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Compendium 2004

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Cornell University
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The Center for Hospitality Research
AT CORNELL UNIVERSITY

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Dedicated or Combinable? A Simulation to Determine Optimal Restaurant Table Configuration, by *Gary M. Thompson, Ph.D.*

Evolution in Electronic Distribution, by *Bill Carroll, Ph.D., and Judy Siguaw, D.B.A.*

Strengthening the Purchaser–Supplier Relationship: Factors that Make a Difference, by *Judi Brownell, Ph.D., and Dennis Reynolds, Ph.D.*

Also of interest:

Tools for the Hospitality Industry #1: Turnover Cost Evaluator, by *Tim Hinkin, Ph.D., and Bruce Tracey, Ph.D.*

Tools for the Hospitality Industry #2: MegaTips: Scientifically Tested Ways to Increase Your Tips, by *Michael Lynn, Ph.D.*

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CHR Reports

Lodging Demand for Urban Hotels in Major Metropolitan Markets

by Linda Canina and Steven Carvell



Canina



Carvell

LODGING-INDUSTRY PROFESSIONALS AND ANALYSTS have long wondered about the specific effects of economic factors—particularly income and prices—on hotel-room demand. Hotel investors and owners, for instance, need to know how sensitive rooms demand is to economic factors for hotels in a given price segment and location so that they can estimate the level and risk of the revenue streams for a potential hotel investment. Hotel operators need to understand the relationship between rooms demand and economic factors for hotels in various price segments and locations as a benchmark for the performance of their own properties. Operators also need to understand how sensitive their hotel's room demand is to economic factors to maximize the effectiveness of their revenue-management strategy.

In this report we explain our analysis of how income and price changes affect hotel demand. We examined property-level data from Smith Travel Research (STR) to assess how changes in various measures of income and prices affect room-night demand for 481 urban hotel properties located in 22 of the largest major metropolitan markets across the United States. The economic measures are gross domestic product (GDP), personal income (PI), business income (BI), the consumer-confidence index (CCI), the hotel's average daily rate (ADR), and the local market's average ADR (MADR). In addition, by segmenting the hotels in the data set, we determined the effect on demand of changes in economic factors for hotels in various market-price segments.

Five attributes of this study represent advances in analyzing the economic relationships in hotel-room demand. Most telling, our sample consists of a virtual census of branded hotels for the 22 markets that we studied. Therefore, our study is applicable to property-level decision making across every major metropolitan market in the U.S. and our results are not specific to a particular year or to a particular region of the country.

WITH THE MIGRATION OF HOTEL-ROOM DISTRIBUTION to the internet, a host of players old and new are vying to gain (or retain) control of distribution channels. In addition to the hotels and chains themselves, the operations that distribute hotel rooms include global distribution systems (GDSs), distribution service providers (DSPs), third-party websites (e.g., Expedia, priceline.com), and traditional travel agencies. Many of these channels use price as a principal competitive proposition. Hence, a strategic problem for hotels is to avoid having price be customers' main (or only) consideration for booking a room. One chief way to offset the trend toward commoditization is to provide customers with considerable information to distinguish properties based on their provision of services.

While hoteliers seek to drive bookings to their own proprietary websites, the third-party sites (notably, Expedia) have created strategic approaches to encourage hoteliers to distribute rooms on their sites. As a practical matter, hoteliers almost always use some kind of discounted distribution to clear their inventory of unsold rooms. To gain hotel-room listings, some intermediaries, such as travel agents and GDSs, have developed a value-added strategy of providing additional services to their customers and packaging hotel rooms as part of travel packages. One reason that travel agencies have become so interested in distributing hotel rooms is the demise of airline commissions. All intermediaries are attempting to provide services or incentives to encourage customers to book through their channel. One competitive advantage that third-party intermediaries can provide is to shift market share toward a particular hotel or chain.

Evolution in Electronic Distribution: Effects on Hotels and Intermediaries

**by Bill Carroll
and Judy Siguaw**



Carroll



Siguaw

CHR Reports

Key Issues of Concern for Food-service Managers

by Cathy Enz



Enz

THE CHIEF CONCERN FOR FOOD-SERVICE MANAGERS remains human resources, a factor that embraces many facets. Also high on managers' list of concerns is government regulation, which is also a complex matter. Those are the major findings of a study of 448 restaurant operators, senior managers, and owners completed by the Center for Hospitality Research in conjunction with the National Restaurant Association. In addition to human resources and government issues, the respondents identified key points in the categories of food safety, marketing, the economy, competitive dynamics, accounting, and operations. However, none of those were as salient as human resources.

Issues relating to human resources included benefits, compensation, employee attitudes, immigration, interpersonal conflict, loyalty and satisfaction, recruiting, and retention. Many of those issues are connected with the industry's long-running challenge of finding and keeping willing and talented workers. Indeed, the respondents decried the industry's image as a place where people mark time while waiting for something else to come along. Perhaps the quintessential comment came from the respondent who wondered there seemed to be no job applicants even though unemployment rates continue high.

The respondents did not speak with one voice on such issues as compensation and training, however. While many managers fretted at the prospects of having to offer increased pay and better benefits (especially as a result of government regulation), others realistically wondered how their employees can make a living on the industry's typical pay scales.

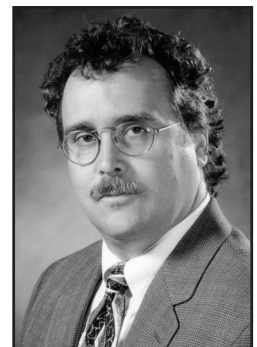
The respondents showed considerable antipathy to government regulations, particularly those relating to tax rates and human-resources regulations. One common theme is that the managers are convinced that regulators and legislators do not understand the industry's distinctive challenges.

While other issues paled in comparison with human resources and government regulation, the respondents were cognizant of the need to expand markets and handle food carefully, among other concerns.

USING A COMPUTER SIMULATION, one can determine what the optimum table arrangement would be for restaurants of various sizes that accept walk-in customers only and take no reservations. At issue is whether the restaurateur can gain more revenue when its tables are dedicated to seating parties of specific sizes (for example, parties of one and two people would be served at 2-tops, while parties up to four people would be served at 4-tops) or whether the restaurant should use tables that can be combined as needed according to party size. The simulation predicted that combinable tables would prove most useful in a small restaurant with a small average party size. Combining tables in that situation increased revenue per available seat hour by about 2 percent compared to having only dedicated tables. In a large restaurant or any restaurant with a large average party size, the simulation found that dedicated tables were superior to combinable tables. A loss in productivity occurs when some number of tables are held out of service until adjacent tables become available (so that the tables can be combined to seat a large party). The simulation found that the most efficient approach is for a restaurant's table-size mix to match its customer party-size mix, since doing so increases the restaurant's effective customer-service capacity. However, that customer mix cannot always be known before a restaurant is constructed, and that mix might change during different dayparts. Moreover, the simulation makes certain assumptions that may need further examination, and it does not take into account such aesthetic factors as customers' reactions to a particular restaurant layout.

