Chapter 2: Meeting Guest Expectations through Planning

HOSPITALITY PRINCIPLE: FOCUS STRATEGY ON THE KEY DRIVERS OF GUEST SATISFACTION

I. Introduction

a. Service strategy
b. Organization's plan for providing the experience quests expect
c. Planning and strategy
d. Simple to talk about
e. Difficult to do

II. Three Generic Strategies

LO 2.1 Distinguish between the three generic strategies for positioning products and services.

a. A lower price
b. A differentiated product
    i. The brand image
    ii. The brand name
c. A special niche
    i. Market niche or gap
    ii. Differentiation versus finding a niche
d. Combining strategies
e. Reinventing the industry
f. No matter the strategy, provide better service

III. The Hospitality Planning Cycle

LO 2.2 Explain how the elements of the organizational planning cycle result in the establishment of the hospitality organization's overall strategic plan and service strategy.

LO 2.3 Identify the key external and internal factors that must be examined for successful planning.

a. Looking Around
   i. Environmental assessment
   ii. Strategic premises
   iii. Identification of key drivers
b. Looking Within
   i. Internal assessment
   ii. Defines organization's capabilities
   iii. Considers organizations strong and weak points
c. The Necessity for Planning
   i. Every hospitality organization needs a road map
   ii. Focus efforts of members
   iii. Get them prepared for the future
   iv. Once hospitality planning process is complete
   v. Cycle should begin again
d. Forecasting
   i. Tools
   ii. Quantitative forecasting tools
   iii. Qualitative forecasting tools
   iv. Assuming past predicts the future
   v. Assumption frequently does not hold true

IV. Assessing the Environment

LO 2.4 Recognize the quantitative and qualitative tools used for forecasting in the hospitality environment—external and internal.

a. The Overall Environment

i. The economy
ii. Society and demographics
a) Baby boomers
b) Generation X, Generation Y (Millenniums), Next-Gens ecology
c) Demographic implications
d) Managerial implications of Generation Y in the workforce
e) A different way of thinking
iii. Changing social and political expectations
iv. Technology
v. Ecology

b. The Industry Environment
i. Changing competitors
ii. Changes in other relevant groups
a) Resource suppliers
b) Capital suppliers
c) Labor market

c. The Operating Environment
i. Strategic premises
a) Definition
b) Impact of change
c) Example, Wendy's founder Dave Thomas
ii. Predicting the competitive environment
iii. Surprises

V. Assessing the Organization Itself: The Internal Assessment

LO 2.5 Describe the process to determine core competencies.

a. Core competencies
i. Bundle of skills and technologies

ii. Gives organization an important difference

b. Internal assets

i. Help define core competencies

VI. Vision and Mission Statements

LO 2.6 Describe the importance of a mission and vision statement in focusing the strategic plan on the best way to fit core competencies with strategic premises.

a. The vision statement

i. Present hopes and dreams

b. The mission statement

i. Elements

ii. What you do

iii. Who you do it for

iv. How or where you do it

VII. Developing the Service Strategy

LO 2.7 State the importance of including the key drivers of guest satisfaction in the planning process.

a. Excellent strategy

i. Quality

ii. Value

iii. Service

iv. Achievement

b. Determining the service-product strategy

c. Determining the service-setting strategy

d. Determining the delivery-system strategy

VIII. Action Plans

LO 2.8 Describe a planning model, showing how components are tied together and action plans are developed.

a. Key action-plan areas
    i. Management
    ii. Staffing
    iii. Capacity utilization
    iv. Finance
    v. Marketing
b. Management performance plans
c. Employee hiring, training, and retention plans
d. Capacity utilization plans
    i. The design day
    ii. Yield management and revenue management
e. Financial budget plans
f. Marketing plans
g. Action plans as an integrated whole

IX. Involving Employees in Planning

LO 2.9 Recognize the value added to the planning process by including those affected by the plans.

a. Example
    i. JetBlue
b. Need to plan for the probable
c. React quickly to the improbable
    i. Wal-Mart
        a) “Do it. Fix it. Try it.”

