Best Practices in the U.S. Lodging Industry: Overview, Methods, and Champions

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Abstract
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Keywords
hotel industry, best practices, customer loyalty, profitability

Disciplines
Hospitality Administration and Management

Comments
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Best Practices in the U.S. Lodging Industry

Overview, Methods, and Champions

by Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy Siguaw

When a lodging operation is doing an innovative and excellent job in a particular area, the industry benefits from spreading the word about the practice. But first one has to discover those best practices.

During 1998 we conducted the most comprehensive study of the U.S. lodging industry's best practices ever attempted. Our goal was to uncover those practices that are directly related to long-term customer loyalty and profitability for lodging operations. By understanding the operation of the best practices in detail and by developing short, managerially oriented cases, we hoped to foster innovation in current management thinking. The study resulted in a compilation of what we and the group of industry practitioners who assisted us consider to be the most effective strategies and techniques used today by the lodging industry's best operators. The cases come from different segments, various ownership arrangements, and diverse property sizes, and they embrace many different functions both at corporate offices

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and at individual properties. To ensure that we were not simply relying on management’s view of its own efficacy, we also made a separate study of how customers view lodging practices and what drives their own value perceptions.

Going well beyond typical best-practice studies, this research captures the peculiarities of the hotel industry and the special challenges of identifying best practices in a service industry. The study identifies both specific functional practices—those ideas, activities, and processes in various functional areas that have proven successful for one firm—and it examines overall best practices—those strategic approaches developed by certain companies that constitute more than the sum of the underlying functional best practices. Finally, we surveyed customers (both intermediaries and end-users) to determine which practices drive customer perceptions of value in hotels and compared them with practices cited by managers.

Over the next several issues of *Cornell Quarterly* we’ll present the findings of our research and also profile several of the best-practice champions.¹ In this initial article we present an overview of the research study and the major findings. In subsequent issues, we’ll provide a summary of the functional best practices identified by hotel managers. We will also (1) report on customers’ perceptions of the industry’s top performance in key functional areas, (2) compare those practices to those cited by managers, and (3) discuss the overall best-practice champions. We will share the results of the independent research on customers’ assessment of the value delivered by the overall champions with the impact it has on their loyalty. In the final article we’ll present our thoughts on the lessons and implications for management practice for the lodging industry as it enters a new millennium.

**Why Study Best Practices?**

This may seem an unusual time to conduct a study of best practices in the lodging industry. Roaring back from the severe slump of 1990–91, the industry has enjoyed record profitability for much of the past decade. One could ask, then, if companies are making money, why should they worry now about changing the way they operate? The reasons are several. Foremost, competition in the lodging industry is intensifying. From 1986 through 1996 Coopers and Lybrand (now PricewaterhouseCoopers) reported that 112 new lodging brands were launched in the United States.² Reversing the situation found during most of the 1990s, room-supply growth outpaced room demand in 1997 and 1998 (see Exhibit 1). Consequently, it may be only a matter of time before making money in lodging again becomes a great challenge.

Regardless of whether profits are relatively easy to come by, however, what distinguishes the most successful firms is their ability to exceed their fair market share by engaging in a relentless search for what Porter has called operational effectiveness. He defined this as the ability to deliver more value to the customer (competitive effectiveness) and to produce that value at a lower cost (operational efficiency).³ The process is dynamic and requires an acute awareness of customer needs and industry practices.

A second reason why a best practices study is important at this time is the industry’s consolidation. The industry’s intense competition demands ever greater concentrations of capital to enable a company to achieve market dominance. That desire to concentrate capital was the

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¹ The entire 400-page study is available in book form for US$25.00. To order a copy, send e-mail to <info@ei-ahma.org> or call 800-752-4567.


Essential reason for Starwood’s purchase of Westin and ITT Sheraton, for instance. Consider, though, the task Starwood faced in integrating the cultures and operational practices of Westin and Sheraton, not to mention the challenge of maintaining each brand’s distinctive identity. We’re sure that Starwood will want to retain those practices that will best contribute to the long-term increase in value for the new organization, while maintaining the considerable equity found in the Westin and Sheraton names.

A related factor that promotes constant improvement in the lodging industry involves the realities of today’s stock market. Since so many hotel chains are publicly traded and since owners require publicly traded companies to show continual improvement in financial performance from quarter to quarter, hotel chains must find ways to compete more effectively despite the lodging industry’s cyclical nature. Indeed, when the industry’s year-to-year profit increases faded from double-digit to single-digit levels in 1998, investors pummeled lodging-stock prices even as hotel chains continued to earn strong revenues.

**Benchmarking.** In sum, we are convinced that the set of best practices discerned in this research are benchmarks that promise to be useful for constant improvement as the lodging industry enters the next millennium. We are all aware that in spite of its forward-looking quality, benchmarking, in which lodging chains borrow successful techniques from each other and from other industries, has not been an unalloyed success. Often the problems lie in the benchmark’s being either too general or less than ideal. Rather than discuss generic processes, we wanted to examine specific functional practices, as well as investigate the strategic practices of overall industry champions in each segment.

**Literature Lacuna**

In spite of the critical importance of best practices to management, our literature study found few published best practices related directly to the hotel industry or, for that matter, the service industries in general. While individual hotel chains are occasionally recognized—as occurred, for instance, when Ritz-Carlton Hotels and Resorts won the Malcolm Baldrige Award—the current literature lacks a broad-based industry-specific review of best practices. The absence of published material, however, does not mean that the industry has failed to change management strategies. The most abrupt changes occurred as a result of the 1990–91 recession. Not surprisingly, some researchers found that the subsequent wave of downsizing and process reengineering had a far more detrimental effect on customer satisfaction for the service industries than occurred in the manufacturing sectors. In fact, the level of customer satisfaction for services nationwide, including the hotel industry, has been in decline since 1994 (as measured by ACSI).

