CHR Reports Compendium 2016

Center for Hospitality Research

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CHR Reports Compendium 2016

Abstract
A compendium of 2015 publications of the Faculty of the Cornell University School of Hotel Administration, including the Center for Hospitality Research and Cornell Hospitality Quarterly.

Keywords
Cornell, CHR, School of Hotel Administration, hospitality, SHA

Comments
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2016 COMPRENDIUM

A summary of the work published by the Faculty of the Cornell University School of Hotel Administration

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Few businesses have the level of direct access to customer and employee data as that found in the hospitality and service industries. Fortunately, new analytical techniques and technology have improved the availability of those data. Unfortunately, the volume of data creates challenges of its own. The Cornell Hospitality Research Summit (CHRS) held in October 2014 was organized to examine service innovation in a new light, focusing on a scientific and disciplined approach to the topic. This report is the first of four that features expanded summaries of select research on service innovation. This first report focuses on innovative applications of data analysis that are occurring both in the industry and in academic research. Topics include search engine optimization, the use of analytics for energy efficiency, analysis of online reviews, and optimizing hotel group room rates, as well as how to promote organizational learning.

The lodging and service industries have constantly adopted technology solutions over the years, with one caveat. Hoteliers rarely have installed technology before it is sufficiently developed to actually improve operations. This strategy has given rise to the inaccurate impression that the industry is slow to adopt appropriate technology, when the opposite is the case. The Cornell Hospitality Research Summit (CHRS) held in October 2014 was organized to examine service innovation in a new light, focusing on a scientific and disciplined approach to the topic. This report is the third of four that feature expanded summaries of select research on service innovation. This report highlights innovative strategies related to data and technology, including the remarkably uneven influence of various social (and traditional) media on corporate brand value, full-service restaurant customers’ mostly favorable reaction to the introduction of tabletop technology, and the hospitality industry’s initiatives for providing services for Generation Y.
Data and Technology (continued)

Hospitality HR and Big Data:
Highlights from the 2015 Roundtable

*by Bruce Tracey*

The effects of so-called big data, which involves a torrent of detailed information about employees and customers, have begun to ripple through hospitality human resources—allowing managers the potential to connect HR policies with corporate financial results. As discussed in this inaugural roundtable on “Hospitality HR and Big Data,” hospitality firms are gradually addressing both the possibilities and the challenges of this mountain of data. In addition to dealing with the volume of data, hospitality firms must cope with the velocity, variety, and veracity of the data, while they also ensure ethical application of the information they gather. Given the size of HR databases, it’s possible to draw statistically valid conclusions from analytical procedures, but care must be taken to ensure that those results make business sense before taking actions based on such analyses.

*Cornell Labor and Employment Law Report, Vol 15, No. 12*

Utility and Disruption:
Technology for Entrepreneurs in Hospitality

Highlights from the 2015 Technology Entrepreneurship Roundtable

*by Mona Anita K. Olsen and Kelly McDarby*

The inaugural Technology Entrepreneurship Roundtable brought thirty leading tech professionals and entrepreneurs to the Cornell University School of Hotel Administration during the spring 2015 semester. Participants examined the growth of the cloud and the resulting opportunities for entrepreneurs to break into established markets, notably by using mobile devices in remote and shared office spaces, streamlining documents and systems to prevent redundancy, and decreasing operating and switching costs while minimizing the need for established infrastructure. Given the economic flexibility afforded by renting assets, rather than owning them, consumers and entrepreneurs have driven the expansion of the so-called sharing economy. The support of venture capital has been critical for such entrepreneurial technology in the hospitality and travel industry. Technology is also key to the growing customer desire to have a personalized travel experience, which can become a challenge to established brands. Many of these tech-supported enterprises are disruptors that respond to consumers’ desire for options as they travel. To counter the disruptions and re-emphasize their standing, brands need to use market analytics when engaging with customers and to plan for using predictive analytics.

