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## An Analysis of the Marketing Practices of North Dakota Motels

Kenneth L. Mellem

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AN ANALYSIS OF THE MARKETING PRACTICES  
OF NORTH DAKOTA MOTELS

by

Kenneth L. Mellem

B.S.B.A., University of North Dakota 1966

A Thesis

Submitted to the Faculty

of the

University of North Dakota

in partial fulfillment of the requirements

for the Degree of

Master of Science

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This thesis submitted by Kenneth L. Mellem in partial fulfillment of the requirements for the Degree of Master of Science from the University of North Dakota is hereby approved by the Faculty Advisory Committee under whom the work has been done.

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Department Marketing

Degree Master of Science

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Date *May 31 1968*

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## ABSTRACT

This thesis describes and analyzes the marketing practices of North Dakota motels. The data were obtained principally from a survey of selected North Dakota motels. A mail questionnaire was sent to 150 randomly chosen motels and a 43 per cent return was received. The main topics discussed in the thesis are: organization structure, size, gross revenue, facilities, advertising methods, location, and room rate policy.

The most common form of ownership of North Dakota motels was the single proprietorship. As this form of ownership usually limits the amount of capital available, most motels in North Dakota were relatively small. Ninety-four per cent of North Dakota motels had 40 units or less. However there is a discernible trend toward larger motel complexes in the state of North Dakota.

The mean advertising expenditures of North Dakota motels were 4.3 per cent of their gross receipts. Road signs and billboards were the medium upon which the most money was spent and were adjudged by respondents as the most effective medium for motels.

Fifty per cent of the North Dakota motels were located on the outskirts of towns. During the period from

1956 to 1968, 30 per cent of the total motel construction within the state took place on the interstate highway system.

Room rates of North Dakota motels were determined after consideration of two factors: competition and operating costs. Rates charged by North Dakota motels appeared to be comparable to motel rates in the rest of the nation.

## CHAPTER I

### INTRODUCTION

#### Purpose and Procedure

This thesis represents an attempt to describe and analyze the marketing practices of selected North Dakota motels. The American Marketing Association defines marketing as "the performance of business activities that direct the flow of goods and services from producer to consumer or user."<sup>1</sup> Webster's Third New International Dictionary defines a motel as: "A hotel for automobile tourists; specif: a group of furnished cabins or attached cottages near a highway that offer accommodations to tourists."<sup>2</sup>

Motels can be further distinguished from hotels by their physical plant. Motels are usually one or two story structures frequently near a highway and with ample parking. The farther the automobile is parked from the guest room the more the plant resembles a hotel.

The motel is merely representative of the most recent stage in the development of innkeeping. Motels make

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<sup>1</sup>The Committee on Definitions of the American Marketing Association, Marketing Definitions (Chicago: American Marketing Association, 1960), p. 15.

<sup>2</sup>Webster's Third New International Dictionary, ed. By G&C Merriam Company, 3rd ed., 1961, p. 1474.

up that segment of the public lodging industry most closely identified with the automobile.

### Approach

The structure of this study was divided into four major activities: (1) review of related literature, particularly the Tourist Court Journal by Robert Gresham and Planning and Operating Motels and Motor Hotels by George Podd and John Lesure, (2) a mail questionnaire which was sent to 150 randomly selected motels of the 262 motels in the state of North Dakota as listed by the State Laboratories Department as of February 1, 1967, (3) evaluation of the data from the questionnaire, and (4) formulation of findings and conclusions.

The questionnaire was pretested in October, 1967. It was sent to ten of the 262 motels. A 60 per cent return was received. The questionnaire was judged to be satisfactory and was subsequently sent to 150 randomly selected motels on November 16, 1967. A 43 per cent return was received.

### Limitations

There were 262 motels in the state of North Dakota as of February 1, 1967. Not all of the motels in North Dakota were contacted and not all of those contacted responded to the mail questionnaire. However, it is assumed that the replies received were representative of the population of the North Dakota motels.

### Organization of the Study

Chapter II discusses the history of the motel industry in the United States and in the state of North Dakota. The organizational structure and the size of North Dakota motels, in terms of the number of units, income, and facilities, are also discussed, and a comparison is made to national motels.

Chapter III is concerned with advertising expenditures and methods, locations, rate structure and credit policies of North Dakota motels.

Chapter IV contains a summation of the thesis, and the writer's conclusions regarding the motel industry in the state of North Dakota.

## CHAPTER II

### HISTORY AND PRESENT STATUS OF THE MOTEL INDUSTRY

This chapter discusses the history of the motel industry in the United States as a whole and, more specifically, the development of the motel industry in North Dakota. A comparison will be made of the organization, size, facilities and income of North Dakota motels to those United States motels surveyed by the Tourist Court Journal and the University of Arizona Department of Public and Business Research.

#### Development of Commercial Lodging in the United States up to 1900

The locations and facilities of early American inns were similar to those of English inns and roadhouses. For a fee, inns provided food and lodging for travelers. Accommodations were simple and usually without luxury features, because travelers seldom stayed for more than one night. These early inns were located along rivers, canals and on main highways to take advantage of the dominant means of transportation.

The advent of the railroad as a major means of transportation gave rise to hotels. Typically hotels, built near the local railroad depots, were multi-structure

buildings with elaborate furnishings and services. No storage or parking space was provided for the traveler, because most hotel guests traveled by railroad.

Generally, as modes of transportation have changed, so have the locations and facilities of commercial lodging, in order to be convenient to the traveler.

### The Development of Modern Motels

Cottage camps were the forerunners of modern motels. These camps originated in the southwestern United States. Cottage camps consisted of tents with wooden floors and bunk beds. These facilities were by no means elaborate, but served the needs of travelers looking for inexpensive, overnight lodging.<sup>3</sup>

Cottage camps spread throughout the country, and as their popularity increased, their facilities improved. These improved camps provided a central pump for water and an outhouse or two for the convenience of the guests. Travelers paid up to \$1 a night, a considerable sum in the early twentieth century, but cottage camps were still the cheapest available lodging. Cottage camps were located on the outskirts of towns and in the country, whereas hotels were located downtown.

Further improvements in camp facilities included the replacement of tents by long wooden frame buildings

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<sup>3</sup>Donald E. Lundberg, Inside Innkeeping (Dubuque: William C. Brown, 1956), p. 133.



containing unfurnished rooms. Guests were provided a bed, possibly an orange crate for a table, and a wash basin and perhaps a single electric light.

A major improvement, from the standpoint of customer privacy, was the construction of individual cabins with indoor plumbing. These cabins, usually built in small groups near gas stations, provided convenient and inexpensive lodging.

A group of cabins built in 1926 in San Luis Obispo, California was named The Milestone Mo-Tel. Gradually the term "mo-tel" became popular and the roadside camps finally had a common name. Somewhere along the way the hyphen disappeared and today the word is simply written "motel."<sup>4</sup>

The first motels were usually owned and operated by individual families. These "Ma and Pa" motels, as they were called, provided adequate, comfortable lodgings for families and commercial travelers at a relatively low cost. This low cost was possible because motel owners were careful not to create a need for tipping by their guests, and they supplied no extras such as telephones, swimming pools or bellboys. These services were left to hotels.

However, as more and more Americans began to travel by car, motels began to combine hotel luxury with the convenience of location. Additional facilities were eventually added to these motels, such as restaurants, television,

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<sup>4</sup>Ibid., p. 134.

swimming pools, air conditioning, room service and bellboys. These "motor hotels," with their additional services and facilities, became increasingly popular with travelers.

Two examples of developments in the 1960's in the commercial lodging industry have been: (1) the placement of motels near major airports to accommodate the air travelers, and (2) discount motels. Discount motels will be discussed in Chapter III under room rates.

#### The History of North Dakota Motels

There is no record as to when the first motel originated in North Dakota. The North Dakota State legislature enacted a law in 1931 which made it mandatory to purchase a license to operate a motel. One license was purchased for \$20 in 1931. The purchaser is unknown. (This does not signify that there were no other motels in the state before 1931, but this is the only official evidence of one in existence prior to the enactment of the law.)

By 1955, North Dakota motels had become quite numerous, and the state legislature passed an expanded motel licensing act. (Motel records in North Dakota are available only from that year.)

In Table 1, the construction of North Dakota motels, by decades, is compared to the same periods of construction of motels nationally.

