



Article Title

The Impact of Discounting Room Rates on In-house restaurant sales

Citation

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Abstract

This study investigates whether discounting hotel room rates during low seasons of demand influences in-house hotel restaurant sales in a positive way. A linear regression function was utilized to assess the relationship between discounting room rates and the hotel's in-house restaurant sales.

Methods

The study used 9 years of monthly historical financial data (1999–2007) from one of the largest convention hotels in the Orlando, Florida, market. The data set contained the following data points: monthly demand, monthly available rooms, premium room rates, actual room rates, monthly rooms compensated for employees, monthly rooms occupied by reward program members, occupancy rates, monthly in-house restaurant sales, and total monthly food and beverage revenues.

Results

The model summary provided results indicating that the discounting of room rates during the low season did not significantly influence in-house restaurant sales. The value of this study lies in the empirical results that may provide guidance to the revenue management practices of hotel managers.

Conclusion

The importance of this study is its relevance to the revenue management practices of managers who assume that an increased occupancy rate during low seasons as a result of discounting room rates will provide revenue maximization opportunities in hotel restaurants (Kimes et al., 1998). Restaurant revenue management. The results of the study indicate that the discounting of hotel room rates does not significantly influence in-house restaurant sales. From a hotel managerial perspective, the study's results reveal that in the case of this particular hotel, the two operating departments, rooms and in-house hotel restaurants, currently do not hold the expected relationship that was anticipated based on the suggested constrictions of a hotel guest's bounded rationality to a hotel's additional supporting products that are for sale (i.e., in-house restaurants). Thus, this study does not support the industry notion that suggests that a hotel guest who receives a monetary gain subsequent to receiving a discounted core product (in this case, room nights) may purchase secondary products/services from other operating departments, specifically the food and beverage products (Kim, H. 1996).

