

# 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

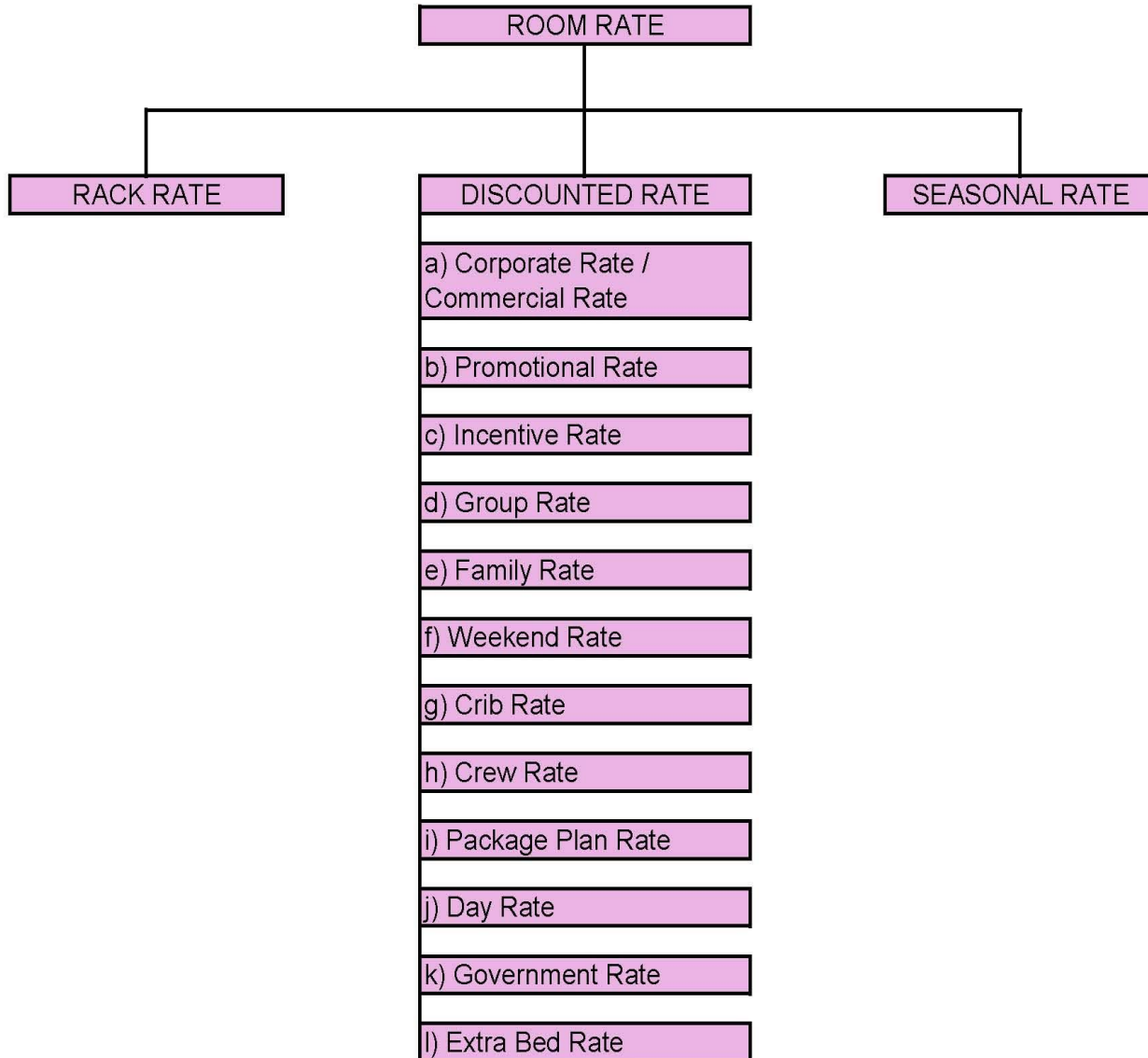
An important part of a front office manager's job involves planning how to apply these limited resources and to generate maximum revenue.

# 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

# THUMB RULE

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 consider operating costs , desired profits and expected number of rooms sold.
- It is bottom up approach to pricing rooms because its initial item – net income (profit) which appears at the bottom of 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.

# EIGHT STEPS OF HUBBART FORMULA

## 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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