Table 1

CONSTRUCTION OF NORTH DAKOTA MOTELS COMPARED TO THE  
CONSTRUCTION OF MOTELS NATIONALLY

	Construction of North Dakota Motels Per Cent <sup>a</sup>	Construction of Motels Nationally Per Cent <sup>b</sup>
Before 1930	0	1
1930-1939	3	4
1940-1949	13	16
1950-1959	45	51
Since 1960	<u>39</u>	<u>24</u>
Total	100	96
Total Motels in Survey	(64)	(35,000)

<sup>a</sup>Survey of North Dakota Motels by Kenneth Mellem, November, 1967.

<sup>b</sup>Robert Gresham, Publisher-Editor, "Nobody Spends Money Like Uncle Sam But Motels Sure Try," Tourist Court Journal (Temple, Texas, 1966), p. 9.

Eighty-four per cent of the North Dakota motels surveyed have been built since 1950. This is likely the reason why the state of North Dakota did not license motels before 1955.

The Importance of the Motel Industry  
in the United States

In 1966 it was estimated that there were over 60,000 motels in the United States as compared with 29,000 hotels. It was also estimated that the motels received approximately 40 per cent of the nation's combined hotel

and motel room business.<sup>5</sup> Five thousand of these motels, usually 50 units or larger in size, were estimated to account for over half of the total motel gross income.<sup>6</sup>

The facts in Table 2 indicate the size and scope of the motel industry in the United States as of 1966.

TABLE 2  
ESTIMATED MOTEL MARKETING STATISTICS FOR  
1966 IN THE UNITED STATES<sup>a</sup>

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Motel Accommodations Available	
Total Motels	61,520
Total guest rooms available daily	2,030,180
Guest rooms rented on average day	1,639,747
Persons accommodated on average day	2,672,788
<u>Motel Financial Statistics</u>	
Average daily sales per motel	\$ 273
Total daily sales and income	16,803,150
Gross annual sales and income	6,133,149,750
Total investment in buildings	12,733,094,700
Total investment in furnishings	3,392,328,250
Total investment in land	2,159,794,150
Total invested capital	18,285,397,100

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<sup>a</sup>Robert Gresham, Publisher-Editor, "Nobody Spends Money Like Uncle Sam But Motels Sure Try," Tourist Court Journal (Temple, Texas, 1966), p. 9.

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<sup>5</sup>Ralph Dellevine, "Modern Motel Keeping," Part 2, "Tips on How to Operate," Tourist Court Journal (February, 1964), p. 65.

<sup>6</sup>Seymour Friedgood, "The Real Estate Markets, the Hotels: Time to Stop and Rest," The Mortgage Banker (December, 1963), p. 29.

### The Organizational Structure of North Dakota Motels

North Dakota motel ownership is divided into three categories: single proprietorships, partnerships, and corporations. A single proprietorship is a form of financial structure in which all the required equity capital is provided by a single owner. The owner therefore receives the total profit after providing for the expenses of operation. This form of ownership is most common in North Dakota. The owner of a single proprietorship is primarily an independent operator, although it is possible that his motel will be part of a referral organization.

The independent operator usually has direct personal contact with the guest. Thus the owner of a single proprietorship has the opportunity to create a friendly, homelike atmosphere which is attractive to potential lodgers.

The second form of motel ownership is that of partnerships. In this form of financial structure two or more persons provide the equity capital and participate in the business profits and losses. There are many different types of partnerships. Partnerships vary as to the partners' contribution to equity, their participation in management and their sharing of profits and losses. The partnership is used mainly by independent motels or by motels that belong to referral or franchise groups.

The third form of ownership is the corporation. As motels have developed into large costly projects, the corporate form of financial structure has become the most suitable. The equity capital of a corporation is represented by shares of stock issued for value to those who invest in the company. Once the shares have been issued, the corporation becomes an entity which operates through its directors, who are elected by the stockholders. In most cases it is easier to raise large amounts of equity capital and acquire trained management if the motel is a corporation.

The financial structures of North Dakota motels are compared to a national survey in Table 3.

TABLE 3  
FINANCIAL STRUCTURES OF NORTH DAKOTA MOTELS  
COMPARED TO A NATIONAL SURVEY

	North Dakota Motels <sup>a</sup>	United States Motels <sup>b</sup>		
	1967 Per Cent	1948	1954	1958
Single				
Proprietorship	73	75	79	78
Partnership	13	24	17	16
Corporation	<u>14</u>	<u>1</u>	<u>4</u>	<u>6</u>
Totals	100	100	100	100
Number of Motels in Survey	(64)	(25,859)	(29,369)	(41,248)

<sup>a</sup>Survey of North Dakota motels by Kenneth Mellem, November, 1967.

<sup>b</sup>George Podd and John Lesure, Planning and Operating Motels and Motor Hotels, cited in a survey by Howard Morgan, University of Arizona (New York: Ahrens Book Co., 1954), p. 180.

### Chain and Referral Motels

There are both chain and referral organizations in the North Dakota motel industry. The following definitions are taken from the Tourist Court Journal:

Franchise chains license builders and operators of motels to use a standard name and operate in conformity with a specific policy. Holiday Inns, Quality Court Motels, Ramada Inns and Howard Johnson's are among typical franchise chains. They are of particular interest to developers who have not yet planned nor built motels, because some architectural conformity often may be required.

Referral chains are composed of independently owned motels whose owners agree to operate within a certain range of standards and to aid each other through national advertising and a strong interplay of reservations and referrals. Superior Motels, Best Western, Master Hosts, Emmons Walker are well known in this group. Existing and proposed motels, if they meet quality standards, may be accepted as members by such organizations.<sup>7</sup>

For a motel to qualify for membership in a referral organization certain standards have to be met. Some representative facility requirements are: wall to wall carpet, full air conditioning, television, modern tiled bathrooms, room telephones, paved driveways, and a swimming pool or similar recreational facility.<sup>8</sup> If these standards are satisfied and the motel is selected it can become a member. There is a membership fee and in most cases it is determined by the number of guest rooms in the motel.

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<sup>7</sup>Robert Gresham, Publisher-Editor, "Anatomy of Chain and Referral Motels," Tourist Court Journal, 1967, p. 3.

<sup>8</sup>George O. Podd and John D. Lesure, Planning and Operating Motels and Motor Hotels (New York: Ahrens Book Company, Inc., 1964), p. 204.

North Dakota Motel Trade Associations

There are both state and national trade associations in the motel industry. These organizations exist primarily to promote the motel industry and to stress the betterment of lodging facilities. Eighty-three per cent of the North Dakota motels surveyed belong to one or more trade associations.

Over 50 per cent of the North Dakota motels belonged to the American Motor Hotel Association (AMHA) in 1967. The AMHA was founded in 1943 and has a membership of more than 7500 motels and motor hotels, with 43 affiliated state associations. The by-laws of the AMHA state their objectives to be:

(a) To foster the interests of its members and those in any way related to the motor hotel industry by common business interests, (b) to encourage high business standards and fair treatment of the traveling public in providing for their comfort, protection and convenience, (c) to establish and maintain uniformity and equality in the customs of the motor hotel trade, (d) to acquire, preserve and disseminate valuable information and to encourage closer relationship among those engaged in this industry, (e) to stimulate friendship and fellowship among those engaged in the motor hotel industry, and (f) to do anything necessary, suitable and proper for the accomplishment of any purposes herein set forth or which might be recognized as proper and lawful objectives of a trade association, all of which shall be consistent with the public interest as well as in the interest of this industry and trade.<sup>9</sup>

North Dakota motels have their own state association which was started in 1954. The North Dakota Motel Association had 175 members as of February 1, 1967. The North

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<sup>9</sup>Ibid.



Dakota Association is, in the words of the organization, "a non-profit service association dedicated to the betterment of the industry as a whole and to the maintaining of high standards of operation and service of motels at all times."<sup>10</sup>

The number of associations to which each North Dakota motel belongs appears in Table 4.

TABLE 4

THE NUMBER OF ASSOCIATIONS TO WHICH EACH NORTH DAKOTA  
MOTEL BELONGS

Number of Associations	Number of Motels
No Associations	11
One Association	15
Two Associations	26
Three Associations	8
Four or more Associations	<u>4</u>
Total	64

Motels which were members of at least two associations belonged to both state and national associations. The 15 motels which belonged to only one association were members of the North Dakota Motel Association.

