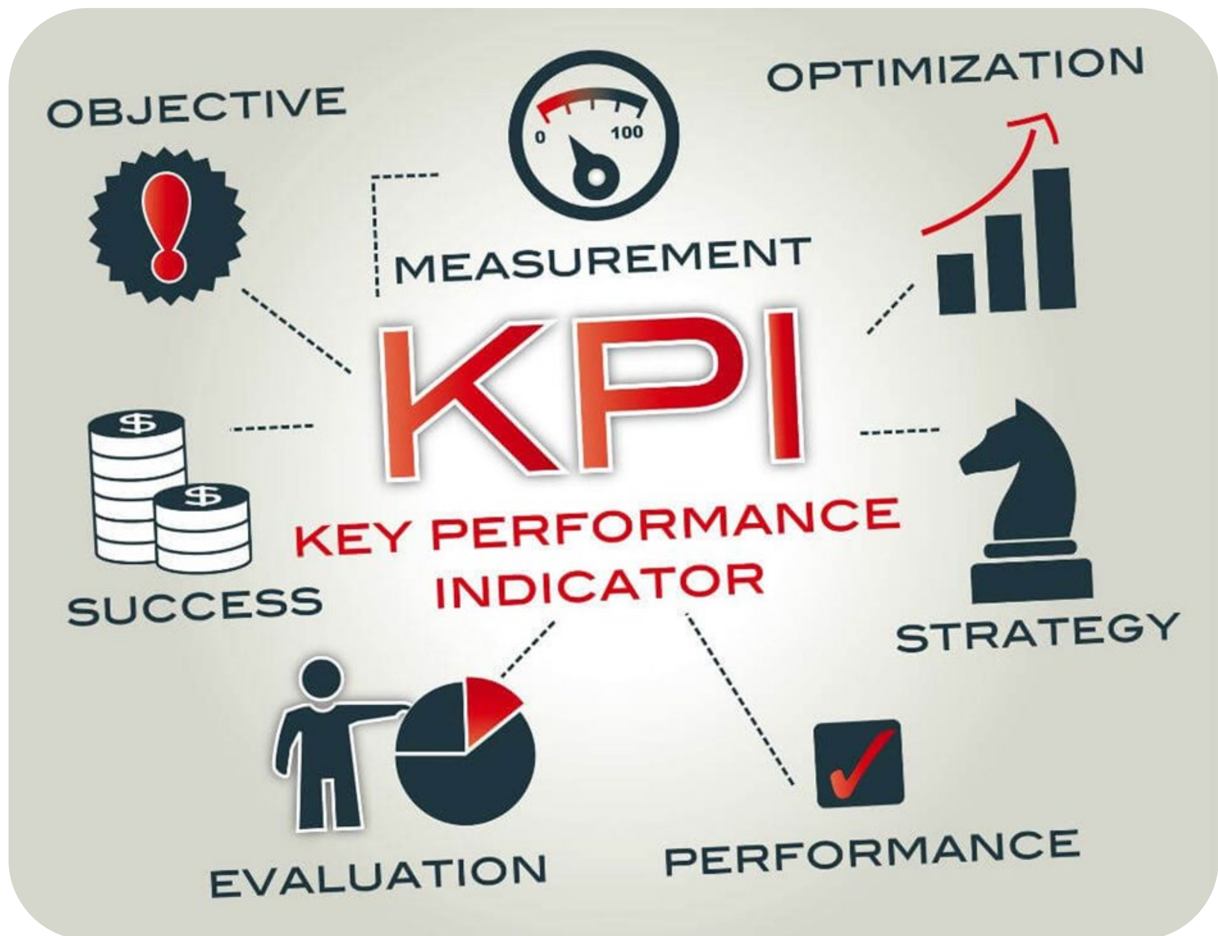



# KPI

## in

# HOSPITALITY

**A practical theory book with examples**

## Chapter 1

## Introduction

### 1.0. What is a KPI?

Key performance indicators (KPIs) are the elements of your hospitality organization's plan that express what outcomes you are seeking and how you will measure the success. In other words, they tell you what you want to achieve and by when. They are the quantifiable, outcome-based statements you'll use to measure if you're on track to meet your goals or objectives. Good plans use 5-7 of these to manage and track their progress against goals.

### What are KPIs? What's the purpose? Why do you need them?

Key performance indicators are intended to create a holistic picture of how your hospitality organization is performing against its intended targets or objectives. Great KPIs should accomplish all the following:

- Outline and measure your hospitality organization's most important set of outputs.
- Work as the heartbeat of your performance management process and confirm whether progress is being made against your strategy.
- Represent the key elements of your strategic plan that express what you want to achieve by when.
- Measure the quantifiable components of your goals and objectives.
- Measure the most important leading and lagging measures in your hospitality organization.

### 1.1. The Five Elements of Key Performance Indicators

These are the heartbeat of your performance management process, and they need to work well! They tell you whether you're making progress, and ultimately you want to make progress against your strategy. You'll live with them, so make sure they're valuable!

Great strategies track the progress of core elements of the plan. Each key performance indicator needs to include the following elements:

- A Measure: Every KPI must have a measure. The best ones have more specific or expressive measures.
- A Target: Every KPI needs to have a target that matches your measure and the time period of your goal. These are generally a numeric value you're seeking to achieve.
- A Data Source: Every one of these needs to have a clearly defined data source so there is no gray area in how each is being measured and tracked.
- Reporting Frequency: Different measures may have different reporting needs, but a good rule to follow is to report on them at least monthly.

- Owner: While this isn’t a mandatory aspect of your KPI statement, setting expectations of who will take care of tracking, reporting, and refining specific KPIs is helpful to your overall organizational plan.

