



# HOW HOTELIERS SHOULD REACT TO NEW FORECASTING CHALLENGES IN 2021

WHITEPAPER



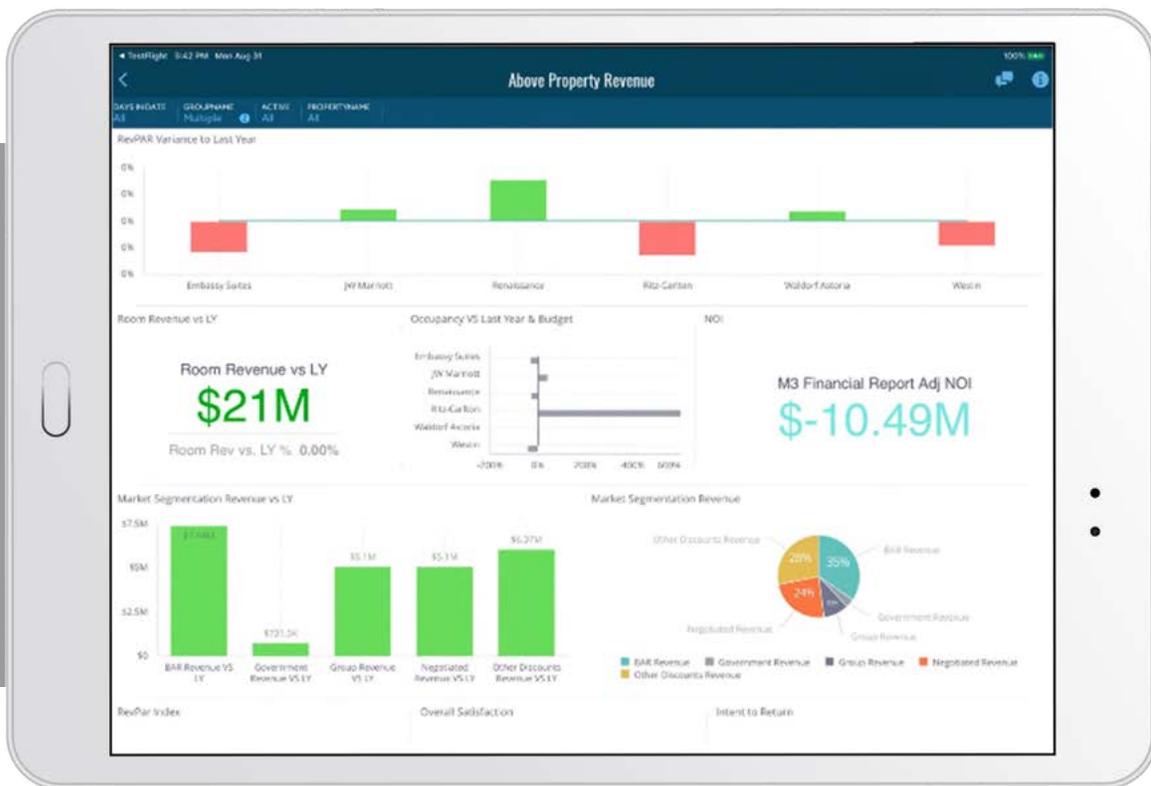
# NEW BUDGETING & FORECASTING CHALLENGES FOR 2021

The onset of the COVID-19 pandemic has demonstrated, all too easily, that traditional hotel budgeting and forecasting can be quickly thrown out the window. In 2021, as hoteliers grapple with the unforeseen challenges facing the industry, such as decreased occupancy rates and new cleaning and social distancing standards, new forecasting techniques will emerge.

Fortunately, hoteliers have some of the most advanced enterprise financial technology available, and with cloud solutions tailored specifically for hotels, forecasting on the fly will not be an issue.

Cost drivers and benchmarking goals have emerged as two key focal points for hoteliers, with asset management also becoming another critical area for hoteliers to pay close attention to in their 2021 budgeting and forecasting plans. Hoteliers are tasked with reorganizing cost-driver and benchmarking goals to realistically manage their hotels' demands and are quickly pivoting to adjust to new asset management strategies for 2021. While a typical mindset would push for growing strong assets, managing distressed assets has become a major focus for hoteliers this year.

M3 has tapped into its wealth of in-house hospitality experts to explore some key considerations to help operators react to and manage new forecasting challenges this year.





# HOW CAN HOTELIERS PREPARE FOR 2021 BUDGETING?

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Labor management and revenue management will be two of the most difficult elements to budget and forecast for in 2021 as hoteliers must start with a blank page this year and return to the fundamentals of hotel forecasting.

Rate Comparison: Hoteliers should focus on daily comparisons between their room rates and those of their competitors. Through powerful hotel benchmarking capabilities, hoteliers can manage their properties' revenue expectations in accordance with the most current industry information available.

Daily Labor Budgets: Maintaining a consistent daily labor budget is crucial to boosting employee efficiency. Adhering to premade budgets allows upper-level management to plan for unexpected changes as the year progresses.

Essential Staff Duties: Hoteliers should conduct ongoing evaluations of their staff's most essential duties and prioritize the most important responsibilities to maximize labor efficiency and save costs wherever possible.

As the travel industry and consumer behavior continue to see unprecedented changes due to COVID-19, hoteliers should invest in accounting solutions designed specifically for the hospitality industry to help monitor portfolios in real time for constant and accurate access to property financial health.

Built by hoteliers, for hoteliers, M3 drives hotel cost savings, increases revenues and offers powerful business insights using the latest cloud technology.



