

A STUDY OF THE NATURE OF THE  
OWNERSHIP AND MANAGEMENT OF  
SELECTED MICHIGAN MOTELS

Thesis for the Degree of Ph. D.  
MICHIGAN STATE UNIVERSITY  
Douglas C. Keister  
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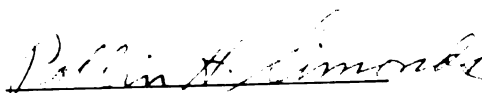
A STUDY OF THE NATURE OF THE  
OWNERSHIP AND MANAGEMENT OF  
SELECTED MICHIGAN MOTELS

presented by

Douglas C. Keister

has been accepted towards fulfillment  
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## ABSTRACT

### A STUDY OF THE NATURE OF THE OWNERSHIP AND MANAGEMENT OF SELECTED MICHIGAN MOTELS

By Douglas C. Keister

#### Purposes of the Study

The main purposes of this study were to find out what activities the owner/managers of the selected motels performed in the areas of management, accounting, finance, and marketing; to learn whether their motels were or were not affiliated and the implications of this; to identify the owners in terms of their previous background; and to find out what the owners or managers considered to be their major problems in motel operation.

#### Procedures -- Methods, Techniques, Data Used

Although it was the intention to study motels twenty units or larger in size, this is actually a study of eighty-eight motels fifteen units and larger. Eighty-two of the eighty-eight are twenty units and larger.

Information was gathered through the use of two separate questionnaires. The first questionnaire was mailed to each of the two hundred eighty-four motels in Michigan officially listed in available motel directories as being twenty units or larger in size. Sixty-eight replied. Six of the sixty-eight, although officially listed as twenty units or larger, were less than twenty



units in size. The replies of all sixty-eight were tabulated and used in the study.

The second questionnaire was employed in personal interviews conducted at thirty Michigan motels twenty units or larger. The information obtained through the thirty interview questionnaires was also tabulated and utilized in this study.

Since ten motels took part in both the mailed and the interview phases, a total of eighty-eight Michigan motels were studied. The smallest motel in the study had fifteen units; the largest had one hundred eighty-eight units; the median motel size was twenty-eight units.

#### The Findings of the Study

The major findings of this study were as follows:

1. The owners of the Michigan motels studied were for the most part men who had had business experience before they entered the motel field. This business experience varied and included, among others, ownership of dry cleaning establishments, grocery stores, construction companies, or hotels. Others had worked for business firms, usually in a sales or managerial capacity. The motel owners who participated in this study made the major decisions concerning their motels.

2. Where hired professional managers were employed, their primary duties were to handle the daily operating problems of the motels and to promote good guest relations.

The manager's role in maintaining good guest relations was very important. Hired managers were not, in general, informed as to accounting and financial matters of the motels which employed them.

3. The owners had invested in Michigan motels because they expected an above-average return on their investment. Only twenty-five out of the total of eighty-eight stated that they had mortgage debt of over sixty per cent of total investment. Of the total investment in the motel, fifty per cent was the median for equity investment.

4. The owner/managers felt that guests were attracted to motels by road signs, by the motel's good reputation which had been confirmed by its own satisfied guests, and by referral through national motel organizations.

"Word-of-mouth" advertising conducted by satisfied clientele was considered by the motel men studied to be the most vital form of advertising possible for their motels.

5. Owners and managers stated that commercial travelers (those who travel for business reasons) were the main and most important clientele for the Michigan motels studied. The success or failure of most of the motels studied depended largely, according to the owner/managers, upon how effectively the motels could attract these commercial travelers. Commercial travelers are, the owner/managers in this study stated, of particular importance to their motels from September to May, when few tourists are traveling.

6. Most owner/managers did not use commercial rates, and some disapproved of them. They felt commercial rates would be unfair to their repeat guests who were not commercial travelers. They preferred to try to give the best service and accommodations possible for the undifferentiated prices paid by all guests.

7. Affiliation appears to be more beneficial for the large motel than the small. According to the owner/managers, affiliate members benefit from a nationally-known and advertised name, and from use of large referral and reservations systems which help achieve occupancy. Large motels can more readily absorb the cost of affiliation than the small motels, which in many cases could not afford it.

8. Problems of motel operation mentioned most often by the owner/managers were: securing and retaining enough competent employees for the wages they felt they were able to pay; safeguarding the reputation of the motel; and physical maintenance and upkeep of the motel property to keep it competitive.

9. The sample size of eighty-eight constituted 30.9 per cent of the total population size of two hundred eighty-four. Possible bias of sample must therefore be considered in this study. The most likely possible bias, in the opinion of the writer, would be that the respondents may tend to be among the better educated and more progressive owner/managers. There appears to be no evidence,

Douglas C. Keister

however, of any important bias. Since the information was supplied by the owner/managers, there is the possibility of inaccuracy in their reports. No evidence of major inaccuracies came to light in the thirty personal interviews, however.

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A THESIS

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"For I, who hold sage Homer's rule the best,  
Welcome the coming, speed the going guest."

Alexander Pope

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Special appreciation is also acknowledged here for the help received from all Michigan motel men who cooperated in the various phases of this study. These men gave generously of their time to make this study possible.

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## CHAPTER I

### PURPOSES

The purposes of this study were to analyze the selected Michigan motels in the following areas.

#### Management

The study analyzes the owner/manager's background, his general education, his previous motel ownership or managerial experience if any, and his general qualifications for entry into motel management. What managerial activities the owner/manager actually performs are analyzed.

#### Accounting and Finance

The reasons why the owner chose motel investment are investigated. Motel investment is expensive. One motel room may cost \$8,000, \$10,000, \$12,000, or more to install. The smaller motels in this study may have cost from \$160,000 to \$200,000 or more to build. The study determines where the motel owner obtained the funds, and why, among other possible investments which must have been available to him, he selected to invest in a motel.

Another purpose was to find out if he is satisfied with his investment.

Also in the areas of accounting and financial management, this study attempts to learn:

1. Who holds the motel's mortgage.
2. What is the rate of occupancy.
3. What are the rates of depreciation.
4. Which methods of depreciation are used.

### Marketing

Methods used to attract guests are studied. Techniques of sales promotion and advertising, and methods by which the owner/managers study and plan for their market, are analyzed.

### Affiliation

The recent growth of motel franchising has been little less than phenomenal. Less than ten years ago, many of the major motel chains of today were non-existent or were just getting started. Today there are affiliation groups (active either as chains, as franchises, or as referral groups) throughout the United States. These chains, franchises and referral groups are present in Michigan.

A purpose was to study the effects of affiliation and franchising on the motel operations studied.

### Major Problems in Ownership and Management of Motels Studied

It was a purpose of the study to find out what problems the owner/managers themselves cite as most troublesome in their operation of their motels. A comparative analysis of the operational phases singled out by them as important areas of difficulty should give added insight into the nature of the ownership and management of the selected Michigan motels.

### A Final Purpose

Broad studies have been made of motels and general motel management on a nationwide scale, but no study has previously been undertaken to investigate the motels of Michigan explicitly.

To date, very few books have been published which deal only with the subject of motels. The books primarily concern two phases of the field: 1) motels in general, and 2) facts which the motel owner/manager should know and consider when building, buying, or operating a motel. These books outline the procedures which should be followed in motel ownership and management and indicate methods which motel owners and/or managers ought to undertake. It is hoped that the present study may be of use because of its specific investigation of the

techniques and ideas actually practiced today by the selected Michigan motel owner/managers.

## CHAPTER II

### HISTORY AND PRESENT STATUS OF THE MOTEL INDUSTRY

#### The First Inns

The beginnings of the story of mankind are lost in the antiquity of the ages. Extremely ancient artifacts of humanity, however, have been found all over the world. Through the study of these, anthropologists inform us that man's early ancestors were travelers. They were nomads who followed the migrations of the game which was their food.

After enormous reaches of time in human history, mankind did change from basically nomadic to basically sedentary habits. Man planted crops, domesticated animals for food sources and to work for him, and built permanently-located societies. The men who settled and worked in one area were not entirely self-sufficient, as they are not today. Some men traveled then, as they do today, from one settled area to another selling the various goods needed by the local inhabitants. These men were a small-scale counterpart of today's traveling

commercial men and salesmen. Along the trade routes of these early salesmen, to accommodate them, were located the first inns.

It is known that the ancient Romans had post houses for couriers and officers traveling from the field to Rome.<sup>1</sup> The inn and its innkeeper played a part in the writings of medieval England. In Chaucer's Canterbury Tales, pilgrims travel the English roads to visit a shrine. Some of the travelers in the story are presented in a festive manner which calls to mind today's tourist on a holiday trip.

Inns have always been located in positions accessible to where the traveling was taking place. They developed near the waterfront for use by the common sailor. Wherever man consistently moved from place to place along the dominant modes of travel of the day, inns were established and run by innkeepers.

The English inn was the example followed in this country when inns were founded here. The English inn provided a few rooms for guests and offered, for a fee, food and lodging for a man and his transportation -- his horse. As roads developed in England, inns were located

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<sup>1</sup>Donald E. Lundberg, Inside Innkeeping (Dubuque: William C. Brown Company, 1956), p. 4.

along the major highways to provide protection for the traveler from the elements and from notorious highway thieves, robbers and brigands. Several centuries ago, one who traveled along the English highways after dark was inviting robbery and death. Unfortunately, the traveler could not always be assured of protection by the inns where he lodged. In those days, an innkeeper himself might conceivably, in some cases, be a thief practically of the order of the highway robber. Even in 1964, unhappily, there are still some travelers who would associate the word "innkeeper" with highway robbery.

With time, new methods of transportation came in to being, gained popularity, and were later discarded for better, faster, or more comfortable means. Each major transportation changeover created a commensurate evolution in the inns which catered to the traveler. Today's expanded travel industry has adapted itself to today's modes of transportation.

When ships were the primary method of travel, major inns were located near the waterfront. As roads developed, in England and then later in America, the pattern held true. It was first the traveler on horseback and later those who journeyed by carriage to whom the inns catered. Later the carriage was modified and mounted on rails. Thus, and especially in this country, the inn -- or, as it

had come to be known, the hotel -- was located near the railroad.

In the United States, the railroad was a primary travel method from the 1870's through the 1920's. For that reason, the major hotels of that day (some of which are still standing) were built in locations convenient to the railroads. Today the railroad has been replaced by the automobile as the major method of traveling across the United States. The automobile is now, to a limited extent, being replaced by the airplane. True to the historical facts of travel -- from as far back as the days of the medieval peddlers, back to the pre-Christian trade routes, and back beyond that to earlier reaches of human history -- the situation remains constant that as a means of travel develops, a means of housing the traveler also develops necessarily and simultaneously.

During the last century, hotels were located near railroads and in or very near to the heart of the business district of a community. Hotels seldom made arrangements for the sheltering of a man's carriage. Man's "carriage" today is his automobile. Today the man who travels in his car wants accommodations for the night where he can find comfortable rest and refreshment, and where his transportation -- his car -- can be located near his door. This need was the reason for the



development of today's modern motel. The motel and its particular characteristics are a relatively new phase in the centuries-old story of innkeeping and lodging.

#### Modern Motels -- Beginnings and Development

The first motel was actually a cottage camp and was built in 1901 at Douglas, Arizona. This first motel was named Askins Cottage Camp. "The cottages were rented on an overnight basis to numerous families who had no other accommodations."<sup>1</sup>

Other "motels" appeared in the United States. The first of these were elemental and uncomplicated, and probably uncomfortable. They were tents mounted on wooden platforms. Since the beginnings of motels originated in areas of comparatively warm climate -- southwest Arizona and California -- tents were probably satisfactory for a good part of the year.

In other parts of the country, public parks or various individual entrepreneurs provided camping grounds where travelers pitched their own tents. These camps were near the main roads. Usually the camp was a small plot of land with a pump in the middle. Outhouses were provided. The traveler often paid as much as \$1.00 per night to have the dubious pleasure of camping out in one

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<sup>1</sup>Ibid., p. 133.

of these earliest "tourist courts." Hotels were found in the business areas of towns and cities. Camp grounds were established between towns -- and on the outskirts of towns -- to accommodate travelers who could not afford hotels or who stopped where no hotels were available. The camping areas were often the only accommodations for those who traveled long distances by road.<sup>1</sup>

The tents on platforms were succeeded by long frame buildings separated into a few plain, unfinished rooms which provided a bare electric light bulb hanging from the ceiling, a lumpy mattress, an orange crate, and a wash basin. These were later replaced by individual buildings. The plumbing was moved indoors and a great innovation was upon the American scene -- "modern cabins." These modern cabins (probably from one to ten of them at a "motel") were located along the highways. Often they were built behind filling stations and frequently in an undesirable environmental setting.

The first motel recognizable as such by today's definition is generally accepted to have been the Milestone Mo-Tel, built at San Luis Obispo, California, in 1926. For years the term of designation was spelled mo-tel, which has given way to the present word motel.<sup>2</sup>

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<sup>1</sup>Ibid., p. 134.

<sup>2</sup>Ibid.

### The Modern Motel

From such inauspicious beginnings, the motel industry has expanded and evolved. Today it is an important economic entity in the American economy. As the motels began to develop, they were usually built, owned and operated by one man and his family. The husband rented the rooms, mowed the grass and did the maintenance work. His wife cleaned the rooms and made the beds. This type of motel operation was nicknamed a "ma and pa" motel. This nickname is widely used by the motel industry today for the same type of operation. These are today still a very prevalent and important part of the total motel industry in the United States. The vast majority of motels today are still less than twenty units in size and are owned and operated by one man and his family.

In the past few years there has been another evolution in the travel industry which caters to the traveling man and to the vacationing, touring family. This evolution has produced the motor hotel. Motels provided minimum services at minimum costs, and without the tipping associated with staying at a major hotel. A traveler might spend up to an extra twenty per cent of his room rent in tips when staying at a hotel. The first motels were very careful to deliberately not provide services for which the guest might be expected to tip. But

gradually a few motel operators decided to add extra services such as restaurants, telephone service, swimming pools, and bellmen. These services involved tips for the personnel who provided these extra services -- mainly the waitresses and the bellmen. These motor hotels, with their added services and added tipping expenses, soon became popular and the first to fill with customers, while the plain, minimum-service type of motel still had its vacancy sign lighted. The addition to the motel of luxury services which had formerly been the exclusive province of the hotel resulted in the birth of today's modern, large luxury motor hotels.

Today, according to at least one source on the subject, a motor hotel is a unit with forty rooms or more.<sup>1</sup> At present, however, the variations in types, sizes and services of motels make conclusive definition of any of the terms -- motel, motor hotel, motor lodge, inns, etc. -- difficult. It would be almost impossible to state definitively what particularly characterizes a motel. There are motels, motor hotels, Holiday Inns, and Charter Houses. There are also Hilton Inns and Howard Johnson Motor Lodges. All of these cater predominantly to the

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<sup>1</sup>Roger Sonnabend, Your Future in Hotel Management (New York: Richards Rosen Press, Inc., 1964), p. 129.

individual traveling by automobile. This variety is further complicated by specialized airport motels, which cater to airline travelers. Today's ultra-swift journeying made possible by the jet aircraft has given rise to further inn specialization in the form of airport motels geared for the accommodating of those who travel at today's jet speeds. As transportation changes, so does the accommodations industry.

It is estimated that there are over sixty thousand motels in the United States today as compared with twenty-nine thousand hotels. It is also estimated that the motels receive approximately forty per cent of the nation's combined hotel-motel room business.<sup>1</sup> Five thousand of these motels, usually fifty rooms or larger in size, are believed to account for over half of the total motel business.<sup>2</sup>

The development of the motel industry occurred predominantly from 1948 to the present time. This development involved two major factors. The first was

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<sup>1</sup>Ralph Dellevie, "Modern Motelkeeping: Part 2; Tips on How to Operate," Tourist Court Journal, (Feb., 1964), p. 65.

<sup>2</sup>Seymour Freedgood, "The Real Estate Markets -- The Hotels: Time to Stop and Rest," The Mortgage Banker, (Dec., 1963), p. 29.

that since 1948 approximately six hundred and six thousand rooms have been added to the motel-hotel industry. Most of these new rooms have been constructed by motels. Comparatively few hotels have been built since World War II. The number of rooms sold each day in 1962 was only seventeen thousand more than the number sold each day in 1948. This means that the motels have, to some extent, grown at the expense of hotels. Motels have derived the vast majority of their occupancy from individuals who formerly stayed at hotels. The flourishing business of the motels caused them to increase in number.

The second condition is that total travel patterns have changed drastically in the United States since 1948. People travel more often by faster means and for shorter stays than ever before.<sup>1</sup> The great and widespread increase in travel has created a need for modern motel accommodations.

There has been much talk of overbuilding in the hotel-motel industry.

"Most of the clamor about overbuilding comes from the owners of older hotels who are the principal victims of the boom and are ill-equipped to cope with it. Last year only two thousand three hundred of the United States' twenty-nine

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<sup>1</sup>"Motel Boom Matures; Rooms, Revenues Gain,"  
Hotel-Motel Management Review, (July, 1963), p. 19.

thousand hotels met the minimum standards of comfort, maintenance, service and decency required by the American Automobile Association."<sup>1</sup>

Despite the uproar about overbuilding, the motel industry continues to expand. The motel business is a large business in the United States and in Michigan. It is estimated that there are over three thousand motels located in the state of Michigan.

The cost of motels in the United States varies. During this study, one Michigan motel operator interviewed noted:

"During the 1930's I built and equipped six modern cabins for a total cost of \$2,5000. That was when I entered what today we would call the 'motel business.' At that time you just said, 'I have cabins to rent.'"

Today's modern motel room can cost from \$5,000 to \$15,000. A typical breakdown would be as follows:

Cost for a Single Motel Room

Land.....	\$ 754
Building.....	8,083
Swimming pool.....	145
Furniture and fixtures....	2,184
Total.....	\$11,166 <sup>2</sup>

The preceding illustrates the potential cost involved in today's modern motel. The motel has enjoyed

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<sup>1</sup>Seymour Freedgood, loc. cit., p. 31.

<sup>2</sup>George O. Podd and John D. Lesure, Planning and Operating Motels and Motor Hotels (New York: Ahrens Book Company, Inc., 1964), p. 16.

tremendous growth throughout the United States during past years because of its original low cost, the comparative ease of entry into the motel business, and the demand for accommodations and services. To some extent, the "ma and pa" motels of the 1940's and early 1950's are being replaced by modern motels and motor hotels -- particularly near major cities.

For years the hotels feuded with the motels. Hotels looked down on motels as their "poor relations" and many hotelmen either joked about motels or ignored them. During the 1950's, however, the hotels awakened to the fact that guests were staying in motels. If they wanted to stay in the nation's rooming business, the hotels realized, they had better get into the motel business. As a result we now find old-time hotel chains such as Albert Pick, Hilton Hotels, the Sheraton Corporation, and the Hotel Corporation of America in the motel business. There are also the newly formed motel chains, such as Holiday Inns and Ramada Inns.

The modern motels being built today often have one hundred rooms or more. Some call them horizontal hotels. They provide complete services for their guests and may include restaurant, bar, swimming pool, golf putting greens, continental breakfasts and/or other manifestations of luxurious surroundings and ornate hospitality.



There has also been a change in the location of motels. Originally the place to locate the motel was along the highway where it could cater to tourists. During the past decade this situation has evolved to some extent. Many motels are today located in downtown areas and at exits of interstate highway systems. Now, more than ever before, the environmental surroundings are very important to the motel. In the past, motels were often constructed in undesirable surroundings, and they sometimes catered to individuals "undesirable" by today's standards. Today's investment requires that the motel be located in carefully selected surroundings which will be conducive to the motel's success and to its establishment of a respectable reputation.

The modern motel is also often an affiliated motel. This is especially true of large motels fifty rooms or more in size. Some owners have found that it is best for their motels to unite in specific, controlled ways for the mutual benefit of all within the association. Today there are motel chains (those which are centrally owned), such as the gigantic Holiday Inns chain. There are franchise motels (those licensed for a fee), such as Howard Johnson Motor Lodges. There are affiliation groups, such as Best Western, Superior Motels, and Master Hosts, which unite for advertising, referral, and

operational standards. There are also extensive and inclusive travel guide books published by travel recommending groups such as the American Automobile Association (AAA) and Mobilgas. Their listings advise the traveler of motels where they recommend that he take lodgings. Their recommendation is based on compliance by motels with their standards.

The chain, the franchise and the affiliation all set standards which must be met by their member motels. Each affiliation, chain, or franchise (excluding the Mobilgas and the AAA, which are recommending agencies) is an organization which has united for mutual advertising. They all have referral systems which make it possible for the guest to make advance reservations for his subsequent stop at another motel. The referral policy has played an important part in the growth of the motel industry during the past ten years. The growth of large motels using a referral system has often been at the expense of the hotels or of the smaller "ma and pa" motels. In the beginning of motels, the owner-manager was one man and he was there at his motel providing hospitality for his guests. Today he is being replaced to some extent by big business methods and by the hired, professional manager.

It is estimated that there are now over three thousand motels in Michigan. Motels are a part of the accommodations services offered to tourists and to people who are in the state on business. Tourism is the second largest business in the state of Michigan, and it consists of the multitude of facilities which cater to the traveling public. A major factor, of course, in the travel service industry, or tourism, is providing sleeping accommodations for the traveler. Thus motels play an important role in the tourism economy of Michigan.

Motels also provide a place of employment for individuals in communities where jobs are scarce. They provide areas of investment and monetary returns for individuals. In addition, it is estimated that \$.90 out of every \$1.00 received by a motel or hotel stays within the community where the motel or hotel is located. For every dollar a guest spends in a motel or hotel, he usually spends two to three additional dollars in the community.

The above demonstrates the importance of the motel in the overall economy of the United States and of Michigan.

## CHAPTER III

### PROCEDURES

For this study, eighty-eight motels from fifteen to one hundred eighty-eight rooms in size were selected and analyzed by the following methods.

#### Size of Motels Studied

Twenty units was selected as the desired minimum size. Six motels less than twenty units were, however, included. Despite the original intention to include motels twenty units and larger, this study actually does concern motels fifteen units and larger. Eighty-two of the eighty-eight are twenty units or larger in size.

#### Selecting the Motels

Every available directory of Michigan motels was checked to obtain names and addresses of each motel in Michigan officially listed as twenty units or larger in size. A total of two hundred eighty-four motels resulted. The directories included:

1. Michigan Accommodations Guide, published by the Michigan Tourist Council.
2. West Michigan Tourist Guide.

3. East Michigan Tourist Guide.
4. Howard Johnson motels listed in Michigan.
5. Imperial 400 motels listed in Michigan.
6. Quality Courts listed in Michigan.
7. Holiday Inns listed in Michigan.
8. Great Lakes American Automobile Association Recommended Guide List.
9. Mobil Oil Company Guide Book.
10. The Michigan Motel Association listing of Michigan motels. (Lists 2,400 motels.)
11. Duncan Hines Recommended Motels.

#### The Mailed Questionnaire

Questionnaires were mailed twice to each of the two hundred eighty-four. A total of sixty-eight usable questionnaires were returned and the information they yielded was used. A letter was attached to each questionnaire explaining the study and guaranteeing complete anonymity to the motel men who responded. A copy of this letter and of the mailed questionnaire appear in the Appendix of this study.

#### The Interview Questionnaire

Seventy-five requests for interviews were mailed to motels selected from the two hundred eighty-four. These seventy-five were chosen by use of the

"Random Table of Normal Numbers" from Introduction to Statistical Analysis.<sup>1</sup> Only motels located in the lower half of the Lower Peninsula of Michigan were retained. Thirty affirmative responses were received and thirty interviews were completed. The information was used in the study.

For compiling the interview information a questionnaire was used as a guideline for asking questions of either the owner or the manager of each motel in the sample. A copy of the interview questionnaire and the letter requesting the interview appear in the Appendix of this study.

#### Limitations of the Study

The eighty-eight motels studied constitute approximately three per cent of the approximate total of three thousand motels in Michigan and thirty-one per cent of the two hundred eighty-four motels contacted. In terms of research validity, these are comparatively small percentages. Potential bias of findings must therefore be considered.

Bias must also be considered in the possibility that the motel men who did agree to participate in this

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<sup>1</sup>Wilfrid J. Dixon and Frank J. Massey, Jr., Introduction to Statistical Analysis (2d ed.; New York: McGraw-Hill Book Company, Inc., 1957), p. 460.

study may have been above average in several ways -- including their training and interest in motel work.

Bias or misinterpretation of answers by the writer must also be kept in mind as a possibility, as well as possible incorrect answers by the motel men.

#### Duplication

Ten of the eighty-eight motels took part in both the mailed and the interview phases of this study. This increases the possibility of bias in the study despite the fact that greater depth of answer was possible during interviews, and questions asked during interviews were in many instances different from questions asked in the mailed questionnaire.

#### Presentation

For some questions (identical in mailed and interview questionnaires) in Chapter IV, responses are presented in terms of the total eighty-eight motels. In the rest of the study, answers to the mailed questionnaire are presented in terms of sixty-eight motels and answers to the interview questionnaire in terms of thirty.

The presentation method (which will be used as consistently as the nature of the variation and type of information permits) in the following study consists of:

1. A statement of mailed questionnaire question and tabulated responses.
2. A statement of the corresponding interview questionnaire question and tabulated responses (if the question were asked on both questionnaires).
3. A presentation of the owner/managers' comments and ideas (not identified for purposes of assuring the privacy and protection of the individual motel operators involved).
4. Comments by the writer for purposes of explanation, analysis and comparative conclusions.

If the third and fourth categories listed above are at times presented in a combined fashion, comments from the men interviewed will be denoted as anonymous quotations from owner/managers.

In instances where only the mailed questionnaire responses or only the interview responses are explicated, duplication of the question involved did not occur.

For some questions, responses will total more than eighty-eight because more than one answer was indicated by the respondent. Where the respondent declined to answer or indicated that he did not know the answer to a question, replies have been respectively tabulated as "blank" or "not sure." "Both owner/manager" indicates that the reply was given by an individual who is both owner and manager, or that the problem involved is solved jointly by the owner and his manager.



# CHAPTER IV BACKGROUND INFORMATION ABOUT THE MICHIGAN MOTELS STUDIED

The following basic information concerning all eighty-eight motels studied was obtained through the mailed and interview questionnaires. These fundamental facts will serve as a foundation upon which the study will be presented.

Question 3. Mailed responses. (68)<sup>1</sup>  
Total number of rooms.

Low..... 15  
High.....179  
Median..... 23

<u>Number of Motels</u>	<u>Number of Rooms</u>
41.....	20-49
21.....	50 and more
6.....	15-19

Question 1. Interview responses. (30)<sup>2</sup>  
Total number of rooms.

