

Room Revenue Forecast (Key)

Directions: The price a hotel can obtain for its guest rooms is determined largely by demand. The ADR or average daily rate for this hotel is \$100 for Monday through Thursday. The ADR increases over the weekend, Friday, Saturday, and Sunday by 25%. You need to determine your daily revenue as well as the total revenue for the week.

Step 1: Calculate the estimated rooms sold by multiplying the number of rooms available

Step 2: Input the estimated ADR from the instructions, be sure to calculate the 25% increase for the weekend.

Step 3: Calculate the daily total revenue using the estimated rooms sold multiplied by the estimated average daily rate.

Step 4: Total the daily total revenues for the week.

Step 5: In the last column, estimate the average of each of the rows, the number of rooms available, the occupancy rate, the rooms sold, and the average daily rate.

Step 6: Using the calculations you just completed, answer the questions at the end.

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Estimate the Average
	1-May	2-May	3-May	4-May	5-May	6-May	7-May	
Rooms Available	180	200	180	200	200	200	200	190
Occupancy Rate	50%	70%	75%	75%	83%	87%	40%	70%
Estimated Rooms Sold	90	140	135	150	166	174	80	130
Estimated ADR	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 125.00	\$ 125.00	\$ 125.00	\$ 110.00
								Total for May Week 1
Daily Total Revenue	\$ 9,000.00	\$ 14,000.00	\$ 13,500.00	\$ 15,000.00	\$ 20,750.00	\$ 21,750.00	\$ 10,000.00	\$ 104,000.00

1. Which day has the total highest revenue?

Saturday

2. Why is occupancy rate important to a hotel?

The higher the rate (percentage) means more guests are staying at the hotel and the revenue will be higher.

3. Why is ADR important to a hotel?

The higher the average daily rate means more revenue on a per room basis. When combined with a high occupancy rate, the revenue for the hotel will be maximized.

4. Compare Tuesday and Wednesday. Each day has a different number of rooms available and a different occupancy rate. Which day has higher daily revenue? Why is that day better than the other?

Tuesday is better. Even though Wednesday has a better occupancy rate, it has overall less rooms available for selling. It is important to a hotel to have maximum rooms available as well as a high occupancy rate.

5. On Monday and Wednesday the hotel did not have all 200 rooms available. List 3 reasons a hotel might have rooms that are not available to use for guests.

1. Painting guest rooms.

2. Repairing guest rooms.

3. AC or Heater not working.

Name _____ Period _____ Date _____

6. As discussed in class, the Occupancy Rate and the ADR has a direct affect on total revenue. Which would you rather have happen?
(1) occupany rate decrease by 2% each day and ADR stay the same or (2) occupancy rate stay the same and ADR decrease by 2%?
Use the estimated weekly averages and re-calculate the Total Revenue for Week 1 in May and show your work.

1. Occupancy rate average of 70% - 2% = 68%.
 $68\% \times 190 = 129$
 $(129 \times 7) \times \$110 = \$99,330$
 $\$104,000 - \$99,330 = \$4,670$ estimated loss each week

2. ADR of \$110 - ($\$110 \times 2\%$) or $\$110 \times 98\% = \107.80
 $107.80 \times (130 \times 7) = \$98,098$
 $\$104,000 - \$98,098 = \$5,902$ estimated loss each week

Would rather have occupancy rate go down by 2% in this case as there is less revenue lost during the first week of May.