



International Case Studies for Hospitality and Tourism Management Students

Edited by:
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Volume 1

edited by

Elizabeth Ineson, Valentin Niță and Graham Stone

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Dedication

To a very dear colleague and great friend

Rita Pankiene

of Vilnius College, Lithuania:

*May her undying sense of humour, love of fun and dedicated hospitality
lift men and spirits for ever!*

Disclaimer

The editors and the contributors disclaim any and all liability to any third-party anywhere in the world for any injury, damage or direct or indirect loss resulting from reliance on information compiled, or recommendations made, in this text.

Preface

This text comprises a series of international case studies on issues that focus on situations related to hospitality and tourism management, set predominantly within Central and Eastern Europe. The contributors, who are from a number of European countries, have developed the cases based on their specialist knowledge and real-life experiences. The cases offer students opportunities to consider and to respond to realistic scenarios of varying complexity.

The introduction provides a brief overview of the case study and its possible role in teaching, particularly in cross-disciplinary fields. In order to provide a suitable format, the cases have been divided into two sections: Part 1, non-revealed and Part 2, revealed. The former may be distributed in class and responses can be prepared by individuals or debated by groups of students to develop a joint solution; they focus on at least one curriculum area, for example: Food and Beverage; Wines; Housekeeping; Marketing; Human Resources; etc. The revealed case studies are more complex and inter/cross-disciplinary, encouraging consideration of broader managerial, international and cultural perspectives.

Each revealed case poses at least one question for consideration by students, and is followed by a series of points for discussion to initiate debate. The non-revealed cases involve one or more follow-up activities including: debate; information collection; further projects; letter writing; report writing; and making presentations. The case questions and activities are designed to encourage individual and group participation, to promote experiential learning and to encourage a practical problem-solving approach to the achievement of learning outcomes. They are of variable levels of difficulty, posing different types of questions and activities such as practical, theoretical, problem-solving and brain-storming.

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Introduction

by **Graham Stone**

Cases provide a learning strategy through which students are required to consider, debate and offer possible solutions to the questions posed and to apply their knowledge of a range of academic theories to analyse, synthesise and evaluate the problems involved. Such experiential learning is of value in developing in students informed and considered managerial decision-making within the class room environment, and emphasises the importance of problem identification and problem solving skills. In turn, a variety of cultural and different legal contexts provide a framework within which a broad spectrum of learning outcomes can be achieved.

The role of Case Studies

Case studies are summaries of real-life business situations based on personal or “second-hand” experiences, observations, interviews, word-of-mouth data and/or research. The cases might incorporate information from within an organisation, for example: past events; stories; critical incidents; etc... as well as external factors and influences. The cases included in this book are all based on or developed from, real events. They enable students to appreciate, comprehend, analyse and evaluate real inter-departmental and unit/Company problems and situations encountered by operatives, supervisors, managers and senior managers in hospitality and tourism.

Case studies are also designed to make students aware that in solving problems there may not be a clear or single solution; they enable students to apply theories in a real-life context, and they provide insight into issues or help to develop/refine theories. The cases selected for study at any point in the academic course should follow these principles and should be appropriate to the abilities and experience of the students.

From an academic perspective, case study research is more comprehensive than conducting research on one specific topic. In addressing the more advanced cases, students are encouraged to collect relevant data from a variety of sources and then not only consider this information but also employ divergent thinking to brainstorm the case, followed by convergent decision making in order to devise and justify the solution(s). Questions such as: ‘How?’ and ‘Why?’ need to be addressed in the context of the scenario, paying particular attention to the human element in terms of customer care and the fair and correct treatment of employees. Such studies allow students to gain valuable work related problem-solving and planning managerial experience without losing money, upsetting

customers and staff, or putting themselves into positions that might evoke embarrassment, pressure or stress.

Assessment

Case studies allow the assessment not only of knowledge and application but also of higher order skills comprising analysis, synthesis and evaluation. The forms of assessment employed depend on the learning outcomes to be measured, and are at the discretion of the teacher. These may include individual or group assessment, they may involve written responses and/or individual or group presentations, or they may be revealed or non-revealed. No time limits are set or even recommended, as these depend on the nature and type of the specific assessment employed and the depth to which issues are examined

Further reading

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Part 1

Non-revealed Case Studies

The Dry Martini Cocktail

by Danguolė Baltrūnaitė

At the cocktail bar, Atlas ordered a glass of dry martini. Faustas, the bartender, gave him a glass of dry Italian vermouth cocktail with lemon. After Atlas tried the drink he pushed it away and refused to pay saying that he had ordered a Dry Martini cocktail. Faustas argued with Atlas and insisted that the order had been executed properly, because on this vermouth bottle there was a label “Martini extra dry”- thus, he claimed, it was “Martini”.

Questions for students

1. Who is right the bartender, Faustas, or the guest, Atlas?
2. How should the restaurant manager, who was called by Faustas, deal with this conflict?
3. Explain how to prepare and serve the cocktails: “Dry Martini” and “Very Dry Martini”.

Points for discussion

- How should the drinks be served? How can Faustas avoid such a situation in future?
- Has Atlas got a legitimate complaint? If ‘yes’, what should Handel do to resolve the issue? Apologise and perhaps offer a free drink. If he is empowered, Faustas may be able to offer a free drink without calling the manager.
- What do you know about vermouth with respect to types, production, composition and serving it to the customer?
- Legal issues are specific to particular countries
- Note: In some countries ‘testing sticks’ may be used by trading standards officers to measure exactly the composition and strength of the drink.

The Lithuanian Restaurant

by Galina Stundienė

Lina decided to take Nina, her friend from England to have dinner at a Lithuanian restaurant. After the waitress, Klara, brought the menu, Lina noticed that the names of dishes were written only in Lithuanian. Lina asked Klara if she could bring a menu in English please, but Klara said rudely: “If you bring a foreigner in here you have to translate the menu for her yourself”. They noticed that a large group of English people were having lunch at that time and they had been given all of the English menus by Klara who maintained that they needed them more as none of them spoke Lithuanian.

Questions for students

1. Why do you think the English group was favoured?
2. Should there be criteria for segmenting customers?
3. How should this problem have been dealt with?

Points for discussion

- Availability of ‘foreign’ menus? Keep one aside so that a photocopy can be made in they run out or have a few spare photocopies if menus are expensive to produce.
- Consider treatment of customers. All should be given considerate and fair treatment and good service whether local or from another country, in small or large party.
- Staff training in customer care required.
- The reason why Klara said that none of the large group could understand and translate the menu might be just an ‘official’ reason. Actually it was due to tips they would leave her because foreigners are much more generous than Lithuanians, so that is why Klara was polite and most attentive to the group of British people.
- No customers should be discriminated against; all customers should be treated equally no matter where they are from. The menu should be written in the local language and in English because English is an international communication language.
- The customer is always right so the maybe waitress should have asked the English group if any of them were finished with the English menus so that she could bring one to Lina and Nina.

The Grilled Steak

by Elizabeth Ineson

Arthur and his wife Bella visited the Cottage Restaurant every Saturday. Bella always ordered scampi or a chicken for her main course whilst Arthur liked to eat grilled steak and he ordered it 'medium rare'. For four consecutive weeks, Arthur complained that his steak was under-cooked and he sent it back saying it was not a medium rare steak. The chef, Fergus, became increasingly annoyed so he asked the restaurant manager, Alex, to have a word with Arthur.

Questions for students

1. Was the customer complaint justified?
2. How did Alex and the Fergus deal with this recurring customer complaint?

Points for discussion

- With the advice of Fergus, Alex described to Arthur the different ways in which they could cook his steak. Then Fergus provided notes for all of the waiting on staff, describing the different ways of cooking steak in relation to its colour and the amount of blood that was running from the meat, i.e.
 - i. Well done (Brown/No blood/Very dry)
 - ii. Medium/Well done (Brown/No Blood/Dry)
 - iii. Medium (Brown with a little pink in the centre/Moist/No running blood)
 - iv. Medium/Rare (Brown on the outside but pink in the centre/Very moist/Running blood)
 - v. Rare (Outside just browned and inside pink/Raw/Very bloody)
- Would the above descriptions be the identical for all chefs and all cuts of steak?
- What is your view about having such descriptions on the menu?

Overbooking in The Vade Mecum

by Danutė Jakštienė

After a discussion with the manager of The Vade Mecum restaurant about the date, time and menu, Michael booked a banqueting hall for a friend's party. Michael had been a frequent guest in the restaurant because he had been satisfied with the food and excellent service. Unfortunately, when Michael and his friends arrived at the restaurant, the banqueting hall that they had booked was already full. The manager admitted his mistake and apologised for it. He proposed a table in the common hall but Michael refused the offer and left the restaurant.

Questions for students

1. What should the manager have done in this situation in order to keep his regular guest and preserve the restaurant's image?
2. How should the booking for the group have been handled by the restaurant?
3. What more could the manager offer to Micheal so that the regular customer would not be lost?

Points for discussion

- What is/should be the policy regarding overbooking?
- How should loyal customers be treated? Differentially - why? It is cheaper to retain loyal customers than to seek new ones. Offer some compensation if they stay, e.g. free drink, free sweet or coffee.

The Cold Breakfast

by Elizabeth Ineson

The Green Lion hotel has several function rooms, a restaurant, bar and brasserie and its core business is from coach parties and local events such as weddings, parties, funerals, christenings et al. The kitchen is staffed from 5 am until midnight. Breakfast is served daily from 6-10 am. Over a period of two/three weeks, several guests complained that some of the 'hot' breakfast items were 'cold'. The chef said that all his breakfast staff were reliable and they said that all of the food left the kitchen in piping hot condition. The cooked food was taken into the dining room by the waiting on staff and kept warm on hotplates so he could not understand why the guests were complaining.

Question for students

1. Can you work out what the problem was? How would you resolve it?

Points for discussion

- The kitchen staff were beginning to cook the food items as soon as they came on the shift and, from 5.30 am, it was being put out on the hotplates. The hotplates were not turned up very high so that the food did not dry out.
- The chef instructed the food to be put out on the hotplates no sooner than 10 minutes before it was consumed.
- The dining room supervisor was asked to monitor the guest/arrival consumption rate and inform the kitchen of potential requirements on a regular basis and act accordingly.
- See <http://sop.nfsmi.org/HACCPBasedSOPs/HoldingHotandColdPHF.doc>

Training:

1. Train foodservice employees on using the procedures in this SOP. Refer to the *Using and Calibrating Thermometers SOP*.
2. Follow State or local health department requirements.
3. If State or local health department requirements are based on the 2001 FDA Food Code:
 Hold hot foods at 135 °F or above
 Hold cold foods at 41 °F or below
4. Preheat steam tables and hot boxes.

Monitoring:

1. *Use a clean, sanitised, and calibrated probe thermometer to measure the temperature of the food.*
2. *Take temperatures of foods by inserting the thermometer near the surface of the product, at the thickest part, and at other various locations.*
3. *Take temperatures of holding units by placing a calibrated thermometer in the coolest part of a hot holding unit or warmest part of a cold holding unit.*
4. *For hot foods held for service:*
 - *Verify that the air/water temperature of any unit is at 135 °F or above before use.*
 - *Reheat foods in accordance with the Reheating for Hot Holding SOP.*
 - *All hot potentially hazardous foods should be 135 °F or above before placing the food out for display or service.*
 - *Take the internal temperature of food before placing it on a steam table or in a hot holding unit and at least every 2 hours thereafter.*

The Housekeeping Incident

by Irena Paska

During the cleaning of the rooms Dorota, the housekeeper, was not able to open one of the doors. She hurried downstairs to ask the security guard to open the door. However, Feliks was very busy at that time. After a few hours, when he had some free time, Feliks decided to make an attempt to open the door with his master card. He found that the door had been locked from the inside and that the guest, Mr Gabriel, had hanged himself from the door coat hook. Mr Gabriel had succeeded in his suicide attempt.

Questions for students

1. How should the incident be dealt with by the hotel's management and staff?
2. What do you suppose might be the repercussions?

Points for discussion

- Staff and management response issues
- Training policy and implications
- Dealing with the press/media

Further information

If it had not been for Feliks' tardiness, the incident might have been avoided. There is now a policy of dealing immediately and as a matter of urgency with such requests. The management and staff tried to cover up the whole story but it seems, not unexpectedly, that there was an information leak. A few weeks later a guest who was checked into the same room made a complaint. He did not want to stay in the room because he claimed that someone had committed suicide in that room. The receptionists, following the management's instructions, claimed that the situation had not take place. The room gained notoriety as the guest told other people about the suicide and informed the press and other media.

The Fish Dish

by Danutė Jakštienė

Vera was one of a party of six people who all ordered different main courses. She ordered a sautéed fish in sour cream sauce for the main course of her dinner. The dish was brought to the table in a Gratiné Pan on a hot plate with a napkin. The other five guests were served, which took about 10 minutes in total, and then Vera's fish was plated up and served to her. The dish looked good and seemed to be well prepared with a crispy cheese crust on the top. However, the fish was dry and unappetising. Vera was dissatisfied with the dish and the service so she complained. The waiter, Marcus, said that was how they always cooked and served the fish. Vera asked for the manager who apologised to Vera. Vera decided not to leave a tip.

Questions for students

1. What mistakes were made by the restaurant staff?
2. What should they have done?
3. Was the waiter right to bring a dish to Vera first, but serve and plate it up later?
4. In what order should a waiter serve dishes to guests of the same party, if they have ordered different dishes?
5. What do you know about the minimum holding temperatures for hot and cold food?

Points for discussion

- Food preparation: It is likely that the route of this problem is in the kitchen who did not time the finishing of the production of the dishes well. Perhaps the food could have been held more carefully for 10 minutes in the kitchen environment by the chef and then served in a more palatable state
- Food service: The situation could have been avoided if the fish had been served immediately to the guest with an apology for the mistiming but the customers would not be able to begin eating together as is customary in most countries. Alternatively more waiting on staff could be made available to serve a relatively large diverse table.
- Customer care: The customer should be offered a fresh portion of fish or an alternative dish or some other form of equivalent compensation in order to maintain business and avoid bad word-of-mouth.
- See <http://sop.nfsmi.org/HACCPBasedSOPs/HoldingHotandColdPHF.doc>

Training:

5. *Train foodservice employees on using the procedures in this SOP. Refer to the Using and Calibrating Thermometers SOP.*
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The Guest Complaint

by **Irena Paska**

Regina, a third-year student, spent a one month training period in a five-star hotel in Krakow. During her educational course, she had been taught that the Polish Act of Services in Tourism states clearly that room attendants are advised to change the sheets and clean the room when the guests are out of the room. If the guests return during the cleaning process, the room attendant should finish any activities that need to be completed immediately and then leave the room. Regina had not been informed earlier that in this particular hotel, a different procedure had been introduced in such cases. When Regina was in the middle of cleaning Mr. Ludwik's room, he returned. Regina remembered what she had been taught and wanted to leave the room. However, another housemaid, Lidia, asked Mr. Ludwik to come back later when the room had been serviced. Mr. Ludwik complained about Regina's conduct in front of other guests who happened to be at the reception desk.

Question for students

1. How would you resolve this situation?

Points for discussion

- Regina should have been trained in the cleaning procedure of this particular hotel
- The hotel has deliberately adopted a different cleaning procedure to that required by the state. Therefore the hotel might be legally liable to any possible prosecution.
- Customers expect a standard cleaning procedure. If this is changed, then to avoid criticism, it should be explained fully to the customer (possibly with reasons).

The Wedding Feast

by Aldona Urbaitė

What the customer wants is not always what the guests will enjoy. Victor and Rita plan their wedding feast. Well before the event they meet with the hotel's banqueting manager in order to discuss the details. The future newlyweds desire a traditional but luxurious and solemn wedding. After discussing possible types of banquet they decide to sit the guests at round, splendidly decorated tables but to adopt a non-traditional approach to service. A three-course dinner (cold and hot appetisers followed by a main course) would be served then the desserts would be offered in buffet style on side tables so that the guests could serve themselves.

The wedding went well. Following the main course it became clear that, for most of the local guests, it was the first time that they had participated in such a wedding feast. They wondered why there were no desserts on the tables. After the solemn wedding feast, nobody dared to go to the self-service tables to collect the food. In fact, some wedding guests wondered why there was nothing more to eat. The hotel staff had to act quickly order to avoid a fiasco.

Questions for students

1. How should the hotel staff deal with such a problem during the event?
2. What advice would you give to the banqueting manager for the future?

Points for discussion

- The problem was dealt with during the event by quickly arranging the food from the side tables on the guests' tables. The food was sufficient so the guests and the newlyweds were satisfied.
- The lesson for the future: when discussing the nature of the banquet analyse everything in detail. Moreover, it might be appropriate to advise customers to consider choosing a more 'typical' table service for a traditional wedding party or to simply inform guests on arrival or through table menus about the food service procedure.

The Pizzeria

by Galina Stundienė

Branco and Beata decided to go to a pizzeria late in the evening. After arriving at the pizzeria they noticed that there were no free tables. They were waiting for a while but nobody came to them. Branco asked the waitress, Anna, whether it was worth waiting for the table. Anna said she did not know. There were many customers in the pizzeria, but then Branco found a free table and asked Anna whether they could sit there. Anna said rudely that she was not going to serve anything because it was too late in the evening.

