



Alan Finnemore

IdeaS - Emerging Innovations

What Pays the Rent?

Revenue or Profit?

LOTTE NEW YORK PALACE



Forecasting Beyond Rooms

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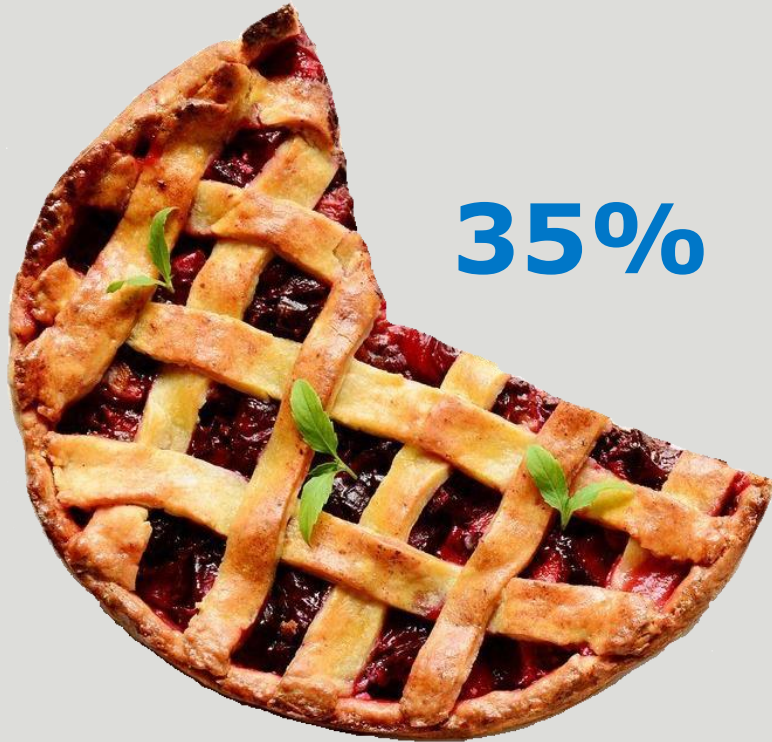
RevPAR doesn't
pay the rent...

Optimizing the Total Revenue Forecast with RevPlan

TREVPAR is the starting point



F&B / Other Income Revenue Share

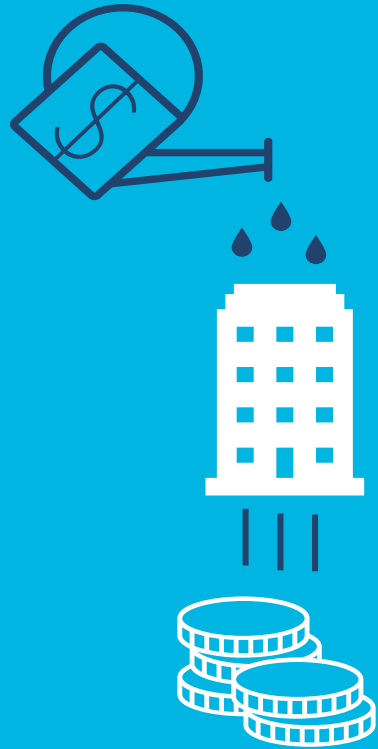


Global Hotel Revenue 2021 =
\$950 Billion

F&B/Other Income
\$332 Billion

Are you optimizing this slice of the pie??

More Revenue is Not (Always) The Solution



Optimization Must Consider Flow-Through

All revenue streams impact profitability – but not equally

Profit Margin Volatility is the Culprit !



Steady 65 to 70%



Wild: **-10%** to 40%



The accuracy of the top line forecast is the critical driver of margin management.

Revenue Strategy



Cost Control

Competitive Pricing

Suggestive Selling

Menu Engineering

Capacity Management



**Forecast
Accuracy**



Labor/Staffing

Purchasing

Waste Reduction

Marketing Spend

Forecasting Capability Is Not Equal

Rooms

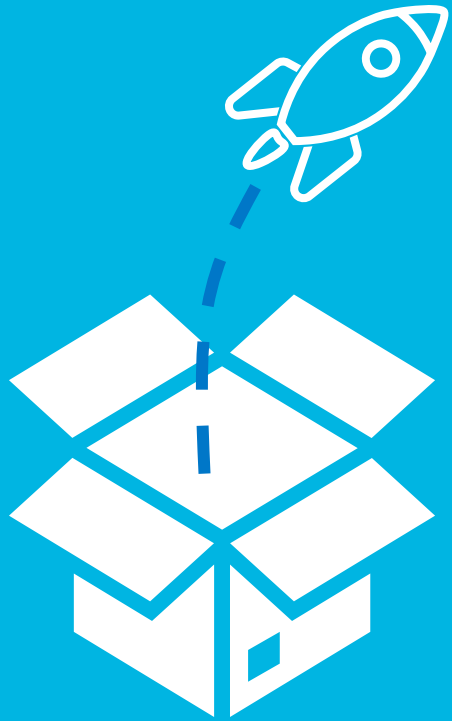


F&B / Other Income



“Do for F&B what you have done for Rooms!”

