Revenue Management: A Hotelier's Perspective — SOP manual

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Standard operating procedures for any hotel or resort, in any market · Vikram Aditya Singh · Excelsior Asset Management · Edition II, October 2026

How to use this manual

Thirty-four procedures turn revenue management into routines that an owner, a GM and a revenue team run every day, week, month and year. The Practice Bible, *Revenue Management: A Hotelier's Perspective*, is the why. This manual is the how. The workbook, *The Mathematics*, holds every calculation, and each SOP names its sheet.

Governing thought. Sell each room night to the guest worth most to the hotel, net of what it cost to win them, and prove it in profit. RevPAR counts rooms sold; revenue management counts what each one leaves the owner.

The pyramid. Five pillars carry the governing thought, and the SOPs sit under them without overlap. Each pillar answers one question, in the order the work happens.

Part	Question it answers	SOPs
Foundations	Is the hotel suited to revenue management, and where does it stand?	1–2
I · Understand demand	Who is coming, when, and how many more would come without the cap?	3–7
II · Price it	What should each room, night and stay cost?	8–13
III · Control capacity	Which booking, group or account gets the room?	14–24
IV · Win it through the right channels	Where does the guest come from, and at what cost?	25–29
V · Run and prove it	Do the systems, the people and the P&L deliver it?	30–34

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#	Procedure	Answers	Sheet
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Roles. The GM owns the programme. The Director of Revenue (DOR) owns forecasts, prices, controls and channels. The Director of Sales and Marketing (DOSM) owns segments, groups and accounts. The Director of Digital owns search, metasearch, the website and CRM. The F&B Director prices banquets with the DOR. The Financial Controller owns variance and flow-through. The asset manager reviews the programme monthly for the owner.

The specimen. A 500-key full-service city hotel with banquets, MICE and a five-hotel comp set, and a 120-key resort for SOP 13. Rooms revenue 20.26m, F&B and banquets 13.0m, other 2.5m, EBITDA 7.9m; last year revenue 33.9m and EBITDA 7.4m; occupancy 74%. Every figure is illustrative and internally consistent. Replace the gold cells with the property's PMS, RMS, STR, channel and CRM data before any decision.

Conventions. Currency-neutral: figures are currency units at US-dollar scale, so read them as dollars, euros or any currency scaled to match. Net of sales taxes and service charges. Last year, this year and next year stand for any fiscal calendar. Net ADR = ADR

less commission and acquisition cost. Contribution uses an 80% rooms margin and a 35% F&B margin unless stated.

Foundations

Before any rate moves, confirm the hotel is suited to the discipline and measure the gap it is meant to close.

SOP 1 · Readiness: the six conditions and the two levers

Score the hotel on the conditions that make revenue management pay, then give each revenue centre the lever it lacks. Sheet 20.

Owner GM with the DOR. **Frequency** At takeover; yearly thereafter.

1. Score each of Kimes's six conditions from 1 (absent) to 5 (strong): fixed capacity, high fixed and low variable cost, perishable inventory, advance reservations, variable demand, and known price sensitivity by segment.
2. Below 18 of 30, fix the weakest condition first. Usually that means segment data or a booking window too short to forecast.
3. Place each revenue centre on price variety against duration control (Kimes and Chase 1998). Rooms belong in Q2: many prices, controlled duration.
4. Pull the missing lever. A Q1 centre (function space, spa) needs more prices: day-part, day of week, lead time. A Q3 centre (restaurants, bars) needs duration control first, then prices.
5. Set the prescription by occupancy: rate on compressed nights, stay-length controls on shoulders, fenced offers on soft nights.

Specimen. The hotel scores 25 of 30 and is fully suited. Its weakest condition is known price sensitivity by segment, which SOP 9 measures. Rooms sit in Q2, function space and spa in Q1, restaurants and bars in Q3. Expect an uplift of 2–5% of revenue.

Common errors. Running an RMS on a hotel that cannot forecast. Applying room tactics to a restaurant that has no duration control.

SOP 2 · The scoreboard and fair share

Read the hotel against its comp set every week and size the gap to fair share in money. Sheet 01.

Owner DOR. **Frequency** Weekly STR; monthly review.

1. Load the STR report for a comp set of four to seven hotels the same guest would choose between (SOP 12 scores them).
2. MPI = hotel occupancy ÷ comp-set occupancy × 100. ARI = hotel ADR ÷ comp-set ADR × 100. RGI = hotel RevPAR ÷ comp-set RevPAR × 100. 100 is fair share.
3. Gap to fair share = comp-set RevPAR × room nights available − rooms revenue.
4. Find which index carries the gap: occupancy, rate or both.
5. Report Net RevPAR (SOP 25), TRevPAR and GOPPAR beside RevPAR. RevPAR alone rewards volume bought at any cost.

Index	Hotel	Comp set	Index
Occupancy (MPI)	74%	76%	97
ADR (ARI)	150	174	86
RevPAR (RGI)	111	132	84

Specimen. The gap to fair share is 3.84m of rooms revenue a year, and rate carries almost all of it. Net RevPAR is 104, TRevPAR 196 and EBITDA per available room 43. The comp-set figures are assumptions until the STR report is loaded.

Common errors. Choosing a comp set to flatter the index. Reading RevPAR without Net RevPAR. Chasing MPI when ARI is the gap.

Part I · Understand demand

Know who comes, when and at what net value, measured before the cap rather than after it. Every price and control in Parts II and III is only as good as this part.

SOP 3 · Segments and contribution

Split the business by buying behaviour, value each segment by contribution per room night across rooms and F&B, net of acquisition cost, and rank them. Sheet 02.

Owner DOSM with the DOR. **Frequency** Quarterly; at every budget.

1. Segment by how the guest buys, not by source: corporate negotiated, brand.com and voice, OTA, airline crew, MICE groups, wedding and social groups, wholesale, loyalty redemption, long stay.

2. For each segment record its share of room nights, ADR, acquisition cost and F&B spend per room night.
3. Net ADR = ADR × (1 − acquisition cost).
4. Contribution per room night = net ADR × rooms margin + F&B spend × F&B margin.
5. Rank by contribution. The rank, not ADR, decides whose rooms are protected (SOPs 14, 19, 22).
6. Check that Σ(share × room nights × ADR) reconciles to reported rooms revenue.

