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Making the Case for DineSafe: Incorporating Analytics into Managerial Decision-making in the Hospitality Classroom

By Heather Monteiro and Daniel McLean

This case study involves the application of data analysis to business-decision making in the hospitality graduate classroom. This advanced case study, intended for graduate students, involves using market research analysis to inform the decision to continue investing in a new product's research and development. The intent of the study is to cultivate and engage critical thinking skills over a period of four hours of instruction time and an output of a written report per student pair or team.

Keywords: Decision making, analytics, critical thinking, quick service restaurants, innovation

Does Generation Y Want to Inherit Their Parents' Timeshare?

By Jennifer Redditt, Fevzi Okumus and Amy M. Gregory

Set in the context of a dynamic growth sector of the lodging industry, this case explores the significance and an impending issue of the timeshare industry - whether Generation Y is interested in inheriting their parent's timeshare. Generational theory and characteristics of Baby Boomers, timeshare owners, and Generation Y, timeshare heirs, are discussed. The case study reviews options for timeshare companies to address Generation Y consumers who are expected to inherit their parent's timeshares. Options for Baby Boomers to sell their timeshares are also explored.

Key Words: Timeshare, Resale, Generation Y, Baby Boomers

Creating a Gender-Neutral Environment in the Hospitality Industry Through Growth and Understanding

By Donald G. Schoffstall, Jacqueline D. Stokes-Alves, Azia M. Monteiro and Ryan Giffen

Transgender, a term likely unfamiliar to some, is extremely relevant for so many others who themselves are employees and customers in the hospitality industry. The purpose of this case study is to present a detailed and unique look at how employee and manager actions and reactions may affect hospitality and tourism businesses by focusing on the rights of LGBT individuals, specifically those who identify as transgender. This case study highlights key points of this current and relevant topic, by providing multiple opportunities for students to learn from, develop an understanding for, and practice with managerial decisions.

Key Words: Transgender, Workplace challenges, Equality, Discrimination, Motivation

Pandox—A Hotel Owner-Operator's Smorgasbord of Options

By Rob van Ginneken

This case study discusses Pandox, a large Swedish hotel owner and operator, listed on the Nasdaq Stockholm exchange. The business model can be described as pragmatic: there is a clear focus on property ownership and leasing out to operators, but the company also engages in operations themselves - independently or as a franchisee, or as the principal in a management agreement, and, more recently, as a lessee-operator. This makes Pandox a prime case subject for teaching students the principles of the wide array of ownership and operator structures in the hotel industry today.

Keywords: Hotel operating structures; management agreements, brands

Managing Revenues in Macau's Casino Resorts through turbulent times: A Case of the "New Normal"?

By Candy, Mei Fung, Tang, Billy, Ut Lon, Im and Brian E. M., King

In terms of expenditures, Macau SAR is now the world's biggest gaming destination. However, it is currently experiencing the first downturn in gaming revenues since the liberalization of the SAR's casino sector in 2002. The downturn coincided with the Chinese government's implementation of its tough anti-corruption measures in 2014 and was both sudden and substantial. At the time of writing Macau's tourism supply continues to grow with demand lagging far behind. A plethora of developments is under construction, and a full market recovery is unlikely before these projects are complete. The ever-intensifying competition is increasing the importance that businesses attach to managing revenues to achieve competitive advantage. This case study places a spotlight on the tactical challenges confronting management in a highly competitive market where a strategic approach to revenue management is urgently required.

Key Words: Revenue Management, Casino Resort, Macau, Rate Positioning, Target Market, Competitive Set

Managing Food Safety Errors: A case study of Chipotle Mexican Grill

By Priyanko Guchait, Sujata Sirsat, Jay Neal and Jeanna L. Abbott

Food safety errors can have disastrous consequences on a company's profitability, image, and loss of lives. Therefore, it is critical that hospitality managers, employees, and students understand the importance of food safety and methods to implement best practices. Using the example of Chipotle Mexican Grill foodborne illness outbreaks, this case study highlights when, where, and how food safety errors occurred in this specific instance. This case study encourages critical thinking about food safety errors occur, causes of such errors, and how to detect, resolve, and prevent errors. In addition, the goal of the case study is for the audience to learn skills required for effective management of food safety errors, and identify training techniques that can be used to develop such skills.

Key Words: Error management, Food safety, Foodborne illness outbreak, Food safety culture, Chipotle Mexican Grill

abstracts

Marijuana Legalization and its Impact on Hotel Operations

By Jackson Lamb, Robert (Bob) Farmer and Jacob Thinnes

This case study examines the effects that the legalization of marijuana has had on certain aspects of hotel operations in the state of Colorado since its inception on January 1, 2014. Specific topics include guests' perception of marijuana laws and the frequency of smoking violations, as well as the investigation of respective policies and documentation methods used at various properties throughout the state of Colorado. These findings are analyzed to explore the impact of marijuana legalization on current hotel operations and the effect it will have in years to come.

Key Words: marijuana, hotel operations, hotel smoking policies, legalization, smoke-free status, Federal banking laws

Retaining Management Talent

By Robert M. O'Halloran and Kyle Smith

When experienced hotel managers are successfully retained in an organization, they bring a wealth of knowledge and experience to a property. One of the biggest issues for an organization is retaining talented managers in a very competitive market. This case study will focus on human resource functions and their relationship to retention and turnover in the lodging sector. The goal of this case is to identify retention factors and action steps to retain valuable employees. More specifically the reader should be able to define and discuss retention and its related issues and how organizations can keep productive employees. The case presents a situation in which the leadership of a hotel wants to rethink their human resource practices for one valuable employee and plan to retain others as they go forward.

Key Words: experience, management, retention, talent, turnover



Professor Marianna Sigala
University of South Australia
Chair, ICHRIE Johnson & Wales Case Study Competition & Publication Series
Editor, Journal of Hospitality & Tourism Cases

Dear ICHRIE members and esteemed colleagues,

Achievements in 2016

2016 represents a very successful year for both the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition and JHTC!

- the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition has attracted a record number of 33 case studies, which is the greatest number of case studies submitted to the competition since it started in 2011
- two case studies were submitted directly and only to the JHTC, but the case study competition managed to provide numerous good case studies for publication in the JHTC

The competition has managed to keep and even increase the warm support and interest from our community. It seems that a record number of authors have managed to meet the competition deadline and submit their case study to the competition on time. This might also explain the very few submissions to the JHTC that followed later. It seems that so far JHTC is not in a position to be self-sustained by attracting enough submissions on its own, but at least the competition represents a good source of case studies for the journal.

My sincere thanks to all those who have taken time and effort to submit a case study!

News about the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition & the JHTC during 2016

2016 has been the fifth successful year of the I-CHRIE Johnson & Wales Hospitality & Tourism Case Study Competition and Publication Series and it has resulted in: many awards and public recognition to the winners; the submission of the greatest ever number of quality case studies so far; and the publication of five volumes (each volume consisting of 4 issues) of the Journal of Hospitality & Tourism Cases (JHTC). It is also great that both the quantity and the quality of the submitted case studies are improving every year, which is reflected in the continuous high acceptance rates and the high evaluation scores of the case studies.

The sixth edition of the competition has attracted 33 case study submissions, while during the 2016, another two case studies have been submitted directly and solely to the JHTC. It seems that the ICHRIE competition continues to be the major source of submissions for the JHTC, and so, increased efforts are still required to try to make the journal

self-sustained in the future and able to attract sufficient case studies. In relation to previous years, 2016 also attracted more submissions from Europe, Australia and Asia, which also highlights the growing internationalization of these two projects. To continuously support and encourage international scholars to get engaged with the competition and the JHTC, case study workshops were organized again during the 2016 EuroCHRIE conference in Budapest and in 2017 APacCHRIE conference in Bali, Indonesia. The case study workshops delivered by me and many other experts that happily volunteered to help aimed to train scholars how to write and review case studies as well as how to use them in class for educational purposes. If you would like to get involved in the future organization of a case study workshop, please do not hesitate to contact me for more information. In addition, I also aim to record and release two video talks through the CHRIE website explaining and giving more information to scholars how to write and submit case studies, but also how to use and integrate them into their teaching. The video talks will be available online at the CHRIE website, so that we can hopefully reach and help more potential authors to get aware of this opportunity and develop their skills to write and submit case studies.

The increasing number of case study submissions also mean that we continuously need a greater number of competent scholars to help with the review and evaluation process of case studies. Thus, I am always looking for new scholars to volunteer and act as reviewers of case studies. Case study reviewers are always recognized for their efforts and time by becoming members of the editorial board and committee of the case study competition and the JHTC (provided that the reviewers are also ICHRIE members, otherwise they are solely recognized by their name without inclusion in any committee / board). In addition, we also provide Best Reviewers' Certificates in order to recognize and award those reviewers that have demonstrated an outstanding performance in reviewing case studies for both the competition and the JHTC. The Best Reviewers' Certificates are presented to the winners during the annual ICHRIE summer conference. The Best Reviewers' Certificates is also another good way to recruit but also motivate existing reviewers to provide quality and constructive evaluations. The recognition and support to our reviewers are important, since the effective management of the review and evaluation process of the case studies is at the heart of maintaining the quality standards of the competition and the JHTC.

Aims and information about the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition and the JHTC

Case studies provide innovative ideas, business (best) practices, professional dilemmas, and lessons learned from the tourism and hospitality reality. In this vein, case studies are an invaluable source of knowledge for educators, professionals and researchers alike. Simultaneously, case studies can nurture and strengthen knowledge exchanges between research, education and industry. Overall, case studies are also a fruitful and valuable tool that can significantly enhance the quality of both the process and the outcomes of the teaching & learning methods.

In this vein, the aims of the case study competition and the JHTC include the following:

- enhance the services and benefits to all ICHRIE members
- offer an additional publication output of ICHRIE
- provide a new way for ICHRIE and its members to participate in the advancement of tourism & hospitality education
- foster and strengthen the communication between academia and industry within tourism and hospitality
- establish ICHRIE as a valuable source for the production of tourism & hospitality educational material
- reinforce the role of ICHRIE as a communication hub and as a facilitator of knowledge exchanges between research, academia and industry in tourism & hospitality.

Case studies submitted to the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition are double-blind assessed by three reviewers following a rigorous process. The three most highly evaluated and commented case studies receive prestigious financial and material prizes as well as recognition and promotion in the annual ICHRIE conference and other promotional material. In addition, all submitted case studies go through a double-blind review and revision process. Case studies accepted through this review process are published in the JHTC, which is part of the ICHRIE Johnson & Wales Case Study Publication Series.

More information about the competition (e.g. its rules, the submission guidelines) as well as guidelines and information about the submission deadlines for the 7th edition of the 2017 ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition are provided at the following website:

<https://www.chrie.org/i4a/pages/index.cfm?pageid=3336>

In addition, the JHTC welcomes and is open to receive case study submissions at any point of time. Case studies go through a double-blind peer review process as soon as they are received, and provided that they get accepted until November, they are published in one of the issues of the JHTC in the following year. **JHTC is an international refereed electronic journal (e-journal) that is published annually by ICHRIE. The mission of the JHTC is to distribute quality case studies to academics**

and professionals interested in using the case study method as a teaching, research and/or management tool. Case studies provide innovative ideas, business (best or failure) practices, professional dilemmas, and lessons learned from the tourism and hospitality reality. Hence, the JHTC is an invaluable source of knowledge providing understanding and lessons learned to tourism and hospitality academics, researchers, advanced students, and professionals alike. For more information about the JHTC, the submission guidelines and the past journal issues please visit the JHTC's website at:

<https://www.chrie.org/i4a/pages/index.cfm?pageid=3333>

Submissions and acceptance rates

During the 2016, 35 case studies were submitted to both the 2016 6th edition of the Case Study Competition and to the JHTC (Table 1). After the completion of the double-blind peer review process, 31 case studies were overall accepted for publication in the JHTC giving a total acceptance rate in 2016 of 88.5%.

The case studies submitted this year represent a wide range of topics featuring more disciplines and more tourism / hospitality sectors. So, for example, in addition to the traditional tourism sectors (i.e. accommodation, F&B), this year, the case studies also refer to business problems related to other sectors such as events management, sports, airlines, theme parks and resort hotels. This is also an encouraging development, as the competition and the JHTC now appeal to a wider community of scholars and researchers.

The 6th edition of the Case study competition represents the best ever year with the greatest number of submissions since the competition started in 2011. This might also explain the small decrease of the acceptance rate of case studies that were submitted to the competition (i.e. more submissions so more likelihood that some case studies cannot make it for JHTC publication). On the other hand, the number of case studies submitted directly to the JHTC has gone back to the low submission level that the journal received at its launch year in 2011. The long delays that we had in publishing the issues of JHTC in 2016 and the subsequent authors' dissatisfaction in seeing their case studies being published in the JHTC might partially explain this. But whatever the reason, we need to make sure that issues of JHTC can be published on time in order to avoid any author dissatisfaction as well as to show a capability to publish JHTC in regular basis. The latter is also a major criterion used to evaluate quality of journals and deciding to include them in databases. In addition, it seems that sustained and continuous efforts should be done to widely promote and establish the JHTC in the scholars' publication consideration set.

Table 1

Submissions and acceptance rates (2011, 2012, 2013, 2014, 2015 and 2016)

	2011 (Number)	2012 (Number)	2013 (Number)	2014 (Number)	2015 (Number)	2016 (Number)
Case studies						
ICHRIE Johnson & Wales Case Study Competition						
Submitted Cases Studies	8	22	15	31	22	33
Accepted Case Studies	6	22	14	27	21	30
Acceptance rate	75%	100%	93%	87%	95%	90%
JHTC						
Submitted Case Studies	3	7	7	9	13	2
Accepted Case Studies	1	5	3	6	12	1
Acceptance rate	33%	71%	43%	67%	92%	50%
TOTAL ANNUAL METRICS						
Submitted Case Studies	11	29	22	40	35	35
Accepted Case Studies	7	27	17	33	33	31
Acceptance rate	64%	93%	77%	82.5%	94%	88.5%

Winners of the 2016 (6th) edition of the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition

It is my pleasure to present below and to publicly congratulate the following winners of the 2016 edition of the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition and Publication Series.

First prize

Eric Olson, Iowa State University

Heejung Ro, University of Central Florida

for the case study

Richmond, Virginia is Out: a DMO Case Study of LGBT Marketing

Second Prize

Heather Monteiro, University of Nevada Las Vegas

Daniel McLean, University of Nevada Las Vegas

for the Case Study

Making the Case for DineSafe: Incorporating Analytics into Managerial Decision-making in the Hospitality Classroom

Third Prize

Brendan W. Davis, University of Central Florida

Mathilda van Niekerk, University of Central Florida

Fevzi Okumus, University of Central Florida

for the Case Study

Effective Management Strategies: Millennial Leaders Managing a Multi-generational Workplace

In addition, I would also like to extend my sincere congratulations and heartfelt thanks to the authors of all the case studies submitted to the 2016 ICHRIE Johnson & Wales Case Study Competition.

The competition was really very intense, standards and quality have risen substantially, and the evaluation scores of almost all submitted case studies have been above the usual average score of the previous years.

Congratulations to everyone and looking forward to your submissions in the next competitions.

And who knows. You may be the next winner !

Finally, it is also my pleasure to announce the Best Reviewers for 2016 ICHRIE Johnson & Wales case study competition.

Please join me to thank the following scholars for the great contributions and review feedbacks in evaluating case studies during the 2016:

Cynthia Mejia (University of Central Florida)

Nicholas Thomas (De Paul University)

June Clarke (Delaware State University)

Content of the four issues of Volume 6 of JHTC

Volume 6 of the JHTC includes all the 31 case studies submitted and accepted for publication in 2016. Volume 6 features four issues; 3 issues include 8 case studies and one issue includes 7 case studies. Each of the first three issues of the JHTC starts by featuring one of the winning case studies; i.e. the first issue begins with the first winning case study; the second issue starts with the second winning case study, while third issue starts with the third winning case study. The case studies published in the JHTC address various disciplines and management problems from the travel, tourism and hospitality sectors, including: marketing; sustainability; entrepreneurship; e-marketing; information and communications technology management; human resource management issues; op-

erations management; internationalization and franchise management; financial management; destination management; tourism development and management; events management; food & beverage management; strategic management. Every issue of the JHTC provides a collection of various case studies in order to satisfy researchers and educators with diverse interests and disciplinary backgrounds.

Each case study contains information and detailed analyses of the following issues: a) a background of the studied organization, destination and/or of the topic; b) an analysis of the dilemma and/or the teaching objectives; c) a section explaining the questions and dilemmas of the case study; d) related bibliography and additional reading. Each case study is also followed by a teaching note that offers further help and instructions on how to best integrate the case study in instruction methods and on how to use it in the classroom. In particular, the teaching notes provide fruitful guidelines in terms of the following: a) explanation of the teaching objectives and the target audience; b) the teaching approach and strategy recommended to be adopted by other educators; c) an analysis of the teaching objectives and the theoretical concepts; and d) any other additional reading and/or references.

Recognitions and thanks

2016 hallmarks another success and record year of submissions for the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition. However, these achievements would not have been materialised without all the authors who have spent valuable time and efforts for writing and submitting their studies. Thus, I would like to sincerely thank all the authors who submitted a case study. Moreover, I would also like to recognize and thank all the reviewers for their continuing commitment, support and valuable time to provide timely, critical, but also constructive feedback to case study authors. Your efforts play a major role in safeguarding the quality and the reliability of the competition and the JHTC and they are very much appreciated. I would also like to thank all those who personally send me their warm and kind messages and advices for what I am doing. Your words are inspiring, rewarding and motivational to me.

Moreover, the ICHRIE office and specifically, Kathy McCarthy and Amie Garrett Grayson, also deserve recognition for the fruitful guidance, countless time and great work for supporting the implementation of these initiatives. Kathy and Amie: it is always nice to know that you are always there to help with whatever issue arises as well as support me in finding ways to implement new features and ideas for the competition and the JHTC. Thank you !

It is my great pleasure and privilege to work with all of you towards these projects and get inspired and motivated by your enthusiasm and commitment to contribute to the ICHRIE community. The achievements of the sixth edition of the case study competition and the sixth publication year of the JHTC provide strong evidence of the positive outcomes of everyone's efforts.

Dear friends, dear colleagues, dear all, thank you so much for making the 2016 edition of the ICHRIE Johnson & Wales Hospitality & Tourism Case Study Competition and Publication Series one more hallmark success for ICHRIE !

We should all be proud of our work and efforts. Well done to everyone !

I appreciate your valuable support to this great initiative and I am looking forward to receiving your case studies in future ICHRIE Johnson & Wales case study competitions and the JHTC.

And of course do not forget to volunteer for reviewing case studies. A good way to learn how to write good case studies is by reviewing and evaluating case studies.

Please do contact me, if you have any idea and proposal on how to further enhance and improve the competition and/or the JHTC. I would be very happy to discuss these further with you.

Enjoy reading Volume 6 of the JHTC and do use its case studies in your teaching. The journal is created by you and for you !

Thanks for everything that you have done, continue to do, and will do into the future for these initiatives.

I very much look forward to continuing work with all of you,

Yours sincerely,

Professor Marianna Sigala

**Chair, ICHRIE Johnson & Wales Case Study Competition & Publication Series
Editor, Journal of Hospitality & Tourism Cases**

University of South Australia, Adelaide, Australia

Making the Case for DineSafe: Incorporating analytics into managerial decision-making in the hospitality classroom

By Heather Monteiro and Daniel McLean

Objectives of the Case Study

The main learning outcome of this case study will be to stimulate critical thinking and interpretation of data analysis in context for graduate level hospitality students. By the conclusion of this case reading, exploration, discussions and assessments, the student should be able to:

- Describe at least three factors you would need to know to make a recommendation to 3SLV in continuing product development.
- Evaluate the existing data analysis to determine if there is adequate information for 3SLV to make the decision in continuing product development.
- Develop your recommendation for 3SLV to move forward or not in developing DineSafe.
- Evaluate the risks and rewards for 3SLV in moving the product development forward.

Introduction

With the growing interest in and public knowledge of cleanliness, sanitation, and disease and virus outbreaks, there is an ever-growing need, public concern, and industry concern in combatting microbial and bacterial diseases in the restaurant and hotel industries. With several severe outbreaks of foodborne illness in the previous years, increasing attention is focused on restaurant cleanliness and its resulting safety. The recent Ebola outbreak fed a trajectory of public opinion and focused attention on a problem of increasing interest: people are becoming more concerned about contracting communicable diseases such as colds, flu, measles, MERS, etc. This trajectory has been accelerated by sensationalism in the news regarding events such as antibiotic-resistant viruses and the measles outbreak at Disney Land in 2015 and norovirus, E. coli and salmonella outbreaks in Chipotle quick-service restaurants in 2015 and 2016. The Chipotle outbreaks are particularly relevant to this discussion as norovirus in particular can be transmitted on various surfaces that are touched by an infected individual (Strutner, 2016). As a result, the general public is becoming more concerned over germ exposure. Evidence of this concern includes hand sanitizer stations, and non-contact faucets, soap and towel dispensers.

One of the primary locations of concern of bacterial spread is restaurants. Outside of regulated food safety practices, many required by federal or state regulations, there are multiple questionable practices in restaurants which may spread germs regardless of regulatory compliance. For example, data from the CDC shows that about 20% of restaurant employees surveyed reported to have gone into work despite being sick with symptoms such as vomiting and diarrhea. However, the public concern over disease is not limited to bathrooms. People want to avoid getting sick from germs, bacteria, fungus, and other contaminants from surfaces that have been previously touched by other people, particularly those in restaurants. Guests are often shocked to learn restaurant menus can be host to more live bacteria than the restroom's toilet seats (Boboltz, 2014)! While menus have been shown to harbor more bacteria than other parts of restaurants, bench seats and chairs have been shown to retain a higher number of live bacteria, including those that cause staph infections and strep throat. Similar evaluations have shown that half of salt and pepper shakers, when tested for bacteria, were contaminated (Boboltz, 2014).

Context

Restaurants contain many commonly touched items which may harbor germs that are not regulated by regulatory bodies by special food handling procedures including menus, condiment containers for salt, pepper, catsup, hot sauce, table-cloths, placemats, bill folders, pens, chair arms, and others. These can all be hosts for live germs that can be passed on from one patron to the next. In response to this growing concern and public interest, a privately-owned company, 3SLV, has created an effective and affordable antimicrobial solution for many commonly-touched items that are unrelated to employee food-handling in restaurants through their patented product line: DineSafe. DineSafe is a clear, plastic-like, antimicrobial covering placed on high-touch items at a restaurant table such as the menu, sugar-shaker, salt-shaker and check folder.

Dilemma

Before investing in the extensive research and development costs for the DineSafe line of products, 3SLV needs to measure the public's awareness of the dining sanitation problem, their desire for a solution, their belief that DineSafe is a valid solution, and their willingness to pay a price for perceived dining safety. Research was conducted for 3SLV

Heather Monteiro and Daniel McLean are both affiliated with University of Nevada.

with the general goals of understanding the market for the DineSafe products including practicality, application, price, willingness-to-pay, and consumer perception of the efficacy of the product line.

3SLV and a research partner collected data from prospective customers to analyze the following topics:

- The guests' experience of cleanliness in restaurants;
- The guests' belief regarding their likelihood of getting sick from items at restaurants;
- The guests' belief that DineSafe products can make restaurant dining safer; and
- The price the guests are willing to pay to dine at a DineSafe certified restaurant.
- The following data was also collected:
 - Demographics;
 - Frequency of eating out;
 - General attitude toward health and sanitation; and
 - Perceived effectiveness of the DineSafe product in preventing the spread of disease.

Discussion Questions

- What factors, in general, would be valuable to use in analyzing the decision to invest in research and development of a new product?
- What types of data should 3SLV use to make the decision to continue or discontinue research and development on the DineSafe product?
- Given the types of available information, what additional information would you like to see before making the decision to pursue R&D?
- What decisions can you make given only the information included in the Report?
- Evaluate the Recommendations, analyzing their strengths and weaknesses.
- Do you agree or disagree with the Recommendations? Why or why not?

Required Resources

- Appendix 1: DineSafe: Guest interest and willingness to pay (Management Summary)
- Appendix 2: DineSafe: Guest interest and willingness to pay (Full Report)
- Appendix 3: DineSafe: Guest interest and willingness to pay (Recommendations)

References

- Boboltz, S. (2014). These Cringeworthy Restaurant Truths Will Make You Think Twice about Dinner. Huffington Post. Retrieved 28th of March 2016 from http://www.huffingtonpost.com/2014/01/29/restaurant-studies-dirty_n_4676632.html.
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Summary

This case examines the use of market research analysis to evaluate the feasibility of research and development costs of a new restaurant sanitation product, DineSafe. The company developing the product, 3SLV, saw a public need and interest given the increasing number of disease outbreaks and public concern regarding sanitation and cleanliness at all locations, including restaurants. 3SLV therefore, began development of a heretofore unknown product, DineSafe: a clear, plastic-like antimicrobial cover for high-touch items in restaurants which have shown, in laboratory and field tests, to harbor high numbers of bacteria. The target products for DineSafe include salt, pepper and sugar shakers, menus, check covers, and bench seats.

3SLV joined with a research organization to evaluate and analyze the potential market, segments, and price tolerance for DineSafe. The research organization conducted market research and provided 3SLV with a Management Summary, Full Report, and Recommendations for the decision to continue research and development of the DineSafe product.

Theoretical Background

Ottenbacher and Harrington (2009) developed a theoretical framework for product innovation of quick-service restaurant chains, which is applicable to other innovation processes in the restaurant space. The authors describe four Screening stages, which allow a product innovation to progress to the next stage of development:

- Financial and operational considerations;
- Consumer liking and purchase intention assessment;
- Product manufacturing availability; and
- Competitive and brand considerations.

3SLV had already conducted Stage 1 before contacting the research organization. Stage 1 included evaluating the financial and operational aspects of the project including the manufacturing and supply chain considerations and the forecasted cash flow and return on investment. Jointly, 3SLV and the research organization evaluated Stage 2 criteria, which focused on consumer liking and purchase intention assessment. Once Stage 2 criteria is satisfied and adequate consumer interest and willingness to pay is established by this research, 3SLV can justifiably move to the creation of prototypes and possibly the proposal process for investors and manufacturers.

This case seeks to incorporate this theoretical framework with market research analysis to inform 3SLV's decision to proceed with research and development of DineSafe by evaluating the report. This case study provides an opportunity for students to think critically about the value of analytics in business decision-making, and apply those analytics in recommending next actions for 3SLV.

Target Audience

This case study targets graduate level hospitality students with a thorough understanding of marketing and basic statistics. However, it can also be administered to undergraduate students at an advanced level of marketing and statistical understanding with little to no alteration. The Assessment section of this teaching note will describe checks for understanding in the graduate classroom and suggested assessments for the undergraduate classroom.

Teaching Objectives

By the conclusion of this case study, activities and assessments, the student should be able to:

- Describe at least three factors needed to make a recommendation to 3SLV in continuing product development.
- Evaluate the existing data analysis to determine if there is adequate information for 3SLV to make the decision in continuing product development.
- Develop your recommendation for 3SLV to move forward or not in developing DineSafe.
- Evaluate the risks and rewards for 3SLV in moving the product development forward.

Instruction Plan

This lesson will require approximately four hours for a full exploration of the concepts and themes. Ideally, the four hours will be separated into two to four separate sessions, with time in between for students to read and ruminate, thereby coming into further classes well-prepared for deeper discussion. Before the first lesson period, the students should read the case study, but not the appendices. Pre-reading of the appendices may bias the initial discussion.

Part 1: First Hour

The instructor will first lead a discussion brainstorming the following questions and writing each suggestion on the whiteboard:

- What are the most prominent news items you recall regarding disease outbreaks, domestic or foreign?
- What are the most prominent news items you are familiar with regarding foodborne disease outbreaks?

Without writing the answers on the whiteboard, the instructor will ask the class if they are concerned about sanitation and germs when visiting and eating at restaurants, particularly quick service restaurants, such as fast food restaurants. Then, the instructor will give a brief summary of the case study, which the students have already read. As a note: this case study is not focused on sanitation

and foodborne illness, but on including data analysis in management decision-making. However, the discussion of sanitation and foodborne illness sets the stage for the motivation and business need of 3SLV. Next, the instructor will ask the following questions of the class, and write all answers on the whiteboard:

- If you were a part of the 3SLV decision-making team, what information would you want before making your decision to proceed with the research and development of DineSafe?
- How might 3SLV go about finding these answers?
- What may be the cost implications of each method of finding these answers?

Then the instructor will distribute Appendix 1: Management Summary and give the students 10-15 minutes to read the summary. If the course is broken up into one hour segments, the students can take the Appendix 1 home to read before the next class period.

Part 2: Second Hour

During the second hour, the students are put into pairs or small groups of 3 or 4, based on convenience of their classroom seating arrangement. The instructor will direct the students to keep detailed notes of the second through fourth hours' discussions and group work for the assessment assignment. These notes will be the foundation of assessment for each pair or group. The instructor will ask the students to discuss the following questions in their pair or group:

- Based on the class's answer to the question, what information would you want before making your decision to proceed with the research and development of DineSafe, do you feel adequately informed by the Management Summary?
- What information that you think is important is missing, if any?
- How does that missing information, if applicable, affect your ability to make a well-informed business decision?
- Do you feel comfortable making a confident recommendation based on the information only in the Management Summary? Why or why not?

Choose 4 to 5 groups to present their ideas to the rest of the class, taking up approximately 20 minutes. Finally, distribute copies of Appendix 2: Full Report. Due to the length of the report, reading the report will take the remainder of this hour of class. Alternately, if the course is broken up into one hour segments, the students can take the Appendix 2 home to read before the next class period.

Part 3: Third Hour

During the third hour, the students continue working with their pairs or small groups from the second hour's lesson. The instructor will ask the students to discuss the following questions in their pair or group:

- What information is present in the Appendix 2: Full Report that was missing in the Appendix 1: Management Summary, if any?
- If there was information missing, do you think it is integral to

the decision to continue expenditures on the research and development of DineSafe?

- Based on Appendix 2: Full Report, develop your recommendation for 3SLV to move forward to not in developing the DineSafe product line.

The instructor will then ask for four teams to volunteer to share their recommendations; two each of recommending continuation of development and of halting development. The instructor, after having all four teams speak, ask for input from the remaining student pairs or groups. Finally, distribute copies of Appendix 3: Recommendations to the students. Give the students the remainder of the hour to read the Recommendations. Alternately, if the course is broken up into one hour segments, the students can take Appendix 3 home to read before the next class period.

Part 4: Fourth Hour

During the fourth and final hour of class, the students continue working with their pairs or small groups from the previous lessons. The instructor will ask the students to discuss the following questions in their pair or group:

- Analyze and critique the recommendations provided in Appendix 3.
- Compare and contrast the recommendations in Appendix 3 and your recommendations from Part 3.
- Develop your final recommendations for 3SLV regarding the continuation of development of the DineSafe product line.

The instructor will have one group present their final recommendations for 3SLV to the class. The instructor will then ask a second group to present which has recommendations differing from the first group. The students will continue once more working with their group to discuss the following questions:

- Given your recommendations for 3SLV, what are the risks moving forward with the development of the DineSafe product line?
- Given your recommendations for 3SLV, what are the rewards moving forward with the development of the DineSafe product line?
- Analyze the value of the market research provided in helping 3SLV reach a justifiable decision on continuing development of DineSafe.

Assessment

Students will be assigned a 5-7 page report based on their pair or group's decision making process; leading up to their final recommendations and justification, using the data from the full report as evidence for their decision. The report should include the following sections:

- Case summary;
- Final decision recommendation;
- Provide evidence from the Appendix 1: Full Report to justify the decision; and

- Compare and/or contrast with the Appendix 3: Recommendations.

Analysis of the Teaching Objectives

- Describe at least three factors you would need to know to make a recommendation to 3SLV in continuing product development.
 - At least three factors should be discussed, including but by no means limited to desirable market segment, size of desired market segment, consumer interest in the product, consumer belief in the efficacy of the product, and consumer willingness to pay for the product.
- Evaluate the existing data analysis to determine if there is adequate information for 3SLV to make the decision in continuing product development.
 - Answers may vary. Any well-considered, substantial, justified answer is appropriate.
- Develop your recommendation for 3SLV to move forward or not in developing DineSafe.
 - Answers may vary. Any well-considered, substantial, justified answer is appropriate.
- Evaluate the risks and rewards for 3SLV in moving the product development forward.
 - Answers may vary.
 - Suggested answers for risks include first mover disadvantage, lack of regulation requiring compliance in restaurants to include a product such as DineSafe, and lack of buy-in from restaurants themselves.
 - Suggested answers for rewards include first mover advantage, market leader status, name and brand recognition, and introduction of a new product to the market.

References

Ottenbacher, M., & Harrington, R. (2009). The product innovation process of quick-service restaurant chains. *International Journal of Contemporary Hospitality Management*, 21(5): 523-541.

Appendix 1

Dinesafe Market Research Management Summary

This section provides a top-line summary of the results of the 2014 DineSafe survey.

