

THE ECONOMIC IMPACT IN THE U.S. HOTEL INDUSTRY
AFTER THE TERRORIST ATTACKS ON SEPTEMBER 11, 2001

By

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ABSTRACT

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The purpose of this study is to explore the strategies and status in the U.S. hotel industry for meeting the needs of their companies and customers after the terrorist attacks on September 11, 2001. There are three objectives in this study:

- To describe the current business circumstances in the U.S. hotel industry.
- To determine some of the factors impacting the U.S. hotel industry after the

9/11 terrorist attacks.

- To identify some of the management strategies in the U.S. hotel industry to overcome the economic difficulties after the 9/11 terrorist attacks.

The research provided a literature review of the economic impact in the U.S. hotel industry and some strategies that the U.S. hotel industry has responded with.

With the qualitative research approach, the data analysis of interviews presented the general outcome of several themes by organizing and identifying the data.

There are three major findings in this study. First, the research outcome indicated that the current business market in the U.S. hotel industry is still unsure.

Second, the findings showed two main factors impacting the U.S. hotel industry.

These two main factors are as follows:

1. The U.S. hotel market was shrinking. In addition, there are three reasons that caused the market fall off.

- The U.S. economy had already declined.
- People have felt fear traveling since the 9-11-01 terrorist attacks.
- The general public is uncertain about the future of the economy.

2. The U.S hotel industry faced tough circumstances for survival, because the

market couldn't supply the same amount of business to the industry as before.

Third, the research findings pointed out three major strategies that U.S. hotel managements employed:

1. To reduce operating costs.
2. To increase sales.
3. To enhance hotel security.

The recommendations for the U.S. hotel industry are as follows:

- Under the depressed economy, it is very important to operate the hotel by reducing costs in any possible way without decreasing the quality of service.
- In order to survive the tough competition, there are some superior strategies for hotel management, such as employing Internet sales for marketing as well as upgrading the customers' reservations without additional charges.

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CHAPTER I

INTRODUCTION

The terrorism attack on September 11, 2001 is the heart of the problems that created serious damage to the global economy, especially the US economy. Economic recovery remains elusive for the United States today after terrorists destroyed the World Trade Center. After the terrorist attack on September 11, airlines and airports were forced to close for three days in the U.S. This has never happened before in U.S. history. This serious tragedy has not only affected the U.S. but also Canada and South America, as well as other nations.

The negative impact on the tourism and hospitality industry-mainly airlines, hotels, and restaurants-is tremendous. The impact is most serious for airlines. The U.S. Congress approved the \$15 billion bailout package for the U.S. airline industry on September 21, 2001. It comprised two financial plans, one is \$5 billion in direct cash grants and the other is \$10 billion in loan guarantees.

Airlines are one of the important chain industries within the tourism and hospitality industry. Therefore, when the airline industry is in trouble, this will also

affect the other chain members in the tourism and hospitality industry. The hotel industry had been waiting for an upturn in the economy before September 11, 2001. “Business travel had already been in the dumps, and hotel occupancy rates weren’t exactly robust before ‘recession,’ and ‘Sept. 11’ became part of our everyday lexicon” (Allen, 2002, para. 2).

Statement of Problem

The purpose of this study is to explore the strategies in the hotel industry for meeting the needs of their companies and customers after the terrorist attacks on September 11, 2001. However, to obtain a better outcome, the research only studied those business hotels located in cities. Interviews were held during the spring of 2003. The interview questions are written to identify and analyze the challenges to the hotel industry and the response from the industry to counter the economic impact caused by the 9-11-01 terrorist attacks.

Significance of the Study

The incident occurred less than two years ago, so the outcome of the study may not be able to display the complete results. However, this research can provide information that could be a platform for a series of related research and follow-up

studies. The information collected and data studied are within a one week to twenty month period after the attack happened. This study may give motivation for advanced future research in the related area.

Objectives

The objectives of this study are as follows:

1. To describe the current business circumstances in the U.S. hotel industry.
2. To determine factors impacting the U.S. hotel industry after the terrorist attacks on September 11, 2001.
3. To identify hotel management strategies used to overcome the economic difficulties after the 9-11 terrorist attacks.

Assumptions

After the terrorist attacks, the U.S. tourism and hospitality industry was faced with a great hardship from the economic decline. Many companies in the industry claimed bankruptcy or are seeking help from the government. For example, United Airlines, the second-largest airline in the world, filed for bankruptcy on December 10, 2002. The study attempted to understand strategies the hotel industry employed for surviving this severe economic impact. Maybe strategies failed to save the companies,

but it is still valuable to research the process of their battles.

Limitations

The limitations of this particular study would be the following:

1. The data accumulated from the media may not be reflective of the newest economic trends. While it has been over one and a half years since September 11, 2001, the economic impact is still considered as short-term.

2. The hotel industry is a diversified business. Therefore, one particular aspect of this study was chosen to narrow the study. The research topic will focus on business hotels, one aspect of the hotel industry. Findings can only be applied to this aspect of this industry.

Definition of Terms

The following information is frequently described in this research. It is necessary and convenient to clarify each term clearly for further studies.

Terrorist Attacks: “In the most devastating terrorist attack ever against the United States, knife-wielding hijackers crashed two jetliners into the World Trade Center on Tuesday September 11, 2001, toppling its twin 110-story towers. The deadly calamity was witnessed on televisions across the world as another plane crashed into the Pentagon and a fourth plane crashed outside Pittsburgh.” (Crary & Schwartz, 2001, para.1)

Tourism Industry: “When we think of tourism, we think primarily of people who are visiting a particular place for sightseeing, visiting friends and relatives, taking a vacation, and having a good time. They may spend their leisure time engaging in various sports, sunbathing, singing, taking rides, touring, reading, or simply enjoying the environment.” (Goeldner, Ritchie & McIntosh, 2000, p.13)

Hospitality Industry: “The hospitality industry is defined as the activity of providing lodging, food and beverage, and recreational services, which include but are not limited to hotels, motels, clubs, casinos, restaurants and recreation facilities.” (*Bylaws*, n.d., para. 4)

The table displays the make up of the hospitality and tourism industry.