Segment	Net ADR	F&B per RN	Contribution per RN	Rank
Wedding and social groups	165	275	229	1
MICE groups	149	119	161	2
Brand.com and voice	177	38	155	3
Corporate negotiated	150	33	132	4
OTAs	135	28	118	5
Airline crew	78	11	66	9

Specimen. The segment mix reconciles to reported rooms revenue within 1.2%. Resident F&B accounts for 8.16m; the other 4.84m is non-resident dining and banquets. A wedding guest outranks a BAR guest once the banquet is counted.

Common errors. Segmenting by channel. Ranking by ADR. Ignoring what the guest spends outside the room.

SOP 4 · The forecast: booking curve, pace and accuracy

Forecast every night from its booking curve and pickup, read pace against the curve and against last year, and score the forecast every month. Sheet 03.

Owner DOR. **Frequency** Daily pace for 90 nights; weekly refresh; monthly accuracy.

1. Build one curve per day type and season, such as a winter Tuesday or a summer Saturday. Record rooms on the books at 90, 60, 30, 14, 7, 3 and 1 days out, and the final count, from at least eight comparable nights.
2. Pace against the curve = on the books ÷ the curve at that point − 1. Pace against last year = on the books ÷ same time last year − 1.

3. Additive forecast = on the books + average pickup. Multiplicative forecast = on the books × average ratio. Blend the two and cap at sellable rooms.
4. Ahead of pace, lift BAR a tier, close discounts and set MinLOS on the shoulders (SOPs 10, 15). Behind pace, open fences and push targeted channels.
5. Score monthly on nights the curve did not see. MAPE = mean |actual − forecast| ÷ actual. Bias = mean (actual − forecast). Tracking signal = cumulative error ÷ mean absolute error. Outside ±4, the method is wrong.

Specimen. A Tuesday 14 days out has 372 rooms on the books, against a curve of 346 (+7%) and 338 last year (+10%). The forecast is 501, capped at 500 sellable. MAPE is 2.7%, but bias is −9.5 rooms and the tracking signal is −6.0. The method runs high and fills the hotel with discount before the full-rate guest arrives. Re-weight the curve to recent seasons.

Common errors. One curve for every night. Scoring MAPE without bias. Forecasting from memory.

SOP 5 · Unconstraining

A sold-out night records the cap, not demand. Estimate what demand would have been and forecast from that. Sheet 04.

Owner DOR with the Reservations Manager. **Frequency** After every sell-out night; reviewed monthly.

1. Log every regret (the guest declined the price) and every denial (no room) at the booking engine, call centre and desk.
2. Unconstrained demand = rooms sold + denials × conversion share. The specimen assumes 55%; test it.
3. Spill = unconstrained demand − rooms sold.
4. Feed unconstrained demand, not rooms sold, to the forecast, the protection levels (SOP 14) and the bid prices (SOP 15).
5. Refine with projection detruncation or EM methods once the history allows (Weatherford and Pölt 2002).

Specimen. Eight peak nights averaged 499 rooms sold and 532 unconstrained, a spill of 33 rooms a night and demand 6.6% above the house (σ 21.5). The spill is the room for the next rate move.

Common errors. No denial log. Forecasting peak nights from capped history, which underprices them for ever.

SOP 6 · The demand-control chart

Sort the next fortnight into hot, warm and cold nights, and give each zone a minimum BAR. Sheet 21.

Owner DOR. **Frequency** Daily, in the pickup review.

1. Forecast unconstrained room nights for each night: rooms on the books plus pickup to come, including stayovers. Arrivals alone understate stayover-heavy nights.
2. Divide by sellable rooms. Hot is 100% or more, warm is 80–100%, cold is below 80%.
3. Load the minimum tier from the ladder (SOP 10): BAR 7 when hot, BAR 4 when warm, BAR 1 when cold. Close every rate below it.
4. When hot, add MinLOS 2 if the shoulder night is soft. When warm, put every group through displacement (SOP 19).
5. Each week, report MAD, WAPE and bias at 30, 14, 7 and 1 days out.

Specimen. The next 14 nights hold 3 hot, 5 warm and 6 cold nights. WAPE is 8.9% at 30 days out and 0.7% at 1 day out. A tracking signal of −4.4 at 30 days shows the forecast running high.

Common errors. Calling 40% occupancy hot. Reporting MAD ÷ mean actual as MAPE, when it is WAPE.

SOP 7 · Market and comp-set reports

Look back with STR, look forward with on-the-books data, and act where the market fills faster than the hotel. Sheet 29.

Owner DOR. **Frequency** Weekly, 90 nights ahead; monthly with Finance.

Report	Measures	Act on
STR STAR	MPI, ARI, RGI by day, segment and channel	RGI below 100 two weeks running
STR Forward STAR	Comp-set occupancy on the books ahead	Nights the market fills faster than you
Amadeus Demand360	Hotel and comp-set on the books, pace, window, segment, channel	Share on the books below fair share
Lighthouse Market Insight	Search demand, comp prices, flight and event signals	Demand spikes before pickup shows

Report	Measures	Act on
HotStats	GOPPAR and departmental profit against peers	Flow-through below peers
Cvent	MICE RFP volume and lost business	RFP share and win rate

1. Fair share of supply = hotel rooms ÷ comp-set rooms including the hotel.
2. Forward share index = (hotel on the books ÷ comp set on the books) ÷ fair share × 100, by arrival week.
3. Flag any week where the index is below 100 and the comp set paces faster than the hotel against last year. Open fences and push targeted demand for that week.
4. Review the benchmark comp set yearly: four to seven hotels a guest would genuinely cross-shop, none above 40% of the set's rooms, at least two owners.

Specimen. The hotel holds 16.1% of comp-set supply. Week +3 reads 97 while the market paces +8% against last year and the hotel −2%, so act on that week. Every other week reads 99 to 105: watch them.

Common errors. Reading only the look-back report. Changing the comp set to improve the index.

Part II · Price it

Price from demand and margin, not from the comp set. The comp set tells you where you stand; demand tells you what to charge.

SOP 8 · Price response

Know how demand moves with price. Post the price that maximises contribution, or the one the cap sets when demand exceeds the rooms. Sheet 05.

