

Performance Analysis Techniques to Drive Profits

Australian Tourism Export Council Symposium
Royal Pines Resort – 30 April 2004

Rutger Smits

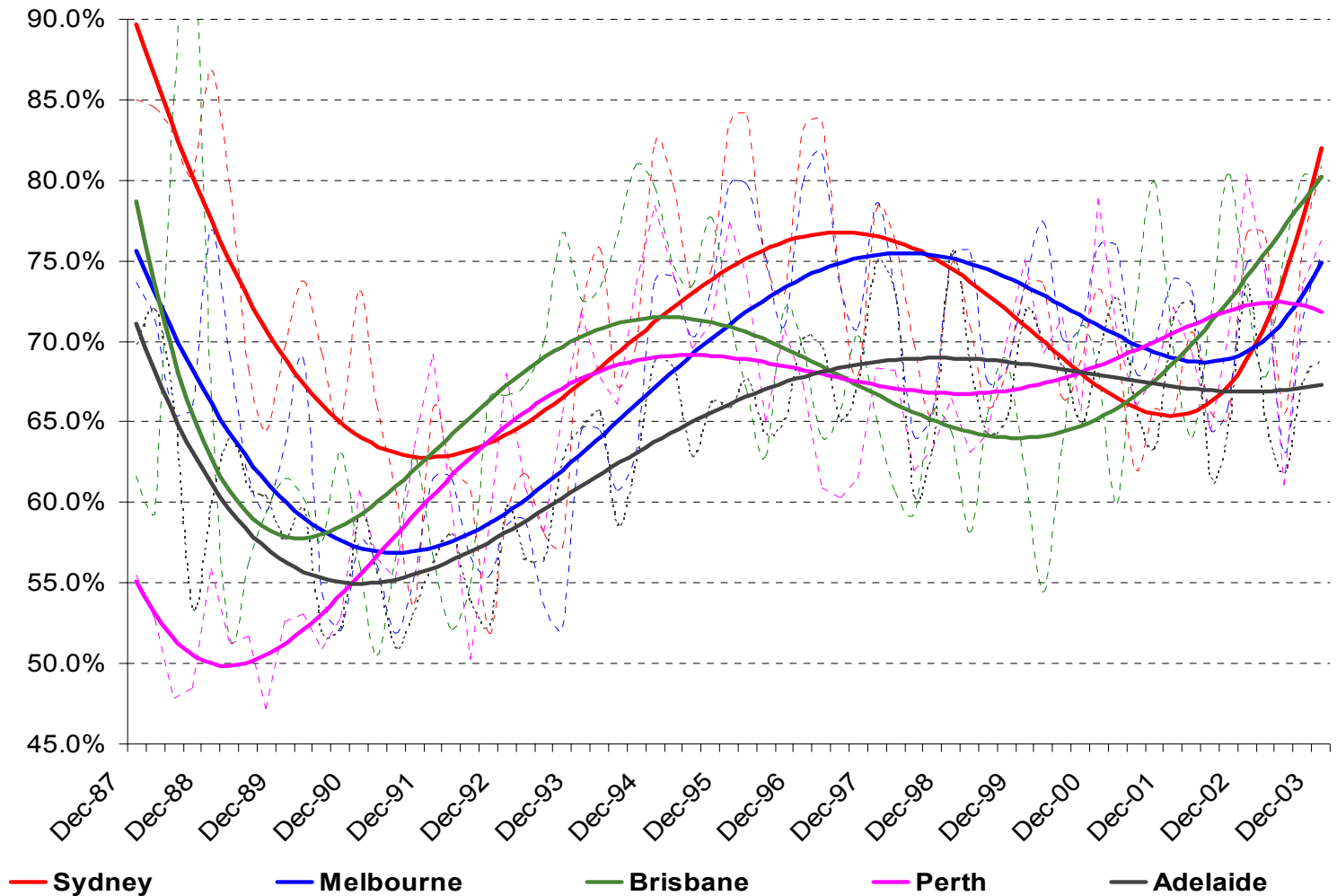
Managing Director

HVS International – Sydney

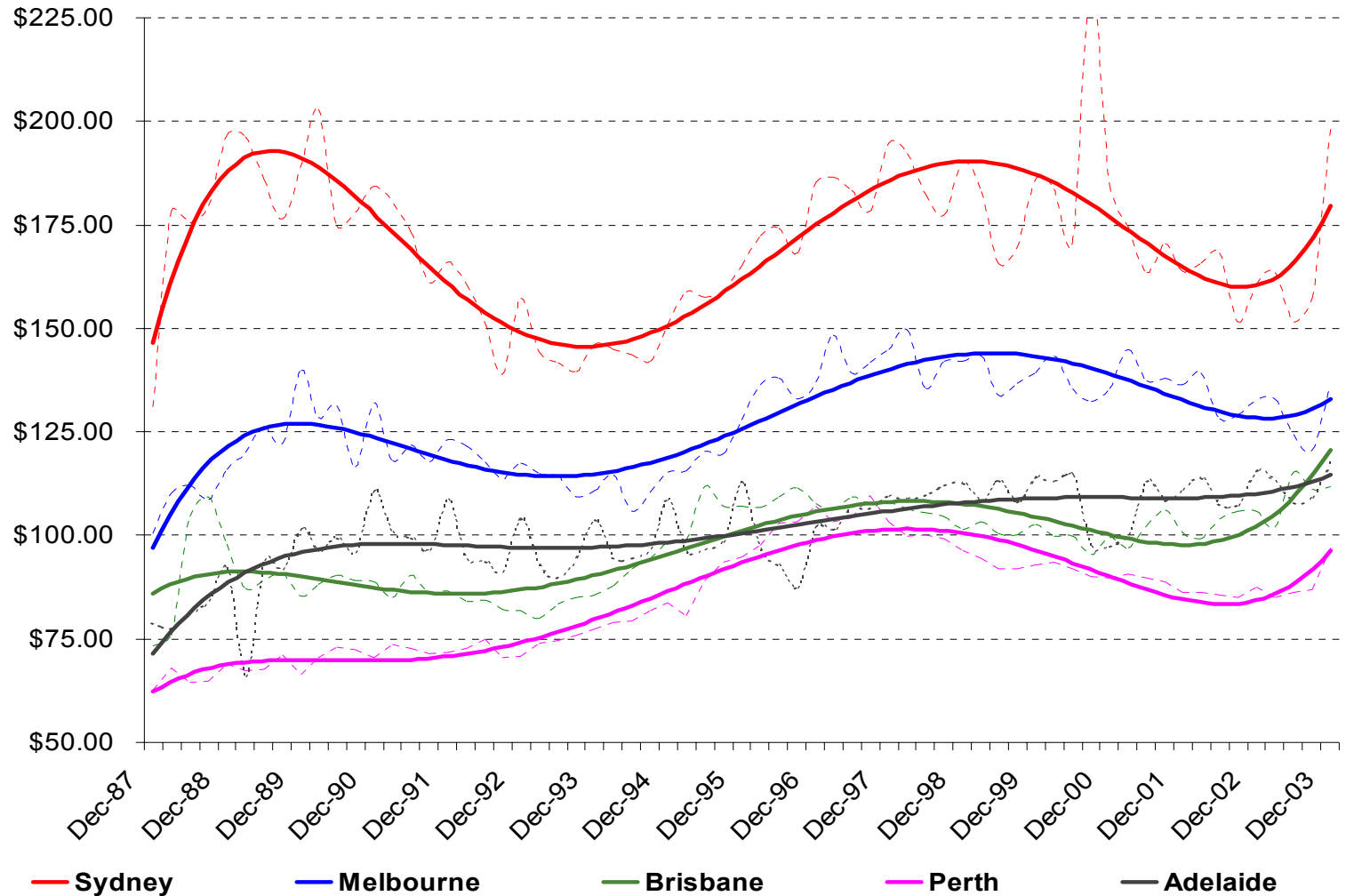
Objectives of the Presentation

- Understand long-term cycles
- Understand short-term cycles
- Understand weekly demand profiles
- Demand analysis and forecasting
- Apply yield management strategies
- The impact of rate growth on gross profit
- Competitive analysis

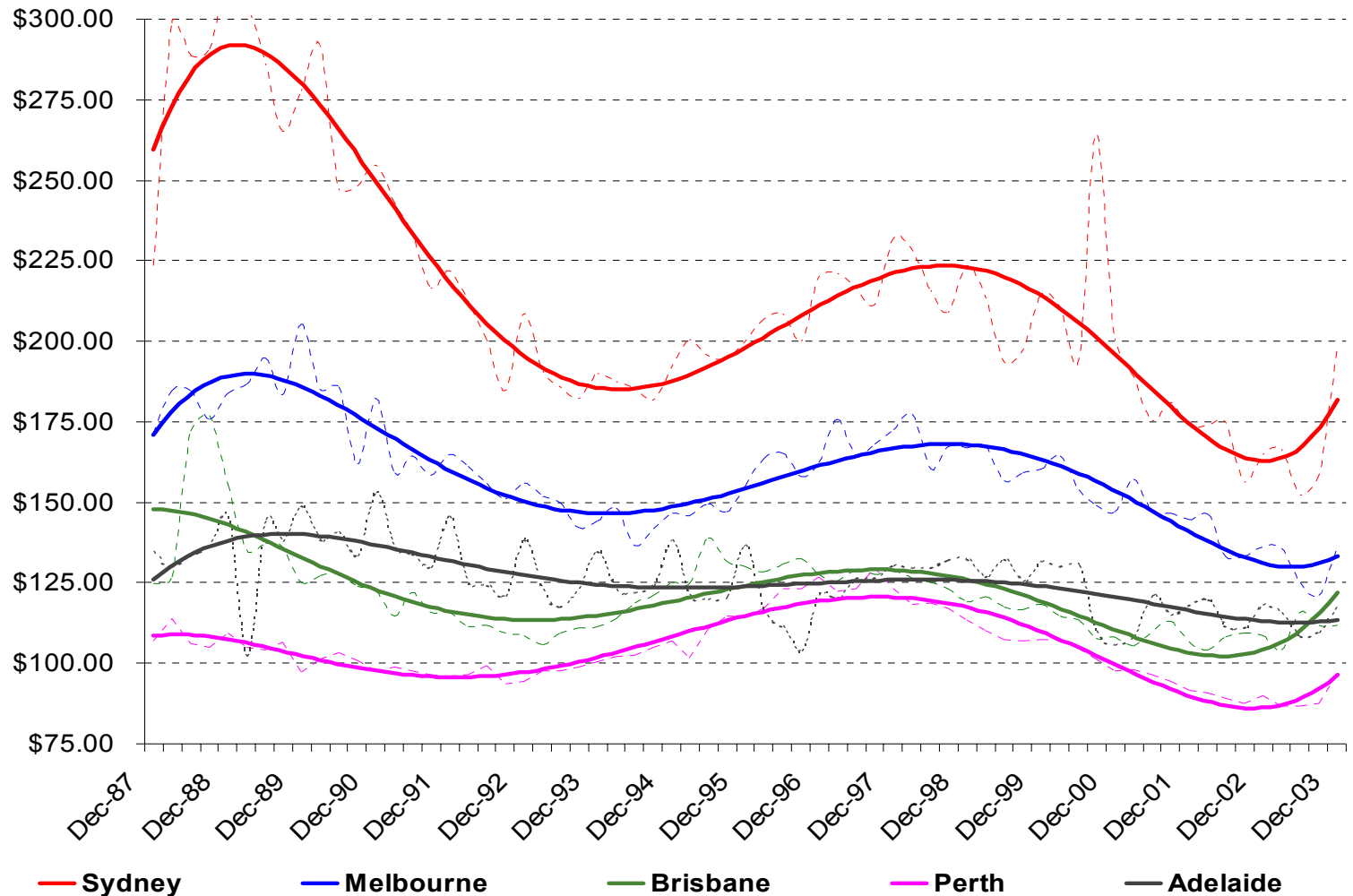
Room Occupancy Trend Key Cities (Dec 1987 – Dec 2003)



