

BMTP 5019 Tourism Operations

Revenue Management Introduction to Budget

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Register



Recap-What did we learn last week?

Recap-What did we learn last week?

Cost structure

What is cost structure?

Where Are We Now?

Module:	Operations Management
Week	Lecture Topic
1	Introduction to Role of Financial Management in business operations
2	Hospitality and tourism industry characteristics and Financial Management implications
3	Introduction to Supply and Demand and financial planning
4	Cost structure
5	Introduction to budgeting
6	Revenue Management
7	Reading Week
8	P&L and Balance Sheet
9-11	Assignment Support
12	Assignment Submission

Announcement

No Financial Component class on 3rd March 2026 due to Enterprise pitch

Rading Week: Monday 9th - Friday 13th March 2026

Events Project (Health & Wellbeing) Tuesday 17th March 2026-No class

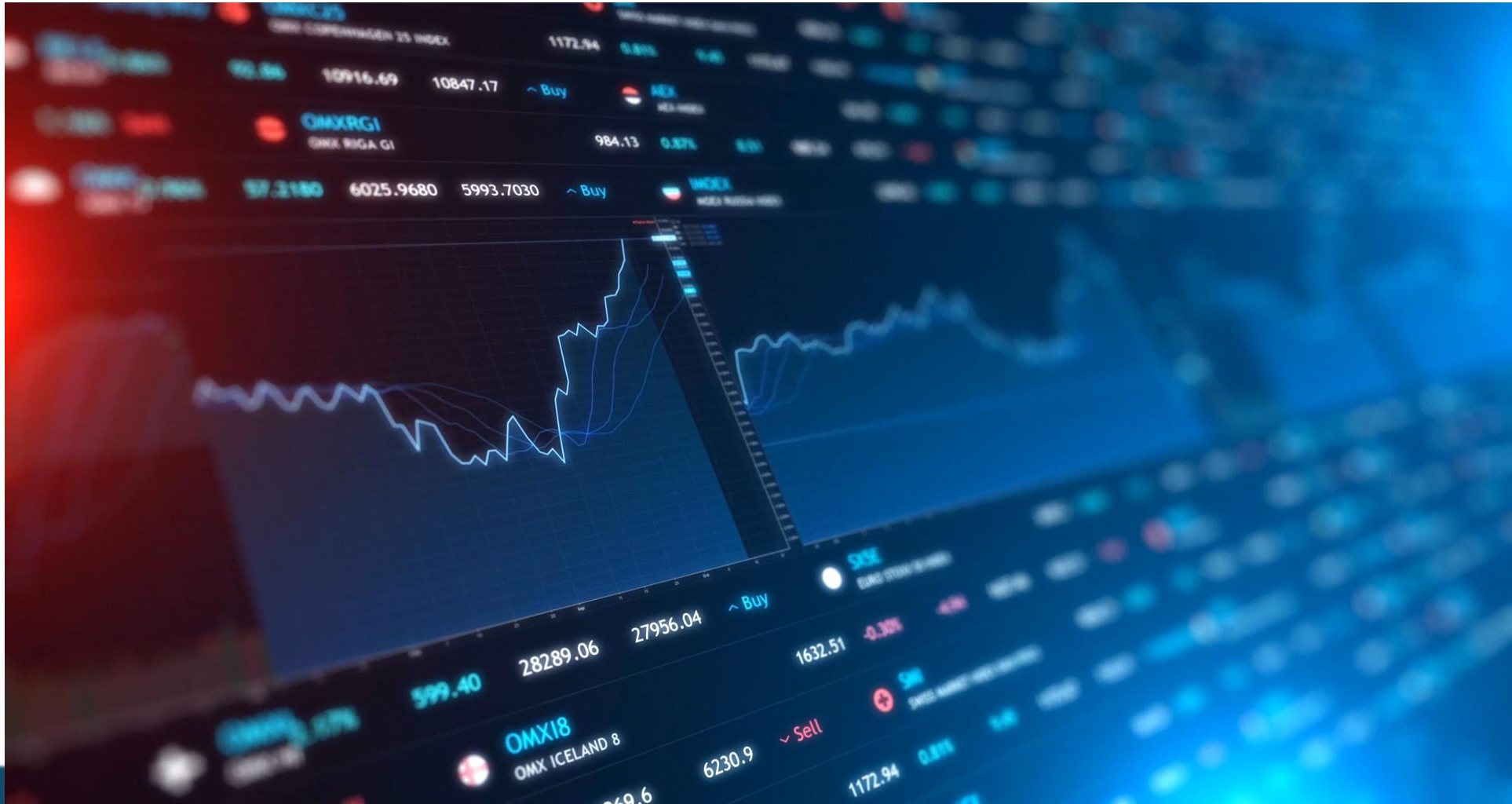
Lecture resume: Tuesday 24th March 2026-P&L

Please answer the case study (**See Pages 34-37**) in your groups-Tourism and Events students and be ready to make a class presentation on 24th March 2026