Owner DOR. **Frequency** Price tests quarterly; the rule daily.

1. Test by moving BAR one tier on matched nights (same day type, same pace) and recording pickup against control nights.
2. Fit linear demand D = a − bP from the tests.
3. Unconstrained optimum P* = (a ÷ b + c) ÷ 2, where c is the variable cost of an occupied room.
4. Capacity-bound price = (a − C) ÷ b, where C is the transient rooms left.

5. Post the higher of the two.

Specimen. With a = 520, b = 1.76 rooms per unit, c = 23.75 and 180 rooms, P* is 160 and the capacity-bound price is 193. Post 193: it sells all 180 rooms, and elasticity there is −1.9. The demand line is an assumption until the hotel's own tests replace it.

Common errors. Matching the comp set instead of the demand. Testing price on unlike nights.

SOP 9 · The price-change test

Move a price only when measured elasticity beats the break-even volume change. Sheet 22.

Owner DOR with the GM. **Frequency** Before any BAR reset, and whenever the comp set moves.

1. Contribution margin (CM) = BAR − variable cost a room night.
2. Break-even volume change = −(ΔP − ΔVC) ÷ (CM + ΔP − ΔVC).
3. Estimate elasticity from 20 or more weeks of STR data: regress ln fair-share index on ln ADR index. The slope is the elasticity.
4. Predicted volume change = (1 + %ΔP)^E − 1. Act only if it beats the break-even.
5. When the comp set raises its price, hold yours only if the expected volume gain exceeds ΔP ÷ CM.

Specimen. BAR is 184, variable cost 24, CM 161. A 10% cut needs 14.5% more rooms; an elasticity of −0.72 (R^2 0.66) delivers 7.8%, so do not cut: it costs 1,676 a night. An 8% rise can afford to lose 8.4% of volume and loses 5.4%, so raise: it adds 961 a night. If the comp set lifts BAR by 8.75, holding pays only if it wins 5.4% more volume.

Common errors. Using an elasticity of −1 as the test, which is the revenue rule; contribution needs more. Reading inelastic demand as an order to raise, rather than a licence to test.

SOP 10 · The BAR ladder and attribute-based selling

Price by rule: a ladder of BAR tiers loaded by forecast occupancy, room-type differentials on top, and attributes sold separately. Sheet 06.

Owner DOR. **Frequency** Ladder reset yearly; tier set daily for each night.

1. Build eight tiers at 8% steps from the lowest sustainable BAR (specimen: 144 for a Deluxe King).

2. Open each tier at a forecast occupancy: 55%, 62%, 68%, 74%, 80%, 86% and 92%.
3. Set room types at fixed differentials: Club room +30%, Junior Suite +85%, Suite +160%.
4. Load tonight's tier from the SOP 4 forecast and the SOP 6 zone.
5. Price the attributes guests value (view, early check-in, late check-out, lounge, upgrade at check-in) and measure take rates at the booking engine and the desk.

Attribute	Price	Take rate	A year
High floor, city view	19	5%	127k
Guaranteed early check-in	31	2%	84k
Late check-out to 16:00	38	2%	101k
Club lounge access	81	1%	110k
Upgrade to Junior Suite at check-in	113	0.8%	122k

Specimen. Tonight's forecast is full, so BAR 8 loads and the Deluxe King posts at 246. Attributes add 544k a year at the assumed take rates.

Common errors. Pricing by feel. Discounting the room to sell the extra.

SOP 11 · Reputation as pricing power

Treat the review score as the ceiling on rate, and raise rate only after the score moves. Sheet 17.

Owner GM with the DOR. **Frequency** Monthly.

1. Track the score on the platforms guests in each source market actually read.
2. Headroom = (target − today) ÷ 2 × 11.2%, converting a ten-point score to five. Anderson (2012) found that a one-point rise on a five-point scale let hotels raise price 11.2% and hold occupancy.
3. Fix the drivers the reviews name, reply to every review, then move the ladder.

Specimen. Moving from 7.9 to 8.7 on a ten-point scale gives 4.5% of headroom, worth 0.91m of rooms revenue a year. Value for money and product age are the drag.

Common errors. Raising rate on a falling score, which widens the value complaint.

SOP 12 · Rate shopping and price position

Shop like for like, read position rather than price, and act only where position and demand disagree. Sheet 30.

Owner DOR. **Frequency** Daily to 90 days; weekly from 91 to 365.

1. Score each candidate competitor on product match and demand overlap (35% each), location and review score (15% each). Keep four to six as the primary set; hold a secondary set for context.
2. Specify the shop: the same room category, two adults, refundable BAR and the lowest non-refundable, taxes normalised, public and member rates separated, desktop and mobile.
3. Shop brand.com, the two global OTAs, a regional OTA, Google and metasearch, for one- and two-night stays.
4. Price index = own BAR ÷ comp median × 100. Read it against the SOP 6 zone.
5. Below 100 on a hot night, lift. Above 100 on a cold night, fence an offer. Otherwise hold.
6. Buy one rate shopper and feed it to the RMS as an input, never as the price.

Night	Own BAR	Comp median	Index	Zone	Read
Tue +7	228	245	93	Hot	Underpriced: lift
Sun +5	144	130	111	Cold	Above market: fence an offer
Wed +1	181	174	104	Warm	Consistent

Specimen. Seven hotels, six channels and two stay lengths, shopped daily to 90 days and weekly beyond, make 326,130 shop calls a month. Size the licence to that.

Common errors. Matching the cheapest competitor. Shopping unlike rooms or mixing member and public rates.

SOP 13 · Resort pricing: seasons, stay length, meal plans and villas

A resort sells stays, not nights, and most of its money is spent after check-in. Price the season, the stay, the plan and the category on contribution. Sheet 33.

Owner DOR with the F&B Director. **Frequency** Seasons yearly; MinLOS and plans monthly.

1. Set seasons from three years of history. Apply MinLOS only where the shoulder room nights it fills outweigh the one-night arrivals it turns away, valued at their rates.

