

TOP 12 TIPS FOR ROOM REVENUE BUDGETING

It's that season again. No, not the season where "pumpkin spice" seems to be infused in everything from pancakes to chewing gum, but...budgeting season. So, we thought we would provide you with our list of the top room revenue budgeting tips to contemplate as you sip your pumpkin spice latte. Enjoy!

Tip #1: Understand market projections

Budgeting in a vacuum doesn't work. You need to gain an understanding of general market trends for your area as a starting point. Take this information with a "grain of salt". For example, new supply (traditional or not) may or may not have a direct impact on your particular operation. STR, PwC, HVS and others publish guidance based on their research.

If you don't know what we are talking about, give us a call.

Tip #2: Build from the bottom up

"Backing in" to a budget figure to meet a pro forma or to satisfy owners' expectations isn't the best approach to developing a realistic budget. You can get as granular as you like (day-by-day by sub market segment, for example, is ideal - and highly recommended), but at the very least, you should document historical performance of your major market segments (group, transient, etc.) by month. That will give you some additional insights into seasonal patterns.

Tip#3: Watch out for the market segmentation trap

Clearly defining how you will categorize, track and record guest stays is vital and perhaps not as easy as it may appear. Mixing channel production with market segmentation can be disastrous. From a marketing and revenue management perspective, it is critical to understand how many people are calling in by phone to make reservations or booking through the property website (direct bookings). This should be tracked, but if you try to mix channel with traditional P&L market segmentation such as retail, discount and package, you will soon be in trouble. Why? How would you ensure consistency in tracking a bed-and-breakfast reservation made by someone who made a reservation via the booking engine? Would it be categorized as an "IBE" reservation or a "package" booking?

Tip#4: Use "unconstrained" transient demand first

Yeah, your property has a finite number of rooms available to sell at any given time and you may already have some group blocks on the books to consider, but for now, ignore those facts. Layer in what your theoretical potential transient demand is (by sub segment and by day, if possible). You can then easily identify high occupancy dates (Hint: those are the dates where you have to remove room nights from your projections in order to get back down to 100% occupancy)

Tip#5: Consider shoulder night impact surrounding high occupancy dates

Nightly occupancy projections need to be considered within the context of your normal stay patterns. For example, if a large wedding block means you will certainly sell out on a Saturday night, and you have a corporate group arriving the following Tuesday that has taken all your rooms, occupancies on the Sunday and Monday that fall between these group movements will most certainly be lower than normal.

Tip#6: Take appropriate action now

Creating a budget provides you with a glimpse into what the year ahead may hold. Shifting holidays, local events, groups and other demand drivers will have an impact. Adjusting your selling rates, shifting your market mix by limiting discounts, applying stay restrictions, etc. earlier rather than later will set you up for success.

Tip#7: Know your customers

Understanding customer acquisition costs, behaviors, preferences and ancillary spend profiles associated with different customer segments is valuable in identifying and allowing you to take a more strategic approach to optimizing property performance throughout the year.

Tip#8: Ensure your marketing initiatives are congruent

It does no good to budget an increase in transient retail business and a corresponding drop in another segment, for example, without having an action plan identified to drive this shift. Every segment has its own characteristics, so lead times associated with affecting change, in addition to tactics (pricing, sales, advertising, etc.) will also need to be contemplated.

Tip#9: Gain consensus

All key stakeholders need to "believe in the budget", even if it stretches those involved to creatively set records or reach new heights. Incentive plans, cash flow, investor expectations, resource allocation, etc. are all contingent on a solid plan. Seek the input of others in the process. They might surprise you.

Tip#10: Don't let dust settle

The budget figures themselves may be fixed, but the environment in which the property operates isn't. Be prepared to capitalize on opportunities as they present themselves and to go back to the drawing board if needed.

Tip#11: While creating the budget, meticulous notes should be kept to log any decisions.

This will prove helpful when defending the budget, which often doesn't take place until months later. Pay special attention to note segmentation, occupancy, and ADR changes.

Tip#12: Turn budget/forecast into action!

If budgeting less discounts or opaques etc. on peak nights, then be certain to actually make the needed adjustment in systems to account for this.



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