



WHY HOTELS NEED A STRONGER ROOM FORECASTING MECHANISM?

1

Marketing Strategy

A reliable room forecast is important in the implementation of hotel's marketing strategy. Forecast is used by hoteliers to plan their promotion periods and target regions to market them to cite a few examples of how forecast and marketing strategy are linked. This is a trigger for hotel's Sales and Marketing teams to activate sales & marketing initiatives to try and generate demand. At the same time, promotions are introduced for the same effect. On this strategy table itself, hotels identify the market segment that can be attacked to make up for the drop expected from the other segment.

For example:

For a forecast of low occupancy for an upcoming period, hotels can decide to run promotions on all online channels to create an incremental demand. Also, hotels' sales teams can run customised promotions for their offline customers to fill up the hotel.

2

Yielding across Various channels

An accurate forecast of occupancy and room revenue helps a revenue manager to yield across various channels.

For example:

If property is forecasted for a high occupancy owing to high unconstrained demand then the revenue manager can choose to yield and sell on low cost/high rate channels to maximize profits.

3

The Rooms Forecast is Forerunner to Financial Forecast

Hotel Financial Controller needs information on forecasted room revenue for multiple purposes - to understand cash/credit flow for hotel as that needs to be considered for multiple expenses that will be generated in different departments including rooms.

Also, additional revenue that will be generated from other departments like F&B, Laundry, etc. is proportional to Room occupancy.

As discussed, Hotel Financial Controller creates a cash flow forecast (a forecast of cash coming into and going out of a business) on this forecast by RM. This forecast is periodically compared with the hotel budget to track deviation.

For example:

For the next month, hotel revenue manager makes a forecast that Corporate Groups & Corporate FITs will be dominant in occupancies and transient segment will be below expectations. A financial controller will have to adjust the outflow of cash since most corporate bookings tend to be realised much later than actual check out when payment from these corporate offices hits hotel's bank.

4

Forecast for other Revenue generating departments

In a hotel, rooms might be the biggest contributor to revenue but there are other revenue-generating departments too which have their forecast dependent on the room forecast.

For example:

Room occupancy will help F&B to know how many resident guests are expected at Break-fast and other meals, similar forecast for other departments like Laundry, Mini Bars, etc.

5

Purchase Decisions

Purchase of perishable as well as non perishable improves by a good forecast.

For example:

During low occupancy period a hotel may decide to cut down its buffet offerings in coffee shop and thus need to purchase a lot of perishable food item will not be there.

6

Action Plan for Near Future

This is based on which hotels plan their course of actions in all areas for near future, say 3 months, and move accordingly.

7

Expansion Plans

May be not relevant for every forecast but a demand forecast of unconstrained demand might be referred to by hotel management to plan an expansion, if needed.

For example:

On a regular basis, the unconstrained demand forecast for a hotel is high which may lead the management to a decision to expand the size of hotel, if possible, and increase its inventory owing to observed regular high unconstrained demand.

8

Decision about staffing

Room occupancy forecast will also be referred by all departments for their staffing purposes as well as, if needed, for hiring too.

For example:

Hotels generally encourage their staff to take their annual leaves in low season of occupancy so that during their high occupancy period they have staff at full strength to ensure smooth operations.

9

Hotel Maintenance

Hotels tend to use low occupancy forecasted time for regular maintenance

For example:

Annual renovation of rooms and other areas in a hotel is generally carried out when the forecast is for a low occupancy for a long period.

A reliable forecast has a direct impact on bottom line.