## 1.2. Discover and define your own KPIs in 6 steps

Using the SMART KPI determiner (PDF), you will not only see how to prevent the most important KPI blunders. Above all, you will understand which steps you need to take for KPIs and dashboards that really work. And above all, you will learn how to set up a KPI tree in your organization. These 6 steps are covered:

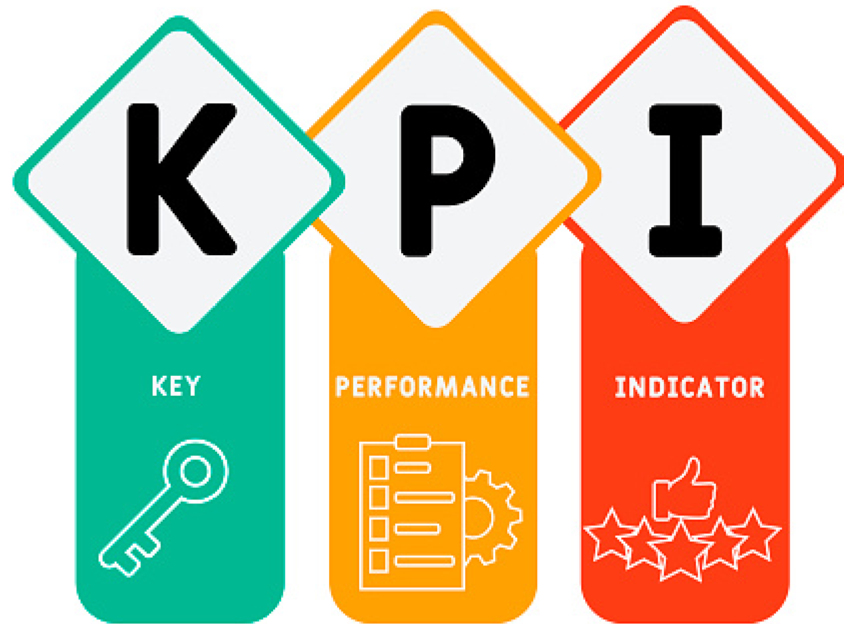
- Identify: where and how do you find the unadulterated KPIs in your organization?
- Define: how do you define indicators into one version of the truth?
- Loading: how do you ensure that you can load your KPIs with the right, qualitative data?
- Visualize: What is the most effective way to visualize your KPIs?
- Norming: which methods do you apply when to standardize indicators?
- Operationalization: how are you going to let teams steer and continuously improve with KPIs?

Based on these 6 logical steps, you not only bring the story behind your organization's figures to life. You will also take steps to improve your data quality, you will bring focus to your control (fewer distractions) and you will also achieve daily continuous improvement with unadulterated KPIs.

## The tool for insights that really matter

The SMART KPI determiner is the tool to arrive at KPIs, performance indicators (PIs) and insights that really matter. Successfully following the 6 steps in the SMART KPI determiner leads to:

- **SMART**: truly genuine KPIs, 1 million euro insights and good standards
- **STRUCTURE**: a clear, interactive management dashboard
- **STEERABLE**: more grip and better steering through performance improvement
- **SMILE**: a more efficient organization and more satisfied employees and customers
- **SIMPLE**: less data registrations and no more red tape




### 1.3. indicators vs. Key Performance Indicators

#### *Indicators*

An indicator is a general term that describes the different metrics of a business's performance. There can be several types of indicators a company may track, but not all indicators are KPIs, especially if they don't tie into an organization's overall strategic plan or objectives.

#### *Key Performance Indicators*

A key performance indicator, on the other hand, is a very specific indicator that measures an organization's progress toward a specific goal or objective. It is typically recommended to narrow down the number of KPIs you track. You should only track the best and most valuable indicators that tie to your organization's long-term and strategic direction

### Benefits of Good Key Performance Indicators

What benefits do they have on your strategic plan, and on your organization as a whole? A lot of benefits, actually! They are extremely important to the success of your strategic plan and implementing them correctly is critical to success.

**Benefit #1:** They provide clarity and focus to your strategic plan by measuring progress and aligning your team's efforts to the organization's objectives. They also show your measurable progress over time and create ways to track your organization's continued improvement.

**Benefit #2**: Key performance indicators create a way to communicate a shared understanding of success. They give your team a shared understanding of what's important to achieve your long-term vision and create a shared language to express your progress.

**Benefit #3:** They provide signposts and triggers to help you identify when to act. A good balance of leading and lagging key performance indicators allow you to see the early warning signs when things are going well, or when it's time to act.

### 1.4. Competition Benchmarking Key Performance Indicators (KPIs)

Competition benchmarking will help you compare your property's performance against your competitors. There are several different metrics you can use to measure against your competition, here are a few of the most popular benchmarking KPIs to get you started.

**Reputation Management Key Performance Indicators (KPIs)**

Guest satisfaction is key to any hotel business. It is a great indicator of how well your property is performing and allows you to make impactful changes. Here are some of the most useful reputation management KPIs.

As your hospitality organization begins to sketch out what your strategic plan might look like, it's likely to come to your attention that you'll need to gain consensus around what your key performance indicators will be and how they will impact your organization. If you haven't thought much about your KPIs yet, that's okay.

In chapter 2 is a complete overview on what is a KPI, the benefits of good indicators, and list of KPI examples [organized by department and industry] for your reference as you begin developing your hospitality organization's key performance indicators.

So KPI's answer the quantifiable piece of your goals and objectives. They come in three different flavors. But before you do, putting great measures together and making sure they work well for you, you need to have these four attributes. And before  talk about those four attributes, you must know the reason the KPI's need to work well for you is because KPIs are the heartbeat of your performance management process. KPI's tell you whether you're making progress, and ultimately, you want to make progress against your strategy. So KPIs are the thing that do that for you. So you're going to live with them a lot. So let's make sure they're really good.

Okay, so the four things you need to have in order to make sure your these measures work for you.

**Number one** is your measure. So the measure is the verbal expression very simply, in words, what are you measuring, which is fairly straightforward. The tricky thing is, is you need to be as expressive as we possibly can with your measures. So number of new customers, that's fine. There's nothing wrong with that. But a little bit advanced or a little bit more expressive, would be number of new customers this year, or number of new customers for a certain product or a certain service. So what is it is it? Yeah, so it is, so be really clear. And when it comes to measuring it on a monthly basis, you're going to want to be as clear as possible. So number of new customers, let's say this year,

**Number two,** is your target, or target is the numeric value that you want to achieve. So a couple of things that are important about this is, the target needs to be apples to apples with when the goal date is set, or the due date is set. So you want to achieve 1000 new customers by the end of the year. So the due date in the target works hand in hand. The other thing is the measure and the target need to work hand in hand. So it's a number. So this is a number, this is a percentage, this is a percentage, you get the idea.

**Third thing**, you actually run a report on this data. So where is it coming from? Be clear about what the source is. Most organizations have all sorts of data sources, fragmented systems.(see also unit 22 and Unit 27). So making sure you identify where this data is coming from will save you a lot of time.

**And then frequency**. So how often are you going to be reporting on this KPI, ideally, you're running monthly strategy reviews to report on the progress of your plan, at least monthly, in which case you like to see monthly KPIs. So you got to be able to pull the data monthly in order to make that happen. That's not always possible. But let's try to get there. Certainly some organizations are weekly and others are daily, monthly is a good place to start. So frequency.

