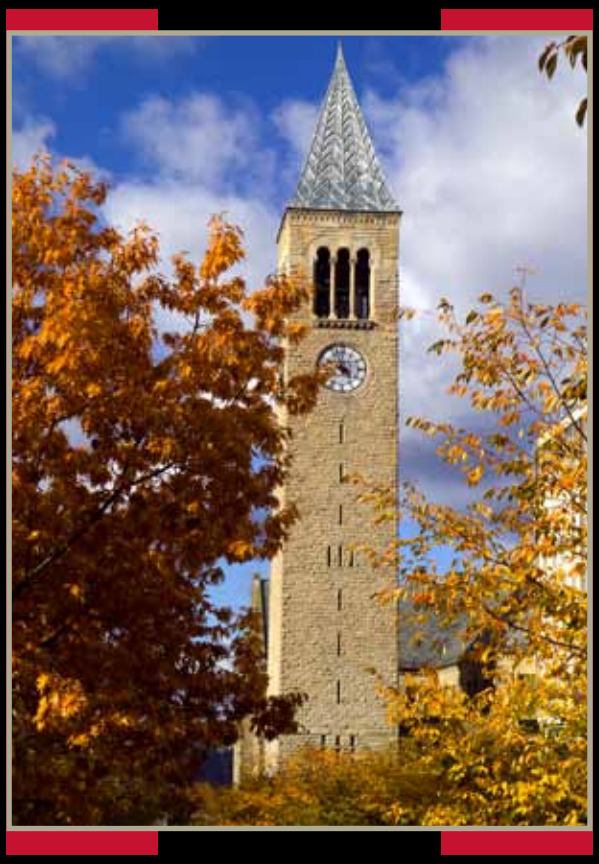
The Center for Hospitality Research

Hospitality Leadership Through Learning



Cornell Hospitality Compendium 2010

***An Anthology of Reports, Tools, and Roundtable Proceedings published in 2009 by the Cornell Center for Hospitality Research, including articles by the faculty of the School of Hotel Administration published in the* Cornell Hospitality Quarterly**

Cornell University
School of Hotel Administration

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Cornell Hospitality Report
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The Center for Hospitality Research at Cornell University

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The Center for Hospitality Research

Hospitality Leadership Through Learning

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Judi Brownell

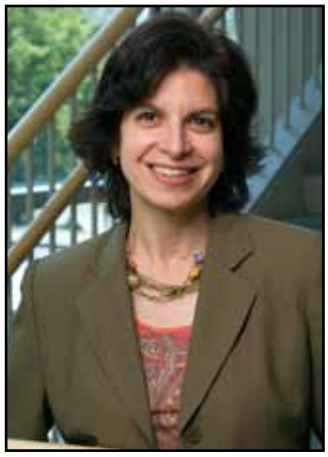
Fostering Service Excellence through Listening:

What Hospitality Managers Need to Know

by Judi Brownell

Amid the "noise" created by increased use of computers and other technology, the ability to listen takes on increasing importance for hospitality employees. Listening is essential in the course of delivering personal, customized service. A survey of eighty-three hospitality managers found the highest agreement with the statement that effective listening is vital to business success. For hospitality organizations, that success is tightly linked to the quality of service produced by employees. At the same time, survey respondents gave their lowest agreement to the statement that most members of their organization listen well. Listening is the foundation of two organizational processes essential to service delivery, one involving the accurate exchange of information and the other facilitating the development of strong relationships. Employees who are good listeners have a willingness to listen and an awareness of their own listening ability (although that may be overestimated). While developing listening competencies is not easy, it is possible for managers to improve their service employees' listening abilities through modeling effective listening and offering training that is then augmented in the workplace—all the while improving service delivery. In addition to the rapid pace of the hospitality industry and interference from technology, one other barrier to effective listening is the diversity of employees and guests. Not only cultural differences, but also gender and age differences influence listening styles and effectiveness.

Cornell Hospitality Report Vol. 9 No. 6 (April 2009)



Amy Newman

Hospitality Managers and Communication Technologies:

Challenges and Solutions

by Judi Brownell and Amy Newman

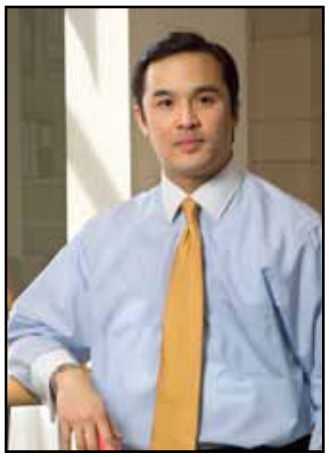
A study on communication technologies among a convenience sample of 100 hotel managers found that email is both pervasive and intrusive, while other new media (i.e., instant messaging,

intranets, wikis, and blogs) are only gradually gaining a foothold in the hotel industry. Although the volume of email was a concern for these hotel managers, even more challenging was the issue of ensuring that messages accurately conveyed both information and emotion. Respondents disagreed somewhat on how quickly one should respond to an email. While most thought a 24-hour turnaround was acceptable, others were willing to let matters slide longer—potentially incurring dissatisfaction from customers and coworkers. Even in such a small sample, respondents showed divergent attitudes toward the technologies based on their age, gender, and native language. For example, as compared to men, women were particularly unhappy with poor grammar and punctuation in emails they received. Young respondents differed considerably from older respondents on the challenge of clarity in received emails, and those for whom English was a second language were most concerned that they could send clear, grammatical emails. Respondents could appreciate the potential value of intranets and other new communication vehicles, but they reported little implementation of those technologies.

