

## Build Your Business Acumen

### 108 Terms Every Hotel Sales Professional Needs to Know to Better Communicate with their GMs, Asset Managers, and Owners

As the silos in hotel organizations continue to erode, hotel sales professionals are increasingly expected to engage at a higher level with asset managers and owners (not to mention GMs, revenue management teams, and marketing).

In those interactions, sales leaders must demonstrate their knowledge of the sales discipline AND all of the hotel's operations and functions that run parallel with sales. This kind of business acumen validates your proficiency and shows those colleagues and stakeholders that they can trust you and rely on your performance.

One easy way to brush up on your business acumen is to sharpen your understanding of the acronyms, jargon, and terminology used in and around the business of hotels. It will strengthen your skills, build your reputation as a knowledgeable team member, and form the foundation for your future success.

HSMAI's Sales Advisory Board identified these terms that every hotel sales professional needs to know. [What would you add?](#)

<b>Addendum</b>	Additional document added to a contract with further terms and conditions.
<b>ADR</b>	Average Daily Rate = Actual daily room revenue / total rooms sold.
<b>ADR Index</b>	<p>A measure of a hotel's ADR performance relative to a group of hotels. An ADR Index of 100 equals fair share of ADR, compared to the group of hotels. An ADR Index greater than 100 represents more than a fair share of the group's ADR performance. An ADR Index below 100 reflects less than a fair share of the group's ADR performance.</p> <p>To calculate an ADR Index: (Hotel ADR / Group of hotels' ADR) x 100 = ADR Index</p>
<b>ALOS</b>	Average Length of Stay. Figure derived by adding the total number of nights and dividing by the total number of bookings: Total # of nights / Total # of bookings.
<b>Amortization</b>	<p>An accounting term that refers to the process of allocating the cost of an intangible asset over a period of time. It also refers to the repayment of loan principal over time.</p> <p>When a hotel amortizes expenses, it helps tie the cost of the asset with the revenues it generates. For example, if a hotel sales office buys a ream of paper, it writes off the cost in the year of purchase and generally uses all the paper the same year. Conversely, with a large asset like a building, the owner</p>

	<p>reaps the rewards of the expense for years, so it writes off the expense incrementally over several years.</p> <p>A related term, depreciation, refers to tangible assets.</p>
<b>Ancillary Revenue</b>	<p>Revenue generated from goods or services that differ from or enhance the main services or product lines of a company. For example, spa and wellness treatments, mini bar, transportation, etc.</p>
<b>Attrition</b>	<p>A contract clause that outlines the client's commitment to pay for a specific number of rooms/meeting space and, should the room/meeting space number decrease, this reduction of numbers may require a payment as a penalty.</p>
<b>B2B</b>	Business to Business
<b>B2C</b>	Business to Consumer
<b>BAR</b>	<p>Best Available Rate. The non-qualified, publicly available rate that serves as the baseline for comparison between hotels. This rate serves as the benchmark and typically drives discount and package pricing based on a percentage or dollar amount above or below this rate. BAR replaced Rack Rates as revenue management evolved and became more dynamic.</p>
<b>BT</b>	Business Travel
<b>Cancellation Clause</b>	<p>This contract clause summarizes the fee owed by the group if the event does not take place. There is often a sliding scale that indicates the fees owed based on when the meeting cancels.</p>
<b>CapEx</b>	<p>Capital Expenditure: money spent by a company to upgrade or acquire physical assets such as buildings or equipment.</p>
<b>Capitalization Rate</b>	<p>A ratio that can be used to estimate the value of income-producing properties. Put simply, a cap rate is the net operating income of an asset divided by its sales price or value expressed as a percentage. A cap rate is determined by evaluating the financial data of similar properties which have recently sold in a specific market. For example, a US\$1-million sale price of an apartment building that produces an annual net cash flow of US\$90,000, results in a calculated capitalization rate of 9 percent. [90,000/1,000,000 = .09]</p> <p>According to <a href="#">Daniel Lesser</a>, CBRE</p>
<b>Chain Scales</b>	<p>Chain scale segments are a method by which branded hotels are grouped based on the actual average room rates. Independent hotels, regardless of their average room rates, are included as a separate chain-scale category. The chain-scale segments are:</p> <ul style="list-style-type: none"> <li>• Luxury</li> <li>• Upper Upscale</li> </ul>

