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BUSINESS STUDIES **0450/22**

Paper 2 Case Study **February/March 2022**

INSERT **1 hour 30 minutes**

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

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This document has **4** pages. Any blank pages are indicated.

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Mainstreet Hotel (MH)

MH is a hotel owned and managed by Sadiq. He is currently a sole trader but is considering changing the business to a partnership. The hotel has 80 rooms. On average, 50 of the rooms are occupied each night. The total revenue from these 50 rooms is $3000 per night.

MH has 40 employees as shown in the organisational chart in Appendix 1. Most of them have worked for MH for many years. Sadiq works between 60-90 hours a week and currently does not delegate any management tasks. He is experienced at making marketing decisions but he has few financial skills. Sadiq communicates with all MH employees every morning to give them their jobs for that day.

Sadiq wants to improve the quality of customer service in all parts of the hotel. He knows that he could use quality control or quality assurance. He is considering how he could use these methods in his hotel.

Sadiq also wants to increase MH's revenue and is considering the following two options:

Option 1

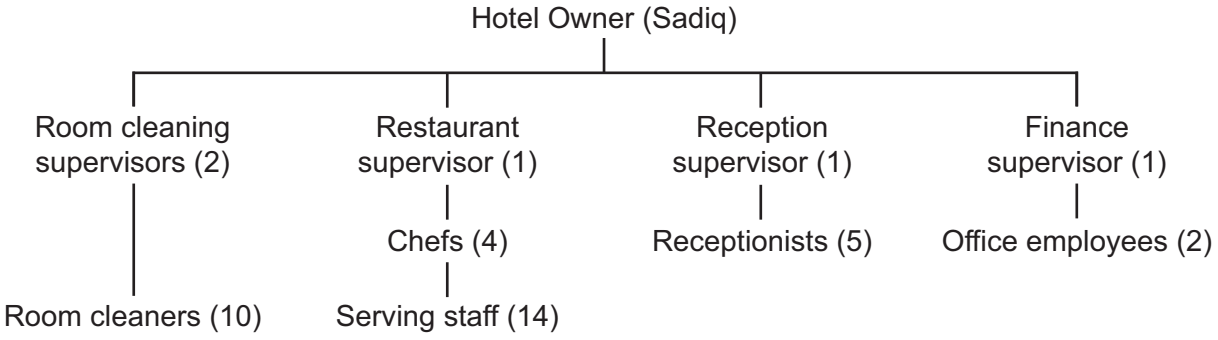
The price of the rooms could be reduced to $50 per night. He thinks that if the price per room is reduced MH will have 75 hotel rooms occupied each night. The target market, consumers who want low-price hotel accommodation, would not change. Many hotel guests return each year to stay at MH.

Option 2

Redecorate the hotel rooms and upgrade them to a much higher standard. Sadiq thinks that the price per room could be increased by 50%. The target market would be high-income tourists. He estimates 50 rooms per night are still likely to be occupied. The estimated cost of upgrading each hotel room is $10 000.

Appendix 1

Organisational chart for MH



NB The number in brackets is how many employees are in each role

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Appendix 2

Reviews on MH from a tourist hotel website

Quite good but not perfect 3 out of 5 stars

The restaurant was excellent but my partner cannot eat certain types of food. The menus did not give a list of the ingredients in the food.

Our room was not cleaned well and the bed was uncomfortable so we didn't sleep well. However, the hotel employees were all very friendly and helpful.

Boring website – room ok 2 out of 5 stars

There were very few photographs of the hotel on the website and there was limited information about the facilities. I was unable to book a restaurant table in advance on the website. The hotel rooms were basic and prices were slightly high for this standard.

Drinking water in plastic bottles was provided in our room each day. The plastic bottles were thrown away. I would have preferred glass bottles that can be recycled.

Appendix 3

Email from the Finance Supervisor to Sadiq

To: Sadiq

From: Finance Supervisor

Subject: Improvements to cash flow

I have identified the following three problems:

- We do not have any savings.
- We do not ask for a deposit when hotel rooms are booked. Other hotels in the area require a 30% deposit.
- We do not have trade credit from our food suppliers.

Can we meet to discuss how to improve cash flow?

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