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Chapter Objectives

After studying this chapter, you should be able to:

1. Explain reasons for the growth in hospitality services and the marketing of these services.

2. Describe the differences between a product and a service.

3. List attributes that are used to evaluate services.

4. Define service quality and describe potential gaps in service quality.

5. Describe philosophies for managing the quality of services.

6. Use improved customer satisfaction as a marketing tool.

7. Identify reasons for service failures and describe measures that can be taken to recover from these failures.

8. List service trends that will continue to impact the hospitality industry.

Introduction to Hospitality Services Marketing
CHAPTER OUTLINE

INDUSTRY PROFILE

INTRODUCTION TO SERVICES MARKETING
Services defined
The nature of services: differences between goods and services
Search, experience, and credence qualities

SERVICE QUALITY
The service quality process
Managing service quality

CUSTOMER SATISFACTION
Improving customer service and customer satisfaction
Service failures, customer complaints, and recovery strategies
Techniques to assess customer satisfaction

SERVICE TRENDS AFFECTING THE HOSPITALITY AND TOURISM INDUSTRY
Shrinking customer loyalty
Increasing consumer sophistication
Increased emphasis on the needs of individual customers

SUMMARY OF CHAPTER OBJECTIVES

KEY TERMS AND CONCEPTS

QUESTIONS FOR REVIEW AND DISCUSSION

CASE STUDY: SERVICE QUALITY AT THE EXCELSIOR HOTEL
JOANNE TRIPP  Senior Sales Manager
Omni Hotels • Richmond, Virginia

1. What are the major components or duties associated with your current position?

The major duty assigned to me is to book $1.3 million in room revenue for future years. My “market” is associations: state, regional, and national. I am a member of many organizations for networking purposes. Some of them are VSAE (Virginia Society of Association Executives), and MPI (Meeting Planners International). I am the most senior member of our sales team, and while no one reports to me, I am very much a mentor to our less senior sales staff.

2. What are the components of your position that bring you the most satisfaction? What about your position causes you frustration?

I get my greatest satisfaction when I make the sale! I thoroughly enjoy working with my repeat customers and local people who want to bring their association’s meeting to Richmond. It is particularly satisfying when the group I have booked was looking at several cities, and several hotels in each city, and they selected us! That is when I know that I have really earned my salary!

My greatest frustration comes when I work on a citywide group because I do not have as much control over the decision. We are rarely able to be the headquarters because we are not large enough.

3. What are the most challenging aspects that you’re facing?

The greatest challenge I face today is negotiating the attrition clause in our contract. It is very fair, but still makes planners nervous. The other challenge I face is maintaining rate integrity when many hotels are lowering rates.

4. What major trends do you see for your segment of the hospitality and tourism industry?

Fortunately, associations will always have meetings. The major trend I see is that planners are not trying to up the numbers each year. In fact, many prefer to contract for smaller numbers than the previous year’s meeting. Group business is even more important for our hotel now, because we realize we cannot count on business travel. This is a major change!
5. What role does marketing play within your company?

Marketing is important for Omni Hotels, but most advertising is done through our corporate office in Texas. Our director of sales and marketing tries to get us involved in a lot of community things to keep the Omni name visible. We do very little local print advertising. Our sales departments are well staffed, and we have specific goals as to number and types of calls—prospecting, personal, site inspections, et cetera—that we do each week.

6. If you could offer one piece of advice to an individual preparing for a career in the hospitality and tourism industry, what would you suggest?

For people who think this is the industry for them, I strongly suggest that they really think about their personality and be sure they can thrive (and survive) in the atmosphere. It truly is different from anything else. It is critical that they work for a hotel while they are still in school, preferably in a few different hotels, and departments, so they can get a feel for it and know where they would be the happiest and most successful.
INTRODUCTION TO SERVICES MARKETING

The growth in the services sector of the worldwide economy has been phenomenal in the last 25 years. In the United States, services currently account for more than 75 percent of the gross domestic product (GDP), which is a popular measure of an economy’s productivity. Similarly, on an international scale, services continue to account for an ever-increasing percentage of economic activity. Most new jobs are created in the service sector, and the growth in the hospitality and tourism industry is a major contributor.

Until the mid-1980s, the emphasis within the marketing community was on products. Now services have surpassed products and have taken on a more important role in marketing. Services, such as those offered by providers in the hospitality and tourism industry, have developed marketing strategies and practices that are unique. It has been established that the strategies, tactics, and practices that have been used successfully for product marketers do not always work successfully for those who market services. With the distinct differences between products and services in mind, the field of services marketing has evolved.

SERVICES DEFINED

Unlike products, which are tangible, services are usually intangible. A service is not a physical good; rather, it is the performance of an act or a deed. This performance often requires consumers to be present during the production or delivery of the service. Service industries, including hospitality and tourism, are actually selling consumers an experience.

Services have been defined to “include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser.”

Service employees such as front desk agents, housekeepers, hostesses, wait staff, car rental agents, flight attendants, and travel agents are responsible for creating positive experiences for customers. These frontline employees are critical to the success of service firms and play boundary-spanning roles because of their direct contact with customers. These roles are important because customers’ perceptions of service firms are formed as a result of their dealings with the boundary-spanning employees.
Several reasons underlie the remarkable growth in services. Two leading services marketing experts, Christopher Lovelock and Lauren Wright, cite numerous reasons for this growth:  

- **Changing patterns of government regulation.** The reduction in government regulation has spurred the growth of services. In recent years, there has been a very noticeable shift toward the government taking a much less active role in the regulation of business activities. The most noteworthy of these shifts have been in the airline, trucking, telecommunication, and electrical generation and distribution industries. All of these industries have seen significant changes, as the barriers to entry have been removed and regulations governing such marketing elements as price have also been relaxed or entirely removed.

- **Relaxation of professional association restrictions on marketing.** A new element of competition has been introduced into professions such as law and medicine as more of the practitioners in these areas advertise their services. Bans or restrictions on promotion have been largely removed. Within the hospitality and tourism industry, standards have also changed. We have seen an increase in advertising focusing on direct comparisons,
or attacks, on competitors’ products and services. This type of advertising strategy creates, or sustains, the perception of superiority in the mind of the consumer in favor of the brand being advertised.

- **Privatization of some public and nonprofit services.** The term *privatization* was first used in Great Britain when the government adopted the policy of returning national industries from government to private ownership. This transformation has resulted in a greater emphasis on cost containment and a clearer focus on customers’ needs. Later, in Central and Eastern Europe, following the fall of communism, we witnessed a continuing transformation from planned or government-run economies to market-driven economies fueled by private companies. Many of these countries’ governments have released the control of airlines and travel agencies to private firms.