	<ul style="list-style-type: none"> <li>• Upscale</li> <li>• Upper Midscale</li> <li>• Midscale</li> <li>• Economy</li> <li>• Independents</li> </ul> <p>According to <a href="#">STR</a></p>
<b>Class</b>	<p>Class is an industry categorization which includes chain-affiliated and independent hotels. The class for a chain-affiliated hotel is the same as its chain scale. An independent hotel is assigned a class based on its ADR, relative to that of the chain hotels in its geographic proximity.</p> <p>According to <a href="#">STR</a></p>
<b>CHDM</b>	<p>Certified Hospitality Digital Marketer, a professional certification awarded by HSMIAI to those who demonstrate proficiency in digital marketing for hotels. (<a href="#">HSMIAI CHDM</a>)</p>
<b>CMP</b>	<p>Certified Meeting Professional. The Events Industry Council (formerly CIC) launched the Certified Meeting Professional (CMP) program in 1985 to enhance the knowledge and performance of meeting professionals, promote the status and credibility of the meeting profession, and advance uniform standards of practice.</p>
<b>CMM</b>	<p>MBA-level executive education program for meeting professionals with more than seven years of experience, including a minimum of three years in management positions.</p>
<b>CRME</b>	<p>Certified Revenue Management Executive, a professional certification awarded by HSMIAI to those who demonstrate proficiency in revenue management for hotels. (<a href="#">HSMIAI CRME</a>)</p>
<b>Commission</b>	<p>Commission is a charge that a hotel pays to third parties (travel agents, OTAs) for selling their hotel rooms. It is usually a fixed percentage of the room rate.</p>
<b>Comp Set</b>	<p>Competitive Set. Comparable hotels in a hotel's vicinity that compete for guests.</p>
<b>Concession</b>	<p>Cost or consideration given by a seller to motivate the buyer to complete the purchase.</p>
<b>CRM</b>	<p>Customer Relationship Management - a term that refers to practices, strategies, and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with customers, assisting in customer retention, and driving sales growth (e.g., Salesforce)</p>
<b>CRO</b>	<p>Central Reservations Office</p>
<b>CRS</b>	<p>Central Reservation System</p>

<b>CTA</b>	Closed To Arrival. A room inventory control function that indicates a reservation cannot be confirmed for arrival on this date.
<b>DDR</b>	Daily Delegate Rate
<b>Digital Marketing</b>	<p>Digital marketing is the use of Internet connected devices to engage a customer with online advertising in order to promote products and services. Internet connected devices include web browsers, smart phones, game consoles, and more.</p> <p>The single largest difference between traditional marketing and digital marketing is that, historically, marketing was one way. Your message was developed by you, or your agency, and it was delivered in the format you paid for or created. You had complete control over your brand and your reputation, and consumer behavior stayed pretty consistent.</p>
<b>Displacement Analysis</b>	Compares the value of different pieces of business to identify the one that brings the most value to the hotel. For instance, you would use a displacement analysis to calculate the value of a group sale by contrasting it to transient business that it would displace.
<b>Display Ads</b>	Advertising is the dispersion of marketing messages in any form, including television, print, radio, and billboards. Unlike traditional advertising media, online advertising allows for immediate feedback on your ads, resulting in better targeting and assessment of advertising effectiveness. Digital publishers, either directly or through online display networks, sell space on their website pages to advertisers by demonstrating that they can deliver significant traffic to meet the advertiser's objectives in terms of target audience and ROI.
<b>DMC</b>	Destination Management Company. A locally based, for-profit tourism business that provides (mostly) groups with travel, meeting, and entertainment needs.
<b>DMO</b>	Destination Marketing Organization. Similar to Convention & Visitors Bureaus (CVB). An organization that promotes a town, city, region, or country in order to increase the number of visitors.
<b>DOM</b>	Director of Marketing
<b>DOS</b>	Director of Sales
<b>DOSM</b>	Director of Sales and Marketing
<b>DORM</b>	Director of Revenue Management
<b>EBITA</b>	Earnings Before Interest, Taxes, and Amortization (EBITA) refers to a company's earnings before the deduction of interest, taxes, and amortization expenses.
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation, and Amortization is a measure of a company's operating performance, and is often used to value a property or company.

