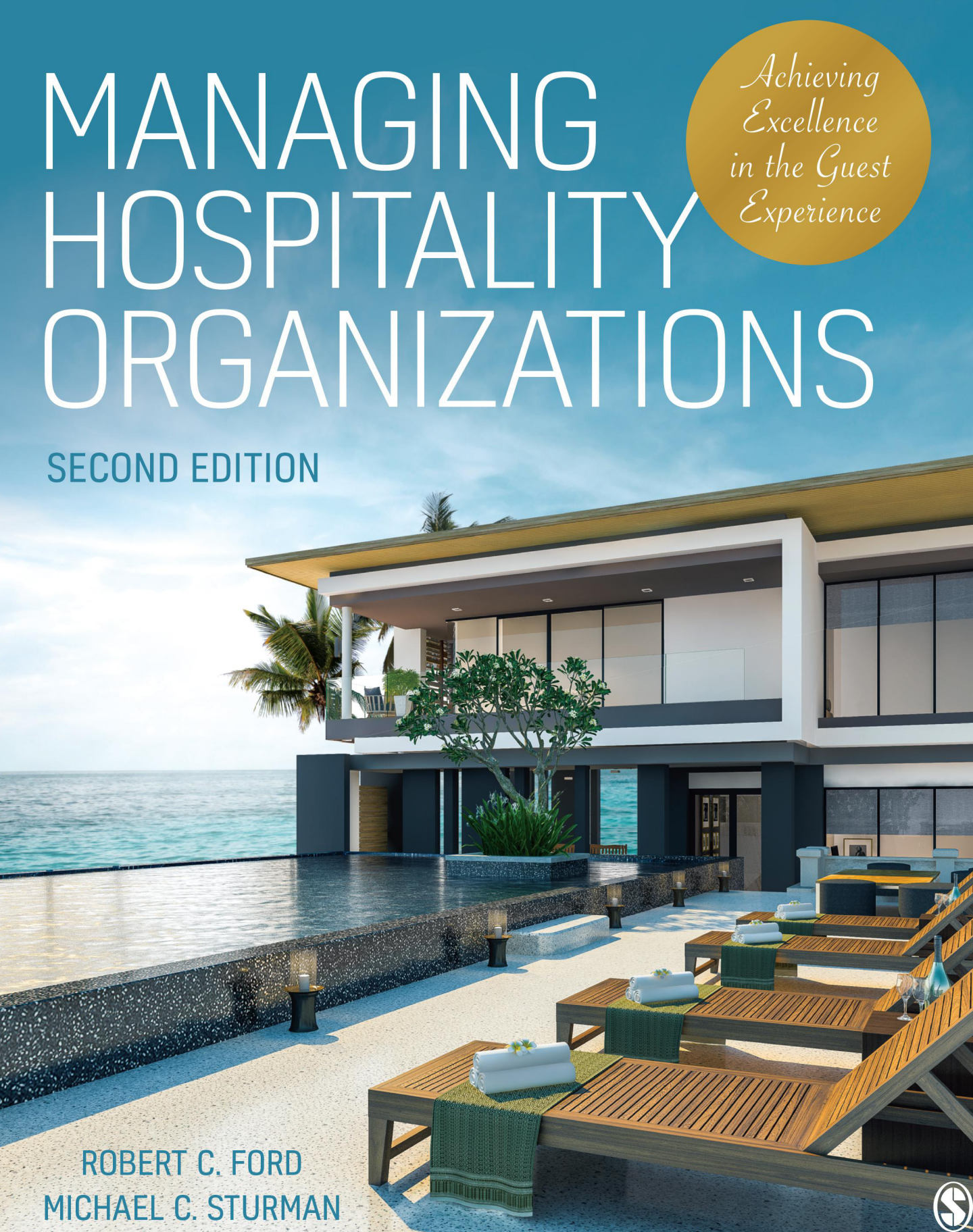
MANAGING HOSPITALITY ORGANIZATIONS

Achieving Excellence in the Guest Experience

SECOND EDITION



ROBERT C. FORD
MICHAEL C. STURMAN

Managing Hospitality Organizations

Second Edition

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Second Edition

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FOREWORD

Whenever I am in the Orlando area, I try to meet with Bob Ford. He is one of the best scholars of hospitality management. I find that spending an afternoon with Bob fills me with both energy and curiosity. He has an uncanny ability to identify areas of opportunity and to discuss common practices in the hospitality industry and how we can investigate ways to improve them. I value his insights and his ability to recognize the real issues that we need to resolve with service delivery systems, so much so that I have had him come to Houston to spend a day with our faculty.

Through this book, everyone can spend a day with Professor Robert Ford. Bob loves to spend time with hospitality executives, discussing what keeps them up at night. This discussion provides him with not only a real understanding of the industry but also anecdotes he uses to illustrate his text. The examples of best practices presented in this book make it an interesting read. This book is structured as a textbook, but any manager of a hospitality organization will find the time spent reading this book a good investment.

The research suggests that there truly are important differences between managing a service organization and managing a tangible goods producing organization. Yet, there are very few books on the management of services. This book is the only one I know of on the management of hospitality services. When I taught services management, my choice for a text was Bob's [first edition] *Managing the Guest Experience in Hospitality*. I come from a marketing background. Bob often reminds me that marketers make promises and operators have to deliver those promises. This book explains how to deliver those promises.

This book has been completely updated with new examples and the latest thought on service management. Although Disney provides great examples of how to deliver great service, the book has been expanded to include examples from a diverse set of hospitality organizations, including international organizations. This inclusion will make it interesting and relevant to students going into any area of the hospitality industry and to students from across the globe.

Michael Sturman, now a professor at Rutgers University's School of Management and Labor Relations, was previously the Kenneth and Marjorie Blanchard Professor of Human Resources at Cornell University, having researched and taught at the Hotel School for 18 years. One of Michael's additions is his knowledge of compensation and staffing in the hospitality industry. Michael's research articles have been featured in the top management journals. He is known for his ability to communicate the implications of this research to practitioners and is former editor of and a frequent contributor to the *Cornell Hospitality Quarterly*.

I am delighted that Bob and Mike have created the second edition, newly titled *Managing Hospitality Organizations: Achieving Excellence in the Guest Experience*. I am delighted not only for myself, but also for my guests, the students of hospitality management. I strongly recommend *Managing Hospitality Organizations: Achieving Excellence in the Guest Experience* as a must read for hospitality managers and a text for hospitality management programs.

John Bowen
Dean and Barron Hilton Distinguished Chair
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PREFACE

Welcome to *Managing Hospitality Organizations: Achieving Excellence in the Guest Experience*, **SECOND EDITION**. This second edition, like the first edition, continues to be based on the principles of *guestology,* and that means we practice in writing this book what we teach in class. So, we kept the positive features of the earlier book while changing those that our readers said needed to be changed.

The book is based on much of what the first author learned when he came to Orlando to head the hospitality program at the University of Central Florida. There, he learned about many different aspects of the hospitality industry from The Walt Disney Company, and specifically about the principles of guestology from its "father," Bruce Laval. Disney was then and still is today a benchmark hospitality organization. People come from all over the world to learn how to use Disney's guestological techniques and apply those principles to their own guest-focused organizations. If there seems to be an abundance of examples in this book from Walt Disney World, there is a reason. This is a visible and familiar service exemplar that most students can relate to easily and which many have visited. Disney also provides an exceptionally wide representation of the hospitality industry. It has successful examples of restaurants from quick-serve to fine dining; lodging from campgrounds to upscale hotels; a transportation system that includes trains, boats, buses, and monorails; catering services, convention and meeting planning services, entertainment and night clubs, retail stores, golf courses, and cruise ships. These organizations include almost every specific job category in the hospitality field. The range of jobs for study on the Disney property—in terms of staffing, training, motivating, and job performance—is very wide. Disney hires and trains thousands of people annually to fill 1,100 different positions.

But there are many other exemplars: companies that use best practices to successfully deliver great service. Aside from Disney, there are many examples from hotels, casinos, restaurants, amusement parks, airlines, and even others that may, at first glance, not appear to be in the service industry. In today's business environment, all companies need to know how to provide exceptional service, or their customers will go to their competitors that can. We hope that you will be able to learn from these examples, from firms both familiar and new to you, and see the application of the principles and ideas in the book to whatever hospitality organizations are near you.

We also hope that you will find this book as clearly written and rich in content and real-world examples as its predecessor book. We worked hard to improve the aspects of the book that our student readers and faculty teachers liked while changing what needed to be changed. A lot has happened in the past decade, especially in technology, and this book contains new content to reflect those changes. We hope you like our work and invite you to tell us how well we did or where we could have done better. As practicing guestologists, we sought the input of many former guests and those who were seeking more coverage of managerial topics than is currently available in hospitality texts. We did what we tell you to do as practicing guestologists—ask, ask, ask your guests what they want, need, and expect from an experience. After all, it doesn't matter what we think is a great book if our guests don't see it that way.

We have made two big changes while writing this edition. The first involves the changes that have occurred with people. Guests of the late twentieth century are different from today's guests. The current generation of employees now entering the labor force have different expectations, capabilities, and behaviors than previous generations. The second big change is in the forces impacting the organization. Competitors and the nature of competition have changed. Suppliers are different, technology

is very different, the ecological environment is different, and hospitality organizations have discovered that the global nature that all businesses operate in today affects them too. We are all interconnected, and the result of these global connections is a change in how we manage the guest experience in hospitality.

We have made other changes as well to make the book more relevant in an era where social responsibility, ethics, and environmental concerns are increasingly part of the hospitality manager's world. In each chapter, we again provided an ethical dilemma to discuss. Our references have been updated to give the student and instructor further information on each chapter's topics for expanding lectures, opening knowledge doors for papers, more in-depth study of related topics, and starting places for further research. We have also included classic references to allow the student to trace the evolution of ideas back to their roots.

Finally, we want to point out that customer service by itself will not remedy a bad strategy, ineffective staffing, or poorly designed and operated business systems. On the other hand, the research shows that once a business is efficiently run, customer service can give it a sustainable competitive advantage. A big friendly smile won't make up for a ruined meal, but a "wow" service encounter with a well-trained and motivated server can make a routine experience into an unmatchable "wow" that guests will remember and come back to have again. The exciting thing to us is how great an opportunity this is for gaining a competitive advantage over others in whatever hospitality business in which you compete. A quick look at the most recent American Customer Satisfaction Index (online) will show that most businesses are at the "C" level in providing customer satisfaction. Where else in the world can you be only a little above average to be seen as "outstanding"? We hope that the lessons learned and the concepts presented here will help you become accomplished guestologists and receive an "outstanding" from your guests.

PURPOSE OF THE BOOK

This book is an attempt to organize, integrate, and present information about managing hospitality organizations, some of which comes from academic studies and some from the school of experience. We wrote the book to meet the needs of college classes devoted to or including exploration of this exciting, undeveloped area. It should also be of help to executives and managers who seek to implement a guest-focused service strategy in any hospitality or service organization that wants to compete successfully in today's customer-driven market.

This book fills a void. Up until now, instructors and students in hospitality management classes have had to use a text that combined services marketing with some services management, with specific applications to restaurants, lodging, and other hospitality areas made by the instructor or by means of handouts and articles on serving guests in hospitality settings. *Managing Hospitality Organizations: Achieving Excellence in the Guest Experience* fills that void. It combines the findings of the most significant research on services and hospitality services in particular with the best practices of leading hospitality organizations such as The Walt Disney Company, Four Seasons, Hilton Hotels, Marriott, Darden Restaurants, Southwest Airlines, and many others.

