



Global Hospitality Consulting

# Performance Analysis Techniques to Drive Profits

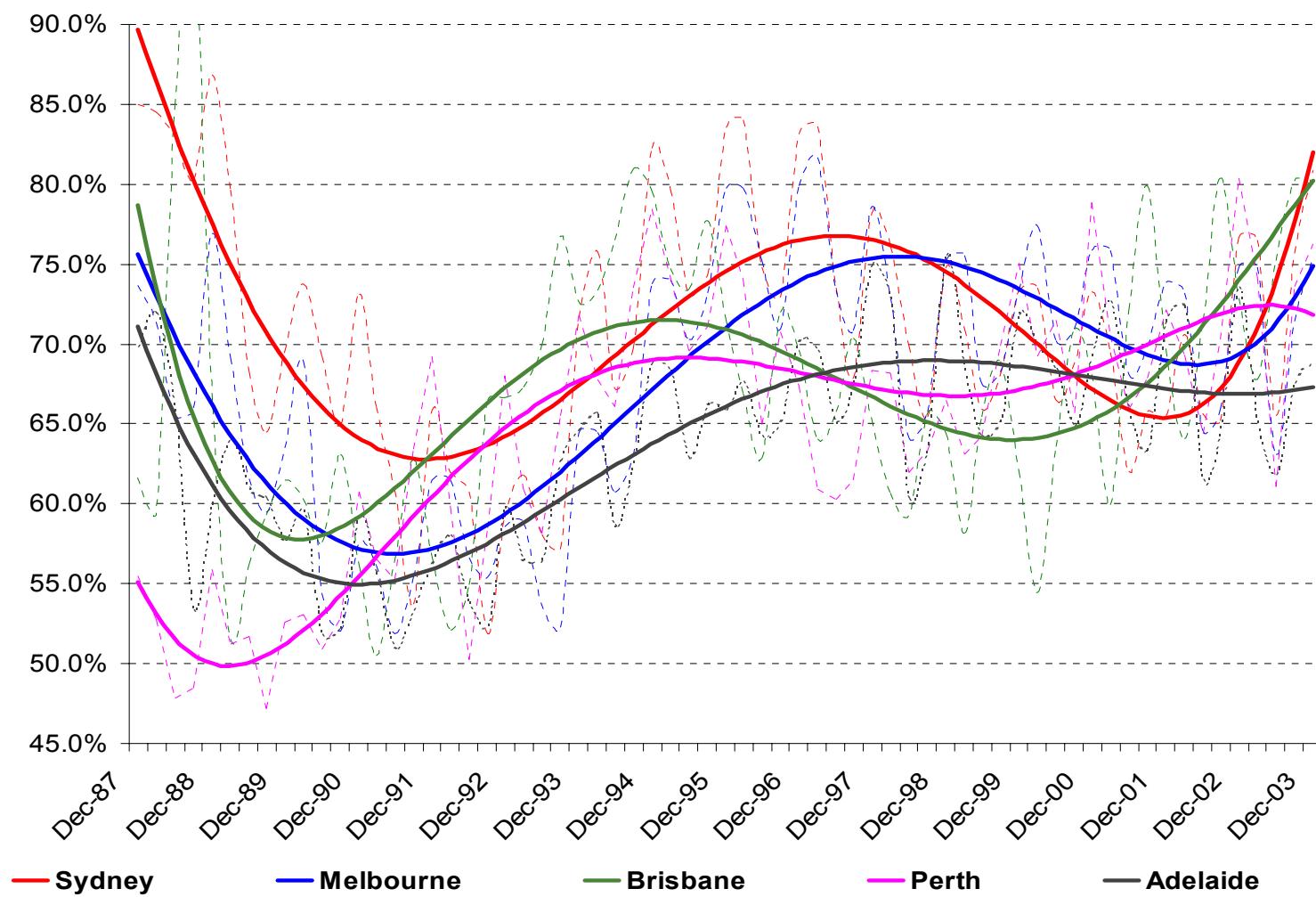
Australian Tourism Export Council Symposium  
Royal Pines Resort – 30 April 2004

