Jagannath Institute of Management Sciences
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BBA.HMTCT-III-SEM

FRONT OFFICE MANAGEMENT
Unit 1 Introduction to Front Office

1.1 Introduction

The front office is considered to be the show case of the hotel and it is at this point that first impression is formed by the customer. This department bearing various sub sections (like telephones, reservations, registration, lobby and so on), deals with the customer right from the reservation to the registration (check in) till the guest leaves the hotel. Any grievances and special needs of the guest are taken care of by this very department only. Hence the department personnel(s) have to be diplomatic, tactful and with an attribute of salesmanship in dealing with various type of customer. The overall persona of the front office staff makes lot of difference, in terms of getting repeat customers.

Selling of rooms and retaining the satisfied customers for the future is the core job of the front office department. But it cannot be fulfilled without the help of other departments (like Housekeeping – which cleans the room and keeps it ready on time for the sale and handling emergencies; Engineering and maintenance – for any type of repairs in the rooms and public areas for a comfortable stay of the guests; Accounts- to keep an eye on all the accounts receivable and credits; Purchase – for any buying for room or other departments for quality functioning; Food and beverage department- to deal with service and production of food and beverage for the guests; security – of the guest, employees and guest’s belonging).

Front office functions also includes planning of rates as per various strategies which give profit to the hotel for further growth.

1.2 Front Office – Layout and Design

Most Front desks are located in the hotel lobby. A typical Front desk is approximately 3½ feet high and 2½ feet deep. The layout and design depends on duties performed at the front desk and the size and type of the hotel. To direct the guest to the proper activity center, signs may be placed. Since the
guest’s information is considered confidential, the front desk design usually screens forms/equipment from visitors. It’s not only the aesthetic appeal and type of hotel but also the type of the working system i.e., whether the hotel is fully automated, semi-automated or manual along with the accessibility factor for the staff members.

In a semicircular arrangement, there is normally a straight wall at the back of the desk with a door leading to front office support services. Circular and semicircular front desks allow greater flexibility; also look wise it is more appealing. But at the same time, problem can arise as guests can approach from any side and equipments being fixed in specific places.

Now a days computerized system (fully or semi automated) has become the system of choice, nevertheless there are hotels still using manual system so as to fulfill needs of guests and management.

1. Information Rack
2. Automated Switchboard
3. Automated Alarm Clock
4. Fax Machine
5. Computer Terminal
6. Registration Card Rack
7. Telephone
1.2.1 Brief Knowledge of Equipment used in FO:

**Room rack** – This rack is found in non-automated and semi-automated hotels. A room rack is an array of metal file pockets designed to hold room rack slips bearing the name of the guest, date and time of arrival, number of rooms, room type and rate, date of departure, other minor details like – reserved by, billing instructions, special instructions, which is used to indicate room status. In some hotels, a slip or the registration card itself can be inserted in the rack. Various color codes are also used to indicate the room status information (occupied, out of order, vacant and so on). These racks cannot be moved easily and can be reused. Reservations can be kept in accordance with the date of arrival order.

Room rack is eliminated in a fully automated system (property management system).

**Key rack** – Key rack has sockets to store guestroom keys. Presently, with the development in technology, we have electronic key system which can be generated through one console itself and does not require any storage; the extra space needed for the keys is eliminated. Those hotels which still depend on key slots; they utilize their space by combining it with mail, and message rack.

**Mail, and Message rack** – Even if the mail, and message rack is separated from the key rack,
accessibility factor for the person who is responsible for the same is a must.

For the mails and messages in a fully automated hotel, it can be retrieved from the room, house phone as the message can be stored through the voice mail system. Even for the delivery of mail, the message for the same can be passed through the electronic message center. The guest gets to know about it through a message light in the room.

**Reservation rack** – In a non-automated hotel this rack plays a pivotal role. In this rack, the guest information is placed as per the date of arrival and also subdivided in alphabetical order. This system of order is important so as to have a quick look at the availability of the rooms for further bookings.

In a fully automated hotel, this rack is eliminated, as the property management system takes over it.

**Information rack** – this rack is used to help the employees to route the mail, messages and other visitor inquiries in a systematic way. To smoothen the functioning, the rack has two listing – one in alphabetical order and other one by room numbers. Again this rack is not required in a fully automated hotel.

**Folio bucket** – this tray is kept usually in the non-automated hotel and semi-automated hotel as well, which is kept in ascending order of the room numbers. The placement of folio bucket should be such a way that it can be accessed by both the front office assistant and the cashier, for the updating/posting of transactions of the guest staying in the hotel and final billing.

For the departed guest, who pays the bill through credit card or by company account, there is one more folio tray in the accounts department. This folio is closed only after the final payment (when the balance shows zero amount) or if not paid and is declared as bad debt.

**Posting Machines** – Semi-automated hotels use posting machines. This machine records transactions, makes account statement, also analyses sales activity and does an audit trail of charge
purchase transactions. The advantage here is printed copy of the guest’s folio. But the disadvantage and being the major one is that it is prone to errors as it requires a person to update charge manually and difficult to operate.

Fully automated do not require posting machines as hotels PMS can do all the work with greater advantages over posting machines.

**Voucher rack** – once the transaction is over, the vouchers are required for the audit process by the accounts department for verification, hence the need of the voucher rack. Ideally this should be situated near the posting machine where the cashier or the front desk assistant can access it easily. **Call accounting system** – CAS is a software program that helps in processing of calls (outgoing or incoming), pricing them and billing accordingly towards the necessary account (guest account in the guest folio). With this system, there is no requirement of any phone company operators or staff to place the call. For the activation of phone calls in the guest rooms the front desk clerk has to enter the guest’s name and room number into the data bank, which automatically keeps the call charges updated.

**Cash register** – this is used to record any cash transactions. Today posting machine and computer have taken the place of cash register with the printing device for producing various cash reports like sales receipts, price control reports etc. There are several keys which can be used to record data like amount of transaction, its type, concerned department, its purpose, method of payment and so on.

**Wake up devices** – this is an alarm clock that is used by the front office assistant to remind them to awaken the guest as per the request. Presently this wake services are replaced by in room wake up messages through computer interfacing (automatic call dispensing system).

**Telecommunication equipment** –

PBX- (Private branch Exchange) - this equipment takes inbound calls to the hotels operator’s console, through whom the calls are further diverted to the respective areas. With these types of systems, number of telephones lines is limited. Outbound calls normally do require an operator. Charging of calls is also done by the operator.

With a PABX (private automated branch exchange) the problem of calculation is eliminated with the usage of individual meters for each extension. The need of the operator is also eliminated.

Call accounting system- this system eliminates the requirements of any telephone company or
any operator for any billing purpose. As discussed above, it’s software.

Pager and cellular phones – some hotels give a pager or the cellular phones on rent as soon as guests check in. billing is done according to usage shown in the meter. This system is not diverted through any CAS but is been posted manually.

Other equipments – other equipments comprises of Fax machine, Telex, credit card imprinter

(automatic as well as manual), credit card validator, time stamp and the latest technology i.e., the call detection system.

Also called as the front desk, which is controlled by front desk manager (also called as reception manager OR front office manager). This is the place where registration and check-out procedure takes place. The front desk manager along with front desk staff sees that the hotel achieves the maximum revenue by optimizing room occupancy at highest possible room rate recovery by applying various yield management strategies.

From assigning rooms to guests, group arrivals, handling complaints, effective coordination with other department to perform check out procedures are some of the activities of front desk personnel.

Reservation

The reservation manager heads the reservation section in large hotels. In medium hotels the supervisor/assistant heads this section. Apart from upselling and taking creative reservations, the heads also checks on all the bookings, maintaining records and carefully handling overbooking. Apart from confirming /cancellation of bookings, the reservation section liaises with the reception. Every day
the detailed arrival list of the guests for the due date is sent to the reception.

**Cash**

It’s the cashier who takes the responsibility of all the revenue coming in and going out of the hotel. Safe deposit, Credit control, handling of foreign exchange, preparation and settling bills in coordination with the accounts department are some of the delegations of cash section.

**Telephone**

Processing all incoming and outgoing calls through the hotel switchboard, Front Office Operations – I (Theory) Unit 1 Sikkim Manipal University Page No. 11
giving general information, wake up calls, paging, handling emergencies, are some of the vital roles of the telephone department. The operator needs to be blessed with good communication skills to deal with the above given role.

**Bell desk**

Lobby supervisor (called Bell Captain) working under Lobby Manager takes the responsibility of baggage from the time of guest's arrival and departure during their stay. Also paging, running errands as required by the guests and the management.

**1.5 Functions of FO**

Front Office is considered as the showcase of the hotel. The department's prime responsibility is the sale of hotel rooms. Thus the role of front office department is to reserve, receive, register, and assign rooms to guests and providing information to hotel guests.

As mentioned above about various sections of Front office department, it is clear that front office is a people business. Apart from the day to day business, it is also retention of guest, to serve them with a smile and get them back as repeat customer in the hotel; which is considered the most challenging aspect.

**1.5.1 Attributes of FO Staff**

The attributes of different front office personnel are discussed below:

**FOA (Front Office Assistant)** – After the doorman, he/she is person to come in contact with the guests. As said the first impression is the best one, so is the case here. The personnel should be fluent in his/her language with up to date knowledge of the product. Should be a good sales man, tactful and diplomatic to deal with the difficult situation. The most important attribute is to be a good communicator with a great sense of humor and positive attitude. Good memory, patience, managing the stress is the hallmark of his attribute.

**GRE (Guest Relations Executive)** – As the guest relation executive is mainly to do with the problem solving and having more of the guest interaction. This person should be charming in all the aspects especially with respect to communication skill. He/She should be versatile in thinking and should have a
discerning mind to judge the situation and act quickly on it. He/she should have smart appearance, mature mannerism and knowledgeable about the current happenings and places. **Lobby Manager** – The manager should be a mature, possessing the presence of mind, quick in decision making, good communicator, tactful and diplomatic as he/she deals directly not only with the bell(lobby) staff but also customers.