Question for students

1. Was Anna right to refuse to serve the customers?

Points for discussion

- Anna was not right because she should have informed the customers at the very beginning about the closing time and the current lack of free tables.
- One solution to this situation is to let the customers see the menu, order when they are waiting and then to serve them but tell them that they can only have light dishes that are quick to prepare or maybe say that it is too late to serve food from the kitchen but they may have drinks and cold bar snacks. In this way, Anna has tried to satisfy the customers, the team will have less work to do before closing and they would not need to delay the closing time by very much.

Wine Service

by Irena Paska

Following three years of study, Lucia was placed for practical training in a Polish seaside resort. She had been taught, during her hotel management course, how to serve wine correctly, i.e. show the bottle to the customer, say the name, vintage and origin, and then open the bottle at the table. Next, present the cork on a small plate for the guest to smell and finally pour a little wine into one of the guest's glasses (usually the person who ordered the wine) and invite him/her to taste it. The restaurant was very busy and Lucia was informed by a colleague that she should simplify the wine service by opening the bottle in advance and then take the open bottle to the table. Although Lucia was somewhat surprised by this advice, she did as she was instructed. Later that evening, Ms Poznam complained that her wine was not being served correctly and she questioned Lucia's professional skills.

Questions for students

1. How should Lucia respond?
2. What should Lucia do in future?

Points for discussion

- The wine should always be opened in full view of the customer. Although this type of service is correct, students should be prepared to follow the procedure of the restaurant if told with explanation.
- Lucia can explain that she has been trained differently and that it makes her feel uncomfortable if she does not follow her training. However, she should avoid arguing with her employer as it can only affect her future career.

Speed of Service

by **Galina Stundienė**

A conflict arose between Regina, a young waitress, and a tall, handsome customer aged about 40 years and called Kostas. It went as follows:

Enter Kostas who appeared to critically observe the premises and staff then he said:

“I would like to know how long it would take for me to dine at your restaurant.”

“I don’t know, I think it will depend on your order,” said Regina.

Kostas replied: “Why don’t you know? You must know”.

Regina: “No, I must not, because I do not know what you are going to eat. You haven’t even sat at the table and placed an order. However, we will try to serve you as quickly as possible.”

“I don’t need to be served quickly” Kostas remarked somewhat nervously.

“Sorry, but I didn’t catch what you said” Regina responded calmly.

Kostas started shouting: “What kind of restaurant is this? In all other restaurants they know everything. Why the hell are you different?”

Regina suggested that Kostas should speak with the restaurant supervisor or the restaurant manager and she even gave him the manager’s mobile telephone number. Kostas took the number and went outside to make a telephone call. After the call he came back to the restaurant and said: “I had better go to eat somewhere else, where they will tell me exactly how long it will take me to dine. I will never visit your restaurant again and I will advise others not to do so either. You will see that I will not be the only customer who will never come back to your restaurant again. I promise - and you, lady, will remain just a waitress and will never reach anything higher, and your place will be just in a small team. You will never learn to focus on customers’ needs and wishes”.

Regina replied: “It’s not your business to decide what kind of work I’ll do and what position I’ll take”. Then Kostas turned and left Regina standing there, shocked by his words.

Questions for students

1. What caused the conflict?
2. How should Regina have behaved in this situation?
3. How should the restaurant manager have behaved in this situation?
4. What is your view of Kostas’ treatment of Regina?

Points for discussion

- The conflict was caused by the customers unfounded dissatisfaction, arrogance and disrespect.
- The waitress should remain calm and serve the customer or she should talk with restaurant manager and ask for help.
- The waitress should apologise for the inconvenience, and if the customer wants to spend less time while waiting for an order, she should suggest a local fast food restaurant.
- The customer unnecessarily verbally attacked the waitress and in this current situation the customer might be considered out of order.
- Staff training: Should the waitress give a customer the manager's mobile telephone number? Should the waitress be trained then empowered to deal with such situations?

Customer Service

by Graham Stone

Jim Brown was Operations Manager for a large British tour operator. He was in Montenegro to look at the potential of the country as a new destination that might be included in their brochure for the following season. He had heard that there was an annual tourism trade fair held in Budva in February, and that Budva was a very attractive town on the coast. He visited the fair and talked with a number of hotel operators to learn about their locations and facilities. He decided that there were two potential hotels offering the level of facilities and services that would appeal to the customers of his company. After extensive discussions, he arranged to visit the hotels the following day, and if satisfied with what he found, he intended to negotiate prices for a contract.

The next day, Jim agreed a contract with the Hotel Director of the Splendid hotel as he was very satisfied with what the hotel could offer, and with the price he would pay. After very intensive negotiations, the deal was agreed and a contract signed (subject to approval by his Board). Jim suggested that, as it was lunch time, he and the Hotel Director should celebrate over lunch. Jim asked the Director to recommend a good fish restaurant for lunch, and they set off in a taxi.

Jim liked the restaurant and the menu, so the two of them entered. They were shown to a pleasant table overlooking the sea. They ordered drinks and consulted the menu. When the waitress arrived to take their order, Jim asked for scampi on a skewer which was his favourite dish, while his guest ordered sea bass. After a few minutes, their dishes arrived. To his dismay, when Jim's plate was placed before him, he realised that it was scampi in a sauce, and not on a skewer. He told the waitress that she had made a mistake, as it was not what he had ordered. She apologised in poor English, offered to replace his order and burst into tears. When Jim suggested that it had been a mistake, and that she should not become upset, she explained that if she took the dish back to the kitchen, the cost would be taken from her wages, Jim felt very sorry for her as he knew that she was only paid 10 euros a day, and that she would lose a days wages. He said that he would have the scampi and sauce (which he enjoyed). Later, Jim wanted to order some more drinks and had great difficulty in attracting the attention of the waitress, who was watching television.

At the end of the meal, Jim summoned the waitress for the bill. Again he had trouble getting service. Eventually, she returned with a hand written bill for 88 euros. His guest explained that it was against the law to issue hand written bills,

and that he should ask for a printed bill. Again, the waitress apologised and returned with a machine printed bill for 78 euros. When Jim asked why the price was different, the waitress apologised yet again, and explained that she had made a mistake. Jim paid the amount on the printed bill and left the restaurant feeling very unhappy with the experience. He said goodbye to his guest, and reminded him that the contract that had been agreed was subject to confirmation and that his company would be in touch in a few weeks. A month later, the Hotel Director received a fax cancelling the deal. He telephoned Jim and asked him why the deal had not been confirmed. Jim told the Hotel Director that he had not been happy with his experience at the restaurant, and that he feared that if he recommended that Budva was added to the British company's brochure, there would be a lot of customer complaints from his customers because of the poor standard of service.

Question for students:

1. Who was to blame for the loss of the contract?

Points for discussion:

There were four people who might be responsible for the cancellation of the contract and the loss of economic benefits to Budva –

- The immediate problem was the waitress. She had very poor customer care skills, and she may have been dishonest. Jim assumed that this level of customer care was typical of the area, and would not be tolerated by his future customers

Additionally,

- The Restaurant manager for employing service staff who were not adequately trained.
- The Hotel Manager for not choosing a restaurant with impressive staff. He should have checked when he booked a table for such an important meeting that everything should be perfect.
- Jim because he assumed that the experience was typical common in Montenegro, and therefore unacceptable.

The New Kitchen Assistant

by Elizabeth Ineson

Simon, aged 30, with substantial manual work experience and a good reference but no hotel work experience sent in an application for a job as the hotel kitchen porter. He was employed following an interview with the head chef, Charles. During the first two weeks of his employment it was apparent that, although he appeared to be a careful and enthusiastic worker, Simon was not following all of the written instructions when cleaning, nor was he checking lists carefully. He often missed items or omitted key jobs. When new items were added to the cleaning rota and the order of the routine was changed, the problems with Simon increased. Charles, the head chef, decided to have a chat with Simon who admitted that he could barely read or write although he was of normal intelligence. The only way he could cope with the rotas was to learn them off by heart.

Questions for students

1. What do you think was the cause of the problem?
2. How would you advise Charles to deal with Simon?

Points for discussion

- Charles interviewed Simon and told him that the standard of his work was good but he was not doing all of the jobs that were expected of him. Charles asked Simon what was the problem was.
- Charles found out that Simon could barely read English, although he could speak it fluently, and he was *not* a foreigner. Simon was watching others, asking them questions and sometimes forgot what he was supposed to be doing so his tasks were incomplete. Charles decided he wanted to retain Simon because he was a good and reliable worker. He arranged for Simon to attend local adult learning classes in work's time, for one day a week, and soon Simon learned to read. He continued attending the local college for about five years on one day per week to improve his work related skills and qualifications. Both Charles and Simon still work in the same kitchen and it is over 10 years since the incident.

‘Foreign’ Alcohol in the Restaurant

by Aldona Urbaitė

Very often customers booking banquets in the Basilicum restaurant ask if they may bring their own alcohol. Lithuanian law prohibits such practice. A restaurant owner will lose his/her alcohol licence if even one bottle of alcohol is found to have been consumed without a corresponding receipt from the restaurant. Therefore, when they order a banquet, it is necessary to warn guests against bringing in alcohol secretly. Usually no problems arise when the issue is discussed in advance. However, during a banquet that he had booked in advance, Rufas was given an exclusive bottle of whisky from a foreign relative, John, as a special birthday present. John told an interesting story explaining why the gift was chosen and presented it to Rufas. John proceeded to open the bottle and was ready to pour the drink.

Question for students

1. What should the service providers (waiting on staff) do in this situation? Should they break the law or forbid the consumption of the whisky and upset the guests?

Points for discussion

- In this particular case, it is illegal to open the bottle and so the waiting on staff should explain the law and remove the bottle, returning it to the guests when they leave.
- Although Lithuanian law prohibits such practice, in some other countries, it is permissible for the customer to bring in wine but usually there is a corkage charge.
- The restaurant policy should be on display in writing and should inform the customers of the legal obligations of the organisation.

The Housekeeping Trainees

by Irena Paska

Marta was one of a group of trainees who were on industrial practice in a four star hotel in mountainous area that is well known for its health resorts. They all worked in the housekeeping section. Marta and her friends had been taught how to clean rooms as part of their educational curriculum. According to the teachers, a guest room should be cleaned as follows:

- Open the windows
- Collect the rubbish
- Make the beds
- Dust the furniture
- Clean the bathroom
- Vacuum the floor
- Check and replace the accessories (e.g. towels, soap, etc.)

The trainees wanted to clean the rooms according to these rules but an experienced room attendant, Olga, who was their appointed mentor, told them not to dust the furniture or to make the bed carefully but to quickly clean the wash basin in the bathroom. She said that was sufficient due to time constraints. Mrs Szymon, a guest in the room cleaned by Marta was not happy with the poor standard of housekeeping and she complained to Wiktorja, who worked in reception. Wiktorja reported the complaint to Zuzana, the head housekeeper.

Olga was asked to explain to the head housekeeper, Zuzana, why the trainees had not met the requisite standards. During this conversation, Olga denied that she had misled them and told them not to clean properly. Olga claimed that the Marta did not apply herself to the job and that she did not know how to make the beds correctly, dust the furniture and that she forgot to take out the rubbish. Olga also maintained that she had to correct and improve the trainees' performance repeatedly. To appease the situation, Zuzana asked Marta to clean Mrs Szymon's the room again.

The following day Zuzana talked to all of the trainees who had worked the previous day to hear their views on the situation. The trainees' account differed from that of Olga. In order to resolve the unpleasant situation, Zuzana decided that Olga and the trainees should take responsibility for their own allocation of rooms. After cleaning, Zuzana checked all of the rooms and found that the rooms which had been cleaned by the trainees were done better than those cleaned by Olga.

Questions for students

1. How should the situation be resolved?
2. What impact do you think her treatment had on the relationships between Olga and the trainees?
3. Can you think of an alternative way of dealing with the situation?

Points for discussion

- A clear statement of procedures and responsibilities should be made available to all trainees
- Zuzana is responsible for the housekeeping department. Therefore any training failure is ultimately due to her.
- It is important to appoint suitable mentors who have a clear understanding of their roles and responsibilities.
- Zuzana should check the reliability of Olga. Can she be trusted?

The Buffet Supper

by **Danguolė Baltrūnaitė**

Malvolio Enterprises ordered a buffet from 7 till 11 pm, including a drinks bar which was planned to start operating at 9 pm. Between 7 and 9 pm, drinks were to be offered from trays, having already being poured into glasses. These drinks were to be paid for by Malvolio Enterprises.

After 9 pm, the guests would be able to order a broad range of drinks from the bar but they would not be free; the guests would have to pay for them. The guests were informed about the situation in advance.

However, at 8.50 pm the drinks' trays had already run out of glasses of wine. One of the guests ordered 2 bottles of red wine from the bar. When he was given a bill, he refused to pay it, explaining that it must be paid by Malvolio Enterprises.

Questions for students

1. How might this problem have been resolved?
2. How do you think Malvolio Enterprises should have responded to this situation?
3. How should this conflict be resolved?

Points for discussion

- Clarity of advance information
- Rights of guest
- Resolution of guest complaint
- Future practice

The Birthday Party

by Danutė Jakštienė

Eight tourists were celebrating their friend's birthday in an up-market restaurant. They chose the best Bordeaux wines and champagne from a special menu. The group consumed two bottles of 1993 wine Chateau Petrus, a bottle of Dom Perignon champagne, a bottle of 1945 Cheval Blanc, and a big bottle of 1961 Chateau Margaux. The wine was served in decanters. At the end of the feast the waiter produced the bill and, not unexpectedly, the total cost for the group was extremely high. One of the guests, Thomas, produced his credit card but it was rejected because there was not enough money in his account to pay for the group's feast. Thomas then began to argue with the waiter, claiming that the bill was wrong and that they should pay less. According to the group, who all joined in the argument, the wine was served in the decanters so they did not know what they were drinking. The waiter asserted that the bill was right.

Questions for students

1. How should this conflict be resolved?
2. What could the waiter have done to forestall the conflict?
3. Did the waiter make the right choice serving the wine in a carafe?
4. Did the waiter pour the wine correctly from the bottle to the carafe?

Points for discussion

- Wine service training: In most countries, bottles are poured into the decanter one at a time, in front of the guests so allowing the guests to keep a tally of their consumption. The empty bottles can also be kept in view of the guests. The best solution is to ask the host to sign for each bottle as it is served and to be provided with a copy of each receipt.
- The customer should be informed fully of the above procedure.
- The guests are responsible for paying the bill if they cannot get any discount.

The Unhappy Customers

by **Danguolė Baltrūnaitė**

Three guests each ordered white wine and a turkey steak. After 10 minutes Ema, the waitress, brought an open bottle of wine and poured it immediately into the glasses. After everyone had drunk a glass of this wine the guests complained that the wine was not chilled. They also complained that the bottle was brought already open. They requested that the bottle was changed; otherwise, they said they would not pay for it. Ema said that the bartender, Linas, was responsible for the wine. It was he who had opened the bottle and provided it at the wrong temperature. The conflict was complicated by the fact that one of the steaks was not hot enough. Ema explained that was the fault of the kitchen as it was ready at the time of ordering but the other two steaks had to be prepared from scratch.

Questions for students

1. How should the situation be resolved?
2. Explain how to serve a bottle of white or red wine to a guest.

Points for discussion

- Wine service
- Food preparation, ordering and service
- Roles and responsibilities of waitress, bartender and chef
- Complaints' handling
- Working relations between the kitchen and the service employees

Fraud at the Beaujolais?

by **Graham Stone**

In late January, an enquiry was made to the Beaujolais Hotel as to the availability of a room for four nights commencing April 23rd. The receptionist, Mavis, who took the call, gave full details of the rooms available and the prices. The enquirer, who gave his name as Peter Black, decided to book a double room on the second floor. Mavis asked for a credit card to secure the booking. Mr. Black offered his Visa card with the card number and his request was entered onto the computer.

At the end of February, Mr. Black rang the hotel again asking that he wished to change the date as the purpose of his visit and the people he had to see had been altered. He now requested that the booking be changed to March 29th for four nights in the same room. Mavis agreed to the rearranged booking for that date and asked if the credit card details would apply to the new booking. Mr. Black agreed to this request. After the booking was completed, the receptionist cancelled the booking for April 23rd.

On March 29th, Mr. Black arrived at the hotel for his visit. He was out for most of the days, but arrived each evening about 1800 hours. He ate in the hotel restaurant every evening and asked that his restaurant bills be put on his room number. On the day he departed, Mr. Black asked that the final bill of £627 be credited to his card. He was asked to confirm payment by entering his PIN (Personal Identification Number) on the hotel's ATM machine. He tried twice, but the card would not accept payment. He explained to Sian, the junior receptionist, that the card had been recently issued to him. He said his old PIN number would not work, and that he thought that the credit card company must have changed it, and that he could not remember what the new number was. He asked Sian if he could sign the credit card receipt instead. The embarrassed receptionist agreed and Mr. Black departed.

On April 23rd a man who identified himself as Mr. Black arrived at reception and informed the duty receptionist, Mavis, that he had booked a room for four nights. There was no record of the booking, which angered Mr. Black, who made very rude remarks about the efficiency of the hotel staff. Mavis apologised and said that the computer had been down recently, but she managed to allocate him a room. The guest gave his credit card details and was shown to his room. On the date of departure, he settled his bill on his credit card which successfully registered, with an accepted PIN number in the name of P. Black and he left.