Cornell Hospitality Report Vol. 9 No. 18 (December 2009)

Operational Hedging and Exchange Rate Risk:

A Cross-sectional Examination of Canada's Hotel Industry



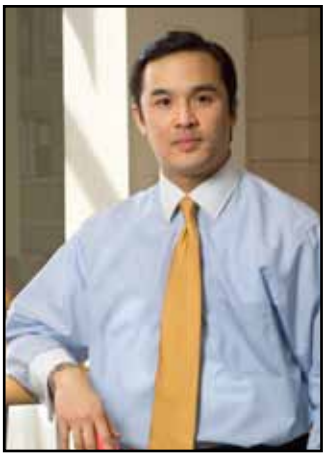
Charles Chang

by Charles Chang and Liya Ma

Rather than engage in expensive and complicated currency hedging, hotels operating in an international environment can gain similar benefits from their normal operations, including revenue management. An analysis of 1,032 Canadian hotels over a period of over two and one-half years shows that due to exchange rate interactions, ADR, occupancy, and RevPAR increase in weak currency environments, while they decrease in strong environments. As a local currency fluctuates in relation to the dollar, euro, or yen, changes in ADR, occupancy, and (thus) RevPAR offset losses from currency translation in weak environments and modify gains when the currency is strong. When a local currency loses value against the dollar, for instance, travelers consider hotels priced in that currency to be less expensive, even though the nominal price hasn't changed. Additional travelers who are attracted by "bargain" prices increase occupancy and cause the hotel's revenue management system to recommend higher rates. Even with higher rates, the hotel's rates might still be favorable, and the hotel's revenue per available room would be augmented by both higher room rates and higher occupancy. The implication is that multinational hotel chains have significantly less exposure to foreign exchange risk than implied by traditional hedging practices.

Cornell Hospitality Report Vol. 9 No. 15 (October 2009)

FINANCE



Charles Chang

To Hedge or Not to Hedge:

Revenue Management and Exchange Rate Risk

by Charles Chang

Foreign exchange fluctuations are a considerable source of risk for any international business. Appropriate revenue management of room rates in international destinations can help a hotel operator counteract the effects of currency fluctuations. This six-year study of five international markets found that increasing average daily rate (ADR) when the local currency environment is weak improves revenue per available room (RevPAR) in dollar-denominated terms. Conversely, when a currency is strong, occupancy declines offset any exchange gains. Thus, when a currency is weak in dollar terms, managers have been able to raise prices without hurting occupancy, and maintain RevPAR. Based on those findings, one can conclude that room rates function as a type of hedge for foreign exchange risk, attenuating about 60 percent of the total currency exposure to the dollar.

Cornell Hospitality Quarterly Vol. 50, No. 3 (August 2009), pp. 301–313

FOOD & BEVERAGE

Gary Thompson

Managing a Wine Cellar Using a Spreadsheet

by Gary Thompson

Using examples from a new Wine Cellar Management Tool, this report describes the many spreadsheet-based analyses in this tool that can assist an individual, restaurant, or bar to manage a wine cellar. If one is disciplined about recording the inflows and outflows to and from the cellar, the spreadsheet tool will provide several cellar analyses. In addition to providing insight into the key questions of what to consume and what to promote, the tool shows such interesting and informative analyses as appellations, vintages, and types of wine. In the tool described in this report, the spreadsheet itself incorporates form-based sets of data entry fields. The Wine Cellar Management Tool, which is available at no charge from The Center for Hospitality Research at Cornell University, does not require actual knowledge of how to construct a spreadsheet. It does require diligent data entry regarding wine purchases and withdrawals.

The Wine Cellar Management Tool

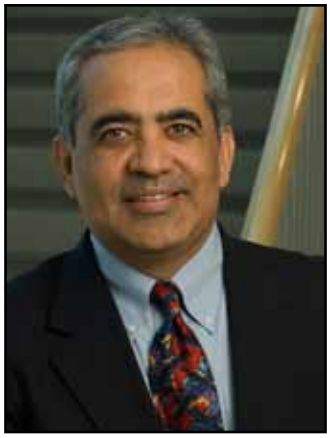
by Gary Thompson

As described in the accompanying report, the Wine Cellar Management Tool is a spreadsheet that can be used to help manage a wine cellar, either for individuals or for firms such as restaurants or bars. The spreadsheet comes in two versions. The "Sample" version allows you to examine how the spreadsheet will look after you have entered data on the wines you own. The "Blank" version is the version you should use to enter your own data after you have downloaded it.

Cornell Hospitality Report and Tool Vol. 9 No. 9 (June 2009)

Customer Orientation or Competitor Orientation:

Which Has a Higher Payoff?



Chekitan Dev

by Chekitan Dev, Kevin Zhou, Jim Brown, and Sanjeev Agarwal

International hotel chains that are entering a new market have a choice of competitive strategy. They may operate with a customer orientation or a competitor orientation. In a customer orientation the hotel focuses on acquisition, satisfaction, and retention of customers. In contrast, the competitor orientation focuses on monitoring, managing, and outflanking competitors. This study of hotels from 56 countries compared these two approaches to uncover the specific market conditions under which investing resources in one or the other market strategy led to higher performance. The circumstances under which a customer orientation has a higher payoff are found in resource-rich developed economies. On the other hand, a competitor orientation is a better strategy in less developed economies, where resources are relatively scarce. An important factor to consider is known as customer demandingness, which also is best met with a customer orientation. Oddly, a competitor orientation did not have a negative effect when customer demandingness was high.

Cornell Hospitality Quarterly Vol. 50, No. 1 (February 2009), pp. 19–28

Cathy Enz

Linda Canina

Competitive Hotel Pricing in Uncertain Times

by Cathy Enz, Linda Canina, and Mark Lomanno

This analysis of the pricing (ADR), demand (occupancy), and revenue (RevPAR) dynamics in the U.S. hotel industry for the period 2001 through 2007 demonstrates the potentially negative consequences of attempting to maintain market share by offering prices below those of direct competitors. This seven-year study examined the outcomes of pricing behavior on total rooms revenue and occupancy for hotels and their competitors in both bad times (2001-2003) and good (2004-2007). The results are the same in both periods. Hotels that offer average daily rates above those of their direct competitors experienced lower occupancies compared to those other hotels, but recorded higher relative RevPARs. For 67,008 hotel observations, this pattern of demand and revenue behavior was consistent for hotels in all market segments, from luxury to economy. Overall the results suggest that the best way to have better revenue performance than your competitors is to have higher average rates. The findings suggest that lodging demand may be inelastic in local markets, and hotel operators may wish to resist the pressure to undercut competitors when possible.