Low..... 20  
High.....188  
Median..... 55

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<sup>1</sup>Refers to question number three on the mailed questionnaire. Sixty-eight respondents.

<sup>2</sup>Refers to question number one on the interview questionnaire. Thirty respondents.

<u>Number of Motels</u>	<u>Number of Rooms</u>
16.....	50 and more
14.....	20-49

Total motels studied. (88)<sup>1</sup>  
Total number of rooms.

Low.....	15
High.....	188
Median.....	28

<u>Number of Motels</u>	<u>Number of Rooms</u>
51.....	20-49
31.....	50 and more
6.....	15-19

Question 6. Mailed responses. (68)  
Services offered.

Swimming pool.....	25
Restaurant.....	22
Other.....	14
Bar.....	8

(Other: tennis courts, putting greens, free coffee,  
boat dockage, continental breakfast, picnic  
grounds, conference room, private beach.)

Question 3. Interview responses. (30)  
Services offered.

Swimming pool.....	19
Restaurant.....	17
Other.....	16
Bar.....	7
Tap room.....	1

---

<sup>1</sup>Ten duplications omitted.

(Restaurant: 9 owned, 3 leased, 5 next door.)  
 (Other: 4 conference room, 4 coffee in room, 3 kennels,  
 3 direct dial telephones, 1 putting greens,  
 1 free car wash.)

Total motels studied. (88)  
 Services offered.

Swimming pool.....	36
Restaurant.....	32
Other.....	26
Bar.....	15
Tap room.....	1

(Other: tennis courts, putting greens, free coffee,  
 boat dockage, continental breakfast, picnic  
 grounds, conference rooms, private beach,  
 kennels, babysitting, free car wash, direct  
 dial telephone.)

Motels at their inception provided rooms and  
 little more. It is evident from the above that since  
 then the array of services offered has changed and ex-  
 panded considerably.

The owners and managers were not very explicit  
 about the services offered, beyond those major services  
 such as restaurant, bar and swimming pool. It is inter-  
 esting to note the number of swimming pools (thirty-six  
 out of eighty-eight), particularly in view of Michigan's  
 northern climate and considering the high cost of the  
 average motel swimming pool. One of the motels inter-  
 viewed had an indoor pool. Two had two swimming pools --  
 children's pool and adult's pool.

## Question 15. Mailed responses. (68)

The motel person filling in the questionnaire is the:

Both owner/manager.....	33
Owner.....	29
Manager.....	6

## Unnumbered question. Interview responses. (30)

Position of person interviewed.

Manager.....	14
Both owner/manager.....	12
Owner.....	3
Executive assistant manager....	1

## Total motels studied. (88)

Position of person interviewed or replying by mailed questionnaire:

Both owner/manager.....	43
Owner.....	36
Manager.....	8
Executive assistant manager....	1

## Question 7. Mailed responses. (68)

Geographical location in Michigan.

Lower Peninsula.....	58
Detroit area.....	19
Southern.....	15
Eastern.....	11
Western.....	11
Northern.....	7
Upper Peninsula.....	10

The mailed questionnaire went to motels in various cities throughout the entire state of Michigan. Thirty interviews were conducted in seventeen cities in Michigan. A tabulation is not presented for the geographical locations of the interviewed motels due to the possibility that the owner/managers might be identifiable if such information were included.

Question 8. Mailed responses. (68)  
Location.

Suburbs.....	42
Downtown.....	19
Country.....	7

Question 5. Interview responses. (30)  
Location.

Suburbs-country.....	25
Downtown.....	5

The interviewer found it difficult to determine with any degree of exactness whether the interviewed motels should be classified as located in the "suburbs" or in the "country." Some were located at the extreme outskirts of cities or at the fringes of the ever-changing and hard-to-define "suburbs" of large or small communities. The interviewed motels were classified as five which were unquestionably located downtown. The twenty-five which were not located downtown were classified as located in the country and suburbs combined under one category.

Many of the motels classified as located in the suburbs were small, metropolitan-type motels catering to manufacturing and business districts.

Question 9. Mailed responses. (68)  
Year motel was built.

Earliest year.....	1940
Most recent year.....	1963
Median year.....	1956

<u>Number of Motels Built</u>	<u>Year Motels Built</u>
9.....	1959
8.....	1957
7.....	1956
6.....	1960
6.....	1954
5.....	blank
3.....	1963
3.....	1962
3.....	1952
2.....	1961
2.....	1958
2.....	1955
2.....	1953
2.....	1950
1.....	1951
1.....	1949
1.....	1948
1.....	1947
1.....	1946
1.....	1945
1.....	1942
1.....	1940

Question 6. Interview responses. (30)  
Year motel was built.

Earliest year..... 1948  
Most recent year..... 1964  
Median year..... 1959-1960

<u>Number of Motels Built</u>	<u>Year Motels Built</u>
8.....	1962
4.....	1959
3.....	1961
3.....	1958
2.....	1960
2.....	1956
2.....	1955
2.....	1948
1.....	1964
1.....	1963
1.....	1953
1.....	1949

Total motels studied. (88)  
 Year motel was built.

Earliest year.....1940  
 Most recent year.....1964  
 Median year.....1957

<u>Number of Motels Built</u>	<u>Year Motels Built</u>
12.....	1959
9.....	1962
8.....	1960
8.....	1957
7.....	1956
6.....	1954
5.....	blank
4.....	1963
4.....	1958
3.....	1961
3.....	1955
3.....	1953
3.....	1952
2.....	1950
2.....	1949
2.....	1948
1.....	1964
1.....	1947
1.....	1946
1.....	1945
1.....	1942
1.....	1940
1.....	1951

Question 7. Interview responses. (30)  
 If additions were made to the motel, they were added:

No additions.....21  
 Once..... 5  
 Building other motels..... 3  
 Twice..... 2  
 Adding restaurant..... 2  
 Three times..... 1  
 Four times..... 1  
 Plan to add..... 1  
 Adding gas station..... 1

The interviews disclosed which motels had made additions and which had started small and grown larger. Of the nine who plan to make additions, several plan to add meeting rooms, and a few were in the process of remodeling and upgrading their present facilities.

Question 32. Mailed responses. (68)  
Business is a:

Proprietorship.....	30
Partnership.....	23
Corporation.....	15

Question 9. Interview responses. (30)  
Business is a:

Corporation.....	16
Partnership.....	9
Proprietorship.....	5

Total motels studied. (88)  
Business is a:

Proprietorship.....	33
Partnership.....	29
Corporation.....	26

Seven of the thirty motels interviewed could conceivably be classified as "ma and pa" types of motel operations, although their size and their management practices indicate otherwise. Two of these were corporations, two were partnerships, and three were proprietorships. The classification "ma and pa" indicates that both a man and his wife owned and/or were active in the management and operation of the motel.



Question 2. Mailed responses. (68)  
Your motel is:

Independent.....	54
Franchise.....	8
Affiliated.....	3
Chain.....	2
Blank.....	1

Question 2. Interview responses. (30)  
Your motel is:

Independent.....	15
Franchise.....	10
Affiliated.....	6
Chain.....	4
Co-owner.....	1

(Affiliated: all 6 are affiliated with AAA; 5 of these are independent; 1 is a franchise.)

Total motels studied. (88)<sup>1</sup>  
Your motel is:

Independent.....	65
Franchise.....	12
Chain.....	6
Affiliated.....	3
Co-owner.....	1
Blank.....	1

Question 75. Mailed responses. (68)  
Affiliation:

AAA.....	9
Plan to affiliate in the near future.....	7
Never really thought about affiliation.....	5
Imperial 400.....	3
Inn America.....	3
Holiday Inns.....	2
Quality Courts.....	2
Best Western.....	1
Howard Johnson.....	1
Master Hosts.....	1
Superior Motels.....	1

---

<sup>1</sup>Includes 6 AAA from interviews.

Question 10. Interview responses. (30)  
Affiliation:

Franchise - 10

Holiday Inns.....	5
Howard Johnson.....	2
Inn America.....	2
Imperial 400.....	1

Affiliated - 6

AAA.....	6
----------	---

Chains - 4

Holiday Inns.....	1
Albert Pick.....	1
Stouffers.....	1
Independent.....	1

Total motels studied. (88)  
Affiliation:

AAA.....	14
Plan to affiliate in the near future.....	7
Holiday Inns.....	6
Never really thought about affiliation.....	5
Imperial 400.....	3
Inn America.....	3
Quality Courts.....	2
Howard Johnson.....	2
Best Western.....	1
Master Hosts.....	1
Superior Motels.....	1
Albert Pick.....	1
Stouffers.....	1
Independent chain.....	1

Definitions of Classifications of the Motels Studied

Franchise:

"A franchise is generally defined as the right  
granted to a retailer by a supplier to handle the supplier's

product under certain conditions and stipulations. The right is frequently exclusive, at least in a well-defined area...The advantages to be gained by the franchisee are summarized as follows:

1. A lack of training and special skills can be overcome by the teaching program of the franchisor.
2. The capital required is lower than setting one's own business independently.
3. The franchisor usually provides one or more of the following: help in the site selection; basic plans for construction; help in financing construction; assistance in training staff; systematic and well-organized business procedure manuals.
4. The product is generally advertised on a national scale and product recognition has been established.
5. The parent company frequently provides central commissary or purchasing organizations that enable the franchisee to save expense...

A few disadvantages are:

1. The franchise agreement is generally restrictive as to style of operation and products sold. It leaves no room for imagination or for changes in style because of changes in customer demands.
2. There is normally an initial fee plus a royalty of some sort. The royalty may be a minimum plus a percentage of sales and become a burden during slow periods.

3. There are usually restrictions pertaining to entering the field competitively after a franchise agreement is terminated."<sup>1</sup>

#### Chain:

A chain is a group of motels owned by a parent organization. Three of the motels interviewed belonged to national chain organizations. One chain motel belonged to a small group of closely-held stock not operating under a common name.

#### Independent:

The independent motels in this study were those which did not belong to a franchise, chain, or affiliation group, nor to a national referral group with the single exception of the American Automobile Association (AAA), which is a recommending group.

#### Affiliation:

Affiliation pertains to those motels which have joined together under a given trade name (for example, Best Western or Superior Motels) for the purpose of advertising, referral and reservations, and for the setting of standards and procedures. Also included in this breakdown were members of AAA.

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<sup>1</sup>John D. Lesure, "Franchising in the '60's," Institutions, (Dec., 1963), p. 69.

**Co-Owner:**

The owner/manager of one co-owner motel was interviewed. This was a TraveLodge Motel. Co-ownership in this case means that fifty per cent of the motel's stock is held by the parent company (TraveLodge) and fifty per cent of the motel's stock is held by local investors.

The above definitions describe the various classifications of the motels in this study.

## CHAPTER V

### MANAGEMENT

#### The Owners

Question 14. Interview responses. (30)  
What was the owner's previous business experience.

Hotel-motel experience.....	9
Contractor or construction business.....	7
Other various businesses.....	7
Real estate.....	3
Restaurant.....	2
Bowling alleys.....	2

When the owners were not themselves available for interview, their backgrounds were described to the interviewer by the motels' hired managers. The interviews pertained to the major owners of the motels.

Excluding the five chain ownerships, the twenty-five remaining owners studied had had previous business experience. This experience was in varying kinds of businesses and was of different types and extents, but the vast majority of the twenty-five had owned a business or several businesses (hotels, motels, restaurants, grocery stores, dry cleaning establishments, bowling alleys, construction companies, etc.). Some started working in (and gradually investing in) businesses and proceeded to expand

into ownership of one or several businesses. Many of these men still do own these other businesses in addition to the motels. They entered the motel business with funds which were profit from other businesses, or some sold their other businesses and used the funds to invest in a motel. A few had previously been employed by firms which they did not own, generally in a managerial or sales capacity. These men saved their money and invested in the motels with which they are now associated.

Two of the twenty-five owners used inherited funds to enter motel ownership. These two had had business experience before their inheritances. One had worked as a salesman and the other had worked as a hotel manager. The twenty-three who had not inherited their motel investment funds had earned (through business ownership or salaries) their funds for entering into the motel business themselves.

There was a relatively high level of education in the group of motel owner/managers interviewed (see interview question 24, page 41). It was learned during interviews that many of them had worked their own way through college and had continued to work their own way up into the business they entered after their formal education ended.

Question 18. Mailed responses. (68)  
Are the owners active in management.

Very.....	53
Moderately.....	7
Seldom.....	5
Not at all.....	3

Question 20. Interview responses. (30)  
Are the owners active in management.

Very.....	17
Seldom.....	7
Moderately.....	4
Not at all.....	2

Only three of the owners who were "very" active in management had hired managers according to the mailed questionnaire.

#### The Owner/Managers

Question 15. Interview responses. (30)  
Had the owner/manager (person actually in charge) had previous motel experience.

Yes.....	18
No.....	12

Eighteen persons in charge had had previous motel experience. Usually they had worked as manager in another motel prior to their present position. Three of the nineteen hired managers (see interview question 21, page 46) had not had previous experience as a motel manager. Two of these three had, however, worked as assistant motel managers. The third had been engaged in industrial relations not in the motel field. It was in most cases the owner who was also his own manager who had not had previous motel experience.



During the interviews, all of the owner/managers were asked why they worked in the motel business. The following varied replies were among those received:

"I was raised around the business."

"Besides owning this motel, I also own another motel."

"It was a dream to own a motel all my life."

"I owned seven cabins and a restaurant. I sold them to build this place."

"I've had various hotel and motel jobs."

"I was raised in the motel business."

"I remember when motels had two-holers and a boy who carried buckets of water. I was the boy."

All of the owner/managers who had had no previous motel experience had had varied business experience. Some had owned and/or managed restaurants, for example. One had worked in public relations, and one had been a traveling salesman.

Question 24. Interview responses. (30)  
What is the owner/manager's educational background.

Bachelor's degree.....	14
High school graduate.....	9
Two years of college.....	4
One year of college.....	4
Less than high school.....	4
Wife (active in management) is	
college graduate.....	2
Master's degree.....	1

The Bachelor's degrees were in the following areas:

Hotel management.....	4
Engineering.....	3
Business.....	2
Education.....	1
Music.....	1
Forestry.....	1
Speech.....	1
Mathematics.....	1

The above totals more than the thirty interviewed because in several instances more than one person was directly associated with the supervision of the motel and had an educational background which was available and pressed into service by the motel. For example, in some motels a man and his wife -- or an owner and a manager -- were both very active in the management of the operation.

In some cases the above tabulations pertain to the ownership and in other cases to the management. In some they are composed of both combined. No attempt has been made here to identify which was owner and which was manager because in all cases the education and training of the persons included were available to the motel.

Question 23. Interview responses. (30)  
Who relieves owner/manager for his time off.

I haven't had any vacation.....	7
Assistant manager.....	6
Owner.....	4
Department heads take over.....	3
Partner.....	2
Relief Clerk.....	2
Line employees.....	2
Cleaning girl.....	2
Father.....	2

Daughter.....	2
Desk person.....	1
Day clerk.....	1
Catering manager.....	1
Auditor.....	1
Secretary.....	1
Mother.....	1
Sister-in-law.....	1
Father-in-law.....	1
Food manager.....	1
Accounting firm.....	1
Owner's business manager.....	1
I'm not satisfied if I leave....	1

The above totals more than the thirty operations interviewed because several establishments had more than one person who could relieve the owner/manager either for time off of a few hours or days, or for a more lengthy vacation. A cleaning girl might, for example, take over for a few brief hours, but was not trained or qualified to do so for a longer period of time.

Seven said, "no vacation." Several said they did not feel they could take vacations until the operation was "on its way." Three of the hired managers stated that they had not had a vacation in almost two years and hoped they would get one soon.

The above tabulated figures do not clearly portray the problem that exists. Typical ownership/management interview comments in answer to the above question were as follows:

"My dad, my daughter, my father-in-law -- we keep it in the family."

"No one relieves me. The organization runs itself. I might put an extra person on the front desk. My secretary is very competent and takes over any problems when I'm out of town. Besides, I'm in touch by phone every day."

"We have a relief clerk who works a minimum of forty hours a week. The wife of the relief clerk can also help. They move into our apartment if we're gone for several days. The relief clerk's wife was a switchboard operator, so she can help."

"We like to leave but we can't very often. In a small motel you can't always live the way you like. Our daughter does occasionally take over. There's really no one around who can do it."

The above comments, and especially the last one, indicate the plight of some owner/managers. This problem of achieving time off is especially acute for the small operator.

In the larger operations, department heads or assistant managers can relieve the manager for time off. The manager is able to delegate to other personnel. In the small motels, however, the owner/manager must do almost all of the jobs himself.

There are several reasons why the owner of the small motel does not have consistent relief. One reason is the economics of the small motel. The business does not in some cases generate sufficient income to pay all the bills, pay the owner an adequate salary, and also provide sufficient funds to pay for competent relief. A second problem is to find capable individuals who are

willing and able to work on a part-time basis for the wages the owner can or will pay. If they are capable they probably cannot come in for an extended period of time to relieve the owner for a vacation for they are usually employed elsewhere, although it is possible at times for the owner to hire capable employees to take over for an evening or for a few hours. This might be indicative of poor management on the owners' part, or it might again be the economics of the business in that the owner needs (for his financial obligations) the money he would pay his relief person. In addition, it should be remembered that the work around a motel twenty-four hours a day is not always of a physically tiring nature, but someone in charge must be on the premises at all times.

The owners do have employees -- of all the eighty-eight motels studied, only one motel had neither full-time nor part-time employees (see tables on pages 49, 50, and 51). This motel had only seventeen rooms and was located in Michigan's Upper Peninsula. The owners do not, however, spend time and money to train these employees and work them into assistant managerial relief positions at their motels. The motels concerned are for the most part twenty to thirty rooms in size and in overwhelming numbers their major or only employees are maids. When

the owner is present on the premises he can handle all of the work involved and does not need an assistant manager. He needs a capable assistant to take over only when he is absent, and he feels that his staff, which consists almost entirely in most cases of maids, is not capable of being trained to take over as competent, more highly-paid relief managerial personnel.

### The Managers

Question 19. Mailed responses. (68)  
Is there a hired manager.

No.....	39
Yes.....	29

Question 21. Interview responses. (30)  
Is there a hired manager.

Yes.....	19
No.....	11

It is interesting to compare the answers to question nineteen mailed (above) with the answers to question eighteen mailed (page 40) -- are owners active in management. To question eighteen mailed, fifty-three of sixty-eight respondents said owners are "very" active in management and seven said "moderately." Thus of sixty-eight owners, sixty are active in the business of their motel.

This would tend to indicate that the role of the twenty-nine hired managers (question nineteen mailed) may be somewhat limited. Some managers indicated verbally

that they were given absolute control in the managing of the establishment and were managers in the fullest sense. In some operations, the manager attended mainly to daily operational details and guest relations.

Question 29. Mailed responses. (68)

How many years has the present manager been on the job.

Low.....less than 1 year  
High.....21 years  
Median..... 4 years

<u>Number of Motels</u>	<u>Years on the Job</u>
20.....	more than 5
14.....	3-5
12.....	1
11.....	2
11.....	blank

Question 34. Interview responses. (30)

How many years has present manager been on the job.

Low.....less than 1 year  
High.....16 years  
Median..... 2-3 years

<u>Number of Motels</u>	<u>Years on the Job</u>
8.....	less than 1 year
7.....	2-3
6.....	1-2
2.....	3-4
2.....	4-5
1.....	7
1.....	8
1.....	9
1.....	15
1.....	16

Of those interviewed, sixteen of the thirty have been there since the motel opened.

Question 30. Mailed responses. (68)  
How many managers has the operation had.

Low.....1  
High.....8  
Median.....1

<u>Number of Motels</u>	<u>Number of Managers</u>
27.....	1
19.....	blank
12.....	3-5
8.....	2
2.....	more than 5

Question 35. Interview responses. (30)  
How many managers has operation had.

Low.....1  
High.....8  
Median.....1

<u>Number of Motels</u>	<u>Number of Managers</u>
16.....	1
5.....	3
3.....	2
3.....	not sure
2.....	4
1.....	8

In discussing the number of managers, it was learned during the interviews that a few of the older establishments had had several managers simply because the motel was sold and new management took over. As one owner sold and left, he was replaced as active manager by the next owner. Those motels interviewed which had had more than one hired manager -- especially



those which had had several -- usually employed and dismissed several managers during a short period of time until they found a manager who was satisfactory.

In the motel business there is a tendency for mobility of personnel. Chain motel operations frequently shift managers from one operation to another. One of the better managers is often sent to an operation in difficulty, or in some cases an outstandingly good manager is promoted into a regional or home office.

#### The Employees

Questions 4, 5, and 5a mailed and questions 16, 17, and 17a interview will be grouped uninterruptedly in the following for purposes of clarity.

Question 4. Mailed responses. (68)  
Total number of full-time employees.

Low.....	0
High.....	175
Median.....	3

<u>Number of Motels</u>	<u>Number of Full- Time Employees</u>
13.....	6-10
13.....	2
11.....	0
7.....	3
7.....	1
4.....	4
3.....	31 or more
3.....	21-30
3.....	11-20
3.....	blank
1.....	5

Question 5. Mailed responses. (68)  
Total number of part-time employees.

Low..... 0  
High.....50  
Median..... 2

<u>Number of Motels</u>	<u>Number of Part- Time Employees</u>
15.....	2
12.....	0
11.....	1
8.....	6-10
7.....	5
5.....	4
4.....	3
3.....	blank
2.....	11-20
1.....	31 or more

Question 5a. Mailed responses. (68)  
Total number of employees.

Low..... 0  
High.....175  
Median..... 4

<u>Number of Motels</u>	<u>Total Number of Employees</u>
16.....	6-10
10.....	4
10.....	3
8.....	11-20
8.....	2
4.....	31 or more
3.....	21-30
3.....	1
3.....	blank
2.....	5
1.....	0

Question 16. Interview responses. (30)  
Total number of full-time employees.

Low..... 0  
High.....65  
Median.....12

<u>Number of Motels</u>	<u>Number of Full- Time Employees</u>
6.....	31 or more
6.....	6-10
5.....	2
4.....	21-30
3.....	11-20
2.....	3
1.....	5
1.....	4
1.....	1
1.....	0

Question 17. Interview responses. (30)  
Total number of part-time employees.

Low..... 0  
High.....20  
Median..... 2

<u>Number of Motels</u>	<u>Number of Part- Time Employees</u>
9.....	0
5.....	2
4.....	6-10
3.....	4
3.....	3
3.....	1
2.....	11-20
1.....	5

Question 17a. Interview responses. (30)  
Total number of employees.

Low..... 2  
High.....85  
Median.....12

<u>Number of Motels</u>	<u>Total Number of Employees</u>
7.....	31 or more
7.....	11-20
4.....	21-30
4.....	3

3.....	2
2.....	6-10
2.....	5
1.....	4

It should be noted in the above that some establishments did not have any full-time employees. They relied on part-time employees. In other motels, there were no part-time employees. These relied instead on full-time employees.

The median total number of employees for motels studied by the mailed questionnaire was four. The median total number of employees for motels studied by interview was twelve. The median number of employees for interviewed motels might have been larger than the twelve presented in the above tabulation due to the fact that in some establishments the restaurant employees were not included.

The restaurant was excluded for this question by some owner/managers because in some establishments the restaurant was leased. The question asked only for the number of employees directly associated with the motel. The interview high of eighty-five does include a restaurant. The high for motel employees only (excluding restaurant) was sixty-four.

Here again the pattern holds true that the interviews were conducted in larger establishments where there

were more employees. The more employees a motel had, the more apt that motel was to encounter management problems (in areas such as work schedules, delegating, supervising, recruiting, selecting and retaining employees, and checking and inspecting their performance).

A major employee problem which many of the managers faced was turnover. The managers had difficulty in keeping a sufficient number of good employees on the job.

The above illustrates the fact that the number of employees in Michigan motels is limited. The major employees, the maids, will be discussed later in this study. From a management standpoint, some of the accepted personnel procedures and practices are not employed because the business is small and has very few employees. A moderate size motel is usually run on a highly personal basis. Many of the maids in the smaller establishments are treated more like family than like employees.

### Supervision

Question 16. Mailed responses. (68)  
Number of supervisory personnel.

Low.....	1
High.....	6
Median.....	2

Number of  
Motels

Number of Super-  
visory Personnel

31.....	1
27.....	2

7.....3  
 3.....4 and more

Question 18. Interview responses. (30)  
 Number of supervisory personnel.

Low..... 1  
 High.....11  
 Median..... 2

<u>Number of Motels</u>	<u>Number of Super- visory Personnel</u>
12.....	2
8.....	3
6.....	4 and more
4.....	1

During the interviews it was determined that in motels which had only one supervisor, one had an owner who supervised and three had managers who supervised. Of the motels listing two or more supervisors, nine establishments might be classified limitedly as "ma and pa" types in that a man and his wife (either in ownership or management) were active in the operation of the motel. Twelve motels had housekeepers, and nine had assistant managers. Often the assistant manager was a restaurant manager.

In the nine motels which were limitedly "ma and pa" types, there were no hired housekeepers. The housekeeping duties were handled by the owner's wife or the manager's wife. Aside from the manager, the housekeeper was the other major supervisor since the other employees in other areas would be few in number and would report to the manager (for example, desk personnel, maintenance

men, yard men, etc.). In larger establishments, an auditor, a restaurant manager, and perhaps a head bartender would act in supervisory capacities.

Question 17. Mailed responses. (68)  
Do you have an organization chart on paper.

No.....58  
Yes.....10

Question 19. Interview responses. (30)  
Do you have an organization chart on paper.

No.....27  
Yes..... 3

The median size of fifty-five rooms for the interviewed motels indicates a generally larger size for the interviewed operations than was the case in the mailed questionnaire study, where the median number of rooms was twenty-three. Two very large establishments used a written organization chart as did one medium-size operation.

The managers of most of the motels knew all of their employees in their organization and they knew the duties of each employee. Most managers when asked during the interviews if they had an organization chart on paper replied, "No, I don't need one."

Typical organization for one of the larger motels was as follows:

1. Manager
2. Desk personnel (including night auditor)

3. Restaurant manager
4. Housekeeper
5. Maintenance man

Under this type of organization, any food and beverage employee would report to the restaurant manager, and maids and housemen would report to the housekeeper.

The above organizational type is typical, and each employee knew his own duties and knew who was his immediate superior. He knew what was expected of him by the person who supervised him. As a result, most managers decided it was not necessary to prepare an organizational chart or written job descriptions.

### The Maids

#### A. Sources

Question 25. Interview responses. (30)  
What is your source for maids.

Other maids recommend.....	21
Michigan Employment Service....	14
Put ad in newspaper.....	11
Drop in looking for work.....	5
Department of Welfare.....	1
Call other motels.....	1

The above numbers total over thirty replies since many managers mentioned using more than one source. The following varied comments were made by the owner/managers concerning sources for hiring maids.