<b>F&amp;B Minimum</b>	The total dollar amount of catered events (not including service charge and sales tax) required by the hotel, based on the meeting space and dates being held.
<b>Fair Share</b>	Fair share can be thought of as the subject hotel's "piece of the pie" in the market. For example, if the subject hotel's ADR is \$50 and the ADR of its competitive set is \$50, the subject hotel's index would total 100. If the subject hotel's ADR totaled \$60, its index would be 120, indicating the hotel has captured more than its fair share. If the subject hotel's ADR totaled \$40, its index would be 80, indicating the hotel has captured less than its fair share.
<b>FBO</b>	Fixed Base Operator - an organization granted the right by an airport to operate at the airport and provide aeronautical services such as fueling, hangaring, tie-down and parking, aircraft rental, aircraft maintenance, flight instruction, and similar services.
<b>FFO</b>	Funds From Operation. Used by REITs to define cash flow from overall operations; includes deductions for depreciation and amortization.  <i>According to <a href="#">STR</a></i>
<b>FIT</b>	Foreign Independent Tour or Flexible Independent Travel or Free Independent Traveler. It describes a type of travel or tourism that is customized by a travel professional but typically does not involve a packaged tour.
<b>Force Majeure</b>	This contract clause removes liability for natural and unavoidable catastrophes that interrupt the expected course of events and restrict participants from fulfilling obligations. Commonly referred to as an "act of God" or "impossibility" clause, it is often used during natural disasters that make it impossible for the guests to travel either out of their city or to the hotel's city.
<b>Forgone Potential of Group Revenue (FPGR)</b>	If one group takes up too much space for the rooms booked, the hotel is unable to book another group requiring meeting space "on top of it" and optimize the hotel's revenue.
<b>FPGR</b>	Forgone Potential of Group Revenue
<b>Free-sell</b>	A short-term booking window in which the hotel will take any business to fill open meeting rooms in the near future (Function-Only Business or Event-Only Business)
<b>FY</b>	Fiscal Year
<b>GDP</b>	Gross Domestic Product. GDP is the total of all goods and services produced in an economy. As it measures the market value of all final goods and services produced by a nation, it is a fundamental indicator of an economy's performance.

	GDP is highly correlated with personal incomes and standard of living. It can be looked at as a true measure of the value added by an economy.
<b>GDS</b>	Global Distribution System
<b>GM</b>	General Manager
<b>GOP</b>	Gross Operating Profit
<b>GOPPAR</b>	Gross Operating Profit Per Available Room. Figure derived by taking the revenue minus expenses divided by the number of available rooms: $(\text{Revenue} - \text{Expenses}) / \# \text{ Available Rooms}$ .
<b>Group Ceiling</b>	The maximum number of rooms at a hotel that will be allocated to groups each night.
<b>GTD</b>	Guaranteed
<b>HSMAI</b>	Hospitality Sales & Marketing Association International
<b>Indemnification</b>	A contract clause in which one party (the group or the hotel) agrees to be financially responsible for specific damage or loss incurred by the other party. Indemnification clauses in hotel contracts should be reciprocal and should make each party responsible for their own negligence.
<b>JTFR/JTR</b>	Officially called "Joint Travel Regulations," they are for members of the Uniformed Services of the United States, Department of Defense (DoD) civilian employees, and civilians who travel using DoD funding. The regulations are related to per diem, travel and transportation allowances, and relocation and other allowances.
<b>KPI</b>	A Key Performance Indicator (KPI) is a measurable value that demonstrates how effectively a company is achieving key business objectives.
<b>LRA</b>	Last Room Availability: An agent's ability to book the last available room in a hotel.
<b>LTV</b>	Loan-To-Value. The percentage of the loan to the overall property value. The value may be the purchase price, the development cost, the appraised value, or the current value + renovation costs; typically between 60% and 70%; $= \text{loan} \div \text{value}$ .  <i>According to <a href="#">STR</a></i>
<b>Market Penetration</b>	The ratio in comparing total occupied rooms with the total occupied rooms within a competitive set: $\text{Total occupied rooms in hotel} / \text{Total occupied rooms in competitive set}$ .
<b>Market</b>	Set of actual and potential customers. Also defined as a specific geographic area.
<b>Market Share</b>	The percentage of the market for a product or service that a company supplies. Total number of rooms in a hotel as a percentage of total rooms within a competitive set: $(\text{Total \# of rooms in hotel} / \text{Total \# of rooms in competitive set}) \times 100$ [results in a percentage].

