

BMIH5013/D Financial Management

Revenue Management

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Register



HOSPITALITY
AND
TOURISM
MANAGEMENT



Man Geni Addysg Uwch yng Nghymru
Where Higher Education Began in Wales



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Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Recap-What did we learn last week?

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Risk Management

Quiz

What strategies can hotel managers use to mitigate risks?

Today's Objectives

1. Describe Revenue Management
2. Discuss Revenue Management benefits and strategies
3. Explain the role of a Revenue Manager
4. Discuss the concept of Occupancy, ADR, and RevPAR
5. Assignment 2

Revenue Management



Hotel Revenue Management – Simplified!

Group Discussion:



- What would happen to a hotel without Revenue Management? What would this look like?
- Could the hotel function?



A Brief History of Hotel Revenue Management

- *“Revenue management has contributed millions to the bottom line, and it has educated our people to manage their business more effectively. When you focus on the bottom line, your company grows.”*

Revenue management four levers:

- Price Basis
- Inventory Allocation
- Product Configuration
- Duration Control



IMA (2020)

**The most used terms relate to your internal data,
also called key performance indicators, or KPI's**



OCCUPANCY - A % of how many of your rooms have already been sold

ADR - Average daily rate

REVPAR - Revenue per available room



Revenue Management at Marriott:

- Marriott investing more than \$50 million on its Revenue Optimizing System
- Dynamic Pricing Automation
- Marriott Internationals Group Pricing Optimiser

Any Questions?

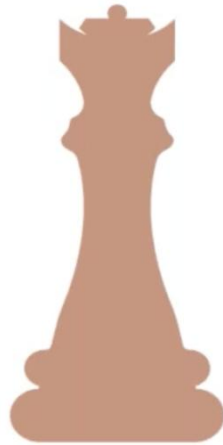


The Role of: Revenue Manager

Revenue Management is selling..



RIGHT
PRODUCT



RIGHT
CUSTOMER



RIGHT
PRICE



RIGHT
CHANNEL



RIGHT
TIME



Target market





KPIs in hotel revenue management

Traditionally, the effectiveness of revenue management strategy is measured using the following KPIs:

Occupancy rate – the number of occupied rental units at a given time, compared to the total number of available rental units at that time.

$$\text{Occupancy rate} = \text{Rooms sold} / \text{Room available}$$

Average daily rate (ADR) – this rate is applied to a room's average rental income during a certain period of time. It's compared to hotel's historical ADR or competitors' metrics.

$$\text{ADR} = \text{Rooms revenue earned} / \text{Number of rooms sold}$$

Revenue per available room (RevPAR) – a KPI that assess financial and business performance of a hotel. RevPAR measures ability of a property to fill all the rooms and define the best price for them. There are two ways to calculate it:

$$\text{RevPAR} = \text{Rooms revenue} / \text{Rooms available}$$

$$\text{RevPAR} = \text{Average daily rate} * \text{Occupancy rate}$$

Total revenue per available room (TRevPAR) – a metrics that accesses total revenue, generated by property and based on room cost and money spent on it. This KPI captures a snapshot of overall business performance. TRevPAR is one of the main benchmarking tools for big hotels and resorts. The higher the TRevPAR, – the better the revenue.

$$TRevPAR = \text{Total revenue} / \text{Total number of available rooms}$$

Net revenue per available room (NRevPAR) – a KPI that allows hotel revenue managers to calculate the distribution cost to see how the room revenue is generated. NRevPAR includes spendings on marketing and distribution.

$$NRevPAR = (\text{Room revenue} - \text{distribution costs}) / \text{Number of available rooms}$$

Gross operating profit per available room (GOPPAR) – measures the profit of a hotel and value of all assets at any given time. GOPPAR measures profit to capacity, including all a hotel's spendings and taxes.

$$GOPPAR = \text{Gross Operating Profit} / \text{Number of available rooms}$$

Any Questions?





Occupancy, ADR and RevPAR

equity  roots

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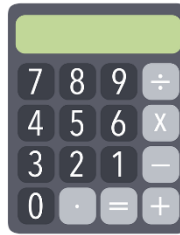


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ACTIVITY



Work out the Occupancy rate below (##%)

Occupancy rate – the number of occupied rental units at a given time, compared to the total number of available rental units at that time.

$$\text{Occupancy rate} = \text{Rooms sold} / \text{Room available} \times 100$$

Q1 - Hotel Trinity has 162 rooms. Last night, we sold 94 rooms.
What was the occupancy percentage for last night?

Q2 – Last Thursday, we sold 152 rooms.
What was the occupancy percentage?

Make a note of these answers as you will need them later.

Q3 – Tomorrow, we have already sold 101 rooms.
What is the current occupancy?



Work out the ADR below (£##.##)

ACTIVITY



Average daily rate (ADR) – this rate is applied to a room's average rental income during a certain period of time. It's compared to hotel's historical ADR or competitors' metrics.

$$ADR = \text{Rooms revenue earned} / \text{Number of rooms sold}$$

Q1 - Last night, we sold 94 rooms.

The room revenue total for last night was £6,967.28

What was the ADR for last night?

Make a note of these answers as you will need them later.

Q2 – Last Thursday, we sold 152 rooms.

The room revenue total was £10,506.24

What was the ADR for last Thursday?

ACTIVITY



Work out the RevPAR below (£##.##)

Revenue per available room (RevPAR) – a KPI that assess financial and business performance of a hotel. RevPAR measures ability of a property to fill all the rooms and define the best price for them. There are two ways to calculate it:

$$\text{RevPAR} = \text{Rooms revenue} / \text{Rooms available}$$

$$\text{RevPAR} = \text{Average daily rate} * \text{Occupancy rate}$$

TIP!

Use the answers you recorded!

Q1 – What was the RevPAR for last night?

Q2 – What was the RevPAR for last Thursday?



REVENUE MANAGEMENT

ASSIGNMENT 2

Any Questions?

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I look forward to seeing you next week.

If you have any questions in the meantime,
please send an email from your student
account

e.wavei@uwtsd.ac.uk

Next week.....

Financial Statements: Balance sheet
and income statements

Please have a look at the material on
Moodle, which will be made available
this Friday.