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ABSTRACTS OF PRESENTATIONS AT THE 2012 ANNUAL AHFME RESEARCH SYMPOSIUM

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PARAMETRIC AND NONPARAMETRIC ANALYSIS OF ABNORMAL STOCK RETURN AND VOLUME ACTIVITY FOR RESTAURANT STOCK MERGERS FROM 2004–2011

Barry A.N. Bloom

ABSTRACT. This paper studies the unprecedented number of restaurant company mergers that took place between 2004 and 2011. The purpose of this study is to determine, using both parametric and nonparametric event study methodologies, whether there were abnormal stock returns or volume activity in the periods surrounding the merger announcement in the trading of 40 public restaurant companies that were merged or taken private during this period. The study identifies statistically significant abnormal returns only on the merger announcement date and statistically significant volume activity only on the announcement date and thereafter, indicating that there was little prior knowledge of these transactions.

THE SILVER LINING AMIDST NATURE’S CHAOS: THE LOCALIZED FINANCIAL IMPLICATIONS OF SEVERE TORNADO OUTBREAKS ON THE LODGING INDUSTRY

Stephanie Hein

ABSTRACT. During the spring and summer of 2011, significant tornado outbreaks occurred throughout the United States. The property damage from these tornadoes was record breaking at over \$28 billion. The financial impact of these tornado events on the lodging industry, however, was not as extreme and in some instance was financially beneficial. This study evaluated the financial implications of severe tornado events on the lodging industry. Using data provided by the National Oceanic and Atmospheric Administration as well as Smith Travel Research, the lodging industries of 4 counties impacted by EF5 tornadoes and 13 counties affected by EF4 tornadoes in 2011 were analyzed. Results indicated that the lodging operations in all 17 counties experienced an occupancy percentage increase during the weeks following the tornado event compared to the same time in 2010. Additionally, 6 of the counties experienced a 25% or higher increase in the occupancy percentage in the weeks after the event over 2010. The increase in occupancy did not necessarily translate into dramatic increases in average daily rate. Generally, minimal increases in the average daily rate were noted. In some instances, the average daily rate actually decreased even though the occupancy percentage dramatically increased. Only three counties experienced average daily rate increases of \$10 or more in the weeks following the tornado event. This suggests that the increase in RevPAR realized by the lodging operations in all 17 counties was influenced more by increased occupancy as opposed to inflating the rates charged for rooms.

DOES PAYING A HIGHER FRANCHISE FEE COMMAND A HIGHER REVPAR? EVIDENCE FROM THE HOTEL INDUSTRY IN THE UNITED STATES

Nan Hua, John O’Neill, and Khaldoon “Khal” Nusair

ABSTRACT. This study is motivated by the value-added hypothesis, under which franchise is employed to add value to a hotel. From a franchisee’s point of view, the benefit of selecting a particular franchise is that the value of the hotel rises compared to other hotels that are independent

or bearing a different brand. As under the value-added hypothesis, the primary cost of franchise is annual franchise fees, also known as royalties, franchise will be sought in cases where the expected benefits exceed the expected costs of franchise, i.e., the expected additional RevPAR brought by each additional dollar of franchise fees paid should be positive, *ceteris paribus*. Results show that the value-added hypothesis is supported within the hotel industry as franchise does add values to franchisees.

DURATION & CONVEXITY: UNCOVERING THE TRUE MATURITY AND PRICE-YIELD RELATIONSHIP FROM AN EMPIRICAL INVESTIGATION OF NON-CALLABLE AND CORPORATE BONDS IN THE HOSPITALITY INDUSTRY

Murat Kizildag and Lynn Huffman

ABSTRACT. According to Chatfield and Chatfield (2003), many firms in the hospitality industry are heavily dependent on debt financing. One of their primary finding demonstrates that a 94.5% probability that bonds issued by hospitality firms pay higher interest on debt than those of other single firms when other factors are constant (*ceteris paribus*). Also, they mentioned bonds issued by hospitality firms are being riskier, thus their debt securities sell for higher or lower yields than those of other firms after controlling for default ratings. Hence, the ultimate objective of this study is to explain the magnitude of change in the market price of a bond as a result of changes in interest rates. Also, this study aims to present how much a bond's yield changes in response to a change in price considering interest rate changes. Specifically, how change in interest rates will affect same type of bonds (same yield, duration, par value, maturity but different convexity) is analyzed.

INTERNATIONALIZATION AND FIRM RISK OF U.S. RESTAURANTS

Melih Madanoglu, Kyuho Lee, and Ersem Karadag

ABSTRACT. The relationship between internationalization and firm performance has been of great interest to scholars in international business. While the benefits derived from internationalization are well documented by many researchers, less is known about whether having a representation in multiple countries helps reduce firm risk. To add to this line of inquiry, we use degree of internationalization (number of countries where a chain has restaurant units) as our primary correlate of firm risk (variance in operating cash flows). In this study, we use multiplicative heteroskedasticity regression model where internationalization has an influence both on the mean and the variance of operating cash flows. We also control for franchising, firm age, firm size, sales growth, capital intensity and liquidity. Findings show that degree of internationalization is negatively related to firm risk. When we use a dummy variable of multi-nationality (domestic vs. international), we show that collectively international restaurant firms have a lower firm risk. This study should help firm executives in their decisions pertaining to international expansion.

FACTORS INFLUENCING INVESTMENTS IN LODGING AND RESTAURANT INDUSTRIES

Joonho Moon and Amit Sharma

ABSTRACT. While investments are important aspects of financial management, it is difficult to find studies focusing on investment in the hospitality literatures. This study investigated the factors that affect investment in both the lodging and restaurant industries. Since franchising is an important aspect in both industries, this study placed particular emphasis on the effect of franchising on investment. The GLS random effect model was used to analyze panel data based on Hausman test. Investment in the lodging industry was found to be negatively influenced by financial leverage and

franchising; however, liquidity ratio had a positive relationship to investments. Particularly in restaurant industry, financial leverage and firm size showed a negative relationship to investment, while profitability and liquidity ratios had significant positive relationship with restaurant investment. In addition to its contribution to literature pertaining to investment in the hospitality industry, this research also can have practical implication to inform managers.