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Monitoring Demand for Effective Forecasting

AUTHORS



Vikram Singh
Digital Marketing & Revenue
Optimization Specialist



Chris Baniewicz
Sr. Manager, Revenue
Performance Solutions at
Expedia Group

In our last article, we outlined revenue management basics that any independent hotel can start implementing right away. The next step is to learn how to monitor the traveler demand for your hotel and your location. This skill will allow you to get the data points you need to make the right forecast and pricing decisions, which in turn will help you boost your profits.

DEMAND FORECASTING BASICS

Demand forecasting is the process of estimating what traveler demand will be over a specific period of time. As a hotel, you will need to consider historical guest data, current pace/demand, and general market conditions in order to make the best predictions.

METHODS

There are two core methods every hotel can use to start the demand forecasting process:

Qualitative Method: This method involves gathering relevant insights to inform your predictions. You can do this by conducting your own market research, reading articles by experts in the hotel and travel business, reviewing recent trend reports and sentiment analysis, and collecting feedback from industry partners and vendors.

Quantitative Method: This method relies on historical data and forward looking data that is directly relevant to your hotel. Historical data sources for your hotels might include Google Analytics, your Property Management System (PMS), your OTA performance dashboards, etc. Forward looking data sources could include hotel and market search demand and on-the-books reporting from revenue management solutions.

Analysing this data will help you create effective forecasts so that you can make the right pricing and inventory management decisions.

Both of these demand forecasting methods are very much within reach of a small independent hotel asset. Every hotel has the flexibility to mix and match the best of both methods based on their location and the technology that they currently have access to.



WHAT TO MONITOR

For a small independent hotel, the demand forecast can be narrowed down to three areas:

- Operations
- Revenue
- Budget

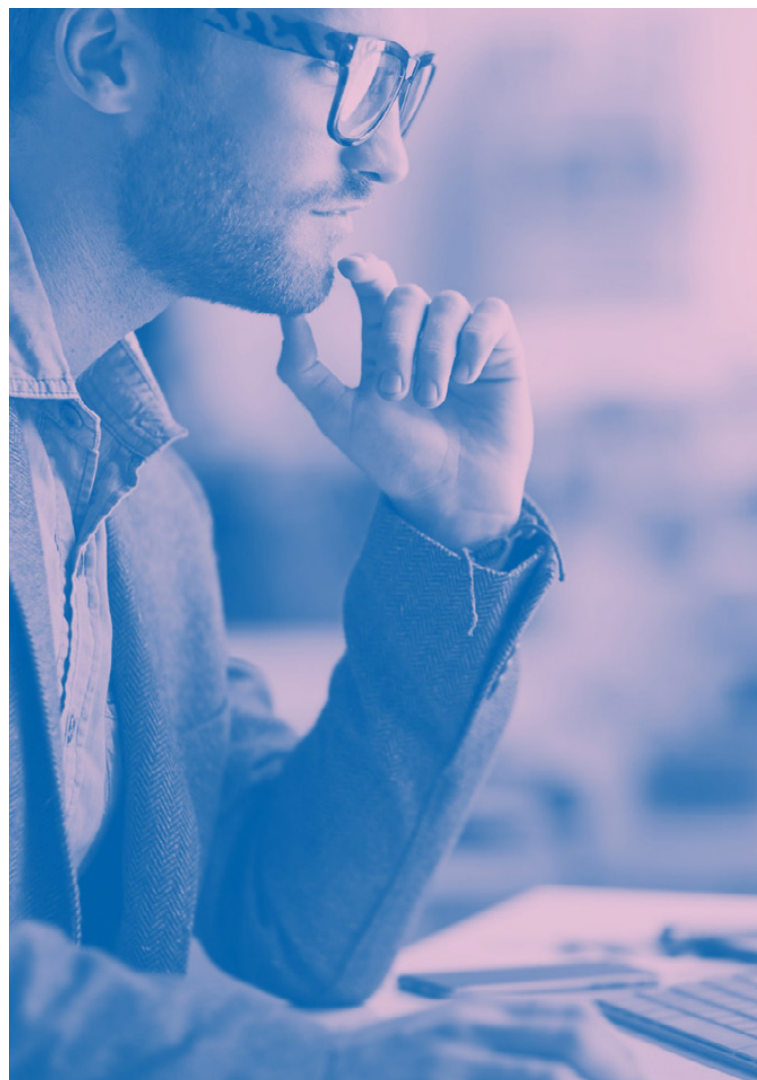
Let's briefly review them.

