



Article Title

The Debate Regarding Profitability: Hotel Unit and Hotel Brand Revenue and Profit Relationships

Citation

O'Neill, J. (2006). The Debate Regarding Profitability: Hotel Unit and Hotel Brand Revenue and Profit Relationships. *Journal of Travel & Tourism Marketing*.

Abstract

The research note explores a debate in the hotel industry regarding the relationship between hotel RevPAR and profitability, a debate around which there is a great degree of “noise.” Using a sample of 1,954 actual hotels for which both top line and bottom line indicators were available for the same year, it is concluded through this statistical analyses that while hotels with higher revenue, and particularly higher room revenue, have a higher NOI in dollars, they do not necessarily have a more profitable business model in terms of NOI percentage. Also, brand level analyses is presented.

Methods

Smith Travel Research provided to occupancy percentage, average daily rate (ADR), rooms revenues per available room (RevPAR), and net operating income (NOI) regarding a total of 1,954 actual hotels for which all of these data were available for the same 12-month time period (2003). Characteristics of this sample of hotels are presented in Table 1 (means, minimums and maximums) and Table 2 (frequencies). Linear regression was used in the analysis.

Results/Conclusion

The brand-level analyses was conducted to better understand the relationships between hotel top-line and bottom-line indicators. The dataset included a total of 1,548 hotels in 18 brands with financial data regarding at least 30 hotels each. The 406 additional hotels used in the earlier analysis were either independent properties or members of brands with fewer than 30 hotels. It was found there to be significant differences in occupancy, ADR, and RevPAR by brand ($p < .001$).

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

An equal opportunity, affirmative action institution