FOOD COST ANALYSIS AND ITS IMPACT ON THE HOTEL'S PROFITABILITY: A CASE STUDY OF HYATT REGENCY, TRIVANDRUM

Major project submitted to St. Teresa's College (Autonomous), Ernakulam in Partial Fulfillment of the requirement for the Award of PG of

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DECLARATION

I, **Nila A** hereby declare that the project titled **"FOOD COST ANALYSIS AND ITS IMPACT ON THE HOTEL'S PROFITABILITY: A CASE STUDY OF HYATT REGENCY, TRIVANDRUM"** is a piece of original work done by me for partial fulfillment of the requirement for postgraduation of Integrated M.A program in Social Science-Economics under the guidance and supervision of **Sowmya A R**, Assistant Manager, Finance department, Hyatt Regency, Trivandrum.

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CHAPTER – I

INTRODUCTION

1.1 INTRODUCTION

The hospitality industry is a developing and fast-growing industry. The hospitality sector has grown rapidly over the years and has been contributing significantly to the global economy.[1] Hotels, restaurants, caterers, and a host of other service businesses fall under this umbrella phrase. Being hospitable and the dynamic between hosts and guests are both referred to as hospitality.[2] The hospitality industry is a wide industry that involves accommodation, food and drinks, and travel and tourism. The primary example of the industry where we can observe a blend of the whole hospitality industry is hotels. Hotels offer accommodation, food and drinks, and customers are usually tourists.

One of the most extensive service sectors, the hospitality business caters to and welcomes guests from all walks of life.[3] For those in need of temporary housing and dining, there are plenty of hotels to choose from. Hotels provide a wide range of additional services, including dining options, coffee shops, bars, spas, meeting spaces, boardrooms, pools, and more. [2]

Accommodations and the sale of food and drink provide the bulk of a hotel's income. Hotels rely on room revenue as their main source of revenue. On the other hand, the hotel's food and beverage division contributes to its bottom line. Many studies conducted in the last ten years have concentrated on the hotel industry's food and beverage sector as a whole, with a special emphasis on cost control and profitability.[4] There are other ways to boost earnings without increasing sales. Raising the profit margin is possible through cutting expenses, such as those associated with food and drink.[5]

An integral feature of any hotel is the food and beverage (F&B) department. It has to do with the wide selection of drinks and foods offered by eating establishments.[3] Knowing how much food and drink cost is essential for food and beverage cost control. When it comes to hotel profit margins, one of the most critical and difficult to manage is food expenditure.[6] What are known as "food costs" are the real expenses associated with making the meals that customers want. Expenses associated with food and drink products include things like meat products, fresh produce, and other food-related expenses.[7] With a share of 30–40% of overall expenditures, food costs are a major factor in hotel operations. If the food and beverage division wants to meet its profit targets, it must master the art of food cost control. More than half of a hotel's income could come from the food and drink section. Consequently, controlling food expenses has grown into a critical component of hotel management.[1]

Knowing food costs is vital because only by knowing the total cost, the selling price of a dish can be determined. It also plays an important role in preparation of accounts and management of food cost. [6] Food cost control is critical because the Food & Beverage department generates a significant portion of the hotel's profits.

1.2 BACKGROUND OF THE STUDY

Food cost control is crucial because the Food and Beverage department earns most of the revenue. The gap between theory and practice in the field of food cost management persists, despite the fact that it has long been a problem in the hospitality sector. A number of studies have shown that hotels often struggle with effectively managing their food expenses. Hotels confront significant difficulties in controlling food expenses due to inaccurate demand forecasts, inaccurate cost of products sold calculations, and food ingredient waste. Food cost management could be inefficient if the buying, kitchen, and finance departments don't work together. There is some variation across hotels in the variables that influence the cost of meals. Hotels aiming for the five-star market tend to charge more and use higher-quality ingredients in their cuisine than those aiming for the three-star market, which caters to the middle-class. Because of this variation, the methods used by different hotels to keep food costs down may vary.

Even small fluctuations in food cost can significantly impact the profitability of the hotel. This study is undertaken to examine the food cost structure, its relationship with profitability and the factors contributing to variations in the food cost through a case study of Hyatt Regency Trivandrum.

1.3 STATEMENT OF THE PROBLEM

The Food and Beverage department makes a substantial contribution to both revenue and expenditure in the hotel industry. To maintain profitability, every hotel needs to effectively control its cost. Among these, food cost is one of the most critical costs that directly influences the profitability of the hotel.

Even in a five-star hotel such as Hyatt Regency Trivandrum, food cost fluctuates over time. These variations are caused by factors such as wastage and spoilage, differences in supplier prices, and fluctuations in price of raw materials. Such variations may result in cost leakage, impacting the hotel's profitability. As a result, it is critical to assess the factors causing variations in food cost and investigate how they affect the hotel's profit and loss.

Although various studies have been conducted on the F&B operations and cost management, there are a few studies focusing exclusively on the impact of food cost on hotel profitability. This study seeks to bridge this gap by evaluating the structure of food cost, its impact on hotel profitability, and the factors that influence food cost through a detailed case study of Hyatt Regency Trivandrum.

1.4 SCOPE OF THE STUDY

The scope of the study is limited to the food and beverage operations of Hyatt Regency Trivandrum. The study mainly focuses on analyzing the structure of food cost, examining the impact of food cost on the hotel's profitability, and identifying the factors contributing to variations in food cost. The analysis is entirely based on the data provided by the Finance department of the hotel and relies on the secondary data such as monthly food costs, food revenue, etc. The study is based on the data from January 2025 to December 2025.

The scope of the study does not involve any inter-hotel comparison. The study is conducted to provide insights about food cost management to the hotel. It does not intend to make generalizations about the entire hotel industry.

1.5 OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1. To analyze the composition and structure of food cost in the hotel.
2. To examine the impact of food cost on the hotel's profitability.
3. To compare the actual food cost percentage with budgeted food cost percentage.

1.6 METHODOLOGY OF THE STUDY

1.6.1 Period of study

The study was conducted by using data pertaining to the period from January 2025 to December 2025.

1.6.2 Area of study

The study focused on the Food and Beverage operations of Hyatt Regency Trivandrum, with specific emphasis on Food cost and its impact on the Hotel's profitability.

1.6.3 Source of data

The study was based on both primary and secondary data. Primary data includes informal interviews and discussions with the department staff. Secondary data for the period from January 2025 to December 2025 was obtained from the Finance department of Hyatt Regency Trivandrum.

1.6.4 Tools used for the study

The collected data was analyzed using tables, graphs, charts, with the help of the Microsoft Office Excel. Analytical tools such as ABC (Pareto) classification method, Percentage analysis, Trend analysis, Cost efficiency index and Variance analysis were used to interpret the data.

1.7 SCHEME OF THE STUDY

The project report is organized into 5 chapters. They are:

1.7.1 Chapter 1 - Introduction

This chapter gives an introduction to the study, background of the study, statement of the problem, scope of the study, objectives of the study, research methodology, scheme of the study, and limitations in the study while examining the impact of food cost on the hotel's profitability.

1.7.2 Chapter 2 – Review of Literature

This chapter gives a brief review of various relevant studies conducted earlier. It includes studies related to food cost control and profitability analysis in hotel as well as hospitality industry.

1.7.3 Chapter 3 – Industry and Organization Profile

This chapter introduces the industry and the organization, covering the history, and the pertinent data. It also dives deep into the concept of food cost.

1.7.4 Chapter 4 – Data Interpretation and Analysis

This chapter includes the analysis of all secondary data collected and interpreting results according to the objectives.

1.7.5 Chapter 5 – Findings, Conclusions, and Recommendations

This chapter includes major findings gathered from the study, conclusions arrived at and prospects and recommendations.

1.8 LIMITATIONS OF THE STUDY

The study has the following limitations:

1. This study is confined to only one hotel, limiting the generalizability of the findings.
2. The study concentrates only on the food cost and no other costs.
3. The study is entirely based on the secondary data provided by the Finance department.
4. This study is subject to typical errors encountered in dealing with secondary data, such as common statistical analysis errors.

CHAPTER - II

REVIEW OF LITERATURE

2.1 INTRODUCTION

This chapter gives a rundown on the relevant literature related to the topic of the study. This empirical review is the examination of already existing literature related to the topic of the study and summarizing each of these studies and articles provided the fundamental base of the study.

2.2 REVIEW OF LITERATURE

For the review of literature, a comprehensive examination of existing scholarly works related to food cost management and food & beverage department in hotels will be conducted. Through a combination of relevant research, theories, and methodologies, this chapter aims to establish a comprehensive understanding of the subject matter.

Khodijiah Islamiah Marulafau, Dyah Palupiningtyas, and Tri Maryani, (2024) [1] conducted a study on Food cost management at Patra Cirebon Hotel & Convention. Finding out what goes into food costs, how much of an effect various elements have, and how the hotel may improve its food cost management were the primary aims of the study. Using a case study methodology, the research was qualitative. Employees from the hotel's food and beverage department took part in the study. Researchers utilized a purposive sampling strategy to pick study participants. Multiple methods of data collecting were employed in this study, such as document analysis, semi-structured interviews, and observation. The data was examined by employing thematic analysis methods. The study's results shed light on the numerous elements influencing food prices and provide potential solutions to these problems.

Muh. Ersyad Nasir and Indra Gunawan (2025) [4] conducted a study to investigate the cost strategies within the food and beverage sector of Aston Makassar Hotel & Convention Center. Primary data was used for the study. Surveys of kitchen staff using questionnaires and in-depth interviews with the Executive Chef using a mixed-methods approach were used to collect data. The study period was January to March 2023. The results showed that cost management issues, directly affected the profitability and customer satisfaction. Study also included recommendations for improving cost management strategies.

Abhimanyu Awasthi, Akshay Nain, and Abhishek Roy (2020) [5] in their research paper aimed to study about the different cost cutting measures for controlling costs in food & beverage department. Training employees, as well as developing and retaining them, is crucial, and this study aims to prove that. Its secondary objective is to catalog the numerous methods of decreasing costs and to determine how each method is applicable to certain parts of a company's operations. Textbooks, scholarly articles, and online resources are among the secondary data sources consulted for this study. Outsourcing human resources is an effective means of cutting costs, according to the study's results. It found that cutting expenses is all about reducing costs in the correct quantity, not merely about eliminating costs.

Dr. A. Mahalakshmi (2018) [6] in her research paper conducted a study on the food cost at the Hotel Radha Regent, Bangalore. The main goals of the research were to study the food cost percentage, association of raw materials issued to the kitchen with food cost percentage, and to analyze the weightage of materials that are issued to the kitchen with the food cost. Study used secondary data for the period from January to December 2015. Correlation and Regression techniques were used to analyze the data. The study’s findings revealed that the food cost percentage was too high in January and the weightage of groceries had a significant impact on food costs.