So now you know the components that you need to have in place in order to have your KPIs. Here are some different types of KPIs, in chapter 2,  that you might think about as you're putting your plan together.

So there are just straight up raw numbers, you call these widget counting, there's nothing wrong with widget counting, they don't necessarily tell a story. And you talk about how to make this tell a story in a minute. But this is just simply widget counting number of things.

The second thing is progress. So this is really often used, it's great. You use this, which is expressed as percent complete percent complete of the goal, percent completed a project, whatever it might be, it's a project type measure. It's a good measure, if  you don't have quantifiable measures, or you can't get the data, and you just want to track the performance of the goal as it relates to action items being completed under it.

The third type of indicator is a Change Type Indicator, like percent increase in sales, making this better would be percent increase in sales compared to last year. And the idea is 22%. So you can see how that starts to be more expressive, and work with the target. So this serves to tell a little bit more of a story than this one does, right? And if you want to actually make your widget counting measures tell more of a story like this one does, you might change something like this to read percentage of new customers acquired compared to same time last year. So that's an example.

## 1.5. KPI creates a Holistic picture

Key performance indicators are intended to create a holistic picture of how your organization is performing against its intended targets or objectives. Great KPIs should accomplish all the following:

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- Work as the heartbeat of your performance management process and confirm whether progress is being made against your strategy.
- Represent the key elements of your strategic plan that express what you want to achieve by when.
- Measure the quantifiable components of your goals and objectives.
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### The Holistic Five Elements of Key Performance Indicators

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- **Owner**: While this isn’t a mandatory aspect of your KPI statement, setting expectations of who will take care of tracking, reporting, and refining specific KPIs is helpful to your overall organizational plan.

## Chapter 2

## The most effective KPI for Hospitality

### 2.0. Average Daily Rate

Average Daily Rate (ADR)

ADR
=
Room Revenue
÷
Number of Rooms Sold

**Why is Average Daily Rate (ADR) Important?**

ADR compares your performance against your competitors and can also measure financial performance.

Although ADR can assist in analysing your hotel's performance, it doesn't take into account any unsold or empty rooms. Therefore, it could be deceiving in terms of overall property performance. It works well in isolation as an ongoing performance metric.

The ADR is most useful when comparing to previous periods or seasons to identify performance over time.

**How to calculate Average Daily Rate (ADR)?**

You calculate average daily rate by dividing total room revenue by total rooms occupied.

ADR = Room Revenue / Number of Rooms Sold

Example: For the month of June your property made €30.000 room revenue with 10 rooms. Assuming you had a 100% occupancy rate, by following the formula, we have: €30.000 / ( 10 * 30 ) = €100 ADR.

### 2.1. Revenue per Available Room

Revenue Per Available Room (RevPAR)

RevPAR
=
Average Daily Rate
x
Occupancy Rate

#### What is RevPAR used for in the Hospitality Industry?

RevPAR can predict how successfully your average rate is at filling available rooms and therefore provides a constructive view on how well your hotel is operating. However, there are other factors to consider when comparing RevPAR between different properties. RevPAR doesn't take into account the number of rooms, so a large property with fewer filled rooms may still be making more money, even with a lower RevPAR.

#### The Problem with RevPAR

Although RevPAR can assist in calculating revenue, it's not foolproof. For one, RevPAR does not take into account CPOR (costs per occupied room). Moreover, RevPAR does not account for any additional income which the hotel generates from other departments, such as catering, parking or the spa. Because RevPAR does not account for CPOR, it can't be used as a key metric in measuring profitability, which as we know is the key aim for most hotels!

#### How to calculate Revenue Per Available Room (RevPAR)?

You calculate RevPAR by dividing total room revenue by total rooms available. You can also calculate RevPAR by multiplying your ADR by the occupancy percentage.

Revenue Per Available Room (RevPAR) Formula and Example

RevPAR = Room Revenue / Number of Rooms Available

OR

RevPAR = Average Daily Rate * Occupancy Rate

Example 1: For the month of June your property made €30,000 room revenue with 10 rooms, by following the formula, we have: €30,000 / (10 * 30) = €100 RevPAR.

Example 2: For the month of June, your property ADR is €100 while your Occupancy is: 50% (or 0.5). By following the formula, we have: 0.5 * €100 = €50 RevPAR.

### 2.2. Occupancy Rate

**Occupancy Rate (OR)**

OR
=
Total Number Of Occupied Rooms
÷
Total Number of Available Rooms

**What is Occupancy Rate (OR) useful for?**

When you make a habit of doing this type of data tracking over time, you can see how well you are performing over the course of the season, track month-on-month performance, and see how your hotel marketing and advertising campaigns are affecting your occupancy levels.

**How to increase a Hotel Occupancy Rate (OR)?**

There are many ways to increase a hotel Occupancy Rate, including:

- Applying Length Of Stay (LOS) Restrictions
- Increase value with specials and packages
- Add in-demand amenities

### How to Calculate Occupancy Rate (OR) for a Hotel?

What is your occupancy rate on any given night? To know this, you must know how many total rooms you have, how many rooms are empty, and how many rooms are booked.

Divide the number of rooms which are occupied by the total rooms that are available to determine your occupancy rate as a percentage.

### Occupancy Rate (OR) Formula and Example

Occupancy Rate = Total Number Of Occupied Rooms / Total Number Of Available Rooms

Example: A property with 20 units for the week of the 3rd-10th of September had 18 occupied rooms and 2 available. By following the formula, we have: 18 / 20 = 0.9 or expressed in percentage 90% occupancy rate.

## 2.3. Average Length of Stay

Average Length Of Stay (LOS)

LOS
=
Total Occupied Room Nights
÷
Number of Bookings

### How to use Average Length Of Stay (LOS) at Your Hotel?

This metric identifies the average length of stay of your guests, which is calculated by dividing the total number of occupied room nights by the number of bookings. A higher number is better, as a low LOS metric means reduced profitability due to increased labour costs.

If your LOS metric shows that for a certain time period you are accommodating more one-night stays than usual, then you can make revenue management adjustments and maybe increase your one-night rate, while offering a more forgiving rate for 2+ night stays. Sundays are usually the most quiet day of the week and you can therefore place a minimum LOS restriction on Saturday bookings, to allow for increased two nights plus bookings.

When you are aware of guest’s length of stay, you can also determine how other hotel metrics are affected. During a period of low-night stays, you might increase profits by increasing the price per night.

