SUITE SPOT

Information Services Division
Decision Support Department
DS@SuiteSpotCorporate.net

Modeling Task

As you may have seen in yesterday's press release, we intend to upgrade our downtown Omaha property in 2019. The Omaha Suite Spot has long been the favorite hotel in the downtown area, and its restaurant is consistently reviewed as one of the best in the city. However, the presence of the new baseball stadium downtown and the recently upgraded casinos nearby have opened up the possibility of providing accommodations for particularly selective customers who would be willing to pay top dollar for a luxury suite experience. What needs to be considered is how many of the rooms to convert to luxury suites in order to maximize profitability at the location.

Currently the hotel has no luxury suites, just regular rooms. In order to create a single luxury suite, we need to convert two hotel rooms. Given the architecture of our Omaha property, only 5 luxury suites can be facilitated per floor of the hotel, and based on corporate standards, only the top two floors of the hotel can contain luxury suites. In sum then, we could opt not to convert any rooms at all to luxury suites, or we could build a maximum of ten such suites. This decision needs to be based on overall profitability, of course. If we build too many luxury suites so that they remain empty too often, we will lose money as many customers are unwilling to pay for the suites. Given that our regular hotel rooms fill up practically every night, we need to be careful to consider conversions. On the other hand, if we do not have a sufficient number of suites available, we may need to turn away some of our top customers who are set on staying in something better than a regular hotel room.

In order to better estimate the demand for luxury suites in Omaha, I have gathered some relevant data concerning demand for the suites at our property in Kansas City. Our statistics department has often found the demographics and statistics of the two cities extremely comparable; moreover, the Kansas City property has ten luxury suites, which makes comparisons extremely apt. The following table lists the actual demand for luxury suites in Kansas City for the past 200 days and the frequency with which each demand-level occurred.

Demand Level	0	1	2	3	4	5	6	7	8	9	10
Frequency	0	2	6	13	21	33	38	39	28	16	4

As an example: out of the 200 days surveyed, on 13 days the demand for luxury suites was exactly 3.

From our finance department I gathered the following figures which are considered relevant in our decision-making process:

Net Revenue per Booked Suite per Night	$285.00
Net Revenue per Booked Hotel Room per Night	$85.00
Net Loss per Unbooked Suite per Night	- $150.00
Net Loss per Unavailable Suite per Night	- $190.00

Remember that the criterion by which the decision regarding the number of luxury suites needs to be made is the expected profit for next year. Please prepare an analysis in which you address this issue and make a rational recommendation as to the number of suites.

Use a spreadsheet to solve this problem. It's challenging, but not impossible. Use spreadsheet formulas and functions as much as you can. Do not manually calculate values and type these into the spreadsheet. After all, amounts and frequencies can and do change regularly. So be certain to set up your analysis so that these changes can easily be accommodated.

Accompany your spreadsheet with a properly formatted memo in which you explain your solution process and make your recommendation. Include at least two useful business graphics which either visualize the nature of the problem or the robustness of your recommended solution.

DELIVERABLE SPECIFICS	
Deadline:	October 30, 2017 – 9:00:00 AM CST
Deliver to:	pvvliet@unomaha.edu or Canvas
Maximum Score:	65