

ReRTI V.3.00 Technical Analysis

RevPar Room Type Index (ReRTI)

New KPI Explanation

Revenue Management

Technical Analysis RevPar Room Type Index (ReRTI)

Strategic and Technical Perspective

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15/08/2020 Ibiza

SCOPE

Revenue Management is the set of techniques and analysis that aims to achieve the maximum performance associated with the inventory.

Normally we apply techniques and analysis to our hotel as a whole and rarely focus on room types.

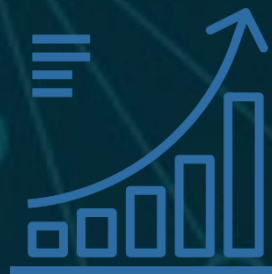
This exaggerated focus on the Hotel has a historical origin that we will explain later and it focuses our efforts almost exclusively on the performance of the Hotel, in addition to the "Hotel Oriented" mentality we face serious trouble ... lack of information on typologies in both our own Reporting system and the industry.

This White Paper aims to be able to analyse a new metric that will help us determine if the sale of superior typologies is being appropriate, or on the contrary if we are losing money.

This new metric is the RevPar Room Type Index, abbreviated as ReRTI, aims to help determine whether the sale of our superior rooms is contributing to the RevPar as it should.



The White Paper aims to be able to analyze the most important data of room typologies management



ReRTI aims to be able to analyze the higher typologies and set analysis objectives



In this case our goal is to be able to increase the RevPar of the hotel by increasing the sale efficiency of the superior typologies

In this White Paper we will try to make clear the theoretical and practical basis of the use of ReRTI within the industry thus generating a clear and concise manual of how it should be calculated.

This document is delivered free of charge and can be shared and printed as many times as necessary, Diego Fernandez Perez de Ponga should be quoted and given credit for the metric.

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DISCLAIMER

This KPI has been created to help anyone in the sector in a completely selfless manner and has also been oriented its use for professionals in the consulting branch, so please keep in mind the neutrality of the content of this document.

To help everyone interested, this document has been made as deeply as possible so please give credit of this KPI to Diego Fernandez Perez De Ponga and not to whom copies and pastes this information to sell it as their own on their personal or professional website.

This document expresses the opinion of Diego Fernández Perez de Ponga and is based on studies carried out during his professional career.

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1 Strategic Development

As mentioned at the beginning of the document, the sector has always been focused on the analysis of the hotel as a single indissoluble unit, somehow underappreciating the different typologies available in the inventory.

We have to go back to the origins of Revenue Management to understand where this mindset so centred on the Hotel comes from, because as you all know this practice was born in the United States with urban hotels.

Although it started with the airline industry, it was soon applied to the car rental industry and then in a third phase in the hotel industry, being more specific in the urban segment where it begins and builds its bases.

It should be noted that urban hotels often have little variety of typologies and have two or three types of rooms within their inventory. Because of this, the management of room typologies is not developed that much.

It is not until the beginning of the new century that typologies begin to grow in number and options, but still the industry often kept being aimed almost exclusively at the performance of the Hotel and not at its typologies, since the latter was almost exclusively Up Selling.



Ilustración 1- Hotel Occupancy

For a few years now we have realized the opportunities that Up Selling has and as we commonly say ... "get your act together" but we still have an important gap in analysis and work in terms of the upper typologies, this is largely due to the beginnings of the Revenue Management in the urban hotel industry.

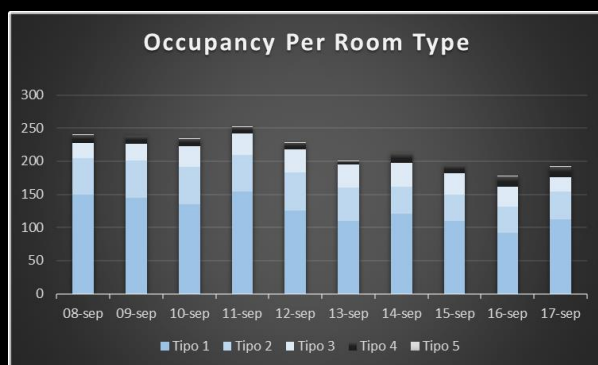


Ilustración 2 – Room Type Occupancy

The vision of ReRTI is to be able to help establish a solid metric that can help us better understand if we are properly selling the superior rooms of the Hotel well or not.

