

Operations Management in Hospitality

Assignment 6
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Supply and demand in hospitality and why they matter

In hospitality demand means how many hotel rooms, restaurant seats or flights tickets customers want to buy at different prices and times. Supply means how many rooms, seat or services hotels, restaurants or airlines can offer. Prices usually move to a level where supply and demand meet. Hospitality is a bit different from other industries because what it sells is perishable. If a hotel room or airline seat is empty today, it cannot be sold tomorrow. Also, supply is often fixed in the short terms a hotel can't suddenly add more rooms.

These ideas are very important for hospitality managers:

1. Pricing and revenue management.

Since demand goes up and down the managers change prices to match the demand. When demand is high then prices can go up and still customer buys. When demand is low, hotel or airlines may give discounts, packages & extra benefits to attract the guests. This helps them sell the right rooms or seat to the right customer at the right time, even though sometimes prices look confusing to customers.

2. Capacity and planning.

Hotels, restaurants & airlines have limits like on number of room, tables or planes. If managers understand demand then they can plan staff schedules, food buying and, opening hours better. If demand is higher than supply, customers face long waits and the business loses future trust. If demand is low and supply is too much then staff sit idle and food gets wasted, profits go down.

3. Service quality and customer experience.

When too many customers come and supply is not enough, service quality suffers. Staff gets stressed, guests get unhappy & reviews become bad. When demand is too low, cost cutting can also reduce service quality. So managing supply and demand is not only about money but also about guests satisfaction.

4. **Strategy and positioning.**

Demand depends not just on price but also on brand's image, location and the type of services. Supply decisions like renovations, better amenities or loyalty programs change how customers see the values. Managers who understand demand can choose if they want to be luxury or budget or business or leisure focused and decide how to sell rooms, directly or through online platforms.

How seasonality affects supply and demand (with examples)

Seasonality means demand changes again and again during the year, week, or even day. This happens because of weather, holidays, school breaks, festivals, or business travel. In hospitality this matters a lot, because people travel only at certain times, but supply (rooms, seats, planes) usually stays almost the same, at least in short time.

1) Hotels

Demand side:

Hotels get more demand in holidays, summer season and during big events like festivals or conferences. City business hotels are usually busy on weekdays and slow on weekends. Leisure or resort hotels are the opposite, weekends and holidays are very busy.

Supply side:

Hotels cannot easily add rooms since the supply is fixed. But they can adjust a little like opening or closing floors, asking guests to stay minimum nights or giving room to leisure instead of corporate guests. Staff is also part of supply, as if not enough staff then all rooms cannot be sold.

Example:

A beach hotel is full in July and August. Demand is much higher than supply so hotels increase prices and remove discounts. In November demand drops a lot, rooms stay empty. Then hotel may give spa packages or cheap deals for local people just to bring demand back.

2) Restaurants

Demand side:

Restaurants change with tourist season, festivals and religion holidays. Also demand is high on weekends and evenings & low on weekdays. Weather also plays a big role, rain can reduce customers suddenly.

Supply side:

Restaurants are more flexible than hotels but still have limits like number of seats and kitchen speed. They can extend hours, add outdoor seatings, simplify menu or take reservations to manage demand better.

Example:

A restaurant in tourist area is very busy in summer. It adds outdoor tables, hires extra staff and keeps menu small to serve faster. In off seasons, demand goes down so restaurant may close some days and offer fixed menus or discounts to save costs.

3) Airlines

Demand side:

Airlines see high demand in summer because school holidays and festival times. Business travel is usually low on weekends and holidays. Demand also changes by time of day, mornings for business & evenings for leisure.

Supply side:

Airline supply depends on number of planes, crew, airport slots and rules. Airlines can change supply by adding flights using bigger planes, or moving planes to other routes.

Example:

Flights to holiday destinations are full in summer. Airlines add more flights or bigger aircraft and prices go up. In winter demand drops so airlines cancel some flights, move planes to business routes or give offers to fill the seat.

Why seasonality is so important

Because of seasonality sometimes demand is too high and sometimes too low. Hospitality managers must plan in advance, change prices, adjust staff and operations, and, create offers or events. This helps them earn money and still keep good service quality, all year long.

References

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