

CHAPTER 11

Revenue Forecast

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¶ 11.01 INTRODUCTION

Forecasting the revenue of a lodging facility is best accomplished in a step-by-step fashion that follows the format set forth in the *Uniform System of Accounts for Hotels* (Hotel Association of New York City, Inc., 8th ed. HANYC Inc., 1986). In this system, sources of income are categorized and estimated separately before they are combined in one complete statement of both revenue and expense. Most hotels follow this uniform procedure; it has become the standard format for forecasting.

The major categories of revenue in this system are room, food service, beverage, and telephone. A miscellaneous category of other income—in which smaller amounts of revenue from sources such as rentals, forfeited advance deposits, and vending machines are combined—is also usually forecasted.

The build-up cover approach and the fixed and variable component approach are the two most commonly used methods for projecting food and beverage revenue. While the build-up cover approach is used only to forecast food and beverage revenue, the fixed and variable component approach is also used to estimate other types of revenue. Where possible, appraisers use both methods as a means of verifying the accuracy of a forecasted estimate.

The build-up approach forecasts food and beverage revenue by developing estimates of individual revenue components such as patronage, number of meals served,

and average price per meal. The fixed and variable component approach is based on the anticipated relationship of food revenue to rooms revenue and beverage revenue to food revenue. The build-up approach requires knowledge of local market conditions, and it takes into account the specific facilities offered by the subject property. The fixed and variable component approach depends on data from a directly comparable hotel, but can easily be adjusted to reflect differences in occupancy levels.

This chapter explains the theory behind the fixed and variable component approach and demonstrates its application in revenue forecasts. Chapter 12 shows how it is used to make expense projections. The procedure used in the fixed and variable component approach is identical for both revenues and expenses.

¶ 11.02 **ROOMS REVENUE**

The estimated total rooms revenue is the most important component of the overall revenue forecast because it is the major source of profit for any lodging facility. It is also important because it sets the benchmark from which other revenues are projected. The procedure for forecasting rooms revenue is relatively straightforward. The appraiser multiplies the projected occupancy rate for the subject property as determined by the room-night analysis conducted earlier in the market study (see Chapter 9) by the forecasted average room rate (see Chapter 10). The result is then multiplied by the room count of the property, which is in turn multiplied by 365 days. These computations yield the total rooms revenue.

¶ 11.03 **FOOD AND BEVERAGE REVENUE**

Most full-service lodging facilities provide both food and beverage outlets for the use of their guests as well as local residents. The primary outlets found within most lodging facilities are restaurants, lounges, bars, banquet rooms, and room service. These outlets generate two kinds of income: food revenue and beverage revenue.

Food revenue is defined as revenue derived from the sale of food, including coffee, milk, tea, and soft drinks. Food sales do not include employee meals charged on hotel employees' checks, which are usually an adjustment to food cost. Beverage revenue is defined in the *Uniform System of Accounts for Hotels* as revenue derived from the sale of alcoholic beverages. In addition to the revenue generated by the sale of food and beverages, hotels generally produce related income from meeting room rental, cover charges, service charges, and miscellaneous banquet revenue.

[1] **Food Revenue**

Exhibit 11-1 lists the various revenue categories included in the food department of a hotel. The table also shows whether the category is relatively fixed, occupancy sensitive, rate sensitive, or food sensitive. This information is useful when food revenue is projected through use of a fixed and variable component approach.

Food revenue varies greatly, depending on the number of outlets, the management expertise, and the market orientation of each outlet. External factors such as the competitive environment, proximity to demand generators, and the market segmentation of a hotel also influence the revenue-generating potential of a food outlet.

Exhibit 11-1 Food RevenueSource: *Uniform System of Accounts for Hotels*

Category	Percent of Sales	Fixed Revenue	Variable Revenue		
			Occupancy-Sensitive	Rate-Sensitive	Food- and Beverage-Sensitive
Food	60-85	—	Moderately	—	Highly
Beverage	15-40	—	Moderately	—	Highly
Other income					
Public Room Rentals	0-2	—	Moderately	—	Slightly
Cover and Minimum Charges	0-2	—	Moderately	—	Highly
Sundry Banquet Income	0-2	—	Slightly	—	Highly

Food revenue is calculated by multiplying factors for demand and average check. The unit of demand used to quantify food volume is the cover, which represents one meal served to one person. This term originates from the cover plate in each place setting that is removed just prior to the appetizer course. The number of patrons served during each meal period is simply determined by counting the cover plates that were used. The average check is similar in concept to average room rate and is calculated by dividing the total food revenue for a period of time by the number of covers served. (Generally, the average check is calculated separately for food revenues and beverage revenues.)