Three days later, the hotel received a call. A very angry Mr. Black demanded to speak to the hotel manager. He said that the hotel had charged him twice for four nights' accommodation according to his credit statement, and accused the hotel of fraud, which he was reporting to the police unless the hotel manager, David, reimbursed him immediately. Then David explained that a guest called Mr. Black had stayed at the hotel for four nights from March 29th and paid for his stay with the same credit card. He suggested to the caller that the bogus Mr. Black must have obtained the details of the credit card from the real Mr. Black and that was his responsibility. The real Mr. Black, on the phone, said that the mistake was the responsibility of the hotel and that he would cancel the payment for the four nights in March and said that as the receptionist, Sian, had been responsible for the mistake, he would only pay for the visit that commenced on April 23rd, and that if the hotel would not accept this decision, they should sue him. He added that he regularly made business visits to the area in which the hotel was situated and had decided that he would stay at the Beaujolais for the first time, as it had advertised good rates and facilities. After this fraudulent experience he would inform his friends and business colleagues that the staff at the Beaujolais Hotel were thieves, and that they should never to use their facilities.

Question for students

1. How would you advise the hotel manager to settle this problem?

Points for discussion:

- Should the junior receptionist have accepted payment for the bill in March without confirmation of a PIN number?
- Should the hotel sue Mr. Black for payment, and possibly suffer the negative publicity of a court case?
- How would you develop and implement a policy for the hotel to prevent this type of fraud from occurring again?

Part 2

Revealed Case Studies

The Meal Experience

by Graham Stone

A middle-aged British couple, Mr. and Mrs. Jones, had spent a happy few days on their first visit to a large city in central Europe. On the final evening of their visit, they decided to treat themselves to a meal in the centre of the city, as they had dined at the hotel restaurant on previous evenings. They approached reception and asked them to recommend a “nice” traditional restaurant, with a good kitchen, offering local dishes. The receptionist suggested one to them in a hotel in the city centre, adding that she could recommend it “as it is run by my brother-in-law”. They asked her to book them a table for 8 pm that evening and to organise a taxi for 7.30 pm

They arrived at the restaurant just before 8 pm. When they entered, it was obviously very busy, so they were asked to wait for a few moments inside the entrance while their table was being prepared. More than half an hour later they were shown to their table which was just next to the kitchen door. After some time the waiter appeared. His name was Pavel according to the badge on his jacket. It was his first night at the restaurant, so he was nervous but keen to show his skills. Mr. and Mrs. Jones were presented with menus and left to make their choice, with the help of a tourist dictionary that they had with them. Some considerable time later, Pavel took their order. As the menu was in the local language only, Mr. Jones asked for some explanation about the dishes. Pavel tried to help them but it was obvious that his English was limited and he only added to the confusion. Eventually after some discussion, they placed their order and Pavel disappeared into the kitchen. After another long wait, Mr. Jones summoned another waiter since Pavel seemed to have disappeared. He asked for the wine list and ordered a bottle of wine which had been recommended.

After some time, Pavel reappeared with two dishes, both on cold plates. The dish for Mrs. Jones did not seem to be the one she had ordered, so Mr. Jones asked to see the menu again and tried to explain the mistake. Pavel, who was becoming more stressed, removed her plate in silence and returned to the kitchen. When he arrived with the replacement dish, Mr. Jones’ meal was cold.

Mr. and Mrs. Jones were hugely disappointed in the experience and decided to leave. They asked for the bill, which seemed to contain items they had not ordered. Mr. Jones queried the bill with Pavel, and demanded to see the manager. As Pavel was concerned that this situation might cause his dismissal, he tried to calm the Jones’s, but his poor English only made the situation worse. In order to avoid a scene, Mr Jones offered his Diners card in settlement, but was told that

the restaurant did not accept Diners cards. They found sufficient cash to pay the bill then they both walked back to the hotel having spent all their money. On the way back, they mutually agreed that they would complain to the hotel receptionist who had made the recommendation, and that they would publicise their dissatisfaction with the restaurant experience on the internet.

Question for students:

1. What advice would you give to the Restaurant Manager if this situation were to be avoided in the future?

Points for discussion:

- How should the hotel receptionist respond to guests who ask for this sort of advice?
- How would you treat customers who might have to wait a long time before being shown to their table?
- What training is required if service staff have to deal with “foreign” customers?
- To what extent was the problem the fault of the restaurant manager?
- How might the problem of payment by credit card be solved?
- What procedure should the restaurant implement if they have to deal with customer complaints?

The Robbery

by Gail Cartier

Juliette is the manager of, La Riviera, a 200 seater restaurant and bar that is owned by a large international chain, and located in the suburbs of large town in the South of France. The restaurant is adjacent to an out-of-town shopping centre, which is just off a busy main road leading to a motorway. The restaurant has an entrance door into a foyer, which has a revolving door leading into the restaurant and bar area. The office of the restaurant is through the kitchen and in the office there are two safes: a float safe and a main safe. Both safes are accessed by codes, which only the managers know. The float safe holds about 1000 euros, mainly in coin bags, and the main safe holds daily banked takings that are collected by a security van twice a week. The latter operates on a time delay. The restaurant has security cameras with closed circuit television covering the entrance, some internal locations and the car park, images of which can be viewed in the office.

Juliette was completing some cash accounting in the office at 10.30 pm one evening, putting some of the day's takings in a locked cash box, ready to bank into the main safe once all the current day's takings were together. The restaurant closed daily at 10.30 pm; however, there were approximately 30 guests still dining, as guests were admitted up until closing time. There were several staff still working, comprising three chefs, four waiting on staff, a bartender and a servers' assistant.

Suddenly three men entered the restaurant through the front door, all dressed in black with their faces covered, and holding a brick, a machete and a baseball bat. The intruders began shouting at the front of house staff and guests: "*Get down on the floor and do not move!*", which all of the staff did. The man with the baseball bat blocked the exit door to the foyer and the other two men ran up the steps towards the bar area. At this point, a waitress, Lilianne, whom the men had not seen, as she had been standing in the staff service area behind the bar, ran into the office to alert Juliette to the situation.

The two men at the bar demanded that the bartender, Antoine, should open the till. Antoine tried to open the till, but he was scared and flustered and he could not get the till to open. One of the men jumped over the bar and hit the till with the brick, but the till did not open and the other man shouted: "*The safe, the safe! Where's the office?*" Antoine pointed to the steps leading down to the kitchen through the staff service area, and both men ran towards it shouting for their accomplice to follow them.

After they went down to the kitchen, Antoine pressed a silent panic alarm button hidden in the bar area which was linked to the police armed response team. Two tables, comprising approximately 10 guests, then ran out to their cars and drove away without paying, and a couple of the staff ran outside and hid under a car. The other staff remained, trying to calm down the other guests, one of whom was pregnant.

As Juliette was leaving the office and locking its door, unaware of the problem or that the alarm had been raised by Antoine, she was met by a panicked Lilianne who ran towards her saying there were three men wearing balaclavas at the bar and they were shouting at the bartender. Juliette did not fully register what Lilianne had said and headed through the kitchen towards the bar area, expecting there to be a problem with some drunks.

Before she managed to leave the kitchen, the first two men came running towards Juliette and Lilianne shouting: *"Where's the office?"* Juliette realised they were being robbed and turned towards the office door saying: *"This way"*. When they reached the office the men demanded that Juliette should open the door, and upon unlocking the door, the men pushed both her and Lilianne into the office; the third man appeared, blocking the doorway. The third man shouted at the chefs and servers' assistant, who were in the kitchen, to get down on the floor. One of the chefs did not instantly do so, as he thought about trying to challenge the men but Juliette told him to do as they said, and he did.

In the office the men told Juliette to open the safe and she explained that main safe operated on a time delay. The men told her to open the other safe (the float safe) so she did, after which one of the men pushed her back, put the machete down on the desk between Juliette and himself and started to take the containers of coins out of the safe, passing them to the other man with the brick, who was standing next to Lilianne, and shouting at Juliette: *"Where are the notes?"* Juliette said they were in the other safe which was on the time delay. Juliette could see the silent panic alarm that was hidden in the office, but did not press it because it was not easily within her reach, and she was worried that they would notice her actions.

During this time, the servers' assistant and one of the chefs, who had been lying on the kitchen floor, crawled round to hide in a 'walk in' cupboard, without the men seeing them, and pressed another silent panic alarm located in there, unaware that the bartender had already summoned the police.

Back in the office, the men became frustrated at the lack of money they had obtained, all of which was in heavy coin bags, and the third man started to shout at the others to hurry up. The second man then spotted the locked cash box on the desk, and putting the brick down on the side, pushed Lilianne out of his way

and grabbed it, shouting: “*Come on, let’s go!*” As they left Juliette pressed the silent panic alarm in the office and went out into the restaurant, with the chefs and Lilianne following, trying to see which way they had gone and to check the guests and staff in the restaurant were alright.

The men had left through the front of the restaurant and leapt into a car which sped out of the car park and onto the main road. Within a minute of their leaving, an armed response police unit arrived at the restaurant.

Questions and activities for students

Write a management report for the Company that addresses the following questions:

1. How well do you think Juliette and the staff dealt with the incident? What could have been handled better?
2. What should be done about the guests who fled without paying? What should be done about the other guests’ bill payment?
3. Should any compensation be offered to the guests?
4. How will the Company (that manages the unit) respond to the incident?
5. What security improvements will be made in future?

Points for discussion

- Should Juliette have paid more attention to the security camera images in the office?
Would this be possible when doing cash accounting? Would it be better if sound were relayed to the office with the security images?
- Should the two members of staff who hid under the car have remained in the restaurant to look after guests, or should the other members of staff have followed their lead and evacuated the guests when the three men went into the office, in particular the pregnant woman?
- The restaurant doors should have been locked at closing time and opened only to let remaining guests out
- Is the amount of the float in the float safe too much? Should it be decreased?
- Are the static panic alarms sufficient? Consider introducing portable ones so that the manager on duty can have one on his/her person.
- Should the bills be complimentary as, although some guests had finished eating, their evening was ruined. The guests who remained in the building could maybe be offered a complimentary meal for a return visit to the restaurant, thereby creating a positive experience from a negative one.

The Upgrade

by Elizabeth Ineson

Jenny and Josie, two middle aged sisters made an advance booking via the website for a twin room in a five star hotel belonging to a major international chain, in a capital city. Jenny registered her gold card number at the time of reservation and paid in advance for a standard room in order to get the cheapest rate, which was non-changeable and non-refundable. The sisters arrived at the hotel at 10 am and asked if it was too early to check-in as the time specified when booking was 2 pm. They were told that a room was ready for them and they were extremely surprised and delighted to be informed that they had been upgraded to a luxury room on the executive floor. The room was very comfortable with a wonderful view of the city and its harbour. Also, they were given complimentary access to the Executive lounge on the business floor. However, on arrival, the sisters were somewhat surprised to see that the corridor on the executive floor was 'littered' with uncovered, used breakfast and dinner trays, presumably put out by the guests, with unappetising left over food and drinks. Nevertheless, it was quite early in the morning and there were room attendants in the corridor so, hopefully, the trays would soon be moved. In order to waste no time, Jenny and Josie just left their bags and went straight off to sight see and shop in the city.

They returned at 6 pm, laden with exciting purchases, to find the dirty trays were still in the corridor. Jenny called Cara in housekeeping and complained that these trays had been there all day and she considered that they were hazardous. Cara apologised and promised to arrange for them to be removed immediately, which she did. Jenny was told by Cara that the hotel duty manager had been informed and that he would be calling with an apology.

Ten minutes later, when Jenny and Josie were standing in their underwear, because they were in the middle of trying on clothes that they had purchased, the bedroom door was opened with a VingCard and two good looking young men entered. All four guests were amazed. The new arrivals claimed that they had been allocated that room by reception, which they had because their key opened the door. It seems that both bookings had been allocated the same room. The rather embarrassed young men apologised and left. Jenny called reception to complain about the second incident and the receptionist, Dora, apologised. She said that the duty manager would be informed. Although they stayed in the hotel for three further nights, the duty manager made no contact with the sisters.

On their return home, Jenny received an e-mail from the Company's head office, with a request to complete a 'tick-box' closed questionnaire about their stay. In

general she complimented the hotel staff but in the section for comments in the form of qualitative information, Jenny recounted the two incidents.

Below is a copy of the e-mail with the attached letter received by Jenny one week after she completed the questionnaire:

*Ms. Carter,
Attached please find an acknowledgement letter from the General Manager of the XXXX hotel in YYYY regarding your comments while at our hotel.
I hope you are well, and I hope to see you soon.
Patrick Costa*

Adm. Asst. -----Original Message-----

From: Executive Office

Sent: Date

To: Patrick Costa

Subject: Scan from Executive Office Xerox

Please open the attached document [which presumably was a copy of the survey completed by Jenny Carter and sent to the General Manager].

XXXX Logo

Date

Dear Mrs Carter

While it was good to learn that overall you were fairly pleased with your visit as indicated by your comments, our goal is to exceed your expectation. We realise that we did not accomplish this with your visit.

Please know that we have revealed your comments regarding the trays left outside with our Food and Beverage Manager and another guest entering your room with our Front Office Manager.

I am pleased to know that you found our staff members courteous and thoughtful.

We hope you have the opportunity to return to the XXXX Hotel and give us the opportunity to provide you first rate service.

Sincerely

General Manager

cc Front Office Manager

cc Food and Beverage Services Director

Questions and activities for students

1. Why did these problems occur? How could they be avoided in the future?
2. How should Cara and Dora have dealt with the guest complaints?
3. What is your opinion of the way in which the Hotel XXXX General Manager and Patrick Costa from Head Office dealt with the issue on receipt of Jenny's complaints via the questionnaire?
4. Make some suggestions, in writing, for improving this complaint handling procedure and draft your response(s).

Points for discussion

- There was a problem with the information that was entered into the computer booking system. Possibly the double booking was due to the room being allocated before 12 noon at which time the room status was automatically set to 'empty'.
- The housekeeping staff were on duty from 6 am. Their job specification should include clearing trays as a priority for health and safety reasons. There should be regular checks by the duty lounge manager and also random checks by the duty housekeeper.
- The letter should have been sent directly from the General Manager to Jenny and copied to Head Office. At least the original e-mail from Mark Costa to the General Manager should have been deleted before sending the General Manager's response to Jenny. The letter is poorly written and it does not address the pertinent issues directly. For example, it does not include any apology and there is no explanation as to why the problems occurred.

The Fire Alarm

by **Andrew Crisp**

Mike was the manager of an 80 seater restaurant and bar with 12 guest rooms, located in a very large old house in its own grounds, in an affluent leafy suburb of a large city. Although one of the chefs, Owen, lived in the building, he was not paid for taking responsibility for the guests. There was no night manager. If guests were out after the bar was closed, they were given a code for a keypad which opened a door on the side of the building. This system had proved to be problematic in the past as when guests returned in the middle of the night, having had a few drinks, sometimes they forgot the code! There was always a duty manager, who lived outside the building, on 24 hour call. One Saturday, at 3 am, Mike, the general manager, was awoken by a telephone call from Owen to say that that the fire alarm was going off. Mike instructed Owen to call the fire brigade immediately and to arrange for the evacuation of the building.

Fifteen minutes later, Mike arrived to find a line-up of cold disgruntled guests in various forms of day and night attire. The fire brigade had found no fire and left Mike to call the alarm company, Fixits, for advice on how to stop the alarm, which had been set off manually. Mike apologised profusely and encouraged the guests to go back to bed. It transpired that two young ladies had let themselves in at the side door at about 2.45 am but not closed it properly. The ladies went to bed and were followed, apparently a few minutes later, by intruders who Mike discovered had set off the several fire extinguishers and sprayed the contents about the corridors and on important paper work in the unlocked, although relatively inaccessible, general manager's office. The intruders were not seen by anyone.

Having ensured that all of the guests were safe, Mike called Fixits and was told by the duty officer that his employers, Lockin Inns, had not paid for 24 hour call out for the alarm so they could not deal with the problem until the next day. However, the duty officer advised Mike to tear up a sheet of cardboard into small squares and stuff them into the alarm. Mike was assured that when there were enough pieces in place, the alarm would stop. Although, after following this procedure for 10 minutes, the continuous sound did stop, the alarm continued to bleep about once a minute and it was located right outside room 1! For information, Fixits' charge for 24 hour call out is about 2200 euros per annum.

It was now 5 am and Mike decided to compensate the disturbed guests by offering them a champagne breakfast, which he would cook. He decided not to offer any refunds at that point.

Five minutes later, Mr and Mrs Staples, who had been staying in Room 1, appeared fully dressed with their bags packed and announced that they were leaving as they could not sleep because of the bleeping alarm. The Staples did a lot of complaining, refused the offer of breakfast and did not ask for a refund. Mike apologised profusely and the Staples drove away in the dark.

The rest of the guests appeared to be very happy with the complimentary champagne breakfast and paid their bills in full or left without asking for a refund if they had paid in advance. However, over a period of about three weeks, about half of the guests complained about the incident and requested a refund and/or further compensation.

Subsequently, the intruders, who were local and known to the police, were identified and admitted the offence. The cost of rectifying the damage to the property amounted to about 2000 euros.

Questions and activities for students

Use the questions below and further desk research to write a set of recommendations from Mike to Lockin Inns, supported by references from your desk research, with respect to future action that the Company might take in order to avoid a recurrence of such a situation.

