

Operations Management in Hospitality

Assignment 16

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In no more than 1000 words, and using 3-5 references, explain:

- 1- How does revenue management differ between the Rooms Division and the Food & Beverage department?

Revenue management (RM) is often simplified as "selling the right product to the right customer at the right time for the right price." While this logic holds true across a hotel, the operational application varies significantly between the Rooms Division and the Food & Beverage (F&B) department. The difference primarily lies in the nature of the "inventory" and how "duration" is managed.

1. Inventory and Predictability

In the Rooms Division, inventory is fixed and perishable. A room not sold tonight is revenue lost forever. However, the unit of sale is clearly defined (one room-night), and the lead time for bookings is often weeks or months. This allows revenue managers to use historical data and advanced forecasting to implement dynamic pricing.

In **F&B**, the inventory is more fluid and "elastic." While a restaurant has a fixed number of physical seats, the capacity can change based on table configurations or the speed of service. Unlike rooms, F&B often deals with "walk-in" demand, making the booking window much shorter and forecasting more volatile (Kimes, 2011).

2. The Definition of "Time"

The most profound difference is how time is sold:

- **Rooms Division:** Time is sold in discrete, 24-hour blocks. Even if a guest stays for only six hours, they generally pay for the full night. This makes **RevPAR** (Revenue Per Available Room) the gold standard metric.
- **F&B Department:** Time is continuous and unpredictable. A party of two might stay for 45 minutes or three hours. Because the "inventory" is a chair, RM focuses on **RevPASH** (Revenue Per Available Seat Hour).

Managing the "duration" in F&B requires physical intervention (e.g., menu design to speed up cooking or bussing tables faster) rather than just adjusting a digital price tag (Ivanov, 2014).

3. Pricing Strategy and Perception

Rooms use **dynamic pricing**—the price fluctuates based on demand. Consumers have generally accepted that a hotel room costs more on New Year's Eve than a rainy Tuesday.

F&B struggles with this because of "fairness perception." If a steak costs \$30 at 6:00 PM but \$45 at 8:00 PM, customers often feel exploited. Consequently, F&B revenue management relies more on **non-price tools** such as:

- **Menu Engineering:** Highlighting high-contribution margin items.
- **Table Mix:** Ensuring the ratio of two-tops to four-tops matches demand.
- **Demand Shifting:** Using "Early Bird" specials or "Happy Hours" to move price-sensitive guests to off-peak times (Hanks et al., 2002).

4. Key Performance Metrics

The focus of RM shifts from maximizing the daily rate to maximizing the flow of customers through a space.

Feature	Rooms Division	Food & Beverage
Primary Metric	RevPAR / ADR	RevPASH / REVPAS
Duration Control	Fixed (Overnight)	Unpredictable (Meal duration)
Pricing	Highly Dynamic	Generally Static (with promotions)
Secondary Sales	High (Minibar, Spa, etc.)	High (Alcohol/Upselling)

"The challenge in F&B is that the 'space' is shared and the 'product' is a combination of labor, raw materials, and time, whereas Rooms are primarily a capital-intensive asset with low variable costs" (Noone et al., 2009).

Summary

In short, Rooms RM is about **price manipulation** for a fixed stay, while F&B RM is about **throughput management**—getting the most out of every seat during every hour of operation.

References

- **Hanks, R. D., Cross, R. G., & Noland, R. P. (2002).** Discounting in the hotel industry: A new approach. *Cornell Hotel and Restaurant Administration Quarterly*, 43(4), 94-103.
- **Ivanov, S. (2014).** *Hotel Revenue Management: From Theory to Practice*. Varna: Zangador.
- **Kimes, S. E. (2011).** Customer Perceptions of Revenue Management in the Restaurant Industry. *Cornell Hospitality Quarterly*, 52(4).
- **Noone, B. M., Kimes, S. E., & Renaghan, L. M. (2009).** Integrating revenue management of the front office and room service. *Journal of Revenue and Pricing Management*, 8(1), 37-52.