Cornell Hospitality Report Vol. 9 No. 10 (July 2009)

Safety and Security in U.S. Hotels

by Cathy Enz

An investigation of the physical attributes or features that signal safety and security in a sample of 5,487 U.S. hotels revealed significant differences in the distribution of these key amenities in various hotel price segments and geographical locations. Differences in these physical attributes were also found among hotels of various sizes, ages, and locations (e.g., urban, airport, small town). An analysis of hotel index scores across several different categories revealed an average safety-index score of 70 and a security index score of 64 out of a possible score of 100. Overall, luxury and upscale hotels, airport and urban hotels, large properties, and new hotels are most likely to maintain a high level of safety and security amenities. In contrast, old, small, and budget motels are the properties most challenged in providing those safety and security features.

Cornell Hospitality Report Vol. 9 No. 13 (August 2009)

The Physical Safety and Security Features of U.S. Hotels

by Cathy Enz

A survey of the safety and security features of 5,487 hotels in the United States found that many hotels have in place specific safety and security features. In this instance, safety is defined as protecting guests, while security additionally involves protecting guests' possessions. This study found that newly built hotels, luxury and upscale hotels, large hotels, and those in urban and airport locations are most likely to have the items on the safety and security indexes. The indexes were developed from a listing by the American Hotel and Lodging Association. Key items on the safety index are sprinklers, a smoke-free facility, and safety information. The security index included electronic locks, interior corridors, and security cameras. An analysis of hotels' room rates found that high scores on the safety and security indexes were correlated with high published rates for those hotels. One caveat of this study is that physical features alone are not sufficient for hotel security, since staff training is also essential, but the presence of those features is associated with higher advertised room rates.

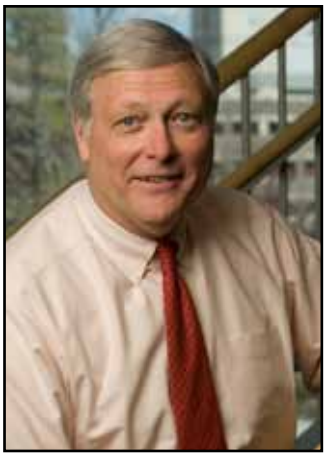
Cornell Hospitality Quarterly Vol. 50, No. 4 (November 2009), pp. 553–560

Key Issues of Concern in the Lodging Industry:
What Worries Managers

by Cathy Enz

Persistent problems are often the source of worry and lost sleep for managers in the highly competitive lodging industry. By identifying and quantifying these problems, both industry and academe can study them in greater detail and begin to formulate tactics and strategies to address them. In a study published in 2001, hotel managers identified a common set of shared problems that impeded the ability of industry leaders to manage effectively. Critical human resources issues topped the list at that time. The list of concerns generated by managers then also included (in order of importance): understanding the customer, effectively using capital, aligning stakeholders' interests, using information technology, and valuing brands. The United States had enjoyed an economic boom in the years just before that 2001 survey was taken, and most people did not notice the dark clouds on the horizon. In 2008, this survey was repeated in what turned out to be similar times, when the hotel industry had enjoyed a long economic boom that was about to end, unbeknownst to most people. This later again identifies the most troubling issues or concerns expressed by managers and industry leaders and explores whether the problems identified in the earlier survey of what keeps managers up at night have changed.

Cornell Hospitality Report Vol. 9 No. 4 (March 2009)



William Carroll

The Job Compatibility Index:

A New Approach to Defining the Hospitality Labor Market

by William Carroll and Michael Sturman

Research sponsored by

Both employers and employees usually look within the confines of their own industry when they are thinking about filling or taking a job. When the labor market is tight, however, hotel operators might be better off if they could consider workers from other industries who have skills that would fit them for hotel jobs. By the same token, when the job opportunities are rare, job seekers can look outside of their current industry for positions that match their skill set. (This would include unemployed hospitality workers, who could seek compatible jobs in other industries.) Because existing sources that give listings of comparable jobs do not explain how or why they match up various jobs, it makes sense to use a human-capital approach to comparing jobs. This means analyzing and matching the individual skills, knowledge, and abilities needed for each position. The Job Compatibility Index presented here provides a method for comparing jobs based on their component skills. The index compiles the compatibility score and importance rating of each of 35 skills for the job in question. To arrive at a single index score, the compatibility of each skill is weighted by its importance. By adding up the resulting scores one can see how a seemingly unrelated job is in fact a potential source of hospitality employees. Taking the example of a hotel front-desk clerk, the index identifies nine jobs that involve most of the same skills, only three of them in the hospitality industry, expanding the reach of the potential labor pool by ten fold. Non-hospitality jobs that require skills similar to the front-desk job including personal and home-care aides, nursery workers, and life guards. Thus, the JCI identifies opportunities for both employers and workers.

Cornell Hospitality Report Vol. 9 No. 1 (January 2009)

Human Resource Management:

A Troubling Issue for the Global Hotel Industry

by Cathy Enz

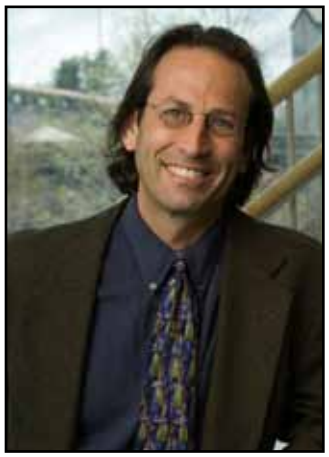
Although the specter of economic recession haunts managers, issues related to human resources remain obdurate, according to this survey of 234 hotel managers and executives. Such issues as attracting and retaining talented employees, maintaining employee morale, and ensuring appropriate training and employee skill levels continue to be major concerns for managers worldwide, even as economic recession dictates staff reductions. Comparing managers' responses in different regions of the world, the survey found that labor shortages most worried African managers,

and respondents in North America focused more heavily on career opportunities, while those in South America were most concerned about employee skills, including training and morale. The findings of this 2009 survey are similar to those of a 2001 study, indicating that human resources issues are a consistent problem for managers no matter what the economic situation.