Table 1-1 *The make up of the hospitality and tourism industry*

Tourism Industry	Hospitality Industry
Conference Centers	Food and Beverage Business
Airlines / Cruises / Trains / Buses	Housekeeping Companies
Information Services	Gaming / Club Industry
Wholesale Tour Operations (Domestic / Inbound / Outbound)	Hospitality Security Companies
Retail Travel Business	Restaurants

The various aspects of the hospitality industry depend in differing degrees on several or

all of the facets of the tourism industry.

CHAPTER II

LITERATURE REVIEW

In this chapter, the study will review the economic impact on the U.S. hospitality industry, especially the lodging sector, caused by the 9-11-01 terrorist attacks. This chapter will also explore some strategies the U.S. hospitality industry has responded with.

Hospitality Industry Impact

Tourism and hospitality industry critics and experts were struggling to measure the economic implications of the 9-11-01 terrorist attacks in New York City and Washington, D.C. The U.S. airline industry and customs houses in the airports have enhanced their security precautions. People who are concerned about the U.S. tourism and hospitality industry watched the conditions closely. For instance, Las Vegas is the most famous casino city for foreign tourists. After the 9-11-01 terrorist attacks, it suddenly lost its income.

In Las Vegas, more than 50,000 conventioners have canceled or postponed events alone, a \$61.3 million hit in non-gaming revenue, according to figures released Wednesday by the Las Vegas Visitors and Convention Authority.

More than 240 conventions planned for September, October and November were canceled. Last year the city drew 11 percent of its estimated 36 million visitors from conventions. (Snedeker, 2001, para. 8)

In an effort to save the harassed hotel industry, the Washington, DC-based American Hotel & Lodging Association (AH&LA) sent a letter to Congress seeking financial support for a proposed economic stimulus package.

Jack Connors, executive vice president for governmental affairs for AH&LA, says the proposals are economically feasible and politically viable.

Hendersonville, Tennessee-based Smith Travel Research estimates the lodging industry lost \$700 million in revenue in the 10-day period following the September 11 terrorist attacks. (*Hotel group seeks Congressional backing of stimulus package*, n.d., para.1)

Even in Europe, this 9-11 tragedy also brought confusion to the economy. In November 2001, the European Union (EU) forecast the growth of the economy in 2002 as only 1.3 percent within the twelve nations of EU. This forecast was far below the EU previous prediction of 2002 which was 3 percent, made in the spring of 2001 (Brand, 2001).

In U.S. cities with a high ratio of business travelers, this sector has not recovered at the same pace as the domestic leisure market. Therefore, hotels in U.S. cities have continued to face tough competition to protect their business. For cities such as San Francisco, Boston, New York and Chicago, the industry has recorded declines of 10 to 27 percent in Revenue Per Available Room (RevPAR) during July 2002. In addition, the results indicated that airport hotels continued to be the poorest performers in the U.S. hotel industry, and the RevPAR of U.S. airport hotels fell by 20 percent during the fourth quarter of 2001. The forecast of July 2002 was improved, but still dropped 10 percent (*Hotel industry 9-11 predictions: Who was on, who was off, 2002*).

Cause of Loss

The U.S. hospitality and tourism industry suffered its worst crisis since the Gulf War, while the damage caused by 9-11 terrorist attacks will probably cost billions of dollars. The U.S. hospitality and tourism industry will need years to recover.

Moreover, industry specialists indicated two reasons for the record loss:

- U.S. tourists became more wary than ever about traveling after the 9-11-01 terrorist attacks.

- Foreign tourists from all over the world feared to travel to the United States for any reason after the 9-11-01 terrorist attacks.

For example, U.S. consumers changed their vacation and leisure travel plans. Some of them believed that they were afraid to fly, and others said that a big vacation was inappropriate for them. Many American travelers said they'll plan their trips by cars and substitute destinations that are closer to home (Wolff, 2001, para. 11).

Casino Industry

After the tragedy of September 11, with the horrendous loss of life at the World Trade Center complex in New York and the destruction at the Pentagon, will the U.S. casino gaming industry survive? A casino operator in Nevada, Mandalay Resort Group, announced an adjustment of employees that eliminated 4,500 jobs, about 15 percent of the company's work force, because of the September 11 terrorist attacks. In addition, most of the Las Vegas casino industry employees had to work reduced hours (*Mandalay resort group cuts jobs*, 2001). Another related report mentioned, "Las Vegas casinos depended on tourists arriving by jet plane, however, the airline industry was hurting. Conventions have been canceled, and people are not yet traveling with confidence because of the continued threat of terrorism." (Berenbon, 2001, para. 6)

After the 9-11-01 terrorist attacks, the U.S. gaming industry also faced a record loss. The airline companies were forced to reduce their flights and lay off their employees to survive in the market. However, the government will give the airways financial support of over 5 billion dollars. There is no help from government for the gaming industry. Indeed, if there are no flights to Las Vegas, then there will be further reduction in the casino industry in Nevada.

Theme Park

After the 9-11-01 terrorist attacks, the full financial damage to theme parks was remarkable. The economic loss on Orlando City early closings of Disney, Universal and Sea World parks was about \$20 million. Lost revenues from the shutdowns were enormous. Some visitors avoided visiting major theme parks since the tragedy. They were afraid that the theme parks could be terrorists' targets. Most U.S. theme parks, including Knott's Berry Farm and Six Flags Magic Mountain, reopened with renewed crisis planning and enhanced security (Verrier, 2001, para.14).