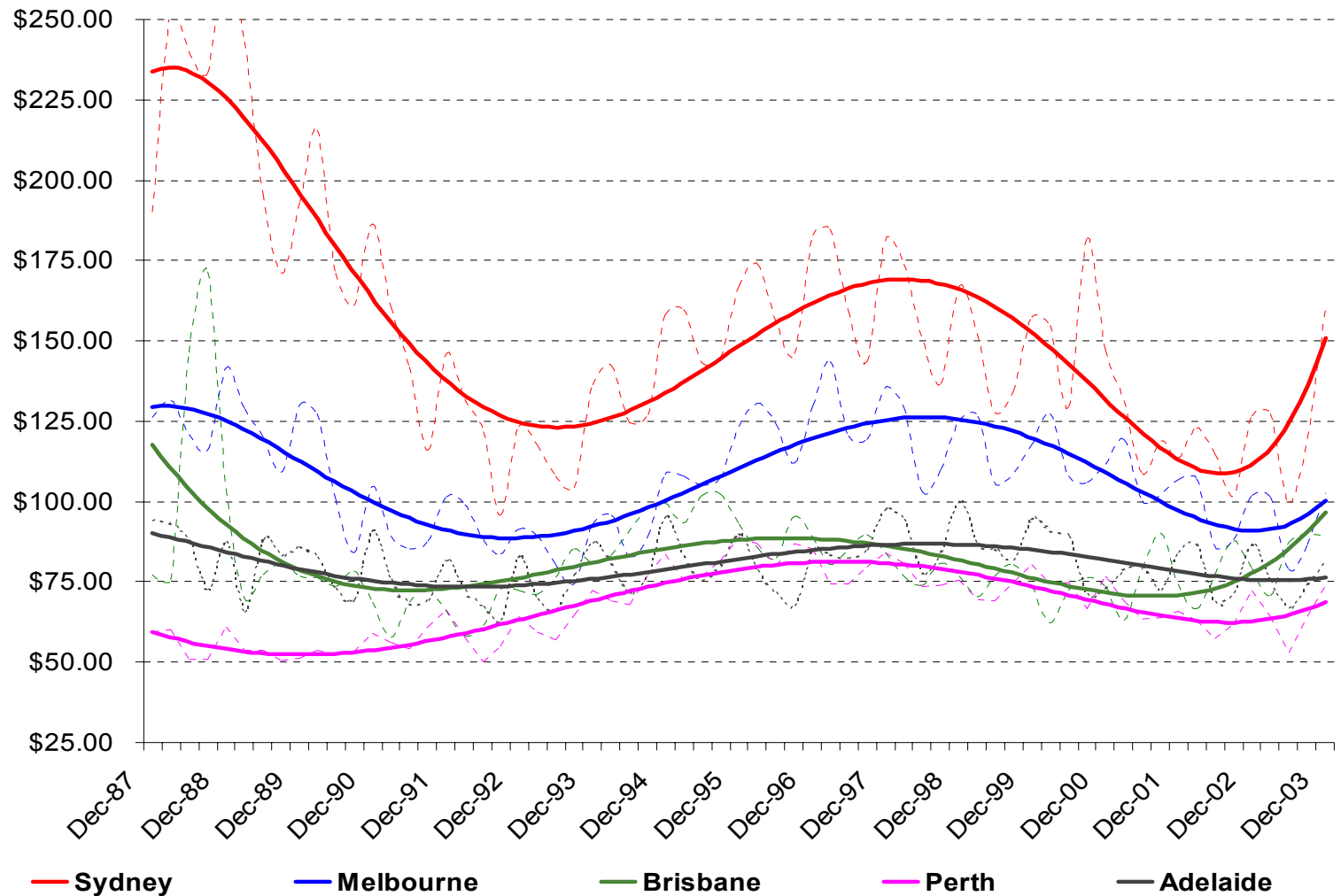
Average Room Rate Trend Key Cities (Dec 1987 – Dec 2003)



Adjusted Average Rate Trend Key Cities (Dec 1987 – Dec 2003)



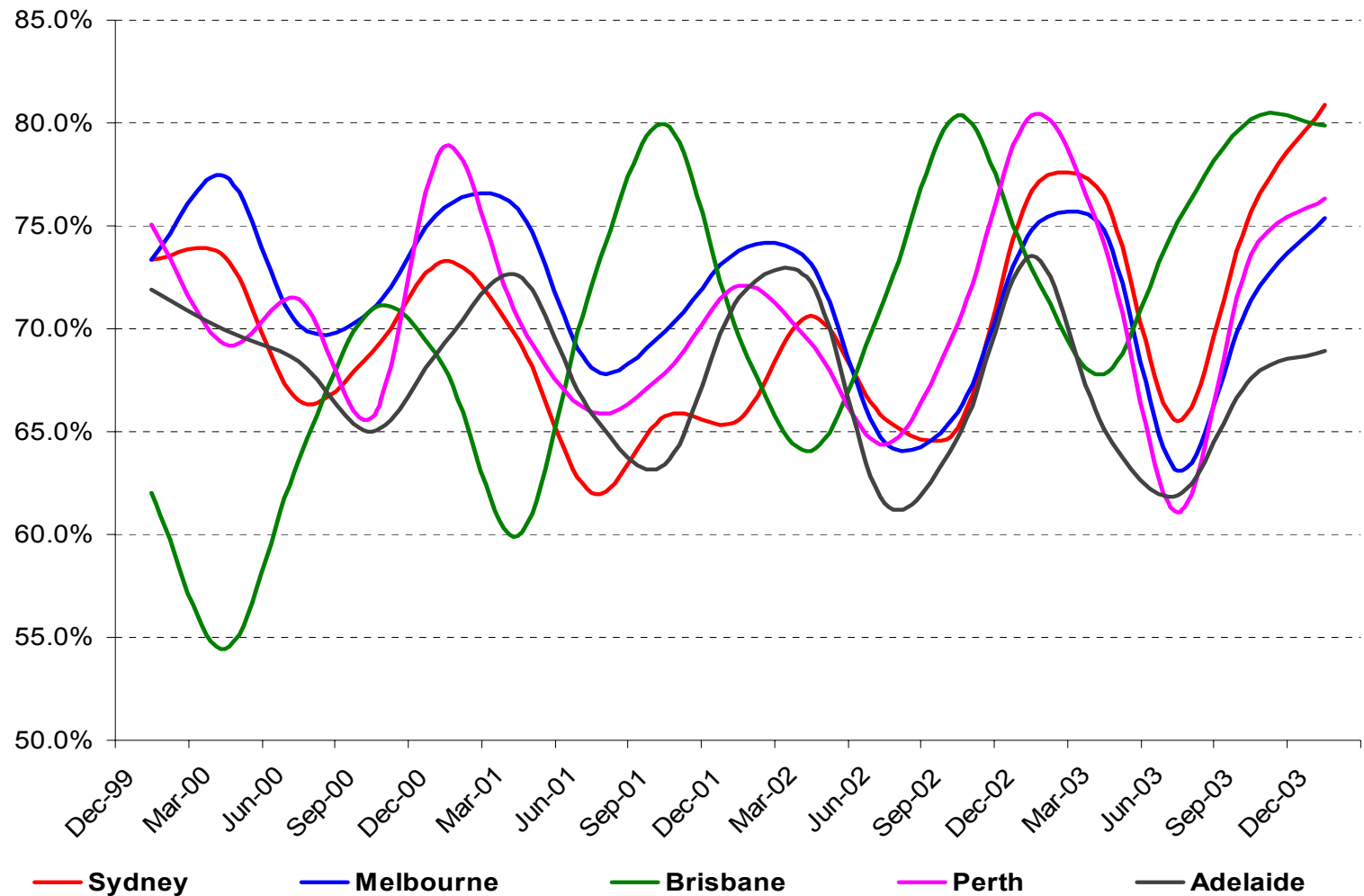
Adjusted RevPAR Trend Key Cities (Dec 1987 – Dec 2003)