In addition to reviews by numerous college and university instructors of hospitality, the material has been reviewed by practicing executives from many successful hospitality organizations, such as The Walt Disney Company, Four Seasons, Gaylord Hotels, Hyatt Hotels, Sodexo, Darden Restaurants, Sheraton Hotels, and many others. These academic and practitioner reviews have assured that the text content is supported by sound theoretical underpinnings and real-world findings.

THE HOSPITALITY PRINCIPLES

Managing Hospitality Organizations: Achieving Excellence in the Guest Experience represents theory that has passed the test of relevance. A proven principle of hospitality management keys each chapter of this book. Leading hospitality organizations have found these principles to be important, workable, and useful. They represent the key points to keep in mind when putting the book's material into practice. They can guide hospitality organizations and their managers as they seek to reach the levels of excellence achieved by the benchmark organizations.

SYSTEMATIC SEQUENCE

To communicate the content of *Managing Hospitality Organizations: Achieving Excellence in the Guest Experience* as clearly as possible, we have used a simple structure for the book so that its organization could be one of this book's major features. One section is devoted to each of hospitality management's three major concerns: *strategy, staffing,* and *systems*. Each of the fourteen chapters is keyed to a principle of successful hospitality management.

Section 1, *The Hospitality Service Strategy,* begins by Chapter 1 explaining some of the book's major concepts: some differences between products and services; what is meant by guestology; meeting customer expectations; the three parts of the guest experience; and the definitions of quality, value, and cost in a guest service context. This section then moves to Chapter 2's thorough coverage of the planning processes used to assess and meet guest expectations. Also explained are essential planning topics such as quantitative and qualitative forecasting tools; the importance of demographic trends; and the organization's service strategy origins in its vision, purpose, and mission, which themselves are based on the organization's careful assessment of guest expectations. Chapter 3 describes why the service setting or environment is crucial to service success. We have employed numerous examples to illustrate the principles and best practices of creating an appropriate setting. Section 1 concludes with Chapter 4's discussion of the importance to the hospitality organization of a total service culture and how to achieve it.

Section 2, *The Hospitality Service Staff,* covers how to recruit and hire "persons who love to serve" in Chapter 5, how to train them in Chapter 6, and then how to motivate and empower them to provide outstanding guest service in Chapter 7. A topic that many students and practitioners find particularly important is covered in Chapter 8, how the hospitality organization can, when the conditions are right, encourage and help guests co-produce, or participate in co-creating, their own experiences!

Section 3, *The Hospitality Service Delivery System,* shows how to glue the different parts of the guest experience together by communicating information to the right person at the right time, described in Chapter 9. Chapter 10 then describes the critically important tasks involved in planning and creating the service delivery system. This includes projecting to meet demand, monitoring the system, and engaging in continuous improvement. Because no organization's server/system combinations can match demand perfectly, Chapter 11 describes techniques for managing the inevitable waits for service. Chapter 12 presents some ways of measuring results in terms of service quality and guest satisfaction so organizations and servers know how well they are meeting guests' expectations. All organizations try to provide perfect experiences, but the leading ones plan for the inevitable failures. Chapter 13 therefore focuses on how to avoid service failures and problems. But because no servers and systems have yet been devised that can provide so complex a service as the guest experience perfectly

every time, we have also discussed planning for, finding, and fixing service failures when they occur. Section 3 and the book concludes with Chapter 14, which explains how the organization's people, units, and their efforts must be tied together to provide remarkable guest service that delights guests. That alignment—of strategy, staffing, and systems—is accomplished by outstanding organizational leadership.

LEARNING OBJECTIVES, KEY TERMS, AND DISCUSSION QUESTIONS

Every chapter opens with a comprehensive set of learning objectives addressing the chapter's main points. The learning objectives are reiterated in the chapter, and we end each chapter with a summary of the key lessons learned associated with each learning objective. The list of key terms and concepts provides a review of the subjects and ideas in the chapter. These terms and concepts are boldfaced and defined when they are first discussed in the chapter. The discussion questions at each chapter's end are designed to provoke thought and classroom interaction about chapter content and to enable students to make self-assessments of how well they have understood the material.

ACTIVITIES AND CASE STUDIES

Each chapter includes at least one hospitality activity to encourage students to visit local hospitality organizations and study them from the perspective of the book's ideas. Some activities suggest that students talk with guests, employees, and managers to obtain a variety of perspectives on the guest experience. Other activities suggest exploration of the internet to visit sites established by hospitality organizations and to acquire further information on the book's concepts and ideas. Case studies provide an opportunity to discuss hospitality concepts and principles in terms of real or (if disguised) hypothetical hotels, restaurants, and other business types found in the hospitality industry.

ETHICAL SCENARIOS

Unethical practices in business are a growing concern. Newspapers commonly report on scandals where someone has embezzled, stolen, forged, misappropriated funds, etc. But even when not dealing with blatantly illegal activities, employees and managers will likely be faced with tough decisions that require uncomfortable choices. The purpose of the "Ethics in Business" section, at the end of each chapter, is to raise such issues that students may need to wrestle with in the services industry. Each chapter presents an issue that students can think about and discuss regarding what is the "right" way to respond. Students are encouraged to consider different perspectives for each scenario, weighing how different individuals may consider the same situation in different ways.

ADDITIONAL READINGS

We did not create this book on our own; rather, we stood on the shoulders of many giants who have come before us. Each chapter is based on substantial research that has been conducted in service businesses, on hospitality companies, and from insights from academics and practitioners. For those interested in better understanding the

foundations of our thinking, or if you are interested in learning more about a particular topic, we have provided a list of additional readings for each chapter. These readings include classic articles on the particular topic, as well as recent research on timely and relevant topics. We hope to give additional breadth and depth to teachers' classroom and executive education presentations. We also hope to give students a rich resource they can use to dig deeper into topics of interest that they discover in the book. We fully appreciate that we have only scratched the surface of this amazing array of knowledge and hope we can offer some suggested readings for those who are inspired to explore further.

TO THE STUDENT

Managing Hospitality Organizations: Achieving Excellence in the Guest Experience is designed for you. The material has been taught in many classes during the past decade to students with backgrounds similar to yours. The information presented is based on the best available research on services and hospitality services in particular, and on the best practices of leading hospitality organizations. The book should give you a thorough understanding of the principles of managing a hospitality organization. We hope you will want to keep the book if you enter the hospitality field or work in any of the many service organizations that dominate the economy. What we can learn from hospitality leaders is valuable in managing any customer-focused for-profit or nonprofit organization.

NEW TO THIS EDITION

- All learning objectives have been revised and are stated using terminology that is measurable and actionable.
- Key terms can now be found at the end of each chapter.
- A running glossary has been added. Key terms with definitions appear in the margin of the reading.
- Learning objectives have been correlated to each primary heading in the reading.
- Updates focusing on technology and innovations in technology have been expanded in the reading. An icon will appear to highlight and draw attention to this emerging trend in hospitality management.
- Content on sustainability has also been incorporated into the reading. An icon will appear to highlight and draw attention to this emerging trend in hospitality management.

Technology

Sustainability

CHAPTER 1

- Content has been reorganized to improve flow and comprehension
- Expanded discussion of the trending experience economy
- Expanded focus on competitive advantage
- Incorporated new examples from more businesses such as Carnival Cruises, Bahama Breeze, Melting Pot, and Country Walker
- Incorporation of new studies and literature

CHAPTER 2

- Chapter is significantly revised for flow and clarity
- Expanded discussion on environmental assessment
- Expanded discussion on generational groups/categories, particularly Millennials and Generation Z
- Added discussion of changing social and political expectations
- Expanded discussion of the green movement and environmental sustainability
- Expanded discussion of operating environments
- Expanded discussion of action plans including management performance plans, employee hiring, training, and retention plans, financial plans, and marketing plans
- Expanded discussion of competitive environments
- Incorporated new examples from more businesses such as Ruth Chris's Steak House, Alaska Airlines, Mind's Eye Travel, Panera, Applebee's, and Aloft
- Updated review questions
- Incorporation of new studies and literature

CHAPTER 3

- Incorporated international examples such as Kavevala and Shanghai Disney
- Incorporated new examples from more businesses such as Fred Harvey Company, Amplatz Children's Hospital, Medieval Times, Kavevala, and Seasons 52
- Incorporation of new studies and literature

CHAPTER 4

- Expanded discussion of corporate culture, defining, creating, and communicating to support and enhance the service experience
- Examples from the Gaylord Hotel STARS program
- Incorporated new examples from more businesses such as Hyatt Hotels and Google
- Incorporation of new studies and literature

CHAPTER 5

- Added discussion of human resource management, including planning, online recruitment, professional networks, and career fairs
- Added discussion of emotional labor
- Added discussion of new technologies in recruitment and screening
- Incorporated new examples from more businesses such as Southwest Airlines, Eleven Madison Park, Hilton Hotels, and Kimpton Hotels

- Revised review questions
- Incorporation of new studies and literature

CHAPTER 6

- Significantly revised and revamped chapter providing new examples and expanded discussions. Revised and reorganized for better flow and clarity.
- Fully revamped and revised discussion on training, types of training and training methods, including simulations and e-learning
- New introductory example from The Inn from Pittsburgh
- Added discussion on use of big data
- Added discussion of costs of training and return on investment
- Incorporated new examples from more businesses such as Cheesecake Factory, Four Seasons, JetBlue, LaQuinta, and Scandinavian Airline Service
- Incorporation of new studies and literature

CHAPTER 7

- Very heavily revised chapter adding discussions on many emerging topical areas such as sexual harassment, ethical leadership, equity, teamwork, and generational and cultural differences
- Added discussion of the service-profit chain
- Expanded discussion of motivation
- Introduced concept of hedonic treadmill
- Added discussion of growth needs
- Removed content on roles and satisfaction
- Incorporation of new studies and literature

CHAPTER 8

- Places increased emphasis on assisting the guest with co-production of the experience and co-creation of its value
- Incorporated new examples from more businesses such as Uber, Lyft, Living Social, and Marriott
- Incorporation of new studies and literature

CHAPTER 9

- Added discussion of new and emerging technologies such as virtual reality, data analytics, self-service kiosks, artificial intelligence, web mapping and geocoding, and social media
- Added example of overbooking of flights
- Incorporated new examples from more businesses such as Amazon, Whole Foods, Ocean House and Harrah's
- Incorporation of new studies and literature

CHAPTER 10

- Expanded discussion of service standards using Gaylord Hotels STARS program as an example
- Added example of Wendy's ambassador programs in training
- Incorporatied new studies and literature

CHAPTER 11

- Added discussion of use of technology to allow guests to plan according to statistics made available and through use of mobile apps
- Incorporated new examples from more businesses such as Pandora–World of Avatar
- Incorporation of new studies and literature

CHAPTER 12

- Added discussion of Leading Hotels of the World Standards
- Added discussion of use of new technologies such as apps, tablets, and the web, as well as social media
- Incorporated new examples from more businesses such as Carrabba's, Hampton Inn, Eleven Madison Park, Planet Hollywood Orlando, and Continental Airlines
- Incorporation of new studies and literature

CHAPTER 13

- New examples of handling service failures, such as Ocean House and Caesars Entertainment
- Incorporation of new studies and literature

CHAPTER 14

- Reorganized for improvement of flow and clarity
- Added discussion of training
- Added discussion on innovation, including examples of William Cameron Coup, restaurant incubators, and eco-innovations
- Added a section on leading and managing
- Incorporated new examples from more businesses such as Emirates Air and WestJet
- Incorporation of new studies and literature

DIGITAL RESOURCES

SAGE edge offers a robust online environment featuring an impressive array of tools and resources for review, study, and further exploration, keeping both instructors and students on the cutting edge of teaching and learning. SAGE edge content is open access and available on demand. Learning and teaching has never been easier! You can access your SAGE Edge content at edge.sagepub.com/ford2e.