[a] Build-Up Cover Approach

The build-up cover approach is a means of forecasting demand for food service by estimating the total number of covers a property is expected to sell. The forecast of food revenue is then determined by multiplying the total number of covers by the estimated average check. The appraiser can project demand (i.e., number of covers) by analyzing either restaurant activity or lodging activity.

The analysis of restaurant activity also involves multiplying turnover—the number of times a seat is occupied during a given meal period—by the number of seats available per meal period. By totaling the number of covers for each meal period for all of the food services of a property during the projection period, the appraiser can approximate total food demand.

Eating- and drinking-place sales statistics are used to formulate two restaurant market indexes for approximately 300 U.S. metropolitan areas. Since 1968, Market Statistics, a division of Bill Communications, Inc., has published restaurant data and statistics in *Restaurant Business* magazine. This information is summarized in two indexes.

1. Restaurant Activity Index (RAI)
2. Restaurant Growth Index (RGI)

The restaurant activity index (RAI) measures an area's eating-place sales activity relative to its food store sales and compares this ratio with the national average. More specifically, it is the ratio of an area's eating-place sales (expressed as a per-

centage of total U.S. eating-place sales) to the area's food store sales (expressed as a percentage of total U.S. food store sales). Eating-place sales include retail sales of restaurants and lunch rooms, cafeterias, fast-food sales, banquets, and sales of specialty foods such as those found in ice cream and frozen yogurt stands. Drinking-place sales are excluded.

The national average is the index base, expressed as 100, and a specific area is compared with the national average by the following formula.

$$\text{RAI} = \frac{\text{Percentage of U.S. Eating-Place Sales Located in the Market}}{\text{Percent of U.S. Food Store Sales Located in the Market}}$$

If the resulting number is larger than 100, it indicates a greater than average propensity to eat away from home. Some of the reasons why a restaurant activity index may be greater than 100 include the fact that local citizens dine out more than the national average or that local restaurants receive non-local patronage from sources such as transient vehicular traffic, hotel guests, conventioners, vacationers, or residents of nearby communities.

An index lower than 100 indicates that an area's percentage of dining out sales is lower than that of the nation as a whole. This may be attributed to an insufficient number of restaurants, which forces residents to dine out in neighboring metropolitan areas, and restaurants situated in neighboring metropolitan areas that draw patronage away from local outlets.

The purpose of the restaurant activity index is to indicate the current level of dining-out activity, and further analysis must be made to identify the reasons for this level.

The restaurant growth index (RGI) presents the relationship between restaurant supply and demand in the form of an index. When supply equals demand, the index is 100. The mathematical equation used to calculate RGI is as follows.

$$\text{RGI} = \text{Demand/Market's Percentage of U.S. Total Eating Place Sales} \times 100$$

In the foregoing equation, demand is an average of the market's share of the following five variables: the number of working women (this figure is multiplied by two to give it extra weight), U.S. households with effective buying incomes of \$25,000 or more, U.S. eating-place sales, U.S. hotel and motel receipts, and the U.S. population under the age of 14 and between the ages of 25 and 44. Multiplying by 100 ensures that the final figure will be in an index form.

The amount by which the RGI exceeds 100 indicates the growth potential that is present. For example, an RGI of 120 indicates that the current market area is underdeveloped and could support an approximate 20% increase in the number of food and beverage facilities. When the market is saturated, the index will drop below 100. The lower the number, the more saturated the market.

Both the RAI and RGI should be evaluated concurrently in order to make a proper determination of an area's future restaurant potential.

Turnover is generally estimated by determining the actual past turnover experienced by the subject property if it has an operating history; if not, by that of similar facilities in the market area.

If the appraiser has no operating history to refer to, data for similar outlets can be used. The necessary information can usually be obtained through discussions with the management of the hotels in which the outlets are operated or by actually surveying and counting the number of patrons served during specific meal periods in such outlets. Once the turnover has been estimated for each of the food outlets, it is multiplied by the number of seats, meal periods, and business days to arrive at a forecast of the total number of covers the property will sell.

