Preno

12 hotel metrics every hotelier needs to know

2021 Edition

How to calculate ADR and other hotel metrics every hotelier needs to know in 2021

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Introduction

2020 and 2021 have been a challenging time for hotel owners. Global travel has ground to a halt, and worldwide lockdowns have taken their toll on domestic tourism. Even in parts of the world where people are free to explore their own backyard, hoteliers have found capturing the local market is easier said than done.

Navigating this tough environment comes down to having a great property management dashboard. That way, you can track your most important metrics, and empower you and your team to improve the metrics that matter to your business the most.

That's one good reason to know your AOR from your ADR. But after 2020-21's COVID-19 curveball, knowing all your numbers has never mattered more. Read on for the top 12 metrics hotel owners need to keep tabs on this year.

Contents

AOR

1.0

What is Average Occupancy Rate (AOR)?

Your hotel's AOR (or Average Occupancy Rate) is the average percentage of rooms booked out over a period of time. AOR is one of the industry's most high-level hotel metrics, and offers up a broad indication of how well your property might be doing.

What's a good Occupancy Rate?

You should be aiming for 65% or higher over the year. But more important than AOR is tracking and improving your GopPAR.
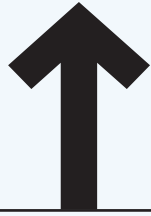
How do I work out my hotel's AOR?

(Total number of rooms occupied) ÷ (Total number of rooms available) x 100 = your% AOR

Here's a quick example...

Let's say over the period of a month, your hotel books out 65 out of the 100 rooms available. Here's how you'd calculate that month's AOR:

65 rooms occupied ÷ 100 rooms available x 100 = 65% AOR

↑

How to improve your hotel's occupancy rate

Introduce 'Pay What You Want' deals

Pay What You Want (PWYW) is a pricing strategy that lets your guests decide how much they'd like to pay for a room. Putting the power in your guest's hands can be risky, so you might like to protect your margins by setting a minimum price that you're willing to drop down to.

Provide an experience

Word of mouth is a fantastic marketing tool. You can encourage it by turning a stay at your hotel into a unique experience that your guests will want to write home about – and that their friends and family will want to see for themselves.

Take special care of repeat guests

Preno's hotel management system can help you keep track of guests who've stayed with you before. So when they stay a second time, you can make their experience even more personal, welcoming, and memorable – encouraging them to pay a third, fourth, or even fifth visit.

Branch out into business

Business travellers can be a highly lucrative demographic. So you could look at diversifying, and become your area's corporate accommodation of choice.

Run special deals

Look into any other deals that will entice guests to pay you a visit. Research the kinds of travellers your property usually attracts, and tailor your deals to appeal to others just like them.

ADR

2.0

What is Average Daily Rate (ADR)?

ADR is your hotel's Average Daily Rate. This number tells you the average revenue earned by a hotel room on any given day, and it's one of the industry's most commonly used metrics.

How to calculate your hotel's ADR (also known as ADR):

(**Average room revenue earned**) ÷ (**Number of rooms booked**) = ADR

Here's a quick example…

If your hotel makes $20,000 in room revenue by booking out 200 suites, your ADR would be calculated like this:

$20,000 room revenue ÷ 200 rooms booked = $100 ADR

NOTE: When calculating your hotel's ADR, be sure to exclude any rooms that haven't been paid for (eg. complimentary guest rooms or rooms set aside for hotel employees).

Ways to improve your hotel's ADR →

Increase your prices

This one's pretty simple; increase your price per room, and your Average Daily Rate will inevitably increase with it.

Focus on high-value guests

Online travel agencies (OTAs) can provide detailed reporting on which guests bring the highest ADR with them. Focus on attracting these high-value guests, and your property's ADR will likely increase. For example, business travellers are often seen as high-value guests. So you could offer special business booking rates, to help make your property the top choice for a work trip.

RevPAR

3.0

What is RevPAR?

RevPAR stands for Revenue Per Available Room. One of the most popular hotel metrics out there, RevPAR provides a snapshot of how many rooms are being booked, and how much revenue those bookings are generating.

