

Analyzing hotel's performance of New Delhi: A longitudinal study based on secondary data of Smith Travel Research

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Abstract: New Delhi is not only capital of India but also holds its importance as the political and economic centre of the country. It has one of the largest hospitality market in the country. Therefore it becomes one of the prominent city for any domestic and international chain for hotel business. As per India hospitality industry review 2016, in year 2016 New Delhi witnessed continued growth in demand largely driven by growing MICE and corporate demand, in addition to improved spending capacity and the increased presence of low cost air carriers. Henceforth, this paper tends to study and analyze the hotel's performance of New Delhi market in terms of KPIs, hotel's constructions and revenue generation. The study is descriptive cum longitudinal and its approach is deductive. Study reveals that in this year i.e. till August 2017, we have not seen any significant or major growth in the KPIs. City like Mumbai, Bengaluru and Hyderabad are way ahead in terms of performance of their hotel's key performance indicators. Recent development of suburbs of Gurgaon and Noida have also taken the lead from the city and adversely affected the hotel business of New Delhi.

Keywords: MICE, KPIs, Scale hotels, Smith Travel Research.

1. INTRODUCTION:

Indian hotel industry comes under the spectrum of travel and tourism which is contributing in between 7-8 % towards India's GDP. According to World Travel and Tourism Council (WTTC), this contribution is expected to grow consistently in the next decade. Delhi is not only capital of India but it also holds importance as the political and economic centre of the country. Thus, makes it one of the prominent place for the investors to open a hotel, be it chain or independent. As per Indian Hospitality Industry Revenue, 2016, Delhi witnessed growth in demand – largely driven by MICE in addition to improved spending capacity and increased number in low cost air carriers. The recent development of Aero city in New Delhi is one of the outcome of this development. This paper examines the performance of scale category hotels in the New Delhi hotel market and also intends to seek the potential for the type of scale hotel in this market. The present study is conducted in order to full fill the following objectives:

- To examine the growth of scale category of hotels in New Delhi from last six years.
- To analyze change in room revenue earnings of scale category of hotels in New Delhi.
- To compare the performance of New Delhi hotel market from Indian Hotel market and four major metro cities of India.

2. LITERATURE REVIEW:

Understanding hotel market is one of the key factor for any hotelier for operating a hotel. It not only gives a fair idea in decision making, but also helps to understand your product and customer need in a better manner. Hotel operators around the world seek the best strategy to set their prices for getting profit because even a small percent increase in price would cause their customers to stop purchasing their hotel rooms and sent them to a competitor (Cannina et al., 2008). Therefore, it is utmost important to understand the market and the concept of KPIs and use them effectively. Key performance indicators (KPIs) show the performance and the progress of a business and use in lodging industry to know its performance in terms of revenue generation, market capitalization, customer satisfaction etc. These are use heavily in hotel and tourism industry to monitor performance. (Failte, 2013). This mindset considers pricing as a strategic capability that is integral to a company's overall strategy. (Dutta et al., 2002). KPIs like Average Room Rate, Revenue Per Available Room, Occupancy Percentage, Average Daily rate, Total Revenue per Available Room etc. not only gives information about the present performance of a hotel business but also use in various forecasting techniques decision making models. As per Ransley and Ingram et al., 2004, forecasting hotel occupancy levels are customarily developed from a penetration analysis where a hotel is expected to capture a percentage of its fair share of lodging demand in various market segments like commercial, leisure etc. Anna and John (2003), examined the relationship between hotel room prices, occupancy percentage and guest satisfaction. Anna and John (2003), examined the relationship between hotel room prices, occupancy percentage and guest satisfaction. They found that price was a significant predictor of overall guest satisfaction while occupancy percentage failed to be a significant predictor of guest satisfaction.

