

HOSPA & IDeaS

# IDEaS Masterclass | Can RM ever satisfy the Forecast & budget demands of financial leaders?

## 9th February 2022

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In conversation with

Talking to Jane Pendlebury, CEO of HOSPA, and Neil Corr, Director of Emerging Innovations Sales at IDEaS

### ATTENDEES

Jane Pendlebury, CEO Of HOSPA

Neil Corr, Director Of Emerging Sales at IDEaS

### NOTES

00:01 - Jane Pendlebury, CEO of HOSPA: Webinar - all about forecasting and budgeting

First masterclass of 2022 and delighted to be back. Who knew that Covid would be impacting us so much this far down the line, however, there is a good air of optimism across the UK/World, and the new normal seems to be settling into place. Still lots of positive cases but the number of people who are seriously ill with it is reduced.

[Welcoming Neil Corr from IDEaS]

Interesting and informative - handing over to Neil to talk about the product/set the scene.

**NEIL:** Delighted to be hosting with Jane.

Been with IDEaS for a decade, director of emerging innovations sales, which involves moving away from our core offering of revenue management solutions - novel technology solutions which we want to share with you today.

(Plays introductory video)

The theme of the video is 'making it count' so what we've been doing in recent years is trying to address the fact that what we're trying to do is move beyond guest room forecasting. So, we're talking to Jane today about how we moved away from just talking about total revenue management, to discussing total revenue forecasting.

So, we've been under increasing pressure to respond to industry demand for the need to move beyond rooms, (guest room resident?) forecasting, into the wild wild west of food and beverage forecasting and similar lines of business. So what we wanted to discuss today - and we'll be picking Jane's brains a little bit on her experience with dealing with industry (?) for many many years - is how close we are to achieving that nirvana and providing that link now between revenue management and finance, so when we talk about total revenue management, do we actually mean it?

So, in our efforts at ideas to create automated and uniform forecasting and budgeting process, that obviously means it's got

to respond to the demands of the total hotel or resort (?) perspective.

So what we mean by that is that sort of holistic, consolidated centralisation - so one of those elements is really about moving beyond revenue management, looking at encompassing reservations, but then extending that within (?) banqueting personas and offering a solution that will help with the operational side of the business, picking up banquets and catering and food and beverage outlets.

The key really - and I know I don't look it but I'm old enough to remember back to the BAHA days and the constant struggle we had with revenue finance and revenue management - a big part of that was often - and again for IDEaS this has been challenging, because for 30 years we've been kind of an echo chamber just talking to revenue management and commercial leaders - is understanding that a demand forecast from a revenue management perspective isn't the same as an operational financial forecast. Subsequently, finance leaders have not really been trusting the demand forecast of RMS systems because it's not (?) true.

Jane had some interesting insights in this perspective in terms of the (?) reporting process..

**JANE:** Yes, the standards aren't there throughout the industry with the uniform system and we're all aware of revenue management and the brilliant forecasting and IDEaS has led the way in that for many years, but from the finance point of view there has been less looking forward than a digital point of view.

There's obviously been forecasting - there have been tools out there that people have used through spreadsheets. Now with the

standard reporting which is being more and more adopted with the uniform system of the accounts for the lodging industry (the USALI as it's known), there are lots of different requirements for the whole business to look forward into the finances of the future. Your tools seem to be an ideal solution to get there to help those people get those figures and consolidate them into a readable and easy to view format.

**NEIL:** It's not a simple bullet; there are still many, many other competitors, particularly when you're going to tackle food and beverage and other income, financial revenue forecasting, but what we've really been investing in in the last five years at IDEas is sort of bringing that to bear.

So it's been uncomfortable at times for us because it's involved opening up conversations with CFO's, financial planning analysts who're looking for a very different way to approach financial forecasting. So if you're going to say "oh we've got this new transformative technology, it's coming from a revenue management space", we've also had to be (?) of the fact that just saying we're going to eliminate spreadsheet dependencies, it's not always that comforting to the finance community and particularly in operations.