"I like it when the maids recommend someone.  
My girls are very careful who they recommend."

"The (value of a) recommendation depends on who  
is doing the recommending."

"I can do a better job of interviewing if I get  
them from the Michigan Employment Service. A  
friend always gives a good recommendation."

"Maids' recommendation is not always satisfactory.  
I can check out more thoroughly if I place an ad."

"I use the newspapers. I prefer my maids not to  
know each other too well."

"I don't like newspaper ads. Those I get from ads  
never seem to stay."

"We use Michigan Employment Service exclusively.  
They do a very good job. They screen very  
thoroughly. They might talk to ten applicants  
and send us five and we'll hire two maids. I've  
never had any better screening from a paid agency."

The overall general impression received in talking  
with the owner/managers during interviews was that gen-  
erally they were pleased to have their maids recommend  
another maid, although three mentioned that they did not  
like to have their maids know each other too well. They  
rated Michigan Employment Service from excellent to fair,  
depending upon the community. The overall rating for  
Michigan Employment Service was quite good. Several com-  
mented that they thought it much above average for a  
state agency. When newspaper advertising was used, these  
ads were predominantly placed in suburban local papers --  
often in a weekly paper. It should be noted that some of  
these motels employed only two or three maids.

## B. Hiring Practices

Question 26. Interview responses. (30)  
Who hires the maids.

Housekeeper.....	11
Manager.....	6
Owner's wife.....	6
Owner.....	4
Manager's wife.....	1
Assistant manager.....	1
"The family".....	1

Although the housekeeper hired maids in many situations, this was usually with the approval of the manager or owner. In some motels, the housekeeper made the recommendation to the manager that a specific interviewed woman be hired as a maid, and the owner/manager almost invariably complied, relying on the housekeeper's judgment.

In conjunction with the above question, a similar question was asked to determine uniformity of answers. The following was asked on both the mailed and the interview questionnaires.

Question 72. Mailed responses. (68)  
If the housekeeping department needs another maid, who decides if she will be hired.

Owner.....	44
Manager.....	12
Executive housekeeper.....	8
Blank.....	4
Assistant manager.....	0
Other.....	0

## Question 38. Interview responses. (30)

If the housekeeping department needs another maid, who decides if she will be hired.

Manager.....	10
Executive housekeeper.....	9
Owner.....	8
Other.....	3

In comparing question twenty-six interview with question thirty-eight interview it can be noted in question thirty-eight that the owners and managers take the credit when their wives do the hiring. On question twenty-six, the categories of owner, owner's wife, and manager total sixteen. In question thirty-eight, the categories of owner and manager total eighteen. This was an increase of two for the owner/managers, while the housekeeper category decreased two.

In discussions with those interviewed, it was learned that the housekeeper recommended, but the manager usually hired. It is felt, however, that the answers here were in general consistent.

## C. Compensation.

## Question 28b. Interview responses. (30)

What is the hourly rate of pay for maids.

<u>Number of Motels</u>	<u>Minimum Pay Rate</u>
12.....	\$1.00
6.....	blank
2.....	\$1.10
2.....	1.05
2.....	other

1.....	\$1.25
1.....	1.21
1.....	1.16 $\frac{1}{2}$
1.....	.95
1.....	.85
1.....	.80

<u>Number of Motels</u>	<u>Maximum Pay Rate</u>
9.....	\$1.25
5.....	blank
4.....	\$1.00
3.....	1.50
2.....	other
2.....	\$1.15
1.....	1.35
1.....	1.20
1.....	1.16 $\frac{1}{2}$
1.....	1.10
1.....	.80

The "blank" responses included in the above tabulations indicate that the question was not asked during the first few interviews.

One operation had a unique pay scale which could not be included in the above tabulation and was classified as "other." The manager of that operation had four full-time maids for a forty-seven room motel. Each maid was paid a guaranteed, year-around weekly wage of \$55.00. This amount was paid regardless of the occupancy or the hours worked. A schedule had been worked out through which each maid had one day off a week. Another maid performed her work that day. Each maid was responsible for certain specified rooms in the motel. If there were any faults to be found in the cleaning maintenance of

a room, the maid assigned to it was held responsible. Maids were expected to do a job of the highest standards regardless of the hours it took them to complete the rooms.

During the busy season, these maids might work nine to ten hours per day, while during the slower season they might work five, six, or seven. They were in all cases, however, always assured of the same \$55.00 a week rate of pay. This was a policy instituted by the manager -- a woman who was formerly the motel's desk clerk and who took over as manager approximately nine months ago. The maids and the woman manager were all very pleased with the maids' pay system. The motel has not had to replace maids since the manager instituted this policy.

Another operator classified in the "other" category did not pay on an hourly basis. Instead he paid his maids \$.50 for cleaning a single room, \$.75 for a double room, and \$1.00 for a twin room. If maids occasionally did extra cleaning beyond the normal work of readying the room for occupancy, he paid them \$1.00 an hour extra. By assigning cleaning on a "piecework" basis, he was able to gear his expenses directly to his occupancy. The manager and the maids found this method very satisfactory. This particular motel was small. It was located in a smaller community and had quite widely fluctuating occupancy.

Question 27. Mailed responses. (68)  
Who decides if a maid should receive a raise.

Owner.....	52
Manager.....	10
Both owner/manager.....	5
Union contract.....	1
Department heads.....	0

The above question was not asked during interviews. It is typical of motels, however, that any raises given are normally given by the person in charge, either the owner or the manager. A few establishments had a policy whereby maids received automatic raises of \$.05 an hour after they had worked at the motel for three months. This type of policy usually started the maids at \$1.00 an hour and gave them a \$.05 an hour raise every three months until they reached a maximum wage of \$1.25 an hour. A typical comment received during an interview was:

"We give merit increases to the girls after they have been here a while and learned their job."

In general, the smaller operations tended to pay higher wage rates than did the larger operations. They had fewer maids, however.

#### D. Training Practices and Procedures

Question 28. Interview responses. (30)  
Who trains the maids.

Housekeeper.....	12
One of the maids.....	6
Head maid.....	5

Wife of owner.....4  
 Wife of manager.....2  
 Assistant manager.....1

The above listing shows the major responsibility for the training of the maids. The "one of the maids" category indicates that the motel had several maids, one -- or occasionally a team of two or three -- of whom showed the new maid how to perform the acceptable cleaning routines.

Question 27. Interview responses. (30)  
 How are maids trained.

Very few operations had rigidly standard procedures for the training of maids. Two mentioned that their maids were shown a training film.

Generally the methods for training maids were developed by the motels into one, or a combination, of the basic patterns for training described in the following.

The housekeeper, another supervisor, or the head maid would take the new maid to a room and show her how to clean it. After half a day of demonstration, and after they had cleaned a few rooms together, the supervisor would leave and the new maid was left to work at her new job alone. The supervisor checked back frequently to see how she was doing.

Another training method was the team approach. A maid or the head maid, and the housekeeper or someone in

an equivalent position, would work with a new maid, demonstrating the cleaning methods and working together for up to a week's time. The maid would be shown and taught all cleaning techniques and standards she would need to know in working for the motel. At the end of the week, she was on her own, though her rooms were generally checked by a supervisor.

A training process used widely was of an "on-the-job training" nature. Cleaning skills and methods with which the new maid was already familiar, through previous jobs or through cleaning her own home, were utilized. The maid was taught and encouraged to organize her own motel cleaning jobs in a manner most effective and efficient for herself and simultaneously in compliance with the motel's standards.

Invariably this method consisted of "show, tell, and do." This is the method recommended by Alta M. LaBelle and Jane Barton.<sup>1</sup>

One manager said:

"The head maid takes a new maid to one of the rooms, shows her how to clean, and lets her go at it. Sometimes a new maid will work with one of the older maids."

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<sup>1</sup>Alta M. LaBelle and Jane Barton, Administrative Housekeeping (New York: G. P. Putnam's Sons, 1951), p. 111.



Basically it is a case of having an older employee train a newer one. Twelve owner/managers stated that their housekeepers were in charge of training new maids. At other motels, other members of the organization performed the task.

Certain aspects of cleaning guest rooms were almost universally stressed. These included emphasis on proper, tidy bedmaking; thorough dusting and detailed cleaning of the room; and particularly careful attention to sanitizing and cleansing the bathroom facilities.

#### E. Inspection and Standards

Question 32. Interview responses. (30)  
Who inspects the rooms.

Manager.....	11
Housekeeper.....	11
Owner.....	8
Manager's wife.....	5
Head maid.....	3
Owner's wife.....	3
Assistant manager.....	2
Assistant housekeeper.....	2
Room inspector.....	2

In the smaller motel operations, the manager and his wife or the owner and his wife generally live on the premises and do the job of checking on the maids themselves. The larger operations usually have a housekeeper, assistant housekeeper, or head maid whose primary responsibility is to check on room cleaning and see that the motel's standards are maintained. In all the operations

questioned, the manager did occasionally check the rooms himself. Question thirty-two interview relates, however, to the motel person who carries the main part of the responsibility for inspecting rooms.

Question 33. Interview responses. (30)  
How often are rooms inspected.

Varies.....	11
A few rooms of each	
maid each day.....	10
Daily.....	9

(Varies: these answers varied from "we try to inspect after every checkout" to "all rooms once per week." )

Most owners and managers (or the housekeeper, if the motel were large enough to employ one) knew their maids, and they knew their maids' capabilities and laxities. The inspection to uphold room cleaning standards depended very much upon which maid's work was being examined. The person inspecting was quite apt to be influenced by the past, established degree of reliability of each maid.

Some of the larger motels had set policies which designated that all vacated rooms must be inspected when they had been cleaned after each checkout. In the smaller motels the owner/managers knew each maid, they knew which rooms she cleaned, and they knew whether or not her past work had been performed conscientiously. This insight guided their inspection policies.

Question 28a. Interview responses. (30)  
Number of rooms cleaned per maid.

<u>Number of Motels</u>	<u>Rooms Cleaned Per Maid</u>
14.....	12
7.....	10
3.....	14
3.....	other
2.....	13
1.....	11

(Other: 2 said depends on occupancy; 1 said they're allowed up to 20 minutes per room for a team of 2.)

While the median number was twelve rooms per maid -- and the vast majority stated twelve rooms per maid -- the impression received from the owner/managers during interviews was that very few establishments strictly enforced a standard for the number of rooms each maid must clean. One owner said:

"My standard is twelve, but whether the girl has seven rooms that day because of low occupancy or twelve rooms, it still takes her the same amount of time to clean all her rooms."

The number of rooms to be cleaned per maid in the smaller motels varied according to the number of rooms being occupied. Some maids who worked only part-time were allowed approximately forty-five minutes per room to clean the rooms occupied. In the larger motels, there was a variation in the numbers of rooms assigned to the maid. A maid responsible for many rooms usually cleaned

single occupancy rooms. Another maid might clean fewer rooms, but the rooms were for double occupancy and required more time for cleaning.

Question 30. Interview responses. (30)  
When is a room deemed clean.

A wide variety of replies and statements were received regarding this question. Some of the most frequently mentioned criteria are recorded below:

Bathroom clean.....	19
Room dusted.....	14
Clean under bed.....	6
Mirrors clean.....	6
Room looks tidy and neat.....	6
Neat bed.....	5
Corners clean.....	4

Varied comments were received. Some typical comments were as follows:

"You look for the obvious. Check for dust. Be sure the toilet is clean."

"Look at the floor to see that it's clean. Mirrors must be polished daily. Windows can be a little easier. Sheets are changed daily. Nothing left in the room. Nothing from the previous occupant, not even a stray hair. The room should look like it's never been slept in, and the room should smell clean."

"When I can lay a sandwich down and not get it dusty, or when I can go through the corridors and rooms in a pair of white socks. The maids hate my white socks."

"I check the venetian blinds with a kleenex to see if there's any dust."

"None of the rooms are probably as clean as they could be. We try to give the traveler a good first impression. If the occupant gets a good first impression, okay. But if not, there are problems"

"A person can look at a room and all may be in order, but still the room may not be clean. It's necessary to inspect the corners and under the bed. If you look close it may not be neat. It's necessary to check under the faucet in the bathroom, showerheads, on top of the tiles, and so forth. I'm a bug on showerheads."

"When it looks clean. When you walk in you see the face of the room. If the room is dusty, you see a dirty face."

The above are typical replies to the question. Generally, the owner/managers emphasized their high standards of cleanliness and relished relating compliments they had received from guests for their motels' clean rooms.

Question 31. Interview responses. (30)  
Is there a written standard for room cleaning.

Yes.....19  
No.....11

The following are some of the comments with which the owner/managers amplified their "yes" or "no" replies:

"No, I don't have one. I tried to type one out once but never have done it."

"The housekeeper has a checklist. I typed all the main points that I wanted done daily, weekly or monthly. Each girl is given responsibility for the general cleaning of certain rooms. Another girl may make up that room on the assigned girl's day off, but the deep cleaning is the responsibility of that assigned girl. Each maid checks a room list in a special way so I know exactly who made up each room."

"We use the Howard Johnson's Manual."

"We have one somewhere but I haven't looked at it for a long time."

"We follow the Holiday Inns procedure."

"We try to do it on a personal basis. A checklist doesn't mean a thing. We used one once but found the maids filled it out before they went in to clean a room!"

It is indicative of good management practice that of the thirty owner/managers interviewed, nineteen had a written standard or procedure. Other owner/managers relied on an inspection procedure instead of writing out a cleaning procedure manual or preparing a written checklist.

#### F. Problems With Maids

Question 29. Interview responses. (30)  
What is the major problem with the maids.

The answers varied, but the following tabulation is indicative.

Inattention to detail.....	15
Don't have any problems.....	9
We have very nice maids.....	8
Turnover.....	3
Young maids not very good .....	2

Most of the motel owner/managers interviewed were very satisfied with their maids. Those who answered, "I don't have any problems" were in most cases not the same ones who said, "We have very nice girls." Only two out of the total of seventeen who replied "no problems" or "our maids are very nice" were duplications.

Most of the maids working in the motels interviewed were older women, and this was by preference of the owner/managers, who found that the more mature maids are not so often absent to care for a sick child at home, and in general they work better and more reliably.

All the maids in some motels were white women, all in others were Negro. Many managers employed both white and Negro women. The only criteria was the quality of their work. Only two managers stated a definite preference in the matter. Both said they preferred the Negro maids. One said:

"There are more Negro women looking for work, and I find they do a better job for me."

Some average comments received during interviews on the matter of problems with the maids were as follows:

"I don't have any problems. My girls know their work, and they go and do it."

"No major problems. Once in a while a maid will skip over a room."

"Little trivial things. Many are afraid their friend, another maid, might do less work."

"Sometimes the maids are too noisy in the morning when reporting for work."

"The fact they are women. Get a group of women together and you get a bunch of petty squabbles. We do have a pretty nice group of maids, though."

"I found the way to end problems with my maids. We have a regular girl who is the housekeeper. Occasionally I will give another girl a chance to work as housekeeper. It is a break in the

routine for the housekeeper. I hold whoever is the acting housekeeper responsible for all rooms. It's a lot better for the housekeeper to tell the girls something is wrong than the manager. The housekeeper draws constant regular pay. When the maid is acting housekeeper, she gets extra pay. We also vary the rooms to clean. It puts the shoe on the other foot. For example, a girl may be assigned so many single rooms to clean and is assigned a grouping with fewer single rooms and more double rooms. It's a break in her regular pattern, but she's soon glad to go back to what she's used to."

The only chronic problem which was consistently mentioned by the owner/managers was that occasionally the maids would miss some cleaning job in a room. They soon learned, however, through their inspection procedures, which maids needed to be checked and supervised more than others. Every owner/manager periodically checked rooms himself to see how the maids were doing and to study the condition of the rooms. The manager's inspections, in addition to constituting a routine procedure, were also performed in order to determine which rooms needed extra cleaning, such as carpet washing, for example, which is not part of the maids' standard room cleaning work.

### Unions

Question 29a. Interview responses. (30)  
Do you have a union.

No.....	20
Yes.....	5
Almost.....	3
Blank.....	2



Most motels included in the mailed study were too small to have a union. Only the very large interviewed motels were unionized. The smallest of these had eighty-one rooms. The unionized employees were usually the maids and porters. During an interview, one owner commented:

"We have been union since we opened."

Those who answered "almost" to the question stated that attempts had been made to organize the maids. One owner said:

"When I opened here, I had an antagonistic housekeeper. The first thing I knew, I had a union business agent here with a contract wanting to organize the establishment. From time to time I have had pickets out front, but I have never signed. One of the ringleaders, a maid, was fired for fooling around with a guest. I was very lucky. The next day the business agent and the maid were ready to picket and close the place. All of the other maids, however, reported to work as regularly scheduled. The other maids felt the maid deserved to be fired for fooling with a guest. Had I fired her for practically any other reason, chances are the other maids would not have reported to work. I pay union scale or above, and they eat on company time. They start at eight o'clock and quit at four and are paid for eight hours."

Three of the five operations which are unionized are chain operations and the other two are franchise operations. When the manager of one unionized chain motel was asked if he had any problems with the union, he replied:

"No, we get along fine. We're glad to be unionized. After all, this is a union town. Many of our guests are associated with unions."

Two of the unionized motels have had employees out on strike. The other three establishments mentioned no major problems in regard to union relations.

### Policies and Decisions

Question 20. Mailed responses. (68)  
Who sets the operating policy.

Owner.....	48
Manager.....	8
Both owner/manager.....	7
Other.....	5

(Other: restaurant manager, management company, partners.)

Of the sixty-eight motels, the owner set operating policy in forty-eight instances, and the manager did so in eight. In seven cases they set operating policy jointly. Five replied that "others" set operating policy. These were either a partner (another owner), or a management company, or the restaurant manager, whose policy-setting was related to the restaurant department only. These facts, combined with the fact that the median size motel in the mailed questionnaire was only twenty-three units, points to a somewhat limited scope of responsibility in management activities by the hired managers.

Question 22. Interview responses. (30)  
Who sets the operating policy.

Manager.....	18
Owner.....	12

A meaningful comparison cannot really be made between question twenty mailed and question twenty-two interview. The motels which were interviewed were larger establishments. A few of the smaller interviewed operations did have hired managers, and in two instances management of the operation really was left up to them. In these two particular cases, each motel employed two maids and a part-time maintenance man.

Question 73. Mailed responses. (68)  
Approximately how much time per day does the manager spend on day-to-day operating problems.

1 to 2 hours.....	20
More than 3 hours.....	16
2 to 3 hours.....	13
Blank.....	10
Less than 1 hour.....	9

A comment received on several replies:

"I seem to spend ten to twelve hours a day on operating problems. That's all I seem to do."

Question 28. Mailed responses. (68)  
The overall day-to-day decisions at your motel are made by:

Owner.....	36
Manager.....	22
Both owner/manager.....	5
Senior partner.....	5

The manager does have authority to make day-to-day decisions in twenty-seven motels. There were twenty-nine managers in the sixty-eight motels.

Question 21. Mailed responses. (68)  
Criteria for distinguishing between major and minor decisions.

Type of problem involved.....	37
Amount of money involved.....	24
Number of personnel involved...	5
Individuals involved.....	1
Who cares! .....	1

Question 22. Mailed responses. (68)  
Who makes major decisions.

Owner.....	57
Manager.....	6
Both owner/manager.....	5

A comparison of the two above questions (twenty-one mailed and twenty-two mailed) shows that the owner participates in the making of major decisions at sixty-two motels out of the sixty-eight which replied. On question twenty-one mailed, the respondents stated the two replies "type of problem involved" and "amount of money involved" a combined total of sixty-two times. A problem which the owner decides is a major type of problem, and problems which involved the motel's finances were, as it would be expected, handled by the owner. The hired managers, however, often recommended courses of action which the owners consider when they make major decisions.

Question 23. Mailed responses. (68)  
Who makes the minor decisions.

Owner.....	37
Manager.....	21
Both owner/manager.....	5
Department heads.....	5

The respondents are again consistent. Twenty-six of twenty-nine managers make minor decisions. Five department heads also can make minor decisions, usually with the manager's or owner's knowledge and approval.

Question 31. Mailed responses. (68)  
Which of the following individuals have the power to hire and fire.

Owner.....	54
Manager.....	25
Department heads.....	4
Assistant manager.....	3

The manager, the assistant manager, and the department head are again classified as making decisions or as allowed to make decisions. This number is only one answer different from the thirty-one corresponding replies on minor decision making given to question twenty-three mailed for the managers, both owner/managers, and department heads.

Question 36. Interview responses. (30)  
Which of the following individuals have the authority to hire and fire.

Manager.....	19
Owner.....	15
Department heads.....	10
Other.....	6

Again the respondents to the interview questionnaire were very consistent. Nineteen managers out of nineteen managers were given the authority to hire and fire. In ten cases, department heads were given authority to hire

and fire. The tabulation of question thirty-eight interview discussed earlier in this study demonstrated that in nine motels the executive housekeeper may hire.

During interviews, some of the owner/managers' comments were as follows:

"The housekeeper can hire if it's absolutely necessary. However, she usually checks with me first."

"The housekeeper is given the responsibility to keep the rooms clean and a standard number of rooms for each maid. It's up to her to keep a crew."

Several of the owners or managers stated that they would allow the department heads to hire --- usually with their approval --- but that they did all of the discharging of personnel themselves.

One manager reversed the situation, however. He permitted his housekeeper to fire employees, but he did all of the hiring. He said:

"I realize this is a rather unorthodox procedure. She's a very good housekeeper, but she's had very little experience in hiring. She would hire almost anyone who applied for the job. She's just not skilled in interviewing. I guess maybe it's just because she's a little too easygoing."

Question 59. Mailed responses. (68)  
If the motel were to expand, who would make this decision.

Owner.....67  
Blank..... 1

This again is consistent with the replies to question twenty-two mailed concerning who makes the major decisions.

It is the logical response because the owner would be very deeply involved financially in any decision for motel expansion.

During the interviews, three managers stated that they had made recommendations to the owners to expand and to add more rooms. They had worked up financial presentations of estimated costs and returns. One of these said that the owner of the motel he managed was in the process of adding the new rooms based upon the manager's recommendations. The suggestions made by the other two managers had not been rejected but were still under consideration by the owners.

Question 74. Mailed responses. (68)  
Approximately how much average time per day does the manager spend in planning for future business and operational improvement.

Less than 1 hour.....	11
1 to 2 hours.....	10
Blank.....	12
2 to 3 hours.....	6
More than 3 hours.....	2

These replies were consistent with their answers to mailed question seventy-three -- how much time does the manager spend on day-to-day operating problems. Their responses to question seventy-three indicated that they were spending a great deal of time on day-to-day problems. Consequently this would limit their time spent in planning for future business and operational improvement.

The above question was not asked directly during the interviews, but it was apparent that a large part of the interviewed manager's day is spent with his ordinary daily operating problems -- checking to make sure that all is ready for the guests and maintaining the motel's desired standards. A factor that will be discussed in Chapter VII of this study is the fact that most managers and owners included in this study are satisfied with the volume of business they are currently receiving. Many stated:

"If we had more guests during the week, we couldn't take care of them."

Consequently most of the owner/managers' working day is spent in dealing with the day-to-day, current types of problems, and in attempting to take care of the guests who are there.

One manager noted:

"We try to keep our motel in top condition. We found that it pays if we take care of things immediately, the minute they go out of working order. We don't want to let this property get run down. By keeping it up we can keep the guests we now have and occasionally add a few new ones."

Attempting to maintain the motel in top condition as they go permits the motels to avoid future major expense and tremendous capital outlay all at once for improvements needed to keep customers or regain those they might have lost through lack of proper daily maintenance and daily upkeep.



The above was a fairly common type of ownership/management philosophy. They try to take care of the problems on a day-to-day basis to avoid permitting the accumulation of expensive, major problems which could cause them great difficulty at a future point.

## CHAPTER VI

### ACCOUNTING AND FINANCE

#### Cost Per Unit

Question 46. Mailed responses. (68)  
What was original cost per room with furnishings.

Low.....	\$ 2,500
High.....	12,000
Median.....	6,300

<u>Number of Motels</u>	<u>Cost</u>
20.....	\$ 6,000 to \$ 7,999
17.....	less than \$6,000
17.....	blank
9.....	\$ 8,000 to \$ 9,999
5.....	12,000 and over

Question 47. Mailed responses. (68)  
What was original cost per room without furnishings.

Low.....	\$ 2,000
High.....	11,000
Median.....	5,700

<u>Number of Motels</u>	<u>Cost</u>
26.....	blank
20.....	\$ 4,000 to \$ 5,999
12.....	6,000 to 7,999
5.....	8,000 to 9,999
3.....	less than \$4,000
2.....	\$10,000 to \$11,999

The above indicates a high total motel cost. The median size motel in the mailed study was twenty-three units.

The median size motel computed at the median cost requires a total investment of \$144,900. This would be the total cost of the establishment, including furniture and fixtures.

The cost of furniture and fixtures was computed by subtracting the original cost per room without furnishings (question 47 mailed) from the original cost per room with furnishings (question 46 mailed). The resulting figures below indicate the cost of furniture and fixtures.

Low.....	\$ 400
High.....	13,000
Median.....	1,000

The total cost per room is determined by taking the total cost of the motel (including land cost, building cost, and any improvements such as driveway, parking space, swimming pool, etc.) and dividing the total figure thus derived by the number of motel rooms. Thus the cost of land, swimming pool, lobby, stairs, passageways, etc., everything involved -- are all incorporated into the per room cost.

The motels which were built most recently and those with a larger number of units were found to be in the high cost category and above the median cost.

"Today the average motel can represent an investment of as much as \$10,000 per unit. So you can see that a twenty-five unit operation might call for an investment of a quarter of a million dollars."<sup>1</sup>

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<sup>1</sup>Doug Cochran, "Future of the Motel Industry," Tourist Court Journal, (May, 1964), p. 14

The cost per room is a very important yardstick in the analysis of motels. There is a general rule-of-thumb widely known and accepted in the motel-hotel industry which is as follows: one dollar should be charged in room rate for every thousand dollars per room cost. This would indicate that a motel room which costs \$2,000 to construct and furnish should rent for \$2.00 per night. Prices are, however, proscribed by the motel's particular location, which has a bearing on the applicability of the above rule. It becomes a question of whether the "local traffic will bear" and this should also influence the type and cost of the motel constructed.

None of the respondents had a total per room cost of more than \$12,000, but four motels did have a \$12,000 per room cost.

A question concerning room cost was not put to the owner/managers interviewed. It was felt that some would be hesitant to give this information on a direct personal basis, although many owner/managers did volunteer the information indirectly or directly during interviews. The question was asked and usually answered in the impersonal mailed questionnaire phase of this study.

