



Strathmore
UNIVERSITY

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

DATE: Thursday, 9th June 2022

DURATION: 3 Hours

INSTRUCTIONS:

1. This examination consists of **FIVE** questions
2. Answer **Question ONE (Compulsory)** and **any other TWO** questions.

Question One

{30 Marks}

- a) Ms. Nigar Patel who owns and manages the 200-room Comfort Inn prepares a daily Rooms Forecast Report that is shared with the housekeeping, food and beverage, and front desk managers. Nigar has compiled the information in the table below from historical records, current PMS data, and her own insight into rooms sales-related events likely to occur. Assuming today is Monday, 2nd June, use the information in the table to help Nigar complete the Rooms Forecast Report for Tuesday 3rd June by answering the questions that follow.

Rooms Forecast Report for:		Tuesday (This week)	
Date: June 3rd.		Day: Tuesday	
	Total rooms available		200
2	Out-of-order (OOO) rooms		0
Net Availability			200
	Stayovers		85
1	Reservations (Arrivals)		60
Rooms Sold or Reserved			
Adjustments:			
	Overstays		15
	Early departures		10
	No-shows		5
Total Forecast Sold or Reserved After Adjustments			—

- i) Calculate the number of rooms that Nigar forecasts to be occupied on Tuesday night. **(2.5 marks)**
- ii) Determine Nigar's occupancy percentage forecast for Tuesday night. **(2.5 marks)**

- iii) Assume Nigar’s ADR forecast for Tuesday night is \$160.99. Calculate her estimated total room revenue for this day and date; hence determine the RevPAR for the night. **(5 marks)**
- iv) Ms. Nigar Patel has been running her Inn successfully for the last 25 years. She has however noticed over time that the market place is not what it used to be several decades ago. Major advances in societal, technological, globalization and deregulation forces has brought about change in the hospitality scene. Discuss in detail with Ms. Patel five different ways she can respond to these trends as she runs her business. **(10 Marks)**
- b) Discuss the importance of accurate forecasting **(5 marks)**
- c) Channels of Distribution (electronic and non-electronic) are avenues developed to bring the buyers and sellers of hospitality products together. Discuss 5 characteristics of a good distribution channel. **(5 marks)**

Question Two {20 Marks}

- a) Fawzia Mohamed is the General Manager (GM) and Revenue Manager (RM) of a popular 300-seat family-style Italian restaurant open only for dinner. Nightly, she calculates a variety of statistics that help her better understand the revenue-generation abilities of her operation. Complete the revenue generation report she has developed using today’s data. Copy the table below into your answer booklet and calculate the missing values. **(10 marks)**

Nightly Revenue Generation re-cap Date: <i>Today</i>			
Hour of Operation	Guests Served	Check Average	Revenue
5–6 P.M.	118	\$11.25	
6–7 P.M.	251	\$13.25	
7–8 P.M.		\$13.97	\$4400.55
8–9 P.M.	264	\$12.98	
9–10 P.M.	102		\$1,096.50
Total			
Table Turns = ___			

- b) Discuss two ways a restaurant can manage duration. **(4 marks)**
- c) Discuss any Three of the Eight Fundamental Elements in the development of a Revenue Management Strategy. **(6 marks)**

Question Three {20 Marks}

Antonio is the Revenue Manager (RM) at the 180-room Hawthorne Suites. Disappointed in his occupancy rate last year, he decided to reduce his room rates this year by 10 percent to help increase sales and improve his RevPAR. This action resulted in an upswing in occupancy, from 75 percent last year, to 85 percent this year; an increase of 13.3 percent. Last year, Antonio’s controllable operating costs were \$61.00 per room. This year, they rose to \$62.00 per room, an increase of only 1.6 percent.

Statistics	Last May	This May
Occupancy %	75%	85%
Rooms sold		
ADR	\$129.99	\$116.99
Rooms revenue		
RevPAR		
Controllable operating Costs		
Gross operating profit GOPPAR		

- a) Help Antonio better understand the overall results of his rate reduction strategy by completing his hotel's May operating performance worksheet. **[10 Marks]**
- b) Compare Antonio's GOPPAR performance this year versus last year. Explain how effective Antonio was in devising and implementing his revenue optimization strategy. **[5 Marks]**
- c) Discuss the main differences between RevPAR and GOPPAR. **[5 Marks]**

Question Four {20 Marks}

- a) Wambui runs a restaurant in the Westlands area. She has just hired a Management Trainee who has no knowledge of the service sector to assist them in the restaurant. Wambui has delegated the task of training the Trainee to you. Inform the Trainee of the unique characteristics/nuances of services and explain the likely implications for each of the unique characteristics/nuances when delivering services in the restaurant. **(15 marks)**
- b) Describe FIVE characteristics of a loyal customer. **(5 marks)**

Question Five {20 Marks}

- a) Companies have a much better chance to deliver value to consumers when they pay close attention to consumer needs. It is easier to do this by going after segments instead of whole markets. Discuss in detail, using relevant examples, how a company that intends to own and run restaurants in Nairobi can segment the restaurant market using demographic segmentation strategy. **(10 marks)**
- b) Mvera, owner of the Oompa Loompa Ice Cream Parlour located in Diani, has recently concluded that it is difficult to manage capacity to match demand or vice versa. She has found it too costly; demand has been unpredictable and the service capacity very inflexible. Waiting in line therefore seems inevitable for her customers at the Oompa Loompa Ice Cream Parlour. As a revenue management specialist, guide Mvera by:
 - i) Discussing five propositions on the psychology of waiting that she should have at the back of her mind when demand and capacity cannot be matched. **(5 marks)**
 - ii) Proposing five ways in which Mvera can make waiting less burdensome for her customers, given the propositions on the psychology of waiting that you have just discussed with her. **(5 marks)**

Total = 70 Marks; Weight = 60%