Cornell Hospitality Quarterly
Vol. 50, No. 4 (November 2009), pp. 578–583

Cathy Enz

Michael Sturman



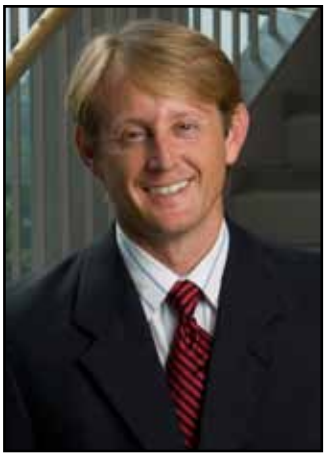
David Sherwyn

The Utility of Integrity Testing for Controlling Workers' Compensation Costs

by Michael Sturman and David Sherwyn

An examination of integrity tests found a strong connection between integrity test scores and workers' compensation costs. The tests are intended to allow employers to screen out job candidates who engage in risky workplace behavior, such as theft or drug use. In addition to this function, a large hotel chain determined that screening out risky workers also reduced filings for workers' compensation claims. This firm determined that the cost of administering the test was more than covered by the drop in claims. A conservative estimate is that the company experienced a 50-percent one-year ROI from the test. A legal analysis shows that the tests do not violate U.S. employment laws, because they do not create an adverse impact on individuals who are protected by federal civil rights laws. Moreover, the tests themselves are effective in screening job candidates, because the questions are carefully designed to identify those who steal or engage in other risky behavior on the job. Gaming these tests is difficult due to control questions, but the tests also take advantage of the peculiar psychological makeup of those who engage in illegal or risky behavior to ensure honest answers.

Cornell Hospitality Quarterly
Vol. 50, No. 4 (November 2009), pp. 432–445



Bruce Tracey

Helping Managers Help Themselves:

The Use and Utility of On-the-Job Interventions to Improve the Impact of Interpersonal Skills Training

by Michael Tews and Bruce Tracey

This test of two post-training interventions—self-coaching and upward feedback—found that both enhance the effectiveness of formal training on interpersonal skills for managers. Self-coaching in this case meant that trainee-managers filled out a workbook containing written assessments and exercises over a period of five weeks. Upward feedback involved subordinates' anonymous comments regarding how well the managers performed on specific interpersonal activities. While the test of interventions for 87 restaurant manager trainees found that although both interventions were useful extensions to formal classroom training, participants reported that the workbooks of the self-coaching program were time-consuming, especially since the program was concentrated in five weeks. The upward feedback comments were collected three weeks after training, and the participants thought that a longer time would have been more appropriate, allowing them to work with their newly learned skills. Neither of the two interventions was significantly more effective than the other, nor was a combination of the two more effective and either one by itself.

Cornell Hospitality Quarterly Vol. 50, No. 2 (May 2009), pp. 245–258

Cases in Innovative Practices in Hospitality and Related Services

Set 1: Aqua by Grandstand, Brand Karma, Capella Hotels & Resorts, EnTrip, Hotels.com Visualiser, Luggage Club, Royal Plaza on Scotts, Tastings, Tune Hotels, and VisitBritain.com

by Judy Siguaw, Cathy Enz, Sheryl Kimes, Rohit Verma, and Kate Walsh

Siguaw

Enz

Kimes

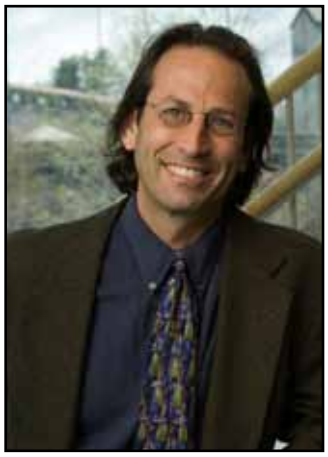
Verma

Walsh

The first ten of a total of fifty cases of hospitality innovators presents a diverse group of concepts and companies, all of which have used novel thinking to meet marketplace needs, regardless of whether those needs are newly identified or longstanding. Although most of the innovations have been made possible by relatively new technology, all of them rest on a core concept of focusing on customers' needs and desires. Whether the innovations were developed by extending existing concepts or through discontinuous inspiration, they have been generally accepted by customers. The implications and lessons from these ten cases, Aqua by Grandstand, Brand Karma, Capella Hotels & Resorts, EnTrip, Hotels.com Visualiser, Luggage Club, Royal Plaza on Scotts, Tastings, Tune Hotels, and VisitBritain.com, are valuable for all segments of the hospitality industry.

Cornell Hospitality Report Vol. 9 No. 17 (November 2009)

LAW



David Sherwyn

Retaliation:

Why an Increase in Claims Does Not Mean the Sky Is Falling

by David Sherwyn and Gregg Gilman

Two decisions by the U.S. Supreme Court appear to open the door wide for employees to charge their employers with retaliation in connection with discrimination accusations. The Court expanded certain aspects of retaliation, which was already the fastest growing cause of action in discrimination law. Despite the Court's rulings, however, no evidence shows that employee plaintiffs are more likely to be successful. In *Crawford v. Metropolitan Government of Nashville,* the Supreme Court expanded the definition of opposition, which occurs when an employee resists or otherwise expresses disapproval of the actions of an employer or other employee. The Court decided that opposition could occur if the employee expresses disdain for a practice, even if he or she does not actually complain about it. In the other case, *White v. Burlington Northern,* the Court created a standard for retaliation that expands the proscribed employer actions taken in the wake of a discrimination claim. Burlington Northern moved White from one set of duties to another within her job description, but the Court determined that such an action might discourage an employee from filing a discrimination charge. Thus, the Court determined that the change constituted retaliation. Despite opening the retaliation gate wider and perhaps encouraging more employees to file a complaint, the Court has not necessarily made it easier for plaintiff employees to prevail. This analysis is an outcome of discussions at the 2008 and 2009 Labor and Employment Law Roundtables.

