THE ROLE OF SERVICE
IN THE HOSPITALITY INDUSTRY

THE PURPOSE OF THIS CHAPTER

Although details differ, the tangible side of the hospitality industry, within segments, is surprisingly similar. Quick-service operations resemble one another within food categories, one budget motel offers pretty much the same as another, and so forth. Whether it's the Big Mac versus the Whopper or Hampton Inns versus Fairfield Inns, company offerings look a lot alike. Increasingly, companies are realizing that service is the best way to achieve differentiation and is what can give an operation a competitive edge. This chapter examines service as a process, considers the work of rendering service as a personal experience, and, finally, considers how companies manage service.

THIS CHAPTER SHOULD HELP YOU

1. Define service in terms of both guest experience and the operation's performance, then describe the principal characteristics of service and contrast it to delivery of a physical product.
2. Describe what is necessary to successfully fulfill both the task and the interpersonal requirements of service.
3. Identify and describe the two basic approaches to managing the service process.
4. Explain how market segmentation forms the basis for a service strategy, and identify the requirements for establishing a strong service culture.

A STUDY OF SERVICE

The letter from Mortimer Andrews to the company president began:

Dear Mr. Wilson,

Yesterday I arrived at your hotel in Chicago with a confirmed reservation guaranteed by my credit card only to be told that no room was available. I was furious and let the desk clerk know how I felt in no uncertain terms. The clerk, John Boyles, handled the situation so well that I wanted to write and tell you about it.

John responded to my very angry tirade about my reservation by admitting the mistake was the hotel's. He said that he had made reservations for me at a nearby Sheraton and that your hotel would take care of the difference in the room rate. When I reluctantly agreed, he called a cab—after letting me know your hotel would pay the cab fare, too.

What struck me was John's real concern for my situation, his professional manner, and the fact that he didn't give me any excuses: "It was our mistake and we're anxious to do everything we can to make it right." John carried my bags out and put me in the cab, convincing me that somebody really cared about this weary traveler.

I travel a lot and it's hard work without the extra hassles and foul-ups. On the other hand, everybody makes mistakes. John's concern and assistance make a big difference in the way it feels when one of them happens to you. I thought you should know about this young man's superior performance. He is a real asset to your company. He restored my faith in your hotel, and I'll be back.

This incident may not seem like a major event, but consider for a moment just what the stakes are. Mr. Andrews is a frequent traveler. If we assume that he is on the road an average of two days a week, at the end of the year his business would be the equivalent of a meeting for 100 people. If we assume an average rate (in all cities he visits, large and small) of $75 per night, the room revenue involved is $7,500. Using industry averages, he is likely to spend an additional $3,250 on food and beverage. In other words, the receipts from this one guest amount to a $10,000 piece of business—and there is no shortage of other hotels he could stay at if he doesn't like yours. Extend this over several years, and one begins to understand the long-term importance of keeping guests happy. (In fact, some hospitality companies conduct this very exercise to determine the long-term value that individual customers have to a company and to develop marketing strategies designed specifically to retain them.)

The rule of thumb, moreover, is that a dissatisfied customer will tell the story of his or her problem to ten others. The possibility for bad word of mouth and potential loss of other sales makes the problem of the dissatisfied guest even more serious.

In fact, a study of 2,600 business units in all kinds of industries, conducted by the Strategic Planning Institute, has been summarized in this way: "In all industries, when competitors are roughly matched, those that stress customer service will win."[1] If this is true in manufacturing and distribution, how much truer it must be for those of us whose business is **service**.

The population group that has dominated the hospitality industry (and most of the rest of the economy) is the baby boomers. Over the next ten years, this group will continue to move into the relatively well-off years, many of them retiring and spending their savings on travel and tourism. They are the best-educated consumers in history. These relatively affluent, sophisticated consumers (as we have noted elsewhere in this text) can afford and will pay for good service. Moreover, competitive options give them plenty of other places to go if they don't receive the kind of service they seek. Put another way, customers who don't receive good service from you today will be someone else's customers tomorrow. It is not too much to say that excellence in service will be a matter of survival into the foreseeable future.

The role that John Boyles played in keeping Mr. Andrews's business illustrates how important the service employee is in hospitality. That incident invites us to consider just what service is, how it is rendered in hospitality companies, and how companies can organize for and manage service. These are the subjects of this chapter.

WHAT IS SERVICE?

"Service," according to one authority, "is all actions and reactions that customers perceive they have purchased."[2] Put another way, service is the ability to provide assistance in the way that it has been implicitly promised. In hospitality, then, service is performed for the guest by people or (less frequently) by systems such as the remote guest checkout operated through a hotel's television screen. The emphasis in our definition is on the guest's total experience, which is made up of all of these so-called **moments of truth**. Indeed, from the guest's point of view, service is the performance of the organization and its staff in meeting or exceeding the implicit promises made throughout the service encounter.

In most segments of the hospitality industry, the guest and the employee are both personally involved in the service transaction. If a customer purchases a pair of shoes or a car, he or she takes the finished product away without much, if any, concern about who made it or how. In hospitality, however, to give one example, a lunch is served.

From the guest's point of view, service is the performance of the organization and its staff. (Courtesy of Sodexo, Copyright 2009.)

The service is produced and consumed at the same time. The service experience is an essential element in the transaction. If the server is grumpy and heavy-handed, it is likely that the guest will be unhappy. A cheerful and efficient server enhances the guest experience.

Notice we say "enhances." The tangible side of the transaction (the "product") must be acceptable too. All the cheerfulness in the world will not make up for a bad meal or a dirty guest room. At the same time—as we've noted throughout this book—it is also true that a good meal can be ruined by a surly server, just as a chaotic front office or poor service from the bell staff can ruin a stay in a hotel that is physically in excellent shape. The hospitality product, then, includes both tangible goods (meals, rooms) and less tangible services. Both are essential to success.