One motel interviewed quite probably did cost more than the \$12,000 per unit. It was lavishly and expensively designed. Many of the furnishings and fixtures in its rooms

were specially-built on the premises, which raised the cost of the rooms' appointments far above the cost which would have been involved had they been purchased from a concern utilizing mass production methods. This operation was experiencing financial difficulty. It appeared that basic costs were too high for this motel's area and the motel was not achieving adequate occupancy. It is not explicitly provable which factors -- the high cost or the low occupancy or both -- caused this motel's present financial difficulties. It can, however, be assumed that the excessive cost per room is assuredly a contributing factor. One owner stated:

"If I had too lavish a structure, people would take one look at it and say, 'That's too expensive. Let's drive on to a place where the rates probably won't be so high.'"

This owner's comment could be pertinent to precisely the unfortunate situation in which the motel described above is now enmeshed.

Other main points which the accounting and financial aspects of this study sought to examine were what were the sources of funds for investing in the motels, and what portion of these funds was supplied by long-term indebtedness.

In motel financing, the funds for the financing of the motel are supplied in part by the owner who puts in

funds in the form of equity capital. Funds are supplied by long-term debt whereby assets (usually the building) are pledged in the form of a mortgage on specific property. Working capital is usually supplied partially by equity capital and partially by the extension of credit by the various firms selling to the motels. The following analysis concerns itself primarily with that portion of long-term debt that is supplied by a mortgage on the physical property of the motel. There may be additional forms of long-term debt. Usually, however, long-term debt takes the form of specific assets being pledged for the funds obtained. This is usually in the form of a first mortgage on the motel property.

#### Sources of Funds

Question 34. Mailed responses. (68)  
Most of the funds for purchasing the motel came from:<sup>1</sup>

Mortgage firm.....	32
Proprietorship.....	12
Owner 50% - mortgage	
firm 50%.....	10
Partnership.....	6
Blank.....	5
Stockholders.....	3

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<sup>1</sup>The word "money" was used in the mailed and interview questionnaires to make sure the questions were absolutely clear to those who participated. Questions have been restated in financial terms. Financial Management (2d ed., Boston, Allyn and Bacon, Inc., 1963) by Robert Johnson was used as the reference for financial terms in this study.

Question 44. Interview responses. (30)

Most of the funds for purchasing the motel came from:

Mortgage firm.....	16
Owner 50% - mortgage	
firm 50%.....	6
Not sure.....	5
Stockholders.....	2
Proprietorship.....	1

When this question was asked during one interview, the manager replied, "There was no mortgage debt. The owner paid cash for this motel." The interviewer, by personal observation, estimated the cost of this motel to be over \$500,000. The owner put in eighty per cent of the funds himself, it was learned, and obtained the remaining twenty per cent from friends.

Several of the managers interviewed were not sure of the amount of the mortgage debt or where it was obtained. This will hold true in many of the answers to the following questions. In many cases, hired managers were not informed about the motel's financial matters. In some cases they did not receive financial statements or any accounting information, which did not permit them to use accounting knowledge in the analysis of their motel for control of operating expenses. This appeared to be the case more often in the larger establishments which were more apt to have hired managers. An owner was more likely to manage his smaller size motel himself. The

owner was more knowledgeable in matters of accounting and finance and contributed more financial and accounting information to this study.

Question 35. Mailed responses. (68)

Approximately what percentage of purchase price was equity capital and what percentage was mortgage debt.

Equity capital	100%	Mortgage debt	0%
Equity capital	20%	Mortgage debt	80%

Median: Equity capital 40% Mortgage debt 60%

Question 47. Interview responses. (30)

Approximately what percentage of purchase price was equity capital and what percentage was mortgage debt.

Equity capital	100%	Mortgage debt	0%
Equity capital	10%	Mortgage debt	90%

Median: Equity capital 50% Mortgage debt 50%

The tabulation of the answers to question forty-seven asked on the interview questionnaire is as follows:

<u>Number of</u> <u>Motels</u>	<u>Per Cent of</u> <u>Mortgage Debt</u>
7.....	not sure
6.....	.50%
4.....	.40%
3.....	.75%
3.....	.70%
2.....	.80%
2.....	0%
1.....	.90%
1.....	.25%
1.....	.20%

The following comments are quoted from a series of printed lectures delivered by Mr. Fred W. Eckert at Michigan State University in 1963.



"The chain companies have used their corporate guarantee of individual property mortgage loans by becoming the direct obligator on the mortgage loan notes, or guaranteeing the notes of subsidiaries who are the direct borrowers, to obtain the higher loan amounts and the more advantageous terms. Borrowing ratios of mortgage loans have thus increased to initial ratios of sixty-five or even seventy per cent of cost or fair market value. However, the overall ratio relationship of mortgage debt to property value is expected to be held to fifty per cent in order to insure a margin of safety in the overall corporate position."<sup>1</sup>

According to Mr. Eckert, mortgage debt should be held to fifty per cent of the fair value of the property to insure a margin of safety. The median of motels interviewed did conform to this safety pattern. Some were probably held to this fifty per cent long-term indebtedness by their bankers. Others were able to obtain a greater percentage of mortgage funds and did so.

It was calculated that the median motel of the mailed study could conceivably cost a total of \$144,900. If the owner is to supply fifty per cent of this amount, he must invest \$72,450. The next step in the study was to find out where men who invested in the motel business obtained the funds for their equity.

Question 46. Interview responses. (30)  
What was the source of funds for the down payment by owner.

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<sup>1</sup>Fred W. Eckert, "Financial Management for the Service Industries: Lecture 6; Capital Markets for the Service Industries," 1963.

Savings or other businesses....	23
Chain.....	5
Inheritance.....	2

Only two owners inherited the funds they used for entering the motel business, and these two owners had previous business experience. One of these two had managed a large hotel. The other had been engaged in sales work for a large firm (not hotel or motel). Twenty-three answered "savings" which were usually accumulated through their activities in other businesses or fields. Only three of these twenty-three said they had worked on a salaried basis for a business organization prior to their entry into the motel business. Five of the thirty interviewed motels were owned by chain concerns. (A more complete analysis of the business experience of the motel owners appears in Chapter V of this study). All of the owners (excluding chain motels) had been associated with previous business operations

In the majority of small and large operations the motel investment funds had come either as profits from another business or from sale of a previous business or businesses.

Question 36. Mailed responses. (68)  
Who holds the mortgage.

Bank.....	29
Private individual.....	14
No mortgage.....	10

Insurance company.....	9
Savings and loan.....	4
S.B.A. ....	1
Blank.....	1

Question 48. Interview responses. (30)  
Who holds or held the mortgage.

Bank.....	9
Insurance company.....	7
Mortgage company.....	5
No mortgage.....	3
Land contract.....	2
Not sure.....	2
S.B.A. ....	1
Pension fund.....	1

Interviews disclosed the relatively lesser extent of importance of the bank as the motel's mortgage holder. This situation is not illogical in view of the fact that the interviewed motels were predominantly located in larger size Michigan communities. In the larger communities funds were probably available through sources other than the banks. Thus the position of banks as the motel's creditor diminished relatively in proportion.

In addition to the above, many firms engaged in placing mortgage funds, such as the insurance companies, are not very interested in placing small loans. They usually prefer to place larger amounts because of the cost of processing loans. Secondly, many small banks do not like to tie up their funds in too large a single mortgage for extended periods of time.

It is interesting to note that the mortgage debt was held by private individuals in fourteen of the replies to the mailed questionnaire, whereas no mortgage debt was held by private individuals in the interviewed motels. Where private individuals did hold the motel's mortgage debt, it was generally for the smaller motels located in the smaller communities.

Question 37. Mailed responses. (68)

What is the rate of interest on your motel's mortgage.

Low.....	4.5%
High.....	7.5%
Median.....	6.0%

Question 49. Interview responses. (30)

What is the rate of interest on your motel's mortgage.

Low.....	4%
High.....	10%
Median.....	6%

Most of the motels -- thirty-seven of the mailed and thirteen of the interviewed -- paid the median interest rate of six per cent on their mortgages. The low of four per cent which appeared on the interview questionnaire was the above-mentioned S.B.A. loan. The owner who had the ten per cent mortgage interest rate was asked, when he was interviewed, why he had to pay ten per cent. He replied:

"Ten per cent is very high. At the time we built, we wanted all the mortgage funds we could get. We wanted to put in the least amount of funds possible. (They had a ninety per cent mortgage.)

Consequently, we had to pay high interest. We have built up our equity sufficiently to where we are now in the process of refinancing."

Most of the mortgages were standard business arrangements. The smaller establishments tended to deal through banks and the larger motels through insurance companies or mortgage firms.

The smallest motel where an insurance company held the mortgage was thirty units in size. Five of the seven mortgages held by insurance companies were for motels one hundred four units or larger in size.

Question 38. Mailed responses (68)  
What was the original length of time for the mortgage in years.

Low.....	7
High.....	20
Median.....	12

<u>Number of Motels</u>	<u>Years for Mortgage</u>
8.....	15-19
8.....	10-14
8.....	not sure
3.....	20 and over
2.....	no mortgage
1.....	less than 10

(No mortgage: 1 leased, 1 paid cash.)

During interviews it was asked why a few of the motels had only a ten-year mortgage. This owner's response is typical:

"We wanted a short time to get it paid off. Besides, the bank didn't like to go over ten years."

In general, the smaller motels had higher interest rates and shorter time periods for their mortgages.

Question 39. Mailed responses. (68)  
Does interest plus principal equal a flat, constant monthly sum.

Yes.....	49
Other.....	12
No.....	4
Not sure.....	1

(Other: varied from single annual interest and principal payments to monthly interest and principal payments.)

Although this question was not explicitly asked in the interviews, a few owner/managers volunteered the information that they paid principal and interest as a flat, constant monthly sum. One specified:

"I pay monthly interest on the building. I have a land contract with the owner where no principal is due for twenty years. The owner of the land contract felt this was a good investment."

Question 40. Mailed responses. (68)  
Was there a second mortgage on your motel.

No.....	55
Yes.....	11
Not sure.....	2

Question 51. Interview responses. (30)  
Was there a second mortgage on your motel.

No.....	20
Yes.....	8
Not sure.....	2

Two individuals interviewed said their second mortgages were used only for temporary financing until they could arrange their permanent financing. One owner stated:

"It's part of the down payment deal. We have a three-year second mortgage."

Question 41. Mailed responses. (68)

Was a second mortgage used to finance the purchase of furniture and fixtures.

No.....	56
Yes.....	8
Not sure.....	3
Blank.....	1

Question 52. Interview responses. (30)

Was a second mortgage used to finance the purchase of furniture and fixtures.

No.....	24
Yes.....	5
Not sure.....	1

"Compared with the terms for a first mortgage, secondary financing is usually obtained at a higher rate of interest and is repaid over a shorter length of time, usually not longer than five years...It is often deemed feasible to finance furniture, furnishings, and equipment on an installment contract basis."<sup>1</sup>

Few of the motels -- in either the mailed questionnaire or the interview phase of this study -- used a second mortgage to finance their motels or to purchase furniture and fixtures. One motel owner stated:

"We did not use a second mortgage for purchasing of furniture and fixtures. We paid cash for all our furniture and fixtures. My partners and I each obtained funds from our bank on a personal loan basis. We used these funds for buying furniture and fixtures. It's amazing what you can buy and the prices you can get when you say 'I intend to pay cash for this.'"

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<sup>1</sup>George O. Podd and John D. Lesure, loc. cit., p. 196.

Of the motels interviewed, nine of the thirty had long term debt in the form of mortgages which supplied seventy per cent or more of the purchase price. Seven managers were not sure what was the mortgage debt relationship to the purchase price. Fourteen motels out of thirty interviewed had mortgage debt of fifty per cent or less in relation to purchase price. The nine motels tried to use high financial leverage where they borrow funds at a given per cent and attempt to earn a return on these funds higher than the cost.

In the past, some motels (and this is especially true for hotels) have encountered difficulty in meeting the fixed charges that resulted from an overburden of debt. If they experienced a decline in occupancy, they usually had difficulty meeting their fixed charges.

It can be stated here that the majority of Michigan motels included in this study conform to the recommended procedure of avoiding an overburden of debt.

### Leasing

Question 42. Mailed responses. (68)  
Is the property leased.

No.....	62
Yes.....	4
Blank.....	2
Not sure.....	0

Question 42a. Mailed responses. (Concerns only the 4 who answered "yes" to question 42 mailed.)  
By whom is the property leased.



Motel operating company leases  
 land & buildings & equipment  
 from owner.....3  
 Private restaurant operator  
 leases restaurant from motel....1

Question 53. Interview responses. (Concerns only the 7 who  
 answered "yes" to ques-  
 tion 53 interview.)

By whom is the property leased.

Motel owner leases land from  
 land owner.....2  
 Restaurant operating company  
 leases restaurant from motel....2  
 Oil company leases land  
 from motel.....1  
 Motel operating company leases  
 entire facility from  
 motel owner.....1  
 Motel leases land & building from  
 owner but provides own furni-  
 ture & fixtures.....1

In addition to the seven who replied "yes" to  
 question 53 interview, one owner stated that the land  
 had originally been leased from the land owner by the  
 motel owners, but that since then the motel owners had  
 purchased the land.

Question 43. Mailed responses. (68)  
 If the property is leased, is it leased by a sale leaseback.

No.....64  
 Blank..... 4  
 Not sure..... 0  
 Yes..... 0

Question 54. Interview responses. (30)  
 If the property is leased, is it leased by a sale leaseback.

No.....29  
 Not sure..... 1  
 Yes..... 0

(Not sure: the respondent thought not.)

The sale leaseback technique has been used by a few motels as a means of raising money for motel construction. A sale leaseback is defined by Mr. Stephen W. Brener as follows:

"A sale leaseback is a transfer of title of the furniture, fixtures, and real property without a change in management. Usually, an investment group purchases from an owner-operator and upon taking of title, leases back the operation of the hotel to the former owners. In a sale and lease, the buyer makes an outright purchase of the property and the operation; he then leases the operation to an outside tenant. In sale leaseback the seller and tenant are the same; the owner sells the property to the investment group and immediately assumes a lease on the operation of the business."<sup>1</sup>

The preceding description applies to the motel. A purpose of this study was to determine if the sale leaseback might be a common form of obtaining sufficient funds for the financing of Michigan motels in the study. The above responses to questions forty-three mailed and fifty-four interview disclose that in no instance was the sale leaseback technique employed by a Michigan motel studied.

"Generally it is conceded that capital funds obtained by the sale and leaseback group will represent high-cost capital to the seller initiator of the transaction."<sup>2</sup>

This statement by Mr. Fred W. Eckert points out that the sale leaseback is an expensive method of financing.

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<sup>1</sup>Stephen W. Brener, "Lifting the Fog on the Sale Leaseback," Hotel Management, (April, 1957).

<sup>2</sup>Fred W. Eckert, loc. cit., "Lecture 7; The Lease and the Sale and Leaseback."

It can be assumed that some of the larger motel owners were astute enough to realize that such financing would be costly. Perhaps, too, sale leaseback was not available to the small operators as a method of financing their motels. If it were available, they may not have thought of it or known about it.

### Investment

Question 44. Mailed responses. (68)  
Do you have a financial investment in the motel.

Yes.....	47
Blank.....	15
No.....	6

The above illustrates one pattern which has emerged through the mailed questionnaire. The mailed questionnaire was answered in the main by owners of small (less than fifty rooms) motels. Many of these men own their motels and manage them themselves. The owner and active manager of the typical mailed questionnaire motel is in most cases one and the same man.

Question 45. Interview responses. (30)  
Why did the owners invest in motels instead of other investments.

The following varieties of answers are indicative of those received in reply to the above question:

Expected an above-average return.....	8
Motel business appeared profitable.....	4
Built as an investment.....	3
Was in hotel or motel business before.....	3
Saw potential in a poor operation.....	2
Built motel to complement restaurant.....	2

Thought it was an easy business.....1  
 Too young to retire.....1  
 Thought limited knowledge all needed.....1  
 Had a survey taken for property.....1

At least eighteen of the above replies indicate that the owner's entry in to motelkeeping was made based upon a well-thought-out plan. At least three other owners' responses show that they were well aware of many aspects of the motel industry when they entered it.

The above answers are typical types of replies received to the question.

"Because of the risk involved, a purchaser of an equity interest in a motel or motor hotel would probably expect a return of ten per cent to fifteen per cent on his money, plus some assurance of the safety of principal until it is fully repaid."<sup>1</sup>

A large number of the respondents stated that they had entered the motel business because they expected an above-average return on their investment. One manager stated:

"The owner had a large plot of land. He wasn't sure what to do with it. He had a survey taken as to its best use. The answer came back that the property was ideally suited for a motel. The owner built a medium-size motel on the property (and paid cash for it) and the motel has been very successful."

A motel owner stated:

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<sup>1</sup>George O. Podd and John D. Lesure, loc. cit., p. 187.

"We were considering various investments -- bowling alleys, restaurant and cocktail lounge, or nursing homes. Bowling has declined in popularity and nursing homes can expect greater state and federal control, so I settled on a motel as a method of investment. I found a place in rather bad shape, doing no business, but a place that had a potential, so I invested in a motel as opposed to the other businesses I was considering."

One owner said:

"I thought it was kind of an easy business but have found out otherwise. I used to drive by a motel and always saw the owner out front taking it easy. A big problem is that you're stuck with it twenty-four hours a day."

The most prevalent answer was to the effect of:

"The motel was built as an investment. I saw a potential for a good return."

The above answers indicate varied reasons for entering the motel business. The majority of the replies received stated that the owners considered other businesses or were engaged in other businesses prior to entering the motel business. They entered the motel business as a livelihood and for investment purposes. Most entered with foresight and after investigation of the type of investment into which they were venturing. They entered forearmed with their previously acquired business knowledge and experience.

Question 68. Mailed responses. (68)

What do you feel is an adequate return on motel investment.

Low.....	5%
High.....	25%
Median.....	15%

<u>Number of Motels</u>	<u>Return on Investment</u>
25.....	15%
22.....	10%
9.....	blank
7.....	20%
2.....	8%
1.....	25%
1.....	7%
1.....	5%

Question 57. Interview responses. (30)  
What do you really feel is an adequate return on motel investment.

Low.....	10%
High.....	30%
Median.....	12%

<u>Number of Motels</u>	<u>Return on Investment</u>
11.....	10%
7.....	not sure
6.....	15%
4.....	12%
1.....	30%
1.....	20%

In their book, Planning and Operating Motels and Motor Hotels, George O. Podd and John D. Lesure have stated that a return of ten to fifteen per cent can be expected on motel investment.<sup>1</sup> The median answers to the two questionnaires -- fifteen per cent on the mailed and twelve per cent on the interview -- are within the range advocated by Podd and Lesure.

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<sup>1</sup>Ibid.

The seven interviewed who stated that they were "not sure" were in all cases hired managers. One manager interviewed replied:

"I'm not sure. I'd be happy if I made a good living. But I don't think I would invest in a motel."

Question 67. Mailed responses. (68)  
Is the motel earning an adequate return on the owner's investment.

Yes.....	44
No.....	12
Not sure.....	7
Blank.....	4

Question 58. Interview responses. (30)  
Is the motel earning an adequate return on the owner's investment.

Yes.....	23
No.....	6
Don't know.....	1

Most of the respondents to the mailed questionnaire did not offer any comment on this question. One of the respondents who answered "no," his motel was not earning an adequate return, stated:

"I have an older, smaller (less than fifty rooms) motel. A few years ago I contemplated redecorating and upgrading my motel. At the time I really didn't think it was necessary. Instead I spent the money and used my credit on something else. Now I do need to upgrade my establishment and I no longer have a line of credit available to me. The bank has been wonderful and it's no fault of theirs. It was just a case of poor judgment on my part."

Profit

Question 58. Mailed responses. (68)

Is the motel currently operating at a profit.

Yes.....	56
No.....	10
Blank.....	2

Question 59. Interview responses. (30)

Is the motel currently operating at a profit.

Yes.....	23
No.....	6
Not sure.....	1

Question 55. Mailed responses. (68)

Is there a profit before depreciation.

Yes.....	47
Blank.....	14
No.....	7

The above question was asked to determine if some operations which did not earn a net profit after taxes might earn a profit before depreciation. Some motel owners have used a form of accelerated depreciation to decrease the amount of income on which they would have to pay taxes. The depreciation expense is not an expense paid by the firm. This allows the firm to have greater cash flow which is defined as operating income less those items for which cash is actually paid.

The motel business is a heavy fixed asset business. The non-cash deduction from income for depreciation is frequently greater than the profit after income taxes. However, the profit before the deduction for depreciation



must be equal to or greater than the amount of depreciation in order for this profit to be a positive factor in cash flow computation.<sup>1</sup>

In the past some motel owners operated their motels for a number of years, charged off (via accelerated methods) the maximum depreciation, and then sold their motels. When the motel was sold, it qualified for long term capital gains tax rates. Prior to the 1964 revision, "the taxpayer got the benefit of the long term capital gains deduction and the tax could not exceed twenty-five per cent."<sup>2</sup> Thus under 1964 tax law for the owner to qualify for a twenty-five per cent maximum capital gains tax rate, the motel had to have been owned by the same owner for over ten years.

The 1964 tax law states that owners may not use accelerated depreciation for a few years and then sell their property and pay a maximum of twenty-five per cent of the gain on the sale of their motel. They still may, however, use accelerated depreciation to increase their expenses, decrease their taxable income, and increase their cash flow. An important consideration often overlooked by

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<sup>1</sup>William A. Paton, "The 'Cash-Flow' Illusion," The Accounting Review, (April, 1963), p. 243.

<sup>2</sup>Federal Tax Course 1960 (Englewood Cliffs, New Jersey: Prentice-Hall, 1959), p. 1623.

some motel owners is that the profit before depreciation must be equal to or greater than the amount of depreciation for them to realize the maximum cash flow from this method.

Question 69. Mailed responses. (68)

Which of the following do you really believe should be the profit percentage of the sales dollar.

Low.....	5%
High.....	25%
Median.....	15%

<u>Number of Motels</u>	<u>Profit Percentage</u>
28.....	20%
18.....	10%
17.....	blank
4.....	7%
3.....	15%
2.....	25%
2.....	5%

Horwath and Horwath state:

"Net profit before income taxes as a ratio to total sales for a motel without an operated restaurant was 5.9%; those motels with an operated restaurant had a net profit before income taxes of 5.4%."<sup>1</sup>

Question sixty-nine mailed was asked because ratios to total sales is a common yardstick for evaluating the operation of hotels and motels. Annual studies have been compiled for thirty-two years on hotels and for eight years on motor hotels by Horwath and Horwath. Annual

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<sup>1</sup>John D. Lesure and Eugene H. Lott, "Motor Hotel Operations in 1963," The Horwath Accountant, (Vol. 44, No. 4, 1964), p. 3.

studies have been completed by Harris, Kerr, Forster and Company for twenty-seven years on hotels. All of these studies use percentage relationships to total sales as a means of evaluating hotel and motel operating results.

It is not known if motels in Michigan are actually receiving the above percentage of sales. The vast majority of the motel owner/managers who responded by mail stated that they were receiving an adequate return which implies that they are earning what they feel is an adequate profit. Their median idea of what should be the profit percentage of the sales dollar was fifteen per cent, which is approximately three times the national motel average received.

It can be generally concluded here that the motels which responded to the mailed questionnaire are receiving an above-average profit as compared with the national trend -- even when it is taken into account that a few motels studied were operating at a loss.

Question 65. Mailed responses. (68)  
Are employees informed as to whether or not the operation is profitable.

No.....	43
Yes.....	24
Blank.....	1

Question 37. Interview responses. (30)  
Are employees informed as to whether or not the operation is profitable.

No.....	20
Yes.....	10

Question sixty-five asked on the mailed questionnaire and question thirty-seven asked on the interview questionnaire were asked in an effort to determine how well management kept their employees informed about the operation's profitability. No valid, overall statistical breakdown on this matter was feasible, but it can be stated that in general the owner/managers who did inform their staffs of the financial status of the motel appeared to be more progressive in this as well as in other aspects of their conducting of their motel operations.

Two managers stated that their employees received bonuses predicated upon profits.

#### Working Capital

Question 60a. Interview responses. (30)  
Has the motel ever been pressed for cash.

No.....	19
Yes.....	10
Blank.....	1

This question had not been planned for inclusion on the interview questionnaire and was not asked during the first interview. During the second interview, however, the owner/manager volunteered the information that his motel had been "pressed for cash." The question was asked during the remaining interviews. The owners and managers were very frank in their replies:

"Yes, during slack periods, due to lack of business. This may turn out to be chronic. However, it wouldn't have to be."

"We have not been pressed for cash since the previous manager left. The previous manager took money and robbed the place blind."

One final comment highlights a problem of one owner chronically pressed for cash.

"I have been pressed for cash many, many times. I have always been able to talk creditors into being lenient and have been able to pay them. However I have not been able to get understanding from state and federal governments. The government is very discouraging. It requires many forms that only an expert would understand. One is forced to keep employees on just to keep up with government forms. I realize why many people get out of business. The government is very discouraging. The government man said if I did not pay the taxes they would close this place. I said go ahead. If you close the place you will never get your money and you will force all of these employees out of work and onto government unemployment. Instead of their paying their taxes to you, you'll be paying them. You are being very ridiculous. His boss, the tax man, came around and I was able to work it out. I'm still open."

The following comment came during an interview at a large motel.

"Right at the beginning we were pressed for cash. We did not do any volume of business. It took time to establish a clientele, but we haven't had any problem since. It was a problem of inadequate working capital. What they should do is charge \$1,100 instead of \$1,000 for a block of stock. Then if the \$100 isn't needed, give it back. I've never known anyone to refuse money."

All of the motels interviewed were able to work out their particular problems of being pressed for cash. Only

the one motel (with the government trouble) experienced real difficulty. A few of the others stated that they had lacked funds during remodeling or were unable to replace furniture the way they would like because of a shortage of funds.

### Occupancy

Question 12. Mailed responses. (68)

What is percentage of occupancy. (Total annual rooms occupied divided by total annual rooms available for sale.)

Low.....30%  
High.....93%  
Median.....70%

<u>Number of Motels</u>	<u>Percentage of Occupancy</u>
13.....	.66% - 70%
12.....	.60% - 65%
9.....	.76% - 80%
7.....	.50% - 59%
6.....	.81% - 90%
6.....	blank
5.....	.71% - 75%
5.....	.0% - 39%
4.....	.40% - 49%
1.....	.91% - 100%

Question 41. Interview responses. (30)

What is the percentage of occupancy. (Total annual rooms occupied divided by total annual rooms available for sale )

Low.....40%  
High.....90%  
Median.....78%

<u>Number of Motels</u>	<u>Percentage of Occupancy</u>
11.....	.80% - 89%
9.....	.70% - 79%
6.....	.60% - 69%

2.....	not sure
1.....	90% - 100%
1.....	40% - 49%

The two interviewed who stated they were "not sure" did, however, estimate answers. One said his winter occupancy was probably in the high fifties and over eighty per cent in June and July. The other estimated a ninety-eight per cent occupancy during the summer.