**FOM (Front Office Manager)** – Since the front office manager is the head of the department, he/she should have leadership qualities, be a self motivator and who motivates his/her staff members to excel and be an initiator. The person should acquire excellent communication skills (verbal, written and non verbal) so as to be effective with not only with the staff members but also with the customers specially in handling difficult guests. It is also the management principles having a good insight of the market and applying strategies accordingly that helps him/her to be successful in the long run. FOM should be intuitive and have the foresight and planning is an essential virtue.

**Bell Captain** – Handling Porters, familiarizing guests with their new surroundings, run errands, deliver supplies and provide the guests with information, as required. All the above given tasks are done under his/her guidance along with Lobby manager. To perform, he/she along with excellent communication skills, its also effective leadership qualities.
1.6 Co-ordination with Other Departments- HK, F&B, Production, Engineering & Maintenance and Security

Without the coordination of various other departments in the hotel, front office department cannot function effectively. The following sections show the type of liaison required with various sections in the hotel –

**Housekeeping** – Exchanging the room status report to reconciliation of discrepancies and smooth flow of sales of rooms is one of the major tasks to be coordinated. Minute details from house count, to security concerns, and special guests requests are the issues which need to be sorted together. Also for room change the room has to be readied. A hotel gets repeat customers, when a guest feels at home and is provided with all possible basic amenities and necessities like shampoo, toothpaste, mouthwash, electrical equipments, and in-house entertainment, most of which are given by the housekeeping. Not to forget also the laundry, linen handling and dispatch are done by the housekeeping department.

Starting from the projection of sales during the planning phase of the management cycle to the executing of the plans, there has to be close link between the two departments.

**Food and Beverage Service Department** – Communication activities like reporting predicting the anticipated house counts basically to do with the sales of Food and beverage, VIP services and the preparation behind it. For the In house customers, usually in an automated system, it's the computer terminals/interface which helps in transferring the data to the guest folio in the front office terminal to be charged. If the hotel has a manual system, then all the vouchers have to be signed by the customer and needs to be posted manually into the folio promptly to avoid the late charges.

Also during the functions (Banquet Department) the guests need to be greeted and informed about various details like venue direction, billing, any last minute paid out for the function to be done by FO Cashier, other necessary announcement via message boards for example and also booking and allocating rooms if required.

**Production Department** – This department goes in sync with the Food and Beverage Service Department for the preparation of the Food and Beverage and the set up as per the estimated number of guest arrival in- house and out house and for the function, if any. Also to act on special requests like food diet for sick customers. For the purchases of raw material proper house count is very important and also paid outs for any emergencies during the function.

**Engineering and Maintenance** – Any request about the maintenance work through the customer
and also the room status has to be coordinated well for prompt dealing of the problem. For example – to rectify any plumbing problem, the maintenance person needs to know whether the room is occupied or not. Usually any repair from the guest is directed to Front Office or the Housekeeping department.

**Security Department** – Measures like fire safety and emergency situations like bomb threats, terrorism, and security of diplomatic customers’ appeals to be looked into by both Front office and Security Department. Also for routine investigation of the guests, security concerns need the cooperation of each other.

**Sales and Marketing Department** – It is the guest history which is maintained by the Front Office Department which is most valuable for the sales and marketing department. Also during the planning stage, it is the forecasting of the room sales, very much needed for purchases of supplies by housekeeping and other departments, staffing and other needs, is done in close coordination between both front Office and Sales and Marketing department.

**Stores:** Responsible for constant supply of relevant forms, formats, stationery for running the department

5. State the names of the departments with which does front office co-ordinates ?

**Self Assessment Question**

3. State the names of the departments with which does front office co-ordinate ?

1.7 Types of Room Rates, Meal Plans and Various types of Hotels
1.7.1 Types of Room Rates:

Room rates are the price that the hotel charges for overnight accommodations. (Michael L. Kasavana). This rate is determined by various factors like competition, market, seasonality, meal plan, location of the room, type of room, service levels and so on.

Hotels usually have standard rate for each room (called as rack rate), which is considered as the retail rate for the room. Most of the discounts given are to the rack rate.

There are special room rates that are followed in most of the hotels. They are –

- **Day rates** - These are applicable to the use of a room for the part of a day usually between (9.00 am to 6.00 pm) only.
- **Half day rates** - It’s usually for 6 hours from 12 noon to 6.00 pm.

- **Company Volume Guaranteed Rates (CVGR)** – These are fixed between the hotel and the company for all individual reservations from that particular company.

- **Group Inclusive Tour** - (GIT) – This rate is the pre-determined rate between the group and the hotel during the reservation process.
- **Crib rates** - These are charged for children below 5 years.

- **Family rates** - These are for families with children sharing the same room.

- **Complimentary rates** - (no Charge) – It’s usually given for business promotion.

- **Promotional rates** - It’s offered to individuals who belong to definitive group such as lions club.

- **Commercial rates** - It’s for frequent guests.

- **Package plan** - which is sold in package that includes special events or activities.

- **Airline rates** - It is an agreed upon rates between the airline agency and the hotel usually based on the volume of the customers the hotel gets from the airline company.
1.7.2 Meal Plans:

- *European plan* - the rate is only for the room.
- *Continental plan* - this rate includes breakfast as well as the accommodation.
- *Modified American plan* (also called as demi-pension or Half Board) - it’s the rate for room, breakfast and one meal (lunch or dinner).
- *American plan* (also called as en pension or Full Board) – this is the rate including all meals with room rent.
- *Bermuda Plan* – This includes Room with American Breakfast

1.7.3 Types of Hotels

Hotels may be categorized depending upon various factors. Such as

- **As per Size** – or the number of guestrooms in the property. (internationally)
  - Under 150 rooms
  - 150 to 299 rooms
  - 300 to 600 rooms
  - more than 600 rooms

- **As Per Location** –

  *Downtown hotels* - These are located in the center of the city surrounded by all shopping areas, theatres, public building etc. These types of hotel targets on business clients. Rates are normally high due to their location and accessibility factor to almost anything required by the clientele. Plan is usually EP or CP.

  *Suburban hotels* – As the name suggests these are located in the suburbs. Being located in a quieter surrounding, the rates are moderate to low. The clientele that it targets on are usually leisure travelers, conferences, educational programs. Plan is usually MAP or AP.
**Resort hotels** – These are located in the hills or at beaches. Customers are usually to relax in this kind of environment. Hence basic facilities are provided and rates are often with a package especially on AP.

**Transit hotels** – These are situated at the port of entry – for example airport. These type are also known as airport hotels, suitable for layover passengers who require accommodation for few hours.
Rates are usually on European plan i.e. – for room only.

- **As Per Target Market** – Target markets are distinct customers that the hotel expects to cater to and retain them on a longer run. This can be through geography and various demographic market segment approaches. Basically the types of hotel which are based on target market are commercial hotels, timeshare hotels, casino, conference center, airport, suite, residential, resort, bed and breakfast hotels.

- **Commercial hotels** – These are also called as downtown hotels. As per above discussion.

- **Timeshare hotels** – These are also referred to as “vacation-interval” hotels. This involves ownership of accommodations through purchase for a specified period of time. Owners can have fractional ownership and receive the revenue from the rental of their units and pay the management company a fee for publicity and maintenance services.

- **Casino** – It’s the place where gambling and entertainment facilities are available. Accommodation and other supportive areas are secondary even being luxurious. These are meant for leisure travelers. Extravaganza in every effort be- it rooms décor, food and beverage service style or the presentation of entertainment is the key to its success.-

- **Conference center** – These type of hotels provide space with facilities for having conferences with accommodation keeping in mind their business clientele. Conference centers are usually situated outskirts of the city, to run the conference smoothly. They also concentrate on leisurely light activities to along with tight meeting schedules and clients agenda(s) like, swimming pool, spas, tennis court etc.

- **Airport** – they are also called as transit hotels

- **Suite** – These types are preferred by professionals like accountants, executives especially for those who are frequent travelers. Most of the rooms are well designed, most of it with parlor area or some sort of kitchenette facility. This is done to provide the feel at home comfort.

- **Extended stay hotel** – This is meant for the customers who require minimal interruptions in terms of
services and hence most of the extended and uniformed services are not provided. The guest intends to stay for a longer period.

- **Residential** – This is more like suite hotels, the difference being the mode of payment. It is more on rental basis as the length of stay could be for months, where in the guests can contract some or all the services provided by the hotel like laundry, telephone and so on.

- **Resort** – also can be categorized as per location. Already discussed above.
- **Bed and breakfast hotels** – popularly known as B&B’s. These are the houses converted to provide accommodation with limited food services.

- **Type of plan room rates that are quoted** – as per above discussion

- **Length of guest stay** – like airport hotels are those where the guests stay only for few hours; residential hotels are those where guests where they can stay over months, and semi-residential is one which incorporates features of both residential and resident hotels.

- **Services that it offers** – There are three levels of services-

  **Luxurious services** – they are also called as world class services. The following are incorporated:
  - Highly designed restaurants and guest rooms.
  - Concierge services
  - Grand meeting and dining facilities
  - Sophisticated in room entertainment and other facilities with variety of amenities.
  - Huge gallery of shopping area (jewelry shops, antique shops, gift shops, and so on)
  - More personalized service (for example - butler service)

  **Mid-Range Services** – this offers uniformed services. Usually medium size - 150 – 299 room hotels provide mid-range services. This constitutes:
  - Fewer services, Smaller range of services as compared to luxurious hotels,
  - Basic recreational facilities,
  - Small conference can be organized,
  - Limited food and beverage room service.
**Economy/Limited Services** – This type of hotel appeals to more of budget oriented customers.