Cornell Hospitality Report Vol. 9 No. 17 (November 2009)

MARKETING

The Billboard Effect:

Online Travel Agent Impact on Non-OTA Reservation Volume

by Chris Anderson

Hotels that are listed on third-party distributors' websites, commonly known as online travel agents (OTA), gain a reservation benefit in addition to direct sales. That benefit, often called the billboard effect, involves a boost in reservations through the hotel's own distribution channels (including its website), due to the hotel's being listed on the OTA website. This report provides a quantitative assessment of the incremental reservations through non-OTA distribution channels received as a result of being listed on an OTA site. To quantify the billboard effect, this pseudo experiment examined the effects for certain properties operated by JHM Hotels that are listed on Expedia.com. The study found that when the hotels were listed on Expedia, they saw an increase in reservations from their own distribution channels (that is, not through Expedia). The theory behind this phenomenon is that the would-be guest gains information about the hotel from its OTA listing, but

then books the room through a channel controlled by the hotel or its chain family. The study estimates the incremental reservations from listing on Expedia (not including the reservations actually made at Expedia) at 7.5 to 26 percent for the four properties in this study.

Cornell Hospitality Report Vol. 9 No. 16 (October 2009)

Room Risk Management at Sunquest Vacations

Chris Anderson

by Chris Anderson and Xiaoqing Xie

Tour operators face a considerable risk when they contract far in advance for hotel rooms that they will then resell. These "at-risk" rooms are typically sold as part of packages for multiple-day stays (often one week), which means that when customers purchase packages, sufficient rooms must be available for the entire package period. Room availability is also subject to stayovers from packages sold for previous start dates. The room-risk challenge can be modeled, with a goal of minimizing rooms under contract to avoid purchasing too many rooms that cannot be resold. The specific example of Sunquest Vacations shows a reduction of 25 percent in spoilage using the model. The tour operator's room availability can be augmented by additional rooms purchased on the spot market. Although the operator is not financially liable for those rooms, they are subject to prior sale and are more expensive to use than the base supply of at-risk rooms. The model is expanded to show the influence of adding the non-risk rooms to inventory, again with the goal of minimizing spoilage of the contracted, at-risk inventory. This change results in an additional reduction of 2 percent in spoilage.

Cornell Hospitality Quarterly Vol. 50, No. 3 (August 2009), pp. 314–324

Linda Canina

Product Tiers and ADR Clusters:

Integrating Two Methods for Determining Hotel Competitive Sets

by Jin-Young Kim and Linda Canina

Despite the importance of accurately identifying a hotel's competitors, determining those competitors is not a simple task. A common and easily implemented approach is to categorize products in terms of product type, but competition may occur across different types of products depending on how consumers perceive goods as substitutes. As an alternative, we identify the competitive set using cluster analysis based on hotels' average daily rate (ADR). A cluster analysis of the ADR of 49 hotels in one urban tract in the U.S. found five competitive clusters. In one cluster, upscale properties were competing directly with economy hotels. This analysis indicates that some properties have a discrepancy between their intended product type and their perceived competitive position, based on ADR. By integrating and comparing the results of the two methods for the purpose of performance evaluation, managers, owners, analysts, and investors can ascertain the market position of a hotel as determined by its guests, and make inferences regarding the hotel's value proposition, property condition, service offerings, and management acumen. In particular, the analysis points out performance benchmarks for hotels that are underperforming their competitive set and those that are outperforming their competitors.

Cornell Hospitality Report Vol. 9 No. 14 (September 2009)

Cathy Enz

Competitive Pricing in Uncertain Times

by Cathy Enz, Linda Canina, and Mark Lomanno

When close competitors cut their prices, the temptation for hotel operators is to follow with reductions of their own. While that strategy may increase occupancy, it reduces revenue per average room (RevPAR), when compared to a hotel's competitive group. Comparing the effects of pricing strategies among close competitors, first during a weak economy and then during boom times, the study uses data from Smith Travel Research to analyze relative pricing, occupancy, and RevPAR in over 67,000 hotel observations, from 2001 through 2007. Regardless of the economic situation (including both good times and bad times), hotels that maintained average daily rates above those of their direct competitors experienced lower occupancies compared to those other hotels, but they recorded higher relative RevPARs. This was true in all market segments.

Cornell Hospitality Quarterly Vol. 50, No. 3 (August 2009), pp. 325–341

Hotel Revenue Management in an Economic Downturn:

Results from an International Study

Sheryl Kimes

by Sheryl Kimes

The sudden reversal in the lodging industry's fortunes from 2008 to 2009 has brought a renewed focus on revenue and profitability for revenue managers. In a survey conducted in 2009, 291 revenue managers cited concerns about customer rate resistance, contract renegotiations, competition, and price wars as their top considerations. This contrasts with a 2008 study, where human resources and technology issues were ahead of economic concerns. Participants in the 2009 Revenue Management Roundtable, produced by the Cornell-Nanyang Institute of Hospitality Management, concurred with the study's findings. In particular, the meeting participants pointed to the difficulty in maintaining pricing positioning, because the drop in demand has shifted considerable pricing power to the customer. Although many hotels can compete effectively on price (and others may have little choice), revenue managers may also draw on numerous non-price competitive techniques, including adding value. One pricing approach might be to create a set of targeted rate promotions that are protected by rate fences and designed to attract price-conscious guests. Another technique is to bundle services into packages that disguise room rates. Non-price techniques include competing on the basis of quality, creating strategic partnerships, taking advantage of your loyalty program, developing additional revenue sources, and developing additional market segments.

