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Inflation and Rising Commodities Prices: Its Repercussions to Hotels

[1]Arabella C. Ignacio, [1]Amniela S. Sambolawan, [1]Mary Joy W. Segui, [2]Ara Mae T. Cuison
[1,2]*College of Hospitality Education, University of Mindanao, Philippines*

Abstract: *This study investigates the impact of inflation and rising commodity prices on hotel operations in Davao City. A structured survey was distributed to 376 hotel employees to assess their experiences and perceptions regarding inflation's effects on cost control, workforce, and marketing strategies. Results indicate that inflation has a significant, though not extreme, impact on hotel operations, with a mean score of 3.76 and a standard deviation of 0.369, reflecting a strong consensus among respondents. While inflation is not perceived as the most severe challenge, it has caused noticeable disruptions across hotel functions. Furthermore, a weak positive correlation ($r = 0.221$, $p = 0.000$) was found between inflation and rising commodity prices, suggesting a measurable but limited relationship. Understanding these dynamics is crucial for hotels in refining pricing and marketing strategies to remain competitive. The study supports several Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), SDG 11 (Sustainable Cities and Communities), and SDG 13 (Climate Action). By highlighting the operational challenges posed by economic shifts, the research underscores the need for innovation and resilience in the hospitality industry amid inflationary pressures.*

Keywords: Inflation, Rising Commodities Prices, Hotels, Hotel inflation, Hotel Commodities

I. INTRODUCTION

Inflation, defined as the sustained rise in the general price level of goods and services over time, erodes consumers' purchasing power and significantly affects both individuals and businesses. It can be triggered by various factors, such as increased consumer demand, supply chain disruptions, and changes in government policy. In the hospitality sector, inflation poses serious challenges—including higher costs for raw materials, reduced customer spending, and increased operational expenses (Irawan, 2024, p. 3). Additionally, the rise in commodity prices compounds these pressures, squeezing profit margins and forcing businesses to reassess cost structures and pricing strategies (Buss et al., 2022; Weber et al., 2023).

This study explores the effects of inflation and rising commodity prices on hotels in Davao City, focusing on their influence on cost control, workforce management, and marketing efforts. It also aims to determine the relationship between these economic pressures and hotel operations. The research aligns with Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), SDG 11 (Sustainable Cities and Communities), and SDG 13 (Climate Action). By identifying these impacts, the study provides insights for enhancing resilience and sustainability in the local hospitality industry.

II. LITERATURE REVIEW

Inflation and rising commodity prices pose substantial challenges to the hotel industry. During inflationary periods, consumers' purchasing power decreases, leading to reduced demand for non-essential services such as hotel stays. Simultaneously, hotels face increased operational costs due to rising prices of essential commodities like food, electricity, and fuel (Hang et al., 2020, pp. 2293–2294). These dual pressures often force hotels to either raise prices—risking further demand reduction—or accept lower profit margins. As Agu et al. (2024, pp. 30–31) highlight, such situations demand innovative cost-management strategies to maintain financial stability.

Hotels must remain resilient by adjusting marketing and pricing strategies to maintain competitiveness during economic downturns (Singh, 2022, pp. 38–45). A comprehensive understanding of inflation's impact on operations—especially in cost control, workforce, and marketing—is crucial for effective decision-making.

2.1. Inflation

Amerta and Surasmi (2023, pp. 6–12) examined the relationship between inflation and profitability in Indonesia's hospitality sector, emphasizing how inflation complicates financial decision-making in environments marked by uncertainty and information asymmetry. Esch et al. (2019, p. 7) and Saleh et al. (2021, pp. 3–4) argue that transparent financial reporting is critical during inflationary periods, enabling investors and managers to make informed decisions about resource allocation and risk management.

2.2. Rising Commodity Prices

Singh's (2022) study critiques traditional economic models, proposing a new framework that links tourism demand with inflation and money supply dynamics. Adedoyin et al. (2021, pp. 2828–2829) support this approach, highlighting the need for adaptive economic policies, especially in rural areas, to enhance resilience to inflationary pressures driven by tourism fluctuations.