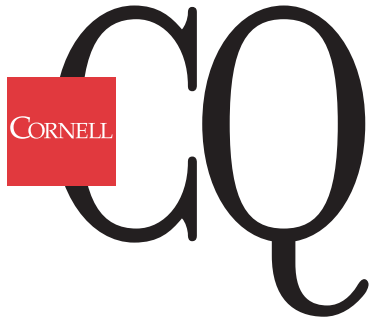
Dedicated or Combinable? A Simulation to Determine Optimal Restaurant Table Configuration

**by Gary M. Thompson,
Ph.D.**



Thompson

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Articles from
The Cornell HRA Quarterly
Volume 44

**Applied
Research in
Managerial
Communication:
The Critical Link
between
Knowledge and
Practice**

by **Judi Brownell**



Brownell



Gibson

Managerial communication research generates principles and strategies for improving managerial performance, as communication acumen is essential to success in a wide range of activities. Both language (what a manager says) and behavior (what a manager does) contribute to individual effectiveness. Further, words and actions must be consistent and aligned to have maximum impact. Selected research findings regarding first language and then behavior are presented to demonstrate how wise communication choices can further managerial goals. Research pertaining to the effective use of language has provided insights for leaders who strive to increase their influence and create a common organizational vision. Organizational culture can also be established and maintained through the appropriate use of images and stories. In addition to using words effectively, managers in all function areas can also increase their effect and improve their performance by applying the results of research focused on communication behavior. Assessment centers have been used successfully to identify and develop individuals who have a high leadership potential and a strong organizational fit. Managerial communication research has also identified key actions to improve performance in specific contexts such as the service encounter. Studies such as those cited here contribute to increased effectiveness as managers from all fields seek to implement their plans and communicate their ideas in the hospitality workplace.

April 2003 (Vol. 44, No. 2), pages 39-51

Key words: Language, Managerial communication, Research

An examination of initial public offerings made by 137 hospitality firms found that those transactions fit the general pattern found for IPOs in other industries. In general IPOs are underpriced by the underwriting investment banks so that so-called regular investors will be able to earn a nearly certain and reasonable return from their investment. These regular investors are pension funds, mutual funds, and other institutional investors that have substantial expertise in equity markets. The profit arising from underpricing compensates the regular investors for their willingness to reveal their best estimate of the offering's probable worth, in a process known as bookbuilding. From 1981 through 2001, IPOs for the hospitality sample as a whole were underpriced an average of 16.5 percent, representing a substantial first-day return for the regular investors. Similar percentages applied when the sample was divided into restaurants and hotels. As is the case in other industries, underpricing is greatest when investor interest is strong (meaning that the IPO has a high anticipated value), but is lowest when investor interest is slim (meaning that the IPO is weak).

April 2003 (Vol. 44, No. 2), pages 39-51

Key words: Language, Managerial communication, Research

Based on an analysis of 13 years of lodging-industry data, this study quantifies the negative effects of gasoline-price increases on hotel-room demand in the United States. Using data from Smith Travel Research, which compiles information from virtually all chain-operated hotels in the United States, the researchers calculated that each 1-percent increase in gasoline prices is associated with a 1.74-percent decrease in lodging demand. However, the effects of gasoline-price changes do not affect all industry segments equally. High-end hotels seem to be immune to the negative effects of fuel-price increases, and resorts (particularly upscale resorts) actually see increasing demand as gasoline prices rise. The segments that feel the greatest effects of gasoline-price increases are full-service midmarket properties and (not surprisingly) highway and suburban hotels. At the same time, urban hotels also feel the ill effects of gasoline-price increases, albeit not to the extent of highway and suburban hotels.

August 2003 (Vol. 44, No. 4), pages 29-37

Key words: Lodging demand, Market-segment analysis

Understanding First-day Returns of Hospitality Initial Public Offerings

by Linda Canina and Scott Gibson



Canina

The Effects of Gasoline-price Changes on Room Demand: A Study of Branded Hotels from 1988 through 2000

by Linda Canina, Kate Walsh, and Cathy A. Enz

Carroll •

The Evolution of Electronic Distribution: Effects on Hotels and Intermediaries

by Bill Carroll and Judy Sigauw



Carroll

Update and Extension to “Buying High and Selling Low Revisited: The “Quiet Industry”

by John B. Corgel and Jan A. deRoos



DeRoos

With the migration of hotel-room distribution to the internet, a host of players are vying to gain (or retain) control of distribution channels. In addition to the hotels and chains themselves, the operations that distribute hotel rooms include global distribution systems (GDSs), distribution service providers (DSPs), third-party websites (e.g., Expedia, priceline.com), and traditional travel agencies. Many of those channels use price to attract business. The problem with a price-based message, however, is that it makes hotels appear to be commodities in consumers’ eyes. While hoteliers seek to drive bookings to their own websites, third-party sites (e.g., Hotels.com, Travelocity) use strategies that encourage consumers to visit their sites and, having amassed consumer demand, offer hotels the opportunity to improve occupancy through wholesale or discount programs. The challenge for hoteliers is to manage the extent of discounting.

August 2003 (Vol. 44, No. 4), pages 38-50

Key words: Global distribution systems, Hotel-room distribution, Internet sales

Hotel buyers and sellers in the past were subject to “noise” due to the lack of evenhanded information about hotel prices, often combined with some form of duress for buying or selling. That has changed, as additional sources of information have grown up in the past ten years and would-be hotel buyers and sellers have gained sophistication in their transaction motivations. Thus, while the recent hotel-industry recession seemed at first to be an echo of the downturn ten years earlier—with the attendant expectations of distressed property—buyers who expected a fire sale were frustrated. Sellers did not panic, and institutional buyers stepped in with a long-term approach that allowed for reasonable valuations.

October-December 2003 (Vol. 44, Nos. 5 & 6), pages 76-80

Key words: Hotel real-estate prices

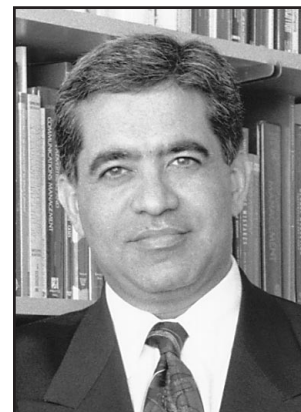
Despite promising starts, ten years after commencing operations the European Union does not have a unified travel policy. Even though barriers to traveling in Europe are gradually falling away and the Euro has obviated the difficulties presented by exchange rates in a dozen countries, several factors stand in the way of a concerted travel policy. Chief among those issues is finding a way to harmonize tax issues, in particular, the value added tax (VAT), which is levied at widely disparate rates. Also hampering a consistent tourism policy is the tourism industry's continued Balkanization. The industry remains a constellation of small businesses scattered across the continent. Although the EU is spending money on disparate tourism programs, EU leaders would do well to find ways to harmonize their tourism policies, because although tourism arrivals continue to grow, Europe's overall percentage of world tourism is shrinking.

October-December 2003 (Vol. 44, Nos. 5 & 6), pages 88-93

Key words: European Union, Travel and tourism, Travel policy

Brand Europe: European Integration and Tourism Development

**by Peter Åkerhielm,
Chekitan S. Dev, and
Malcolm A. Noden**



Dev

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Corgel

Evaluating a Hotel GM's Performance

by Richard C. Morey
and David A. Dittman



Dittman

The most effective efficiency analysis is one that controls for external factors and matches hotel managers on their internal, controllable variables. Initially, this analysis was intended to compare hotel managers within a single chain, but further refinement allows comparison among different chains' properties. Indeed, the efficiency-analysis techniques have been applied to many industries besides hotels, including restaurants, banks, and railroads. The analysis creates an efficiency index, in which the most efficient managers are said to be at the frontier. Those managers' performances become benchmarks for managers of comparable, but less efficient operations. The goal is to assess ways to improve the less efficient managers' operations. However, even the most efficient managers can be compared with their own indices over time. The analysis considers ten different types of expenses (e.g., housekeeping and maintenance), three outputs (e.g., room revenue and satisfaction indices), and four uncontrollable environmental factors (e.g., the number of rooms and overall market strength).