The server's behavior is, in effect, a part of the product (and of the total guest experience). Because servers are not the same every day—or for every guest—there

is a necessary variability in this "product" that would not be encountered in a manu-factured product. The guest is also a part of the service transaction. A guest who is not feeling well or who takes a dislike to a member of the staff may have a bad experience in spite of all efforts to please.

Because service "happens" to somebody, there can be no recall of a "defective product." It is now a guest's experience (and, in a sense, history). For this reason, there is general agreement that the only acceptable performance standard for a service organization is **zero defects**. Defects, however, should be defined in terms of the type of operation and the guest's expectations. At a McDonald's, waiting lines can be expected during the rush hour and will be accepted as long as they move with reasonable speed. However, a dirty or cluttered McDonald's, even in a rush period, represents a "defect," an emergency that needs to be remedied right away. A waiting line at a restaurant in a Four Seasons Hotel, however, is, by Four Seasons' own definition, a defect. It is an emergency that needs to be remedied by a hostess or manager offering coffee or soft drinks and apologizing for the delay. Zero defects is the goal for which both organizations design their systems, but what counts as a defect varies according to company goals and **customer expectations**. This is the reason that hospitality companies establish standards: to help create consistency and to eliminate the margin for error. While neither McDonald's nor Four Seasons is perfect, both have standards and dictate emergency action, such as management stepping in to help out, when a defect occurs. The notion of zero defects has also been approached in a more statistical manner focusing on the business method known as Six Sigma—the subject of Industry Practice Note 21.1.

Because the consumption of the service and its production occur simultane-ously, there is no inventory. An unused room, as the old saying goes, can never be sold again.

A dining room provides not only meals but the capacity of a certain number of seats. While unused food remains in inventory at the end of the day, unused capacity—an unused table today—has no use tomorrow. This puts pressure on hospitality businesses to operate at as high a level of capacity as possible, offering special rates to quantity purchasers. A hotel's corporate rate structure is one example of such quantity pricing.

Let us summarize the **characteristics of service** that we have identified to this point. Service is experience for the guest, performance for the server. In either case, it is intangible, and the guest and server are both a part of the transaction. This personal element makes service quality control difficult—and quite different from manufactured products. Because there is no possibility of undoing the guest's experience, the standard for service operations must be zero defects. Finally, production and consumption are simultaneous. Thus, there is no inventory.

Six Sigma Comes to the Hospitality Industry

The concept known as Six Sigma has been around for almost 30 years now and originated, as many theories and techniques do, in the manufacturing sector.[1] It was first used by Motorola and later embraced by General Electric, among others. Only recently has it been introduced to the hospitality industry, when Starwood Hotels adopted it into their hotels in 2001.

Six Sigma is a statistically based business strategy that companies attempt to apply to help in reducing (and virtually eliminating) defects in products and services. In the case of the hospitality industry, in theory, it could be used to improve services from hotel check-in to waiting times for tables in restaurants. The name comes from the term *sigma,* which is the Latin word used for the standard deviation. In essence, it shrinks the acceptable range of performance. Six is the number from the mean (average) that is nearer to zero defects. In short, the technique attempts to quantify acceptable limits as they relate to customer satisfaction. In theory, the rate of errors (or defects) is reduced to less than one-thousandth of a percent. It is estimated that many firms operate within the three-sigma range.

Although the technique/program has been in use relatively widely in manufacturing firms (approximately 15 percent of Fortune 1000 companies use it in one form or another), Starwood was the first hospitality company to introduce it. Starwood has implemented a fully developed program that starts at the corporate level and identifies key people at the unit level to champion it.

The six steps of achieving Six Sigma are as follows:

1. Creating and identifying strategic business objectives
2. Creating core and subprocesses
3. Identifying process owners
4. Creating and validating performance measures
5. Collecting data on performance measures
6. Determining and prioritizing projects for improvement[2]

The prime objectives are to improve systems and delivery, increase customer satisfaction, and reduce costs. One scholar suggests that, in the hospitality industry, it may be more readily applicable to back-of-the-house functions than to the front of the house. Others suggest that the resulting incremental improvements are gained at the expense of more important innovations that lead to better service. Nonetheless, it is another example of how hospitality operators are attempting to improve their service and service quality.

1. Much of this note was based on a paper presented by Harsha Chacko at the 2003 Council on Hotel, Restaurant and Institutional Education conference, "Six Sigma: Here to Stay or Just Another Fad?" as well as historical counts made by Motorola and GE.
2. George Eckes, *The Six Sigma Revolution* (Hoboken, NJ: John Wiley & Sons, 2001).

Face–to–face service transactions have the most power to make an impression on the guest. (Courtesy of Sodexo, Copyright 2009.)

TYPES OF SERVICE

There are three general types of service transactions: electronic-mechanical, indirect personal, and face-to-face transactions.[3]

Electronic-mechanical transactions in hospitality range from vending machines to such services as automated check-in and checkout. Other examples are online boarding passes printed by the passenger and a hotel's automated wake-up call service. Electronic-mechanical transactions are generally acceptable and sometimes even preferred by the guest where they eliminate inconvenience, such as waiting in lines. However, as frequently vandalized vending machines eloquently testify, electronic and mechanical failures often infuriate people. There is a premium on correct stocking, maintenance, proper programming, and adequate capacity so that breakdowns in service will not occur when no person is there to speak personally for the operation.