**Rutger Smits**  
Managing Director  
HVS International – Sydney

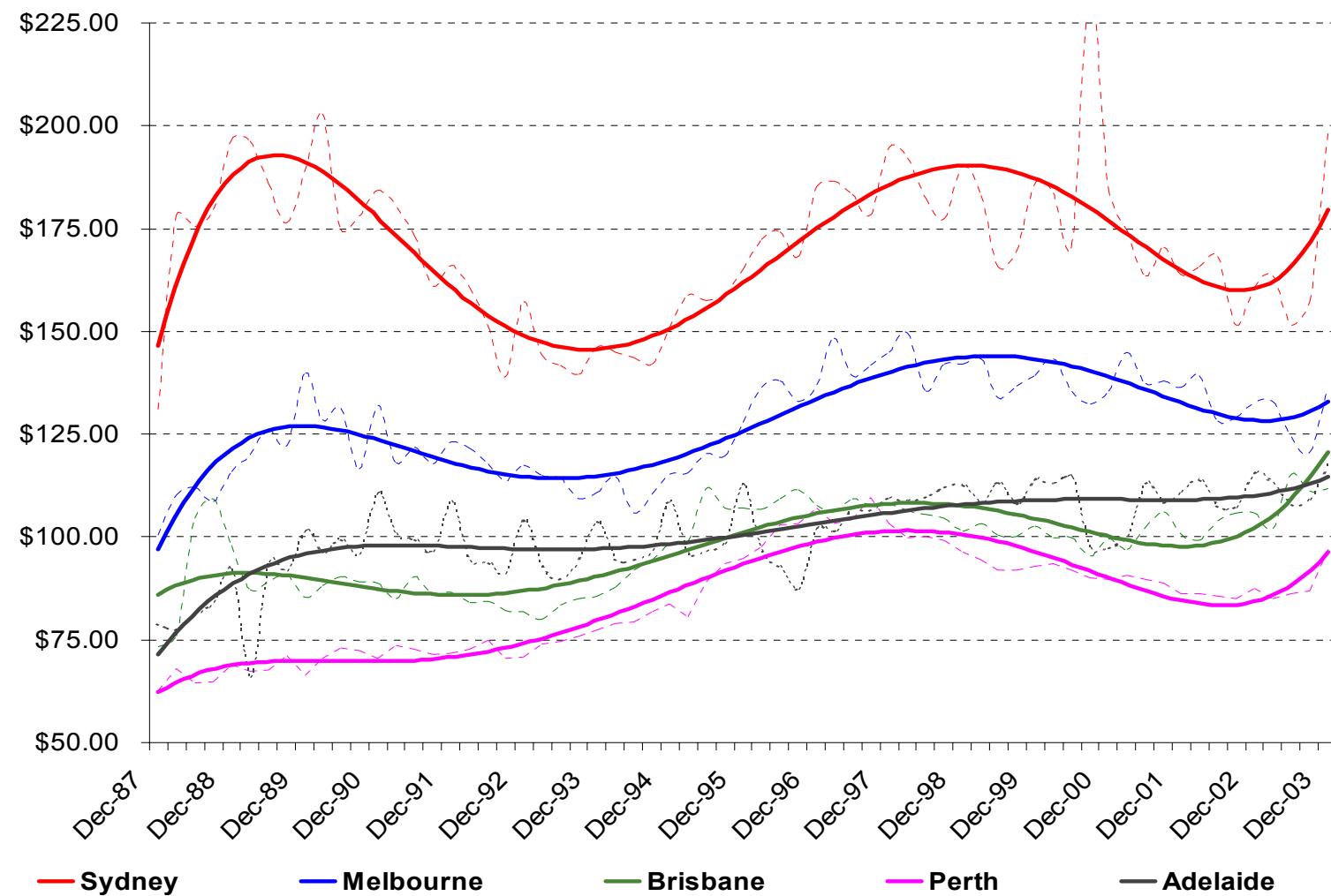
# Objectives of the Presentation

- 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

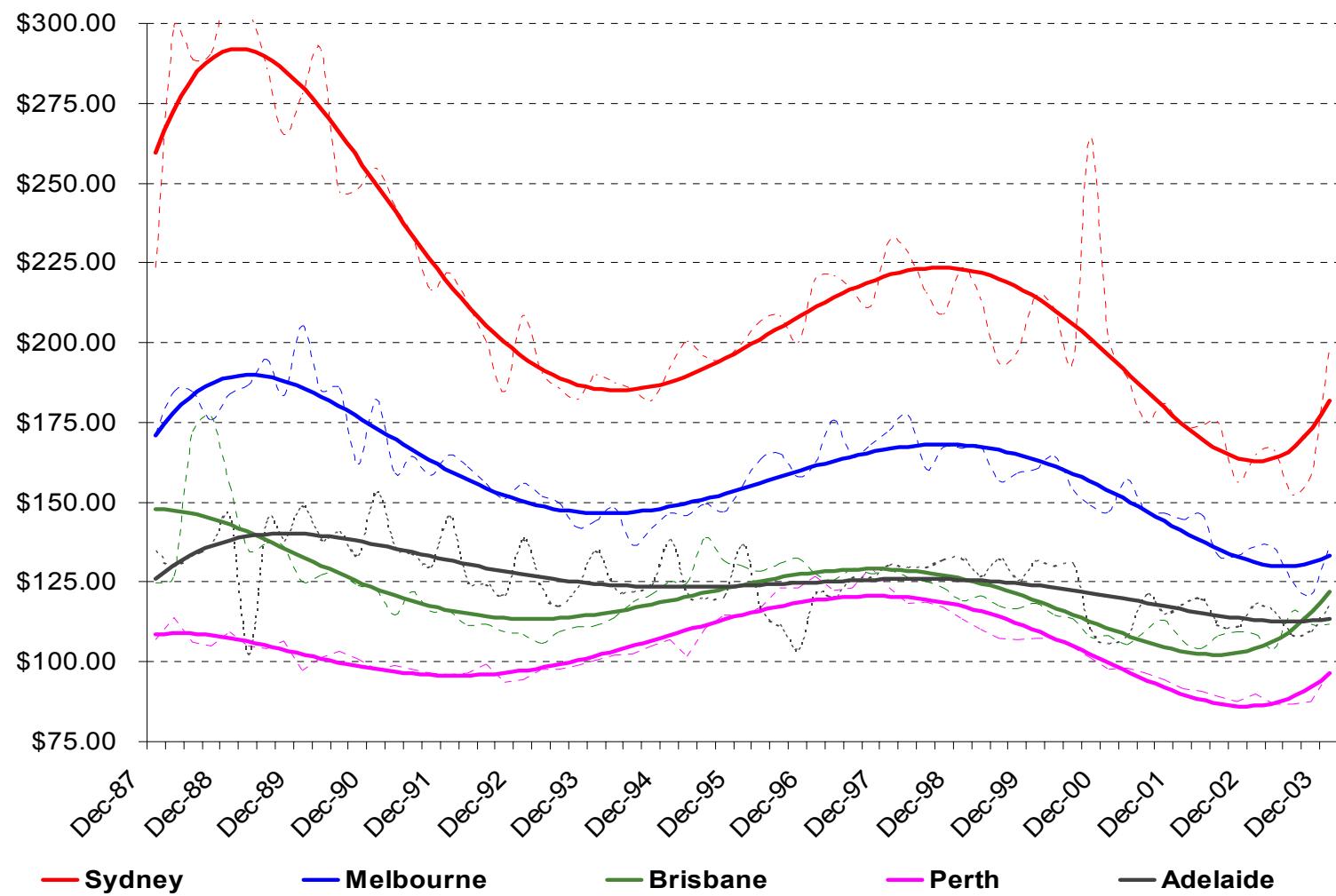
# Room Occupancy Trend Key Cities (Dec 1987 – Dec 2003)



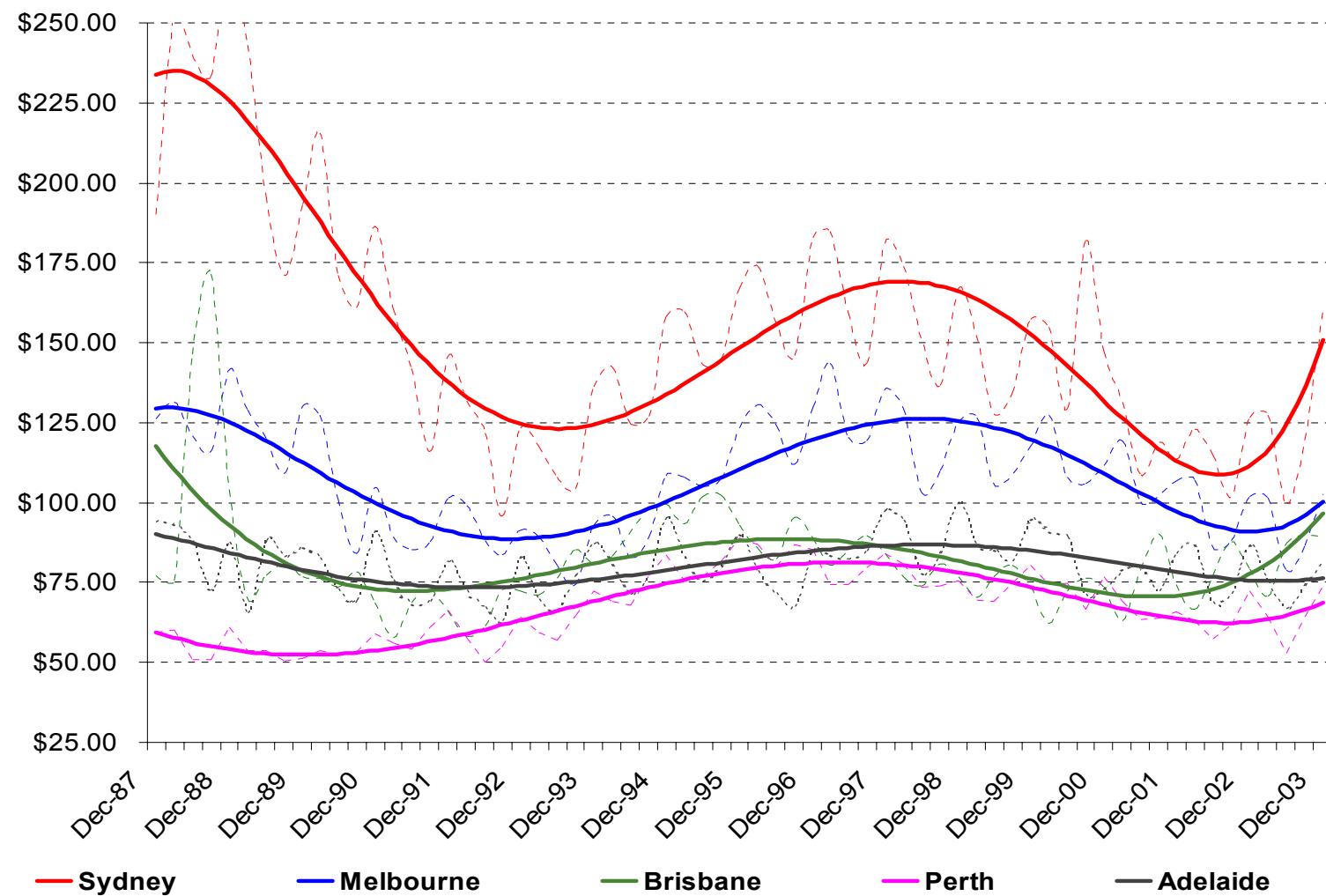
# Average Room Rate Trend Key Cities (Dec 1987 – Dec 2003)



