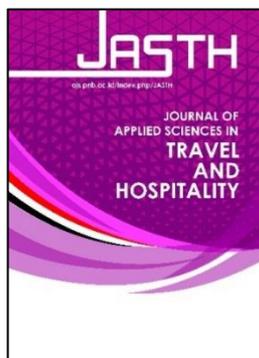


Analysis of Chinese Market Average Daily Rate (ADR) to Overall ADR at Conrad Bali Hotel

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Abstract

This study aims to analyze the relationship and influence of the Chinese market Average Daily Rate (ADR) on the overall ADR at Conrad Bali Hotel. Data collection used in this study through observation, interview, and documentation. The analysis techniques used are descriptive statistics, correlation analysis, simple linear regression, and the coefficient of determination test (R²). The results of this study indicated that the Chinese market ADR (X) variable has a positive correlation with very strong category, overall ADR with a correlation value of 0.819. The coefficient regression is 1.085 and the coefficient determination shows that the influence of Chinese market ADR (X) on overall ADR (Y) is 66%. Thus, Chinese market can be an option to filling the occupancy when low seasons and a good target market when special occasion but should be followed by a necessary way to optimize its strength.

Keywords: *Average Daily Rate (ADR), overall ADR, Chinese market, correlation*

INTRODUCTION

Hotels usually apply low room rate for Chinese market, which leaves the hotel business in a low profitability, yet hotels still keen to target this market segment. China is one of the biggest countries with a huge population. There are about 1.41 billion people live there with income per capita in 2019 at \$ 10,263.741 (<https://www.ceicdata.com/id/indicators>). China also ranked 57th for the prosperity index out of 167 countries around the world (<https://www.prosperity.com/globe/china>). Hence China becomes a potential market when it comes to tourism. In 2018, 5,572,142 tourists from China came to Bali to spend their leisure time and to have a holiday. Chinese market also dominated the visitors in Bali with 22.99 percent in 2018 (<https://travel.detik.com/travel-news/d-4368482/turis-china-dan-australia-terbanyak-liburan-ke-bali-sepanjang-2018>). It means that if we can bring them to the business, there will be much income and improvement in the tourism business, because there are a lot of visitors come to enjoy the destination. But there is a phenomenon which says that Chinese market will ruin the business and disturb the other potential market because of the price that needs to be adjusted if they want to attract Chinese market. Chinese people being very loud and hard to control are some of the reasons why people in Bali, especially in Hotel business hard to deal with Chinese (Respondent 1). The hotels also must adjust the rate of their rooms

to the cheaper rate if they want to attract the Chinese market. Those challenges also make the hotel hard to bring their business if it comes to Chinese market.

The hotel business is one of the important supporting product components in the whole of the tourism industry. With rooms as their main product, they accommodate the guests who come to Bali to have a beautiful time and enjoy their journey more by giving them a pleasant stay to enhance their experience of travelling. Even though hotels also selling food and beverage, but room is still their main product that also becomes their main source of income. Hence, the rate of their room is usually fantastically high but also gets along with the services that they provide. Every month, there will be an average daily rate (ADR) that will show the average room rate selling within a month (Oses, 2016). This ADR also reflects the competition of rate with the other hotel. Whether it is competitive enough, or too high to sell, or might it be too low. That is what will be reflected by the ADR every month.

Conrad Bali is one of the 5-star hotels in Bali. Having beach inside the resort and one of the properties of Hilton Worldwide make Conrad Bali become trusted and famous hotel among travelers and hotelier. The unique fact is Conrad Bali mostly has Chinese travelers as their guest. Chinese travelers also never out from the top three markets or visitors of Conrad Bali. This is also related to the rate that they sell, whether it is competitive or not for the Chinese market and is it affected the whole rate or in this case we say it as an average daily rate (ADR).

Starting by wondering how the Chinese market, especially the wholesaler rate affecting the average daily rate of a room at Conrad Bali, the writer found that it is interesting to prove the assumption of the bad effect caused by Chinese market on the overall ADR at Conrad Bali Hotel. The purpose of the research is divided into two, namely: 1. To identify the condition of Chinese market ADR at Conrad Bali. 2. To identify the impact of that condition to the ADR at Conrad Bali.

RESEARCH METHOD

The data collection method used in this study are observation, interview, and documentation. Observation is an activity of monitoring the research object (Sugiyono, 2015). The observation method divided into two, which are participant and non-participant. the method that used in this study is non-participant. The data obtained is an overview of sales activity up to product selling. Interview is the way to get information from the person who knows and directly involved in the job or the study object (Sugiyono, 2015). The interviewees are someone who can provide accurate information that needed for the study. In this case, the interview was conducted with the Director of Sales, Sales Manager all market and Chinese market wholesale, and revenue analyst. Documentation was implemented as one of the data

collection methods, regarding overall ADR per month and ADR Chinese market from January 2016 to December 2018 that will be shown in million rupiahs.

