

Operations Management in Hospitality

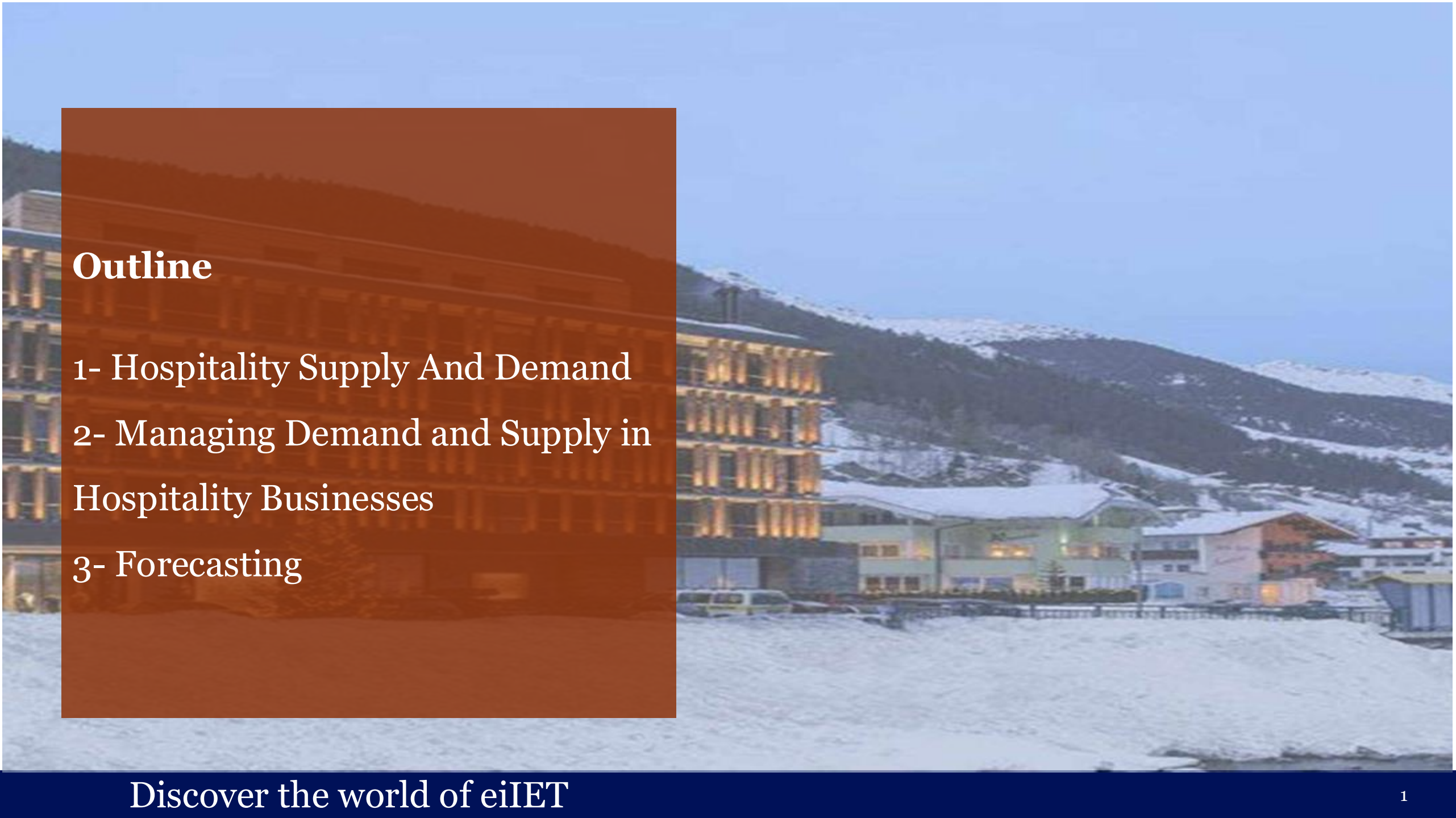
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Outline

- 1- Hospitality Supply And Demand
- 2- Managing Demand and Supply in Hospitality Businesses
- 3- Forecasting



1- HOSPITALITY SUPPLY AND DEMAND

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1.1- Characteristics of Supply and Demand

- Demand is variable; supply is fixed.
- Excess demand cannot be met with inventory.
- Excess supply is lost revenue.
- Supply (capacity) includes facilities, labor, and time.

