

MODULE – 1

ROOM TARIFF STRUCTURE

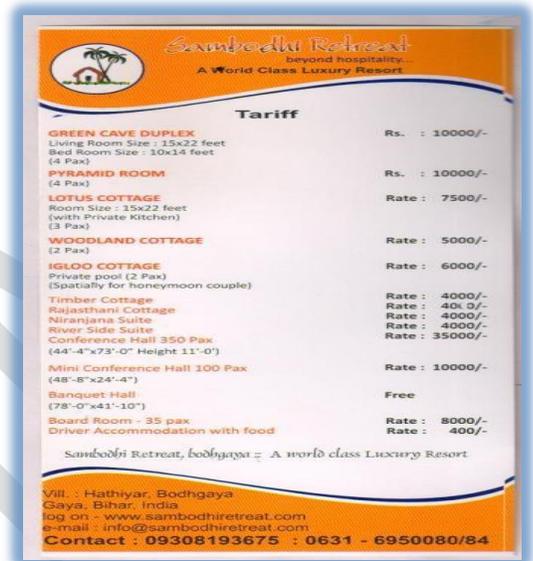
Factors Affecting Hotel Room Tariff - Establishing the End of the Day – Fixed Check-in/Checkout basis, 24 hrs Basis, Night Basis - Room Rate Designation -Meal Plans - Room Tariff Card, Hotel Brochure and its importance, - Room Tariff Fixation – Cost Based – Rule of Thumb vs. Hubbart’s Formula, Market Based Pricing (WRITE IN INDEX)

TARIFF STRUCTURE

Tariff: It is the published room rate

Tariff Card: Hotels display their room rent on tariff card, which provide information about the room rate for different types of rooms available in the hotel.

Brochures are promotional documents, primarily used to introduce a company, organization, products or services and inform prospective customers or members of the public of the benefits.



Sambodhi Retreat
beyond hospitality...
A World Class Luxury Resort

| Room Category | Rate |
|--|-------------------------------|
| GREEN CAVE DUPLEX Living Room Size : 15x22 feet Bed Room Size : 10x14 feet (4 Pax) | Rs. : 10000/- |
| PYRAMID ROOM (4 Pax) | Rs. : 10000/- |
| LOTUS COTTAGE Room Size : 13x22 feet (with Private Kitchen) (2 Pax) | Rate : 7500/- |
| WOODLAND COTTAGE (2 Pax) | Rate : 5000/- |
| IGLOO COTTAGE Private pool (2 Pax) (Specially for honeymoon couple) | Rate : 6000/- |
| Timber Cottage | Rate : 4000/- |
| Rajasthan Cottage | Rate : 4000/- |
| Niranjana Suite | Rate : 4000/- |
| River Side Suite | Rate : 3500/- |
| Conference Hall 350 Pax (44'-4"x73'-0" Height 11'-0") | Rate : 10000/- |
| Mini Conference Hall 100 Pax (48'-8"x24'-4") | Free |
| Banquet Hall (78'-0"x41'-10") | Free |
| Board Room - 35 pax Driver Accommodation with food | Rate : 8000/- Rate : 400/- |

Sambodhi Retreat, Bodhgaya : A world class Luxury Resort

Vill. : Hathiya, Bodhgaya
Gaya, Bihar, India
log on - www.sambodhiretreat.com
e-mail - info@sambodhiretreat.com
Contact : 09308193675 : 0631 - 6950080/84

THE LEELA
SEMPINEER SURGAON
DELHI (N.C.A.)
The Essence of India

Room Types and Rack Rates for 2009

| ROOM CATEGORY | RATE (INR) | ROOM CATEGORY | RATE (INR) |
|--------------------|-----------------|--------------------|-------------------|
| Deluxe Room | 20,000 / 21,500 | Executive Suite | 40,000 / 40,000 |
| Premiere Room | 22,000 / 23,500 | Deluxe Suite | 50,000 / 50,000 |
| Terrace Room | 24,000 / 25,500 | Panoramic Suite | 70,000 / 70,000 |
| Club Premiere Room | 28,000 / 29,500 | Presidential Suite | 150,000 / 150,000 |

- All rates are subject to 10% Luxury Tax on the special tariff
- The above rates are quoted on single / double room basis
- The above mentioned rates are valid till August 31, 2009

Room Tariff

Room rate, which is the daily rate charged for the usage of a hotel room and services, is among a traveler's basic criteria for choosing a particular hotel for stay. The basis for charging room rate differs from hotel to hotel. Hotels display their room rent on tariff cards, which provide information about the room rate for different types of rooms available in the hotel.