X. The Uncertain Future

LO 2.10 Recall that while plans are necessary, organizations must be ready and capable of change.

a. Even with planning, anything can happen
b. Plans can make a firm competitive
c. Same plans can make it uncompetitive in other circumstances
d. Plans designed to be flexible guides
e. Not the final word

ANSWERS TO REVIEW QUESTIONS

1. **You are about to start your own restaurant and need to articulate a strategic plan. Think of five key decisions you need to make and tell how you will make them.**

   Although students may think of others, here are five necessary decisions expressed in the form of questions:

1. *Who is our customer? What segment of the market do we hope to serve?*
2. *What does that customer expect from the kind of guest experience we hope to provide?*
3. *What is the service product part of the guest experience, and how does it meet the customer's needs?*
4. *Within what kind of environment does the customer expect service to be provided?*
5. *What delivery system can best meet guest expectations regarding how the service product should be provided?*

Essentially, what guests are we trying to serve (we cannot serve all guests, with their different expectations, satisfactorily), and what are the expectations of those guests regarding the service-product, environment, and delivery system?

2. **How does knowing key drivers help a manager meet guest expectations in a guest experience?**

Key drivers are the reasons that guests return. These are the things that guests not only notice as part of their hospitality experience but that are so important to them they impact future guest behavior. If a company does not do at least a good job on the things its guests identify as key drivers, the guests not only will not return, they will be unlikely to tell others (word of mouth) that the experience was of high quality and great value. Thus, it is important to systematically ask (survey) guests about the various aspects of the guest experience to know which ones are key to their overall assessment of that experience. Companies cannot manage to meet guest expectations unless they know what these key drivers are and which parts of the service experience are critical for determining guest satisfaction. Finding out which are key drivers gives companies a way to identify where they should invest their time and money. This helps ensure a guest experience that meets or exceeds guest expectations by managing what guests really care about.

3. **Think about kids in junior high school today; they will be part of tomorrow's workforce and customer base. What management and guest-service changes will hospitality organizations have to make if they want to succeed with these future employees and customers?**

This is a speculative kind of question, but the chapter provides considerable information for discussing it in the Generations X and Y section and succeeding sections. Students will probably pick out such influences in a more international or worldly sense because today's kids are more in tune to world news, and exploring the World Wide Web is second nature to them. They are more technologically comfortable because they are used to playing with Xbox, Wii games, and other gadgetry that their parents do not understand. These kids may end up being less group-oriented because they spend so much time doing things on an individual basis instead of in a structured group environment. They may be less imaginative (though students will probably disagree) because they are not left to entertain themselves as earlier generations were. In addition, more and more schools are geared to personal development rather than competition. Kids are learning to value themselves rather than competing or comparing themselves to one another. This attitude may detract from organizational incentive programs, which are often designed to promote competition among employees. Another major trend is a decreasing sense of loyalty to a particular organization. People are looking for a chance to self-actualize regardless of who they work for and are less willing to put up with conditions and restrictions that a particular organization might place on them. If they do not like what is going on, they will move on to a different company. A strong job market will enable them to do so.

4. **Think of a hospitality organization that you are familiar with.**

   A. **What seem to be the key drivers of the guests in its target market?**

   Students can be all over the place on this one, but their responses should be grounded in the key drivers section, "Asking Customers What They Want." Key drivers, of course, are those key determinants of a customer's satisfaction with a particular service or hospitality organization. Drivers specified by students will vary according to the organizations they choose.

   B. **How do these key drivers influence how the organization operates?**

   Guest-focused organizations find out what these key drivers are, and they work hard to ensure they already have or soon develop the core competencies that enable them to provide and enhance those guest drivers.

