

ANALYSIS OF REVENUE MANAGEMENT AT GREENPARK HOTEL CHENNAI

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***Abstract:** Revenue management is a very important part of hotel management. It helps to predict consumer demand to optimize inventory and price availability in order to maximize revenue growth.. The main objective was to study the revenue of Green Park during the past five financial year. It helps to benchmark revenue of Green Park with the market leader in its category. It helps in predicting the future sales of Green park. It also intends to suggest measures for Green Park to become the market leader in terms of revenue generation. The analysis is done on the basis of secondary data and the period is limited to the extent. The research design used in this study is descriptive in nature as it intend to study the company's financial position and Profit statement of the Green Park Hotel Chennai. Tools used to study the hotel' profitability was internal measurements, horizontal analysis, market share analysis and Trend analysis. The consequences and operations of revenue management have created a general picture of revenue management in hotels.*

***Keywords:** Green park, Hotel, Revenue management, Trend analysis, market share.*

INTRODUCTION

Revenue management is the science of managing a limited amount of supply to maximize revenue, by dynamically controlling the price/quantity offered. Revenue management systems have recently gained significant worldwide adoption in the hotel industry, at least for higher-rated hotels. The typical hotel guest has probably noticed in the past few years a progressively evolving level of the dynamism in the quoted room prices. This is indicative of the sophisticated nature of the algorithms behind these reservation systems. However, the hotel revenue management models are still in their infancy, and there is a need for further development and improvement of these systems. By the sheer number of worldwide hotels every percent of revenue improvement will add up considerably for the top line and much more so for the bottom line because of the thin margins in this industry. Revenue management helps hotel industry to identify achievable and unachievable goals as well as to see high grow products or areas. Revenue management is a broad term covering the strategy and tactics a firm relies on to increase sales, make money and improve market share.

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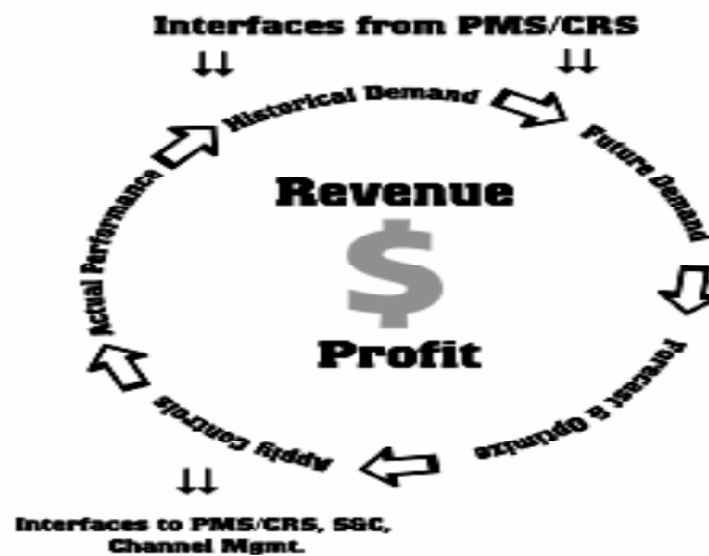
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Revenue management helps to predict consumer demand to optimize inventory and price availability in order to maximize revenue growth. Revenue Management is a technique to optimize the revenue earned from a fixed, perishable resource. The challenge is to sell the right resources to the right customer at the right time. Revenue Management implements the basic principles of supply and demand economics in a tactical way to generate incremental revenues. There are three essential conditions for revenue management to be applicable:

- That there is a fixed amount of resources available for sale.
- That the resources sold are perishable. This means that there is a time limit to selling the resources, after which they cease to be of value.
- That different customers are willing to pay a different price for using the same amount of resources.

