

## **PLANNING AND EVALUATING OPERATIONS**

### **I- Management Functions:**

1. **Planning:** At the planning stage, the front office manager shall determine the department's goals. Later, the front office manager shall use these goals as a guide for planning more specific and measurable objectives. Lastly, the front office manager shall determine the strategies and tactics to reach these objectives.
2. **Organizing:** The front office manager shall organize the work to be done through dividing it among staff members. While doing so, the work shall be distributed fairly and shall be completed in a timely manner.
3. **Coordinating:** Involves bringing together and using the available resources to attain planned goals.
4. **Staffing:** Involves recruiting applicants, selecting those best qualified for positions, and scheduling employees.
5. **Leading:** Involves overseeing, motivating, training, disciplining, and setting an example for the front office.
6. **Controlling:** Ensures that the actual results of operations closely match planned results.
7. **Evaluating:** Determines the extent to which planned goals are, in fact, attained. Moreover, it involves reviewing and, when necessary, revising or helping to revise front office goals.

## **PLANNING IN FRONT OFFICE :**

It involves 3 main functions:

1. Establishing room rates
2. Forecasting room availability
3. Budgeting for operation

### 1. Establishing Room rate

Each hotel has different room rate categories based on roomsize, location, view, furnishing and amenities. Each category is assigned a rack rate based on the number of pax occupying the room.

**RACK RATE:** is the standard price determined by the management. hotel design a standard rate for each category of rooms offered to the guest. These are the highest possible rate for each category of rooms.

- **Special Rates:** There are certain circumstances when special reduced rates or discounts may be offered on rack rates during the low occupancy period. The special rates are:

**Corporate rates:** these are the promotional rates to attract the corporate market segments. These are generally 10 to 20 % below the rack rate.

**Package Rates:** It covers all expenses of accommodation, food, transportation, sight-seeing, entertainment, etc. These are normally for a fixed period of time, e.g. 4 days and 3 nights. These can be meeting, marriage or holiday's package.

- **Seasonal rate:** depending on the desirability of a location at a particular time of the year, destination may have a high or a low season and rate also change accordingly.
- **Advance purchase rate:** it is a new concept; heavy discounts are given on room booking done in advance. Discounts depend upon advance period and number of rooms booked. **Week day and week end rates:** hotel

occupancy change with regard to the days of the week and rate goes low with decrease in occupancy and goes up with increase in occupancy, e.g. down town hotels are busy on week day whereas resorts are busy on weekends.

- Day and half day rate: rates offered to guest using room for few hours.
- Group Rate: Groups are given special rates due to the number of rooms taken by them at a time. A group under standard stipulation comprises of 15 guests or more. Based on the discretion of the Management, the group leader may be given a complimentary room for a minimum of 15 paying customers.
- Guests who do not come into any of the above groups are called as 'F.I.Ts' or Free Individual Travellers. i.e., they are not part of any group or company enjoying special rates. When these are Indians or Domestic clientele, they are referred to as 'D.F.I.T'. or 'Domestic Free Individual Traveller'. Similarly, if the guest is not a domestic traveller i.e., if he is a foreigner, then he is called as 'F.F.I.T'. or 'Foreign Free Individual Traveller'.

Tour rates: these are special discounts that are given to wholesalers who operate series of tours for groups arriving and departing together.

Company Guaranteed Rates (CGR): Companies which give regular guaranteed business to the hotel are given discounts.

Company volume guaranteed rate (CVGR)-Based on the room night potential of different companies, certain hotels give a special rate to those companies which contribute a large volume of room nights. This special rate offered came to be called as the 'Company Volume Guaranteed Rate' (C.V.G.R) or 'Company Guaranteed Rate' (C.G.R.). The higher the volume of business, the higher was the percentage of discount given. For this purpose, all those companies which offer a large quantum of business could be 'A' rated. As the contribution figure

dipped, the company rating would also drop to 'B' or even 'C' for those with a relatively poor volume of business.

