

# The ARC Issue

www.Hotel-Consulting-Network.com

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Contents: environmental news, partners, business news, price per room, management articles

## Environment:

the introduction of Energy Performance of Building Directive ( EPBD ) and related Certificates - including the Green Energy Supply and Carbon Neutral ones - will create **new scenarios and new business** for owners, operators and developers. Arc HCN is proud to inform that its partners are able to supply their Customers & Partners with the following services:

- Free Energetic check-up aimed to resources spare
- EPBD Certificates Issuing
- Free check up related to workplace safety

a seguito della introduzione delle Prestazioni Energetiche degli Edifici (direttiva 2002/91/CE – EPBD **vedi** ) ed i relativi Certificati di Consumo Energetico di Energia Verde e di Risparmio di CO<sub>2</sub>, nuovi scenari si aprono sia per gli Hotels che per i centri Direzionali e Retails. ARC Hotel Consulting Network è in grado di poter offrire ai propri Clienti & Partners i seguenti servizi:

- Check up energetico gratuito finalizzato allo studio dei risparmi energetici
- Emissione della Certificazione Energetica EPBD
- Check up gratuito in relazione alla legge 626
- Emissione di Certificati Carbon Neutral per hotel & C sull'esempio di quanto sotto riportato

- ***The Rezidor Hotel Group first hotel company worldwide to offer all guests carbon offsetting possibilities***

In a unique partnership between the Rezidor Hotel Group and The CarbonNeutral Company, guests are offered the opportunity to offset greenhouse gas emissions from their stay at a Rezidor hotel, including their travel, thus making their entire trip CarbonNeutral

- ***Vancouver's Renowned Wedgewood Joins Ranks of World's First Carbon Neutral Hotels***

Vancouver, British Columbia's award-winning Wedgewood Hotel and Spa has entered into an agreement with Planktos Inc. to purchase sufficient carbon credits to make the Wedgewood 'Carbon Neutral' and zero out all its CO<sub>2</sub> emissions. Each Planktos carbon credit represents one tonne of CO<sub>2</sub> that has been removed from the air and sequestered - put away - for a long, long time. Planktos produces these credits by restoring vital ecosystems on land and in the sea.

## New Partners

joined the Network, we thank you them all, they are at Customers disposal through our **website pages**.

A special welcome to **John Duffy Design Group** [www.jddg.ie](http://www.jddg.ie), we also like to inform about the possibility to create **your own Jewellery merchandising line** thanks to the best **Arezzo's Maestri Orafi** .

## Business News

- ***Another Record Year for World Tourism***

With 842 million arrivals and a 4.5% growth rate, 2006 exceeded expectations as the tourism sector continued to enjoy above average results, making it a new record year for the industry

