CHR Reports Compendium 2018

Abstract
The 2018 CHR Compendium provides a summary of the Cornell Hospitality Reports published by the faculty of the School of Hotel Administration in the Cornell SC Johnson College of Business. The compendium also includes articles published in the Cornell Hospitality Quarterly, the school's journal of applied research. Sorted by topic, the reports and articles contain direct implications for hospitality executives and those in related industries. CHR Reports are available for download at no charge.

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Comments
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2018 COMPENDIUM

A summary of the work published by the Faculty of the Cornell SC Johnson College of Business, School of Hotel Administration

January 2018
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Entrepreneurship Is Global:
Highlights from the 2016 Global Entrepreneurship Roundtable

by Mona Anita Kristiansen Olsen

A group of nearly 30 industry leaders, entrepreneurs, faculty, staff, and students from around the world met in Ithaca in November 2016 for the Entrepreneurship is Global Roundtable hosted by the Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship (PIHE) at Cornell University’s School of Hotel Administration. The event was held as part of Global Entrepreneurship Week, an initiative of the Global Entrepreneurship Network. Participants focused on identifying entrepreneurial talents, the benefits and challenges presented by the “Internet of Things,” entrepreneurship in China, and the growth of the craft beverage industry. Among the conclusions drawn from the wide-ranging discussion were that Gallup’s Entrepreneurial Profile 10, a psychometric assessment designed to identify the top ten talents consistently exhibited in successful entrepreneurs, can be an effective team development tool for a venture. The Internet of Things may provide valuable cost savings, decision-making capabilities, and productivity gains, participants said, but technology security remains an issue in a highly connected, sharing society. A discussion of China’s tourism and travel industry revealed that the industry could benefit from revenue management practices in addressing the lack of data and analysis in the market. The success of the craft beverage industry demonstrates the value of providing both products and experiences for consumers, participants noted, with collaboration a key element in creating popular destinations around the world.
The Future of Hotel Revenue Management

by Sheryl E. Kimes

A survey of some 400 revenue management (RM) professionals finds that the application of hotel RM has gradually become more strategic and more centralized, but changes in RM practices have come more slowly than expected in the past six years. In particular, an earlier prediction that RM would be applied to all hotel revenue streams remains a work in progress, as does the use of mobile technology and social media as distribution channels. In addition, it is now more common for hotels to establish separate RM departments, as projected. Poll participants in the current research project suggested that, going forward, RM practices will be more fully integrated into all hotel operations, including function space (although these ideas have yet to gain much traction in the industry). These findings represent an update of a similar study on emerging trends in RM conducted by the author in 2010.

REIT Capital Structure:
The Value of Getting It Right

by Eva Steiner

An analysis of the capital structure of commercial real estate investment trusts finds that the strongest REITs overall tend to employ lower leverage and longer debt maturity, maintain larger proportions of fixed-rate debt, rely less on secured debt, have a greater line of credit capacity but use it less, and hold smaller cash reserves. The REITs’ strength is measured by Tobin’s q, which expresses the ratio of the market value of assets relative to their book value. The study examines yearly data for the years 1993 through 2013 for 137 REITs based in the United States and the years 2001 through 2013 for 50 REITs in France, Germany, the Netherlands, and the United Kingdom. Looking specifically at hotel REITs, the study found generally similar outcomes in terms of the capital-structure characteristics associated with the strongest hotel firms, although their q ratios were lower overall. However, hotel REITs tended to have greater leverage, shorter debt maturity, and more cash on hand to market value than REITs as a whole. The financial crisis of 2007-09 highlighted the value of limited leverage, as well as fixed-rate and secured debt.
Information in Stock Prices:  
Buy the Rumor, Sell the News? 