Many hotels today, in order to accommodate all categories of employees from one particular organisation, have gone ahead and offered very low rates to the lower down officers, and higher rates to the top brass of the company, based on their entitlements and expenditure capabilities. A record of the room night contribution (R.N.C.) of individual companies is maintained either on a computerized system or manually by an alphabetically indented register. Periodically, the companies are informed of their volume contribution. If the expected room night contribution was not maintained by any one company, they would fall to a lower rating or even be left out of the C.G.R. list after the total period of assessment

- **Employee rate-** Employees of major hotel chains have a special employee rate for all employees at their member hotels within the chain. This is however based on the availability of space and policy of the individual hotel. **Travel agent rate:** travel agents provide substantial volume of business to hotels; hence hotels offer them special discounts and commissions.
- **Government rates:** these are the discounts given to the government official travel for official purpose. **Educational rate:** these are the special rates offered by hotels to students and educationists who have a limited travel budget. They provide a large chunk of repeat business to hotels.
- **Membership rate:** rates offered to the guests who are the member of influential organization or memberships offered by hotel that provide volumes of business to hotels.
- **Introductory rate:** rates offered by new hotels or hotels providing new services to the market.

- Complimentary rates: these are rates where hotel does not charge the room rent from a guest, these are provided to tour or group leaders, tour operators, travel agencies, local dignitaries, and media personnel's.

Promotional Rates: For publicity and promotion special discounted rates are offered to CIP's. These discounts are authorized by senior staff members.

Off Season Rates: Resorts usually have separate tariff for peak season and off season, the off season rate being much lower.

- Staff Discount: In chain hotels, employees may be given discounts on room rates for hotels belonging to that chain. This is given on space available basis.
- Airline/Crew Discount: For their crew members, airlines are given a fixed discounted rate. Most airlines enter into a contract with hotels in different cities where its flights commute, wherein staff of the airline (crew) is given a very special rate for a fixed period. Their duration of stay may be a few hours up to a maximum of 24 hours. There is also another special rate negotiated for the lay-over passengers. The foodplan applied would be based on the requirement, but the food element computed is also on a discounted basis.
- Internet rate: rates offered on internet booking.
- Crib Rate: Reduced rates are applicable for children below five years.
- Extra Bed: A fixed charge generally one fourth of the room rate. As most five star hotels today do not have single rooms, but have only double rooms which could accommodate a minimum of two guests, a third person if present, is given an extra bed and charged. This charge is in most hotels levied even if an extra bed is not given. The rate charged could be approximately 20 to 25% of the room rate.
- F.H.R.A.I DISCOUNT: The Federation of Hotel and Restaurants Association of India (F.H.R.A.I) is a major association of hotels and restaurants in India. As a gesture of goodwill for members of the same

fraternity, the association issues membership cards to the Proprietor / Partners / Chairman / M.Ds of these establishments, which entitles them to a special discount( presently 30% on room rent, food and beverage (excluding liquor), if paid by cash and 25% if settled through a credit card. The percentage of discount and other conditions are subject to change).

- Other rates: Besides the above, special rates may also be given to a hoard of other category of people based on the discounting policies of the management. Some of these might be commercially important persons (C.I.Ps) for publicity and promotion purposes, influential persons like company directors, decision makers, top executives, travel writers, etc. Such discounts have to be authorised by a senior member of the Management.

### **ROOM TARIFF FIXATION:**

A hotel fixes the room tariff on the following two bases:

1. **COST BASED:** cost based pricing is a room rent determination technique that covers the basic cost of operations at a given level of service, plus the pre- determined % of return on investment.  $\text{Cost} + \text{fixed profit \%} = \text{selling price}$

a. Rule of thumb: this is also known as cost rate formula or 1:1000 ratios. This is the oldest method of determining the room rent of any hotel. According to this approach, the room rent should be fixed at the rate of Rs. 1 for each Rs. 1000 spent on the construction and furnishing of the room (cost per room or room cost), assuming that the average occupancy is 70% for the year.

Cost per room or room cost =  $\frac{\text{cost of (land+construction+fixture+fiting)}}{\text{Total number of rooms}}$

Drawbacks associated with rule of thumb approach:

- Consider only cost incurred in constructing rooms but does not consider other factors like inflation, competition, fixed expenses
- Does not consider return on investment (ROI).
- Consider average occupancy at 70% which is not always achievable.
- Does not consider depreciation of fixed asset and elevation of land cost.
- Approach fails to consider unexpected expenses, and contribution of other department.
- If the property is new, construction cost will be high in comparison to ther hotels, that will effect profitability.
- Approach does not take care value of property into consideration, if the property is new, amenities are new.
- Local market and competition rules your rates

b. Hubbart formula: Also known as bottom up approach. This is a scientific way and most recent approach, of determining the room rent, was developed by Roy Hubbart in America in the 1940s.it resolve all the problems of the rule of thumb approach. To determine the average selling price per room, the approach consider operating cost, desired profit and expected number of the rooms sold.

