HSMAI Revenue Ready Course 7 Forecast

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Speaker's Introduction



Tracy Dong
Lead Advisor, Asia Pacific,
IDeaS Revenue Solutions

- 8+ years experiences in revenue management
- Worked for InterContinental Hotels Group, Accor and Far East Hospitality
- Specialty: Data Analytics, Market Positioning and Pricing Strategies, Revenue Management SOP Development

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Intro & Expectations

- HSMAI REVENUE READY Online courses are designed for hoteliers who like to learn fundamentals of revenue management

- Please bring it back and share with your colleagues in Sales, Marketing, Front Office, Reservations, Rooms, etc

- Course 6 (module 1 & module 2) takes 1-3 hours for self-learning, including quizzes along the way



Why do you need a forecast?



- ❑ Measure demand
- ❑ Predict decreases in demand
- ❑ Respond to low demand
- ❑ Define our revenue strategy
- ❑ Apply pricing
- ❑ Restrict reservations and sales during periods of excess demand
- ❑ Control our property's operational costs
- ❑ Manage our commissions and distribution costs
- ❑ Support the property's financial planning and goals
- ❑ Support operational planning

Learning Objectives

- What are the different types of forecasts?
- What are the objectives for each of the types of forecasts?
- What information do I need to put a forecast together?
- How do I find this information?
- What questions should I ask when putting together a forecast?
- How often should I be adjusting the forecasts?
- What are the steps that I need to follow to put the forecast together?
- What is the difference between unconstrained and constrained demand?
- What are the elements of an accurate forecast.

True or False

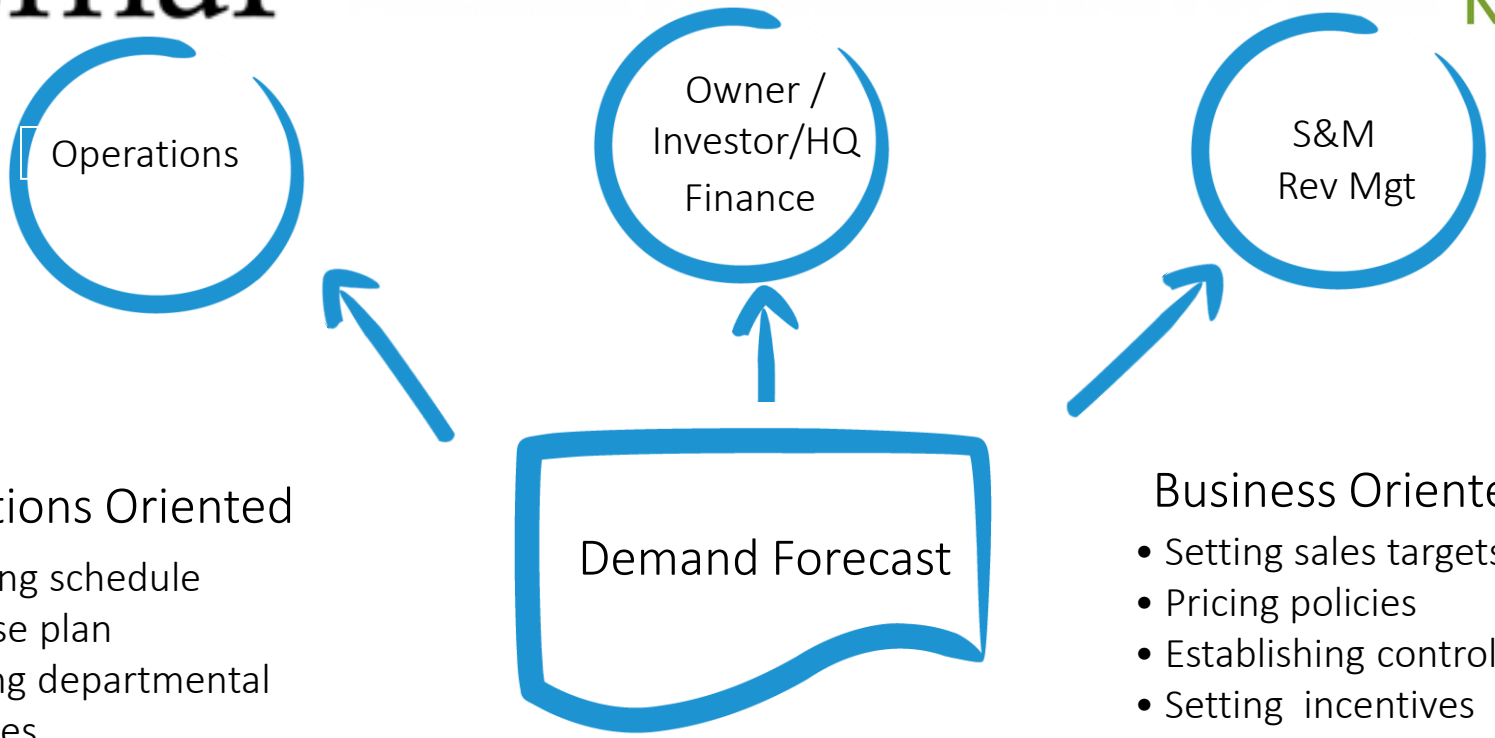
- *Past pattern repeats itself* into the future.
- *Forecasts are rarely perfect.*
- The science and art of forecasting try to *minimize, but not to eliminate, forecast errors.*
- Forecasts over a *shorter period* tend to be *more accurate.*
- *Information Technology* is a critical part of modern forecasting.

What is Forecasting

Forecasting is the continuing process of predicting how much revenue, and how many rooms, will be occupied in the hotel for future dates.

Predicting demand based on quantitative methods and a combination of a decision maker's experience, logic, and intuition to supplement the forecasting quantitative analysis.