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



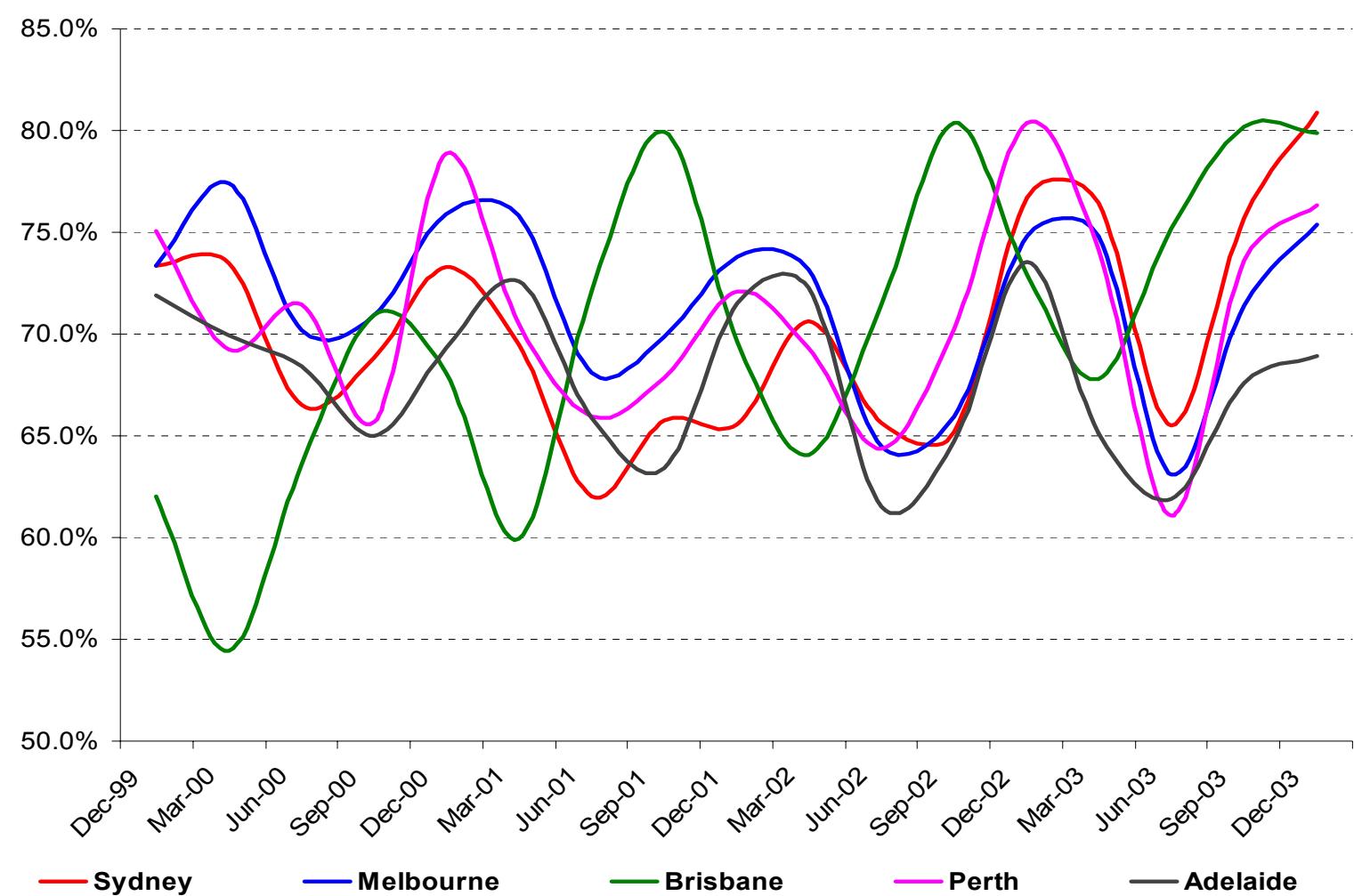
# Adjusted RevPAR Trend Key Cities (Dec 1987 – Dec 2003)