October-December 2003 (Vol. 44, Nos. 5 & 6), pages 60-68

Key words: Data envelopment analysis, Hotel management

Grooming Future Hospitality Leaders: A Competencies Model

by Beth G. Chung-Herrera, Cathy A.ENZ,
and Melenie J. Lankau

Competency models can be useful tools for identifying and grooming future leaders. Rather than base leadership assessment on personality traits or other unrelated characteristics, competency models specify the actions and behavior needed for successful leaders. While some hotel companies have begun to identify leadership competencies, the hotel industry does not have an overall competency model. Starting with competency models from other industries and the assessments from a pilot study, the authors compiled a list of 99 competencies or skills (grouped into eight overarching factors comprising 28 dimensions) that might contribute to leadership success in the hospitality industry. Those competencies were rated on a five-point scale, ranging from not important to very important, in a survey of 137 industry leaders. The competency labeled "self management" was the top dimension (of the 28)—composed of ethics and integrity, time management, flexibility and adaptability, and self development. Second in

Continued at right

importance was competency in strategic positioning, comprising awareness of customer needs, commitment to quality, managing stakeholders, and concern for the community. (However, concern for the community was rated of negligible importance compared to the other three dimensions in that category). Industry knowledge, leadership, and interpersonal skill were factors that, while important, were ranked relatively low by the respondents.

June 2003 (Vol. 44, Nos. 3), pages 17-25

Key words: Competency models, Hospitality managers, Human resources

As an update to a study of best practices conducted five years ago, a review of ten hotel firms' best practices found that some practices remain in operation as originally envisioned, while others have been refined in response to changing conditions. Marriott extended its leadership-development initiative to include an assessment of organizational capability. The Boulders had to modify its housekeeping-team concept owing to staffing issues, but its still-existing teams remain highly productive. Day Hospitality Group's policy for a 90-day sabbatical has been enthusiastically embraced by its management staff and has led to greater teamwork at each property. The Colony Hotel's environmental program continues to expand, with additional instructional materials available for guests and plans to renovate the meeting space in an environmentally conscious manner. The Hyatt Regency Chicago also continues its environmental commitment with a million-pound (per year) recycling program, which is now handled by a vendor (rather than hotel staff). Not only has the hotel saved substantial hauling costs, but it was able to reduce the adverse effects of recent labor actions by garbage haulers. The Peninsula Beverly Hills continues its 24-hour check-in and check-out services, albeit with modifications and amplifications to improve operational functioning based on actual guest use of the service. For example, to avoid the airport-security lines the hotel allows guests to store their clothes at the hotel. The Ritz-Carlton Chicago (managed by Four Seasons) has found that guests increasingly use the hotel's "compierge" service, which helps sort out guests' computer problems. This well-received practice has been



Enz

Revisiting the Best of the Best: Innovations in Hotel Practice

by Cathy A. Enz and
Judy A. Sigauw



Sigauw

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adopted by other Four Seasons properties. Travelodge's already successful brand-level guest-loyalty program is being transformed by its owner, Cendant, into a corporation-wide program that will include all 50 Cendant brands and partners. Thus, customers who patronize Avis, Budget, or even Jackson-Hewitt (tax services) will earn "TripRewards" points for travel or hotel stays. Cendant also has expanded its diversity program to include effective communication and cultural sensitivity for the operations teams that work with its franchisees, a majority of whom are Asian-Americans. Cendant also continues its work with African-Americans and Hispanic customers. Group Accor has shifted its successful advertising campaign for Motel 6 (we'll leave the light on for you) from radio to television, while keeping the down-home approach taken by spokesman Tom Bodett. Although the best practices mentioned here have functioned well for the past five years, not all of the practices cited in the original study are still being used, in part because the practice's champion has left the company's employ.

October-December 2003 (Vol. 44, Nos. 5 & 6), pages 115-123

Key words: Best practices, Hotel management

Strategic Analysis for the Hospitality Industry

by Jeffrey S. Harrison



Harrison

Strategic planning is essential for long-term success in hospitality operations. Strategic planning starts with strategic analysis, which involves researching factors affecting one's business in the external environment, the task environment, and within the company. Factors in the broad external environment include societal trends and influences, economic information, technological changes in the way services are produced and delivered, political and legal trends, and major innovations and trends in other industries. The task environment is defined by external stakeholders with which the organization interacts on a fairly regular basis, particularly customers and suppliers, and competitors, as well as labor, law, and economic factors, which include entry barriers, industry growth, and industry concentration. One matter to consider is the possibility of alliances with strong stakeholders. Internal factors relate to the following resources: financial, human, physical, knowledge and learning, and general organization. Internal

Continued at right

analysis can help managers determine a firm's potential or realized sources of competitive advantage. Along that line, one must determine the value of resources, noting those that create value, are distinctive to the company, and cannot be substituted.

April 2003 (Vol. 44, No. 2), pages 139-152

Key words: European Union, Travel and tourism, Travel policy

Two key elements of service satisfaction for customers are the perception that they have at least some control or choice and that the service provider is being fair. That notion was tested in a video-based test in which 50 experimental subjects watched either a restaurant-based or hotel-based scenario that depicted an employee's response to the unseen guest's request for a change in the original order or reservation. In half the scenarios the guest's wish was granted and in half, it was not. Whether the request was granted or not, in half the scenarios the employee behaved in a fair fashion (by at least being considerate, knowledgeable, impartial, and consistent) and in half the employee did not behave fairly. Respondents in the hotel scenarios confirmed the experimental hypothesis by indicating that they would be more satisfied in the scenarios where they had control (that is, ability to make a choice) and even if they did not have a choice, when the employee was fair. In the restaurant scenarios, having some control led to satisfaction, but employee fairness did not counteract a lack of control.

June 2003 (Vol. 44, Nos. 3), pages 26-36

Key words: Customer satisfaction, Fairness

The Customer's Role in the Service Encounter: The Effects of Control and Fairness

by Karthik Namasivayam and Timothy R. Hinkin



Hinkin

Continued Relevance of “Factors Driving Meeting Effectiveness”

by Timothy R. Hinkin
and J. Bruce Tracey

A 1997 study found that meeting planners and participants agreed that safety and security was the number-one attribute sought by those who attend meetings. In second place was the service provided by employees. Those factors continue to be just as important today, running contrary to operators’ temptation to lavish money on facilities, but not spend as much on employee compensation. The best way to determine which attributes should be included in a conference space is to separate the must-have items from those that guests merely consider nice to have. Operators who provide too many nice-to-have amenities for their price point are merely driving up their cost structure and run the risk of pricing themselves out of the market. On the other hand, excellent service by effective employees remains a must-have item.

October-December 2003 (Vol. 44, Nos. 5 & 6), pages 60-68

Key words: Meeting and confidence attributes

Tracey

Revenue Management: A Retrospective

by Sheryl E. Kimes



Kimes

Revenue management has been extended from airlines to hotels and restaurants, with further application to golf courses and function space. Many operations fit within the scope of revenue management, which requires that a business have some combination of the following six attributes: relatively fixed capacity, perishable inventory, a demand inventory, appropriate cost structure, variable demand, and segmentable markets. Research on revenue management has extended to several industries, with three major streams of investigation: descriptive (that is, whether revenue management will work for a particular industry), pricing control, and inventory control. Industries that can use revenue management can be classified further by their relative ability to exercise pricing- and demand-control levers. An important aspect of implementing revenue management is to ensure that customers will accept price manipulations by offering customers a benefit even as the business receives a benefit from pricing changes. Duration control involves some combination of manipulating customer arrivals and managing actual duration of use.