Indirect personal transactions include telephone (or e-mail) contacts such as hotel reservation services, the reservation desk at a restaurant, or the work of a room service

order-taker. Some indirect transactions such as those just mentioned are generally repetitive in nature and, thus, subject to careful scripting. That is, because most of these interactions follow a few, very similar patterns, employees can be trained in considerable detail as to what to say and when to say it. Some indirect contacts, however, are nonstandard. For instance, a guest calls the maintenance or housekeeping department directly from his or her room with a problem. An individual response to the particular guest problem is necessary, but the general procedure in such cases can be clearly specified in advance. Training in telephone manners—and careful attention to just who answers the phone in departments that don't specialize in guest contact work—is essential to maintaining the guest's perception of the property.

Face-to-face transactions have the most power to make an impression on the guest. Here, the guest can take a fuller measure of service employees—their appearance and manner. People whose work involves frequent personal contact with guests must be both selected and trained to be conscious, effective representatives of the organization. Because an increasing part of the services in modern organizations are automated, the personal contact that does take place must be of a superior quality. It is also important that public-contact employees be prepared to deal sympathetically with complaints about automated services. As John Naisbitt (a futurist and author of **Megatrends**) has pointed out, the more people have to cope with high technology, the more they require a sympathetic human response from the people in organizations. Naisbitt calls it "high touch."[4]

We must continue to be interested in all kinds of service transactions, whether personal or not. The work of designing computerized systems or scripting standardized indirect transactions, however, is generally specialized and done by experts. Virtually all those who work in hospitality, however, will have to deal with guests face-to-face. Accordingly, much of our attention in the balance of this chapter focuses on personal service. Figure 21.1 summarizes the characteristics, and Table 21.1 shows the three types of service interactions.

- An experience that happens to the guest. No recall of defects is preferred.

- Performance for the organization. Zero defects is the service systems design goal.

- A process whose production and consumption are simultaneous. Unsold "inventory" has no value.

- Because the employee is so much a part of the guest's experience, the employee is part of the product.

Figure 21.1
Characteristics of service.

TABLE 21.1

Three Types of Service Transactions

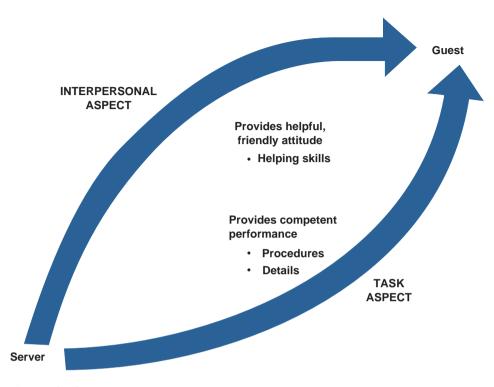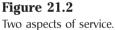| TYPE OF INTERACTION	EXAMPLE	KEY POINTS
Electronic-mechanical	TV checkout	Acceptable if it eliminates inconvenience. Failure is unacceptable to guest, so plan should be error-free.
Indirect	Telephone contacts	Detailed scripting desirable so that each customer receives the same level of service.
Housekeeping	General procedure must be specified and replicated in each and every room	
Face-to-face	Guest registration at the front desk	Person assisting the guest represents the organization.

RENDERING PERSONAL SERVICE

Service involves "helpful, beneficial, or friendly action or conduct."[5] As we have just noted, some of these actions are provided by electronic, mechanical, or computerized devices or involve only indirect personal contact, usually by e-mail or phone. The most challenging service area involves helping that is performed person to person.

There are two basic aspects to the personal service act: that of the task, which calls for technical competence, and that of the **personal interaction** between guest and server, which requires what we can sum up for now as a helpful or friendly attitude (see Figure 21.2).

TASK

As recently as the late 1980s, the hospitality industry's ideas on personal service as expressed in training programs and server manuals focused principally on procedure. Such training procedures tended to focus on how to carry trays, how to hold plates, the correct side of the guest from which to serve, and so on. Functional (or procedural) **task** competence is still an essential element in any service action. Guests don't want a thumb in their soup any more than they want a bellperson to get lost rooming them—or a front desk that can't find their reservation. The emphasis has changed, or is changing, however, and is now balanced with the interactional effects.

Guest

**INTERPERSONAL
ASPECT**

**Provides helpful,
friendly attitude**
- **Helping skills**

**Provides competent
performance**
- **Procedures**
- **Details**

**TASK
ASPECT**

Server

Figure 21.2
Two aspects of service.

In modern service organizations, the task side of service is controlled by manage-
ment through carefully developed systems that are supported by written procedures.
Procedures of this kind control work in very much the same way that a carefully
designed assembly line controls the way goods are manufactured.

As one authority on the study of services put it, "In real estate, the three components
of successful investing have always been location, location, and location. In service
encounter management, the components for success might be stated as details, details,
details."[6] If a service organization is failing, blaming the employee is a cop-out. Getting
the procedures right and a proper system functioning is the task of management.

Although there is no substitute for accomplishing the task of service compe-
tently, that alone is seldom enough to secure repeat business in a highly competitive
marketplace.

INTERPERSONAL SKILLS

The other aspect of personal service involves the way in which the server (or desk
clerk, etc.) approaches and deals with the guest. Perhaps the best model for thinking

Both technical competence and good interpersonal skills are important to personal service. (Courtesy of LEGOLAND® CALIFORNIA.)

about the kind of behavior that secures a favorable response from the guest is that of "helping skills." These were originally derived from studying the working techniques of psychotherapists. The helping skills have now been simplified into a technique for anyone whose work involves interacting with people. In fact, methods for its use have been developed for a wide variety of "people workers," ranging from police to college residence hall proctors and nurse's aides. All have in common that they are "people helpers" and provide services to people.

