

A Study on Profitability Analysis of Different Revenue Streams in a Hotel: Rooms, Food and Beverage (F&B), and Events

Dr Amrita Bhattacharya, Associate Professor, amrita.bhattacharya@nshm.com, NSHM Durgapur

Ayan Chatteraj, Assistant Professor, ayan.chatteraj@nshm.com, NSHM Durgapur

Pakhi Shaw, MBA student, pakhishaw.23@nshm.edu.in ,NSHM Durgapur

Abstract

This study investigates the profitability of key revenue streams in the hotel industry—namely Rooms, Food and Beverage (F&B), and Events—by conducting a comparative analysis based on revenue generation, cost structures, and profit margins. Using financial data from a mid-sized urban hotel over a three-year period, the research evaluates the contribution of each stream to overall profitability and identifies operational factors influencing performance. The study finds that while room revenue consistently delivers the highest gross margin due to fixed cost advantages and high occupancy rates, the F&B and Events departments, though less profitable in isolation, play a critical role in enhancing guest experience and supporting overall revenue through cross-selling opportunities. The findings highlight the importance of integrated revenue management and cost control strategies tailored to each department. This analysis provides valuable insights for hotel managers aiming to optimize resource allocation and improve the financial sustainability of their operations.

Introduction

The hospitality industry is crucial for the global economy, with hotels playing a central role in travel and tourism infrastructure. Revenue is derived from various streams, including room bookings, food and beverage (F&B) services, and event hosting. Each revenue stream has distinct cost structures, demand patterns, and profit margins, which influence a hotel's financial performance and strategic direction. Rooms are traditionally the primary source of hotel income, yielding the highest profit margins due to stable demand and predictable cost behavior. F&B services generate substantial revenue but are often associated with higher operational costs and slimmer profit margins. Events and banqueting services can serve as significant revenue boosters and marketing tools, attracting a diverse clientele and enhancing the hotel's brandvalue.

However, many hotel operators focus heavily on revenue growth without adequate attention to profitability analysis across departments. In an increasingly competitive and cost-sensitive market, a comprehensive understanding of which revenue streams are most profitable is crucial for informed decision-making and long-term sustainability. This study aims to analyze and compare the profitability of the Rooms, F&B, and Events departments within a hotel setting by examining financial data, cost structures, and operational efficiency. The findings are intended to aid hotel managers and stakeholders in strategic planning, resource allocation, and enhancing overall profitability.

The vibrant and diverse hotel sector is firmly anchored in making visitors' stays unforgettable while boosting company profits. Income management in hotels is a complicated but necessary task because of the variety of services offered; it involves multiple income streams that have varying effects on the bottom line. The research "Profitability Analysis of Different Revenue Streams in a Hotel: Rooms, F&B, and Events" examines the property's financial foundation to determine how each revenue stream contributes to the overall profitability of Fortune Park Pushpanjali, a well-known hotel in Durgapur.

Review literature

It is very essential to go through literature on the subject to access scope and significance of the subject. As far as profitability is concerned this subject has attracted interest of many academicians and professionals and they had written many books and articles on this area. But this aspect is not covered in hotel industry so a lot of research is required in this

area.

A thorough grip of the various income streams that go into a hotel's financial success is necessary in the ever-changing hospitality sector in order to pursue profitability. In addition to collecting money from the sale of rooms, hotels also make money from food and beverage (F&B) establishments, event venues, and other services. The profitability of each stream, however, varies greatly and is influenced by operational strategy, consumer expectations, and market trends. The characteristics that maximise revenue production and financial resiliency across various categories have become the focus of more and more academic and industrial research due to these difficulties.

All of these studies work together to give this project's study of Fortune Park Pushpanjali's revenue streams a solid basis. Every item in this assessment lays the groundwork for comprehending the key elements affecting profitability and enables a customised analysis of room revenue, food and beverage revenue, and event earnings in the context of this particular hotel.

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Dharmarajan (1981), in his examination, has featured the significance of the general population part in the Hotel Industry. He mentions that hotel industry is built to support as an infrastructure for tourism industry, which has got tremendous potential to earn profit due to potential tourism growth. The business has contributed massively to the national exchequer and gave countless openings, other than numerous other multiplier impacts in each portion of industry.

