



THE HONG KONG
POLYTECHNIC UNIVERSITY
香港理工大學

SCHOOL OF HOTEL AND TOURISM MANAGEMENT

IMPACT 2021

Advancing the Frontiers in
Hospitality and Tourism Research

Hospitality and Tourism Research Centre
School of Hotel and Tourism Management
The Hong Kong Polytechnic University



**Hospitality
and Tourism
Research Centre**

Established by the School of Hotel and Tourism Management (SHTM), the Hospitality and Tourism Research Centre (HTRC) is dedicated to bridging the gap between hospitality and tourism theory and industry practice. The Centre is a unique, research-based platform with an expansive network of hospitality and tourism academics from our School and partner institutions, as well as executives from leading industry organisations. The primary research strengths of HTRC are Smart Tourism, Performance Measurement and Management, Tourism Futures and Forecasting also Policy and Planning.

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Contents

04 | Preface

07 | Acknowledgements

Articles

08 | China's Hotel Industry: A Disaster Management Framework and Post-Pandemic Agenda (Hao, Fei, Xiao, Qu & Chon, Kaye)

12 | Does Love Become Hate or Forgiveness after a Double Deviation? The Case of Hotel Loyalty Program Members (Lee, Jin-Soo, Kim, Jungkeun & Cui, Yuanyuan (Gina))

16 | Effect of Price Change Alert on Perceptions of Hotel Attribute-based Room Pricing (ABP) Versus Traditional Room Pricing (TRP) (Gao, Yixing (Lisa), Guillet, Basak Denizci & Wang, Peihao)

20 | Facial Expressions Versus Words: Unlocking Complex Emotional Responses of Residents toward Tourists (Zhang, Shiqin, Chen, Nan & Hsu, Cathy H.C.)

24 | Influencing Stakeholders to Reduce Carbon Footprints: Hotel Manager's Perspective (Chan, Eric)

28 | Kiosk Self-check-in Quality and Airline Non-contact Service Maximization: Winning Post-pandemic Air Traveler Satisfaction and Loyalty (Moon, Hyoungeun Gemmy, Lho, Heejung Linda & Han, Heesup)

32 | Managing Hotel Revenue Amid the COVID-19 Crisis (Guillet, Basak Denizci & Chu, Angela Mai Chi)

36 | Preference for Robot Service or Human Service in Hotels? Impacts of the COVID-19 Pandemic (Kim, Sam, Badu-Baiden, Frank, Choi, Youngjoon, Kim, Jungkeun & Giroux, Marilyn)

40 | Tolerating Errors in Hospitality Organizations (Wang, Xingyu, Guchait, Priyanko & Pasamehmetoglu, Aysin)

44 | Updates in Service Standards in Hotels: How COVID-19 Changed Operations (Chan, Janelle, Gao, Yixing (Lisa) & McGinley, Sean)

48 | What Should I Do When My Pay Is Lower Than My Expat Colleagues? (Hon, Alice H.Y. & Gamor, Emmanuel)

52 | Will "The Spirit of Discovery" Lead Wharf Hotels to Become a Preferred International Brand? (Lo, Ada, Yeung, Patrick & Cronin, Jennifer)

Preface

To ensure that organisations in hospitality and tourism stay competitive under various social, economic, political and technological constraints, research-based decision making is critical for hospitality and tourism strategists, policy makers and business managers. However, this is not often easily achieved due to various reasons. For instance, the research carried out by academics does not typically reach out to industry practitioners, because the scientific language commonly used in academic journals is not “user friendly” for the industry community. In designing their investigations, researchers seldom consider the involvement of stakeholders which reduces the relevance and impact of the research. Furthermore, there is a lack of interest in academic research amongst practitioners, due to resource constraints. Unlike the high tech and pharmaceutical companies which invest considerable financial resources in research and development, capital constraints prevent hospitality and tourism businesses from making equivalent research investments. The lack of an effective

communications channel between academic researchers and practitioners is also apparent. With the support of many industry partners such as the Seal of Love Charitable Foundation and following the establishment of our very own Hospitality and Tourism Research Centre (HTRC), the School of Hotel and Tourism Management (SHTM) of The Hong Kong Polytechnic University is able to conduct a wide range of research activities to bridge the gap between academic research and industry practice through knowledge transfer.

In this report, we have selected 12 articles from more than one hundred published studies by our faculty members over the past two years and have summarised them in an “industry friendly” language with a view to better communicating our research findings to practitioners. A wide spectrum of research topics on COVID-19 and its impact on tourists and the industry is included. The studies cover disaster management framework for China’s hotel industry, crisis and revenue management, consumer attitude toward robot-staffed hotels, self-check-in service and the new service standards adopted by the hospitality industry. Topics also include hotel's loyalty program and its impacts on customer satisfaction, attribute-based room pricing, residents' emotional responses toward tourists expressed in facial expressions and self-reports, hotel carbon footprint reduction, the positive side of service error tolerance, brand growth strategy and the compensation gap between locals and expatriates. We expect that the research findings presented in this volume will provide timely and useful references for decision makers who want to learn about principles and mechanisms applicable to their operations and the factors affecting their businesses success.

Established by the SHTM, the HTRC is a unique, research-based platform with an expansive network of hospitality and tourism academics from our School and partner institutions, as well as executives from leading industry organisations. The HTRC supports academic research for the advancement of hospitality and tourism knowledge on topics of importance to industry performance and the future. The missions of the HTRC include identifying current trends and practices in the hospitality and tourism industry that are worthy of scientific research; actively conducting cutting-edge, high-impact research with a particular focus on knowledge creation; collaborating with hospitality and tourism practitioners to translate academic research into best practices that set the benchmarks for the hospitality and tourism industry; providing policy recommendations for destination governments across the world through evidence-based research; and, last but not least, generating high-quality publications and obtaining external research funding, focusing particularly on public policy and industry collaborative research funds.

As a global centre of excellence in hospitality and tourism education and research, the SHTM serves the industry and academic communities through the advancement of education and dissemination of knowledge. Our School has, over the past four decades, refined a distinctive vision of hospitality and tourism education and become a symbol of excellence in the field. From our humble beginnings as a diploma-conferring department, the SHTM has risen to become one of the largest hospitality and tourism schools in Asia, and amongst the top such schools worldwide. With a strong international team of over 80 faculty members with diverse cultural backgrounds, our School continues to rank among the top hotel and tourism schools in the world, exemplifying our motto of *Leading Hospitality and Tourism*.

Acknowledgements

This book has only been possible because of a financial donation from the Seal of Love Charitable Foundation in the name of the late Mr and Mrs Chan Chak Fu.

China's Hotel Industry: A Disaster Management Framework and Post-Pandemic Agenda

The impact of disasters on the hospitality and tourism industry are increasing in magnitude and frequency due to an increase in the hypermobility of tourism and the interconnectedness of the global economy. COVID-19 caught the world by surprise with devastating effects. In this ground-breaking study, Fei Hao, Qu Xiao, and Kaye Chon of SHTM examined the pandemic's impact of China's hotel industry and created a framework the industry can use to prepare for and recover from future disasters.

Impact of COVID-19 on China's Hotel Industry

Since COVID-19's outbreak in late 2019, tourism and hospitality have been plagued by uncertainties. The hospitality industry in China (Chinese mainland in this paper) was the first to be hit. This study explores the disaster management framework specifically designed for China's hotel industry. It reveals major trends COVID-19 is expected to bring to the hotel industry, as well as shedding light on industry revitalization during the post-pandemic era.

COVID-19 swept through Lunar New Year. China's hotel industry lost billions of dollars in revenue, as 74.29% of hotels closed for an average of 27 days in January and February 2020. From January 14-28, OCC dropped from 70% to 8% and remained under 10% for the following 28 days. Almost 40% of hotels closed temporarily in February. RevPAR year-over-year (YOY) declined up to 85% in major cities.

STR data based on 4,315 sample properties in China, confirmed the COVID-19's devastation in the first quarter. Luxury and independent hotels were most affected. Midscale and economic chains were least affected. Jinjiang International (China's largest hotel group) reported a net profit of US\$24.1 million, a YoY decrease of 42.3%. Huazhu (China's second largest group) temporarily closed properties going from 2,310 hotels in mid-February to 369 in March. IHG closed 160 of its 470 hotels in China in February, and Accor's RevPAR dropped 68%. During Qingming holiday (early April), hotel demand remained low. During Labor Day holiday (May 1-5), domestic tourists totaled 115 million with revenue of US\$6.69 billion.

China's long-term recovery seems promising, but challenging. Hilton forecasted a 6-12 month recovery. During second quarter 2020, the China Hospitality Association forecasted a rise in OCC with YoY revenue declining to 41.5% and revenue losses of US\$5.64 billion. Third quarter will witness gradual recovery of domestic business travel and exhibitions. Peak summer months (July and August) YoY revenue are projected to decline by 8%. In fourth quarter, the hotel industry may embrace a compensatory consumption growth, especially during National Day Golden Week.

Disaster Management Research

The terms crisis and disaster are often used interchangeably. A crisis is due to an organization's internal failures. A disaster is due to uncontrollable

external factors. COVID-19 is a sudden, devastating, unpredictable, and unavoidable disaster that negatively affects businesses and challenges their operations, structure, and survival. Disaster management is predominantly based on engineer-oriented (all-hazards) theories. The tourism industry prefers management-oriented theories, including chaos theory which this study uses to address the complexity, turbulence, and dynamics of COVID-19. Faulkner's generic framework develops strategies with the three components: 1) phases in the disaster process, 2) elements of disaster management responses, and 3) principal ingredients of the disaster management strategies.

Demand is growing for context-specific models that address COVID-19 because existing frameworks are not aligned to health-related disasters, hotels play a vital role in supporting disaster relief, and current models fail to present the phases, principles, and strategies of disaster management chronologically. This study considers disaster management measures taken by the tourism and hospitality industry during the severe acute respiratory syndrome (SARS) outbreak. Lessons learned in the post-disaster phase are analyzed and standardized as valuable experience to better prepare for disasters in the pre-disaster phase. Based on anti-SARS experience and Chinese hotel industry anti-COVID-19 experience, a framework was developed that considers all hotel stakeholders (investors, owners, customers, employees, communities, and government).

COVID-19 Management Framework

COVID-19's management framework consists of five parts. First, it considers the whole process of disaster management. Second, it focuses on hotels at the property and firm/brand levels. Third, it depicts major events affecting China's hotel industry during the six pandemic phases. Fourth, it presents four principles that help hotel firms guide their actions during different disaster phases. Fifth, it presents major strategies the hotel industry can implement to alleviate the catastrophic effects of COVID-19.

Pre-event phase: actions are taken to evade or alleviate disastrous impacts. Prodromal phase: observe signs of impending disaster. Emergency phase: take urgent actions to safeguard people and properties. Intermediate phase: restore normalcy to services and activities. Recovery phase: continue

activities in previous phase along with self-reflection and self-healing measures. Resolution phase: restore normal routine and optimize disaster resistance capability.

COVID-19's pre-event phase began November 17, 2019, with the first infected case in Wuhan. Some hotel brands generated their pandemic response mechanism before the outbreak based on their anti-SARS experience. The prodromal phase began January 5 when an outbreak was imminent. Tourists cancelled nonessential travel plans. Hotels dealt with cancellations and concerns about the upcoming epidemic. The emergency phase began January 23, 2020. Wuhan was locked down, 30 provinces and regions launched health emergency responses, and cross-city and cross-province mobility was restricted. COVID-19 spread nationally, resulting in 81,048 infections and 3,204 deaths by March 15. China's hotel business came to a standstill. The intermediate phase began in mid-March. The pandemic was brought under control and travel restrictions were eased. Hotels showed signs of performance recovery and shifted to business restoration. By late March, China's average OCC increased to 31.8%. The pandemic became a global economic crisis, so on March 28, China closed its borders. Most nations closed borders and blocked international flights. China's inbound passengers dropped dramatically. In April, China loosened domestic travel restrictions. Recovery of international markets was projected for second quarter with focus on business travelers, domestic tourists, and local demand. China's long-term recovery phase will continue through the end of 2020. The resolution phase is expected to last two years beyond the pandemic. Business travel is expected to recover faster, except for MICE due to bans on crowd gathering. Leisure travel will see a rise in wellness and technology trends.

Pandemic Strategies

The first step is forming a disaster management team and appointing its leader. COVID-19 requires innovative communication for smooth and responsive information exchange and decision-making. In China, mobile apps are popular for office automation, remote conferences, and online training. Online office technologies, tools, and platforms enable hotels to establish command and management systems for deploying employees and holding meetings. High performance employees contribute to performance recovery. Firms should retain employees during the

pandemic and ensure their physical and psychological health, positions, and income. Non-essential labor can be reduced by socializing service production, sharing labor with related industries, replacing manual labor with intelligent devices, retraining to multitask, laying off low-performers, and outsourcing. Hotels can also encourage employees to take annual leave and work reduced schedules.

Several brands initiated free cancellation and re-booking service, extended loyalty program membership, and increased membership benefits. Hotels adopted strict hygiene measures and technology that provides contactless service, including self-check-in, remote check-in, face-scanning, voice control and robotic room service, and zero-second check-out. Hotels also collaborated with OTAs on projects that guarantee hygiene, and hotel associations issued guidelines to monitor pandemic prevention.

Hotels provided accommodation for COVID-19 medical staff and construction workers erecting COVID-19 hospitals. In first quarter 2020 alone, government agencies designated 610 Huazhu hotels (two million room nights) as medical crew dormitories and quarantine stations. Hotels also accommodated stranded tourists.

Firms should seek financial aid from government policies, including short-term cash flow, long-term debt repayment, labor cost reduction, tax deduction or deferral, rent reduction, funding support, energy cost reduction, and exemption policies. Local governments provided subsidies to hotels that support pandemic treatment. To reduce operating costs, hotels must close or partially close properties and facilities and postpone non-essential maintenance. Hotels must also engage customers online and develop advance sale, package sale (combining airfare, accommodation, tours, and F&B), and flexible daily pricing strategies. Many chains reduced management and franchise fees, waived marketing and system fees, and offered discounted supplies and pandemic prevention materials.

Hotels must establish SOPs for managing natural disasters and emergencies. Hotels should organize a team of experts, establish an expert consultation mechanism, and compile guidelines for response. Insurance companies should optimize products and services for the pandemic and help hotels hedge against possible losses.

China's Post-COVID-19 Hotel Industry

Before the pandemic, the hotel industry faced pressure to become more customer-centric, digital, agile, and sustainable. Pandemic impacts significantly changed the supply-demand balance of the industry, requiring firms to re-evaluate their business model and competitiveness. The industry must redesign products, marketing strategies, distribution channels, delivery methods, and consumption points, including multi-business and multi-channel platforms. Hotels can maximize their space by utilizing it for catering, retail, public activities, and off-line demonstrations of online shopping. China's hotels depend heavily on OTAs as their primary e-commerce channel which are based on the public domain. In 2019, the private domain concept changed hotels' e-commerce ecosystem, allowing direct contact with the user pools attached to the brand/hotel. It forms a close loop where users can be converted into consumers at lower costs and share a stronger bond with the brand. Live streaming sale has become a popular marketing and sales channels across industries. Hotels can live stream to display products, interact with customers, and promote sales. In April 2020, through live streaming, 3,000 sales packages of a Shanghai hotel were sold in 30 minutes.

While most hotels were poorly managed and state-owned independent properties in the 1980s, economy, mid-scale, and upscale brands emerged in 2010s. Personalized, innovative, and non-standard hotel brands are the new trend. During the pandemic, some hotels exhibited high competitiveness and good financial performance through excellent product design and investment preference. COVID-19 brought changes in customer preferences and consumption. New products should allow customers to maintain a healthy, balanced lifestyle, exercise at will, work effectively, social distance, and reduce close contact.

Functional private space, such as a private office, fitness center, and recreation space

and facilities, are important. Homestays should also provide abundant private space, such as a balcony, private kitchen, and bathroom.

Future hotel investment and asset renewal will be more concerned with return on investment, control of cash flow, and maximizing property and operating value. Investors' preference will change from big and comprehensive to small and exquisite, and return-optimization formulas will focus on maximizing revenue per square meter per minute.

Guests have developed a preference for contactless service supported by digital platforms and intelligent technology. This will continue after the pandemic. Investment in digital customer relationship management enables hotels to predict individual preference, provide customized services, improve membership conversion, and increase customer loyalty. Through big data and revenue management, hotels can analyze the composition, demand, and travel distance of target consumers, and conduct precision marketing.

The pandemic accelerated use of video conferencing, cloud collaboration, and teleworking. Hotels which implement digital and smart solutions will attract more Generation-Y and Z customers. Since hotels are labor-intensive with standardized manual operations, implementation of digital and intelligent technologies, specifically process automation, will replace human labor. Hotels should develop a digitalized operation system that connects management and marketing with service scenarios.