So I don't know if, Jane, you found - we found that when we speak to ops directors, really seasoned F&B operators who like doing manual (...?) forecasting average check projections, to say overnight you're going to automate this process can be a little bit overwhelming.

**JANE:** I think, depending on their skill set, it's very easy for finance people who tend to love their spreadsheets and are much more sophisticated with their spreadsheets and the way that they work, that's easy for them to say 'right I've produced this great format for all the different department heads to come forward with their forecast'.

It might not be that complicated - but to someone who's not working on spreadsheets day in, day out - to put that in front of a bar/restaurant/spa manager and say just fill in that spreadsheet for us can be a massively daunting task for them.

I always think back to that statistic that I've been quoting for years - in 2008 Ray Panko who was IT manager at the University of Hawaii made the statement that "close to 90% of spreadsheet documents contain errors."

I'm sure that's true and I think anybody who's ever worked on spreadsheets has found people override cells that they shouldn't override and all those sorts of things. I think to make that whole process easier for the finance department who are the experts on consolidating data but to let all the people feed into a central point is crucial and to make it easy for them.

What's easy for one person might not be easy for another - I'm sure if asked many accountants to make a cocktail, they wouldn't do it as proficiently as the bar manager but likewise, the bar manager isn't going to use the spreadsheet as efficiently as the finance director.

We all have different skills and this I think helps transform that process of getting the information to the finance department - a lot of pressure has been put on department heads over the years.

I remember a story from many years ago now - I had a member of my team who was utterly brilliant in everything that she did and I had no reason to question her ability, her dedication, loyalty, everything was fabulous about her and it came to our first year of forecasting so I had said oh we just need to do

this forecast to pan out what we're doing for the next year and left her to it, and the day that we were meant to submit these forecasts she didn't come into work and said she was ill.

I didn't give it a second thought because she was a totally reliable member of staff. Sometime later she said to me I couldn't come in that day because I knew I hadn't done my forecast, I knew I hadn't done the budget correctly, I couldn't face it. I think she genuinely was making herself ill so I did it for her and that was a big eye-opener for me: you can't just expect everybody to be able to deliver these things year in year out and be able to look at it with fresh eyes each time.

**NEIL:** I remember we had this conversation at the HOSPACE event last year, and it reminded me that what we're not always very good at is transporting ourselves back to when we went through the trauma of the forecasting budget process.

I was thinking back on my time at other companies I've worked for where it was probably stressful when you got into profit planning, particularly in the budget season. It was quite a traumatic experience so what we tried to do through technology is respond to that demand, to just harness technology better, try to look at where finance and revenue management converge, can you come up with a holistic one-stop-shop solution. In this workload here, for example, you can see how that reporting process can really benefit your sales and marketing strategy so when you set up a business plan at the same time a solution that can help execute the operational plan as well and importantly help encompass F&B, other income, sales and catering - all of those components.

We've had some really interesting conversations with finance leaders & HOSPA's been a great vehicle for that because it gives you a chance to test those theories and put them to the test.

Again, what we've found is we're being reminded by hoteliers and operators, they have a daily flash report, they have a gross revenue report, they need a daily snapshot of all the revenues, how they're performing, on a daily basis, and things like forecast accuracy.

In revenue management, we've always pushed back a bit - forecast performances is a better metric - short term forecasts are meant to be wrong - short term forecasts are volatile, long term forecasts are more risk-averse. However, finance leaders (?) forecast accuracy many general managers, for example, are targeted and sometimes compensated so on that basis we've had to really come out of our comfort zone.

Another question we get asked a lot is (speaking to hoteliers globally) I had a revenue management system forecast, why do I need a financial rooms forecast, that seems like a bit of a luxury particularly in the current climate where demand is at an all-time low post-pandemic - (?) between financial forecasts and a rooms demand forecast (?) driving decisions, publishing, distributing decisions, inventory controls (?) levels - all well and good but need to recognise that the finance community have to forecast for the entire hotel/enterprise.

**JANE:** This is automating the process - algorithms into place - a permanent reminder of how things are very likely to pan out - accuracy of RMS has got better - staffing, rota planning, supplies, it's all there and people can be confident and look to see what they can expect for the week, month...