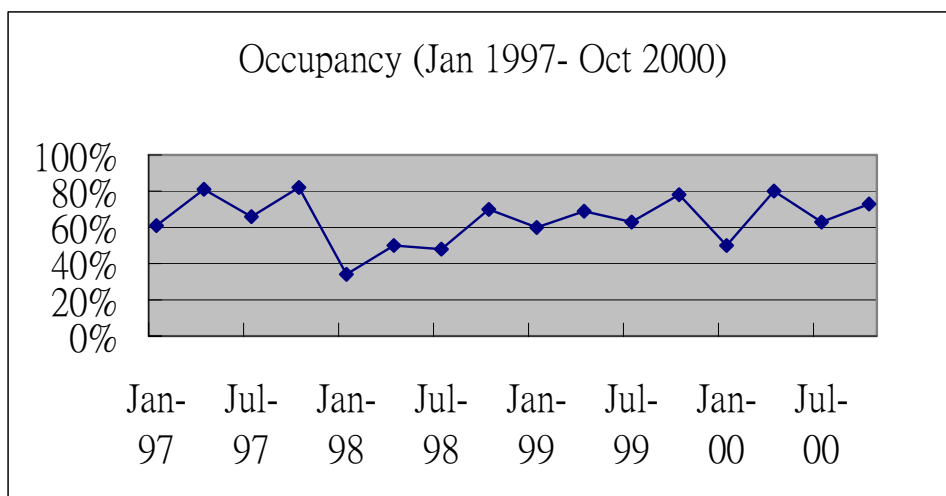
International Event and Former Case: Egypt

Egypt is a very good example of the impact of a terrorism attack on the tourism and hospitality industry.

By mid-1997, Egypt seemed well on its way to attracting an expected four million tourists, the highest ever for this popular North African destination. On November 17, 1997, a terrorist attack, targeting visitors to the Temple of Hatshepsut in Luxor, single-handedly threw the country's tourism industry into turmoil. The attack, aimed at destabilizing Egypt's tourism industry by striking at a major tourist attraction at the start of the winter peak season, also came at the start of the World Travel Market in London, one of the travel and tourism industry's largest trade fairs, at which Egypt was a major participant. Three years later tourism in Egypt is finally bouncing back. (Anderson, 2000, para. 1).

The results in Egypt indicated that its tourism and hospitality industry has successfully overcome the terrorism attack in Luxor. The following figure expressed the growth of the hotel industry average occupancy rate in Egypt after the terrorism attack in Luxor.

Figure 2-1 *The average occupancy rate in Egypt. Statistical data of the Egyptian hotel industry from 01/1997 to 10/2000*



Note. Adapted and modified from “Tourism and Terrorism: The road to recovery in Egypt,” 2000.
Available: http://www.hotel-online.com/Trends/Andersen/2001_Egypt.html

The figure shows that the terrorist attacks in Egypt did not destroy the tourism and hospitality market. The hotel average occupancy rate took about three years to recover to its pre-terrorism level. How did this happen?

Well reported damage control implemented by the Egyptian authorities immediately following the Luxor attack, including increased security at all tourist sites and hotels, has gone a long way to allay safety fears and restore consumer confidence in the destination. This is clearly reflected in the increase in tourist arrivals and tourism receipts in 1999, which surpassed

1997 levels. (Anderson, 2000, para. 3)

Egypt's experiences can be applied to conditions in the U.S. There must be a reasonable prediction for the improved future of the tourism industry. After the terrorism attack in 1997, Egypt enhanced their security regulations and made new promotions and advertisements to attract the tourists to return. Egypt's tourism and hospitality industry took almost three years to recover the loss after the terrorism attack in 1997. However, the case in Egypt cannot apply exactly to the situation in the United States.

It is too early to say whether the U.S. hospitality and tourism industry will be thriving three years later. The U.S. hospitality and tourism industry is still in difficulty. The U.S. government has done its job to try to rebuild the hospitality and tourism industry. For example, financial aid for the airline industry was approved by Congress. In addition, airport security has been improved since the September 11 terrorist attacks. The U.S. hospitality and tourism industry put commercial advertisements on the media to assure travelers of increased security. Those efforts all had one goal: To make the tourists travel again. However, the 9-11-01 terrorist attacks occurred less than two years ago, hence, the final answer is not clear at this time. It could be obvious in the future, but not now.

Strategies that Industry Management Employed

After the 9-11-01 terrorist attacks, the safety issue became an important issue for U.S. hospitality industry. For example, hotel management recognized that hotel guests will be considerably more concerned about their security in the hotel. Therefore the management made a series of fresh plans and efforts to improve the quality of security to make its hotels a safer place for guests to visit and stay.

For marketing strategies in the U.S. hospitality industry, because of the recession of the global leisure market, the management switched the target marketing. The focus moved from the international travelers arriving by airplane to the domestic travelers arriving by car or train.

For other strategies to save the hotel business, the U.S. hotel management cut the labor levels to lower the cost of operations. In the short term, most hotel managements eliminated costs simply by reducing the operations in hotels. In addition, the hotel management increasingly replaced traditional strategies with e-commerce technologies for marketing business. For this strategy, the hotel rooms can be designated as out of availability for different reasons, such as whole floors being mothballed. Moreover, hotels being closed for a period of time when the hotel management expected that the demand can be below break-even level. Next, the hotel

management can close the secondary restaurants in its hotel, and conference rooms and exhibition spaces can be made unavailable (Anderson, 2001).

Summary

To sum up, the customers were not ready to travel. The hospitality market shrank and the circumstances are still pretty pessimistic. No one can predict when the economy will rebound. The White House is deciding the scope of a new financial package to help an economy weakened by the 9-11-01 terrorist attacks. For example, President Bush signed a \$15 billion aid package on September 22, 2001 for the nation's airline industry, which has suffered critical economic losses since the September 11 terrorist attacks. That is a good beginning toward saving the hospitality and tourism industry.

