Market Share

1. Introduction

XYZ Hotels are operating in various geographical areas all over the world and measure their performance using a set of Key Performance Indicators. These range from occupancy, average daily rate, RevPAR through to IBFC and EBITDA. These indicators are compared to various targets such as plan, forecast or previous years' results. Measuring performance against our objectives such as plan is extremely important as plans are carefully monitored and expected to be achieved by all stakeholders including the owners of our properties.

In addition to measuring performance against our own prior year performance, or our own plans and budgets, another critical measure is how we perform versus our direct competitor hotels. This enables us to isolate the impact of market conditions which invariably have an impact on performance, and determine if compared to hotels operating under the same market conditions as us, we are able to deliver better results than our competition.

In simple terms market share monitors if XYZ Hotels & Resorts gets its fair share of the „cake" versus its competitors, or if it gets more or less of the „cake" than its fair share. Are we beating our competition, matching them, or losing?

The following pages will take you through all you need to know about market share in the following chapters:

Rules of Selection & Changes of Competitive Sets	How a hotel should select the right competitive set and what the rules are around changing a competitive set
Data Source	The different sources of data we can use to measure our market share performance
Market Share Calculations	Explanations of all the different market share measure in use and how to calculate them
Report Guide	The different market share reports that are available
Jargon Buster	Some help in understanding all the acronyms and jargon
Revenue Toolbox	Details of the different tools and techniques that can be used to improve a hotels market share performance

2. Rules for Selecting and Changing Competitive Sets

A competitive set should be made up of hotels which are considered to be both competitive (e.g. Business Type, Business Mix) and comparable (e.g. location, style, quality, facilities, size).

It is recommended that a competitive set should have at least four participating properties excluding the subject property and other XYZ Family hotels. A competitive set of three hotels may be accepted by third-party providers on some specific occasions.

In all situations, the following rules must be observed when setting up a new competitive set:

Percent Check No single property or brand (Raffles, Crown Plaza) can account for more than 50% of the total participating room supply of a competitive set, excluding the room count of the subject property.

Company Check No single company (e.g. Starwood, Marriott etc.) can account for more than 60% of the total participating room supply of a competitive set, excluding the room count of the subject property.

Property Minimum Competitive sets must include a minimum of four participating properties. The four properties exclude the subject property and other properties from the same company as the subject. All the four properties must report data before competitive set performance data will be released.

Company Minimum Competitive sets must include a minimum of two companies other than that of the subject property.

Competitive Set Changes/Additions/Removals Competitive set changes must include a minimum of two consistently reporting properties. The two consistently reporting properties must be affiliated with a company different from the subject property and cannot be affiliated with the same brand.

One or more newly opened properties may be added alone if no more than five months of data have been reported.

If a property stops reporting data for three consecutive months, the property may be deleted from the set if all other above conditions are still met.

A change cannot be made if data of a single property could be isolated in any way.

Multiple Competitive Sets
If the subject hotel has more than one competitive set within a third-party system, each subsequent set must differ by at least two consistently reporting hotels from different brand and must exclude properties of subject Hotel Company.

Competitive Sets Validation Form
This form is designed to assist hotels in the validation of their competitive sets. It will rank each hotel based on a weighted average of your annual business mix and how that hotel competes against subject hotel in each Market Segment or Category.

In other words if your hotel is primarily a transient hotel, the IBT and Leisure competitors will have a higher ranking than the Group Segment competitors. In order to have correct calculation, all hotels within the current primary and secondary (if you have a secondary) sets as well as any hotels you have been recently losing business to should be considered.

1. Only enter in blue highlighted cells; all others calculate automatically
2. Enter your hotel's name
3. Enter your annual room sales for each Market Segment or Category (depending on which tab you are using). When using the Market Category tab, see the cell comments to determine which Market Segments fall under each category.
4. List possible competitors and the number of rooms for each competitor
5. For each competitor, assign a value for each segment/category that ranks how you compete against them in that segment/category only. Remember to consider this from a customer perspective. Assign a "0" if they are not competitors "2" or "3" if they compete to a certain extent and a "4" if they are your biggest challenge to getting this business.
6. The spreadsheet will calculate the weighted average and give you the ranking. If the competitor is in your top 5, the ranking will appear as green, positions 6, 7 and 8 will be yellow.
7. If your official Competitive Set does not match the highest ranking competitors, you need to be able to defend why .

3. Data Sources

As collection of information about competitors is strictly regulated by laws of many countries, the only option is to use services of 3rd party providers that „hides" performance of any single hotel by aggregating the results of all competitors in one.

The following options are commonly used providers of market share information.

STR (www.strglobal.com)

STR collates daily and monthly information for their hotels. The Monthly data is financially audited and compiled each month from the corporate central offices.

The Daily data is fed either by the hotels directly to the STR system or through an automated upload, which is financially audited and compiled each week from the corporate central offices.

The Daily market share compares Day to Day rather than Date to Date and therefore month end statistic could be slightly different. The Weekly report is Date to Date.

STR publishes a number of reports which are mailed to their clients automatically. They produce Daily, Weekly and Monthly STAR reports, which give information on current performance versus Primary competitive set and the Market. The Monthly report contains both Monthly and Daily data, as well as day of week figures where daily figures are "bounced" against the monthly figures to make them match. "Bouncing" is the process of re-proportioning the daily data numbers submitted to STR by hotels to equal the aggregated monthly numbers from the corporate teams. *Example (using one week of data)*

	Submission by Hotel	% of Week Total	Submission by Central Finance	Re-proportioned Daily Figures
Day 1	$128,000	13.8%		$128,478
Day 2	$135.000	14.6%		$135,926
Day 3	$157.000	17.0%		$158,270
Day 4	$142,000	15.3%	*Day x %*	$142,443
Day 5	$131,000	14.1%		$131,271
Day 6	$119,000	12.8%		$119,168
Day 7	$115,000	12.4%		$115,444
Week Total	$927,000		$931,000	$931,000

STR publish their latest Monthly reports on or around the 23rd of the month for the previous month for any hotel where they have "enough" competitor data (where more than 3 hotels have reported). For any hotel where the competitive set has not fully sent in data however they have enough data to publish, they will make an estimation which is based on the missing hotel's index relative to the subject hotel's competitive set.

