ADVANCED FRONT OFFICE

Chapter One – Yield Management

Learning Objectives

At the end of this chapter you must be able to

- Explain what is Yield management and its use in the Hotel Industry
- Describe how capacity utilization is useful and what are the features that will help the hotels in Making profits
- State how you can measure yield and thus make Management related decisions regarding the turnover and the revenue
- Understand the various software that may be used for Yield Management

Introduction

HISTORICALLY, A HOTEL'S DAILY PERFORMANCE has been evaluated on either occupancy percentage or average daily rate (ADR). Unfortunately such one-dimensional analyses fail to capture the relationship between these two factors and the room revenue they produce. For example, a hotel may decrease its room rates, or ADR, in an effort to increase occupancy. This strategy, while helping to improve the occupancy percentage, fails to account for the revenue lost because of lower room rates .In addition, it does not take into account the cost per occupied room, which can reduce overall profitability. Unless occupancy increases can overcome the drop in rate and the relatively stable cost per occupied room, profits may actually go down. Similarly, increases in room rates, or ADR, may be accompanied by a decline in occupancy percentage. This means that some revenue will be lost because rooms that might have been sold at lower rates will remain unsold. Some hotel companies prefer to build occupancy percentage using low room rates to attract business, while others prefer to set a target average room rate and are willing to sacrifice occupancy to achieve it.

Revenue management presents a more precise measure of performance because it combines occupancy percentage and ADR into a single statistic the yield statistic. Simply stated, revenue management is a technique used to maximize revenues. Revenue management sometimes called yield management, takes into account as many of the factors influencing business trends as possible. It is also an evaluative tool that allows the front office manager to use potential revenue as the standard against which actual revenue can be compared.

There are various approaches to revenue management. Often, each approach is modeled to meet the needs of an individual hotel. This chapter presents many of the common elements and basic assumptions used in revenue management analysis. Although revenue management analysis can be performed manually, this approach is cumbersome, time-consuming, and error prone. With the use of a computer and appropriate application software, revenue management calculations can be automatically performed very quickly and accurately.

Concept of Yield Management

The concept of revenue management originated in the airline industry. Most travelers know that passengers on the same flight often pay different fares. Supersaver discount, fourteen-day advance-purchase plans, stay-over-Saturday-night packages, and so forth have become the norm for airline pricing. What is not as widely known is the potential application of revenue management to other service industries. Revenue management has proven successful in the lodging, car rental, cruise line, railroad, and touring industries—basically, in situations where reservations are taken for a perishable commodity. The key to successful implementation appears to be in an ability to monitor demand and to develop reliable forecasts.

Revenue management plays an important role in the financial success of lodging properties today. Like the airline industry, lodging managers are discovering that maximizing profits means more than setting prices and waiting to see what happens, Success in today's world means making the best of each selling situation.

Despite the benefits of revenue management, many lodging properties fail to use this valuable tool. Why? Possibly because revenue management goes beyond calculations and formulas. It involves analysis, evaluation, and strategy. It requires team involvement. It is an art that one develops and perfects through experience.

Revenue management is based on supply and demand. Prices tend to rise when demand exceeds supply; conversely, prices tend to fall when supply exceeds demand. Proper pricing adjustments, which take existing demand into account and can even influence it, appear to be the key to profitability. To increase revenue, the hotel industry is attempting to develop new forecasting techniques that will enable it to respond to change in supply and demand with optimal room rates. The hotel industry's focus is shifting from high-volume bookings to high-profit bookings. By increasing booking on low-demand days and by selling rooms at higher room rates on high-demand days, the industry improves its profitability. In general, room rates should be higher (in order to maximize rate) when demand exceeds supply and lower (in order to increase occupancy) when supply exceeds demand.

Revenue management is about making predictions and decisions-predictions about how much and what type of business to expect, and the subsequent decisions a manage makes to get the most revenue from
that business.

Hospitality Industry Applications

All hotel companies have a common problem; they produce a fixed inventory of perishable products that cannot be stored if unsold by a specific time. The real commodity that hotels sell is time in a given space. If a room goes unsold on a given night, there is no way to recover the time lost and therefore the revenue lost. Therefore, these produces are typically sold for varying prices that depend on the timing of the transaction and the proposed date of delivery.

To make predictions—called forecasts—managers need information. They have to understand the property and the competitive market in which the property operates. They also need to consider future events—or variables---that might affect business.

Forecasts help determine whether room rates should be raised or lowered, and whether a reservation request should be accepted or rejected in order to maximize revenue. Front office managers have successfully applied such demand-forecasting strategies to room reservation systems, management information systems, room and package pricing, room and revenue management, seasonal rate determination, pre-theater dinner special, and special, group, tour operator, and travel agent rates,. Front office managers have identified several benefits, including:

- Improved forecasting
- Improved seasonal pricing inventory decisions
- Identification of new marker segments
- Identification of market segment demands
- Enhanced coordination between the front office and sales division
- Determination of discounting activity
- Improved development of business plans
- Establishment of a value-based rate structure
- An increase in business and profits
- Savings in labor costs
- Reduced expenses caused by poor planning
- Initiation of consistent customer-contact scripting(that is, planned responses to customer inquiries or requests regarding reservations)

A common statement about the goal of revenue management is that it involves selling the right rooms to the right guests at the right rate at the right time. Selecting revenue management strategies and tactics is really about picking and choosing the reservations you want. Your goal is to identify the high yield guest—the one who will pay the most and stay the longest---so you can achieve the highest possible profits. You do this by controlling room rates and availability through rate and stay restriction.

Different demand situation call for different tactics. The challenge is to look at each day as a separate situation and implement tactics best suited to your property, your guests, your market, and your demand conditions. This is done through capacity management discount allocation and duration control.

Capacity Management.

Capacity management involves various methods of controlling and limiting room supply. For example, hotels will typically accept a statistically supported number of reservations in excess of the actual number of rooms available in an attempt to offset the potential impact of early check-outs, cancellations, and no-show. Capacity management (also called selective overbooking) balances the risk of overselling guestrooms against the potential loss of revenue arising from room spoilage (rooms going unoccupied after the hotel stopped taking reservation for a given date).

Other forms of capacity management include determining how many walking to accept on the day of arrival, given projected cancellations, no-shows, and early departures. Capacity management strategies usually very by room type. That is, it might be economically advantageous to overbook more rooms in lower-priced categories, because upgrading to higher-priced room is an acceptable solution to an oversell problem. The amount of such overbooking depends, of course, on the level of demand for the higher-priced rooms. In sophisticated computerized revenue management systems, capacity management may also be influenced by the availability of rooms at neighboring hotels or other competing properties.

The risks in overbooking should clearly understand. It is generally better to have some rooms vacant at the end of the hotel day than to walk guest to other hotels. Walking guests leads to guest dissatisfaction. Guests will change hotels or brands if overbooking relocates them too often. In addition, hotel management must be aware of how the local laws interpret overbooking.

Discount Allocation.

Discounting involves restricting the time period and product mix(rooms) available at reduced or discount rates. For each discounted room type, reservations are requested at various available rates, each set below rack rate. The theory is that the sale of a perishable item (the guestroom) at a reduced room rate is often better than no sale at all. The primary objective of discount allocation is to protect enough remaining rooms at a higher rate to satisfy the projected demand for rooms at that rate, while at the same time filling rooms that would otherwise have remained unsold. This process is repeated for each rate level from rack rate on down as demand indicates. Implementing such a scheme requires a reliable mechanism for demand forecasting.

A second objective of limiting discount by room type is to encourage up selling. In an up selling situation a reservation agent, or front desk agent, attempts to place a guest in a higher rated room. This technique requires a reliable estimate of price elasticity and/or the probability of upgrading.(Elasticity refers to the relationship between price and demand. If a small increase in price produces a dramatic drop in demand, the market is said to be price elastic. If a small increase in price produces little or no effect on demand, the market is said to be price inelastic)

Duration Control.

Duration control places time constraints on accepting reservations in order to protect sufficient space for multi-day requests (representing higher levels of revenue). This means that, under revenue management, reservation for a one- night stay may be rejected, even though space is available for that night.

For example, if Wednesday is close to selling out but adjacent nights are not, a hotel may want to optimize its revenue potential for the last few remaining rooms on Wednesday by requiring multi-day stays, even at a discounted rate, rather than accepting reservations of Wednesday only. Similarly, if the hotel is projected to be close to capacity Tuesday, Wednesday and Thursday, then accepting a one-night stay during any of those days may be detrimental to the hotel's overall room revenue since it may block occupancy on the other days. Hotels facing such situations may require that reservations for projected full-occupancy periods for more than one night.

These strategies may be combined. For example, duration control may be combined with discount allocation. A three-night stay may be available for discount while a one-night stay may require the rack rate. It must be cautioned, though, that using these strategies must not be apparent to the guest. A guest might not understand why he or she must stay three nights to get a discounted rate if he or she wants to stay only one night. Proper use of revenue management relies on selling; it never divulges the revenue management strategy being used.

Measuring Yield

Revenue management is designed to measure revenue achievement. One if the principal computations involve in revenue management is the hotel's yield statistic. The yield statistic is the ratio of actual room revenue to potential room revenue. Actual room revenue is the revenue generated by the number of rooms sold. Potential room revenue is the amount of money that would be received if all rooms were sold at their rack rates (or, as is described below, at the hotel's potential average rate)

Potential revenue can be determined in more than one way. Some resorts calculate their potential revenue as the amount that would be earned if all rooms were sold at the double occupancy rate.

Resorts generally have a high percentage of double occupancy.

Commercial hotels often calculate their potential revenue by taking into account the percentage mix of rooms normally sold at both single and double occupancy. The second method results in a lower total potential revenue figure, since single rooms are assumed to be sold at less than double rooms. In fact, while it is unlikely that a hotel will attain a potential that is based on 100 percent double occupancy (first method), a hotel using the second method may actually be able to exceed its "potential" if demand for double rooms exceeds sales mix projections.

Since the hotel's yield statistic will very with the method used, once a preferred method has been chosen, it should be used consistently. The second method (using both single and double occupancy) is illustrated in the formulas that follow. For hotels using the first method (based on 100 percent double occupancy), formulas 1,3,4 and 5 are not applicable; for such hotels, the potential average double rate (formula 2) will be the same as the potential average rate (formula 5)

The mathematical computations required for revenue management are relatively, simple, even though a series of formulas are usually involved. This section is intended to introduce the basic formulations of revenue management calculations.

For the following discussion, assume that the Cass Vana Inn has 300 guest rooms, has an ADR of Rs.80 per room and is currently operating at a 70 percent average occupancy. The hotel offers 100 one-bed and 200 two-bed guestrooms. Management has established single and double rack rates for each room type. Any one-bed room sold as a single is price at Rs.90; as a double, it sells for Rs.110. Any two-bed room sold as a single is priced at Rs.100; as a double, it sell for Rs.120.

