

Ten steps to create an accurate hotel income budget

By  Theresa Prins

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There are so many influencing factors to consider when setting a budget. It is a lengthy, but worthwhile exercise. The aim is always to: grow the business, set a realistic budget and get it as accurate as possible.



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Apart from outside influences like the economy, consumer price index, foreign exchange, politics and natural disasters, we need to take the following steps to create a well thought through income budget.

- **Step 1:** Identify 'what worked and what didn't work' this year. Plan to optimise on what worked and focus on what didn't work as a potential growth opportunity for the future, unless there is a compelling reason why you should dismiss it.
- **Step 2:** Identify this year and next year's public holidays, as well as event dates, and the impact it had on business. Can the same impact be applied to next year and what should be taken into consideration?

- **Step 3:** Identify exceptions in the current year. Exceptions would be highly unlikely to repeat themselves again in the following year. Exceptions must include both positive and negative impact occurrences.

- **Step 4:** Identify this year's promotions and analyse its success and failures. Apply the successes to next year's revenue plan.

- **Step 5:** Revise your competitors set from a product, price and value for money perspective. Is your pricing strategy still aligned with your competitors and your product offering?
- **Step 6:** Consider the shift in day-of-week patterns from this year to next year and the revenue impact that will have on the budget for the next year. Calculate the revenue shift from this year to next year.
- **Step 7:** Have a high-level plan per market segment group for the next three to five years, which includes the sales plan, marketing plan, digital and operations plan. This plan must underpin the revenue growth predicted in the budget.
- **Step 8:** Create your budget for the year starting with a daily draft.
- **Step 9:** Once your daily draft is complete, pull the figures into a day-of-week budget, a monthly budget, a quarterly budget and then your annual draft.
- **Step 10:** Go through the figures and compare this with the strategy documents and ensure that it is true based on what is reflected in the budget. Tweak whatever needs to, to ensure the integrity of your plan.

ABOUT THERESA PRINS

Theresa Prins is the founder of Revenue Resolutions, a strategic revenue management agency for the hospitality, leisure and property management industries. Prins has over 25 years experience in the hospitality industry and is an expert in revenue optimisation.

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