China's hotel industry consists of 80% independent hotels and 20% chain brands. The pandemic has promoted the reshuffling of small- and medium-sized hotels, pushing them to upgrade to high-quality branded chains. Firms visualize this opportunity to promote brands that integrate individual hotels with strong sales and marketing systems while maintaining their unique features. Firms should seize this opportunity.

POINTS TO NOTE:

- Hotels must establish an SOP for managing natural disasters and emergencies.
- COVID-19 has brought permanent changes in guests' preferences and consumption.
- Hotels must redesign their products, marketing strategies, distribution channels, and delivery systems.
- Opportunities exist for independent hotels to upgrade to high-quality branded chains.

Hao, F., Xiao, Q., and Chon, K. (2020). COVID-19 and China's Hotel Industry: Impacts, a Disaster Management Framework, and Post-Pandemic Agenda. *International Journal of Hospitality Management*, 90, 102636.

Does Love Become Hate or Forgiveness after a Double Deviation? The Case of Hotel Loyalty Program Members

Will your customers still love you after a service mistake? What if your service recovery is bungled also? Does it make a difference if they are members of your loyalty program or not? And what is the best way to make amends? Recently published research by Jin-Soo Lee of SHTM, Jungkeun Kim of Auckland University of Technology, and Yuanyuan (Gina) Cui of Sejong University provides interesting insights on this topic of importance to tourism and hospitality managers.

Introduction

Relationship marketing is widely used in the tourism and hospitality industry. The most commonly used tool is a loyalty/reward program, wherein members receive economic and social rewards. Research shows the positive impact of loyalty programs on customer relationship, satisfaction, commitment, and loyalty. This study asks the following question: Do reward program members suppress negative coping response (desire for retaliation) more than nonmembers after experiencing a service failure? Research shows high-relationship-quality customers exhibit greater desire for retaliation after service failure than low-relationship-quality customers because they sense more betrayal, advocating the “love-becomes-hate” effect. High-tiered loyalty program members are high-relationship-quality customers because they exhibit strong commitment, trust, and attachment. However, members differ from nonmembers because membership triggers strong social identification and switching costs. Thus, members may exhibit different negative coping intention than nonmembers after service failure. This study explores: 1) whether hotel loyalty programs are effective in weakening the desire for retaliation and perceived betrayal of high-tiered members after a double deviation; and 2) which service recovery tactic (apology versus financial compensation) is more effective in attenuating (reducing) their desire for retaliation and perceived betrayal after a double deviation.

Theoretical Background

Appraisal theory states individuals exhibit the cognition–emotion–coping behavior sequence in assessing an event based on goal congruence. Goal-congruent events (satisfactory service) elicit positive emotions. Goal-incongruent events (poor service recovery) foster negative emotions which trigger coping behaviors/strategies to relieve emotional pain or exact revenge. The current study explores coping responses of hotel loyalty program members in a single deviation and a double deviation compared with nonmembers by examining their perceptions of betrayal, desire to retaliate, and service failure severity. Perceived betrayal occurs when a hotel takes advantage of customers, disappoints them, lies to them, breaks their promise, and loses their trust. Retaliatory desire (revenge) is the customers’ intention to get even for the trouble it caused

them and to restore fairness. It is a natural coping response that intensifies during failed service recovery (double deviation). By comparing single and double deviations, this study determines how high-tiered members develop perceived betrayal and desire to retaliate from single to double deviation, demonstrating the effects of membership on coping responses.

Justice theory is concerned with service recovery and involves three dimensions of cognition: distributive, procedural, and interactional fairness. Distributive justice/fairness refers to the outcome or compensation given to customers by hotels because of service failure, for example, a free drink and an apology. Procedural fairness is the process of resolving problems. It covers hotel policies for handling complaints, including treating customers with respect, empathy, and integrity and offering them a satisfactory explanation. Customers perceive fairness as critical to judging service recovery quality. A lack of fairness triggers negative emotions and coping behavior. Monetary compensation is suitable for a less severe service failure, but a prompt response is the best recovery practice for a more severe service failure. This study also examines which recovery tactic (apology or financial compensation) works best for loyalty program members compared with nonmembers.

Love is Forgiving

The “love-becomes-hate” phenomenon surfaces in the relationship quality research when best (loyal) customers become the worst critics. High-relationship-quality customers escalate unfavorable emotions against negative service encounters such as service recovery failure. They believe they offer more to a hotel than the hotel returns to them. If service failure occurs under such circumstance, high relational customers are more likely than low relational customers to feel betrayed and hold a grudge. High relationship quality is operationalized as trust, satisfaction, and commitment by non-loyalty program members. Nonmembers differ from high-tiered members who perceive strong social identification and positive switching costs. High-tiered members are influenced by biased assimilation. They diminish the importance of attitude-inconsistent information or increase the importance of attitude-consistent attributes. High-tiered hotel loyalty

program members are more likely than non-members to suppress perceived betrayal and desire to retaliate after service failure.

Social identity theory posits that social identity arises from membership in a group. The length and level of membership indicates their strength of commitment and identification. High-tiered members hold strong social commitment to and identification with a hotel. After service failure, they suppress perceived betrayal and desire for retaliation more than non-members who have weak social identification and commitment.

The “love-is-forgiving” effect on high-tiered members is also due to positive switching costs that customers will lose if they terminate their relationship. Customers appraise an unfavorable event and develop emotional reactions, leading to negative coping behavior (exit, loyalty, or retaliation) to reduce emotional dissonance. They consider the loss of material and social benefits in deciding whether to end their relationship with a hotel. If the positive switching costs outweigh the service failure, they feel indebted to the hotel, triggering negative emotions of sadness, guilt, embarrassment, and regret, plus counterfactual thinking which allows them to favorably reinterpret the circumstance.

Hypothesis 1a. High-tiered hotel loyalty program members are more likely than nonmembers to attenuate their desire for retaliation and perceived betrayal against a hotel after a double deviation. Hypothesis 1b. Nonmembers are more likely than members to evoke greater desire for retaliation and perceived betrayal after a double deviation than after a single deviation.

Service Recovery Tactics

Hotel loyalty programs offer social and economic rewards to its members. Cognitive evaluation theory (CET) states that reward types or contexts influence customer motivations differentially to maintain a relationship with a service firm. CET suggests internal (social) and external (economic) rewards. Internal rewards are intangible. They act as intrinsic motivation to maintain enjoyable behavior such as preferential treatment and personalized attention. External rewards are tangible. They are extrinsically motivating rewards, including money and prizes (free services and discounts) offered in exchange for loyalty. CET advocates social rewards are more likely than

economic rewards to enhance affective commitment. By contrast, economic rewards are more effective in developing continuance commitment.

Customers, whether loyalty program members or not, expect financial compensation for the scale of service failure they experience. Refunds and discounts are effective strategies to develop the continuance commitment of both members and nonmembers. An apology admits responsibility and restores justice and trust. High-tiered loyalty program members hold a strong sense of belonging and commitment through social identification. When exposed to a negative occasion, they suffer from cognitive dissonance due to their high level of trust. Members want the hotel to recover from its failure so they can reconfirm its integrity and regain trust and justice in it. Members are more receptive to an apology. Hypothesis 2: An apology is more effective in attenuating the desire for retaliation and perceived betrayal of members than those of nonmembers.

Methodology

A scenario-based method widely used in hospitality research was adopted. A booking problem was selected for the scenario. For testing H1a and H1b, 203 adults from the USA were randomly assigned in one of two experimental scenarios: 1) loyalty program membership: nonmember versus member; and 2) number of service failures: single deviation versus double deviation. Participants in the loyalty membership group were told they had high-tiered loyalty program membership in a franchised hotel for 10 years and enjoyed its benefits. They always booked the same hotel for their business trips. Participants in the non-loyalty membership group were told they had never stayed in the hotel, and they booked it for a business trip. Then, single and double deviations occurred. Single deviation participants arrived at the hotel at 3 pm and were informed they could not check-in before 5 pm because their room was not ready, although regular check-in was 2 pm. Double deviation participants were further informed the hotel’s front desk clerk was impolite and their request to see the hotel manager was rejected.

Discussion of Results

Studies 1 and 2 found nonmembers developed stronger perceived betrayal and retaliation desire after a double deviation than after a single deviation.

Meanwhile, perceived betrayal and retaliation desire of members remain the same between single and double deviations. Moreover, the high membership commitment group did not exhibit a different level of retaliation desire between single and double deviations. By contrast, the low membership commitment group displayed a higher level of retaliation desire after a double deviation than after a single deviation.

The findings are supportive of the “love-is-forgiving” effect caused by biased assimilation through the relative weighting of attributes, social identification, and switching costs. High-tiered members maintain a strong commitment to membership-offering hotels. When they have a bad experience, they hold down their negative emotions by having attitude-consistent information (previous good stays) outweigh attitude-inconsistent information (service failure) through biased memory search for a favorable experience. High-tiered members develop a sense of belonging to their hotels through which their social identity is enhanced. This enables them to weaken their desire for retaliation and perceived betrayal after a service failure. In addition, high-tiered members perceive high switching costs (lost economic and social benefits) if they terminate their relationship. This costs discourage members from their desire for retaliation.

This study found that financial compensation and apology similarly moderate perceived betrayal for high-tiered members, but only financial compensation attenuates perceived betrayal for nonmembers, suggesting an apology is more effective for members than for nonmembers. Over the years, members have enjoyed rewards and developed continuance and affective commitments that allow financial compensation and apology to alleviate their betrayed feeling after a double deviation. However, nonmembers lacking these commitments are sensitive to monetary rather than emotional compensation which explains why only

financial compensation relieves their perceived betrayal. Inconsistent results were observed for the desire to retaliate and perceived betrayal for the interaction effect between loyalty membership and recovery tactics. The different results can be attributed to the stronger motivational aspects of desire for retaliation compared with those of perceived betrayal.

Conclusions and Implications

This study suggest that membership helps alleviate desire for retaliation and perceived betrayal of members who experienced service failure due to biased assimilation, social identification, and switching costs. This provides loyalty program managers with insights for designing reward programs that develop emotional attachment through emotional benefits. Most individuals join a reward program to enjoy economic rewards; however, if a loyalty program is providing economic benefits only, it risks losing members because they are easily copied by competitors. Members will switch to programs with greater economic benefits if they lack emotional attachment.

Reward programs proliferate in the hotel industry with many guests holding multiple loyalty program memberships which causes skepticism about their true impact. This study contends that apart from economic rewards, loyalty programs should provide emotional value propositions/rewards for their members to develop emotional bonding. For example, offer member-exclusive special events not available in other programs. Invite members to a special, discounted “Mother’s Day” meal to celebrate special moments with parents and children and enhance their bond with the program. The emotional value proposition facilitates biased assimilation, social identification, and emotional switching costs that weaken the desire for retaliation and perceived betrayal after service failure.

POINTS TO NOTE:

- Loyalty program membership helps alleviate desire for retaliation and perceived betrayal after service failures.
- High-tiered loyalty program members are more likely to suppress the desire for retaliation and perceived betrayal after double deviation.
- Apologies are more affective for members than non-members because non-members expect financial compensation.
- Loyalty program should also provide emotional rewards since economic rewards are easily copied by competitors.

Lee, J.S., Kim, J., and Cui, Y. (2021). Does Love Become Hate or Forgiveness after a Double Deviation? The Case of Hotel Loyalty Program Members. *Tourism Management*, 84(4), 104279.

Effect of Price Change Alert on Perceptions of Hotel Attribute-based Room Pricing (ABP) Versus Traditional Room Pricing (TRP)

Today's consumers value choice, personalization, and optimal deals. As Yixing (Lisa) Gao, Basak Denizci Guillet, and Peihao Wang of SHTM reveal in their recently published study, attribute-based room pricing satisfies both travelers and hotel revenue managers.

Introduction

The hospitality market faces fierce competition pricing. Despite success in revenue optimization, traditional pricing strategies often fail to consider hotel attributes that add consumers value. The Internet and e-commerce fosters cooperation and collaboration among different channels to increase profits using pricing strategies. Hotel companies using traditional pricing (TRP), such as demand-based pricing and best available rate (BAR) strategies face new challenges. Attribute-based pricing (ABP) offers opportunities for revenue management by providing attribute price information of hotel rates on options such as views, amenities, and pricing policies. ABP allows customers to customize their hotel room attributes. With ABP, customers have control in choosing room attributes of personal value. For example, honeymooners may prefer a king-sized bedroom with an ocean view. Each time the guests add an attribute, the hotel system prices the attribute separately and customers sees how it affects total room price. IHG is among the big brands to implementing ABP.

Since consumers have different perceptions on prices; thus, attention must be paid to the fairness perception of consumers. transparent and itemized pricing is preferred over opaque pricing. Providing historical price information, price explanation, and cueing costs are effective in increasing perceived fairness. With widespread use of dynamic pricing strategies, presale price information varies depending on factors like room inventory, room type, and time of booking. Presale prices are advertised by hotels and OTAs. Presale price information has a significant impact on consumer behavior such as evaluation of past prices, sensitivity to price losses, and purchase and brand decisions. Marketers and OTAs connect with customers via e-communication by sending pricing information. Dynamic demand drives marketers to communicate price increase information to consumers which establishes reference prices in customers' minds. Timing of sales promotion is affected by the reference price of consumers. This research investigates timing of price change alert (presale vs. postsale) and argues how it affects the APB and TRP pricing reactions of consumers. Purposes for comparing the two types of pricing strategies include: 1) investigating whether paying a

low price generates the same attitude for ABP versus TRP; 2) examining with the ABP technique, whether consumer attitude will differ between before and after sales price change information; and 3) discovering the underlying mechanism that explains the effects.

Literature Review

Hotel room rates change frequently due to dynamic demands and pricing strategies which can be market-driven, customer-driven, or competition-driven. Traditionally, hotels used cost-driven pricing to gain profit margin based on product costs, while some hotels use competition-driven pricing to compete for market share. Demand-based pricing and past-price dependence rely on customer-driven and firm-driven costs and benefits, such as category penetration, brand market share, and brand demand sensitivity to price. Demand-based pricing has recently become common in the hotel industry. It indicates prices should be charged depending on the customer, time, location, product, or channel. Price increases and decreases in the service industry are largely due to perishability. Time is a key factor determining optimal demand-based pricing strategy for hotels. Room rates change depending on the time of day, week, or year. Attitudes and expectations of consumers also change because of price differences.

ABP is emerging concept in hotel pricing, although it has already been implemented by airlines which offers a base price and with add-ons for seat assignment, baggage allowances, early boarding, and meals. In hospitality, price differentiation criteria include physical attributes (facilities and amenities), location-specific attributes (local attractions and climate), reputation (star classification and brand affiliation), and timing. Hotel pricing strategies of service items can be categorized into must-have, attractive, one-dimensional, and indifferent. Corresponding pricing strategies were recommended on the basis of these attributes. In cost-driven pricing, hotel size, age, market conditions, and number of housekeeping staff per room affect hotel room rate. Chain affiliation, hotel facilities, technological resources, room size, and parking also influenced price.

Providing full information on room rates enhances perceived fairness for consumers whether they gain a better or worse rate outcome. Judging fairness is difficult because individuals may not know the alternatives. Consumers are more confident and willing to pay for transparent prices, and when they understand the reasons are based on attribute differences. Because ABP can provide procedure fairness cues, we argue that compared with TRP, ABP results in a high level of consumer attitude and visit intention because of perceived fairness of the price change. Hypothesis 1: ABP has a more positive effect on alert attitude, brand attitude, and visit intention than TRP.

Consumers are also sensitive to factors such as past prices, competitor prices, and cost. Past price is a key reference point for price judgment. Regardless of reference prices, paying a low price is usually given much more weight than other information. Thus, we formulate a hypothesis in which price increase information sent presale versus postsale leads to different reactions for ABP and TRP. We also argue that timing of price change information moderates the effect of pricing strategy on consumer reactions. Time plays a critical role in hotel revenue management. Expected price changes determines consumer purchase decisions to buy now or later. Timing of the price change alert is an indicator of “price to pay” (presale) versus “last price paid” (postsale). Consumers consider their purchase price as a “loss” or a “gain” depending on whether it is greater or smaller than the reference price. If a reference price (price paid) is evoked, consumers infer costs and profits on the basis of pricing information which results in the fairness perception and price satisfaction of consumers. Thus, for postsale alerts, the ABP increases showing the attribute price information results in the “gain” perception which is higher than the reference price paid. Such postsale ABP price increase generates more favorable reactions (willingness to stay) than the TRP increase. Hypothesis 2a: For presale alerts, the TRP and ABP increases lead to similar alert attitude, brand attitude, and visit intention. Hypothesis 2b: For postsale alerts, ABP increase leads to more favorable alert attitude, brand attitude, and visit intention than TRP increase.