The Size of North Dakota Motels

The majority of North Dakota motels have fewer rental units than most motels in the West North Central

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<sup>10</sup>North Dakota Motel Association, 1967-68, Emmeline Schubert, President.

region. As evidenced by Table 5, motels of 20 units or less make up 77 per cent of the total motels in the state of North Dakota compared to 48 per cent in the region in which North Dakota is placed. The entire West North Central Region also has a larger percentage of motels in the 40 to 100 unit size than does North Dakota. At the same time, North Dakota has a larger percentage of 100 unit motels than the West North Central Region and the United States.

TABLE 5

SIZE, BY RENTAL UNITS, OF NORTH DAKOTA MOTELS COMPARED TO WEST NORTH CENTRAL REGION AND UNITED STATES MOTELS

Units	North Dakota Motels <sup>a</sup> Per Cent of Motels	West North Central Motels <sup>b</sup> Per Cent of Motels <sup>c</sup>	United States Motels <sup>b</sup> Per Cent of Motels
Under 10	35	13	13
11-20	42	35	35
21-40	17	30	29
41-60	0	12	12
61-100	0	8	8
Over 100	6	2	3
	(64)	(5,817)	(61,520)

<sup>a</sup>Survey of North Dakota motels by Kenneth Mellem, November, 1967.

<sup>b</sup>"Nobody Spends Money Like Uncle Sam But Motels Sure Try," Tourist Court Journal, Robert Gresham, Editor, 1966.

<sup>c</sup>Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas.

In North Dakota, the number of motel rooms increased by 40 per cent during the years 1960-65. On the other hand, the number of motels increased only 13 per cent. These facts indicate a trend toward large motel operations.<sup>11</sup>

Gross Revenue of North Dakota Motels

Table 6 indicates that 61 per cent of the North Dakota motels grossed less than \$20,000 in 1967. Because of the small dollar volume of these motels their marketing expenditures are necessarily small, both in total dollars and relative percentages.

TABLE 6

DISTRIBUTION OF 61 NORTH DAKOTA MOTELS BY 1966  
GROSS REVENUE<sup>a</sup>

Yearly Gross Revenue	Number of Motels
Under \$10,000	21
\$ 10,000-19,999	16
20,000-34,999	7
35,000-49,999	2
50,000-74,999	5
75,000-99,999	3
100,000-199,999	1
200,000-299,999	3
300,000-499,999	1
500,000 or more	<u>2</u>
Total	61

<sup>a</sup>Three motels failed to answer the question.

<sup>11</sup>North Dakota Travel Department, July 8, 1966, Travel News, p. 5.

Table 7 indicates the percentage of income received by North Dakota motels from room rent, restaurants or food service, and combined liquor and beer revenue during 1966.

TABLE 7

PERCENTAGE OF REVENUE BREAKDOWN RECEIVED BY NORTH DAKOTA MOTELS FROM ROOM RENT, RESTAURANTS AND COMBINED LIQUOR AND BEER SALES<sup>a</sup>

Percentage of Income Received	Room Rent (No. of Motels)	Restaurant (No. of Motels)	Liquor and Beer (No. of motels)
0-20	4	2	4
21-40	2	7	2
41-60	5	6	1
61-80	2	1	-
81-99	6	-	-
100	<u>42</u>	<u>-</u>	<u>-</u>
Totals	61	16	7

<sup>a</sup>Three motels failed to answer.

Sixty-nine per cent (42 motels) of the motels surveyed in the state of North Dakota relied solely on room rent for income.

As indicated in Table 8, 91 per cent of the motels who responded to the questionnaire stated that salesmen and tourists were their primary sources of revenue.

TABLE 8

PRINCIPLE SOURCES OF REVENUE FOR RESPONDING NORTH  
DAKOTA MOTELS BY CUSTOMER CLASS

	Number of Motels
Salesmen	32
Tourists	29
Construction Workers	13
Truckers	<u>3</u>
Total	77 <sup>a</sup>

<sup>a</sup>Total in excess of 64 because thirteen motels gave multiple answers.

Facilities of North Dakota Motels

The facilities that today's modern motel possesses are continuing to expand. The main reason for this is competition between motels.

Table 9 compares a few facilities offered by North Dakota motels to those of motels nationally.

North Dakota motels generally have fewer facilities than the motels in the rest of the country. This can be accounted for by two factors: (1) North Dakota motels have fewer units than other motels, and (2) as a group North Dakota motels gross less than these motels. Consequently, it would be very difficult for North Dakota motels to warrant, in terms of investment and profit, having a swimming

TABLE 9

## FACILITIES OF NORTH DAKOTA MOTELS AND NATIONWIDE MOTELS

Facilities	North Dakota Motels <sup>a</sup> Per Cent	Nationwide Motels <sup>b</sup> Per Cent
Restaurant	25	37
Swimming Pool	14	44
Room TV	81	92
Liquor License	12	15
Beer License	12	19
Number of Motels	(64)	(35,000)

<sup>a</sup>Survey of North Dakota motels by Kenneth Mellem, November, 1967.

<sup>b</sup>Tourist Court Journal, "Nobody Spends Money Like Uncle Sam But Motels Sure Try."

pool. Liquor and/or beer licenses are very difficult to purchase under the laws of North Dakota.

#### People Employed by North Dakota Motels

The motel industry depends upon its employees to project the image of hospitality to its guests. The attitude of employees toward guests determines to a great extent the satisfaction of the guests with a given motel.

There are a great many duties that have to be performed in a motel regardless of its size. Employees of the motel are vital in providing a wide range of quality services.

Twenty-five per cent (16 motels) of the North Dakota motels surveyed used no part-time or full-time employees. The remaining 48 motels employed 347 people at least 40 hours per week (fulltime). The number of persons employed by the 48 motels varied from one employee to 80 employees. One hundred and fifty persons were employed less than 40 hours per week (part-time) by the 48 motels. The number of part-time persons employed by these motels varied from one employee to 30 employees.

#### Summary

There is no record as to when the first motel was started in North Dakota. The oldest motel which was included in this survey was established in 1935. Of the North Dakota motels surveyed 84 per cent have been built since 1950.

North Dakota motel ownership is divided into three categories: single proprietorships, partnerships and corporations. Single proprietorships account for 73 per cent of the surveyed motels. Corporation owned motels represent 14 per cent of the total responding motels. Motels owned by persons forming partnerships made up 13 per cent.

There are both state and national trade associations in the motel industry. Eighty-three per cent of North Dakota motels surveyed belong to one or more of these associations. The most popular association was the North Dakota Motel Association to which 77 per cent of the motels belonged. Over 50 per cent of the North

Dakota motels are affiliated with a national association, the American Motor Hotel Association.

The majority of North Dakota motels have a relatively small dollar volume. Sixty-one per cent of these motels grossed less than \$20,000 in 1967. Room rent was the sole source of income for 69 per cent of responding motels. The two other major sources of income by facilities were restaurants and liquor establishments.

Twenty-five per cent of the surveyed North Dakota motels employed no help. The number of people employed was dependent upon the size of the motel and the number of auxiliary facilities which were offered. The large motels employed as many as 80 full-time and 30 part-time employees.



## CHAPTER III

### ADVERTISING METHODS, LOCATION, AND ROOM RATE PRICING POLICIES OF NORTH DAKOTA MOTELS

Chapter III includes discussion of three topics: motel advertising, location, and room rate pricing policy. From the standpoint of influencing guests to choose a particular motel, these three topics are closely related.

Specifically, this chapter analyzes advertising methods used by responding North Dakota motels, and the regulation of advertising by state and federal laws; current locations of North Dakota motels, and the trends of future construction; methods of determination of room rate structures used by North Dakota motels; the increasing use of credit cards in the motel industry; and recent construction of "discount motels."

A traveler's initial contact with a particular motel is likely to be through some form of advertising. This advertising indicates to the traveler (1) the facilities offered by the motel, and (2) the motel's location. If the motel appears favorable to the traveler on these two counts, he may then visit the motel to determine (3) the motel's room rates. If the rates seem reasonable to the traveler, the process of room selection is then complete.

Advertising

The American Marketing Association defines advertising as, "any paid form of non-personal presentation and promotion of ideas, goods or services by an individual sponsor."<sup>12</sup> Advertising is used by motels to communicate with travelers or prospective guests on an impersonal, group basis.

