SECTION 30

TRAVEL AND HOSPITALITY INDUSTRIES[1]

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MISSION OF THE TRAVEL AND HOSPITALITY INDUSTRIES

While the travel and hospitality industries are different from each other, they are strongly related. The differences are apparent in their respective missions. The travel industry provides travel advice to travel planners as well as transportation and travel-related services for travelers. The hospitality industry provides food, lodging, meeting places, and hospitality-related services to travelers.

The two industries are related by their interdependence—the hospitality industry depends on the travel industry to deliver its customers; the travel industry depends on destinations, including resorts and conference sites, to justify its existence as a travel provider. For this reason, companies in the two industries are also frequently related through joint marketing. (For example, it is common for conference registration material to make provision for special ticket prices with a preferred air carrier and discounted rooms rates with a preferred hotel at or near the conference site.)

In this section, quality as practiced in the travel and hospitality industries is presented primarily through the experience of airline and hotel companies, respectively. There are also some examples from the experience of other participants in the industries, such as travel planners and cruise lines.

The section covers these broad areas:

- The definitions of *quality.*
- Quality challenges and barriers.
- A brief history of the industry, including the way in which societal and legislative changes affected the approach to managing for quality. The emphasis is on the years since 1950.
- The quality management processes—quality planning, quality control, and quality improvement—as practiced in these industries.
- The importance and management of supplier quality.
- Benchmarks—the industries' best performances.
- A prognosis of quality in these industries.

DEFINITION OF QUALITY IN TRAVEL AND HOSPITALITY PRODUCTS

Within these industries, quality has long been defined in terms of product features or product grade. Three basic grades—luxury grade, deluxe grade, and economy grade—are frequent in a product line and serve to illustrate the approach. These three grades are based on the number and kinds of features, benefits, and advantages expected by the customer. Product grade also establishes the expected level of user satisfaction. Luxury is the highest level, and economy the lowest. Although the grade names for a given product may be different and the grade structure may contain more or fewer divisions, customers are generally made aware, through advertising, sales prospectuses, and the like, that a grade structure does exist. This grade structure may be signaled through brand name or class of service within a brand. Table 30.1 depicts the three product grades in several dimensions.

TYPICAL QUALITY CHALLENGES IN THE TRAVEL AND HOSPITALITY INDUSTRIES

Importance of Nonfunctional Expectations. Most customers of airlines, hotels, and cruise ships have expectations that extend beyond functional requirements of the product or service being used, especially when the travel is for long periods or a special occasion. Their ultimate desire

TABLE 30.1 Product Grades

Grade	Luxury	Deluxe	Economy
Features (what the product promises to the user)	Beautiful, pristine, comfortable surroundings	Attractive, clean, comfortable surroundings	Pleasant, clean, comfortable surroundings
	Highly personal service	Courteous service	Courteous service Attractive price levels
	Timely delivery	Timely delivery	Timely delivery
	Immediate and complete problem resolution	Problem resolution	Problem resolution
Ultimate benefit (what the product does for the user)	A positive, memorable experience	Freedom from a negative experience	Lowest cost
Personal advantage (what the user can do because of the product)	Be more productive, comfortable, and prestigious	Be productive and comfortable	Justify the cost to themselves or to others

is a "memorable experience" that makes them feel well (Cleveland 1988). The characteristics of the experience are accumulated matters of a psychological nature—the look and feel of the surroundings, the warmth of the greeting, the feeling of comfort and importance. These sensory matters create personal advantages for customers that have a major effect on their loyalty and willingness to pay premium prices.

The sense of feeling can be easily damaged by an indifferent attitude, an unclean carpet, a distracting noise, an insincere smile, or any inappropriate appearance such as an unsightly "out of order" sign. The damage is compounded because humans have a tendency to judge what they cannot see by what they can see. In the words of Tom Peters, "Coffee stains on the airliner food tray suggest poor engine maintenance." The magnitude of the damage multiplies rapidly because the news (of the offensive sensory qualities) spreads quickly.

The importance of nonfunctional requirements is explained by Rapaille, a cultural anthropologist who makes customer loyalty a subject of his research. In Rapaille's view, the decision-making process customers go through when selecting any product or service is based on emotion or what he terms the "logic of emotion." For a brief summary of his theories, see Bernowski (l996). For a data-based approach to nonfunction requirements, see below, under Quality Improvement: Services, Special Jobs, and Events, for the example from KLM Royal Dutch Airline.

Overdesign. While customers often harbor unrealistic expectations, developers and operators of high-grade products often set nonfunctional standards to levels beyond those sensed by the customers, adding cost rather than value. One example is the former practice of a leading New York restaurant. Their menus were printed on an imported paper known as "elephant hide" that had the appearance of parchment paper with an ultrasmooth feeling to the touch. While the cost of the paper was more than double typical graphic products, the tactile perception of it by the diner was very ordinary. This product merely added cost, not value.

Knowledge of Travel Planners. The purchase of travel and hospitality products takes place from a variety of intermediate travel planners (although some purchases are made directly by the traveler). These travel planners include administrative support people in an organization, travel agents, and meeting planners. Airlines, hotels, and cruise ships are faced with the challenge of establishing the superiority of their product (however minor it may be) not only to the traveler but also to all the intermediate planners throughout the travel planning chain. Each of these intermediaries

varies in ability to evaluate quality and influence travelers. The following summarizes the knowledge and economic strength of these planners. (This part of this section will not attempt to address the entire complex distribution system of the industries.)

Meeting planners can be viewed as the "vital few" of travel planners. They usually represent a small number of organizations that hold many, often large meetings at various destinations throughout the year. Their economic strength cannot be ignored. Their technical knowledge is very high for several reasons: (1) industry training and certification, (2) extensive experience planning and managing repeat events, and (3) collection and analysis of event data.

Corporate travel planners have the same economic strength as meeting planners. Their role is to develop travel policies (usually with the advice of a travel organization expert). It is noteworthy that travel and entertainment expenditures are typically the third largest in an organization, preceded by payroll and data-processing costs. Some quality experts and travel planners regard corporate travel policies that solely attempt to minimize travel expenditures as antagonistic to employee productivity. They contend that travel which is selected on price alone causes delays, complexity, stress, and fatigue. The ultimate effect on the traveling employee is reduced productivity.

Travel agents have been gaining economic strength since the Airline Deregulation Act of 1978 (see below under Government Influence). Most independent travel agents have become members of various franchise or industry association brands, generally known as consortiums, to compete with leading global brands. Like meeting planners, travel agents, owing to their extensive travel experience, have the capability to evaluate quality.

As of 1995, the travel agent industry, especially in the United States, faced several threats. With the introduction of the Internet (i.e., the computer information highway), travel customers have direct access to travel products and instantaneous verification of travel arrangements. In addition, most major U.S. carriers have begun to limit travel agent commissions on domestic flight tickets sold. The extension of this policy to international flights is also under study. To compensate for this changing environment, large travel companies have begun bundled prices for their corporate customers in the form of fee-based arrangements.

Administrative support people in an organization typically plan travel for people in the organization. This may include the inbound visitor or the outbound travel of a senior leader. Collectively, these intermediaries are significant. Their technical knowledge is limited because they do not routinely evaluate product quality.

In all cases, airlines, hotels, and cruise ships provide product information and personable salespersons to assist the travel planner in evaluating product quality and demonstrating the noticeable differences to their travelers. Where product superiority is minimal, marketing skills can make a remarkable difference in sales income. For more on this topic, see the example in Section 7 on Consumer Preference and Share of Market.

Product Perishability. Airline seats, hotel guest rooms, and cruise ship cabins are the most perishable product of travel and hospitality enterprises, more so than food. (One-half an apple not sold today can be used tomorrow, but an airline seat or a guest room not sold today is lost forever.) Inventory management practices must be planned and managed carefully to avoid costly spoilage.

The decor of cabins and guest rooms also will progressively age over time and ultimately will perish unless scheduled process checks and corrective action are conducted (i.e., scheduled housekeeping and maintenance).

Limited Awareness of Process Management. Traditionally, companies in the industries have brought most of their objectives and resources to bear on attracting and retaining customers by emphasizing the features and benefits of the products offered. There has been little awareness of the processes necessary to create and deliver these features and benefits. In fact, for years, the prevailing mindset has denied that the concept of "process" had application in the industry. ("That's manufacturing. We're different.") Consequently, processes were typically some combination of inefficient, obsolete, excessively bureaucratic, or even nonexistent. To have no concept of process is to deprive an organization of a powerful arsenal of process-related logic and tools to prevent or correct

quality and related productivity problems. Without such preventive or corrective action, a whole class of chronic, severe problems can plague the complex organizational processes that cut across multiple departments. Accepted as fate—"the way things are"—these attitudes have caused organizations to accommodate them. This accommodation is typically a many-level management hierarchy in which it is not unusual to have organizational units with a ratio of workers to managers as small as 7 to 1. This ratio imposes substantial salary costs as well as a mindset that is further damaging to quality and human relations. This bureaucratic approach fosters a social system where easily replaced unskilled workers in narrowly defined jobs merely carry out the plans of managers. This low-quality work life transforms itself into low-quality products of cross-departmental processes as well as high organizational costs. For more on this subject, see Section 6, Process Management.

DYNAMIC NATURE OF THE INDUSTRIES

Typically, 30 percent of travel orders placed by customers will change or be canceled. This high rate of change causes scheduling and information problems as well as extra work and costs. This information-dominant condition provides strong justification for (1) building flexibility into the reservation and production systems and (2) a control system that places the emphasis on the accuracy and up-to-dateness of information provided to all concerned. These industry challenges have a major effect on sales income and costs. The effects of these challenges are summarized by grade in Table 30.2.

BARRIERS TO PROBLEM ANALYSIS

Multiple Types of Processes. Airline and hotel products employ three basic types of processes: (1) continuous production, (2) special job, and (3) service delivery. Each of these processes exists for different reasons and has distinguishing features. They are not mutually exclusive.