Differential effects of ABP and TRP on consumer reactions are driven by consumer-perceived price fairness. Fairness measures price acceptability and involves comparison with a standard, reference,

or norm. Dual entitlement argues companies are entitled to a reference profit, and consumers are entitled to a reference price. Despite suggesting consumers perceive fairness when a price increase results from a cost increase, it is unclear whether this principle applies to pricing strategies such as ABP and TRP. While ABP increase shows price increase information of a specific attribute, TRP increase does not. This study will demonstrate how consumer attitude and behavioral intention to a hotel are influenced by the fairness perception under ABP and TRP. Consumer satisfaction is shaped partially by perceived price fairness. The source of price change moderates the effect of price changes on perceived price fairness. Different from the price-discovery specialized platforms like Priceline, most OTAs and hotel websites adopt a price-posted mechanism (hotel sets rate). Fairness perception is a determinant of consumers’ willingness/resistance to pay. It is triggered when actual price exceeds reference price. A high price is considered unfair which results in exiting, complaining, refunds, switching, and negative word-of-mouth. Contrarily, fair perception leads to increased perceived value and willingness-to-pay. Consumers suspecting price unfairness search for alternatives. Fairness perception depends on joint effects of pricing strategy and price alert timing which further impacts consumer attitudes and behavioral intentions. We argue fairness perception is only evoked when a price is paid (postsale) and considered as a reference price. We argue perceived fairness mediates the effect of pricing strategy on price alert attitude, brand attitude, and visit intention only for postsale. Hypothesis 3: Joint effect of pricing strategy and price alert timing on the alert attitude, brand attitude, and visit intention of consumers is mediated by consumer-perceived fairness.

Methodology and Results

Study 1 surveyed consumer attitudes toward ABP versus TRP information. All 120 participants had hotel booking experience within the past year. Told they were going to City XYZ for four days, they browsed hotels on a travel website and booked a room at Hotel XYZ. That afternoon, they received an email indicating: “Alert: Price Increase for hotel XYZ.” In the ABP condition, they read “↑ USD \$20. Now: Double Bed (USD \$80) with Harborview (USD \$65) (total: USD \$145). Was: Double Bed (USD \$70) with Harborview (USD \$55) (total: USD \$125).” In the TRP

condition, they read “↑USD \$20. Now USD \$145. Was USD \$125”. Participants rated their attitude toward three dependent variables: 1) alert email (AA); 2) hotel brand (BA), and 3) visit intention (VI). Results indicated a significant interaction effect between pricing strategy and all three variables. Participants reported a more favorable attitude toward all three variables for the APB condition after booking. H1 was supported.

Study 2 surveyed 140 participants who given the same travel and booking scenario as in Study 1 and rated their attitude toward the same three variables. Results indicated a significant interaction effect between pricing strategy and all three variables. Participants also reported more favorable attitudes toward all three variables for the APB condition after booking. Therefore, H2a and H2b were supported. Study 2 also revealed a significant mediation process of perceived fairness for the postsale condition on all three dependent variables. Therefore, H3 was supported.

Findings

This research presents the effectiveness of ABP and shows its advantages over TRP. When consumers receive a presale price increase alert, their attitude and visit intention are similar for ABP and TRP. However, when consumers receive postsale price increase information, ABP generates more positive effects on alert attitude, brand attitude, and visit intention than TRP. Results confirm perceived price fairness plays an important role in attitude and visit intention. ABP offers high

flexibility and alternative options to customers, and customers are able to understand the reasons behind price differences among products. ABP generates more positive effects on price change alert attitude, brand attitude, and visit intention of customers than TRP. By comparing effects of ABP and TRP for presale and postsale, our results demonstrate customers who receive ABP price alerts after sales generate more positive reactions toward alert attitude, brand attitude, and visit intention. However, customers who receive presale ABP price alerts do not react differently from customers who receive presale TRP price alerts. This research shows consumer-perceived price fairness mediates the effect of pricing strategies on price alert attitude, brand attitude, and visit intention for postsale only. The mediation effect does not apply to presale on these variables. Findings also provide insight into when and what to communicate to consumers about price changes.

This research provides implications for tourism organizations, such as OTAs, on when and what to communicate to customers such as TRP or ABP price information. Companies should update their official website to allow customers to choose their desired attributes. Revenue managers should consider developing relevant rate codes based on different combinations. Reservation centers need to notify guests proactively about rate changes after purchase, especially increases. ABP can help hotels receive direct bookings as the ability to customize rooms, services, and amenities is an opportunity to shift distribution from OTAs back to direct channels.

POINTS TO NOTE:

- TRP and ABP result in similar alert attitude, brand attitude, and visit intention for presale price change alert.
- ABP leads to more favorable results for postsale price change alert.
- Perceived fairness mediates the effect of pricing strategy on brand attitude, price alert attitude, and visit intention for postsale alert only.
- ABP can help hotels receive direct bookings and reduce commissions paid to OTAs.

Gao, Y., Guillet, B., and Wang, P. (2021). Effect of Price Change Alert on Perceptions of Hotel Attribute-based Room Pricing (ABP) Versus Traditional Room Pricing (TRP). *International Journal of Hospitality Management*, 92, 102725.

Facial Expressions Versus Words: Unlocking Complex Emotional Responses of Residents toward Tourists

Do people's faces always tell the truth? What about their words? In this recently-published article, Shiqin Zhang, Nan Chen, and Cathy H.C. Hsu of SHTM use cutting-edge technology to provide surprising new insights into host-tourist interactions.

Introduction

Emotions are critical for tourism and hospitality where intense and frequent face-to-face interactions take place. Few studies have examined residents' emotional responses toward tourists, although their role is critical in cultivating hospitable destination servicescape, positive host-tourist relationship, and destination sustainability. Emotion research in tourism is linked to consumer and marketing research, which is grounded in psychology, and relies on self-reported methods. Emotions are complex and can be expressed in various ways, including implicit ones like facial expressions, physiological changes, and bodily reactions, and explicit ones like verbal and written reports. Implicitly and explicitly emotions are distinguished as automatic/conscious, non-verbal/verbal, raw/reflective, and spontaneous/deliberate. Traditional self-reported methods are explicitly expressed emotions and subject to cognitive and social desirability biases. Implicit measures, like heart rate and skin conductance detection, are unbiased and complement self-reports.

The primary objective of this study is to examine residents' emotional responses toward tourists expressed implicitly and explicitly. Emotion recognition through facial expressions is superior because it recognizes discrete emotions other than arousal levels. Facial expression recognition uses cutting-edge programs, such as FaceReader, which allows real-time capture of implicitly expressed emotions that are spontaneous beyond humans' conscious to control or mask them. The secondary objective is to examine the discrepancies between facially-expressed and self-reported emotions and explore the underlying psychological mechanisms. The main research questions are: "Are there differences between emotional responses measured by facial expression recognition and self-report? If yes, how and why?" This study focuses on Hong Kong residents' emotional responses toward Mainland Chinese Tourists (MCT) based on two considerations. First, widely reported negative sentiment of Hong Kong residents toward MCT deserves exploration in real-time emotional encounters. Second, Mainland Chinese outbound is one of the fastest-growing markets worldwide and has become the top source market for many international destinations. Understanding Hong Kong residents' emotional responses to MCT is significant for other host communities in achieving favorable host-tourist communications and sustainable tourism development.

Literature Review

Researchers agree that emotion is a complex psychological response that incorporates various components, including cognitive or appraisal; neurophysiological or bodily symptoms; motivational or action tendencies; motor expression or facial and vocal expression; and subjective feeling or emotional experience. Implicitly expressed emotions are likely automatic or unconscious responses evoked by stimuli, while explicitly expressed emotions are more of cognitive or conscious responses toward triggers. Both are indispensable in face-to-face communication because people also retrieve emotional information from each other in nonverbal languages.

Research in psychology and marketing has distinguished implicit (or objective/indirect) and explicit (or subjective/direct) measures for emotion detection. Traditional explicit measures, including verbal or visual self-reported measurements, ask participants to report their felt emotions. But the automatic or unconscious emotional responses that can occur in the first microseconds of a stimulation are not perceived by the subjects and are unlikely to be verbalized. Implicit measurements, such as heart rate and respiration, blood pressure, skin conductance, facial muscle activity, finger temperature, and eye movement variability, have gained acceptance in research for automatic emotion recognition and have been validated as effective and necessary to complement self-reports.

Facial expression recognition is superior because it distinguishes concrete emotions. Connections between facial expressions and emotions are based on expression reflexology and the Basic Emotion Theory of six emotions – anger, happiness, surprise, disgust, sadness, and scare – as the most basic emotions associated with facial movements. Advancements in facial expression recognition techniques include FaceReader software which is widely used since it can differentiate facial changes by culture and age and can recognize the six basic emotions and neutral state with above 89% accuracy. The intuitive mind operates with great speed to enable extraordinarily short intervals between stimuli and emotional responses. Since this automatic appraisal system operates biologically, emotional responses happen without awareness or effort. By contrast, the conscious appraisal system relies on reflective judgement which is slow and deliberate, and the responses are within individuals' control and self-awareness, so socially desirable and masked responses happen.

The majority of research has focused on tourists' emotional responses regarding satisfaction and behavioral intention while neglecting hosts. Recent studies from the hosts' perspective were focused on performing arts, service encounters, and tourism development rather than emotional responses toward tourists.

Extant tourism research mainly measures emotions by self-reported methods using questionnaires or interviews, and the dimensional approach has been favored over the basic emotion approach. Emotion was mostly measured by two dimensions, valence (positive or negative) and arousal (activated or non-activated). This approach hides the roles of discrete emotions in tourism encounters, and different emotions entail distinct behaviors. Although angry and disgust are both negative emotions, they have distinct behavioral cues, approaching and avoiding, respectively. Examining discrete emotions in tourism encounters is important for marketing. The limited number of tourism studies that examined discrete emotions only measured one or a few specific emotions such as joy, fear, and guilt as antecedents of satisfaction.

This study combines facial expression recognition technique (FaceReader) and self-reports to unravel the complexity of emotions in a host-tourist interaction setting by capturing residents' emotional responses expressed implicitly and explicitly. In comparing results from the two measurements, detection of six basic emotions and their intensity levels, as well as the dimensional feature such as valence will be included. Moreover, discrepancies between the results of the two measurements will be interpreted by exploring the psychological mechanisms underpinning the emotion formation and expression process.

Methodology

Video vignettes about MCT's behaviors were produced to stimulate residents' emotional responses. Facial expressions and self-reported emotions were recorded during and right after participants viewed the videos, respectively. Real-time facial expressions were analyzed by FaceReader to identify automatic emotions, while self-reports measured explicitly expressed, consciously perceived emotions. Data collection was completed in February 2019 following a three-step process. The 10 video vignettes lasting 1-2 minutes of MCT in Hong Kong consisted of seven depicting negative/deviant behaviors (urinating in public and jumping the queue) and three depicted positive behaviors, Hong Kong residents watched 1-3 videos while a camera recorded their facial

expressions. Then participants were surveyed to measure explicit emotions. Individual interviews were also conducted to explore self-perceived emotions and interpretations. Major questions were: "How do you feel about the scenarios depicted in the video you just watched?" and "Why do you feel that way?". All 14 participants had visited Mainland China more than three times, and almost half have friends or relatives there. Although all shared Chinese ethnicity, their self-identities varied, with seven identifying as primarily Hongkongese but also Chinese, five as Hongkongese only, and two as primarily Chinese but also Hongkongese. Two comparisons were performed. One focused on the discrete emotions identified and their intensity levels, and the second focused on valence of identified emotions.

Findings

FaceReader detected more emotions of 'happy', 'sad' and 'angry', while self-reports expressed 'disgusted' more frequently. The discrepancies in discrete emotions detected by the two methods demonstrated distinctions between expressive channels of emotions and the necessity of combining different methods for robust results. Another difference was found in intensities of discrete emotions even when the same emotion was reported. Emotions of 'happy', 'sad' and 'angry' detected by FaceReader are significantly different from self-report, as it is significantly less effective in recognizing happiness, sadness and anger of Hong Kong residents toward MCT. In contrast, no significant difference was identified on emotions of 'surprised', 'scared' and 'disgusted', implying a higher consistency between the two approaches. 'Surprised' and 'disgusted' were largely detected by both FaceReader and self-report, but 'scared' was less reported by either method, revealing the low occurrence of 'scared' emotion in host-tourist encounters.

Both methods identified more negative emotions because most video vignettes depicted negative behaviors. Participants' emotional valence from self-reports fluctuates more dramatically than FaceReader results, implying participants amplify their emotions in self-reports. Self-reported also showed higher negative valence, meaning participants expressed stronger negative emotions after watching videos than could be identified from their facial expressions. Participants mainly self-reported negative emotions with higher intensities than detected from their facial expressions. Similarly, participants reported more positive emotions for positive stimuli with higher intensities than from facial expressions, suggesting an amplification effect of self-reports in measuring

emotions versus facial expressions. This amplification effect triggers antagonism in host-tourist interactions. The emotions, especially the negative ones, read by MCT from their Hong Kong hosts' facial expressions are minor compared to the self-reported emotional responses of local residents. This disparity may make MCT underestimate the residents' unwelcome attitude or overestimate the host-tourist relation, causing irreversible relationship deterioration.

Discussion

The discrete emotions detected in this study highlight the inconsistency of facial expressions and self-reports in identifying emotions of 'sad' and 'angry'. This discrepancy indicates the existence of two types of emotions in host-tourist interaction: desires-derived emotions and stereotypes-elicited emotions. Desires mean the intuitive, idealized expectations toward self and others such as prosocial behavior. The desires-derived emotions in human interaction include 'happiness', 'sadness' and 'anger' that are elicited by satisfying (happiness) or dissatisfying (sadness/anger) humans' inner desires. In desire-belief psychology, beliefs are perceptible, cognitive impressions acquired through social learning. Stereotypes are widely identified beliefs. Once formed, stereotypes-elicited emotions, such as 'surprise', 'scare' and 'disgust' are aroused by disconfirming (surprise) or confirming (scare/disgust) people's stereotypes. Desires-derived and stereotypes-elicited emotions are initially elicited at unconscious and conscious levels, respectively, and have distinct priorities in expressive channels. Desires-derived emotions indicate a tendency to achieve mutual beneficial relations and imply an expectation of residents to improve relationship with MCT. However, when stereotypes-elicited emotions are triggered, especially 'scared' and 'disgusted', individuals are less inclined to actively improve relationships, but would rather avoid further interactions.

Irrespective of the dominant stereotypes-elicited emotions in self-reports, residents have hidden positive expectations of MCT shown in the desires-derived emotions recognized from their facial

expressions when watching videos. It is the long-term dissatisfaction with Mainland tourists whose behaviors never meet their expectations which cause feelings of deep-rooted disgust or resentment. Locals become increasingly impatient to see improvements although deep down they wish for it. Driven by this ambivalent sentiment, respondents disclosed their stereotypes-elicited emotions in self-reports but hid or failed to be aware of their concealed expectations. Hong Kong residents experienced desires-derived emotions and stereotypes-elicited emotions toward MCT but expressed them differently – some reserved in facial expressions and some amplified in words – because of the two distinct emotion formation processes. This study illustrated that the long-term negative stereotypes of MCT has been internalized deep into Hong Kong residents' mind to exert influences on emotional responses within both processes. Furthermore, the internalized stereotypes of MCT in the mind of Hong Kong residents can, to some extent, deter the externalization of desires and explicit expression of desires-derived emotions. As a result, Hong Kong residents tended to report the emotions consistent with their negative stereotypes and in particular, amplify the 'disgusted' feeling in self-reports.

Conclusion

Different from previous studies that reveal negative stereotypes of Hong Kong residents toward MCT, this study identified the coexistence of stereotypes and good expectations. Different emotions imply different behavioral tendencies. The HKTBC/Commission and local media should promote a better image of MCT to modify residents' negative stereotypes and reduce stereotypes-elicited emotions. For tourists, more attention should be paid on residents' verbal expressions. Comprehending each other's emotional responses from multiple channels is necessary for friendly inter-personal/group relations. MCT should also improve their behaviors by respecting local rules and customs to meet residents' expectations and foster desires-derived emotions.

POINTS TO NOTE:

- True emotions and their intensity are often misinterpreted when relying only on self-report methods.
- Self-reports emphasized stereotypes-elicited emotions, particularly disgust.
- Facial expressions convey more desires-derived emotions like happiness, sadness, and anger.
- Hong Kong residents are impatient but exhibit a wish to improve their interactions with MCT.