2. Price meal plans (EP, CP, MAP, AP) on captured F&B contribution at food cost, not on the room rate.
3. Report the room rate inside packages to STR net of the meal component, or ARI flatters.
4. Widen the differential of any category that sells out first, until its sell-out nights match the rooms below it. Protect villas with nested limits (SOP 14) and never upgrade into them free on peak nights.
5. Manage the resort on TRevPAR and GOPPAR once 40% or more of revenue falls outside rooms.

Plan	Package price	Effective room rate	Contribution a night
EP: room only	325	325	260
CP: breakfast	363	318	281
MAP: breakfast and one meal	444	304	324
AP: all meals	508	293	357

Specimen. A 120-key resort with a peak MinLOS of 4 trades 30 lost arrivals for 210 shoulder nights; in high season, MinLOS 2 trades 120 for 600. The private-pool villa sells out on 95 nights against 40 for the deluxe room, so its 180% differential is too low. Total revenue per occupied room is 540, 40% of it outside rooms.

Common errors. One MinLOS for the whole season. Pricing the AP plan as a discounted room.

Part III · Control capacity

A room sold cheaply tonight is a room the better guest cannot have. These SOPs decide who gets it: transient classes first (14–18), then groups (19–22), then space and accounts (23–24).

SOP 14 · Nested protection levels

After committed business, hold rooms for the higher net-rate classes with nested limits, room type by room type. Sheets 07 and 27.

Owner DOR. **Frequency** Weekly for each peak night; daily inside 14 days.

1. Deduct committed rooms: LRA corporate (which cannot be closed), crew contracts and group blocks.
2. List the dynamic classes by net rate, highest first, with unconstrained demand μ and σ (SOP 5).
3. EMSR-b: for each line, aggregate the classes above it. Protection = aggregate μ + aggregate σ × NORM.S.INV(1 − next net rate ÷ weighted net rate).
4. Booking limit for the next class = rooms open − protection. Limits nest, so a higher class may always take a lower class's room (Belobaba 1989).
5. Run it for each room type; upsell between types sits outside the nesting arithmetic.

Class	Net rate	Protect, this and above	Next class may book
BAR flexible, brand.com	177	49	208
Advance purchase, −15%	151	105	152
OTA, net of 18%	135	209	48
Wholesale, net	118	—	48 at most

Specimen. On a peak Tuesday, 243 of 500 rooms are committed and 257 are open to the dynamic classes.

A teaching error to avoid. EHL's W3-1 spreadsheet sets the two classes' expected revenues equal at the same protection level. Littlewood compares the higher class's expected revenue with the lower rate itself, the certain revenue of selling now. On its own inputs the spreadsheet lets the $100 class book 71 of 100 rooms; EMSR-b allows 52. A 400,000-night simulation puts the cost at $149 a night.

Common errors. Protecting on gross rate instead of net. Forecasting μ from capped history.

SOP 15 · Bid prices and length of stay

Value the last room on every night, and accept a stay only if it covers the sum of the bid prices across its nights. Sheet 08.

Owner DOR. **Frequency** Daily for 30 nights ahead.

1. For each night, record rooms left and unconstrained demand μ and σ.
2. Bid price = weighted net rate of displaceable demand × P(demand > rooms left).

3. Accept a stay when its net revenue is at least the sum of its nights' bid prices (Talluri and van Ryzin 2004).
4. Translate the rule into controls the systems hold: MinLOS 2 or 3 on the peak night, closed to arrival on the night after it.

Request	Revenue	Sum of bid prices	Decision
1 night Tuesday, OTA	135	154	Decline or reprice
3 nights Mon–Wed, OTA	406	315	Accept
2 nights Tue–Wed, advance purchase	301	305	Decline or reprice
1 night Monday, OTA	135	10	Accept

Specimen. Bid prices are 10 on Monday, 154 on Tuesday, 151 on Wednesday and 4 on Thursday. A one-night Tuesday OTA booking is refused while a three-night stay through Tuesday is welcome.

Common errors. Pricing each night alone. Losing the long stay that would have filled the shoulders.

SOP 16 · The weekly LP and stay-length controls

Solve the week as one problem. Price each night by its bid price, and open or close each stay length by the sum of bid prices across its nights. Sheet 26.

Owner DOR. **Frequency** Weekly for the next 7 to 14 nights; daily inside 7.

1. Load unconstrained demand to come by arrival night, rate class and length of stay, and the rooms left each night.
2. Maximise Σ rate × LOS × accepted, subject to rooms used ⩽ rooms available each night and accepted ⩽ demand. In Excel, use Data › Solver, Simplex LP.
3. Bid price = the revenue lost with one room fewer. Where it differs from the gain with one room more, the dual is degenerate: use the loss.
4. Open a product when its stay revenue is at least the sum of the bid prices on its nights. Load the grid into the RMS or channel manager.
5. To test a group, re-solve with its rooms removed. Floor = (lost revenue − VC × displaced room nights) ÷ group room nights + VC, less the group's ancillary contribution.

Specimen. Bid prices run 94 on Monday, 177 on Tuesday and Wednesday, 151 on Thursday, 135 on Friday and nil at the weekend. Tuesday and Wednesday arrivals sell BAR only. On Thursday a three-night OTA stay opens while one- and two-night OTA stays close, because it reaches the empty weekend; no single MinLOS rule can do that. A 60-room group on Tuesday and Wednesday takes 120 room nights and displaces 140, because three-night stays straddling Tuesday are lost whole. Its floor is 194 on rooms alone and 153 with its banquet.

Common errors. Pricing on degenerate duals. Adding VC to lost revenue rather than to lost contribution, as one course Solver tool does.

SOP 17 · Overbooking by expected value

Accept reservations up to the level where one more booking's expected value equals its expected walk cost. Sheet 09.

Owner DOR with the Front Office Manager. **Frequency** Limit set daily for sell-out nights; rates reviewed monthly.

1. Measure the no-show and same-day cancellation rate by day type from the PMS.
2. Cost of an empty room (Cu) = net ADR × rooms margin + resident F&B × F&B margin.
3. Cost of a walk (Co) = a comparable room elsewhere, a car both ways, a duty manager's call, loyalty points, and the risk the guest never returns.
4. For each level n, take expected arrivals housed and expected walks from the binomial. Value = housed × Cu − walks × Co. Accept the best n.
5. Walk plan: never a top-tier member, a returning guest or a late arrival without a car waiting. Walk the earliest-departing, lowest-value reservation.

