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.

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

Total for May Week 1
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 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.
6. As discussed in class, the Occupancy Rate and the ADR has a direct effect on total revenue. Which would you rather have happen? (1) occupancy 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% x 190 = 129
   (129 x 7) x $110 = $99,330
   $104,000 - $99,330 = $4,670 estimated loss each week

2. ADR of $110 - ($110 x 2%) or $110 x 98% = $107.80
   107.80 x (130 x 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.