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- Sample course syllabi for semester and quarter courses provide suggested models for structuring one's course.
- Editable, chapter-specific PowerPoint® slides offer complete flexibility for creating a multimedia presentation for the course.
- Video and multimedia links appeal to students with different learning styles.
- Instructor's Manual containing lecture outlines, answers to review questions, suggested activities, suggested discussion topics for Ethics in Business Feature, and case notes.
- Additional Readings are assignable for further study.

This book is dedicated to Bruce Laval—the father of guestology.

ACKNOWLEDGMENTS

Once again and always, we thank our wives, Barbara Ford and Kelly Sturman, for unfailing support and for continuing to exceed our expectations; they put the wow! in our lives. We also want to thank the great people at Sage for their patience and support. A special thanks to Cherrill Heaton, whose writing and organizational skills made this book possible.

Robert C. Ford
Michael C. Sturman

INDUSTRY AND PRACTITIONER REVIEWERS

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Wendy Anderson, Earle Enterprises
Anthony Bernazar, FreshPoinit
Christopher Brumbaugh, Gaylord Hotels
Carol Cooley, Gaylord Hotels
Richard J. Corcoran, R. J. Corcoran & Associates
Ed Evans, Four Seasons Hotels and Resorts
Vanessa George, Hyatt Hotel Corporation
Pallava Goenka, Specialty Restaurant Corporation
Will Guidara, Eleven Madison Park
Laurie Hobbs, Ocean House
Mark Jacob, The Dolder Grand
Stacey Jacobs, Hilton
Rich Jeffers, Darden Restaurants
Melanie Jones, Southwest
Carol Kanfoush, Maxie's Supper Club and Oyster Bar
Janna Kiuru, Klaus K Hotel
Johann Krieger, Gaylord Hotels
Bruce Laval, The Walt Disney Company (retired)
Meagen Mills, Red Lobster
Katie Reed, Hilton
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Robert C. Ford (Ph.D., Arizona State University) is professor emeritus of management in the College of Business Administration (COBA) of the University of Central Florida (UCF) where he has taught management of service organizations. He joined UCF as the chair of its hospitality department. He was also the COBA Associate Dean for Graduate and External Programs.

Bob has authored or coauthored numerous publications in both top research and practitioner journals. He has served on several editorial boards including *Cornell Hospitality Quarterly, British Journal of Management, Journal of Leadership and Organizational Studies, Journal of Convention and Event Tourism, and Journal of Service Management*. He has also published several books including *Managing the Guest Experience in Hospitality, Achieving Service Excellence: Strategies for Health Care, Managing Destination Marketing Organizations,* and *The Fun Minute Manager.*

Bob has been an active participant in many professional organizations. He has served the Academy of Management (AOM) as editor of *The Academy of Management Executive,* Director of Placement, board member of the HRM and Careers divisions, Division Chair for both its Management History and its Management Education and Development divisions, a member and chair of its Ethics Adjudication Committee, and a co-founder of the Community of Academy Senior Scholars. Bob has served the Southern Management Association (SMA) in every elective office including president. He was a founding member and Chair of the Accreditation Commission for Programs in Hospitality Administration and served on the Destination Marketing Accreditation Program.

Bob has been recognized for his service by many organizations. He received the Distinguished Service Award from AOM's MED, the Richard Hodgett's Distinguished Career Award from Management History, and SMA's Distinguished Service Award and was elected to SMA Fellows. In recognition of his service to hospitality education, he was given the Paul Brown Award by the Florida Hotel and Lodging Association. He was also twice awarded a W. James Whyte Research Fellow by the University of Queensland.

Michael C. Sturman (Ph.D., Cornell University) is a Professor of Human Resource Management in the Rutgers' School of Management and Labor Relations. His research focuses on the prediction of individual job performance over time and the influence of compensation systems. He also examines the use of HR Analytics and Metrics to improve HR decision-making and the return on HR investments. Michael has published research articles in journals such as the *Academy of Management Journal, Journal of Applied Psychology, Journal of Management, Organizational Research Methods*, and *Personnel Psychology*. He has also published practitioner-oriented papers in *Compensation and Benefits Review,* the *American Compensation Association Journal, Cornell Hospitality Quarterly, International Journal of Hospitality Management, Lodging Magazine,* and *Lodging HR*, and is a presenter in Salary.com's CompX Compensation Education series. Before coming to Rutgers, Michael was the Kenneth and Marjorie Blanchard Professor of Human Resources at Cornell University's College of Business, where he held appointments in the Management Area and the School of Hotel Administration, as well as a courtesy appointment with the School of Industrial and Labor Relations. Michael holds a Ph.D., M.S., and B.S. from Cornell University's School of Industrial and Labor Relations, and is a Senior Professional of Human Resources as certified by the Society for Human Resource Management. He teaches undergraduate, graduate, and executive courses on human resource management, HR Analytics, compensation, and analytical methods. He is an Associate Editor for the *Journal of Applied Psychology* and serves on the editorial boards of *Journal of Management* and *Organizational Research Methods*.

INTRODUCTION

SERVICE RULES!

The modern economy is dominated by service organizations. The service sector constitutes 75% to 80% of the U.S. economy and is growing. Even businesses dealing primarily in physical goods now often view themselves primarily as service providers, with the offered good being an important part of the service. These firms have adopted traditional service terms such as customer satisfaction, customer retention, and customer relationships. Some, like IBM, have realized that their future flow of revenues and profits will come from their service businesses.

Yet, surprisingly few articles and books focus on how to manage service organizations, even fewer on how to manage hospitality organizations. The purpose of this book is to provide a comprehensive review of the best that is known about managing hospitality organizations. From the neighborhood restaurant to the resort hotel, from the small convention center to the huge theme park, the principles of managing hospitality organizations are the same. Even more important, they are different from the principles of managing manufacturing organizations taught in most business schools.

HOSPITALITY IS DIFFERENT

Traditional bureaucratic structures and manufacturing management principles get turned on their heads in the hospitality sector. It's one thing to design, organize, and control a work process and motivate a workforce when the product is tangible and the production process takes place in a big closed brick factory with an "Employees Only" sign on the door. A totally different challenge arises when the customer is consuming your "product" while you're producing it. The challenge is often intensified by the product's intangibility: "Hospitality" is intangible, and the hospitality experience may not even physically exist! Designing and producing such an experience is quite different from the design and production of goods.

These "production" problems in the hospitality industry are matched or exceeded by the challenge of managing employees who must be carefully trained to provide a service whose quality and value are defined by each guest. To top it off, employees must be taught to provide this service not behind closed doors but while customers, guests, or clients are watching, asking questions, and changing their minds about what they want. Most even participate jointly with the employees in co-producing the guest experience itself! Manufacturing managers sometimes moan about how hard it is to teach their employees to perform the necessary manufacturing steps accurately. They should talk to their colleagues in the hospitality industry, who have to teach their employees not only how to "manufacture" the product but also how to do so with the guest watching and co-producing. These managers know that the principles taught in smokestack management courses in traditional business schools don't seem too relevant. Managing in the hospitality industry is a very different world.

STUDY THE BEST

Only recently have researchers and management scholars begun to study this different world as a separate field, and much of what is known is still based on anecdotal information and case-study examples. This makes perfect sense. In the early stages

of inquiry into any field of business, the logical approach is to find the best organizations and study them to discover the principles that drive what they do. A review of the service management literature quickly reveals several benchmark organizations. The list includes Darden Restaurants, Four Seasons Hotels and Resorts, Hilton, JetBlue Airways, Marriott International, Nordstrom's Department Store, Southwest Airlines, and The Walt Disney Company. And there are, of course, many others large and small. These organizations learned long ago the importance of understanding what their customers expect from all parts of their service experience, and they manage their businesses around satisfying those expectations. Because they have studied their guests long and hard, they know what their guests want, what they are willing to pay for it, and how to give it to them. The magic of Disney and the other outstanding hospitality organizations is that they meet guest expectations, of course, and then exceed them in a thousand ways that get guests not only to say "wow!" on the first visit but to return repeatedly and say "wow!" every time. Customers, clients, patrons, and guests return to the great organizations—manufacturing or service—because they get it right and then some.

FOCUS ON YOUR GUEST

Two fundamental concepts, based on the practices of successful hospitality organizations, will appear in one form or another throughout the book. First, everything the organization does should focus on the guest. Most managers think first about their organization, their production requirements, and their employee needs. They are used to starting with themselves or their employees when they design their product, create the setting or environment in which the customer interacts with the organization, and set up the system for delivering the goods or services that their customers buy. They manage from the inside out. This first fundamental that we stress is that you must manage from the outside in! Start with the guests. Study them endlessly; know what they want, need, value, expect, and actually do. Then focus everyone in the organization on figuring out how to do a better job of meeting and exceeding guest expectations in a way that allows the organization to make a profit.

YOUR CUSTOMER IS YOUR GUEST

The second fundamental concept that must be part of the hospitality organization's culture is that you must treat each customer like a guest. If appropriate to the organization (and it probably is appropriate in all hospitality organizations), always use the term *guest* and not *customer*. Create a guest-focused culture. Most important of all, train employees to think of the people in front of them as their guests, whom they are hosting for the organization. This is not a simple change in terminology; it is a big deal. In fact, outstanding companies like Disney think it's such a big deal that they use the term *guest* instead of *customer* for their millions of visitors. They know the importance of constantly reminding their thousands of employees to think of their customers as guests in everything they do. Disney even coined the term *guestology* to refer to the scientific study of guest behavior to learn more about meeting—and exceeding—the expectations of its guests.

Looking at a customer as a guest changes everything an organization and its employees do. A customer comes to the organization seeking to buy something that the organization sells, and the only obligation of the organization and its employees is to execute a commercial transaction in an effective, businesslike manner. The person comes in the door expecting to be treated like a customer, at best. But if the organization can provide a hospitable experience of which the actual commercial transaction

is only a part, the customer will think "wow!" Creating an experience instead of merely selling a product or service is important to turn customers into patrons or guests. Rather than thinking of selling admission tickets or hotel rooms, the truly guest-focused organizations such as The Four Seasons Hotels try to create a memorable event for their customers. They provide the commercial transaction within a warm, friendly experience that makes an emotional connection so memorable that it brings the customer back time after time. The Four Seasons and all other excellent hospitality organizations know that it is cheaper to keep loyal customers than it is to attract new ones, and that repeat business is the key to long-term profitability.

To become a believer in this fundamental concept, think about the business organizations you deal with. To some, you are merely a component in a commercial transaction; others treat you like a guest. The difference is so clear it is unforgettable. Anyone who has been to a Disney theme park or a Hyatt Regency hotel knows the special way they treat their guests. The idea of treating customers like guests is a lesson that any hospitality organization—in fact, any organization that seeks to compete successfully in the modern service-dominated economy—must learn. Customers are increasingly aware of who treats them right and who does not. They know more about what does and does not have value for them, and they expect more from the organizations they deal with. Even more important, the organizations that have discovered and use the principles explained in this book are taking business away from those organizations that still don't understand them. While the best keep raising the bar for each other, they are also making it increasingly difficult for the rest to understand why their customers are never satisfied with their service or product. This book organizes what the best hospitality organizations know and what the rest must learn to compete successfully in an increasingly customer-driven marketplace.

Although focusing on customers and treating them like guests sound simple enough, these tasks are actually huge managerial challenges that the exemplars in hospitality services spend enormous amounts of time, money, and energy to meet. They spend countless hours and dollars investing in a service culture that continually reinforces their customer service values.

SOME THEORETICAL UNDERPINNINGS

In addition to studying the best practices of exemplars in the hospitality industry, we have reviewed the services management, marketing, hospitality, and human resource literatures. The concepts and principles contained in this book represent a unique combination of what the academic literature says should work and what the long experience of some of the most successful hospitality organizations in the world have found does work.