**NEIL:** It's more point of sale integrations that are important. REV plan - rolling out extensively, 1000 primary users of this solution - nice success study (Raddisson) on the website - saved

a day a week using REV plan in terms of collation of manual spreadsheets.

Plenty of systems that do PNL, payroll, planning and underpin a lot of the test (?) hospitality organisations.

Pulling in sales and catering data is critical, you end up with every transaction within the hotel including spa, golf, having the ability to automate - mapping transaction codes - all of the data sent to the finance system.

**JANE:** The beauty of this is pulling different systems together, consolidating them into a single version. Radisson - freed up a day a week - get your weekends and evenings back - demand on anybody working in hosp is enormous - way beyond what we're paid to do due to love of the industry. Freed up time is spent customer-facing or looking after teams - have time to explain why, the value of getting things correctly presented, this one is going to make it easier - single unit or across multiple hotels.

**NEIL:** Revenue managers guilty of being martyrs - taking on loads of work and putting in all the analytical effort.

Does the solution do CRM etc - let's nail this one first before broadening out into all hospitality problems - alleviate forecasting and budgeting headaches.

Example of workflows - can't share algorithms - the nice thing is responsible tech, multiple solutions within a data warehouse environment - rooms forecasting, workflows, F&B forecasting, KPI's using are fit for purpose? Speak to Ops/finance directors, check values, revenue.



Don't forget other income forecasting, all the years in hosp, neglect in things like laundry, spa, golf etc. Automated forecast tech to optimise. You don't have to use spreadsheets, you can use this as well as F&B, catering, etc.

**JANE:** People relying on guesswork don't have the tools, this will formulate the forecasting based on the fact that you already have - it's a departure from a revenue management system where it's only looking at rooms revenue. Revenue management would be head of reservations, just looking at rooms, evolved to become a commercial strategic role - now a statistical role - looking for this solution for a long time.

**NEIL:** Vendors and solution providers to show humility, Rev Man needs a place at the top table - we get overlooked - overridden with own spreadsheets. Collaboration with rather than battle against ops and finance.

**JANE:** Revenue Managers are more valued than previously, commanding better salaries to their worth, all this can only help depending on the environment on who will be looking at this.

Q: Budgeting process?

**NEIL:** Preparing forecast up to ten years in the future, key bit of this solution is providing automated forecasting on a daily basis for a snapshot well into the future across all revenue streams, combined with an RMS that's doing the publishing. It has its own forecast methodology - guest forecasting - F&B bit.

Put this solution into hotels that haven't opened yet - the last 2 years of data are irrelevant due to the pandemic. Hospitality is more interested in the next 8 weeks than historical data.

**JANE:** Forecasting a poor July, the Marketing team then has the opportunity to generate/increase demand - our cash flow will be dire Sept if this is how it's going to look - The marketing manager can then generate revenue - spreading the info across the team to maximise profits.

Q: How does it work? Can you do F&B forecasting via IDEaS?

**JANE:** It's a separate system to the RMS but it will take some of the forecastings from IDEaS - forecasting the rooms, separate algorithms to work out the rest of the income from spa/golf. They said, "We do bedroom forecasting using IDEaS which is brilliant, and part of our yield meeting - thank you".

**NEIL:** This takes the core foundation of the rooms forecast, makes a distinction between residents and non-residents and uses that data to find optimal F&B and other income forecasting - beauty in simplicity - a lot of hotels tried to crack this with an in-house tool - not been able to harness major platforms.

**JANE:** Different people behave differently to your business guests and leisure guests, RMS takes that into consideration when putting forecasts together.

Q: Can REV plan help with cost forecasting?

**NEIL:** Incumbent on solution providers - no it won't - busy tech space - if you're talking about payroll solutions -SAGE-etc, made a conscious decision to not get involved with that.

**JANE:** Delighted to see a product that is genuinely doing it and not bodging bits together to come up with a solution. End of time so it falls to me to say thank you for listening and for interactive Q's - thank you to IDEaS for the masterclass. Recordings and summary on [HOSPA.org](http://HOSPA.org).