The review of literature shows that research paper dealing with key performance indicators has been published across the globe. This shows the gravity and importance of these KPI's for the revenue management in the hotel industry. Hotel professionals are using these data for better understanding of their prevailing market trends and product. But unfortunately there is very less work

done on these matrixes in New Delhi market. Thus, there lies a research gap. In past one decade many hotels of different scale categories mushroomed up in New Delhi but unfortunately only some of them are getting their expected ROI and meeting their annual estimated forecasted budget. Therefore, it is imperative for every hotel to understand the market scenario if they are looking for a long term survival.

3. RESEARCH METHODOLOGY:

This study is based on secondary data of Smith Travel Research, Global. The study is descriptive cum longitudinal and its approach is deductive. In this study we have consider three reports of STR Global i.e. Trend report: Delhi- NCR (Publication date August 16, 2017), Market pipeline report (STRG): New Delhi- NCR (Publication date August 16, 2017) and Profitability report: Delhi (Publication date August 16, 2017). As per the STR Census data base there are 485 hotels under different scale category out of which response from 45 sample hotels are taken for the study which represents 9.27 % of census data. These properties are from New Delhi and belong to different scale categories i.e., Luxury chains, Upper Upscale chains, Upscale chains, Midscale chains, Economy chain, and Independent hotels. Data of different KPIs are collected from January 2010 to June 2017 and analyze through SPSS IBM, version 20.

3.1 Method of approach for first objective and interpretation:-

Our first objective is to examine the growth of scale category of hotels in New Delhi market from last six years. For this objective we have used STR supply report of New Delhi market. From this report we have taken data from historic supply (July 2012 – July 2017) under which development of hotels under each scale category is mentioned. To achieve this objective we have formulated a null hypothesis i.e.

Ho = There is no significant change in the growth of the scale hotels in New Delhi market from last 6 years.

Graphical representation of data through Normal Q-Q plot, Detrended Normal Q-Q plot , Histogram and the result of Kolmogorov Smirnov ,Sig value .000 and Shapiro – wiki test (Shapiro Wilk, 1965; Razali & Wah, 2011) ,Sig value .000 shows that our data is not normally distributed and also have many outliers. Thus, we have use Kruskal – Wallis test to test our null hypothesis.

TABLE 1
Kruskal-Wallis result

	No of hotels opened in New Delhi from last 6 years
Chi-Square	38.769
df	6
Asymp. Sig.	0

Source: SPSS Output

Kruskal – Wallis is a nonparametric equivalent test of one way ANOVA. Result of test shows that the P value is less than .05 which means we are fail to accept our null hypothesis. Thus, the conclusion of this test is there is significant change in the growth of the scale category of hotels in New Delhi market from last 6 years.

Percent change in the growth of different scale category of hotels in New Delhi from July 2012 to July 2017

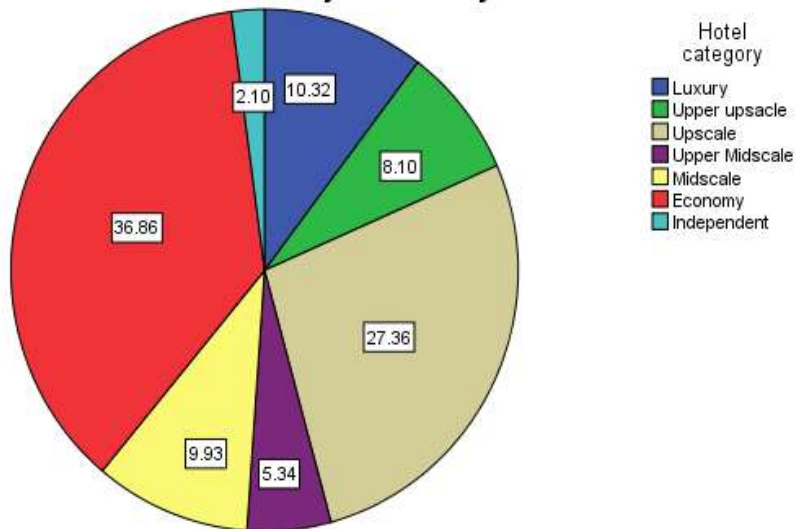


Figure 1 (Source: SPSS Output)

Pie chart shows that the maximum growth is in the economy category of hotel in New Delhi. i.e. 36.86%.