<b>Mark-up</b>	The difference between the cost of a product and its selling price.
<b>Maximum Length of Stay</b>	A room inventory control function. Indicates that a reservation for arrival on a particular date may not extend past a certain number of days.
<b>Minimum Length of Stay</b>	A room inventory control function. Indicates that a reservation for arrival on a particular date must be for a minimum number of nights (two or more).
<b>MTD</b>	Month-To-Date
<b>Multi-Channel Distribution</b>	Channel Management (also Multi-Channel-Management) refers to the techniques and systems used by hotels in line with their distribution policy. This management method includes content management as well as data reconciliation in various distribution channels. It means the updating of the hotel information, of room rates, and availabilities across all distribution channels, such as the hotel's website, third parties (OTAs, IDS, ADS), and the CRS/GDS.
<b>Net Operating Income</b>	<p>NOI. A company's operating income after operating expenses are deducted but before income taxes and interest are deducted. If this is a positive value, it's referred to as net operating income, while a negative value is called a net operating loss. NOI often is viewed as a good measure of company performance. Some believe this figure is less susceptible than other figures to manipulation by management.</p> <p>Hotel industry example: A hotel's net operating income percentage is most closely tied to its occupancy, although it is also influenced by average daily rate, market segment, property's age, and brand affiliation.</p> <p>According to <a href="#">STR</a></p>
<b>NOI</b>	Net Operating Income
<b>OBT</b>	Online booking tool
<b>OCC (Penetration) Index</b>	<p>An index designed to measure a hotel's share of the segment's (comp set, market, tract, etc.) demand (demand = rooms sold).</p> <p><math display="block">\text{Occupancy Index} = \left( \frac{\text{Hotel Occupancy}}{\text{Segment Occupancy}} \right) \times 100</math></p> <p>Fair share can be thought of as the subject hotel's "piece of the pie" in the market. For example, if there are 1,000 rooms in the competitive set and the subject hotel has 100 rooms, the subject hotel's fair share is 10.00%. If the subject hotel accounts for 10.00% of the room nights generated within the competitive set in a given time period, the subject hotel's</p>

	<p>actual share equals its fair share, giving it an occupancy index of 100%.</p> <p>According to <a href="#">STR</a></p>
<b>Occupancy</b>	<p>The percentage of available rooms that were sold during a specified period of time. Occupancy is calculated by dividing the number of rooms sold by rooms available.</p> <p>Occupancy = Rooms Sold / Rooms Available</p> <p>According to <a href="#">STR</a></p>
<b>Onward Distribution</b>	<p>Commonly referred to as third-party distribution channels, onward distribution channels are intermediaries that facilitate a hotel's ability to sell itself to the traveling consumer.</p>
<b>OTA</b>	<p>Online Travel Agency: Website that specializes in the sale of travel products to consumers. Some agencies sell a variety of travel products including flights, hotels, car rentals, cruises, activities, and packages. Examples are: Expedia, Priceline, Orbitz Worldwide, and Travelocity.</p>
<b>Overbooking</b>	<p>Also known as "overselling," this is a practice of accepting more reservations than rooms. It is usually done strategically and carefully, with decisions based on history of no-shows and last-minute cancellations.</p>
<b>Property Improvement Plan (PIP)</b>	<p>A requirement by hotel brands that owners undertake renovations and upgrades to meet current chain standards. PIPs are generally required when a hotel joins a brand system, when a branded hotel is sold, or when a franchise or membership agreement comes up for renewal.</p> <p>According to <a href="#">STR</a></p>
<b>Price Parity</b>	<p>To ensure an even playing field of pricing or rates across all channels based purely on the price points. Also referred to as Rate Parity.</p>
<b>Product Parity</b>	<p>To ensure an even playing field of pricing or rates across all channels based on products and fences around rates.</p>
<b>PMS</b>	<p>Property Management System</p>
<b>PPC</b>	<p>Pay-Per-Click</p>
<b>ProPAR</b>	<p>Profit Per Available Room. ProPAR is derived by taking the revenue minus all acquisition costs (commissions and sales and marketing expenditures) and dividing it by the number of available rooms. Also referred to as Net RevPAR.</p>
<b>Rack Rate</b>	<p>The official or advertised price of a hotel room, on which a discount is usually negotiable.</p>
<b>Rate Parity</b>	<p>To ensure an even playing field of pricing or rates across all channels based purely on the price points. Also referred to as Price Parity.</p>



