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# Perceived Fairness of Restaurant Waitlist-management Policies

By **Kelly A. McGuire**  
and **Sheryl E. Kimes, Ph.D.**

# PERCEIVED FAIRNESS OF RESTAURANT WAITLIST-MANAGEMENT POLICIES

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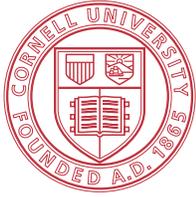
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Fairness of Waitlist-management Policies  
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# Perceived Fairness of Restaurant Waitlist-management Policies

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WHEN A RESTAURANT IS FULL, its managers have to determine which of several tactics they will use to seat the customers who are waiting in line for a table. The waiting guests generally might expect that the restaurant would seat them in the order they arrived, but not all restaurants use a first-come, first-served policy. Because restaurant operators seek ways to achieve the greatest possible revenue from a particular meal period, they may use approaches for seating the waiting guests that shift demand and violate the first-come, first served expectation.

This study tested the following four demand-shifting tactics: seating guests according to party size (by matching party size to available tables), accepting reservations for large parties only, seating VIP guests in preference to others, and allowing guests to call ahead to put their name on the waitlist for an approximate seating time.

The study found that guests would accept some of those approaches as being fair, while others are dimly regarded. In response to a series of scenarios involving these four seating policies, the 268 respondents rated seating by party size and call-ahead seating as being relatively fair, but large-party reservations were seen

as a neutral policy at best and VIP seating was considered to be essentially unfair. In general, respondents who said that they were not familiar with a particular policy gave that policy a lower fairness rating than did those who had experience with that policy.

One interesting finding was that fairness ratings were generally not influenced by whether a respondent gained the advantage of an earlier seating from a given policy scenario. With regard to the respondents' likelihood of returning to a restaurant, however, the likelihood of return was greater when a particular demand-shifting policy gave the respondent the advantage of fast seating. Of the four policies, VIP seating was mostly likely to drive customers from a restaurant.

Although it makes sense to use demand-shifting tactics to boost revenue during busy times, restaurateurs should be wary of using any tactic that guests see as being unfair. Offering a clear explanation of a policy, particularly call-ahead seating and seating by party size, may assuage guests who would otherwise be unhappy, but accepting reservations for large parties is a chancy tactic and seating VIPs ahead of others might well be seen as unfair no matter how it is handled.

## About the Authors



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**R**ESTAURANT OPERATORS MAY USE ANY OF SEVERAL TACTICS TO SHIFT CUSTOMERS' DEMAND during the inevitable times when demand exceeds supply, and there are not enough seats available for those who want to dine. Most of those approaches involve asking customers to wait for a table, whether that means waiting in a physical queue or putting one's name on a waitlist. In this report we examine how customers view the fairness of four waitlist-management techniques.

Most restaurants rely on walk-in business to fill their dining rooms, rather than accept formal reservations. In most restaurants, walk-in demand is managed with a waitlist, which takes the place of a physical queue. In this report we consider the customers' perceptions of the techniques or policies that restaurants typically apply to their waitlist to maximize revenue while not unduly inconveniencing their customers. Our analysis is based on the

idea that customers could perceive one or another of these waitlist-management policies as being unfair, because each typically requires the restaurant to violate the expectation that waiting customers will be seated using a first-come, first-served rule. Even if alternative waitlist-management policies lead to short-term revenue gains, they could lead to decreased long-term revenue if customers believe that they are being treated unfairly. With that in

mind, we studied customers' fairness perceptions for the following four policies: seating by party size, VIP seating, taking reservations only for large parties, and call-ahead seating.

**Matching party size to table size.** Seating by party size focuses on seating parties that fill as many of the restaurant's available seats as possible. With this approach, rather than taking the next party on the list, the host or hostess picks parties off the waitlist according to the size of the available table. If parties are matched to table size, more seats in the restaurant will be filled, increasing seat utilization and revenue.<sup>1</sup> For example, given a choice between seating a party of two or a party of four at a 4-top, restaurants that seat by party size may prefer to seat the party of four, regardless of which party arrived first.