Zhang, S., Chen, N., and Hsu, C. (2021). Facial Expressions Versus Words: Unlocking Complex Emotional Responses of Residents toward Tourists. *Tourism Management*, 83, 104226.

Influencing Stakeholders to Reduce Carbon Footprints: Hotel Manager's Perspective

Hotels have many stakeholders from government leaders and investors to suppliers and employees. How hotel managers can use this vast and diverse network of human resources to help reduced their carbon emissions is the topic of this recently-published article by Eric Chan of SHTM.

Background

The greenhouse effect, environmental laws, and growing market pressure contribute to hotels increasing their levels of environmental awareness. Their daily operations require substantial energy, water, and non-recyclable consumption, which leads to carbon emissions. Hotels are implementing environmental programs and becoming more "green". These programs include energy and water saving, recycling solid and food waste, constructing LEED-certified buildings, and implementing environmental management systems.

Environmental practices have implications for hotel stakeholders, including suppliers, employees, and guests. Their support is critical as they influence hotel decision to implement environmental programs and help determine their success. Stakeholders hold different beliefs and values, and the environmental programs considered by hotel managers can depend on stakeholder pressure. The greatest challenge in promoting environmental programs is persuading people to truly accept underlying ideas and change their behavior, thus ensuring measures are fully supported and effectively implemented. The biggest challenge for hoteliers aiming for both sustainability and profitability is achieving a balance between providing good hotel services and implementing environmental programs. Understanding the influencing strategies hotel managers can adopt to influence their stakeholders can optimize the goal of reducing carbon footprint. If such action is purely triggered by stakeholder pressure, it may be ineffective due to "unwanted" changes in routine hotel operations. Stakeholder influence may not be sufficient to persuade hotels to implement such programs, as the hotel industry is not perceived as a major environmental polluter when compared with industries such as manufacturing. However, self-motivated hotels look for opportunities to not only reduce their own emissions but also influence the activities and choices of their stakeholders, such as businesses within their supply chain.

Internal influences, such as the attitudes of hotel managers towards strategies and what they actually want to implement, are also important, as management decisions can significantly affect a hotel's operations, employee attitudes, and environmental performance. This study aims to provide hoteliers with essential insights for

development of influencing strategies toward reduction of carbon emissions. Research objectives are to: 1) identify key stakeholders hotel managers consider when planning strategies to reduce the carbon footprint and the reasons behind their choices; and 2) examine strategies that hotel managers typically adopt to influence key stakeholders when implementing carbon footprint reduction programs.

Literature Review

Carbon dioxide emissions are the main cause of the greenhouse effect. Carbon audits which reveal the major sources and levels of greenhouse gas emissions are used to help reduce emissions and the carbon footprint. As a quantitative expression of greenhouse gases emissions from an activity, carbon footprint is useful in emissions management and evaluating mitigation measures. The Greenhouse Gas Protocol Initiative is broadly applied worldwide. It provides estimates of the footprint for various business sectors, including services. The GHG Protocol addresses the accounting and reporting of the six greenhouse gases: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

Energy consumption in the tourism and hospitality industry is significant. Over 90% of tourism-related carbon emissions are from aviation, 3% from surface transportation, and 5% from hotel operations. Effective hotel energy management is essential for reducing the carbon footprint. Using local sources to decrease food miles and selecting organic ingredients reduces the F&B carbon footprint. Following guidelines such as the GHG Protocol and International Standard on Greenhouse Gases, hotel emissions can be categorized as: scope 1 – direct emissions (hotel boilers), scope 2 – energy indirect emissions (electricity purchased from local utilities), and scope 3 – other indirect emissions (overseas travel by hotel staff). Implementing programs to reduce the carbon footprint is a trend and future hotels are predicted to be "green". To achieve this goal, identifying the relevant that stakeholders hotels can influence is essential.

Stakeholder theory related to the natural environment is divided into four main streams: 1) role of external stakeholders in assessing environmental performance; 2) importance of pressure on

environmental reporting and communication programs; 3) identification of relevant stakeholders and their influence on company strategy; and 4) development of relationships with stakeholders. In the hotel industry, the key stakeholders include hotel owners and customers, investors, hotel employees, suppliers, consultants, corporate executives, legal actors, local government, and community/society. In a hotel green supply chain, stakeholders are categorized as: 1) upstream members who supply various products for hotels; 2) downstream members who are end users of the goods and services; and 3) midstream members who provide service to the end users, including the hotel. A framework from stakeholder theory including key stakeholders of hotels forms the basis of our investigation to: 1) identify who hotel managers consider their key stakeholders; and 2) understand how hotel managers can influence these stakeholders to reduce their carbon footprint.

Methodology

To achieve the two research objectives, interviews were conducted to establish who hotel managers consider their key stakeholders, the reasons behind the process of planning the carbon footprint reduction, and the role of key stakeholders in the process (objective 1), and how managers influence their key stakeholders to reduce the carbon footprint (objective 2). Data were collected from 22 hotel executives of 15 Hong Kong hotels involved in environmental programs. Participants were asked to provide background information and work history, their views on carbon footprint reduction, who the key stakeholders were in the implementation of their program, and how they influenced these stakeholders.

Findings and Discussion

Key stakeholders were divided into internal (owners and employees) and external (customers, suppliers, company consultants, investors, governments, environmental NGOs and the wider community). Owners of hotels may be directly involved or have no direct input into business activities. Most participants agreed hotel owners are key internal stakeholders. Some were thought to be mainly interested in money and reputation and will support corporate social responsibility programs. Some were seen as genuinely passionate about the environment. Most participants agreed a top-down approach in which owners promote environmental initiatives is more effective.

Most participants felt employee involvement was the key to success when implementing environmental programs. Hotels start by building up a 'green culture' in their workplace. Participation of all departments is essential, although hotel engineering and housekeeping are the main departments influencing water, electricity and gas consumption, and recycling. Thus, in addition to the top-down approach, a bottom-up process is also important.

Pressure from customers helps drive a hotel to implement green supply chain management practices. Their carbon footprint cannot be neglected. Suppliers have the most up-to-date information about measures and technologies for reducing emissions. They share their knowledge with hotels and help with implementation. In selecting suppliers, hotels must develop clear specifications and requirements. The selection of suppliers is an important step in the hotel's supply chain and environmental program. Consultants play a similar role as education institutions as an upstream supplier that provides hotel managers with required environmental knowledge and skills. Hotel owners' associations act as a bridge to lobby governments that establish environmental policies and enforce them. When hotels plan green initiatives, government support helps implement them more effectively. Governments also promote reduction of carbon footprint in information dissemination. Investors often evaluate a firm's environmental performance and liability before investing money or buying stocks. Partnerships with environmental NGOs provide opportunities for environmental activities, materials, initial products, and training to hotels.

Nearly all of the informants felt that selling the benefits of carbon footprint reduction, such as improved ROI and company image, is a method of gaining support from the owners of their hotels. Substantial investment is required to reduce carbon footprint, so managers need to justify the investment. The involvement of different people from various departments can help inspire employees, and they can develop ideas and present them to the senior management to promote carbon footprint reduction activities. Hotels should educate employees about the meanings and benefits of practicing environmentally friendly behavior at both professional and personal levels. Hotel guests must be educated to encourage their involvement in reducing the carbon footprint such as by using green labels and posting information on the hotel website. Although one executive director

of a local hotel group stated that they would use a 'soft' method of persuading their contractors to use environmentally friendly materials to help reduce the carbon footprint, most informants indicated that their suppliers and contractors needed to follow their requirements. Partnering with consultants is more appropriate than using influencing strategies because hoteliers typically do not have the skills required to develop green programs such as carbon footprint reduction. Informants said hotels should work with hotel owners' associations because of their influencing power over local government in terms of policy planning initiatives, such as promoting the concept of the carbon footprint to the public and the importance of its reduction. Hotel owners' associations typically negotiate with governments over issues relevant to the hotel industry and provide hotel operators with guidelines. Responsible governments should welcome environmental issues from the hotel industry, as climate change has prompted many countries to reduce their carbon dioxide emissions to minimize the greenhouse effect. Government support can make promoting this concept easier. Informing a hotel's investors about the strategies implemented to achieve the established environmental goals is important, as is sharing information about a firm's environmental practices. When a hotel and an environmental NGO or the wider community have the same culture and influence each other through partnership, they can work together because of the common ground they share to help reduce carbon footprint.

Conclusion

This study identifies key stakeholders from the perspective of hotel managers and the strategies they typically use to influence these stakeholders in their carbon footprint reduction programs. It uses the first-hand information of hotel managers to understand their influencing strategy preferences when working with their perceived key stakeholders to optimize performance when implementing carbon footprint reduction programs. Findings

show that hotel managers consider hotel owners and employees as their main internal stakeholders, and their customers, suppliers, consultants, hotel/hotel owners' associations, the government, investors and environmental NGOs and the wider community as the main external stakeholders.

Generic/indirect influencing strategies appear best for internal stakeholders by raising their environmental awareness. Through these strategies, they can sell them the benefits and promise incentives to increase mutual understanding of implementation. For external stakeholders, non-coercive strategies are more suitable for influencing hotel customers and investors by simply informing them of the facts and of green products or policies, whereas direct influencing strategies should be used to ask suppliers to follow hotel purchasing requirements and to lobby the government to address the issue. The government and hotel owners' associations can also be influenced by generic influencing strategies. Hotel consultants and environmental NGOs and the community should be treated as working partners. No matter the influencing strategies hotel managers must balance the benefits derived from different stakeholders.

When dealing with internal stakeholders, presenting tangible and intangible benefits from reduction of direct carbon emissions and indirect energy emissions to owners and initially focusing on short-term goals is imperative, as owners value investment costs and returns. Hotel employees can be influenced by understanding program implementation, exchanging information, environmental training, and awarding good performance. When dealing with external stakeholders, hotel managers can implement a stakeholder (suppliers and guests) engagement program, inviting suggestions about carbon footprint reduction. Hotel managers can communicate with investors and shareholders, introduce environmental programs to reduce carbon emissions, and provide information about the firm's environmental performance and liability. Many international hotel groups publish environmental reports.

POINTS TO NOTE:

- For sustainability and profitability hotels must balance providing good hotel services with implementing environmental programs.
- Hotels need the support of all its stakeholders to achieve maximum carbon reduction.
- Pressure from customers helps drive a hotel to implement green supply chain management practices.
- Hotels should use a top-down (owners) and bottom-up (employees) approach to implement environmental programs.

Chan, E. (2021). Influencing Stakeholders to Reduce Carbon Footprints: Hotel Manager's Perspective. *International Journal of Hospitality Management*, 94, 102807.

Kiosk Self-check-in Quality and Airline Non-contact Service Maximization: Winning Post-pandemic Air Traveler Satisfaction and Loyalty

If you weren't a germophobic traveler before the pandemic, chances are you are now, and for good reason. In their recently-published research, Hyoungun Gemmy Moon of SHTM and Heejung Linda Lho and Heesup Han of Sejong University examine the airlines use of technology to prevent germ transmission during check-in procedures and how these efforts are affecting passenger satisfaction and airline loyalty.

Introduction

During the highly-infectious Covid-19 era, aviation has been one of the most damaged industries worldwide as air transport spending dropped over 60% in 2020. Noncontact services technologies, including applications and self-order kiosks, have taken center stage. During airline check-in procedures, traditional human-to-human (employee-to-passenger) interaction has been replaced by human-to-machine interaction. Prior to the pandemic, the airline industry realized the value of non-contact services, such as self-service technologies (SSTs). The International Air Transport Association (IATA) launched the Fast Travel Program in 2007, which provides SSTs to passengers. In 2017, more than 40% of global passengers utilized these technologies, including self-check-in kiosks (SCK) and mobile devices. SSTs have brought radical changes in methods companies use to deliver services to customers, and the pandemic has escalated the need for non-contact services.

SSTs in aviation involve passengers in the consumption process which co-creates service experiences without engaging traditional service employees. Previous studies verify factors of SSTs, such as the quality of SSTs and SCKs in retail outlets and resorts, but research on passengers' perceptions of airport SCK are not clearly identified. Most research introduces technology acceptance (TAM) and technology readiness (TR) which center on aspects of consumers' intentions to use SSTs. TAM focuses on utilitarian aspects of kiosks as evaluated by consumers, including usefulness and perceived ease of use. TR focuses on personal disposition, including innovativeness, discomfort, optimism, and insecurity. This study utilizes attribution theory to explore the attributes of airport SCK and examine how passengers evaluate service providers (airlines), based on their usage of kiosks. Its aims are to 1) identify attributes of SCK quality from an airport context; 2) investigate the effect of SCK quality on passenger satisfaction with airlines and passenger loyalty to airlines; and 3) explore the moderating role of passenger innovativeness in relationships among SCK quality, passenger satisfaction, and loyalty to airlines. It also investigates the moderating role of personal innovativeness in relationships among kiosk quality, airline satisfaction, and loyalty.

Attribution Theory

Because departing passengers undergo a series of airport procedures with other passengers, their categorizations of SCK attributes manifest differently than in other contexts. According to attribution theory, attributes of an object that a person experiences enables the person to generate perceptions and make appraisals concerning its overall performance which result in the person's follow-up actions. External stimulations that occur during consumption experiences in aviation influence passengers' evaluation of their activities. Traits of SCK quality initiate passenger reactions, such as satisfaction and loyalty toward not only the SCK, but also toward the airline, which is the purpose of using the kiosk. Consumers' personal tendencies to use technology contribute to their experiential perceptions. In using SCKs, passengers' personal disposition toward adopting new technologies can influence their perceptions and appraisals of it.

Self-check-in Kiosk Quality

Self-service technologies (SSTs) enable customers to produce a service without direct service employee involvement. In airports, non-contact services enable the passengers to use services without human-to-human interactions. SCK services include printing out boarding passes, selecting seats, and explaining how to handle baggage. While using SCKs, passengers remain exposed to various cues from technologies, such as operating the kiosks to complete check-in procedures and appreciating the overall kiosk design.

This study draws three important aspects that relate to the quality of a SCK: functionality, usability, and relevancy to personal interests. Functionality is the capacity of technologies to perform consumers' requests without problems. Usability is its convenience. Relevancy is created by the machine's design and its provision of customized services.

Self-service technology users' experiences are closely associated with their positive reactions toward the technology. The interactions with the attributes of self-service technologies induce the users' favorable attitudes toward the technologies. Kiosks also serve as one of the factors that provide satisfactory airport experiences for the passengers. When the kiosks appear to be easy to use and helpful

in an airport setting, travelers are more likely to adopt them. Kiosks that offer proper levels of interaction and customized services promote the passengers' intentions to continue using them. Encounters with certain kiosk attributes contribute to their assessment of the kiosk quality. Under the impact of Covid-19, this type of kiosk quality is even more highlighted with an increase of kiosk use in order to provide efficient services for the passengers without employee contact.

Although studies related to SSTs mainly center on the consumers' satisfaction with the technologies, this study considers that the passengers' assessment of using kiosks in airports can expand to the service providers or to airlines that provide SCKs. Expansion to passenger satisfaction with airlines is possible, since the self-check-in kiosks contribute to the overall flight experience which can influence passenger satisfaction with the airlines. Technology-based services facilitate customer participation in the consumption experience and co-create the consumption experience. This relationship between consumers and providers creates consumer loyalty. SCKs provided by airlines play a key role in building intention to revisit a destination. Passengers who had a negative experience with an airline kiosk expressed their grievance directly toward the airline. This study proposes the following hypothesis. Hypothesis 1: The SCK quality will positively influence passenger satisfaction with the airlines.

Passenger Satisfaction and Loyalty

Satisfaction refers to whether a service fulfills consumer requests as expected. Passenger satisfaction with an airline is derived from several service attributes. Studies show that customer satisfaction is a vital antecedent of loyalty, including intentions to revisit, repurchase and positive referral about an airport. The mediating role of customer satisfaction between product/service quality and customer loyalty is critical in service industries. Hypothesis 2: Passenger satisfaction with airlines will mediate the effect of SCK quality on passenger loyalty toward the airlines.

Building customer loyalty remains a pivotal factor for companies because it produces both short-term and long-term benefits, such as profits and word-of-mouth, and is resistant to brand-switching tactics. In aviation, building passenger loyalty toward airlines is

critical for retaining passengers. High quality service in aviation significantly effects customer satisfaction and customer satisfaction is positively associated with customer loyalty. Therefore, this study considers passenger loyalty toward airlines a consequence of passenger satisfaction which represents passengers' intentions to continue purchasing flights from the airlines. As a result, the following hypothesis is proposed. Hypothesis 3: Passenger satisfaction with the airlines will influence positively passenger loyalty toward the airlines.