1. The overall purpose of the study was to gain an understanding of the restaurant guest's interest and willingness to pay for Dine-Safe certified restaurant service:
 - The guest's experience of cleanliness in restaurants,
 - The guest's belief regarding likelihood of getting sick from items at restaurants,
 - The guest's belief that DineSafe products can make restaurant dining safer,
 - The price the guest is willing to pay to dine at a DineSafe certified restaurant.
2. A survey questionnaire was sent to restaurant consumers in October, 2014, using Qualtrics Panel Data. An incentive of \$0.75 per survey taken was offered and 854 respondents clicked on the survey link. The total number of started surveys was 556, however, 15 surveys were eliminated from the study due to being incomplete. The final sample size was 541, giving a response rate of 63.3%. (p. 6)
3. The mean age range of the respondents is 45-54 years, with a median age range of 55-64 years. The mean income range of the all participants is \$75,000 to \$99,999. Approximately 35% of respondents had income below \$50,000; about 41% of respondents had income between \$50,000 and \$100,000; and roughly 22% of respondents had income above \$100,000. (p. 8)
4. 56.2% of respondents are female (n=304), while 43.8% of the respondents are male (n=237). About 60% of respondents are married, 81% white, and 42% have children living at home. Approximately 55% of respondents are college graduates. (p. 8)
5. The most common occupations represented in the survey respondents were management (16.1%), professional (12.4%), homemaker (14.2%) and administrative support (11.8%). (p. 8)
6. Respondents indicate that, on average, they ate out 14 times total in the last three months; an average of twice for breakfast, 4 times for lunch, and 6 times for dinner. For the respondents most recent meal eaten out of the home, 7.2% ate breakfast out, 29.6% ate lunch out, and 61.6% ate dinner out. Men ate breakfast out over twice as often and lunches about 30% more often than women. (p. 9)
7. Responses to the question "How clean did you feel each item was in the restaurant at which you last dined" reveals that on a total sample basis, restaurant guests were very satisfied with the cleanliness of their most recently-patronized restaurant (all means above 6 on a 7-point scale). (p. 11)
8. Though there were significant differences on the overall perceptions of cleanliness between the respondents who have children (N= 229) and do not have children (N= 312) living at home, both groups still rated the cleanliness of the restaurant highly (above 6 on the 7-point scale). (p. 11)
9. Despite this overall perception of cleanliness, over half of the respondents believe they can become sick from exposure to the doorhandles (59.6%, mean=5.04), the bathroom facilities (62.2%, mean=5.13), the menu (51.4%, mean=4.64), and the money received as change (51.2%, mean=4.86).
10. There were significant differences between men and women, respectively, regarding how likely they are to become sick from the following items:
 - Table (3.79, 4.31)
 - Condiment dispensers (4.11, 4.66)
 - Door handles (4.73, 5.27)
 - Bathroom facilities (4.86, 5.34)
 - Chairs (4.03, 4.51)
 - Menu (4.34, 4.87)
 - Folder that covers the check (4.26, 4.65)
 - Pen used to sign the check (4.43, 4.87)
 - Money received as change (4.64, 5.03). (p. 13)
11. There were significant differences between respondents with children and without children living at home, respectively, regarding the cleanliness of the following items:
 - Table (6.15, 6.33)
 - Condiment dispensers (6.07, 6.32)
 - Bathroom (6.27, 6.62). (p. 11)
12. There were significant differences between respondents with children living at home and without children living at home, respectively, regarding the likelihood of getting sick from the following items:
 - Table (4.41, 3.84)
 - Condiment dispenser (4.76, 4.17)
 - Utensils (4.72, 4.23)
 - Glassware (4.83, 4.21)
 - Door handles (5.31, 4.84)
 - Bathroom facilities (5.43, 4.91)
 - Chairs at the table (4.72, 3.99)
 - Menu (5.01, 4.37)
 - Folder that covers the check (4.85, 4.21)
 - Check (4.23, 3.62)
 - Pen for signing the check (4.97, 4.47). (p. 13)

Dinesafe Market Research Management Summary

13. The majority of the respondents (73.9%) believe the Dine-Safe product will be effective in preventing the spreading of disease, while only 6% believe the product will be “not at all” effective in preventing the spread of diseases. There were no significant differences in this result between men and women, or respondents with or without children living at home. (p. 16)
14. Respondents with children were significantly more concerned than respondents without children living at home, respectively, about the following:
 - Health and sanitation of the restaurant (4.90, 4.21)
 - Riskiness of dining out (4.85, 4.29)
 - Health and sanitation of the restaurant (5.35, 4.81)
 - Environmental health risks (5.56, 5.12). (p. 15)
15. There were significant differences between respondents with children and without children living at home, respectively, concerning:
 - The desire of respondents with children living at home to choose a DineSafe restaurant over a non-certified restaurant (5.90, 5.39)
 - Their willingness to pay more for the DineSafe service (4.73, 4.20)
 - Assert that their friends are more likely to choose a Dine-Safe certified restaurant (5.81, 5.42)
 - Believe a restaurant marketed as DineSafe would offer good service value (5.90, 5.44). (p. 18)
16. Interestingly, respondents without children living at home are willing to pay more to go to a DineSafe certified restaurant, -\$0.39, than respondents with children living at home, -\$1.65. (p. 22 and 27)
17. Based on the total sample, the median ideal per plate average per adult, excluding alcohol is \$16.00, equal to the price of the suggested average per plate cost. 37.9% of respondents say that the ideal price for the DineSafe service is above the \$16 average, with 9.2% identifying an additional \$1.00 as the ideal price, 11% identified an additional \$2 as the ideal price, and 8% identified an additional \$4 as the ideal price per plate. (p. 20 and 27)

Recommendations are presented next. Following the recommendation section is the main body of the report.

Full Report

Introduction

This paper presents the findings of a research study conducted with restaurant consumers. The overall purpose of the study was to gain an understanding of restaurant customers' attitudes and opinions on the following issues:

- The guest's experience of cleanliness in restaurants,
- The guest's belief regarding likelihood of getting sick from items at restaurants,
- The guest's belief that DineSafe products can make restaurant dining safer
- The price the guest is willing to pay to dine at a DineSafe certified restaurant.

Methodology

Questionnaire

The paper survey consisted of 59 questions, which were divided into 8 sections.

The first section consisted of 4 questions relating to the respondent's dining-out habits. These questions were developed based upon similar surveys regarding cleanliness of hotels.

The second section of the questionnaire consisted of 12 questions relating to the respondents' perceptions of cleanliness in their most-recently visited restaurant. The characteristics were rated on a Likert type scale, with 1="very unclean" to 7="very clean."

The third section of the survey included 12 questions regarding the respondents' perceptions of likelihood of getting sick from items at the restaurant. The characteristics were rated on a Likert type scale, with 1="very unlikely" to 7="very likely."

The fourth section contained nine questions which asked about respondent's perceptions of risk factors related to health and sanitation in general. The characteristics were rated on a Likert type scale, with 1="strongly disagree" to 7="strongly agree."

The fifth section began with a brief description of the DineSafe product and then evaluated respondents' perceptions of effectiveness of the DineSafe product in reducing the spread of disease, using one question. The characteristics were rated on a Likert type scale, with 1="very ineffective" to 7="extremely effective."

The sixth section included five questions and evaluated the respondents' interest in going to a DineSafe certified restaurant and their beliefs that their friends may be interested in eating at a DineSafe certified restaurant. The characteristics were rated on a Likert type scale, with 1="very unlikely" to 7="very likely."

The seventh section evaluated the respondent's willingness to pay for DineSafe certified service with four questions. These questions were answered using text entry.

The final section asked for demographic information. The demographic information included gender, marriage status, number and age of children living at home, education level, employment status, annual household income, profession, age, and ethnicity.

Data Collection

The survey was sent to all adults in Qualtrics Panel Samples. The surveys were sent via Qualtrics Panel Data on October 28, 2014. The surveys were accompanied by an email invitation that offered a \$0.75 incentive to complete the survey. 854 members of the Qualtrics Panel clicked on the survey. A total of 541 useable surveys were completed when data collection ended in October, 2014. The effective net response rate was 63.3% (541/854).

Subgroups Analyzed

In order to gather more meaningful insight into the data, the data was analyzed not only by total sample, but also by logical subgroups. The subgroups are traditionally called banner points. The four subgroups/banner points were determined by demographic questions. The demographic questions were gender (male, female), marriage status (married, single/ never married, and other), children living at home (yes, no), education level (some high school, high school graduate, some college, college graduate, some post-graduate work, post graduate), employment status (full-time, part-time, not at all, retired), income (under \$50,000, \$50,000-\$99,000, \$100,000-\$149,000, and \$150,000+), profession type (professional, executive, managerial, administrative support, technical support, sales, service, homemaker, entertainment, sports, farming, forestry and fishing, trade, production and craft, machine operator, transportation, handler, helper and laborer, student), age, and ethnicity (Asian American, African American, Filipino, Mexican American, Pacific Islander, Other Hispanic, White).

Statistical Note

Unless otherwise noted, the 95% confidence level was used to determine all statistical differences. Statistical differences suggest that the numbers are different because of inherent differences within the group under study and not because of random variation. Specific notations in this report which detail significance are as follows:

Capital letter = significantly different than the number listed under the identified column at the 95% confidence interval.

For example, the 95% level of confidence with a sample size of 541 means that the confidence interval ranges from +/- 4.2% from the

number stated. Thus, if 74% said “yes” to a question, we could be sure that if we repeated this study 100 times, 95 times out of 100 the number of respondents saying “yes” would range anywhere from 69.8% to 78.2%. As the sample size gets smaller, this interval varies. For instance, with a sample size of 100, the confidence interval is +/- 9.8%.

Top Box versus Top Two Box

Top box score refers to the percentage of people giving a response rating the highest rating possible, while top two box score refers to the percentage of people giving a response rating of either the highest rating possible or the second highest rating possible. For example, the top box on a question with a scale of 1 “poor” to 7 “excellent” would be percentage giving a rating of 7. The top two would be the percentage giving a rating of 6 or 7.

New product development researchers across multiple industries focus on top box scores, as they have shown to be the most predictive of future success of new products. In research on satisfaction and customer loyalty, it has been found across multiple industries that only those who provide top box ratings on satisfaction questions have the opportunity to become loyal guests. For these reasons, top box scores will be discussed in this report.

Data Analysis and Results

Respondent Profile

Demographics

Table 1 presents the demographic characteristics of the respondents. As can be seen, more women completed the survey than men (56.2% females and 43.8% males).

The mean age range of the respondents is 45-54 years. The mean income range of the all participants is \$75,000 to \$99,999. More married people completed the survey compared to single/ never married and other (60.3% married, 27.9% single/ never married, 11.8% other). The majority of respondents do not have children living at home (57.7% do not have children living at home, 42.3% have children living at home).

The respondents, as a group were largely white (81.5%), followed in percentage by African-American (6.5%), Asian-American (5.7%), Mexican-American (1.8%), other Hispanic (2%), Filipino (0.7%), and Pacific-Islander (0.2%).

In terms of employment, just under one-half (49.2%) were employed full-time, while 14.2% were employed part-time, 17.4% are not employed, and 19.2 are retired. The occupations most represented in the sample were managerial (16.1%), homemaker (14.2%), professional (12.4%), administrative support (11.8%), and service (8.5%).

Table 1

Demographic Information

Gender (n = 541)		Marriage status (n = 541)	
Male	43.8%	Married	60.3%
Female	56.2	Single/ never married	27.9
		Other	11.8
Age (groups) (n = 214)		Children living at home (n = 541)	
18-24 years	3.0%	Yes	42.3%
25-34 years	17.7	No	57.7
35-44 years	19.8		
45-54 years	22.6	Level of school completed (n = 541)	
55-64 years	24.6	Some high school or less	1.1%
65+ years	12.4	High school graduate	14.6
		Some college or technical school	28.8
		College graduate	33.3
		Some post-graduate work	6.7
		Post graduate	15.5
Employment Status (n = 215)		Total annual household income (n = 541)	
Full-time	49.2%	> \$50,000	35.1%
Part-time	14.2	\$50,000 to < \$100,000	42.7
Not at all	17.4	\$100,000 to <\$150,000	12.8
Retired	19.2	> \$150,000	11.6
Ethnicity (n = 541)		Best represents your profession (n = 541)	
Asian-American	5.7%	Professional	12.4%
African-American	6.5	Executive	7.2
Filipino	0.7	Managerial	16.1
Mexican-American	1.8	Administrative support	11.8
Pacific Islander	0.2	Technical support	5.2
Other Hispanic	2.0	Sales	6.1
White	81.5	Service	8.5
		Homemaker	14.2
		Entertainment	0.9
		Sports	0.7
		Farming, forestry and fishing	0.4
		Trade, production and craft	3.9
		Machine operator	1.7
		Transportation	3.1
		Handler, helper, laborer	3.7
		Student	4.1

n equals number responding to given question

This ends the respondent profile discussion. The next section examines the education experience.

Dining frequency

How Often Did Respondents Eat Out in the Previous Three Months

Table 2 reveals responses to the question “In the last 3 months, how many times have you eaten a meal outside the home in any type of restaurant for any meal occasion?” As shown, on a total sample basis, only 29.3% report they have eaten out 1 to 5 times in the previous 3 months, 25.9% report they have eaten out 6 to 10 times in the previous three months, 17.4% state that they have eaten out 11 to 15 times, 7.2% report they have eaten out 16 to 20 times, 5.2% of respondents state they have eaten out 21 to 25 times in the past three months, while 4% state that they have eaten out 26 to 30 times in the previous three months. The mean range response to how often the respondents have eaten out in the previous three months was 6 to 10 times.

What Was the Meal Occasion for the Last Restaurant You Visited?

Table 3 answers the question “What was the meal occasion for the last restaurant you visited?” As shown, the total sample reports that 7% most recently ate away from home for breakfast, 28.8% for lunch,

Table 2

How Often Did Respondents Eat Out in the Previous Three Months?

N= 495	Frequency	Percent
1-5 times	163	29.3%
6-10	144	25.9
11-15	97	17.4
16-20	40	7.2
21-25	29	5.2
26-30	22	4.0

Table 3

What was the meal occasion for the last restaurant you visited?

N= 541	Frequency	Percent
Breakfast	39	7%
Lunch	160	28.8
Dinner	333	59.9
Other	9	1.6

Table 4

Significant differences between men and women

Meal event		Women (A)	Men (B)
Breakfast	Mean	1.7B	2.5A
Lunch	Mean	3.6B	4.8A

Capital letter indicates significant differences between group means at the 95% confidence interval.

59.9% for dinner, and 1.6% for other. The mean score indicates that the mean ‘meal’ which was most recently eaten out was lunch.

Significant Differences between Men and Women

There were significant differences between men and women in their frequency of eating breakfast and lunch out.

Restaurant cleanliness

The next question addressed the respondents’ perceptions of cleanliness at the last restaurant in which they dined. The respondents were asked how clean they perceived the following items at their most recent restaurant visit: the table, the condiment dispensers, the utensils, the glassware, the door handles, the bathroom facilities, the chairs at the table, the menu, the folder covering the check, the check itself, the pen used to sign the check and the money received as change. The majority of respondents thought the items in question were remarkably clean. The top 2 box scores were very high: table (81.2%), condiment dispensers (68.9%), utensils (79.8%), glassware (77.8%), door handles (51.6%), bathroom facilities (48.6%), chairs at the table (72.5%), menu (69.7%), folder covering the check (62.4%), the check itself (71.7%), the pen used to sign the check (48.6%), and the money received as change (39.2%).

There were significant differences respondents with children living at home and without children living at home. These differences occurred regarding the cleanliness of the table, condiment dispensers, and the bathroom facilities. Though both groups had a high rating of cleanliness for these items, respondents without children living at home rated the table, condiment dispensers and bathroom facilities as cleaner than the respondents with children living at home.

There were no other significant group differences.

This ends the section regarding the cleanliness of items in the respondents’ previous dining experience. The next section studies respondents’ perceptions of likelihood of getting sick from items in a restaurant.

Likelihood of getting sick

Respondents were asked to respond to a series of questions evaluating their perceptions of likelihood of becoming sick from exposure to certain items when dining in a casual dining restaurant.

Table 5

How clean did you feel each item was in the restaurant

Total N= 541	Top box Very clean	Top 2 Box	Mean Total Sample	Women (A)	Men (B)	Children living at home (C)	No children living at home (D)
Table	47.7%	81.2	6.26	6.24	6.27	6.15 D	6.33 C
Condiment dispensers	38.6%	68.9	6.22	6.20	6.23	6.07 D	6.32 C
Utensils	50.8%	79.8	6.32	6.35	6.27	6.26	6.36
Glassware	49.9%	77.8	6.36	6.38	6.34	6.27	6.43
Door handles	29.2%	51.6	6.23	6.29	6.16	6.13	6.31
Bathroom facilities	26.8%	48.6	6.47	6.45	6.49	6.27 D	6.62 C
Chairs at the table	41.6%	72.5	6.16	6.12	6.22	6.07	6.23
Menu	42.9%	69.7	6.21	6.25	6.17	6.13	6.28
Folder that covers the check	38.6%	62.4	6.38	6.42	6.32	6.26	6.46
Check	48.4%	71.7	6.51	6.55	6.46	6.47	6.57
Pen used to sign check	30.6%	48.6	6.61	6.65	6.56	6.57	6.64
Money used as change	24.6%	39.2	6.44	6.52	6.34	6.31	6.54

Capital letter indicates significant differences between group means at the 95% confidence interval.

To measure respondents’ attitude about likelihood of getting sick from contact items in a casual dining restaurant, respondents were asked “What is the likeliness of you getting sick from coming into contact with each of the following items in a casual dining restaurant: (1) table, (2) condiment dispensers, (3) utensils, (4) glassware, (5) door handles, (6) bathroom facilities, (7) chairs at table, (8) menu, (9) folder that covers the check, (10) check, (11) pen used to sign the check, and (12) money you received as change.

Interestingly, though respondents mostly feel that the restaurants they patronize are quite clean, they are mixed in their response to their likelihood of getting sick from exposure to these same items in a casual service restaurant. The top 2 box responses indicate how likely the respondents are to become sick from exposure to these items: table (25.5%), condiment dispensers (31.2%), utensils (36.0%), glassware (36.8%), door handles (46.5%), bathroom facilities (44.5%), chairs at the table (27.9%), menu (34.8%), folder covering the check (17.4%), the check itself (13.5%), the pen used to sign the check (17.4%), and the money received as change (21.8%).

There are significant differences between men’s and women’s perceptions of likelihood of becoming sick from exposure from these items, and significant differences between respondents with chil-

dren living at home and without children living at home. Men are less concerned, on average, than women regarding the likelihood of becoming sick from exposure to the following items: the table, the condiment dispensers, the door handles, the bathroom facilities, the chairs at the table, the menu, the folder that covers the check, the pen used to sign the check and the money received as change.

Respondents without children living at home perceive the likelihood as getting sick from exposure to the following items, on average, lower than respondents with children living at home: table, condiment dispensers, utensils, glassware, door handles, bathroom facilities, chairs at the table, menu, folder covering the check, the check itself, and the pen used to sign the check.

This ends the section on respondents’ perceptions of likeness of getting sick from coming in contact with items in a casual dining restaurant. The next section examines respondents’ attitudes regarding cleanliness, health and sanitation in general.

Attitude regarding cleanliness, health and sanitation

To measure respondents’ attitude about cleanliness, health and sanitation, respondents were asked (1) if they worry about the sanitation of the restaurant they are dining at, (2) if dining out can be risky to someone’s health, (3) if they consider the sanitation of the restaurant

Table 6

What is the likeliness of you getting sick from coming into contact with each of the following items in a casual dining restaurant?

Total N= 541	Top box Very likely	Top 2 Box	Mean Total Sample	Women (A)	Men (B)	Children living at home (C)	No children living at home (D)
Table	14.0%	25.5	4.08	4.31 B	3.79 A	4.41 D	3.84 C
Condiment dispensers	17.0%	31.2	4.42	4.66 B	4.11 A	4.76 D	4.17 C
Utensils	22.0%	36.0	4.44	4.50	4.36	4.72 D	4.23 C
Glassware	21.6%	36.8	4.47	4.56	4.35	4.83 D	4.21 C
Door handles	26.2%	46.5	5.04	5.27 B	4.73 A	5.31 D	4.84 C
Bathroom facilities	26.4%	44.5	5.13	5.34 B	4.86 A	5.43 D	4.91 C
Chairs at the table	16.8%	27.9	4.30	4.51 B	4.03 A	4.72 D	3.99 C
Menu	20.0%	34.8	4.64	4.87 B	4.34 A	5.01 D	4.37 C
Folder that covers the check	13.9%	17.4	4.48	4.65 B	4.26 A	4.85 D	4.21 C
Check	10.0%	13.5	3.88	3.99	3.73	4.23 D	3.62 C
Pen used to sign check	16.6%	17.4	4.68	4.87 B	4.43 A	4.97 D	4.47 C
Money used as change	15.7%	21.8	4.86	5.03 B	4.64 A	5.14	4.65

Capital letter indicates significant differences between group means at the 95% confidence interval.

before choosing to dine there, (4) if the cleanliness of a restaurant impacts their overall dining experience, (5) if they read information related to health and sanitation, (6) if they search for information related to health and sanitation in general, (7) if they are aware of environmental health risks, (8) if they voluntarily get periodic health check-ups, and (9) if they take necessary precautions based on their awareness of environmental health risks.

The top 2 box results give us an indication of both the respondents' behaviors regarding health and sanitation, as well as how the cleanliness and sanitation of the restaurant affects their dining experience. The top 2 box results are: if they worry about the sanitation of the restaurant they are dining at (34.4%), if dining out can be risky to someone's health (31.25%), if they consider the sanitation of the restaurant before choosing to dine there (50.3%), if the cleanliness of the restaurant impacts their overall dining experience (72.3%), if they read information related to health and sanitation (36.0%), if they search for information related to health and sanitation in general (25.7%), if they are aware of environmental health risks (51.5%), if they voluntarily get periodic health check-ups (59.7%), and if they take necessary precautions based on their awareness of environmental health risks (54.1%).

There were several significant between-groups differences between

the men/ women groups, and the children living at home/ not living at home groups. Though both men and women were above neutral for each of the following items, on average, women felt more strongly about (1) when choosing where to dine out, I consider health and sanitation of the restaurant, and more strongly about (2) the cleanliness of the restaurant impacts my overall dining experience. The significant differences between respondents with children living at home and without children living at home were more numerous. Interestingly, respondents without children living at home ranked all of the following questions lower, on average, than respondents with children living at home: they worry about the sanitation of the restaurant they are dining at, if dining out can be risky to someone's health, if they consider the sanitation of the restaurant before choosing to dine there, if they read information related to health and sanitation, if they search for information related to health and sanitation in general, if they are aware of environmental health risks, if they voluntarily get periodic health check-ups, and if they take necessary precautions based on their awareness of environmental health risks

This ends the section on respondents' perceptions of attitude regarding cleanliness, health and sanitation. The next section examines respondents' attitudes regarding product effectiveness.

Table 7

What is your general attitude toward health and sanitation?

Total N= 541	Top box Strongly agree	Top 2 Box	Mean Total Sample	Women (A)	Men (B)	Children living at home (C)	No children living at home (D)
When I dine out, I worry about the health and sanitation of the restaurant.	17.9%	34.4	4.50	4.63	4.34	4.90 D	4.21 C
Dining out can be risky to someone's health.	18.1%	31.2	4.53	4.61	4.43	4.85 D	4.29 C
When choosing where to dine out, I consider health and sanitation of the restaurant.	24.8%	50.3	5.04	5.19 B	4.85 A	5.35 D	4.81 C
The cleanliness of a restaurant impacts my overall dining experience.	47.3%	72.3	5.95	6.09 B	5.77 A	6.02	5.90
I read information related to health and sanitation.	18.1%	36.0	4.57	4.62	4.51	4.87 D	4.36 C
I search for information related to health and sanitation.	14.6%	25.7	3.93	3.96	3.89	4.39 D	3.59 C
I am aware of environmental health risks.	24.0%	51.5	5.30	5.36	5.24	5.56 D	5.12 C
I voluntarily get periodic health checkups.	44.0%	59.7	5.43	5.44	5.42	5.54	5.35
I take necessary precautions based on my awareness of environmental health risks.	30.3%	54.1	5.38	5.48	5.27	5.65 D	5.19 C

Capital letter indicates significant differences between group means at the 95% confidence interval.

Product Effectiveness

The next section of the survey offers a description of the DineSafe product and service, and then evaluates the respondents' perceptions of effectiveness of the DineSafe product. There were no significant group differences, so the total sample results are provided.

This ends the section on respondents' perceptions of product effectiveness. The next section examines respondents' attitudes on willingness to choose and pay more for DineSafe certified service, and their perceptions of their friends' willingness to choose and pay more for DineSafe certified service.

Willingness to patronize and pay for DineSafe Service

The next section of the survey identifies the respondents' willingness to patronize and pay for the DineSafe certified service. The respondents were asked to rate five statements on a scale of 1 "very unlikely" to a 7 "very likely" scale. There were significant differences between the respondents with children living at home and without children living at home. Therefore, total sample results are presented, as well as the results for children living at home, and no children living at home groups.

The total sample's top 2 box responses are very encouraging: I would choose a DineSafe certified restaurant over a non-certified restaurant assuming price and food quality was the same at both (54.7%); my friends

would chose a DineSafe certified restaurant over a non-certified restaurant assuming price and food quality was the same at both (50.3%); I would be willing to pay slightly more on my overall per person check average if I know the restaurant was certified as DineSafe (32.9%); my friends would be willing to pay slightly more on my overall per person check average if I know the restaurant was certified as a DineSafe restaurant (30.3%); a restaurant marketed as DineSafe would offer good service value (49.0%).

There were significant differences between respondents who have children living at home and those that do not have children living at home on four of the five questions regarding willingness to patronize and pay for DineSafe service. Considering the top 2 box responses illustrates these differences: I would choose a DineSafe certified restaurant over a non-certified restaurant assuming price and food quality was the same at both (children: 64.7%; no children 47.4%); my friends would chose a DineSafe certified restaurant over a non-certified restaurant assuming price and food quality was the same at both(children: 62.9%; no children 41.0%); I would be willing to pay slightly more on my overall per person check average if I know the restaurant was certified as DineSafe (children: 36.7%; no children 30.1%); a restaurant marketed as DineSafe would offer good service value (children: 59.4%; no children 41.3 %).

This ends the section on respondents' willingness to patronize

Table 8**How effective do you believe this product would be in preventing the spread of disease?**

Total	Top box Extremely effective	Top 2 Box	Mean Total Sample	Women (A)	Men (B)	Children living at home (C)	No children living at home (D)
N= 541	19.6%	48.3	5.47	5.43	5.53	5.53	5.43

Table 9**Willingness to patronize and pay for DineSafe service**

Total N= 541	Top box Strongly agree	Mean Total Sample	Women (A)	Men (B)	Children living at home (C)	No children living at home (D)
I would choose a DineSafe certified restaurant over a non-certified restaurant assuming price and food quality was the same at both restaurants.	34.2%	5.61	5.71	5.48	5.90 D	5.39 C
My friends would choose a DineSafe certified restaurant over a non-certified restaurant assuming price and food quality was the same at both restaurants.	27.7%	5.59	5.70	5.43	5.81 D	5.42 C
I would be willing to pay slightly more on my overall per person check average if I know the restaurant was certified as a DineSafe restaurant.	18.9%	4.42	4.39	4.46	4.73 D	4.20 C
My friends would be willing to pay slightly more on their overall per person check average if they know the restaurant was certified as a DineSafe restaurant.	17.7%	4.79	4.74	4.85	4.93	4.69
A restaurant marketed as DineSafe would offer good service value.	25.9%	5.64	5.74	5.50	5.90 D	5.44 C

Capital letter indicates significant differences between group means at the 95% confidence interval.

and pay for DineSafe service. The next section examines respondents' perceptions regarding the expected price for DineSafe service.

Price-sensitivity Analysis

This section will evaluate respondents' perceptions regarding the price of DineSafe service. In the introduction to this section, respondents were asked to "assume that the per person check average for adults, excluding alcoholic beverages, is \$16.00 in a standard restaurant that is NOT "DineSafe" certified." The questions include (1) What price would you consider CHEAP and you would still go to the DineSafe certified restaurant, (2) What price would you consider EXPENSIVE but you would still go to the DineSafe certified restaurant, (3)

What price would you consider TOO EXPENSIVE and you would NOT go to the DineSafe certified restaurant, and (4) What is the ideal price for a DineSafe certified restaurant?

The numbers all refer to how much more are guests willing to pay above the \$16 per plate average which was provided for the baseline for a casual dining restaurant. In instances where the number is in parentheses, e.g. (2.00), this indicates a negative number and indicates they are willing to pay 2.00 less than the \$16.00 suggested average per plate. The price responses were separated into quartiles. These are quartiles of price responses, not quartiles based on the number of respondents. The mode box indicates, percentage-wise, what was the number one response from

all respondents and its accompanying frequency and percentage.

However, because the mode does not clearly tell the entire story, the price quartiles are also included, with their frequency counts and percentage of respondents. Significant differences were seen between men and women, and between respondents with children living at home and respondents without children living at home.

Men and women significantly differed on their ideal price for the DineSafe service. The median of both groups was \$0.00 above the \$16.00 average. However, in evaluating the price quartiles it can be deduced that 58.2% of women respondents are willing to pay more than the \$16.00 average per plate and 70.9% of men are willing to pay more than the \$16.00 average per plate.

There were also significant differences between respondents who have children living at home and respondents who do not have children living at home. The median ideal price for respondents without children

living at home was (\$0.39), while the median ideal price for respondents with children living at home was (\$1.64), indicating that the respondents without children living at home are willing to pay more than respondents with children living at home. However, of the respondents without children living at home, 68.3% are willing to pay more per plate than the suggested \$16.00 average, while of the respondents with children living at home, only 55.4% are willing to pay more than the \$16.00 average.

This now ends the Additional Amount People Would Spend in a Restaurant with DineSafe Certification section and concludes the report.

Next, charts of respondents' willingness to pay for DineSafe Certified service are shown.

Table 10

Additional Amount People Would Spend in a Restaurant with DineSafe certification (Base Average Check= \$16.00)

	Total Sample			
	Cheap and still go	Expensive but still go	Expensive and not go	Ideal price
Total response	541	541	541	541
Mean	(\$3.17)	\$2.52	\$7.12	(\$0.92)
Median	(\$1.00)	\$2.11	\$4.00	\$0.00
First price quartile	<(4.00)	< 0.00	<0.51	<(4.00)
# of respondents	132	117	115	135
% of respondents	24.4%	21.6%	21.3%	25.0%
Second price quartile	(4.00)< n< (0.99)	0<n<1.99	0.99<n<3.99	(3.00)<n<(0.01)
# of respondents	138	95	70	66
% of respondents	25.5%	17.6%	12.9%	12.2%
Third price quartile	(1.00)< n <0.99	2.00< n <3.99	4.00< n <9.99	0.00< n <1.50
# of respondents	121	95	216	195
% of respondents	22.4%	17.6%	39.9%	36.0%
Fourth price quartile	>1.00	>4.00	>10.00	>1.51
# of respondents	150	234	140	145
% of respondents	27.8%	43.3%	25.9%	26.8%
Mode	\$0.00	\$4.00	\$4.00	\$0.00
# of respondents answering this amount	94	108	94	135
% of respondents answering this amount	17.4%	20.0%	17.4%	25.0%

Capital letter indicates significant differences between group means at the 95% confidence interval.

Table 11

**Additional Amount People Would Spend in a Restaurant with DineSafe certification
(Base Average Check= \$16.00)**

	Women (A)	Men (B)
	Ideal price	Ideal price
Total response	304	237
Mean	(\$1.61) (B)	(\$0.04) (A)
Median	0.00	0.00
First price quartile	< (4.01)	< (2.01)
# of respondents	69	51
% of respondents	22.7%	21.5%
Second price quartile	(4.00) < n < (0.01)	(2.00) < n < (0.01)
# of respondents	58	23
% of respondents	19.1%	9.7%
Third price quartile	0 < n < 0.99	0 < n < 1.99
# of respondents	74	95
% of respondents	24.3%	40.1%
Fourth price quartile	> 1.00	> 2.00
# of respondents	103	73
% of respondents	33.9%	30.8%
Mode	\$0.00	\$0.00
#	71	64
%	23.4%	27%

Capital letter indicates significant differences between group means at the 95% confidence interval.

Table 12

**Additional Amount People Would Spend in a Restaurant with DineSafe certification
(Base Average Check= \$16.00)**

No children living at home (D)			
	Cheap and still go	Expensive but still go	Ideal price
Total response	312	312	312
Mean	(2.74) C	3.26 C	(0.39) C
Median	(1.00)	3.00	0.00
First price quartile	< (6.01)	< (0.01)	< (2.99)
# of respondents	73	59	76
% of respondents	23.4%	18.9%	24.4%
Second price quartile	(6.00)< n < (1.01)	0< n < 2.99	(3.00)< n <(0.01)
# of respondents	75	88	23
% of respondents	24.0%	28.2%	7.4%
Third price quartile	(1.00)< n < 0.99	3.00< n <4.99	0< n <1.99
# of respondents	72	85	126
% of respondents	23.1%	27.2%	40.4%
Fourth price quartile	> 1.00	> 5.00	> 2.00
# of respondents	92	47	87
% of respondents	29.5%	15.1%	27.9%
Mode	0.00	4.00	0.00
#	59	71	90
%	18.9%	22.8%	28.8%

Capital letter indicates significant differences between group means at the 95% confidence interval.