- **Technological innovation.** Technology continues to alter the way firms do business and interact with consumers. In all types of businesses, consumers take a more active role in the service delivery process. For example, airlines, in an effort to reduce labor costs and increase speed of service to customers, have aggressively promoted self-check-in, both at the ticket counter and through their Web sites prior to arrival at the airport. Customers print boarding passes, receipts, and other documents without intervention by an airline employee. Express checkout for hotel guests has been in place for many years, but hotel chains continue to experiment with ways to enhance the service, thereby reducing labor costs and/or increasing the customers’ perceived value. In other settings, touch-screen computers collect feedback from guests, in much the same manner that comment cards have been used previously. The ease with which a company can maintain and access a database has permitted the development of sophisticated reservation systems and has led to more sophisticated frequent traveler programs. The use of more sophisticated reservations and property management systems has allowed hospitality and tourism firms to improve the level of service provided to guests. Guest history data serve as another example of how a hospitality organization can use technology to gain a competitive advantage. If a hotel guest requests a specific type of pillow, staff can record this preference within the individual’s guest history file. When this guest checks into another hotel operated by the chain, the items that were previously requested can be waiting, without the guest even having to request them.

- **Growth in service chains and franchise networks.** Much of the growth in service firms, including the hospitality industry, has been the direct result
of franchising efforts by some of the major companies. **Franchising** represents a contractual arrangement whereby one firm (the franchisor) licenses a number of other firms (the franchisees) to use the franchisor’s name and business practices. Notable lodging organizations such as Choice Hotels International and Marriott International, as well as food service firms such as McDonald’s, Burger King, Taco Bell, and Wendy’s, have all used franchising as a major vehicle for growth. The continued growth of the hospitality industry by means of franchising has put additional stress on independent owners and operators. In fact, each year the percentage of hospitality and tourism operations that are independently operated decreases.

- **Internationalization and globalization.** Increasing shareholder value often remains directly associated with increasing company sales and profits, and **globalization** is one means of achieving this. As more and more of the prime locations are developed domestically, companies look internationally for expansion opportunities. This has been particularly true for fast-food franchisors: a significant proportion of their expansion during the last few years has occurred outside of their traditional domestic markets.

- **Pressures to improve productivity.** In many industries within the service economy, competition stays very intense. This factor, when combined with the pressure from investors for higher returns on capital, has resulted in pressure to increase productivity and reduce costs. In many cases, managers seek to reduce labor costs by running leaner operations or using technology to replace humans for some tasks. An example of this was when Delta Airlines encouraged passengers to check in via the Internet, thereby reducing the number of passengers who wanted to check in at the airport. They offered an incentive of 1,000 extra frequent-flyer miles to any passenger who used this service. While increasing productivity and profits remains a highly desirable goal, it must not be done at the expense of long-term customer satisfaction. Without long-term satisfaction, future profitability may exist in jeopardy.

- **The service quality movement.** With the advent of consumerism, the public’s perception is that service quality has declined. In response, successful firms are using the customer’s perception of quality to set performance standards, rather than relying solely on operationally defined standards for service quality. They often conduct extensive research to determine the key elements that impact the customer’s perception of service quality. When Ritz-Carlton won the Malcolm Baldrige National Quality Award,
this was tangible evidence that paying careful attention to customers’ service expectations can have a dramatic impact on the firm.

• **Expansion of leasing and rental businesses.** The expansion of businesses that lease equipment and personnel to firms has been a contributing factor in the growth of the service sector. More and more firms are looking to outsource some elements of their operation, and they often start with elements that are not part of the firm’s core product or business. For example, most hotels that host meetings and conventions have outsourced the servicing of the audiovisual needs of groups to a company that specializes in that type of business. The company in turn leases the audiovisual equipment to groups that are holding meetings in the hotel. The company is able to provide more up-to-date and specialized equipment to groups than the hotel might if it provided the service itself. The hotel does not have to maintain an inventory of equipment, and therefore capital costs are reduced.

• **Manufacturers as service providers.** Some of the firms that traditionally manufactured and distributed tangible products have found it profitable to provide services as well. For example, most automobile manufacturers have consumer credit agencies to facilitate the leasing and purchasing of automobiles. In the hospitality industry, PepsiCo decided to enter the restaurant industry and distribute its products through acquisitions such as Taco Bell and KFC, but the company later reconsidered this strategy and sold these brands to Yum! Brands, Inc. In the computer industry, firms such as IBM and Hewlett-Packard provide services in addition to hardware and software. In most cases, the profit margins on services are higher than on products, contributing significantly to the bottom line of the firm.

• **Pressures on public and nonprofit organizations to find new income sources.** All organizations are under pressure to increase sales, which often becomes difficult within the traditional products that a firm sells. There are many reasons for this, but increasing competition and mature industries are often contributing factors. In an effort to find new sources of income, firms often seek new services that will generate new net sales, without cannibalizing sales of existing products. For example, a limousine company might expand its city tour business in addition to the other services offered.

• **Hiring and promotion of innovative managers.** In the past, managers in the service industries often spent their entire careers within a single industry, or perhaps even with the same firm. This situation no longer re-
mains the same, especially at the corporate level of management. Firms often hire individuals from other industries to provide a fresh perspective and fresh ideas. The results can become dramatic. One such individual is Steven Bollenback, president and CEO of Hilton Hotels. Prior to his very positive impact on Hilton Hotels, he had engineered innovative financing at both Marriott International and Trump Hotels and Resorts.

**The Nature of Services: Differences Between Goods and Services**

Along with the growth in services, an appreciation for the ways in which services are different from products has developed. The traditional ways of marketing tangible products are not equally effective in services marketing. In many industries, marketing involves tangible manufactured products, such as automobiles, washing machines, and clothing, whereas service industries focus on intangible products such as travel and foodservice. However, before we can explore how services get successfully marketed, we need to examine the ways services differ from products. Lovelock and Wright have identified nine key differences.³

- **No ownership by customers.** A customer does not take ownership when purchasing a service. There is no transfer of assets.

- **Service products as intangible performers.** The value of owning a high-performance car or the latest computer lies in the physical characteristics of the product and to some extent the brand image it conveys. The value of purchasing services lies in the nature of the performance. For example, if you decide to celebrate a birthday or anniversary by dining at an expensive restaurant, the value lies in the way in which the service actors perform. When servers come to the table and present all the entrees simultaneously, the choreographed presentation appears in the same manner as a choreographed play or performance.

- **Greater involvement of customers in the production process.** Because consumers tend to be present when receiving service within a hospitality operation, they remain involved in the service production. In many instances, they are directly involved through the element of self-service. Examples of this can be seen in fast-food restaurants as well as in hotels that provide automated check-in and checkout by means of either a machine or a video connection through the television. Airlines have greatly expanded
self-service within their operations as a means of reducing labor costs. In any case, the customer’s level of satisfaction depends on the nature of the interaction with the service provider, the nature of the physical facilities in which the service gets provided, and the nature of the interaction with other guests present in the facility at the time the service is provided.

