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EPROCUREMENT ADVANTAGE

The Secrets to Staying Within Budget in 2024



Budgeting effectively is a challenge at the best of times, but hoteliers looking to stay within budgets have to do so amid lingering uncertainty across the travel industry. While travellers may be more excited than ever to set out on their next adventure, economic factors are changing the way people travel and how much it costs to provide exceptional guest experiences.

71%

[Accenture reports](#) that 71 percent of consumers plan to sustain or increase spending on leisure travel next year.

This trend gives hoteliers ample opportunity to recover revenue lost during the pandemic and achieve new top-line growth. [CWT projections](#) show that average daily rates (ADRs) across the globe are likely to grow by 3% between 2023 and 2024. Even though occupancy and ADRs are rising, costs are climbing, too.

As employees demand higher wages and inflation hits food, beverage, and energy costs, expansion in travel spending isn't making it down to hoteliers' bottom lines.

To get the most out of the steady resurgence in travel, hoteliers need to allocate more of their budget to back-of-house innovation that will help them streamline their operations and ultimately enhance guest engagement. Inevitably, this means finding new ways to cut costs even as the price of goods and services continues to rise. A key area for budget optimization hoteliers should focus on in 2024 is their procure-to-pay (P2P) process.

Gaining more control and visibility impacts cost reduction across several dimensions of the business. Investing in solutions that enable eProcurement and automation across the P2P process increases efficiency and makes transactions and inventory management much more profitable, ensuring that hoteliers can take full advantage of the increase in travel demand.

Addressing the Need for Procurement Transformation

Inflation will likely continue to be a challenge for procurement teams in every industry into the new year. Interest rates in the US and Europe aren't falling, which will affect hotelier's ability to leverage debt to purchase new assets or maintain the ones they already have. On top of it all, procurement teams have to juggle fallout from supply chain issues.

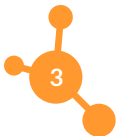
All of these factors roll up into higher costs that are largely out of the hotelier's hands. The only option is to improve operations at a granular level to pull out savings wherever possible. [Businesses waste up to 4% of their external spending](#) on high transaction costs, inefficiency, and noncompliance in the procurement process. Procure-to-pay software solutions enable hoteliers to find cost savings at every point between sourcing and receiving payment—and early adopters will be the ones who pull ahead of the pack.

Many hoteliers still rely on paper-based procurement and invoicing. Procurement involves many departments—from the kitchen to accounts payable—and manual workflows create information silos. This leads to departments spending over budget and accounting misunderstanding the strategy behind purchase decisions. It also creates a convoluted approval process that individuals are more likely to try to bypass, resulting in decreased compliance.

Using highly manual processes also increases the likelihood of human error and costly mistakes. While teams are busy managing stacks of paper, they aren't gaining enough visibility into inventory levels, and they don't have the data they need to improve their inventory management decisions. Manual processes and lack of transparency also make it hard to accurately verify invoices and manage cash flow, disrupting vendor relationships and slowing the business down.

End-to-end P2P solutions unify the procurement process across departments, streamline approvals, and make it easy to verify invoices and provide payments. Another critical advantage of moving to P2P software is automation, which speeds up procurement overall and frees teams to focus on data analysis and optimization strategies.

Meeting the challenges of tomorrow's travel landscape requires hoteliers to take a hard look at legacy workflows that cost them the cash they need to reinvest in growth. P2P software is more than a nice-to-have; it's an essential tool that puts money back in the hotelier's pocket and supports better buying decisions that lead to exponential expansion.



Digitisation to Optimise and Reduce Costs

Technologies available today could automate more than half of the source-to-pay process. P2P software that brings together identification, requests for purchase (RFPs), vendor validation, purchase orders (POs) and approvals, receipt of goods, matching and verification, and payment. The automation, transparency, and data collection features provided by P2P platforms help hoteliers realise cost savings at every stage and provide seamless connectivity between hotel operations, corporate, and suppliers

Efficiency is the core benefit of procure-to-pay digitization. When it comes to the bottom line, efficiency means a reduction in hours spent on manual tasks and making up for human error in procurement workflows. Automation enables greater efficiency by eliminating busy work and reducing human touchpoints. [In a review of current technology](#), McKinsey found that 88 percent of the tasks surrounding placing and receiving orders can be fully automated, while 93 percent of payment processing can be automated.

