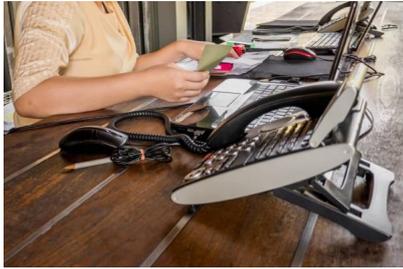


HOTEL REVPAR - WHAT DOES IT SAY ABOUT A BUSINESS?



In today's business world, there are indicators that make it possible to measure the economic, material, and human performance of a company. In the hospitality industry, this indicator is known as RevPAR (Revenue per Available Room). While this term might not be known to all, especially for strangers to the industry, the figure shows whether hotels and other hospitality businesses are

sustainable over time.

As the term implies, the hotel RevPAR is used to measure the profitability of a hotel during certain periods of time, the percentage of occupied rooms and the revenue obtained, but **without taking into account the general expenses that the company or business has**. In short, hotels get to determine how much money is earned for each occupied room, which means that if a hotel has 100% occupancy, its RevPAR will be equal to the price of each room; while if the occupancy is 0%, its RevPAR will be 0.

How Is RevPAR Calculated?

RevPAR is calculated using two different mathematical formulas, but the same results can be obtained with both:

- The first formula is: $\text{RevPAR} = \text{RR} / \text{RA}$.

In which:

RR: this is the Room Revenue for all rooms during the determined time. To calculate it, you must multiply the number of rooms that are occupied by the average price of each room and by the number of days that it will not be available to other guests.

RA: the Rooms Available during the determined time. To calculate it, you must multiply the total number of rooms by the number of overnight stays in the specified period.

- The second formula is: $\text{RevPAR} = \text{OR} \times \text{ADR}$.

In which:

OR: represents the Occupancy Rate of the total rooms available during the determined time. To obtain this rate, you must divide the occupied rooms by the total rooms, and multiply the result by 100.

ADR: this is the Average Daily Room Rate. To obtain it, you must divide the total room revenue and divide it by the number of rooms already booked and/or occupied.

What Can Be Learned from Hotel RevPAR?

As explained before, RevPAR is a financial indicator used in the hospitality industry. The data obtained through it allows us to identify and implement changes that translate into satisfied

customers and a higher profit margin. This indicator is a must in any hotel's financial team, which in turn allows for calculating the optimal profitability conditions needed to guarantee sustainability.

Hotel RevPAR Helps Improve Profitability

It is important to keep in mind that a high RevPAR is not a true indicator of a hotel's profitability. However, it can shed light on some of the following situations:

- Very low or very high rates

RevPAR makes it clearer when the price charged by the hotel for each room is too low or too high for the expenses it has and the services it provides.

- Excessive or moderate expenses

If hotel managers blindly focus on booking all the rooms without considering the hotel's daily expenses, this could generate significant losses for the business and put them at risk even in a fully booked hotel.

- Profitability comparison

It is no secret that when we operate in a specific industry, making a comparison between similar businesses (benchmarking) can be a starting point to ensure growth, amend mistakes, and improve the available offer. Something similar happens at an internal level, since **hotel RevPAR allows us to identify which available rooms make more or less money, and the reasons behind both scenarios.**

Without a doubt, hotel RevPAR is essential to make the most of the resources, the measurement of profits and the monitoring of losses. RevPAR is one of the most important indicators in the hospitality industry, but its viability is subject to other factors and tools that intervene in a hotel's daily activities and that are important when measuring the final results and drawing up a business development roadmap.

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