• **People as part of the product.** People or firms that purchase services come in contact with other consumers as well as the service employees. For example, a hotel guest waits in line at the front desk or the concierge desk with other guests. In addition, the guests share facilities such as the pool, the restaurant, and the fitness center. Therefore, service firms must also manage consumer interactions to the best of their abilities to ensure customer satisfaction. For example, a hotel’s sales office would not want to book group business with a nondrinking religious group at the same time as a reunion of military veterans. The two groups are significantly different in behavior, and the expectation is that they would not mix well within the facilities at the same time. Similarly, restaurants separate smokers and nonsmokers, and they should try to separate other patrons that show some potential for conflict.
• **Greater variability in operational inputs and outputs.** In a manufacturing setting, the operational production can be controlled very carefully. For example, staff carefully manage inventory and precisely calculate production times. Services, however, are delivered in real time, with many variables not being fully under the control of managers. For example, if a guest has been promised an early check-in but all of the guests from the preceding night are late in checking out, it becomes more difficult for the hotel to honor the arriving guest’s request. A service setting remains a more difficult site in which to control quality and offer a consistent service experience. Service firms try to minimize the amount of variability between service encounters, but much of the final product stays situational. There are many uncontrollable aspects of the delivery process, such as weather, the number of consumers present, the attitudes of the consumers, and the attitudes of the employees. Therefore, it becomes impossible to consistently control the quality for services in the same manner as the quality of manufactured products.

• **Harder for consumers to evaluate.** Consumers can receive considerable information regarding the purchase of products; however, they often do not obtain it for services. Prior to buying a product, a consumer can research the product attributes and performance and use this information when making a purchase decision, especially an important one.

• **No inventories for services.** Due to the intangible nature of services, they cannot be inventoried for future use. Therefore, a lost sale can never be recaptured. When a seat remains empty on a flight, a hotel room stays vacant, or a table stays unoccupied in a restaurant, the potential revenue for these services at that point in time becomes lost forever. In other words, services are perishable, much like produce in a supermarket or items in a bakery. It remains critical for hospitality and tourism firms to manage supply and demand in an attempt to minimize unused capacity. For example, restaurants offer early-bird specials and airlines offer deeply discounted fares in an attempt to shift demand from peak periods to non-peak periods, thereby increasing revenue and profits.

• **Importance of time.** Hospitality services are generally produced and consumed simultaneously, unlike tangible products, which are manufactured, inventoried, and then sold at a later date. Customers must be present to receive the service. There are real limits to the amount of time that customers are willing to wait to receive service. Service firms study the phenomenon of service queues, or the maximum amount of time a customer will wait for a service before it has a significant (negative) impact on his
or her perception of service quality. Airline companies offer curbside check-in for the most time-conscious passengers, and restaurants have devised practices such as providing guests with pagers and expanding the bar area in order to reduce the negative effect that results from waiting for service.

- **Different distribution channels.** The distribution channel for services is usually more direct than the traditional channel (i.e., manufacturer-wholesaler-retailer-consumer) used by many product firms. The simultaneous production and consumption normally associated with service delivery limits the use of intermediaries. The service firm usually comprises both the manufacturer and the retailer, with no need for a wholesaler to inventory its products. Consumers are present to consume the meals prepared in a restaurant, to take advantage of the amenities in a hotel, and to travel between cities by plane.

**Search, Experience, and Credence Qualities**

Consumer behavior is covered in greater depth in Chapter 3, but a brief introduction to the subject as it relates to services becomes useful at this point. When consumers make purchase decisions, they move through a series of steps that explain the thought process leading up to and following the purchase of a product or service. Prior to making a purchase decision, consumers look for information about the product or service. **Search qualities** are attributes that the consumer can investigate prior to making a purchase. When purchasing hospitality and tourism services, consumers rely heavily on word of mouth and on promotional elements such as advertising and publicity. Since services are intangible, search qualities can be difficult to evaluate. However, advances in technology and the increase in consumer advocacy groups have resulted in more information being available to consumers prior to purchase.

The second set of qualities consumers use to evaluate services are **experience qualities**. These refer to the attributes that can be evaluated only after the purchase and consumption of a service. The intangible nature of services forces consumers to rely heavily on experience qualities in the final evaluation of services. Therefore, a high risk remains associated with the purchase of services. For example, consumers who want to purchase an automobile will test-drive the car and review and consult the consumer performance data that are available on that model. Conversely, consumers who rent cars cannot evaluate their purchases until after they have committed their payment. Few consumers will take the time or make the effort to test-drive potential rental cars prior to mak-
ing a decision at the time of rental. Similarly, consumers are taking a risk when they choose a restaurant because they cannot sample meals before they are purchased.

Finally, **credence qualities** are those attributes that are difficult to evaluate even after the service is consumed. Even though you arrive safely at your destination after a flight, you cannot evaluate the pilot’s work in any real depth. In many cases, you know a service was not performed correctly only when an obvious mistake exists. For example, bacteria often appear on food served in restaurants, but the public becomes aware of it only when major ramifications such as food poisoning or deaths get publicized.

Purchase decisions related to services are more difficult to make because of the lack of search qualities and the difficulty in evaluating credence qualities. Consumers tend to rely on their own past experiences and those of others when making purchase decisions. Therefore, service firms must obtain as much feedback from consumers as possible. If consumers do not return, the firm may not know why, and the consumers will probably tell others about their experience. Service firms should know if consumers are not satisfied so that appropriate actions can be taken to improve the quality of service and increase repeat business.

**service quality**

Firms use two basic strategies to compete: become a low-cost provider of a particular service and focus on price competition, or focus on quality and try to differentiate your service from those offered by your competitors. Firms that can project high-quality images can charge higher prices. Pricing strategies are discussed in detail in Chapter 15, but the concept of quality will be introduced in this chapter.

**Service quality** is a perception resulting from attitudes formed by customers’ long-term, overall evaluations of performance. Maintaining high-quality service in the hospitality and tourism industry remains difficult because of the variability in service delivery mentioned earlier in this chapter. Service quality is affected by all of the individuals who have contact with customers. If one employee provides below-standard service or fails to satisfy the customer, a negative experience could result. Therefore, it is important to understand the entire process of service delivery that leads to consumer perceptions of quality.
The service quality process is the product of the expectations and perceptions of a firm’s management, its employees, and the customers it serves (see Figure 2.1). Whenever there are differences in expectations or perceptions between the people involved in the delivery and the consumption of services, a potential for a gap in service quality exists. Firms should diagnose any service quality gaps because there is a direct relationship between service quality and customer satisfaction. Simply stated, when customers are satisfied, they are much more likely to purchase from the service provider again. Over time, if they remain satisfied, they become loyal customers. The service gap is the final gap that exists when there is a difference between customers’ expectations of a service and their perceptions of the actual service once it is consumed. When this difference occurs, it is the result of one or more gaps that occur earlier in the service quality process.

