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HOTEL STAYCATION- A GAME CHANGER FOR URBAN HOTELS?

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Abstract:

The Covid-19 pandemic has inflicted severe damage on the tourism and hospitality sector, with long-lasting implications even in the present day. Travel restrictions and bans implemented worldwide have resulted in substantial losses for the tourism industry. To sustain their operations during the pandemic, hotels worldwide have sought innovative solutions, such as offering staycation packages to local guests when domestic and international travel is restricted. This research paper examines the potential of hotel staycations in addressing the challenges faced by urban hotels in India, specifically the issue of excess inventory, and catering to the leisure needs of financially stable urban dwellers. Urban areas, as defined by the Ministry of Housing and Urban Affairs, encompass municipalities, corporations, cantonment boards, or notified town area committees with a minimum population of 5,000 and specific demographic criteria. As of the 2011 census, urban areas in India accounted for 31.14% of the total population, and this figure is projected to increase significantly in the future. Despite the financial stability of a significant portion of the urban population, studies indicate that they are not engaging in domestic tourism due to various reasons, including challenging job environments, limited vacation time, and work commitments. However, older families with more leisure time and savings demonstrate a higher propensity to spend on domestic tourism.

Keywords: Covid-19 pandemic, tourism sector, hospitality industry, hotel staycations, urban areas, excess inventory, financial stability, domestic tourism, leisure needs, India

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Introduction

The Covid-19 pandemic has had the worst impact on the tourism and hospitality sector. The implications are still visible even in the current day. The restrictions on travel and travel bans in various parts of the world were increasing the losses of the tourism sector each day. The hotels of the world were finding solutions to sustain the pandemic situation. One such solution was providing a staycation package to local guests, since domestic and international tourists were restricted from travelling to the locations.

The handbook of urban statistics 2019 published by the Ministry of Housing and Urban Affairs describes urban area as a place with a municipality, corporation, cantonment board or a notified town area committee with a minimum population of 5000, at least 75% male population working in non-agricultural pursuits and population density of at least 400 persons per square kilometer. As per the 2011 census, 337 million people of India which is 31.14% of the total population stay in urban areas. The urban statistics 2019 handbook also mentions that in this urban population, only 5.5% people are unemployed, 13.7% people are below poverty line and the average earnings per day of a person is INR 450 which approximately between INR 13000 to 15000 per month. Out of the 30 urban agglomerations in the world, four come from India namely- New Delhi, Mumbai, Kolkata & Bangalore. A report by McKinsey & Company on India's Economic Geography in 2025 mentions that the urban population of India will reach 538 million which will be 38% of the total population of the country. Acharya & Nirjar (2016) in their study based on income classes have concluded that by 2025, out of the total population of India, 3% will come under rich class, 9% will come under upper middle class and 32% will come under middle class. An article in Times of India mentions that in urban

cities 27% population is middle class and 43% is rich. As per Macrotrends the inflation rate in India during past 10 years has increase on an average of 5-6% per year.

In India, the majority of hotels are a part of the urban areas. As per a review report by Care Ratings on Indian Hotel Industry, the room inventory of branded rooms in India in 2019 was 133359 and is expected to increase by 50170 by 2024. This will bring the total room inventory to around 1,85,000. As per a report by HVS & Anarock focusing on the outlook of Indian Hotels, the room inventory in the metro cities of India in the year 2000 was between 500 to 5000 rooms which grew to 8000- 30000 rooms in the year 2019. The CARE ratings has mentioned that the occupancy percentage of Indian hotels was between 58.4% to 66.7% from 2014 to 2019. Considering the expected increase in the branded room inventory in coming years, the average occupancy percentage is expected to remain at 65-68%. The Howarth HTL report on India Hotel Market Review of 2019 mentions that at an all-India level the average room rate was INR 5997 & revenue per available room was INR 3967 in the year 2019.

If we see all the statistics, we see that almost 30% rooms every in India in the urban areas remain vacant. They do not give any revenue, but hotels must spend some money towards maintenance & fixed costs associated with these vacant rooms. In the urban areas of India, majority of the population is financially stable. But in a study, Sahoo, Nayak & Mahalik (2022) have found out that there are various reasons that these people are not spending much on domestic tourism. The reasons are the challenging job environment, lack of number of leaves and more commitment to work. The study also mentions that older families with more leisure time and savings spend liberally on domestic tourism. The salaried person spends less

compared to a self-employed or a business owner in domestic tourism.

From the above discussion, we see that there are two major problems- urban hotels having excess inventory and the urban population who have financial stability but still are not able to take up tourism to take a break from their routine life. This gap can be filled up by one solution- Hotel staycations.

Literature review

A hotel is a place where a bonafide traveler gets food, accommodation, and other facilities if he can pay for it and in a fit condition to receive it (Tewari, 2010). As per Fox (2009), staycation is a vacation spent at home using all the luxuries available at home. As per Lin, Wong, Kou, Zhen (2021) staycation is a form of domestic tourism which is a shorter version in terms of length and proximity. It is also considered as a day trip.

As per Muritala, Hernandez-Lara, Sanchez-Rebull (2022) staycation is a tourism characteristic performed in one's day to day environment. As per Pratiwi & Novani (2022), staycation is vacationing at home and spending time with family and friends. Yan, Shen, Hu (2021) have stated staycation as spending the free time at one's place of domicile but with time the distance has extended up to 50 miles from the place of domicile. Moon & Chan (2022) mention staycation as a phenomenon where people holiday in their home country near their house and visit local attractions. Zhang, Shen, Xu, Qian (2022) mention staycation as staying at home instead of making a trip to explore the neighborhood environment.