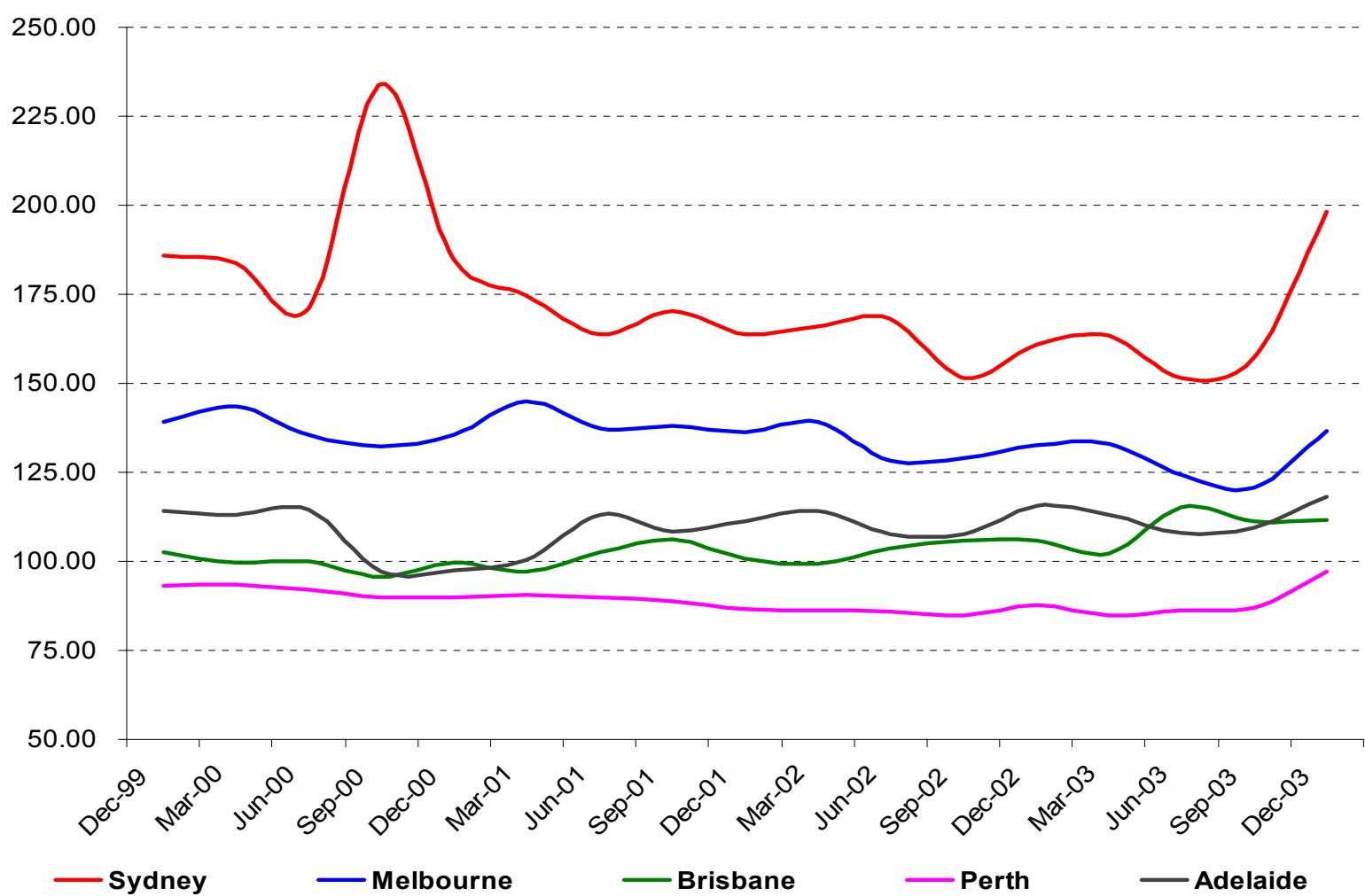
# Seasonality Analysis

- 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

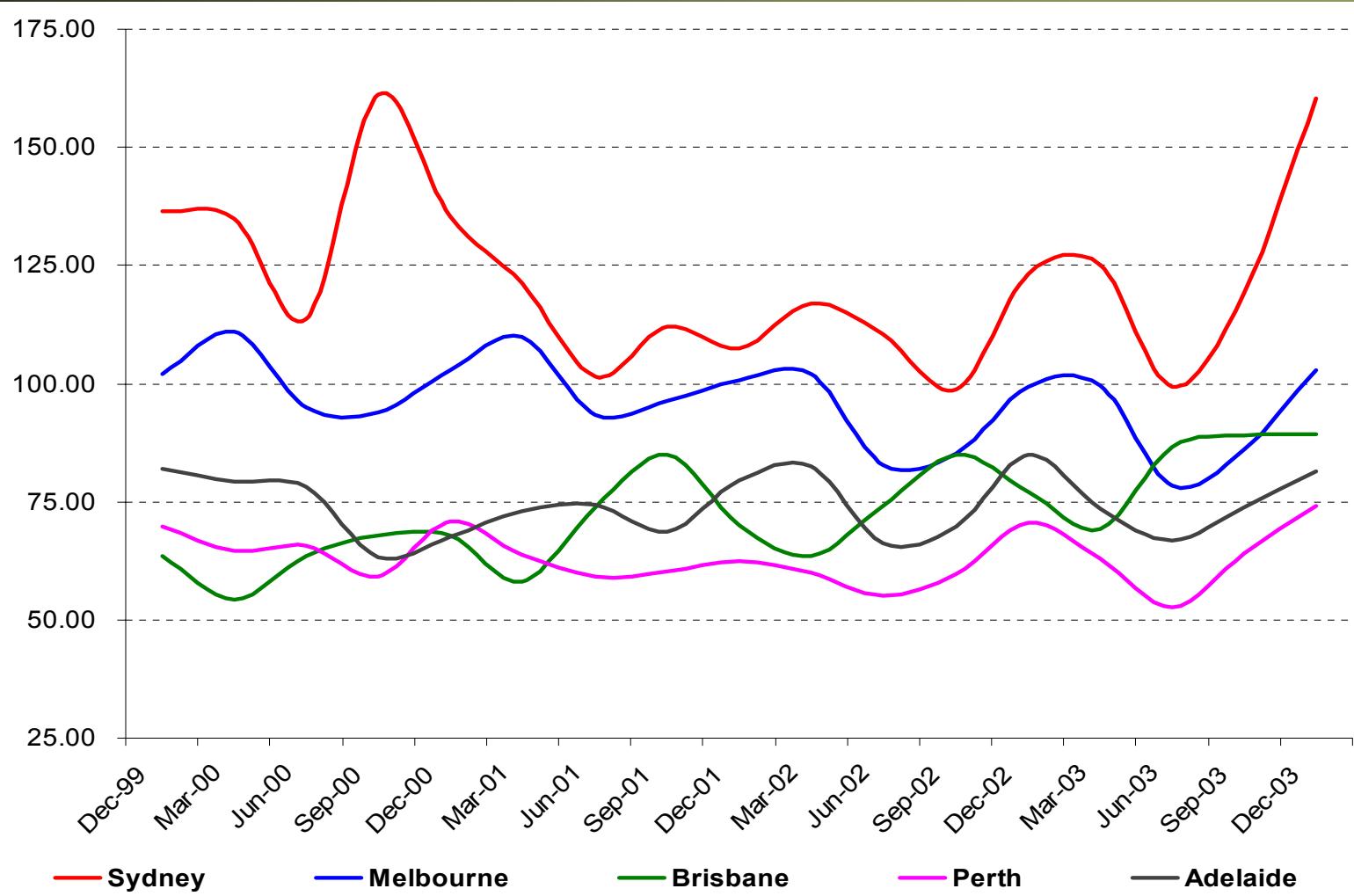
# Seasonality - Room Occupancy Key Cities (Dec 1999 – Dec 2003)



# 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%
<b>Average</b>	<b>70.0%</b>	<b>75.0%</b>	<b>80.0%</b>	<b>85.0%</b>

# 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%
<b>Average</b>	<b>60.0%</b>	<b>65.0%</b>	<b>70.0%</b>	<b>75.0%</b>

# 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
<b>Total</b>	<b>74,585</b>	<b>75,339</b>	<b>73,621</b>	<b>289,644</b>	<b>298,658</b>	<b>294,112</b>	<b>3.88</b>	<b>3.96</b>	<b>3.99</b>

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
<b>Total</b>	<b>289,644</b>	<b>298,658</b>	<b>294,112</b>	<b>38,262</b>	<b>39,929</b>	<b>39,589</b>	<b>132.10</b>	<b>133.69</b>	<b>134.61</b>

# Demand Analysis

## Domestic Travel in Australia

Visitor Nights	2000	2001	2002	2003	2004	2005	2006	2007	2008
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
<b>Total</b>	<b>293,400</b>	<b>289,700</b>	<b>298,700</b>	<b>304,400</b>	<b>307,200</b>	<b>309,800</b>	<b>311,800</b>	<b>313,300</b>	<b>314,900</b>
<i>Growth</i>	-1.3%	3.1%	1.9%	0.9%	0.8%	0.6%	0.5%	0.5%	0.5%
Nights in Hotels	2000	2001	2002	2003	2004	2005	2006	2007	2008
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
<b>Total</b>	<b>71,300</b>	<b>74,100</b>	<b>73,800</b>	<b>74,300</b>	<b>74,200</b>	<b>74,200</b>	<b>74,100</b>	<b>74,000</b>	<b>73,900</b>
<i>Growth</i>	3.9%	-0.4%	0.7%	-0.1%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%
Ratio in Hotels	2000	2001	2002	2003	2004	2005	2006	2007	2008
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%
<b>Total</b>	<b>24.3%</b>	<b>25.6%</b>	<b>24.7%</b>	<b>24.4%</b>	<b>24.2%</b>	<b>24.0%</b>	<b>23.8%</b>	<b>23.6%</b>	<b>23.5%</b>

# Demand Analysis International Visitors to Australia

Country	Year Ending December 31								CAG 1997-2003	
	1997	1998	1999	2000	2001	2002	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%		
<b>Total - Australia</b>	<b>4,318</b>	<b>4,167</b>	<b>4,460</b>	<b>4,931</b>	<b>4,856</b>	<b>4,841</b>	<b>4,701</b>		<b>1.4%</b>	
<i>Growth</i>		-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%
<b>Total - Australia</b>	<b>5,060</b>	<b>5,312</b>	<b>5,622</b>	<b>5,945</b>	<b>6,273</b>	<b>6,619</b>	<b>6,979</b>	<b>7,359</b>	<b>7,769</b>	<b>5.5%</b>
	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
	<b>Total</b>	<b>4,931</b>	<b>4,856</b>	<b>4,841</b>	<b>4,701</b>	<b>5,060</b>	<b>5,312</b>	<b>5,622</b>	<b>5,945</b>	<b>6,273</b>
	<i>Growth</i>	10.6%	-1.5%	-0.3%	-2.9%	7.6%	5.0%	5.8%	5.7%	5.5%
	<b>Visitor Nights</b>	<b>126,200</b>	<b>127,300</b>	<b>127,700</b>	<b>122,600</b>	<b>129,800</b>	<b>135,000</b>	<b>141,200</b>	<b>147,400</b>	<b>153,600</b>
	<i>Growth</i>	18.1%	0.9%	0.3%	-4.0%	5.9%	4.0%	4.6%	4.4%	4.2%
	<b>Average Stay</b>	<b>25.6</b>	<b>26.2</b>	<b>26.4</b>	<b>26.1</b>	<b>25.7</b>	<b>25.4</b>	<b>25.1</b>	<b>24.8</b>	<b>24.5</b>
	<i>Growth</i>	6.6%	2.4%	0.6%	-1.1%	-1.6%	-0.9%	-1.2%	-1.3%	-1.2%
	<b>Nights in Hotels</b>	<b>22,500</b>	<b>22,700</b>	<b>22,600</b>	<b>21,500</b>	<b>22,600</b>	<b>23,200</b>	<b>24,100</b>	<b>25,000</b>	<b>25,800</b>
	<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%
	<b>Export Earnings</b>	<b>17,070</b>	<b>17,320</b>	<b>17,610</b>	<b>16,450</b>	<b>17,080</b>	<b>18,290</b>	<b>19,590</b>	<b>20,780</b>	<b>21,990</b>
	<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

