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### **Keywords**

Quick service restaurants, upscale casual restaurants, green practices, customer perception, customer intentions, willingness to pay, bartenders, citizenship behavior, deviance, qualitative, job perceptions, drug-testing, foodservice, employee attitudes, work performance, FIU, Hollywood, Movie/TV Viewing Behavior, Destination Image, Tourism Motivation, Tourist Activity Behavior, Online hotel booking, e-service quality, hedonic dimensions, EFA, Hotel asset management, asset manager, hotel real estate management, Customer loyalty, Behavioral loyalty, Relational benefits, Economic recession



CHAPLIN SCHOOL OF HOSPITALITY AND TOURISM MANAGEMENT'S

# Hospitality Review

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**FIU**



*Florida International University*

# *Hospitality Review*

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Chaplin School of Hospitality  
and Tourism Management  
North Miami, Florida

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## Hospitality Review

### Table of Contents

VOLUME 30 ■ NUMBER 1 ■ SPRING 2012

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	Page
<b>A Comparative Study of Customer Perceptions Regarding Green Restaurant Practices: Fast Food vs. Upscale Casual</b> <i>Robin B. DiPietro and Susan Gregory</i>	1
<b>Job Perceptions of Citizenship Behavior and Deviance: Musings from Behind the Bar</b> <i>Catherine R. Curtis</i>	23
<b>Qualitative Responses to Pre-employment Drug Testing in the Foodservice Industry</b> <i>Miranda Kitterlin and Lisa Moll</i>	35
<b>Tourist See Tourist Do: The Influence of Hollywood Movies and Television on Tourism Motivation and Activity Behavior</b> <i>Daniel L. Spears, Bharath M. Josiam, Tammy Kinley and Sanjukta Pookulangara</i>	53
<b>Evaluating Applicability of E-service Quality in Online Hotel Bookings</b> <i>Seung Hyun Kim, A.J. Singh and Sungsik Yoon</i>	75
<b>Towards an Understanding of Lodging Asset Management and its Components</b> <i>Leonard A. Jackson</i>	92
<b>Maintaining your loyal customers during hard times: An observation from the gaming industry</b> <i>Myongjee Yoo and Miranda Kitterlin</i>	111

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# **A Comparative Study of Customer Perceptions Regarding Green Restaurant Practices: Fast Food vs. Upscale Casual**

**By Robin B. DiPietro and Susan Gregory**

## **ABSTRACT**

The current exploratory study was designed to determine the impact that green restaurant practices may have on intention to visit a restaurant and willingness to pay more because of those green practices. The study analyzed a convenience sample of 260 surveys from customers in fast food restaurants and 501 surveys from customers in upscale casual restaurants in the Midwestern United States (U.S.) in order to determine if there were differences in the perception of guests regarding these types of restaurants and their green practices. The findings showed that upscale casual restaurant customers believed they are knowledgeable at a higher level than the fast food restaurant customers about green restaurant practices, have a higher mean rating on the importance of environmental record and recycling in restaurants, and believed that restaurants should use local products when they can. In both groups of customers, there was a positive relationship between green practices utilized at home and customers' willingness to pay more for green restaurant practices as well as their intention to visit the restaurant using green practices. Management implications are discussed.

*Key Words: Quick service restaurants, upscale casual restaurants, green practices, customer perception, customer intentions, willingness to pay*

## **INTRODUCTION**

The restaurant industry is a large component of the U.S. and world economy. The overall economic impact of the restaurant industry is more than \$1.7 trillion (National Restaurant Association, 2011). The projected revenue for the industry is \$604 billion for 2011 and there are 960,000 foodservice locations projected to be operating by the end of 2011 (National Restaurant Association, 2011).

The restaurant industry is one of the largest segments of the hospitality industry and as such, it is a major consumer of energy, water and other natural resources (Schubert et al., 2010). Some of the ways that restaurants deplete natural resources are: excessive use of energy, use of non-recyclable products, usage of harmful chemicals in the cleaning of the facilities, increasing carbon footprints through the transportation of products and employees to and from the work location. As much as 80% of the U.S. \$10 billion annual energy costs spent in the commercial foodservice industry is wasted through the use of outdated equipment and the generation of excessive heat and noise (Enis, 2007; Schubert et al., 2010).

There are many pressures put on the hospitality industry by consumers, environmental regulations, and managerial concerns regarding being more environmentally friendly (Foster, et al., 2000). There has been increased pressure on organizations due to an increase in consumer environmental consciousness (Kalafatis et al., 1999). The good news is that studies have shown that there is a positive relationship between an organization's environmental strategies and their overall performance. An organization's effective environmental strategies are related to improved employee satisfaction and customer loyalty, reduced costs, and enhanced competitiveness. These practices are called environmental responsible practices (ERP) and they are helping organizations create a favorable image for their customers (Choi, et al., 2009; King & Lenox, 2001; Klassen & McLaughlin, 1999). Many consumers are becoming more aware of environmental issues and are searching for green products and information when they purchase products or services (Bohdanowicz, 2006). In research by the National Restaurant Association (2011) 69% of respondents say that they would visit a restaurant more often if it had organically or environmentally produced products.

There have also been studies that have shown that customers of internationally branded restaurant chains do appreciate the use of local products in menu items, thus showing a concern for the environment (Vieregge et al., 2007). Another study by Choi and Parsa (2006) found that restaurants that engage in green practices can lead to strengthened customer relations and increased harmony with the community. These factors show that by implementing green practices, restaurants can increase the positive thoughts regarding their brand and thereby increase revenues and profitability. Ensuring that customers think positively and emotionally bond with a brand helps to ensure restaurant loyalty and thereby increase the revenues and profits of that brand (Mattila, 2001).

The current study looked at the perceptions of guests in the fast food and upscale casual dining restaurant industry to determine if there are similarities or differences between the two groups related to the perception of green practices utilized in restaurants. The study also looked at the relationship between intention to visit a restaurant more often based on personal green practices through the consumer behavior literature and the Theory of Planned Behavior. It also analyzed customers' willingness to pay for the increased expenses related to the green practices of restaurants based on the customers' personal green practices.

## **LITERATURE REVIEW**

### *Green Practices*

Green has been defined as being environmentally responsible and utilizing practices that minimize the damage done to the environment. Green practices are those things that organizations can do to minimize their carbon footprint and the negative impact that their organization has on the environment. Some of the practices that are often recognized by the public as green or

environmentally responsible are: saving water, saving energy, and reducing solid waste (Manaktola & Jauhari, 2007). Often these practices go unnoticed by the public as they are behind the scenes types of things. What distinguishes a non-green restaurant from a green restaurant focuses on three Rs- reduce, reuse, and recycle and two Es- energy and efficiency (Gilg, Barr, and Ford, 2005). Green restaurants can also purchase energy efficient products and equipment, purchase locally grown produce and materials to minimize the transportation impacts, and engage in environmental protection programs (Schubert, et al, 2010).

The hospitality industry in general has been feeling the pressure from society as well as governmental regulations related to the implementation of more environmentally friendly policies (Bohdanowicz, 2006; Zurburg, Ruff & Ninemeier, 1995). There has been a large movement across the U.S. and the world for green products and green organizations. There are a large number of consumers that are interested in making green purchases and it can be inferred from this demand that there is a need for restaurants to implement green practices to meet the desires of consumers thus giving restaurants a competitive advantage (Prewitt, 2007; Schubert et al., 2010).

People have been expressing their environmental concern by choosing products and organizations that are green and there are many programs throughout the world that are informing hospitality businesses about the benefits of going green and being environmentally aware and concerned. The Green Restaurant Initiative was implemented by the National Restaurant Association and the Green Hotel Initiative was started by the Coalition for Environmentally Responsible Economies ("Green Hotel Initiative", 2010; Horovitz, 2008). Other global organizations such as Green Global, APAT (Italian Agency for the Protection of the Environment), or Global Green Hospitality Consortium can educate hospitality organizations on how to implement green practices and to reap the financial benefits from doing so (Bohdanowicz, 2006). These organizations provide information to organizations about green practices and the benefits of implementing these green practices; they also give organizations a way to communicate about their green practices.

The concept of environmental concern is defined as "the degree to which people are aware of problems regarding the environment and support efforts to solve them and/or indicate the willingness to contribute personally to their solution" (Dunlap & Jones, 2002, p.485). There have been studies that have shown that being environmentally concerned is related to green behaviors, whether at home or in deciding where to purchase products or services from. In a study by Mostafa (2006), it was found that being environmentally concerned is related to customer intention to purchase green products. It was also found that people that were willing to be environmentally friendly at home, such as recycling or using products that are safer for the environment were more likely to spend more money on green products and services outside of the home (Laroche, et al., 2001). This echoes some of the consumer behavior literature, especially the Theory of Planned Behavior that states that if people have positive attitudes

about actions and they feel that there are social norms related to that action, they are more inclined to intend to and actually perform the behavior (Ajzen, 1985; Ajzen & Fishbein, 1969; Kalafatis et al., 1999).

In a study by Choi and Parsa (2006), people reward companies that implement green practices and were willing to pay more for using those companies. As many industries are implementing green practices, the restaurant industry is slowly following suit (Deveau, 2009; Dutta, et al., 2008). Despite the fact that restaurants can gain environmentally and economically in the long run by adopting green practices, there is still a hesitation due to lack of knowledge and fear of increased costs by implementing these practices in the restaurant industry (Schubert et al., 2010; Wright, et al., 2011). The current study will add to the research on customer perceptions of green practices and will inform the restaurant industry regarding this issue. The following section discusses the research that has been done in restaurants that utilize green practices.

#### *Restaurant Industry Green Practices*

There has been increased pressure by consumers to implement green practices in the restaurant industry and yet, there is a paucity of research regarding whether there are differences in customer perception of green practices related to a variety of restaurant types and segments. To date, the studies have concentrated on casual dining restaurant customers (Hu et al., 2010; Schubert et al., 2010).

The current study analyzed the perceptions of guests classified as “heavy users” from two very distinct restaurant segments- fast food and upscale casual. Heavy users for the purpose of the current study are defined as those customers that have self reported eating out 5-12 times in the current month, at the same type of restaurant segment as their surveys were taken in. These restaurant segments are distinguished by numerous factors, but the primary differences are that fast food restaurants have more concise menus, faster service standards, typically have lower prices with customers pre-paying before receiving their meals, and the restaurants tend to have lower expectations from guests related to service and food quality (Muller & Woods, 1994). Upscale casual dining restaurants are those that have a more diverse menu, a larger variety of options, full alcohol service, more personalized service standards, and a higher level of expectations from guests. The check average for fast food restaurants are typically \$5-8 per person and the average check for a the upscale casual restaurants are \$25-35 per person.

In a study of casual dining restaurant customers by Schubert et al. (2010), it was found that the most important green practices for restaurants according to the respondents are reducing energy and waste, using biodegradable or recycled products, and serving locally grown food. The least important green practices for the respondents were donating to environmental projects and paying fees to reduce their ecological footprint. Consumers also believed that it was good for restaurant companies to protect the environment and they believed

that dining at green restaurants will be healthier for them. They also believed that dining at green restaurants will help to protect the environment. An overarching finding from the Schubert et al. (2010) study was that a large number of customers conveyed that it was essential that the quality of the food did not decrease because of green practices. The respondents stated that the food quality was the most important restaurant attribute for them. They were not willing to sacrifice quality for the green practices of the restaurant.

One of the struggles that restaurants have is how to communicate with guests regarding their green practices. In a hotel, it is a little easier to see the practices that are happening and it is easier to convey these practices to the guests through communication in the hotel rooms. In a restaurant, with most of the activity that would be green happening behind the scenes, this is difficult to do. One of the challenges in the restaurant sector will be to ensure that customers know what is happening related to green and to ensure that they buy into the benefits for the environment and the benefits for customers of these practices (Schubert et al., 2010). It has been determined that implementing and communicating about green practices to employees and guests may result in increased employee satisfaction and commitment to the organization, which in turn may lead to better service and increased customer satisfaction, especially in a service oriented business that relies on employee satisfaction to ensure customer satisfaction (Schubert et al., 2010).

The following section discusses previous research on customers' willingness to pay for green practices. This is important for organizations to know as they decide where to invest their money and how to ensure that customers value the changes that they may make in their organization.

### *Willingness to Pay*

It is important to determine the willingness of consumers to pay additional charges for using a green organization's products and services. The implementation of green practices such as using organic products, using locally produced products, implementing recycling programs, reduction of the use of natural resources, costs money to restaurants. The willingness of guests to pay for some of those green practices will be helpful to the restaurant.

The previous research that has been done in the hospitality industry regarding consumers' willingness to pay is not consistent. Most of the research relates more specifically to the lodging industry rather than the restaurant industry. Some of the research states that consumers are more hesitant to pay a premium for environmentally friendly products (Kasim, 2004; Manaktola & Jauhari, 2007), while other research states that consumers are willing to pay a premium for green products (Choi et al., 2009; Schubert, 2010; Yesawich, 2009).

Manaktola and Jauhari (2007) found in their study of customers in India that the majority of customers (85%) believed that the hotel should pay for at least part of the additional costs that would result from implementing green practices. Of these respondents, more than 50% believed that the hotel should

bear all of the cost for implementing green practices. Earlier research done by Lord, Parsa, and Putrevue (2004) showed that consumers may resist paying premium prices for green products. The study showed that higher prices for green products or businesses must reflect customer sensitivity for price increases.

In a study by Choi et al. (2009), hotel guests in Greece and the U.S. were surveyed and found that people were willing to pay a premium price for companies that used green practices. The guests from Greece were willing to pay more for green hotel practices and were more concerned than the U.S. guests about whether companies were implementing green practices or not. The respondents in Greece stated that they were more likely to choose hotels that implemented ERP and were willing to pay approximately six percent more to stay at these hotels (Choi et al., 2009).

Research specifically in the restaurant industry has been rarer and is currently being broadened. In a study of almost four hundred restaurant customers done by Dutta et al. (2008), they found in India and the U.S. that there were different motives, but in general a majority of customers were willing to pay more money for restaurants implementing green practices. Approximately 50% of customers studied from the U.S. were willing to pay up to 3% above the regular menu prices, while 15% were willing to pay more than 10% above regular menu prices in restaurants that utilized green practices. Customers in India were even more willing to pay higher prices with 60% of the respondents willing to pay more than 10% above the regular menu prices. This shows that regardless of the motive and location, a majority of restaurant customers in this study were willing to pay higher prices for green practices in restaurants.

Recent research by Schubert et al. (2010) has shown that consumers are willing to pay a higher price for restaurants that implement green practices. Almost 20% of the sample was willing to pay up to 10% more for those restaurants that implemented green practices. Despite these positive findings, it is important to expand the research to include a variety of different types of restaurants and to expand the study across multiple locations and restaurant segments. Since the research has been mixed, it is important to continue to search for consistency and commonalities among the research. The current study will help to inform management practices related to green practices and to determine whether consumers would be willing to pay more money to visit restaurants that implement green practices.

#### *Personal Green Practices and Intent to Visit*

There have been studies that have shown that being environmentally concerned is related to green behaviors, whether at home or in deciding where to purchase products or services from. In a study by Mostafa (2006), it was found that being environmentally concerned is related to customer intention to purchase green products. It was also found that people that were willing to be environmentally friendly at home, such as recycling or using products that are

safer for the environment, were more likely to spend more money on green products and services outside of the home (Laroche, et al., 2001).

Dutta (2008) looked at people's consumerism and found that through their character and values people try to improve the world through their behaviors. This shows that people that have a belief in being environmentally friendly and green will practice those things in their personal life and also will seek out those practices in businesses that they use. Choi and Parsa (2006) found that people have positive attitudes and behavioral intentions for companies that use socially responsible marketing and market their socially responsible practices. Choi and Parsa (2006) also found that attitudes are formed through experiences, so if people have positive attitudes toward green, they may respond more favorably to businesses that utilize green practices and promote those green practices.

In the Theory of Planned Behavior (Ajzen, 1985; Ajzen & Fishbein, 1969; Kalafatis et al., 1999), consumer behavior is defined through a model utilizing three constructs to help explain intention and behavior. These three constructs are attitudes toward the behavior (how favorably or unfavorably a person considers the behavior to be), subjective norms (the external and internal pressure a person feels to engage in the behavior), and perceived behavioral control (the obstacles or difficulties the person may perceive in performing the actual behavior and how the person feels that they can solve these difficulties). People act in a certain way or have intentions to act in a certain way related to the interaction of these attitudes and beliefs. Through personal attitudes and social norms, people choose to do things that make them feel pride and to feel good about themselves, versus doing things that make them feel shameful or self-reproach. The current research study looks at the personal green practices of customers in order to determine what their values are related to green practices. These practices are then correlated with their response to the question about their intent to visit the restaurant more often because of the green practices of the restaurant.

Through research in the Theory of Planned Behavior and other consumer behavior research done by Ajzen and Fishbein (1969), the findings show that attitudes, norms, and perceived control were found to predict behavioral intentions, which then led to actual behavior. The behavioral intentions model of consumer behavior cites that attitude or personal component and subjective norms determine behavioral intentions (Fishbein & Ajzen, 1975; Lee and Green, 1991). This is important for restaurant operators to utilize because if they can determine guest attitudes and social norms related to green practices, they can determine intention to visit.

### **Research Questions**

There has not been a study done to date comparing "heavy user" customers that frequent fast food restaurants and upscale casual restaurants. Heavy users for the purpose of the current study are defined as those customers



that have self reported going out to eat in the current month 5-12 times at the same type of restaurant segment as their surveys were taken in. The current exploratory study was done in order to address the following research questions:

- 1) What are the differences between fast food and upscale casual restaurant guests regarding the level of importance of various attributes related to selecting a restaurant?
- 2) What are the differences between fast food and upscale casual restaurant guests regarding perceptions of green practices and willingness to pay in restaurants?
- 3) Is there a relationship between guests' green practices used at home and their intention to visit the restaurant based on the restaurants' green practices?
- 4) Is there a relationship between guests' willingness to pay more for green restaurant practices and their personal green practices?

## **Methodology**

The following exploratory study proposes to address a gap in the research by attempting to determine the perceptions of restaurant customers regarding green practices. In order to add to the research, the current study analyzes the fast food "heavy user" customer perception as well as the upscale casual dining "heavy user" restaurant customer. An instrument was developed that includes questions relating to Level of Importance of Restaurant Attributes adapted from Weiss (2004), Statements of Green Practices (Personal and Professional), Willingness to Pay items adapted from Dutta (2008), and Demographics using a Likert-type 5 point scale.

The restaurants were all operated and located in the Midwest. There were four upscale casual restaurants that were used to draw the random sampling of customers from. There were an equal number of surveys (150) distributed in each of the four locations during lunch and dinner hours. This was done to account for variances between geo-demographical factors and increase the external validity of the study. This study surveyed upscale casual restaurant guests (n = 501) to determine their perceptions of green practices and attitudes about willingness to pay for such practices. A total of 600 surveys were administered to guests with 501 surveys completed, therefore the response rate of usable surveys was 84%.

The fast food portion of the study, using a convenience sample, surveyed random guests in a quick service restaurant chain comprised of 25 restaurants in the Midwest. The restaurants were randomly chosen each day throughout the chain. Every second guest that ate inside the restaurant during randomly chosen times was asked to complete a survey about their perceptions of green practices. The restaurant group allowed the researchers access to the restaurants at various times during a one month period to conduct surveys with guests. These surveys were completed Monday-Friday during all parts of the day

and evening in order to get a representative sample of guests. The survey took approximately five minutes to complete. There were 320 surveys administered with 260 useable responses for an 81.25% response rate. The data was analyzed using descriptive statistics and correlation analysis in order to respond to the research questions. Statistics used to analyze the data include descriptive, correlation analysis, and independent samples t-test using SPSS version 18.

## **Results**

There were a total of 761 completed surveys out of a total of 920 surveys administered for an overall response rate of 82.72%. Of those surveys, 260 (34.2%) were from the fast food restaurants and 501 (65.8%) were from the upscale casual restaurants. The majority of the respondents were female (53.2%), while 45.2% were male. There were several age groups represented in the sample, with the largest age groups being 19-25 years old (17.2%), 41-50 years old (17.3%), 51-60 years old (17.2%), and 60 years and above representing 16.3% of the respondents. The majority of the respondents had a college degree (28.6%) and advanced college degrees (24.7%). The majority of the respondents (44.9%) decided on the restaurant that they would eat in by themselves rather than taking advice from other people. Another demographic question asked was about the number of times during the past month that people had eaten in a restaurant similar to the restaurant they were currently visiting and that response varied from 1-4 times to 5 to 12 times per month. The respondents were divided into two groups, "light users" and "heavy users" based on those breakdowns. When analyzing the two different groups of respondents, one of the biggest differences is the larger number of more highly educated people and the older demographic that eats at upscale casual restaurants. This is typical of demographics that normally frequent the different restaurant segments. See Table 1 below for more demographic information.

**Table 1:**  
**Demographics of Respondents (n=761)**

Variables	Number	Percent				
Restaurant Type						
Fast Food	260	34.2%				
Upscale Casual	501	65.8%				
	Total	Total	Fast	Fast	Upscale	Upscale
Gender						
Female	405	53.2 %	145	57.1%	260	52.5%
Male	344	45.2 %	109	42.9%	235	47.5%
Age						
18 and under	46	6.1 %	24	9.3%	22	4.4%
19-25	131	17.4 %	72	28.0%	59	11.9%
26-30	78	10.2 %	21	8.2%	57	11.5%
31-35	61	8.1 %	22	8.6%	39	7.8%
36-40	51	6.8 %	22	8.6%	29	5.8%
41-50	132	17.5 %	40	15.6%	92	18.5%
51-60	131	17.4 %	28	10.9%	103	20.7%
61 or older	124	16.4%	28	10.9%	96	19.3%
Education						
Grade School	13	1.7 %	4	1.6%	9	1.8%
High School /	116	15.4 %	66	25.7%	50	10.1%
Technical	12	1.6 %	11	4.3%	1	.2%
Some College	156	20.7 %	62	24.1%	94	18.9%
2-year College	51	6.7 %	25	9.7%	26	5.2%
4-year College	218	28.9 %	58	22.6%	160	32.2%
Advanced Degree	188	24.9 %	31	12.1%	157	31.6%
Who Made						
Business	79	10.6%	13	5.1%	66	13.5%
Friend	165	22.1 %	57	22.3%	102	20.9%
Family	159	21.3 %	30	11.7%	135	27.6%
Self	342	45.9 %	156	60.9%	189	38.0%
# of Times						
1-4 (Light Users)	230	30.2 %	88	33.8%	142	28.3%
5-12 (Heavy	531	69.8%	172	66.2%	359	71.7%

\*Totals may not add up to 100% due to non-responses

Customers were asked to rate the importance of a variety of restaurant attributes used when choosing a restaurant when they go out to eat. Independent samples t-tests were run on the differences in the level of importance of various restaurant attributes between the “heavy users” of fast food and the “heavy

users” of upscale casual restaurants. There were some statistically significant differences worth noting. While both groups of customers rated the attributes of food quality and service quality with the highest mean importance rating, the upscale casual guest rated food quality significantly higher with 4.78 out of 5 (very important) as compared to the fast food guests rating of 4.54 out of 5. This was a statistically significant difference ( $t=-3.712$ ,  $df=526$ ,  $p=.000$ ). The other statistically significant differences were in the importance of price with fast food guests rating that as 3.99 out of 5, which was statistically significantly higher than the upscale casual guests ( $M=3.46$ ,  $t=4.875$ ,  $df=516$ ,  $p=.000$ ). Interesting findings related to green is that upscale casual guests rated “restaurant has recycling bins” ( $M=3.89$ ) as more important than fast food guests ( $M=2.60$ ) at a statistically significant level ( $t=-13.648$ ,  $df=522$ ,  $p=.000$ ) and “environmental record” was rated higher by upscale casual “heavy users” ( $M=4.68$ ) than fast food “heavy users” ( $M=3.25$ ) ( $t=-17.374$ ,  $df=522$ ,  $p=.000$ ). Fast food guests also rated restaurant appearance as more important and appropriate portion sizes as less important than the upscale casual guests. See Table 2 below for more details.

**Table 2:**  
**Differences In Fast Food and Upscale Casual Dining Respondents**  
**Rating of Important Restaurant Characteristics**

Level of Importance	Fast Food			Upscale Casual			df	Sig.
	N	M	SD	N	M	SD		
Food Quality	172	4.54	.818	356	4.78	.591	515	.000
Service Quality	170	4.34	.864	355	4.39	.768	512	.532
Price	168	3.99	1.013	350	3.46	1.241	505	.000
Appropriate Portion Size	171	3.93	1.003	353	4.14	.805	511	.010
Restaurant Appearance	172	3.93	.998	351	3.35	1.228	510	.000
Convenient Location	171	3.87	1.051	354	3.91	.960	513	.619
Environmental Record	170	3.25	1.244	354	4.68	.623	511	.000
Provided Info on Local Offerings	169	2.80	1.156	350	2.99	1.344	506	.065
Has Recycle Bins	169	2.60	1.186	355	3.89	.896	512	.000

1=unimportant, 3=somewhat important, 5= very important

Respondents were also asked about their perceptions about green practices in restaurants. Using a Likert type scale of 1-5 where 1=strongly disagree and 5=strongly agree, in general, respondents in the fast food

restaurants agreed that they could be more informed about green activities (M=3.81) which was statistically significantly higher than upscale casual guests (M=3.45,  $t=3.437$ ,  $df=525$ ,  $p=.001$ ). Other statistically significant differences of note were that upscale casual restaurant guests believed that restaurant companies should use local foods when possible (M=4.03) at a higher level than fast food customers (M=3.78,  $t=-2.425$ ,  $df=517$ ,  $p=.016$ ). Upscale casual guests believed that restaurant companies should use organic products whenever possible (M=3.39) more so than fast food restaurant customers (M=3.17,  $t=-2.095$ ,  $df=521$ ,  $p=.037$ ). More information on perceptions of green practices in restaurants can be found in Table 3 below.

**Table 3:**  
**Differences In Perceptions of Fast Food and Upscale Casual Dining Respondents**  
**Regarding Green Practices in Restaurants**

Green Practices	Fast Food			Upscale Casual			df	Sig.
	N	M	SD	N	M	SD		
I am well informed about environmental problems	172	3.56	.974	356	3.75	.988	526	.042
I feel I could be more informed about green activities	170	3.81	.985	357	3.45	1.188	525	.001
I prefer to purchase products that are environmentally friendly (safe)	171	3.56	1.035	354	3.69	1.007	523	.167
Being environmentally conscious is part of my daily life	172	3.16	1.10	357	3.34	1.058	527	.060
I prefer to eat at restaurants that are environmentally friendly	172	3.19	1.020	359	3.24	1.130	529	.618
I prefer to purchase an environmentally safe product even if it is somewhat more expensive	171	3.15	1.120	358	3.23	1.121	527	.396
I prefer to purchase an environmentally safe product even if it is somewhat lower in quality	169	2.56	1.079	355	2.35	1.113	522	.037
I believe that a restaurant should cover the costs of the environmentally safe products	171	3.37	1.023	355	3.22	1.149	524	.151
I believe that the organization and customers should share the cost of environmentally safe products	171	3.15	1.117	350	3.01	1.149	519	.195

I am conscious about purchasing services from organizations that practice “green initiatives”	167	2.89	1.084	348	2.98	1.141	513	.377
I am confident that when an organization says they are practicing “green initiatives” they are helping to protect the environment	168	3.30	1.075	355	3.22	1.154	521	.478
I believe that restaurant companies should use local products whenever possible	165	3.78	1.121	354	4.03	1.076	517	.016
I believe that restaurant companies should use organic products whenever possible	167	3.17	1.155	356	3.39	1.124	521	.037
I believe that it is important that restaurants have a “green certification”	168	2.94	1.151	355	2.93	1.183	521	.921
I believe that I would visit a restaurant more often because of my perceptions of the green activities of that restaurant	169	3.02	1.220	357	2.93	1.183	524	.187
I am willing to pay up to 1% more for environmentally safe products	170	3.59	1.312	355	3.54	2.020	523	.741
I am willing to pay up to 5% more for environmentally safe products	170	2.92	1.431	357	2.71	1.313	525	.093
I am willing to pay up to 10% more for environmentally safe products	169	2.39	1.341	356	2.13	1.171	523	.025
I am willing to pay more than 10% more for environmentally safe products	169	2.13	1.238	349	1.91	1.117	516	.047

1=strongly disagree, 3=neither agree or disagree, 5= strongly agree

When customers were asked questions regarding ‘willingness to pay’ for green practices in restaurants, both groups agreed that they were willing to pay up to 1% more. This support dropped when it came to paying up to 5%, 10%, and more than 10% more. In each case, the customers of the upscale casual restaurant were statistically significantly less willing to pay more for green

practices, despite the fact that they knew more about green practices and believed that restaurants should use local products. This seems to contradict what would logically be thought. Fast food customers were more agreeable with paying more for green restaurant practices (see Table 3).