Pipeline hotel's project in New Delhi

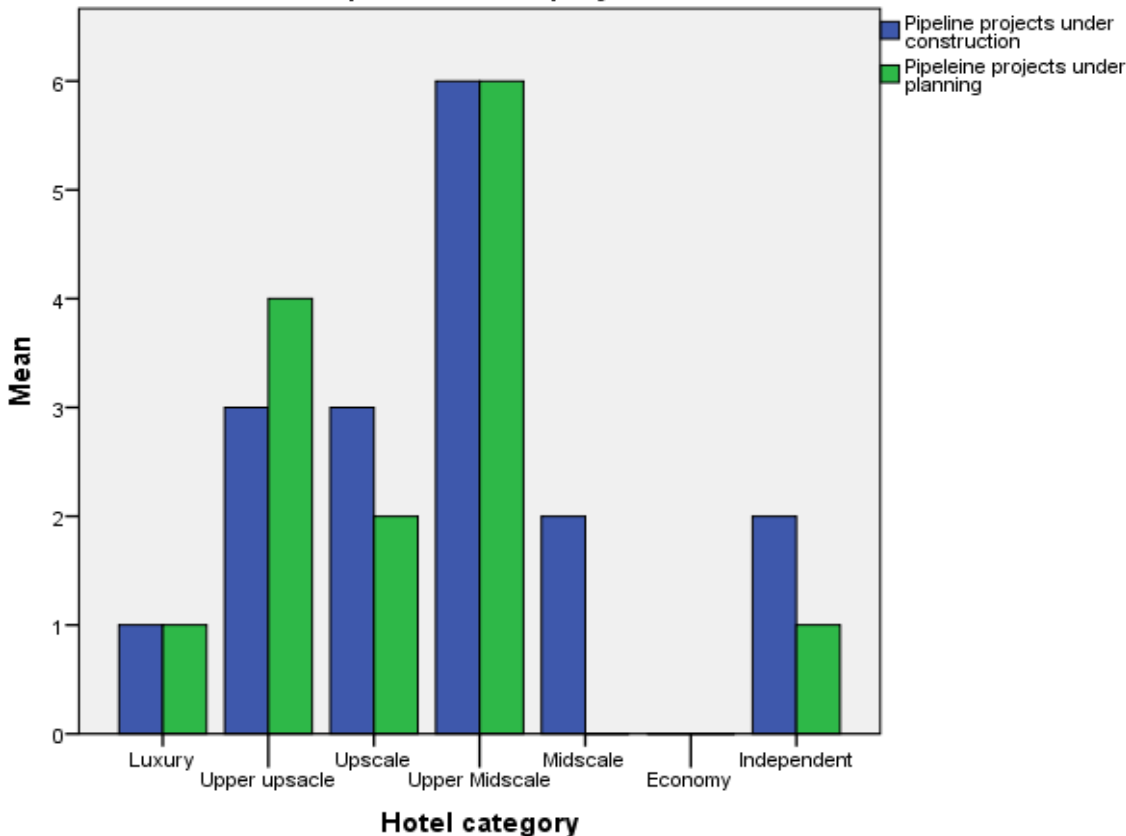


Figure 2 (Source: SPSS Output)

Bar graph shows that no hotel under planning and construction is in the economy sector of hotel but which contradicts figure 1.

3.2 Method of approach for second objective and interpretation:-

Our second objective is to analyze change in room revenue earnings of scale category hotels in New Delhi market. For this objective we have used STR tend report of New Delhi market. From this report we have collected data of total room revenue generated by the hotels in each month from Jan 2010 to June 2017. To achieve this objective we have formulated a null hypothesis i.e.