Formula 1: Potential Average Single Rate

If the hotel had not varied its single rate by room type (for example, if all singles were Rs.90), the potential average single rate would equal its rack rate. When, as in this case, the single rate differs by room type, the potential average single rate is computed as a weighted average. It is found by multiplying the number of rooms in each room type category by its single room rack rate and dividing the sum total by the number of potential single room in the hotel. For the Casa Vane Inn, the potential average single rate is computed as follows:

Room Type	Number of Rooms	Single Rack Rate	Revenue at 100% Occupancy Singles
1 bed	100	Rs. 90	Rs. 9,000
2 beds	200	100	20,000
	300		Rs.29,000

$$\text{Potential Average Single Rate} = \frac{\text{Single Room Revenues at Rack Rate}}{\text{Number of Rooms Sold as Singles}}$$

$$= \frac{\$29,900}{300}$$

$$= \text{Rs.}96.67$$

Formula 2: Potential Average Double Rate

If the hotel had not varied its double rate by room type, the potential average double rate would equal its rack rate.When, as in this case, the double rate differs by room type, the potential average double rate is computed as a weighted average. It is found by multiplying the number of rooms in each room type category by its respective double-room rack rate and dividing the sum total by the number of potential double rooms in the hotel. For the Casa Vane Inn, this computation is an follows:

Room Number Single Revenue at 100% Occupancy

Type	of Rooms	Rack Rate	Singles
1 bed	100	Rs. 110	Rs.11,000
2 beds	200	120	24,000
	300		Rs.35,000

$$\text{Potential Average} = \frac{\text{Single Room Revenues at Rack Rate}}{\text{Single RateNumber of Rooms Sold as Doubles}}$$

$$= \frac{\$35{,}000}{300}$$

$$= \text{Rs.}116.67$$

Note: For lodging properties basing potential revenue on 100 percent double occupancy, this step is all that is needed to determine potential average rate (see formula 5)

Formula 3: Multiple Occupancy Percentage

An important element in determining a hotel's yield statistic is the proportion of the hotel's rooms that are occupied by more than one person, that is, the multiple occupancy percentage. This information is important because it indicates sales mix and helps balance room rates with future occupancy demand. In the case of the Cass Vana Inn, if 105 of the 210 rooms sold (at 70 percent occupancy) are normally occupied by more than one person, the multiple occupancy percentage is computed as follows:

$$\text{Multiple Occupancy Percentage} = \frac{105}{210}$$

$$= 0.5 \text{ or } 50\%$$

Formula 4: Rate Spread

In addition to multiple occupancy percentage, another intermediate computation is important to yield statistics. The determination of a room rte spread among various room types, can be essential to the use of yield decisions in targeting a hotel's specific market. The mathematical difference between the hotel's potential average single rate (formula 1) and potential average double rate (formula 2) is known as the rate spread. For the Casa Vane Inn the rate spread is computed as follows:

Rate Spread = Potential Average Double Rate - Potential Average Single Rate

= Rs.116.67 -Rs.96.67

= Rs. 20.00

Formula 5: Potential Average Rate

A very important element in revenue management formulations is the potential average rate. A hotel's potential average rate is a collective statistic that effectively combines the potential average rates, multiple occupancy percentage, and rate spread. The potential average determined in two steps. The first step involves multiplying the rate spread by the hotel's multiple occupancy percentage. The result is added to the hotel's potential average single rate to produce a potential average rate based on demand (sales mix) and room rate information. For the Casa Vane Inn, the potential average rate is computed as follows:

Potential Average Rate = Multiple Occupancy x Rate Spread + Potential Average Rate Single Rate

= (.5 x Rs.20) + Rs.96.67

= Rs.106.67

Formula 6: Room Rate Achievement Factor

The percentage of the rack rate that the hotel actually receives is contained in the hotel's **achievement factor (AF),** also called the rate potential percentage. When revenue management software is not being used, the achievement factor is generally calculated by diving the actual average rate the hotel is currently collecting by the potential average rate. The actual average rate equals total rooms revenue divided by either rooms sold or rooms occupied (depending on hotel policy). For the Casa Vana Inn, the room rate achievement factor is computed as follows:

$$\text{Achievement Factor} = \frac{\text{Actual Average Rate}}{\text{Potential Average Rate}}$$

$$= \frac{\$80.00}{\$106.67}$$

$$= 0.750 \text{ or } 75.0\%$$

The achievement factor is also equal to 100 percent minus the discount percentage. By calculating its achievement factor, management discovers how much its actual room rates varied from established rack rates. In this case, the discount percentage is 25 percent.

As is shown below, the achievement factor can be used in one method of determining the yield statistic. It is not necessary to calculate the achievement factor, because the yield statistic can be determined without it. Nonetheless, the achievement factor is an important statistic in its own right because it allows management to monitor and therefore better control the hotel's use of discounting. For this reason, many hotel's use of discounting. For this reason, many hotels calculate the achievement factor as part of their revenue management efforts.

Formula 7: Yield Statistic

An important element in revenue management is the yield statistic. The yield statistic calculation incorporates several of the previous formulas into a critical index. There are various ways to express and calculate the yield statistic, all of which are equivalent :

1.	Yield	=	$\frac{\text{Actual Rooms Revenue}}{\text{Potential Rooms Revenue}}$		
2.	Yield	=	$\frac{\text{Room Nights Sold}}{\text{Room Nights Available}}$	×	$\frac{\text{Actual Average Room Rate}}{\text{Potential Average Rate}}$
3.	Yield	=	Occupancy Percentage	×	Achievement Factor

The first equation is used for a hotel that offers all its rooms at a single rack rate, regardless of occupancy. When (as is far more common) a hotel uses more than one rack rate for different room types and/or occupancies, potential rooms revenue equals total room nights available times the potential average rate.

The self-explanatory second equation is not demonstrated here. The third equation is illustrated below. For the Casa Vane Inn, the calculation as follows:

Yield = Occupancy Percentage x Achievement Factor

= 0.7 x 0.75

= 0.525 or 52.5%

Consider another example. Assume that the Cybex Hotels has 150 rooms and a rack of Rs.70. On average, the hotel sells 120 rooms per night at an average room rate Rs.60. What is the yield for this property?

Occupancy Percentage = 120 + 150 = 0.8 or 80%

Rate Achievement Factor = 60 70 = 0.857 or 85.7%

Yield = 0.8 x 0.857 = 0.686 or 68.6%

When using this approach to determine the yield statistic, note that complimentary rooms must be treated in the achievement factor the same way that they are treated in the occupancy percentage. That is; if complimentary rooms are included in the occupancy percentage, the actual average room rate used to determine the achievement factor must equal room revenues divided by rooms occupied, not rooms sold. If complimentary rooms are ignored in the occupancy percentage, they should be ignored in calculating the actual average room rate as well.

Instead of computing yield as a percentage some lodging operations prefer an alternate statistic that focuses on revenue per available room (RevPAR). The Re-PAR can be calculated using either of the following equations:

$$\text{RevPAR} = \frac{\text{Actual Room Revenue}}{\text{Number of Available Rooms}}$$

RevPAR =Occupancy Percentage x ADR

For example, suppose the 300 room Casa Vane Inn sells 180 rooms for a total of Rs.11,520. What is this hotel's revenue per available room?

$$\text{RevPAR} = \frac{\text{Actual Room Revenue}}{\text{Number of Available Rooms}}$$

= Rs.11,520 300 = Rs.38.40

or

RevPAR = Occupancy Percentage x ADR

= 60% x Rs.64 = Rs.38.40

Whether occupancy percentage = 180 300 = 0.6 or 60%

And ADR = Rs.11,520 180 = Rs.64

Formula 8: Equivalent Occupancy

The equivalent occupancy formula can be used when management wants to know what other combinations of room rate and occupancy percentage provided equivalent net revenue.

The equivalent occupancy formula is very similar to the identical yield occupancy formula, but takes marginal costs into account by incorporating gross profit or contribution margin. The cost per occupied room (also called marginal cost) of providing a room is the cost the hotel incurs by selling that room (for example, housekeeping expenses such as cleaning supplies); this cost would not be incurred if the room were not sold (as opposed to fixed costs, which are incurred whether the room is sold or not). The contribution margin is that portion of the room rate that is left over after the marginal cost of providing that room has been subtracted out

The find the equivalent occupancy, use either of the following formulas (which are equivalent versions of the same equation):

$$\text{Equivalent Occupancy} = \text{Current Occupancy Percentage} \times \frac{\text{Rack Rate} - \text{Marginal Cost}}{\text{Rack Cost} \times (\text{1-Discount Percentage}) - \text{Marginal Cost}}$$

$$\text{Equivalent Occupancy} = \text{Current Occupancy Percentage} \times \frac{\text{Current Contribution Margin}}{\text{New Contribution Margin}}$$

Recall the example discussed under identical yield statistics. Now assume that casa vana inn is currently operating at 70 percent occupancy with an average rate of Rs.80, and is considering strategies designed to rise its average rate to Rs.100. further assume that the marginal cost of providing a room is Rs.12. what occupancy percentage must the Casa Vana Inn achieve to match the net room revenue it currently receives?

$$\text{Equivalent Occupancy} = \text{Current Occupancy Percentage} \times \frac{\text{Current Contribution Margin}}{\text{New Contribution Margin}}$$

$$= 70\% \times \frac{\$80 - \$12}{\$100 - \$12}$$

= 0541 or 54.1%

Recall from the discussion of identical yields that the Casa Vana Inn needs a 56 percent occupancy to produce an identical yield statistic, that is, equivalent gross revenue. However, the Casa Vane Inn does not need to match its gross revenue in order to achieve the same net revenue, since by selling fewer rooms (at the higher price), it incurs fewer associated operating costs.

Although rack rates are raised relatively infrequently, discounting is a common practice in the lodging industry. What is the equivalent occupancy to 70 percent with Rs.80 average room rate if the average room rate is discount by 20 percent (to Rs.64)?

$$\text{Equivalent Occupancy} = 70\% \times \frac{\text{Rs.80 - Rs.12}}{\text{Rs.64 - Rs.12}}$$

$$= 0.915 \text{ or } 91.5\%$$

A discount grid can help management to evaluate room rate discounting strategies. For example, if the average room rate of a hotel is Rs.100 and its marginal

Exhibit 1 Sample Discount Grid

Rack Rate	Rs.100.00						
Marginal Cost	Rs.11.00						
Current Occupancy	Equivalent Occupancy Percent Required to Maintain Profitability if Rates are Discounted by :						
	5%	10%	15%	20%	25%	30%	35%
100%	106.0%	112.7%	120.3%	129.0%	139.1%	150.8%	164.8%
95%	100.7%	107.0%	114.3%	122.5%	132.1%	143.3%	156.6%
90%	95.4%	101.4%	108.2%	116.1%	125.2%	135.8%	148.3%
85%	91.1%	95.8%	102.2%	109.6	118.2%	128.2%	140.1%
80%	84.8%	90.1%	96.2%	103.2%	111.3%	120.7%	131.9%
75%	79.5%	84.5%	90.2%	96.7%	104.3%	113.1%	123.6%
70%	74.2%	78.9%	84.2%	90.3%	97.3%	105.6%	115.4%
65%	68.9%	73.2%	78.2%	83.8%	94.4%	98.1%	107.1%
60%	63.6%	67.6%	72.2%	77.4%	83.4%	90.5%	98.9%
55%	58.3%	62.0%	66.1%	70.9%	76.5%	83.0%	90.6%
50%	53.0%	56.3%	60.1%	64.5%	69.5%	75.4%	82.4%
45%	47.7%	50.7%	54.1%	58.0%	62.6%	67.9%	74.2%
40%	42.4%	45.1%	48.1%	51.6%	55.6%	60.3%	65.9%
35%	37.1%	39.4%	42.1%	45.1%	48.7%	52.8%	57.7%
30%	31.8%	33.8%	36.1%	38.7%	41.7%	45.3%	49.4%
25%	26.5%	28.2%	30.1%	32.2%	34.8%	37.7%	41.2%

cost (cost per occupied room) is Rs.11, the grid in Exhibit 1 lists the occupancy percentages needed to achieve equivalent net revenue, given different room rate discount levels. To prepare a discount grid, first calculate the marginal cost of providing a guestroom. Next, integrate this information into the equivalent occupancy formula and perform the calculation to fill in the grid. Completing a discount grid manually is quite time-consuming spreadsheet programs greatly simplify the process.

