



De La Salle University – Dasmariñas
GRADUATE PROGRAM

**DEMAND ELASTICITY OF LODGING SECTOR IN NINGBO CITY
1996 - 2002**

A Thesis

Presented to

the Faculty of the Graduate School of Business

DE LA SALLE UNIVERSITY-DASMARIÑAS

In Partial Fulfillment

of the Requirements for the Degree of

Techno - Master of Business Administration

By

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ABSTRACT

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Summary

The study sought to determine the degree of demand elasticity for hotels in Ningbo City, China, and the applicability of the degree of price elasticity to room revenues in the hotel business in the same city. To meet such goal, the researcher employed the concept of elasticity and developed a room demand model for Three-Star, Four-Star and Five-Star hotels in Ningbo City. The conceptual framework is that the changes of room demand of Three-, Four-, and Five-Star hotels in Ningbo City are affected by the changes of its own room rates, the changes of room rates by other classes, and changes in Gross Domestic Product (GDP). The primary analytical technique, regression analysis with Least Squares statistical tools was used to quantify the elasticity of hotel classes' demand to changes in its own and the other classes' room rates, and the GDP.

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Estimation results showed that: a) the absolute values of price elastic demand for Three-Star, Four-Star, and Five-Star are all less than 1. This implied that the room demands of the three hotel classes are inelastic, and a reduction in room rates results in a decline in total room revenues. b) the cross-price elasticity of Three-Star and Four-Star hotels are all less than 1, indicating that Four-Star and Five-Star hotels are weak substitutes to Three-Star hotels. Likewise, Three-Star and Five-Star hotels are weak substitutes to Four-Star hotels. However, Five-Star hotels are independent of Three-Star and Four-Star hotels. c) new room demand models for Three-Star hotels and Five-Star hotels were determined. The room demand for Three-Star hotels is determined by room rates of its own class and the GDP. The room demand for Five-Star hotels is determined by room rates of its own class and room rates of Four-Star hotels. Suggestions for hotels in the three classes are that hotels raise their room rates to increase room revenues and, in the meantime, improve the competitiveness in non-price aspects such as value added service, good facilities, training in English proficiency of employees, and enhancing good relationships with travel agencies, airlines.



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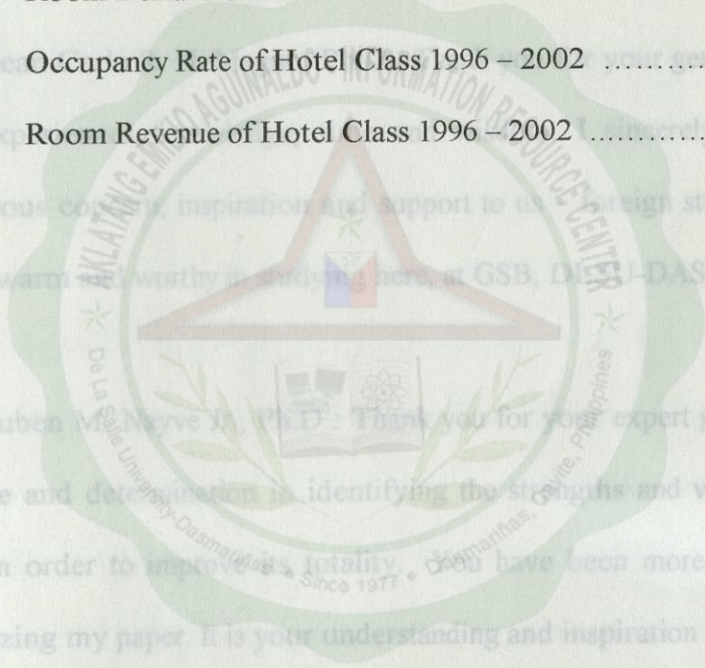
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