**VIPs.** Certain customers may be frequent diners, may bring status to the restaurant by dining there, or may be known to spend more money than other customers. Many restaurants give priority to these important customers (VIPs) to reward them for their loyalty (ensuring that they will bring future business to the restaurant), or to take advantage of their revenue-generating potential. For example, a restaurant may prefer to seat a regular customer or a friend of the owner before seating other guests, or a casino restaurant may prefer to seat its high-spending gamblers before seating other customers.

**Large-party reservations.** Some restaurants take reservations only for large parties (for example, greater than six or eight persons) to help with forecasting, ordering, and staffing levels, and also so that they can better plan where and when the party will be seated. Given the logistical challenges of a large party, it is to the restaurant's advantage to be able to plan for the party, say, by having adjacent tables available at the right time and alerting the kitchen firing line. Large parties that walk in without advance notice may cause interruptions in ser-

vice as the restaurant holds tables empty (and not generating revenue) while waiting for the other adjacent tables to become available.<sup>2</sup>

**Call-ahead seating.** Another way to manage a waitlist is to use call-ahead seating, by allowing customers to call the restaurant in advance their of arrival (but usually on the same day) to hold a place on the waitlist. This is not the same as a reservation, because the customer is not promised a seat upon arrival, but the customer gains the likelihood of a shorter wait in exchange for letting the restaurant know he or she is coming. Some restaurants tell customers what time they should plan to arrive, whereas others allow the customers to choose their own arrival time. Using the call-ahead approach allows a restaurant to spread out its demand (particularly if the restaurant dictates or negotiates the customer's arrival time). The policy can also buy time for the restaurant, because it does not have to hold tables empty to ensure that they are ready at the exact time of the next call-ahead party's arrival.

### The Fairness Question

These four practices can help a restaurant smooth out demand and increase its short-term revenue, but they may seem unfair to customers and damage long-term performance. Research has shown that a customer's evaluation of fairness is based on a reference transaction (or, how that person thinks the transaction should be conducted).<sup>3</sup> If the actual transaction is different than expected, customers may believe that the company is behaving in an unfair fashion.<sup>4</sup> When customers must wait for service, they generally believe that they should be served on a first-come, first-served basis.<sup>5</sup> When they

<sup>1</sup> Sheryl E. Kimes and Gary M. Thompson, "Restaurant Revenue Management at Chevys: Determining the Best Table Mix," *Decision Science*, Vol. 35, No. 3 (2004), pp. 371-392.

<sup>2</sup> Sheryl E. Kimes, Sunmee Choi, Elizabeth N. Ngonzi, and Philip Y. Lee, "Restaurant Revenue Management," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 39, No. 3 (June 1998), pp. 40-45.

<sup>3</sup> Daniel Kahneman, Jack L. Knetsch, and Richard Thaler, "Fairness as a Constraint on Profit Seeking: Entitlements in the Market," *American Economic Review*, Vol. 76, No. 4 (1986), pp. 728-741.

<sup>4</sup> *Ibid.* Reference pricing works in the same fashion.

<sup>5</sup> Richard C. Larson, "Perspective on Queues: Social Justice and the Psychology of Queuing," *Operations Research*, Vol. 35, No. 6 (1987), pp. 895-905.

are not served in this manner—as in the case of the four tactics we just discussed—they may feel that they have been treated unfairly. For that reason, we believe that restaurants should consider the effect on customer satisfaction that their waitlist-management practices might have.