Table 13

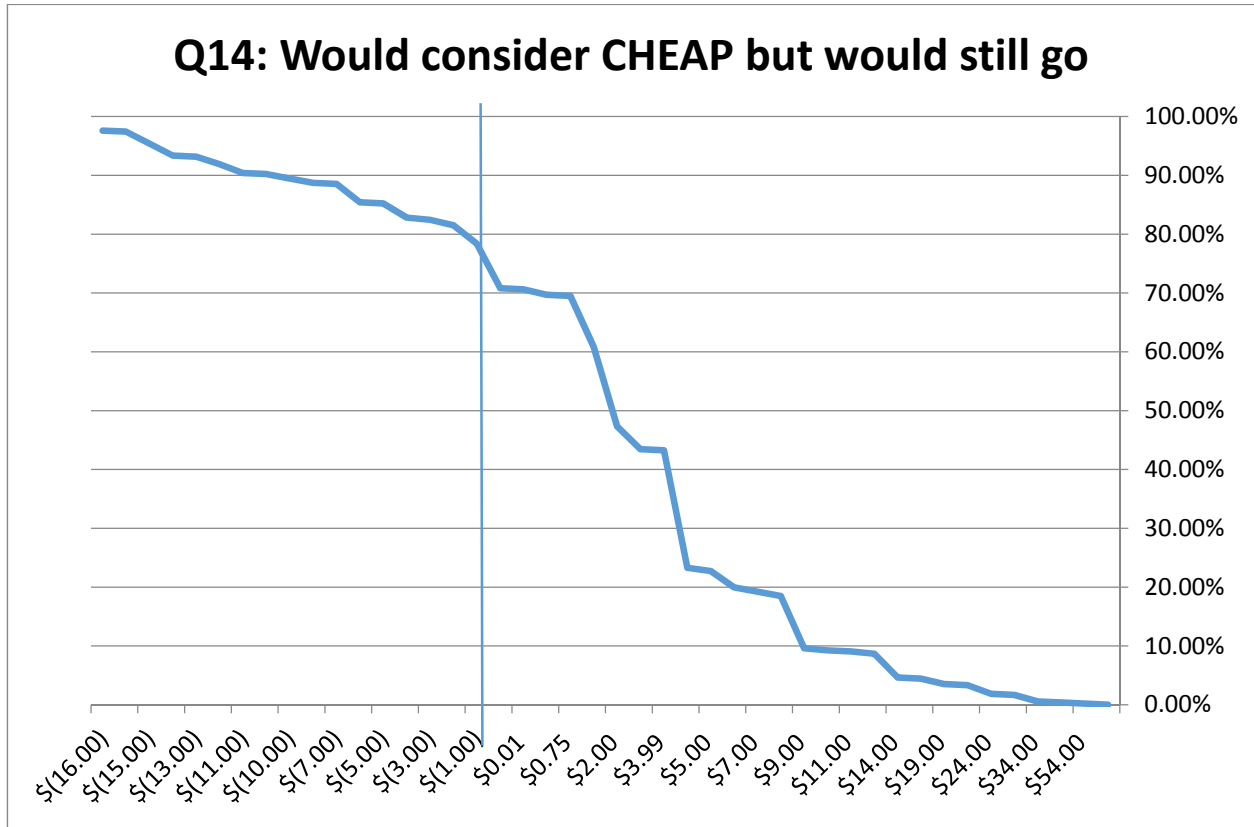
**Additional Amount People Would Spend in a Restaurant with DineSafe certification
(Base Average Check= \$16.00)**

Children living at home (C)			
	Cheap and still go	Expensive but still go	Ideal price
Total response	229	229	229
Mean	(3.74) D	1.50 D	(1.64) D
Median	(4.00)	3.00	0.00
First price quartile	< (7.01)	< (1.01)	< (4.01)
# of respondents	55	51	56
% of respondents	24.0%	22.3%	24.5%
Second price quartile	(7.00) < n < (4.01)	(1.00) < n < 1.99	(4.00) < n < (0.01)
# of respondents	41	41	46
% of respondents	17.9%	17.9%	20.1%
Third price quartile	(4.00) < n < 0.99	2.00 < n < 3.99	0 < n < 1.99
# of respondents	75	54	69
% of respondents	32.8%	23.6%	30.1%
Fourth price quartile	> 1.00	> 4.00	> 2.00
# of respondents	58	83	58
% of respondents	25.3%	36.2%	25.3%
Mode	Tie: (6.00), 0.00	2.00	0.00
#	35 each	46	45
%	15.3% each	20.1%	19.7%

Capital letter indicates significant differences between group means at the 95% confidence interval.

Figure 1

Would Consider CHEAP but would Still Go

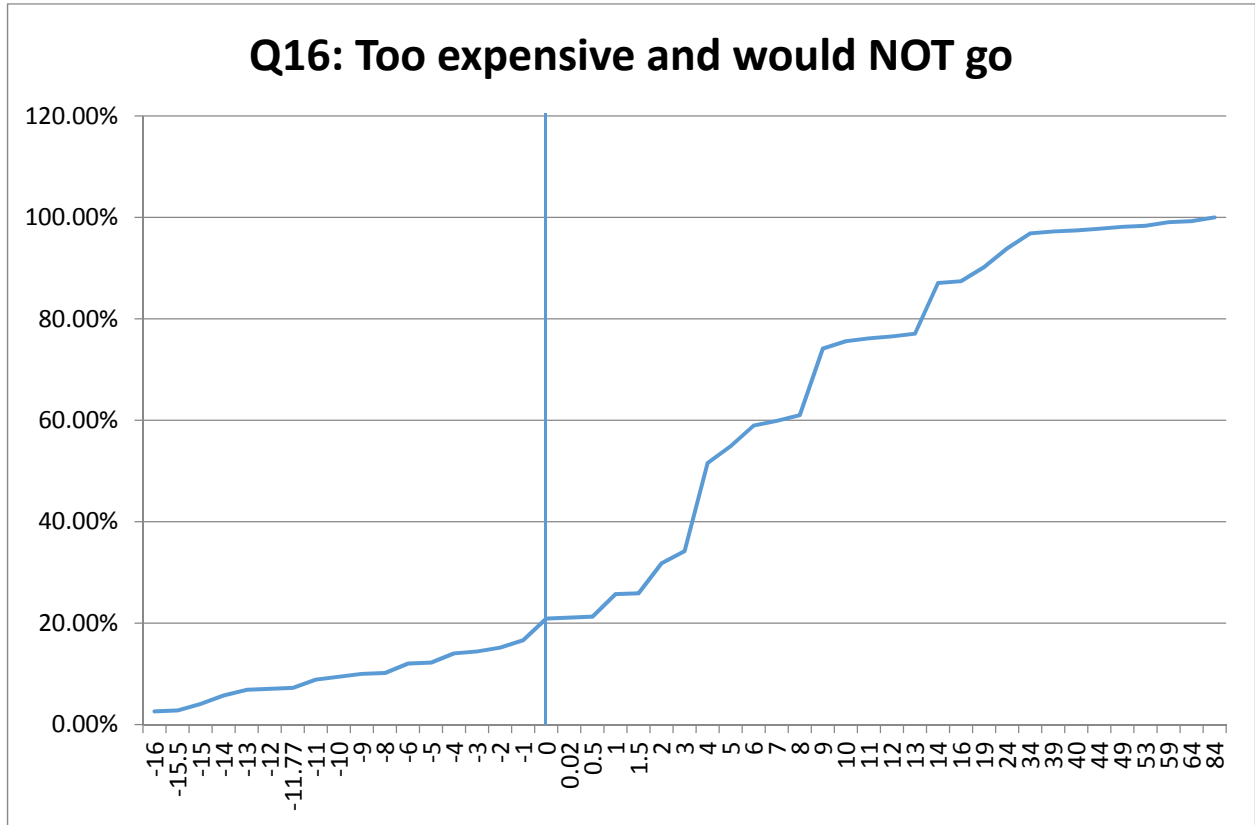


The respondents were instructed to consider that dining in a casual dining restaurant would cost \$16 per plate, per adult, excluding alcohol. The blue vertical line is the respondents' median ideal amount per plate above that \$16 they would be willing to pay to be served at a DineSafe certified restaurant.

28.5% of respondents would consider a per plate price above the median to be cheap for the DineSafe service. 9.4% of respondents would consider \$1 additional per plate to be cheap, while 8.8% would consider an additional \$2 per plate to be cheap.

Figure 2

Expensive But Would Still Go

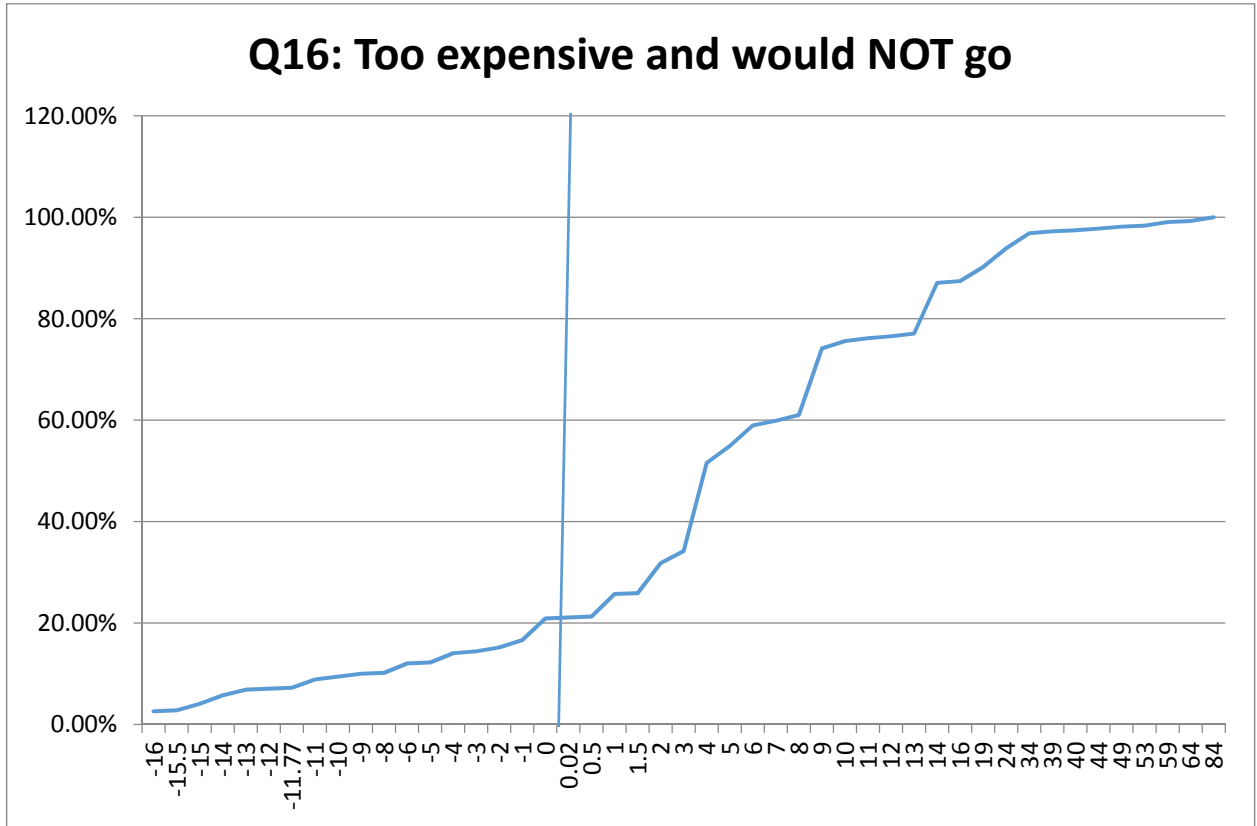


The respondents were instructed to consider that dining in a casual dining restaurant would cost \$16 per plate, per adult, excluding alcohol. The blue vertical line is the respondents' median ideal amount per plate above that \$16 they would be willing to pay to be served at a DineSafe certified restaurant.

69.7% of respondents consider any price above the average price of a non-DineSafe restaurant to be expensive, but they would still go. 8.7% of respondents consider an additional \$1 per plate too expensive, 13.5% consider an additional \$2 per plate too expensive, and 23.2% consider an additional \$4 and above to be too expensive, but they would still go.

Figure 3

Too Expensive and would not go

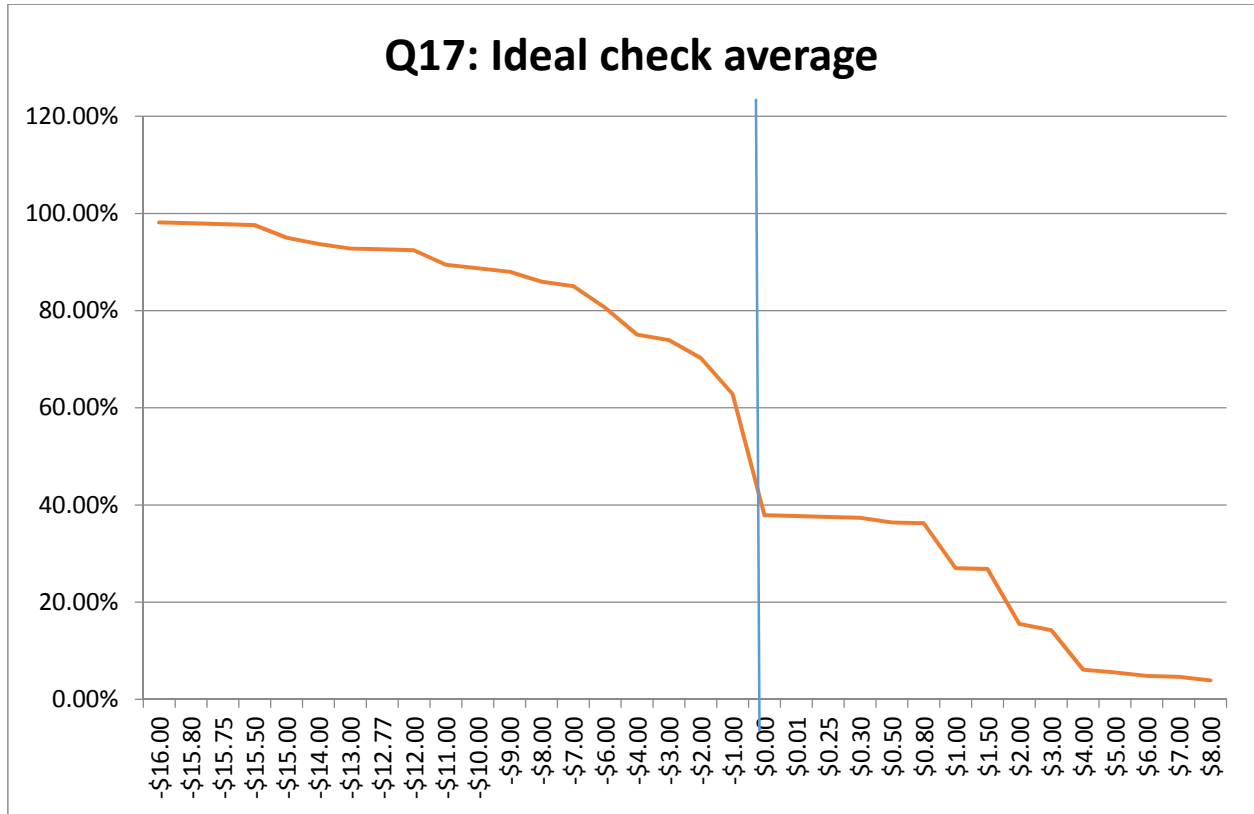


The respondents were instructed to consider that dining in a casual dining restaurant would cost \$16 per plate, per adult, excluding alcohol. The blue vertical line is the respondents' median ideal amount per plate above that \$16 they would be willing to pay to be served at a DineSafe certified restaurant.

Only 4.4% of respondents think an additional \$1 is too expensive and they would be unwilling to pay \$1 more per plate for the DineSafe service. 5.9% of respondents think an additional \$2 is too expensive and they would not go to the DineSafe restaurant, with 17.4% reporting an additional \$4 as too expensive, and 13.1% reporting an additional \$9 per plate as too expensive.

Figure 4

Ideal Check Average



The respondents were instructed to consider that dining in a casual dining restaurant would cost \$16 per plate, per adult, excluding alcohol. The blue vertical line is the respondents' median ideal amount per plate above that \$16 they would be willing to pay to be served at a DineSafe certified restaurant.

The median ideal per plate, per adult average, excluding alcohol is \$16, or no additional cost. However, 37.9% of respondents are willing to pay more than the \$16 average, with men willing to pay more, on average, than women.

Appendix 3

Recommendations

This short list of recommendations is only included to spark debate. It is certainly not exhaustive. The order of the recommendations is not indicative of importance. DineSafe executives should meet to discuss the results of the findings presented and develop strategies accordingly.

1. *The DineSafe service should focus on the market segment of women with children living at home.* Support for this recommendation is based on the following findings:
 - Women are more concerned about the likelihood of getting sick from most items in the restaurant,
 - Respondents with children living at home consider many items in the restaurant to be less clean than respondents without children living at home,
 - Respondents with children living at home are more concerned about the likelihood of getting sick from most items in the restaurant.
2. *Customers trust in the effectiveness of the DineSafe product/service.* Support for this recommendation is based on the following findings:
 - Of the total sample, nearly 20% of respondents think the DineSafe product will be “extremely effective” in preventing the spread of disease,
 - Nearly 50% of the total sample are in the top 2 box, indicating that they think the DineSafe product will be “very effective” or “extremely effective,”
3. *The items which may be most appropriate for application of the DineSafe product and their top box responses (“very likely” to become sick from coming in contact with) are:*
 - Table (14.0%),
 - Condiment dispensers (17.0%),
 - Glassware (21.6%),
 - Door handles (26.2%),
 - Chairs at the table (16.8%),
 - Menu (20.0%),
 - Folder that covers the check (13.9%).
4. *Customers are willing to pay more per plate for the DineSafe product/service compared to a casual dining restaurant that is not DineSafe certified.* Support for this recommendation is based on the following findings:
 - Of the total sample, 78.5% are willing to pay more than the \$16 suggested average,
 - 35.2% of the total sample are willing to pay up to \$3.99 above the \$16 suggested average,
 - 43.3% of the total sample would pay \$4 above the \$16 suggested average.

This ends the recommendation part of the report. The list of tables and figures is presented next followed by the main body of the report.

Does Generation Y Want to Inherit Their Parents' Timeshare?

By Jennifer Redditt, Fevzi Okumus and Amy M. Gregory

Introduction

The timeshare industry is a significant sector of the travel industry as it generated \$79 billion in economic output in 2014. The double-digit compound annual growth rates of the 1980s and 1990s were the direct result of Baby Boomers buying the product during strong economic times and has resulted in more than 5,300 timeshare resorts in 106 countries worldwide (ARDA, 2014). This attractive growth enticed many large lodging brands, i.e., Wyndham, Marriott, Hilton, Starwood, and even the entertainment icon, Disney, to enter the sector. Because the timeshare product is fully owned by the consumer, either through a legal interest/ownership in real estate, a pre-paid membership in a club, or a right to use/lease agreement, these large companies were attracted by the reduced liability created by a transfer of the developed asset to the consumers, as well as the recurring revenue streams that on-going management of the properties provides in perpetuity (Gregory, Parsa, Nusair, Kwun, & Petruvu, 2015).

The timeshare product involves a one-time purchase of approximately \$20,000 and annual maintenance fees of \$880, on average (ARDA, 2014). The owner of the timeshare product then has the ability to use this timeshare vacation at the resort location where they purchased, at other timeshare resorts, in exchange for other types of vacation experiences, i.e., cruises, safaris, shopping excursions, sporting events, etc., and within nightly increments according to what they purchased, in perpetuity (Gregory & Weinland, 2016). Intentionally designed as a vacation product that provided the benefits of vacation home ownership for the term that vacation homes are actually used, i.e., one or two weeks a year for most families with children at home. It has been the expectation that the product would be transferred or willed to the heirs of the original owners as the generations continued (ARDA, 2014). However, as Baby Boomers are aging and looking to divest themselves of their timeshare, not all are transferring ownership to their younger generation children or heirs (Sikes, 2012).

While some inventory is re-purchased from the original developer or current management company, other inventory populates the resale market or is defaulted on and ultimately goes into foreclosure. Each of these scenarios can be costly to the consumer-owner, who is responsible for the on-going maintenance fees associated with time-

share ownership. It can also be costly to the developer whose value proposition is challenged by declining prices on the resale market, or the management company facing an increase in legal fees, as well as a decline in operational budget dollars because of delinquent owners in various states of foreclosure (Gregory, 2015).

The purpose of the case study is to discuss the critical issue of whether Generation Y wants to inherit timeshares and what the timeshare industry can do to address the issue of timeshares not being transferred to younger generations as expected. In particular, this case study aims to answer the following questions:

- Having grown up with timeshare vacations, does Gen Y find value in the timeshare program?
- What are Gen Y's thoughts on the pre-paid vacation concept and the yearly maintenance fees?
- Would certain timeshare marketing and education encourage them to keep their parent's timeshares?

Conceptual Background

Generational Theory

Practitioners often seek to categorize their guests in a manner that groups them by demographic, geographic, and psychographic segments to predict their behavioral patterns (Parment, 2013). One such segment is a generational cohort, based on generational theory, which provides general characteristics, attitudes, behaviors, and intentions determined by their generational location in history. Such prevailing use of generational cohort analysis to understand the behavior of consumers and tourists by both academia and the mainstream business press indicates the acceptance of this segmentation method that was first introduced by Mannheim in the 1920's (Benckendorff, Moscardo, & Murphy, 2012; Gardiner, King, & Grace, 2013).

Strauss and Howe (1997) define a generation as "an aggregate of all people born over roughly the same span of a phase of life who share a common location in history, and hence a common collective persona" (Pennington-Gray & Blair, 2010, p. 73). Research findings reveal that these common themes and life experiences individuals share as a group may predict consumer behavior that is correlated to their shared generation (Pennington-Gray & Blair, 2010). Major events in society that occur to an age group between 17 and 23 often shape that generation's values that are birthed from this "defining moment" in history (Parment, 2013, p. 189). These defining moments by a genera-

Jennifer Redditt, Fevzi Okumus and Amy M. Gregory are all affiliated with University of Central Florida.

tion are captured in Mannheim’s idea that each generation has its own shared perspective (Bolton et al., 2013). Comparing the generational differences provides insight into their consumer behavior and vacation preferences. As Baby Boomers are current owners of timeshares and their Generation Y children are the apparent heirs, it is critical for timeshares developers to understand these differences.

Baby Boomers and Generation Y Overview

Generations are defined by age groups: Baby Boomers (born 1946 – 1964), Generation X (born 1965 - 1976), and then Generation Y (born 1977 - 1994) (Gardiner, King, & Grace, 2013). Generation Y is approximately 60 million and is regarded as the older segment of the Millennial generation (born 1981 – 1999) consisting of 80 million Americans (Ahmed, Scott-Young, Ahmed, & Fein, 2013; Newborne & Kerwin, 1999). These generations represent the two largest generations in the U.S and are compared in Table 1.

Developed from the following sources: Howe and Strauss, 2000; Huang and Petrick, 2010; Kim, Xiang, & Fesenmaier, 2015; Moscardo and Benckendorff, 2010; Parment, 2013; Pendergast, 2010; PhoCus-Wright, 2014; U.S. Travel Association, 2015; Yesawich, 2014.

Characteristics of Generation Y

In order to make assumptions about Generation Y’s decision making process on inheriting their parents’ timeshares, it is important to understand the characteristics of Generation Y and what drives them. To fully capture the essence of Generation Y and the Millennials, Howe and Strauss (2000) comprehensively describe Millennials with seven core characteristics: “special”, “sheltered”, “confident”, “team-oriented”, “achieving”, “pressured”, and “conventional” (pp. 43-44). “Special” has been described as their parents giving the Millennials “the sense that they are, collectively, vital to the nation and to their parents’ sense of purpose” (p. 43). “Sheltered” refers to the Millennials being “the focus of the most sweeping youth safety movement in American history” as a result of Columbine and the increase in child-abuse reports (p. 43).

Millennials are described as “confident” resulting from their “high levels of trust and optimism” and “often boast about their generation’s power and potential” (p. 44). Due to team sports, such as soccer, and a new teaching focus on “group learning”, Millennials have developed a strong “team-oriented” instinct (p. 44). Millennials are considered “achieving” due to the focus on higher school standards enabling

Table 1

Baby Boomers and Generation Y Comparison

Characteristics	Baby Boomers (1946-1964)	Generation Y (1977-1994)
Population Size	76 Million	60 Million
Education (Four year college attendance)	33%	64%-71%
Shopping Preference	Loyal to Store Brand	Price Shop
Financial Perspective	Own	Rent
Travel Behaviors		
Incidence of Leisure Travel 2013	60%	73%
Accommodation Preferences	Hotel/Motel	Resort/Campground/ Vacation Rental
Rented Vacation Condominium	6%	16%
Vacation Activities	Museums, Sightseeing, Hunting, Fishing, Historical Sites	Nightclubs, Shopping, Golf, Tennis, Theme Parks
Travel 20 or More Nights for Leisure	26%	19%
Length of Stay in Accommodations	Travel further and stay longer than other generations	Shorter trips
Information Source for Trip Planning	Previous travel experience, Automotive Club, Tourist Office	TV, Magazines, Movies
Web Sites Used for Trip Planning	Tourist Office/Visitors Bureau and Destination Sites	Online Travel Agencies and Social Media Sites
Information Searched in Trip Planning	Hotel Prices and Driving Directions	Travel Packages, Potential Destinations, and Shopping
Online Trip Planning Activities	Request Printed Materials	Read Travel Blogs and Watch/Download Videos

them to be the “best educated and best behaved adults in the nation’s history” (p. 44). Millennials often feel “pressured” as a result of their parents pushing them to excel (p. 44). Lastly, Millennials are considered “conventional” as they support “the idea that social rules can help” (p. 44). Given these unique qualities of Generation Y, their views on vacationing may also be distinct from previous generations.

Spending Behavior and Travel Preferences of Baby Boomers and Generation

Adding further to the characteristics of Generation Y is their differences in spending behavior from their Baby Boomer parents who purchased timeshares. Parment (2013) compared the shopping behavior of Baby Boomer and Generation Y related to the retail industry. The approach taken to purchasing products by Baby Boomers and Generation Y was found to be completely different. Baby Boomers place a high degree of importance on the in-store experience and the retailer they trust, but not so with Generation Y. The research findings suggest that the manufacturing brand was more important for Generation Y as they could purchase it anywhere at the best price, where the store brand was found to be more important for Baby Boomers (Parment, 2013). As a result, Generation Y has been found to be less loyal to retailers, unless they provide a better price or other benefits like convenience. Generation Y is highly conscious of their image and how their peers perceive their purchases. This ‘social risk’ has been found to influence their buying behavior (Parment, 2013).

Additional differences have been found in their travel preferences. Huang and Petrick (2010) conducted a study comparing the travel behaviors of Generation Y and Baby Boomers and found there were significant differences between the age groups. Generation Y preferred urban destinations with nightlife and shopping, as well as theme park vacations more than the Baby Boomer segment. Baby Boomers are more likely to visit historical sites and go sightseeing than Generation Y. Baby Boomers preferred museums and hunting/fishing, while Generation Y preferred sporting activities like golf and tennis.

Differences in online travel preferences were also noted. In the study conducted by Kim et al. (2015) comparing online trip planning activities of Baby Boomers with Generation Y a significant difference was found in the sources of information they sought. Baby Boomers preferred to use automobile clubs, their previous travel experience, and tourist offices while Generation Y preferred TV programming, movies, and magazines. Their study also revealed that Generation Y was more likely to watch an online video and read a travel blog when planning their trip than Baby Boomers who preferred to request printed materials. Additionally, Generation Y was more likely to use social networking sites and online travel agencies than Baby Boomers who preferred to visit tourist office and destination web sites (Kim et al., 2015).

The economy has impacted travel expenditures of both genera-

tions. According to the PhoCusWright (2014) study, Baby Boomers have struggled since 2009 with their travel budgets due to the economic downturn and managing care for dependents. Although, there has been a 7% increase in Baby Boomers travelling from 2012 to 2013, encompassing 60% of all Baby Boomers, the economic situation also affected Generation Y with a weak job market. However, their segment has also seen a 7% increase in travelling from 2012 to 2013. This shows the highest percentage of travelling compared to the other generations at 73% (PhoCusWright, 2014).

Generation Y Travel Behavior

The increase in Generation Y travel warrants further exploration in their travel behavior. Pendergast (2010) associated the achieving characteristic with a desire to explore and experience a variety of cultures around the world, and in the planning process utilize a wide array of information sources to get the most out of their trips. A study conducted by Harris (2011) revealed the generation’s propensity to habitually research products and services online and seek their peers’ and other consumers’ opinions. Glover’s (2010) study revealed that Generation Y searches online for the best vacation deals that provide the best quality and value. Moscardo and Benckendorff’s (2010) study also confirmed that an essential component of an outstanding trip experience is social exchange. They build new relationships and maintain friendships with like-minded people through frequent use of social media (Nusair et al., 2013). Jennings et al. (2010) summed up connectivity of the entire vacation experience, “quality tourism experiences begin prior to the initial point of contact through to, and inclusive of, the point of departure and beyond. This interconnectivity is directly related to generating lasting memories of a quality adventure experience” (p.67).

Critical Issue

Does Generation Y Want to Inherit Timeshare?

Inheriting a timeshare can be seamless through the timeshare contract or as a beneficiary, or through a will. However, the data from ARDA International Foundation (AIF) and The Research Intelligence Group published in the “Shared Vacation Ownership Resale Report 2013 Edition” revealed intending sellers aged 55-64 increased from 14% in 2010 to 26% in 2013 and from 7% in 2010 to 21% in 2013 for owners aged 65+. Some reasons Baby Boomer owners may want to sell is due to a lifestyle change such as illness, retirement, death of a spouse, and change in residence. Some owners may have had a change in their finances and are no longer able to afford maintenance and assessment fees. An additional reason for the increase in Baby Boomer sellers could be the lack of interest from their children to inherit the timeshare. However, the literature is divergent in this area. While some report positive changes in opinion, ownership and career possibilities after education and exposure (Gregory & Kaufmann, 2014), others suggest that the current timeshare product may not fit

Table 2

Generation Y Sample Scenarios

Name	Gender	Age	Marital Status	Children	Household Income	Education
Paolo	Male	26	Married	3	\$75,000	Associate Degree
Aidan	Male	32	Single	N/A	\$105,000	MBA
Payton	Female	35	Married	2	\$85,000	Bachelor's Degree
Sarah	Female	28	Single	N/A	\$55,000	High School

the younger generations needs or desires (Kaplan-Sherman, 2014).

Consider the following scenarios in Table 2 of Generation Y children of Baby Boomer timeshare parents and determine who would want to inherit their parent’s timeshares based on their demographics and the Generation Y characteristics previously mentioned.

Some Generation Y consumers may not want to inherit timeshares due to their financial situation of not being able to afford maintenance fees, being un-informed of the benefits or value of the timeshare, or an aversion to the process, company, or traditional vacation resorts given the rise of home stays in the sharing economy. If timeshare companies have not provided tools for Baby Boomers to educate their Generation Y children on the value of the timeshare interest, they may not be aware of the flexibility of timeshare points with the opportunity to use them for varying lengths of stay every year and the exchange possibilities of staying in locations around the world. Another option for Baby Boomers is to sell their timeshare on the resale market.

Timeshare Developers' Assistance with Resale

Several Timeshare Developers offer resale programs, while others simply provide recommended resale brokers as shown in Table 3. Marriott Vacation Club markets and sells the timeshare interests on behalf of their owners (<http://www.marriottvacationclub.com/resales/index.shtml>). Hilton Grand Vacation Club provides warnings to their owners about fraudulent rental programs and has a resale department (<http://www.hgvc.com/>). Disney Vacation Club membership differs from other timeshare products that extend to perpetuity by offering a product with a finite number of years. While their members may sell their deed prior to the end of the term, Disney Vacation Club promotes the value of purchasing timeshare directly from their company rather than a resale company by providing benefits only received by buying direct through them (<https://disneyvacationclub.disney.go.com/faq/reselling/resale-process/>). Wyndham Vacation Resorts offers a buy-back program, Ovation by Wyndham, which specifically targets Baby Boomer owners on their owner web site (myclubwyndham.com/ovation).

Table 3

Timeshare Developer Resale Approaches

Timeshare Developers	Approach to Resale	Drawbacks
Disney Vacation Club	Promotes benefits of buying direct from Disney Vacation Club: access to other Disney travel products like Disney Cruise Line and Adventures by Disney, financing through Disney Vacation Club, Disney Vacation Club Guides create a customized Membership package.	Does not have a resale department. Recommends a broker and has right of first refusal once a buyer is identified.
Hilton Grand Vacation Club	Resale Department offers “Cancel Partial Refund” program. Provides consumer warnings about fraudulent programs of third parties offering to rent their points and requesting a credit card.	Resale program available only at select resorts.
Marriott Vacation Club	Marriott Vacation Club® Resales Operations department provides personalized sales service with no upfront fees, they market and sell the timeshare interest on behalf of the owner, the owner pays brokerage commission fees at closing.	Serves as a real estate broker for the timeshare resale, does not directly buy back.
Wyndham Vacation Resorts	Ovation by Wyndham targets Baby Boomer owners who are eligible and buys back their timeshare interests with no fees.	May not be eligible to all owners.

Sources: disneyvacationclub.com, hgvclub.com, marriottvacationclub.com, and myclubwyndham.com/ovation.

Concluding Thoughts

This case study endeavors to discuss the generational differences of Baby Boomers and Generation Y and their impact on Generation Y's interest in inheriting the timeshare. As Baby Boomers consider selling their timeshare they have a variety of resale options. Developers need to consider what their options are for creating their own resale programs and educating Generation Y about the advantages of timeshares. It is unlikely the younger generation is aware of the value of the timeshare interest if they were to purchase it themselves today and the flexibility to stay where they choose for as long as they choose. Perhaps if Generation Y was educated on the variety of vacation options available related to the unit size, length of stay, and time of year afforded through the payment of yearly maintenance fees comparable to a hotel stay, they may be more interested in inheriting based on their generation's travel preferences and characteristics discussed in the case. However, divergent views from literature on whether Generation Y would be amenable to inheriting their parent's timeshares prompts the following discussion questions.

