2016 STR - DATA REPORTING GUIDELINES

The STR data reporting guidelines were developed, and evolved to align with the *Uniform System of Accounts for the Lodging Industry (USALI),* currently in its eleventh edition. The guidelines conform to *USALI*, where possible, with the spirit and intent to uphold benchmarking best practices and performance data consistency. There have been no material changes to our data reporting guidelines from 2015. For 2016, STR has provided additional clarity on five (5) topics summarized below. If you have any questions or require additional support, please contact us at support@str.com or info@strglobal.com.

Summary of the STR Data Reporting Guideline Clarifications:

- **Reporting Rooms Available:** enhanced clarity for reporting full available, renovation closed, extended closed, and mixed ownership rooms.
- **Commissions and Fees – Group:** enhanced guidance provided for handling Group Commissions and Fees (Contra Revenue). Link to USALI FMC clarification
- **Package Revenues:** additional clarity regarding properties providing gratis food and/or beverages to guests where the guest cannot opt out of the food/beverage portion.
- **Marketing Promotions**: guidance provided for handling rooms revenue generated from "Buy Two Nights, Get One Free" and similar marketing promotions.
- **Pet and Smoking Rooms:** guidance provided for reporting as room revenue/ADR ("room type") versus Miscellaneous Income as cleaning or penalty fee/s.

Details are provided for each of these areas within the STR data reporting guidelines sections below:

Reporting Rooms Revenue

Only revenue generated from guestroom rental should be included in Rooms Revenue figures reported to STR. Revenue produced from food and beverage or other sources, including the "non-room revenue" components of package rates, should be excluded from Rooms Revenue reported to STR. Rooms Revenue reported to STR should be ***net*** of rebates, refunds, allowances, overcharges and taxes. Specifics of what should be included and excluded from Rooms Revenue reported to STR are provided below.

STR tracks Food and Beverage, and Other Revenue for hotels participating in the STR Segmentation program (see Segmentation Definitions).

Include in Rooms Revenue figures reported to STR:

- **"No-shows."** Revenue derived from a transient or group guest who has individually guaranteed payment to reserve a room, but has failed to either occupy the room or cancel the reservation within the prescribed timeframe. Revenue from group attrition (cancellation) and transient guest cancellation ***after*** the cut-off date are included in Attrition Fees and Cancellation Fees within Miscellaneous Income (Schedule 4) and *not* Rooms Revenue or Other Rooms Revenue.
- **Surcharges and service charges.** These charges generally include any mandatory, customary, non-discretionary or other charges automatically added to a customer account in respect of the service or use of an amenity in which a customer has ***no*** discretion or the ability to "opt-out" (particularly common in the Middle East and Asia Pacific regions). *These charges typically include a compulsory service charge or a guest room cleaning charge.* For reporting

and benchmarking consistency, the entire service charge amount in the respective currency should be ***included*** in Rooms Revenue reported to STR.

- **Partial day and "day use" revenue.**

  Rooms Revenue from sources such as: hospitality suites, dressing rooms, employment interviews, movie auditions and wholesale distributors (for example, clothing, toys, other merchandise). No Food and Beverage services should be included.

- **Early/late departure fees.**

- **Rollaway bed/crib rental.**

- **Pet or smoking rooms** offered as any other "room type" (beach/scenic view, suite, high floor, concierge level/floor). See below for pet/smoking fees exclusions (reported as Misc. Income).

Exclude from Rooms Revenue figures reported to STR:

- **Resort Fees.** Resort Fees are ***not*** part of Rooms Revenue service charges and are not to be included in Rooms/Other Rooms Revenue figures reported to STR. Resort Fees must be included in Miscellaneous Income (Schedule 4).

- **Commissions and Fees - Group.** When the contracting party directly receives a rebate/commission as a result of the contract with the hotel, where the analysis of gross versus net reporting would indicate net reporting, the hotel should record the rebate/commission as a contra revenue (a reduction of revenue). See Gross versus Net, USALI Part V page 340.

  When, as a result of contractual arrangement, the hotel (the obligator) must make a payment to a non-related third party, where the analysis of gross versus net reporting would indicate gross reporting, the payment would be recorded as part of Commissions and Fees – Group expense. See Gross versus Net, USALI Part V page 340.

- **Product or service related refunds.** Refunds due to product or service related issues are a reduction to Rooms Revenue.

- **Group attrition or cancellation fees.** Fees received due to cancellations (generally advance deposits for meetings, conventions, groups, guest sleeping room blocks, etc.) should be excluded from Rooms Revenue reported to STR. Revenue of this nature is credited to the Miscellaneous Income section of the property's financial statement (Schedule 4).