*Cornell Hospitality Report, Vol 15, No. 10*
**Data and Technology (continued)**

**The Mobile Revolution Is Here: Are You Ready?**

*by Heather Linton and Robert J. Kwortnik*

Hotel guests are ready to do much more with their smartphones than is currently possible, according to a survey of 754 U.S. travelers. Young travelers in particular would like to use their mobile devices to handle routine functions, such as checking in and out of a hotel. A substantial number of travelers of all ages use their smartphones and tablets to research and sometimes book activities and restaurants during their trip. About two-thirds of the survey respondents had downloaded at least one travel-related mobile app, but half of those apps were later deleted. Moreover, respondents still preferred to use their PC for planning and booking purposes before the trip. Even if they were using their mobile device, they preferred to log into a hotel’s website rather than use the mobile app—a finding that argues for a more careful look at the user experience provided by mobile apps. Further analysis indicates that travelers would prefer a general (multiple-firm) travel app rather than one that is limited to just one company. Privacy remains a great concern for most of the respondents, and they particularly dislike the idea of apps that include automatic geolocation. However, many travelers, particularly women and young travelers, are willing to share personal information on a limited basis in exchange for special services or offers.

*Cornell Hospitality Report, Vol 15, No. 6*

**Finance**

**Earnings Announcements and Investor Focus in the Hospitality Industry**

*by Pamela C. Moulton and Sarah Leow*

This study examines how the release of multiple firms’ earnings announcements on the same day combines with human attention constraints to affect the trading of hospitality stocks. We document two opposing effects. We find that a rush of earnings announcements from nonhospitality firms leads to investor distraction and reduces the reaction of hospitality stocks to earnings news. Conversely, we find that multiple announcements by firms within the hospitality sector lead to increased investor focus and larger hospitality stock reactions to news. Our results show that multiple announcements can either diminish or enhance investors’ reactions to company news, which directly affects the incorporation of new information into hospitality stock prices.

*Cornell Hospitality Quarterly February 2015 56 5-16*
Looking Under the Hood: The Catalysts of Hotel Credit Spreads

by Jan A. deRoos, Crocker H. Liu, and Andrey D. Ukhov

The interest-rate spread (or credit spread) between hotel loans and office building loans is an effective predictor of the relative change in delinquency for hotel loans, as explained in a prior report, “A New Canary for Hotel Mortgage Market Distress.” In this companion report, we take a look under the loan spread hood to see what are the catalysts that drive that credit spread (which is also known as the relative risk premium or risk premium differential). Using a Vector Autoregression (VAR) statistical framework, we find that hotel credit spreads (against office loans) widen if the general economy worsens, anticipated corporate profitability declines, capital availability decreases, hotel revenues decrease, or relative risk increases. The variables that are statistically significant capture risk and return information embedded in the risk premium differential (credit spread), and it is the decline in these factors that makes our canary stop singing (as a warning of impending trouble with hotel loans).

Creative Capital: Financing Hotels via EB-5

by Arian Mahmoodi and Jan A. deRoos

A federal program for foreign direct investment in the United States has become a growing source of funding for hotel developments. The program, commonly known as EB-5 (Employment-Based Immigration, Fifth Preference), offers U.S. residency and citizenship to foreign nationals willing to invest at least $500,000 in job-producing projects in designated U.S. locations. As described in this report, the structure of the EB-5 program is arcane, and the potential for misuse is considerable. Moreover, the typical financing terms of EB-5 loans may stimulate the development of speculative projects. Later in this report we present a simulated hotel development project that demonstrates the economically distorting effects of the EB-5 financing.
The Effect of Tourism Clusters on U.S. Hotel Performance

by Angel Peiró-Signes, Maria-del-Val Segarra-Oña, Luis Miret-Pastor, and Rohit Verma