**Best Practices, Defined**

Best practices are exemplary or successfully demonstrated ideas or activities that are viewed by at least some observers as top-notch standards for guiding benchmarking. O’Dell and Grayson suggested that a best practice is “any practice, know-how, or experience that has proven to be valuable or effective within one organization and that may have applicability to other organizations.” By the same token, a best-practice champion is a person or organization that supports and defends an approach, idea, or practice that has proven to be highly valuable in that organization.

**Caveats.** We hasten to point out that no single practice works in all situations, and the word “best” is consequently defined in context, is situational, and means “best for you.” Moreover, the term “best”

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2. Ibid.
constantly evolves as organizations change in response to new environmental conditions. We realize, further, that labeling any practice as “best” immediately raises the possibility of dissenting voices from other companies or even other properties within a given chain. The term “best” also may suggest that a given practice is the single effective way to do something, although we do not use the term in that way. Therefore, the terms “excellent” or “successful” could replace the term “best” to avoid the disagreements that can result when too rigid an interpretation is placed on the concept of “best practices.” This was the philosophy that guided us in our selection of these best practices.

**How the Study Was Conducted**

The research study comprised three distinct phases: (1) nominations of best practices and selection of those nominations as best-practice champions; (2) interviews with champions and preparation of the case summaries; and (3) a survey of customer value perceptions.

In the first phase, which was based on our literature review of best practices, prior research we had conducted, and the guidance of an expert panel of experienced lodging-industry practitioners, we selected three approaches to gathering nominations for best practices. We drew nominations for best-practice champions via surveys sent to industry practitioners by mail, fax, and e-mail, as well as via a website from which individuals could download the survey. We should note that a person or company could self-nominate. The second phase involved further research and in-depth interviews with carefully selected and pre-screened best-practice champions derived from the nominations received and the preparation of case summaries. The final phase comprised interviews with a national sample of hotel customers and intermediaries to determine the value created by the best practices in key functional areas. For overall champions, the survey sought to determine what created value at time of purchase and during the guest’s stay at the hotel. This latter information, when sufficient customers could be reached, was integrated in the individual overall best-practice case studies.

**Sample Functional Cases: Good Nite Inn and Peninsula Beverly Hills**

These two examples of functional best practices show the managerial usefulness of the study described in the accompanying text. Good Nite Inn’s mobile shop is an excellent example of a best practice. It addresses an important problem faced by hotels throughout the industry, to wit, having rooms out of order—a problem that directly affects customer satisfaction and profitability—and it illuminates a solution that can be used or adapted by others with equal success. The Peninsula case demonstrates the principle of redefining hotel operations to meet a nearly universal guest need, that of having check-out and check-in times set for the guest’s schedule. Thus, both practices are directly driven by the effort to satisfy customers’ needs and improve profit.

**Good Nite Inn—Developing a Mobile Shop for Guest-room Maintenance**

Maintenance employees at the Good Nite Inn in Ontario, California, developed a mobile shop that allowed fast, reliable guest-room maintenance. The problem to be solved was ensuring that the maintenance-staff members always have tools available, and the solution was simple, but effective. To begin with, the hotel runs a 95-percent annual occupancy and cannot afford out-of-order guest rooms. The prospect of having all guest rooms in proper repair was jeopardized by a disorganized maintenance function. Repair items were scattered around the maintenance room and the hotel property. The results were an inadequate inventory of required repair items and multiple trips by maintenance employees to the local hardware store (at least four times per week).

The solution was to convert a housekeeping cart into a mobile maintenance shop. The cart carries a stock inventory of all types of repair components for guest-room maintenance and is now used to provide outstanding guest-room upkeep. The success of the practice is shown by the time savings for the typical guest-room check—down from 15 to 20 minutes before the mobile shop was developed to three to five minutes afterward. In addition, the monthly property inspection ratings by the regional office rose from 85 percent to 99 percent favorable. Informal guest research showed that guest satisfaction also increased.

**Peninsula Hotel, Beverly Hills—24-hour Check-in and Check-out**

The Peninsula Hotel in Beverly Hills grappled with a problem that is universal across hotels, a problem that has rankled many hotel customers over the years. Although hotels are nominally in 24-hour operation, they do not operate around the clock with regard to check-in and check-out. Rather than aligning their operation and service offerings to customers’ travel schedules, most hotels operate on an arbitrary day that begins when guests are allowed to check in, usually around 3:00 PM, and ends typically at 11:00 or noon (check-out) the following morning. This schedule was particularly inconvenient for the Peninsula’s guests, since many of them are international travelers who arrive early in the morning and depart late in the evening.

After conducting customer and operational research, the hotel developed a “24 hour” check-in and check-out (actually, greatly extended hours). Guests may check in as early as 5:30 AM and check out as late as 11:30 PM on any given day without additional charge. The operational adjustments necessary to make the service effective were relatively simple. When guests learn of the practice, they are “astonished,” as the Peninsula’s GM put it. The extended check-in and check-out has increased customer loyalty and augmented repeat business. It also had the side benefit of creating more flexible work schedules for the housekeeping staff.

Traditional hours of check-in and check-out are an icon of the hotel industry, even though making guests wait (or pay more) to check in or out often incurs their wrath. Nobody knows why the day still begins at 3 AM and ends at noon, if ever there was a reason for it. The Peninsula has shown, however, that the longstanding practice is not only unnecessary, but changing it may actually improve internal operations. While such a solution may not work for every hotel, depending on a property’s business mix and set of operating conditions, hotel managers still can look at the Peninsula’s best practice as a sign that adaptations can work.—L.D., C.A.E., L.M.R., and J.S.
### Functional Categories (with key activities)

#### Corporate-level Functions

**Business Development**
- Mergers and acquisitions
- Market-development performance
- Product-development speed
- Deal-making skills and shrewdness
- Negotiating skills and closing ability

**Corporate-level Management**
- Vision and mission creation
- Maintaining quality and developing standards
- Managing for profitability
- Managing for customer retention
- Managing people, fostering teamwork, and growing the potential of your people