H_0 = There is no significant change in the room revenue earnings of scale category hotels in New Delhi from last seven years.

As the revenue earning data is continuous therefore for the better inference we will use a parametric test i.e. one way ANOVA. For this test there are two assumptions firstly data should be normally distributed and secondary there should be homogeneity in variance in each group. We used Fractional rank inverse transverse df transformation method (Templeton, Gary F 2011) to make our data normal as it was not normally distributed. Graphical representation of data through Normal Q-Q plot, Histogram and the result of Kolmogorov Smirnov ,Sig value .200 and Shapiro – wiki test, Sig value 1.0 shows that our data are normally distributed (Shapiro Wilk, 1965; Razali & Wah, 2011). To test the homogeneity of variance we have conducted Levene test. The P value is greater than .05 . Which indicates that variance are equal among the groups.

TABLE 2
Test of Homogeneity of Variances

Normalrevenue			
Levene Statistic	df1	df2	Sig.
.424	7	81	.885

Source: SPSS Output

Result of one way ANOVA test shows that the P value is more than .05 which means we accept our null hypothesis i.e. there is no significant change in the room revenue earnings of hotels in New Delhi from last seven years.

TABLE 3
ANOVA

Normalrevenue					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5302495717578 439700.000	7	7574993882254 91330.000	1.147	.343
Within Groups	5350386020701 4120000.000	81	6605414840372 11260.000		
Total	5880635592459 2560000.000	88			

Source: SPSS Output

Change in room revenue earnings of hotels in New Delhi from Jan 2010 to July 2017

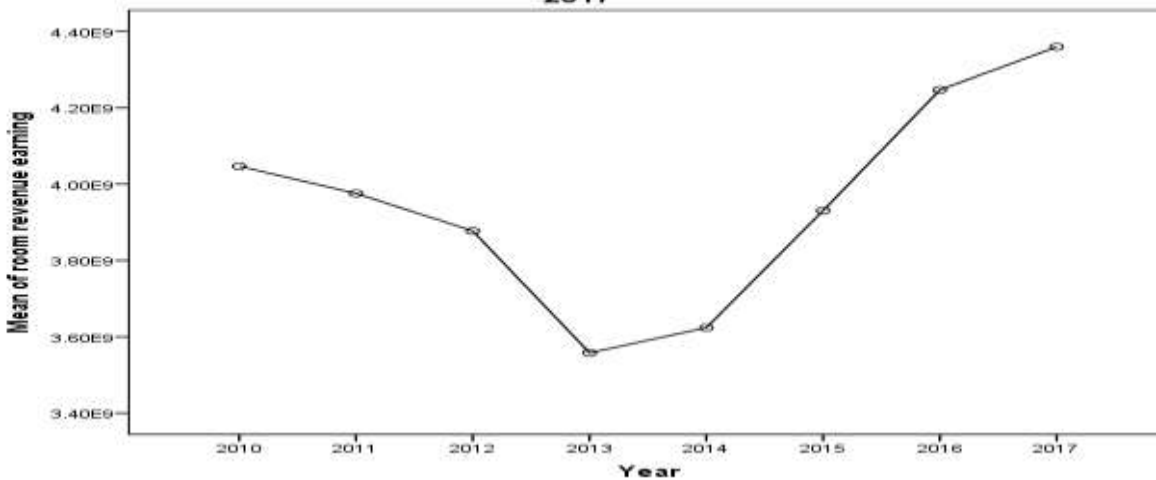


Figure 3 (Source: SPSS Output)

The line graph shows that there is continuous decrease in the room revenue of hotels from 2010 to 2013. After 2013 to 2017 we see the increase in room revenue. But there is no significant change in room revenue from Jan 2010 to July 2017