The higher occupancies were generally in large, new, affiliated motels located on or near major highways. The motels with lower occupancies were in general the smaller, older establishments. There were a few exceptions in both cases. Motels not located on major highways had, in general, an overall lower occupancy.

Horwath and Horwath, in their Eighth Annual Motor Hotel Study, show 69.8% occupancy for those motels which include a restaurant, and 70.4% for motels without a restaurant.<sup>1</sup>

The selected Michigan motels compare favorably with the national occupancy average. The median of the mailed questionnaire occupancy (70%) is comparable to the national occupancies compiled by Horwath and Horwath. The occupancy median for interviewed motels was 78%.

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<sup>1</sup>Ibid.

Rates

Question 13. Mailed responses. (68)

What is average rate per room available for sale. (Total annual rooms income divided by total rooms available for sale.)

Low.....\$ 3.12  
 High..... 11.25  
 Median..... 7.19

<u>Number of Motels</u>	<u>Average Rate Per Room</u>
24.....	blank
12.....	\$ 6.00 - \$ 6.99
6.....	8.00 - 8.99
5.....	9.00 - 9.99
5.....	7.00 - 7.99
4.....	11.00 and more
4.....	\$10.00 - \$10.99
4.....	3.00 - 3.99
3.....	5.00 - 5.99
1.....	4.00 - 4.99

The technique of dividing total annual rooms income by total rooms available for sale is a yardstick used by some motels to compute the income received from each room throughout the year.

Question 14. Mailed responses. (63)

What is average rate per room occupied. (Total rooms income divided by total rooms occupied.)

Low.....\$ 4.00  
 High..... 14.00  
 Median..... 9.51

<u>Number of Motels</u>	<u>Average Rate Per Room Occupied</u>
19.....	blank
12.....	\$ 9.00 - \$ 9.99
11.....	10.00 - 10.99
9.....	8.00 - 8.99
5.....	7.00 - 7.99



3.....\$13.00 and more  
 3.....\$12.00 - \$12.99  
 3.....6.00 - 6.99  
 2.....11.00 - 11.99  
 1.....0.00 - 4.99

Question 43. Interview responses. (30)

What is average rate per room occupied. (Total rooms income divided by total rooms occupied.)

Low.....\$ 7.25  
 High.....13.85  
 Median.....9.32

<u>Number of Motels</u>	<u>Average Rate Per Room Occupied</u>
10.....	\$ 9.00 - \$ 9.99
7.....	8.00 - 8.99
5.....	10.00 - 10.99
4.....	11.00 - 11.99
2.....	13.00 and more
2.....	\$ 7.00 - \$ 7.99

The medians of the two groups studied are comparable: mailed - \$9.51, interview - \$9.32. These rates are not, however, as high as the median average rate per room occupied of motels studied by Horwath and Horwath. In the Horwath and Horwath Study, the motel with a restaurant had an average rate of \$11.29. Those without restaurants had an average rate of \$10.98.<sup>1</sup>

Question 42. Interview responses. (30)

What is your rate schedule.

	<u>Single</u>	<u>Double</u>	<u>Twin</u>
Low.....	\$ 6.00.....	\$ 7.50.....	\$ 9.00
High.....	10.00.....	14.00.....	18.00
Median.....	8.00.....	10.00.....	12.00

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<sup>1</sup>Ibid., p. 4.

"Back in 1932 a traveler could stay overnight in a motel for \$1.00 to \$2.50. Few motels dared charge as much as \$3.00. Today it is not uncommon for big-city motels to charge up to \$40.00 a day for suites and \$20.00 for single rooms."<sup>1</sup>

The above tabulation shows the range of rates being charged for rooms at the Michigan motels interviewed. In addition to the above rates, many of the motels charged \$2.00 extra for each additional person in the same room.

Several motels had a minimum rate which they charged for one person regardless of the type of accommodations occupied. Only two operations of the thirty interviewed gave any indication they might use varying room rates depending upon the individual guest. These two were smaller, older establishments, and the answers they gave to the question were somewhat vague and not conclusive. Most of the establishments consistently employed a set, definite rate schedule.

#### Financial Statements

Question 45. Mailed responses. (68)

Approximately how much average time per day does the manager spend on accounting and financial matters.

1 to 2 hours.....	26
Less than 1 hour.....	24
2 to 3 hours.....	8
Blank.....	8
More than 3 hours.....	2

These answers were in accord with answers to question seventy-three mailed. In replying to question seventy-three

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<sup>1</sup>The Lansing State Journal, (Mon., Aug. 10, 1964), p. A-2

mailed, owner/managers stated that they spent a considerable part of their day working on daily operating problems. Based on this, it would not be expected that they would spend a great deal of time on accounting and financial matters except in requisite daily aspects of these operational phases.

Although this question was not asked during the interviews, several owner/managers volunteered that they kept limited accounting records themselves.

Question 56. Mailed responses. (68)  
Who prepares the financial statements.

Accountant.....	53
Owner.....	12
Blank.....	2
Manager.....	0
Other.....	0

It should be noted here that the great majority of the respondents employed an accountant to prepare financial statements. Not one motel replied that a manager was responsible for the task. In view of the comments of managers elsewhere in the study, however, it should be mentioned that some managers did keep general books which the owner or accountant used in preparing the financial statements.

Question 57. Mailed responses. (68)  
How often are financial statements prepared.

Monthly.....	30
Once a year.....	25
Other.....	10
Blank.....	3

(Other: quarterly 6, twice a year 3, when applying for a loan 1.)

Question 61. Mailed responses. (68)

Do you apply the knowledge gained from financial statements to daily operating decisions.

Always.....	26
Frequently.....	23
Sometimes.....	10
Seldom.....	7
Blank.....	2
Never.....	0

Replies to questions fifty-seven and sixty-one mailed reveal limited discrepancy of answers. This is one of the very few instances of even slight inconsistency of reply in the entire study. Forty-nine owner/managers replied to question sixty-one mailed that they "always" or "frequently" applied knowledge gained from financial statements to daily operating problems, but only thirty of the respondents mentioned that monthly financial statements were prepared at their motels. It might be considered somewhat questionable how effective their reference to a yearly financial statement would be in making daily operating decisions.

#### Accounting Practices

Question 66. Mailed responses. (68)

Do you have a full-time accountant, part-time accountant, or no accountant.

Part-time accountant.....	35
Full-time accountant.....	23
No accountant.....	9
Blank.....	1

Fifty-eight of the sixty-eight establishments employed accountants. To question sixty-six mailed, twelve owners replied that they, the owners, prepared the financial statements. This comparison indicates that some of the motels answering question sixty-six mailed may have employed an accountant primarily or solely for income tax purposes.

Question 64. Mailed responses. (68)

Is your motel audited by a Certified Public Accountant?

Yes.....	45
No.....	22
Blank.....	1

The answers to this question indicate astuteness on the part of the owner/managers. Forty-five of the sixty-eight motels were audited by Certified Public Accountants. It is standard practice for motel franchise concerns, co-owners, and many affiliated chain groups to require that at least one annual audit be performed by a C.P.A. Thirteen out of fourteen affiliated groups (excluding AAA) were audited by C.P.A.s. Thirty-two out of forty-six independents were audited by C.P.A.s.

Question 70. Mailed responses. (68)

If you are an owner, do you pay yourself a salary before computing the motel's profit.

No.....	39
Yes.....	25
Blank.....	4

Many of those who replied "no" wrote on their questionnaire:

"I am a proprietor and therefore am not allowed to pay myself a salary."

Two individuals indicated that they withdrew \$100 a week from the motel for living expenses.

### Depreciation

Question 51. Mailed responses. (68)  
Which method of depreciation is used on the building.

Straight line.....	25
Declining balance.....	15
Blank.....	14
Not sure.....	8
Sum of years' digit.....	6

Question 55. Interview responses. (30)  
What method of depreciation is used on the building.

Not sure.....	15
Straight line.....	8
Declining balance.....	7
Sum of years' digit.....	0
Blank.....	0

Fifteen of those interviewed did not know which method of depreciation their motel was using. Approximately half of these fifteen were managers who were not informed on financial matters. The remaining were owners who left this decision up to their accountants. Several larger interviewed establishments which employed accountants used the straight line method. One manager stated:

"We have our depreciation set up on a straight line basis for twenty years. I don't need fast depreciation with my occupancy. (72%) I want to operate for a longer time. I was using double declining balance and then switched to straight line."

Another operator commented:

"Originally I charged five per cent of my total investment to depreciation. The Internal Revenue Service objected and said I should use thirty-three years for building, ten years for furniture, ten years for appliances, five years for lamp shades, and that linens should be charged off as an expense. After going through all this work, it comes out about the same."

The motel owners were about evenly divided in whether they were depreciating their motels in twenty or twenty-five years. One owner was depreciating his in ten years.

Question 49. Mailed responses. (68)  
What is the rate of depreciation for the building. (Per cent per year.)

Low.....	2.5%
High.....	16.0%
Median.....	5.0%

These replies indicate a forty-year maximum depreciation life and a minimum depreciation life of slightly over six years. Nineteen of those replying to question forty-nine mailed used a twenty-year life, and fifteen used a twenty-five year life. Twenty-eight did not reply. It can be assumed (since interview hired managers were often not informed about financial matters) that many of those who did not reply did not know the answer to this question.

Question 48. Mailed responses. (68)  
What is rate of depreciation for furniture and fixtures. (Per cent per year.)

Low.....	7%
High.....	33%
Median.....	10%

Twenty-eight motels replied that they used a ten per cent rate. Twelve motels used rates ranging from seven to thirty-three per cent. Twenty-eight did not reply to this question.

Question 56. Interview responses. (30)  
What method of depreciation is used on furniture and fixtures.

Not sure.....	14
Straight line.....	12
Declining balance.....	4
Sum of years' digit.....	0

Question 52. Mailed responses. (68)  
Is the depreciation method used for furniture and fixtures the same as the depreciation method used for depreciation of the building.

Yes.....	30
No.....	17
Blank.....	12
Not sure.....	9
Other depreciation method used.....	0

Of the owner/managers interviewed, four used declining balance on furniture and fixtures, as opposed to seven who used declining balance on the building (question fifty-five interview). Twenty-five of the respondents to question fifty-one mailed stated that they used straight line for building depreciation. Since furniture and fixtures has a shorter depreciation life -- median of ten years as reported in question forty-eight mailed -- many of the motels might have decided to use straight line depreciation for furniture and fixtures in view of the fact



that seventeen said they did not use the same furniture and fixtures depreciation method (question fifty-two mailed) as used on the building.

Question 50. Mailed responses. (68)  
Do you have any other depreciation rates.

Blank.....	31
No.....	16
Yes.....	13
Not sure.....	8

Depreciation rates were specified for the following items:

1. Outdoor furniture.
2. Auto equipment.
3. Swimming pool.
4. Motel signs.
5. Television.

Several mentioned three years depreciation life for television.

Question 53. Mailed responses. (68)  
Who made the recommendation as to the methods of depreciation.

Accountant.....	43
Blank.....	12
Owner.....	10
Lawyer.....	3
Manager.....	0

These answers compare consistently with the responses to question fifty-six mailed (who prepared the financial statements). Results of question fifty-six mailed disclosed that twelve owners and fifty-four accountants

prepared financial statements. In fifty-three mailed, above, at least forty-three relied on their accountants and three on their lawyers to inform them as to the various legal methods of depreciation. Once informed, however, the owner tended to make the decision as to the method of depreciation to be used.

Question 54. Mailed responses. (68)

Who made the decision as to what method of depreciation would be used.

Accountant.....	30
Owner.....	28
Blank.....	7
Lawyer.....	2
Manager.....	1

In comparing question fifty-three mailed with question fifty-four mailed, it was learned that forty-three accountants recommended the depreciation method but only thirty accountants decided the matter. Ten owners recommended but twenty-eight owners decided.

A large number of the owners were informed and advised on the matter of depreciation methods by their accountants or lawyers. They learned what the laws allowed for depreciation. The owners were then knowledgeable on the matter and in many cases made the actual decision themselves.

#### Replacement Procedures

Question 60. Mailed responses. (68)

Is there a planned program for replacing furniture and fixtures.

Yes.....	45
No.....	23
Not sure.....	0

Question 39. Interview responses. (30)

Is there a planned program for replacing furniture and fixtures.

No.....	20
Yes.....	10
Not sure.....	0

The answers to the two above identical questions differ. Approximately two thirds replied "yes" to the mailed questionnaire and two thirds replied "no" to the interview questionnaire. Six of the ten who stated "yes" to question thirty-nine of the interview questionnaire stated that they did have a planned program for replacing furniture and fixtures and actually set aside funds for replacement. One manager, not of the six, stated:

"We know we're going to have to replace the furniture and fixtures. We charge off on our income tax for depreciation. But I don't actually set funds aside. I want to keep my funds working."

Motel owners must have a planned financial program for the proper utilization of their cash flow. Cash flow was defined earlier in this chapter as operating income less those items for which cash was actually expended.

The majority of those interviewed replace their furniture and fixtures on an as-needed basis. Several owners are remodeling their motels as they receive sufficient funds from operation to do so. Many new establishments less than four years old, where no major remodeling

or replacement has as yet been necessary, were using this replacement-as-needed method.

Question 25. Mailed responses. (68)  
Who decides when new equipment will be purchased.

Owner.....	53
Both owner/manager.....	8
Manager.....	7
Haven't purchased any yet.....	1
Department heads.....	0

Probably a question of degree is involved here.

Most managers are permitted a specific amount of money (often \$25.00) to spend for equipment with no restrictions and no questions asked by ownership. Major equipment expenditures which involve the owner's finances to a greater extent would be deferred to the owner by the manager, often with the manager's recommendation concerning the course of action he would advise. The owner would then decide whether or not the purchase would be made.

#### Budgeting

Question 62. Mailed responses. (68)  
Is a cash budget prepared for the operation.

No.....	39
Yes.....	26
Blank.....	3

Question 60. Interview responses. (30)  
Do you have a budget.

No.....	22
Yes.....	8

A greater percentage of the motels studied through the mailed questionnaire used a cash budget than did those interviewed. Some comments during interviews were as follows:

"We have a very extensive budget. The local auditor submits bids on various items and the home office (a chain) prepares a final yearly budget." (The budget and paper control of this motel were by far the most extensive encountered in any of the thirty motels interviewed.)

"Very definitely we have a budget. It's a very detailed monthly budget. We must stick to it and are judged by the results."

Question 63. Mailed responses. (68)

If a cash budget is prepared for the operation, by whom is it prepared.

Blank.....	42
Owner.....	17
Accountant.....	5
Manager.....	2
Department heads.....	1
Management firm.....	1

(Blank: 39 do not prepare a budget.)

The question was not explicitly asked on the interview questionnaire but during interviews it was learned that of the eight interviewed motels which do have a budget, in six motels they were prepared by the manager, in one motel by the owner, and in one by the accountant. The motels whose managers prepared budgets were motels of fifty units in size or larger. The one motel where the owner prepared the budget was smaller than fifty units in size. The motel which used a budget prepared by the accountant was larger than fifty units.

Pricing

Question 24. Mailed responses. (68)

Who sets the room prices.

Owner.....	52
Manager.....	9
Both owner/manager.....	5
The Public.....	1

The predominant setting of room prices by the owner substantiates the pattern which is establishing itself in this study. Where financial matters of consequences are involved, it is the owner who ultimately decides policy.

Reinvestment

Question 71. Mailed responses. (68)

What per cent of the annual profit is reinvested in the motel.

Low.....	0
High.....	100
Median.....	15

Proprietorship:

Blank.....	12
0% - 25%.....	11
As needed.....	4
76% - 100%.....	2
33%.....	1

Partnership:

0% - 25%.....	12
Blank.....	8
26% - 50%.....	3

Corporation:

Blank.....	10
0% - 25%.....	4
100%.....	1

Question 40. Interview responses. (30)

What per cent of the annual profit is reinvested in the motel.

Low.....	0
High.....	100
Median.....	10

Proprietorship:

Not sure.....	4
Varies.....	1

Partnership:

Not sure.....	4
0% - 25%.....	3
26% - 50%.....	2

Corporation:

0% - 25%.....	7
Not sure.....	6
100%.....	3

The above questions were tabulated in terms of proprietorship, partnership and corporation. The per cent of profit being reinvested is affected by the way in which the business is organized. In a corporation, the owners may draw salaries as executives of the corporation. In a proprietorship, all income is taxed as personal income. A partnership can elect to report for tax purposes as a corporation, or can pay tax on the amount due each individual partner.

Motels replying "zero per cent" were usually new establishments where no reinvestment in the operation had as yet been required. Those who stated "one hundred per cent" were motels which used all profits to upgrade their

motels. In some cases a proprietor had outside income and was able to reinvest all profit from the motel back into the business.

The attitude expressed in the following is typical of many replies on the subject.

"I reinvest whatever is needed to increase the value. I'm in the process of remodeling my motel. This year I plan to put \$18,000 into the units."

### Financial Management

Question 1. Mailed responses. (68)

How does the way in which your motel was financed affect the way in which your motel is managed.

Blank.....	24
No effect.....	12
Replied with no relation-	
ship to the question.....	5

Of the remainder, varied and overlapping replies were received in answer to this question:

Because of a large equity base, financing	
is less of a burden.....	8
Indicated problems with financing, lack	
of working capital, and problems of cash flow.....	8
Sound financing permits upgrading the	
establishment.....	7
Payments are too large.....	7
Financing does not permit upgrading	
the establishment.....	6
Financing forces to be extra careful in	
the handling of expenses.....	5
Poor financing holds down sales promotion.....	4
Regardless of how financed, the motel	
should be well managed.....	2
Keeping a cash reserve for working capital.....	1

Some indicated a longer time needed for paying of mortgage. A few indicated they had other income when they started the motel.



One major factor to emerge from an analysis of the above is that less than sound financing, with the resultingly great demand for funds to meet mortgage and interest payments, can draw the motel into financial difficulty during remodeling or replacement of furniture and fixtures.

This may not be a problem in the management of the motel, but it is assuredly a problem of the management of the motel. Ownership and management want to maintain the motels in good condition to assure occupancy and to survive competition. Lack of sound financing can reduce their available upgrading capital funds to a point where it is not financially possible to improve the motel.

Typical replies by owners to question one mailed are as follows:

"This motel was financed with low down payment and the balance on a land contract held by the seller. The motel would warrant an expansion of about ten units. Until the contract can be refinanced -- and a building program established -- our management policy will, as always, be to promote continued good service and friendly customer relations."

"Our particular mortgage allows us considerable flexibility. The financing should not actually have a tremendous effect on management, because the proper personnel, training, procedures, goals, etc., should be employed by the operations under any circumstances. The object is to give the best service possible, and make the best return on investment possible, at the highest occupancy rate that will allow you to do this. Your mortgage or finance program will influence executive salary, reinvestment, additional building, depreciation

methods, capital drain, and certain expenses. IT SHOULD NOT AFFECT THE ACTUAL OPERATION TO A GREAT EXTENT." (The underlinings and capitalizations were the respondent's in his written comments.)

The above comments vary, but they are typical and indicative of the replies received. Lack of thoughtful financing can pose problems in motel management. Motels must meet competition, remodel or replace furniture and fixtures, pay their bills, and pay satisfactory salaries to keep good personnel. If their funds are drained by mortgage and interest requirements, they lack the funds to maintain their motels in a competitive condition.

## CHAPTER VII

### MARKETING

#### Advertising

Question 61. Interview responses. (30)  
Do you advertise by:

Road signs.....	25
Other.....	23
Internal advertising.....	20
Direct mail.....	13
Newspaper.....	9
Radio.....	5
Television.....	1

(Internal advertising: guest room menus, signs, etc.  
Other: personal calls, yellow pages of telephone book,  
large-scale franchise marketing, chain referral,  
national advertising.)

Most of the operations which used direct mail did so on a very limited basis and usually only to local companies in their immediate area. A few used spot advertisements on radio and television. Where newspaper advertisements were employed, they were generally placed in local, weekly newspapers, or in the newspaper of a university if there were one relatively near the motel.

Road signs used varied in number from one to ten signs for a motel. Many of these signs, noted during interviews at the motels, were expensive and pretentious.

Some signs, it was learned, cost more than \$125 per month rental on a contract basis.

Internal advertising generally consisted of book matches, post cards bearing pictures of the motel, and occasionally motel brochures. Four owner/managers interviewed mentioned that they employed the marketing device of selling by direct, personal visits with firms where they felt a potential occupancy market might be tapped or encouraged.

"Sales programs are not costly...far from it. Mostly all that is required is the time needed to make personal sales calls. It is not necessary to resort to 'buying' favors with costly gifts or giving away your food or accommodations. Sincerity in your sales appeal is far more effective and it costs nothing."<sup>1</sup>

According to the above quotation, personal visits are an important form of attracting guests, yet only four interviewed motels utilized this method. As part of their routine marketing program, however, Holiday Inns requires that the managers of their motels make five personal selling calls per week.

Question 26. Mailed responses. (68)  
Who decides how much should be spent for advertising.

Owner.....	59
Manager.....	6
Both owner/manager.....	3

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<sup>1</sup>Ralph Dellevie, "Modern Motelkeeping: Part 3; Establishing a Clientele," Tourist Court Journal, (March, 1964), p. 26.

Here again, as confirmed in Chapter VI of this study, the owner makes the major decisions where expenditure of money is involved.

Question 64. Interview responses. (30)  
Do you budget a specific amount of money for advertising purposes.

No.....	24
Yes.....	6

Of the six who responded "yes," two stated they paid a set amount per month to a franchise organization for advertising purposes. One said he allocated \$1,000 per month for advertising costs, and another stated, "We never go above a certain amount."

Question 65. Interview responses. (30)  
Do you budget a percentage of sales for advertising purposes.

No.....	19
Yes.....	11

#### Percentage Budgeted

Low.....	3%
High.....	8%
Median.....	4%

Of eleven who do use the sales percentage method for allocating money for advertising purposes, the reply of one was typical:

"We use a per cent of last month's income times the per cent we want to use for advertising purposes. However, there are certain obligations that must be met regardless of the per cent."

Question 66. Interview responses. (30)  
 How is the amount to be spent for advertising decided upon.

The vast majority specified they advertise as needed. Many do not advertise extensively simply because they could not take care of more guests. Some typical comments on this question were:

"It varies with the cost of signs. I put up signs where needed. As for other advertising, I guess it's as needed."

"I don't advertise. I don't know where we'd put more guests if we did. I had one streak where we ran forty-seven consecutive full houses. I just finished another streak of twenty-one consecutive full houses. Our best advertising is good service."

"I consider what needs to be done. I use common sense in dealing with the public. I try to cover the major highways into the area. I feel one large sign is better than several small ones. It's also important to know where to put signs. For example, we get more travel here from south to north than from other directions."

In addition to the above comments, several of the motels which belonged to chain and franchise groups were required to pay a specified amount to their national firm for national advertising. This payment consisted either of a specific charge or was part of the franchise fee.

One manager had a rather unique approach to advertising. This manager said:

"I spend the advertising dollar on sales promotion. I give a swimming pool party for salesmen. Each salesman tells the other. For example, last Christmas I looked at typical giveaway items -- key

cases, fountain pens, etc., for Christmas gifts. I was dissatisfied with everything I saw for the money. I set up a big bottle of whiskey and several bottles of mix in the lobby one week before Christmas and kept it there until after New Year's. Anyone checking in was told to help himself. I felt that most salesmen appreciated it. A few were rather slow in getting to their rooms from the lobby. I estimate the cost at \$200. I figure it would have cost approximately the same to have purchased gifts. I felt that the whiskey gave me a good return for my money, as I have a lot of repeat business. I have strictly a commercial clientele. Rather than advertising very much -- I couldn't take care of them if they came -- I'd rather use the money for sales promotion, and once or twice during the summer throw a swimming party at the expense of the motel."

Question 62. Interview responses. (30)

Which method of advertising do you feel is most effective.

Word of mouth.....	13
Road signs.....	10
Good service.....	5
Belonging to Holiday Inns.....	4
Personal calls.....	3
Good location.....	2
Newspapers.....	2
AAA.....	1

The above tabulation groups most of the widely varied comments received. Many of the owners and managers were outspoken in their remarks.

"AAA is the best of the paid advertising. Our local association also refers to each other."

"Satisfied guests are our best advertising -- one salesman tells another."

"Christmas cards. Many appreciated receiving them. I sent the cards to those I felt safe to send them to."

"Our best advertising is our association with Holiday Inns."

"I have had good results from a personalized luggage tag. I have had very little success with telephone yellow pages and direct mail. I did a key to the ads, so I was able to test the results. The value of post cards and brochures in the rooms is very intangible. One of our best methods is the selling we do over the counter. It's hard to tell what is the pay-off of this type of advertising, but the comments received are gratifying. Probably the most successful is highway signs. Without highway signs I would not get the business. My big sign out front advertising cabanas has been very successful."

Most operators felt that their highway signs were their best form of paid advertising. Most also felt, however, that word of mouth (one guest telling another) was the best advertising they could get. One manager solemnly noted, "My best advertising is mouth to mouth."

Several operators expressed real dissatisfaction with telephone book yellow page advertising -- none had anything good to say about yellow pages. Several continued to pay the fee for maintaining an American Automobile Association sign although they felt it was of questionable value.

From the preceding it can be concluded that guest relations are an extremely important form of advertising. An extensive system of quality road signs will probably give the best return for the advertising dollar spent.

#### Guests

Question 10. Mailed responses. (68)  
What is the predominant classification of guests.



Traveling commercial men.....	56
Tourists.....	35
Other.....	12
Not sure.....	0

(Traveling commercial men: also includes traveling  
salesmen.)

(Other: university guests, conference guests, skiers,  
house hunters.)

Question 67. Interview responses. (30)  
Who are your guests.

Traveling commercial men.....	29
Tourists.....	21
Other.....	6

(Traveling commercial men: also includes traveling  
salesmen.)

(Other: university guests, conference guests, skiers)

The term used in both questionnaires was "salesmen" but the respondents to both mailed and interview questions were quick to point out that in checking this category they meant primarily commercial men. By this, the owner/managers stated, they meant men who traveled -- whose work took them away from home -- but who were not necessarily selling. These commercial men to whom the owner/managers referred might be, for example, accountants who came into the motel's area to perform audits, or technically trained individuals (such as specialized mechanics and repair men) or truck drivers with national firms, or business managers and executives in the area for consultation or supervision. The motels in the study were to a great extent dependent upon these commercial

travelers for their livelihood. The motels made every effort to cater to this group.