TABLE 30.2 Typical Quality Challenges

Challenge	Grade		
	Luxury	Deluxe	Economy
Psychological features and benefits are inadequate.	S	S	S
Appearance standards are set to levels beyond those sensed by the customer.	C	C	C
Product superiority is not established with travel planners.	S	S	S
Airline seats, guest rooms, and cabins perish when not sold.	C	C	C
Furnishings and decor "wear out."	C-S	C-S	C-S
Processes are ineffective, inefficient, obsolete, bureaucratic, or nonexistent.	C-S	C-S	C-S
Process planning and control depends on an elaborate management hierarchy.	C-S	C-S	C-S
Unskilled workers in narrowly defined jobs merely carry out the plans of managers.	C-S	C-S	C-S
Information about customer orders undergoes frequent change.	C	C	C

Key: Challenge has a major effect on C= costs; S = sales income.

1. *Continuous production* processes exist when the product has a standard design that must be produced repeatedly. These processes share many similarities with production and assembly work. Some examples are

- Fulfilling airline or hotel reservation requests
- Providing airline seat assignment
- Assigning hotel guest rooms
- Cleaning and resupplying of aircraft
- Cleaning and resupplying of hotel guest rooms
- Preparing airline or hotel food
- Handling airline baggage
- Providing hotel valet parking

Although this type of work usually provides tangible products (e.g., reservation information cards, restocked guest rooms or a plate of food), service delivery processes are involved as well.

2. *Special job* processes exist when there are multiple designs for a product requiring something new or different from each production run. Some examples are

- Generating a cruise ship itinerary
- Providing a chartered aircraft flight
- Staging a meeting, convention, or banquet

This type of process relies heavily on communicating essential information to all concerned, and the production run is typically short. Again, service delivery processes are involved.

3. *A service delivery* process exists when the supplier meets the customer to conduct a transaction face to face. It typically involves delivery of one or more of the following: (a) personal effort to add comfort or well-being, (b) information to solve a problem, and (c) tangible products. Some examples in the airline and hotel industry are

- Welcoming a traveler
- Providing directions
- Relieving a traveler of baggage
- Serving a beverage or a meal
- Providing forgotten items

It is important to note that service delivery processes may be embedded in both the continuous production and the special job processes. It is useful to understand service delivery as a continuum. At one end is the *individualized service* of a bank machine. This mechanized process can identify an individual by bank card number and process the *individual request.* At the other end of the continuum is the warm, comfortable, *personal service* one would provide at home to guests. Since service delivery is central to hospitality organizations, especially high-grade ones, the service delivery processes are highly personalized and carefully planned and managed.

The Logistics Are Complex. Service delivery is involved with virtually all work in a travel/hospitality enterprise. Since service is consumed promptly by the customer (at the time of delivery), three logistical problems exist when analyzing trouble:

1. Analysis can easily interfere with customer satisfaction.

2. It is not feasible to stop delivery to identify a problem cause.

3. The information collected is usually in the form of recollections, not real-time observations.

The time elapsed in service delivery is usually so short that most problems (such as providing incorrect directions to a traveler) are not even detected until the service delivery is complete.

Short-Term Economic Pressure. Airlines and hotels are capital-intensive enterprises whose performance is closely monitored by external financial analysts. Financial performance reviews of these investments are conducted on at least a quarterly basis. Accordingly, exhibiting positive quarterly financial results is often more of a priority than discovering the causes of good results and generating competitiveness. In the words of one well-known consultant, "an imbalance exists between counting the golden eggs and making the goose healthier." Table 30.3 summarizes process characteristics and barriers to problem analysis.

THE RISE OF CURRENT QUALITY PRACTICES

Much has been done within specific organizations to create a historical perspective of the industries (Abbey 1995, Forsyeth 1995). An explanation of this work follows.

Few National Carriers or Hotel Companies. Throughout the 1930s and 1940s, there were few national carriers or hotel companies in the United States. Airline carriers had a tiny share of the travel market and were primarily regional; most hotels were small and independently owned. Airlines and hotels were located in population and trade centers, and sea travel was international aboard transatlantic ocean liners.

No Standardization of Product. Although there were airlines and hotels with common ownership, even the most prominent of them lacked standard policies, procedures, product design, or referral networks.

Changes in Society. Beginning in the 1950s, however, society began to experience dramatic change in demographics and in habits and practices relating to travel and lodging.

1. *Population growth.* Following World War II, the rate of household formation jumped, and the population began growing significantly (at a rate of 1.35 percent compounded annually), especially in the South and the Mountain and Pacific regions.
2. *Population shift.* In addition to this growth, the population began shifting; the Sunbelt (especially Florida and Texas) and the western states (Colorado, Arizona, and California in particular) experienced a tremendous influx of people.
3. *Greater life expectancy.* The population grew also because life expectancy increased, a reflection of advances in medicine and public health measures.
4. *Improved incomes.* Individual real incomes improved in the postwar economy, and two-income families became more common. After the belt-tightening war years, families suddenly had more money to spend on travel and leisure.

TABLE 30.3 Airline and Hotel Processes and Barriers to Analysis of Chronic Trouble

Process type	Product design	Production/delivery run length	Barrier
Continuous production	Standard design	Long	Hundreds of functional and sensory variables to control
Special job or event	Multiple designs	Short	Most analysis cannot be put to use on the current job
Service delivery	Customer-employee interface	Brief	Measurement can only be conducted after the delivery (i.e., the data are retrospective recollections)

5. *Increased leisure time.* Leisure time increased in the early postwar years, when the 40-hour work week became commonplace and additional legal holidays were given to workers. Job market factors such as part-time work and job sharing contributed to the increased amount of leisure time available to workers.
6. *Proliferation of convention centers.* The 1950s and 1960s experienced a booming U.S. economy. As businesses and business and fraternal organizations grew, people needed facilities for conventions and meetings. Some cities had civic centers or auditoriums that could accommodate groups. As business expanded into the suburbs or outgrew the limited facilities of the smaller city-based convention centers, there was a surge in the demand (and supply) of convention-related travel and hospitality products. This demand occurred in cities and in regional and resort destinations.
7. *Expansion of the highway system.* Construction of the Interstate highway system began in 1956. Soon, the 42,000-mile system became an important factor in the number of Americans traveling, both for business and for leisure. Vehicle registrations grew dramatically, and Americans took to the roads in great numbers.
8. *Increased air travel and growth in airport infrastructure.* Air travel became a commonplace part of the American business and leisure scene. By the early 1980s, more than 700 airports were certified for passenger service, including 23 large hub airports (in Chicago, New York City, Dallas, Atlanta, and so on). The large hubs were destinations in their own right, as well as connection points for an increasing number of domestic and international flights. In addition, 35 medium hubs served regional areas such as the Southwest or Northeast, and 62 small hubs provided statewide connections for a growing number of business and leisure travelers.
9. *Expanded connoisseurship.* Consumers became increasingly informed, astute, and discriminating in making travel and hospitality decisions. Travelers were increasingly unwilling to accept limited comforts, whatever the product grade.
10. *Decline of international sea travel.* Rising costs and the increasing attractiveness of air travel caused international sea travel to decline and finally to virtually disappear.

INDUSTRY RESPONSES TO SOCIETAL CHANGES

Consolidations: National Alliances and Hotel Chains. The industries evolved rapidly to meet the challenges posed by a changing society. Independent and regional airline and hotel enterprises began to seek affiliations to compete more effectively. The basic motivation of joining a national alliance was the added prestige (i.e., the ability to trade on the quality reputation of the alliance) as well as the increased purchasing power.

Common Management. Not until the 1950s did national carriers or hotel companies adopt common management to coordinate all commercial activities. During this period of coordination among the affiliated business units of an airline or hotel company, each consolidated organization developed its own policies, procedures, product designs, amenities, and referral networks.

To meet the demands of road travelers in the 1950s, the lodging industry responded with the development of chain properties. Holiday Inn, Ramada Inn, and Howard Johnson's were among the lodging pioneers along interstate highways. Hilton Hotels chose to capitalize on the expanded demands for convention centers by developing or purchasing facilities that were fit for large conventions.

By the 1960s, giant air carriers attempted to capitalize on their quality reputations by extending their product lines to include hotels. United Airlines, TWA, and American Airlines each developed or acquired a lodging brand. While this approach eventually was abandoned in the United States, the airlines of other countries later adopted it. Some examples are

Airline	Lodging product
Air France	Meridien
Japan Airlines	Nikko
KLM Royal Dutch Airlines	Golden Tulip
SwissAir	Swissotel

The growth of affiliations and information technology created the conditions for the first toll-free reservation systems in the 1960s. These automated systems provided instantaneous verification of travel and lodging arrangements.

In retrospect, early quality efforts were characterized by standardization of product design to distinguish products from those of competitors, a response to the requirements of management. It would be some time before managers would recognize that response to customer requirements was an even more effective competitive strategy and vital to long-term business health.

GOVERNMENT INFLUENCE

Two acts of legislation have greatly shaped the economic and competitive situation of today's hospitality/travel industries in the United States: The Airline Deregulation Act of 1978 and the Economic Recovery Act of 1981.

Airline Deregulation Act of 1978. With the first legislation, airlines ceased to be regulated as public utilities. The gradual removal of economic controls was designed to encourage competition and improve service quality among U.S. air carriers. Some effects have been predictable and some surprising.

Predictable effects

1. *Passenger traffic increased.* In 1977, U.S. airlines carried 240 million passengers. By 1994, the number totaled 605 million.
2. *The price of air travel decreased.* As of 1995, about 90 percent of all air passengers paid at a discount from standard fare. Passenger traffic on low-fare airlines grew from 3 percent of the total in 1980 to 12 percent of the market in 1993, a trend that continues with no end in sight.
3. *Competition grew.* Immediately following deregulation, a flurry of new airlines entered the market. Although most of these new entrants failed or were merged into other carriers, the competition is still very stiff.
4. *Large carriers have abandoned small communities.* Major airlines are leaving the service of smaller cities to commuter carriers that feed traffic to their hubs for connecting service. In 1977, commuter airlines carried 9.2 million passengers. By 1994, the number had risen to 56.5 million.