C. **How should they influence how that organization operates?**

The service-product, environment, and delivery systems all need to be focused on meeting the needs inherent in the key drivers. McDonald's customers are driven by a desire to receive a quick meal of consistent quality at a fair price. The organization must therefore make sure that all the systems are coordinated to provide that particular guest experience.

5. **Think of a product, service, or brand to which you are loyal. Why are you loyal to that product, service, or brand? What did the organization do to acquire your loyalty, and what has it done to maintain it? Based on the reasons for your loyalty, what one piece of advice would you give to future hospitality managers?**

This could be answered in a variety of ways. Many times, loyalty is a function of consistently and reliably receiving a high quality service at a fair price; you come to count on the organization's ability to meet or exceed your expectations just about every time. Like everybody else, students are loyal to those places that give them fair value for their money, consistently provide an experience of high quality, and have service personnel who are able to connect with them, to remember their names, to make them feel welcome, and to make them feel special. A good piece of advice for future hospitality managers is to learn what guests expect, then to be sure to manage all elements of the guest experience in such a way as to exceed guest expectations in all respects—particularly the important respects. That is the way to achieve customer loyalty.

6. **List a few necessary core competencies for successfully operating a fast-food restaurant versus a fine-dining restaurant versus a casual-dining restaurant.**

One of the first core competencies is the ability to design or create a food product that can be served more quickly, more elegantly, or more casually—three different kinds of food products for three different kinds of restaurants. The second core competency is the ability to create and sustain the environment or service setting appropriate to the service-product and the different expectations that guests bring to the three different types of restaurants. The people part of the delivery system will be different: Maybe no people for some fast-food situations, excellent and experienced waitstaff for fine-dining experiences, and a competent, more casual waitstaff for casual restaurants. The fast-food restaurant that offers little or no service delivery by its employees must have excellent technology for preparing food and making it available quickly. The people part and the technology part of the delivery system designed to provide upscale, fine dining had better be outstanding, and the food must be prepared and cooked by excellent chefs. The casual dining area requires a mixture of people who have some degree of expertise cooking, but who can also make use of technology in executing standard recipes so that the food is standardized and consistently good without relying on highly trained people.

A. **Why are these competencies core?**

Since the service product, environment, and delivery system are the essential parts of the guest experience, the core competencies must be the ability to provide those aspects in a way that meets or exceeds guest expectations.

B. **Why do they differ from one type of restaurant to another?**

They differ in degree or emphasis, but not in kind. They differ in degree because restaurants have different clienteles with different expectations even though all restaurants have a delivery system that provides food to guests within a service environment.

7. **How do you define *service*? What are the components of good and bad service? Which components of bad service are due to not getting something that you expected or wanted but didn't get? Getting something that you don't expect or want?**

The instructor may want to review the "Nature of Services" section in Chapter 1. The different characteristics of service given there can lead to a discussion of the components of good or bad service. Good service meets or exceeds guest expectations; bad service does not. This could be broken down again into the three elements: service product, environment, delivery system. A failure to meet guest expectations can occur in any of the three, so they all have to be managed carefully. The rest of the question provides an opportunity to discuss which components of bad service are sins of commission and which are sins of omission.

8. Find the mission and vision statements of a hospitality company. What do these statements do to help the organization focus its efforts?

Here the instructor could ask students individually or in groups to use Google to find mission and/or vision statements and assess them on the extent to which they include the necessary elements of a good mission or vision statement. In essence a good mission statement should indicate the how, what, when, and where the hospitality seeks to deliver its hospitality experience. A vision statement should reflect a broad future picture of where the organization wants to be in its future. Also, see examples in text.

9. If an organization like an airline uses yield-management techniques, guests end up paying different prices for what is essentially the same service. What are the implications of that difference, if any, for guest expectations, service quality, value, and guest satisfaction?