Forecast Types



Operations Oriented

- Manning schedule
- Expense plan
- Planning departmental expenses
- …

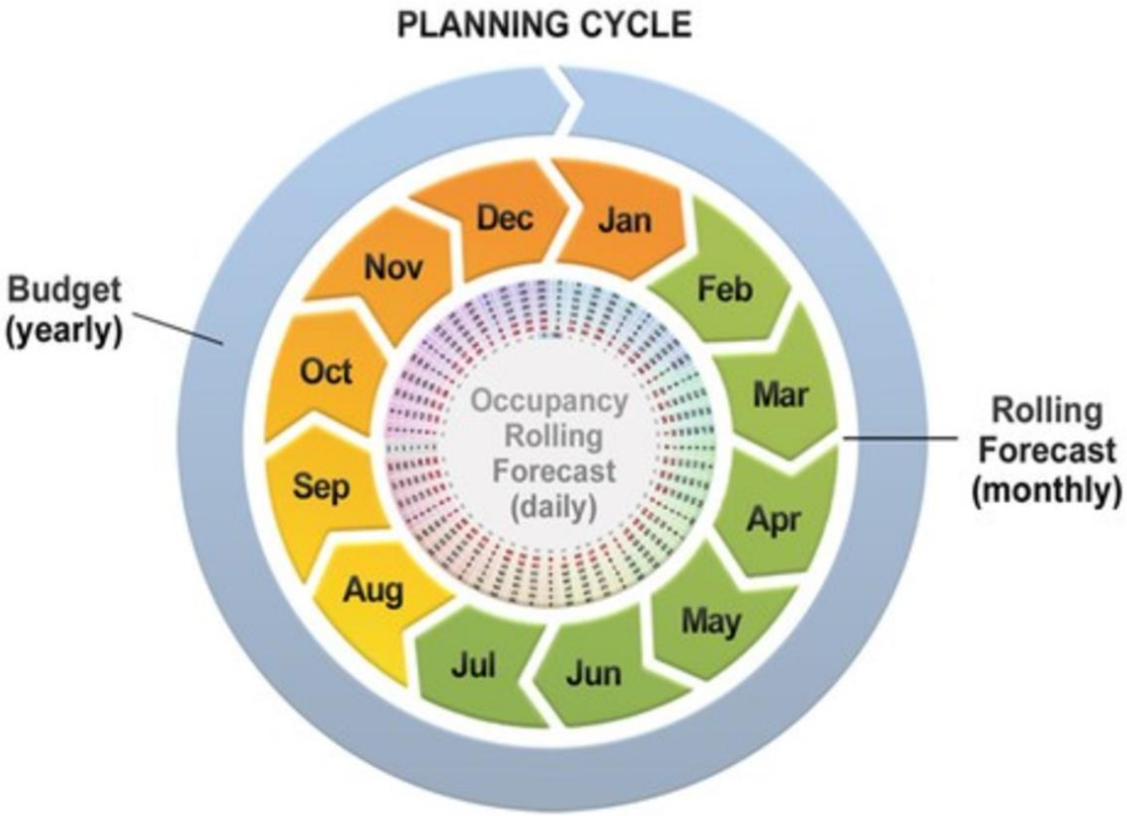
Finance Oriented

- Budgeting
- Profit forecasting
- Demonstrate long-term performance
- …

Business Oriented

- Setting sales targets
- Pricing policies
- Establishing controls
- Setting incentives
- Inventory control
- …

Budget vs Rolling Forecast



Contents provided by IDeaS Revenue Solutions

The Occupancy Forecast Basic mechanics

Date : 30th November Days 31 Rooms 120

Month : December	Wednesday 1	Thursday 2	Friday 3	Saturday 4	Sunday 5	Monday 6	Tuesday 7
Rooms on the books	60	70	55	70	20	40	45
% Occupancy on the books	50%	58%	46%	58%	17%	33%	38%
Expected Pick up	0	4	5	5	3	15	17
Forecast	60	74	60	75	23	55	62
Forecast % Occ	50.0%	61.7%	50.0%	62.5%	19.2%	45.8%	51.7%
Pick Up Room Nights							
Individual	2	5	10	10	3	15	17
Groups	-2	-1	-5	-5	0	0	0
TOTAL	0	4	5	5	3	15	17

Contents provided by IDeaS Revenue Solutions

Forecasting - Knowledge Checkpoint

How many No-shows did this hotel have on Monday 1st January?

Date: January 1 Day: Monday	
Total rooms available	300
– Out-of-order rooms	0
Net Availability	**300**
Stayovers	40
+ Reservations (Arrivals)	150
Rooms Sold or Reserved	**190**
Forecasted Adjustments:	
– No-shows	15
– Early departures	5
+ Overstays	10
Total Forecast Sold or Reserved After Adjustments	**180**

$$\frac{\text{Total Forecast After Adjustments}}{\text{Net Availability}} = \text{Occupancy Forecast} \qquad \frac{180}{300} = 60\%$$

Contents provided by IDeaS Revenue Solutions

Forecast by Market Segment

Month : December	Wednesday	Thursday	Friday	Saturday	Sunday
	1	2	3	4	5
Rooms on the books	87	112	88	108	93
Individual Business	10	15	11	16	21
Companies	45	50	15	15	10
Wholesale	15	20	25	30	5
Meeting and Congress	10	15	20	25	30
Groups Leisure	7	12	17	22	27
% Occupancy on the books	73%	93%	73%	90%	78%
Expected Pick up	3	2	11	12	7
Forecast RN	90	114	99	120	100
Forecast ARR	109,2	108,0	96,1	96,4	95,8
Forecast % Occ	75%	95%	83%	100%	83%
Pick Up Room Nights					
Individual Business	5	5	10	10	7
Companies	-1	-2	0	0	0
Wholesale	-1	-1	5	5	2
Meeting and Congress	0	0	-2	-1	0
Groups Leisure	0	0	-2	-2	-2
TOTAL	3	2	11	12	7
ADR					
Individual Business	125	125	110	115	105
Companies	115	115	125	125	120
Wholesale	90	90	80	80	80
Meeting and Congress	100	100	100	100	100
Groups Leisure	90	90	75	75	75
TOTAL ARR	109,17	107,98	96,06	96,38	95,75

