

# Effect of Chain Affiliation on Hotel Prices\*

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This short note contains empirical evidence that hotel chains price higher than independent hotels. We do not include it in the paper “Chain Stores, Consumer Mobility, and Market Structure” to save space and because the paper’s focus is mainly theoretical.

We collected data on 99 randomly selected New York hotels. The data was taken from expedia.com and includes: price per person for a standard room, quality level (1 to 5 stars) and area (11 categories). In addition a chain dummy was constructed which indicates whether the hotel is a member of a chain or not. The online search on list prices was conducted on May 5, 2005 for rooms available on Wednesday November 8, 2005. The average price of the 99 hotels in the sample is \$347 (std dev.= \$28.10, median= \$350).

The results in table 1 show that the chain dummy is significantly positive. Depending on the specification chosen, chain affiliated hotels charge 10 to 15 percent higher prices than other hotels.

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TABLE 1: Estimation results.

Variable	(1)		(2)		Descriptive stat.		
	dependent variable is price		dependent variable is price		Mean	Std dev	Median
chain	33.05 (15.50)	**	53.10 (18.64)	***	0.37	0.49	0
linear quality no. of stars	132.55 (11.76)	***			3.15	0.68	3
quality dummies							
low quality (no. stars $\leq 2$ )			-148.93 (29.18)	***	0.12	0.33	0
high quality (no. stars $\geq 4$ )			115.41 (23.88)	***	0.19	0.40	0
area dummies							
area 1 (lwr manhattan)	10.62 (53.18)		3.87 (65.00)		0.05	0.22	0
area 2 (midtown)	-47.78 (42.90)		-35.81 (52.02)		0.77	0.42	1
area 3 (upper E side)	31.85 (51.79)		58.30 (62.57)		0.06	0.24	0
area 4 (upper W side)	-92.03 (49.77)	*	-110.33 (60.39)	*	0.09	0.29	0
constant	-39.86 (57.25)		356.83 (51.88)	***			
R <sup>2</sup>	0.70		0.56				

\*\*\* 1%, \*\* 5%, \* 10%.

Reference area: Central Park, Theater District, Chelsea.