This seems simple at first becomes quite complicated since we do not usually have reference metrics with the CompSet or even in the most exaggerated case our PMS is not able to give us information by typology.

In addition, this metric will help us to develop different KPIS of our superior typologies and will change the way we execute the strategy and tactics of the Hotel by orienting it more to the management of the typologies and not to the management of the hotel.

2 Initial and Advanced Metrics

To set the calculation of our new metric we first present the initial and basic calculations, in order to be able to show the advanced ones later.

Example Hotel Table:

At this point we show a summary table with the initial data of the example for a particular day with which we will work and develop the model

08-mar	INITIAL METRICS			
	HOTEL	STD	JS	SUI
Hotel Total Rooms	532	455	55	22
Rooms Sold	436	430	5	1
Rooms Available	96	25	50	21
Occupancy Rate	82%	95%	9%	5%
ADR	224,95 €	223,65 €	310,00 €	358,25 €
Room Revenue	98.078 €	96.170 €	1.550 €	358 €
RevPar Hotel / Room Type	184,36 €			

Tabla 3

- Hotel Total Rooms: Number of total rooms from our property
- Rooms Sold: Number of hotel rooms and each of the typologies sold
- Available Rooms: Total Inventory –Rooms Sold
- % Ocu: Total Sold / Hotel total Rooms
- ADR: Rooms Revenue / Rooms Sold
- Revenue: Rooms Sold x ADR
- RevPar Hotel: Revenue Per available Room = Total Rooms Revenue / Total Hotel Rooms

These calculations are well known in the industry and reviewed daily by Revenue Managers, but this study includes fewer known ones that can start to be used right now, such as the RevPar Room Type, which is the RevPar applied to typologies.

- RevPar x Room Type: Revenue Per available Room by Type = Total Production Room Type / Total Inventory Hotel

Total Production	98.078 €	96.170 €	1.550 €	358 €
RevPar Hotel / Room Type	184,36 €	180,77 €	2,91 €	0,67 €

In the next paragraphs we will focus on the RevPar as it is one of the most important metrics of Revenue Management and one of the key points that allows us to assess the financial performance of the establishment.

Although on a personal level I define it as the KPI that measures the balance between the supply, (number of available rooms) and the demand for rooms (paid price).

Normally the GM or the organization itself focuses on the RevPar Hotel, but we rarely look at how that Hotel RevPar is being built.

RevPar: This is **REVENUE Per Available Room** and measures the income per room available for sale.

$$RevPar = \frac{Rooms\ Revenue}{Total\ Hotel\ Rooms\ available\ for\ sale}$$

or $RevPar = \% Occupancy \times ADR$

RevPar Room Type: In this case we are measuring the contribution of each typology to the Hotel's RevPar and simply changes the production of the Hotel by the production of one room typology (or a group of typologies).

$$RevPar\ Room\ Type = \frac{Room\ Type\ Revenue}{Total\ Hotel\ Rooms *}$$

$$RevPar = RevPar\ Room\ Type\ 1 + RevPar\ Room\ Type\ 2 + \dots + RevPar\ Room\ Type\ N$$

$$RevPar = \sum_{n=1}^{\infty} (RevPar\ Type)$$

At this point we will analyze certain slightly more advanced metrics that are focused on helping to calculate the already known **ReRTI**.

To simplify the calculations, we are grouping the typologies into two first one the STD blocks, which encompasses the standard or base room, and then SUP, which encompasses the Junior Suite and Suite.

% Inventory by Room

Type: Consists in the % of each typology above the total inventory of the hotel and will be a key metric in the development of the ReRTI.

08-mar	HOTEL	STD	SUP
Total Hotel Inventory	532	455	77
% By Room type	100%	86%	14%

Tabla 4

$$\% Room\ Type\ inventory = \frac{Inventory\ Room\ Type}{Total\ Hotel\ Rooms\ inventory} \times 100$$

This metric measures the weight of each of the typologies and the importance of this within the total inventory of the hotel

*Note: The RevPar Type can also be calculated as follows, but for the ReRTI study it would not be valid

$$RevPar\ Type = Production\ Room\ Type \div Total\ Room\ Type\ inventory$$

Total Production	98.078 €	96.170 €	1.550 €	358 €
RevPar Hotel / Room Type	184,36 €	211,36 €	28,18 €	16,28 €

08-mar	HOTEL	STD	SUP
Total Hotel Inventory	532	455	77
% By Room type	100%	86%	14%
Rooms Sold	436	430	6
ADR	224,95 €	223,65 €	318,04 €
Room Revenue	98.078 €	96.170 €	1.908 €
Total Upselling	860 €	- €	860 €
% Up Selling Revenue / Room Revenue	1%	0%	31%
Total Hotel Revenue	98.938 €	96.170 €	2.768 €

Tabla 3

Total Up Selling: The total production that has been generated in the Up Selling of the hotel, of course there is no Up Selling possible over the Standard Room (STD) but there should be in the superior rooms.