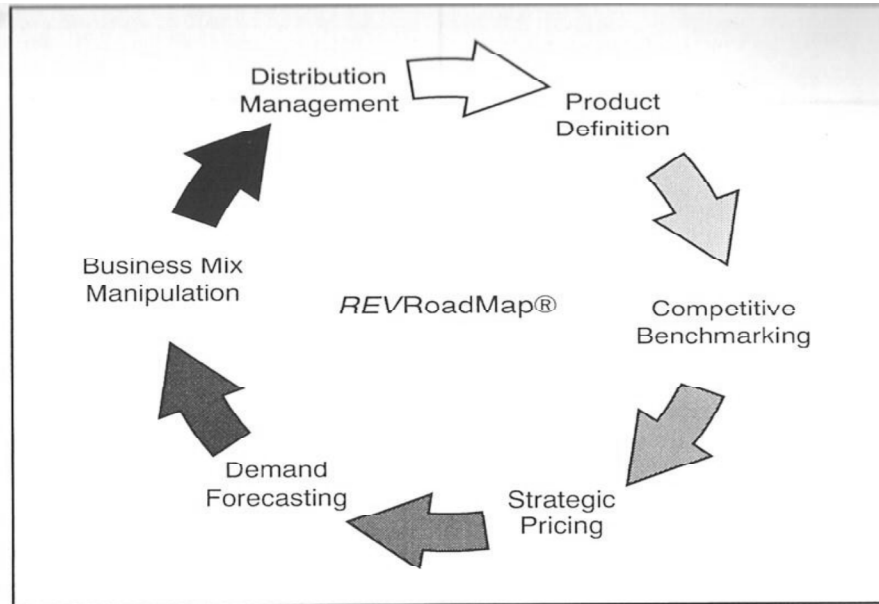
Revenue Management is of especially high relevance in cases where the constant costs are relatively high compared to the variable costs. RM challenges the resources to gather information about the market so that you can be proactive and not reactive. Use the information to divide your market and adjust your products through distribution, to the right customer at the right time and at the right price.

Figure 1: Revenue Management Cycle



Revenue Management is not only maximizing in high period demand, it helps stimulating demand in low periods while avoiding pricing cannibalism. Revenue Management is long term strategic, takes all revenue with their profitability into consideration, can sell low rates even in high demand period.

Figure 2: Revenue Management as Business Process



In the article dated 26.02.2014 the survey conducted for F&B revenue and found that it is to the rescue-In the last five years ended 2012-13, revenue from hotel rooms sales are in the decline, which fell to 52.2% from the earlier 60.5%. And there has been a marked rise in revenues from foods and beverages and another segment banquets and conferences. This has helped hotels maintain growth in revenues. According to joint research by hospitality research firm HVS and Federation Of Hotels and Restarunts Associations of India (FHRAI),the contribution to total revenues of F&B segment has gone up to 29% from 25% while for banquet and conferences, the contribution went up to 12.2% from 8% in the last five years.

This has provide some cusion to the hotels at a time when supply in the last five years grown at a compounded annual growth rate of 17.3%. in the next few quarters, with new supply of rooms, the F&B segment is expected to do well because it is not dependent on occupancy.

Reasons for Revenue Management

- Fixed capacity
- Perishable product
- High fixed costs and low variable costs
- Product can be priced differently
- Demand evolves

- Product can be sold in advance
- Market can be segmented

THE HOTEL GREEN PARK - CHENNAI

Hotel Green Park is a 4 star hotel is centrally AC and offers 171 rooms / suits. Room Amenities comprise Mini Bar, electronic safe and hair driers. Located close to business and shopping centers of the city, green park hotel caters primarily to the travelling business people. The hotel has a large number of guess rooms, a well-equipped business center for meetings or conferences and two restaurants. The hotel also features a business lounge for informal meetings, a bar and a pub. One can arrange conferences and meetings at the well-equipped business centers of the hotel. There are 171 rooms at Green Park, Chennai. The rooms are categorized into 151 double rooms and 20 suits. The rooms are well-equipped with luxurious modern facilities.

SCOPE OF THE STUDY

- It helps to improve revenue management by implementing new strategies.
- It helps the company to increase the customers.
- This Project helps to deal with forecasting in revenue management.
- Techniques related to revenue management help the concern in reducing the expenses and increase profitability.

OBJECTIVES OF THE STUDY

- To analyze the revenue management of Green Park Chennai for the past Five years.
- To analyze the financial performance for the past five financial year.
- To benchmark revenue of Green Park with the market leader in its category.
- To predict the future sales of Green park.
- To suggest measures for Green Park to become the market leader in terms of revenue generation.

LIMITATIONS OF THE STUDY

- The study takes into account only the quantitative data and the qualitative aspects were not taken into account.
- The facts and figures may not be accurate as the market conditions are fluctuating.
- Due to secrecy policy of the company all the information was not available.
- Competitors' complete information was not available.

RESEARCH DESIGN

Research design is a process of deliberate anticipation directed towards bringing an unexpected situation under control. A research model therefore enables a researcher to see the whole study structure and also realize the place and importance of the successive steps that he will be required to take in the total scheme.