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10 to 10,000  
associates



# LABOR MANAGEMENT SOLUTIONS: CURBING THE #1 EXPENSE

In operational hotel forecasting, labor has historically been the highest expense in a hotelier's budget, and the pandemic has turned most conventional labor management models on their heads. Consequently, labor forecasts must be re-evaluated to better fit current market needs. Utilizing a robust accounting and financial analysis tool is the first step to remodeling labor forecasts for 2021, especially when considering changing labor demands and room occupancies.

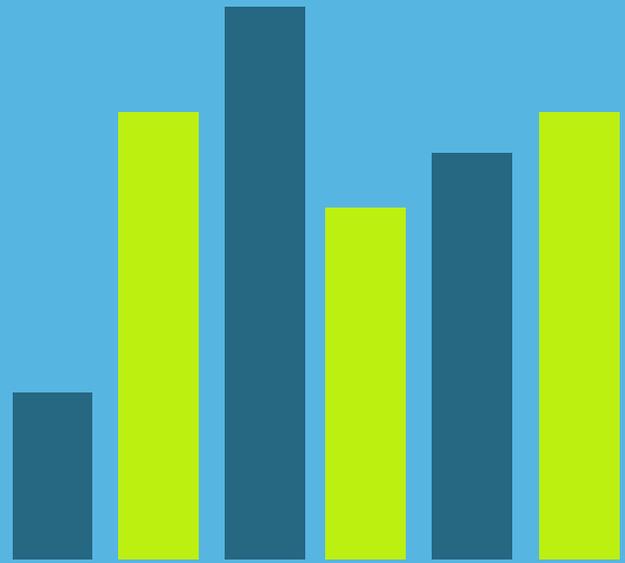
Take housekeeping demands, for example. If we look at a typical stayover that would have historically allowed for 10-15 minutes of cleaning per day pre-COVID, operators should now budget for two to three minutes a day since a refresh might only be guaranteed every five to seven days. Additionally, new sanitization standards are turning a 25- to 30-minute check-out cleaning into a 35- to 40-minute process, which also needs to be budgeted for accordingly.

Solutions like M3's **Time Management** allow hoteliers to monitor daily labor costs with features like attendance tracking utilizing biometrics and exclusive labor management reporting. Labor management tools can also create custom labor reports to help managers track their employees' hours and overtime, helping them finetune new schedules for COVID-level occupancies and room cleanings. Additionally, as hoteliers begin to utilize short-term forecasting models much more heavily, integrated reporting functions can flag daily labor costs and major expenses in real time.



## REVENUE MANAGEMENT: SETTING ACCURATE EXPECTATIONS

As consumer and industry behaviors are constantly changing amidst the pandemic, hoteliers are faced with the challenge of reorganizing key revenue expectations based on demand, and thus revenue forecasts for corporate rates, hotel rewards programs and year-over-year growth goals require overhauling.



## CORPORATE RATES:

As the travel industry continues to bounce back, hoteliers are reporting that leisure segments are far outpacing corporate and group booking segments by over 50%, according to M3's proprietary hotel benchmarking data. As conferences and events, regular business travel and more industry functions are continuously disrupted, hotels need to account for a change in corporate booking rates. As a result, extended-stay hoteliers must shift revenue priorities for 2021 by offering leisure guests greater availability while being careful not to compromise Gross Operating Profits (GOPs) by overspending on amenities.

## REWARDS PROGRAMS:

Often, the reimbursement rates that hotels earn are based on a ratio of guest-stay rewards that pay into the brand program and the guest-stay rewards that generate a redemption paid out of the program. Hoteliers should maximize their reimbursement rates for the redemptions without compromising their top lines with impractical discounts by identifying the top-line benefits of various discounts they can offer in 2021. For hotels that typically offer greater discounts through Online Travel Agency (OTA) bookings, operators need to ensure those OTA discounts do not exceed their direct booking discounts offered to rewards members.



# YEAR-OVER-YEAR GROWTH GOALS

Typically, Year-over-Year (YOY) growth has been the primary focal point of growth forecasting. Corporate leaders usually utilize detailed data sets and numbers when looking into annual and monthly anomalies. Comparing 2021 growth forecasts to 2020 data will likely be less useful than historical YOY comparisons, as 2020 occupancy and booking volumes took tremendous hits amid the COVID-19 pandemic. Instead, hotels need to forecast one week at a time. 2020 did not change RevPAR indexes, meaning hoteliers shouldn't settle for an index less than 100% and remain mindful that room rates are worth more to hotels than occupancy levels in a shattered economic environment.

Solutions like M3's **Insight** allow hoteliers to better visualize and utilize data sourced from multiple property and operational management systems. As a self-service Business Intelligence (BI) tool tailored specifically to hoteliers, Insight centralizes all key performance indicators (KPIs) and M3 data points to provide business insights at-a-glance. Through dashboards, easily configured visuals, and custom reports, BI tools simplify the delivery of complex data so hoteliers can gain real-time access to their hotel's financial health.

For hoteliers forecasting 2021 revenue goals, M3's proprietary hotel benchmarking index combines data from thousands of properties into a single accessible data set to compare hotel performance. As part of M3's strategic partnership program, customers gain complimentary access to key hotel benchmarking data, helping them measure their hotels financial performances against the competing hotel landscape using more than 500 hundred KPIs and data sourced from millions of guest rooms across 120+ global hotel brands.



# BE PROACTIVE. BE PREPARED



Robust accounting and financial analysis tools help hoteliers drive financial performances across entire portfolios by proactively managing fluctuating industry and consumer behavior in real time. Now more than ever, hoteliers must rely on these tools in their forecasting for 2021. As hoteliers look to the new year, it is important to remember that realistic, accurate forecasting positions hotels with a strong foundation to overcome new challenges, enabling agility and freedom in decision-making and ensuring a reliable game plan for hospitality operations.



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