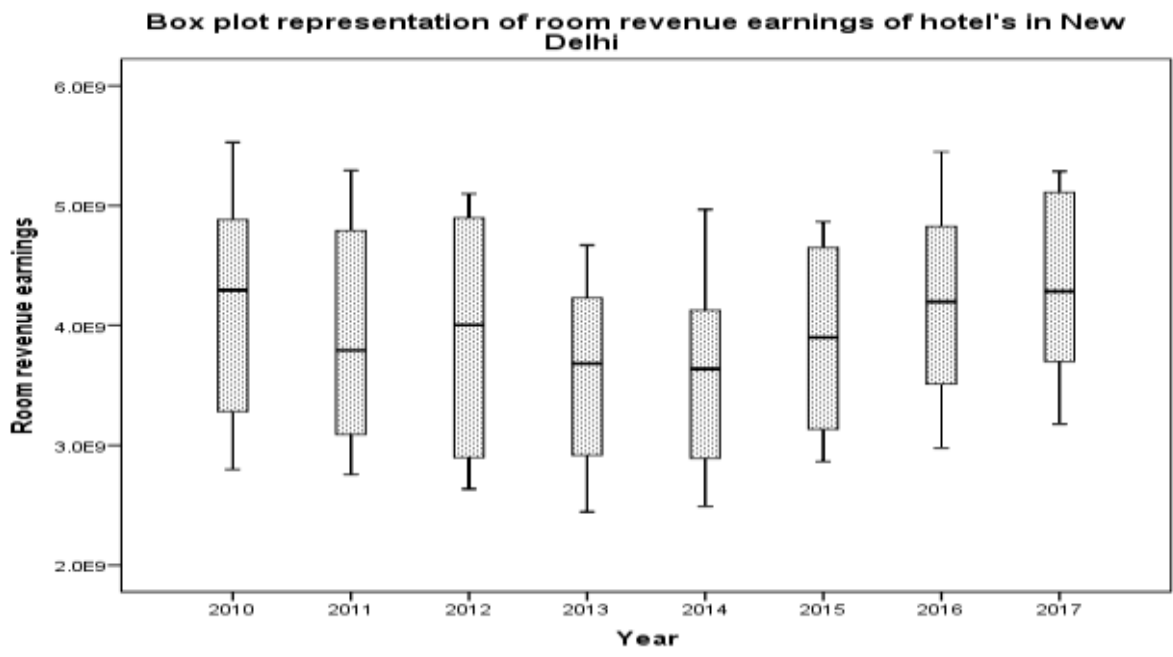


Figure 4 (Source: SPSS Output)

Box plot represents that the median value of room revenue in scale category of hotel is decreasing continuously from 2010 to 2017.

3.3 Method of approach for third objective and interpretation:-

Our third objective is to compare the performance of New Delhi hotel market from Indian Hotel market and four major metro cities of India i.e. Mumbai, Bengaluru, Hyderabad and Kolkata. To achieve this objective we have used STR India hotel review report for the month of August 2017. From this report we have collected Year to date (YTD) data (August 2016 and August 2017) of occupancy percentage , average daily rate, revenue per available room and their percentage change from YTD August 2016. From the report we have taken data of Indian Hotel Market, New Delhi Hotel Market and data of four major metro cities of India i.e Mumbai, Bengaluru, Hyderabad and Kolkata.

Below line graph shows that the mean value of occupancy percentage (YTD August 2016 and YTD August 2017). The graph indicates that highest mean occupancy percentage is of Mumbai i.e 73.9 % and New Delhi comes in bottom two. It also shows that mean value of occupancy percentage of overall INDIA is 64.0 % and it is only 1.8 % less than New Delhi.