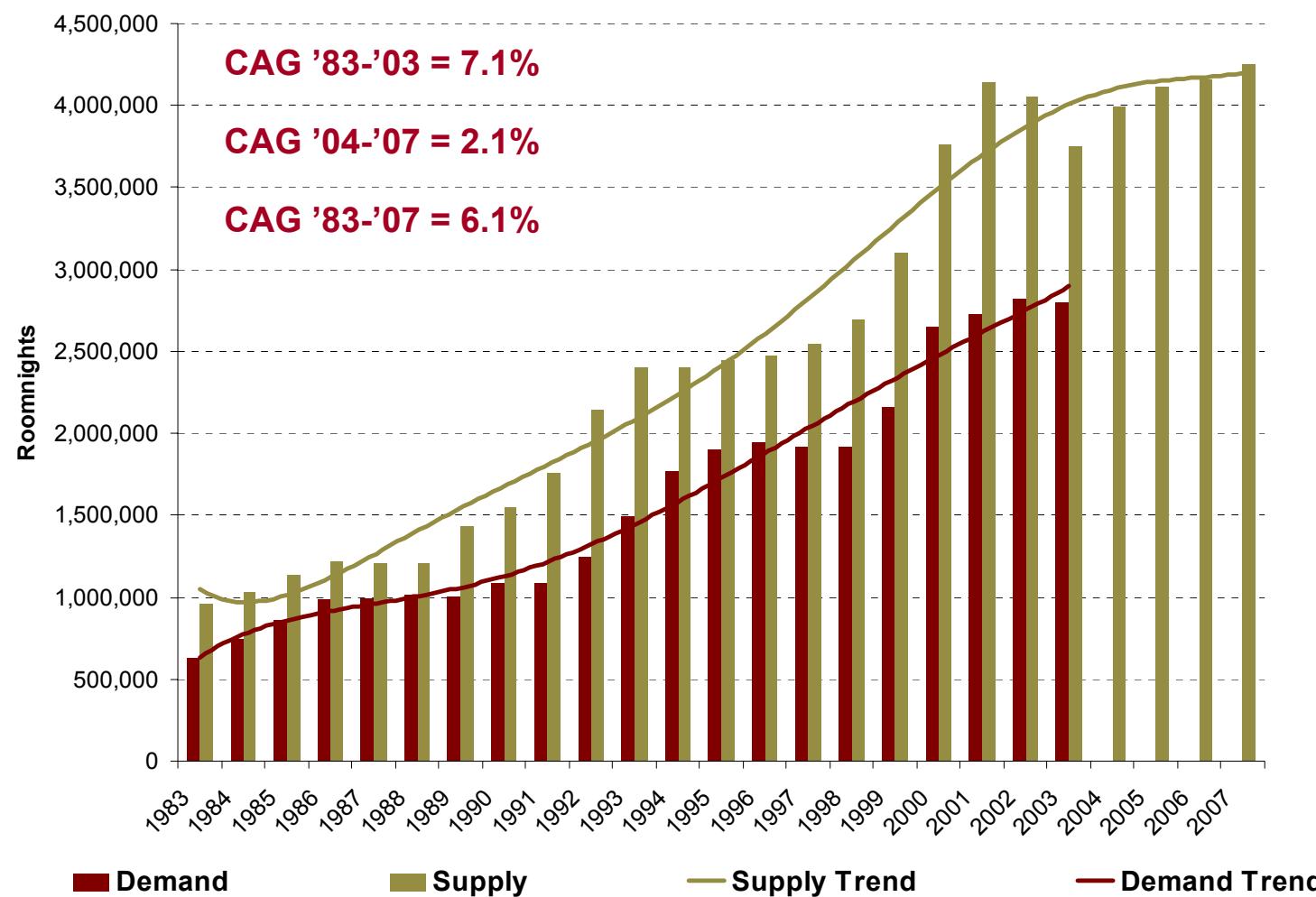
		2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Domestic Visitor Nights</b>										
Hotel, Resort, Motel	71,300	74,100	73,800	74,300	74,200	74,200	74,100	74,000	73,900	
Growth	3.3%	3.9%	-0.4%	0.7%	-0.1%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%
Other	222,100	215,600	224,900	230,100	233,000	235,600	237,700	239,300	241,000	
Growth	-1.4%	-2.9%	4.3%	2.3%	1.3%	1.1%	0.9%	0.7%	0.7%	0.7%
<b>Total</b>	<b>293,400</b>	<b>289,700</b>	<b>298,700</b>	<b>304,400</b>	<b>307,200</b>	<b>309,800</b>	<b>311,800</b>	<b>313,300</b>	<b>314,900</b>	
<b>Growth</b>	<b>-0.3%</b>	<b>-1.3%</b>	<b>3.1%</b>	<b>1.9%</b>	<b>0.9%</b>	<b>0.8%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.5%</b>	
<i>Ratio</i>	24.3%	25.6%	24.7%	24.4%	24.2%	24.0%	23.8%	23.6%	23.5%	
<b>International Visitor Nights</b>										
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%	
<b>Total</b>	<b>126,200</b>	<b>127,300</b>	<b>127,700</b>	<b>122,600</b>	<b>129,800</b>	<b>135,000</b>	<b>141,200</b>	<b>147,400</b>	<b>153,600</b>	
<b>Growth</b>	<b>18.1%</b>	<b>0.9%</b>	<b>0.3%</b>	<b>-4.0%</b>	<b>5.9%</b>	<b>4.0%</b>	<b>4.6%</b>	<b>4.4%</b>	<b>4.2%</b>	
<i>Ratio</i>	17.8%	17.8%	17.7%	17.5%	17.4%	17.2%	17.1%	17.0%	16.8%	
<b>Total Visitor Nights</b>										
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%	
<b>Total</b>	<b>419,600</b>	<b>417,000</b>	<b>426,400</b>	<b>427,000</b>	<b>437,000</b>	<b>444,800</b>	<b>453,000</b>	<b>460,700</b>	<b>468,500</b>	
<b>Growth</b>	<b>4.6%</b>	<b>-0.6%</b>	<b>2.3%</b>	<b>0.1%</b>	<b>2.3%</b>	<b>1.8%</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.7%</b>	
<i>Ratio</i>	22.4%	23.2%	22.6%	22.4%	22.2%	21.9%	21.7%	21.5%	21.3%	

- 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	<b>1,857</b>	<b>1,857</b>	<b>8%</b>
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	<b>4,293</b>	<b>2,436</b>	<b>23%</b>
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	<b>6,924</b>	<b>2,631</b>	<b>27%</b>