Operational variables have to be defined to clarify the variables used in this study and discuss the scope of the research problem. The operational variable in this research are Chinese Market ADR (X) and overall ADR (Y). ADR represents the average room rental income per paid occupied room in a given period. Two ADRs being discussed are:

1. The rate per room that given by Conrad Bali to Chinese Market wholesale, which is the offered rate that determined and discussed by the sales team who handles the market from January 2018 to December 2018.
2. The whole rate per room per night per month in Conrad Bali that calculated by dividing room revenue with the total room that sold on that month. It will show the average room rate that they sell every month from January 2016 to December 2016.

“Data analysis is the process of systematically searching and arranging the interview transcript, field notes, and other materials that will be accumulate to increase the understanding of them and to present what have discovered to others” (Sugiyono, 2016). In this research, the analysis technics used are quantitative and qualitative technics. The quantitative technic is statistic descriptive, correlation analysis, and simple linear regression analysis. According to Sugiyono (2011) “quantitative analysis is used to analyze data by describing the data that has been collected as is without intending to draw a conclusion that apply to general”. The quantitative analysis was analyzed using Microsoft excel and SPSS program. The quantitative analysis used statistic descriptive analysis to find the mean and standard deviation of Chinese market ADR and overall ADR.

The next process was correlation analysis. Correlation analysis used to find the strength and form of correlation between Chinese market ADR and overall ADR. The next step was the classic assumption test, the test that needs to be completed before the regression analysis. There were four steps of the classic assumption test, included the linearity test, normality test, heteroscedasticity test, and autocorrelation test. The next process was the simple regression analysis to find the impact of Chinese market ADR on overall ADR. The last step was to determine the coefficient determination to know the percentage of the contribution given by Chinese market ADR to overall ADR. After all the analysis was done, the very last step is qualitative analysis which is to describe the result of quantitative analysis to create a better understanding about the study result (Miles and Hubberman, 2014).

RESULTS AND DISCUSSION

1. Statistic Descriptive

Statistic descriptive analysis is a simple statistic (mean and standard deviation) that is used to analyze data by describing or giving the whole picture of the data that collected as it is without intending to make a conclusion that generally accepted. Table 1 below shows the result of statistic descriptive analysis result using SPSS 25.

Table 1. Statistic Descriptive Result

Descriptive Statistics			
	Mean	Std. Deviation	N
Overall ADR	1,738,221.33	312,994.93	36
Chinese Market ADR	1,515,203.39	236,365.89	36

From the above table it can be stated that:

- a. The sum of the data used in this research is 36 data. The data was taken from Chinese market ADR and overall ADR from the period of January 2016 – December 2018 (36 months).
- b. The average of Chinese market ADR at Conrad Bali Hotel is IDR 1,515,203.39 with IDR 236,365.89 as the standard deviation.
- c. The average of overall ADR at Conrad Bali Hotel is IDR 1,738,221.33 with IDR 312,994.93 as the standard deviation.

2. Correlation Analysis Result

Correlation analysis is an analysis technique used to measure the strength of the relationship between two variables, which could be strong, weak, or intermediate. This analysis also shows the form of correlation by percentage and it determines the strength of correlation between variable X and Y. Table 2 below shows the result of correlation analysis using SPSS 25.

Table 2. Correlation Analysis Result

Correlations			
		Overall ADR	Chinese Market ADR
Pearson Correlation	Overall ADR	1.000	0.819
	Chinese Market ADR	0.819	1.000
N	Overall ADR	36	36
	Chinese Market ADR	36	36

The table above demonstrates that the Pearson Correlation row shows the correlation between variable X (Chinese market ADR) and variable Y (overall ADR). It shows 0.819 as its

result of correlation. If the result of correlation analysis is between 0.80 – 0.100, it means that the correlation is very strong (Sugiyono, 2014). Since the result is 0.81, it means that the correlation between variables X and Y is very strong and it is a positive correlation because the result is near to +1. Therefore, if Chinese market ADR value increases, it will be followed by the increase of overall ADR and vice versa.

3. Classic Assumption Test

The scatter plot diagram (Figure 1) shows that the plots are moving from the left bottom to the right upper. It means that, variable X and Y have a linearity relationship, which if Chinese market ADR increasing in that value, overall ADR will also increase and vice versa. Thus, this test is passed, and the data is ideal to be used, in terms of its linearity.