A cluster is a geographical concentration of interrelated firms. Cluster theory states that the synergies created inside the cluster (by the interactions between firms that compete and those that collaborate) enhance the productivity and innovation of firms and therefore their economic performance. While manufacturing industries have been widely studied from the clustering perspective, service clusters and specifically touristic clusters have received less attention. In this paper, we identify U.S. touristic clusters using a concentration measure, the Location Quotient. Then we check whether hotels located in touristic clusters obtain higher economic results than those hotels located in areas where the level of touristic-related business concentration does not get the critical mass to consider it a cluster (instead of reducing their benefits due to the high level of competitors nearby). Our results find significant differences between the two sets of hotels. The effect is stronger for subsegments of hotels based on their star category, location, and management structure. Specifically, we demonstrate that the differences are more pronounced within luxury and upscale hotel categories and within chain-managed hotels. The differences are less important in resort and airport locations than in small-metro/town, urban, and suburban areas. These results have important location implications for managers. They also contribute to understanding that economies of agglomeration lead to benefits from being located closely and in highly concentrated industries. But there is still a lot of research needed to better understand the relations between cooperation and competition within touristic clusters and how these enhance the economic performance of hotels.

Cornell Hospitality Quarterly May 2015 56: 155-167
This study explores the effects of competitor pricing levels on relative revenue on a sample of over 4,000 hotels in Europe over a ten-year period (2004–2013). Hotels in this European sample, which included both independent and chain-affiliated properties, achieved higher revenue per available room (RevPAR) than direct competitors when they positioned their hotels with comparatively higher prices. These data revealed that regardless of the economic situation of the time period, hotels that positioned with average daily rates (ADRs) above those of their direct competitors benefited from higher relative RevPAR even though they experienced lower comparative occupancies. This finding was stronger for chain-affiliated hotels than for independent hotels. Maintaining a consistent relative price over time (as compared to having a fluctuating price) did not significantly affect revenue performance, controlling for hotel type and location. A further analysis of hotels in the Netherlands likewise found the same connection between relatively higher rates and revenue. As is the case with previous, similar studies, the findings argue for a firm, strategic approach to pricing, rather than a reactive or strictly tactical approach.
Given the importance of well-designed and well-executed training programs, it is important to learn more about the content and design of effective training programs for new employees, particularly those that have been implemented in the hospitality industry. Through a field study assessment of pre-opening training programs that have been implemented by fifteen hotel firms and sixteen restaurant companies, we found that hotels and restaurants spend approximately the same time on pre-opening training for new staff, with the exception of restaurant managers, who receive significantly more days of training than do their hotel counterparts. In addition, there were substantive differences in the amount of pre-opening training based on firm size and whether the company was publicly traded or privately held. We also found that the majority of pre-opening training is designed and delivered by corporate staff, and a balance of active and passive training methods are used for facilitation. Finally, although our survey methodology did not allow us to determine the costs associated with pre-opening training (and therefore the return on these efforts), we noted that the firms used guest satisfaction measures and measured the employees’ content mastery, among other metrics.
Understanding Students’ Intentions to Join the Hospitality Industry

The Role of Emotional Intelligence, Service Orientation, and Industry Satisfaction

by Kate Walsh, Song Chang, Eliza Ching-Yick Tse

A study of 246 hospitality degree students in Hong Kong and the United States found that emotional intelligence has a strong effect on students’ intentions to pursue a career in the hospitality industry. The students’ service orientation has a similar but weaker effect. The study also found that this relationship is mediated by the degree to which these post-internship students were satisfied with working in the industry. Because emotional intelligence can be enhanced through education, hospitality educators can help develop their students’ emotional intelligence and service orientation and potentially increase their likelihood of developing successful careers within the industry.

Cornell Hospitality Quarterly, Volume 56, No. 4, November 2015, pp. 369-382

Déjà Vu? An Updated Analysis of the Gender Wage Gap in the U.S. Hospitality Sector

by Susan S. Fleming

Drawing on a random sample of 112,990 people working in the U.S. hospitality sector in 2010, this study found strong evidence that there remains a significant difference in the income of women and men working in the industry, even after accounting for likely explanations such as differences in educational attainment and hours worked, as well as structural forms of discrimination such as occupational crowding. Across the entire hospitality industry, after controlling for these factors, being a woman was associated with a loss of income of $620, relative to a mean income of $11,271 per year. For the food service sector, being a woman cost $542 relative to a mean income of $9,339, and for the lodging sector, the gender penalty was $2,368, compared with a mean income of $17,783. However, managers faced the most severe penalties, as being a woman cost $6,617 compared with a mean income of $30,577 (21.6%). This study echoed findings of a study that used 1989 data, which also found that women were paid substantially less than men across the entire industry. While the 2010 study data showed at least some progress toward wage equality, the wage difference remains noticeable despite the advancement of women in professional and executive positions in the United States in general, and specifically within the hospitality industry.