Cornell Hospitality Report Vol. 9 No. 12 (August 2009)

Gary Thompson

Revenue Management Forecasting Aggregation Analysis Tool (RMFAA Tool)

by Gary Thompson

The RMFAA tool is designed to help hoteliers identify the best level of aggregation to use in their revenue management forecasts of room demand. Hotel revenue managers (or revenue management systems) typically forecast the number of arriving guests (i.e., demand) for each day of arrival, for each length of stay, and each rate class. If, for example, a property tracks lengths of stay from one to seven nights, and five rate classes, that would require 35 forecasts for each day of arrival. This guide is intended for use with the Revenue Management Forecasting Aggregation Analysis Tool (RMFAA) Tool, which is available for free downloads contents of this guide are: Overview, Getting Started, Data Requirements, Aggregation/Disaggregation Options, Forecasting Models, Error Measures, Results, and Tool Limitations.

Cornell Hospitality Tool Vol. 1 No. 13 (September 2009)

Rohit Verma

Exploring the Use of the Abbreviated Technology Readiness Index for Hotel Customer Segmentation

by Liana Victorino, Ekaterina Karniouchina, and Rohit Verma

Knowing guests' attitudes toward technology is a useful thing for any hotel manager in terms of what technologies to include in guest rooms. Beyond that, however, hotel guests' technological proclivities can also be used to differentiate guests into cohesive and useful market segments. The elements of the technology readiness index (TRI) can gauge both guests' attitudes toward technology and other demographic attributes. The key elements of the index are optimism, innovativeness, discomfort, and insecurity. High innovativeness, for instance, which is a person's willingness to adopt a new product, is associated with youth and relatively high income. Applying the TRI to 865 travelers revealed three clusters, which can be described as explorers, paranoids, and

laggards. Innovative and optimistic, explorers are willing to adopt new technology. Although they are also innovative and optimistic, paranoids focus on the downside of technology and are uncomfortable with innovations. Finally, the laggards resist the use of technology. Using these segments, a hotel operator can determine how well guests will respond to technological innovations.

Cornell Hospitality Quarterly Vol. 50, No. 3 (August 2009), pp. 342–359

Measuring the Dining Experience:

The Case of Vita Nova

by Kesh Prasad and Fred DeMicco

Kesh Prasad

Fred DeMicco

The considerable penetration of computers and internet connections makes it feasible to use electronic surveys to determine whether restaurant guests are satisfied with their meals. As demonstrated by the proprietary software in this case study, electronic surveys can provide rapid and effective feedback regarding guests' assessment of food and service. Beyond that, correctly designed electronic surveys can gauge customers' loyalty to a restaurant and raise warning signals when something is amiss. The demonstration takes place in Vita Nova, which is the teaching restaurant at the University of Delaware. Open only during academic terms, Vita Nova was expressly designed to teach restaurant students. Results of the survey showed that guests at this restaurant were highly satisfied and remarkably loyal, as calculated by a new measure, the Loyalty Power Index. This case study underscores the value of customer surveys in ensuring customer satisfaction.

Cornell Hospitality Tool Vol. 1 No. 12 (February 2009)

Sheryl Kimes

$ or Dollars:

Effects of Menu-price Formats on Restaurant Checks

by Sybil S. Yang, Sheryl Kimes, and Mauro M. Sessarego

Empirical research on menu design and price presentation has focused primarily on menus' effects on consumers' attitudes, and not necessarily on actual purchase behavior. This study examines how customers reacted to menus' price formatting in terms of actual sales, as measured by check totals for lunch at St. Andrew's, the restaurant at the Culinary Institute of America, in Hyde Park, New York. Price formats tested in the study were a dollars-and-cents numerical format with a dollar sign ($00.00), a numerical format without a dollar sign (00.), and scripted or written-out prices (zero dollars). While the numerical manipulation did not significantly affect total spending when compared to such non-menu factors as party size or length of time at the table, the price formats did show noticeable differences. Contrary to expectations, guests given the numeral-only menu spent significantly more than those who received a menu with prices showing a dollar sign or those whose menus had prices written out in words. Psychological theory, by contrast, predicted that the scripted format would draw higher sales. Although these findings may apply only to lunch at this particular restaurant, they indicate that menu-price formats do influence customers' spending, both in terms of total check and spending per cover.

Cornell Hospitality Report Vol. 9 No. 8 (May 2009)

Customer Preferences for Restaurant Technology Innovations

by Michael Dixon, Sheryl Kimes, and Rohit Verma

When restaurateurs evaluate whether to adopt technology-based service innovations, they must consider not only the costs and benefits of that technology, but also customers' reactions to the procedural changes accompanying the innovation. Technology that damages customer satisfaction may not be worthwhile, no matter how much it reduces labor costs. In this report we present the results of a national survey on customers' perceptions of eleven restaurant technologies, as well as whether respondents use those technologies and the value they see in them. The technologies are pagers for table management, handheld order taking while waiting in line, internet-based ordering, kiosk-based payment, kiosk-based food ordering, online reservations, payment via SMS

or text message, payment via (RFID) smart card, payment via cell phone using NFC technology, virtual menus available tableside with nutritional information, and virtual menus online with nutritional information. These technologies are categorized in the following five categories: kiosk, menu, online usage, payment-based service innovations, and queuing. Using a research technique called best-worst choice analysis, the study found that the technologies used most commonly were pagers and online reservations, while cell-phone payment was used hardly at all. The results show that the perceived value of a specific technology increases after the customers have had the opportunity to use it, and different demographic segments valued the technologies differently. Frequent technology users visited restaurants more often than infrequent technology users did.