Specimen. With a 5.5% no-show rate, Cu of 124 and Co of 275, accept 526 reservations for 500 sellable rooms, at 0.9 expected walks a night. Against today's practice of 512, that adds 1,274 a night and 178k a year across 140 sell-out nights.

Common errors. Overbooking by instinct. Pricing the walk at the room rate.

SOP 18 · Overbooking by service level and by the critical fractile

Set the authorised level with a cap on how often the hotel walks a guest, then cross-check it against expected value. Sheets 23 and 27.

Owner DOR with the Front Office Manager. **Frequency** Daily for the next seven nights.

1. Working inventory = standard rooms less average unexpected stayovers. Keep suites and accessible rooms out of the pool.
2. Toh–DeKay: solve $(1 - p)^2X^2 - [2C(1 - p) + z^2pq]X + C^2 = 0$ and take the smaller root, once for arrivals and once for stayovers.
3. Stop selling when w(a) × arrivals + w(s) × stayovers reaches C, where each weight is C ÷ X.
4. Cross-check with the hotel's own no-show table: overbook the k-th room while P(no-shows ⩾ k) ⩾ W ÷ (W + E).
5. Plan the day's walks by 11:00.

Specimen. Of 500 rooms, 40 are protected and 460 standard; less 6 stayovers, the working inventory is 454. At a 90% service level the house cap is 514 reservations, and tonight 6 more arrivals may be taken. The no-show table gives a fractile of 0.69 and also says overbook by 6. EHL's Hotel EHL overbooks standard rooms by 1 and deluxe by 2. Expected value (SOP 17) says 526: the two answer different questions, so use SOP 17 for policy and this SOP where the walk cannot be priced or a no-walk clause applies.

Common errors. Reading 90% as a 10% chance for each guest, when it means a walk on one peak night in ten. Ignoring early departures.

SOP 19 · Group displacement

Price every group on total contribution, night by night, against the transient business it displaces. Sheet 10.

Owner DOSM with the DOR; the F&B Director for the banquet. **Frequency** Every group enquiry.

1. Per night, record the block, the wash from the account's own history, and the rooms expected to be picked up.
2. Rooms free = sellable − committed − unconstrained transient forecast. Displaced = picked up − rooms free, if positive.
3. Net change = picked up × (group net rate × rooms margin + group F&B × F&B margin) − displaced × (transient net rate × rooms margin + transient F&B × F&B margin).
4. Accept if the sum across nights is positive. Otherwise quote a different rate, other nights or a smaller block.

Specimen. A block of 150 rooms from Monday to Wednesday at 131 with 119 of F&B a room night washes 12% to 132 rooms. It nets +17,445 on Monday, +2,553 on Tuesday and +5,261 on Wednesday: +25,259 in all. Tuesday barely pays, so quote Sunday to Tuesday or price

Tuesday separately.

Common errors. Rooms-only displacement. Ignoring wash. One rate for every night of the block.

SOP 20 · The group floor and the quote

Compute the internal floor, then quote for the highest expected contribution. Sheets 25 and 27.

Owner DOSM with the DOR. **Frequency** Every group enquiry above 10 rooms.

1. For each night, displaced rooms = min(block, demand + block − capacity). Split them across transient classes by the share each would lose.
2. Floor G = VC − AC ÷ N + ΣΣ L(R − VC) ÷ N, where AC is the group's ancillary contribution, N its room nights and L the displaced rooms at rate R (Anderson). Add the displaced transients' own F&B.
3. For multi-night displacement, check the floor on the LP (SOP 16).
4. Fit a win curve on the hotel's own won-and-lost log, then quote where P(win) × (rate − floor) peaks. Go above it in strong periods and below it in soft ones.
5. Keep the floor internal.

Specimen. A Sunday-to-Thursday group of 400 room nights displaces 320. The course formula gives a floor of 74.73; adding the displaced guests' F&B gives 83.83; ignoring ancillary spend gives 116.29. The best opening quote is 150, at a 65% chance of winning and an expected contribution of 17,211. EHL's Lausanne Bank case floors at $86.95. In Cross, Higbie and Cross (2009) the floor is $230 ($236 with variable cost) and the best quote is $276, not $245.

Common errors. Quoting the floor. Treating displaced transient guests as one-night stays.

SOP 21 · Group allocation at cut-off

Allocate each block by its pickup curve and by probability, not by its contract. Sheets 23 and 25.

Owner DOSM with the DOR. **Frequency** At 60, 30 and 21 days before cut-off.

1. Forecast final pickup multiplicatively: rooms picked up ÷ the share comparable groups had reached by this point.
2. P* = lowest open transient net rate ÷ (lowest + highest).

3. Allocate the fewest rooms for which P(the group needs more) is no more than P*, using 1 − BINOM.DIST(A, block, utilisation, TRUE).
4. Release the rest to transient at cut-off, before transient demand books elsewhere.

Specimen. A wedding block of 150 at 85% utilisation, with P* of 0.40, gets 129 rooms. A 120-room block with 38 picked up at 36% of its curve forecasts 106, so 14 rooms go back.

Common errors. An additive pickup curve across blocks of 35 and 200. Releasing rooms after the transient demand has gone.

SOP 22 · The long-term segment mix

Size the group base one to three years out from the value of the last transient room. Sheet 24.

Owner DOR, DOSM and GM. **Frequency** Yearly, before the sales plan.

1. Fit transient demand by season: mean and σ.
2. Protect $y^* = \mu + \sigma \times \Phi^{-1}(1 - \text{group value} \div \text{transient value})$ for transient; sell the rest to groups.
3. Run it twice: on room rate, and on contribution including F&B. Plan to the contribution answer and size the sales team and space to it.

Specimen. With shoulder-season transient demand of 340 (σ 50), the rate view protects 310 rooms for transient, a mix of 62:38. Counting the banquet, it protects 245, a mix of 49:51, so 65 more rooms go to groups.

Common errors. Setting the mix by habit, or on room rate alone.

SOP 23 · Function space

Price each date on total contribution: the banquet plus the rooms it brings. Sheet 12.