Learning from Egypt's tragedy, there is still an optimistic future for the U.S. hospitality and tourism industry. As we learn from the current picture inside the industry, all the related enterprises are suffering. Therefore, the possible aids not only from the government, but also the general public could do something to improve the condition. The market is waiting for the wake up call; we just have no idea when it will come. However, perhaps we can make this appear early.

CHAPTER III

METHODOLOGY

Introduction

This chapter will provide knowledge of this research methodology and contain information about selecting the sample interviewees. In addition, the completed instrumentation will be discussed. Any limitations of the method are included in this chapter.

Sample Selection

Hemmington (1999) stated that in business and management research, the use of samples offered advantages, such as saving time and costs. In addition, Huberman and Miles (1994) noted that sampling in qualitative research requires two actions: setting the boundaries and creating the frame. This research focused on the economic impact of 9-11-01 terrorist attacks in the U.S. hospitality industry. However, the U.S. hospitality industry is a tremendous business. The sampling frame is created to obtain a better outcome, so the study is restricted to business hotels located in cities.

Hemmington (1999) also stated that there are many approaches for selecting the samples, but they can be divided into two categories: probability sampling and

non-probability sampling. He mentioned that “in non-probability sampling the elements have an unknown probability of being selected and selection is usually based on the researcher’s judgment and expertise” (p.250). Using the non-probability sampling, the researcher requested the faculty of the Hospitality and Tourism Department in the University of Wisconsin-Stout to suggest appropriate participants. The participants were the managers of hotels located in cities.

There were two methods employed in contacting the interviewees. First was by telephone, and the other was by an e-mail. The researcher contacted the potential interviewees first with the questionnaire and consent form. After contacting the participants, the researcher scheduled the date of interview with the participants who were willing to participate the interview. The researcher received the responses from the potential interviewees on whether or not they were willing to participate.

Instrumentation

The research was designed to focus on three objectives and conducted by a face-to-face or a telephone interview. The interview questions were guided by the following primary research questions:

1. What do the interviewees think about the economic impact on their organizations and the U.S. hospitality industry after the 9/11 terrorist attacks?

2. What were the major problems that affected their business after the 9/11 terrorist attacks?

3. How did the interviewees respond to the economic effect in order to survive under the difficult circumstances?

4. How do the interviewees think this issue might affect their organizations in the near future?

The interview questions were approved by the University of Wisconsin-Stout Institutional Review Board for the Protection of Human Subjects in Research before the interview was conducted. The research advisor recommended the direction and design of those four primary questions.

Before the researcher began the formal interview, the researcher employed a pilot interview to assure the quality of the questions. This participant of the pilot interview is recommended by the faculty of the Hospitality & Tourism Department in the University of Wisconsin-Stout. Janesick (1994) suggested the pilot interview helps the researcher to test and discover the problems of the interview questions. The researcher conducted the pilot interview to test the questionnaire and obtained the interview experiences for future official interviews.

After the pilot study and gaining approval from the UW-Stout Institutional

Review Board, the researcher conducted the interviews between March and April of 2003. Before the interview, the interviewees received a copy of the interview questions and consent form. The participants were to sign the consent form and return it to the researcher by the self-addressed envelope within 7 days after the interviewees received the interview request package in order to be interviewed.

Data Collection

Hampton (1999) stated that the primary methodologies for collecting qualitative data included: interview, focus group, observation and case studies. Veal (1992) mentioned that the qualitative method corresponds with the nature of the phenomenon being studied, that is, hospitality management is a qualitative experience. The qualitative method for hospitality research offered results that are more understandable to people who are not statistically trained. Therefore, the researcher employed the interview method with open-ended questions for collecting data.

To design the interview questions, Rubin and Rubin (1995) noted that a qualitative interview uses main questions that guide the conversation and may include follow-up questions that pursue in-depth answers to the main questions. Therefore, the study followed this direction and used an open-ended interview to discover what the interviewees thought about the impact on the economy after the 9/11 terrorist attacks.

To assure the data quality, each interview was tape recorded with interviewees' written consent. The purpose of tape recording was for the researcher to facilitate accurate transcription from the interview. The data collected from the interview are kept confidential and stored in a safe and secret place for five years.

Data Analysis

Marshall and Rossman (1995) said that "Data analysis is the process of bringing order, structure, and meaning to the mass of collected data. Qualitative data analysis is a search for general statements about relationships among categories of data" (p.111). Responses from the interviewees were examined with a qualitative approach to obtain in-depth information for this study. In order to analyze the qualitative data, the researcher designed the procedure of data analysis into four steps:

1. Organizing the data. The researcher made thorough transcription notes of each interview by listening to the tapes repeatedly. The task of transcribing the tapes required considerable time to complete. It is also the most important stage in data analysis.

2. Generating the categories and themes. The researcher explored the contents of each interview from the transcript notes. The researcher also arranged the data into the categories that followed the study objectives.

3. Identifying the relationships. The researcher identified the similar and different relationships of results from the transcript notes. By ordering the data, the outcomes can be easy to understand. The researcher was alert to observations discovered in the literature, as well as to completely new data and ideas.

4. Concluding the findings. The researcher interpreted and analyzed the data in order to generate the conclusions. The findings were represented as systematic charts for better understanding.

Limitation of Method

There are certain errors that may happen due to the research method. To ensure the data is reliable is very significant. The participants may provide inappropriate responses to the researcher due to misunderstanding the questions or avoiding the stress for sensitive questions. In order to reduce the errors, the researcher gave the questionnaire to each interviewee a specific time before the formal interview. The interviewees had sufficient time to review the questionnaire. They could refer their questions or concern to the researcher if they had any. Further, the interview was conducted in English and that is not the mother tongue of the interviewer. Thus, the translation errors may occur such as misconstruing the meanings. For that reason, the researcher employed the tape recording to avoid such mistakes during the transcription.

