

The Evaluation of the Contribution of Front Office to Managing Hotel Bedroom Capacity

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Abstract: *At present, for the vast majority of enterprises, profit is the inexhaustible driving force for their development. For enterprise managers, the level of profit is directly related to their enterprise decisions. Starting from the current management of hotel enterprises, this paper studies the management methods of hotel bedroom capacity, and puts forward an effective and scientific management mechanism of hotel bedroom capacity, in order to give some inspiration to hotel enterprise managers.*

Keywords: *Evaluation; Contribution; Hotel management; Hotel bedroom*

1. Introduction

In contemporary society, profit is the key pursuit for businesses or at least make the businesses keep cash in and out, which is the driving force for the operations of businesses to moving forward [1].

2. Research

The first and vital step is to manage hotel bedroom capacity effectively and efficiently to reach the status of capacity optimization in terms of revenue and profit. This essay will evaluate the Contribution of Front Office to Managing Hotel Bedroom Capacity, which is under the assumption that all activities take place in front office including pricing, distribution, revenue management as well as reservations and check-in guests. First of all, basic concepts about hotel bedroom capacity will be outlined. Next there will be a presentation of four aspects regarding how front office activities are executed to manage hotel bedroom capacity, in which certain related examples will be illustrated. Then a set of conclusions will be provided. Finally, the assessment as to the source of information the author have used in the essay will be displayed to make the further study more reliable.

Based on the three views of capacity, hotel bedroom capacity can refer to three aspects: the physical number of hotel bedrooms, demand of hotel bedrooms and supply of hotel bedrooms. In other words, they respectively mean maximum hotel bedrooms, effective requested hotel bedrooms and actually available hotel bedrooms [2]. Daily routine management activity can affect the demand and supply of hotel bedroom capacity while in the same time the physical or the maximum hotel bedroom capacity is fixed and cannot easily be altered in a short term or even longer. When thinking about how to manage hotel bedroom capacity and also from the perspective of front office department, what we ought to focus on is how to manage the demand and the supply of hotel bedroom capacity. Capacity management is vital to the hotel operation management and the normal running of hotels and manages to make hotels present in their best status. It is also greatly related to service quality and exert a crucial influence on quality performance, which adds importance to the capacity management in hotels [3].

As to how it is done to manage hotel bedroom capacity by the front office, four aspects will be discussed in term of activities occurring in the department.

2.1 Pricing

Pricing is a significant element of hotel bedroom capacity management. Prices are not only determined by the cost of offering bedroom services, but also react to the demand change and at the same time affect demand of customers [4]. Thus, before discuss about how to price, cost and demand need to lay emphasis on. For one thing, hotel costs consist of fixed costs and variable cost. Fixed costs

are usually be the dominant part of the whole cost and at a high level, which leads to great need of hotels to be high sales volume or high prices to cover the majority part of costs. Whereas, variable cost per unit is at a low level and can be used as a basic point for last-minute sales [5]. For another thing, due to the changeable but predictable property of demand, hotels managers need to pay attention to demand forecasting. It is critical that history data and current data are precisely collected, which is the underpinning of the more accurate demand forecasting. It is of great importance to help hotel managers to have a considerate plan about the future hotel operations including labour, capital and layout and predict the future profitability and sometimes accordingly make some surplus activities or campaigns to cover the lack of revenue in low season. And the most significant point is to make better decisions to modify and manage the prices of hotel bedrooms. In modern societies, technology can be seen and utilized almost in every corner and every field of the world. Obviously, technology has been applied to develop a scientific and effective computerized system of demand forecasting, which is convenient and beneficial for hoteliers to make a more precise prediction [6]. While, at the same time, some unpredictable factors may occur from time to time, such as macroeconomic environment and government policies, which also need to have an eye on. To illustrate about the pricing, Marriott offers its prices as a reflection to demand changing based on computerized demand forecasting system, which brings about considerable amount of addition revenue especially in the first few years of implementation. One thing need to pay attention is Marriott is a strong chain hotel brand, which has a solid financial support for technological improvement and has a good management of history guests' data. Hence it is easier for the group to apply this.