STRATEGY, STAFF, AND SYSTEMS

We have organized the best that is known about hospitality management according to the three critical *S*s of the successful hospitality organization: strategy, staff, and systems. Each *S* organizes the material in one of the book's three major sections. Each *S* is equally important in providing superior service. First comes strategy and the definition of what plans hospitality organizations must make to be effective in achieving their service mission. Next is the staff. Although every organization wants an effective staff, the hospitality organization depends almost completely upon its personnel to deliver the high-quality guest experience that distinguishes the excellent hospitality organization from the merely good. Finally, the third *S* represents the systems. The best hospitality staff in the world cannot succeed without an effective array of systems

to back them up in delivering the service that the customer comes for. An impressive mission statement and a big server smile can't make up for a burned lasagna, a dirty room, a late flight, unpredictable room service, or a broken air conditioner.

Although the hospitality organization's strategy, staff, and systems are obviously related to one another, they all have one focus—the guest—and exist for one overriding purpose: to provide guest satisfaction.

PROVIDE THE BETTER CHOICE

Service in the hospitality industry is too often unsatisfactory. Dissatisfied guests can easily switch to competing organizations or even choose alternatives to this industry. Hospitality owners and managers are increasingly aware that if they want guests to keep coming back to their hotel, restaurant, destination, cruise line, or airline instead of going elsewhere, they'd better learn to give good service. If guests feel that they are receiving unsatisfactory service from one organization, they can probably find a similar organization just down the street, and they will go there. Indeed, with the increasing availability of virtual experiences, they can find many alternative ways to spend their money.

Everybody sees the problems with guest service, and many people looking for answers ask: who does it right, and how? This book, which combines the key principles of good hospitality service management research with examples drawn from some of the world's most successful hospitality organizations, should help any hospitality organization or manager who aspires to be a guestologist and provide better service to guests.

STRUCTURE AND THE FOURTEEN PRINCIPLES OF HOSPITALITY MANAGEMENT

Within this overall three-section structure, we have framed the information under fourteen principles in fourteen chapters. Here is an overview of how all this fits together.

THE HOSPITALITY SERVICE STRATEGY

1. Provide the service quality and value that guests expect.
2. Focus strategy on the key drivers of guest satisfaction.
3. Provide the service setting that guests expect.
4. Define and sustain a total service culture.

THE HOSPITALITY SERVICE STAFF

5. Find and hire people who love to serve.
6. Train your employees, then train them some more.
7. Motivate and empower your employees.
8. Empower guests to co-create their experiences.

THE HOSPITALITY SERVICE SYSTEMS

9. Glue the guest experience elements together with information.
10. Provide seamless service delivery.
11. Manage the guest's wait.
12. Pursue perfection relentlessly.
13. Don't fail the guest twice.
14. Lead others to excel.

Within this structure, we think we have captured the important aspects of managing in hospitality organizations. We hope it will be fun for readers to learn more about this fascinating industry and how the best manage to be the best.

Courtesy of Hilton Hotels

SECTION 1

The Hospitality Service Strategy

If you don't have a road map, or know where you are, you may be there already.

—Norman Brinker, Former CEO, Chili's Restaurants

Running a business without a plan is like going into the forest, shooting off your rifle and hoping that dinner runs into the bullet.

—Herman Cain, Former Chairman and CEO, Godfather's Pizza

Johner Images

1 The Basics of Wow! The Guest Knows Best

Hospitality Principle: Provide the Service Quality and Value that Guests Expect

Of course he is a crank, but we must please him. It is our business to please cranks. Anyone can please a gentleman.

—Fred Harvey

Learning Objectives

After reading this chapter, you should be able to

1.1 Describe the key differences between making products and creating experiences for guests.

1.2 Recognize the importance of the guest experience.

1.3 Identify the components of the guest experience.

1.4 State the importance of meeting the hospitality guest's expectations.

1.5 Define *service quality* and *service value* in hospitality.

1.6 Explain the reasons why "it all starts with the guest."

INTRODUCTION

Serving guests and making products are such different activities they require different management principles and concepts. Catching a defective tire or a paint blemish on a car's finish at the final inspection stage of an assembly line production process is one thing. Quite another is listening to irate guests telling you in no uncertain terms that your hotel, restaurant, or airline has failed to deliver the service experience they expected. In the first instance, the quality inspector—one of many people between the maker of the product and the final customer—can send the defective product back for rework without the customer ever knowing. In the second situation, there is usually no one to buffer the relationship between the person delivering the unsatisfactory service and the guest dissatisfied with it.

At its most basic level, the **hospitality** industry is made up of organizations that offer guests courteous, professional food, drink, and lodging services, alone or in combination. But the hospitality industry is more than just hotels and restaurants. Beyond these, the industry is defined in many ways. An expanded definition includes theme parks, airlines, gaming centers, cruise ships, trade shows, fairs, meeting planning, and convention organizations. Indeed, everyone involved in the vast travel and tourism industry may be considered part of the hospitality industry. We believe the principles and practices presented in this book have wide application, therefore we are going to use this more expanded concept of the industry. The challenge for all organizations in this industry is to ensure their personnel always provide at least the level of service their guests want and expect—every time, perfectly. This book is designed to show all those working in this industry and those who manage them how to do that.

hospitality An industry consisting basically of organizations that offer guests courteous, professional food, drink, and lodging services, alone or in combination, but in an expanded definition also includes theme parks, gaming facilities, cruise ships, trade shows, fairs, meetings and events, and convention organizations.

Even more challenging for those in hospitality organizations is the simple reality that service quality and service value are defined not by managers, auditors, or rating organizations: They are defined entirely in the mind of the guest. Although there are a few organizations, such as J. D. Power and AAA, and many websites, such as Trip Advisor and Yelp, that rate the service quality of the local Holiday Inn, Carnival Cruises, or Olive Garden, individual guests still make their own decisions on whether the quality and value of the service they experienced met their expectations. *BusinessWeek* annually rates the best service companies and the American Customer Satisfaction Index (ACSI) and *Consumer Reports* from time to time offer evaluations of the major airline, hotel, and restaurant companies. In the final analysis, however, the decision about the quality and value of a hospitality experience is made anew by each individual guest in every transaction with a specific unit of a hospitality organization on a particular date with a certain service staff. If the guest comes on a date or at a

time when the organization for whatever reasons fails to meet expectations, for that guest the restaurant is no good, the airline inept, and the hotel a major disappointment. One unfortunate incident can negatively influence the opinion of the guest and anyone the guest talks to both in person and virtually, through a website posting or social media site.

You will find this text is very different from traditional management texts, because hospitality organizations are very different businesses to run from those discussed in traditional management texts. Most texts emphasize different principles and guidelines for managers seeking to run these organizations well; however, the success or failure of the guest experience may depend on how a single moment of truth between a hospitality employee and the guest is handled. Management's responsibility is to ensure that each moment of truth has been prepared for—has been managed—as well as humanly possible to yield a satisfying, even outstanding, outcome for the guest.

How to achieve such outcomes is the focus of this book. Once dominated by the manufacturing sector, the economy is now overwhelmingly dominated by the service sector. This shift to a service economy, and then beyond ultimately to what is now known as the experience economy, requires traditional management models and methods be reorganized and redirected if they are to meet the unique challenges and opportunities of hospitality organizations.

GUESTOLOGY: WHAT IS IT?

guestology The study of guests—their wants, needs, expectations, and behaviors—with the aim of aligning the organization's strategy, staff, and systems so as to provide outstanding service to guests.

In this book, we organize the available knowledge about meeting these challenges and opportunities around **guestology**, a term originated by Bruce Laval of The Walt Disney Company.[1] Customer-guests are, to the extent possible, studied scientifically (the *-ology* in *guestology*). Guests' behaviors within the hospitality organization are carefully observed. Their wants, needs, capabilities, and expectations regarding the hospitality guest experience are determined. The result of all this study is that the service product is tailored to meet their demands and those of future guests.

The use of "guest" in guestology also has meaning as it implies that all the organization's employees must treat customers as if they were guests in their own homes. Guestology then simply means that the organization should study the guests to manage everything it does from the guest's point of view. All the while, this is a business, and an eye must be kept on the bottom line to ensure that services can continue to be provided in the future. The good news is that guestology makes good business sense. The practice of guestology makes it possible to increase guest satisfaction, which leads to more repeat visits, which in turn drives revenues up. The findings of guestology turn into the organizational practices that provide sustained outstanding services. The organization's strategy, staff, and systems are aligned to meet or exceed the customer's expectations regarding the three aspects of the guest experience: service product, service setting (also called service environment or servicescape), and service delivery. These aspects or elements are carefully woven together to give guests what they want and expect, plus a little bit more. "It all starts with the guest" is not just an inspirational slogan; in the service-centered hospitality organization it is the truth and everybody accepts and lives by it.

Guestology turns traditional management thinking on its head. Instead of focusing on elaborate organizational design, strict adherence to managerial hierarchy, and lean production systems to maximize organizational efficiency, guestology forces the organization to start everything it does by looking systematically at the guest experience from the customer's or guest's point of view. What customers do and want are first systematically studied, modeled, and predicted. Only then can the rest of the organizational

[1] Robert C. Ford and Duncan D. Dickson, "The Father of Guestology: An Interview with Bruce Laval," *Journal of Applied Management and Entrepreneurship* 13, no.3 (2008): 80–90.

issues be addressed. The goal is to create and sustain an organization that can effectively meet the customer's expectations and still be efficient enough to make a profit.

Meeting Customer Expectations

Customers come to a service provider with certain **expectations** for themselves, their businesses, and/or their families. First-time guests may have general expectations. For example, a first-time guest of a major hotel may simply expect a nice room, a comfortable mattress, clean surroundings, satisfactory meals, and a reasonable price. A repeat guest may have more specific expectations based on past experiences. Olive Garden knows that all guests, new and repeat, have certain expectations that drive their evaluation of the quality and value of the Olive Garden experience. From extensive research of their customers, Olive Garden leaders know their guests' key drivers are food of good quality, fast and attentive service, cleanliness, and a pleasant atmosphere. Olive Garden not only asks and studies its guests to find their key drivers, it also solicits comments about how well it delivered on those characteristics by gathering customer feedback.

expectations
Characteristics that a guest hopes and assumes will be associated with a service experience.

A **guestologist** seeks to understand and plan for the expectations of an organization's targeted customers before they ever enter the service setting, so that everything is ready for each guest to have a successful and enjoyable experience. The road from the Magic Kingdom's Main Street, U.S.A. hub off to the right to Tomorrowland in Orlando's Walt Disney World Resort is wider than the road to Adventureland which is off to the left. This is because Disney carefully studied guest behavior and discovered that when people were otherwise indifferent as to which direction to go, they tended to go in the direction of their handedness. Since there are more right-handed than left-handed guests, Disney made the road to the right wider than the other roads off the main hub anticipating that more people would go in that direction. That is guestology in practice. Here is a second illustration of the concept. Disney knows one of its greatest assets is its reputation for cleanliness. Keeping a theme park clean is a big job, so the Disney organization encourages its guests to help out by disposing of their own trash. After all, whatever people throw away themselves does not have to be cleaned up by a paid employee. In studying guest behavior, Disney learned two things. First, if cast members (the Disney term for its employees) are visible constantly picking up even the smallest bits of trash, park guests tend to dispose of their own trash. The cast members model the desired behavior of keeping the parks clean to show respect for cleanliness, and guests copy them. Second, people tend to throw their trash away if trash cans are convenient, easily seen, and not far apart. Disney locates the trash cans to match these criteria. If you visit the Magic Kingdom on a quiet day when the crowds are not distracting, you will notice that Main Street, U.S.A. looks like a forest of trash cans, located 25 to 27 paces apart. Understanding how guests respond to environmental cues and using that knowledge to help maintain a high standard of cleanliness is guestology in practice.

guestologist
A specialist in identifying how hospitality organizations can best respond to the needs, wants, expectations, and behaviors of their targeted guest markets.