# Sydney Supply Forecast (1983 – 2007)

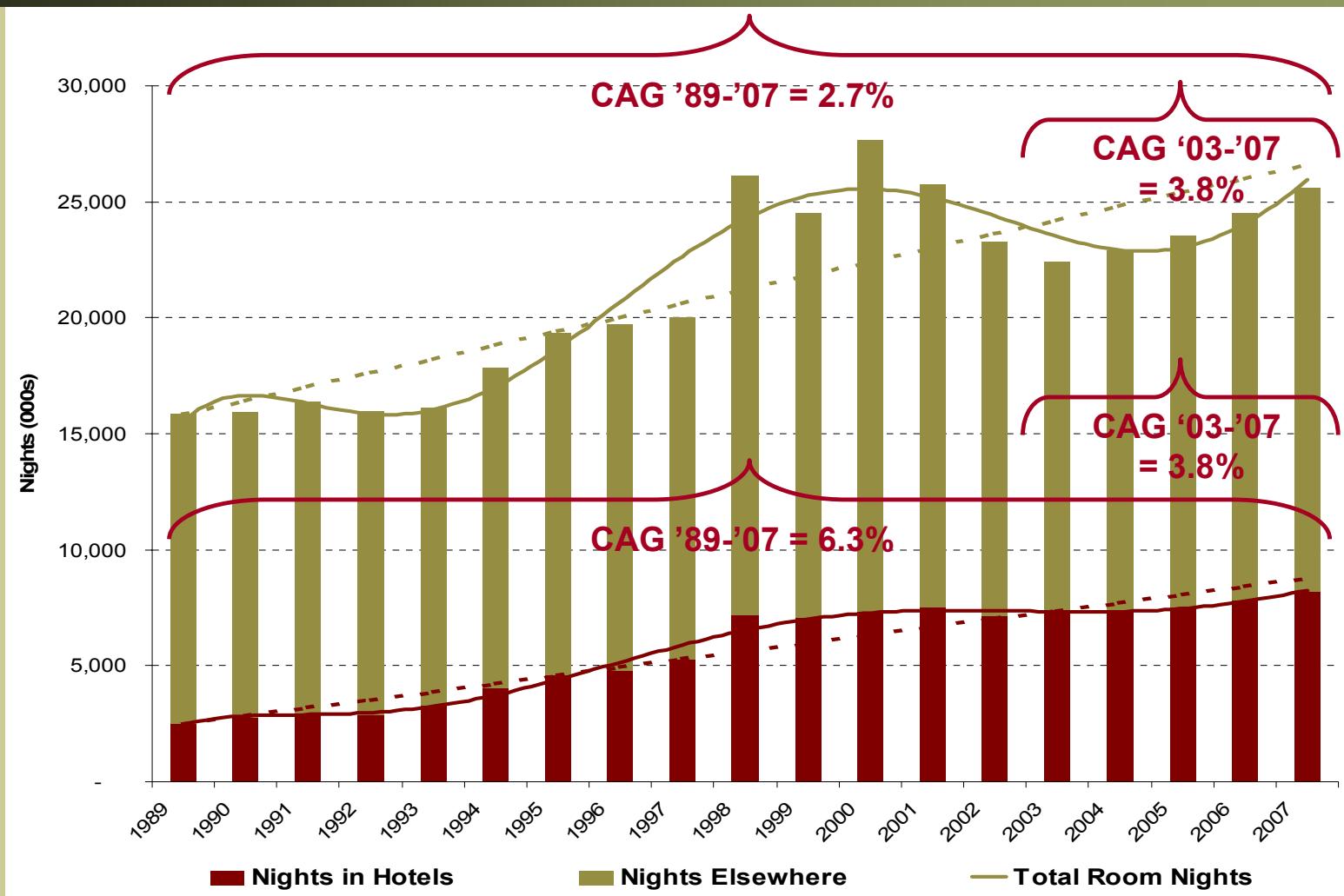


- Review market outlook and projections (TFC, BTR, etc)
- Apply projections to relevant circumstances
  - Domestic vs. International
  - Source markets (NZ, UK, US)
  - Leisure vs. Business
  - Visitors vs. Visitor Nights vs. Nights in Hotels
  - Market segments (5\* vs. backpacker)
- Make projections 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

- 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

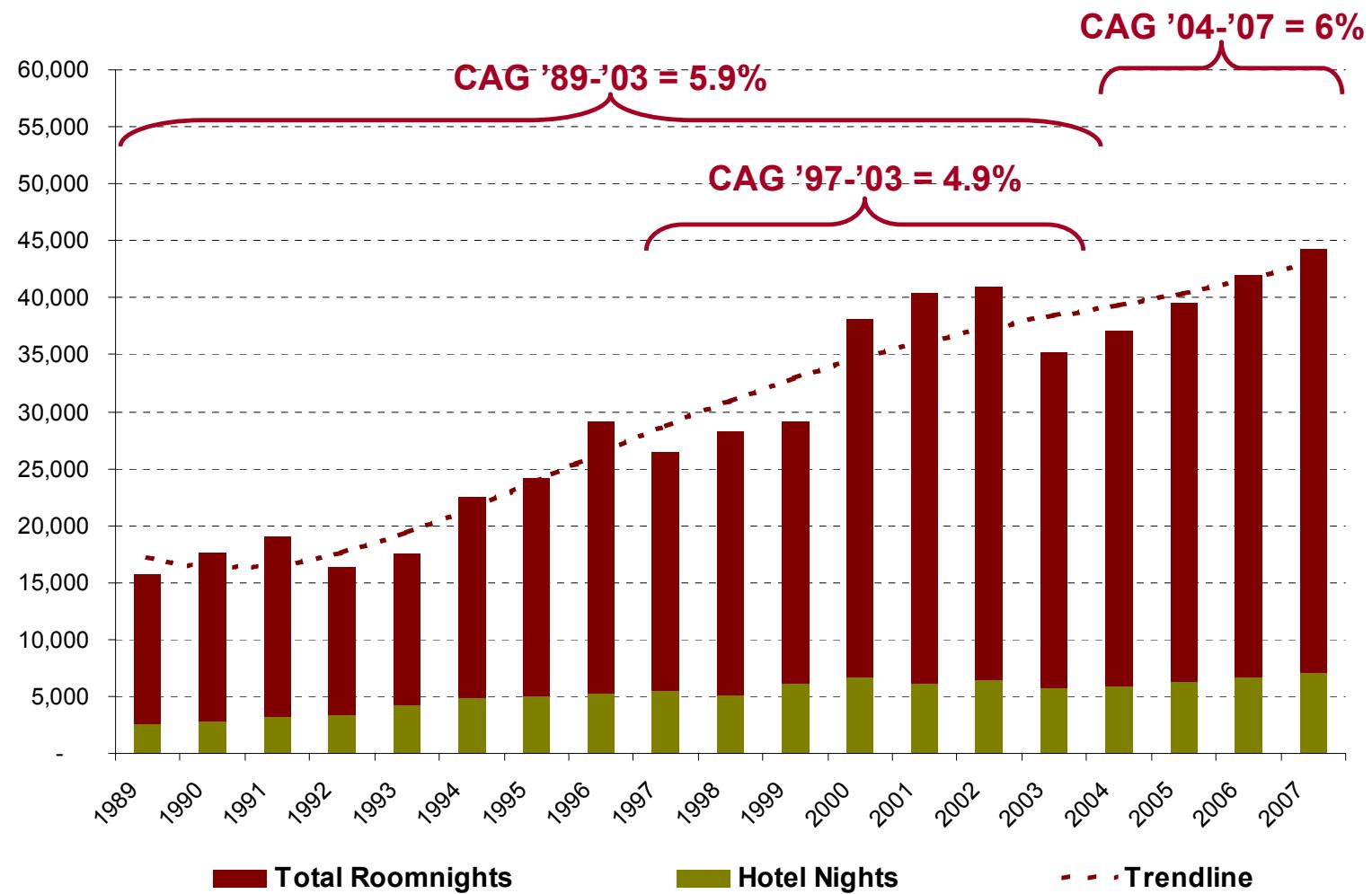
# Domestic Visitor Nights to Sydney (1989 – 2007)