The core conditions of a friendly and helpful attitude can be spelled out more fully. Servers need to be able to put themselves in the other person's shoes; in a word, they need empathy. They need to present a friendly face to the guest and to do so in a way that is not going to be seen as just an act; they need to be (or at least appear) sincere.

Professionals who understand the skills that underlie successful interpersonal behavior assume that things such as eye contact, facial expression, hand movements, and body language generally are learned skills and, hence, readily teachable. For instance, such tactics as making eye contact with the guest send the message that the server is interested in communication and assisting.

Thus, employees must learn not just to have an attitude that is helpful and friendly to the guest but to convey that attitude to the guest by their behavior. Excellent

interpersonal behavior is characterized by warmth and friendliness and a manner that imparts to the guest a sense of being in control—or the sense of being in the charge of someone who knows very well what he or she is doing.

MANAGING THE SERVICE TRANSACTION

Most work done in the hospitality industry has the focused activity of a single process and can be supervised by someone who can keep track of what is happening. For instance, food preparation in a kitchen is organized around the process of cooking, usually following written recipes. If the food is acceptable, the process is being managed correctly. Hospitality service, however, is made up of transactions that are numerous, diverse, and often private. In a dining room, each interaction between a server and a guest is really something just between the two of them—or, at most, between the server and the guest's party at that table. A multitude of these transactions are taking place in the dining room over the period of a single meal. Managing this process is made more complex by the fact that the product is the guest's experience. The problem of producing a favorable feeling about an operation in numerous guests is too complex for any management to control in any detail.

Two somewhat different basic approaches to this challenge of managing service have developed.[7] The most common, which we can call the **product view** of service, focuses on controlling the tasks that make up the service. An increasingly important alternative is the **process view** of service, which concentrates on the guest-server interaction. The two views are not necessarily mutually exclusive. In practice, some of the elements of control that underlie the product view are found in any well-run service unit. In addition, attention to the way we treat people—that is, a process orientation—is necessary in any operation.

THE PRODUCT VIEW OF SERVICE

The product view looks at service as basically just another "thing" that businesses sell to customers. The product view concentrates on rationalizing the service process to make it efficient and cost-effective as well as acceptable to the guest. The focus is on controlling the accomplishment of the tasks that make up the service. Employee behaviors that are part of that task are described, often in considerable detail.

Perhaps the best example of the product view of service is McDonald's and quick-service food generally.[8] Theodore Leavitt, an American economist and Harvard professor, has described old-style, European service as a process anchored in the past, "embracing ancient, preindustrial modes of thinking," involving a servant's mentality and, often, excessive ritual. Leavitt contrasts this with the rationale of manufacturing,

where the orientation is toward efficiency and results—and where relationships are strictly businesslike. Leavitt sees the key to McDonald's success as the systematic substitution of equipment for people, combined with the carefully planned use and positioning of technology. In fact, this formula is used by many companies besides McDonald's.

The quick-service formula for success is a simplified menu matched with a productive plant and operating system designed to produce just one specific product line. Leavitt suggests that giving employees choices in their tasks

Hospitality service is made up of numerous transactions including some that occur out of the sight of the guest. (Courtesy of Four Seasons Hotels.)

"is the enemy of order, standardization, and quality." The classic example of this simplification and automation is the McDonald's french fry scoop, which permits speed of service and accurate portioning with no judgment or discretion on the part of the employee. A McDonald's unit, Leavitt says, "is a machine that produces, with the help of totally unskilled machine tenders, a highly polished product."[9]

The product view faces obstacles on two different fronts. First, the pool of employees that hospitality service firms draw from shrinks and expands from time to time. In light of the occasional shortage of employees, employers often look for means to make service jobs more attractive. Because many employees prefer to be able to use their own judgment rather than just follow the rules, the close control of behavior required by the product view is increasingly called into question. Perhaps even more significant are guest reactions, particularly in upscale markets.

Widespread application of the product view of service has led guests to "ask where the service has gone from the service industries." As one writer put it:

Recently, it has been proposed that offering goods and services is not enough, that customers must be provided with an experience. One common theme from the research . . . is the importance of the actual customer-employee encounter, with the focus on the service provider. An often-overlooked element, however, is the role a customer's perception has in a service exchange, which can have a major effect on the outcomes of the exchange.[10]

THE PROCESS VIEW: EMPOWERMENT

The product view of service, as we have just noted, sees service as a product that can be controlled efficiently in a production process that is typical of manufacturing. The process view, however, focuses on the interaction between the service organization and the guest.[11] The key contrast between the two approaches, as we will view them, is between control and **empowerment**. The process view of service calls for satisfying the guest's desires as the first priority. Service employees increasingly are being given the discretion—that is, they are being empowered—to solve problems for guests by making immediate decisions on their own initiative and discussing them later with management. Examples from the experience of Four Seasons, a premier hotel chain, illustrate the kind and degree of impact this approach is having on hospitality companies.[12]

- A guest ordered a dinner of linguini and clams. When the order came, the dish was divided into white and black (squid ink) linguini. The guest ate the white linguini but left the black half untouched on the plate. The server inquired if the dinner was all right, and the guest responded, "I just don't like squid ink linguini." The incident came to light because the guest was a "spotter" employed by a firm retained by Four Seasons to "shop" its hotels and report on the quality of service.

    In reviewing the incident, management learned that the description "squid ink linguini" was not indicated on the menu. As the guest had no way of knowing that something she didn't like was going to be served, the waiter should have removed the charge for this item from the guest's bill even though she didn't complain. The waiter did not do so, however, because the property's accounting procedure would have required a lengthy process and management authorization for taking the charge off the guest check.