Applying the yield and equivalent occupancy formulas to the same data will help illustrate their differences. Suppose one again that the Casa Vane Inn is currently operating at70 percent occupancy with an average rate of Rs.80 and a marginal cost of Rs.12. Would the Inn be better off with an average rate of Rs.100 and 55 percent occupancy? What about Rs.100 and 55 percent occupancy? Exhibit 2 presents these data and applies the yield statistic and equivalent occupancy formulas. Note that 50 percent occupancy falls below both the 56 percent needed for identical yield and the 54.1 percent needed to produce equivalent net room revenue. Therefore, according to either approach, the Casa vane Inn is worse off operating and a 50 percent occupancy and a Rs.100 average room rate.

The second situation, however, finds the two approaches in conflict and illustrates the superiority of the equivalent occupancy formula. At 55 percent

Exhibit 2 Application of Yield and Equivalent Occupancy Formulas

	Number of Rooms Sold	Occupancy Percentage	Average Room Rate	Gross Room Revenue	Total Contribution Margin*	Yield
Current	210	70.0%	Rs. 80	Rs.16,800	Rs.14,280	52.5%
Identical	168	56.0%	100	16,800	14,784	52.5%
Equivalent	162**	54.1%	100	16,200	14,280	50.6%
New	150	50.0%	100	15,000	13,200	46.9%
New	165	55.0%	100	16,500	14,520	51.6%

*Based on a marginal cost of Rs.12. Since fixed costs are the same for all situations, the differences between total contribution margins will exactly equal the differences between net room revenues.
**Rounded down from 162.3. Based on this amount, net revenues would be Rs.14,282.

Occupancy, the Casa Vane Inn falls short of the 56 percent needed to produce an identical yield statistic. When the yield statistic formula is used the Inn appears to be worse off. However, the 55 percent occupancy level is higher than the 54.1 percent needed to produce equivalent net room revenue. With the equivalent occupancy formula the Inn would be better off. A close look at the total contribution margin column—which shows that contribution (and therefore net room revenue) would rise---reveals that the equivalent occupancy formula provides more accurate and useful information.

Of course, the net gain in room revenue would have to be weighed against the potential loss of non-room revenue caused by a lower level of occupancy.

Elements of Revenue Management

The fact that flexible room rates affect both the number of guests and associated revenue transactions helps demonstrate the potential complexities of revenue management. Focusing attention on only room revenue potential may not present management with a comprehensive overview.

Revenue management becomes even more complex when room rate discounting is granted on a selective rather than general basis and when it involves selling rooms for which there may be competing buyers. Hotels frequently offer discount to certain categories of guests (for example, senior citizens and government employees). Hotels must also decide whether to accept or refuse group business at a discount room rate. This section discusses various situations that can arise when hotels base their booking decisions on revenue management.

The following elements must be included in the development of a successful revenue management strategy:

- Group room sales
- Transient (or FIT) room sales
- Food and beverage activity
- Local and area-wide activities
- Special events

One of the most important issues to understand about revenue management is that the practice changes from property to property. It may also change from season to season within a property due to sources of business, competition and other issues. However, there are certain elements important to developing basic revenue management skills.

Group Room Sales

In many hotels, groups form the nucleus of room revenue. It is common for hotels to receive reservations for group sales from three months to two years in advance of arrival.Some international business hotels and popular resorts commonly book groups more than two years in advance.

Therefore understanding group booking trends and requirements can be critical to the success of revenue management.

Sales and catering managers are in constant contact with new and existing clients. When a request comes in, the sales or catering manager must carefully research and document what the client is requesting. Then, the information is presented to the revenue meeting for a series for consideration. Questions to be asked be fore a decision is made include:

- Does the group request fit into the hotel's strategy for the period? For example, the group requires 100 rooms, but that number will exceed the group allocation for the period.
- Are there other groups who are interested in the same period?
- What meeting space will the group require?
- What impact will this group have no booking additional group business for the same dates?
- What is the group willing to pay in room rate?
- Do the food and beverage functions include catered events or will the hotel's restaurants be used?
- What revenue can the hotel plan to earn for rooms, food and beverage and other sources?

63

To understand the potential impact of group sales on overall room revenue, the hotel should collect as much group information as possible, including:

- Group booking data
- Group booking pace
- Anticipated group business
- Group booking lead time
- Displacement of transient business

Group Booking Data. Management should determine whether the group blocks already recorded in the reservation file should be modified because of anticipated cancellations, historical over-estimation of the number of rooms needed, or greater demand than originally anticipated by the group leader. If the group ha a previous business profit, management can often adjust expectations by reviewing the group's booking history. Groups tend to block 5 percent to 10 percent more rooms than they are likely to need, in optimistic anticipation of the number of attendees. The hotel's deletion of unnecessary group rooms from a group block is called the **wash factor.** Management must be careful in estimating how many rooms should be "washed" from the block. If a group block is reduced by too many rooms, the hotel may find itself overbooked and unable to accommodate all of the members of the group.

Group Booking Pace. The rate at which group business is being booked is called the **group booking pace.** ("Booking" in this context refers to the initial agreement between the group and the hotel, not to the specific assignment of individual rooms in the block to group and the hotel, not to the specific assignment of individual rooms in the block to group members.[4]) For example, suppose that in April of a given year a hotel has 300 rooms in group blocks it is holding for scheduled functions in October of the same year. If the hotel had only 250 group rooms booked for October at the same time the year before, the booking pace would be 20 percent ahead of the previous year's pace. Once a hotel has accumulated several years of group booking data, it can often identify a historical trend that reveals a normal booking pace for each month of the year. Although this forecasting process appears simple, it city-wide convention. These variations should be noted so that they can be recognized in future booking pace forecasting. Management should strive to maintain a straightforward method for tracking group booking pace. Booking pace can be an invaluable forecasting variable.

Anticipated Group Business. Most national, regional, and state associations, as well as some corporations, have policies governing the locations of annual meetings. For example, a group may rotate its meeting location among three cities, returning to each every three years. Although a contract may not yet be signed, hotel management may be confident that the group may displace other group and non-group business that will need to find alternate accommodations in the area.

Exhibit 3 Lead Time/Booking Pace for Sample Hotel

adjust their selling strategies accordingly. In addition, tentative bookings that await final contract negotiations should also be included in the revenue management analysis.

Group Booking Lead Time. Booking lead time measures how far in advance manage of a stay booking are made. For many hotels, group booking are usually made within one year of planned arrival. Management should determine its hotel's lead time for group bookings so that booking trends can be charted. Booking trends can be combined with booking pace information to illustrate the rate at which the hotel is booking group and at what room rate to book the new group. If the current booking pace is lower than expected or lags behind the historical trend, it may be necessary to offer a lower room rate to stimulate increased occupancy. On the other hand, if demand is strong and the group booking pace is ahead of anticipated or historical trends, it may not be appropriate to discount room rates. Catering sales must also be taken into consideration when looking at booking lead. For example, weddings are often planned a year in advance, management must make a decision to accept the catering request or hold out for the possibility of a group that will take guestrooms as well as the ballroom. The group booking may never come, and if the hotel turns down the catering business, the guestrooms and ballroom will be empty.

Displacement of Transient Business. Management should consult its demand forecast when determining whether or not to accept additional group business. **Displacement** occurs when a hotel accepts group business at the expenses of transient guests. Since transient guests often pay higher room rates than group members, this situation warrants close scrutiny. Transient rooms are guestrooms sold to guests who are not affiliated with a group registered with the hotel. A non-group guest may also be called an FIT (free independent traveler).

Assume that the 400-room Halbrook Lodge has a potential average rate of Rs.100, an actual average transient rate of Rs.80, an actual average group rate of Rs.60, and a marginal cost of Rs.15 per occupied room. Consider the impact of a proposed group block of 60 room during an upcoming four-day period:

	Tuesday	Wednesday	Thursday	Friday
Rooms Available	400	400	400	400
Definite Groups Booked	140	140	150	150
Expected Transient Demand	200	180	220	210
Available Rooms	60	80	30	40
Proposed Group Block	60	60	60	60
Transient Displacement	0	0	30	20

If the proposed group block is accepted, no displacement occurs on Tuesday and Wednesday; the hotel clearly benefits on these days because it sells rooms it did not expect to sell (earning an additional Rs.3,600 gross and Rs.2,700 net room revenue each day). On Thursday and Friday, however, 30 and 20 transient guests, respectively, would be displaced. Still, as shown in Exhibit 4, Thursday's room revenue will rise by Rs.1,200 gross and Rs.750 net if the group is accepted. Friday's room revenue will rise by Rs.2,000 gross and Rs.1,400 net if the group is accepted. In other words, accepting the group business will increase the hotel's yield on each of the four days. Since it also raises the hotel's occupancy, this group's business will probably increase non-room revenue as well.

Several factors help determine whether a group reservation should be accepted. As just illustrated, the hotel should first look at revenue factors. A group should probably be accepted only if the expected revenue gain (including that from non-room revenue centers) offsets the transient guest revenue loss. In addition, management must consider what happens to the transient guests who cannot be accommodated. Whether these displaced guest revenue loss. In addition, management must consider what happens to the transient guests are frequent or first-time guests, they may decide not be confined simply to the nights in question,

Exhibit 4 Revenue and Yield Calculations

	Tuesday		Wednesday		Thursday		Friday	
	Without Group	With Group	Without Group	With Group	Without Group	With Group	Without Group	With Group
Gross revenue	Rs.24,400	Rs.28,000	Rs.22,800	Rs.26,400	Rs.26,600	Rs.27,800	Rs.25,800	Rs.27,800
Contribution*	19,300	22,000	18,000	20,700	21,050	21,800	20,400	21,800
Yield**	61.0%	70.0%	57.0%	66.0%	66.5%	69.5%	64.5%	69.5%

*Based on a marginal cost of Rs.15.

**Potential revenue = Rs.100 potential average rate × 400 rooms = Rs.40,000.

Especially when frequent guests choose not to return. Of course, turning away potential group business may also reduce future business.

Another situation in which the transient revenue lost may not be confined simply to the nights in question occurs when a non-group guest wishing to come in on Tuesday for three nights will be turned away if the group is taken. Even though inventory, it is affecting Tuesday and Wednesday as well.

Deciding whether to accept a group that forces transient displacement is an issue that deserves careful consideration. Management must consider the longer term impact on further business.