At this point we can find one of the main issues that has this metric and hence the extension of the ReRTI, because, if we do not want to group the upper typologies and thus be able to granular by typology, our PMS may not be able to detect the Up Selling of each of the upper typologies separately, so this calculation is complicated unless we consolidate all the upper typologies in the same category (SUP).

$$\text{Total Upselling} = \sum_{n=1}^{\infty} (\text{Up Selling Type})$$

% Up Selling / Hotel Production: Not so often used metric that can however be crucial when it comes to measuring the efficiency in Up Selling programs, as it shows the % of Up Selling that corresponds to the total sales that the Hotel makes (Room + Up Selling), this KPI can help us determine whether or not the Up Selling is contributing to our performance.

This technical analysis is not intended to establish which optimal number value should have each metric, as this will depend on the characteristics of the hotel.

08-mar	HOTEL	STD	SUP
Room Revenue	98.078 €	96.170 €	1.908 €
Total Upselling	860 €	- €	860 €
% Up Selling Revenue / Room Revenue	1%	0%	31%
Total Hotel Revenue	98.938 €	96.170 €	2.768 €

Tabla 6

$$\% \text{ Up Selling / Room Revenue} = \frac{\text{Up Selling Revenue}}{\text{Total Revenue (Hab + Up Selling)}} \times 100$$

3 RevPar Types

The RevPar has 3 variants that help measure the efficiency of the two key points in the accommodation, the production sold and the production made with the Up Selling.

Today the following types of RevPar, the Room RevPar (room production only), RevPar Up Selling (Up Selling production only) and finally the total RevPar where we include the previous two are detected.

08-mar	HOTEL	STD	SUP
RevPar / RevPar Room Type	184,36 €	180,77 €	3,59 €
RevPar Upselling	1,62 €	- €	1,62 €
RevPar Total Hotel	185,97 €	180,77 €	5,20 €

Tabla 7

RevPar: The RevPar discussed above

$$RevPar = \frac{Rooms\ Revenue}{Available\ Rooms}$$

RevPar Up Selling: This is one of the metrics that we talked about at the beginning and that is not that used in the industry, but that in my opinion, is crucial and very important, since it determines how much the Hotel's RevPar contributes to the sale of superior typologies in the Up Selling.

$$RevPar\ Up\ Selling = \frac{Up\ Selling\ Revenue}{Available\ Rooms}$$

This metric is crucial and has to be analyzed, managed and established in the budgets, in order to be able to maximize the contribution of the Up Selling to the Hotel.

RevPar Total Hotel: Total RevPar, where we include both room production and Up Selling revenue

$$Total\ RevPar = RevPar + RevPar\ Up\ Selling$$

4 ReRTI calculation

Finally, we leave with the last of the calculations and objective of the White Paper, the RevPar **Room type Index** (ReRTI) but first of all we will explain the two key metrics in its calculation, the relationship of the inventory and the relationship of the RevPar that will give us our new KPI when crossing them.

Relación del inventario: This metric we've already considered a few pages back *Tabla*

% Inventory by Room Type: This is the % of each typology over the total inventory of the hotel and will be a key metric in the development of **ReRTI**.

08-mar	HOTEL	STD	SUP
Total Hotel Inventory	532	455	77
% By Room type	100%	86%	14%

Tabla 8

This figure is expressed in % and the sum of all typologies arise to 100%

$$\% \text{ Room Type inventory} = \frac{\text{Room Type Inventory}}{\text{Total Inventory}} \times 100$$

Relación del RevPar: We start from the same concept as the previous point, but this time applied to revPar.

% RevPar Total Hotel x Type: This metric comes to relate in percentage terms what each typology provides the Hotel RevPar, including the Up Selling, is identical to the previous one but its base is revPar and not inventory.

