**Case Study**

You have been appointed as a Revenue Management consultant team to the Schloss Hotel on financial and income optimization matters.

The following information has been provided to enable you to address all requirements that appear on the relevant sections of this case study.

**Terms and Definitions**

**Average Daily Rate (ADR) -** A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold.

**Competitive Set (Comp Set) -** A peer group of hotels that competes for business and is selected to benchmark the subject property's performance.

**Contract Rooms -** A consistent block of rooms committed at stipulated contract rates for an extended period over 30 days with payment guaranteed regardless of use, such as for airline crews and permanent guests.

**Demand -** The number of rooms sold in a specified time period (excludes complimentary rooms).

**Food & Beverage (F&B) Revenue -** Revenue derived from the sale of food, beverage and non-consumable goods and services sold by a property’s food and beverage department.

**Group Rooms** - Typically defined as 10 or more rooms per night, sold pursuant to a signed agreement.

**Percent Change (% Chg.) -** The amount of growth - positive, negative, or flat - expressed as a percentage comparing a period versus the same period last year. Calculated as ((This Year — Last Year)/Last Year)\*100

**Transient Rooms -** Includes rooms sold to individuals or groups occupying less than 10 rooms per night.

**Owners Brief**

Welcome to our hotel. The Hotel is in Berlin near the Potsdamer Platz business district.

**Competition and Trends Information**

A complete set of STR reports have been attached to this case study in order to provide information about our competitive set and regional relevant statistics.

**Property Description**

**Market Profile**

* Market Image:Unpretentious luxury and charm, integrating the best in technology and comfort.
* Newly build (7 years old)
* Full service
* City Center
* Luxury class
* Servicing Transient, group, contract
* Very similar footprint, facilities, and services compared to competitive set.

**FACILITIES**

* 260 guest rooms
* Two restaurants – 350 seats in total with adjoining 50-seat bar lounge section
* One fitness- exercise room
* One business center
* Indoors swimming pool and outdoor recreational area.

**SERVICES**

* Car parking (for a fee)
* Digital national and international telephone service
* Guest laundry and dry cleaning
* Guest room digital entertainment
* Room Service
* Free Wi-Fi

**Area Rates**

Last Years ADR and RevPAR Summary related to our competitors can be found on the attached STR reports.

**Our hotel’s ADR Summary is shown on the table. All amounts in local currency.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **ADR** | | |
|  | **Transient** | **Group** | **Contract** |
| **Jan 17** | 186.87 | 169.65 | 183.57 |
| **Feb 17** | 225.55 | 281.64 | 237.97 |
| **Mar 17** | 222.10 | 229.98 | 198.97 |
| **Apr 17** | 186.90 | 190.33 | 99.85 |
| **May 17** | 221.30 | 215.44 | 180.07 |
| **Jun 17** | 214.71 | 242.42 | 251.51 |
| **Jul 17** | 214.33 | 174.42 | 126.74 |
| **Aug 17** | 180.28 | 155.16 | 93.95 |
| **Sep 17** | 240.36 | 246.52 | 269.78 |
| **Oct 17** | 221.70 | 228.66 | 265.86 |
| **Nov 17** | 240.78 | 198.62 | 197.93 |
| **Dec 17** | 228.10 | 219.35 | 272.90 |
| **Jan 18** | 183.46 | 177.29 | 112.75 |
| **Feb 18** | 219.42 | 297.90 | 257.49 |
| **Mar 18** | 212.63 | 198.89 | 158.56 |
| **Apr 18** | 217.91 | 209.11 | 119.57 |
| **May 18** | 224.35 | 202.30 | 162.99 |
| **Jun 18** | 218.67 | 253.84 | 268.07 |
| **Jul 18** | 215.76 | 155.41 | 102.04 |
| **Aug 18** | 195.52 | 195.23 | 144.04 |
| **Sep 18** | 264.87 | 271.76 | 307.64 |
| **Oct 18** | 245.16 | 259.51 | 315.22 |
| **Nov 18** | 249.32 | 199.14 | 198.71 |
| **Dec 18** | 240.50 | 198.64 | 237.69 |
| **Jan 19** | 193.32 | 179.89 | 115.87 |
| **Feb 19** | 238.50 | 279.44 | 235.33 |
| **Mar 19** | 224.05 | 213.58 | 177.66 |
| **Apr 19** | 198.65 | 210.14 | 120.65 |
| **May 19** | 228.24 | 229.55 | 198.42 |
| **Jun 19** | 216.97 | 243.80 | 253.51 |
| **Jul 19** | 204.77 | 144.03 | 87.23 |
| **Aug 19** | 186.97 | 155.12 | 93.90 |
| **Sep 19** | 260.84 | 254.46 | 281.69 |
| **Oct 19** | 238.62 | 236.10 | 277.75 |
| **Nov 19** | 254.22 | 203.27 | 204.91 |
| **Dec 19** | 250.00 | 202.23 | 243.80 |
| **Jan 20** | 203.49 | 197.38 | 136.86 |
| **Feb 20** | 264.62 | 281.91 | 238.29 |
| **Mar 20** | 281.18 | 303.85 | 295.01 |
| **Apr 20** | 249.95 | 0.00 | 183.71 |
| **May 20** | 251.35 | 0.00 | 198.89 |
| **Jun 20** | 195.87 | 194.25 | 181.66 |
| **Jul 20** | 222.54 | 235.29 | 205.88 |
| **Aug 20** | 191.68 | 217.19 | 171.49 |