What's the difference between ADR and RevPAR?

ADR focuses solely on room revenue, while RevPAR is based on both room revenue and occupancy levels. So RevPAR can give you a broader indication of how much revenue your rooms are bringing in collectively.

How to calculate your hotel's RevPAR – RevPAR meaning

Average daily rate (ADR) x Average occupancy rate (AOR) = RevPAR
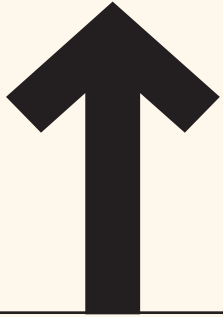
Here's a quick example...

To calculate your hotel's

RevPAR, you need to have your ADR and AOR ready. So, using the numbers from our first two examples – $100 ADR and 65% AOR – the RevPAR would be calculated like this:

$100 daily room rate x 65% occupancy rate = $65 RevPAR

How to increase RevPAR at your Hotel

Change your prices based on demand

Any property management system worth its weight should let you see your occupancy by each room type at the day, week, and month level. Lowering prices on low occupancy days can help increase your AOR, while upping your prices on booked out days can increase your ADR – both of which will ultimately increase your RevPAR, too.

Create package deals

Try teaming up with other providers in your area to offer package deals, prepaid for at your hotel. You could get a little creative, and come up with ideas for themed packages. Like a Romantic Getaway package with a room for the night plus dinner at a nearby restaurant. Or an Adventure Package, with your pick of the local attractions bundled together with a room.

Encourage room upsells

Another way to increase RevPAR is by creating new opportunities for room revenue. You could include breakfast in bed, offer room upgrades, or introduce room service – all at an additional charge.

Add 'number of person' rates

If your units sleep groups, you can help maximise their revenue by setting up a minimum 'number of person' rate for the property. Preno recently released a new 'derived rates' feature, which is designed to help you effectively manage a rate set-up like this.

TrevPAR

4.0

What is TrevPAR?

TrevPAR is your hotel's Total Revenue Per Available Room. TrevPAR includes revenue made throughout the entire business – from the mini-bar, to the day-spa. That means it paints a more complete picture, and can help shed light on any operational changes that need to be made.

What's the difference between RevPAR and TrevPAR?

The two may sound alike, but they have one important difference. RevPAR only looks at revenue generated from room bookings. TrevPAR, on the other hand, looks at revenue earned from every corner of your property.

How to calculate your hotel's TrevPAR

(**Total revenue**) ÷ (**Total number of available rooms**) = TrevPAR

Here's a quick example...

Let's say you own a boutique 30-room hotel. You log into Preno, and see that across the whole business – including rooms, food and beverage, commissions, and any other miscellaneous income – your total revenue for last month was $30,000. Here's how you'd calculate your TrevPAR:

$30,000 total revenue ÷ 30 rooms = $1000 TrevPAR

Ways to improve your hotel's TrevPAR

Leverage guest profiles

Your customers can tell you a lot about themselves during their trip. Are they travelling for work, a wedding anniversary, or to visit family? Take every opportunity to learn as much as you can about your guests – right down to their favourite beer, or how they take their coffee. Record these details in Preno, and use them to customize their experience. After all, a better experience means happier guests – and happier guests spend more.

Improve your offering

One way to increase TrevPAR is to take a good look at every corner of your business – the bar, restaurant, rooms, and overall experience – and make sure everything's working as hard as it could be. Are your cocktails a little underpriced? Could you advertise premium day-spa packages? Look for ways to increase revenue across the property, and your TrevPAR could soon see a lift.

Find opportunities to upsell

From premium parking to room upgrades, dinner reservations to golf lessons, the opportunities to add extra value to your guest's stay are everywhere. So make sure you're making the most of them.

Get your staff onboard

Your employees are one of your most valuable assets – and employees who are trained to upsell are even more valuable. Just remember there's a fine line between being helpful and being pushy. You can tread that line by making sure the extras your staff upsells will genuinely make your guest's stay more memorable, flexible, or enjoyable.