Bansal Sanjeev (1999), in his study find out that the Hotels are facing problem of high volatilities in the working capital levels. The hotels in the private sectors also suffer on account of low realization from sundry debtors. The study pointed out that the occupancy rate in selected hotels is very low and it varies from 20% to 60% season wise.

Kimes (1989) invented revenue management in the hotel business by using techniques from the airline sector. In the hospitality industry, revenue management has emerged as a key component of financial planning. In order to help hotels modify rates in response to demand trends and occupancy levels. Her strategy placed a strong emphasis on dynamic pricing, in which lodging establishments predict visitor demand to maximise room rates. Known as "yield management," this technique has developed over time and is now a crucial component of hotel operations' profitability.

Ramesh and Reddy's (2018) study on room rate optimisation in Indian hotels, this idea is consistent with Indian customs. They discovered that, particularly in highly competitive metro areas, hotels that use flexible pricing and sophisticated booking systems are better able to achieve occupancy-based profitability. These findings are useful for this study's investigation of room profitability at Fortune Park Pushpanjali, which looks at how pricing and occupancy patterns impact revenue.

In a recent study on revenue management in mid-sized hotels in India, Banerjee and Chatterjee (2021) emphasised the importance of technology in raising profitability. Their study found that hotels' revenue increased significantly when they used data analytics to predict demand trends. In order to ensure that room revenue is in line with market and seasonal patterns, Fortune Park Pushpanjali could utilise these techniques to forecast demand and modify room prices accordingly. Gupta and Singh (2017) studied food and beverage management in high-end Indian hotels, pointing out that creative menu design and regional cuisine can make F&B operations lucrative. According to their research, the success of F&B businesses in India frequently hinges on developing distinctive, culturally appropriate experiences that draw in both locals and hotel visitors. Using such culturally relevant themes could boost Fortune Park Pushpanjali's F&B earnings by drawing in a wide variety of patrons.

Kapoor and Mehta's (2020) analysis on the subject in Indian hotels. Indian diners are lured to imaginative experiences, they pointed out, and they recommended that hotels' F&B establishments use seasonal specials and themed events to increase sales. This knowledge will serve as the foundation for this study's analysis of Fortune Park Pushpanjali's F&B profitability, which will look at how income could be increased by seasonal and themed events.

Rutherford (2002) For hotels with designated spaces, events such as banquets, conferences, and weddings offer significant revenue prospects. The significance of designing adaptable, multipurpose event spaces that satisfy a range of client objectives was underlined by Rutherford (2002). According to his research, hotels could increase revenue during periods of low and high demand by providing customised packages that consistently resulted in bookings for social and corporate events.

According to a 2019 study by Narayan and Patel on event revenue management in Indian hotels, working with local vendors and providing culturally appropriate wedding packages greatly increased event bookings. This is especially important for Fortune Park Pushpanjali since traditional and cultural events are highly sought after in India, particularly in smaller cities where hotels are frequently used as excellent locations for social functions.

Kumar and Desai (2021) investigated revenue maximisation options for event rooms in Indian hotels. They discovered that tailored wedding package marketing during busy times and dynamic pricing for event reservations based on demand variations greatly raised event income. These results are essential for assessing how Fortune Park Pushpanjali may use comparable pricing and demand-driven marketing techniques to further maximise event income.

Kandampully and Suhartanto (2000), a focus on service quality has a direct impact on revenue and guest loyalty since satisfied customers are more inclined to pay for services. They contend that all departments should place a high priority on guest pleasure since it increases revenue indirectly through repeat business and favourable word-of-mouth advertising. According to a 2019 study by Sharma and Verma, which examined guest satisfaction in Indian hotels, customers place a high value on consistency in service, particularly when it comes to room and food services. According to their research, encouraging customer loyalty requires upholding strict standards for cleanliness, prompt service, and individualised attention in these areas. By maintaining uniform service standards for dining, events, and accommodation, Fortune Park Pushpanjali may take advantage of this information to increase customer satisfaction and encourage repeat business.

Bhardwaj and Joshi (2020) looked at how customer service affects revenue generation and came to the conclusion that hotels that provide customised experiences typically saw better levels of guest satisfaction and, thus, more revenue. These results will be taken into account in order to investigate how Fortune Park Pushpanjali's financial performance is impacted by visitor happiness across all income streams.