The way customers react to different waitlist policies may also be affected by how familiar they are with the policy and whether they gain advantage from it or are forced to wait while someone is seated ahead of them. Researchers have shown that as customers become more familiar with a practice they are more likely to view that practice as acceptable.<sup>6</sup> In 1994, for example, customers viewed revenue-management pricing practices in the hotel industry as being significantly less fair than those used in the airline industry, but in 2002, there was no difference in the perceived fairness of the airline and hotel pricing practices.<sup>7</sup> Beyond that, customers who receive an advantage from a practice (in this case, being seated more quickly) have been shown to view the practice as being more acceptable than those who are at a disadvantage because of the practice (in this case, having to wait longer).<sup>8</sup> One way to prevent the perceptions of unfairness is by providing adequate information about a practice. Customers will use all available information when evaluating the fairness of a situation. Thus, in the absence of information, they are more likely to rate the scenario as unfair.<sup>9</sup>

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<sup>6</sup> Rees Van den Bos, Riel Vermunt, and Henk A.M. Wilke, “The Consistency Rule and the Voice Effect: The Influence of Expectation on Procedural Fairness Judgments and Performance,” *European Journal of Social Psychology*, Vol. 26 (1996), pp. 411–414; and Sheryl E. Kimes and Jochen Wirtz, “The Psychology of Revenue Management,” Cornell University Working Paper, 2004.

<sup>7</sup> Sheryl E. Kimes, “Perceived Fairness of Yield Management,” *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 29, No. 1 (February 1994), pp. 22–29; and Sheryl E. Kimes and Breffni M. Noone, “Perceived Fairness of Yield Management: An Update,” *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 43, No. 1 (February 2002), pp. 28–29.

<sup>8</sup> J.S. Adams, “Towards an Understanding of Inequity,” *Journal of Abnormal and Social Psychology*, Vol. 67 (1963), pp. 422–436.

<sup>9</sup> Van den Bos et al., pp. 411–414.

Common sense says that customers are unlikely to continue to patronize a firm if they feel that have been treated unfairly, and research has confirmed that notion.<sup>10</sup> In addition to not returning, customers react to unfair treatment by punishing the firm through bad word-of-mouth.

## Methodology

We used a survey containing role-play scenarios to evaluate the perceived fairness of the four waitlist-management policies that we just discussed (that is, party-size seating, VIP seating, reservations for large parties, and call-ahead seating). To test these tactics, we developed two different situations for each policy, one in which the policy gave the respondent the advantage of a shorter wait and one in which the policy caused the respondent a longer wait (disadvantage). As explained in Exhibit 1, each set of scenarios was identical except for whether the respondent was placed in the party that was seated early as a result of the policy or in the party that was seated late due to the policy. All eight scenarios assumed that the respondents had full knowledge about the policy that the restaurant was using.

To test responses to each scenario, we stopped people who were shopping during August 2004 at the Ithaca (New York) Farmer’s Market and asked whether they would be willing to participate in a student research project.<sup>11</sup> Respondents who agreed to participate were given a survey with one scenario. They were asked to evaluate the fairness of the policy, to indicate their own personal familiarity with the practice, and to rate their likelihood

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<sup>10</sup> Margaret C. Campbell, “Why Did You Do That? The Important Role of Inferred Motive in Perceptions of Price Fairness,” *Journal of Product and Brand Management*, Vol. 8, No. 2 (1999), pp. 145–152; Margaret C. Campbell, “Perceptions of Price Unfairness: Antecedents and Consequences,” *Journal of Marketing Research*, Vol. 36, No. 2 (1999), pp. 187–199; and Rees Van den Bos, Riel Vermunt, and Henk A.M. Wilke, “Procedural and Distributive Justice: What’s Fair Depends More on What Comes First Than on What Comes Next,” *Journal of Personality & Social Psychology*, Vol. 72, No. 1 (1997), pp. 95–104.

