2022 iAHFME Annual Research Symposium Abstracts

THE JOURNAL OF HOSPITALITY FINANCIAL MANAGEMENT
2023, VOL. 31, NO. 1, 45-48
http://dx.doi.org/10.7275/eagn-vw26

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Big Data Analysis: Using Internet Reviews for Optimal Resource Allocation in Chain Hotels

Ganna V. Demydyuk

ABSTRACT

This study suggests, develops, and estimates a model that reflects endogeneity and simultaneity of cost, revenue, and profitability drivers, and incorporates variables capturing customer value and satisfaction. The model is built on two theoretical advancements: one model developed in the accounting field by Banker & Johnston (2007) and the other one from hospitality management developed by Carlbäck (2010, 2011). The empirical test is based on a collection of hotels' consumer reviews in relation to their profitability.

Data for the study comes from 450 owned hotel properties from 6 listed US hotel chains and consists of 3 datasets. Using the review data from 3 online portals, this study aims to evaluate the relationship between overall customer satisfaction and different hotel experiences. Further, we link experiences that drive customer satisfaction to resources consumed as measured by variable cost, revenue metrics, and profitability to verify if achieving a higher satisfaction in the certain criteria was associated with higher expenditures and was reflected in both top and bottom lines.

Findings of this study can be transferred to big data analysis for internal control and guide hotel managers in allocating scarce resources, based on demands of their customers and control of the profit targets.

Keywords: big data analytics, customer satisfaction, revenue drivers, pricing power, profit drivers, non-financial metrics, hospitality finance, performance measurement

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The Loss-Averse Upscale Restaurant Customer

Abhinav Sharma

ABSTRACT
The reference-dependent framework of Kahneman and Tversky's (1979) prospect theory has increasingly been used by researchers investigating various facets of individual preferences in the hospitality and tourism domain. In the context of online consumer reviews, evidence from this literature suggests that sentiment scores underlying airline reviews are characterized by the archetypical prospect theory principles of loss aversion and diminishing sensitivity (Sharma et al., 2020). In other words, for airline passengers, with respect to a specific reference point, (i) receiving better-than-expected service has a greater impact on review sentiment than receiving worse-than-expected service; (ii) this marginal impact on sentiment fades with increasing discrepancies from service expectations.

In this research, we replicate the analysis using a dataset comprising online restaurant reviews. The results indicate that loss aversion and diminishing sensitivity may be even more pronounced in restaurant reviews than in airline reviews. The implications are discussed from a financial and strategic management perspective.

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Financial Leverage Revisited

Murat Kizildag

ABSTRACT
This paper visits the volatile motions of levered equity returns pertinent to divergent proxies of financial leverage by adopting Fama-MacBeth regressions for four book-to-market ($BEME_{it}$) sorted sub-sector portfolios in hospitality industry. Some of the sub-sector portfolios departed from the main prediction of the pecking order theory whereas others matched with the theoretical facts regarding levered equity returns and financial leverage. Linking the stock return movements and leverage, findings of this paper, in turn, imply how financial leverage amounts and the risk of leverage can be regulated in order not to hamper firms' investing opportunities in capital projects and suffer from the cash flow stream not being greater than the cost of financial leverage.

From Hospitality Basics to Customer Value and Memorable Experiences: Evidence from Online Customer Reviews of the Major Cruise Line Corporations

Ganna V. Demydyuk and Mats Carlbäck

ABSTRACT

This research combines three sources of data to explore relationships between firm's executional drivers, customer satisfaction based on cocreation of experiences, and financial performance of three major cruise line corporations. Based on 10-K data, ship age, and size together with the cruise length appear as important drivers of financial performance.

Further collection and analysis of consumer reviews from two online portals were used to evaluate the relationship between overall customer satisfaction and different cruise experiences. Findings reveal perceived value for money as the main determinant of customer satisfaction in all market segments, from the mass market to ultra-luxury. Hospitality basics, especially dining and service emerge as important predictors of overall satisfaction, perceived value, and ship quality in all ship classes.

Further results indicate a positive correlation between overall satisfaction and dining satisfaction to profitability metrics, whereas risk-adjusted stock market performance positively correlated with both service and dining. Comparing satisfaction ratings and food costs across cruise lines suggests that cutting costs in this area prompts a tradeoff of declining satisfaction that may be of greater value than the cost savings. A combination of these and other review metrics can help develop a framework for customer-centered managerial accounting in all hospitality sectors.

The Impact of Board of Directors on Firm Cash Holdings

Ilhan Demirer

ABSTRACT

A firm's management is tasked with increasing shareholders' wealth through investing in projects that increases a firm's value. The pecking order theory states that internal cash is used first while investing in those projects. Prior studies have shown that agency conflicts occur during this process and, in turn, the management, may not act in the best interest of the shareholders but themselves. A firm might end up accumulating excess cash because of foregone investment opportunities and in turn shareholder wealth might decline. In this study we examine the impact of board of directors on the corporate cash holdings. Namely, we investigate the impact of board diversity, tenure, and independence on corporate cash holdings. Results will contribute to our understanding of governance mechanisms.

Firm-Level Political Risk and Investments in Hospitality and Tourism

Ozgur Ozdemir and Melih Madanoglu

ABSTRACT

Political uncertainty is a common risk factor for national economies and it has substantial macro-level implications for government policies. Yet, little is known about how micro-level measures of political uncertainty are impacting individual businesses in regard to their operations, investments, and strategies. Hence, this research is set to examine the effects of political uncertainty on firm-level investments in the hospitality and tourism industry. The sample firms are drawn from the hotel, restaurant, and airline sectors. The preliminary sample includes 66 firms and over 700 firm-year observations for the 20-year period (2000–2019). The study uses the ratio of capital expenditures to total assets as the measure of firm-level investments and firm-level political uncertainty index by Hassan et al. (2019) as the primary explanatory variable. Presidential election years and firm size are used as moderators in the analyses. Annual financials and market-based data are collected from Compustat and CRSP. The study expects to find that firm-level political risk should lead to lower level of firm-level investments, and presidential election years would magnify the negative effect of firm-level political risk on firm-level investments. Moreover, it is expected that larger firms will be less negatively impacted by firm-level political risk than smaller firms.