2.3. Cost Control

Monteiro et al. (2022, pp. 4–29) emphasize the importance of value-based management controls in improving hotel performance. Their research shows that such controls, particularly in family-run hotels, enhance employee engagement and align organizational goals more effectively than rigid, calculation-based methods. Suojanen et al. (2024, pp. 9–15) and Soe (2024, pp. 6–17) echo this by recommending adaptive strategies to ensure service quality, staff retention, and financial sustainability.

2.4. Workforce Dimension

The hospitality workforce includes a diverse range of employees from various cultural, educational, and professional backgrounds. Caligiuri et al. (2023) note that the hotel industry is among the most diverse globally. Grigoryan (2024, pp. 63–65) stresses the importance of addressing work-life balance, compensation, and job security to reduce turnover. Creating flexible work environments and improving pay structures are essential for attracting and retaining skilled personnel.

2.5. Marketing Dimension

Marketing plays a pivotal role in maintaining customer loyalty and business visibility during economic downturns. Almeida (2020, p. 93) underscores the need for structured internal and external communication strategies to boost consumer engagement. Pappas (2020, p. 345) adds that creative campaigns and market repositioning can generate financial opportunities even during recessions. Marketing efforts must not only persist during crises but also be reimagined as tools for long-term growth.

2.6. Theoretical Framework

This study draws from the Structural Theory of Inflation (Olusola et al., 2022), which attributes inflation in developing economies to structural inelasticities in sectors such as agriculture, labor, and capital formation. Umair et al. (2024, p. 27) explain that these limitations hinder economic growth and intensify inflationary pressures, particularly in export-dependent industries. Goldin et al. (2024, p. 119) emphasize that the service sector is especially vulnerable, as consistent wage growth without productivity gains contributes to inflation.

Additionally, Weerathunga et al. (2020, p. 16) found that inflation and increased tourist arrivals positively impact corporate hotel performance, further illustrating the complex relationship between macroeconomic factors and the hospitality industry.

III. METHODS

This study employed a quantitative research design to examine the effects of inflation and rising commodity prices on hotel operations in Davao City. Specifically, it aimed to determine how inflation influences operational functions and how increasing commodity costs affect cost control, workforce management, and marketing strategies in the hospitality sector.

A descriptive research method was used to systematically gather data and describe current conditions (Williams, 2020, p. 369). A standardized survey questionnaire comprising closed-ended questions and Likert-scale items was administered to hotel employees using random sampling techniques. This approach enabled the researchers to capture the perceptions and experiences of employees regarding the economic impacts on hotel operations.

A total of 376 respondents were selected from various hotels across Davao City. The minimum required sample size was determined using Raosoft software (Raijah, 2019, p. 266). Adaptive questioning techniques were applied to improve data collection efficiency. According to Nemoto et al. (2019, p. 7), the use of Likert scales allows respondents to express their attitudes, feelings, and opinions with clarity and consistency.

Table 1. The profiles of the respondents are included in the survey.

Profile Variables	Group	Frequency	Percent
Age	12-17	8	2.1
	18-30	250	66.5
	31-49	110	29.3
	50-60	8	2.1
Gender	Male	129	34.3
	Female	247	65.7

The research process involved the following steps: seeking permission to conduct the study, explaining its purpose to participants, distributing the survey instruments, and collecting completed questionnaires. Data were then encoded and subjected to statistical analysis.

The scale used to interpret the responses of the respondents is presented below:

Range of Mean	Description	Interpretation
4.20-5.00	Strongly Agree	This means that inflation has a major effect on the hotel.
3.40-4.19	Agree	This means that inflation has a moderate effect on the hotel.
2.60-3.39	Neither Agree nor Disagree	This means that inflation has a neutral effect on the hotel.
1.80-2.59	Disagree	This means that inflation has a minor effect in the hotel.
1.00-1.79	Strongly Disagree	This means that inflation has no effect in the hotel.