Srivastava and Sharma (2022) highlighted that diversification into events and F&B enables hotels to access local markets. According to their analysis, hotels that host locals for events like community gatherings, regional celebrations, or speciality dining nights draw in business from sources other than standard room occupancy. By meeting local demand, this diversification approach enables hotels to sustain income flow, which is especially advantageous during slow travel seasons when room reservations fall. Implementing such region-specific initiatives could strengthen community links and revenue resilience for Fortune Park Pushpanjali, providing consistent income while reducing risks related to seasonality and varying tourist influxes.

Enz and Canina (2008), hotels that generate income from a variety of sources, including rooms, food and beverage, and events, are more resilient to economic downturns. Hotels can keep a steady revenue stream even in the event that one revenue source performs poorly by distributing risk among several market sectors.

Rao and Malhotra (2021) have highlighted the importance of revenue diversification for mid-tier hotels, especially those that depend on local demand for F&B and events. Indian hotels that balance their revenue streams are better able to withstand changes in the economy and seasonal demand, according to their analysis.

Objectives of the study

1. To evaluate the main sources of income for profitability.
2. To find revenue generation trends and patterns.
3. To evaluate the elements influencing each segment's profitability.
4. To make recommendations on how to improve profitability across all revenue sources.
5. To advance knowledge of revenue management in the hotel industry.

Research Methodology

For this study, data was collected from three main sources:

The hotel's financial team was contacted directly, and the revenue-generating procedures were observed up close as part of the primary data collection process. Analysing the profitability of each revenue stream was based on financial documents, internal reports on occupancy rates, and historical data on F&B sales and event reservations. Furthermore, scholarly articles on hospitality revenue management, industry research reports, and case studies of comparable hotel enterprises provided insightful viewpoints on industry norms and difficulties.

The study examined seasonal patterns, room pricing, and occupancy rates for the hotel's 89 rooms. A comprehensive knowledge of room revenue patterns was made possible by the sample size, which was sufficiently large to account for

seasonal shifts, holiday surges, and fluctuations in guest demographics by looking at a full year's worth of data.

For F&B, the study examined average monthly sales and guest spending across four main outlets: Orchid, Earthen Oven, Fortune Deli, and Neptune Bar. The data also included guest dining preferences, peak hours, and the influence of seasonal promotions. This comprehensive sample size helped illustrate trends in F&B revenue, including factors that influenced dining sales and opportunities for cross-promotions with other services.

Research Design

This project's study design employs an organised methodology that blends descriptive and analytical research techniques:

Results & Analysis

The Results and Analysis section delves into the financial performance and operational efficiency of the primary revenue streams at Fortune Park Pushpanjali, including Rooms, F&B, and Events. This analysis is based on 2 year data and focuses on occupancy, revenue generation, cost efficiency, and profitability to assess the hotel's overall performance.

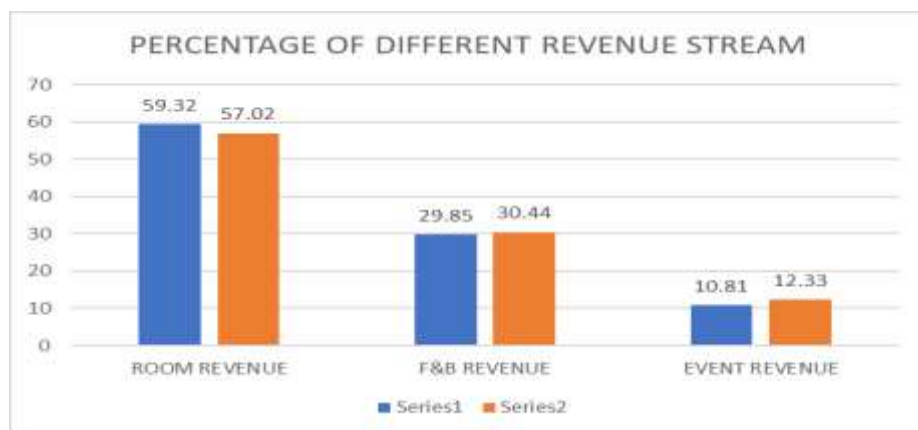
REVENUE PERCENTAGE IN EACH STREAM: To evaluate the revenue patterns and financial performance of Fortune Park Pushpanjali, we analysed the percentage contribution of each revenue stream (Rooms, F&B, and Events) during two consecutive years, 2023 and 2024. We can learn more about which parts of the company are generating the most money and how the distribution across streams has changed by looking at these contributions. The hotel's operational strengths and possible growth opportunities are highlighted in this report.