There are, however, two drawbacks to the analysis of restaurant activity. The first is that it can be difficult to obtain accurate turnover ratios from competitive facilities. The second is that adjustments must be made to the data that are needed to reflect the attributes of the subject property. This procedure requires a number of subjective decisions on the part of the appraiser and can become quite complicated.

Projecting food demand by the analysis of lodging activity is justified by the fact that the number of covers sold by a hotel is directly related to guestroom usage (room-night demand) and market segmentation. Through statistical analysis and knowledge of the frequency with which each market segment makes use of a hotel's facilities, the total in-house demand can be estimated. The appraiser then combines the in-house forecast with a factor for demand created outside the hotel (i.e., meeting and banquet business) to forecast the total number of covers the property will sell.

The analysis of lodging activity takes into account the total house count (number of people occupying the guestrooms) and the patronage patterns of the different market segments into which the guests fall. Since in-house demand typically accounts for 60 percent to 80 percent of the food and beverage sales for a hotel (depending on hotel type, location, and proximity to alternative dining facilities), the analysis of lodging activity generally produces a more supportable estimate of food demand than does the analysis of restaurant activity.

To project future total food revenue using an analysis of lodging activity, the appraiser must take the following steps:

1. Calculate the total house count by market segment using the projected occupancy and double occupancy estimates derived during the room-night analysis and the average room rate analysis.
2. Apply the percentage of each market segment that patronizes each of the proposed subject's food outlets by meal period to the total house count to yield the approximate future in-house food service demand in each of the market segments.
3. Estimate the out-of-house demand generated from non-hotel guests using a hotel's restaurant facilities either on a per-cover basis or as a percentage of total demand to yield out-of-house restaurant demand.
4. Estimate total banquet covers served to non-hotel guests based on the product of the average number of banquets per week and the average number of covers per banquet or the average number of banquet covers per day.
5. Determine total food service demand by adding together in-house food service demand, out-of-house restaurant demand, and non-hotel guest banquet demand.
6. Estimate the average check for each meal period based on the operating history of either the subject property or similar competitive food facilities in the marketplace.
7. Multiply the average check for each meal period by the estimated total number of covers (per year) for that meal period to yield the total food revenue.

[i] **House count.** The term "house count" refers to the number of guests that stay at a hotel over a specific period of time (usually one year). This quantity is used to determine the rate of double occupancy, which is the average number of guests occupying one guestroom. The double occupancy rate is calculated by dividing the house count for the year by the number of occupied rooms for the same period of time, as in the following example:

$$\text{House Count/Occupied Rooms} = 85,252/64,659 = 1.32$$

Thus, every guestroom sold within this hotel had an average of 1.32 occupants. The commercial market segment is typically composed of individual business travelers; as a whole, therefore, it has a low rate of double occupancy (1 to 1.4). Meeting and convention demand generally has a higher rate. Commercial groups (i.e., business meeting attendees) typically have a lower double occupancy rate (1.35 to 1.50) than social groups, which are sometimes more price sensitive and thus produce a range of double occupancy of 1.5 to 2.0. Leisure travelers are typically families, for which the double occupancy rate is 1.7 to 2.5.

[ii] **In-house capture.** In-house capture is based on the propensity of each hotel guest to use the property's food outlets. Capture differs depending upon the market segment, meal period, and type of food facility available.

For example, commercial travelers exhibit a higher than average propensity to take breakfast at the property's facilities, especially from room service. The meeting and convention segment exhibits mixed propensities to dine at the subject's facilities, depending on whether the meeting or convention is held within the hotel, and whether a planned breakfast is provided to the group. Similarly, leisure travelers also show a mixed propensity to use in-house facilities. This segment tends to forgo breakfast on weekdays, but has a high tendency to order breakfast or brunch on the weekends.

In-house capture also varies by meal period. In most hotels there is a fairly strong breakfast demand from guests, especially on the weekends if the restaurant offers brunch. Typically, the lunch meal period captures little in-house traffic. Because few guests are in the hotel at midday, lunch demand is predominantly from local business people and shoppers, depending on the hotel's location and proximity to office buildings and retail outlets. The hotel's dinner demand usually depends on the dining alternatives in the local area. If suitable alternatives exist, commercial and leisure travelers do not usually dine at the hotel's food outlets. Meeting and convention guests often have planned functions at night and will therefore create little dinner demand.

