

BMTP 5019 Operations Management

Key characteristics of the hospitality industry and Financial management implications

Register



HOSPITALITY
AND
TOURISM
MANAGEMENT



Man Geni Addysg Uwch yng Nghymru
Where Higher Education Began in Wales



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Recap-What did we learn last week?

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- Financial Jargons
- Introduction to role of Financial Management in business
- Assignment

Assignment

Financial and Budgeting Plan 1500 words

Due **Friday 24th April 2026 (11:59pm)**

Based on your selected project (hotel, resort, or tourism business), you are required to choose one of the following topics to individually research using academic theory to identify budget considerations to address as part of the project planning:

- Profit and Loss
- Financial Forecasts
- EPOS
- Yield management
- ROI
- Evaluation of financial performance

Assignment

Financial and Budgeting Plan 1500 words

Due **Friday 24th April 2026 (11:59pm)**

Structure

1. Brief Overview:

Start by providing a concise description and the relevance of your chosen project (hotel, resort or tourism business). This sets the context for your chosen financial topic analysis.

2. Chosen financial topic analysis:

Analyse your chosen financial topic based on your selected project. Critically analyse and discuss the financial impact and possible outcome. Apply any relevant theories to aid explanation.

3. Recommendations:

Based on your analysis, provide one well-reasoned recommendation for consideration by the project team.

Assignment

Financial and Budgeting Plan 1500 words

Due **Friday 24th April 2026 (11:59pm)**

Assignment Format and Requirements:

Your report should include the following sections:

- Title Page (Not included in word count)
- Executive Summary (Not included in word count)
- Table of Contents (Not included in word count)
- Introduction (**300 words**)
- Main Findings (with relevant sub-headings) (**800 words**)
- Conclusion (**100 words**)
- Recommendations (**300 words**)
- Reference List (a minimum of 15 references) (Not included in word count)

Where Are We Now?

Module:	Operations Management
Week	Lecture Topic
1	Introduction to Role of Financial Management in business operations
2	Hospitality and tourism industry characteristics and Financial Management implications
3	Introduction to Supply and Demand and financial planning
4	Cost structure
5	Introduction to budgeting
6	Revenue Management
7	Reading Week
8	P&L and Balance Sheet
9-11	Assignment Support
12	Assignment Submission

Today's Objectives

1. Overview of the characteristics of the hospitality Industry
2. Discuss the financial implications based on objective 1

Question

- What is hospitality and tourism industry?
- Is this industry different from other industries? Why?

Key Characteristics of the hospitality Industry



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Components of Hospitality Industry

Group Discussion

List any four (4) components of the tourism and hospitality industry

Components of Hospitality Industry

The tourism and hospitality industry encompasses a broad range of activities and types of organizations.

Visible organisations include:

- Hotels
- Motels
- Restaurants
- Fast-food outlets
- Pubs and bars
- Airline
- Events etc

Factors affecting Hospitality Industry

In tourism and event business management, there is a degree of complexity due to sales volatility. Sales volatility occurs due to:

Economic cycle volatility: economic downturns impact hotels due to highs and lows of the economic cycle. Changing economic climate indicates the importance of hotels developing operational plans

Seasonal volatility: high-season and off-season can lead to profit and deficit cash balances

Weekly sales volatility: Hotels with a high proportion of business clients will experience high occupancy from Monday to Thursday and a relatively low occupancy from Friday to Sunday.

Intra-day sales volatility: this could occur due to busy periods during meal times, events, while bars tend to be busiest at night times.

Group Discussion

Identify any four(4) characteristics of the hospitality and tourism industry and show their financial implication

Characteristics of the hospitality Industry

Services are distinct from goods because they are characterized by (see Lumsdon, 1997):

- ✓ Intangibility
- ✓ Perishability
- ✓ Heterogeneity
- ✓ Inseparability
- ✓ Lack of ownership
- ✓ Complementarity
- ✓ High fixed cost
- ✓ Labour intensity

Characteristics/Principles of Hospitality Industry and Implication

Principle	Explanation	Implication
Intangibility	Unlike products, services are mainly intangible by nature. It is impossible for the consumer to touch, smell, feel or hear the service offering in the same ways as they would for a traditional product before purchase. This increases customers' perceived risk of purchasing the product because they can not inspect it before reserving, travelling to, and often paying for it.	This creates difficulties in communicating the benefits of a tourism/hospitality service to potential customers. Tourism/Hospitality Marketers try to find ways of communicating to customers that the service offering matches their expectations by 'tangiblizing' the tourism offering in brochures and videos - visual displays of the real thing.
Perishability	It is not possible to store or stockpile services. An unoccupied seat on an aircraft or train or bed in a hotel is lost forever unlike a product that can be stockpiled until demand rises once more.	The management task emphasizes managing demand and capacity to a degree of fine-tuning. For example, airlines offer standby fares to those willing to fill unexpected empty seats at a short notice.