If we see the various meanings of staycation, we find certain things common which include no travelling, vacation near your place of domicile and exploring the local area. So, we can say that hotel staycation will involve staying in a hotel near your place of domicile and explore

the various facilities and services of hotel along with the local attractions.

Analysis

Lin, Wong, Kou, Zhen (2021) in their study have concluded that psychological wellbeing and well-being through psychological capital are the primary motivators for staycation programs. They also found out that the local discovery is one of the travel appeal factors for staycations. As per Muritala, Hernandez-Lara, Sanchez-Rebull (2022), hotel staycation was the most searched word on Google Trends and Twitter in terms of staycation in the year 2020 & 2021. They also found out that staycation is a tool to be used in off seasons and can be marketed through hotel website by proper search engine optimization. People prefer staycation to reduce the carbon emissions due to no or less travelling. Pratiwi & Novani (2022) developed an extended model of goal directed behavior to study the factors influencing people's intention to staycation. They found out that motivation to staycation is based on attitude, subjective norms, positive anticipated norms, and negative anticipated norms. These four factors further create the desire in the traveler through past behavior and behavioral control leading to the intention of experiencing a staycation trip. The study also found that the major reasons for staycation were escaping from daily routine, enjoying a happy time with friends and family and for staycation more money and time is saved compared to a tourism trip. Yan, Shen, Hu (2021) have found out that place attachment is the primary motivator of any staycation. The individual being attached to his place of domicile wants to explore his neighborhood. Along with place attachment, the other factors involve the quality of staycation experience and product innovation in staycation programs. Moon & Chan (2022) in their study of staycation experience of

millennials have found out that the primary reason for staycation is discovering hotels, the local community, and activities. The positive word of mouth about a staycation is a motivator for buying a staycation package. The study also enlists points like fantasy & reality, local attractions, sports activities being points for undergoing a staycation. Finally, the study also suggests that tie ups with local brands for local experiences in a staycation package and customization of staycation package can attract more staycationers. Zhang, Shen, Xu, Qian (2022) have enumerated the social value of travel, positive energy experienced and quality time with family as antecedents for people going for a staycation.

Solutions

In the urban areas of India, almost 34% rooms on an average are vacant per day. If we consider the scenario of 2025, the room inventory will be 1,85,000 rooms available for sale per day. 34% of these rooms will account for an inventory of 62900. As per Bhatnagar (2010), the cost incurred by a hotel to maintain its vacant room varies from INR 800 to INR 1500 per day, which we can conclude can be INR 1200 on an average. So, in the current scenario the Indian Hotel Industry will lose INR 75.5 million per day and INR 27558 million per year just because of the hotel rooms were vacant.

Hotel staycation can be solution to this problem. In urban areas most of the population is financially stable but unable to undertake domestic tourism due to various reasons. Hotels can market staycation packages to these people. The staycation packages can be beneficial for these people due to below reasons-

- Can be undertaken for a short duration (one to two days)
- Can be undertaken during regular weekend holidays.

- Travelling time & cost reduced drastically.
- Opportunity to use high quality services and facilities at a star category hotel in a package rate.
- Exploring local attractions and local community
- A short break with friends and family
- Less time spending on planning and booking activities.

Hotels can devise staycation packages using below elements-

- Room stays.
- All meals included- Breakfast, Lunch Dinner
- Room upgrades at marginal prices.
- Access to gym, swimming pool, shopping arcade, spa, and salon in the hotel
- Discounts on food and beverage at all outlets in the hotel
- Sightseeing trips to local attractions
- Innovative concepts like a local cuisine buffet

The hotel performance is measured in terms of revenue earned per available room (RevPAR). As per 2019, the average RevPAR of Indian hotels was INR 3967. RevPAR is a product of average room rate and occupancy percentage. So, we see that increased occupancy will directly impact revenue per available room. So, if the near future hotels in India adopt the staycation as a new market segment and vigorously market the product to the target customers, not only will the losses due to vacant rooms will be reduced, also the room revenue will enhance and in turn enhance the RevPAR of Hotels. Let us see this in the below table-

Year	2019	2025	2025
Room Inventory	133359	185000	185000
Average Occupancy	66%	80%	90%
ARR	INR 5997	INR 6000	INR 6000
RevPAR	INR 3967	INR 4800	INR 5400
Vacant Rooms	45342	37000	18500
Loss due to Vacant Rooms	INR 19856million	INR 16206 million	INR 8103 million

In the above table, we see that if hotels increase their occupancy by marketing staycation packages, even if the average room rate is constant over the years, we see a drastic increase in RevPAR and also the losses incurred due to vacant rooms reduced down drastically.

Apart from these, hotel will also benefit by-

- Earning incremental revenue from other areas like restaurants, bar, spa etc.
- Hotel will have a mix of customers.
- Using product innovation, hotels can convert the customers into regular staycationers.

Conclusion

After a detail analysis, we conclude that the hotel staycations in urban areas are a win-win situation for both the stakeholders. Hotels can optimize their revenues and the customers can get a holiday or tourist experience in his place of domicile in a cost-effective mode. The further research can be done to enumerate the primary factors which can motivate the customers in urban India to take staycation packages on a regular basis.

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