So you are looking to:

- Upgrade your software stack?
- Solve a distribution or tech issue?
- Improve your hotel online marketing?

For example, if you had one week of one night stays, rather than one guest over the period of a week, your labour costs increase exponentially, even though the total number of room nights are the same. Turning over the room in between guests equals additional labour costs.

**How to calculate Average Length Of Stay (LOS)?**

Average Length Of Stay (LOS) Formula and Example

LOS = Total Occupied Room Nights / Number Of Bookings

Example: In the month of May the number of occupied room nights at a 10 units property was 210 and there were 70 bookings - therefore 210 / 70 = average length of stay is 3.

### 2.4. Gross Operating Profit per Available Room

**Gross Operating Profit Per Available Room (GOPPAR)**

GOPPAR
=
(total Room Revenue - Gross Operating Expenses)
÷
Number of Available Rooms

**Why is Gross Operating Profit Per Available Room (GOPPAR) a useful Key Performance Indicator?**

If you want to look at overall performance, GOPPAR is effective because it looks at all rooms, whether they have guest's occupying them or not. GOPPAR includes hotel variables, such as furniture depreciation and internet costs, and is therefore a strong indicator of performance across all revenue streams.

**How to Improve Gross Operating Profit Per Available Room (GOPPAR)**

There's many ways to increase a hotel Gross Operating Profit Per Available Room (GOPPAR), for example:

- Using Length Of Stay (LOS) Restrictions to increase Average Booking Value
- Increase revenue per booking with specials offers and packages

**How to Calculate Gross Operating Profit Per Available Room (GOPPAR)?**

GOPPAR is the total revenue of the hotel less expenses incurred earning that revenue, divided by the number of available rooms.

Gross Operating Profit Per Available Room (GOPPAR) Formula and Example

GOPPAR = Total Room Revenue - Gross Operating Expenses / Number Of Available Rooms

Example: For the month of June a property made €60.000 room revenue with 20 rooms, but €30.000 was the cost incurred for cleaning services, housekeeping, internet bills etc. By following the formula, (€60.000 - €3.000) / (20 * 30) = €50 GOPPAR

## 2.5. Cost Per Occupied Room

Cost Per Occupied Room (CPOR)

CPOR
=
Total Rooms Departments Cost
÷
Total Rooms Sold

**Why is Cost Per Occupied Room (CPOR) a useful Key Performance Indicator?**

CPOR allows you to view room profitability and takes into account your expenses, both fixed (such as rent) and variable.

**How to Calculate Cost Per Occupied Room (CPOR)?**

To determine CPOR you must divide the total, gross operating profit by total rooms available. Gross operating profit is your 'net sales' minus 'cost of goods sold' minus 'operating expenses', which includes selling, general, and administrative expenses.

Cost Per Occupied Room (CPOR) Formula and Example

CPOR = Total Rooms Departments Cost / Total Rooms Sold

Example: the cost for 10 units in the month of May was €10.000, therefore we have €10.000 / 10 = €1.000 CPOR (Cost Per Occupied Room)

### 2.6. Adjusted Revenue per Available Room

Adjusted Revenue Per Available Room (ARPAR)

ARPAR
=
(Average Daily Rate - Variable Costs Per Occupied Room + Additional Revenues Per Occupied Rooms)
x
Occupancy

**Adjusted Revenue Per Available Room (ARPAR)**

It is a simple calculation: measure the average variable expenses per occupied room (base this on your historical accounting information) and average additional income per occupied room from other revenue generating departments.

**Why use Adjusted Revenue Per Available Room (ARPAR)?**

We noticed that RevPAR doesn't really give us any information about the real profitability, therefore, hoteliers nowadays should implement a more accurate indicator, such as ARPAR, which is a clear reflection of the 'bottom line profit'.

**How to Calculate Adjusted Revenue Per Available Room (ARPAR)**

It is calculated by dividing the variable net revenues of a property by the total number of available rooms.

**Adjusted Revenue Per Available Room (ARPAR) Formula and Example**

ARPAR = ADR – Var costs per occ room + Additional Revenues Per Occupied Rooms x Occupancy

Example: for the month of June a property with 10 rooms had €166 ADR (Average Daily Rate), while the variable costs per occupied room was €50 and occupancy was 90%. At the same time, the property made €30 additional revenue per occupied room, generated from in-room massages, room service, tours, etc. By following the formula, we have: ( €166 - €50 + €30 ) * 0.9 = €131.4 ARPAR

## Chapter 3

## All effective KPI’s for Hospitality in a summary

### 3.0. Introduction

As the hotel industry continues to recover and adapt to new market conditions the wake of the pandemic, it’s more important than ever that hotels closely monitor their KPIs to ensure their continued growth and success. Specifically, new technologies have given the hospitality industry new ways to measure and optimize their performance, and use that intelligence to streamline operations and increase profitability.

On the one hand, new technologies are making it possible to measure hotel performance in ways that were previously beyond our grasp. On the other hand, these new technologies are allowing hotel operators to refine how they measure a number of core KPIs that have always been fundamental indicators of how profitable a property is.

Indeed, the more a business can measure, the more it can improve its efficiency, and hotels are now able to quantify and measure KPIs that go beyond the traditional occupancy-based metrics. And these KPIs extend from daily operations to financial performance to marketing and customer service.

### 3.1. Operational KPIs

There are a number of important operational KPIs that can be used to increase the performance and profitability of hotel properties. Indeed, these have to do with properties fundamental overhead, and the more that a hotel monitors them, the more they can increase profitability by reducing their costs.

### 1. ESG Score

One of the newest of KPIs that are relevant to hotels (and other businesses), ESG stands for *“Environmental Social Governance,”* and involves adopting a “corporate strategy [that] focuses on the three pillars of the environment, social [inclusion], and [ethical] governance. This means taking measures to lower pollution, CO2 output, and reduce waste” (the environment), as well as committing to a diverse and inclusive workforce from the ground floor (social) all way to the board of directors (governance).

Of course, ESG is about more than just creating a more woke or sustainable hotel operation. It also helps hotels refinance their operations in more efficient ways. For starters, meeting ESG requirements can help hotel operators qualify for advantageous financing products that they can use to reinvest in their properties and

gain a competitive edge. Furthermore, the PR value of reaching ESG targets can also attract new investors while also supporting occupancy goals.

Suffice it to say, while ESG Score should not be the be-all and end-all of hotel performance measurement, it is certainly a KPI that hotels should monitor if they are to secure their long-term success. After all, environmental regulations are likely to only continue to expand, and maintaining a competitive ESG Score will help hotel operators stay ahead of the curve, and prevent incurring the inflates costs of having to retrofit their infrastructure on short notice to meet new regulatory requirements.

