

Operations Management in Hospitality

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Outline:

- 1- Forecasting
- 2- Yield Management Concept
- 3- Why is yield management critical?
- 4- Benefits of Yield Management

1- FORECASTING



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1.1- 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

1.1- 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.

1.1- 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.

1.1- 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.

1.2- FORECASTING FACTORS



1.2- Forecasting Factors

A- Internal Factors:

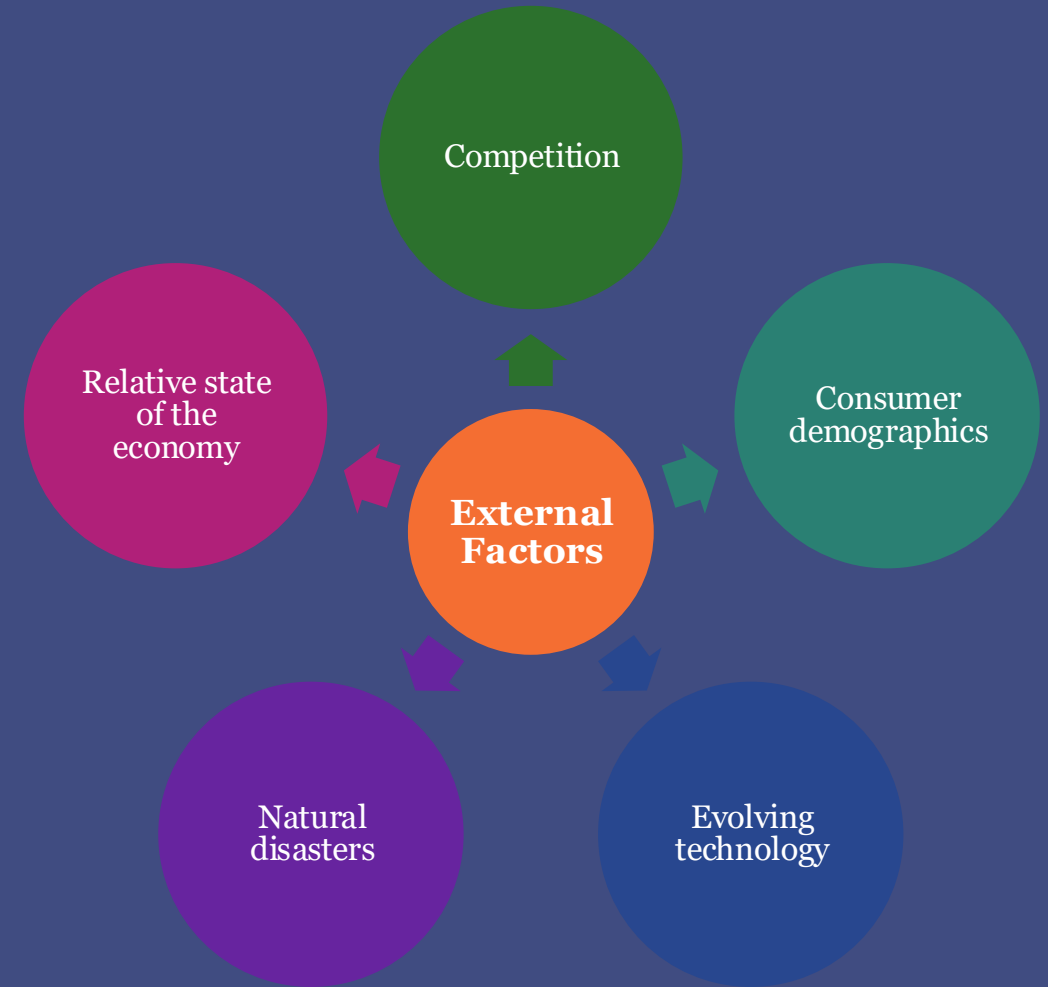
- They happen inside the organization.
- The company can control these factors



1.2- Forecasting Factors

B- External Factors:

- They happen outside the organization.
- The company cannot control these factors .



1.3- FORECASTING METHODS



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1.3- 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

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.

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.

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.

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.

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- 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.

The background of the slide is a collage of financial-related images. In the top left, a close-up of a calculator's keypad shows buttons for '5', '6', 'M+', '÷', '+', and '2'. To the right, a stack of silver coins is placed on a document featuring a line graph with an upward trend. The overall color palette is a mix of blue, white, and brown tones, giving it a professional, business-oriented appearance.

2- YIELD MANAGEMENT CONCEPT

The background of the slide features a close-up, blue-tinted image of financial tools. On the left, a portion of a calculator is visible, showing buttons for '5', '0', '1', '+', and 'M+'. To the right, several silver coins are stacked. In the center, a line graph is plotted on a grid, with the y-axis labeled with values 6,000, 6,250, 6,500, and 6,750. The graph shows two fluctuating lines, one in black and one in blue. A semi-transparent brown rectangle is overlaid on the left side of the image, containing the section header.

2- Yield management

What is yield management?

- Maximizes revenue by managing demand and supply.
- Uses forecasts to anticipate demand.
- Adjusts prices dynamically in response to fluctuating demand.

The background of the slide is a collage of financial-related images. In the top left, a close-up of a calculator's keypad shows buttons for '5', '6', 'M+', '÷', '+', and '3'. To the right, a stack of silver coins is visible. The background also features a line graph with a fluctuating line, overlaid on a grid. The graph's y-axis has labels for 6,000, 6,250, 6,500, and 6,750. The overall color scheme is a mix of blue, white, and brown tones.

3- WHY IS YIELD MANAGEMENT CRITICAL?

The background of the slide features a close-up, slightly blurred image of a calculator on the left, a stack of silver coins on the right, and a line graph with fluctuating data points in the center. The overall color palette is a mix of blue, grey, and brown tones.

3- Why is yield management critical?

- Yield management Works well in hospitality due to industry traits:
- **A- Fluctuating Demand:**
- Demand varies over time.
- Prices adjust to low or high-demand periods.
- Boosts off-peak bookings and eases peak demand
- Smooth demand and maximize revenue.

The background of the slide features a close-up, slightly blurred image of a calculator on the left, a stack of silver coins on the right, and a line graph with fluctuating data points in the center. The overall color palette is a mix of blue, grey, and brown tones.

3- Why is yield management critical?

B- Relatively Fixed Supply:

- Hospitality businesses have limited capacity.
- Once fully booked, extra demand can't be met immediately.
- Examples: Hotels need new rooms, airlines need later flights, restaurants need available tables.



3- Why is yield management critical?

C- Perishable Inventory:

- Rooms, seats, or tables cannot be stored for later sale.
- Unsold units represent lost, unrecoverable revenue.



3- Why is yield management critical?

D- Market Segmentation:

- Customers are divided into groups
Allocation of Supply.
- Rate Differentiation.
- Revenue Maximization.

The background of the slide features a close-up, blue-tinted image of a calculator on the left, a stack of coins on the right, and a line graph with fluctuating data points in the center. The calculator has buttons for numbers 5, 6, 7, 8, 9, 0, and symbols like '+', '-', 'x', '/', and 'M+'. The coins are stacked diagonally, showing their profiles. The line graph is plotted on a grid with numerical values like 6,000, 6,250, 6,500, and 6,750.

3- Why is yield management critical?

E- Advance Sales:

- Hospitality products are often booked in advance.
- Reservation Systems
- Demand Insight.
- Better Utilization.

The background of the slide features a close-up, slightly blurred image of a financial scene. On the left, a portion of a black calculator is visible, showing buttons for '5', '9', '1', 'x', and 'M+'. To the right, several silver coins are stacked haphazardly. In the center and right, a line graph is printed on a document, with a black line showing fluctuations. The graph's y-axis has numerical labels: 6,000, 6,250, 6,500, and 6,750. The overall color palette is a mix of blue, grey, and brown tones, giving it a professional, financial feel.

3- Why is yield management critical?

F- Low variable to fixed cost ratio:

- Extra guests cost little to serve.
- Expanding capacity is costly.
- Prices can be lowered to fill space.
- Better to sell than leave capacity unused.



4- BENEFITS OF YIELD MANAGEMENT

4- Benefits of Yield management

A- Increased Revenue

- Optimized Occupancy:

- Yield management helps sell rooms at the most profitable rate.

- Higher Pricing in High Demand:

- When demand rises, prices can be increased to boost revenue.

4- Benefits of Yield management

B- Competitive Analysis:

- Yield management aligns prices with the market.
- Track competitors' pricing patterns.
- Use competitors' strategies to adjust prices dynamically.
- Competitor insights help increase incremental revenue.

4- Benefits of Yield management

C- Decreased Errors:

- Yield management relies on precise demand forecasting.
- Better data reduces miscalculations and risk.

4- Benefits of Yield management

Discussion:

- **How can demand forecasting improve promotional planning in hospitality?**
- **How does demand forecasting support yield management decisions?**

Thank you



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