This study contributes valuable insights to the hospitality and tourism sector, particularly in areas such as employment, sustainability, competitiveness, customer experience, and economic resilience (Prabhakar, 2024, p. 1291). It will benefit hotel stakeholders in formulating adaptive strategies in the face of economic fluctuations. Moreover, the findings serve as a reference for hospitality students, enhancing their understanding of real-world industry challenges and preparing them for future academic and professional pursuits.

IV. FINDINGS AND DISCUSSION

4.1Level of the Effect of Inflation

Table 2 presents the results of the respondents' perceptions regarding the effects of inflation on hotel operations in Davao City (n = 376). The data indicate that inflation has a notable impact across key operational indicators. Occupancy rate received the highest mean score of 3.86 (SD = 0.674), suggesting that inflation significantly affects room bookings and customer flow. This supports Dalbor et al. (2021, p. 14), who found that economic uncertainty—often tied to inflationary conditions—can reduce hotel occupancy due to consumer hesitation and reduced discretionary spending. Spending power of both customers and corporations followed closely with a mean of 3.80 (SD = 0.665), confirming that inflation erodes purchasing power and dampens hotel patronage, consistent with Amerta et al. (2023, p. 3604).Hotel sales recorded a mean of 3.73 (SD = 0.637), further reflecting reduced demand for hotel services. This aligns with observed declines in consumer spending during periods of high inflation. Hotel revenue scored 3.72 (SD = 0.680), indicating profitability concerns caused by inflation-induced cost surges—echoing the findings of Amerta&Surasmi(2023, p. 3604).Hotel activities, with a mean score of 3.67 (SD = 0.625), show that inflation has prompted hotels to reduce or scale back some operational and service-related activities. The overall mean score of 3.76 and a low standard deviation of 0.369 suggest general agreement among respondents that inflation has a considerable yet not overwhelming impact on hotel operations in Davao City. The homogeneity in responses indicates a shared perception of inflation's burden across the industry.

Table 2. Level of effect of inflation on hotels in Davao City

Items	Mean	Std. Deviation	Description
The occupancy percentage witnessed a great decrease than ever before the crisis.	3.86	0.674	Agree
Hotel revenues and profitability was greatly influenced.	3.72	0.680	Agree
Limiting of hotel business Activities.	3.67	0.625	Agree
The spending power of both individual customer and corporate decreased.	3.80	0.665	Agree
A Great decrease in hotel sales	3.73	0.637	Agree
Overall	**3.76**	**0.369**	**Agree**

4.2. Impact of Rising Commodity Prices

Table 3 illustrates the perceived impact of rising commodity prices on three key dimensions of hotel operations: cost control, workforce, and marketing.

Table 3. Level of rising commodities prices in Hotels in Davao City

Indicators	Mean	Std. Deviation	Description
Cost Control	3.36	0.336	Neither Agree nor Disagree
Workforce Dimension	3.02	0.681	Neither Agree or Disagree
Marketing Dimension	3.79	0.398	Agree
Overall	**3.39**	**0.309**	**Neither Agree nor Disagree**

The overall mean score was 3.39 (SD = 0.309), suggesting a moderate overall effect of rising commodity prices on hotel functions.The marketing dimension emerged as the most affected, with a mean of 3.79 (SD = 0.398). This implies that price hikes significantly influence promotional strategies, service positioning, and customer outreach. Radwan et al. (2019, p. 99) assert that marketing is critical to business resilience, especially during economic downturns. Similarly, Sampaio &Régio (2022, p. 11) advocate for market orientation as a strategic response to performance pressures.The cost control dimension scored 3.36 (SD = 0.336), showing that increased commodity prices challenge hotels' ability to manage expenses effectively. As Miečinskienė et al. (2019, p. 85) explain, global commodity price hikes lead to higher production costs, contributing to supply-side inflation.The workforce dimension, with a mean score of 3.02 (SD = 0.681), reflected more mixed perceptions. While some respondents acknowledged the impact of rising costs on labor decisions, others may have perceived the workforce as less immediately affected. Hatem & Ibrahim (2019, p. 99) warn against workforce reductions as a cost-saving measure, noting that losing skilled employees also imposes long-term costs related to rehiring and retraining.In sum, respondents agree that rising commodity prices pose challenges—particularly in marketing and cost control—while the perceived impact on labor is more varied.

