

I am mentioning some info I believe would help you in your work.

1. We have a total of 40 rooms. We charge ₹ 7,500 per room. Coming to add-ons, we typically offer one at ₹ 500.
2. The monthly rent on the property is ₹ 10 lacs. The salaries offered to all the employees add up to ₹ 4 lacs. Subscriptions to Wi-Fi, cable, and other costs amount to 60,000.
3. Cost of utilities like electricity, gas, and water is ₹ 4,000 per day per room. In the same way, the housekeeping supplies cost ₹ 400 on average (also per day per room). Other costs, such as maintenance, can add up to ₹ 800 per day per room.

Last time when the World Cup happened in 1996, the hotel achieved 80% occupancy (rooms occupied/available rooms) @ ₹ 3850 per room. If we increase the price considering 5% inflation every year since then, I think we could achieve the same occupancy (of course we'll need to round the price to the nearest hundred).

Now, I am guessing if we increase the price by 50%, occupancy will drop to 65%. Increasing the cost further by 25% of the new amount will plummet the occupancy to just 5%. It turns out the demand becomes highly elastic at high room rates!

For add-ons, I don't have any historical data. However, having been in the industry for a long time, I can say offering small addons @ ₹ 200 won't give occupancy any boost. Having said that, we can achieve an additional 10% occupancy by offering add-ons @ ₹ 500. Increasing the rate to ₹ 800 might even provide a 15% boost to occupancy (like Veblen goods!?). The game changes if we increase further. At the rate of ₹ 1,200, I believe it would seem too costly to potential customers to consider it, having no effect on occupancy at all.

Well, that's all I can help you with. I want to use your spreadsheet model to check how much profit margin I can make at various room and add-ons package rates, after govt. eats my 30% earnings.

Thanks, and regards

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Hotel Manager

Holiday Inn