GopPAR

5.0

What is GopPAR?

GopPAR is your hotel's Gross Operating Profit Per Available Room. This metric looks at how your hotel is tracking in terms of its operational performance – taking into account expenses like labour, suppliers, maintenance, food and beverage costs, and more. It can tell you a lot about the true financial health of your hotel.

What's the difference between TrevPAR and GopPAR?

TrevPAR gives you a great overview of how the business is doing across the board based on revenue. But GopPAR goes a step further, and shows how you're tracking in terms of profit.

Why does TrevPAR vs GopPAR matter?

Well, your hotel's TrevPAR might paint a rosy picture of your business. But if your operational costs are through the roof, your GopPAR could show that your hotel's bottom line isn't quite as healthy as your TrevPAR would have you believe.

How to calculate your hotel's GopPAR

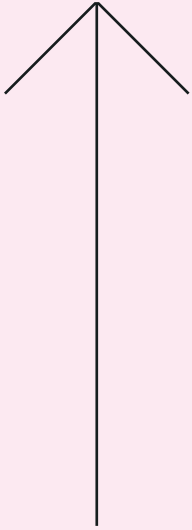(**Gross revenue**) – (**Operating expenses**) = Gross Operating Revenue (GOR)

(**Gross Operating Revenue**) ÷ (**Total number of available rooms**) = GopPAR

Here's a quick example...

Let's imagine that you own a luxury 10-room retreat. Based on the hotel's 2019 GOR of $100,000, you'd work out your GopPAR like this:
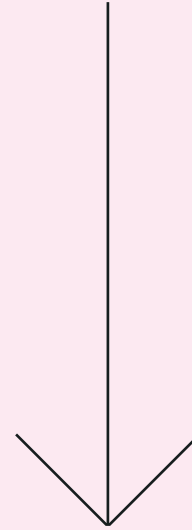
$100,000 GOR ÷ 10 rooms = $10,000 GopPAR

Ways to improve your hotel's GopPAR

Increase your prices

A handy shortcut to getting your GopPAR numbers up is to put your prices up. Raising room prices is one option, but there are plenty of others. You could start charging guests for parking, or introduce a premium for super-fast WiFi.

Reduce your costs

Another sure-fire way to boost your GopPAR is by cutting your operational costs. You could lower the cost to service each room by spacing out housekeeping during longer stays. Save on labour costs by automating your check-in process. Replace your hotel's cable TV subscriptions with less pricey options, like Chromecast or Apple TV. Whatever you choose to do, just make sure it doesn't come at the cost of your guest's overall experience.

ALOS

6.0

What is ALOS

ALOS stands for Average Length of Stay. In other words, how many nights your guests are choosing to spend at your hotel. By tracking your ALOS, you can find out whether you've been accommodating more short stays than usual. Then you can tweak your strategy to try and encourage guests to stick around for longer.

How to calculate your hotel's ALOS

(Total occupied room nights) ÷ **(Total number of bookings)** = ALOS

Here's a quick example…

Across October your hotel has 60 room nights booked, and 12 individual bookings. So that month's ALOS would be:

60 room nights booked ÷ 12 bookings = ALOS of 5 nights

Ways to improve your hotel's ALOS

Introduce a minimum length of stay
Whether it's 2, 3, or 4 nights, a minimum length of stay (or MinLOS) is a simple way to get guests to spend longer at your hotel. MinLOS can be especially handy to implement during off-peak times, when room occupancy rates might be particularly low.

Offer extension specials
After a guest has made a booking, think about getting in touch and offering them an additional night at a discounted rate.

Discount longer stays
You could also offer multiple rate categories on both OTA websites and your own site. For example, a 5 night stay could earn guests 10% off, while a whole week could come with a tempting 15% discount.

DRR

7.0

What is DRR?

DRR, or Direct Revenue Ratio, measures the percentage of online revenue that comes directly from your hotel's own website vs. third party channels (like OTAs, Expedia, or Booking.com). Third party bookings often come with a hefty commission attached, which can make a dent on your hotel's overall profit.