October-December 2003 (Vol. 44, Nos. 5 & 6), pages 131-138

Key words: Duration control, Process control, Revenue management

Depth interviews are one of the most powerful methods for digging into the factors that motivate consumers' behavior. While the conclusions of a series of depth interviews cannot be generalized (as is usually the case with qualitative research), the detailed analysis possible from a few intensive interviews can shed light on a specific aspect of consumers' behavior. The methodology of the depth interview is integral to its success; interviewers must not lead their respondents, or informants, but instead must find ways to encourage the informants to speak candidly. A typical depth interview produces a lengthy transcript that must be analyzed for key data points that are coded into categories that either use labels that arise from the data itself or are adopted from similar studies. Once a set of categories is established, data from subsequent interviews can be used to test those categories. A skilled analyst can probe for the fundamental drivers of consumer behavior, and look past the explanations consumers themselves offer for why they purchase particular travel products. As an example, one strong motivator could be termed "otherness," meaning that consumers are seeking experiences beyond their normal routine. Such consumers may be going off the beaten path, in their imagination at least, even if their trip is to somewhere commonplace, such as Disney World or Europe.

April 2003 (Vol. 44, No. 2), pages 117-129

Key words: Hospitality Research, Depth interviewing, Interview procedure

Clarifying "Fuzzy" Hospitality- management Problems with Depth Interviews and Qualitative Analysis

by Robert J. Kwortnik,
Jr.



Kwortnik

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Experiments and Quasi-experiments: Methods for Evaluating Marketing Options

by Ann Lynn and Michael Lynn



Lynn

Hospitality marketers rarely use experiments or quasi-experiments to evaluate multiple marketing options prior to deciding on some course of action. Doing so would be wise, however, because the marketplace is too complex for marketers to rely on marketing options developed as the result of exploratory or descriptive research alone. Experiments and quasi-experiments involve manipulating a treatment and comparing subjects' behavior with and without the treatment. The chief difference between the two is that experiments involve whether the subjects are selected randomly or nonrandomly. Experiments should be designed to have statistical-inference validity, internal validity, and external validity. The perfect marketing experiment would have **(1)** a large sample size that was drawn randomly from the population the marketer wanted to make conclusions about, **(2)** random assignment of subjects to treatments, **(3)** treatments that are delivered in the same way and in the same contexts as they would be delivered in the marketplace, and **(4)** measures of consumer choice or purchase behavior in the marketplace. Such an experiment would allow a marketer to identify the best option under consideration with complete confidence. When it is not possible to have random assignment of subjects, one can perform a quasi-experiment which will accomplish virtually all of the objects of a true experiment, when properly designed and conducted.

April 2003 (Vol. 44, No. 2), pages 75-84

Key words: Experiments, Quasi-experiments, Hospitality research

Tip Levels and Service: An Update, Extension, and Reconciliation

by Michael Lynn

A 2003 review of research on tipping in earlier *Cornell Quarterly* articles led to two conclusions that seem unrelated, but have at least a tenuous connection. First, tips are only weakly related to service quality. Second, servers can substantially increase their tips by taking one or more of seven specific actions. New research studies confirm the first conclusion, regarding tips and service, while other studies have identified additional gestures that servers can make to increase tip percentages. To summarize the additions to these two research threads: **(1)** tips by server and by restaurant are only weakly related to average service quality;

Continued at right

(2) restaurant turnover rates and servers' thoughts about quitting are negatively correlated with restaurants' and servers' average-tip percentages; and (3) servers can increase their tips by taking one or more of 14 specific actions. These findings suggest that restaurant executives and managers should stop relying on tips to motivate good service and should not use tip levels as a measure of customer satisfaction, server performance, or restaurant performance. On the other hand, managers should make servers aware of specific actions that enhance tips.

October-December 2003 (Vol. 44, Nos. 5 & 6), pages 88-93

Key words: Restaurant service, Tips

Research that examines hospitality-information systems has covered such issues as business-process reengineering, decision-support systems, entity-relationship modeling, group support systems, recognition of IS and IT as a strategic resource, and telecommuting, among others. As an example, research in decision-support systems has supported such activities as risk assessment, marketing management, and cash-flow management for numerous corporations. Research also covers the interconnection between technology and users, by examining the socio-technical perspective to ensure that information systems not only function technically but also support the business purpose for which they were designed. Current information-system challenges for the hospitality industry include data management (in particular, who owns customer-based data) and how to realize the full return on a technology investment. Moreover, the role of the information-technology professional is gradually morphing into a central management function.

June 2003 (Vol. 44, No. 2), pages 29-38

Key words: Hospitality research, Information systems

The Value of Academic Research

by Gabriele Piccoli and Erica L. Wagner



Piccoli



Wagner

Customer Relationship Management—A Driver for Change in the Structure of the U.S. Lodging Industry

by Gabriele Piccoli, Peter O'Connor, Claudio Capaccioli, and Roy Alvarez

Firms that embrace customer relationship management (CRM) strive to provide consistent and personal customer service. The lodging industry seems ideally suited to take advantage of CRM initiatives, yet most hotels' ownership structures may limit a CRM approach. The parties typically involved in running a hotel—owner, management company, and franchisor—have partially misaligned interests and, as a result, often resist sharing customer data, a prerequisite for successful CRM. That lack of cooperation stems from issues of confidentiality, same-market competition, and customer diversion. Consider that owners, management companies, and franchisors all have different agendas regarding how best to exploit guest data for financial gain. The most likely path to branded hotels' successful use of CRM is for chains to exert more control at the property level and, ideally, to work with a single management company.

August 2003 (Vol. 44, No. 4), pages 61-74

Key words: Customer relationship management, Service management

“Marketing Hotels Using Global Distribution Systems” Revisited

by Peter O'Connor and Gabriele Piccoli



Alvarez

Even though the authors of a 1993 *Cornell Quarterly* article did not know that the internet was about to become a factor in hotel distribution, they foresaw the underlying trends of electronic distribution for hotel companies. Among their correct forecasts: the decline in transaction costs for hotel-room sales and the diminishing role of travel agents. What the authors could not have known was that web-based travel agencies would become a force in hotel distribution. The present-day distribution environment is far more complex than the situation just ten years ago. In particular, the web agencies (such as Travelocity and Expedia) offer far more than just hotel rooms, and so encourage customers to use their facilities to book an entire trip—and in the process bypass the hotels' websites. In addition, the web agencies' rates are usually lower than those offered by the hotels. The lessons today are the same as those ten years ago—that is, understand the distribution environment, develop a logical strategy to address that environment, and attract business with a clear pricing strategy and by knowing the customer.

December 2003 (Vol. 44, Nos. 5 & 6), pages 105-114

Key words: Global distribution systems, Hotel-room distribution, Internet sales

Hospitality managers have been interested in maximizing productivity for decades. Most existing methods for productivity measurement and analysis are inexact or lack utility. Data-envelopment analysis (DEA) provides a methodology by which diverse operations' efficiency can be evaluated effectively. Within the context of multiunit restaurant operations, DEA allows for multiple output variables (such as unit sales and guest frequency) and numerous inputs (such as number of seats, number of nearby competitors, and labor costs) to produce a multidimensional measurement of a particular unit's efficiency (as compared to those that are most productive). Moreover, DEA allows for the inclusion of variables that are within local managers' control (e.g., labor scheduling), as well as those that are not (e.g., presence of competitors). Using DEA, hospitality operators can address the factors that are under managers' control or find out what external, uncontrollable factors contribute to a restaurant's success.