**Design and Architecture**
- Design aesthetics and functionality
- Flexibility of facilities and diversity of services
- Relationships with owners and designers
- Capital-expenditure planning process
- New-product and -service development

**Controller**
- Cash-flow management
- Integrating accounting with operations
- Integrating accounting with marketing
- Internal-control systems
- Capital-expenditure planning process

**Marketing**
- Brand and image management
- Measuring, managing, and building customer loyalty
- Competitive positioning
- Long-term market development
- Use of multiple distribution channels

**Sales**
- Managing business mix
- Yield or revenue management
- Sales promotions
- Building and managing long-term relationships
- Rewarding and motivating the sales force

#### Corporate- and Property-level Functions

**Food and Beverage Management**
- Distinctiveness and diversity of F&B services and experiences
- Profit-margin management in services
- Maximizing consistency and clarity of F&B service standards
- Cost measurement and inventory monitoring
- Purchasing and inventory management

**Human-resources Management**
- Measuring and building employee satisfaction and loyalty
- Designing selection and retention systems
- Developing employee training and development
- Designing employee-compensation and rewards
- Developing employee-performance standards and appraisal strategies
- Diversity management

**Information Technology and Systems**
- Leveraging or renovating current information infrastructure
- Integrating technology with operations
- Integrating property and corporate information systems
- Preparing and training people in the use of technology
- Yield-management systems
- Reservation systems

**Rooms Division and Operation Management**
- Cleaning and maintaining physical property
- Managing safety and security
- Guest services and relationship management
- Integration of front offices with back of house
- Managing check-in and check-out
- Yield management

**Property-level Functions**

**General Management**
- Managing people and fostering teamwork
- Maintaining quality and developing standards
- Managing for profitability
- Managing the owner relationship
- Adapting to local competitive conditions with speed and flexibility

**Sales and Marketing**
- Managing business mix
- Yield or revenue management
- Sales promotions
- Building and managing long-term relationships
- Rewarding and motivating the sales force

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**Three characteristics.** Certain distinct characteristics of the lodging industry influenced our decisions regarding the design of this study. Those are the intricate relationship between corporate and property-level operations and management in the industry, the exper-iential nature of the product, and the presence of the customer at the core of the service ("manufacturing") process.

Building a strong lodging brand generally depends on a partnership among several parties—typically, a management company, an owning entity, a brand franchisor, and an asset manager. To build a strong brand for a hotel chain, managers must be able to deliver the services promised by the brand concept while responding each day to specific needs of their clientele in a profitable way. Moreover, the entire chain's success is driven by the cumulative success of individual properties. In one of the few best-practice studies within the industry,9 Enz and Corsun found that best practices promoted and instituted at the corporate level were often unrelated to profitability at the property level. The multifaceted relationships among management companies, owners, brands, and other critical partners in hotel operations makes the process of selecting and implementing best practices far more complex than in many businesses. In this study we elicit and analyze best practices at both corporate and property levels to account for the unique relationships that exist inside the lodging industry.

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Overall Champion in the Upscale Segment

Embassy Suites: “When the Operating Strategy Is the Brand Strategy”

The driving source of excellence at Embassy Suites is a well-focused brand-positioning strategy that informs key activities, systems, and processes in a way that affects both the guest experience and profitability. The brand-positioning strategy emphasizes social interaction, convenience, and control of the experience—three attributes that the chain’s market research has shown to be important to the guest. To deliver on those attributes, Embassy Suites uses a four-component operating strategy that aligns team-member satisfaction, guest satisfaction, yield premium, and operating profitability.

**Employee satisfaction.** Team-member satisfaction is the backbone of the delivery of excellence at Embassy Suites. The company recognizes that employees must be motivated—rather than managed—to give guest satisfaction. The belief is that if employees are happy they will want to “make magic” for the guests. Embassy Suites engages in a number of activities to ensure that team members are satisfied. A principal technique is its semi-annual survey of employees at each property. Anything less than a 90-percent participation rate by employees in a property is cause for follow-up analysis. The reason for this is that top managers believe that if employees trust the organization they will be confident enough to share their thoughts, feelings, and ideas in a survey like this one. Another satisfaction-enhancing policy is to allow employees to evaluate their direct supervisor—dubbed “upstream” evaluations.

**Guest satisfaction.** Embassy Suites routinely monitors guest satisfaction, the second component of the operating strategy to deliver excellence, albeit in a focused way. Guests are asked to evaluate their experience on a scale of A (excellent) to F (failure). The “A” scores are among the most important, for people giving those scores are the guests whom management believes will become the zealots for the Embassy Suites brand. Guests giving a rating of “B” or below are not zealots and are just as likely to book with the competition as to return to Embassy Suites. The goal for each property is to achieve a minimum of 60-percent “A” scores, and the properties, indeed, manage to achieve that goal. The reason for this practice is a belief that if management motivates employees they will, in turn, want to satisfy the guests. To focus everyone’s attention on the target the company provides quarterly bonuses to employees at every level of the hotel.

**Pricing premiums.** The third component emphasized in the delivery of excellence is to achieve a yield premium through RevPAR management. The company believes that if guests are made happy by employees’ efforts then guests will be willing to pay a premium over what they might pay a competitor. The chain’s objective is to deliver a 20-point yield premium. That is, its hotels should achieve revenues at 20 percent above their weighted fair share (compared to competitors). To achieve this goal, the chain engages in a number of activities. Its pricing structure, for instance, is simple to understand and simple to execute: rooms are offered at one of five rates, and those prices are consistent across distribution channels. (This means that a guest who doesn’t like the quote from the CRS, for instance, cannot get a better rate by calling the property directly.)

Rather than publish fanchief rack rates and offer nominal discounts, the chain also tries to make the published rate be the ADR—by giving few discounts. To assist property-level salespeople and managers the company has developed a proprietary software program to support pricing decisions. The software models the competitive environment to take a 90-day forward look, assessing demand and the hotel’s projected business mix to determine the hotel’s optimal pricing strategy. The software can also provide a rate-occupancy trade-off analysis so that a manager can see the effect on rooms revenue and profit from any contemplated change in rate or occupancy strategies (e.g., closing a rate category). As the hotel sales representatives learn how to make effective pricing decisions, their confidence grows and they learn when and how to be more aggressive in their pricing. Part of the success of an aggressive pricing policy stems, of course, from highly satisfied guests.