One owner stated:

"I would like to have (a clientele of) eighty per cent commercial men the year around. Tourists are most destructive. Commercial men are most generous. They don't write on the walls, nor do they bother us with unruly kids. They are the best guests. I would rather have them. The tourists expect everything to function perfectly for them. They do not like noise like a blower or a refrigerator starting -- normal noises they have at home. Some of my tourist guests have unplugged the ice machines in their rooms because the noise bothered them. The ice melts, gets water on the carpet, which tends to ruin the carpet, and the next day the tourist is unhappy because he doesn't have any ice!"

One manager expressed dissatisfaction with individuals coming in for a bowling tournament. He found them to be unruly guests. When this was mentioned to another manager during another interview, he said:

"I found bowlers no worse than any other group. If he thinks bowlers are bad, he should have a group of hot rodders stay at his motel. I had a group stay here. They came in with their hot rods all revving up and then they had to take them apart, carburetors all over the floor, and grease on everything. It was a real mess."

The majority of motel owners and managers expressed their dependence upon the commercial traveler during the week and during the off-season from Labor Day to Memorial Day. During the off-season, many motels usually had full occupancy on Monday, Tuesday, Wednesday, and Thursday. Occupancy was generally low on Friday, and higher again on

Saturday. Sunday was normally the slowest day of the week for the motels.

Although the tourist was, in the summer, very important to motel occupancy, virtually all of the motels constantly catered especially to the commercial traveler to attract him as a steady client wherever possible. The motels are very pleased with the commercial men as guests. These commercial men are necessary for the survival of the business. Only the selected motels in the extreme northern part of Michigan (and all motels in the Upper Peninsula) specified that tourists were the major guests.

Question 63. Interview responses. (30)  
Do you have personal contact with your guests.

Very much.....	20
Some.....	9
Seldom.....	1
Never.....	0

Respondents who replied that they only had "some" personal contact with guests were in many cases the hired managers of large operations and were not required to work at the front desk where they would be most likely to have contact with guests.

Those who checked "seldom" were usually owners who had a hired manager. One owner said, "I have some contact with the guests, but the manager knows them all." A manager said, "I like to get to know them. If I get one individual from a company, I will soon get five or six more."

The person on the premises in charge of the daily supervising of the motel operation -- whether he was the owner who also managed, or the hired professional manager -- did usually have contact with the guests. His own personal ability to serve as the motel's gracious host, while he simultaneously saw to the routine of daily motel management, was an instrument in the motel's general ability to generate the desired impression of its friendly hospitality, attractiveness, and efficiency to the guests.

Question 11. Mailed responses. (68)  
What do you estimate is repeat business.

Low.....	10%
High.....	90%
Median.....	50%

Question 73. Interview responses. (30)  
What do you estimate is repeat business.

Low.....	20%
High.....	80%
Median.....	60%

Most of the figures given by the owner/managers in reply to the above question were estimates. Very few kept actual records of the true percentage of repeat business. It can, however, be stated that the Michigan motel owners and operators of the selected motels do have loyal guests who provide repeat business if they receive good service and good facilities for their money.

Part of the difficulty experienced by some owner/managers in answering this question was that they were

puzzled by precisely what the question meant by the term "repeat guest." They stated that although one particular customer might not reappear in person at the motel, that customer's company would perhaps register their other representatives at that motel or recommend the motel to them. The owner/managers classified this as "repeat" business by a company even if not by an individual from that company.

The owner/managers noted that the commercial traveler usually chose a motel for its standards, its facilities, and its convenience to his place of business (providing that the motel's prices seemed reasonable to him). The commercial men like to use a good motel with reasonable rates located as close to their place of business as possible. And they hope to find a motel in a location which permits them to avoid crosstown traffic.

Although the owner/managers did not state that convenience was all-important to their commercial guests, they did indicate that almost all of the commercial men who repeatedly lodged at their motels did have recurring business appointments in the immediate area of the motel. This fact is an echo of the conclusions made in a restaurant study performed by Standard Brands. That study concluded that a major influencing factor in the selection of a restaurant by a customer is the convenience

of the restaurant's location to the customer's consistent activities.<sup>1</sup>

### Commercial Rates

Question 68. Interview responses. (30)

Do you have a commercial rate (a discount from the standard room price given to commercial travelers).

No.....24  
Yes..... 6

Question 69. Interview responses. (30)

Why do you have or not have a commercial rate.

The vast majority did not have a commercial rate. This finding might, without further examination, be viewed as unexpected in light of the importance which the owner/managers have already indicated they place on attracting the commercial man as steady clientele. The following explanations give some insight into the owner/managers' replies on the matter.

Some gave the following reasons why they did not have a commercial rate:

"I don't think it's necessary. I don't get a special rate when I buy needed items. A standard rate is needed for comparison. We try to give value for the money and not cut corners."

"Commercial rates are damaging to the industry. They tend to discriminate against the public. I have many who stay here regularly but are not commercial travelers. It's best to have a set rate and stick with it. I try to give service for the dollar spent."

"I don't have a commercial rate. However, anyone traveling alone is entitled to a minimum rate."

<sup>1</sup>Consumer Panel Report on Dining Out Habits and Attitudes (New York: Standard Brands, Inc., 1958), p. 2.

Some who did use a commercial rate had the following comments to make:

"We give a \$1.00 discount to a commercial man. If a man starts to fill in the registration card and asks what this is all about, where we ask him to fill in the name of his business firm, we know he's not a commercial man and not entitled to the rate. Besides, when they walk in you can tell."

"We have what we call our 'big ten club.' If a guest stays here nine times, the tenth visit is on the house. The salesman keeps a card and each time he stays here we initial it. On the tenth time, we put through a credit on his bill, but the rate remains constant."

"We have a commercial rate because we feel the companies limit the amount their representatives can spend. We also have it because all motels have them."

It is interesting to note that this last operator felt that all motels had commercial rates. Only six of the thirty motels interviewed in this study actually used a commercial rate.

The vast majority of the motels interviewed which did not have commercial rates did, however, have a minimum rate. They noted that if a guest inquired whether they had a commercial rate they would reply, "No, but our minimum rate is..."

A commercial guest was usually given the minimum rate regardless of the type of room -- single, double, or twin -- which he occupied. If he were to stay at the motel for several days, he might, for example, be placed

in a twin room and later moved to a single room; but the rate for him would be a constant single room rate.

#### Sources of New Business

Question 70. Interview responses. (30)  
What do you feel is your best potential source of new business.

Businesses in the area.....	9
More commercial men.....	6
Satisfied guests.....	5
Secretaries who make arrangements.....	3
University.....	2
Referral.....	2
Personal calls.....	1
Weekend package.....	1
Convention bureau.....	1

A typical reply to this question was:

"I'm not sure. I guess more of the same."

Nearby businesses were felt to be an important source. Commercial men came into the motel's area to call at these local firms. The commercial men who regularly visited these firms were sought as repeat clientele. And the owner/managers used direct mail or personal visits to encourage local firms to refer their commercial visitors to them.

Many owner/managers said they wished they could do something to increase their weekend business in particular. Many of the motels usually had full occupancy on weekdays.

#### Competition

Question 71. Interview responses. (30)  
Whom do you feel is your competition.



Motels in the area.....	14
Everyone selling rooms.....	7
No competition.....	5
Downtown motels.....	2
Hotels and motels.....	1
Holiday Inns.....	1

The individual who specified "Holiday Inns" selected that motel out of several motels near his location.

Most of the motels were not very worried about their competition. Two managers commented as follows:

"The only competition one has is oneself. Anyone who thinks he steals from others is in left field. Your own inadequacies are your only problem."

"We don't have any real competition. In our local motel association we look out for each other and for the guest. I don't feel that we really are competing."

Most of the motel owners and managers responding to this question stated that nearby motels were their competition. Many also mentioned that it was friendly competition.

Special mention should be made here of the attitude of all the owners and managers interviewed in the area of Grand Rapids, Michigan. Each manager or owner (all interviewed separately) spoke enthusiastically of their fine motel association and of how all the motels at Grand Rapids worked together. In other areas of Michigan, owner/managers made mention of their own associations, but none did so with such obvious interest and appreciation as

did the Grand Rapids motel owner/managers in discussing their local motel association. Some of the other motel owner/managers interviewed mentioned that the motels in their areas cooperated with each other, but in Grand Rapids the attitude of cooperation and helpfulness evident was unique and spirited.

One Grand Rapids manager said:

"If a guest stops here, I want to do my very best to find him a room. I want him to come back and try us again, but I also want him to think that Grand Rapids is a motel town and that we will not send him from place to place but will help him find a room."

A similar attitude was also expressed by motel owners and operators in other towns, but not to such a positive extent as in the Grand Rapids area.

#### Location

Question 66a. Interview responses. (30)  
Is location important.

Yes.....30  
No.....0

Every respondent to the above question stated "yes."

Some typical replies were:

"Location is vital. It must be researched. Location is what is around you. You must do much thinking and searching for the proper, ideal location. Many operations are succeeding now only because they are new. Newness is short-lived."

"It's the most important factor."

"Up until now I have always felt three things were really important in the motel business, and the three things were location, location, location. However, I feel Holiday Inns is tending to disprove this." (This man was not a Holiday Inns owner or manager. He was in no way connected with Holiday Inns.)

Question 66b. Interview responses. (30)  
Is your location a good location.

Yes.....25  
No.....5

The following are indicative comments by those who answered "yes":

"This is a really good location. The town is moving out and we're just off two major highways."

"Yes, it's a good location, and it's going to get better all the time."

Those who replied "no":

"No, this is not a good location. We had the best location in town. We were on the old highway, but the new expressway has really hurt us."

"No, this is not a good location. I'd like to be just off the freeway or I'd like to be in town. Wherever I would be, I would like to have good surroundings. It's necessary for the location to have good surroundings."

The following comment from a motel owner sums up very well the feelings of those who felt they did not have good locations:

"No, this is not a good location, this is a secondary location -- or the people wouldn't be going elsewhere."

## CHAPTER VIII

### AFFILIATION

Affiliation is an important factor in the ownership and management of Michigan motels. The effects of chain and franchise affiliation are of definite consequence in the Michigan motel industry. This study included personal interviews with fourteen chain or franchise operations, and thirteen of the sixty-eight motels studied through the mailed questionnaire were chain or franchise motels.

The growth of the franchise motel in the past ten years has been little less than phenomenal. Less than ten years ago, most of the major motel chains of today were non-existent or were just getting started. Today there are many affiliation groups (active either as chains or as franchises or as referral groups) throughout the United States. These chain, franchise and referral groups are present in Michigan.

Some of the major national franchise organizations are: Holiday Inns, Howard Johnson, Quality Courts, Congress Motor Hotels, and Ramada Inns. The major

chains are: Holiday Inns; motel chains initiated and owned by older leading hotel chains, such as Hilton Hotels' Hilton Inns, the Sheraton Hotels' Sheraton Inns, and the Albert Pick Motels; and the Charter House Motels owned by the Hotel Corporation of America.

A new addition to the above franchise list are the Imperial 400 Motels. Since 1961, this franchise group has built ninety-six Imperial 400 Motels in the United States.

Some of the advantages and disadvantages accruing to the motels which are franchise were discussed in Chapter IV of this study. Howard Johnson and Holiday Inns are probably the best known and the more typical of the groups offering franchises.

Holiday Inns was started by Mr. Kemmons Wilson, a building contractor from Memphis, Tennessee.

"In 1954, Kemmons brought sixty-four big builders to Memphis to fire them with enthusiasm for making Holiday Inns a national chain. Fewer than ten caught fire. Even those did little to fan the flame...In 1957, with forty-seven inns in operation, seven of them company owned, the stock came up for Holiday Inns. That was the year of the first stock issue -- one hundred and twenty thousand shares at \$9.75 per. Fortune was to beam on people who bought."<sup>1</sup>

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<sup>1</sup>"Third Annual Study of the Holiday Inns of America," The Journal of American Innkeeping, (Sept., 1963), p. 21.

Today Holiday Inns -- both company-owned and franchised -- number over four hundred fifty. It is difficult to keep track of the exact number because, on the average, new Holiday Inns open at the rate of one each week.

A second major group is the Howard Johnson Motor Lodges.

"The first Howard Johnson Motor Lodge was licensed to be built in 1954, at Savannah, Georgia... plans call for a chain-wide total of two hundred units by 1964. There are plenty of reasons for this spectacular growth. To begin with, most tourists prefer the known to the unknown. Every Howard Johnson Motor Lodge adjoins a Howard Johnson Restaurant, assuring the traveler of good food at reasonable prices...The dramatic architecture centered around the bright orange roof serves as a hard-to-ignore symbol of comfortable, contemporary accommodations at moderate prices...Success breeds success; the wide public acceptance of Howard Johnson's standards for both motor lodge and restaurant operation makes them highly attractive investments for businessmen who are looking for places to put their extra capital. The first Howard Johnson's averaged better than ninety per cent occupancy. Even as these expanded, and new lodges joined the chain, occupancies continued to range well above the national average for motor hotels."<sup>1</sup>

Although franchising as a business technique is relatively new, the growth of the above franchises has been meteoric.

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<sup>1</sup>"The Howard Johnson Story: Setting Standards by the Book," Hotel-Motel Management Review, (June, 1963), p. 27.

"Franchise selling has rapidly evolved since the 1930's into an important and dynamic force in American merchandising...The appeal to the franchisee is the opportunity to build a profitable enterprise for himself and his family with the name, buying power, and professional back-up of a national organization."<sup>1</sup>

One man's considerations as to whether it is better to be an independent motel owner or to operate a franchise motel are summed up by Mr. Mark Friedman, who operates both a franchise motel and an independent motel.

"If I were starting today, I would have to be a franchisee." But if the franchise agreement limits a man's independence in one way -- mainly in requiring standards, which isn't such a bad thing -- it frees him in another. It gives him a fighting chance to succeed."<sup>2</sup>

In addition to the franchise and chains, Travelodge has developed motels across the United States by the co-owner method. Travelodge finds a local investor (which may mean one investor or a group of investors) willing to put up fifty per cent of the money. Travelodge puts up the remaining fifty per cent and enters into a co-owner arrangement.

Imperial 400 follows much the same procedure but does not require only twenty-five per cent from the owner and are

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<sup>1</sup>William P. Hall, "Franchising -- New Scope for an Old Technique," Harvard Business Review, (Jan. - Feb., 1964), p. 60.

<sup>2</sup>Mark Friedman, "Independent vs Franchise Innkeeping," Innkeeping, (April, 1964), p. 27.

themselves willing to carry seventy-five per cent. Imperial 400 will also sell a franchise outright. Both Travelodge and Imperial 400 require that one of the investors live on the motel's premises and be active in the management.

In addition to co-ownerships, franchises, and chains, there are also groups that affiliate for advertising purposes. The giant in this field was Quality Courts until they switched recently from an affiliation to a franchise system. Two of the outstanding affiliation groups today are Best Western and Master Hosts. For a fee -- usually including a specific amount of money per room per month -- a motel can join one of these affiliation groups for national advertising purposes if it can meet the relatively high minimum standards required. These minimum standards may, for example, include parking space, wall-to-wall carpeting, and television and telephone in every room. Motels which qualify advertise on their stationery, their road signs, and so on -- the fact that they are "Best Western" or "Master Hosts" motels.

Although it is not precisely an affiliation group, mention must be made here of the American Automobile Association. This organization publishes and distributes to its members various guide books which list motels which have met the minimum standards of the American Automobile



Association. Below are listed a few of the standards requisite for inclusion by the AAA.

1. Establishments having fewer than ten individual rental units are ineligible.
2. Every unit in the motel must have a private bath.
3. Rooms must have safe and adequate heating.
4. Establishments located in undesirable environs are ineligible.
5. Each unit must have good ventilation.

AAA will not list any establishment which refuses to declare its rates for publication.

7. AAA will not accept any establishment where the operation appears to be immoral or where the management appears to be inhospitable to its guests.<sup>1</sup>

A fee is charged by the American Automobile Association for listing in their tour guide books. A fee is charged, however, for the signs which the motel displays.

The following affiliation information and discussions were obtained by mail survey, by the mailed questionnaire and through the interviews with the selected Michigan motels.

Question 2 Mailed responses (68)  
Your motel is:

Independent.....	44
Franchise.....	11

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<sup>1</sup>AAA Facts (Washington, D.C.: American Automobile Association, 1960).

AAA.....	9
Chain.....	2
Affiliated.....	2

Question 2. Interview responses. (30)  
Your motel is:

Independent.....	15
Franchise.....	10
AAA.....	6
Chain.....	4
Co-owner.....	1

During interviews it was learned that five motels which classified themselves as independents were AAA affiliated. One franchise motel was affiliated with AAA. This was the only dual-affiliation noted although it is possible that some franchise or chain motels may also have had AAA recommendation. They did not, however, display the AAA sign or mention a connection with AAA.

Question 76. Mailed responses (68)  
If affiliated, you are affiliated through:

Franchise.....	1
AAA.....	9
Chain.....	2
Affiliated.....	2

Question 11. Interview responses. (30)  
If affiliated, you are affiliated through:

Franchise.....	10
Chain.....	4
Co-owner.....	1

Fifteen of the thirty motels interviewed were in a chain or franchise category. This does not, however, imply that these groups are proportionately large in Michigan generally. It can only be stated that these were the

individual motel owners and managers who responded affirmatively to this study's request for an interview from among those who received letters requesting an interview. Of seventy-five random motels requested for interviews, these fifteen were among thirty who did grant one.

Franchise and chain motels are usually in the fifty and over category in room size, and they do constitute an important segment of the larger Michigan motels.

Question 75. Mailed responses (68)  
Affiliated:

AAA.....	9
Plan to affiliate in the	
near future.....	7
Never really thought	
about affiliating.....	5
Imperial 400.....	3
Inn America.....	3
Holiday Inns.....	2
Quality Courts.....	2
Best Western.....	1
Howard Johnson.....	1
Master Hosts.....	1
Superior Motels.....	1

Seven of the above plan to affiliate in the near future. Some were contemplating joining AAA. Others were considering joining one of the groups for advertising purposes, such as Best Western or Superior Motels.

Question 10. Interview responses (30)  
If affiliated, you are affiliated with which organization

Franchise:	
Holiday Inns.....	5
Howard Johnson.....	2
Inn America.....	2
Imperial 400.....	1

## Chain:

Holiday Inns.....1  
 Albert Pick.....1  
 Stouffers.....1  
 Independent chain.....1

## Co-owner:

TraveLodge.....1

AAA:.....6

No discussion which might make specific responses to the study's questions identifiable with the above will be presented for this question or in the study. Each owner or manager who was kind enough to contribute to this study was promised that he (and his motel) would enjoy complete anonymity throughout the study.

## Question 78. Mailed responses. (68)

Does the cost of affiliation pay for itself financially.

Yes.....17  
 Blank..... 3  
 Not sure..... 2  
 No..... 1

## Question 12. Interview responses. (30)

Does the cost of affiliation pay for itself financially.

Yes.....17  
 Blank..... 8  
 Not sure..... 3  
 No..... 2

The motel of the individual who replied "no" to mailed questionnaire question seventy-eight was with a major franchise organization. The two who responded "no" during interviews (question twelve interview) were dissatisfied with AAA. The interviewed three who stated "not sure" also had AAA-affiliated motels. Some of the general comments about AAA were as follows:

"AAA is excellent for tourists. It's not too important for commercial men."

"AAA is good for a highway motel. A city motel must have high standards and it's not necessary to have AAA."

Some who felt that affiliation (referring also to other than AAA) was worthwhile commented:

"Very much so, since I have an off-highway location."

"I would not be in the motel business unless affiliated."

"Our referral system and the standards imposed on us are our biggest assets."

"It has made us."

"It would be foolish not to be affiliated. I have one hesitation. There's too high a per cent for the franchise."

The great majority of the affiliated motel owner/managers interviewed were very pleased with their affiliation. Those affiliated with Holiday Inns were outspoken in their praise of Holiday Inns. One Holiday Inns manager stated:

"There's magic in the name Holiday Inns."

Question 77. Mailed responses. (68)

If you are an affiliated motel, do you feel you benefit from this affiliation.

Yes.....	20
No.....	1
Not sure.....	1
Blank.....	1

The motel owner/manager of a franchised motel who responded "no" to this question was the same individual

who responded "no" to question seventy-eight mailed -- he answered to that question that in his opinion the cost of affiliation did not pay for itself. The individual who replied "not sure" to question seventy-seven mailed belonged to an affiliation organized for the purposes of national advertising.

Question 79. Mailed responses. (68)  
Who decided whether the motel should or should not be affiliated.

Owner.....	45
Partner.....	18
Manager.....	3
Management firm.....	1
Bought as a franchise.....	1

The three managers who made the decision whether or not to affiliate chose respectively franchise, a national affiliation group, and independent status. In accordance with a pattern which has established itself throughout this study, major decisions (particularly financial ones) are usually made by the owner. The question of affiliation would affect the owner financially and would in many cases impose outside standards upon the motel.

Question 80. Mailed responses. (68)  
The decision to affiliate or not to affiliate was based on:

Good reputation of organization to join.....	16
Dollars and cents figure projection.....	11
Intuition and beliefs.....	10
Other.....	6

Previous affiliation  
 experience..... 1  
 Bad reputation of organi-  
 zation to join..... 0

(Other: develop own reputation 1, no need to affiliate 3,  
 bought as a franchise 1, I like only AAA 1.)

Ten individuals were notably honest in their answers.  
 They checked "intuition and beliefs" as a basis upon which  
 they decided whether to affiliate or not.

Question 13. Interview responses. (30)  
 Or what was the decision to affiliate or not affiliate  
 based.

Reputation of organiza-  
 tion to join.....9  
 Don't need to affiliate.....6  
 Part of chain.....4  
 Were already affiliated  
 when I started here.....3  
 Were affiliated in  
 previous motel.....2  
 Wanted referral.....1  
 It's necessary to be  
 affiliated.....1  
 Don't want to be tied down.....1  
 Not worth it.....1  
 Dropped it.....1  
 Built by franchise.....1

The reputation of the affiliation organization in  
 question comes strongly to the fore as a major reason for  
 affiliating. Four of the six who stated that they did not  
 need referral business had over eighty per cent occupancy  
 (the median for those interviewed was seventy-eight per  
 cent). The remaining two had better than seventy per cent

occupancy, which is above the national average stated by Horwath and Horwath.<sup>1</sup> This tends to verify their contention that they do not need affiliation. Those who said they did not need affiliation were usually smaller motels. It is questionable whether some of the smaller motels could meet the standards of some affiliate groups.

The vast majority of those who were affiliated expressed satisfaction -- or more than satisfaction -- with their affiliation organizations.

Question 74. Interview responses. (30)  
Why might you consider affiliation an important form of advertising.

For referral and reservations.....	8
Holiday Inns are "great".....	8
Public recognition of standards.....	5
Ability to advertise.....	5
Would not be good for us.....	5
Costs too much.....	4
Management know-how.....	3
Cost pays for itself.....	2
May join later.....	2
We'll never join.....	1
Owner does not like affiliation	
and is an independent type of	
person (his manager said).....	1

(Holiday Inns are "great": only 6 Holiday Inns were in the study. All 6 of the Holiday Inns men are represented here. All 8 of the 8 in this category (interviewed separately) used the same word -- "great.")

The answers total forty-four due to the fact that many gave more than one reason. While this question is of an

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<sup>1</sup>"Eighth Annual Motor Hotel Study," The Horwath Accountant, (Vol. 44, No. 4, 1964).



advertising nature, it was felt that the information also relates to this discussion of affiliation. Some typical owner/managers' comments and remarks concerning the above question were as follows:

"Just the word 'holiday' has glamor -- plus the standardized signs and name of Holiday Inns."

"The public recognizes a basic minimum standard when they see one of the major affiliated names."

"Yes, it's good. It cheapens the cost of advertising and allows one to advertise on a national basis."

One of the big advantages with affiliation is its ability to advertise. It's one of the big pitches affiliation has. They can advertise for me in areas where I can't afford to advertise. Customers come from all over. Affiliation can do a job in an area where they are located that I as an independent couldn't do in the long run. That's why the large independent can't compete. It can also be a factor in purchasing power. Affiliation can give management technique, facts, figures, and proven ways instead of my trying to figure it out by myself. A franchise has more information readily available. If you get into financial trouble you will be better off if you're franchised. You can sell out, get more money, and get it easier. If new, a franchise can really help. The organization can help you select the location and design and construct the building."

The preceding comments illustrate the general feeling of the majority of the owner/managers of franchised operations. A dissenting opinion was as follows:

"I don't see how affiliation could benefit us. Those which do belong send their overflow to us. Some referrals might help, but I doubt if the cost would be justified."

Affiliation has become a very important factor in motel business in the United States and in Michigan. The

vast majority of those affiliated stated that they were more than satisfied with their affiliation. Some felt that AAA did not really pay for itself. Others thought AAA was a good organization with which to be associated.

The larger motels in the study -- those fifty units and more in size -- were, in the main, affiliated. An owner/manager said, "It would be foolish for a large independent not to be affiliated. They can't compete."

In many situations, the affiliated motels have grown at the expense of the non-affiliated motels. In several cases, affiliated motels have aided the small independents -- either purposely or inadvertently -- by sending them their overflow.

According to many owner/managers, affiliation is important and almost vital to the larger selected Michigan motels studied. It is the writer's opinion that affiliation among the large motels in major Michigan cities will continue and will increase. Carefully-selected affiliation with the appropriate organization seems to offer more advantages to the larger motel operation than it does disadvantages.

The large, affiliated motels are replacing the outdated and antiquated downtown hotels. These motels have the financing and the resources to obtain land in good locations. They conserve on construction costs through

standard building plans and procedures. They can afford to offer comfortable, modern, sometimes even luxurious accommodations for the same prices which older downtown hotels, due to high land cost, high real estate tax and high maintenance costs, must charge the public.

It is the writer's opinion that affiliation through chain, franchise and referral organizations can be expected to continue and to increase in Michigan.

## CHAPTER IX

### MAJOR PROBLEMS IN OWNERSHIP AND MANAGEMENT OF MOTELS STUDIED

Through the final interview question (question seventy-five below) owner/managers of the selected motels were encouraged to present and discuss at length their own major problem (or problems) of motel operation. It was hoped that a comparison and examination of the operational phases cited by them as important trouble areas would give added insight into the nature of the ownership and management of the Michigan motels selected for interviews.

Question 75. Interview responses. (30)  
What is the major problem in the operation of your motel?

