

Marketing Colloquia

Thursday, January 24, 2013

Where: 741 JMHH

When: 3:00 PM to 4:20 PM

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Return on Service Amenities

ABSTRACT: Companies often provide added services (amenities) to enhance their service experience. Hotels, for example, often provide such things as bottled water, swimming pools, concierge service, and other amenities that add value to customers. Our study provides a model as to how a hotel derives return on investment from providing service amenities. Benefit may derive from increasing initial choice of the hotel (due to expected amenity use), and increasing future revenues from increasing the likelihood of visiting or increasing future revenue per visit (due to actual amenity usage). We estimate return on investment (internal rate of return) from service amenities using a Bayesian model, using a large-scale customer database that includes extensive customer amenity usage, revenues and visit information over time involving multiple brands, each with multiple properties, from a large hotel chain. We also investigate the effect of charging for amenities. We find that return varies across amenities, and return on an amenity can vary considerably across different brands in a product category. We also show how our model can compare the short-term revenue benefit from charging for usage against the long-term revenue benefits resulting from not charging for usage.