Keeping track of a group's history can help re-allocate group rooms to transient when those rooms may not be needed. Most groups over-estimate the number of rooms needed by about five to ten percent. That percentage is called the wash factor. By knowing each group's wash factor, a manager can safely release the excess rooms from the block. If a group's block is reduced by too many rooms, the property may find itself oversold and unable to accommodate all of the guests. If the group doesn't have a history with the property, a manager might contact other hotels where the group has previously stayed.

Transient Room Sales

As mentioned earlier, transient rooms are those rooms sold to non-group travelers. Transient business is usually booked closer to the date of arrival than group business. A commercial hotel may book a majority of its group business three to six months before arrival, while booking may be established one to two years in advance, while transient business may be booked three months in advance. As with group business, management must monitor the booking pace and lead time of transient business in other to understand how current reservations compare with historical and anticipated rates. This leads to the more complex subject of transient room rate discounting.

In a previous example, room rates were set by bed type and number in inventory. However, in today's market there may be many other reasons to price rooms differently. In order to maximize room revenue, front office managers may decide rooms. For example, rooms that are smaller, near noisy corridors, unrenovated or that offer less desirable views are likely to be offered at lower room rate. More desirable rooms may be classified as deluxe and be assigned higher room rate. More desired rooms may be classified as standard and be assigned higher room rates.

In order to build business, hotels may offer deluxe rooms at standard rates to attract guests. This is especially true in times of low demand. Then, as demand offered at full rack rate. Under this strategy, management attempts to maximize room revenue, not just average room rate or occupancy percentage. The reasoning is that lower demand creates a more competitive situation for the hotel. Discounting may reduce the amount of business lost because of rate are increased too soon, occupancy may be lost. If room rate are increased too soon, occupancy may be lost. If room rates are increased too late, some rooms may be sold for less than they could have been sold for. When discounting a deluxe room to a standard rate, the reservation or front desk agent should tell. it also reduces the confusion on the part of the guest the next time he or she comes to the hotel and is quoted a higher rate.

Managers must also consider the ethics of revenue management when choosing strategies. If a guestroom is classified as standard, there is usually a very good reason for it. Therefore, it would appear unethical to sell the room at a rate higher than its rack rate just because someone may be willing to pay the higher rate. Even though demand may provide the opportunity for a higher rate, charging the rate just because the market will accept it for the period is not always a good business practice. Some hotels done this and received criticism from the market for doing it. This is one reason many states require room rates to be posted in each room.

Another issue to consider in transient room sales is the discounting offered to certain sources of business. Discounts can be offered to corporate and government and others. Quite often, these discounts apply to a substantial portion of a hotel's business. Some hotel companies are following the lead of airlines by offering discounts to guests booking through the Internet. Their justification for these discounts is that there are lower costs associated with Internet reservations. These savings are being passed along to the consumer. However, this practice is still in its infancy and it will take time for the traveling public and hotel management to understand the impact of this type of discounting. For example, by offering Internet reservation discounts, hotel management must ask what impact it will have on the volume of travel agency reservations.

Controlling discounts is crucial to producing an optimal yield. For example, if a hotel has very few rooms reserved over a holiday period, it may open all discounts to callers just to attract business. As demand builds over the period, the discounts may be selectively closed. When the front office manager believes that rooms can be sold at a higher rate without an offsetting loss in occupancy, the discount should be closed. Some discounts cannot be closed off. Whenever possible, contracts for discounts provide for flexibility when business conditions warrant.

Food and Beverage Activity

While banquet and catering functions are food and beverage revenue generators, they can have an effect on a yield decision. For example, if a banquet with no guestroom requirements is occupying the hotel's ballroom, a group needing 50 guestrooms *and* a ballroom may have to be turned away. In most cases, the group needing both catering and guestroom space will produce more profit for the hotel. Therefore, local food and beverage functions should be viewed in light of the potential for booking groups that need meeting space, food and beverage service, and guestrooms. Cooperation and communication between hotel departments is important to effective revenue management.

Local and Area-Wide Activities

Local and area-wide activities can have dramatic effects on the revenue management strategies of a hotel. Even when a hotel is not in the immediate vicinity of a convention, transient guests and smaller groups displaced by the convention may be referred to the hotel (as an overflow facility). When this occurs, the front office manager should be aware of the convention and the demand for guestrooms it has crested. If the demand is substantial, transient and group rates may need to be adjusted.

Convention business may render a trend analysis of group and transient activity invalid. If the booking pace of either group or transient rooms sales is significantly altered, the front office manager should immediately investigate. An increase in demand could indicate a convention in the area or a large booking at another property. A decrease in demand could indicate a major group cancellation at a competing property, which is now reducing its regular pricing to fill its guestrooms.

Ethics and good business practice should play an integral part in a yield strategy or tactic. It is appropriate and legal for competitors to occasionally meet and discuss general business trends. However, it is *not* legal to discuss room rates or the establishment (fixing) of room rates. There may also be additional sources of information that identify what is affecting business in the area. For example, most visitor and convention bureaus publish a list of meeting in their areas. Under no circumstances should employees of two different hotels discuss rate structuring or any other hotel operating issue such activity might be considered a violation of anti-trust laws in the United States.

Special Events

Quite often, special events such as concerts, festivals, and sporting events are held in or near a hotel. The hotel may be able to take advantage of such demand-enhancing activities by restricting room rate discounts or requiring a minimum length of stay. This is a common practice, for example, during the Christmas holidays at many Southern resorts. Similarly, room discounts were eliminated during the 1996 Summer Olympic Games In Atlanta, Georgia, due to high demand and limited availability Minimum stays were also required. These are all sound revenue management tactics, but they must be managed carefully so the hotel does not alienate frequent travelers.

Using Yield Management

The Yield Management

Yield management is an ongoing process. Whether the property is experiencing high demand or low demand, revenue management has a role and is part of the hotel's overall approach to business. Many hotels find it very useful to have a regular revenue meeting to share important business information and make appropriate revenue management decisions.

A common mistake is to consider revenue management to be a short-term process. Some managers try to make decisions within a few weeks of the arrival date. In fact, this is the opposite of what should be done. Successful revenue management looks months or years into the future, tracking business trends and guest demand. This is especially true of group –oriented hotels that have the majority of their rooms in their group allocation. These hotels usually book groups well into the future so, their revenue management decisions have impact well into the future as well. While changing rates within a few weeks of arrivals in these hotels may improve ADR or Rev PAR, the real impact is made when the group is booked and the rates are confirmed.

Because a property's staff is essential to the success of revenue management efforts, they will want to meet as part of revenue management team. This team usually includes representatives from key areas of the property. The general manage, all the sales managers and catering managers, and the reservations manager generally attend the revenue meetings as part of the revenue management team. if they hotel has a dedicated revenue manager, that person is also a regular attendee. Other managers may be invited to attend periodically. For example, the hotel controller may attend periodically to report on month end result or special issues that the revenue meeting should address. The front office manager and food manager and food and beverage manager or catering manager may also be invited, as some decisions may need their involvement. Exhibit 5 lists way that the revenue management team can encourage the entire staff to be involved in revenue management.

The team acts as satellite agents for implementing a revenue management plan. They can help a property determine whether past forecasts were accurate and may alert the revenue manager to significant patterns in group or transient behavior. The team can develop action plans for interdepartmental communication. With accurate forecasts in hand, all departments can prepare for the days ahead:

- knowing how many guests are in house can help food and beverage prepare
- rate changes and adaptations in selling strategy affects the sales department
- Occupancy percentages will affect housekeeping and bell services.

Unless regular processes are established, it will be difficult for a property to ensure that revenue management is ongoing. The revenue management team may meet either daily, weekly, or monthly.

Daily meetings typically last only fifteen or so minutes. During the meeting, the team:

Exhibit 5 Ensure Ongoing Communication and involvement

Here are some ideals for getting your staff involved in revenue management:

- Create a sense of competition. Show staff members the various forms and reports, such as TIMS or STAR. Let them know how your competition is doing and encourage them to exceed your biggest competitors.
- Post measurable, specific goals such as budgets or occupancy data. Your staff needs to know exactly what is expected of them. So make sure the goals are challenging yet attainable.
- Show staff members how much they each affect the bottom line. Staff members who understand their role in the organization and the impact they are more likely to support your efforts.
- Provide incentives or recognition for goal attainment: Seek and provide feed back on good work and follow up when goals aren't met. Coach staff members to correct problems.
- Train your staff. Simply telling them what you want them to do isn't enough. Take the time to show them *exactly* what you expect from them. Follow up continuously to make sure standards are being met.

- Reviews the three –day forecast and makes sure that previously agreed-upon strategies are still in place.
- Reviews the previous days (or weekend's) occupancy, room revenue, ADR, and yield statistic. These numbers are customarily available trough night audit reporting. If there are variances from what was expected, they should be briefly discussed so that everyone understands what the differences are.
- Review the booking pace for near-term business (usually within three months.) the revenue meeting needs to know whether the hotel is where it should be in the number of rooms and rooms revenue. The booking pace is compared to the day-to-day increase of business the hotel has planned. if the hotel is below the pace, there is a problem and action steps must be taken to build the business. if the pace is above the plan, the hotel may have additional revenue opportunities to consider. Most commercial hotels do not have a lot transient business on the books months in advance. In these properties the bookings pace is really concerned with the group business. However, resorts may have strong transits demand months in advance. For instance, ski resorts and warm whether resorts may track the booking pace of Christmas season packages sold to transits guests. The group booking pace may be checked weekly or less frequently for business farther into the future.
- Reviews old business. In some cases, more research is needed before a revenue decisions can be made. group history may not be immediately available, the reservation pick up of city-wide convention may need to be checked, the flexibility of meeting dates or the exact meeting rooms requirements may be needed before decisions can be made. in these cases, the person responsible for researching the issue will present their findings so that decisions can be made.
- Presents new business. There are two elements to new business, transient and group business. Transient business changes daily especially within a week of arrival. This is true of all hotels. Because of this, the reservations manager must monitor transient demand closely and important changes should be presented to the re venue meeting. For instance, a hotel may exact to have 75 percent occupancy one week into the future and transits demand has already driven occupancy above that forecast. The revenue meeting needs to know that so that rates and other strategies can be reviewed. This should be reviewed. This should not be a reactive process. Plans should be set in advance for each day that management believes an opportunity may arise to change rates. For example, management believes that when a hotel reaches 90 percent occupancy, only rack rates should be sold. if a hotel is at 88 percent occupancy five days out, the reservations management and front office manager should have clear instructions coming out of the revenue meeting concerning what to do when occupancy reaches 90 percent. The rate changes should not have to wait for the revenue meeting on the next day. at the same

time, if there are last minute cancellation bringing the occupancy below 90 percent, the reservations manager should be able to offer selected discounts without having to wait for the next meeting.

- Discusses any last-minute adjustments that need to be made.
- Determine what information needs to be circulated as part of the interdepartmental communication plan.
- Reviews the 30-60 day outlook and communicates any updates in those forecasts.

At weekly meetings, the team might meet for an hour to :

- Reviews forecasts for 30,60,90, and 120 days out.
- Discuss strategies for upcoming critical periods.

At monthly meetings, the revenue management team discusses issues that affect the big picture. They might look specifically at show months and determine what efforts might boost sales, such as additional marketing, appeals to locals, or special sales force deployment. They would also review the ongoing annual forecast. Some terms also use monthly meetings to provide any needed training on revenue management skills.