1.2- Impact of Demand and Supply on Hospitality Businesses

- Demand and supply levels vary in hospitality businesses.
- These variations create different operational situations.
- Service quality is directly affected by these levels.

1.2- Impact of Demand and Supply on Hospitality Businesses

A- Excess Supply:

- Supply is underutilized due to low demand.
- Service may be poor or excellent.
- Leads to leftover costs and potential profit loss.

1.2- Impact of Demand and Supply on Hospitality Businesses

Balanced Demand and Supply:

- Ideal level for customers, staff, and the business.
- Service quality remains high and profitability is achieved.
- Optimum capacity varies:
- Airlines: 65–75%
- Restaurants: 70–90%

1.2- Impact of Demand and Supply on Hospitality Businesses

Demand Exceeds Optimum Supply :

- Service errors begin to occur.
- Service quality declines.
- Failure to meet customer expectations risks losing long-term guests.

Brian Simpson | 2015



1.2- Impact of Demand and Supply on Hospitality Businesses

Excess Demand:

- Service quality deteriorates significantly.
- Staff are overstretched, mistakes are frequent, and customers become frustrated.
- Short-term profits may occur, but long-term loss risk increases.

2- Managing Demand and Supply in Hospitality Businesses

2.1- Managing Demand

- Match demand with fixed supply using the **level capacity strategy**.
- Works best when demand is stable and predictable.
- Goal:
 - keep operations efficient and service quality high.
 - Stimulate demand when supply is low
 - Shift demand when demand is high

2.1- Managing Demand

- Common techniques include:

- Offering discounts on rooms.
- Targeting different customer groups during slow periods.
- Using empty event spaces for parties or weddings.
- Taking reservations and overbooking slightly.



2.2- Managing Supply

- Service supply in hospitality is generally fixed.
- **Chase demand strategy** adjusts supply to meet demand.
- Used when demand is seasonal or unpredictable.
- Works well with less-skilled staff, high turnover, or variable workforce

2.2- Managing Supply

- Techniques to Manage Supply:

- Staffing plans
- Cross-training
- Reduce labor needs
- Adjust space

3- FORECASTING



3.1- What Is Forecasting?

- It means predicting future events.
- It helps hospitality businesses make informed decisions.
- It supports both short-term and long-term planning.
- It allows businesses to estimate future situations.
- Ultimately, it identifies potential profit and loss opportunities

3.1- What Is Forecasting?

- Forecasting has two main methods:

A- Top-down method

- You start with the big overall number
- Then you break it into smaller parts
- Example: A hotel predicts its total revenue for the week first, then uses that to estimate daily numbers.

3.1- What Is Forecasting?

B- Bottom-up method

- You start with the small details.
- Then you add them up to get the big overall number.
- Example: A hotel calculates all daily figures first and then sums them to estimate total weekly revenue.

3.1- What Is Forecasting?

Types of Forecasting by Time Span:

-Short-term forecasting:

- Covers less than 3 months, up to 1 year.

- Medium-term forecasting:

- Covers 3 months to 3 years.

