BMIH5013D Financial Management for the Hotel Industry

Key characteristics of the hospitality industry and Financial management implications

Role of Finance Manager and Finance Team

Register

Recap-What did we learn last week?

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- Supply and Demand
- Pricing Position
- Market Position

Question

- How does demand affect supply?

Today's Objectives

1. Discuss the characteristics of the hospitality Industry and financial management implications
2. Identify the role of Finance Manager and Finance Team
3. Assessment 1

Assessment

Assessment 1

Due **Wednesday 19th November 23.59pm**

Analysis of Financial Reports to Assess Business Performance

A comprehensive report that critically appraises Marriott International financial performance over the last three years, the report will examine financial factors such as total revenue, market position, and growth potential with reference to evidence and contemporary examples.

Make recommendations based upon your findings for Marriot International expansion into emerging markets in 2026.

Assessment 1

Title page:

Student name

Student ID

Lecturer name

Assignment title

Acknowledgement: Provide a brief and clear statement acknowledging the use of AI (specify the type and version) in the assessment. If no AI was used, still make a declaration to that effect.

Key Characteristics of the hospitality Industry

Components of Hospitality Industry

Group Discussion

List any four (4) components of the hospitality industry

Components of Hospitality Industry

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

Visible organisations include:

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

Factors affecting Hospitality Industry

In hotel 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, while bars tend to be busiest at nigh times.

Group Discussion

Identify any four(4) characteristics of the hotel and hospitality industry

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.

Time to
Break!
20
min

Role of Finance Manager and Finance Team

Who is a Finance Manager?

A Finance Manager analyses financial data to inform strategic decision-making, forecast future financial performance, and oversee investment management. Their role focuses on planning and providing guidance, rather than simply reporting.

Role of Finance Manager and the Finance Team

- ✓Provides insights on financial trends and performance
- ✓Financial planning, budgeting, and forecasting
- ✓Frequently works with company directors and executives to align financial strategies with business objectives
- ✓Develops and adjust budgets based on financial analysis and future projections
- ✓Lead long-term financial strategy and investment
- ✓Provides strategic advice on investments and financial growth

Case study

As the Finance Manager, evaluate Shangri-La hotel’s revenue performance over the past two years and develop a turnaround strategy to restore the hotel's financial stability.

Inspiration for the Week

Jerry Inzerillo-Corporate Hotelier of the Year 2021

I look forward to seeing you next week.

If you have any questions in the meantime, please send an email from your *student account*

e.wavei@uwtsd.ac.uk

Next week…

Cost Structure

Assignment one support

Please have a look at the material on Moodle, which will be made available this Friday.

Thank You For Joining

See you next week!

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