[iii] **Out-of-house restaurant demand.** Food service patronage from local clientele (outside capture) includes demand generated by nearby residents, business people, and transients passing through the area. Out-of-house restaurant demand can be calculated as a percentage of total food service demand excluding banquet patronage. Typical ranges of out-of-house demand percentages are listed in Exhibit 11-2.

Exhibit 11-2 Out-of-House Demand Percentages

Meal Period	Percentage of total food demand excluding banquet patronage
Breakfast	5%–15%
Lunch	30%–70%
Dinner	20%–60%

Out-of-house restaurant demand is generally lowest during breakfast and highest at lunch. Dinner demand is variable, depending on the quality of the facilities of the subject property and the local dining alternatives.

Most new hotels typically experience a high out-of-house restaurant demand during the initial year or two as local residents and business people try out the new

food outlets. As the appeal of the hotel's novelty subsides, out-of-house usage generally declines. Overall, the percentage of total food demand (excluding banquet patronage) remains constant albeit minimal for breakfast, but generally declines for lunch and dinner.

[iv] **Banquet demand.** Banquet covers are estimated separately and are based on the product of the average number of banquets per week multiplied by the average number of covers per banquet. Banquet covers are assumed to be out-of-house patronage. Use of banquet facilities by in-house meeting and convention patronage is included in estimates of overall food service use.

[b] Fixed and Variable Component Approach

The second approach that may be used to forecast food revenue is the fixed and variable component approach. The forecasting procedures used in this approach represent one of the most accurate models of hotel financial performance. With proper input, it can produce reliable forecasts of every category of hotel revenue and expense. The fixed and variable component approach forms the basis for most computerized hotel forecasting models employed by hotel appraisal and consulting firms as well as by a number of hotel companies, investors, lenders, and developers.

This approach is based on the concept that most items of revenue and expense within a hotel have a fixed component, which does not vary with a hotel's occupancy or other volume measure, and a variable component, which changes in direct relationship with occupancy or another measure of volume (e.g., total revenue). By estimating the food revenue for a specific level of occupancy and knowing what portion of the revenue is fixed and what portion is variable, the appraiser can calculate the revenue for other different levels of occupancy.

For an existing hotel, the estimate of food revenue at the specific occupancy level is based on past operating history. For a proposed facility, the food revenue estimate is derived from either the actual sales volume of a similar facility or the percentage relationship of food revenue to rooms revenue and beverage revenue to food revenue of a similar facility.

This same procedure can be used to project all categories of revenues and expenses found in a hotel's operating statement. It should be noted, however, that not all categories vary directly with occupancy. For example, food departmental expense varies with food revenue, telephone expense varies with telephone revenue, administrative and general expense varies with total revenue, and energy cost varies with total revenue.

To use the fixed and variable component approach to make financial forecasts, the appraiser must complete the following steps:

1. Obtain actual income and expense data from the subject property for an existing hotel, or from similar properties for a proposed hotel.
2. Make any necessary adjustments to this data so it reflects as closely as possible the individual characteristics of the subject property. These adjustments may include changing the average room rate, modifying income and expense ratios, and altering fixed charges. The end result of these changes should be a one-year profit-and-loss statement that expresses the undiscounted first year average room rate for the subject in current dollars, and income and expense ratios at a level appropriate for the given occupancy percentage. This profit and loss statement is called the base and will serve as the basis for calculating the fixed and variable component relationships.

3. Inflate (or deflate) the revenue and expense numbers in the base to a level that reflects current dollars for the forecast year. The average room rate used in the base comes from the average rate projection. Any discounting of the average rate is disregarded in developing the base for each projected year.
4. Estimate the fixed and variable percentages for each revenue and expense category. Exhibit 11-3 lists typical ranges of fixed and variable percentages along with the index used to measure variable changes.

