

Article Title

An untapped gold mine? Exploring the potential of market basket analysis to grow hotel revenue

Citation

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Abstract

Market Basket Analysis identifies and predicts the purchasing behavior of customers based on the expenditure patterns of all previous customers. While widely applied in retail contexts, its use in hospitality is limited. This paper argues that Market Basket Analysis could increase revenue by enabling hotels to determine the most attractive additional products and services (beyond the room type) to offer new and repeat hotel guests. The method's potential is illustrated using five years of internal guest sales records from a luxury hotel group in Australia.

Methods

Hotel guest purchasing data from a five-star independent hotel at a metropolitan Australia location were used. Data were available from the first day of operation of the hotel in 2009 until data analysis for the present research in mid-2014. In total, the data set contains 119,244 entries; each entry represents one hotel stay. If a guest stayed at the hotel multiple times, each visit is counted as one entry.

Results

Findings point to significant opportunities for hotel operators to use existing stored data to better understand purchasing decision patterns that can significantly increase revenue per transaction.

Conclusion

In closing, this paper describes a method that has considerable potential to advance current revenue management practices. By capturing information on purchasing patterns and incrementally increasing revenues through the use of data, analysis and clever integration at the front line, this approach can increase revenue without increasing customer counts.