Seventy-four per cent (47) of the responding North Dakota motels advertised in 1967. Advertising expenditures ranged from 0 to 15 per cent of the yearly gross revenue of the motels surveyed. The average advertising expenditure was 4.3 per cent. The methods used to determine the amount to be spent on advertising are shown in Table 10.

TABLE 10

METHODS USED BY NORTH DAKOTA MOTELS FOR DETERMINING  
THE AMOUNT OF MONEY TO BE SPENT ON ADVERTISING

	Number of Motels
Percentage of past gross revenue	9
Percentage of future gross revenue	2
Combination of past and future gross revenue	2
No particular method	28
Failed to answer	<u>6</u>
Total	47

<sup>12</sup>The Committee on Definitions of the American Marketing Association, Marketing Definitions (Chicago: American Marketing Association, 1960), p. 9.

Only 27 per cent of those surveyed North Dakota motels which advertised, used a definite method for determining the amount to be spent on advertising.

The most popular method of determining expenditures was percentage of past gross revenue. In this method a certain per cent is multiplied times the past period's gross revenue and this is the amount that is spent for advertising in the present period. Percentage of future gross revenue, another method used, is determined in the same way as the previous method but is based upon estimated gross revenue for the next fiscal period. In the combination method, a figure between the past and future revenue is chosen, and is then multiplied by a certain percentage figure.

North Dakota motels utilized a wide variety of advertising media. Table 11, page 25, illustrates the types of media and the degree to which these media were used by motels.

Outdoor and Miscellaneous Advertising.--The most widely-used medium, in terms of percentage of advertising expenditures employed by North Dakota motels was outdoor advertising--signs and billboards. Twenty-eight of the 33 motels who used this medium spent from 46 to 95 per cent of their total advertising budget for signs and billboards.

Novelties.--The second most widely used advertising medium consisted of novelties. These items (matches,

TABLE 11

ADVERTISING EXPENDITURES FOR VARIOUS MEDIA OF ADVERTISING AS GIVEN  
BY RESPONDING NORTH DAKOTA MOTELS

Per Cent of Advertising Expenditures	Outdoor Advertising Signs and Billboards	Novelties	Travel Guides	Radio	News-paper	Trade Papers	Tele-vision	Visitor Guide	Magazine
0-5	-	3	3	5	-	2	1	2	1
6-10	-	5	1	2	2	3	3	-	2
11-15	-	1	-	1	2	-	1	1	-
16-20	3	2	1	1	1	1	-	-	-
21-25	1	1	1	1	3	-	-	-	-
26-30	1	1	-	1	-	1	-	-	-
31-35	-	3	-	-	1	-	-	-	-
36-40	-	-	-	1	-	-	-	-	-
41-45	-	-	-	-	-	-	-	-	-
46-50	11	6	7	-	-	-	-	-	-
51-60	1	-	1	-	-	-	-	-	-
61-70	6	-	-	1	-	-	-	-	-
71-80	5	-	-	-	1	-	-	-	-
81-90	4	-	-	-	-	-	-	-	-
91-100	1	-	-	-	-	-	-	-	-
Total Motels Using Each Media	33	22	14	13	10	7	5	3	3

pencils and calendars) were usually given to the guests at the motel to serve as reminders of their stay or visit.

Travel Guides.--The third advertising medium utilized by responding motels was travel guides. Travel guides list the motels and the facilities they offer. They were used mostly by referral organizations and state motel associations for both reference and advertising.

Radio.--Radio was the fourth most popular advertising medium. Spot announcements on radio were used on occasion during times when the automobile traveler would logically be thinking of a place to stop.

Newspaper.--Ten motels used newspaper advertising, primarily to promote local food and beverage sales.

Other Media.--Some North Dakota motel owners employed additional media such as television, trade papers, visitor guides and magazines. These media were not used extensively because of their high cost per potential customer reached.

Thirty nine (83%) of the 47 motels that advertised believed advertising was an effective means of increasing their business.

The North Dakota motel owners were asked to give the one type of advertising they thought was the most effective for their motels. Table 12 indicates the answers to this question.

Road signs and billboards were the most popular form of advertising according to the motel owners. This is

TABLE 12

MOTEL OWNERS' OPINIONS AS TO WHICH ONE TYPE OF  
ADVERTISING IS MOST EFFECTIVE FOR THEIR MOTEL

Type of Advertising	Number of Motels
Road Signs and Billboards	22
Word of Mouth Advertising	7
Radio	3
North Dakota Motel Association Brochure	2
Travel Guides	2
Newspaper	<u>1</u>
	37

further evidenced by the sizable expenditures on this medium, as previously indicated. When these methods were separated into the ten gross revenue categories, road signs and billboards were the most popular medium in 9 of 10 categories.

The second most popular form of advertising according to the motel owners was "word of mouth". The motel owners do not pay for or have direct control over word-of-mouth advertising, and therefore in the technical sense it is not advertising. Nonetheless motel owners consider it an important form of communication with the public. This form of "advertising" is the result of the general appearance of the motel and the treatment received by its guests.

Chain and referral organizations have successfully acquainted the general public with their trademarks and brand names which appear on their road signs and billboards. Motels which belong to these groups have to pay a special fee which is spent on national advertising campaigns. Most chain and referral groups insist on their members placing their emblems on all their road signs and billboards. Their emblems and insignia stand for the type of service and facilities available at these well-known motels. This is one of the most important benefits a motel receives from belonging to referral and chain organizations.<sup>13</sup>

The motel industry as a whole relies upon road signs and billboards to bring business to their motels. This important form of advertising for motels could be severely restricted by the Highway Beautification Act.

The Highway Beautification Act, which was passed in 1965, asserts, in effect, that any signs or billboards which are now within 660 feet of an interstate highway or primary road must be removed by July 1, 1967.<sup>14</sup> (See Appendix B for the Highway Beautification Act and legislative history). There are a few exceptions to this law, but none of them applies to the lodging industry. The federal government has control of the 660 feet right-of-way and will provide information to travelers by the use of general information signs which state where food, lodging and gas are available.

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<sup>14</sup>Highway Beautification Act, sec. 101, 79 Stat. (1965).

In 1967 the Highway Beautification Act was not enforced as prescribed by law. The main reasons the Act was not enforced was that the money needed to compensate advertising agencies and/or private sign owners for removal of their outdoor advertising from designated highways was not appropriated.

The state of North Dakota has purchased the advertising rights on the North Dakota segment of the interstate highway system. In so doing, the state can control the amount of roadside advertising on the interstate highway system.

The effect that the Highway Beautification Act will have on the motel industry will not be fully understood until the monies are received for removal of the signs and the law is interpreted further.<sup>15</sup>

#### Additional Methods of Advertising or Internal Sales Promotion

Once guests are registered many North Dakota motel owners try to encourage these guests to utilize all the motel's facilities. An attempt is made to satisfy the guests to the extent that they will be sufficiently impressed with the accommodations and services provided so that they will want to return, for this is just as important as the effort which resulted in the guest's first visit.

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<sup>15</sup>A. N. Ault, private interview, North Dakota State Highway Department, March 11, 1968.



This type of internal sales promotion is accomplished in many ways. Directional signs are placed in public areas of the motels to make the guests aware of the many different activities and services offered for their comfort and pleasure. Brochures are placed in guest rooms or the dining rooms as part of the internal sales program. House directories in each guest room serve to acquaint the guests with the motel, guide them to various facilities, and suggest services that otherwise could escape their attention. Bulletin boards and posters are often placed in the lobby or lounge, and advertising is also placed on guest room desk or dresser. These are valuable tools in the internal sales promotion program of progressive North Dakota motels.

#### Location

A motel must be located conveniently to attract guests. As competition for the patronage of travelers becomes more intense, a desirable location becomes more important as a means of attracting additional patronage.

There are two general types of motel users, the transient guest and the terminal guest. The transient guest is one who travels through a given area. He wants to stay as close to the highway system as possible so he can continue his journey with a minimum of delay. The terminal guest, for personal or business reasons, is attracted specifically to an immediate area.

Motels in the state of North Dakota are located in one of four general areas. The number of motels in each area is shown in Table 13.

TABLE 13  
LOCATION BY AREA OF NORTH DAKOTA MOTELS

	Number of Motels
Interstate Highway	15
Downtown	15
Outskirts of Town (But not on an inter- state highway)	32
Lake	<u>2</u>
	64

Approximately 23 per cent of the responding motels were on an interstate highway. The majority were located on Interstate 94 which crosses the state from east to west.