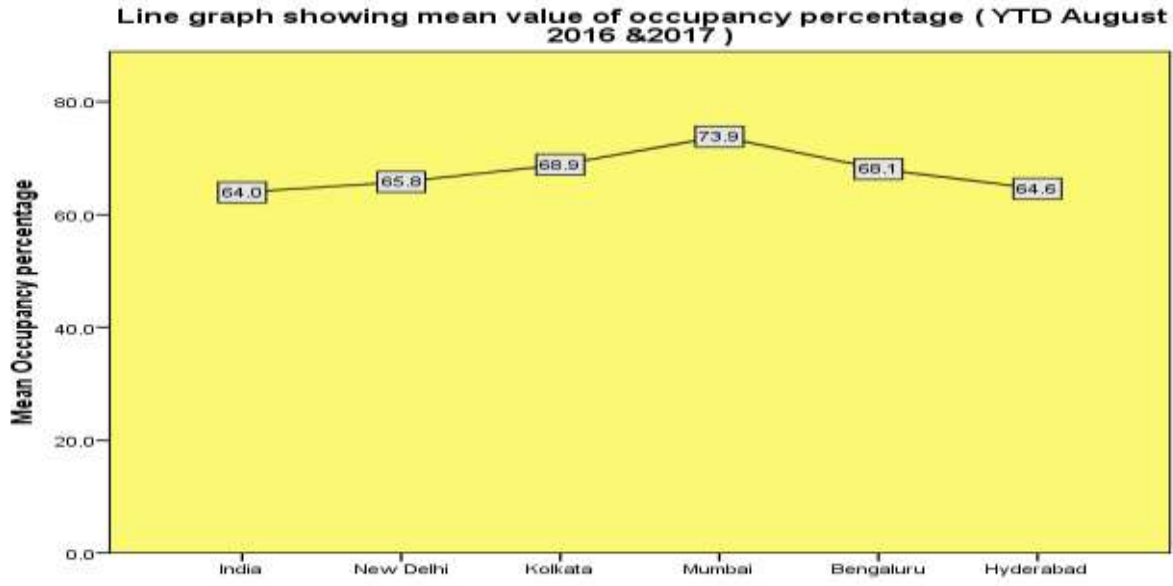


Figure 5 (Source: SPSS Output)

Below bar graph is the representation of Mean Average daily rate and Revenue per available room of YTD August 2016 and 2017. Blue bar show ADR and green graph shows Rev PAR. In terms of percentage change in growth of ADR and Rev PAR New Delhi comes after Mumbai.