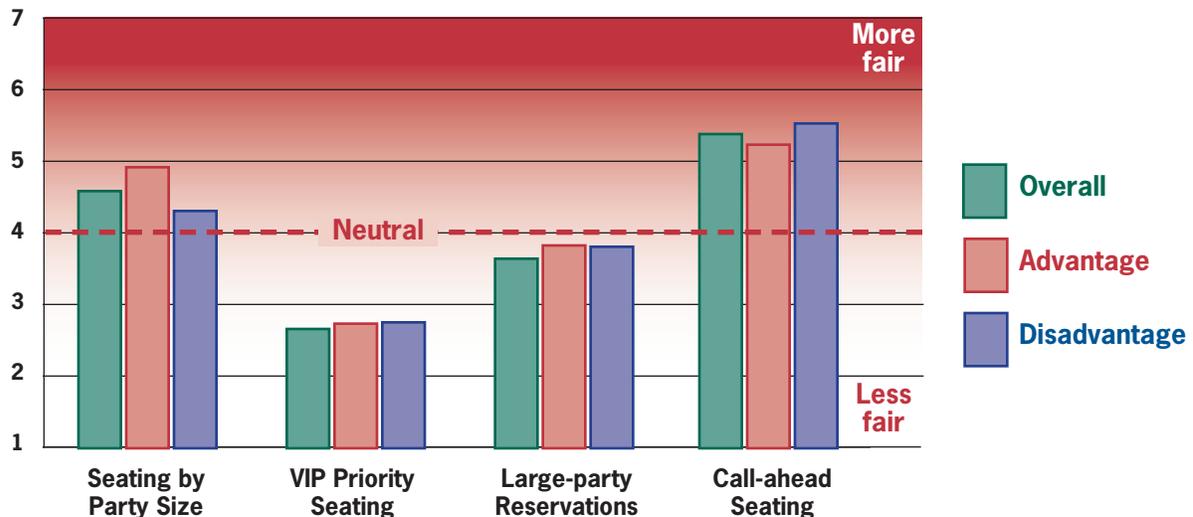
<sup>11</sup> We would like to thank Brad Weiss and Sharon Lee for their assistance with data collection. We would also like to thank the Ithaca Farmers Market for allowing us to conduct the survey.

**EXHIBIT 1****Survey fairness scenarios**

	<b>Advantage</b>	<b>Disadvantage</b>
<b>Party Size</b>	Imagine you are dining with a party of four at a restaurant that does not take reservations. Tonight the restaurant is busy, so they are using a waitlist. A party of two arrives just ahead of you, and is asked to wait. Your party of four is seated immediately at the only open table in the restaurant, which is a table for four. You notice the party of two still waiting at the bar.	Imagine you are dining with a party of two at a restaurant that does not take reservations. Tonight the restaurant is busy, so they are using a waitlist. When your party of two arrives at the restaurant, you are asked to wait for a table. You notice that a party of four that arrived just after you is seated immediately at the only open table in the restaurant, which is a table for four.
<b>VIP</b>	Imagine you are dining with a party of four at a restaurant that does not take reservations. Tonight the restaurant is busy, so they are using a waitlist. You are dining with the town police chief, who is well known in the community. A party of four arrives just ahead of you and is asked to wait. Your party is immediately seated at the only open table in the restaurant, which is a table for four. You notice that the party of four that arrived ahead of you is still waiting at the bar.	Imagine you are dining with a party of four at a restaurant that does not take reservations. Tonight the restaurant is busy, so they are using a waitlist. Your party of four is asked to wait. You notice the town police chief, who is well known in the community, coming in right after you with a party of four. The party of four that includes the police chief is immediately seated at the only open table in the restaurant, which is table of four. Your party is still waiting for a table.
<b>Large Party</b>	Imagine you are planning dinner with a party of eight at a local restaurant. When you call them for information beforehand, you discover that the restaurant takes reservations only for parties of six or greater. You make a reservation. When you arrive at the restaurant, you notice that there is a party of four waiting for a table. Your party of eight is seated immediately.	Imagine you are planning dinner with a party of four at a local restaurant. When you call them for information beforehand, you discover that the restaurant takes reservations only for parties of six or greater. When you arrive at the restaurant, the hostess tells your party that there is a wait. A party of eight arrives after you and is seated immediately.
<b>Call Ahead</b>	Imagine you are planning dinner with a party of four at a local restaurant. When you call the restaurant for information before hand, you discover that the restaurant doesn't take reservations, but does use call-ahead seating. (If you call ahead the day you are coming for dinner, you can be put on the waitlist before you arrive at the restaurant.) The day of your dinner, you call before leaving and are put on the waitlist.	Imagine you are planning dinner with a party of four at a local restaurant. When you arrive at the restaurant, you notice a sign that says "Next time use Call-Ahead Seating." The hostess tells your party there is a wait for a table. You overhear her telling the party of four behind you that because they used call-ahead seating, their name is first on the waitlist, and they can be seated immediately.

