EVALUATING FRONT OFFICE OPERATIONS

Evaluating the results of front office operations is an important management function. Without thoroughly evaluating the results of operations, managers will not know whether the front office is attaining planned goals. Successful front office managers evaluate the results of department activities on a daily, monthly, quarterly and yearly basis. Some important tools which front office managers can use for evaluating front office operations and to evaluate the success of front office operations are:

1. **The Daily Operations Report for Evaluating Front Office Operations–** The daily operations report also known as the manager’s report, the daily report or the daily revenue report, summarizes the hotel’s financial activities during a 24-hour period. The daily operation report has a summary of cash, bank accounts, revenue and accounts receivable. Copies of the report are generally distributed to all department and division managers.
2. **Occupancy Ratios** – Occupancy ratios measure the success of the front office in selling the hotel’s primary product – guestrooms. The following room statistics must be gathered to calculate basic occupancy ratios:

* Number of rooms available for sale
* Number of rooms sold
* Number of guests
* Number of guests per room
* Net rooms revenue

Occupancy ratios that can be calculated from these data include occupancy percentage, multiple or double occupancy ratio, average daily rate, revenue per available room (REVPAR), revenue per available customer (REVPAC), and average rate per guest. These ratios are calculated on a daily, weekly, monthly and yearly basis.

* **Occupancy percentage** = Number of Rooms Occupied / Number of Rooms Available
* **Multiple Occupancy Ratio** = Number of Rooms Occupied by More Than One Guest / Number of Rooms Occupied
* **Average Guests per Rooms Sold**= Number of Guests /Number of Rooms Sold
* **Average Daily Rate** = Total Room Revenue /Number of Rooms Sold
* **REVPAR**=  Total Room Revenue / Number of Available Rooms
* **REVPAC**=                Total Revenue /Number of Guests
* **Average Rate per Guest** = Total Room Revenue / Number of Guests

1. **Rooms Revenue Analysis** – Front office staff members are expected to sell rooms at the rack rate unless a guest qualifies for an authorized discounted room rate. A room rate variance report lists those rooms that have been sold at other than their rack rates. One way for front office managers to Evaluating Front Office Operations and the sales effectiveness of the front office staff is to generate yield statistic, which is actual rooms revenue as a percentage of potential rooms revenue.

**Yield Statistic** =       Actual Rooms Revenue / Potential Rooms Revenue

1. **The Hotel Income Statement**– The hotel’s income statement provides important financial information about the results of hotel operations and Evaluating Front Office Operations for a given period of time. The period may be one month or longer but should not exceed more than one business year. The hotel’s statement of income is also called a consolidated income statement because it presents a complete picture of all the hotel’s financial operations.

**SAMPLE CONSOLIDATED STATEMENT OF INCOME**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **WESTVIEW HOTEL** | | | | | | |
| **Summary Statement of Income** | | | | | | |
| **For the Year ended 12/31/2012** | | | | | | |
| **OPERATED DEPARTMENTS** | **SCHEDULE** | **NET REVENUE** | **COST OF SALES** | **PAYROLL & RELATED EXPENSES** | **OTHER EXPENSES** | **INCOME (LOSS)** | |
| Rooms | 1 | 6070356 |  | 1068383 | 473487 | 4528486 | |
| Food | 2 | 2017928 | 733057 | 617705 | 168794 | 498372 | |
| Beverage | 3 | 778971 | 162258 | 205897 | 78783 | 332033 | |
| Telecommunications | 4 | 213744 | 167298 | 31421 | 17309 | -2284 | |
| Rentals & Other Income | 5 | 188092 |  |  |  | 188092 | |
| **Total Operated Departments** |  | 9269091 | 1062613 | 1923406 | 738373 | 5544699 | |
| **Undistributed Operating Expenses** |  |  |  |  |  |  | |
| Administrative And General | 6 |  |  | 227635 | 331546 | 559181 | |
| Marketing | 7 |  |  | 116001 | 422295 | 538296 | |
| Property Operation And Maintenance | 8 |  |  | 204569 | 163880 | 368449 | |
| Utility Costs | 9 |  |  |  | 546331 | 546331 | |
| Total Undistributed Operating Expenses |  |  |  | 548205 | 1464052 | 2012257 | |
| **Totals** |  | 9269091 | 1062613 | 2471611 | 2202425 | 3532442 | |
| **Income After Undistributed Operating Expenses** |  |  |  |  |  | **3532442** | |
| Rent, Property Taxes And Insurance |  |  |  |  |  | 641029 | |
| **Income Before Interest, Depreciation, Amortization And Income Taxes** |  |  |  |  |  | 2891413 | |
| Interest Expense |  |  |  |  |  | 461347 | |
| Depreciation And Amortization |  |  |  |  |  | 552401 | |
| Income Taxes |  |  |  |  |  | 469810 | |
| Gain On Sale Of Property (+) |  |  |  |  |  | 1574 | |
| **Net Income** |  |  |  |  |  | **1409429** | |
|  |  |  |  |  |  |  |  |

