

Why RevPAR

DOESN'T TELL A HOTEL'S FULL STORY

Revenue per available room (RevPAR) has historically been the hotel industry's go-to metric.

But it's dangerously misleading.

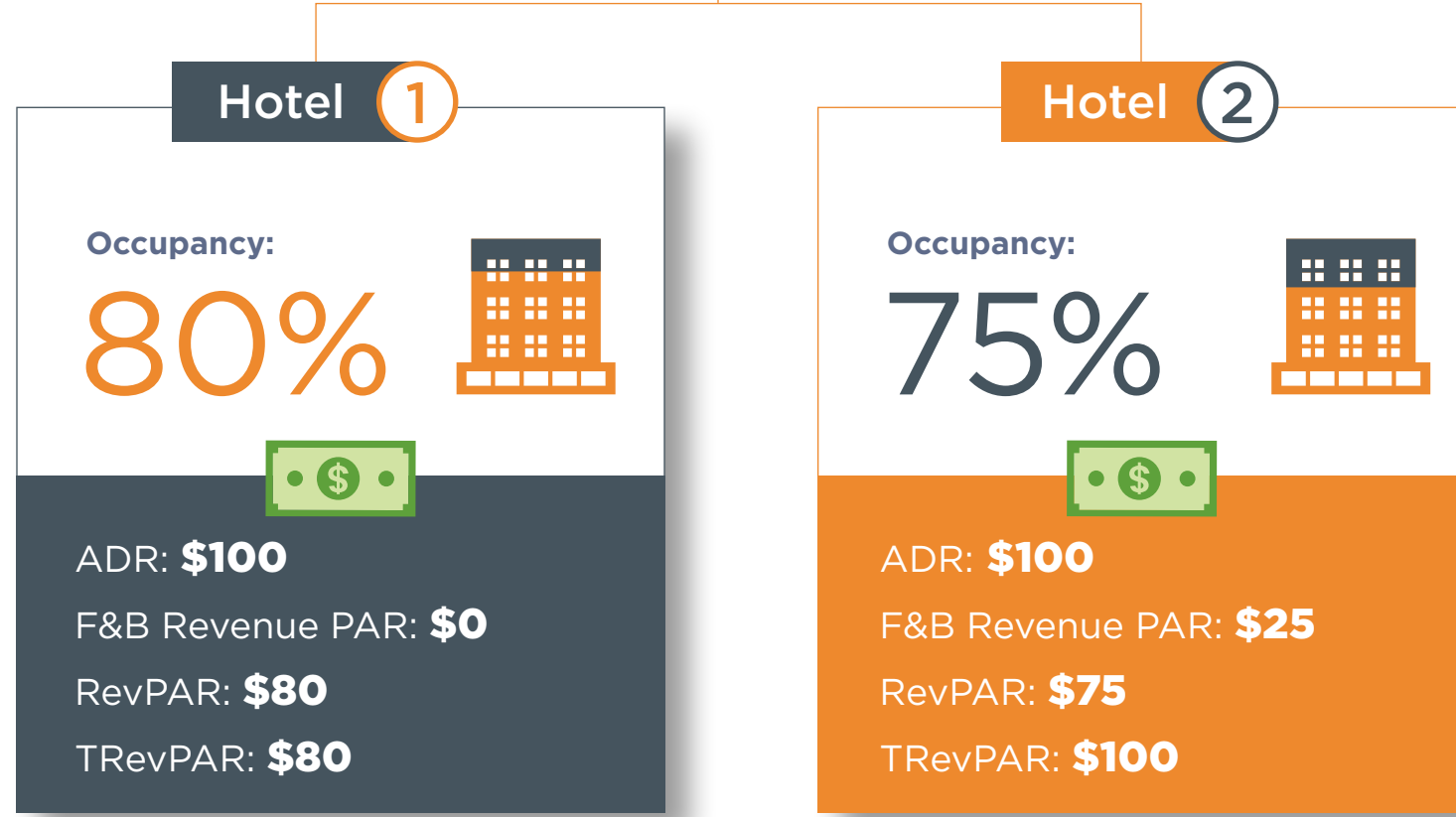
Too often, hotel operators and investors put all their eggs in the RevPAR basket, basing their decisions and projects on that one KPI. But running a successful hotel takes more than just generating room revenue. Here's why RevPAR doesn't tell the whole story of a hotel's operational performance.

