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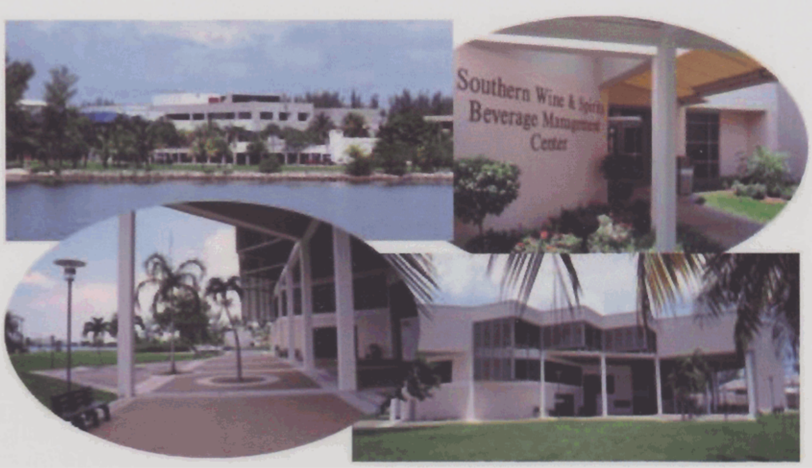

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Biometrics for Hospitality and Tourism: A New Wave of Information Technology

By Bomi Kang, Kathleen Pearl Brewer and Billy Bai

The technologies that empower biometrics have been around for a number of years, but until recently these technologies have been viewed as exotic. In the not too distant future biometrics will be used to regulate internal processes and to improve security in the hospitality and tourism industries. This paper provides an understanding of the current use of biometrics in general and its practical value for the future in hospitality and tourism. The study presents a review of current practices of biometrics with special reference to the hospitality and tourism businesses, addresses key issues imposed by this technology, and identifies business and marketing implications for these industries.

Introduction

Leading strategists suggest that the key to success is to differentiate a business from the competition and to stake one's territorial claim first (Floyd, 2003). Companies following this advice would build a competitive advantage and become a leader in their field. Interestingly, success for some hospitality companies has been achieved, in large part, by taking advantage of information technology (Floyd, 2003; Siguaw and Enz, 1999).

Technology is one of the most important competitive weapons for any hospitality company in today's fast changing environment. Of those advancements in technology, experts predict that biometrics will play an important role in the future (Floyd, 2003; Rinehart, 2000) due to several reasons such as reduced cost of the technology and increased consumer acceptance. The acceptance and use of biometric technology has grown quickly. Revenue from the sale of biometric technologies, (including law enforcement and large scale public sector use,) is expected to grow to $4.6 billion by 2008. (International Biometric Group, 2005).

The most notable function of biometrics in hospitality and tourism is the ability to lessen operators' concerns about security. Hospitality businesses have long suffered from security breaches including, network and systems security, theft by employees, and credit card theft and fraud (Rinehart, 2000). In addition, in the aftermath of September 11th the nation placed increased emphasis on security. Hospitality companies are increasingly feeling the pressure to manage risk, loss prevention, and fraud.

It has become imperative for hospitality and tourism companies to have secure identification and personal verification technologies for everyday business operations. Since many biometrical applications use unique parts of a person's genetic code, biometrics is considered as a more accurate personal authentification solution than current identification methods such as passwords, pin-based or card-based systems.

While the value of this technology can be found in secured verification, biometrics can facilitate the improvement of business operations and more importantly will enable companies to serve their customers in a more secure manner. Once the technology is integrated into exiting business solutions such as point of sales and time and attendance system, the processes are greatly expedited. Moreover, transaction data attached to customers can be utilized to assist further marketing efforts. By securely storing customer's demographical and behavioral data in company's database, hospitality and tourism companies can query different segments of the market and identify the most profitable markets more easily and accurately than inputting them manually. Companies can launch effective promotion campaigns and provide customized service to these markets in order to enhance customer retention.

Despite the great potential of the application of biometrics in hospitality and tourism businesses, there is scant research that has been conducted in this environment and the literature concerning the use and practical value of biometrics is limited. This study will 1) present a review of current practices of biometrics in general with special reference to the hospitality and tourism industry, 2) address critical issues relating to the use of biometrics; and, 3) identify business and marketing implications for the hospitality and tourism industries.

Biometrics: An Overview

Biometrics refers to "the automated methods of identifying or authenticating the identity of a living person based on physiological or behavioral characteristic" (Floyd, 2003; Rinehart, 2000). Examples of physiological characteristics include hand geometry, fingerprint analysis, facial recognition, voice recognition, and retinal or iris scan.

Fingerprint technology reads below the user's surface layer of (dead) skin by bouncing electromagnetic waves, similar to radio waves. These reflections are recorded to build up a picture of the fingerprint, which is matched against the person's known fingerprint recorded earlier. Hand readers simultaneously analyze more than 31,000 points and instantaneously records more than 90 separate measurements of an individual's hand-including length, width, thickness and surface area.

Facial recognition systems analyze images of human faces for the purpose of identifying them. The programs take a facial image and measure characteristics of distance between the eyes, the length of the nose, and the angle of the jaw. Voice recognition systems work similarly. It compares a pre-recorded voice message with the current user's voice inquiry.

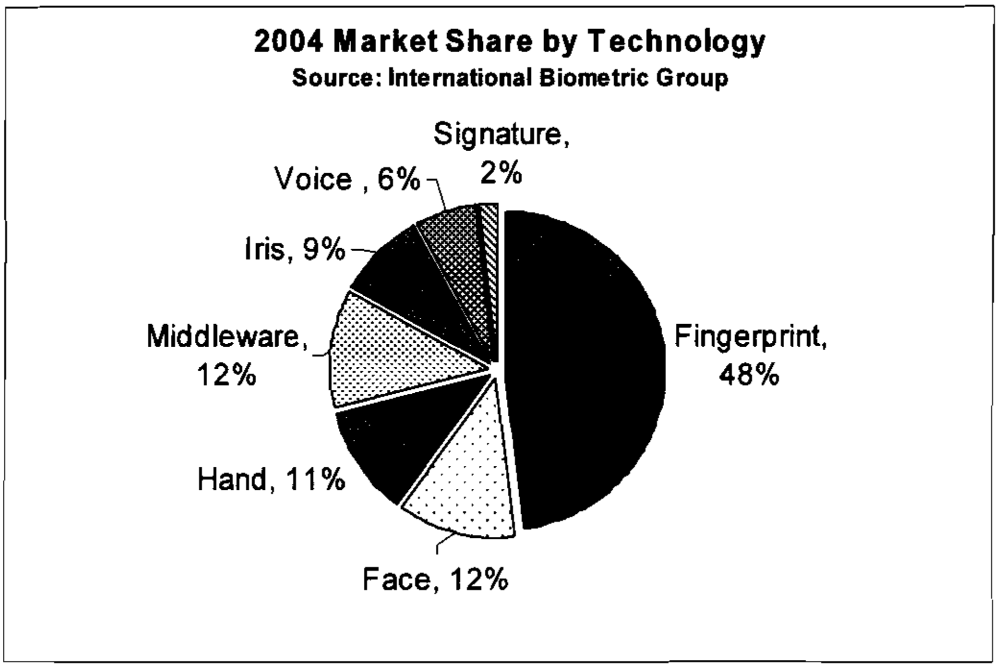
Retinal scanning and iris scanning are two separate identification methods. While retinal scanning was the first eye recognition device developed, iris identification is the biometric gaining acknowledgment due to its less intrusive nature. Iris scan involves analyzing patterns of tissue in the colored ring that surrounds the pupil and it requires no intimate contact between user and reader. Retinal scanning analysis requires the user to keep their head still and eye focused on the light when the device reads the patterns of the layer of blood vessels at the back of the eye. The two technologies using eyes are considered the most accurate physiology-based biometrics techniques.

Behavioral characteristics are more of a reflection of an individual's psychological traits. Examples of these technologies included signature comparison and keystroke dynamics. Keystroke dynamics is where the speed and pentameter of typing is recorded when typing in a password. This pattern must be matched on subsequent authentication attempts for the system to allow entry.

Identification and authentication are key defining elements of this new technology. Biometrics is typically used for two purposes: identification and verification. In these systems identification is the process of examining one individual's characteristics and selecting the individual from a group of stored images, therefore positively identifying that person from the group. Verification, on the other hand, occurs when an individual makes a claim of their identity by presenting documentation that can verify who they are. Unlike other identification or verification methods, this cutting edge technique uses an individual's unique characteristics, which cannot be forgotten, misplaced, borrowed, forged or stolen.

There are various types of biometric systems being used (Avanti, 2003). As can be seen from Figure 1, the most popular one is based on fingerprints. This biometric is increasingly being used in commerce, with roughly half of the biometric users choosing to use fingerprints (International Biometrics Group, 2005). As compared to other techniques, fingerprint recognition has the advantage of ease of implementation and low cost. In most cases, implementation requires a minimal investment of identification sensors and the corresponding software. Finally, fingerprint recognition is relatively reliable; at the same time, it is less intrusive and generally more acceptable to people than other methods. (Klein, 2003).