Emre Cengiz and Funda Cengiz (2015) [7] conducted a study to investigate F&B cost control processes of hotel enterprises in Orlando, Florida. The major objectives of the study were to (1) determine the methods used to control food and beverage costs in hospitality enterprises and (2) examine how different enterprise sizes affect these methods;(3) examine the rate of ABC usage in hotel F&B departments; and (4) perform an importance-performance analysis for the factors that seem to be critical to F&B cost control. In the beginning, we used 242 Orlando hotels that we found on tripadvisor.com as our sample. The study's data was collected via a survey questionnaire. While there was no statistically significant correlation between hotel company size and the ABC consumption system in the food and beverage department, the data did show that there were substantial discrepancies between standard costing utilization and hotel business size.

Assoc. Prof. Dr. Halil Akmese and Res. Asst. Aysenur Akkaya (2019) [8] in their research paper aimed to evaluate the cost control system used in the F&B departments in terms of managers and personnel. It was pilot research and the sample size was 80 employees working in hotel enterprises in Istanbul. The research was conducted in the months of April to May 2018. Survey questionnaires were used to collect data in the study. In this study, Nominal scale, Likert scale, the data was analyzed using Bonferroni and one-way variance (ANOVA) tests. Statistical software SPSS-22 was used for data analysis on the collected information. The results show that efficient methods of cost control in the food and beverage sector have a significant impact on profitability. To rephrase, improving the hotel's profitability is highly dependent on knowledgeable managerial practices and thorough cost monitoring.

I Wayan Arya Pradiptha, Lien Darlina, Ida Ayu Elistyawati (2018) [9] conducted research focusing on the food costs controlling with reference to the hospitality industry. The primary objectives of the research were to ascertain the methods used for managing food costs at the One Legian Hotel and to identify the factors contributing to the discrepancy between real and standard food cost percentages. The months of May, June, and July 2017 were used for the research. Interviews, observations, documentation reviews, literature reviews, and secondary sources like food cost reconciliation reports and sales data were all used to compile the data used in this study. Both quantitative and descriptive qualitative analysis techniques have been applied to this research data. The data show that the hotel had a profit variance in May and June due to food cost controls, but a loss variance in July due to poorly executed food cost controls.

Mun. S. G, Woo. L, and Seo. K (2020) [10] in their research paper aims to understand the impact of F&B services on the operating performance of luxury hotels, as well as to identify the various effects of the luxury hotels F&B operation on the business performance between Asia and the United States. Results for 37 Asian luxury hotels and 72 American luxury hotels were culled from STR reports. The study's findings were derived via GEE (Generalized Estimating Equations) models. Investing in food and beverage offerings has helped Asian luxury hotels increase occupancy and gross operating profit per available room, according to the research.

Adinda Oktaviani Bendesa, Ni Nyoman Sri Astuti, I Ketut Astawa, Budi Susanto, I Made Bram Sarjana (2022) [11] conducted a study focusing on implementing food costs with specific reference to the hotel industry. A more efficient use of funds and a better understanding of the variables influencing food cost stability were the overarching aims of the research. Over the course of four months, researchers from Patra Bali Resort & Villas's finance department gathered data for this study. In order to gather data, we relied on observation, documentation, and interviews. The study's primary subjects were the store manager, purchasing manager, cost controller, and finance controller. Two types of data analysis were employed: quantitative descriptive analysis and qualitative descriptive analysis. The study concluded that the increase in food cost percentage is caused by the high volume of purchase and low volume of sales, resulting in high cost. Furthermore, the price of raw materials, frequent damage to the chiller are some other factors resulting in high food cost.

Made Artajaya, Made Wahyu Chikara, Wijaya, I Gusti Agung Febrianto (2022) [12] in their research paper aimed to study the causes of high food cost at Four Points by Sheraton Bali Ungasan in 2020. Finding out how the Food and Beverage department plans to keep food costs down was another primary goal of the study. Executive chef, chief accountant, purchasing, cost controller, and storekeeper were the five informants chosen using the purposive sample technique. Methods for gathering information included interviews, participant observation, and written records. Triangulation of sources is a descriptive qualitative analytical method that was used to analyze the data in this research. The research showed that the high food expenditures were due to the kitchen department's improper use of the standard yield, standard recipe, and standard portion size.

Emre Cengiz, Funda Cengiz, Tevfik Demirciftci and Cihan Cobanoglu (2018) [13] conducted a study to discover the cost-control process in hotel enterprises in Istanbul/Turkey. The primary objective of the research was to find out how often F&B departments apply cost control techniques and how significant those strategies were according to F&B associates. Additionally, it determines if the favorable association between F&B associates and both financial and non-financial results is mediated by the frequent execution of these management measures. In order to collect information for the study, a questionnaire was developed. One hundred thirty-one hotels in Istanbul, Turkey, ranging from three to five stars, made up the study's population. Information from the Istanbul Culture and Tourism Directorate's press release was used to compile this report. One hundred fifty hotels made up the first sample. Stratified sampling was used here. Path analysis and descriptive statistics were the main tools for analyzing the data. In the end, the study found that the hotel's performance and bottom line were both improved by implementing methods to control food and beverage costs. According to the findings, the frequency with which F&B associates use cost-control measures is positively correlated with the importance degree of those measures.

Putu Esa Naranata Dewi, Ni Made Sudarmini, Ni Putu Somawati, and Ni Wayan Sukartini (2025) [14] in their study aims to examine the cost control practices applied in the luxury hospitality industry, with a case study at Sanctoo Suites and Villas Bali. The primary goal of the research was to determine how well cost control measures improved operational efficiency and the quality of exclusive services. Its secondary objective was to learn about the difficulties and workable solutions of establishing cost control in a high-end boutique hotel. Data needed for the study was gathered through in-depth interviews, participant observation, and records kept by the hotel itself. The study's primary participants included the hotel's general manager, housekeeping supervisor, finance manager, and head of the food and beverage department. Using a case study approach, this research uses descriptive qualitative methods. Sanctoo Suites and Villas Bali has an organized, collaborative, and adaptable system for controlling costs, according to the research.

Putu Astawa, Putu Mertha Astawa, and Ni Putu Wiwiek Ary Susyarini (2017) [15] conducted research on the efficiency in the procurement of Food and Beverages in Bali’s star hotels. It focused on understanding the Food and Beverages purchasing system at Bali’s star hotels, as well as how these hotels achieve high levels of efficiency. The research sample consisted of ten of the best-rated star hotels on Tripadvisor. The study ran from January to June 2016. Data collection was gathered via questionnaires. Purchasing managers were the research participants. The acquired data was examined using descriptive statistics and Economic Order Quantity analysis. According to the research findings, the hotel’s procurement procedure is based on a contract system, and Economic Order Quantity analysis can be utilized to improve efficiency.

Dr. Madonna P Melchor, Dr. Mary Jeane S Lubos, Zernan R Maling, Zara Cruzado, Mary Suleide Melendrez, and Maecel Melaya Lat (2025) [16] in their research examined the cost management awareness, methods, and challenges of the Food and Beverage service enterprises in the Southern part of Oriental Mindoro, Philippines. The study involved a total of thirty-eight employees. Data were gathered using survey questionnaires. Descriptive statistics, Likert scale, and Weighted mean were used to analyze the obtained data. The findings demonstrated that while employees understand key cost-cutting measures, there are major gaps in their regular execution.

Noor Azimin Zainol, Rozila Ahmad, Jasmine Zea Raziah Radha Rashid Radha, and Muhammad Shah Kamal Ideris (2017) [17] conducted a study on one business strategy to maximize profit that is minimizing costs, by implementing cost management measures in everyday operations. The study's major goals were to determine the cash control handling techniques, and cost control measures used in these outlets. The study employs a qualitative approach utilizing interviews and questionnaires. The study's population consisted of the Food and Beverage outlets in the northern part of Malaysia with 30 managers serving as the sample. Data was collected from March 2014 to May 2014. Data were analyzed using content analysis. The study revealed that while awareness of cost management measures is acknowledged, it requires further improvement. However, the execution of the control procedures remains imbalanced requires improvements.

Omer Faruk Demirkol (2018) [33] conducted a study to determine if there is any relationship between the cost control of the F&B department and the demographic factors of hotels in Sanliurfa. Study was conducted among 26 hotels in the city using sampling method and survey method. Different hypotheses were developed for the research. After analysis, it has been concluded that there is no relationship between cost control level of the Food and Beverage department and the demographic factors.

Dyatri Utami Arina Absari (April 2023) [34] conducted a study on the application of food cost control with cost volume profit analysis. The type of research conducted is a case study at the Ocean Garden Restaurant. The major goals of the study are to know the implementation of effective food cost control at the Restaurant, to grasp the percentage of food cost compared to the selling price of the restaurant's top seller menu, as well as the selling price of best seller menu itself. The study uses both quantitative and qualitative data drawn from primary and secondary sources. The sampling technique used is purposive sampling. Cost volume profit analysis was used as Data analysis technique. After the analysis, it was revealed that the reason for high food costs in the restaurant was the inefficient food cost control process.

Basavarajeshwari Diddimani, and Dr. Ishwara P (2020) [35] in their study focused on analyzing the profitability of listed hotel companies in India. The major objectives of the research were to examine the profitability of hotel companies in India and to assess the relationship between return on assets and selected variables. Secondary data formed the basis of the study. Kruskal Wallis Test, Karl Pearson coefficient of correlation, and Regression analysis have been used for data analysis. The results of the research suggests that the profitability of hotel companies is satisfactory and regression analysis shows that only quick ratio and interest coverage ratio determines the return on assets.

Shefali Jain (2018) [36] conducted research to examine the profitability of the organizations of lodging industry in India. The major objectives of the research were to examine the profitability of the hotels, to make a comparative study of selected hotel companies, to study the financial performance of selected luxury hotels in India. The study used secondary data from 2012-2017. Indian Tourism Development Corporation Ltd and Indian Hotel Company Ltd have been selected for the purpose of the study. Data analysis ere done using T-test and F-test. The study concluded that both hotel companies underwent fluctuation during the period of study.

B Kayathiri Bai, Dr. V Buvaneshwaran (2015) [37] conducted a comparative study of profitability analysis of selected hotel industries. Secondary data formed the basis of the study. The selected sample unit are The Grand Bhagvati Hotels, The Royal Orchid Hotels, The Jindal Hotel, The Lord Ishwar Hotels, and The Leela Hotels. The period of study was from 2011-2016. ANOVA Test was mainly used for data analysis. The findings of the study revealed that the Royal Orchid hotel is in the good position than the Jindal hotel and Leela hotel is in the last position as compared to these five hotels.

Kanabar Dhruvika Bharatkumar (2019) [38] in his research paper aimed to check the financial performance of selected hotels. The main goals of the research are to evaluate the profitability of the selected hotel units in India and to check the performance and suggest the remedial measures for overall development of the hotel industry. The study period was from 2008-2018. Population of the study included 1802 units of hotels. The study used secondary data and used methods like ANOVA for data analysis.