- **Food and Beverage and ancillary fees** included in package rates or at all-inclusive hotels (e.g. parking, transportation, internet or golf/spa).

- **Pet or smoking fees** charged as a penalty, cleaning, or damages are reported in Miscellaneous Income (Schedule 4).

Additional Rooms Revenue allocation/reporting notes:

- **Wholesalers, eChannel, online travel agencies (OTAs) and/or internet rates:**

  Net (not gross) Rooms Revenue from wholesale and "pay when booked" internet rates should be reported to STR.

Gross (not net) Rooms Revenue should be reported to STR for "pay later" internet rates, similar to traditional travel agencies. Commissions on these gross revenues are recorded as an expense to the rooms department.

- **Package rates:** Only the room revenue portion of package rates should be reported to STR. To identify the room revenue component in package rates, the *Fair Market Value* (FMV) of each package item should be determined. The FMV room revenue percentage should then be applied to the package rate to determine the Rooms Revenue figure reported to STR. Example: A spa package consisting of a guestroom for one night, four meals and the use of the property's spa facilities at an inclusive price of $240, not including taxes, gratuities or service charges. Despite the fact that the FMV of the package is $320, only the $240 total amount will show on the guest account, plus sales, excise and transient taxes as applicable to each revenue category. The property computes the departmental allocations of the $240 sales price as follows:

Department	Market Value	Ratio	Package Allocations
Rooms	$160	50%	$120
Food	$112	35%	$84
Spa	$48	15%	$36
Total	$320	100%	$240

Where properties provide incidental (gratis) food and/or beverages to a guest, or where the guest cannot opt out of the food program, or where meals are provided as part of a franchise company or brand standard, the cost of the food and/or beverage item is charged to the rooms department, and no allocation of revenues should be made to the Food and Beverage department.

- **Loyalty program redemptions and rewards:**

  The conservative average of prevailing rates for similar accommodations in the hotel or as set forth by rate standards established by brand/chain.

  Two best practices options exist for recording loyalty redemption or rewards:

  1) Only record redemption/reward revenue in the month end total (e.g. January monthly total).

  2) Care should be given when reporting weekly and daily redemption/reward revenue. Revenue should *not* be reported on one day of the week but spread/allocated over *each* day of the week (i.e. day 1-7).

- **Marketing Promotions:**

  Rooms revenue generated from "***buy two nights, get one free***" and similar marketing promotions should be spread evenly over the nights generated by the promotion.

Reporting Rooms Sold

Only revenue generating guestrooms should be reported to STR as rooms sold. Complimentary rooms should be ***excluded*** in the rooms sold figures. Specifics of what should be included and excluded from rooms sold reported to STR are provided below:
Include in rooms sold figures reported to STR:

- **Revenue generating rooms sold.**

- **Day use and partial day room sold.**

  Rooms sold from sources such as: hospitality suites, dressing rooms, employment interviews, movie auditions and wholesale distributors (for example, clothing, toys, other merchandise). No Food and Beverage services should be included. It is possible for the sources particularly at resort, airport and highway locations to achieve higher than 100% occupancy.

- **Rooms occupied without charge in connection with a promotion or contract** (e.g. stay two nights, get one free; book a 50-room group, get one room free).

Exclude from rooms sold figures reported to STR:

- **Complimentary rooms** not associated with a promotion or contract (e.g. gratis rooms provided to employees, owners and familiarization tours).

- **"No-shows."** No room nights sold are to be recorded for a no-show.

- **Owner occupied** condominiums. Owner occupied rooms should be treated as complimentary rooms.

Reporting Rooms Available

Full room night availability (i.e. number of rooms at the property multiplied by the days in the period) must be reported for each hotel.

There should be **NO** adjustment in room availability reported to STR if rooms are temporarily out of service for renovation. If rooms are permanently removed from inventory, hotel management should contact STR to adjust the hotel's room count.

If a property removes **ALL** rooms from inventory for renovation (complete closure), for a period of more than one calendar month, STR should be notified so that the property may be marked as "***Renovation Closed***". Hotels marked as ***"Renovation Closed"*** assume closed status, have no available inventory during the renovation period, and therefore no impact on the performance of competitive sets or industry segments.

Additionally, if rooms are closed for an extended period of time (typically over six months), ***"Extended Closed Rooms"***, due to natural or man-made disaster (hurricane, earthquake, fire, oil-spill, etc.) please notify STR for proper handling of a room inventory reduction.