1. How should Owen and Mike have acted? How should Mike have dealt with Fixits, responded to the customer complaints and dealt with the subsequent events?
2. How should the Company deal with these problems? Were they at fault?
3. What advice would you offer to reduce the impact of such problems in the future?

Points for discussion

- Owen should have had instructions to call the fire brigade as soon as the alarm went off as there could have been a fire. Guest safety is paramount at all times.
- Should Lockin Inns have paid someone to live on-site and take responsibility for guest safety?
- Should Lockin Inns have paid for 24 hour call out?
- Should Lockin Inns press charges against the criminals?
- What are your views on the customer care throughout this incident?
- Were the guests entitled to a refund and/or compensation? If so, what? How much?

The Tea and Coffee Shop

by Elizabeth Ineson

The Park Hotel, located in a Scottish village on a popular tourist route, had a tea and coffee shop that was open every day from 9 am until 6 pm and sold 'local' souvenirs, most of which were produced in the far east. The shop was losing money so the hotel owner, Jimmy, decided he needed to make some recovery plans or close it. The shop had been frequented by passing tourists in the summer season but had never been popular with the hotel guests or the locals.

Questions and activities for students

1. Can you advise Jimmy on how to proceed?
2. Examine the options open to him and draw up a plan including suggestions for the way forward, taking into account the financial profile of your proposals for the future of the tea and coffee shop business.

Points for discussion

- Cost is a major issue – possibly Jimmy has no, or very limited, funds.
- Possible low cost solution: Conduct a competitor analysis and feasibly study using students from the local school or college.
- Review the hours of opening, target market and product mix in the light of the above.
- Organise student competition to rename/rebrand the tea and coffee shop and to produce local products (recipes and arts and crafts); chef to visit school and advise on recipes, costing and presentation of food
- Samples of food presented to, tested on and rated by local and visitor groups, with winning entries being sold in the shop and prizes for recipes and small commission on sales of products.
- Consider marketing plans; periodic review; change/retain products.

Revenue Management

by **Graham Stone**

The Royal Hotel is located in a large city in central Europe. It is an average priced 3*/4* independent hotel with 35 bedrooms, located centrally in the city. During the tourist/summer season, it has a weekly room occupancy rate of 81%, which includes three distinct market segments – independent tourists (65%), business travellers (10%), and groups (25%).

The facilities in the hotel are fairly typical and include a busy bar open from 1030–2400 hrs, offering alcoholic and non-alcoholic beverages and hot and cold snacks. The main restaurant is licensed and offers fairly typical dishes, with some chef specials. It has 40 covers and is available for buffet style breakfasts from 0700–1030 hrs (when occupancy is normally 90%), and for dinner (with both table d’hôte and à la carte menus) from 1830–2300 hrs. In the evenings, seat occupancy in the dining room averages 22% weekly and caters mainly for groups, usually between 1830–2000 hrs, with tourist and occasional business diners. At weekends, the dining room is popular for special events (weddings, anniversaries etc). Over a period of three months, surveys of the restaurant users suggested that customers were “satisfied” with the choices and prices of the meals currently offered.

In terms of competition, there are four restaurant/snack bars within a radius of 1500 metres of the Royal Hotel, of which two are more direct competitors offering a similar type of menu at comparable prices.

In reviewing the operations, the hotel owners/managers are concerned with the losses made by the food and beverage provision in the dining room. Examination of the budget for restaurant operations indicates that an average annual seat occupancy of 47% is estimated. It is currently achieving 28%, and therefore losing money.

Questions and activities for students:

1. What measures might you suggest to the hotel owners to improve the profitability of the restaurant operation?
2. Draw up a plan, with justification, for the future of the restaurant.

Points for discussion:

- Should the restaurant be closed/franchised and the hotel offer accommodation only? (as in countries like the USA, France). Might the

space be used for alternative hospitality purposes, e.g. additional rooms, conferences etc?

- If the restaurant is retained, consider the future marketing/promotional strategy. The existing two market segments should be examined – the internal market (existing hotel guests) and the external market (passing trade). New market segments might be considered and promoted.
- Make suggestions for developing the internal market, for example by promoting the restaurant through special offers, discounts on food/drink, special events, promoting half-board, modifying the menu etc.
- Make suggestions for attracting the external market (new customers). Special events, price discounts/vouchers (2 for 1 offers), free bottle of wine, etc

N.B. It is cheaper to develop services for existing hotel guests compared with attracting new customers

The Tourism Multiplier

by Graham Stone and Adrian Barsby

The Premium Hotel Company is a group which offers the “boutique hotel” experience. It caters for the up-market independent traveller in its hotels located in large towns in predominantly leisure tourist areas, offering a high class experience at 4*/5* level to its customers. The typical unit has 30/40 bedrooms offering full facilities to its guests with a high level of service. As an expanding company, it is looking for new locations throughout the country with potential for development.

One location in which the Company is interested in developing is Lleyn. This is a market town of 7,000 inhabitants located within three hours’ drive of three large conurbations with a combined population of 2.5 million inhabitants. The area around Lleyn is a well-known tourist centre, offering a range of attractions including varied scenery of coastline and mountains, heritage attractions, walks, events, gardens, historical buildings etc. and would seem to offer a market which would be very attractive to the Company. The town itself is well served by transport systems and is easily accessible to the three conurbations. An initial approach by Premium Hotels’ representatives to the local Development Agency suggested that such a proposed development would only be allowed if the Company could guarantee that the tourists attracted would result in increased income and employment opportunities for the local inhabitants.

The Company approached the local tourist authority in Lleyn and asked if there were any tourism research data relating to the area. They were told that the Local Authority and Tourist Board had recently produced a tourism impact study of the area and that the report would be made available. The report contained the following information:

- The average length of tourist stay was 1.7 nights. This market comprised two distinct segments: 30% of the visitors required overnight accommodation, while 70% of visitors were transit tourists who might stay in Lleyn for a few hours before moving on.
- The average tourist spend per visit was estimated at 90 euros (see market segments above)
- The total annual tourist expenditure was estimated as 300 million euros. This was *direct* spend only. If the *indirect and induced* expenditure was calculated, this figure rose to 440 million euros, suggesting a tourism multiplier effect of 1.47

- The low multiplier effect was due to large leakages of money from the local economy due to the purchase of goods and services from outside the local economy (*leakages*). A small survey of local tourism businesses (hotels, restaurants, souvenir/craft shops, caravan sites etc.), designed to measure spending patterns by category of goods reported the following:

Table 1 summaries the leakages identified in the pilot survey.

Table 1 Leakages identified in Pilot survey (by category)

Item	%	Item	%
Linen	70.0		
Furniture and Fittings	66.7	Disposable costs	37.5
Crockery and cutlery	55.8	Cleaning agents	29.4
Beverages	55.3	Meat	25.0
Utilities	50.0	Groceries	18.0
Office supplies	46.7	Vegetables	13.3

The same survey also identified which factors influenced purchasing managers in choosing to buy locally. These were identified as shown in Table 2.

Table 2 Factors affecting the business managers' purchasing decisions

Factors	Influential	Neutral	Not influential	Response rate
Quality	100	0	0	100
Reliability	95	5	0	95.2
Price	86	14	0	100
Ease of access to suppliers	80	15	5	95.2
Delivery time	65	20	15	95.2
Product range	60	30	10	95.2
Credit facilities	37	21	42	90.5

Note: All figures are percentages

From the data in Table 2, it would seem that local suppliers were not providing goods of sufficient quality, reliability, price and access to suppliers was limited.

Question and activities for students:

1. Using the research data provided, what policies would you recommend to the Chief Executive of Premium Hotels to achieve the following:

- (i) an increase in the average length of stay and expenditure of visitors to the proposed hotel in Lleyn.
- (ii) a reduction in leakages and an increase the levels of indirect and induced expenditure of tourists within the local economy.
- (iii) an increase in the numbers of locals employed in the hotel.

Points for discussion:

- An increase in the length of stay requires promotion and marketing of the local tourist experience available in the Lleyn area as a stay destination. This increase could be achieved by promoting themed packages, e.g. Heritage trails, walks, craft fairs events etc. Such promotions require the hotel's sales and marketing team to establish local links with other providers which could be offered with price discounts, joint ticketing, locally sourced menu items etc. The involvement of local associations, tourist board, tourist information centres and other public sector providers is essential to the successful operation of the hotel.
- Increase indirect/induced tourism expenditure through *improved linkages* with local suppliers. Although some leakages are unavoidable (tax payments, utilities etc), some can be reduced. Correct the problems of local suppliers not offering goods of sufficient quality, quantity and reliability. Policies promoting local availability through a supplier's directory, quality standards, co-operatives etc should produce benefits to the local economy.
N.B. *Lower leakages/higher linkages result in a larger multiplier effect.*
- Increasing local employment requires a policy of discriminating against employees from outside the area. The hotel should promote education/training of locals through in-house programmes, local training associations, craft colleges etc.

The Virtual Mystery Guest: Dealing with Electronic Customer Feedback

by Eszter Benke

Background

It appears to be more and more difficult to keep up with the rapidly changing forms of communication, supported by the even more rapidly developing internet-based solutions in every way of life and the travel industry is no exception to this. Whereas word-of-mouth advertising has proved to be one of the most influential impacts on the consumers' decision making processes in the tourism industry for decades, electronic word-of mouth (eWOM) communication seems to be gaining popularity in recent years. The emergence of this modern form of information flow and sharing opinions reflect the ubiquitous nature and the unavoidable presence of the Internet and the virtual reality around us, a major factor that needs serious consideration in tourism as well.

The primary purpose of eWOM communication is to express satisfaction or dissatisfaction with the product or the service purchased. Hennig-Thurau, Gwinner, Walsh and Gremler (2004) found that the chief reasons why consumers articulate their experiences on online platforms are social benefits, economic incentives, concern for others, and extraversion or self-enhancement. Text and email messages, chat rooms, forums, blogs and other websites spread information about the quality of the products and services purchased by the users. These synchronous and asynchronous, one-to-one, one-to-many and many-to-many electronic communication forms offer ample opportunities for marketers to obtain customer feedback on their services (Litvin, Goldsmith and Pen 2005). The web-based sources provide invaluable, though in certain cases in all probabilities subjective or biased, information about customer experience for potential new customers. Customers involved in, and affected by, this form of communication might well be considered only a limited segment, namely the internet user segment of the customer base of a certain product, but even so, it is a remarkably large audience. The well known example of the "Yours is very bad hotel" incident (Shea, Enghagen and Khullar, 2004) confirms that the dimensions, impact and significance of internet-based communication should not be ignored. In order to increase the product value for the target clientele, service providers need to be familiar with customer expectations which might come through customers' past experience, fellow travellers' opinion channelled by one or several forms of the electronic communication channels listed above. While such web-based forums provide useful information for potential customers, the service provider can also benefit from the customer feedback posted on various websites.

Online user platforms catering for the needs of tourist abound and most of these offer a variety of travel-related services. TripAdvisor is one of the most frequently visited, applied and researched travel websites with a fairly short history but a remarkably wide user base. As the TripAdvisor Fact sheet (TripAdvisor, 2009) claims: “TripAdvisor-branded sites alone make up the most popular and largest travel community in the world, with more than 25 million unique monthly visitors, 11 million+ registered members and more than 30 million reviews and opinions”. TripAdvisor includes mostly user generated content and the numbers cited before indicate that in today’s internet-ridden world the marketing potentials offered by such a site should by no means be mitigated or discredited.

One of the chief functions of TripAdvisor, its hotel review section, can be regarded as a virtual guest book or alternatively, an observation record from of a virtual mystery guest. Although there might be obvious differences between the operation of a traditional mystery guest and a virtual mystery guest who posts their reviews on a website, the outcomes might serve the same purpose. Mystery guests’ experiences, whether recorded in a structured, professional way, or in an anecdotal, informal way, allow an insight into the operation of the establishment and within that the quality of the services provided by the accommodation facility. Today each hotel guest is a potential virtual mystery guest who provides invaluable feedback to the service provider through their reviews. Thus, hotel marketers are in a favourable position to collect customer feedback at no extra expenses by surfing the web for reviews describing their establishments. However, the new challenge of dealing with electronic reviews needs to be addressed in addition to the traditional off-line forms of handling complaints and reacting to positive feedback.

Context

Travellers’ hotel reviews, travelogues and blogs sharing travel experience with the traveller internet community render easily manageable customer feedback to the service provider. On-line hotel reviews present virtual mystery guests’ travel experiences in the form of electronic word-of-mouth communication. Although the primary aim of the negative reviews might be a combination of the traveller’s need to vent negative emotions raised by the negative experience and the concern for fellow travellers, indirectly these messages might warn service providers to take action in order to enhance the level of services. Positive reviews, on the other hand, might be capitalized on and their marketing potentials might further be utilised.

Questions and activities for students: phase 1

Travellers’ web posting should not go unnoticed and a comprehensive framework should be worked out firstly to deal with the negative experiences and

secondly to utilise the marketing potentials hidden in the positive reviews. In the following examples, two customer reviews, one positive (Review 1) and one slightly critical (Review 2), are presented. The reviews were written about two different hotels in two different countries and were retrieved from TripAdvisor. Consider each case and decide how to most efficiently respond to the reviews in an industry which, with its intangible product, is more susceptible to complaints than others.

1. Who should respond to each of the reviews?
2. Make a list of key issues that need to be included in each response and draft a response to each.

Review 1 “Opera, my love”

This was the third time we had stayed at the Hotel Opera in Zurich, so our positive impressions seem to be obtaining statistical reliability. It appeared that a direct booking yielded the most reasonable price for a weekend package at the hotel: for the price quoted by Internet based booking providers the direct booking also offered a welcome drink, breakfast and a Zurich card valid for museum admissions and public transportation. The booking was as unproblematic as ever, prompt replies, no advance payment required. I also made mention of our early arrival which was registered but was dependent on the actual situation, as they politely said. Eventually, we could easily check in at 10 a.m. There are shuttle buses from the airport to the hotel, half the price of an ordinary taxi. (Ben bus, if I remember well. We booked the shuttle for our return flight as well.) This time we got a room on the top floor with a balcony and a view of the Lake of Zurich. The rooms are not huge, but they are comfortable. They are all very prettily furnished; on all three occasions we stayed in a room with different decor. The bathroom is extremely clean and very well looked after by housekeeping. They even changed towels during the day, not just in the morning (bad news for environmentalists). Housekeeping moves around altogether unnoticed. There is WIFI in the rooms and also Internet access through the TV screen – fees can be posted automatically to your bill from the room. The room was very quiet, neither the noise of slamming doors from the corridor, nor the traffic from the street could be heard. There is a good choice of hot and cold dishes for breakfast. I wouldn't say that this was the hugest selection I have ever seen but the sight of smoked trout one morning and salmon on the other made me forget that there were only 10 things to choose from rather than 20. This hotel does not have a restaurant; there is one in their partner hotel opposite. For lighter meals we went to the nearby Globus food-court which is open until 11 pm and offers various dishes: there is a section for Asian cuisine, a sandwich bar, a cake shop and a sushi bar with a running belt. (Not an all-you-can-eat type of arrangement as with some other running belt systems. Or in a way yes, you can eat as much as you wish, but you have to pay for all you eat.) What I especially like about the hotel is the tea room next to the reception area. Furnished with soft armchairs, the room offers self-service tea making facilities (a samovar, actually) day and night. Either while waiting for check-in or check-out, or just wanting to have a look at the papers, hotel guests are offered excellent atmosphere for a moment of respite. I have to admit that the hotel together with the performances I have been to at the Zurich Opera, which is a 5 minute walk from the hotel, have given me unforgettable moments in the past couple of years.

Review 2 “For Broadway theatre goers”, The Hampton Inn Times Square North

Let me start with the positive things. This hotel has an excellent location; there are two underground stations nearby and Broadway is a five minute walk. If you want to go to the theatre in Broadway, this is the place to stay. You can even pop in to one of the numerous restaurants on the way back from the theatre. The room is clean and it is mainly in the room that you feel the price value ratio is OK. I also liked the complimentary morning papers in front of the door and staff was extremely helpful, too. And now the negative side. In this hotel you definitely feel that tourism is an industry and within that mass industry. The place was busy all the time people, with groups of people coming and going all the time. No doubt, this is what a hotel is for but not if the group comes home at night and you have to call security before you can go to sleep. It was a large group of young people and they decided to sit down in the corridor in front of the bedrooms and eat their pizzas there. Security sorted out the problem after my second call. Breakfast reminded me of a school canteen breakfast with disposable catering supplies and although there was a different cooked meal every morning, the food became rather boring after the third day. In sum, the location is excellent as was the room but the rest could have been much better for the price we paid for our stay.

Issues for initial discussion

The student responses to each of the cases presented above are a starting point for discussion and a better understanding of how positive and negative customer feedback can be utilised in marketing for marketing purposes. Students should then be referred to copies of the replies to reviews 1 and 2 (See Appendix). It is considered by marketing professionals a commonly accepted stance that customer complaints are one of the most available yet underutilised sources of customer and market information. The replies to the reviews indicate that customer care is a central issue for the accommodation establishments in issue. Both respondents, in their replies, expressed their gratitude for the review and for the reviewer’s time spent on composing the feedback. Whereas the hotel director in his reply (Reply to Review 1) to the positive feedback applied an elevated style which is in par with the highly praised services of the hotel and adopted a somewhat poetic approach in his response, at the same time he did not miss a down-to-earth opportunity to maintain the loyalty of the reviewer by offering a complimentary dinner on their next stay. The response to the negative feedback (Reply to Review 2) sets a good example of how the critical overtone of a review can be lessened and reversed by highlighting the partly latent positive comments and reacting to those in the first instance. The respondent, at the same time, did not fail to apologise for the inconveniences and, furthermore, offered viable alternatives for resolving the problems raised by the reviewer.

