

# WAYS TO INCREASE HOTEL PROFITABILITY



Hotels can improve their profitability by starting with the basics - understanding their costs and expenses. While it doesn't have to be perfect, capturing this information in cloud-based solutions and involving the right departments can help revenue teams establish processes to begin their profitability journey.

Once cost data is established, pricing and reporting solutions can make it easy for revenue teams to understand how costs and expenses impact their strategies, with a focus on net cash generated and return on investment. This can lead to increased revenue, reduced costs, improved efficiency, and an increase in overall hotel profitability.

Hotels should analyze a broader data set beyond just revenue to achieve maximum profitability. Operational efficiency and expenses are also significant factors that impact financial health. Profitability is key to securing financing, attracting investors, and growing the business. Here are some top opportunities for overall hotel profitability improvement:

## **Understanding the overall guest value**

The total guest value considers all the expenses made by the guest, from their room rate to any additional costs. It also takes away the expenses associated with that customer, like commissions paid to online travel agencies and marketing expenses. This information lets you pinpoint and focus on your most valuable guests or guest groups.

## **Considering all hotel revenue streams**

While room revenue is the most important, hotels can increase their overall revenue and profit by focusing on ancillary sources such as food and beverages, meetings and conventions, golf, spa, and parking.

## **Maximize profits through a multi-channel distribution**

It's essential to recognize that not all channels are the same. Revenue teams can analyze channel expenses, including commissions and transaction fees, to determine the most lucrative channels. From there, they can implement techniques to optimize their return on investment according to demand.

## **Building guests' loyalty**

You can tailor your services to meet their needs by identifying your most loyal and profitable guests. This results in longer stays and increased spending. Implementing effective internal sales and marketing strategies can also help boost guest spending.

## **Looking beyond the bottom line**

To understand profitability comprehensively, hoteliers should keep track of broader metrics such as TrevPAR (total revenue per available room) and NetRevPAR (net revenue per available room). TrevPAR includes revenue from all sources, such as spas, pools, and restaurants, but does not factor

in occupancy and cost. On the other hand, NetRevPAR accounts for the revenue generated by the rooms minus the expenses related to their distribution.

### **Uniting commercial and revenue efforts**

The commercial teams can collaborate with sales and marketing to run promotions aimed at high-value customers. They can also establish sales incentive programs to encourage upselling during purchases and on-property interactions.

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