In the accommodation industry, it's generally thought that to maximise profitability, at least 40% of your hotel's revenue needs to be direct revenue (ie. needs to come through your own channels). So it pays to keep a close eye on your DRR.

How to calculate your hotel's DRR

(**Direct revenue**) ÷ (**Total revenue**) x 100 = % DRR

Here's a quick example...

If your hotel made $40,000 last month, and $20,000 of that revenue came from bookings directly from your own website or sales team, this is how you'd calculate your DRR:

$20,000 direct revenue ÷ $40,000 total revenue x 100 = 50% DRR

Ways to improve your hotel's DRR

Encourage repeat visits
You can use an automated email system to directly contact customers who've visited you before, and tell them about special offers, deals, or packages. This is a great way to build repeat business. And by including links to your own website you can be sure guests will make their bookings directly through you. Here's a pro tip: if a couple gets engaged or married at your hotel, record it in Preno, along with a note to get in touch with an anniversary deal at the same time next year.

Make the most of social media
If you build a strong social media presence for your hotel on Facebook and Instagram, you can use those channels to help drive bookings on your website. You could post about deals and offers in Facebook groups, or explore sponsored posts on Instagram.

Encourage direct contact
In all your advertising and marketing, make sure your call-to-action encourages people to call your hotel directly, visit your own website, or email your own team. Avoid pointing people to third parties whenever you can.

Align with like-minded businesses
Work with other businesses and brands in the area, and join forces on marketing designed to draw locals to your hotel – skipping the need for third party sites altogether.

Incentivise direct bookings
Give guests a reason to book directly through you by creating special events and deals that are exclusively available through your hotel's website. You could offer direct-booking-only perks like complimentary airport transfers, late check-out, free parking, and more.

How to review my hotel comp sets

8.0

Hotel comp sets, or 'competitive sets' are the direct competitors of your business. Grouping your key competitors acts as a benchmark for which you can contrast and reference how your business is doing in comparison.

Whether you're a hotelier, motelier or boutique accommodation provider, grouping, monitoring and keeping track of what your competitors are doing is an invaluable metric for your business.

Defining your hotel comp set

If you're starting out fresh, you'll need to assess who your key competitors are. And this doesn't just mean the hotels down the street from you. Yes these are competitors, and yes they are direct competitors. But there's a lot more to it than this.

Consider these details when defining your comp set:

Position

The first major element in defining your comp set is industry positioning. What type of accommodation property are they? What size are they? Who are their target audience?

Let's say for example that you own a backpackers. Would this make the 5 star hotel across the street from you a direct competitor? Unlikely.

When defining comp sets, you need to consider which properties are most likely to attract your target market. These are the competitors that you want to compare and learn from.

Product

Just as the position is important in defining hotel comp sets, as is the product you are offering. Are you a luxury accommodation provider? Do you provide additional travel services such as tours?

If you're an outdoors lodge, looking to attract adventure enthusiasts, each of the accommodation providers similar to this in your town/city are likely to be key stakeholders of your comp set.

It's important to note that any specialist accommodation in the same category as your own, would be considered a direct competitor and should thus be included in your comp set.

Conducting a hotel market analysis

Once you've defined your comp sets, the next step is to track how you're doing in comparison. This is what we call hotel benchmarking.

Step 1: Define your comp sets
Step 2: Benchmark your strengths and weaknesses
Step 3: Instil improvement and growth

In order to exceed the efforts of your competitors, you must be in a constant state of awareness. What are they doing that's different? Who are they targeting? How are their occupancy rates looking? Essentially, conducting a hotel market analysis will involve comparing and contrasting every detail that acts as a competitive element to your business.

If the properties in your comp set are offering special services or reduced rates – whatever it may be, if you think potential guests will go for it, then you need to think 'what can I do to exceed these offerings?' When it comes to analysing comp sets, always put yourself in the guests shoes. What would they choose?