CHAPTER-III

INDUSTRY PROFILE AND COMPANY PROFILE

3.1 HOTEL INDUSTRY PROFILE

3.1.1 Global hotel industry

The hotel industry is one of the most significant and largest service industries, serving and welcoming people from all walks of life. The fundamental focus is on providing services to the guests. [3] A hotel is a professionally managed building or establishment that offers guests with a place to stay overnight, on a short-term basis for a fee. The hotel industry is the subset of the service industry that offers guest rooms or lodgings. [19]

The 5th Duke of Devonshire coined the term "hotel" to describe a lodging accommodation in London in 1760 AD. The term hotel is derived from the French word hotel meaning town house. The word hotel has also derived from the word hostel which means a place to stay for travelers. [2]

There are three distinct era that provide light on the history of the hotel business: the Ancient, the Grand Tour, and the Modern. Though most people put the origin of inns in the sixth century B.C., the actual beginning of inns in history is actually in the twelfth century. In ancient cities like Corinth in Greece, there were plenty of places to eat, drink, and sleep for anyone passing through. The idea of hospitality had developed by the 1600s. From 1750 until 1825, inns in Britain were known as the best places to stay for hospitality. The modern hotel industry got its start in 1794 with the opening of the City Hotel, a huge structure with 73 rooms, in New York. Throughout the 1940s and 1950s, the hotel industry maintained a sluggish but steady rate of expansion. New ideas and high-end services have been developed by the hotel industry for guests to enjoy in recent years. [2]

3.1.2 Difference between the Hotel Industry and the Hospitality Industry

A lot of people get the hotel and hospitality sectors mixed together. They are related and have some shared features, but they are also distinct. In contrast to hotels, which primarily care about providing rooms for customers, those working in hospitality strive to make each client feel welcome and valued. [3]

The management of lodging establishments is encompassed under the hotel sector. However, in the hospitality sector, it denotes managing people and doing business with them. There is a close relationship between the hotel industry and the hospitality sector, and the hotel industry helps the hospitality sector expand and thrive. [3]

3.1.3 Types of Hotels

The world of hotels provide luxury, or budget-friendly accommodations according to the traveler's preference. Hotels are mainly classified in the following ways.

1. **Full-service Hotels** – Full-service Hotels provide travelers seeking a place to stay with full-service accommodation as well as a luxurious package that embraces guests in comfort and convenience. [18]
2. **Boutique Hotels** – Boutique Hotels are often distinguished by their intimate size, and particular character allowing them to create a unique ambiance, that typically reflects local culture, and history. [18]
3. **Budget-Friendly Hotels** – Budget-Friendly Hotels provide guests with affordable lodging options while providing the essential services. [18]
4. **Luxury Hotels** – Luxury Hotels are distinguished by their luxurious amenities, elegant design, and flawless service, which provide the guests with the greatest comfort. [18]
5. **Resort Hotels** – Resort Hotels aim to provide guests with an all-exclusive vacation experience that helps them to relax and recharge. One of the distinguishing qualities of resort hotels is their breathtaking locations. Recreational facilities are another hallmark of resort hotels. [18]
6. **Business Hotels** – Business Hotels provide a variety of business-friendly services, including well-equipped meeting rooms, high-speed internet access, and workspaces in guest rooms. One of the distinguishing characteristics of business hotels is their strategic locations. [18]
7. **Extended-Stay Hotels** – Extended-Stay Hotels provide a unique blend of comfort, convenience, and affordability for guests on longer trips. One of the distinguishing characteristics of this type of hotel is their ability to create a feeling of home. [18]
8. **Eco-friendly Hotels** – One of the most notable features of these establishments is their sustainable infrastructure. These hotels use energy-efficient lighting, heating, and cooling systems to reduce resource consumption. [18]

3.1.4 Star Classification of Hotels

Star ratings are used to measure the quality of hotels in the hotel industry. They are very crucial in the hotel industry. [19] An optional system for classifying functioning hotels has been established by the Ministry of Tourism with the objective of offering modern standards of amenities and services. The following categories will be used: Ranging from 5 stars to 1 star, in that order. [2]

One star – These are tiny, independently owned properties that have a family-friendly ambience. They provide limited range of services and have affordable rates. [2]

Two star – Two-star hotels are small to medium sized establishments offering much better or extensive services than one-star hotels. [2]

Three star – Three-star hotels have more professional staffs, higher quality and a wider range of facilities than one-star and two-star establishments. [2]

Four star – Four-star hotels offer luxury, comfort as well as exquisite furnishing, décor, ambience and technology throughout the property. [2]

Five star – Five-star hotels offer spacious and luxurious accommodations that meet the best international standards. [2]

3.1.5 Global Hotel industry overview

There are over 187,000 hotels worldwide. [24] The biggest hotel chain in the world is Marriot International. Plus, a theme park is right there. As of June 2020, Wyndham Hotel Group had almost 9,200 properties, making it the biggest hotel corporation in the world by that measure. The First World Hotel & Plaza in Genting Highlands, Malaysia, boasts 7,351 rooms, making it the largest hotel in the world. [26]

On average, the hospitality and tourist industry contributes about 10% to the world's gross domestic product. When the COVID-19 epidemic hit in 2020, however, the hotel sector contributed barely 5.5% to world GDP. After falling 46% from 2019 levels, worldwide hotel revenue in 2020 was $198.6B. [26]

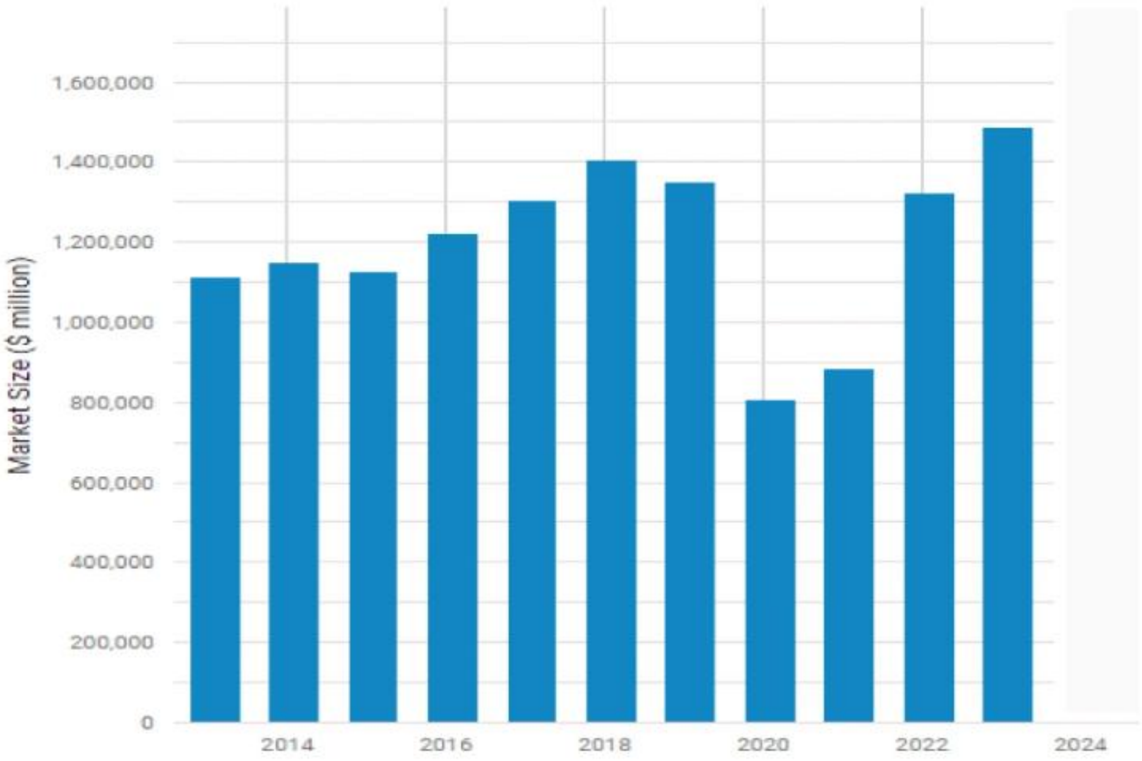
The worldwide hospitality market was valued at $5.54T in 2024 and is projected to reach $21.28T by 2033 expanding at a 16.13% CAGR. The global market revenue was expected to reach $455.15B by 2025. Hilton was the world's most valuable hotel brand in 2024, with a brand value of over $11.6B. [24]

FIGURE 3.1 TOP 10 HOTEL INDUSTRY LEADERS BY REVENUE

Source: Straits research

Marriot International, the largest hotel company globally, generated $24.76 billion in revenue, securing a market share of 17.55% in the hospitality industry by the third quarter of 2024. MGM Resorts comes in second, with a revenue of $17.26 billion, and dominates the casino hotel segment, holding an estimated 17.6% market share in this industry. [27]

FIGURE 3.2 MARKET SIZE OF HOTELS 2014-24



Source: Botshot

The market size for the global hotels and resorts was $1.7 trillion in 2024. As per IBIS world report, the market size of hotels and resorts increased significantly at 6.7% CAGR during the period of 2019-2024. [25]

3.1.6 Hotel Industry in India

It is impossible to pinpoint a certain era when India's hotel sector first emerged. The Indus Valley Civilization and the Vedic period are the alleged beginning points. Another legacy of India's many culturally and ethnically diverse kings is the evolution of the country's lodging and dining options. [2]

Significant changes occurred in India's hotel business during British control, which began in the 18th century. The British brought European-style hotels and restaurants to India, which shaped the present catering business. The Bombay Hotel was one of several early establishments established by European families (1799). Taj Hotels' crown jewel, the Taj Mahal Palace Hotel in Mumbai, was the first landmark in the nation to be located in a harbor. Housing, dining, entertainment, shopping, hotel consulting, duty-free shops, and travel agency services were all part of the original 1966 mission of the India Tourism Development Corporation (ITDC).[20]

From luxurious palaces and five-star hotels to cozy inns, unique boutiques, ancient Yog ashrams, and homestays, India's hospitality business has always been a mashup of old and new. The hotel sector in India has experienced tremendous growth in the past few years, thanks to a conglomeration of economic, social, and technological reasons. [20]

India’s hotel industry is diverse and includes both of domestic and international players. Major market players in the Indian hotel industry can be categorized into organized and unorganized sectors.

