Show Me the Money!
Budgeting and Forecasting Revenues
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REVENUE MANAGEMENT

Key to maximizing profit
Concept

• Two elements:
  • Pricing
  • Methods
• Revenue Manager
  • Role is maximization of revenue for each guest room
Revenue Manager Responsibilities

- Devise and implement pricing strategies
  - Approve flexible room rates
  - Approve discounts to a variety of groups (AAA or AARP)
  - Approve exclusive rates to select guests
- Meet revenue goals
- Bring value to guests
- Forecast future room sales
Revenue Management

Factors of Influence

Influences

ADR

Demand

Room Rates

Inventory / Supply

LOS

Occupancy %
Room Revenue Forecasting

Room revenue forecasting should include:

• Rooms available to sell
• Estimated rooms to be sold
• Estimated occupancy rate
• Estimated ADR
Budgets
A guideline for spending money

Long-range budget
- Scheduling large expenditures

Annual budget
- Estimated spending for one year, often divided by department

Monthly budget
- Used to operate the business daily. Especially important for seasonal hotels.
Questions?
References and Resources

Images:
• Microsoft Office Clip Art: Used with permission from Microsoft.

Textbooks: