

# INTRODUCTION

## SERVICE RULES!

The modern economy is dominated by service organizations. The service sector constitutes 75 percent to 80 percent of the U.S. economy and is growing. Even businesses dealing primarily in physical goods now often view themselves primarily as service providers, with the offered good being an important part of the service. These firms have adopted traditional service terms such as customer satisfaction, customer retention, and customer relationships. Some, like IBM, have realized that their future flow of revenues and profits will come from their service businesses.

Yet, surprisingly few articles and books focus on how to manage service organizations, even fewer on how to manage hospitality organizations. The purpose of this book is to provide a comprehensive review of the best that is known about managing hospitality organizations. From the neighborhood restaurant to the resort hotel, from the small convention center to the huge theme park, the principles of managing hospitality organizations are the same. Even more important, they are different from the principles of managing manufacturing organizations taught in most business schools.

## HOSPITALITY IS DIFFERENT

Traditional bureaucratic structures and manufacturing management principles get turned on their heads in the hospitality sector. It's one thing to design, organize, and control a work process and motivate a workforce when the product is tangible and the production process takes place in a big closed brick factory with an "Employees Only" sign on the door. A totally different challenge arises when the customer is consuming your "product" while you're producing it. The challenge is often intensified by the product's intangibility: "Hospitality" is intangible, and the hospitality experience may not even physically exist! Designing and producing such an experience is quite different from the design and production of goods.

These "production" problems in the hospitality industry are matched or exceeded by the challenge of managing employees who must be carefully trained to provide a service whose quality and value are defined by each guest. To top it off, employees must be taught to provide this service not behind closed doors but while customers, guests, or clients are watching, asking questions, and changing their minds about what they want. Most even participate jointly with the employees in co-producing the guest experience itself! Manufacturing managers sometimes moan about how hard it is to teach their employees to perform the necessary manufacturing steps accurately. They should talk to their colleagues in the hospitality industry who not only have to teach their employees how to "manufacture" the product but, also, how to do so with the guest watching and co-producing. These managers know that the principles taught in smokestack management courses in traditional business schools don't seem too relevant. Managing in the hospitality industry is a very different world.

## STUDY THE BEST

Only recently have researchers and management scholars begun to study this different world as a separate field, and much of what is known is still based on anecdotal information and case-study examples. This makes perfect sense. In the early stages of inquiry into any field of business, the logical approach is to find the best organizations and study them to discover the principles that drive what they do. A review of the service management literature quickly reveals several benchmark organizations. The list includes Darden Restaurants, Four Seasons Hotels and Resorts, JetBlue Airways, Marriott International, Nordstrom's Department Store, The Ritz-Carlton Hotel Company, Southwest Airlines, Starwood Hotels and Resorts Worldwide, and The Walt Disney Company. And there are, of course, many others large and small. These organizations learned long ago the importance of understanding what their customers expect from all parts of their service experience, and they manage their businesses around satisfying those expectations. Because they have studied their guests long and hard, they know what their guests want, what they are willing to pay for it, and how to give it to them. The magic of Disney and the other outstanding hospitality organizations is that they meet guest expectations, of course, and then exceed them in a thousand ways that get guests not only to say "wow!" on the first visit but to return repeatedly and say "wow!" every time. Customers, clients, patrons, and guests return to the great organizations—manufacturing or service—because they get it right and then some.

## FOCUS ON YOUR GUEST

Two fundamental concepts, based on the practices of successful hospitality organizations, will appear in one form or another throughout the book. First, everything the organization does should focus on the guest. Most managers think first about their organization, their production requirements, and their employee needs. They are used to starting with themselves or their employees when they design their product, create the setting or environment in which the customer interacts with the organization, and set up the system for delivering the goods or services that their customers buy. They manage from the inside out. This first fundamental that we stress is that you must manage from the outside in! Start with the guests. Study them endlessly; know what they want, need, value, expect, and actually do. Then focus everyone in the organization on figuring out how to do a better job of meeting and exceeding guest expectations in a way that allows the organization to make a profit.

## YOUR CUSTOMER IS YOUR GUEST

The second fundamental concept that must be part of the hospitality organization's culture is that you must treat each customer like a guest. If appropriate to the organization (and it probably is appropriate in all hospitality organizations), always use the term *guest* and not *customer*. Create a guest-focused culture. Most important of all, train employees to think of the people in front of them as their guests, whom they are hosting for the organization. This is not a simple change in terminology; it is a big deal. In fact, outstanding companies like Disney think it's such a big deal that they use the term *guest* instead of *customer* for their millions of visitors. They know the importance of constantly reminding their thousands of employees to think of their customers as guests in everything they do. Disney even coined the term *guestology* to refer to the scientific study of guest behavior to learn more about meeting—and exceeding—the expectations of its guests.

Looking at a customer as a guest changes everything the hospitality organization and its employees do. A customer comes to the organization seeking to buy something that the organization sells, and the only obligation of the organization and its employees is to

execute a commercial transaction in an effective, businesslike manner. The person comes in the door expecting to be treated like a customer, at best. But if the organization can provide a hospitable experience of which the actual commercial transaction is only a part, the customer will think “wow!” Creating an experience instead of merely selling a product or service is important to turn customers into patrons or guests. Rather than thinking of selling admission tickets or hotel rooms, the truly guest-focused organizations such as The Ritz-Carlton Hotels try to create a memorable event for their customers. They provide the commercial transaction within a warm, friendly experience that makes an emotional connection so memorable that it brings the customer back time after time. The Ritz-Carlton and all other excellent hospitality organizations know that it is cheaper to keep loyal customers than it is to attract new ones, and that repeat business is the key to long-term profitability.