Organised sector – The term ‘organised sector’ in the Indian hotel industry often refers to those firms that operate under established brands, chains, or groups that provide standardized services and facilities. Some of the key players of this area include ITC Hotels, Mariott International, Indian Hotels Company limited (IHCL), Hyatt Hotels Corporation, Radisson Hotel Group and many others. [20]

Unorganised sector - The unorganized sector in the Indian hotel industry consists of smaller independent enterprises that operate without belonging to larger chains or groups. Some of them include Guesthouse, Homestays, and Budget hotels.[20]

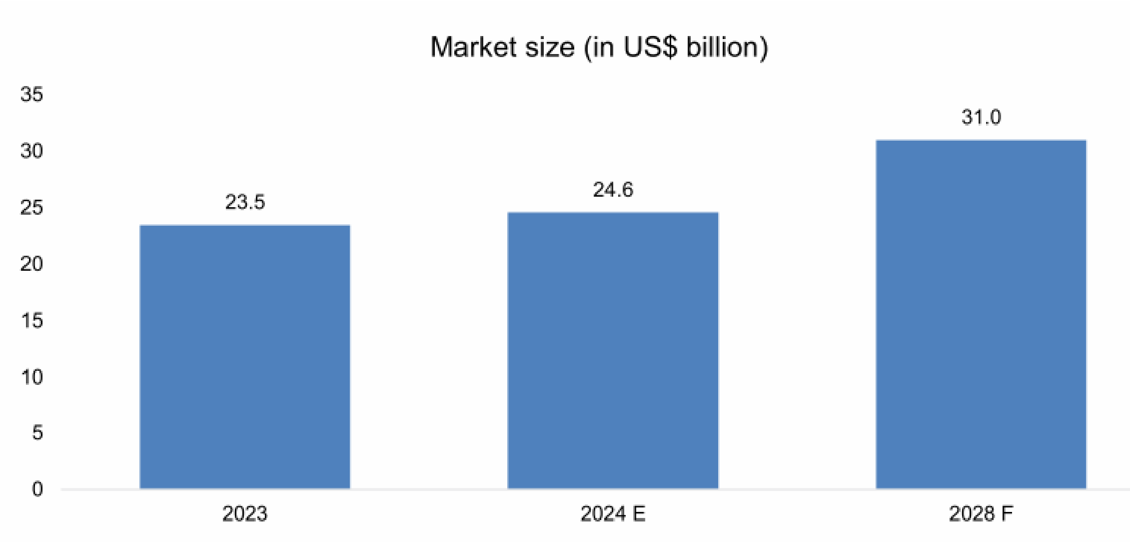
3.1.7 Indian Hotel Sector's Performance

Over the last decade, India's hotel industry has witnessed steady growth, driven by a fast-growing economy, increasing urbanization, expanding consumer base, rising income levels, and improving transport and tourism infrastructure in the country. [21]

The Indian hotel sector is forecast to grow in revenue with a projected value of US$9.13 billion by 2024. The market is predicted to increase at an annual growth rate of 5.41% (CAGR 2024-2028), contributing to a market volume of US$11.27 billion by 2028. [3]

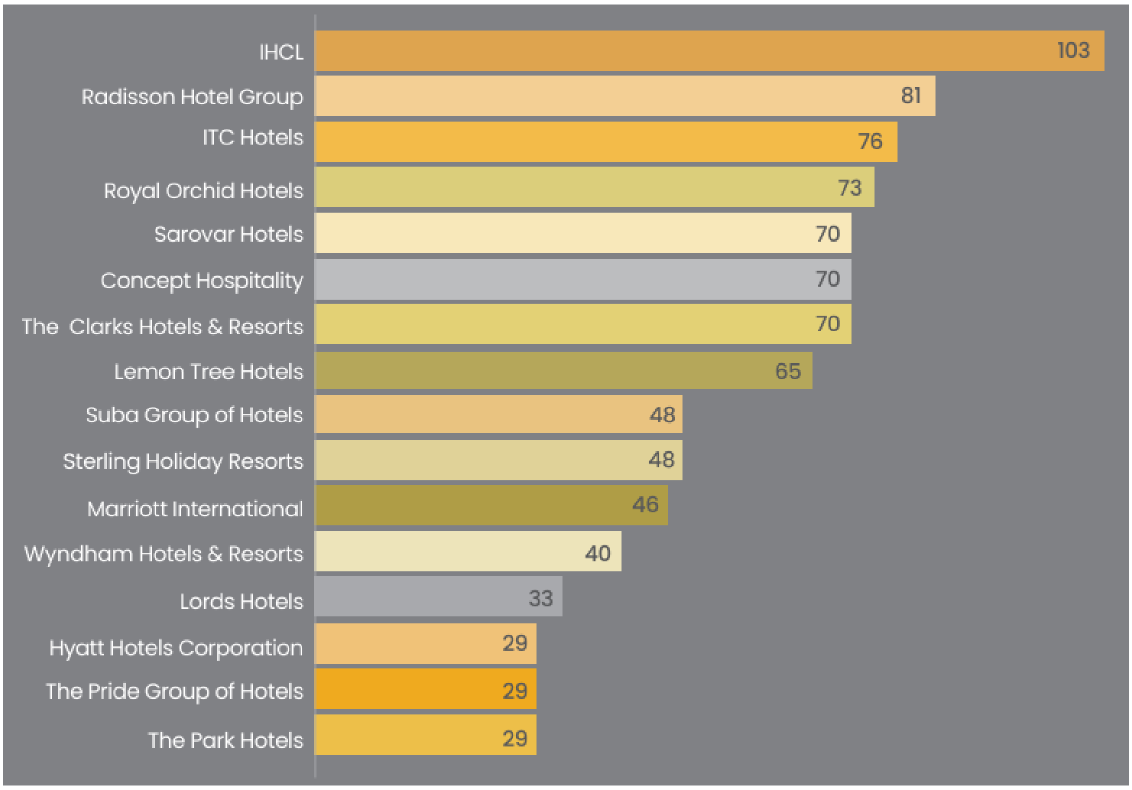
By 2029, The market size of the hospitality industry in India is projected to be worth around US $24.61 billion. The estimated growth is anticipated to occur at a compound annual growth rate (CAGR) of 4.73% throughout the forecast period of 2024-29.

FIGURE 3.3 MARKET SIZE IN INDIA (IN US $ BILLION)



Source: IBEF

FIGURE 3.4 TOP 15 BRANDS BY CITY PRESENCE



Source: Hotelivate

The figure shows the top 15 hotel brands in India based on their city presence. Branded hotels are operational in 334 cities across 34 states and union territories as of 2024/25. [22]

3.1.8 Future outlook: The Hotel industry through 2035

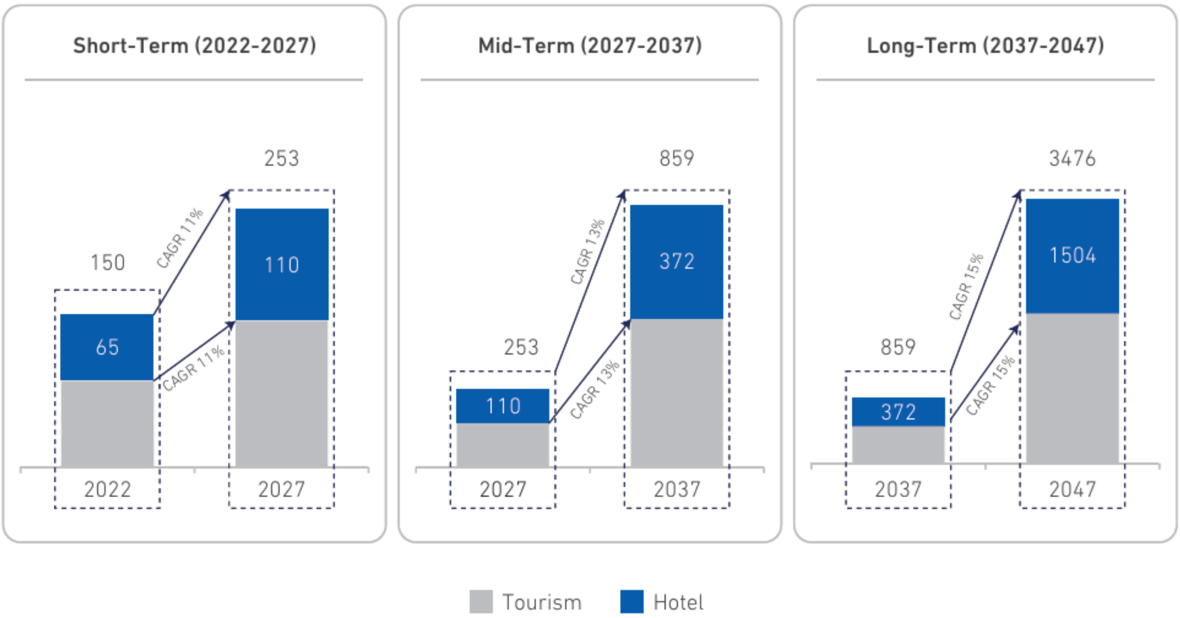
The global hotel industry is poised for significant transformation between 2025 and 2035, fueled by shifting consumer preferences, technological disruption, and renewed investment. According to CBRE's Global Hotel Outlook, most key markets will recover to or exceed pre-pandemic levels by 2025, especially in Asia-Pacific and the Middle East. From there, the industry is expected to grow steadily, with the independent lodging sector projected to reach $800 billion by 2035, up from $281.7 billion in 2025, as forecasted by Future Market Insights.[19]

The Indian hotel industry is on the verge of exponential growth with predictions showing a 7-9% revenue increase in FY2025. Premium hotel occupancy rates are likely to linger at 70-72% in FY24 and FY25, with average room rates expected to range between US $94.06 and US $96.47 (Rs. 7800-8000) in FY25. [20]

Based on expert interviews and input from many stakeholders, we expect that the total tourism and hospitality industry and Indian hotel business will grow by 11%, 13%, and 15% in the short, medium, and long term, respectively. [23]

A report by the Hotel Association of India forecasts that the Indian hotel market is set to make a substantial contribution of US $1504 billion to national GDP by 2047, up from US $65 billion in 2022. [23]

FIGURE 3.5 TOTAL CONTRIBUTION OF INDIAN HOTEL INDUSTRY TO GDP (IN USD BILLION)