## 2. Energy Management

For the hotel industry, "keeping the lights on" extends to a lot more than just, well, lighting. As Forbes reports:

The average U.S. hotel spends $2,196 per room in energy costs each year, which adds up fast. Collectively, the hospitality industry spends $3.7 billion annually on energy. For individual hotels, 60-70% of utility costs are exclusively billed for electricity.

Heating, ventilation and air conditioning (HVAC) alone is responsible for 40% of hotel electricity usage.

Fortunately for the hospitality industry, a variety of energy management technologies now make it possible to not only monitor energy consumption with the utmost accuracy, but adjust and optimize energy consumption in response to real-time consumption patterns.

Source: CBRE Hotels Research, Trends in the Hotel Industry

Specifically, IoT energy management devices now allow hotels to both use their HVAC systems more efficiently and save significantly on their energy consumption and costs. While smart thermostats and occupancy sensors monitor and respond to real-time fluctuations in occupancy, smart energy management systems like Verdant EI use sophisticated machine learning algorithms to continuously analyze historical thermodynamics, local weather patterns, and peak demand loads to optimize energy consumption in real-time, all year round.

Indeed, using smart energy management systems to monitor and optimize energy consumption can reduce hotel energy costs by up to 20%, and generate some of the fastest payback periods in the industry (between 12-24 months). The ROI is so significant, in fact, that it will increase the resale value of your hotel.

### 3. Water Consumption

Energy isn't the only consumption-based KPI that hotels should be monitoring. Whether it's for guest rooms, pools, sanitation, or food/beverage service, water is also an unavoidable cost of doing business in the hospitality industry, and represents a significant component of overhead that can and should be managed carefully. Indeed, "Water and Sewer costs are the 2nd largest utility expense for hotels topping off at almost 25% of all utility costs."

Indeed, the hospitality industry relies so much on its water consumption to keep afloat that it:

Accounts for about 15 percent of total water use in US commercial and institutional facilities, according to the EPA … [And some] estimates suggest that implementing water-efficient practices in commercial buildings can decrease operating costs by approximately 11 percent and energy and water use by 10 and 15 percent, respectively.

For this reason, many hotels now use IoT-enabled devices to conserve water and prevent water-related damage. Just consider how a single leaky toilet can cost as much as $840/year. Add to that the cost of any additional water damage, and water waste can quickly become unnecessarily expensive. By monitoring water lines with smart, low-cost IoT-enabled water meters, however, hotels can see an ROI on their water consumption in about 4 years.

In fact, McGraw-Hill Construction estimates that by implementing a smart water management system, hotels can reduce their water consumption by 15%, their energy use by 10%, and their overall operating costs by 11%. In other words, water consumption is an operational KPI that hotels simply can't afford to overlook.

### 4. Labor Costs as % of Sales

Of course, another major part of any hotel's overhead is labor. After all, once the lights are on and the water's running, a hotel still requires staff to manage bookings, clean rooms, and perform any number of services that are considered a fundamental part of any guest experience.

Indeed, labor is traditionally one of the costliest overhead inputs, so this KPI is crucial to the healthy operation of any hotel. By monitoring overall labor expenditures versus revenue, hotels can avoid over-staffing during slow seasons, days, or shifts.

### 5. Employee Performance

Labor costs, of course, aren't just limited only to employee salaries. There are also the hidden costs of employee performance. In other words, there's how much a hotel pays for each unit of labor, and then there's how much value it gets from each of those individual units. This is why:

You'll want to develop KPIs to measure your employees' performance, both in terms of their attitude and their output. For example, you might have KPIs measuring appearance and friendliness as well as KPIs measuring speed of service, cleanliness of rooms, etc.

After all, a big part of maximizing the ROI of a hotel's staffing decisions is understanding not only the optimal number of staff to have on hand at any given time, but also the optimal output for each of those staff members.

### 6. Employee Turnover

A final operational KPI that hotels need to measure and monitor is employee turnover. After all, onboarding new employees comes with hidden costs associated with their training and management.

For starters, the time an employee spends in training is characterized by lower output and productivity, meaning that hotel operators are paying more per hour for lower output. Furthermore, the time managers spend training a new employee is time lost that they could've spent doing something else. As DailyPay puts it:

The average 2021 turnover rate in the leisure and hospitality industry [was] 84.9% compared to the overall rate of 47.2% nationally. Hospitality companies can work to reduce turnover and increase retention rates to improve guest experience and reduce unnecessary hiring and onboarding costs associated with replacing employees.

High turnover rates among hotel and hospitality staff may have damaging effects on a team's morale, reduce the company knowledge base, interfere with customer service, and burden remaining staff.

In sum, onboarding and training new employees represents a significant cost center for hotel operators, and reducing that turnover can help significantly increase hotel profitability. And by measuring turnover and its related costs, hotel operators can get a better sense of where employee churn is occurring the most, and take measures to reduce it.

- **Financial Performance** **(see also Chapter 2)**

Operational KPIs, of course, are only part of the picture. At the end of the day, hotels must also closely monitor a range of financial KPIs to ensure that they're maximizing profitability. Indeed, metrics relating to sales, revenue, and occupancy rates should all be monitored and analyzed to help hotel operators optimize business performance across the board.

### 7. ADR – Average Daily Rate

Average Daily Rate (or ADR) is a KPI that hotels can use to measure and calculate their profitability. It provides insight into the average rate a room can earn on any given day during any given period. It's also particularly useful for demand forecasting and predictive marketing. Indeed, ADR helps hotels predict seasonal trends, adjust their pricing accordingly, and maximize revenue per room.

### 8. ARI – Average Rate Index

The Average Rate Index (ARI) is a hotel KPI that compares Average Daily Rate (ADR) with the property's competitive set for a given period of time. A property's competitive set, moreover, is comprised of other brands and competitive properties who are targeting similar markets and/or market segments. The competitive set (comp set) is obtained by calculating the Average Daily Rate (ADR) for a group of competitors, and if a property's ADR is equal to the aggregate ADR of its competition, it is historically believed that the property is achieving its "fair market share".

### 9. ARR – Average Room Rate

Similar to ADR, the Average Room Rate (or ARR) is a hotel KPI that averages out the rate that hotel is charging per available room. The main difference between ADR and ARR is that while ADR measures the average rate on a daily basis, ARR can be used to measure the average room rate over longer periods of time (such as weekly or monthly periods).