Inventory:
120 Rooms

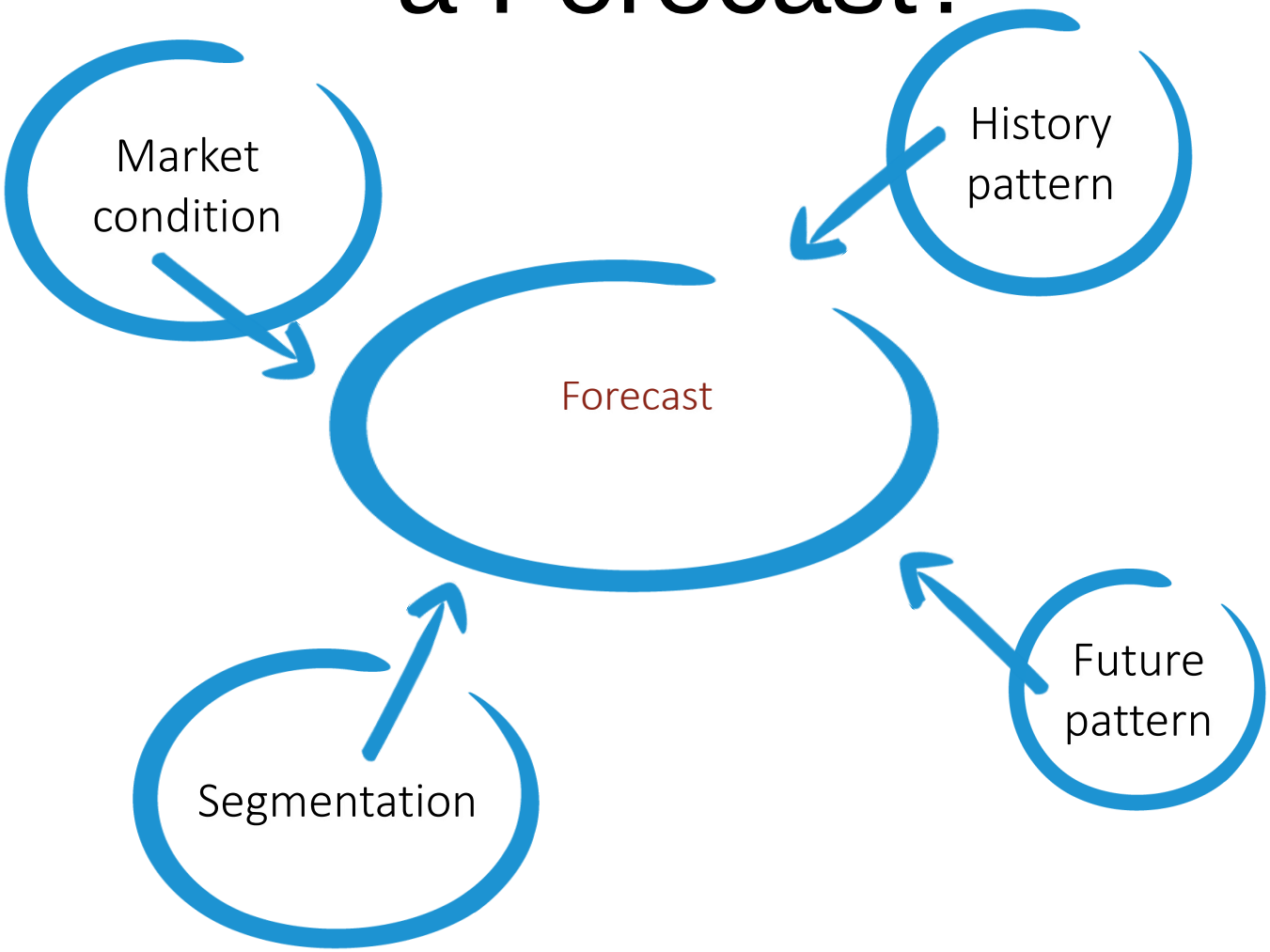
Forecasting - Knowledge Checkpoint

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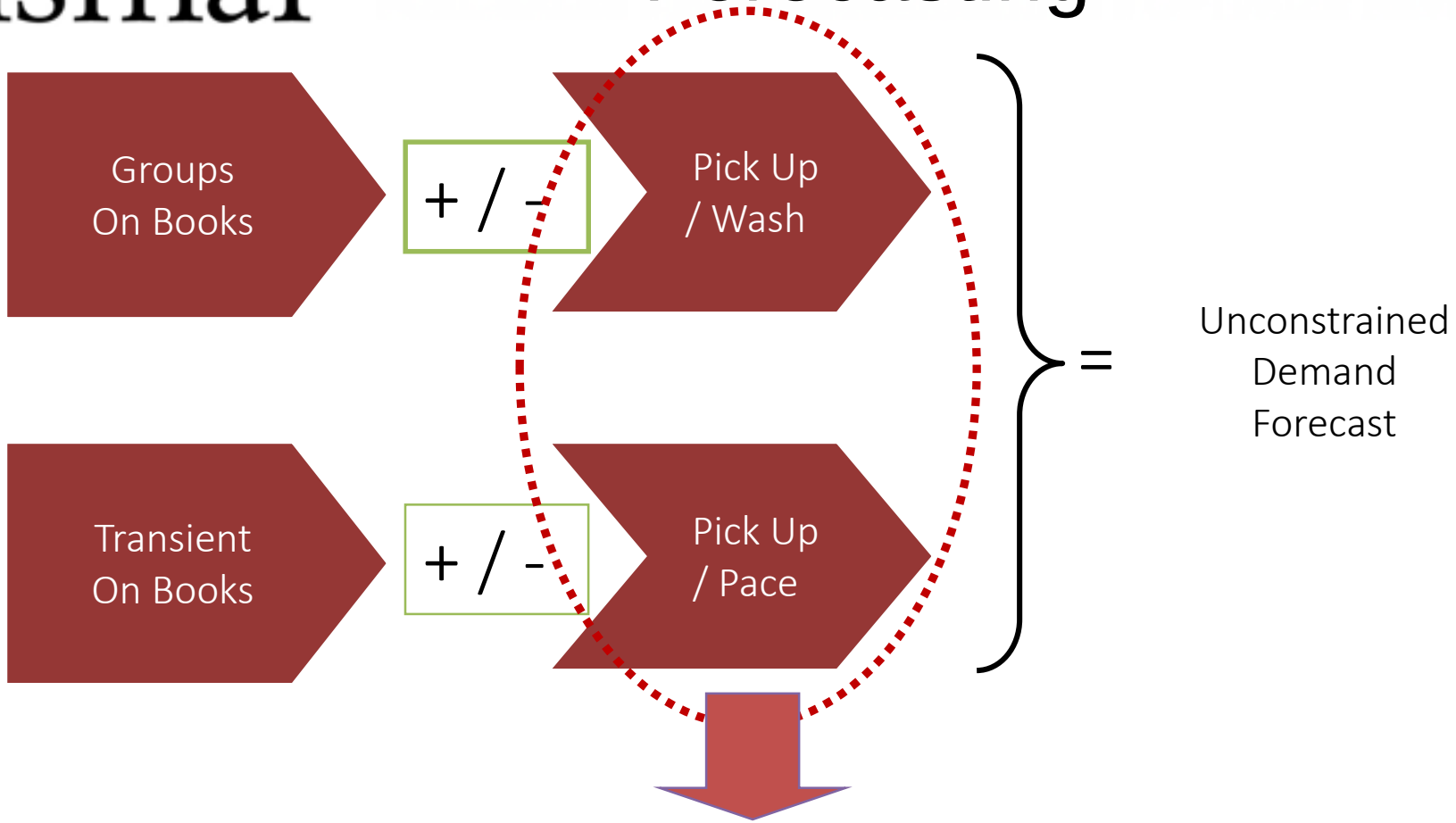
What is the forecasted Occupancy Percentage for the 5th of December?