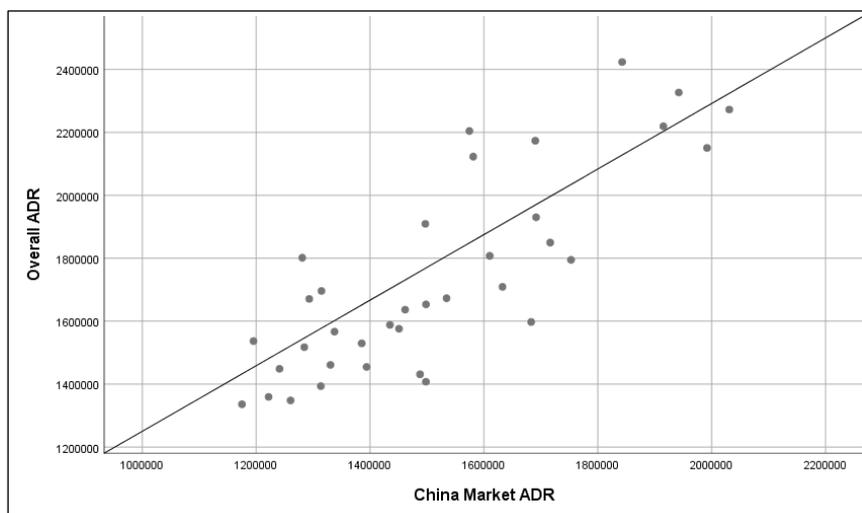


Figure 1. Scatter Plot Diagram

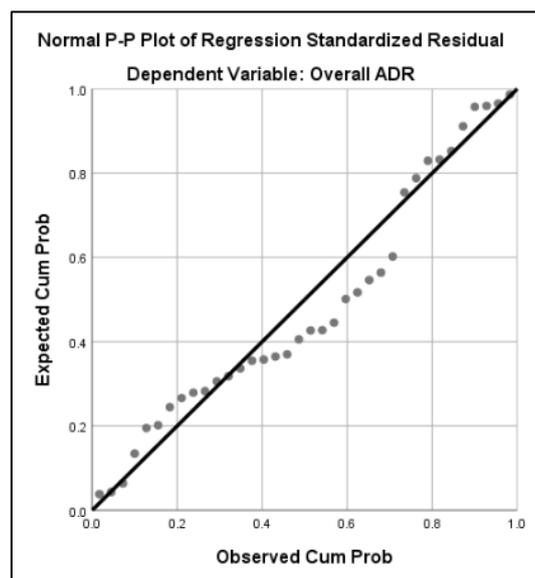


Figure 2. Normal Probability Plot Diagram

According to Ghozali (2011), the regression model is said to be normally distributed if the plotting data (points) that describe the actual data follow a diagonal line regularly, then the regression model is normally distributed. The diagram (Figure 2) shows that the plots are following the diagonal line regularly. Therefore, the data of Chinese market ADR and Overall ADR that used in this research is to fill the condition of normality test which is the data is normally distributed, so the data can be used for this regression analysis. According to Ghozali (2011), there are no symptoms of heteroscedasticity, if there are no clear patterns (bumpy, widened then narrowed) in scatterplots, and the points spread are above and below the number 0 on the Y-axis. The plot (Figure 3) shows that there are no clear patterns that form by the plots and also the points are above and below the number 0 on the Y-axis. Thus, variable X and Y in this research is free from heteroscedasticity symptom and it can be used for this regression analysis.