**Investor satisfaction.** The final component of the Embassy Suites operating strategy focuses on individual hotel profitability, since owners obviously have a choice of brands when they invest their money. To succeed with owners, individual properties must provide a competitive return on the investment. To start with, the hotel’s business plan is simple. The business planning and budgeting document for a hotel, for instance, can be no longer than 15 pages (in contrast to those voluminous marketing plans that nobody reads). Again, to assist the general manager, the company has developed a proprietary tool that uses the historical performance of each hotel in the competitive set and the forecasted demand to predict performance for each competitor and set each property’s preliminary RevPAR targets. Corporate managers and the general manager discuss this prospective target to agree on a final figure. Once the RevPAR target is set the system then computes the expense portion of the budget, again based on historical operating assumptions and known inflationary increases. The result of all this effort is a profit goal that provides a competitive return for the owner.

In summary, Embassy Suites has aligned the standard business functions undertaken by every hotel company and emphasized certain activities to ensure they operate synergistically to produce long-term profit. We believe that many other hotel companies can adapt this approach to their own operations.

—L.D., C.A.E., L.M.R., and J.S.

The second characteristic of the lodging industry that shaped the design of this study is the experiential nature of the product. A product that involves experiences calls for excellence in two types of practices: overall practices that reflect the strategic decisions that guide the most successful companies in balancing the benefits to the key stakeholders (i.e., owners, employees, and guests), and specific functional practices that are needed to deliver on the multitude of details necessary to create a satisfactory hotel experience. Many of the best practices that were elicited in this study involve core competencies that are critical to the success of this industry, such as effective human-resources or marketing techniques. These two levels of best practices, the overall and the functional, are interrelated. As Parson noted, “Total customer satisfaction increases customer retention and employee satisfaction. Employee satisfaction increases sales and profits. A momentum builds that drives sales and productivity up while it pushes costs and employee

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### Best-practice Champions of the U.S. Hotel Industry

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Practice Description</th>
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<tbody>
<tr>
<td>Abbey Group Resorts</td>
<td>Return Special Value Program (RSVP) Promotion: Increasing Leisure Stays from Convention Guests and Meetings</td>
</tr>
<tr>
<td>Accor Hotel Group</td>
<td>ACSI 5.75 or Higher: &quot;What Special Guests Contribute to a Hotel’s Performance&quot;</td>
</tr>
<tr>
<td>AIMS Inc.</td>
<td>Making Unprofitable Hotels Profitable</td>
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<tr>
<td>Anantara</td>
<td>Developing a New Product: &quot;Beyond the Resort&quot;</td>
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<tr>
<td>Ashley House Hotels–Keswick Hall</td>
<td>Quality Service Management Program for Employees</td>
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<tr>
<td>The Breakers Hotel</td>
<td>A Guest Nurse System</td>
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<tr>
<td>The Barbiton Hotel and Empire Hotel</td>
<td>HotelExpert: Standardized Recordkeeping for Operational Activities and Guest Calls</td>
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<tr>
<td>The Breakers Resort</td>
<td>Strategic Management of Security in F&amp;B</td>
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<tr>
<td>The Breakers Resort</td>
<td>Comprehensive Program: Developing a Service Culture</td>
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<td>The Breakers Hotel</td>
<td>Annual Food and Beverage Staff Reorganization and Single-theme Restaurant Concepts</td>
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<tr>
<td>Break Hotels &amp; Resorts</td>
<td>Strategic Management of Revenue-challenged Properties</td>
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<tr>
<td>Candlewood Hotel Company</td>
<td>The Break Line Initiative: Designing an Extended Stay Hotel to Meet the Needs of a Single Niche Market</td>
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<tr>
<td>Contact Hospitality Worldwide</td>
<td>WorldClass Reservations System: Total Customer Satisfaction via an On-line Reservations and Employee Empowerment</td>
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<tr>
<td>Cendant Corporation</td>
<td>Integration of All Hotel MIS Functions into One System: Project Power UP</td>
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<tr>
<td>Choice Hotels International</td>
<td>In-House Executive Training &amp; Development</td>
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<tr>
<td>Cincinnati Marriott Northeast</td>
<td>Treating the Guests as Part of the Family: A 12-point Pledge Approach to Improving Guest Service</td>
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<tr>
<td>Colonial Hotels–Congression &amp; Suites of Washington DC</td>
<td>Generating Value from Employee Commitment: A Customer Approach</td>
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<td>Club Hotel by Doubletree</td>
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<td>Coastal Hotel Group</td>
<td>Managers on Loan for Training with the Buddy System</td>
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<td>The Colony Hotel</td>
<td>Guest-friendly Environmental and Recycling Practices: Becoming a “Green” Hotel</td>
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<td>Country Inn &amp; Suites</td>
<td>Successful Co-branding with Established Restaurant Concepts</td>
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<td>Courtyard By Marriott</td>
<td>The Source: Intranet Information Sharing</td>
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<td>Debonair Properties</td>
<td>Developing an Action Plan to Improve the Work Environment and Decrease Turnover</td>
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<td>Day Hospitality Group</td>
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<td>Days Inn Allentown</td>
<td>Integrated Community-based Marketing Plan</td>
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<td>Disney’s Polynesian Resort</td>
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<td>Embassy Suites–Greater Minneapolis</td>
<td>Consolidation of Sales Office and Centralization of Reservations</td>
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12. For example, see: Roger S. Cline and Laila Rach, *Hospitality 2000: A View to the Next Millennium* (Arthur Andersen, 1996); and Enz and Corson, op cit.