June 2003 (Vol. 44, No. 2), pages 29–38

Key words: Data envelopment analysis, Hospitality research

Utility analysis is a technique designed to help decision makers determine the value of human resource interventions (e.g., training programs, compensation programs). The basic model states that the utility of an intervention equals the benefits from that intervention, less its attendant costs. The benefits are calculated by multiplying the quantity of improvement by the quality of that improvement. Quantity is a function of how many employees are affected and how long any improvement lasts. Although quality is more difficult to estimate, one can determine the extent to which individuals' job performance has improved and the value of that improvement. The limitations of utility analysis include the fact that analysis does not account for the time value of money and the fact that certain factors must be estimated. More to the point, the chief limitation of utility analysis is that managers do not use it, perhaps because they do not understand its potential benefits.

June 2003 (Vol. 44, Nos. 2), pages 106–116

Key words: Hospitality research, Human resources, Utility analysis

Hospitality-productivity Assessment Using Data-envelopment Analysis

by Dennis Reynolds



Reynolds

Utility Analysis: A Tool for Quantifying the Value of Hospitality Human Resource Interventions

by Michael C. Sturman



Sturman

Optimizing Restaurant-table Configurations: Specifying Combinable Tables

by Gary M. Thompson

Restaurant managers should know how best to combine tables to ensure desired service levels and maximize revenue during peak hours. Also, the restaurant's floor plan should accommodate the best mix of combinable tables. This paper introduces a number of restaurant-configuration measurements that must be taken into account when determining which and how many tables should be combinable. A simulation model indicates that the best table configurations are those that allow long sequences of small-size tables to be combined. Knowing the number of different-size combinable tables to have on hand is by far the most important determinant of capacity optimization.

February 2003 (Vol. 44, No. 1), pages 53-60

Key words: Table mix, Restaurant management

Computer Simulation in Hospitality Teaching, Practice, and Research

by Gary M. Thompson and Rohit Verma



Thompson

This article addresses the use of computer simulation in hospitality teaching, practice, and research. Simulation models allow managers to try out various operating strategies or alternatives, without actually implementing them in practice (and thereby committing human resources, money, and time). Simulation models are used because outcomes are often difficult to predict in complex, real-world environments, due to the effects of chance. The authors examine the two main types of simulation models—numerical simulation and discrete-event simulation—and discuss specific tools for building simulation models. Numerical simulation involves simulating outcomes controlled by chance, although the state of the system at any given time is not of interest. The focus in numerical simulations is the aggregate behavior, or outcomes, associated with decisions. Discrete-event simulation is applicable where the state of a system over time is the major concern. The term “discrete event” describes the nature of such systems, where the system changes at discrete times when particular events occur. A simple example of a situation where discrete-event simulation could be applied would be the check-in process at a hotel. Various simulations are presented via a number of real examples drawn from the authors' teaching, research, and consulting work, including a restaurant-table simulation model.

April 2003 (Vol. 44, No. 2), pages 85-93

Key words: Computer simulation, Hospitality research

Labor scheduling is at once the most essential and most potentially complex task facing a hospitality manager. The job is made easier, however, with the assistance of a computer application that handles the mathematical functions, based on the manager's input. The goal of labor scheduling is to match the number of workers available to the customer demand that exists in any given time period. Thus, a manager must forecast demand and then schedule the appropriate number of employees (neither more nor less than needed) to meet that demand. Moreover, the schedule maker must make a reasonable effort to accede to employees' preferences for work times and days. Once operations have started, the manager must monitor the effectiveness of the forecast, and the resultant schedule, to see that demand is, in fact, being met. If the manager notes excess employees for the demand, some workers can be reassigned, put on break, or sent home. If the demand exceeds the existing labor availability, on the other hand, the manager may need to call in more workers.

December 2003 (Vol. 44, Nos. 5 & 6), pages 149-155

Key words: Hospitality management, Labor scheduling

Qualitative research plays an important role in advancing knowledge and practice in the hospitality industry. If conducted appropriately, qualitative research can identify key information and relationships that are important to understanding a hospitality organization's operation. In addition, qualitative research gathers information that can be used to build organizational theories. Qualitative research can also help researchers interpret quantitative findings. To be both useful and meaningful, qualitative data must be collected in the field, through observations and interviews. Those data must be analyzed to identify themes and patterns and the relationships among them. One key to ensuring strong qualitative-research findings is for the researcher and the practitioner to work collaboratively to identify the question to be studied and to interpret the study's results

April 2003 (Vol. 44, No. 2), pages 66-74

Key words: Hospitality research, Qualitative research

Labor Scheduling: A Commentary

by Gary M. Thompson

Qualitative Research: Advancing the Science and Practice of Hospitality

by Kate Walsh



Walsh

2002 Working Papers

**CANINA, L., ENZ,
C.A. & HARRISON,
J.S.**

**Agglomeration Effects
and Competitive
Strategy in the U.S.
Hotel Industry
(02-06-03)**

Agglomeration, the geographic clustering of competitors, may result in economic benefits as well as hazards. The hazards, such as increased competition for resources and intensified rivalry for customers, are well understood. However, the literature on agglomeration economics suggests that geographic clustering in an industry may lead to higher performance because of improved production or heightened demand. In the hotel industry, co-location can reduce search costs for consumers, as well as enhancing market demand by making a location more attractive overall. Although all hotels may benefit somewhat from the preferred status of an area, some hotels are likely to benefit more than others. The difference may be a result of the dynamics of competition within the market. Specifically, we hypothesize that hotels benefit from participation in markets with a higher proportion of higher-quality competitors. In other words, while the costs of differentiation are absorbed by higher-end hotels, lower-quality competitors are able to enjoy many of the benefits. We confirm this hypothesis with a sample of 13,605 hotels located throughout the United States. These findings have implications with regard to the attractiveness of pursuing leader vs. follower or differentiation vs. cost leadership strategies.

**NOONE, B.M., KIMES,
S.E. & RENAGHAN,
L.M.**

**Integrating Customer
Relationship
Management and
Revenue Management:
A Hotel Perspective
(02-11-03)**

A number of authors have advocated a move toward integrating customer relationship management (CRM) and revenue management (RM) (Dickinson, 2001; Jonas, 2001; Belobaba, 2002; Lieberman, 2002). However, the implications of integrating CRM and RM strategies in the context of the hotel environment have received little attention. The key questions that need to be addressed are who should be targeted with CRM efforts and how will those efforts affect the RM process. In this paper we examine the relationship between CRM and RM. Using the lifetime-profitability approach to customer segmentation proposed by Reinartz and Kumar (2002), we identify the appropriate customer

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segments to target with CRM efforts and outline a supporting RM strategy for each segment. These include traditional RM, lifetime-value-based pricing, availability guarantees, and short-term and *ad hoc* promotions. We address the impact of these RM strategies on business processes in relation to customer segmentation, demand forecasting, information systems management, and human resources management.

The negative effects of terrorism on national and regional economies have been widely recognized. Especially in tourism-related sectors, however, the magnitude of those effects has often not been subjected to detailed estimates. This is the case in spite of the substantial dependence that many governments, at all levels of society have on tourism revenues. This paper presents estimates of the economic impacts of the 9/11 attack on the World Trade Center based on analyses using an input-output and social accounting matrix model and employment data for New York City.