The first potential gap is referred to as the knowledge gap, which occurs when management’s perception of what consumers expect is different from the consumers’ actual expectations. This gap may lead to other gaps in the...
The service quality process, and it is usually the result of a failure in the firm’s research program or organizational structure. Firms need to obtain feedback from customers and employees that can be used to design services that will appeal to customers. If the current service offering is not satisfying customers, then the firm should know from its customer surveys or because its employees are willing, and able, to provide valuable information that they obtain from customers, either voluntarily or involuntarily.

The second potential gap is referred to as the standards gap, which refers to the discrepancy that can occur between management’s perception of what customers expect and how the service delivery process is designed to meet those expectations. Management establishes the specifications to provide the desired service at the desired level of quality. Therefore, even if management remains accurate in its perception of customer expectations, a gap could still exist in service because the delivery process does not accomplish the goals of the firm. For example, management may have correctly determined the amount of time that customers are willing to wait to check in to a hotel, but they may not schedule enough front desk clerks to meet the customers’ expectations. This could result from a lack of commitment on the part of man-

*Figure 2.1 - Service quality process. Reprinted with permission of the Journal of Marketing, published by the American Marketing Association.*
agement or the result of management trying to reduce the firm’s operating costs. One of the techniques used by management is to develop a service blueprint—a flow chart that details the delivery process, including the points of contact with customers. This will help to uncover any shortcomings in the delivery process that may lead to a gap in service quality. Management should document each step in the process to identify areas for improvement.

The third potential gap is referred to as the delivery gap, which occurs when there is a difference between the service delivery specifications and the actual service delivery. Management may have correctly assessed customer expectations and developed specifications that will meet these expectations, but employees may not deliver the service properly. For example, a restaurant may specify that wait staff should approach customers within two minutes of seating. However, the wait staff may stand around discussing their plans for later in the evening and ignoring the specifications. Firms must find ways to create an atmosphere for employees that ensures their willingness to perform the job tasks as desired by management. Employee selection and training are critical in this process, as are the rewards and recognition provided for good performance.

The fourth potential gap is referred to as the communications gap, which occurs when there is a difference between the service delivered and the service quality.
vice promised through the firm’s external communications with customers. Many firms have a tendency to promise more than they can deliver in an attempt to persuade customers. For instance, advertisements for hospitality and tourism firms lead customers to believe that in the event of a problem or mishap the firms will do whatever they can to satisfy customers. Making promises to consumers that cannot be delivered is a big mistake that service providers often make. It results in service performance levels that are below consumer expectations, leading to dissatisfaction. Each individual consumer makes purchase decisions and has established, based on past experiences, a set of expectations for the performance of a product or service.

Anyone who travels on a regular basis can provide stories related to experiences with airlines, hotels, and restaurants. Ironically, firms that advertise 100 percent satisfaction guarantees are banking on the fact that most customers will not complain or force the issue. In other cases, firms simply neglect to inform customers about procedures or policies that would affect their expectations. For example, a good waitress will make sure that customers know that a dish is spicy or that a certain entrée will take longer to properly prepare, so that customers can make informed decisions and are less likely to become dissatisfied, because the actual performance will more closely match consumer expectations.

If any of the first four gaps occur, then the service gap will occur because the actual service will not meet the customer’s expectations. Comment cards and basic surveys will often uncover a service gap, but they may lack the detail needed to evaluate the other potential gaps. Therefore, firms should have a mechanism in place to obtain feedback from customers and employees that can be used to examine the entire service quality process. If services do not meet customers’ expectations of quality, then the customers become dissatisfied and will likely not return. Also, they will convey these negative experiences to their friends and colleagues.

Managing Service Quality

To provide high-quality service, all members of the staff, from the highest to the lowest level on the organizational chart, must view the guest as the highest priority. Delivering high-quality service is based on an attitude of serving customers. For example, the mission statement of The Greenbrier, a well-known resort, states, “We are ladies and gentlemen serving ladies and gentlemen.”

Developing an attitude that places the customer as the highest priority for the business remains critical. Without satisfied customers and repeat patron-
age, the business will not succeed in the long term. To develop a service-quality orientation, customers should be perceived in the following way:

- Each customer is the most important person in any business.
- Customers are not dependent on us, but we are dependent on them.
- Customers do not interrupt our work. They are the purpose for it.
- Customers do us a favor when they call. We are not doing them favors by providing them services.
- Customers are part of our business, not outsiders.
- Customers are human beings like us, with the same feelings and emotions.
- Customers bring us their wants, and it is our job to fulfill them.
- Customers deserve the most courteous and attentive service we can provide.
- Customers are the lifeblood of every business.

Firms that use a customer orientation become more successful at providing products and services that meet customers’ needs and expectations. In contrast, firms that assume they know what is best for the customer are more likely to fail. This is further illustrated by those firms that successfully engage in relationship and internal marketing.

**Relationship marketing.** All progressive companies devote marketing resources to attract and retain new customers. **Relationship marketing** is based on the proposition that it is less expensive to keep the customers you already have than to acquire new customers. It is shortsighted to think that merely attracting new customers will keep the business headed in a successful direction. Rather, an equal amount of attention and resources should be devoted to keeping the customer base that already exists. In times of slow market growth and increasing competition, it will be less expensive to maintain an existing customer base than to seek new customers.

Relationship marketing involves attracting, developing, and retaining customer relationships. This long-term view toward the customer must be seen as being equal in importance to attracting new customers. Many firms make the mistake of focusing on new customers at the expense of existing customers, and the level of service quality diminishes. For example, hotel sales managers are expected to develop new accounts with corporate and association groups.
Sometimes they spend so much time trying to get these new accounts that they neglect some of their existing accounts. This lack of attention may cost the hotel the group’s future business because they took the customer for granted. Service firms should build relationships and maintain them.

A relationship marketing approach is highly desirable upon meeting the following conditions:

- A customer has an ongoing or periodic desire for the service.
- The service customer controls the selection of the service organization.
- Alternative service providers make it easy for customers to switch.

All three of these conditions are present in the hospitality and tourism industry. Many firms offer special prices and additional services to highly desirable customers in an attempt to build long-term relationships. These practices are most commonly used with business accounts and frequent users. For example, hotels provide contract rates for corporations that supply a high volume of annual business. Airlines receive one of the lowest rates possible in hotels near airports because they have flight crews who need guest rooms on a daily basis. Also, airlines build relationships with frequent flyers by providing them with additional services such as preboarding, free upgrades, and airport clubs where they can rest or conduct business away from crowded lounges at departure gates.

**Internal Marketing.** In addition to focusing efforts on consumers, firms can achieve higher levels of service quality by marketing to their employees. **Internal marketing** encompasses all activities used by a firm in an effort to improve the marketing effectiveness of its employees. Efforts should be made to communicate with all employees, especially those in boundary-spanning roles who come in contact with customers. The ability to deliver consistent, high-quality service depends on the organization’s ability to recruit, train, retain, and motivate dedicated service personnel.

