



The Uncertainty of 2021 Budgeting and Planning

By Tammie Carlisle, head of hospitality at Milestone Inc., and member of HSMIAI's Marketing Advisory Board

When HSMIAI's Marketing Advisory Board (MAB) had a call to discuss 2021 forecasting and budgeting on Aug. 20, members expressed concern about the ambiguity surrounding next year and uncertainty about how to plan when there is no precedent for what's happening. Here are key takeaways from our discussion, including how MAB members are trying to put together their budgets in an uncertain world.

TOP-DOWN VERSUS BOTTOM-UP

MAB members were divided on whether to budget for next year using a "top-down" or "bottom-up" strategy. Top-down starts by looking at the overall market, basing forecasting on market demand. Bottom-up considers individual business units and expands out, looking at the debt service that needs to be covered.

One MAB member said that he sees starting with revenue projections or cost projections, which influenced him to choose a bottom-up method. "I think right now, because there is so much we can't control and so much we don't know from a revenue perspective, it's really hard to start from the top," the member said. "Every assumption we've made this year has been more wrong than it's been right. If you start with the costs, then you have more control and you're able to be more nimble about making changes along the way."

Another MAB member said that he chose top-down because his organization doesn't have the resources to do anything else. "We've cut back so much on staffing," the member said. "We just don't have the labor to ask anyone to go through the rigorous analysis like we have in the past. Hopefully it's something we can get back to in 2022, but as of now we are too tight on time and resources."

MULTIPLE PLANS

Because nobody knows what the situation will be like a few months from now, let alone in a year, several MAB members said that their hotels are planning for multiple different scenarios. One member said that she has seen hotels making at least two full budgets — one that reflects the absolute bare minimum and one in case a vaccine is miraculously developed and business quickly returns to previous levels.

"You don't need as many employees at a property if you hardly have any rooms filled," one MAB member said. "And you don't need to order the same number of supplies that you have in the past. It's just impossible to predict at this point."

“Nobody does know what’s going to happen, but how do you budget to that?” another MAB member said. “You have to keep planning. I like looking at other countries to see how their business travel began to come back and the behavior factors that play into it.”

One MAB member said that even if you look at countries where business travel has come back, that’s not necessarily going to be the case for the United States. “The difference between the U.S. and other countries is the legal implications on business travel and the risk for the businesses,” the member said. “There are more lawyers here than all of the other countries combined, and people are more likely to sue. So, I think most big companies are going to be cautious and not let people travel for business until there is a permanent solution.”

Another member said that revisions to budgets need to focus on the long term. “Even after the discovery of a vaccine,” the member said, “there will likely be no impact on 2021 business levels.”

SPENDING ON DIGITAL

The majority of MAB members on the call said they were focusing spending on social media, digital media, and email marketing — all low-cost methods that can bring in large numbers of customers. “The return on social is ridiculous right now,” one MAB member said. “The organic reach and engagement is crazy.”

The same member, who is based in a vacation destination, said that his company has had success on social media by writing about the status of the local area and sharing opening information from area restaurants and attractions. “There’s a need for more specific, detailed information that a lot of people aren’t providing,” the member said. “If you can play that role, it helps you across the board. It helps you rank organically; it helps your social engagement and then helps the conversion rate of your website, too.”

One MAB member recommended that hotels allocate some money toward website redesign in the coming months, because Google announced a new search algorithm change for next year that will rely on a website’s rendering and usability. “I get that people are cash strapped,” the member said, “but if your website is four or five years old, it might be time to spend a bit now, because you’re going to need to be firing on all cylinders next year.”

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Our industry leaders are worried about their people. And they should be. It’s easy to forget, but hospitality has been on the front lines of the pandemic for more than seven months now.

7918 Jones Branch Drive
Suite 300
McLean, VA 22102

1-703-506-3280

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