by Pamela Moulton 

The popular adage, “buy the rumor and sell the news,” can apply to only half of stock trades, because someone must be on the other side of every trade, a party who is “buying the news.” The “news” in this study comes from changes in analyst recommendations, which cause measurable changes in stock prices. On average, analyst upgrades are accompanied by one-day abnormal returns of 1.96 percent, while analyst downgrades lead to one-day abnormal returns of -1.83 percent. Examining the trading patterns of four types of traders, the study finds that active institutional traders are best at buying a stock in the few days before an analyst upgrade (i.e., buying the rumor) and selling it on the upgrade day (selling the news). To a lesser extent, active institutional traders also sell before downgrades, while buying back on downgrade days. In contrast, program institutional traders are typically on the losing side of these trades, while market makers are generally not involved and individuals make only small investment changes. Based on 15,101 analyst upgrades and 15,907 analyst downgrades for 2,122 different NYSE-listed stocks, the study concludes that active managers can add value by trading on research (their own or that provided by sell-side analysts), which suggests that including some actively managed funds can make sense for retirement plans at hospitality firms. Looking specifically at changes in analyst recommendations for publicly traded hospitality firms, the same patterns hold, with average one-day abnormal returns of 1.98 percent on analyst upgrades and -1.79 percent on analyst downgrades and similar “buy the rumor, sell the news” trading patterns by active institutional investors around analyst recommendation changes.

Cornell Hospitality Report, Vol. 17, No. 17
Hotel Brand Standards:
How to Pick the Right Amenities for Your Property

by Chekitan S. Dev, Rebecca Hamilton, and Roland Rust

Amenities specified by hotel companies’ brand standards can become a point of contention between hotel owners and brand managers. At issue for the owner is whether offering a particular amenity justifies the expense, while brand managers are typically more concerned with maintaining consistent brand standards systemwide. This report provides another perspective, by analyzing the short-term return on investment for six upscale and luxury brands offering three popular complimentary amenities—bottled water, internet access, and fitness center use—both in terms of their effects on first-time visits and on repeat business. While internet access held the greatest attraction for first-time guests, complimentary bottled water offered the highest ROI for returning guests. Analyzed over a twelve-month period, the fitness center had a negative ROI for both groups. Of particular interest, the study also found that guests greatly overestimated the likelihood that they would use the hotels’ amenities.

What Matters Most to Your Guests:
An Exploratory Study of Online Reviews

by Jie J. Zhang and Rohit Verma

An examination of over 95,000 reviews and ratings for 99 independent, high-end hotels and resorts highlights the importance of the hotel industry’s core product, namely, consistently excellent service supporting a comfortable, well-appointed room. Based on reviews and ratings posted on TripAdvisor, Expedia, and Booking.com, the analysis found that properties with the most consistent service also had the highest ratings, while hotels with inconsistent scores also had relatively low ratings. Quantitative analysis revealed that service and rooms were overwhelmingly the most important aspects of these high-end properties, while facilities, location, and amenities moved the meter far less. A qualitative analysis of the words used in the reviews again highlighted the essential nature of service and rooms, both for high-rated and low-rated properties. Top-rated reviews included such words as friendly, helpful, excellent, and beautiful, while words that appeared only in the low-rated reviews included didn’t, bathroom, front, desk, and price, hinting at issues that resulted in those lower ratings. The findings can be applied by management of both high- and low-rated hotels to avoid distractions and to focus on hotels’ fundamental purpose of providing excellent service and a good night’s sleep.
Do Property Characteristics or Cash Flow Drive Hotel Real Estate Value?
The Answer Is Yes

by Crocker H. Liu and John B. Corgel

Analysts typically use two types of methods to value hotels: comparable sales and the present value of income (sometimes calculated as discounted cash flow). This report explores whether one model is superior to the other, and whether combining both models results in more precise hotel valuations. This evaluation addresses the issue of which property characteristics and income calculations are the most effective in explaining variation in the prices of hotels, how the descending influence of hotel property characteristics and income present value components determine the prices of hotels, and whether hedonic and income-based models produce similar estimates of hotel values. The findings show that using an approach based on comparable sales or one based on incomes results in similar value estimates. Beyond that, the analysis finds that combining both models does not result in more precise hotel valuations.

Total Hotel Revenue Management:
A Strategic Profit Perspective

by Breffni M. Noone, Cathy A. Enz, and Jessie Glassmire

Hospitality firms are expanding traditional revenue management (RM) practice to focus on customer value and strategic profit management. Participants in series of semi-structured interviews suggested that revenue management is moving away from a sole focus on top-line rooms revenue toward a bottom-line orientation focused on the customer. Thus, RM will expand to multiple revenue sources and encompass a multi-channel demand management approach. The interviews with sixteen senior hotel leaders, RM vendors, and solution...
providers highlighted the importance of profit, rather than just revenue, given rising distribution and variable costs. Despite the attraction of other revenue and profit sources, such as F&B, spas, and function space, the participants noted that expanding RM to those areas involves complexities not found in the rooms division. Ideally, hoteliers seek to assess the value of each customer’s patronage and develop a specific relationship with each customer. With changes envisioned by these hotel leaders, the practice of revenue management will evolve into the more accurate and expansive notion of strategic profit management.