- Minimal amenities
- Not very expensive
- No uniformed services
- Not much of recreational activities.
- No proper food and beverage services

**As Per Ownership and Affiliation**

Broadly the hotels can be structured as the independent hotels and chain hotels. Independent hotels have no affiliation with other properties. And have no obligations with relation to policies, procedures, publicity or monetary constraints. An independent hotel can mould its services depending on its target market as there is no question of any image threat.

On the contrary, chain hotels have set of rules and regulations, brand entity, policies and procedures to restrict affiliate activities. The strength depends on the type of the organization. Some chains have small organizational structure and minimum membership standards.

A chain is usually into operating under management contract or as a franchise or referral group. An agreement between the owner who retains the financial and legal responsibility for the property, and a professional hotel management company who receives an agreed upon fee for operating the hotel is a management contract. Any extra cash goes to the owners, which can be utilized by them to pay their debts.

Franchising is distributing one’s own entity that is already developed in a particular pattern and format for a business. Franchisor grants to other entities (franchisees) to carry on the business but with the condition that the same format and standard (be it the décor, service delivery style, equipment or the operating procedures) as per the contract would be followed.

Referral groups are several independent hotels bonded together for a common purpose. Hotels within the referral group refer their group to other affiliated properties. This kind of grouping helps individual
hotelier for broader reservation system and publicity.

1.8 Guest Cycle –

The hotel business can be divided into four phases (also known as guest cycle). Those stages are –

**Pre-arrival stage** – This is the phase when the guest selects a particular hotel because of many reasons (previous experiences, advertising, recommendations through somebody and so on). The guest makes a request for a room as per his/her choice. The reservation agent, as per the request, checks for the availability and accepts or denies the reservation. If the reservation is accepted the agent makes appropriate reservation record. The agent confirms the reservation verbally and written as per the policy of the hotel.

With the prior information in hand, the reservation department can complete the pre-registration activity (including assigning of the room, rate and preparing the guest folio). A folio is a record where all the charges are posted of the in-house guest and charged during the check out.

**Arrival stage** – This phase is when the guest actually arrives at the hotel and registers. This procedure includes filling the registration form (method of payment, length of stay, guest signature and any special needs are asked for). If rooms are not assigned this would be done as per guest’s choice, keys are handed over, and he/she is escorted by the bell boy to the room.

**Occupancy stage** – This is the phase where the guest is in the hotel, who utilizes hotel’s facilities and services for which the guest is charged. All the chargeable amounts for the goods and services purchased are to be transferred promptly on to the guest’s folio to avoid any kind of late charges (charges that comes to the front desk after the guest’s departure). The agent should also be aware of the potential skippers and the amount in balance and the credit allowed by the credit company and also the hotel to avoid any dispute later. This is a crucial stage where in the guest relations are important to get repeat business. Security of the Guest and his/her belongings is the major concern in
the present day scenario.

**Departure stage** – The last phase is when the guest checks-out of the hotel. The folio is processed. The guest is asked for any last minute usage of services; all the departments are consulted for any pending(s) to be updated. All transactions are completed and guest settles the bill as per the said mode of payment. The keys are taken back. The front office updates the room availability status and notifies the housekeeping department. The folio comes to zero balance.

After the check out, guest history file is created which is utilized by the sales and marketing department and also the front office department for future reference.

**1.9 Summary**

The front office is responsible for developing and maintaining a data base of guest information, coordinating guest services and ensuring guest satisfaction. To achieve all these cooperation of various other support centers and revenue centers is a must. In a computerized system, creation of data base and interdepartmental communication is at a button click and is hence faster as compared to manual system.

The guest chooses a hotel during the pre arrival stage of the guest cycle, followed by registration and rooming functions in the arrival stage. In the occupancy stage, the front office provides the guest with services information and supplies. In the departure stage, the payment for all the services and accounting aspects take place. The way the guest cycle goes depends on the type of system the hotel is running or equipped with (manual, semi-automated or fully automated system). The functional efficiency of the front desk depends on the design and layout. The desk should provide each front desk employee with easy access to the equipment, and necessary documents and records to be at pace.

**1.10 Terminal Questions**

1. State the names of any four equipment used in front office.

2. State the names of any three components of front office.
3. List the names of any three meal plans.
1.11 Answers

Self Assessment Questions

1. Call accounting system.

2. Assistant reception supervisor.

Terminal Questions

1. Room rack, Key rack, Reservation rack and Information rack

2. Reception, Reservation and Cash
3. European plan, continental plan and modified American plan.
offered to companies that provide frequent business for the hotel or its chain. This rate may vary according to the volume of business guaranteed by the companies. Eg: NEG1, COR1 etc.

**ADHOC Rate Code:** These are non-standard rates which is offered as a special one-time rates for first-time corporate

**Group Rate:** These are rates which is offered to groups, meetings and conventions using the hotel for their functions.

**Promotional Rate Codes:** These rates are generally offered during low occupancy periods to any guest to promote occupancy. Early Bird Rates, Stay for 3 and pay for 1 etc. are some examples. These rates may also include certain addons to attract the customers like free WiFi for 24 H free buffet dinner etc.

**Incentive Rate Code:** The Rate offered to individuals who belong to an association or holders of special membership cards or Credit cards. Eg: Amex / VISA / Master card holders get 5% discount on Rack Rate, Lufthansa Frequent Flyer members get 25 % discount etc. For hotels these rates always give potential referral business.

**Family Rate:** A rate reserved for families with children. Usually these rate include room charges and may also include some free addon activities for children.

**Package Rate:** Rates that includes a guest room in combination with other available events or activities. Eg: Best of London package which includes room rental, all meals, site seeing,
airport transfers etc. ) Package rate can be also a simple room and meal package like rican Plan ( AP), Modified rican Plan (MAP), Continental Plan ( CP ) etc.

**Best Available rates ( BAR )**: These rate codes are the lowest discounted rate available for a day which can be offered to the guest by the Reservation or Front desk staff. BAR can be off different types:

'Dynamic BAR' Has different tiers and each tiers will be opened and closed arding to the opancy of the hotel. ( The new age hotel management software's does this automatic ally for the Revenue Mange)

**Complimentary Rate**: A Room rate with zero room charge which is offered to special guests, industry leaders, Gov. officials etc.

**House use Rate**: A Room rate with zero room charge which is used for rooms stays for hotel purpose. Eg: Manager or duty room, In house General / Resident manager room etc.

**Zero Rate Code**: These kind of rates are used as system requirements for as these would be tagged to Dummy roo Paymaster rooand Group Master roo
Establishing Room Rates:

• The front office manager shall assign to each room category a rack rate. In accordance, front office employees are expected to sell rooms at rack unless a guest qualifies for an alternative room rate (ex: corporate or commercial rate, group rate, promotional rate, incentive rate, family rate, day rate, package plan rate, complementary rate…).

• While pricing rooms, the hotel shall keep in mind that rate should be between a minimum (determined by cost structure) and a maximum (determined by competition structure) boundaries as depicted below:

Minimum (Hurdle Rate) < Room Rate < Maximum (Rack Rate)

Cost Structure < Room Rate < Competition Structure

• While establishing room rates, management shall be careful about its operating costs, inflationary factors, and competition. Generally, there are three popular approaches to pricing rooms:

1. Cost Approach

2. Market Condition Approach
3. Rule-of-thumb Approach
4. Hubbart formula Approach

1. Cost Approach:

• This Approach’s starting Point is on finding the Per Room occupied daily Direct and Indirect Ex-penses.
Consider the following example:

Jamel Hotel has estimated the following indirect expenses (i.e. undistributed expenses and fixed charges) for the upcoming year:

<table>
<thead>
<tr>
<th>Expense Type</th>
<th>Amount</th>
<th>Allocation to Rooms Division</th>
<th>Rooms Division Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative &amp; General Expenses</td>
<td>$500,000</td>
<td>30 %</td>
<td>$150,000</td>
</tr>
<tr>
<td>Utility Expenses</td>
<td>$260,000</td>
<td>70 %</td>
<td>$182,000</td>
</tr>
<tr>
<td>Debt Expenses</td>
<td>$300,000</td>
<td>70 %</td>
<td>$210,000</td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td>$350,000</td>
<td>60 %</td>
<td>$210,000</td>
</tr>
<tr>
<td>Rent Expenses</td>
<td>$100,000</td>
<td>70 %</td>
<td>$70,000</td>
</tr>
<tr>
<td>Marketing Expenses</td>
<td>$65,000</td>
<td>80 %</td>
<td>$52,000</td>
</tr>
<tr>
<td>Maintenance Expenses</td>
<td>$140,000</td>
<td>70 %</td>
<td>$98,000</td>
</tr>
<tr>
<td>Insurance Expenses</td>
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<td>$70,000</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$1,815,000</strong></td>
<td>N/A</td>
<td><strong>$1,042,000</strong></td>
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</table>

Furthermore, suppose that Jamel Hotel has 150 rooms (90 of them are single and the remaining are double) and that the forecasted single room occupancy rate is 80% and the double room occupancy rate is 85%.
**Answer:**

- Total Number of Expected Single Rooms Sold per Year = 90*0.80*365= **26,280 Rooms**.
- Total Number of Expected Double Rooms Sold per Year=60*0.85*365= **18,615 Rooms**
- Daily per Room Indirect Expenses= $ 1,042,000/(26,280+18,615)=**$23.21**.