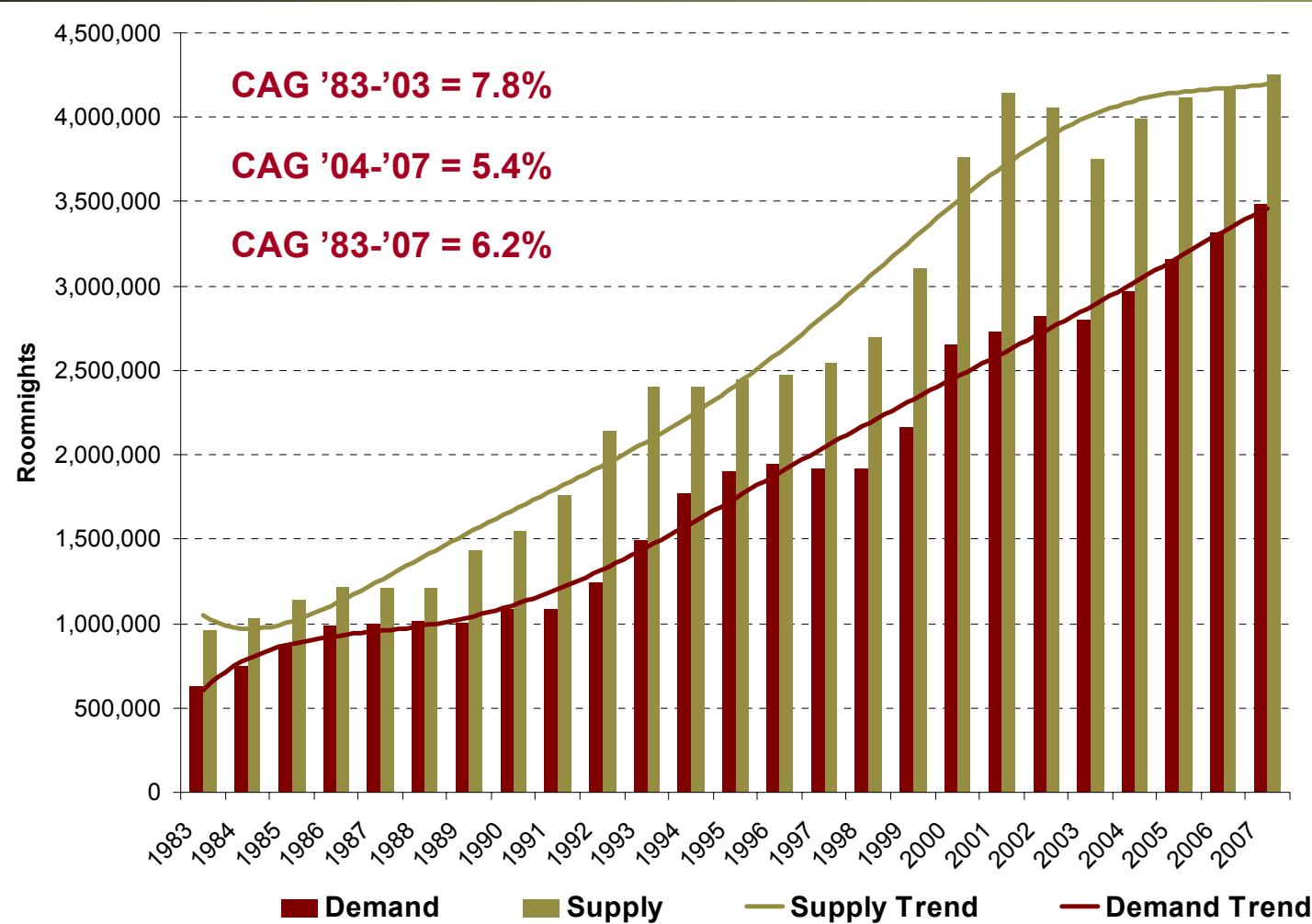
- About 50% of visitors to Australia visit Sydney
- Intern'l visitor nights in 2003: 35.2 million
- CAG 1989-2003 of 5.9%
- Average length of stay about 15 days
- Only about 16% staying in a hotel
- Top source markets:

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

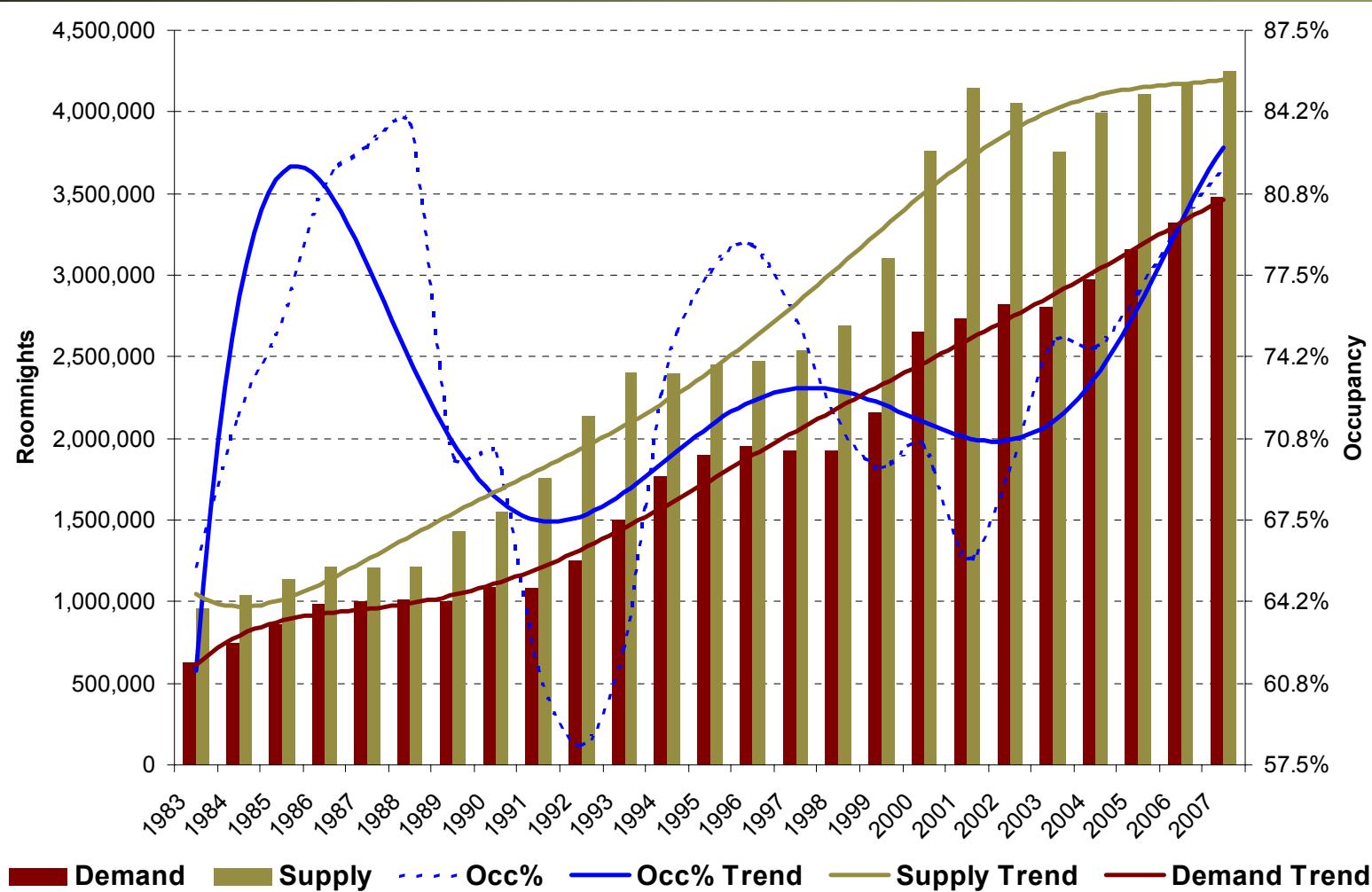
# International Visitor Nights to Sydney (1989 – 2007)