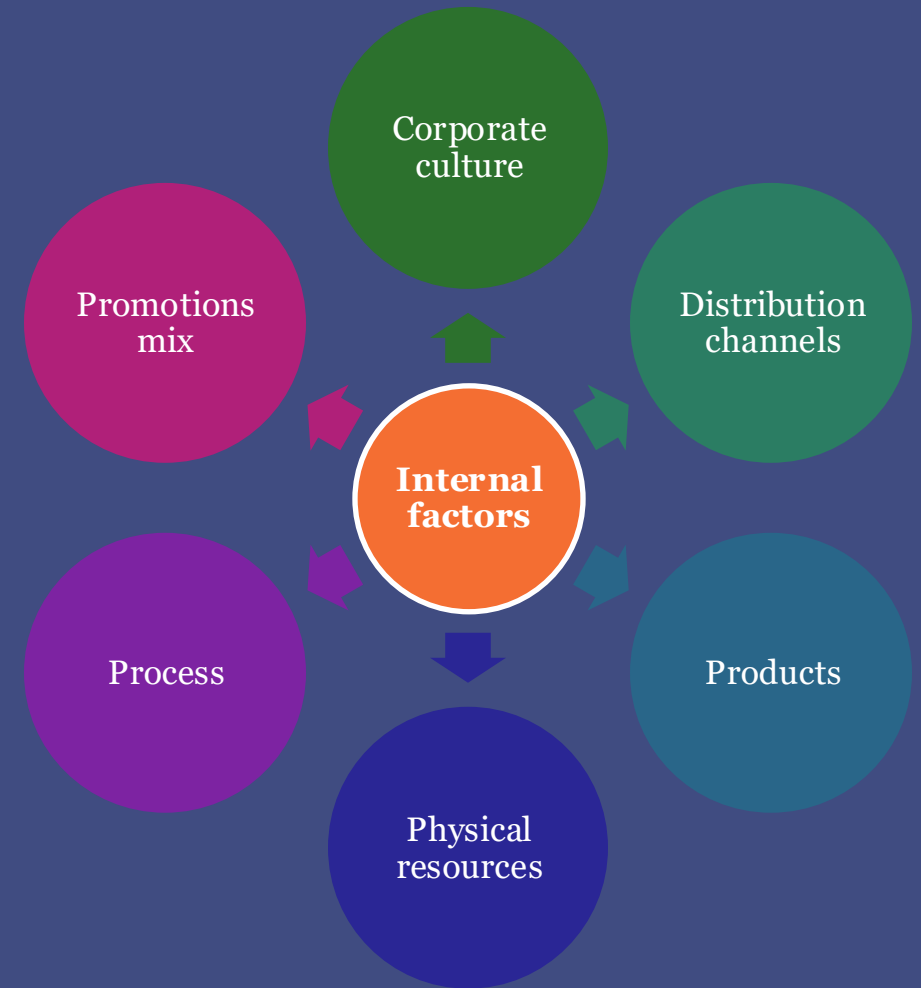
- Long-term forecasting:

- Covers 3 years or more.