Owner Director of Catering with the DOR. **Frequency** Every enquiry; RevPAST and ConPAST monthly.

1. RevPAST = banquet revenue ÷ (square feet × sessions). ConPAST = contribution ÷ (square feet × sessions).
2. For competing enquiries, contribution = banquet × 40% + room nights × net ADR × 80%. Compare per square foot.
3. Check the winner's rooms for displacement (SOP 19).

Enquiry	Banquet	Room nights	Contribution per sq ft
Wedding, 600 guests, no rooms	67,500	0	0.84
Wedding, 450 guests, with rooms	51,250	240	1.48
Conference, 300 delegates	40,000	540	2.39

Specimen. 32,000 square feet across 1,095 sessions a year earns a RevPAST of 0.20 and a ConPAST of 0.08, assuming banquets are 55% of F&B. The smallest banquet bill wins the date.

Common errors. Taking the biggest banquet bill. Forgetting the rooms.

SOP 24 · Corporate accounts

Price the RFP on displacement. Grant last-room availability only where the rate clears the peak bid price. Sheet 16.

Owner DOSM with the DOR. **Frequency** Yearly RFP season; quarterly production review.

1. For each account, record room nights, the requested rate and its share on peak nights from last year's production.
2. Peak displacement value = the peak night's bid price (SOP 15).
3. Grant LRA only where the rate is at least that value; otherwise offer NLRA, or a higher rate on peak nights.
4. Review production quarterly; an account below 70% of its promise loses its rate.

Account	Rate	On peak nights	Decision
Global consulting firm	148	65%	NLRA or a higher rate
IT services	128	70%	NLRA or a higher rate
Pharma major	136	30%	Accept
Embassy, long stay	123	10%	Accept

Specimen. The peak bid price is 154. Neither LRA account clears it on the nights it books most.

Common errors. Pricing on volume alone. LRA for every large account.

Part IV · Win it through the right channels

Every booking has a price of acquisition. Rank channels by what they net, pay for demand only where it is incremental, and keep the guest once won.

SOP 25 · Distribution and Net RevPAR

Rank channels by net rate after every cost of winning the booking, and move share toward the cheapest channel that still reaches the guest. Sheet 11.

Owner DOR with the Director of Digital. **Frequency** Monthly; contracts yearly.

1. For each channel, record share of room nights, ADR, commission or cost %, and fixed cost a booking.
2. Net ADR = ADR × (1 − cost %) − fixed cost ÷ average length of stay.
3. Net RevPAR = (rooms revenue − acquisition cost) ÷ room nights available.
4. Move share with member rates, fenced packages and brand.com benefits, within parity.
5. Treat OTAs as paid acquisition and aim for the right share, not zero. The billboard effect is small: about 7% of OTA shoppers switch to brand.com (Kannan, in Kalibri Labs 2016).

Channel	Share of RNs	ADR	Cost	Net ADR
Brand.com and app	12%	184	3% + 3.13	177
Voice and property direct	6%	173	2% + 5.00	166
Group and MICE sales	22%	158	2%	155
GDS (TMC corporate)	20%	155	4% + 6.88	145
OTAs	18%	165	18%	135
Wholesale	7%	118	net	118
Crew contracts	10%	78	net	78

Specimen. Acquisition costs 1.25m a year, 6.2% of rooms revenue, and OTAs alone cost 0.72m. Net RevPAR is 104 against a RevPAR of 111. Moving 3% of room nights from OTA to brand.com saves 93k a year in acquisition cost alone. Costs are illustrative until the contracts are loaded.

Common errors. Ranking channels by volume. Justifying OTA spend by the billboard effect.

SOP 26 · Rate parity

Find every rate that undercuts brand.com, trace it to its source, and close the contract that leaks. Sheet 30.

Owner DOR with the Director of Digital. **Frequency** Daily alerts from the rate shopper; monthly leakage report.

1. Share of shops where an OTA undercuts brand.com, from the SOP 12 shop.
2. Leakage = direct-intent room nights exposed × share who switch to the cheaper rate × (OTA cost − direct acquisition cost) a room night.
3. Trace each undercut before fighting the OTA. Most disparity comes from wholesale and bed-bank rates resold on OTAs and metasearch.
4. Close or re-fence the leaking contract. Keep member rates behind a login so they do not count as disparity.

Specimen. OTAs undercut brand.com on 18% of shops, exposing 16,400 direct-intent room nights a year. If 30% switch, at 41.81 of extra acquisition cost each, parity leakage costs 37k a year.

Common errors. Blaming the OTA for a wholesaler's rate. Undercutting the OTA on brand.com with a public rate, which breaches the contract.

SOP 27 · Paid search and metasearch

Pay for a click only when its expected contribution beats its cost, and only for demand that would not have come anyway. Sheet 31.

Owner Director of Digital with the DOR. **Frequency** Bids weekly; incrementality test twice a year.

1. Run the funnel monthly. Clicks = impressions × CTR. Spend = clicks × CPC. Bookings = clicks × conversion. CPM = spend ÷ impressions × 1,000. CPA = spend ÷ bookings. ROAS = revenue ÷ spend; cost of acquisition = 1 ÷ ROAS.
2. Compare the cost of acquisition with OTA commission. Paid search dearer than the OTA has to earn its place on incrementality.
3. Value per click (VPC) = contribution a booking × conversion. Raise a bid while the incremental cost per click (Δspend ÷ Δclicks) stays below VPC.

4. Ad rank = bid × quality score. Actual CPC = next advertiser's ad rank ÷ own quality score + 0.01. Fix the landing page before raising the bid.
5. Pause brand search in a test market to measure the incremental share. ROI on the true increment = (incremental contribution + commission saved on shifted bookings − spend) ÷ spend.
6. Apply the same tests to metasearch (Google Hotel Ads, Tripadvisor, Trivago) on cost per click or commission.

Max bid	Clicks	Average CPC	Incremental CPC	Raise?
1.75	13,500	1.25	1.75	Yes
2.25	16,600	1.50	2.59	Yes
2.75	18,400	1.80	4.57	Yes
3.25	19,500	2.12	7.47	No: stop below this bid

Specimen. 420,000 impressions at a 7% CTR and 1.90 a click give 29,400 clicks, a spend of 55,860 and 735 bookings. CPA is 76 and ROAS 4.37, a 22.9% cost of acquisition: dearer than the OTA. VPC is 6.64, so bid up to 2.75 and no higher. With a quality score of 9, the hotel outranks an OTA bidding 3.00 at quality 6 and pays 2.01 a click. Only 35% of paid bookings prove incremental, which cuts ROI from 2.49 to 0.48.