All elements of revenue management should new viewed together to make an appropriate decision. While the process is potentially complex, a failure to include relevant factors may render revenue management efforts less than fully successful.

Yields statistics should be tracked daily. Tracking yield static for an extensive period of time can be helpful to trend recognition. However, to use revenue management properly, management must track yield statistics for *future* days. Future period calculations must be done every business day, depending on how far in advance the hotel books its business. if a hotel is currently at 50 percent yield for a day three weeks away, there may be plenty of time to put strategies in place to increase the projected level of yield. Discounts may be opened to raise occupancy or closed to raise average rate. If achieving full potential room revenue is not possible (and it usually is not), the front office manager must decide on the best combination of rate and occupancy.

Each sales contract for group business should be reviewed individually. Contracts should be compared with historical trends as well as with budgets. Sales managers are expected to make a group rate recommendation for each group they bring meeting. This rate recommendation needs to be compared to the budgets and perhaps forecast. if it meets or exceeds the hotel's objectives for the periods, there is usually little discussion. However, if the proposed rates fall below expectations, there needs to be good reason. A hotel usually has group sales target or budgeted figure for each month. Each group should be examined to see if it will contribute to meeting the budget. if current transient demand is strong and the group will produce only minimal revenue, the hotel may consider not booking it. if demand is weak, the hotel may device to accept the group simply to create revenue by selling rooms that would not otherwise be sold. Using group booking pace analyses will help management determine whether the hotel is on track to reach its target.

Another factor is the actual group-booking pattern already on the books. For example, a hotel may have two days between groups that are not busy. Management may solicit a lower-revenue-generating group to fill the gap. The opposite may also occur. A group may desire space during a period when the hotel is close to filling its group room's goal. Adding the group may move the hotel group sales above its goal. While this appears to be favorable, it may displace higher-rates transient business. if the group wants the hotel, it may need to be quoted a higher than normal group rate to help make up for the revenue lost through the displacement of transient guests.

The same type of analysis is needed for transient business. For example, due to the discounts offered by the hotel, corporate and government business may be assigned the standard category of rooms. As these standards rooms fill, the hotel may only have deluxe rooms left to sell. If demand is not strong, management may decide to sell the deluxe rooms at the standard rack rate to remain competitive. It is best to look at a combination of group and transient business before making firm occupancy and rate decisions.

Since the objective of revenue management is to maximize revenue, tracking business by revenue source helps determine when to allow discounted rooms rates. As various sources of business are identified, each should be analyzed to understand its impact on total revenue. Quite often, front office managers will authorize discounted rooms rates for groups if the group has the potential to generate repeat customers.

2.4.1 Potential High and Low Demand Tactics

Hotels need determine revenue management strategies for both high and low demand periods. During times of high demand, the normal technique is to increase rooms revenue by maximizing average room rate. Transient and group business market segments may each require a unique, specific strategy.

Below are some transient tactics used during high demand periods.

- Try to determine the right mix of market segments in order to sell out at the highest possible room rates. This strategy is highly dependent upon accurate sales mix forecasting.
- Monitor new business booking and use these changed conditions to reassign room inventory. Certain inventory may be assigned to specific market segments. for example standards rooms may be sold to travelers who have reservations with deep rate discounts. As occupancy begins to climes, consider closing out low room rates and charging rack rates only for the remaining inventory of standard rooms. Management should be prepared to re-open lower room rates should demand begin to slack off. Management must closely monitor demand and be flexible in adjusting rooms rates. it is important to note here that rooms can always be sold for less than their posted rack rate. However, it is unethical to sell them more their posted rack rate.
- Consider establishing a minimum number of nights per stay. for example, a resort that always fills to capacity over labor Day weekend may require a three day minimum stay in order to better control occupancy.

A number of group business tactics may be appropriate during high demand periods. When deciding between two or more competing groups, for example, select the group that produces the highest total revenue. Management must rely on its experience with groups to develop sound revenue management policies.

Given the focus on total revenue, it may be wise to sell blocks of guestrooms to groups that also book meeting space, food and beverage service, and hostility suites. A group that books ancillary space and service is likely to spend more time and money in the hotel. This tactics usually requires restricting access of local patrons to function, meeting, and public spaces; if these spaces are booked are booked by local patrons, potentially more profitable groups needing such space may be forced to go elsewhere.

Another tactic for handling group business during high demand periods is to attempt to move price-sensitive groups to low demand days. In other words, if the hotel forecasts high demand for a demand for a time when a price-sensitive group has already booked space, management may try to reschedule the group’s business to a period of lower demand. This tactics, which is often easier, said than done, allow the hotel to replace the lower room rate group with a group willing to pay higher rates.

Exhibit 6 gives some additional high demand tactics that a hotel can use while Exhibit 7lists tactics for excess demand periods.

The underlying strategy for transient and group business during low demand periods is to increase revenue by maximizing occupancy. Front office managers may find the following tactics helpful.

- Carefully design a flexible rating system that permits sales agents to offer lower rates in certain situations. Such rates should be determined early in the planning process in anticipation of low demand periods.

Exhibit 8 Low Demand Tactics

1. Sell value and benefits

Rather than just quoting rates, make sure the guest knows you have the right product for them and the best value. Sell the various values and benefits of staying at your property versus other the guest may be considering.

2. **Offer packages**

To increase room nights, one tactic is to combine accommodations with a number of desirable products and services into a single package with one price. Mention any additions, renovations, or new amenities. Non-room revenue can be included, for example: free movies, discounted attraction tickets, and shopping coupons.

3. **Keep Discount categories open**

Discounts are typically are typically directed toward particular or are instituted during a particular time or season. During low demand time it is important to accept discounts to encourage room nights.

4. **Encourage upgrades**

Move guests to a better accommodation or class of service to enhance their experience and hopefully bring them back to the property again and again.

5. **Offer stay-sensitive price incentives**

A stay-sensitive provides discounts for guests who stay longer. for example a guest staying three night might get an additional Rs.5 per night discount, while a guest staying one night might not.

6. **Remove stay restrictions**

Remove any stay restrictions so guests are not limited as to when they can arrive or depart. Guests who can only stay one night will be encouraged to stay as well as the guest who is guest who is staying for a week. This will help to maximize occupancy. it is extremely important to communicate this to staff as well as to the central Reservation System staff.

7. **Involve you staff**

Create an incentive contest to increase occupancy and room nights. Make sure to involve all members of your staff as well as Central Reservation staff.

8. **Establishing relationships with competitors**

Having a cordial relationship with competitors can help with referrals and can help to carry out cross-marketing efforts.

9. **Lower rates**

There is great value in keeping guests at the property as long as you are at least covering the cost of occupancy. You may want to lower your rate as low as possible. Identity the hurdle rate, which is the lowest rate acceptable at the given moment.

Exhibit 6 High Demand Tactics

1. **Close or restrict discounts**

Analyze discounts and restrict them as necessary to maximize the average rate. you may offer discounts for those who book longer stays, or restricts bookings to shorter stays.

2. **Apply minimum length of stay restriction carefully**

A minimum length of stay restriction can help a properly increase room nights. For groups, study the group's pattern and decide how many days they are likely to add to their stay.

3. **Reduce group room allocations**

Communicate with group leaders on a regular basis. Make sure the group actually needs the number of rooms identified in their contract. if not, make adjustments.

4. **Reduce or eliminate 6 p.m. holds**
   Reduce or eliminate the numbers of unpaid rooms that are being held until 6 p.m. When demand is high, you will need rooms available to fill.
5. **Tighten guarantee and cancellation policies**
   Tighten guarantee and cancellation policies helps to measure payment for room nights. Charge credit cards for the night's stay on the day the reservation is made.
6. **Raise rates to be consists with competitors**
   Charge rates consist with the competition, but limit rate increase to those rates published in the Central Reservation System and listed in brochures for the period.
7. **Consider rate raise for packages**
   If you're already offering a package discount, consider raising rate for that package.
8. **Apply full price to suites and executive rooms**
   In high demand situation, charge full price for suites and executive rooms.
9. **Select dates that are to be closed-to-arrivals**
   By allowing reservations to be taken for certain date as long as the guest arrives before that date, a property is able to control the volume of check-ins. it is important to track and monitor denials that occur due to this restriction.

10. **Evaluate the benefit of sell-troughs**
   With a sell-through, the required stay can begin before the date the strategy is applied. this is often used when one day has a peak in occupancy and management does not want does not want the pack to adversely affect reservations on either side of the peak day.
11. **Apply deposits and guarantees to lat night of stay**
   For longer lengths of stay, make sure the deposits and guarantees apply to last night of stay, minimizing early departures.

- Strive to accurately project expected market mix. The precision of this projection will influence the eventual yields statistic.
- Management should closely monitor group bookings and trends in transient business. Do not close off lower rate categories and market segments arbitrarily.

Exhibit 7 Excess Demand Tactics

Apply high demand tactics

In an excess demand situation, where demand may exceed availability, it is important to consider all restrictions normally employed during a high demand situation.

Understand the cause of excess demand

Find out exactly what is causing excess demand:

- Is it one-day or multi-day event?
- What type of event is it? what is the audience make-up?

- What other properties are likely to sell out due to the event?
- Is the demand local on for a larger area?
- Are the potential gusts likely to accept a minimum length of stay requirement or other stay restrictions?

Answers to these questions will help determine the best strategy to apply.

Examples:

- If you find out that the demand is due to a two-day event, you may consider a two-night stay requirement to weed out other transients who will only stay one night.
- If you find out that guests are likely to cancel depending upon the specific circumstances of the event, you can require a 48-or 72- hour cancellation notice. (*For instance, your guests may be participating in sporting tournament where certain teams may or not advance to subsequent rounds. They may choose to return home once their participation in the event has ended.)* A more positive approach would be to make rooms available to the fans of the teams who advance to the next round.
- If the event is located close to your property, you may be able to close off discounts for this period.

- As low occupancy periods become inevitable, open lower rate categories, solicit price-sensitive groups, and promote corporate government, and other special discounts. Consider developing new room rate package and soliciting business from the local community. (For example, weekend gateways for the local transient market.
- Consider maintaining high rooms rates for walk-in guests. Since these guests have not contracted the hotel prior to arrival, they typically present an opportunity to increase the average rate through top-down up selling techniques.
- A non-financial tactic involves upgrading guests to nicer accommodations than they are entitled to by virtue of their room rate. This technique may lead to increased guest satisfaction and enhanced customer loyalty. The implementation of this policy is strictly a management decision and has some risks. For example, the gust may expect the same upgrade on future stays. This may not be possible and the reservations or front desk staff should take extra care to explain that this is a special, one time upgrade because the hotel appreciates the guest's business.

This list of suggested tactics is not exhaustive, but it is representative of industry strategies. Some additional low-demand tactics are listed in Exhibit 8.