## **8 STEPS OF HUBBART FORMULA APPROACH**

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10 Calculate the hotels desired profit by multiplying the desired rate of return by owners'

investment.

1. Calculate pre-tax profit by dividing desired profit (step1) by 1 minus the hotel tax rate.
  - a. Calculate fixed charges and management fee. The calculation includes estimating depreciation, interest expenses, property tax, insurance, amortization, building mortgage, land, and rent and management fee.
  - b. Calculate undistributed operating expenses. The calculation include estimated administrative and general, data processing, HR, transportation, marketing, property operation and maintenance and energy cost.
  - c. Estimate non room operated department income and loss, that F&B, and other departments income or loss.
  - d. Calculate the required rooms' department income. The sum of pre-tax profit (step2), fixed charges and management fee (step3), undistributed operating expenses (step 4), and other operated department income less other operated department income (step 5) equals the required room department income.
  - e. Determine the room department revenue. The required rooms department income (step6) plus room department expenses of payroll and related expenses, plus other direct operating expenses, equals the required room department revenue.
  - f. Calculate the average room rate by dividing room department revenue (step7) by the expected number of rooms to be sold.
  - g. Doubles sold daily = double occupancy rate \* total number of rooms \* occupancy %  
Singles sold daily = rooms sold daily – number of double rooms sold daily  
singles sold daily \* x + doubles sold daily \* (x + y) = (average room rate) \* (total number of rooms sold daily) ·  
Where: x = price of singles; y = price differential between singles and doubles; x + y = price of doubles.

2. MARKET BASED: market based pricing is setting a price based on the value of the product in the perception of the customer. In this case, the hotel works backwards as it first makes an accommodation product available at a price that a guest is willing to pay, and then it tries to cut down on the cost to achieve a reasonable rate of return on that basis.

Some common methods of market based pricing are:

- As per Competition: in this approach market looks at comparable hotels in the geographical market and sees what they are charging for the same product.
- Market tolerance: checking competing hotels' best available rates for a room, by calling up the competitive hotel without disclosing your identity.
- Rate cutting: lowering of rates to increase occupancy levels, especially during off season.
- Inclusive and non-inclusive rate: charging rates on the basis of meals provided.
- Guest requirement: varying room tariff as per guest requirement, e.g. early check in on CO basis or late check out on MAP basis.
- Prestige pricing : product and prices are fixed much higher than other hotels , it works on the mentality that if it is expensive it must be good.

### **FACTORS EFFECTING ROOM TARIFF:**

- COST- the total expenditure that is incurred in providing service and product to the ultimate consumer of the hotel service is the cost. The higher the investment that has been made in a hotel property, the higher would be the room rent.

- LEVEL OF SERVICE- a hotel offering the best services or more services like spa, gymnasium, banquet, specialty restaurant, etc. will charge a higher room rent in comparison to other hotel offering limited services.
- AMENITIES- hotel providing more amenities in room will charge higher price for their rooms.
- FOOD- what all meals are provided in room package (food plan) will also affect room prices.
- COMPETITION-the higher the competition in the market lower the prices.
- TARGET MARKET- the target market governs the rack rate of a hotel. Hotels are priced on the basis of the spending power of the target guest
- LOCATION- location of the hotel effect the room tariff e.g. downtown hotels or hotels near tourist destinations or sea facing are more expensive than other hotels.
- SURROUNDING – resources available in the area



IHM NOTES

## **2. FORECASTING ROOM AVAILABILITY**

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Forecasting means to say what will probably happen in the future. Thus forecasting is the predication of future happenings based on the precise analysis of the data available for the past rather than guess work. Forecasting plays a very important role in the SHORT TERM PLANNING

### **Benefits of Forecasting**

In the hotel industry, reservation forecasting is very useful in the following ways:

The volume of the hotel reservation will help the FOM and the management to plan the following things:

Staff required in each department for the smooth functioning of the hotel ·

## **Reservation process**

- Effective room management
- Occupancy forecast- occ % on a given date
- Determining operating cost
- Helps in budgeting
- Minimum inventory of items required by each department to carry out their tasks effectively
- Allocation of resources to serve the guests in the hotel in the best possible way
- Maintenance and replacement requirements of the furniture, fixtures and ultimately the property, as the wear and tear of these depend on the number of people using it.
- Special arrangements to be made for the arrivals of groups, commercially important people (C.I.P's) and VIP's.
- The reservation forecast will provide the necessary information to the FOM so as to practice YIELDMANAGEMENT.
- The forecast provides information about the lean days when occupancy is low. The sales department may take necessary action to attract business for those durations.
- The forecast data will also reveal the sold out dates, which will ensure that the reservation agent does not accept any reservation for those dates.

## Forecasting Room Availability

The most important short term planning performed by a FOM is forecasting the number of rooms available for sale to WALK IN guests on any given date. Room availability forecast or room position can be defined as number of rooms available for sale to the walk in guests.

There are 3 types of room positions.

### 1. Plus Position

When number of rooms available for sale (vacant rooms and expected departure rooms) are more than the expected arrivals, the hotel is running on plus position.  
Room position = Vacant rooms + Expected Room Departures - Expected Rooms Arrival

E.g.:- Vacant rooms are 30. Expected departures are 20 and Arrivals are 40. Room Position will be VR 30 + EDR 20 - EA 40 = 10. In the above case, vacant rooms and expected departure rooms are greater than the expected arrival which means that 10 rooms are available for sale to walk in guests.

### 2. Neutral Position

When the number of rooms available for sale (Expected departure rooms and vacant rooms) is equal to expected room arrivals, this shows that the hotel is running on neutral position

E.g.: VR 30, EDR 20 and EA 50 Room position will be  $30 + 20 - 50 = 0$ . In the above case the hotel cannot accept a walk in guest because expected departures guest and vacant rooms are equal to expected arrival rooms.

### 3. Minus Position

When the numbers of rooms available for sale are less than expected room arrivals, the hotel is said to be in minus position which in other words means that the hotel is Overbooked

E.g.: VR 30, ERD 20 and EA 70

Room position will be  $30 + 20 - 70 = -20$

In the above mentioned case the hotel cannot receive any walk in guests as the hotel is highly overbooked.

Room availability forecast or room positions are used to manage the reservation process and guide the front office staff in room management. Forecasting may be especially important on nights when a full house (100% occupancy) is possible. A room availability forecast can also be used as occupancy forecast since there is a fixed number of rooms in the hotel. Forecasting the numbers of rooms available for sale can automatically determine the number of rooms expected to be occupied.

A forecasted availability and occupancy numbers are very important for the daily operations of the hotel. Room occupancy forecast can be useful to the FOM attempting to schedule the required number of employees for a expected busy day of business. These forecasts may also be helpful to other departments as well. For E.g.: The HK department needs to know how many rooms are expected to be occupied so that proper staffing and manning can be done in various public and guest areas of the hotel. The restaurant manager needs to know the same information to better schedule the F&B staff in various F&B outlets. The hotels Chef too needs the forecasted figures so as to order raw material and staff his kitchen team accordingly.

A forecast is only as reliable as the information on which it is based. A forecast can serve as a guide in determining OPERATIONAL COST and thus every effort should be made to ensure accurate forecasting. Forecasting is a difficult skill to develop. This skill is acquired with experience, effective record keeping and accurate calculations. Experienced FOM's have found out that several types of information can be available or can prove to be helpful to make. The information is as follows

## **Information required for accurate room availability forecast**

1. Thorough knowledge of the hotel and surroundings areas
2. Market profile of the people to whom the hotel provides services
3. Occupancy data for the past several months and for the same period of the previous year
4. Reservation trends and history of reservation lead time between expected date of arrival and date of reservation also called reservation horizon
4. A list of special events scheduled in the geographical area
5. Business profile of specific groups booked for the forecasted data
6. Number of Non-guaranteed and guaranteed reservations and estimate of no shows
7. The percentage of rooms' already reserved, cut off dates for rooms blocks held in the forecasted dates
8. Impact of hotel groups and their potential influence on the forecasted dates
9. Plan of renovating the hotel that would change the number of rooms available for sale
10. Construction or renovating plans for competitive hotels in the area

### Useful Forecasting Data

The process of forecasting room availability generally relies on historical occupancy data.

