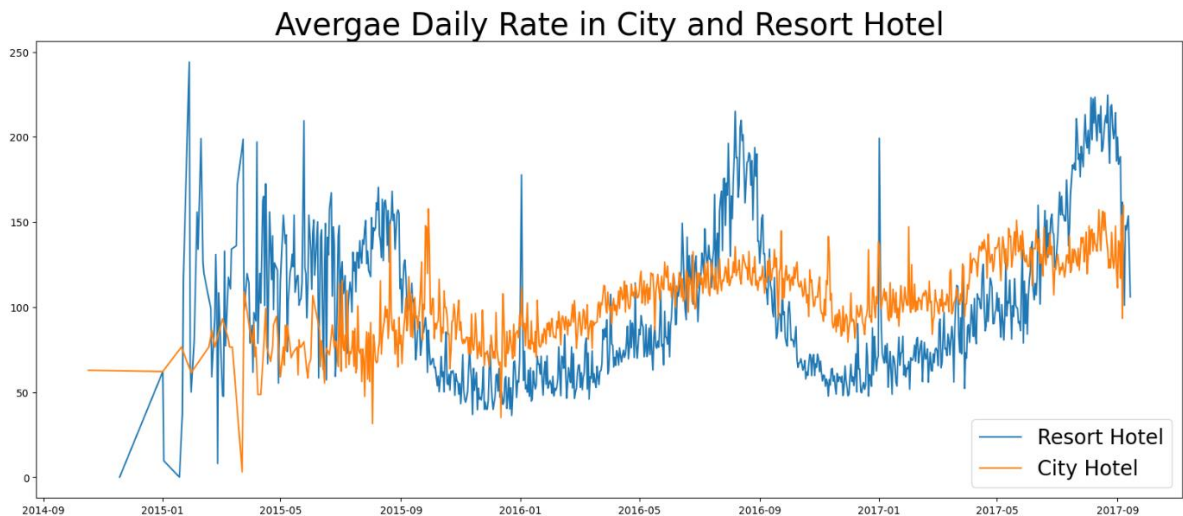
### **Analysis and Findings:**



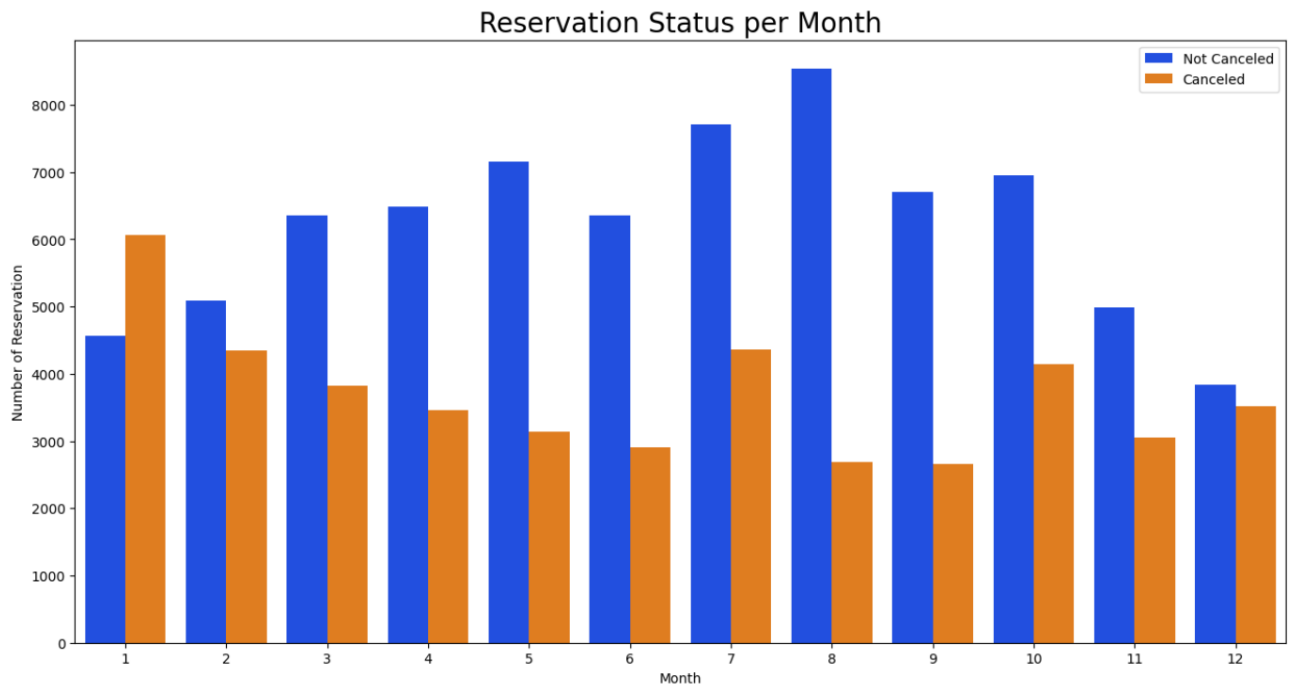
The bar graph illustrates the percentage of reservations that have been canceled compared to those that remain active. It is evident that a considerable portion of reservations have not been canceled, indicating ongoing occupancy. However, there remains a notable 37% of clients who have canceled their reservations, indicating a substantial impact on the hotels' revenue streams.