Most hotels try not to use the incomplete numbers as they do not feel these truly reflect reality. They therefore wait until they have 100% completion of data.

STR reports could be accessed as well online on www.strglobal.com

MKG (www.mkg-group.com)
MKG collates daily and monthly information for their hotels. The Monthly data is financially audited and compiled each month from the corporate central offices.

The Daily data is fed by the hotels directly to the MKG system.

4. Market Share Calculations

The objective of Market Share calculations is to provide information about our hotel performance (subject property) in comparison to the competitive set, excluding the subject property.

The calculation is based on the following three essential pieces of data.

Available Rooms – Hotel Capacity
Full hotel capacity should be used for reporting for each property for each day, week, month or year. This should exclude condo or timeshare rooms, which are not made available to the public for rental. Rooms out of order or under renovation cannot be removed from the hotel availability.

Rooms Sold
Only revenue generating guestrooms should be reported as Rooms Sold. Complimentary and House rooms may not be included. Guaranteed No-Shows should also not be reported as Rooms Sold.

Rooms Revenue
Only revenue generated from guest room rental should be included in room rooms revenue figures reported. For clarity, the following table indicates what should be included and excluded in the calculation of Rooms Revenue.

To Be Included	To Be Excluded
➔ Rooms Revenue ➔ Rooms Revenue Rebates ➔ Rooms Revenue Other • No Shows • Early departure/late check out charges • Non distributable service charge	➔ VAT ➔ Group cancellation fees ➔ F&B Revenue ➔ Other Revenue ➔ Distributable service charge (paid to the Team Members)

Market Share Indicators:

MPI	➔ Market Penetration Index ➔ Occupancy of the subject property divided by occupancy of the competitive set over a certain period of time (day, week, month, MTD, YTD) *Example* ▪ Subject property occupancy in the month of November: 89.5% ▪ Competitive set occupancy in the month of November: 84.1% ▪ MPI = 89.5 / 84.1 = 1.06 ▪ The Market Penetration Index of 1.06 says that the subject property has secured more than fair share (1.00) of the room nights available in the market during the month of November.
ARI	➔ Average Rate Index ➔ Average rate of the subject property divided by average rate of the competitive set over a certain period of time (day, week, month, MYD, YTD) *Example* ▪ Subject property average rate in the month of November: $158.2 ▪ Competitive set average rate in the month of November: $161.1 ▪ ARI = 158.2 / 161.1 = 0.98 ▪ The Average Rate Index of 0.98 says that the subject property has achieved lower average rate than the competitive set, specifically 98% of it.
RGI	➔ RevPAR Generated Index ➔ This index provides combined view of MPI and ARI and therefore it is the key indicator in measuring a hotel market share performance ➔ RevPAR of the subject property divided by RevPAR of the competitive set over a certain period of time (day, week, month, MTD, YTD) *Example* ▪ Subject property RevPAR in the month of November: $141.59 ▪ Competitive set average rate in the month of November: $135.49 ▪ RGI = 141.59 / 135.49 = 1.05 ▪ The RevPAR Generated Index of 1.05 says that the subject property has outperformed the competitive set for the month of November. The index of 1.05 can be presented as 5% Premium.

Quadrant Overview
As well as the market share indexes described above, we use a market share quadrant view of the information in order to see in one picture a combination of RGI (Revenue Generated Index) with how RGI has changed since the same period last year. To do this we combine:

- **Status of RGI**
  - 1 or more is called **A**head
  - 0.99 or less is called **B**ehind

With

- **Progress of RGI** compared to the same period the year before (e.g. November 2008 vs November 2007 or October 2008 YTD vs October 2007 YTD.
  - Improved RGI vs the previous period is called **G**aining
  - Worse RGI vs the previous period is called **L**osing

AL: Ahead and Losing	**AG**: Ahead and Gaining
▪ RGI is 1.00 or more, i.e. the hotel is holding market share premium ▪ RGI is decreasing compared to same period last year ▪ This means that the hotel has is still keeping the premium position on the market, but the competition is "catching up"	▪ RGI is 1.00 or more, i.e. the hotel is holding market share premium ▪ RGI is improving compared to same period last year ▪ This is the most desired situation as the hotel has outperformed the competition and continues to strengthen the position on the market
BL: Behind and Losing	**BG**: Behind and Gaining
▪ RGI is 0.99 or less, i.e. the hotel is not getting fair share of the market	▪ RGI is 0.99 or less, i.e. the hotel is not getting fair share of the market ▪ RGI is improving compared to same period last year ▪ This shows positive trend and confirms that the hotel has deployed correct strategies; continuing the trend, the hotel is likely to reach Premium

RGI Revenue Impact
RGI Revenue Impact shows the change of RGI vs. the same period last year in actual revenue terms. It is not a hotel's financial revenue surplus or deficit over last year, but surplus or deficit of revenue generated through improved or worsen share of business from within the competitive set.

- If a hotel increases its room revenue vs same period last year by 20%, but the RGI index remains the same, the RGI Revenue Impact is zero.
- If the same hotel's RGI decreases while achieving 20% room revenue growth, the RGI Revenue Impact will be negative.
- The RGI Revenue Impact will be positive only with improved RGI. This could be even when the hotel's room revenue decreased.