Sample selection will be also applied for this issue. Due to the interview investigation and the definition of sampling, the quantity of the sample would not include the entire hotel industry in U.S. cities or even one city. Therefore, the result may only display a specific effect on a particular industry base.

With only three interviewees as the sample for this study, the outcomes may only supply limited results. However, this study provided the initial efforts for growing research that addressed related subjects regarding the effects of 9-11-01 terrorist attacks on the U.S. hospitality industry.

CHAPTER IV

REPORT OF FINDINGS

This chapter presents the findings from the data collection. The researcher employed the interview as a qualitative approach to collect the data. The purpose of this chapter is to provide categorized results that meet the goals of this research. There are three primary objectives for this study. The first objective is to understand the current business circumstances in the U.S. hotel industry. The second objective is to determine some of the factors that impacted the U.S. hotel industry after the 9-11-01 terrorist attacks. The third objective is to identify some of the hotel management strategies used to overcome the economic difficulties after the 9-11-01 terrorist attacks. Therefore, the findings are discussed by the those themes.

Current Business Circumstances in the U.S. Hotel Industry

Two respondents reported that their hotels' occupancy rate in 2003 was increased and the Average Daily Rates (ADR) was down compared to the year 2002. Causes of the current economic challenges were the U.S. war with Iraq and the airline industry's continuing struggle. One respondent said, "Our airport traffic is down, and

our biggest account is Northwest Airlines who cut their business with us.” However, there was a common finding among these three respondents. These three respondents noted that all of them fought for their occupancy rate in order to survive. On this issue, there is a difference between the occupancy rate and average rates with two respondents.

One responded:

“We have even increased occupancies, but the average rates have declined by \$10. This is a result of less demand in the market, a need for discounting group business and the use of Internet booking sources to fill rooms on a short-term basis.”

Another answered that, “Our sales have been almost even, but occupancy rate is down, so we are running higher average rates to make the same amount of money.”

The following table represents the general findings among the three respondents.

Table 4-1 *Relationship between the occupancy rate and ADR among three participants*

Respondent	A	B	C
Occupancy rate	Increased	Declined 15%	Declined
Average Daily Rate	Declined \$10	Increased	Increased \$5

From this table, the relationship between the occupancy rate and ADR is an inverse ratio. In addition, the respondents all stated that the current business conditions are still critical compared to the year of 2002.

Factors Impacting the U.S. Hotel Industry after the 9-11-01 Terrorist Attacks

In this topic, the respondents stated that the demand of the U.S. hotel market was shrinking because of diverse reasons. For example, one respondent answered, “People booked their hotels from higher brand to lower brand.” Customers tried to save money on their trips for economic reasons. Also, customers tried to reduce the business trips by employing technology. For instance, one respondent said, “Company employed the Internet conference system instead of flying to meet their clients.”

Another respondent remembered, “We suffered an immediate impact with group and transient cancellations followed by a very slow and softer return of demand in the market after September 11, 2001.” Many companies reduced or stopped business travel to contain costs because of the declining economy. This factor had a strong effect on the U.S. hotel market. Therefore, the lower supply for the market is the primary factor that affected the U.S. hotel industry. One responded, “A week or two after the 9-11-01 terrorist attacks, everybody felt uncertain for the future, and people adjusted their travel patterns. Most of our contract business cancelled most of their bookings.”

Another factor that impacted the U.S. hotel industry was that travelers were afraid of taking airplanes. One of the respondents stated, “People fear taking flights.” Another respondent said, “Most people who are taking their trips on airplanes changed to driving trips.” People changed the way they traveled because they were concerned about the safety of their journey.

People felt uncertainty and insecurity for the future economy after the terrorist attacks on September 11, 2001. One responded, “Business travels in September 2001 were at a stand still for a solid three weeks and then travel started to return at a very

slow rate from that point on.” All of the respondents had almost the same impact early in the month right after the 9-11-01 terrorist attacks. The return business in business travel was very sluggish. Generally speaking, all the respondents represented different types of business hotels, and their primary customers were business travelers. All of them faced having most of their contract accounts reduce their business since September 11, 2001. It was a common phenomenon among the three respondents.

However, one respondent questioned the role of 9-11-01 terrorist attacks on the economic impact. Two respondents provided a similar opinion. One respondent said, “I personally don’t believe the September 11 incident caused the economic impact, it accelerated the economy decline.” Another respondent also had a similar statement and pointed out that the economy was down before the 9-11-01 terrorist attacks, and the 9-11-01 incident was just a driving point.

Due to the poor market, the 9-11-01 terrorist attacks forced hotel management to fight hard for survival. Therefore, the competition in U.S. hotel industry was never so tough. For example, one respondent reported, “The most significant impact is the reduction in rates and the overall ADR for the hotel. Competition is very intense. Price is more often the main objective versus quality or

price-value.”

In conclusion, there are two broad factors that impacted the U.S. hotel industry after the 9-11-01 terrorist attacks:

1. The declining demand of the U.S. hotel market.
 - The 9-11-01 terrorist attacks forced the economy to continue to go down.
 - People felt insecure in airplanes. Travelers changed their trip patterns.
 - People held uncertain expectations of the future economy.
2. The U.S. hotel industry faced tough competition.

Hotel Management Strategies that Overcame the Economic Difficulties After the 9-11-01 Terrorist Attacks

Hotel management responded to this critical economic issue with three different strategies. First was to keep operating costs down as well as to reduce expenses; second was to increase sales; third was strengthening hotel security.

Reduce Costs

The researcher discovered the three respondents used the same effort to survive by controlling their operating costs. The researcher divided the operating costs into two main categories. First is the non-personnel cost and the other is the personnel

cost. In the non-personnel cost, there are two secondary groups: service cost and property cost. For example, one respondent referred to their reduction of personnel cost and non-personnel cost, “Aggressive expense and labor reductions in excess of 25% in some cases. Capital projects that were due to begin were stopped. Staff reductions also occurred in all areas of the hotel.”

