

# Budgeting for a starter hotel

---

LESSON 4

DR ALFRED MIFSUD

# Learning outcome:

---

To understand the delicate phase a hotel is at the first few months of operation;

To understand the process on how to introduce the hotel into the market;

To understand the allocation basis of the hotel and the issue of contracts;

# The room inventory:

---

Hotels are made up of rooms;

We call it the room inventory;

Especially in the first days of the operation, some hotel rooms undergo unpleasant experiences, which need to be taken into consideration during the budget process;

# Contracts

---

Many hotels assign their rooms to various tour operators;

They allocate a number of rooms at identified rates which the operator intends to sell on behalf of the hotel;

Such contracts are basically a contract of sale of rooms on a particular period within various terms, such as no shows; stop sales; and payments;

In return the tour operator markets the room through its brochures and trade shows;

There are various possibilities on how this hotel process could be managed to the benefit of all parties concerned.

# What dangers exists:

---

The hotel could be overbooked;

The hotel could be empty;

The hotel fails to understand the terms of the contract and losses money;

The tour operator goes bust.

# How to overcome the dangers:

---

Always be vigilant on the handling of the booking situations; and the process of the rooms inventory vis a vis the contracts.

Thank you.

---