In this piece of research we, as do a multitude of other individuals, deplore the numerous bombings and military actions taking place in the Israel-Palestine Middle East area. In this essay we suggest a step-by-step long-run process for effective conflict resolution. We do not deny that some leader of tremendous capability with tremendous charisma bestowed on him from the conflicting parties can in a relatively short time resolve the conflict. Pending such a resolution, however, or an effective middle-run resolution, we are interested in pursuing a procedure for gradual resolution from a sequence of small joint actions, each yielding mutual improvement for each party consistent with its perspectives. [See Isard and Aziz (1998-99) and Isard and Chung (2000) for relevant statements on this procedure.] Of critical importance is the first small mutual improvement joint action. The purpose of such an initial action is to break the ice and generate in time, one by one, a series of such joint actions.

**HARA, T. &
SALTZMAN, S.**

**The Economic Impacts
of Terrorism: An
Alternative Method to
Quantify the Effects
on the New York City
Economy of the 9/11
Attack on the World
Trade Center
(02-19-03)**

ISARD, W. & HARA, T.

**The Old City of
Jerusalem as an
International Tourist
Magnet: An Initial
Proposal for a First
Step in Cooperation in
the Middle East
(02-20-03)**

Working Papers

**PICCOLI, G.,
BROHMAN, M.K.,
WATSON, R.T. &
PARASURAMAN, A.**

**Net-Based Customer
Service Systems:
Evolution and
Revolution in Website
Functionalities
(02-28-03)**

As web sites become an increasingly important component of firms' customer service systems, there is a need for research aimed at understanding their roles, functionalities, and effective design. Using a multi-method design, we propose and validate a descriptive taxonomy of customer needs amenable to online fulfillment. We then propose and offer preliminary validation of a five-stage model for explaining and predicting the development of a firm's web site design and functionality. Our findings suggest that firms' web sites are by and large in the early stages of development, but that executives in leading service firms have begun to conceptualize and plan for subsequent stages. Our paper concludes with managerial implications and avenues for further research.

**CANINA, L. &
GIBSON, S.**

**Understanding First-
day Returns of
Hospitality Initial
Public Offerings
(03-12-03)**

The first-day returns of initial public offerings (IPOs) are of considerable interest to academics and practitioners alike. This interest is well placed given that IPOs have historically shown economically significant first-day price increases. A study of all U.S. IPOs over 1980-2000 by Loughran and Ritter, for example, documents an average first-day return of 18.9 percent. This empirical regularity of significant first-day IPO returns is often referred to as "IPO underpricing" because of the wealth consequences for private owners who decide to go public, selling part or all of their firms to outside investors.

Our intention in this paper is, first, to help hospitality managers understand the economic rationale behind the IPO process. We make clear the reasons as to why underpricing is a necessity evil for managers of private hospitality firms if they choose to go public. We also explain, unfortunately for those investors with early retirement aspirations, that the apparent opportunity to make easy money from IPO underpricing does not, in practice, exist.

Our second intention is to provide an empirical characterization of first-day IPO returns for the lodging and restaurant industries. Our empirical efforts, the first ever to focus on the hospitality industry, serve a twofold purpose. For managers of private hospitality firms who are considering taking their firms

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public, our results provide an historical benchmark for the underpricing that they can expect to transfer to outside investors. Beyond benchmarking the cost of going public, we design empirical tests of the theories that predict underpricing. As becomes clear in our discussion of the economic rationale for the IPO process, predictions emerge about the pattern of first-day returns across IPOs. We design empirical tests of these predictions to see whether the underpricing theories prove consistent with what we observe in the hospitality industry.

Hospitality marketers rarely use experiments or quasi-experiments to evaluate a variety of marketing options prior to deciding on some course of action. This article makes the case that they should do so more often. Specifically, the authors argue that: **(1)** the marketplace is too complex for marketers to be confident in relying upon marketing options developed as the result of exploratory or descriptive research alone, **(2)** after developing options using exploratory or descriptive research methods, marketers should test those options using causal research methods, and **(3)** experiments and quasi-experiments are effective and underused causal research methods. They then go on to discuss several important issues marketers should keep in mind when designing and interpreting the results of experiments and quasi-experiments.

Studies of tipping behavior in restaurants indicate that black customers tend to leave lower tips than do white customers. Rather than unnecessarily demean a customer group, however, the industry should try to understand and address the underlying cause of this observed ethnic difference in tipping. The results of the study reported here suggest that differences in tipping between African-American and Caucasian customers may reflect differences in the groups' familiarity with the 15- to 20- percent norm for tips, based on check amounts. This explanation suggests that one solution to the problems posed by differences in the groups' tipping is to publicize the 15- to 20-percent tipping norm in minority communities.

LYNN, A. & LYNN, M.
**Experiments and
Quasi-Experiments:
Tools for Evaluating
Marketing Options
(03-18-03)**

LYNN, M.
**Ethnic Differences in
Tipping: A Matter of
Familiarity with
Tipping Norms
(03-21-03)**

Working Papers

TEWS, M.J. & GLOMB, T.M.

Emotional Labor and the Five-Factor Model of Personality (04-01-03)

Using the Five-Factor Model (“Big Five”) framework, the study examined the role of personality differences in relation to emotional labor with the aim of answering three questions: **(1)** Which individuals are more likely to genuinely express positive and negative emotions?; **(2)** Which individuals are more likely to fake positive emotions and suppress negative emotions?; and **(3)** Which individuals are less likely to experience adverse outcomes when faking or suppressing? Results of regression analyses suggest that extroversion and neuroticism are related to genuinely expressing positive and negative emotions, respectively. Extroversion and neuroticism were related to faking positive emotions, and agreeableness and neuroticism were related to suppressing negative emotions. No support was found the moderating effect of neuroticism on the relationship between faking and suppressing and emotional exhaustion. Implications of these findings and future research directions are discussed.

KIMES, S.E.

Revenue Management at Chevys (04-23-03)

Revenue management can be described as selling the right inventory unit (in this case a seat) to the right customer for the right price and at the right time. The determination of “right” entails achieving both the most contribution possible for the company, while also delivering the greatest value or utility to the customer.

Restaurant operators have two main strategic levers for managing revenue: namely, price and meal duration. Price is a fairly obvious target for manipulation, and many operators already offer price-related promotions to augment or shift peak-period demand.

Managing meal duration is a bit more complicated. One of the difficulties of implementing revenue management in restaurants is the fact that their explicit unit of sale is a meal (or event) rather than a stated amount of time. Restaurants rarely sell tables for a fixed amount of time, and most restaurants seem reluctant to broach this topic with customers.

In this paper, the development, implementation, and evaluation of restaurant revenue management interventions at a 230-seat Chevys Freshmex Restaurant are discussed. A brief introduction of revenue management is given, followed by a description of the problem setting. The baseline performance of the restaurant,

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including seat occupancy, revenue per available seat hour (RevPASH), party size mix and dining duration is analyzed and a discussion of the possible causes of performance is presented. The revenue management strategies used are reviewed and a discussion of how the strategy was implemented is given. Finally, an evaluation of the performance of the revenue management strategy is presented.

This paper formulates separate measurements of tourism policy and tourism economic input that analysts might use to determine whether there may be a connection between state tourism policy and the economic input of tourism to the state economy. Sample data used for developing the models were collected from the following seven southeastern states: Alabama, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Virginia.