Discussion Questions

- Does Generation Y want to inherit their parent's timeshare? Why/why not?
- Can Generation Y be persuaded to keep their parent's timeshare? If so, how?
- What Generation Y characteristics discussed in the case would make them inherit their parent's timeshare? Why?
- Does the current timeshare product fit Generation Y's needs or desires?
- Should timeshare developers or management companies be persuaded to educate Generation Y about the advantages of timeshare? If so, how?
- If your parents have a timeshare would you be interested in inheriting it? Why/Why not?

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Does Generation Y Want to Inherit Their Parents' Timeshare?**Introduction/Summary**

The purpose of the case study is to discuss if the Generation Y consumers want to inherit the timeshare and pay the maintenance fees. This case study introduces the dilemma many Baby Boomers are facing in their retirement as they try to transition their timeshare interests to their Generation Y children. The students will have the opportunity to learn about generational theory along with insights into the characteristics of Baby Boomers and Generation Y. The case provides options to consider and analyze in the resale market of timeshare. Students are encouraged to develop recommendations for educating and marketing to Generation Y about the benefits of timeshare that would ultimately result in their desire to inherit their parent's timeshares.

Teaching Objective

This case study provides instructors with an overview of the timeshare industry and a glimpse into an issue that may be looming for the timeshare industry. By completing this case, students should be able to:

- Define the concept of generational theory and the characteristics of Baby Boomers and Generation Y.
- Discuss whether Generation Y want to inherit their parent's timeshare.
- Discuss whether the current timeshare product fits Generation Y's needs or desires and if not, provide recommendations on how the current timeshare product should be changed.
- Provide recommendation on how Generation Y can be persuaded to keep their parent's timeshare.
- Provide recommendations to educate Generation Y on the advantages of inheriting their parent's timeshare.

Class Instruction

The learning objectives will be divided into separate sections that build upon each other. A variety of teaching techniques are employed including lecturing, small group discussion, multi-media, and assessment. The case is expected to take three hours of class time and is separated by approximately an hour on each topic to allow for lecture, discussion, and assessment.

Prior to Class

Prior to class students will be asked to read the case study and additional reading materials provided on Generation Y and the timeshare industry. Students will be requested to come prepared to discuss the following topics:

- Generational Theory

- Baby Boomers
- Generation Y
- Timeshare Overview
- Timeshare Resales
- Generation Y and Timeshares

Phase I—Timeshare Industry (45-60 minutes)

1. Begin with an introduction to timeshares by asking if any of the students work in the timeshare industry, have immediate family members that own timeshare, or have stayed in a timeshare before (10 minutes)
2. Provide an overview of the timeshare industry with short videos (20 minutes)
 - <https://player.vimeo.com/video/135924309>
 - https://www.youtube.com/watch?v=hxnUkHf_-k0
 - https://www.youtube.com/watch?v=3_Ro4SZp0nw
 - <https://www.youtube.com/watch?v=kbX4jbgHrM4>
3. Break students into groups of "timeshare owners" and "timeshare developers" to discuss their perspectives of the current resale approaches (15 minutes)
4. Students present their group's views on the resale approaches from the perspective of the "timeshare owner" or "timeshare developer" (15 minutes)

Phase II—Generational Theory (45-60 minutes)

1. Begin with an introduction to generational theory by asking students to define what generation they belong to and how they would describe their generation (10 minutes)
2. Ask the students who the Baby Boomers are and view a video on Baby Boomers (10 minutes):
 - <https://www.youtube.com/watch?v=-5IJexTaLfg>
3. Lecture on generational theory and characteristics of Baby Boomers and Generation Y (20 minutes)
4. Show a video on Generation Y and travel: <https://www.youtube.com/watch?v=6tUWUX2b98g> (10 minutes)
5. Break students into groups to discuss what Generation Y is looking for in travel accommodations (10 minutes)
6. Groups present their findings (10 minutes)

Phase III—Assessment (45-60 minutes)

1. Review the case study discussion questions with the class (10 minutes)
2. Break students into 6 groups and assign each group a question to discuss (20 minutes)

- a. Does Generation Y want to inherit their parent's timeshare? Why/why not?

Gregory and Kaufmann (2014) support the idea of Generation Y wanting to inherit their parent's timeshare while Kaplan-Sherman (2014) disagrees that timeshare does not fit their travel needs. Given that Generation Y would not have to make the purchase to own, merely pay the yearly maintenance fee like a rental, which is a characteristic of their generation, they may be interested in inheriting it.

- b. Can Generation Y be persuaded to keep their parent's timeshare? If so, how?

Generation Y could be persuaded to keep their parent's timeshare if they understood the flexibility of the product and that they could take vacations in different places, in different size units, in different time intervals, and at different times of the year.

- c. What Generation Y characteristics discussed in the case would make them inherit their parent's timeshare? Why?

The flexibility of going anywhere at different times would be a benefit to them based on their characteristics. A vacation rental is a travel preference for their generation. Inheriting their parent's timeshare would be similar to renting as they did not make the initial purchase, but rather pay maintenance fees comparable to the cost of a vacation rental.

- d. Does the current timeshare product fit Generation Y's needs or desires?

Timeshares do not meet the needs for those who prefer camping. However, it does meet the needs of those who prefer resorts and vacation rentals. Timeshares can accommodate shorter trip preferences with flexible point products.

- e. Should timeshare developers or management companies be persuaded to educate Generation Y about the advantages of timeshare? If so, how?

It would behoove timeshare developers to provide educational materials to their owners to share with their children. Inheriting the timeshare should be presented as a benefit that if they were to pursue buying the timeshare in later years they would need to pay more than \$20,000. By inheriting the timeshare, they are saving themselves the initial investment of \$20,000 that their parents have already paid. What they will be paying in maintenance fees is comparable to what they would pay for hotel rooms with far less space and amenities (private bedrooms, kitchen, living/dining area).

- f. If your parents have a timeshare would you be interested in inheriting it? Why/Why not?

As this question is designed to elicit a preference, students may answer in the affirmative with support related to saving on the initial \$20,000 purchase price, the flexibility to use

it how they preferred, as well as the certainty of resort-style accommodations and amenities. On the contrary, students that say they are not interested in inheriting their parent's timeshare may not be interested in the long-term commitment (owning in perpetuity for most timeshare plans), the maintenance fee component, or particular features related to the particular product that their parent's owned.

3. Groups present their recommendations (15 minutes)
4. Summarize the case study and ask students if they would want to inherit their parent's timeshare (15 minutes)

Additional Reading Materials

http://tug2.net/timeshare_advice/tug_timeshare_advice.shtml

<http://vacationbetter.org/why-timeshare/>

<http://www.arda.org/news-information/consumerinformation/overview.aspx>

<http://www.arda.org/arda/news-information/default.aspx?id=2827>

<http://www.arda-roc.org/resales/>

<http://timeshareeducation.org/>

http://www.nxtbook.com/ygsreprints/ARDA/g48198_arda_mar2015/#/40

http://www.nxtbook.com/ygsreprints/ARDA/g40308_arda_aprmay2014/#/36

<http://www.resorttrades.com/articles.php?showMag=Resort&act=view&id=1137>

<http://perspectivemagazine.co/mags/PMJULY-AUG2014/>

http://www.nxtbook.com/ygsreprints/ARDA/g39858_arda_mar2014/#/30

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Creating a Gender-Neutral Environment in the Hospitality Industry Through Growth and Understanding

By Donald G. Schoffstall, Jacqueline D. Stokes-Alves, Azia M. Monteiro and Ryan Giffen

Introduction and Theoretical Content

This case study introduces some issues within the workplace against transgendered men and women. The issues presented focus on employee bias, external relations, and public facility usage, which can occur in all segments of the hospitality industry including: hotels, restaurants, and clubs. The purpose of the case is to educate hospitality students (future leaders) on LGBT, specifically transgender, issues that may affect hospitality and tourism business. The stories present connections between each problem and general human resource and managerial implications such as employee relations and customer service.

After reading each story and completing the questions that follow you should have a clearer understanding of the unique aspects of transgender employees and customers and the responsibility these issues bring for human resource and management stakeholders. You should also be able to come to a decision of whether hospitality organizational and/or corporate policies for transgender men and women create an advantage or disadvantage in workplaces today. The following content will define transgender and other related terminology, address the main ideas of transgender individuals in the general workplace and in the hospitality industry, and highlight how these issues can also relate to employee morale and motivation.

Transgender Defined

According to the National Center for Transgender Equality (NCTE) (n. d.), transgender is defined as “a term for people whose gender identity, expression or behavior is different from those typically associated with their assigned sex at birth.” Along with the NCTE definition for transgender, other terms including gender identity and gender expression need to be understood; more information on these and other terms are provided (see Table 1). Further understanding is also necessary around the terms of sex and gender, according to Gender Spectrum (n. d.), sex is simply biology while gender is a set of complex associations occurring between a person’s gender biology (sex), their gender identity (internal sense of self, whether male, female, both, or neither), and their gender expression (outward behavior and presentation to others).

Individuals unfamiliar, unaware, or ignorant to the above terms and

Donald G. Schoffstall, Jacqueline D. Stokes-Alves and Azia M. Monteiro are all affiliated with Johnson & Wales University – Charlotte. **Ryan Giffen** is affiliated with Orange Coast College.

how they truly relate to individuals, are advised to remember that since gender identity is an internal state of being, for transgender individuals their gender identity is not always visible to others (NCTE, n. d.).

The Transgender Law Center (n. d.) recommends employers create policies to both create equal workplaces but also protect transgender and other LGBT (lesbian, gay, bisexual, and transgender) employees, which may include policies to assist employees with transitioning (before, during, and after), restroom and other facility usage, and dress code. Societal changes and a changing legal environments are just a beginning for a movement toward equality for all in society and the workplace. In 2015, ‘pop culture’ and the entertainment world began to embrace transgender individuals, but businesses are lagging behind and are far from equal for all employees (Cunha, 2015). Though changes in both society and the workplace are probably necessary, changes in the workplace are under the control of employees and managers.

Transgender in the Workplace

Following the 2015 US Supreme Court landmark case decision in *Obergefell v Hodges* and soon after the EEOC’s statement on changing the viewpoint of Title VII’s discrimination protections, the landscape for the equality and protection for members of the lesbian, gay, bisexual, and transgender (LGBT) community should be understood by companies large and small in the United States (Chavan, 2015). Even with the passing of marriage equality, the majority of the US still does not have non-discrimination policies in place for LGBT individuals (Allison, 2015). Chung, Chang, and Rose (2015) explained that for many LGBT employees, lack of discrimination protection means they must develop and use various coping strategies to keep themselves from, at least some, instances of discrimination. With changes in some laws, and recommended changes to others, employers who may be confused by the changing landscape may need to be the ones who take charge of the situation for the benefit of all employees. The California Department of Fair Employment & Housing recently issued guidance for California employers on transgender employees (DFEH, 2016). Employers across the US may want to consult California Assembly Bill 196 to better understand transgender employee protection from discrimination and harassment (Assembly Bill 196).

Bell, Ozbilgin, Beauregard, and Surgevil (2011) recommended for employers to establish ways for all individuals, especially those of an invisible minority (LGBT employees), to have a voice in the workplace, which

Table 1

Transgender Terms Defined

Gender Identity	An individual's internal sense of being female, male, or something else. Remember with this being internal, one's gender identity will not necessarily be visible to others.
Gender Expression	Using visible cues, such as behavior, hairstyles, clothing, and/or body characteristics to express one's gender identity to others.
Gender Non-conforming	Use for those whose gender expression is considered different (or outside) of the 'norm' or societal expectations as they relate to gender.
Sexual Orientation	Describes a person's choice of and attraction for a member of a different or of the same sex, usually defined as lesbian, gay, bisexual, or heterosexual.
Transition	Describes and covers the time period when a person begins living as the gender they identify with rather than their biological gender at birth. Changes can occur in one's choice of name, dress, or grooming. Transitioning may also include more formal changes including many medical and legal aspects.
<i>All terms were adapted from both the National Center for Transgender Equality (NCTE) and the Transgender Law Center (TLC).</i>	

may include creating diversity councils, anonymous complaint processes, and/or integrating diverse or positive policies into training and development. In beginning to understand how employers may accommodate transgender employees, Rudin, Ruane, Ross, Farro, and Billing (2014), examined business students' opinions and found that despite knowing some legal protection existed, students still recommended the most non-equal options for restroom usage for transgender employees.

Employee Morale and Motivation

Beyond the legal and moral obligations for employers to create an equal environment for all employees, including LGBT, employee morale and motivation also has an impact for managers, executives, and human resources professionals. Employee morale and positive motivation may decrease employee issues and reduces turnover which in turn increases retention (Honore, 2009). Yet for transgender individuals, who express their gender identity outside of the often 'prescribed' gender roles or 'norms', fear and discrimination can often occur in employment situations (Dietert & Dentice, 2009). In a general sense, no business or industry may be able to ignore the challenges faced by transgender employees and the need to eliminate discrimination to reduce and hopefully eliminate the effects on employee motivation and well-being.

Hospitality businesses are no different than others and often have the additional challenge of employee motivation and satisfaction also affecting the customer service they provide. Gill (2008) reported that for restaurant employees, satisfaction with work was significantly higher based on the level of trust put forth by their managers. In a study to determine employee satisfaction in Macao Casinos, Gu and Siu (2009), found that both support from colleagues and from supervisors was significant to an employees' job satisfaction. Garlick (2010) determined it was even more than just making employees happy when trying to ensure employees are delivering excellent customer service; rather,

managers must provide excellent training, establish policies to provide exceptional customer service, and ensure all employees feel as if they are equal members of the team. The aforementioned studies are just two examples in how hospitality businesses today can maintain a competitive advantage by increasing employee job satisfaction resulting in consistent delivery of customer service.

STORIES ON THE SUBJECT

Story 1: Not So Friendly Employees in the Cubes; Workplace Harassment and Motivation Issues

Background Information

In 2003, the new Traveling Perfection Call Center was opened in Charlotte, NC, in order to continue expanding their fast growing company. Traveling Perfection now has 5 locations in the United States and 8 locations overseas. The Charlotte, NC, location handles calls for Perfect Vacations Inc. Each advisor takes approximately 120 calls per day. To compensate for the call volume, the Charlotte location currently employs 100 people with new employees being hired each week. The center is open 24 hours per day with rotating schedule bands. Employees start work within 4 band shifts; they will either start work between 7am-10am, 11am-1pm, 1pm-4pm or 6pm-10pm. Employees are scheduled for 9 hour shifts with an hour lunch halfway through their shift. Schedules are relatively fixed so employees work very closely together during their shift bands. The call center is 2 floors with the customer service advisors on the bottom floor and the sales advisors on the top floor. To help with retention, and to help employees relax while they are off the phones, several break rooms with different activities were constructed. Activities include basketball, foosball, bowling, and a gym. There is also a small convenience store onsite and food trucks that come throughout the week in case employees need to buy a lunch. Because of the variety of break options, employees in all departments are able to

get to know employees from other.

The Traveling Perfection Call Center is an equal opportunity employer and works diligently to make sure that all employees are treated fairly and equally. Recently, HR was notified that one of their employees was transgender and would be transitioning. The employee, Jim Reynolds, has worked for the company for 10 years. Jim has always been a diligent worker who reported to work on time and never caused any problems. For the past year, Jim has been formally transitioning. Management has been very understanding and, through HR, worked to help Jim through the transition. Jim changed his name to Juliet Reynolds and updated all personal personnel records (inside and outside of the organization) to reflect the change. Sally Richardson, who was Juliet's contact in HR throughout the transition, was very accommodating and made sure Juliet had all the proper paperwork needed to make the transition as easy as possible. Although Sally recommended that a formal meeting be held with Juliet's peers, Juliet declined so as not to make a big deal about her transition. After she fully transitioned she started using the ladies room.

Problem

One week after Juliet fully transitioned there was a complaint to HR about a "man" using the women's restroom. After investigation, HR found that the complaint was about Juliet as a newly transitioned woman. As an equal opportunity employer, Traveling Perfection had to decide how to handle this complaint. It was decided that Sally should address the situation since she was the closest to Juliet and worked with her through the transition process. Sally decided to call Juliet into her office to discuss the situation. When Sally spoke with Juliet she suggested that she should use the women's restroom that was on the opposite side of the building since less employees used that restroom. That way, all employees would be comfortable. Not wanting to cause trouble, Juliet agreed.

Then, two weeks later, another complaint was made about Juliet continuing to use the women's restroom. When the complaint was placed it was stated, "It's not fair that Jim would get his own restroom just because of his operation. Why should the females have to avoid a restroom because he won't use the men's room?" With this complaint, Sally called Juliet back in and advised that she could no longer use the women's restroom as it was uncomfortable for other employees. Because of this, Juliet decided not to eat and drink as much at work, in order to wait until break or lunch to go across the street to the local fast food restaurant to use the women's restroom.

Question

- 1a. Did Sally handle this situation appropriately? If not, how could she have done better?
- 1b. As an equal opportunity employer, should the Traveling Perfection Call Center allow Juliet to use the women's restroom?

Could other accommodations have been made for Juliet?

- 1c. How might these issues impact Traveling Perfection in the future? What might be the implications from how the complaints were handled?
- 1d. Even though Juliet decided not to have a meeting with her peers about her transition, should Juliet's managers or HR have informed employees? If yes, how could they have organized and explained the situation?

Story 2: The Incident with Public Facility Usage at Lou's Restaurant

Background Information

In 2012 a brand new sports orientated restaurant, Lou's, was added in the downtown Charlotte, NC area. This restaurant is part of 20 other chain restaurants in North and South Carolina and is quite popular. Lou's has over 72 beers on tap, with about 75% local drafts made in the Carolinas. The location makes it perfect for people who work around the area to visit for lunch or drinks with co-workers after work. There are two floors, each including a full bar and dining room. Usually they hold catered events upstairs with accommodations for up to 200 people or if no events, the upstairs will open when the downstairs hits capacity and there is enough staff on duty for that night. Lou's is known for its great service and its promise of a fun-filled evening and is especially busy on the high volume nights (Friday and Saturday).

Lou's has a full front of the house staff including 30 servers, 6 bartenders, and a full back of the house staff of 15. The restaurant also has 4 managers who rotate different shifts daily. The general manager of the restaurant, Keith Smith, is local to the Charlotte area and received a bachelor's degree in restaurant management from a local university. Keith has been working for Lou's for more than 4 years and has previously managed other restaurants within this chain.

Problem

In a typical restaurant operation there are two restrooms, one designated for males and one designated for females; rarely do you see a unisex restroom except for maybe in a small, local restaurant. One Saturday night, Lou's was filled with hungry guests; with a wait time of an hour, guests filled the lobby area near the door. Typically, at Lou's, while customers are waiting for tables wait staff will ask them if they would like any drinks or appetizers while waiting. During this time, one waitress overheard her other coworkers, talking about a couple of transgender women who had recently transitioned; they were waiting for a table with a couple of their friends.

The two transgender women, Jody Silverman and Sarah Byrd, were enjoying a few cocktails while waiting for a table and like any person who consumes alcohol individuals will eventually need to use the restroom, so the two did just that. Jody and Sarah chose to go into the

women's restroom, a small space with only two stalls. An incident occurred as Jody and Sarah walked out of the stalls to find a mother with her two daughters, so uncomfortable and upset with what she saw, she angered immediately! The mother (Fran Lombardy) immediately found the restaurant manager, Keith, to recap what had her so upset. She started carrying on, using phrases like "disgusting," "they're not women, they never will be," and other rude remarks. Fran was mostly concerned with the fact that her young daughters witnessed this encounter, and she believed this could confuse them into thinking it is okay for men to use the women's room. Apologetically, Keith tried to explain to Fran the restaurant's point of view, as well as Jody & Sarah's beliefs based on their identity, that they are women as much as Fran is at this point.

Fran was disgusted at what Keith was telling her and threatened to call corporate if he didn't throw out Jody, Sarah, and their friends. Keith replied that they did nothing illegal for him to kick them out and that the best thing he could do for Fran to feel comfortable was to offer them to use the upstairs restroom, a unisex restroom that is usually for employee use. Fran was still very upset and disagreed with Keith's decision to allow the transgender women to remain in the restaurant. Fran immediately paid her bill, took her family and left. Keith talked to Jody and Sarah, apologizing to them and offering the use of the upstairs unisex restroom to avoid further situations throughout the night. Jody and Sarah reluctantly agreed with Keith's request to use the unisex restroom and stayed on to enjoy their meals and cocktails with friends for a few more hours.

Questions

- 2a. If a transgender man or woman goes out to eat, which restrooms are they allowed to use? Which are they required to use?
- 2b. How do you believe Keith handled the situation?
- 2c. Should transgender men or women be punished for having to make a decision to go to the restrooms?
- 2d. How might Keith have affected repeat business based on how he handled the situation from Jody and Sarah's point of view? How might it have affected the repeat business of Fran and her daughters?
- 2e. Could Fran have used a different approach with the issue of Jody and Sarah using the restroom?
- 2f. Should all restaurants now have a unisex bathroom for public use?

Story 3: Hotel for Growth and Shame: Double the Problems, including Business Perceptions and Repercussions

Background Information

In New York City, the Patriot Hotel has stood for 75 years. The corporation now has additional locations in Boston, MA, and their newest location in Charlotte, NC. The newest location has 112 employees

which include the management staff, front office, bell hops, housekeeping, security, restaurant staff, spa staff, concierge, maintenance and special events team. All departments have a direct manager to report to, who then reports to the general manager, Jason Monroe.

The hotel has 22 floors with 30 rooms on each floor. On the 6th floor guests can find amenities like the fitness room, business center, and spa and on the 1st floor they will find a ballroom and other smaller meeting rooms for special events and conferences. Each floor also has a small sitting area with vending machines and ice machines. The restaurant is on the top floor with an outside patio. Since this is the Patriot Hotels' newest facility it is equipped with the latest technologies to keep employees and guests safe and happy; it is also the only Patriot Hotel that is equipped to host weddings, corporate events, and other special occasions. To create and facilitate these special events the Charlotte location has a special events team. This team is run by manager Terry Johnson, with Kurt Michaelson as his assistant manager, along with two associate event coordinators. It is Terry and Kurt's responsibility to attract new clients, help them design their dream event, and then ensure that all aspects of the event/s are completed on time and to their client's expectations; while the associate event coordinators become the main contacts after the events are booked to make the client's dream plan come true down to the very smallest detail.

Recently, Jason (GM) requested that Terry and Kurt create a commercial to help attract new business for the Patriot Hotel. Jason wants to make the Patriot Hotel the ideal location for any special event. Since the commercial aired, requests have been pouring in for weddings, corporate meetings and other special events. They are now booked solidly throughout the current year. Because of this, Terry has been spending his time trying to recruit additional event coordinators to help the special events team meet the new demand. This has left Kurt and the coordinators to execute the plans for the events booked for the next three weeks while helping potential new clients decide if this location meets their needs and time frames. Currently, Kurt is about to meet with Elena Gilmore and Giovanni Salvatore to see if the Patriot Hotel is the right location for their upcoming nuptials and related events.

Problem

Kurt is currently meeting with Giovanni and Elena and everything seems to be off to a good start; the couple has decided that the Patriot Hotel has everything that they are looking for. The ballroom is big enough for all of their guests and there are rooms available for the couple and their guests throughout the weekend of the wedding. The Patriot Hotel's catering department will be able to handle all of the food for the event and even design a cake especially for the couple; all other aspects, décor, etc. will be handled by Kurt and his team. Just before they are about to close a deal, Giovanni excuses himself to go to the restroom. While Giovanni is gone Kurt and Elena start talking about how Elena and Giovanni met. By the end of the conversation

Elena states, "I'm just so happy that Giovanni has decided to stay with me during the last year. This year has been a really big year for me and I don't think that I would have made it through my transition without him." Giovanni then comes back to the table. They end their conversation and Kurt hands over the paperwork that the couple needs in order to reserve the date at the Patriot Hotel for their wedding.

Later that day Kurt speaks with Terry and lets him know that he met with the Salvatore couple. He tells him all about the couple, what arrangements they are looking for, and casually mentioned that Elena is transgender. At this, Terry immediately begins to lose his temper. He yells at Kurt and asks him how he could even entertain the thought of having a wedding at the Patriot Hotel for a "couple like that". He states that it would set a bad precedent and give the wrong idea to other potential clients. Worried that they may lose other clients if word gets out that the Patriot Hotel accepted a transgender client for a wedding he tells Kurt that if they turn in their application simply tell them "we are all booked for the next two years and cannot accept their application."

- 3a. Was Terry's reaction to the Salvatore couple appropriate? Does he have a right to deny a client based on their sexuality if he feels that it will deter future customers?

Problem 2

One year later an executive from Traveling Perfection Call Center sets an appointment with Kurt to meet at the Patriot Hotel to discuss using this location for their corporate events each year. Executives from all over the world would be coming together at least two times a year to discuss their business plans and promote team building. If the Patriot Hotel could accommodate their needs they would have their events at the hotel for at least the next 10 years. Between room reservations, conference center booking, and catering, the Patriot Hotel would be bringing in at least \$300,000-\$500,000 per year depending on how many events they planned each year and how many executives would be attending each event. The executive that Kurt was to meet with was Juliet Reynolds, the new Site Director for the local Traveling Perfection Call Center.

Before Kurt met with Juliet he decided to do some research to find out any information that he could to understand what Juliet might be looking for at their events and to prepare for their meeting. During his research Kurt discovered that Juliet used to be Jim and is a fully transitioned transgender woman. His first reaction was that of shock. He knew that Terry would never allow this event to happen, based on his reaction the year before to the Salvatore wedding. He knew exactly what Kurt would say, "How could he allow a transgender to hold events at the Patriot Hotel?" and "What would other guests think?" After a lot of thought about what to do Kurt decided not to tell Terry the new information that he had found and to meet with Juliet

and accept "her" business. After all, this could be a potential recurring client that could make the hotel a lot of money.

When Kurt met with Juliet at the hotel at 1 pm, he suggested that they go to the Lou's restaurant down the street, stating that the hotel's restaurant was currently booked for a special party and it would be easier to discuss the details of her event at Lou's. To Kurt's relief, as he wanted to make sure that they would not run into Terry during their meeting, Juliet agreed. When they got to Lou's they were seated very quickly and began discussions on event options. The meeting was going well, and about halfway through Kurt excused himself to the restroom. When he returned, he saw that Juliet speaking with a woman. As he approached the table he discovered that it was Elena Gilmore or now Elena Salvatore. Trying to mask his horror he returned to the table and politely greeted Elena. Kurt, Elena, and Juliet spoke for a short time during which Kurt found out that they were best friends. Juliet was supposed to attend her wedding but couldn't because Elena and Giovanni decided against doing a wedding in Charlotte since the location they wanted was "booked". After about 5 more minutes of conversation Juliet suddenly said that she needed to end the meeting early because she received an urgent message from work. She told Kurt that she would call if Traveling Perfection decided to have their events at the Patriot Hotel.

Three weeks later Jason, the general manager, called Kurt and Terry into his office to show them a letter that Juliet had sent him about why she chose not to use the Patriot Hotel as their venue for their corporate events. The letter stated that Juliet and her fellow colleagues were very displeased when they found out that the Patriot Hotel was not comfortable with transgender events. Juliet stated in her letter, "as a transgender individual and the friend of other transgender men and women I am highly offended by the way the Patriot Hotel has conducted business in the past. Due to this, we have found another location to hold our corporate events."

Questions

- 3b. Was it appropriate for Kurt to turn down Elena and Giovanni's wedding event because they were not recurring business and Elena was transgender? Should monetary value of a potential event be used as a determining factor in this case?
- 3c. With this additional information, would you have turned away Elena and Giovanni's business solely on the fact that Elena was transgender and that there was not a big possibility of recurring business?
- 3d. Was there any way for Kurt to salvage the business deal with Traveling Perfection Call Center after previous events were found out?
- 3e. If Kurt had reservations about Terry's opinions affecting business, should he have approached Jason (the general manager) about it?

Case Summary

You have now completed reading on the basics of the concept of transgender along with applicable definitions and information. Information was also presented for understanding transgender employees in the workplace and the related relationship toward employee morale and motivation. Three separate stories were provided to further examine these concepts and realities related to some of the issues and discrimination faced by transgender employees. Finally, specific questions were created to help you and your classmates discuss and work through these difficult and often sensitive topics. This case and its use in the classroom was created in the hope that, though you (the reader) may not yet be in a place to help solve these issues, you can begin to develop or expand your thinking towards your future management career and to bring additional light on these topics.

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Summary

This case study presents three scenarios in regards to discrimination, work policies, and support for transgender individuals. The

Creating a Gender-Neutral Environment in the Hospitality Industry through Growth and Understanding

scenarios look into what is the appropriate response or actions that should be taken when management, fellow employees, or other customers show discrimination or disrespect towards transgender people. The goal of this case study is to generate discussion around HR policies and management practices in regards to transgender employees and customers. Through each story provided, students will be able to discuss internal and external practices surrounding employee relations and morale, employee bias, and customer relations. The focus is placed on how both employee and manager actions are handling this current, hot button topic in the workplace.

Learning Outcomes and Target Audience

The case study presents three different industry-based stories based around transgender employees in the workplace and highlights issues of workplace discrimination and equality. In addition to the legal relationships and implications, other human resource related areas include employee motivation and job satisfaction. Upon completion, the students should have gained a complete understanding of transgender individuals, customers, and employees, along with how managers and other employees need to create a culture of non-discrimination and equality for all everyone, including LGBT customers and employees. The case study and stories may be used in any hospitality or other related business courses (or in a corporate training and development session) focusing on the topics of human resources, employee relations, management, and law. Additionally, the case may be easily used and adapted for undergraduate or graduate students, as well as with employee training and development programs.

Objectives

- Understand the unique aspects of transgender employees to be able to manage with respect and dignity toward the employee and to provide a comfortable environment for all employees.
- Understand unique aspects of customers in a modern world and how managerial decisions may affect an individual or group.
- Compare known human resources practices to determine responsibility of the company and of the employee in the presented situations.
- Discuss advantages and disadvantages in regards to having or establishing corporate policies for transgender employees and/or transgender customers.
- Evaluate how core principals can relate financially to an organization in regards to the value companies place on client

concerns versus employee/coworker concerns.

Questions Related to the Case Study

Story 1: Not So Friendly Employees in the Cubes; Workplace Harassment and Motivation Issues

- 1a. Did Sally handle this situation appropriately? If not, how could she have done better?
- 1b. As an equal opportunity employer, should the Traveling Perfection Call Center allow Juliet to use the women's restroom? Could other accommodations have been made for Juliet?
- 1c. How might these issues impact Traveling Perfection in the future? What might be the implications from how the complaints were handled?
- 1d. Even though Juliet decided not to have a meeting with her peers about her transition, should Juliet's managers or HR have informed employees? If yes, how could they have organized and explained the situation?

Story 2: The Incident with Public Facility Usage at Lou's Restaurant

- 2a. If a transgender man or woman goes out to eat, which restrooms are they allowed to use? Which are they required to use?
- 2b. How do you believe Keith handled the situation?
- 2c. Should transgender men or women be punished for having to make a decision to go to the restrooms?
- 2d. How might Keith have affected repeat business based on how he handled the situation from Jody and Sarah's point of view? How might it have affected the repeat business of Fran and her daughters?
- 2e. Could Fran have used a different approach with the issue of Jody and Sarah using the restroom?
- 2f. Should all restaurants now have a unisex bathroom for public use?

Story 3: Hotel for Growth and Shame: Double the Problems, including Business Perceptions and Repercussions

- 3a. Was Terry's reaction to the Salvatore couple appropriate? Does he have a right to deny a client based on their sexuality if he feels that it will deter future customers?
- 3b. Was it appropriate for Kurt to turn down Elena and Giovanni's wedding event because they were not recurring business and *Elena was transgender? Should monetary value of a potential event be used as a determining factor in this case?*

- 3c. *With this additional information, would you have turned away Elena and Giovanni's business solely on the fact that Elena was transgender and that there was not a big possibility of recurring business?*
- 3d. *Was there any way for Kurt to salvage the business deal with Traveling Perfection Call Center after previous events were found out?*
- 3e. *If Kurt had reservations about Terry's opinions affecting business, should he have approached Jason (the general manager) about it?*

uncomfortable and/or disconnected? If so, how would you address these employees?

- If you are still faced with (an) angry customer/s, despite your diverse and inclusionary environment, are there any ways to educate your customers in an attempt to minimize some business loss?

Teaching approach and strategies

Prior to Class

Preplanning and set-up: Professor or facilitator should begin the conversation on general principles surrounding transgender individuals and transgender employees (15 minutes). Note: due to sensitivity of subject matter for some, the professor or facilitator should remind the class or group to be respectful when working on this project and for all class discussion. Students will read the case study prior to the next class. Additional terminology related to transgender individuals is included here for reference by the faculty member or trainer, if needed (see Table 2).

Class Instruction (following the preplanning)

Organize the class in groups of 3-4 students, in order to offer different perspectives while each individual has an opportunity to speak. Additionally, the groups will be sub split so that half of each group will work with story one and half will work with story two for part 1 (10 minutes).