Moreover, suppose that Jamel Hotel estimated the following daily per room Operating Expenses (i.e. Direct Expenses):

- Frills Expenses (Single): $ 7.5
- Frills Expenses (Double): $8.25
- Staff Expenses (Single): $8
- Staff Expenses (Double): $9
- Laundry Expenses (Single): $6.5
- Laundry Expenses (Double): $7.25

Total Single Daily per room Direct Expense= $7.5+$8+$6.5=**$22**  
Total Double Daily per Room Direct Expense = $8.25+$9+$7.25= **$24.5**  
Total Daily Single Room Expense = $ 23.21+$22= **$45.21** (Hurdle Rate)

Total Daily Double Room Expense = $23.21+$24.5= **$47.71** (Hurdle Rate)

**Determining Rack Rate:**

The answer found above is the minimum price of Single and Double rooms as to have no loss or profit from our operations! This condition is refereed to as the Break-Even price!
In order to find the rack rate (i.e. the maximum price potential guests can be charged), the hotel shall apply some of the above-mentioned methods:

a) **Multiplier Method**: Under this very method, hotels shall try to set a Multiplier, by which the Room Cost shall be multiplied, in order to come up with the hotel Room Rack Rate (for each room type):

- **Multiplier = 1/(Desired Room Cost Percentage)**
- **Desired Room Cost Percentage = (Forecasted Total Room Cost) / (Forecasted Total Room Reven-ue)**

Suppose that Jamel Hotel’s Management decided, prior to a certain price demand analysis, to have a Desired Room Single Cost Percentage of 75% and a Desired Double Cost Percentage of 60%.

- Single Multiplier = 1/0.75 = 1.33
- Double Multiplier = 1/0.60 = 1.67

- Single Rack Rate = $45.21 * 1.33 = $60.28
- Double Rack Rate = $47.71 * 1.67 = $79.52

b) **Mark-up Method**
Under this very method, an addition (or add-on) to the Cost of a Product will be applied to come up
with the Single and Double Rack Rates.

- Suppose Jamel Hotel decided to have a 25% Mark-up on Room Costs for both Single and Double Rooms.

  - Single Rack Rate = $45.21 * (1 + 0.25) =$45.21*1.25=$56.51

  - Double Rack Rate = $47.71 * 1.25 = $59.64

- Later, the hotel might adjust this figure to a whole number and communicate it as its List Price (for guest and accounting convenience!)

- The most important handicap of the Cost Approach pricing is that it does not take into consideration how much Customers are actually willing to pay for the Hotel Services, and how other Hotels are actually charging for their Rooms.

2. Market condition approach:

- Under this very approach, management shall look at comparable hotels in the geographical market, see what they are charging for the same product, and “charge only what the market will accept”.
- Some drawbacks of this approach are that it does not take into consideration the value of the property, and what a strong sales effort may accomplish. Last but not least, there is always subjectivity in coming up with sets of criteria against which hotel rooms can be compared and measured for similarity.

3. Rule of thumb approach:

- In this very approach, the rate of a room shall be $1 for each $1,000 of construction and furnishing cost per room, assuming a 70% occupancy rate.
- To illustrate suppose a 150-room hotel has costed $9,500,000 of Construction and Furnishing Costs. Therefore, the cost per room is $
63,333.33 which would mean that the price per room shall be $63.33.

- This approach, however, fails to take into consideration the inflation term, the contribution of other facilities and services towards the hotel’s desired profitability, and assumes a certain level of occupancy rate.

### 4. Hubbart formula approach:

- This very approach considers operating costs, desired profits, and expected number of rooms sold (i.e. demand). The procedure of calculating a room rate is as follows:

  a) Calculate the hotel’s desired profit by multiplying the desired rate of return (ROI) by the owner’s investment.
  b) Calculate pre-tax profits by dividing the desired profit by 1 minus hotel’s tax rate.
  c) Calculate fixed charges and management fees. This calculation includes estimating depreciation, interest expense, property taxes, insurance, amortization, building mortgage, land, rent, and management fees.
  d) Calculate undistributed operating expenses. This includes estimating administrative and general expenses, data processing expenses, human resources expenses, transportation expenses, marketing expenses, property operation and maintenance expenses, and energy costs.
  
  e) Estimate non-room operating department income or loss, that is, F&B department income or loss, telephone department income or loss …

  f) Calculate the required room department income which is the sum of pre-tax profits, fixed charges and management fees, undistributed operating expenses, and other operating department losses less other department incomes.

  g) Determine the rooms department revenue which is the required room department income, plus other
room department direct expenses of payroll and related expenses, plus other direct operating expenses.

h) Calculate the average room rate by dividing rooms department revenue by the expected number of rooms to be sold.

- Doubles sold daily = double occupancy rate * total number of rooms * occupancy%

- Singles sold daily = rooms sold daily – number of double rooms sold daily

- Singles sold daily *x+ doubles sold daily*(x+y)=(average room rate) *(total number of rooms sold daily)

Where: x = price of singles; y = price differential between singles and doubles; x +y = price of doubles.

II-Discounting:

- In all Computations done so far, the Room Price that we have found is what is called the Room Rack Rate (i.e. The Maximum Rate a Hotel can charge a Guest). Yet, most often, only Walk-ins (i.e. Guests without a Reservation) are charged a Rack Rate, which would mean that a big proportion of guests actually pay a Discount on the Rack Rate.

- Discounting is a method used by Management to make their Products and Services attractive to Customers. This very method may differ according to seasonality, type of Customer, Market Segment, and Type of Product…
There is an important relation between Occupancy and Discount Percentage:

\[ \text{Equivalent Occupancy} = (\text{Current Occupancy}) \times \left( \frac{(\text{Rack Rate} - \text{Marginal Cost})}{(\text{Rack Rate} \times (1 - \text{Discount Percentage}) - \text{Marginal Cost})} \right) \]

To illustrate, suppose that an Occupied Single Room has a daily variable cost of $10 and that management are right now selling at Single Rack Rate $50 and managing to have Single Occupancy of 70%. Suppose, furthermore that management decided to discuss the effect of a 10% discount on Single Rack Rate on the eventual demand! And hence, whether to discount or not!

**Answer:**

- In order not to be economically affected by the discount, the minimum Occupancy at that discounted price (i.e. at $45), shall be:

  \[ \text{Equivalent Occupancy} = 70\% \times \left( \frac{($50 - $10)}{($50 \times (1 - 10\%) - $10)} \right) = 70\% \times \left( \frac{40}{35} \right) = 80\% \]

- Management, shall at this very stage, conduct a feasibility study on the effect of that predetermined Discount on Demand and if the effect proves to yield an occupancy which is more than 80%, discounting can be applied. If, not than the discounting idea shall be discarded!

### III- Other Pricing Techniques:

1. **Market-skimming Pricing:**

   Setting a High Price for a new Product to skim maximum Revenues layer by layer from the Segments that are willing to pay the High Price

2. **Market-penetration Pricing:**
Setting a Low Price for a New Product in order to attract a Large Number of Customers and a Large Market Share.
3. Optional Product Pricing:

Pricing Optional or accessory Products that are being sold along with a Main Product.

4. Captive Product Pricing:

Setting a Price for Products that must be used along with a Main Product (ex. Frills no more free of Charge but Charged a Price to Customers)

5. Product Bundle Pricing:

Combining Several Products and Offering the Bundle at a Reduced Price (i.e. Packaging & Discount-ing)
I- What is Forecasting?

Forecasting is a technique to estimate, based on historical figures, expectations, trends, and/or experience, a certain value of an uncontrollable variable for a certain future period of time.

Moreover, forecasting cannot be as simple as coming up with a figure, solely by considering only historical data, without adjusting to other variables like competition, image and risk of the country, interest rates, inflation, exchange rates, and other economical factors! Therefore, a person who forecasts shall adjust the forecasted figure to the realities and expectations for the upcoming period in question!
In the scope of this very course, Rooms Division Managers forecast mainly Room Demand for a future period of time measured either in:

- Number of Rooms
- Number of Room Nights
- Number of Guest Nights

\[
\text{Room Nights} = \text{Occupancy Rate} \times \text{Hotel Rooms} \times \text{Average Length of Stay}
\]

\[
\text{Guest Nights} = \text{Occupancy Rate} \times \text{Hotel Rooms} \times \text{Average Guest per Room}
\]
Forecasting demand in room nights and/or guest nights is a better measurement compared to number of rooms. For, room nights and/or guest nights underlies more than one demand dimension at the same time and hence is more meaningful!

II- Forecasting Methods:

Jamel Hotel’s Historical Room Nights for the past 20 years are depicted below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Room Nights</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>6,520</td>
</tr>
<tr>
<td>1990</td>
<td>6,719</td>
</tr>
<tr>
<td>1991</td>
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<td>1992</td>
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<td>2007</td>
<td>9,324</td>
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<td>2008</td>
<td>10,698</td>
</tr>
</tbody>
</table>

Could you forecast 2009 room demand in room nights only bearing in mind the above-mentioned historical data?
### Room Nights Historical Data

<table>
<thead>
<tr>
<th>Room Nights</th>
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</thead>
<tbody>
<tr>
<td>11,000</td>
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<td>5,000</td>
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</tbody>
</table>
1. **Percentage Growth Method:**

- The assumption underlying this method is that data in hand follow either an increasing or decreasing trend! That’s why; this very method shall be used, while forecasting, only when data matches the assumption!

During the last 20 years of operation of Jamel Hotel:

- The Total Percentage Change in Room Nights is \( \frac{10,698 - 6,520}{6,520} \times 100 = 64.08\% \).

- The Yearly Percentage Change = 64.08\% / 20 = 3.20\%.
- The Forecasted Room Nights for year 2009 is \( 10,698 \times (1 + 0.03203) \approx 11,041 \) Room Nights.

2. **Moving Average Method:**

- Similar to the —Percentage Growth Method—, the Moving Average Method assumes an increasing or decreasing trend!

- This very forecasting technique aims at smoothing data and adjusts it as to
minimize volatility reflected in a high standard deviation between different records in the same data range!