2.2 Distribution and Reservation

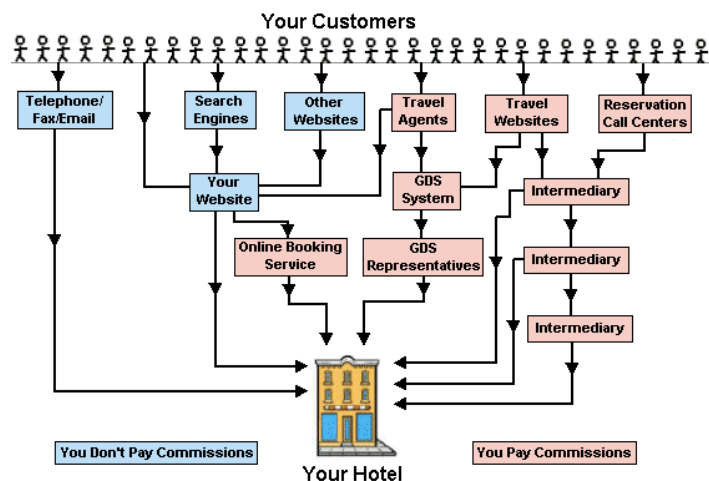


Fig. 1 Electronic Distribution Channels to Find and Book Your Hotel (Source: Msc Facilities lecture notes, 2011b [11])

Distribution and reservation are rather associated, which means distribution of hotels' bedrooms is just the way to make reservation to the hotels directly or indirectly. Nowadays, distributions are mainly electronic distribution channels because of their wide coverage, fast speed to convey and especially their low cost compared to traditional distribution. And even some traditional distribution has evolved into a modern form [7]. Take word of mouth for example, the original pattern is just as the name shows, transmitting from person to person in a small range and narrow area. Nevertheless, the website like Tripadvisor is popular and renowned among average hospitality customers. Every time they are willing to pay a visit or have already experience the service of some hospitality places, they will log on the Tripadvisor and view or make the reviews. In addition, electronic distribution is well suitable for hospitality and tourism products because products are fixed to a location and can only distribute information about the product and also offers easier methods to make a purchase [8]. Distribution channels are divided into two main categories, one is direct (non-commission) distribution and the other is indirect (frequently commissionable) distribution. Detailed categories are displayed in Fig. 1 [9]. The majority of hotels have made a good use of mixed distribution channels. With respect to the distribution cost, it usually contains discount or net rate and commission. When deciding which distribution channel to select and fully use, hoteliers should consider using different electronic distribution channels and do their best to maximise the reservations received via direct channels. Be sure of the same fluctuation of prices in different distribution channels and avoid the situation where the rates on hotels' own websites are at a higher level than those supplied by indirect distributions and

lay a great emphasis on the design and service process of direct channels to make full use of them [10]. A business need to evaluate each distribution's expense, activity and profitability when making decisions about which distributions to manage its reservations and provide its stock. The Fig. 1 demonstrates the electronic distribution channels to find and book your hotel.

Additionally, reservation still has some other ways to deal with how to manage hotel bedroom capacity, such as overbooking. It is necessary to regulating the overbooking and pay close attention to the changing of the number of reservations. It should be coped with cautiously. As an illustration, if the front office supervisor do not closely monitor the number of reservations and forecast the possibilities of guests' turn-up and permit rather higher overbooking, the bad impression will be left on the refused guests.

2.3 Revenue Management

Thirdly, revenue management is a capacity management tool, trying to allocate demand to a fixed capacity in order to maximize revenue. It has much to do with pricing and distribution. For instance, the purposes and the methods of the above three aspects are significantly associated. Likewise, demand forecasting is also the basic procedure to manage revenue or capacity effectively and efficiently [12]. The revenue management has an overall observation of prices, costs and profits. Sometimes, a decrease in price may possibly lead to more revenue but may not lead to an increase in profits. Revenue management will balance the sometimes adverse aspects and develop an optimized plan to control price and demand. Whereas, revenue management also has problem making it sense that charging a different price at different times for the same unit of capacity in order to face the possibility of clients' complaints or even conflictions. In order to dealing with the problems resulting from the revenue management, some pricing and other marketing measures can be taken (as shown in Fig. 2). Specially, large quantities of hotels and especially hotel chains have their own loyalty scheme and set different loyalty tier according to frequency or volume of purchases. In return, the loyal customers can get priority pricing, discounts or loyalty campaign benefits. This kind of loyalty programme has great benefits, urging the hotels to concentrate on their main existing customers and make enduring relationship and communications with loyal customers.