Cornell Hospitality Report, Vol. 17, No. 8

The Billboard Effect:
Still Alive and Well

by Chris K. Anderson and Saram Han

Changes in the online travel market are causing hotels to rethink their relationships with online travel agencies (OTAs) and to take a closer look at the impact on bookings from listing their properties with OTAs. One outcome of being listed on an OTA is additional bookings on the brand’s own website, a phenomenon that co-author Chris Anderson labeled the billboard effect. In a 2009 study, Anderson presented an experiment in which a group of hotels was listed and then removed from Expedia.com in alternate weeks. This test found that, compared to being hidden, being listed on the site increased reservations 9 percent to 26 percent (above transactions that occurred at Expedia).1 That was followed by a 2011 study examining consumers’ online pre-purchase research that found about 75 percent of consumers who made reservations with a major hotel brand had visited an OTA in advance of booking directly with the brand.2 In this report we show that the ability of a second-party channel to influence an eventual reservation may be lower now, but the billboard effect still occurs, since many consumers visit an OTA prior to booking.

Cornell Hospitality Report, Vol. 17, No. 11
**Ethics from the Bottom Up**

*by Judi Brownell*

Despite considerable research and discussion, the key to ensuring ethical behavior in hospitality organizations remains unclear. Over the years, hospitality industry practitioners have taken numerous substantive steps to establish the importance of ethical conduct. One common practice is for a company to have written ethical standards or a code of conduct. While these efforts help to ensure that standards of ethical practice are understood, a corresponding focus on the daily behavior of individual employees is also essential. Organizational practices that facilitate employees’ ethical awareness and decision making include establishing a clear organizational fit during the selection process, maintaining ongoing performance dialogues, and communicating ethical expectations in daily interpersonal interactions. To foster and direct these communication activities, this report presents the “values discussion tool.” This tool provides scenarios, forced-choice questions, rating scales, and self-reported personal profiles, with the goal of exploring employee priorities, uncovering underlying assumptions, and reaffirming organizational values.

**CORNELL HOSPITALITY REPORT, VOL. 17, NO. 10**

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**seniority_list:**

A Tool to Address the Challenge of Airline Mergers and Labor Integration

*by Robert Davison and Sean E. Rogers Ph.D.*

Integrating employee groups from separate firms into a combined, well-functioning workforce presents one of the most difficult challenges in a corporate merger. This has particularly been the case in the recent airline mergers in the U.S. that have left three large legacy airlines, namely, American, Delta, and United. Carriers in these mergers have, in some cases, seen years of arbitration and litigation, employee turmoil and labor union decertification, and delays in operational integration and the realization of anticipated merger synergies. In response to this situation, this report introduces seniority_list, a computer-based tool that can be used by unions, employee groups, arbitrators, airlines, and consultants in their workforce integration efforts, analyses, and recommendations. The report demonstrates how the tool addresses such variables as employee tenure, jobs available, and furlough recall schedules, together with ordering and conditions on integration alternatives, to comprehensively assess the short- and long-term impact of workforce integration strategies. The purpose of seniority_list is to help speed up post-merger labor integration, enhance outcome fairness for merged employee groups, reduce conflict, and allow airlines to more quickly realize the operational and financial benefits expected from a merger.