Continued on next page
success were related to the interface between the firm and the customer.\textsuperscript{15} Moreover, even the numerous management practices that remain imperceptible to the customer are ultimately justified by the extent to which they contribute to some specific aspect of customers' needs and expectations. Therefore, it is crucial to assess customers' perspectives to have a comprehensive representation of the best practices in the lodging industry.

**Phase I: Selecting Best-practice Champions**

To develop the largest possible pool of the names and practices of potential champions contributed by hotel property managers and company executives from across the United States, we sent multiple versions of an open-ended survey to a national sample of 13,400 managers at both corporate and property levels, stratified by hotel product segments (e.g., budget, midscale with F&B) and functional areas (e.g., sales and marketing, human resources, F&B).

We asked lodging-industry managers to write in their nominations of the individuals, hotels, chains, or companies that they considered to be best-practice champions. The survey consisted of two series of questions—one set focused on overall practices in each of eight product segments (e.g., economy, extended-stay) and in five key-competency areas (e.g., customer service, physical property, profitability). The second set focused on identifying nominees in the key activities of ten specific corporate functional areas (e.g., CEO, business development, information technology) and six property-level functions (e.g., GM, controller).

<table>
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<th>Best-practice Champions of the U.S. Hotel Industry (continued)</th>
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<td>Marriott International</td>
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<td>Marriott U.S. Postal Service Conference Center</td>
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<td>Minneapolis–St. Paul Hilton</td>
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<td>Motel Properties Inc.</td>
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<td>New York Marriott Financial Center</td>
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<td>Newark Gateway Hilton</td>
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<td>Omni Hotels</td>
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<td>Palisades Executive Conference Center</td>
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<td>The Peninsula Beverly Hills Hotel</td>
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<td>The Pierre</td>
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<td>Preferred Hotels &amp; Resorts Worldwide</td>
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<td>Residence Inn by Marriott</td>
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<td>Sales Strategies for the Extended-stay Market</td>
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<td>The Ritz-Carlton Dearborn</td>
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<td>The Ritz-Carlton Hotel Company</td>
</tr>
<tr>
<td>The Ritz-Carlton Tysons Corners</td>
</tr>
<tr>
<td>Rodeway Inn International Orlando</td>
</tr>
<tr>
<td>Royal Palm Hotel &amp; Casitas</td>
</tr>
</tbody>
</table>

All respondents completed the first series of questions (nominations on overall practices), whereas only those respondents with responsibility for a particular function in their company or hotel nominated the champions in their functional area. Thus, for example, human-resources directors offered nominations for HR, best practices. The final survey contained separate versions for corporate and property-level managers, and for each of the functional-area managers.

We mailed surveys to 2,059 corporate managers and 11,400 property-level managers using a stratified random sample of names and addresses obtained from the Meinrad database. We invited participation from corporate executives and property-level managers in all the major functions. A total of 610 managers responded with nominations, and many offered multiple nominations. We contacted non-respondents by telephone. In 59 of the 100 follow-up telephone calls we found that the nonresponding GM to whom the questionnaire was addressed had left the property. Half of the other 41 nonrespondents hadn’t received the survey, and others offered such explanations for nonresponse as “I didn’t get around to it” or “it’s already in the mail.” Seven properties didn’t answer their telephone when we called—a disquieting finding all by itself. A total of 175 surveys came back to us due to bad addresses. The quality of address information in existing databases is an important consideration in any industry-wide survey and may have contributed substantially to the low response. After the phone poll we faxed shorter follow-up surveys to randomly selected hotel properties drawn from a database maintained by Ithaca-based Realtime Hotel Reports, Inc.

The survey responses brought us 3,448 nominations of best-practice
champions. As with any study that involves people’s opinions, the nominations are subject to potential error. In particular we were concerned about errors of omission, and thus we reviewed trade journals and industry literature, producing another 80 nominees. At the close of phase 1 we had a total of 3,528 nominations.

Potential champions. Using the frequency counts of the number of respondents who nominated each potential champion and reading each prospective best practice independently, we scored each nominee and then assembled a preliminary list of potential champions. This list comprised the nominees whose practices most closely adhered to our definition of a best practice and those who garnered the greatest number of nominations. To determine the overall champion in each industry category and to determine the best-practice champions in each functional area, we calculated the highest frequency of mention across all respondents for all brands, hotels, or individuals nominated.

This process gave us a preliminary list of 549 likely overall and functional champions. To screen those nominees, a group of graduate-student interviewers (whom we trained) conducted 15- to 25-minute interviews with each potential champion to obtain more detailed information on the nature of the practice. If that discussion confirmed the nominee as a champion, he or she was then invited to participate in an in-depth telephone interview conducted either by one of the authors or by an experienced hotel executive from Cayuga Hospitality Advisors (whom we also trained).16 We confirmed the nomi-

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16 Cayuga Hospitality Advisors is a network of consultants, most of whom are graduates of the School of Hotel Administration at Cornell and who have been hospitality practitioners in their own right.

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Best-practice Champions of the U.S. Hotel Industry (concluded)