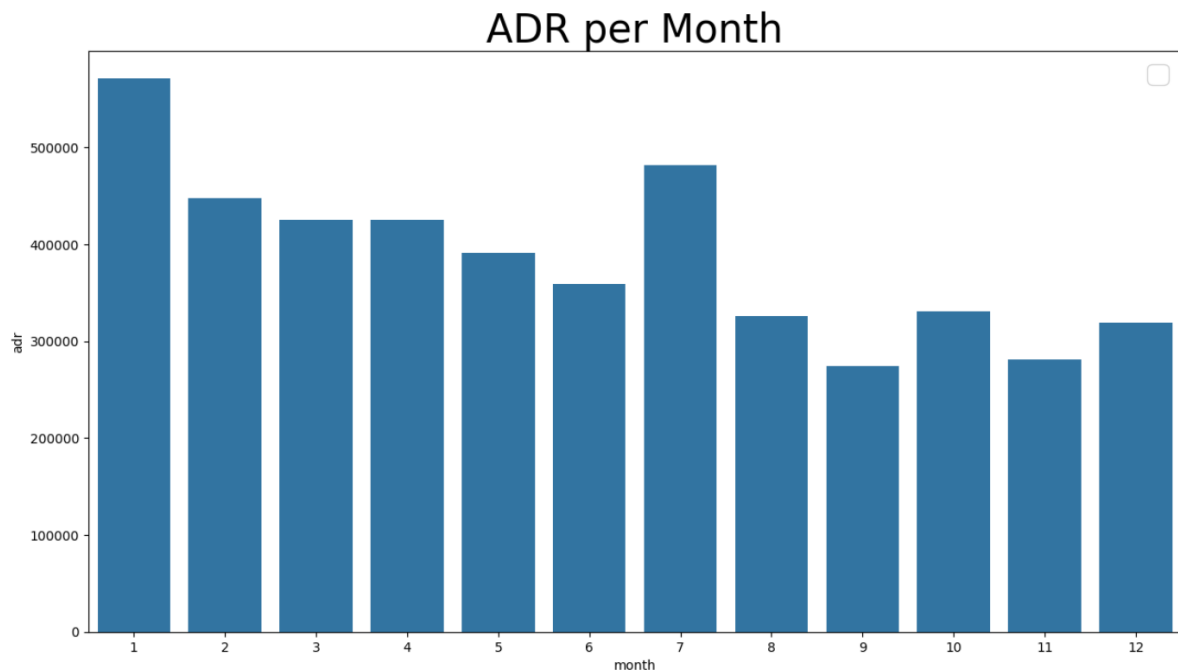
City hotels exhibit a higher volume of bookings in contrast to resort hotels. This observation suggests the potential for resort hotels to command higher pricing compared to their urban counterparts.



The line graph indicates fluctuations in the average daily rate between city and resort hotels across different days. Remarkably, certain days depict city hotel rates being lower than those of resort hotels, with some instances showcasing even more significant discrepancies. It is reasonable to infer that weekends and holidays may witness a surge in resort hotel rates, contributing to the observed variations.