Cornell Hospitality Quarterly May 2015 56: 180-190
Human Resources (continued)

The New Science of Service Innovation: Part 4
Select Research on People from the 2014 Cornell Hospitality Research Summit

Edited by Cathy Enz and Rohit Verma

Technology is essential, data has become indispensable, and organizations remain fundamental, but people—both employees and customers—have been and will continue to be the core element of the hospitality and service industries. The Cornell Hospitality Research Summit (CHRS) held in October 2014 was organized to examine service innovation in a new light, focusing on a scientific and disciplined approach to the topic. This is the final report in the series of four that feature expanded summaries of select research on service innovation based on CHRS presentations. This third report highlights innovative strategies related to people—both employees and customers—including the differences in how customers view tangible and intangible premiums connected to a service experience, the effect of culture on innovation, and the differential approach that women take to service businesses, as compared to other industries.

Cornell Hospitality Report, Vol 15, no. 19

A Competency Model for Club Leaders

by Kate Walsh and Jason P. Koenigsfeld

This exploratory study offers a competency model for leaders of service businesses (such as clubs) where low-skilled labor delivers a product to a long-term, repeating clientele. A survey of 596 private club managers highlights the importance of five sets of leadership competencies: teamwork, connecting with staff members and clients, strategic thinking, effective communication, and working with and through people. This leadership competency model highlights the skills required to lead at the individual, team, and organizational levels, while simultaneously managing the client experience. The study also compared perceptions of leaders against those of line-level managers and found that leaders differ from their managerial staff when viewing the importance of communication competencies and leading by example. Overall, results emphasize the importance of engaging clients, understanding their needs, and using that understanding to shape the service experience. Although clubs are a specialized type of service business, the key competencies for club leaders lend useful insights for those leading other hospitality sectors.

Cornell Hospitality Report, Vol 15, No. 8
The United States Supreme Court Rules in Favor of Employees in the *Young* and *Abercrombie* Cases: What Do They Really Hold?

by David Sherwyn and David B. Ritter

An analysis of two recent employment-related decisions by the U.S. Supreme Court finds that the two holdings neither expanded the scope of accommodation required for certain special employee situations nor did they clarify the complex and conflicting statutes and regulations regarding employee accommodation. In the case of *Young* v. United Parcel Service, Inc., the Court disturbed a long-standing precedent regarding accommodations of pregnant employees under civil rights law by essentially turning each case into one where the facts of the situation must be tried under a challenging new standard. In the second case, E.E.O.C. v. Abercrombie & Fitch Stores, Inc., the Court sidestepped the question of the extent to which an employer should go to accommodate a religious belief, but affirmed an obvious civil rights principle that an employer cannot discriminate in a hiring decision based on the assumption that an employee would seek accommodation for religious observances.

Cornell Hospitality Report, Vol 15, No. 20
It goes without saying that change is inevitable in hospitality and service organizations, as the competitive marketplace changes and as the interaction between organizations and their customers and employees evolve. The Cornell Hospitality Research Summit (CHRS) held in October 2014 was organized to examine service innovation in a new light, focusing on a scientific and disciplined approach to the topic. This report is the second of four that feature expanded summaries of select research on service innovation. This second report highlights innovative strategies related to organizational change, including an unexpected outcome for implementing change in European organizations, how to identify and market to “persuadable” guests, and proposed new directions for hotel rating systems.