Passenger Innovativeness as a Moderator

Personal innovativeness refers to a person's willingness to employ innovation compared to others. In regard to technology, it is the willingness to try any new information technology. Innovativeness can be formed by various personal characteristics, such as a person's response to technology-related news and their ability to use it. In this study, passengers' innovativeness is considered their personal propensity to experiment with new information technologies ahead of others. This personal disposition influences the process of evaluating an object which forms a person's intention to adopt technologies and continuously use them.

Personal innovativeness is often treated as a moderator that strengthens the consumers' perceptions of the technologies and their satisfaction with the technologies and leads to behavioral intention to continue using them. Consumers' intentions to seek novelty items strengthen the relationship between the performance of SSTs and favorable attitudes toward them. Consumers' tendencies to explore novel technologies hold a moderating effect between their perceptions of technologies, which include usefulness, aesthetics, and playfulness of SSTs, and their intentions for continued use. Personal propensity for newness as a moderator strengthens the relationship between a consumers' enjoyable consumption experience and loyalty towards a company. Consumers with higher innovative dispositions remain likely to adopt technologies and are willing to explore novel products/services without concerns. This study professes that passenger innovativeness will exert a moderating effect on the relationships among SCK quality, passenger satisfaction, and loyalty toward the airlines. The following hypotheses are

postulated. Hypothesis 4a: Passenger innovativeness will strengthen the relationship between the SCK quality and passenger satisfaction with the airlines. Hypothesis 4b. Passenger innovativeness will strengthen the relationship between passenger satisfaction with the airlines and passenger loyalty toward the airlines.

Methodology and Results of Hypotheses

A self-administered survey of 20 items measured passenger satisfaction with the airlines; passenger loyalty (intentions to continue purchasing tickets from the airlines and recommend it to others), and passenger innovativeness. The questionnaire was distributed to participants who used a SCK at airports within the last year. Of the 353 usable responses, 45% had used a SCK more than once at an airport. After scientific analysis, all hypotheses were supported except hypotheses 4a, which means passenger innovativeness did not strengthen the relationship between the SCK quality and their satisfaction with the airlines. When using kiosks in an airport setting, their appeal to passengers' personal tastes assessed in terms of their appearance, interestingness, and privacy is critical. When passengers perceive their SCK experiences are positive, they also form positive attitudes toward the service providers, the airlines, which enhances their loyalty. This demonstrates the need for airlines to offer passengers functional, usable, and personalized untact services, such as SCKs.

Managerial Implications

Airline professionals should focus on improving overall quality of kiosks by not only just fulfilling the passengers' basic needs regarding smooth check-in procedures, but also by providing personalized services. The SCK quality, which includes the kiosk functionality, kiosk usability, and kiosk relevancy, is essential for the passengers to

be content with the airlines, and it forms their loyalty toward the airlines. To reinforce the passengers' experiences with using kiosks, the managers and the technicians could build racks or holders that provide a place for passengers to put their cell phones, bags, drinks, and other items in during the check-in procedure. To customize the passengers' requests, technicians need to equip the kiosks with more options, including different font sizes on a screen and transformable kiosk lengths to accommodate diverse types of passengers, such as seniors and handicapped. Practitioners need to develop kiosks that offer additional information specific to a passenger, such directions to their gate and amenities around that gate the passenger might want to use.

Management of airlines and airports should enhance the passengers' overall airport experiences by considering where to place the kiosks and how to locate them in the airports. To eliminate wandering around an airport, airline management should collaborate with airport management to create a self-check-in zone arranged for all SCKs. The airport can share information about passenger flows, while airlines can perform data analyses to suggest options for locate self-check-in zones.

Aviation professionals should be proactive in triggering the passengers' curiosity about using new technologies by adding or introducing new technical options available with the kiosks. Since this study found passengers' personal disposition towards innovativeness underlies the process of forming the level of satisfaction and loyalty, demonstration kiosks that provide new technical options or functions could be used to attract and stimulate people who have a propensity to use technology. Airline marketers could train employees to provide information on usage to passengers. They could also provide small incentives to passengers for their feedback after using these kiosks. These discoveries provide valuable information for advancing SCK quality and improving passenger loyalty to airlines.

POINTS TO NOTE:

- Three attributes of SCK quality in an airport are its functionality, usability, and relevancy.
- SCK quality will positively influence passenger satisfaction and airline loyalty.
- Overall quality of airline SCKs could be improved by providing personalized services.
- Demonstration SCKs that provide new technical options/functions would attract and stimulate people to use them.

Moon, H., Lho, H., and Han, H. (2021). Self-check-in kiosk Quality and Airline Non-contact Service Maximization: How to Win Air Traveler Satisfaction and Loyalty in the Post-pandemic World? *Journal of Travel & Tourism Marketing*, 38(4), 383-398.

Managing Hotel Revenue Amid the COVID-19 Crisis

The global pandemic has turned revenue management into a new science and art with new rules and priorities. In a recently published article Basak Denizci Guillet and Angela Mai Chi Chu of SHTM investigate these changes and provide various implications.

Introduction

The revenue management (RM) discipline encompasses two strategic levers: duration control and demand-based pricing. Demand-based pricing refers to making pricing decisions based on varying demand over a given period. RM executives in the hotel industry have used this pricing method since the early 1980s. RM fundamentals dictate that historical demand patterns and trends, along with the number of reservations on hand, are used to drive price optimization. However, due to the global COVID-19 pandemic, historical demand patterns are no longer relevant, and RM systems cannot be relied on to provide accurate demand forecasts and price recommendations.

RM involves a long-term strategic decision-making process requiring the collection and analysis of relevant data which helps identify opportunities by understanding the market situation, competitive positioning, and customer segmentation. Regardless of the level of market demand, RM is essential to hoteliers. The only difference is the RM focus shifts from revenue to bottom-line profit during low-demand periods.

Due to social distancing and lockdowns, people worldwide have adopted online shopping, distance learning, and working from home. It is unclear yet which of these consumer behaviors will remain when the pandemic is over. The economic, financial, psychological, and societal trajectories that will result from the impact of COVID-19 on consumer behavior are also unclear. Consumers are now more concerned about health and infection risk. Guests must be confident that hotels are taking necessary steps to protect their health. Business travel and meetings, conventions, and events are an important source of hotel income. As travel has slowed or stopped and companies have furloughed staff and reduced budgets, this customer segment may not return to normal.

Government restrictions have sharply lowered room demand and even destroyed it in some destinations. This demand destruction has nothing to do with price. Since RM is built on the principle of demand-based pricing, this study aims to examine how and to what extent RM can be implemented in the hotel industry during low demand periods,

particularly during COVID-19. It will focus on seven core RM activities: 1) business analysis; 2) pricing strategy; 3) demand modeling and forecasting; 4) inventory and price optimization; 5) setting booking controls; 6) distribution channel management; and 7) performance analysis and evaluation. These core activities are interconnected and influenced by eight external factors: 1) business strategies; 2) employees; 3) competitors; 4) legal factors; 5) economic factors; 6) social-cultural revenue management factors; 7) technology; and 8) customers. Business analysis is the most crucial activity. It requires data and intelligence to set the right price, which relates to demand forecasting; hence, inventory control is optimized through booking controls and channel management. This leads to a continuous performance analysis and evaluation.

Literature Review

RM originated with airlines, where it is known as yield management. YM refers to the revenue mix of passengers carried and involves both pricing and seat inventory control. Applying this concept to hospitality, RM helps sell the right inventory unit, to the right type of customer, at the right time, for the right price. In RM, demand-based variable pricing is applied to control for optimal inventory which results in optimal revenue. As demand fluctuates, but hotel capacity is fixed and perishable, setting the price according to forecasted demand is critical. Dynamic pricing and booking restrictions are used to optimize inventory and balance supply and demand. When a hotel forecasts high demand or demand exceeds capacity, higher prices and more restrictions are set. Conversely, when demand is low, there is less opportunity to optimize yield through pricing.

This study adopted a unified framework for hospitality and tourism RM which features four of the seven core RM activities. They are part of a recurring process which requires business analysis to set the right pricing strategy, forecast the demand through inventory control, do price optimization, and set booking controls in the right distribution channels. The process then goes back to business analysis through performance analysis and evaluation. As an ongoing process, it requires up-to-date information for optimal results.

A crisis is a short-term incident with a large impact, and recovery is often a long process. Among the most disruptive crises to date are 9/11, the 2003 SARS outbreak, the 2004 Indian Ocean tsunami, the 2008 global financial crisis, the 2010 Thai political protests, Hong Kong's Yellow Movement protests in 2014, and the current COVID-19 pandemic. The word "crisis" comes from the Greek word "kpinein" and is used in Greek medicine to signify the turning point of an illness. A turning point is an opportunity to change normal practices which can lead to either negative or positive effects. Crises become worse in the absence of action. Hence, action plans are essential to minimize the risk caused by disruption and help businesses recover faster. Various frameworks have been developed for crisis management in tourism and hospitality.

Methodology

This study adopted a qualitative approach to encourage participants to express their opinions from their experiences and perspectives. It interviewed 26 hotel RM executives, consultants and system providers between January and March 2020 about the pandemic's impact on their businesses. Half were from Hong Kong and half were based in China, Macau, Maldives, Singapore, Thailand, Turkey, Qatar, and the USA. Questions were guided by the seven core RM activities. The final question was on expanding the focus of RM beyond rooms.

Findings and Practical Implications

The seven core RM activities remain relevant during the COVID-19 crisis; however, not all are equally important. Our interviews show that business analysis, pricing strategy, and demand modeling and forecasting are the most critical. Inventory and price optimization and setting booking controls are not as important at this time, but along with distribution channel management they will become more relevant as demand increases.

When hotels work on segmentation, they should consider the absence of long-haul leisure and corporate demand in the near term. Performance analysis and evaluation is moving away from room RM toward total profit optimization. Hotels must include other revenue-generating centers, such as spas, F&B outlets, and meetings and events. This requires departments such as revenue, sales and marketing,

and finance to collaborate, making the current silo approach unsuitable for cross-departmental collaboration. When the hotel industry moves into the recovery stage, RM executives should make data-driven decisions depending on the time and rate of demand recovery by market, channel, and segment. A permanent change in consumer behavior is possible; therefore, monitoring it is crucial.

Findings reveal RM can be implemented during low-demand periods; however, its implementation during the COVID-19 crisis differs from regular or high-demand periods. First, hotel companies should perform business analysis on an ongoing basis to keep up with the fast-changing business environment as authorities lift public health restrictions and reopen the economy, and they must make the necessary changes to prepare for the recovery phase. Hotel companies must adapt to their customers' changed behavior and expectations. External factors in the RM framework are much more influential during the COVID-19 crisis and require ongoing business analysis.

Second, RM pricing strategies is shifting from demand-based pricing to value-based pricing and competitive price positioning. When demand is extremely low, hotels may opt for cost-based pricing strategies. Using price as a means to drive customers leads to price wars and reduced bottom lines. This makes recovery more challenging, as it will take a long time to increase rates to pre-pandemic levels.

Third, since historical data and budgets are no longer relevant, RM executives must rely on manual forecasts and scenario analysis based on feasible outcomes of the crisis and possible events in the near future. RM systems are not very useful during the crisis. However, they discern trends 8–15 weeks after demand reappears. In the current situation with constant changes, RM systems are not capable of providing accurate forecasts. Nevertheless, RM recommendations are valuable for understanding hotel and market performance. Information sharing and constant monitoring of potential business and media allow revenue teams to justify their forecasts and tactics.

Fourth, inventory control is less relevant during the crisis due to the lack of demand and abundant availability of all room types. Upselling is suggested with a more attractive price difference.

Fifth, segmentation is not as crucial, as demand is insufficient for proper segmentation. Segmentation depends on several factors, including hotel location,

hotel type and customer type (business or leisure). During low-demand or crisis periods, hotels pursue all opportunities regardless of clientele and segmentation. However, revenue executives should conduct proper customer segmentation analysis to detect new trends and opportunities, as different segments recover at different rates. This step becomes more important during recovery when there is sufficient demand to yield through inventory control. The revenue team then resets pricing and promotions for the new segmentation mix.

Sixth, there are mixed views on whether to stop marketing during COVID-19. Those who continue focus on digital marketing to targeted customer segments and build consumer confidence. Marketing messages focus on cancellation policies, hygiene procedures, guest wellness, and corporate social responsibility activities. Some hotels have reduced their marketing activities, but marketing remains vital to getting a strong boost when demand improves. Hotels should stay visible to their target customers on metasearch and social media sites and inform prospective customers about the systems they have in place to build customer confidence.

Seventh, driving business through OTAs and renegotiating commissions is at the heart of distribution management. Hotels are cautious about joining price promotions with OTA partners. Managing OTAs is a key to early recovery. There were no discussions on driving direct business, a topic of great importance prior to the pandemic. In May 2020, Expedia announced a \$275m global recovery program to help hotels recover. It includes reinvesting 25% of commissions earned by Expedia in 2019 from hotels into marketing credits. Expedia has also allowed

hotels to defer commission payments for 90 days from guests who book on OTA channels. Expedia also pledged to decrease its commission by 10%. OTAs are far more powerful than hotels when it comes to digital marketing and data analytics.

Eighth, in terms of RM performance measurement, hotels are increasingly focusing on bottom-line profit over top-line revenue which brings total profit optimization to the forefront. This requires coordinating their revenue and profit centers holistically rather than treating them as separate silos. Staycation packages have also become popular as a way to bundle rooms and other revenue centers

Ninth, revenue leaders are working on short-term strategies and recovery plans to prepare for increased demand. RM executives should reexamine their system and make necessary updates. The existing customer database can be scrubbed to delete invalid profiles and update missing information. The revenue team can work in collaboration with sales and marketing to upgrade content management on the hotel website, booking engine, OTAs, and other electronic distribution channels.

Tenth, the role of the revenue leader is becoming more strategic, and cross-departmental collaboration is more essential than ever. Revenue leaders are the center of collaboration between the revenue, sales and marketing, and finance departments. As hotels trim staff, departmental collaboration becomes increasingly necessary. For example, marketing should collaborate with the revenue team for successful search engine optimization and digital marketing campaigns.

POINTS TO NOTE:

- Due to the global pandemic, historical demand patterns are no longer relevant.
- During the pandemic, business analysis, pricing strategy, and demand modeling and forecasting are the most critical RM processes.
- RM pricing strategies are shifting from demand-based to value-based and competitive price positioning.
- Performance analysis is moving from room RM to profit optimization which requires coordinating revenue and profit centers holistically with enhanced collaboration across departments.

Guillet, B., and Chu, A. (2021). Managing Hotel Revenue Amid the COVID-19 Crisis. *International Journal of Contemporary Hospitality Management*, 33(2), 604-627.

Preference for Robot Service or Human Service in Hotels? Impacts of the COVID-19 Pandemic

Whether you prefer robot service or human service depends on several factors travelers must consider when selecting among hotels during the normal times and during a crisis. In their recently-published article, Sam Kim, Frank Badu-Baiden, and Youngjoon Choi from SHTM, and Jungkeun Kim and Marilyn Giroux from Auckland University of Technology discuss the future of hotel service.

Introduction

Robots and artificial intelligence (AI) combine facial recognition technology, robotics, wearable technology, and voiceover technology for use in the manufacture and delivery of services. While some see their progress as risks to jobs, others see positive changes in quality of life, health, and welfare. Adjustments within the tourism and hospitality industry continue as robots and AI are utilized for innovation and improved efficiency and profitability. When traveling, consumers are presented with hotel options featuring various attributes. Automation technologies are modifying their consideration sets and experiences. Knowledge about acceptance of these technologies is key for marketers, travel agencies, and hotels, as it affects their adoption and usage.

Literature Review and Main Predictions

Hospitality is shared between hosts and guests. It is based on service providers making guests feel cared for, welcome, and valued. Hospitableness relies on emotional treatment by human staff. Hotel experiences by factors such as service staff attitude and a comfortable and relaxing environment. Guests' preference for human staff stresses the importance of face-to-face communication and their desire to experience quality, sincere, and personalized service. Irrespective of hotel classification, human staff are better than service robots in making guests feel emotionally attached to the brand and providing an enriching experience. Hotel guests with a high desire for human touch have a lower likelihood of using technology-based services.

Human services provides several benefits. Guests develop trust and interpersonal relations through interactions with human staff which promoted customer loyalty and repurchase behaviors. Interactions with employees reinforces guests' commitment and loyalty since guests expect personalized services and feel valued by hotel employees. Human services and engagements also pose challenges. Interpersonal interactions can lead to negative outcomes such as improper language and negative attitudes that cause guest dissatisfaction. Human service is vulnerable to quality

variation because employees are emotional animals. Human fallibility causes mistakes resulting in guest inconvenience, litigation, financial damage, and degradation of image.