First, service firms need to select and hire employees who are willing and able to provide high-quality service. There are many people in the job market, and firms need to create attractive positions that appeal to highly motivated individuals. A range of potential service exists that an employee can provide from the minimum necessary to retain the position and not be penalized to the maximum possible service. This variability in the level of possible service is referred to as **discretionary effort.** For example, if an airline passenger leaves a carry-on item on a flight, the airline’s personnel have some discretion as to the level of service they will provide. They can take their time and forward the item to the traveler’s next destination, or they can try
to deliver it to the traveler before he or she boards the next plane or leaves the airport.

Second, service firms should provide employees with adequate training so they possess the skills that are required in performing their job tasks. In addition, the firm should communicate with employees so they are aware of changes within the organization as well as upcoming events. If service personnel are well trained and they understand what management expects, the environment is right for success. Firms can use both internal communications, such as newsletters and e-mail, and external communications, such as advertising and public relations, to convey their expectations to employees. An advertisement can be used to create and manage consumer perceptions and expectations, but at the same time, the ad can be used to educate employees as well. One of the major airlines aired a commercial on television that showed an athletic employee running through the airport to catch a traveler who left his briefcase at the check-in counter. This commercial served two purposes: (1) it let customers know that the airline provided high-quality service, and (2) it gave employees an idea of the firm’s service expectations.

Finally, firms need to provide employees with rewards and recognition when they perform at a high level of discretionary effort. This motivates service providers to continue performing at high levels and to remain loyal to the firm. Retaining good employees is important in providing high-quality service, and it reduces the costs associated with turnover. It takes a great deal of time and effort to hire and train good employees. Firms can use extrinsic rewards such as salary increases and bonuses or intrinsic rewards such as recognition and job satisfaction to motivate employees. Many firms recognize “employees of the month” by honoring them with plaques displayed where customers can see them or allowing them to use special parking spaces close to the building.

customer satisfaction

Most firms understand the importance of customer satisfaction and will provide basic training to their employees. The more sophisticated firms actually have instruments that they use to measure customer satisfaction and establish benchmarks for future comparisons. Benchmarking is a process whereby a firm establishes a level of performance by comparing current performance against past performance, or by comparing current performance against the performance of other companies or an entire industry. Data are used to create benchmarks, which then become the standard against which current and
future performance is evaluated. Unfortunately, many firms still only pay lip service to customer satisfaction and the complaints received from customers. The following information was collected through the efforts of the Technical Assistance Research Program in the 1980s, but it remains accurate today:8

- The average business does not hear from 96 percent of its unhappy customers.
- For every complaint received, 26 other customers have the same problem.
- The average person with a problem tells 9 or 10 people, and 13 percent will tell more than 20.
- Customers who have their complaints resolved to their satisfaction tell an average of 5 people about the experience.
- Complainers are more likely to do business with you again than non-complainers who have a problem: 54–70 percent if resolved, and 95 percent if resolved quickly.

These statistics support the contention that a dissatisfied customer tells people about a bad experience more often than a satisfied customer tells people about a good experience. However, firms should take note that it is beneficial to have customers voice their complaints so that they can be resolved and increase the likelihood that the customers will return.

**Improving Customer Service and Customer Satisfaction**

Improving customer service should be a top priority of all managers working in the hospitality and tourism industry. Customer satisfaction occurs when a firm’s service, as perceived by customers, meets or exceeds expectations. Firms that can consistently meet or exceed customer expectations will develop good reputations and often good quality images. When we travel, we encounter service providers in hotels and restaurants who provide exceptional service. This type and consistency of service does not happen by accident; it begins with a commitment by management to make it that way. Conversely, when the opposite occurs, the finger should be pointed at management as well.
1. **Define your standards of quality service with measurable indicators.** Before you can evaluate the level of service provided by employees within your organization, you must establish the standards by which they will be judged. These standards, or benchmarks, should be observable and measurable. For example, it might be reasonable to expect front desk agents to answer the telephone within four rings or room service to deliver meals within 30 minutes of when the order was received. Once these standards are developed, they must be communicated to all personnel. It remains crucial that standards be clearly defined before any plans are developed to improve the level of service.

Martin suggests two major dimensions to define quality service: the **procedural dimension** and the **convivial dimension**. The procedural dimension includes incremental flow of service, timeliness, accommodating consumer needs, anticipating consumer needs before they occur or are requested by the consumer, communicating in a clear and concise manner,
obtaining consumer feedback, and coordinating through proper supervision. The convivial dimension includes displaying a positive attitude and body language, using the guest’s name as a means of delivering personal attention, attending to the guest on a personal basis, providing guidance to guests who are indecisive, and solving problems that arise.

2. **Assess your current situation.** As in any continuous improvement program, before you move forward, you must determine your current position. This can be done by objectively assessing the level of service currently provided within the organization; this involves conducting an audit of the services provided by service personnel within the organization. As a result of the audit, the strengths and weaknesses of the firm can be determined; this will provide a means of building on the aspects of service that are positive and improving the areas that are deficient. Audits can be conducted using mystery shoppers, or corporations may use staff members to audit the performance of units within the company.

3. **Develop effective service improvement strategies.** This must be accomplished through well-planned and thorough training of service providers. Attention must be paid to identifying objectives for the training and providing specific instructions and clear descriptions of the expected outcome(s) of the training.

4. **Initiate your solutions carefully.** As with any plan, implementation is the most critical stage. You should proceed with caution, taking steps incrementally rather than all at once. You should build on small successes, rather than trying to accomplish too much too soon.

5. **Provide feedback, recognition, and rewards.** Positive feedback must be provided if the change in behavior continues. A reward structure must be provided that will maintain the level of interest and enthusiasm among the service providers throughout their careers. This represents a major challenge for management, but one that is well worth the effort.

Finally, management must continually evaluate the performance of its employees and make the appropriate changes. Over time, customers’ expectations of service firms change, and competitive firms may increase the level of service that is considered the standard in an industry. Therefore, firms must constantly reassess their strategies and redefine their service standards. Service performance and customer satisfaction should be measured and evaluated using benchmarks established during previous periods. Also, direct comparisons with the performance of firms considered industry leaders are an excellent way to establish goals for future improvement.
Service failures, customer complaints, and recovery strategies

Service failures occur at critical incidents, or “moments of truth,” in the service encounter, when customers interact with a firm’s employees. It is important to provide service personnel with the authority and the recovery tools necessary to correct service failures as they occur. This section will discuss the types of service failures, common consumer complaints, and recovery strategies that can be used to repair the service failures.

Service failures. The timeliness and form of response by service providers to service failures will have a direct impact on customer satisfaction and quality perceptions. Service failures are assigned to one of three major categories: (1) responses to service delivery system failures, (2) responses to customer needs and requests, and (3) unprompted and unsolicited employee actions.