Achieving a “Total Revenue” Culture

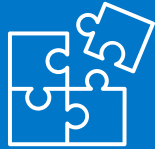


**Changing the perception
of Non-Rooms Depts from
‘services’ to opportunities
for Rev Mgt Excellence**

Path to Total Revenue Optimization



Establish Baseline Metrics



Align Operational Practices



Identify the Optimal Forecasters

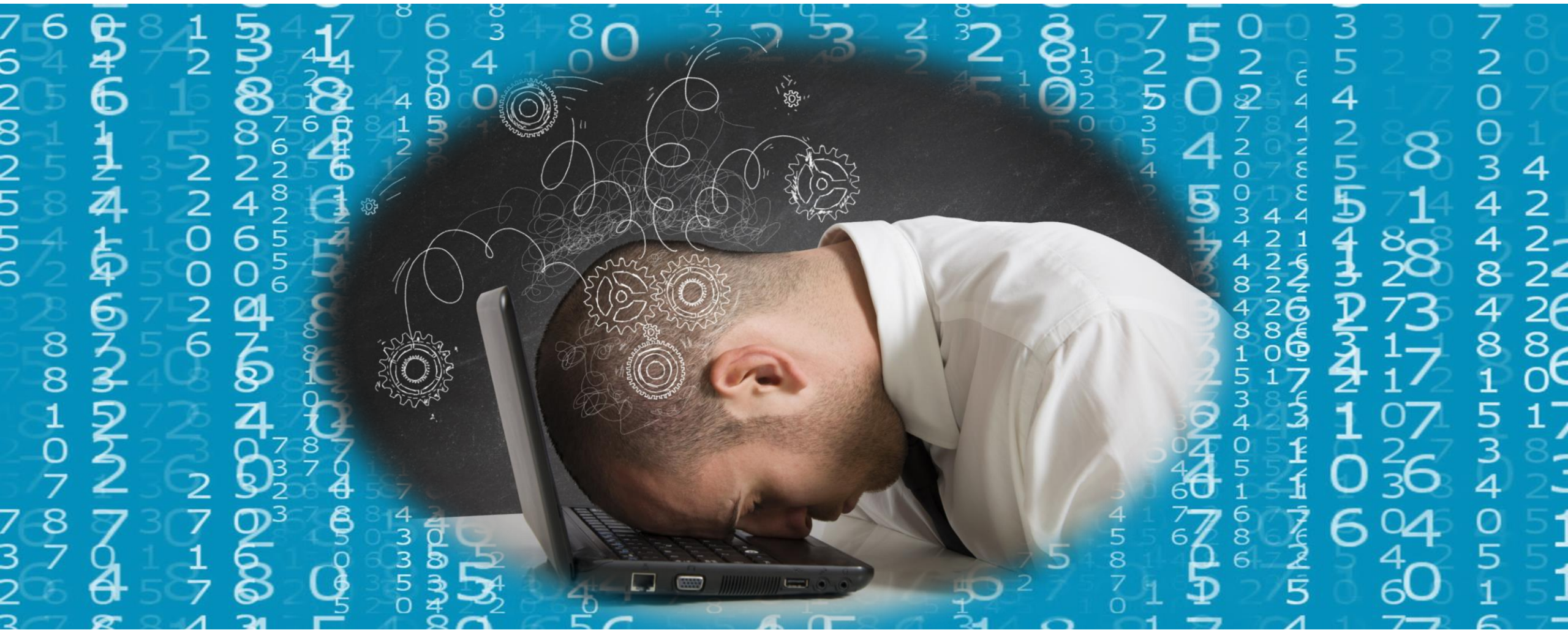


Assess Automation Challenges

Every Hotel Operation is Unique



There are Just Too Many Numbers!



How do the Revenue Streams Compare?