The study creates models to compare qualitative data (policy) with quantitative data (economic input). The Tourism Policy Rating Scale (TPRS) was developed to measure state tourism policy and is based on the policy formulation process originally presented by Goeldner *et al.* The Tourism Economic Productivity Index (TEPI) analyzes both input of the tourism budget with the yielded outputs of visitation, travel related revenue, and travel related jobs. This performance measure is normalized across the states by indexing the states according to their workforce and Gross State Product. The impact of the state's tourism industry can be plotted on a two-by-two matrix to determine the possible connections, if any, between tourism policy and economic input.

These models are important because knowing the connection between tourism policy and economic input can provide tourism promotion agencies, legislative bodies, and other policy makers with critical information to address opportunities for improvement, needs for changes in funding or funding methods, and alternative promotion and implementation strategies, among other valuable insights.

**SWANSON, J.R. &
LEWIS, C.L.**

**State Tourism Policy
and Economic Input:
Measurements for
Comparison
(04-24-03)**

Working Papers

ISARD, W. & HARA, T.
The Old City of Jerusalem as an International Tourist Magnet: An Initial Proposal for a First Step Cooperation in the Middle East—Part II: Projection of Decrease in Hostilities and Terrorist Activity (04-30-03)

Among the causes of terrorist activities in the Middle East are historical events; religious and other cultural differences; lack of economic, educational, and other opportunities; and poverty. Poverty in particular impinges on all the other factors that are involved in terrorism. Because of this, we concentrate on poverty, never losing sight of the presence of other factors.

We thus proceed to another assumption, which is broad but nonetheless preferable to any other that we can currently make at this point. We assume that by and large that Palestinian families who are not in poverty and who have an employed family member do not provide recruits for terrorist activity. True, there have been university students from non-poverty families who have engaged in bombings. But also among poverty-stricken families in which there is no employment, there are some whose basic beliefs cause them not to be recruits for terrorism. Pending the compilation of more data, we therefore adopt the crude assumption that an average family where one member comes to be newly employed does not serve any longer to generate recruits for terrorist activities.

MURPHY, M.
Coyote Loco Hot Sauces (05-03-03)

Brand management is an important part of effective marketing. Many tools can be used to create, emphasize, strengthen, and redevelop a brand. The purpose of this project was first to research and to analyze Coyote Loco's market and its management's goals and then to use those findings to develop a product that can be used for marketing and promotional purposes. Specifically, Coyote Loco will be introducing its own brand of hot sauces. These sauces will serve as a tool to strengthen Coyote Loco's brand image. In the following report, each phase of the project is discussed beginning with the development of the project's objectives through the product development.

MALCOLM-DAVIES, J.
Borrowed Robes: The Educational Value of Costumed Interpretation at Historic Sites (05-06-03)

Pressure to develop vulnerable historic sites into competitive commercial operations has led to controversial interpretive techniques being introduced by aggressive marketing managers. Scarce resources have been invested in largely unproven technological and other innovative methods of presentation. This paper

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looks at the employment of costumed interpreters at historic sites, what it is claimed they offer visitors, and whether their services match visitors' needs. The study reported here compared the performance of 12 historic sites in four countries, two in Europe (Sweden and the United Kingdom) and two in North America (Canada and the United States), with the participation of 589 visitors. The study provides clear recommendations for site managers as to the value of costumed interpretation and offers guidelines on the levels of investment (in reproduction costume and staff training) which guarantee visitors educational experiences during their visits to historic sites.

While the business press suggests that “winning the talent war,” the attraction and retention of key talent, is increasingly pivotal to organization success, executives often report that their organizations do not fare well on this dimension. We demonstrate how, through integrating turnover and compensation research, the Boudreau and Berger (1985) staffing utility framework can be used by industrial/organizational (I/O) psychologists and other human resources (HR) professionals to address this issue. Employing a step-by-step process that combines organization-specific information about pay and performance with research on the pay-turnover linkage, we estimate the effects of incentive pay on employee separation patterns at various performance levels. We then use the utility framework to evaluate the financial consequences of incentive pay as an employee-retention vehicle. The demonstration illustrates the limitations of standard accounting and behavioral cost-based approaches and the importance of considering both the costs and benefits associated with pay-for-performance plans. Our results suggest that traditional accounting or behavioral cost-based approaches, used alone, would have supported rejection of a potentially lucrative pay-for-performance investment. Additionally, our approach should enable HR professionals to use research findings and their own data to estimate the retention patterns and subsequent financial consequences of their existing, and potential, company-specific performance-based pay policies.

**STURMAN, M.C.,
TREVOR, C.O.,
BOUDREAU, J.W. &
GERHART, B.**

**Is It Worth It To Win
the Talent War?
Evaluating the Utility
of Performance-based
Pay (06-10-03)**

Working Papers

**AGUINIS, H.,
STURMAN, M.C. &
PIERCE, C.A.**

**Comparison of Three
Meta-analytic
Procedures for
Estimating Moderating
Effects of Categorical
Variables (06-30-03)**

We conducted Monte Carlo simulations to compare the approaches of Hedges-Olkin (1985), Hunter-Schmidt (1990), and a refinement of Aguinis-Pierce (1998) for estimating moderating effects of categorical variables meta-analytically. The simulation entailed a situation involving a binary moderator variable (e.g., gender—male or female; ethnicity—majority or minority). We compared the three meta-analytic methods in terms of point estimation accuracy as well as Type I and Type II error rates. Results provide guidelines to help researchers choose among the three meta-analytic techniques based on theory (i.e., exploratory vs. confirmatory research) and research design considerations (i.e., the presence of severe levels of range restriction and measurement error).

LYNN, M.

**Tip Levels and Service:
An Update, Extension,
and Reconciliation
(09-24-03)**

In previous papers (notably in the *Cornell Quarterly*), I reviewed research on tipping and concluded that tips are only weakly related to service quality and that servers can substantially increase their tips by taking one or more of seven specific actions. New research indicates that: **(1)** servers' and restaurants' average tip percentages are only weakly related to servers' and restaurants' average service quality, **(2)** restaurant turnover rates and servers' thoughts about quitting are negatively correlated with restaurants' and servers' average tip percentages, and **(3)** servers can increase their tips by performing one or more of 14 specific actions. These findings suggest that restaurant executives should stop relying on tips to motivate good service and stop using tips to measure customer satisfaction, server performance, or restaurant performance. On the other hand, managers should train servers to take one or more of 14 tip enhancing actions to enhance server morale and reduce server turnover.

Note: To read the working papers listed in this compendium, visit the CHR web site, www.chr.cornell.edu. Click on "working papers" to view the list of links to .pdfs of the papers.

Servers are typically taught to make recommendations and attempt to upsell their customers. Little is known, however, about the conditions under which restaurant consumers follow servers' recommendations. In this study, we show consumers might follow servers' recommendations from the perspective of Mertz regarding the effect of source evaluations on persuasive influence and the perspective of Ajzen's theory of planned behavior. Both approaches proved to be fruitful, and the results of the study suggest that consumers' past experiences and the consumers' perceived knowledge relative to the server are important determinant of whether consumers will accept servers' recommendations.

It is unnecessary to point out the nature of the warfare employed by terrorist organizations or that the continued, expanding poverty of many regions of the world contribute to the growth of the terrorists' activities. This negative outcome has suggested to us the importance of eliminating to the extent possible the poverty among people in poor region—and ideally of course to eliminate all poverty.