“A hotel is like a stage”, as the hotel director indicated, and with the help of new electronic resources the performance is visible to almost anyone. Therefore, service providers need to recognise the benefits of electronic Word-of mouth

communication to obtain feedback, improve services, analyse customer needs and wants and, most importantly, to measure and increase customer satisfaction and so build and maintain customer loyalty.

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Questions and activities for students: phase 2

1. How successful and effective are the replies in addressing the issues in question?
2. What are the implications of posting the replies on the website rather than sending them in private messages to the posters?
3. Map the range of information that can be obtained from the reviews and analyse how the service provider can make use of it.
4. Describe how traditional mystery guests/shoppers are different and similar to a virtual mystery guest.
5. Collect data in your region/country on the extent to which hoteliers rely on web-based customer experiences related to the hotels under their management.

Further reading

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Points for discussion

- Response to positive review: gratitude; reinforce positive message; use opportunity to turn message into a marketing tool
- Response to negative review: offer apologies; reinforce positive message (if any); attempt to reverse the negative message conveyed by the review

Appendices

Reply to Review 1 (sent by email to the reviewer)

Dear xxx

Thank you very much for taking your valuable time to write about your experiences in our hotel opera. It is a pleasure for us to know your personal impressions you have made during your stay in our hotel. We were very pleased with your positive evaluation.

A hotel is like a stage: The audience expects the actors to do always their best; above all there should not be a suggestion of fatigue if the performance was already showed before. An outstanding act will always be expected and it is the goal of our ensemble to fill our guests over and over again with our enthusiasm.

As a thank-you for taking your time writing this feedback, we would like to offer you a delicious dinner for two persons in our restaurant à l'Opéra at your next stay in our hotel. To send you your dinner voucher, please let us know your address or just mention this letter at your next reservation.

We are looking forward to welcome you back soon in our hotel and will do our best to provide you again with a very good performance.

Best regards from the heart of Zurich

xxx

Director

Reply to Review 2 (posted on the website where the review appeared)

Management response from Hampton Inn TSqN, Guest Services Manager
(Management representative)

Oct 9, 2009

Dear xxx,

Thank you for your review of our hotel! I am excited to see that you took advantage of our complimentary breakfast, our spacious rooms and our terrific location! I am also delighted to hear that you found our staff to be "extremely helpful".

I wanted to personally apologise to you regarding the Guests that disturbed you but I am glad to see that our Security team was able to quell the disturbance.

As you experienced, our complimentary hot breakfast is quite popular with our Guests. Per the signage in our lobby, breakfast is busiest from 8:30 am until 10 am. If the breakfast room is too busy for your liking, we offer trays so that you can bring your meal to your room as well as On The Go Breakfast bags stocked with favourite morning goodies to take with you on the run.

Lastly, I am saddened to read that you felt our breakfast was boring. Hampton Inn is in the midst of changing and updating our breakfast offerings. I hope that when you visit us again, you'll have the opportunity to enjoy these new offerings.

Thank you for taking the time to provide us with your invaluable feedback! Please let my team or I know how we can be of further assistance to you.

Sincerely,

xxx

Guest Services Manager

Feasibility Study of a Catering Complex Investment

by Lajos Török

Mr. Smith, an American businessman, arrived in Budapest on the morning flight from New York City on 15th of April 2009. From his taxi, he observed with interest the Hungarian capital awakening and starting the day. To be frank, his curiosity was more than professional; it was personal as well because his grandparents came from Budapest. The special reason for his visit was to look for new destinations for his savings. The new investment opportunities in the Central and Eastern European region seemed to be promising because of the very weak currency rates. Certainly, Mr. Smith heard a lot about the economic problems in these regions.

Some weeks previously Mr Smith had found on the Internet advice from an investment company promoting the Hungarian tourism sector to foreign investors. It highlighted the fact that the amount of hotel investment had grown dynamically during the last few years and was becoming saturated but, in the gastronomic sector, opportunities existed. The offer attracted him and, after consulting his partners, he decided to visit Budapest. While he was wondering about the volume of traffic in the city, the taxi arrived at a new office building and the driver suggested that Mr Smith should take a walk in the Downtown area, as it was especially worth visiting.

Mr. Smith's arrival was expected by János Kovács, the director manager of Kovács and Co, Investment Consulting Company. He met Mr Smith personally at the reception, accompanied him to his office on the third level and then posed the usual initial question: 'How was your journey?' Mr. Smith said that eight hours amongst the clouds had been enough but he had been lucky to have a direct flight. Mr Smith enquired if it was only a rumour that direct flights would be stopped and added, with the sound of tiredness in his voice, that if he had to go into a transit lounge in Frankfurt or in Vienna, he would not have had the energy to continue his trip.

The host optimistically answered that, to the best of his knowledge, the national airlines had discarded the discontinuation idea. However, János' confusion was apparent since, with many years of business experience he had learned to read between the lines. He invited his visitor, with a slight hesitation, to look out of the office window as the panorama of the city on the river Danube was beautiful in such clear weather. Mr. Smith claimed that its attractiveness was exactly the reason why he was there, and also that it was exactly the reason why others would also visit there. He had considered in advance that the foreign visitors

would need to have meals and accommodation as well. Then he continued with his purposeful American mentality to get down to business.

Mr. Smith had read the request for potential financial investors on the Internet by the Hungarian Investment Counsellor Company, Kovács and Co, to establish a Gastronomic Theme Park, which would present both traditional Hungarian and international food and drinks. He had consulted his friends, and most of them had agreed with the idea to invest in this project, but all warned him of the regional risks. That was the reason why he had asked the consulting company for a detailed feasibility study in his e-mail.

In accordance with Mr. Smith's request, Kovács and Co. had prepared the case study, hoping that it would be informative as well as interesting. The following considerations were included in the report:

- Capacity data;
- Costs of investment;
- Expected annual profitability;
- Return and payback period;
- Price sensitivity;
- Break even point determination.

Mr. Kovács switched on the projector and started his presentation:

In the study prepared for the planned complex, we proposed a level 1st category qualification for the facility thereby reflecting the level of professionalism desired. However, in the practical realisation of this project, several problems emerged:

- *In the current situation, the **requisite staffing** for a serving system of the 1st category facility poses serious problems, namely, those of expensive wage costs due to the necessary high levels of expertise.*
- *The uneven weekly distribution of guests may result in periods of significant excess labour force due to the lower capacity utilisation typical of weekdays. It would not be possible to decrease this excess either with flexible working shifts or by giving days off during the week.*
- *In addition – in our opinion – the 1st category does not suit the character of the demand either, which would be basically built on **foreign and domestic groups**.*
- *Accordingly, we suggest that the unit should be established in the **2nd category**.*

Mr. Smith agreed with that and asked what capacity the Hungarians had thought of.

Mr. Kovács continued:

In the impact study presented, we planned:

- *a catering unit suitable for simultaneously serving **300 guests**, of which **200 guests** would be seated indoor in a **covered sales area** and **100 guests** would be served **on the terrace**.*
- *When calculating with the standard value of 1.5 m^2 per guest, a **restaurant sales area of 450 m^2** should be established.*
- *When calculating the portion numbers from the kitchen, we considered the 300 guests could be served simultaneously with the typical 60-minute-long eating and length of stay period for a guest and the 3-hour-long main meal cycle.*
- *Based on the above, theoretically, a maximum of 900 guests can be served during one main meal cycle. However, the **kitchen** should be designed for an output of 50 per cent of the theoretical maximum, namely **450 portions**.*
- *Considering that the kitchen is able to cater separately for **two main meals** a day, the maximum capacity of the facility for a complete day would be 900 portions, namely altogether **900 people could be catered for.**'*

Mr. Smith suggested talking about the costs of the investment. He was informed by Mr. Kovács:

*The specifications presented in the previous part of the expert opinion (**450 portions - t3 grade**) suits a production area of **250 m²**, thus the total catering area would be **700 m²**, of **which** approximately 35% (250 m^2) would be a production area and approximately 65% (450 m^2) a sales area. The investment parameters are presented in Table 1.'*

Key: HUF is: Hungarian forints

Table 1 Investment parameters

	Unit price – thousand HUF	Unit	Value - thousand HUF
Sales capacity /seat		300	
Sales area – 2 nd category 1.5 m^2 /person		450	
Capacity/portion		450	
Area of production area/ m^2		250	
Establishment of building/ m^2	500	700	350 000
Plot/ m^2	0	1000	0
Installation, equipment/number of portions	200	450	90 000
Goods, consumables/number of portions	30	450	13 500
Total investment			453 500

'Presuming 70% coverage, the size of the plot required for the facility is 1000 m². In terms of real estate ownership, three options are possible:

- 1 - prolonged use free of charge;*
- 2 - prolonged use for a fee;*
- 3 - transfer of ownership at market price'.*

At this point, Mr Smith interrupted the conversation and enquired how it would be possible to obtain a plot for prolonged use free of charge. According to Kovács and Co., an investment with touristic objectives might provide work for local communities in some less developed regions. If the investment undertook employing local people, their municipalities would be happy to help with providing the plot. After a pause for thought, Mr Smith's eyes twinkled. Since it sounded sensible, he suggested trying that option. So Mr Kovács continued:

'In phase 1 of our expert opinion, we also determined the investment price per unit of the building, whose professionally accepted value is HUF 500 thousand per square metres.

- *Based on the above, the **amount of investment required for the building is estimated at HUF 350 million.***
- *The per capita expense of the installation, equipment of a 450 portion production plant is HUF 200 thousand per portion, so the total **purchase price of these is HUF 90 million.***
- ***Purchasing the goods and current assets the cost is approximately HUF 30 thousand per portion, so the expected value of these is HUF 13.5 million.***
- *The total **amount of investment calculated for the restaurant is HUF 453,500,000.***

Presuming some special visual and service elements would be established in the implementation of the project, we will discuss the question in a separate phase of the study: To what extent would the planned increase in investment costs influence the expected payback period? For these calculations, however, an annual profitability plan needs to be prepared. Let's start planning the revenue based on the following basic data:

- ***Daily maximum capacity is 900 guests.***
- ***Monday – Thursday** the expected capacity utilisation is 20% (180 people,) meaning about **three groups and some 30-50 individual guests.***
- *From **Friday to Sunday** the rate of utilisation should be significantly raised (minimum 80%), meaning **10 groups and at least 200 individual guests.***

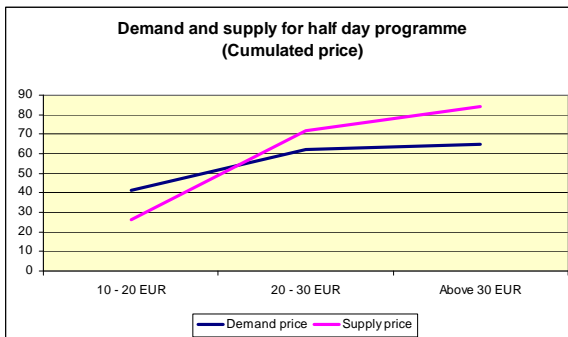
*All these utilisation values result in an average of **411 daily guests and 150,000 guests annually.***

When determining the daily revenue per guest we used the following data:

- Taking two main meals a day is not characteristic of guests staying at the venue. It is rather unusual especially in the case for groups on one day programmes.
- Referring to an earlier survey in which possible managers of similar theme parks and representatives of potential guest were questioned, we determined a reasonable price rate. Based on the responses, we set an equilibrium price of EUR 30 in the case of a one day visit and EUR 20 in the case of a half day visit. Based on the respondents' opinions, the difference between the two values, approximately 10 Euro could be spent on meals.

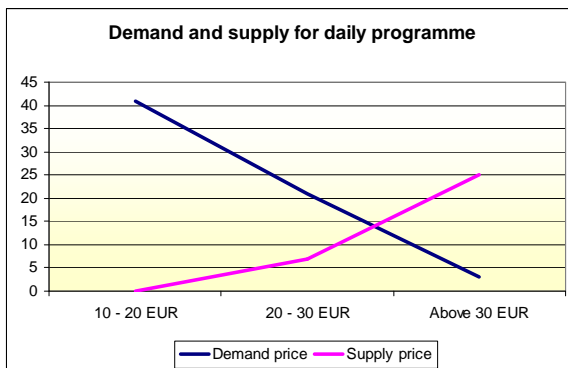
In our analysis, said Mr. Kovács, we compared the prices representing the demand and those to be reached by the investors (as supply) and we estimated the approximate value of the equilibrium price (See Figures 1 and 2 for details).'

Figure 1 Demand and supply for half day programme (Cumulated price)



Whole day programme	Demand price	Supply price
EUR 10 – 20	41	0
EUR 20 – 30	21	7
Above EUR 30	3	25

Figure 2 Demand and supply for daily programme (Based on professional representative survey)



Half day programme package	Cumulated demand price	Cumulated supply price
EUR 10 – 20	41	26
EUR 20 - 30	62	72
Above EUR 30	65	84

*'Based on the above information, we can state that sales can be achieved only at a **relatively low price**, which significantly influences the payback parameters and indirectly suggests the volume at which the investments are profitable.'*

'Presuming at an exchange rate of 270 HUF/Euro, and taking a 25% VAT (Value Added Tax) into consideration, EUR 10 means about HUF 2,000 net revenue per person and per occasion.'

Mr. Smith asked why he was so optimistic, as one Euro equalled 290 Hungarian Forint at that time.

Mr. Kovács answered, in a self respecting manner, that the plan was prepared for a long term, for many years, and he believed in the recovery of the economy in the long term.

The American receded and said if that had not been the case, he would not have been there either.

*'The expected number of 150,000 guests and the expected net revenue of HUF 2,000 per person pre-determines **an annual net revenue of 300 million** HUF (See Table 2).'*

Table 2 Expected annual net revenue

Maximum capacity/day	900
Monday-Thursday utilisation	20.00%
Friday-Sunday utilisation	80.00%
Annual number of guests – person	150 171
Average daily number of guests – person	411
Average net revenue per person – thousand HUF	2
Expected annual net revenue – thousand HUF	300 343

The structure of the expenses is planned in accordance with the following:

- *The **purchase price of goods sold is linear**, so its cost flexibility can be taken at 100%.*
- *We determined the expected share of foods to be 65% and the share of beverages 35%.*
- *Based on professional estimation, the linear percentage of purchased price of goods sold is 40% and that of beverages is 30%.*
- *Based on the above, **the value of purchased price of goods sold is estimated at HUF 110 million.***
- *Due to the economic characteristics, we have treated **wages costs as fixed costs**. Based on industrial standards, we have set the number of employees at 40, of which 6 employees are working in managerial positions and 34 in operative positions.*
- *The managerial positions were calculated using a multiplier of 3.5 of the minimal wage (HUF 67,500 in 2007), and the operative positions using a multiplier of 1.5.*

- *Considering the different contributions to be paid (social insurance contribution; employer contribution; vocational training contribution and healthcare contribution) the planned **annual wages costs are HUF 82.7 million.***

Mr. Smith interrupted the presentation as, in his opinion, the value of the minimum wage and the contribution rates changed every year.

Mr Kovács reflected that these data changed even more frequently over a one year period. That was the reason why they had made wages' calculations using 2007 as the base year. He clarified:

- ***Cost of depreciation** was also determined **linearly**, 3% for real estate and 14.5% for fixed assets. In this way, the **amount of annual depreciation would be HUF 23.5 million.***
- ***Other costs** were regarded as **linear variable costs** and calculated with a rate of 15%.
*This amounts to some **HUF 45 million** (Mr Smith was referred to Table 3 for these data).'**

Table 3 **Expected annual profitability**

Purchase price of goods sold	109 625
Share of food %	65.00%
Level of purchase price of food sold %	40.00%
Share of beverages %	35.00%
Level of purchase price of beverages sold%	30.00%
Wages	82 787
Minimal wage	67.5
Manager position – person	6
Manager position – multiplier	350.00%
Non-managerial position – person	34
Non-managerial position – multiplier	150.00%
Depreciation	23 550
Building	10 500
Fixed assets	13 050
Other costs	45 051
Other cost %	15.00%
Income from operations	39 330
Net income	33 824
Yield	7.46%
Cash flow (depreciation + net income)	57 374
Yield based on the Cash flow	12.65%

*Based on the above, the annual expected **income from operations** is close to **HUF 40 million**, which results in a net **income** of nearly **HUF 34 million**, considering the corporate income tax of 16%,*

Considering that the revenues and the costs rise proportionately with inflation, we ignore the extrapolation of income values the same inflation rate. The real value of the net income remains constant, so we ignore the Nett Present Value calculation. It is acceptable with this condition that the yield level determined in the annual profitability calculation remains constant in the long term and, accordingly, its reciprocal value can be accepted as the payback period indicator. An investment amount of HUF 453 million and annual net income of HUF 34 million would result in a yield level of 7.5%, and, accordingly, a payback period of about 13 year for the business.'