The most common used moving average is the Double moving average, which calculates a third column by taking averages of couples of any two successive years! Later, the percentage growth method would be applied to the smoothed data! Lastly, come up with the forecasted value!

<table>
<thead>
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<th>Year</th>
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<th>Double Moving Average</th>
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</tr>
</tbody>
</table>

Year
□ The Total Moving Average Percentage Change = \( \frac{10,011 - 6,619.5}{6,619.5} \times 100 = 51.23 \% \)

□ The Period Moving Average Percentage Change = \( \frac{51.23 \%}{19} = 2.70 \% \).

□ The Forecasted 2008 - 2009 Moving Average = \( 10,011 \times (1.026965) = 10,280.954 \).

□ The Forecasted 2009 Room Nights = \( 10,280.954 \times 2 - 10,698 \approx 9,864 \) Room Nights.
3. **Weighed Average Method:**

- The Weighed Average Method assigns a certain importance factor or coefficient to each historical value. Later, the forecasted value shall be computed by dividing the weighted data by its coefficients by the sum of coefficients.

- Assigning weights or coefficients is an art that depends on experience, thorough analysis of past figures, and performances... Yet, whatsoever coefficients chosen, there is always a certain subjectivity factor that might affect eventually the forecasted figure!

- One of the most common types of the weighted average method is the simplest method, which assigns the lowest weight to the oldest data in a sequential order.

- Though the simplest weighted average method is straightforward, assigning least weight to oldest data assumes that:
  - The factors that affect the oldest demand diminish through time and hence are not important as far as the future period to be forecasted is concerned.
  - The factors and hence the conditions that created the last period’s demand are assumed to continue heavily playing an important role in the next period to be forecasted!

- Since the above mentioned assumptions might not be valid, in most of the cases, hotels shall adjust the coefficients attributed in the simplest weighted average method in a way that mostly puts more weight on factors thought to affect next period’s demand and less weight to those which would be...
considered relatively unimportant!!

Another possibility is that hotels shall, after finding a forecast from the simple weighted average method, adjust to experience, trends, and facts…

<table>
<thead>
<tr>
<th>Year</th>
<th>Room Nights</th>
<th>Weight</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>6,520</td>
<td>1</td>
<td>6,520</td>
</tr>
<tr>
<td>1990</td>
<td>6,719</td>
<td>2</td>
<td>13,438</td>
</tr>
<tr>
<td>1991</td>
<td>7,060</td>
<td>3</td>
<td>21,180</td>
</tr>
<tr>
<td>1992</td>
<td>7,148</td>
<td>4</td>
<td>28,592</td>
</tr>
<tr>
<td>1993</td>
<td>7,612</td>
<td>5</td>
<td>38,060</td>
</tr>
<tr>
<td>1994</td>
<td>8,915</td>
<td>6</td>
<td>53,490</td>
</tr>
<tr>
<td>1995</td>
<td>5,430</td>
<td>7</td>
<td>38,010</td>
</tr>
<tr>
<td>1996</td>
<td>4,519</td>
<td>8</td>
<td>36,152</td>
</tr>
</tbody>
</table>
The 2009 Forecasted Room Nights is 1,680,333 / 210 ≡ 8,002 Room Nights

4. Time Series Analysis:

- The Time Series Method tries through Regression Analysis to come up with a Line that minimizes the distance between any Actual Point on the Curve and its Corresponding Point on the Line (Least Square Method). This Technique is refereed to as the Regression Analysis.

- After finding the Equation of the Line (i.e. f (x) = y = a * x + b), we try to forecast the independent Variable (in this Case, the 2004 Forecasted Room Nights)

- As far as Jamel Hotel’s problem is concerned, post to running a regression analysis, the equation of the line that best fits the data (significant at a 95%
interval level!) turned out to be:

\[ \text{Room Nights} = 169.3692 \times \text{Year} - 331,019 \]

- Therefore the 2009 forecasted room nights = \(169.3692 \times 2009 - 331,019 \approx 9,244\) Room Nights
III- Comparison of Forecasting Methods:

<table>
<thead>
<tr>
<th>Method</th>
<th>Forecasted Room Nights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage Growth Method</td>
<td>11,041</td>
</tr>
<tr>
<td>Moving Average Method</td>
<td>9,864</td>
</tr>
<tr>
<td>Simple Weighted Average Method</td>
<td>8,002</td>
</tr>
<tr>
<td>Regression Analysis</td>
<td>9,244</td>
</tr>
</tbody>
</table>

 Managers shall use forecasting methods with extreme precautions, and shall consider first the assumptions underlying each Forecasting Method to be able to find a good forecast.

 Managers shall use forecasting methods with extreme precautions, and shall consider first the assumptions underlying each Forecasting Method to be able to find a good forecast.

 After running a statistical forecast, managers shall adjust it to trends, expectations, and opinion surveys… (I.e. shall consider judgmental forecasting!)
Forecasting Room Availability

The most important short-term planning that front office managers do is forecasting the number of rooms available for future reservations. Room availability forecasts are used to help manage the reservations process and guide front office staff in effective rooms management. Forecasting may be especially important on nights when a full house (100 percent occupancy) is possible.

A room availability forecast can also be used as an occupancy forecast. Since there is a fixed number of rooms in the hotel, forecasting the number of rooms available for sale and the number of rooms expected to be occupied forecasts the
occupancy percentage expected on a given date. The forecasted availability and occupancy numbers are very important to the daily operations of the hotel. Occupancy forecasts are the foundation for making room pricing decisions. They also influence when rooms are to be placed on out-of-order status for maintenance or deep cleaning. Without an accurate forecast, rooms may go unsold or be sold at inappropriate rates. Room occupancy forecasts can be useful to the front office manager attempting to schedule the necessary number of employees for an expected volume of business. These forecasts may be helpful to other hotel department managers as well. For example, the housekeeping department manager needs to know how many rooms the front office expects to be occupied to properly schedule room attendants. Restaurant managers must know the same information to better schedule service staff. The chef requires this figure to determine how much food to purchase for the restaurants.

Obviously, a forecast is only as reliable as the information on which it is based. Since forecasts can serve as a guide in determining operating costs, every effort should be made to ensure forecasting accuracy.

Forecasting is a difficult skill to develop. The skill is acquired through experience, effective recordkeeping, and accurate counting methods. Experienced front office managers have found that several types of information can be helpful in room availability forecasting:

- A thorough knowledge of the hotel and its surrounding area
- Market profiles of the constituencies the hotel serves
- Occupancy data for the past several months and for the same period of the previous year
- Reservation trends and a history of reservation lead times (how far in advance reservations are made)

- A listing of special events scheduled in the surrounding geographic area

- Business and historical profiles of specific groups booked for the forecast dates

- The number of non-guaranteed and guaranteed reservations and an estimate of the number of expected no-shows

- The percentage of rooms already reserved and the cut-off date for group room blocks held for the forecast dates
The room availability of the most important competing hotels for the forecast dates (as discovered through blind calls)

The impact of citywide or multi-hotel groups and their potential influence on the forecast dates

Plans for remodeling or renovating the hotel that would change the number of available rooms

Construction or renovating plans for competitive hotels in the area

**Forecasting Data**

The process of forecasting room availability generally relies on historical occupancy data as well as business already committed. Historical data is used to take some of the guesswork out of forecasting. To facilitate forecasting, the following daily occupancy data should be collected:

- Number of expected room arrivals: based on existing reservations and historical trends for new reservations and on cancellations prior to the arrival date.

- Number of expected room walk-ins: based on historical records.

- Number of expected room stayovers (rooms occupied on previous...
nights that will continue to be occupied for the night in question): based on existing reservations.

- Number of expected room no-shows: based on historical records.

- Number of expected room understays (check-outs occurring before expected departure date): based on historical data.

- Number of expected room check-outs: based on existing reservations.

- Number of expected room overstays (check-outs occurring after the originally reserved departure date): based on historical records.

Some hotels with a very high double occupancy percentage may be as concerned with guest counts as room counts. For example, an all-inclusive resort with a large amount of business from vacationing couples may want to forecast guest as well as room count activity. Convention hotels may often have the same concerns.
Chances are good that much of this information is available in reports, documents, and other data sources at the property. The hotel's daily reports will likely be invaluable in this research. These reports should be summarized and stored in a way that is easily accessible.

<table>
<thead>
<tr>
<th></th>
<th>Occupied Rooms</th>
<th>Overstay Rooms</th>
<th>Understay Rooms</th>
<th>Room Check-Outs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sun</td>
<td>90</td>
<td>6</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>Fri</td>
<td>115</td>
<td>10</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Thu</td>
<td>120</td>
<td>12</td>
<td>6</td>
<td>63</td>
</tr>
<tr>
<td>Sat</td>
<td>95</td>
<td>3</td>
<td>18</td>
<td>78</td>
</tr>
<tr>
<td>Wed</td>
<td>56</td>
<td>6</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Mon</td>
<td>30</td>
<td>3</td>
<td>3</td>
<td>45</td>
</tr>
<tr>
<td>Totals</td>
<td>556</td>
<td>47</td>
<td>23</td>
<td>346</td>
</tr>
</tbody>
</table>
Overall, these data are important to room availability forecasting, since they are used in calculating various daily operating ratios that help determine the number of available rooms for sale. Ratios are a mathematical expression of a relationship between two numbers that is determined by dividing one by the other. Most statistical ratios that apply to front office operations are expressed as percentages. The ratios examined in the following sections are percentages of no-shows, walk-ins, overstays, and understays. Occupancy history data from the fictitious property shown in Exhibit 7 (the Holly Hotel) are used to illustrate the calculation of each front office ratio. Managers should look for consistency in ratios. Consistency may be roughly the same ratio every day or identifiable patterns. Without consistency, forecasting ratios and projecting operating performance may be very difficult.