Adopting the Code:
Human Trafficking and the Hospitality Industry

by Michele Sarkisian

Human trafficking generally and child exploitation in particular is a global problem. While hard data are difficult to obtain in detail due to many unreported and underreported cases, the International Labor Organization (www.ilo.org) estimates that human traffickers earned as much as $150 billion in 2014, making it financially the second largest illicit crime, surpassed only by the sale of drugs. That same study estimated 20.9 million victims of human trafficking worldwide, with 5.5 million of those being children.
Management (continued)

From Concept to Impact: Beginning with the End in Mind
Highlights from the 2015 Hospitality Entrepreneurship Roundtable

by Mona Anita K. Olsen, Kelly McDarby, and Joanne Jihwan Park

The entrepreneurial process of concept to impact, focusing on the importance of beginning with the end in mind, was a major theme for the inaugural hospitality entrepreneurship roundtable at the School of Hotel Administration. Sponsored by The Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship, the roundtable addressed the top issues that face entrepreneurs now and in the near future. In that context, roundtable participants discussed five major issues: funding, franchising, legal concerns, opportunity recognition, and technology. Franchising remains a strategic vehicle for business development, although the nature of franchising has changed in recent years as multi-unit operators have risen to prominence. Another funding source, the Small Business Administration, can be a valuable source of funding, according to some panel members, and it is also possible to use crowd funding or networking to find investors or lenders for a concept. Accepting funding from investors requires careful attention to legal agreements, because the entrepreneur risks lawsuits without such covenants in place. Technology can be a substantial expense for hospitality businesses, and the restaurant industry particularly faces considerable potential for disruption from such technologies such as 3D printers and robots. One of the major trends for restaurants is the concept restaurant, but roundtable participants were concerned that basic hospitality can be lost if an entrepreneur focuses too tightly on a concept. In the end, the gauge for success of any concept or business is not publicity—although that is important—but revenue and the bottom line.

Cornell Hospitality Report, Vol 15, No. 7
How to Feel Confident for a Presentation...and Overcome Speech Anxiety

by Amy Newman

This tool collects and summarizes as many presentation strategies as possible, with a goal of helping people become more confident in their presentations. The tool offers a comprehensive list of strategies that the presenter can use before, during, and after a presentation. Users are invited to select the most appropriate strategies for their situation. The goal is that even the most nervous presenters can improve how they think and feel about their delivery skills—and how they perform in front of an audience.

Cornell Hospitality Tool, Volume 6, Number 1

Winners and Losers during the Great Recession
The Positive Impact of Marketing Expenditures

by Amrik Singh and Chekitan S. Dev

One of the factors that separated winning hotels from losers in the recession was the hotels’ management of marketing expenses. By matching a group of 100 winners to 106 losers, based on high or low financial performance during the nadir of the recent recession, the study highlights the effects of marketing expenses as one primary driver of revenue and profit. The study compares the two groups’ revenue and profitability metrics to determine the two groups’ financial performance as the recession wore on. The results of this study show significant differences between winners and losers when measured by top-line indicators (Average Daily Rate [ADR], RevPAR, TRevPAR) and profitability (GOPPAR and NOIPAR). Winners were also found to spend significantly more on marketing than losers. The relationship between marketing expenditures and performance is significantly positive, with franchise expenses and other sales expenses emerging as the most important determinants of RevPAR, GOPPAR, and NOIPAR. In particular, these results highlight the importance of personal sales efforts, including promotions, familiarization trips, trade shows, and the training of sales personnel, personal sales visits to clients, and use of outside sales representatives to help hotels thrive in a recession. These data lead to the conclusion that firms that “invest” in marketing, especially in tough times, can achieve a payoff via various revenue drivers (e.g., trade shows) and will realize gains beyond just the short term.

Cornell Hospitality Quarterly, Volume 56, No. 4, November 2015, pp. 383-396
MARKETING (CONTINUED)

A Location Planning Decision-Support Tool for Tradeshows and Conventions

by Hyunjeong (Spring) Han and Rohit Verma

The strategic decision tool is intended to assist travelers in comparing the value of attending up to four tradeshows or conventions. Based on a multi-year research project that discerned tradeshows’ participants’ preferences, the tool can be used in making an effective location planning decision for tradeshows considering attendees’ and exhibitors’ preferences. Decision criteria are based on information from over 2,500 tradeshows participants.