Table 14 indicates the periods in which the responding North Dakota motels were built as related to location.

Construction was started in 1957 on the interstate highway system in North Dakota. Interstate 29, scheduled to be completed in the 1970's, will pass through two large cities in North Dakota, Fargo and Grand Forks. The number of motels that will be constructed on Interstate 29 is unknown, but it is likely that this highway will attract many motels.

TABLE 14

LOCATION OF NORTH DAKOTA MOTELS BY PERIODS  
OF CONSTRUCTION

Location	1957-1967 <sup>a</sup> Number of Motels Built	1950-1956 Number of Motels Built	1930-1949 Number of Motels Built
Interstate Highways	10	5	0
Downtown	7	3	5
Outskirts of town (But not on inter- state highways)	16	11	5
Lake	<u>2</u>	<u>0</u>	<u>0</u>
Totals	35	19	10

<sup>a</sup>North Dakota Interstate Highway construction was started in 1957.

Room Rate Determination

Setting the rate to be charged for the guest rooms is one of the most important duties of the motel owner. Logically, the motel owner should charge the rate that will bring about the optimum occupancy level of his rooms. To accomplish this, the motel owner does not set his rates solely by a formula, but is guided by the facilities available and by competitive rates.

There are several methods of determining room rates. The most common method is based on the owner's or manager's judgment of how much the guest would be willing to pay for the room, service, and facilities offered by the motel.

When this method is employed rates do not reflect any direct relationship to the cost of operation of the amount charged by competition. A second popular method of determining room rates is to base them on the cost of motel operation, plus a fair return on investment. In any event the room rates have to be in line with the guests ability to pay, for in the long run the guests, not the owner, set the rates.

Once the owner has established and publicized the rates for the motel, he has committed himself to a rate structure. Increasing the rates too rapidly causes bad word-of-mouth publicity and the occupancy rate of the motel suffers. It takes a long time to correct an error in rate structure judgment. Thus, motel owners are careful to set room rates at levels that will not seem out of line to current guests or have a negative effect on future patronage.<sup>16</sup>

The most common year-around guest rate for a single occupancy with a double bed was between \$6 and \$6.99 in 1964, according to a nationwide survey done by Howard Morgan.<sup>17</sup> North Dakota's average rate was within this range.

The rate structure is determined or based on the amount of living space, quality of furnishings, convenience

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<sup>16</sup>Howard Morgan, *The Motel Industry in the United States: Small Business in Transition* (The Bureau of Business and Public Research, The University of Arizona), p. 34.

<sup>17</sup>George O. Podd and John D. Lesure, *Planning and Operating Motels and Motor Hotels* (New York: Ahrens Book Company, Inc., 1964), p. 232.

of location, view, and extra facilities that are offered by the motel.

There are several different types of guest rooms available at motels. The most common types are: rooms with one double bed, two double beds, or two single beds. It is possible in the larger motels to rent bridal suites and conference rooms.

The basic rates which motels charge are increased when additional items are added to the rooms, such as rollaway beds or color TV.

There are four special rates which are offered at various motels throughout the state of North Dakota. These rates are usually \$1 lower than the basic rate. Table 15 indicates the kinds of rates and the number of motels which offer them.

TABLE 15

THE DIFFERENT TYPES OF RATES THAT ARE AVAILABLE AND THE NUMBER OF MOTELS OFFERING THEM IN NORTH DAKOTA

Rates	Number
Commercial	45
Family	33
Military	5
Clergy	3

Commercial rates are given to businessmen, salesmen, and other persons who travel in their work. Certain motels require their commercial customers to stay at least four times a year in order to receive the special rate. Other motels have no requirements.

Family rates consist of a discount from the basic rate for children or placing a rollaway bed in the room either for a relatively small fee or free of charge.

Military rates are small discounts on room rent given to military personnel in uniform or on orders.

Clergy rates are small discounts on room rent given to ministers, priests, and rabbis.

It is considered unethical by motel owners to charge different rates for the same accommodations based upon the need of the traveler. However, in certain sections of the country it is accepted practice to vary the rate structure of motels from one season to the next.<sup>18</sup>

Table 16 indicates the principal methods used to determine the room rates of North Dakota motels.

Competition was the main factor in rate determination. However, even where keen competition existed among surveyed motels there was no rate cutting. A possible reason for this is the belief that lower rates would not serve to increase the total number of persons attracted to

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<sup>18</sup>George O. Podd and John D. Lesure, Planning and Operating Motels and Motor Hotels (New York: Ahrens Book Company, Inc., 1964), p. 50.

TABLE 16  
 PRINCIPAL METHODS OF DETERMINING ROOM RATES  
 BY NORTH DAKOTA MOTELS

Method	Per Cent of Motels
Competition	53
Operating Costs of the Motel	36
Number of Beds in Room	<u>11</u>
Total	100 (61)

a particular locale. The number of additional salesmen and tourists that a motel rate war would bring the area would be negligible. Consequently a rate cut would lower gross profit while motel expenses would remain about the same.

The survey of North Dakota motels revealed that comparison shopping for favorable rates by the patrons of the motels in the larger cities in the state of North Dakota is common. Comparison shopping is a probable reason why approximately 53 per cent of the surveyed motels set their rates by what their competition charged.

#### Discount Motels

In 1962 in Santa Barbara, California, Paul Greene and Bill Becker, specialists in low cost housing, started a discount motel called Motel 6. By 1967 there were 31

Motel 6 establishments in the state of California and nine in other states. All these motels had air conditioning, swimming pools and rental television. Their rates were \$6 for one double bed and \$8 for two double beds. These discount motels have attracted the attention of conglomerate corporations who are now considering entering this field.<sup>19</sup>

There were no discount motels in the state of North Dakota as of 1967. If the trend toward discount motels does reach North Dakota it could affect the rates for guest rooms since 53 per cent of the surveyed motels used competition as a basis for setting their rates. But not all motels will lower their rates because some offer more services and are more luxurious than the discount motels.

#### Credit

Credit has become an important factor in the lodging industry. Many travelers are now accustomed to having credit terms extended to them for lodging upon producing a credit card. Credit terms for lodging were originally started by hotels as a part of their sales promotion programs. Through the use of an approved credit card the guest can sign his motel bill upon departure and have it sent to his business or home address for later payment.

The two most popular types of credit cards are "universal" and the oil company credit cards. Universal

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<sup>19</sup>"Motel 6, A Discount Motel," Newsweek, (October, 1967), p. 85.



cards, such as American Express, Hilton's Carte Blanche and Diner's Club, permit the holder to charge a wide variety of items and services, including motel and hotel expenses. The oil company cards were ordinarily designed to permit the charging of automobile expenses incurred in service stations, but these oil cards are now recognized by chain and referral motels. Gasoline credit cards offer a way to stimulate referrals and can be of great value to franchise owners and members of referral groups whose group has tied in with a major oil company. However, there are drawbacks to the motel owners who accept gasoline credit cards: (1) a four to six per cent service charge per bill; (2) non-guaranteed bill payment by the participating oil companies who make no careful credit checks.<sup>20</sup>

Thirty-one per cent of the responding North Dakota motels accepted credit cards. Table 17 indicates the number of motels in each of the ten gross revenue categories which accepted credit cards.

The largest percentage of credit card users are in the categories of large gross revenue. The large motels (in terms of gross revenue) usually have more facilities and typically belong to referral organizations so they do more business by credit. Table 18 shows the percentage of business done with credit cards by responding North Dakota motels.

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<sup>20</sup>Operations Bulletin, American Hotel and Motel Association, Motel Supplement, (September, 1967), p. 3.

TABLE 17

MOTEL CREDIT CARD ACCEPTANCE IN NORTH DAKOTA BY  
GROSS REVENUE

1967 Motel Gross Revenue	Number of Motels	Number of Motels Accepting Credit Cards <sup>a</sup>
Under 10,000	21	2
10,000-19,999	16	2
20,000-34,999	7	0
35,000-49,999	2	2
50,000-74,999	5	2
75,000-99,999	3	3
100,000-199,999	1	0
200,000-299,999	3	3
300,000-499,999	1	1
500,000-or more	2	2
Total	61	17

<sup>a</sup>Three motels accepted credit cards but failed to indicate their gross revenue.

