



Hotel Channels profitability analysis

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Hotel Business Problem

A mid-sized hotel faces challenges in managing bookings from various channels, including Online Travel Agencies (OTAs), direct bookings through the hotel's website, and traditional travel agents.

The aim of this report is to **better understand these financial impacts to optimize their channel strategy, reduce costs, and enhance profitability.**



Hotel Channels

Total net revenue
\$676,928

AVG net revenue
\$56,411

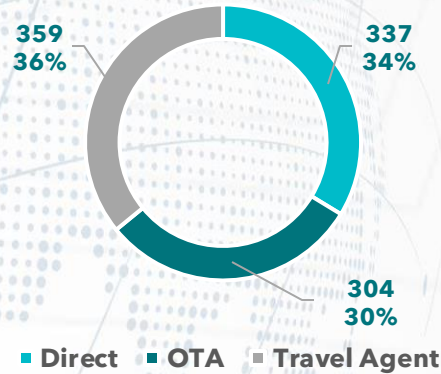
AVG booking per month
83

of booking
1000

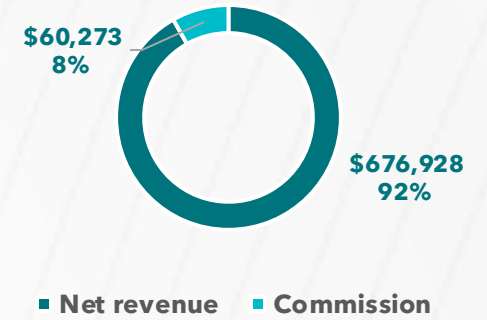
Net revenue per month



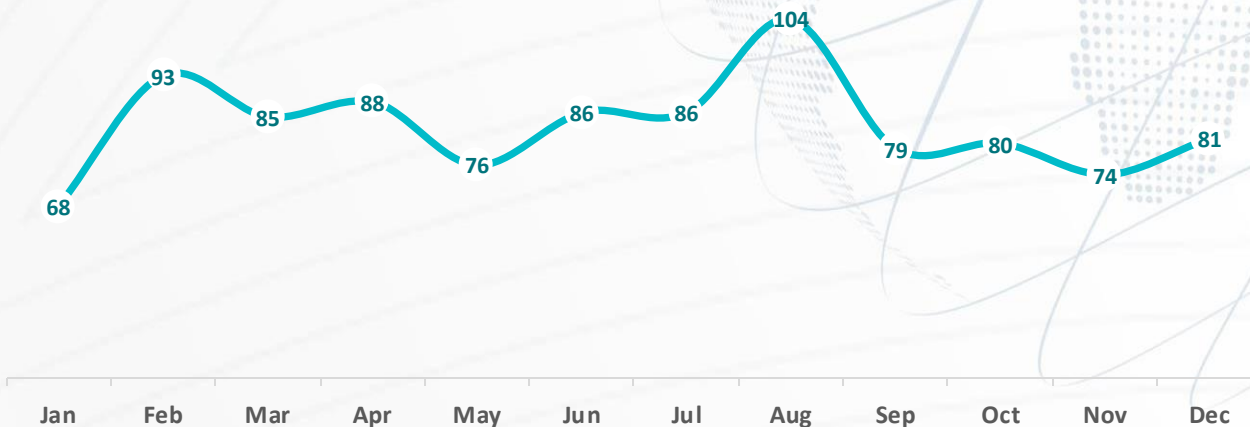
Channels



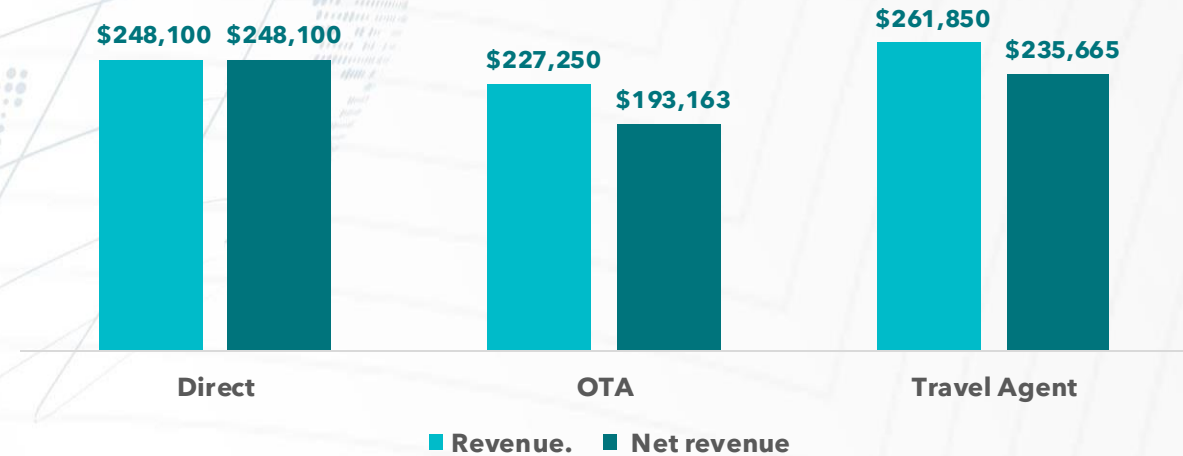
Net revenue Vs. Commission



Booking per month

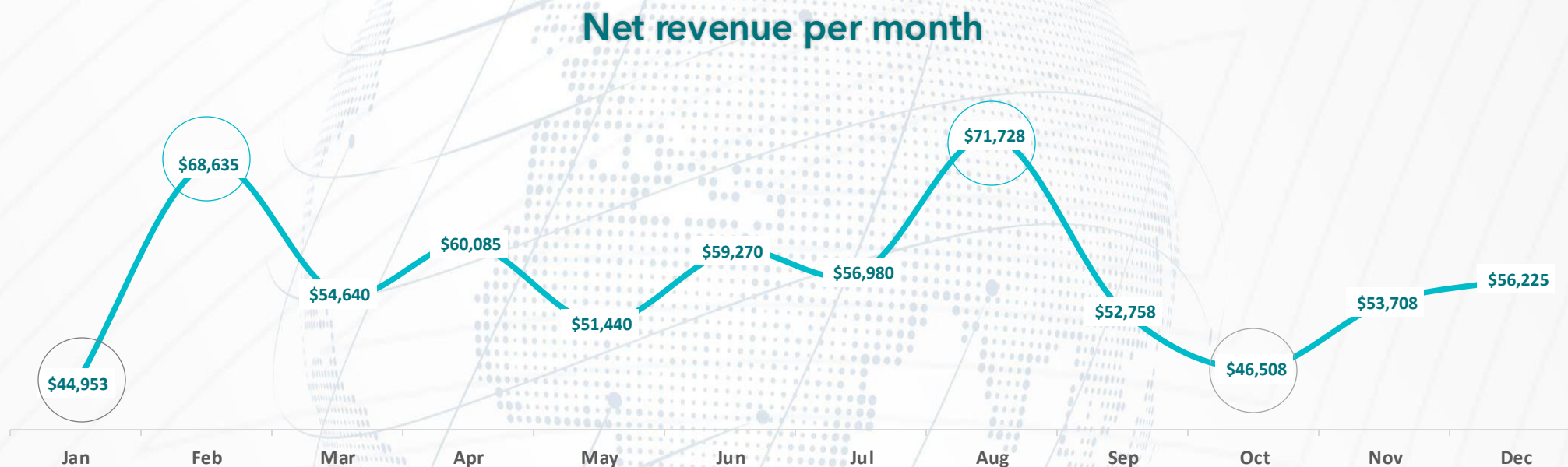


Revenue & profit per channel





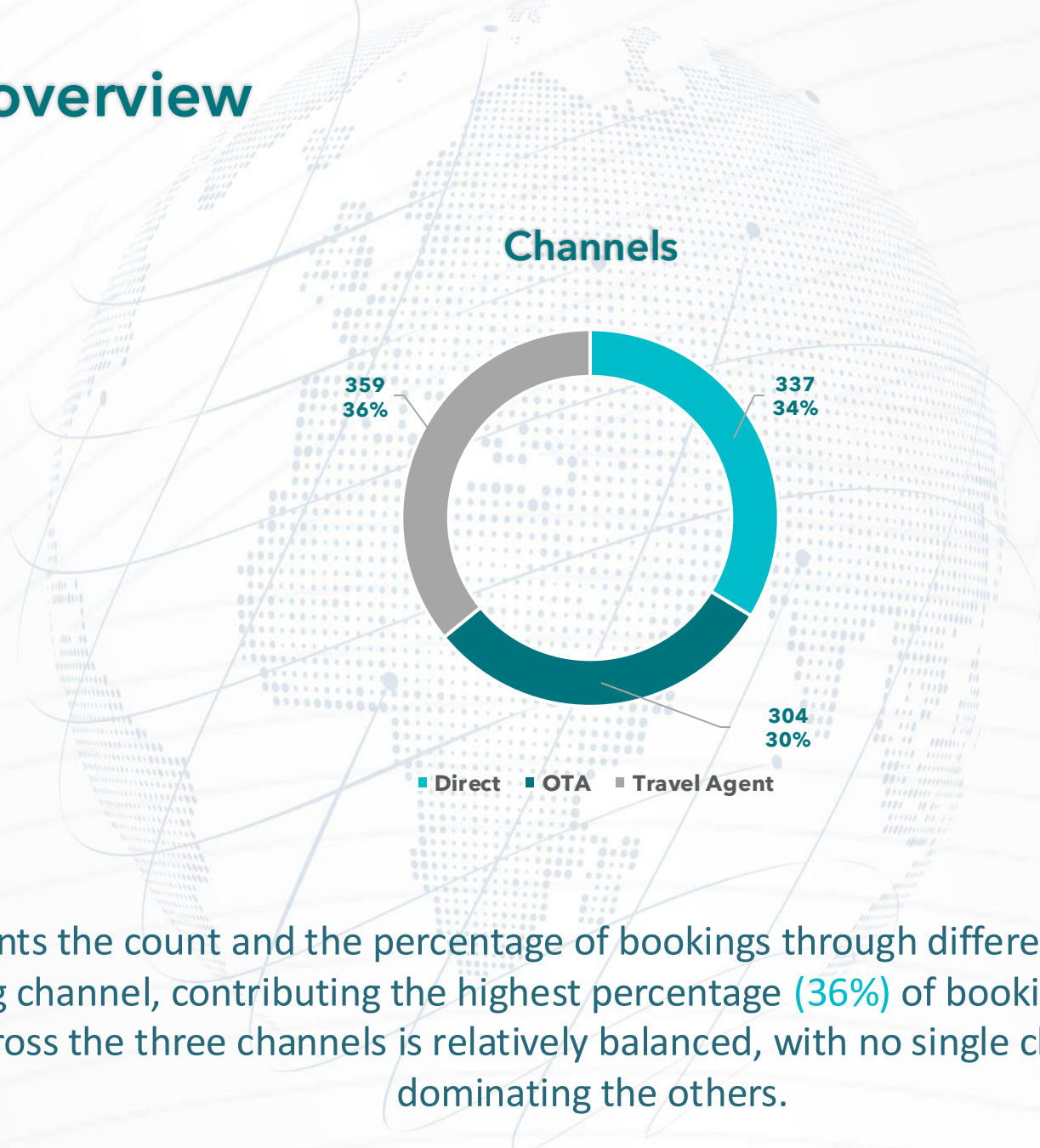
Dashboard overview



