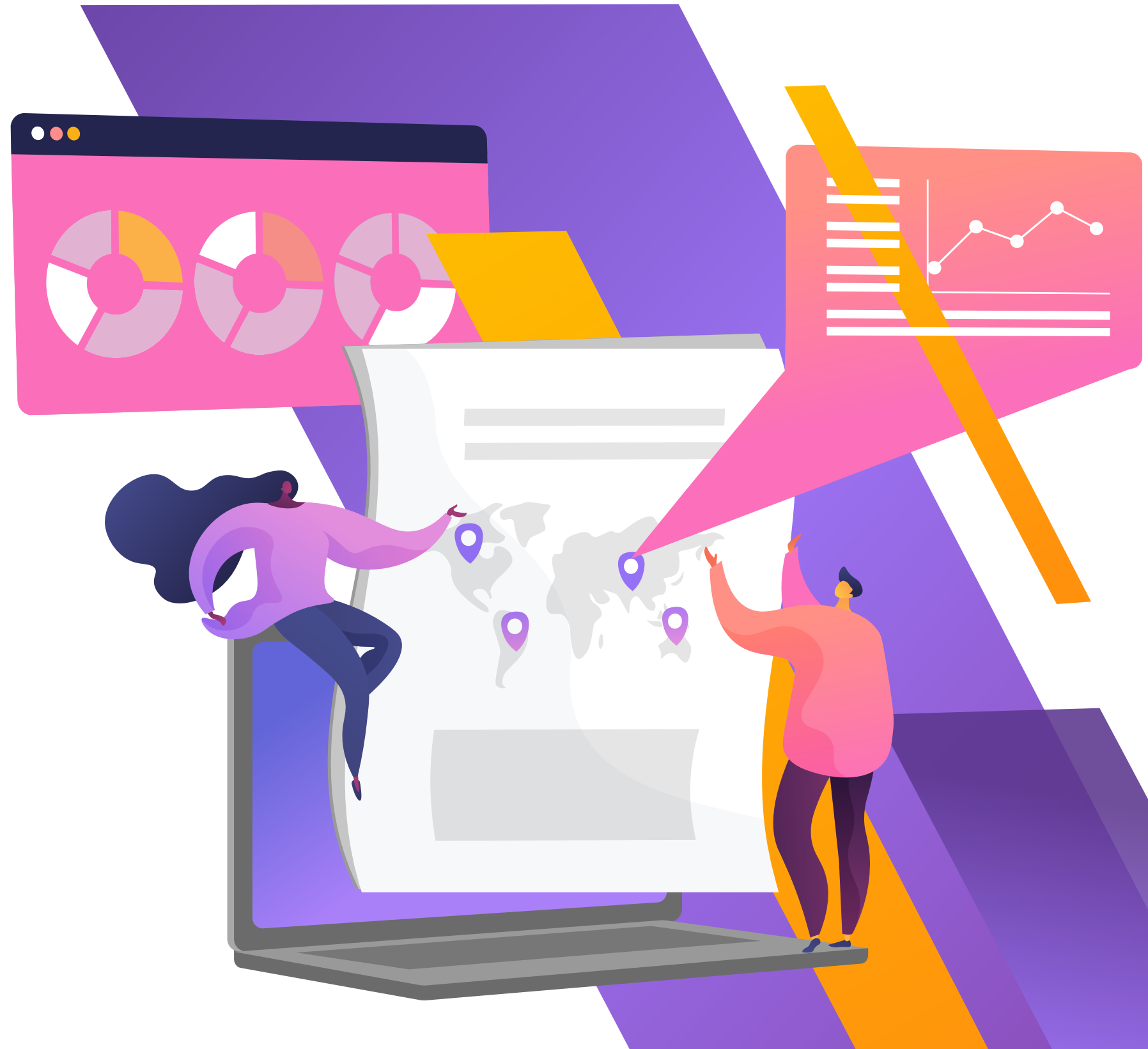




The ultimate guide to hotel benchmarking.



What is hotel benchmarking?

