

Accurate and Timely Forecasting in Hospitality Helps Weather Economic Downturns



BUSINESS OVERVIEW

Our client, “HH”, currently ranks in the top five in the nation for number of hospitality properties managed, with over 100 hotels and more than 15,000 total rooms.



BUSINESS CHALLENGE

In order to excel during a down economy, HH needed to better control variable costs while still maintaining rate integrity and occupancy rates.

Historically, their monthly planning process was cumbersome:

- ▶ Beginning with Finance, previous year’s spreadsheets were updated or new ones created.
- ▶ General Managers would then revise or update the forecast, despite little visibility into accurate actuals.
- ▶ Area Directors would review and adjust before approval, uploading to an FTP site.
- ▶ Corporate Finance would manually merge 240 spreadsheets to present to executives.
- ▶ If budget revisions occurred, the whole process started over.

This inefficient process presented multiple pain points for “HH”. Chief among them were:

- ▶ With monthly forecasting difficult enough, daily forecasting was near impossible. Scenario based planning and forecasting was not possible.
- ▶ Forecasting data was untimely and stale, leaving it inaccurate and unreliable.
- ▶ Top side adjustments were rarely pushed down due to workload required.
- ▶ Five teams were required to manage the process. The process wasn’t scalable with the company’s aggressive growth plans.
- ▶ HH’s top talent spent more time combining spreadsheets than using analytical skills.
- ▶ Changes to data could not be tracked through audit or traceability mechanisms.

Accurate and Timely Forecasting in Hospitality Helps Weather Economic Downturns



SOLUTION

LPA implemented an enterprise wide solution with IBM's Planning Analytics, simplifying the collection and consolidation of data from hotels in real time. Hotel managers were presented with rolling forecasts sourced from their JD Edwards ERP system, using historical data, but allowing for updates to current and future periods.

Each month, Hotel Managers access a web based forecasting template refined to just the properties they manage. Revenue can be forecasted on a daily or monthly basis, using occupancy percentages and daily room rates, with the option to change how revenue is forecast within a given period.

Users can also forecast and account for departmental expenses, including salaries and wages, based on pre-defined metrics, such as a dollar amount per occupied room. The model also allows for other drivers, such as percentages of gift shop sales to food and beverage revenue.

The solution creates an automated daily forecast and budget at the individual hotel level, which interface with HH's business intelligence environment for reports and dashboards via the web. In addition, data is consolidated into executive reports for management.



RESULTS

- 300 users onboarded within first month, and 500 users within 6 months. User adoption at an all time high.
- Users now see all information in a single view. Workflow screens show properties that need to be reviewed and approved across the organization. All hotels are displayed in a single screen with a status icon depicting whether the forecast or budget has been completed.
- Hotels can now forecast daily, with most new users able to forecast within minutes of using the system.
- Trends can be seen and compared against historical data, with the capability to account for weather and other unforeseen events on hotels' bottom line.
- Budgets and forecasts at local levels are immediately rolled up. Top side adjustments are pushed down proportionally, with data adjustments available instantly without the need to modify templates.
- Business and financial teams are now able to drive the solution. Forecasts and budgets are the responsibility of hotel management, who can adjust the forecast on a daily basis.