This graph shows the net revenue per each month, it shows that in 2023 February and August have the highest net revenue, and January and October have the lowest net revenue.



Dashboard overview

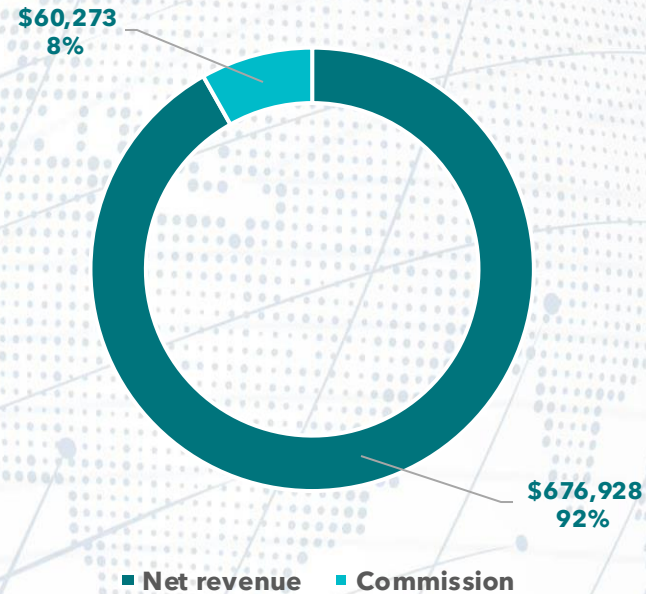


This visual represents the count and the percentage of bookings through different booking channels, OTA is the leading booking channel, contributing the highest percentage (36%) of booking number, The distribution of bookings across the three channels is relatively balanced, with no single channel overwhelmingly dominating the others.