Researchers note consumers' expectations of novel experiences, their quick adoption of new technology, and showing off their experience to others. The perceived usefulness of robots has influenced customers who prefer service robots. Anthropomorphism involves attribution of human characteristics to non-human objects. Studies show that anthropomorphic robots induce positive attitudes and a sense of efficacy among customers. Other studies find customers prefer caricatured, non-human-like robots. Currently, service robots are used for hotel check-in and check-out, greeting, cooking, cleaning, escorting, butler services, and in-room delivery. Robots also make guests feel accompanied by another social entity. Guests gain new and memorable experiences when they receive services provided by robots. However, lack of interpersonal contact results in loss in arranging service recovery tactics, loss of upselling, and human staff resenting technology as job-threatening. Some hotel guests have reported that they perceive service robots negatively because of their lack of humanization and limited ability to show emotions.

Conceptual Model and Hypothesis Development

This study was designed to identify customers' preference for human-staffed and robot-staffed service during the COVID-19 pandemic. Highly-contagious COVID-19 creates anxiety and uncertainty which influence customers' decisions about staying in robot-staffed hotels. Robots are perceived to pose less risk of contagion, giving travelers more favorable attitudes toward robot-staffed hotels. Thus, it is hypothesized that the evaluation of a robot hotel will be more favorable during the pandemic, compared to normal times, regardless of pre-existing attitudes toward robot-staffed hotels. H1a: Under the COVID-19 pandemic situation, the evaluation of a robot-staffed hotel will be higher (vs. lower) when the risk of COVID-19 is high (vs. low).

Human staff services provide hospitableness and empathy and solidify trust and customer loyalty.

However, human staff services are also characterized by inconsistency which leads to customer dissatisfaction. Recent studies point to gradually increasing preference for robot staff services which ensure efficient, consistent, and personalized guest services.

COVID-19 poses significant uncertainty and heightens fear of infection among travelers. Thus, anxiety caused by human contact and contagion influences travelers to undertake risk-averse behaviors, such as avoiding human-staffed hotels because they are perceived to pose less exposure to the virus. H1b: In the COVID-19 pandemic situation, the preference for a robot-staffed hotel will be higher when the risk of COVID-19 is high.

Individuals' concerns about hygiene and safety indirectly influence their preferences when choosing between human-staffed and robot-staffed hotels. Safety is a key attribute of robots and robot-staffed hotels are perceived to pose lower infection risks than human-staffed hotels. It is predicted that concerns regarding safety and social distancing will mediate the relationship between the salience of the COVID-19 pandemic and individuals' preference for a robot-staffed hotel. H2: Concerns about safety and social distancing will mediate the impact of the risk of COVID-19 pandemic on the preference for a robot-staffed hotel.

Under a high perceived threat from COVID-19, it is anticipated travelers will choose a safer alternative in favor of a robot-staffed hotel. When travelers have a relatively low perceived threat, they will not feel the need to proactively mitigate the COVID-19 threat; thus, their preference for a robot-staffed hotel will not be influenced by the salience of the pandemic. H3: The perceived threat of COVID-19 will moderate the impact of the risk of COVID-19 on the preference for a robot-staffed hotel. Specifically, a strong preference for a robot-staffed hotel will be more frequent when the perceived threat of COVID-19 is high.

Empirical Studies

All studies were conducted in the USA to control country-specific effects of the pandemic. Studies 1A and 2A featured 134 participants (average age 36.39) and were conducted in mid-September 2020. All other studies were conducted in late May and early

June 2020. Study 1A investigated the impact of high perceived risk of COVID-19 on evaluation of robot-staffed hotels to test H1a. Participants read WHO's definition of COVID-19 and rated their perceived risk of COVID-19 with two questions: 1) What are the chances of you getting infected with the coronavirus; and 2) What are the chances of an average person getting infected with the coronavirus?. Next, they imagined they would visit a city soon and had found a hotel option online. Then, a robot-staffed hotel was presented with pictures illustrating robot services, and they evaluated their attitude toward it. In Study 1B, participants were randomly assigned to one of two conditions: traveling during the pandemic (risk salient) and traveling with no mention of the pandemic (risk absent). Then, they found a robot-staffed hotel and stated their attitude toward it. Evaluation of the robot-staffed hotel was higher under the salience of the COVID-19 pandemic condition than under the low risk salience regardless of age. Both Studies 1A and 1B provide initial evidence of the impact of a high perceived risk of COVID-19 on the evaluation of a robot-staffed hotel. Results support H1a and H1b.

Studies 2A and 2B investigate the main prediction regarding the impact of the salience of COVID-19 on the preference for a robot-staffed vs. human-staffed hotel to test H1b. Participants in study 2A were 162 US adults (average age 37.22). They were exposed to one of two conditions. Those in high risk salience read an article on the dangers of COVID-19. Those in the control condition read an article about golf. Participants imagined traveling soon and choosing a robot-staffed or a human-staffed hotel. Results indicated preference for robot-staffed was higher in the high risk salience condition than in the control condition. In Study 2B, participants were 171 US adults (average age 38.33). They were randomly assigned to one of the two conditions. Participants in the salient condition would travel during COVID-19. Participants in the risk absent condition would travel after COVID-19 was fully controlled. Then they chose either a robot-staffed hotel or a human-staffed hotel. Results indicated preference for robot-staffed was higher in during COVID-19. Results support H2.

Study 3 replicated Study 2 with different images and provided mediation evidence for concerns on safety and social distancing. Participants were 113 US adults (average age 39.41). They were randomly assigned

to one of two conditions. Participants would visit a city and were presented with two hotel options. The salience of COVID-19 was manipulated the same as in Study 2. Next, they rated their preference for the robot-staffed vs. the human-staffed hotel. Then they rated their perceptions of their previous decisions concerns regarding safety and social distancing, across two items: 1) keeping social distance from others; and 2) safety from COVID-19. Preference for the robot-staffed hotel was higher in the during COVID-19 condition with similar results regarding safety and social distancing.

Study 4 replicated the previous studies by showing the moderating role of perceived threat in order to test H3. Participants were 150 US adults (average age 40.40) randomly assigned to one of three conditions. They planned to visit a city and were presented with two hotel options. The salience of COVID-19 was manipulated in three different ways. Participants in the salient condition would travel during COVID-19. Participants in the less salient I condition would travel after COVID-19 pandemic was fully controlled. Participants in the less salient II condition were given no information regarding COVID-19. Participants then rated their preference for the robot-staffed hotel vs. the human-staffed hotel. Next, they read information on COVID-19 and rated their perceptions regarding the threat it posed. Results indicated preference for the robot-staffed hotel was higher in the salient condition than in the less salient I condition and the less salient II condition. There was no difference between the less salient I and II conditions. Results support H3.

Overall Discussion and Conclusion

This study showed a preference for robot service compared to human service. Previous studies conducted before the pandemic indicated a preference

for human service in hotels. The current COVID-19 pandemic is accelerating acceptance of service robots providing contactless services. People perceive risks and threats differently. This research reveals the level of perceived threat substantially influences customers' preference for robot-staffed hotels. After the pandemic, customers' preferences may return to human service. As perceived threat is crucial in the assessment of risk, we suggest monitoring and controlling the level of perceived threat at robot-staffed and human-staffed hotels to increase consumer preferences.

By comparing customers' preferences for service robots and human staff in a hotel setting, this work rethinks the traditionally-accepted importance of "hospitality" and "human touch". Since service quality is a multidimensional concept, humans are highly regarded in terms of emotional service quality dimensions. However, robot services are highly evaluated for their reliability, efficiency, and novelty. Building upon the "computers are social actors" paradigm, researchers argue the concept of service quality for human-human interaction is applicable to that for human-robot interaction. Moreover, the findings of this study revealed that robot service during an international pandemic can enhance service quality because customers prioritize health and safety. As a way to provide contactless services and allay customers' safety concerns, service robots equipped with AI could become widely adopted in hotels, airports, restaurants, and event settings. Recently, several hotels started using service robots. Some have faced operational and financial difficulties. HIS Hotel Holdings, the first robot-staffed hotel chain company in Japan, decided to replace more than half of its service robots with human staff. However, the current health crisis has increased the potential demand for service robots.

POINTS TO NOTE:

- Pre-pandemic hotel guest preferred human-staffed hotel for their human touch.
- Consumers value robot-staffed hotels for their contactless service and other features.
- Consumers have a more positive attitude toward robot-staffed hotels during COVID-19.
- Service robots equipped with AI could become widely adopted in the hospitality and tourism industry.

Kim, S., Badu-Baiden, F., Choi, Y., Kim, J., and Giroux, M. (2021). Preference for Robot Service or Human Service in Hotels? Impacts of the COVID-19 Pandemic. *International Journal of Hospitality Management*, 93, 102795.

Tolerating Errors in Hospitality Organizations

Errors happen, especially in labor-intensive service industries such as hospitality. In their recently published article Xingyu Wang of SHTM, Priyanko Guchait of the University of Houston, and Aysin Pasamehmetoglu of Ozyegin University examine the positive side of error tolerance and suggest ways managers should address this often hidden topic with their frontline employees.

Introduction

The hospitality setting is error-prone. Employees are continuously faced with error and failure situations ranging from small (incorrect room allocation) to severe (food safety errors). Individuals and organizations hold strong attitudes against errors and spare no efforts to eliminate them. However, errors are not always negative. People learn from experience, including errors. Understanding what is not working and why leads to improvements. Evidence confirms the importance of error reporting to managers and the severe consequences of covering up errors.

The relationship between error/failure and learning has two viewpoints. One suggests employees are motivated to learn if they know errors are unacceptable. The other suggests for learning to take place after an error occurs, certain barriers must be removed. Employees must be comfortable taking risks and disclosing errors (psychological safety), and they must believe in their capacity to learn (self-efficacy). This active approach is open and nonjudgmental with a focus on problem-solving, collaboration, learning, and learning transfer.

This study investigates the following research question: How can organizational error tolerance influence employees' learning behavior and error-related work behaviors? Its objectives are: 1) investigate the relationship between employees' perceptions of organizational error tolerance and learning behavior via psychological safety and self-efficacy; 2) examine how employees' learning behavior impacts service recovery performance; and 3) test whether psychological safety and self-efficacy mediate the relationship between error tolerance and error reporting.

Error Tolerance

Making errors is a common life experience that helps individuals grow and develop skills over their lifespan. Errors are inevitable, but people are socialized to dislike errors and link them with loss, carelessness, threats to self-esteem, and lack of diligence. This aversive attitude is even more prevalent in hospitality where the golden rule is "aiming for perfection". Customers have high expectations, and employee performance appraisals emphasize perfection. Error occurrence is often associated with blaming and

negative emotions. Errors are considered personal failure and generate negative feedback. Errors in hospitality service have more complex impacts than errors in industries producing tangible goods. Customers can form overall negative evaluations of their entire service experience because of a single service error. Miscommunication among employee's increases the likelihood of errors.

Effective error management is essential for the success of hospitality organizations. It accepts error occurrence, emphasizes steps to take after error occurrence, and proposes various behaviors. Organizations with high levels of error tolerance do not negatively judge errors; they use errors as opportunities to learn and develop. Error tolerance does not encourage errors. It makes the most of every error situation in terms of subsequent employee performance and organizational effectiveness.

Psychological Safety

The hospitality work setting requires an interaction-oriented attitude. Psychological safety describes one's willingness to share information, take risks, express opinions, and put energy into tasks. Its antecedents include individual personality traits and organizational contextual factors such as positive leader relations, work characteristics, and supportive climates. Information exchange and error tolerance facilitate trusting relationships which shape psychological safety. Error tolerance is a sign of support: the willingness to understand and forgive honest errors. Employees recognize their vulnerability is protected, and trust is built. Hypothesis 1: Error tolerance is positively associated with employees' perceived psychological safety.

Self-efficacy

Successful experience alone is unlikely to shape employees' confidence to perform a task. Experiencing errors establishes their self-efficacy because in correcting errors, they work continuously to succeed. Negative emotions and stress impair one's belief in self-efficacy. Organizations' error tolerance helps mitigate their stress and negative emotions (guilt, anxiety, sadness) after error occurrence and creates opportunities for developing self-efficacy by confronting and solving errors. Hypothesis 2: Error

tolerance is positively related to employees' self-efficacy.

Learning Behavior

Both motivation and cognitive resources need to be present for learning behavior to occur. Learning involves seeking feedback on a task performance, asking for help from a colleague or supervisor, and discussing challenges and possible solutions. These behaviors involve risk-taking because their supervisor may negatively judge their competence. Psychological safety influences emotional states. It amplifies the feeling of vigor which promotes creative thinking and motivates people to seek knowledge and solutions, and it removes barriers to change and creates an environment where trial and error is encouraged. Employees with high levels of psychological safety are more engaged in their tasks. Their relief from anxiety and defensiveness, allows them to focus on solving problems, seeking feedback, and asking for help. A positive relationship exists between psychological safety and information-sharing that facilitates the process of seeking feedback, and learning behavior has a mediation effect on the relationship between psychological safety and helping behaviors: Hypothesis 3: Psychological safety is positively related to learning behavior.

Gaps between expected outcomes and performance leave room for improvement which triggers learning behavior. A key driver of learning behavior is a strong sense of self-efficacy. It motivates employees to learn, to set more challenging goals, and to align their behaviors to achieve those goals. Hypothesis 4: Self-efficacy is positively related to learning behavior.

Error Reporting

Error reporting often involves negative psychological and behavioral outcomes. As a result, employees hide errors, although it is critical to report them. Cost-benefit evaluations and emotional experiences are associated with errors. Error reporting may bring substantial loss, such as employment, time, and money. Error reporting may also promote learning and enhance self-value as it is a reflection of honesty, altruism, and integrity. When errors are associated with negative emotions, employees avoid reporting them. Employees free of negative emotions think more positively and consider error reporting

to be a corrective opportunity rather than a risky behavior. Psychological safety provides certainty that others will not negatively judge their decision to take a risk and speak out. This study posits that the benefits of error reporting outweigh the costs. reporting. Hypothesis 5: Psychological safety is positively related to employees' error reporting.

When employees perceive themselves as having higher levels of self-efficacy, they are more likely to report errors because they believe in their capacity to control and manage the consequences. Individuals with self-confidence can disclose errors because they are less concerned about the negative impact of errors on their self-image, experience fewer negative feelings resulting from errors, and focus more on learning opportunities. Hypothesis 6: Perceived self-efficacy is positively associated with employees' error reporting.

Service Recovery Performance

Service recovery is the effort an organization makes to regain customer satisfaction due to service failure situations. Learning behavior involves sharing information and seeking feedback by analyzing previous experiences. Since hospitality employees serve different customers in each interaction, service failure situations vary. If employees share information about various service failure situations and learn how to handle them based on others' experiences, they become more competent in executing service recovery strategies. Hypothesis 7: Learning behavior is positively associated with service recovery performance.

Methodology

This study collected usable data from 304 employees in Turkey who work in independently-owned and managed restaurants that serve world cuisine and provide table service. The survey asked about error tolerance, psychological safety, self-efficacy, learning behavior, and error reporting. Following are sample items. For error tolerance: "Managers are generally accepting of errors." For psychological safety: "Nobody in the organization will pick on me even if I have different opinions." For self-efficacy: "I will be able to successfully overcome many challenges." For learning behavior: "We regularly take time to figure out ways to improve our work processes." For service recovery performance: "This employee is able to properly handle dissatisfied

customers." For error reporting: "When I make an error, I report it to an appropriate responsible person and/or record it through the record keeping protocol."

Results and Implications

All hypotheses were scientifically supported via the survey results. Results also found that psychological safety and self-efficacy significantly mediated the relationship between error tolerance and learning behavior; service recovery performance, and error reporting.

Organizations benefit from accepting and tolerating errors in areas such as job attitudes, learning, voice behavior, and job performance. Employees' perceptions of error tolerance were directly and positively associated with psychological safety and self-efficacy, both of which were positively related to learning behavior and error reporting. Learning behavior was positively associated with service recovery performance, and for employees to learn more effectively, it is critical for managers to establish error-tolerant work environments.

Hospitality organizations need proactive employees who are confident in their own competence; willing to express different opinions, report errors, and engage in learning; and who know how to regain customer satisfaction after service failure. Organizations such as FedEx, Disneyland, Ford, and Marriott have all developed training programs to reinforce performance effectiveness in the face of service failures. Creating a workplace where errors are tolerated is an effective way to cultivate positive attitudes and behaviors. Given the ubiquity of service failure and error occurrence in hospitality organizations, it is important for managers to facilitate employees' learning behavior which improves their ability to handle service failures and creates an environment where employees do not hesitate to report their own errors.