Essentially, hotel benchmarking is measuring your performance against the competition. This adds context to what your success or failure looks like by removing the guess work. You can't argue with the numbers! Especially when they answer questions like:

- How is my occupancy comparing to the competition?
- Which days of the week best yield revenue in my market?
- How are changing market conditions affecting my performance?

Hotel A vs. B – the power of context

At first glance, you would probably be tempted to say Hotel A is outperforming Hotel B. If both operate in the same market and have similar pricing, property type and amenities, then you're right. Hotel A's 7% increase trumps Hotel B's 3% decline.

But what if these properties are operating in two different markets?

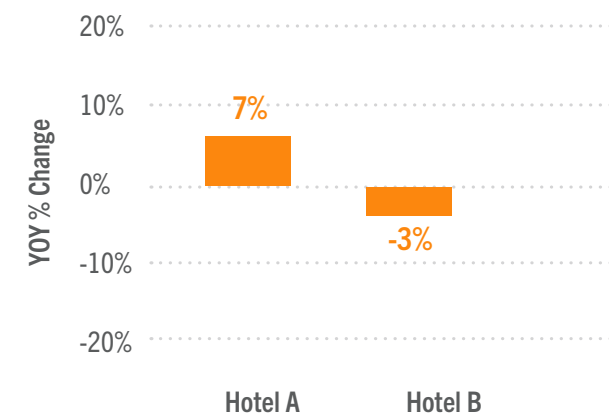
As you can see in the second image, context is everything. If Hotel A's competitors recorded more impressive growth of 15%, and Hotel B's competitors posted a more severe decline of 10%, Hotel B's performance is contextually better.

Hotel A's benchmarking, unfortunately, shows that it wasn't able to capitalize on the market's growth as effectively as the competition. Hotel B, conversely, was better able to deal with a wider market decline.

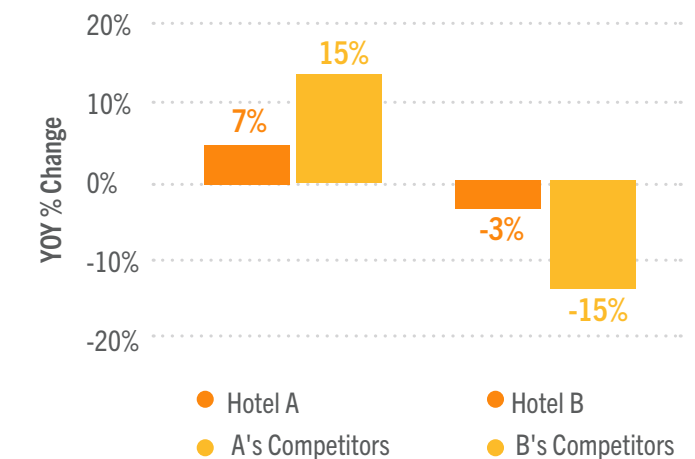
The payoff = better understanding, planning and strategy

One of the great benefits of benchmarking comes in identifying gaps in your market and opportunities for improvement. Once you understand the data and landscape of your hotel and competition, you can begin shaping your marketing, pricing and operational strategies to ensure they are optimized for success.