Figure 1. Market Share of Biometric Technology



The initial biometric application in the United States, the Automated Fingerprint Identification Systems (AFIS), was developed by and mainly served the FBI. By the 1970s, law enforcement began to use this type of biometrics for security and to identify criminals. The Department of Defense was another early user relying on this technology to maintain the integrity of their systems (Robert, 2003). In addition, federal and local governments also used it to confirm identities in forensics, such as criminal identification and prison security, historically used biometrics security applications. More recently, the United States Citizen and Immigration Services has begun to update some of its systems with biometric enhancements using hand scans or fingerprint identification at entry points into the country for immigration identification and verification (Connell and Spence, 2002). Outside of the US, biometric systems have been and continue to be used in national identification databases in the areas of social entitlements, welfare beneficiary identification, driver's licenses, immigration control, and election management (Davis, 1994). While the current use of biometrics appears strongest in the public sector, the International Biometrics Group estimates that in 2007 only one-half of the total biometrics sales will be to government and law enforcement.

As the level of security breaches and transaction fraud increases (Federal Trade Commission, 2003) and the possibility of terrorist attacks intensifies, the need for highly secure identification and personal verification technologies has become more apparent to the private sector. Many organizations have realized the need to improve on the techniques they use to keep their information and assets secure. Healthcare, social services, finance, and banking are only a few industries that have begun to deploy biometrics-based applications. Hospitals have found biometric systems to be an excellant way to respond to new government security mandates. Hospitals now use biometric applications to insure and tract correct delivery of medications to patients, to secure access to sensitive areas, and to protect electronic healthcare data (Hodgson, 2001). The banking industry with a new reliance on networked and Internet based access systems, such as those employed by on-line banking, ATMs, and other remote-access applications are taking a hard look at improvements in security that might be realized through biometrics. Automobile manufacturers and computer hardware manufacturers also have used this technology as a method to secure the access to the car and other assets (Grimes, 1998). Because of this growth in demand, companies are beginning to substantially reduce the cost of new biometric technologies (Fratto, 2003). Since biometric identification technologies are now more cost-effective, reliable and accurate, it has become more feasible in a large range of business applications where identification or authentication of a person is required.

Applications in Hospitality and Tourism

One of the earliest examples of biometric applications in hospitality and tourism would be safes and door locks. The thumbprint safe developed by ElSafe was awarded "Editor's Choice" Award for best new product at the 2001 International Hotel/Motel & Restaurant Show in New York. Biometrics-based door locks have rapidly advanced since the first installation in the Hilton Airport Hotel in Los Angeles. More advanced integration such as VIP recognition and guest room assess utilizing 3D facial recognition is currently in the works. Biometric door locks have been widely applied to existing access control systems even for homes, offices, cars, as well as safes and lockers.

One advantage of biometric technology is that it is reasonably easily to integrate with other applications. Many biometric solutions comply with open standards and therefore can be incorporated into other hospitality systems such as point-of-sales (POS), time and attendance, and casino-player tracking systems, or to secure access to storage or other restricted areas (Fratto, 2003). In addition, biometrics surveillance is widely used by casinos, using facial recognition technology to check for "bad guys" (Robert, 2003).

While there may be a multitude of biometric applications to hospitality and tourism organizations in the future, there are several applications where they could currently be applied.

Access Control Systems

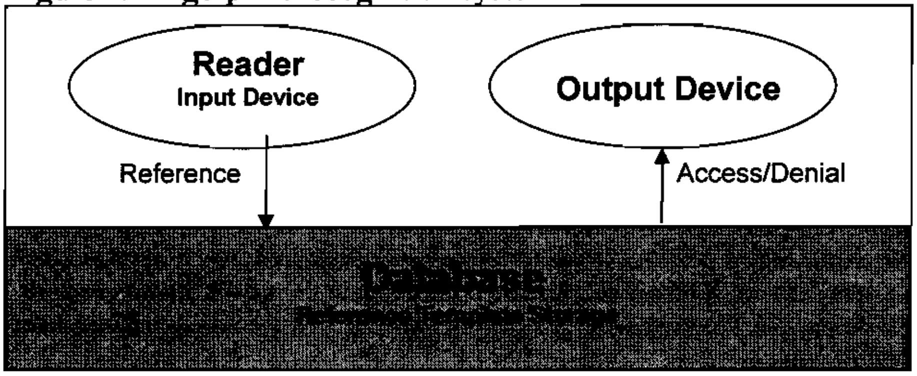
The obvious use for biometrics is to control either physical access or computer system or network access to data (logical control), through secure identification and verification. Currently access to assets or data typically involves requiring the individual to provide an identification card or input a personal identification number or PIN on a keypad. The difficulty with these systems is that they could provide positive identification of fraudulent users. These systems rely on the user to provide plastic cards and codes but they cannot determine who is actually in possession of the card or code. In addition, pins and passwords may be forgotten, and the identification cards may be forged, stolen, or lost.

In hotels and restaurants, biometric technologies enhance the control of alcohol and food storage areas as well as other areas of the property such as computer rooms. Access to those areas will be restricted by employee work shift or authority level, reducing theft with a visual event log of who entered what area at what time.

The University of Georgia has reported positive feedback using this technology. The university has changed their photo ID systems to a hand recognition system for access to foodservice facilities, campus residence halls, and recreation venues. The school reported that the new system saves time and is more accurate than their old identification method (Floyd, 2003).

Another use is to control unauthorized physical or cyber access to customer and/or employee data. Figure 2 illustrates how such a system works using a fingerprint. Once a person enrolls in the system, their fingerprint is stored in a database within the system or stored on companion devices such as a smart card

Figure 2. Fingerprint recognition system



Payment Systems

In the restaurant and shop environment, the most obvious benefit includes faster and more secure payments from the guest. No longer will cashiers need to see identification or get a signed credit card slip because the scanned image is almost fraud-proof identification (Floyd, 2003). With the touch of a finger, in seconds a restaurant could have a payment for meal, find out a guest's history, or have the address of the customer to send out future coupons. The restaurant could provide better service and the guest receives his/her order faster (Floyd, 2003; Blane, 2002; Gran, 2002).

Biometric systems can enhance the traditional point of sales systems (POS). Guests will be freed from memorizing PINs and loyalty program numbers, carrying cash, checks, and credit cards. Instead, they will register their finger images that are then linked to financial or personal information in the system. The check can then be settled and payment completed electronically, without using any of the traditional methods.

Quick service restaurants seem to see higher benefits because speed is their primary concern. Major grocery stores such as Kroger's, West Seattle Thriftway, and Wal-mart were recently testing biometric payment systems using fingerprints (Howell, 2002). And McDonald's had already joined in pilot programs that use fingerprint payment systems (Grant, 2002). Participants of the study conducted by these retail stores, stated that the processing was faster and provided convenience with more security. To use these systems, a typical checkout time takes about 20 seconds and enrollment in the program takes less than four seconds (Howell, 2002).

In another example, when a property management system is networked with the registered fingerprint of a guest, the front desk can check in the guest faster without cumbersome procedures such as asking for an I.D and a credit card. Such an online system will communicate the image of the fingerprints directly to each door so that the guest can enter their guest room without a key reducing the worry about a lock out situation. This elimination of room keys can save money tied to keycard purchases (10 cents to 15 cents per card adds up) and labor cost. At checkout, a reader scans user's index finger and the computer matches the stored print-map to the fingerprint. A loyalty discounts are automatically deducted and the account charged (Rinehart, 2000). If the individual has their data linked to banking information, an account could be debited or credit card charged at this time.

Time and Attendance Systems

Biometric applications would also allow for more secure communications through shared systems. For many years, hotels and restaurants have used I.D.-based identification method for time and attendance. Currently, certain software providers such as ADP, Stromberg and Recognition Systems have introduced new labor management systems with the added feature that uses biometrics to validate employee identification. The new system assures that the person at the time clock is only making entries for him/herself, therefore eliminating "buddy punching," (i.e., where someone clocks in or out for someone else.) The system will ensure that no one else can use access card even though the card is stolen or lost. It will reduce password entry error and the overhead costs related to producing ID cards as well.

Critical Issues

The application of the biometric technology in commerce and further hospitality and tourism is very complex because there are many issues in the process of implementing and monitoring. While biometrics has received elevated levels of support from numerous groups, it has similarly faced opposition from others. It is important to look at both positions since they provide an essential understanding of the key issues reflected in this new technology. The following section addresses several issues to resolve before the widespread adoption of biometrics is likely.

1) Cost

Technological glitches and limited integratability with other applications, has lead companies to be reluctant to invest in biometrics. Among the limitations, cost was the most important reason people were skeptical about biometric applications. As costs are reduced the price will be acceptable to the end user (O'Conner, 2002). Today a consumer can purchase a fingerprint scanner for less than $100 and this scanner is much more effective and accurate than the $1,000 scanner on the market five years ago. In addition, many computer companies are now producing computers and keyboards with built-in biometrics technology.

The cost of biometrics can also be offset in applications where several departments are using the readers. In any enterprise, the company can do door security with security on computers as well as time clock, and get three departments to share the cost of the system (Hodgson, 2001). In this way, the budget centers together on a single system which will reduce the cost for each department. The system also offsets the operating costs because a company does not have to have people full-time administering card functions. The overhead that used to come from card purchases will be diminished. The savings from recurring cost of card buying must be weighed against the additional cost of the readers when looking at systems (Hodgson, 2001).