Managers often equate errors with negative consequences, such as service failure, faulty

products, and customer dissatisfaction. However, errors are separate from failures. It is important for managers to establish a mindset in which errors are simply indicators of areas for improvement and; thus, need to be disclosed, discussed, and analyzed to promote learning. If employees hide errors for each other, it is impossible to learn from them, so they happened in vain. Numerous opportunities exist to correct errors before they cause negative consequences. Employees follow their leaders' ways of thinking and behaving, especially in situations where they feel uncertain. Managers must use every error situation to reinforce error tolerance. Simply stating "Don't worry, we all make errors" can help create a perception of error tolerance. Managers must also clarify error tolerance does not mean error permissiveness.

Employees should not learn in fear and anxiety. Error tolerance boosts their confidence to successfully perform tasks and removes psychological barriers to information-sharing. Individuals learn better when they believe in their competence and are more likely to seek innovative solutions. Learning initiated by negative emotions resulting from intolerance of errors is not as effective because the focus is on covering up errors. Even when service failures are disclosed, if employees do not perceive their organization is error-tolerant, they may attribute failures to other factors.

Most individuals remain reluctant to report errors. Research on various industries shows most managers address errors in private, and the majority of errors are reported in private. It is hospitality managers' responsibility to create an environment in which employees do not experience psychological barriers to reporting errors. The aviation industry is a model for establishing a "confidential, voluntary, non-punitive" reporting system that allows employees to report errors. Its purpose is not to identify who made errors but to identify training needs, optimize work procedures, and design better services.

POINTS TO NOTE:

- Error management is essential for the success of hospitality organizations.
- Managers must establish a mindset that errors are indicators of areas for improvement that must be disclosed to promote learning.
- Creating an error tolerant workplace cultivates positive attitudes and behaviors among employees.
- Error reporting is critical so errors can be corrected before they cause negative consequences.

Wang, X., Guchait, P., and Pasamehmetoglu, A. (2020). Tolerating Errors in Hospitality Organizations: Relationships with Learning Behavior, Error Reporting and Service Recovery Performance. *International Journal of Contemporary Hospitality Management*, 32(8), 2635-2655.

Updates in Service Standards in Hotels: How COVID-19 Changed Operations

The worldwide COVID-19 pandemic has devastated the hospitality industry and changed its service standards, perhaps forever. In their recently published article Janelle Chan and Yixing (Lisa) Gao of SHTM and Sean McGinley of Florida State University explore the various new measures and standards adopted by hotel managers and the many influences that helped shape them.

Introduction

Natural and social crises are not new to the tourism and hospitality industry, but none have been on the same scale as COVID-19. The SARS and Ebola epidemics sharply hit the industry but were limited to specific regions. The COVID-19 impacts are worldwide due travel and social distancing restrictions. Hotels in Asia have suffered significant RevPAR declines since January 2020. Many have implemented new service standards and precautionary measures to protect their guests and staff such as Accor's cleaning standards certification, the ALLSAFE label. According to Faulkner's tourism disaster management framework, hospitality firms are advised to take actions at the pre-event, prodromal, emergency, intermediate, long-term and resolution phases. However, according to the severity and policy of every location, management processes vary. This study investigates the updates to service standards from the managerial perspective by examining changes, processes of management decisions, implementation of changes, and preparation for the future.

Literature Review

Hotel service standards are guidelines and SOPs designed to meet customers' expectations. Given the intangibility, perishability, complexity, immediacy, and heterogeneity of service characteristics, ensuring high service quality can be challenging. Therefore, design, execution, and updates are all critical in maintaining high standards. Service standards are classified as hard or soft. Hard (non-interpersonal) standards have quantifiable characteristics and activities that can be counted, timed, or measured. Soft (interpersonal) standards provide direction, guidance, and feedback on ways to achieve customer satisfaction.

Service standards vary across locations and types of hotels. Budget hotels value consistent housekeeping and value for money, while luxury hotels focus on customized service. Service attributes relevant to a hotel's customer base are the most important ones. Service quality refers to meeting and exceeding customer's expectations consistently. Services require constant improvements to keep pace with changing expectations. Benchmarking, the continuous measurement and examination of business performance and practices, is critical for

maintaining service quality and achieving customer satisfaction.

In the hospitality industry, servicescape involves the physical environment and social interactions that affect guests' overall experience. It provides atmospheric cues regarding quality of intangible service that guests use to form first impressions. Servicescape plays a crucial role in customers' evaluation of service and influences their subsequent purchase behaviors. In applied environmental psychology, servicescape features three dimensions: spatial layout and functionality, ambient conditions, and signs, symbols, and artifacts. Cleanliness has a positive influence on customer satisfaction and loyalty. In the wake of COVID-19, cleanliness is prominent physical evidence that requires management and updating. The social servicescape is a reflection of the environment such as its presence, appearance, and behavior. Traditional hospitality emphasized interactions between service staff and guests. Due to COVID-19, some hotels have adopted mobile keys that enable travelers to bypass the front desk, and service information can be accessed via a mobile app eliminating direct contact with employees.

Hotels' marketing, maintenance, and human resource practices also face significant challenges. The hotel business environment has experienced changes in perspectives such as service standards, product design, and investment. Effective crisis management can reduce the negative effects. However, most prior research on crisis management focused on preparedness. They show many small- and mid-sized hotel owners/managers have no crisis management plans or teams. During the 2003 SARS outbreak, panic and widespread fear caused more damage than the actual virus. While specific practices differ case by case, they should include detailed contingency plans, defined decisional and informational roles and responsibilities, and flexibility to react swiftly at the operational level.

Traditional service innovation involves blueprinting. At the beginning of the process, many service innovations involve imprecise processes and impromptu decision-making which is especially salient during crises when managers must make fast and effective decisions to minimize negative effects. Afterwards, implementation of new service

components requires detailed descriptions, instructions and clarification of responsibilities of customers and service providers, and new service policies and standards that require refinement. Although technology is a key to service innovation, the hospitality industry has been slow in using high-tech service innovation due to lack of knowledge, skills, trust, and potential risks.

Methodology

This study uses a qualitative approach guided by trustworthiness and transparency to explore the process of updating service standards in a crisis. Trustworthiness was achieved by incorporating elements in the design and methods to establish the credibility, transferability, dependability and confirmability of the results. Qualitative research is considered rigorous when it is sufficiently transparent to be replicated. For data, we interviewed hotel managers with an average of nearly 20 years of experience who were in a position to make decision in response to the crisis. They managed hotels in various classes, categories, and locations. An audit trail was kept of the interviews to establish trustworthiness and allow the study to become transparent for replication.

Findings

The COVID-19 outbreak has changed hotel operations in mainland China and Hong Kong with local government's health advice as the foundation. Precautionary measures include temperature checks for everyone entering, mask mandates, and health declaration forms during check that reports travel history in the past 14 days and any respiratory illness symptoms. These measures are more restrictive than government guidance because hotels prefer a safer approach in preventing the spread of COVID-19. In mainland China, a QR code is used nationwide to indicate people's health status and track their travel history.

In Hong Kong, international chain hotels are more apt to follow their class standards, as well as their hotel group's benchmarks and standards. The higher the hotel class, the more rigorous the safety measures and the more cautious the service provision. Local chain hotels are more flexible. Most managers with over 20 years of experience learned lessons from SARS which influenced their operational decision-making and implementation. In China, hotels are

advised by the corporation to follow local guidelines. International chain managers in China have many systematic procedures, including local SOPs (LSOPs) based on corporate SOPs and government guidelines.

In most big cities in China, people use mobile apps and are assigned a color code that indicates their health status. Hotel check-in requests guests to provide QR codes, body temperature measurement, travel history for the past 7-14 days, and nucleic acid test certificates if they are coming from a high-risk area. In less-affected Chinese cities, especially the coastal ones, hotels encourage guests to relax and enjoy nature. Many hotels offer guests hygiene supplies, increased sanitization protocols, and extra in-room amenities. High-touch areas such as elevators are sanitized every three hours. Guestrooms are sanitized with a professional disinfectant, and some use air purifiers. Hotels try to minimize face-to-face interactions with guests, and some provide guests a kit that with a mask, disinfectant, and oral spray. One hotel even burned RMB 1.5 million worth of linens to resolve guest concerns.

Some hotels in China hotels schedule staff in five-day shifts to reduce the number of people entering and exiting the hotel daily. After five days of staying in the hotel, they get disinfected and transported back to the dorms to switch with another group. The manager of an economy hotel used for quarantine, stated that limiting direct personal contact with guests does not mean that we do not care for them. Every day, our staff calls quarantined guests to ask if they are all right. Without physical contact, psychological contact is necessary to show we care. All hotel managers interviewed indicated they received virtually no negative feedback on any standards. At the beginning of the pandemic, hotels received complaints that measures were too loose. Most guests are supportive and follow instructions. Some hotels report even higher guest satisfaction than before the pandemic. All respondents explained that today's customers have good health awareness and understand why additional procedures are needed to ensure their safety.

Discussion and Conclusion

Quick action is vital for crisis management. Many cities started implementing restrictions in February 2020. Most interviewed hotels adopted similar procedures which resemble benchmarking. Several managers lacked precautionary measures at the

beginning, but once they recognized the situation, they worked with experienced colleagues and monitored pandemic news and guest feedback to adjust their standards. In China, control was at the national level, but individual hotels have autonomy. In many cities, mid-scale and economy hotels were requisitioned as quarantine hotels. By May 2020, all were back to servicing paying guests.

The finding shows that with the rapid development of information and communication technologies, service innovations can create efficiency such as use of QR codes and mobile phones for tracking. Many managers use social media methods and live streaming to promote sales. Due to border closures, hotels shifted their target market from overseas travelers to local patrons by offering staycations.

During SARS, most hotels were inexperienced, but they formed special teams to deal with it. Hotels in Hong Kong took swifter action in 2020 than in 2003. In past epidemics, most Hong Kong hotels spent 1-2 months implementing a series of precautionary measures. During COVID-19, two hotels in Hong Kong started requiring guests to fill out health declaration forms once the first diagnosed case of COVID19 was reported in Wuhan. The precautionary measures adopted in China are also advanced compared with SARS. Hotels there implemented health QR code checks and required nucleic acid test certificates for travelers from high-risk areas.

Suggestions and Implications

Hotel managers should use well-developed service standards based on scientific evidence. They should use LSOPs highly specific to each operation, marketplace, and guest profiles with constant updates; put additional efforts into service innovation such as hygiene kits and one-stop equipment to ease guests' nerves; use technology such as QR codes or online butler services to reduce personal contacts with guests; and pay attention to guest feedback

when adapting new styles of services. FlyZoo uses facial recognition technology at its hotel in Hangzhou. Service standards during the pandemic cause inconvenience; therefore, enhancing hospitableness becomes indispensable. Although guests appreciate the necessities of precautionary measures, pandemic fatigue can emerge. People may feel demotivated about following procedures. Most hoteliers suggest the current service standards could be the new norm. Whether guests will remain collaborative is a potential problem, so hotels should provide reminders about the necessities of precautionary measures.

Strategies hotels use to accommodate their re-segmented market mix and the realities of operating during a pandemic requires analyses. Trends from the pandemic and social distancing guidelines have altered consumer behavior in the short and long term. While international travel is on pause, hotels should prioritize local guests. Approaches include livestreams using local key opinion leaders, staycation packages for residents, and upselling ancillary services to locals. As COVID-19 subsides, travelers will compensate for lost time by taking trips and indulging in rich experiences such as long-stay packages with fine dining, spa, and other ancillary offerings. A reset on rates and cancellation policies is also advised to bolster travelers' reservation confidence until normal demand returns.

Hotel operations must remain flexible. Guests, employees, and governments change their expectations to reflect new reality. Hotels should plan additional mitigation efforts and be prepared to reinstate any previous ones. Managers must remember the human element of worker-guest interaction. Each individual has a different level of risk tolerance, and managers should be flexible with idiosyncratic responses and not stigmatize people who are behaving more cautiously.

POINTS TO NOTE:

- Technology is key to service innovation and crisis management.
- Cleanliness has a positive influence on guest satisfaction and loyalty.
- Hotels should use LSOP to make their standards highly specific to each operation, marketplace and guest profile.
- Hotels should monitor guests' experience and feedback after implementing new styles of services.

Chan, J., Gao, Y., and McGinley, S. (2021). Updates in Service Standards in Hotels: How COVID-19 Changed Operations. *International Journal of Contemporary Hospitality Management*, 33(5), 1668-1687.

What Should I Do When My Pay Is Lower Than My Expat Colleagues?

Expatriate managers are important to multinational hospitality corporations, and these seemingly plum assignments in exciting places appear to be career-builders. However, differences in compensation between expats and the employees they supervise can be their downfall. This recently published research by Alice H.Y. Hon and Emmanuel Gamor of SHTM takes a look at these hidden perils and suggests proven remedies.

Introduction

Globalization has given rise to the proliferation of multinational corporations (MNCs) in the hospitality industry. MNCs rely upon expats' professional knowledge and management skills for success. However, studies show a high rate of expat failure in MNCs. These failures stem from socioeconomic and politico-economic landscapes, legal systems, cultural distance between host and developing countries, and poor interrelationships between expats and their local subordinates. China has seen a dramatic rise in foreign businesses and foreign direct investment. This has brought about radical changes to management practices and leadership styles in organizational management and human resource composition. Expat activities, compensation, and their interrelationships with local employees have become important issues. A standard practice among MNCs is setting expat remuneration based on home-labor market conditions. This country-based compensation system, its consequent compensation gap, and the diversity of cultural backgrounds, create conditions whereby employees become sensitive to trust, equity, and fair treatment from the organization and expats.

Expats are often paid over ten times more than their local counterparts, as remuneration of locals is based on local labor conditions which are usually inferior. Employees read multiple meanings into compensation, including motivation to work and position within the organization. Perceived injustice due to a compensation gap affects work performance outcomes within the hospitality industry, including workplace deviance, low creativity, poor job performance, and quitting intention. Locals compare their outcome-input ratio to expat counterparts to determine perceived inequity which leads to undesired work outcomes. Social comparison is widespread among Chinese employees. When locals perceive a significant compensation gap, their emotions towards their organization become pessimistic. Reduction in motivation is inevitable and causes deviant behaviors, service sabotage, and antisocial behaviors.

This study examines the extent of compensation gaps on work outcomes of locals in MNC hotels in China. Non-financial factors with potential to weaken the negative effects of compensation gaps are also important as MNCs find it difficult to resolve the

disparity by increasing the pay of locals or reducing the pay of expats. Traditional values like power distance are identified as non-financial factors that can reduce the effect, and inclusive organizational climates are found to buffer negative effects. The mediating role of trust has also been established. This study identifies the role played by trust in influencing the relationship between compensation gap and four work outcomes: satisfaction with expatriates, altruism towards expatriates, job satisfaction, and organizational commitment. It sheds light on ways trust-building helps mitigate negative work outcomes resulting from perceived compensation gap among locals.

Theoretical Background and Hypotheses

Social exchange theory and equity theory are commonly used to explain social comparison. These theories explain satisfaction with pay compared with peers and social others. Social exchange theory posits that individuals trade skills or capabilities, and time to organizations in return for desirable pay. This exchange is accompanied by expectations. For organizations, it is good performance and productivity. For employees it is desirable compensation and benefits. Equity theory suggests that pay satisfaction of employees is dependent on comparison between the input-output ratio of employees in the same organization or in the same industry. Employees become satisfied when their pay is commensurate with their efforts and skills at work or when their input-compensation ratio is similar to fellow employees or others in the same industry.

Reflection theory combines previous theories and includes why pay is meaningful to people. Pay goes beyond monetary value and satisfaction to communicate performance feedback, personal importance, and the value a job holds. Thus, compensation reflects an employee's status, value, power and image. A wide compensation gap causes dissatisfaction and perceived injustice, reduced power, and poor image of an employee in an organization. This triggers poor work outcomes and negative reactions. Work-related outcomes such as organizational commitment, altruism towards expatriate employees, organizational citizenship behavior, and employee creativity are reactions

to strategies, policies, and systems that affect employees. Equity theory states employees who perceive a compensation gap as an injustice consider it unacceptable. Compensation disparity is viewed as unfair treatment and is related to counterproductive work outcomes including organizational deviance, interpersonal deviance, job dissatisfaction, and non-commitment to the job or firm. Hypothesis 1: The difference in compensation between expatriates and locals is associated with negative reactions (in terms of job satisfaction, organizational commitment, satisfaction with expatriates, and altruism towards expatriates) from local employees.