- **Operational Forecasting:** This type of forecasting involves using information from your qualitative and quantitative sources to help your operations department plan for future needs, including housekeeping, front desk and general maintenance staffing. If you offer F&B, then you will also need to create F&B forecasts based on how many of your guests typically use those services at your hotel. (Similar forecasts can be made for all of your departments.) Operational forecasting will also help you prioritise and order the right quantities of both perishable and non-perishable items. Cost control and waste reduction have become a priority for everyone, with inflation-related news making headlines daily.
- **Revenue Forecasting:** You can forecast your demand pattern using quantitative data. Creating (and regularly updating) a revenue forecast will help you price correctly and ensure that you are staying competitive and dynamic with your rate strategy. Qualitative feedback from the market helps you confirm those peaks and valleys in your location so that you can implement demand generation techniques to drive revenue during lean periods.
- **Budget Forecasting:** After your operational and revenue forecasts are in place, the next crucial element is cash flow. Future expenses need to be predicted; then, you need to outline how to make funds available that will allow you to meet future needs and stay solvent.

These core areas of demand forecasting will help you plan and execute the best strategy for pricing and revenue and the other key operational departments in your hotel.

ADJUSTING FOR THE PANDEMIC

One change that the hotels will notice using the above methods is that there are now huge pandemic-related swings in performance data. Changes in demand patterns are often unrelated to seasonality and sometimes happen quite suddenly. While your hotel cannot dictate local and global travel rules, you can stand out in your market by offering flexibility to your guests e.g. better/flexible cancellation policies that ease your guests into booking a room with you.



Travelers priorities have changed, they have new motivations, are ready to explore new places and may book differently. Yes, there is uncertainty, but there is also an opportunity to use these new data patterns to make better forecasting decisions. While long-term travel patterns are harder to determine, short-term changes can be detected immediately and compared with other periods during the pandemic. Independent hotels have the ability to be more flexible, which is a big advantage. They generally have fewer preset rules, meaning they can pivot much more quickly than larger branded assets. Brands almost always need time to adjust and disseminate their

2. Rate Sheet: Picking 2-3 hotels in your competitive set and then monitoring their rates on a simple spreadsheet. This should help you catch any sudden changes in the market demand that you might have missed.

OPTIMISING OPERATIONS AND MARKETING

Demand forecasting reduces risk and uncertainty for you and your hotel. It also helps you refine your operations and marketing strategies. Reviewing historical data can help you see patterns and get insights into the sources, time periods and locations of your demand. Once you understand where your guests are coming from, it becomes much easier to focus your marketing, operations and pricing strategy towards them. This creates a huge efficiency for your small business and helps you reach your revenue goals.

Marketing Efficiency: Once you know your sources, you can directly market to them in a way that optimizes your return on campaign spend. Your content and advertising can better connect with the target audience once you stop trying to be all things to all people. Like labor costs, marketing is also getting more expensive. Customised content and ads help you reduce your marketing costs. Targeting future need dates with packages helps you build a base for your hotel, so you don't have to

resort to last-minute discount campaigns to drive occupancy.

Operational Efficiency: The cost of labor today is one of the top items of discussion in business news. By understanding demand patterns, you can implement the right operational and staffing strategies to meet your demand. Having enough people to work during busy periods ensures that guest expectations are met, and you are not run-

strategies. Smart, quick decisions made in the field are guaranteed to have positive results, as long as action is taken in a timely manner. Here are two simple tools you can use to monitor demand:

1. Demand Calendar: A simple document that you update with everything local and keep track of events and reservation dates in your location



ning the hotel in a panic. Over the last year, many guest complaints have been centred around not having enough people to help them at the property. Informed staffing decisions are a big factor in delivering great experiences and guest satisfaction. In turn, happy guests create reviews, which builds trust and confidence with travel shoppers, and directly impacts your revenue in the very near future.

IN SUMMARY:

Monitoring demand and focusing on your guests is key to profitability for your business. Luckily, there are simple ways for you to start and then fine tune your methods over time. Most important thing for a small hotel to do is to get into the habit of recording simple data. This data over time will help you derive insights which will make your hotel profitable.