Characteristics/Principles of Hospitality Industry and Implication

Principle	Explanation	Implication
Heterogeneity	It is difficult for service marketers to standardize service provision given the close contact between staff and customers. Performance varies regardless of the designed processes to minimize this factor.	Tourism marketers design processes to minimize differences in service encounters and provision between different outlets or different shifts at a hotel, for example provision of uniforms and similar physical characteristics, illustrates some evidence of standardization.
Inseparability	The service provision and consumption occur at the same time and both provider and consumer interact in the process or the creation and delivery of the service. This obviously is why standardization is difficult to achieve because consumers are involved in the process the service performance.	Marketers attempt to devise systems that ease interactions and invest in campaigns to educate staff and customers as to how to get the best from the interaction. Training in hotels emphasize how staff can manage the interaction.
Lack of ownership	The consumer does not take title of goods as product marketing. They bring back memories, experiences and feelings from the holiday	The marketer emphasizes pictorial references and souvenirs to reinforce the image of the holiday experience.

Characteristics/Principles of Hospitality Industry

Principles	Explanation
High fixed costs	The cost of developing tourism products, such as a holiday, involves high fixed cost (hotels, aircraft and trains). Such investment is not a guarantee of future profits.
Labour intensity	Tourism is a labour-intensive industry and tourists' experiences are greatly influenced by the skill of the staff they come into contact with.
Complementarity	When a holiday is purchased, often it is not just a single service, but several sub-products that complement each other. Failure in one of these areas (e.g. airport delays) can affect the overall experience.



Relevance of Hospitality and Tourism Industry Characteristics to Financial Planning and Management

1. Perishability

- Hospitality products (hotel rooms, event seats, airline seats) cannot be stored.

Financial relevance:

- Requires **accurate demand forecasting**
- Encourages **dynamic pricing and revenue management**
- Impacts budgeting, as unsold capacity = lost revenue

E.g., Discounting last-minute hotel rooms to maximise occupancy and cash flow.

Relevance of Hospitality and Tourism Industry Characteristics to Financial Planning and Management

2. Intangibility of the Product

- Hospitality experiences cannot be tested before purchase.

Financial relevance:

- Requires investment in **branding and service quality**
- Impacts pricing strategies and perceived value
- Influences long-term financial sustainability

E.g., Investing in staff training to protect brand reputation and repeat revenue.

Relevance of Hospitality and Tourism Industry Characteristics to Financial Planning and Management

3. Demand Uncertainty

- Customer demand is influenced by external factors (weather, economy, health crises).

Financial relevance:

- Requires **risk management and scenario planning**
- Encourages conservative forecasting
- Necessitates financial reserves

E.g., Event organisers preparing alternative budgets based on ticket sales scenarios.

Case Study: Seaside Events Ltd

Seaside Events Ltd organises outdoor music festivals in a coastal destination. Demand peaks during summer months, while winter events experience low ticket sales. The company has high fixed costs, including venue hire, equipment storage, and permanent staff salaries. Weather conditions and last-minute cancellations often affect attendance.

Issues faced:

- Unsold tickets cannot be recovered (perishability)
- Seasonal cash flow problems
- High labour and fixed costs
- Uncertain demand due to weather

Task:

In groups of 5, prepare a 10 minutes presentation. Identify:

1. Which hospitality characteristics are most relevant in this case
2. How these characteristics affect financial planning
3. One financial strategy to improve Seaside Events Ltd performance

Week 1 Quiz results

.High score= 6 out of 7

.Low score=4 out 7

Award

Motivation for the week



Jerry Inzerillo-Corporate Hotelier of the Year 2021 (<https://youtu.be/zIWzfwfBXUc?si=17hj-lhSsqSgUMSy>)

**Thank You
For
Joining**

**Next week...
Supply and Demand**

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