Regardless of which form of biometrics is used, the price of implementation will drop as adoption increases, and extensive risk per reward analyses must be done in each organization to justify the use and expenditure. The choice depends on the level of security required and the budget to purchase the systems.

2) Privacy Invasion and Legislation

Biometrics is a promising technology. However, in order for it to become fully accepted, users have to be convinced to give up some of their privacy in exchange for greater security. The use of biometrics inherently poses a threat to the privacy of an individual because of its ability to track the individual from the information in a database. Therefore biometric technology is perceived as intrusive and invasive.

There has always been psychological resistance when a new system is introduced. One of the reasons that the public might be opposed to the implementation of biometric systems is that traditionally this form of identification has been used as a method to track criminals, not the common everyday person. Nevertheless certain privacy groups such as CASPIAN and Fight the Fingerprint advocate consumer's rights. Consumers are concerned that the data collected might be divulged to the law enforcement or shared with third parties without their knowledge or consent. Further, employee monitoring systems using biometrics provoke the issue of employee privacy. The protection of employees under the law has evolved and become the focus of new legislation needed as the technology moves forward in the marketplace (Buzek, 2003).

There are advocates on both sides of this issue. Both proponents and adversaries of this technology have valid arguments. As systems are adopted, experts expect to see increased legislation regarding how and when these systems can be used. If appropriately regulated, biometrics might actually assist in guaranteeing privacy rather than detracting from it. For example, biometric systems have been found to be an effective way of reducing credit card fraud and saving process time. (Howell, 2002; Buzek, 2003).

3) User Education

Because there are misunderstandings about the use of biometrics, it is important for the public to be educated concerning the use of such systems. For instance, any system implemented for authentication must be established as a "one-way" system; that is, the system can be used to verify identity, not used to find a person from the biometrics data. One such system uses extraction algorithms to convert a fingerprint image into a digital vector number, which is then stored. Therefore, the fingerprint itself is not stored and it cannot be recreated from the stored digital vector. Instead, the person is authenticated because the associated vector number of that individual recorded in this reading is within acceptable limits of the initial reading.

Strengthening e-CRM

While experts do not envision real-time customer relationship management anytime soon, the following are noted benefits and implications to the business marketing of using this biometric technology.

Customer retention

The traditional marketing mix activities are no longer able to capture the changing behavior of today's marketplace and customer relationship management (CRM) becomes fundamental (Grönroos, 1990; Grönroos, 1997). While it is important to gain new customers, what matters most is how to retain them. Developing relationships with customers is a constant challenge to businesses of all types. Through customer relationship building, companies will benefit from customer loyalty in the end (Shoemaker and Lewis, 1999). With POS integrated, the biometric technology can enhance relationships with customers in an electronic environment and more importantly, it can improve loyalty programs for repeat customers. In an early test in a quick service restaurant, a year long pilot reported that between 65 to 75 percent of the regular customers signed up to use this technology and the restaurant eliminated the paper-punched-redeeming cards for goods. Now with every customer purchase, loyalty points or rewards are saved electronically and can be redeemed at the POS (Rinehart, 2000). One other benefit to the hospitality industry is in the cleansing of information. Hotels are continually purging their records to keep accurate information on their guests (Rinehart, 2000). With the right data mining software, this biometric technology makes it easier to track and identify customers accurately with less labor cost. Customers' previous purchases can be used to predict future purchase behavior. Thus, one-to-one marketing becomes more efficient.

Customized products and services

For hospitality and tourism businesses that also rely on loyal customers, biometric systems can help streamline databases to better target and serve profitable customers. Once the customer has registered his/her fingerprints, the customer's profile associated with the fingerprints can be brought up upon check-in, enabling employees to provide several services specific to the profile of that customer. Some of these services may include room temperature control, television channel access customized to that customer's preferences, presetting wake-up times, and a custom configuration of the in-room beverage and food services that are presented on the television to that specific guest. It certainly differentiates the services for repeat customers and therefore builds loyalty.

Conclusion

The primary use of biometrics in hospitality and tourism is to regulate internal processes and security. The initial application will likely be time and attendance, workforce management and access control (Buzek, 2003). These are environments in which the employer has the ability to mandate the use as a condition of employment. It is also an area where the expense to add biometrics can be easily justified by increased security and lower worker fraud. In the long run, it is an extremely low cost method to capture and store personal preferences and identifiers. Not only does it mean a lower operating cost, but the technology has tremendous implications regarding customer relationship management and the service delivery systems provider. The hospitality industry should be proactive in the development and use of this technology.

This paper is an exploratory attempt to increase the understanding of the current use of biometrics and its practical value in the hospitality and tourism industry. Further, it is intended to initiate future discussion and research in the area of hospitality and tourism marketing in relation to the effective use of customer information via biometrics. Future research calls for more empirical investigations regarding the perceptions and expectations of the use of biometrics. Moreover, identification of actual contributions of biometric technologies to operations and management in quantifiable terms deserves special attention and consideration.

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Management Retention Factors in the School Foodservice Industry

By Robin B. DiPietro

Management retention in the school foodservice industry has been a growing concern for school district decision makers due to the large numbers of managers reaching retirement age and the shortage of qualified people to fill the positions. As with other foodservice positions, turnover rates and the shortage of service employees will continue to be challenges well into the 21st century. The current study employed a self-administered questionnaire and asked 101 school foodservice managers in Central Florida to rate their perceived importance of and their perceived experience with 20 employment characteristics of their job. There were significant differences in 17 of the 20 characteristics thus highlighting significant gaps between perceived importance and perceived actual experience on the job. The survey also questioned respondents regarding characteristics that brought them to their current job and what would keep them from changing jobs. Management and human resource implications are discussed.

Introduction

Manager turnover has been a concern in the hospitality industry for many years. Turnover issues in many segments of the hospitality industry is quite common and has been an accepted parameter of the industry (Prewitt, 2000). This turnover is expensive in economic and emotional terms. There is also a risk of a decrease in the overall customer service provided by an organization as more qualified managers' turnover. This situation may leave less qualified or newer managers left to perform at a level beyond their capabilities. Also, "turnover" means that a person is not "retained" and often a critical goal for organizations is to retain the best quality people.

One of the reasons posited for the high turnover in the hospitality industry in general and the foodservice industry specifically has been called, "turnover culture." "Turnover culture," as described by Iverson and Deery (1997), is an acceptance by employees and managers of an organization that high turnover is a norm in the workplace. It is this belief that leads to a lack effort to encourage retention and which can create a negative impact on the organization with respect to the costs of recruiting, training and retaining employees and managers. Some operators and managers appear to have their operations and systems set up to accept the reality of low skills, high turnover and little or no motivation in the foodservice industry (Enz & Withiam, 2003). This fact exacerbates the turnover culture seen in these organizations since turnover may be an accepted component of the operations.

With the evolution of school foodservice, cafeterias have become more organized and school districts now find themselves in direct competition with restaurants and other food outlets (VanEgmond-Pannell, 1985). This fact makes it critical that school foodservice operations start thinking in terms of how they can create a competitive advantage over other food outlets. Furthermore, high turnover will be one of the most challenging problems facing school districts in the 21st century (Pannell-Martin, 1999). Recruitment, motivation and retention of management in the hospitality industry in general will continue to be an ongoing challenge for organizations (Milman & Ricci, 2004).

Much of the research done to this point regarding retention factors primarily focuses on the lodging and restaurant industries as well as on hourly employees rather than managers (DiPietro & Milman, 2004; Milman & Ricci, 2004; Ricci & Milman, 2002). There has been very limited research to date on manager retention in the school foodservice industry. Part of the reason for this lack of research has been the relatively lower turnover in school foodservice industry compared to other foodservice outlets. Despite the fact that turnover of management in school foodservice is not as prevalent as it is in foodservice in general, understanding the reasons that managers stay can help to inform human resource practices.

The following study, therefore, will add to the literature regarding the school foodservice industry. The results of the study will aid school districts in creating policies and practices to help encourage retention of high quality managers and decrease turnover rates and the costs associated with it. With a new generation of managers entering the foodservice industry, manager attitudes will change as personal career goals change and therefore the need to reduce turnover and increase retention would need to be studied and encouraged on a continuing basis. This management emphasis will help to allow school foodservice outlets to function more effectively and efficiently with a healthier bottom line.

Literature Review

The Foodservice Industry

The foodservice industry in the U.S. is projected to do over $537 billion in sales in 2007, with approximately $46 billion of that representing the noncommercial foodservice sector. The foodservice industry is projected to grow at a rate of 5% across the U.S. and to employ almost 12.8 million people or 9% of the workforce, hence making it the largest private sector employer in the U.S. (National Restaurant Association, 2007).

The U.S. foodservice industry has had over 14 years of consecutive sales growth and is strong due to the number of dual income homes and the continued increase in the desire for convenient food options (National Restaurant Association, 2007). This increase in the desire for food away from home has also transcended into the school foodservice area.