**Percentage of No-Show**s. The percentage of no-shows indicates the proportion of reserved rooms that the expected guests did not arrive to occupy (and did not cancel) on the expected arrival date. This ratio helps the front office manager decide when (and if) to sell already-committed rooms to walk-in guests.
The percentage of no-shows is calculated by dividing the number of room no-shows by the total number of room reservations for a specific period of time (day, week, month, or year) times 100. Using figures from Exhibit 7, the percentage of no-shows for the Holly Hotel during the first week of March can be calculated as follows:

\[
\text{Percentage of No-Shows} = \frac{\text{Number of Room No-Shows}}{\text{Number of Room Reservations}} \times 100
\]

\[
= \frac{52}{288} \times 100
\]

\[
= 18.06\% \text{ or } 18.06\% \text{ of Reserved Rooms}
\]

Some properties track no-show statistics in relation to guaranteed and non-guaranteed reservations. Non-guaranteed reservations typically have a higher no-show percentage than guaranteed reservations, since the potential guest has no obligation to pay for the accommodations if he or she does not register at the property. Properly incorporating no-show allowances into room availability forecasts also depends on the hotel's mix of business; for example, corporate groups generally have a much lower no-show percentage than do other types of groups or individual guests. A hotel that works with a large corporate meetings market will most likely have a low no-show percentage. Conversely, a hotel with very little corporate group business, such as a hotel located in a suburban area alongside an interstate highway, is likely to have a much higher percentage of no-show reservations since guests desire flexibility in their travel plans.

Hotels and resorts strive to control no-shows through a number of policies and procedures, such as requiring a cash or credit card deposit in advance of the stay.
and/or contacting the guest before arrival to confirm travel and room arrangements.

**Percentage of Walk-Ins.** The percentage of walk-ins is calculated by dividing the number of rooms occupied by walk-ins for a period by the total number of room arrivals for the same period. Using figures from Exhibit 7, the percentage of walk-ins for the Holly Hotel during the first week of March can be calculated as follows:

\[
\text{Percentage of Walk-Ins} = \frac{\text{Number of Room Walk-Ins}}{\text{Total Number of Room Arrivals}}
\]

\[
= \frac{90}{326}
\]

\[
= .2761 \text{ or } 27.61\% \text{ of Room Arrivals}
\]
Walk-in guests occupy available rooms that are not held for guests with reservations. Often, hotels can sell rooms to walk-in guests at a higher rate, since these guests may have less opportunity to consider alternate properties. Front desk agents are sometimes asked to show a guestroom to a walk-in guest—which tends to be much more effective than trying to sell rooms over the telephone or through a website. Walk-in guest sales help improve both occupancy and room revenues. However, from a planning perspective, it is generally better to have reservations in advance than to count on walk-in traffic.

Note that other ratios can dramatically affect the walk-in ratio. For example, if a hotel has ten no-shows beyond forecast, it may accept more walk-ins than usual to make up for the lost business. When this information is tracked for historical purposes, it is essential that the other ratios also be tracked to show how they affect one another. One effective way to predict walk-ins is to know what is going on in the marketplace. There will be a better opportunity for walk-ins (and a higher rate) if nearby hotels are experiencing high demand.

**Percentage of Overstays.** Overstays represent rooms occupied by guests who stay beyond their originally scheduled departure dates. Overstay guests may have arrived with guaranteed or non-guaranteed reservations or as walk-ins. Overstays should not be confused with stayovers. Stayover rooms are rooms occupied by guests who arrived to occupy a room before the day in question and whose scheduled departure date isn't until after the day in question.

Using historical data, the percentage of overstays is calculated by dividing the actual number of overstay rooms for a day or a period by the total number of expected room check-outs for the same day or period. The number of expected room check-outs is the number of rooms shown by the front office system or the manual count of occupied rooms as due for departure. Stated another way, the number of expected room check-outs can be calculated from
historical data as the number of actual departures on the books minus understays plus overstays. Note that in this case, the term *understays* refers to people checking out early on the day in question, *not* to those guests who

were *originally scheduled* to leave on the day in question but who chose to check out one or more days early. For purposes of this equation, those latter guests would be considered understays on the day they checked out.

Overstays and understays can be determined for periods beyond one day by summing the actual overstay and understay counts calculated separately for each day within the longer period. Using figures from Exhibit 7, the percentage of overstays for the Holly Hotel during the first week of March can be calculated as follows:
To help regulate room overstays, front office agents are trained to verify an arriving guest's departure date at check-in. Such verification can be critical, especially when the hotel is at or near full occupancy and there are no provisions for overstay guests. Overstays may also prove problematic when specific rooms have been blocked for arriving guests. This is especially important for suites or other rooms that may have special importance to an incoming guest.

**Percentage of Understays.** Understays represent rooms occupied by guests who check out before their originally scheduled departure dates. Understay guests may have arrived at the hotel with guaranteed or non-guaranteed reservations or as walk-ins.

The percentage of understays is calculated by dividing the number of understay rooms for a day or period by the total number of expected room check-outs for the same day or period. Using the same approach as that just described for determining the percentage of overstays, the understays are counted as understays only on the day of their early check-out, and understay counts should be determined separately and summed for each day in a multi-day period. Using figures from Exhibit 7, the percentage of understays for the Holly Hotel during the first week of March can be calculated as follows:
Guests leaving before their stated departure date create empty rooms that typically are difficult to fill. Thus, understay rooms may represent permanently lost room revenue. Overstays, on the other hand, are guests staying beyond their stated departure date and may boost room revenues. When the hotel is not operating at full capacity, overstays result in additional, unexpected room revenues. In an attempt to regulate understay and overstay rooms, front office staff should:
Confirm or reconfirm each guest's departure date at registration. Some guests may already know of a change in plans, or a mistake may have been made in the original processing of the reservation. The sooner erroneous data are corrected, the greater the chance for improved planning.

Present an alternate guestroom reservation form to a registered guest, explaining that an arriving guest holds a reservation for his or her assigned room. A note card may be placed in the guest's room the day before or the morning of the scheduled day of the registered guest's departure.

Review group history. Many groups, especially associations, hold large closing events for the entire group on the last day of the meeting. Guests may make reservations to include attending the final event. However, changes in plans or other priorities may require guests to leave early. While it is difficult for the hotel to hold guests to the number of nights they reserved, managers may be better able to plan for early departures, based on the group's departure history. Some hotels that have a lot of association business or a history of transient guests departing before their scheduled date may apply the reservation deposit to the last night of the stay, not the first night.

Contact potential overstay guests about their scheduled departure date to confirm their intention to check out. Room occupancy data should be examined each day; rooms with guests expected to check out should be flagged. Guests who have not left by check-out time should be contacted and asked about their departure intentions. This procedure permits an early revised count of overstays and allows sufficient time to modify previous front office planning, if necessary.
Forecast Formula

Once relevant occupancy statistics have been gathered, the number of rooms available for sale on any given date can be determined by the following formula:

\[
\text{Total Number of Guestrooms} - \text{Number of Out-of-Order Rooms} - \text{Number of Room Stayovers} - \text{Number of Room Reservations} + \text{Number of Room Reservations} \times \text{Percentage of No-Shows} + \text{Number of Room Understays} - \text{Number of Room Overstays} = \text{Number of Rooms Available for Sale}
\]
Note that this formula does not include walk-ins. They are not included because the number of walk-ins a hotel can accept is determined by the number of rooms that remain available for sale. If a hotel is full due to existing reservations, stayovers, and other factors, it cannot accept walk-ins.

As an example, consider the Holly House, a 120-room property, where on April 1 there are 3 out-of-order rooms and 55 stayovers. On that day, there are 42 guests with reservations scheduled to arrive. Since the percentage of no-shows has been recently calculated at 18.06 percent, the front office manager calculates (42 x .1806 = 7.59, rounded to 8) that as many as 8 guests with reservations may not arrive. Based on historical data, 6 understays and 15 overstays are also expected. The number of rooms projected to be available for sale on April 1 can be determined as follows:

| Total Number of Guestrooms | 120 |
| Number of Out-of-Order Rooms | - 3 |
| Number of Room Stayovers | - 55 |
| Number of Room Reservations | - 42 |
| Number of Room Reservations \times No-Show Percentage | + 8 |
| Number of Room Understays | + 6 |
| Number of Room Overslats | - 15 |
| Number of Rooms Available for Sale | 19 |

Therefore, the Holly House is considered to have 19 rooms available for sale.
on April 1. Once this figure is determined, front office management can decide whether to accept more reservations and can determine its level of staffing. Front office planning decisions must remain flexible; they are subject to change as the front office learns of reservation cancellations and modifications. Note also that room availability forecasts are based on assumptions whose validity may vary on any given day.

**Sample Forecast Forms**

The front office may prepare several different forecasts, depending on its needs. Occupancy forecasts are typically developed on a monthly basis and reviewed by food and beverage and rooms division management to forecast revenues, project expenses, and develop labor schedules. A ten-day forecast, for example, may be used to update labor scheduling and cost projections and may later be supplemented by a more current three-day forecast. Together, these forecasts help many hotel departments maintain appropriate staff levels for expected business volumes and thereby help contain costs.

**Ten-Day Forecast.** At most lodging properties, the ten-day forecast is developed jointly by the front office manager and the reservations manager,
possibly in conjunction with a forecast committee. Many properties develop their ten-day forecast from their yearly forecast. A ten-day forecast usually consists of:

- Daily forecasted occupancy figures, including room arrivals, room departures, rooms sold, and number of guests

- The number of group commitments, with a listing of each group's name, arrival and departure dates, number of rooms reserved, number of guests, and perhaps quoted room rates

- A comparison of the previous period's forecasted and actual room counts and occupancy percentages

A special ten-day forecast may also be prepared for food and beverage, banquet, and catering operations. This forecast usually includes the expected number of guests, which is often referred to as the house count. Sometimes the house count is divided into group and non-group categories so that the hotel's dining room managers can better understand the nature of their business and their staffing needs.

