HOTEL ROOM RATES AND IT'S INFLUENCES TO BUSINESS

DECISION MAKING

A thesis submitted to the Graduate School in partial
fulfilment of the requirements for the degree
Masters of Science (Management),
Universiti Utara Malaysia
By
Ahmad Fauzy bin Haji Hashim

©Ahmad Fauzy bin Haji Hashim, 2001. All Rights reserved.
Sekolah Siswaah  
(Graduate School)  
Universiti Utara Malaysia

PERAKUAN KERJA KERTAS PROJEK  
(Certification of Project Paper)

Saya, yang bertandatangan, memperakukan bahawa  
(I, the undersigned, certify that)

__________________________________  
AHMAD FAUZY BIN HAJI HASHIM  
calon untuk ijazah  
(candidate for the degree of)  
Sarjana Sains (Pengurusan)

telah mengemukakan kertas projek yang bertajuk  
(has presented his/her project paper of the following title)

__________________________________  
Hotel Room Rates And It’s Influences To Business Decision Making

__________________________________  
seperti yang tercatat di muka surat tajuk dan kulit kertas projek  
(as it appears on the title page and front cover of project paper)

bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan,  
dan meliputi bidang ilmu dengan memuaskan.  
(that the project paper acceptable in form and content, and that a satisfactory  
knowledge of the field is covered by the project paper).

Nama Penyelia  
(Name of Supervisor)  :  Prof. Madya Dr. Ibrahim Abdul Hamid

Tandatangan  
(Signature)  

Tarikh  
(Date)  :  27 Ogos 2001
PERMISSION TO USE

In presenting this thesis in partial fulfillment of the requirements for a post graduate degree from Universiti Utara Malaysia, I agree that the Universiti Library may make it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor(s) or, in their absence, by the Dean of the Graduate School. It is understood that any copying or publication or use of this thesis or parts thereof for financial gain shall not be allowed without any written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Request for permission to copy or to make other use of materials in this thesis, in whole or in part, should be addressed to:

Dean of Graduate School
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman
ABSTRAK

ABSTRACT

This study was conducted to determine and obtain facts and resolution regarding the influence of hotel room rates on the sustainance of the hotel industry with particular emphasis on hotels in the northern states of Malaysia viz Kedah, Penang Island, Perlis and Langkawi Island. The special emphasis in this study is to see the various methods used in arriving at how room rates are pegged. In this study, hotels are randomly selected ranging from small hotels which bears no 'star' ratings to five star hotels. Questionnaires were distributed to respondents followed by interpretations. The analysis of these inputs were conducted with the SPSS software using mean statistics, standard deviation, t-tests, ANOVA (analysis of variance) and correlation statistics. The relevance of the results will be based on the significant level. An accepted significant level will be 0.95 or 5%. The result of this study revealed that hotels do not have a common denominator in pegging room rates to the multi-varied range of customers. Further to this, a series of suggestions and recommendations have been put forward as a guideline to the industry. It is hoped that these guidelines will be a norm in the business practice.
ACKNOWLEDGEMENTS

To

My late parents, my wife and my children
I am grateful to Allah SWT the Almighty God for giving me the strength to survive the course. My thanks to The Graduate School, University Utara Malaysia, for giving me the opportunity to study in this University for the Master’s degree.

Thanks to Assoc Professor Dr. Ibrahim bin Hamid, my supervisor for his guidance in undertaking and completing this thesis.

My sincere and heartfelt thanks to Dr. Abdullah Sani bin Ismail, Harmiles, Afza, Chik Lat and my colleagues in the Accounting Unit at Institut Perguruan Darulaman for their concern, assistance and encouragement.

My deepest appreciation to all my family members especially my eldest sister, Kakak for her continuous moral support and encouragement, in completing this program.

And most of all to my late parents who were unable to witness this event, my beloved wife, Zuriyati, and my lovely daughters: Nurhayati, Nawal Khaltom, Siti Aishah and Nazmin Sakinah for their love and their endurance during my studies.