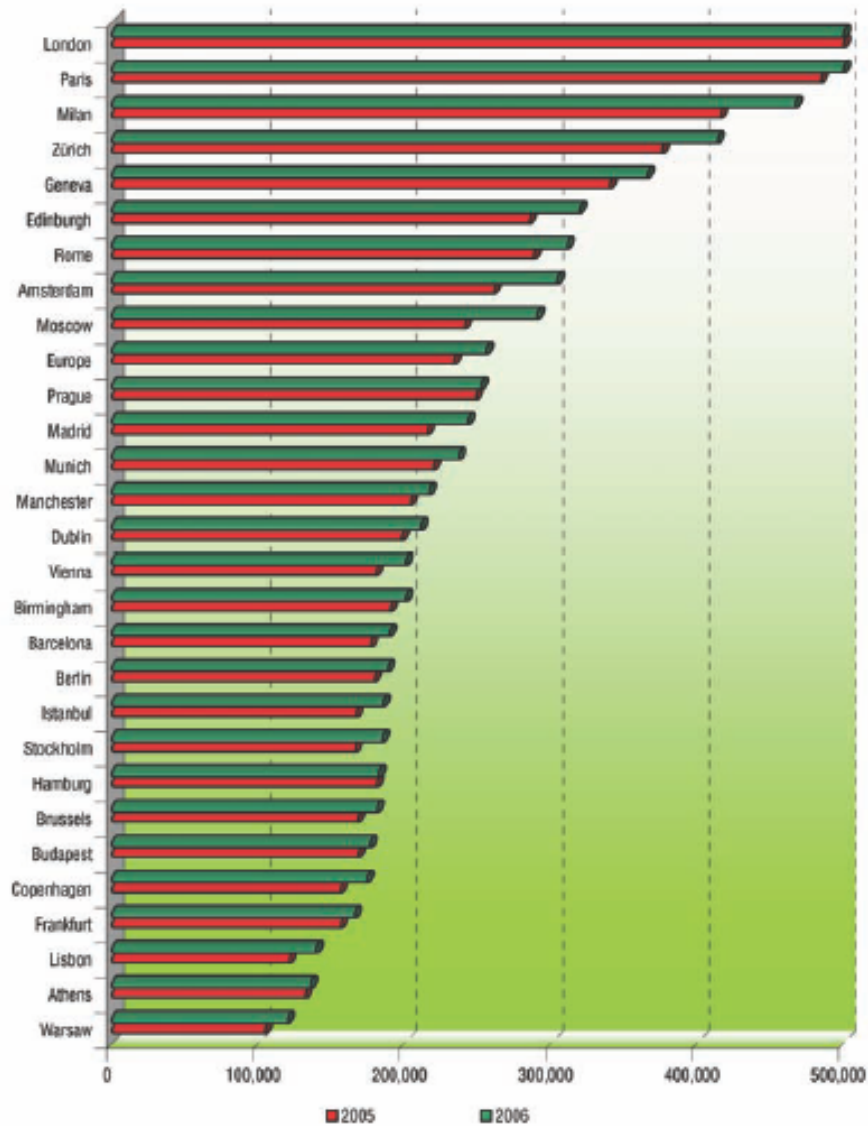
- ***Accor Sells 30 Hotel Properties in the United Kingdom for EUR711 Million*** and Signs a Development Partnership With Land Securities

As part of its asset management strategy, Accor said yesterday that it has signed a memorandum of understanding to sell 30 hotel properties (5,000 Ibis and Novotel rooms) in the United Kingdom to

- ***The Board of Directors of Four Seasons Hotels Inc.*** — a public company — has accepted a \$3.4 billion purchase offer surfaced on November 6, 2006 by a group of investors whose principals include Bill Gates, the Prince, and Isadore Sharpe, CEO of Four Seasons. It's a fascinating deal! But what does it really mean?

- Hotel Value per room 2006

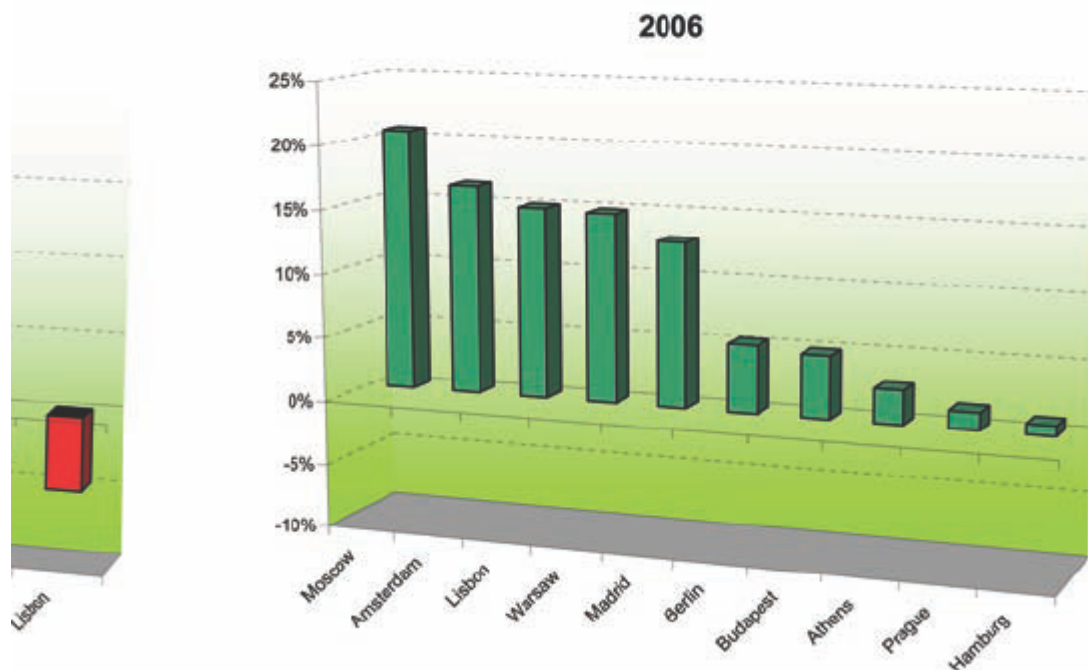
Table 7 Hotel Values per Room 2005 and 2006 (€)