Managers of all hospitality organizations can extend the lessons learned by Disney guestologists and other leading hospitality firms to their own companies. If the organizational goal is to provide an outstanding guest experience, then the organization must understand why its guests come to the hospitality organization, what those guests expect, and what the company can and will actually do in order to meet the guests' expectations. Many people think running a restaurant is simple: Offer good food at a fair price, and everything else takes care of itself. Profitable restaurants know that guests patronize them—or get angry and leave—for a variety of reasons other than food quality and value. Managing the total dining experience is a much bigger job than merely executing a good recipe. Guestology involves systematically determining what those factors are, modeling them for study, measuring their impact on the guest experience, testing various strategies that might improve the quality of the experience, and then providing the combination of factors or elements that attracts guests and keeps them coming back.

Understanding the Guest

To well-managed hospitality organizations, guests are not statistical entities, vague concepts, or abstractions. Even with the availability of massive amounts of information on customers "big data" analytics can provide, the best service providers never forget that within the heterogeneous mass of people they serve or want to serve, each is an individual, each is unique. Some companies use the term VIP to remind their employees they are serving "Very Individual People." Each guest brings to the guest experience a different bundle of needs, wants, capabilities, and expectations. Most Melting Pot guests know how to use the fondue pots. Others need to be taught so they don't burn themselves. Most Dave & Buster's guests will arrive happy and excited about whatever is going to happen to them. Others will arrive unhappy, bored, or even angry. Even more challenging is the possibility that the happy, excited guest who came yesterday is the unhappy angry guest coming in the door today. The hospitality organization must not only strive to satisfy each of the guests it seeks to serve in its target market but also adapt what it does to account for the changes in expectations, wants, needs, capabilities, and even behaviors those guests may have from visit to visit.

The first step in understanding how to manage the guest experience then is to understand the guests in a target market, to whatever extent possible. Ideally, this understanding would include (1) the traditional demographic breakdowns of age, race, gender, and guests' home locations; (2) the psychographic breakdowns of how they feel, what their attitudes, beliefs, and values are, and what kind of experience they need, want, and expect the hospitality organization to deliver; and (3) the capabilities (their knowledge, skills, and abilities known as **KSAs**) to co-produce the experience.

KSAs An abbreviation for knowledge, skills, and abilities necessary to do a job.

Meeting the expectations of a customer who arrives needing but not really wanting the service or who may even be angry at the service provider, and perhaps even at the world itself, is difficult. In such situations, ensuring the quality of the service experience is even more crucial because of the circumstances leading to the need for the services. For example, those employing the services of a funeral home rarely do so under happy circumstances. Most dental patients coming in for a root canal will neither enter nor leave the dentist's office filled with joy. In hospitality, sometimes people must travel but don't particularly want to, like the overtired business traveler, the reluctant wedding guest, or the child forced to go on the family vacation or out to a family dinner. Fortunately, most guests of hospitality organizations are not only capable of performing whatever tasks they must perform to co-produce the experience but are also eagerly anticipating the service and have no problems with needing it or wanting it. They are easier to keep happy than the person waiting for the dentist's drill, surgeon's knife, divorce lawyer's advice, or otherwise forced into circumstances not by their choosing.

Understanding and appreciating that guests, their expectations, and their capabilities are varied motivates the guest-focused organization to design each guest experience from each guest's point of view. This allows it to deliver a personalized experience to the extent possible and ensures the hospitality organization has systems and procedures in place to accommodate variations in guests' capabilities. Not everyone is able to do the walking required in a visit to Six Flags, so each Six Flags park has motorized scooters available for those guests needing help.

Serving Internal Customers

In addition to public consumers, the hospitality organization has within itself many **internal customers**, persons and units that depend on each other and "serve" each other. The principles for providing an outstanding service experience for external customers also apply to these many internal customers. For example, a computer help desk that serves internal customers should understand and fulfill the expectations of these customers just as any organization tries to meet and exceed the expectations of its external customers.

internal customers Persons or units within the organization that depend on and serve each other.

This logic can easily and rightfully be extended to the level of the individual employee. The organization must meet or exceed the expectations of employees about how they will be treated. Smart hospitality organizations know their employees must get the same care and consideration they want their employees to extend to their guests. They understand they can't mistreat their own employees and expect them to then treat the customers well. They know the way in which the organization treats its own employees will inevitably spill over onto the way their employees treat guests and each other. In these organizations, everyone works hard to avoid employee mistreatment and unfairness. As expressed in the Southwest Airlines mission statement, "Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest customer." Extending guest treatment to employees is so important to organizational success that much of Chapter 7, on employee motivation and empowerment, will be devoted to it.

Technology

Service

We have frequently spoken of **service**, a word with numerous meanings. A common way to think of service is as the intangible part of a transaction relationship that creates value between a provider organization and its customer, client, or guest.[2] More simply, a service is something that is done for us. Services can be provided directly to the customer (e.g., a spa treatment, a haircut, and medical procedures) or for the customer (e.g., finding and purchasing tickets to a show, lawn care, and car repair). The services can be provided by a person (e.g., by a service associate in a restaurant or by a concierge) or via technology (e.g., by booking a ticket online, getting a restaurant reservation on a smartphone app, or using an ATM). Some of these relationships are depicted graphically in Exhibit 1.1, later in the chapter. And, of course, services can be provided as a combination of these characteristics.

service An action or performed task that takes place through contact between the customer or guest and representatives of the service organization.

Most services include a tangible physical product or tangible materials and equipment in the transaction as well. At McDonald's guests get a hamburger they can see, touch, eat, or take home in a box; they also get service along with the hamburger. A cruise line will include a ship, a dining experience will provide food, and a teacher's lesson may require a PowerPoint slide deck, texts, and notes. Other service transactions—for example, a session with a psychiatrist, or a massage therapist, or a job counselor—offer only the customer-provider interaction.

Service Product

Another, perhaps even more common, meaning of service refers to the entire bundle of tangibles and intangibles in a transaction with a significant service component. If you leave town for a month and pay for pet-sitting service, the organization or individual may buy and serve pet food, brush and comb your pets, interact with them, bring them toys, clean their litter box, and so forth. Some of what you pay for when you purchase the pet-sitting service is tangible (e.g., the dog food); some is intangible (e.g., petting the dog). For such tangible-intangible mixtures or bundles, the term **service package** or **service product** is often used. The terms are used to describe pure services as well, since the pure service provided is the product the organization offers for sale. Although these overlapping meanings can be confusing *(service* sometimes referring to a tangible-intangible mixture, *service product* sometimes referring to a pure service with no tangible product), the way the term is used in context should make clear what we are talking about in this book. In different contexts, sometimes one term will feel appropriate, sometimes the other.

service package, service product The entire bundle of tangibles and intangibles provided by a hospitality organization to guests during a service experience.

[2] John Bowen and Robert C. Ford, "Managing Service Organizations: Does Having a 'Thing' Make a Difference?" *Journal of Management* 28, no. 3 (2002): 447–469.

Courtesy of Darden Restaurant

Bahama Breeze uses its architecture, landscaping, and design to help communicate to the customer the Caribbean theme of the restaurant.

One necessary distinction to realize is that the service product does not refer specifically to the tangible items that may accompany the transaction, though it can include them. That is, if you go to Bahama Breeze for dinner, the actual meal is not the service product; it is just a tangible part of the service product that Bahama Breeze delivers to diners within a building themed to resemble a Caribbean restaurant and a feeling that "Your island getaway begins here." Likewise, Starbucks knows it's not just selling coffee but everything that goes along with a full and enjoyable coffeehouse experience. A final point about the service product: Both the organization and the guest define it, and the definitions may not be the same. The organization may think its service product is the well-made, tasty hamburger, reliably consistent from location to location. But the guest may be "buying" a more extended service product: a well-made, tasty, consistent hamburger delivered quickly in clean surroundings by a cheerful server. Cleanliness and cheerfulness may be as important as burger taste for many guests. Since it all starts with the guest, a hospitality organization always needs to define its service product not in terms of its own interests but in terms of what its guests want and expect. Charles Revson, founder of Revlon, Inc., long ago drew this important distinction between what his organization makes and what the clientele buys: "In the factory we make cosmetics; in the store we sell hope."[3]

Service Industries

Just as the service product is a mixture of tangible and intangible elements, so are the entire industries that provide these products. Although some industries have traditionally been referred to as service industries, marketing writer Theodore Levitt made an important point about service as early as 1972: "There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service."[4]

Goods to Services to Experiences

A characteristic of the contemporary economy that hospitality organizations were the first to understand is that, for many consumers, receiving well-made goods or well-rendered services may no longer be sufficient. If you build a better mousetrap today, the world may or may not beat a path to your door. More and more, today's consumers want their goods and services packaged as part of a memorable experience that has an emotional impact. Of course, today's airlines must fly passengers safely from point to point on schedule; restaurants must serve tasty, safe-to-eat food; hotels must provide clean rooms—all at a price customers are willing to pay. But the most successful hospitality organizations, and an ever-increasing number of organizations of all types, are recognizing the **competitive advantage** they can gain by providing carefully designed experiences that are so engaging they remain in the memories of their customers, clients, and guests. B. Joseph Pine and James H. Gilmore were among the

competitive advantage Something an organization does or has that makes it somehow better than its competitors in the eyes of its targeted customers.

[3] Theodore Levitt, "Production-Line Approach to Service," *Harvard Business Review* 50, no. 5 (1972): 41–52.
[4] Levitt, 41.

first to note that just as we had moved from an industrial to a service economy, we have now transitioned to an experience economy.[5] If this is true, thinking in terms of providing customer experiences is important for many organizations in varied industries; in the hospitality industry, such thinking is already considered essential to a successful strategy for gaining a competitive advantage.

A firm can gain a competitive advantage a number of ways. For example, it can have a unique (and legally protected) feature like Disney's Mickey Mouse, or a McDonald's franchise, or use of a respected brand name. It can also be gained by controlling non-substitutable resources like a secret sauce no one else has for its barbecue, a service culture that attracts the best employees, or a plot of Napa Valley land famous for producing exceptional wine. The point is that controlling a valuable and rare resource or having a capability that others can't use, imitate, or substitute for gives a hospitality organization a competitive advantage. Having and keeping a competitive advantage can lead to long-term success.

The competition for guest loyalty and dollars (or euros, pesos, rupees, won, yen, yuan, or even a cryptocurrency like Bitcoin) is intense and will only grow more so in the future. New hospitality organizations spring up every day, and for new organizations to survive, they need to develop and sustain a competitive advantage. Although opening a hospitality organization such as a hotel, convention center, cruise line, or airline costs a lot of money, for thousands of restaurants, hospitality suppliers, tour operators, web designers, and convention services organizations, the amount of start-up capital needed is comparatively small. This book is not just for large corporations. These smaller organizations, like the larger ones, hope to survive and prosper in this competitive environment and therefore need to master and practice the principles of guestology. If they don't provide the experience their guests expect, someone else will.

THE GUEST EXPERIENCE

A term we have already repeatedly mentioned and will recur many times in the following pages is **guest experience**. The guest experience, often referred to as **service experience** in other service industries, is the sum total of the experiences the guest has with the service provider on a given occasion or set of occasions. If a guest tells a friend that last night she had a "wonderful evening at the concert," she is referring to the evening as a whole and is thinking of it that way; the evening of music was the guest experience. Providing her with the different phases and aspects that made up her wonderful evening, however, involved many employees, some of whom she saw and many of whom she was not even aware, who produced those different activities and projects flawlessly. For purposes of planning and execution, most hospitality organizations divide the total experience they offer into convenient units or components. For purposes of explaining the total guest experience, we shall do the same, even though such a division is to an extent artificial.

guest experience The sum total of the experiences (consisting of the service product, setting, and delivery system) that the guest has with the service provider on a given occasion or set of occasions; often referred to as service experience in other service industries.

service experience Same as guest experience, but sometimes used in service industries that do not typically refer to their customers as guests.