In determining the answer to the two research questions, is there a relationship between guests' green practices used at home and their intention to visit the restaurant based on the restaurants' green practices? And is there a relationship between guests' willingness to pay more for green restaurant practices and their personal green practices? a correlation analysis was run for both the fast food customers and the upscale casual customers. The correlation between how often people recycle at home and whether they are willing to pay (WTP) up to 1% more for environmentally safe products ( $r=.346$ ), 5% more ( $r=.317$ ) and up to 10% more ( $r=.352$ ) were all very moderate for fast food guests. The correlation for upscale casual guests for these same variables were lower at ( $r=.213$ ) for WTP up to 1% more, ( $r=.245$ ) for WTP up to 5% more, and only ( $r=.155$ ) for WTP up to 10% more for environmentally safe products.

There was a stronger correlation (although still moderate) for fast food guests when it came to how often they purchased energy efficient products at home and their willingness to pay more for green practices. For WTP up to 1% more  $r=.399$ , for WTP up to 5% more  $r=.365$ , and for WTP up to 10% more  $r=.395$ . For the same correlation with upscale casual guests there was a weak positive relationship that was slightly higher than the one related to recycling at home, WTP up to 1% more  $r=.233$ , the WTP up to 5% more  $r=.259$ , and for WTP up to 10% more  $r=.202$ .

The only statistically significant correlations regarding buying items in bulk related to the fast food respondents and not to the upscale casual respondents. The WTP up to 1% more had a moderate positive correlation of  $r=.383$ . Both the WTP up to 5% more ( $r=.312$ ) and WTP up to 10% more for environmentally safe products ( $r=.257$ ) had a weak positive relationship.

Regarding the correlation between personal green practices at home and customers intention to visit a restaurant more often because of the green practices of a restaurant, the fast food respondents had a moderately positive relationship between the variables. For how often they recycle products,  $r=.310$ ; purchasing energy efficient products at home  $r=.383$ ; and how often they buy items in bulk  $r=.254$ . The upscale casual customer had  $r=.231$  between the variables of how often do you recycle products at home and intention to visiting a restaurant more because of green practices. Purchasing energy efficient products at home was moderately and positively correlated with intention to visit a restaurant more with  $r=.316$ . There was not a significant correlation between buying items in bulk and intention to visit a restaurant. For more details, see Tables 4 and 5 below.

**Table 4:**  
**Correlation Matrix for Fast Food Guest Perception**

	How often do you recycle products at home?	How often do you purchase energy efficient products at home?	How often do you buy items in bulk?	WTP 1% more for environmentally safe products	WTP 5% more for environmentally safe products	WTP 10% more for environmentally safe products	WTP more than 10% more for environmentally safe products	I believe that I would visit a restaurant more often because of my perceptions of the green activities of that restaurant
How often do you recycle products at home?	1.0	.571**	.431**	.346**	.317**	.352**	.295**	.310**
How often do you purchase energy efficient products at home?		1.0	.461**	.399**	.365**	.395**	.310**	.383**
How often do you buy items in bulk?			1.0	.383**	.326**	.312**	.257**	.254**
WTP 1% more for environmentally safe products				1.0	.718**	.502**	.341**	.429**
WTP 5% more for environmentally safe products					1.0	.817**	.642**	.536**
WTP 10% more for environmentally safe products						1.0	.861**	.522**
WTP more than 10% more for environmentally safe products							1.0	.427**
I believe that I would visit a restaurant more often because of my perceptions of the green activities of that restaurant								1.0

\*\* P < .01 (2-tailed)



**Table 5:**  
**Correlation Matrix for Upscale Casual Guest Perception**

	How often do you recycle products at home?	How often do you purchase energy efficient products at home?	How often do you buy items in bulk?	WTP 1% more for environmentally safe products	WTP 5% more for environmentally safe products	WTP 10% more for environmentally safe products	WTP more than 10% more for environmentally safe products	I believe that I would visit a restaurant more often because of my perceptions of the green activities of that restaurant
How often do you recycle products at home?	1.0	.493**	.082	.213**	.245**	.155**	.060	.231**
How often do you purchase energy efficient products at home?		1.0	.351**	.233**	.259**	.202**	.090	.316**
How often do you buy items in bulk?			1.0	.016	-.001	.038	.037	.046
WTP 1% more for environmentally safe products				1.0	.412**	.342**	.202**	.288**
WTP 5% more for environmentally safe products					1.0	.786**	.599**	.514**
WTP 10% more for environmentally safe products						1.0	.830**	.468**
WTP more than 10% more for environmentally safe products							1.0	.416**
I believe that I would visit a restaurant more often because of my perceptions of the green activities of that restaurant								1.0

\*\* = P<.01 (2-tailed)

## Discussion and Implications

The current study brings to light interesting information regarding guest perceptions of green practices and their willingness to pay for green practices in restaurants. The variety of restaurant segments represented here adds value to the research that has been done on similar subjects. It also allows for some comparison of customers that are “heavy users” with different views on things based on the type of restaurant that they frequent.

In looking at the data regarding the differences between fast food and upscale casual restaurant guests regarding the level of importance of various attributes related to choosing a restaurant, the upscale casual guest rated food quality significantly higher as compared to the fast food guests’ rating. The other statistically significant differences were in the importance of price with fast food guests which was statistically significantly higher than the upscale casual guests. This finding may be due to the income differential that may occur between customers that frequent fast food restaurants and those that frequent upscale casual restaurants. The demographics show a difference in guests related to age and education level, both higher in the upscale casual respondents. This fact could indicate a reason for the difference in the rating of price to the respondents. In general, it appears from the data that fast food customers are more concerned with price and restaurant appearance in their decision. Upscale casual guests rated environmental record and whether the restaurant has recycling bins as more statistically significant in importance when choosing a restaurant. Neither group had much of an interest in whether the restaurant provided information on local offerings for products.

The primary differences between fast food and upscale casual restaurant guests regarding perceptions of green practices and willingness to pay responses center around the fact that fast food guests stated that they could be more informed about green activities at a higher level than upscale casual restaurant customers. Despite the fact that upscale casual restaurant guests did not have an interest in a restaurant providing information on local offerings for products, they did believe that restaurants should use local and organic products whenever possible, thus it seems that they place a higher stated value on local products, organic products, and green practices than fast food customers did.

Despite the educational and age differences in the customers in both segments, there were some surprising statistically significant differences in perceptions about willingness to pay more. When customers were asked questions regarding ‘willingness to pay’ for green restaurants, both groups agreed that they were willing to pay up to 1% more. This support dropped when it came to paying up to 5% and 10%, and more than 10% more. In each case, the customers of the upscale casual restaurant were statistically significantly less willing to pay more for green practices, despite the fact that they knew more about green practices and believed that restaurants should use local and organic products. This seems to contradict logical thought. Fast food customers were more agreeable with paying more despite the assumption that their income

would be lower due to their education level and age. Fast food customers also agreed to a higher level with the statement about visiting a restaurant more often based on the perceptions of green activities of the restaurant. One reason that this finding occurred in the current study could be the lower overall cost of going out to eat at a fast food restaurant compared to an upscale casual restaurant- 5% added onto a \$8 check would be 40 cents, compared to 5% on a \$30 check would be \$1.50. Future research could look at the willingness to pay a specific dollar amount for a restaurant using green practices rather than percentage increases for restaurants that implement green practices. Future research in this area could be done to ascertain whether there is a price-value relationship that occurs in restaurants related to personal income. Future surveys should ask about the income level of the respondents in order to determine if that has an impact on the willingness to pay for green practices or the importance of the green practices used in restaurants.

Related to the research question “Is there a relationship between guests’ green practices used at home and the perception of whether they would visit a restaurant more often based on green practices?” the study showed that the question related to purchasing energy efficient products at home had the strongest positive correlation with visiting a restaurant more often for fast food and upscale casual customers. In addition the fast food customer respondents reported a positive correlation between recycling and intention of visiting a restaurant more often. This should indicate to managers of restaurants that they should target groups that are interested in recycling and purchasing energy efficient products to market to in order to increase their visibility among these groups of people. In looking at the Theory of Planned Behavior Literature related to attitudes and subjective norms, it is clear that people include their own personal values into the selection of organizations to frequent (Kalafatis et al., 1999). Using green practices themselves and integrating their personal values on their choices helps guests choose organizations that espouse their personal values. Being green is a socially worth act that people, influenced by society and others in their referent groups, often choose to undertake (Kalafatis et al., 1999). Future research could also look at different restaurant segments and demographics in order to determine the impact of subjective norms and how that might influence the intention to revisit and willingness to pay of a variety of guests.

Is there a relationship between guests’ willingness to pay more for green restaurant practices and their personal green practices? In general, the research found positive correlation between respondents’ personal home practices and their willingness to pay more at green restaurants. This intuitively makes sense as customers who practice green at home tend to value those initiatives and the research shows that this is the case. The relationships are moderate for both upscale casual customers and fast food customers, but fast food customers have stronger correlation between the variables. This could again help with targeting marketing efforts and targeting groups to reach out to when implementing green initiatives in a restaurant.

In general, since there is a positive correlation between personal green practices and the intention to visit a green restaurant more often and a willingness to pay more for green practices, it would be important for restaurants to encourage personal green practices and to try to advertise to groups that encourage environmentalism and green practices.

The limitations of the current study are that the study only looked at the “heavy users” of two segments of the restaurant industry. There could also have been a self-selection bias that could have influenced the results since guests could have decided not to complete the survey once they knew that the survey was about green practices if they did not have an interest in green practices. Another limitation is that neither of the restaurant groups used in the current study advertised that they utilized green practices in their restaurants. In previous studies, it has been determined that greater communication with guests is important in order to increase consumers’ willingness to pay more for green practices (Choi et al., 2009).

The implications of the current study are that restaurants need to know their customers and know what their interests are in order to make the most of their green initiatives. Fast food customers place a high importance on food quality, price and restaurant appearance when choosing a restaurant. Upscale casual customers place a high importance on food quality, environmental record, and service quality when choosing a restaurant. Upscale casual customers also believe that they are knowledgeable about green practices, want restaurants to use local and organic products when possible, but unfortunately are not as willing to pay a large premium price to help encourage restaurants to implement green practices.

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# **Job Perceptions of Citizenship Behavior and Deviance: Musings from Behind the Bar**

**By Catherine R. Curtis**

## **ABSTRACT**

The purpose of this research was to examine bartender workplace behavior. This study begins with a review of the literature pertaining to the job of bartending, and positive work behavior (citizenship) and negative (deviant) workplace behavior. Data was collected by semi-structured interview. The bartenders expressed instances of both behaviors and showed support for a newly termed citizenship behavior, norm avoidance.

*Key Words: bartenders, citizenship behavior, deviance, qualitative, job perceptions*

## **INTRODUCTION**

For some operators in the hospitality industry, the mention of the word bartender triggers theft, or to lesser extent another cost to doing business. Many published studies concern negative behaviors of bartenders (Geller, 1991; Litzky, Eddleston, & Kidder, 2006), theft (Kirby, 2009; Scarpa, 2006; Smith, 1997) or ways to implement controls (Borchgrevink & Anchill, 2003; Kirby, 2009). Another view purported by Sullivan (1998) states that bartender performance is positively associated with increased profitability. This research examines work behavior of bartenders from the perspective of bartenders.

To assess the perceptions of job image and work behavior of bartenders, a qualitative research design was used. Interviews were conducted in a semi-structured manner to let the bartenders speak freely about their jobs. The basic job description of bartenders was collected from a published online database (O\*NET), a literature review of positive and negative work behavior was included, and quotations and analysis from the interviews conducted.

This study contributes to the existing body of literature relating to frontline hospitality workers, in the sense that it recommends increasing the understanding of one of the frontline occupations in the hospitality industry. Limitations of the current study and opportunities for future research are also discussed.

## **LITERATURE REVIEW**

### *Bartenders and Bartending*

The U.S. Bureau of Labor Statistics states that almost 500,000 people were employed as bartenders in 2010 (U.S. Department of Labor, 2011). In order to gain a deeper understanding of the job and understand the perspectives presented later in this study of those employed in this profession, a summary was compiled through the use of the Occupational Information Network (O\*NET), (2011), an online system that incorporates knowledge about occupations through



the past sixty years (Peterson et al, 2001). According to O\*NET (2011), bartenders have numerous responsibilities on the job. The traditional tasks commonly associated with bartenders were listed as: collecting money for drinks served, verifying age of customers, serving wine, bottled or draft beer, and/or mixed drinks with liquor, cleaning glasses and necessary equipment, balancing cash receipts, monitoring customers' excessive drinking by limiting drinks or ordering transportation for intoxicated guests, keeping bar area stocked with alcohol, glassware, napkins, and straws, fulfilling orders from direct bar customers and/or serving staff, and cleaning work area and/or surrounding tables (O\*NET, 2011).

However, O\*NET (2011) also mentions the knowledge, skills, and abilities that have been associated as necessary for a bartending job. Some of the knowledge deemed important to this profession was listed as customer service, sales and marketing, administration and management, and psychology. Customer service is important as bartenders must know how to implement quality service and observe customers' immediate satisfaction levels (Eddleston, Kidder, & Litzky, 2002; O\*NET, 2011). Knowledge of sales and marketing is also critical so that bartenders may promote and sell products and attract customers to the bar, and convert a customer into a "regular" (Sullivan, 1998). Business and management principles are also necessary for bartenders, although the position itself lacks a formal management title, may be involved in the strategic planning process, the allocation of resources including people, leadership, and methods of production (O\*NET, 2011). Finally, psychology was mentioned for the importance of understanding of human behavior. In this instance, it would be important for bartenders to understand how to "read" their customers. "Reading" a customer entails watching the customer's non-verbal cues in body language or need for interaction (Donovan & Hocutt, 2001).

Further skills mentioned on O\*NET, such as active listening, service orientation, social perceptiveness, speaking, are largely considered to be important interpersonal skills that could distinguish a service provider from a competitor (Coulter & Coulter, 2002). The abilities listed on O\*NET are more physical requirements that pertain to the job, but oral expression and oral comprehension were mentioned and would be necessary for service delivery.

### *Workplace Behavior*

In general, literature regarding bartenders tends to focus on negative actions such as theft (Kirby, 2009; Scarpa, 2006; Smith, 1997) or how to prevent theft by implementing control systems (Borchgrevink & Anichill, 2003; Kirby, 2009). Literature is limited that describes benefits, such as increased sales and profitability (Sullivan, 1998). The section above provided a detailed description of the duties, skills, and abilities expected of bartenders in general. This next section explains the differences in job performance from the accepted norm. In order to make a behavioral comparison, norms describe established behavior of a specific reference group (Warren, 2003). Therefore, for the purpose of this study, behavior departing from established norms in a positive direction will be

analyzed in the form of organizational citizenship behavior, and departure in the negative direction will be classified as workplace deviance.

### *Citizenship Behavior*

Organizational citizenship behavior has been defined by Organ (1988) as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization” (p.4). Stamper & Van Dyne (2003) assert that organizational citizenship behavior is essential in service businesses because of guests’ demands; in many times altering operating procedures to accommodate the guest. These behaviors may benefit other co-workers, (interpersonal), or the organization itself (organizational) (Bolino & Turnley, 2003). Seven types of commonly mentioned citizenship behaviors are known as helping behavior, sportsmanship, organizational loyalty, organizational compliance, individual initiative, civic virtue, and self-development (Podsakoff, Mackenzie, Paine, & Bachrach, 2000). Helping behavior is the process of helping other employees which can prevent work related problems (Podsakoff et al., 2000) and increase customer satisfaction (Stamper & Van Dyne, 2001). An example of helping behavior is taking extra time to assist someone in their new job role. Although it is not required for that person to do so, this can contribute to the smooth running of the operation. Sportsmanship is about being a good team member. Those exuding sportsmanship do not complain when they become inconvenienced by others; are optimistic and maintain a positive attitude even when things do not go their way. Organizational loyalty, which is also known as boosterism, involves employees that actively promote the organization to outsiders and more importantly, remain committed to the organization if adverse conditions occur. Organizational compliance is an employee’s observance of the rules and regulations of the organization when no one is monitoring. Although, this is an expected behavior at most organizations, many employees do not adhere to rules when no one is watching. Individual initiative is employee involvement in task-related. Such behaviors include voluntary acts of creativity and innovation designed to improve one’s task or the organization’s performance, such as volunteering to take on extra responsibilities. This approach is known as going “above and beyond” the typical duties (Podsakoff et al., 2000). Civic virtue is a demonstration of commitment to the organization as a whole. This is shown by a willingness to attend meetings, voicing opinion on strategy, and looking out for the general safety of the business (locking doors, etc.) (Podsakoff et al., 2000). The final behavior is self-development, which involves an employee making voluntary efforts to better themselves by the way of knowledge, skill or ability. Employees may accomplish this by enrolling in a course. This study will introduce an eighth category of organization citizenship behavior entitled norm avoidance. Derived from social norm theory, norm avoidance concentrates on the deliberate avoidance of stereotypical negative behaviors associated with an occupation for example, “all bartenders steal” may be a belief that many managers and employees hold true in the industry. Some employees may make efforts to dissociate from such a stereotype.

## *Workplace Deviance*

Deviance from workplace norms that head in a negative direction has been described as workplace deviance. When behaviors, despite the intention, exceed organizational norms, the consequences for the organization may be financial, hamper decision making, and affect productivity (Applebaum, Iaconi, & Matousek, 2007). Robinson and Bennett (1995) expound deviant behavior as “voluntary behavior that violates significant organizational norms and in doing so threatens the well-being of an organization, its members, or both” (p.556). Examples of negative deviant behavior in the workplace can include such infractions as: sexual harassment, tardiness, rumor spreading, tardiness, disrespect to co-workers, and theft (Applebaum et al., 2007).

In an attempt to classify deviant behaviors, Robinson and Bennett (1995) developed two dimensions of deviance: 1. the first dimension describes the type of infraction: minor vs. serious, and 2. the second dimension describes the intended direction of the action: interpersonal vs. organizational. Thereafter, four categories of deviance were derived from the study. The first two constructs were derived from Hollinger and Clark (1982): 1. production deviance: which is a violation of the quantity or quality of the work performed; 2. property deviance: which is the acquisition or damaging of property belonging to the organization; 3. political deviance: which is the engagement of a social interaction that puts others at a political/personal disadvantage; and 4. personal aggression: behaving in a hostile manner toward other individuals.

There are a variety of reasons that employees may choose to engage in deviant behavior such as feelings from perceived injustice, dissatisfaction, role modeling, and thrill seeking (Bennett & Robinson, 2000; Mayer, Workman, Van Dijke, & De Cremer, 2012). Also, management may treat the employees poorly (Greenberg, 1997). It is the managers' responsibility to keep an ethical climate where their actions and behaviors discourage deviant behaviors (Litzky et al., 2006). The six factors that influence the propensity to engage in deviant behavior are: 1. the compensation/reward structure, 2. social pressures to conform, 3. negative and untrusting attitudes, 4. ambiguity about job performance, 5. unfair treatment, and 6. violating employee trust (Litzky et al., 2006). Employees who depend on commission or gratuities are more likely to participate in deviant behaviors because of the compensation/reward structure (Litzky et al., 2006). This is particularly the case when employees depend on some sort of compensation from the customer. The employee depends on the customer financially and may empathize with their position and will further justify any deviant acts under the guise of customer service (Litzky et al., 2006).

In the workplace, social pressures to conform may influence the person's needs for affiliation and acceptance. For instance, one particular group at work may have norms that may be deviant; such as hospitality service workers who may be in the practice of underreporting pooled tips (Litzky et al., 2006). Negative and untrusting attitudes by management can cause deviant behavior. Some employers feel as if they must control employees in order to get them to

behave properly (Litzky et al., 2006). The result is similar to a self-fulfilling prophecy because the negative behavior is expected. In some job types there can be ambiguity of job performance. Salespeople, customer service representatives, accountants, management consultants, financial services, and insurance professionals are professions that cross over many boundaries which can lead to added stress and low job performance. These expanded boundaries can cause confusion and lead to all types of deviance (Litzky et al., 2006). Unfair treatment is also highly likely to incite incidents of deviance (Bordia, Restubog, & Tang, 2008; Colbert, Mount, Harter, Witt, & Barrick, 2004). Employees may feel as if they can ignore rules if it interferes with them performing job tasks and are treated unfairly. Litzky et al., (2006) note that one hotel housekeeper lamented that stealing at a hotel is justified because managers are always asking for too much and customers always want something for nothing. The last factor that may cause employee workplace deviance is employee trust. Trust can be violated by a specific event or unjust treatment, such as reprimanding an employee publicly (Elangovan & Shapiro, 1998; Litzky et al., 2006). However, the deeper the relationship the employee has with the manager, the more damage the relationship will incur (Litzky et al., 2006).

The damage that deviant behavior can do to an organization is a result of various costs. The types of costs include lack of productivity consistency, higher production costs, loss of inventory control, inconsistent service quality, loss of profits, inconsistent pricing, poor service reputation, and lack of repeat business (Harris & Ogbonna, 2002; Litzky et al., 2006).

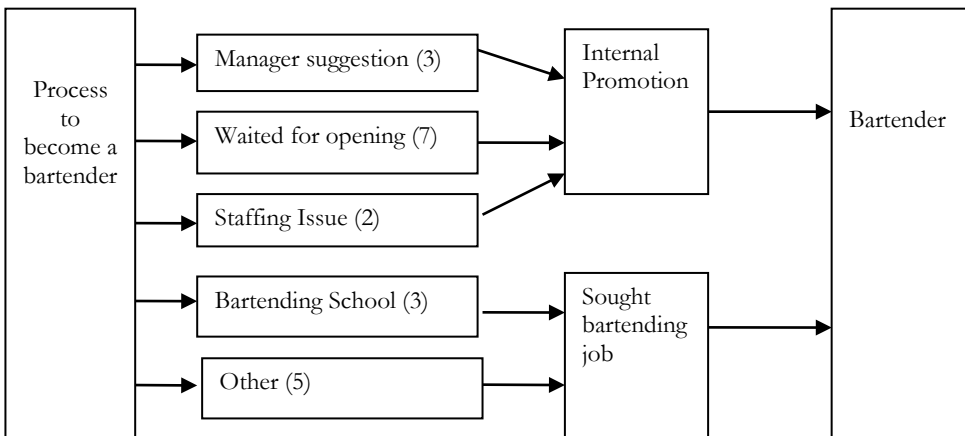
## **Methodology**

*Sample.* The participants in this study consisted of twenty bartenders located in a metropolitan city located in the southeastern United States. Bartenders were sampled from a clustered grouping of hotels, stand alone restaurants, and free standing bars. The only requirements for the study were that a person must be employed with the job title bartender and has been so for at least six months. No effort was made to ensure that any one defined group was represented as the aim of the study was to examine bartender's job perceptions.

*Procedure.* Managers were contacted by telephone or electronic mail to explain the purpose of the study and to gain permission to interview the bartenders employed by the establishment on premise. The interviews were scheduled during off-peak hours depending upon the availability of the employee. The study took place over a four week period. A semi-structured questionnaire was developed as a general guide for conducting interviews with the bartenders. Four open ended questions were composed so that when a participant answered initially, the researcher could interact to generate further comments.

## Findings and Discussion

The sample consisted of 12 females and 8 males. There was no effort made to represent any one group. Figure 1 was developed to illustrate how most of the participants in this study became bartenders. The responses generated for Figure 1 also make an inference of the citizenship behavior, self-development, which is generally characterized by the individual displaying outstanding performance and/or proceeding to increase their knowledge, skills, and abilities in the workplace (Podsakoff et al., 2000). Most of the bartenders interviewed became bartenders by internal promotion. They had been working at an establishment and were promoted as a position became available, by a manager's suggestion, or by their expressed desire. One bartender recounts: "I was a server and they just thought I was really responsible, they really liked my attitude and they just thought I'd be really good as a bartender." Others had the intention of becoming bartenders by seeking instruction as one bartender stated, "I have always been interested in doing it. I kind of just self-motivated, jumped into it, took some classes and then went hunting for a job, landed one that was good."



**Figure 1: Process of becoming a bartender, n=20**

Organizational loyalty is the citizenship behavior exemplified by supporting or protecting the business by acting responsibly (Podsakoff et al., 2000). The majority of the bartenders interviewed felt that their jobs entailed more responsibility than their co-workers. Common responsibilities mentioned were the care of the guests by monitoring alcohol intake and financial responsibilities such as a cash drawer and providing change for co-workers. A bartender expressed many of the duties in this statement:

Yes, you're responsible for more money, of course, the manager is responsible at the end of the day, but bartenders check a lot of the money, no one else does. Every time there is a problem, they see the bartender. The bartender is always smiling getting food, making drinks, working the service bar. Waiters only have 3-4 table stations.

You are always making change for everybody; no one else has as much prep or clean up. You're a quality controller and a quantity controller.

Some of the bartenders interviewed had more responsibilities such as training, and were the designated trainers for the company while a few of the bartenders stated that they took on more responsibility despite the fact they were not compensated, "I do all my liquor orderings; I do all of our inventory, if something's broken I make sure it gets fixed, but I took that responsibility on, and I enjoy it." Another bartender noted their input was valued in managerial decision making, "I train all of the new people coming in and managers ask me questions before making any decisions."

The participants were asked if they believed bartenders had more opportunities to "get away with things," (participate in deviant behavior). In this case, adherence to company rules and regulations while no one is watching is known as organizational compliance (Podsakoff et al., 2000). Many bartenders admitted that they were not "watched" while they worked. Most of the bartenders interviewed tended to agree that opportunities exist to participate in negative work behaviors. The most common forms of deviance mentioned were instances of property deviance, namely theft; however, the participants noted that there is a deliberate choice to engage in activities such as over pouring and not charging for drinks and straight theft of cash. Many bartenders affirmed the possibility with responses such as "definitely" and absolutely, but a few went on to elaborate the situations. One bartender said:

I think that genuinely depends on the people that you are working with, if you are in a good environment where people actually follow the rules and care about their co-workers, then no, they're not going to steal and they'll do things by the book. If you're in an environment where there is little employee empowerment where employees feel that they are constantly under the microscope and they have very little power to make executive decisions then yes, they're going to act out, they're going to innocently steal from the bar, but if you're in an environment where it's a family feel, then no they're not going to steal. If they're in an environment where it is very structured and very ruled, very coming down on the employees, yes, they're going to do what they can to get by.

Another felt there was not any opportunity, "No, I don't think so because we're just like servers. We have to ring in everything just like they do, and if you don't then you're responsible."

