

On average



Isn't it odd that, in this industry, key performance indicators are **AVERAGE** occupancy, **AVERAGE** room rate, **AVERAGE** RevPAR? After all, with the average human having slightly less than two legs (think about it!), we all know the limitations of using average as a general descriptor.

So why do we pay homage to the surveys that tell us average occupancy in this market is 70%, that average rate in that city is €100, that average GOP is 35%?

If we wish to avoid falling into the majority of the non-thinking, we need to recognise what the average is, and what it is not.

Take these three hotels, all trading at 70% average occupancy.

Hotel	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Hotel A	60%	90%	95%	95%	60%	50%	40%
Hotel B	65%	55%	55%	60%	65%	95%	95%
Hotel C	70%	70%	70%	70%	70%	70%	70%

Useful tool

The use of average may be a useful tool in some circumstances, but it can be downright misleading in many cases. We can't tell which of these three hotels is performing best, but we can tell they are different, and the use of an average occupancy, as used by most internal and external analysts, will disguise the differences. And, in hiding these differences, neither internal management nor external analysts will be informed - far less the business's executive team charged with improving occupancy levels from a host of different and competing channels and markets, some branded some unbranded.

Take another example – we are told the average guest takes breakfast. Great. In fact, breakfast is taken in this hotel by about 60% of guests. So the problem is that a large minority do not take breakfast and the dashboard may not reveal this opportunity / failure. If our data is restricted to averages, we risk failing to ask what can be done to market and sell the breakfast offer to the current group of non-breakfasting guests and what can be done to up-sell the breakfast experience to those currently buying into the offer.

The mean

We know of course that average is not the same as mean. The mean ('mu' in statistics) is the midpoint in a distribution of results. What we need to start to understand is the 'spread-ousness' of the results in a statistical distribution. This is called standard deviation ('sigma'). Together, mu and sigma are the two characteristics of a normal distribution. Very little of the data read day in, day out, by internal or external hotel analysts uses even such relatively simplistic approaches to statistical analysis.

If nothing else, remember there is no such person as the average guest. Nor, we suggest, is there such a thing as an average hotel consultant.

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