

Introduction to Hospitality, 8e (Walker)
Chapter 2 The Hotel Business

1) Purchasing the right to use a company's trademark to expand more rapidly and use copyrighted materials is known as

- A) leasing
- B) syndication
- C) franchising
- D) a partnership

Answer: C

2) Hotel companies are increasingly opting for _____ because considerably less capital is tied up in managing as compared to ownership.

- A) real estate investment trusts
- B) management companies
- C) referral companies
- D) franchising

Answer: B

3) In franchising, the franchisee is granted rights to

- A) use trademarks, operating procedures and other business procedures
- B) full ownership of the land
- C) change the name of the business
- D) full ownership of the building

Answer: A

4) The primary growth and development strategy of hotels during the 1960s was

- A) referral associations
- B) real estate investment trusts
- C) management contracts
- D) franchising

Answer: D

5) Franchise Central reservations generally produce

- A) between 17 and 26 percent of reservations
- B) between 8 and 18 percent of reservations
- C) between 12 and 22 percent of reservations
- D) between 14 and 28 percent of reservations

Answer: A

6) The lack of operational power, high fees, and low percentage of reservations from the central reservation system are all _____ of franchising.

- A) bonuses
- B) benefits
- C) trends
- D) drawbacks

Answer: D

7) The benefits of franchising include all of the following EXCEPT:

- A) set of plans and specifications for building
- B) participating in the volume purchasing discounts
- C) high fee percentages charged by credit card companies
- D) national advertising

Answer: C

8) Hotels and motels that are part of a _____ share a centralized reservation system and a common image, logo or advertising slogan.

- A) franchise
- B) referral association
- C) REIT
- D) proprietorship

Answer: B

9) In this type of "ownership," investors do not pay corporate income tax; however, they distribute the majority of net income to shareholders and are publicly traded.

- A) Partnerships
- B) Franchises
- C) Independent ownership
- D) Real estate investment trusts

Answer: D

10) Marriott builds a hotel for \$34 million and sells it to a banking firm for \$52 million. Marriott charges the banking firm 2-4 % of gross revenues to operate the hotel. This business transaction is known as

- A) REIT
- B) management contract
- C) franchising
- D) investment partnership

Answer: B

11) Corporations that operate a hotel without capital outlay in exchange for a percentage of gross sales are known as

- A) vacation brokers
- B) franchisees
- C) management companies
- D) leasing companies

Answer: C

12) An organization that rates and classifies hotels and awards them Diamonds is the

- A) American Hotel & Motel Association
- B) United States Automobile Club
- C) American Automobile Association
- D) Exxon Excellence Association

Answer: C

13) Hotels may be classified by

- A) size
- B) location, price and service
- C) country
- D) type of recreational facilities

Answer: B

14) Examples of hotel location include

- A) spa, convention, casino, bed and breakfast
- B) luxury, all suites, economy, budget
- C) full service, mid-scale, extended stay, limited service
- D) city, resort, airport, freeway

Answer: D

15) Examples of hotel price classification include

- A) full service, mid-scale, extended stay, limited service
- B) city, resort, airport, freeway
- C) spa, convention, casino, bed and breakfast
- D) luxury, all suites, economy, budget

Answer: D

16) Examples of hotel level of service classification include

- A) full service, mid-scale, extended stay, limited service
- B) city, resort, airport, freeway
- C) luxury, all suites, economy, budget
- D) spa, convention, casino, bed and breakfast

Answer: A

17) In order to determine if a hotel development project would likely succeed, we would perform a(n)

- A) operating assessment
- B) trust initiative
- C) feasibility study
- D) property appraisal

Answer: C

18) Airport hotels

- A) are often smaller, budget hotels
- B) are generally not full service
- C) range from 200-600 rooms with full service
- D) face less competition than other types of hotels

Answer: C

19) Casino hotels

- A) are marketing themselves as business hotels
- B) are becoming more family friendly
- C) are focusing more on the budget traveler
- D) make more money from gaming than from rooms

Answer: A

20) The following are characteristics of airport hotels EXCEPT:

- A) budget focused
- B) 200-600 rooms
- C) full service
- D) airport shuttle service

Answer: A

21) Hotels that are a cross between a chain and a marketing group for independent hotels are classified as

- A) corporate hotels
- B) independent hotels
- C) chain hotels
- D) quasi-chain

Answer: D

22) City center, resort, airport and freeway are all examples of hotels being classified by

- A) price
- B) location
- C) service
- D) amenities

Answer: B

23) Hotels that are typically furnished, have a well-stocked kitchen, and cater to guests staying for longer periods of time are

- A) boutique hotels
- B) convention hotels
- C) full service hotels
- D) extended-stay hotels

Answer: D

24) Mixed use hotel development indicates that a hotel

- A) may also have residences
- B) is near transportation
- C) can be used for meetings and lodging
- D) serves food

Answer: A

25) As the hotel industry matures, corporations are either acquiring or merging with each other. This is

- A) consolidation
- B) diversification
- C) safety and security
- D) capacity control

Answer: A

26) List five factors involved in the growth of franchising.

Answer: Fresh look—curb appeal

Location—near highways, airports, and suburbs

Expansion in smaller cities throughout the United States

New markets—located in proximity to golf courses and other attractions

Foreign expansion—increasing brand awareness

27) List three popular forms of ownership used in the lodging industry that allow for rapid expansion.

Answer: Franchising, management contracts, and REITs

28) Compare and contrast the following concepts: franchise, partnership, leasing and syndication.

Answer: Students should cover the positive aspects of each (liability issues, initial investment, and freedom to manage). The negatives will mirror the positives (liability, overinvestment, and limited freedom to manage).

29) Of the ten hotel classifications, select five and give a general description of the types of hotels in each segment. Be sure to include price, location, and degree of service and target market.

Answer: The text lists the classifications of hotels. Students should select five of those classifications on the list and give an outline of the segment. Answers will vary depending on which five they select.

30) List the six main types of hotels by price segment and give two examples of each. Outline a general profile of the typical customer for each segment.

Answer: In this question, the student needs to look at the needs and wants of the customer in each price range. The primary focus is the hotel meeting the customer's expectations. For example, a person looking for a budget hotel is most like price sensitive, needing a room for one night, and is in transit from one destination to another.

31) Discuss marketability of the sustainable hotel industry. Discuss costs versus a standard hotel, guest demographic, and the positive or negative impact in the local community.

Answer: The student may discuss the cost of building a sustainable building versus the cost saving in energy: gas, electric, air conditioning, water conservation, and waste disposal. Marketing the hotel as a LEED certified structure to conservation-minded, conscientious guests may find a new guest base. Using local materials and leaving a small "footprint" in the environment can foster partnerships with the local community and result in positive public relations which translates to low cost marketing opportunities.

32) You own a three star hotel in an upscale area of town and find it necessary to upgrade to four-star to be competitive in your market. List and describe how you intend to accomplish the upgrade.

Answer: Student answers should reflect the various rating systems, the rating system requirements, and the projected impact on occupancy. Discussions will hover around hotel infrastructure upgrades, training of staff, technology, décor, menu selection, etc. In general, the type of clientele will change and the hotel must upgrade all services to accommodate the new guest.

The discussion may also involve which of the several rating agencies to focus efforts on. AAA, Forbes, and Smith Travel each have their economic-minded followers.