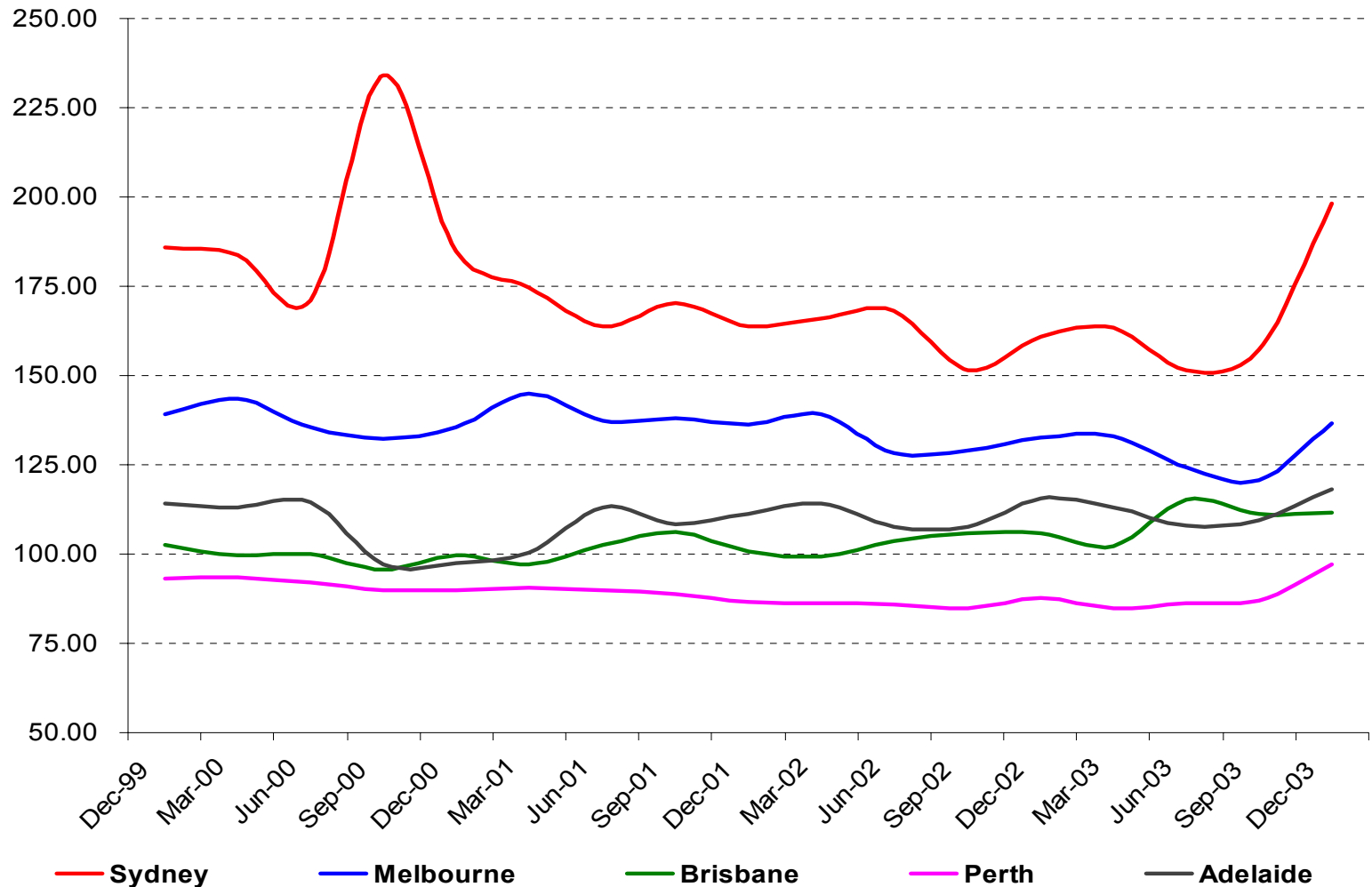
Seasonality Analysis

- Cycle analysis provides long-term growth indicator, but annual and weekly seasonality apply regardless
- Seasonality highly dependent upon guest segmentation
 - Leisure market geared towards holidays and weekends
 - International leisure market is different from domestic leisure market
 - Corporate market less volatile across the year but strong weekly patterns
 - Leisure and corporate may complement each other
- Effective management of guest segmentation helps sustain occupancy levels
 - Diversify demand bases
 - Diversify product to attract alternative market segments

Seasonality - Room Occupancy Key Cities (Dec 1999 – Dec 2003)

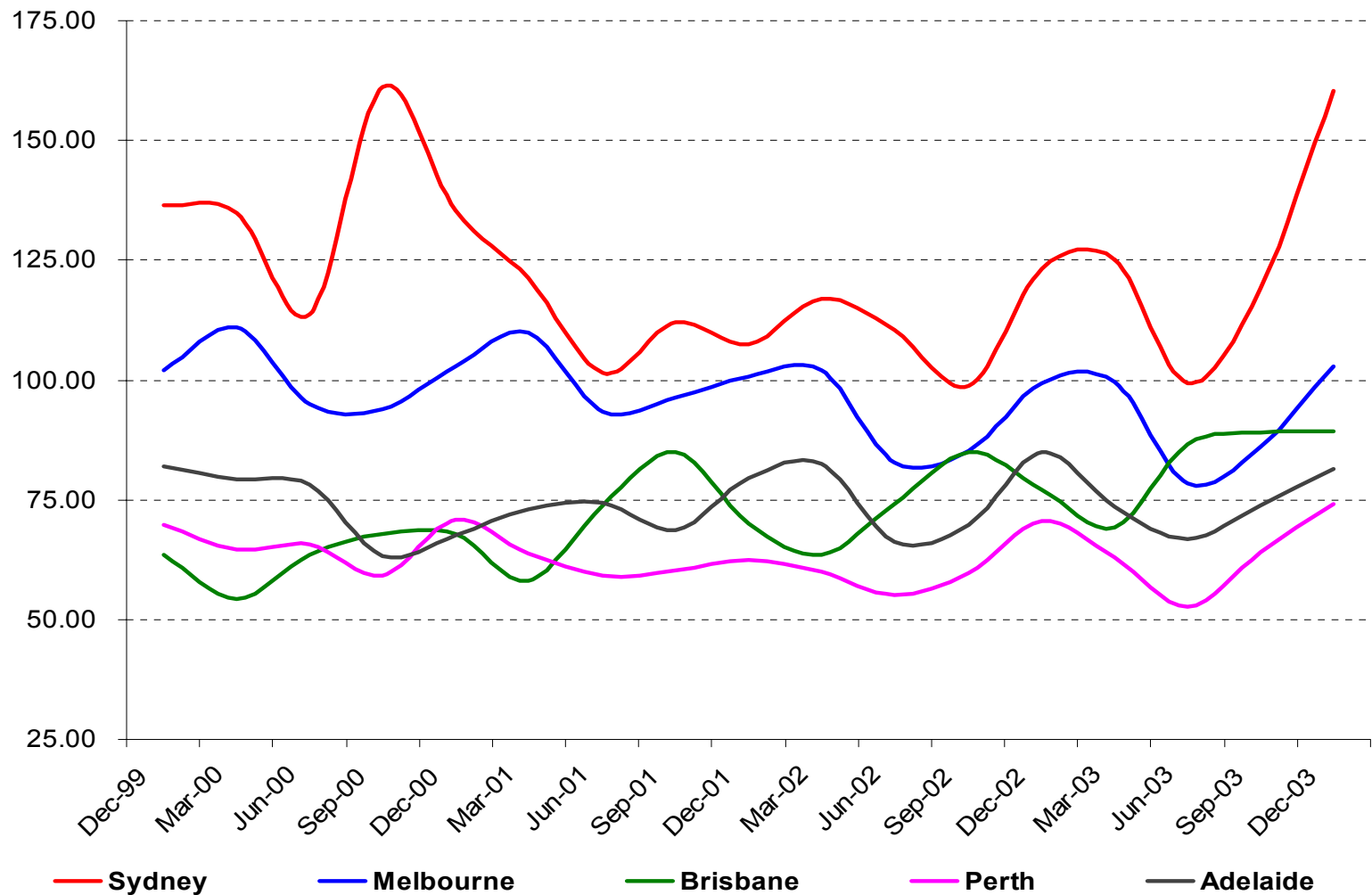


Seasonality - Average Room Rate Key Cities (Dec 1999 – Dec 2003)



Seasonality - RevPAR

Key Cities (Dec 1999 – Dec 2003)



Weekly Demand Patterns Corporate Hotel

| Weekday | A | B | C | D |
|----------------|--------------|--------------|--------------|--------------|
| Monday | 65.0% | 70.0% | 75.0% | 80.0% |
| Tuesday | 78.3% | 85.0% | 91.7% | 98.3% |
| Wednesday | 78.3% | 85.0% | 91.7% | 98.3% |
| Thursday | 78.3% | 85.0% | 91.7% | 98.3% |
| Friday | 60.0% | 65.0% | 70.0% | 75.0% |
| Saturday | 70.0% | 72.5% | 75.0% | 77.5% |
| Sunday | 60.0% | 62.5% | 65.0% | 67.5% |
| Average | 70.0% | 75.0% | 80.0% | 85.0% |

Weekly Demand Patterns Leisure Hotel

| Weekday | A | B | C | D |
|----------------|--------------|--------------|--------------|--------------|
| Monday | 50.0% | 55.0% | 60.0% | 65.0% |
| Tuesday | 55.0% | 57.5% | 60.0% | 62.5% |
| Wednesday | 55.0% | 57.5% | 60.0% | 62.5% |
| Thursday | 55.0% | 57.5% | 60.0% | 62.5% |
| Friday | 70.0% | 78.8% | 87.5% | 96.3% |
| Saturday | 70.0% | 78.8% | 87.5% | 96.3% |
| Sunday | 65.0% | 70.0% | 75.0% | 80.0% |
| Average | 60.0% | 65.0% | 70.0% | 75.0% |

Demand Analysis

Domestic Travel in Australia

| Purpose of Visit | Overnight Visitors (000s) | | | Visitor Nights (000s) | | | Average Length of Stay | | |
|------------------|---------------------------|---------------|---------------|-----------------------|----------------|----------------|------------------------|-------------|-------------|
| | 2001 | 2002 | 2003 | 2001 | 2002 | 2003 | 2001 | 2002 | 2003 |
| VFR | 24,474 | 26,089 | 27,024 | 85,777 | 92,814 | 97,544 | 3.50 | 3.56 | 3.61 |
| Holiday/Leisure | 32,490 | 31,978 | 31,028 | 140,616 | 138,381 | 134,900 | 4.33 | 4.33 | 4.35 |
| Business | 15,014 | 14,880 | 13,989 | 42,346 | 46,000 | 42,805 | 2.82 | 3.09 | 3.06 |
| Other | 4,133 | 4,115 | 3,677 | 14,934 | 15,118 | 12,409 | 3.61 | 3.67 | 3.37 |
| Total | 74,585 | 75,339 | 73,621 | 289,644 | 298,658 | 294,112 | 3.88 | 3.96 | 3.99 |

| Purpose of Visit | Visitor Nights (000s) | | | Expenditure \$ million | | | Avg Spend per Night \$ | | |
|------------------|-----------------------|----------------|----------------|------------------------|---------------|---------------|------------------------|---------------|---------------|
| | 2001 | 2002 | 2003 | 2001 | 2002 | 2003 | 2001 | 2002 | 2003 |
| VFR | 85,777 | 92,814 | 97,544 | 7,379 | 8,167 | 8,843 | 86.03 | 87.99 | 90.66 |
| Holiday/Leisure | 140,616 | 138,381 | 134,900 | 19,860 | 20,229 | 20,191 | 141.24 | 146.18 | 149.67 |
| Business | 42,346 | 46,000 | 42,805 | 9,604 | 10,209 | 9,367 | 226.80 | 221.93 | 218.83 |
| Other | 14,934 | 15,118 | 12,409 | 1,419 | 1,324 | 1,189 | 95.02 | 87.58 | 95.82 |
| Total | 289,644 | 298,658 | 294,112 | 38,262 | 39,929 | 39,589 | 132.10 | 133.69 | 134.61 |

