Rooms namagement essay

This essay Ill critically appraise and discuss two common methods witch are used to measure financial performance in the rooms division department , the two tools that the essay will be based upon are the Average Daily Rate and COPRA (Gross operating profit per available room) the essay will also discuss and justify the methods used in rooms division to measure financial performance In order for a toll to accurately measure financial performance they must put In place several tools/methods, many of these do not work unless another Is In place alongside It, such as the occupancy and Average daily rate, these tools can benefit the hotel by helping to make up the department budget, forecasting potential and future financial performance. One critical point all hotel must consider when forecasting financial performance is the external factors , these comprise of such factors as , weather , season , national events , politics etc.

Being able to effectively evaluate how the actor will affect the hotels occupancy is key In order to accurately management financial performance (Hayes 2011 Managers wealth the rooms departments are required to look at department costs and how much profit they are making , they have targets of occupancy and revenue which they must set strategies to achieve, in order to put such a strategy in place they must first no how productive the rooms department is , is it losing REAPPEAR; (revenue per available room) because a room that has not been sold that night has lost its revenue forever for that day, it is important to be able to Judge and forecast occupancy to get an accurate account of the hotel financial productivity. COPRA (gross operating profit per available room) takes into consideration REAPPEAR and also other amounts of revenue which the hotel will acquire due to the sale of the room; this can be comprised of, food and beverage, gym/health facilities and leisure activities.

A example of this is the Olympics , when the Olympics was on there was thousands of tourists in London , many of these stayed in hotels , because they were completely new to the country they were more keel to spend a higher amount of money on the facility the hotel had to offer such as food , drink and tours of the city , the hotel needed to take this Into consideration when using the tool COPRA as the rate would be a higher figure than the time period when no national event were happening , being able to accurately evaluate how these factors are going to affect occupancy m, average daily rate , and COPRA is essential in effect management .

However , research shows that it is very difficult for a hotel to accurately forecast COPRA as you may be able to get average of COPRA UT It Is entirely down to the Individual guests and there norms , It Is not an accurate forecast to create an average amount of expected revenue based on COPRA. TAR (average daily rate) goes in hand in hand with occupancy; this is because one measurement tool is not enough on its own to get a clear picture of the actual financial state of the hotel.

A hotel average daily rate is effected by many different factors weather these be external factor that’s cannot be effected by the hotel e. G. The weather , natural disasters and public events such as carnivals , concerts etc , It Is apply and demand and in turn effect the REAPPEAR and COPRA.

In conclusion, these practices used by hotel are essential in order to accurately forecast financial performance, when doing so it links in with yield management as the hotel must consider all factors that will affect the revenue/profit and using both tools effectively is key in order to accurately forecast and evaluate the hotels financial performance. Bibliography Hayes, D & Miller, A. (2011) Revenue Management for the Hospitality industry, 1st Edition: New Jersey, Wiley and sons.

Allan. (2012) Revenue management and Hotel operations, 2nd Edition: London. Rooms management – 21145067 Explain why Yield Management is important to hotels and critically discuss the advantages and disadvantages for the organization, its employees and customers.

This essay will discuss the idea of yield management, and critically discuss and evaluate the advantages and disadvantages of the practice in accordance with the organization, its employees and customers. Many industries use yield management as a technique for extracting the maximum amount of revenue from a fixed quantity of perishable goods and/or services (Netter 2005) Yield management is the practices f selling a room/product at the right time, on the right day and for the right price to maximizes revenue and effectively maximizing profit (Allan 2012).

There can be several advantages and disadvantages of the effects of yield management, one being that if a hotel was to increase rates on rooms on a certain weekday because an event e. G. Concert was happening close by and occupancy was expected to be high , the hotel would benefit from this increase as they would generate more revenue and therefore more profit , however the customers who maybe a regular client to the toll who is not even aware of the nearby concert will not be happy as they are getting charged more than usual , this can cause conflict and damage customer relations for the hotel , it’s the employees who have to deal with these complaints so this could be seen as a disadvantage for the employees as they do not benefit directly from the increased custom but do however have to deal with the problems/ issues that are caused by poor yield management from the hotel they are employed by. Certain factors affect the hotels occupancy, whether it be the season/weather, National events where lots of tourists and potential customers will be present every such the Noting hill carnival, the queens Jubilee and especially the Olympics, the managers need to look at these factors when using yield management to effectively charge the right price and predict the occupancy for that time period, using this tool effectively can extremely benefit a hotel as it will generate more revenue and therefore more profit Hayes, D & Miller, A. (2011).

Lied management is not always increasing prices, it is the understanding that you need to be flexible with your rises / availability in order to be productive, For example, if it tit forecasted to be very slow and have bad weather for a long period of time , it would be wise for the hotel to decrease prices in order to increase occupancy , once a time period has gone , whatever rooms have not been sold , cannot be sold again and is therefore lost revenue , that is why it is extremely beneficial to decrease prices at times when occupancy is expected to be low in order to generate revenue that would normal not times where demand is low and supply is high , they will be able to get a cheaper rice , this increases customer relations and is a very good practice. If a hotel wasn’t going to use yield management effectively, they would lose custom as sat times where supply is high and demand is low, the customers would use a different hotel where the prices are cheaper, in contrast if a hotel wasn't going to increase prices where demand is high, they would lose out on potential profit where they could have charged more for as product than normal because of the amount of custom demand at the time period.