To reduce personnel cost, two respondents reported that they first tried to decrease the working hours. If this strategy was unsuccessful, they would start to lay off the employees. However, there was one difference in employee reduction between two respondents. One respondent’s hotel began to cut from management. “The management was the first cut from this property. Before 9-11-01, we had three managers in the sales department. Now we only have two managers.” Another respondent’s hotel laid off the entrance level employees first. “We did some adjustments. We did our best to reduce our staff hours based on our occupancy rate in order to operate the hotel profitably.” Another view on personnel cost, one respondent mentioned the employee benefit was cut. The respondents applied this strategy to all the operating costs. One respondent said, “Hiring is frozen right now and we don’t pay overtime in some cases. Everywhere you can save or cut money, we are doing it.” In addition, management now has to work multi-positions. For instance, one respondent

said, “We laid off one chef, and now instead of hiring a new chef, I have to work in the kitchen sometimes.”

Moreover, for reducing service cost, two respondents reported that they closed their restaurant or business center. One respondent said, “We have a business center, and my corporation closed it. I don’t think it is coming back.” Another respondent said, “We closed down one of our restaurants for a complete reduction.”

In the non-personnel cost, the respondent did some savings in property costs, such as reducing energy consumption. For instance, one respondent’s hotel changed its hours of operation to be more effective in energy consumption, such as turning off the light any time if it is not being used.

In general, the following table displays the strategies that the three respondents employed to reduce operating costs.

Table 4-2 *Strategies that three participants employed for controlling their operating costs*

Respondent	A	B	C
<u>Personnel costs:</u>			
Reduce the hours of duty	√	√	√
Lay off employee	√	√	√
Cut employee benefit	√	√	√
<u>Personnel costs:</u>			
Multiple duties	√	√	√
<u>Non-personnel costs:</u>			
<i>Property costs</i>			
Capital freeze		√	
Reduce energy consumption		√	√

Table 4-2 (continued) *Strategies that three participants employed for controlling their operating costs*

Respondent	A	B	C
<u>Non-personnel costs:</u>			
<i>Service costs</i>			
Close restaurant	√		
Close business center			√

The table identifies the strategies that the three respondents employed in order to control their costs of operation. Capital expense is the fees paid by the ownership or property management. Multiple duties meant that the employees have to perform in different positions with the same pay.

Increase the Sales

The respondents all stated that they tried to bring in more accounts in order to build the base of earnings. One respondent said, “The selling effort must be in tune to the need to completely qualify potential accounts and offer the best rate necessary to attract business, otherwise, you face losing these accounts to other hotels.” Another respondent replied, “Our selling strategies, as well as our yield management

philosophies and people management styles have changed considerably since 9/11/01.”

In addition, one respondent answered, “Eventually, you can’t cut any more, so the tune was changed. Now to make more money, you have to sell more. We have really become sale-orientated.” Another respondent replied, “When I budgeted for this year, I put lots more money in marketing than we had in the past. That is because we truly want to go after more group business for this hotel and we need dollars in order to enter the market.”

In addition, the Internet marketing or Internet channel has become more important for the hotel sales since September 11, 2001. These respondents offered a positive reason for this new trend. One respondent said,

The Internet has quickly become our largest producing segment and while the rates are often heavily discounted, we will continue to rely on this source even after pricing becomes more in line with the hotel’s normal rate structure. Internet bookings were credited for more than 20% of our total occupied rooms in 2002.

Another respondent answered, “Our contribution from Internet is more significant overall than we think for this year. Third party Internet channels produced astounding results for our business.” One respondent also answered, “E-commerce is a pretty

good system for the hotel. It did generate great revenue for the hotel after the 9-11-01 incident.” E-commerce gave a positive result to hotel management since the 9-11 terrorist attacks.

One of the respondents said that they developed new markets, such as the leisure business and the wedding market. For example, the respondent said, “We advertised our wedding reception package on the local radio station and expanded our market to leisure business because of the geographical advantage.” These new markets can yield the base of revenue to cover the loss of previous customers.

Moreover, two respondents employed the customer appreciation strategy to keep a good relationship with the existing customers. One of them said, “We now have customer appreciation day. Our general manager and sales manager will call all the existing customers to thank them for keeping their business with us.”

The following table offers clear information on this topic.

Table 4-3 *The strategies by hotel management for enhancing sales*

Respondent	A	B	C
Customer appreciation		√	√
Internet sales	√	√	√
Developed new market (Leisure and wedding business)			√

Customer appreciation, Internet sales, and developing new markets are strategies for increasing hotel sales. All three respondents did everything possible to bring more sales to the hotel.

Strengthen of Hotel Security

The 9-11-01 terrorist attacks alerted the hotel industry in the need to upgrade their security skills as well as change their standards of operation. All the respondents reported that they now check every customer's identification at check-in. One respondent said, "We are a lot more aware of who is in the hotel. We now participate in partnership with the local police, FBI, and Homeland Security." Another respondent answered, "After the 9-11 terrorist attacks, we have had to change our evacuation plan to meet the new requirements." One respondent reported, "We provided more training

to our employees for security reasons.” Briefly, these respondents all employed new security operation approaches to their hotels after the September 11, 2001 terrorist attacks.

Summary

In this chapter, the researcher organized the qualitative data to present understandable findings. There are three objectives for this research.

1. In describing the current business circumstances in the U.S. hotel industry.

The respondents all mentioned that they still fight hard for their occupancy rate and the economic impact remains critical and uncertain.

2. The second purpose is to determine some of the factors that affected the U.S. hotel industry after the 9-11-01 terrorist attacks. The answers follow:

- The 9-11-01 terrorist attacks faced the broad economy down, and the hospitality and tourism industry went declined along with it.
- People were uncertain about the future economy.
- The fear of travel by aircraft forced people to change their travel pattern, such as spending more time staying home or driving their automobiles to the destination.