Exhibit 11-3 Fixed and Variable Percentages for Revenues and Expenses

Revenues and Expense Category	Percent Fixed	Percent Variable	Index of Variability
Revenues			
Food	25-50	50-75	Occupancy
Beverage	0-30	70-100	Food Revenue
Telephone	10-40	60-90	Occupancy
Other Income	30-60	40-70	Occupancy
Departmental Expenses			
Rooms	50-70	30-50	Occupancy
Food and Beverage	35-60	40-65	Food and Beverage Revenue
Telephone	55-75	25-45	Telephone Revenue
Other Income	40-60	40-60	Other Income
Undistributed Operating Expenses			
Administrative and General	65-85	15-35	Total Revenue
Management Fee	0	100	Total Revenue
Marketing	65-85	15-35	Total Revenue
Franchise Fees	0	100	Rooms Revenue
Repairs and Maintenance	55-75	25-45	Total Revenue
Energy	80-95	5-20	Total Revenue
Fixed Expenses			
Property Taxes	100	0	Total Revenue
Insurance	100	0	Total Revenue
Reserve for Replacement	0	100	Total Revenue

5. Calculate the fixed component by multiplying the appropriate base revenue or expense category for the projected year by the fixed percentage estimated in Step 4.
6. Calculate the variable percentage change. Variable revenues or expenses are assumed to vary directly with some index of variability. Exhibit 11-2 shows the appropriate index of variability for each revenue and expense category. The variable expense change is calculated by dividing the projected index of variability by the base index of variability for the projected year.

7. Calculate the unadjusted variable component by multiplying the appropriate base revenue or expense category for the projected year by the variable percentage estimated in Step 4.
8. Adjust the unadjusted variable component for variability by multiplying it by the variable percentage change calculated in Step 6. The resulting product is the adjusted variable component.
9. Total the forecasted revenue or expense for that specific category, in the projected year, by adding the fixed component calculated in Step 5 to the adjusted variable component calculated in Step 8.

[c] Test for Reasonableness

After making a financial projection, the appraiser should evaluate the result for reasonableness. The appraiser must determine whether the result is sensible (i.e., whether it is supported by the results achieved by similar hotels), whether it is likely that the subject property can actually achieve the projected figures, and finally, whether the individual projection is in line with all of the other projections.

To evaluate financial operating information, the appraiser generally uses various categories of data—for example, percentage of total revenue, percentage of rooms revenues, dollars per available room, and dollars per occupied room. These units of comparison put the financial data on a common base (e.g., amount per room) so that the operating results of many hotels can be compared and contrasted.

Each unit of comparison is better suited to certain revenue or expense categories than others. The applicability of certain units is due to specific relationships that cause various revenues and expenses to react differently to changes in occupancy, average room rate, and food and beverage volume. For example, if a revenue or expense category is primarily fixed, then greater emphasis should be placed on the dollars per available room as a unit of comparison, since it remains fixed even when revenues change. If the category varies in relation to changing occupancy levels or average room rates, the appropriate unit of comparison would be percentage of rooms or total revenue data, which will change in accordance with changes in revenues. Exhibit 11-4 shows the primary units of comparison used in the analysis of hotel financial data along with the factors that affect the sensitivity of these units. Listed next to each unit of comparison are the revenue and expense categories best suited for the particular form of comparison.

[2] Beverage Revenue

Beverage revenue is derived through the sale of beverages (generally alcoholic) from a hotel's restaurants, lounges, banquet rooms, and room service. In accordance with the *Uniform System of Accounts for Hotels*, beverage revenue should be given a category separate from food revenue (although it should share the same expense category).

Beverage revenue can be forecasted in a manner similar to food revenue by using either a build-up cover approach or a fixed and variable component approach. The main difficulty in preparing forecasts of beverage revenue is estimating the future success of an in-house bar or lounge. Because the bulk of beverage revenue generally comes from a lounge outlet, the appraiser should have a clear understanding of the various dynamics that create success or failure in this type of business. Lounge customers tend to be fickle, so one year's "in" spot may be unpopular the next. Much

of the success has to be attributed to the skills and expertise of management, which means there is a high degree of business risk (and opportunity) in operating a hotel lounge.

Exhibit 11-4 Primary Units of Comparison

Unit of Comparison	Sensitivity Factors	Revenue and Expense Categories Analyzed
Percentage of total revenue	Occupancy Average room rate Food and beverage revenue	Administrative and general Management Fee Marketing Property Operations and maintenance
Percentage of rooms revenue	Occupancy Average room rate	Food revenue Telephone revenue Other income Rooms expense
Percentage of food and beverage revenue	Food and beverage revenue	Food and beverage revenue
Per available room	Fixed categories	Administrative and general Marketing Property operations and maintenance Energy Insurance Property taxes
Per occupied room	Occupancy	Food revenue Beverage revenue Telephone revenue Other income Rooms expense Energy

[a] Build-Up Cover Approach

The build-up cover approach for forecasting beverage revenue is handled in a manner similar to that for projecting food revenue. The appraiser first looks at the percentage of the business that will be generated by in-house guests and the percentage that will originate outside the property. If the hotel lounge has any degree of success, a substantial portion of the beverage revenue will come from patrons who are not hotel guests. In addition to the demand generated from the beverage outlets, a certain amount of beverage revenue originates from liquor consumption by in-house restaurant-goers.