Cornell Hospitality Tool, Volume 6, Number 2

Hotel Brand Conversions: What Works and What Doesn’t

by Chekitan S. Dev

As many as one-third of U.S. hotels have been converted from one brand to another in recent years, a process that frequently improves the hotel’s financial performance—although that is not always the case. Using data collected between 1994 and 2012 from PKF Hospitality Research, an analysis of brand conversions by 260 hotels shows that hotels moving downscale generally improved their occupancy, and thus their top-line revenue and profit ratios, compared to a control group of 2,750 hotels that did not change brands. However, hotels that moved upscale did not see notable changes in revenue or profit, nor did hotels that moved across their tier, especially when they stayed within their brand family. Two factors seem to drive the financial results for converted hotels—the relative strength of the brand and the fit between the brand and the property.

Cornell Hospitality Report, Vol 15, No. 21
Cuba’s Future Hospitality and Tourism Business: Opportunities and Obstacles

by John H. Thomas, Miranda Kitterlin-Lynch, and Daymaris Lorenzo Del Valle

Resumption of diplomatic relations between the United States and Cuba may open opportunities for hospitality and tourism industry investors in the island, which is the largest in the Caribbean. Although the U.S. economic embargo continues (and can only be removed by an act of Congress), executive actions could ease some travel and trade restrictions. Although Cuba offers considerable potential for hospitality and tourism investors, economic, legal, and practical questions and barriers remain, starting with the central control maintained by the Cuban government. Foreign hospitality and tourism companies seeking to do business in Cuba must navigate the requirements of the Cuban authorities, while operating in the shadow of the U.S. embargo. The following four issues may hamper international investors: (1) finance and banking availability is lacking; (2) the Cuban government must be a partner in every foreign enterprise; (3) labor availability and terms are controlled by the government; and (4) the nation lacks credible dispute resolution entities (courts or arbitration).

What’s Next in Loyalty Programs: Highlights of the 2014 Cornell Loyalty Program Management Roundtable

by Michael McCall

Participants in the first Cornell Loyalty Management Roundtable focused on how to move hospitality loyalty programs off dead center, with a goal of finding ways to make customers truly loyal. With a goal of finding “next practices,” key issues covered by participants included best practices in program design and management, customer lifetime value, and program re-launch. The interaction of social media and loyalty are of particular concern, because those interactions have not yet crystallized, especially with regard to spending behavior. Participants considered that brand loyalty involves more than patronizing a brand, but also promoting and even defending it. Program redevelopment must be based on core marketing tenets, particularly meaningful points of differentiation.
Despite everyone’s best efforts, restaurant service falls short at times. In those situations, guests perceive a service failure, and many complain. This study of 513 guests in three U.S. markets examines the guest characteristics that seem to drive the channel used for those complaints. Using a framework of media richness theory, the study found that guests who are more educated, more likely to complain, more frustrated, and in need of greater information about the service failure will typically take their complaint directly to management, either face-to-face or via written communication. On the other hand, those who are less educated or less frustrated will instead complain to line staff or use corporate guest-comment cards. Some of these findings appear not to support media richness theory, as face-to-face complaints are the richest channel (whether to line staff or management). However, it appears that for this sample of restaurant guests, the idea of taking it to the top (both in person or in writing) is important, particularly for frustrated, educated guests.

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Racial and Ethnic Differences in Tipping: The Role of Perceived Descriptive and Injunctive Tipping Norms

by Michael Lynn and Zachary W. Brewster

In U.S. restaurants, racial and ethnic minorities often tip less than whites. These differences in tipping create numerous problems ranging from discriminatory service to restaurant executives’ reluctance to open restaurants in minority communities. Thus, racial differences in tipping need to be sizably reduced, which requires an understanding of their underlying causes. In this paper, we ask a racially and ethnically diverse sample of respondents in an online survey about how much they would tip in a hypothetical dining scenario, how much their best friend would tip, and how much the average person in their area would tip, as well as what the smallest tip a server in their area would consider satisfactory. Analyses of these data indicate that perceived injunctive and descriptive tipping norms independently mediate racial and ethnic differences in tipping. This finding suggests that racial differences in tipping can be reduced with marketing campaigns that promote the dominant 15 to 20 percent injunctive tipping norm and that inform consumers about widespread compliance with that norm.