Mr. Smith claimed that the calculation referred only to the restaurant. He asked about additional services. If a riding centre were planned, then horses would need to be purchased, or to establish a mini model town, then a lot of money would also be required.

Mr Kovács stated that the mentioned optional versions had been examined as well and then continued with the presentation.

*'In the case that the investment cost exceeds the previous amount, it would also decrease the expected returns proportionally and **increase the payback period**. Table 4 shows that **investing an additional HUF 100 million increases the payback period by approximately 3 years**.*

Table 4 Relation between the value of investment and return

Value of investment (HUF thousand)	453 500	Yield	Payback period - year
Net income (HUF thousand)	33 824	7.46%	13.4
Additional investment (HUF thousand)	100 000	6.11%	16.4
Additional investment (HUF thousand)	200 000	5.18%	19.3
Additional investment (HUF thousand)	300 000	4.49%	22.3
Additional investment (HUF thousand)	400 000	3.96%	25.2
Additional investment (HUF thousand)	500 000	3.55%	28.2

'For instance, if the proposed investment cost reaches HUF 950 million, the expected annual yield does not reach 4%, and accordingly the payback period exceeds 28 years.

Based on the above, multiple versions of the service package may be prepared. However, it is not proposed to spend more than HUF 200 million for this purpose. Mr Kovács summarised the calculation.

Mr Smith, a bit impatiently, asked to see the potential revenues after expenses.

Mr Kovács continued:

- *From the aspect of profitability, it is highly important to examine the purchasing power of the guests. For that reason we made separate calculations about the impact per capita revenue on profitability.'*

He proposed to take the previous values as version A in Table 5.

- *‘Calculations showed that in the case of 150,000 guests per year, the net revenue of HUF 2,000 resulted in 7.5% net income yield.’*

He added that based on the average per capita spending, they had prepared B and C versions (In Table 5) as well.

- *In this case we manage to increase the per capita net revenue (average consumption) by HUF 500 and it will improve the expected annual yield almost by 7% points.*
- *The feasibility study was executed using linear levels of purchase price of goods sold and variable costs with constant levels of wage and depreciation costs.*

The comparative data are presented in Table 5.

Table 5 Impact of the increase of average consumption on profitability

	A.	B.	C.
Maximum capacity per day (person)	900	900	900
Monday-Thursday utilisation	20.00%	20.00%	20.00%
Friday-Sunday utilisation	80.00%	80.00%	80.00%
Annual number of guests	150 171	150 171	150 171
Average daily number of guests	411	411	411
Average net revenue per quest - HUF thousand	2	2.5	3
Expected annual net revenue HUF thousand	300 343	375 429	450 514
Expenses – HUF thousand			
Purchase price of goods sold	109 625	137 031	164 438
Share of food %	65.00%	65.00%	65.00%
Level of purchase price of food sold %	40.00%	40.00%	40.00%
Share of beverages %	35.00%	35.00%	35.00%
Level of purchase price of beverages sold%	30.00%	30.00%	30.00%
Wages	82 787	82 787	82 787
Minimal wage	67.5	67.5	67.5
Manager position – person	6	6	6
Manager position – multiplier	350.00%	350.00%	350.00%
Non-managerial position – person	34	34	34
Non-managerial position – multiplier	150.00%	150.00%	150.00%
Depreciation	23 550	23 550	23 550
Building	10 500	10 500	10 500
Fixed assets	13 050	13 050	13 050
Other costs	45 051	56 314	67 577
Other costs %	15.00%	15.00%	15.00%
Income from operations	39 330	75 746	112 163
Net income	▼ 33 824	▼ 65 142	▼ 96 460
Yield	7.46%	14.36%	21.27%

Mr. Smith agreed that the net revenue per capita was the key question of profitability. And he asked what the situation in connection with the utilisation was.

Mr Kovács pointed out that their following calculations answered the question, if the net revenue per capita were to be HUF 2,000: *To what extent would the number of guests influence the profitability of the business?*

- *‘Our earlier analysis showed that 400 guests per day resulted in an acceptable level of profitability.
The **break-even point** of the business is approximately 300 guests per day.*
- *If the number of guest decreases below this number for a permanent period, the income from operations becomes negative.’*

Table 6 Impact of average daily number of guests on profitability
(Based on an average consumption of net HUF 2,000)

	900	900	900
Maximum capacity per day (person)			
Monday-Thursday utilisation	20.00%	15.00%	15.00%
Friday-Sunday utilisation	80.00%	60.00%	45.00%
Annual number of guests	150 171	112 629	91 511
Average daily number of guest	411	309	251
Average net revenue per quest - HUF thousand	2	2	2
Expected annual net revenue –HUF thousand	300 343	225 257	183 021
Expenses – HUF thousand			
Purchase price of goods sold	109 625	82 219	66 803
Share of food %	65.00%	65.00%	65.00%
Level of purchase price of food sold %	40.00%	40.00%	40.00%
Share of beverages %	35.00%	35.00%	35.00%
Level of purchase price of beverages sold%	30.00%	30.00%	30.00%
Wages	82 787	82 787	82 787
Minimal wage	67.5	67.5	67.5
Manager position – person	6	6	6
Manager position – multiplier	350.00%	350.00%	350.00%
Non-managerial position – person	34	34	34
Non-managerial position – multiplier	150.00%	150.00%	150.00%
Depreciation	23 550	23 550	23 550
Building	10 500	10 500	10 500
Fixed assets	13 050	13 050	13 050
Other costs	45 051	33 789	27 453
Other costs %	15.00%	15.00%	15.00%
Income from operations	39 330	2 913	-17 571
Net income	33 824	2 505	-17 571
Yield	7.46%	0.55%	-3.87%

Mr Kovács claimed that in their final calculation they had determined the break-even point at **HUF 3,000 per capita net revenue**. They prepared again A, B and C versions – see Table 7.

*In this case we realised that zero income operation supposes a **minimum of 200 guests per day** on average, which, in our example, would mean 100 guests from Monday to Thursday and 350 guests from Friday to Sunday. It is important to emphasise that, if this were to be the case, the business operation would not be profitable.*

Table 7 Impact of average daily number of guests on profitability (Based on an average consumption of net HUF 3,000)

	A.	B.	C.
Maximum capacity per day (person)	900	900	900
Monday-Thursday utilisation	20.00%	15.00%	10.00%
Friday-Sunday utilisation	80.00%	60.00%	40.00%
Annual number of guests	150 171	112 629	75 086
Average daily number of guest	411	309	206
Average net revenue per quest - HUF thousand	3	3	3
Expected annual net revenue HUF thousand	450 514	337 886	225 257
Expenses – HUF thousand			
Purchase price of goods sold	164 438	123 328	82 219
Share of food %	65.00%	65.00%	65.00%
Level of purchase price of food sold %	40.00%	40.00%	40.00%
Share of beverages %	35.00%	35.00%	35.00%
Level of purchase price of beverages sold%	30.00%	30.00%	30.00%
Wages	82 787	82 787	82 787
Minimal wage	67.5	67.5	67.5
Manager position – person	6	6	6
Manager position – multiplier	350.00%	350.00%	350.00%
Non-managerial position – person	34	34	34
Non-managerial position – multiplier	150.00%	150.00%	150.00%
Depreciation	23 550	23 550	23 550
Building	10 500	10 500	10 500
Fixed assets	13 050	13 050	13 050
Other costs	67 577	50 683	33 789
Other costs %	15.00%	15.00%	15.00%
Income from operations	112 163	57 538	2 913
Net income	96 460	49 483	2 505
Yield	21.27%	10.91%	0.55%

According to Mr Kovács, it could be seen from the above example that the **marketing activity** must be focused because the number of guests significantly influences the profitability of the business. Therefore, the significance of **price elasticity** must also be highlighted since a consumer price higher than the

average promises higher profitability. However, an increase in prices is likely to cause a decrease in the number of guests, thereby creating additional managerial hardships.

Mr Smith answered with satisfaction that he agreed with the presentation and it was time to summarise the things he had heard.

Mr Kovács switched off the computer and handed over the document including the most important data. Their proposal suggested the following size for the catering unit to be established within the framework of the project.

‘Capacity data:

- *Capacity of sales area: indoor opportunity of seating 200 people, plus outdoor seating (terrace) 100 people;*
- *Capacity of production area – 450 portions per main meal cycle*
- *Number of possibly served guests: 900 people*
- *Area of the building of business (including outdoor sales area) approximately 700 m²*

Investment parameters:

- *Apart from the price of the plot and the method of transferring the property, the professionally recommended cost of investment is approximately HUF 500 million; its expected payback period is 12-13 years.*
- *Any additional HUF 100 million spent on the design elements and special services increases the payback period by approximately 3 years.*

Minimal capacities:

- *In the case of HUF 2,000 average net revenue per capita (gross revenue HUF 2,500 – 25% VAT%), and 400 guests per day, an approximate annual revenue of HUF 300 million with a 12% income level from operations and 8% of yield level is ensured. The break-even point of the business in this case would be about 300 guests.*
- *In the case of HUF 3,000 average net revenue per capita (gross revenue HUF 3,750), and 400 guests per day, an approximate annual revenue of HUF 450 million is ensured. To reach the break-even point in this case, an average of 200 guests should be served per day.*
- *Due to the **significant price elasticity** it is easy to forecast that effective marketing activity and consistent yield management will play an outstanding role in the profitability of the business.’*

Mr Smith praised Mr Kovács and added that before making his final decision he would like to visit the venue personally.

Mr Kovács acknowledged Mr. Smith's appreciation of his presentation and asked to finish his coffee. He invited his partner to leave, as a pleasant, 70 kilometre long journey awaited them.

Questions and activities for students

1. Based on data from 2007, the case study calculated with the following investment values:

Arrangement of building/m ²	350 000 Ft
Installation, equipment/number of portions	90 000 Ft
Goods, consumables/number of portions	13 500 Ft

*Students should gather information for determining the market price values using the **current prices**.* For information: The exchange rates were as follows on 16/03/2010 by Hungarian Central Bank: 1 GBP = 293 HUF; 1 EUR = 266 HUF.

2. In your opinion what is the reason for price elasticity being so significant in this case study?
3. What marketing tools would you apply in order to introduce the facility?
4. At what target market would you aim in your marketing strategy? Why?
5. Propose some venues for realising the project. Please explain and justify your choice.

Recommended reading for students:

Schmidgall, R.S. (2006). *Hospitality Industry Managerial Accounting*, 5th edn., Lansing: Educational Institute of the American Hotel & Motel Association.

On-line Reservations

by Bristena Chelaru

Introduction

The internet is characterised by rapid and continuous developments and since its inception, it has become an important vehicle through which businesses can present their web pages and enter new markets, regardless of their size or geographic location. The conditions created by this new era of technology allow small and medium sized companies to compete with the giants of industry. However, this complex electronic commercial environment raises legal, cultural and technological problems. To compete at an international level, companies must take responsibility for setting up, managing and maintaining their own systems. All these issues considered, in time, the notion of the “traditional transaction” will gradually embrace increasingly complex forms of electronic commerce.

In order to study online reliability and to use it in guiding online commerce, conceptual models have been developed. To date, studies have focused their attention on external factors; it appears that researchers have neglected the antecedents of online reliability (for example, cognitive, emotional and behavioural components). Considering that technology develops so rapidly, special attention needs to be given to internal factors. The analysis of different approaches suggests that online transactions involve not only trust between the consumer and the agent on the internet, but also between the consumer and the electronic commerce system through which the transaction is made. The identification of elements that determine the shaping of online reliability and the security of electronic information has an important and decisive role in determining the safe and effective design principles for improving the consumer’s trust in using electronic commerce.

In most disciplines that study the concept of *reliability* there is a consensus that it exists only within an environment characterised by uncertainty and risk. The two basic types of uncertainty (the uncertainty dependent on the system and the uncertainty specific to the transaction) as well as the risk perceived (the impersonal and interpersonal forms of trust in others), include a number of different events that may induce negative effects on the consumer. For this reason it is considered necessary to examine in detail, aspects of the perceived uncertainty or risk.

Software solutions for hotels

(i) The utility of informational options

Without doubt, the role of information technology in hotels is extremely complex, especially if the hotel has a large capacity, very diverse services and is luxurious with a high star rating. Such properties demand not only high performance but also integrated solutions from the outset. Mr. Claudiu Jeler, General Manager for Genetyp Solutions, notices the fact that “especially for the hotel manager, but also for those in public nutrition units or entertainment, an investment in informational solutions for this sector is no longer an option, but a must, its liquidation being accomplished in a relatively short period of time, due to limited loss, maximum control and efficiency at all organisational levels”. He also insists that “it is normal to offer technical support and specialised consultancy throughout the implementation, as well as afterwards”.

(ii) The benefits of implementing software products

The first advantage in using software products is the rapid improvement in management from all points of view, including stock management, bookings and accommodation management, customers, etc. Another short term advantage is the increased speed in operations and activities in many departments, as well as the communication between and amongst them. Over a longer period of time, one of the advantages is that the management will have at its disposal statistics and reports regarding previous activities, as well as forecasts for the future, simplifying the decision-making processes. Also, forecasts for management of resources may be obtained in due course, as well as the evaluation of the activities in the unit, at any one time.

(iii) Hotel and booking

The booking is the “strategic place” where tourism demand and supply meet. The tourist industry has established a series of methods designed to optimise the level of facility usage, to sell availabilities down to the last airline seat or bed space, if possible. Selling tourist services does not only mean a succession of administrative exchanges and passing on orders. To be able to satisfy the demand with the available supply it is important to react very promptly.

The booking process is of vital importance for a hotel because:

- It offers customers the first impression regarding the hotel
- It sells the main product of the hotel, accommodation
- It supplies customers for the other departments
- It ensures important managerial information for the other departments.

In the hotel industry there is strong competition to sell accommodation; if there were any problems or delays in dealing with a customer’s reservation, the customer might hesitate to book a stay or to return to that hotel. For that reason, an efficient reservations’ system is very important. The main objective of the

reservations' team should be to maximise three figures within the front-office department: the number of rooms booked; the length of stay period; and the room rate (amount paid by the guest), thus ensuring the biggest possible income and potential profit for the hotel.

Research aims

To date, the use of the internet for hotel booking, especially to make online reservations is not widespread in Romania. Reasons put forward as an explanation for this situation include: (i) the majority of the hotels are small and medium sized enterprises without developed websites; (ii) most people do not have any credit cards and (iii) lack of experience being linked to a lack of trust in electronic booking systems. The main aim of this research is to obtain information regarding Romanian hotel general manager's perceptions of bookings using the internet, in particular relating to the use of online reservations' systems to facilitate such bookings. A secondary aim was to highlight any confusion that users (tourists and customers), as well as employees, might have regarding the term "online booking", which is used increasingly but, according to the media, has been confused with "booking by e-mail".

Methodology

A survey comprising 12 questions was administered by e-mail to four star and five star rated hotels in Romania through an authorised site. The administration was accomplished with the help of a research site: www.surveyprom.ro. The site was used to format the survey and distribute it to the email addresses of 41 hotels in Bucharest (eight hotels of five star rating and 33 hotels of four star rating) over a one month period in 2009. Bucharest was chosen because the majority of large higher rated hotels are in the capital city and many of them have international brands linked to the operation of company wide electronic reservation systems. The data were analysed using Excel in order to profile the existing electronic booking systems, their reliability and the degree to which they were acceptable to users.

Each hotel general manager was sent an email from the address - survey@surveyprom.ro, containing the following::

Good afternoon,

We kindly ask you to spare a few minutes to fill in the following questionnaire.

Your answer will be highly appreciated.

The link to the questionnaire is:

<http://www.SurveyPro.ro/Survey.aspx?id=ff4f980c-8dd8-483f-8b07-abb05039eb20&cid=a43223bc-bfe9-4618-bac2-011d6204067e>

We thank you in advance for your support!

If you wish to stop receiving these messages, please use the following link:

<http://www.SurveyPro.ro/MessageInvitationUnsubscribe.aspx?id=a43223bc-bfe9-4618-bac2-011d6204067e>

1. *Do you do your bookings with the use of the internet?*
 - a) *Yes*
 - b) *No*

2. *The most frequently used method by your customers who book through the internet, is:*
 - a) *Booking by email*
 - b) *Booking directly on the site online*

3. *How do you consider occupancy increased following the use of online bookings?*
 - a) *Up to 10%*
 - b) *10% but < 25%*
 - c) *25% but < 50%*
 - d) *50% but < 75%*
 - e) *75% but < 100%*

4. *To what extent do you perceive your customers to trust online booking systems?*
 - a) *Very high*
 - b) *High*
 - c) *Medium*
 - d) *Low*
 - e) *Very low*

5. *With which bank/banks does your hotel collaborate with for online payment?*
Please specify.

6. *Has the online system caused any problems regarding bookings up to the present?*
 - a) *Yes*
 - b) *No**If Yes, please explain:*

7. *Have you encountered any problems to date with online payments?*
 - a) *Yes*
 - b) *No**If Yes, please explain ...*

8. *What means of payment do you offer your customers for bookings in advance?*
 - a) *Online payment / card / account*
 - b) *Payment through payment order at a bank*
 - c) *Payment upon arrival / reception*

9. In the year 2009 have you registered any complaints from the customers, concerning online bookings or their payment?

- a) *Very many* b) *Many* c) *Few* d) *None*

10. What do you request for an online booking?

- a) *Payment of an advance / x% of the total price* b) *Total payment*

11. In the event of a booking being cancelled, do you return to the customer:

- a) *The entire amount?* b) *Only a certain percentage?*
c) *The amount is not reimbursed?*

Analysis of the primary data

Over two thirds (68.3%; n=28) of the hotel general managers responded to the survey. All 28 respondents accepted internet reservations, which was pleasing but expected given their four and five star profile; the internet may be seen as 'a compulsory service' at the tourists' disposal.