To help various hotel departments plan their staffing and payroll levels for the upcoming period, the ten-day forecast should be completed and distributed to all department offices by mid-week for the coming period. This forecast can be especially helpful to the housekeeping department. A ten-day forecast form, as shown in Exhibit 8, is typically developed from data collected through several front office sources. (The occupancy multiplier mentioned in section 10 of the exhibit is discussed later in the chapter.)
First, the current number of occupied rooms is reviewed. The estimated numbers of overstays and expected departures are noted. Next, relevant reservation information is evaluated for each room (and guest) by date of arrival, length of stay, and date of departure. These counts are then reconciled with reservation control data. Then, the actual counts are adjusted to reflect the projected percentage of no-shows, anticipated understays, and expected walk-ins. These projections are based on the hotel's recent history, the seasonality of its business, and the known history of specific groups scheduled to arrive. Finally, conventions and other groups are listed on the forecast to alert various department managers to possible periods of heavy, or light, check-ins and check-outs. The number of rooms assigned each day to each group may also be noted on the sheet.
Most automated systems provide a summary of recorded data in a report format for the front office manager to use. However, only revenue management systems are programmed to "forecast" business. Programming hotel property management systems to successfully analyze historical trends and market conditions has been attempted in the past with little success. Revenue
management systems are much more sophisticated, with special trend analysis and regression analysis programming built in. Even with revenue management system forecasting, it is the front office manager's knowledge and skill that ultimately determines the accuracy of the forecast. Exhibit 9 presents a checklist that some revenue managers use when revising forecasts.

**Three-Day Forecast.** A three-day forecast is an updated report that reflects a more current estimate of room availability. It details any significant changes from the ten-day forecast. The three-day forecast is intended to guide management in fine-tuning labor schedules and adjusting room availability information. Exhibit 10 shows a sample three-day forecast form. In some hotels, a brief daily revenue meeting is held to focus on occupancy and rate changes for the next few days. The results of this meeting are often included in the three-day forecast.

**Room Count Considerations.** Control books, charts, software applications, projections, ratios, and formulas can be essential in short- and long-range room count planning. Each day, the front office performs several physical counts of rooms occupied, vacant, reserved, and due to check out, to complete the occupancy statistics for that day. An automated system may reduce the need for most final counts, since the system can be programmed to continually update room availability information.
It is important for front desk agents to know exactly how many rooms are available, especially if the hotel expects to operate at nearly 100 percent occupancy. Once procedures for gathering room count information are established, planning procedures can be extended to longer periods of time to form a more reliable basis for revenue, expense, and labor forecasting. The checklist in Exhibit 11 may be applicable to non-automated and semi-automated operations alike.

Budget: "A plan by which resources required to generate revenue is recorded."

The management committee takes care of the budgeting in the hotel. All the department heads are responsible for creating the budget for their respective departments and send it to the financial controller for final approval. Budgeting is one of the main planning activities within the hotels.

The budget provides an opportunity for taking a critical look on the cost incurred by the department, reviewing past planning and then taking appropriate steps to accomplish better outcomes in the next financial year.

The executive housekeeper has to be involved in the planning process that leads to formulation of the budget and has to ensure that the department’s actual expenses are in line with budgeted cost and occupancy level.
Why is Budget Required?

The budgets act as a guide that provides the manager with the standards, by which they can measure the success of operation. A budget provides a financial framework within which all the department operates. The budget also act as a guide as to which things need repair or replacement it also help to determine what valuable pieces of equipment may be purchased and to pinpoint the areas which needs to be emphasized for the coming year.

It can be said that a budget is an instrument used by management for controlling and directing activities especially purchasing activities.

**Types of Budgets:**

Budget may be of different kinds, based on type of expenses involved, the departments, and the flexibility of expenses.
1.

2. Categorization by Type of Expenditure: Based on the type of expense and assets involved, budget may be categorized into:

   - Capital Budget: These allocate the use of capital assets that life span considerably in excess of one year; these are assets that are not normally used up in day to day operation. Example: furniture and fixture. Capital expenditure may include vacuum cleaners, machines. The hotel building itself also comes under capital assets.

   - Operating Budget: Operating expenditures are those costs that are incurred in order to generate revenue in normal course of doing business. The cost of all non recycled inventory items, such as cleaning and guest supply is also operation cost.

   - Pre Opening Budget: These budgets allocate resource for opening parties, advertising, generating of initial goodwill. Pre opening budget also include the initial cost of employee salaries, crockery, cutlery and other item.

1. Categorization by Department Involved: Based on departmental involved, budget may be categorized into:
•

- Master Budget: These represent the forecasted targets set for the whole organization and incorporate all income and expenditure estimated for the organization.

- Departmental Budget: Each department of the hotel forwards a budget for its estimated expenses and revenue to the financial controller. For instance, there would be housekeeping budget etc.

2. Categorization by Flexibility of Expenditure: Budget may be classified on the basis of Flexibility of expenditure:

•

- Fixed Budget: These budgets remain unchanged over a period of times and are not related to the level of revenues. Such budget include resource allocation for advertising and administration.
Flexible Budget: These budgets are predetermined expenditure based on the expected revenue and differ with different volumes of sale. A budget is a quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. It expresses strategic plans of business units, organizations, activities or events in measurable terms.
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1 Etymology

2 Purpose

3 Business start-up budget

4 Corporate budget

5 Event management budget

6.1 United States

6.2 India

6.3 Philippines

7 Personal or family budget

8 Budget types

9 See also
A budget (derived from old French word *bougette*, purse) is a quantified financial plan for a forthcoming accounting period.[2]

A budget is an important concept in microeconomics, which uses a budget line to illustrate the trade-offs between two or more goods. In other terms, a budget is an organizational plan stated in monetary terms.

Purpose[edit]

Budget helps to aid the planning of actual operations by forcing managers to consider how the conditions might change and what steps should be taken now and by encouraging managers to consider problems before they arise. It also helps co-ordinate the activities of the organization by compelling managers to examine relationships between their own operation and those of other departments. Other essentials of budget include:

- To control resources
- To communicate plans to various responsibility center managers.
- To motivate managers to strive to achieve budget goals.
To evaluate the performance of managers

To provide visibility into the company's performance

For accountability

In summary, the purpose of budgeting is tools:

1. Tools provide a forecast of revenues and expenditures, that is, construct a model of how a business might perform financially if certain strategies, events and plans are carried out.

2. Tools enable the actual financial operation of the business to be measured against the forecast.

3. Lastly, tools establish the cost constraint for a project, program, or operation.
The process of calculating the costs of starting a small business begins with a list of all necessary purchases including tangible assets (for example, equipment, inventory) and services (for example, remodeling, insurance), working capital, sources and collateral. The budget should contain a narrative explaining how you decided on the amount of this reserve and a description of the expected financial results of business activities. The assets should be valued with each and every cost. All other expenses are like labour factory overhead all freshmen expenses are also included into business budgeting.

The budget of a company is often compiled annually, but may not be a finished budget, usually requiring considerable effort, is a plan for the short-term future, typically allows hundreds or even thousands of people in various departments (operations, human resources, IT, etc.) to list their expected revenues and expenses in the final budget.

If the actual figures delivered through the budget period come close to the budget, this suggests that the managers understand their business and have been successfully driving it in the intended direction. On the other hand, if the figures diverge wildly from the budget, this sends an 'out of control' signal, and the share price could suffer. Campaign planners incur two types of cost in any campaign: the first is the cost of human resource
necessary to plan and execute the campaign. The second type of expense that campaign planners incur is the hard cost of the campaign itself.

Event management budget [edit]

A budget is a fundamental tool for an event director to predict with a reasonable accuracy whether the event will result in a profit, a loss or will break-even. A budget can also be used as a pricing tool.
There are two basic approaches or philosophies, when it comes to budgeting. One approach is telling you on mathematical models, and the other on people.

The first school of thought believes that financial models, if properly constructed, can be used to predict the future. The focus is on variables, inputs and outputs, drivers and the like. Investments of time and money are devoted to perfecting these models, which are typically held in some type of financial spreadsheet application.

The other school of thought holds that it’s not about models, it’s about people. No matter how sophisticated models can get, the best information comes from the people in the business. The focus is therefore in engaging the managers in the business more fully in the budget process, and building accountability for the results. The companies that adhere to this approach have their managers develop their own budgets. While many companies would say that they do both, in reality the investment of time and money falls squarely in one approach or the other.

Government budget[edit]

For more details on this topic, see Government budget.

The budget of a government is a summary or plan of the intended revenues and expenditures of that government. There are three types of government budget: the operating or current budget, the capital or investment budget,
and the cash or cash flow budget.[3]

United States[edit]

Main article: United States federal budget

The federal budget is prepared by the Office of Management and Budget, and submitted to Congress for consideration. Invariably, Congress makes many and substantial changes. Nearly all American states are required to have balanced budgets, but the federal government is allowed to run deficits.
India[edit]

Main article: Union budget of India

The budget is prepared by the Budget Division of Department of Economic Affairs of the Ministry of Finance annually. This includes supplementary excess grants and when a proclamation by the President as to failure of Constitutional machinery is in operation in relation to a State or a Union Territory, preparation of the Budget of such State. The railway budget is presented separately by the Ministry of Railways.