What is the forecast total hotel Average Room Rate on Thursday?

What flows into a Forecast?

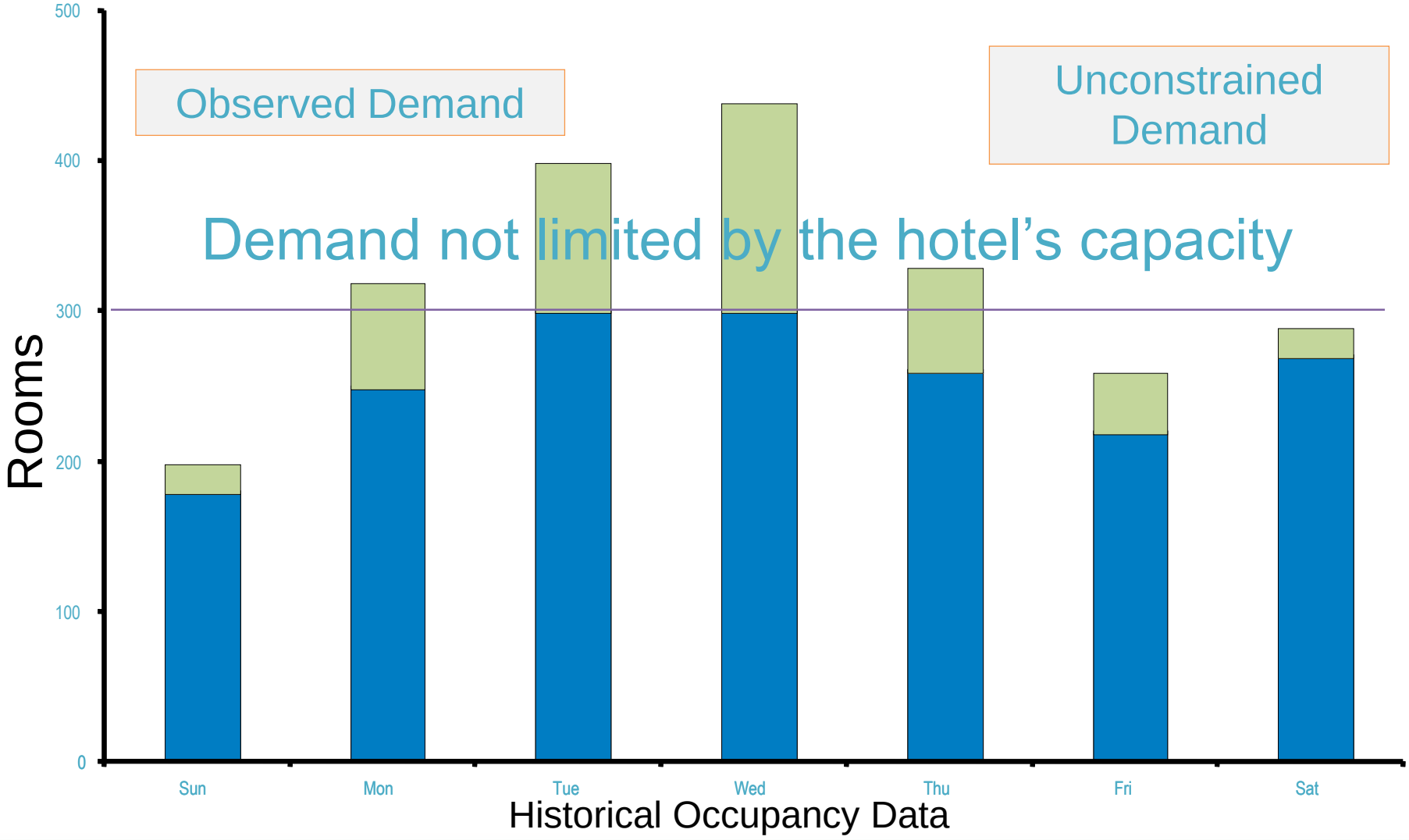


Short Range (Pace Based) Forecasting

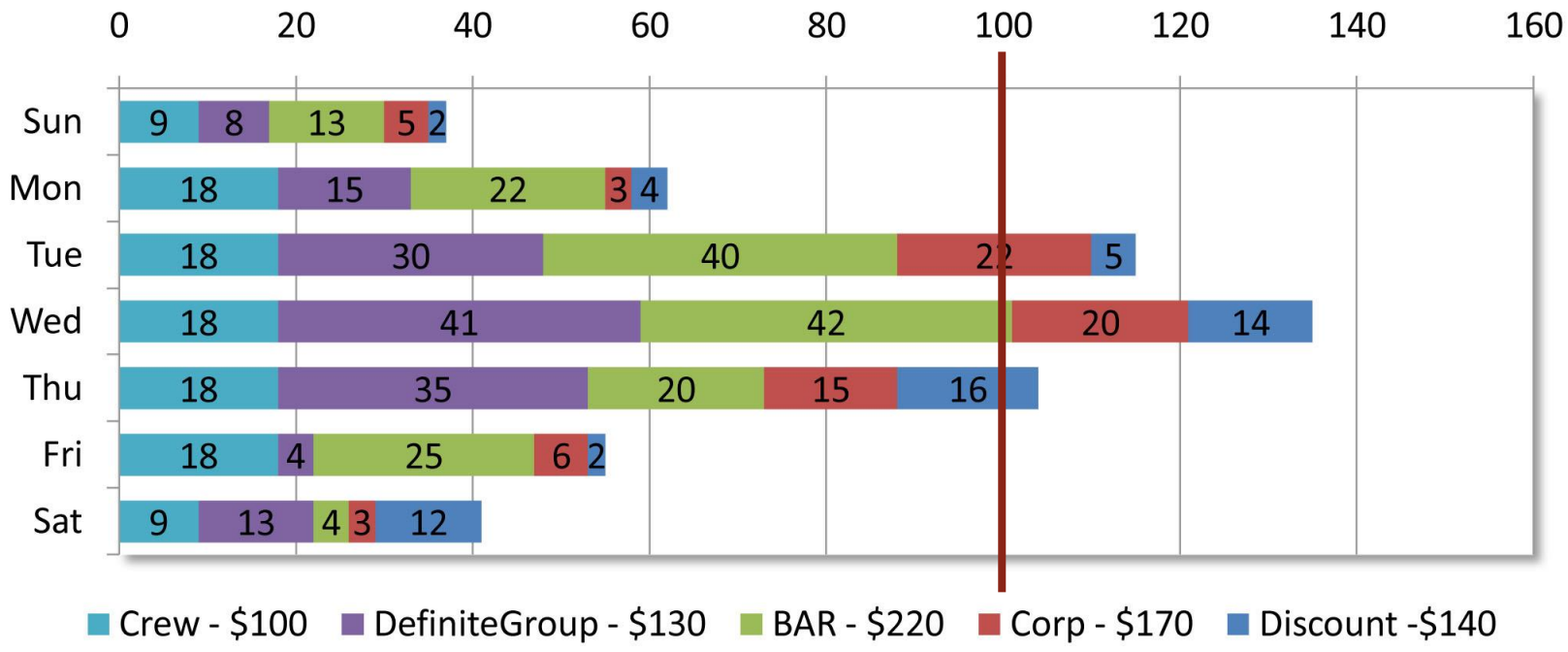


… TWO DIFFERENT METHODS OF FORECASTING PREDICT DEMAND IN THESE SEGMENTS …

Unconstrained Demand



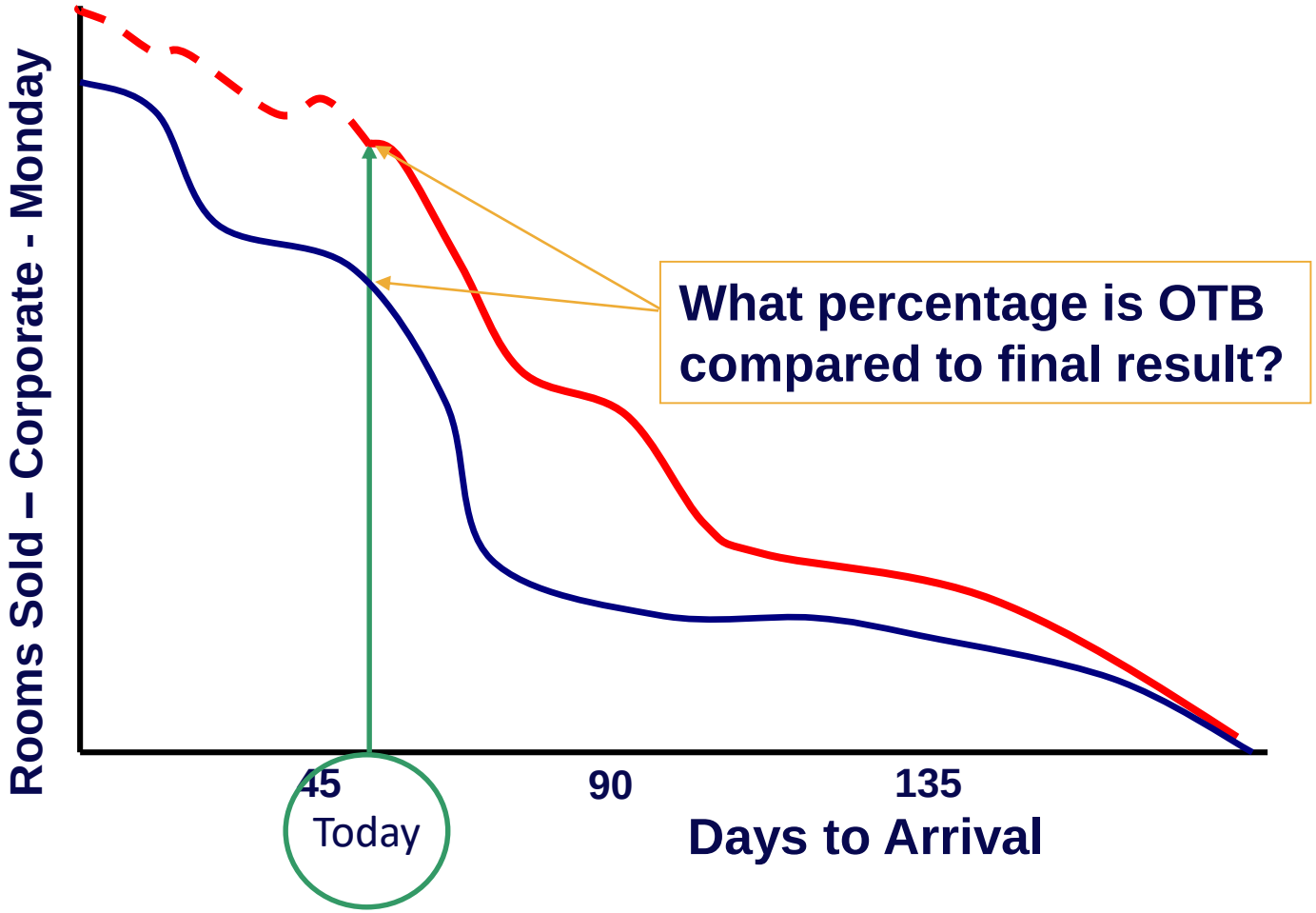