    As a result of this incident, the property's accounting rules were changed to make it possible for a server to void an item on a bill immediately and account for that action later. (The menus were also reprinted to identify the squid ink linguini specifically.)

- A guest called the front desk and asked to have a fax machine installed in his room. The property did not have a fax machine available for this purpose, but the clerk undertook to rent one from an equipment supply house. Because the supply house required a sizable cash deposit, the clerk asked the guest for the cash.

    When the front-office manager learned of this, she told the clerk to pay the deposit out of hotel funds and charge the guest's account for the "paid out." She

Empowerment is especially important in situations where the employee is expected to exercise judgment and discretion. (Courtesy of Sodexo, Copyright 2009.)

then used this incident to teach not only this clerk but the whole front office as part of the hotel's constant retraining process to heighten everyone's sensitivity to the need to solve guest problems with a minimum of inconvenience to the guest and clean up the paperwork later. (The property also added fax machines to the equipment available for guest use.)

- A guest's reservation had identified a preference for a club floor room with a king-size bed and an ocean view. When the guest arrived, he found the room had all the requested features but was too small for his working needs. He called the concierge and told him of his problem. Looking at room availability, the concierge indicated he could meet all of the guest's requirements only with a room that was not on a club floor. That would mean the guest would not have concierge services available. The guest decided to stay where he was. A few minutes later, however, the concierge called the guest back. After studying his reservations, the concierge had been able to juggle some arrivals so as to make a room on the club

floor available, one that had the ocean view and adequate space. The concierge offered the guest the room at the same rate although it was an executive suite, which normally carried a higher rate. The concierge was able to do this because of a recent change in procedure giving him the authority to make decisions to satisfy guests—and account for them later. The guest accepted the concierge's offer and, not surprisingly, later wrote to compliment the hotel's management on its superb service.

In these examples, we have seen how one luxury hotel group is trying to make its employees more concerned for the guest. It is changing operating and accounting rules and procedures to help employees do what they have to do to satisfy guests. This is precisely what is meant by the term **empowerment**. A British Airways executive added perspective to this notion: "Customers don't expect you to be perfect. They do expect you to fix things when they go wrong."

Another example is a training program developed at the Cincinnati Marriott Northeast in which a 12-point service program was established for the purpose of "encouraging staff members to treat each guest as though she or he was part of the family and on a visit to your home." The program entailed employees carrying pledge cards to uphold the principles, energetic staff meetings in which guest service was celebrated, and staff recognition programs.[13]

PRODUCTION OR PROCESS VIEW?

Some kinds of operations are ideally suited to the production-line approach to service. Quick-service restaurants, amusement parks, and budget motels come to mind as having the need for the cost efficiency of the production approach. Patrons of upscale operations, however, demand the personal attention and individualized service that is facilitated by the process view of service, and midmarket operations are increasingly interested in empowering employees to achieve the competitive advantage that comes from committed service people.

As we noted at the outset of this discussion, some attention must be paid to the quality of personal interchanges even in the most bare-bones economy operation. Similarly, basic tasks must be accomplished with competence and dispatch in the most luxurious of operations. It is not a matter of choosing between two different approaches but of adapting each approach to the needs of particular operations. The reliance on rule setting and the product approach is associated with mass-market operations, but we should note that several limited-service hotel chains have built "satisfaction guaranteed" programs for guests around employee empowerment with excellent results. Figure 21.3 summarizes key characteristics of the two views of service discussed.

PRODUCT VIEW OF SERVICE	PROCESS VIEW OF SERVICE
Emphasizes service as a task	**Emphasizes interaction with the guest**
Controls employee behavior	**Empowers employee to satisfy guest's needs and desires to solve guest's problem**
Cost of transaction process	
Objective, measurable standards	
Concentrates on what we do	**Concentrates on what the guest wants**

Figure 21.3
Managing the service transaction: two approaches.

HOW COMPANIES ORGANIZE FOR SERVICE

E arly in this chapter, we defined what service is. In the section we just finished, we were concerned with two approaches to managing numerous and diverse service transactions. These approaches were based on either control of the tasks or empowerment of individual servers to solve problems for guests. In this final section, we consider the steps necessary on a companywide basis to achieve excellence in service.[14] To do this, we consider what underlies a **service strategy**, the development of a service culture, the importance of people to service organizations, and the development of a service system as a competitive advantage.

SERVICE STRATEGY

The basis of a service strategy is market segmentation. **Market segmentation** identifies groups of customers and prospects who share sufficient characteristics in common that a product and service can be designed and brought to market for their needs.[15] A wide variety of service levels and types are available in hospitality. In food service, these range from quick service, to coffee shop, to dinner house, to haute cuisine. Each of these levels of service denotes a different style—counter service; fast, simple table service; informal, unhurried table service with multiple courses; and, with haute cuisine, most probably formal European-style service. Each level denotes a particular price level and likely a distinctive ambience as well.

We said earlier that zero defects is the standard that service organizations must set. This very high standard, however, is set in the context of customer expectations

In some cases, customers are willing to participate in the service delivery. (Courtesy of Southwest Airlines.)

for a particular segment and operation type. The level of service is an intrinsic part of the service segmentation strategy. A leading management book on customer service points out: "Segmenting by customer service, rather than by customer, often reveals that it is possible to give great service to a wide range of people who share a narrowly defined set of expectations."[16] A rising young executive may take clients to haute cuisine restaurant, his or her spouse to a casual dinner house, and the kids to a quick-service restaurant. When alone, the executive may lunch at a nearby family restaurant because it is convenient, serves the food quickly, and offers a suitable selection. The needs of the same person and that person's expectations of the operation vary according to occasions.