Data Points: Budget + 12 Monthly Forecasts - **DAILY**



Metrics x Segments
71,000

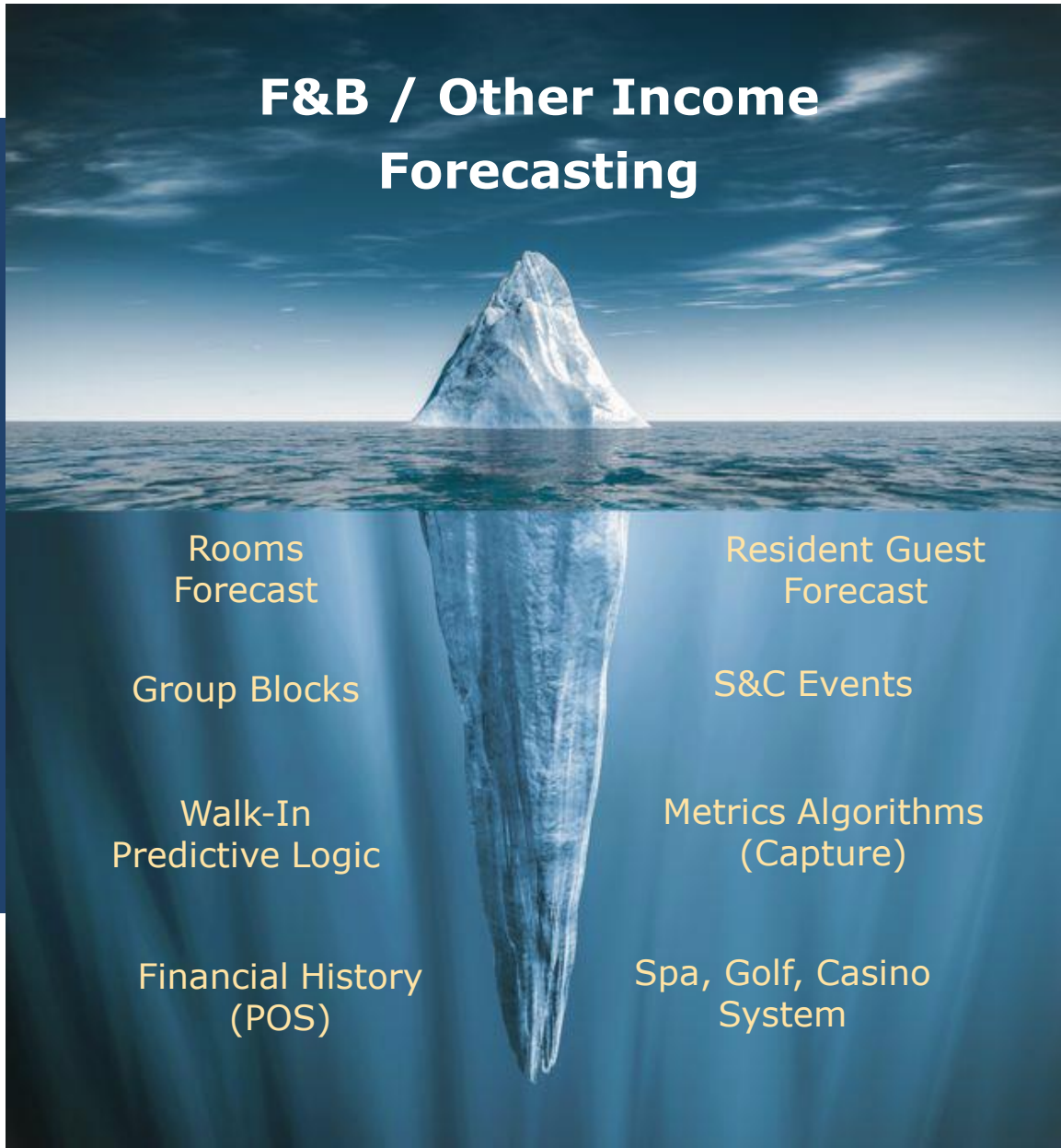


Metrics x Depts
X Revenue Groups
=
240,000



Metrics x Depts
x
Meal Periods
x
Revenue Groups
=
1,200,000

What's in an FB/OI Forecast Tool?



F&B / Other Income Forecasting

Rooms Forecast

Group Blocks

Walk-In Predictive Logic

Financial History (POS)

Resident Guest Forecast

S&C Events

Metrics Algorithms (Capture)

Spa, Golf, Casino System



Multiple Forecast Models

Rev/Guest

Covers x Checks

Res/Non-Resident Split

Rev/Day

Rev/Operating Hour

Rev/Room

Rev/Stay

Fixed Values

On the Books + Pickup

Optimal Total Revenue Technology Enables:



Synergy

Dynamic link between
revenue streams



Strategy

Insights with optimal
granularity



Decision

Advanced KPI
performance metrics



Action

Quick reactive and
pro-active changes

Measuring Forecast Accuracy



MAD & MAPE Metrics are not the 'gold medal' ...but the compass to see optimization opportunities.

Adjusting behaviors By Dept, Meal Period, Revenue Group, Day of Week will impact profit.

F&B/OI Forecast Accuracy – Profit Correlation

For every 3% improvement in forecast accuracy there is 2% increase in Profit Margin*

* AMR Research

Actual 4.0 M

Good: 4.1 M

Bad: 4.5 M

Ugly: 4.8 M

Forecast Error @ 30 Days	Profit Margin
3%	28%
12%	22%
21%	16%

Profit @ 30%

1.15 M

880 K

640 K

Business Case: Adoption of Automated F&B Forecasting

Control Group Forecasting	# Hotels	F&B Rev % Increase <i>Year 1-3</i>	F&B Profit %		Margin Uplift
			<i>Year 1</i>	<i>Year 3</i>	<i>Year 1-3</i>
1. Excel-Based	60	0.4%	22.4%	22.2%	-0.2%
2. Automated F&B	96	14.0%	28.9%	31.7%	2.8%

\$25 Million in incremental profit for hotels adopting automation

And That
Pays the
Rent !