Unconstrained and Constrained Forecasts



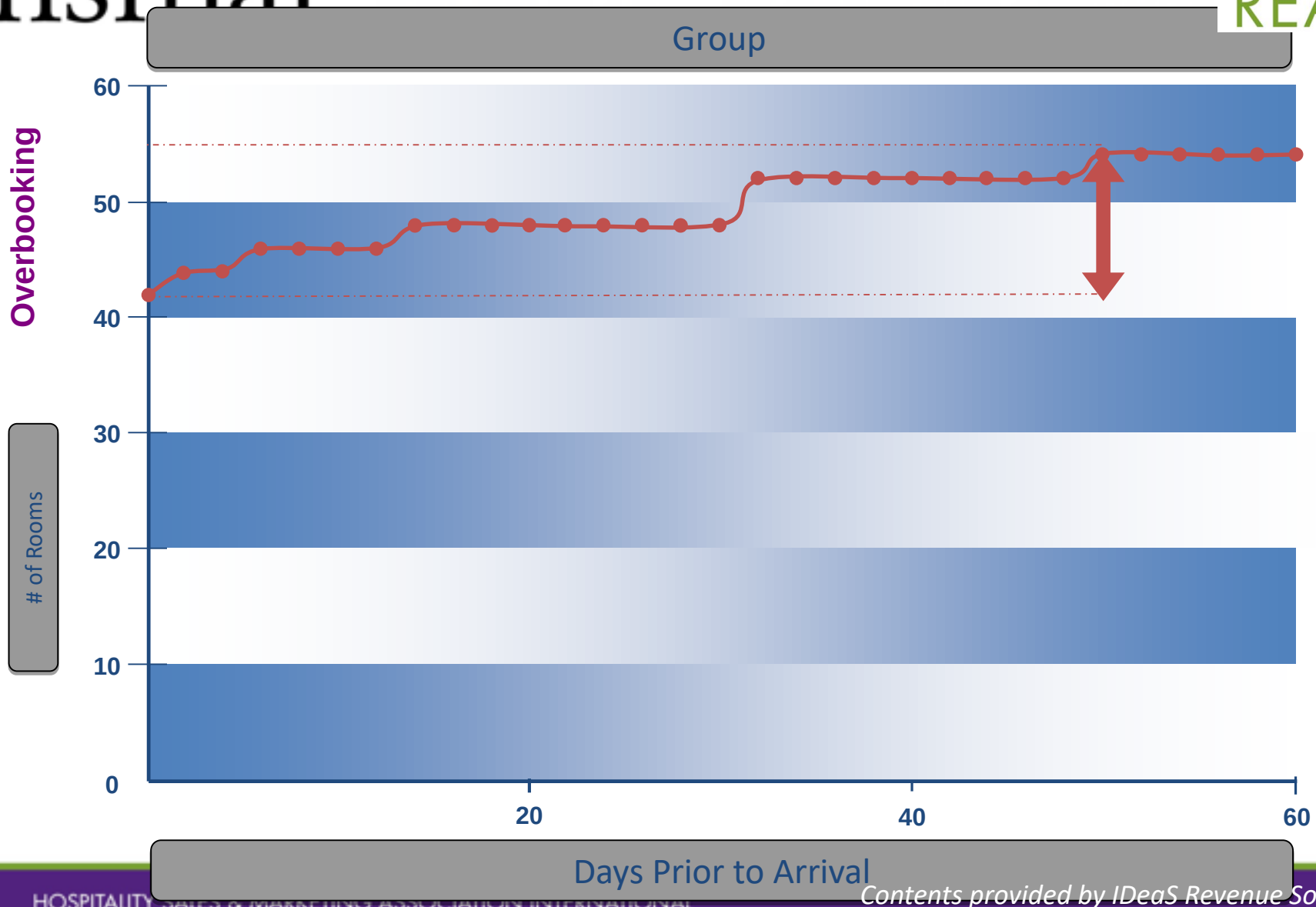
Unconstrained Demand Forecast:

Estimated market demand regardless of your hotel's actual capacity

Forecasting Using Pace

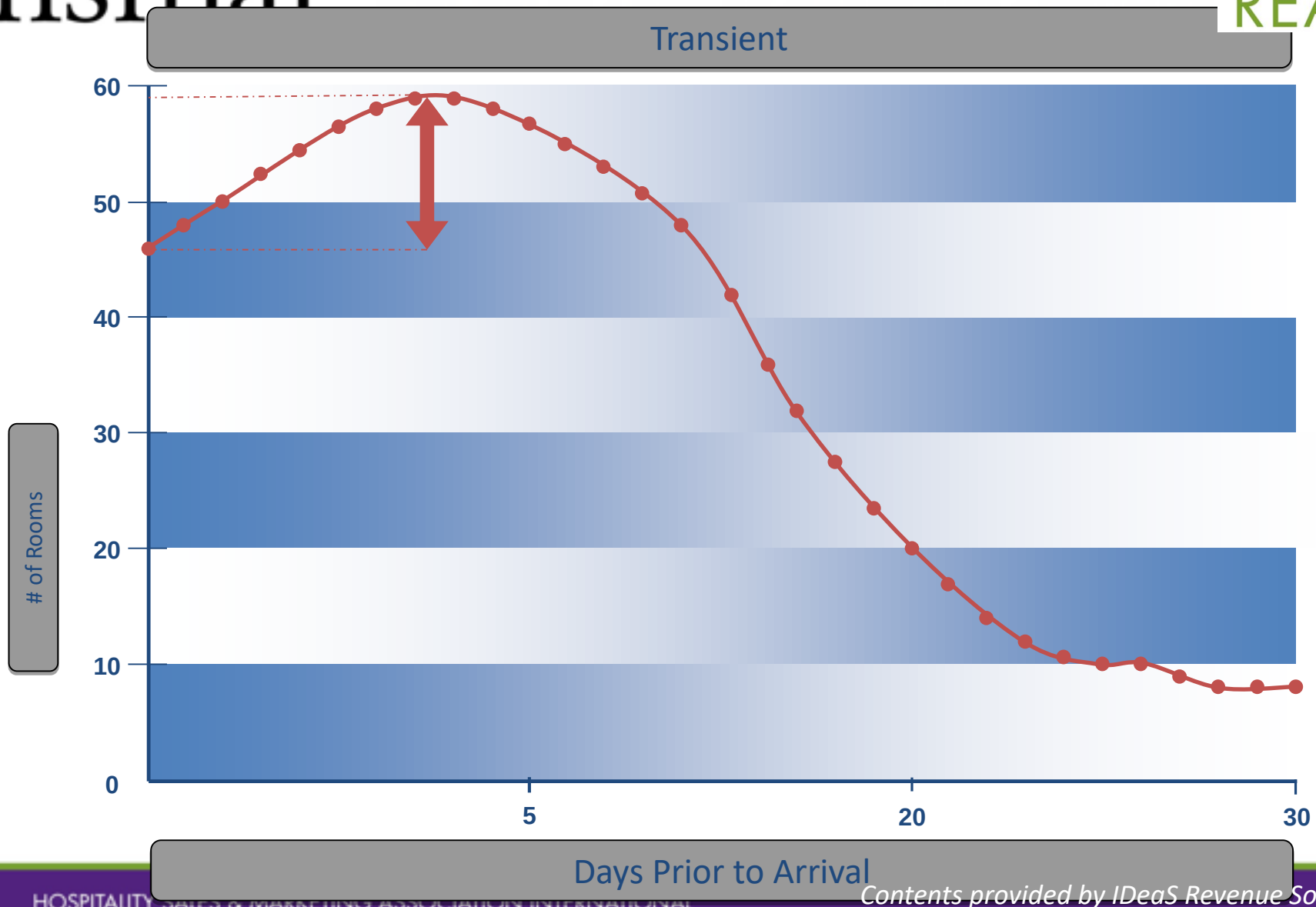


Group



Contents provided by IDeaS Revenue Solutions

Transient



Contents provided by IDeaS Revenue Solutions

Pace Calculation

- Same time Last Year OTB 30
- Last Year Actual 65
- This year OTB 42

- STLY / LY = 30/65 46.15% (Pace)
- TY OTB / Pace = 42/46.15% 91

- This year Forecast: **91**

STLY = Same time last year
LY = Last year
OTB = on the books

Forecast Considerations

Requirements for an accurate forecast?