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Category Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAI Luxury Hotels</td>
<td>Business Development/Renovation/Turnaround/Repositioning</td>
</tr>
<tr>
<td>Sheraton–Denver West</td>
<td>Job Sharing among Sales Managers</td>
</tr>
<tr>
<td>Sheraton Elk Grove (Starwood)</td>
<td>Annual Implementation of a Broad-based Best Practice to Increase Profitability and Satisfaction</td>
</tr>
<tr>
<td>Simpson House Inn</td>
<td>Hospitality Training Curriculum with an Emphasis on Respecting Diversity: Simpson House University</td>
</tr>
<tr>
<td>Sonesta Hotels</td>
<td>Creative Human-resources Training Programs</td>
</tr>
<tr>
<td>Sunstone Hotels</td>
<td>Focused Growth of Hotel Company Utilizing a REIT</td>
</tr>
<tr>
<td>Swissôtel</td>
<td>Implementation of a Global Sales Effort Supported by an Integrated Global-sales Datasystem</td>
</tr>
<tr>
<td>Tamar Inn</td>
<td>Implementation of Self-funded Health Insurance and Operation of a Primary-care Facility by a Hotel Company</td>
</tr>
<tr>
<td>Tishman Hotel Corporation</td>
<td>Hotel Renovation: The Doral Park Avenue Hotel</td>
</tr>
<tr>
<td>Townplace Suites by Marriott</td>
<td>Cross-trained Staffing Model as Driver of Revenue: Townplace Suites</td>
</tr>
<tr>
<td>Travelodge</td>
<td>Guest Loyalty at the Economy Level</td>
</tr>
<tr>
<td>US Franchise Systems</td>
<td>Franchising Agreements at USFS</td>
</tr>
<tr>
<td>The Waldorf–Astoria</td>
<td>Managing for Quality: Gathering Customer Feedback and Coding Performance</td>
</tr>
<tr>
<td>Walt Disney World Resorts and Theme Parks</td>
<td>Providing a &quot;Touchable&quot; Dining Experience</td>
</tr>
<tr>
<td>White Lodging Services</td>
<td>Pre-shift Meetings for all Departments</td>
</tr>
<tr>
<td>Windsor Court Hotel</td>
<td>Sophisticated Guest-recognition Program</td>
</tr>
<tr>
<td>Winegardner and Hammons</td>
<td>Pre-opening Handbook for New Hotel Properties</td>
</tr>
<tr>
<td>Wyndham Hotels &amp; Resorts</td>
<td>&quot;Best of Class&quot; Strategic-management Initiative</td>
</tr>
</tbody>
</table>

Lodging-industry segments

Deluxe Hotels (elegant, distinctive, highest-quality décor; upscale restaurants; full range of first-class amenities and customized services)

Upscale Hotels (well-integrated décor; quality furnishings; premium guest-room amenities and facilities; high staff-to-guest ratio)

Mid-scale Hotels, with or without F&B (nicely appointed rooms; range of facilities may be limited; good-quality amenities; some special services available)

Economy Hotels (clean and comfortable; functional, limited range of amenities; some services offered)

Budget Hotels (clean, well-maintained; offer a minimum of service and amenities; price-sensitive guests)

Extended-stay Hotels, Upper Tier (large suite units with separate living and sleeping areas; complete kitchen; personalized service; plush, comfortable rooms)

Extended-stay Hotels, Lower Tier (functional suite unit with small living room and small bedroom; kitchen area)

Casinos (hotels that focus on gaming)

Based on Bear Stearns and Company’s Industry Classification Scheme.
Champion in Extended-stay—Lower-tier Segment

Townplace Suites: “Remodeling the Property Hierarchical Structure”

What differentiates Townplace Suites from other economy competitors (in the words of its proprieter) is that the hotels ask guests to “give up services, not service.” The foundation for the delivery of excellence at Townplace Suites is that employees are empowered to create experiences that “wow” the guest. While such a statement is fairly commonplace among hospitality chains, Townplace Suites has tied that notion to many managerial decisions and actions aimed at having employees look at their jobs in a distinctive way. Two important underlying strategies are that the hierarchical organizational structure has been eliminated, replaced by a horizontal team approach in which each employee is a guest-service-team member, and each employee is cross-trained to perform all necessary tasks to provide a satisfactory experience to the guest.

That second aspect, the cross-training model, is particularly innovative and helps to create the world-class service that the property strives for. As an economy property, Townplace Suites does not have a lot of money available for training. Instead, the company’s entire culture is about training. As we stated, everyone is cross-trained in the technical aspects of all jobs. The training emphasis, however, is less on technical matters and more on customer service—namely, how to interact with and wow the guest. Moreover, this training is not a separate function, but can occur at any time. A chief mechanism to that end is role-playing. At any time a manager may slip a colored piece of plastic over her nametag and approach an employee. The colored tag alerts the employee that he is in a role-play situation, and the color of the tag identifies the nature of the service principle that is being taught (e.g., a red tag might indicate a complaining guest). After the role-play, the manager and employee discuss how the interaction and service could have been improved. Thus, employees do not have to go off line for training sessions, the training is fun, and managers interact closely with their employees.

As is the case with Embassy Suites (see the box on page 19), Townplace Suites uses common business functions performed by every hotel in an innovative way that is designed to focus on long-term profitability. Moreover, Townplace Suites’s training approach challenges conventional hotel thinking on what is possible in the economy segment of the industry.—L.D., C.A.E., L.M.R., and J.S.

nation as a champion and faxed a request for the nominee to participate in an in-depth interview that would be the basis of a case study. From this information we prepared a total of 115 functional and 29 overall best-practice cases.

Phase II: Developing the Cases

Our interviewers spoke with 115 functional best-practice champions and wrote a case synthesis that followed the template shown in the box on page 16. To begin with, the interviewer completed a summary form after each interview to capture the attitude of the champion toward the interview process and to identify any problems or issues that the interviewer may have experienced during the interview. Each interview was tape-recorded for future reference, as well. We then reviewed the interview—summary form, the screening-interview notes, the in-depth interviewer notes, the case summary, and the tape recording of the interview, along with any additional material available in preparation for writing the final short, content-driven cases. We reviewed each case, listened again to the tapes when needed, and called champions a second and third time to obtain more information and to clarify discrepancies, if need be. Finally, we asked each interview subject to review the draft case study to ensure accuracy of detail. The list of functional best-practice case studies is shown in the accompanying boxes (pages 20–23).

Overall Best-practice Champions

We believe that one of the most original and important contributions of this research is the elucidation of overall best practices—a point not usually found in a best-practices study. More than the sum of a set of functional best practices, overall best practices are those strategic orientations and activities that a successful firm weaves together to form a distinct, profitable brand or property. The overall practices show how managers meld the components of a lodging operation (i.e., guest, employee, and investor) into a successful whole. Balancing those three components represents a challenging task. Different customers in the same hotel have different, sometimes conflicting needs and wishes. Too, in the past, the goals of operating firms have not always been congruent with those of owners.17 As observed in other service industries,18 the use of innovative business strategies by the overall champions is what makes their hotels compelling places to stay for the guest, compelling places to work, and compelling investments.