Expats in MNCs frequently have interpersonal as well as job-related interactions with their subordinates who are mostly locals. These exchanges enable locals to determine their levels of cognitive and affective trust for expat supervisors (and the organization). When employees trust their supervisors, they believe those supervisors have their best interests at heart and so reciprocate with actions beyond their expected duties. Trust improves job performance, organizational behavior, and other productive work outcomes. This shows when levels of trust are high, levels of productive work outcome increase, and when they are low, detrimental effects occur. The degree of trust locals have that an expat manager will keep his word, be honest, and safeguard their welfare, may be knowledge-driven (cognitive trust) or emotion-driven (affective trust). Given the detrimental effects of poor work outcomes on hospitality businesses resulting from pay gaps, expat managers need to develop strategies to mitigate the counterproductive behaviors of locals. Employees must believe their expat superiors care about them, and policies will be established for their benefit. Employees' relationships with expat superiors will gain in interpersonal trust (cognitive and affective) and locals will be confident in the organizational justice system. Employees' perception of their supervisors' trustworthiness is based on knowing they treat employees fairly in terms of organizational procedures, policies, and systems. This trust is supported by evidence and reasoning and supports the trust needed to get work done. Cognitive trust is the result of MNCs' local employees' confidence in expat managers based on evidence of competence and reliable conduct meant to reduce injustice in the workplace. Frequent interaction between expatriate supervisors and locals help both parties develop trust and understanding that results in positive outcomes.

Hypothesis 2a: Cognitive trust initiated by expatriates moderates the negative relationship between the difference in compensation and job satisfaction such that this negative relationship is weaker when cognitive trust is stronger. Hypothesis 2b: Cognitive trust initiated by expatriates moderates the negative relationship between the difference in compensation and organizational commitment such that this negative relationship is weaker when cognitive trust is stronger.

Affective trust refers to one's belief in others based on how one feels about the care and concern shown. This emotional connectedness increases psychological safety and reduces locals' perception of injustice due to compensation gaps. Hypothesis 3a: Affective trust initiated by expatriates moderates the negative relationship between the difference in compensation and satisfaction with expatriates such that this negative relationship is weaker when affective trust is stronger. Hypothesis 3b: Affective trust initiated by expatriates moderates the negative relationship between the difference in compensation and altruism towards expatriates such that this negative relationship is weaker when affective trust is stronger.

Methods

Human resources managers in hotel companies in Xian identified expat managers and local employees in various departments under the direct supervision of expat managers. A total of 286 usable surveys were collected, 254 were local employees and 32 were expat managers. Employees were nearly equally split between male and female with a wide spread of ages. Only 30% held a bachelor's degree or higher. Expat managers were mostly male (80%) and aged 30-49, with 68.1% living in China for at least six years and 90% holding a bachelor's degree or higher. Regarding nationality, 35% were from Hong Kong or Taiwan, 32.3% from Europe, 28% were North America, and the remainder from other Asian countries. Managers from Hong Kong and Taiwan who work in China generally have work terms similar to those of Western employees. Employees answered questions about perceptions of compensation difference, cognitive and affective trust in expatriates, and three key reactions: job satisfaction, organizational commitment, and satisfaction with expatriates. Expatriate managers were asked to rate altruistic behavior of their subordinates towards them.

Results and Discussion

Results revealed a compensation gap is negatively related to employees' organizational commitment and job satisfaction, their satisfaction with expat managers, and their level of altruism towards them. A significant and negative correlation exists between the four work attitudes and the compensation gap, and also between the four work attitudes and cognitive and affective trust. There was a positive and significant correlation between both forms of trust and the four work outcomes. These results were as expected, and all hypotheses were supported. Organizational commitment showed a relatively stronger negative association with compensation differences than the three other work outcomes. This indicates if locals perceived injustice in the compensation gap, they could develop negative feelings towards their organizations rather than their manager. This may cause locals to leave organizations, contributing to the high labor turnover in the hospitality industry.

To prevent counterproductive outcomes, managers should implement equity in compensation policies and systems, incorporate non-financial benefits such as training and insurance, and improve communication with employees for better understanding. This will generate a sense of fairness among employees and prevent counterproductive work outcomes. MNCs that struggle to reduce the compensation gap by reducing the pay of expats and/or increasing that of locals, must find other ways to reduce its negative effects on employee attitudes, behaviors, and other work outcomes. This study found cognitive and affective trust moderate the negative effect significantly and improve work outcomes of local employees. MNCs should encourage expats to show genuinely welcoming, kind, and caring attitudes towards the locals they supervise to gain desired levels of affective trust. Expats should remind subordinates of their

roles, celebrate their achievements, and show how much they care about them. Positive evaluation of the level of competence, reliability, and ability to handle situations will build cognitive trust in managers. Expats should be trained on local cultural perspectives of the target country to help them in knowledge transfer and effective management of employees. MNC management must ensure that expats maintain high levels of competence, reliability, skills, professionalism, and honesty through staff feedback and evaluation. This helps build trust in their capabilities of their expat managers and develop cognitive trust.

Conclusion

In today's hospitality industry, MNCs rely on expat managers to succeed. As an upper-middle-income economy, China has the high market potential and low labor costs to cushion MNCs in the hospitality industry. However, some expats fail to perform successfully due to perceived injustice among local employees, mainly due to perceived injustice in compensation gaps. This study suggests that developing and strengthening local employees' trust in expatriates helps mitigate the negative effect of compensation gaps on work outcomes. When locals have high cognitive trust in their expat managers, the negative relationship between compensation gaps and task-related work outcomes is improved. Similarly, high affective trust in expatriate managers weakens the negative effect of compensation gaps on personal-related work outcomes. Therefore, cognitive and affective trust can improve the work outcomes of local employees in MNCs operating in China.

POINTS TO NOTE:

- Compensation gaps are serious issues that must be mitigated to increase productivity and decrease disruptions.
- Expat managers must treat their employees with a caring address their concerns for equity
- High cognitive and affective trust can moderate the effects of a compensation gap.
- Social comparison, including compensation, is widespread among Chinese employees.

Hon, A., and Gamor, E. (2021). When My Pay is Lower Than My Expatriate Colleagues: Where Do the Hospitality Managers Go from Here? *International Journal of Hospitality Management*, 95, 102953.

Will “The Spirit of Discovery” Lead Wharf Hotels to Become a Preferred International Brand?

While most research articles interpret that past and ponder the future, this case study provides an opportunity for PolyU students to help create the future of Wharf Hotels as it competes in hot markets with industry giants. In their recently published article, Ada Lo and Patrick Yeung of SHTM and Jennifer Cronin of Wharf Hotels provide the background and issue the challenge.

Statement of Teaching Objectives

This case study is relevant for final-year students in the Hospitality Strategic Management undergraduate course. Students will be able to perform internal and external analyses to draw conclusions regarding the competencies and business situation of the company and use them to create future strategies.

Introduction

Dr Jennifer Cronin, President of Wharf Hotels (WH), called for a brainstorming session to discuss “How to transform WH into a preferred international hotel brand”. Cronin joined Wharf Hotels in 2014 and became President in 2016. She asked her management team, “How can we transform WH into a preferred international hotel brand? I am going to meet with our group’s Chairman and present our 2020 and beyond plan”. Juliette Lim, VP of Human Resources said, “This is the perfect time to review what we have been accomplishing and how we can sail ahead, like the Discoverers, Niccolo and Marco Polo, whom our brands are named after”. Cronin replied, “A preferred brand can mean different things to different stakeholders. It is of fundamental importance to identify our core stakeholders and devise appropriate strategies to create value for them. Let’s discuss this with our team and put together a one-page executive summary for the Chairman.”

Background

Marco Polo Hotels Management Limited (MPHML) was established in 1986 to manage hotels in Asia. It was a subsidiary of The Wharf (Holdings) Limited (WHL). In 2016, MPHML was rebranded Wharf Hotels Management Limited to establish a clear brand relationship between WH and its two hotel-operating brands: Niccolo Hotels and Marco Polo Hotels. In 2019, WH owned nine and managed eight Niccolo and Marco Polo Hotels in Hong Kong, Mainland China, and the Philippines. The newest addition opens in 2021.

Brands

Marco Polo Hotels are upscale full-service hotels which blend Asian warmth and Western comfort. Elegant design, impeccable service, and modern comfort are its key features targeting new-

age business professionals, experience-seekers, global citizens, families, and multi-generational travelers. The brand message was “Explore Discover Experience”. The first Niccolo opened in Chengdu in 2015. It is contemporary chic, inspired by luxury fashion. Properties are located in the most desirable locations and attract high-spending customers. The Murray Hong Kong (opened in 2016) is WH’s flagship. Despite being a newer brand with only four properties in Hong Kong and Mainland China, Niccolo has been successful in brand awareness and operating performance. The two brands adopted different strategies to support the company’s vision for expansion. Marco Polo competes in upper upscale, and Niccolo competes in luxury. The majority of WH’s sales revenue comes from Asia-Pacific: 60% from Mainland China, followed by Philippines, other Asian countries, Europe, and the Americas. Approximately 95% of guests in Mainland China are domestic. For Hong Kong, over 60% are from Mainland China. One-third are from OTA, one-third from DISCOVERY, and one-third from hotel direct and global sales sources. GDS and the brand’s website contributed only 2%. In 2008, WH joined the Global Hotel Alliance. GHA’s DISCOVERY loyalty program has over 15.1 million members worldwide and generated 6.5 million room nights in 2019, half from the Americas. DISCOVERY provides marketing opportunities to its member hotels, including multi-language electronic direct marketing and cross-brand marketing on the partners’ electronic and social media marketing platforms. DISCOVERY members have a higher ADR than non-members. WH identified five key areas to maximize returns: 1) reduce reliance on OTAs and increase brand.com conversion; 2) product and online reputation; 3) sales culture conversion; 4) environmental brand standards; and 5) technology infrastructure.

Reduce Reliance on OTAs and Increase “Brand.com” Conversion

Despite OTA’s importance, their commissions cut into profitability. To reduce reliance on OTA, WH offers discounts to customers who book directly on its website. The “Best Rate Guarantee” ensures the best rate on its website. Ensuring rate parity is challenging because OTAs might offer rates lower than the rates stipulated in the agreement. Large hotel groups are negotiating with OTAs for contracts with low

commissions. OTAs are offering their platforms to major chains to open their branded stores, such as the Marriott Store on Expedia.com and Hilton on Booking.com. New brand websites in English and Chinese were launched to differentiate Niccolo and Marco Polo brands and to improve the customers’ online experience and conversion.

Product and Online Reputation

The portfolio of Marco Polo Hotels is aging. WH will revitalize it by marketing through selected platforms, including social media. Niccolo has been successful since it was launched, so continuous investment to strengthen its global exposure is important with campaigns on digital, social media, print, and broadcast platforms. WH uses ReviewPro to assist in managing guests’ experience and online reputation. An effectively managed online reputation enables hotels to increase ADR. A one-point increase in GRI could lead to a 1.42% increase in RevPAR. A two-day Sales Academy program was created to emphasize converting sales by understanding customer personality types. Sales analytics tools were implemented, and the customer relationship management platform for corporate bookers was upgraded.

WH created procurement standards across all hotels, including green product sourcing. F&B items were sourced from socially-responsible corporations and organic farms, and all restaurants will be shark-free. For hotels within the same region, such as Philippines and Hong Kong, an e-procurement system was introduced to improve efficiency and purchasing power. Group contracts and master agreements were negotiated for commodities. In 2019, 13 hotels were EarthCheck certified. WH’s IT infrastructure needs a major overhaul. WH did not have mobile apps. Budget was earmarked for SEO/SEM, metasearch, content marketing, and social media. WH plans to enhance the hotel reservation system and expand its PMS into the cloud. Other technology solutions that enhance customer experience are being considered.

Leadership

Cronin built a strong leadership team of award-winning professionals with diverse backgrounds from hospitality and other industries. In 2019, senior management reviewed its direction and redefined its purpose, vision, mission and values by emphasizing

“value creation” and “value enhancement” for all stakeholders. To transform changes across levels, it was critical to establish a well-defined leadership culture. The Red Ring Leadership Philosophy introduced in 2013 was further developed. In 2016, a curriculum was developed to leverage the Red Ring principles in all 17 hotels. Over 500 GM and staff completed it in two years. Soon everyone was practicing the SHARP leadership model and the five qualities expected of leaders: sustainable, holistic, authentic, relentless, and pure. The company also focused on sustainability of the business and the environment. The company held leaders to a high standard of integrity and honesty. The “LIVE BOLD Leadership Development Program” was created with three tracks: Executive, Mid-management, and Young Leaders. These changes led to a recovery system for addressing guest satisfaction and an operational excellence model for employees to apply the “zero error zero waste” approach.

Talent Development and Engagement

In 2018, WH promoted career opportunities on social media. It collaborated with institutions across Hong Kong, Australia, Germany, Switzerland, and Austria on internships/traineeships. WH adopted Talent Plus®, technology that measured individual’s potential for particular jobs. In 2018, new syllabi were designed to build the competencies of property trainers, and training hubs. Over 150 employees were certified as Departmental Trainers responsible for delivering programs, such as “Be Niccolo” and “The Marco Polo Way”, including via e-learning. The 2018 Associate Engagement Survey of over 4,000 associates revealed a record-breaking engagement score of 8.6 out of 10 in general satisfaction and loyalty and 8.4 in overall engagement. WH also introduced innovative employee benefits.

In 2018, WH’s Performance Measurement Model evaluated each associate with measurable outcomes and KPI-driven goal setting mechanisms. The company also adopted the “SHARP Performance Management System” driven by five pillars: profit, revenue, guests, associates and brand. Salary increments, bonuses and promotions are based on achieving them. In 2016, WHM 59 made nominations to the prestigious Hotelier Awards with 38 associates reaching the finals and 11 winning titles.

Future Developments

For 33 years, WH had not aggressively expanded its portfolio. All hotels opened after 2014 were Niccolo Hotels, developed and owned by the company. Most WH hotels were not located in top-tier gateway cities. Top-tier cities in China were attractive but already congested with major brands. Niccolo’s brand awareness was well-established, but identifying reputable partners willing to work with a small regional brand was challenging. Prospective owners perceived the Marco Polo brand as “older” and “uncontemporary”. Prospective owners might prefer the Niccolo brand which has strong recognition in China.

Chinese Market

China’s growing middle class generated new demand for domestic and international travel. Infrastructure improvements including high speed rail and airports created higher efficiency. In 2019, China had 235 airports; soon 450 airports will be required. The majority of new airports will be in the Yangtze River Delta, Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macau Greater Bay Area, and Chongqing and Chengdu city clusters. This demand surge made China the world’s largest outbound travel market in trips and expenditures. Supply side competition in hospitality is keen. Over the next three years, 2,000 hotel projects (395,000 rooms) are due for completion. Building brand loyalty and increasing wallet share is a major challenge.

Hotel Room Supply in Asia-Pacific

Despite slowing economies in Asia-Pacific and uncertain economic conditions in China, hotel construction for the region reached an all-time high in 2019. Average size dropped to 198 rooms due to demand shifts from luxury and upper-upscale to upper-upscale and upscale. The Sino-US trade war casts uncertainty on the sustainable growth of China’s economy with China’s GDP growth dropping below 6.5%. Sino-US trade talks will affect

China’s travel demand. WH’s future success is linked to China’s economic development.

Connection with Theory

This case illustrates how WH made strategic decisions and became a leading regional hospitality brand by focusing on delivering great value to stakeholders. The company can be viewed from three interrelated perspectives in accordance with resource-based theory, value chain theory, and stakeholder theory. To generate recommendations, students must demonstrate their understanding of the strategic management process. This starts by understanding the internal appraisal of the company and the external environment, establishing strategic direction, taking advantage of strengths and opportunities, overcoming weaknesses and threats; and implementing strategy. Students can refer to research on strategies adopted by Asian hotel companies to grow and remain competitive, including franchising and management contracts, entering international markets, and understanding the characteristics of Chinese travelers.

Conclusion

The WH executive team is reasonably young. Working seamlessly and delivering the expected results from the agreed strategies will be a challenge, especially if sufficient resources are not available due to uncertain macroeconomic conditions in China, Hong Kong, and WH’s other key markets. The commitment of WHL, the parent company, is a major factor. As a small regional brand, WH does not have the economy of scale and reputation of major international brands. However, the introduction of various sales and marketing, branding, human resources, and IT initiatives could allow WH to build its competitive advantages, tap into opportunities, and deliver value to its stakeholders. How can WH ensure that they are the brand of choice for new hotel builds? Students can draw conclusions based on WH’s competencies and business situation and recommend strategies to transform WH into a preferred international hotel brand.

POINTS TO NOTE:

- Well-managed and strategically focused small hotel companies can compete in Asia.
- Hotel companies must utilize both OTA and their own websites to optimize bookings and profits.
- Leadership and top human resources are a major key to success.
- Despite uncertain economic conditions, China’s tourism industry will continue to grow.

Lo, A., Yeung, P., and Cronin, J. (2020). Will “The Spirit of Discovery” Lead Wharf Hotels to Become a Preferred International Hotel Brand? *Asia Pacific Journal of Tourism Research*, 25(10), 1109-1127.



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