Valerie Zeithhaml and her coauthors suggest even traditional manufacturing organizations should be aware of the importance of the service component of their manufactured product as they have recognized the value of the total product offering to include the services associated with it.[6] In the experience economy, customers should be considered as guests whether they are having the experience of participating in the purchase of a physical product or of an intangible service.

[5] B. Joseph Pine and James H. Gilmore, "Welcome to the Experience Economy," *Harvard Business Review* 76, No. 4 (1998): 97–105.

[6] Valarie A. Zeithaml and Stephen W. Brown, *Profiting from Services and Solutions: What Product-Centric Firms Need to Know* (New York, NY: Business Expert Press, 2014).

Product, Setting, and Delivery

In a way, this entire book can be oversimplified into one (fairly long!) sentence: We are going to show how the best hospitality organizations use their strategy, staff, and systems to provide each guest with a seamless three-part guest experience—service product, service setting, and service delivery—each part of which will at least meet the guest's expectations and the sum total of which ideally will make the guest say, or at least think, "wow!" In a simple service situation, the entire guest experience might be delivered by a single person in a single moment, but for the typical guest experience, speaking of a service delivery system seems more accurate. That system consists of an inanimate technology part (including organization and information systems and process techniques) and the people part—most importantly, the frontline server who delivers, or presents the service, or co-produces it with the guest.

Here is the basic equation that captures all the components of the customer experience that must be effectively managed by the guestologist:

Guest experience = service product + service setting + service delivery system

All the moments spent at the concert add up to the guest experience later described as a "a great concert." But the guest probably had many smaller service experiences during the evening. If, for example, at intermission she went to a designated area and received beverage service, that short experience would have its own service, setting, and delivery system. Any time a consumer goes to a vacation resort, takes a cruise, flies, or visits a theme park, she will have numerous separate service experiences, and will ultimately make a judgment about the quality and value of the *overall* guest experience. If a guest spends three days or a week at a resort—as many people do—each day's individual guest experiences will add up to the overall day's experience, and the one-day experiences will add up to the overall resort experience.

Unique, Yet Similar

Incidents and occurrences are never exactly the same for two people—whether at a concert, hotel, vacation resort, restaurant, or on a cruise ship—therefore no two guest experiences are exactly alike. Even if the incidents and occurrences were exactly the same, each guest's experience of them will be unique because the wants, needs, tastes, preferences, capabilities, and expectations each guest brings to the experience are uniquely theirs and may even change from day to day. Add in the intangibility of service itself, and the uniqueness of each guest experience cannot be questioned. That uniqueness is what provides the primary challenge to the hospitality service provider. The old saying has it that "you can't please every guest," but the hospitality organization has to try, even though everybody is different.

On the other hand, guests do respond to many experiences in similar if not identical ways. These categories of responses can be sampled, studied, and modeled to produce extremely accurate predictive models of guests' behaviors. Probabilistic statistics is a major tool in the guestologist's toolkit for identifying how hospitality organizations can best respond to the needs, wants, capabilities, and expectations of their targeted guest markets. Successful hospitality organizations spend considerable time, effort, and money studying their guests to ensure each part of the entire guest experience adds something positive to it. They also expend significant resources finding and fixing the inevitable mistakes as best they can.

Components of the Guest Experience

Though the three elements the hospitality organization has to work with should blend seamlessly into one experience, for the purpose of discussion we break them

out into the service product, service setting, and service delivery system. Here is a fuller description of each.

The Service Product

The service product, sometimes called the service package or service/product mix, is why the customer, client, or guest comes to the organization in the first place. An organization's reason for being is often embodied in the name of the business: Pacific Playground Amusement Park, the Continental Hotel, the Casino Royale, Cheers Bar and Grill. Recall that the basic product can be relatively tangible, like a hotel room, or relatively intangible, like a rock concert. Most service products have both tangible and intangible elements and can range from mostly product with little service to mostly service with little if any product.

The Service Setting

The second component of the guest experience is the **service setting** or **service environment** in which the experience takes place. The term **servicescape**, the landscape within which service is experienced, has been used to describe the aspects of the setting that contribute to the guest's overall feel of the experience. Las Vegas casinos are famous for using their hotels' designs to make the focus of the service setting on the gambling. Hotel lobbies are lavishly decorated, making the customer feel he or she is in a resort. Everything the customer needs—the rooms, bars, fancy restaurants, fast food, shopping, and shows—is conveniently inside the casino. And to get to any service the guest needs—for example, the front desk to check in or out, or to get to any restaurant—the guest must always pass through the casino. The design of the service setting keeps the customer focused on where the hotel makes its money: the casino. The servicescape is also extremely important to themed eatertainment restaurants

service setting , service environment, servicescape The physical location and its characteristics within which the organization provides service to guests.

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Casinos use the servicescape as part of the overall experience to keep the guest's focus on the many opportunities for gambling.

like Bahama Breeze, Hard Rock Cafe, and Rainforest Cafe. They use the distinctive theme of the food-service setting—from the building exterior, to decorations inside the restaurant, to background music choice, to table and menu design—as an important means of making themselves memorable and distinguishing themselves from other restaurants.

The Service Delivery System

service delivery system The human components and the physical production processes, plus the organizational and information systems, involved in delivering the service to the customer.

The third part of the guest experience is the **service delivery system**, including the human components (the restaurant server who places the meal on the table or the sound engineer at the rock concert) and the physical production processes (the kitchen facilities in the restaurant or the rock concert's sophisticated amplification system) plus the organizational and information systems and techniques that help deliver the service to the customer. Unlike a factory's assembly line system, which is generally distant from and unobservable to consumers, many parts of service delivery systems must necessarily be open to consumers who can avail themselves of the services directly and co-produce the experience. Also, the output products of an assembly line system can be touched, physically owned, and seen; the services produced by the service delivery system are intangible memories of experiences that exist only in guests' minds.

While all aspects of the service delivery system are important, the people interacting with customers or guests are by far the most able to make a difference in how customers feel about the value and quality of the experience. Even if there is little they can do when the food is ruined or the concert amps fail, customer contact employees can make the difference in both how angry the customers are with a failure in the service experience and how happy they are when everything went right. For hospitality organizations, they can be the most important component of the service delivery system and the most challenging to manage. It is the wait staff, the cabin crew, the front desk agents, the valet parkers—their genuine attitude, authentic friendliness, sincere concern, and helpfulness in ensuring the success of the guest's co-production—who largely determine both the value and the quality of the experience for the guest. At the moment or over the series of moments when the service is experienced, that single employee is the service department, the entire organization, and even perhaps the entire hospitality industry to the guest. The feeling the guest takes away from the experience is largely derived from what happens during the encounters or interactions between the guest and the employees, and the less tangible the service product, the more important the servers become in defining the quality and value of the guest experience. The single service employee makes the "wow." No wonder the leading hotels, restaurants, and other hospitality organizations invest substantial time and money into finding, training, and supporting their frontline employees. If these folks fail to do it right, the guest and everyone the guest ever tells about the experience may be lost.

Service Encounters and Moments of Truth

service encounter The person-to-person interactions or series of interactions between the customer and the persons delivering the service.

The term **service encounter** is often used to refer to the person-to-person interaction or series of interactions between the customer and the person delivering the service. Although both parties are usually people, the many situations or interactions between organization and guest that are now automated—the automatic teller machine, check-in kiosks, and mobile app transactions being familiar examples—may also be considered service encounters. The heart of a service is the encounter between the server and the customer. It is here where emotions meet economics in real time and where most customers judge the quality of service.[7]

[7] Alex M. Susskind, K. Michele Kacmar, and Carl P. Borchgrevink, "Guest–Server Exchange Model and Performance: The Connection Between Service Climate and Unit-Level Sales in Multiunit Restaurants," *Journal of Hospitality & Tourism Research* 42, No. 1 (2016): 122–141.

ImagesBazaar via Getty Images

The check-in is often the first moment of truth for the hotel guest.

An encounter is the period of time during which the organization and the guest interact. The length of a typical service encounter will vary from one service experience to another. The purchase of a ticket is a brief service encounter; the interaction between guest and agent at a hotel front desk is usually somewhat longer; and the series of interactions between guest and server comprising a restaurant meal is an even longer encounter. A day in a theme park may involve fifty to a hundred different service encounters.

Other service encounters can last for an extended time. For example, at Club Med, where vacationers may spend more than a week at a resort, the guests—called GMs *(Gentil Members)*—regularly interact with Club Med staff—called GOs *(Gentils Organisateurs)*—who play, dance, dine, and drink with the guests every day and night. On cruises, guests may develop a personal relationship with their cabin steward over a multiday voyage. Lindblad Expeditions offers week-long trips to exotic locations, which make for extended interactions between service providers and guests on a ship with at most 148 or as few as 12 guests.

Service encounters or interactions, and especially certain critical moments within them, are obviously of crucial importance to the guest's evaluation of service quality; they can make or break the entire guest experience. Jan Carlzon, the former president of Scandinavian Airline Services (SAS), coined a term to refer to the key moments during these interactions, and to some brief encounters or interactions themselves, as a **moment of truth**.[8] Another term often used in the services literature is **critical incident.** Dwayne Gremmler, in his review of the technique for collecting data on critical customer experiences, describes its uses, advantages, and disadvantages. His extensive review of the technique offers a helpful checklist of how to use it and interpret its findings.[9]

moment of truth Any key or crucial moment or period during a service encounter, a make-or-break moment; subsequently expanded by others to include any significant or memorable interaction point between organization and guest.

critical incident A memorable event that deviates significantly, either positively or negatively, from what the guest expects or considers normal in a service encounter.

Regardless of whether it is termed a moment of truth or critical incident, if the airplane wouldn't fly, the meal was bad, or the air conditioning in the hotel room didn't work, the guests won't care how pleasant the server was or how good that person made them feel. While a server can often make any bad situation better, when a failure occurs, there is a problem with the service experience that needs the full attention of the hospitality manager. On the other hand, since most plane rides are like other rides, most meals are similar to other meals, and most hotel rooms are like other hotel rooms, the distinguishing characteristic of most guest experiences is how the people providing the service did it! Even if the plane ride, meal, or hotel room is the best of one's life, a rude or careless service person can wreck the guest experience in a moment. If that happens, all of the organization's other efforts and expenditures are wasted. It is little wonder the most effective hospitality organizations spend serious time and money managing these moments.

For example, a potential passenger's first interaction with airline personnel is an obvious moment of truth; it can determine whether the potential passenger leaves your airline and goes to another, or whether a potentially lifetime relationship with the passenger is begun. Carlzon managed the entire airline so as to provide good service at the moment of truth, "the fifteen golden seconds" during which an entire airline is

[8] Jan Carlzon and Tom Peters, *Moments of Truth* (New York, NY: Harper Business, 1989).
[9] Dwayne D. Gremler, "The Critical Incident Technique in Service Research," *Journal of Service Research* 7, No. 1 (2004): 65–89.

represented to one guest by one server, because the success of the entire organization depends on those first fifteen seconds. The original definition of moment of truth was Carlzon's, but other writers have expanded the term to include any significant or memorable interaction point between server and guest or, if no server is present as at an ATM or on a smartphone app, or a website, between organization and guest. In most hospitality organizations, the first fifteen seconds are make-or-break moments as the hospitality organization, like everyone else, gets only one chance to make a first impression.