Another attention need to pay to package sales. Package is an extraordinary way to manage hotel bedroom capacity and probably bring enjoyable experiences to customers and leave a fine impression on their mind. It is likely to show the features, characteristics and some outstanding points of a hotel, which will be a good start for customers to grow with the hotel. Furthermore, packages sometimes are directly sold as product of travel agencies, which are the organizers of group travelling. If hoteliers develop a good relationship with them, group package travel can be the massive increasing point in the future revenue.

Customer conflict can arise from:	Marketing tools to reduce customer conflicts:
<ul style="list-style-type: none"> ● Perceived Unfairness & Perceived Financial Risk Associated with Multi-Tier Pricing and Selective Inventory Availability 	<ul style="list-style-type: none"> ● Fenced Pricing ● Bundling ● Categorising ● High Published Price
<ul style="list-style-type: none"> ● Unfulfilled Inventory Commitment 	<ul style="list-style-type: none"> ● Well designed Customer Recovery Programme for Oversale
<ul style="list-style-type: none"> ● Unfulfilled Demand of Regular Customers 	<ul style="list-style-type: none"> ● Preferred Availability Policies
<ul style="list-style-type: none"> ● Unfulfilled Price Expectation of Group Customers 	<ul style="list-style-type: none"> ● Offer Lower Displacement Cost Alternatives
<ul style="list-style-type: none"> ● Change in the Nature of the Service 	<ul style="list-style-type: none"> ● Physical Segregation & Perceptible Extra Service ● Set Optimal Capacity Utilisation Level

Fig.2 Dealing with Common Customer Conflicts Arising from Revenue Management (Source: Msc Facilities lecture notes, 2011a [12])

2.4 Check-in

Although check-in is already the confirmation of the purchase, it is also the good timing for front office staff to sell more products of their hotels such as extra or featured room services, additional hotel services and even longer staying here. (Vallen, 2009) This kind of selling often offers front office staff

some extra bonus for it. This is the motivation and encouragement for them to have a good master of different products and their strengths and characteristics and then they can demonstrate different products or different aspects of products to different customers in different situations. There are also incidental occasions for front office staff to flexibility coping with the some last minute or even earlier chance to sell their bedrooms. Rooms are perishable and its lift only last for one day. When dealing with these occasions, hotels should offer the rights for the staff to make discounts individually, but staff should make an overall consideration of all aspects including costs, reputation, current and final situations. This requires front office staff to have a good understanding of the whole situation and a good capability of decision-making and most of the time these decisions are made by the supervisors or even managers due to their higher level of these capabilities. While at the same time, with the emerging of some self check-in machines and even on-line check-in portals, especially in rush hours in peak seasons, these check-in methods benefit the customers as well as the hoteliers in terms of possible block, complaints and staff.

3. Material Assessment

I have referred to some related academic books, but have not spent so much time reading every related chapter and details of books. This may lead to a misunderstanding of the authors' opinions to some extent.

I find little journals regarding the topic and make less use of journals although I searched some journal database. That is possibly because I have tried wrong key words and only searched online. This may result in the less access to advanced frontier research results and less justified application examples of theories. Next time I learned some modules, I will spend more time reading journals and news and make myself keep pace with up-to-date information.

4. Conclusion

In conclusion, under the assumption of the all these activities taking place in the front office, a great, even major, contribution are made by the front office to managing hotel bedroom capacity in terms of pricing, distribution, revenue management as well as reservations and check-in guests. By all these activities, front office can not only detect the changeable demand of hotel bedroom capacity and react to all these changes with the aspects of pricing, distribution and revenue management; but also take active measures to improve the operations process of managing hotel bedroom capacity.

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