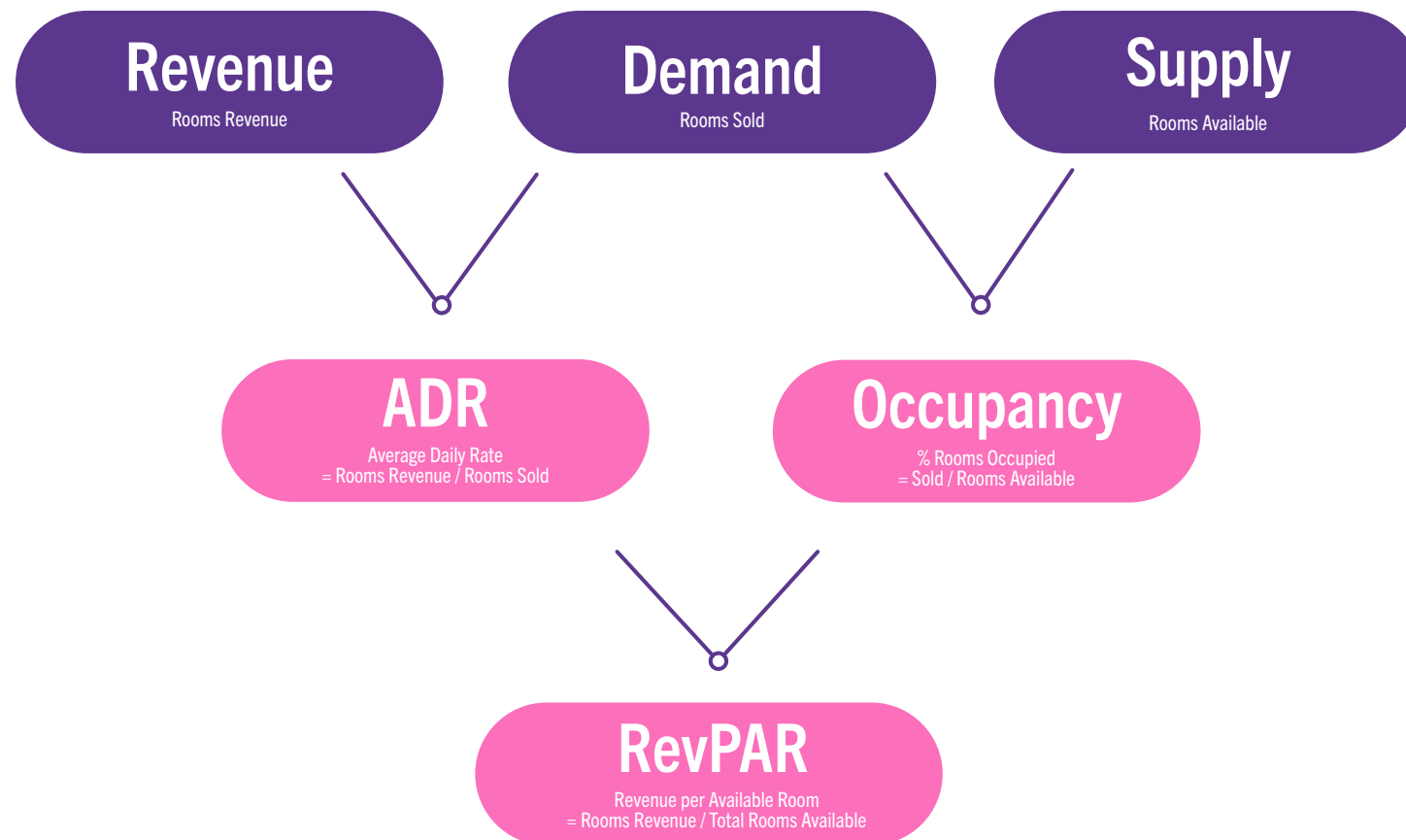
Which hotel is performing better?



Analyzing the competition puts performance into perspective



How to calculate RevPAR.



Three terms you will need to know.

To achieve basic, effective hotel benchmarking, you'll need to understand Occupancy, ADR and RevPAR. We'll explain these terms and the relationship between them in a jargon-free way right now.

Occupancy

Percentage of available rooms sold during a specified time period. Occupancy is calculated by dividing the number of rooms sold by rooms available.

How many of your rooms you're selling

.....

Average daily rate (ADR)

A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold.

The average rate paid for your sold rooms

.....

Revenue per available room (RevPAR)

Total room revenue divided by the total number of available rooms.

The average revenue generated by each available room

RevPAR — one acronym, to rule them all.

Think of RevPAR as an instant “health check” on your room business.

It’s a comprehensive snapshot of how well you are attracting guests and the effectiveness of your pricing strategy.

Very simply, RevPAR is the gold standard performance metric used by hotel industry stakeholders to measure the health of a property, set of hotels, market, state, country, world region, etc.

Why? RevPAR enables you to understand performance success across any given period, as well as the money being made in relation to potential.

