

# Economics essay on own hospitality business

[Business](#), [Marketing](#)



## **Introduction**

While at my early level of education I had a compelling drive within that one day I be one of the accommodation service providers in the country.

Hospitality entails a lot of dealing with people which even made it more interesting and appealing to me. On completing my university education I was immediately absorbed in one of the leading hotel service providers in the country, Hilton Hotel. I encountered and dealt with several people of different walks. This gave me experience enough, and after working with Hilton Hotel for five years, I decided to quit my job and start my own business. Right now I have started my own Hospitality business in the name of Downtown Café situated along one of the major highway and sandwiched between the Nairobi National park and Nairobi University in the city. My business mainly provides restaurant services. In proper management of a business, the following are the key areas I would like to identify my business with:

### A.) Demand and Supply

The experience I gained at Hilton Hotel taught me a lot about handling, maintaining and winning new customers. For the smooth running of a business, product and service supply should be consistent. With regard to these I will discuss demand and supply separately. Lee (1998, P. 115) explains that demand is the steady request of an item or service in the market for consumption or use by the consumer or customer. My target customers are mainly students and tourists who come there for refreshments

and food. As for the Hospitality service which I render, its' demand to remain high, the following vital concepts must be taken into consideration:

First, great service is not enough; customers need to have personal bond with my employees say waiters. This helps me in maintaining new customers thus making it impossible to lose them to my competitors. Hospitality is not only about excellent products, it also demands dialogue, listening to the customer's needs and attending to them accordingly. Incorporate this aspect in your business and succeed successfully.

Second, my employees come first and customers come second. What do I mean? I believe in meeting the needs of my employees first as a key role. By so doing, they will all be willing to meet the business standards by rendering quality service to my customers. This is a very ideal factor for a service providing business.

Thirdly, collecting information about my guests, finding out what they need preferences and those that are allergic to certain types of food. This gives my customers a feeling of importance which on the other hand makes them loyal customers. The personal connection I have employed really works for me. I can't lose them to other stakeholders in the market.

Forth, in recruiting my employees I use the 51% solution method whereby, emotional skills for example; kindness, empathy and curiosity along with strong work ethics are the primary qualities for my candidates. This skill is great; I only employ people who will nurture superb Hospitality to my

customers. For sure, my customers feel at home interacting with my employees hence the demand for my services remains outstanding.

Another key thing is promotion of my services which has also earned me new customers thus increasing the demand. Here, I use local radio stations in voicing the goodness of my services.

Supply: These are chiefly the products and services that a company or business offers to the market. My business offers products and services stipulated bellow.

Food: I have majored in providing unique food that is basically cultural. The locals like this supply to embrace their own culture. For instance University students come from different localities with different cultures hence my restaurant gives them a chance to know and eat food from different parts of the country. Tourists on the other hand are eager to learn the diverse kinds of cultural food stuffs in the country. They also identify themselves with citizens by eating the food.

Drinks: My restaurant provides soft, hard, traditional and exotic drinks. These drinks are good for refreshment all the time. Students are my immediate guests for they always come to the restaurant everyday for relaxing after classes. Tourists after a day full of ups and downs in the park come at evening hours to refresh themselves.

Entertainment: There is a movie theater section, disco hall and a DSTV service section in my restaurant. This gives my customers all day long entertainment; movies are advertised and tickets sold in advance hence my

customers have an easy time watching their movies. Discos are held once a week on Fridays, students love this. DSTV is most convenient to sports' fans especially soccer premier leagues across the globe.

Accommodation: I have a lodging facility which is mainly used by the tourists that visit the park and businessmen who visit the city for business.

Conference hall is available and it is vital for meetings. Different people appreciate using this facility.

B.)

Downtown Café has products that are both elastic and inelastic. Elastic products or service are those that have close substitutes as they can also be provided for by competitors. My cafés' drinks and services are the most elastic ones for they can be acquired from any other hospitality service providing institution. Soft drinks like sodas, juices and mineral water can be obtained or found everywhere; in supermarkets, street shops and other restaurants and hotels across the city. I have no authority in controlling their prices. On the other hand, accommodation and entertainment are the most flooded markets. In order to earn much from this market segment you have to go an extra mile by perfecting your services to attract more customers.

Inelastic products or services are those that have no close substitutes, they are unique to the provider and can not be provided for by any other person, institution or organization. My restaurants' food is exceptional in the city since there is no any other hotel or restaurant that delivers such product as

cultural food to the market. Here I have won, I enjoy monopolistic kind of competition and my profit from this segment is high.

C.)

Price elasticity of demand is a measure of how responsive an increase in price of product and service affects the demand. Product's and service's price elasticity of demand is determined by the following factors:

Number of substitutes: When there are many close alternative products, when you increase the price of your product or service the customer can easily shift other substitutes. In the case of Downtown Café, we cannot increase the prices of drinks, accommodation, and entertainment since there many hotels that provide the same. We can only increase the prices of foods without losing customers given that we are the sole providers of cultural foods in the city Lee (1998).

Degree of necessity: If the product or service is a necessity the demand for it is difficult to change with increase in price. Food product is a necessity in my restaurant the demand for it is always constant and if there is any deviation, is a positive one.

Price of the goods as a proportion of income: Items that account for a large proportion of income are more elastic compared to those that need/account for a small proportion of income. Food in Downtown Café is lowly priced and the demand for it is inelastic unlike drinks like beer which are highly priced McLaughlin (2006, P 54).

D.)

Explicit cost is direct money payments that a company or business incurs when paying for a factor or factors of production, these may be wages, interest rates, rent and capital. Downtown Café incurs explicit cost when paying wages to employees after rendering their services to the business, paying rent and taxes to the government and promotion costs to the radio stations.

Implicit cost is opportunity cost related/associated with the use of firms own resources that measured in monetary terms but are not paid for directly in money. These are basically non-purchased inputs like capital, inventory and owner's resources. Downtown Café implicit costs were encountered when I used my own capital to buy entertainment equipments such as TV sets, Music system and DSTV camera.

E.)

Downtown Café has a perfect market competition. Perfect competition is a type of market where there are many firms that produce close substitute products or services into the market. Conversely, imperfect market competition is where there one or few firms that provide products or services to the market. Downtown restaurant exhibits perfect market structure in the service provision segment. Accommodation, entertainment, drinks and conferencing services are services that other hotels like Hilton, Stanley, Grand Regency and Nairobi Hotel also provide. This portion of the market is so tricky in that when you try to increase fees on accommodation,

entertainment or conference services you stand a high chance of losing customers to other players in the market.

F.)

Downtown Café anticipated total sales of \$ 150, 000, revenue of \$ 90, 000 and total operational cost of \$ 60, 000 per month. The firm is said to be at shutdown point when revenues are less than total cost or profit is less than average total cost.

In the short run it is possible for a firm to make an economic profit because it is there are few providers or operators in the market. In this situation, revenue or price of the product or service is slightly high than the average cost. In the short run Downtown Café used to make hyper profits. This can be illustrated by the diagram below Stigler (2007).

On the other hand, in the long run economic profit cannot be sustained it is impossible for the firm. The arrival of new competitors and expansion of the existing firms in the market causes the demand of individual firm to decrease. The prices of products decrease causing the marginal revenue and average revenue to equal. After a period of two years Downtown Café profits became constant and they equaled marginal revenue and average revenue. In the long run the café made normal profits thus zero economic profit. This is illustrated in the diagram below Kreps (1990, P 36).

## REFERENCES

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