

## **Day Use Rooms: The What's, The How's, and An Example**

*The Financial Management Committee (FMC) of the American Hotel & Lodging Association was established to provide superior financial management expertise on issues of common interest to owners and operators of hotels and motels. In an effort to assist hotel owners and operators, the FMC is presenting a series of monthly articles that address current and emerging financial issues impacting the lodging industry. Some of the potential topics to be discussed include the standardization of industry definitions for distribution channels and associated costs, benchmarking green and sustainable practices, cyber security, loyalty program accounting, and the impact of labor-related legislation.*

*This month, Christopher Garland and Agnes DeFranco discuss Day Use Rooms.*

Hotels sell rooms to individuals, families, or groups to stay from one night to multiple nights. We count rooms occupied by room “night” so then, what is a “Day Use” room? How should hotels account for this type of revenue and how would this affect hotel operational metrics? It is therefore the purpose of this article to both more clearly define and provide reporting alternatives for the inclusion of Day Use rooms in the occupancy statistics, solely for the purpose of ensuring the consistency in calculation of productivity metrics.

### **The What's:**

- The USALI 11th revised edition defines Day Use room (USALI, p.11) and classifies such rooms under Other Rooms Revenue within Rooms – Schedule 1.
- Hotels sell rooms for guests that may be used for “hospitality suites, dressing rooms, employment interviews, movie auditions, and wholesale distributors (for example, clothing, toys, other merchandise).”
- Day Use rooms are sold on the basis that they will not be used overnight and are not charged a rate applicable to any segment under which the hotel offers rates, such as Transient, Group or Contract. Rooms that are sold into a specific rate category should be coded to the applicable segment and reported as rooms sold, not reported as Day Use.
- As an example, if a hotel has an airline crew who checks in at 7 am and checks out at 5 pm, their rooms should be coded to the Contract rooms segment, not Day Use. If these crew rooms are resold on the same day, it is possible for the hotel in question to exceed 100% occupancy.
- If a guest occupies a room during the day and checks out before 6 pm, regardless of the intended use of the room and that guest receives a rate which is not a published nor a negotiated rate, then the room should be recorded as a Day Use room.

### **The How's:**

- Revenue earned in selling these rooms is not Transient Rooms Revenue, Group Rooms Revenue, nor Contract Rooms; and should be categorized under Others Rooms Revenue.
- In addition, should food and beverage are ordered in these rooms, such revenue should not be added to the Day Use Rooms Revenue but rather simply recorded as food and beverage revenue.

- In terms of metrics, Day Use rooms are not included in the calculation of occupancy percentage. Since guests are not staying overnight, including Day Use rooms would inflate occupancy.
- However, Day Use rooms revenue is included in the calculation of ADR since Day Use Rooms Revenue is included in Other Rooms Revenue, which makes up Total Room Revenues; and ADR is defined as: 
$$\text{ADR} = \frac{\text{Total Rooms Revenue}}{\text{Rooms Sold}}$$
- The Financial Management Committee has determined that the failure to recognize those rooms that have been occupied and must be serviced, will distort measures of labor productivity and operating supplies.

**An Example:**

The following supplemental report (Table 1) is provided for hotels to use for internal reporting only. Please note that Day Use rooms are included as occupied rooms solely for the purpose of generating productivity measures. After the calculations, Day Use rooms should be removed from occupancy, so the users of the report understand how many rooms actually remained vacant overnight. The reporting of Occupancy %, Average Daily Rate, and RevPAR must continue to be done from the reports found on pages 191 through 193 of the Uniform System of Accounts for the Lodging Industry 11th revised edition and the supplemental report below is only to be used as an internal measure.

Table 1: Sample Hotel - Room Statistics Supplemental Report

Room Nights	UNITS		RATE	REVENUE	
	Full Year Year: 2016	%	Full Year Year: 2016	Full Year Year: 2016	%
Retail	9,725	10.5%	487.99	4,745,703	23.9%
Discount	5,051	5.5%	332.77	1,680,821	8.4%
Negotiated	14,337	15.5%	256.05	3,670,989	18.4%
Qualified	1,620	1.8%	234.01	379,096	1.9%
Wholesale	817	0.9%	289.47	236,497	1.2%
<b>Total Transient Rooms</b>	<b>31,550</b>	<b>34.2%</b>	<b>339.56</b>	<b>10,713,106</b>	<b>53.8%</b>
Group Corporate	23,298	25.2%	256.59	5,978,034	30.0%
Group Association/Convention	5,425	5.9%	315.22	1,710,069	8.6%
Group Government	25	0.0%	298.54	7,464	0.0%
Group Social	1,419	1.5%	258.72	367,124	1.8%
<b>Total Group Rooms</b>	<b>30,167</b>	<b>32.7%</b>	<b>267.27</b>	<b>8,062,690</b>	<b>40.5%</b>
<b>Contract Rooms</b>	<b>3,781</b>	<b>4.1%</b>	<b>274.00</b>	<b>1,035,994</b>	<b>5.2%</b>
<b>Other Rooms Revenue</b>	<b>0</b>	<b>0.0%</b>	<b>-</b>	<b>85,912</b>	<b>0.4%</b>
<b>Rooms Sold/Revenue</b>	<b>65,498</b>	<b>70.9%</b>	<b>303.79</b>	<b>19,897,702</b>	<b>100.0%</b>
Complimentary	1,286	1.4%	-	-	0.0%
<b>Day Use Rooms*</b>	<b>182</b>	<b>0.2%</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Rooms Occupied</b>	<b>66,966</b>	<b>72.5%</b>	<b>297.13</b>	<b>19,897,702</b>	<b>100.0%</b>
Vacant Rooms	25,381	27.5%	-	-	0.0%
<b>Day Use Rooms</b>	<b>(182)</b>	<b>-0.2%</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
Out of Order Rooms	180	0.2%	-	-	0.0%

<b>Rooms Available</b>	<b>92,345</b>	<b>100.0%</b>	<b>215.47</b>	<b>19,897,702</b>	<b>100.0%</b>
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\* Revenue included in "Other Rooms Revenue"

*Christopher Garland is an Independent Hospitality Financial Consultant and was previously the Senior Vice President of Operations Finance with Four Seasons Hotels Limited. He serves on the AH&LA Financial Management Committee, where he is Chair of the Sub-committee for Financial Reporting, Analytics & Metrics and was one of the authors of the Uniform System of Accounts for the Lodging Industry 11th revised edition. Additionally, he serves on the Global Board of the Hospitality Financial & Technology Professionals Association where he is the Chair of the Hospitality Finance Advisory Council and is the former Cabinet Chair for the Centennial College School of Hospitality Impact Campaign.*

*Agnes L. DeFranco is a Professor and the Conrad N. Hilton Distinguished Chair at the Conrad N. Hilton College of Hotel and Restaurant Management, University of Houston. She served as President of the Hospitality Financial and Technology Professionals (HFTP) in 2006-2007.*