

A CASE STUDY OF THE IMPACTS OF "ALL INCLUSIVE PRICING" ON RESORT RECREATION PARTICIPATION

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This is an investigation of the impacts on recreation participation observed at a large upstate New York resort as it converted to "all inclusive pricing." Findings indicate that both recreation participation and recreation revenue increased significantly after the implementation of the new pricing policy.

Introduction

This is an investigation of the impacts on recreation participation observed at a large upstate New York resort as it moved from traditional "a la carte" pricing for recreation services to "all inclusive pricing" that included recreation activities as well as meals and other services in the basic room rates of the resort.

Traditional resort pricing structures are based on the "European Plan" that uses individual pricing for each portion of a resort visit such as rooms, food and beverage, and recreation services or the "American Plan" that includes meals only in the daily room rate. In either case, recreation activities are not included in the resort room rates. Recently, this trend began changing. The primary reason for this was pressure put on the resort industry by the growing cruise line industry. Current economic conditions force many travelers to focus on the "bottom line" of their vacation destination as a way to improve the value they receive for their vacation dollar. As a result, resorts have seen many guests choose cruise vacations as well as request greater packaging and "cruise line pricing" at destinations they visit.

For years, cruise ships included all their fees, with the exception of alcohol, in their basic rate. This allowed the potential cruise guest to evaluate the total cost of the cruise vacation before they made their travel decision. This was not easy for potential resort guests with traditional resort pricing policies because of the a la carte nature of the purchasing decisions.

In response to this growing trend, a large New York resort implemented "all inclusive pricing" in March 1993. Rather than just "give away" the facilities and activities at the regular room rate, the resort increased room rates and set aside a portion of the

increased room revenue for resort recreation usage. Since the resort continually collects data on occupancy and recreation usage, the opportunity existed to compare user data from both before and after the implementation of "all inclusive pricing" to compare its effectiveness.

Method

Data analyzed in this study represents recreation usage and occupancy information collected from early April until early November during the years 1992 and 1993. The recreation department's daily reports provided raw user data for youth programs, tennis court usage and boat usage. The Hotel Operations Director at the resort provided daily occupancy counts.

The resort collects data using 13 four week periods rather than using 12 months of unequal days. Each weekly period starts on Monday and ends on the following Sunday. This allows the resort to compare usage by weekly period and day of the week. To compare user data in a similar manner an adjustment was made. Rather than comparing April 1, 1992, to April 1, 1993, (the days of the week would be different) each day of the season was entered as "day 1, day 2, all the way to day 217" with the 1992 data beginning on Wednesday, April 1 and the comparable 1993 data began on the closest Wednesday which is March 31. Thus weekends compare to weekends and weekdays compare to weekdays. This is important because the analysis required repeated measures testing.

The resort also grouped data into the following seasons:

- Spring - April 1 through the Friday prior to Memorial Day Weekend. (52 days)
- Early Summer - Memorial Weekend through the Friday prior to the July 4th weekend. (41 days)
- Summer - July 4th Weekend through Labor Day. (67 days)
- Fall - Tuesday after Labor Day through the close of the season. (57 days)

Additionally, the 1993 user data was collected in the form of actual user counts while the 1992 data was collected in the form of daily income reported. To convert the 1992 data to user counts, the income amount was divided by the appropriate fee amount (Youth Programs - \$6.33, Boats - \$3.74, and Tennis courts - \$10.00). The prices charged in 1992 were used to allocate revenue in 1993. Thus, increases in recreation participation caused proportional increases in recreation revenue.

Results

Initially, a series of paired t-tests was run comparing 1992 and 1993 recreation usage. The tests indicated that in every activity the 1993 usage was significantly greater than the 1992 usage (Table 1).

Youth activities increased 47.7 %, while tennis grew 73.8%, and boating changed 58.7%. Overall, the average daily participation between 1992 and 1993 grew 58.5%.

Table 1: A comparison of recreation participation rates between 1992 and 1993.

Average daily participation	1992	1993	'93/'92 Change	Paired t value	Probability
Youth Programs	14.46	21.65	147.7%	4.63	.001
Tennis	7.69	13.37	173.8%	6.64	.001
Boating	47.51	75.38	158.7%	5.61	.001
Totals:	69.66	110.40	158.5%	6.53	.001

An additional paired t-test compared occupancy figures to test if a change in occupancy might have influenced usage.

There was a 3.8% increase in occupancy between 1992 and 1993 (Table 2). Though good for business, it is considered statistically non-significant. This lends support to the hypothesis that increases in recreation participation would be due to the change in pricing.

To test if change in recreation usage varied more strongly as the seasons varied, a series of ANOVA tests was run comparing the daily percentage change for 1992 to 1993 for each activity and the total of all the activities.

Though recreation usage increased in every activity during every season, there were no significant differences in the rate of increase seen by each activity by season (Table 3).

Table 2: A comparison of 1992 and 1993 occupancy rates.

	1992	1993	% change	Paired t value	Probability
Average Daily Occupancy	298.95	310.46	3.8%	1.09	.2765

Table 3: Occupancy and recreation usage comparisons by season.

	# Days	Occupancy		Youth Programs		Tennis		Boating		Total Use	
		1992	1993	1992	1993	1992	1993	1992	1993	1992	1993
Spring	52	173	162	6.9	9.5	1.0	3.2	23.9	26.8	31.8	39.5
Change '93/'93			94%		138%		320%		112%		124%
Early Summer	41	289	297	12.2	14.5	7.0	13.0	50.7	88.5	69.9	116.0
Change '93/'93			103%		119%		186%		175%		166%
Summer	67	401	444	28.5	47.9	14.8	26.0	74.8	124.9	118.1	198.8
Change '93/'93			111%		168%		176%		167%		168%
Fall	57	308	304	6.9	7.8	6.1	8.3	35.9	53.2	48.9	69.3
Change '93/'93			99%		113%		136%		148%		142%

Conclusions

Indications are that resort activity usage nearly doubled in youth activities, tennis and boating when the new pricing policy went into effect. The results of this case study indicate that "all inclusive pricing" may permit resort operations to increase recreation usage of resort facilities while increasing guest perception of value.

The increases in usage took place regardless of season. Apparently the "all inclusive pricing" policy is perceived to be a value regardless of season.

It should be noted that the revenue allocated to the recreation operation in 1993 was based on the same prices charged in 1992, thus increases in usage proportionally increased recreation revenue. "All inclusive pricing" may provide a mechanism that increases recreation usage and recreation revenue while at the same time increasing efficiency by requiring fewer cash control points with their attendant costs.

From the research standpoint, this case study illustrates the impact that pricing has on the effectiveness and efficiency of recreation operations. "All inclusive pricing" provides the opportunity to optimize recreation usage without increasing investments in facility development, program expansion or advertising. Additional studies are warranted to test whether "all inclusive pricing" is beneficial at other operations.