**Past Demand Data by Market Segment Mix and Month**

The following two tables provide the number of rooms occupied by the various segments. The information is provided on a monthly basis and covers the years January 2017 to August 2020.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Occ** | | | |
|  | **Transient** | **Group** | **Contract** | **Total** |
| **Jan 17** | 40.7 | 12.5 | 1.2 | 54.5 |
| **Feb 17** | 54.6 | 15.5 | 2.3 | 72.4 |
| **Mar 17** | 48.0 | 21.3 | 3.2 | 72.5 |
| **Apr 17** | 51.4 | 17.1 | 2.1 | 70.6 |
| **May 17** | 41.8 | 30.4 | 3.2 | 75.4 |
| **Jun 17** | 45.1 | 28.3 | 5.0 | 78.4 |
| **Jul 17** | 49.9 | 16.0 | 3.5 | 69.4 |
| **Aug 17** | 51.2 | 15.3 | 4.2 | 70.8 |
| **Sep 17** | 44.6 | 31.6 | 2.3 | 78.5 |
| **Oct 17** | 49.6 | 21.6 | 3.2 | 74.5 |
| **Nov 17** | 44.0 | 21.9 | 3.4 | 69.3 |
| **Dec 17** | 50.3 | 7.6 | 2.1 | 60.0 |
| **Jan 18** | 40.9 | 13.2 | 1.3 | 55.4 |
| **Feb 18** | 48.5 | 17.6 | 2.4 | 68.5 |
| **Mar 18** | 52.8 | 14.9 | 3.3 | 71.0 |
| **Apr 18** | 40.3 | 29.4 | 2.2 | 71.8 |
| **May 18** | 42.3 | 25.4 | 3.5 | 71.3 |
| **Jun 18** | 44.7 | 31.5 | 5.8 | 82.0 |
| **Jul 18** | 50.0 | 16.8 | 3.7 | 70.5 |
| **Aug 18** | 55.0 | 18.0 | 4.6 | 77.5 |
| **Sep 18** | 49.7 | 29.4 | 2.3 | 81.5 |
| **Oct 18** | 45.8 | 24.9 | 3.5 | 74.2 |
| **Nov 18** | 45.0 | 23.5 | 3.4 | 72.0 |
| **Dec 18** | 49.8 | 11.8 | 2.4 | 64.0 |
| **Jan 19** | 40.9 | 13.8 | 1.4 | 56.1 |
| **Feb 19** | 47.5 | 17.6 | 2.5 | 67.7 |
| **Mar 19** | 50.4 | 18.5 | 3.5 | 72.4 |
| **Apr 19** | 47.2 | 24.9 | 2.2 | 74.3 |
| **May 19** | 44.0 | 29.6 | 3.9 | 77.5 |
| **Jun 19** | 46.3 | 31.3 | 6.6 | 84.2 |
| **Jul 19** | 52.4 | 13.2 | 4.0 | 69.7 |
| **Aug 19** | 58.1 | 16.5 | 5.0 | 79.6 |
| **Sep 19** | 49.7 | 30.9 | 2.4 | 83.0 |
| **Oct 19** | 52.3 | 24.1 | 3.8 | 80.2 |
| **Nov 19** | 47.7 | 26.0 | 3.5 | 77.1 |
| **Dec 19** | 53.3 | 12.4 | 2.6 | 68.3 |
| **Jan 20** | 44.2 | 15.1 | 1.6 | 60.8 |
| **Feb 20** | 48.1 | 18.1 | 2.7 | 68.8 |
| **Mar 20** | 14.8 | 1.5 | 3.6 | 19.9 |
| **Apr 20** | 3.4 | 0.0 | 2.3 | 5.7 |
| **May 20** | 5.9 | 0.0 | 4.3 | 10.1 |
| **Jun 20** | 13.9 | 0.6 | 7.6 | 22.0 |
| **Jul 20** | 23.0 | 2.2 | 4.3 | 29.4 |
| **Aug 20** | 29.9 | 2.9 | 5.4 | 38.2 |

**Area Occupancies and Market Segmentation**

Competitive set occupancies and market segmentation data can be found on the attached STR reports.