Despite the increasing sales, the foodservice industry in general continues to have one of the highest turnover rates across industries because of wages, shift schedules, and social perceptions of entry-level jobs. Hurst (1997) has found that as turnover rates increase, labor costs rise. Turnover rates also can impact employee training costs, customers' perceptions of service quality, and employee job satisfaction. Turnover in the foodservice industry is very costly to organizations. The estimates are that turnover ranges from 50-200% among hourly employees and 25% for managers (Berta, 2003). Even with the downturn in the economy a few years ago, turnover in the hospitality industry is still over 100% (Ricci & Milman, 2002). Furthermore, a study conducted in 2001 of the top 100 restaurant companies in the U.S. found that the restaurant industry loses an estimated $4 billion in turnover expenses for hourly employees annually. The turnover of managers costs the industry an additional $454 million per year. (Spector, 2003).

School Foodservice

School foodservice operations can vary in size and scope, and therefore may have different management needs. The facilities can range from a small, single-unit, decentralized school district with schools serving less than 100 meals per day to those operations in a centralized city and county districts that have up to 1200 schools and serve up to a half a million meals per day (Pannell-Martin, 1999). This wide variation causes some challenges in terms of determining generalized best practices for the school foodservice industry in general and human resource practices specifically.

The school foodservice industry is somewhat different from the foodservice industry in general. The length of tenure of school foodservice employees and managers is usually much longer than in the foodservice industry as a whole. School cafeteria employees and managers can have tenure that is 10, 20 or even 30 years (Lipowski, 1999). The concerns in recent years have been the fact that school foodservice has to compete in a tight labor market and face the fact that many of the school foodservice managers are reaching retirement age and there are not enough qualified people to fill those positions (Lipowski, 1999; VanEgmond-Pannell, 1985). There is projected to be a shortage of school foodservice managers by the 21st century. Part of the concern in staffing school foodservice manager positions with younger people is that the Generation X and Y employees seem to be more dissatisfied with their jobs and are willing to leave their jobs much more quickly than foodservice managers of past generations (Lipowski, 1999). This will only exacerbate the existing labor crisis in the industry. This makes recruiting and retaining new managers to fill vacated positions very difficult.

Human resource professionals in the school foodservice area are anxious because of the impending shortage of school foodservice managers. The average turnover rate of all senior foodservice managers during 2001-2006 was projected to be 39%, while the turnover in school foodservice was supposed to be over 48% (Schruntek, 2001). That is a large number of school foodservice managers that will be retiring or leaving their jobs causing vacancies that will be very difficult to fill.

In the 1970's, a school foodservice employee was typically 45 to 50 years old with a high school diploma and approximately 8 years of industry experience. In the 1990's the average age of the typical foodservice employee was 60-65 years old (Pannell-Martin, 1999). However, it has been stated that in the 21st century, the typical foodservice manager will be 35 to 44 years old. The reason for this shift to a younger age of the foodservice managers is due to the mass exodus of the older foodservice employees and managers as retirement age approaches (DeMicco, et al., 1997; Pannell-Martin, 1999). This exodus of foodservice managers is causing turnover that is costly and concerning to human resource practitioners as they try to determine how to recruit quality managers and retain those managers.

Manager Turnover Costs

Managers leave their companies for different reasons than hourly employees. It is believed that managers are proactive in their approach to manage and control their own careers and development. To accomplish this, they seek positions that they perceive to be a good match for them with respect to the job itself and the organization associated to that job (Taylor & Walsh, 2005). The dollar amount of turnover for a single manager is said to be equivalent to the manager's annual base salary. The average salary of school foodservice managers is approximately $41,270 (U.S. Department of Labor, 2007). In addition, high turnover also leads to lowered employee morale (Taylor & Walsh, 2005).

Several studies have investigated the quantitative costs of turnover in the hospitality industry (Hinkin & Tracey, 2000; Pine, 2000; Wasmuth & Davis, 1983; Woods & Macauly, 1989). For example, a recent study by the National Restaurant Association of 50 companies in the hospitality industry estimated the median cost of turnover of an hourly employee at $2,494 per person. These costs include recruiting, training and retaining a person (Pine, 2000). Other studies estimated that the cost of hourly employee turnover was approximately $3,000 (Wasmuth & Davis, 1983; Woods & Macaulay, 1989). Turnover related costs for a foodservice operation may include advertising, recruiting, orientation, training, loss of profits due to a decrease in productivity, as well as extra food waste and equipment breakage (Loret, 1995).

Some writers have argued that the strong work ethic of the previous generation may be partially blamed for the challenge in filling positions and causing a shortage of replacements. It has been stated that this generation has had such a long retention period that they may have inadvertently blocked newer employees from the opportunity of gaining the necessary experience and skills needed to advance in their positions (Lipowski, 1999).

Retention

Previous research on retention has focused on manager perception to the causes of employee turnover and the opinions of managers on what can be done to decrease employee turnover in the industry (Dermody, 2002; Gustafson, 2002). There has been a limited numbers of studies regarding manager turnover and retention in the foodservice area (Gustafson, 2002; Taylor & Walsh, 2005; Zuber, 2001).

Managers have stated that they would prefer a flexible schedule and the opportunity to spend more time with their family over an increased salary. It was also found that managers chiefly want growth opportunities through challenges in the current position (Taylor & Walsh, 2005). Studies have shown that when a work environment is more stable, employees are more likely to stay with the company (Zuber, 2001; Gustafson, 2002). In addition, Taylor & Walsh (2005) suggest that the key to retaining high-value managers and to increase their commitment levels is to make certain the way in which these managers manage their careers is understood.

The current study was designed to determine the retention factors of school foodservice managers in Central Florida. The research questions that guided the current study are listed below:

1) What are the factors that are most important in recruiting and attracting school foodservice managers to their jobs?
2) Where are there gaps in the level of importance and actual practices in school foodservice manager jobs?
3) What factors would cause school foodservice managers to find another job?

Methodology

The current study employed a self-administered questionnaire of managers in the school foodservice industry. The questionnaire was developed by using a modified instrument previously employed in research on employee retention in the hotel and attraction industries (Milman, 2003; Milman & Ricci, 2004; Ricci & Milman, 2002). The survey was adapted for the school foodservice industry and qualitative review of the survey was done by 4 district managers for the Orange County School district in order to ensure that the questions were worded correctly and took into account that the respondents were managers rather than employees. In order to get a large enough sample, the seven county area in Central Florida was surveyed. The survey was administered by using two methods: via email sent to each of the schools and also administered at school district meetings where possible. There were a total of 645 surveys that were mailed to school foodservice managers. There were a total of 101 respondents for a response rate of 15.65%.

Results

School Foodservice Manager Demographic Characteristics

The demographic characteristics of the respondents of the study are fairly representative of the school foodservice manager. Slightly over 92% of the respondents were female, with seven percent male. There were no managers who were under the age of 25 represented in the sample. The median respondent was in the 36-40 year age group. Most of the respondents had a high school education (44.1%), with 31.2% having some college education. Over 58% of the respondents were married, 22.8% divorced, 9.8% widowed, and 8.7% were single. The details regarding the demographics of the sample are shown in Table 1.

Table 1: Demographic Characteristics of the Respondents

Gender	%	Age Group	%	Educational Background	%	Family Status	%
Female	92.6	18 or under	0.0	Grade School	1.1	Single	8.7
Male	7.4	19-25	0.0	High School	44.1	Married	58.7
		26-30	3.2	Technical Diploma	3.2	Divorced/ Separated	22.8
		31-35	5.3	Some College	31.2	Widowed	9.8
		36-40	42.1	Community College Degree	14.0		
		41-50	40.0	College Degree	5.4		
		51-60	8.4	Advanced Degree	1.1		
		61 or over	1.1				
Total	100	Total	100	Total	100	Total	100

Job Tenure

The length of time that the respondents have been in their current job is shown in Table 2. The median length of time that a respondent has been in their current job is "more than 10 years." This shows that there has been approximately half of the respondents have been with their current employer for more than 10 years, while the other half has been in their jobs for less than that time. Approximately 12% of the respondents have been in their jobs for less than 2 years. See Table 2 for more details on the job tenure.

Table 2: Employment Tenure in Current School District

Length of Time	%
1. Less than 6 months	1.0
2. 6-12 months	5.0
3. 1-2 years	6.0
4. 2-4 years	11.0
5. 4-6 years	9.0
6. 6-8 years	5.0
7. 8-10 years	11.0
8. More than 10 years	51.0
Total	100.0

N= 100 Median= "More than 10 years"

Respondent Sources Regarding Current Job

Respondents were asked to indicate how they learned about their current job vacancy in the restaurant. The respondents could choose multiple sources that they may have used to learn about the job that they currently occupy. The majority of the respondents (21.9%) learned about their current job through referral by another employee who worked there or worked there in the past. The second largest source for helping respondents learn about their current job is "other" (17.5%). This category has the majority of their responses related to the respondent "being a parent at the school," "having children in the school" and "wanting hours that matched their children." Other sources were the website of the school system (7.5%), just dropped by looking for a job (6.3%), through other members of the community (4.4%), internet job search (2.5%), school/university recruitment (1.9%), and only one respondent each selected newspaper/magazine ads and community job fair. See Table 3 for more details.