At the moment of truth, a server or other organizational representative is typically present and attempting to provide service. Some writers include interactions with inanimate objects as potential moments of truth. Opening the door of a hotel room might be such a moment. If the guest's first impression of a room's appearance is negative, or if the organization has slipped up and forgotten to clean the room, for example, a crucial moment has not been properly managed and a guest, possibly an excellent long-term customer, may be lost for good.

Each moment of truth also offers the possibility of making the experience memorable in a way that differentiates this organization's service from all others—to create a competitive advantage. Disney, for example, asks its employees to create magical moments for its guests by seeking opportunities to make a routine guest experience special. From simple examples such as replacing for free and with a smile a dropped ice cream cone to more complex examples such as making sure a guest gets to greet a loved character, Disney encourages its cast members to find opportunities to "wow" its guests. While many of these wow moments are created by a cast member who sees an opportunity to turn a service failure or an "ow" into a "wow," there are many stories told to remind all cast members they should look for ways to make a moment of truth a wow moment.

The moment-of-truth concept is very important: Each guest may have only a few moments of truth during a single guest experience or many moments in a lifetime relationship with a company, but each one needs to be positive. The best organizations identify when and where these moments of truth occur and ensure they are managed well. Since many involve a customer co-producing an experience with an employee, these organizations make a special commitment to ensuring their servers know how to deliver on the many make-or-break moments of truth every day by not only delivering a flawless service but by doing so in a way that is memorable to the guest.

Many hospitality organizations ask their employees to identify such moments of truth or critical incidents and record them in a database. Gaylord Hotels, Hyatt, and Disney, for example, ask their staff members to share stories about critical incidents they have observed so they can use these stories to help teach employees about their service culture.

The Nature of Services

Services and manufactured products have traditionally been seen as having different characteristics. Manufactured products tend to be tangible—produced, shipped, and purchased now for consumption later. Although there is a growing trend by some manufacturers to also consider the service aspects of their manufactured product, most production organizations don't spend much time on assessing the customer service issues that are created by interaction between the manufacturer and the consumer. Services, on the other hand, tend to be intangible, purchased (if not always paid for) first, then simultaneously produced and consumed, and accompanied by considerable provider-customer interaction.[10] Let's look at these characteristics more closely.

[10] Robert C. Ford and David E. Bowen, "A Service-Dominant Logic for Management Education: It's Time," *Academy of Management Learning & Education* 7, No. 2 (2008): 224–243.

Services Are Partly or Wholly Intangible

Even when the service rendered includes a tangible item (e.g., the Mickey Mouse hat, Mardi Gras beads, a good meal), the total guest experience is the sum of the tangibles plus the intangibles included in the service-product mix, the environment within which it is delivered, and the service product's delivery. Because all or part of the service product is intangible, it is impossible to assess the product's quality or value accurately or objectively, to inventory it, or to repair it (although we will talk later about correcting service failures). Since the customer decides whether or not the quality is acceptable or value equals expectations, the only way to measure either quality or value is through subjective assessment techniques, the most basic of which is to ask the customer.

A second implication of this intangibility characteristic is that every guest experience is unique. Even though a given room at the Ritz-Carlton looks the same to everyone, the overall experience at the Ritz will be different for each guest each time. The less tangible the service provided, the more likely each guest will define the experience differently. The point is simple: since every guest is unique, every guest experience will also be unique.

Another implication of intangibility is that hospitality organizations cannot keep an inventory of guest experiences. Service products are perishable. The stockpile of airline seats on today's 10 a.m. flight to New York is gone after the plane leaves. Tonight's unsold hotel rooms cannot be held over until tomorrow night, nor can seats at tonight's rock concert. Once a convention ends, the opportunity to participate in an exciting meeting session is gone. The inability to inventory experiences has important implications for hospitality organizations. One of the more important is the management of capacity. Because capacity is limited and demand for guest experiences varies over periods of time, capacity must be carefully managed to meet demand. If demand exceeds capacity, then guests have to wait or don't get served at all. If capacity exceeds demand, then the hospitality organization's human and physical resources sit idle.

Finally, because services are intangible and therefore difficult to fully anticipate before they are delivered and actually experienced, organizations wanting guests to try their services rather than those of competitors must find ways to make the intangible tangible—through photographs in advertising, a virtual tour of a hotel interior on the internet, using cloth versus plastic tablecloths at a restaurant, hanging awards on the hotel lobby wall, getting endorsements by famous people, and so forth. Such efforts to give tangible evidence of service quality help the employees as well. After all, the service is as intangible for the organization's employees as it is for guests. A tangible picture can be worth a thousand words in helping organization members form a mental image of what their service should be like and what their organization's quality level should be.

Services Are Consumed at the Moment or During the Period of Production or Delivery

Even if the guest takes home the Mickey Mouse hat, or the Mardi Gras beads, or the full stomach, or even if the luncheon was prepared an hour before the customer had it, the service as a whole and from the customer's perspective was consumed as it was delivered. The customer can take home the hat, beads, and the memory of the experience but not the service itself. What are the important implications of this characteristic for hospitality managers? Organizational systems must be carefully designed to ensure the service is consistently produced so each guest has a high-quality experience that both meets expectations and is nearly equal to that experienced by every other guest (except for differences supplied by servers in response to each guest's unique needs and co-production capabilities). In addition, the experience must at least equal that

which the same guest had in previous visits. The hospitality organization must think through the service delivery process by *working from the guest backward*.

This working backward to meet customer desires and expectations is a major difference between hospitality organizations and typical bureaucratic functional organizations, which are often designed for the convenience and efficiency of organizational members. In a well-designed hospitality organization, the focus is on the guest experience and those who co-produce it. All the traditional organizational and managerial concepts that have been classically taught as the best way to manage are turned upside down. Instead of concentrating on top-down managerial control systems to ensure consistency and employee predictability, hospitality organizations must concentrate on *employee empowerment*. They know managers cannot watch every guest-employee interaction. The guest experience cannot be held back until the boss checks it for errors, as would be true of a new book, tractor, or suit. The frontline service provider who cares about the service, the organization, and the guest must be selected in the employment process and then trained and trusted to deliver the guest experience as well as that person knows how. Instead of managers following the traditional model of reviewing employee performance after the fact, in the hospitality organization they must use goal setting skills and create service standards that help the employee know how and why the consistent delivery of a high-quality guest experience is critical to guest satisfaction and organizational success. Instead of tracing information and authority from the top down, the guest-focused organization must trace it from the bottom up.

Services Require Interaction Between the Service Provider and the Customer, Client, or Guest

This interaction can be as short as the brief encounter between the customer and the order taker at a McDonald's drive thru, or as long as the lifetime relationship between the patient and the family physician. These interactions can be face to face, over the phone, on the web, or by mail, e-mail, or texting.

When the interaction is face to face, customers and employees must be taught how to co-produce the experience in some systematic way. The Melting Pot Restaurant trains its servers how to train guests on the proper way to cook in a fondue pot, a hotel's convention services group stations people at key places to give directions to attendees, and an airline has staff at its check-in counter to help passengers navigate any problems with the technology. When the experience happens at the moment of its consumption, then the organization needs to plan on how to ensure new, untrained, inexperienced, and unknowledgeable customers get the same service experience quality and value that the returning, trained, experienced, and knowledgeable ones get. Since each customer is different, the organization cannot expect each customer to consume the same amount of time or resources in the experience. Accommodating the variability in customer differences is how a guestologist can make an important contribution by careful research and thoughtful planning to adjust the service experience provided for each customer. As Ford and McColl-Kennedy write, the organization must "mind the gap."[11]

Technology

Exhibit 1.1 displays four types of relationships between provider and customer, with examples of each type noted inside the respective boxes. Different service situations call for different strategies in systems, personnel, and service environment by the service provider to "mind the gap." If the provider is not going to be present in the encounter, the service system must be foolproof for all types of customers who are in the targeted market to use it. In many places throughout the United States, ATMs and self-service kiosks, for example, ask customers whether they want to read

[11] Robert C. Ford and Janet R. McColl-Kennedy, "Organizational Strategies for Filling the Customer Can-Do/Must-Do Gap," *Business Horizons* 58, No. 4 (2015): 459–468.

EXHIBIT 1.1

The Different Relationships Between Customer/Guest/Client and Service Provider

	Customer present	Customer not present
Service provider present	Hospitality, medical, professional	Lawn service, jewelry repair
Service provider not present	Electric/gas/phone/internet utilities, ATMs, vending machines	Online stores and travel services, technical help, answering services

the instructions on the screen in English, Spanish, or even some other language. Some ATMs at hotels that target global travelers give people the choice of many languages with which to complete their transactions. Web designers spend considerable time testing how people access their web pages to ensure they are logical, easily used, and quick to load so impatient users don't click off. On the other hand, if the provider is present, the organization must focus on the customer's interactions with the provider as a major means for adding value to the service product. A full-service hotel or restaurant, for example, relies extensively on its employees to deliver value in the guest experience; the owner of a website does not.

Many services are delivered with customers present at some stages but not all. At car dealerships, most car repairs take place out of the customer's sight. Two points of contact occur: at the customer service desk and the payment window. The appearance of both the physical setting and the people at those contact points is quite different from those back in the repair area, beyond the sight of customers. Each type of customer contact may call for a different managerial strategy, environment, and delivery system.

GUEST EXPECTATIONS

Guests arrive with a set of expectations as to what that chosen hotel or restaurant can and should do, how it should do it, how the people providing the service should behave, how the physical setting should appear, what capabilities guests should have to perform their roles or responsibilities in co-producing the experience, how the guest should dress and act, and what the cost and value of the successfully delivered service should be. First-time guests arrive with a mindset of expectations based on advertising, familiar brand names, promotional devices, their previous experiences with other hospitality organizations, their own imaginations, and stories and experiences of people they know who have already been guests. The organizational responsibility for bringing first-time or infrequent guests to the organization usually lies with the marketing department's ability to make promises about what expectations will be met.

Repeat guests' past experiences with an organization provide the primary basis for their expectations regarding future experiences. In many instances, this sets a

high standard to meet: what may create a "wow" experience for guests upon a first visit may be only "as expected" the next time. The organizational responsibility for getting the repeat business of both new and previous customers rests on the service providers' ability to meet and maybe even exceed both the promises that marketing has made and prior experiences of repeat guests. Depending on what sort of business you are in, you may or may not want to under-promise; but the key to "wowing" customers is to consistently over-deliver.

Most hospitality organizations try to provide their guests with accurate information ahead of time, so these customers come to the experience with expectations the organization can meet or exceed. If the hospitality organization does not provide that information, guests will obtain or infer it, accurately or inaccurately, from other sources: perhaps the organization's general reputation, ads, experiences their friends have had with the organization, those they themselves have had with similar organizations, online reviews, or from social media. People going to Wendy's, for example, have well-defined expectations about the quick-serve experience and quickly notice if the food is not up to par, service is slow, the rest rooms are dirty, or something else is different from what they expected. Likewise, diners at a Michelin three-star restaurant bring their well-defined expectations about the fine dining experience and will quickly notice when something is not up to their expectations. Both Wendy's and the three-star restaurant will have customers bringing their dining expectations, but the expectations will be very different. To be successful both restaurants must know what these expectations are and at least meet them.