The first category, system failures, refers to failures in the core service offering of the firm. These failures are the result of normally available services being unavailable, unreasonably slow service, or some other core service failure that will differ by industry. For example, a hotel’s pool may have a leak and be closed, a customer may have to wait a long time for the shuttle to an airport car rental agency, or an airline might mishandle a passenger’s luggage.

The second category, customer needs failures, are based on employee responses to customer needs or special requests. These failures come in the form of special needs, customer preferences, customer errors, and disruptive others (i.e., disputes between customers). For example, a hotel guest may want to have a pet in the room, a customer may want to be switched to an aisle seat on an airplane, a customer at an event may lose his ticket, or a customer in a restaurant may be smoking in a nonsmoking section.

The third category, unsolicited employee actions, refers to the actions, both good and bad, of employees that are not expected by customers. These actions can be related to the level of attention an employee gives to customers, to unusual actions that can be performed by employees, to an action’s reinforcement of a customer’s cultural norms, or to an employee’s actions under adverse conditions. For example, a hostess in a restaurant could anticipate the needs of a family with a small child, a hotel front desk clerk could give a free upgrade to a guest who waited in line too long, a flight attendant could ignore passengers with children, or a cruise ship employee could help to evacuate passengers during a crisis.
CUSTOMER COMPLAINT BEHAVIOR. As mentioned earlier in this chapter, certain undesired outcomes are associated with dissatisfied customers. Two of the most common are to engage in negative word of mouth and to change service providers. A third, less common reaction is to engage in some form of retaliation. This retaliation can range from a negative word-of-mouth campaign to causing physical damage or launching a major protest. The way a firm approaches and handles complaints will determine its long-term performance. Some firms show a dislike for customers who complain, while other firms create an atmosphere that encourages customers to voice their concerns. For example, Bertucci’s Brick Oven Pizzerias, headquartered in Massachusetts, offers customers a toll-free number that they can call to register a complaint. One of the primary reasons for doing this is to provide dissatisfied customers with an outlet to have their concerns heard and to take immediate steps to resolve the complaint. By doing so, the firm hopes to reduce negative word of mouth and to retain customers.

Most customers complain in an attempt to reverse an undesirable state. Other more complicated reasons for complaining are to release pressure, to regain some form of control over a situation, or to get the sympathy of others. Whatever the reason, the outcome is that customers are not completely satisfied, and it is in the firm’s best interest to know when this occurs. There are many other dissatisfied customers who do not complain because they don’t know what to do or they don’t think it will do any good.

RECOVERY STRATEGIES. When customers complain, firms are presented with the opportunity to recover from service failures. Recovery strategies, and actions occur when a firm’s reaction to a service failure results in customer satisfaction and goodwill. In fact, customers who are involved in successful service recoveries often demonstrate higher levels of satisfaction than customers who do not report service failures or complain. The following list describes popular service recovery strategies:

• Cost/benefit analysis. Service firms should compare the costs of losing customers and obtaining new customers with the benefits of keeping existing customers. Most firms place a high value on retaining customers. However, some guests take advantage of satisfaction guarantees and complain on every occasion. Many hotel chains, such as Doubletree, maintain a database on complaints and will flag chronic complainers.

• Actively encourage complaints. It is better to know when customers are not satisfied so that action can be taken to rectify the situation. It is im-
Important to note that while unhappy customers may not complain to service firms, they will often complain to their family and friends. Hospitality and tourism firms use comment cards and toll-free numbers to encourage customers to provide feedback. Also, service personnel are trained to ask customers whether everything was satisfactory.

- **Anticipate the need for recovery.** Service firms should “blueprint” the service delivery process and determine the moments of truth, or critical incidents, where customers interact with employees. The process can be designed to avoid failures, but recovery plans should be established for use in the event that a failure occurs.

- **Respond quickly.** The timelier the response in the event of a service failure, the more likely that recovery efforts will be successful. Once a customer leaves a service establishment, the likelihood of a successful recovery falls dramatically. Based on this principle, firms such as Marriott International provide service hotlines at each hotel to help resolve problems quickly. Managers and associates know that the speed with which they respond is often as critical as what the final resolution becomes.

- **Train employees.** Employees should be informed of the critical incidents and provided with potential strategies for recovery. For example, some hotel training programs use videotaped scenarios of service failures to show employees potential problems and the appropriate solutions.

- **Empower the front line.** In many cases, a successful recovery will hinge on a frontline employee’s ability to take timely action and make a decision. Firms should empower employees to handle service failures at the time they occur, within certain limits. For example, Ritz-Carlton allows its employees to spend up to $1,000 to take care of dissatisfied customers.

One of the classic examples of a service failure involved Northwest Airlines during a major winter storm at the Detroit airport. Unfortunately, due to the heavy snow, many outbound flights were canceled, and no gates were available for unloading passengers from the inbound flights. This traffic jam left many passengers stranded as the airplanes sat on the taxiways for as long as eight hours. Northwest’s inability to provide the passengers with information or a solution resulted in hundreds of unhappy passengers and a class action lawsuit. Having delayed flights and a shortage of gates is not a new phenomenon at airports in climates such as Detroit’s, and Northwest Airlines should have had a viable service recovery program in place that could have lessened the severity of the problem.
techniques to assess customer satisfaction

One of the critical components of a firm’s commitment to customer satisfaction is feedback that provides an assessment of the firm’s performance. Then benchmarks can be established and future progress can be evaluated. Also, these measures can be used to reward service personnel in a way that stays consistent with a firm’s customer satisfaction goals. The following section describes the most common techniques used by firms to assess customer satisfaction.

spoken comments and complaints. Listening to consumer comments and complaints remains the most straightforward way to evaluate customer satisfaction. Service firms should set up formal systems that encourage customer and employee feedback regarding service experiences. Management should not overlook the value of the information obtained by boundary-spanning personnel through their normal contact with customers. One of the most recent approaches is providing toll-free numbers so that customers can call to voice complaints.

surveys and comment cards. Many hospitality and tourism firms leave comment cards in guest rooms, on tables in restaurants, and at other points of contact so that they can obtain feedback. One of the problems associated with this method is the lack of representation. The response rate is small, and it tends to be biased toward those who are most upset and chronic complainers. Larger operations will conduct surveys through the corporate offices by either telephone or mail. Surveys will normally be more representative than comment cards and provide more detailed information. These types of surveys also provide for a more representative sample of customers.

number of repeat customers. Service firms can gauge customer satisfaction by keeping track of repeat business. Higher levels of satisfaction would be associated with higher percentages of repeat customers. This models an unobtrusive method of assessing customer satisfaction, but it does not provide much detail.

trends in sales and market share. Another way to evaluate customer satisfaction without direct contact with customers is to examine the firm’s internal sales records. Comparisons can be made on a month-to-month basis and with the same period of the previous year. Higher levels of satisfaction would be associated with increases in sales. However, firms should be careful with this method because there are many possible explanations for increases in sales. For example, the firm may have launched a new advertising
campaign, a competitor may be renovating or going out of business, or the firm may have decreased its prices. In addition to examining sales records, firms should also look at market share. This measure considers sales in relation to the competition, which is a more accurate assessment of improved market performance. However, there could also be other explanations for changes in market share besides customer satisfaction.