Implementing Yield Strategies

Once all of this has been organized and analyzed, the front office manager must determine what rates will be used on any given day. Certain strategies and tactics come with warnings. Applying restrictions too rigidly can actually discourage business managers must constantly keep in mind that the ultimate goal is to meet the needs of guests. Any tactics that fails to meet guest's needs will not produce the desired effect. Too much revenue management can be just ineffective as no revenue management at all. That being said, there are four tactics that must be applied cautiously:

1. Hurdle rate
2. Minimum length of stay
3. Close to arrival
4. Sell-through

Hurdle Rates

Rack rates are always open, whether demand is high or low. Then, the front office manager must set the lowest rate for a given date based upon demand. Rates that fall below the minimum will not be offered. This is sometimes called the hurdle rate. Any room rate that can be sold at a rate above the hurdle rate is acceptable for that date. Any rate below the hurdle rate should not be offered. Some automated revenue management systems will not even display rates below the hurdle rate, thus preventing their use. Hurdle rates can fluctuate from day to day, depending upon the hotel's desired yield and market conditions. The hurdle rate usually reflects the front office manager's pricing strategy to maximize yield.

Sometimes incentives are offered to front desk and reservations agents for selling rooms above the hurdle rate. For example, if the hurdle rate for a given day is Rs.80 and a reservations agent sells a room for Rs.90, he or she might receive 10 promotion points. at the end of the month, all promotion points are totaled. For every 100 points, the reservations agent might receive a monetary reward. Incentives of this kind must be applied carefully, however. Reservations and front desk agents may elect not to offer lower rates that provide fewer incentives points, even through they are above the hurdle rate. While they are building incentives points, they may actually be turning away business.

Incentives may also be provided for longer guest stays. For example, a guest staying three nights may qualify for a lower rate then a guest staying for one night. This is a **stay-sensitive hurdle rate.** Reservations agents may receive incentives for booking a three-night stay, even if it at a lower rate, because the total revenue generated from the reservation will be greater than the revenue of one- or two-night stay.

Communicating hurdle rates can be done in various ways. Some hotels post the rate strategies in the reservations office and at the front desk where the agent can see them but the guest cannot. Some computer systems, as stated above, automatically display acceptable rates only. Whatever the communication method, it is essential that reservation information be kept current. Yield strategies can change several times a day and all front desk and reservations agents must know when a change occurs.

Minimum Length of Stay

So far, this chapter has concentrated on maximizing yield by controlling room rates. While this approach can be quite effective, alternative strategies dealing with room availability are also available. Such strategies include *minimum length of stay close to arrival, and sell-through.* All such strategies may be applied to specific room types, rate categories or package plans, as well as the entire hotel.

A **minimum length of stay** strategy requires that a reservation must be for at least a specified number of nights in order to be accepted. Examples of this were presented earlier in this chapter. The advantage of this strategy is that it allows the hotel to develop a relatively even occupancy pattern. It is common for resorts to use this approach peak occupancy periods. Hotels may also use it during special events or high occupancy periods.

The use of minimum length of stay requirements is intended to keep an occupancy peak on one day from reducing occupancy on the days before and after the peak. This strategy should be applied with great care. With a strict minimum stay requirement, profitable guests who don't want to stay for the required time may choose to take their business elsewhere. This strategy should only be applied when it will encourage additional business rather than frustrate guests. To ensure that the strategy is working, managers can check denials and regrets on a daily basis.

Minimum lengths of stay can be applied with discount rates. For example, guests may have to pay rack rates for shorter stays, but be offered discounts for minimum lengths of stay.

Close to Arrival

A close to arrival allows reservations to be taken for a certain date as long as the guest arrives before that date. For example, if the front office is expecting a 300-room check-in on a given date, the front office manager may decide that more than 300 rooms checking in may be too much of a strain on the front desk and its related departments. Therefore, guests arriving before that date and staying through the date will be acceptable . However, additional arrivals before that date and staying through the date will be accepted. However, additional arrivals on the peak arrival date will not be accepted. As with a minimum length of stay strategy, the reservations office should track the number of reservation requests denied due to this restrict ion.

Sell-Through

The sell-through strategy works like a minimum length of stay requirement except, that the required stay can begin before the date the strategy is applied. For example, if a three-night sell through is applied on Wednesday, the sell-through applies to Monday, Tuesday and Wednesday. Arrivals on each of those days must stay for three nights in order to be acceptable.

A sell-through strategy is especially effective when one day has a peak in occupancy and management does not want the peak to adversely affect reservations on either side of the peak day. Hotels use a sell-through strategy as a technique to overbook the peak day. By properly forecasting no-shows, early departures, and reservation cancellations, management may be able to manage the peak day so that the overbooking is reduced and all guests with reservations are accommodated. Without such a strategy, the days before and after the peak may have reduced occupancy because the peak may block extended stays.

Room availability strategies can be used together with room rate strategies. For example, a three-night minimum length of stay can be used in conjunction with a hurdle rate of Rs.90. If the guest desires only a two-night stay, the rack of Rs.110 may be quoted to the guest or the reservation may not be accepted.

Key Terms

achievement factor — the percentage of the rack rate that a hotel actually receives; in hotels not using revenue management software, this factor is generally approximated by dividing the actual average room rate by the potential average rate.

booking lead time — a measurement of low far in advance bookings are made.

breakeven analysis — an analysis of the relationships among costs, revenue, and sales volume allowing one to determine the revenue required to cover all costs; also called cost-volume-profit analysis.

close to arrival — a yield management availability strategy that allows reservations to be taken for a certain date as long as the guest arrives before that date; for example, a hotel may accept a reservation for a Wednesday night if the guest's actual stay begins on Tuesday night.

contribution margin — sales less cost of sales for either an entire operating department or for a given product; represents the amount of sales revenue that is contributed toward fixed costs and/ or profits.

cost per occupied room — the variable or added cost of selling a product that is incurred only if the room is sold; also called marginal costs.

discount grid — a chart indicating the occupancy percentage needed to achieve equivalent net revenue, given different discount levels.

displacement — the tuning away of transient guests for lack of rooms due t6o the acceptance of group business; also called non-group displacement.

equivalent occupancy — given a contemplated or actual change in the average room rate, the occupancy percentage needed to produce the same net revenue as was produced by the old price and occupancy percentage.

fair market share — a comparison of hotel's ADR and occupancy percentage, or REV Par, against its competition to determine whether it is getting its share of business in the market.

forecast — a projection of estimated business volume.

group booking pace — the rate at which group business is being booked.

hurdle rate — in the context of revenue management, the lowest acceptable room rate for a given date.

marginal costs — the variable or added cost of selling a product that is occurred only if the room is sold; also called cost per occupied room.

minimum length of stay — a revenue management availability strategy requiring that a reservation must be for at least a specified number of nights in order to be accepted.

potential average rate — a collective statistic that effectively combines the potential average single and double rates, multiple occupancy percentage, and rate speared to produce the average rate that would be achieved if all rooms were sold at their full rack rates.

rate potential percentage — the percentage of the rack rate that a hotel actually receives, found by dividing the actual average room rate by the potential average rate; also called the achievement factor.

rate spread — the mathematical difference between the hotel's potential average single rate and potential average double rate.

revenue management — a technique based on supply and demand used to maximize revenues by lowering prices to increase sales during periods of low demand and by raising prices during periods of high demand.

revPAR — a revenue measurement that focuses on revenue per available room.

sell-through — a revenue management availability strategy that works like a minimum length of stay requirement except that the length of the required stay can begin before the date the strategy is applied.

stay- sensitive hurdle rate — in the context of revenue management, a hurdle rate (or minimum acceptable room rate) that varies with the length of the guest reservation.

wash factor— the deletion of unnecessary group rooms from a group block.

weighted average contribution margin ratio — in a multiple product situation, an average contribution margin for all operated departments that is weighted to reflect the relative contribution of each department to the establishment's ability to pay fixed coats and generate profits.

yields statistic — the ratio of actual rooms revenue to potential rooms revenue.

Chapter Two - PASSPORT AND VISA

- **2.1 Passport**
  - **2.1.1 Definition and Types of Passport**
  - **2.1.2 Guidelines for Indian Passport Holders**
  - **2.1.3 Issue of New passport**
  - **2.1.4 Renewal of Passport**
  - **2.1.5 Passport for Minor**
  - **2.1.6 Replacement of Lost / Damaged Passport (Duplicate)**
  - **2.1.7 Extension of Short Validity Passport**
  - **2.1.8 Change of Name / Surname after Marriage**
  - **2.1.9 Change of Appearance**
  - **2.1.10 Change in Date of Birth / Place of Birth**
  - **2.1.11 Emergency Travel Document**
  - **2.1.12 Fee Structure**
- **2.2 Visa**
  - **2.2.1 Definition and Types of Visas**

2.2.2 Requirement for Visa
2.2.3 Tourist Visa
2.2.4 Transient Visa & Exemption from Registration
2.2.5 Other types of Visas
2.2.6 Business Visa
2.2.7 Student Visa
2.2.8 Conference Visa
2.2.9 Employment Visa
2.2.10 Recreation Visa
2.2.11 Research Visa
2.2.12 Missionary Visa
2.2.13 Landing Permit Facilities
2.2.14 PIO Card (Person of Indian Origin)

Defination

An official document issued by a government, certifying the holder's identity and citizenship and entitling them to travel under its protection to and from foreign countries.

Guidelines for Indian Passport Holder

Your passport is a valuable document. It should be either in your own custody or in custody of a person duly authorized by you. Your passport should never be sent out of your country of residence by post. If destroyed, lost or stolen the effect & circumstances should immediately be reported to nearest passport office & if abroad to Indian Embassy and local police. The photocopy of your passport should always be kept in a safe place as without this detail, issue of duplicate passport may be delayed.

It is an offence under the passport Act, 1967 to give false application. Passport facilities may be denied on ground of factual information, submission of false particulars, willful damage of passport and for making unauthorized changes in the passport.

Your passport can be revoked or impounded by the Government of India under relevant provision of The Passport Act 1967 in which case you will have to surrender the passport to the nearest Indian Passport Authority.

If you have acquired U.S. Citizenship please surrender your Indian Passport to nearest Indian Embassy. The Indian passport is returned after cancellation to the applicant. It is necessary to retain cancel Indian passport in safe custody as it may require later at the time of applying P.I.D card / Indian visa for first time

Application forms should be filled in fully, legibly (capital letter), expanded form only, accurately with black / blue ball pen only & submitted with the passport. Misrepresentation, suprection of fact may result in denial of passport/ consular service. Incomplete/ Incorrect application with inadequate fees, & fees not paid in persuaded manner will be returned without service.

- A passport is usually valid for 10 years
- Children above the gae of 16 usually require a separate passport
- It is the property of the issuing authority and can be withdrawn any time
- It contains the following information
    a. Name
    b. Nationality
    c. Date and place of birth
    d. Sex
    e. Place and date of issue and expiry
    f. Issuing authority
    g. Holders photo and signature

- There are certain other documents used in place of passports
    a. Military ICARDS
    b. Seaman Discharge books
    c. Affidavits
    d. Travel certificates
    e. Government issued birth certificates

Types of passports

- Normal Passport
- Aliens Passport – For Non residents of the country
- Diplomatic or consular passport – Issued to diplomatic, Consular or other government officials on missions entitling the bearer a diplomatic status
- Other Passports – International Red Cross , Laissez Passer
- Official, special or service passport
- Other Travel Documents – They do not have the same effect as a passport and may be valid in limited countries only and for a specific purpose
- Immigration passport – Citizen of all countries except Nepal & Bhutan require a valid national passport or valid document & visa granted by mission abroad for entering India. Nepal or Bhutan citizens do not need passport or visa. One should posse's suitable document for their identification when proceeding from their respective country.

