



# Chapter 1

# Service Makes the Difference

*Introduction to the World of Hospitality*



# After reading and studying this chapter, you should be able to:

- Define “service” and summarize how service businesses differ from manufacturing businesses
- Explain the importance of strategic planning and its main challenges
- Describe the basic components of a strategic service vision for service companies
- Suggest ways to improve service

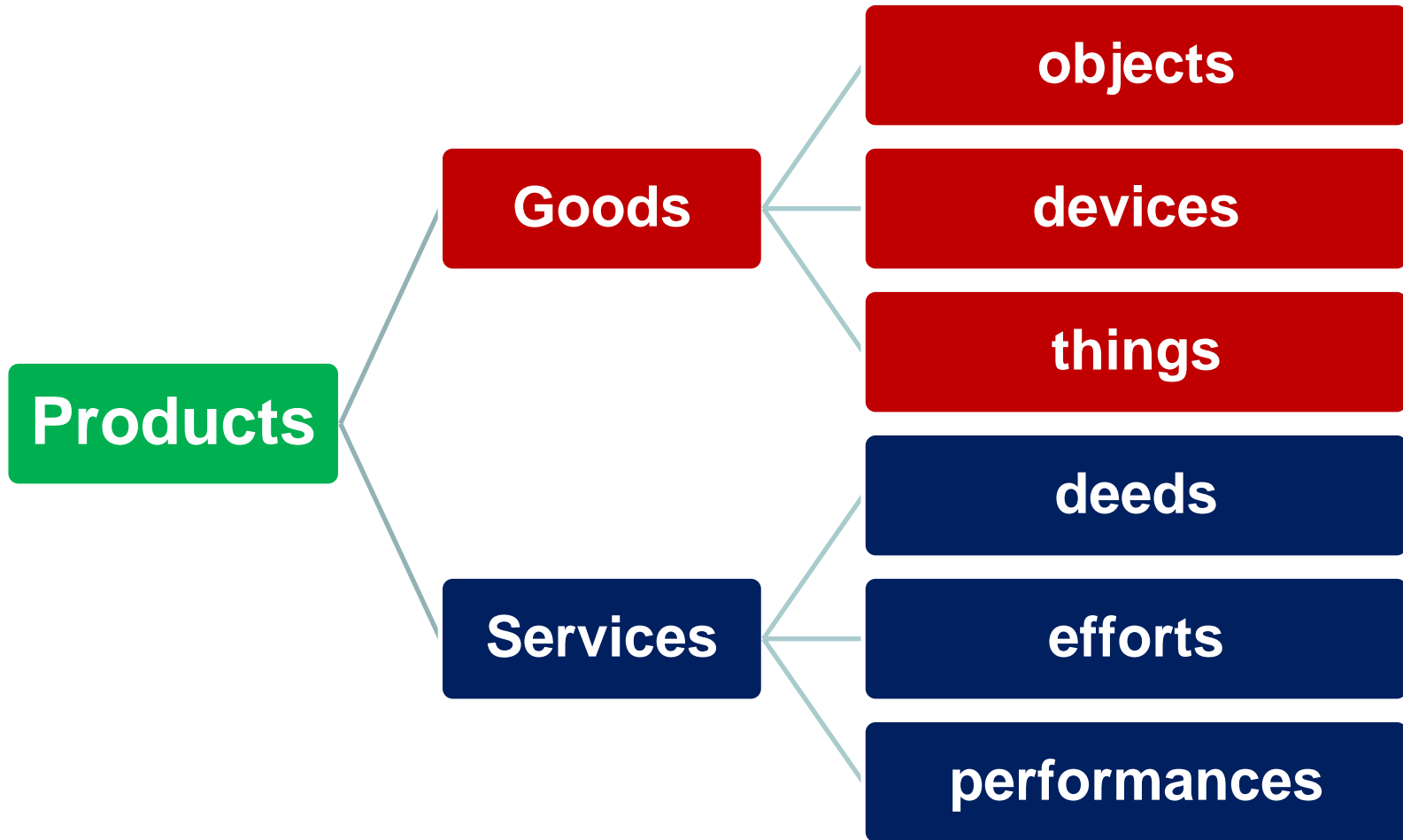
# The Pineapple Tradition

- Symbol of welcome, friendship and hospitality
- Recognized internationally
- Foundation for concept of “SERVICE”



To learn more about the pineapple tradition check this web link:  
[http://www.hawthornetours.com/Pineapple\\_Legend.html](http://www.hawthornetours.com/Pineapple_Legend.html)

# Goods or Services?



(Bateson & Hoffman, 2011, p.4)

# What is a service?

- Service – “meeting customers’ needs in the way that they want and expect them to be met”.





# Service vs. Manufacturing



# For success in service we need to:



- Focus on the guest
- Understand the role of the guest-contact employee
- Implement a service culture into education and training systems
- Thrive on change – welcome changes and adapt to them quickly

# Moments of Truth

- **Moment of truth** - “instance of contact or interaction between a customer and a firm (through a product, sales force, or visit) that gives the customer an opportunity to form (or change) an impression about the firm”.
- In pairs come up with as many examples of moments of truth as you can think of for a:
  1. Shopping mall?
  2. Restaurant?