Table 3: Sources That Helped Respondents Learn About Their Current Job

How Did You Learn About The Job?	%
Referral by another employee who works there or worked there in the past	21.9
Other	17.5
Web site of the school system	7.5
Just dropped by looking for a job	6.3
Through other members of the community	4.4
Internet general job search	2.5
School/university recruitment	1.9
Newspaper/magazine ads	0.6
Community job fair	0.6

N=101

Respondents' Reasons for Attraction to Job

The respondents were also asked what attracted them to their current job. Multiple responses were allowed in this question as well. The biggest reason for respondents to be attracted to their current job was the employee benefits (31.9%). This was followed closely by flexible schedule (26.3%), interaction with people (20.6%), pay level (20.6%), and ease of commute (20.6%). The "other" respondents' comments (13.1%) ranged from "it was a nice, fun job" to "no nights, no weekends." The comments also reflected that some of the respondents had been in foodservice jobs their whole lives and so this job made sense for their background. See Table 4 for additional characteristics that attracted respondents to their current jobs.

Table 4: Characteristics that Attracted the Respondent to Their Current Job

Employment Characteristic That Attracted You To Job	%
Employee benefits	31.9
Flexible schedule	26.3
Interaction with people	20.6
Pay level	20.6
Ease of commute/location	20.6
Other	13.1
Job duties	10.6
Employee working environment	10.6
Reputation of the entire school district	8.1
Friend/family member who already works there	7.5
Reputation of the particular school	5.0

Note: Percentages add up to more than 100% due to multiple responses N=101

Managers' Evaluation of Current Employment Experience

Respondents were asked to rate 20 employment characteristics with regard to their perceived importance. The respondents were also asked to rate their actual experience with these characteristics, more specifically to what extent these characteristics were manifested in their current employment. Each characteristic was evaluated according to its level of importance on a 5-point scale with "1" indicating "unimportant" and "5" indicating "very important." The actual experience that the respondents had with these characteristics on the job was then measured on a 5-point scale where "1" indicated "poor experience" and "5" indicated "excellent experience." The results of the specific employment characteristics are summarized in Table 5.

The most important employment characteristics to respondents were retirement plan (4.67), health benefits for manager (4.67), humane and caring approach to employees (4.65), clear information on job tasks and responsibilities (4.65), and introductory training (4.61). Of the 20 employment characteristics, 17 of them had statistically significant gaps between the perceived importance and the perceived actual experience in the current workplace. The largest gaps between importance and experience occurred in paid vacation, hourly wage, clear information on job tasks and responsibilities, and introductory training.

The three areas where there were not a significant difference between importance and experience were: direct deposit of paycheck, company policies, and flexible working hours. For more details regarding the employment characteristics, see Table 5.

Table 5: Comparison Between Level of Importance and Actual Experience of Respondents' Employment Characteristics

Employment Characteristic	Level of Importance		Actual Experience		T-Test		
	Mean	*s. d.*	Mean	*s. d.*	T Value	Sig.	df
1. Retirement plan	4.67	.651	3.93	.998	6.544	.000	90
2. Health benefits (for manager)	4.67	.681	3.99	1.011	5.771	.000	91
3. Humane (caring) approach to employees	4.65	.686	3.53	1.104	9.443	.000	91
4. Clear information on job tasks and responsibilities	4.65	.654	3.67	1.087	7.706	.000	92
5. Introductory training	4.61	.80	3.56	1.186	7.645	.000	95
6. Nice people to work with	4.60	.610	3.89	.914	6.729	.000	92
7. Consistent working hours (for steady income)	4.59	.792	4.18	.801	4.758	.000	89
8. Ongoing training	4.53	.682	3.63	1.011	8.027	.000	94
9. Hourly wage	4.49	.775	3.41	1.20	8.511	.000	92
10. Advancement opportunities	4.42	.774	3.54	1.123	6.148	.000	91
11. Company policies (dress code, etc.)	4.34	.770	3.79	1.046	5.141	.000	93
12. Fun and challenging job	4.34	.849	3.71	1.033	5.812	.000	93
13. Convenient travel to work	4.28	.864	3.96	1.073	2.950	.004	92
14. Performance reviews	4.28	.754	3.69	.951	5.293	.000	93
15. Company policies	4.15	1.138	4.27	1.007	-.946	.347	91
16. Health benefits (for family)	4.04	1.382	3.09	1.315	5.185	.000	80
17. Paid vacation	3.99	1.367	2.85	1.435	6.095	.000	84
18. Crew uniform	3.99	1.038	3.62	1.123	2.997	.004	90
19. Flexible working hours	3.98	1.041	3.79	1.071	1.734	.086	94
20. Direct-deposit of paycheck	3.96	1.197	4.06	.987	-.784	.435	92

Note: Level of Importance: 1 to 5 scale: "1"=Unimportant, "3"=Somewhat Important, "5"=Very Important
Actual Experience: 1 to 5 scale: "1"=Poor, "3"=Good, "5"=Excellent

Job Retention Indicators

To help determine retention intent in the school foodservice industry, respondents were asked to reflect on their level of satisfaction with their current job, their level of likelihood to refer a friend or a family member to their current employer, and their likelihood to remain with their current employer for the next six months.

For the most part, managers were satisfied with their jobs (58.8%). There were 17.5% of the respondents that were very satisfied with their jobs. More than twelve percent (12.4%) were neither dissatisfied nor satisfied with their jobs. There were 6.2% of the respondents that were dissatisfied and 5.2% that were very dissatisfied with their current job (Table 6).

Table 6: Level of Satisfaction With Current Job

Level of Satisfaction with Current Job	%
1. Very Dissatisfied	5.2
2. Dissatisfied	6.2
3. Neither Dissatisfied nor Satisfied	12.4
4. Satisfied	58.8
5. Very Satisfied	17.5
Total	100.0

N=97 Mean=3.77 Standard Deviation=.984 Median=4 "satisfied"

The majority of the respondents were likely (37.8%) or very likely (30.6%) to refer a friend or family member to the current employer, while 16.3% were somewhat likely to refer a friend or family member. Only 9.2% were unlikely and 6.1% very unlikely to refer a friend or family member to the current employer (see Table 7).

Table 7: Level of Likelihood to Refer Friend or Family to Apply for a job in the School District

Level of Likelihood to Refer Friend or Family	%
1. Very Unlikely	6.1
2. Unlikely	9.2
3. Somewhat Likely	16.3
4. Likely	37.8
5. Very Likely	30.6
Total	100.0

N=98 Mean=3.78 Standard Deviation=1.162 Median=4 "likely"

In a question regarding intent to turnover, very few respondents were considering turning over in the next six months. Over 77% of respondents were very likely to remain with their current employer for more than six months. There were 13.5% of the respondents that were likely to remain with their current employer and 5.2% were somewhat likely to remain. Only 1.0% were unlikely and 3.1% were very unlikely to remain with their current employer for the next six months (see Table 8).

Table 8: Likelihood of Remaining with Current Employer for Next Six Months

Likelihood of Remaining with Current Employer for Next Six Months	%
1. Very Unlikely	3.1
2. Unlikely	1.0
3. Somewhat Likely	5.2
4. Likely	13.5
5. Very Likely	77.1
Total	100.0

N=96 Mean=4.60 Standard Deviation=.888 Median= 5 "very likely"

Employment Characteristics That Contribute to Turnover

Respondents were asked to assess 13 employment characteristics that might make them move to another employer. Each item was assessed by the respondents on a 5-point scale where "1" indicated "no value" and "5" indicated "very high value." The respondents rated better pay as having the highest value to them with regards to going to work for another company (4.33). The other job characteristics that would attract them to another company were better health benefits (3.99), better retirement plan (3.90), improved communication to employees (3.86), and a more humane or caring approach to employees (3.86). See Table 9 for the complete list of job characteristics.

Table 9: Job Characteristics That Would Attract Managers to Move to Another Company

Valued Characteristic	Mean	*s. d.*
1. Better pay	4.33	1.265
2. Better health benefits	3.99	1.335
3. Better retirement plan	3.9	1.311
4. Improved communication to employees	3.86	1.279
5. More humane (caring) approach to employees	3.83	1.252
6. Improved chance of promotion	3.78	1.368
7. Flexible working hours	3.75	1.341
8. Nice people to work with	3.73	1.311
9. Easier travel to work	3.72	1.583
10. Better company policies	3.67	1.260
11. Different management style	3.55	1.236
12. Improved consistency in working hours	3.52	1.387
13. Larger organization with more resources	3.35	1.373

Note: Value of Characteristic: 1=No value, 2=Low value, 3=Some value, 4=High value, 5=Very high value

Discussion and Implications for Practitioners

As was shown in the demographic data, the sample of respondents has a long tenure with their respective schools with more than half of the respondents in their jobs for more than 10 years. This is very typical of a school foodservice manager as their length of tenure can be quite long (Lipowski, 1999). As the demographics start to shift as the older manager retires and a younger generation takes over the school foodservice positions for them, the factors that help recruit and retain these managers will be important to understand.

In responding to the first research question -What are the factors that are most important in recruiting and attracting school foodservice managers to their jobs, the following responses were determined to be important for school foodservice managers. In developing recruiting plans for school foodservice, it is important to note that referrals from another employee who works there, along with "other" responses such as "being a parent at the school," "having children in the school" and "wanting hours that matched their children" are the two significant responses for how people found out about their current job. This is an indication that by marketing through other employees and through the school itself is probably the most cost effective way to recruit new managers.