Surprising effects

1. While traffic growth has been favorable for large, full-service airlines, most of the growth experienced by the top three airlines happened soon after deregulation was initiated in 1978. Demand for full-service airlines seems to have flattened, owing to adverse economic conditions and the attractiveness of low-fare airlines.
2. Chapter 11 reorganization has affected pricing. Since deregulation, there have been 117 bankruptcy filings in the airline industry, including 18 major U.S. carriers. Carriers operating under Chapter 11 are protected from creditors. This enables them to offer discounted fares, forcing competitors to match their prices at unprofitable levels.
3. The airline industry is evolving into two major segments; one segment will feature convenient schedules; and the other, attractive pricing.

Economic Recovery Act of 1981. To stimulate capital investments in the United States, Congress allowed for investment tax credits as well as shorter depreciation and amortization schedules. As a result, hotels were built without regard for market demand. This condition changed with the Tax Reform Act of 1986. There remains an average surplus of hotel rooms amounting to 40 percent (as of 1995), a surplus that is expected to persist until the turn of the twenty-first century.

QUALITY PLANNING IN THE TRAVEL AND HOSPITALITY INDUSTRIES

How to Think About Quality Planning in the Travel and Hospitality Industries. The launch of a new aircraft, a new hotel, or a new cruise ship is a capital-intensive, high-risk undertaking. Inadequate quality planning creates unnecessary costs, possibly even catastrophe.

Long airport check-in lines, uncomfortable surroundings in a hotel, runways crumbling at a new airport, food poisoning, and a ship that overturns at sea are all potential results of inadequate quality planning. [For further examples, see Juran Institute Quality Minute Video Education Series (l994)].

A well-documented example of the cost of poor quality planning occurred in a major resort hotel in the United States. This property featured a magnificent outdoor pool and sunbathing area, accommodating several hundred guests. Among the most popular products served there was the frozen yogurt and the yogurt-based cream drinks made by machine at the poolside service area. A chronic problem was the unreliability of the yogurt machine. The failures were frequent, causing lost sales, rework, added steps, accidents, employee fatigue and turnover, and customer dissatisfaction. Management of the property decided that the purchase of a new yogurt machine would remedy the trouble. The choice of a $12,000 unit was influenced by a $5000 discount on the purchase price.

Management was surprised when the workers at the pool area complained about the new equipment. Some managers resented the protest, even claiming the work force was "insatiable." An investigation by the hotel purchasing agent uncovered the following facts:

1. The capacity of the new machine was inadequate for production needs.
2. The work force was not trained in an important particular: to store the yogurt mix between 30 and 45°F. The use of improperly stored mix rendered the unit inoperable.
3. The workers were substituting expensive ingredients.
4. Procuring the substitute ingredients caused extra work paid at the overtime rate.
5. Customers of the pool bar were dissatisfied with the sporadic unavailability of yogurt during the summer.

In the words of one worker, "Twelve thousand dollars was spent; things are worse; yet management thinks they saved $5000." Worker input was a vital missing element in the original planning and in the replanning of yogurt production. Sound quality planning can produce processes and products that are robust against failure and avoid attendant costs of failure.

Quality Planning Facilities and Equipment. Aircraft, hotels, and ships are built to order by capable suppliers not made by the purchaser. Planning for such an investment typically involves a well-organized joint planning effort. It requires assembling a team of experts from several disciplines: marketing, finance, architecture, engineering, construction, operations, and so on. The team usually draws architectural and other discipline expertise from outside firms that specialize in the discipline. The planning team draws marketing and operational expertise from inside the purchaser's organization. The team's mission is to identify and incorporate the necessary product features and to identify and avert potential sources of failure in the finished facility. In addition to providing their market and operational knowledge, the representatives of the purchaser's organization play two additional roles that are vital to the success of the completed project. One role is to keep before the team the economic constraints of the project; the second is to provide a consistent management process within which the team can effectively carry out the project.

The process of planning a new hotel facility will illustrate some proven approaches. Typically, the team uses one of two basic approaches to develop a new facility: (1) "last model built" or (2) benchmarking "the best."

The last model built approach uses the last hotel as a starting point for the next step in an evolutionary continuous improvement. The benchmarking approach is used when the hotel company is

seeking a fresh approach to facility design. The team of professionals identifies the best-in-industry facilities or even best-in-class outside the industry. The airline industry has benchmarked hotels for equipment, cruise ships have engaged hotel interior architects, and hotels have benchmarked cruise ships for facility design and equipment. British Airways engaged an industrial design firm known for its work on expensive boats to redesign its first class cabins (Goldsmith l995). From these benchmarking experiences, the team of professionals identifies the most important facility features of its new product, whether they be functional or sensory qualities. For further discussion, see Section 12, Benchmarking.

It is typical of the industries to use existing products or competitive products as a source of inspiration to answer the question: Which product features best respond to customer needs? This approach is in contrast to the approach of home appliance makers, for example, who are more likely to use extensive market research into customer needs as a basis for new product design. The last model built approach fosters consistency of product design as well as a low degree of difficulty in planning and execution. Conversely, this approach not only invites carryover failures, it also can lead to product obsolescence. The benchmarking approach can generate breakthrough improvements, yet it is more difficult to manage the new and untried.

Some travel products and travel-product specifications became so closely identified with quality levels that their names and terms became descriptors in everyday language. *Ritzy* is synonymous with elegance and refinement, based on the luxury hotels of César Ritz. The term *posh* is an acronym for port outbound starboard home, which specifies cabins that are free from the glare of the sun on both legs of a round-trip ocean liner journey between the East Coast of the United States and Europe.

Once the basic concept is developed, the performance evaluation of the new facility or equipment is measured in a series of thorough reviews and tests. These critical examinations are centered on validating four characteristics: (1) life safety, (2) appearance, (3) feasibility, and (4) reliability (i.e., time-oriented performance.)

The life-safety validation is typically carried out under the supervision of the appropriate regulatory agency. Matters of appearance are validated by the expert sensory evaluation of architects, whereas economic feasibility is monitored by the expert financial analyst. Validating reliability is a more complex issue than the preceding items. Since facilities and equipment in the industries are purchased products, reliability largely depends on (1) supplier reliability data (today, most suppliers use their internal reliability data as marketing evidence regarding product performance and (2) interviewing customers who use the product.

Another form of design assurance is the construction of product models. Airlines, hotels, and cruise lines build and test cabins and guest rooms. Some are laboratory simulations, whereas others are small-scale tests in existing facilities. The Hong Kong and Shanghai Hotel Company, owners and operators of the Peninsula Group of hotels (located predominately in the Far East), use "home testing" for small, untried equipment. New or untried guest room equipment must be installed in the home of an upper manager for 1 year's practical use prior to implementation. This approach overcomes the pressure to use the latest technology as well as gaining insights into the intended versus real use of equipment by customers.

Since the ultimate test of new facilities is customer use, most enterprises in the industries conduct some form of postproject evaluation of the new product. These evaluations usually include some form of postcustomer reaction and cost analysis.

Unfortunately, in my experience, the industries have not yet seen the value of continuously assessing and improving the product development process itself. This form of 1-day review by upper managers (made popular by Japanese manufacturers) would benefit the entire organization. This audit in some organizations receives the personal attention of the president of the enterprise. Not surprising, this review is often termed the *presidential audit.* This examination makes new products more salable, eliminates waste, reduces capital costs, and improves the return on investment.

Once new facilities clear the design validation phase, preparations for regular operations begin. Since construction and installation schedules and costs can gain the upper hand, it is important that the startup process be reliable. Accordingly, most enterprises use readiness systems such as countdowns or checklists (as practiced in hospital operating rooms and spacecraft launches) to get new products off to a good start.

Products in the hospitality and travel industries are subject to cyclic demand patterns. New products are typically launched in advance of a peak demand period, allowing time to identify and correct deficiencies before the peak occurs.

As mentioned earlier in this section, the management of facilities/equipment inventory (e.g., aircraft seats, hotel guest rooms, and cruise ship cabins) is a complex subject. The complexity is caused by two compounding factors: (1) the inventory is more perishable than food and when lost is lost forever, and (2) 30 percent of travel plans either change or are canceled. Today, inventory management in the industries is very scientific. The object is clear: Sell every item (i.e., seat, guest room, cabin) *today* at the best possible price. The airline industry has been at the frontier of this special form of inventory management. It was the first to use automated inventory management systems to provide decision support in controlling inventory flow and price levels. It would be no exaggeration to say that improving the yield of facilities and equipment has a major effect on the profitability of an enterprise in the hospitality and travel industries.

Quality Planning for Service. Unlike facilities/equipment planning, which is dominated by consulting specialists, planning for new service is monopolized by managers of the enterprise. Most frequently, their qualification for this role is their experience in customer service. (The training and experience of industrial engineers, much valued in planning of services within industrial companies, is not seen as relevant to service planning within the hospitality and travel industries, with the exception of a few major airlines.)

At the Ritz-Carlton Hotel Company, a Malcolm Baldrige National Quality Award recipient, upper managers are personally involved in planning service for each new hotel. The foundation of their approach is the "Gold Standards" (see Figure 30.1). These standard specifications and processes guide the activities and decisions of the entire organization, especially in the ambiguous situations commonly encountered in personal service delivery. When new hotel development occurs, experienced managers migrate to the new location to select scientifically a work force that shares the organization's values. This scientific selection process, developed by a supplier-partner, uses an empirical-based instrument to "screen in" promising managers and workers. The screening instrument compares the candidate's character traits (i.e., spontaneous behaviors) to those of consistent superior performers of the Ritz-Carlton.