## EXHIBIT 2

### Fairness of seating policies



Note: Respondents were asked to rate the fairness of each seating policy according to whether, in the scenario they were given, they gained advantage or were disadvantaged and thus had to wait longer due to the policy.

of returning to a restaurant where the scenario occurred. All questions were ranked on seven-point scales.<sup>12</sup> As a check against certain sample biases, questions on age, gender, and frequency of dining out were asked. Analysis showed that none of those three factors influenced the responses.<sup>13</sup> Our survey methodology resulted in a convenience sample of 268 respondents. The majority (58%) of respondents were female and respondent age was fairly even distributed. Most customers had eaten out five to ten times during the previous month.

<sup>12</sup> For the fairness question, 1 = very unfair, 7 = very fair; for familiarity, 1 = very unfamiliar, 7 = very familiar; and for return likelihood, 1 = very unlikely, 7 = very likely.

<sup>13</sup> ANOVA was used to determine the statistical significance of all of the results. Where applicable, Tukey's method was used to determine which pairs of means were statistically significantly different from each other.

## Results

### Fairness of the Policy

Even though the restaurant violated the first-come, first-served principle in all scenarios, customers still thought that two of the four policies were reasonably fair. We could find no difference in the fairness perceptions according to whether respondents gained advantage or disadvantage from a particular policy. The finding that some of the scenarios are viewed as fair is inconsistent with research on reference transactions (assuming that first-come, first-served is the reference transaction)<sup>14</sup> and suggests the need for additional research on customers' reaction to the violation of reference transactions.

<sup>14</sup> Kahneman *et al.*, pp. 728–741.

Customers rated seating by party size (at 4.6 out of 7) and call-ahead seating policies (at 5.4) as being relatively fair. The large-party reservation policy was viewed as neutral to slightly unfair (3.7), while VIP seating was viewed as unfair (2.6, see Exhibit 2).

### Familiarity

We compared the respondents' fairness ratings according to how familiar they claimed to be with a particular practice. For this comparison we chose only those who were very familiar with the waitlist policy (that is, they scored 6 or 7 on familiarity) and those who were not familiar (scored 1 or 2), for a total of 179 respondents (see Exhibit 3). In all cases except for large-party reservations, customers with high familiarity ranked the waitlist policies as being fairer (Exhibit 4), than did those with low familiarity.

Large-party reservations were considered slightly unfair regardless of whether respondents were familiar with the practice. Seating by party size was considered slightly unfair by those not familiar with the policy (3.7), but was considered fair by those familiar with the policy (5.3). Call-ahead seating was considered slightly fair by those indicating low familiarity (4.8), but very fair by those with high familiarity (6.1). While fairness perceptions for VIP seating did increase with familiarity, the perception was unfair (2.4) for those not familiar with it, to neutral (4.0) for those with some exposure to the practice.

The finding that the more familiar customers are with a waitlist-management policy, the more fair they think it is (with the exception of large-party reservations) is consistent with previous research.<sup>15</sup> Even so, respondents were at best neutral toward VIP seating, and those who were unfamiliar considered it to be unfair. So even though familiarity increased fairness perceptions in this case, that did not necessarily mean that the respondents thought that the firm was behaving fairly.

<sup>15</sup> Van den Bos *et al.*, pp. 411-414; and Kimes and Wirtz, *loc. cit.*