Philippines[edit]

The Philippine budget is considered the most complicated in the world, incorporating multiple approaches in one single budget system: line-item (budget execution), performance (budget accountability), and zero-based (budget preparation). The Department of Budget and Management prepares the National Expenditure Program and forwards it to the Committee on Appropriations of the House of Representative to come up with a General Appropriations Bill (GAB). The GAB will go through budget deliberations and voting; the same process occurs when the GAB is transmitted to the Philippine Senate.

After both houses of Congress approves the GAB, the President signs the bill into a General Appropriations Act (GAA); also, the President may opt to veto the GAB and have it returned to the legislative branch or leave the
bill unsigned for 30 days and lapse into law. There are two types of budget bill veto: the line-item veto and the veto of the whole budget.

Personal or family budget[edit]

For more details on this topic, see Personal budget.

In a personal or family budget all sources of income (inflows) are identified and expenses (outflows) are planned with the intent of matching outflows to inflows (making ends meet). In consumer theory, the equation restricting an
individual or household to spend no more than its total resources is often called the \textit{budget constraint}.

Elements of a personal or family budget usually include, \textbf{fixed expenses, monthly payments, insurance, entertainment, and savings}. There are many informational sites and software available for use in personal and family budgeting.

Budget types[\textit{edit}]

- \textbf{Sales budget} – an estimate of future sales, often broken down into both units and currency. It is used to create company sales goals.

- \textbf{Production budget} - an estimate of the number of units that must be manufactured to meet the sales goals. The production budget also estimates the various costs involved with manufacturing those units, including labor and material. Created by product oriented companies.

- \textbf{Capital budget} - used to determine whether an organization's long term investments such as new machinery, replacement machinery, new plants, new products, and research development projects are worth pursuing.

- \textbf{Cash flow/cash budget} – a prediction of future cash receipts and
expenditures for a particular time period. It usually covers a period in the short term future. The cash flow budget helps the business determine when income will be sufficient to cover expenses and when the company will need to seek outside financing.

- **Marketing budget** – an estimate of the funds needed for promotion, advertising, and public relations in order to market the product or service.

- **Project budget** – a prediction of the costs associated with a particular company project. These costs include labour, materials, and other related expenses. The project budget is often broken down into
specific tasks, with task budgets assigned to each. A cost estimate is used to establish a project budget.

- **Revenue budget** – consists of revenue receipts of government and the expenditure met from these revenues. Tax revenues are made up of taxes and other duties that the government levies.

- **Expenditure budget** – includes spending data items.
REVENUE MANAGEMENT

- Yield Management is a Technique used to Maximize Room Revenues

- Yield Management (Revenue Management) presents a more Basic Measure of Performance because it combines Occupancy Percentage with Average Daily Rate (ADR) into a Single Statistic called the Yield Statistic

- Yield Management is an evaluative Tool that allows the Front Office Manager to use Potential Revenue as the Standard against which Actual Revenue can be Compared

I- THE CONCEPT OF YIELD MANAGEMENT:

♦ Yield Management is based on Demand and Supply

♦ The Hotel Industry’s Focus is shifting from High Volume Booking to High Profit Booking

1. Hotel Industry Applications:

♦ The Commodity that the Hotel sells is Time in a Given Space, and if it is Unsold, Revenue is lost forever

♦ Yield Management is composed of a set of Demand Forecasting Techniques used to determine whether Room Rates should be raised or lowered, and whether a Reservation should be accepted or rejected in order to maximize Revenue
In order to maximize Revenue, the Front Office Manager needs to forecast Information concerning *Capacity Management*, *Discount Allocation*, and *Duration Control*

**Capacity Management** ⇒ tries to solve the following Problems:

- Controlling and limiting Room Supply
- Balancing the Risk of Overselling Guest Rooms with the Potential Loss of Rooms arising from *Room Spoilage*
- Determining how many Walk-ins to accept during the Day of Arrival

**Discount Allocation** ⇒ Involves restricting the Time Period and Product Mix Available at reduced or discounted Rates, and limiting Discounts by Room Type through encouraging *Upselling*

**Duration Control** ⇒ Places Time Constraints on accepting Reservations in order to protect Sufficient Space for Multi-Day Requests ⇒ —A Reservation for a One-Night Stay might be rejected, even though Space is Available that Night!

2. *Measuring Yield*:

- The Yield Statistic is the Ratio of the Actual Revenue (Generated by the Number of Rooms Sold) to Potential Revenue (THE Amount of Money that would be received from the Sales of Rooms in the Hotel at a Rack Rate)

**Formula 1: Potential Average Single Rate:**

\[ \text{Potential Average Single Rate} = \frac{\text{Single Room Revenues at Rack Rate}}{\text{Number of Rooms Sold as Single}} \]
Formula 2: Potential Average Double Rate:
Potential Average Double Rate = (Double Room Revenue at Rack Rate) / (Number of Rooms Sold as Double)

**Formula 3:** Multiple Occupancy Percentage:

Multiple Occupancy Percentage = (Number of Rooms Occupied by more than 1 Person) / (Total Number of Rooms Sold)

**Formula 4:** Rate Spread:

Rate Spread = (Potential Average Double Rate) – (Potential Average Single Rate)

**Formula 5:** Potential Average Rate:

Potential Average Rate = (Multiple Occupancy Percentage * Rate Spread) + (Potential Average Single Rate)

**Formula 6:** Room Rate Achievement Factor:

Room Rate Achievement Factor = (Actual Average Rate) / (Potential Average Rate)
**Formula 7: Yield Statistic:**

1.  \( \text{Yield Statistic} = \frac{\text{Actual Rooms Revenue}}{\text{Potential Rooms Revenue}} \)

2.  \( \text{Yield Statistic} = \frac{\text{(Rooms Nights Sold)}}{\text{(Rooms Nights Available)}} \times \frac{\text{(Actual Average Room Rate)}}{\text{(Potential Average Rate)}} \)

3.  \( \text{Yield Statistic} = \text{Occupancy Percentage} \times \text{Achievement Factor} \)

**Formula 8: Identical Yields Occupancy:**

\( \text{Identical Yields Occupancy} = \frac{\text{(Current Occupancy Percentage)}}{\text{(Current Rate / Proposed Rate)}} \)

**Formula 9: Equivalent Occupancy:**

1.  \( \text{Equivalent Occupancy} = \frac{\text{(Current Occupancy Percentage)}}{\text{((Rack Rate – Marginal Cost) / (Rack Rate * ((1 – Discount Percentage)) – Marginal Cost)}} \)

2.  \( \text{Equivalent Occupancy} = \frac{\text{(Current Occupancy Percentage)}}{\text{((Contribution Margin) / (New Contribution Margin))}} \)

**II- ELEMENTS OF YIELD MANAGEMENT**

While developing a successful Yield Strategy, the following Elements are very important:

- Group Room Sales
- Transient (FIT) Room Sales
Food and Beverage Activity
Local and Area-wide Conventions

Special Events

0. Group Room Sales:
**Group Booking Data** ⇒ Determines whether the Group blocks already recorded in the Reservation File should be modified or not and adjusts expectations by reviewing the Group’s Booking History.

**Group Booking Pace** ⇒ Watches out for the Rate at which Group Business is being booked (Consider Historical Trends)

**Anticipated Group Business** ⇒ Watches out for repetitive Group Patterns and act accordingly in order to forecast the Pressure on the Market, and hence adjust Selling Strategies.

**Group Booking Lead-Time** ⇒ Measures how far in advance of a stay Bookings are made. This is very important in determining whether to accept an Additional Group and at what Room Rate to book the New Group.

**Displacement or Transient Business** ⇒ Occurs when a Hotel accepts Group Business at the Expense of Transient Guest. This might engender Profitability Problems and Bad Reputation.

2. **Transient Room Sales:**

   The Front Office Management shall monitor the Booking Pace and Lead-Time of Transient Guests in order to understand how Current Reservations compare with Historical and Anticipated Rates.

3. **Food and Beverage Activities:**

   All local Food and Beverage Functions should be viewed in light of the Potential for Booking Groups that need Meeting Space, Food and Beverage Service, and Guest Rooms.
4. **Local and Area-wide Activities:**

   - Even when a Hotel is **Not** in the immediate Vicinity of a Convention, Transient Guests and Smaller Groups displaced by the Convention may be referred to the Hotel (as an *Overflow Facility*) and this may have a tremendous Impact on Hotel’s Revenue

5. **Special Events:**

   - In Special Events (Concerts, Festivals, and Sporting Events), Hotels might decide to benefit from High Demand by restricting Room Rate Discounts or requiring a Minimum Length of Stay

**III- USING YIELD MANAGEMENT:**

1. **Potential High Demand Techniques:**

   - Try to define the *Right Mix of Market Segments* in order to sell out the *Highest Possible Room Rates*

   - Monitor New Business Bookings and use these changed Conditions to reassign Room Inventory (As Occupancy increases, consider *closing out Low Room Rates* and open them Only when Demand decreases)

   - Consider establishing a Minimum Number of Nights per Stay
   - Select the Group that offers the *Highest Total Revenue*
   - Try to displace Price-sensitive Groups to Low Demand Days
2. Potential Low Demand Techniques:

- Carefully design a flexible Rating System that permits Sales Agents to offer lower Rates under Certain Situations

- Strive to accurately project expected Market Mix.
  Management shall closely monitor Group Bookings and Trends in Transient Business ⇒
  *Do Not* close off lower Rate and Market Segments arbitrarily

- As Low Occupancy Periods become inevitable, open Lower Rate Categories, solicit Price Sensitive Groups, promote Corporate, Government, and other Special Discounts, and Develop New Rate Packages

- Consider maintaining High Room Rates for Walk-in Guests

- A Non-Financial Technique involves upgrading Guests to nicer Accommodations than they are entitled to by virtue of their Room Rate

⇒ In order to implement these Tactics, Management needs to establish the Hurdle Rate (*The Lowest Rate for a Given Day*) below which it is impossible to sell any Room