Part 1 (story # 1 and story # 2):

- Groups will review assigned story (10 minutes) and then discuss their answers to the questions included with the story (15

Additional Discussion Questions:

- Discuss the differences between equality and equity. Do you believe transgender and/or minorities in general desire equality or equity? Why?
- Depending on the reactions to and presentation of transgender issues of a company's human resources staff, how might these contribute to the actions and/or reactions of the employees?
- Why do you believe several companies embrace diversity in the workplace? What are the advantages and disadvantages to this approach?
- Why are some countries throughout the world more willing to embrace and accept minorities in society while others do not? What is the social and economic impact to accepting and not accepting minorities within a society?
- In your given area (insert specific city/state), how could situations similar to the stories included in the case impact local hospitality businesses?

Other:

- As a manager, if you focus on creating a diverse work environment to 'benefit' everyone, could there still be employees left

Table 2

Transgender Terms Defined

Transgender Man	In reference to a transgender individual who identifies as a man. Also note FTM.
Transgender Woman	In reference to a transgender individual who identifies as a woman. Also note MTF.
FTM	An individual who chooses to transition from a female (birth assigned) -to-male (identity); known as a transgender man.
MTF	An individual who chooses to transition from a male (birth assigned) -to-female (identity); known as a transgender woman.
<i>Transsexual</i>	<i>Today, this is not a preferred term and often shows ignorance. However, this was an older term used to describe someone who's gender identity is different from their assigned gender.</i>
Genderqueer	Often used by individuals who do not identify entirely as male or female.
Sex Reassignment Surgery	Includes surgical procedures to alter one's body to reflect their gender identity. The term is all encompassing, multiple surgeries that may be chosen by an individual over time. It should be noted that not all people choose, based on want or need, to undertake surgical procedures as part of their individual transition.
<i>All terms were adapted from both the National Center for Transgender Equality (NCTE) and the Transgender Law Center (TLC).</i>	

minutes).

- Next, hold combined group discussion on compiled responses (15 minutes).

Part 2 (story # 3):

- Full groups (3-4 people) will review story # 3 (10 minutes) and then discuss their answers to the questions included with the story (15 minutes).
- Next, hold combined group discussion on compiled responses (15 minutes).
- Finally, a combined wrap up with the entire class should occur including all discussions above (5-10 minutes).

Alternative Option 1

This alternative option allows the classroom professor to spread out the use of the general information and stories across multiple classes (3 class option).

- Class 1: Complete all introductions of topic work included in preplanning and set up above (15-20 minutes).
- Class 2: Complete part 1, for both story one and story two (30-40 minutes).
- Class 3: Complete part 2, for story three. Provide wrap up and summary of learning (30-40 minutes).

Alternative Option 2

This alternative provides the classroom professor the option to choose any of the case study stories (story 1 or 2) to use independently of the others and the full case. These two stories can be used independently in an already existing lesson or to create a unique solo discussion opportunity for a small group of students.

- Select any one of the stories provided and insert it into an already existing lesson.
- After professor introduces the topic and premise of the case, students would be provided the story to read (5 minutes) and then discussion as a class could be conducted (15-20 minutes).

Further reflection and analysis with alternative option 1 or 2.

Students could be assigned a specific story in the case study (1 of 3) and along with or separate from the included questions, be asked to write a short (1-2 page) personal reflection on the story and its contents (presented issue; people involved; other hospitality situations).

Alternative Option 3: Individual Critical Thinking Exercise

This alternative provides the classroom professor the option to increase the students' critical thinking and analysis of the topics presented. Students will be asked to complete the following on their own after the completion of case study activities selected by the classroom professor.

Directions to Students. You have been asked by the ownership group of your facility to develop a "Transgender: Disclosure Memo."

Draft a policy that clearly outlines the company's commitment to treating all employees with respect and dignity through diversity and inclusion. Be sure to include the following sub-sections of the memo: purpose, definitions of terms (i.e., gender identity, gender expression, and transgender), names and pronouns for how employees should be addressed, restroom usage, and whom to contact with additional concerns and questions.

Additional Research Option (honors-option or graduate class)

This additional option, for undergraduates in an honors-option course or for continued work for graduate students, uses US-based companies (from the list and resources provided below) honored by an independent third-party as some of the most diverse and inclusive companies in the hospitality industry. Students will examine how current companies (in their field) are handling transgender in the workplace (or related situations of inclusion).

- First, assign student groups each with one company to research.
- Students will write up or present to the class the company's policy, why it may be positive or negative, and how it is impacting human resource practices.

Resources for this option. Multiple national and international companies are often recognized for their high acceptance and willingness to promote diversity throughout the company (Madera, 2013). Madera (2013) reported these top companies are highlighted based on their corporate diverse culture and programming, including: diversity council, training programs, same-sex benefits, and support for women and LGBT employees. According to the annual ranking of major corporations, in all operational categories (financial, insurance, hospitality, medical, consumer services, and manufacturing), based on their corporate culture and diversity by DiversityInc (2015) published its top 50 rankings each year. In the past year, there are five hospitality-related companies included on the DiversityInc, The DiversityINC Top 50 List for 2015, including:

- Sodexo (# 5 in 2015)
- Marriott International (#13 in 2015)
- Wyndham Worldwide (#29 in 2015)
- The Walt Disney Company (#34 in 2015)
- Hilton Worldwide (#47 in 2015)

For further information on the included companies, classroom professors or students can access either DiversityInc for a condensed company profile or research each company individually. The websites have been provided for easy reference below (see Table 3).

Analysis of Teaching Objectives

This case has been designed to provide the reader, undergraduate and graduate students or employees, with the unique opportunity to

Table 3**Hospitality Companies listed in the 2015 Top 50 from DiversityInc.**

Company	Websites to access additional information:
DiversityInc's 2015 company list	http://www.diversityinc.com/the-diversityinc-top-50-companies-for-diversity-2015/
Sodexo	http://sodexousa.com/usen/corporate_responsibility/responsible_employer/diversity_inclusion/diversity_inclusion.aspx
Marriott International	http://www.marriott.com/diversity/diversity-and-inclusion.mi
Wyndham Worldwide	http://www.wyndhamworldwide.com/category/diversity-inclusion
The Walt Disney Company	http://disneycareers.com/en/working-here/culture-diversity/
Hilton Worldwide	http://news.hiltonworldwide.com/index.cfm/newsroom/category/topic/732

develop an understanding of transgender individuals, whether those individuals are employees or customers. Understanding begins for the reader by learning the appropriate terms and how to use the terms properly (NCTE, n. d.). Cadrain (2009) explained that employers with developed policies of inclusion and support can assist their transgender employees during the often difficult and vulnerable time of the transition and transformations from the biological sex to their sexual identity. The identified transition period may also be the most frequent (or easiest) time for discrimination to occur for the employee.

Human resource practices and legal requirements provide a foundation for the topic of transgender individuals as transgender employees in the workplace. Unfortunately reports and research show that while some changes have occurred, many issues of discrimination still remain for members of the LGBT community (Allison, 2015; Chung, Chang, & Rose, 2015). Questions presented along with the individual stories in the case allow the reader to focus on these challenges and how they may affect employees as well as customers in the workplace. Students should be able to identify the specific issues presented in the stories and create options to help an employer (in the story or their own) create an environment of inclusion, free from discrimination. Some ideas can be to develop training and development programs, to establish diversity committees, and to set up fair complaint processes (Bell, Ozbilgin, Beauregard, & Surgevil, 2011).

Some of the most challenging issues surrounding transgender employees and customers involves restroom facility usage (presented in Story #1 & 2). The State of California essentially set the standard for the United States federal government for transgender rights in the workplace. The California Department of Fair Employment & Housing (DFEH) published a "FAQ" for employers to help clarify restroom facility usage (DFEH Transgender Rights, 2016). Similar language found in the DFEH FAQ page was adopted by the US federal government to issue restroom facility usage by transgender individuals. According to best practices recommended for employers by the Occupational Safety and Health Administration, employees should be permitted to use the re-

stroom facility of their choosing based on their chosen gender identity (OSHA, 2015). OSHA (2015) also stated that it is the employer's responsibility to provide clean and safe restroom facilities for all employees, including transgender employees by respecting their gender identity.

Advantages from having a workplace free of discrimination can include stronger employee and customer relations, while disadvantages in having a discriminatory environment and culture can be detrimental for employees (low morale, lack of motivation, high turnover, and lawsuits) or for customers (loss of business and sales, poor reputation). Adequate training may be the key for companies to ensure they are providing a culture of sensitivity, free from discrimination (Tuttle, 2015). Creating a diverse and equitable workplace may not be easy, but the benefits for your employees and customers is both important and required with some aspects, though the legal environment continues to change every day.

Additional Reading Material

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Authors note:

The authors wanted to provide some additional information on relevance and necessity of this case and the critical need for discussion to occur on the subject matter, despite any perceived controversy. Note written on March 25, 2016 prior to submission.

Currently, the State of North Carolina is embattled in major (and

ugly) controversy over the background that formulated this case. Though the case development began in the fall and was completed prior to the majority of the recent controversy, it showcases the relevance on a daily basis in recent days/weeks. On February 23, 2016, the Charlotte City Council voted and passed (7-4) a non-discrimination ordinance. Hagen (2016) reported this new ordinance, a first for North Carolina and many other areas, added protection to the city code covering marital status, familial status, sexual orientation, gender identity, and gender expression to the codes that regulate commercial establishments and public accommodations (including restrooms). The same evening, as reported by WCNC News (2016), Governor Pat McCrory of North Carolina, stated he would work with the state lawmakers to create immediate intervention.

In the news over the past month, lawmakers in South Dakota, Georgia, and North Carolina, among others, are wrestling with similar (controversial) decisions and legislation. On March 1st, South Dakota Governor Dennis Daugaard, vetoed a proposed bill that would force transgender students to use only facilities based on gender at birth (as reported by Wagner & Chappell, 2016). According to American Civil Liberties Union (2016), 18 states and the District of Columbia have laws that specifically prohibit discrimination against transgender people; including and in addition to approximately 200 cities and counties (many not covered in the 18 states) that have similar protections banning discrimination (ACLU, 2016).

Legislators in Georgia passed House Bill 757 (Religious Liberty bill), which now awaits the governor's signature; if approved it would give permission to individuals, businesses, and non-profits the right to discriminate against LGBT people and others by citing religious freedom (Sheinin & Torres, 2016). Bluestein (2016) reported that GA Governor Nathan Deal has 40 days to sign or veto the bill, which already has numerous companies calling for veto and threatening to cease GA operations, including Disney and Marvel (movie production), Time Warner, and even the National Football League (NFL) threatening; if passed, the bill could affect Atlanta's Super Bowl bid. On Wednesday, March 23rd in emergency sessions at the various levels of NC Government, HB-2 was passed, which was then signed by Governor McCrory, preventing cities from passing anti-discrimination ordinances to protect LGBT people (Reilly, 2016). Reilly (2016) reported that companies across the US have denounced the law and some have threatened to end operations in the state, including Apple, Bayer, PayPal, Dow Chemical, the NBA, the NCAA and American Airlines and Wells Fargo among Charlotte-based companies. Unfortunately, time will tell on how this will play out across the states of North Carolina and Georgia and throughout the United States. In the meantime, we feel the conversation needs to begin in hospitality management classrooms for the benefit and understanding of the topic, by all future hospitality industry managers.

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Pandox—A Hotel Owner-Operator's Smorgasbord of Options

By Rob van Ginneken

Introduction

"You book a room on the website of a famous international hotel chain. As you arrive to check in, its reassuring brand name is above the door. Its logo is everywhere: on the staff uniforms, the stationery, the carpets. But the hotel is owned by someone else—often an individual or an investment fund—who has taken out a franchise on the brand. The owner may also be delegating the running of the hotel, either to the company that owns the brand or to another management firm altogether. The bricks-and-mortar may be leased from a property firm. [...] Welcome to the virtual hotel." (The Economist, 2009)

The above introduces, in plain language, the wide variety of ownership, operating and branding configurations in the hotel industry, which could be said to be increasingly vertically disintegrated (Roper, 2013).

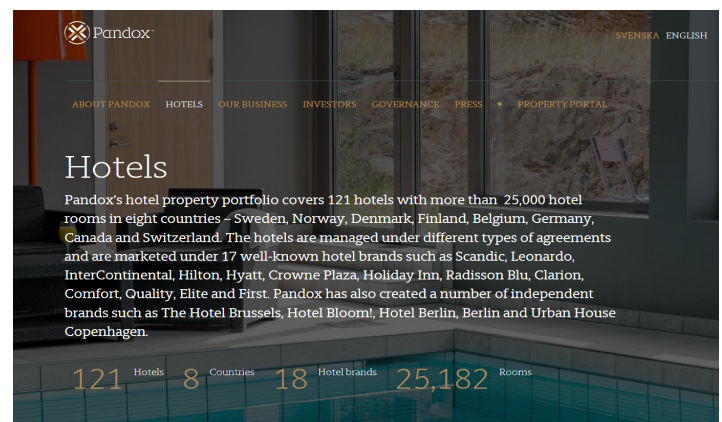
This case aims to enhance students' understanding of this important topic, using the example of Pandox, an important player in the European hotel industry. The data presented in this case study have been collected mostly from publicly available sources, such as the company's website and annual reports, and industry news websites. In addition, the Senior Vice President, Director of International Operations, was interviewed in the fall of 2015.

Having grown from a base portfolio of 18 hotels in Sweden in 1985, at the end of 2015 Pandox owned 121 hotels (more than 25,000 rooms) in eight countries (Pandox 2016a). Most of these (89 hotels, or 81 percent of the total number of rooms) are situated in the Nordic region (Sweden, Norway, Denmark and Finland); the balance are in Germany, Belgium, Switzerland and Canada. Growth has not always been on a 'one hotel at a time' pace: buying, but also selling entire portfolios of hotels can be considered to be part and parcel of the Pandox business model. An important growth spurt took place in 2010, when it bought Norgani Hotels, or 73 properties, all in Scandinavia and Finland. As a result of this acquisition, the company increased in size by 160% to 120 hotels, becoming one of Europe's leading hotel companies. At the beginning of 2016, Pandox announced the completion of the acquisition of 18 Leonardo hotels in Germany. The company is not just a buyer, but also a seller of hotels: in 2014, a portfolio of 14 Swedish hotels was sold, followed by another sale of 8 (again Swedish) hotels in 2016.

The guiding principle for Pandox to either acquire or divest of hotels is to establish a portfolio of larger, full-service hotels, in the upper-medium to high-end segments, and in markets which attract business as well as leisure demand. Another element of the Pandox business model is to acquire underperforming hotels, and invest in them by means of refurbishments or repositionings. Sources in the industry familiar with Pandox often applaud the company for its ability to do so. For example this developer of a large international hotel company: "What Pandox does very intelligently, they buy hotels that are badly positioned, make a fantastic turn-around there [...]. Very smart, what these guys are doing!" (Anonymous, personal conversation, 2014).

Figure 1

Screenshot company website – Portfolio Overview



The company is split in two segments. Property Management owns 103 hotels which it leases out to tenant-operators. Well-known tenants include Scandic, Choice Hotels and Rezidor. The second segment, Operator Activities, operates the remaining 18 hotels, either as a franchisee of brands such as Crown Plaza, Hilton and Holiday Inn, or independently, such as The Hotel and Hotel BLOOM! (both in Brussels) and Hotel Berlin, Berlin in (indeed) Berlin. In Operator Activities are also the two hotels Pandox acquired in 2007 and 2008 in Montreal, which are subject to a management agreement with Intercontinental and Hyatt, respectively.

Since 18 June 2015, Pandox' B shares have been listed on Nasdaq Stockholm. Owners of these have one vote for each share. The company's

Rob van Ginneken is affiliated with NHTV University of Applied Sciences.

Table 1**Portfolio Overview by Segment and Geography (Values in Millions of Swedish Crowns, or MSEK)**

Property Management	No. of hotels	No. of rooms	Property value	Property value in % of total
Sweden	50	9,519	13,193	42.0%
Norway, Finland, Denmark	33	6,515	7,396	23.6%
International	20	3,721	4,473	14.2%
Total	103	19,755	25,062	79.7%
Operator Activities				
Sweden	2	358	269	0.9%
Norway, Finland, Denmark	4	894	843	2.6%
International	12	4,183	5,262	16.7%
Total	18	5,435	6,375	20.3%
Total owned properties	121	25,190	31,437	100%

Adapted from the year-end report January-December 2015 (Pandox, 2016a)

A shares (three votes to each share) are not publicly traded; the majority of these are held by three long-time corporate shareholders. Pandox is part of the FTSE EPRA/NAREIT Global Real Estate Index. This index tracks the share price performance of listed real estate companies. Companies in this index must derive at least 80 % of their revenue from real estate directly, for example from rent received from tenants. For Pandox that means no more than 20% of its revenue can come from hotel operations.

Recent developments

In November 2014, Pandox became the lessee-operator of the Grand Hotel Oslo (Hotel Management, 2014). This particular arrangement is quite exceptional: the hotel is owned by one of Pandox' majority shareholders, and the lessee status is not one that Pandox will actively seek for other properties. Yet the number of hotels in Operator Activities has increased in perhaps more fundamental ways. In the first few weeks of 2016, the company announced it would take over operation of a number of owned hotels of which the lease had expired, and an extension could not be negotiated with the lessee-operator (Browne, 2016). The effect of these 'reclassifications' of hotels from Property Management to Operator Activities is that rental income will transform into net sales from operating those hotels.

A relatively minor source of revenue is Asset Management services provided to the owners of another 8 hotels.

Theory and practice of hotel operating models

As will be clear from the introduction of Pandox, hotel ownership and operation are often separated. From the point of view of a company that is (primarily) an owner, such as Pandox, two questions pose themselves:

1. are we going to operate the hotel ourselves, or are we going to contract a third-party to do that – either through a lease or a management contract?
2. are we going to affiliate the hotel, either through a franchise contract with a brand or through another type of affiliation, such as becoming the member of a consortium?

The large international (very often U.S.-based) hotel companies (IHCs) most people are familiar with, such as Hilton and Marriott, pose themselves similar but subtly different questions. Rather than the question "To operate [the hotels we own] or not?"; the question for them is "To own [the hotels we operate] or not?" Two separate but related theoretical concepts may provide useful insights for interpreting these choices made by owners and operators: that of 'agency' and 'modal choice'.

Agency theory is concerned with relationships where one party, the agent, acts on behalf of another, the principal (Kruesi, 2015). As the goals, risk appetite and interests of agent and principal may not always be aligned, such a relationship may prove to be problematic. In the hotel industry where, as we have seen above, hotel ownership, operation and branding are often separated, two possible agency challenges present themselves. Kruesi (ibid) discusses agency issues in franchising (where the franchisee (agent) is expected to operate a branded business in line with the interests of the franchisor (the brand owner principal). Other studies (e.g. Panvisavas and Taylor, 2008; Turner and Guilding, 2010) explore agency issues that are the result of the separation of hotel ownership and operation, where the hotel owner is the principal of hotel companies that manage the owner's property as their agent.

In hospitality research, a number of papers (see e.g. Contractor and Kundu, 1998; Gannon and Johnson, 1997) address the second

Table 2**Overview of Pandox' Shareholders**

	A shares	B shares	Capital %	Votes %
Eiendomsspar Sverige AB	37,314,375	7,314,375	29.8	39.8
Helene Sundt AB	18,657,188	3,657,187	14.9	19.9
Christian Sundt AB	18,657,187	3,657,188	14.9	19.9
12 other large owners	371,250	42,370,285	28.2	14.3
Other owners		18,000,992	12.2	6.1
Total	75,000,000	75,000,000	100	100

Company website (Pandox, 2016b)

theoretical concept of 'modal choice'. These studies explore how hotel companies have grown and whether there is one 'best way' for them to expand, whilst retaining control over brand standards, key personnel and other intangible assets deemed to be proprietary. In practice, many hotel companies started out as hotel owners, but developed, over the years, into quite a different breed of companies, often employing 'multi-modal' or 'plural-form' (Brookes and Roper, 2012) organizational structures. In the industry, they are referred to as (different degrees of) 'asset-light' companies. This term is used to describe (most but not all) IHCs which have disposed of most of their hotel real estate, focusing on hotel operations. "Sale and lease-back" and "sale and manage-back" denote two ways of achieving this. In the former, hotel companies sell their properties to a third party, only to then lease the building back from the new owner, and continue to operate it. In the latter, the original owner will also continue to operate the hotel, but this time on the new owner's behalf. Of these two, the sale and manage back option is preferred by most IHCs, as the lease-back option would create a long-term rent liability for the operator. This liability, in combination with uncertain hotel income, still leaves a lot of risk with the operator. In summary, most IHCs can be said to operate on a fee-based model, where they prefer to grow, faster than they could if they were to own or lease, by signing management and / or franchise agreements for hotels owned by a third party.

For completeness' sake, it should be noted that many non-U.S. hotel operating companies have fewer difficulties with hotel ownership and leasing. Examples include certain Asian luxury hotel groups such as Peninsula Hotels, Oberoi and Mandarin Oriental – although the latter two have, to varying degrees, also made moves in the direction of a more asset-light business model (Dutta, 2015; Gollan, 2015). In many European countries, like Germany and the Nordic countries, lease contracts are much more common than management contracts (Hodari, 2014; deRoos, 2015). Not surprising then, perhaps, that Pandox should originate in Sweden.

A relatively new trend is that some IHCs may be getting more

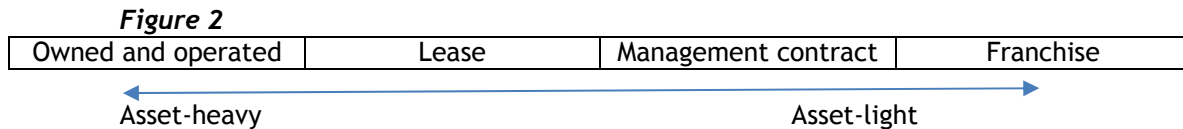
than they bargained for, in terms of becoming asset-light. Increasing numbers of investors have acquired hospitality operations 'savoir-faire' and choose to operate the hotels themselves. Others may perceive their manager's brand interest to not always be aligned with their own, and decide to enlist the services of independent (that is, non-branded) management companies. This trend, if it persists, would lead to a decrease in the number of IHC management contracts, leaving them only the franchisor role, and would in fact transform them into pure branding companies. Figure 2 depicts the various degrees of asset-heaviness, from asset-heavy on the left (where the IHC would own the real estate of their hotels) to very asset-light on the right, where they would only be involved in a hotel operation as a franchisor.

Note that at the level of the ownership and operating structure of an individual hotel, more than one of the agreements represented in Figure 2 may be used in combination. For example, the real estate owner could lease the property to a tenant, who in turn could hire the services of an independent management company to run the hotel on his behalf, and sign a franchise contract with a brand.

Dilemma

The CEO of Pandox, Mr. Anders Nissen, is well-known in the hotel industry as an ardent promoter of the lease model as a way to structure the relationship between a hotel owner and a hotel operator. Put differently, he believes management agreements, even with independent / unbranded operators, do not create an equitable partnership (Nissen, 2014), because in a management agreement "the owner [is] taking 100 percent of the risk while the operator benefits on the upside." (Nissen, 2013:2).

His view on this matter is quite clearly reflected in the company's portfolio, the majority of Pandox' hotels being leased to an operator, compared to only two hotels under management of a major brand. Mr. Nissen believes a lease agreement in which the rent payable to the landlord is variable and depending on the revenue and / or profit of the hotel, is a better way to have owner and operator share the



business risk of owning and operating a hotel. In one of his most outspoken moments, Mr. Nissen (2013:2) commented on his experiences as a panel member during a debate at a hotel investment conference, as follows: "It was particularly apparent that a number of advisors, often London-based – couldn't explain the benefits of a lease agreement and instead recommend investors, who often run a passive investment model, to agree management deals with cunning international hotel operators, resulting in an unequal share of the risk. In my world, this is definitely a subject to revisit."

The Economist (2009) provides a possible argument for Mr. Nissen's dim view of the management agreement. In the case of a recession, for example, the operator of a managed hotel will make less money, but the owner will be hurt much more, financially: "[...] if revpar falls 1% at a hotel, its owner typically suffers a 5% profits fall. But the management fees (which are usually linked to a mix of the hotel's revenues and profits) fall by 3%; and franchise fees (which are usually linked only to revenues) fall by only 1%."

Mr. Aldert Schaaphok, Pandox' Director of International Operations, is at least as critical of the management agreement as his CEO. To him, the combination of a manager who is:

- a) rewarded, through the management fees mentioned above, largely on the basis of the hotel revenue;
- b) while at the same time claiming full control of the actual operation,

is not a logical one. He strongly feels that management companies can 'make or break' the profitability of a hotel, and their compensation should be much more based on that (the "bottom-line") than on revenue ("the top-line"). On top of that, he believes the management of hotel operations should be separated from branding and distribution services. Owners who decide, for whatever reason, not to operate their hotels themselves, would be better off hiring local and/or independent management companies. And his criticism doesn't stop there: he is of the opinion many large brands are too slow in developing truly innovative hospitality concepts, and that Pandox does much better in that regard, themselves.

Discussion Questions

- How would you characterize the company in a nutshell? Who are Pandox' competitors, or similar hotel businesses? Discuss the rationale (advantages and disadvantages) of Pandox' strategy to use different ownership, operation and branding models.
- To what extent do you agree with the Director of International

Operations' assertion that independent management companies are a better option for owners who want to outsource operations management than the large international chains?

- What do you think of Mr. Nissen's assessment of the hotel management agreement as an 'unfair' operating structure?
- Figure 2 represents the asset-heavy – asset-light continuum, from the point of view of an IHC that is a branded hotel operator. Discuss this continuum from the point of view of a company that is primarily a hotel owner.

Acknowledgment

The author would like to thank Mr. Aldert Schaaphok for his support and cooperation in developing this case study.

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Pandox—A Hotel Owner-Operator's Smorgasbord of Options

Summary

This case study discusses Pandox, a large Swedish hotel owner and operator. Pandox focuses on investing in hotel properties in Northern Europe, and leasing those out to lessee-operators. About one-fifth of the company's portfolio is operated by Pandox themselves, either as a franchise or independently – the company prides itself on having developed a number of what it calls 'independent brands' themselves. The 'odd one out' are two Canadian hotels that are managed on Pandox' behalf by a branded management company, and one Norwegian hotel that Pandox operates and leases from a third-party owner.¹

Pandox' executive leadership is well-known within the industry for having quite outspoken opinions on several aspects of ownership, operations and branding. First and foremost: the lease as the preferred operating structure to create a partnership between owners and operators of hotel properties. This case presents this and other positions Pandox management have publicly espoused, and encourages students to use them as 'stepping stones' to explore and enhance their understanding of the structure of the hotel industry.

Teaching Objectives and Target Audience

Eringa and Jin (2013) assert that management case studies often fail to meet learning objectives, as they are generally written at a level that is beyond the understanding of the students, who have little or no real-world business / managerial experience. For a case like this one, which aims to teach (under)graduate hospitality students relatively abstract concepts of hotel ownership and operation, it is then especially essential to 'connect' as much as possible to the target audience. To bridge this gap, as Eringa and Jin recommend, the author has included a diverse set of sources, e.g. the Economist, an industry source such as the anonymous developer, and hospitality newsletters.

It is assumed students studying this case have been exposed to concepts such as franchises, management contracts and leases, but most likely only superficially so. This will usually have been in the context of introductory courses in Hospitality Management or Marketing, where the focus was on something else than an in-depth understanding of ownership configurations and owner-operator relationships. The recommended teaching approach described below has been used for such a group of students, and it allows the instructor to 'warm up' the group more or less prior to discussing the answers to the case questions. The case could also be used as a part of a concentration / elective course in for example hotel asset management. If that is the case, and students

already have a more substantial understanding of the basic concepts in the case, the discussion questions could be addressed directly, and serve as the basis for a much more advanced discussion.

Recommended Teaching Approach and Strategy

Whatever the target group and educational context, students should be asked to read the case prior to the classroom session. They should also be encouraged to research the current state of affairs of the company. A good starting point for that would be the Pandox website, which has copies of annual reports and an overview of press releases.

The case instructor should start the classroom discussion asking students for their understanding of possible difficult terms in the text, such as for example the "passive investment model" in Mr. Nissen's quote.

In case this teaching case is used with students relatively new to the concepts discussed, the discussion may start with exploring to what extent they are familiar with the operating structure of individual hotels they all know, for example:

- some of the local hotels;
- hotels they did their internships in;
- certain 'flagship' hotels in the area, or the state/country's capital;
- or even properties that are known the world around (e.g. the take-over of the New York city Waldorf Astoria by Chinese Anbang, with Hilton obtaining a (100 year!) management contract, was widely publicized).

Discussion Questions

1. **How would you characterize the company in a nutshell? Who are Pandox' competitors, or similar hotel businesses? Discuss the rationale (advantages and disadvantages) of the company's strategy to use different ownership and operation models.. Firstly it should be noted there is a focus in the Pandox business model: the cornerstone of their strategy is (active) ownership of hotel properties (real estate). The majority of hotels are leased out, as dictated by their EPRA membership, and the company strives to achieve a partnership with the lessee-operator. That said, within these constraints, there is quite a bit of diversity: the company also operates a significant part of the hotels it owns; bought two hotels encumbered with a management agreement (hma); has both franchise agreements with different brands and developed a number of proprietary brands; and has, as of late, started operating a non-owned hotel. To put this question in perspective, the discussion could start from an exploration of various hotel companies students are familiar with. For**

¹ The company's asset management services provided to the owners of 8 further hotels don't feature in this case, but instructors in more advanced courses could use this element of Pandox' business model to highlight the increasing importance of asset managers in the industry.

example, Four Seasons, a pure-play luxury branded management company. Or one more similar to Pandox: Host Hotels and Resorts. This is the Real Estate Investment Trust created in 1993 by spinning off, from Marriott Corp, its management business, Marriott International, leaving what is now Host. This company, like Pandox, is a hotel owner, but one preferring management agreements to leases (see also discussion question 4 further down). Or AccorHotels, a much diversified hotel owner, lessee, manager and franchisor.

A big advantage of a more diverse business model is that it allows the company to act upon a diverse set of opportunities. One such opportunity could be hotel properties and/or operations coming up for sale, buying them and performing a 'turn-around'/repositioning. The idea of hotels being both a business (providing cash flow from operations) and a financial asset (that will ideally appreciate in value over the holding period) should be discussed here. Market issues could also be discussed: Pandox disposing of two portfolios of smaller Swedish hotels in non-key locations, and also taking over operations in others, show the company can change its profile in light of changing market situations. An interesting aspect of this is the limits imposed by the EPRA membership: when the company grows its Operating Activities portfolio (by taking over operations of their properties), the Property Management portfolio should grow commensurately, to maintain a minimum of 80 percent of revenue from real estate ownership.

Among any potential disadvantages of using more models is that it may create organizational complexities; that it may turn the company into a competitor of its major tenants like Scandic; or that the investment community prefers 'pure play' owners and operators, which would thus negatively impact Pandox' valuation. The latter is mostly a theoretical disadvantage only, as almost 80 percent of Pandox' A shares are owned by just three Swedish majority shareholders, that each have representatives on the Pandox Board of Directors.

2. To what extent do you agree with the Director of International Operations' assertion that independent management companies are a better option for owners who want to outsource operations management than the large international chains?

Having a strong brand operate your hotel will have obvious advantages, but will also place brand standard demands on the owner. The latter might consider some of those demands as not appropriate for the property, or as unnecessarily expensive, in short: as not contributing to the profitability of the hotel. The same consideration of course also applies to an owner-operated franchise hotel, and in both cases owners should consider carefully what they expect from affiliation with a brand. But

the main concern of the Director in question goes beyond that: he feels there may be an agency problem in that branded managers may put the brand interest and maximization of management fees above achieving a profitable operation. In contrast, in his opinion independent management companies may not only offer better contract terms, but may also be able to focus more on managing the hotel. The instructor could elicit student opinions based on their experiences in internships (provided they know the exact operating configuration).

3. What do you think of Mr. Nissen's (2013:2) assessment of the hotel management agreement as an 'unfair' operating structure?

Management companies would deny any agency issues exist, in a management agreement. They will argue that the interests of owner and manager are aligned through the fee structure: the manager's reward (base and incentive fees) is related to the success of the hotel operation. They would also argue that if and when they manage the hotel successfully, the owner (and not the operator) would benefit from an appreciation of the value of the hotel, and could sell it at a profit. The instructor could ask students to compare variable leases to an hma with incentives. For example, what would be different from an hma when a lease would be structured in such a way that the rent payable to the owner would be all of the property's cash flow, minus a small percentage of revenue and a larger percentage of gross operating profit? In terms of legal and business risk, this would still be a lease, and ownership of the operation would sit with the operator, but in terms of cash flow distribution, this would be very much like an hma.

4. Figure 2 represents the asset-heavy – asset-light continuum, from the point of view of a branded hotel operator. Discuss this continuum from the point of view of a company that is primarily a hotel owner.

This question serves as a check on students' comprehension of the operating structures and concepts, and also as a way to further enhance it. The discussion could be as follows. Starting from the left, owner-operated is still first, if the owner decides to operate their property themselves. Should they decide to flag the hotel using a franchise, the strategy would still be considered asset-heavy, but with some 'help' from the intangible asset that is the brand – at the expense of more limited control, as the owner now has to adhere to brand standards. Moving further to the right, if the owner decides NOT to operate themselves, lease and hma come into play. However, they will switch positions if taking the owner's point of view. As follows from the discussion question 3: in an hma, the owner still is relatively asset-heavy as they own the operation and run the associated business risks. If the owner decides to lease out, that risk is

with the lessee-operator. An interesting 'compare and contrast' would be that between Pandox and HOST Hotels and Resorts (mentioned in discussion question 1). In contrast to Pandox, HOST works exclusively with management agreements, seeking the upside they potentially offer, at least compared to a fixed lease. The instructor could also ask the students whether they really consider a (fixed) lease to be low-risk for an owner. Illustrative would be to mention lessee-operators that had signed fixed leases and could not pay those anymore, which could also mean loss of rent revenue for the owner. There may be a second 'franchise' box on the right: theoretically the owner in this example could also develop a (range of) brands and become the franchisor. Who's to say The Hotel or Hotel BLOOM! will not grow into a franchise brand?