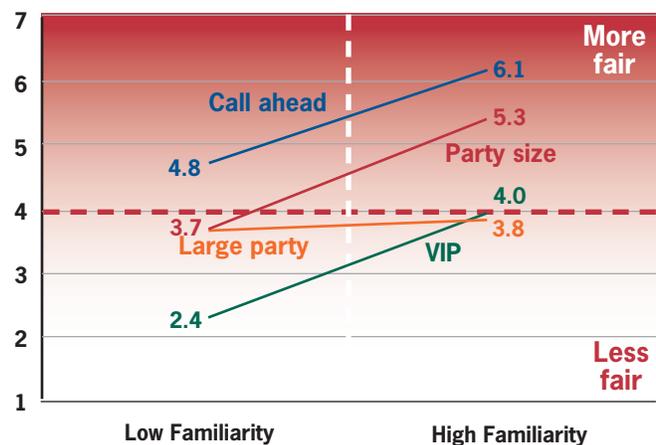
### EXHIBIT 3

Number of respondents for fairness ratings

	Low Familiarity	Fairness Rating	High Familiarity	Fairness Rating
<b>Party Size</b>	21	3.7	30	5.3
<b>VIP Priority</b>	26	2.4	8	4.0
<b>Large Party</b>	18	3.7	24	3.8
<b>Call Ahead</b>	17	4.8	35	6.1

### EXHIBIT 4

Fairness ratings based on familiarity



Note: Respondents were asked to rate on a scale of 1 to 7 how familiar they were with the four seating policies. Those who answered 1 or 2 were put in the low familiarity group, and those who answered 6 or 7 were put in the high familiarity group. Only the findings from those 179 respondents were used for the fairness ratings given in Exhibit 3 and graphed in Exhibit 4. Fairness is judged on a scale of 1 (unfair) to 7 (fair), with 4 being neutral.

### Return Likelihood

The likelihood that a respondent would return to the restaurant in the scenarios seemed to relate in part to whether they gained the advantage from some of the practices in their scenario. In the large-party-reservation scenarios, likelihood to return varied according to whether customers gained advantage from a particular policy. Respondents whose scenar-

ios contained an extended wait were slightly unlikely to return (3.7), whereas respondents who did not have to wait were slightly likely (4.9) to return. Similarly, with respondents who were given the call-ahead seating and party-size seating scenarios, those who did not

**Restaurants' waitlist policies that violate the first-come, first-served principle should be implemented carefully and with an explanation to all customers.**

have to wait ranked their likelihood to return higher (see Exhibit 5). However, even when the scenario said they were disadvantaged and had to wait, they were still likely to return. Respondents to the VIP-seating scenarios were relatively unlikely to return regardless whether they gained the advantage from the policy.

The likelihood-to-return ratings from this study supported two findings from past studies. First of all, the outcome of the scenario did affect the respondents' likelihood to return because those customers who had to wait were less likely to return than customers who did not have to wait.<sup>16</sup> Furthermore, respondents indicated that they were less likely to return for those scenarios that were ranked less fair, notably in the VIP scenarios.<sup>17</sup>

### **Managerial Implications**

If managers can understand how customers view different waitlist policies, they can make better decisions on which waitlist policies to use and on how to implement them.

#### **Party Size**

Managers should consider seating customers by party size. Our respondents rated it as relatively fair and indicated that they were relatively likely to return to a restaurant that

used this policy. However, since respondents who said they were unfamiliar with the practice indicated that they thought the policy was slightly unfair, it is important that customers be made aware that the restaurant is using it. One way to help set the desired customer expectations would be to offer a statement, such as, "There is a wait for tables right now, but we'll put you on the list for the next available table *for two*." This technique is most effective when the number of tables allocated to each party size follows the party-size mix,<sup>18</sup> so that the wait will not vary that much by party size.

#### **VIP Customers**

VIP seating should be handled carefully, if used at all, because respondents in this study had a negative reaction to this policy. The strong negative rating (as compared to the other scenarios) indicates that customers are not comfortable with restaurants' giving priority to customers strictly on the basis of status. Even when respondents had an advantage in the VIP scenario (meaning that they were with the VIP and didn't have to wait), they still thought the outcome was unfair and indicated that they would be relatively unlikely to return.