The final question participants were asked was how they felt their jobs were perceived by the general public. The responses dealt with a bartender's ability to not accept the perceived societal norm, norm avoidance. The public perception of bartending jobs as described by these interviewees varied from positive responses, negative responses, and mixed responses. Some of the

bartenders felt that the variability in perception was due to age group, "I feel that because of my age, it's perceived as appropriate for my age, being 23, but if I was in an older demographic it would be perceived in a negative way." Some felt that the public viewed all service jobs in negative light stating, "(they think)

Like I'm some kind of party person, I don't know, stuck in the restaurant business for the rest of my life. It's horrible; I think that's how they look at any job that's in a restaurant, that we're stuck here.

Some bartenders conveyed that a bad reputation went along with the job stating:

That we drink all of the time, and that we party all of the time, do drugs all of the time and I do none of that, at all. None of it. It's how we're perceived, yeah.

Those instances reflect the bartenders' acknowledgement of norm avoidance, and how they were aware of an overall perception from society, and the unfair association.

Bartenders that mentioned the positive response they have received and that it is a job people desire:

I think a lot of people really want to bartend; that is always like the wanted career in the hospitality industry. So to be a bartender is about as good as it gets in this industry, besides management.

Some bartenders felt that their social status and work persona were held in higher regard commenting:

Whenever anybody asks me what I do, I say oh, I'm a bartender; they usually tend to think it's kind of glamorous "Oh, that's cool!" That's like the cool job; you're the cool person because you're the bartender. The servers are like, the people that you work with are like, "oh that's the bartender," like we're on some sort of hierarchy, we're higher up there than servers, it's weird. I've never had anyone say, "oh, you bartend?" People think it's fun.

One bartender noted that despite the negative acceptance there is a thriving business:

I think people perceive it as being a second rate job or whatever but in my eyes I think we serve just as an important purpose as a lawyer or somebody else, people are always going to drink, without us there would be no business.

## Implications

The implications of this of this study add to what is known about the role of positive and negative deviant workplace behaviors and specifically, to the impact the influence that bartenders have upon service provision within hospitality organizations. Past research concludes that committed employees are more likely to contribute to positive organizational citizenship behavior (Bolino

& Turnley, 2003; Koys, 2003; Stamper & Van Dyne, 2003) and this commitment is positively associated with the financial performance of an organization. Of particular importance is the assertion made by Sullivan (1998) that bartender performance is positively associated with increased profitability. In spite of this, it must be mentioned that these bartenders were aware and saw opportunities to engage in deviant behavior. In order for managers and owners, to deter deviant behaviors and encourage positive citizenship behaviors, they must take the time to supervise employees and provide guidance, as many lamented that they were not monitored for long periods of time and model desired behaviors (Dineen, Lewicki, & Tomlinson, 2006). A manager's presence is often the best deterrent for deviant behaviors (Litzky et al., 2006).

### **Limitations and Opportunities for Future Research**

Although there are strengths to this study such as a comprehensive discussion of a frontline position in the hospitality industry, there are limitations to this study. The purposive sample was small due to the nature of the hospitality business, in such that there is generally a lesser amount of bartenders employed in one establishment and this study limited to one geographic area. Bartenders in other parts of the country may not be in agreement with the opinions expressed in this study. An opportunity for future investigation into the job performance of bartenders could be explored by examining the financial impacts of "popular" bartenders on a business.



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# Qualitative Responses to Pre-employment Drug Testing in the Foodservice Industry

By Miranda Kitterlin and Lisa Moll

## ABSTRACT

Employee substance abuse has long time been a topic of concern for the hospitality industry. Operating under the assumption that drug-users, and associated undesirable behavior, can be eliminated from the hiring process, many operations have adopted pre-employment drug-testing policies. Despite being represented across the industry as a major target of effort and resources, it is suggested that the perceived sensitive-nature of the subject has somewhat hindered access to qualitative information. The purpose of this research was to assess and explore the attitudes, beliefs and perceptions of both management and employees in the foodservice industry regarding pre-employment drug-testing and its impact on work performance. Through the use of a phenomenological survey, qualitative data was collected then used to identify themes in participants' perceptions of such screening policies and their effects. Results and implications of these findings are discussed.

*Key Words: drug-testing, foodservice, employee attitudes, work performance*

## INTRODUCTION

The United States Department of Health and Human Services (2009) reports that nearly 75 percent of adult drug users in the United States hold employment. With 7,652,400 adults working in the foodservice industry, one can assume that this facet of hospitality is affected by the phenomenon (Bureau of Labor Statistics, 2009). Government reports (U.S. Department of Health and Human Services, 2009) advise that when compared to their non-using counterparts, substance abusers display a higher rate of turnover, absenteeism, and workplace accidents, as well as decreased productivity. Thus, the putative effects of employee substance abuse (high employee absenteeism and turnover, crime and violence, on-the-job accidents, poor productivity, higher medical costs, low employee morale, poor decision making) result in a large cost for businesses in the industry (Elliot & Shelley, 2005). In order to reduce the likelihood of such undesired behavior, foodservice industry supervisors and employers have increasingly pushed for pre-employment drug-testing as the proactive solution. Yet, neither the actual perceived impact nor the employee perspectives on this practice have been exhaustively explored, and a review of the literature related to pre-employment drug-testing and substance abuse in employment shows implications that are inconsistent with this assumption (Kitterlin & Erdem, 2009; Levine & Rennie, 2004; Normand, Salyards, & Mahoney, 1990; Parish, 1989; Stark, 1991).

The purpose of this study was to explore the attitudes, beliefs and perceptions of foodservice employees regarding pre-employment drug-testing.

Given the lack of information on how this population perceives the practice of pre-employment drug-testing, a qualitative inquiry approach was adopted to capture the viewpoint of this integral group of stakeholders for the foodservice industry. In an attempt to fill gaps in the existing body of knowledge, the following research questions were formed:

1. How is pre-employment drug-testing in the foodservice industry perceived by foodservice employees?
2. What benefits and/or opportunities do foodservice employees in support of testing associate with pre-employment drug-testing in their industry?
3. What negative outcomes do foodservice employees associate with pre-employment drug-testing for their workplace?

## **LITERATURE REVIEW**

### **Characteristics of the Foodservice Industry**

The United States foodservice industry employment is expected to grow to 8,413,100 by 2018 (Bureau of Labor Statistics, 2009). Overall employment of these workers is expected to increase by 10 percent over the 2008-2018 decade, which is about the average forecasted for all occupations. However, the Bureau of Labor Statistics has predicted that food and beverage serving and related workers will have one of the largest numbers of new jobs arise over this projected period—about 761,000. The employment of combined food preparation and serving workers, which includes fast-food workers, is expected to increase 14 to 19 percent, which is greater than the average for all occupations, a trend that has occurred for the last decade (Bureau of Labor Statistics, 2009; National Restaurant Association, 2012). According to the National Restaurant Association (2012), restaurant-industry sales will total \$632 billion in 2012, which will comprise 4 percent of the U.S. gross domestic product.

Given the significant contribution that the restaurant industry makes to the economy, the fact that more than 4.2% of the industry's total work force consists of users of illicit drugs, accounting for more than 400,000 of the nation's foodservice employees, is a phenomenon that has garnered attention (Zuber, 1997). Empirical research has proposed that regardless of personal background, steadily employed workers are less likely to drink alcohol and/or use illicit drugs, including marijuana (Zhang & Snizek, 2003). However, statistics on substance abuse in the U.S. restaurant industry seem to contradict these findings. Of the adults working full-time in the restaurant industry between 2002 and 2004, the U.S. Substance Abuse and Mental Health Services Administration approximated that one out of every six had reported using illicit drugs. This statistic has positioned the foodservice industry as the number one ranking business category for incidence of illegal substance abuse ("Drug use highest in foodservice", 2007;

Substance Abuse and Mental Health Services Administration [SAMHSA], 2009; Zuber, 1997).

The prevalence of substance abuse in the restaurant industry can be attributed to several factors. First, the labor pool consists of workers whose average ages range from 16- to 25-years-old, an age group that tends to have a higher rate of substance abuse ("Industry must take steps", 1997; Zuber, 1997). Other factors that contribute to the phenomenon include late-night work hours, greater accessibility to cash on hand, speed and intensity of work demanded, and low management surveillance ("Industry must take steps", 1997; Spector, 2001; Zuber, 1997).

### **Organizational Justice Theory**

Organizational justice theories have previously been drawn upon to develop a systematic way of predicting the possible impact of drug programs on employee attitudes and behavior (Crant & Bateman, 1989; Greenburg, 1990). This theory suggests that workplace fairness perceptions will cause employees to react in a variety of ways, and these reactions can be attitudinal and behavioral. Employee reactions may be directed toward a specific workplace practice, the employing organization, co-workers and management, and/or the employee themselves (Crant & Bateman, 1989). Justice theories propose that an employee will respond to their judgment about the fairness of a drug-testing program by adjusting their cognition, attitude, or behavior to reduce any discomfort or dissonance they feel they are experiencing (Crant & Bateman, 1989; McClintock & Keil, 1982).

A drug-testing program that employees perceive to be unfair, or unjust, may result in actions of moral outrage and righteousness, efforts to change or beat the system, highly cohesive work groups that exhibit antagonistic behavior towards management, as well as reduced work performance (Crant & Bateman, 1989; Mark & Folger, 1984). A program perceived to be unfair may result in employee attitudes of resentment and anger, behaviors to change or beat the policy, or behaviors to deal with the injustice. Conversely, a program perceived by employees as being fair will invoke a number of desirable reactions by employees, including an increase in the employee's organizational commitment and trust in management, a decrease in turnover intention, and increased employee compliance with and support of the organization and its policies (Crant & Bateman, 1989; Folder & Greenberg, 1985; Konovsky & Cropanzano, 1991; Thibaut & Walker, 1975).

Crant and Bateman (1989) suggest that the central contextual variable that employees evaluate when determining justice is the perceived need for a drug-testing program in the workplace. A test will be perceived as fair if an employee feels that their personal benefits outweigh the personal costs of submitting to the test. In addition, if an industry is perceived by society as having a legitimate need for drug-testing policies, then it stands to reason that employees in this industry would perceive the need as significant (Crant &

Bateman, 1989; Kelley, 1973). A perceived need for drug testing is often more present in industries associated with the maintenance of public safety, industries in which employee safety is at high risk, and in industries where employees put large amounts of money at risk (e.g., banking, investment). Contrarily, if no such industry characteristics are present, employees may be more likely to question the need for a drug-testing program (Crant & Bateman, 1989).

There are several influential factors that may affect an employee's perception of drug testing. The level of employee interdependency in an organization has been cited as an influencing factor in perceptions of drug-testing business necessity (Crant & Bateman, 1989). When employees are highly dependent upon one another to produce quality work, a drug-test may be perceived as needed and/or appreciated. Employee perceptions of the need for drug-testing policies are also influenced by the individual characteristics of employees. An employee's drug-related behaviors and attitudes, demographic characteristics, use (or nonuse) of substances, general attitude toward substance use and drug-testing, and personality type will impact that employee's need perception (Crant & Bateman). It is likely that an employee who has a negative attitude towards drug use will feel a greater need for the presence of a drug-testing program; positive attitudes towards use may result in lack of perceived need. Finally, there is an expectation that an employee's personality characteristics will affect their drug-testing need perception. It is predicted that acceptance and compliance will be observed among employees who are characteristically authoritarian, and dogmatic, as well as those who have a more external locus of control (Crant & Bateman, 1989; Steiner & Johnson, 1963; Strickland, 1977). Other personality characteristics that play a role in need perception are the level of an individual's cognitive moral development, perceptions of privacy invasion, discomfort associations, and fear of false accusation (Crant & Bateman, 1989; Mastrangelo & Popovich, 2000; Rynes, 1993; Trevino, 1986).

### **Previous Hospitality-Focused Drug-Testing Research**

While organizational justice theory has been used in previous drug-testing literature, it has not yet been applied to similar studies in the hospitality industry. Kitterlin and Erdem (2009) used in-depth interviews to explore restaurant employee opinions and perceptions of substance abuse in the work place and use of pre-employment drug testing policies. Results indicated that restaurant industry employees held similar attitudes, beliefs, and perceptions towards pre-employment drug-testing in the restaurant industry, and that the majority of participants found this practice to be neither necessary nor beneficial as compared to the time, money, and personal access involved. The study's results are limited, however, as the sample size was minimal (ten participants working at two properties). A later study by Kitterlin and Moreo (2012) found related results, indicating that properties with and without pre-employment drug-testing policies displayed no significant difference in rates of absenteeism, turnover, and work-related accidents.

Despite the previous research that has been performed related to drug-testing and employment, there are still numerous questions that remain unanswered. Little research has been performed to assess either employee responses in the hospitality industry or the holistic phenomenon of drug-testing in the foodservice industry. A more comprehensive understanding of the drug-testing in foodservice is necessary to fill obvious gaps in the literature, and to pave the way for further empirical study.

## **Methodology**

Qualitative methods are called for when a complex, detailed understanding of the issue is needed, as well as when there is a desire to understand the context in which study participants address the issue (Creswell, 2007). A phenomenological survey was employed in an attempt to “reduce individual experiences with a phenomenon to a description of the universal essence” (p. 58). When using this methodology, the researchers collect data from persons who have experienced the phenomenon, the phenomenon in this context being organizations’ decisions to employ or disregard the use of pre-employment drug-testing in the foodservice industry. The phenomenological survey method has been used previously across disciplines to collect phenomenological data from larger numbers of participants (Jones, Fernyhough, & Laroi, 2010; Nayani & David, 1996; Rudmin, 1994). For a greater understanding of qualitative inquiry and research designs, including the phenomenological approach, refer to Creswell (2007).

### *Data Collection*

Responses were collected through four open-response survey questions, the goal being to obtain as much information as possible from participants on the specified subject or topic (Bogdan & Biklen, 2007). Data collection was conducted online using the Qualtrics data collection service. Participants received an email containing a brief explanation of the study and a link to the instrument. Expected time required for completion was estimated at 15-20 minutes. Participation was voluntary, and all participants were asked the same main questions. No incentive for participation was offered. Prior to beginning the online survey, participants completed an online consent form.

### *Instrument*

A review of the related literature provided the foundation for the four survey questions. Participants were asked to provide their thoughts on, perceptions of, and experiences with pre-employment drug-testing in the foodservice industry especially as it relates to the work performance aspects of employee absenteeism, turnover, and workplace safety. As is common-practice in exploratory studies, a variety of demographic information was also collected from participants, including age, gender, ethnicity, employment level (hourly or management), employment area (front- or back-of-house), number of years worked in the industry, and presence of a pre-employment drug-testing policy at their current place of employment. Prior to data collection, the online



instrument was pilot tested by twenty foodservice employees (ten hourly and ten managers) to ensure appropriate and complete content, as well as clear and concise questions.

### *Sample*

A purposive sampling process employing criterion sampling strategy was used in this study; the criteria being that participants must currently work in the foodservice industry. A sample of 182 foodservice employees was compiled, including 91 management staff and 91 hourly employees in a major southwestern U.S. city. This location was selected for ease of access and to reach a sample representative of this study population across the nation. Participants were recruited using food service listservs and social media groups, as well as through the regional chapter of the National Restaurant Association. The sample included individuals working at properties both with and without existing pre-employment drug-testing policies in place, and data collection was conducted over a three-month period.

## **Data Analysis and Results**

### *Data Analysis Procedures*

When analyzing qualitative data in a phenomenological study, the researcher attempts to reduce participant responses to significant statements (or quotes), which are then combined into themes (Creswell, 2007). Analysis consisted of the preparation and organization of the data, then reduction of the data into themes through a process of coding and condensing the codes, which could then represent the data in figures, tables or discussion. The content of each participant response was broken into 'data units'; this is described by Rubin and Rubin (2005) as "the comments made" broken down into "blocks of information that are examined together" (p. 202). Data units were then combined across the responses to bring together discussions of concepts and determine what each concept means.

Interpretive rigor was maintained during analysis through the use of within-design consistency, conceptual consistency, and consistency of inferences with each other within a study (Tashakkori & Teddlie, 2002). Participant responses were double-coded and coded by multiple researchers. Detailed records were kept of what and why interpretative decisions were made. Data were classified using categorical aggregation, and a pattern of categories was established (Creswell, 2007). Direct interpretation was used, and naturalistic generalizations were developed (Creswell, 2007).

### *Participant Demographics*

Participants were evenly divided into two groups, with 91 hourly employees and 91 management/supervisory staff. The majority of respondents reported working in front-of-house positions (54.9%). A large percentage of participants were White, non-Hispanic (69.2%) and male (67.0%). The majority of respondents were between the ages of 22 and 40 (66.5%). Respondents had

worked in the foodservice industry from 6 months to 45 years, with the average respondent having worked 13 years in the industry ( $M = 13.18$ ,  $SD = 10.34$ ). Nearly half of the respondents (47.8%) reported having had to submit to a pre-employment drug-test prior to obtaining employment at their current positions, while 52.2% reported that no such test had been required. A detailed report of participant demographics is presented in Table 1.

**Table 1**  
**Demographic Profile of Participants**

Demographic Category		N	%
<b>Age</b>	18-21 years old	10	5.5
	22-25 years old	49	26.9
	26-30 years old	28	15.4
	31-40 years old	44	24.2
	41-50 years old	25	13.7
	51-60 years old	18	9.9
	61 years and over	8	4.4
	Total	182	100.0
<b>Gender</b>	Male	122	67.0
	Female	60	33.0
	Total	182	100.0
<b>Race / Ethnicity</b>	African-American	5	2.7
	Asian-Pacific Islander	20	11.0
	Hispanic	21	11.5
	White, non-Hispanic	126	69.2
	Other	10	5.5
	Total	182	100.0
<b>Employment Level</b>	Hourly	91	50.0
	Management	91	50.0
	Total	182	100.0
<b>Employment Area</b>	Back-of-House	33	18.1
	Front-of-House	100	54.9
	Other*	25	13.7
	Both	24	13.2
	Total	182	100.0
<b>PEDT Required</b>	Yes	87	47.8
	No	95	52.2
	Total	182	100.0

\*Other employment areas included Food and Beverage Directors and Operations Directors.

### *Open Responses to Use of Pre-Employment Drug-Testing*

The first open response item focused on pre-employment drug-testing policies as they related to employee absenteeism, asking participants, “Do you think that restaurants with pre-employment drug tests have a lower rate of employee absenteeism? Why or why not?” Of the 182 participants, 47.8% of participants answered “No”, and indicated that they did not believe that a pre-employment drug test would reduce employee absenteeism in the full-service restaurant industry; 33% percent responded “Yes”, and 19.2% did not provide a response.

The second open response item focused on pre-employment drug-testing policies as they related to employee turnover, asking participants, “Do you think that restaurants with pre-employment drug tests have a lower rate of employee turnover? Why or why not?” Of the 182 total participants, 46.2% answered “No”, that turnover could not be reduced by the presence of a pre-employment drug-testing policy; 30.2% answered “Yes” and 23.6% had no response to this survey question.

The third open response item focused on pre-employment drug-testing policies as they related to work-related accidents and injuries, asking participants, “Do you think that restaurants with pre-employment drug tests have a lower rate of employee accidents and injuries? Why or why not?” Of the total 182 participants, 38.5% of participants felt that accidents and injuries could be reduced by the existence of a pre-employment drug-testing policy; 36.8% of respondents felt that accidents and injuries among restaurant industry employees would not be reduced by a pre-employment drug-testing policy, and 24.7% of participants did not respond to this survey item.

The fourth (and final) question focused on overall feelings toward the use of pre-employment drug-testing, asking participants, “What are your general feelings about pre-employment drug-testing in the restaurant industry?” In response to this item, 49% of the participants made comments that were not favorable of pre-employment drug-testing in the full-service restaurant industry; 38% of respondents made favorable comments about the practice, and 13% made comments that indicted they were indifferent of this practice. All participants responded to this survey item. Table 2 displays the responses to each of the four survey questions.

**Table 2**  
**Responses to Use of Pre-Employment Drug-Testing**

Survey Question		N	%
“Do you think that restaurants with pre-employment drug tests have a lower rate of employee absenteeism?”	Yes	60	33.0
	No	87	47.8
	No response	35	19.2
	Total	182	100
“Do you think that restaurants with pre-employment drug tests have a lower rate of employee turnover?”	Yes	55	30.2
	No	84	46.2
	No response	43	23.6
	Total	182	100
“Do you think that restaurants with pre-employment drug tests have a lower rate of employee accidents/injuries?”	Yes	70	38.5
	No	67	36.8
	No response	45	24.7
	Total	182	100
“What are your general feelings towards the use of pre-employment drug-testing in the restaurant industry?”	In favor	69	38
	Opposed	89	49
	No response	24	13
	Total	182	100

### *Themes, Ideas, and Theories*

More participants indicated that they did not consider pre-employment drug-testing to have a meaningful impact on work performance, and that they were not generally supportive of the use of this practice. This, however, did not represent an overwhelming majority opinion, thus themes were identified for both those who were and were not supportive of the practice. Concepts and themes were developed by evaluating the response content, as well as by looking at the previous literature. After developing concepts, eight themes emerged among the two groups (those not favorable and those who were favorable towards the use of pre-employment drug-testing in foodservice). Themes are represented in Table 3.

**Table 3**  
**Emergent Themes**

Participant Group	Themes
Participants who were not favorable toward pre-employment drug-testing.	<p>Test results are not indicative of work performance.</p> <p>No difference in restaurants that do and do not test.</p> <p>Drug-testing is unnecessary in foodservice.</p>
Participants who were favorable toward pre-employment drug-testing.	<p>Testing is needed for health, safety, and responsibility.</p>
Both groups; those who were favorable toward testing as well as those who were not favorable toward pre-employment drug-testing.	<p>Drug use is characteristic of the industry.</p> <p>Testing does not eliminate drug use.</p> <p>Drug use is only one variable in performance.</p> <p>Alcohol use has a great impact on work performance but is not tested.</p>

*Theme 1: Drug-Test Results are not Indicative of Employee Performance*

The first theme that emerged from analysis of participant responses was the perception that the result of a drug test is not indicative of an individual's work performance projections in foodservice. Examples of responses tied to this theme included, "I believe that a restaurant should judge the employee based on their performance at work rather than if they fail a drug test," "I don't believe people are losing their jobs because they do drugs on their off time," and "things done on your own time do not mean you will be a bad worker." With regards to test-results and accidents/injuries, many respondents expressed sentiments that "an accident is just that," indicating that a drug-screen could not test for a person's potential to have an accident. More than one participant made note that drug-testing was not being performed to address work performance at all, but instead was conducted for insurance purposes.

### *Theme 2: No Difference in Restaurants that Do and Do Not Test*

A number of respondents indicated that they had experienced employment in foodservice at both properties that did and did not use pre-employment drug-testing screens, some having worked at properties before and after implementing such a procedure. These respondents indicated that they saw no difference in absenteeism, turnover, or accidents/injuries at both types of property; an example statement to this effect being, “We currently do not drug test, while our casino partners do, and we have not seen a dramatic effect either way.” Other participants indicated that their properties maintained above average success in the areas of absenteeism and turnover, despite the absence of a pre-employment drug test, “I work at a restaurant with no drug testing and most of our employees have been there for a year to eight years,” “my establishment does not test for drugs, and our employees have an excellent accident rate.”

### *Theme 3: Drug-testing is Unnecessary in Foodservice*

A prominent theme found in the responses of participants who did not support the use of pre-employment drug-testing was that they perceived it to be unnecessary for the foodservice industry. Respondents cited testing as “not needed for a job that is not hard or hazardous,” “an invasion of privacy,” and “a waste of time and money for restaurants.”

### *Theme 4: Testing is needed for Health, Safety, and Responsibility*

Study participants who provided favorable remarks toward the use of this practice expressed perceptions related to a theme of “need for health, safety and responsibility.” Participants indicated that they felt “having a drug-test will help to weed out drug-users, who are not as responsible” and that “riskier lifestyle and poor decision making creates reliability issues.” Other statements echoing this theme were, “Drug users have a higher chance of absenteeism due to illness and inability to work,” “people with healthy lifestyles (i.e. not users) miss work less often,” “a drug-free employee cares about their job and has better priorities,” and “drug use affects your performance and ability to act safely.” Statements included in this theme appeared to be based on the assumption that drug-testing would eliminate drug use, thus eliminating drug-using employees, thus reducing accidents, absenteeism, and turnover.

### *Theme 5: Drug-Use is Characteristic of the Industry*

Several respondents felt that drug-use was a characteristic of the foodservice industry. This theme was seen in both groups (those ‘for’ and ‘against’ the practice). Respondents who were not in favor of the practice of pre-employment drug-testing for foodservice positions indicated that some performance issues, such as high rates of turnover and accidents/injuries, were unavoidable characteristics in the industry; “the industry has historically had a high turnover rate due to the fact that many employees are using that place of employment as a transitional position while they pursue other career goals,”

“Minor burns and other injuries not worthy of mention to management are so prevalent among all employees that it is unlikely drug use is a contributing factor in the injury rate. Major injuries, or those in which management are involved, are so exceedingly rare that luck, distraction, or general carelessness are more likely to be controlling factors than an employee being so affected by drugs during work hours that he/she is a danger to his/herself.” Other participants cited that drug-use is characteristic of the industry, especially because foodservice “hires so many young people and people who need a second chance,” thus, testing is necessary for the labor pool from which the industry employs.

*Theme 6: Testing Does Not Eliminate Drug Use*

Another theme seen across groups of respondents was the impression that the use of a drug-test would not prevent a drug-user from obtaining employment within the organization. Employees who did not support the use of a test felt that drug-using individuals could find a way to pass a drug-test, and still gain employment within the organization, thus defeating the purpose of this screening method; “You can easily pass a drug test if you are a user, so thinking only non-users are hired is a false assumption. I know many people who did drugs daily, used a cleanser, got jobs, and went right back to drugs, even using them before shifts.” Respondents who supported the use of a drug-test also indicated that it would not prevent all drug-users from obtaining employment, but would “help to reduce the number of drug-addicts that were hired, which were more of a problem than just drug users” as “addicts will have many issues that impact attendance – financial, health, domestic, and more.”

*Theme 7: Drug Use is Only One Variable in Performance*

Another theme found in participant responses was that they felt there were other factors related to restaurant employee work performance that have a more significant impact than drug use or the results of a drug-test. It was proposed that absenteeism, for example, could be caused by many other issues, such as “children, daycare, divorce, sick friends and family members, and juggling two jobs at the same time.” Similarly, participants found voluntary and involuntary termination to be caused by many more antecedents than drug use or drug test results, including “work environment, poor management, money, possibility of advancement, and other reasons...some people go into a restaurant and have certain expectations and they don’t happen so many people quit or they just don’t work out for the restaurant.” Examples of other statements that support this theme were, “Just because a person don’t do drugs, doesn’t mean they are not lazy,” and “drug-tests can’t tell if a person is a good worker.”

*Theme 8: Alcohol Use has a Great Impact on Performance but is Not Assessed*

A large number of respondents in both groups of participants indicated that drug use is being assessed, but not alcohol use – which seemed to be perceived as a substantial contributing factor to foodservice employee performance. Statements that contributed to the development of this theme included, “Employees miss work due to alcohol use and hangovers, yet there is



no pre-employment alcohol test in place,” “Alcohol is legal and causes more absenteeism than any other substance,” “Alcohol use is responsible for many employee accidents and injuries,” “Alcohol plays a larger role than drugs,” and “this practice needs to be expanded to include alcohol testing.” This sentiment that alcohol use cannot be overlooked when assessing work performance was present among both those in favor and opposition of pre-employment drug-testing of foodservice employees.

## **Discussion and Conclusion**

Results of this exploratory study displayed a theme of participant perception that drug use is characteristic of the foodservice industry – a sentiment found across responses, both those for and against the use of pre-employment drug-testing. This finding strongly reinforces the need for further investigation of the relationship.