During the 7 days prior to initial customer occupancy of the hotel, upper managers play an active role. In the first hour of employment, the President/C.O.O. assertively instills and models the "Gold Standards" for all new recruits. These new recruits then spend the next 2 days in classroom sessions with trainers. During these sessions, the new recruits gain a better understanding of the "Gold Standards." In essence, every new recruit of the Ritz-Carlton Hotel Company must master the employee-customer interface process shown in Figure 30.2. This process requires and allows anyone in the entire work force to (1) break away from routine duties when the customer is dissatisfied or requires something that is not in the standard array of products or (2) provide immediate positive action, (3) document the incident for future analysis, and (4) "snap back" to routine duties. The preceding relationship-management process training is a strictly enforced prerequisite for new recruits (at any level of the organization) before they can begin functional training or have any customer contact.

British Airways provides another example of personal involvement of upper managers in service-delivery planning. After World War II, this national airline of England made a practice of hiring former military personnel. As a result, the culture and organization of the airline was decidedly militaristic. Their core beliefs centered around a traditional hierarchy, conformance to regulations, and safety. Despite the airline's core technical competencies, its losses required substantial subsidies from the government.

The company surveyed 45,000 customers for opinions and attitudes regarding the airline's products. The findings were not entirely surprising: "Your people, while technically competent, are cold, aloof, uncaring and bureaucratic." These findings set in motion cultural and organizational countermeasures that have improved the financial performance of the airline dramatically (Geojiales 1995).

Quality Planning for Special Jobs. Once aircraft, hotels, or cruise ships are in regular operations, special jobs occur that require special planning and coordination. These jobs may take

THREE STEPS OF SERVICE

1
A warm and sincere greeting. Use the guest name, if and when possible.

2
Anticipation and compliance with guest needs.

3
Fond farewell. Give them a warm good-bye and use their names, if and when possible.

"We Are Ladies and Gentlemen Serving Ladies and Gentlemen"

THE RITZ-CARLTON®

CREDO

The Ritz-Carlton Hotel is a place where the genuine care and comfort of our guests is our highest mission.

We pledge to provide the finest personal service and facilities for our guests who will always enjoy a warm, relaxed yet refined ambience.

The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.

THE RITZ-CARLTON® BASICS

1 The Credo will be known, owned and energized by all employees.
2 Our motto is: "We are Ladies and Gentlemen serving Ladies and Gentlemen". Practice teamwork and "lateral service" to create a positive work environment.
3 The three steps of service shall be practiced by all employees.
4 All employees will successfully complete Training Certification to ensure they understand how to perform to The Ritz-Carlton standards in their position.
5 Each employee will understand their work area and Hotel goals as established in each strategic plan.
6 All employees will know the needs of their internal and external customers (guests and employees) so that we may deliver the products and services they expect. Use guest preference pads to record specific needs.
7 Each employee will continuously identify defects (Mr. BIV) throughout the Hotel.
8 Any employee who receives a customer complaint "owns" the complaint.
9 Instant guest pacification will be ensured by all. React quickly to correct the problem immediately. Follow-up with a telephone call within twenty minutes to verify the problem has been resolved to the customer's satisfaction. Do everything you possibly can to never lose a guest.
10 Guest incident action forms are used to record and communicate every incident of guest dissatisfaction. Every employee is empowered to resolve the problem and to prevent a repeat occurrence.
11 Uncompromising levels of cleanliness are the responsibility of every employee.
12 "Smile – We are on stage." Always maintain positive eye contact. Use the proper vocabulary with our guests. (Use words like – "Good Morning," "Certainly," "I'll be happy to" and "My pleasure").
13 Be an ambassador of your Hotel in and outside of the work place. Always talk positively. No negative comments.
14 Escort guests rather than pointing out directions to another area of the Hotel.
15 Be knowledgeable of Hotel information (hours of operation, etc.) to answer guest inquiries. Always recommend the Hotel's retail and food and beverage outlets prior to outside facilities.
16 Use proper telephone etiquette. Answer within three rings and with a "smile." When necessary, ask the caller, "May I place you on hold." Do not screen calls. Eliminate call transfers when possible.
17 Uniforms are to be immaculate; Wear proper and safe footwear (clean and polished), and your correct name tag. Take pride and care in your personal appearance (adhering to all grooming standards).
18 Ensure all employees know their roles during emergency situations and are aware of fire and life safety response processes.
19 Notify your supervisor immediately of hazards, injuries, equipment or assistance that you need. Practice energy conservation and proper maintenance and repair of Hotel property and equipment.
20 Protecting the assets of a Ritz-Carlton Hotel is the responsibility of every employee.

FIGURE 30.1 The Ritz-Carlton Hotel Company "Gold Standards."

the form of chartered air travel, a special cruise itinerary, or a special event such as a convention or banquet. Such jobs usually involve the requirements of multiple customers traveling and/or convening together. These special jobs often account for 50 percent or more of an enterprise's revenue. Virtually every organization in the industries has a planner for special jobs or events who knows the capabilities of the organization as well as the economics of special jobs or events. This internal planner determines the requirements of the customer, usually through personal interview and historical

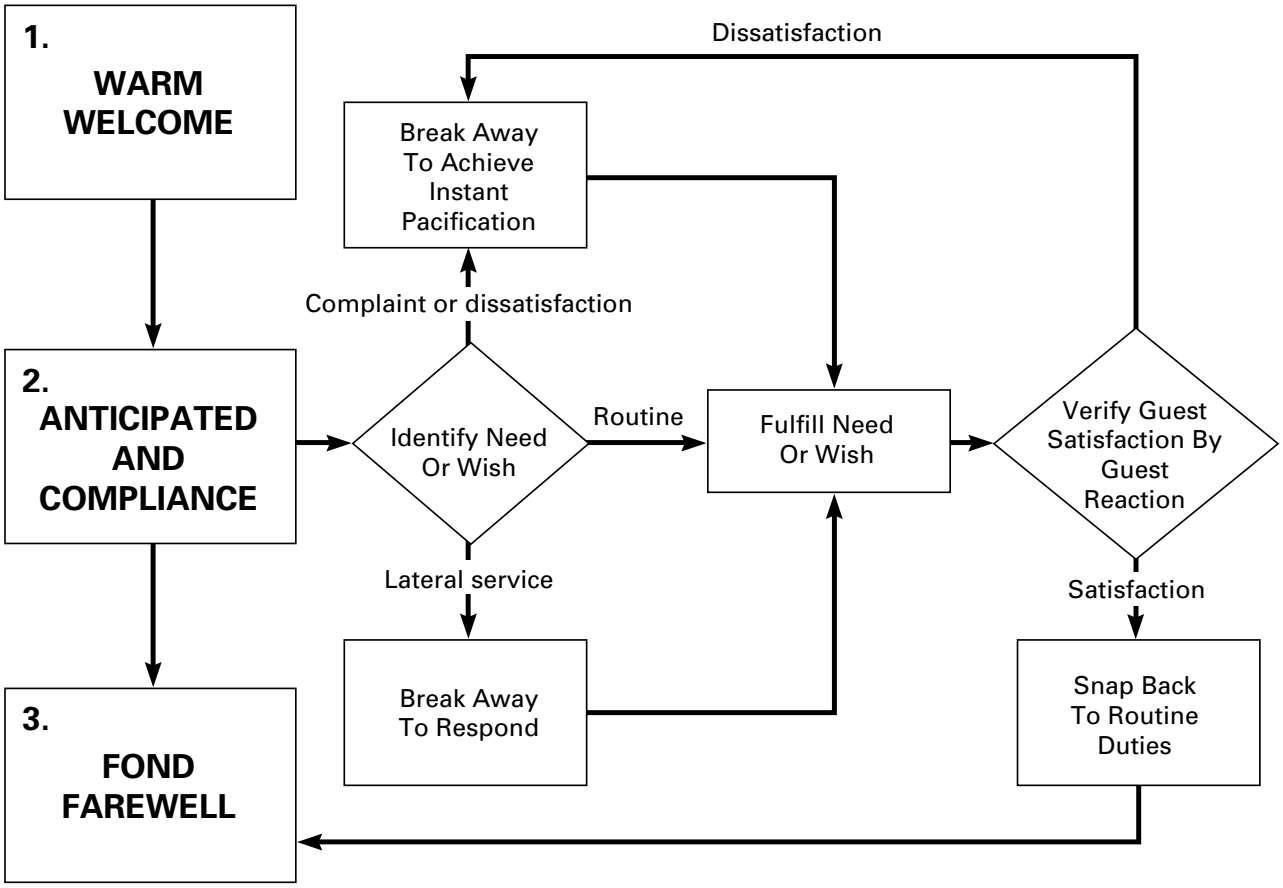

FIGURE 30.2 The Ritz-Carlton Hotel Company "Three Steps of Service."

information. The planner then creates and circulates documents to all concerned for execution of the job. It appears easy! However, even for a knowledgeable and experienced internal event planner, the entire process is filled with potential difficulties for many reasons. The event planner, although a high-level coordinator in the organization, has no hierarchical authority. The work usually passes through multiple divisions and/or departments and is subject to the preexisting difficulties between and within these work jurisdictions. The internal planner can easily underplan or overplan the job or event.

A case of overplanning occurred in a special job where the planner established a 150-point checklist for one aspect of the job. Not only did this list require many detailed inspections and tests, the minimal results of this extra attention to the job output were undetectable by the customers. Taken to the extreme, overplanning a special event or job increases the cost of planning, the attention to trivia, documentation, and the control effort in general.

Conversely, underplanning increases the likelihood the job or event fails to respond to the requirements of the customer and the work becomes more costly than necessary. An example of underplanning resulted in costly litigation. A hotel failed to determine the seating requirements of a special event. The operating forces, functioning without specifications, were left to decide the number of seats per table. Their decision was different from the seating plan of the host organization. The effect of the underplanning damaged the reputation and aim of both the customer and the hotel while adding extra costs to both.

The amount of event communication can rise to enormous proportions, fostering inaccurate and missing information. Furthermore, problems of a job or event usually receive only immediate action, not longer-term corrective action. As a result, the entire event or job can be filled with mistakes, rework, breakdowns, delays, inefficiencies, variations, rebates, and massive inspection efforts. To eliminate or reduce these problems and their extra costs, upper management must create a seamless

interface between the planners and those who execute the plan. This organization should develop event specifications so that internal event planners understand the minimum information needed to define and produce an event as well as special event details to prevent defects and extra costs. Only the people who perform the work can provide this vital information to the internal planner of the event or job.