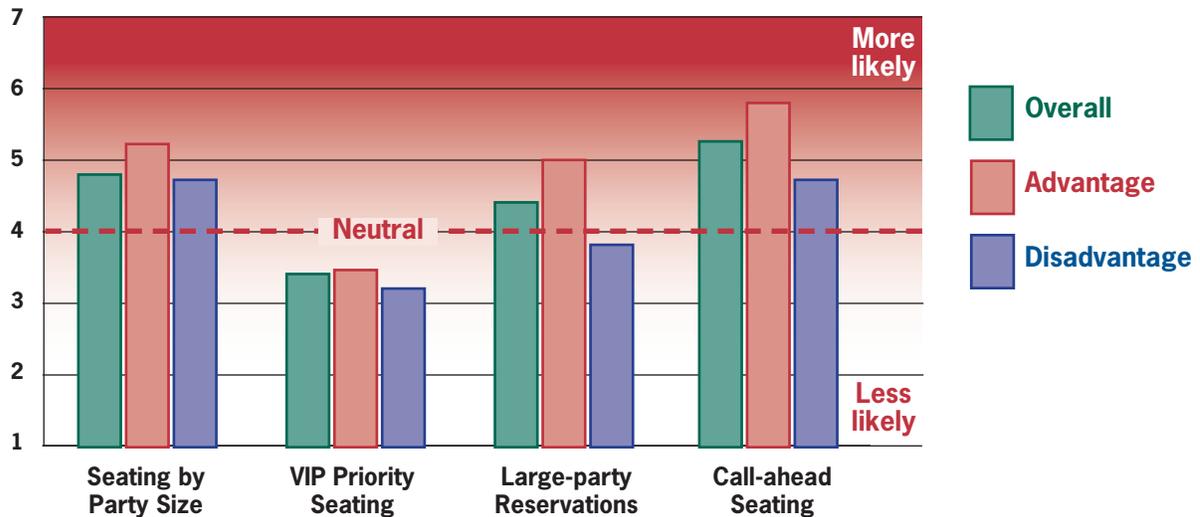
There are many good reasons why restaurants would choose to give priority seating to VIP customers, but managers should attempt to mask this special treatment as much as possible to avoid the negative reaction this policy received in this study. Such techniques as having customers wait away from the hostess stand, bringing VIPs through a different entrance, or using pagers to call the next party to be seated may prevent customers from tracking their exact place in line and keep them from noticing that other customers are being seated ahead of them. For example, Universal Studios brings VIP customers through the exits of its rides so that most customers in the regular line are not aware that the first-come, first-served queue has been violated.<sup>19</sup>

<sup>18</sup> Kimes and Thompson, pp. 371-392.

<sup>19</sup> Ramin Setoodeh, "Step Right Up! Amusement-Park Visitors Pay Premium to Avoid Long Lines; Some Have-Not's Are Miffed," *Wall Street Journal*, July 12, 2004, p. B.1

<sup>16</sup> Adams, pp. 422-436.

<sup>17</sup> Campbell, pp. 145-152; and Campbell, pp. 187-199.

**EXHIBIT 5****Likelihood of return for each seating policy, based on respondents' advantage or disadvantage**

Note: Respondents were asked to rate how likely they would be to return to a restaurant that used each seating policy according to whether, in the scenario they were given, they gained advantage or were disadvantaged and thus had to wait longer due to the policy.

### Reservations Only for Large Parties

Taking reservations only for large parties is risky for restaurants because it was rated as somewhat unfair, and it is more difficult to mask from customers than VIP seating would be. Taking large-party reservations was the only waitlist-management policy where respondents with low familiarity and respondents with high familiarity both ranked the policy as slightly unfair. A possible explanation for their scores is a general expectation among customers that if reservations are taken, then parties of any size should be able to make them. If this surmise is correct, customers would consider it unfair for a restaurant to restrict reservations only to large parties.

That said, restaurateurs are well aware of the benefits of knowing ahead of time when large parties will arrive. To avoid the unfairness perception found in this study, the restaurant could use call-ahead seating for all parties, which

could provide some advance warning for large parties, while maintaining customer satisfaction. (As we've already indicated and will discuss further, customers think call-ahead seating is fair.)

### Call-ahead Seating

Restaurants that use call-ahead seating should make sure it is well explained to and understood by customers. Call-ahead seating was considered the fairest policy in the study. While it was considered slightly fair by customers who were not familiar with the practice, it was ranked significantly fairer by customers who had high familiarity.

