

Profitability in Egyptian hotels: business model and sustainability impact

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Abstract

The goals of this research are: first, identifying factors impacting hotel profitability; second, exploring the profitability ratios most commonly used by Egyptian hotel managers; third, examining whether the hotel profitability is considered an issue of control or not. Questionnaires were collected from a convenience sample of hotels in different locations of Egypt. Two-stage analysis was performed, involved hotel profitability estimation in the first stage using a sophisticated frontier analysis technique (LIMDEP), and the determination of hotel profitability determinants during the second stage using the regression analysis.

Results showed that hotels' ability to succeed is not only determined by their business model attributes of size or location, but by their type, brand, and some controlled factors such as sustainability practices. The Importance/Performance Analysis (IPA) showed occupancy rate as a profitability indicator was situated in the second IPA quadrant meaning similarity between importance and performance perceptions. Furthermore, measuring efficiency is a useful tool to identify factors impacting profitability.

This research found hotel located in the capital do not show higher profitability values than hotels locating in remote areas. Hotels' size, capacity, star, type, managers' experience, sustainability factors were found the main profitability determinants. To date, this study is one of the first attempts to identify hotel profitability determinants in Egyptian hotels so far.

Keywords: Profitability; Egyptian Hotels; Frontier technique; Sustainability; Business model