To facilitate forecasting the following daily occupancy figures should be collected

1. Number of expected arrivals
2. Number of expected stay over
3. Number of expected no shows
4. Number of expected under stays

5. Number of expected overstays

6. Number of expected room walk-ins 7. number of expected room check outs.

Some hotels with very high double occupancy % may be as concerned with guest count as rooms count. For E.g.: A hotel with large amount of group business where there are 2 guests per room may want to forecast guest as well as room count activity. Overall these data are important to room availability forecasting. Since they are used in calculating various daily operating ratios that help determine the room position. The ratios are mathematical expression of a relationship between two numbers that result from dividing one by the other. Most statistical ratios that apply to Front Office operations are expressed as percentages. Managers should look for consistency in ratios. Without consistency in forecasting ratios the evaluation of the hotels performance will be difficult.

The following ratios and percentages are useful for the FOM for forecasting

#### 1. **Percentage of No Shows**

The percentage of no shows indicates the proportion of reserved rooms that the expected guests did not arrive to occupy the reserved rooms on the expected date of arrival. This ratio helps the front office manager to decide when and if the rooms can be sold to walk in guests. The percentage of no shows is calculated by dividing the number of rooms no show for a specific period of time by the total number of expected rooms arrivals for that same period.

Some hotels track no shows in relation to guaranteed and non-guaranteed reservations. Non-guaranteed reservations typically have a higher no show percentage than guaranteed reservations since the potential guest do not have any obligation to pay if they do not register at the hotel. Proper forecasting no shows rooms also depends on the hotels mix of business. For E.g.: corporate groups have a generally much lower no show percentage than other type of

groups or FIT's or individual businesses. A hotel with a large corporate meeting market segment will most likely have a very low no show percentage. Conversely, a hotel that does little corporate business tends to have higher overall no show percentage.

No Show% = Number of rooms no show/ No. of Expected arrivals ×100

## 2. **Percentage of Overstay**

Overstay represents rooms occupied by guests to stay beyond their originally scheduled departure dates. Overstay guests may have arrived with guaranteed reservations or non-guaranteed reservations or as walk in's. Overstay guest should not be confused with stay over. Stays over rooms are occupied by guests who arrive to occupy a room before the day in question and whose scheduled departure date is until after the day in question. The percentage of overstay is calculated by dividing the number of overstay rooms by expected room departures for the same period. To help regulate room overstays the Front desk agents are trained to verify the arriving guest's departure date at the time of check in. Such verification can be critical especially when the hotel is at or near a full occupancy and there are no provisions for overstaying the guest. Overstay do not cause any loss to revenue but in full occupancy can cause problem for checking in guest

Overstay % = Number of rooms overstay/ No. of expected departures ×100

Number of expected check out = number of actual check out – understay+ overstay

Or number of expected check out = number of rooms showing occupied which are due for departure

### 3. Percentage of Under stay

Under stay percentage represents rooms occupied by guests who check out before their scheduled departure date. Under stay guests may arrive at the hotel with guaranteed reservation or as walk in guest. The percentage of under stay is calculated by dividing the number of under stay rooms for a period by total number of departure rooms for the same period.

Guests leaving before their stated departure dates create vacant rooms that are difficult to sell thus under stay rooms tend to represent permanently lost room revenue. Over stay on the other hand are guests staying beyond their stated departure dates and many not harm room revenue. When the hotel is not operating at full capacity, overstay result in additional unexpected room revenue.

Under stay % =  $\frac{\text{Number of under stay}}{\text{Number of departure rooms}} \times 100$

HOW To regulate understay and overstay rooms:

- Confirm and reconfirm each guest 's departure date at registration time. If any changes required , do it at arrival stage only.
- At the time of registration explain the guest that this room is already booked for an arrival on his date of departure. A reminder card may be placed in his room in the morning of scheduled departure.
- Review group history . groups at times hold large closing events on the last day of the meeting and reservation are made accordingly, change in plan may require to leave early. So based on group history , plan for early departures.
- Contact potential overstay guest about their scheduled departure date to confirm their check out . check room occupancy data on daily basis. Mark

the expected guest. Contact the guest who have not left by check out time. This help in revised countof overstay andplanning can be done accordingly.