Factors for Room Tariff Fixation

- **Customer Profile:** Category of customer coming to your hotel. The social status and financial status i.e. Paying Capacity, should be kept in mind.
- **Locality:** Locality where hotel is situated whether posh area-Shopping & other facilities.
- **Room Location:** Front room and rooms opening to better view would cost more than dark rooms, corner rooms.
- **Publicity:** The amount of publicity done by hotel. The type of expense has to be adjusted somehow as it has no source of return but is a must in popularizing the various service of a hotel.
- **Standard of service:** More amenities, higher the standard and so also higher the room rate.

TARIFF FIXATION

1. **12Noon Check in and Check Out Basis:** It is most common way of fixation of tariff The hotel fixes a specific time usually 12:00 noon as check out time which means guest charging cycle begins from 1200 noon and finishes at 12:00 noon on the next day. E.g. Rita arrives into hotel at 5:00am (16th July) and after a day rest, she has to catch a train at 11:00pm (16th July). She checks out the hotel at 10:00pm (16th July). Rita has to pay 2nights room charges i.e. 15th July (12:00pm) to 16th July (12:00) pm and 16th July 12:00pm to 17 July 12:00pm.
2. **Twenty-Four Hours Basis:** In this system the charges of room start from the time when the guest checks in and he has to pay one day up to 24hrs from the time of arrival. If a guest arrives at 9 am today, the room charges will cover until 9 am tomorrow. No concession will be given if the guest leaves few hours earlier. His/her hotel day begins at 9 am every subsequent day. There is not any fixed time for check-in and check-out.
3. **Night Basis:** In this system the guest is charged on the basis of number of nights that he spends in the hotel irrespective of time of arrival. If a guest does not stay at night a half day rent is charged from him.

DIFFERENT TYPES OF ROOM TARIFF DESIGNATIONS –

A rate structure, or combination of all the rates offered at a hotel, will vary from property to property. Actual money value will of course vary as well based on hotel product type, location type, size and market conditions.

The individual room rates within the rate structure are allocated a value based on certain characteristics. The 'Room Rate Designation' is the term used to specify the rate threshold within the overall structure.

Understanding each of the different rate designations within the structure is crucial to maximizing overall room revenue. Managers must continually review the rate designations they incorporate within a hotel's rate structure.

The most common designations include:

1. **Rack Rate:** Standard rate for each of the category of rooms offered for accommodation to guest. The standard rate of a particular type of room before any discount is called rack rate. Usually given to walk-in guest.
2. **Corporate Rate:** It is a promotional rate to attract the corporate market segment. It is generally 10 to 20% lower than the rack rate.
3. **Seasonal Rate:** Destinations like hill stations, beaches, etc. receive heavy tourist traffic during particular period(s) of the year; the rest of the year is a lean period in terms of tourism. During peak season, hotels do not offer any discount; rather they may charge a higher room rate, known as the seasonal rate.
4. **Advance Purchase Rate:** Though popular in the airline industry, the advance purchase rate is a relatively new concept in the hospitality industry. It entails heavy discount on room rates when room booking is done in advance. For e.g. a hotel may give more discounts to a booking which is done one month before as compared to a booking which may be only one week in advance.
5. **Week Day /Weekend Rate:** Some hotels observe a fluctuation in their occupancy level with regard to the days of the week. The demand for rooms in a hotel may be more on certain days in a week. In vacation / resort hotels the weekend rate would be higher than



week day rate as the demand for room is higher on weekends. It would be reverse in the case of a commercial hotel.