The seamless organization also must have standing and special meetings to review event or job plans. The main purpose of the standard meeting is to provide redundant verification of circulated document information. The special meeting is designed to focus on a single event or job to identify potential failures. The special review meeting is especially important when the job or event is new and untried. When potential failures are identified, the organization works to correct the problem before it reaches the customer and notifies the customer of the situation.

On the surface, alerting the external customer may appear to be an unnecessary, even harmful disclosure. However, research has demonstrated that special event planners expect to be informed on all matters of progress (Power 1994).

Finally, when problems do occur, the organization must first work to solve the problems event by event, because most problems have their origins in the planning of the event itself. In doing so, the organization can prevent a recurrence in repeat jobs or like jobs.

Ritz-Carlton has developed a simple but powerful aid to event planning. The setup sequence (Figure 30.3) and the operations sequence (Figure 30.4) provide a clear conceptual framework that applies to all special events. The *setup sequence*, borrowed from the logistics of the industrial job shop, shows the four categories of elements that constitute a special event, an abbreviation of the generic planning steps for the elements in each category, and the planning goal for each element by category. The grand goal of planning for any special event is a state of readiness, achieved when the goal for each individual planning element is achieved.

The *operations sequence* presents in simple terms the key interfaces between the hotel organization and the major external suppliers and the responsibilities of the major contributors in executing the plan for a special event. The operations sequence also provides a graphic (and perhaps comforting) reminder that much of the work of managing a "special" event consists of coordinating tasks that are part of the hotel's everyday routine, such as laundry, billing, housekeeping, and the like.

At Ritz-Carlton, managers who have had to master the planning and execution of the special event through repetitive involvement have welcomed the introduction of the setup and operations sequences. Managers find these tools useful in discussing an event plan with others, training inexperienced planners to plan and execute events effectively, and reducing the length of time it takes for inexperienced planners to achieve full productivity in event planning and execution. As they have come to appreciate the power of these tools as applied to special events, the managers also have begun to apply the concepts to all work flow generally. Furthermore, these tools provide an ice-breaking example of cross-disciplinary learning. Managers acknowledge that these graphic tools, inspired by the experience of the industrial manufacturing job shop, are very useful in application to hospitality issues. Such acknowledgment opens the door to discovery of other useful concepts from other disciplines outside the hospitality industry. (For a full discussion of special job or event quality, see Section 24, Job Shop Industries.)

Another application of special event or job planning can be useful to restaurants. In this case, each occupied table should be considered a special job. In order to fully understand what's new or different about each table's order and execute the order without failure, the dining room function and the kitchen function must be horizontally integrated. They must agree on the following things:

- The minimum information needed to define and produce a food order
- The additional information needed to prevent errors on a food order (e.g., degree of doneness on meat orders, the seat location for each item to be delivered, etc.)
- A system to coordinate the final food preparation of each order with the start of food delivery

Restaurants have made great strides in reconciling freshly prepared food and timely delivery. This success is a result of high-quality planning, not high levels of personnel or automation. Today, most restaurant kitchens use some variation of the quality plan shown in Figure 30.5.

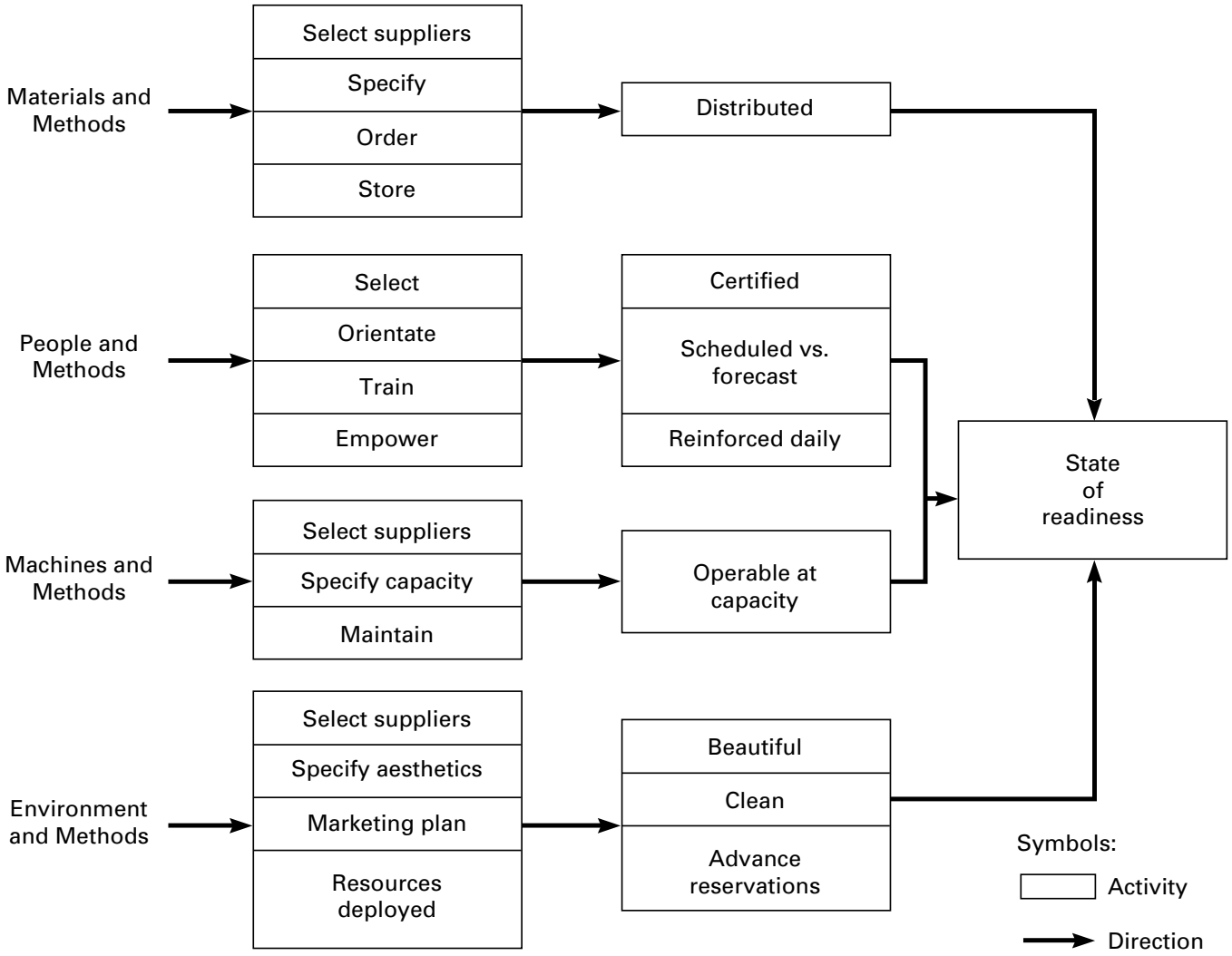

FIGURE 30.3 Setup sequence for special event. (*Courtesy of The Ritz-Carlton Hotel Company.*)

The Role of *Savoir Faire* in Travel and Hospitality Planning. It simply is not feasible to detect the perferences of every customer. Accordingly, many decisions about ambiance, protocol, and general appropriateness are left to the travel or hospitality organization. For this very reason, most high-grade products in the industries employ leaders who have an ability to say or do the right thing in any social situation. This knack (which is often called *savoir faire* from the French "to know what to do") is learned behavior, usually acquired through emulation of a role model early in one's career.

CONTROLLING QUALITY IN TRAVEL AND HOSPITALITY INDUSTRIES

Although the cardinal rules of controlling quality generally apply to the travel and hospitality industries (Juran 1988), it would be fair to say quality performance in these industries does not receive the same degree of control as other internal measures such as schedules or finance. The appropriate controls to be used are most easily determined by understanding the characteristics of the processes employed in the industries.

Worker-dominant processes: When the process is dominated by people (such as service delivery), the control system relies heavily on the talent, skill, and knack of the individual worker.

Material-dominant processes: When the process is dominated by materials (such as uniform purchases or some forms of food production), the control system depends on supplier relations and inspection of delivered lots to identify the unacceptable.

Time-dominant processes: When the process changes with time (such as unsold cabins or guest rooms losing value, machines or decor exhibiting wear and tear), the control system relies on frequent process checks.

Information-dominant processes: When the process undergoes frequent information changes (such as travel reservations, staging a special event or job), the control system addresses the accuracy and the up-to-dateness of the information. (For more on information-dominant processes, see above under Quality Planning for Special Jobs.)

Setup-dominant processes: When the process is dominated by a setup (such as arrangements for a special event or banquet or the placement of baggage-delivery equipment), the control system relies on verification of the setup (i.e., the design).