Similarly, different people in each of these situations will have different needs. The primary business of a restaurant is serving food. Second only to that, however, restaurants are in the business of providing guests with experiences that meet their expectations. Rather than targeting guests solely by demographic and lifestyle factors—although these are important too—restaurants can target guests by the kind of dining occasion a guest is seeking. Quick-service restaurants fit relatively few kinds of dining occasions, though they fit a whole variety of demographic or lifestyle segments—depending, of course, on the occasion. Thus, restaurants are designed with particular occasions and dining experiences in mind as much as they are with particular groups of people in mind.

A point to consider is that there is no intrinsically "better" kind of service, only service that fits the setting and is designed to meet guest needs and expectations. With service level, of course, go other factors such as price, atmosphere, and location. Indeed, these are crucial to the zero-defect goal of a service operation. A Four Seasons room rate is roughly ten times that charged by Motel 6—and that rate differential is necessary to fulfill the luxury guest's expectations. Yet Motel 6 customers are not disappointed by the service level they encounter. It is what the budget guest expects.

Earlier, in the lodging chapters, we segmented the market broadly into two groups, "upstairs" and "downstairs" customers. The upstairs customer is seeking a guest room (i.e., upstairs) for the night and minimal supporting service. For this customer, Marriott offers the Courtyard concept, with limited food and beverage facilities in the property, and Fairfield Inns, which have no food and beverage facilities but are located near other restaurants. Courtyard and Fairfield both offer topflight guest rooms and highly competitive rates for their segment. These properties have eliminated some services

but, because of that, are able to
provide attractive rates. Most sig-
nificantly, the service level they
do offer fits the guest's expecta-
tion for that kind of property.

Some guests, however, want
the "downstairs" services of a full-
service hotel. These include the
luxurious lobby and a range
of restaurants and bars as well
as shops. Meeting and banquet facilities are important to the downstairs guest too.
Marriott targets the downstairs guest with its Resorts and Hotels Division—and a quite
different price range. For each price and service range, operating standards are set to
meet the target segment's expectations.

Strategy in service, then, involves picking a distinct segment and crafting facilities
and services specifically to fit the expectations of those guests. Care must be taken not
to overpromise, because anything less than the service your guest expects will result
in disappointment, lost sales, and unfavorable word-of-mouth reputation. Figure 21.4
gives an overview of setting a service strategy.

- Choose market segment or segments.
- Determine appropriate service level.
- Don't overpromise.
- Meet or exceed expectations.

Figure 21.4
Setting a service strategy.

SERVICE CULTURE

A company's culture can be defined

> as a system of shared meaning held by members that distinguishes the orga-
> nization from other organizations. This system is, on closer examination, a set
> of key characteristics that the organization. values.[17]

To establish a strong **service culture**, an absolute prerequisite is commitment by
top management.

"There's a sign on my desk that reads 'What have you done for your customer
today?' " says Hervey Feldman, former president of Embassy Suites. "I worship at my
sign every day, and all my hotel managers worship at theirs."

Other examples of commitment include the fact that such hotel luminaries as Bill
Marriott write thank-you letters to their hotels' best guests, volunteering to fix anything
they're unhappy with, as do the managers of Marriott Hotels.

The visible commitment of top management to the service culture sets the tone for
the rest of the organization. The following conversation between a young trainee and

the restaurant manager, overheard in a restaurant dining room just after the breakfast rush, illustrates the logic of management commitment to service. During the rush, the restaurant manager had been on the floor almost continuously, generally pouring coffee and water refills for guests and occasionally even busing dirty dishes.

TRAINEE (jokingly): Hey! I thought you said managers weren't supposed to work stations. You looked like one of the busboys out there this morning.

MANAGER (smiling): Well, I know what you mean, but you have to understand another truth. We want our customers to be happy with our service so they'll come back—and send their friends here too. So when there's a big rush like that, I like to pitch in and please a few customers. When the rest of the service staff sees me hustling, they know what I think is important, and they tend to reach a little harder to please people too.

SAY IT AND MEAN IT.   Research on company culture in the hospitality industry suggests that where there is a wide divergence between what company officials say and what they do, employees will be cynical and indifferent to the quality of service. Where there is a close relationship between what the company publicly claims its service policies are and the way things actually happen within the organization, employees' ratings of managerial competence tend to be high.

COMMUNICATION.   Top management must not only take a position but communicate it to employees. Department meetings and general employee meetings are important.

A popular tool in companies that have many low-wage employees in constant contact with customers is the employee council. Employees from each department elect a representative, and the representatives meet weekly with the general manager. The general manager updates them on everything he or she is doing; they ask questions, offer suggestions, voice opinions, and then go back to their departments to explain what's going on.[18]

Other media such as employee newsletters, posters, or even the annual report to employees that ARAMARK publishes help create and maintain a climate of enthusiasm for service.

MANAGER AS HELPER.   Karl Albrecht's book **Service America** made famous the motto "If you're not serving the customer, you'd better be serving someone who is."[19] This approach sees employees as internal customers whose needs must be met. In effect, managers treat the employees as they'd like to have the employees treat the guests. The intention is that employees follow management's example. The philosophy

underpinning this view is that "a manager's main responsibility is to remove obstacles that keep people from doing their jobs."[20] To quote an often-restated position of J. Willard Marriott, the Marriott Corporation's founder, "You can't make happy guests with unhappy employees."