#### 4. **Percentage of Walk in**

The percentage of walk in is calculated by dividing the number of rooms occupied by walk in guest for a period of time by the total number of net room arrivals for the same period of time. Walk in guests occupy available rooms that are not held for guests with reservations. Often hotels can sell rooms to walk in guests at a higher rate since these guests may have less opportunity to consider alternative properties. they help us to achieve higher occupancy and higher ARR. Front desk agent are often asked to show a guest room to walk in guest which is much more effective than trying to sell rooms over telephone. Walk in sale improve both occupancy and ADR which in turn helps to increase the room revenue and yield. However, for planning prospective room revenue it is always considered to have reservations in advance than to count on walk in guests. It should be noted that walk in % can be dramatically effective by other ratios. For E.g.: if a hotel has 10 no. of no shows beyond forecast, it may accept more walk in guest to make up for the lost business. When this information is recorded for historical purposes, it is essential that the other ratios are also tracked to show how they affect each other.

Walk in % = Number of walk in rooms/ Total number of arrivals × 100

#### 5. **Occupancy Percentage**

One of the oldest and traditional ways of evaluating the performance of a hotel is by calculating occupancy ratios. Occupancy % = Number of rooms sold/Total no. of rooms available for sale × 100

6. **Average daily rate or Average room rate**

(ADR or ARR) ADR or ARR is calculated by dividing the net room revenue by the number of rooms sold.

$$\text{ADR or ARR} = \text{Room Revenue} / \text{Total no. of rooms sold}$$

7. **Average room rate per guest**

ARRPG is calculated by dividing the net room revenue by total number of guests in the hotel.  $\text{ARRPG} = \text{Total room revenue} / \text{Total no. of guests in the hotel}$

8. **Rev Par (Revenue Per Available Room)**

Rev Par is calculated by dividing the net room revenue by the total rooms' available to sale (sold and unsold). The second method is by multiplying the ADR or ARR with the occupancy percentage  $\text{Rev Par} = \text{Room revenue} / \text{Total no of room in the hotel (OOO, sold and unsold)}$

OR

$$\text{Rev Par} = \text{ADR or ARR} \times \text{Occupancy percentage}$$

**Forecast Formulas**

**OPTION 1:**

Room Position = Total number of rooms in the hotel

Minus No. of OOO rooms

Minus No. of occupied room (previous day)

= No. of vacant rooms

Plus No. of expected room departures

Minus No. of expected room arrivals  
Plus No. of expected rooms No show  
Plus No. of expected rooms under stay  
Minus No. of expected rooms overstay

**OPTION 2:**

Room Position = Total number of rooms in the hotel  
Minus No. of OOO rooms  
Minus No. of expected over stays  
Minus No. of expected rooms arrivals  
Plus No. of expected rooms No shows  
Plus No. of expected rooms under stay  
Minus No. of expected rooms over stay

E.g.: A hotel has 410 rooms out of which 10 rooms are OOO. The day closed with 300 occupied rooms on 15th July 2010. The expected departures for 15th July 2010 are 50 and expected arrivals for the same day are 100. Forecast the room position for 16th July 2010 on the night of 15th July 2010. From past stats the no snow % is 10%, under stay % is 10% and over stay % is 5%.

Answer:

Total no of rooms in the hotel 410  
Minus No of OOO rooms 10  
Minus No of occupied rooms 300  
Plus No. of expected room departures 50  
Minus No. of expected room arrivals 100  
Plus no. of expected No shows 10  
Plus No. of expected under stay 25  
Minus No. of expected over stay 3

## **Room Position 82**

### **Sample Forecast Form**

The front office may prepare several different forecasts depending on its needs. Occupancy forecasts are typically developed on a monthly basis and reviewed by the Front Office department and F&B Departments to forecast revenues of respective departments, project expenses and develop staff schedules. A 10 day forecast, for e.g. May be needed to update labor schedules and past projections which may later be supplemented by more current 3 day forecasts. Together these forecasts help many hotel departments to maintain appropriate staff levels for expected business volumes and thereby help to control expenses and cost of running the hotel.