Seasonally Closed Rooms: When all operations of a hotel are closed for a minimum of 30 consecutive days due to seasonal demand patterns, then the rooms for this period should be removed from the annual saleable inventory. The hotel must be seasonally closed consistently at the same time each year. STR should be notified so that the property may be identified as "Seasonally Closed" for the applicable period.

Mixed-ownership properties (i.e. hotels including timeshare/condo inventory): Properties of all types are building or converting rooms into residential units creating "mixed-ownership" entities. These facilities may be timeshare, strata, fractional use or whole ownership. Merely operating these mixed-ownership properties as a lodging operation does not in and of itself qualify the revenue stream to be recorded in the Rooms department. Consideration should be given to the facts and circumstances of each project.

The first step in identifying the revenue treatment of the mixed ownership property is to determine if the reporting should be gross or net (see Part V, USALI). When working through the criteria for gross versus net, weight should be given to which party incurs the predominant economic loss if the renter fails to pay. Once the revenue treatment is determined, there are three scenarios for inclusion in the Statements of Income outlined in USALI. The scenario provided below details when and how data should be reported to STR.

- **Property assumes the predominant economic risk long term (Scenario 1)**: The property enters into an agreement with the third-party unit owner that extends one year or beyond and the units are included in the hotel room inventory for the full year. Under the terms of the agreement, the property assumes the economic risk associated with operating the third-party-owned units pursuant to the contractual relationship. The associated revenue stream is recorded in the Rooms department with the Transient, Group, Contract and Other Revenue categories, and the units are considered available rooms in the property room inventory. Where the contract permits the unit owner a limited number of nights in the unit, the unit would remain in the available room pool and would be recorded as a complimentary room when the owner is occupying the unit.

Segmentation Program Definitions — Customer

Transient Rooms Revenue commonly includes revenue derived from rental of rooms and suites by individuals or groups occupying less than 10 rooms per night. It also includes rooms leased to guests who have established permanent residence, with or without a contract. Transient stays typically include the following categories:

- Retail
- Discount
- Negotiated
- Qualified
- Wholesale

Group Rooms Revenue includes revenue derived from renting blocks of rooms or suites to a group. A group is typically defined as 10 or more rooms per night sold pursuant to a contract. Group Rooms Revenue is recorded net of discounts to wholesalers for selling large blocks of rooms. Rebates or subsidies granted directly to a group should be recorded as contra revenue. To facilitate effective sales and marketing efforts, Group Rooms Revenue is generally segregated by market segment. Market segments typically include the following categories:

- Corporate
- Association/Convention
- Government
- Tour group/Wholesalers
- SMERF (Social, Military, Educational, Religious, Fraternal)

Contract Rooms Revenue includes revenue derived from a contract with another entity for a consistent block of rooms for an extended period over 30 days. Contract Rooms Revenue is recorded net of discounts. Examples include domiciled airline crews, ongoing corporate training seminars and incentive–based benefit programs.

Additional Revenue Segmentation Program: Reporting Definitions

Food and Beverage Revenue

- Revenues derived from the sale of food, including coffee, milk, tea and soft drinks.

- Revenues derived from the sale of beverages including, beer, wine, liquors and ale, including banquet beverage revenues.

- Revenues derived from other sources such as meeting room rentals, audio-visual equipment rentals, cover or service charges or other revenues within the Food and Beverage department (includes banquet service charges).

Other Revenue

Includes all revenues collected by the property that are not defined above as Rooms Revenue or Food and Beverage Revenue (e.g. parking, spa, telecommunications).

Total Revenue

Includes all revenues generated from hotel operations listed above as Rooms, F&B and Other Revenue (e.g. parking, spa, telecommunications).

Other Data Reporting Notes:

- **Partial Month Data:** Monthly data for hotels new to a company's portfolio (i.e. new construction, acquisitions, conversions) should be reported to STR only if the property was open 15 or more days in the initial month of operation.

- **Hotel "Soft Openings":** Management of newly constructed hotels should provide STR the correct physical room inventory at the time of opening and should report full room night availability based on the current room count. As rooms are opened and added to the property count, management should provide STR with updates on physical room inventory count, including date of room addition and number of rooms added, until the hotel reaches full availability.

Should you have any questions about these reporting guidelines, please do not hesitate to contact us.

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For additional information on the *Uniform System of Accounts for the Lodging Industry, Eleventh Revised Edition* please visit the AHLEI: https://www.ahlei.org**.**

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