At the end of the classroom discussion, the instructor could address the very first question again: have students changed their opinion, assessment of the Pandox business model?

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A last source of relevant information is the website of Scandic, Pandox' largest tenant: www.scandichotelsgroup.com. Interesting pages include (retrieved 14th of June 2016) Hotel Portfolio. <http://www.scandichotelsgroup.com/en/hotel-portfolio/> (which has a breakdown of their leased, managed, franchised and owned hotels offering a 'mirror image' to Table 1 in the case).

Managing Revenues in Macau's Casino Resorts through Turbulent Times: A Case of the "New Normal"?

By Candy, Mei Fung, Tang, Billy, Ut Lon, Im and Brian E. M., King

Introduction

Since it was introduced in the hospitality field, the revenue management (RM) function has played the lead role in maximizing room revenues for many industry operators. Following Macau's return to China from the Portuguese colonial authorities in 1999, the hospitality sector has developed rapidly, with the casino segment being the major contributor to hotel revenues. In this context Revenue Management has become a more strategically oriented means of optimizing total revenues, particularly in the context of integrated resorts which encompass wide-ranging hospitality functions. As well as involving the management of rates, this approach extends to resort branding, positioning, and understanding the impact of generating room nights for other revenue centers. This case study presents the prevailing circumstances in Macau – a "special administrative region" (SAR) within greater China - where casino resorts are confronting an economic slowdown and intensified competition. The following key question is posed – how can a new casino resort identify and establish a strategic positioning in the face of such challenging market conditions?

The following section provides some detailed background about market conditions in Macau. This will assist students to appreciate the types of decisions about pricing and revenues that are needed in a city tourism economy where gaming is prominent. There is growing competition for all cities that feature tourism and gaming. If they are to attract more high yielding visitors, they must find a balance between the gaming and non-gaming components. By explaining the conditions that prevail in the Macau market, this case study provides insights that can be applied in other parts of the world.

The Growth of Tourism in Macau

Macau is a 30m² city located in southern China, adjacent to Hong Kong (another SAR). In the 1990s and prior to the so-called handover in 1999 when Macau was still a Portuguese colony, the Chinese government started to relax the prevailing restrictions on foreign business operations. In the face of this major structural change, most Macau factory owners opted to relocate their production to China with of view to benefiting from the lower cost base. This business exodus prompted

tourism and gaming to become the main pillars of the Macau economy.

Following the globally significant Severe Acute Respiratory Syndrome (SARS) outbreak in 2003, tourism demand collapsed. To support the economies of Macau (and of Hong Kong), the Chinese government implemented the Individual Visit Scheme (IVS), hoping that tourism growth would stimulate other industries and avert the downturn. However, the tremendous growth of tourist arrivals which followed was unanticipated. Tourism arrivals grew by almost three-fold over the following decade. Driven primarily by policies that were formulated in China, the bulk of the growth of arrivals has emanated from Mainland China, followed by visitation from Hong Kong and Taiwan. These three sources collectively account for over 90% of visitor arrivals (DSEC, 2016a). This has resulted in a close relationship between the tourism sector and the political and economic environments prevailing in the three major source markets.

Macau's Casino Market

Casino operations were legalized in Macau in 1847 during the Portuguese colonial period (DICJ, 2016). Macau is small and lacks natural resources and it is the gaming and tourism sector that has emerged as the tiny city's main economic driver. There are currently six casino operations: SJM (which is locally based and a subsidiary of STDM), Sands (USA), MGM (USA), Wynn (USA), Melco Crown (Australia) and Galaxy Entertainment Group (Hong Kong).

The introduction of IVS boosted tourist arrivals to record breaking levels and attracted billions of dollars in gaming revenues from so-called "high rollers". It has been reported that the first casino hotel to be built by the new concessionaires, namely Sands Macao, a 5-star hotel with 289 suites, recouped its investment costs within 9 months of opening in 2004 (Cohen, 2014). Macau attracted international attention in 2006, when gaming revenues exceeded those of Las Vegas, the long established global casino leader, only 4 years after the liberalization of casino operations. Macau's total gaming revenues continued to break records for 11 consecutive years, rising from USD \$2.9 billion in 2002 to USD \$45.2 billion in 2013. The remarkable growth seemed unstoppable, until the successive formulation and implementation of China's Anti-Corruption campaign in 2014. As a consequence of the new policy, high rollers kept a low profile and reduced their visits to Macau. In 2014, Macau's total gaming revenues experienced their first ever year over year drop to USD \$44.1 billion. The uncertain conditions

Candy, Mei Fung, Tang is affiliated with *University of Macau*. **Billy, Ut Lon, Im** is affiliated with *Institute of Tourism Studies*. **Brian E. M., King** is affiliated with *The Hong Kong Polytechnic University*.

continued and in 2015 the numbers dropped further to USD \$29.0 billion. It remains uncertain how long the current trend will continue.

Each of the major casino operators has new properties under construction and these fledgling operations are confronted by a confluence of factors. These include delays to government approval processes, a tighter bank financing environment and operator hesitation about how to react. Meanwhile it has been reported that the opening dates for most of the new properties have been delayed. The respective operators are aware that the market may not recover in time to coincide with the property openings. Macau style gaming is currently characterized by high rollers and luxury surroundings, but reduced spending power amongst the newly arriving tourist groups has meant that it is critical to implement a revenue management plan which gives the newly opening properties the best prospect of attaining competitive advantage.

Macau's Hospitality Market

The growth of Macau's hospitality industry has been characterized by increasing visitor arrivals and by the development of casinos. While there were only 35 hotels offering 8,200 rooms in 2002, this had grown to 66 hotels offering 32,200 rooms in 2015. In light of the many properties currently under construction, it is anticipated that the number will rise progressively to 50,000. In the first years after the liberalization of gaming, the newer casino hotels were located in peninsular Macau, near the city center, heritage sites and existing hotels. However, the overall operating environment has been transformed by the progressive expansion into resort-style casinos. All casino concessionaires have committed to property developments on the Cotai Strip – a replica model of the Las Vegas Strip on a reclaimed section of land that combines the names of two previously separate islands – Coloane and Taipa. As the focus of the various integrated casino resorts, it may also be viewed as a competitive "battlefield" where long term success will be determined.

The hospitality sector has developed well beyond hotels and rooms. Recent additions have included world class entertainment, a diversity of food and beverage outlets including at the top end, a huge capacity of MICE facilities (Meetings, Incentives, Conferencing/Conventions, Exhibitions/Expositions and Events), family oriented facilities and retail experiences. These various elements have transformed hotels into integrated resorts, offering options to a range of market segments, and extending the duration of stay amongst guests. There are currently 16 hotels on the Cotai Strip that are operated by the casino concessionaires. Of these, 9 are rated as 5-star or above and account for some 80% of the room inventory. Of the seven additional hotels that are under construction, 4 are planned as 5-Star or above. The boom of hotels in the 5-star and 5-star luxury categories has been supported by the high average gaming expenditures by VIP players. These are retained with the support of offering complimentary rooms, depending on their gaming ratings. These 5-star hotels and casinos

have worked collectively to develop the so-called premium market. Appendix Table 1 presents the details of different Cotai Strip resort complexes with their star rating, room inventory, and Best Available Rate level and featured facilities.

The current market environment is very challenging for the various operators. The changing nature of tourist groups, has led to significant drops in average per player gaming expenditures when total gaming receipts and tourist arrivals are viewed collectively. It is worth considering whether to maintain the premium pricing strategy of high prices and commensurately high quality, or to shift to a penetration strategy of high quality but lower price. It is evident that casinos now need to capture more low rating players if they are to sustain their operations, and to improve the utilization of assets by filling the hotel rooms. In light of the continuous growth of hotel capacity, a more concerted effort is required to sell the rooms to the non-gaming market, even as the gaming market is slowing and experiencing a downturn. In Appendix, Figure 4 and 5 indicates the average length of stay for tourists to Macau; and, Tables from 2 to 6 demonstrate the buying behaviors of current visitors to Macau.

Case study questions

Students should group into teams and work on the questions that are noted below.

Please consider the opening of a new development project which is scheduled on Cotai Strip for two years from today's date. The complex will feature a 1,000 room 4-star hotel, food and beverage outlets, convention and exhibition facilities, and some retail. The new property will complete in the competitive market that is set out in Table 1.

1. Considering the proposed facilities within the complex that are suggested above, please describe your intended target market(s).
2. Which customer needs merit greatest attention, in light of changing tourist arrival patterns?
3. Please indicate which of the hotels that are listed in Table 1 potential competitors are. Using Best Available Rate for comparison purposes, what rate positioning would you suggest for your proposed hotel?
4. Given the likelihood that it will take several years for market conditions to recover fully to Macau's 2014 peak, how do you suggest that the new hotel should position itself to maximize its competitive advantage?

Questions for further discussion

- Beyond the casino operator developments outlined in Table 1, what support facilities may be required to support Macau's growth as a tourism destination?
- What initiatives could be implemented by the Macau government to support the recovery of the tourism sector?

- If a potential investor proposed to develop a non-casino hotel near the various complexes in Cotai, what are your suggestions for an appropriate room inventory, facilities, target market and rate positioning?

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About the Casino Concessionaires

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- Wynn Macau - www.wynnmacau.com
- MGM China - www.mgmchinaholdings.com
- SJM - www.sjmholdings.com
- Teaching Note

*Managing Revenues in Macau's Casino Resorts through turbulent times: A Case of the "New Normal"?***Summary**

As one of China's special administrative regions (SARs), Macau experienced a surge in tourist arrivals and of the gaming industry following the implementation of the Individual Visit Scheme (IVS) by the Chinese government and the liberation of casino operation licenses by the Macau government. Tourist arrivals almost tripled between 2003 and 2015, and gaming revenues exceeded those of Las Vegas for the first time in 2006. Tourism and gaming are the two main drivers of Macau's economy.

Tourists from Mainland China, Hong Kong and Taiwan account for over 90% of Macau's visitor arrivals. This has brought tourism and gaming into a strong association with the political and economic environments in these three markets. When China's Anti-Corruption campaign was announced and promptly implemented in 2014, tourist arrivals and gaming revenues experienced an immediate drop. The main reasons behind this phenomenon were that high rollers adopted a lower profile and curtailed their visits to Macau.

Macau's hospitality industry is closely associated with tourism and gaming. New elements are constantly being introduced to the hospitality market and are transforming hotels into integrated resorts. However, additional effort is required to generate demand for rooms within the non-gaming market, given the continuous growth of hotel room capacity and the significantly dropping average per player gaming expenditures. By the end of 2014, there were a total of 66 hotels featuring 27,300 rooms. All of the casino operators also have new properties under construction, whilst there is no expectation that the market will have recovered by the time these new properties open.

In light of this background scenario, the following question arises --- how can a new casino resort adopt a strategic positioning when confronted by a sharp economic downturn and intensified competition?

Teaching Objectives and Suggested Themes

Based on secondary sources and on an empirical study of revenue management in the hospitality industry, the teaching objectives of this case study are to:

- Address the economic principles underlying revenue management theory and understand the dynamics of creating a demand forecast.
- Familiarize students with the procedures that create an idea, especially about the identification of goals and objectives and the development of strategies and tactics.
- Gain practice of the methods used to obtain customer knowledge and market segmentation and selection.
- Understand the processes of organizational self-assessment

and competitive analysis.

Given the competitive nature and gloomy market expectations confronting Macau's casino resort industry, the primary challenges of new casino projects are their appropriate positioning, target customer selection and strategic implementation. According to Tranter, Hill & Parker (2008), four main stages are needed to establish a revenue management strategy.

1. Customer Knowledge and Consumer Behavior

Understanding consumer behavior is the fundamental step in revenue management. Macau casino resort operators need to gain a deeper knowledge of their customers to enable their sales and marketing teams to develop products and services that will satisfy the wants, needs, and desires of their most valued customers. In analyzing today's consumers, traits that merit special attention include Prosumer; E-Commerce Evolution and Bundling and Pressing Time. Some potential tactics are proposed to casino resort operators in response to changing consumer purchasing behaviors. An example is the provision of dynamic packaging, which enables the products and services provided to suit customer needs.

2. Market Segmentation and Selection

To understand their customers better, casino resort operators usually undertake a break-down into smaller, more manageable segments. Each segment possesses unique purchasing characteristics. The answer to the questions what, where, when, and why they buy differ for each segment. By continually refining their segmentation definitions, analysis, and selection, organizations can find the optimal target customers to optimize their revenue opportunities. It is also important to undertake continuous environmental scanning. External environmental factors impact substantially on consumer propensities to purchase. Casino operators should remain alert to emerging and receding trends and analyze their potential impacts on consumer purchasing behaviors. Organizations must also determine the total customer worth of each market segment in order to enable the targeting of an optimal business mix. Displacement analysis is the commonly used method to determine total customer worth.

3. Internal Assessment and Competitive Analysis

To survive and compete in the contemporary global marketplace, organizations must understand both their customers and their competitors. Internal and competitive analysis is the third fundamental step in the development of revenue management strategy for the hospitality industry. The assessment usually adheres to the following steps:

- Identify the competitors with which the organization competes most directly.

- Use competitive intelligence to conduct primary research and gather secondary research regarding the identified competitors.
- Compare the organization with its competitors by completing an internal assessment, usually through a SWOT analysis.
- Prepare a SWOT analysis for each competitor within the organization's competitive set.
- Use the information obtained from the previous steps to develop a set of strategies.

Macau's casino operators are today seeking to obtain a competitive edge or advantage over others. Finding a competitive advantage will help them to excel or to maintain competitiveness. By this point, students should possess a better understanding of the competitive forces impacting on the organization's operations.

4. Economic Principles and Demand Forecasting

Demand forecasting is another step in the development of revenue management strategy. More accurate forecasts lead to better decision making, which leads in turn to higher revenues. It is part perspiration and part intuition. The following economic elements help to explain the dynamics of the market economy for students, Opportunity costs; Supply and demand; Market equilibrium; Substitutes, complements, and inferior goods and Price elasticity.

No matter how much data is collected or fed into a computer, it usually requires human experience and analysis to apply the information in the creation of a reliable future prediction. Macau casino operators can manage demand by controlling, directing, influencing, and creating tourist purchasing propensities at a point in time. It is particularly important that they should determine the price elasticity of their products and services. This will enable them to project their customers' possible reactions to price fluctuations.

Target Audience

This case study is suitable for senior-level undergraduate university and college students and for hospitality revenue management professionals who are new to the field. The intention of the case is to develop an understanding of the necessity of strategy reformation in dynamic economic environments and the issues which accompany its implementation. This topic is particularly suitable for undergraduate students who may encounter such situations in their future professional lives. The issues associated with evaluating and adjusting strategies and tactics are suitable for more professional students, such as at masterate level.

Teaching Approach and Strategy

It is recommended that at least four class sessions are dedicated to the case study. The first can start with an introductory lecture about revenue management in the hospitality industry and the ways to analyze customers. The second session can begin with an explana-

tion of market segmentation and selection. This can be followed by an introduction to Macau's economy and to its six main casino resort operators. The students will then separate into different groups. Each group will work on a new hotel project in the Cotai Strip. They are asked to collect as much detailed information about the chosen operator as possible. The third section can be mainly about the process of undertaking internal and competitive analysis and the economic principles used in demand forecasting. In addition, the different pricing strategy should be specified. The relationship between price and revenue should be emphasized to help with the formulation of pricing strategy. Following receipt of the case, students should analyze, discuss and prepare the materials in advance. The fourth class session can be dedicated to discussing the positioning plan of the three new casino resort projects. The student groups can present their analyses and strategic plans, including recommendations about how operators can be more competitive in the current economic environment.

Suggested Readings

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- Tranter, K, Hill, T and Parker, J. (2008). *An Introduction to Revenue Management for the Hospitality Industry*. Upper Saddle River, NJ: Prentice Hall.

Fig. 1 Macau Tourist Arrivals (extracted from DSEC)

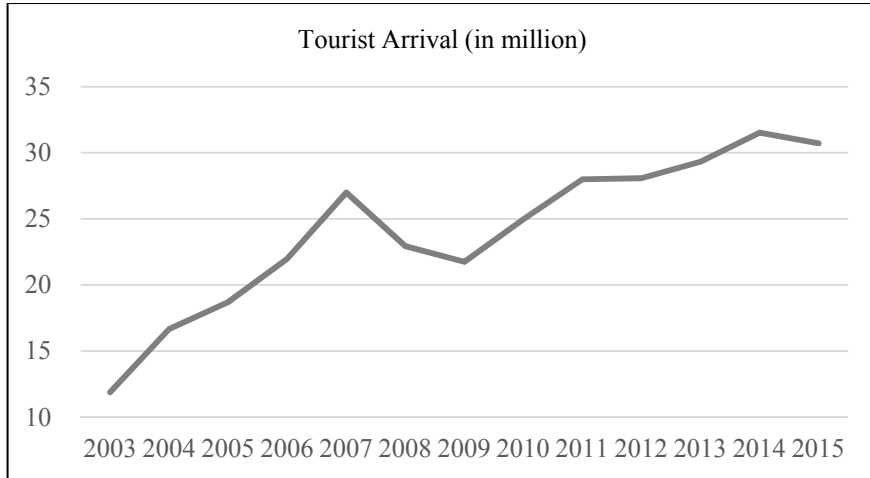


Fig. 2 Macau Total Gaming Receipts (extracted from DSEC)

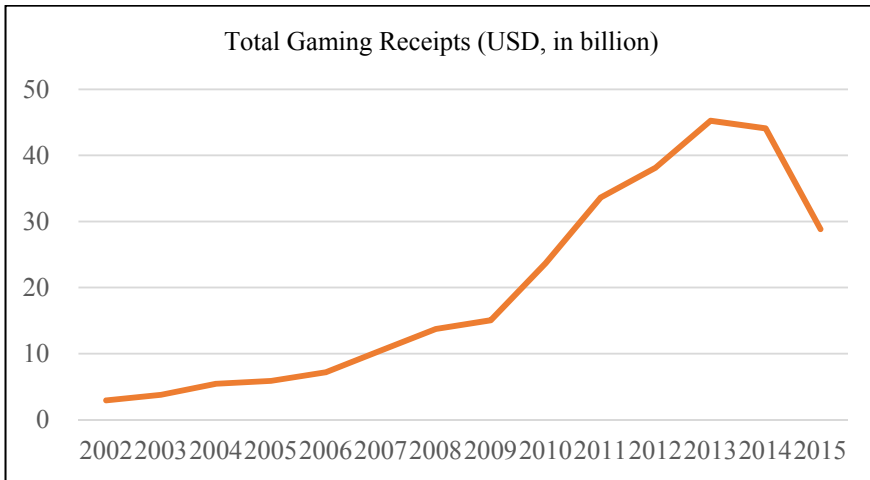


Fig. 3 Total Gaming Receipts against Tourist Arrivals (extracted from DESC)

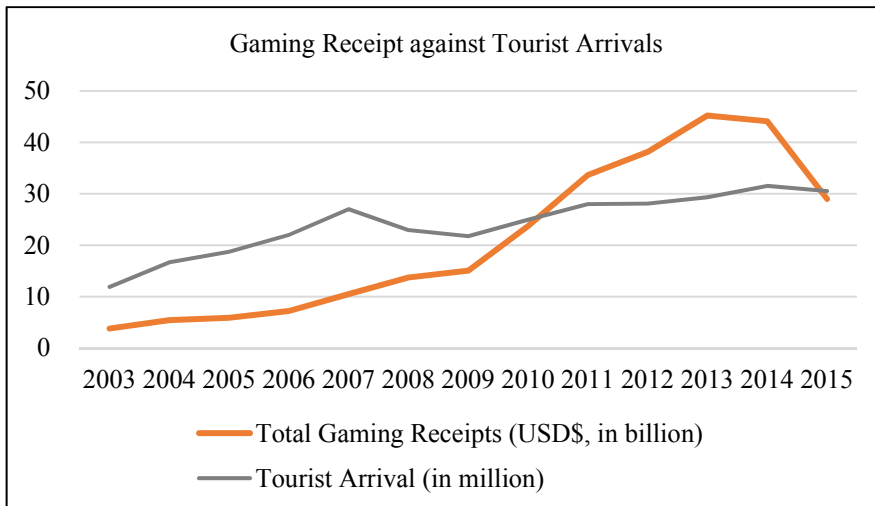
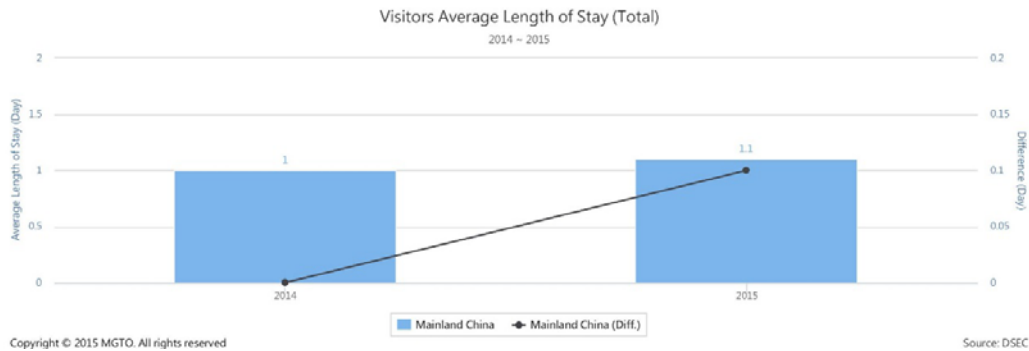


Fig. 4

Average Length of Stay of Macau visitors (extracted from MGTO)

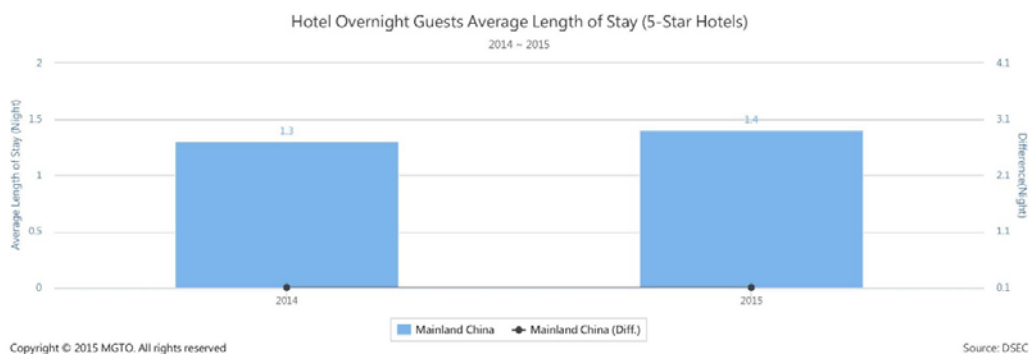


Explanations:

- Visitor: Any person taking a trip to a main destination outside his/her usual environment, for less than a year, for any main purpose other than to be employed by a resident entity in the destination or place visited.
- Overnight Visitor: Visitor who stays at least one night in a residential accommodation or casino in the place visited, or has accommodation arrangement with a hotel/guesthouse.
- Same-day Visitor: Visitor who does not spend the night in any residential accommodation, hotel/guesthouse, or casino in the place visited, nor does he/she have accommodation arrangement with a hotel/guesthouse.
- From April 2015, Statistics and Census Service (DSEC) has classified visitor arrivals by place of issue of travel document instead of using place of residence.
- According to DSEC, the visitor arrivals figures from year 2008 onward do not include other non-residents, namely workers, students, etc.
- Statistical unit: Day.
- If the chart does not indicate the data, it represents the data is not applicable.

Fig. 5

Average Length of Stay of Macau Hotel Overnight Guests (extracted from MGTO)



Explanations:

- Hotel Overnight Guests: The number of hotel guests by place of residence staying at the beginning of the reference period and checked-in during that period.
- Statistical unit: Night.
- If the chart does not indicate the data, it represents the data is not applicable.

Table 1

The Casino Resort operations of the 6 Concessionaires in Cotai

Concessionaire	Hotel	Star Rating	No of Rooms	BAR (MOP\$)	Features
Sands China	Four Seasons	5-Star Luxury	360	\$1,888 up	100+ F&B Outlets; Fitness Center, Spa and Swimming Pool; Shopping Mall with 600+ Retails Stores; MICE Facilities, Largest Banquet Hall and Exhibition Hall in Macau; 15,000-seat Arena; 1800-seat Theatre; Rooftop Mini Golf; Gondola Rides; Qube - Kid's Playground; Cotai Jet - Ferry Service between Hong Kong and Macau
	Venetian	5-Star	2905	\$1,698 up	
	Conrad	5-Star	636	\$2,098 up	
	Sheraton	5-Star	3968	\$1,488 up	
	St. Regis	5-Star	400	\$2,488 up	
	Holiday Inn	4-Star	1224	\$1,198 up	
	Parisian (Under Construction)	TBA	2950	TBA	Additional Facilities from the new project: Eiffel Tower Observation Deck; Water-based Themed Playground next to Swimming Pool
Wynn Macau	Wynn Palace (Under Construction)	5-Star	1700	TBA	F&B Outlets; Fitness Center, Spa, Salon and Swimming Pool; Meeting Facilities; Performance Lake; Air-Conditioned Sky-Cab; Retail Stores
Galaxy Entertainment Group	Galaxy	5-Star	1500	\$1,388 up	120+ F&B Outlets; Fitness Center, Spa and Swimming Pool; Water-based Facilities - Wave Pool, Waterslides, Adventure River Ride, Kids' Island, etc; Shopping Mall with 200+ Retails Stores; Meeting facilities; 3000-seat Theatre; Kid's playground
	Banyan Tree	5-Star	250	\$2,599 up	
	Okura	5-Star	488	\$1,388 up	
	JW Marriott	5-Star	1250	\$1,488 up	
	Ritz Carlton	5-Star	250	\$3,088 up	
	Broadway	4-Star	320	\$1,288 up	
MGM	MGM Cotai (Under Construction)	5-Star	1500	TBA	F&B Outlets; Dynamic Theatre; Meeting Facilities; High End Spa; Retail Stores
Sociedade de Jogos de Macau S.A. ("SJM")	Palazzo Versace (Under Construction)	5-Star Luxury or 5-Star	270	TBA	F&B Outlets; Fitness Center, Spa and Swimming Pool; Meeting Facilities Themed Shopping Mall; Wedding Pavilion; Theatre; Connected to Hello Kitty Theme Park (pending government approval)
	Karl Lagerfeld (TBA) (Under Construction)	5-Star Luxury or 5-Star	270	TBA	
	New Project (Under Construction)	TBA	1450	TBA	
Melco Crown	Crown Tower	5-Star Luxury	290	\$1,888 up	50+ F&B Outlets; Fitness Center, Spa and Swimming Pool; Retails Stores; Meeting Facilities; Water-based Resident Show; Resident Show of Seductive Theme; Cubic - Clubbing; 5000-seat Theatre; Golden Reel - Figure-8 shape Ferris Reel; Batman Themed Flight Simulation Ride; Warner Bros Themed Kid's Zone with Rides; Resident Magic Shows; Studio 8 - TV Recording and Broadcasting Studio; Pacha - Clubbing Additional Facilities from the new project: Sky Pool; Ultra Lounge
	Grand Hyatt	5-Star	791	\$1,499 up	
	Hard Rock	4-Star	326	\$1,088 up	
	Studio City	4-Star	1600	\$1,688 up	
	New Project (Under Construction)	TBA	780	TBA	

Information retrieved from respective Concessionaire's website and/or press center as of 01-Feb-2016.

Table 2**Per-capita Spending of Visitors by Residence - 1st Quarter of 2016 (Unit: MOP)**

Place of Residence		Visitor		Overnight Visitor		Same-Day Visitor	
		2016	2015	2016	2015	2016	2015
Total		1 547	1 802	2 525	3 230	679	706
Mainland China		1 762	2 152	2 897	3 885	813	861
	Guangdong Province	1 437	1 553	2 117	2 490	1 119	1 173
	Fujian Province	1 415	1 486	2 817	2 991	158	200
	Individual Visit Scheme	2 043	2 279	3 130	3 823	1 292	1 323
	Guangdong Province	1 617	1 721	2 203	2 523	1 368	1 429
	Fujian Province	3 084	2 811	3 936	3 722	757	869
Hong Kong		950	850	1 550	1 537	388	358
Taiwan		1 579	1 616	2 973	3 316	201	258
Japan		1 692	1 504	2 627	2 275	402	445
Southeast Asia		1 404	1 560	2 170	2 397	471	453
Malaysia		1 619	1 640	2 507	2 563	428	443
Singapore		1 635	1 782	2 491	2 895	556	496
Thailand		1 180	1 466	2 157	2 391	435	434
Other Southeast Asian Countries		1 338	1 479	1 928	2 160	485	451
Americas		1 165	1 238	1 854	2 063	457	465
U.S.A.		1 249	1 320	2 025	2 268	454	441
Other American Countries		1 030	1 103	1 580	1 728	462	505
Europe		1 127	1 093	1 919	1 958	422	380
United Kingdom		1 329	1 628	2 144	2 899	480	436
Other European Countries		1 072	936	1 850	1 656	408	365
Oceania		1 399	1 223	2 234	1 932	430	449
Australia		1 412	1 227	2 266	1 923	440	474
Other Oceanian Countries		1 312	1 193	2 034	1 989	353	285
Others		1 296	1 278	1 973	2 119	505	441

Source of data: Visitor Expenditure Survey; retrieved from MGTO

Table 3

**Per-capita Spending of Visitors by Residence and Type of Expense—
1st Quarter of 2016 (Unit: MOP)**

Place of Residence	Shopping		Accommodation		Food & Beverage		Outbound Transport		Others		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
Total	677	871	430	462	315	339	73	75	52	55	
Mainland China	923	1 198	444	501	304	347	40	48	51	57	
	Guangdong Province	990	1 078	198	198	200	213	17	27	33	37
	Fujian Province	563	687	501	375	250	323	62	34	38	67
	Individual Visit Scheme	1 269	1 435	385	407	305	333	42	56	43	46
	Guangdong Province	1 194	1 281	178	168	196	208	18	31	30	32
	Fujian Province	1 298	1 306	1 033	812	570	535	109	90	74	68
Hong Kong	153	136	277	232	330	294	146	144	43	44	
Taiwan	383	402	644	664	391	418	28	22	133	110	
Japan	139	130	935	767	383	377	165	180	70	51	
Southeast Asia	341	344	564	674	316	383	131	107	52	51	
Malaysia	418	395	640	697	377	388	114	92	69	69	
Singapore	350	381	704	803	391	440	136	91	54	69	
Thailand	391	377	385	627	255	345	106	82	43	36	
Other Southeast Asian Countries	279	291	568	636	293	378	149	132	48	41	
Americas	144	178	490	507	337	359	152	137	43	56	
U.S.A.	136	174	547	571	368	383	153	135	46	56	
Other American Countries	156	184	400	402	288	319	150	141	38	56	
Europe	111	123	434	440	366	307	174	170	43	53	
United Kingdom	179	246	535	603	377	512	186	184	52	83	
Other European Countries	93	88	406	392	362	246	170	166	40	44	
Oceania	208	176	604	485	360	334	172	172	55	57	
Australia	227	184	627	482	334	326	167	176	57	60	
Other Oceanian Countries	82	120	449	504	534	386	207	146	41	37	
Others	166	135	577	613	316	321	184	169	52	40	
<i>Source of data: Visitor Expenditure Survey; retrieved from MGTO</i>			<i>Note: Outbound transport excludes airfare</i>								

Table 4

**Per-capita Spending of Visitors by Residence and Type of Purchase—
1st Quarter of 2016 (Unit: MOP)**

Place of Residence	Clothing		Jewellery & Watches		Local Food Products		Cosmetics & Perfume		Handbags & Shoes		Others		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
Total	112	157	49	96	223	244	147	142	63	116	83	117	
Mainland China	153	218	72	141	268	295	219	207	88	167	123	170	
	Guangdong Province	93	88	90	129	356	359	224	226	60	70	167	206
	Fujian Province	79	187	67	24	120	191	102	94	43	84	152	108
	Individual Visit Scheme	188	209	130	199	393	412	268	251	121	161	167	204
	Guangdong Province	105	93	113	162	435	437	264	275	74	77	204	238
	Fujian Province	328	309	284	99	215	331	287	253	120	220	63	95
Hong Kong	15	12	2	2	124	113	3	1	6	6	4	2	
Taiwan	89	99	6	8	198	213	27	21	48	39	16	23	
Japan	12	2	-	-	113	124	5	-	9	1	1	2	
Southeast Asia	81	68	5	0#	203	250	7	13	30	10	15	2	
Malaysia	59	80	15	0#	321	291	2	5	19	16	2	2	
Singapore	54	58	-	1	246	293	12	5	24	18	14	5	
Thailand	136	67	-	-	170	252	17	44	34	14	35	1	
Other Southeast Asian Countries	75	66	3	-	150	213	2	7	36	3	13	2	
Americas	26	15	-	1	100	142	3	3	1	11	13	7	
U.S.A.	28	18	-	-	101	140	3	2	-	7	5	8	
Other American Countries	23	11	-	3	98	144	5	4	3	18	26	5	
Europe	32	34	-	-	59	82	3	3	13	-	5	4	
United Kingdom	37	96	-	-	105	137	12	0#	15	-	9	13	
Other European Countries	30	16	-	-	47	66	-	4	12	-	4	2	
Oceania	57	39	-	6	131	120	1	-	19	7	1	3	
Australia	61	45	-	-	143	127	-	-	22	9	1	3	
Other Oceanian Countries	31	-	-	41	45	79	6	-	-	-	-	-	
Others	45	19	2	-	101	107	6	2	10	1	2	6	
Source of data: Visitor Expenditure Survey; retrieved from MGTO							"-"Absolute value equals zero						
0# Magnitude less than half of the unit employed													