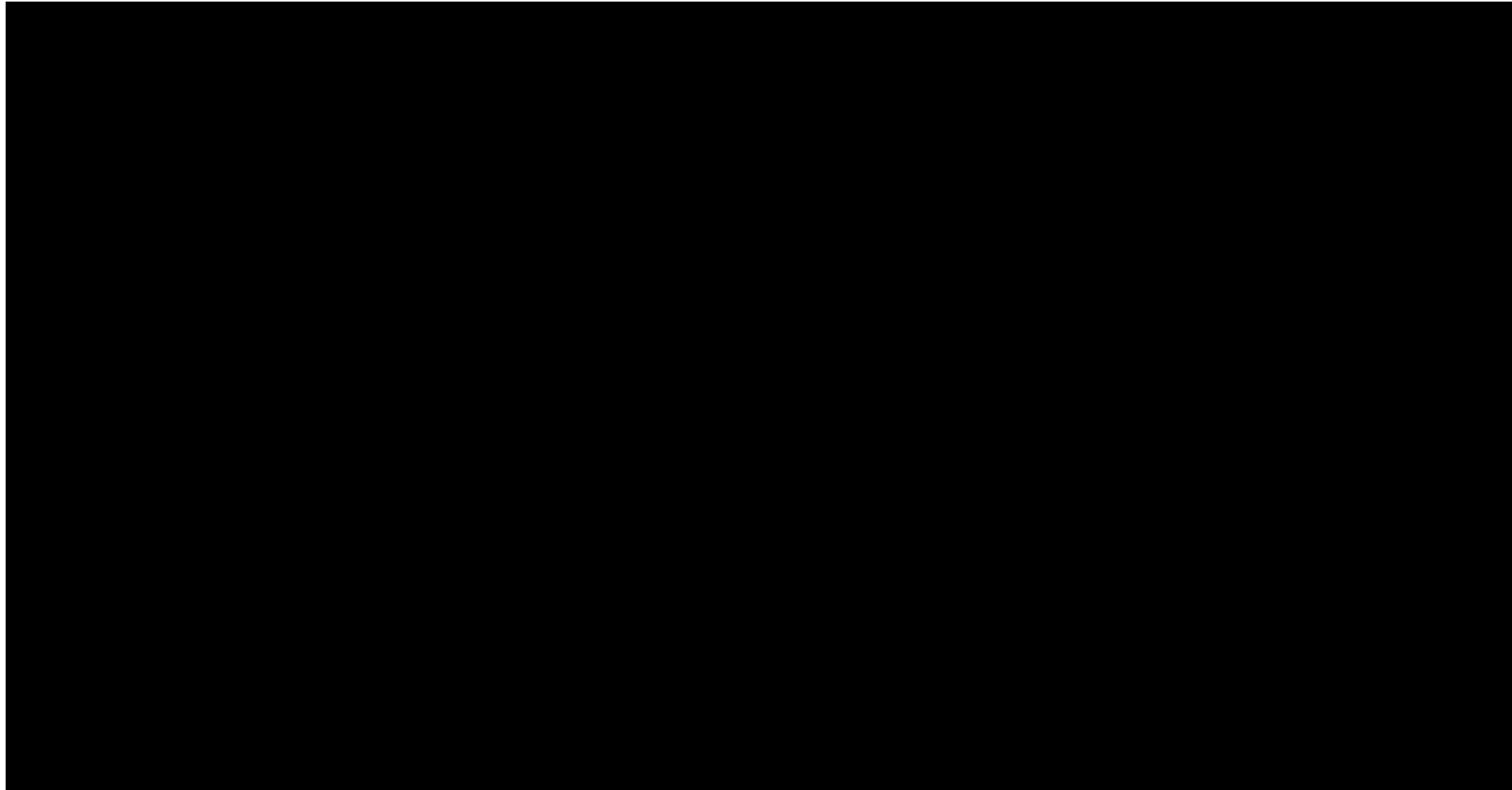
Today's Objectives

1. Describe Revenue Management
2. Discuss the concept of Occupancy, ADR, and RevPAR
3. Introduction to Budgeting

Revenue Management



Hotel Revenue Management – Simplified!



In simpler terms

Revenue management is defined as the art of selling the right product to the right customer at the right time and at the right price, thereby maximising total revenue.

Revenue Management, an extremely important part of tourism and events.

Group Discussion:



- What would happen to a tourism or event organisation without Revenue Management?
- What would this look like?
- Could the firm 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.”*

History of Revenue Management

Airlines were one of the first to understand the power of segmented pricing to yield more revenue than across-the-board pricing.

It all started with American Airlines, who realised that there was more value according to specific conditions, such as offering discounts to tickets. It was about getting the highest “yield” by more efficiently and intelligently pricing its inventory.

History of Revenue Management

Yield management is an inventory-centric approach that matches the right product in front of the ideal customer at the best price.

Both airlines and hotels have perishable inventory, or inventory that can't be sold once a flight has taken off or the night has passed.