May Allah bless all of them.
**TABLE OF CONTENTS**

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERMISSION TO USE</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td></td>
</tr>
<tr>
<td>- Malay</td>
<td>iii</td>
</tr>
<tr>
<td>- English</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>v</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>ix</td>
</tr>
<tr>
<td><strong>CHAPTER 1: PRICE DETERMINATION IN THE HOTEL INDUSTRY</strong></td>
<td></td>
</tr>
<tr>
<td>1.0 Introduction</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background to the problem</td>
<td>2</td>
</tr>
<tr>
<td>1.2 Statement of the problem</td>
<td>4</td>
</tr>
<tr>
<td>1.3 Purpose of the study</td>
<td>5</td>
</tr>
<tr>
<td>1.4 Significance of the study</td>
<td>5</td>
</tr>
<tr>
<td>1.5 Limitations of the study</td>
<td>6</td>
</tr>
<tr>
<td><strong>CHAPTER 2: LITERATURE REVIEW</strong></td>
<td>8</td>
</tr>
<tr>
<td>2.0 Introduction</td>
<td>8</td>
</tr>
<tr>
<td>2.1 The mechanics of pricing - accounting perspective</td>
<td>11</td>
</tr>
<tr>
<td>2.2 Pricing in the hotel Industry - the determination of room rates</td>
<td>13</td>
</tr>
<tr>
<td>1. Marginal pricing techniques</td>
<td>13</td>
</tr>
<tr>
<td>2. Cost plus pricing</td>
<td>15</td>
</tr>
<tr>
<td>3. Target rate of return pricing or backward pricing</td>
<td>16</td>
</tr>
<tr>
<td>4. Contribution analysis of pricing</td>
<td>17</td>
</tr>
<tr>
<td><strong>CHAPTER 3: RESEARCH METHODOLOGY</strong></td>
<td>19</td>
</tr>
<tr>
<td>3.0 Introduction</td>
<td>19</td>
</tr>
<tr>
<td>3.1 Design of study</td>
<td>20</td>
</tr>
<tr>
<td>3.2 Terminologies and definition</td>
<td>22</td>
</tr>
<tr>
<td>3.3 Population and sample</td>
<td>24</td>
</tr>
<tr>
<td>3.4 Instruments</td>
<td>25</td>
</tr>
<tr>
<td>3.5 Data collection procedures</td>
<td>26</td>
</tr>
<tr>
<td>3.6 Data analysis procedure</td>
<td>27</td>
</tr>
</tbody>
</table>
CHAPTER 4: FINDINGS

4.0 Introduction 28
4.1 Background of respondents 29
4.2 Analysis in determining factors in pricing of rooms:
   High tourist season 32
   Low Tourist Season 33
   Discounts 35
   Review team 36
   Authority on final decision 37
   Decision making 39
   Breakeven analysis 40
   Hotel Pricing policy 44
   Employees status 45

CHAPTER 5: CONCLUSION 47

5.0 Introduction 47
5.1 Synopsis of the study 48
5.2 Discussion of the Findings 48
5.3 Recommenations to ensure sustainability of hotel business pertaining to room rates 51

BIBLIOGRAPHY 56

APPENDIX A - Questionaires
<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 4.1</td>
<td>State</td>
<td>29</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Location</td>
<td>30</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Number of Rooms</td>
<td>31</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to High Tourist Season</td>
<td>32</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Low Tourist Season</td>
<td>34</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Willingness To Give Discount</td>
<td>35</td>
</tr>
<tr>
<td>Table 4.7</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to A Reviewing Team</td>
<td>36</td>
</tr>
<tr>
<td>Table 4.8</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Final Room Pricing</td>
<td>37</td>
</tr>
<tr>
<td>Table 4.9</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Decision Making</td>
<td>39</td>
</tr>
<tr>
<td>Table 4.10</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Breakeven Analysis</td>
<td>40</td>
</tr>
<tr>
<td>Table 4.11</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Basis of Breakeven Analysis</td>
<td>41</td>
</tr>
<tr>
<td>Table 4.12</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Personnel Conducting Breakeven Analysis</td>
<td>43</td>
</tr>
<tr>
<td>Table 4.13</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Hotel Pricing Policy</td>
<td>44</td>
</tr>
<tr>
<td>Table 4.14</td>
<td>Multiple Regression Analysis of Hotel Annual Income with Respect to Employees</td>
<td>45</td>
</tr>
</tbody>
</table>
CHAPTER 1

PRICE DETERMINATION IN THE HOTEL INDUSTRY

1.0 Introduction

The hotel industry has proved to be a boom for the past decade in the country’s pursuit in promoting tourism and the tourism industry specifically.

The hotel business compliments the tourism industry. In Malaysia, the launching of the ‘Visit Malaysia Year’ mooted by the Federal Government has played a very important role in promoting the hotel sector.

As defined by Cassell (1989), a hotel is:

\[ \text{a usually large house run for the purposes of giving travelers food, lodging etc.} \]

It has been further defined as:

\[ \text{an operation that provides accommodation and ancillary services to people away from home which includes all people who spend time away from home for whatever reason and thus includes the traditional concept of a hotel, as well as a motel, holiday camps, condominiums, hostels, hospitals and prisons.} \]

This industry has played a key role in contributing to the national income of Malaysia. It has been the strategy of the government to ensure that
The contents of the thesis is for internal user only


Cheltenham, Stanley Thornes.

Cincinnati South-Western Publishing Co.


Van Nostrand Reinhold, New York


Business Publications Inc.


Macmillan Publishing Co, New York

Mac Graw Hill Inc. New York


Woelfel, Charles J: *Budgetting, Pricing and Cost Controls – A Desktop Encyclopaedia,*
Probus Publishing Co., Chicago