The formula for calculate ARR: Total Room Revenue (for a period) / Total Rooms

### 10. CPOR – Cost per Occupied Room

Another way to monitor and manage costs at the room level is through Cost per Occupied Room (or CPOR). This KPI helps calculate the average cost per occupied room, and helps hotel managers and operators evaluate whether the operating cost for any give room is reasonable.

The formula for calculate CPOR: Total Rooms Departments Cost / Number of Rooms Sol

On the cost side of the hotel management equation, moreover, CPOR is one of the most important hotel KPIs. The lower a hotel's CPOR, then, the higher its other hotels KPIs , including GOPPAR, PROFPAR, and RevPAR (see below for more on these).

### 11. EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization

EBITDA is an acronym that stands for Earnings Before Interest, Taxes, Depreciation, and Amortization, and is particularly useful for revenue managers to compare hotel profitability against competitors or sister properties. Specifically, it's used to analyze the profits of the products and/or services sold at a hotel property, and is sometimes used as a more reliable calculation for profitability in place of simple earnings or net income.

EBITDA can also be calculated in one of two ways: (1) by subtracting expenses from revenue, but this does not include interest, taxes, depreciation, and amortization, or (2) by adding net income, interest, tax expenses, and depreciation and amortization together.

### 12. GOP – Gross Operating Profit

At the highest level of a hotel's financial performance is Gross Operating Profit (or GOP). Simply put, GOP is a KPI that measure a hotel's profits after all operating expenses have been subtracted.

The formula for calculating GOP is simple: Gross Operating Revenue – Gross Operating Expenses

GOP is great for getting a quick, birds eye view of a hotel's financial performance. However, when you want to understand why its performance might be fluctuating (or what can be done to improve it), hotel managers can go a few layers deeper into more specific aspects of a hotel's financial performance.

### 13. GOPPAR

GOPPAR, or Gross Operating Profit per Available Room, provides even greater insight into the actual performance of a hotel than GOP or even RevPAR (more on this KPI below) because it factors in not only revenues generated, but also the operational costs incurred to generate those revenues.

GOPPAR is calculated by subtracting operating expenses from gross revenue to calculate Gross Operating Profit, and then dividing that GOP by the total number of rooms available per year.

Consequently, GOPPAR measures how revenue compares to a hotel's operational performance. This means it considers expenses like utilities, labor, F&B costs, and any other revenue from the hotel's many moving services.

### 14. Market Penetration Index (MPI)

Not relevant only to the hotel industry, Market Penetration Index (MPI) is a KPI that the hotels use as a performance metric to measures its occupancy rates compare to those of its competitors. Specifically, it compares a hotel's average occupancy rate to the average occupancy rate of similar hotels in similar markets.

MPI allows hotel managers to analyze a property's performance based on industry standards as well as competitors, and assess whether their occupancy rate is above, below, or near average for its market.

Consequently, MPI is very useful in setting room rates. Understanding how you stack up against industry averages will allow you to set more competitive prices to maximize occupancy rates. MPI can also be calculated against specific competing hotels rather than just industry averages, allowing hotel managers to get more competitive within particular market segments.

### 15. Marketing ROI

Department store magnate John Wanamaker is famous for having once said "Half the money I spend on advertising is wasted; the trouble is, I don't know which half." Fortunately for hotels (and other businesses), we now live in a digital age where most (if not all) of our marketing efforts can be tracked, measured, and quantified.

If anything, because it's now possible to track, measure, and quantify marketing spend, it's more important than ever that hotels do so. And by tracking marketing spend against other KPIs, hotels can determine which methods do and don't work, and therefore which ones to continue to invest in.

### 16. NRevPAR – Net Revenue per Available Room

Similar to RevPAR (see below), Net Revenue per Available Room (or NRevPAR) monitors booking revenue, but at a more granular level by factoring in the net revenues. In other words, it accounts for transaction fees, distribution costs, travel agency commissions, etc. To this effect, NRevPAR is somewhat of a more transparent KPI because it adjusts for the costs of incurring bookings.

The formula for calculate NRevPAR: (Room Revenue – Distribution Costs) / Available Rooms

NRevPAR is an essential KPI for hotel owners and revenue managers, and affords them the insight they need to forecast and plan strategically. It can be challenging, however, to calculate all the different of commission paid to third parties, and transaction and distribution costs.

### 17. Occupancy Rate

Simply put, "Occupancy rate is the ratio of rented or used space to the total amount of available space." And for the hospitality business, that means the percentage of available rooms over a specific period of time.

It's also going to be one of the most important hotel KPIs available because it provides (1) a high-level overview of a hotel's occupancy performance, and (2) provides context through which other KPIs can be understood. For example, hotels still incur some operation costs for unoccupied rooms. Consequently, comparing Occupancy Rate with Average Daily Rate and costs of room operations allows revenue managers to make decisions that increase a hotel's overall profitability.

### 18. Profit Per Available Room (PROFPAR)

Profit Per Available Room (PROFPAR) is a hotel KPI that measures hotel profit earnings for each available room on the property. And because it's calculated using operating profit, it accounts for changes in room revenue and operating expenses.

For hotel owners, PROFPAR is a reliable metric for evaluating sales growth and management's ability to control operating expenses. In fact, many hotels sue PROFPAR to assess the profitability of group sales, and be used to assess whether to accept a group booking based on average ancillary spend on other hotel features, services, or amenities. Consequently, PROFPAR is a more popular KPI amongst chain hotel operators because it is an effective metric for assessing whether or not a specific property generates its share of profit. It also helps revenue managers determine whether to compromise their Average Daily Rate (ADR) for a more lucrative group booking at a lower daily rate.

## 19. Revenue per Available Room (RevPAR)

Revenue Per Available Room (or RevPAR) helps hotels measure the efficiency of their operations by tracking how well they're filling available rooms at their Average Daily Rate (ADR), as well as plan for the high and low seasons. And since RevPAR measures revenue made during a certain period of time, it can be used to compare any given time period against previous periods, and measure the long-term performance of a property.

RevPAR can be calculated in one of two ways: either "by multiplying a hotel's average daily room rate (ADR) by its occupancy rate, [or] by dividing a hotel's total room revenue by the total number of available rooms in the period being measured."

Of course, this number will fluctuate according to seasonality, economic climate, and consumer trends, which can make it difficult to track. But RevPAR remains crucial to understanding the success and profitability of a hotel property at any given time of year. Indeed, it's incredibly useful for planning and preparing for both high and low seasons.