6. **Day and Half Day Rate:** The day rate charged from guest not staying overnight at a hotel, is lower than the rack rate for e.g. if the checks in at 10am and checks out the same evening at a t around 5pm he may be charged the day rate. Sometimes a guest may wish to stay for a very short duration of the time, not exceeding five hours. This is called Half Day Rate.
7. **Group Rate:** As a large group (More than 15 Persons) provides bulk business to a hotel, hotels offer discounted rates to groups. The group rate depends upon the no. Of persons in the group and the frequency of their visits. The rate is negotiated by the sales team of the hotel and representative of the groups.
8. **Tour Group:** These are heavily discounted rates for a wholesaler who operates a series of tours groups arriving and departing together. E.g. A tour operator may conduct a week's tour of the Golden Triangle (Delhi-Agra-Jaipur) on the 2nd, 12th and 22nd of every month for groups of 20 persons. He guarantees the hotel that it would provide this series of business every month for a period of 1year.
9. **Travel Agent Rate:** Travel agent rate sell travel products like hotel rooms, airline booking Etc. on a commission basis to the end users (guest) they provide a substantial volume of Business to hotels offers them special discount and commission e.g. are Cox & Kings, Thomas Cook.
10. **Company Volume Guaranteed Rate (CVGR):** Hotels may offer a special rate (lower than the rack rate) in order to attract high volume of business from special market segment. It is given when a guaranteed number of room nights within a specific time frame are required. It is important that the company ensures that the room night production is maintained.
11. **Airline Crew Rate:** It is special discounted rate for the crew of one or more airline that offers a certain volume of business throughout the year on a consistent and continuous basis.
12. **Government rate:** Usually government employees are given per day allowance for their travelling and accommodation and food by their office and some hotels offer them a rate which give them room and accommodation with in that price.
13. **Educational Rate:** Educational rates are special rates by hotels to students and educationists who have a limited travel budget. They are significant sources of business because of their large number and frequency of visits.
14. **Membership Rate:** Membership rates are offered to guest who are member of influential organization that provide volume of business to hotels. The membership rates are much lower than the rack rates and may also include discount on food & beverage. Special discount rates are given to FHRAI member, UN employees, travel writers etc.
15. **Introductory Rate:** It is offered by a hotel on the opening of a new property in town. The

introductory rate is generally offered till the hotel is established or it may be revoked at the wish of the management.

16. **Complimentary Rate:** When a hotel does not charge the room rent from a guest, it is known as complimentary rate. Given to the tour operators, travel agencies. Also given along with the marriage package and bulk booking.
17. **Crib Rate:** This is the rate charged for children above five years and below age of 12 years, who are accompanying their parents. Crib means a small bed with protection railing.
18. **Package Rate:** A package offered by the hotel of a combination of one or more hotel of a combination of one or more hotel product or services. Also called bundling. Package rate may include room rent, meals, special arrangement and may also include products and services offered by other service providers like transportation (rail, road and air) sightseeing's and so on. The hotel may offer the following package. **meeting package, meal package, marriage package, holiday package.**
 - *Meeting package:* A complete meeting package includes the residential arrangement of the delegates, meeting room, food and beverage requirements (meals, tea/coffee, snacks), along with transportation facility, audio visual equipment like projectors, etc. to the meeting delegates.
 - *Meal package:* A meal package is the combination of room rent and meals, which may be all meals or a combination of breakfast and lunch/dinner. The hotel may offer meal packages based on the requirement of guests and the suitability of the hotel's operations. The various meal plans offered by hotels are discussed at length in the subsequent section.
 - *Marriage package:* A marriage package includes all the necessary arrangements for marriage, like *mandap, priest, party hall/lawn, accommodation for the marriage party, arrangement of reception buffet, and even a complimentary room/suite for the newly-wedded couple.*
 - *Holiday package:* A holiday package may include transportation, accommodation, meals, guide, and sightseeing at the destination. Generally, this package includes non-hotel products from other service providers like airlines.

MEAL PLANS:

1. European plan:

European plan (EP) consist of room rate only and the meals are charged separately as per actual.

2. Continental Plan:

Continental plan (CP) consist of room rate and continental breakfast. **{Continental Breakfast include** sliced bread with butter, jam, honey, cheese, Croissants and Danish pastries, rolls,



fruit juice and coffee /tea/hot chocolate /milk.)

3. **Bed & Breakfast (B&B) or Bermuda plan:**

B&B plan consists of room rent and American breakfast.

4. **Modified American Plan:**

Modified American plan is also known demi-pension (Half Board). The tariff consists of room rent, breakfast and one major meal (either lunch or dinner).



5. **American plan:**

American plan (AP) also known as en pension (full board). It includes room rent and all meals (i.e. breakfast, lunch and dinner.)

| Includes: → Plan Name | Room Rate | Breakfast | Lunch | Dinner |
|---|-----------|-----------|--------------|------------|
| European Plan | Yes | No | No | No |
| Continental Plan | Yes | Yes | No | No |
| American Plan | Yes | Yes | Yes | Yes |
| Modified American Plan | Yes | Yes | Either Lunch | Or, Dinner |
| Bed & Breakfast \ Bermuda Plan | Yes | Yes | No | No |

The use of these plans:

Commercial hotels prefer EP/ CP/ BP because:

- Commercial hotels are situated in the urban areas, there are bound to be numerous restaurants in the vicinity. Hence the guest will prefer to keep his option open as far as meals are concerned. Moreover, the hotel may not have a particular cuisine which the guest likes.
- EP, CP, BP are the popular plans adopted in Commercial and Transit Hotels. They mostly get businessmen as clients, who normally have their major meals in independent restaurants. The Commercial hotels also get plenty of walk-in guests.