10 Day Forecast- At most hotels the 10 day forecast is developed jointly by the FOM and the reservation manager in conjunction with the forecast committee. A special 10 day forecast may be prepared for the F&B & Catering operations. This forecast usually includes the expected number of guests which is often referred to as House count. Sometimes the house count is also divided into groups and non-group categories; so that the restaurant manager, HK department, kitchen and FO can better understand the nature of their business and their staffing needs.

To help various hotel departments to plan their staffing and payroll needs for upcoming period, the 10 day forecast should be completed and distributed to all department managers by mid-week for the upcoming period. This forecast can especially be of help to the HK department. At first the current number of occupied rooms is found out. The estimated number of no shows, under stay

and departures is noted. The relevant reservation information is evaluated for each room and guest by the date of arrival, length of stay and date of departure. These counts are then reconciled with the reservation data. Then the actual counts are adjusted to reject the projected percentage of No Show, anticipated under stay and over stay and expected walk in guests. These projections are based on the hotels recent history, the season of business and the known history of specific groups and schedule of arrivals.

### **3 Day Forecast-**

A 3 day forecast is an updated report that reflects a more current estimate of room availability and room forecast. A 3 day forecast is intended to guide the management in fine tuning staff schedules and adjusting room availability information.

Room Count Consideration Control books, density charts, computer projections, ratios and formulas can be essential in short term and long term planning for room count. Each day the FOM performs several physical accounts of room occupancy, reservation, vacant and check out rooms to complete and compute the occupancy statistics for the day. A computerized system may reduce the need for most manual counts since the computer can be programmed to continuously update the room availability position and room forecast. It is important for the front desk agents to know exactly how many rooms are available especially if the hotel expects to operate near 100% occupancy and once the procedure for gathering room count information is established, planning procedure can be extended to longer period of time to form a more reliable basis for revenue, expense and labor forecasting.

GOPPAR is the abbreviation for gross operating profit per available room, a key performance indicator for the hotel industry. It gives greater insight in the actual performance of a hotel than the most commonly used Rev PAR as it not

only considers revenues generated, but also factors in operational costs related with such revenues.

**The definition of GOPPAR is the following:**

'GOPPAR, or gross operating profit per available room, is defined as total gross operating profit(GOP) per available room per day, where GOP is equal to total revenue less the total departmental and operating expenses. The following table illustrates the computation of GOPPAR.

GOPPAR = G.O.P. (gross operating profit) / (per) Available Room  
GOPPAR does not take into consideration the revenue mix of the hotel. So it does not allow an accurate evaluation of the room revenue generated. It is however a good key performance indicator for the efficiency and effectiveness of your hotel operations. It demonstrates the profitability and value of the property as a whole.

$$\text{GOPPAR} = \frac{\text{Departmental revenue} - \text{Departmental Expenses}}{\text{Number of Available rooms}}$$

**EVALUATION IN FRONT OFFICE:**

Evaluation is done on regular basis to check if we have attained planned goals. It is done on daily, weekly, monthly, quarterly and yearly basis.

**TOOLS OF EVALUATION:**

1. DAILY OPERATION REPORT/ MANAGER'S REPORT/ REVENUE REPORT: it is a summary of the hotel's financial activities during a 24 hrs. Period. The daily operations report provides a means of reconciling cash, bank account, revenue and accounts receivable. Daily operations reports are uniquely structured to meet the needs of individual hotel properties. The information is not restricted to the front office manager

or general manager, copies of the daily operation reports are generally distributed to all departments and division managers in the hotel.

2. OCCUPANCY RATIO: occupancy ratios measure the success of the front office in selling the hotel's primary product: guestrooms. These data are contained on the daily operations report. Occupancy ratios measure the success of the front office in selling the hotel's primary product (i.e. guestrooms). Below are some common ratios used in the front office department: Occupancy Ratios shall be computed on a daily basis by the Night Auditor, and communicated to related department managers the next day! For any ratio to be significant, it should be compared to a certain benchmark, which might include:

- Occupancy Percentage =  $(\text{Number of Rooms Occupied}) / (\text{Total Number of Rooms Available For Sale}) * 100$
- Multiple Occupancy Percentage =  $(\text{Number of Rooms Occupied by More Than One Guest}) / (\text{Total Number of Rooms Occupied}) * 100$
- Single Occupancy Percentage =  $(\text{Number of Single Rooms Occupied}) / (\text{Total Number of Single Rooms Available For Sale}) * 100$
- Double Occupancy Percentage =  $(\text{Number of Double Rooms Occupied}) / (\text{Total Number of Double Rooms Available for Sale}) * 100$
- Triple Occupancy Percentage =  $(\text{Number of Triple Rooms Occupied}) / (\text{Total Number of Triple Rooms Available For Sale}) * 100$
- Bed occupancy %=  $\text{number of bed sold} / \text{total no of guest beds} * 100$
- Local guest occ %=  $\text{total no. of domestic guest staying} / \text{total no. of guest staying in hotel} * 100$
- Foreigner guest occ % =  $\text{total no of foreigner guest staying} / \text{total no of guest staying} * 100$

Let's consider the following problem:

Yasin Hotel has 204 rooms: 45 are triple, 60 are double and the remaining is single. On the night of May 9<sup>th</sup>, 13 the night auditor counted 195 rooms occupied, 43 are triple, 58 are double, and the remaining are single. Moreover, the housekeeping department communicated only 4 rooms (all single) out of order for the night of May 09<sup>th</sup>, 13

a) What is Yasin Hotel's Occupancy Rate for the night of May 09<sup>th</sup>, 13?

- Hotel's Occupancy Rate =  $195 / (204 - 4) * 100 = 97.50 \%$

b) What is Yasin Hotel's Single, Double, and Triple Occupancy rates for the night of May 09<sup>th</sup>, 13?

- Single Occupancy Rate =  $94 / (99-4) * 100 = 98.95 \%$

- Double Occupancy Rate =  $58 / 60 * 100 = 96.67 \%$

- Triple Occupancy Rate =  $43 / 45 * 100 = 95.56 \%$

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2. Other Operational Statistics:

- Average Guests Per Rooms Sold = (Total Number of Guests) / (Total Number of Rooms Sold)

- Average Daily Rate = (Actual Room Revenue) / (Total Number of Rooms Sold)

- Average Rate per Guest = Revenue Per Available Customer (RevPAC)  
= (Actual Room Revenue) / (Number of Guests)

- Revenue Per Available Room (RevPAR) = (Actual Room Revenue) / (Number of Available Rooms)

**Let's consider the following example:**

Cordoba Hotel has 120 rooms: 53 of them are single and 67 are double. On the night of 09/12/03, Cordoba Hotel's Night Auditor counted a total of 85 rooms occupied, 42 of which were occupied by more than one guest. Moreover, on the same night 127 guests were registered. In addition, 2 rooms were on a complimentary basis. From the Housekeeping Room Status Report (for the night of 28/11/07), there were a total of 4 rooms Out of Order, 3 of which were Single. Lastly, the Actual Room Revenue for the same night was at the order of \$ 6,960.

- a) Calculate the Average Guest Per Room Sold
- b) Calculate the Average Daily Rate
- c) Calculate the Average Rate Per Guest (RevPAC)
- d) Calculate the RevPAR

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Answer:

- Average Guest Per Room Sold =  $127 / (85 - 2) = 1.53$  Guest Per Room Sold
- Average Daily Rate =  $\$ 6,960 / (85-2) = \$ 83.86$
- Average Rate Per Guest (RevPAC) =  $\$ 6,960 / 127 = \$ 54.80$  Per Guest
- RevPAR =  $\$ 6,960 / (120 - 4) = \$ 60.00$

**3. ROOM REVENUE ANALYSIS:**

Front office staff is expected to sell rooms on the rack rate unless a guest qualifies for an alternate room rates. A room rate variance report lists those rooms that have been sold at other than the rack rates. One way for front office

managers to evaluate the effectiveness of the front office staff in selling rooms is to look at the yield statistics.

**YIELD STATISTICS:** potential room revenue is the amount of room's revenue that can be generated if all the rooms in the hotel are sold at the rack rate on a given day, week, month or year. The ratio of actual to the potential room revenue is known as yield statistics.  $\text{Yield statistics} = \frac{\text{actual room revenue}}{\text{potential room revenue}}$



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