

Using Accurate and Timely Forecasting in Hospitality to Accelerate Through a Tough Economy

Business Overview

Our client (“HH”) is a US-based hotel and property management company, currently ranked in the top five in the nation for number of properties managed (100+ hotels, 15,000+ rooms).

Business Challenge

In order to continue to excel during a down economy, HH needed to differentiate by driving occupancy and maintaining rate integrity while controlling variable costs.

Historically, during the **monthly** planning and budgeting process was as follows:

- Finance created a spreadsheet or updates last year’s and manually emailed out to each General Manager
- Despite having little to no visibility to accurate actual, Managers would revise/update the forecast and email to the Area Director
- Area Director would review, approve, or make adjustments, and upload to a FTP site
- Corporate Finance team would manually download approximately 240 budget spreadsheets and combine them to present to the executives.
- If there was a budget revision, the process started over.

There were definite and very painful issues with this method. Among them were:

- Despite desire to forecast at the daily level, it was not possible. Forecasting at the monthly level was currently too painful.
- It took 5 teams to manage the process.
- “Top side” adjustments were rarely pushed back down simply due the workload involved.
- Forecast data was untimely and therefore unreliable. Because the forecasting cycle took so long each month, data was often stale and therefore inaccurate.
- Despite having top talent, HH was not able to utilize their analytical skills due to simply downloading and combining spreadsheets.
- The solution was not scalable and would not keep pace with the company’s aggressive growth plan.
- No traceability or audit mechanism to track any changes to the data.
- No way to do scenario-based planning or forecasting.

LPA Business Case Study – Hospitality Forecasting Solution

Solution

LPA designed and developed an enterprise-wide forecasting and budgeting solution using IBM's Cognos TM1 that simplified the collection of data from each hotel and consolidates the data real time. The solution presents each hotel manager with a rolling forecast that is sourced from HH's JD Edwards ERP system. The data is presented on a historical basis from JD Edwards and allows the user to update the current and future periods.

Each month, all hotel General Managers across the HH enterprise access a completely open web-based TM1 application. Within their forecasting template, the General Manager only sees those properties that he or she has access to view. HH enables the hotel manager the option of forecasting the room revenue on a daily or a monthly basis by occupancy percentage and daily rate. The hotel also has the option to alternate which way the revenue is forecasted each forecasting period.

For departmental expenses, users are allowed to key in a rate for each account that is attached to a metric-based driver such as a dollar amount per each occupied room. Other drivers used within the model include dollar per month, percentage of gift shop sales, percentage of food and beverage revenue, and percentage of salaries and wages.

Monthly, the solution creates an automated daily forecast and budget for each hotel and data is interfaced to the HH business intelligence environment for reports and dashboards which can be accessed via the web including consolidated, executive reports for management.

Results

- User adoption is at an all-time high. Over 300 users began using the system within the first month of rollout with over 500 using the system within the first 6 months.
- Many of the users are able to input forecasts and budgets within minutes of seeing the system for the first time.
- Organizational structure of the solution allows users to see everything in one view. Workflow screens show properties that need to be reviewed and approved across the organization and all hotels are displayed in one screen and status icons depict whether a forecast or budget has been completed.
- Hotels now forecast revenue on a daily basis. Trends can be seen and compared against the same day last year and impacts such as weather can be adjusted on a daily basis to show how the unforeseen will impact the bottom line of the hotel.
- Budgets and forecasts are instantly rolled up and consolidated. The solution instantaneously calculates consolidations based on user input without any additional processing or intervention from IT.
- Top-side adjustments can be made and pushed down proportionally. Data adjustments are available immediately across the organization without modifying each hotel's template.
- Business and financial communities are now able to drive the solution. Hotel management is accountable for forecasts and budgets. Hotel managers also have the ability to make adjustments to forecasted information on a daily basis.