Cornell Hospitality Quarterly February 2015 56: 68-79
Restaurant Management (continued)

An Evaluation of Rules for Assigning Tables to Walk-in Parties in Restaurants

by Gary M. Thompson

A survey of 276 restaurant and food-service managers found that, when it comes to seating walk-in guests, just over half maintain a policy of seating the party that has waited the longest. About one-fifth of the respondents seated the largest waiting party and the remainder used some combination of the two approaches. With that in mind, this paper uses an extensive simulation to evaluate the relative revenue outcomes for nine rules for assigning walk-in parties to tables in restaurants, taking into account such variables as restaurant size and matching party size to the table size. I test three variants of each of the “largest party” and “longest wait” rules, along with two rules that blend largest and longest. I also include the outcome of allowing guests to seat themselves. I found that one of the blended rule using party size and waiting time performed the best across all levels of all of the experimental factors, but among the simple rules, the longest wait approach was effective in most cases. Except in the largest of restaurants, allowing guests to seat themselves is the least efficient approach.

Cornell Hospitality Quarterly February 2015 56: 91-105

Have Minimum Wage Increases Hurt the Restaurant Industry? The Evidence Says No!

by Michael Lynn and Christopher Boone

Federal, state, and local laws in the U.S. specify the minimum wages to be paid in their jurisdictions. Recent years have seen an increased interest among many in raising those minimum wages, and there has been some movement at the local, state, and federal levels to do so. Proposals to increase the minimum wages have been opposed by the restaurant industry on the grounds that such increases would require restaurants to cut hiring, raise prices, or both. Either reaction is thought to reduce customer satisfaction and demand, as well as restaurant profitability and survival. Although this piece of conventional wisdom seems entirely plausible, we wanted to test whether this is the case, especially in view of studies that have found no such negative outcomes (or tiny outcomes, at worst). Consequently, in this report, we address the question of whether increases in the minimum wages have the negative effects widely expected by the restaurant industry.

Cornell Hospitality Report, Vol 15, No. 22
RESTAURANT MANAGEMENT (CONTINUED)

Instructions for the Wine Cellar Management Tool, Version 3

by Gary M. Thompson

Version 3 of the Wine Cellar Management Tool incorporates six years of experience in using this spreadsheet-based application, which is designed to assist a wine owner in tracking the status of bottles being cellared. By keeping track of a wine’s drinkability window, the tool provides the wine owner with the information needed to promote, open, or continue to store wines in a collection. Version 3 adds functionality and fixes bugs in the first two releases of this tool, also making it easier to use by allowing one to focus on a specific category of wine and improving decision support. Use of earlier versions of this tool has shown that if one is disciplined about recording the inflows and outflows to and from the cellar, there are a large number of cellar analytics that are interesting and informative, and that can be used to help guide cellar management decisions, such as what to consume or what to promote.

Cornell Hospitality Tool, Volume 6, Number 3

Instructions for the Restaurant Reservations Optimization Tool

by Gary A. Thompson

The purpose of this tool is to determine the best mix of tables in a restaurant, while simultaneously determining which reservations should be accepted from forecasted demand. A key parameter in the tool is the degree to which average dining durations are inflated. The tool user selects this inflation factor according to expectations regarding the extent to which parties will exceed the anticipated average dining time. Lower inflation factors result in more revenue, because more reservations are accepted, but also come with lower service levels, meaning more customers will need to wait for a table. Based on the user inputs, the tool, which uses the Solver add-in for Microsoft Excel, returns the optimum table mix for the greatest revenue.

Cornell Hospitality Tool, Volume 6, Number 4
How the Deepwater Horizon Oil Spill Damaged the Environment, the Travel Industry, and Corporate Reputations

by Alex Susskind, Mark Bonn, and Benjamin Lawrence

In July 2015, BP Oil Corporation agreed to pay a fine of $18.7 billion for its role in the 2010 oil spill in the Gulf of Mexico, caused by the rupture of BP’s Deepwater Horizon well. These funds are earmarked for continued recovery of the coast of the five states affected by the spill, Texas, Louisiana, Mississippi, Alabama, and Florida. The spill caused substantial damage to the Gulf Coast’s environmental quality, to the coast’s tourist volume, and to BP’s corporate reputation. Since that time, BP has sought to repair both the coast and its reputation, while encouraging tourists to return to the beaches and bayous that were covered with oil. In this report, we examine these respondents’ view of BP’s corporate reputation and the outcomes for travel to the white sand beaches of Florida’s panhandle.