**Last Year’s Channel Demand and Transaction Costs**

Demand per channel is expected to follow the same pattern as last year:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Channel Demand (%)** | **Direct** | **GDS** | **OTA** | **Whole Sale** |
| **Transients** | 40 | 30 | 30 | 0 |
| **Groups** | 35 | 15 | 15 | 35 |
| **Contract** | 40 | 20 | 0 | 40 |

The estimated marginal costs for this year are:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Transaction Costs** | **Direct** | **GDS** | **OTA** | **Whole Sale** |
| **Per Room Night** | 0 | 35 | 55 | 25 |

**Gross Price Points and Limits**

The following price limits are expected for the next twelve months. The best rate strategy is the one that produces the highest departmental profit. Generally, higher rates reduce occupancy but increases profit, but only to a point. When rates approach the price point limit in the market, occupancy can drop dramatically to the point that profit is severely affected. There would probably be no occupancy at the price limit unless there is an extraordinary event taking place. All amounts in local currency.

|  |  |
| --- | --- |
| **Segments** | **Price**  **LIMIT** |
| **Transients** | **380** |
| **Groups** | **310** |
| **Contract** | **300** |

The following tables show the caption ratio % per segment that use our F&B facilities for breakfast, lunch and dinner:

**Breakfast**

|  |  |  |  |
| --- | --- | --- | --- |
| **Room**  **Type** | **Caption ratio percentage** | **Average customers per room** | |
| **Transients** | **66%** | | **2** |
| **Contract** | **55%** | | **1.5** |
| **Groups** | **65%** | | **2.5** |

**Lunch**

|  |  |  |  |
| --- | --- | --- | --- |
| **Room**  **Type** | **Caption ratio percentage** | **Average customers per room** | |
| **Transients** | **28%** | | **2** |
| **Contract** | **43%** | | **1.5** |
| **Groups** | **41%** | | **2.5** |

**Dinner**

|  |  |  |
| --- | --- | --- |
| **Room**  **Type** | **Caption ratio percentage** | **Average customers per room** |
| **Transients** | **20%** | **2** |
| **Contract** | **32%** | **1.5** |
| **Groups** | **60%** | **2.5** |

**REQUIREMENTS:**

**The following key performance indicators (KPI) should be covered at various sections of your report.**

1. Critically review important market developments and identify possible impacts that they might had or have on the hotel performance (25%).
2. Compare the STR data in regard to ADR, RevPAR and Occupancy percentages and comment on similarities and differences (5%).
3. Compare the STR data in regard to segmentation mix with your hotel’s and comment on similarities and differences (5%).
4. Perform data decomposition and prepare seasonally adjusted data for all market segments (10%).
5. Forecast anticipated Rooms demand for twelve months, under optimistic, most likely and pessimistic scenario (Jan 2021-December 2021) by using a least two non-causal forecasting methods (5%).
6. Compare the optimal price for each segment with the latest rates charged by your hotel and comment on your findings (5%).
7. Use the optimal price findings and estimate expected demand for twelve months, under optimistic, most likely and pessimistic scenario (Jan 2021-December 2021) (5%).
8. Use the emsr-b heuristic and estimate expected demand for twelve months, under optimistic, most likely and pessimistic scenario (Jan 2021-December 2021) (10%).
9. Compare the estimated demand from the non-causal forecasting, emsr-b and the optimal price approach and discuss possible reasons for their variations (5%).
10. Propose the optimal segment mix in order to maximise Rooms’ revenue (5%).
11. Provide suggestions for middle (2-3 years) and long-term (5 years) strategies and directions by using quantitative and qualitative data (10%).
12. Presentation of written work. The final report and excel spreadsheet are well written, reflects accurate proof reading with no grammatical, syntactic, spelling or typographical errors, style of writing is consistent throughout and the report represents a coherent, integrated and holistic paper (10%).