Cornell Hospitality Report Vol. 9 No. 7 (April 2009)

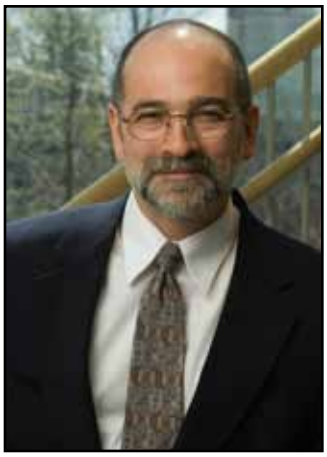
Rohit Verma

How Restaurant Customers View Online Reservations

by Sheryl Kimes

Restaurant customers appreciate the convenience of being able to make restaurant reservations online, but they also like the personal touch of telephone reservations. A study of 696 restaurant customers found that nearly one-third had made an online reservation. Those who made reservations online tended to be younger than those who did not, and online users also ate out more frequently. Those who made online reservations considered those reservations to be significantly more convenient than telephone reservations, and the online users also thought that websites gave more information about a restaurant than what they learned by calling on the telephone. At the same time, those online users felt that they had a better personal connection with the restaurant when they made telephone reservations. This tradeoff between efficiency and service perceptions points to a strategy of offering reservations via both methods. Emphasizing the convenience of online reservations may encourage customers to use the website, and that will give restaurant operators more information about their customers. Whether a restaurant uses a third-party reservation service or builds its own website, one key to ensuring a successful reservations process is to make the electronic process as straightforward as possible.

Cornell Hospitality Report Vol. 9 No. 5 (March 2009)



Michael Lynn

Wine List Characteristics Associated with Greater Wine Sales

by Sybil S. Yang and Michael Lynn

Research sponsored by

Wine lists can be thought of as powerful merchandising tools that should be thoughtfully designed. Restaurant operators and observers have offered many suggestions regarding how to present a wine list to improve sales, but few direct tests of these notions are available. Based on design and content attributes extracted from 270 wine lists, this is an evaluation of the extent to which 46 wine-list characteristics coincided with higher sales. Overall, the analysis found that restaurants with higher wine sales tend to have wine lists that **(1)** are included on the food menu, **(2)** do not include a dollar sign ($) in the price format, **(3)** include more mentions of wine from a specific set of wineries, and **(4)** offer a "Reserve" category of wines. On the other hand, using wine style as a major organizational category was associated with reduced sales. For casual-dining restaurants specifically, higher wine sales were related to extensive wine lists which have a length of approximately 150 bottles of wine (as compared to lists with either fewer or more bottles) and which offer more low-cost wines. Neither of those factors showed any effect in fine-dining restaurants.

Cornell Hospitality Report Vol. 9 No. 11 (June 2009)

Michael McCall

Techniques for Increasing Servers' Tips:
How Generalizable Are They?

by Michael Lynn and Michael McCall

Although many limited tests have indicated that certain actions increase servers' tips, the concept needed to be tested in a relatively large and heterogeneous sample. This study, which drew over 1,000 restaurant employees to participate in an internet-based survey, represents such a test. All thirteen of the tested actions affected tips, but certain actions seemed to be more effective than others, depending on the server and the restaurant. The most experienced servers focused on the following four actions: call the customer by name, upsell, tell jokes or stories to

customers, and squat next to the table. While these tip-enhancing techniques seemed to be effective in upscale restaurants, certain actions were rarely reported by participants in the study.

Cornell Hospitality Quarterly Vol. 50, No. 2 (May 2009), pp. 198–208

Don't Sit So Close to Me:

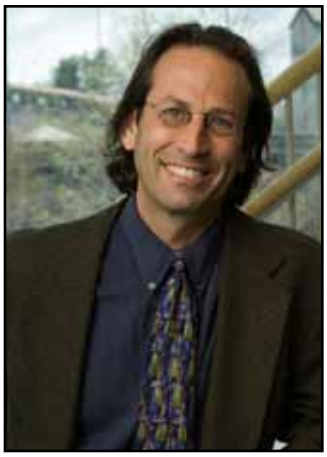
Restaurant Table Characteristics and Guest Satisfaction

Stephanie Robson

Sheryl Kimes

by Stephani Robson and Sheryl Kimes

Managing restaurant capacity effectively includes making sure that the dining room is equipped with sufficient tables of the appropriate size and type to meet expected demand. Restaurateurs usually make a point of seating each party at the right-size table to maximize seat utilization, and some restaurants set tables fairly close together to make the best use of the available floor space. This study examined whether providing guests at a full-service restaurant in New York City with extra personal space improved their satisfaction and meant increased spending or longer lengths of stay. Guests seated at tables that were larger than necessary (that is, parties of two seated at four-tops) did not have significantly different perceptions of satisfaction or spending behavior from those seated at right-size tables (that is, at deuces). However, parties at closely spaced tables reported significantly reduced satisfaction, as well as lower spending per minute when compared with those at widely spaced tables. Patrons dining at this New York restaurant seemed uncomfortable when tables were set as close as seventeen inches apart, and were more satisfied when the distance was closer to a yard apart. These findings, which apply to the dinner period at a fine-dining restaurant, offer support for the practice of seating parties at appropriately sized tables, and suggest that restaurant operators give careful consideration to the spacing of tables in the dining room.



David Sherwyn

Cornell Hospitality Report Vol. 9 No. 2 (January 2009)

Restaurants at the Crossroads:

A State-by-State Summary of Key Wage-and-Hour Provisions Affecting the Restaurant Industry

by Carolyn Richmond, David Sherwyn, and Martha Lomanno

Restaurateurs face a remarkable tangle of laws and regulations that on their face are meant to protect workers, but which often serve to create confusion for operators—and employment for labor attorneys. While many states simply apply federal wage and hour laws, others have passed statutes that set regulations that are more stringent than those of the federal government. This tool presents a comprehensive compilation of the wage-and-hour rules. While this tool does not substitute for the advice of legal counsel, it provides an overview of regulations to guide restaurateurs as they set their human resource policies and procedures.

