

teaching note

Oasis in Sin City: Determining a competitive set

Case Review

This case is concerned with the selection of a competitive set for a recently purchased hotel, the Oasis, that has undergone significant upgrades and investment in order to re-brand itself as a more upscale, exclusive resort that will be marketing to different demographic than the previous hotel owners had. The new general manager, Brett, and revenue manager, Susan, will be discussing what are the most important factors in choosing a competitive set for the Oasis, and as a result choose a competitive set that will allow the Oasis to effectively compete with those hotels on the basis of occupancy rate, ADR, and RevPAR.

Intent and Target Audience

This case is intended to introduce the concept of introductory revenue management to undergraduate hospitality/hotel administration students and give examples of what duties a revenue manager may be. While a general manager may in many cases be performing as a de facto revenue manager, in today's hotel industry, revenue managers are becoming more and more valuable to the performance of a property.

Learning Outcomes

This case study addresses some of the issues that a revenue manager may experience in his or her role at a hotel. Chief among those issues and responsibilities is price optimization. Setting room rates cannot be done effectively without having a benchmark from which to work. This is where the competitive set acts as a critical tool to help revenue managers effectively price their room rates. After completion, students should be able to:

- Identify the primary factors that are used to select an accurate competitive set
- Comprehend the importance and relation between the three KPI and how they are calculated:
 - Average Daily Rate (ADR)
 - Occupancy Rate
 - Revenue per Available Room (RevPAR)
- Explain the importance of benchmarking in revenue management

Case Study Questions

- How would you go about determining the comp set for the Oasis? Which factors in Table 3 would you consider most important and why?
- Knowing the concepts of how to increase net operating income from the academic literature, and considering the physical attributes of the Oasis Hotel (upgrades and renovations), what are the key properties above that should be incorporated

into the Oasis Hotels' comp set?

- How would you go about determining the competitiveness of the Upper Upscale properties against the Oasis, assuming you do not currently have access to STR reporting?
- Assuming all hotels are in close proximity to each other (two mile radius), would you only consider ADR as the primary component in determining your comp set? Why or why not?

Classroom Activities

General Reading of Case Study and Overview (15 minutes)

Students individually read the case to become familiar with the topics and to think about the focus of what is being asked of the new management team at the Oasis. This would also be the time for the students to read and comprehend the case study questions.

Selection of a Competitive Set (15 minutes)

How do you go about selecting a comp set? Which specific hotels they would include in their respective competitive sets and give reason why they selected the hotels they did. The various factors listed in Table 3 could be covered in detail so students know what each metric means, why it is important in a comp set, and finally which hotels would be chosen based on:

- ADR alone (price)
- Total product offering (this is where amenities, services, age of property come into play).

Further Discussion Questions

- What information could be able to given to the assistant general manager, the rooms' manager, the executive housekeeper, the director of sales and marketing, the manager of spa operations, and the director of food and beverage operations, based on the demand forecast developed by Susan?
- What are some of the inherent problems of choosing a competitive set of properties that the Oasis out-classes in terms of amenities, service, room quality and property age?
- What are some of the inherent problems of choosing a competitive set of properties that out-class the Oasis?
- Should management or executive compensation be tied to the hotel's performance against its comp set?
- How could these revenue management principals be but to use in other industries such as event planning and forecasting? What metrics could be employed in that industry?
- What other industries in hospitality could benefit from rev-

enue management? What practices are already used for forecasting revenue?

Additional Readings

The importance of branding and how consumer choice is affected by brand recognition would be a topic for further discussion, as well as further readings on revenue management.

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Answers to Study Questions

- Although ADR is sometimes used as the only determining factor in comp set determination, as the room rate take into account the many factors that determine price points (upscale property, resort-style pool, premium amenities, spa...), students should consider an array of property characteristics and attributes in determining their comp sets.
- Although the Oasis is described as an upper upscale property, students should examine all of the unique hotel data in the potential comp set listing. No specific "perfect" comp set exists. Management intuition and experience also play a role.
- If students did not have ADR data readily available, or the data offered in Table 3 was not readily available, how would students go about obtaining such data? Again, no real right answer, but most would be to collect data from public sources, and certainly some personal investigation could take place (site visit, phone calls to selected departments at the hotels in question).
- Again, no real correct answer, but ADR must play a role in the selection of the comp set, as it is the primary consideration (though not only consideration) for comp set determination.

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