MCPB

9.0

MCPB is a key hotel metric which helps you to measure the cost of acquiring new guests. Not only this, by calculating and measuring the marketing cost per booking, you can see the results your efforts are producing.

MCPB will help you to consistently revise and update your marketing to the trends and demands of the accommodation industry.

Finding new guests: the cost of acquisition

Just like any business, as a hotelier, you need to put money into marketing your hotel and creating brand awareness, in order to attract new guests.

The cost of acquisition for hotels will include all of these marketing efforts. Before you can calculate your marketing cost per booking, you'll need to make a list of all the costs you have put into acquiring your guests.

What is your budget and where are you spending it?

You might have put costs into digital, print, social media – ensure you're fully up to date with your marketing campaigns.

Calculating: what is the average cost per acquisition?

So how can you calculate your MCPB?

The key to growth is a consistent flow of measurement and growth. The first step to calculating your MCPB will involve tracking how your guests have found you and where they booked their stay with you.

You might have a social media advertising campaign running – have you noticed any bookings from these backlinks? If not, perhaps you need to revise this campaign.

Calculating your average cost per acquisition can be quite simple, but here's an equation to get you started:

For each campaign or channel, subtract the total marketing cost from its total revenue.

This will help you figure out which channels are working well, and which are not. You can also further divide this figure into individual bookings if you wish.

How to improve my Tripadvisor Rating

10.0

Tripadvisor is one of the most influential review platforms for hoteliers, and is therefore a crucial metric for your hotel. The customer voice is powerful, so the way your hotel ranks on this platform will impact your occupancy rate exponentially.

How to increase your Tripadvisor reviews

There are a number of things you can do to improve your Tripadvisor ranking, and ensure your hotel is portrayed well online. The first step to Tripadvisor success is increasing your reviews.

Step 1:
Create an unforgettable customer experience

It might seem like a given, but the first step to improving your Tripadvisor rating is providing the best guest experience possible. In order to gain a review in the first place, you must provide an experience so exceptional that your guest wants to share it with other travellers. To do this, you must go above and beyond their expectations.

Customer service isn't as simple as a smile – it involves personalised service. To a repeat guest, something as simple as remembering their favourite dish will impress them. You can log all special details about your guests in Preno, ensuring you can go that little bit further to enhance their stay with you. If you do something they won't forget, they're more likely to write a review.

Step 2:
Encourage your guests to leave a review

Many guests need a little nudge or reminder to leave a review. It might be as simple as having your front desk staff to ask guests on check out, or you could add an extra step, such as a follow up email to ask guests how their stay with you was (and link them to Tripadvisor). Adding that little bit of encouragement will help you increase your number of reviews.

How to improve your Tripadvisor ranking

When measuring your Tripadvisor performance, it is important to note that your rating and ranking may not always match.

For instance, you may see that your reviews are glowing, but your ranking is still low. Why is this? Your ranking on Tripadvisor is calculated with an algorithm – lets see how:

How are Tripadvisor rankings calculated?

If you're looking to climb the Tripadvisor chart and get your hotel seen by more travellers on Tripadvisor, you'll need to do everything you can to keep your content fresh, plentiful and positive. Tripadvisor calculates your ranking by:

Freshness

How new are your reviews? Keep encouraging guests to review, because the newer the review, the more trusted by travellers.

Volume

How many reviews do you have? The more reviews you have, the more potential guests have to judge you on. Keep encouraging guests to leave a review.

Score

How positive are your reviews? Of course, when considering your Tripadvisor ranking, the strength of reviews will be taken into account. Keep impressing your guests.

How to increase your booking.com reviews

11.0

Booking.com - everyones go-to for hotel bookings. Since 1996 when booking.com first went live, it has only but risen in status. Today, it is almost unheard of for a traveller to have not booked (or at least browsed) on booking.com. The site hosts over 28 million accommodation listings, so it is unmistakably influential on hotel owners at a worldwide scale.

Booking.com is both an OTA & a review platform

These two elements collide, and if measured and managed well, can collide with positive impacts on your hotel.

Positive, plentiful reviews on booking.com mean that people can click 'book now' instantly (everything is in one place). And this can work profoundly in your favour.