- On the other hand, hotel being situated in an urban area would get plenty of chance guests in their restaurants. Thus their F&B income is not restricted to only hotel residents. They do offer meal inclusive plans but only to groups sent by travel agents and company bookings for conventions, seminars, etc.

Resort hotels prefer AP/ MAP because

- They may be situated in an isolated area with hardly any restaurant in the vicinity. Guests therefore prefer to have meals in the hotel. For the tourists wishing to go sight-seeing during the day, an MAP will be more appropriate.
- The hotel itself benefits from this plan since the hotel relies only on the resident guests for their food and beverage income.

ROOM TARIFF FIXATION

Fixing of room tariff is a difficult task for the management. If the management fixes a low room rent, the hotel operations might not be economical. However, if the rate is too high, guests may not patronize the property. Hence, an accurate and competitive room rent is one of the prerequisites for running a successful hospitality business.

BASIS OF PRICING: These are of two types 1) MARKET BASED PRICING 2) COST BASED PRICING

- 1) **MARKET BASED PRICING:** It is setting a price based on value of the product in the perception of the customer.
 - a) **Competition:** Rate must be competitive (at the same time it should be able to produce adequate revenue to meet fixed obligation) with other hotels of the same standards and providing almost similar services and facilities as provided by other hotels situated in the same vicinity of the city.
 - b) **Rate Cutting:** lowering of rates to increase occupancy level, especially during off season also at a time of the year or day of the week when you need business.
 - c) **Guest Requirements:** Various room tariffs as per guest requirements e.g.: early check - in on CP basis or late check out on MAP basis. Various amenities the hotels is going to provide to the guest such as air conditioning in all rooms, carpeting, provision of swimming pool, tennis court equipment, arrangement for conferences halls, lobbies, lawns, parking spaces, special aspect of Continental & Indian cuisine, cutlery and crockery, modern equipment and machinery.
 - d) **Market Tolerance:** Checking competing hotels best available rates for a room. These rates can be found out by hotels by calling up the competing hotels without disclosing their identity.
 - e) **Inclusive and Non Inclusive Rates:** Charging room rates on the basis of meals provided on a CP/MAP/AP basis.

2) COST BASED PRICING: It's based on cost incurred

- a) Rule of Thumb Approach:** Room rent is fixed at the rate of Rs 1 for each Rs 1000 spent on construction and furnishing of the room. This is also called as 'cost rate formula. E.g. assume that the average construction cost of a hotel room is \$80000. Using the \$ 1per\$1000approach results in an average selling price of \$100per room.
- b) Hubbart Formula:** It is the old tradition way of determining the room rent of a hotel. Developed by ROY HUBBART in America in the 1940's , keeping in consideration operating expenses, room sales, and pre-desired return on investment.

STEPS:

1. Total Investment =Owners Capital +Loans
Return on investment (ROI) =Total investment X Return Percentage
2. Total Expenses = operating expenses (Include expenses directly associated with selling and cleaning rooms and providing food services + Taxes and insurance + Interest paid on loans + Depreciation on book value
3. Gross Operating Revenue = Total Expenses +ROI
4. Calculate non-rooms income: Hotel can make profit from food &beverage dept. or from telephone toll charges or laundry.
5. Revenue to be generated by room =Gross Operating Revenue – Revenue generated from other sources (e.g. food &beverage sales, laundry, rent and lease of the hotel area, fitness center etc.)
6. Calculate total no of room available during the year = Total no of room in the hotel x No of days in the year. Make the provision for expected average vacancy that is expected during the year. This step will provide total no of rooms with the no of days in the year.
7. Average daily rate (ADR) = Revenue generation from room/total no of rooms.

The Hubbart Formula (STEPS)



Hubbart formula is useful because

- It provides an adequate return to the hotel's owner.
- Covers the hotel's fixed cost.
- Considered the hotels operating cost
- Accounts for all the hotel's non -room income
- Result in a definite and justifiable rate goal

KEY WORDS

1. **Tariff:** It is the published room rate
2. **Tariff Card:** Hotels display their room rent on tariff card, which provide information about the room rate for different types of rooms available in the hotel.
3. **Brochures** are promotional documents, primarily used to introduce a company, organization, products or services and inform prospective customers or members of the public of the benefits.
4. **Rack Rate:** Standard rate for each of the category of rooms offered for accommodation to guest. The standard rate of a particular type of room before any discount is called rack rate. Usually given to walk-in guest.
5. **American plan:** American plan (AP) also known as en pension (full board). It includes room rent and all meals (i.e. breakfast, lunch and dinner.). It is the costliest plan