Respondents reported a relatively high familiarity with call-ahead seating policies (4.8 overall), with more than twice as many indicating high familiarity as indicated low familiarity. Although this may have been due to the fact that a popular local restaurant in Ithaca uses call-ahead seating, many chain restaurants also use call-ahead seating and it is becoming

a common industry practice.<sup>20</sup> Restaurants should make sure that they not only promote the fact that they use call-ahead seating, but also, since the definitions of how it is used vary so much, that they are clear on the rules that they follow.

### **Limitations of the Study**

This study has several limitations. First, the study was conducted outside of the restaurant environment. That has the advantage that customers are not influenced by a restaurant's presence while filling out the survey, but it also means that they may have been more forgiving than they would have been in if they were actually in the situation themselves. Also, since the survey was collected at one location in Ithaca, New York, it is possible that the survey is biased towards the attitudes of the local residents, which may not be representative of the attitudes of the entire country.

Additionally, the specific VIP mentioned in the VIP-seating scenarios was the local police chief, a position that had recently been in much-publicized flux. The choice of that position may have affected customer responses. Customers

<sup>20</sup> Bob Krummert, "Rush Hour," *Restaurant Hospitality*, July 2003, pp. 43-48.

might have been more forgiving of the restaurant's giving priority to a Hollywood celebrity, to a politician, or to themselves if they were the VIP customer. Furthermore, ratings may have been different if the restaurant were rewarding loyalty by giving priority to frequent diners.

### **Conclusion**

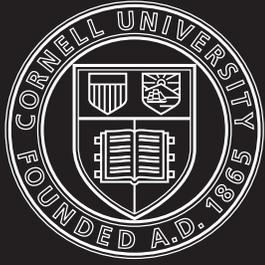
Waitlist-management techniques can help a restaurant maximize its revenue. If customer satisfaction is not considered in implementing those techniques, however, a restaurant could be sacrificing long-term profitability for short-term revenue gains. Restaurant managers should consider fairness ratings when implementing waitlist-management policies to ensure that they are not implementing a policy that could diminish long-term customer satisfaction. Above all, restaurants should make customers aware of the policies they are using to ensure that customers have enough information to evaluate the fairness of the policy.

There are many techniques restaurants can use to manage their waitlists and help to increase revenue. Careful consideration of the implementation of these policies can result in revenue improvements without risking customer backlash. ■

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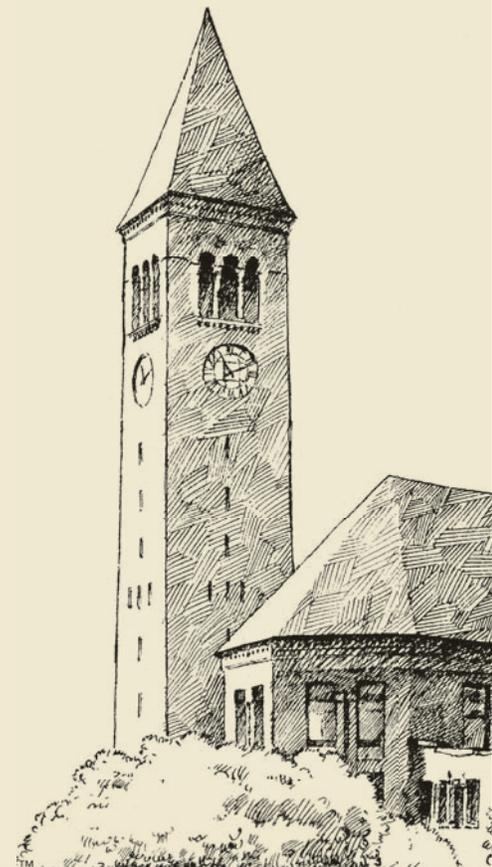
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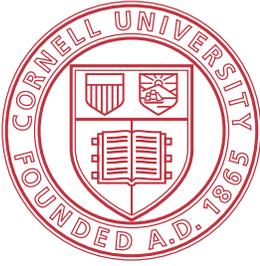
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