

# Irish Hotel Industry - Key Performance Indicators

## Hotel Key Performance Indicators (“KPI”)

This paper outlines the key benchmarks used across the hotel industry to measure operational efficiency and profitability.

### Occupancy

- Occupancy is the critical factor in the hotel industry. It is calculated as the percentage of the available rooms occupied for a specific time period.
- This KPI demonstrates the efficiency and operational performance of the hotel.

$$\text{Occupancy} = \frac{\text{Paid Rooms Occupied}}{\text{Rooms Available}}$$

### Average Room Rate (“ARR”)

- ARR measures the average price paid per available room.
- This KPI is a measure of financial performance and profitability.

$$\text{ARR} = \frac{\text{Total Room Revenue}}{\text{Paid Rooms Occupied}}$$

### Revenue per Available Room (“RevPar”)

- RevPar measures the average room revenue per available room. This KPI is best interpreted when compared against past performance or industry norms and should be viewed alongside other profitability measures (see cost per occupied room).

$$\text{RevPar} = \frac{\text{Total Room Revenue}}{\text{Total Rooms Available}}$$

### Cost per Occupied Room

- Cost per Occupied Room indicates the average cost per room.
- This KPI measures the operating efficiency of a hotel and can be used to demonstrate whether the cost base of the hotel is reasonable.

$$\text{Cost per Occupied Room} = \frac{\text{Total Rooms Department Cost}}{\text{Number of Rooms Sold}}$$

### Hotel Supply & Demand – Market Occupancy

- Market Occupancy measures the demand for rooms based on average supply and demand in a given market.
- This KPI is subject to availability of industry wide data. Benchmarking data for the hospitality industry is available on [www.trending.ie](http://www.trending.ie).

$$\text{Market Occupancy} = \frac{\text{Market Room Night Demand}}{\text{Market Available Room Nights}}$$

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## Market Penetration Index (“MPI”)

- MPI measures a hotel’s occupancy relative to average market occupancy levels.
- This KPI is an operational measure and is indicative of the proportion of the market a hotel controls.

$$\text{MPI} = \frac{\text{Hotel Occupancy \%}}{\text{Market Occupancy \%}}$$

## Average Rate Index (“ARI”)

- ARI measures a hotel’s average daily rate against its competitors.
- This KPI is an operational and efficiency measure. An ARI score greater than 1 would indicate the hotel is out-performing local competition.

$$\text{ARI} = \frac{\text{Your Hotel's ARR}}{\text{Hotel Market ARR}}$$

## Revenue Generation Index (“RGI”)

- RGI measures how a hotel’s RevPar against comparative data.
- This KPI is an operational and efficiency measure. A RGI score greater than 1 would indicate the hotel is winning more business relative to local competition.

$$\text{RGI} = \frac{\text{Your Hotel's RevPar}}{\text{Hotel Market RevPar}}$$