SOURCES OF DATA

The study majorly depends on secondary data which has been obtained from books, journals, company reports, data sheets and web sites. Data necessary for the study is acquired by collecting second hand information i.e.

- Annual Reports of the company
- Audit Reports
- Balance sheet
- Internally published magazines and journals.
- Official records, includes books of account, ledger etc on a restricted basis.

TOOLS USED IN THE ANALYSIS

- Horizontal analysis.
 - (a) Comparative balance sheet.
 - (b) Trend analysis.
- Frequency distribution.
- Measurements
 - (a) Internal measurement.
 - (b) External measurement.

ANALYSIS & DISCUSSION

The above table shows the market leaders and the close competitors of The Green Park hotel Chennai. This is to identify the market leaders. The leaders are arranged according to the descending order of total revenue of the hotels. Hotel rain tree stands first for total revenue 9,404 the hotel Marriot stands second 4,388, Hotel Hilton 4,186 stands third, The Savera stands fourth place for the revenue 4,024, the last place occupied by The Green Park 3,794. The Average Room Revenue (ARR) of the company shows the performance of the company for the particular period. For the previous quarter i.e January 2014 shows that Hotel Rain Tree and alwarpet 5345 is comparatively high than other hoteliers. The Green Park stands one of the close competitors. The other close competitors who stands behind in the average room rate are Hilton, Savera, Marriot.

Table 1
Market Share Analysis

<i>Name of The Hotel</i>	<i>No.of RNS Avail</i>	<i>RNA</i>	<i>RNS</i>	<i>Occupancy %</i>	<i>Result</i>	<i>Rack Rate</i>	<i>Arr</i>
GREEN PARK	179	5549	4056	11.20%	GAIN	5000	4307
RADHA REGENT	91	2821	2273	6.28%	GAIN	5200	3615
RESIDENCY TOWERS	176	5456	3491	9.64%	GAIN	5700	4457
GRT GRAND	133	4123	1895	5.23%	LOSS	7500	4298
RAIN TREE ALWARPET	105	3255	580	1.60%	LOSS	7500	5345
THE RESIDENCY	112	3472	2569	7.09%	GAIN	4600	3464
HILTON	175	5425	3472	9.59%	GAIN	15000	4780
SAVERA	230	7130	5095	14.07%	GAIN	4500	3801
COURTRYARD MARRIOT	238	7378	4795	13.24%	GAIN	6500	4590
ACCORD	161	4991	3643	10.06%	GAIN	6000	4283

From the analysis of comparative balance sheet, it is found that the over all five years current assets have been decreasing in the particular from 2008 to 2010. After 2011 there was slight increase in current assets but again there was decrease in current assets during the year 2012-2013. The total current liabilities have been decreased to Rs.180,266,818 during the year 2009&2010. This study found that in Green Park Hotel there is a decrease in current liabilities is due to increase in prepaid expenses and increase in debtors. Also decreased in 2010-2011 due to decrease in stock and increase in outstanding expenses.

The current liabilities have been increased to Rs. 66,78,804 during the year 2011 and 2012. This study found that in Green Park Hotel there is an increase in current liabilities and that is due to increase in bills payable and increase in provision for doubtful debts. By comparing 2012 and 2013 the study found that Green

Park Hotel's current liabilities increases due to decrease in accrued income and decrease in stock. The room revenue have decreased from 21,71,33,513 to 19,83,00,806 in 2009-2013. From the year of 2009-2013 the room revenue have decreased continuously. The food revenue have decreased from 21,13,22,099 to 16,19,46,524. From the year of 2008-2013 the food revenue have decreased in starting year and gradually increased in following years 2009-2013. In this study, the revenue of food does not affect the total revenue. The income of other revenue is decreased from 5,00,74,173 to 4,08,03,751. From the year of 2008-2013 the other revenue have decreased in the 2008-2009 year and gradually increased in following years. In the year 2009-10, there is a decrease in the value of other revenue. The trend analysis of sales shows, continuous increases from 27,50,00,000 to 38,50,00,000 for the past 5 years i.e from 2009 to 2013.