The top characteristics that attracted people to their current jobs were employee benefits, flexible schedule, interaction with people, pay level, and ease of commute or location. These responses are different from similar studies that were conducted with quick service and casual dining restaurant employees. In those studies, flexible schedules was the most important characteristics that attracted people to their jobs and employee benefits were down lower on the list. This may be due to the average age of the respondents. In the current study, the median age was 36-40, in both of the other studies, the median age was 19-25 (DiPietro & Milman, 2004; DiPietro & Milman, in press). This finding indicates that the strongest reason that attracted people to work for the school district is because the employee benefits that are offered. If the school foodservice manager's average age continues to decline as it has (Pannell-Martin, 1999), the implications for human resource practitioners may be to reevaluate these characteristics.

To determine where there are gaps in the level of importance and actual practices in school foodservice manager jobs, the respondents were asked to evaluate 20 employment characteristics' level of importance and the actual experience that the respondents had with each of the job characteristics. It was determined that there are large gaps between these characteristics in 17 out of 20 situations. The most important job characteristics as rated by respondents were retirement plan, health benefits for the manager, humane and caring approach to employees, and clear information on job tasks and responsibilities. These again may be a reflection of the average age of the respondents. The largest gaps were found between the importance and experience regarding humane and caring approach to employees, hourly wage, ongoing training, and clear information on job tasks and responsibilities. There were no significant differences between the importance and experience with direct deposit of paycheck, flexible working hours, and company policies. This may be due to the fact that respondents were aware of these characteristics before starting their current jobs.

Respondents were very positive in their responses to the questions regarding level of satisfaction with their current job as most of them responded that they were satisfied or very satisfied with their current job (76.3%). This followed that many of them would refer a friend or family member to a job in the school district (68.4%) and the majority of them would stay in their current job for the next six months (90.6%). This shows that the respondents surveyed were very positive about their job and would likely stay.

When asked what job characteristics would attract them to another company, the largest response was better pay. In keeping with the desire for good benefits, better health benefits and better retirement plans were the next highest characteristics that would attract the respondents to another company. This once again emphasizes the need for school foodservice organizations to ensure that their benefits packages are an outstanding component of the recruiting package.

Conclusions

One of the limitations of the current study was that it was done in one limited geographical area and therefore is not representative of a larger area. It was also performed with schools that were self-operating their school foodservice operation rather than contracting out or using a management company to run their foodservice operation.

Future research could look at employees in school foodservice to determine if they rate job characteristics the same as the managers in the current study. This would help to guide the human resource practices in both managerial and employee ranks. Future research could also analyze self-operating school foodservice compared to foodservice in schools that were contracted out or operated by a management company.

The current study adds to the literature regarding school foodservice managers and why they choose school foodservice jobs and what keeps them in those jobs. This information can help to create human resource practices to allow school districts to more effectively and efficiently recruit managers. The current study also found that there were gaps in importance and experience with 17 of 20 job characteristics. This could be a reason for some of the turnover in management and could be an area that organizations could focus on in order to close the gaps and ensure that good managers are retained.

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Agency Costs, Bankruptcy Costs and the Use of Debt in Multinational Restaurant Firms

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The purpose of this paper is to understand whether multinational restaurant firms (MNRF's) have higher agency and expected bankruptcy costs. Given this expectation, this may have an impact on the amount of debt incurred by MNRF's. Overall, the findings are consistent with the existing literature in terms of the positive relationship between MNRF's and agency and bankruptcy costs. However, it was found that MNRF's also have more total debt. This is a surprising result given the higher agency and bankruptcy costs. The importance of this research is that there may be considerations other than agency and bankruptcy costs affecting the capital structure decision of MNRF's.

Introduction

The purpose of this paper is to assess the relationship between agency costs, bankruptcy costs and the use of debt in multinational restaurant firms (MNRF's). The underlying tradeoff is between the benefits of international diversification against the expected increases in agency and bankruptcy costs from the use of debt.

This research represents a continuation of work done regarding capital structure. Capital structure has been actively researched in the field of finance since the seminal work of Modigliani and Miller (1958). More recently, a stream of research has begun in the field of hospitality (Sheel, 1994; Kim, 1997; Dalbor and Upneja, 2004). However, much of the hospitality literature in this area has focused primarily on domestic firms or has paid very little attention to the multinational aspects of companies. International revenues are becoming more important to the industry. McDonald's, for example, is a component of the Dow Jones Industrial Average and is one of the most well-known hospitality firms. In 2004, it derived more than 65 percent of its total revenues from outside of the United States. Accordingly, the significance of this research is that it extends an understanding of the factors that influence the capital structure decision of MNRF's.

One of the motivations for this research is to continue to investigate the link between diversification benefits for multinational firms and capital structure. One theory is that multinational firms invest in countries that are negatively correlated with the United States, initially lowering their risk. This subsequently allows them to take on more debt. This diversification benefit was confirmed by early research conducted by Hughes, Logue and Sweeney (1975). However, Reeb, Kwok and Baek (1998) find that multinational firms have more risk. This may be from an increase in systematic risk due to extra exchange rate risk as suggested by Bartov, Bodnar and Kaul (1996). In terms of capital structure, Lee and Kwok (1988) find that multinational firms use less debt than their domestic counterparts. One reason for investigating the capital structure of MNRF's is to assess whether the benefits of diversification outweigh the extra agency monitoring costs in a multinational environment.

Multinational firms grow in different ways. Many industrial firms will build and own facilities overseas. This is not always the case for restaurants. As an example, Yum Corporation is the largest MNRF with about two-thirds of its stores operated by franchisees. Moreover, this does not mean that Yum does not bear the same type of risk a company owned manufacturer. For example, at the end of 2004 Yum Corporation was contingently liable for lease payments totaling $365 million. Additionally, the company provided guarantees on loan pools to franchisees of $16 million and various letters of credit totaling $22 million during this same period (Yum Corporation, p. 70). Thus, direct ownership is not a necessary condition to bear the risks of international expansion.

An important consideration in this type of research is the definition of a MNRF. There is no single definition of a multinational firm that is recognized within the financial literature. Differing variables such as the nationality of management, the number of different countries in which firms do business and sales or profits have been used. When attempting to use either sales or profits, sales are generally considered superior because of the smaller likelihood of earnings manipulation.

Lee and Kwok (1988) address this issue by using the foreign tax ratio, or the percentage of total taxes paid to foreign governments. In their research, Lee and Kwok used a wide variety of firms to increase their sample size. Here, the research is limited to one particular industry, the use of the foreign tax ratio severely limits the sample size available for analysis. In addition, there is a possibility of manipulation of the foreign tax ratio through use of transfer pricing and other accounting techniques. Finally, we had to determine a cut-off point for foreign revenue as a percentage of total revenue, to classify the firm as foreign or not. Again there was no uniform number used in the literature. Therefore, this study was begun using an arbitrary number (10%) and said that if the firm has to derive at least ten percent or more of its revenue from foreign sources it would be classified as a MNRF. Use of different levels of threshold amounts does not materially change the results.

The capital structure of multinational firms is a relatively recent endeavor for capital structure researchers. The common capital structure model according to Megginson (1997) is shown:

$$VL = Vu + \text{Tax Shield} - \text{Expected Bankruptcy Costs} - \text{Agency Costs}$$

Where VL is the value of the levered firm and Vu is the value of the unlevered firm. As shown in the equation, the value of the firm is increased by the present value of the tax shield of the deductibility of interest payments and decreased by expected bankruptcy and agency costs.

We hypothesize that differences in expected bankruptcy costs and agency costs will have an impact on the capital structure of MNRF's. Specifically, firms with higher costs are less likely to have debt in their capital structures. Our research finds that MNRF's have higher agency costs, but bankruptcy costs are indeterminate. The overall effect in our research is that there is a positive relationship between MNRF's and total debt despite the increased agency costs.

Agency Costs, Bankruptcy Costs and Internationalization

Agency costs associated with debt

Research conducted by Myers (1977) hypothesizes that capital structure choice is related to the agency costs of debt. Myers argues that firms have real options whose value is dependent upon further discretionary investments. Examples of these investments include advertising and research and development costs. If bondholders have a contract that matures after the expiration of a real option, the benefits will accrue primarily to the bondholders. Myers refers this as the underinvestment problem; where shareholders pass up projects with positive net present values.

Bondholders, aware of this potential problem, take all of this into consideration. Therefore, because of this underinvestment risk to the shareholders, bondholders will pay less for the debt securities of the firm. This reduction in purchase price, paid by the bondholders, represents an agency cost to the firm. The more a firm spends on research and advertising costs, the higher the agency costs and the potential for underinvestment by the firm. These costs have been used in previous research as proxies for agency costs by Lee and Kwok (1988) and Bradley, Jarrel and Kim (1984).

Another agency cost to the firm is the substitution problem hypothesized by Jensen and Meckling (1976). The owners of the firm will have an incentive to engage in risky project that transfers wealth from bondholders to the shareholders. Specifically, the upside potential of the project accrues to the shareholders while any downside loss is borne more by the bondholders than the shareholders. There are two types of agency costs associated with this problem. The first cost is the reduction in price paid for the firm's bonds by bondholders (similar to the underinvestment problem). Secondly, because of the potential for a substitution problem, bondholders will most likely require bond covenants and monitoring of firm activities. These activities represent real costs to the firm. Thus, the lower price paid for the bonds along with the costs of bond covenants are all considered agency costs of debt.