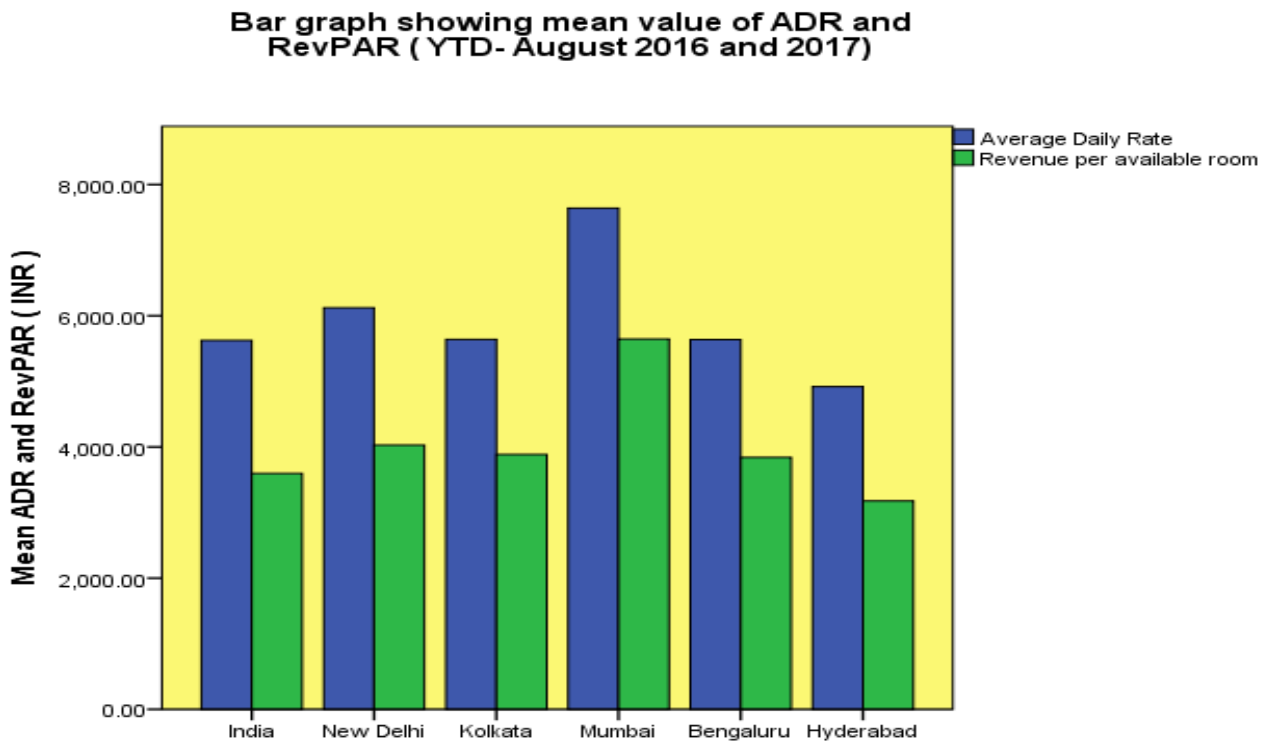


Figure 5 (Source: SPSS Output)

Below Bar graph shows percentage change in Different KPIs from YTD – August 2016. Blue bar shows percentage change in occupancy percentage, green bar percentage change in ADR, grey bar percentage change in Rev Par, violet bar percentage change in room revenue, yellow bar percentage change in supply and red bar percentage change in demand of rooms. It is clear from the graph that percentage change in room revenue earning and average daily rate from YTD – August 2016 is lowest in New Delhi. Even the Indian hotel market has recorded a growth of more than 7.3 % in room revenue earnings and 1.6 % in ADR where as in New Delhi it is approximately 5.7 % and 0.7 % respectively. Percentage change in occupancy percentage is second lowest i.e. 2 % and also it is lower than Indian hotel market i.e. 2.6 %.