Another theme found across participant responses was the impression that the use of a drug-test would not prevent a drug-user from obtaining employment within the organization. This phenomenon reinforced perceptions among those opposed to the practice that the screening process is a “waste of time and money,” while those in favor of the practice explained that the intention was not to eliminate drug users, but drug addicts. The industry may benefit from an assessment of the intended results of the practice, as well as the distribution of information to employees as to “why” this policy is in place and the justice behind its adoption. When employees understand why such a practice is in place, they may perceive it to be just, resulting in greater satisfaction / less dissonance. This same approach may be applied to the response themes that testing does not eliminate drug use and that drug use is only one variable in performance.

More participants than not indicated that they did not consider pre-employment drug-testing to have a meaningful impact on work performance, and that they were not generally supportive of the support of this practice. In context, organizational justice theory proposes that when employees do not find a practice to have a meaningful impact, that they will see it as unjust, and seek to reduce any discomfort or dissonance they are feeling by way of cognition, attitude, or behavior adjustments. This large percentage of employees that did not favor the use of this practice suggests that a large number of the population could be reacting negatively to the use of this test in establishments, and indicates a need for further investigation of this topic.

It should be noted that this did not, however, represent a majority opinion - a finding that is especially interesting when combined with the findings of previous studies. Kitterlin and Moreo (2012) found that rates of employee absenteeism, turnover, and accidents/injuries did not significantly differ between restaurants with and without a pre-employment drug-testing policy – implying that drug-testing does not impact work performance. Despite this absence of intended results, a large number of foodservice managers and employees do

perceive the use of a pre-employment drug test as effective in improving organizational work performance. It stands to reason that foodservice establishments using this testing could benefit from the conduction of a cost/benefit analysis and the communication of more information on the actual results.

An overwhelming number of participants noted the importance of including alcohol in discussions of substance abuse, work performance, and employee screening. Respondents in favor of the practice indicated a need to include alcohol testing in the screening process. Those opposed to the use of pre-employment drug-testing reasoned that alcohol is a more prevalent issue in foodservice performance, yet it is not included in the screening process. This expressed consideration to the absence of attention to alcohol use may indicate an organizational justice issue among employees in the organization, when assessment and education/information may prove beneficial.

Results clearly indicate the need for future research in this area. One suggestion is quantification of this study; a larger number of participants subject to a quantitative survey may increase the generalizability of results. Additionally, results indicated that many employees in the industry felt that drug-testing does not work and/or does not impact performance, indicating a possible need to re-evaluate the methods by which drug-testing is conducted. Another recommendation is to explore demographic differences in responses; of special interest would be a participant's own drug-use, so as to compare behaviors with perceptions. Finally, a survey of attitudes, perceptions, and beliefs of individuals employed in different industries may be beneficial. The opportunities for further investigation of this topic are vast, and results may prove to be lucrative for the industry, as well as imperative to the safety and satisfaction of those the industry employs.

The current study is not without limitations. First, the researchers did not ask respondents to report on their personal drug use, which may be a confounding factor in their perception of the practice of pre-employment drug-testing. In addition, there was a lack of ability to return to participants to ask further follow-up questions. Having future access to these respondents to investigate identified themes may have provided more in-depth and descriptive information. Despite these limitations, the current study provided greater insight into hourly foodservice employees' attitudes, beliefs, and perceptions of the use of pre-employment drug-testing in the industry.

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# **Tourist See Tourist Do: The Influence of Hollywood Movies and Television on Tourism Motivation and Activity Behavior**

**By Daniel L. Spears, Bharath M. Josiam, Tammy Kinley and Sanjukta Pookulangara**

## **ABSTRACT**

The purpose of this study was to investigate the influence of Hollywood movies and television (movies/TV) on US viewer's motivation to travel to and participate in activities featured in Hollywood movies/TV productions. A survey was administered in an online format to a convenience sample of 433 respondents via Qualtrics. Factor analysis, correlation, and regression was employed to explore relationships between the variables. Findings identified a profile of Hollywood movies/TV viewers, sources of information used to determine destination choice, and level of involvement among viewers of Hollywood movies/TV productions. Additionally, this study explored the relationships between Hollywood movies/TV productions, tourist motivations, and the propensity to participate in activities featured. Findings indicate that Hollywood movies/TV productions have a positive impact on viewer involvement and that movie/TV related tourism is likely to be affected by movie and TV viewing preference and destination image. The results identify that the predictor "TV viewing behavior" is the strongest predictor of entertainment-motivated tourism, followed by "destination image" and "movie viewing behavior." Findings also indicate that "destination image" is the strongest predictor of movie-related activities and that the image portrayed in a movie does influence the viewer's inclination to visit and participate in activities featured in a movie.

*Key Words: Hollywood, Movie/TV Viewing Behavior, Destination Image, Tourism Motivation, Tourist Activity Behaviour*

## **INTRODUCTION**

Since its inception in the early 20<sup>th</sup> century the American film industry, most commonly referred to as Hollywood, has had a profound influence on cinema, fashion, and tourism worldwide. Several studies have revealed that other than fashion industry, the tourism industry is largely influenced by Hollywood movies and television. Young and Young (2008) suggested that "there is a general belief that the consumption of film (movie) and TV productions has an effect on tourism, that is, that in some way because of their consumption of movies and TV programs, people are induced to increase or otherwise change their consumption of tourism products" (p. 195). Hudson and Ritchie (2006) stated "film tourism is a growing phenomenon worldwide, fueled by both the growth of the entertainment industry and the increase in international travel" (p. 387). Bussy and Klug (2001) suggested that media-related tourism is related to

places that are described in books or shown in TV programs or movies. Several studies have shown that movies and TV create a motivation to travel. Locations shown in these movies and television programs affect a viewer's choice in selecting a travel destination (Han & Lee, 2008; Young & Young, 2008). Cohen (1986) concluded that "movies as media fiction can act as powerful publicity" (p. 235). Therefore, tourism marketers must carefully review all aspects of movie/TV productions including target audience, storyline, and image of location being featured in the program, since all these factors are interrelated.

There has been significant growth in the tourism industry in the past several decades. The reasons for this growth are based upon increases in strategic development of resources in tourism destinations, destination marketing activities, increasing income among emerging economies worldwide, ubiquity of information; online resources, such as social media, airline ticket booking, travel guides, hotel bookings, car rentals; and inexpensive air fares. Today, people are more open and ready to explore new places, and overall need a change from their daily routine. According to Correia, Moco, and Oom do Valle (2007) there are "...many different reasons and motives that compel people to travel." They further suggested, "...these forces (reasons and motives) are perceived as being able to decrease the condition of tension felt by the individual" (p. 48).

The global tourism industry is an extremely competitive environment with direct impacts on a destinations economic vitality and sustainability. Destination Marketing Organizations (DMOs) and Destination Marketing Companies (DMCs) are continually trying to better understand why tourists are motivated to travel to one destination over another, what activities they look for, and ultimately, what influences the tourists' destination choice. Therefore, it is reasonable to conclude that destination marketers (DMO's and DMC's) need to understand those factors that motivate people to travel to their specific location in order to promote and enhance a destinations unique selling proposition. In light of the economic significance of tourism in many destinations, it would be logical to identify those relationships that exist between Hollywood movies/TV productions and tourism.

This study contributes to the literature on Hollywood movie/TV induced tourism and associated motivations and behavior. The specific objectives of this study are:

- 1) to identify sources used to identify potential travel destinations;
- 2) to identify the level of interest (*engagement & eagerness*) that viewers have in Hollywood movies/TV productions;
- 3) to explore the relationship between Hollywood movies/TV and:
  - (a) motivation to visit destinations featured in Hollywood movies/TV productions, and
  - (b) the propensity to participate in activities and consume items featured in Hollywood movies/TV productions.

## LITERATURE REVIEW

### *Hollywood Movie/TV Overview*

Olson (1999) reported that in 1995, seventy-five percent of all movie tickets sold in Europe were for Hollywood movies. This percentage has increased in recent years due to the proliferation of satellite and cable television. Today, almost 70% of all movies shown on European television are Hollywood productions. It should be noted that the propagation of Hollywood movies/TV productions is quite similar in other parts of the world, even in culturally dissimilar countries. The reason for this could be that Hollywood, with its large and affluent market base in the USA, is better able to invest in lavish sets, superior production values, well-recognized actors, and the latest technologies. As a result, Hollywood movies are extremely popular worldwide, compared to films made in other countries. Furthermore, while Hollywood produces most of its movies/TV in English, they are available to global audiences dubbed and subtitled in different languages. Because of this, Hollywood productions have captured not just Europe, but most of the global market (Graber, 2000).

Olson (1999) stated that (p. ix):

“It is widely held, in the United States and abroad, that the media instill values, beliefs, and attitudes, and therefore, crouched inside ‘Walker, Texas Ranger’ (CBS TV), or ‘Baywatch’ (syndicated TV), or *Titanic* (1997) are devices that will influence viewers around the world (especially younger ones).”

Olson (1999) further identified that it is the demand for Hollywood TV programs (such as, *Friends*, *Baywatch*, *I Dream of Jeannie*, *Bewitched*, *I love Lucy*, *Dallas*, etc.) worldwide that is responsible for the widespread reach of Hollywood in every part of the world. This is reinforced by the fact that American (Hollywood) movies have the largest share of the global film market. The author also indicated that *Dallas* (based in Dallas, Texas) was an extremely popular TV program viewed in 90 different countries for over a decade. This example illustrates the significance and popularity of American TV series throughout the world. Similarly, the commercial success of *The Lord of the Rings* movies throughout the globe has proven its contribution to New Zealand tourism. The movies were filmed in New Zealand in cooperation with the tourism board of New Zealand (Hudson & Ritchie, 2006). Olson (1999) also identified that due to its success the Hollywood movie *Titanic* (1997) generated revenues of over \$1.5 billion in countries around the globe. Hollywood movie/TV media dominate the world in production and distribution, which has a significant impact on the overall US economy. In 1997, revenues of \$215 billion were generated by Hollywood, the second largest export in the country (Olson, 1999). Thus, there can be no doubt about the magnitude of the economic, cultural, and social impact that Hollywood movies/TV productions have globally.



Bolan, Boy, and Bell (2011) categorized movie viewers into three categories: scenic/visual tourist, emotional/nostalgic tourist, and pure film tourists. The first category includes those influenced by what they see in movies/TV and expects the destination to be the same as seen in the movie/TV program. The second category includes those influenced by the narrative, characters they identify with and seek out the movie setting connected to the story. While the third category of viewers is influenced by most or all the factors in the program, they are also interested in both actual location and setting. Based on this categorization of viewers, different marketing strategies could be utilized to attract each segment. Therefore, it is reasonable to postulate that Hollywood movie/TV media can be a very powerful source for destination branding, especially when the viewer profile is known and incorporated into marketing and promotional activities.

### ***Hollywood Movies/TV and Destination Awareness***

The impact of Hollywood movies/TV on tourism, especially on travellers' destination choice has not been extensively explored in the literature. The transition of cinema from the studio to post-studio era has brought a dynamic change in the world in terms of fashion, social status, behaviour, marketing, and tourism (Eber & O'Brien, 1982). Although, American cinema has been around for over 100 years, its potential as a marketing tool has just been realized within the last 30 years (Mestre, Rey & Stanishhevski, 2008). The evolution of cinema has provided a new marketing channel of consumer goods and services such as tourism. According to Cohen (1986), in the absence of any preconceived image of a country, movies are able to communicate image of the destination/country that could be either positive or negative. Thus, this entertainment medium, if used effectively, can draw tourists' attention and increase tourism to the destination. Accordingly, movies/TV influence viewers more than any other form of media (Cohen, 1986). According to Mestre et al. (2008), the special ability of cinema to capture the human subconscious allows it to colonize the spectator's imagination easily, because its narrations are constructed depending on the verisimilitude or the so-called reality effect (pp. 185-186). This explains how movies/TV can engage the viewer through its various representations. Hence, Hollywood movies/TV programming facilitates the formation of the destination image prior to the actual visit.

### ***Hollywood Movies/TV as Travel Information Source***

Buchanan, Moore, and Fisher (2010), suggested that film tourists are 'followers' similar to pilgrims who make an effort to visit the places shown in a film. Furthermore, the influence of Hollywood goes beyond that of the movies/TV produced in the U.S., and has permeated American social and cultural life (Springer, 2000, p. 4). Springer (2000) referred to Hollywood as a "locus of mass culture," which has the ability to offer more than just entertainment. It is very difficult for tourism marketers and researchers to ignore the impact Hollywood movies/TV have on tourists and their destination choices. Hudson and Ritchie (2006) surveyed DMOs worldwide who have used film to

attract tourists in the past. Almost 60% of the DMOs stated that there was an increase in the number of tourists related to film tourism because of the collaborative efforts with film offices. However, only a very small number of DMOs actually measured the impacts of film-induced tourism at the destination level.

Previously, the main sources of information on tourism destinations were newspapers, magazines, books and radio (Jewell & McKinnon, 2008). Baloglu and McCleary (1999) identified nine different information sources: travel agents, brochures/travel guides, friends/family members, books/movies, articles/news, and direct mail from destination. Beerli and Martin (2004) explained that Gartner (1993) classified sources of information into five different categories: a) overt induced, such as mass media advertisements; b) covert induced, this refers to the use of celebrities to promote the destination; c) autonomous, using mass-media broadcasting such as, news, TV shows, documentaries, films, etc.; d) organic, means information about the destination obtained from family members and friends which is based on their own knowledge and personal experience; and e) visit to the destination. The authors explained that the destination image formed by induced, autonomous, and organic can be defined as secondary image. Alternatively, primary image is formed only after an actual visit to the specific location.

During the studio era or “golden era” of Hollywood (1920s to 1950s), movies and TV were generally filmed in one location on large production studios in Hollywood, California. This limited the audience’s exposure to the authentic elements of the featured destination, thus creating a “staged” experience based upon the movie/TV creators interpretations of the featured destination. The use of the secondary image was prevalent during this period. The use of the primary image in movies/TV became more prevalent during the post-studio era (post WWII) when productions were filmed at featured locations. Following the post-studio era, movies/TV became an important channel to obtain tourism information for the audience. Many have recognized that movies/TV have a significant impact on tourism (Cohen, 1986; Young & Young, 2008). Furthermore, movies/TV are an integral part of our society and easily available, unlike other sources of information. Several researchers have argued that movies are able to influence the viewer and their choices for travel destinations (Gammack, 2005; Jewell & McKinnon, 2008; Shani, Wang, Hudson, & Gil, 2008; Shyer, 2006).

Baloglu and McCleary (1999) suggested that already formed images help in understanding the process of destination selection by tourists. The authors further emphasized that the amount and type of information sources are key stimulus factors that prompt viewers to visit a destination. Information sources could range from promotional sources to friends and family recommendations. Kim and O’Connor (2011) found a powerful impact of TV programs on destination choice and noted increases in tourist visitation to the featured location. They also identified that the firsthand experience of movie/TV

locations stimulate revisit intentions. The impact of movies/TV is more powerful than any other source of information (Cohen, 1986). Therefore, movies/TV can be utilized as an effective promotional tool to market destinations since it has the ability to engage the viewer.

### ***Viewer Engagement with Hollywood Movies/TV***

According to Cohen (1986), the location/setting of a movie/TV affects the viewers' perception of a potential tourist destination. The impact of a movie location on the viewer's depends upon several factors such as the importance of locations in the storyline, time duration and at which point in the movie the location is featured, and how unambiguously that location is presented. Most of the time, while watching a movie, viewers tend to believe that the fictional story is reality (Mestre et al., 2008). Mestre et al. (2008) further stated that shaping an image that more or less fits reality, is attractive and picturesque enough to become tourist subject matter, and as a result, a tourist destination (p. 186). Fictional movies/TV creates a cultural image capable of disseminating the cultural image via effective storytelling, which ultimately affects viewer engagement (Bordwell, 2005; Mestre et al., 2008).

Several promotional tools such as CDs and DVDs and merchandise/souvenirs (toys, clothes, games etc.) have been used in various platforms to take advantage of the market created by movies/TV productions (Olson, 1999). Toys resembling the main characters of movies such as *Batman*, *Superman*, *Spiderman*, and *Toy Story* have been sold successfully worldwide. Olson, (1999), emphasized that media-related products and environments involve viewers in the world of fantasy. Similarly, Croy (2011) extracted characteristics of a movie, which potentially could attract tourists to a specific destination. Many characteristics of a movie could potentially be used to attract tourists, for example the genre, the extent to which movie engages the audience to personalise the story, and/or how realistically actors portray characters. Additionally, international distribution, channel of distribution, word of mouth, its discussion in the media, viewers' involvement, and credibility of the story are additional characteristics of a movie/TV production that could be leveraged to attract tourists. All these characteristics together create a destination image in the viewers' mind prior to the visit and could make a sustained economic contribution to the destination (Croy, 2011). Hence, movie/TV involvement can influence movie related tourism.

### ***Destination Image and Hollywood Movies/TV***

Based on the previous literature on media and tourism, it can be inferred that Hollywood productions play an essential role in the image formation of a destination. Hudson and Ritchie (2006) mentioned three benefits of utilizing movies to attract tourists; stronger destination image or effective destination branding, positive economic impacts, and higher tourist visitation. Therefore, for tourism marketers it is very important to be careful when highlighting a destination in a movie/TV program. A negatively projected image

may discourage tourists from visiting the destination, whereas a positive image can prove to be extremely beneficial in increasing tourists arrivals. Cohen (1986) suggested that movies are not only a source of entertainment, but their impact is so powerful that it affects the viewers' behavior and views about the world. The author also stated that channels of communication do not exhaust the channels that can inform the consumer about a country – and paints either a captivating or a detrimental picture. Movies and television are channels of communication that convey images of different destinations to potential tourists (Cohen, 1986). To utilize movies/TV as a tool for destination branding, it is very important to target filmmakers at the preproduction stage and offer them informative, yet attractive scouting destination tours (Hudson & Ritchie, 2006). In addition, at the preproduction stage DMOs should collaborate more with media productions in order to make the destination's role more active or central in the movie/TV, almost as if a character in the film or TV program. Having mentioned the name of destination, hotel, restaurant, etc. in a movie seems to add additional influence in attracting tourists. Hudson and Ritchie (2006) also emphasized that the exposure movies provide a country, city, or province as an advertisement that is viewed by potentially millions of people that normally cannot be reached via traditional tourism promotions.

### **Methodology**

A questionnaire was developed based on previous studies that included movie/TV induced tourism, impacts of movies/TV tourism on host destinations and movies/TV as a tourism driver. Furthermore, interviews and panel discussions with topic and tourism content specialists were conducted to identify additional survey items. Several questions was included regarding movies/TV viewing preference, viewing lifestyle, sources used to get information about travel destinations, level of involvement with Hollywood movie/TV productions, propensity to participate in activities at destinations featured in Hollywood movies/TV, and motivations of viewers to purchase products shown in Hollywood movies/TV productions. Data was collected using online survey software Qualtrics, a software tool for designing and administering on-line surveys.

A snowball convenience sampling technique was employed for this study. Data was collected by sending out the survey/questionnaire link initially to students at a major Southwestern University in the USA. Respondents were asked to forward the survey link to friends, family, and colleagues. Participation was voluntary, anonymous, and confidential. No compensation was provided to respondents. The factor analysis procedure was conducted to identify constructs and reliability of the scales. The internal reliability of the developed scales was assessed by Cronbach's standardized alpha. A correlation analyses was done to assess relationships between Hollywood movie/TV engagement and movie/TV motivated tourism. Additionally, correlation analysis was done to assess the relationship between movie/TV engagement and propensity to participate in activities at specific locations/destinations featured in Hollywood movies/TV

productions. Two regression models were used to determine predictors of movies/TV related activities and motivator's of movie/TV related tourism.

### ***Instrument***

The first part of the survey was a 5-item scale and comprised of questions related to movie viewing. The responses was recorded on a five-point Likert scale ranging from 1 = "Strongly Disagree" to 5 = "Strongly Agree." The second part of the survey was a 6-item scale and comprised of questions related to movie viewing lifestyle. The responses was recorded on a five-point Likert scale ranging from 1 = "Never" to 5 = "Always." The third part of the survey was a 6-item scale, similar to movie viewing preference, and comprised of questions related to TV viewing preference. The responses was recorded on a five-point Likert scale ranging from 1 = "Strongly Disagree" to 5 = "Strongly Agree." The fourth part of the survey was a 4-item scale, similar to movie viewing lifestyle, and comprised of 4 questions related to television viewing lifestyle. The responses was recorded on a five-point Likert scale ranging from 1 = "Never" to 5 = "Always."

The fifth part of the survey included questions related to media/information sources used to get ideas for travel. This scale was an amalgamation of several questions developed by our panel experts and few taken from previous tourism-related studies. The scale included 28 media/information sources that asked the participants to identify what specific sources they use to determine a travel destination. Responses was recorded on a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. The sixth part of the survey included questions related to destination image. The scale included 3-items that assessed the impression of a destination and likelihood of travel after seen in movies/TV productions. Responses was recorded on a five-point Likert scale ranging from 1 = "Never" to 5 = "Always." The seventh part of the survey was a 9-item scale that assessed the respondents' propensity to participate in activities shown in Hollywood movies/TV. Responses was recorded on a five-point Likert scale ranging from 1 = "Never" to 5 = "Always." This scale was adapted from the study conducted by Kim, Agrusa, Chon and Cho (2008) and developed in part by a panel of experts who reviewed previous scales on movie/TV related tourism. The eighth part of the survey consisted of a 7-item scale that assessed the respondents' purchasing behavior while visiting a destination influenced by Hollywood movies/TV. The responses was recorded on a five-point Likert scale ranging from 1 = "Never" to 5 = "Always." Finally, demographic information was assessed in order to provide the Hollywood movie/TV viewer profile.

## **FINDINGS**

### ***Hollywood Movie/TV Viewer Profile***

The demographic profile of the sample indicates an average age of 30.49 years, but there was a large variation (S.D. = 12.4) found among respondents. The majority of respondents was female (56.9%), single (56.9%),

and Caucasian (64.9%). Approximately a third of the participants were non students employed full time, while 20.8 percent was students who worked part time. About a third of the respondents had attended some college and approximately 49 percent had earned a bachelor's degree or higher (see Table 1).

**Table 1**  
**Demographic Profile of Respondents (N=433)**

Variables		Mode	Percentage
<b>Gender</b>	Male	124	28.6%
	Female	246	56.8%
	<b>Total</b>	<b>370</b>	<b>85.5%</b>
<b>Marital Status</b>	Single	246	56.8%
	Married	116	26.8%
	Divorced/Separated	18	4.2%
	Widow/Widower	18	4.2%
	<b>Total</b>	<b>405</b>	<b>93.5%</b>
<b>Race</b>	African-American	19	4.4%
	Asian American	26	6.0%
	Caucasian/White American	281	64.9%
	Hispanic/Latino American	49	11.3%
	Native American	2	.5%
	Bi/Multi-Racial American	2	.5%
	<b>Total</b>	<b>379</b>	<b>87.6%</b>
<b>Employment Status</b>	Full-time student (not employed)	55	12.7%
	Student and part time employed	90	20.8%
	Student and full time employed	53	12.2%
	International full-time student	12	2.8%
	Non-student-full time employed	140	32.3%
	Non-student-part-time employed	5	1.2%
	Unemployed	24	5.5%
	Retired	8	1.8%
	Homemaker	10	2.3%
	<b>Total</b>	<b>415</b>	<b>95.8%</b>
<b>Level of</b>	Some high school	7	1.6%

<b>Education</b>	High school	54	12.5%
	Some College	126	29.1%
	Associate Degree	45	10.4%
	Bachelor degree	116	26.8%
	Some Graduate School	20	4.6%
	Graduate Certificate	3	7%
	Master's Degree	21	4.8%
	Doctorate	5	1.2%
	Professional Degree	21	4.8%
	<b>Total</b>	<b>401</b>	<b>92.6%</b>

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### ***Objective 1: Sources Used to Identify Potential Travel Destinations***

Means were used to identify source characteristics used by respondents when selecting potential travel destinations (see Table 2). Almost three quarters (72.7%) of the respondents agree to strongly agree that they get their travel ideas via recommendations from friends and family who already visited a specific destination. Respondents (58.9%) further indicated that they get inspiration from travel series on travel themed TV channels, such as, National Geographic, Discovery, and the Travel Channels. Internet travel sites such as Travelocity and Expedia are used by 52.9 percent and travel guidebooks are used by 39.9 percent of the respondents. Respondents also indicated that 40.6 percent used travel magazines as a source for travel ideas. Over a third of respondents (41.6%) agree to strongly agree that their sources for travel destinations come from Hollywood movies set in specific locations such as Crocodile Dundee in Australia, Blue Hawaii in Hawaii, and Lord of the Rings in New Zealand. Television series set in different locations, such as Bizarre Foods and No Reservations, accounted for 44.1 percent of respondents' sources for travel destinations. Social networking sites such as Facebook, MySpace, and Twitter accounted for 40.7 percent of respondents' sources for travel destinations. Respondents also agree to strongly agree that hotel chain websites and destination websites was sources for selecting a travel destination by 36.9 percent and 39 percent respectively. All of the above are forms of overt, covert, autonomous, and organic secondary sources of destination image (Beerli & Martin, 2004). Respondents' further indicated that movies/TV productions (44.6%) and movie/TV stars (56.8%) was not a source for selecting travel destinations.

**Table 2**  
**Factor and Means Analysis: Sources Used to Identify Travel Destinations**

Factors	Factor Loading	N	Mean	SD	D	Nu	A	SA
<b>Factor 1: Mixed Sources</b>								
<i>Alpha = 0.848; eigenvalue = 1.0; explained variance = 16.6</i>								
Music Videos on TV	.772	422	2.56	23.8	23.8	27.5	16.4	6.0
Travel choices influenced by spotting or seeing movie/TV stars	.757	422	2.40	30.9	22.6	22.9	16.2	4.8
Magazines not movie or travel oriented (People, TV Guide)	.696	423	2.64	22.2	20.6	30	20.3	4.6
Where my favorite movie/TV stars travel	.652	411	2.30	27.9	30.9	18.7	14.5	2.8
TV shows featuring specific destinations (Survivor, Miami Vice)	.642	422	2.96	10.9	24.5	28.2	25.9	8.1
Internet social networking sites (Facebook, Twitter.)	.517	418	3.07	14.8	18.5	22.6	26.6	14.1
Billboard advertisement for travel destinations	.461	413	2.75	14.1	23.6	33.9	19.4	4.4
Recommended by friends/family of places seen in movies/TV	.470	407	2.89	10.4	23.6	31.4	23.1	5.5
<b>Factor 2: Travel Guides</b>								
<i>Alpha = 0.870; eigenvalue = 1.0; explained variance = 12.46</i>								
Books set in specific location (The Devil Wears Prada-New York)	.726	406	2.70	17.3	24.7	25.4	21.2	5.1
Books in general	.777	409	2.80	14.3	24.7	25.9	24.2	5.3
Trade shows/Conventions	.692	408	2.56	18.7	29.8	24.7	16.2	4.8
Travel agents	.629	410	2.66	18.9	24.7	25.4	20.8	4.8
Travel guide books	.566	407	3.03	12.0	18.2	23.8	34.6	5.3
Tour operators	.584	408	2.59	18.2	26.3	28.6	18.2	2.8
<b>Factor 3: Internet Sources</b>								
<i>Alpha = 0.822; eigenvalue = 1.0; explained variance = 11.85</i>								
Internet travel sites (Travelocity, Expedia)	.705	414	3.39	7.9	12.0	22.9	41.1	11.8
Internet advertising (banner ads, popups)	.607	416	2.61	20.6	25.4	26.3	18.7	5.1



Destination websites ( <a href="http://visittlasveags.com">visittlasveags.com</a> , <a href="http://go.hawaii.com">go.hawaii.com</a> )	.778	418	3.06	13.6	14.8	29.1	30.0	9.0
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Hotel chain websites ( <a href="http://marriott.com">marriott.com</a> , <a href="http://hilton.com">hilton.com</a> )	.730	418	2.98	14.8	18.2	26.6	27.9	9.0
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#### Factor 4: Broadcast Media Sources

*Alpha = 0.799; eigenvalue = 1.0;  
explained variance = 11.04*

Travel Channels (National Geographic, Travel Channel)	0.744	420	3.58	4.4	11.8	21.9	41.3	17.6
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Movies set in specific destination (Lord of the Rings-New Zealand)	0.707	424	3.22	5.5	16.6	34.2	34.2	7.4
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Movies with scenes set in different locations (Da Vinci Code)	0.639	425	3.16	6.9	18.5	33.5	30.9	8.3
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TV shows set in different locations (Bizarre Foods, No Reservations)	0.623	422	3.23	8.5	16.9	27.9	32.3	11.8
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Recommended by friends/family of places they have visited	0.586	409	3.92	3.0	4.4	14.3	48.5	24.2
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#### Factor 5: Print Media Sources

*Alpha = 0.850; eigenvalue = 1.0;  
explained variance = 8.72*

Travel section of newspaper	0.823	417	2.77	16.2	24.0	27.5	22.9	5.8
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Newspaper advertisements or inserts featuring destinations	0.746	414	2.76	15.7	24.2	29.3	20.3	6.0
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Travel magazines	0.674	418	3.08	10.6	18.9	26.3	33.0	7.6
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#### Factor 6: No External Influence

*Alpha = 0.844; eigenvalue = 1.0;  
explained variance = 6.39*

My travel decisions are not influenced by movies or TV programs	0.926	410	3.30	6.5	18.0	25.6	29.6	15.0
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My travel decisions are not influenced by movie/TV stars	0.885	409	3.65	5.1	13.4	19.2	28.9	27.9
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Note<sup>1</sup>: SD=Strongly Disagree, D=Disagree, Nu=Neutral, A=Agree, SA=Strongly Agree.