$$\text{PERCENTAGE OF ROOM REVENUE} = \frac{\text{ROOM REVENUE}}{\text{TOTAL REVENUE}}$$

$$\text{PERCENTAGE OF F\&B REVENUE} = \frac{\text{F\&B REVENUE}}{\text{TOTAL REVENUE}}$$

$$\text{PERCENTAGE OF EVENT REVENUE} = \frac{\text{EVENT REVENUE}}{\text{TOTAL REVENUE}}$$

YEAR	ROOM REVENUE	F&B REVENUE	EVENT REVENUE
Revenue	44605.15	22,447.61	3220.62
Total Revenue	75,182.64	75,182.64	75,182.64
2024	59.32	29.85	10.81
Revenue	38028.79	20,236.10	3386.07
Total Revenue	66,461.27	66,461.27	66,461.27
2023	57.02	30.44	12.33



Interpretation:

Growth in the Room Revenue Share in 2023–2024:

Room revenue increased from 57.02% of total income in 2023 to 59.32% in 2024.

This rise suggests a greater reliance on reservations, which could lead to increased occupancy rates or price changes that would improve room revenue.

A slight decline in the revenue share of F&B

In 2024, F&B's share of total income was 29.85%, a little decrease from 30.44% in 2023. This little decline could be the result of either a shift in the total revenue distribution due to a greater emphasis on room sales or a decline in F&B sales in comparison to other streams.

Event Revenue Contribution Declines:

Between 2023 and 2024, the event income share decreased from 12.33% to 10.81%.

Less events, adjustments to pricing policies, or changes in consumer demand could all be contributing factors to this decline. In order to increase competition in this stream, it can also be a clue to look for strategies to increase event reservations or reassess event prices.

Overall Pattern of Revenue from Rooms:

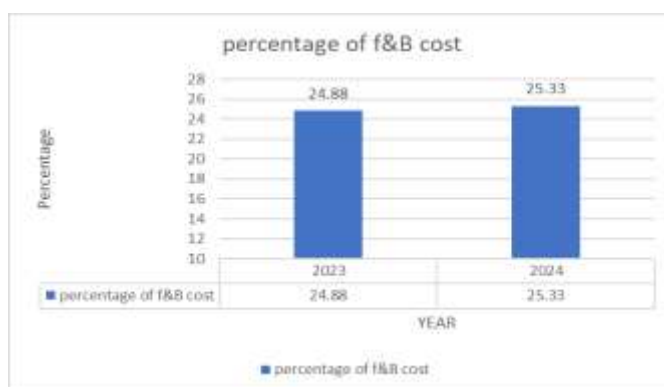
As a percentage of total revenue, room revenue now accounts for a bigger portion of the hotel's 2024 revenue distribution than F&B and events combined.

Since room income usually has lower variable expenses than F&B and events, this trend is in line with many hotels' goals to maximise room occupancy and price.

Food & Beverage Cost Percentage:

Unreasonably low percentage is not good enough or its quantity may be too small to satisfy reasonable expectation of customer. On the other hand, a high percentage of cost may be due to poor cost control or too much of wastage or theft etc. The state of food and beverage cost percentage has been depicted in table

• YEAR	2024	2023
F&B COST	5,686.39	5,035.96
F&B REVENUE	22,447.61	20,236.10
F&B cost percentage	25.33	24.88



INTERPRETATION:

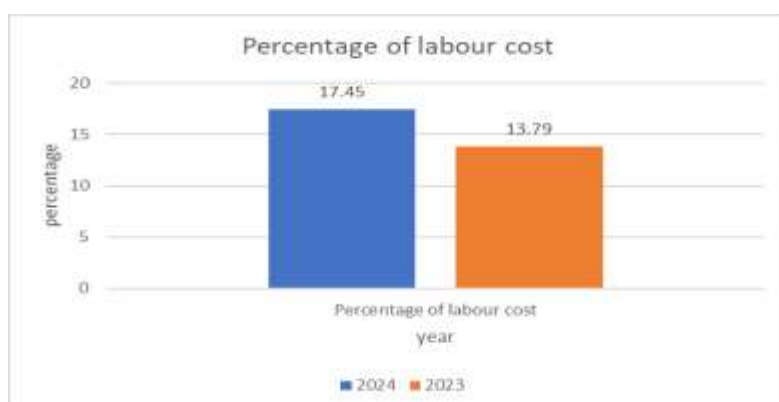
Slight Increase in F&B Cost Percentage:

Between 2023 and 2024, the F&B expenditure as a proportion of total revenue grew from 24.88% to 25.33%. Despite being minor, this increase indicates that F&B-related expenses increased marginally more quickly than this stream's revenue. This can be a sign of higher labour, food supply, or operating costs for the F&B establishments.

