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Quantifying the Impact of Inflexible Cost Structures in The Horeca Industry

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ABSTRACT

This passage explores a cost phenomenon known as "sticky costs." These are expenses that rise disproportionately when business activity increases, but don't decrease as readily when activity slows down. This can lead to a gradual accumulation of hidden costs, especially in the hospitality industry (hotels, restaurants, and catering).

Traditionally, cost behavior is analyzed by comparing growth in overhead costs (selling, general, and administrative) with revenue growth. Recent research has revealed factors that influence the "stickiness" of these costs, including management practices, regulations, and company culture. Notably, the dependence on past decisions seems to be a key factor in reducing cost stickiness. This can vary depending on a company's size, governance structure, and ability to make costs more flexible.

This paper delves into the most significant attributes affecting sticky costs. It then explores real-world applications of managing these costs in the hospitality industry, using Goa as a case study. The research employs qualitative methods with ATLAS.ti software to uncover key insights.

KEYWORDS

Cost Management, Overhead Costs, Qualitative Research, Uncertainty in Business (VUCA)