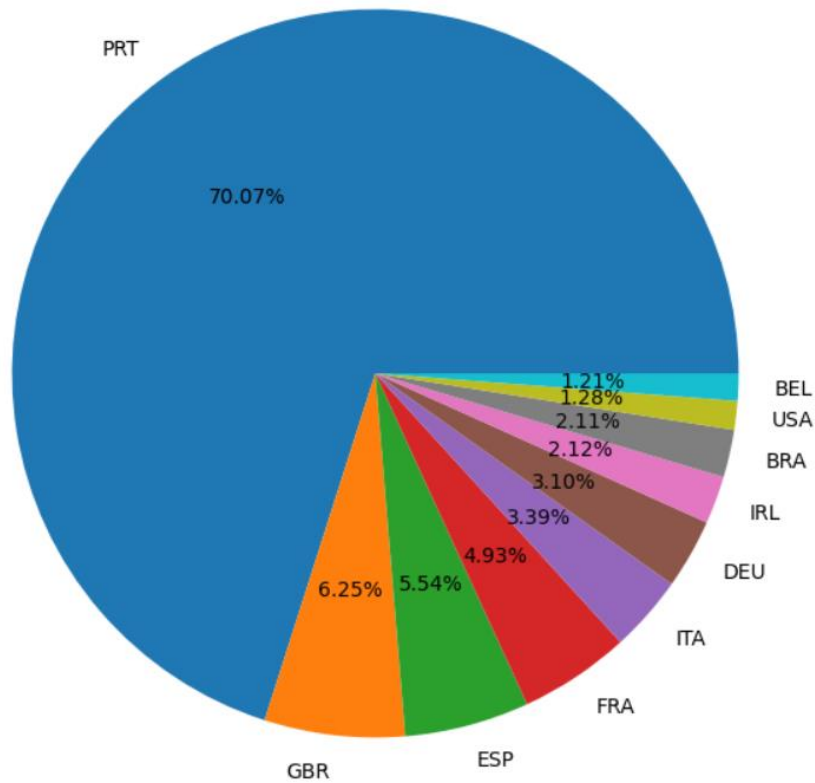
The grouped bar graph is utilized to examine the months with the highest and lowest reservation levels based on reservation status. Notably, August emerges as the month with the highest volume of both confirmed and canceled reservations. Conversely, January exhibits the highest number of canceled reservations, indicating a pattern of increased cancellations during this period.



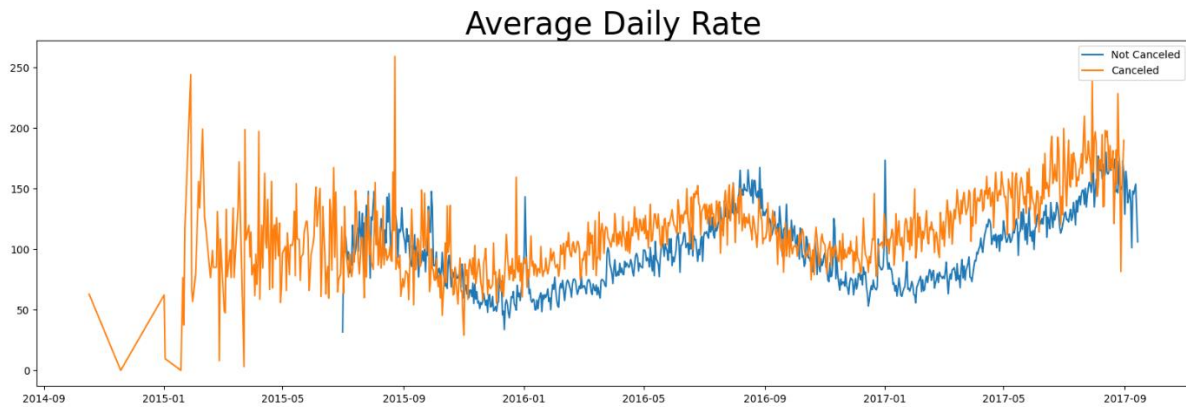
The bar graph clearly illustrates a correlation between cancellation frequency and accommodation prices, with cancellations being most prevalent when prices are at their peak and least frequent when prices are lowest. This suggests that accommodation costs significantly influence cancellation rates.

Moving on to country-specific analysis, Portugal emerges as the country with the highest number of reservation cancellations.

Top 10 Countries With Reservation Canceled



An examination of the sources from which guests make hotel reservations reveals distinct patterns. Approximately 46% of clients utilize online travel agencies, indicating a significant reliance on digital booking platforms. Additionally, 27% of reservations originate from group bookings, suggesting a notable portion of bookings come from organized groups or events. In contrast, a mere 4% of clients opt to directly visit hotels to make reservations, highlighting a relatively minimal preference for this traditional booking method.



The graph illustrates a clear trend wherein reservations are more frequently canceled when the average daily rate is higher compared to instances where reservations remain intact. This observation substantiates the earlier analysis, affirming the hypothesis that higher prices indeed correlate with elevated cancellation rates.

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### **Suggestions:**

- Implement dynamic pricing strategies to mitigate cancellation rates by adjusting prices based on demand and location. Offering discounts or promotions could incentivize guests to retain their reservations.
- Resort hotels should consider offering weekend or holiday discounts to counterbalance the higher cancellation ratio observed in this segment compared to city hotels.
- Launch targeted marketing campaigns in January to stimulate demand and offset the high cancellation rates characteristic of this month.
- Focus on enhancing the quality of hotels and services, particularly in Portugal, to diminish cancellation rates and improve overall guest satisfaction and retention.

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