Dashboard overview

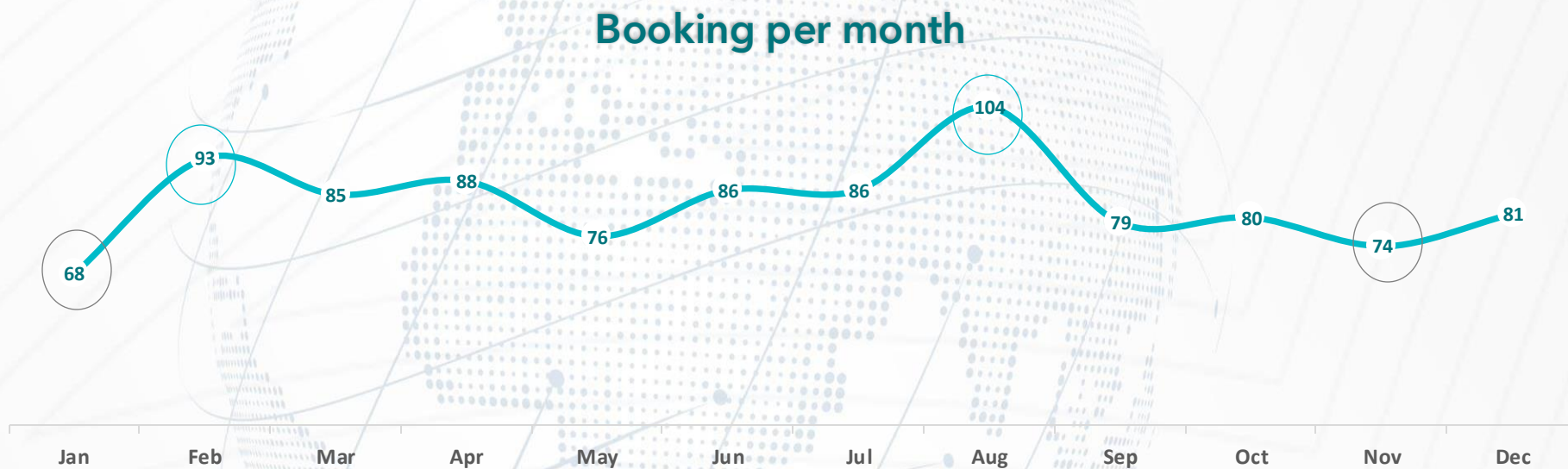
Net revenue Vs. Commission



This visual represent the relationship between the net revenue and commission of total revenue, the commission occupies only 8% of the total revenue. This small slice highlights that the cost of commissions is relatively low compared to the net revenue retained.