Demand Analysis

Domestic Travel in Australia

| Visitor Nights | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| VFR | 84,900 | 85,800 | 92,800 | 97,500 | 99,900 | 101,900 | 103,400 | 104,500 | 105,400 |
| Holiday/Leisure | 144,400 | 140,600 | 138,400 | 137,300 | 137,000 | 137,000 | 137,000 | 137,000 | 137,300 |
| Business | 44,700 | 42,300 | 46,000 | 47,800 | 48,400 | 48,800 | 49,300 | 49,700 | 50,100 |
| Other | 19,400 | 20,900 | 21,500 | 21,800 | 22,000 | 22,000 | 22,100 | 22,100 | 22,100 |
| Total | 293,400 | 289,700 | 298,700 | 304,400 | 307,200 | 309,800 | 311,800 | 313,300 | 314,900 |
| <i>Growth</i> | | -1.3% | 3.1% | 1.9% | 0.9% | 0.8% | 0.6% | 0.5% | 0.5% |
| Nights in Hotels | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> |
| VFR | 6,600 | 6,800 | 6,700 | 7,000 | 7,200 | 7,300 | 7,300 | 7,300 | 7,400 |
| Holiday/Leisure | 38,700 | 40,300 | 39,400 | 38,600 | 38,100 | 37,700 | 37,400 | 37,000 | 36,800 |
| Business | 23,300 | 24,000 | 24,500 | 25,500 | 25,800 | 26,000 | 26,300 | 26,500 | 26,700 |
| Other | 2,700 | 3,000 | 3,200 | 3,200 | 3,200 | 3,200 | 3,200 | 3,100 | 3,100 |
| Total | 71,300 | 74,100 | 73,800 | 74,300 | 74,200 | 74,200 | 74,100 | 74,000 | 73,900 |
| <i>Growth</i> | | 3.9% | -0.4% | 0.7% | -0.1% | 0.0% | -0.1% | -0.1% | -0.1% |
| Ratio in Hotels | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> |
| VFR | 7.8% | 7.9% | 7.2% | 7.2% | 7.2% | 7.2% | 7.1% | 7.0% | 7.0% |
| Holiday/Leisure | 26.8% | 28.7% | 28.5% | 28.1% | 27.8% | 27.5% | 27.3% | 27.0% | 26.8% |
| Business | 52.1% | 56.7% | 53.3% | 53.3% | 53.3% | 53.3% | 53.3% | 53.3% | 53.3% |
| Other | 13.9% | 14.4% | 14.9% | 14.7% | 14.5% | 14.5% | 14.5% | 14.0% | 14.0% |
| Total | 24.3% | 25.6% | 24.7% | 24.4% | 24.2% | 24.0% | 23.8% | 23.6% | 23.5% |

Demand Analysis

International Visitors to Australia

| | Year Ending December 31 | | | | | | | |
|-------------------|-------------------------|-------|-------|-------|-------|-------|-------|---------------|
| Country | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | CAG 1997-2003 |
| New Zealand | 686 | 709 | 729 | 817 | 815 | 790 | 825 | 3.1% |
| United Kingdom | 411 | 468 | 528 | 580 | 617 | 643 | 666 | 8.4% |
| Japan | 814 | 751 | 708 | 721 | 674 | 716 | 640 | -3.9% |
| USA Excl Canada | 330 | 374 | 417 | 488 | 446 | 435 | 422 | 4.2% |
| China | 66 | 77 | 93 | 120 | 158 | 190 | 176 | 17.8% |
| Singapore | 239 | 247 | 267 | 286 | 296 | 287 | 253 | 1.0% |
| Korea | 234 | 67 | 109 | 157 | 176 | 190 | 207 | -2.0% |
| Total - Australia | 4,318 | 4,167 | 4,460 | 4,931 | 4,856 | 4,841 | 4,701 | 1.4% |
| Growth | | -3.5% | 7.0% | 10.6% | -1.5% | -0.3% | -2.9% | |

| | Forecast by Tourism Forecasting Council | | | | | | | | | |
|-------------------|---|-------|-------|-------|-------|-------|-------|-------|-------|---------------|
| Country | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | CAG 2004-2012 |
| New Zealand | 879 | 871 | 896 | 917 | 935 | 951 | 968 | 984 | 1,001 | 1.6% |
| United Kingdom | 697 | 724 | 760 | 794 | 823 | 854 | 885 | 917 | 950 | 3.9% |
| Japan | 684 | 710 | 735 | 767 | 798 | 828 | 860 | 894 | 928 | 3.9% |
| USA plus Canada | 520 | 544 | 570 | 597 | 625 | 653 | 681 | 710 | 740 | 4.5% |
| China | 215 | 263 | 315 | 379 | 448 | 528 | 615 | 710 | 819 | 18.2% |
| Singapore | 280 | 298 | 314 | 330 | 346 | 362 | 378 | 394 | 411 | 4.9% |
| Korea | 226 | 247 | 270 | 292 | 315 | 340 | 363 | 387 | 413 | 7.8% |
| Total - Australia | 5,060 | 5,312 | 5,622 | 5,945 | 6,273 | 6,619 | 6,979 | 7,359 | 7,769 | 5.5% |
| | 7.6% | 5.0% | 5.8% | 5.7% | 5.5% | 5.5% | 5.4% | 5.4% | 5.6% | |

Demand Analysis

International Visitors to Australia

| Purpose of Visit | Overnight Visitors (000s) | | | | | | | | |
|-------------------------|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| VFR | 978 | 942 | 848 | 867 | 919 | 950 | 996 | 1,040 | 1,086 |
| Holiday/Leisure | 2,657 | 2,484 | 2,401 | 2,395 | 2,558 | 2,689 | 2,854 | 3,026 | 3,200 |
| Business | 621 | 570 | 572 | 558 | 591 | 619 | 650 | 684 | 721 |
| Other | 676 | 859 | 1,020 | 880 | 992 | 1,054 | 1,122 | 1,195 | 1,266 |
| Total | 4,931 | 4,856 | 4,841 | 4,701 | 5,060 | 5,312 | 5,622 | 5,945 | 6,273 |
| <i>Growth</i> | 10.6% | -1.5% | -0.3% | -2.9% | 7.6% | 5.0% | 5.8% | 5.7% | 5.5% |
| Visitor Nights | 126,200 | 127,300 | 127,700 | 122,600 | 129,800 | 135,000 | 141,200 | 147,400 | 153,600 |
| <i>Growth</i> | 18.1% | 0.9% | 0.3% | -4.0% | 5.9% | 4.0% | 4.6% | 4.4% | 4.2% |
| Average Stay | 25.6 | 26.2 | 26.4 | 26.1 | 25.7 | 25.4 | 25.1 | 24.8 | 24.5 |
| <i>Growth</i> | 6.6% | 2.4% | 0.6% | -1.1% | -1.6% | -0.9% | -1.2% | -1.3% | -1.2% |
| Nights in Hotels | 22,500 | 22,700 | 22,600 | 21,500 | 22,600 | 23,200 | 24,100 | 25,000 | 25,800 |
| <i>Growth</i> | 0.9% | 0.9% | -0.4% | -4.9% | 5.1% | 2.7% | 3.9% | 3.7% | 3.2% |
| <i>Ratio</i> | 17.8% | 17.8% | 17.7% | 17.5% | 17.4% | 17.2% | 17.1% | 17.0% | 16.8% |
| Export Earnings | 17,070 | 17,320 | 17,610 | 16,450 | 17,080 | 18,290 | 19,590 | 20,780 | 21,990 |
| <i>Growth</i> | 6.8% | 1.5% | 1.7% | -6.6% | 3.8% | 7.1% | 7.1% | 6.1% | 5.8% |
| <i>Avg Spend</i> | 135.26 | 136.06 | 137.90 | 134.18 | 131.59 | 135.48 | 138.74 | 140.98 | 143.16 |

Demand Analysis

Total Visitation

| | | | | | | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Domestic Visitor Nights | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Hotel, Resort, Motel | 71,300 | 74,100 | 73,800 | 74,300 | 74,200 | 74,200 | 74,100 | 74,000 | 73,900 |
| Growth | 3.3% | 3.9% | -0.4% | 0.7% | -0.1% | 0.0% | -0.1% | -0.1% | -0.1% |
| Other | 222,100 | 215,600 | 224,900 | 230,100 | 233,000 | 235,600 | 237,700 | 239,300 | 241,000 |
| Growth | -1.4% | -2.9% | 4.3% | 2.3% | 1.3% | 1.1% | 0.9% | 0.7% | 0.7% |
| Total | 293,400 | 289,700 | 298,700 | 304,400 | 307,200 | 309,800 | 311,800 | 313,300 | 314,900 |
| Growth | -0.3% | -1.3% | 3.1% | 1.9% | 0.9% | 0.8% | 0.6% | 0.5% | 0.5% |
| <i>Ratio</i> | 24.3% | 25.6% | 24.7% | 24.4% | 24.2% | 24.0% | 23.8% | 23.6% | 23.5% |
| International Visitor Nights | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Hotel, Resort, Motel | 22,500 | 22,700 | 22,600 | 21,500 | 22,600 | 23,200 | 24,100 | 25,000 | 25,800 |
| Growth | 0.9% | 0.9% | -0.4% | -4.9% | 5.1% | 2.7% | 3.9% | 3.7% | 3.2% |
| Other | 103,700 | 104,600 | 105,100 | 101,100 | 107,200 | 111,800 | 117,100 | 122,400 | 127,800 |
| Growth | 22.6% | 0.9% | 0.5% | -3.8% | 6.0% | 4.3% | 4.7% | 4.5% | 4.4% |
| Total | 126,200 | 127,300 | 127,700 | 122,600 | 129,800 | 135,000 | 141,200 | 147,400 | 153,600 |
| Growth | 18.1% | 0.9% | 0.3% | -4.0% | 5.9% | 4.0% | 4.6% | 4.4% | 4.2% |
| <i>Ratio</i> | 17.8% | 17.8% | 17.7% | 17.5% | 17.4% | 17.2% | 17.1% | 17.0% | 16.8% |
| Total Visitor Nights | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Hotel, Resort, Motel | 93,800 | 96,800 | 96,400 | 95,800 | 96,800 | 97,400 | 98,200 | 99,000 | 99,700 |
| Growth | 2.7% | 3.2% | -0.4% | -0.6% | 1.0% | 0.6% | 0.8% | 0.8% | 0.7% |
| Other | 325,800 | 320,200 | 330,000 | 331,200 | 340,200 | 347,400 | 354,800 | 361,700 | 368,800 |
| Growth | 5.1% | -1.7% | 3.1% | 0.4% | 2.7% | 2.1% | 2.1% | 1.9% | 2.0% |
| Total | 419,600 | 417,000 | 426,400 | 427,000 | 437,000 | 444,800 | 453,000 | 460,700 | 468,500 |
| Growth | 4.6% | -0.6% | 2.3% | 0.1% | 2.3% | 1.8% | 1.8% | 1.7% | 1.7% |
| <i>Ratio</i> | 22.4% | 23.2% | 22.6% | 22.4% | 22.2% | 21.9% | 21.7% | 21.5% | 21.3% |