Sales calculated for the year 2104 using trend analysis is 57, 24,29,282.8. This infers that the sale is increasing in the future period also. It shows satisfactory position of profit after tax as it implies increase in profit. The trend analysis of profit before tax

shows a continuous increases from 24,64,30,000 to 17,43,57,204 2009 to 2013. Trend analysis means predicting the future profit before tax of the company. Profit before tax calculated for the year 2104 using trend analysis is 15,66,51,636.3. This infers that the profit before tax is increasing in the future period also. It shows unsatisfactory position of profit as it implies decreasing rate. The trend analysis of profit continuous increases from 246430000 to 174357204 for the past 5 years i.e from 2009 to 2013. Trend analysis means predicting the future sales of the company. Profit after tax calculated for the year 2104 using trend analysis is 156651636.3.

Table 2
Internal Measurement

<i>Particulars</i>	<i>Formula</i>	<i>NOV</i>	<i>DEC</i>	<i>JAN</i>	<i>FEB</i>	<i>MARCH</i>
ROOM REVENUE	RNS × RRC	144.2	165.00	150.17	162.74	175.69
OCCUPANCY PERCENTAGE	(TOTAL ROOMS SOLD IN A PERIOD / TOTAL ROOMS AVAILABLE)	74%	73%	69%	80%	73%
AVERAGE DAILY ROOM RATE	ROOM REVENUE/NO.OF RNS	4078.60	42901.76	4123.2	3906.38	3809.41
REV PAR	AVERAGE DAILY ROOM RATE × OCCUPANCY PERCENTAGE	3018.38	32176.32	28450	3125.05	2780.8
GOP PAR	GROSS OPERATING PROIT AVAILABLE ROOMS DURING THAT PERIOD	2470.5	3279.5	17649.2	2840.4	2135.7

In the month of November, the room revenue has been decreased when comparing it with previous year. The occupancy rate has been increased from 71% to 74%.The gross profit per available room and revenue per available room has been decrease. For the month of December, the occupancy rate has been increased from 69% to 73%.The average daily room rate have decreased slightly. The gross profit per available room and revenue per available room has been decreased. In the month of January , the room revenue has been decreased when comparing it with previous year .The occupancy rate has been decreased from 77% to 60%. The gross profit per available room and revenue per available room has been decreased. For the month of February, The room revenue has been decreased from 178.79 to 162.74.The occupancy rate has been increased from 85% to 80%. The average daily room rate have decreased from 4400.4 to 3906.38.The gross profit per available room and revenue per available room has been decreased. In the month of march, the room revenue has been decreased when comparing it with previous year. The occupancy rate has been decreased from

82% to 73%. The gross profit per available room from 3003.3 to 2840.4. Revenue per available room has been decreased.

SUGGESTIONS

- When comparing the last five year's balance sheet, it shows that the company is lacking in investment part and current assets, cash and bank balances.
- By analyzing the internal measures of all the revenue category of the company shows that the room revenue is totally declined and it is predicted that it will further reduce in year.
- By analyzing the market share analysis with other market leaders. The companies rank stands last. So to move forward it is recommended the hotel should change some of the strategies and get more contracts and implement unique feature than other hotels.
- Small rental shops inside the hotel , can be extended in occupied space and provide the customer by selling them C.D, books , pay and play stations.
- The hotel can provide a free complimentary services to attract the customers by providing them informations of festivals and the events are happening in and around Chennai during their stay period .
- By analyzing the market share, the hotel green park stands last and their close competitors are leading with various packages and attractive strategies.

CONCLUSION

Revenue management is a very important part of hotel management. The main ideas was to find the position of the revenue is affected by the economy and other factors in recent years. The consequences and operations of revenue management have created a general picture of revenue management in hotels. Because there is not any hotel chain that survived without financial achievements this thesis comes up with impact of revenue management on financial achievements. This encouraged me to get in the field in the future.

From the research paper and findings, it can be concluded that the future of revenue management will evolve the following aspects:

- Through the internal measurement the future of revenue management will include a focus on the Revenue Per Available room (RevPAR) and total customer value. The next generation of revenue management systems will create an offer based on the value of, or potential value for each individual customer.
- By analyzing the Trend Forecasting of profit before and after tax , it is found that the tax rate have increased and it affects the profit. The forecasting and

yielding of function space will be a focus in the future for hotels. Different revenue streams and channels do not yield the same profit.

- In the future, channel cost will be incorporated into rack rate and ARR. The goals of the entire hotel team, from property level to corporate, will need to be aligned in order for revenue management to reach its fullest potential.
- There is a gap between the sophistication of the revenue management practice and the technology available to support it. We need to adopt the new technologies as they are available and use our minds to manipulate them expertly to achieve ultimate success

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