



**Revenue Management in Hotels: Key Performance
Metrics and Managerial Decision-Making**

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1. Revenue Management in Hotels and the Role of Performance Metrics

Revenue Management (RM) in hotels is a tactical practice, which is meant to sell the right room, to the right customer, at the right price, at the right time, via the right channel. It is founded on demand prediction, an appreciation of customer price sensitivity and a market-response mechanism of dynamically setting the room rates and inventory availability to optimize revenue and profit. Hotel rooms as a perishable good cannot be sold due to the inability of selling an unsold room today and selling it tomorrow, thus effective revenue management is the key to financial success. Revenue management can not be complete without performance metrics since they transform heavy weights of operational data into useful markers that help in assisting managerial decision-making. Measurements assist managers to compare pricing efforts, demand profiles, channel channel performance and financial performance. In the absence of standard metrics, the performance over the time, department, and/or compared with the competitors would be hard to compare. These indicators enable the hotel managers to detect problems in the early stages, optimise pricing and capacity decision and synchronise operational strategies with financial objectives (Gao, 2024).

2. Key Revenue Management Metrics and Their Managerial Significance

2.1 Average Daily Rate (ADR)

ADR is the mean income generated per room occupied at a particular time. It is computed by a division of total room revenue with the number of rooms sold. ADR is a managerial indicator of the effectiveness of the pricing of the hotel. An increasing ADR implies maximization of rates or high demand whereas a decreasing ADR can be evidence of over-discounting or poor market. ADR are methods employed by managers to valuate pricing strategies and performance segmentation (Sun, Schuckert and Hon, 2025).

2.2. Occupancy Rate

Occupancy rate is used to determine the percentage of the available rooms that are sold within a given period. It gives the capacity of the hotel which is being used well. In terms of management, occupancy brings out the level of demand and penetrations in the market. Full occupancy and low ADR can be an indication of underpricing, and low occupancy and high ADR can be an indication of excessive aggressive pricing. One of the key issues in revenue management is to balance between occupancy and ADR (Sun, Schuckert and Hon, 2025).

2.3 Revenue per Available Room (RevPAR)

RevPAR takes into consideration both pricing and occupancy as it is a direction of the room revenue as a ratio of available room. It is determined by multiplying ADR with occupancy rate or total room revenue/total available rooms. One of the most significant metrics is a revPAR as it gives an overall picture of the performance of the room revenue. RevPAR is a tool used by managers to compare performance among periods, properties, and competitors, which makes it one of the most important benchmarking tools (Sun, Schuckert and Hon, 2025).

2.4 Gross Operating Profit per Available Room (GOPPAR)

GOPPAR uses gross operating profit as a measure of profitability and then it is divided by the total available rooms. It considers revenues and operating costs unlike RevPAR. GOPPAR is important to managers in regard to its ability to show actual financial performance and not revenue generation alone. The hotel can have high RevPAR and low GOPPAR in case the costs are not controlled. Thus, GOPPAR helps to make strategic decisions that are oriented to the long-term profitability, not towards the short-term increase in revenues (Sun, Schuckert and Hon, 2025).

References

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