Source: Hotel Association of India

3.2 ORGANIZATION PROFILE

3.2.1 Hyatt Hotels Corporation

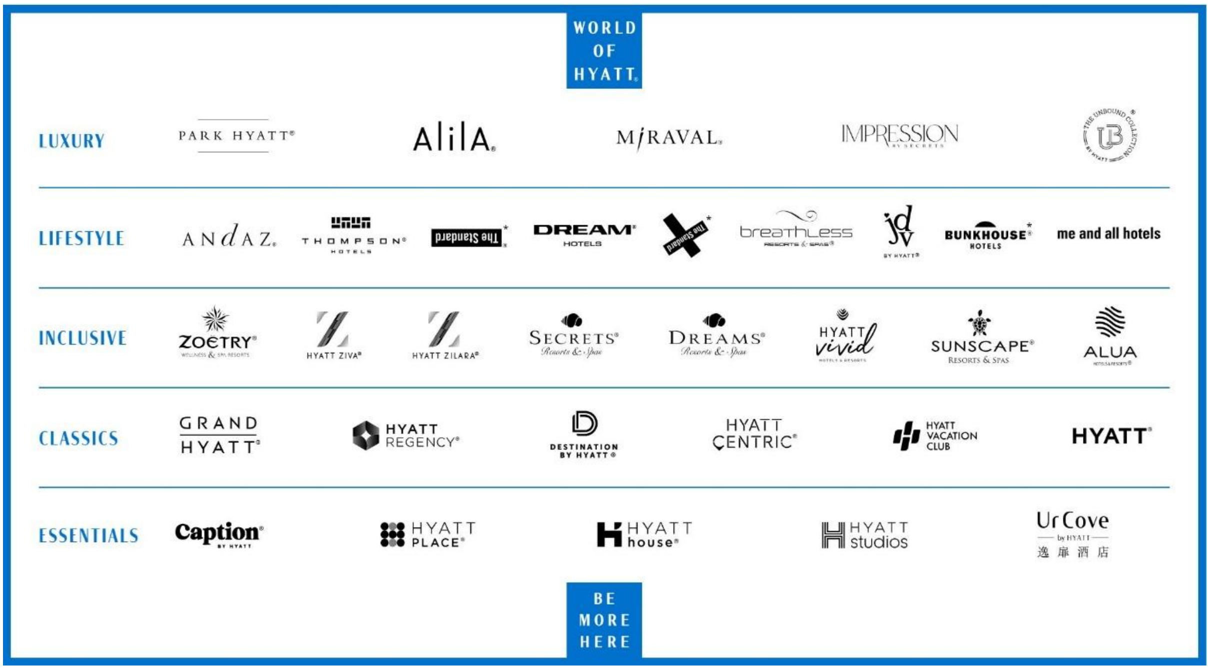
Among the most prominent North American hotel chains is Hyatt Hotels Corporation. The Pritzker family of Chicago owns it. [2] In 1957, Jay Pritzker established Hyatt. The story begins with Jay Pritzker's purchase of Hyatt House, a modest motor lodge close to LAX. The inaugural Hyatt Regency property is the Hyatt Regency Atlanta. As of today, Hyatt Regency Hong Kong is the first of its kind worldwide. In the decade that followed, Jay and his brother Donald Pritzker expanded the business into a thriving hotel management and owning firm in North America. [28]

After Hyatt International was formed as a separate organization in 1968, the Pritzker family's commercial interests bought out both enterprises. In 2004, they merged to form Hyatt Hotels organization, and in 2009, Hyatt went public. "We care for people so that they can be their best" remains the basic objective that has propelled Hyatt into a global hospitality corporation it is today. With properties in more than 80 countries across 6 continents, the Company's portfolio boasted more than 1,450 hotels and all-inclusive resorts as of September 2025.[28]

Hyatt Hotels Corporation is one of the four largest international companies in the hotel industry. It operates 777 hotels in 54 countries throughout the world. Its primary market are the United States and China. Hyatt Hotels is rated the world's fourth strongest luxury resort brand in the world. [29]

The World of Hyatt portfolio now spans more than 30 brands across five distinct portfolios – Luxury, Lifestyle, Inclusive, Classics, and Essentials – which provide the brand differentiation and excellent guest experiences. [28] Luxury is enriched with exceptional service, amenities and outstanding design. Lifestyle offers uniqueness in design, dining and cultural activities, with immersive experiences. Inclusive deals with unlimited experiences, and endless hospitality. Classics provides outstanding service and thoughtful amenities. Essentials provides flexibility, convenience, and comfort for the guests. [39]

FIGURE 3.6 WORLD OF HYATT – BRAND PORTFOLIO



Source: Hyatt Regency, Trivandrum

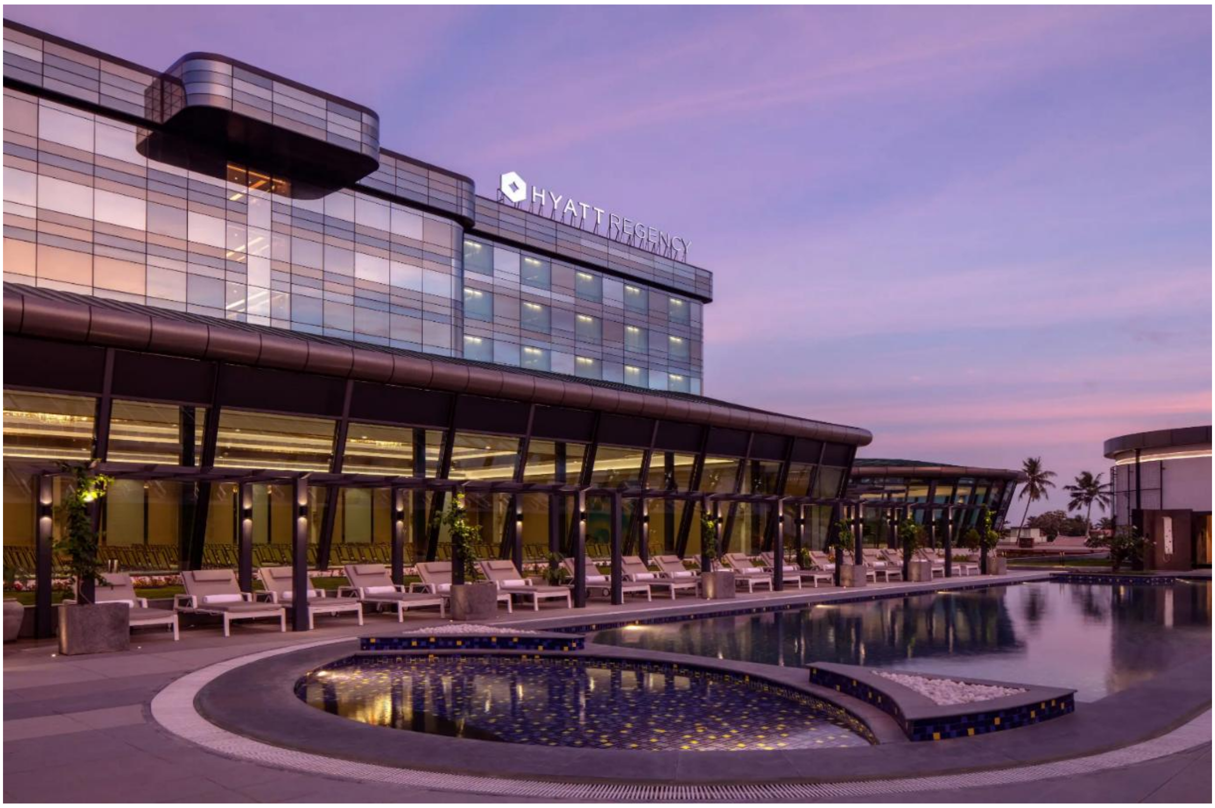
Hyatt Hotels Corporation has 44 hotels in 26 cities across India. Their influence in India is very vast where it has touched majority of the metro cities and some off-beat locations also to attract leisure travellers. Hyatt is performing pretty well in the Indian soil and is becoming a recommended brand amongst the Indians. [31] In Kerala, there are three hotels under Hyatt: Grand Hyatt Kochi Bolgatty, Hyatt Regency Trivandrum, and Hyatt Regency Thrissur.

3.2.2 Hyatt Regency Trivandrum - Profile

Hyatt Regency Trivandrum is a premier 5-star luxury hotel in the heart of Kerala's capital, providing world-class stay, innovative dining, and event space for the guests. [30] The hotel started its operation on November 25, 2022. Hyatt Regency Trivandrum is a Tie-up between Lulu Group and Hyatt Hotels Corporation. It is a unit of Lulu Hospitality Private Limited.

The hotel offers 132 stylish rooms and deluxe amenities like outdoor pool, Santata Spa, 24-hour fitness centre, and 24-hour business centre. The hotel is centrally located and close to the airport and railway station, government centres, business parks and major city attractions. [30]

FIGURE 3.7 HYATT REGENCY, TRIVANDRUM



Source: Hyatt Regency Trivandrum

Hyatt offers a vast range of rooms such as Bed rooms, Club rooms, and Luxury suites ensuring a comfortable stay. The hotel provides the finest dining experience through its restaurants and bar. Malabar Café serves delicious regional dishes, with a mix of North Indian and Western cuisines. The Oriental Kitchen gives the best culinary experience with pan-Asian cuisines, and Thai specialties prepared by an expatriate chef. The poolside bar The Ivory Club showcases the signature cocktails and drinks and won the prestigious Best Work in Sustainability award at the 30 Best Bars India 2024. Regency Lounge provides the ideal place for hot beverages, and mocktails. All Things Baked offers a wide range of cakes, sandwiches, croissants, and beverages. [30]

3.2.3 Departments of the Hotel

Hyatt Regency Trivandrum functions through various departments to ensure smooth operation. The major departments are:

1. **Rooms/ Front Office Department** – They coordinates guest reservations and coordination of guest services. This division also supervises housekeeping and laundry operations.
2. **Food and Beverage Department** – They are responsible for food preparation, service, and management of restaurants and banquets.
3. **Spa** – They offer relaxation services to the guests including spa therapies, and massages.
4. **Administration & General (A&G)** – Under this, there are five departments:
    - **Executive Office** – They oversees hotel operations, including planning, policy formulation.
    - **Finance Department** – They oversees the hotel's finances including budgeting, cost control, and financial statement preparation.
    - **Purchase Department** – They manage the procurement of goods required for the hotel operations and ensure timely supply to respective departments.
    - **Security Department** – They ensure the security and monitoring of the hotel guests, staff, and property.
    - **Human Resources Department** – They manage recruitment, training, and welfare of the employees.
5. **IT** – They manage the hotel's IT systems, including software, and communication networks.
6. **Sales** – They handle hotel's promotion and business through corporates, and travel agents.
7. **Property Operations, Maintenance and Engineering Department (POMEC)** – They are responsible for the repair and maintenance of the hotel's infrastructure.

These are the main departments of the hotel. Among them, the Food and Beverage Department is the major revenue generating unit. Even though all activities related to food preparation are carried out by the Food and Beverage Department, the Finance Department handles the recording and monitoring of all food-related expenses.

3.3 THE CONCEPT OF FOOD COST

3.3.1 Introduction

Cost is the amount of money spent on producing a good or product. In the case of a hotel, it is the cost of commodities used and services provided. There are direct and indirect costs. Direct costs are expenses that are directly related to a certain item, or service. They include raw material costs, labor costs, and equipment expenses. Indirect costs are expenses that cannot be directly attributed to a specific product or service. They cover rent, salaries, and office supplies. [32]

Food costs are the total expenses incurred in preparation of food in a hotel. Food costs is one of the most critical costs in the hotel industry, as they can have a considerable impact the profitability. Food cost percentage effects profitability than the food cost in absolute terms.

3.3.2 Factors influencing Food cost

Maintaining food cost in hotels needs careful monitoring and efficient control practices. But there are many factors that influence the Food cost or food cost percentage in the hotel. The main factors are:

1. **Raw material price** – It is the amount paid by the hotel to purchase ingredients such as meat, seafood, fruits, vegetables, groceries, and dairy. An increase in raw material prices will result in higher food cost. Food cost percentage will also rise if the selling price remains constant.
2. **Portion Size** – It refers to the quantity of food served to the guest according to the recipe. A larger portion size will require more ingredients, raising the food cost percentage. Standardized portion control is required to reduce food cost percentage.
3. **Wastage and Spoilage** – Food cost is caused by overproduction, improper storage, and poor handling. An increase in wastage or spoilage will increase the food cost percentage.
4. **Yield and Yield percentage** – It refers to the quantity of useful product remaining after the item has been cleaned, and processed. A higher yield percentage will lead to a lower in food cost percentage.
5. **Pilferage** – It refers to the unauthorized use, removal, and theft of food goods in the hotel. A rise in pilferage raises the food cost percentage.