Common errors. Judging bids on average CPC. Paying for brand-name clicks that would have booked anyway. Reading ROAS without the margin.

SOP 28 · SEO and the website

Treat organic rank as an asset with a price: the clicks you would otherwise buy. Sheet 31.

Owner Director of Digital. **Frequency** Monthly report; quarterly content and technical audit.

1. Organic traffic value = organic clicks × the CPC you would otherwise pay. Organic bookings = organic clicks × conversion.
2. Work the Google Hotel Pack drivers: relevance, proximity, review score and count, a complete Business Profile, and a live rate and availability feed.
3. Keep every page one click from booking. Make the site fast and mobile-first, with FAQ-rich pages for voice search and structured data for rooms, offers and events.

4. Publish content guests search for: the destination, events, meetings, weddings. Earn links from local and trade sites.
5. Report organic sessions, rank on the top 20 terms, conversion and booking value monthly beside paid search.

Specimen. 52,000 organic clicks a month are worth 98,800 at the paid CPC and bring 1,300 bookings. In the Cornell McCormick Hotel case, recomputed, organic search converts at 2.2% and paid at 4.8%, for a paid CPA of $31.74.

Common errors. Buying traffic the hotel already ranks for. A booking engine three clicks deep.

SOP 29 · CRM, guest value and consent

Price the guest, not only the night. Feed guest value into displacement, group pricing and channel choice, and hold only the data consent allows. Sheet 32.

Owner Director of Digital with the DOSM and the Front Office Manager. **Frequency** Monthly; consent audit yearly.

1. Lifetime value = annual contribution × (1 + r ÷ (1 + d − r)), where r is retention and d the discount rate (Gupta and Lehmann 2005).
2. Acquisition cost = what it took to win the first stay: commission, media and sales time. Rank segments by LTV ÷ acquisition cost.
3. Score guests on recency, frequency and monetary value (1 to 5 each). Never walk a 555; recall lapsed high-value guests; nurture first-time OTA guests with a direct-only benefit.
4. Connect PMS and sales-and-catering profiles to the CRM, and send guest value by segment back to the RMS.
5. Know the privacy regime where guests live and where data sits: GDPR (EU and UK), CCPA/CPRA (California), PDPA (Singapore, Thailand), DPDP Act 2023 (India; Rules notified November 2025, phased to 2027). Collect only what a stated purpose needs, record consent, let guests withdraw, delete when the purpose ends, sign a contract with every processor and take counsel on breach deadlines.

Segment	Lifetime value	Acquisition cost	LTV ÷ CAC
Corporate negotiated	2,933	44	67
MICE planner (account)	35,000	750	47

Segment	Lifetime value	Acquisition cost	LTV ÷ CAC
Brand.com leisure	444	35	13
OTA leisure	303	61	5
Wedding host family	1,223	563	2

Specimen. A MICE planner is worth 35,000 over the relationship and a corporate traveller 2,933. Both repay their acquisition cost many times; an OTA leisure guest repays it five times.

Common errors. A CRM that the RMS never reads. Collecting data without a purpose or a consent record.

Part V · Run and prove it

Systems carry the data and people make the call; the P&L is the only proof. These SOPs set the stack, test every gain in profit, and price the programme.

SOP 30 · The technology stack and data flow

Buy systems in the order the data needs them, connect them in one direction of truth, and test whether each pays. Sheet 28.

Owner DOR with the GM and IT. **Frequency** Stack review yearly; integrations audited quarterly.

1. Buy in this order: clean PMS data, a channel manager, a rate shopper, an RMS, then BI and CRM.
2. PMS to RMS nightly: reservations, cancellations, rates, inventory and stay history. RMS to CRS and channel manager several times a day: BAR, restrictions and the overbooking limit.
3. Feed the rate shopper and demand data to the RMS as forecast inputs, not as the price. Send guest value by segment from the CRM to the RMS.
4. Run one BI layer across PMS, RMS, STR and channels, and reconcile it to the P&L every month.
5. RMS return = (rooms revenue × uplift × rooms margin) ÷ licence and integration. Break-even uplift = licence ÷ (rooms revenue × margin).

Layer	Decides or holds	Leading options (October 2026)
PMS	Reservations, rates, inventory, folios	Oracle OPERA Cloud, Mews, Cloudbeds, Apaleo
CRS and booking engine	Brand.com, voice, GDS	Sabre SynXis, Amadeus iHotelier, SiteMinder
Channel manager	Two-way rates, restrictions, bookings	SiteMinder, STAAH, RateGain
RMS	Forecast, price, restrictions, overbooking, groups	IDeaS, Duetto, FLYR, Atomize, Lighthouse Pricing Manager, RoomPriceGenie
Rate shopper	Comp prices and parity	Lighthouse Rate Insight, RateGain
Demand data	Forward demand and comp pace	Amadeus Demand360, Lighthouse Market Insight, ForwardKeys, Cvent
Benchmark	MPI, ARI, RGI; profit	STR (CoStar), HotStats
BI	One version of the numbers	Lighthouse BI, Juyo, Power BI
CRM and sales and catering	Profiles, consent, value; group pipeline	Salesforce, Revinate, Cendyn, Amadeus Delphi

Specimen. A 3% rooms-revenue uplift on a 75k licence returns 486k of contribution, 6.5 times the cost, with payback in under two months. The RMS breaks even at a 0.5% uplift. IDeaS or Duetto suit hotels above about 150 keys; lighter tools serve smaller ones.

Common errors. Buying an RMS before the PMS segment codes are clean. Two rate shoppers. Expecting AI pricing to fix missing denials or a comp set picked by habit.

SOP 31 · Flow-through

Judge every revenue gain by what reaches EBITDA. Sheet 13.

Owner Financial Controller with the GM. **Frequency** Monthly and yearly.

