



Lodging Glossary

A list of terms and acronyms commonly used in the lodging industry



Average Daily Rate (ADR): The average rate paid by guests per room for a specific day or any specific period

Calculation: Total Room Revenue ÷ Total Rooms Sold

Average Length of Stay (ALOS): Metric used to identify the length of stay of hotel guests

Calculation: Number of Room Nights ÷ Number of bookings

Average Occupancy Rate: Metric used to understand the occupancy rates during different time periods

Calculation: Number of Rooms Sold ÷ Number of Available Rooms

Benchmarking: the process of comparing the hotel's performance against the competition and against itself, to consistently increase the value of the hotel

Base & Incentive Management Fees: Base fees are universally percentages of gross revenues. The incentive fee is universally some percentage of profits

Best/Most likely/Worst case: Scenario analysis that uses more than one form of scenario analysis. Here you can change multiple variables to determine what the best, worst, and most likely outcome is, given these changes

Cap Rate: Capitalization Rate = $\text{Net Operating Income} / \text{Current Market Value of Asset}$

Capital Expenditures (CapEx): Expenditures designed to produce a future benefit. They add value to the existing asset

Competitive Set (Comp Set): A group of hotels that are direct competitors to your hotel. Comp sets are used for benchmarking purposes, market penetration analyses to help develop strategies

Flow-through: A catch-all phrase that measures how much made it through your business comparing one period to another. What made it through, from revenues to profit. Another term to describe this measurement is retention

GDS (Global Distribution System): Computerized network, such as Sabre, that facilitates transactions between travel service providers and travel agents both online travel agents like Expedia Group and offline travel agents

GOP: Gross Operating Profit

Calculation: Total Revenue - Expenses

Joint Venture: The cooperation of two or more individuals or businesses; each agreeing to share profit, loss and control; in a specific enterprise

Lifestyle Brands: Prescribed franchised products that are adapted to reflect current trends

Loyalty Fee: Fee paid for brand loyalty member bookings & also the discounted rate on redemptions below certain occupancy thresholds

Market Penetration Index (MPI): A tool to help compare your hotel's market share with your competitors.

Calculation: $(\text{Hotel Occupancy \%}) \div (\text{Market Occupancy \%})$

Net Operating Income (NOI): A calculation used to analyze real estate investments that generate income. Net operating income equals all revenue from the property minus all reasonably necessary operating expenses. NOI is a before-tax figure that excludes principal and interest payments on loans, capital expenditures, depreciation and amortization

P&L: Profit & Loss financial statement

Property Improvement Plan (PIP): Brands implement these with current assets to get up to brand standards & new hotels joining the brands

Private Equity Fund: A private equity fund is a collective investment mechanism where large amounts of equity capital can be united, usually under the direction of a fund sponsor

RevPAR: Hotel Revenue per available room

Calculation: Average Income Per Night/Total Number of Rooms

RevPAR Index: RevPar compared vs a competitive set

Royalty Fee: The royalty is a fee for the ability to use the brand's name, trademarks, and standards. Typically ranging 3-7%

STR Report: Segmentation & market share reporting on competitive set, market tract over a variety of metrics/time frames

Glossary of terms

For an in-depth overview of frequently used terms in the hotel industry, visit [Hotel News Now's list of Hotel Industry terms to Know](#)



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