Table 5

Visitors by Residence and Main Purpose of Visit - 1st Quarter of 2016 (%)

Place of Residence	Vacation	Visiting Relatives or Friends	Attending MICE Events	Business & Professional	Shopping	Gaming	Transit	Others
Total	45.0	5.5	0.3	4.3	11.9	7.0	19.0	7.0
Mainland China	43.3	3.7	0.3	1.6	17.6	2.8	24.2	6.5
Guangdong Province	33.7	4.8	-	1.2	34.1	2.5	16.1	7.6
Fujian Province	29.5	11.0	0.1	6.3	2.2	2.5	43.7	4.7
Individual Visit Scheme	49.0	4.2	0.1	1.3	31.9	2.4	1.7	9.4
Guangdong Province	39.2	5.0	-	1.1	42.2	2.0	1.5	9.0
Fujian Province	69.2	8.2	0.3	1.6	3.5	5.9	0.8	10.5
Hong Kong	37.9	11.9	0.2	13.6	0.6	23.3	4.6	7.9
Taiwan	76.8	2.4	1.9	5.7	0.2	3.9	4.1	5.0
Japan	39.7	3.9	0.7	3.1	0.5	3.1	40.2	8.8
Southeast Asia	71.9	3.9	1.0	2.4	0.8	1.8	11.5	6.7
Malaysia	68.4	1.8	-	0.9	1.6	2.3	19.4	5.6
Singapore	66.6	3.8	0.8	6.1	2.0	2.2	12.8	5.7
Thailand	64.6	1.1	1.0	3.3	0.3	3.1	18.8	7.8
Other Southeast Asian Countries	78.5	6.2	1.5	1.5	0.2	0.9	4.2	7.0
Americas	63.8	9.5	0#	4.2	0.8	2.7	6.8	12.2
U.S.A.	65.8	8.6	-	6.2	0.5	1.5	6.0	11.4
Other American Countries	60.5	10.8	0.1	1.0	1.3	4.6	8.2	13.5
Europe	75.9	6.0	-	5.6	0.3	1.2	3.8	7.2
United Kingdom	67.0	13.0	-	5.1	-	1.6	2.4	10.9
Other European Countries	78.4	4.0	-	5.7	0.4	1.1	4.2	6.2
Oceania	66.7	6.4	1.4	4.7	1.9	1.5	4.3	13.1
Australia	68.9	4.3	1.6	5.4	2.1	1.6	4.9	11.2
Other Oceanian Countries	51.4	21.1	-	-	0.8	0.7	-	26.0
Others	81.6	1.9	0.6	2.0	0.4	1.3	2.6	9.6
<i>Source of data: Visitor Expenditure Survey; retrieved from MGTO</i>				<i>0# Magnitude less than half of the unit employed</i>				
<i>“-” Absolute value equals zero</i>								

Table 6

Visitors by Residence and Economic Activity Status—1st Quarter of 2016 (%)

Place of Residence	Unemployed and Economically Inactive Persons	Occupation					
		Legislators, Senior Officials and Managers	Professionals	Technicians and Associate Professionals	Clerks	Service and Sales Workers	Others
Total	32.5	19.9	10.1	13.4	12.4	8.0	3.7
Mainland China	32.6	21.0	8.7	12.7	13.1	8.2	3.7
Guangdong Province	34.1	16.5	5.7	13.3	17.3	9.3	3.8
Fujian Province	28.7	16.9	8.8	3.3	7.8	19.1	15.4
Individual Visit Scheme	34.1	17.1	6.8	12.7	17.2	8.9	3.2
Guangdong Province	34.9	14.0	5.2	13.0	18.9	10.0	4.0
Fujian Province	40.2	29.2	6.5	7.2	11.2	5.7	-
Hong Kong	35.7	15.1	8.6	15.1	11.8	8.5	5.2
Taiwan	21.7	28.8	12.5	17.6	9.2	8.4	1.8
Japan	29.0	16.2	14.9	10.6	18.8	7.5	3.0
Southeast Asia	25.5	23.2	17.3	14.7	10.1	8.2	1.0
Malaysia	28.9	27.9	9.9	11.7	11.3	8.3	2.0
Singapore	24.0	29.8	14.9	13.7	10.4	6.4	0.8
Thailand	28.1	19.9	21.2	13.8	7.9	8.6	0.5
Other Southeast Asian Countries	23.1	20.5	19.7	16.7	10.4	8.6	1.0
Americas	26.1	23.1	28.0	13.9	5.0	3.1	0.8
U.S.A.	25.1	21.3	31.0	14.8	6.2	1.3	0.3
Other American Countries	27.8	25.9	23.1	12.5	3.0	6.0	1.7
Europe	22.3	21.7	33.1	14.5	4.0	3.9	0.5
United Kingdom	31.8	17.1	28.7	16.2	1.6	4.6	-
Other European Countries	19.8	22.9	34.2	14.1	4.6	3.8	0.6
Oceania	26.1	21.0	25.5	15.6	5.1	4.2	2.5
Australia	24.4	22.0	26.6	14.0	5.7	4.7	2.6
Other Oceanian Countries	39.6	13.0	17.2	29.2	-	-	1.0
Others	34.2	14.9	24.4	12.3	9.6	4.3	0.3
Source of data: Visitor Expenditure Survey; retrieved from MGTO			-"Absolute value equals zero				

Table 7

**Occupancy Rate of Hotel Sector
(Jan 2015—Jul 2016) (%)**

2015	Jan.	79.7
	Feb.	80.4
	Mar.	77.4
	Apr.	79.7
	May	79.9
	Jun.	75.4
	Jul.	82.8
	Aug.	86.2
	Sept.	78.4
	Oct.	81.0
	Nov.	84.5
	Dec.	82.8
2016	Jan.	76.5
	Feb.	78.6
	Mar.	76.5
	Apr.	79.0
	May	79.2
	Jun.	82.0
	Jul.	86.8

Source of data: retrieved from DSEC

case study

Managing Food Safety Errors: A case study of Chipotle Mexican Grill

By Priyanko Guchait, Sujata Sirsat, Jay Neal and Jeanna L. Abbott

Introduction

Founded in 1993, Chipotle Mexican Grill is a chain of restaurants in the United States, Canada, United Kingdom, France and Germany with approximately 1900 locations. Based on its mission statement called Food with Integrity, Chipotle's marketing has focused on the image that it makes a high quality food "responsibly raising the bar." This includes "caring deeply about where our ingredients come from, sharing same values with farmers and believing that small farms are better and thinking animals raised outdoors are happier". Unfortunately, caring, sharing, believing and thinking are not proven food safety methods. In 2015, Chipotle experienced a trifecta of foodborne illness outbreaks which included 53 people sickened by *Escherichia coli* O157:H7, 64 people with nine hospitalizations due to *Salmonella* contamination and 234 customers and employees contracted norovirus in August and then again in late November affecting 140 college students in the Boston area. When all was said and done, three different pathogens caused five known outbreaks for Chipotle in 2015. Prior to the outbreak, Chipotle's stock prices were at \$757 a share on October 13. Stock prices fell as low as \$475 a share, causing a 37% decline. As a result, Chipotle has lost \$8 billion in value since its stock peaked in August. In early 2016, investors filed a class action lawsuit claiming the company and its founder and co-chief executive, Steve Eells, made "materially false and misleading statements" about Chipotle's food safety controls in the wake of the outbreaks. The lawsuit accuses Chipotle of failing to disclose that its "quality controls were inadequate to safeguard consumer and employee health". It also alleges that Chipotle executives misled investors and the public about the severity of the outbreaks with a "reckless disregard for the truth".

They have built their corporate image of being healthy and conscientious by promoting unprocessed, free of antibiotics and genetically modified organisms (GMOs), sometimes organic and sometimes local but they were not paying attention to microbial safety. Based on the pathogens identified, contamination occurred on the farm, in transport, mishandling storage of products and by restaurant employees. Implementation of Good Agricultural Practices (GAPs) and Hazard Analysis Critical Control Points (HACCP) can reduce risks; however, employee behaviors are more challenging to control and are often driven by corporate culture. The remainder of this case study will focus on how food

service employee behaviors can influence food safety in restaurants.

Scenario

The Environmental Health Division of Ventura County's Resource Management Agency in Simi Valley, CA reported the first illness at the Chipotle Mexican Grill to the Chipotle's executive officer by email at 9:36 p.m. on Thursday, August 20, 2015. One hospitalization and 16 illnesses were reported later that day. The county's health department later identified the cause as norovirus and has a detailed tracking of complaints reporting the number of illness to be 234; however, the number floating in the media was 98. The events transgressed as follows:

- Saturday, August 22, 2015, Chipotle's corporate offices reported that 17 employees in Simi Valley were ill and that the company was sending in replacements for everyone working at the Simi Town Center location.
- Monday, August 24, 2015 the health authorities inspected the restaurant. Multiple violations were reported including:
 - Failures in pest control, sanitation, and maintenance
 - Employees were working without food handler cards
 - Restrooms were unclean and not in good condition
 - Mildew was observed in ice machine
 - Food debris was found in the lower compartment of the deep fryer
 - Cooked beef was observed to be held at 118°F
- On the same day, county authorities were informed that another 74 persons (customers) became ill.
- August 26, 2015, the county nurse started contacting patients who became sick to obtain stool samples to identify the agent(s) that caused the illness.
- August 27, 2015, the Chipotle manager reported that a "more stringent" hand-washing policy was being imposed.
- August 28, 2015, the health department picked up food samples from Chipotle to conduct molecular testing to identify specific agent (s) that caused the outbreak.
- August 29, 2015, County Public Health authorities made it official that its lab had five positive results for norovirus. The county began using "exclusion notices" to prevent employees from reporting for work until cleared. One Chipotle employee also worked at the Panda Express in Simi Valley and was excluded from working there as well.

Priyanko Guchait, Sujata Sirsat, Jay Neal and Jeanna L. Abbott are all affiliated with University of Houston.

- All were clear to return to work by Sept. 25, 2015.

In the final inspection associated with the outbreak, September 17, 2015, the managers agreed to not allow employees to store personal items, such as cell phones, in food preparation areas. In late November, more than 140 Boston College students including half of the basketball team contracted norovirus from a local Chipotle. The source was identified as a sick worker who was not sent home despite the fact that the company started offering paid sick leave (a rarity in the restaurants industry) in June.

In December 2015, Chipotle ran print advertisements in 60 newspaper markets with an apology from Steve Ells, the burrito chain's founder and co-chief executive. However, his apology only went to the victims of the current nine-state E. coli O26 outbreak and the Boston College norovirus outbreak.

"From the beginning, all of our food safety programs have met or exceeded industry standards," Ells said. "But recent incidents, an E. coli outbreak that sickened 52 people and a norovirus outbreak that sickened approximately 140 people at a single Chipotle restaurant in Boston, have shown us that we need to do better, much better."

Literature Review

Errors are unintended deviations from plans, goals, or adequate feedback processing as well as an incorrect action that result from lack of knowledge (Zapf et al., 1992). The unintentional nature of the deviation is one way to differentiate errors from violations (which are intentional deviations from standards, norms, practices, or recommendations) (Van Dyck et al., 2005). Errors occur in every organization and can result in negative consequences such as loss of time, faulty products, production and quality losses, increased costs, loss of revenue, decreased employee performance and morale, loss of clients, and foodborne illnesses possibly leading to fatalities (Homsma et al. 2009; Swanson and Hsu 2011). Since errors can potentially lead to negative and even disastrous consequences, most companies attempt to prevent errors by the use of sophisticated technologies, rigid systems, and strict policies that focus on controlling employee behavior (Reason, 1990). However, despite these efforts, human fallibility prevails, making it impossible to eliminate errors completely (Reason, 1997). Although it is difficult to predict what or when specific errors may occur, they do occur once in a while (Van Dyck et al., 2005).

Human errors occur in organizations resulting from physiological and psychological limitations of humans (Helmreich, 2000). Identified causes of errors include exhaustion, fatigue, workload, anxiety, cognitive overload, poor interpersonal communications, imperfect information-processing, and flawed decision-making (Helmreich & Merritt, 1998). Often workplace conditions and the very nature of the work causes errors such as high workload, time pressure, requirement of quick changes between tasks, requirement of learning new things

about task, technology and customers, and requirement of high coordination to accomplish tasks (Zapf et al., 1992; Karatepe, 2012).

Errors can happen anywhere in an organization: external errors involving customers – both front of house (e.g. servers placing wrong orders), back of house (cooks overcooking meat) – and internal errors involving employees, managers, and department (errors in accounts, finance, and HR departments) (Guchait et al., 2015b). Errors may also occur through no fault of an individual/organization, but still the individual/organization may be responsible to resolve the error (e.g., errors by suppliers). Therefore, it is important that organizations not only focus on error *prevention* but also on error *management*. While error prevention aims to avoid negative error consequences by avoiding the error altogether, the error management approach assumes that human errors can never be completely prevented, and therefore it is necessary to ask what can be done after an error has occurred (Frese, 1991; 1995).

Error management is a strategy that focuses on minimizing the negative consequences of errors by early detection and quick error correction, and on preventing similar errors in the future by analyzing the cause of errors and learning from errors (Van Dyck et al., 2013). Open communication about errors is the most important error management practice, allowing for the development of shared understanding about errors, potential error situations, and effective error handling strategies (Guchait et al., 2014; Van Dyck et al., 2005). This methodology also results in quick error detection and makes it possible to receive help from others in these situations. All these factors result in quick, smooth, and well-coordinated error handling (Guchait et al., 2015a).

Discussion Questions

- What were the errors and violations that occurred in this case?
- What are the causes of these errors? What are the conditions that lead to these errors?
- How could the errors be resolved more effectively?
- How could the errors be detected more quickly?
- How could the errors be prevented (from occurring in the first place)?
- How can the organization learn from this incident? How can they prevent future errors?
- How can organizations encourage employees to report errors (and share information about errors)?
- What kinds of skills do managers and employees need to handle such errors: to prevent, detect, and resolve?
- What kind of training techniques/strategies can be used to prepare managers and employees to handle such errors: to prevent, detect, and resolve?
- Overall, how do you think these extreme negative consequences (illnesses, bad PR, loss of revenues) could have been avoided?

Managing Food Safety Errors: A case study of Chipotle Mexican Grill

Summary

This case study is designed to have students: (a) identify/detect and anticipate food safety errors; (b) understand the conditions (causes) that lead to such errors; (c) prevent errors; (d) resolve errors once it occurs; and (e) learn from errors (share information and communicate about errors). As future managers in the hospitality industry, students must be able to effectively reduce the risk of negative consequences of food safety errors (foodborne illness outbreaks).

Teaching and Learning Objectives

The objective of this case study is to provide real-world examples of food safety errors in food-service organizations and to have a discussion on how these errors can be resolved and how to prevent them from occurring in the future. The errors that organizations and employees make often result in disastrous consequences affecting organizations' reputation and revenues. The scenario within the case study gives students the opportunity to think about how errors occur and how such errors impact customers and organization. Through this case study, students have the opportunity to understand how to manage errors effectively.

By the end of this session, students should be able to:

- Detect different types of food safety errors (Bloom's Taxonomy – Analysis)
 - Employee errors (behaviors) that contribute to foodborne illnesses
 - System errors that contribute to foodborne illnesses
- Detect conditions (cause) that lead to food safety errors (Bloom's Taxonomy – Analysis)
- Propose error resolution techniques (Bloom's Taxonomy – Synthesis)
- Propose error prevention techniques (Bloom's Taxonomy – Synthesis)
- Generate a list of skills required to handle errors effectively (Bloom's Taxonomy – Synthesis)
- Design error reporting channels (Bloom's Taxonomy – Synthesis)
- Propose training techniques to prepare employees to handle errors effectively (Bloom's Taxonomy – Synthesis)
- Critique the error management techniques (justify why yours are better than the company's) (Bloom's Taxonomy – Evaluation)

Target Audience

The target audience for this case study is both undergraduate and graduate students enrolled in various hospitality and business courses including food safety and sanitation, service operations, quality assur-

ance, strategic management, and organizational behavior. This case study provides students with actual examples of food safety errors and organizations' attempts to resolve the errors. This case study is useful for training future hospitality employees and leaders about managing food safety errors effectively. This case will benefit students and hospitality industry leaders in recognizing the importance of error management practices and training.

Teaching Approach

Prior to discussing the case study, students should know the basic principle of food safety in restaurants and be familiar with the concept of violations from a regulatory perspective. Additionally, before beginning the case study, instructors should review effective error management strategies and practices and its significance (Van Dyck et al., 2005; 2013; Rybowski et al., 1999; Frese, 1995). Once this foundation is created, begin the discussion with food safety errors students have observed and how the organization and managers resolved the errors (based on their personal experiences). The instructor can ask questions like: "What food safety errors have you observed? What was done to resolve the errors? What steps are taken to prevent such errors? Were these error management practices effective?" Through these incidents students will have the opportunity to know about various food safety errors and what steps organizations take to prevent and resolve such errors effectively. In doing so, the first three levels of Bloom's Taxonomy (2001) are applied. The students memorize information about different types of errors and error management practices (Knowledge). The students explain the types of errors and error management practices in their own words (Comprehension). Then, students provide examples of food safety errors and error management practices based on their personal experiences (Application).

Next, students will be asked to form small groups of no more than 4 to 5 people per group. Each group will be given instructions to read the case study and understand the impact of this foodborne illness outbreak. It works well if you have students write down their answer to discussion questions below and turn it in so that you can see how many were able to think critically and apply principles learnt in the course. The group work takes approximately 20 to 25 minutes to complete followed by a class discussion.

The discussion questions are designed to emphasize each of the objectives.

Discussion Points:

1. What were the errors, failures, mistakes, and violations that occurred in this case?

Possible answers: First, a restaurant employee who had a norovirus infection came to work and made the other employees and restaurant customers sick. Also, based on the restaurant inspection reports by county health authorities that was conducted after the outbreak, there seems to be systemic failures towards being compliant. Some of these are as follows:

- Failures in pest control, sanitation, and maintenance
- Employees were working without food handler cards
- Restrooms were unclean and not in good condition
- Mildew was observed in ice machine
- Food debris was found in the lower compartment of the deep fryer
- Cooked beef was observed to be held at 118°F (in the temperature danger zone)

2. What are the causes of these errors? What are the conditions that lead to these errors?

Possible answers: Negligence the employee who decided to come to work sick. Negligence by the management who did not fix the errors found by the health department (e.g. failures in sanitation, food held in the danger zone, etc.) in a timely manner. A lack of food safety culture from the top down leading to the impression that food safety was not a priority at this restaurant. Through discussion of question #2 (detecting types of food safety errors) and question #3 (detecting causes of such errors) the fourth level of Bloom's taxonomy is applied (Analysis).

3. How could the errors be resolved more effectively?

Possible answers and discussion points: Effective management and ensuring that the manager creates an atmosphere of following good sanitation practices. This goes beyond ensuring that the ice machine is cleaned, food debris removed, and hot food is held at 135°F. This occurs when food safety is on top of the priority list and is part of regular day-to-day activity. Here a discussion could be started about whether food safety practices can be a priority for employees if it is not the manager's priority.

4. How could the errors be detected more quickly?

Possible answers and discussion points: First, managers must support and follow company initiatives such as the current sick policy and not encourage employees to come to work sick. Managers must also ensure that employees have the correct tools (thermometers) and have set times or procedures when food temperatures are being taken and monitored. By establishing hand washing training and monitoring em-

ployee behaviors, personal hygiene related incidents could be reduced. As these practices become the employee norms, non-compliance will be identified by other employees and will either self-monitor or report each other.

5. How could the errors be prevented (from occurring in the first place)?

Possible answers and discussion points: Food safety errors can be prevented by using a crisis management approach during the initial training session with employees. This could enable your employees to look at the big picture and understand the implications of a foodborne illness outbreak and how it can lead to fatalities. One of the challenges of comprehending the implications of a foodborne illness caused due to errors in a restaurant is that the restaurant employee is not able to see how his/her negligence may affect customers (unlike a clinical setting).

6. How can the organization learn from this incident? How can they prevent future errors?

Possible answers: In order to prevent future foodborne illness outbreaks, a change in the overall culture and approach to food safety and good sanitation practices need to be followed. This can only be done by ensuring that the manager cares about food safety. While training may not be the silver bullet, it may be a good first step followed by actually incorporating and following best practices.

7. How can organizations encourage employees to report errors (and share information about errors)?

Possible answers: Encourage employees to do that right thing. Reward employees (even if its simply words of encouragement) for bringing up any issues that they may have observed instead of ignoring/belittling their concerns.

8. What kind of skills managers and employees need to handle such errors: to prevent, detect, and resolve?

Possible answers: Prevent: by using a risk management approach. This is best done by envisioning the worst case scenario and working backwards to ensure that those scenarios do not take place.

Detect: by being vigilant at all times to any possibilities that food may become contaminated. This can be done by following the flow of food in the restaurant and making sure that risks are reduced. Walking the talk is also crucial to ensure that your employees take you seriously and follow your lead.

Resolve: If an error occurs, take responsibility and fix it.

9. What kind of training techniques/strategies can be used to prepare managers and employees to handle such errors: to prevent, detect, and resolve?

Possible answers: In an ideal case scenario, the company/

owner may want to hire a manager who genuinely cares about food safety and/or who is worried about a foodborne illness outbreak and the implications that follow. One of the most effective strategies for ensuring that employees handle food safety related errors effectively is by making the scenario visceral and personal.

Through discussion of questions 2-9, the fifth level of Bloom's taxonomy is applied (Synthesis), since the students propose new techniques to resolve and prevent errors; they generate a list of skills required to handle errors effectively; they design error reporting channels; and propose error management training techniques.

10. Overall, how do you think these extreme negative consequences (illnesses, bad PR, loss of revenues) could have been avoided?

Possible answers and discussion points: It is the responsibility of the food service manager to ensure that employees do not come to work when they are sick. There should be no exception to this policy and managers have to walk the talk when it comes to good food safety practices. This will create a culture of ensuring that good practices, including staying at home when sick, are followed. However, this may not be as simple as it sounds since in some cases the employee may be a sole income provider for her/his family and/or a single parent. This can spark a class discussion on what the restaurant industry can do to address the fundamental challenges associated with this practices of coming to work sick. A plausible solution may be paid sick leave. Also, one of the main PR highlights of this restaurant is "food with integrity". This does not mean safe food. A discussion if loyal customers may feel more let down because of an outbreak at this restaurant versus another restaurant that does not carry a similar message may be interesting.

Finally, through discussion of question #10, the final level of Bloom's taxonomy is applied (Evaluation), since the students critique the ways the company in the case study handled the food safety errors, and they justify why their propositions/strategies are better than the company's.

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Marijuana Legalization and its Impact on Hotel Operations

By Jackson Lamb, Robert (Bob) Farmer and Jacob Thinnes

Introduction

Colorado has long been viewed as a progressive and independent thinking state. When the state legislature approved the cultivation and consumption of medical marijuana in 2010, no one anticipated where the industry would be in five years. The first legal recreational marijuana dispensaries were allowed to open January 1, 2014. The resulting two years have been a roller coaster of social issues, tourism opportunities, hotel and restaurant resistance, law enforcement puzzles, and an overall gradual acceptance that the marijuana industry is now legal in the state of Colorado. Many assumptions made by residents and tourists alike include being able to smoke marijuana in a hotel room, on the street, or in a restaurant. None of these options are legal or allowed.

Federal law vs. State law

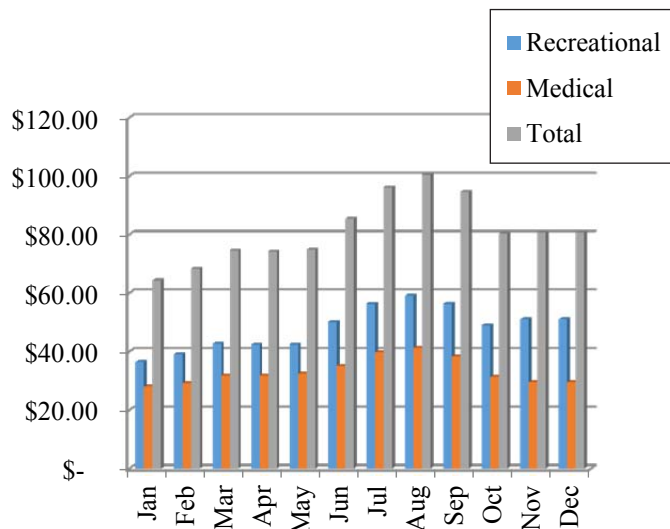
Marijuana production, distribution, sale and consumption became legal at the state level in Colorado on January 1, 2014. (Hudak, J. (2014) However, it still remains illegal based on Federal law. A huge issue surrounding the legalization of marijuana in Colorado is that all banking in the United States is controlled by the Federal Government. This includes banks, credit card processors, and credit unions. While on the surface this may not seem like a big deal, the Federal government still views marijuana as a dangerous drug, and prohibits any banking institution from opening accounts and conducting business in this area. (RICO Act, 1970) This means that no business selling medical or recreational marijuana or marijuana edibles may accept credit cards or personnel checks. They can only accept cash. No bank will open an account for a marijuana-related business, so the owners must conduct all their business in cash. (Hill, J. A. 2015) This requirement includes sales, marketing, payroll, rent, utilities, supplies, and taxes. All monetary exchange must be conducted in cash.

Department of Revenue Sales and Tax Collection

Sales in 2014 were \$699 million. Sales in 2015 were \$973 million, just shy of \$1 billion dollars in sales. After 24 full months of sales in Colorado, the amount of tax revenue has exceeded \$211 million. (\$76,152,466 in 2014, \$134,853,033 in 2015) Due to federal banking restrictions, all tax receipts received by the state of Colorado are in

cash. The Office of Marijuana Enforcement has armed plainclothes state troopers on duty at the office, and they provide security for state employees who process tax receipts from the marijuana industry. Broken down by the number of business days the tax offices are open, (5 days per week x 52 weeks is 260 days) the state is collecting approximately \$518,665 daily. Sales figures in 2015 for medical, recreational, and combined appear in Figure 1.

Figure 1
2015 Combined Medical and Recreational Marijuana Sales (in millions)



Effect of Marijuana on State Tourism

There are two official bureaus that handle most of the tourism and visitor requests through their websites. Both the Colorado Tourism Office and Visit Denver (which is Denver's official visitors and convention bureau) keep clear of having any reference to marijuana use, availability, sales or events associated with marijuana. Tourists from other states, expecting to be greeted with open arms and open pipes, find the marijuana market in Colorado difficult to navigate, initially.

It was announced in June 2016 that Denver hosted a record 16.4 million visitors in 2015. Also mentioned is that Denver has been growing as a destination exponentially for the past 10 years. The economic impact of that many visitors is reported as \$5 billion dollars. Specifically, that money was spent:

Jackson Lamb, Robert (Bob) Farmer and Jacob Thinnes are all affiliated with Metropolitan State University of Denver.

Accommodations:	\$1.51 billion
Transportation:	\$1.46 billion
Eating and Drinking	\$1 billion
Shopping:	\$627 million
Recreation	\$437 million

Since the official reporting agencies for tourism in Colorado maintain a no-mention policy of marijuana, the sales of medical and recreational marijuana are not included in these tourist spending figures. Additionally, there is no tracking mechanism that can determine how many people come to Colorado specifically to purchase or try marijuana.

A new type of tourism has emerged from this act of legalization. While not as robust as one may think, there is a growing number of marijuana-related tourism companies being created. The Cannabist, a website supported by the Denver Post, is dedicated to all things marijuana, and has taken the initiative to provide information for all who seek further knowledge on the subject. A review of the website <http://www.thecannabist.co> offers details of the amounts of volume of product, but falls short on tourism applications. Internet searches will generate multiple sites that cater to those seeking the "Colorado Experience." While the bulk of marijuana-based tourism companies are located in metro Denver, almost all resort towns feature a service to accommodate tourists who wish to indulge in smoking tours while vacationing in Colorado. A sampling of the services and goods offered by marijuana tourism companies include:

- Colorado Cannabis Tours & Vacations - Denver 420 Tours ...
 - coloradohighlifetours.com
 - Friendly Limos for rent. Stoney Saturday 420 Tours / 2 tick-

ets \$100.00

- Private Cannabis Tours · Cannabis Tour Options · Marijuana Friendly Hotels
- Marijuana Tours | Colorado Pot Guide | A Marijuana Travel ...
 - <https://www.coloradopotguide.com/what-to-do/marijuana-tours>
 - A directory of 420 tour operators providing both group and private marijuana tours in Colorado and the Denver area. Grow room tours and glass blowing demos available.
- City Sessions
 - http://www.citysessionsdenver.com/?utm_source=ColoradoPotGuide
 - City Sessions offers a full range of insider packages that include:
 - a. Foodie Tour
 - b. Concentrate Tour
 - c. VIP Experience
 - d. Medical Relief Tour
 - e. New to Cannabis Tour
 - f. Industry Insider Tour

Hotel Headaches

Most hotel management companies follow the rules of the flag they fly. Marriott, Westin and most hotel companies are adamantly opposed to smoking on premise, and many have a guest sign an acknowledgement during check-in. (Monte, A. A., Zane, R. D., & Heard, K. J. 2015) Should a guest smoke in a hotel room, whether it be cigarettes, cigars, tobacco pipes, or marijuana, hotels strive to return the room to "non-smoking status." Tourists sometime assume that since marijuana is

Figure 2
Average Fees Charged by Hotels for Smoking Violations

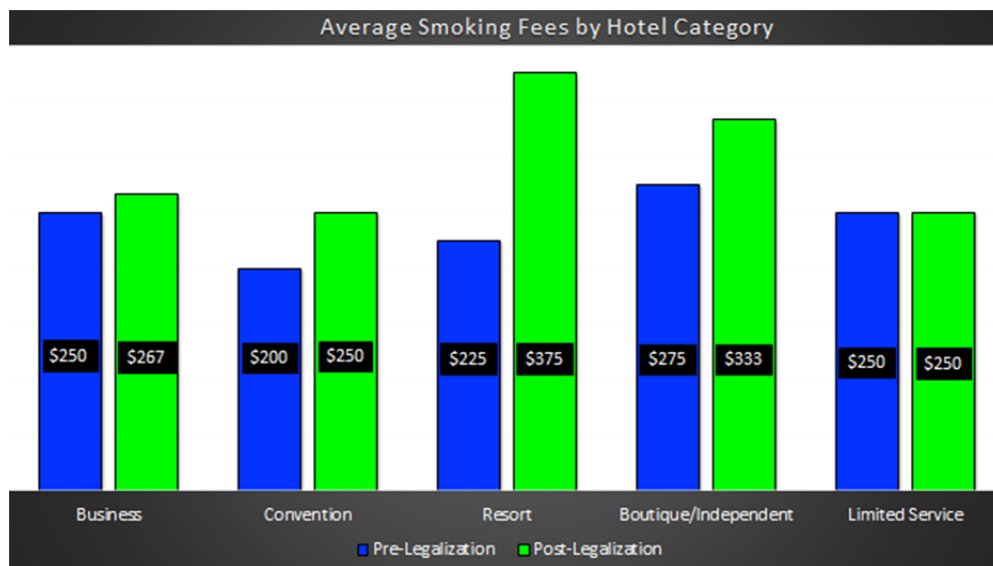
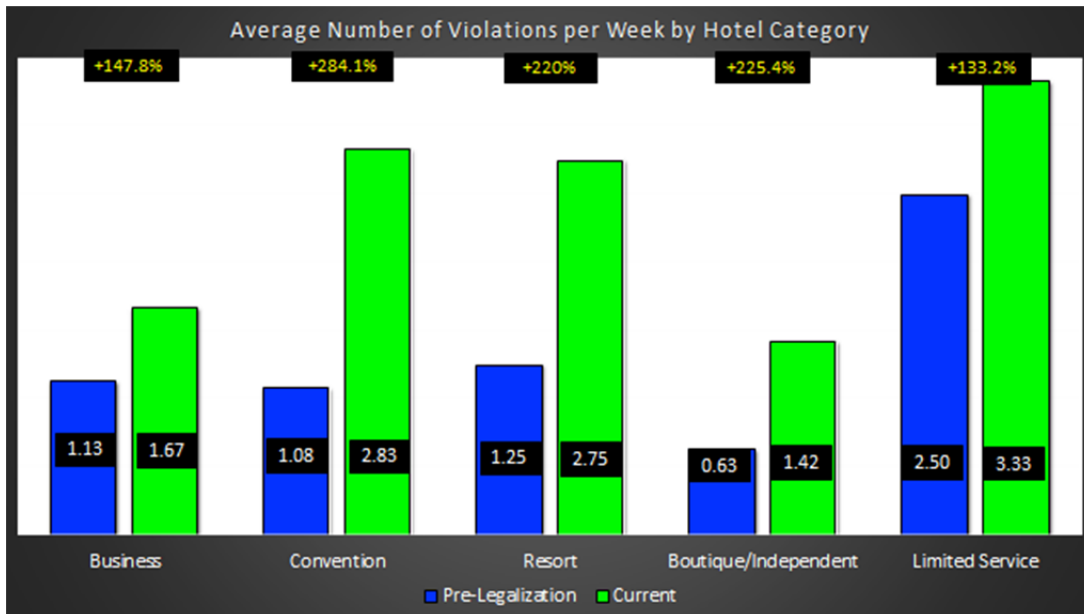


Figure 3

Average Number of Violations per Week by Hotel Category



legal, it's okay to "fire up" in your hotel room. They also assume people can actively smoke anywhere outside. This is not the case. The reality is that Colorado passed a hotel non-smoking bill in 2006 that prohibits smoking in hotel rooms. Prior to 2006, Colorado hotels could reserve smoking rooms for those guests that requested them. After 2006, smoking cigarettes or a cigar in a non-smoking room may result in a \$200-\$400 room refresh and painting fee, depending on the property and size of the room. This figure varies from property to property, and may include the hard and soft costs of the room taken out of inventory, cleaning of drapes, cleaning of bed linens, and possible carpet cleaning. Figure 2 represents room painting fees across 5 distinct hotel categories before and after legalization, as found during this research.