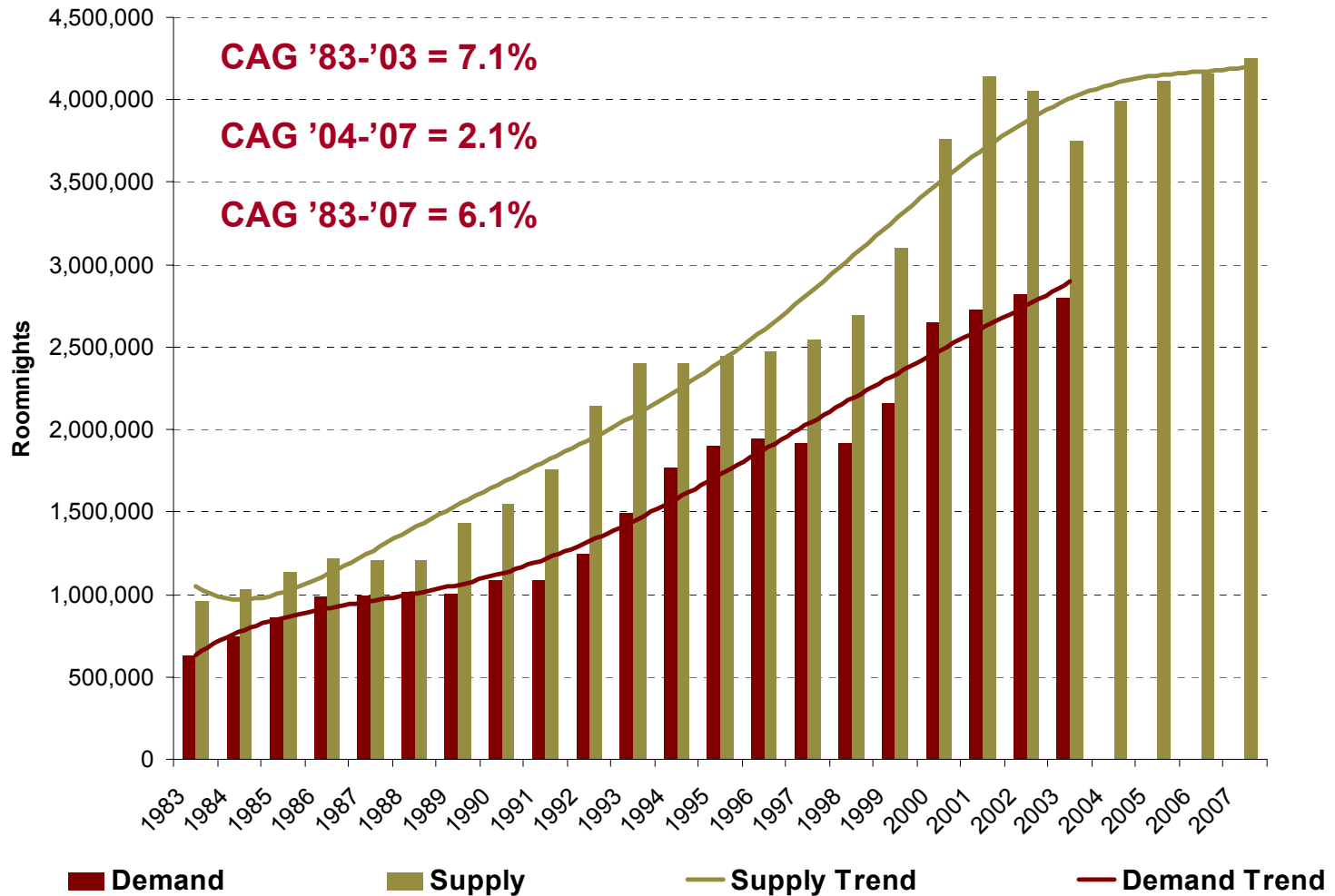
Projecting the future.....

- Assess new supply
- Calculate supply growth
- Review market forecasts
- Predict demand growth
- Calculate occupancy projections
- Project rate growth

Sydney 5-Star Hotels

| Hotel | Opening | Rooms | Total | Additions | CAG |
|---------------------------------|---------|-------|--------------|--------------|------------|
| Wentworth / Sofitel | 1968 | 238 | 238 | | |
| Hilton | 1975 | 585 | 823 | | |
| Regent / Four Seasons | 1982 | 531 | 1,354 | | |
| Inter-Continental | 1985 | 503 | 1,857 | 1,857 | 8% |
| Renaissance / Harbour Marriott | 1989 | 579 | 2,436 | | |
| Park Hyatt | 1990 | 158 | 2,594 | | |
| Sir Stamford at Circular Quay | 1990 | 105 | 2,699 | | |
| Quay West | 1991 | 134 | 2,833 | | |
| ANA Harbour Grand / Shangri La | 1992 | 561 | 3,394 | | |
| Sydney Marriott | 1992 | 241 | 3,635 | | |
| Sheraton on the Park | 1992 | 558 | 4,193 | | |
| The Observatory | 1993 | 100 | 4,293 | 2,436 | 23% |
| Star City | 1998 | 480 | 4,773 | | |
| Saville 2 Bond Street | 1998 | 169 | 4,942 | | |
| Medina Grand Sydney | 1998 | 144 | 5,086 | | |
| Westin | 1999 | 416 | 5,358 | | |
| Quay Grand | 1999 | 67 | 5,425 | | |
| Merchant Court | 1999 | 361 | 5,786 | | |
| W Hotel | 2000 | 104 | 5,890 | | |
| Le Meridien / Rydges on Jamison | 2000 | 415 | 6,305 | | |
| Radisson Plaza | 2000 | 362 | 6,667 | | |
| Medina Grand Harbourside | 2000 | 114 | 6,781 | | |
| Stamford Plaza | 2000 | 143 | 6,924 | 2,631 | 27% |

Sydney Supply Forecast (1983 – 2007)



- Review market outlook and projections (TFC, BTR, etc)
- Apply projections to relevant circumstances
 - Domestic vs. International
 - Source markets (NZ, UK, US)
 - Leisure vs. Business
 - Visitors vs. Visitor Nights vs. Nights in Hotels
 - Market segments (5* vs. backpacker)
- Make projections of anticipated growth for competitive market
- Consider other influencing factors

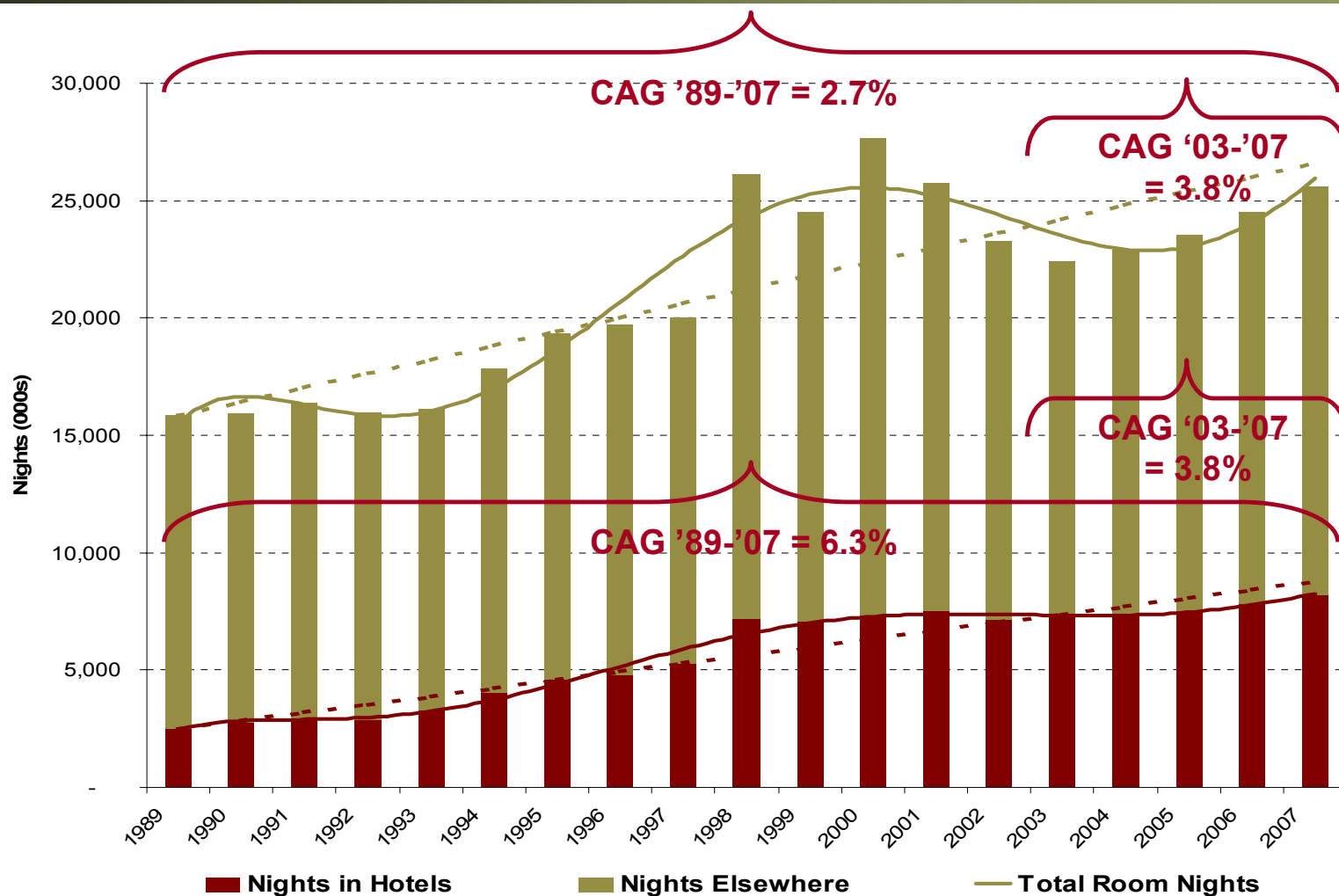
- Domestic visitation expected to stabilise and regain marginal growth, following strong promotion by Tourism NSW
- International visitation expected to grow at approx. 5% p.a.
- Continuing conversion of older stock to residential product should push demand towards alternatives
- High profile events will further promote Sydney as a preferred destination