- The tough competition was another factor that impacted the U.S. hotel industry along with lower demand for market.

3. The study attempted to identify some of the management strategies in the U.S. hotel industry to overcome the economic impact after the 9-11-01 terrorist attacks. The researcher discovered the findings were based on three different strategies. They are as follow:

- The hotel management made every effort to control their operation costs. They all want to run their hotels very efficiently.
- The hotel management improved their sales to enrich the revenue. For example, one respondent developed markets they have never entered before.
- The hotel management took action to ensure security in its hotel.

To sum up, the outcome of the interview provided in-depth information. It contained three categories that were analyzed from the qualitative data. In addition, the findings also satisfied the three objectives of this research as noted above.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The purpose of this research was to explore the strategies that the U.S. hotel industry employed for overcoming the economic impact on their companies after the September 11, 2001 terrorist attacks. However, the hotel industry is enormous, so in order to obtain a better outcome the researcher chose to study only business hotels in cities as samples from the entire hotel industry. The 9-11-01 terrorist attacks occurred less than two years ago, so the outcome of the study may not be able to display complete results. Nevertheless, this research can support a series of related topics or follow-up researches with valuable information.

There were three objectives in this study.

1. To describe the current business circumstances in the US hotel industry.
2. To determine factors impacting the US hotel industry after the terrorist attacks.
3. To identify management strategies the U.S. hotel industry used to overcome

the economic difficulties after the 9-11-01 terrorist attacks.

The methodology of this research was designed to focus on three objectives and as a qualitative study. The researcher employed the interview approach to collect the data from participants. The survey used open-ended interview questions to collect this data. To select the sample, the researcher requested appropriate participants from the faculty of the Hospitality & Tourism Department in the University of Wisconsin-Stout. All the participants were managers in hotels that are located in U.S. cities.

The findings of this research were categorized into three topics.

1. In the description of the current business circumstance in the U.S. hotel industry, the result revealed that all three respondents fought hard for their occupancy rate in order to survive.

2. The findings identified two factors that impacted the U.S. hotel industry after the 9-11-01 terrorist attacks. The declining demand of the U.S. hotel market was the primary factor. Another factor was the tough competition in the U.S. hotel industry. In conclusion, there were four reasons for this market decline.

- The U.S. economy was already weakened.

- U.S. people had been afraid to travel since September 11, 2001.
- The U.S. public felt insecure about the future economy.
- The U.S. hotel industry faced tough competition.

3. The final findings recognized three major management strategies used in the U.S. hotel industry to overcome the economic difficulties after the 9-11-01 terrorist attacks.

- To reduce the costs of operation.
- To increase sales.
- To strengthen hotel security.

Conclusions

Current Business Circumstances in the U.S. Hotel Industry

The researcher found that hotel management faced tough competition in the occupancy rate. In addition, hotel management used the lower ADR as a strategy to increase the occupancy rate. In fact, the relationship between the ADR and occupancy rate was an inverse ratio. However, for decreasing the rate, if the demand of the market was insufficient, it would hurt the hotel. For that reason, it is very difficult for hotel management to decide whether to drop the rate or keep the rate.

There is no answer that shows which strategy is the best for hotel management, but under the low demand, the price war may bring more damage to the hotel than revenues. The hotel managements need to be aware of the risks that they are willing to accept when they fight a price war.

Factors Affecting the U.S. Hotel Industry after the 9-11-01 Terrorist Attacks

In general, the findings suggested that it is difficult to predict when the demand of the market will rise. The uncertainty of the market was the main concern for the respondents in operating their hotels. To remove the fear of travel, the researcher suggests that the U.S. hotel industry and U.S. government need to encourage the general public to travel again by advertising. In addition, the hotel management should maintain a conservative attitude to operate their hotels and wait for the market to rise.

Hotel Management Strategies to Overcome the Economic Difficulties After the 9-11-01 Terrorist Attacks

The researcher observed the respondents' three strategies.

1. All respondents employed the strategy to control the operating costs, including personnel, property and service cost. It is an appropriate solution for the

hotel management to survive in the tough environment. However, over-controlling costs may cause damage to the quality of hotel service. For example, eliminating the training costs for the employees could downgrade the customer service quality.

Therefore, the operation of the balance between the hotel cost control and hotel service quality had to be considered carefully before any management decision was made.

2. The hotel management enhanced sales to build a better profit base.

E-commerce became a more important sale approach for all the respondents than it had been. Hence, it is a positive solution to the hotel management for better sales outcome.

Keeping a good relationship with existing customers is also a positive strategy for the hotel management. However, this strategy should be extended to every type of customer and employed all the time. The hotel management may recognize that even potential customers need to be treated with a friendly and warm relationship.

3. The hotel industry began to notice the importance of security. All the respondents upgraded their security procedures after the 9-11-01 terrorist attacks.

However, enhanced hotel security standards may invade the privacy of customers. The hotel management may need to provide accurate training courses to their employees for correct security operation procedures.

The 9-11-01 incident taught the hotel management a valuable lesson. Hotel management should always upgrade their strategies to achieve the best result. After nineteen months, the respondents all believed that they knew how to react quickly to critical circumstances. One respondent said, “It forced everyone to learn how to do business again according to what kind of business they are in.” Hotel management should always be prepared to respond appropriately to any crisis.

Recommendations

This research attempted to explore the economic impact on the U.S. hotel industry after the 9-11-01 terrorist attacks. The study focused on three objectives in the U.S. hotel industry in order to obtain an effective outcome. There are three suggestions for the U.S. business hotels located in the cities. There are some valuable recommendations that can provide certain suggestions to the entire U.S. hotel industry.