The benefits of measuring RevPAR

Room sales are always going to provide the biggest revenue stream and should always be the primary business focus.

There are two ways to increase revenue from room business: bring in more guests (and drive occupancy) or charge a higher room rate. RevPAR helps you achieve balance between these two options to achieve your optimal performance levels and keep growing.

As with any measure of growth or decline, the most common approach is to track changes against the same period in the previous year(s).

Gaining RevPAR context through benchmarking

The logical next step, once you understand your RevPAR, is to compare your performance with your market or competitors.

When hoteliers compare themselves to their competition, they are better placed to sell the right rooms to the right guests at the right time and price. As a result, RevPAR is more likely to grow.

As you can see on Page 2, a decline doesn’t always mean you’re in crisis. What if the competition experienced a more severe drop in RevPAR?

In this instance, your strategy is limiting the impact of whichever external factors are affecting the rest of the market.

Selecting the right hotels to benchmark against.

Go beyond the neighbors

When selecting a comp set, we recommend that you don't simply select those hotels "across the street" from your subject property. Instead, we encourage you to consider the characteristics of the hotels in your area, such as their class, room count, meeting space, etc.

Let us help

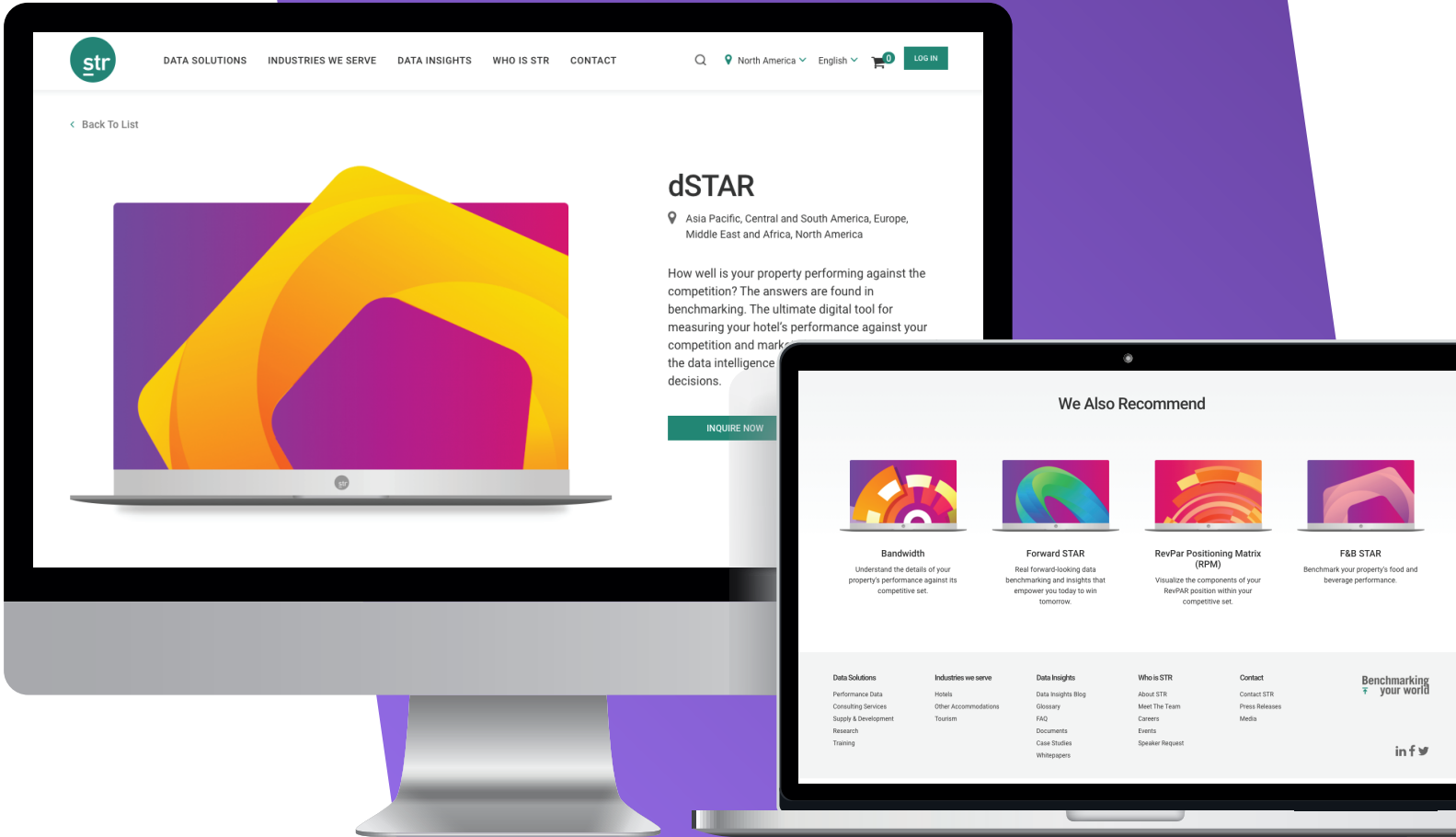
If you are struggling to choose your comp set or need assistance selecting the right one, we are here to help.