Demand Analysis

Domestic Visitors to Sydney

- Domestic overnight visitors in 2003: 8.0 million
 - 2001: 8.3 million; 2002: 8.2 million
- Domestic visitor nights in 2003: 22.4 million
 - 2001: 25.7 million; 2002: 23.3 million
- Average length of stay in 2003: 2.8 nights
- About 58% of visitors comes from interstate
- 43% VFR; 25% holiday; 25% business
- 55% stay with friends & relatives
- 32% stay in hotel = 7.2 million hotel room nights in 2003

Domestic Visitor Nights to Sydney (1989 – 2007)



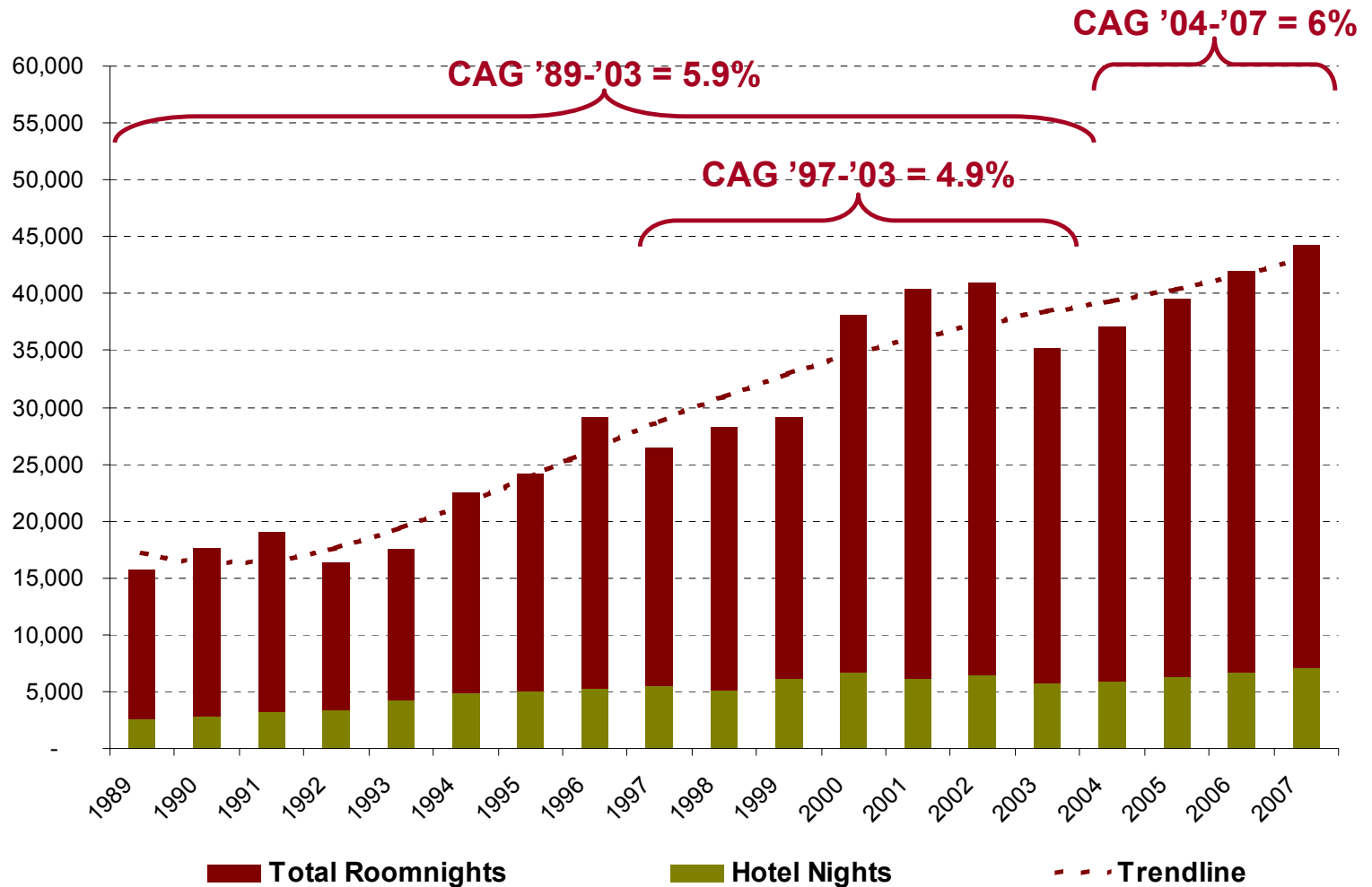
Demand Analysis

International Visitors to Sydney

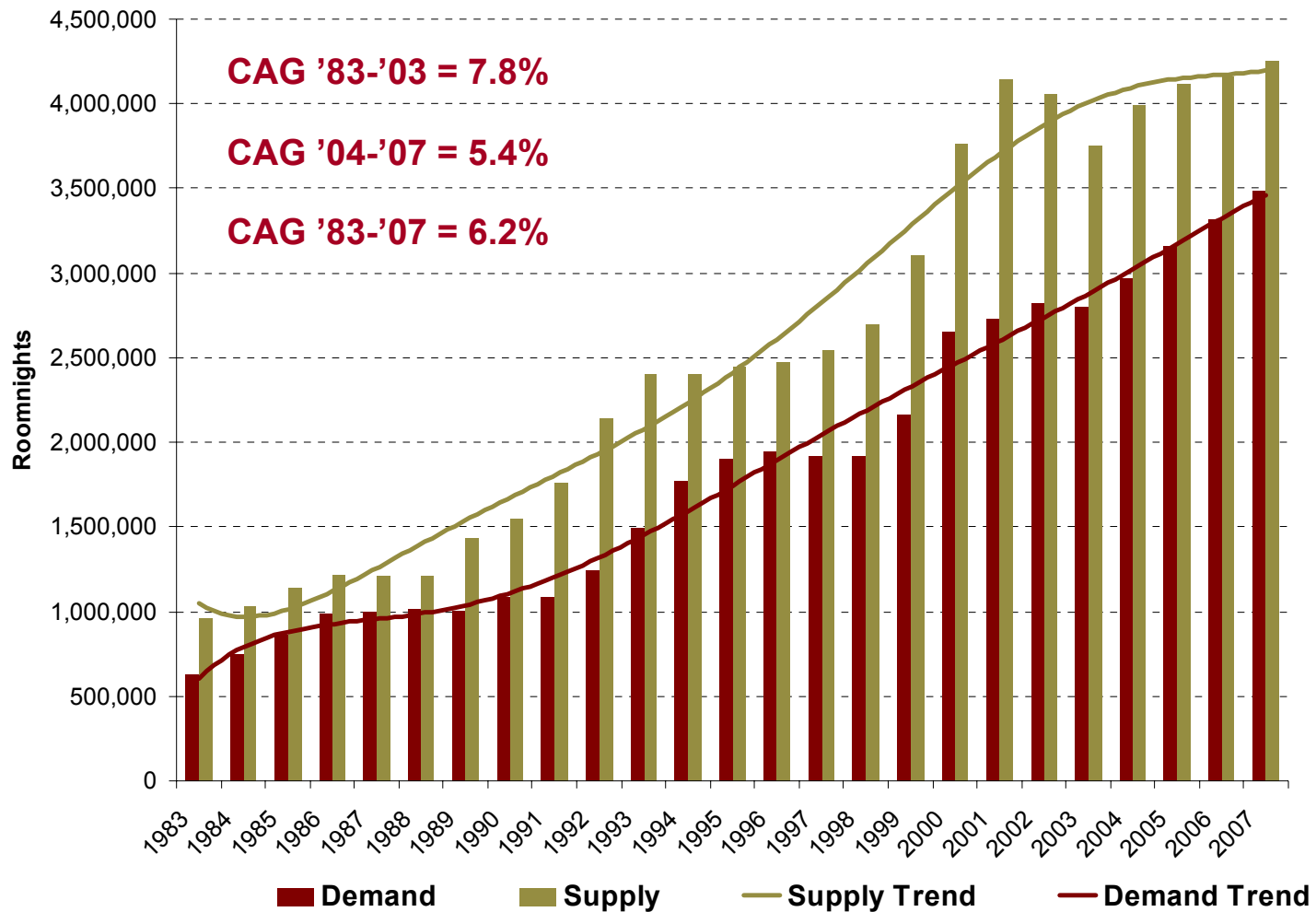
- About 50% of visitors to Australia visit Sydney
- Intern'l visitor nights in 2003: 35.2 million
- CAG 1989-2003 of 5.9%
- Average length of stay about 15 days
- Only about 16% staying in a hotel
- Top source markets:

| Country | Total | Edu | Hol/ VFR | Empl | Bus |
|---------|-------|-------|-------------|-------|-----|
| UK | 6,647 | 230 | 4,712 | 1,081 | 258 |
| China | 2,926 | 2,153 | 477 | 106 | 189 |
| NZ | 2,947 | 115 | 1,705 | 644 | 414 |
| USA | 2,858 | 1,050 | 1,266 | 127 | 360 |
| Korea | 2,723 | 1,115 | 1,484 | 31 | 93 |
| Japan | 2,086 | 891 | 820 | 93 | 106 |

