



Strathmore  
UNIVERSITY

SCHOOL OF TOURISM AND HOSPITALITY  
MASTER OF HOSPITALITY BUSINESS MANAGEMENT  
END OF MODULE EXAMINATION  
MHBM 8102: HOSPITALITY REVENUE MANAGEMENT

**DATE:** Wednesday, 5<sup>th</sup> July, 2023

**DURATION:** 3 Hours

**INSTRUCTIONS:**

1. This examination consists of **FIVE** questions
2. Answer **Question ONE and TWO (Compulsory)** and **any other ONE** question
3. Answer **Question One (a and b)** using the **case study provided**: Euro Air (Revised)

**Question One**

**{30 Marks}**

- a) Critique the service quality of the Euro Air service as described in Mr. Boyd's letter using the components of the SERVQUAL Model as created by Parasuraman and Zeithaml in their 1994 journal article on the *Determinants of Service Quality* **[7.5 Marks]**
- b) Discuss three ways in which Euro Air could have made waiting less burdensome for its customers in the case provided. Be sure to clearly state the propositions on the psychology of waiting that underpin each strategy suggested. **[7.5 Marks]**
- c) Run the numbers again," said Elijah, the FOM at the 400-room Radisson Riverview. "We need to make sure we are accurate about this." "I ran them three times already," replied Jennifer. "Last year, in September, our RevPAR was \$87.50. We ran a 70 percent occupancy and a \$125 rate." "And so far this September?" asked Elijah. "Like I said before, with three days left in the month, we are at a 69 percent occupancy and \$129 rate. That's an \$89.01 RevPAR," said Jennifer. "And we were budgeted for a 4 percent RevPAR increase?" asked Elijah. "Right, and that's the problem. We are at a 1.5 percent increase now. And as you know, if we don't make budget, we don't make our bonus."

"O.K. I got it. Now one more time, what did the New York booking agent say when you talked to him on the phone?" asked Elijah. "He said the entire Lion King cast was displaced because of a booking error at the hotel they had reserved. He's scrambling for housing. He wants to bring the entire cast and crew here for four days, starting tonight. They want 100 rooms each day, but their budget is only \$59.00 a night. If we take them, we'll be sold out for the rest of the month," said Jennifer.

Assume that, with three days left in the month, Elijah's best estimate is that if he agrees to take the Lion King group it would mean 100 sold rooms per night at \$59.00 and assume further that his hotel would indeed sell all of its remaining rooms on those nights at the \$129 ADR the property is currently averaging for the month.

1. Calculate the Budget REVPAR for September this year. **[3 Marks]**
2. Calculate:

- a. Room Revenue for the month before taking the group **[2 Marks]**
  - b. The room revenue to be generated from the Lion King group **[2 Marks]**
  - c. The total room revenue that will be achieved at the end of the month should the hotel be 100% occupied. **[5 Marks]**
3. If he takes the group and the hotel is full.
- a) What will be the RevPAR **[3 Marks]**
  - b) Would Elijah achieve the RevPAR needed to be granted the performance bonuses offered to him and his assistant? **[2 marks].**
4. If you were the RM at this property, would you advise Elijah to take the group? Give two reasons of why or why not? **[3Marks]**

### Question Two

**{20 Marks}**

Kitonga has a resort in Kanamai that was hard hit during the pandemic. Due to the global shutdowns and travel bans, the hotel industry in Kenya was hard hit. Tourism is however now at an all-time high as normalcy in travel has resumed and people are keen to make up for lost time and vacations. Demand has therefore been very high for most of the year in Kitonga's resort as many people are seeking to go on vacation at his resort in Kanamai. Discuss strategies that Kitonga can use to flex the capacity of his resort to match the current high demand. **[20 Marks]**

### Question Three

**{20 Marks}**

The new manager at Random Stays Hotel has noted some problems in her monthly reports. Occupancy percentages are somewhat low, even though demand is normally high. The manager is concerned that her employees at the front desk and in the reservation, office are making errors. Or is it a software problem? After investigating the situation, she finds that both her front-desk and reservation office teams are performing as they were trained to and according to the hotel's existing policies. That's the good news! The bad news is that low occupancy may be a management problem. For example, it seems that there are no policies regarding when guests may check in or check out. Currently, guests check out at many times of the day, from early morning to late afternoon. They arrive for check-in at many times of the day and night, too—including mid-morning and after midnight. Sometimes, of course, guests do not show up at all. In those cases, rooms remain empty even when there is a demand for them.

- a) Discuss three ways of reducing her uncertainty of duration with specific examples **[9 marks]**
- b) Discuss the Gaps framework provided in the iconic journal article titled 'A *Conceptual Model of Service Quality and Its Implications for Future Research*', written by A. Parasuraman, Valarie A. Zeithaml and Leonard L. Berry in 1985 with the manager and identify the main service gap that the hotel is currently experiencing. **[11 marks]**

### Question Four

**{20 Marks}**

Hailey recently inherited a boutique hotel and is thus still unaware of the unique challenges of running a service business. To begin her education:

- i. Describe in detail the five unique characteristics/nuances of services **[10 Marks]**
- ii. Discuss two likely consequences that she will experience due to each of the unique characteristics/nuances when running her newly inherited business. **[10 Marks]**

**Question Five****{20 Marks}**

Ndyisi and Ndimanya, jointly own the Treacle- a popular restaurant in Kaiti. Ndimanya wants a special Kshs2-million-line item to be added to the budget. He would like to upgrade the interiors of the restaurants. He needs to convince Ndyisi that there is value in investing in the service environment.

- a) Help Ndimanya articulate 4 key purposes of the restaurant's service environment.

**[12 Marks]**

- b) Discuss the four main components of the restaurant's service environment that will likely benefit from the Ksh.2 million upgrade.

**[8 Marks]****TOTAL = 70 MARKS; WEIGHT 50%**