Source: HVS International

Unfortunately Venice has not been screened

### Change in Hotel Value per Room (€)



- **RevPAR, GopPAR, ProfPAR - Break Even Point and Price Elasticity: How Valuable are these Performance Indicators and is it Worthwhile to Calculate Them?**

By Dietmar Kielnhofer

Until the late 1980's General Managers were measuring their sales efforts mainly by two variables, occupancy and average rate. With the emergence of yield management techniques in the early 90's measuring sales effectiveness changed as owners, developers and investors became more interested in revenue per "available" rooms (RevPAR) and not in revenue per sold rooms.

RevPAR demonstrates management's ability to obtain higher (room) revenue by optimizing the earning capacity of available rooms; compared to ADR, which merely concentrates at revenue per sold room – a rather narrow management perspective. RevPAR is thus much more indisputable from a management and performance standpoint as it yields better revenue from the asset base - but does not reveal what it actually contributes to the hotel's bottom line. To obtain a clearer picture to ascertain management's ability to drive growth, manage expenses and gauge overall performance effectively additional performance indicators should be considered.

The ultimate yardstick to determine sales and management efforts is to focus on GopPAR or ProfPAR. Suffice to say it is not good enough to sell all rooms irrespective of rate in a hotel (early proponents of yield management advocated such views as the prevailing attitude was, and still is, partially correct, that a room not sold is a lost opportunity), thereby increasing variable cost to an extent where fixed and variable cost exceed profit.

The concept that a room is a perishable commodity is still correct but the notion that selling rooms at "any price" needs to be reexamined for its financial viability. Selling has to be a profitable exercise. ProfPAR not only does take into account sales growth but also management's competencies in controlling operating cost and expenses. From investors, respective developer's point of view, it translates management's ability to generate sufficient revenue and profit for owners and investors to meet their required return on capital.

There is another, more intricate perspective to that equation. What is the brand's ability to generate additional bookings through its internal brand owned distribution channels to above and beyond what the hotel's sales department generates? In a brand and consumer driven society where (unfortunately) product commoditisation is all too common having access to a powerful brand determines the difference between mediocre performance and meritocracy. In the hospitality industry service and product (and increasingly service) differentiation and uniqueness are key variables to long-term success.

How many general managers calculate monthly - or at least quarterly, price elasticity to determine the correctness of their pricing decisions? Calculating price elasticity puts senior management in a powerful position to learn from historical data, which can be very conclusive bearing in mind, the cyclical nature of the hotel business. A coefficient of less than one clearly indicates a less price sensitive market than originally anticipated. With the benefit of hindsight decreasing rates is not the answer to drive volume. A 10% decrease in room rate does not automatically translate into a proportionate increase in demand.

With the proliferation of dedicated software daily break-even analysis can be calculated, to determine the hotel's, and even departmental, profitability which in return can be used to calculate ProfPAR.

In a downward cycle which the hotel and tourism industry inevitably faces periodically, management is in a strong position to take corrective action thereby protecting the commercial viability of the hotel. Measuring ProfPAR provides management with a transparent and unvarnished picture in which direction it is heading.

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*The views expressed in this article are that solely of the author.*

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INVESTORS & PARTNERS, NEWS LETTER

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