Facilities and Equipment Quality Control. When facilities and equipment have reached operating conditions, quality is monitored with emphasis on four dimensions: (1) life safety, (2) continuity of electrical/mechanical service, (3) inventory management yield, and (4) appearance of

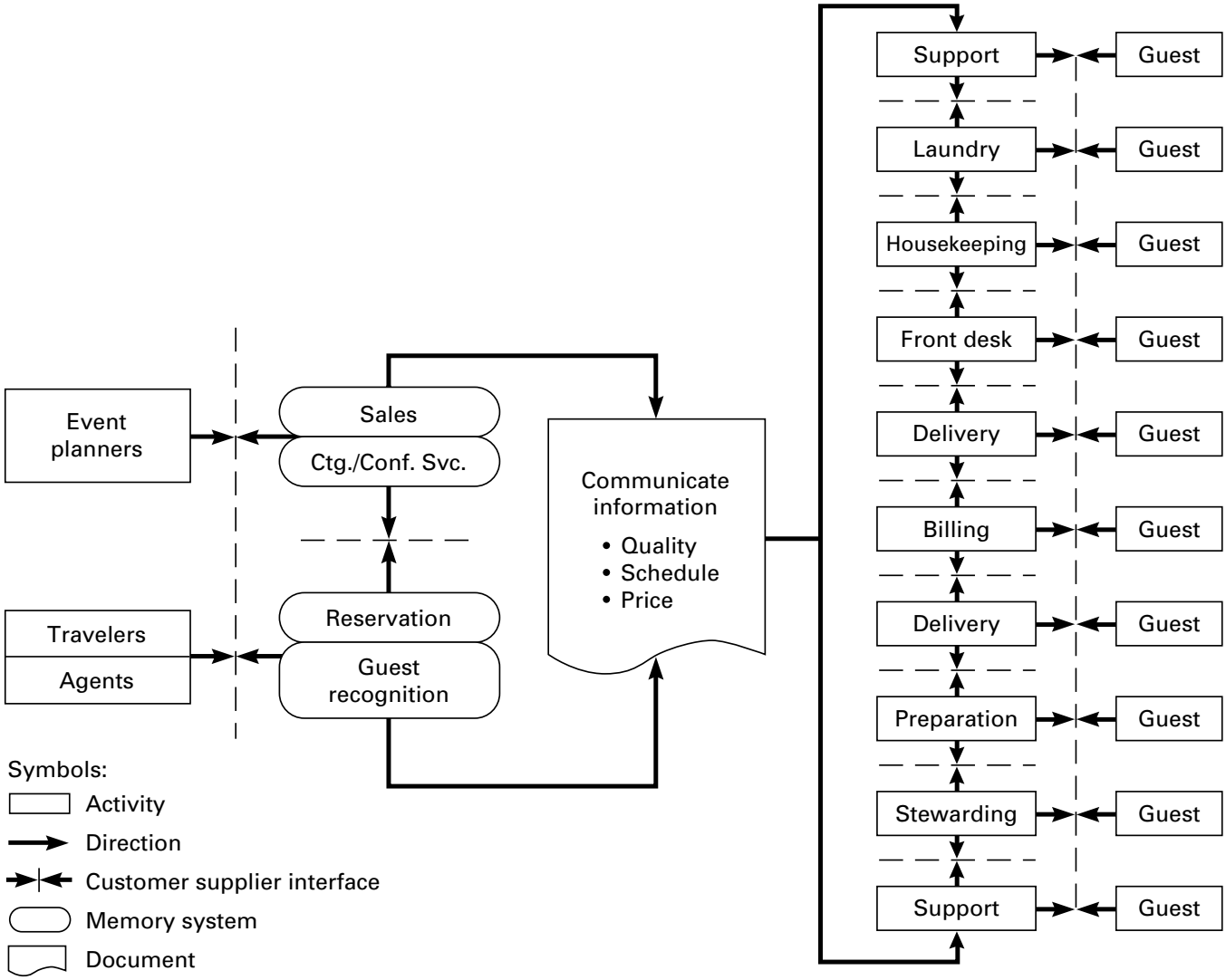

FIGURE 30.4 Operations sequence for special event. (*Courtesy of The Ritz-Carlton Hotel Company.*)

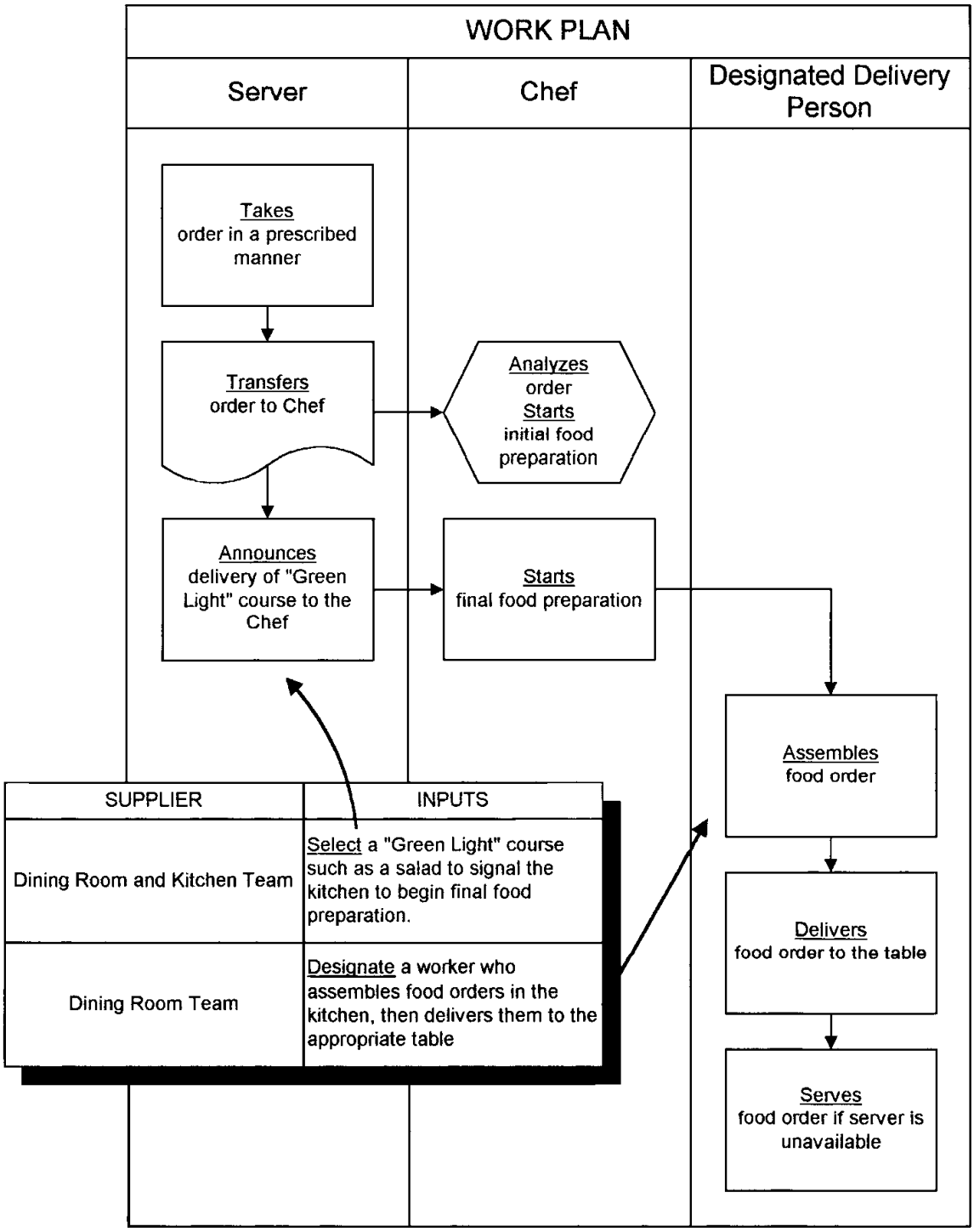

FIGURE 30.5 Quality food delivery plan.

surroundings. Since many of the things measured change with time (e.g., unsold cabins and guest room age), frequent appraisals may be necessary. These appraisals usually take the form of scheduled process checks. Table 30.4 is a matrix of facilities/equipment quality control.

For the matter of aircraft maintenance, fundamental improvements have been developed. The airlines have abandoned scheduled overhauls in favor of reliability-centered maintenance (also called *on-condition maintenance*, since 89 percent of the failure patterns were not age-related). This subject is addressed in Section 7, Quality and Income, and Section 25, Customer Service. For more on the topic of sensory inspections, see Section 23, Inspection and Test.

Service Quality Control. The activities to control service delivery in the travel and hospitality industries should be centered on controlling the behavior, skills, and knack of the workers. For example, service employees should be empathetic and have a high degree of skill in resolving problems. (Unempathetic workers will not carry out customer-oriented policies and procedures adequately.) If there is no process to (1) control or screen out unempathetic candidates and (2) develop the necessary skills and knack to carry out the services required by customers, significant inspection and corrective action will be necessary. The inspection usually takes the form of management review, both daily inspection and performance appraisal systems. This approach has inherent shortcomings.

Regarding inspection, experience has demonstrated that inspection activities detect only 80 percent of the deficiencies, release the worker from the responsibility for quality, are an added cost, and often blame the workers for problems that are beyond their control. A more enlightened approach is to verify the designs of the service delivery and then put the work force in a state of self-inspection or self-control. This alternative works to recruit people who share the organization's values of courtesy, timely delivery, and problem resolution. Through daily reinforcement of these values, the worker spontaneously controls his or her attitude, makes final conformance assessments before service delivery, and extends himself or herself to solve the problems of customers. Periodically, the workers and managers evaluate the customers' assessment of service delivery to identify chronic, severe trouble. Progressive organizations also educate their work force about quality logic, tools, and processes to prevent or correct difficulties.

Generally, the basic quality training program in the travel and hospitality industries covers a number of tools and topics:

1. Service quality logic and processes (i.e., face-to-face interactions between employee and customers)
2. A problem-solving process that includes a diagnostic journey to identify problem causes and a remedial journey to eliminate the causes
3. Statistical tools embedded in the problem-solving process to collect information, analyze data, display data, and plan actions

TABLE 30.4 Facilities and Equipment Quality Control

Timing	Appraisal	Appraiser	Purpose	Example
		Life safety dimension		
Scheduled	Process tests and checkouts	Management	Prevent potential failures	Inspection of fire alarm system
		Continuity of electrical/mechanical service		
Scheduled	Process overhaul	Equipment operators	Prevent potential failures	Overhaul of the central plant air-conditioning unit
Scheduled	Process tests and checkouts	Patrol operator	Prevent potential failures	Monthly filter examinations of ventilation units
Unscheduled	Process failure identification	Entire work force	Immediate corrective action	Reporting an inoperable air-conditioning unit
		Cabin/guest room inventory management yield		
Scheduled	Plan review	Management	Corrective action	Reducing prices when the inventory sold is less than planned
		Appearance of surroundings		
Scheduled	Sensory evaluation	Management	Prevent aging of decor	Determining which furnishings must be renovated or replaced over the next 12 months
Unscheduled	Sensory evaluation	Entire work force	Correct unacceptable appearances	Reporting a stained carpet

More advanced components also may include some form of quality planning process, i.e., providing the logic to do something for the first time or to improve a process. These processes and tools are a powerful arsenal to be used in planning, controlling, or improving any aspect of an enterprise in the industries.