The agency costs of debt can have a particular effect on the capital structure of MNRF's as hypothesized by Kwok and Reeb (2000). They argue that given the wider diversity of MNRF operations, it takes greater effort to monitor the actions of a multinational firm. Therefore, this would discourage the use of debt. Additionally, the authors argue that that MNRF's have more real options, thereby bondholders are less willing to pay the price for debt. Both of these points support the notion that a MNRF would have less debt in its capital structure than a DRF.

Agency costs and the use of debt in hospitality firms

Capital structure research in hospitality is an emerging field. Sheel (1994) examines the potential determinants of debt use by hotel and manufacturing firms. His research only includes domestic firms and excludes restaurants. Gu (1995/96) attempts to test the pecking-order theory of financing by using a sample of domestic lodging and manufacturing firms. Upneja and Dalbor (2001) and Dalbor and Upneja (2002) examine the use of debt by domestic restaurant firms and find key determinants to be firm size, age and firm risk (positive) and growth opportunities (negative). Debt is used by larger and older firms as an effective monitoring agent to help reduce the agency costs associated with potential empire building by management. On the other hand, restaurant firms with large growth opportunities may choose less debt because of the pecking order as defined by Myers (2001).

Further research by Dalbor and Upneja (2004) find a positive relationship between growth opportunities and total debt for domestic lodging firms. This is different from restaurant firms as growth opportunities for lodging firms can involve expansions, renovations or acquisitions that have tangible value for lenders even in the case of financial distress. Overall, while there has been capital structure research in the hospitality, none has covered or focused on the behavior of multinational restaurant firms. Also, the results of previous studies indicate the hospitality industry may not be homogeneous in terms of capital structure choice.

Bankruptcy costs and debt

The relationship between the use of financial leverage and potential bankruptcy costs has been ambiguous in the literature. The first theory is parallel to using international investments to reduce the variance in a portfolio. As discussed by Shapiro (1978), a company developing overseas operations can reduce the volatility of expected cash flows, subsequently reducing the likelihood of bankruptcy and its associated costs. Accordingly, a MNRF should use more debt.

Kwok and Reeb (1998) develop an extension of the international diversification hypothesis. They argue for an "upstream/downstream" effect where less developed countries represent increased risk, leading to the use of less debt by the international firm. On the other hand, expansion into a relatively developed country represents less risk, and would therefore lead to the use of more debt. Therefore, the use of debt is dependent upon the condition of the country into which operations are being expanded.

Another approach is taken by Khambata and Reeb (2000). A MNRF has operations in a variety of international locations, subject to a large variety of legal jurisdictions. While holding bankruptcy costs constant, the heterogeneity of lenders' rules and regulations increases the costs of potential bankruptcy. Therefore, the authors argue that this would lead to a MNRF to use less debt in the capital structure.

There seems to be a consensus in the recent capital structure literature regarding internationalization and agency costs. Higher agency costs are associated with internationalization and therefore those firms should use less debt. But, there seems to be no consensus on the effect of bankruptcy costs and debt in the multinational firm. Because of the conflict between the diversification and upstream-downstream hypotheses, there is no a priori expectation of a relationship between the use of debt and bankruptcy costs.

Empirical evidence from Lee and Kwok (1988) indicates that multinational firms do have higher agency costs than domestic firms. In terms of bankruptcy costs, the authors find that multinational firms do not have lower bankruptcy costs than domestic firms after controlling for firm size. Size is accounted for in their research by grouping the firms by amount of assets and placing each firm in one of seven categories.

The authors also tested the multinational and domestic firms for debt ratios and found that domestic firms have higher debt ratios. However, this was not true for all industries. Domestic industries with lower debt ratios include mining, textile, publishing and primary metals. Moreover, the authors did not examine any hospitality firms such as hotels or restaurants.

Upneja and Dalbor (2001) examine the use of debt and expected bankruptcy costs for domestic restaurant firms. While they find a positive relationship between firm risk and debt use, this merely confirms the pecking order theory of Myers (1977) rather than address the higher potential bankruptcy costs for restaurant firms, whether they are DRF's or MNRF's. While bankruptcies and their associated costs are high for small private domestic restaurant firms, it remains an empirical question for publicly traded MNRF's.

Measurement of agency costs and expected bankruptcy costs

As previously discussed, a MNRF would be expected to have higher agency costs. Myers (1977) argues that research and development expenditures and advertising expenditures create future opportunities for the firm that may or may not be utilized. Accordingly, the greater the amount of expenditures, the greater the potential for underinvestment by the owners and thus, higher agency costs.

Lee and Kwok (1988) use the percentage of sales represented by advertising and research and development costs as proxies for agency costs. This had also been used in other studies including Bradley, Jarrel and Kim (1984). We use a similar measure, although we do not expect a large amount of research and development expenditures in our sample.

As argued by Lee and Kwok (1988), bankruptcy costs can generally be expected to remain constant. Therefore, expected bankruptcy costs are largely a factor of the probability of bankruptcy. Although Lee and Kwok use the variability of cash flows as a measure of this, we have decided to use Ohlson's Revised O Score as used by Dalbor and Upneja (2002). This score makes use of number of key ratios to effectively predict bankruptcy and has been used in other hospitality capital structure research (Upneja and Dalbor, 1999).

Hypotheses to be tested

Based on the established theory, we propose two alternative hypotheses:

H1: There is a positive relationship between agency costs and MNRF's.
H2: There is a positive relationship between bankruptcy costs and MNRF's.

If the first hypothesis were correct, then this would appear to indicate that MNRF's would use less debt. On the other hand, if MNRF's have lower expected bankruptcy costs, this would indicate that they would use more debt. Since these two elements are in contradiction, it is uncertain which factor has greater influence on the overall debt in the capital structure of the firms in the sample. Accordingly, we propose a third alternative hypothesis to assess the relationship between total debt and MNRF's.

H3: There is a negative relationship between total debt and MNRF's .

We were prepared, in fact, that the results could indicate an opposite effect depending on the balance of agency costs of debt and expected bankruptcy costs.

Methodology - Data sample

The sample of restaurant firms is from the COMPUSTAT database for the years 1980 through 2004. We excluded from our analysis firms that did not have data for the entire period. However, the exclusion was selective, based on the regression model. Only those firms were excluded for each model that did not have the required data for that model. For example, the variables required in the first regression are agency costs, size, and an indicator variable for multinational character of the firm. Note that the Ohlson's revised O-score is used only in the second regression model, therefore observations were not excluded if they did not have the required information to calculate the Ohlson's O-score. Therefore, the exclusion for the first model was based only on the three variables required for the first model. In the second model, we excluded based on the requirements of the second model. The number of observations for each model varied from 38 to 90. Summary statistics of the data are provided in Table 1 and a correlation matrix is shown in Table 2.

Table 1: Summary statistics for the variables used in the regression analysis.

Variable	N	Mean	*s. d.*	Minimum	Maximum
AC	75	0.038	0.034	.001	.062
DR	91	0.560	0.249	.139	.968
OR	39	0.213	0.247	0	.66
SIZE	101	2.000	1.420	0	4
MNRF	101	0.406	0.493	0	1

The table lists the descriptive statistics for the dependent and independent variables used in the regression analyses.

Terms used:

AC: agency costs of the firm represented by the ratio of advertising and research and development costs to total sales.

DR: total debt ratio and is defined as the total debt of the firm (both long and short term) divided by total assets.

OR: Ohlson's revised O score, a measure between 0 and 1 indicating the probability of bankruptcy (1 is the highest probability).

SIZE: categorical variable with the firms divided into five categories based upon the log of the number of total assets. 1 is the largest firm while 5 is the smallest firm.

MNRF: an indicator variable where 1 is a multinational restaurant firm.

Because the number of observations varied between the three models, the correlation matrix is shown in three panels in table 2. Each panel corresponds to each of the three regression models.

Table 2: Correlation Matrix by Regression Models*

Panel A: Correlation matrix for first regression model AC = Size + MNRF

Variable	AC	SIZE
AC		
SIZE	0.13	
MNRF	0.28	.76

Panel B: Correlation matrix for second regression model OR = Size + MNRF

Variable	OR	SIZE
OR		
SIZE	-0.64	
MNRF	-0.25	0.64

Panel C: Correlation matrix for third regression model DR = Size + MNRF

Variable	DR	SIZE
DR		
SIZE	0.07	
MNRF	0.27	.76

* Because there were different numbers of observations in each model, resulting in different values for correlations between the same variables, we decided to show the correlation matrix separately for each model.

Terms used:

AC: agency costs of the firm represented by the ratio of advertising and research and development costs to total sales.

DR: total debt ratio and is defined as the total debt of the firm (both long and short term) divided by total assets.

OR: Ohlson's revised O score, a measure between 0 and 1 indicating the probability of bankruptcy (1 is the highest probability).

SIZE: categorical variable with the firms divided into five categories based upon the log of the number of total assets. 1 is the largest firm while 5 is the smallest firm.

MNRF: an indicator variable where 1 is a multinational restaurant firm.