TABLE 18

THE PERCENTAGE OF BUSINESS DONE BY CREDIT AS REPORTED  
BY RESPONDING NORTH DAKOTA MOTELS

Percentage of Credit Business	Number of Motels
0-5	3
6-10	2
11-19	2
20-29	6
30-49	0
50-55	2
56 or more	0
Unknown	5
Total	20

Summary

Seventy-four per cent of the responding North Dakota motels advertised in 1967. Advertising expenditures ranged from less than one up to 15 per cent of the yearly gross revenue of the motels surveyed. The mean annual advertising expenditure per firm was 4.3 per cent of gross revenue.

The five types of advertising that were most commonly used by the responding motel owners in rank order were: road signs and billboards, novelties or giveaway items, travel guides, radio and newspaper.

Fifty per cent of North Dakota motels were located on the outskirts of town, other than on an interstate highway. The remainder of the motels were equally distributed between those located in downtown areas and those found on interstate highways.

Construction on the North Dakota segment of the interstate highway system was started in 1957. In the subsequent ten years approximately 30 per cent of motel construction within the state took place on this system. The Highway Beautification Act which was passed in 1965 will affect road signs and billboard advertising on primary roads and interstate highways. This Act will force the removal of the motels' most effective means of advertising, that of road signs and billboards.

Room rates were set by consideration of two basic factors: competition and operating costs. Comparison of

motel rates was common among prospective customers. At the same time the survey showed no evidence of pronounced rate cutting by motels to attract rate-conscious prospects.

Customer credit cards were accepted by 31 per cent of the respondent North Dakota motels. Credit cards were most popular with those motels which annually grossed \$35,000 or more. The amount of customer business which was done by use of credit cards varied among motels from one per cent to 55 per cent of gross revenue.

## CHAPTER IV

### SUMMARY AND CONCLUSIONS

The data used in this thesis was obtained principally from a survey of selected North Dakota motels. A mail questionnaire was sent to 150 randomly chosen motels, and a 43 per cent return was received.

There is no record as to when the first motel was started in North Dakota. The oldest motel which was included in this survey was established in 1935. Of the North Dakota motels surveyed 84 per cent have been built since 1960.

#### Organization of North Dakota Motels

North Dakota motel ownership was divided into three categories: single proprietorships, partnerships, and corporations. Single proprietorships accounted for 73 per cent of the surveyed motels. Corporation-owned motels represented 14 per cent of the total responding motels. Motels owned by persons comprising partnerships made up 13 per cent. The single proprietorship in most instances limits the number of rental units and auxiliary facilities, inasmuch as an individual proprietorship normally has limited capital and is thus unable to finance a large, complex motel.

There are both state and national trade associations in the motel industry. Eighty-three per cent of those North Dakota motels surveyed belonged to one or more of these associations, the most popular being the North Dakota Motel Association. Over 50 per cent of North Dakota motels were affiliated with a national association, the American Motor Hotel Association.

#### Motel Size and Facilities

North Dakota motels do not have as many rental units as do motels in other states. Ninety-four per cent of the respondent North Dakota motels had 40 rental units or less; nationally the percentage is 77 per cent.

The majority of North Dakota motels have a relatively small dollar volume. Sixty-one per cent of these motels grossed less than \$20,000 in 1967. Room rent was the sole source of income for 69 per cent of responding motels. In the opinion of the motel owners surveyed the principle sources of revenue by customer class were salesmen and tourists.

North Dakota motels have fewer facilities (restaurants, swimming pools, liquor and/or beer establishments, sauna baths, etc.) than do motels in the rest of the country.

Twenty-five per cent of respondent North Dakota motels employed no assistants to help run or maintain their motels. The number of people employed by the remaining motels was dependent upon the size of the motel and the

number of auxiliary facilities which were offered. The large motels employed as many as 80 full-time and 30 part-time employees.

North Dakota motels are relatively small as is indicated by their principle form of organization, low gross revenue, limited auxiliary facilities, and small number of employees.

In North Dakota, the total number of motel rooms increased by 40 per cent during the years 1960-65. On the other hand, the number of motels increased only 13 per cent. These facts indicate a trend toward large-scale motel operations with auxiliary facilities such as restaurants, liquor establishments, and recreational facilities.

Of the auxiliary facilities the two most profitable were liquor establishments and restaurants. State and local laws have limited the number of liquor establishments in a given area, so in many cases this form of auxiliary enterprise is not available to motels. On the other hand, restaurants can be added at the discretion of the motels. Restaurants, on the average, increased motel gross receipts by 40 per cent over receipts from room rent alone. Restaurants and liquor establishments were frequented not only by motel lodgers but also by residents of the local community. This is significant since local residents, by patronizing these facilities year around, contribute to motel revenue during the slack season when the occupancy rate is low.

At the same time, extra expense and time are required in the operation of liquor establishments and restaurants.

#### Advertising Policies and Methods

Seventy-four per cent of North Dakota motels used some form of advertising. The average advertising expenditures of North Dakota motels were 4.3 per cent of gross receipts, a figure approximately 50 per cent lower than that recommended as necessary for effective advertising. Only 27 per cent of the motels which advertised used some definite method for planning the amount to be spent on advertising. Since the use of a definite plan would more than likely be productive and yield effective results, motels should employ a system for selecting the amount to be spent.

The five advertising media which were most commonly used by responding motels were, in descending order of expenditures, road signs and billboards, novelties and giveaway items, travel guides, radio, and newspapers.

Road signs and billboards were judged by respondents as the most effective medium for motels. The reason cited for the effectiveness of road signs and billboards was that travelers watch for these forms of advertising to determine the types and locations of nearby motels.

Novelties or giveaway items were provided for the convenience of the guests, and also served as reminders to



the guests of their visit or stay. Radio and newspapers were used mainly by those motels which had liquor establishments and restaurants.

A recent law which will have a substantial effect on motel advertising by use of road signs and billboards is the Highway Beautification Act which was passed in 1965. This act required removal of signs or billboards within 660 feet of an interstate highway or primary road by July 1, 1967. However, as of May, 1968, the law had not been enforced, because of a lack of funds required to compensate advertising agencies and/or private sign owners for removal of their outdoor advertising along designated highways.

The total impact that the Highway Beautification Act will have on the motel industry cannot be fully measured until funds are appropriated for the removal of the signs and the law is interpreted further. However, motel owners can anticipate some restrictions on road signs and billboards because of the Highway Beautification Act. Therefore, alternate methods of advertising should be evaluated and readied for use to lessen the effect of the act on motel promotion.

#### Locations of North Dakota Motels

Fifty per cent of North Dakota motels were located on the outskirts of town rather than on an interstate highway. The remainder of the motels were equally distributed between those located in downtown areas and those found on interstate highways.

Construction on the North Dakota segment of the interstate highway system was started in 1957. In the subsequent 10 years approximately 30 per cent of motel construction within the state took place on this system. The interstate system is heavily traveled and large motel complexes are attracted to this potential business. This is one of the causes of the trend toward larger motels in North Dakota.

#### Rate Structure

North Dakota motel room rates were within the national range of \$6.00 to \$6.99 for a single occupancy with a double bed. Room rates were commonly set after consideration of two factors: competition and operating costs. Comparison pricing of motel rates was common among motel customers. At the same time the survey showed no evidence of rate cutting by motels to attract rate shoppers or the presence of discount motels within the state. However, because rate comparison is common among motel patrons, motels should set a rate structure comparable to that of competitors with the same facilities.

#### Credit Policies

Customer credit cards were accepted by 31 per cent of the respondent North Dakota motels. Credit cards were most popular with those motels which annually grossed \$35,000 or more. The amount of customer business which

was done by use of credit cards varied among motels from one per cent to 55 per cent. Because of the increased business being done with credit cards, motels without credit should seriously consider accepted credit cards.

Motels, like all businesses, must operate at a profit in order to survive. Thus motels must attract a reasonable number of travelers. The financial success enjoyed by motels will continue to depend, to a large degree, on the marketing practices employed.

APPENDIX A

24 Amherst Street  
Grand Forks, North Dakota  
November 16, 1967

Dear Sir:

I would appreciate it if you would help make it possible for me to conduct a comparative study of the marketing practices of North Dakota motels. You can do this by taking five minutes of your time to fill out the enclosed questionnaire.

I am a graduate student in Marketing at the University of North Dakota. My objective is to write a thesis based on the marketing practices of North Dakota motels. The information obtained from the enclosed questionnaire is vital to the completion of this study.