Labour Cost Percentage:

The result of labor cost percentage is shown in table

YEAR	2024	2023
Labor cost	13,274.31	9894.88
Total revenue	76,050.72	71,733.85
Percentage of labour cost	17.45	13.79



INTERPRETATION:

Percentage Increase in Labour Costs:

Between 2023 and 2024, the labour cost as a percentage of total sales grew from 13.79% to 17.45%. This increase implies

that over the last year, labour costs have increased more quickly than revenue, which may be the result of things like pay raises, increased staffing, or more hours put in to satisfy customer expectations.

Conventional Profitability Ratios:

YEAR	2024	2023
Earnings After Tax	908.34	(159.25)
Total Revenue	76,050	71,733
Ratio	1.19%	(0.22%)



INTERPRETATION:

An increase in profitability In 2024, the profit margin ratio increased from 0.22% in 2023 to 1.19%. This change from a negative to a positive margin shows that the hotel's overall financial performance and cost control improved in 2024, as it went from making a net loss to making a moderate net profit.

Potential for Additional Development: Even if the 2024 profit margin is positive, there is still opportunity for development given the low percentage. The hotel may be able to increase its profitability in the upcoming years by implementing strategies including improving revenue streams, increasing operational efficiency, and cutting non-essential spending.

Operating Profit Ratio:

YEAR	2024	2023
Operating Profit	21,517	24,091
Revenue from operations	76,050	71,733
Ratio	28.29%	33%



INTERPRETATION:

Decline in Operating Profitability: The company's operational efficiency has declined, as seen by the operating profit ratio, which dropped from 33% in 2023 to 28.29% in 2024. Even if the business is still making a solid operating profit, the decline indicates that it is no longer as effective at turning sales into operating profit, which might be the result of either decreased revenue generation in 2024 or greater operating costs.

Potential Pressure on Costs or Revenue Issues: A drop in revenue from important segments or higher operating costs (such as salaries, utilities, and raw materials) could be the cause of the ratio's reduction. This suggests that while the business continues to generate a sizable operating profit, its capacity to control expenses or sustain robust sales performance has diminished, necessitating focus to enhance cost

Return on Net Worth

YEAR	2024	2023
Earnings after tax	908.34	(159.25)
Net Worth	2,61,832	33,233
Ratio	0.34%	(0.4%)



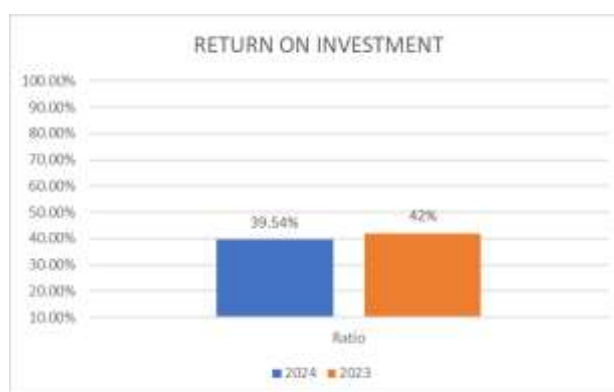
INTERPRETATION:

Improvement in Profitability: From a negative value of -0.4% in 2023 to 0.34% in 2024, the RONW has improved. This suggests that the business has begun to produce a profit on the capital that its investors have contributed. A rebound in the business's capacity to use shareholder capital to produce profits is indicated by the change from a loss to a slight gain.

Still Low Return on Equity: Even while 2024's positive RONW is a step in the right direction, the figure of 0.34% is still quite low. This implies that there is still a lot of space for improvement in terms of producing larger profits from the invested stock, and that the company's return on shareholder equity is still low. To increase returns for shareholders, management could need to concentrate on raising profitability or streamlining operations.