Out of 28 respondents, 39% (n=11) said that bookings were made by e-mail and 61% (n=17) by booking online/directly on the site. All 28 general managers noticed an increase in occupancy following the use of internet bookings with more than half of them reporting at least a 50% increase. The results are shown in Table 1. In time, these statistics may change depending on the customers' access to information and to the internet, and depending on card payment possibilities.

Table 1 Perceived increase occupancy following the use of internet bookings

Increase in Occupancy	%	Number of hotels
Under 10%	14	4
10% but under 25%	29	8
25% but under 50%	36	10
51% but under 75%	14	4
Over 75%	7	2

The level of customers' trust in online bookings was as follows: The general managers from nine hotels (32%) considered this level to be *very high*, 12 hotels (43%) *high*, 7 hotels (25%) *medium*, and no hotels *low* or *very low*. It should be borne in mind, however, that this opinion was that of the hotel general managers and not their customers.

The bank/banks with whom sampled hotels collaborated were:

Brd (n=6), Raiffeissen Bank (n=4), Banc Post (n=2), Volskbank Romania (n=1), BCR (n=1), BCR, Transilvania`Bank (n=1), Piraeus Bank (n=1), ING Bank (hotels) (n=1), Libra Bank (n=1) Millennium Bank (n=1) and UniCredit Tiriatic Bank (n=1). Eight general managers omitted this question. In Romania, 44 banks are authorised to use methods of payment that may be accessed from a distance, such as internet-banking, home-banking or mobile-banking.

In Romania, there seemed to be some confusion between online booking i.e. when the customer decides to book for a certain 'product' by introducing personal data from a card for instant payment and booking by e-mail. The latter can also be made through the use of the internet, but the system of payment is not similar to that employed in online booking. The two possible means of payment for e-mail bookings are through payment order at a bank, or at the reception upon arrival. Only 17 of the hotels had a facility for online payments, eight accepted payment orders and the remaining three could only accommodate payment at reception. None of managers who responded to the question (n=27) admitted to having encountered problems with payments, including online payments. The use of credit cards for any form of payment in Romania was limited at the time of data collection for this study. Because of potential fraud, many Romanians have mistrusted online payment systems. Nevertheless, the present study indicated that no problems had been encountered using such a method.

None of the respondents (n=27) had registered any complaints from the customers, or problems concerning online bookings. Furthermore, none of the hotels had registered any complaints from the customers, or problems concerning online bookings, suggesting that they should encourage and promote such bookings in the future. However, during the first part of 2009, 12 general managers (44%) confirmed that they had received a few complaints from customers relating to online booking related payments. The remaining 15 hotels (56%) had not registered any, with one nil response.

Of the 27 respondents to this question, 14 (52%) took the full payment in advance and 13 (48%) charged a percentage deposit. Depending on the policies of each hotel, certain rules were set concerning booking payments. The rules differed from one unit to another according to occupancy levels, customer loyalty, internal management, promotion and ownership etc. The hotels also had different policies concerning payment reimbursement in the event of a booking being cancelled. Seven hotels (25%) reimbursed the entire amount, 14 hotels (50%) reimbursed only a certain percentage, and seven hotels (25%) did not reimburse at all. This decision is dependant on the internal policies of the hotel and the reimbursement is made depending on the contractual conditions established by both parties.

Questions and activities for students

This case has been developed from a summarised final year student project.

1. What are the strengths and weaknesses of the student's research project?
2. On the basis of the student's research findings, what suggestion would you make to facilitate the on-line booking process in the future?
3. What are the limitations of this research project?
4. Draft a methodological plan for a similar research project in a country with which you are familiar.
5. What conclusions would you draw on the basis if the above primary data?
6. How does the operation of the online booking and payment system in Romania compare with that in other European countries?

Recommended reading for students:

Saunders, M., Lewis, P., and Thornhill, A. (2007). *Research Methods for Business Students*. Essex, England: Pearson Education Limited.

Yin, R. Easterby-Smith, M., Thorpe, R. and Lowe, A. (2002). *Management Research: An Introduction*. London, England: Sage.

Points for discussion

- The topic is original for Romania.
- The primary data were collected in the capital city where there are sufficient hotels with on-line reservations' systems to make the topic viable.
- Effective method of primary data collection, resulting in fairly good response rate.
- Use of citations/references to support the preliminary discussion of the topic
- Definition of research population? Sampling?
- Is the general manager able to respond on behalf the guests (Q4)?
- Type of hotel? Business/leisure? Nationality of the guests?

Service Quality

by Codruța Apostol

Conceptual quality framework

Specialised literature offers a multitude of definitions of the concept of quality, a term derived from the Latin “*qualitas*”, meaning “propriety” or “way of being”. Still, it has been noticed that the shortest and most used definition is: quality as “usage ability”.¹ Thus, in the economic field, where it is most frequent, the concept must be analysed from the consumer or customer point of view, as well as that of the supplier or producer. For the **consumer**, quality equals “*the satisfactions offered by a product in usage or consumption*”², and for the **producer**, quality represents the level of the characteristics of the products or services offered to the customers.

In 1986, The International Standardising Organisation presents quality as “*the ensemble of properties and characteristics of a product or service that confer [on] it the ability to satisfy the expressed or implicit needs*”.

Thus, it is deduced that enterprises have the expectations of customers as a reference point in the accomplishment of quality. In achieving quality, therefore, the expectations of the customers are paramount, “*from the results’ perspective, as well as from the perspective of the process of accomplishment / performance.*”³

Among the factors that determine customers’ expectations are past experience regarding the company’s offer, the dialogue with other customers, demands concerning the solving of a problem, etc. Other notions associated with the concept of quality are:

- *Quality management*, defined as the entirety of means used to obtain quality;
- *Quality planning*, activity that consists of establishing objectives;
- *Quality control*, process that measures the results;
- *Quality improvement*, process that modifies the performances of the company in a positive way;
- *Quality objective*, a quality target desired to be active;
- *Zero flaws*, meaning a flawless product; this notion is practically a slogan used for stimulating quality (Crosby, 1984).

¹ Juran, J., *Suprematia prin calitate. Manualul directorului de firmă*, Teora Publishing, Bucharest, 2002, p.11.

² Maxim, E., *Calitatea și managementul calității*, Sedcom Libris Publishing, Iași, 2007, p.10.

³ Idem., p.31.

With such a multidimensional character, quality also knows several *shapes*.⁴

- *Designed quality* – assumes the product has individual values, at a level chosen after comparing several variants, in order to satisfy the needs of the customers;
- *Prescribed quality* – indicates the level of the product characteristics as found in standards, norms;
- *Approved quality* – sums up the product characteristics that are approved by a competent committee;
- *Real quality* – the product quality level, determined at a certain time;
- *Commercial quality* – refers to commercial characteristics;
- *Contracted quality* – the level of the quality characteristics, as established between the parties involved.

At the same time, quality allows economic units to benefit from a competitive advantage, because, through quality, each organisation differs from another with similar products or services. On the other hand, quality is strongly related to marketing, because marketing decisions must take quality into consideration, as it “*influences the services demand volume and the structure of the group of customers*”.⁵

The full definition, bringing together most of the definitions given to the term over time, is: “*quality represents an entity’s ability to present an ensemble of intrinsic characteristics that confer [on] it the possibility to satisfy certain specific or implicit requests to a certain degree.*”⁶

The quality of tourism services

Quality in tourism services is essential because the objective of reaching the highest level of customers’ satisfaction can only be achieved by offering professional services in full agreement with the expectations and desires of the consumers. A quality strategy is actually a success strategy, as it brings advantages not only to the consumers, but also to the suppliers. A unit’s performance in the market depends on the way its services are perceived by actual consumers and on the impression made on potential customers.

In recent years, great changes in hotel services have become apparent through the introduction of new classifications, new work fields and new professional standards. As success in the hotel business sector is ensured by the consideration that it is “*a hospitality industry*”⁷, it also involves the type of person and the quality of the work done by workers in this field. Alongside hospitality, high quality in

⁴ Armean, P., *Managementul calității serviciilor de sănătate*, Cores Publishing, Bucharest, 2003, p.11.

⁵ Niță, V., *Managementul serviciilor de cazare și catering*, Tehnopress Publishing, Iași, 2004, p.97.

⁶ Maxim, E., *Calitatea și managementul calității*, Sedcom Libris Publishing, Iași, 2007, p.11.

⁷ Idem, p.351.

tourism can be also noticed in simple elements including the atmosphere created in the respective location, or a smile and a friendly gesture, all of which can persuade the customer to return.

Material support provided to ensure quality for tourism services appears to be considered as exclusively financial. In reality this financial effort can be supported by a quality cult among the personnel, starting with the management and moving down to the last worker, because in contrast, service quality is often rated through the attitude of the personnel whilst carrying out activities for which they are not paid.

Hotel quality certificates, which certify the existence of a quality management, bear no relation to the number of stars. For example, a two-star hotel may obtain a quality certificate type ISO 9000 which assures the customer that the hotel functions within certain quality parameters, but this may also be the same for a five-star hotel. It is important to be aware of the fact that, in order to obtain quality, not only conformity with technical norms needs to be used, but also “*the qualitative performance that leads to satisfying the customers’ expectations*”.

As in the case of product quality, quality management is a must in improving service quality also, alongside certain principles:

- *Quality attributed by customers*, practically, must start from the customers’ expectations and finalise in the manner in which they perceived the services;
- *Quality is not limited to one service* but it must be applied to all the activities of a company;
- *Quality demands involve all employees*;
- *Quality assumes collaborating with quality partners*, meaning the suppliers and collaborators must also be aware of the importance of quality;
- *Quality improvement must be permanent*, even if sometimes it involves skipping certain stages;
- *Quality does not cost extra*, but assumes eliminating certain costs due to malfunctions and repairs from the initial phase, or increasing revenue.
- *Quality is a necessary element* that may prove to be insufficient.

On the other hand, at international level, a series of universally accepted quality characteristics circulate. These are:

- *Security*: This assumes a product or tourism service must not endanger the life, health and integrity of the consumer (for example, the well-known fire prevention regulation).
- *Accessibility*: This assumes that products and tourism services are offered to all customers without any differentiations or discriminations.

For example, in the case of people with disabilities, their needs and difficulties must be addressed.

- *Hygiene* involves obeying cleanliness and hygiene norms, at high levels, regardless of the hotels' classification.
- *Transparency* requires that accommodation and tourism units offer and communicate real information regarding the conditions and prices of tourist products.
- *Authenticity* is the characteristic "*most subjective and hard to attain*"⁸. It involves being aware of the differences amongst the competitors and creating brands that could foresee the customers' expectations.
- *Harmony*, one last exemplified characteristic, indicates durability in rapport with the natural and human environment where services are being offered.

Quality might be considered as an organisational feature that depends mostly on the employees training and on the managers' actions, but also on the company's culture.

Presentation of the Company

(i) Short history

The project was initiated by a company, CIF developments, who were working on behalf of a franchised hotel in Northern Romania where there was a need to establish a 'western' tourism culture, that is, characterised by the quality and diversity of the services offered, at international standards. For this purpose, CIF developments purchased a site on which to construct a hotel, in Appulum in October 1996, and in the spring of 1997 made the necessary measures to start works consisting of:

- signing a concession contract with the City Hall of Appulum for the land to be used for the construction;
- obtaining the necessary notifications for the continuation of the works;
- signing design and execution contracts;
- signing the contract for the first stage of the objective, hygiene procedures, construction site opening, removing old walls, consolidation, closing exterior masonry.

Between July 1997 and March 1998 the following works were executed at the respective hotel: structure consolidation; the construction of two more floors; and renovation of the exterior masonry. Considering the value of the investment and the field of activity that was going to be developed at the respective location, CIF developments became interested in attracting some partners, preferably strategic investors with experience in tourism, constructions and hotel

⁸ Stanciu, I., *Managementul calitatii totale*, Editura Cartea Universitara, Bucharest, 2003, p.358.

management. All these considered, in March 1998, Hotel Equum was founded. The plan was to develop a multifunctional tourist complex. The project was divided into three stages:

Stage I – Finalising a four star accommodation structure and affiliating it to a renowned international group.

Stage II – Developing the tourist product by creating the following facilities:

(i) Conference Centre

The Aura Park and the finalisation of the complex's components within the park:

- Sports camp (game fields and locker rooms) ;
- Entertainment park for children and semi-artificial skating rink ;
- Covered pool;
- Riding school and equestrian field;
- Skiing and sledge track ;
- Aura motel;
- Disco club;
- Picnic area – barbeque (tables, benches, grills, covered terraces, etc.)

The first objective of the project, the Equum Hotel, was finalised in August 2002. It is situated in close vicinity of the famous wine cellars of the Appulum district, four kilometres from the famous Petrus winery and seven kilometres from its rival, Sonus cellars, being the best starting point in the so-called “wine-tour” that also encompasses four nationally renowned local and gourmet restaurants. In addition, the hotel is situated in an area of scenic natural beauty with mountains, forests with picnic area and walking trails, all of which offer great advantages for tourists choosing this location.

The Equum is the only four-star hotel of large capacity in the area. Its geographical position, modern facilities, conference rooms and new concept of hospitality, that combines the facilities of modern living with the atmosphere of a welcoming ‘home’, are essential characteristics of the tourist product. From a logistical point of view, the hotel is part of Latino hotels, one of the largest independent global hotel chains.

(ii) Accommodation

As far as **accommodation** is concerned, the hotel has 132 rooms/apartments, comprising 38 single, 84 double, 4 flats and 6 VIP rooms with a total number of 226 beds as follows:

- floors I-IV – the 4 flats;
- floors I-VIII – the 38 single rooms, the 84 double rooms and the 6 VIP rooms.

The rooms are equipped with very modern furniture (tables, chairs, hallstands); each room has a radio and TV with cable transmission; and a telephone line with direct external access through the use of a computer (local and international), which is also used for room-service and all in-house services that do not require specialised personnel. The computer is monitored directly from the front-desk and the calls are charged to the final bill. The hotel offers tourists a range of optional services, including a mini-bar in the room, as well as laundry and dry-cleaning services. The hotel has its own laundry, dry-cleaning and ironing facilities, designated for internal use, as well as that of the customers.

The access to the hotel rooms is through the use of VingCards. Upon inserting the device in the door, the card unlocks the door, allowing access into the room. Inside the room, the customer places the card into a power saving device that allows the use of plugs and switches. From the front-desk the personnel may check at any time if the customer is in the room, if it is being cleaned by the housekeeping personnel or if it is empty.

(iii) Food and Beverage Services

The Food and Beverage service is provided by the two restaurants and two bars of the hotel, attended by a team of dynamic professionals, ready to serve the consumers' needs.

(iv) Other services

The Equum has a fitness centre with diverse facilities including a gym, sauna, Jacuzzi, massage, showers, locker-rooms and a beauty salon. The gym in the fitness centre is equipped with all the necessary equipment for fitness, body-building and aerobics (moquettes, hand rails, rib stalls, multifunctional, weights, bicycles, carpets, steppers, mirrors). The fitness room has an employee who is trained to offer help in the aforementioned fields. The wrapping salons, sauna, Jacuzzi and the solariums also benefit from the services of a specialised assistant who is medically trained.

The hotel also offers other services such as relaxing areas, the beauty salon, quick internet access, ATM, room-service and the ability to virtually visit the hotel on the web and to book online. In order to provide a little extra for the residents of the hotel and for guests from outside the hotel, there are events held on special days, such as: Valentine's Day; Child's Day; 8th of March; Fall at Voroneţ; and Humour in Gura Humorului. When the hotel is near capacity, Romanian or Italian themed evenings are held, with the customers of the hotel being invited as special guests and with outside guests attending, for example, local business men, thus creating a pleasant local atmosphere while forging local business links.

The hotel also has a Conference Centre with seven meeting rooms of different capacities. The development of the *corporate* segment in the recent years has generated the necessity of including a large capacity conference room (for 220 persons) in the tourist product, which opened in 2005. The Conference centre offers the necessary equipment for organising high profile events.

Practical Application

(i) General considerations

For a unit offering services, especially in the hotel services field, knowing the impressions of the customers, is of essential importance. Depending on the quality of the services offered, a hotel may or may not cater to the preferences of the customers, the result of which will directly influence the economic and financial indicators that it accomplishes, including the profit obtained. A multitude of factors contribute to the shaping of the customer's opinion of a hotel unit, starting from location, how easy it is to find, the name and company that it is known by, the interior and exterior architecture and design, etc. The factors concerning the quality of the services offered have a special importance in attracting and keeping the customers. Currently, the portfolio or products and the diversity of services offered by Romanian hotels are growing, and will continue to do so, which will allow the customer the opportunity to choose the unit with the best services and most diverse and favourable facilities.