This is a major task. In essence the problem is to establish what may be designated as a poverty-eliminating bill of goods for the stricken regions. Unfortunately the social-accounts data are scarce for constructing such a bill of goods. However, until we can do so, even crudely, we can hardly proceed with this goal of eliminating poverty. In our search for data, we have found few adequate materials. For the United States an excellent set of consumption coefficients by income group and major categories of commodities has been developed by Rose and Beaumont (1989). In addition there are extensive social-accounts data developed by Thorbecke, his associates, and students and by others (Thorbecke 1998). Further, much data work has been done by the IMPLAN Group (2000). These record the consumption (expenditure) data by income class or institutions and often proceed to examine poverty-alleviation policies. However, they say relatively little about poverty elimination based on the construction of relevant bills of goods for poverty groups.

**BORCHGREVINK, C.P.
and SUSSKIND, A.M.**

**Consumer Acceptance
of Server
Recommendations
(10-02-03)**

**ISARD, W. and HARA,
T.**

**Some Theoretical
Thoughts on
Constructing a
Poverty-Eliminating
Social Accounts Bill of
Goods (10-06-03)**

Working Papers

**WAGNER, E.L.,
GALLIERS, R.D., and
SCOTT, S.V.**

**Under Construction:
Making the Best of
“Best Practices”
(10-08-03)**

The phrase “best practice” has entered into common parlance in contemporary business discourse, yet recent research has shown that in contrast to the hyperbole so-called “industry standards” embedded in software packages can become potentially troublesome for local operations. The process by which organizations recast the best practices handed down to them by consultancies and software vendors to make the software work for them is an under-researched area of study. We adopt a narrative approach to analyze the post-implementation modifications of a “best practice” design that took place during the appropriation of an ERP system. Our longitudinal study uses an actor-network perspective to theorize the IT artifact as part of an ensemble of networked agencies that shift over time. More specifically, we trace the different sources, agencies, and affects of inscription on the modification of a purportedly best practice software design. Doing so highlights the politics involved in localizing an IT artifact and the issues raised by the effort to appropriate a generally applicable model designed for multiple contexts.

LYNN, M.

**Tipping in Restaurants
and Around the Globe:
An interdisciplinary
Review (10-20-03)**

On an average day, approximately 10 percent of the U.S. population eats at sit-down or so-called family restaurants. In an average month, approximately 58 percent do so (Media Dynamics 2001). After completing their meals, almost all of these restaurant diners leave a tip for the server who waited on them (Speer 1997). These tips, which amount to approximately \$21 billion a year, are an important source of income for the nation’s two million waiters and waitresses (Lynn, 2003b). In fact, tips sometimes represent 100 percent of waiters’ and waitresses’ take home pay, because tax withholding eats up all of their hourly wages (Mason 2002).

Tipping is an interesting economic behavior, not only because it is widespread and fulfills an important function, but also because it is an expense that consumers are free to avoid. Although called for by social norms, tips are not legally required. Furthermore, since tips are not given until after services have been rendered, they are not necessary to get good service in establishments that are infrequently patronized. For this reason,

Continued at right

many economists regard tipping as “mysterious” or “seemingly irrational” behavior (e.g., Ben-Zion and Karni, 1977; Frank, 1987; Landsburg, 1993).

This paper explores this behavior and its implications for economic theory and public policy. This paper is divided into four sections. The first two sections provide more detail about the phenomenon of tipping by summarizing and discussing the results of empirical research on the determinants and predictors of restaurant tipping and of national differences in tipping customs respectively. Then, economic theories about tipping are reviewed in light of the previously summarized empirical literature. Finally, the public welfare and policy issues raised by tipping are discussed.

In the late 1990s, the *Cornell and Hotel Restaurant Administration Quarterly* published my four-article series on labor scheduling. The current paper is a commentary on those articles, but also a high-level primer for labor scheduling. In this paper, I define labor scheduling, tell you why I think it’s important, synthesize my four earlier articles, describe the characteristics I see as important to look for when selecting a labor scheduling system, talk about what I see as the potential pitfalls and major opportunities of labor scheduling, and make some personal observations about trends in labor scheduling.

THOMPSON, G.M.
**Labor Scheduling: A
Commentary**
(10-21-03)

Working Papers

**WARECH, M. and
TRACEY, J.B.**

**Evaluating the Impact
of HR: Identifying
What Matters
(10-22-03)**

In April 2003 a group of senior HR executives and consultants convened at Cornell University's School of Hotel Administration for a roundtable discussion of several issues associated with HR strategy and practice. One of the topics that stimulated some interesting dialogue focused on establishing the credibility and impact of the HR function. This topic arose out of concerns regarding the perceived versus real relevance of HR, particularly at the strategic or corporate level. While some of the roundtable participants argued that many HR professionals suffer from an "insecurity complex" and engage in evaluative efforts to "toot one's own horn," everyone agreed that it simply makes good business sense to show how the HR function contributes to a firm's goals—something that all function-area executives should be concerned about. Therefore, demonstrating the impact of HR on a firm's performance is a current and future priority.

However, demonstrating impact can be a daunting task. In this paper we discuss some of the many issues that must be taken into account to demonstrate impact. We begin by arguing that not all HR policies, practices, or systems are critical for creating value and driving firm performance. We then highlight some of the approaches that can be used for assessing impact and identifying which policies, practices, and systems matter most. Next, we discuss an assessment process that has been developed by one of the largest and most respected HR consulting firms and list some of the policies and practices they found contributed most—and least—to firm performance. Finally, we present the results from an industry-specific study that supports the consulting firm's findings and demonstrates how to establish impact at an operational level of analysis.

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Until recently, HR has faced an uphill battle justifying its place at the strategic planning table. Fortunately, over the past decade or so, many hospitality companies have hired smart and creative HR professionals who have been able to demonstrate the impact of their efforts on a firm's performance. These professionals have a keen understanding of how HR operates and can work effectively with other functional leaders to create integrative plans that help their firm achieve its business objectives.

Unfortunately, while HR appears to have gained credibility at the top, the same cannot be said of the HR function at lower levels of the organization. Many of the participants who attended the 2003 HR roundtable at Cornell University's School of Hotel Administration bemoaned several concerns with operations-level HR staff, citing a lack of functional competence, as well as general business knowledge. For one, John Young, executive vice president of HR at Four Seasons, summed up the sentiment by stating that to be effective, property-level HR directors and managers must possess "a strategic and operational mindset. They must have a keen understanding of how to leverage the HR function in order to drive business results." So when Mr. Young conducts property-level HR audits, one of the first questions he asks the HR director is, "What was the hotel's GOP last month compared to budget?" The accuracy of the answer speaks volumes about the director's mindset and overall level of professional competence.

The purpose of this study was to extend Noe and Colquitt's (2002) model of training effectiveness and examine the relationships among training climate, organizational commitment, and post-training job performance. Using data from 246 restaurant employees, the results from correlation and structural equations analyses showed significant relationships between training climate and organizational commitment, and between organizational commitment and job performance. However, the relationship between training climate and job performance was non-significant. The results suggest that revisions regarding the nature of the relationships among the focal constructs, particularly as they apply to the post-training condition, may be necessary.

**SPENCER, A. and
TRACEY, J.B.**

**Professionalizing the
HR Function:
Functional, Industry,
and Firm-Specific
Approaches for
Enhancing HR
Competencies
(10-23-03)**

TRACEY, J.B.

**An Empirical
Investigation of the
Relationships Among
Training Climate,
Organizational
Commitment, and Job
Performance
(10-24-03)**

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