Research into 5 major hotel flags showed consistent policies on prohibiting marijuana use in hotel rooms. Specifically, research looked into marijuana policies with Marriott, Westin, Omni, Kimpton, and an independent operator. Results from these five flags, as well as others reviewed, are adamant about the policy of never/ever on marijuana smoking on their properties. Examples of policies include:

"In keeping with our Breathe Westin® initiative, all guest rooms and public spaces are 100% non-smoking. A \$200 cleaning fee will be charged to any guest who violates the smoking policy."

"Marriott is committed to providing its guests and associates with a smoke-free environment, and is proud to boast one of the most comprehensive smoke-free hotel policies in the industry. Since its introduction in 2006, the policy has been implemented in more than 2,300 properties throughout the United States and Canada"

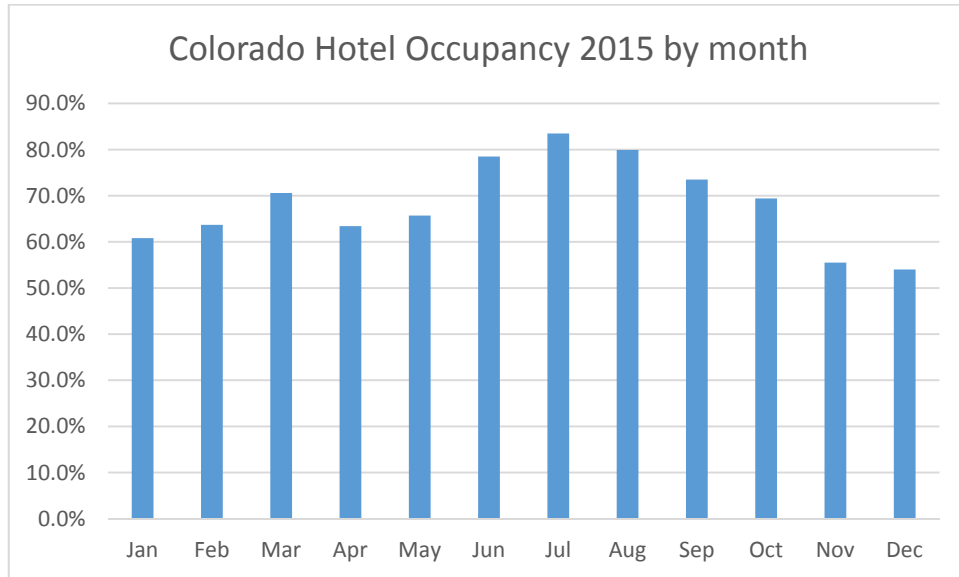
On the subject of room painting fees based on suspected consumption of marijuana in hotel rooms, research was done to determine the frequency of room painting after legalization, and compared it to the frequency of room painting prior to legalization. See Figure 3.

Number of Violations

Every one of the properties contacted/interviewed for the study reported seeing an increase in the number of violations since the inception of Amendment 64 on January 1, 2014. While some have seen a far greater spike than others, the most significant change between current and pre-legalization figures was found in the Convention Hotel category (2.83 violations per week on average vs. 1.08 prior to 2014, a staggering increase of 284.1% over pre-legalization levels). Although details of guest type (corporate, leisure, transient, etc.) were not examined in this study, it is logical to surmise that a contributing factor to this statistic is visitors to the state being drawn to sample the recreational law and its allowances while attending a convention/event/trade show in town. Not far behind Convention properties were Boutique/Independent and Resort properties, which experienced 225.4% and 220% increases in their number of weekly violations, respectively, based on pre-legalization occurrences. However, properties in all categories stated that their greatest increase came in the first three months following the legalization, and have since leveled off. Nevertheless, the rising number of violations poses a major cause for concern, and will warrant continued observation in the years to come.

Figure 4

Colorado Statewide Hotel Occupancy 2015 by month



Detection/Documentation

The methods and procedures for detecting and documenting smoking violations varied from property to property, but ultimately depended largely on staff members alerting their respective supervisors should any in-room smoking be suspected of taking place. Since it is such a new issue, none of the hotels had developed any marijuana-specific training policies (even those franchised under a large brand such as Marriott, Hilton, etc.), though some did express a keen interest in developing a form of standardized detection training for their housekeeping staffs. In terms of documentation, interviewees expressed the critical need to obtain evidence in order to justify imposing their property’s respective smoking fee on a suspected violator. This often comes in the form of photographic evidence, including pictures of any residual ashes or presence of blunts (oversized marijuana cigarettes) within the rooms. Additionally, a number of hotels reported making all guests read, review, and sign a waiver prior to check-in stating that they understand the property’s smoking policy and will be charged accordingly should they deviate from it. For tracking occurrences of in-room smoking, the vast majority of establishments reported having no strict method of extensively tracking violations prior to the legalization of marijuana, but have begun to do so with the increasing number of infractions that have taken place. These records, though new, will allow hotels to better observe dates when in-room smoking is more likely to take place, such as concerts, festivals, 4/20-related events, and beer festivals. (4/20 is a pseudonym for marijuana.) The hotels can then communicate to their respective staffs to be on the lookout for potential violations.

Cleaning/Removal

Of all the hotels interviewed across the various categories, nearly all of the properties utilized the same procedures for the cleaning and removal of marijuana and tobacco from their guestrooms. Interestingly, interviewees reported marijuana smoke being remarkably easy to remove compared to its cigarette counterpart that tends to have a far more ruinous effect on furnishings and upholstery. For occurrences of in-room marijuana consumption, properties reported using a variety of air cleaning and purification products, ranging from ionators, ozonators, and odor-removing sprays or a combination thereof. All of these prove to remove any lingering odors with remarkable effectiveness in a short period of time, usually less than 4 hours.

Smoking-Related Fees

As the numbers of violations have risen in the past 2 years, so have the fees charged to guests found to be smoking in their rooms. Reflecting the trend that took place in the average number of weekly violations, the greatest increases took place with Convention and Resort properties, which have experienced 25% and 66.7% increases in their respective fees. Following in line were Boutique/Independent Properties and Business, which experienced smaller modifications, most likely due to having higher fees prior to 2014 than the two aforementioned categories. Oddly enough, the 3 hotels contacted within the category that experienced the greatest number of violations per week on average (Limited Service) had imposed no changes to its smoking fees since the legalization of marijuana.

Overall Impact on Hotels

Since the legalization of marijuana at the start of 2014, all of the hotels in this study have experienced their share of challenges relating to combatting the rising number of in-room smoking violations that have been taking place at their respective properties. While the individuals interviewed were not 100% sure of what the future holds for their establishments, they all agreed that marijuana is playing an increasingly prominent role in daily operations. While the residual smoke and odors from the drug are far easier to remove than its tobacco counterparts, in-house marijuana consumption nevertheless acts as a major hindrance, causing staff to divert their efforts from their regular (and often times more pressing) job responsibilities. Additionally, many concur that it will be in the best interests of their properties to explore the development of new training practices and educational measures that will improve the detection, documentation and management of any and all potential violators before they become unruly.

Analysis of Dilemma

This case study has opportunities for further research and discussion from several perspectives. Depending on the level of education, this case study is suitable for an undergraduate or graduate program. This case deals with Federal government policies, state government policies, public health issues, tourism, hotel policies, tax revenue, and a multitude of laws and regulations. It also examines the frequency a hotel needs to refresh a room to bring it back to “non-smoking status”, and examines hard and soft costs including the need to launder draperies, linens, chairs and other smoke-affected furniture, as well as rooms being taken out of inventory. When analyzed from the hotel category perspective, these fees range in costs. Most of these management issues relate to the sale of marijuana and demonstrate a direct link from the passage of the legalization of marijuana to current hotel operations.

Specific dilemmas for hotel operations include:

- Communicating hotel policy in regard to marijuana laws
- Maintaining integrity of a “non-smoking” environment
- Public relations issues with out-of-state visitors who may have a lack of information
- Are certain groups prone to not visit due to legalized marijuana laws?

teaching note

Marijuana Legalization and its Impact on Hotel Operations

Summary

An open discussion format supported by team oriented written assignment questions (see below) from the instructor works well with class sizes of 32 students and below. If the class size is larger, the instructor may wish to structure teams of 15 to 20 students and assign questions for the students to research and then present their findings to the overall class.

An in-class Case Study Analysis approach and process using “role-playing” methodology can be effective in classes of 16-32 students.

Assignment and/or Case Study Analysis Questions:

(Total in-class discussion time: 60-90 minutes or longer per question depending on the extent of the Assignment and/or Case Study Analysis, as determined appropriate by the individual instructor.)

1. What learning outcomes will students achieve from this case?
 - a. Investigate the regulatory issues relating to the legalization and the use of medical and recreational marijuana within the State of Colorado.
 - b. Explore the consequences of the use of marijuana in the State of Colorado as relating to the hotel industry.
 - c. Understanding of the decisions made by Colorado-based hotels to address the consequences relating to the use of medical and recreational marijuana in guest rooms and in public areas within the hotels.
 - d. Create strategies to address the unintended consequences relating to the use of medical and recreational marijuana in the hotel industry in the State of Colorado, including operational issues, legal related issues, human resource issues, fines and financial issues.
 - e. Develop implementation plans and timelines to present innovative solutions to address the functional and financial challenges facing Colorado hotels and hoteliers relating the use of marijuana.

2. What are the laws in Colorado relative to the use of medical marijuana? How does it differ from recreational marijuana?
(The following website provides answers to the above question and is for use by the instructor to help facilitate the student research and discussion of this question.)

- Brief History of Colorado Medical Marijuana Use
<http://www.coloradomedicalmarijuana.com/medical-marijuana-legalization.htm>

3. What are the laws in Colorado relative to the use of recreational marijuana?

(The following website provides answers to the above question and is for use by the instructor to help facilitate the student research and discussion of this question.)

- <https://www.colorado.gov/pacific/enforcement/laws-constitution-statutes-and-regulations-marijuana-enforcement>

4. What are the fines imposed by Colorado hotels relating to any guest, who smokes in hotel rooms or on hotel properties?

(The following summary to the above question is for use by the instructor to help facilitate the discussion of this question.)

- Although the fines imposed by Colorado hotels vary with each hotel management company, the following website provides details of the policy followed by the Marriott Corporation based on the information relating to on property smoking.
- <http://www.marriott.com/marriott.mi?page=smokefree>

5. What are the challenges facing the Colorado hotels relating to any guest, who smokes in hotel rooms or on hotel properties?

- Unlike cigarettes, marijuana’s odor generally dissipates over a reasonably short period of time, so the smell of the room alone is not always the dead giveaway. Instead, hotels encourage housekeeping staff and other employees to secure “proof” or “evidence” that there was smoking in the room.

Other Research Opportunities for Students: Critical Thinking

Should the instructor choose to pursue critical thinking initiatives, here are 4 questions to stimulate further research and discussion

1. Based on research you have conducted relative to the study of the legalization of Recreational Marijuana in Colorado, how would you explain and recap the progression of recreational marijuana since its approval?

Answers can be found at: <https://www.bostonglobe.com/metro/2016/02/21/from-colorado-glimpse-life-after-marijuana-legalization/rccuzhMDWV74UC4lxXIYJ/story.html>

2. What evidence is there, if any, that the laws concerning the use of recreational marijuana in the state of Colorado have changed since its used was approved in 2010?

Answers can be found at: <https://www.coloradopotguide.com/marijuana-laws-in-colorado/>

3. Identify the various appeals and initiatives that have taken place in the state of Colorado, since the legalization of recre-

ational marijuana in 2010?

Answers can be found at:

[https://ballotpedia.org/Colorado_Marijuana_Legalization_Initiative_Amendment_64_\(2012\)](https://ballotpedia.org/Colorado_Marijuana_Legalization_Initiative_Amendment_64_(2012))

4. What might happen to the teenage community in Colorado, as a result of the legalization of recreational marijuana in 2010?
<https://www.washingtonpost.com/news/wonk/wp/2016/06/21/colorado-survey-shows-what-marijuana-legalization-will-do-to-your-kids/>

This case study also has opportunities for discussion and further research on several tangents. Depending on the level of education, this case study is suitable for an undergraduate or a graduate program.

Topics for review include:

- This is an excellent case to explore exactly what the smoking policies are for all hotels, in and out of Colorado.
- Hotel room repainting charges: Is this just another way to bring in revenue? Several stories already exist on the internet citing just that. Should hotels adjust their strict rules?
- "Return to non-smoking status" means different things to different hotel flags. Students can conduct research on their own local hotels to determine what this phrase means.
- Charges for returning to non-smoking status vary between types of hotels. What costs, both hard and soft, should be considered and passed on to the guest?
- Discussions with local concierges in Denver tell stories of how guests come to them and inquire "where to get it." Is it ironic that hotels have a never, ever policy, yet the concierges are bounded by customer service courtesies to comply with a guest's inquiry? How should this be reflected in a hotel's policy?
- Research can be conducted to determine marijuana sales by county. Do resort communities see increased consumption? Does consumption by month compare to occupancy by month?

ADDITIONAL READING

How Legal Marijuana is working in Colorado. (2016, March 01). Retrieved from <https://www.youtube.com/watch?v=wnbRoEZPdrM>.

Know Your Medical Marijuana Laws in Colorado. (2016, March 03). Retrieved from <http://www.coloradomedicalmarijuana.com/medical-marijuana-legalization.htm>.

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case study

Retaining Management Talent

By Robert M. O'Halloran and Kyle Smith

Management and Retention Factors

In every hotel, there are key individuals on a management team that stand out and assume leadership positions. These individuals are valued highly by organizations but need to be courted and retained. The focus of this discussion is on management team members (in this case applied to the lodging industry). A manager is defined as "An individual who is in charge of a certain group of tasks, or a certain subset of a company" and generally these individuals have team members who report directly to them (BusinessDictionary.com, 2016).

The field of management, so devoted to progress and change, has for more than half a century not seriously addressed the basic question, "What do managers do?" Mintzberg (1975) defines three basic roles for managers: interpersonal, informational, and decision-making. For example, within the interpersonal role, a manager must assume the role of figurehead and act in a ceremonial manner. He or she must also function as a leader within this role, assuming responsibility for the work of individuals in a specific unit. Additionally, a manager assumes the role of liaison for the organization with anyone with whom he or she might make contact. As the keeper of information, a manager must act as a monitor, scanning information constantly to select the bits and pieces really needed. He must also disseminate the right information to the right people. Finally, in the information role, the manager will act as spokesperson, informing and satisfying the people who control the organization. In the decisional role; Mintzberg, also categorizes management behaviors as entrepreneurial, disturbance handling, resource allocating, and negotiation. The entrepreneur is constantly seeking new opportunities, perhaps discovered in monitoring behavior. As disturbance handler, the manager must react to the many situations that could occur on a day-to-day basis, almost an uncontrolled crisis management. As resource allocator, the manager will continually face tougher and tougher challenges. Often in this behavior, he must balance competing needs for too few resources. Finally, as a negotiator, the manager must use all of his/her skills on a day-to-day basis to maintain his/her present status. Management is comprehensive and no role can be pulled out of the framework and leave the job intact. Mintzberg's basic premise is that a manager's effectiveness is significantly influenced by his/her own insight into his/her own work Mintzberg (1975).

Robert M. O'Halloran and Kyle Smith are both affiliated with East Carolina University.

The retention of long term managers is important in the hospitality industry because the lodging industry is built on service and experience. Having the ability to influence followers through experience is a powerful characteristic of a great leader. Retaining managers on a long term basis provides lasting value to the property and facility, as they define long term, will be able to pass down knowledge about a company, a location, and how it operates. Past experiences are lost when a manager leaves and begins a new job. Given the growth of the travel industry in general and the lodging industry in particular, i.e. by the year 2020, there will be approximately 1.6 billion worldwide travelers that managers will need to be prepared to engage successfully (Cultrona, 2016). Retaining talented and experienced managers should be a key organizational goal.

Individuals no longer put their careers in the hands of one employer (Hall and Mirvis, 1996; Hall and Moss, 1998; Roehling et al, 2000; Sullivan, 1999; Tansky and Cohen, 2001) and management employees in particular proactively manage their careers. So, retention and turnover are two sides of the same coin. Organizations must actively engage in retention programs that are a strategic part of a business. To actively engage in retention management, an organization must focus on talent management. This is comprised of a collection of typical human resource department practices such as recruiting, selection, development, and career and succession management (p. 140) Lewis and Heckman (2006), In Hughes and Rog, (2008). Talent is defined as individuals who have the capability to make a significant difference to the current and future performance of the company. Morton, (2004 in Hughes) and Rog (2008), Deloitte (2005) found that the ability to attract and retain new talent was perceived as being the two most critical people management issues facing their organizations today. They also note that a growing number of hospitality organizations are very much committed to providing their employees with a positive experience and, to strengthening their employee brand in the process, employee engagement and organizational outcomes.

Retention

Retaining employees for long durations of time is known as retention. Employee retention is a challenging task for the organizations of today's scenario of competitive business environments. Proper human resources initiatives should be adopted by the organizations in order to decrease employee turnover (Sandhya & Kumar, 2014). Retention strategies should be formulated in such a way that the organizations

grow with greater efficiency and innovation and achieve long lasting strategic business objectives. Employee retention is also defined as a “systematic effort by employers to create and foster an environment that encourages current employees to remain with the organization (Sandhya & Kumar, 2014). Sandhya and Kumar (2014) note that recognition, communication, work place diversity, employee engagement, health and safety, flexible work arrangements, work-life balance, formal wellness programs, inclusion and employee development are examples of approaches that become a part of the mix when evolving retention strategies. Another study listed factors that affect an organization’s ability to retain. These include culture of the organization, pay, compensation, and growth in the organization (Fitz-enz, 1997).

As Generation Y continues to mature, they are beginning to make up a large portion of management within the hospitality industry. Traditionally, the Millennial generation was leaning heavily towards areas of employment that involved consistent excitement and change, but research shows that more commonly now the Y Generation is looking at the big picture and aiming for long term employment (Brown, Thomas, & Bosselman, 2015) In Quarter 2 of 2015, there were 1,197,000 employee separations alone (United States Department of Labor, Bureau of Labor Statistics, 2015). There are many factors associated with turnover in the hospitality industry. Goff (2013) noted there is a lack of an internal labor market, along with long hours, emotional labor, physical demand which comes with some positions, and role ambiguity of employee positions. Additionally, it is important to compensate employees for their work and dedication. The hospitality industry has been historically known for paying low wages. On average, a traditional Guest Service Agent at the Front Desk of a hotel will make somewhere around \$10.00 an hour depending on location, company size, industry standards, etc. (PayScale Inc., 2016). Because of the lack of internal advancement opportunities, these employees often do not receive valuable raises, other compensation, or benefits. As Sturman (2001) pointed out, compared to other industries, the service and hospitality industries employ a greater proportion of low-skill and part time employees (Sturman, 2001).

Human capital is equivalent to another term for the knowledge, skills and abilities for a particular job (Sturman, 2001). Human capital data supports the assertion that hospitality jobs on average require individuals with lower levels of human capital than that found in people hired in other industries. Economic theory suggests that needed Knowledge Skills and Abilities (KSAs) can be rented out to employers and that the value of human capital (one’s pay) is derived from how much those KSAs can earn in the labor market (Sturman, 2001). Organizations can attract and retain individuals with specific levels of human capital by offering differential pay for particular positions, thus acquiring the desired KSAs. Reasoning development, mathematical development and language development are all regarded as general educational development for occupations (Sturman, 2001).

A Cornell University management retention study indicated that career opportunities are among the top factors an employee stays with a company. Their key findings include that challenging work ranked higher than compensation. Work that offers growth opportunities, competent leadership, and fair compensation is a necessity. Challenging work is needed to gain career growth because management employees want personal and career growth and that, to the degree those desired job features are in place, hospitality managers’ commitment to their companies and the industry will rise (Anonymous, 2005). More recent theory and research have focused less on the direct costs of replacement, directing their attention instead to the loss of human capital caused by turnover. This includes both “general” human capital that can readily be transferred across jobs or organizations and “specific” human capital, which includes formal training as well as tacit knowledge that is more or less unique to a particular setting (Rosse, 2015).

Strategy to Retain

Retaining good managers begins in the recruiting, hiring and promoting phases (Jameison, 2003). Nurturing managers is a day to day activity and leadership should regularly meet with managers, and utilize rewards and recognition as powerful tools. Organizations should also design jobs that are challenging, set high standards, and provide the tools necessary to achieve them. Additionally, extensively sharing financial and performance information, offering extensive training and engaging in career pathing will also open up the process (Jameison, 2003). In an article from the Wall Street Journal (2009) recommendations were made to reduce employee turnover. The recommendations begin with hiring the right people from the start, setting the right compensation and benefits, and reviewing compensation and benefits annually. Paying attention to employee personal needs and offering flexibility when possible, bolster employee engagement to create a positive work environment and outline challenging and clear career paths. Krell (2012) notes that talented employees who stayed put during a challenging economy are more likely to accept better offers from other organizations now. He suggests that best practices may include nailing down the numbers; rate and cost to the business, integrating hiring into business forecasting and paying attention to fit are all important. To the degree job features like those listed in this discussion are in place, hospitality managers’ commitment levels will rise (Walsh & Taylor, 2007).

Giambatista and colleagues (2005) note that the study of organizational succession has long been guided by three competing perspectives, commonly referred to as “common sense,” “vicious cycle,” and “ritual scapegoating:” Employee retention efforts should manage employee mobility by targeting voluntary turnover that is dysfunctional and avoidable. Simultaneously, these programs should be designed so as not to inadvertently encourage retention of employees—including executives—who are not contributing positively to

the organization. The goal should be a talent management program that simultaneously targets retention of high performing and hard to replace employees and either performance improvement or dismissal of poorly performing employees (Levin and Rosse, 2001). Retention of talent, in this case leaders, may be essential when those individuals are the right person for that job and that organization, not only today but also for the near-term future. But it may be the wrong strategy when those criteria are not met, or when the costs of retaining the individual exceed the benefits. In their study, Levin and Rosse (2001), stated “having made that point—we hope emphatically—we will now proceed to evaluate what is known about how to retain executives when that has been determined to be the correct course of action”.

Research has traditionally placed primary emphasis on the relationship between employees and the firm as the key to retention. This can be seen in theories of turnover dating back to the classical view that turnover is a function of two basic forces: the employee’s perceived ease of movement (affected primarily by macro-economic conditions, but also by the quality—as well as visibility—of the employee’s performance) and the desirability of movement (March & Simon, 1958). Particularly in “push” theories of turnover that emphasize factors that drive employees away from their current employers, desirability of movement is described in terms of employees’ job satisfaction and commitment to the organization. Even for “pull” theories (addressing factors that entice employees to a new organization), an underlying assumption is that something about the alternative job made it more desirable than continuing in the current job. Jameison (2003) notes that the key elements of a retention strategy include: an “employee first” reputation and that employees can identify, share pride, and be willing to commit. Additionally, an organization’s vision and mission needs to engage the heart to let employees know their jobs are important in order to have a sound retention program. Retention should be a constant, ongoing process in an organization.

To help recruit the top talent, an organizational brand and reputation for a focus on employees is beneficial. The development of an employee value proposition can be an important component of an employer brand (Dell and Hickey, 2002). Most organizations will need to attract and retain employees quite different from the people they replace, and they will need to adjust their targeting, their channels and their overall strategies (Dell and Hickey, 2002).

Business Dilemma

Consider the following scenario by putting yourself in the role of a HR management professional. The situation described below involves a student and his experiences at a local hotel. The main character, Daniel must balance his studies and progress to graduation and also work an increasing number of hours as he obtains additional responsibilities at his place of employment.

The Embassy Suites is a lodging property located in Greenville, North Carolina, (Pitt County) and appropriately located in the heart of the city. Greenville is most notably known for the local university that brings a lot of culture and pride to this community. The population is made up of about 54% females and 46% males (US Census Bureau, 2016). East Carolina University is located in Greenville and has approximately 29,000 students paying tuition and adding to the overall population of the city (U.S. News & World Report, 2016; updated fall 2016). The composition of the community creates seasons of demand for room nights. In addition to the Embassy Suites, Greenville is the host of approximately 24 other hotels and lodging operations ranging in size, quality, and services provided. The competition for management level employees is especially rigorous. At the Embassy Suites, one pivotal position is the Front Office Manager (FOM). At the Embassy Suites there is only one FOM. The FOM position is summarized as: “Directly supervises all front office personnel and ensures proper completion of all front office duties. Directs and coordinates the activities of the front desk, reservations, guest services, and telephone areas. Prepares monthly reports and budget for the front office department.” Some of the more common duties associated with the position also includes the following: handles hiring and training of new personnel, develops schedule for team members, supervises both task oriented work and guest relations, ensures hotel policies are implemented and followed accordingly, conducts and leads meetings, prepares necessary reports, works within a designated budget, and any other tasks that an upper manager may request (Setup My Hotel, 2016).

Daniel Lee began working at the Embassy Suites of Greenville, NC during the summer of 2013. His initial position with the hotel was that of a Guest Service Agent, an entry level position, where he handled tasks such as checking guests in, handling reservations, solving guest issues, answering phones. An entry level position “refers to the entry point into a specific chosen profession” (CollegeGrad, 2016). In this situation, “A Guest Service Supervisor supervises the Front Office Team to ensure that our Guests receive an exceptional experience from check-in through check-out” (Hilton Worldwide, 2016).HjkjgnHiltonjkbkjrj While being welcomed to the Front Desk team he was introduced to his supervisors by the Human Resources Director. Daniel noticed that there was no Front Desk Manager listed. Rather there were two shift supervisors split between morning and evening shifts. Because he did not have prior hotel experience or knowledge of job structure, Daniel thought nothing of it. Note: At this time Daniel was also a full time student at the local university pursuing his bachelor’s degree.

After a few months behind the front desk, Daniel was getting useful experience and developing a rapport with other employees. He had come to learn that there had not been a manager at the front desk for some time because the hotel could not seem to find the right person and the position was consistently turning over each time someone was hired.

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Retaining Management Talent

Glossary

- Experience: Familiarity with a skill or field of knowledge acquired over months or years of actual practice and which, presumably, has resulted in superior understanding or mastery (<http://www.businessdictionary.com/definition/experience.html>, 2016)
- Manager is defined as “An individual who is in charge of a certain group of tasks, or a certain subset of a company”. Generally these individuals have team members who report directly to them, (<http://www.businessdictionary.com/definition/manager.html>, 2016).
- Retention: The condition of retaining (keeping) something. (2016). (In this case management talent.) (<http://www.businessdictionary.com/definition/retention.html>, 2016).
- Talent is defined as; individuals who have the capability to make a significant difference to the current and future performance of the company (Morton, 2004 in Hughes and Rog, 2008).
- Turnover: Human resource management: The number of employees hired to replace those who left or were fired during a 12 month period. (<http://www.businessdictionary.com/definition/turnover.html>, 2016).

Teaching Objectives

The teaching objectives of this can be on two levels: graduate and undergraduate. For undergraduates, when analysis and discussion of the case study is complete, students should be able to: 1) Define retention, 2) List, understand and explain factors that can influence retention 3) Understand and discuss industry turnover, and 4) List and discuss possible HR metrics that could be used to manage a retention effort. It can be noted here that a discussion of metrics could offer an opportunity to assign the calculation of HR metrics i.e. turnover rate, etc. to students.

Graduate students would be expected to achieve all of the objectives above plus be able research and create a more complex project, working towards developing a strategic retention plan.

Target Student Audience

This case is well suited as an assignment in a human resources course or perhaps in a lodging management course that highlights labor sources and retaining employees. The case could be used in either an undergraduate or graduate course. It can also act as a catalyst for immediate or short term assignments preparing students for more complex concepts.

Teaching Strategy

The case provided can be utilized in a variety of methods as a learning tool. Some of these teaching approaches are indicated below:

- Distribute the case and, depending on the size of the class, break the class into groups or assign individually. The case can be used as an in-class discussion prompt on retention.
 - A short term discussion can be about how to retain Daniel on the management team at the Embassy Suites. This general topic, given the framework of the case, should be of interest to students that will soon be in the job hunt.
- HR topics that can be focused on from this case include:
 - Hiring and job matching
 - Talent management systems
 - Compensation systems
 - Career pathing programs and systems
 - Turnover in the hospitality industry (management and staff levels)

Human Resources Discussion Topics, Assignments and Projects

How do you define retention?

- What do you feel is the reason behind high turnover rate(s) in the hospitality industry?
- Brainstorm retention ideas and techniques for the industry in general.
- Do you feel Daniel should continue to work at the Embassy Suites in order to obtain further internal growth? If so why? Or should he concentrate on completing his degree and then searching beyond his current position? (This topic could resonate personally for some students).

SHRM (2014) stressed that the determination of which metrics to use and measure will be based on an organization’s goals and objectives. An instructor could also integrate the calculation of HR decision making metrics into a lesson. A hotel human resource manager will be a member of the hotel’s leadership team and will be familiar with the hotel’s goals and then select HR Metrics that are connected to these goals. Each metric selected should be defined by calculation and intended use. Metrics could include retention rate, turnover rate (overall and by position) , voluntary turnover rate, average tenure of employees, average tenure of employee that have left the organization, vacancy rate and any special characteristics of employees that have left the organization. The link for Building a Recruitment and Retention Plan, <http://toolkit.ahpnet.com/Building-a-Recruitment-and-Retention-Plan/Step-1-Gather-Organizational-Baseline-Information/>

Gather-Organizational-Baseline-Info-Quick-Tool/How-to-Determine-Retention-Turnover-Vacancy-Rates.aspx, provides examples of how to calculate these metrics. Also, Mayhew (2016) shared, How to write a retention plan, <http://work.chron.com/write-retention-plan-12119.html>. Additionally, Thompson (2004), in Workforce scheduling: A guide for the hospitality industry, <http://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1195&context=chrpubs>, provides examples of labor data and staffing analysis that may be helpful to students. After discussion, a project or additional assignment can be introduced. This case can be framed by lessons focused on recruitment, retention and turnover. As noted previously, turnover has historically been an issue in the hospitality industry and can be a major factor in the efficient operation of a lodging property.

Students could identify organization data that needs to be collected and assembled. The examination of an organization's HR goals is also useful data to consider. Such things as desired or realistic turnover rates and guest satisfaction scores. A framework for this could include: the name of each position and the number of employees in each position. Additionally, in order to calculate and or create decision making metrics, students could identify specific data which could include employee salaries, salary ranges, and salary average per position. An organization would desire to do the same for hourly positions, their dollars ranges, average hourly rates etc. The calculation of turnover rates at each position would also be useful data. Students can also generate their own research results through, for example, an assignment to interview human resource managers on these diverse topics. For example, one of this author's sections required students to interview five (5) HR managers using a question and topic checklist. Students can identify industry representatives and schedule appointments etc. HR managers could be designated by industry segment, i.e. lodging, food and beverage, meetings and events, tourism or from outside hospitality. If the location of the school is remote and or this is an online course; email and or online questionnaires and or surveys could be implemented.

Other resources on related topics (employee engagement, employee value proposition etc. could include:

- <http://talentsmoothie.com/ts/wp-content/uploads/2015/05/employee-value-proposition-EVP-factsheet-talentsmoothie.pdf>,
- <http://toolkit.ahpnet.com/Building-a-Recruitment-and-Retention-Plan.aspx>,
- <https://www.thebalance.com/career-pathing-1918080>,
- <http://work.chron.com/plan-career-path-12889.html>,
- <http://www.easytemplatemanager.com/search.htm?terms=compensation+plan+template>
 - [Accessed 12-11-16].

The combination of scholarly article(s) and applied business articles found on-line will provide students a wealth of resources on these human resource topics. Glint (2016) shared a white paper on The

Chemistry of Employee Engagement that could also be useful. There are a variety of human resource assignments and projects that could be developed as an outgrowth of this case study. Perhaps for a graduate or advanced class, a bigger project could involve the creation and development of a strategic retention plan. Within that plan, sections would be developed to address all the areas that have been linked to retention efforts for specific organizations. For example, sections focused on compensation plans, career pathing plans, recruitment and selection, talent management and others could be developed and then rolled up into a strategic retention plan.

Wrap Up

This case ties an important issue in the hospitality industry generally and more specifically lodging business. The business challenge is a short term decision but requires an organizational framework that can be adapted to individuals. Keeping Daniel Lee at the Embassy Suites is an important objective, but how can an organization prevent or help to prevent recurring scenarios like this one? Therefore, an organizational retention framework that can become operational policy will be vital. As often noted, money is the best tool for retaining employees (Anonymous, 2008). However, research has shown that for the long term, retention of management talent requires more than money.

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Professor Marianna Sigala
Editor, *Journal of Hospitality and Tourism Cases*
marianna.sigala@unisa.edu.au