Note<sup>2</sup>: The values for level of agreement are represented in percentage. The mean represents the numeric value on the scale.

### ***Objective 2: Level of Interest Viewers have with Hollywood Movie/TV Productions***

Using factor analysis the underlying dimensions for all the variables in the study was conducted using principal component analysis with varimax rotation. A minimum Eigen value of one was used as the criterion to control the number of components extracted. Statements' loading greater than .40 on a single component was included. Through reliability analysis, Cronbach's alpha was computed for each of the components.

The sources for travel ideas (media/information sources) scale had a reliability of  $\alpha = .92$ . The scale was comprised of 28-items and included items such as, "my sources of getting ideas for travel destinations are movies with scenes set in different locations," "music videos," "travel channels," "destination websites," "recommended by friends/family," "books," "travel operators" and so on (see Table 2). The factor analysis yielded six components. Each of the components was named by the authors as follows: "mixed sources," "travel guide sources," "internet sources," "broadcast media sources," "print media sources," and "no external sources." The reliability of each factor was checked and found reliable with a Cronbach's alpha above .75 and accordingly, each variable within each factor was ranked based on their loading value (see Table 2).

### ***Movie/TV Engagement and Eagerness***

The movie interest (*engagement*) scale ( $\alpha = .76$ ) and TV interest (*engagement*) scale ( $\alpha = .82$ ) explained 68.27% and 74.19% of the total variance respectively and both scales was found to be uni-dimensional. The movie engagement scale included three items "I actively seek information and gossip about new movies before their release," "my friends and family ask me to recommend movies," and "I am considered a movie "fanatic," "buff," or aficionado" among my family and friends." The TV engagement scale had similar items as the movie involvement scale. The only difference was the term TV used instead of movie. The movie lifestyle (*eagerness*) scale was uni-dimensional with Cronbach's alpha of .85 and the variance explained was 77.68 %. The scale was comprised of three items such as, "I watch movies on the first day of release in theatres," "I watch movies on the first week of release in theatres" and so on. The TV lifestyle (*eagerness*) scale had a Cronbach's alpha of .57 and explained 50% of the variance. The scale was comprised of three items such as, "I watch my favorite TV shows on the day they premiere," and "I watch TV programs as soon as they are available online."

### ***Objective 3a: Relationship between Hollywood Movies/TV and Motivation to Visit Destinations Featured***

The scale destination image was assessed and was found to be reliable with  $\alpha = .81$  and 84% of the total variance explained. The destination image scale was also found to be uni-dimensional and addressed a single issue. The scale included the two items "I have a more favorable impression of a destination after I have seen it featured in a movie or TV program" and "I am more likely to

travel to a destination after I have seen it portrayed positively in a movie or TV program.”

***Correlation Analysis – Influence of Hollywood Movie/TV Engagement and Eagerness on Destination Image***

To identify if Hollywood movie/TV engagement and eagerness influence destination image a correlation analysis was run among the independent variables (movie engagement, TV engagement, movie eagerness, and TV eagerness) and the dependent variable (destination image). There was a significant positive correlation found between the variable “movie engagement” and “destination image” with  $r = .312, p < .001$  (see Table 4). Additionally, the variables “movie eagerness” and “destination image” had a significant positive relationship ( $r = .238, p < .001$ ). However, there was no significant relationship found between “TV engagement” & “destination image” and “TV eagerness” and “destination image.”

**Table 3**  
**Correlation Analysis - Influence of**  
**Hollywood Movie/TV Engagement and Eagerness on Destination Image**

Measure	Destination Image
Movie Engagement	.312*
Movie Eagerness	.238*
TV Engagement	.035
TV Eagerness	.035

*Note: \*p<.01*

***Objective 3b: Relationship between Hollywood Movies/TV and Movie Motivated Activities and Consumption***

The movie/TV consumption scale showed high reliability ( $\alpha = .93$ ) and explained 74.75% of the total variance. The scale was comprised of six items such as, “I have taken a movies or TV related tour when travelling,” “I make it a point to visit spots where a scene was shot from one of my favorite movies/TV show,” “I have re-enacted scenes from movies when I have traveled to the places that those movie and/or TV shows was shot” and so on. The movie/TV motivated consumption scale was also found to be uni-dimensional and addressed a single issue. The scale included seven items such as, “I purchase souvenirs that I have seen being used or purchased by movie/TV stars,” “I eat at restaurants that I have seen in a movie or TV program,” “I shop at stores/shops/malls that I have seen in a movie or TV program” and so on. This scale was reliable ( $\alpha = .94$ ) and explained 74.7% of the variance.

### ***Correlation Analysis – Influence of Hollywood Movie/TV Engagement and Eagerness on Movie Motivated Tourism***

To identify if Hollywood movie/TV engagement and eagerness influenced movie/TV motivated tourism a correlation analysis was run among the independent variables (movie engagement, TV engagement, movie eagerness, and TV eagerness) and the dependent variable (movie-motivated tourism).

There was a significant positive correlation between “movie engagement” and “movie motivated tourism” (see Table 3). Similarly, there was a significant positive relationship between “movie eagerness” and “movie motivated tourism.” A significant positive relationship was also found between “TV engagement” and “TV eagerness” and “movie motivated tourism.”

**Table 4**  
**Correlation Analysis – Influence of**  
**Hollywood Movie/TV Engagement and Eagerness on Tourism**

Measure	Movie Motivated Tourism
Movie Engagement	.223*
Movie Eagerness	.274*
TV Engagement	.277*
TV Eagerness	.277*

*Note: \* $p < .01$*

### **Regression Analysis**

Apart from above analyses, a regression model was built to identify significant predictors of movie-motivated tourism. Predictors included movie/TV engagement, movie/TV eagerness, and destination image.

#### ***Regression Model 1:***

*Independent variables:* Movie engagement, TV engagement, movie eagerness, TV eagerness, and destination image

*Dependent variable:* Movie motivated tourism

**Table 5**  
**Regression 1 – Impact of Movies/TV Engagement,**  
**Eagerness & Destination Image on Movie Motivated Tourism**

	<i>B</i>	<i>SEB</i>	$\beta$
Constant	.237	.253	
Destination Image	.217	.063	.171**
Movie Eagerness	.220	.081	.160*
TV Eagerness	.229	.056	.208**

*Note:  $R^2 = 14\%$  ( $p < .001$ ). \* $p < .01$ ; \*\* $p < .001$*

The results indicated that the three predictors explained 13% of the variance. It was identified that TV eagerness was the strongest predictor of movie-motivated tourism as followed by destination image and movie eagerness.

**Regression Model 2:**

*Independent variables:* Movie engagement, TV engagement, movie eagerness, TV eagerness, and destination image

*Dependent variable:* Movie/TV motivated activities

**Table 6**  
**Regression 2 – Impact of Movies/TV Eagerness & Destination Image on Movie Motivated Tourism Activities**

	<i>B</i>	<i>SEb</i>	$\beta$
Constant	.188	.201	
Destination Image	.347	.050	.328**
Movie Eagerness	.233	.065	.203**
TV Eagerness	.151	.045	.164**

*Note:*  $R^2 = 22\%$  ( $p < .001$ ). \*\* $p < .001$ .

Regression analysis was also conducted to assess if movie/TV engagement, movie/TV eagerness and destination image significantly predicted the participants' involvement in movie/TV related activities. The results indicated that three predictors explained 21% of the variance. It was also identified that destination image formed prior to the visit to a destination (i.e., after viewing movies) is the strongest predictor of movie related tourism activities followed by movie eagerness and TV eagerness.

**Discussion**

This study provides practical benefits to tourism marketers in understanding the profile of viewers of Hollywood movies/TV productions. This study also facilitates the understanding of the propensity of tourists to consume and take part in activities shown in Hollywood movies/TV. Based on the findings, more informed decisions regarding the utilization of available resources can be made by tourism marketers and operators. Furthermore, destination activities and products can be adapted or improved at the destination level based upon specific market expectations and characteristics.

**Information Sources**

Factor analysis facilitated the identification of market segments in relationship to how viewers of Hollywood movies/TV determine their travel decisions. The findings from this study shed light on the use and effectiveness of the various media sources traditionally used to capture this market. Findings

identified six separate information source factors: “mixed sources,” “travel guides,” “internet,” “broadcast media,” “print media,” and “no external influence.”

The “mixed sources” factor included sources for travel ideas such as music videos, likelihood of encountering an actor, and magazines that are not travel related and so on. This finding is consistent with Bolan et al. (2011), second category of movie viewer, the “emotional/nostalgic tourist” who is influenced by characters they identify with and seek out the movie setting connected to the story. This group also uses social networking sites to make travel decisions, is influenced by billboard advertisements, and uses the recommendations of friends and family when making travel decisions. Therefore, this segment can be reached via magazines, the internet, specifically social networking, and television programs featuring specific destinations. The “travel guide” factor is indicative of those influenced by books, trade shows/conventions, travel agents, tour operators, and travel guidebooks. This segment pays attention to details and locations in the written and verbal narrative and therefore, more influenced by travel guides and/or tour operators when planning their trip. This segment is consistent with Bolan et al. (2011), third category of movie viewer, the “pure film tourist” who is influenced by most or all the factors in the program and is interested in both the actual location and setting.

The “internet source” factor is representative of a segment that finds information about travel destinations via the internet. This segment utilizes information such as specific internet travel sites and is more receptive to internet advertising. They also use hotel and/or destination websites to plan their trip. This suggests that this segment is technology perceptive and more self-sufficient when looking for information about a destination and most likely influenced most by Bolan et al. (2011), third category of movie viewer, the “pure film tourist.” The “broadcast media” segment is indicative of the phrase “seeing is believing.” This segment relies on television travel channels and movie/TV productions set in specific and different destinations. They also base their decisions for travel on recommendations from family and friends. This segment seems to rely more on the visual nature of advertising and the firsthand experiences of family and friends, which ultimately facilitates their image or expectation of the destination. This finding is consistent with Bolan et al. (2011), first category of movie viewer, the “scenic/visual tourist” who is influenced by what they see in movies/TV and expects the destination to be the same as seen in the movie/TV production. The “print media” factor is representative of a segment that utilizes the travel section of the newspaper, print advertisements, and travel magazines when making their travel decisions. This segment tends to respond to traditional print sources and is representative of a segment that despite the widespread use of the internet, still reads traditional print sources and is most likely influenced by Bolan et al. (2011), third category of movie viewer, the “pure film tourist.” Findings also indicate that there is a segment of the overall market that is not influenced by movies/TV productions when making

travel decisions (“no external influence”). This segment is indicative of those that place less significance on Hollywood movies/TV when making travel decisions. They are not influenced by this medium and rely on other sources of information not identified in this study. Given this, researchers have to question whether Hollywood movies/TV have a more moderating or indirect influence on the travel decisions within this particular segment and thusly, require more in-depth study. Factor analysis has facilitated the identification of six distinct market segments within the Hollywood movie/TV viewer market, thus providing practitioners with a marketing segmentation strategy among media outlets for influencing travel motivation.

### ***Media Engagement and Participation in Movie Related Tourism***

Statistical findings support the contention that people who are eager to watch movies/TV productions, are highly engaged in movies/TV, and are more likely to participate in movie/TV related tourism. Furthermore, those that indicated a high level of movie engagement are more likely to participate in activities they seen featured in movies. Again, this is consistent with Bolan et al. (2011), first category of viewer, the “scenic/visual tourist.” Therefore, it is important for tourism marketers, DMOs, DMCs, to highlight those destination attractions and activities, especially when featured in the movies, in a manner that is consistent with the image portrayed to the viewer. This is especially relevant when there is an absence of a preconceived image (Cohen, 1986). While this is the case for movies, it is not true for television programs, thus suggesting that more emphasis be placed on movies rather than TV when looking for projects that could influence destination image. At the same time, the location must complement the story of the movie or TV program to enable viewers an opportunity to immerse themselves in the experience of the destination. This would facilitate a favorable destination image in the viewer’s mind. In addition, those who are more engaged and eager movie viewers are more likely to have a positive image of the destinations after having seen them featured in a movie. However, this was not true of those that indicated higher engagement and eagerness for TV programs. This suggests that TV has a less significant impact on the perception of the destination after seeing it depicted in TV programs. This is counter to Kim and O’Conner’s (2011) finding that TV programs have a significant impact on destination choice. Taken together, these findings suggest that movies are a more significant influential medium than TV when promoting destination image, but variation may exist based upon individual destinations and/or between market segments.

These findings further suggest that viewers with a high level of engagement in movies/TV are more likely to participate in movie-motivated tourism. Similarly, those who are eager movie/TV viewers are more likely to take a movie/TV related tour while at a destination. This suggests that people

who watch Hollywood movies/TV on a regular basis and seek movie/TV related information are more likely to visit the places featured on movies/TV productions they watch. This finding is consistent with Bolan et al. (2011) second category “emotional/nostalgic tourist” and supports Baloglu and McCleary’s (1999) assertion that the amount of information exposure is a key stimulus factor that prompts tourists to visit a destination. In a similar fashion, people who indicated a higher level of movie/TV engagement are more likely to take part in the activities such as, souvenir shopping, eating at the restaurants, staying at hotels, and attending festivals/fair/events featured or shown in their favorite movie/TV program.

### ***Media Enthusiast and Participation in Movie Motivated Tourism***

The results of the regression analysis suggest that TV and movie eagerness and a positive destination image affect movie/TV motivated activities. Similarly, positive destination image, television, and movie eagerness also encourage movie/TV motivated activities and are consistent with Bolan et al. (2011) second category of viewer the “scenic/nostalgic tourist.” This further indicates that people are more likely to travel to a destination to take a movie/TV tour, visit locations where scenes were shot, and participate in activities like surfing, skiing, etc. that they have seen movie/TV stars doing when the destination was positively portrayed in a movie/TV production.

The results from the regression analysis also revealed that the predictor “TV eagerness” was the strongest predictor of movie-motivated activities followed by “destination image” and “movie eagerness.” This could be because the viewer is exposed to TV more frequently than movies and likely indicative of Bolan et al. (2011) third category of viewer, the “pure film tourist.” In addition, TV soap operas or serials such as *Dallas*, *Magnum PI*, or *Friends*, are regularly watched by many people episode after episode, over a period of years. Hence, motivations and perceptions of the destination are continually reinforced as suggested by Hudson and Ritchie (2006) and Kim and O’Conner’s (2011). As a result, respondents may be influenced by this medium more than others. A positive image of a destination increases the probability of visiting the featured location. As discussed in the literature review, a positive image of a destination (prior to visit) is usually formed by seeing the destination in a movie or on TV production (Cohen, 1986). The results of this study further indicate that tourism marketers, specifically DMOs and official film offices should carefully select Hollywood movie or television projects that will portray a positive image of the location prior to filming.

The results from the second regression model indicated that “destination image” was the strongest predictor of Hollywood movie-motivated tourism activities. This means that a preconceived image of a destination in the viewer’s mind prompts their willingness to travel to a destination and participate in those activities they have seen in Hollywood movies/TV productions, which is



reflective of Bolan et al., (2011) “scenic/visual tourist” viewer category. Furthermore, the results support the proposition that movie/TV eagerness or viewing behavior is a significant factor in motivating the viewer to visit a destination featured in a Hollywood movie/TV production.

## **Conclusion**

Overall, the results of this study denote that the image of a destination featured affects the viewer’s inclination to visit and participate in those activities featured, especially when featured in a Hollywood movie. The destination image of a place largely depends upon how the destination is projected in a Hollywood movie/TV production. Hollywood movies and television are two major sources of information for consumers today. If the story of the Hollywood movie/TV program completely embraces the destination then viewers may be more influenced to visit the destination. According to Kim and Richardson (2003), television creates interest in the program and destination over a period of time. Television series are often watched on regular basis thus, viewers are more likely to be exposed to the destination image for a longer period. Devoted viewers of movies will search for particular film locations via the Internet and influenced by destination images, thus increasing travel motivation.

This study was an initial attempt to identify those factors that influence movie/TV viewers in relation to tourism. The findings gained from this study will be beneficial for destination marketers (DMOs and DMCs), tourism planners, managers, and the movie and television industry, as they verify that Hollywood movies and television are a significant medium in promoting tourism products and services by demonstrating the influence of Hollywood movies and television on destination choice and image. This study further demonstrates the need for additional research into media's impact on tourism.

## **Limitations**

These findings may not be generalizable to the study population because the sample was restricted to a snowball convenience sample over the internet. Future studies should be expanded to include ethnic groups and a diverse age group. The survey was administered online, which made it difficult to calculate the response rate. Additionally, this study asked participants to indicate their behavior on a questionnaire – it did not verify actual purchase or activity behavior. In future studies, it is suggested that respondents are asked more specific questions that could be used to verify media’s influence on actual purchase and activity behavior.

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# Evaluating Applicability of E-service Quality in Online Hotel Bookings

By Seung Hyun Kim, A.J. Singh and Sungsik Yoon

## ABSTRACT

This study evaluates applicability of E-service quality measurements in the context of online hotel bookings. Data was collected from an online survey of undergraduate college students at two universities in the United States. The Transaction Process-based Framework (eTransQual) conceptualized by Bauer et al. (2006) was adapted, and the dimensionality of e-service quality was identified. The study identified process/reliability as the most important factor influencing overall quality of booking websites.

*Key Words: Online hotel booking, e-service quality, hedonic dimensions, EFA.*

## INTRODUCTION

For the past decade the internet has undoubtedly become the emergent communication and distribution channel by collapsing all geographical and physical barriers, and making it a competitive marketing medium in the hospitality and tourism industry (Doolin et al., 2002). It is clear that travelers increasingly prefer interacting with travel businesses online to conveniently gather information on destinations, prices, and schedules (Greenspan, 2004; Tanford et al., 2012). In 2010, 271 million room nights were reserved through Online Travel Agencies (OTA) and the hotel's own Web page (Brand.com) representing a 28 million increase from the previous year while whole year's reserved room nights increased as much as 71 million room nights from the previous year (Smith Travel Research, 2011).

For that reason, hotels regard the internet as an effective and efficient marketing interface. For example, one of the main advantages for hotels by using electronic strategies as a distribution system is the reduction of costs (O'Connor and Frew, 2004). The cost reduction can be a crucial factor which has led to an increase of revenue by online distribution channels including OTA and Brand.com (Smith Travel Research, 2011). According to Smith Travel Research (2012), OTAs increased their revenue by \$0.7 billion, and Brand.com had \$2.0 billion increase in the year of 2010. In addition to the monetary benefits, Theodosiou and Katsikea (2012) found that hotel companies adopting electronic business (i.e. internet marketing) improved their organizational performance as a result of their superior e-business performance.

Due to the rapid expansion of internet users and channels, however, service firms have realized the importance of electronic service quality for survival in the competitive online market (Evanschitzky et al., 2004). In other words, better e-service quality has become critical for the electronic channels that have large growth potential for delivery of products and services (Evanschitzky

et al., 2004; Yen and Lu, 2008). Therefore, it is critical for management to evaluate electronic service quality in order to measure performance of electronic channels (Barrutia and Gilsanz, 2009).

A comprehensive research study published in 2012 by the HSMAI Foundation highlighted the importance of online hotel booking channels. The study concluded with the following summary: “Distribution costs have been rising steadily. As current and emerging intermediaries take advantage of an active digital travel market, they will wield substantial influence as gatekeepers, imposing fees and charges for directing the consumer traffic to the hotel. Growth in digital travel shopping will expand the transparency of hotel pricing structures putting additional competitive pressure on rates. The combination of the higher booking volumes passing through intermediaries, the costs imposed for intermediation and the pressure on rates will challenge the hotel owner and manager to maintain profit levels” (Green and Lomanno, 2012).

## **Study Objectives**

In recent years, numerous studies have extensively attempted to find and explore e-service quality in the general internet market (i.e. clothes, cosmetics, or online banking). Curiously, despite the fact that hotel reservations constitute the second most frequently purchased travel product online according to Card et al. (2003)’s empirical study, relatively few have attempted to address a detailed examination of online hotel reservation web sites. Furthermore, regarding of e-service quality dimensions, there has been minimal research examining the relationship of hedonic scale (i.e. enjoyment) while most research focused on utilitarian aspects of e-service quality.

In order to address this research gap the purpose of this study is twofold: 1) examining factor structure of e-service quality scale in the online hotel business sector, and 2) testing e-service quality dimensions’ relationships to examine whether the booking web site was influenced by e-service quality factors identified from Exploratory Factor Analysis (EFA). In order to examine not only utilitarian dimensions of e-service quality but also hedonic scales, this article adapted the Transaction Process-based Framework (eTransQual) conceptualized by Bauer et al. (2006). The present study is expected to provide marketers a better understanding of both the strengths and weaknesses of their web pages, so they can design appropriate strategies for their distribution channels. Thus, hotel companies are likely to improve their effectiveness in motivating travelers to reserve a room directly from their website (Morosan and Jeong, 2008). Furthermore, in the United States, the aggregate hotel demand growth has been minimal, an average of 1.6 percent for the past 20 years (Green and Lomanno, 2012). As such, market share increases will be dictated by those online booking sites that can shift demand from the competitor’s site to their own. In this hyper competitive distribution landscape it is critical for hotel marketers to understand factors which are important for customers when making hotel reservations online. The current study seeks to address this critical issue.

## LITERATURE REVIEW

### Online Hotel Reservation

Due to the rapid diffusion of Internet users (Li and Law, 2007), most travel arrangements have been recently conducted online. As hotels use the internet to sell and advertise their rooms and products, they are able to enhance their electronic strategies on a more cost effective distribution system (O'Connor and Frew, 2004).

Despite the benefits of online marketing, hotels are still facing substantial challenges in terms of electronic distribution due to the emergence of several online travel agents, serving as travel intermediaries between the customer and suppliers of travel products (O'Connor and Murphy, 2004). As a one-stop hotel booking portal that provides extensive and transparent information about travel products across several companies, with the benefit of deeply discounted rates, they have been attracting customers to visit and purchase the products through their channels (Morosan and Jeong, 2008). Based on the distribution channel study cited above (Green and Lomanno, 2012), the number of room night bookings at OTA sites grew from 42.5 million in 2009 to 56.5 million in 2011, representing a 33 percent increase. According to Carroll and Siguaw (2003), selling large volume of hotel rooms on OTA web sites draw hotels into a "disadvantageous position" in the travel market. To counteract the penetration of OTAs in the online hotel booking space and to persuade travelers to reserve rooms directly through the hotel-owned web sites firms are adopting several strategies (Morosan and Jeong, 2008).

### E-service Quality

While the items in the scale of traditional offline service quality were measured by comparing customers' expectations with the firms' actual service performance (Sasser, Olsen, and Wyckoff, 1978), items evaluating electronic service quality were adapted to match the electronic context (Parasuraman et al., 2005). For example, items which were part of the tangible assessment need to be substituted to items about website design or appearance on evaluations of electronic service quality (Parasuraman et al., 2005). By accepting the difference in measuring service quality between online and offline, dimensions in the evaluation of electronic service quality would be need to be developed rather than simply adapting traditional offline scales (Parasuraman et al., 2005).

Much scholarly work has been done on the topics of e-service quality and its dimensions. According to Santos (2003), E-Service Quality can be described as entire customer perceptions or evaluations of electronic service experience of the online marketplace. Several different scales have been developed to measure E-service quality.

With twelve dimensions which are informational fit to task, trust, interaction, response time, intuitiveness, design, visual appeal, innovativeness, flow-emotional appeal, integrated communication, business processes, and

substitutability, Loiacono, Watson, and Goodhue (2007) created WebQual to measure websites quality, which greatly assisted website designers. Due to limited research, however, scale developers have not included the dimension of customer service (Parasuraman et al., 2005).

Barnes and Vidgen (2001) proposed a WebQual scale with five key dimensions: tangibles, reliability, responsiveness, assurance and empathy to analyze the online book business. Empirical data were obtained from the sample of university students and staff who had visited one of three bookstore websites. However, Barnes and Vidgen (2001) focused more on the transaction-specific measurement of the bookstore sites than a comprehensive evaluation of bookstore websites' e-service quality.

The SERVQUAL scale has been employed by Barnes and Vidgen (2001), Kuo (2003), and Negash et al. (2003). In order to examine the online book trade, Barnes and Vidgen (2001) provided five major dimensions with each of two sub-dimensions: reliability (reliability, competence), tangibles (aesthetics, navigation), responsiveness (responsiveness, access), assurance (credibility, security) and empathy (communication, understanding the individual). Without hedonic dimensions, the author (2001) primarily considered the technical aspects in terms of e-service quality.

To assess service quality of online shopping providers, Zeithaml et al. (2002) and Parasuraman et al. (2005) empirically examined E-S-QUAL, a multiple item scale with core service quality aspects and four dimensions: efficiency, privacy, fulfillment and availability. According to Bauer et al. (2006), this explorative study offers the most comprehensive work on e-service quality without the important concern: lack of hedonic dimensions.

The eTailQ scale developed by Wolfinbarger and Gilly (2003), in order to measure customer perceptions of e-tailing quality. Based on their study, the authors (2003) provided four quality dimensions: fulfillment/reliability, customer service, web design and security/privacy. By using online and offline focus groups, a sorting task, and an online survey of a customer panel, Wolfinbarger and Gilly (2003) found that website design factors and fulfillment/reliability are strongly connected with the customers' judgments of websites quality.

However, most of the scales above are not enough to adequately explain e-service quality as they lack a dimension referring to hedonic quality items, (Bauer et al., 2006). Bauer et al. (2006) thus suggested a Transaction Process-based Framework (eTransQual), which includes intangible and emotional elements as well as utilitarian benefits, so as to comprehensively assess the E-service quality, and provides five quality dimensions: functionality/design, reliability, process, responsiveness and enjoyment (Bauer et al., 2006).