In order to identify the factors that positively or negatively influence the customers' opinion of the quality of the services offered, primary research was conducted at the Equum

(ii) The objectives of the research

- To determine the reasons why the customers have made their journey.
- To identify the publicity means by which the customers were informed.
- To assess the relative importance of the criteria on which the customers based their choice of hotel accommodation
- To evaluate the quality of the services offered by the hotel on the whole.
- To evaluate the service levels of the personnel that work at the front-desk, bar and restaurant as well as in luggage and housekeeping.
- To assess the customers' opinions of:
 - the restaurant's exterior aspect;
 - the rooms' facilities and cleanliness;
 - the design and degree of privacy offered by the bar and restaurant;
 - the diversity and quality of the dishes offered by the restaurant;
 - the quality versus price proportion, in the case of the services offered by the hotel.
- To determine the additional services that customers would prefer.

- To evaluate the extent to which the customers rate the services offered by the Equum in comparison with competitors' units.
- To evaluate the extent to which, and the reasons why, the customers would or would not recommend this hotel to other people.
- To establish whether the brand influences customers in making the decision to choose this hotel.
- To evaluate the extent to which, and the reasons why, the customers intend or do not intend to return to this hotel.
- To identify the suggestions and proposals of the customers, regarding the improvement of the quality of the services within the hotel.

(iii) Considerations regarding the design and purpose of the questions

The design of the questionnaire represents an especially important activity for the subsequent development of the research based on a poll investigation. It consists of an introductory phrase that points out its purpose, followed by the questions.

Question no. 1 is formulated to find out the purpose of the customer's journey and to identify the categories of tourists that request accommodation at this hotel. The *nominal scale* is used.

Question no. 2 uses a *nominal scale* to identify the informational sources that were the basis for the decision of staying at this hotel.

Question no. 3 employs a *differential ordinal scale* in order to rate the relative importance of using a list of customers' potential preferences in relation to the "attributes" of a hotel.

Question no. 4 requests customers to express their opinion concerning a series of facilities/services of the hotel, using a variant of the *hierarchy ordinal scale/listing preferences*. The respondent is to award each property a grade from 1 to 5, according to the mark that is most representative in his/her opinion.

Question no. 5 contains a *differential ordinal scale* which creates a list of possible customers' preferences regarding the additional services offered by the hotel.

Questions no. 6, 7 and 10 were introduced with the purpose of quantifying the impression that the customers have when leaving the hotel.

Question no. 6 looks to determine the opinion of the customers regarding the services offered by this hotel compared to the services offered by other tourist units visited; a *differential ordinal scale* is used.

Question no. 7 concerns the evaluation of the customers' intentions to recommend the hotel to other persons and uses the *ordinal scale*.

Question no. 10 uses the *ordinal scale*, with the purpose of determining customers' intentions to return to this hotel.

Question no. 9 was formulated with the purpose of assessing the extent to which the brand used by the hotel influences the preferences of the customers and employs the *dichotomist nominal scale*.

Questions no. 8, 11 and 12 were left *open* with the purpose of identifying the reasons by which customers may make the decision to recommend the hotel to

other people, their reasons for wanting to return and to encourage them to list suggestions and make proposals for increasing the service and product quality level.

The questionnaire ends with the demographic profiling data for the subjects. This creates the classification of customers depending on gender, social status, monthly income and age. For the evaluation of the age and monthly income categories *the proportional scale* was used, and in case of social status and gender, *the nominal scale* was used.

Questionnaire evaluating customers' satisfaction regarding the services offered by the Equum hotel

Dear customer,

Your opinion is highly important to us. Please help us improve our services by answering the following questions. Please circle one letter only.

THANK YOU!

1. **What is the purpose of your journey?**
 - a. business
 - b. leisure
 - c. conference
 - d. other reasons

2. **How did you find out about our hotel?**
 - a. tourism agency
 - b. commercial
 - c. friends
 - d. internet
 - e. business partners
 - f. customer

3. **How important to you were the following aspects, concerning your choice of this hotel?**

	Extremely important	Very important	Important	Not very important	Not at all important
Exterior aspect					
Location					
Name and reputation					
Atmosphere, environment					
Services offered					
The menu diversity and quality					
Price					
Other arrangements, facilities					

4. What importance do you attach to the following in this hotel?

	Extremely important	Very important	Important	Not very important	Not at all important
The services' quality as a whole					
The competence, attentiveness, politeness and promptness of the personnel in:					
front-desk					
buss-boys					
Housekeeping					
Bar					
Restaurant					
The exterior aspect, room facilities and cleanliness					
The design and privacy offered by:					
the bar					
the restaurant					
The diversity of dishes offered by the restaurant					
The quality of dishes offered by the restaurant					
Value for money					

5. How important to you are the additional services offered by the hotel?

	Extremely important	Very important	Important	Not very important	Not at all important
Fitness hall					
Beauty salon					
SPA area					
Room-service					
Quick internet access					

6. How do you evaluate the services offered by our hotel compared to other tourist units you have visited?

- a. Much better
- b. Slightly better
- c. Approximately the same
- d. Slightly worse
- e. Much worse
- f. I don't know

7. Would you recommend our hotel to other people?

- a. Definitely will
- b. Probably will
- c. I don't know
- d. Probably not
- e. Definitely not

8. Please explain the reason(s) for your answer

.....

.....

.....

9. Did the Latino branding influence you in making the decision to stay at this hotel?

- a. Yes
- b. No

10. Would return to our hotel?

- a. Definitely
- b. Probably
- c. I do not know
- d. Probably not
- e. Definitely not

11. Please explain the reason(s) for your answer

.....

.....

.....

12. What suggestions or proposals do you have for improving and diversifying the services offered by our hotel?

.....

.....

.....

Identification data:

- Sex:** Female Male
- Social status:** unmarried married divorced widow(er)
- Monthly income (Lei):** under 800 801 -1500 1501-2500 over 2500
- Age in years** under 18 18<35 >35<50 over 50

Methodological considerations

(i) The population researched

The research population consisted of a sample of customers who stayed at the Equum within a three month period in Spring 2008.

(ii) Determining the sample size

When determining the size of the sample 'n' a 90 % confidence level was applied with an admissible error limit $\Delta = \pm 5\%$ using the following formula:

$$n = [t^2 * p * (1+p)] / (\Delta^2 + [t^2 * p * (1+p)] / N),$$

where :

“t” represents the coefficient corresponding to the probability guaranteeing results (it can be found in the statistics table of the Student repartition);

“p” represents the proportion of the items in the sample having the research characteristic (because, usually, the value of “p” is not known, it is considered equal to 0.5, in order to obtain the maximum value possible for the dispersion or spread);

Δ - acceptable error limit.

$$n = [1^2 * 0.5 * (1+0.5)] / (0.05^2 + [1^2 * 0.5 * (1+0.5)] / 6837) \approx 79 \text{ customers}$$

It was deduced that a minimum sample of 80 persons would be necessary for this research. The manner in which the subjects were selected follows the principles of random simple unrepeated sampling.

(iii) Developing the research in the field

The field investigation took place over 15 days. The necessity of obtaining as much information as possible was borne in mind, so in choosing the days, the number of customers arriving at the restaurant, the time of the day and the day of the week were taken into account.

The data analysis and interpretation of the results

In the total sample of 80 respondents, males predominated (60%). Half of the sample were aged between 35-50 years and 31.2% were aged between 18 and 35 years, with smaller percentages of respondents aged under 18 (2.5%) and those aged over 50 (16.2%).

Table 1 The distribution of the sample according to gender and age

Sex	Age (years)	Number of respondents	%
Female	Under 18 years	0	0.0
	18-35 years	14	43.8
	36-50 years	13	40.6
	Over 50 years	5	15.6
Total female	-	32	100
Male	Under 18 years	2	4.1
	18-35 years	11	22.9
	36-50 years	27	56.3
	Over 50 years	8	16.7
Total male	-	48	100
Total	-	80	-

Of the females questioned, Table 1 shows that the highest percentage were aged between 18 and 35 years (43.8%), followed closely by those aged between 35 and 50 years (40.6%). In the case of males, more than half (56.3%) were aged between 35 and 50 years, with only two people being under 18 years of age. All but three of the sample earned more than 800 Lei per month with over two-thirds earning over 1500 Lei per month as shown in Table 2.

Table 2 The monthly income of the sample

Monthly income	Number of respondents	%
Under 800 Lei	3	3.7
801-1500 Lei	22	27.5
1501-2500 Lei	33	41.3
Over 2500 Lei	22	27.5
Total	80	100

Table 3 The distribution of the sample according to gender and income

Sex	Monthly income	Number of respondents	%
Female	Under 800 Lei	0	0.0
	801-1500 Lei	11	34.4
	1501-2500 Lei	15	46.9
	Over 2500 Lei	6	18.7
Total female		32	100
Male	Under 800 Lei	3	6.3
	801-1500 Lei	11	22.9
	1501-2500 Lei	18	37.5
	Over 2500 Lei	16	33.3
Total male	-	48	100
Total	-	80	-

Half of the sample were married, about one third were unmarried and the remainder were single including divorcees (11%) and widows/widowers (5%). From Table 3, it may be seen that almost half of the females (46.9%) earned between 1501-2500 Lei per month relative to just over one third of the males. It may be observed that males with incomes over 2500 Lei (33.3%) are more numerous than females with the same level of income (18.7%). On average the male respondents earned more than the female respondents. The purpose of visit was crosstabulated with the respondents' purpose and monthly income in Table 4.

Table 4 The profile of the sample according to the purpose of the visit

Purpose	Monthly income			
	Under 800 Lei	801-1500 Lei	1501-2500 Lei	Over 2500 Lei
Business	0	2	3	5
Leisure	3	17	20	12
Conference	0	1	7	4
Other reasons	0	2	3	1

Most of the respondents were on leisure trips (65%), followed by those who cited a conference as the purpose for their visit (15%). Those who came for business represented 12.5%, and remaining 7.5% stayed in the hotel for other reasons. The information sources that the respondents used in order to choose the hotel, according to gender, are presented in Table 5.

Table 5 The distribution of the sample according to gender and information sources

Information sources	Gender		Total sample	
	Female	Male	No. of respondents	%
Tourism agency	11	14	25	31.2
Commercial	5	10	15	18.8
Friends	3	1	4	5.0
Internet	2	10	12	15.0
Business partners	11	9	20	25.0
Respondent	0	4	4	5.0
Total	32	48	80	100

Almost one third of the respondents used “tourism agency” information (31.2%), followed by one quarter who were informed by “business partners”. The internet and commercial sources were much more popular as an information source with males than females.

Table 6 Respondents’ views regarding the relative importance of attributes when choosing the hotel

Attribute	1	2	3	4	5	Average Rating
Services offered	62	15	3	0	0	1.3
Atmosphere, environment	61	11	7	1	0	1.4
Price	30	35	15	0	0	1.8
Menu diversity and quality	18	50	11	1	0	1.9
Location	19	35	25	1	0	2.1
Name and reputation	2	36	40	2	0	2.5
Exterior aspect	0	26	50	4	0	2.7
Additional arrangements, facilities	1	4	58	17	0	3.1

Key: Extremely important 1; Very important 2; Important 3; Not very important 4
Not at all important 5

Respondents were requested to classify the attributes according to their relative importance in order to identify those features that influence them most when they choose to stay in a hotel. Such information can be informative when developing packages so that they can match the customers' needs. The data in Table 6 illustrate the relative importance of various key attributes, according to the guest ratings. The services offered (1.3) and atmosphere/environment (1.4) were seen to be most important by all guests, followed by price (1.8) and menu diversity and quality (1.9). Of lesser importance were location (2.1), name and reputation (2.5), exterior aspect (2.7) and additional arrangements and facilities (3.1). These findings followed a generally similar pattern, regardless of the gender of the respondent.

Table 7 The respondents' opinions of the relative importance of the service attributes in the hotel

Service attribute	1	2	3	4	5	Average
Services' quality as a whole	23	49	8	0	0	1.8
Competence, attentiveness, politeness and promptness of the personnel in:						
Front-desk	60	14	6	0	0	1.3
Bar	53	23	4	0	0	1.4
Restaurant	25	47	8	0	0	1.8
Housekeeping	0	11	59	10	0	3.0
Luggage	0	9	54	14	3	3.1
Exterior aspect, rooms' facilities and cleanliness	55	19	6	0	0	1.4
Privacy and design offered by the:						
Bar	63	14	3	0	0	1.3
Restaurant	64	14	2	0	0	1.2
Quality of dishes offered by the restaurant	33	42	5	0	0	1.7
Diversity of dishes offered by the restaurant	7	61	12	0	0	2.1
Value for money	1	27	48	4	0	2.7

Key: Extremely important 1; Very important 2; Important 3; Not very important 4
Not at all important 5

It may be seen from Table 7 that 90% of the interviewees (n=72) appreciated the hotel's service quality as a whole; only 10% were not happy with the quality of the services. Competence, attentiveness, politeness and promptness of the service personnel were most appreciated in front desk (1.3), the bar (1.4) and the restaurant (1.8). Also considerable importance was attached to the cleanliness of the exterior and the rooms (1.4). The privacy and design offered by the bar (1.3) and restaurant (1.2) was deemed to be very important and it is perceived to be a strong contributor to future business. The lowest ranked average scores were 'value for money' in the restaurant (2.7) and competence, attentiveness,

politeness and promptness of the personnel in luggage (3.1) and housekeeping (3.0).

The males rated the importance of service quality as a whole higher than the females. However, the latter attached particular importance to competence, attentiveness, politeness and promptness of the personnel in the bar and at the front desk but there were no gender differences with respect to the restaurant ratings in this context. The females attached a relatively high and greater importance than the males to the quality of the dishes offered in the restaurant.

Table 8 The respondents' views of the importance of the additional services offered

Attributes	1	2	3	4	5	Average
Quick internet access	56	3	11	5	5	1.8
Fitness hall	19	39	17	5	0	2.1
Room-service	0	28	45	6	1	2.8
SPA area	0	24	47	9	0	2.8
Beauty salon	24	5	7	31	13	3.1

Key: Extremely important 1; Very important 2; Important 3; Not very important 4
Not at all important 5

Although almost three-quarters of the respondents (72.5%) rated the fitness hall as *extremely important* or *very important*, the highest importance rating was given to quick internet access. The most important additional service was perceived to be quick internet access (1.8), followed by a fitness hall (2.1) then room service (2.8) and a SPA area (2.8) with lowest importance being attached to a beauty salon (3.1). When the gender differences were examined, it was clear that the males rated the importance of quick internet access and a fitness hall higher than the females who, not surprisingly, rated a SPA area and beauty salon more important than the males.

A high percentage of the females (84%) rated the services in the Equum hotel much better than those in other similar hotels in which they had stayed. In contrast, only 58% of the males stated that this hotel had much better services than the others in which they had stayed. All of the females and 90% of the males said that they would recommend the Equum hotel to others. The remainder of the males said that they did not know; no-one said that they would never recommend the Equum hotel to others.

Table 9 The influence of the Brand on the respondents' choice of hotel

	Gender				Total
	Female	%	Male	%	
Influenced by the Brand	28	88	35	73	63 (79%)
Not influenced by the Brand	4	12	13	27	17 (21%)
Total	32	100	48	100	80

Out of the 80 persons questioned, 63 respondents (79%), comprising 28 women and 35 men, chose the Equum hotel because of its brand, with females predominating. A very pleasing 97% of the females and 83% of the males declared that they would probably/return to the Equum hotel in the future. Just under 20% of the total sample claimed that they were not sure whether they would return or not. The key reasons why the respondents said they were likely to return to the Equum hotel were::

- The quality of accommodation and services offered;
- The quality of additional services;
- The privacy of the bar and restaurant;
- The personnel's hospitality.

Questions and activities for students

This case has been developed from a summarised final year student project.

1. Based on the findings from the above research and the respondents' suggestions, write a report to the general manager of the Equum outlining and justifying the recommendations that you would make in order to improve the quality of services in the Equum hotel

Points for discussion

- Recruitment and training for personnel in luggage and housekeeping.
- Diversification of additional services.
- Restaurant pricing policy; value for money; revenue management?
- Entertainment programme for dinner in the restaurant.
- Priority access to the leisure facilities and car park for the hotel guests, and possibly locals.
- Packages that focus on the needs of different market segments.
- The landscape, the architecture of the building and the historical sites in the area;
- Expand marketing outlets

Recommended reading for students:

Gray, D. E. (2004). *Doing Research in the Real World*. London, England: Sage .
 Yin K. (2003). *Case Study Research: Design and Methods*. London, England: Sage.

This book offers a range of cases written by specialists who have drawn on their experiences to offer problem solving exercises in hospitality and tourism management, with a particular focus on Central and Eastern Europe. Although reference is made to specific national settings, the problems can be transposed to other locations and offer students a range of opportunities for interactive experiences.

Each case concludes with a series of questions for students and, in some instances, ideas for associated follow-up activities are provided. Additionally, for the guidance of both teachers and students, the authors have indicated points for discussion relevant to the scenarios identified

The cases may be used for individual and/or group exercises and offer students who aspire to hospitality or tourism management careers opportunities for considering, analysing and evaluating real and simulated scenarios set in Central, Eastern and also Western European contexts. Some suggestions for further reading are included with the longer revealed cases.

"This is the first volume of international case studies, based on the specialist knowledge and real life experiences of contributors from a number of European countries, which should prove a valuable resource for students, teachers and practitioners of hospitality and tourism management".

Michel Rey, President, La Fondation pour la Formation Hoteliere/General Manager of the Baur au Lac, Zurich, Switzerland.

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