Airline guests usually expect to pay the same as other guests receiving the same service. If the prices are different, guests who know nothing about airline pricing and the reasons for it will react negatively. If you find out that you paid twice as much as the person in the seat next to you, you will not like it. However, guests who know the system will have the positive expectation of receiving a better price if they make an earlier commitment. According to the text’s definition of quality, the fact of different prices for the same service has no implication since quality is based on service received and service expected, not on the price paid for service. The implication of the difference for value is great. If “costs of all kinds” (the denominator of the value equation) are higher or lower for the same degree of service quality, then value will be higher or lower. The implication of differential pricing for the same service, with consequent differences in value received, will probably be direct; it is reasonable to conclude that guests who get better value are more satisfied guests. Same service, lesser value = less satisfied guest.

10. Consider the expression "Price, quality, speed—pick any two." Do you think a company strategic planner said it, or a customer? Is the expression fair and accurate in today's business world?

A customer probably said it. The experience of many customers is that you cannot have it all, so you pick what is most important to you. The company strategic planner probably feels that the company can deliver it all. On paper, maybe it can. Not included is the guest-contact person, who may have made the remark based on personal knowledge of how difficult it is to deliver all three.

Unfortunately, the comment is pretty accurate because the three goals are essentially in conflict. Although all three are important, no organization can do all three simultaneously and at an equally high level, even though every organization obviously tries. But the organization had better be able to deliver in two of these areas. Based on its core competencies and the expectations of its target customers, the organization decides where to focus its attention.

11. Why do you think getting employee input is important in the planning process? What do line employees know that management may not know?

The text stresses the importance of employee input about guest behavior and expectations. It is the front line, customer contact employee who has the opportunity to ask guests about their experience, to document the patterns of issues or concerns that guests have, and to fix the inevitable problems guests tell them about. These employees are a rich source of information about guest satisfaction, changes in expectations, and service problems that managers need to know about. In addition, employees expect to be respected for their ability to do their jobs and engaging them in planning shows that respect, and by what these employees say, managers can see both the strength of their service culture and the areas where more training might be needed. In other words, involving employees is a win-win for both the hospitality company and the employee.

Suggested ACTIVITIES

1. In the chapter appendix, there are four qualitative techniques that can be used for forecasting: brainstorming, the Delphi technique, focus groups, and scenario building. Divide up into groups and, as your instructor directs, come up with a forecasting problem that a local hospitality organization might face and try to arrive at a conclusion about it by using one or more of the techniques. Different groups might use different techniques for the same problem to see if they come up with the same conclusion or problem solution.
2. Find a hospitality organization that uses forecasting techniques. How does the organization use them to predict its staffing and product supply needs, or for other purposes? How does the organization gather data? Does it use prediction models and statistical techniques, or is forecasting done mainly by the seat of someone's pants?
3. This chapter suggests an organization should focus on its core competencies, not spread itself into areas in which it may not be competent. Some competency pairings are generally accepted, like bar and grill. Others might reflect an organizational intention to operate in unrelated areas, like college and fish camp or blacksmith and nail care. Look for unusual competency pairings in business names you come across and report them back to the class.

4. Go on the web or across your community and see what the companies you find claim as their mission. What is your estimation of how well this mission helps define strategic decisions they make?

ETHICS IN BUSINESS

In this scenario, the ethical issue involves sharing information. By charging fees, and thus advertising a lower room rate, the hotel is knowingly anticipating getting more revenue than its advertised price suggests. Have students consider the following questions.

- Do you think the company's practice is ethical?
- Does it matter if other companies are doing the same thing or not?
- Does the principle of *caveat emptor* (i.e., let the buyer beware) apply here? Should buyers realize that additional fees may be applied, and it is their responsibility to find them out to fully know the price of the rooms they are booking online? Alternatively, should the idea of *caveat venditor* (i.e., let the seller beware) apply here to websites that advertise hotel rooms? Do the websites have some ethical responsibility to make sure the price fully reflects the costs to the customer?

CASE NOTES

CASE 1: Profit? Growth? Survival? Service? Customers? Environment?