Issue of new passport

An application for new passport in lieu of an expired / about to expired passport may be made by an applicant up to 3 yrs after or before the expiry of a passport. This is called "Re-Issue". New passport means applying for a passport you have never help earlier.

Renewal of Passport

Renewal of passport means that a passport which was originally issued for a short validity of 1-5 yrs under certain emergency condition on part of the applicants is now required to be extended to its fully validity of 10 yrs. From the date of issue of the passport. Renew is for service & application should be made in form No-2

The following are the requirement for issuing new passport page (form No-1) is issued for fresh/ re-issue / replacement/ lost/ damaged passport/ change of name/ appearance/ exertion of passport/ passport for minors.

I. Duely completed application form filled in capital letters in expanded form only using blue/ black ball pen only. Forms are also available online, just fill in online & print it out.
II. Four Latest identical passport size photographs dipecting the applicant form pose against a light background.
III. In case when the passport has been already expired for more than 3 yrs an affidavit has to submitted & the applicant may have to appear personally if required by the counselor officer
IV. Proof of residence/ mailing address if staying abroad (photocopy of driving license) lease agreement/ utility bills etc.
V. In case of an alien status photocopy of green card/ work authorization card.
VI. Current passport.
VII. Fee as per fee schedule.
VIII. Applicant applying for a new passport or an additional booklet. Submit a photocopy of their marriage certificate & in case the name of their spouse has not been included.

If the application is found to be in order & no further reference is required to be made to the original passport issuing authority the passport will be issued within a normal period of 10 working/ Business days if received in mail.

Passport for minor:-

Every child should have a separate passport. The applicant should complete the formalities as applicable an issue of new passport as mentioned earlier. The child has to sign or put thumb impression (as applicant) on application form, which should be countersigned by the parent or legal guardian. In addition, a declaration affirming the particulars is to be submitted duely signed by

parents. The validity of such passport (for minor under 18 yrs) will be for 5 yrs only & fee is Rs-600/-. If the child's name has been endorsed on the mother's passport, then the mother also has to fill a miscellaneous service form requesting the deletion of child's name from passport.
Please note that as per the amended law, endorsement of child's name in parent's passport is not allowed any more. Any minor should have separate passport. In case child is born abroad the original birth certificate of child & both parents' passport copies are to be submitted along with application form.

Replacement of lost / Damaged passport (Duplicate):-
Application for lost or damaged passport are normally not excepted by mail except with the prior approval of the concern officer. However applicant may be required to come in personal if needed. Please submit your application with following documents.

I. Application form.
II. Copy of police report or complaint No. with date (F.I.R).
III. 6 photographs passport size with front page with light background.
IV. 6 copies of personal verification form in prescribed proforma.
V. Fee (as per fee schedule).
VI. In case of student letter from school/ college is required.
VII. Affidavit.
VIII. Photocopy of previous (last or damage passport)
IX. Photocopy of driving license, employer letter.
X. Photocopy of green card/ employment authorization card (as applicable)
XI. Photocopy of house license deal/ bank certificate insurance policy or utility bill as proof of stay abroad (if applicable)
XII. An application on a plain paper giving reason & stating facts & circumstances related to loss of passport.

It is important to furnish full, accurate & truthful information in form. Misrepresentation of facts or submission of false information may entail the denial of passport facility. Application received but incomplete details will be issued for loss or damage of passport & habitual looser shall be subject to enquiry. It normally takes 3 months to complete the process as the duplicate passport can be issued only on receipt of clearance from the concern authority of India.
Applicants are therefore requested to reframe from making written/ e-mail/ telephonic enquiry during the period. In case required for urgent or business travel is explain the special requirement to councilor officer.

Extension of short validity passport:-
In case, where the passport has been issued for the period of one to five years or for limited validity, the validity of such passport can be extended up to normal validity of 10 years (renewal). To extend validity an application form along with 2 passport size photographs should be submitted. Validity will be extended only on receipt of dearance from the original passport issuing authority. No fee is required in this case except mailing charges. Applicants should make enquiry only after 30 days from the date of submission of application.

Change of Name:-
Change of name or surname in the passport can be done after the following. The change of name has to be advertised in a daily newspaper which is circulated both in area of permanent & present residence. Original newspaper clipping and a court order issued by a judicial officer not below the rank of 1st class magistrate in India or a academic by the applicant are required to be submitted (process for issue of newspaper booklet to be followed).

Change of Name/ Surname after Marriage:-

Change of name or surname endorsement of spouses name requires issue of new passport booklet for change of surname, consequent upon marriage/ divorce, duely completed application form along with original copy of marriage/ divorce certificate & described fee (as per schedule)
Should be submitted. A photocopy of husband's passport should be submitted if the wife name is already endorsed otherwise husband should also follow the same procedure. In case, either of the spouse is a foreign national photocopy of marriage certificate & foreign passport should be submitted along with the application form.

Change of appearance:-
This facility can be utilized in case where there is significant difference in the appearance of the applicant of the passport (Infant, child, turbon/ beard). In cases of turbon/ non turbon & wise versa an affidavit should be submitted (process for issue of new passport booklet is to be followed).

Change in date of birth / place of birth:-
Application for change in date of birth/ place of birth is entertained only when it is accompanied by court order issued by judicial officer not below the rank of first class magistrate in India (process of issue of new passport booklet to be followed).

Emergency travel Documents:-
An emergency artificial (one way travel document) which authorise an Indian citizen to enter India is issued to individual who have lost their passport or their passport has been stolen or damaged or to whom new passport cannot be issued primarily with the objective of ensuring the applicant return to India in an emergency. Applicants should fill in the application form as prescribed for the issue of new passport & come for personal interview to Indian mission.

The Passport is an official document issued by a competent public authority to nationals or alien residents of the issuing country. It provides a means of identification, access to other countries and a legal evidence of entry into other countries
Some countries issue joint passport for spouse or children
The validity of the passport must usually be six months beyond date of stay

Fee Structure

1	Fresh passport 36 pages 10 yrs validity (Including Minors Between 15 & 18)	Rs. 1500/-
2	Fresh passport 60 pages 10 yrs validity	Rs. 2000/-
3	Fresh Passport for minor 5 yrs validity or till minor attains age of 18 yrs	Rs. 1000/-
4	Duplicate passport 36 pages	Rs. 1500/-
5	Duplicate passport 60 pages	Rs. 2000/-
6	Change of name, address, date of birth, place of birth, appearance, spouse name, legal guardian (fresh booklet will be issued)	Rs. 1500/- & Rs. 2000/-
7	Police clearance certificate/ E.C.N.R/ Additional Endorsements	Rs. 500/-
8	Tatkal/ Emergency passport 36 Pages 60 Pages	Rs.3500/- Rs. 4000/-
8	Tatkal/ Emergency passport Minor 36 Pages	Rs.3000/-
9	Indian Passport Fee In USD	$ 75
10	Indian Passport Fee in EURO	60 EURO
11	Indian Passport Fee in UAE	285 DH
12	Identity Certificate	Rs. 1000/-

Definition of Visa
An endorsement on a passport indicating that the holder is allowed to enter, leave, or stay for a specified period of time in a country.

Visa

Requirement for Visa: Foreigners desirous of visiting India can do so after obtaining visa from the Indian Mission in their country of their residence. They should possess a valid National Passport - except in the case of nationals of Bhutan & Nepal, who may carry only suitable means of identification.

Tourist Visas: Usually, a multi-entry visa, valid for a period of 180 days, is granted for the purpose of tourism. The visa is valid from the date of issue.

Collective Visas: The facility also exists for the issue of collective visas to group tours consisting of not less than four members and sponsored by a travel agency recognized by the Government of India. Such groups may split into smaller groups for visiting different places in India after obtaining a collective "license to travel" from the immigration authorities in India. However, they must reassemble and depart as the original group.

Transit Visas: Transit visas are granted by Indian Missions abroad for a maximum period of 15 days.

Exemption from Registration: Foreigners coming to India on tourist visas for 180 days or shorter period are not required to register themselves with any authority in India. They can move about freely in the country, except to restricted/protected areas and prohibited places.
Nationals of Bangladesh are exempted from registration up to six months. If their stay exceeds six months, they have to register themselves. Individuals without nationality (stateless persons; IRO refugees, persons receiving legal or political protection, holders of Nansen passport etc.) should have valid passports, identity documents or sworn affidavits along with the visa for which they should apply two months in advance. Family passports issued by other governments are recognized without discrimination.

Other Types of Visas:

If a foreigner wishes to come to India for a purpose other than tourism, he should come after obtaining one of the following visas.

Business Visa: A foreigner can obtain one from an Indian Embassy abroad. A multiple entry visa is valid for 5 years, provided he wishes to come for some business. Foreigners of Indian origin can obtain a 5 year multiple entry visas for business, to meet their relatives etc.

Student Visa: A student visa can be obtained from the Indian Embassy on the production of proof of admission and means of sustenance while in India, etc. The visa is valid for one year but can be extended in India for the duration of the course.

Conference Visa: Delegates coming to attend international conferences in India can be granted Conference Visa to cover the conference as well as for tourism in India. Delegates are advised to apply to Indian Embassies well in advance.

Employment Visa: Foreigners desirous of coming to India for taking up employment should apply for an Employment Visa, which are issued by Indian Missions abroad. Initially granted for a period of one year, it can be extended in India upto the period of contract.

Recreation visa: Foreigners wishing to undertake any international sporting event, trekking, botanical expeditions, yoga, journalists, media men, documentary and feature film makers may obtain visas after due formalities from the Indian Embassy.

Research visa:- It is valid for period of research only. Approval from the ministry of human resource development (Department of Education) is required. Visa is granted on case to case basis.

Missionary Visa:- It is a single entry visa, valid for duration approved by government of India. A letter of guarantee from the sponsoring organization for applicant maintenance in India is required. It can take up to 3 months to process the application.

Landing Permit Facility: Tourists may note the no *Landing Permit Facility* is available to any foreign tourist landing without a visa. A limited facility exists only for group tours consisting of four or more members and sponsored by a travel agency recognized by the Government of India. Children of foreigners of Indian origin below the age of 12 may be granted a landing permit by the immigration authorities' up to a period of 90 days to see their relatives, in case they happen to come without a visa.

Limited facility exists only for group tours consisting of 4 or more members or sponsor by travel agency recognized by government of India. Children of foreigner of Indian origin below the age of 12 may be granted. A landing permit by immigration authority up to period of 40 days to seed visit their relatives in case they come without visa.

P.I.O. CARD (person of Indian Origin):- Is in effect 15 yrs visa, technically it is a card which entitles the holder to visa free entry into India for 15 yrs. It is for person of Indian origin & their spouses.