4.3. Correlation Between Inflation and Rising Commodity Prices

Table 4 presents the correlation between the perceived effects of inflation and rising commodity prices. The results show a weak positive correlation, with an R-value of 0.221 and a P-value of 0.000 (n = 374). This indicates a statistically significant relationship at the 0.01 level (two-tailed), meaning as inflation increases, so does the perceived impact of rising commodity prices, though the strength of association is modest.

Table 4. Correlation between the effect of inflation and rising commodities prices in the hotels in Davao City.

Variables Correlated	*R*-value	Verbal Description	df (n-2)	*p*-value	Decision
Effect of Inflation vs Rising Commodities Prices	0.221**	Weak Positive Relationship	374	0.000	Ho is rejected

Legend: * *Correlation is significant at 0.01 level (2-tailed)

This supports Natasia et al. (2022, pp. 513–514), who explain that a positive R-value reflects variables moving in the same direction. The significant P-value confirms the relationship is not due to chance. Hayes (2024) emphasizes that in two-tailed significance testing, results at the 0.01 level offer strong evidence for rejecting the null hypothesis.

Rejecting the null hypothesis suggests that inflation and rising commodity prices are meaningfully related in the context of hotel operations. According to Alrawabdeh (2021, p. 31), inflation drives up operational costs and necessitates adjustments in employee wages to maintain workforce stability, thereby linking both economic factors.

These findings reinforce the conclusion that hotels in Davao City are affected on multiple fronts—pricing, labor, and cost efficiency—by inflationary pressures and commodity price volatility. This supports Iskandar (2020, p. 5), who stresses that inflation management must consider wage dynamics, money supply, and exchange rates, among other macroeconomic factors.

As a result, hotel managers and industry stakeholders must monitor these economic variables closely and design adaptive strategies that enhance resilience and profitability, especially during economic transitions.

V. Conclusion And Recommendation

This study underscores the significant impact of inflation and rising commodity prices on the hotel industry in Davao City. The findings reveal that these economic factors contribute to increased operational costs, affecting key areas such as cost control, employee compensation, and overall hotel management. As prices surge, hotel operators face challenges in balancing affordability for guests while maintaining financial sustainability.

Survey data indicated that the perceived effect of inflation on hotel operations yielded an average mean score of 3.76, suggesting a noticeable but not extreme impact. Respondents generally agreed that inflation presents operational difficulties, though not to the most severe degree. Meanwhile, the overall impact of rising commodity prices across cost control, workforce, and marketing dimensions was assessed with a moderate mean of 3.39, with marketing registering the highest mean of 3.79, highlighting its heightened sensitivity to price increases.

To navigate these economic pressures, hotel managers in Davao City are encouraged to enhance operational efficiency by streamlining processes and optimizing resource utilization. Dynamic pricing strategies can be implemented to adjust room rates in response to demand, seasonality, and market conditions, helping to maximize occupancy and revenue. Investing in continuous staff training also plays a crucial role, as well-trained employees can perform tasks more efficiently and deliver better guest experiences, leading to lower operational costs.

Diversifying hotel services is another important strategy. Offering customized packages—such as wellness bundles that include yoga sessions, spa treatments, and healthy meals—not only adds value but also appeals to a broader customer base. This approach enables hotels to attract different market segments and increase profitability.

Additionally, investing in marketing strategies that target cost-conscious travelers can help sustain business performance. Promotions such as early bird discounts, loyalty rewards, and limited-time offers should be featured prominently on social media platforms and travel websites. These marketing efforts, when combined with exceptional guest experiences and value-added perks, can help hotels build a loyal customer base while appealing to budget-conscious tourists.

By adopting these strategies, hotels in Davao City can better withstand economic challenges, sustain competitiveness, and foster long-term growth amid inflationary pressures and fluctuating commodity costs.

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