6. **Selling price** – It is the price at which each dish is offered to guests. An increase in the selling price while maintaining stable food costs reduces the food cost percentage.

These are the different factors that influence the food cost percentage.

3.3.3 Concepts related to Food cost and Profitability

The major concepts that need to be analyzed while studying food cost and profitability are:

1. **Food Cost Percentage** – Food cost percentage is the ratio of food costs to food revenue, expressed as a percentage.

   $$Food\ Cost\ Percentage = \frac{Food\ Cost}{Food\ Revenue} \times 100$$

2. **Food Revenue** – Food revenue is the total amount of money generated from the sale of food items.
3. **Gross Profit** – Gross Profit is calculated as the difference between food revenue and food costs. An increase in food cost leads to a decline in gross profit.
4. **Gross Profit Margin** – Gross profit margin is calculated as percentage of food revenue. A higher food cost percentage leads to a lower gross profit margin.
5. **Cost Control** – It refers to the measures taken to efficiently manage food costs. Effective food cost control will lower the food cost percentage thereby increasing the profit.
6. **Profitability** – It is the ability to generate revenue after covering all expenses. Lower food cost percentage leads to higher profitability.
7. **ABC analysis** – It is a method that divides inventory into three categories, i.e. A, B, and C with A being the most significant and C being the least useful. ABC analysis is based on the Pareto Principle. According to the Pareto principle, top 20% of all goods account for 80% of total food costs. This is also known as the 80/20 rule. [40]
8. **Cost efficiency Index –** It is a metric used to evaluate the effectiveness and profitability of a business or project. [41]

   Cost efficiency index $= \frac{Budgeted\ food\ cost\ \%}{Actual\ food\ cost\ \%}$

Thus, effective food cost control plays a crucial role in determining hotel profitability. These concepts serve as a foundation for further data analysis.

CHAPTER – IV

DATA ANALYSIS AND INTERPRETATION

INTRODUCTION

This chapter presents a detailed analysis of food cost in Hyatt Regency, Trivandrum. Secondary data collected from the Finance department were used to analyze each of the objectives of the study. This research employs percentage method, ratio analysis, ABC analysis, and variance analysis to provide insights into various aspects of food cost, including its structure, composition, and its impact on the profitability of the hotel.

This chapter has been divided into three sections.

The first section (4.1) deals with analyzing the structure and composition of food cost.

The second section (4.2) tries to examine the impact of food cost on the hotel's profitability.

The third section (4.3) compares the actual food cost percentage with the budgeted food cost percentage.

4.1 STRUCTURE AND COMPOSITION OF FOOD COST

The first objective is to analyze the structure and composition of food cost. This objective aims to identify the major and minor items that contribute to total food cost. The total food cost and category-wise food cost data obtained from the Finance Department was used for analyzing this objective. Category-wise data from December is used because it is the most recent month. For a thorough investigation, the study employs percentage analysis and ABC (Pareto) classification for an in-depth study.

4.1.1 Category-wise Food cost composition

Data related to category-wise food cost and the ranking of items based on their share in total food cost is given in the table 4.1.

Table 4.1 Category-wise Composition of Food cost – December 2025

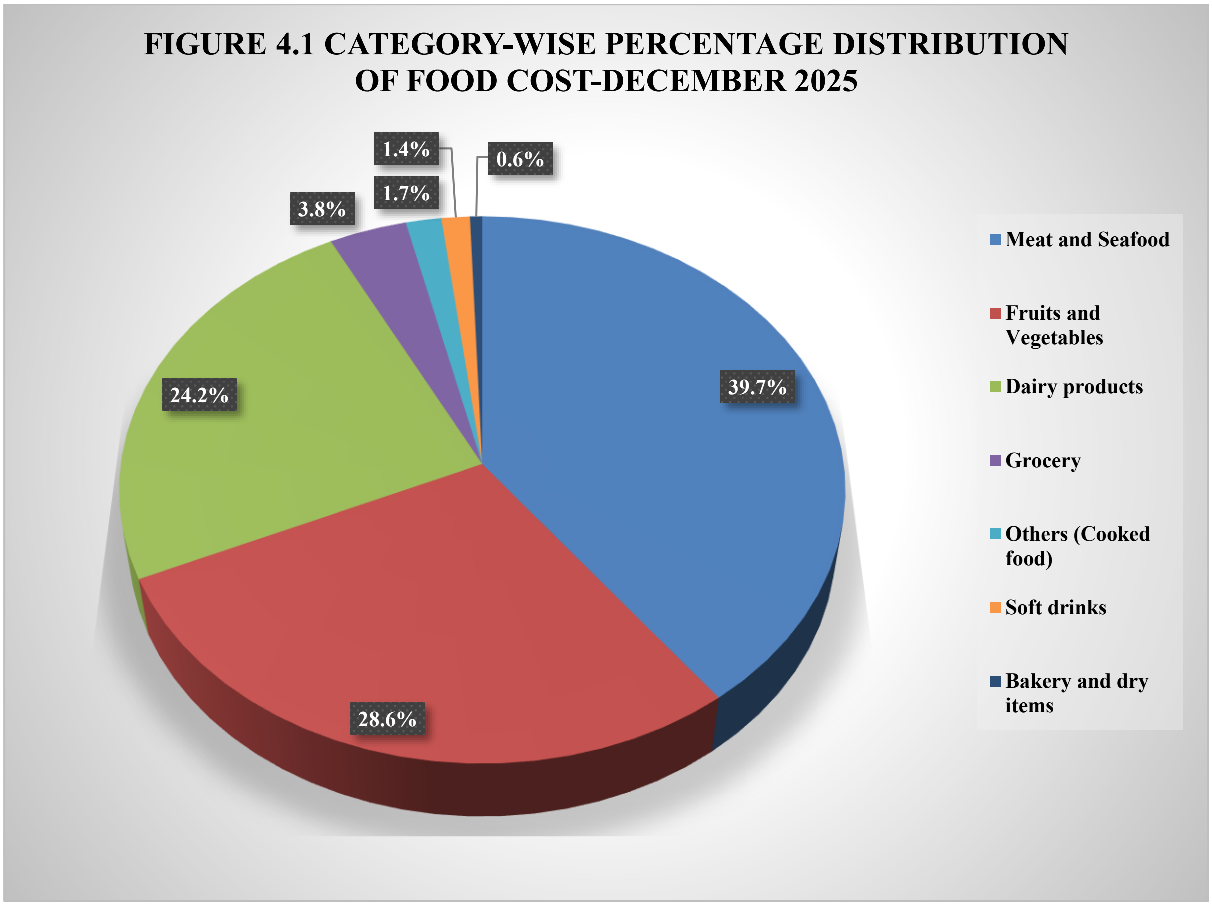
Category	Cost	Percentage of Total food cost	Rank
Meat and Seafood	21,82,094	39.7%	I
Fruits and Vegetables	15,74,760	28.6%	II
Dairy products	13,29,642	24.2%	III
Grocery	2,08,814	3.8%	IV
Others (Cooked food)	95,419	1.7%	V
Soft drinks	76,276	1.4%	VI
Bakery and dry items	32,875	0.6%	VII
Total	**54,99,880**	**100%**	

Source: Secondary data

Table 4.1 demonstrates that meat and seafood account for 39.7% of the hotel's overall food cost. Fruits, vegetables, and dairy products also contribute a fair share to the total food cost.

Together, these three categories account for a dominant part of total food cost. The remaining categories contribute only a minor portion of the total cost. This is seen in Figure 4.1.

This suggests that high value items like meat and seafood, fruits and vegetables, and dairy products have a considerable influence on the overall food cost. These items should be effectively managed in order to maintain and enhance overall food costs.



Source: Secondary data

4.1.2 ABC (Pareto) Classification of Food cost

Data related to ABC (Pareto) classification is given in the Table 4.2.

Table 4.2 ABC Classification of Food cost components – December 2025

Category	Percentage of Total food cost	Cumulative Percentage (%)	Cost Class
Meat and Seafood	39.7%	39.7	A
Fruits and Vegetables	28.6%	68.3	A
Dairy products	24.2%	92.5	B
Grocery	3.8%	96.3	C
Others (Cooked Food)	1.7%	98.0	C
Soft drinks	1.4%	99.4	C
Bakery and dry items	0.6%	100.0	C

Source: Secondary data

According to the ABC analysis, Category A items such as meat and seafood, and fruits and vegetables, together account for more than two-thirds of the total food cost. Category B item shown as dairy products, contributes a substantial share, while Category C items collectively account for only a lower share of the total food cost. From the ABC analysis, it is understood that effective food cost control should be primarily focused on Category A items as these items can significantly impact the total food cost.

4.2 IMPACT OF FOOD COST ON HOTEL'S PROFITABILITY

The second objective is to examine the impact of food cost on the hotel's profitability. The food cost, food revenue, food cost percentage, and gross profit margin for the period January 2025 to December 2025 was used for data analysis. Tools such as ratio analysis, cost efficiency analysis, trend comparison were employed to enhance the depth of the study.

4.2.1 Monthly food cost, Food revenue, and Gross profit of the Hotel

Table 4.3 presents the data related to Monthly food revenue, Food cost, and Gross profit of the hotel.