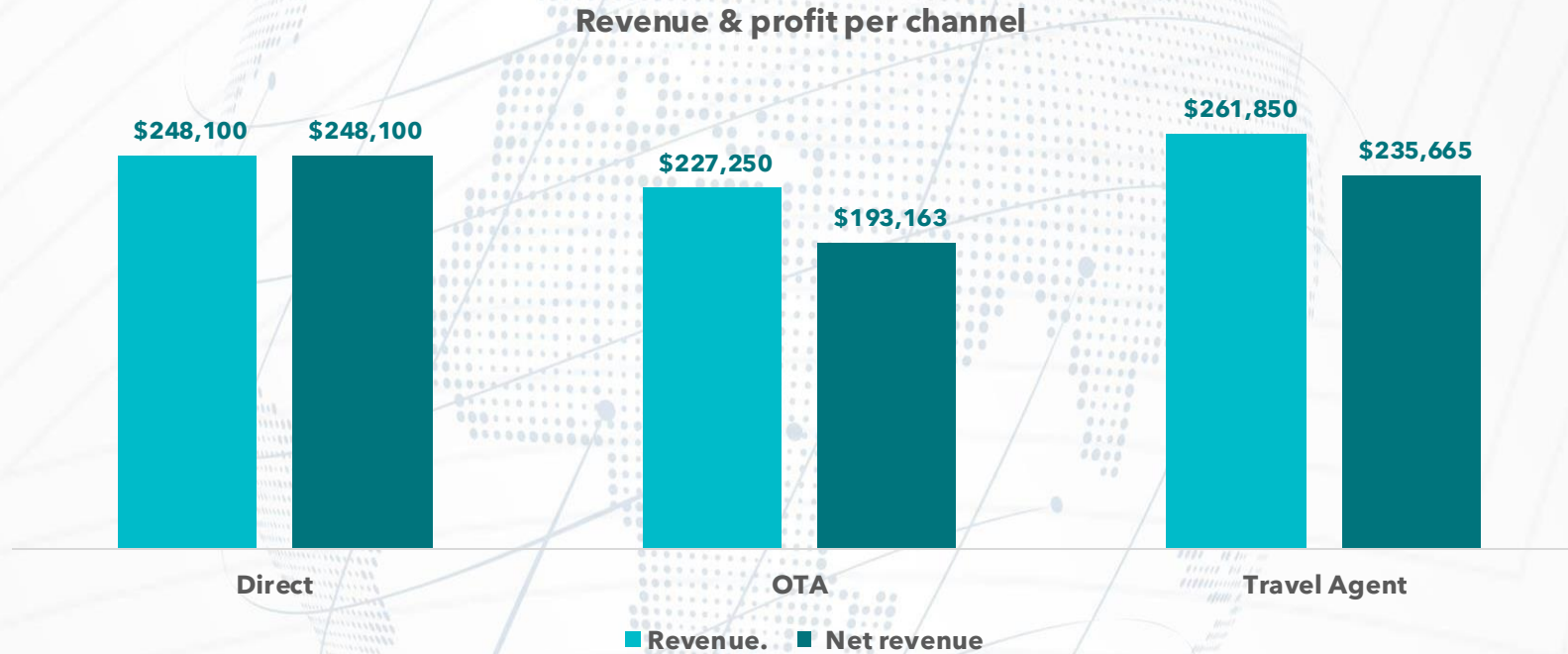
Dashboard overview



This graph shows the bookings per each month, it shows that in 2023 February and August have the highest bookings, and January and November have the lowest books.



Dashboard overview



This visual shows the revenue Vs profit per each channel, The direct channel has the highest profitability comparing to OTA and travel agent channels because this no commission.



SUMMARY

- ❖ February and August have the highest net revenue.

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- ❖ Months with highest booking number have highest net revenue.

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- ❖ January and October have the lowest net revenue.

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- ❖ months with the lowest booking number doesn't have lowest net revenue.

- ❖ Since the net revenue is significantly larger than commission, it suggests that the company is efficient in retaining most of its earnings, which is a positive indicator of profitability.

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- ❖ The Direct channel is the most efficient in terms of maintaining revenue, as there are no deductions leading to net revenue losses.

- ❖ The OTA channel, while generating substantial revenue, incurs commissions, leading to a reduction in net revenue.

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- ❖ The Travel Agent channel generates the highest revenue overall, but also has costs that reduce the net revenue.



Limitations

Based on the available data, it is currently insufficient to ascertain whether the Online Travel Agency (OTA) and travel agents are justified in receiving their commission. To make this determination, additional data is required, including:

1. The number of hotel rooms booked through each channel.
2. Clients satisfaction levels, particularly during periods of high booking volume.
3. Clients loyalty metrics, which necessitates the calculation of Recency, Frequency, and Monetary value (RFM) for each customer:
 1. **Recency:** How recently each client has made a booking.
 2. **Frequency:** How often each client makes bookings.
 3. **Monetary:** The total monetary value of each client's bookings.

By analyzing these metrics, we can better understand customer behavior and the performance of OTAs and travel agents, allowing for a more informed decision regarding commission distribution.



Recommendations

To determine whether the Online Travel Agency (OTA) and travel agents are justified in receiving their commission, the following actions are recommended:

1. Collect Essential Data:

1. Obtain detailed records on the number of hotel rooms booked through each channel.
2. Assess customer satisfaction, particularly during periods of high booking activity.
3. Evaluate customer loyalty by calculating Recency, Frequency, and Monetary value (RFM) for each customer:
 1. Recency: How recently each customer made a booking.
 2. Frequency: How often each customer books.
 3. Monetary: The total expenditure of each customer.

2. Categorize Customers Based on RFM Scores:

1. **VIP Clients:** Customers with high RFM scores, indicating recent, frequent bookings and high monetary value.
2. **Active Clients:** Customers with moderate RFM scores, showing regular booking activity.
3. **New Clients:** Customers with recent bookings but lower frequency and monetary value.
4. **Clients at Risk:** Customers with lower RFM scores, indicating a decline in booking activity.



Recommendations

3. Analyze Channel Performance:

1. Identify the proportion of VIP and Active customers originating from each booking channel (OTA, travel agents, direct bookings).
2. Enhance marketing and support efforts for channels that generate the most valuable customers.

By implementing these recommendations, we can better understand the effectiveness of OTAs and travel agents in driving valuable bookings and make informed decisions about commission justification. This approach will also help in optimizing marketing strategies to target the most profitable customer segments.