Special Job or Event Quality Control. Special job or event control is distinguished in two ways. Since the process undergoes frequent information changes, the control system addresses the accuracy and the up-to-dateness of the information. The second distinction is the manner in which problems are addressed. Whereas most continuous production and service delivery processes concentrate on the chronic, severe problems first, special event or job control concentrates on the problems within each job or event. An effective way to manage event-by-event quality involves holding a pre- and postevent meeting with the customer. During these meetings, most problems will be identified from the current event. The enterprise then documents each problem in an event log. Each problem is assigned to the appropriate person in the enterprise to diagnose and remedy. All data relating to the problems of the events (i.e., theories, tests, potential solutions, and the like) are kept with the master data file of the special event or job. Since most problems with special jobs or events originate with the planning of that event or job, remedies typically involve redefining what is essential to communicate and to whom. This approach prevents problems in repeat events and like jobs.

Quality Control in Food Production. In view of the advanced technological equipment used to control the many sensory aspects of production in the commercial kitchens of packaged food manufacturers, it may seem surprising that travel and hospitality organizations still rely on the sensory evaluation of the human beings preparing the food (e.g., professional chefs). The evaluation used by the professional chef is strongly oriented to relations with suppliers, sorting of inferior materials, verification of the process setup, and frequent process checks. The basis of the chef's quality evaluation is either conformance to standards (i.e., recipes handed down by revered teachers, personal specialties, etc.) or food that conforms to the requirements of customers. Typically, it requires the leadership of the organization to convince the professional chef that the marketplace is the final judge of quality, not the chef.

One of the most sophisticated applications of statistical process control in the industries is in a large airline catering enterprise. The worldwide flight kitchens of this progressive organization have undergone extensive process analysis (with the aid of a special consultant) to improve "first-pass yields" (i.e., the percentage of work done right within the time frame). As a result of this analysis, *the work* is able to tell the organization what the kitchen is actually capable of achieving. Should a kitchen perform above or below the norms of "like" operations, the kitchen receives special attention by upper managers. To make sure their flight kitchens continuously achieve quality and related productivity targets, this enterprise conducts internal process audits. As a result, this organization has more than doubled its profitability in an 18-month period.

Quality Monitoring in the U.S. Airline Industry. Customer dissatisfaction in the U.S. airline industry is monitored by the U.S. Department of Transportation. Each month the office of Aviation Enforcement and Proceedings develops the *Air Travel Consumer Report.* The report is designed to assist consumers with information on the quality of services provided by airlines. The report is divided into four sections. These sections deal with flight delays, mishandled baggage, oversales, and consumer complaints. The report normally is released by the end of the first week of each month. To obtain a single copy, write to the Office of Aviation Enforcement and Proceedings, U.S. Department ofTransportation, 400 7th Street, C-75/Room 4l07, Washington, DC 20590.

QUALITY IMPROVEMENT IN THE TRAVEL AND HOSPITALITY INDUSTRIES

Overcoming Resistance to Change. Quality improvement activity was largely confined to technical training of the work force and the renovation or replacement of facilities and equipment

until the 1980s. The industry's management focus was on business results. This was the classic business school approach: Sell hard, raise prices, force production to make it cheaper, and finance creatively. The beliefs in this approach began to change for several reasons. First, many leaders were learning about the stunning improvements of companies using total quality management (TQM). Second, they began to recognize that their enterprises were producing tangible, repeatable products, not just services. Third, they realized that every product (functional or sensory) was created by some process. Fourth, they simply had run out of ideas on how to make quantum improvements with a changing environment. The old beliefs were not driven out easily. Many of these beliefs had been handed down for nearly a century, and the pride of industry experts was considerable. The stimulus for the eventual change was strong leaders. These leaders put stress on their organizations to improve while reaffirming the ability of the enterprise to meet the new challenge. Finally, these leaders illustrated how the change would benefit the work force. This approach of stress, potential, and payoff was effective at overcoming cultural resistance to change. Currently, improvement projects are more diverse, reflecting the growing diversity of tools to realize the principles of modern quality management: customer as focal point, detailed planning, re-engineered processes, practice, and teamwork.

Quality Improvement: New Product Development. Because of changing traveler preferences and emerging market segments, the industries have redefined target customers and repositioned themselves to be more competitive. This has led them to develop beyond the traditional broad grades or segments: luxury, deluxe, and economy. Now products (especially facilities and equipment) are designed, developed, and marketed for specific target customers. These targets are new segments within existing segments, and the products are new as well as the images, generating improved competitiveness. This product segmentation usually takes the form of tier or niche segmentation (Abbey 1995). For example, in the cruise line industry, increased availability and economy of air travel and rising costs of marine operations caused the decline of international sea travel aboard luxury ocean liners. Many companies in the industry reinvented themselves by designing and developing new facilities and equipment for specific target customers. There emerged many cruise products that occupy particular niches in the marketplace: (1) sun and shopping itinerary—1 week or less; (2) seasonal itinerary—1 to 2 weeks; (3) exotic itinerary of multiple ports with indepth shore programs—10 days to 3 weeks (Kaznova l995). As of l995, demand for cruise products exceeded the supply.

One example of tier and niche segmentation hospitality occurred in West Los Angeles in the early 1980s. A series of six "all-suite" hotels were designed and developed by a single company at six product grades ranging from economy to luxury. Each suite hotel was specially designed for people in the creative industries (i.e., motion picture, music, and advertising travelers). Since creative-industry travelers in Los Angeles have extended stayover requirements, these "artistic havens" were favored over traditional hotel products.

The new Boeing 777 was designed to anticipate the needs of the people who use and operate the plane. It features more comfortable seating, a quiet rest room, reading lights that can be replaced by the cabin crew, as well as mechanical systems that are more repairable.

Not all product development segmentation is capital-intensive. Customer-focused travel agent companies have identified new market segments and developed new products for them. Once, as a motivation to superior employee performance, organizations offered houseware, appliances, electronics, and like products. Over time, high achievers accumulated every conceivable reward and lost interest in more. Travel agencies, realizing the changing need, designed and developed comprehensive incentive travel products, creating a new industry.

Quality Improvement: Services, Special Jobs, and Events. There was a time when quality service was perceived as unattainable, except in high-grade, high-priced products. Now, enterprises at all product grades are striving to improve service quality to remain competitive.

There are two distinct approaches used in the industries to improve service and special job quality. The first approach is to focus on the development of positive relationships between staff and guests. This leadership approach requires the selection of staff with a demonstrated talent for establishing positive interpersonal relationships and further developing that talent through training in such

subjects as relationship management. Figure 30.6 gives some examples of proven *inside-out improvement strategies* in the travel and hospitality industries.

The second approach is to redesign the service delivery processes to provide more customer focus. Success at this approach requires teamwork and worker involvement in planning and execution. These practices can improve worker pride and commitment, management productivity, and customer loyalty. These *organizational and management practices* are referred to as the *outside-in approach* (i.e., focusing on the capability of the organizational processes). The following are some examples of proven outside-in improvement strategies in the industries.

Marriott Hotels and Resorts standardized the best practice of one of its individual hotels. The quality objective was to reduce the elapsed time of the registration process. The means to reach this objective is the integration of the front desk function with the function of the bellpersons (i.e., the people who escort newly registered guests to their room and carry their luggage). To the extent possible, the front desk now preassigns a suitable guest room for arriving guests. Registration information and keys are assembled and placed in an area easily accessible to bellpersons. Arriving guests are greeted by a bellperson, who collects the appropriate key packet and escorts the guests (and their luggage) directly to their room (Hadley 1995).

The Ritz-Carlton Hotel in Dearborn, Michigan (Ritz-Carlton 1994) set out to reduce the number of defects in its guest rooms as well as increase the productivity of room cleaning and resupply. A cross-functional team, with the guidance of an advisor, re-engineered room preparation processes based on the following data: (1) cleaning and resupply defects, (2) cycle time, and (3) worker travel time. The improvements in the new work processes are described in Table 30.5.

KLM Royal Dutch Airlines has translated qualitative service issues into quantitative management tools. Their approach involves summarizing traveler survey data into 10 items referred to as the *service decathlon* (Figure 30.7).

Group A items determine how a customer feels treated as an individual. Group B items all deal with the human body's physical comfort. Group C contains items that can make flying fun.

While Singapore Airlines is praised for having outstanding cabin crews and Virgin is a top performer for entertainment, KLM strives for overall excellence. Like an Olympic decathlon, one does not have to achieve a number 1 position on all items to get the gold medal. KLM turns this service perception data into product improvements (Kaznova l995).