<b>Rebooking Clause</b>	In the case where a financial penalty is owed the hotel, this contract clause enables a portion or all of the penalty to be applied to a future meeting or meetings.
<b>REIT</b>	Real Estate Investment Trust. A special type of corporate entity that invests in real estate (on the debt or equity side). This type of company has special tax benefits (e.g., a lower tax rate), but has certain restrictions and is required to distribute 90% of its profits to shareholders.  According to <a href="#">STR</a>
<b>Revenue Management</b>	The practice of applying analytics and forecasting to control pricing and inventory, with the goal of maximizing revenue. Often used interchangeably with "yield management."
<b>RevPAR</b>	Revenue Per Available Room
<b>RevPAR Index</b>	A ratio of the hotel's RevPAR divided by the RevPAR of the competitive set. Also referred to as Revenue Generation Index (RGI): $\text{Hotel's RevPAR} / \text{Competitive Set RevPAR}$ .
<b>RevPAS</b>	Revenue Per Available Space. A measurement of efficiency of utilization of meeting space. Similar to RevPAR, the higher the occupancy of the meeting rooms and the higher the average check, the higher the RevPAS: $\text{Total Catering Revenue Generated} / \text{Total Available Square Footage of Meeting Space}$ .
<b>RFI</b>	Request for information
<b>RGI</b>	Revenue Generation Index. RGI is a ratio of the hotel's RevPAR divided by the RevPAR of the competitive set. Also referred to as RevPAR Index (RPI): $\text{Hotel's RevPAR} / \text{Competitive Set RevPAR}$ .
<b>RMS</b>	Revenue Management System
<b>ROH</b>	Run of House
<b>ROI</b>	Return on Investment
<b>SAM</b>	Strategic Account Management
<b>SEO</b>	Search Engine Optimization. The primary purpose of SEO is to position your hotel in the highest placement possible in the organic search engine results for relevant, popular keywords. A key SEO metric involves the visibility (e.g., top 10, top 30) for important keywords relative to your competitors.
<b>SGR</b>	Space to Group Room Ratio. The amount of meeting space a group requires compared to the number of hotel rooms the group will need.
<b>SMM</b>	Strategic Meetings Management is a disciplined approach to managing enterprise-wide meeting and event activities, processes, suppliers, and data in order to achieve measurable business objectives that align with the organization's strategic goals/vision, and deliver value in the form of quantitative savings, risk mitigation, and service quality.

<b>STAR Report</b>	The STAR ( <a href="#">Smith Travel Accommodations Report</a> ) program is used by the global hotel industry as a vital revenue management tool. The report benchmarks a hotel's performance against its competitive aggregate and local market. The STAR program tracks and delivers monthly, weekly, and daily data.
<b>STR</b>	STR, formerly known as Smith Travel Research, is an American company based in Hendersonville, Tennessee, that tracks supply and demand data for multiple market sectors, including the global hotel industry.
<b>TA</b>	Travel Agent
<b>Third Party</b>	A person or company involved in a purchase that is neither the purchaser nor the provider of the goods or services. In the hotel industry, third parties may be contracted to assist, in whole or in part, in the arrangements of customer meetings, events, conferences, and/or exhibitions. Third parties also include OTAs, GDS, and more.
<b>TMC</b>	Travel Management Company (AmEx, CWT)
<b>TO</b>	Tour Operator
<b>Transient</b>	Guests who book individually rather than with a group.
<b>TRevPAR</b>	Total Revenue Per Available Room. The sum total of net revenues from all operated departments plus rentals and other income per available room for the period divided by the total available rooms during the period.  <i>According to <a href="#">STR</a></i>
<b>Unconstrained Demand</b>	Demand that is not constrained by the capacity or restrictions of the hotel and could be sold if the hotel had an unlimited number of rooms available to sell. Also called True Demand.
<b>Upgrade</b>	To provide a guest with a more expensive or luxurious accommodation than the customer reserved, without charging more.
<b>Upsell</b>	To encourage a customer or guest to purchase a more expensive room (or other item).
<b>USALI</b>	Uniform System of Accounts for the Lodging Industry. USALI is the guide for hotel owners, managers, and other parties for reporting and presenting hotel financial statements. The resulting standardization established by the USALI permits internal and external users of financial statements to compare the financial position and operational performance of a specific hotel with similar types of hotels in the lodging industry.
<b>Yield Management</b>	The practice of changing prices and controlling inventory in response to demand factors, in order to maximize revenue. Often used interchangeably with "revenue management."
<b>YOY</b>	Year Over Year
<b>YTD</b>	Year To Date