**SHOPPING REPORTS.** Another approach used by hospitality and tourism firms involves having someone consume a service just like any other customer. The “secret shopper” can be an employee of the firm, an outside person chosen by the firm, or an employee of an outside firm that specializes in this service assessment activity. These shoppers are normally equipped with detailed evaluation forms based on company guidelines that can be used to record the desired information. It is often recommended that someone outside the firm be used in an attempt to maintain some level of objectivity. It is important to have a particular operation evaluated by more than one shopper on several occasions throughout the desired period. Doing so will result in a more representative sample of service experiences.

**SERVICE TRENDS AFFECTING THE HOSPITALITY AND TOURISM INDUSTRY**

Identifying trends within any business is one of the keys to success. Being in a position to identify what is occurring and what is likely to occur in the future remains very important. As discussed in Chapter 1, when studying trends in a broad sense, one should examine five major areas: the competitive environment, the economic environment, the political and legal environment, the social environment, and the technological environment.

Several issues and trends are critical to understanding hospitality and tourism marketing. They help put into proper perspective what occurs within the competitive marketplace. Three trends that are having an impact on the hospitality industry and will continue to do so are shrinking customer loyalty, increasing customer sophistication, and increasing emphasis on the needs of individual customers.

**SHRINKING CUSTOMER LOYALTY**

Advertising and promotion for the hospitality and tourism industry’s product-service mix have traditionally focused on the product, the services
provided, and the physical plant or atmosphere in which the customer enjoys the product-service mix. Today, many hospitality and tourism firms focus their promotions on price; that is, heavy price competition exists along with a good deal of discounting. Unfortunately, price discounting exists as a short-term strategy that seldom builds brand loyalty. Consumers often shop around for the best deal and are loyal only to organizations that give them a consistently superior one. Recognizing this, companies have sought ways to increase brand loyalty, especially among heavy users of the product-service mix. The best examples of this approach are the frequent flyer programs promoted by the airlines and the frequent traveler programs promoted by the lodging companies. These loyalty programs are commonplace in the lodging industry; all of the major chains use loyalty programs to encourage and reward frequent guests. The strategy behind loyalty programs is to hook the customer with points which can be redeemed for products or services. The more frequently the customer stays at a hotel operated by the company, the more points are earned. The basic concepts common to all of these programs are:

- Identify individuals who frequently purchase your product-service mix.
- Recognize the contribution those individuals make to the success of your company.
- Reward those individuals with awards and incentives that will increase their loyalty to your company and its brands.

Tie-ins with other companies providing travel-related services are also frequently used. For example, airlines, hotels, and car rental companies frequently offer bonus points within their programs if the traveler uses the services offered by one of the companies participating in the tie-in. Both the airlines and the hotel companies are constantly making minor alterations to their programs.

**Increasing Consumer Sophistication**

The budget segment of the lodging industry has undergone significant growth in the last several years. This growth has been fueled by the consumer demand for affordable accommodations that provide good value. In fact, consumers focus more on value and less on quality or price alone. Consumers have become more sophisticated and understand the concept of value at any price level. Companies have responded with brands that offer good quality at
an affordable price (e.g., Hampton Inn, Comfort Inn, Holiday Inn Express, and Fairfield Inn). Each of these brands features nicely appointed guest rooms, limited or no public meeting space, limited or no food service provided on the hotel site, and a complimentary continental breakfast for guests. These limited-service brands incur lower development and operating expenses and thereby can provide guests with a lower price and good value, something that all consumers are seeking.

Hotels in the upscale segment are also trying to increase the consumer’s perception of value. They continually provide a broad assortment of amenities, such as health clubs on the property, business centers, rooms that provide more work space for business travelers, and personalized concierge service. These properties are striving to become “one-stop” destinations, providing a complete product-service mix that includes many food and beverage outlets, in-house office services, a wide variety of meeting room configurations, and other services, such as recreation, that will appeal to potential guests.

Within the fast-food service segment, companies often “bundle” their products in an attempt to increase sales and provide a better value for their customers. For example, they combine a sandwich, a large order of french fries, and a large soft drink at a price lower than what the items would cost if purchased separately. Similarly, tour operators and travel agents attempt to provide customers with more value by “bundling” the various components of travel (e.g., airline ticket, hotel room, car rental, and tickets for tourist at-
tractions) at a price lower than the sum of the individual components. This approach is known as product bundling.

**INCREASED EMPHASIS ON THE NEEDS OF INDIVIDUAL CUSTOMERS**

The markets within both hospitality and tourism segments have been segmented for a long time. In the past 5 to 15 years, this trend has become even more pronounced. Mass marketing has become a thing of the past as more firms extend their product lines to meet the specific needs of smaller segments of travelers and diners. This phenomenon has become most apparent in the lodging industry. During the last decade, most of the major lodging chains developed several new brands or types of lodging properties to appeal to market segments that they were not currently serving. In addition, many hotel chains have merged with or acquired other hotel chains that focus on different market segments.

Improvements in technology have given firms the ability to maintain large databases that detail consumer purchasing behavior and preferences. This information can be used to direct marketing efforts toward individual customers or market segments. Instead of relying on the mass media for promotions, a marketer can target past customers through direct mail and e-mail with special promotions and incentives that have a higher probability of being successful. There is more customization of products and promotions and less wasted coverage with media campaigns.
SUMMARY OF CHAPTER OBJECTIVES

This chapter introduced you to the important area of hospitality services marketing. It began by defining services and explaining the characteristics that separate tangible products and services. Services are intangible and cannot be inventoried. This requires changes in the distribution process, and it makes it difficult to maintain consistent quality. It also requires more involvement on the part of customers, who actually become part of the product. The intangible nature of services results in more of an emphasis on experience qualities that are evaluated after a product becomes consumed, and less on search qualities that can be evaluated prior to purchase.

The concept of service quality remains important because consumers form perceptions of a firm based on its ability to provide a consistent level of service. This chapter introduced the service quality process and the potential gaps that could occur throughout the process. These gaps in service will decrease the level of service quality and lead to a decrease in customer satisfaction. Firms learn to manage service operations and improve quality through employee selection and training. Once a firm focuses on the needs of consumers, it can build customer loyalty through relationship marketing. The overall performance of the firm can be improved through internal marketing efforts that attempt to communicate with employees and provide them with an environment for success.