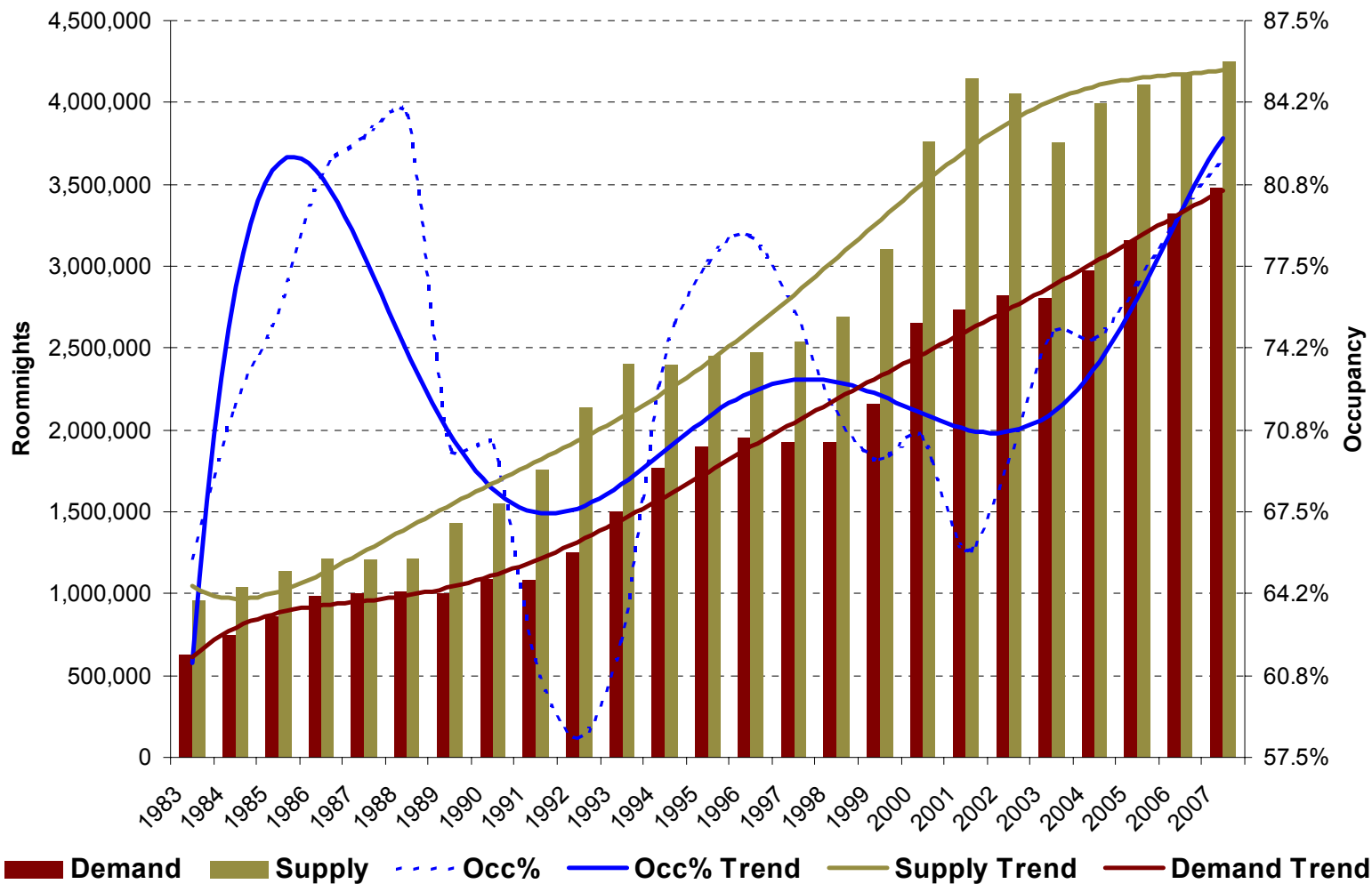
International Visitor Nights to Sydney (1989 – 2007)



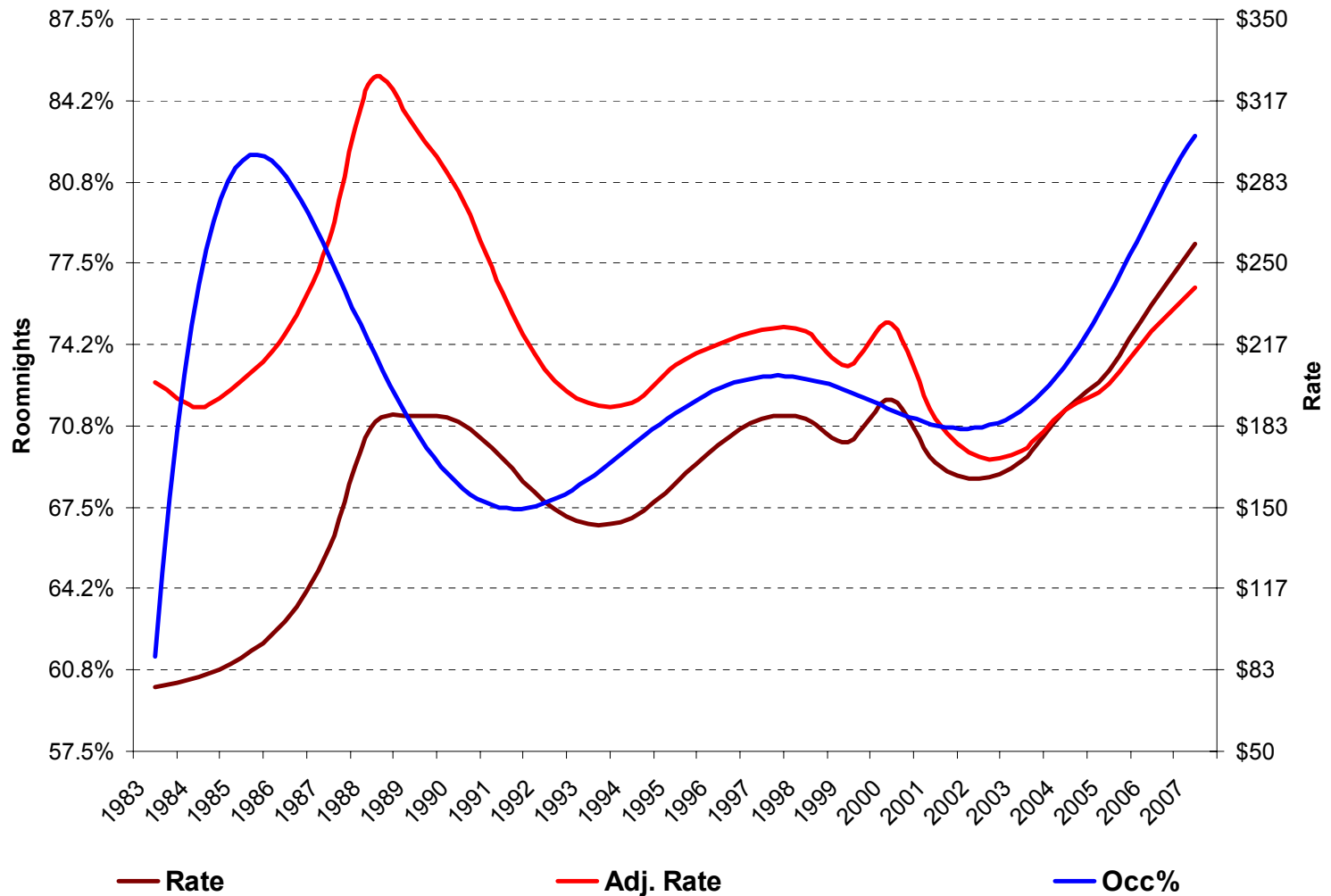
Demand Forecast (1983 – 2007)



Occupancy Forecast (1983 – 2007)



Average Rate Projection (1983 – 2003)



From Rate to Profit Typical Average Rate

| | | |
|---------------------|-------|---------------|
| • Gross Rate | | \$220 |
| • GST | 10% | \$ 200 |
| • S&BC | 6.5% | \$ 186 |
| • Comm. | 10% | \$ 164 |
| • Freq Fl. | 5.5% | \$ 152 |
| • Cr.card | 2.5% | \$ 146 |
| • Amenities | \$ 15 | \$ 131 |
| • NET RATE | | \$ 131 |

| | | |
|-------------------|-------|--------------|
| • Wages | 15% | \$ 33 |
| • Other cost | \$ 10 | \$ 10 |
| • A&G | 4.5% | \$ 10 |
| • S&M | 5.5% | \$ 12 |
| • Maint. | 3% | \$ 7 |
| • Energy | 2.5% | \$ 6 |
| • MGFE | 2% | \$ 4 |
| • Expenses | | \$ 82 |

Gross Profit \$ 49 (25%)

From Rate to Profit Full Individual Rate

| | | |
|---------------------|-------|---------------|
| • Gross Rate | | \$ 280 |
| • GST | 10% | \$ 255 |
| • S&BC | 6.5% | \$ 237 |
| • Comm. | 10% | \$ 209 |
| • Freq Fl. | 5.5% | \$ 194 |
| • Cr.card | 2.5% | \$ 187 |
| • Amenities | \$ 15 | \$ 172 |
| • NET RATE | | \$ 172 |

| | |
|-------------------|--------------|
| • Wages | \$ 33 |
| • Other cost | \$ 10 |
| • A&G | \$ 10 |
| • S&M | \$ 12 |
| • Maintenance | \$ 7 |
| • Energy | \$ 6 |
| • MGFE | \$ 4 |
| • Expenses | \$ 82 |

Gross Profit \$ 90 (35%)

From Rate to Profit Group Rate

| | | |
|---------------------|-------|---------------|
| • Gross Rate | | \$ 160 |
| • GST | 10% | \$ 145 |
| • Res. Fee | 3% | \$ 140 |
| • Comm. | n/a | \$ 140 |
| • Freq Fl. | n/a | \$ 140 |
| • Cr.card | n/a | \$ 140 |
| • Amenities | \$ 15 | \$ 125 |
| • NET RATE | | \$ 125 |

| | |
|-------------------|--------------|
| • Wages | \$ 33 |
| • Other cost | \$ 10 |
| • A&G | \$ 10 |
| • S&M | \$ 12 |
| • Maintenance | \$ 7 |
| • Energy | \$ 6 |
| • MGFE | \$ 4 |
| • Expenses | \$ 82 |

Gross Profit\$ 43 (23%)

The Impact of Rate Growth Corporate Rate

10% Rate Increase

| | |
|------------------------|---------------|
| • Gross Rate | \$ 200 |
| • GST 10% | \$ 182 |
| • Direct costs | \$ 64 |
| • NET RATE | \$ 118 |
| • Expenses | \$ 82 |
| • Gross Profit | \$ 36 |
| • Profit Margin | 20% |

| | |
|------------------------|---------------|
| • Gross Rate | \$ 220 |
| • GST 10% | \$ 200 |
| • Direct costs | \$ 69 |
| • NET RATE | \$ 131 |
| • Expenses | \$ 82 |
| • Gross Profit | \$ 49 |
| • Profit Margin | 24.5% |