History of Revenue Management

Marriott was the first mover, adapting airline yield management strategies to the hotel business and seeing great returns, as Bill Marriott Jr., Chairman and CEO, Marriott International once said: “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.”

Other hotels imitated and hotels became more deliberate in their efforts to optimise room revenue (pricing) and occupancy (booking volume) through variable pricing strategies based on factors such as demand, booking windows, and market conditions.

Revenue management four levers:

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



IMA (2020)

Revenue Management Four Levers

Four levers govern revenue management. Such levers can assist you in determining your present situation and the business environment in order to assess what decisions you can make.

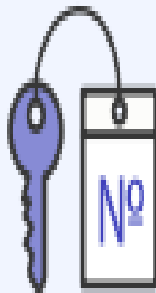
PRICING BASIS • Do you tend to charge the same price for your rooms or services to all customers? • Are your prices based mainly on costs and/or direct responses to competitor price movements?

INVENTORY ALLOCATION • Do you sell your rooms or service on a first-come-first-served basis? • Do you charge the same price for your rooms or services during both high- and low-demand periods? Are your prices based seasonally?

PRODUCT CONFIGURATION • Does your hotel or service range require a wide variety of different resources to produce? • Does your hotel or service innovation usually involve radically new products?

DURATION CONTROL • Do you have the same operating procedures during both busy and slow periods? Consider events, time of the year and location demand – How do you control guest residency duration?

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?



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.

$$TRevPAR = Total\ revenue / Total\ number\ of\ available\ rooms$$

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.

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

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.

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

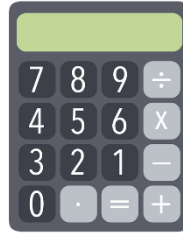
Any Questions?



Occupancy, ADR and RevPAR

equity  roots

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?

ACTIVITY



Work out the ADR below (£##.##)

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:

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

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

Q1 – What was the RevPAR for last night?

Q2 – What was the RevPAR for last Thursday?

TIP!

Use the answers you recorded!



Budgeting

What do you know about budgeting?

What is a budget?

A budget is “a quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. A budget provides a focus for the organisation aids the co-ordination of activities and facilitates control.”

(Chartered Institute of Management Accountants (CIMA) 2005)

What is a budget?

- A budget is a financial plan for a set period in the future
- Organisations should consider what income they expect to receive and what expenses they are likely to incur during this time period
- This information can then be used to predict the surplus or deficit they expect to obtain during the budgeted period

There are two types of budgeting

Zero-based budgeting

- Start with a blank page
- All income and expenditure will be considered and analysed in depth
- Level of analysis allows for consideration on how appropriate each 'spend' is

Incremental budgeting

- Start with a budget from previous period (if there is one in place) and adjust accordingly – enabling 'quick' forecasting if performance has been consistent
- Limited opportunities for research – particularly if significant changes may occur over the next fiscal year

Personal budgets

The budget of an organisation serves many of the same functions as that of an individual. However, business budgets tend to be more detailed and involve more work to create. But, besides that, they are similar to those prepared by individuals in many regards.



Budgeting Activity 1 hour (Tourism and Events groups)

Case Study: Budget Planning for the City Cultural Food & Music Festival

Background

The City Tourism Board in **Brighton, UK** has partnered with a local event management company to organise a two-day **Cultural Food & Music Festival** aimed at:

- Attracting domestic tourists
- Supporting local food vendors and artists
- Increasing off-peak season visitation
- Enhancing the city's destination image

The event is expected to attract **4,000 attendees per day** (8,000 total over two days). The event will take place in a public park and will include:

- 20 local food vendors
- 10 craft stalls
- 8 live music performances
- A children's activity zone
- Cultural performances and workshops

The event manager must prepare a **feasible event budget** and assess financial viability.

Budgeting Activity 1 hour

Case Study: Budget Planning for the City Cultural Food & Music Festival

Use the budget template below to prepare a budget for this event:

1. Projected Revenue

Revenue source	Assumption	Estimated Income (£)
Total estimated Revenue		

2. Projected Cost

Expense category	Estimated Cost (£)
Total estimated Cost	

Budgeting Activity 1 hour

Case Study: Budget Planning for the City Cultural Food & Music Festival

Task

(A) Budget analysis:

1. Identify the largest cost categories and suggest cost-control strategies.
2. Assess whether the contingency allocation is sufficient.

(B) Risk assessment:

1. Identify at least two financial risks and propose mitigation strategies for each.

Budgeting Activity 1 hour

Case Study: Budget Planning for the City Cultural Food & Music Festival

Task

(C) Scenario planning

Assume attendance drops by 20%.

- Recalculate ticket revenue.
- Determine whether the event still makes a profit or loss.
- Suggest corrective actions.

(D) Strategic Evaluation

Discuss:

- Is the projected surplus acceptable given the financial risk?
- Should the event prioritise profit or destination marketing benefits?
- How could digital marketing or partnerships improve financial performance?

Any questions.....?

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: P&L on Tuesday
17th March 2026