[b] Fixed and Variable Component Approach

As with food revenue, the fixed and variable component approach is generally the preferred procedure for forecasting this category of income. Exhibit 11-2 shows that beverage revenue is typically 70 percent to 100 percent variable and 0 percent to 30 percent fixed. Because of this high variability, which is attributable to the direct relationship between food and beverage revenues, an assumed 100 percent variable component is normally used.

¶ 11.04 TELEPHONE REVENUE

Telephone revenue is derived from fees paid by hotel guests for local and long distance calls and from out-of-house patrons' use of public telephones. As part of the deregulation of the telephone industry, hotels are now permitted to resell telephone services to their guests at a reasonable profit. Prior to deregulation, hotels could collect only a 15 percent commission on long distance telephone calls, which was usually inadequate compensation, and many hotels suffered losses as a result of providing telephone service. At present, hotels have highly sophisticated telephone systems that incorporate automatic billing and posting to guest accounts, least-cost routing, and use of various providers of long distance services (e.g., AT&T, MCI, and US SPRINT). Hotel telephone departments are now more likely to show some profit, although revenues depend largely on the usage characteristics of the guests.

In recent years, long distance telephone charges billed by hotels to individual guests have decreased significantly because many long distance carrier services can be accessed by either a toll-free local call or an 800 number. Callers are generally charged merely an access fee rather than the normal long distance tariff. As a result, profits from telephone service have not grown as rapidly as the hotel industry had expected with telephone deregulation.

As a rule, telephone revenue varies directly with changes in occupancy. A small portion is fixed, representing pay station revenue generated by out-of-house patronage of food and beverage outlets and meeting rooms. The appropriate units of comparison are a percentage of rooms revenue or an amount per occupied room. Exhibit 11-5 lists the various categories of telephone revenue and describes their individual characteristics.

Exhibit 11-5 Telephone Revenue

Source: Uniform System of Accounts for Hotels

Category	Percent of Sales	Fixed Revenue	Variable Revenue		
			Occupancy-Sensitive	Rate-Sensitive	Food- and Beverage-Sensitive
Local	25-60	—	Highly	—	—
Long distance	35-60	—	Highly	—	—
Service charge	0-20	—	Highly	—	—
Pay station	0-20	Somewhat	—	—	Somewhat

Telephone revenue is normally projected through the fixed and variable component approach, with 10 percent to 40 percent of the revenue being fixed and 60 percent to 90 percent occupancy-variable. The fixed component represents the out-of-house use of pay phones as well as telephone service for meetings and conferences.

¶ 11.05 OTHER INCOME

Other income is revenue derived from sources other than guestroom, food and beverage, or telephone sales. The following is a list of the most common categories of other income with examples of specific sources:

- Rentals: Stores, office space, concession space, showcases, clubs, and storage.
- Commission: Auto rental, photography, telegram, and vending services.

- Concessions: Gift shops, barber shops, and beauty salons.
- Cash discounts earned: Discounts from creditors' accounts for payment within the discount period (does not include trade discounts, which count as a deduction from cost of goods sold).
- Electronic games and pinball machines.
- Forfeited advance deposits and guaranteed no-shows.
- Service charges: Charges added to customer's account for service.
- Interest income: Interest from moneys invested.
- Salvage: Revenue from the sale of old and obsolete items.
- Vending machines.

Other income is highly occupancy sensitive and slightly food-and-beverage sensitive, which means that the appropriate units of comparison are a percentage of rooms revenue adjusted for any unusual food-and-beverage volume and other income per occupied room. Care must be taken when projecting other income to evaluate all the potential sources of revenue. Hotels with extensive retail space or recreational amenities should divide other income into several categories so as to recognize and properly account for significant revenue generators.

¶ 11.06 **TOTAL REVENUE**

Total revenue is the sum of the rooms revenue, food revenue, beverage revenue, telephone revenue, and other income for the subject property. Projected total revenue is an important data point because it will serve as a unit of comparison and an index of variability for several expense categories.