



| | |
|---|--|
| FACULTY/COLLEGE | College of Business and Economics |
| SCHOOL | School of Tourism and Hospitality |
| DEPARTMENT | Hospitality |
| CAMPUS(ES) | ABP |
| MODULE NAME | Accommodation Management |
| MODULE CODE | ACM03Y3/ACM31-1 |
| SEMESTER | First |
| ASSESSMENT OPPORTUNITY, MONTH AND YEAR | First Summative Assessment Opportunity |

| | | | |
|------------------------|------------------|--------------------|---------------|
| ASSESSMENT DATE | 4 June 2019 | SESSION | 12:30 – 14:30 |
| ASSESSOR(S) | Ms A Deen | | |
| MODERATOR(S) | Mr PM Naidoo | | |
| DURATION | 2 hours (120min) | TOTAL MARKS | 100 |

| | |
|---|---|
| NUMBER OF PAGES OF QUESTION PAPER (Including cover page) | 4 |
|---|---|

INFORMATION/INSTRUCTIONS:

-
- This is a closed-book assessment.
 - Answer all questions and ensure to rule off after every question
 - Read the questions carefully and answer only what is required.
 - Number your answers clearly and correctly as per the question paper.
 - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
 - Non-programmable calculators are permitted – only one per candidate
-

It is 2019 and the country is experiencing major changes with the May 2019 elections, Eksom's tariff hikes and no relief from the constant power cuts. South Africans and their business are struggling to keep their doors open and their opinions positive in these dark times.

What can be said for the hospitality industry? Fortunately for Johannesburg and fellow South Africans, Big Concerts has brought two global superstars to brighten spirits and create an atmosphere that South Africa is the place to be. Ed Sheeren rocked the Soccer City Stadium in March and Sam Smith not long after in April at the Coco Cola Ticketpro Dome.

You are the Rooms Divisions Manager at a 250 bedroom full service hotel in Sandton, and your main duties include managing the revenue yield of the hotel, making sure that the room rates are suitable, forecasting, as well as compiling and controlling the Room Divisions budget.

Because of these two chart topping arrivals this year, the hotel rates were pre-determined by the Revenue Manager well in advance and were calculated to give the hotel an average rate of R2300.00 during this period.

The rack rates for the hotel during the March and April 2019 period are varied according to the room type within the hotel. 200 (two hundred) standard rooms are sold at rack for R2000 for singles and R3000 as doubles. 40 (forty) luxury rooms can be sold at R4500 for a single person and at R5500 for a couple. The 8 (eight) suites are flaunted at R8000 per room and R9000 if sold as a double, whereas the 2 (two) lavish presidential suites are paraded at R10 000 for singles and R12 000 to more than one person.

The hotel expects a double % of 85% during March and April 2019.

As Room Divisions Manager, you see it as very important that the hotel operations (Rooms Divisions) be well managed during this period, to maximize revenue opportunities as well as providing excellent guest service.

Your set goals for this event:

- Making sure rates are maximised
- Perform proper forecasting in order to:
 - Maximise %
 - Provide accurate information to all other departments in the hotel
- Verify the planned revenue and expense budgets within the division
- Set yield % goals for the hotel during this period

In order to achieve your goals: complete the following exercises:

QUESTION 1: FORECASTING**[25]**

The hotel reservation system shows the following information is available to you:

| 2019 | March | April | Historical trends |
|--------------|-------|-------|-------------------|
| OOO | 0 | 0 | No-Shows 5% |
| Reservations | 4500 | 4800 | Understays 4% |
| Departures | 2000 | 2800 | Overstays 3% |
| Stayovers | 1400 | 1950 | Walk-ins 2% |

The historical patterns are also expected to change with more walk-ins expected, whilst the number of no-shows rooms are expected to drop due to guests having to make only guaranteed reservations.

- 1.1 Use the above information to calculate the expected % for March and April 2019 individually. (24)
- 1.2 Provide a legitimate reason to why the Revenue Manager only encouraged and accepted guaranteed reservations only? (1)

QUESTION 2: PRICING**[25]**

The Cost Per Room Night Sold (CPRNS) during March and April is R 300.00 per room which is a bit higher than normal due to all the complimentary room drops to returning guests, and the hotel expects to make R 12 Million Return on Investment (ROI), whilst other departments will contribute R 1 Million to the revenue.

- 2.1 If the Revenue Manager follows cost-based approach, such as the Hubbart Formula, what information would you need and where would you obtain this information from? (4X2=8)
- 2.2 Using the above information and the forecasted room sales calculated in **Question 1.1**, calculate the Average Room Rate (ARR) this hotel should charge for March and April **combined**. (8)
- 2.3 As stated, the Revenue Manager set the rates at R 2300.00 for this period. Compare this to the rate you calculated in **Question 2.2** and discuss the reasons for any discrepancy between the rate the Revenue Manager calculated and the rate you calculated. (3)
- 2.4 Would the ARR you calculated be the actual rate that you would charge for every room? Motivate your answer with effective reasoning. (6)

QUESTION 3: BUDGETING**[20]**

Use the given information and the calculations in **Question 1** and **Question 2** to answer the following questions.

- 3.1 Based on the ARR as determined by the revenue Manager, what would the budgeted Rooms Revenue be for March and April 2019 **combined**? (5)
 - 3.2 The total number of guests they can expect to be accommodated during the period of March and April 2019 **combined**? (9)
 - 3.3 Calculate the expected Average Guest Rate (AGR) that should be budgeted for the period March and April 2019. (3)
 - 3.4 Each guest will receive a complimentary mini torch for attending the concerts. The negotiated price is R30.00 each. How much should the hotel budget for these complimentary torches? (3)
-

QUESTION 4: YIELD MANAGEMENT**[30]**

- 4.1 Calculate the potential revenue that this hotel could have made in the month of April 2019? (15)
 - 4.2 If the budgeted Rooms Revenue calculated in **Question 3.1** is seen as the actual revenue, what would be the Yield % that this hotel would have set as a goal for April 2019? (5)
 - 4.2 Please refer to the attached article: ***Hotel Revenue Management: Impact of Familiarity and Information on Customer's Perceptions of Fairness.***
 - 4.2.1 The article suggests that despite the perceived positive impacts on hotels' bottom line, Revenue Management techniques have received a huge amount of disapproval in terms of complaints and lack of functional benefits (Suklabaidya & Singh, 2017). Discuss this finding with specific reference to the article and relevant examples in the hospitality industry? (10)
-

TOTAL MARKS: 100