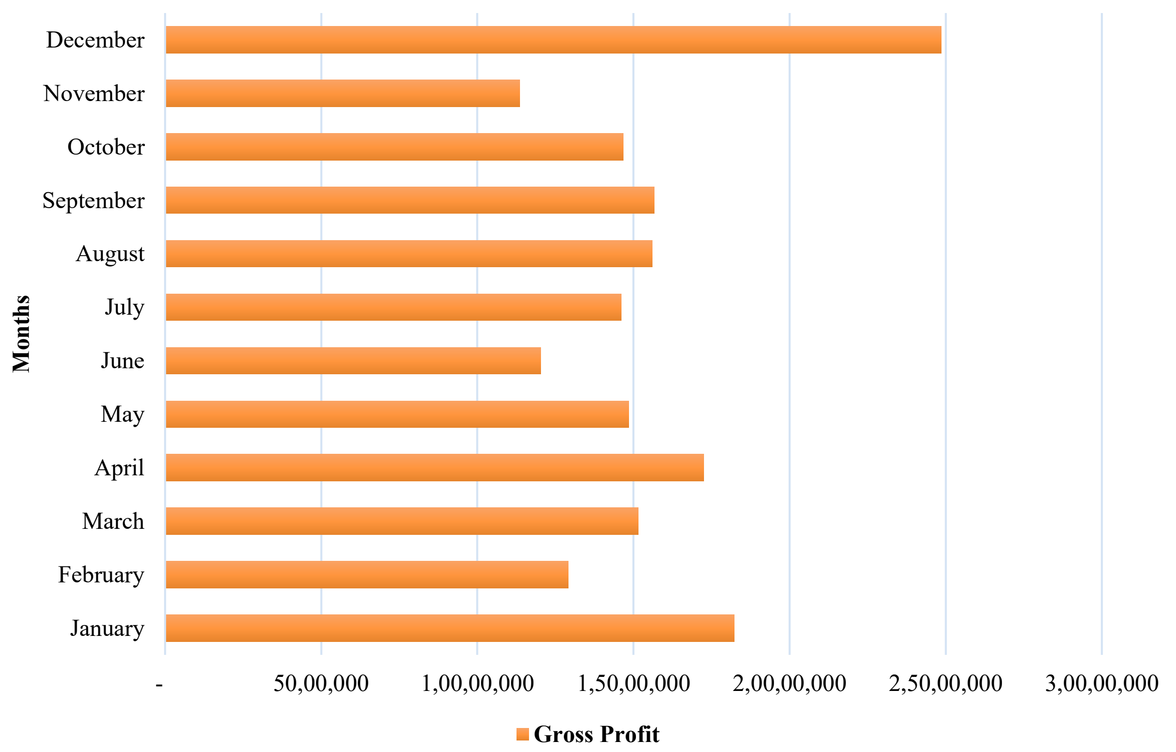
Table 4.3 Monthly Food Revenue, Food Cost, and Gross Profit for the year 2025

Months (2025)	Food Revenue	Food Cost	Gross Profit
January	2,46,97,996	64,73,717	1,82,24,279
February	1,79,04,771	49,89,147	1,29,15,624
March	2,10,82,019	59,34,644	1,51,47,375
April	2,31,12,921	58,69,515	1,72,43,406
May	2,02,12,645	53,67,304	1,48,45,341
June	1,67,64,665	47,28,710	1,20,35,955
July	2,01,95,777	55,94,313	1,46,01,464
August	2,17,31,978	61,26,383	1,56,05,595
September	2,16,40,353	59,77,095	1,56,63,258
October	2,00,91,911	54,27,076	1,46,64,835
November	1,53,10,181	39,48,084	1,13,62,097
December	3,21,24,187	72,62,774	2,48,61,413
Total	25,48,69,404	6,76,98,762	18,71,70,642

Source: Secondary data

The Table 4.3 shows the overview of monthly food revenue, food cost, and gross profit of the hotel from January 2025 to December 2025. The gross profit for each month was calculated by deducting food cost from food revenue. It is understood that the month of December hit the highest gross profit over the year. Gross profit reflects the profitability scale of the hotel. This is seen in the Figure 4.2.

FIGURE 4.2 MONTHLY PROFITABILITY SCALE - 2025



Source: Secondary data

4.2.2 Food Cost Efficiency and Profitability Performance

Table 4.4 presents data related to Food cost efficiency using food cost percentage and gross profit margin.

Table 4.4 Food Cost Efficiency and Profitability

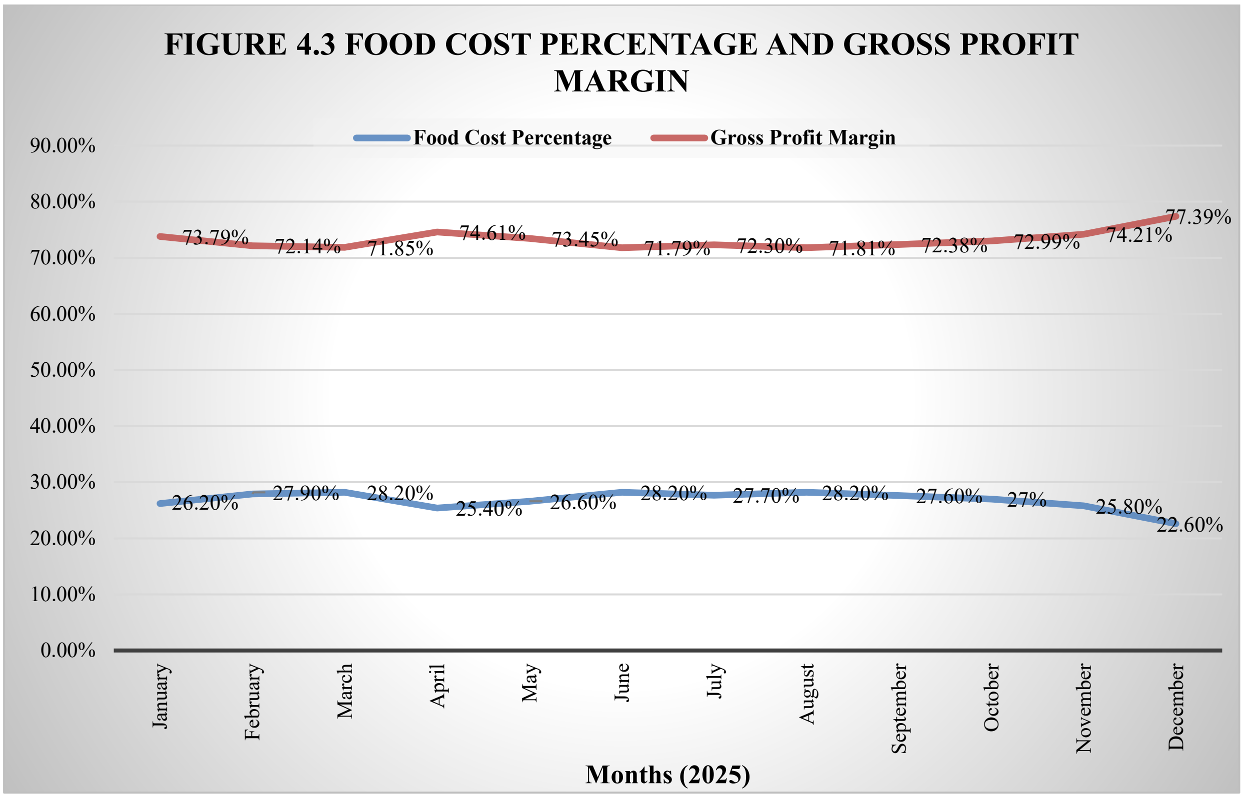
Months (2025)	Food Cost Percentage	Gross Profit Margin	Cost Efficiency Index
January	26.20%	73.79%	0.95
February	27.90%	72.14%	0.90
March	28.20%	71.85%	0.89
April	25.40%	74.61%	0.98
May	26.60%	73.45%	0.94
June	28.20%	71.79%	0.89
July	27.70%	72.30%	0.90
August	28.20%	71.81%	0.89
September	27.60%	72.38%	0.91
October	27%	72.99%	0.93
November	25.80%	74.21%	0.97
December	22.60%	77.39%	1.11

Source: Secondary data

The Table 4.4 shows Monthly food cost percentage and Gross profit margin from January to December 2025. Food cost percentages peaked in March, June, and August at 28.20%. December month had the lowest food cost percentage of 22.60%, indicating an improvement in cost control.

It reveals that higher food cost percentages resulted in lower gross profit margins, indicating a reduction in cost efficiency. The cost efficiency index was below one for few months showing that actual cost exceeded the budgeted cost. The hotel implemented food cost control measures in October and the results can be seen in December as the cost index exceeded one indicating higher profitability.

It was observed that even though the gross profit increases with higher food cost, this was due to higher revenue. Here, it can be seen that the gross profit margin falls with the increase in food cost percentage. That is, an increase in food cost percentage will lead to a decline in the profit. This shows that there is an inverse relationship between food cost percentage and gross profit margin. That means effective food cost control is crucial in maintaining and improving the hotel's profitability. The analysis clearly indicates that food cost plays a significant role in determining the profitability of the hotel. The data is illustrated in Figure 4.3.



Source: Secondary data

4.2.3 Summary statistics

Table 4.5 represents the summary statistics of the food cost percentage and gross profit margin.

Table 4.5 Summary statistics of Key profitability indicators

Indicator	Lowest value	Highest value	Average
Food Cost %	22.6%	28.20%	26.78
Gross Profit Margin %	71.79%	77.39%	73.23

Table 4.5 presents the summary statistics of this objective. It indicates that the variability in food cost percentage over the year, reflecting variations in food cost control. It further shows that hotel profitability is mainly associated with efficient food cost management as reflected by the inverse relationship between food cost percentage and gross profit margin.

4.3 COMPARISON OF ACTUAL FOOD COST PERCENTAGE WITH BUDGETED FOOD COST PERCENTAGE

The third objective is to compare the actual food cost percentage with the budgeted food cost percentage. The main aim is to identify the variances in monthly food cost percentages. Food cost percentage was used for this analysis.

4.3.1 Actual food cost percentage and Budgeted food cost percentage

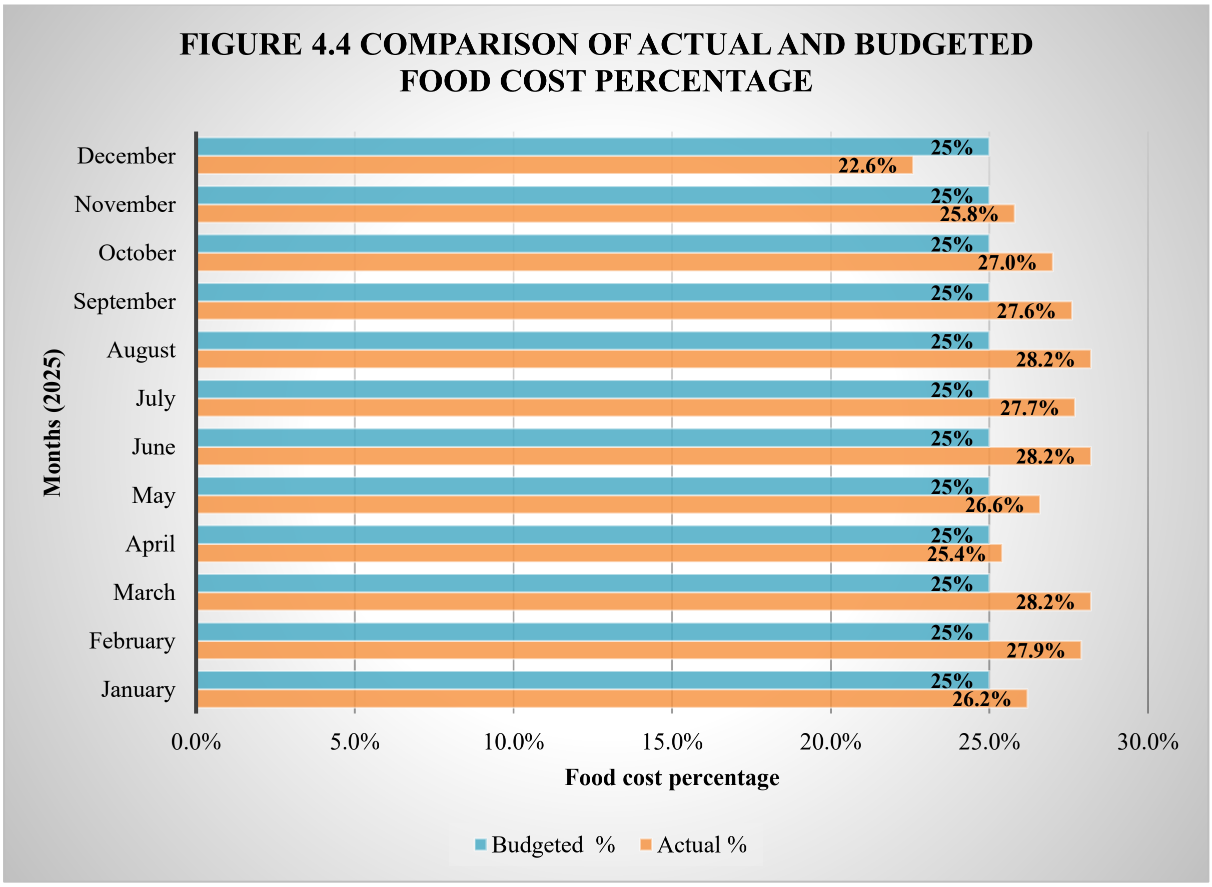
Data related to Actual food cost percentage and Budgeted food cost percentage comparison and its variance are given in the Table 4.6.