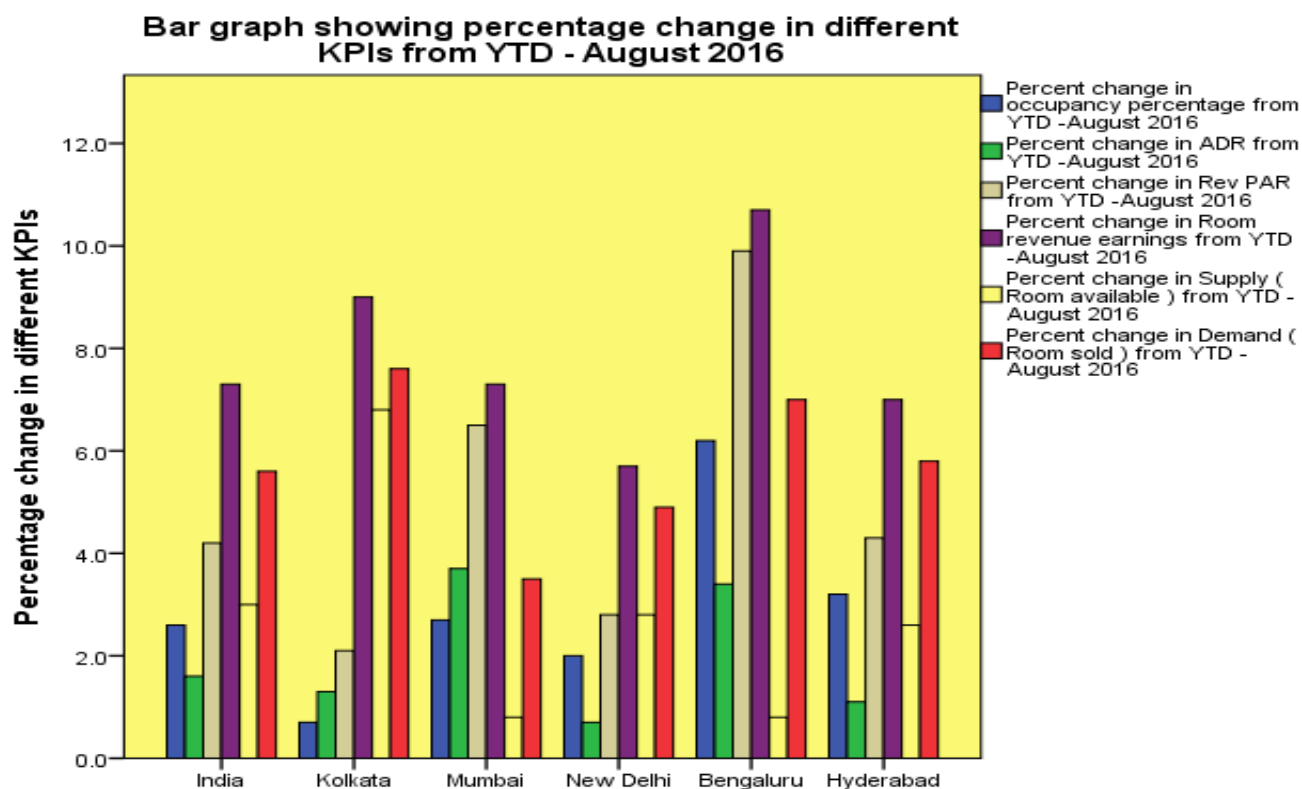


Figure 5 (Source: SPSS Output)

Conclusion:-

The findings of this research paper supports that there is significant growth in the constructions of scale category of hotels but this market becomes more suitable for the below upscale hotels instead of luxury hotels. Study reveals that there is no development under economy scale hotels contradictory to its largest growth from year 2012 to 2017. Paper also reveals that From January 2010 to June 2017, there is no significant change in room revenue earnings and the median value of room revenue in scale category of hotel is decreasing continuously from 2010 to 2017. Study also reveals that in 2017 till August we have not seen any significant and major growth in the KPIs. City like Mumbai, Bengaluru and Hyderabad are way ahead in the performance of Key performance indicators. Study reveals that percentage change in room revenue earning and average daily rate from YTD – August 2016 is lowest in New Delhi. Even the overall Indian hotel market has recorded a percent change of 7.3 % in room revenue earnings and 1.6 % in ADR where as in New Delhi this change is 5.7 % and 0.7 % respectively. Study also reveals that Percentage change in occupancy is second lowest i.e. 2 % and also it is lower than Indian hotel market i.e. 2.6 %.

This prevailing condition of New Delhi hotel market is because of two reasons firstly due to difference in the Demand and supply of rooms and secondly the suburbs of New Delhi have taken the lead from the city in terms of growth and development. Recent development of Aero city has added room supply in the New Delhi hotel market which has adversely affected ADR, Rev PAR, occupancy rate and revenue earning of hotels as it increases the room inventory but the supply remains almost same. Delhi market is focused for its commercial hotels and target groups are people who come for MICE but The recent development of suburbs like Gurgaon and Noida and other cities like Bangalore, Mumbai, Hyderabad we can see the fall in foot print of clients from this specific group which adversely affects its hotel business. However the study is conducted on the basis of secondary data provided by Smith Travel Research and is limited to scale category of hotel. The findings may provide helpful information to the investors and hospitality professionals who want understand the behavior of the New Delhi hotel market.

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