Meeting Expectations

The major responsibility for meeting or exceeding the expectations created by the marketing department and by the past experiences of repeat guests lies with the operations side of the organization. If what guests experience falls short of what they have been led to expect or have learned to expect, they will be unhappy. They will not remember later a delightful, carefully planned guest experience; they will remember their unmet expectations as poor service and a bad experience. To preserve its reputation and customer base, the hospitality organization must meet or exceed the expectations of its guests. If it cannot or does not, it must either change its marketing strategy and create different guest expectations or change its service product, service setting, and/or service delivery system so it can meet present guests' expectations. If enough people tell their friends what a terrible experience your restaurant or hotel provided or write negative online reviews, your reputation will be gone. With easy access to the web through smartphones and handheld devices, happy and unhappy guests are no longer restricted to talking with friends and neighbors over the backyard fence or on the phone. Angry customers can instantly tweet their friends and followers or post their complaints on reputable websites or blogs dedicated to providing a means for customers to convey their experiences with different organizations or products. With such sites easily accessed—and indeed frequently used by individuals when planning trips—customers can convey their opinions about any hospitality organization almost instantly to thousands of strangers all over the world! A visit to TripAdvisor or Yelp will provide good examples of the power of individuals to influence others across the world.

Technology

The challenge for hospitality organizations is to anticipate guest expectations as accurately as possible and then meet or exceed them. The ones that are consistently ranked as excellent spend extra time and money to ensure the experience of each guest—first time and repeater—not only matches but exceeds the guest's expectations. This is an especially big challenge when one considers the high expectations with

which guests arrive at, say, a luxury cruise ship. First-time customers have probably received travel agency brochures, seen cruise ships in movies and on television for years, and viewed YouTube videos of other's cruises. They probably know of the cruise line's outstanding reputation and what the brand promises. Repeat passengers arrive with high expectations based on prior cruises. The cruise line wants both new and repeat customers to leave the trip wowed and makes a concerted effort to exceed each passenger's expectations.

The same is true throughout the hospitality industry. The Rocky Mountaineer claims that it proudly offers "The Most Spectacular Train Trips in the World" and Country Walkers claims on its web page, "With over 36 years of experience, we know exactly how to create an unforgettable itinerary. From walks off the beaten path to a world of inclusions—encompassing everything from meals and park fees to beer and wine with dinner—we offer unparalleled tours."[12]

If the organization cannot meet certain types of expectations, it should not say it can; it should not promise more than it can deliver. During difficult times for airlines, no-frills Southwest Airlines has continued to do well. One reason is superb service. But another key reason for its real success is that it does not promise more than it can deliver. As one person noted on Yelp, "I really like Southwest Airlines. While not fancy, they do exactly what they are supposed to do—get you where you are going safely and efficiently—with your luggage!"[13] The hospitality organization must assess guest expectations in its target market, assess its own competencies in meeting them, and try to meet or exceed them wholeheartedly.

Do Not Provide More Hospitality Than Guests Want

Organizations must be careful not to over-deliver to the point of making guests feel uncomfortable or unpleasantly surprised. If customers enter Eat 'n' Run, which looks and sounds like a fast-food restaurant, and see white linen tablecloths, they may feel they are about to experience expensive, leisurely, "fine" dining and incur a bigger cost than they expected. Most restaurant-goers enjoy fine dining, but they want to pick the occasion, not be surprised when it occurs.

Waiters are supposed to be attentive and polite. But consider a dining experience during which the waiter constantly hovers and speaks to the diners. If Mary Jones has taken her boss out for an important business discussion, or Bob Smith has come to the restaurant with his love interest in hopes of finding a quiet moment to propose marriage, the constant presence of an overly attentive wait staff will be a major annoyance and too much service. When does enough service become too much? The excellent hospitality organization will do two things to find out. First, it will spend the time and money to train its employees to be alert to customer cues, signals, and body language so they can fine-tune their interaction with their customers. Second, it will constantly survey or ask its guests what they thought about the experience, to ensure guests receive more service value than they expect but not so much more as to detract from the experience. As former Chili's Restaurants CEO Norman Brinker said, "Listen to your customers. They'll tell you what to do."[14]

Just What Does the Guest Expect?

Most guests have the same general expectations when they go to a hospitality organization for service. Surveys and interviews are not required to determine that most guests expect to have the service experience they came for including cleanliness,

[12] https://www.countrywalkers.com/about-us/. Accessed February 2, 2018.
[13] Yelp, "Southwest Airlines," Yelp (blog), accessed February 2, 2018, http://www.yelp.com/biz/southwest-airlines-phoenix-3.
[14] Norman Brinker and Donald T. Phillips, *On the Brink: The Life and Leadership of Norman Brinker* (Arlington, TX: Summit Publishing Group, 1996), p. 192.

courtesy, responsiveness, reliability, friendliness, and the desired service product delivered in the appropriate service setting.

Customers complain when they do not get what they expect or when they have an unpleasant experience. Another way to understand what customers expect is to examine their complaints. Marketing expert Leonard Berry has listed the ten most common customer complaints. Considering what customers do not want can provide insight into what they do want. A common thread running through the complaints suggests that what bothers customers most is disrespect. Here are Berry's ten complaints[15]; they can help us arrive at a still general but slightly more specific set of guest expectations:

1. *Guest Complaint:* Lying, dishonesty, unfairness.
   Guest Expectation: To be told the truth and treated fairly.
2. *Guest Complaint:* Harsh, disrespectful treatment by employees.
   Guest Expectation: To be treated with respect.
3. *Guest Complaint:* Carelessness, mistakes, broken promises.
   Guest Expectation: To receive mistake free, careful, reliable service.
4. *Guest Complaint:* Employees without the desire or authority to solve problems.
   Guest Expectation: To receive prompt solutions to problems from empowered employees who care.
5. *Guest Complaint:* Waiting in line because some service lanes or counters are closed.
   Guest Expectation: To wait as short a time as possible.
6. *Guest Complaint:* Impersonal service.
   Guest Expectation: To receive personal attention and genuine interest from service employees.
7. *Guest Complaint:* Inadequate communication after problems arise.
   Guest Expectation: To be kept informed about recovery efforts after having or reporting problems or service failures.
8. *Guest Complaint:* Employees unwilling to make extra effort or who seem annoyed by requests for assistance.
   Guest Expectation: To receive assistance rendered willingly by helpful and trained service employees.
9. *Guest Complaint:* Employees who don't know what's happening.
   Guest Expectation: To receive accurate answers from service employees knowledgeable about both service product and organizational procedures.
10. *Guest Complaint:* Employees who put their own interests first, conduct personal business, are texting instead of paying attention to the customer or chatting with each other while the customers wait.
    Guest Expectation: To have customers' interests come first.

[15] Leonard L. Berry, *Discovering the Soul of Service: The Nine Drivers of Sustainable Business Success* (New York, NY: The Free Press, 1999), 31.

Being aware of these common guest concerns and expectations should be part of any hospitality organization's knowledge base and training program. As we shall see later, however, the best organizations others use as benchmarks dig deeper to discover the more specific guest expectations, which allow them to personalize each guest's experience as much as possible. Some organizations keep a record of these specific expectations in their database to be sure of meeting them on the guest's next visit.

QUALITY, VALUE, AND COST DEFINED

In the hospitality industry, the terms *quality, value,* and *cost* have specialized meanings to fit the guest-focused orientation of the benchmark firms.

Quality

Two "equations" can help make clear what quality, value, and cost mean to the guestologist and why we say quality and value are determined not in any absolute sense, as they might be in other situations, but entirely by the guest.[16] The **service quality** of the entire guest experience or of any part of it is defined as the difference between the quality the guest expects and the quality the guest gets. If the two are the same, then quality in this special sense is as expected; the guest got what was expected and was satisfied. If the guest got more than was expected, quality was positive; if the guest got less than was expected, quality was negative. For example, a guest stays on successive nights at a Hyatt resort hotel and at a Knight's Inn hotel. If the Hyatt hotel did not live up to the guest's high-quality expectations and the Knight's Inn exceeded the guest's somewhat lower-quality expectations, according to the preceding definition, the Knight's Inn guest experience was of higher quality.

service quality The difference between the service that the customer expects to get and the service that the customer actually receives.

The first equation that follows describes these relationships for the quality of the guest experience, Q_e. It is equal to the quality of the experience as delivered, Q_{ed}, minus the quality expected, Q_{ee}. If the delivered and expected quality are about the same, quality is not zero as it would be if these were true mathematical equations but average or as expected. If quality is average or above average, the guest can be described as satisfied. If quality is below average, the guest is dissatisfied.

$$Q_e = Q_{ed} - Q_{ee}$$

As reflected on the right side of the equation, quality as perceived by the guest will be affected by changes in either guest expectations or organizational performance. If Q_e is high enough, the guest had an exceptional, memorable, or wow service experience. The quality of any aspect of the service experience could be described in the same way.

Quality is independent of cost or value. Quality can be high and cost also high; quality can be high and cost low, and so forth.

Value

The **service value** of the guest experience (V_e) is equal to the quality of the experience (Q_e) as "calculated" using the first equation divided by all the costs incurred by the guest to obtain the experience:

service value The relationship of the quality of the service to its cost, or service quality divided by all costs incurred by the guest for service.

$$V_e = \frac{Q_e}{\text{All costs incurred by guest}}$$

[16] James L. Heskett and W. Earl Sasser, *Service Breakthroughs: Changing the Rules of the Game* (New York, NY: Free Press, 1990), 2.

If the quality and cost of the experience are about the same, the value of the experience to the guest would be normal or as expected; the guest would be satisfied by this fair value but not wowed. Low quality and low cost, and high quality and high cost, satisfy the guest about the same, because they match the guest's expectations. Organizations add value to their guests' experiences by providing additional features and amenities without increasing the cost to guests.

Cost

cost The financial and non-financial burden incurred by a guest to obtain a service, including tangible quantifiable costs (like price) and intangible non-quantifiable costs like opportunity costs of foregoing alternative opportunities, annoyance at receiving unsatisfactory service, and so forth.

One source of **cost** difference to a guest having lunch today at your restaurant rather than someone else's is, of course, the price of the meal. In addition, experienced restaurant and other hospitality managers appreciate that the guest has also incurred other, less quantifiable costs, including the so-called opportunity costs of missing out on alternative meals at competing restaurants and foregoing experiences or opportunities other than eating a restaurant meal. The cost of the guest's time and the cost of any risks associated with entering into this service transaction must also enter the equation. The guest's time may not be worth an exact dollar figure per minute or hour, but it is certainly worth *something* to the guest, so time expenditures (time spent getting to your restaurant, waiting for a table, waiting for service) are also costly. Finally, the customer at your restaurant runs some risks, slim but real and potentially costly. The customer runs the risk that your restaurant cannot meet expectations or the risk that your service staff will embarrass the customer in front of the customer's own special guest today, as in our previous examples, Mary Jones with her boss or Bob Smith with his love interest.

All these tangible and intangible, financial and nonfinancial costs comprise the "all costs incurred by guest" denominator of the second equation. They make up the total burden on the guest who chooses a given guest experience.

Cost of Quality

An important concept in service organizations is the cost of quality. Interestingly enough, *cost of quality* is often used as a reminder not of how much it costs the organization to provide service quality at a high level but of how little it costs compared to the cost of not providing quality. If the organization thinks about the costs of fixing errors, compensating guests for failures, lost customers, low employee morale, and negative word of mouth that can result from poor service, the cost of quality is low indeed and the cost of not providing quality enormous. That is why the best hospitality organizations expend whatever resources are necessary to accomplish two complementary goals: exceed expectations to deliver "wow" to the level of guest delight and prevent failures. Because preventing and recovering from failure are so important, we devote Chapter 13 to these topics.

Who Defines Quality and Value?

Because service is intangible and guest expectations are variable, no objective determination of quality level (and therefore of value) can be made. In some areas of business, a quality inspector might be able to define and determine the quality of a product before a customer ever sees it. In the hospitality field, however, only the guest can define quality and value. No matter how brilliantly the organization designs the service, the environment, and the delivery system or develops measurable service standards, if the guest is dissatisfied with any of these elements, the organization has failed to meet the guest's expectations; it has not provided a guest experience of acceptable quality and value.

Of course, the hospitality organization may help the guest to perceive quality and value by offering a guarantee or a pledge of satisfaction that can be exercised