A self-addressed stamped envelope is enclosed. All information received from the questionnaire will be treated in strictest confidence.

Thank you for your kind assistance.

Sincerely yours,

Kenneth L. Mellem

## MOTEL QUESTIONNAIRE

1. Check the word or phrase below which is most nearly descriptive of the location of your motel.

( ) Interstate highway; ( ) Downtown; ( ) Outskirts of town, (but not on an interstate highway)

2. How long has your motel been in existence?

\_\_\_\_\_Years

3. How many rental units does your motel presently have?

\_\_\_\_\_Number

4. Is your motel a ( ) Single proprietorship; ( ) Partnership; ( ) Corporation?

5. How many people are employed 40 or more hours a week, other than the owners?

\_\_\_\_\_Number

Less than 40 hours a week, (part time)?

\_\_\_\_\_Number

6. Please check the facilities that your motel has.

( ) Restaurant; ( ) Swimming pool; ( ) Room T.V.'s;  
( ) Liquor license; ( ) Beer license; ( ) Sauna bath; ( ) Other - please indicate \_\_\_\_\_

7. Is your motel a chain or independent?

( ) Chain (One of four or more under the same ownership) ( ) Independent (All others)

8. Below is a list of motel organizations. Please check those which your motel holds membership in or is affiliated with.

( ) American Automobile Association; ( ) American Motor Hotel Association; ( ) Best Western Motels; ( ) Downtowner; ( ) Holiday Inns of America; ( ) Howard Johnson's Motor Lodges; ( ) North Dakota Motel Association; ( ) Quality Courts Motels; ( ) Ramada Inns; ( ) Travelodge; ( ) Others - please indicate \_\_\_\_\_

9. A. Who sets the room rates for your motel?  
 Owner;  Manager;  Other - please indicate
- 

B. How are they determined? \_\_\_\_\_

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10. Please check the types of rates available at your motel.  
 Commercial;  Clergy;  Family;  Military;  
 Standard

11. What general group of people gives your motel the most revenue: (Tourists, Salesmen, etc.)
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12. Does your motel advertise in one or more of the various types of media available?

Yes (If yes, please answer questions 13 thru 17)  
 No (If no, please skip to question 18)

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13. Approximately what percentage of your motel's gross yearly revenue is spent on advertising?

\_\_\_\_\_ %                      \_\_\_\_\_ Don't know

14. What general percentage of your advertising expenditures do you spend on the following media? Please write down expenditure percentages in front of the media?

\_\_\_\_\_ % Radio

\_\_\_\_\_ % Television

\_\_\_\_\_ % Outdoor Advertising (Signs and Billboards)

\_\_\_\_\_ % Travel Guides

\_\_\_\_\_ % Visitor Guides

\_\_\_\_\_ % Newspapers

\_\_\_\_\_ % Magazines

\_\_\_\_\_ % Novelties (Matches, pencils, calendars, etc.)

\_\_\_\_\_ % Trade Papers

\_\_\_\_\_ % Other - please indicate \_\_\_\_\_

\_\_\_\_\_ 100 % Total

15. How do you determine how much you spend for advertising?

( ) Percentage of past gross revenue

( ) Percentage of future gross income

( ) Match competitors

( ) No particular method

( ) Other - please indicate \_\_\_\_\_

16. Do you believe that your advertising is effective?

( ) Yes ( ) No

If yes, how do you determine that it is? \_\_\_\_\_

17. What type of advertising do you think is best for your motel? \_\_\_\_\_

18. Of the total yearly gross receipts of your motel, what percentage comes from the following?

\_\_\_\_\_ % Room Rent

\_\_\_\_\_ % Restaurant or food service

\_\_\_\_\_ % Liquor license

\_\_\_\_\_ % Beer License

\_\_\_\_\_ % Rent (store, offices, concessions)

\_\_\_\_\_ % Telephone

\_\_\_\_\_ % Other - please indicate \_\_\_\_\_

\_\_\_\_\_ 100 % Total



19. What is the yearly gross revenue of your motel?

- |  |  |
|--|--|
| <input type="checkbox"/> Under \$10,000      | <input type="checkbox"/> \$ 75,000 - \$ 99,999 |
| <input type="checkbox"/> \$10,000 - \$19,999 | <input type="checkbox"/> 100,000 - 199,999     |
| <input type="checkbox"/> 20,000 - 34,999     | <input type="checkbox"/> 200,000 - 299,999     |
| <input type="checkbox"/> 35,000 - 49,999     | <input type="checkbox"/> 300,000 - 499,000     |
| <input type="checkbox"/> 50,000 - 74,999     | <input type="checkbox"/> 500,000 or more       |

20. Does your motel accept credit cards?

- Yes       No

If yes, what percentage of your business is done through credit cards? \_\_\_\_\_%

21. Name of your motel \_\_\_\_\_

22. City \_\_\_\_\_

THANK YOU VERY MUCH FOR YOUR COOPERATION

APPENDIX B

1028 PUBLIC LAW 89-285--Oct. 22, 1965 79 Stat.

Public Law 89-285

October 22,  
1965

AN ACT

S.2084 To provide for scenic development and road beautification of the Federal-aid

Highway Beautification Act of 1965 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

72 Stat. 904. SEC. 101. Section 131 of title 23, United States Code, is revised to read as follows:

" 131. Control of outdoor advertising

"(a) The congress hereby finds and declares that the erection and maintenance of outdoor advertising signs, displays, and devices in areas adjacent to the Interstate Highway System and the primary system should be controlled in order to protect the public investment in such highways, to promote the safety and recreational value of public travel, and to preserve natural beauty.

"b) Federal-aid highway funds apportioned on or after January 1, 1968, to any State which the Secretary determines has not made provision for effective control of the erection and maintenance along the Interstate System and the primary system of outdoor advertising signs, displays, and devices which are within six hundred and sixty feet of the nearest edge of the right-of-way and visible from the main traveled way of the system, shall be reduced by amounts equal to 10 per centum of the amounts which would otherwise be apportioned to such State under section 104 of this title, until such time as such State shall provide for such effective control. Any amount which is withheld from apportionment to any State hereunder shall be reapportioned to the other States. Whenever he determines it to be in the public interest, the Secretary may suspend, for such periods as he deems necessary, the application of this subsection to a State.

"c" Effective control means that after January 1, 1968, such signs, displays, and devices shall, pursuant to this section be limited to (1) directional and other official signs and notices, which signs and notices

shall include, but not be limited to, signs and notices and notices pertaining to natural wonders, scenic and historical attractions, which are required or authorized by law, which shall conform to national standards hereby authorized to be promulgated by the Secretary hereunder, which standards shall contain provisions concerning the lighting, size, number and spacing of signs, and such other requirements as may be appropriate to implement this section, (2) signs, displays, and devices advertising the sale or lease of property upon which they are located, and (3) signs, displays, and devices advertising activities conducted on the property on which they are located.

"(d) In order to promote the reasonable, orderly and effective display of outdoor advertising while remaining consistent with the purposes of this section, signs, displays, and devices whose size, lighting and spacing, consistent with customary use is to be determined by agreement between the several States and the Secretary, may be erected and maintained within six hundred and sixty feet of the nearest edge of the right-of-way within areas adjacent to the Interstate and primary systems which are zoned industrial or commercial under authority of State law, or in unzoned commercial or industrial areas as may be determined by agreement between the several States and the Secretary. The States shall have full authority under their own zoning laws to zone areas for commercial or industrial purposes, and the actions of the States in this regard will be accepted for the purposes of this Act. Nothing in this subsection shall apply to signs, displays, and devices referred to in clauses (2) and (3) of subsection (c) of this section.

"(e) Any sign, display, or device lawfully in existence along the Interstate System or the Federal-aid primary system on September 1, 1965, which does not conform to this section shall not be required to be removed until July 1, 1970. Any other sign, display, or device lawfully erected which does not conform to this section shall not be required to be removed until the end of the fifth year after it becomes nonconforming.

"(f) The Secretary shall, in consultation with the States, provide within the rights-of-way for areas at appropriate distances from interchanges on the Interstate System, on which signs, displays, and devices giving specific information in the interest of the traveling public may be erected and maintained. Such signs shall conform to national standards to be promulgated by the Secretary.