Cornell Roundtable Proceedings Vol. 1 No. 3 (January 2009)

[Mythical] Revenue Benefits of Reducing Dining Duration in Restaurants

by Gary Thompson

The assumption that reducing dining duration will make a substantial contribution to the revenue-enhancing goal of revenue management is tested in the simulation based experiment described in this article. The concept being tested is that a reduction in dining duration will mean that more guests can be seated in a particular day part. The result will be an increase in revenue. After simulating over 1,200 scenarios of possible restaurant operation, the unavoidable conclusion is that any revenue gain from reducing dining duration will be relatively small. To gain much of an increase, the conditions must be perfect in the sense that guests must cooperate by arriving in a timely fashion so that they are waiting to fill seats as become available. Although some revenue increase should occur by reducing duration, the matter is far more complex than one might originally expect.

Cornell Hospitality Quarterly Vol. 50, No. 1 (February 2009), pp. 96–112

Time- and Capacity-based Measurement of Restaurant Revenue

Gary Thompson

by Gary Thompson and Heeju Sohn

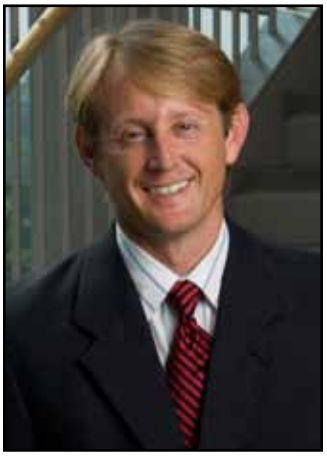
Restaurant operators could make better decisions regarding how to schedule staff and otherwise manage a particular meal period if they had an accurate way to measure the revenue per available seat-hour. Using actual restaurant data and simulations, this analysis compares two approaches to calculating RevPASH. True RevPASH would be calculated by apportioning the amount spent by each party across the entire time that the party occupies its seats. However, because of the nature of restaurant operation, RevPASH is most likely to be calculated by assigning all revenue to the time period when the check is opened—an estimate that understates the imputed revenue from the rest of the time when the party is seated. The more accurate approach demonstrated here calculates RevPASH from the time the check is opened to when it is closed. This still omits the time the seats are occupied before and after the check is open, but it remains a closer approximation to the true RevPASH.

Cornell Hospitality Quarterly Vol. 50, No. 4 (November 2009), pp. 520–539

The Eight-Step Approach to Controlling Food Costs

by Bruce Tracey

Because food-service profit margins are so thin, restaurant managers must carefully control every cost and eliminate all possibility of waste. Chief among the sources of cost and waste is food, which can represent up to 40 percent of food-service costs. This detailed training program shows managers how to control their costs, but it goes beyond that to create a focus on cost control and waste prevention throughout the entire food-service operation. The eight steps are ordering, pricing, receiving, storage, issuing, production, portioning, and cash collection. Building on these eight steps, managers learn how to engage their employees in controlling costs, with a goal of improving revenues and, ultimately, customer service. The eight steps apply to any type of restaurant, although specific techniques may apply only in certain types of food service.



Bruce Tracey

Cornell Hospitality Tool Vol. 1 No. 15 (December 2009)

Sheryl Kimes

Spa Revenue Management

by Sheryl Kimes and Sonee Singh

The principles of revenue management that have been extended from the airline industry to hotels and restaurants can also be used by spa operators. To make this work, spa managers must have a measure of time and revenue. Such a measure is revenue per available treatment-hour (RevPATH). This measure integrates a treatment's price and its duration, rather than simply tracking appointments and customer needs. Revenue management for spas must go beyond simply offering discounts to fill slack times. Rather than taking a tactical approach when business is particularly strong or weak, managers need an integrated approach .

Cornell Hospitality Quarterly Vol. 50, No. 1 (February 2009), pp. 82–95

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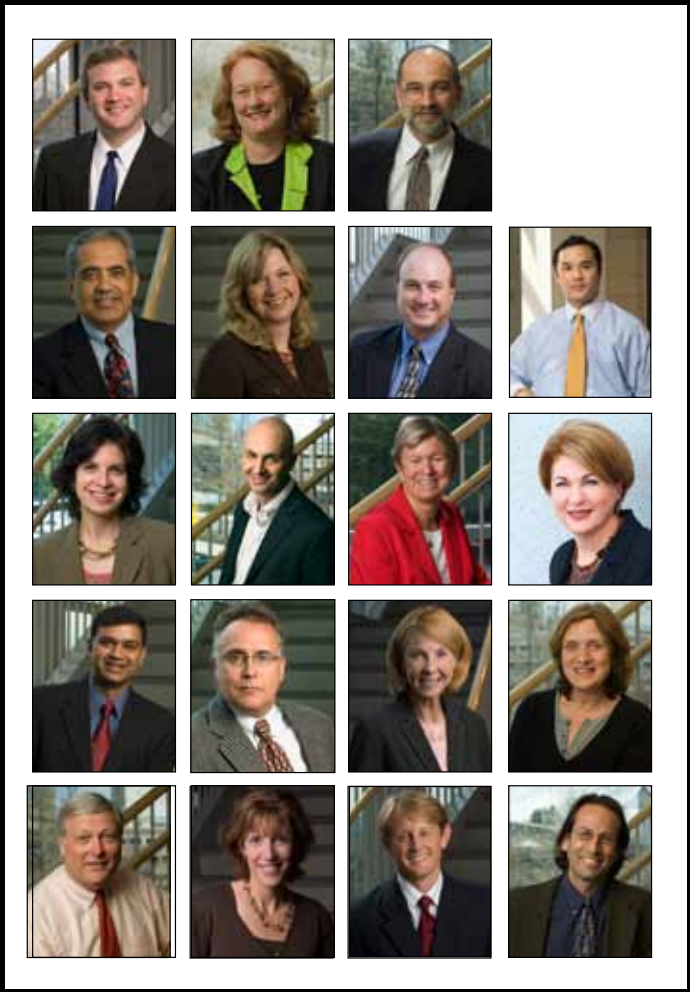

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