- Historical data (Room nights, ADR, Revenue)
- Seasonality/ Day of week by segment
- Business on the books
- Demand generators (e.g. Events)
- Group wash
- Group status report
- Lead time/ Booking pace by segment
- No Shows/ Cancellations
- Walk ins/ Early departures/ Extended stays
- LOS patterns
- Denials/ Regrets (if available)
- Trends (e.g. Coming out of recession)

Why do you need a long range forecast

- Wholesale contracting (that is, determining the number of rooms we will block for wholesalers for the next 18 months)
- Owner's financial investment forecasting
- Anticipated conference center events over multiple years (as often businesses book their major conferences up to 2 years ahead of the date
- Planning for promotional activities to coincide with special events or periods of forecasted lower demand

Long Range Forecast

- Based on historical performance of the same period
- Based on historic trends
- Any new trend that will impact the future
- Any change in Supply/Demand
- Consider any special activities in the past

Adjusting Forecasts

Examples

- Seasonal weather irregularities
- Special events
- Erroneous system restrictions
- War and acts of terrorism
- Once-off Sales & Marketing initiatives
- Once-off Competitor activity
- Credit Crunch
- Currency devaluation
- Changes in group bookings
- Changes in inventory management

Forecasting in the real world requires us to adjust for special events, anomalies and 'fill' days …. They are not useful predictors of 'typical behavior'.

Understand Pace

Activity

2010

	Day of Arrival	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14
Fri 01/10/2010	4	4	4	4	4	3	3	3	3	3	2	2	1	1	1
Sat 02/10/2010	6	6	5	5	5	4	4	4	4	4	3	3	2	2	2
Sun 03/10/2010	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1
Mon 04/10/2010	4	3	3	3	2	1	1	0	0	0	0	0	0	0	0
Tue 05/10/2010	9	7	6	6	5	3	1	0	0	0	0	0	0	0	0
Wed 06/10/2010	9	9	8	6	6	4	1	0	0	0	0	0	0	0	0
Thu 07/10/2010	5	5	4	4	3	3	3	1	1	1	1	1	0	0	0
Fri 08/10/2010	5	5	5	5	5	4	4	4	4	4	3	3	2	2	2
Sat 09/10/2010	7	7	6	6	6	5	5	5	5	5	4	4	3	3	3
Sun 10/10/2010	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1
Mon 11/10/2010	6	4	4	4	4	2	2	1	1	1	0	0	0	0	0
Tue 12/10/2010	10	8	7	7	6	4	3	1	1	1	0	0	0	0	0
Wed 13/10/2010	10	8	7	7	7	4	3	2	2	2	0	0	0	0	0
Thu 14/10/2010	6	5	4	4	3	3	3	1	1	1	1	1	0	0	0
Fri 15/10/2010	6	5	4	4	3	3	3	1	1	1	1	1	0	0	0

Understand Pace

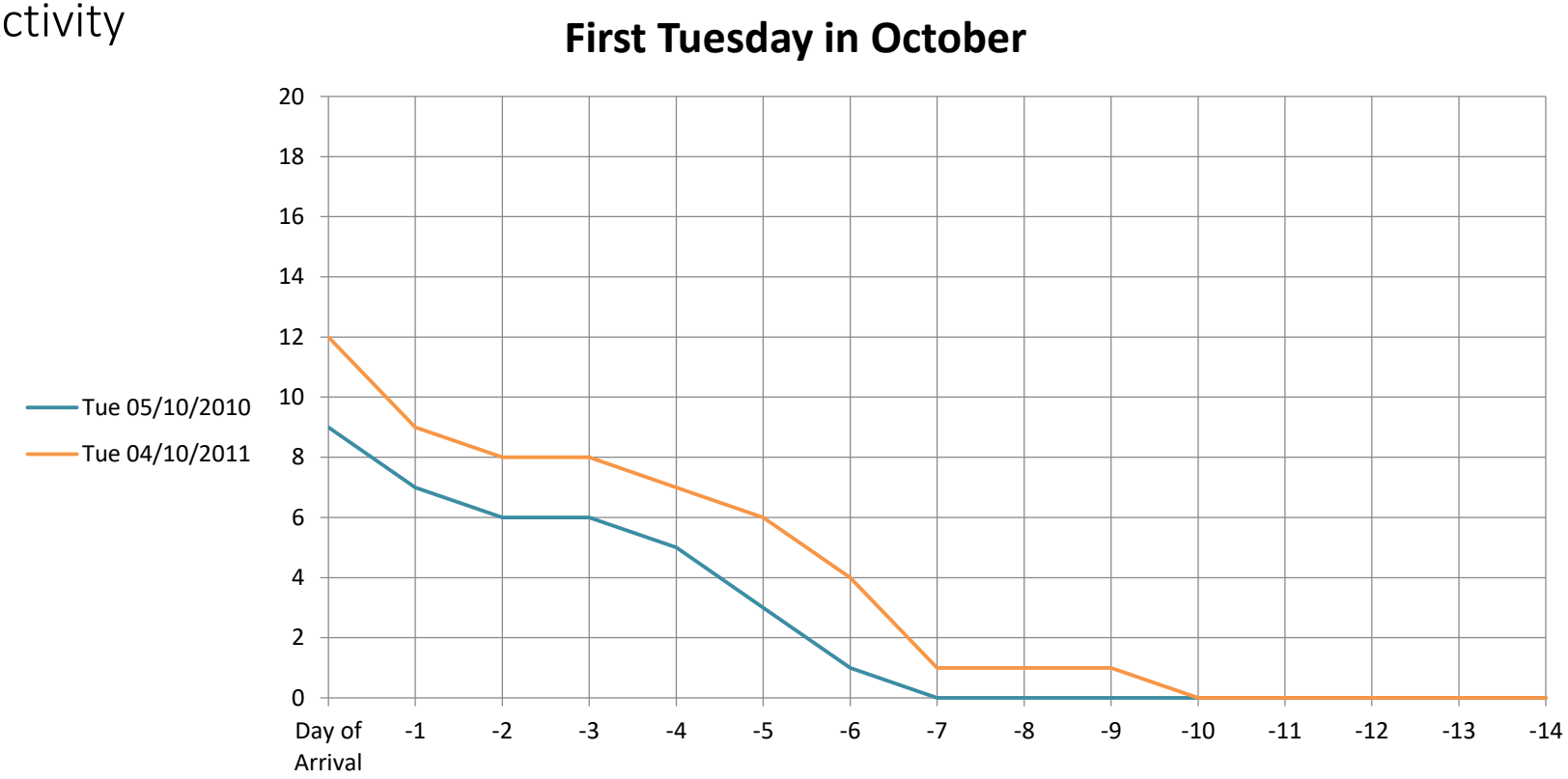
Activity: Forecast on 11/10/2011, 2nd Tuesday in Oct