## METHODS

### Sample and Data Collection

Data was collected from college students enrolled in two US Eastern- and Midwestern universities. A total of 271 respondents responded to the web-based survey. Of those, ten incomplete or duplicate responses were identified and deleted. Thus, 261 responses were kept in the valid sample, including not only college students, the targeted study population, who booked hotel rooms through an OTA or brand.com website, but also those who did not. The sample screening procedure resulted in a final sample of 164 college students, representing 63% of the 261 survey respondents, who booked hotel(s) through one of those booking channels at least once while enrolled in college prior to the survey being conducted. Most respondents were 22 years old or younger. Approximately, two-thirds of respondents were female (65.6 percent). The majority of the total respondents were White/Caucasian (72.6%).

### Measurements

Constructs in the proposed model were evaluated using multiple item measures. All measures were modified to reflect the context of online hotel booking. Five dimensions of e-service quality were measured by 25 items developed by Bauer et al. (2006). Perceived value was measured as the level of agreement with three cost/benefit statements adopted from Bauer et al. (2006). An illustration of this measure is: “this website is a convenient way to make an online hotel reservation.” Customer’s satisfaction was measured by four items, as proposed by Henning-Thurau et al. (2002). An illustration of this measure is: “my choice to book a hotel from this website was a wise one.” Reuse intention was measured by three items in line with Homburg and Griering (2000). An example of an item measuring reuse intentions was: I will do more hotel booking with the website in the next few years. All items were evaluated using a five-point Likert scale ranging from very strongly disagree (1) to very strongly agree (5).

### Data Analysis

Exploratory Factor Analysis (EFA) was undertaken to evaluate applicability of e-service quality in a hotel context by identifying underlying dimensions of e-service quality and, if necessary, to reduce a number of variables- in other words, scale refinement. Next, multiple regression analysis was employed to test the relationship of e-service quality scales, which are derived from EFA, on overall quality. Since the eTransQual framework was not originally based on a hotel context, EFA was undertaken to examine applicability of those scales in the online hotel booking setting. With the results from EFA, multiple regression analysis was employed to decide which relationships are significant between e-service quality dimensions and customer’s perceived overall quality.



## RESULTS

### Exploratory Factor Analysis

In order to measure the appropriateness of factor analysis, the Kaiser-Meyer-Olkin (KMO) measure and the Bartlett's test of sphericity were examined. Our finding indicated that the value of this measure of sampling adequacy was 0.92 which is quite a strong value (see Table 1). The chi-square value of Bartlett's test showed 2657.2. According to these two results, it was clear that our sample (n=164) can identify the underlying patterns of the e-Service quality dimensions by using factor analysis.

**Table 1**  
**Results of exploratory factor analysis: e-service quality**

Items (23)	Factor loadings			
	1	2	3	4
<i>Factor 1. Process/ reliability (8 items)</i>				
Transactions are accurately processed at this website.	.85			
Order processing at this website is handled efficiently.	.80			
Transaction processing time at this website is impressive.	.78			
Website response time is reasonable.	.77			
Personal information entered at this website is secure.	.75			
Data exchange with this website is secure.	.70			
Overnight accommodations are always available at this website.	.70			
There are a variety of hotel room types available at this website.	.69			
<i>Factor 2. Functionality/ design (7 items)</i>				
The information presented at this website is clearly presented.		.75		
The content at this website is well designed.		.74		
The content at this website is visually appealing.		.74		
I can easily navigate the content at this website.		.71		
This website provides access to relevant information.		.71		
The information presented at this website is relevant.		.70		
The information presented at this site is current.		.68		
<i>Factor 3.Responsiveness (4 items)</i>				
This website offers visitors the opportunity to connect to			.86	

an online representative for a live chat session.

This website responds promptly to inquiries.	.73
This website provides alternate channels of communication.	.71
This website provides simplistic procedures for returning visitors.	.60

*Factor 4. Enjoyment (4 items)*

The content at this website is entertaining.	.81
The content at this website is fun.	.71
I get excited when I successfully make an online hotel reservation.	.71
The content at this website can be personalized.	.62
Eigen value	10.79    2.44    1.45    1.27
Variance explained	46.92    10.61    6.32    5.52
Reliability (alpha)	0.93    0.93    0.82    0.78

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Notes: KMO = 0.919 ( $\chi^2=2,657.2$ ,  $p<0.05$ ); total variance explained = 69.4 percent; n=164

The 25 items were initially analyzed and rotated over the 164 responses with the extraction method of principal component analysis and rotation method of Varimax with Kaiser normalization. Eigenvalues greater than 1.0 was used a criterion. Two items were deleted due to the statistical criteria of similar cross-loading value which is greater than 0.4. As shown in Table 1 above, the factor extraction process indicated the results of remaining 23 items with four factor loadings. Those four factors explained 69.4 percent of the variances. In addition, each alpha levels ranged from 0.78 (Enjoyment) to 0.93 (Process/Reliability, and Functionality/design) which are consistently high.

As noted in Table 2, the mean score of the total index is 3.65 on the four factors: process/reliability (3.86), functionality/design (3.89), responsiveness (3.49), and enjoyment (3.34).

The factor, functionality/design is top ranked with a mean score of 3.89 as the most critical dimension of e-Service quality on hotel online booking websites. This dimension incorporates efficiency of navigation, accessibility of relevant content, clarity of the website, relevance of information, timeliness of information, visual appeal, professional design of online hotel booking web sites (Bauer et al., 2006).

With a mean score of 3.86, process/reliability is placed on the second most critical aspect of e-Service quality dimensions. This mean score is very close to the top ranked factor, functionality/design. This dimension includes stability of data transmission, efficiency of online order processing, waiting time,

timeliness of order delivery, accuracy of order delivery, product availability, breadth and depth of product range, and encoding of personal information (Bauer et al., 2006). When it is compared to the dimensions from eTransQual by Bauer et al. (2006), two items (availability of the web site, and confidentiality) were deleted in our findings.

Responsiveness, with a mean of 3.49, is ranked third. This dimension incorporates availability of alternative communication channels, return policy, availability of service personnel, and promptness of reactions to requests (Bauer et al., 2006). This dimension was evaluated by the study participants based on an online booking portal’s ability to react quickly to queries.

The final factor is enjoyment with a mean of 3.34. This dimension incorporates personalization of information and offerings, fun of using the web site, excitement when shopping online, and entertainment provided by the web site (Bauer et al., 2006). Our finding revealed that enjoyment is a relatively less important factor compared to other factors when customers are using online booking portals for their room reservation. By evaluating e-service quality of online hotel bookings, results of this research reveals that utilitarian benefits are more important than hedonic aspects when making a hotel room reservation.

**Table 2**  
**Distribution scores for the e-Service quality**  
**index: means, standard deviation, skewness, kurtosis,**  
**and percentage indicating level of perceived quality (N = 164)**

Factors and Items	Mean <sup>a</sup>	SD	Skewness	Kurtosis	Perceived Quality <sup>b</sup> (%)
<b>Functionality/design (7 items)</b>	3.89	0.55	0.27	0.71	78.6
The information presented at this website is relevant.	3.98	0.60	-0.51	1.53	84.9
This website provides access to relevant information.	3.95	0.61	-0.78	2.12	84.8
The information presented at this site is current.	3.95	0.67	-0.44	0.67	80.0
The information presented at this website is clearly presented.	3.93	0.63	-0.56	1.29	81.8
I can easily navigate the	3.85	0.67	-0.59	0.91	76.9

content at this website.					
The content at this website is well designed.	3.80	0.68	-0.44	0.45	72.6
The content at this website is visually appealing.	3.75	0.73	-0.45	0.22	69.4
<b>Process/reliability (8 items)</b>	3.86	0.55	0.05	1.01	76.2
There are a variety of hotel room types available at this website.	3.96	0.71	-0.97	2.33	83.1
Website response time is reasonable.	3.93	0.64	-0.81	1.91	82.7
Personal information entered at this website is secure.	3.89	0.66	-0.41	0.62	77.4
Transactions are accurately processed at this website.	3.88	0.66	-0.64	1.10	78.8
Order processing at this website is handled efficiently.	3.87	0.63	-0.35	0.63	76.9
Data exchange with this website is secure.	3.85	0.66	-0.22	0.13	73.3
Overnight accommodations are always available at this website.	3.77	0.71	-0.38	0.21	69.5
Transaction processing time at this website is impressive.	3.74	0.75	-0.42	0.08	67.9
<b>Responsiveness (4 items)</b>	3.49	0.62	-0.50	0.24	53.4
This website provides simplistic	3.62	0.76	-0.42	-0.99	62.2

procedures for returning visitors.					
This website responds promptly to inquiries.	3.57	0.73	-0.15	-0.22	55.8
This website provides alternate channels of communication.	3.54	0.77	-0.30	-0.29	56.4
This website offers visitors the opportunity to connect to an online representative for a live chat session.	3.22	0.84	-0.31	-0.88	39.1
<b>Enjoyment (4 items)</b>	3.34	0.65	-0.47	0.54	44.8
I get excited when I successfully make an online hotel reservation.	3.53	0.89	-0.77	0.37	61.2
The content at this website can be personalized.	3.31	0.89	-0.07	-0.43	42.7
The content at this website is fun.	3.27	0.78	0.25	-0.27	35.8
The content at this website is entertaining.	3.27	0.81	-0.13	-0.12	39.3
Total Index	3.65	0.59	-0.16	0.63	63.2

- 
- a. Mean scores are based on a scale of 5 = strongly agree to 1 = strongly disagree.  
b. Percentages shown combine 4 and 5 on the scale of 5 = strongly agree to 1 = strongly disagree.

Based on an analysis of factor loadings, this study indicates that four factors are important in evaluating e-service quality of online hotel booking websites: process/reliability (8 items), functionality/design (7 items), responsiveness (4 items), and enjoyment (4 items). Each factor contains four to eight variables with loadings equal or greater than 0.599 (see Table 2), and mean scores which ranging from 3.34 to 3.89. Based on the results of factor analysis, those relatively strong loadings supported that all factors are quite robust, and easily interpreted.

Table 3 calculates the discriminant validity of four factors. Based on Kline (1998), the correlation between each factor should not exceed 0.85. Although the calculated value of scale measurements between the constructs: Process/reliability and Functionality/design is relatively higher than others, it has not exceeded 0.85. Correlation between Process/reliability and Enjoyment had the least value (0.41%). We can therefore conclude that the four constructs for this study are not highly correlated.

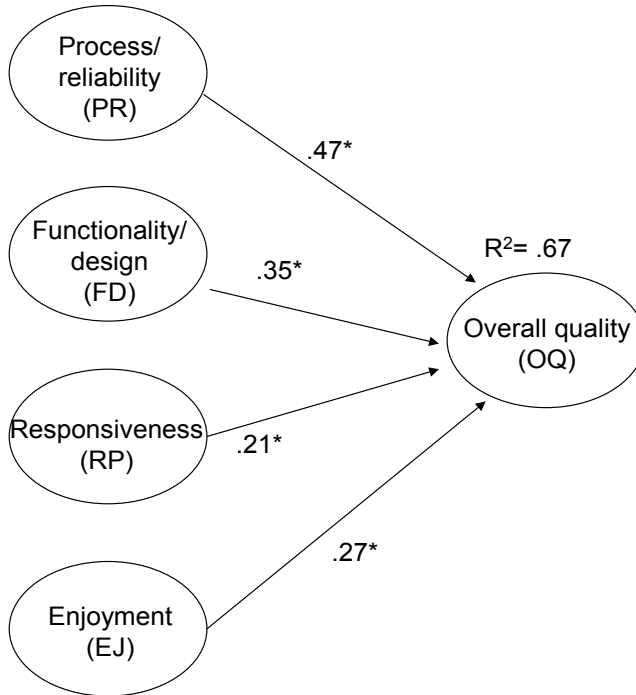
**Table 3**  
**Correlations between factors in four-factor model of the**  
**e-service quality index (N = 164)**

	Process/ reliability	Functionality/ design	Responsiveness	Enjoyment
Process/reliability	1			
Functionality/design	0.72	1		
Responsiveness	0.49	0.53	1	
Enjoyment	0.41	0.50	0.52	1

### Multiple Regression Analysis

Figure 1 presents the results of multiple regression analysis. The four factors (i.e. process/reliability, functionality/design, responsiveness, and enjoyment) revealed in the EFA were regressed across overall quality. Estimated regression coefficients are presented in Figure 1. The coefficients from process/reliability to e-satisfaction (PR → ES:  $\beta=.47$ ,  $t=2.591$ ,  $p<.05$ ), from functionality/design to e-satisfaction (FD → ES:  $\beta=.35$ ,  $t=2.48$ ,  $p<.05$ ), and from responsiveness (RP) to E-satisfaction (RP → ES:  $\beta=.21$ ,  $t=2.48$ ,  $p<.05$ ) were significant at .05 with positive relationships. Interestingly, enjoyment which is an item referring to psychological benefits, was significant (EJ → ES:  $\beta=.27$ ,  $t=2.67$ ,  $p<.05$ ). Based on the relative values of coefficients that were shown, process/reliability ( $\beta=.47$ ) has the highest level of explanatory power for overall quality when compared to other dimensions of e-service quality. The R square value for the equation is .67 implying that only 33 percent of the variance in overall quality (E-Satisfaction) is not explained by the four factors.

**Figure 1**  
**Results of Multiple Regression Analysis**



## Discussion and Implications

Current research clearly indicates the ascendancy and proliferation of online hotel booking sites and its consequence: A battle for customers between the online direct booking hotel sites and the Online Travel Agent (OTA) sites such as Expedia, Travelocity and Priceline. This competition for the customer's "eye balls" also includes Global Distribution System (GDS) sites powered by Amadeus, Sabre, Galileo and Worldspan. To further complicate the online search process, emerging online mediums such as Bing, Trip Advisor, Kayak and Google, known as Meta search sites and social sites such as Facebook are placing more pressure on hotels to make their sites attractive to the customer. In order to compete effectively in this crowded distribution market place hotel companies need to develop a closer relationship with their customers by focusing on factors that impact e-service quality when they interact with hotel websites.

The current study examined applicability of existing framework which was developed from other industry settings, and relationship between four e-service quality dimensions revealed in the EFA and user's perceived overall

quality in the setting of online hotel reservation. The findings of this study are helpful to marketers of online hotel booking websites. A primary difference between this research and previous studies was that we examined a hedonic (enjoyment) aspects as well as utilitarian benefits in online hotel bookings. Moreover, a key result from this research was that user's perceived overall quality was significantly affected by enjoyment. Implications for hotel web site designers include the need to focus on the personalization, entertainment, and fun aspects of the website experience. Hotels that successfully establish this experience interface with the customer can differentiate themselves from their competitors.

The results of the research also revealed that customers value process and reliability highly when making a hotel booking online and it was the highest contributor to their overall satisfaction. Therefore it is important for hotels to ensure that their websites provide a secure and accurate transactions environment, each transaction is processed efficiently, feedback provided instantaneously and the site allows customers to choose between wide selection of hotels and room types. Given the large volume of transactions that online customers conduct on the internet for personal consumer products and travel shopping it is not surprising that this factor has such a prominent impact on their assessment of e-service quality.

While customers like the choices available to them provided by various travel and other consumer product sites, these can also be a source of stress and information overload. Hence, effective websites have to "cut through the clutter," to reach the customer. A well designed site where information is clearly presented, easy to navigate, and has current and relevant information will be competitively better positioned to gain customer loyalty. This factor along with responsiveness, which establishes a personal relationship with the customer were also significant in their explanation of e-satisfaction.

### **Limitations**

This research attempted to measure a college student group's attitudinal beliefs about online hotel bookings. As the restricted sampling frame was from a demographically younger and educated population, the results of this study might not generalize to the general online consumer population. Also, this study has geographical limitation since the data was collected from only two Mid-western universities in the U.S. Thus, it is believed that further research with a broader and demographically heterogeneous sample is a worthwhile extension of this study.

In terms of the methods, this research analyzed the data by using exploratory factor analysis to examine the applicability of eTransQual (Bauer et al., 2006) model in the context of online hotel bookings. In addition to EFA, we did multiple regression analysis to test the relationship between e-service quality scales and overall quality. Although the present study offers a preliminary contribution to the literature concerning e-service quality in a hotel booking



context, further research is needed to examine the validity of scale relationships by using appropriate analyzing method (i.e. confirmatory factor analysis).

The current study focused on examining the applicability of an existing framework and the relationship of dimensions without differentiating the different online hotel booking channels. As the hotel's own websites do not have same characteristics of online travel agent's websites, an extension of this study may be to examine whether significant differences exist between different online distribution channels.

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# **Towards an Understanding of Lodging Asset Management and its Components**

**By Leonard A. Jackson**

## **ABSTRACT**

Lodging asset management has emerged as one of the most important areas of strategic hotel management. Increasingly, lodging companies are soliciting the services of asset management firms or developing internal asset management competencies. This article synthesizes and discusses the essential components of dynamic lodging asset management. The article provides a detail background on asset management and its importance and explains the role of lodging asset managers and their working relationships with ownership and operators. The article also discusses the competencies and skills of asset managers.

*Key Words: Hotel asset management, asset manager, hotel real estate management.*

## **INTRODUCTION**

In an era marked by scarce resources, financial and otherwise, firms are constantly faced with the persistent challenge of maximizing asset performance, while simultaneously developing strategies to make them incrementally stronger. Lodging firms have historically faced such challenges and have consistently attempted to overcome or ameliorate them by embracing and absorbing strategies and disciplines that enhance asset utilization. One such strategy is lodging asset management, which has emerged as one of the most important areas in today's strategic lodging management. In fact, asset management has become a central tenet for most lodging firms, and several have either retained the services of asset management firms, or have developed internal asset management competencies. Industry wide, the role of asset management is becoming increasingly more significant as firms seek the expertise of asset managers to assist in the delicate task of performing a balancing act between cost containment, revenue generation (Asset Management: Team Players, 2010), value creation and deciding when to shift real estate off their balance sheets (Page, 2007).

Hotels are dynamic income producing assets that are bought, developed, operated and disposed at the appropriate time. Hotels are also high risk investments, characterized by uncertain cash flows and are highly vulnerable to competition and market volatility due to the cyclical nature of the lodging industry. From a real estate operational standpoint, hotels typically have uncomplicated lease structures since rooms are rented on a daily basis. Such leases are classified as gross leases since the daily rate or "rent" includes all utilities. However, while the leasing structure is simple, the success of the property as a real estate investment is dependent on effective management of the entity operationally and strategically. As income producing real estate assets, the facility should be managed with the intent of generating positive returns on

investments, while simultaneously achieving ownership investment objectives. Asset management achieves the dual role of managing the asset through operational and strategic techniques that focus on increasing the property's value while simultaneously achieve ownership's investment objectives. In this context, lodging or hotel asset management is a dynamic multi-faceted process that occurs throughout the life of a hotel.

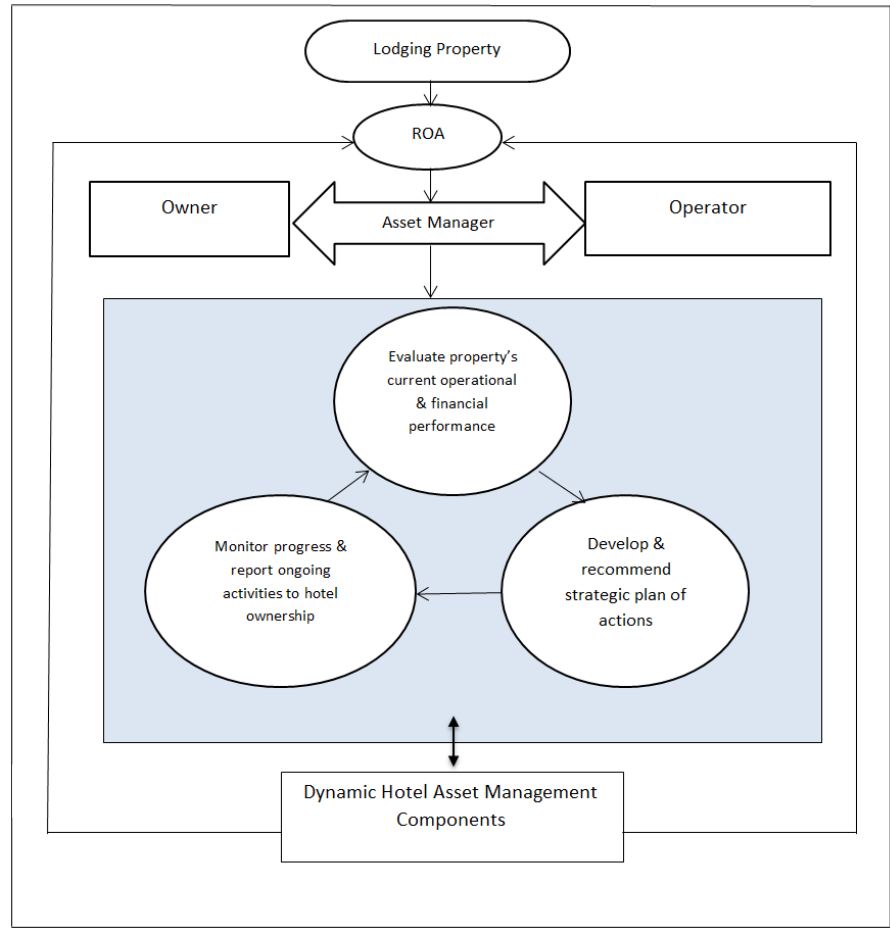
This article sheds light on hotel asset management and its role in strategic lodging real estate management. The article synthesizes, defines and discusses the dynamic role of asset management in strategic lodging management, the role and responsibilities of the hotel asset manager and the components that comprise hotel asset management. The article is not designed to explore each component in detail, since such exploration is beyond its scope. Instead, it provides a primer of each component and hence, highlights the role and importance of each component in strategic lodging management. It is hoped that this article will lead to a better understanding of hotel asset management and its components, since this area has not been amply addressed in the academic literature.

### **Hotel Asset Management & the Role of Asset Managers**

The primary objectives of hotel asset management is to ensure that each hotel within a portfolio maintains its value in relation to the market, achieve ownership investment objectives, and further, that the property is achieving optimal performance as indicated by superior operational and financial performance. Responsibility for accomplishing these objectives rests with the property's asset manager who works for the ownership and acts as an objective intermediary between ownership and the property's operator. In relation to corporate measures of performance, return on asset (ROA) correlates to market capitalization. This measure encapsulates the overall management of the asset in terms of profitable use of capital employed by the firm. Thus, the overarching goal of hotel asset management is to ensure that each property achieves optimal returns on asset. Hence, it is incumbent on asset management and consequently the property's asset manager to ensure that the property is utilized in ways that will ensure the generation of returns on capital that are superior to the overall cost of capital. Asset managers achieve such objectives through application of dynamic asset management techniques, which are based on strategies emanating from the components of dynamic asset management. These relationships are encapsulated in figure 1 (the dynamic hotel asset management model), which highlights the role of the asset manager in assisting ownership in achieving their return on assets. The model suggests that asset managers act as objective intermediaries between ownership and the property's operator. Although they act as objective intermediaries, it should be noted that asset managers are agents of the ownership, and as such, owe a fiduciary responsibility to the property's ownership. The model also illustrates that asset managers links the ownership's objective with the operation of the hotel in a dynamic ever-evolving process. Asset managers constantly evaluate each property's performance and develop a

set of value driven strategies for implementation. Once these strategies are implemented, the asset manager will monitor their progress, ensuring that they lead to positive returns on assets. Strategies are developed and implemented based on evaluation and analysis of thirteen general areas, which collectively can be described as dynamic hotel asset management components.

**Figure 1**  
**The Dynamic Hotel Asset Management Model**



**Asset Management and the Role of Lodging Asset Managers**

Although the asset manager’s role encompasses several functions, the primary responsibility of today’s lodging asset manager is to facilitate the management of lodging properties as income producing assets that are acquired, managed and disposed at the appropriate time. As such, the fundamental

function of the asset manager is to maximize the value of the property by advising ownership on the dynamics of the lodging marketplace as well operational and financial performance of the property. Thus, the asset manager must constantly assist ownership in finding ways to maximize cash flows while simultaneously recommend steps to improve market position, the physical attributes of the property, monitor the performance of the property's management by assessing their ability to consistently achieve superior returns on investments, while maintaining the overall value of the property. It is important to note that asset managers must be results oriented and should provide advice to ownership that translates into quantifiable results. This requires the utilization and application of both qualitative and quantitative performance assessment and measurement techniques which constantly interact to ensure that the asset is achieving optimal returns. This combination of techniques is critical since quantitative financial measurements by themselves are often poor indicators of the overall performance of the asset, i.e., the hotel (Zigan & Zeglat, 2010). Thus, hotel asset management extends beyond facilities management and benchmarking. Instead, it involves a dynamic process encompassing several strategic management areas.

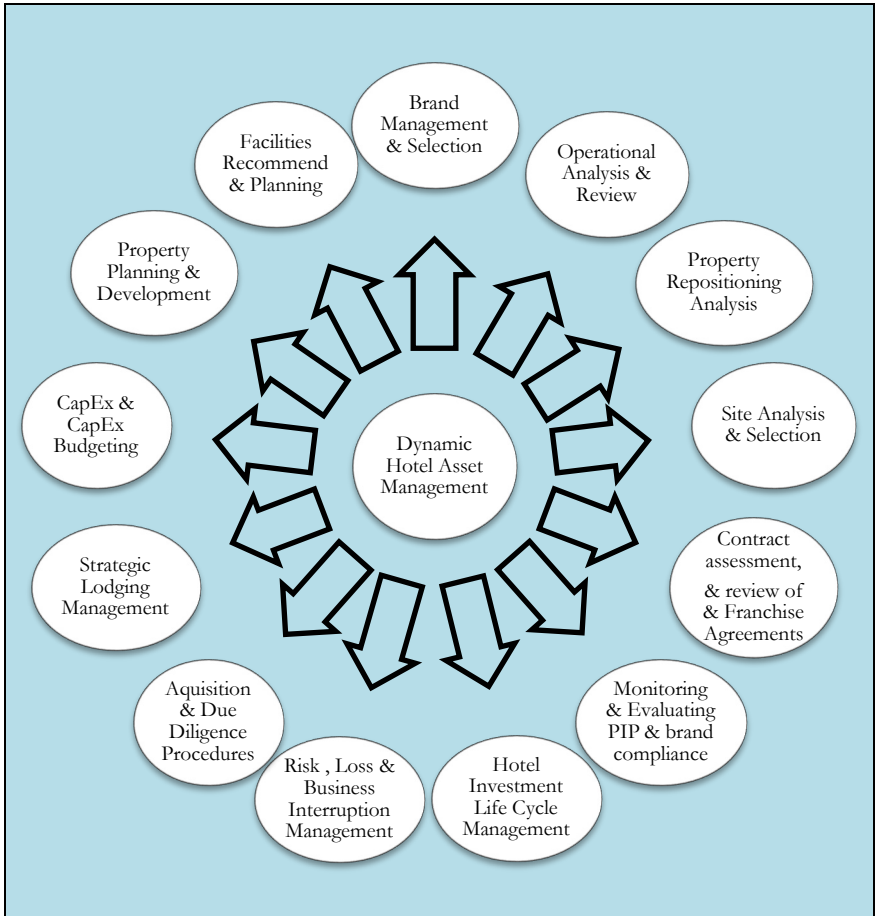
Asset managers must be adept in reviewing and interpreting financial and operational data prepared and reported by the operator. As previously noted, while asset managers act as conduits between ownership and operators, they are acting on behalf of the ownership and as such, are the ownership's agents. This role often presents challenges for asset managers since it requires balancing the strategic needs of the property's ownership with the operational and market confines of the property. Further, both parties often have conflicting goals and strategic priorities. For this relationship to work effectively there must be a high level of trust by all parties. To establish trust and credibility, hotel asset managers must possess the following essential skills and traits: they must possess excellent communication and interpersonal skills; they must be experienced in hotel operations and possess a wide array of hotel operations background; they must be fully aware of, and sensitive to the ownership's investment goals and philosophy; they must be skilled and astute in the art of negotiations; understand the dynamics of the lodging industry market, especially as it relates to the dynamics of supply and demand; display a full understanding of lodging management from the hotel manager's perspective; must be fully aware of the hotel's capital structure and critical property facilities upkeep and maintenance issues; must ensure that expenses are in keeping with industry standards (Feldman, 1995). In essence, hotel asset managers in their fiduciary role as the ownership's agent are responsible for maintaining oversight of the management company or management group especially in regards to ensuring that the hotel is ideally positioned, marketing and cost containment goals are achieved and finally, income goals are achieved (Beals, 1996).