# Some Moments of Truth for a Restaurant



- What kind of service provided when guests call for reservation?
- Do you sound genuinely gracious?
- Are guest welcomed, are cars taken quickly?
- Dinning room host well-groomed, polite and concerned?
- How quickly the guest presence is acknowledged by a server?

# Some Moments of Truth for a Restaurant



- Water and bread are placed in table?
- How soon is the order taken?
- The food served on time?
- Do guests received what they ordered, correctly prepared?
- Does the server remember who ordered what?

# Some Moments of Truth for a Restaurant



- Watch a video and try to find answers to as many questions as you can.

# Challenges in Managing and Marketing Service Business



1. Nature of the product is different
2. The customer's role in production
3. People are part of the product
4. Maintaining quality control
5. No inventories
6. The importance of time
7. Different distribution channels

# Challenges in Managing and Marketing Service Business



- **Nature of the product is different** - the product is intangible. The hotel must manage service as well as physical products, In order for a guests to buy things (service) that hotel can't show the picture of, or even in some cases adequately describe.
- **The Customer's Role in Production** – the interaction between employees and customers must be managed – a task that a manager of manufactured goods never has to face.

# Challenges in Managing and Marketing Service Business



- **People are Part of the Product** – the customer not only get in contact with employees but with other customers as well.
- **Maintaining Quality Control** – when factory produces a product, it can be inspected for quality before it goes out. As long as quality control procedures and inspections are in place, defective products are not delivered. But service, like other live performances, take place in real time. That means that mistakes are bound to occur.



# Challenges in Managing and Marketing Service Business



- **No Inventories** – times when the supply can't be produced on time because the demand is too great. Guests must be turned away or wait an hour or more for a table. For this reason, service marketing often focuses on controlling demand.
- **The Importance of Time** – when customers are present, they expect service to be performed “on time,” which in their minds “when I want it.”
- **Different Distribution Channels** – Companies manufacture goods, products are distributed from factories by truck, train and plane to wholesalers or retailers. But services must be delivered then and there.

# HOTEL CHECK-IN

Cornell study finds:

**The clock is running on guest satisfaction**



Minutes until guest satisfaction index drops by 50 points



**MINUTES COUNT** at hotel check-in. Cornell and J.D. Power report that American guest satisfaction checks out after a five minute wait to check in. Canadian attitudes sour after seven minutes in the queue. Other cultures are more forgiving, but our advice to the front desk is to stay on your toes!



Cornell University  
School of Hotel Administration

#guestsatisfaction  
#hotelcheckin

**Read more** →

# Strategic Planning



The planning process includes:

1. Performing SWOT analysis (strengths, weaknesses, opportunities & threats)
2. Formulating strategies
3. Implementing strategies (Leadership, organizational structure, corporate culture)
4. Monitoring and evaluating results

# Strategic Planning

1. Performing SWOT analysis (strengths, weaknesses, opportunities & threats)



# Planning Challenges in Capacity-Constrained Businesses



- **Managing Supply** – Hotels have fixed number of beds; restaurants have fixed number of seats. Hotels and restaurants must follow a **level-capacity strategy**, some hospitality firms can follow a **chased-demand strategy** in which capacity can be varied to suit the demand levels. E.g. part-timers, rent caterers etc.

# Planning Challenges in Capacity-Constrained Businesses



## Managing Demand

- Restaurants offer early-bird specials to increase demand early in the day
- Lounges have happy hours early in the evenings
- Regularly change of menu and levels of services based on supply and demand, weather and seasons change
- Communication strategy works well in managing demand



# The Strategic Service Vision



**Targeting a Market Segment** – There is no such thing as one product for all customers. Its hard to satisfy customer with different wants.

Who are the target market of McDonald's? a Michelin star restaurant?

# The Strategic Service Vision



## Focusing on Service Strategy

- **Service Standards** – Provide training to the staff and measure the there performance by time.
- **Job Restructuring** – Change the nature of work or the way it is done
- **Payroll Control** - A service strategy helped identify a production problems.

# Delivering on the Service Promise



- Don't forget who you are
- Encourage every employee to act like a manager
- Handle moments of truth correctly
- Hire good people and keep them happy
- Respond in a timely manner

# Service, Disney-style



- Four Basic Service priorities:
  - Safety
  - Courtesy
  - Show
  - Efficiency



# Homework



- Read Chapter 1, pp. 3-25





# References

- Bateson, J.E.G. & Hoffman, K.D. (2011). *Services marketing: International edition (4<sup>th</sup> ed.)*. Andover: South-Western Cengage Learning.
- *What is moment of truth?* Retrieved from <http://www.businessdictionary.com/definition/moment-of-truth.html#ixzz3CsJE2p8f>