RESTRAINING BUREAUCRACY.   As we noted earlier in the book, bureaucracy is a bad word for most North Americans, but it is actually a name for the kind of structure necessary to serve any large organization. In other words, in large companies, a certain amount of bureaucratic structure is needed. Nevertheless, a consistent effort needs to be made to resist bureaucracy's tendency to achieve internal efficiencies by making rules that, in their total effect, can strangle the service out of a service organization. With too much bureaucracy, employees quote the rules of the operation rather than satisfy the customers' requests.

It is useful to recall here the experiences cited earlier at Four Seasons. That company decided to reformulate a lot of its rules to make it possible for servers to make exceptions to the rules to satisfy guests based on their own judgment—and account for their decisions later. Figure 21.5 summarizes the development of a service culture.

THE EMPLOYEE AS PRODUCT: THE IMPORTANCE OF PEOPLE

Because the service employee (and often the back-of-the-house employee too) is involved personally in transactions with the guest, the employee usually comes to represent

- Developing a service culture in a company requires commitment of top management in word, policy, and action.
- Policy and practice must be the same.
- High profitability is achieved when what should happen does happen.
- Constant, clear communication goes up as well as down the organization.
- Employees are treated like customers.
- The manager's job is to provide service to employees.
- The firm restrains bureaucratic tendencies.
- The customer is always more important than rules.

Figure 21.5
Developing a service culture.

the operation to the guest. Managing, it has been said, is getting results through people, and that is doubly true of managing service. The tools that are being used to undertake this job at the company level are employee selection, training, motivation, and employee award and reward programs. Each is discussed briefly.

SELECTION. Employee recruiting has become, for many firms, a marketing activity. In spite of vigorous recruiting to fill positions, operations have to choose their hires with care, especially in public-contact service jobs. At Four Seasons, all employees hired must first be interviewed by the general manager or the executive assistant manager as well as by division and department heads. Ramada Franchise Systems is another lodging company that has very strict hiring procedures that pay off in hiring the right people and putting them in appropriate jobs.

TRAINING. Companies that lead their industries in service tend to share two unusual characteristics. First, most such companies emphasize cross training. Embassy Suites, for instance, encourages employees to master several jobs. The wider training not only gives the property a more flexible employee but also heightens the employee's understanding of the total operation. Moreover, the increased training can add to the interest and excitement of the work.

A second characteristic is that all employees share certain core training experiences. McDonald's Hamburger University has a special four-day program through which management, head office, and other nonoperations employees gain an understanding of the company's operations, products, and policies. Thus, all responsible employees pass through some Hamburger University orientation to the company. Virtually all senior executives at McDonald's, too, have store-operating experience.

EMPLOYEE AWARDS. Awards programs "are formal expressions of encouragement and praise that effective frontline supervisors mete out continually. By creating service heroes and service legends, the programs charge up all employees, not just the winners." To succeed, programs must have "credibility, frequency and psychic significance" to the employee. The process of selecting winners, if it is to have that credibility and significance to employees, must be "careful, obviously meritocratic and tightly linked to customer perceptions of service quality." Awards need to be made soon after the performance they are intended to recognize so that the linkage is clear; they must have tangible value, like a day off; and they have to involve active recognition and applause, "not just a name on a plaque." Otherwise, nobody will care.[21]

PARTICIPATION IN PLANNING. Workers must have a sense of ownership of service standards and procedures if the standards and procedures are to be accepted in the

Service employees represent an organization to the guest. They are a critical component of the overall guest experience. (Courtesy of Southwest Airlines.)

workplace. The necessary step to secure acceptance is to involve employees in planning, either by consulting them fully in the planning process or by asking them actually to do the planning themselves.

Both hotel and restaurant companies have found success with the formation of employee work groups designed to improve productivity. In fact, productivity targets (that include service as a component) as established by the employees often exceed those that are targeted by management. The process of making the employee a key part of the product is summarized in Figure 21.6.

SERVICE AS A SUSTAINABLE COMPETITIVE ADVANTAGE

It has often been said that service is increasingly becoming the differentiating factor between companies. The products sold in hospitality are strikingly similar. One hotel room is very much like another. Although there are important differences among food

REQUIREMENTS

Employees selected who fit the team

Training emphasizes

- Cross-training
- Basic shared experience
- Motivation offers

Reward for desired performance

- Frequent feedback for team building

Awards provide

- Formal public recognition based on guest service

Participation in standard setting creates "ownership" of standards.

Figure 21.6
Making the employee the product.

service segments, within each segment there is considerable similarity—often, almost uniformity. Service offers the most important opportunity to differentiate one product from another. When a service system is established at the chain level, the ability to operate multiple units across a wide territory successfully gives the company an advantage over newcomers to the field. The company's reputation for a dining experience or night's (or week's) stay is an invaluable resource. Almost certainly, it is based on personal interaction with company employees. That is, the company's reputation, its sustainable competitive advantage, is most likely based on its service—and that means its service employees.

SUMMARY

Service is an intangible experience of performance that the guest receives along with the tangible side of the product purchased. Both server and guest are a part of the transaction, which complicates quality control. Service quality has two sides: the task and the interpersonal interaction. Different planning and control problems

arise for mechanical, indirect, and personal service transactions, with personal service the most difficult to manage.

The service transaction is the heart of service in hospitality. Controlling the details of task performance fits well with a product view of service; a process view focuses more on the personal interaction between guest and server. In the process approach, servers are empowered to solve problems for the guest.

The basis of service strategy is market segmentation, largely based on consumer service expectations. Successful service companies develop a service culture based on commitment by top management, consistency between policy and practice, and well-developed channels of communication. Because service people are a part of the product, a good service team is essential. Service teams are based on careful selection and training and built on motivational programs that include rewards and involvement in service planning. Because most hospitality products are strikingly similar, service is the most significant sustainable competitive advantage.

