

The Importance of Forecasting in Revenue Management



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The Relationship



Forecasting is to Revenue Management
what wings are to an airplane



The Relationship



Revenue Management Framework:

- *Facts* → *Data*
- *Analysis* → *Information*
- *Forecast* → *Knowledge*
- *Optimization* → *Success*

The Relationship



- Without Forecasts, the process stops at Information – and cannot evolve into Knowledge.
- The difference?

Information = Data + Meaning

*Knowledge = Information +
Processing*

The Relationship



- The Forecast Process is how we arrive at knowing what to expect from consumer behaviour and thus what customers will book, when, how and what we'll have for them to book.

The Process

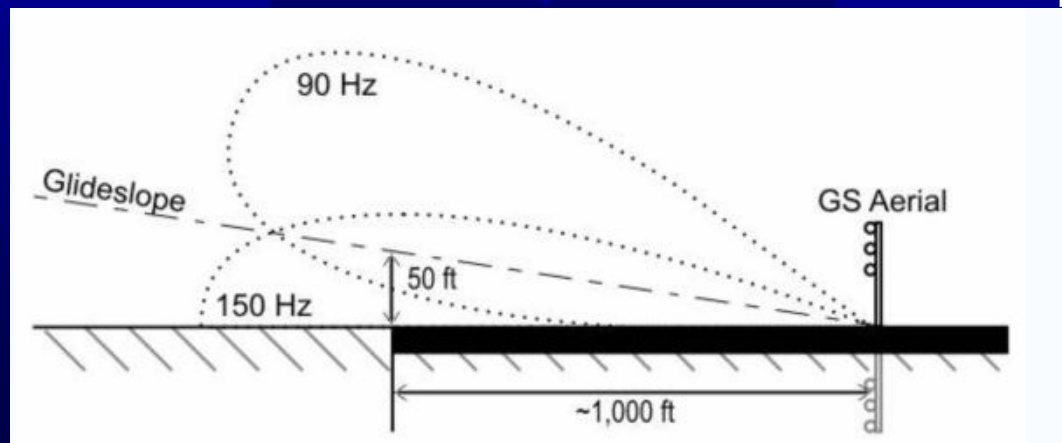


- Manual

- Upscale
- Unstable
- “Human Touch”
- Time consuming
- Risk of bias

- Automated

- Larger scale
- Stable
- Scientific *-Unconstrained demand*
- Efficient
- Risk of dependency



The Process



- Criteria
 - Detailed
 - Appropriate data
 - Frequent
- Emphasis in uncertainty
 - Human touch
 - Increased frequency

Application



- Resource planning
- Yield strategies
- Performance evaluation
- *Expand scope of RM*
- *Product/service planning*



Thank You