Revenue Management Terms

1. **90-day forecast** a forecast extending 90 days into the future.
2. **Action plan** a calendar used for planning and assigning tasks to be completed over the course of a year.
3. **Average daily rate (ADR).** Calculated by dividing rooms revenue by the number of rooms sold.
4. **Best available rate** the lowest rate per room available to the general public on a given night.
5. **Best-rate guarantee program** program that guarantees that the consumer will receive the best rate from the organization. If a consumer can find a better price than the one posted on the organization's website, the organization will match that price.
6. **Booking pace** refers to the pattern and tempo (rate) of receipt and acceptance of advanced reservations.
7. **Brand equity** the value generated by a brand.
8. **Branding** placing an identifying mark or logo on a product produced by a specific organization or associating that brand with a service performed by that organization.
9. **Bundling** combining products and services to create a package.
10. **Cannibalization** the concept of a customer leaving a higher-rated market segment to jump over a fence and gobble up lower-priced products or services offered by the same provider to other lower-rated market segments.
11. **Capacity** the amount of space that can be filled.
12. **Central reservation office (**CRO). Automated reservations system that take reservations for all properties within an organization.
13. **Central reservation system** also known as CRS. An automated reservation system for booking several travel components, including air, car, and hotel room.
14. **Channel** refers to the source of the booking.
15. **Channel contribution percentage** a percentage calculated by dividing the channel's total revenue by the total revenue produced by all channels.
16. **Closed or closed out** inventory is no longer available for sale.
17. **Closed to arrival** means that the customer cannot arrive on that date no matter their intended length of stay.
18. **Competitive advantage** that component of an organization's operation in which it excels or maintains an advantage over its competitors.
19. **Competitive intelligence** the practice of conducting primary research and analyzing secondary research to understand the characteristics of the competition.
20. **Competitive set** an organization's primary direct competitors. If your facility is sold out, a direct competitor would be the facility that your customer would select next.
21. **Customer-centric approach** any marketing or operational effort focused on the needs, wants, and desires of an organization's customers.
22. **Customer relationship management** also referred to as CRM. Strategies and tactics developed to acquire and retain customers.
23. **Cut-off date** the date that all unconfirmed reservations will be released to general inventory for resale.
24. **Data mining** the process of continually digging deeper into the data captured by a marketing intelligence system.
25. **Decline stage** the stage of the product or service life cycle in which sales of the product or service are flat or falling. Both volume and prices continue to fall. Newer products or services are competing directly for customers. Unchecked decline will ultimately lead to the death of a product or service. The producer either needs to innovate or evaporate.
26. **Demand** the amount of a good or service that a purchaser is willing and able to buy for any given price at any given time.'
27. **Demand drainer** an activity or event that causes demand to decrease.
28. **Demand forecasting** the act of estimating, calculating, and predicting consumers' demand for products and services in the future.
29. **Demand generator** an organization or event that drives customers into a marketplace. An activity or entity that produces demand.
30. **Denial** a response that occurs when a facility is not able to accommodate a guest due to unavailability of product or service at that price.
31. **Discounting** the practice of offering special reductions in price.
32. **Distressed inventory** inventory that an organization is having difficulty selling.
33. **Dynamic packaging** a new customer-centric approach to packaging. Hospitality providers may vary the products and services bundled in a package to suit the needs of the individual consumer.
34. **Elastic** an economic term. Whenever a 1 percent change in price causes more than a 1 percent change in quantity supplied or demanded, the elasticity calculation will result in a number greater than 1. When this occurs, we say that the supply or demand is elastic. In this case, the quantity demanded or supplied is very sensitive to price.

35. **Electronic distribution** the selling of hospitality products and services via the computer. Think of these basically as electronic warehouses in which a person may conduct one-stop shopping for a variety of hospitality products and services.
36. **Environmental scanning** constantly monitoring and assessing the external environment to spot changes and emerging trends.

37. **Extended stay business** business that generates seven or more nights stay.
38. **Fair price** a positive price/value relationship; a just and honest price.
39. **Fixed costs** costs that do not change with a change in the activity of a business. Rent is a fixed cost.
40. **Flash report** a daily report completed to recap the previous day's business.
41. **Forecasting** the act of estimating, calculating, or predicting conditions in the future.
42. **Forecasts** predictions of the future. Various time periods may be used, including short-term 3 to 5 day forecasts, 90-day forecasts, midterm forecast covering 10 to 14 days, monthly, and 12-month forecasts.
43. **Full pattern length of stay restriction an** Arrival-based restriction on a guest's stay. It may allow a guest to stay for 1,2,4, or 7 nights but not for 3,5, or 6 nights, for example.
44. **Global distribution systems** systems offering the inventory of multiple carriers and various suppliers of hospitality products and services. A computerized reservation system facilitating the sale of hospitality products and services primarily to organizational buyers, such as travel agents. The four major global distribution systems (GDS) today are SABRE, Amadeus, Gallileo, and Worldspan.
45. **Group business** business that involves more than two individuals coming together for a common reason.
46. **Induce trial** to entice customers to try out new products or services.
47. **Inelastic** an economic term. Whenever a 1 percent change in price causes less than a 1 percent change in the quantity supplied or demanded, the elasticity calculation will result in a number less than 1. When this occurs, we say that the supply or demand is inelastic. In this case, the quantity supplied or demanded is not very sensitive to price.
48. **Internet distribution system (IDS)** the electronic system that facilitates purchases of hospitality products and services by consumers. It is comprised of a variety of components, each falling into one of the following eight categories:
    - Proprietary site (individual unit and/or CRS)
    - Merchant model
    - Retail operation
    - Opaque site
    - Auction site
    - Referral service
    - Special interest or niche site
    - General Web Portal.
49. **Introductory stage** the first phase in the life cycle of products and services. This is when the product or service is brand new and only the most adventurous consumers are poised to purchase.
50. **Inventory** products or services made available for sale through various channels of distribution.
51. **Inventory management** the process of controlling the units and availability of products and services across various channels of distribution.
52. **Law of demand** an economic law that states that the quantity of a good or service demanded by buyers tends to increase as the price of that good or service decreases, and tends to decrease as the price increases, all things being equal.
53. **Law of supply** an economic law that states that as price rises, the quantity supplied increases and as the price falls, the quantity supplied decreases.
54. **Long-term goals and objectives** usually defined as goals and objectives spanning more than one year.
55. **Long-term strategies** broad and far-reaching strategies planned for usually over one year.
56. **Lost business** business that had considered an organization's products or services, but in the end decided against purchasing.
57. **Loyalty program** programs whose members are rewarded either by receiving reduced rates or by increased value, such as added amenities. Some programs provide both reduced rates and added amenities. In addition, most
58. **Managing demand** the act of controlling, directing, influencing, and creating consumer purchasing propensity for a specific point in time.
59. **Market segmentation** the practice of dividing a market into smaller specific segments sharing similar characteristics.
60. **Market share** that percentage share of an overall market captured by an individual organization.
61. **Market skimming** a marketing strategy in which an organization sets prices high to create the perception of value and position the product or service higher in the minds of consumers. They would use this high price/value perception to capture, or skim, the top-paying customers from their competitors.
62. **Maximum length of stay restriction** a stay restriction that permits a guest to stay only a certain number of nights.

63. **Minimum length of stay restriction** a restriction that dictates how many nights a person checking in on the night that has this restriction must stay.
64. **Must-stay restriction** a restriction that applies to all reservations that stay over on the night on which this restriction is placed, including those guests arriving on that night. Guests must stay and pay through this date.
65. **Net rate** also referred to as the wholesale rate. A rate that is often 20 to 30 percent or more off the retail rate.
66. **Off-season** a season facing the lowest demand; also referred to as a weak or valley season.
67. **Pace** refers to a unit of time measurement.
68. **Peak season** a season with the highest demand.
69. **Perfectly elastic** an economic term. In the very rare case in which the supply or demand of a good would change without a change in price, the supply or demand of that good would be considered to be perfectly elastic.
70. **Perfectly inelastic** An economic term. In the other rare case in which the quantity supplied or demanded does not change at all in response to a change in price, the supply or demand of that good is considered to be perfectly inelastic. Numerically, this would be equal to zero (zero divided by the change in price).
71. **Perishable** a term meaning that if a product or service is not sold in a given time (a day, a night, a week) that product cannot later be sold. An example is an airline seat. Once the plane takes off, the seat cannot be stored for sale later.
72. **Pick-up** the number of rooms sold. Or the number of units that have been confirmed as sold within that block.
73. **Prestige pricing** a strategy of using high price to elevate the positioning of an organization's products and services and increase the perceived value to the consumer.
74. **Price elasticity of demand** calculated by taking the absolute value of the percentage change in the quantity of a good demanded and dividing that by the percentage change in the price of that good.
75. **Price elasticity of supply** calculated by taking the absolute value of the percentage change in quantity of a good supplied and dividing that by the percentage change in the price of that good.
76. **Price leader** an organization that leads the market in price.
77. **Promotional pricing** a pricing strategy established to increase capture of date-specific demand.
78. **Property management system** also known as a PMS. A computerized system used to manage the inventory of products and services available at a single location.
79. **Rack rate** full rate. In earlier days, many hotels had a key rack behind the front desk. Perched above the rack was a sign stating the night's room rate. Walk-in guests would be offered that rate upon check-in. Thus the term *rack rate.*
80. **Rate integrity** the maintenance of consistent prices for similar purchase conditions.
81. **Regret** a response that occurs when the facility has the product or service available, but the customer chooses not to buy based upon price or some other factor. Regrets often indicate an imbalance in the price/value relationship.
82. **Reservation conversion percentage** the percentage of reservations that progress from inquiry level to final sale.
83. **Run of house** the best available rates will be available for all room types. When a customer is given the run of the house, they are guaranteed the best available rate through the last room sold.
84. **Short-term 3 to 5-day forecast** a forecast that extends 3 to 5 days into the future.
85. **Shortage** a situation that occurs when the quantity demanded exceeds the quantity supplied. There are more buyers than there are goods or services at this price at this point in time.
86. **Shoulder season** a time of year immediately before or after a peak or weak season.
87. **Stay controls** duration rules and restrictions that may apply to arrival dates, departure dates, and minimum length of stay.
88. **Stay pattern** a pattern that can cover the individual's arrival day, number of nights' stay, and departure day for the guest.
89. **Strategic revenue management process** the eight fundamental elements plus the strategic **IDEA** combine to create the RevMAP.
90. **Strategy** *how* the organization plans to achieve a goal or objective.
91. **SWOT analysis** an assessment of an organization's strengths, weaknesses, opportunities, and threats.
92. **Tactics** skillful methods used to achieve desired results. Tactics are the action steps taken to fulfill a strategy.
93. **Transient** an individual traveling, dining, attending a game or performance, or staying alone. A temporary individual hospitality customer.
94. **Valley season** a season facing the lowest demand; also known as a weak season.
95. **Value-based pricing** in this scenario the organization needs to focus upon the value placed by the customer on the product or service. Next, the organization needs to equate that value to a specific price. A price/value relationship then develops in which the price must be equal to or

less than the value placed upon that product or service by a consumer to generate a sale.

96. **Values** the principles by which the organization operates. Values include being responsible corporate citizens and active protectors of the environment.
97. **Wash factor** a predetermined percentage of usage based upon historical data and experience.
98. **Weak season** a season facing the lowest demand; also referred to as a valley season.
99. **Wholesale rate** also referred to as the net rate. A rate that is often 20 to 30 percent or more off the retail rate.
100. **Yield management** the precursor to what we now refer to as revenue management. A formalized method of managing and controlling revenue.