1. Flow-through = ΔEBITDA ÷ Δrevenue on the upside; the same ratio on the downside is flex.
2. Target 35–45% on the upside for a full-service hotel.

3. Below target, trace the cost lines that grew faster than revenue before buying more volume.
4. Report TRevPAR and GOPPAR beside RevPAR; where rooms are under half of revenue, optimise the guest, not the room.

Specimen. Revenue rose 1.86m and EBITDA 0.50m: flow-through of 27%, below target. TRevPAR is 196, 1.77 times RevPAR, and F&B and banquets are 36% of revenue.

Common errors. Celebrating RevPAR while EBITDA falls.

SOP 32 · Three-part variance

Split every rooms-revenue variance into price, volume and their joint effect. Sheet 14.

Owner Financial Controller with the DOR. **Frequency** Monthly.

1. Price variance = ΔADR × budget room nights.
2. Volume variance = Δroom nights × budget ADR.
3. Joint variance = ΔADR × Δroom nights. The three sum exactly to the total.
4. Read the result beside RGI (SOP 2). A negative joint term means the room nights lost would have carried the higher rate: rate was bought with volume.

Specimen. Against a budget of 140,640 room nights at 143.75, actual is 135,050 at 150.02. Price adds 0.88m, volume costs 0.80m and the joint term 0.04m: a total of +0.04m.

Common errors. A two-part variance that hides the joint term in the volume line.

SOP 33 · The budget

Build next year's rooms budget month by month from seasonality indices and the programme's targets. Sheet 15.

Owner DOR with the Financial Controller. **Frequency** Yearly; reforecast quarterly.

1. Take monthly occupancy and ADR indices from three years of the hotel's own history, on its fiscal calendar.
2. Apply the year's targets. The specimen uses +2 points of occupancy and +6% ADR, with occupancy capped at 95%.
3. Rooms revenue = rooms × days × occupancy × ADR, by month; then split by segment (SOP 3).

Specimen. Next year's rooms budget is 22.10m, +9.1% on 20.26m. December carries 2.47m and June 1.20m. The indices describe a winter-peak city with a summer trough; load the hotel's own.

Common errors. A flat growth rate on last year. A budget without a segment build.

SOP 34 · The prize

Price the programme in contribution, line by line, with nothing counted twice. Sheet 18.

Owner GM with the asset manager. **Frequency** At takeover; re-measured yearly.

Move	Contribution a year
Close half the RevPAR gap to fair share (RGI 84 → 92), rooms contribution	1.54m
Move 3% of room nights from OTA to brand.com: acquisition cost saved	0.09m
Total	**1.63m**

The fair-share line is closed by overbooking (0.18m), attribute selling (0.43m), reputation (0.36m), and BAR discipline, fences, mix and stay-length controls (0.56m). These are the means of closing the gap, not additions to it.

Specimen. 1.63m is 21% of this year's EBITDA, or 3,258 a room a year. Group and corporate repricing (SOPs 19–24) are excluded until account data are loaded.

Common errors. Adding overbooking, attributes and reputation on top of the fair-share gap, which counts the same rooms revenue twice.

Operating rhythm

Revenue management is a calendar, not a project. Each routine below belongs to one owner and one cadence.

Cadence	Routine	Owner	SOPs
Daily	Pickup and pace for 90 nights; demand zones; BAR tier, fences, MinLOS; rate shop; tonight's overbooking limit and walk plan	Revenue Manager	4, 6, 10, 12, 15, 17, 18
Weekly	Revenue strategy meeting: forecast by segment, forward fair share, groups on displacement, the LP grid, channel mix, search bids	DOR with GM, DOSM, F&B and Digital	4, 7, 16, 19–21, 25, 27
Monthly	STR indices, Net RevPAR, forecast bias, parity leakage, organic and paid report, three-part variance, flow-through, review score	DOR with Finance and Digital	2, 4, 11, 25, 26, 28, 31, 32
Quarterly	Segment ranking, price-change tests, account production, integrations audit, budget reforecast	DOR, DOSM	3, 8, 9, 24, 30, 33
Yearly	Readiness, comp-set review, corporate RFP on displacement, ladder and season reset, segment mix, stack review, budget, prize	GM, DOR, DOSM	1, 7, 10, 13, 22, 24, 30, 33, 34

The scorecard. Re-measure every quarter on seven numbers: RGI, Net RevPAR, GOPPAR, forecast bias, walks per sell-out night, flow-through and the review score. Specimen today: RGI 84, Net RevPAR 104, EBITDA per available room 43, forecast bias −9.5 rooms, flow-through 27%, review score 7.9.

Glossary

- **MPI, ARI, RGI:** occupancy, rate and RevPAR indices against the comp set; 100 is fair share.
- **Net RevPAR:** rooms revenue less acquisition cost, per available room.
- **TRevPAR, GOPPAR:** total revenue and gross operating profit per available room.

- **Pace, pickup:** rooms on the books against the curve or last year; rooms added between two dates.
- **Unconstrained demand:** demand before the capacity cap, estimated from denials and regrets.
- **MAPE, WAPE, bias, tracking signal:** mean % error; volume-weighted error; average signed error; cumulative error ÷ mean absolute error.
- **EMSR-b:** expected marginal seat revenue, the nested protection heuristic (Belobaba 1989).
- **Bid price:** the value of the last room on a night; a stay is accepted if it covers the sum across its nights.
- **Critical fractile:** W ÷ (W + E), the probability threshold at which one more overbooked room pays.
- **LRA, NLRA:** last-room availability, or not, in a negotiated rate.
- **Wash:** the share of a group block not picked up.
- **RevPAST, ConPAST:** revenue and contribution per available square foot per session.
- **CTR, CPC, CPA, ROAS, VPC:** click-through rate, cost per click, cost per booking, revenue ÷ spend, value per click.
- **LTV, CAC, RFM:** lifetime value, acquisition cost, recency-frequency-monetary score.
- **EP, CP, MAP, AP:** room only, with breakfast, with breakfast and one meal, all meals.
- **Flow-through, flex:** ΔEBITDA ÷ Δrevenue, on the way up and on the way down.

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Companion files: *Revenue Management: A Hotelier's Perspective*, the Practice Bible, and *The Mathematics*, the workbook.

Non multa, sed multum.