A 10% rate increase results in a 36% profit increase

The Impact of Rate Growth Group Rate

10% Rate Increase

- **Gross Rate** \$ 160
- GST 10% \$ 145
- Direct costs \$ 20
- **NET RATE** \$ 125
- Expenses \$ 82
- **Gross Profit** \$ 43
- **Profit Margin** 23%

- **Gross Rate** \$ 176
- GST 10% \$ 160
- Direct costs \$ 20
- **NET RATE** \$ 140
- Expenses \$ 82
- **Gross Profit** \$ 58
- **Profit Margin** 29%

A 10% rate increase results in a 35% profit increase

- **Diversify pricing strategy based on lead time**
 - Give long-term bookings lower rates, but limit availability
 - Demand higher rates for short-term bookings, unless the expected occupancy is low and discounts are appropriate
- **Redefine contracted business**
 - Rate structure by room type, not “run of the house”
 - Enforce this structure where possible
 - Award volume discount based on actual production, not on predictions or last year’s production
 - Reward commitment but charge for flexibility

Potential problem areas

- **Perceived fairness is important**
 - Provide arguments to support rate increases
 - Be transparent in rate policies and explain the structure
 - When offering discounts, attach booking restrictions
 - When asking high rates, be more flexible
- **Do not abuse yield opportunity**
 - Do not insist on high rates when not appropriate
 - Be mindful of the need for repeat business
- **Good yielding is an art, not a science**
 - Do not leave to inexperienced staff

Competitive Analysis

- What is the average room occ% and rate performance in the competitive market ?
- Am I achieving my fair share ?
- Is my rate in line with my competitors ?

- Know your direct competitors and, more importantly, know their product
- Position your property
- Review your competitive performance

Competitive Analysis

Market Penetration Index

- Market Penetration Index (MPI)
- Actual share versus fair share
- Measure of occupancy performance
- Adjust for competitive positioning

| Hotel | Rooms | Fair Share | Occ% | Occ Rms | Act Share | MPI |
|-------|-------------|------------|-------|---------|-------------|-------|
| | A | B | C | D | E | F |
| | A / A total | | A * C | | D / D total | E / B |
| 1 | 50 | 12.2% | 65.0% | 33 | 11.8% | 0.97 |
| 2 | 60 | 14.6% | 67.5% | 41 | 14.8% | 1.01 |
| 3 | 80 | 19.5% | 70.0% | 56 | 20.4% | 1.05 |
| 4 | 100 | 24.4% | 67.5% | 68 | 24.6% | 1.01 |
| 5 | 120 | 29.3% | 65.0% | 78 | 28.4% | 0.97 |
| Total | 410 | 100.0% | 67.0% | 275 | 100.0% | 1.00 |

Competitive Analysis

Average Rate Index

- Average Rate Index (ARI)
- Average property rate versus avg. market rate
- Measure of rate performance
- Adjust for competitive positioning

| Hotel | Rooms | Occ% | Room Rate | Revenue | ARI |
|--------------|------------|--------------|--------------|---------------|-------------|
| | A | B | C | D | E |
| | | | | A * B * C | C / C total |
| 1 | 50 | 65.0% | 80.00 | 2,600 | 0.95 |
| 2 | 60 | 67.5% | 85.00 | 3,443 | 1.01 |
| 3 | 80 | 70.0% | 90.00 | 5,040 | 1.07 |
| 4 | 100 | 67.5% | 85.00 | 5,738 | 1.01 |
| 5 | 120 | 65.0% | 80.00 | 6,240 | 0.95 |
| Total | 410 | 67.0% | 84.01 | 23,060 | 1.00 |

Competitive Analysis

Revenue Generation Index

- Revenue Generation Index
- Actual RevPAR versus average market RevPAR
- Measure of RevPAR performance
- Ultimate measure of competitive performance

| Hotel | Rooms | Occ% | Room Rate | RevPAR | RGI |
|--------------|------------|--------------|--------------|--------------|-------------|
| | A | B | C | D | = MPI * ARI |
| | | | | B * C | D / D Total |
| 1 | 50 | 65.0% | 80.00 | 52.00 | 0.92 |
| 2 | 60 | 67.5% | 85.00 | 57.38 | 1.02 |
| 3 | 80 | 70.0% | 90.00 | 63.00 | 1.12 |
| 4 | 100 | 67.5% | 85.00 | 57.38 | 1.02 |
| 5 | 120 | 65.0% | 80.00 | 52.00 | 0.92 |
| Total | 410 | 67.0% | 84.01 | 56.24 | 1.00 |

- **MPI = Market Penetration Index**
 - Fair share / Market share
 - Property occupancy / Market occupancy
 - Measure for occupancy performance
- **ARI = Average Rate Index**
 - Property average rate / Market average rate
 - Measure for rate performance
- **RGI = Revenue Generation Index**
 - Property yield / Market yield
 - Measure of competitive performance
- Absolute indices are important, but the real value is in the ongoing monitoring of change

- What is wrong when my MPI is dropping ?
- Occ% relative to the market is declining
 - New competition has entered the market, though this usually result in (temporary) MPI improvement
 - My product is deteriorating and guests are leaving
 - Competitive product is improving and attracting my guests
 - Competitors are “buying” room nights
 - My hotel is overpriced
- Check ARI for more analysis

- What is wrong when my ARI is dropping ?
- Average rate relative to the market is declining
 - New competition has entered the market at higher competitive rate
 - My rates are too low
 - Competitive product has renovated
 - Competitors are “buying” room nights
 - My hotel is overpriced
- Check MPI for more analysis

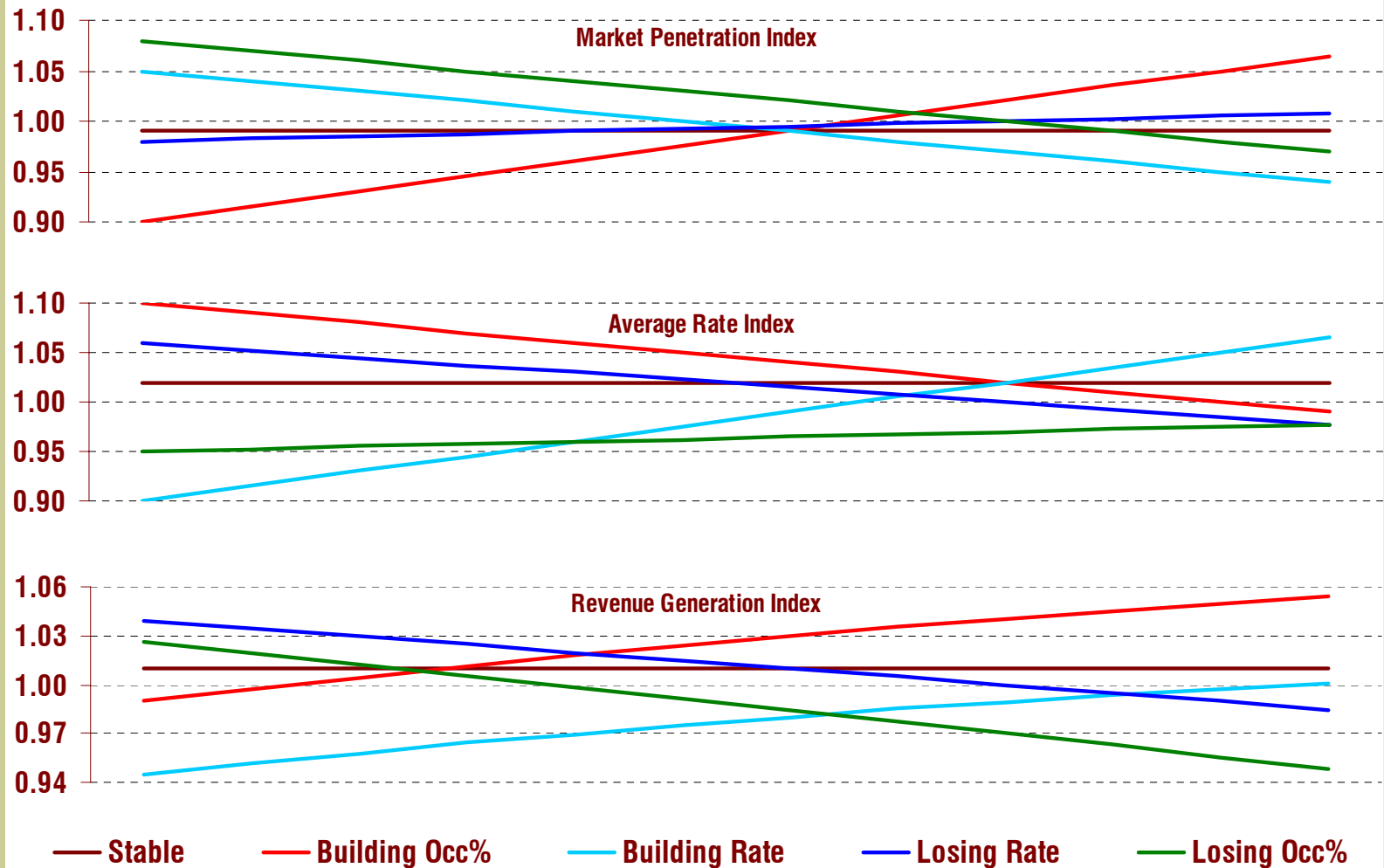
Competitive Analysis

RGI Analysis

- **RGI is dropping**
 - MPI is dropping but no ARI growth → Product
 - Product quality is deteriorating or new product in town
 - ARI is dropping but no MPI gain → Competition
 - Market is improving but you're not raising rate
 - Both MPI and ARI are deteriorating → Big trouble !
 - Product is failing and competition increasing
- **RGI is holding**
 - MPI is dropping but ARI improving → Price War
 - Competitors are "buying" occupancy
 - ARI is dropping but MPI improving → Buying business
 - Unlikely unless YOU are buying business
- **RGI is improving**
 - MPI growth is outperforming ARI decline → Repositioning ↓
 - ARI growth is outperforming MPI decline → Repositioning ↑
 - Both MPI and ARI are improving → Congratulations !

Competitive Analysis

MPI, ARI and RGI Analysis



- Know your competitors
- Follow market performance
- Chart your performance against your competitors on a regular basis
- If competitors unknown, chart against total market performance (ABS)
- Analyse variations in MPI, ARI and RGI and explain variations based on market knowledge
- Adjust market strategy accordingly
- **Knowledge is power !**



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