1

RevPAR Doesn't Always Reflect **Total Revenue**

Here's a common scenario that illustrates how RevPAR can be a smokescreen for actual revenue.

Which hotel has more total revenue?



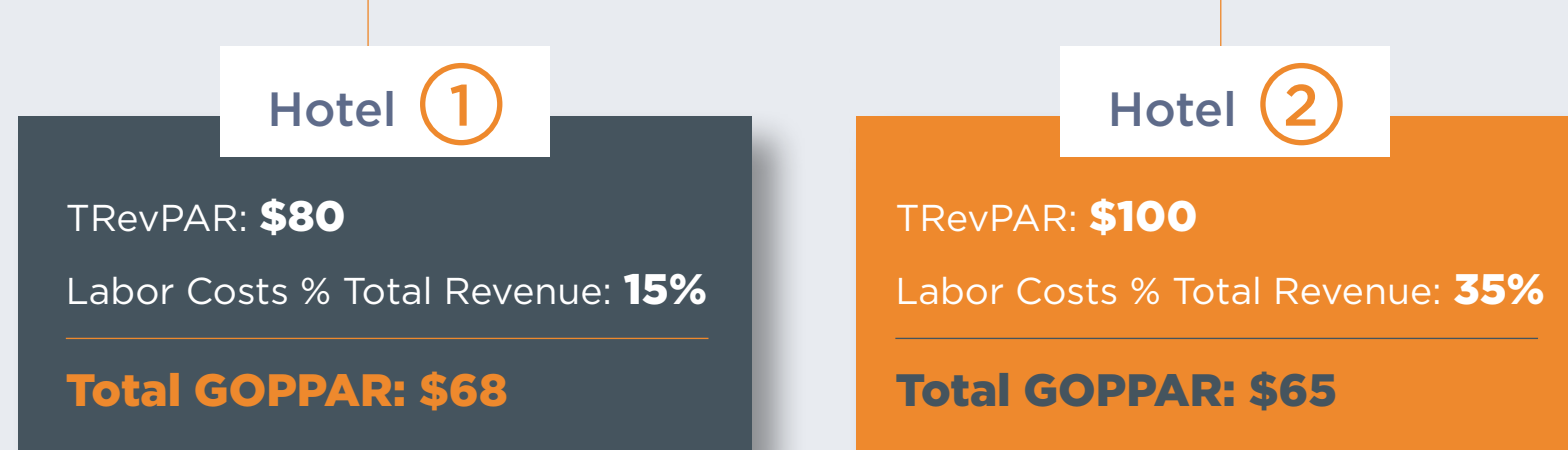
Hotel 1 boasts **6.25%** higher RevPAR but pulls in **20% less total revenue.**

2

Revenue Doesn't Always Foretell Financial Success

Take the same two hotels, but look deeper. Higher revenue doesn't necessarily mean more profit.

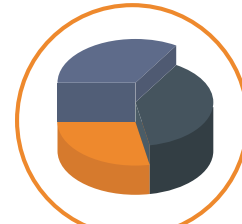
Which hotel is more profitable?



Even with **20% more revenue**, Hotel 2 clears almost **5% less cash** after payroll is accounted for.

3

Revenue-Only Strategies Suffer in Flex Situations



External events can upend hotels that are focused squarely on RevPAR. Consider UK regional hotels during the 2009 global financial collapse:

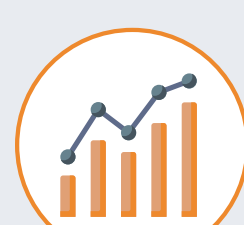
2007: Hotel RevPAR soars to a decade high¹

2009: Hotel RevPAR plummets by 11.6%¹

A more stable strategy? Track performance and operations alongside revenue.

4

Operational KPIs Anchor Hotels in Precarious Times



Following the 2008 US financial downturn, Harvard Business Review found that hotels that were focused on operational efficiency and comprehensive investments had the highest chance of breaking away from their rivals.²

Final Chapter:

Operational Metrics That Tell the Whole Story



4 Operational KPIs to Track for Bottom-Line Success:

1. Departmental profit
2. Labor costs as a % of total revenue
3. Room cost of sales
4. Gross operating profit per available room (GOPPAR)

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Resources:

1. https://www.hotstats.com/hubfs/Research%20pdf/HotStats_Benchmarking_Beyond_RevPAR.pdf

2. <https://hbr.org/2010/03/roaring-out-of-recession>