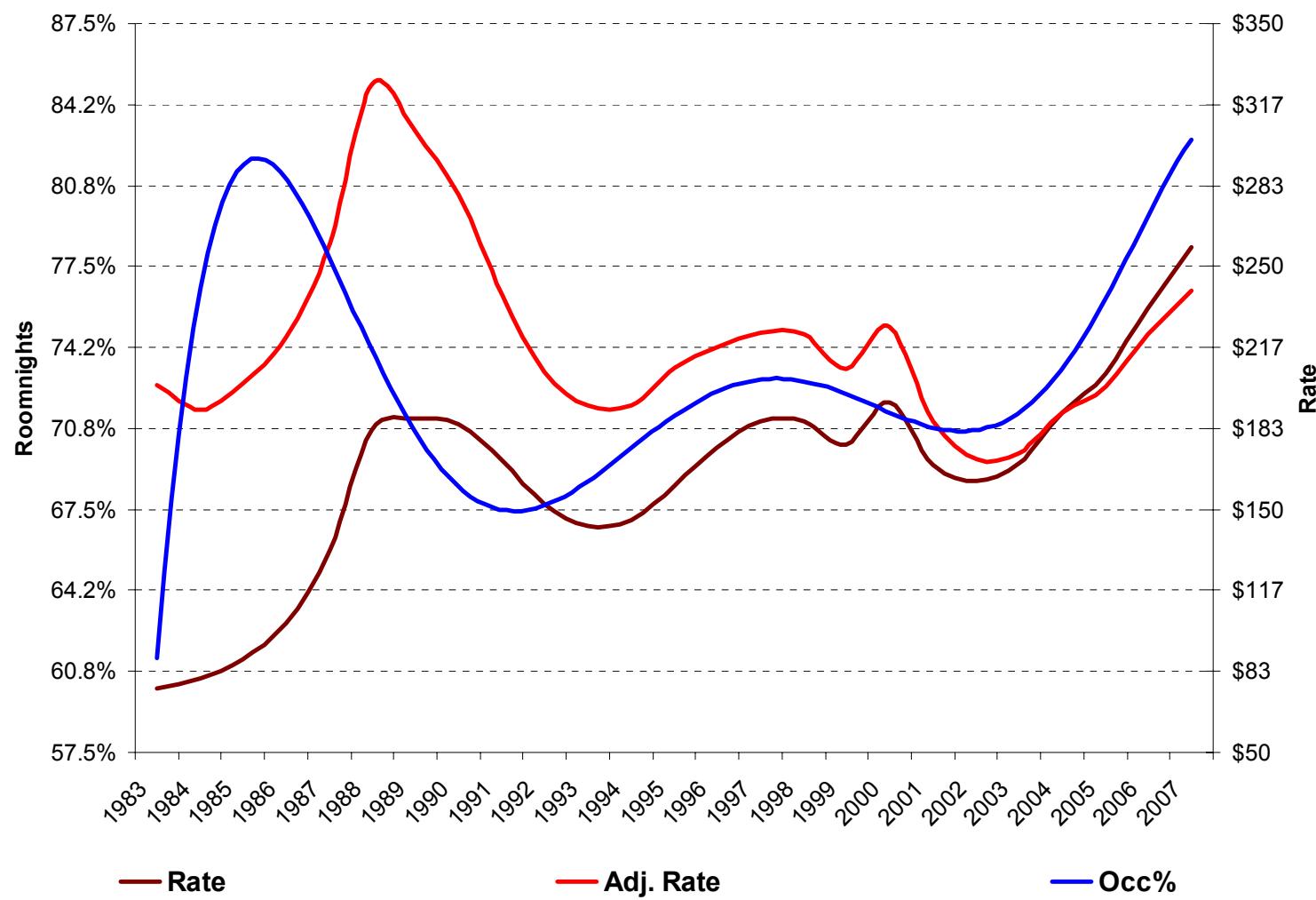
# Demand Forecast (1983 – 2007)



# Occupancy Forecast (1983 – 2007)



# Average Rate Projection (1983 – 2003)



# From Rate to Profit

## Typical Average Rate

• Gross Rate	\$220	• Wages	15%	\$ 33
• GST	10%	\$ Other cost	\$ 10	\$ 10
• S&BC	6.5%	\$ S&M	4.5%	\$ 12
• Comm.	10%	\$ A&G	5.5%	\$ 12
• Freq Fl.	5.5%	\$ Maint.	3%	\$ 7
• Cr.card	2.5%	\$ Energy	2.5%	\$ 6
• Amenities	\$ 15	\$ MGFE	2%	\$ 4
• NET RATE	\$ 131	• Expenses		\$ 82

**Gross Profit \$ 49 (25%)**

# From Rate to Profit

## Full Individual Rate

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

• Wages	\$ 33
• Other cost	\$ 10
• A&G	\$ 10
• S&M	\$ 12
• Maintenance	\$ 7
• Energy	\$ 6
• MGFE	\$ 4
• <b>Expenses</b>	<b>\$ 82</b>

**Gross Profit \$ 90 (35%)**

# From Rate to Profit

## Group Rate

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

• Wages	\$ 33
• Other cost	\$ 10
• A&G	\$ 10
• S&M	\$ 12
• Maintenance	\$ 7
• Energy	\$ 6
• MGFE	\$ 4
• <b>Expenses</b>	<b>\$ 82</b>

**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

- 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
<b>Total</b>	<b>410</b>	<b>100.0%</b>	<b>67.0%</b>	<b>275</b>	<b>100.0%</b>	<b>1.00</b>

- 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
					E
				$A * B * C$	$C / C \text{ total}$
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
<b>Total</b>	<b>410</b>	<b>67.0%</b>	<b>84.01</b>	<b>23,060</b>	<b>1.00</b>

- 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
					= MPI * ARI
					B * C
					D / D Total
					0.92
				52.00	0.92
				57.38	1.02
				63.00	1.12
				57.38	1.02
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

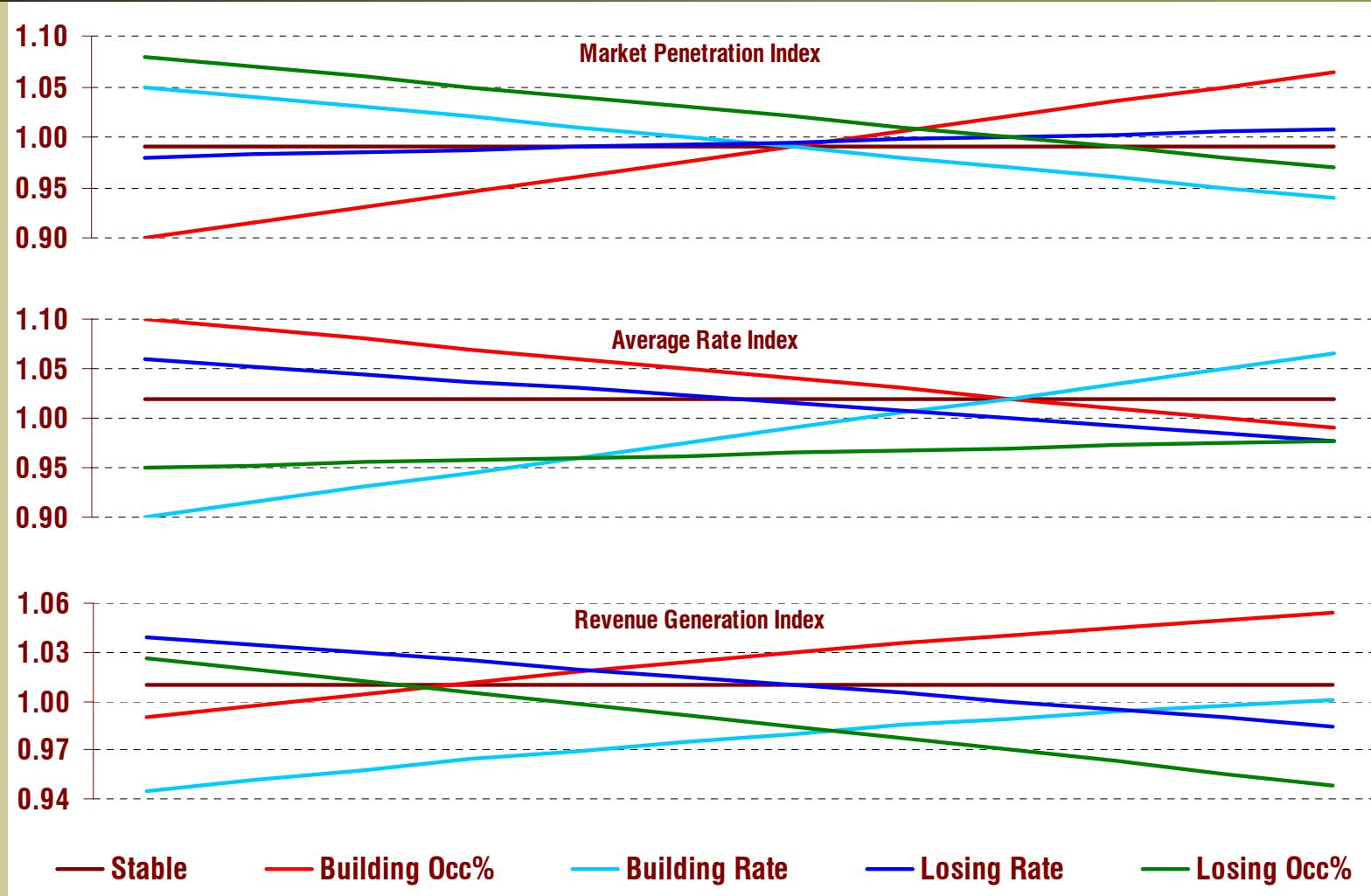
- What is wrong when my MPI is dropping ?
- Occ% relative to the market is declining
  - New competition has entered the market, though this usually result in (temporary) MPI improvement
  - My product is deteriorating and guests are leaving
  - Competitive product is improving and attracting my guests
  - 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

- **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



# Conclusions

- 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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