Employees.....	12
Guests.....	5
Maintenance.....	4
Overworked.....	4
Physical motel plant itself.....	3
Occupancy.....	3
No major problems.....	3
Manager's living quarters.....	3
Highway changed.....	2
Telephone.....	2
Factory pays better.....	2
Theft.....	1
Accounts receivable.....	1
Communication.....	1

(Factory pays better: difficult to keep maids and other employees at motel jobs.)

The above breakdown tabulates major problems as they were expressed by the motel owners and managers themselves during the interviews. Thirty motel owner/managers were interviewed, but the above replies total forty-six because some mentioned more than one problem.

In a few cases owner/managers discussed problems which they themselves did not categorize as "major." These individuals often began their remarks with some comment such as, "I have no big, major problems, but..." They would then tell of motel troubles which did create some degree of dissatisfaction or tension for them in their work. Primarily, the discussion following will, however, concern problems noted by those interviewed as "major." These problems have been divided into four areas:

1. Employees.
2. Guests.
3. Physical facilities.
4. Overall management.

#### The Employees

Twelve of the thirty owner/managers interviewed indicated some type of problem with their employees.

"My biggest problem is the low pay for employees. I would like to be able to raise motel rates and pay employees a good wage, but I can't do this all alone."

The above is typical of those owner/managers who felt that their pay scale deterred them from attracting and

keeping efficient, reliable employees. Several indicated that they would like to be able to pay well enough to attract better employees. It is generally accepted that the service industries garner workers with comparatively lower levels of education and skills. There are, of course, highly demanding positions within the service industries which require education and special training and knowledge. The work of the motel maids and the work performed by those in many other motel jobs can not, however, be classified as skilled. Adequate pay and working conditions are nevertheless essential for keeping satisfactory unskilled motel workers on the job. This factor was a problem often cited by the motel owner/managers interviewed.

The owner quoted above wished to attract better employees. It is, however, questionable whether he would have had better luck even if he could have afforded to pay better wages. The work performed by the maids at a motel is menial. Many girls and women prefer office or sales clerk jobs, if they can get them, because of better environmental settings -- even though the pay for these jobs may be less than that for factory work. Factories generally pay better wages than office or clerking jobs, yet many untrained women would still prefer the office work in "nicer" surroundings.

From the above, it can be gathered that wages alone will not completely solve the problem. Many women prefer the status implied in office work instead of motel or factory work even though factories pay more than offices. It can be concluded, then, that if motels were able to pay wages above office wages, they might still encounter some difficulty in attracting the type of employee they seek.

The wage problem is further illustrated by the following comment:

"My biggest problem is the employees. It's hard to keep the help satisfied. Wages won't do it. A seven-day-a-week operation is hard. Sunday activities and churchgoing make it difficult for me to get girls who will work on Sundays. When I hire them, they seem to quit looking for work. I have tried college kids for part-time. They will accept the wages but not the responsibility."

The above illustrates some of the wage problem. Turnover is usually associated with low wages, but other factors may be involved in the problem of turnover.

"We have a high rate of turnover. Our pay scale is good -- above average for motels in the area. But the employees are restless. Factory work will pay more. But they won't make any more anywhere else in this area in our business."

Even if a motel owner/manager is able to resolve the problem of wages and turnover, he may still have difficulties.

"Our biggest problem is getting our employees to pay attention to day-to-day details. We also have problems of communication. Parties are not properly booked, etc. We try to get our employees to think and to evaluate. It's impossible to put everything on paper."

The above re-emphasizes the responses to question twenty-nine interview -- what is your major problem with the maids. To this the majority responded "inattention to detail."

One manager in a large industrial area was not plagued with the problems posed in the area of the menial employee. He had a different type of problem -- in the area of clerical and managerial employee positions.

"There is a tremendous shortage of trained personnel to work as supervisors and assistant managers. There is no training for those jobs. I would like to see a course taught to this group. I feel the junior college should train in this area."

There are several two-year programs in various parts of the United States which attempt to fill this need. Four-year-college graduates may work in the positions the above owner/manager discussed temporarily, but they are usually on their way into management positions. Then too, many motel operations cannot afford to pay the salary necessary to retain four-year-college graduates in these secondary management positions. One manager stated, "There's only one good job in this motel, and I've got it." At the present time there is no two-year program in Michigan. There are currently, however, plans for the establishment of such a program at Lansing Community College.

The above is indicative of the various types of replies and comments about the employees working in Michigan



motels. Generally, the managers and owners expressed their desire to find competent employees and keep them. This is a universal business problem, and the motel managers studied are not alone in their worries on this subject.

### The Guests

Several managers stated that they had problems with their guests.

"Ours is a minor problem. Occasionally a man will register for only one although we know it's for two. This is a problem and it's embarrassing to us. Some places require both to register. Often, if we say anything to the man, he will reply, 'She's only going to be here for a few minutes -- I'm going to change and we're going over to visit some friends,' and so on."

"College students and keeping out noisy parties, shack-ups, and so forth, are my major problem. They come in the back windows. This, at one time (prior to this manager), was the place to go for shack-ups. We occasionally will still get a few who will try on weekends, or groups who want to rent a room for parties. Anyone throwing a party in their room is kicked out and they don't get a refund, either. Of course, I tell them this when they check in, if they look like they're renting the room for a party. Some motels in this area refuse to have anything to do with students. We occasionally get a student who will check in to study, simply because it's quiet here."

"To tell the truth, we have no problems. We have a select clientele. They must be clean and presentable. They must have a decent car. No wild parties and no gambling allowed. We will not rent out for shack-ups. We try to run a good, clean place."

The above illustrates some of the moral problems which motels may face. There is a chapter in their history

which indicted motels as places which rented rooms for immoral trysts. Many older people remember days when motels had, to some degree, the reputation of renting rooms by the hour. This is a past which all motel operators who mentioned this type of problem are trying to overcome. One owner/manager made the following remarks on the subject:

"I'm not trying to be the conscience of the world. I'm trying to run a reputable motel. I've seen what can happen to a motel that has a reputation for shack-ups. You can't keep them all out. The only time I've ever seen a wedding license from a guest was once, when a young couple were checking in here. The man was filling out the registration blank and needed to write in his car license number. He shouted to his wife, 'What's the license number?' She dashed into the lobby waving her marriage license. You can't ask people for their wedding licenses, but you don't want the reputation as the place to go for shack-ups."

The motel operators studied most vehemently did not want their motels to be places for assignation. They were always on the alert to prevent any occurrences which might lead to this type of reputation.

The majority of the problems concerning guests did not involve moral turpitude. The following is indicative of a more prevalent problem.

"My biggest problem is getting enough business. If one has enough business, all other problems are small."

The following answer gives insight into a common problem -- and attitude -- in the area of guest relations:

"Our biggest problem is trying to please everybody. We try, my wife and I, to adapt ourselves to each guest. We try to make each guest welcome."

The motel owner/managers were anxious to avoid a bad moral reputation. Their main concerns were in serving their guests well -- and in attracting as many guests as they could accommodate.

### Physical Facilities

Several managers stated that they had problems with physical facilities. There were a variety of difficulties created mainly by motel construction and/or the physical motel plant itself. One manager commented:

"My major problem is the small size of my motel. (Less than fifty rooms.) I have no flexibility. We have problems with storage and trying to room guests. My biggest problems here are physical."

This statement indicates the problem of a small operator who needs more space. Several mentioned a desire to expand their motels' physical facilities. A few who could financially afford to were actually in the process of enlarging their motels when interviews were conducted on their premises.

The location of the motel geographically in the state and locally in its own community can also present problems.

"Since the expressway came through, we are no longer on a highway and we can't be seen from the expressway."

As highways change, motels and other businesses located along the older highways were often hurt. Changing traffic patterns were a problem over which the motels had no control. They could only counteract by placing new signs (where allowed) and by taking whatever upgrading steps were feasible to direct and attract travelers from these new roads to their now less-accessible motels.

A few motel operators stated that highway relocation had helped them. These motels had formerly been in secondary locations. A new thoroughfare or expressway constructed near them was a boon to these fortunate few.

Maintenance of the motel's physical facilities is a problem faced by all motel operators. Four of the interviewed owner/managers cited maintenance as their major problem.

"The swimming pool is my big problem. It gets dirty. We're located in an industrial setting. The pool is only five feet deep. Even if I could keep it clean, I feel it has limited value."

A more serious problem of maintenance was described as follows:

"This place was built to sell, not to operate. It was poorly constructed. I've had problems with bad plumbing, heating, flooring, etc. My biggest headache is keeping the place up in general. A constant headache is the heating system in the winter and the air conditioning in summer."

Maintenance work is necessary for every motel. Motels must be kept in a clean, safe, and attractive condition or

occupancy will suffer. For some owner/managers, the maintenance of physical facilities was the major motel problem.

The tangible problems of plant size, maintenance, and shifting traffic streams were cited by the owner/managers mentioned above.

### Management

The management of the selected Michigan motels was discussed in Chapter V of this study. Wider-based phases of management and management problems were presented. The following also deals with management problems, but from a slightly different viewpoint. What follow here are more in the nature of personal complaints -- some of them plaintive -- made by the owner/managers concerning their own reactions to the motel business. For some of these owner/managers, the following troubles caused very real difficulties and were ranked by them as their major motel problem.

"Most owners do not give enough consideration to managers they expect to live in. They do not provide adequate living quarters or facilities for their managers. A manager needs a small apartment with a separate bedroom. The manager is in the rooming business but he gets the poorest accommodations. They (the owners) should make him more comfortable where he'll be happier and do a better job. I feel this is a common problem. Other managers in our area feel the same way. The owners just don't know how much time it takes for us to do our job around here. We should be made more comfortable."

The above comment was typical of those from managers of the small motels -- less than fifty rooms in size -- who live on the premises. In larger motels, the manager usually does not live on the premises. The motel is more apt to be able to hire sufficient help so that the manager's presence may not always be required.

Even if the owner/manager has adequate living quarters, other business troubles plague many of them.

"Our problem is the telephone. It takes up to sixty per cent of our time answering the phone. All calls must go through the switchboard. We can't do our other work. I would like to change to some form of direct dial, but we can't afford the expense."

The problems of the small motel owner are further exemplified by the following:

"Our biggest problem is that we get too personally involved with the business. We're not doing the amount of business we should, but you still get that deep, personal involvement. You get too tired, too overworked. You have to be here all the time and get up nights as well to rent rooms. You just can't get away."

The problems discussed above are in some cases those of the ownership or the management of the smaller motel. The owner/manager and his family in many cases find it necessary to live at the motel. Their quarters are often inadequate. Because the smaller motel very probably cannot afford additional personnel, these owner/managers can seldom leave the premises. They are in the service industry

and must cater to guests, day and night. A common plight of many owners or managers of the smaller motel is that they are constantly tired because they must get up at night to rent rooms. They cannot afford not to.

## CHAPTER X

### CONCLUSIONS AND SUMMARY

#### Business Experience of Owner/Managers

All of those interviewed had prior business experience either through operation of their own businesses or through working for other business firms. One result of this was management rather tightly controlled by the ownership.

#### Education of Owner/Managers

The educational level of the person or persons who owned and/or managed the motels was high. A relatively large percentage of owners or managers had college degrees or partial college education. Those who had less formal education demonstrated in their ownership/management practices that they had learned about business methods -- and about motel business methods in particular -- through experience and self-education and through the obtaining of informed help where needed.

The level of education (formal and otherwise) was found to be comparatively high among the men and women who owned and/or managed the motels studied. The



knowledge of the ownership/management was available to the motel and was utilized in varying aspects in the motel operation by the individual (or individuals) in managerial or ownership capacities.

### The Managers

If a hired manager operated the motel, one of his main assignments was in the field of guest relations. The manager's personality, salesmanship and hospitable attitude were vital to the motel in the effect he had in personally greeting the public. He was responsible for the smoothness and efficiency of the workings of the motel as related to the reception of the clientele, and to the smooth overall daily functionings of the motel in general. As the size of the motel increased, the hired manager's duties as host and welcomer of guests diminished, while his responsibility in supervising the internal functionings of the motel's technical aspects increased.

The hired manager was primarily responsible for day-to-day operating problems and decisions. The definitive problems and questions, however, and in particular those problems involving expenditures or main policy decisions, were usually acted upon or decided by the owner. The hired manager's ideas and recommendations were, however, generally respected and given thoughtful consideration by the owner.

### The Maids

The one classification of employee universally hired by all motels was the maids, who were by far the most numerous of the motels' hired employees.

There appears to be no significant method of training motel maids which differs from standard, recommended business methods of employee training. Special modern techniques of training (such as films, cleaning procedure booklets and manuals, etc.) were used by some motels. In virtually every case maids were primarily taught how to carry on their work by an "on-the-job" training process which conforms to accepted management practice.

The major management personnel problem did, as would be expected from the number of employees involved, concern the maids. The primary problem cited was a tendency toward lack of proper attention to detail by the maids in their work. In view of the general reaction by the motel men studied to the question of degree of difficulty in managing (or degree of success in solving) problems with the main motel worker, the maid, the following comment would have to be limitedly disputed in its applicability to the motels in this study. The quotation is as follows:

"The maid is the entire key to your operation -- in fact, your maids are your motel."<sup>1</sup>

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<sup>1</sup>Ralph Dellevie, "Modern Motelkeeping: Part 5; How to Do It," Tourist Court Journal, (May, 1964), p. 30.

That "the maids are the motel" holds partially true for this study in that motels do depend upon the maids greatly. However, although the majority of the motel owner/managers stated "employees" as their major problem, they indicated a wide variety of aspects of the problem. Very many of those studied were completely satisfied with the work of their maids, and if they were not, they did not indict the problem as a ruinous one. They listed and discussed a great variety of other situations, areas, and problems which they considered more vital to their operations.

The maids are important to the motels in this study, but it is concluded here, based on the study of the selected motels, that many other factors and aspects of motel ownership/management are as important or more important than the performance of the maids. To cite an example situation, in some of the motels studied the maids could have out-performed any other cleaning crew in the world and not have perceptibly affected the motel's sales due to the fact that a new super-expressway had just re-routed a staggering percentage of the motel's clientele to a traffic pattern ten miles distant from the motel's location. The cleanest rooms in the world would not be more than a partial aid to the motel in a situation of that type. An extremely inefficient cleaning staff might,

on the other hand, reduce the appeal of a motel with a superb and uncontested expressway location. Pertaining to the motels in this study, however, it is not accurate to state that "the maids are the motel." They are instead one important aspect of it.

### Financing

The majority of the owners, when asked why they invested in motels, stated that they had invested in motels because they expected an above-average return on their equity. A few said that they bought a motel because they "had always wanted to" or "it sounded like a good business which they felt they would enjoy." The majority entered in a soundly thought-out, thoroughly efficient and researched, business-like manner. Some of the motels were, in spite of this, burdened with debt. According to the information presented by the motel men, it can be concluded here that for the majority of the eighty-eight motels in this study, financing was not a major problem.

The equity capital invested by owners came in an overwhelmingly large measure as funds they had obtained through their own efforts in other businesses. Only two of the motel owners interviewed indicated that the major portion of the equity capital they invested in motels was inherited. The remaining twenty-three interviewed (after the five chain motels have been excluded) invested in

motels after having disposed of other businesses or as a means to earn a return on funds obtained from their own other businesses. Some invested with savings earned while working in other fields and in previous businesses.

In addition to equity capital invested by the owners, long term debt came from banks, mortgage firms, and insurance companies in the form of mortgages on the motel. The median of the mailed study was sixty per cent mortgage debt and forty per cent ownership equity. For the motels interviewed, the median was fifty per cent ownership equity and fifty per cent mortgage debt. The larger motels usually had a larger mortgage debt.

The impact of finance on management was disclosed mainly through statements by many interrogated that they did not experience a degree of difficulty in their management aspirations because of high mortgage and interest payments. It can be concluded here on the basis of this study that those motels studied which were financed by mortgage debt of over sixty per cent were more apt to have financial problems. (Only twenty-five of the eighty-eight motels studied stated that they had mortgage debt greater than sixty per cent.) They were more likely to be unable, at times, to meet their financial obligations and potentially could find themselves in the unenviable position of having very little working capital because of their debt burden.

Sale leaseback was one source of financing available to the motels. It was not, however, used by any of the eighty-eight motels in this entire study. It is fact that for the motels in the sample studied, sale leaseback was virtually ignored as a financing technique.

It can be concluded here that the Michigan motels studied are thoughtfully financed. The writer feels that one reason for this is that the owners farsightedly sought to avoid the excess burden of too high a mortgage payment in order to diminish financial difficulties in the event that their motels encountered periods of low occupancy. Another reason is that it is probable that many owners would not have been able to obtain more than a sixty per cent mortgage.

### Profit

When the eighty-eight motel owner/managers were asked if their motels were earning a profit, only five stated that they were not. Three of these five said that they believed their motels would earn profits in the future. Two of the eighty-eight studied (one interviewed motel and one motel studied through the mailed questionnaire) expressed real concern that their motels were not earning a profit. Both of these motels were experiencing occupancy problems.

Any analysis of profit in this study must be made on the basis of statements given by the owner/managers. Any discussion of profit must consider depreciation and the payment of salaries. A motel corporation may pay its manager a salary. A single proprietorship, where the owner is also the manager, may not pay a salary according to tax law. Hence although a proprietorship may show a profit, there might actually not be any if a reasonable deduction were made for the owner's salary. Some of the motels were using accelerated depreciation and others were using straight line depreciation. The method of depreciation used can radically affect the motel's profit. Thus this study can make no meaningful conclusion about the motels' profit.

#### Working Capital

The problem of being "pressed" for working capital was not an unusual problem. Some motels experienced this, particularly at their outset and until they had established a clientele. Some who mentioned the problem of periodically having insufficient working capital were a few which were located in resort-like areas and encountered the problem during their off-season, when fewer tourists traveled their way.

Several motels were funding cash for the future replacement of furniture and fixtures. Those which were not

doing this were, nevertheless, well aware of the situation and were anticipating encountering financial expenditures for upgrading in the future. They were cognizant of the potential problem and took other preparatory measures feasible for them, but several stated that they wanted to "keep their capital working." Some were in the process of upgrading while this study was being made.

#### Accounting

In the writer's opinion, the Michigan motel owners in this study were not, as a group, notably well versed in accounting matters. They did, however, seek help from a lawyer or a Certified Public Accountant to instruct them in areas in which they recognized their own lack of knowledge. Once they had been informed and advised by specialists in the areas they were investigating, such as tax law or other pertinent legal or accounting matters, the owners usually made their own decisions as to the particular methods and procedures their motels would exercise.

Managers hired by these owners were not, in general, told very much about the motel's financial aspects. Financial statements were not, in many instances, made available to the hired managers.

That the owner understood the importance to his motel of accounting is borne out by the fact that forty-five motels out of sixty-eight responding to the mailed



questionnaire replied that their motels were audited by Certified Public Accountants. This, it is felt, is a higher proportion than might be anticipated, and is sound business practice on the part of the owners.

#### Marketing Methods

The study revealed that to the motel owner/managers there were two major marketing methods -- both of which were very important to the vast majority of the motels studied.

The motels' major type of "marketing" or "selling" -- and the type which the owner/managers felt was more important than any form of paid advertising -- was the satisfied attitude of their own guests. It was most vital to them that their guests should feel the motel was a fine one, would return to it themselves if they could, and would recommend the particular motel to their friends or business acquaintances who might travel in the motel's vicinity. The motel owner/managers termed this "word-of-mouth" advertising, where satisfied guests returned and also spoke favorably of the motel to other potential guests. This was of vital significance to the motels and was actually their most prevalent and sought-after form of "advertising."

Their second major method of advertising and marketing was their road signs. The motel owners and managers felt road signs were by far their most important form of paid advertising.

It should be kept in mind that Michigan is an industrial state as well as a tourist state. These facts do draw many guests to Michigan and create a potentially good market for the motel. The converse is also true. Michigan's notable accommodations and tourism industry creates facilities which attract travelers.

#### Clientele

As stated by the owner/managers in this study, their own most vital customer was the traveling commercial man. Only in northern Michigan, where no large cities draw the commercial travelers to the area, did the owner/managers indicate that tourists were of greater importance to the motels than the commercial traveler.

It appears from the statements of owner/managers who took part in this study that those who enter the motel business in lower Michigan should plan on catering to the needs of the commercial traveler. It is not possible to calculate the per cent of business contributed by the commercial travelers, but the majority of motels did indicate the importance to them of the commercial traveler for the period from Labor Day to Memorial Day, when typically there are few tourists traveling. In order to assure that the commercial traveler will stay in their motels during this period of time, the motels must also cater to him during the main tourist season.

It might be regarded with some surprise, in view of the great degree of importance which the operators place on attracting repeat customers from among the ranks of the commercial men who travel in Michigan, that most of the motels studied did not offer the commercial man a special reduced rate to attract his business. Most of the motels studied did not have commercial rates and in fact did not approve of them. It was instead their conviction that they could secure the commercial men as clientele by offering pleasant rooms at reasonable rates. They thought it would be unfair to non-commercial travelers -- many of whom were repeat customers -- to reduce prices for commercial men and not for the others.

#### Competition

For most, competition was not at present a trouble area. The motel owner/managers respected (in fact usually liked) the motel operators who were their competition. Most operators cooperated and were friendly with the management of nearby motels. No one wished to begin a program of price-cutting or partially reduced rates.

The motel owner/managers interrogated seem to respect each personally and in business practices. They combine this cooperative attitude with a determination, in general, to charge prices which are reasonable for their guests. Their hope seemed to be to play fair with themselves, with

their guests, and with other motels. They compete with each other in a reasonable, cooperative -- often a friendly -- manner which also seems to assure their guests of good accommodations at reasonable cost.

### Affiliation

Affiliation appears to be beneficial for the large motel. The writer would predict, based on the findings of this study, that in the future affiliation will increase and will assume even more important proportions in the story of the large motels. Large motels now being built in Michigan would, in the writer's opinion, be wise to consider the increasingly vital possibilities of affiliation to strengthen their own potentials for successful operation.

The affiliation organizations are able to offer their memberships the proved benefits of widespread referral systems. Affiliate member motels have use of the organization's private and large-scale communications networks and can make advance reservations for their guests at motels which are fellow-affiliate members over wide geographical areas. Referral and reservation systems of the large motel affiliations permit members to receive reservations from an entire, vast affiliation membership. These systems of referral and reservation are likely, in

future, to become more valuable instruments for promoting and increasing the occupancy ratios of affiliate memberships.

A second and more important aspect of affiliation conducive to its growth is the fact that the public is coming, more and more, to recognize and appreciate the standards imposed on member motels by the large affiliated concerns.

Affiliates are required to maintain specified standards in the matters of cleanliness and safety. The result of this is that travelers, already aware of the imposing of standards by national brand names, are more and more relying on the familiar, nationally-advertised attributes of the larger national motel chains and franchise affiliates. Motel standardization results. One dissenting owner/manager interviewed observed:

"You check in to one of these big affiliated chain motels and you feel like you've been there before. They're monotonous."

Despite this possibility, the large affiliates are flourishing. Apparently the public does not object strenuously to the cases of "sameness" in affiliated motels' signs, room dimensions, fabric patterns and facilities. The affiliation sign on the large affiliated motels assures travelers of consistent quality at competitive prices. It seems that the public likes it.

### Limitations of This Study

It should be noted here that it is quite possible that the men who were generous enough to take the time and trouble to participate in this study were apt to be the more progressive and interested owner/managers. The motel men who took part in this study may have been above average in their concern with motel work. The per cent who responded out of the possible total was comparatively small. For these reasons, bias must be considered as a possibility in the findings of this study.

The conclusions reached and the ideas and information presented in this study are applicable only to the eighty-eight motels studied. Possible bias in this study must be considered due not only to the possibility of inaccurate information which may have been given by the owner/managers, but also to the possibility of bias in presenting information or misinterpretation of information by the writer.

### The Confining Nature of the Motel Business

Many of the owner/managers who were active in the running of the motels studied stated that they were overworked, and some said they were often exhausted. Most who lived on the premises of their motels complained that they "just never got away at all."

"Mistake number one is for the manager to set things up so that only he has responsibility for decision-making and thus makes himself 'key man' and a prisoner on the premises. This is bad organization -- even in a family-operated motel."<sup>1</sup>

The typical professional hired manager delegates responsibility where he can. He has difficulty in avoiding the role of prisoner, particularly if he must live on the motel's premises. He feels to a certain degree the confining nature of his work even if the motel which employs him does hire adequate assistance for him and permits him to reside off the premises.

The owner who manages his own smaller motel is a "prisoner." He does not like this aspect of the motel business one whit, but he likes the motel business nevertheless. There are several reasons why the owner of the small motel does not have consistent relief.

One reason is the economics of the small motel. The business does not in some cases generate sufficient income to pay all the bills, pay the owner an adequate salary, and also provide sufficient funds to pay for competent relief personnel.

A second problem is to find capable individuals who are willing and able to work on a part-time basis for the wages the owner can or will pay. If they are capable they probably cannot come in for an extended period of

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<sup>1</sup>Ralph Dellevie, "Modern Motelkeeping: Part 2; Tips on How to Operate," Tourist Court Journal, (Feb., 1964), p. 65.

time to relieve the owner for a vacation because they are usually employed elsewhere. It is possible at times, however, for the owner to hire capable employees to take over for an evening or for a few hours.

This confining nature of motel operation may be indicative of poor management on the owner's part, or it may be due mostly to the economics of the business -- in that the owner needs (for his financial obligations) the money he would pay his relief person. The round-the-clock operation of a motel is not always of a physically tiring nature, but someone in charge must be on the premises at all times.

#### A Final Word

It was important to the owner/managers to offer high-level service and show their guests the finest hospitality of which they and their motels were capable. They felt this attitude was a sound business practice and would further their motels' word-of-mouth, one-guest-tells-another type of advertising. But they also considered this ultra-hospitable management attitude to be the type of treatment which their guests deserved. They put much time and effort into their motels, and they put up with many irritating and fatiguing details of motel work. They studied their guests' reactions to and preferences in accommodations, and they tried to please them -- and not solely for reasons of profitable business.



The owner/managers for the most part gave every evidence of enjoying their work and of taking particular pleasure in serving the traveling public in their capacity as hosts. They were not insensitive to nor lacking in the attributes of congeniality, helpfulness and graciousness which are -- and have been since the ancient days of the beginning of roadside inns -- the traditional and finer attributes of the reliable and conscientious innkeeper. Many of the men who participated in this study gave every evidence of personifying this gracious tradition.

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## APPENDIX

### 1. The Mailed Procedure -- First Letter

#### MICHIGAN STATE UNIVERSITY

School of Hotel, Restaurant and  
Institutional Management  
405 Eppley Center  
East Lansing, Michigan

THE RESULTS OF THIS STUDY OF THE NATURE OF THE OWNER-  
SHIP AND MANAGEMENT OF SELECTED MICHIGAN MOTELS WILL BE  
SENT TO THOSE OF YOU WHO RETURN THE ENCLOSED QUESTIONNAIRE

Dear Sir:

The enclosed questionnaire is going to selected Michigan motels. The purpose of this questionnaire is to obtain information for a study of Michigan motels. This study will investigate the nature of the ownership and the management of selected Michigan motels.