08-mar	HOTEL	STD	SUP
Total Hotel Inventory	532	455	77
% By Room type	100%	86%	14%
Rooms Sold	436	430	6
ADR	224,95 €	223,65 €	318,04 €
Room Revenue	98.078 €	96.170 €	1.908 €
Total Upselling	860 €	- €	860 €
% Up Selling Revenue / Room Revenue	1%	0%	31%
Total Hotel Revenue	98.938 €	96.170 €	2.768 €
RevPar / RevPar Room Type	184,36 €	180,77 €	3,59 €
RevPar Upselling	1,62 €	- €	1,62 €
RevPar Total Hotel	185,97 €	180,77 €	5,20 €
% RevPar Total hotel per Type	100%	97%	3%

Tabla 9

$$\% \text{ RevPar Total hotel x Room Type} = \frac{\text{RevPar Type}}{\text{RevPar Hotel}} \times 100$$

The sum of the typologies should be 100% as in the case of the % Type Inventory

5 ReRTI Development

The RevPar Room Type Index aims to measure the relationship between the inventory of typologies and their contribution to the RevPar, so its calculation is based on relating the “size” of the typology (within the room rack) and what that typology brings to the RevPar.

Nowadays, here is still no metric in the industry that relates inventory and sales, so this study was focused on showing a KPI that can help to determine whether we are efficiently selling our superior typologies.

08-mar	HOTEL	STD	SUP
% RevPar Total hotel per Type	100%	97%	3%
% Inventory By Room type	100%	86%	14%
RevPar Room Type index	1,00	1,14	0,2

Tabla 4

$$\text{RevPar Room type Index (ReRTI)} = \frac{\% \text{RevPar Total hotel} \times \text{Tipo}}{\% \text{Inventario Tipo}}$$

A result greater than 1 means that the typology gives the RevPar more (proportionally speaking) than it should be contributing by volume and less than 1 upside down, where the typology provides less than it should by volume.

In an optimal scenario we should have a RevPar Room Type Index (ReRTI) as follows:

- **Lead Category**: Lower than 1 means that superior rooms (which usually have better AD and more profitability) are contributing more to the RevPar than they should.
- **Superior Rooms**: Greater than 1 means that the room is contributing more than expected considering its inventory.

As a final calculation we would have the summary the study in this way:

$$\text{RevPar Room type Index (ReRTI)} = \frac{\frac{\text{RevPar Room Type}}{\text{RevPar Hotel}} \times 100}{\frac{\text{Inventory Type}}{\text{Total Inventory}} \times 100}$$

6 Use in other industries

El **RevPar Room Type Index** puede utilizarse en el resto de las industrias que compartan varias características:

Features:

- there should be a number of items for sale greater than one and with differentiated prices
- For the record of the charge for the on-site purchase of the highest-class products

Examples:

- Industry
- Car Rental
- Amusement parks
- Tourist Accommodation
- Aviation industry

The **RevPar Room Type Index** can be used in other industries that share several features:

Who am I?

My name is Diego Fernández Pérez de Ponga, I studied Hotel Business Management at the [Centro Superior de Hostelería de Galicia](#) and I am currently the Corporate Director of Revenue and Distribution at the [Palladium Hotel Group](#)

Passionate about hospitality with more than a decade of experience in the sector. Throughout my career, I have worked to implement an agile, dynamic and two-pillar-based Revenue Management style: people and technology.

I enjoy managing large projects and teams and defend a democratic and flexible leadership style

"My team's success is THEIR success, my team's failures are MY failures"

[My Personal Blog](#)

[My LinkedIn Page](#)

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About [Palladium Hotel Group](#)

Palladium Hotel Group is a Spanish hotel chain with 50 years of experience. The group has 48 hotels and more than 14,000 rooms distributed in six countries: Spain, Mexico, Dominican Republic, Jamaica, Italy and Brazil, and operates 10 brands: TRS Hotels, Grand Palladium Hotels & Resorts, Palladium Hotels, Palladium Boutique Hotels, Fiesta Hotels & Resorts, Ushuaca Unexpected Hotels, Ayre Hotels, Only YOU Hotels, BLESS Collection Hotels and the Hard Rock Hotels brand under license with two hotels in Ibiza and Tenerife. Palladium Hotel Group hotels are characterized by their philosophy of offering their customers a high level of quality in their products and services and excellent values.

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