3.2- Forecasting Factors

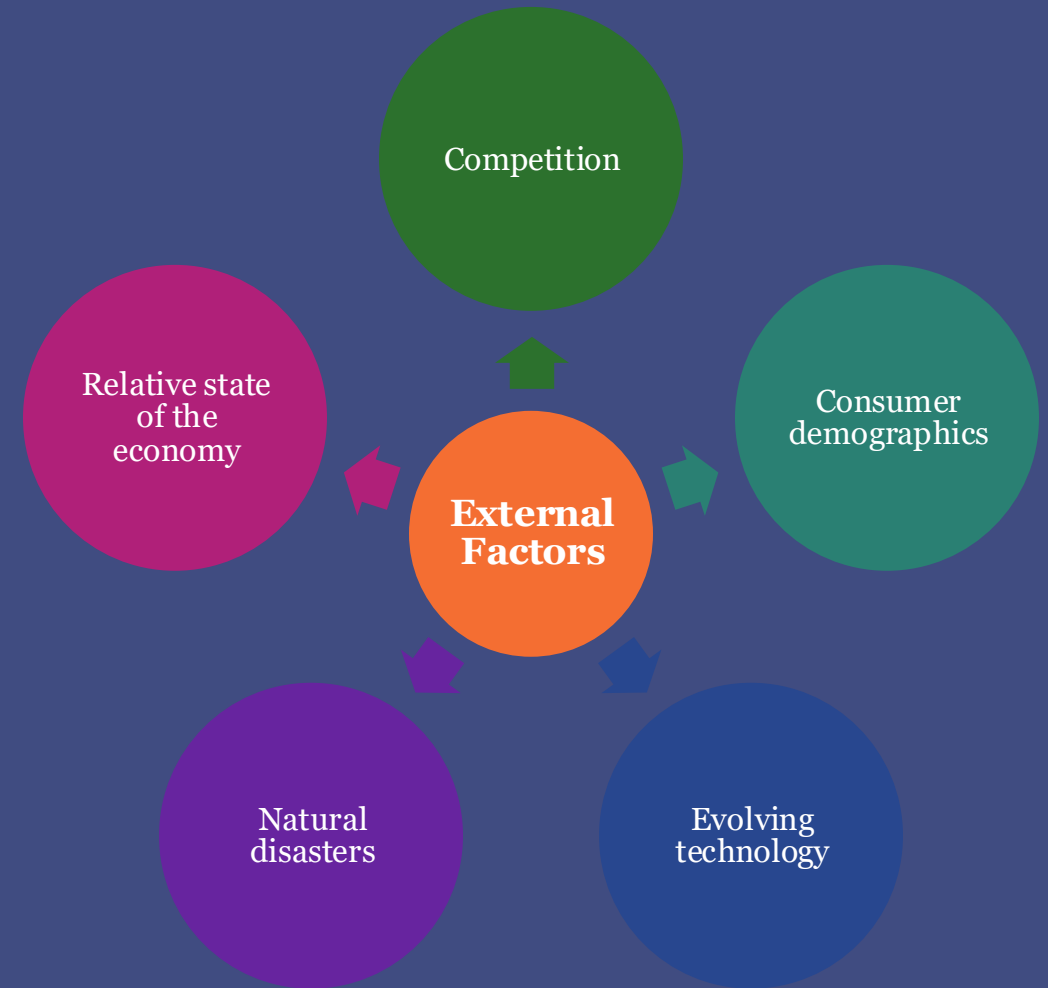
- Internal Factors:

- They happen inside the organization.
- The company can control these factors



3.2- Forecasting Factors

- **External Factors:**
- They happen outside the organization.
- The company cannot control these factors .



3.3- Forecasting Methods

- Forecasting in hospitality uses different tools to predict future demand.
- The three main forecasting models are:
 - Subjective Models
 - Causal Models
 - Time Series Models

3.3- Forecasting Methods:

1- Subjective Models

- These rely on human judgment.
- They are used when:
 - When historical data is limited.
 - When forecasting in uncertain situations.
- **Examples:**
 - Expert opinion.
 - Sales force feedback.
 - Customer surveys.

3.3- Forecasting Methods:

1- Subjective Models

A- Delphi Method:

- Based on opinions from a panel of experts.
- Multiple rounds of questionnaires to achieve consensus on a future event.
- Practical for long-term forecasting.
- However, it can be time-consuming and relatively expensive.

3.3- Forecasting Methods:

1- Subjective Models

B- Cross-Impact Analysis

A method where experts analyze how one event influences another.

- It works through:

- Experts list possible events.
- They examine how Event A affects Event B.
- They estimate each event's probability.
- Helps identify cause–effect relationships in tourism.

3.3- Forecasting Methods: 1- Subjective Models

C- Historical Analogy:

- Forecasting by comparing a future situation to a similar past situation.
- It works on identifying a past event similar to the expected one.
- Study what happened in the past.
- Use that pattern to predict future outcomes.

3.3- Forecasting Methods: 2- Causal Models

- Used when clear data relationships exist.
- Considers multiple factors affecting demand.
- Builds a statistical model based on these factors.
- Uses the model to forecast outcomes.
- Include Regression and Econometric Models.

3.3- Forecasting Methods: 3- Time Series Models

- Used for short-term forecasts with clear time patterns.
- Assume future trends follow past data.
- Use only historical information.
- Methods range from naïve to exponential smoothing.

Thank you



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