**CORNELL HOSPITALITY REPORT, VOL. 17, NO. 12**
When Rules Are Made to Be Broken: The Case of Sexual Harassment Law

by David S. Sherwyn, Nicholas F. Menillo, and Zev J. Eigen

Judicial holdings regarding sexual harassment actions have put judges who want to ensure what they view as a just outcome in the awkward position of having to choose between following precedent or “breaking the rules.” This article presents a theoretical assessment and empirical analysis of judicial rule-breaking with regard to two rules relating to sexual harassment. The first such rule, established in the Oncale decision, opened the door to the “equal-opportunity harasser” who treats everyone badly and thus escapes the prohibition on harassment “due to sex.” The other rule, set forth in the Ellerth and Faragher decisions, establishes a two-prong requirement for companies to demonstrate that they should not be held liable in the case of sexual harassment of an employee. The requirements for the so-called affirmative defense are, first, that the employer acted reasonably in relation to a complaint, and second that the employee acted unreasonably, usually indicated by a tardy complaint. Our analysis of 131 cases finds that the likelihood of rule-breaking increases when judges perceive that an employer that is otherwise meritorious (that is, responds effectively to the complaint) could be held liable (in the case of Ellerth and Faragher). On the other hand, courts have followed the rule when an unjust outcome has small repercussions (as in Oncale). Of interest in this context is how the courts will treat a new sexual harassment rule, as outlined in the Supreme Court’s Vance decision.
Strategic Management Practices Help Hospitals Get the Most from Volunteers

by Sean E. Rogers Ph.D.

Hospital administrators are facing twin challenges with regard to their volunteers—a generational change that may mean fewer volunteer hours in the future, and the need to set strategies to manage and recognize the value of current volunteers. This report, based on a survey conducted with a group of more than 100 hospital officials, identifies a specific set of 23 management practices to improve the volunteer experience, grouped into four categories: job design; recruitment and selection; orientation, training, and development; and performance management and supervision. The report also highlights the importance of making a complete accounting of the volunteer contribution, by calculating the equivalent financial value of volunteer services, as well as their contribution to patients’ health outcomes. The study findings indicate that the use of strategic volunteer management practices in hospitals leads to better performance by volunteer labor and, in turn, may improve the hospitals’ bottom line.

How Co-Production and Authenticity Affect: Experience Design Management

by Lewis P. Carbone and Kathryn A. LaTour

Two keys to profitable operation are ensuring that customers have a memorable experience and developing a relationship that matches their needs. Meeting at the Cornell School of Hotel Administration, experts in experience management from industry and academe focused on ways to improve customers’ experience in a way that makes it memorable, with a goal of fostering a mutually beneficial lasting relationship. Focusing on the elements of the relationship between consumers and their favorite brands, participants in the experience management roundtable considered the most effective approaches to improve customer relationship management. One important tactic is to provide experiential clues that help customers to remember their experiences in a favorable light. This type of “sticky” recollection fends off the human tendency to invent negative details to fill gaps in memory. One useful way to view the nature of the relationship between customers and a brand is to gauge the levels of love and respect between the parties. In this framework, a brand needs to match customers’ desires for both of those relationship aspects. Customers who feel high levels of both love and respect for a brand are likely to be lucrative long-term patrons.
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Restaurant Management

The Food-Service Industry: Best of Times, Worst of Times
by Alex M. Susskind

Technology has long been a factor in restaurants’ back-of-house operations, but the actual amount of automation depends on the restaurant operator’s preferences and, to some extent, the type of restaurant. Technology is now expanding in the front of the house, as part of the service interaction with guests, but again the implementation is uneven and depends in part on the restaurant’s concept. Whatever technology is introduced should at minimum not damage the guest experience and preferably should boost service levels. Participants in a recent roundtable at the School of Hotel Administration examined these and other issues in the foodservice industry, with a particular emphasis on the entrepreneurial aspects of the restaurant industry. Food service now stretches beyond the restaurant business, as grocery stores have entered the meal replacement sector, and food-kit deliveries are growing in popularity. Changes in the restaurant industry have influenced vendors, whether they offer a broad line or systems distribution. One other issue that is in flux is tipping, as some restaurateurs have eliminated tipping and raised menu prices to balance payrolls throughout the restaurant, while others retain tipping due to customers’ price sensitivity.
This report presents the results of the fourth annual Cornell Hotel Sustainability Benchmarking (CHSB) study, an update to last year’s CHSB2016 study, which was undertaken as a collaborative effort of the Cornell University Center for Hospitality Research, hotel participants, Greenview, and an industry advisory group. This report with historical trends and its accompanying index are intended to advance the knowledge base and data sets for benchmarking activities relating to energy, water, and greenhouse gas emissions for the industry’s benefit. The data sets remain freely available for download from the Cornell Center for Hospitality Research. This fourth study builds on the framework, expands the data set’s geographical coverage, presents historical trends across three years of similar data, and provides enhanced benchmarks and metrics – including a pilot of measures from the Hotel Water Measurement Initiative and percentage of energy generated from renewable sources – with an 80% increase in the global data set and adding segmentation by asset class and number of stars in the accompanying index.
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