We identified a total of 29 overall best-practice champions. Even if we had already interviewed the representatives for a functional practice we conducted another interview (typically lasting 90 minutes) to examine the overall practices. Because of the broader scope of the overall cases and strategic nature of the practices employed by these champions, we used a different interview procedure (than for the functional cases) to capture the information and a different case format to convey the richness of their philosophies, strategies, and behavior. One of the authors conducted interviews with the senior executive of the property or the company; in


## Overall Best-practice Champions

<table>
<thead>
<tr>
<th>Championship category</th>
<th>Company</th>
<th>Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>Bristol Hotels &amp; Resorts</td>
<td>The Peninsula Beverly Hills Hotel</td>
</tr>
<tr>
<td>Midscale segment</td>
<td>Courtyard by Marriott</td>
<td>Caesar's Palace Beverly Hills</td>
</tr>
<tr>
<td>Upscale segment</td>
<td>Embassy Suites (see page 19)</td>
<td>Cincinnati Marriott Northeast</td>
</tr>
<tr>
<td>Extended-stay, lower-tier segment</td>
<td>Extended Stay America</td>
<td>Days Inn Altoona</td>
</tr>
<tr>
<td>Economy segment</td>
<td>Fairfield Inn by Marriott</td>
<td>Upscale</td>
</tr>
<tr>
<td>Deluxe segment</td>
<td>Four Seasons and Regent Hotels &amp; Resorts</td>
<td>Physical property</td>
</tr>
<tr>
<td>Quality</td>
<td>Hampton Inn</td>
<td>Disney's Polynesian Resort</td>
</tr>
<tr>
<td>Corporate management</td>
<td>J.W. Marriott, Jr. (Marriott International)</td>
<td>Four Seasons New York</td>
</tr>
<tr>
<td>Physical property</td>
<td>Kimpton Group</td>
<td>Industry-wide</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>Marriott Hotels &amp; Resorts</td>
<td>Midscale segment</td>
</tr>
<tr>
<td>Casino segment</td>
<td>Mirage Resorts</td>
<td>Extended stay, upper-tier segment</td>
</tr>
<tr>
<td>Extended-stay, upper-tier segment</td>
<td>Residence Inn by Marriott</td>
<td>Employee satisfaction</td>
</tr>
<tr>
<td>Industry-wide</td>
<td>The Ritz-Carlton Hotel Company</td>
<td>Deluxe</td>
</tr>
<tr>
<td>Customer service</td>
<td>Sleep Inn</td>
<td>Profitability</td>
</tr>
<tr>
<td>Budget segment</td>
<td>Super 8 Motel, Inc.</td>
<td>Quality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extended stay, lower tier</td>
</tr>
</tbody>
</table>

When sufficient customer information was available, we integrated the guest perspective into the case to present the various hotel attributes driving a customer’s decision to stay at the champion hotel or brand (value drivers in the purchase decision), as well as those aspects customers liked at their last stay at the champion hotel or brand (value drivers in the hotel experience). A third section, benefits to the customer, describes the customers’ perspectives regarding the consumer benefits (e.g., a worry-free stay, feeling at home) that dominate the hotel's or brand’s image.

The two overall-champion cases described in this paper illustrate the interrelationship of a compelling place to work, to stay, and to invest. The first case discusses Embassy Suites, chosen as the corporate champion in the upscale segment (see page 19). The case written to reflect its success is entitled, “When the Operating Strategy Is the Brand Strategy.” The second example is that of Towneplace Suites by Marriott (on page 24). The Brookfield, Wisconsin–based property was chosen as the overall champion in the extended-stay—lower-tier segment.

This case is entitled, “Remodeling the Property Hierarchical Structure.” The driving source of excellence for Towneplace Suites and the reason it was selected as a winner is its development and execution of a model to deliver “world class” customer service at a level not usually found in economy hotel properties.

### Phase III: Customers’ Perspective

Regardless of the nature of customer needs, successfully fulfilling those needs relies on strategies and tactics that yield programs, practices, processes, and activities that are planned by management at both property and corporate levels. The practices and processes that have been designed ultimately are delivered by front-line employees in the presence of the customers. Customers have developed expectations regarding what things should happen during their hotel stay and how those things should happen. Guests judge a hotel at each visit on the basis of its ability to deliver on those expectations—giving no
consideration to managerial or operational constraints. Hence, the route to success in the lodging industry is likely to be paved by a careful balance between industry practices and creating value for the customers.

The objective of phase III was to assess customers’ perspectives on the industry’s best practices. Specifically, our purpose was to assess the value created by the best industry performance on key functional areas and, for overall champions, to determine what factors drive the perception of value in advance (when customers are considering a purchase) and afterward (when they are evaluating their stay). Additionally, we sought to develop comparisons between the practices customers perceive as creating value and those practices managers perceive as best serving the guest.

For this segment of our study, we conducted 853 interviews (536 hotel guests or end-users, 194 travel agents, and 123 meeting planners). Of the 536 hotel guests, 469 were frequent travelers for business or leisure purposes. We selected those respondents on a convenience (non-random) basis from Plog Research’s proprietary list, the USA Travel Bank. The remaining end-user respondents constituted a convenience sample from customer lists provided by those overall champions whose market orientation was geographically limited (i.e., individual properties). We screened respondents by how frequently they stayed in hotels for leisure, transient business, or business meetings and conventions. The pool of eligible respondents comprised frequent hotel guests who had stayed at least once over the prior year at a property operated by one of the overall champions. The respondents’ mean age was 51 years, and the sample of end users was about evenly divided between men and women.

We assessed the intermediaries’ perspectives regarding brand-level champions only (rather than individual properties). To develop a convenience sample of travel agents we drew from Plog’s database, TravelEdge. To sample meeting planners, we started with 6,000 members of Meeting Planners International (MPI) who had at least two years of meeting-planning experience.