## **Understanding the Components of Dynamic Hotel Asset Management**

Figure 2 highlights thirteen essential components of dynamic and strategic hotel asset management. These are typical tasks undertaken by a property's asset manager and include: operational analysis and review; property repositioning, analysis and strategies; site analysis and selection; contract assessment, review and franchise agreements; monitoring and evaluating product improvement plan and brand compliance; hotel investment life cycle management; risk management, loss and business interruption management; acquisition and due diligence procedures; strategic lodging management; capital expenditure and capital expenditure budgeting; property planning and development; facilities recommendation and planning and; brand management and selection. Each component work in concert with each other and as such, are not mutually exclusive. Further, the importance and necessity of each component is contingent on the type of property, the ownership structure and ownership's investment goals. Hence, some components are not necessary or appropriate certain projects. The importance requirements of each component and the role and responsibilities of the asset managers are discussed in the following section. It also should be noted that components are not discussed in order of importance.

**Figure 2**



### ***Operational Analysis & Review***

The operational analysis and review component of asset management focusses on monitoring the hotel's operational performance and developing cycles for reporting such information. Reporting cycles can be daily, weekly or monthly, based on ownership's information needs. The goal of the analysis and review is to obtain information that can aid managers of the property in optimizing operational performance while at the same time, provide information that that can be used to reduce operating costs without compromising service and increase the long term value of the property. This suggests that hotel asset managers should constantly monitor typical hotel operational statistics such as occupancy percentages, average daily rates, channel booking reports, pace reports, segment capture reports, RevPAR and review daily and monthly

financial statements. The actual results from these reports should be compared to established benchmarks such as current and prior year budgets as well as industry market reports such as those generated by Smith Travel Research of PKF consulting. Significant variances should be fully investigated and reported along with recommendations to ameliorate negative variances to the ownership and well as the hotel operator. Areas of excellent or poor performance should be highlighted and reported via abbreviated or exception reports. In addition, if variances are the result of unusual events or circumstances, such events or circumstances should also be highlighted and reported.

The asset managers should also analyze the property's cash flow position to determine if the property is generating sufficient cash flows from operations to service its financial obligations. This analysis will provide information that will allow the property's ownership to proactively and strategically make decisions as to the timing and funding of equity distributions. Another key element of operations review is analysis of the hotel's balance sheet to verify that receivables are collected by the hotel in a timely manner and payables are administered in accordance with established vendor payment terms and in accordance with the ownership's directives. Pricing of goods and services should be evaluated as part of operational review. Prices should be competitive, based on the property's primary market segments. The property's various taxes and insurance policies should also be assessed to verify that they are paid and also, that the property is fully covered under the most cost effective structures. Taxes and insurance should also be assessed to identify areas of potential cost savings.

Finally, operational analysis should include an evaluation of the property's guest service scores or guests' perception of the property. This is important since low scores or negative perception of the property can adversely impact the overall profitability of the hotel. Thus, the asset manager should carefully review these reports and make recommendations for improving scores and influencing perceptions. They should also solicit and report employee perceptions of the property and its management. Human resources statistics such as turnover rates for each functional area or department should be evaluated. These analyses of employee perception are important since they will yield information that will facilitate the property in addressing areas of employee job dissatisfaction.

### ***Property Repositioning Analysis***

Property repositioning is a strategy that hotel asset managers should consider recommending when changes in the marketplace affect how customers perceive the property. In such circumstances, the property's primary target market or its key market segments do not perceive the property as the property intends. In this regard, the hotel's asset manager must constantly conduct perception gap analysis to determine how the hotel should be positioned from the perspective of the customer and from the perspective of the hotel's brand management. If identifiable gaps exist, the hotel should be repositioned to

eliminate the gap, since such gaps could diminish the overall perceived or actual value of the property. Asset manager therefore must be cognizant of changes or shifts in the marketplace that could impact how consumers perceive the property. Consequently, the property's asset manager should analyze the market as well as the property's marketing plan to obtain a full understanding of the property's sources of demand-both transient and group, and most importantly, its market segments. The asset manager should also conduct qualitative and quantitative analysis through interviews and surveys with the property's sales and marketing team as well as its customers to ascertain how the property is positioned. Additionally, asset managers should investigate the local market to ensure that the property is appropriately positioned to capitalize on the strengths of the marketplace. These analyses will enable the asset manager in determining if the property's product service mix is appropriately positioned for its targeted segments. The asset manager should also evaluate demand generators for the property to determine how best the property should be positioned. If the property is not appropriately positioned, the asset manager should recommend the optimal repositioning strategy for the property, and reposition the property upwards or downwards. Hence, the asset manager can suggest implementing positioning strategies such as changing niches within the same flag or simply changing the flag (changing brand affiliations) to one that best fits the property's position. Other positioning strategies that asset managers can suggest include: updating our refurbishing facilities and; renovating the property or adding addition facilities and services.

### ***Site Analysis and Selection***

Asset management is also concerned with assessing locations to verify their suitability for hotel investments. This analysis must be conducted for proposed and existing properties that are under consideration for acquisition. Hence, asset managers are required to assist ownership and developers in securing the ideal site on which to situate the hotel asset. To obtain the ideal location, the asset manager will analyze long term lodging trends to identify market areas that show long term potential for hotel property investments. This process also entails choosing the appropriate lodging product that will capitalize on the local supply and demand characteristics as well as searching for, and selecting the appropriate site for the property once the determination is made that the market has long term potential and opportunities exist to capitalize on the area's supply and demand characteristics. The site should be assessed, analyzed and selected based on: its physical suitability-its size, shape and topography; its access and visibility; the availability of utilities and other essential operational services and; the relevant zoning laws, permit requirements and restrictions that are germane to the area. Evaluation weights applied to each factor based on the magnitude of importance of each factor in relation to the site, ownership's investment objectives and the proposed property's product service offerings.

The site's size, shape and topography should be evaluated to ascertain its suitability for hotel development since such factors will determine the size, types of facilities, number of guestrooms and public spaces that the property can accommodate. Development costs are also affected by the site's topography and shape. For example, sites that require extensive clearing, soil and rock removal, insertion of pilings, addition of special foundations and retaining walls will increase overall development costs. It is also advisable that the asset manager solicits or recommends that the site is evaluated by soil and structural engineers to ensure that the site is not situated in a flood zone (which will increase the property's insurance costs), and does not require easement or is situated on, or within a water table. This analysis should also be conducted for existing properties that are under considered for acquisition to ensure that the foundation of the property is sound.

The level of importance placed on access and visibility of the property should be contingent on the characteristics of the property's primary target market. Highly visible properties are those that guests or potential guest can easily see while travelling on the highways/roads close to the property. For example, a highly visible property is important if the primary target market is guests arriving by highway and need quick and easy access to the property. Conversely, visibility is not an important factor for secluded resorts that attracts guests who are drawn to the property's seclusion aspects. The site should also be evaluated to determine the availability of services such as electricity, potable water, sewage systems, telephone, natural gas, storm drainage and waste disposal systems. If such services are not readily available, the property's developer will have to implement and install these services, which ultimately adds to the development cost. In addition, asset managers in their analysis should ascertain early in the development process if connection of a hotel to existing utility systems is permitted since moratoriums often exist in areas to prevent overexertion on existing systems. The area's zoning regulations should also be reviewed to ensure that all relevant development and operations permits and licenses can be secured prior to property development or acquisition. Zoning codes will determine the property's floor/area ratios, height restrictions, and parking requirements. Operations permits and licenses are especially important since failure to obtain such licenses could be detrimental to the property's earnings potential and overall profitability.

### ***Contract Assessment and Review of Franchise Agreements***

Contract assessment and review of franchise agreements (if any) are ongoing asset management processes. All contracts and business relationships entered into by the property should be reviewed to evaluate benefits and value to the property. For most properties, the most significant contract and relationship that should be evaluated periodically are the management contract and the franchise agreement. This is an especially important element of hotel asset management since management contracts provides competitive advantages for owners and can help them penetrate markets globally (Gannon, Roper, &

Doherty, 2010 ). Consequently, ownership will enter into management contracts to oversee the operation of the asset and assess performance through measurable performance standards, while retaining limited control and bearing most of the asset risks. The terms of these contracts are usually a combination of commercial and legal terms and typically affect the hotel's cash flows to the owner and the long term performance and manageability of the property. These contracts typically include: the term of the contract-the length of time that the initial contract remains in effect and renewal terms after the initial contract expires; operating fees-the base fees that will be charged as well as performance incentive fees; operator guarantee-a guarantee that is designed to ensure that the owners will receive a predetermined profit level; performance measures-the typical performance measures are RevPAR and annual GOP; owner approval-a clause that establishes the extent to which the owner's consent is required for matters and items involving the operation of the hotel; capital expenditure-this includes expenditures for purchase or replacement of FF&E and usually represent non-real estate items that are capitalized as opposed to expensed. Capital expenditures are typically funded by the accumulated capital or replacement for reserve and the terms of the contract usually stipulates that the owner provides the funds for the capital expenditures. Asset managers should ensure that capital expenditures for replacement of FF&E are sufficient to keep the property competitive. Since all agreements are typically subjected to disputes, a significant clause in management contracts is how disputes between the owner and the management company will be resolved. Typical disputes that asset managers will encounter in their fiduciary role include those relating to budgets, performance clauses, changes in management and capital expenditures. Finally, all management contracts will stipulate the conditions under which the contract can be terminated by either party. Although there are several reasons why a management contract can be terminated, the typical reasons include bankruptcy, fraud, condemnation, poor performance, and the sale of the asset. Collectively, these termination factors can be classified as termination on sale, or termination without cause. Termination on sale occurs when owners sell the asset, unencumbered to achieve investment objectives, while termination without cause is typically constructed to ensure that the contractual relationship comes to an end without ill-will on either party (Bader & Lababedi, 2007). As previously noted, since contracts contain legal and commercial terms, it is incumbent on the asset manager to ensure that the terms of the management contract are met and further, decipher or obtain legal assistance to interpret the terms for ownership. Further, as previously noted, the asset manager's role is to align the interest of all parties. Therefore, successful management contracts recommended by asset managers should be those that address the needs of all relevant parties in the arrangement (Deroos, 2010). Further, today's hotel asset managers should ensure that they are abreast with the current status of hotel management contracts since industry wide, management contracts are in a state of flux (Eyster, 1997).

The asset manager is also responsible for managing the franchise relationship, ensuring that the franchise is managed as an asset. As such, like other assets, the franchise relationship should ultimately generate revenues for the hotel, and ultimately income for ownership. First and foremost, the role of asset management is to select the appropriate franchise for each property in the ownership's portfolio. This requires in-depth evaluation of the brand, to ensure that it's the best fit for the property and is congruent with ownership's investment objectives. Asset managers should therefore assist ownership in selecting the appropriate brand and consequently franchise at the start of the hotel's life cycle, or make recommendations about conversion or reflagging from one franchisor to another in an effort to maximize the hotel's value and profitability. The evaluation and selection of the franchise by the asset manager is important from a profitability perspective since the franchise affiliation will affect the property's ability to compete in the marketplace, its profit generating potential, its perceived image or market orientation as well as incremental benefits from referral generated business.

As with the procurement of all assets, a cost benefit analysis should be undertaken to evaluate the long benefits of the franchise affiliation as well as the overall costs of such affiliation. Typical costs include: fees and expenses associated with using the brand's name, logo, image, identity, goodwill, operational procedures, marketing, referrals, reservations and reservations systems. In general, there are six important areas that asset managers should assess and evaluate to ensure that they secure the best franchise asset for the property. These are: the brand's image; the feeder markets of the property; the total cost of the franchise affiliation; obtain a full understanding of the franchisor; the overall performance of the franchise; and the franchisor's future (Rushmore, 2001). Analyzing the brand's image is important since each brand conveys a specific image to consumer. Hence, the brand selected by the asset manager should appeal to the property's primary target market. It is also essential that asset managers understand the feeder markets or where the property's primary guests areas of origin. Once this information is known, it is important to select the franchise or brand that is easily recognizable by the primary customer segments or those brands that the primary market segments will recognize or form associations with. The total life cycle cost of the affiliation should also be fully understood by the asset manager. While these costs will differ from one franchisor to another, the typical fees that should be evaluated are broken down into the initial franchise fee, which is the initial fee to join the franchise and continuing fees, which are fees incurred during the life of the franchise agreement. Continuing fees include: *royalty fees*-compensation for use of brand name, trade mark, service marks & associated logos, goodwill & other franchise services; *advertising or market contribution fees*-brand wide advertising; *reservation fees*-supports costs associated with operating CRO, telephones, computers & CRO personnel, and third parties such as travel agents; frequent traveler program fees; and miscellaneous fees such as third party supplier support, consulting fees etc.

### ***Monitoring and Evaluating PIP and Brand Compliance***

A property's asset manager is also responsible for monitoring and evaluating its product improvement plan (PIP). The product improvement plan is a detail document outlining property upgrades and replacement before a property is accepted as one of the brand's franchisees, or for the property to maintain the brand's status. Product improvement plans are required by franchisors for two primary reasons. First, hotels that are converted from one brand to another or from independent status to the brand must adhere to the requirements and standards of the brand. This often requires renovations, repairs or upgrade of the facilities. In some cases, additional rooms must be added to meet required standards as well as installation of new signage and logos. Service standards and operational procedures must also be revised and implemented. The other instance where the PIP is required occurs when old brands revitalize to maintain their vitality in the marketplace. This revitalization also requires facility changes that must be managed. In either case, it is the responsibility of the asset manager to ensure that the requirements of the PIP are implemented in a timely manner to leverage the potential of the brand and maximize the value of the property, thereby increasing its revenue potential.

### ***Hotel Investment Life Cycle Management***

Asset managers are involved in all stages of a hotel's life cycle and advise the owner during all stages. The life cycle typically includes decisions relating to: the acquisition stage; the hold/sell/refinance decision stage; the reposition stage and; the disposition stage. During the acquisition stage, asset managers utilize their expertise in operations and finance to ensure that the expectations of all project participants are realistic regarding investment goals and objectives for the subject property and further, that an appropriate financial structure is in place. In addition, asset managers should fully understand the motives of the ownership especially as it relates to why they want to develop or acquire the property. Although ownership can be driven by several investment motives, the most common motives for acquisition and development of a hotel property are a combination of: its ability to generate positive cash flows; to obtain tax incentives; to act as a hedge against inflation; to diversify their investment portfolio; for property appreciation; and for psychological benefits (Mason & Musgrove, 2004). Once the asset managers understand ownership's motives, they should advise ownership if investment in a particular property will satisfy their motives. The asset manager should also assist the owner in selecting the management company (if the hotel will be managed) during this stage since the overall success of the hotel and its value is contingent on the management of operations. Additionally, management companies can assist ownership during the development stage of the property.

The investment goals of ownership and the property's cash flow might force the asset manager to advise ownership on the next stage, the hold/sell/ or refinance decision. As noted previously, the ultimate goal of asset management is to constantly maximize the value of existing properties. Consequently, asset



managers who adopt a dynamic approach must critically analyze the current value of the asset and make decisions regarding holding the property, selling the property or refinancing the property at the appropriate time. Accordingly, asset managers should periodically assess the marketplace to determine the best option to maximize ownership's returns on assets or achieve ownership's investment objectives. This constant assessment is important since the dynamics of the marketplace can change since the time the property was acquired, and the operational aspects of the property might not be congruent with the ownership's goals. Therefore, asset managers should project the risk adjusted cash flows for all possible options to determine the best scenario that will satisfy the ownership's goals and objectives, regarding the decision to hold, sell or refinance the property. If the hold/sell/or refinance decisions are not congruent with the goals of the ownership, then the next option for the asset manager is to suggest repositioning the property, if analysis suggests that this option will increase the value of the asset. As previously noted, repositioning the property is usually the asset manager's response to changes or shifts in the marketplace and repositioning is undertaken to either gain additional market segments or change consumer's perception of the property.

The final stage or option is usually the disposition or exit from the property. If the property is not meeting ownership's hold criteria, then the disposition option should be considered by the asset manager. The decision to dispose could be triggered by events such as the property failing to meet specific cash flow objectives. Additionally, if the initial goal of ownership is appreciation, then this stage of the cycle will kick-in when market conditions suggest that the property should be disposed to achieve the ownership's returns. Once the decision has been made to dispose the property, the asset manager should work with the relevant parties to value the property, establish the price for the property and outline the tax implications of selling the property.

### ***Risk, Loss and Business Interruption Management***

Risk management is an integral component of asset management and the principal role of asset management in this regard is to mitigate ownership's exposure to all forms of risks. In this regard, asset managers should adopt a proactive role and analyze the property to discern potential risks and take corrective actions to mitigate or eliminate such risks. Although the risk mitigation aspect of asset management does not generate direct value in terms of cash flows, it generates indirect value since it protects the ownership from potential loss and lawsuits. Asset managers as risk mitigators should conduct periodic audits to identify and document potential risks or disasters. Risks should be divided into human induced risks or disasters and naturally induced risks or disasters. Once potential risks are identified, the asset manager should develop a disaster preparedness plan and a business continuity plan. The business continuity plan should include a crisis management component as well as an operations recovery plan.

### ***Acquisition and Due Diligence Procedures***

The acquisition and due diligence function of asset management focusses on assisting ownership in taking appropriate steps to acquire the appropriate real asset that will satisfy stated investment objectives. Once the investment objectives of ownership are known, asset managers should advise ownership on the appropriate path to acquisition. Such paths include acquisition through development of a new facility, acquisition of an existing hotel at various stages of performance-a stabilized property, an underperforming property or a property that needs repositioning, or converting existing properties for hotel use. The asset manager should also advise ownership on the type, size, location and cost of the property under consideration. It is also important that the asset manager advises the ownership on the required return as well as establish the hold period of the property during the acquisition stage. It is also essential that asset managers advise ownership on an exit strategy during the acquisition stage. The strategy suggested should be contingent on whether or not ownership's goal is based on a long-term or short-term ownership strategy. For ownership with long term strategies, their goal is usually for the property to generate cash flows. Hence, periodic valuations periods should be established to ensure that stated goals are being met. Conversely, for short term acquisitions, the typical goal for ownership is usually property appreciation. Hence, targeted sale price should be established during the acquisition stage to realize targeted returns on investment.

Asset managers should also utilize their expertise to conduct due diligence analysis to investigate and determine if there are any issues or factors that could jeopardize the acquisition process or impede the property's ability to increase value or generate positive returns on investment. Hence, the due diligence undertaken by asset managers is the process undertaken to discover information needed to effectively assess whether or not the risk of investment is worth undertaking, given ownership's established investment objectives. Asset managers should develop a due diligence checklist for investigation which typically includes some or all of the following areas: rent roll analysis; lease agreement review; service and maintenance review; pending or threatened matters review; title/deed document review; property survey; government compliance review; physical inspection of the property; tax review; insurance policies; engineering studies; market studies and; a detail list of personal property to avoid disputes.

### ***Strategic Lodging Management***

The strategic lodging management component of asset management expands beyond monitoring of operational performance and routine property management, to assisting ownership in the strategic decision making processes that will ultimately enhance the property's overall value and more importantly, make decisions relating to managing the property as an investment. Strategic lodging asset management also requires asset managers to provide advice to ownership on when it is appropriate to dispose underperforming or declining assets. Thus, in general, strategic lodging asset management entails a full

understanding of ownership's investing agenda, analysis of the market, making decisions of whether or not to manage the property as an independent entity or to become affiliated with an established chain, physical plant analysis, establishing development and renovating strategies and valuation of the property. The market analysis strategic element focusses on competitor identification and analysis of the competition in regards to their location, prices and product service offerings. Further, demand generators in the area as well as addition and deletions to supply should be analyzed and their effects on the property's performance should be determined and reported to ownership. Significant demand drains such as corporate relocations should also be summarized and reported. Development and renovation strategies should focus on whether or not developing the property as an independent or chain affiliated entity would yield the best results for ownership. The strategic function of asset management requires asset managers to utilize discounted cash flow and budgeting techniques to provide ownership with a comprehensive analysis of the property's future renovations or expansions. Physical plant analysis provides ownership with an objective assessment of the property's maintenance, capital projects in progress and differed capital projects. Finally, the strategic valuation function conveys information to ownership regarding decisions affecting whether or not ownership should hold, refinance or sell the property. Such decisions are based on analyzing the operating environment to determine if the competitive landscape has changed or if future or current target markets have shifted or if the neighborhood is improving or deteriorating.

### ***Capital Expenditures and Capital Expenditure Budgeting***

The role primary of asset management in the capital expenditures and capital budgeting processes is to synthesize ownership's capital expenditure goals and facilitate communication between the ownership and the property's operators (Denton & Yiankes, 2004). In this role, the asset manager ensures that capital expenditures allocated by operators are congruent with the strategic goals of ownership. Conversely, asset managers ensure that essential capital budget expenditures such as renovation projects that will enhance the property's competitiveness are communicated effectively and urgently to ownership. The role of asset management in the capital expenditure and budgeting process can be summarized as performing four critical functions: to monitor and oversee the property's overall maintenance to ensure that the physical assets are properly maintained so that their useful lives can be extended; to oversee the capital budgeting process and to ensure that capital expenditures are utilized astutely and in a manner that is congruent with the owners objectives; to develop an effective plan to manage, monitor and forecast capital expenditures so that ownership can proactively plan future expenditures, thereby enabling the utilizing of financial resources effectively; to assist ownership in the strategic decision making process, especially when deciding if capital expenditures are necessary or discretionary (Denton & Yiankes, 2004). The role of asset management in the annual capital budgeting process is again, to act as a conduit between the ownership and the

hotel operator or management, ensuring that both parties have realistic expectations regarding capital expenditures.

Asset managers are responsible for conveying information to ownership about: the general condition of the property, highlighting areas that need capital expenditures; the life cycle status of major capital assets and; the long and short term capital expenditures needed to keep the property competitive. Conversely, asset managers convey ownership's expectations and capital expenditure priorities to the property's operator. In general, asset managers undertake the following task in the annual capital budgeting process: a review of the property and portfolio objectives of the ownership; communicate ownership's expectations to the property's operators; review and revise proposed budget as appropriate; present the final budget to the ownership for approval and; present the final budget to the property's operators for implementation (Denton & Yiankes, 2004).

### ***Property Planning and Development***

Lodging asset managers are also actively involved in the hotel planning and development process. This involvement can either be whether or not ownership decides to acquire an existing property or if ownership decides to develop a new property. If ownership decides to acquire an existing property, the asset manager's role is to assist ownership in: selecting the appropriate general geographic region that shows potential and fits the ownership's investment strategy; assisting ownership in narrowing the region to specific cities or specific market areas; identify niche markets within the target area; identify a property within the market area that fits the ownership investment objectives and; conduct a market and financial feasibility study as well as an appraisal. If an existing property is available that meets the investment criteria of ownership, the asset manager should assist ownership with the processes of: extending an offer of intent to purchase the property; negotiating the terms of the sale; selecting an appropriate operator and franchiser; conducting a formal property appraisal and; secure a mortgage and if necessary, assist in securing financial resources. If the property is developed, the asset manager will help in the property planning and implementation stages. During the planning stage, the asset manager will aid the ownership with: selecting the geographic region for the subject property; selecting cities or markets for evaluation; identify and quantify appropriate market niches; select appropriate site for the hotel development and; conduct preliminary market and economic study and appraisal. During the implementation stage, the asset manager will assist ownership with: executing the securing the property with a letter of intent; obtain relevant zoning and regulatory permits; develop and assemble the project development team; select the appropriate operator and franchiser; conduct the formal feasibility study and appraisal and; secure mortgage and obtain equity capital (Rushmore, 2002).

### ***Facilities Recommendation and Planning***

The facilities recommendation and planning function of asset management focusses on ensuring that the property provides the facilities that are appropriate for its targeted market segments. Thus, asset managers will work with the development team to ensure that the facilities are planned and selected that will encourage guest patronage. Hence, asset managers will work and consult with all relevant parties to ensure that the property's public and private spaces as well as supporting facilities provide the necessary elements that guests expect, and most importantly, will that they will induce patronage and increase the property's value. Typically, asset managers work with the development team to define and identify the types of facilities that are necessary for the property to offer value to its guests. Such facilities include: number and mix of guestrooms; recreational facilities and activities; lodging facilities; interior design; landscaping; lounge facilities; transportation and travel services; shops; utilization of the building and its surrounding natural environment; entertainment; in room amenities and entertainment; number and types of food and beverage outlets and; parking and sport facilities.

### ***Brand Management and Selection***

Asset managers also play a critical role in brand selection and brand management. Asset managers are required to evaluate prospective brands as assets, and determine which brand yields the highest net present value and offers the best brand equity for the property. Further, asset managers should ensure that the brand selected should help the property reach its targeted customer base. Each brand should be evaluated as a potential asset that will enhance the property's value and profitability. Thus, the evaluation should assess each brand's ability to maximize the property's value and revenue potential as well as its ability to assist in positioning the property in the most competitive position. In regards to brand management, the asset manager should ensure that the property's quality assurance inspections and product improvement plans are managed and followed, to ensure that the property remains competitive, and further that the property does not lose its brand affiliation. Additionally, asset managers should evaluate the elements of product improvement plans from a capital resource allocation and competitive perspective to determine which elements should be addressed immediately and which should be deferred. Finally, asset managers should work with the affiliation's brand managers and the hotel's operator to ensure that brand standards are maintained.

## **CONCLUSION**

Asset management is one of the most important areas in today's strategic hotel real estate management. Hotels are income producing real estate assets, and are developed or acquired by ownership to generate positive returns on assets. This often requires the services of asset managers who employ asset management techniques to ensure that the lodging asset is achieving its full investment potential. The primary purpose of lodging asset management is to

provide an overall unbiased perspective on the hotel's performance as an income producing asset. This information is then communicated by asset managers to ownership, investors, lenders and other relevant stakeholders to provide assurance that their interests are being addressed by the property's management. Asset management also ensures that the property's physical maintenance as well as capital expenditures to maintain or improve the property is complete. The strategic role of asset management is to implement various strategies that will increase the property's value, and assist management in translating this value into profits. This role requires asset managers to constantly monitor the onsite property management to ascertain operating performance and maintenance of the lodging asset. Asset management also dictates that asset managers makes recommendations that will improve the physical facility, increase revenue growth, provide consistent service quality, increase focus on the hotel's marketing strategy and implement expense controls. To achieve ownership's investment objectives, asset managers develop strategies by constantly assessing and analyzing the components of dynamic asset management which include : operational analysis and review; property repositioning, analysis and strategies; site analysis and selection; contract assessment, review and franchise agreements; monitoring and evaluating product improvement plan and brand compliance; hotel investment life cycle management; risk management, loss and business interruption management; acquisition and due diligence procedures; strategic lodging management; capital expenditure and capital expenditure budgeting; property planning and development; facilities recommendation and planning and; brand management and selection.