Key Words and Concepts

Service	Product view
Moments of truth	Process view
Zero defects	Empowerment
Customer expectations	Service strategy
Characteristics of service	Market segmentation
Personal interaction	Service culture
Task	

Review Questions

1. What does *zero defects* mean in service? Does it mean perfection?

2. Discuss the three types of service transactions. What considerations do managers need to take into account in planning for these service transactions?

3. What are the two aspects of service? In your opinion, which is more important?

4. What are the two views of managing the service transaction? Describe examples from your own experience where each was appropriate?

5. How is a service strategy designed? What is its basic determinant? What other considerations are important?

6. What do companies need to do to develop a service culture?

Internet Exercises

1. **Site name:** Baldrige National Quality Program, National Institute of Standards and Technology (NIST)

    URL: www.quality.nist.gov

    Background information: The Malcolm Baldrige National Quality Award is given by the President of the United States to businesses—manufacturing and service, small and large—and to education and health care organizations that apply and are judged to be outstanding in seven areas: leadership, strategic planning, customer and market focus, information and analysis, human resource focus, process management, and business results. NIST's goal is to assist U.S. businesses and nonprofit organizations in delivering ever-improving value to customers, resulting in marketplace success and improving overall company performance.

    Exercises:

    a. Browse the NIST Web site and determine which hospitality organizations have won the Malcolm Baldrige National Quality Award.

    b. Do you think the award has any impact on the hospitality industry? Why or why not?

    c. Describe the core values and concepts upon which the seven criteria for excellence are built.

    d. Choose one of the seven criteria for excellence, and discuss in detail the information the judging panel looks for to determine excellence on that criterion.

2. **Site name:** Express Hospitality

    URL: www.expresshospitality.com/20051130/hospitalitylife01.shtml

    Background information: Express Hospitality is a hospitality Web site based in India. It contains valuable information that can be applied in North American hospitality properties.

    Exercises:

    a. According to this article, what are the three basic commandments for the Six Sigma philosophy in the service sector?

    b. On the rooms side of a hotel, what areas might benefit from the implementation of the Six Sigma philosophy?

    c. In the food and beverage area of a hotel or a restaurant, what areas might benefit from the implementation of the Six Sigma philosophy?

    d. Lead a class discussion on the strengths and drawbacks to implementing the Six Sigma philosophy.

3. **Site name:** Search engines

    URL: Google—www.google.com

    Yahoo!—www.yahoo.com

Bing—www.bing.com

Background information: Many managers believe that to deliver quality service successfully, a "service culture" must be present in an organization. This "service culture" needs to be internalized by all employees in the organization. A major part of establishing a service culture is empowerment.

Exercises: Using your favorite search engine or one of the top-rated search engines above, search for "service culture" and/or "employee/worker empowerment."

a. Read at least two articles, and discuss how the concepts in those articles could be implemented in a hospitality organization.

b. Lead a class discussion on how a "service culture" can be implemented in a hospitality operation. What are some of the hurdles that might be encountered during the implementation process?

c. Discuss why you think a service culture is not always a significant part of all hospitality operations.

Notes

1. William H. Davidow and Bro Uttal, *Total Customer Service: The Ultimate Weapon* (New York: Harper & Row, 1989), p. 40.
2. Christopher H. Lovelock, *Services Marketing* (Englewood Cliffs, NJ: Prentice-Hall, 2001).
3. This discussion draws on G. Lynn Shostock, "Planning the Service Encounter," in John A. Czepiel, Michael R. Solomon, and Carol F. Surprenant, eds., *The Service Encounter* (Lexington, MA: Lexington Books, 1985), p. 248. Shostock's terminology ("remote," "indirect," and "direct") is slightly different.
4. John Naisbitt, *Megatrends: Ten New Directions Transforming Our Lives* (New York: Warner Books, 1982).
5. *Webster's Unabridged Dictionary,* 2nd ed. (New York: Random House, 1999).
6. Shostock, "Planning the Service Encounter," p. 253.
7. Peter G. Klaus, "Quality Epiphenomenon: The Conceptual Understanding of Quality in Face-to-Face Service Encounters," in Czepiel, Solomon, and Surprenant, eds., *The Service Encounter.*
8. Theodore Leavitt, "Production Line Approach to Service," *Harvard Business Review* (September-October 1972), pp. 20–31.
9. Ibid., pp. 22–25.
10. Karthik Namasivayam and Timothy Hinkin, "The Customer's Role in the Service Encounter," *Cornell Hotel and Restaurant Administration Quarterly* (June 2003): 26.
11. Klaus, "Quality Epiphenomenon," p. 21.
12. Interview with James Brown, former senior vice president, Four Seasons Hotels.
13. Cathy Enz and Judy Siguaw, "Best Practices in Service Quality," *Cornell Hotel and Restaurant Administration Quarterly* (October 2000): 24.
14. This section draws extensively on Davidow and Uttal, *Total Customer Service.*
15. For an extended discussion of market segmentation for the hospitality industry, see Cathy Hsu and Thomas F. Powers, *Marketing Hospitality,* 3rd ed. (Hoboken, NJ: John Wiley & Sons, 2001), especially Chapter 3.

16. Davidow and Uttal, *Total Customer Service,* p. 70. Emphasis added.

17. Stephen Robbins and Nancy Langton, "Organizational Behaviour," Prentice-Hall Canada, 1999, p. 615.

18. Davidow and Uttal, *Total Customer Service.*

19. Karl Albrecht *Service America!* (Homewood, IL: Dow Jones-Irwin, 2008), p. 96.

20. Davidow and Uttal, *Total Customer Service,* p. 106.

21. Ibid.