

Operations Management in Hospitality

European Institute of Innovation, Entrepreneurship and Technology
Lessingstraße 79, 13158 Berlin, Germany

Mahmoud Abdou | Berlin



**Lessingstraße 79,
13158 Berlin, Germany
Phone: +49 30 233618555
Fax: +49 30 233618556
Email: info@eiiet.com**

Discover the world of eiIET

Index

- 1- Managing Revenues in Various Hotel Revenue Management Centres
- 2- Revenue management in the Food and Beverage department
3. Revenue management in a fitness, spa or wellness centre
- 4- Function Rooms Revenue Management
- 5- Golf Course Revenue Management



1- Managing Revenues in Various Hotel Revenue Management Centres

THREE MAIN REVENUE SOURCES IN A HOTEL

FOOD AND BEVERAGE / EVENTS

A FREQUENTLY NEGLECTED SOURCE OF HOTEL EARNINGS.

ROOMS

PROVIDE THE HOTEL WITH THE MOST DIRECT MEANS OF GENERATING REVENUE.

OTHER INCOME

IT INCLUDES EVENTS, PARKING FEES, SPA, SALOON ETC...

WWW.HOTELTALK.APP

- Hotels generate revenue from multiple departments, each with unique RM opportunities.
- Revenue management must be tailored to each revenue centre while aligning with the overall hotel strategy.

It can include:

- Food & Beverage
- Fitness, Spa & Wellness
- Function Rooms / Conference Facilities
- Golf Course

2- Revenue management in the F&B department

Revenue management in the F&B department



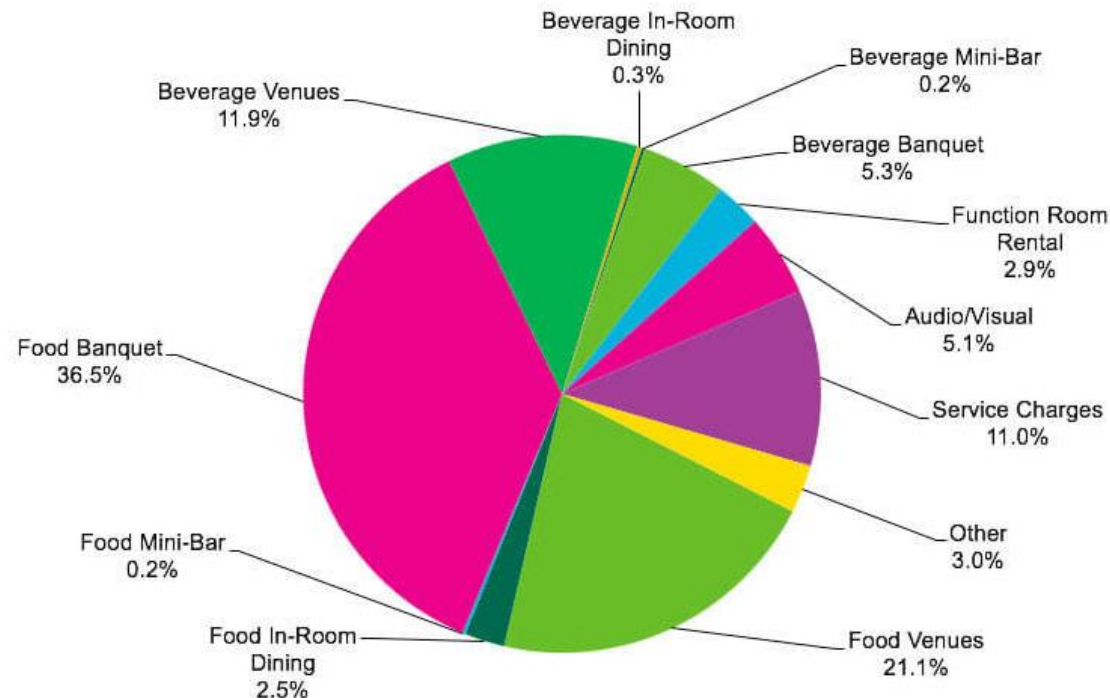
Most studies analyze independent F&B outlets, which:

- Operate as standalone restaurants
- Optimize only their own revenue
- Have high autonomy in:
 - Pricing decisions
 - Table management
 - Reservation policies
 - Duration control

2- Revenue management in the F&B department

Revenue management in the F&B department

2016 Percent of Total Department Revenue



F&B outlets inside hotels operate under a different logic:

- Their RM strategy is subordinate to the overall hotel RM strategy
- Decisions align with Total Hotel Revenue Management

Hotel F&B outlets may:

- Support room sales and packages
- Enhance overall guest satisfaction
- Contribute to conference and event profitability

2- Revenue management in the F&B department

Revenue Potential of F&B

WHY THE F&B MANAGER IS THE REVENUE ENGINE OF A HOTEL

ROOMS SELL ONCE A NIGHT | F&B SELLS ALL DAY, EVERY DAY.

A STRONG F&B MANAGER DOESN'T JUST MANAGE SERVICE... THEY **DESIGN REVENUE**

- MENU ENGINEERING FOR PROFIT
- UPSELLING & CROSS-SELLING
- BANQUETS & EVENTS
- COST CONTROL MASTERY
- BUILDING LOYAL REGULARS

100% OCCUPANCY, STILL STRUGGLING? | ASK YOURSELF: HOW STRONG IS YOUR F&B LEADERSHIP?

Chefstyles

- Besides the Rooms Division, the F&B department often represents the largest revenue-generating area in a hotel.