## 20. Revenue per Occupied Room (RevPOR)

Another variant of RevPAR is Revenue per Occupied Room (or RevPOR). This KPI differs from RevPAR, however, in that it only takes into consideration occupied rooms, and consequently provides a better understanding of how much profit a hotel makes from the actual guests staying at a property.

The formula for calculate RevPOR: Total Revenue* / Total Occupied Rooms

*Total Revenue = Accommodation + Bar + Room Service + Breakfast + Spa + Bar + Mini Bar + [Additional Revenue]

With RevPOR, moreover, hotels can also track returns from other departments (apart from rooms), such as food, beverage, spa treatments, and other addons and upsells. In a nutshell, RevPOR offers hotel operators insight into how successful they are once a guest actually checks into the property, which is critical for evaluating a property's overall performance.

## 21. Total Revenue Per Available Room (TRevPAR)

Total Revenue Per Available Room (TRevPAR) is a hotel KPI that take RevPAR a step further by accounting for all revenues generated over all departments (such as food, beverage, and spas, etc.). In this way, it differs from RevPAR by accounting for more than the revenue generated only by rooms sold.

TRevPAR is often used as a benchmarking tool for all-inclusive hotels and resorts. It is a more inclusive metric than RevPAR because it can effectively measure how a hotel is using its space to generate revenue. It also allows managers to see how a hotel is generating revenue regardless of whether or not rooms are sold.

## 22.Total Available Rooms

Total Available Rooms are the number of rooms which are readily there to be booked in the hotel. In order to compute the Total Available Rooms, you need to sum up the Available Rooms and also the number of Occupied Rooms.

Now, the difference between the Total Available Rooms and Total Rooms available at the hotel is that the Total Available Rooms does not include rooms which aren't in working condition or are undergoing maintenance.

This metric in kpi hospitality needs to be monitored as it is essential for the proper planning of your inventory which would further lead to proper number of room bookings.

### 23..Average Length of Stay or ALOS

The Average Length Of Stay is a kpi for hospitality industry metric which helps in making it easy to find out the length of stay of guests which are booked at your hotel. The ALOS metric is calculated by dividing the occupied rooms by a number of bookings. So if the number is high it means greater profit with requirements of very less labor. While if the number of the computed ALOS is low, it obviously results in lesser profit.

### 24. Market Penetration Index or MPI

In order to compete in the market with your hotel property and services it is very important for a hotelier to find out how their hotel stands in the domestic market. This MPI metric can serve as a perfect way or assistance to map your hotel's market share within comparison with your competitors. This metric assists the hotelier to know the number of guests that are going ahead and booking with your hotel in comparison to other hotels which share the same location. The MPI metric of hotel key performance indicators is calculated by dividing your hotel's occupancy by the hotel market's occupancy and then multiplying the figure by 100. The result you obtain : if it is more than 100 this shows that you have a dominance on the market. Otherwise if the result comes out to be less than 100, it means your hotel's performance is not good and people are choosing your competitors instead of your hotel.

- **Guest Experience KPIs**

As crucial as it is that hotel's measure their financial KPIs, it's also important that they track and measure the metrics that help generate revenue in the first place. — i.e. the guests. Specifically, guest experience represents a critical set of KPIs because they help determine whether guests are likely to book in the first place, or even become repeat customers.

### 25. Online Rating

Since we live in the digital age, hotels aren't the only ones who can track (some) elements of a property's performance. As customers share their hotel experience online, hotels and their potential guests are able to track how well a property delivered on different guest experience metrics.

For this reason, hotels should monitor their online ratings and reviews very closely, and use that feedback to improve both their operational procedures and guest experience standards. Indeed, online reviews not only provide a source of direct feedback from guests so hotels can adjust their services to meet guest expectations, but they can (and will) impact a property's bottom line as they affect future bookings.

### 26. Online reviews

It is a proven fact that people g9 through the published reviews and feedbacks before they make a hotel booking. On websites like Tripoto or Make My Trip people put their good or bad reviews which are very helpful to judge the property, there are pictures which you can see and then decide to book the property or not. Online feedbacks and reviews can break or make your reputation and also your prompt replies to your hotel's reviews can show the customers that you care for what they think about your property and you take their bad reviews in a sporting way.

### 27. Customer Satisfaction

Of course, the challenge with online ratings is that (1) they only appear after a guest's visit, and (2) many guests will never leave one at all. Consequently, they don't provide a complete picture of guest experiences.

This is why guest experience KPIs should be supplemented by customer surveys. Indeed, as StoreRanker points out, "customer surveys are an invaluable source of information about customer satisfaction." They allow hotels to "track actions like customer complaints to management or number of customer reviews you get on external websites." When using customer surveys, however, it's important that questions are phrased "in a way that elicits specific responses that can be tracked as KPIs."

### 28. Loyalty Programs

There's no business-like repeat business, and for hotels, the feedback that returning guests can offer through loyalty programs can provide valuable (and actionable) insight into a property's guest experience and how it affects a hotel's ongoing revenue performance. As iDashboards puts it:

From tracking repeat customers to tracking the value of their purchases, there are several KPIs you can use to measure the success of loyalty programs. If your loyalty program isn't meeting the goals and objectives you had for it from the outset, revamp it to be ROI driven and more enticing.

In other words, loyalty programs can help hotels can measure the guest experience of their most valuable customers, helping to optimize guest experience and secure revenue through future repeat visits.

- **Measure, Manage, Optimize, Repeat…**

As the renowned American engineer, statistician, professor, and management consultant W. Edwards Deming once said, “Without data, you’re just another person with an opinion.” And that couldn’t be more true than for a business, especially in the hospitality business.

We have so many preconceptions of what impacts our business and our bottom line, but until we start measuring relevant KPIs, it’s all just speculation. For hotels, these KPIs will range from operations to finances to guest experience, and we’re fortunate enough to live in a time where the technology to track and measure these performance indicators is readily available.

So it’s more important than ever, then, that hotels take stock of the KPIs available to them, and implement the processes necessary to monitor and extract insight from them. Indeed, doing so will often mean the difference between a profitable property, and one that often hovers near the line between the red and the black.

KPIs (Key Performance Indicators) are figures that allow you to measure the effectiveness of your website, a marketing campaign, etc. They also help you to make the necessary adjustments to reach the online goals you have set beforehand.

You will find some of these KPIs in your Google Analytics account. KPIs are monitored on a daily basis and compiled in detailed dashboards, called reports.

The KPIs to analyze depend above all on the goals you have set for yourself, as well as on the digital marketing strategy you want to implement. To help you get started, here are 8 KPIs to monitor the performance of your hotel website.