2011

	Day of Arrival	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	-14	
Fri 30/09/2011	5	5	5	5	5	4	4	4	4	4	3	3	2	2	2	
Sat 01/10/2011	7	7	6	6	6	5	5	5	5	5	4	4	3	3	3	
Sun 02/10/2011	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	
Mon 03/10/2011	6	4	4	4	4	2	2	1	1	1	0	0	0	0	0	
Tue 04/10/2011	12	9	8	8	7	6	4	1	1	1	0	0	0	0	0	
Wed 05/10/2011	12	9	8	8	8	7	4	1	1	1	0	0	0	0	0	
Thu 06/10/2011	6	5	4	4	3	3	3	1	1	1	1	1	0	0	0	
Fri 07/10/2011		7	6	6	6	5	5	5	5	5	4	4	3	3	3	= TODAY
Sat 08/10/2011			8	7	7	6	6	6	6	6	5	5	4	4	4	
Sun 09/10/2011				4	3	3	3	3	2	2	2	2	2	2	2	
Mon 10/10/2011					4	3	3	2	2	2	1	1	1	1	1	
Tue 11/10/2011						7	5	2	2	2	1	0	0	0	0	
Wed 12/10/2011							2	2	2	2	0	0	0	0	0	
Thu 13/10/2011								3	2	2	2	2	1	1	1	
Fri 14/10/2011									1	1	1	1	1	1	1	

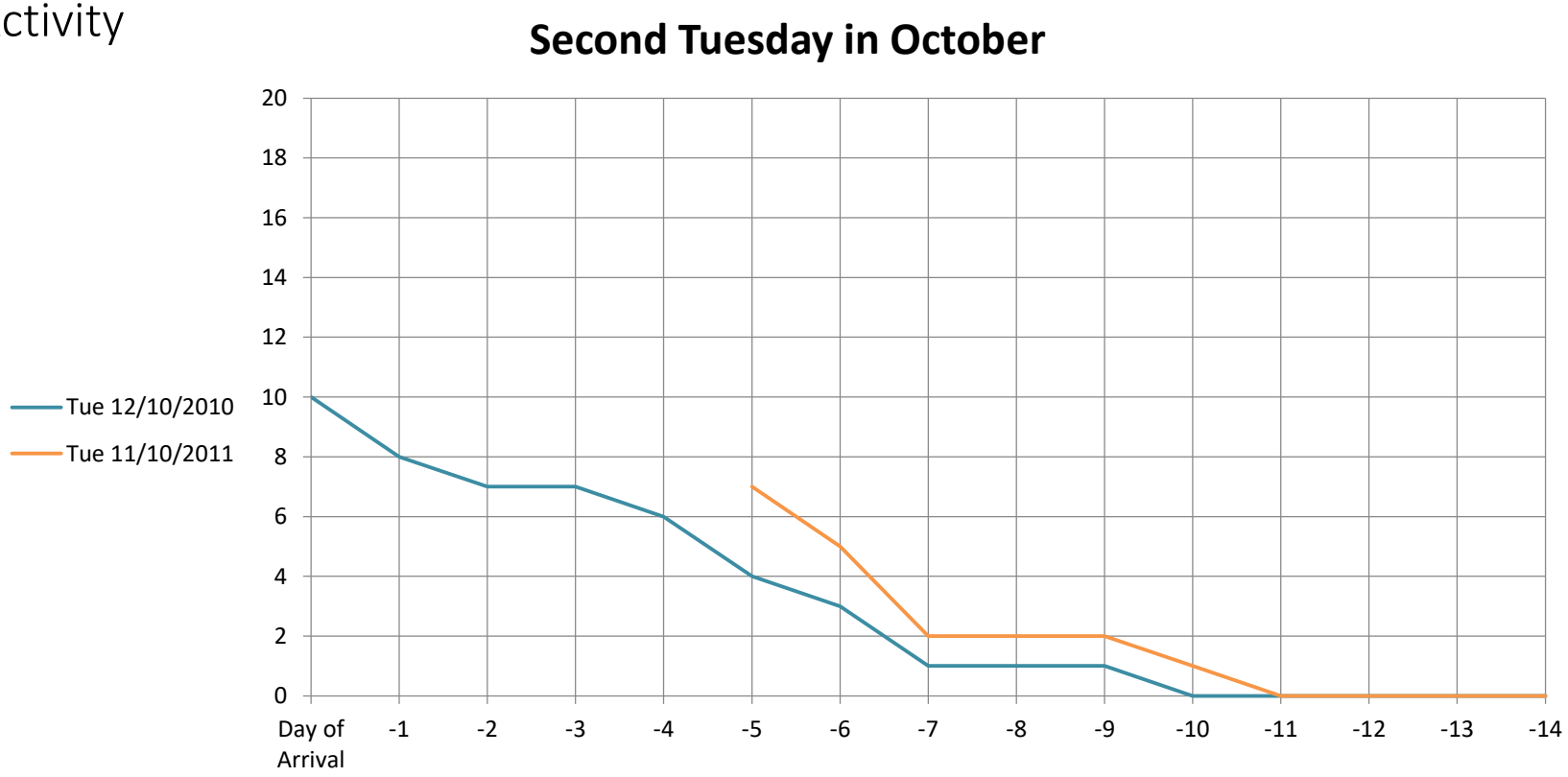
Understand Pace

Activity



Understand Pace

Activity



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