Return on Investment (ROI)

YEAR	2024	2023
Earnings before Interest & tax	1,30,584	1,19,377
Capital Employed	3,30,176	2,79,632
Ratio	39.54%	42%



INTERPRETATION:

Slight Decline in Investment Efficiency: The ROI dropped from 42% in 2023 to 39.54% in 2024, suggesting that the company's investments are not as efficient as they once were. The decline indicates that the returns from new or existing assets have somewhat decreased over the course of the year, even though the company is still making a sizable return on its investments.

Continued Excellent Performance, but Potential for Improvement: The ROI is still comparatively high, indicating that the business is still generating a substantial return on the money it has invested, even with the decline. The drop, however, can be the result of higher expenses, lower income from significant investments, or other inefficiencies that the business will need to fix to preserve or boost future investment returns.

KEY RATIO:

Key Ratios:			
Particulars	FY2024	FY2023	% Change
Trade Receivable Turnover Ratio	15.71	17.94	-12.42%
Inventory Turnover Ratio	7.27	7.02	3.54%
Current Ratio	0.69	0.42	66.51%

Debt-Equity Ratio	0.25	6.16	-95.87%
Net Profit Ratio	0.01	0.0	-



INTERPRETATION:

1. Trade Receivable Turnover Ratio:

- o % Change: -12.42%

INTERPRETATION:

The decrease in the trade receivable turnover ratio indicates that the company is taking longer to collect payments from customers. A lower ratio means that the company's receivables are turning over less frequently, which could indicate challenges in cash flow management or an increase in overdue accounts.

2. Inventory Turnover Ratio:

- o % Change: +3.54%

INTERPRETATION:

The increase in inventory turnover indicates improved efficiency in managing inventory. The company is selling and replacing inventory more quickly in FY2024 compared to FY2023, suggesting better inventory management practices, which can help reduce holding costs and improve cash flow.

3. Current Ratio:

- o % Change: +66.51%

INTERPRETATION:

The current ratio has significantly improved, indicating better short-term liquidity in FY2024 compared to FY2023. A ratio of 0.69 means the company has 69 cents of current assets for every dollar of current liabilities. While this improvement is positive, the ratio is still below the ideal level of 1, suggesting that the company may still face challenges in meeting short-term obligations without further reliance on external financing.

4. Debt-Equity

- o % Change: -95.87%

INTERPRETATION:

The substantial decrease in the debt-equity ratio indicates a significant reduction in the company's reliance on debt financing. The decrease from 6.16 to 0.25 shows that the company has either reduced its debt or increased its equity base in FY2024, improving its financial stability and reducing financial risk.

5. Net Profit Ratio:

INTERPRETATION:

The net profit ratio has shown a slight increase, from 0.0% in FY2023 to 0.01% in FY2024. While this is a marginal improvement, it still indicates that the company's profitability is very low. The company is generating very minimal profit

relative to its sales, suggesting that profitability remains a concern and needs improvement.

FINANCIAL OVERVIEW

All figures in INR crore			
	FY2024	FY2023	YoY Change
EBITDA	319.7	322.4	-1%
EBITDA (% of Total income)	39%	45%	600 bps
Adjusted EBITDA (% of Revenue from operations)	38%	41%	300 bps
Finance costs	265.2	266.4	0%
Depreciation and amortization expenses	91.2	81.5	12%
Profit / (Loss) before tax	(36.7)	(25.5)	44%
Deferred tax credit	(60.5)	(24.0)	152%
Profit / (Loss) for the period	23.8	(1.5)	NM

Conclusions: The increase in the trade receivable turnover ratio suggests slower customer payment collection, potentially indicating cash flow issues or an increase in overdue accounts. However, the company's operational efficiency has declined, with the operating profit ratio dropping from 33% in 2023 to 28.29% in 2024. This decline suggests that the company is no longer as effective at turning sales into operating profit. This could be due to decreased revenue generation or greater operating costs. In 2024, the profit margin ratio increased from 0.22% in 2023 to 1.19%, indicating improved financial performance and cost control. The hotel may be able to increase profitability in the upcoming years by implementing strategies such as improving revenue streams, increasing operational efficiency, and cutting non-essential spending. Despite the positive 2024 profit margin, there is still room for development as the hotel may need to implement strategies to improve its profitability in the upcoming years.

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