Hotel Sustainability Benchmarking Study

by Howard G. Chong and Eric E. Ricaurte

This report highlights the results of the first Cornell Hotel Sustainability Benchmarking (CHSB) study which focuses on two key components of sustainability: energy usage and carbon emissions. Monthly utility usage from nine major companies and over 2,000 hotels were analyzed. We present information on the ranges of six energy and carbon key performance indicators (KPI) specifically suited to the hotel industry, with detailed results reported for thirty geographic areas. Three key conclusions are (1) benchmarks based on local geography and chain scale segment are essential for any resulting analysis to be useful to the hotel industry, (2) even for hotels with similar attributes and in the same city, energy per square meter can vary by more than a factor of five, and (3) there is a continued need for data harmonization to quantify additional drivers of energy use.
Environmental Sustainability in the Hospitality Industry: Best Practices, Guest Participation, and Customer Satisfaction

by Alexandra Bruns-Smith, Vanessa Choy, Howard Chong, and Rohit Verma

Certain sustainability practices could be considered nearly universal in the lodging industry, based on a study of 100 resorts in the United States. Among the common green practices are water conserving fixtures and linen-reuse programs. A separate survey of 120,000 hotel customers finds that guests are generally willing to participate in sustainability programs, but the presence of green operations still do not override considerations of price and convenience in selecting a hotel. Additionally, the study finds an increased willingness to participate when hotels offer incentives, such as loyalty program points, for participating in environmental programs. Although the link between environmentally sustainable programs and improved customer satisfaction is weak compared to standard drivers like facilities, room, and food and beverage quality, hotels are increasingly expected to maintain sustainability programs as a regular feature of their business. At the same time, the study did find that environmentally sustainability programs do not diminish guest satisfaction. Consequently, the decision regarding which programs to implement should rest on cost-benefit analysis and other operating considerations.

Cornell Hospitality Report, Vol 15, No. 3
2015 Publications of the Faculty
Cornell University School of Hotel Administration

Chris Anderson
Demand Growth in Services: A Discrete Choice Analysis of Customer Preferences and Online Selling, *Decision Sciences*, September 2015

Linda Canina

HaeEun Helen Chun
Why Recommend a Brand Face-to-Face But Not on Facebook? How EWOM on Online Social Sites Differs from Traditional WOM, *Journal of Consumer Psychology*, January 2015

Jack Corgel

Stephanie J. Creary
Out of the Box? How Managing a Subordinate’s Multiple Identities Affects the Quality of a Manager–Subordinate Relationship, *Academy of Management Review*, October 2015

Chekitan Dev
Assessing Faculty Productivity, *Journal of Teaching in Travel and Tourism*, April 2015

Sheryl Kimes

Robert Kwortnik
2015 Faculty Publications

Ben Lawrence


Peng Liu

The Emergence of Hotel/Lodging Real Estate Research, *Journal of Real Estate Literature*, January 2015


Michael Lynn


Yifei Mao

Amy Newman
How to Feel Confident for a Presentation, *Business Communication Quarterly*, June 2015

Andrew Quagliata
University Festival Promotes STEM Education, *Journal of STEM Education*, 2015
2015 Faculty Publications

Sean Rogers

David Sherwyn
When Rules are Made to Be Broken, *Northwestern University Law Review*, July 2015

Michael Sturman


Gary Thompson


J. Bruce Tracey
Validation of a Multi-dimensional HR Flexibility Measure, *Journal of Management*, May 2015

Rohit Verma
Demand Growth in Services: A Discrete Choice Analysis of Customer Preferences and Online Selling, *Decision Sciences*, September 2015

Understanding Customer Value in Technology-Enabled Services: A Numerical Taxonomy Based on Usage and Utility, *Service Science (Hanover)*, September 2015

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