"(g) Just compensation shall be paid upon the removal of the following outdoor advertising signs, displays, and devices--

"(1) those lawfully in existence on the date of enactment of this subsection,

"(2) those lawfully on any highway made a part of this state or primary system on or after the date of enactment of this subsection and before January 1, 1968, and

"(3) those lawfully erected on or after January 1, 1968.

The Federal share of such compensation shall be 75 per centum. Such compensation shall be paid for the following:

"(A) The taking from the owner of such sign, display, or device of all right, title, leasehold, and interest in such sign, display, or device; and

"(B) The taking from the owner of the real property on which the sign, display, or device is located, of the right to erect and maintain such signs, displays, and devices thereon.

"(h) All public lands or reservations of the United States which are adjacent to any portion of the Interstate System and the primary system shall be controlled in accordance with the provisions of this section and the national standards promulgated by the Secretary.

"(i) In order to provide information in the specific interest of the traveling public, the State highway departments are authorized to maintain maps and to permit informational directories and advertising pamphlets to be made available at safety rest areas. Subject to the approval of the Secretary, a State may also establish information centers at safety rest areas for the purpose of informing the public of places of interest within the State and providing such other information as a State may consider desirable.

"(j) Any State highway department which has, under this section as in effect on June 30, 1965, entered into an agreement with the Secretary to control the erection and maintenance of outdoor advertising signs, displays, and devices in areas adjacent to the Interstate System shall be entitled to receive the bonus payments as set forth in the agreement, but no such State highway department shall be entitled to such payments unless the State maintains the control required under such agreement or the control required by this section, whichever control is stricter. Such payments shall be paid only from appropriations made to carry out this section. The provisions of this subsection shall not be construed to exempt any State from controlling outdoor advertising as otherwise provided in this section.

"(k) Nothing in this section shall prohibit a State from establishing standards imposing stricter limitations with respect to signs, displays, and devices on the Federal-aid highway systems than those established under this section.

"(l) Not less than sixty days before making a final determination to withhold funds from a State under subsection (b) of this section, or to do so under subsection (b) of section 136, or with respect to failing to agree as to the size, lighting, and spacing of signs, displays, and devices or as to unzoned commercial or industrial areas in which signs, displays, and devices may be erected and maintained under subsection (d) of this section, or with respect to failure to approve under subsection (g) of section 136, the Secretary shall give written notice to the State of his proposed determination and a statement of the reasons therefor, and during such period shall give the State an opportunity for a hearing on such determination. Following such hearing the Secretary shall issue a written order setting forth his final determination and shall furnish a copy of such order to the State. Within forty-five days of receipt of such order, the State may appeal such order to any United States district court for such State, and upon the filing of such appeal such order shall be stayed until final judgment has been entered on such appeal. Summons may be served at any place in the United States. The court shall have jurisdiction to affirm the determination of the Secretary or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the United States court of appeals for the circuit in which the State is located and to the Supreme Court of the United States upon certiorari or certification as provided in title 28, United States Code, section 1254. If any part of an apportionment to a State is withheld by the Secretary under subsection (b) of this section or subsection (b) of section 136, the amount so withheld shall not be reapportioned to the other States as long as a suit brought by such State under this subsection is pending. Such amount shall remain available for apportionment in accordance with the final judgment and this subsection. Funds withheld from apportionment and subsequently apportioned or reapportioned under this section shall be available for expenditure for three full fiscal years after the date of such apportionment or reapportionment as the case may be.

"(m) There is authorized to be appropriated to carry out the provisions of this section, out of any money in the Treasury not otherwise appropriated, not to exceed

\$20,000,000 for the fiscal year ending June 30, 1966, and not to exceed \$20,000,000 for the fiscal year ending June 30, 1967. No part of the Highway Trust Fund shall be available to carry out this section."

SEC. 102. The table of sections of chapter 1 of title 23 of the United States code is amended by striking out

"131. Areas adjacent to the Interstate System."  
and inserting in lieu thereof

"131. Control of outdoor advertising."

## HIGHWAY BEAUTIFICATION

## EFFECTIVE DATE OF REMOVAL OF ADVERTISING SIGNS

Under subsection (e) of the new section 131 of title 23 of the United States Code, no sign, display, or device covered by this section and in existence along the interstate and primary systems on September 1, 1965, will have to be removed before July 1, 1970. Thus we have a 5-year period before existing signs actually will have to come down. The purpose of this is to allow the advertising business to amortize, insofar as possible, its existing investment in the signboards before they are removed.

Any other sign, display, or device which is lawfully erected but thereafter becomes nonconforming will not have to be removed until the end of the fifth year after it becomes nonconforming.

Two examples will help to make clear what this language in subsection (e) is intended to cover. As a first example, the secondary system is not subject to this legislation. At sometime in the future a part of the secondary system may be designated for incorporation into the primary system. Outdoor advertising which was lawful on the secondary system could very likely be nonconforming on the primary system. A second example would involve the possibility of a change in regulations under this legislation. It is conceivable that regulations issued at the outset of the program might at some future time have to be revised to meet changing conditions. Signs erected under the initial regulations would then have to be removed and replaced. In all fairness, these signs should have the same time in which to be removed as those signs which become subject to removal upon enactment of this legislation.

Subsection (f) of the new section 131 authorizes the Secretary, in consultation with the States, to provide for areas within the rights-of-way at appropriate distances from interchanges on the Interstate System where signs, displays and devices may be erected and maintained to give specific information to the traveling public. These signs are required to be in conformity with national standards to be promulgated by the Secretary.

This subsection (f) deals with the signs a motorist will see, in either direction, as he travels the Interstate System, to advise him of the kind of accommodations--motels, hotels, gasoline stations, and restaurants --that may be available at the next interchange.



The committee felt strongly about the need for adequate information for motorists, and at its request the Secretary of Commerce wrote to the chairman of the Subcommittee on Roads, the Honorable John C. Kluczynski, explaining how the Department of Commerce would interpret this section. A copy of the letter from the Secretary of Commerce to Mr. Kluczynski follows:

THE SECRETARY OF COMMERCE  
Washington, D. C.

Hon. John C. Kluczynski,  
Chairman, Subcommittee on Roads, Public Works  
Committee,  
House of Representatives, Washington, D. C.

Dear Mr. Kluczynski: This is in response to your request for information on the ways in which the traveling public would be informed of facilities and services available to them if the Congress enacts the administration's highway beautification program including the control of outdoor advertising.

#### LEGISLATIVE HISTORY

The administration recognizes that the present signs and procedures of informing the traveling public, along the Interstate System, are inadequate and must be improved. The Bureau of Public Roads, in cooperation with the State highway departments, has been working for some time on policies and procedures for replacement of signs which are now limited largely to notices that food, fuel, and lodging are available at the next interchange.

The Department of Commerce will start immediately on developing a system of signs to give the motoring public more information about services and facilities available within reasonable distances of the main traveled roadway where such information is not otherwise reasonably provided.

It should be pointed out that signs advertising services or facilities necessary or of interest to the traveling public can be erected in both zoned and unzoned commercial and industrial areas in accordance with the legislation now pending before your committee. It is our belief that signs in these areas can to a very great extent take care of the needs for informing the traveling public on noncontrolled access portions of the primary system and be completely consistent with the administration's program to make our highways avenues for the enjoyment of nature and beauty and to help rich the life of our people in city and countryside alike.

In those instances, primarily along the Interstate System and controlled access portions of the primary system, where motorist service information is not otherwise available, the Department of Commerce in cooperation with the State Highway Departments will erect signs giving specific information on services and facilities. This would include specific brand names of gasoline, the names or other specific identification of lodging and food facilities and other specific information of interest to the motoring public regarding recreation, historic sights, hospitals and similar information.

The Bureau of Public Roads, the State highway departments and the Highway Research Board also have started work on utilizing available technology to develop communications systems along our highways to provide information to the motorists. This includes the actual development of a pilot project of installing a communication system along a section of the interstate highway in which prerecorded messages can be transmitted into an automobile with a standard radio which is traveling along the highway. This research and development work will be pursued vigorously so that this additional means of informing the traveling public of services and facilities can be made available in future years.

If there is any other information which we can furnish the committee, we will be pleased to cooperate.

Sincerely yours,

(Signed) John T. Connor  
Secretary of Commerce

The committee clearly intends that this section be carried out in the manner explained by the Secretary in his letter to the chairman of the subcommittee so as to provide what it believes is essential service to the motoring public and, at the same time, allow legitimate businesses to have a proper opportunity to advertise their goods and services.

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