UNIT – I

PLANNING AND EVALUATING FRONT OFFICE OPERATIONS
OBJECTIVES

- Introduction
- Management Functions
- Room Rate Structure
- Establishing Room Rates
  - The Rule of Thumb Approach
  - The Hubbart Formula
  - Market Condition Approach
- Room Tariff Card
- Sample Tariff Card
INTRODUCTION

Most front office managers will readily admit that they rarely have all the resources they feel are necessary. Resources available to managers include people, money, time, materials, energy, and equipment. All these are in limited supply.
INTRODUCTION

An important part of a front office manager’s job involves planning how to apply these limited resources and to generate maximum revenue.
MANAGEMENT FUNCTIONS

- Planning
- Organizing
- Coordinating
- Staffing
- Leading
- Controlling
- Evaluating
ROOM RATE STRUCTURE

A front office will almost always have more than one room rate category for each of its guest rooms. Room rate categories generally correspond to types of rooms (suites, two beds, one bed etc.)
PRICING STRATEGIES

Market condition approach to pricing

- Competitive set
- TIMS report
- Phase report
- Rate VIEW
- STAR report
ESTABLISHING ROOM RATES

Three rules

Thumb Rule

Hubbart Formula

Market Condition Approach
The rule of thumb approach sets the rate of a room at RS 1 for each Rs 1000 of construction and furnishings cost per room, assuming 70 percent occupancy.
HUBBART FORMULA

- Another approach to average room rate determination is the Hubbart Formula. To determine the average selling price per room, this approach considers operating costs, desired profits, and expected number of rooms sold.

- It is a bottom-up approach to pricing rooms because its initial item—net income (profit) which appears at the bottom of the income statement. It involves 8 steps.

- Given by Mr. Roy Hubbart in 1940.
EIGHT STEPS OF HUBBART FORMULA

STEP 1:
Calculate hotel’s desired profit by multiplying the desired rate of return (ROI) by the owner’s investment.

STEP 2:
Calculate pretax profit by dividing desired profit (Step 1) by 1 Minus the hotel’s tax rate.
EIGHT STEPS OF HUBBART FORMULA

STEP 3:
Calculate fixed charges and management fees includes depreciation, interest expense, property taxes, insurance etc.

STEP 4:
Calculate undistributed operating expenses includes administrative and general expenses, data processing, human resources, transportation, energy costs etc.
STEP 5:
Estimate non room operated department income or loss, that is food and beverage department income or loss, telephone etc.

STEP 6:
Calculate required room’s department income. The sum of Pretax Profit, Fixed charges, Undistributed operating expenses and the other. Less other operated department losses and income.
EIGHT STEPS OF HUBBART FORMULA

STEP 7:

Determine the room department revenue. The required rooms department income (STEP 6), plus rooms department direct expenses of payroll and related expenses, plus other direct operating expenses.

STEP 8:

Calculate Average room rate by dividing rooms department income by the expected number of rooms to be sold.
BASIS OF CHARGING ROOM RATES

- 12 Noon check in
- 24-Hour Basis
- Night Basis
- Day-rate
- On the basis of meal plans
ON BASIS OF MEAL PLANS

- European Plan (E.P)
- Continental Plan (C.P)
- Modified American Plan (M.A.P)
- American Plan (A.P)
- All-inclusive Plan (AIn)
- Bermuda Plan (B.P)
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