We will be most grateful to you if you will take the time to fill in the enclosed questionnaire and mail it back to us. We apologize for the length of this questionnaire. Because it is so thorough, however, it should bring us sufficient motel data to permit us to complete a thorough study.

We assure you that all information you give will be incorporated into this study with complete anonymity for





you. Please do feel free to answer the questionnaire with as much detail as you possibly can. Your responses will be appreciated and will be treated with utter privacy. Your name and the name of your organization will definitely not be identified (will be, in fact, absolutely unidentifiable) in this study. The information obtained through these questionnaires will be tabulated for comparative purposes.

THE RESULTS OF THIS STUDY OF THE NATURE OF THE OWNERSHIP AND MANAGEMENT OF SELECTED MICHIGAN MOTELS WILL BE SENT TO THOSE OF YOU WHO RETURN THE QUESTIONNAIRE.

We will really appreciate your help. Won't you please fill in the questionnaire and mail it back to us as soon as possible.

Thank you very much.

Sincerely,

Douglas C. Keister  
Instructor

2. The Mailed Procedure -- Second Letter

MICHIGAN STATE UNIVERSITY

---

School of Hotel, Restaurant and  
Institutional Management  
405 Eppley Center  
East Lansing, Michigan

THE RESULTS OF THIS STUDY OF THE NATURE OF THE OWNER-  
SHIP AND MANAGEMENT OF SELECTED MICHIGAN MOTELS WILL BE  
SENT TO THOSE OF YOU WHO RETURN THE QUESTIONNAIRE

Dear Sir:

A study is now being made of the nature of the  
ownership and management of Michigan motels.

Your motel is being asked to take part in this  
study by filling in and returning and enclosed ques-  
tionnaire.

The questionnaire is long, and we apologize for  
asking for so much help from you. We will, however, send  
to you the motel information the study yields if you can  
give us your help. Complete and detailed information  
from you will permit us to draw up a better and more  
valid study. We will send to you the results of the analy-  
sis if you return the enclosed questionnaire.

The questionnaire and return envelopes have code num-  
bers solely to enable us to check in your questionnaires as  
received here so that we can mail you the results of the  
study. The code numbers are the only way we could figure  
out to know which of you have returned the questionnaire

and are to receive the results. This code is strictly a mailing device. Your name and the name of your organization will, of course, not be used at any time or in any way in this study. Please do feel free to answer the questionnaire with as much detail as you possibly can. We most definitely do assure you that all information you give will be incorporated into this study with absolute anonymity for you and your motel.

We hope very much that the findings of this study will be of interest to you. In order for the study to be valid, we need completed questionnaires. We will really appreciate your help. Please do fill in the questionnaire and mail it back to us as soon as possible.

Thank you very much.

Sincerely,

Douglas C. Keister  
Instructor

THE RESULTS OF THIS STUDY OF THE NATURE OF THE OWNERSHIP  
AND MANAGEMENT OF SELECTED MICHIGAN MOTELS WILL BE SENT TO  
THOSE OF YOU WHO RETURN THE QUESTIONNAIRE.

3. The Mailed Questionnaire

## QUESTIONNAIRE

1. How does the way in which your motel was financed affect the way your motel is managed.

2. Your motel is:  
independent \_\_\_\_\_  
chain \_\_\_\_\_  
franchise \_\_\_\_\_  
affiliated \_\_\_\_\_

3. Total number of rooms: \_\_\_\_\_

4. Total number of full-time employees: \_\_\_\_\_

5. Total number of part-time employees: \_\_\_\_\_

6. Services offered:  
rooms only \_\_\_\_\_  
restaurant \_\_\_\_\_  
bar \_\_\_\_\_  
swimming pool \_\_\_\_\_  
other (specify) \_\_\_\_\_

7. Geographical location:  
Upper Peninsula \_\_\_\_\_  
Lower Peninsula \_\_\_\_\_  
northern \_\_\_\_\_  
southern \_\_\_\_\_

eastern \_\_\_\_\_  
 western \_\_\_\_\_  
 Detroit area \_\_\_\_\_

8. Location:  
     downtown \_\_\_\_\_  
     suburbs \_\_\_\_\_  
     country \_\_\_\_\_
9. Year motel was built: \_\_\_\_\_
10. What is predominant classification of guests:  
     tourists \_\_\_\_\_  
     traveling salesmen \_\_\_\_\_  
     other (specify) \_\_\_\_\_  
     not sure \_\_\_\_\_
11. What do you estimate is repeat business:  
     10% \_\_\_\_\_  
     20% \_\_\_\_\_  
     other % (specify) \_\_\_\_\_
12. What is percentage of occupancy (total annual rooms occupied divided by total annual rooms available for sale): \_\_\_\_\_%
13. What is average rate per room available for sale (total annual rooms income divided by total rooms available for sale): \$ \_\_\_\_\_
14. What is average rate per room occupied (total rooms income divided by total rooms occupied): \$ \_\_\_\_\_
15. You are the:  
     owner \_\_\_\_\_  
     manager \_\_\_\_\_  
     both \_\_\_\_\_  
     other \_\_\_\_\_
16. Number of supervisory personnel: \_\_\_\_\_
17. Do you have an organization chart on paper:  
     yes \_\_\_\_\_  
     no \_\_\_\_\_
18. Are the owners active in management:  
     very \_\_\_\_\_  
     moderately \_\_\_\_\_  
     seldom \_\_\_\_\_  
     not at all \_\_\_\_\_

19. Is there a hired manager:  
yes \_\_\_\_\_  
no \_\_\_\_\_
20. Who sets the operating policy:  
owner \_\_\_\_\_  
manager \_\_\_\_\_  
department head \_\_\_\_\_  
other (specify) \_\_\_\_\_
21. Criteria for distinguishing between major and minor decisions:  
type of problem involved \_\_\_\_\_  
amount of money involved \_\_\_\_\_  
number of personnel involved \_\_\_\_\_  
individuals involved \_\_\_\_\_  
other (specify) \_\_\_\_\_
22. Who usually makes major decisions:  
owner \_\_\_\_\_  
manager \_\_\_\_\_  
department heads \_\_\_\_\_  
other (specify) \_\_\_\_\_
23. Who usually makes minor decisions:  
owner \_\_\_\_\_  
manager \_\_\_\_\_  
department heads \_\_\_\_\_  
other (specify) \_\_\_\_\_
24. Who sets the room prices:  
owner \_\_\_\_\_  
manager \_\_\_\_\_  
department heads \_\_\_\_\_  
other (specify) \_\_\_\_\_
25. Who decides when new equipment will be purchased:  
owner \_\_\_\_\_  
manager \_\_\_\_\_  
department heads \_\_\_\_\_  
other (specify) \_\_\_\_\_
26. Who decides how much should be spent for advertising:  
owner \_\_\_\_\_  
manager \_\_\_\_\_  
department heads \_\_\_\_\_  
other (specify) \_\_\_\_\_

27. Who decides if a maid should receive a raise:  
 owner \_\_\_\_\_  
 manager \_\_\_\_\_  
 department heads \_\_\_\_\_  
 other (specify) \_\_\_\_\_
28. The overall day-to-day decisions at your motel are made by:  
 senior partner \_\_\_\_\_  
 owner \_\_\_\_\_  
 manager \_\_\_\_\_  
 department heads \_\_\_\_\_  
 other (specify) \_\_\_\_\_
29. How many years has present manager been on job: \_\_\_\_\_
30. How many managers has the operation had: \_\_\_\_\_
31. Which of the following individuals have the power to hire and fire:  
 owner \_\_\_\_\_  
 manager \_\_\_\_\_  
 assistant manager \_\_\_\_\_  
 department heads \_\_\_\_\_  
 other (specify) \_\_\_\_\_
32. Business is a:  
 proprietorship \_\_\_\_\_  
 partnership \_\_\_\_\_  
 corporation \_\_\_\_\_
33. How many stockholders or partners: \_\_\_\_\_
34. Most of the money for purchasing the motel came from:  
 proprietorship \_\_\_\_\_  
 partnership \_\_\_\_\_  
 stockholders \_\_\_\_\_  
 mortgage firm \_\_\_\_\_
35. Approximately what percentage of purchase price was:  
 mortgage money \_\_\_\_\_ %  
 ownership money \_\_\_\_\_ %  
                                     100 %
36. Who holds the mortgage:  
 bank \_\_\_\_\_  
 private individual \_\_\_\_\_  
 insurance company \_\_\_\_\_  
 other (specify) \_\_\_\_\_



37. What is the rate of interest on mortgage: \_\_\_\_\_%
38. What was the original length of time for mortgage:  
\_\_\_\_\_ years.
39. Does interest plus principal equal a flat, constant monthly sum:  
yes \_\_\_\_\_  
no \_\_\_\_\_  
other (specify) \_\_\_\_\_  
not sure \_\_\_\_\_
40. Was there a second mortgage on your motel:  
yes \_\_\_\_\_  
no \_\_\_\_\_  
not sure \_\_\_\_\_
41. Was a second mortgage used to finance the purchase of furniture and fixtures:  
yes \_\_\_\_\_  
no \_\_\_\_\_  
not sure \_\_\_\_\_
- What period of time was mortgage: \_\_\_\_\_
42. Is the property leased:  
yes \_\_\_\_\_  
no \_\_\_\_\_  
not sure \_\_\_\_\_
43. If the property is leased, is it leased by a sale leaseback:  
yes \_\_\_\_\_  
no \_\_\_\_\_  
not sure \_\_\_\_\_
44. Do you have a financial investment in the motel:  
yes \_\_\_\_\_  
no \_\_\_\_\_
45. Approximately how much average time per day does the manager spend on accounting and financial matters:  
less than 1 hour \_\_\_\_\_  
1 to 2 hours \_\_\_\_\_  
2 to 3 hours \_\_\_\_\_  
more than 3 hours (how many hours) \_\_\_\_\_
46. What was original cost per room with furnishings:  
\$ \_\_\_\_\_

47. What was original cost per room without furnishings:  
\$ \_\_\_\_\_
48. What is rate of depreciation for furniture and fixtures: \_\_\_\_\_ % per year.
49. What is rate of depreciation for building:  
\_\_\_\_\_ % per year.
50. Do you have any other depreciation rates:  
yes (specify) \_\_\_\_\_  
no \_\_\_\_\_  
not sure \_\_\_\_\_
51. Which method of depreciation is used on the building:  
sum of years' digit \_\_\_\_\_  
declining balance \_\_\_\_\_  
straight line \_\_\_\_\_  
not sure \_\_\_\_\_  
other depreciation method used (specify) \_\_\_\_\_
52. Is the depreciation method used for furniture and fixtures the same as the depreciation method used for depreciation of the building  
yes \_\_\_\_\_  
no \_\_\_\_\_  
not sure \_\_\_\_\_  
other depreciation method used (specify) \_\_\_\_\_
53. Who made the recommendation as to the method of depreciation:  
owner \_\_\_\_\_  
manager \_\_\_\_\_  
accountant \_\_\_\_\_  
other (specify) \_\_\_\_\_
54. Who made the decision as to what method of depreciation would be used:  
owner \_\_\_\_\_  
manager \_\_\_\_\_  
accountant \_\_\_\_\_  
other (specify) \_\_\_\_\_
55. Is there a profit before depreciation:  
yes \_\_\_\_\_  
no \_\_\_\_\_
56. Who prepares the financial statements:  
owner \_\_\_\_\_  
manager \_\_\_\_\_

accountant \_\_\_\_\_  
 other (specify) \_\_\_\_\_

57. How often are financial statements prepared:  
 monthly \_\_\_\_\_  
 once a year \_\_\_\_\_  
 other (specify) \_\_\_\_\_
58. Is the motel currently operating at a profit?  
 yes \_\_\_\_\_  
 no \_\_\_\_\_
59. If the motel were to expand, who would make the decision:  
 owner \_\_\_\_\_  
 manager \_\_\_\_\_  
 other (specify) \_\_\_\_\_
60. Is there a planned program for replacing furniture and fixtures:  
 yes \_\_\_\_\_  
 no \_\_\_\_\_  
 not sure \_\_\_\_\_
61. Do you apply the knowledge gained from financial statements to daily operating decisions:  
 always \_\_\_\_\_  
 frequently \_\_\_\_\_  
 sometimes \_\_\_\_\_  
 seldom \_\_\_\_\_  
 never \_\_\_\_\_
62. Is a cash budget prepared for the motel?  
 yes \_\_\_\_\_  
 no \_\_\_\_\_
63. If a cash budget is prepared for the motel, by whom is it prepared:  
 owner \_\_\_\_\_  
 manager \_\_\_\_\_  
 accountant \_\_\_\_\_  
 department heads \_\_\_\_\_  
 other (specify) \_\_\_\_\_
64. Is your motel audited by Certified Public Accountants?  
 yes \_\_\_\_\_  
 no \_\_\_\_\_

65. Are the employees informed as to whether or not the operation is profitable:  
 yes \_\_\_\_\_  
 no \_\_\_\_\_
66. Do you have:  
 a full-time accountant \_\_\_\_\_  
 a part-time accountant \_\_\_\_\_  
 no accountant \_\_\_\_\_
67. Is the motel earning an adequate return on owner's investment:  
 yes \_\_\_\_\_  
 no \_\_\_\_\_  
 not sure \_\_\_\_\_
68. What do you really feel is an adequate return on motel investment:  
 5% \_\_\_\_\_  
 10% \_\_\_\_\_  
 15% \_\_\_\_\_  
 20% \_\_\_\_\_  
 other % (specify) \_\_\_\_\_
69. Which of the following do you really believe should be profit percentage of the sales dollar:  
 3% \_\_\_\_\_  
 5% \_\_\_\_\_  
 7% \_\_\_\_\_  
 10% \_\_\_\_\_  
 20% \_\_\_\_\_  
 other % (specify) \_\_\_\_\_
70. If you are an owner, do you pay yourself a salary before computing the motel's profit:  
 yes \_\_\_\_\_  
 no \_\_\_\_\_
71. What per cent of the annual profit is reinvested in the motel: \_\_\_\_\_%
72. If the housekeeping department needs another maid, who decides if she will be hired:  
 owner \_\_\_\_\_  
 manager \_\_\_\_\_  
 assistant manager \_\_\_\_\_  
 executive housekeeper \_\_\_\_\_  
 other (specify) \_\_\_\_\_

73. Approximately how much average time per day does the manager spend on day-to-day operating problems:
- less than 1 hour \_\_\_\_\_
  - 1 to 2 hours \_\_\_\_\_
  - 2 to 3 hours \_\_\_\_\_
  - more than 3 hours (how many hours) \_\_\_\_\_
74. Approximately how much average time per day does the manager spend in planning for future business and operational improvement
- less than 1 hour \_\_\_\_\_
  - 1 to 2 hours \_\_\_\_\_
  - 2 to 3 hours \_\_\_\_\_
  - more than 3 hours (how many hours) \_\_\_\_\_
75. Affiliation:
- none \_\_\_\_\_
  - never really thought about affiliating \_\_\_\_\_
  - plan to affiliate in the near future \_\_\_\_\_
  - Holiday Inns \_\_\_\_\_
  - Howard Johnson \_\_\_\_\_
  - Inn America \_\_\_\_\_
  - Imperial 400 \_\_\_\_\_
  - Quality Courts \_\_\_\_\_
  - other (specify) \_\_\_\_\_
76. If affiliated, are you affiliated through:
- franchise \_\_\_\_\_
  - chain \_\_\_\_\_
77. If you are an affiliated motel, do you feel you benefit from this affiliation:
- yes \_\_\_\_\_
  - no \_\_\_\_\_
  - not sure \_\_\_\_\_
78. Does the cost of affiliation pay for itself for you?
- yes \_\_\_\_\_
  - no \_\_\_\_\_
  - not sure \_\_\_\_\_
79. Who decided whether the motel should or should not be affiliated:
- owner \_\_\_\_\_
  - manager \_\_\_\_\_
  - other (specify) \_\_\_\_\_

80. The decision to affiliate or not to affiliate was based on:
- good reputation of organization to join \_\_\_\_\_
  - bad reputation of organization to join \_\_\_\_\_
  - dollars and cents figure projection \_\_\_\_\_
  - intuition and beliefs \_\_\_\_\_
  - previous affiliation experience \_\_\_\_\_
  - other (specify) \_\_\_\_\_

4. The Personal Interview Procedure -- Letter

MICHIGAN STATE UNIVERSITY

School of Hotel, Restaurant and  
Institutional Management  
405 Eppley Center  
East Lansing, Michigan

Dear Sir:

A study of Michigan motels is now being conducted. Of all motels in Michigan, your motel is one of twenty-five selected for a personal interview to contribute additional information to the study.

We will greatly appreciate your cooperation and participation in this study.

Please return the enclosed post card indicating whether you will find it possible to spare approximately an hour and a half of your time for a personal interview about your motel.

We assure you that any information you give us during the interview will remain strictly confidential anywhere in connection with you or your motel. All information you give will be kept strictly confidential.

The findings of the overall study of the nature of the ownership and management of selected Michigan motels will be sent to you when the study is completed if you grant us a personal interview. We sincerely hope the findings will be of interest to you.

We do urge you to return the card indicating that you will grant a personal interview. Your help is needed.

If you return the enclosed card indicating that you will grant an interview, arrangements for date and time of the interview at your motel will be made by mail or phone in the near future.

Sincerely,

Douglas C. Keister  
Instructor

p.s. A preliminary questionnaire, part of this study, was mailed to you earlier. If you did return that questionnaire, we thank you very much. You will receive a copy of the findings in the very near future.



5. The Personal Interview Procedure --- Post Card

Name of Motel: \_\_\_\_\_  
Address of Motel: \_\_\_\_\_  
Telephone Number of Motel: \_\_\_\_\_  
Name of owner or manager who will  
grant interview: \_\_\_\_\_

1. Yes \_\_\_\_\_  
I will participate in the Michigan Motel Study and  
will grant a personal interview. I will expect to  
be contacted by mail or phone in the near future  
concerning appointment arrangements.
2. No \_\_\_\_\_  
I can not grant a personal interview and do not wish  
to be contacted.

6. The Personal Interview Questionnaire

## QUESTIONNAIRE

Name of Motel: \_\_\_\_\_

Address of Motel: \_\_\_\_\_

\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Name of Person Interviewed: \_\_\_\_\_

Position of Person Interviewed: \_\_\_\_\_

## GENERAL INFORMATION

1. Total number of rooms: \_\_\_\_\_

2. Your motel is:
- 1. independent \_\_\_\_\_
  - 2. chain \_\_\_\_\_
  - 3. franchise \_\_\_\_\_
  - 4. affiliated \_\_\_\_\_

3. Services offered:
- 1. rooms \_\_\_\_\_
  - 2. restaurant \_\_\_\_\_
  - 3. bar \_\_\_\_\_
  - 4. swimming pool \_\_\_\_\_
  - 5. other (specify) \_\_\_\_\_

4. City: \_\_\_\_\_

5. Location:
- 1. downtown \_\_\_\_\_
  - 2. suburbs \_\_\_\_\_
  - 3. country \_\_\_\_\_

6. Year motel was built: \_\_\_\_\_

7. If additions were made to the motel, they were added:
- 1. once \_\_\_\_\_
  - 2. twice \_\_\_\_\_
  - 3. other (specify) \_\_\_\_\_

8. Number of units added: \_\_\_\_\_

9. Business is a:  
1. proprietorship \_\_\_\_\_  
2. partnership \_\_\_\_\_  
3. corporation \_\_\_\_\_
10. If affiliated, what organization: \_\_\_\_\_
11. If affiliated:  
1. franchise \_\_\_\_\_  
2. chain \_\_\_\_\_
12. Does the cost of affiliation pay for itself financially:  
1. yes \_\_\_\_\_  
2. no \_\_\_\_\_  
3. not sure \_\_\_\_\_
13. On what was the decision to affiliate or not affiliate based:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## MANAGEMENT

14. What was owner's previous business experience:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

15. What was manager's previous motel experience:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

16. What is the total number of full-time employees:  
\_\_\_\_\_

17. What is the total number of part-time employees:

\_\_\_\_\_

18. What is the number of supervisory personnel:

\_\_\_\_\_

19. Do you have an organization chart on paper:

1. yes \_\_\_\_\_
2. no \_\_\_\_\_

20. Are the owners active in management:

1. very \_\_\_\_\_
2. moderately \_\_\_\_\_
3. seldom \_\_\_\_\_
4. not at all \_\_\_\_\_

21. Is there a hired manager:

1. yes \_\_\_\_\_
2. no \_\_\_\_\_

22. Who sets the operating policy:

1. owner \_\_\_\_\_
2. manager \_\_\_\_\_
3. department head \_\_\_\_\_
4. other (specify) \_\_\_\_\_

23. Who relieves owner/manager for time off:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

24. What is owner/manager's educational background:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

25. What is your source for maids:

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26. Who hires the maids: \_\_\_\_\_

27. How are maids trained:

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28. Who trains the maids: \_\_\_\_\_

29. What is the major problem with the maids:

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30. When is a room deemed clean:

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31. Is there a written standard for room cleaning:

1. yes \_\_\_\_\_
2. no \_\_\_\_\_

32. Who inspects the rooms: \_\_\_\_\_

33. How often are rooms inspected: \_\_\_\_\_
34. How many years has present manager been on job: \_\_\_\_\_
35. How many managers has the operation had: \_\_\_\_\_
36. Which of the following individuals have the authority to hire and fire:
1. owner \_\_\_\_\_
  2. manager \_\_\_\_\_
  3. department head \_\_\_\_\_
  4. other (specify) \_\_\_\_\_
37. Are employees informed as to whether or not the operation is profitable:
1. yes \_\_\_\_\_
  2. no \_\_\_\_\_
38. If the housekeeping department needs another maid, who decides if she will be hired:
1. owner \_\_\_\_\_
  2. manager \_\_\_\_\_
  3. executive housekeeper \_\_\_\_\_
  4. other (specify) \_\_\_\_\_

#### ACCOUNTING AND FINANCIAL

39. Is there a planned program for replacing furniture and fixtures:
1. yes \_\_\_\_\_
  2. no \_\_\_\_\_
40. What per cent of the annual profit is reinvested in the motel:
- \_\_\_\_\_ %
41. What is the percentage of occupancy (total annual rooms occupied divided by total annual rooms available for sale):
- \_\_\_\_\_
42. What is average rate per room available for sale (total annual rooms income divided by total rooms available for sale):
- \_\_\_\_\_

43. What is average rate per room occupied (total rooms income divided by total rooms occupied):

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44. Most of the money for purchasing the motel came from:

1. proprietorship \_\_\_\_\_
2. partnership \_\_\_\_\_
3. stockholders \_\_\_\_\_
4. mortgage firm \_\_\_\_\_

45. Why did the owners invest in motel instead of other investment:

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46. What was the source of money for the down payment by the owners:

1. savings \_\_\_\_\_
2. inheritance \_\_\_\_\_
3. other \_\_\_\_\_

47. Approximately what percentage of purchase price was:

1. mortgage money \_\_\_\_\_%
2. ownership money \_\_\_\_\_%
- 100 %

48. Who holds or held the mortgage:

1. bank \_\_\_\_\_
2. private individual \_\_\_\_\_
3. insurance company \_\_\_\_\_
4. other (specify) \_\_\_\_\_

49. What is the rate of interest on mortgage: \_\_\_\_\_%

50. What was original length of time for mortgage:

\_\_\_\_\_ years.

51. Was there a second mortgage on motel:

1. yes \_\_\_\_\_
2. no \_\_\_\_\_

52. Was a second mortgage used to finance the purchase of furniture and fixtures:  
 1. yes \_\_\_\_\_  
 2. no \_\_\_\_\_
53. Is the property leased:  
 1. yes \_\_\_\_\_  
 2. no \_\_\_\_\_
54. If the property is leased, is it leased by sale leaseback:  
 1. yes \_\_\_\_\_  
 2. no \_\_\_\_\_
55. What method of depreciation is used on the building:  
 1. straight line \_\_\_\_\_  
 2. sum of years' digit \_\_\_\_\_  
 3. declining balance \_\_\_\_\_
56. What method of depreciation is used on furniture and fixtures:  
 1. straight line \_\_\_\_\_  
 2. sum of years' digit \_\_\_\_\_  
 3. declining balance \_\_\_\_\_
57. What do you really feel is an adequate return on motel investment:  
 \_\_\_\_\_%
58. Is the motel earning an adequate return on owner's investment:  
 1. yes \_\_\_\_\_  
 2. no \_\_\_\_\_
59. Is the motel currently operating at a profit:  
 1. yes \_\_\_\_\_  
 2. no \_\_\_\_\_
60. Do you have a budget:  
 1. yes \_\_\_\_\_  
 2. no \_\_\_\_\_

#### MARKETING

61. Do you advertise by:  
 1. direct mail \_\_\_\_\_  
 2. radio \_\_\_\_\_  
 3. television \_\_\_\_\_  
 4. road signs \_\_\_\_\_



- 5. internal advertising (guest room menus, signs, etc.) \_\_\_\_\_
- 6. other (specify) \_\_\_\_\_

62. Which method of advertising do you feel is most effective:

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63. Do you have personal contact with your guests:

- 1. very much \_\_\_\_\_
- 2. some \_\_\_\_\_
- 3. seldom \_\_\_\_\_
- 4. never \_\_\_\_\_

64. Do you budget a specific amount of money for advertising purposes:

- 1. yes \_\_\_\_\_
- 2. no \_\_\_\_\_

65. Do you budget a percentage of sales for advertising purposes:

- 1. yes \_\_\_\_\_
- 2. no \_\_\_\_\_
- 3. amount \_\_\_\_\_

66. How is the amount to be spent for advertising decided upon:

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67. Who are your guests:

- 1. salesmen \_\_\_\_\_
- 2. tourists \_\_\_\_\_
- 3. other (specify) \_\_\_\_\_

68. Do you have a commercial rate:

- 1. yes \_\_\_\_\_
- 2. no \_\_\_\_\_

69. Why do you have or not have a commercial rate:

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70. What do you feel is your best potential source of new business:

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71. Whom do you feel is your competition:

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72. What arrangements are you making to meet your competition:

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73. What do you estimate is repeat business

1. 10% \_\_\_\_\_
2. 20% \_\_\_\_\_
3. other % (specify) \_\_\_\_\_

74. Do you consider affiliation an important form of advertising:

1. yes \_\_\_\_\_
2. no \_\_\_\_\_

75. What is your major problem in the operation of your motel:

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