SUPPLIER QUALITY

Background. Because the travel and hospitality industries use large quantities of purchased products, supply quality is a topic that deserves upper management attention. Major purchases have an impact on the organization's image and on its financial resources. Major purchases include facilities, furniture, fixtures, and equipment. They also include automated systems and creative services such as advertising and public relations. In most enterprises, food and alcoholic and nonalcoholic beverages are major purchases. Minor purchases generally involve operating supplies, such as uniforms, paper products, chemicals, and cleaning supplies. Minor purchases also include services that are outsourced, such as preventive maintenance, landscaping, copy machine leasing, and pest con-

Inside-out strategy	Purpose
"Character trait" employee selection	Select new recruits whose spontaneous behavior matches the organization's values
Personal improvement education	Rescript the personal and interpersonal behavior of the work force
Coaching, individual recognition, and rewards	Positive (or corrective) reinforcement of behaviors

FIGURE 30.6 Examples of inside-out strategies. (*Source: Frequent Flyer/J. D. Power and Associates Airline Customer Satisfaction Study—U.S. Flights, J. D. Power, Agoura Hills, CA.*)

TABLE 30.5 Ritz-Carlton Dearborn: Housekeeping Process Improvements

Process feature	Formerly	Currently	Benefit
Clean linen and terry delivery to guest floors	Clean linen was "pushed" from the laundry to the guest floor storage areas	Clean linen and terry are "pulled" from the laundry based on forecasts	Less inventory needed No stock-outs Fewer delays
Sequence of guest room cleaning and resupply	Option of the individual worker	Master cleaning schedule based on customer requirements	Less delay at the front desk Fewer room assignment deficiencies
	Separate cleaning and minibar resupply functions	Minibar resupply is combined with room cleaning	Lower labor cost Less intrusion on the guest
	Progressive work by one person	Concurrent team approach	Job enrichment Fewer inadvertent errors
Quality control	100% inspection	Self-inspection Random audits	Increased attention and responsibility by the work force
Quality improvement	Informal	Formal process involving workers	50% reduction of defects 10% reduction in worker travel time Productivity increased 25% Improved employee satisfaction from 75% to 91%

Group	Service decathlon item	Contribution, Overall Score
A	1. Friendly crew	25%
A	2. Efficient crew	18%
B	3. Ground services	9%
B	4. Meal service	9%
B	5. Drink service	9%
B	6. Seat comfort	9%
B	7. Cabin environment*	9%
C	8. Entertainment	4%
C	9. Punctuality	4%
C	10. Information	4%
	Overall score	100%

* Cleanliness, climate, interior

FIGURE 30.7 KLM traveler survey data. [*Source: Frank Schaper (1995). Presentation: "KLM Service Decathalon," National Quality Roundtable VI, March 15–17, Ritz Carlton Hotel Rancho Mirage.*]

trol. In the airline industry there is a growing trend to outsource "under the wing" support services such as fueling, baggage handling, maintenance, and the like.

How Suppliers Are Selected. Suppliers to enterprises in the travel and hospitality industries are generally selected on three criteria: (1) capability to meet customer requirements on time, every time, (2) knowledge of how their products are used by the enterprise, and (3) cost of the product. Supplier evaluation against these three parameters is usually determined by (1) visiting

the supplier's facility and assessing the capabilities by reviewing data, interviewing people, and making observations, or (2) interviewing customers of the supplier. Less frequently suppliers are also selected on their willingness and ability to improve quality and related productivity.

Although most enterprises in the travel and hospitality industries seek a "partnership" with their suppliers, some organizations maintain an adversarial relationship to maximize short-term gains. Most organizations understand that the real cost of a purchased product must include the cost of inspection and corrective action needed. However, some enterprises continue to buy on original price alone. (The case study earlier involving the hotel resort yogurt machine is a good example of relying solely on original price.)

Dependence on Specifications and Brand Names. Organizations in the industries purchase hundreds, even thousands, of products. The organization defines product requirements in specifications or by accepting the characteristics of a trusted brand name product. Usually, there are separate approaches to developing specifications depending on whether the product is a current product or a new product. The current-product approach begins with selecting a sample that is fit for use and then asking the supplier to describe or specify the product. The new-product approach begins with a description of the organization's requirements, which the supplier then uses to develop samples for testing. The organization selects the product that is fit for use and then has the supplier describe or specify the product. It is important to note that specification development is an example of quality by design. Only through extensive testing and real-world use can the enterprise determine the supplier's capability or management of quality.

Dependence on Receiving Inspection. Manufacturing organizations understand that quality control of purchased products can be achieved with various practices. These practices involve reviewing the process of the supplier rather than inspecting the final product. These process reviews include process audits (by the supplier or the customer) and reviews of process data that accompany delivery of the product. Unfortunately, most travel and hospitality organizations depend on 100 percent inspection by specialists. The dependence on this ineffective method can be attributed to several conditions. The first condition is that for many products there is a limited number of suppliers. With more demand than supply, there is no motivation for the supplier to improve. The second condition is that many suppliers and customers are willing to endure an adversarial relationship. The third condition is that few suppliers and customers have an understanding of the cost of poor quality and related productivity penalty.

Considerations in Determining the Number of Suppliers to Select. Usually a large number of suppliers can be identified for every product need, but organizations typically prefer to have as few suppliers as possible. There are arguments for and against single-source supply. Figure 30.8 displays these arguments.

Each travel and hospitality organization must relate these factors to its own situation. Single-source supply has its place in the travel and hospitality industries, and its use is increasing.

Arguments *for* single-source supply	Arguments *against* single-source supply
• Reduces time to negotiate with suppliers, process orders, and receive incoming goods • Builds trust between supplier and customer • The arrangement reflects the synergies of a partnership effort • Opportunity for economies of scale • Supplier can offer full benefit of expertise	• There is a lack of specialized or expert information for each product within the organization • There may be fewer products available within a product line • Customer may give up price leverage

FIGURE 30.8 Analysis of single-source supply.

Benchmarks in the Travel and Hospitality Industries. The U.S. airline industry has the most readily available and comprehensive data on customer satisfaction in the travel and hospitality industries. These data are the result of an annual study (since 1993) by *Frequent Flyer/J. D. Power and Associates Airline Customer Satisfaction Study—U.S. Flights.* The study is based on a survey of frequent travelers who make, on average, more than 25 trips by airline per year. The study measures the relative importance of each of 10 components of customer satisfaction and the performance of nine major U.S. carriers in each of the component categories. The components, ranked by relative importance, and the leader in each category for l995 are presented in Table 30.6.

The International Air Transport Association (IATA) conducts customer satisfaction performance surveys among transatlantic long-haul passengers on the major airlines between North America and Europe. Although individual airline scores are confidential, it is possible to find interesting aspects of overall performance from aggregate data IATA provides.

PROGNOSIS OF QUALITY IN THESE INDUSTRIES

Dramatic Changes in the Organization of Work. In the years ahead, enterprises in the travel and hospitality industries will dramatically adjust the way they work to achieve quality, productivity, and profit. Rather than putting the needs of the organization first and then motivate the work force to adapt, they will first address the social needs of the work force to increase their energy, attention, and commitment to the company mission. The social needs are described as the six critical human requirements (Cabana 1995): (1) a sense that people are their own boss, (2) opportunity to learn on the job and keep on learning, (3) an optimal level of variety, (4) mutual support and respect, (5) a sense that one's work is meaningful, and (6) a desirable future. These needs are best addressed collectively by self-directed work design and control, i.e., by self-directed work teams. A *self-directed work team* is a small group with a common goal. It is enabled and allowed to make decisions, with the understanding that the decisions must be by team consensus. Only the group can succeed or fail. Rather than relying on one person, a manager, for leadership, each team member masters some management functions, and team members learn to rely on each other. The responsibilities of self-directed work teams may include identifying customer needs, designing and improving the way work is done, setting goals and monitoring progress, scheduling and planning the work, managing budgets and profitability, and designing, producing, selling, and distributing products and services. The self-directed approach is of benefit to the workers and to the organization in terms of the quality of the work performed. Furthermore, managers have more time than ever to work on new initiatives. Self-directed work teams also bring on another shift in thinking. The work force becomes a group of multiskilled individuals performing broad, meaningful duties rather than unskilled, easily

TABLE 30.6 Customer Satisfaction for Air Carriers in the United States

Category	Importance, %	Carrier
On-time performance	l7	Southwest
Aircraft/attendants	l6	American/Delta (tied)
Schedule flight accommodations	l4	American/United (tied)
Airport check-in	l3	Delta
Frequent flyer program	9	Northwest
Food service	9	American
Seating comfort	8	TWA
Gate location	6	Delta
Postflight services	5	Southwest
In-flight amenities	3	Delta
TOTAL	l00	

Source: J. D. Power and Associates 1995.

replaceable people in narrowly defined jobs. Not surprisingly, the more skills workers learn, the more desirable is their future.

Several organizations in the industries have begun to experiment with self-directed work teams. Marriott Hotels, Resorts and Suites uses a self-directed work team approach in its New Jersey Reservation Office. As a result, the performance of the office has improved, especially in reducing the number of abandoned calls.

The Ritz-Carlton Hotel Company has allowed its hotels to reorganize for improved quality productivity and profit. Their hotel in Tysons Corner, Virginia, converted each and every work area from a traditional hierarchy to a self-directed work team over a 2-year period. Since self-directed work teams are vulnerable to overemphasizing their part in the organization, the hotel connected the self-directed teams into five seamless process teams. These process teams were based on the way customers came in contact with the hotel: (1) prearrival team, (2) arrival, stayover, and departure team, (3) dining services team, (4) banquet services team, and (5) engineering and security team. As a result of these efforts, the hotel has made significant improvements in quality, productivity, and profitability.

Emphasis on Process Management. The needs of the organization also will change. Travel and hospitality organizations will place more emphasis on process management as part of a strategy to adapt to change and to achieve better quality, productivity, salability, and higher profits.

Threats of an Electronic World Where Efficiency Rules. A business scenario exists, in the view of many futurists, where the growth of communications technology and the overriding concern for efficiency create the conditions for a virtual corporate office space (Cleveland l996). The travel and hospitality industries would be permanently affected should this scenario dominate the future. The reasons for this are explained as follows: New technology such as the hologram will be available by the turn of the century. A *hologram* is a real-time, three-dimensional laser image that can be projected to another location. This means that people can be in contact with each other electronically but are not in physical proximity. People will be able to choose where they do their work, such as their home. With the virtual office at home and the ability to contact coworkers or customers virtually, travel will decrease, hotel nights will drop considerably, and people will decrease the number of miles traveled each year.

The likelihood of this radical change is great because the unrelenting demands for cost reduction, high efficiency, innovation, and constant change are universal. With people working at their homes, organizations will close their offices. This can occur because your digital screen does not just connect you to the other person's office, it takes you down the hall of the virtual office so that you make the kinds of contacts you did in l996.

The same futurists contend that the realization of this efficiency scenario may be limited because people will feel disintegrated and distressed. The stress and strains of this efficient electronic world could cause the return of a relatively familiar office in which the "human factor" dominates. In any event, the long-term business strategy of the travel and hospitality industries should address these powerful future forces.

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