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# **Maintaining your loyal customers during hard times: An observation from the gaming industry**

**By Myongjee Yoo and Miranda Kitterlin**

## **ABSTRACT**

The Las Vegas gaming arena was one of the most severely affected consumer-oriented industries to be impacted by the recent economic recession. The purpose of this study was to investigate the impact of relational benefits on customers' behavioral loyalty in the Las Vegas gaming industry. This study particularly took a comparative approach and examined the relational impact during the economic recession and after the economic recession. Secondary data was obtained and regression analysis was performed to test the study hypothesis. The findings of this study revealed the economic recession impact on the Las Vegas gaming industry, as well as valuable insights for effective utilization of relational benefits to increase customer loyalty.

*Key Words: Customer loyalty, Behavioral loyalty, Relational benefits, Economic recession.*

## **INTRODUCTION**

The 2008 U.S. recession resulted in the deepest slump in the world economy since the 1930s. The financial crisis had a direct and immediate influence on industries throughout the world. Employment, sales, and overall economic activity drastically declined – a situation that will face years in recovery. Consumers and businesses were much more cautious about their spending than they have been in decades (Altman, 2009). Of all consumer-oriented industries, hospitality and tourism was among the most devastated, having faced decline in Gross Domestic Product (GDP), escalated oil prices, reduced airline capacity, and projected supply growth of hotel rooms (Butler, 2008). The financial crisis especially alerted Las Vegas, one of the top tourist destinations and entertainment capitals in the United States. Visitor spending and cash flow in casino hotels dropped drastically in 2007-2010, with gaming revenues falling by as much as 14% in large Las Vegas casino hotels (Eadington, 2011). Visitors not only spent less on gambling, but spent less in general, a phenomena that impacted revenues in the casino hotels' entertainment, shopping, and dining outlets (Audi & McCracken, 2008).

The financial crisis presented Las Vegas with the most striking decline of demand and spending since the traumatic effects of the 9/11 terrorist attacks in 2001 (Eadington, 2011). Competition was increasingly aggressive, and properties were even more focused on maintaining the highest occupancy rates possible so as to remain profitable in that particular economic state. Even in properties where it would appear that occupancy rates have not especially suffered, spending per patron dramatically decreased. Efforts to increase



occupancy and guest spending drove casino hotels on the Las Vegas Strip to offer unprecedented guest discounts and promotions. Even luxury and upscale properties, segments that have historically been cautious of discounting due to the potential impact on long-term image, were no exceptions. As a result, customers who previously were not eligible for special offers or special rates were exposed to abundant options at gaming properties (Shanken, 2009).

It is widely known that loyal customers are one of a company's most valuable assets because they make more purchases than non-loyal customers and are less likely to switch to a competitor brand for special pricing and promotions (Shoemaker & Lewis, 1999). The most essential theory of loyalty marketing proposes that just a minor increase in loyal customers can result in a significant increase in profitability. Thus, companies maintain that customer loyalty is a major source of competitive advantage (Reichheld & Sasser 1990). In the gaming industry, one tactic used to maintain and reward loyal customers is the use of relational benefits, such as complimentary offers, promotional gaming credits, and promotion or event offers. These relational benefits have previously been found to have a positive association with customer loyalty (Lee, Ahn, & Kim, 2008), and act as value-added, loyalty-increasing service features (Lewis, 2004; Wirtz et al., 2007).

The purpose of this study was to investigate the impact of economic relational benefits on customers' behavioral loyalty in the Las Vegas gaming industry upon and after the financial crisis. Behavior variables (visit frequency, money and time spent for gaming) and the effect of relational benefits (complimentary room offers, dining/entertainment complimentary offers, promotional gaming credits, and special event offers) among loyal patrons were assessed. This study specifically examined the behavior of loyal patrons during and after the economic recession from a comparative perspective. Findings are expected to provide valuable insights for marketers to understand the impact of the financial crisis on the loyal consumer market. The results of this study may also initiate the development of marketing tactics to proactively maintain a current loyal customer base.

## **LITERATURE REVIEW**

### **The financial crisis and the Las Vegas lodging and gaming industry**

Tourism and gaming in Las Vegas enjoyed stair-step growth in the decade leading up to the mild recession of 2001 and the traumatic events of the 9/11 terrorist attacks (Eadington, 2011). A short-lived set back, gaming and non-gaming spending resumed, contributing to stair-step growth and profitability in 2004. By 2007, numerous mega-hotel casino resorts had been constructed, each more extraordinary than the last. Grand expansion and development projects combined with rapid growth in gaming and non-gaming revenues from 1990 to 2007 built an impression that Las Vegas was immune to threat (Eisendrath, Bernhard, Lucas, & Murphey, 2008; Las Vegas Convention and

Visitors Authority, 2012). Las Vegas had evolved into the world's largest entertainment capital associated with gambling, shopping, fine dining, and entertainment (Audi & McCracken, 2008). Development continued to accelerate until 2007, when the onset of the sub-prime mortgage crisis and subsequent financial recession changed the economic state of the city dramatically (Eadington, 2011). The financial crisis was triggered by a complex mixture of valuation and liquidity problems in the United States banking. It is estimated that the financial crisis started in mid 2007 and reached its peak during the fourth quarter of 2008. It is difficult to identify its definite ending date and there have been aftershocks, but it has been estimated that the financial crisis itself was over sometime between late 2008 and mid 2009 (Ivashina & Scharfstein, 2010; Simkovic, 2009).

The financial climate has had devastating effects on both gaming revenues and non-gaming spending by visitors (Eadington, Wells, & Grossi, 2010). By June 2010, Las Vegas suffered a decrease in gaming revenues of 17.7% on the Strip and 20.4% in Downtown Las Vegas. Other tourism indicators from 2007 to 2009 reflect this negative impact: average daily rates decreased by 29.6%, occupancy rates decreased from 90.4% to 81.5%, visitation decreased 7.4% from 39.2 million visitors to 36.3 million visitors, and visitors spend less per capita on both gaming and non-gaming activities (Las Vegas Convention and Visitors Authority, 2012). Overall, the financial crisis caused an unprecedented lack of visitation and spend-per-visitor visibility (Audi & McCracken, 2008).

### **Elasticity of demand**

Average income and unemployment are major socio-economic factors that influence gambling behaviors (Paton, Siegal, & Williams, 2003). Income has been noted as a statistically significant variable for tourism demand (Gu, 1999). The financial crisis resulted in rising unemployment rates throughout the world. By June of 2009, the unemployment rate had risen to 9.5%; approximately 14.7 million individuals in the United States. This number had grown since December 2007 by about 7.2 million, with unemployment increasing by 4.6% in less than two years (U.S. Bureau of Labor Statistics, 2012).

In addition to increased unemployment, the United States witnessed considerable wage cuts and reduced income. Households were earning less, thus spending less. Reports show that spending on basic needs decreased by an average of 40% to 70% on discretionary spending during 2008 (Zogby, 2009). The national price index for personal consumption expenditures decreased 1.3% in the fourth quarter of 2008, which was revealed as the largest quarterly decline on record (U.S. Bureau of Economic Analysis, 2012).

Conversely, experts argue that demand elasticity and correlation to real Gross Domestic Product (GDP) in the U.S. lodging industry had steadily been very high. In other words, lodging demand grew higher as the U.S. economy grew (Butler, 2009). The GDP released by the U. S. Bureau of Economic Analysis decreased at an annual rate of 6.3% in the fourth quarter of

2008. For the first time in years, GDP's main driver, Personal Consumption Expenditures, decreased 4.9%. This demonstrates how drastically the lodging industry is influenced by a declining economy (U.S. Bureau of Economic Analysis, 2009).

### **Customer loyalty**

Operations within the hospitality industry understand the consequence of customer loyalty, especially as segments mature and competition strengthens. As the industry continues to saturate, features and benefits that were once introduced as differentiation points have now become easily replicable. Logically, customer loyalty has been recognized as a long-term sustainable competitive advantage key to successful businesses (Bolton, Kannen, & Bramlett, 2000; Olsen, 2005; Shoemaker & Lewis, 1999). Customer loyalty can be described as 'repeat purchase behavior followed by a favorable attitude' (Jacoby & Kyner, 1973; McAlexander, Kim, & Roberts, 2003; Rundle-Thiele & Mackay, 2001; Shoemaker & Lewis, 1999). Loyal customers are coveted because they are less costly to serve, have a greater likelihood of higher spending, and act as word-of-mouth marketers (Reichheld, 1996; Reinartz & Kumar, 2002).

Petrick (2004) identified that loyal patrons tend to make more visits to a property and spend more per visit than their non-loyal counterparts. They also bring in new customers, resulting in substantial savings in marketing and advertising expenses. Kale (2003) examined the taxonomy of casino customer segments and found that the most profitable segment showing the highest loyalty level with the casino consisted of a reasonably small portion of guests compared to other industries, and emphasized the significance of loyal customer value for the gaming industry. In addition, that particular segment generated at least twice as much the gaming revenue of other segments when there was a same retention increase rate.

It has been suggested that its multifaceted substance reflects the mixture of aspects that comprise loyalty. Loyalty has previously been examined from the two-dimensional perspective of behavioral and attitudinal factors (Backman, 1988; Dick & Basu, 1994). The behavioral perspective measures loyalty as the static outcome of a dynamic process (i.e. actual consumption, repeat purchase, duration, frequency, and proportion of market share). The attitudinal perspective measures loyalty as an affection toward a brand and indicates trust, psychological attachment, and emotional commitment (Baloglu, 2002; Mechinda et al, 2008; Petrick, 2004). Conversely, loyalty is viewed by other researchers as a multi-dimensional construct; a common three-dimensional conceptualization takes into account behavioral, attitudinal, and composite factors (Bowen & Chen, 2001; Jones & Taylor, 2007).

### **Behavioral loyalty**

Grounded in a stochastic view of consumer behavior, where consumer behavior is characterized by randomness rather than rationality (Bass, 1974), behavioral loyalty has focused primarily on behavioral outcomes, such as repeat

purchase intentions or purchasing sequence behaviors. It has been suggested that behavioral loyalty can be measured by antecedents such as the total purchase amount, repeat purchase, time spent, visit frequency, and proportion of market share (Baloglu, 2002; Cunningham, 1956; Petrick, 2004). Other recommendations include using sequence of brand purchase to assess behavioral loyalty and four to six consecutive purchases of the same brand have been considered to be loyal (Kahn, Kalwani & Morrison, 1986). Probability of future purchase of a brand and brand switching behavior has also been addressed to assess behavioral loyalty (Jacoby & Kyner, 1973; Ostrowski, O'Brien & Gordon, 1993).

Although the multi-dimensional approach has provided a greater understanding of customer loyalty, both academia and industry practitioners regard behavioral loyalty as one of the most important issues, especially given the high correlation to revenue and prosperity (Chao, 2008). Other authors have emphasized the crucial role of behavioral loyalty to service providers, as it involves the actual buying or using of the service and provides insight not only the current behavior but future purchasing intention (Jones, Reynolds, Mothersbaugh, & Beatty, 2007; Kim, Jin-Sun & Kim, 2008; Tanford, Raab, & Kim, 2010). Empirical research has not exhaustively investigated behavioral loyalty and a deeper understanding could provide guidance on decisions to increase the effectiveness of loyalty programs and other strategic marketing activities (Liu, 2007). Attitudinal loyalty receives criticism in that it lacks power in predicting actual purchase behavior and there is limited explanatory power of attitudinal loyalty (Backman & Crompton, 1991; Morais, 2000).

### **Relational benefits**

Customers who have developed a long-term relationship with a service provider not only expect to receive satisfactory delivery of the core product but also other benefits. Those benefits that go above and beyond the core product are known as relational benefits. The relationship and services literature proposes that there exists different type of relational benefits (Gwinner, Gremler, & Bitner, 1998). For example, customers earn a stronger level of trust through relational exchanges (Morgan & Hunt, 1994), perceive personal recognition and social support (Berry, 1995), and may also receive economic advantages such as receiving rewards and special price considerations (Peterson, 1995). In addition, Lee et al. (2008) proposed that relational benefits are positively associated to customer loyalty. They found that the greater the alternative attractiveness, the greater the impact of relational benefits on customer loyalty. Consumers take pleasure in the advantages that service providers offer, and incentives and rewards provided by loyalty programs are effective in increasing customer loyalty (Lewis, 2004; Wirtz et al., 2007).

Casinos have been especially recognizing the value of truly loyal customers and have been focusing on retaining a long-term relationship by offering economic relational benefits such as promotions and personalized offers. Even during the economic meltdown in 2002, the utilization of relational

benefits through customer relationship management was suggested to have a huge power on maintaining the best customers (Kale, 2003). Previous studies discovered that special events and promotions have a significant impact on attracting customers and gaming volume (Lucas, 2004; Lucas & Bowen, 2002; Lucas, Dunn, & Singh, 2005; Lucas & Tanford, 2010). Further, it has been discovered that players increased their trip expenses or gaming expenses as their complimentary offer amount increased (Lucas et al., 2005). In a highly competitive market these relational benefits act as value-added service features to attract customers and encourage them to remain loyal versus to competitors. While different loyalty programs offer different rewards, it is apparent that behavioral loyalty is likely to increase based on the relative attractiveness (Liu, 2007; Meyer-Waarden, 2008).

## Summary

Numerous studies have emphasized the value of repeat patronage of customers to be significant (Bolton et al., 2000; Olsen, 2005; Petrick, 2004; Reichheld, 1996; Reinartz & Kumar, 2002; Shoemaker & Lewis, 1999). Given that marketers perceive loyal customers to be a long-term sustainable competitive advantage, this study attempted to examine how their behavior changes in a different economic situation. In specific, this study attempted to investigate whether relational benefits are effective in terms of encouraging their behavioral levels in hard times. Overall, the following hypotheses were derived:

H1: Relational benefits affect loyalty program members' behavioral level.

H1a: Relational benefits affect loyalty program members' visit frequency.

H1b: Relational benefits affect loyalty program members' expenditure.

H1c: Relational benefits affect loyalty program members' time spent.

H2: The impact of relational benefits on loyalty program members' behavioral level is dissimilar during different economic situation.

H2a: The impact of relational benefits on loyalty program members' visit frequency is dissimilar during different economic situation.

H2b: The impact of relational benefits on loyalty program members' expenditure is dissimilar during different economic situation.

H2c: The impact of relational benefits on loyalty program members' time spent is dissimilar during different economic situation.

## METHOD

### Study sample

The population for study included members of a Las Vegas Strip property's casino loyalty program. The loyalty program for this property was first introduced in May, 1999 and has been operational to date. Secondary data was used, and was obtained directly from the aforementioned property, which

will remain anonymous. Lewis (2004) and Liu (2007) defined loyal customers as those who had at least two trips each year, and Kahn et al. (1986) suggested customers with four to six consecutive purchases of the same brand to be loyal. Accordingly, patrons who had visited the property in excess of four times each year between 2007 and 2011 were selected.

Based on the analysis of the database, geographic residential region emerged as a distinguishing variable among different loyal segments. It was noted that patrons residing in the states of California and Arizona displayed higher visit frequency than patrons who lived further distances from Las Vegas. Therefore, the sample included only those patrons who lived in the states of California and Arizona, a subgroup which comprised more than 50 % of the entire data set. Finally, data dated from June, 2007 to June, 2009 indicated the financial crisis term as it was estimated that the financial crisis started in mid 2007 and ended in mid 2009. On the other hand, data dated from July, 2009 to July 2011 indicated the term after the financial crisis. Data was retrieved for them same amount of time period for each term to maintain consistency.

A variety of relational benefits were offered from the loyalty program. However, this study purposely selected a segment that historically received complimentary room offers, promotional gaming credit offers, and special event offers. This approach helped to maintain consistency, to analyze data from a deeper perspective, and to obtain a sample of a more comparable loyalty behavior for more accurate results. Overall, the final study sample represented loyal customers and consisted of a total number of 3,742. All data with missing values were excluded.

### **Data measurement**

Five dependent variables that measured behavioral loyalty were assessed, including: (1) visit frequency, (2) gaming expenditure, (3) non-gaming expenditure, (4) gaming days, and (5) gaming minutes. The number of visits and the volume of customers' expenditure have been used regularly in previous studies to measure customer's behavior (Moufakkir, Singh, Moufakkir-van der Woud, & Holecek, 2004). Therefore, total number of visits was used to identify visit frequency. Customer's expenditure amount was observed separately for gaming (gaming expenditure) and non-gaming (non-gaming expenditure). Actual amount of time spent has been indicated as measure to assess behavioral loyalty as well (Baloglu, 2002). Time spent was evaluated based on the number of days spent on gambling while visiting at the property (gaming days) and the total amount of time spent in minutes on gambling (gaming minutes).

The predictor variables assessed were recession term, represented as a dummy variable, and the three different relational benefits: (1) complimentary room offers (Offer A), (2) promotional gaming credits (Offer B), and (3) special event offers (Offer C). Additionally, member's tier level of the loyalty program was added because previous studies found that customer segments on behavior change to be significant (Kale, 2003; McCall & Voorhees, 2010) and a trend

variable was created to measure the effect of the long-term movement in the data set over time (Ahlgren, Dalbor, & Singh, 2009).

### **Method and data analysis**

Multiple regression analysis was performed at a 0.05 alpha level to look into the impact of relational benefits on casino loyal customers' behavior. Data was entered and analyzed in SPSS version 19.0. Histograms and normal probability plots were checked for assumptions of normality and linearity. Durbin-Watson values were checked for independence of observance and Cook's distance was checked for outliers. Variance inflation factors (VIF) were checked if there were any significantly large values to identify multicollinearity. Assumptions were all met and the models were finally verified to be fit by observing the significance p-value and R-square value (Hair, Black, Babin, Anderson, & Tatham, 2006).

## **RESULTS**

### **Profile of the sample**

Table 1 provides a description of the characteristics of the sample. More than 90% of the resided in California, and less than 10% were from Arizona. Approximately 67% were male and 33% were female. The majority of patrons (more than 67%) fell into the age range of 40 to 69 years old. The loyalty program consisted of three different levels. Approximately 72% were Tier 1 customers, 26% were Tier 2 customers, and less than two percent were Tier 3 customers. The different tiers of the loyalty program do not represent amount of expenditure, as patrons are upgraded to the next level based on points they earn from play (primarily on slot machines). Patrons who play table games are rated but they do not accumulate points. With regards to visit frequency, the majority of patrons (55.5%) visited the property 4 to 9 times within the observed 2-year range. Over 30% of the patrons visited the property 10 to 15 times, and approximately 14% visited the property 16 times or more. Patrons were fairly evenly distributed in terms of engagement time-span in the loyalty program.

**Table 1**  
**Profile of sample**

Variables	N	Percentage (%)
State		
Arizona	328	8.8
California	3,414	91.2
Gender		
Male	2,510	67.1
Female	1,232	32.9
Age		
21 -29 years	216	5.8
30 -39 years	676	18.1
40 -49 years	874	23.5
50 -59 years	983	26.0
60 -69 years	680	18.2
70 years and over	313	8.4
Loyalty program		
Tier 1	2,697	72.1
Tier 2	974	26.0
Tier 3	71	1.9
Total number of trips		
4 -9 trips	2,078	55.5
10 -15 trips	1,162	31.1
16 -20 trips	265	7.1
More than 20 trips	237	6.3
Length of engagement in loyalty program		
2 -3 years	865	23.1



4 -6 years	1,044	27.9
7 -9 years	1,071	28.6
more than 9 years	762	20.4
Total	3,742	100.0

## Hypothesis testing

Multiple regression analysis was performed between the five dependent variables that indicated behavioral level (visit frequency, gaming expenditure, non-gaming expenditure, gaming days, gaming minutes) and the selected predictor variables. As seen in Table 2, the results of the regression analysis show that all five loyalty behavioral variables were found to be significant. Table 3 illustrates the significance of regression coefficients with each predictor variable. Recession term and relational benefits as predictor variables all turned out to be significant for each dependent variable as well. Thus both study hypotheses were supported. R-square values indicate each loyalty behavior explained by the relational benefits and was ranged between .806 at highest and .554 at lowest. Usually, a higher value of R-square, closer to 1.0, is usually desirable in terms of explaining variability (Hair et al., 2006). For example, 80.6% of the visit frequency behavior of loyal customers is explained by economic relational benefits while 55.4% of gaming minutes behavior was explained from the regression model.

**Table 2**  
**Summary of regression analysis (N=3,742)**

Model	R <sup>2</sup>	F	Sig.
Visit frequency	80.6	262.38	0.00*
Gaming expenditure	69.5	122.91	0.00*
Non-gaming expenditure	62.7	90.57	0.00*
Gaming days	76.6	176.62	0.00*
Gaming minutes	55.4	66.96	0.00*

*Note.* \* $p < .05$

**Table 3**  
**Significance of Regression Standardized Coefficients (N=3,742)**

Model	Beta	t	P	VIF
Visit Frequency				
OfferA	.866	16.979	0.000*	2.69
OfferB	.511	6.093	0.000*	2.71
OfferC	.346	4.833	0.010*	2.05
recession	.100	3.615	0.000*	1.51
Gaming expenditure				
OfferA	1.746	16.543	0.000*	2.69
OfferB	1.404	10.824	0.000*	2.71
OfferC	.120	2.592	0.000*	2.05
recession	.107	2.483	0.013*	1.51
Non-gaming expenditure				
OfferA	.302	2.546	0.011*	2.69
OfferB	.323	2.706	0.007*	2.71
OfferC	.502	7.634	0.000*	2.05
recession	.077	1.944	0.000*	1.51
Gaming days				
OfferA	.751	12.788	0.002*	2.69
OfferB	.312	3.239	0.001*	2.71
OfferC	.172	3.239	0.001*	2.05
recession	.126	3.940	0.000*	1.51
Gaming minutes				
OfferA	.582	4.386	0.000*	2.69
OfferB	.565	4.239	0.000*	2.71
OfferC	-.487	-6.616	0.000*	2.05
recession	.177	4.005	0.000*	1.51

*Note.* \* $p < .05$

Offer A represents complimentary room offers.

Offer B represents promotional gaming credits.

Offer C represents special event offers.

## Discussion of Results and Management Implications

The objective of this study was to determine the relational benefit impact on loyal customers' behavior during different economic situation. The first study hypothesis was built to examine whether relational benefits have an impact on the loyalty program members' behavioral level. Multiple regression analysis was performed between the five dependent variables that indicated behavioral level (visit frequency, gaming expenditure, non-gaming expenditure, gaming days, gaming minutes) and the predictor variables. All five loyalty behavioral variables were found to be significant at the 0.05 level. Therefore, the first study hypothesis was supported.

The second study hypothesis was built to test how the relational benefits influenced members' behavioral level during different economic situation. Multiple regression analysis results indicated that recession term and relational benefits, as predictor variables, were all significant. This indicated that relational benefits can play an influential role depending on its economic situation to encourage different types of customer behavior. Overall, the second study hypothesis was supported as well.

It was revealed that the U.S. financial crisis had a severe impact on gaming revenue and customers' behavior in the Las Vegas gaming industry. Gaming businesses often use relational benefits to retain their best customers, and data showed that the casino operation increased the amount of return on investment of economic relational benefits for loyal customers during the recession in an effort to maintain business during hard times. The findings of this study provide quality insight for marketing strategies that relational benefits can be employed as a strategy to drive customers even during economic hard times and they should be utilized in different ways.

Given the diverse attributes that represent loyalty behavior, a portion of loyal customers may visit bi-monthly but spend less. Conversely, some loyal customers may visit infrequently but spend a great deal more. It is clear that there is no uniform behavior pattern for different levels of loyal customers. Instead of merely increasing the amount and frequency of relational benefits across the board, casino marketers should provide tailored offers and encourage customers with higher expenditure per visit. Should there be a decrease in gaming expenditure, offers could be modified to increase visit frequency /or gaming time. This also indicates that determining a casino's performance level through a single behavioral loyalty variable may be too vague or short-term oriented. Rather, behavioral loyalty should be examined in a mixture of measures.

An opportunity exists for casino marketers to attract customers by transforming current offers and provoking an impression that the customer is receiving unprecedented offer values. There is a portion of individuals that will, regardless of their financial situation, be encouraged by promotional offers to visit and play in Las Vegas. However, the change must be made carefully and

directed at eligible customers only, rather than to all customers as a whole. For example, if a customer who typically receives promotional gaming credit offers shows frequent visits but less spending patterns, a complimentary room offer may be a better offer to encourage more expenditure. Conversely, event offers were relatively less encouraging but overall generated higher expense costs. In fact, despite the effort to drive more customers through events, a large number of events among lower tier customers produced negative cash flow. Hence, unless the event offers are given to the most valuable customers, complimentary room offers and promotional gaming credit offers may be a better option from an operational standard during economic hard times when businesses are especially alerted save cost.

Competition among casino operations is exceptionally aggressive because customers now have more options to choose from. Although the financial crisis itself is over, after shock records are still remaining and customers are still extremely cautious with their spending. Therefore, casino marketers are constantly searching for diverse ways to uphold business by maintaining high occupancy rate as possible. Given the characteristics of loyal customers, it is particularly crucial for businesses to understand the significant impact of value and behavior patterns. As with any business in a distressed economy, casino marketers must seek innovative approaches to decreasing costs and increasing profit margin per customer.

Subject to extreme impacts of economic decline, Las Vegas properties must operate in a manner that recognizes that it is certainly not recession-proof. When the market experiences such a crisis customers become faced with numerous deals to which they normally would not be exposed. Unfortunately, many customers may take advantage of the bargain, but without increasing spending in the establishment. To a certain degree, discounts and package deals are necessary to obtain high volume. However, from a long-term perspective, marketers should attempt to develop more customized promotions and incorporate relational benefits based on their customers' behavioral patterns versus increasing the quantity of relational benefits provided or offering lower prices. Thus, they will be able to survive in a highly competitive market and further maintain relationships with their most loyal customers.

## **CONCLUSION**

The study results show different behavior patterns among loyal customers. While each customer is important to business, loyal customers are even more valuable during this economic meltdown. Loyal customers are less price sensitive and less likely to switch to a competitor brand when they are offered a promotional deal (Shoemaker & Lewis, 1999). Therefore, casino marketers will benefit from encouraging those customers who are willing to spend. As customers are faced with more enticing promotional offers ever before, they will naturally attempt to maximize the value of these offers; businesses should do the same. Casino marketers should take this opportunity to place greater emphasis on more sophisticated marketing techniques. There are

ample opportunities for loyal customers to increase visit frequency, expenditure, or gaming time based on their noteworthy behavior. Accordingly, marketers will be able to increase profitability by offering different relational benefits according to different gaming behavior patterns. Essentially, it is expected that casino marketers can enhance the practical employment of relational benefits for loyal customers. Further, the findings of this study call attention to the need for extended in-depth research on loyal customers, as it stands to reason that the accumulation of more information will benefit casino marketers during threatening economic times.

### **Limitations and recommendations**

This study is not without limitations. It is difficult to generalize the findings of this study because data was acquired from a single high-end property in Las Vegas and selected an exclusive sample under certain conditions to test the study hypothesis. Customer loyalty is a comprehensive substance that should be assessed using a mixture of aspects; this study investigated only the behavioral aspects assessing limited sources to measure behavioral loyalty. Additionally, it is difficult to fully understand a customer's intention using secondary data. Recommendations include further exploration using an approach that includes customers' attitudinal data and various segments of loyal customers, as this will provide additional insights.

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The Chaplin School of Hospitality and Tourism Management is proud to announce the success of the 2012 Food Network South Beach Wine & Food Festival. The Festival has become one of the three major wine and food events in the United States. The school worked closely with Southern Wine and Spirits to stage the event. An enthusiastic crowd of more than 60,000 people attended. The culinary skills of over 80 celebrity chefs were telecast throughout the world. More than 200 wineries and other suppliers also presented their products.

Over 1,000 of our students participated in this event, gaining experience in the operations of large special events. Through their participation they become eligible for scholarships.