Revenue sources include:

- Regular services

➤ Breakfast, lunch, dinner

- Banqueting & Events

➤ Weddings

➤ Conferences

➤ Seminars

- External catering

➤ Services outside the hotel premises

2- Revenue management in the F&B department

Revenue Potential of F&B

Two Levels of F&B Revenue Management

- Revenue management operates on:
 - Property (Hotel) Level – Strategic decisions
 - F&B Outlet Level – Operational optimization

2- Revenue management in the F&B department

Revenue Potential of F&B

At the hotel level, management must make strategic RM decisions regarding:

A- Structure & Capacity Decisions

Number of F&B outlets

Type of outlets:

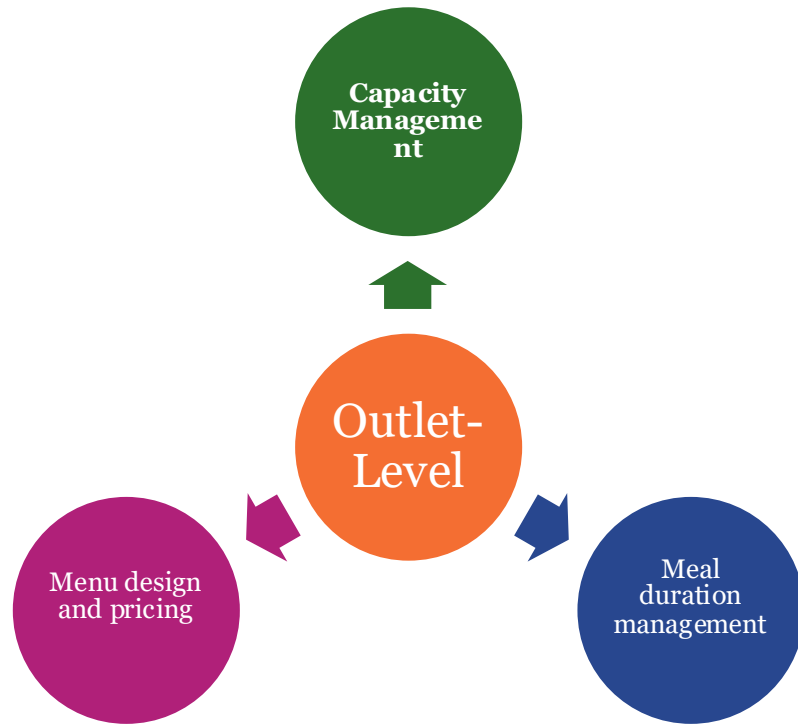
- Breakfast room
- Bar
- Restaurant
- Lobby bar

B- Room Board Strategy

- RO (Room Only)
- HB (Half Board)
- AI (All Inclusive)
- BB (Bed & Breakfast)
- FB (Full Board)

2- Revenue management in the F&B department

2.2- Revenue Management

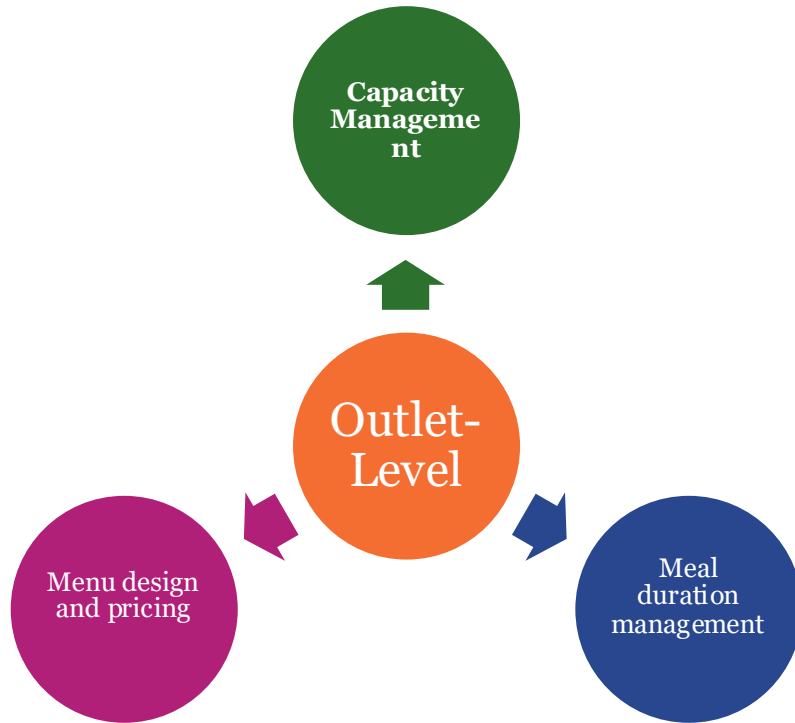


A- Capacity Management

- It indicates to the number of customers that can be served during working hours
- It depends on:
 - Physical number of seats
 - Table mix (distribution of tables by size)
 - Number of operating hours
 - Average dining duration

2- Revenue management in the F&B department

2.2- Outlet-Level Revenue Management



B- Meal Duration Management

-It is the time from guest arrival to departure

Why It Matters

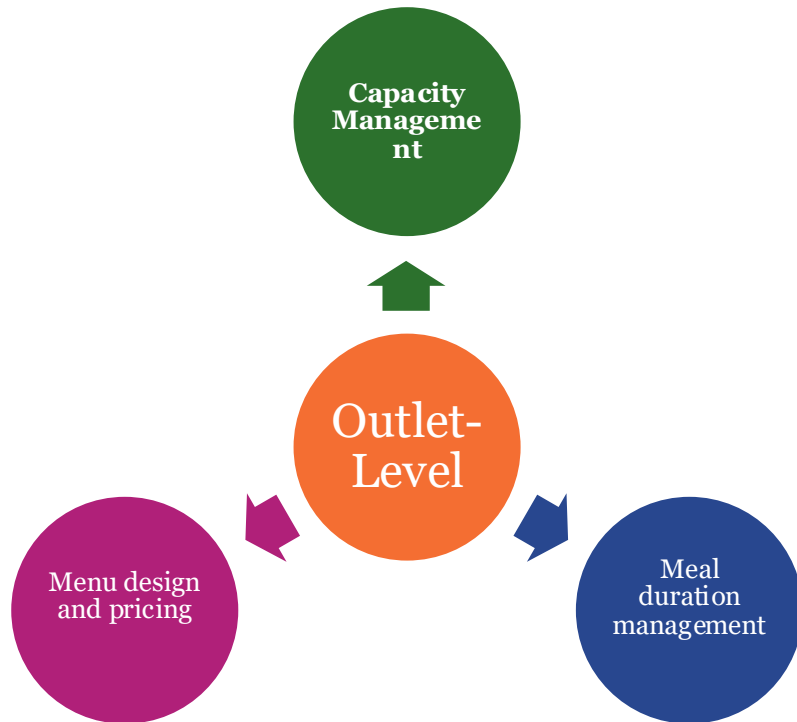
- Longer meal duration means lower table turnover
- Lower turnover means fewer customers served
- Fewer customers means lower revenue potential

- Therefore, managing meal duration is essential for:

- Revenue optimization
- Capacity efficiency

2- Revenue management in the F&B department

2.2- Outlet-Level Revenue Management



B- Meal Duration Management

- Controllable vs. Uncontrollable Elements

- Controllable by staff:

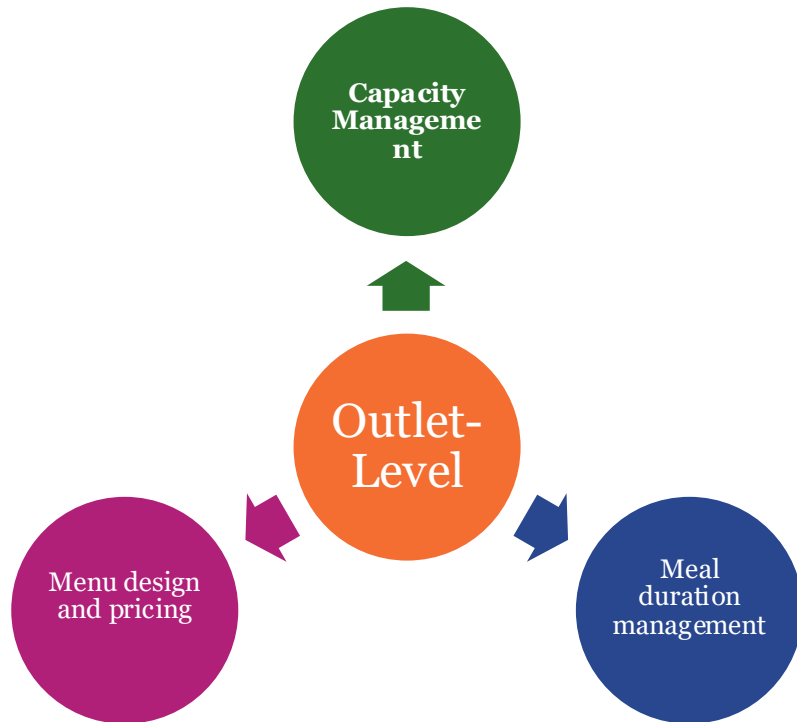
- Seating guests
- Taking orders
- Serving meals
- Delivering the bill

- Less controllable:

- The time guests spend eating
- Social interaction and lingering

2- Revenue management in the F&B department

2.2- Outlet-Level Revenue Management



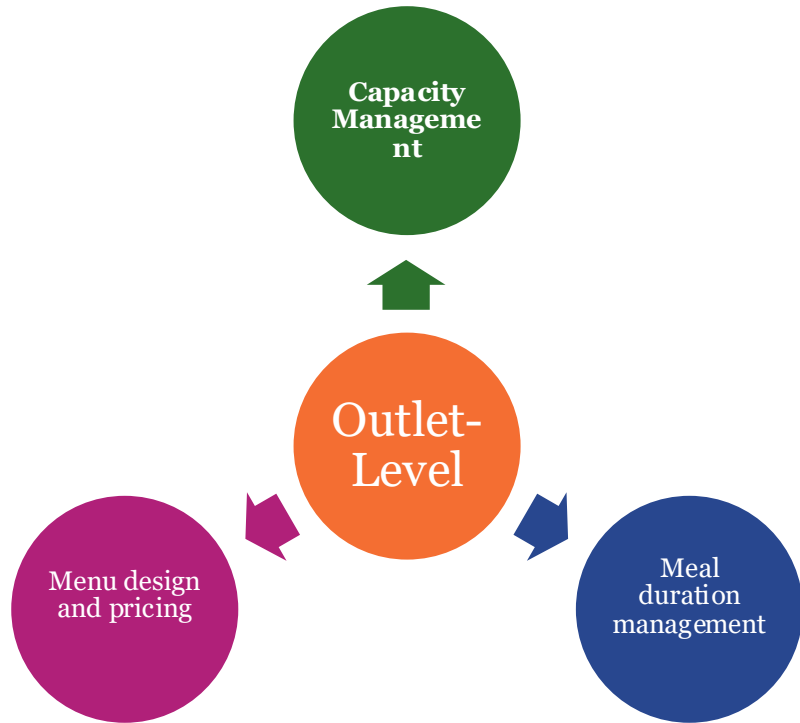
B- Meal Duration Management

Operational Measures to Reduce Uncertainty & Improve Planning

- Menu design that avoids overly time-consuming meals
- Better labour scheduling
- Pre-bussing
- Quick check delivery
- Reduced time between customers

2- Revenue management in the F&B department

2.2- Outlet-Level Revenue Management



C- Menu Design and Pricing

- From an RM perspective, menu design influences:

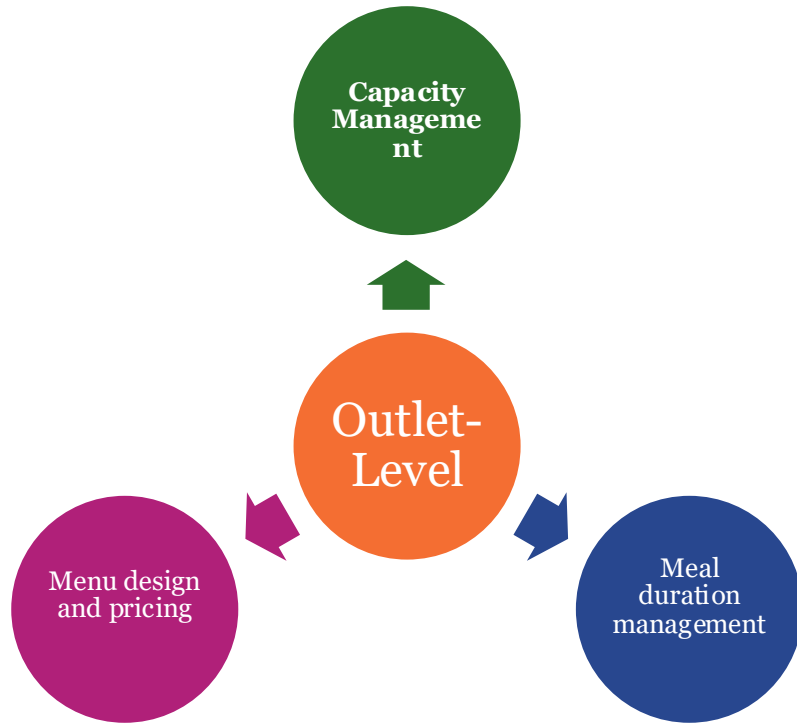
- Meal Duration
- Average Check
- Food Costs & Profitability

- Impact on Meal Duration

- Complex or slow-to-prepare dishes means longer service time
- Meals that take longer to consume means lower table turnover
- Lower turnover means lower customers served

2- Revenue management in the F&B department

2.2- Outlet-Level Revenue Management



C- Menu Design and Pricing

However:

- Larger menus indicate more decision time
- Opportunity for waiters to:
 - Suggest drinks
 - Promote specials
 - Upsell premium items

3- Revenue management in a fitness, spa or wellness centre

Competitive Differentiation in Hotels



- Fitness, spa, and wellness facilities are often:

- A key differentiation factor
- A driver of guest satisfaction
- A contributor to non-room revenue

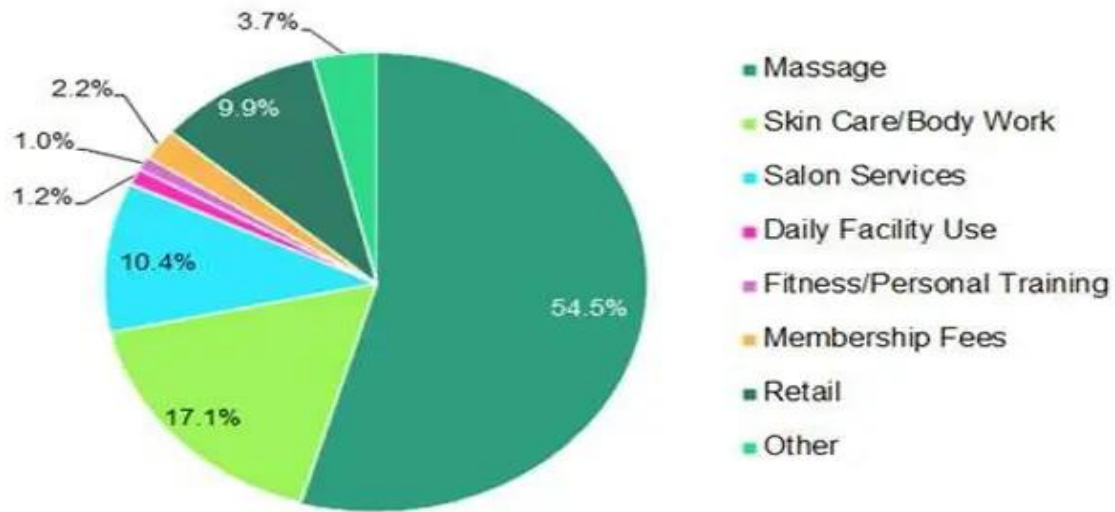
- Similar to F&B revenue management, RM in this area operates on:

- Property (Hotel) Level – Strategic decisions
- Facility Level – Operational optimization

3- Revenue management in a fitness, spa or wellness centre

Competitive Differentiation in Hotels

2014 HOTEL SPA DEPARTMENT REVENUE
Percent of Total Department Revenue



Source: PKF Consulting | CBRE Hotels, Trends® in the Hotel Spa Industry



At the hotel level, management must decide:

A- Whether to Offer Facilities at All

- Investment cost vs. revenue potential
- Target market expectations
- Competitive positioning

B- Pricing Strategy for Guests

- Included in room rate (complimentary use)
- Charged separately (pay-per-use)
- Hybrid model (basic free, premium paid services)

3- Revenue management in a fitness, spa or wellness centre

Competitive Differentiation in Hotels



What Types of Facilities to Offer

- Fitness centre
- Spa
- Sauna
- Jacuzzi
- Swimming pool(s)
- Turkish bath
- Massage services
- Aromatherapy

- Facility mix determines:

Market positioning

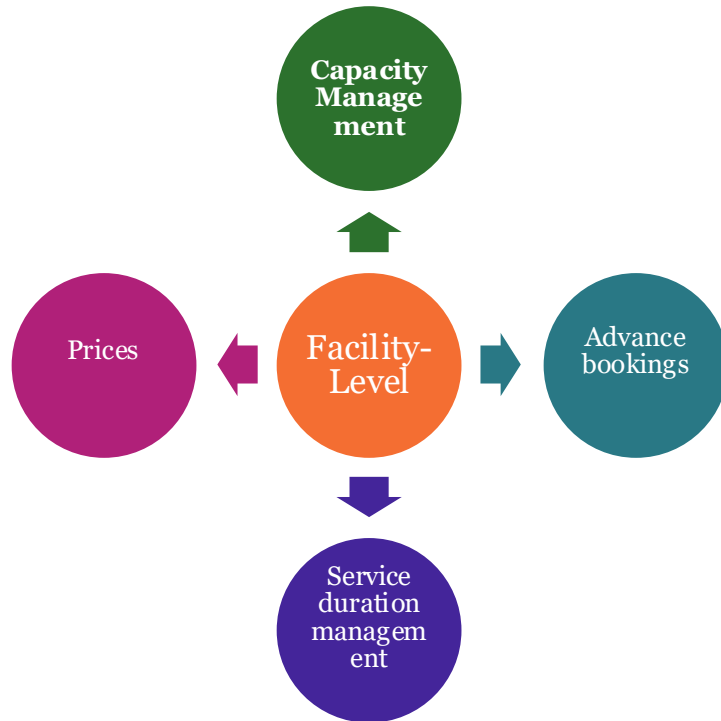
Revenue streams

Pricing flexibility

3- Revenue management in a fitness, spa or wellness centre

Facility-Level RM

A- Capacity Management



- It is the maximum number of customers a facility can serve during working hours

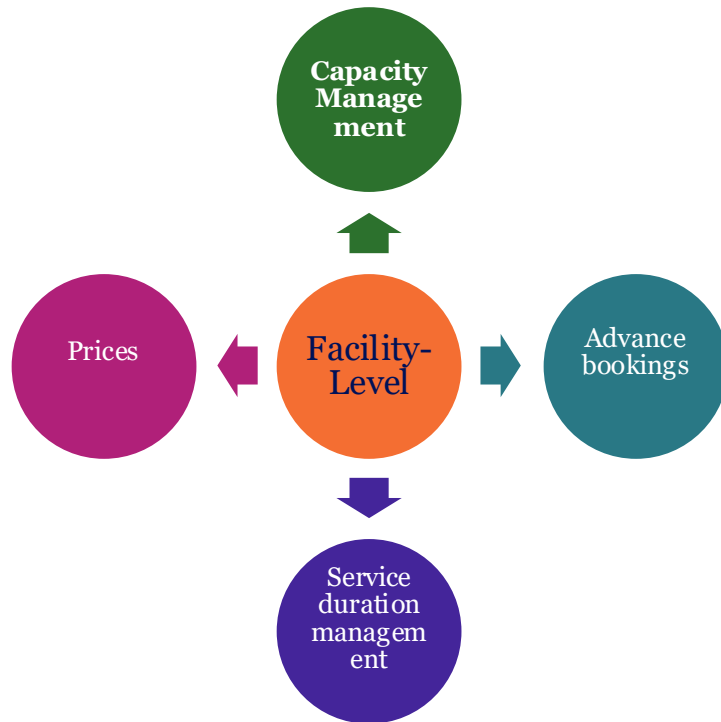
- Depends on:

- Physical size/number of each facility (pools, massage rooms)
- Working hours
- Number of employees (masseurs)
- Service duration
- Time interval between customers

3- Revenue management in a fitness, spa or wellness centre

Facility-Level RM

A- Capacity Management



Importance of Capacity Forecasting

- Limited capacity can lead to guest dissatisfaction, especially at all-inclusive resorts
- High demand but insufficient slots may lead to negative guest experience

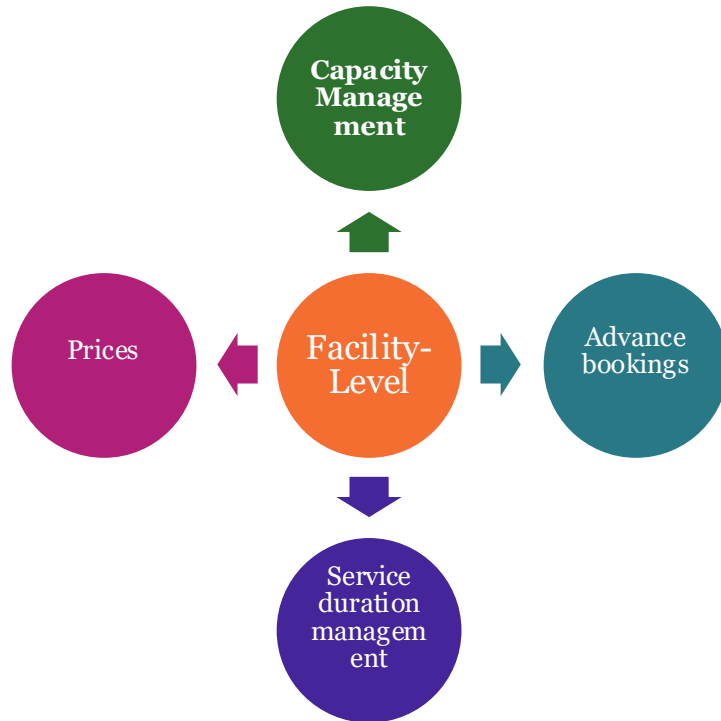
Key Revenue Management Strategy

- Base capacity on forecasted demand, considering:
 - Hotel guests
 - External customers (local residents)

3- Revenue management in a fitness, spa or wellness centre

Facility-Level RM

B- Advance Bookings



- Role in Revenue Management

- Advance bookings reduce uncertainty in guest arrivals
- Enable better operational planning of staff and facility schedules
- Can be coupled with prepayment or deposits to guarantee reservations

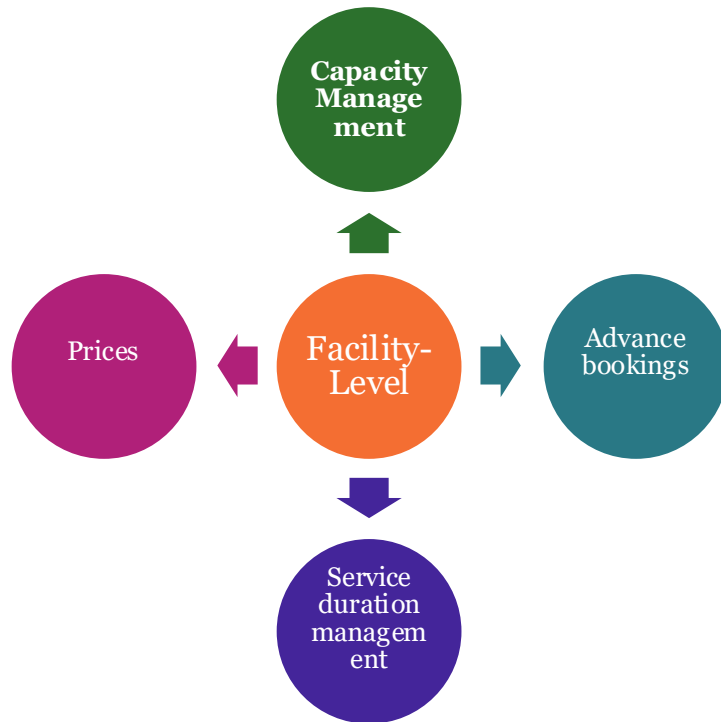
- Benefits

- Ensures capacity utilization
- Minimizes guest dissatisfaction
- Supports revenue forecasting and operational efficiency

3- Revenue management in a fitness, spa or wellness centre

Facility-Level RM

C- Service Duration Management



- Fixed vs. Variable Service Duration

- Some services have fixed durations (e.g., massages)
- Others are variable (e.g., fitness centre, swimming pool use)

- Revenue Management Tools

- Offer services in blocks with fixed durations

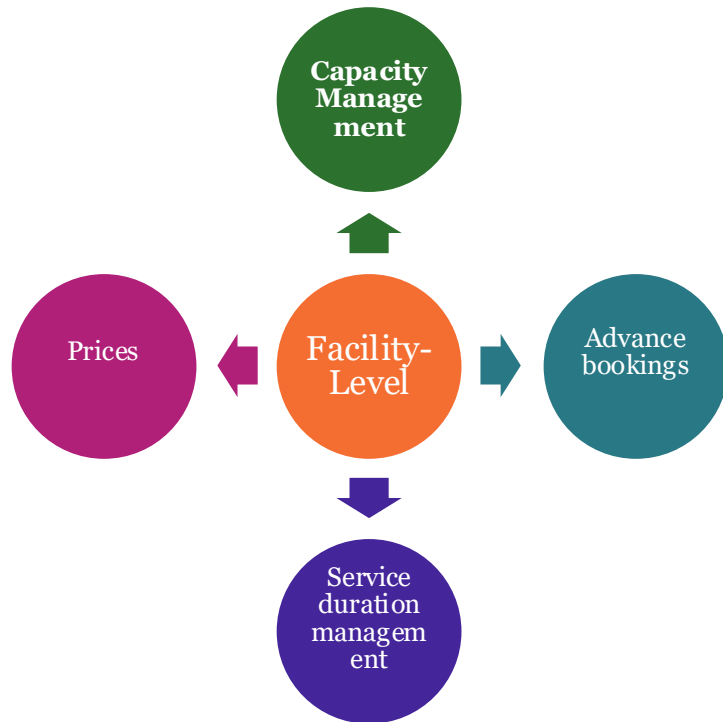
- Analyze operations to:

- Reduce time between customers
- Improve service efficiency
- Increase number of guests served

3- Revenue management in a fitness, spa or wellness centre

Facility-Level RM

D- Pricing



- Cost Structure & Pricing Decisions

-Swimming pools & fitness centres

- High fixed costs, low variable costs
- Often free or low-cost for hotel guests
- External customers pay regular rates

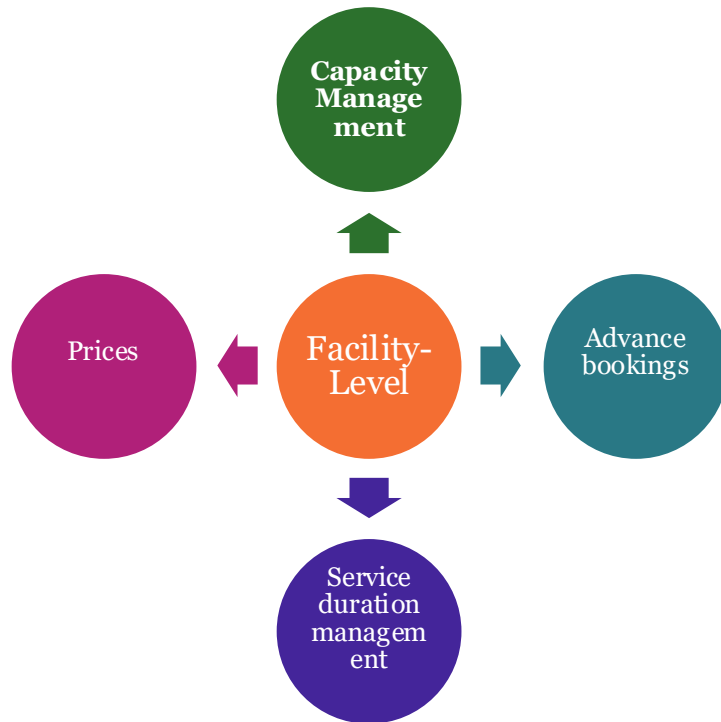
- Other spa/wellness services (massages, treatments)

- High variable costs
- Fee-based services

3- Revenue management in a fitness, spa or wellness centre

Facility-Level RM

D- Pricing



Revenue Management Pricing Tools

1- Price Discrimination

- Charge different prices depending on demand:
- Peak vs. off-peak hours
- High vs. low-demand days

2- Discount Strategies

- Offer lower prices as discounts from regular rates
- Encourages off-peak usage
- Maintains perception of value

4- Function Rooms Revenue Management

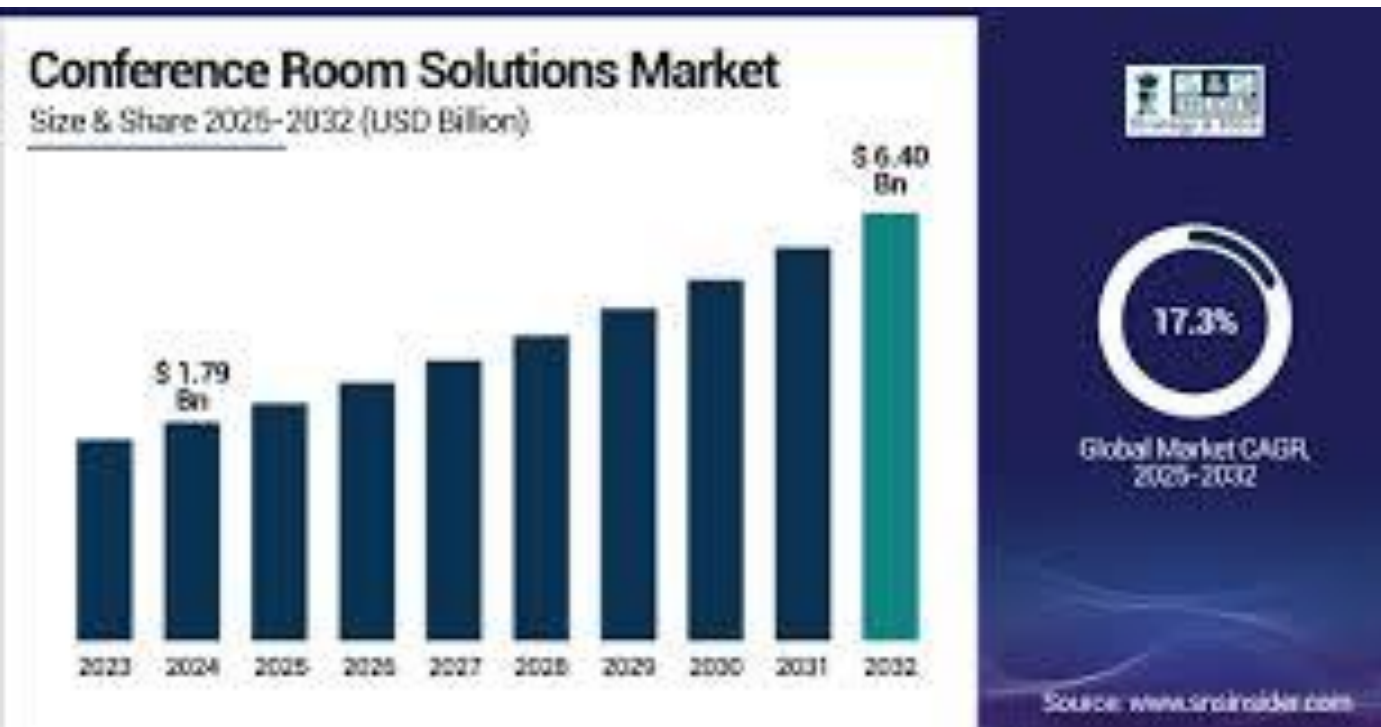
Revenue Potential



- Function rooms are a major revenue source for business and resort hotels
- Attract organisers of special events, such as:
 - Corporate meetings, conferences, seminars
 - Congresses, conventions, balls
 - Private events (weddings, parties)
- RM concepts are applicable to function room management

4- Function Rooms Revenue Management

Revenue Potential



- Property-Level Considerations

- Number of function rooms
- Size of each room
- Seating layout and configuration

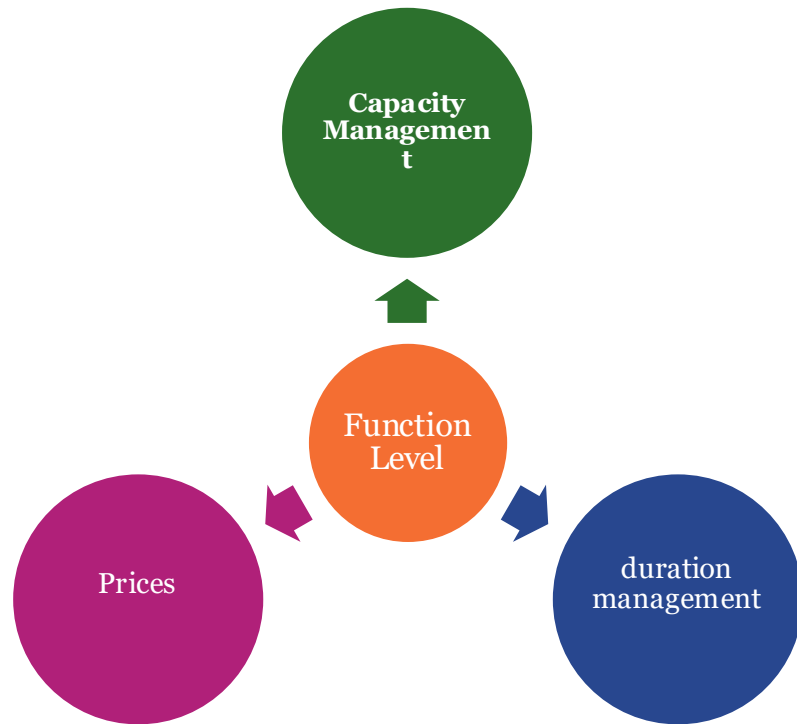
- These factors determine:

- Type of events that can be hosted
- Number of events that can run simultaneously

4- Function Rooms Revenue Management

At the function room level revenue management decisions include

A- Capacity Management



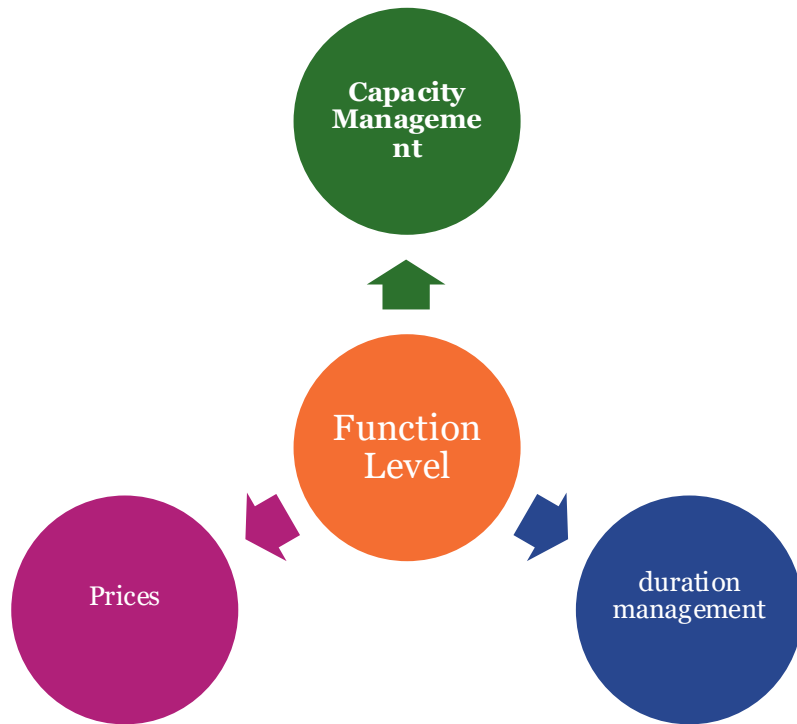
Flexible Seating Capacity

- Seating capacity is flexible despite limited room area
- Depends on seating layout:
 - Banquet, cocktail, boardroom, U-shaped, classroom, theatre
- Portable chairs allow reconfiguration to meet customer needs
- Foldable/removable walls in large rooms allow splitting into smaller rooms

4- Function Rooms Revenue Management

At the function room level revenue management decisions include

B- Duration Management

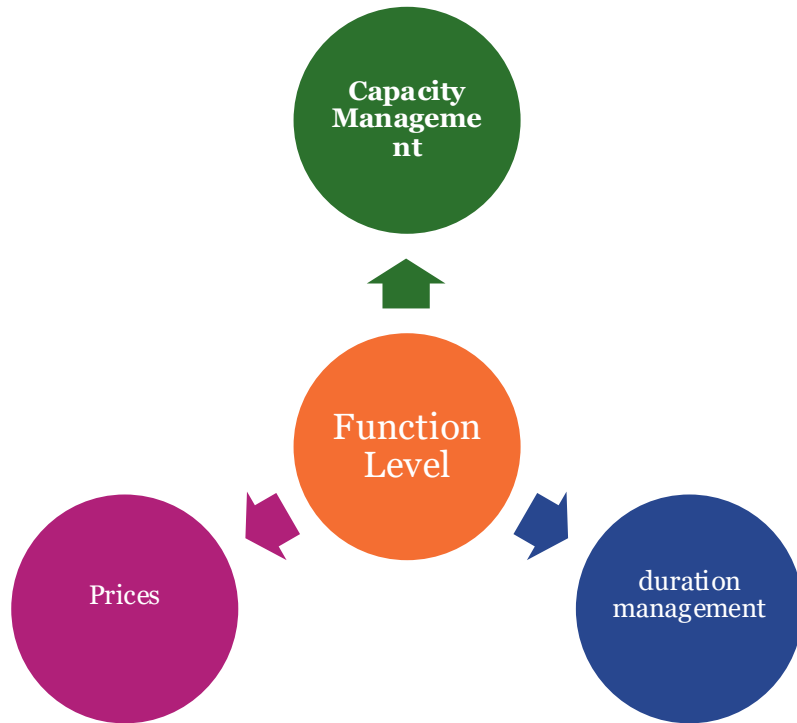


- Function rooms rented for different periods
- Short rentals (e.g., 1 hour) may block higher-value long rentals
- Standard practice:
 - Half-day or full-day bookings
- Per-hour rental possible during low-demand periods
- Proper scheduling ensures high occupancy and optimized revenue

4- Function Rooms Revenue Management

At the function room level revenue management decisions include

C- Pricing Strategy



- Services can be priced:

- Separately (room rent, equipment like beamer, flipchart, laptop)
- As a package (room + equipment + F&B)

Additional Revenue Opportunities

- Function rooms often paired with:

- Catering services
- Guest room bookings

- Sometimes, room offered free of charge to attract event organisers

- Revenue from catering and room sales offsets room cost

5- Golf Course Revenue Management

Application of Revenue Management Principles



- Golf course revenue management is based on the same core principles as RM in other hotel departments:

- Capacity management
- Demand forecasting
- Pricing strategies
- Duration control

5- Golf Course Revenue Management

Golf revenue management tools include

A- Membership Fees

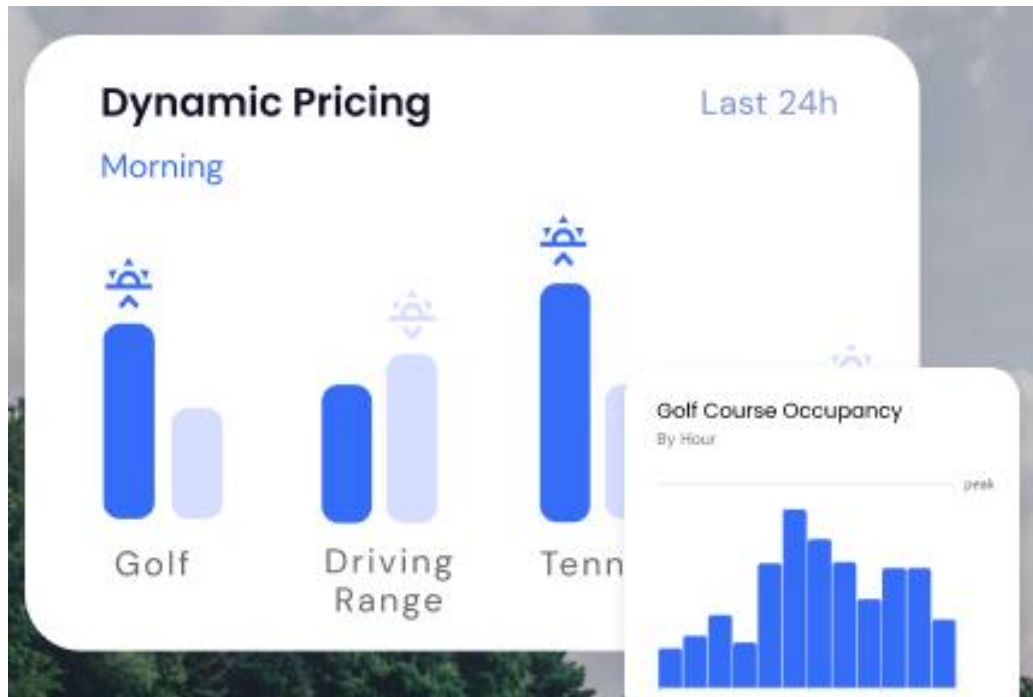


- Annual membership fees are a major revenue source for golf clubs and golf hotels
- Membership grants:
 - Unlimited rounds of golf during membership period
 - Discounts on:
 - Hotel rooms
 - F&B outlets
 - Spa and wellness services

5- Golf Course Revenue Management

Golf revenue management tools include

B- Green Fees



What Are Green Fees?

- Paid by non-members for the right to use the golf course

Associated with specific tee times

- Major source of revenue for golf resorts alongside membership fees

Key Variables Affecting Green Fees

- Number of Holes

- Fees usually set for 9 or 18 holes

- Time of Day

- Peak periods → higher fees

- Off-peak periods → lower fees

5- Golf Course Revenue Management

Golf revenue management tools include

C- Fees for additional services



1- Golf Lessons

- Single lesson or package of multiple lessons (e.g., 10 lessons)
- Individual or group lessons
- Junior player lessons
- Private playing lessons for 9 or 18 holes

2- Equipment Rentals

- Trolley
- Golf cart
- Clubs
- Golf shoes

5- Golf Course Revenue Management

Golf revenue management tools include

D- Capacity Management



- Determinants of Golf Course Capacity

- Hours of operation
- Tee time intervals between groups

5- Golf Course Revenue Management

Golf revenue management tools include

E- Duration Management



- Importance of Duration Management

- Pace of play influences tee time intervals
- Slower play → longer intervals → fewer rounds served → lower revenue

-Strategic Considerations

- Management must know average play duration for different market segments:

- Juniors → longer time per round or number of shots
- Adults / experienced players → shorter average duration

5- Golf Course Revenue Management

Golf revenue management tools include

F- Advance Bookings



- Advance bookings improve planning of golf course utilization
- Enable better staff scheduling and tee time allocation
- Can be coupled with:
 - Full or partial prepayment
 - Credit card guarantee
 - Price discounts for advance reservations
- **Priority & Segmentation**
 - Club members usually receive priority booking over non-members
 - Helps manage high-demand periods and maintain loyalty

Thank you



**European Institute of Innovation,
Entrepreneurship and Technology**

Lessingstraße 79,

13158 Berlin, Germany

Phone: +49 176 55524449

Discover the world of eiIET