Table 4.6 Variance analysis of Food cost percentage - 2025

Months (2025)	Food cost		
	Actual %	**Budgeted %**	**Variance %**
January	26.2%	25%	1.20
February	27.9%	25%	2.90
March	28.2%	25%	3.20
April	25.4%	25%	0.40
May	26.6%	25%	1.60
June	28.2%	25%	3.20
July	27.7%	25%	2.70
August	28.2%	25%	3.20
September	27.6%	25%	2.60
October	27.0%	25%	2.00
November	25.8%	25%	0.80
December	22.6%	25%	-2.40

Source: Secondary data

The Table 4.6 shows the variance between actual food cost percentage and budgeted food cost percentage from January 2025 to December 2025. The budgeted food cost percentage is 25%. The months March, June, and August show the highest positive variance of 3.20% which means the actual food cost percentage exceeds the budgeted food cost percentage. The month of December had shown the lowest negative variance of -2.40% which means the food cost is under control. It is understood that there is a need for stricter cost control measures as most months shows positive variance indicating that the actual food cost frequently exceeds the budgeted food cost. This is illustrated in Figure 4.4.



Study Results: Understanding the Impact of food cost on the profitability of the hotel

The study, conducted using the secondary data provided by the Finance Department, sheds light on the impact of food cost on the profitability of the hotel. Through a detailed examination using percentage, trend, variance, and ABC analysis, the structure and composition of food cost, its impact on the hotel profitability were thoroughly analyzed and came to the conclusion that food cost has a significant impact on profitability of the hotel.

CHAPTER – V

FINDINGS AND CONCLUSIONS

INTRODUCTION

This chapter aims to summarize the major findings and conclusions from the study conducted about Food cost in Hyatt Regency, Trivandrum. Through thorough examination, this chapter provides insights about food cost and its impact on the profitability of the hotel.

The findings of the study are divided into three sections.

The first section (5.1) explains the findings on food cost structure and composition.

The second section (5.2) deals with the findings of food cost's impact on hotel's profitability

The third section (5.3) conveys the findings related to comparison of Actual and Budgeted food cost percentage.

5.1 FINDINGS OF STRUCTURE AND COMPOSITION OF FOOD COST

The study reveals that the food cost structure of Hyatt Regency, Trivandrum is highly concentrated in a limited number of items. Categories such as meat and seafood, fruits and vegetables, and dairy products contribute largely to the total food cost. This shows that hotel's food cost is mainly driven by high-value items.

The ABC (Pareto) classification reveals that Category A items alone account for a dominant share of total food cost, while Category C items contribute only a small share. This indicates that effective management of Category A items is important in maintaining food cost. Any inefficiencies in these categories can significantly impact the total food cost. Hence, effective food cost control measures are important for maintaining overall food cost efficiency.

5.2 FINDINGS ON IMPACT OF FOOD COST ON HOTEL'S PROFITABILITY

The study finds that food cost plays an important role in determining the hotel's profitability. It revealed that the food revenue and food cost fluctuated across months, but gross profit depended largely on effective control of food cost rather than revenue alone. Higher food cost percentage led to a decline in gross profit margin, showing an inverse relationship between food cost percentage and profitability.

The cost efficiency analysis revealed that months with higher food cost percentage than the budgeted food cost percentage resulted in lower efficiency indices, reflecting reduced profitability. An improvement in food cost efficiency was seen in December, reflecting the impact of improved cost control measures. So, it is essential to control cost effectively in order to maintain profitability. The study indicates that food cost control is a critical determinant of hotel profitability.

5.3 FINDINGS FROM COMPARISON OF ACTUAL FOOD COST PERCENTAGE AND BUDGETED FOOD COST PERCENTAGE

The study revealed fluctuations between actual and budgeted food cost percentage over the year. The frequent positive variances showed that the actual food cost percentage exceeds the budgeted food cost percentage in several months, indicating inefficiencies in control of food cost. Some months showed less variance as a result of effective cost control. Overall, it is understood that there is a need for effective monitoring and cost control measures to ensure that there is efficiency in food cost control.

Recommendations of the study

Based on the analysis of food cost, the following recommendations are suggested to improve food cost control in hotels.

The analysis of the structure of food cost revealed that meat and seafood contribute a major share of total food cost. Therefore, special attention may be given to monitoring the procurement, storage, and usage of these high-valued items, as even the slightest variations can significantly affect the overall food cost.

The study observed frequent variations between actual food cost percentage and budgeted food cost percentage in some months. Hence, it is suggested that food cost percentages may be reviewed on a regular basis as the comparison between them may help in understanding cost inefficiencies and improving cost control.

Since the hotel has already adopted certain food cost control measures, it is suggested that these measures may be reviewed periodically to assess their effectiveness and to make necessary adjustments.

Conclusion

Based on the comprehensive analysis of food cost in Hyatt Regency Trivandrum, it is evident that the food cost plays a significant role in the hotel operations. The study emphasized how crucial the food cost is and how it can influence the profitability of the hotel. Despite having other costs in hotel operations, food cost contributes significantly to the total cost of the hotel. The study revealed what is the structure and composition of food cost, and how it poses as an important determinant of profitability of Hyatt Regency, Trivandrum. Overall, the insights gleaned from this research contribute to a better understanding of the dynamics of food cost in the hotel industry.

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APPENDIX

Appendix A – Photographs of Hyatt Regency, Trivandrum

This appendix presents some photographs of the hotel to provide a visual understanding of the organizational environment in which the study was conducted.

FIGURE A1 MALABAR CAFE

FIGURE A2 THE ORIENTAL KITCHEN

The figures A1 and A2 shows the main outlets contributing to food revenue of the hotel.

Appendix B – Raw data tables

This appendix gives a rundown on the raw data tables provided by the finance department for the purpose of analyzing food cost. The data presented serve as a foundation for the analysis carried out in Chapter 4.

FIGURE B1 MONTHLY DATA OF FOOD COST, REVENUE AND FOOD COST PERCENTAGE

Months	Food Revenue	Food Cost	Food Cost %
January	2,46,97,996	64,73,717	26.2%
February	1,79,04,771	49,89,147	27.9%
March	2,10,82,019	59,34,644	28.2%
April	2,31,12,921	58,69,515	25.4%
May	2,02,12,645	53,67,304	26.6%
June	1,67,64,665	47,28,710	28.2%
July	2,01,95,777	55,94,313	27.7%
August	2,17,31,978	61,26,383	28.2%
September	2,16,40,353	59,77,095	27.6%
October	2,00,91,911	54,27,076	27.0%
November	1,53,10,181	39,48,084	25.8%
December	3,21,24,187	72,62,774	22.6%
Total	25,48,69,404	6,76,98,762	26.6%

FIGURE B2 CATEGORY-WISE FOOD COST OF MAIN ITEMS

Category	Fish	Vegetable	Mutton	Diary	Grocery	Bakery	Eggs	Cooked Food
January	8,48,875	8,87,672	4,42,393	7,03,714	17,39,019	2,81,797	1,04,791	1,19,124
February	8,56,544	9,77,846	4,93,681	5,26,644	10,83,935	1,57,063	88,868	96,769
March	8,69,446	9,89,354	4,08,061	5,96,620	16,61,725	3,07,651	69,663	1,20,398
April	8,49,864	9,55,415	4,07,504	7,80,941	15,53,172	2,33,634	90,877	84,659
May	7,78,156	7,61,280	4,47,453	6,23,329	13,40,034	2,23,024	91,030	1,00,042
June	6,99,988	7,04,786	3,80,712	6,05,802	12,20,619	1,93,657	96,363	91,419
July	7,82,402	8,88,132	3,66,099	7,54,591	15,14,521	3,64,777	1,17,672	82,117
August	8,98,793	8,47,084	4,00,859	7,37,089	15,31,197	2,64,499	1,47,384	83,834
September	8,08,163	9,16,228	5,15,469	7,09,811	18,25,433	2,81,671	1,27,193	1,00,402
October	7,66,464	8,36,401	4,37,499	6,80,322	15,11,146	2,24,388	88,556	77,392
November	4,72,162	6,10,379	3,40,098	4,69,429	11,22,151	1,80,517	98,199	70,926
December	8,69,622	9,45,573	3,38,060	9,02,298	2,08,814	30,394	1,87,215	95,419
Total	95,00,479	1,03,20,150	49,77,888	80,90,590	1,63,11,766	27,43,072	13,07,811	11,22,501

Total	Other	Chicken	Beef	Fruits	Nuts &	Milk	Soft drinks
70,47,645	960	5,75,955	1,67,567	5,70,287	2,06,394	3,13,437	85,660
60,69,270		5,22,191	97,096	6,07,301	1,52,658	2,32,010	1,76,664
72,53,822		5,63,559	1,44,173	7,06,175	3,50,664	2,56,764	2,09,569
70,64,804	2,851	6,68,169	2,05,999	6,83,601	2,03,546	2,60,947	83,625
61,82,705		5,07,536	1,28,280	5,51,224	2,07,209	2,40,985	1,83,123
57,16,402		5,82,653	1,16,483	5,37,982	1,63,299	2,29,035	93,604
69,53,792		6,00,920	1,81,418	6,31,731	2,31,554	2,51,509	1,86,349
68,27,966		5,88,496	1,87,647	5,73,090	1,69,381	2,27,302	1,71,311
73,38,694		7,49,962	1,64,843	5,86,836	1,81,894	2,43,956	1,26,833
64,20,320	1,900	5,90,550	1,30,598	5,60,159	1,95,161	2,26,635	93,149
48,41,401	61,455	4,26,703	99,467	4,60,605	90,781	1,87,259	1,51,270
54,99,880		7,33,863	2,40,549	6,29,187	2,481	2,40,129	76,276
7,72,16,701	67,166	71,10,557	18,64,120	70,98,178	21,55,022	29,09,968	16,37,433