88%

of the tasks surrounding orders can be automated

93%

of payment processing can be automated

For hoteliers, when every department is using one P2P platform as a single source of truth, there's greater visibility into how everyone is using their budget. This makes it much easier to assess whether a PO should be approved, empowering teams to optimise spend in the moment and speed up payment processing for accounts payable.

Streamlining POs, invoicing, and payments also has major benefits for the vendor, improving the relationship between hotelier and supplier. Solutions that connect to vendors' inventory and invoicing systems make purchasing easier and ensure vendors get paid early or on time, leading to greater discounts. On the hotelier's side, P2P solutions provide analytics that surface insights about vendor performance so they can spot opportunities to capture further cost reductions.

P2P solutions integrate procurement and inventory management systems for deeper visibility into the supplies hoteliers need and what's just taking up space. Visibility empowers non-experts, such as chefs and frontline staff, to take greater ownership of procurement while remaining compliant. With end-to-end P2P solutions, this visibility can also be shared amongst departments. A higher degree of transparency leads to better decision-making, which happens within the context of the whole business, not just on a departmental level.

P2P software addresses the complexity and nuance of procurement workflows, simplifying the process while significantly reducing risks. With better data and analytics tools baked into P2P platforms, hoteliers can continue to find ways to minimise costs and seize opportunities to boost revenue.

Forecasts are the Backbone of Effective Budgeting

Budgeting requires you to take a look into the future. As any hotelier who's navigated the unprecedented travel landscape over the last four years knows, predicting what might happen over the coming 12 months is no easy task and is rife with risk. As hotel finance consultant David Lund puts it:

"The one thing we know for sure about the budget is that it's wrong."

The best hoteliers can do is plan for the most likely possible scenarios using forecasting. To do so effectively, they need to rely on historical business data that provides an in-depth picture of their hotel's operations, not just their balance sheet and P&L.

Business data is the closest we've come to inventing a real, functional crystal ball. Unlike your average side-show fortune teller, data won't lie to you about what's going on in your business, flatter you, or give you false hope. Collecting robust data from all aspects of the business helps hoteliers see their operations clearly. When it comes to budgeting for the future, historical data shows them where their money is actually going and provides insight into where they can optimise going forward.

A strong forecast includes both projected revenue and projected expenses. Of course, expenses are directly tied to how many guests you serve, which is reflected in revenue. Understanding historical expense data allows hoteliers to get a better idea of how much they're spending at different levels of capacity. This allows them to prepare for fluctuations in capacity by knowing where to decrease or increase expenses and when. This means they can take greater control of expenses as other variables shift, protecting their bottom line.



Paper-Based Processes and Siloed Data Hold Forecasting Back

The main barrier to powerful forecasting for hoteliers is a lack of transparency around data—particularly procurement data. Without great forecasting, hoteliers can't create functional budgets, which can result in overspending or simply spending in the wrong places. Procurement represents a large portion of a hotel's expenses and is a major area for budget optimisation.

Better access to procurement data helps hoteliers see how revenue is spent and uncover ways to maximise cash flow as occupancy changes through the year.

While many hoteliers are beginning to adopt more connected digital processes for booking, accounting, and payroll throughout the business, each department is typically responsible for its own procurement processes, which are still largely paper-based. One-third of organisations do not have automated procurement processes. Without a unified procurement process or a centralised place where purchase orders (POs) and invoices are sent, received, and paid, it's hard for hoteliers to see the health of procurement across the business.