1. **The Rooms Schedule** – the hotel’s income statement shows only summary information. The separate departmental income statements prepared by each revenue center provide more detail and to help Evaluating Front Office Operations. Departmental income statements are called “schedules” and are referenced on the hotel’s statement of income.

**SAMPLE ROOMS DIVISION INCOME STATEMENT**

|  |  |  |
| --- | --- | --- |
| **ROOMS – SCHEDULE # 1** | |  |
| **WESTVIEW HOTEL** | |  |
| **For the year ended 12/31/2012** | **Current Period** | |
| **Revenue** | 6124991 | |
| **Allowances** | 54635 | |
| **Net Revenue** | **6070356** | |
| **Expenses** |  | |
| Salaries and Wages | 855919 | |
| Employee Benefits | 212464 | |
| **Total Payroll and Related Expenses** | 1068383 | |
| **Other Expenses** |  | |
| Internet/Satellite Television | 20100 | |
| Commissions | 66775 | |
| Complimentary Guest Services | 2420 | |
| Contract Services | 30874 | |
| Guest Relocation | 1241 | |
| Guest Transportation | 48565 | |
| Laundry and Dry Cleaning | 42495 | |
| Linen | 12140 | |
| Operating Supplies | 122600 | |
| Reservations | 40908 | |
| Telecommunications | 12442 | |
| Training | 7122 | |
| Uniforms | 60705 | |
| Other | 5100 | |
| **Total Other Expenses** | 473487 | |
| **Total Expenses** | **1541870** | |
| **Departmental Income** | **4528486** | |
|  |  |  |

1. **Rooms Division Budget Reports** – The hotel’s accounting division also prepares monthly budget reports that compare actual revenue and expense figures with budgeted amounts. These reports can provide timely information for evaluating front office operations. Front office performances are often judged according to how favorably the rooms division’s monthly income and expense figures compare with budgeted amounts which is very important to Evaluating Front Office Operations.

**SAMPLE MONTHLY ROOMS DIVISION BUDGET REPORT**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **LANDMARK HOTEL** | | | | |
| **BUDGET REPORT – ROOMS DIVISION** | | | | |
| **FOR JANUARY 2013** | | | | |
|  |  |  | **Variances** | |
|  | **Actual** | **Budget** | **Amount** | **%** |
| **Revenue** |  |  |  |  |
| Room Sales | 156240 | 145080 | 11160 | 7.69 |
| Allowances | 437 | 300 | 137 | (45.67) |
| Net Revenue | 155803 | 144780 | 11023 | 7.61 |
| **Expenses** |  |  |  |  |
| Salaries and Wages | 20826 | 18821 | (2005) | (10.65) |
| Employee Benefits | 4015 | 5791 | 1776 | 30.67 |
| Total Payroll and Related Expenses | 24841 | 24612 | (229) | (0.93) |
| Other Expenses |  |  |  |  |
| Commissions | 437 | 752 | 315 | 41.89 |
| Contract Cleaning | 921 | 873 | (48) | (5.50) |
| Guest Transportation | 1750 | 1200 | (550) | (45.83) |
| Laundry and Dry Cleaning | 1218 | 975 | (243) | (24.92) |
| Linen | 1906 | 1875 | (31) | (1.65) |
| Operating Supplies | 1937 | 1348 | (589) | (43.69) |
| Reservation Expenses | 1734 | 2012 | 278 | 13.82 |
| Uniforms | 374 | 292 | (82) | (28.08) |
| Other Operating Expenses | 515 | 672 | 157 | 23.36 |
| Total Other Expenses | 10792 | 9999 | (793) | (7.93) |
| **Total Expenses** | 35633 | 34611 | (1022) | (2.95) |
| **Departmental Income** | 120170 | 110169 | 10001 | 9.08% |