1. The current condition in the U.S. hotel industry is still unsure, and airport traffic remains slow. Hence, the hotel management needs to run the operation conservatively in order to show a profit. The management strategies that targeted cost control sometimes may harm the hotel service standard. Hotel management should adopt the strategy that can benefit both the customer and cost control. For example,

the hotel management can upgrade the customers' regular rooms to higher level suites without additional charge when there are sufficient empty suites.

2. The supply of the market in the U.S. hotel industry has not increased yet.

Under this lower demand, the hotel management should not participate in a price war to seek a higher occupancy rate. It usually results in more harm to the hotels than earnings. However, if the supply were to return with a slow growing rate, the hotel management could drop the ADR to increase the occupancy rate. Hotel management needs to carefully monitor reactions of occupancy rate to lower rates. This would be a useful solution.

3. The Internet sales have become stronger for U.S. hotel industry than in the past. Although the rates are usually discounted, the Internet sales generate a great deal of profit to the hotels. The customers now are more concerned about the room price than the hotel quality. The hotel management should recognize this new trend and develop it into a new strategy for attracting the travelers.

4. Hotel management can expand its market to local business, such as wedding receptions or sports events. For example, the hotel can cooperate with the wedding planning company to provide the wedding package for the customers. For

business hotels, the hotel management can expand its customer target to the leisure business. For instance, the hotel management can provide the weekend package or vacation package including tour and accommodation to the leisure travelers.

5. For security issues, the U.S. hotel industry should unite with government to make efforts to obtain the safety of travelers' trips. The purpose of this suggestion is to save the U.S. hotel market from declining further. For example, broadcasting a TV commercial to rebuild travel confidence and express appreciation for the travelers is important. For hotel security, although the hotel management enhanced the security, the hotel management should be aware of the balance between customers' privacy and the public security. It may bring a negative impact if the security procedure were invading the customers' privacy.

For future related studies in this subject, there are two recommendations:

1. The study only interviewed three different business hotels that are located in cities. Hence, the researcher recommends future studies to increase the samples.

In addition, the researcher suggests that future research explore other dissimilar types of hotels within the U.S. hotel industry. The larger size samples can provide more broadly applicable findings. Similar research in related subjects in the U.S. hotel

industry can demonstrate a better result.

2. This study is a qualitative research. The researcher advises future study in related subjects might examine the issues with quantitative approaches. For example, this research can offer advice to the related study for designing the quantitative questionnaire. The two different research methodologies can support each other, and offer the findings in varied perspectives. The results of this study also can assist future studies in related areas.

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APPENDIX A

The economic impact in US hospitality industry after the terrorist attacks on September 11, 2001

Interview Questions

The purpose of this questionnaire is to survey the impact of the terrorist attacks on September 11, 2001 toward the US hotel industry. The following questions focus on the objectives of the study: first, to describe the current business circumstances in the US hotel industry; secondly, to determine some of the factors impacting the US hotel industry based on the terrorist attacks; last, to identify some of the management strategies in the hotel industry in order to overcome the economic difficulties after the terrorist attacks. Please feel comfortable to provide personal, in-depth answers. All the responses will be kept confidential. All the participants have the right to reject the interview before or during the interview with no coercion. The participants also could omit questions during the interview even if they are willing to participate in the interview. Thank you very much for your assistance.

Section 1: Current business circumstances in the US hospitality industry

1. From your perspective, what is the present business condition of your hotel?

Section 2: To determine some of the factors that impacted the US hospitality industry based on the 9-11-01 terrorist attacks

1. What did you remember about your hotel business right after the terrorist attacks?
2. What are the major problems that affected your hotel business after the terrorist attacks?
3. What do you think about the economic impact on your hotel and the US hotel

industry after the terrorist attacks?

4. How might you expect this issue to affect your hotel in the future?

Section 3: Some of the hotel management strategies in order to overcome the economic difficulties after the terrorist attacks

1. What did you do in order to survive the impacts of the terrorist attacks?

2. Why did you employ those strategies responding to the impacts?

3. During the last eighteen months, did you change your strategies? What was it?

Why did you decide to change it? How did it work?

4. After eighteen months, what are your strategies' results?

APPENDIX B

Consent Form for Audio Taping Interview

I understand that this interview will be audio taped to facilitate accurate transcriptions. I also understand that all information which I provide will be kept in confidence and I will not be identified in the thesis, summary report, or publication. I understand that I may withdraw this consent at any time without penalty by notifying the researcher. I understand that by responding to the interview questions, I am giving my informed consent as a participating volunteer in this study. I understand the basic nature of the study and agree that any potential risks are exceedingly small. I also understand the potential benefits that might be realized from the successful completion of this study. I am aware that the information is being sought in a specific manner so that no identifiers are needed and so that confidentiality is guaranteed. I understand that I have the right to omit any questions during the interview even if I choose to participate in the interview. I realize that I have the right to refuse to participate and that my right to withdraw from participation at any time during the study will be respected with no coercion or prejudice.

NOTE: The date of conducting this interview will begin from April 8, 2003 to April 26, 2003. The participants have to respond the interview request to the researcher within 7 days after receiving the interview package. The participants sign both the consent forms and have his signature witnessed. The participants keep one of the consent forms and mail another copy to the researcher by the self-addressed, stamped envelope provided from researcher. The researcher will contact the participants to schedule the date and arrange other details of the interview after the consent form arrives to the researcher. Questions or concerns about the research study should be addressed to Yuan-Chih Lin at 715-231-7442, the researcher, or Dr. Lynnette Brouwer at 715-232-2541, the research advisor. Questions or concerns about participation in the research or subsequent complaints should be addressed first to the researcher or research advisor and second to Susan Foxwell, Human Protections Administrator, UW-Stout International Review Board for the Protection of Human Subjects in Research, 11 HH, UW-Stout, Menomonie, WI, 54751, USA, phone (715) 232-2477

Participant Name: _____

Participant Signature: _____

Witness Name: _____

Witness Signature: _____

Date: _____