Procurement involves senior and department managers, chefs, and accounts payable at a minimum. Each may have their own collection of POs, receipts, and invoices floating around their individual email accounts that they're sending to and from suppliers and between departments. This makes it extremely difficult for managers and decision-makers to gather information when they're making budgets, and it creates barriers to adhering to and optimising budgets as time goes on.

Moving towards digitisation and automation puts a holistic view of business-wide procurement data at leaders' fingertips. According to some estimates, half of organisations that have implemented an eProcurement or procure-to-pay (P2P) solution do so because they need greater transparency across the procurement process. Furthermore, according to the Institute for Supply Management, businesses can drive up to 55 percent more savings when procurement insights are looped into budgeting from the very beginning. Collecting and accessing rich procurement data is only feasible with digital solutions that connect every part of the business.



Overcoming a Lack of Data Visibility with Procurement Software

P2P software solutions such as [FutureLog](#) bring every step of procurement into one digital space so that departments, accounting, and leadership are all singing off the same song sheet. Everyone uses one procurement process with standardised POs and approval loops. This saves time and ensures that the data coming into the system is as clean and error-free as possible. Even more importantly, data collection is completely automated. When all procurement activities happen in the same software, you can get a truly holistic view of data points across the whole pipeline.

Hoteliers who implement P2P software in the next few months won't have the historical insights they need to make their 2024 budget, but it can help them stay within the budget they've already created. Using P2P solutions, every department has full visibility into its budget so that it can strategise accordingly. This means that senior managers

don't have to play budget police, and employees can make informed procurement decisions at the moment without hunting around for numbers. P2P software combines budgeting and spending tracking features with procurement workflows, which means that everyone has the financial data they need to optimise costs as procurement happens.

When it comes to dollars and cents, P2P tools provide accounting with an enhanced view of POs, receipts, and invoices so that validation and payment can happen seamlessly—ensuring that budget adherence is on track. It also reduces friction between departments and accounting as everyone can easily see where the money is going and tie spending to cash flow and revenue. Additionally, real-time spending insights allow managers to get ahead of potential cash flow issues and plan for short-term budgetary challenges.



Regaining Control Over Your 2024 Budget

“A budget is telling your money where to go instead of wondering where it went.”

John Maxwell said it first and said it best. Hoteliers must rely on more than just their top line to drive profit and shape budget planning. Establishing a feasible budget requires hoteliers to take care of their side of the street: cleaning up their operations and reducing costs to expand their margins.



A lack of visibility into operational data, including procurement data, creates a blind spot around costs. Siloed information makes it nearly impossible to surface the information needed to create expense forecasts and, therefore, budgets. If hoteliers want to build budgets that withstand the uncertainty the travel industry still faces, they need to understand the true cost of running their business when occupancy is high and when it's low.

By maximising procurement profitability, hoteliers can create a strong foundation for weathering change as the travel industry evolves in the coming year. P2P software should undoubtedly be a line item in hoteliers' budgets. Investing in P2P solutions delivers the immediate benefits of efficiency and sets hoteliers up for years' worth of cost-reduction potential by transforming the entire procurement pipeline. Ultimately, P2P software provides the high level of control today's hoteliers must have over the cost of procurement as economic variables and the appetite for travel continue to shift.

[FutureLog](#) brings data from across the entire procurement process into one place so that it's easy to uncover and analyse data from all procurement activity. The platform enables hoteliers to view their suppliers' catalogues and take advantage of discounts on larger orders. It also provides automation for approval and invoice assessment, making expense handling more effective. FutureLog also makes it possible for departments to work together to stay on budget with enhanced visibility throughout the procurement pipeline for every user. Experience a fully digital P2P process with FutureLog and get the data insights you need to maximise profitability and future-proof your hotel operations.





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ABOUT US

FutureLog provides a fully integrated, cloud-based procure-to-pay platform for the hospitality industry. We facilitate an end-to-end procurement process from purchasing, through inventory management and up to invoice processing; all available in one platform to save you time and money. The FutureLog procure-to-pay platform is the foundation for seamless connectivity between Hotel Operations, Corporate Centres and Suppliers.