1. **With whose position would the company's stockholders most likely agree?**

   The stockholders would obviously agree with Jim in that they hope the organization will make profits that can grow their return on investment, dividends, and stock price.

2. **What do you think the CEO would say? The employees? The guests?**

   The CEO would probably agree with Will, who believes in the primacy of growth, since CEO success is often tied to continuing growth. Big is frequently viewed as better, and growth in size and profitability will increase the value of stock options and executive compensation. The CEO will be sympathetic to the other goals as well, and he may grant that good guest service will lead to growth. However growth is achieved, the CEO will want to achieve it.

   The employees will probably agree with Sally, who believes that good guest service is the organization's proper goal, unless they have seen managers behave in ways that show profits are more important than customers. The outstanding hospitality organizations will agree with Sally in that they know that profit, growth, and survival all start with meeting and exceeding guest expectations. If the organization fails to provide guests with the hospitality experience expected, the organization will not survive. Some may argue that Betty is right as well, since sometimes guests will return because they need the service and have no choice other than "the only game in town." The only airline on an important route will do well until a competitor enters the market. Most guests would also agree with Sally.

3. **Where do you stand on the issue? (Or do you have a different view?)**

   Students can take any stand that reflects their experience.

CASE 2: Economy Airlines

1. **What caused Economy's problems?**

   Success caused Economy's problems. It was doing so well in following its low-price strategy that it attracted competitors that could match its prices in its markets. Because of the success, Hamblin expanded quickly and grew rapidly. Success also led to extra benefits for the employees who participated in stock options, enjoyed rapid and numerous promotions, and had the excitement of being a part of a winner. Once the competition started, the growth slowed down, the promotions slowed down, and the stock price dropped, taking away some of the extra financial rewards that employees had come to expect. These all led to a morale problem, competitive challenges, and financial difficulties.

Note to the instructor: For a great illustration of how to overcome such problems, see the history of Southwest Airlines.

2. **Do you see any way that Economy could have avoided those problems?**

   Economy should have grown more slowly and cautiously. If the airline had made sure it had a market well established before it expanded to another market, it would have been able to position itself and its brand better and, consequently, give itself some protection from competitors. It should also have thought through the stock ownership strategy better before implementing it. As every elementary finance student knows, stocks go up and stocks go down. If the idea was to link employees to profit and growth, then a stronger association should have been made. Employees should feel that they contribute and, in this case, the external factors of competition hurt the company's stock incentive plan rather than anything they directly influenced.

3. **What steps should Economy Airlines take now?**

Economy could do the following. First, the stock options for the employees could be reset at a lower price to make the employees see that they can still enjoy financial rewards if the airline rebounds. Second, Economy should seek to differentiate itself in its low-price niche by clever commercials or unique branding in the marketplace. The customer has to see the airline as not only low in price, but as something else of value as well. Differentiation would be a reasonable strategy. Third, it should rethink its route structure carefully. Perhaps it could retrench and pull out of some routes where the competition is too strong and give itself time to rebuild its financial and personnel strength. Finally, it could consider moving from the free-form organization to a more professional one with the associated bureaucratic structure and controls. However, it should not lose its sense of participation and family like culture, which distinguish it from other airlines.

CASE 3: The Diamondback Plaza Hotel

1. **Should Dwight Robinson take the consultant's advice?**

   Dwight might partially listen to the consultant's advice. The issue is yield management, and the concern is that once the hotel room is left empty for the night, that night's opportunity for income is gone forever. Consequently, if Dwight can sell the room for anything greater than his variable costs (the cost of cleaning the room and any other costs he can identify as directly associated with renting the room for one night), he should do it because *any* contribution will add to the fixed-cost coverage. Furthermore, any other revenues that the guests might contribute to food and beverage expenditures, parking, gift shops, or whatever are revenues that would not be captured if the guest was not in the hotel in the first place.

Note to the instructor: This could be a good place to discuss yield management, REVPAR, or break-even analysis, depending on the learning objectives.