

Hospitality management - front office

[Business](#), [Management](#)



The laws of demand and supply determine hotel room rates with the supply being kept constant. Increases in demand lead to higher prices and thus increased revenue for hotels. It is with the background of the dynamics involved at the front office in its management efforts that appropriate financial measurement tools must be used. According to Bardi (2011) (Bardi, J. 2011. Hotel front office management. Hoboken, N. J.: John Wiley & Sons), there are two major financial tools that at the disposal of front office managers and they include revenue per available room (REVPAR) and the gross operating profit per available room (GOPPAR). The two financial tools are backed by the use of the Average Daily Rate (ADR) through the Hubbart formula that uses a bottom-up approach. As outlined in Wood, R. 2013. Key concepts in hospitality management. London: SAGE: The front office has the immense responsibility of ensuring that the hotel runs at full capacity and that proper books of accounts are kept to ensure that the hotels operations can be accounted for. Hotel rooms inventory are perishable in nature and thus the need of consolidating all marketing activities to ensure rooms are fully booked at all seasons. The front office handles marketing activities that include advertising and promotional services. The services are aimed at popularize the hotel and attracting visitors. Definitions Pizam, A. 2005. International encyclopedia of hospitality management. Boston, Mass.: Elsevier According to Pizam, revenue per available room (REVPAR) refers to the performance metric used in the industry by the multiplication of the occupancy rate by the average rates applied per room every day. REVPAR can also be calculated by the division of the hotel's guestroom collections of revenue by the number of rooms counted over a specified period under

measurement. The definition of gross operating profit per available room (GOPPAR) according to Pizam is an indicator in the hotel industry that is used to give some insight of the real performance of the hotel. It is the total of the gross operational profits for every room available per day. The total revenue less the total of operational expenses gives the gross operating profit (GOP).

Younes, E. and Kett, R. 2003. GOPPAR a derivative of RevPAR. HVS international, pp. 1-6. [Accessed: 7 Nov 2013] The definition of REVPAR according to Younes and Russell is the performance metric arrived at by calculating the rate of occupancy by average room rate per day. On the other hand, GOPPAR is defined as the total revenues less the management's controllable expenses per available room. Comparisons As outlined in Harris, Harris, P. 2007. Accounting and finance for the international hospitality industry. Oxford: Butterworth-Heinemann: In essence, the two accounting methods used in the hotel industry have significant differences with little identifiable similarities. The two systems are similar because they are used for accounting purposes and keeping track of the financial performance of the organization. There is a similarity between the two modes of evaluation as they consider the occupancy of rooms per day and their revenue collection. The two methods of accounting at the front office are used as managerial tools for decision-making on financial aspects and marketing decisions as they indicate whether a hotel is performing as expected.

REVPAR and GOPPAR ensure transparency and proper auditing of a hotel's activity in the front office. Vallen, G. and Vallen, J. 2005. Check-in, check-out. Upper Saddle River, N. J.: Prentice Hall. The two forms of performance indicators do not take into account the marketing mix of a hotel as they

confine themselves to the revenue collected from room allocations. Contrast The two hotel performance indicators have significant differences in their use as tools of analyzing the front office operations. The first significant difference is that REVPAR takes into consideration revenues accrued from front office operations only while on the other hand, GOPPAR not only takes into consideration the revenues collected, but also factors in the operational costs. GOPPAR subtracts operational costs incurred by every department in the front office from the total revenue collection per room. Gurbuz, E. and Others. 2011. Revenue Management Operations in Hotel Chains in Finland. Saimaan ammattikorkeakoulu. The system enables a hotel to determine the profitability of front office operations. The two systems are different in their basic concept, as REVPAR does not allow the hotel management to determine if their operations are profitable as opposed to the use of GOPPAR.

Evaluation/ Appraisal The two systems provide sufficient accounting information on the performance of a hotel's front office. However, GOPPAR offers the best solution in the calculation and measurement of front office operations. GOPPAR accommodates the revenue mix as opposed to REVPAR, which does not take into consideration all the aspects of the marketing mix. GOPPAR uses the elements of the revenue mix by calculating the profitability of front office operations contrary to REVPAR that only considers the cash flows. The above information is contained in Ismail, J., Dalbor, M. and Mills, J. 2002. Using RevPAR to analyze lodging-segment variability. The Cornell Hotel and Restaurant Administration Quarterly, 43 (6), pp. 73—80 GOPPAR further accommodates and accounts for all the operational expenses incurred as fixed and variable proportions. The method has higher, reliable

and efficient correlation to the hotel's actual value in comparison to REVPAR. REVPAR is an inadequate measure of the employee turnover as indicated in Cho, S. and Erdem, M. 2006. Employee relation programs and hotel performance: Impact on turnover, labor productivity, and RevPAR. *Journal of Human Resources in Hospitality & Tourism*, 5 (2), pp. 55--68

Conclusion

GOPPAR as a method of analyzing and evaluating the performance of front office operations gives a deeper indication of the financial position from such activities. Jagels, M., Coltman, M. and Coltman, M. 2004. *Hospitality management accounting*. Hoboken, N. J.: J. Wiley

This is in contrast to REVPAR that does not consider the cost implications on the collection of revenue. The two systems could serve the purpose of measuring the activities of the front office, but it is advisable to use GOPPAR as opposed to the use of REVPAR.

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