

# Hospitality Financial Leadership – The Top 10 Forecasting Secrets

Forecasting is incredibly important because we need a fresh and current plan to help us execute our financial strategy and as the saying goes, *“Without a map any road will take you where you want to go.”* I know for many hotels the idea of having a monthly forecast seems far-reaching and complicated, but I know it’s not. Once you start you will see what I mean and if you already complete this important planning piece you fully know what I mean.



## Secret #1

**Budget first.** That is the critical building block, to ensure you have a 12-month detailed budget completed on an annual basis. Once the annual budget is built and approved it gets locked down and never, ever gets changed. The budget is the year’s target and the forecasts are the tools we use to guide us to the prize. The budget is like a 12-inning baseball game. We have that many games to play this year and our goal is to win the aggregate of those contests. We must expect that we will miss some and, on the flip side, win some.

## Secret #2

**Create a circle.** Each month the financial window opens and closes in your hotel. Each month is an opportunity to begin again, to learn what worked and repeat. To examine what didn't work so well and find a new way forward. Make sure the schedule is a circle that repeats itself in a routine like fashion. Pick your dates and lock them in each month, only playing with the calendar and weekdays vs. weekends. Maybe you finalize your actuals on the fourth business day and the first draft of the new forecast is due on the fifth and the final forecast is locked by the end of the seventh day. Be boringly consistent with your schedule so everyone gets into a rhythm.

## Secret #3

**Get the entire management team to participate.** This is the magic. If someone on your team has the responsibility to schedule their staff and order their supplies, then they are forecast ready material. Don't make the mistake of having someone else prepare their forecast instead of them. If you do this, they will not take ownership of those numbers, ever, period, full stop. It's so important to have your team members producing their own numbers. Train them to plan their staffing and expenses based on the latest day-by-day occupancy and segmentation if they are in operations. For your non-operating department managers, it's a focus on the schedule for variable positions and vacations for managers that fits into the latest forecasted business volumes. The same goes for expenses. What are we executing on this month and does it fit the planned top-line revenue picture? Use your forecasting process to build a coordinated plan aimed at achieving your over-arching goals.

## Secret #4

**Leave time to push back.** Always leave enough time to review, push back, resubmit, and approve each part of the forecast. Once the day-by-day occupancy is completed get it published. The next step is your F&B sales forecast and it's driven by the room's segmentation activity, groups, corporate and transient. Now that you have your revenues it's time to get the payroll and expenses laid out by each department. Here is where you also want to ensure there is enough time to consolidate, review and, where necessary, push back. Make sure each part of your forecast costs makes sense to the projected revenues. You may be thinking that there is no time to do this little dance. Nothing is more important than starting each month with a fresh and complete plan for making your financial goals and it needs to be in the hands of each department head.

## Secret #5

**Don't disconnect.** Picking up on Secret #4, this is the most common mistake I see with hotels that say they do a monthly forecast. Here is the brass tack. They do a forecast at the executive level and submit it to corporate and to the owners, but they don't connect it to the operating managers. That's right, the left hand doesn't know what the right hand is up to. Take the time to ensure that your departments all have the same numbers in the detail you sent to your master. More on the disconnection [here](#).

## Secret #6

**Zero-base your expenses.** Yes, that's right, start with zero. Zero must be the starting point if your team has any hope of being able to manage their expenses. *Why?* you are probably asking. Without a definite list of what, how many and at what price, you will be left to the whims of the moment. Like a grocery shopper just before lunch, you will be unable to get out the door without a bunch of stuff you don't really need. [Read the full story](#).

## Secret #7

**Create a staffing guide.** As you know the number one expense we all have is payroll, yet I am willing to bet you a round of drinks for the entire bar that you don't have a staffing guide. What exactly is a staffing guide, you ask? It's a two-part living document. The first part is a list of approved "fixed" positions. The second part is a formula by position for all variable positions in your operations. Rooms, F&B, and all minor operating departments and let's even throw in maintenance for good measure. The full program can be found [here](#).

## Secret #8

**Measure hours per room OCC and hours per customer cover served.** If you're not using productivity measurements, then you may as well be driving with your eyes closed. You can also fool yourself with labor cost and revenue per hour of work tests, but these are wholly inadequate to really tell you how effective you are being with the biggest cost you have. [Read the formula](#) for creating and using this powerful tool and learn to drive with your eyes wide open.

## Secret #9

**Use it as Distant Early Warning (DEW).** 30-60-90 days. Back a few years ago during the cold war Canada and the US developed North American Aerospace Defense Command (NORAD). It is a combined organization of the United States and Canada that provides aerospace warning, air sovereignty and

protection for Northern America. Their biggest tool was DEW. Your forecasts need to focus on exactly the same thing, giving you a warning as early as possible so you can plan and execute a defensive strategy. Focus your forecast on the next three months: 30, 60, and 90 days.

## **Secret #10**

**What's the one thing we know for sure about the forecast?** I love asking this question in my workshops. People have a misguided notion about the financials. They think there is an absolute answer when it comes to the numbers, the forecast is like a sacred cow. Like a high school math equation. It's either right or wrong, that's what people think. But here is the truth, the one thing we know for sure about the forecast is...it's wrong. That's right, it's always wrong. So, the one critical mistake you can make is not doing one. Take your shot!

***The monthly financial forecast is not just for the big guys. Get your game on and become a force to be reckoned with.***

**At Hotel Financial Coach I help hotel leaders and teams with financial leadership coaching, webinars and workshops. Learning and applying the necessary financial leadership skills is the fast track to greater career success and increased personal prosperity. I significantly improve individual and team results with a proven return on investment.**

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