We further screened intermediary respondents on two additional criteria: (1) each needed a minimum of five years’ experience as a travel agent or meeting planner, and (2) each had to have been a customer of one of the brand-level overall champions within the prior year. Travel agents in our sample had a mean of 13.4 years of experience, while the average for meeting planners was 9.6 years of experience.

From this pool we interviewed 12 customers within each market segment for each overall champion. This meant a potential total of 60 interviews for each champion, calculated as follows. We considered three end-user segments (i.e., leisure, business transient, and business meeting and convention), plus we counted two intermediary segments (i.e., travel agents and meeting planners). Thus, depending on the market orientation of the champion, we interviewed up to 36 end-users and 24 intermediary customers. After discussing their experiences with the overall champion, the respondents discussed the value they derived from a top performance in each of three functional areas.

**Interview structure and approach.** The interviews used an open-ended, half-structured approach, known as computer-assisted telephone interviewing (CATI). The first part of the interview focused on the respondent’s experience with the champion hotel that he or she had patronized. To assess customers’ perspectives on the overall best-practice champions, we asked respondents to indicate what attributes made them first decide to patronize this hotel and then to indicate whether the property had delivered on those attributes. In particular, we asked the respondents to identify the specific practices related to the hotel’s ability to deliver on the attributes in question, as well as the set of benefits the respondent derived from those attributes. This part of the CATI questionnaire provided the information from which we identified the sources of customer value in a hotel purchase.

To assess customers’ perspectives on functional best practices, the second part of the interview centered on the value customers derive from what they recognize as a top performance in three functional areas in a hotel. In both parts of the interview we sought to establish connections among customers’ perceptions of hotel attributes that drive customer value, the benefits derived from these hotel attributes, and purchase decisions and loyalty to a property or chain.

**Customers’ Perspectives on Overall Champions**

When possible, we included the customers’ perspectives on each overall champion in the case study. For instance, the Embassy Suites case relates that research among guests showed that the alignment between branding and the operating strategy appears to work. The four most powerful sources of customer value driving the hotel-purchase decision (after location, which is essentially a given) are tightly linked to the Embassy Suites operating strategy—namely, large rooms, low or good prices, availability of food and beverage (primarily breakfast), and a sense of familiarity with the place. The three aspects of the hotel
experience most frequently mentioned as value drivers were all related to the core of the brand concept: the size of the room, the quality of service (notably, the attentiveness, speed, and friendliness of employees), and the quality of breakfast.

In customers' decisions to stay at a Towneplace Suites, service came in third behind convenience of location and low price as a value driver. Service during the stay was the chief way Towneplace Suites created memorable value for guests. The service attributes our respondents specifically identified were friendliness, genuineness, attentiveness, and employees' ability to recognize guests and make them feel at home. Those are attributes that are commonly used to describe service in a luxury hotel, but are less common in an economy hotel.

We also portray the sources of customer value created by these overall champions, in general, across all industry segments. The most powerful sources of value driving a guest's decision to book rooms at one of the overall champions were location, brand name and reputation, public spaces (e.g., exteriors, lobby, and landscape), guestroom design and amenities, value for money, and functional aspects of the service. Once the customer was a guest, the hotel could create value in its public spaces, guest room, and interpersonal and functional aspects of service, as well as its food and beverage service. Not all champions, though, were successful in creating unusual value every day, every stay. We found that more than 50 percent of the overall champions' customers were unable to think of anything in particular that had created special value during their last stay at the champion hotel.

**Value breeds loyalty.** We asked respondents whether they would "give priority to this overall champion over other hotels on the next occasion." Of the respondents who had not experienced any distinctive or outstanding value during her or his last stay (i.e., they could not remember anything they particularly liked), just 41 percent said they would give priority to that hotel. For those respondents who recalled distinctive value, the likelihood that they would give that hotel future priority rose to 61 percent. This significant increase in intent to give priority suggests quite strongly that giving the customer value fosters loyalty. Further, hotel operators can substantially improve their profitability by creating memorable value for the customers.

** Perspectives on Specific Functional Practices**

The "loyalty return" of a top performance on a specific function is not the same as that of the overall package of attributes and services. The areas in which a top performance makes the biggest difference in customer loyalty were the quality standards of various services received during the hotel stay (in particular, food and beverage), the quality of the personnel, and the guest-room design and amenities. Guest-room design and amenities, for example, present a conundrum. We found that guest-room attributes were a powerful source of customer value in purchase decisions. At the same time, we found strikingly few best practices in this area. In other words, our respondents noted few outstanding features of guest rooms. This finding suggests that there is opportunity for competitive differentiation in the physical structure and interior design of the property.

**More to Come**

This introductory article offers a sample of the many findings that emerged from this study. In future articles we will offer many specifics regarding how the industry's best practices developed and how effective they are.

The champions in our study invariably focused on profitably satisfying customer needs better than the competition. To reach this level of market orientation requires the implementation of innovative human-resources practices, especially employee training and rewards, job design, information sharing, and employee empowerment and involvement. From housekeeping and maintenance to front-desk operations and revenue management, employees are the key to successful adoption of best practices to improve customer satisfaction and financial performance.

To win in the long term, lodging firms must provide the service and amenities that customers desire, yet be competitive in their pricing structure. That is an extremely difficult task, and in the course of our study we observed what appears to be only a weak connection between what is important to customers as they perceive value and what lodging managers believe is important in conveying value. Strengthening this connection offers a significant opportunity for lodging firms to develop competitive advantage. As one example, the physical property and interior design are critical factors to guests, and yet we found that few firms are doing anything with guest rooms that our respondents considered outstanding.

We hope that the future installments of this study in Cornell Quarterly will challenge your thinking on success factors in the lodging industry. We also hope that you will be able to adopt and improve on the specific practices that we will present to better serve your guests and to improve profitability within your firm. If you can do so, then we will have achieved the overriding goal of this research. 

**end**