To become a believer in this fundamental concept, think about the business organizations you deal with. To some, you are merely a component in a commercial transaction; others treat you like a guest. The difference is so clear it is unforgettable. Anyone who has been to a Disney theme park or a Hyatt Regency hotel knows the special way they treat their guests. The idea of treating customers like guests is a lesson that any hospitality organization—in fact, any organization that seeks to compete successfully in the modern service-dominated economy—must learn. Customers are increasingly aware of who treats them right and who does not. They know more about what does and does not have value for them, and they expect more from the organizations they deal with. Even more important, the organizations that have discovered and use the principles explained in this book are taking business away from those organizations that still don’t understand them. While the best keep raising the bar for each other, they are also making it increasingly difficult for the rest to understand why their customers are never satisfied with their service or product. This book organizes what the best hospitality organizations know and what the rest must learn to compete successfully, over the next millennium, in an increasingly customer-driven marketplace.

Although focusing on customers and treating them like guests sound simple enough, these tasks are actually huge managerial challenges that the exemplars in hospitality services spend enormous amounts of time, money, and energy to meet. They spend countless hours and dollars investing in a service culture that continually reinforces their customer service values.

## SOME THEORETICAL UNDERPINNINGS

In addition to studying the best practices of exemplars in the hospitality industry, we have reviewed the services management, marketing, hospitality, and human resource literatures. The concepts and principles contained in this book represent a unique combination of what the academic literature says should work and what the long experience of some of the most successful hospitality organizations in the world have found does work.

## STRATEGY, STAFF, AND SYSTEMS

We have organized the best that is known about hospitality management according to the three critical “Ss” of the successful hospitality organization: strategy, staff, and systems. Each “S” organizes the material in one of the book’s three major sections. Each “S” is equally important in providing superior service. First comes strategy and the definition of what plans hospitality organizations must make to be effective in achieving their service mission. Next is the staff. Although every organization wants an effective staff, the hospitality organization depends almost completely upon its personnel to deliver the high-quality guest experience that distinguishes the excellent hospitality organization from the

merely good. Finally, the third S represents the systems. The best hospitality staff in the world cannot succeed without an effective array of systems to back them up in delivering the service that the customer comes for. An impressive mission statement and a big server smile can't make up for a burned lasagna, a dirty room, a late flight, unpredictable room service, or a broken air conditioner.

Although the hospitality organization's strategy, staff, and systems are obviously related to one another, they all have one focus—the guest—and exist for one overriding purpose: to provide guest satisfaction.

## STRUCTURE AND THE FOURTEEN PRINCIPLES OF HOSPITALITY MANAGEMENT

Within this overall three-section structure, we have framed the information under fourteen principles in fourteen chapters. Here is an overview of how all this fits together.

### The Hospitality Service Strategy ]

1. Provide the service quality and value that guests expect.]
2. Focus strategy on the key drivers of guest satisfaction.]
3. Provide the service setting that guests expect.]
4. Define and sustain a total service culture.

### The Hospitality Service Staff ]

5. Find and hire people who love to serve.]
6. Train your employees, then train them some more.]
7. Motivate and empower your employees.]
8. Empower guests to co-create their experiences.

### The Hospitality Service Systems ]

9. Glue the guest experience elements together with information.]
10. Provide seamless service delivery.]
11. Manage the guest's wait.]
12. Pursue perfection relentlessly.]
13. Don't fail the guest twice.]
14. Lead others to excel.

Within this structure, we think we have captured the important aspects of managing in hospitality organizations. We hope it will be fun for readers to learn more about this fascinating industry and how the best manage to be the best.

## PROVIDE THE BETTER CHOICE

Service in the hospitality industry is too often unsatisfactory. Dissatisfied guests can easily switch to competing organizations or even choose alternatives to this industry. Hospitality owners and managers are increasingly aware that if they want guests to keep coming back to their hotel, restaurant, destination, cruise line, or airline instead of going elsewhere, they'd better learn to give good service. If guests feel that they are receiving unsatisfactory service from one organization, they can probably find a similar organization just down the street, and they will go there. Indeed, with the increasing availability of virtual experiences, they can find many alternative ways to spend their money.

Everybody sees the problems with guest service, and many people looking for answers ask; who does it right, and how? This book, which combines the key principles of good hospitality service management research with examples drawn from some of the world's most successful hospitality organizations, should help any hospitality organization or manager who aspires to be a guestologist and provide better service to guests.

# PRINCIPLES OF HOSPITALITY MANAGEMENT

- 1. Provide the service quality and value that guests expect**
- 2. Focus strategy on the key drivers of guest satisfaction**
- 3. Provide the service setting that guests expect**
- 4. Define and sustain a total service culture**
- 5. Find and hire people who love to serve**
- 6. Train your employees, then train them some more**
- 7. Motivate and empower your employees**
- 8. Empower guests to co-create their experiences**
- 9. Glue the guest experience elements together with information**
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