Lets see how you can optimise booking.com as a metric...

Just like Tripadvisor, there are two key factors in increasing your booking.com reviews:

Step 1:
Guest experiences that go above and beyond

As a hotelier, your main goal is to impress your guest. In order to gain great reviews, you can't just have a happy guest, but an amazed guest. A guest that had a particularly special visit, is more likely to leave a booking.com review than one who had a mediocre experience. The same goes for negative reviews, so be careful not to disappoint your guest – and if this happens, ensure to go the extra mile to resolve the situation.

Step 2:
Encouraging your customers to write a review

There are a variety of approaches you can consider to increase your reviews. You might mention to your guest on check-out 'we'd love to hear about your stay with us – please leave us a review on booking.com'. Or if you're less inclined to question guests face-to-face, you could ask in writing or with a visual in their hotel room.

How to improve your booking.com ranking

The great thing to know about booking.coms algorithm for ranking, is that each guest search is unique. Booking.com is clever not to portray accommodation options to a potential guest if it is outside of their specified search preferences.

How can this algorithm work in your favour?

Essentially, if you keep your booking.com page up to date, with features that are relevant to your guest, this will help your ranking position in more searches.

Booking.com hosts a variety of preference 'checkbox' options for guests which refines their search to exactly what they're looking for. So let's say for example that your target customers are families, then you would want to ensure that every feature you offer relevant to families is integrated with your page.

According to booking.com. There is no one way to increase your ranking, however they do recommend that you consistently keep your page up to date, and provide discounted rates and specials at similar times to your competitors.

As long as your page is up to date and relevant to the guests you're targeting, then you should rank well in their searches.

How to improve
Guest Satisfaction

12.0

Guest satisfaction – the driver of the tourism and hospitality industry. It is arguable that guest satisfaction is the most important hotel metric you should be measuring.

What is customer satisfaction in the hotel industry?

There are a number of elements to take into account when measuring guest satisfaction, here are two hotel customer satisfaction examples that hold the most weight for your business:

Sensitive services

You may not have looked at it from this perspective before, but essentially, as a hotelier, you are providing sensitive services – a place to eat, a place to sleep. Your business is a home away from home for travellers, so ensuring it is clean, comfortable and private is of the highest importance.

Staff friendliness

Another major factor of customer satisfaction in the hotel industry is staff behaviour. It is widely recognised that in the hospitality industry, a smile goes a long way. Start small with ensuring your staff smile to guests, as this makes them feel comfortable. The friendliness, helpfulness, presentation and initiative of your staff are all important in providing great customer service, and thus guest satisfaction. Staff who go the extra mile to help guests will stand out the most.

How to improve guest satisfaction

There are a wide variety of things you can do to enhance the guest experience, and thus improve customer satisfaction in your hotel. Often, the little things are what make a big difference.

A major factor in the hotel industry is personalised experiences. If you go the extra mile to provide a complimentary bottle of wine on a guests anniversary, or provide access to business services for a corporate guest for example, your guest will feel special and looked after.

Remember: your hotel is your guests home away from home

How to measure customer satisfaction

Measuring hotel customer satisfaction is simple. Encourage guests to review your hotel, and engage with these reviews. There are an abundance of online review platforms you can refer them to (Tripadvisor, booking.com, etc.), or you could provide an in-room questionnaire, a follow up email, or you could simply ask upon check out.

Travellers are spending their hard earned money to relax at your property, simply saying 'I hope you had a lovely stay' reinforces how much you care. If they didn't have a lovely stay, this is then your chance to immediately resolve the issue, before it's too late (i.e. they go online and leave a negative review).

Preno

So there you have it: 12 metrics to measure and improve your hotel

There's no doubt that 2020 has been a year of massive change for the accommodation industry. In the middle of all the uncertainty, understanding your hotel's metrics is a fantastic way to hold onto a little control, and make sure your business has all the tools it needs to thrive.

Preno's integrated hotel management system is designed to help you keep track of metrics just like these.