We have developed a statistical model that factors in data from more than 30,000 primary comp sets. Through this analysis, we have identified nine factors that most influence the dynamics within a set.

Meet your competitive set

Choosing the appropriate group of competitor hotels is vital in the quality of the reports and analysis you'll receive.

Selecting hotels that perform at different levels than your own property can produce misleading results.



Benchmarking the past, present and future.



Historical data

For most hotels, the first step is understanding how performance has compared to their market or comp set in the past. For others, what's happening in the moment is equally important.

We've touched on why, so we'll get right to how!

Measuring against your market – Can be done for free, by submitting your data and receiving our Hotel Survey Report with market-level insights.

Granular insights into direct competition – can be accessed easily in a digital platform through dSTAR, a paid product that provides better context of your performance against direct competition.

Other options for a greater understanding – whether you're ready to analyze profitability data, you want to understand trends over time, or you need some custom consulting, there's plenty of STR options to help you understand the past and present.

Forward data

Understanding the next 365 days of occupancy on the books is equally important, our final piece of the puzzle for a 360-degree view of your performance.

In a nutshell, you have the power and data to make effective short-term changes to your pricing and marketing strategies. Whether you're ahead of the competition or find yourself a little behind pace, these are the insights that help you act accordingly.

Each week, you can receive 90-day and 365-day reports on your market or competitive set.

Look ahead to stay ahead with future demand benchmarking from Forward STAR.

How Revenue Managers should split their time once they receive STR data.



Analyze

In this first stage, it is essential for revenue managers to use the STAR Report to examine the big picture and compare their property's long-term historical performance to the competition in the local market. This may include looking at up to three years' worth of trends.

Identify

After getting a grasp on past performance, this is the phase where revenue managers should identify strengths and weaknesses in relation to occupancy and rate. At this stage, the focus typically shifts from big picture to more of a granular view, often narrowing in on a particular month's performance compared to the same month last year.

Though revenue managers often tackle these first two phases alone, it is essential for them to present their findings and explain the analysis process to the rest of the team to keep everyone on the same page.

Develop

At this stage, the process becomes more of a team effort, with revenue managers looping in sales, marketing and operations. Together they can set tactics to either grow or protect market share. These tactics may include pricing, group strategies, promotions, marketing or other demand generating activities.

Monitor

Once the team has gone through the above stages, it should be a joint effort to keep track of results and maintain a proactive approach to attracting customers at the best possible rates. After a period of time, the cycle will likely lead back to the analyze stage to once again examine past performance and fine-tune future strategy.

What's next? You tell us!

If you'd like to discuss your benchmarking needs with an STR expert, email info@str.com for North America and sales@str.com for outside North America.

Or learn about our products at your own pace [here](#):

- Hotel Survey Report
- dSTAR
- Forward STAR
- Comp Set Consulting

Benchmarking
↑ your world