- **KPIs to measure and analyze your web traffic**

## 29. Number of sessions on the website

The number of visitors to your hotel’s website reflects its traffic and popularity. No traffic, no bookings. This information allows you to deduce the share of recurring visitors and to identify if visitors are seduced by your website. You will also be able to know if you are attracting new customers.

For Google Analytics, a session is the period during which a user is active on your website. By default, if a user is inactive for at least 30 minutes, any future activity is attributed to a new session. Users who leave your website and come back within 30 minutes are part of the same session.

### 30. Engagement rate or bounce rate

Hotel Website Performances The bounce rate is a key indicator to understand the behavior of a user on your website. This percentage tells you how many visitors have left your hotel's website only after arriving (or not) on your website without interacting with it!

The reasons for a high bounce rate are often recurrent:

- The loading time is too slow: visitors leave a website if the loading time is too long.
- The website is not optimized for mobile browsing: 65% of traffic is generated via mobile in 2022.
- A website that is not HTTPS secure.
- An unqualified traffic

If your bounce rate is high, it's worth looking into the cause and conducting a more in-depth analysis of your hotel's website. You will then be able to better understand your situation and adapt your digital strategy to improve your website's performance.

In Google Analytics 4, you can find this information by going to Reports > Demographics > Demographics Overview.

- **KPIs to measure your bookings and sales**

### 31. Conversion rate

The conversion rate is the percentage of visitors who have made a reservation on your website compared to the total number of visitors. It is essential to measure the propensity of your website to transform a visitor into a guest and therefore its efficiency in generating direct bookings. This is a fundamental element that must be taken into consideration when creating a website: it is about optimizing the user path in order to maximize the conversion rate.

Other goals for a website can also be set:

- Send a contact form
- Subscribe to a newsletter
- Buy a gift box, etc.

The above actions can all be considered as conversions, which is why their success depends on the goals set for your establishment's website.

### 32. Number of reservations and online sales generated

Your hotel's website is your main online sales tool and that is why you must absolutely follow the evolution of the turnover generated by your website. This performance indicator validates your entire digital distribution.

Follow the number of bookings made directly on your hotel's website to adjust the associated marketing strategy according to the seasonality, the occupancy rate or the current offers for example. This indicator is correlated to your direct revenue share.

The online revenue compared to the revenue generated by your website will tell you the volume of direct sales. This gives you a first indication of how well your website is performing. It is also a very good way to quickly compare your current (online) sales situation with your past and future goals.

### 33. Cost of acquisition per booking

Hotel website trackingThe cost of acquisition per booking is the total of media and marketing investments needed to obtain a booking in your hotel.

To know the cost of acquisition per booking, you need to break down each element of your marketing strategy. This means dividing the cost of the marketing budget deployed over a given period by the number of bookings over that same period.

It is also important to know the source of digital acquisition for each booking (natural referencing, paid search, metasearch, social ads, display ads, etc.). You will find most of these sources in Google Analytics.

The cost of acquisition per booking is a key performance indicator that allows you to:

- Track the performance of the different campaigns.
- Identify and select the most profitable marketing channels.
- Allocate more budget to the most efficient channels in order to maximize the return on investment.

Therefore, knowing this cost allows you to better manage the marketing of your online hotel rooms, by measuring the effectiveness of your marketing and sales actions.

### 34. Average booking basket

The average booking basket is an essential KPI because it represents what each customer spends on average on your website.

Increasing your average basket is one of the most effective ways to increase your revenue. Indeed, by increasing the value per customer, you can absorb higher acquisition costs per booking while maintaining your profits or simply increase your ROI.

In order to calculate your average basket over a given period, you need to divide your revenue by the number of bookings. As with the cost per booking ratio, it is useful to compare the different channels to identify the most profitable ones.

This indicator allows you to better understand your customers' buying habits and to adjust your pricing strategy.

In the hotel industry, we observe that the average purchase basket is higher on official hotel websites than on OTAs (online travel agencies). This represents a good comparison base between your average basket and the OTAs' for your hotel.

## 35. KPIs to measure the relevance of your content

### Time spent per page

The time spent per page by a visitor allows you to evaluate the relevance of the information delivered on each page. The longer a traveler stays on your pages, the more likely they are to book with you directly.

Your rooms page is the most visited and the most important to market your hotel. The amount of time spent on it by visitors tells you how attractive the page is and how interesting your offers are. If there is one page to monitor, it is this one.

Avoid adding too much text to your website, convey emotions to your customers by being clear, concise and impactful. You can break up your text into paragraphs with headings to make it easier to read. The choice of quality images to show your hotel in its best light is also essential.

### Average time per session

The average time per session is the average amount of time a visitor spends on your website, i.e. the total duration between arrival and departure (bounce) from your website. The calculation is as follows: addition of the time spent on the visited pages, divided by the number of visits.

This tells you the overall relevance and retention level of your website. In principle, the longer a traveler stays on your website, the more likely he will book with you.

However, in Google Analytics, this data, just like the time spent per page, remains imprecise because it does not always take into account the time spent on the last page. The analysis of your reports must therefore take this limitation into account.

With these KPIs, you will be able to know if your hotel's website is effective with a certain level of detail. This makes it easier for you to decide whether to adjust your digital strategy based on your website's strengths and weaknesses.

Keep in mind that all these KPI figures work together. An in-depth analysis of your hospitality business is often necessary if you are intrigued by any of the data.

### 3.2. Flowchart for working with KPI's

### 3.3. Types Of KPI Reports

- **Analytical Reports**: these types of reports offer a detail on the KPIs that need to be tracked. Analytical reports can be made use of through all the business departments. These reports are curated with the main aim to answer questions which follow the peaks and troughs in the KPI data. Analytical reports' static version bring out historic values, on the other hand the interactive reports help users to go deep into the data by dividing the metrics into single parts.

- **Operational Reports**: these reports pay attention to the day-to-day activities of the business. These reports are helpful in providing assistance to the decision makers to help them take profitable actions.

- **Strategic Reports:** are created with an aim to guide the hoteliers where their business is heading and whether they are able to meet the set targets or not.

KPIs or hotel key performance indicators are not that much effort and time consuming that hoteliers might think, in fact when done appropriately and with the correct system the authorities and decision makers can automate the KPI and simplify their work to stay ahead of their competitors and also earn maximum revenue and the trust of their potential customers. Hotel Key performance indicators are definitely important for hoteliers to track and get the best out of their Hospitality Business.