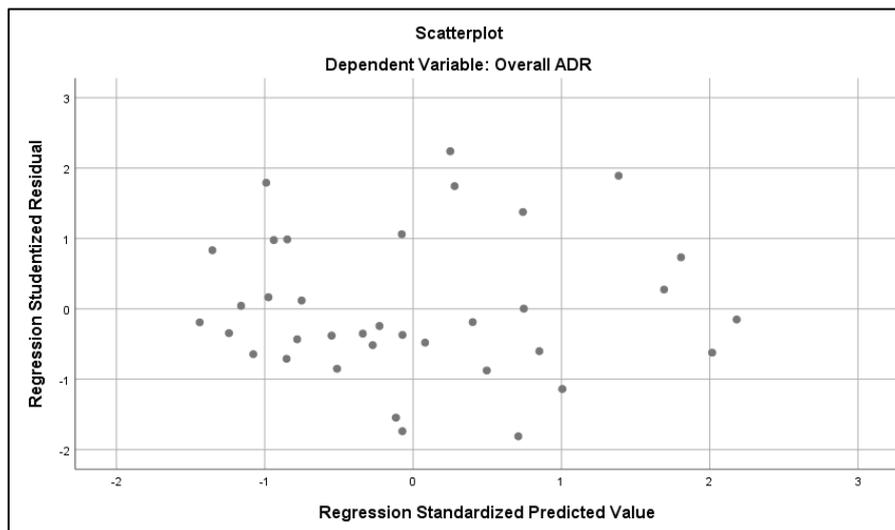


Figure 3. Heteroscedasticity Test

To determine the condition of the data, the value of Durbin-Watson needs to be in between d_u and $4-d_u$ value. The value of $4-d_u$ can be determined by looking into the Durbin-Watson table. Because the variable X is only one, so the value of d_u that needs to be seen is the $k = 1$ column with $n = 36$, because the number of data used in this research is 36. The d_u value for one independent variable with 36 as the sum of data is 1.524. The $d_u = 1.524$ and $4-d_u = 2.476$. Hence, the value of Durbin-Watson should be between 1.524 and 2.476. Since the Durbin-Watson value is 1.639 as shown by the table (Table 3), it means that there is no autocorrelation in variable X because the Durbin-Watson value fills the condition of this test.

Therefore, the data is free from autocorrelation and the data can be used for the next step, which is a simple regression analysis.

Table 3. Durbin-Watson Value

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.819 ^a	0.671	0.661	182141.087	1.639

4. Simple Linear Regression Analysis

Table 4 shows that Constanta = 94,623.98 and coefficient regression = 1.085. By knowing that, the formula of simple regression analysis be operated, which is:

$$Y = a + bX$$

Overall ADR : $Y = a + bX$

$$: Y = 94,623.98 + 1.085X$$

$$: 94,625.17(X)$$

From the above equation, it can be analyzed that:

- The coefficient regression of variable X is 1.085 which is a positive number. This means if there is increasing in Chinese market ADR as much as 1 unit, it will increase the number of overall ADR as much as 1.085.
- The constant value is 94,623.98 which means that is the constant value of the overall ADR is 94,623.98. It means if (X=0), the value of overall ADR is 94,625.98.
- From the result, it can be concluded that Chinese market ADR has a positive impact to overall ADR. If the value of Chinese market ADR increase, the overall ADR will also increase and vice versa.

Table 4. Coefficient Table

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	94623.981	199681.416		0.474	0.639
	Chinese Market ADR	1.085	0.130	0.819	8.328	0.000

5. SG Coefficient Determination

Table 5 shows that the R square value is 0.661. If we change it into percentage form, it will be 66% of the contribution that given by variable X to variable Y. Hence, Chinese market ADR contribute as much as 66% to overall ADR at Conrad Bali Hotel, and the other 34% is

the contribution by other variables that did not include in this research. Even though the rate of Chinese market is often lower than the overall ADR, which means it is lower than other markets, but the salesperson still targeting the Chinese market as their fixed customer.

Table 5. Model Summary Table

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.819 ^a	0.671	0.661	182141.087	1.639

Realizing that fact, there is, of course, a strategy used by the sales team of Conrad Bali to attract the Chinese market, since one of the characteristics of Chinese market is that they intend to have a lower price than other markets. On the other hand, it is also good for the hotel if they can increase the price of Chinese market in high and peak seasons, because of the correlation between Chinese market and Overall ADR is very strong. To make sure that the Chinese Market ADR is not too low, the hotel can increase the rate for Chinese market on a special occasion, like high and peak seasons especially when it is near to their festival because all of the prices are automatically increase because of high demand based on demand and supply theory. When the demand increase, the price will also automatically increase. By this chance, not only other markets, but the hotel can also increase the price of Chinese market. This will give an advantage to the hotel. Adjusting the rate, creating a promotion, and making contracts with Chinese market is a long worth process for the hotel business, because they have to make a good calculation to make sure that their rate adjustment and promotion do not become a boomerang for their revenue. The goal to attract Chinese market is simple, that is to fill the room and to get high occupancy, so their scarification on the rate and promotion will be paid off by a stable revenue and occupancy.

CONCLUSIONS

Based on the data and the results of data analysis and discussion on Analysis results of Chinese market ADR to Overall ADR at Conrad Bali Hotel, and also referencing to the literature review that related to this research, it can be conclude that

- a. As presented by the ADR table and statistic descriptive table, Chinese market ADR is shown to have a lower value than overall ADR at Conrad Bali Hotel. However, it does not put the overall ADR at risk because the Chinese market ADR still has competitive price and not too low.
- b. Having Chinese market as one of the top market segment is good, especially for hotel occupancy, but the rate for Chinese market need to be controlled by revenue department

and monitoring the other competitor to make sure that the price is not too low and must be profitable.

- c. To make the rate of Chinese market ADR increases, the hotel could set a higher rate for this market segment during high and peak season, for example the period of Chinese New Year eve, so the ADR can be increased because of high demand.

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Personal Comment

Respondent 1: Ms. X (for the purpose of privacy, real name is not provided), female, sales manager, interview was done at Conrad Bali Hotel on Wednesday, October 16th, 2020.