Customer satisfaction exists as the ultimate goal for a firm because it leads to brand loyalty and repeat purchases. Firms must meet or exceed customer expectations on a consistent basis in order to satisfy them. This chapter discussed ways to improve customer service and increase customer satisfaction. There are critical incidents, or moments of truth, when customers interact with employees and service failures can occur. Firms should encourage customers to voice their complaints so that the firms can anticipate and avoid possible failures. Also, firms can prepare service recovery strategies and train their employees to use them. A firm’s progress concerning customer satisfaction can be assessed using the techniques provided in this chapter, and benchmarks can be set for future comparisons.

Finally, the chapter discussed some of the current trends in the hospitality and tourism industry that affect service operations. First, there is shrinking customer loyalty. Customers have many alternatives for fulfilling their needs, and it is easy to compare these alternatives using all of the information that is available. The stronger the competition, the more incentives customers are given to switch service providers. Second, consumers are becoming more sophisticated. Consumers have access to a proliferation of information about
products and services. This information allows them to focus on overall value, rather than price or quality alone. Also, consumer advocacy organizations provide helpful tips for getting bargains and avoiding firms with poor reputations. Finally, there is an increased emphasis on the individual needs of customers. Improved technology has made database marketing possible, allowing more precise targeting of markets and less wasted coverage with promotions. Firms are able to service more market segments by introducing new brands or forming relationships with other firms (e.g., strategic alliances, mergers, and acquisitions).

**Key terms and concepts**

- Benchmarking
- Boundary-spanning roles
- Communications gap
- Consumer expectations
- Convivial dimension
- Cost/benefit analysis
- Credence qualities
- Critical incidents
- Customer needs failures
- Customer satisfaction
- Delivery gap
- Discretionary effort
- Experience qualities
- Franchising
- Globalization
- Internal marketing
- Knowledge gap
- Perceived value
- Privatization
- Procedural dimension
- Product bundling
- Recovery strategies
- Relationship marketing
- Search qualities
service blueprint
service failures
service gap
service quality
services marketing
standards gap
system failure
unsolicited employee action

QUESTIONS FOR REVIEW AND DISCUSSION

1. What are services? Do you believe that service marketing should be studied separately from product marketing? Why or why not?

2. List and discuss several of the reasons behind the growth in services. Which of these do you consider to be the most important? Why?

3. How do services differ from products?

4. Define service quality. Discuss the service quality process.

5. Using a foodservice operation with which you are familiar, develop a methodology to assess the service quality. Based on the data collected, how could their service standards be improved? What would be required to implement the recommended changes?

6. What are search and experience qualities? How are they used by consumers to evaluate services?

7. Define relationship marketing. How can it be applied to the hospitality and tourism industry?

8. Based on your knowledge of the hospitality and tourism industry, which firm does the best job of developing a
positive relationship with customers? Why? What specific actions have they taken to accomplish this?

9. What are the types of service failures? What recovery strategies can be used in the event of a service failure?

10. How would you define customer satisfaction? How can you improve customer satisfaction?

11. What are the techniques that can be used to assess customer satisfaction?

12. Based on a careful review of the current trade magazines for the hospitality and tourism industry, cite and discuss current trends that affect hospitality and tourism firms.

Notes

3 Ibid., pp. 14–17.
4 Douglas Hoffman and John E. G. Bateson, Essentials of Services Marketing (Fort Worth, TX: Dryden Press, 1997).
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case study

service quality at the excelsior hotel

risten Adams had recently transferred to the Excelsior Hotel to improve the level of customer service. She had been with the company for five years and had been quite successful in improving the level of customer satisfaction at the two previous hotels to which she had been assigned. Kristen knew that the Excelsior was going to be a real challenge. The mix of business was 60 percent individual transient guests and 40 percent group business. Of this group business, about one-third was motor coach tour groups.

On her first day on the job, she witnessed quite a sight. There was a line of about 20 guests waiting to check in when two motor coaches arrived and more than 80 additional guests and guides walked into the lobby to check in. Needless to say, the two front desk agents had a look of terror in their eyes as they worked diligently to process the registrations for those waiting to check in. Some 40 minutes later, everyone had been checked in, but the general manager said to Kristen, “I’m glad that you are here; we need to work out a better system. Let’s meet for lunch tomorrow to discuss your initial ideas.” Kristen had just picked up a pen to start brainstorming ideas to present to the general manager when a guest approached her desk.

“Hello, my name is Bill Foster, and I stayed at your hotel last night with my family. We really did not have a good experience, and I want to tell you about it. I want to make sure that this does not happen again, to me or anyone else.” Mr. Foster then proceeded to tell Kristen his account of the events. “I was traveling with my wife and our son, who is four years old. Our connecting flight was delayed, so we did not arrive at our final destination until 10 p.m. The Excelsior had an advertised check-in facility at the airport, and I assumed that I would be able to secure my room while waiting for the luggage. When I approached the employee at the hotel’s airport facility, I was told that check-in service was not available at that time of the day. I found this to be surprising, since this was the very type of situation in which an airport facility would be beneficial.

“Next, my family took a shuttle van from the airport to the hotel, where we were given directions to the front desk. Two front desk clerks were on duty when the passengers from the airport shuttle arrived a little before 11 p.m. However, one of the front desk clerks was apparently going off duty at 11, and she proceeded to close her drawer at that exact moment. This left a line of approximately 10 or 12 guests to be checked in by one clerk. Needless
to say, it took some time to process all of the guests, and we had to wait 20 or 30 minutes for our turn. We were assigned to a room, but at this point we had a few bags and my son was fast asleep and had to be carried. When I asked for assistance with our luggage, I was told that no one was available at that time of night. The hotel was large, having over 1,000 rooms, and the rooms were spread out among several adjacent buildings. Our room was two buildings away from the lobby area. My wife and I struggled to carry the luggage and our son to the room. We arrived there about 11:30 and attempted to enter the room. The key unlocked the door, but the door would not open. After a couple of attempts, we heard a woman’s voice in the room. Obviously, the room had been double-booked and the woman woken from her sleep. I used the house phone to call the front desk and explain the predicament. The front desk manager offered a quick apology and said that she would send someone with a key to a nearby room. About ten minutes later, a housekeeper happened to be going through the hallway, and she let my family into the room that I had been given over the phone. However, the housekeeper had no idea what was going on and took my word. After we had been in the room for ten minutes, the phone rang and I spoke with the front desk manager. She acted as though she had sent the housekeeper to open the room, but she still needed to send someone with the room keys. She apologized one last time and told me to call the front desk if I had any other problems.”

case study questions and issues

1. What steps should Kristen recommend to the general manager?
2. What action steps and timetable should she recommend? How should decisions be made about which steps should be done initially?
3. Develop a service blueprint of the check-in process. How might this be used to improve the situation?
4. Discuss the gaps in the service quality process that Bill Foster experienced.
5. What kind of service failures occurred and what recovery strategies were employed?
6. How did the Excelsior Hotel fail to meet Mr. Foster’s expectations?
7. What other actions could have been taken?