Methodology – linear models

Our methodology uses general linear models to investigate the relationship between agency costs, expected bankruptcy costs and debt ratios and MNRF's. We considered a firm that has more than 10 percent of its sales from international sources to be a MNRF. Additionally, to alleviate any size bias, we placed the firms into 5 different categories based upon the number of assets under their control. The largest firm was a 1 and the smallest is given a 5. This is consistent with Lee and Kwok (1988). Accordingly, the three linear models are as follows:

$$AC = \alpha_0 + \alpha_1 \, SIZE + \alpha_2 \, MNRF + \varepsilon_i .$$

$$OOR = \alpha_0 + \alpha_1 \, SIZE + \alpha_2 \, MNRF + \varepsilon_i .$$

$$DR = \alpha_0 + \alpha_1 \, SIZE + \alpha_2 \, MNRF + \varepsilon_i .$$

Where:

AC = the ratio of advertising and r&d expenditures to total sales

OOR = Revised Ohlson's O score, a predictor of bankruptcy and an indicator of expected bankruptcy costs

DR= the ratio of total debt to total assets

SIZE = indicator variable based upon total assets

MNRF = variable indicating if the firm is multinational

ε_i = the error terms of the model.

Results

The regression results are shown in Table 3. The table reports regression results for the three regression models.

Table 3: Regression Analysis Results

Regression	Dependent Variable	Intercept	SIZE	MNRF	F*	Adj.R^2 (%)
1	AC	0.03 (5.55)**	-0.01 (-1.07)	0.03 (2.46)**	3.73*	6.88
2	OOR	0.38 (8.86)**	-.16 (-5.11)**	.17 (1.71)	15.14**	42.67
3	DR	0.55 (12.97)**	-0.05 (-1.99)*	0.25 (3.27)**	5.61**	9.29

* Significant at $p < .05$.
**Significant at $p < .01$.

Terms used:

AC: agency costs of the firm represented by the ratio of advertising and research and development costs to total sales.

DR: total debt ratio and is defined as the total debt of the firm (both long and short term) divided by total assets.

OR: Ohlson's revised O score, a measure between 0 and 1 indicating the probability of bankruptcy (1 is the highest probability).

SIZE: categorical variable with the firms divided into five categories based upon the log of the number of total assets. 1 is the largest firm while 5 is the smallest firm.

MNRF: an indicator variable where 1 is a multinational restaurant firm.

The first regression shows the results with agency costs as the dependent variable. After taking into consideration the size of the firms, there is a significant and positive relationship between MNRF's and agency costs. This result confirms previous research with other firms, indicating that more costs have to be incurred to reduce the information asymmetry regarding the firm as it expands internationally.

The second regression shows the relationship between MNRF's and expected bankruptcy costs as operationalized by the revised Ohlson's O Score variable. The predicted sign of the MNRF variable was indeterminate a prioi because of the relative importance of exactly where a firm was going to expand overseas. But after taking size into consideration, the result supports the notion that risky firms take on more debt overall as found by Dalbor and Upneja (2004) for domestic restaurant firms.

The final regression shows the relationship between MNRF's and total debt. Given the higher agency and bankruptcy costs shown in the first two regressions, we expected to find a negative relationship between MNRF's and total debt. Instead, we find a significant and positive relationship between MNRF's and total debt.

This unexpected result could be for a number of reasons:

- The MNRF's may be more "mature" than expected, thus they may have less growth opportunities and according to Myers' (1977) pecking order theory of financing, would use more debt.
- We have used total debt as a dependent variable, which could include a substantial amount of short-term debt, which is easier to re-finance.

- MNRF's may have more locations that are actually owned instead of leased. Real estate ownership would seem to imply greater use of debt that is secured by valuable tangible assets such as land and building.

It should be noted that we ran other regression models using different measures for total debt. We ran a regression with total current liabilities as the dependent variable and another model with long-term debt as the dependent variable. Both regressions indicated a significant and positive relationship with MNRF's and the measure of debt confirming the results of our original model.

Conclusions and Implications for Further Research

This research examines the relationship between agency costs and expected bankruptcy costs and MNRF's. Our first result supports the existing literature that states that these types of firms should incur higher agency costs. Our bankruptcy cost model has borderline significance, but the sign of this coefficient was indeterminate because of the dependence upon the location of foreign expansion. Additionally, we find that MNRF's use more total debt, a result that was unexpected.

The results generated by this research warrant further investigation. Overall, operational characteristics of MNRF's should be examined in greater detail to understand the similarities and differences as compared to domestic firms. Additionally, agency costs in general, and for the restaurant industry in particular, need to be better defined. Moreover, more research should be conducted as to the appropriate definition of a multinational restaurant firm. There is no current consensus on this issue and, unfortunately, a consensus may not be forthcoming anytime soon.

The research highlights the very fluid situation confronting research into multi-national activities. Firms are still experimenting with investment structures and there are still surprises when doing research in this area.

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Appendix

The revised O-score (probability) of bankruptcy is calculated in the following manner: First, we calculate the numerical value (NV) of the probability of bankruptcy. The second step is to calculate the O-score that represents the probability of bankruptcy.

NV = -1.32 – (.407*SIZE) +(6.03*TLTA) – (1.43*WCTA) + (.076*CLCA) – (1.72*OENEG) – (2.37*NITA) – (1.83*FOTL) + (.285*INTWO) – (.521*CHIN)

The revised O-Score ranges from 0 (extremely low probability of bankruptcy) to 1 (*indicating a 100% probability of bankruptcy*). The procedure for calculating the revised O-score is based on the equation below.

$$\text{Revised O Score} = 1/(1 + e^{-NV})$$

An explanation of the variables is shown below.

Variable	Calculation
SIZE	Log of total assets
TLTA	Total liabilities/total assets
WCTA	Working capital/total assets
CLCA	Current liabilities/current assets
OENEG	If total liabilities > total assets, OENEG = 1 If total liabilities ≤ total assets, OENEG = 0
NITA	Net income or loss/total Assets
FOTL	Funds received from operations/total liabilities
INTWO	If the firm has reported a net loss for the current period AND the previous period INTWO =1; O otherwise
CHIN	Net income in current year – net income in prior year Absolute value of current year net income plus absolute value of net income in prior year

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Global Pricing Strategy for a Quick-Service Restaurant Chain

By David C. Bojanic

The purpose of this paper is to compare prices for a popular quick-service restaurant chain (i.e., McDonald's) across countries throughout the world using the "Big Mac Index" published by "The Economist." The index was originally developed to measure the valuation of international currencies against the U. S. dollar. The analysis in this study examines the relationship between the price of a Big Mac and other variables such as the cost of beef, price elasticity, and income. Finally, these relationships are reviewed to draw inferences concerning the use of demand, costs, and competition in setting prices.

Introduction

People continue to purchase meals away from home at an increasing rate, including dining in restaurants, ordering delivery or carryout, and using drive-thru services. The Census of Retail Trade published by the U.S. Census Bureau estimates the 2005 sales for food service and drinking places at $396.6 billion, up from $203.4 billion in 1992. Quick-service restaurants are a major benefactor of this trend, but "fast casual" restaurants and other full-service concepts are cashing in as well. People around the globe have more discretionary income and less time because of the growing number of demands on them in the form of work, social life, and family activities.

There are many restaurants and other food service firms that have expanded globally in an attempt to take advantage of this trend and to realize increased growth in sales and revenues. One of the prerequisites for competing in the international arena is the ability to adapt the firm's marketing program to fit the local customs and economic conditions. A restaurant's menu must include items that appeal to the local populations and present them in a fashion that adheres to local tastes for ambience and atmosphere in a convenient location. The restaurant chain should also be able to reach its target markets through specific promotion vehicles that limit wasted coverage. Finally, the price point for the menu items should be consistent with the competition in that product class and the standard of living in that geographic location.

The purpose of this study is to examine the global pricing strategy for a fast food restaurant chain (i.e., McDonald's). The "Big Mac Index" published by *The Economist* uses the prices for a popular sandwich as a "basket" of goods and services to measure purchasing power parity (PPP) after converting the prices to U. S. dollars. The relationships between price and various economic variables are examined to determine the degree to which the variables are related. In addition, the influence of the standard of living in the country (e.g., level of development and income) on price and the other economic variables is evaluated. Finally, the results of the analysis are used to make inferences regarding the restaurant chain's use of information on demand, costs, and competition in setting its prices in various countries.

Literature Review

First, it is important to examine the general pricing strategies and tactics used in all industries, and how they are applied on a global basis. Kotler (2007) proposes a decision-making framework for pricing decisions consisting of six stages:

(1) selecting the pricing objective,
(2) determining demand,
(3) estimating costs,
(4) estimating competitors' costs, prices, and offers,
(5) selecting a pricing method, and
(6) selecting the final price.

This approach recognizes that prices should be based on demand, costs, and competition rather than focuses on one's orientation. The decision maker must select among the alternative outcomes and implement the strategy. Implementing a pricing strategy is relatively easy, but pricing is a complex function.

Reviews in the marketing literature on pricing normally cover price promotion decisions, behavioral aspects of pricing, and the role of price in the marketing mix (Rao, 1984). One of the pricing strategies that is particularly relevant for global pricing is geographic pricing (Tellis, 1986). Geographic pricing is used when consumers have special transaction costs and the objective of the firm is to exploit its competitive position. The other characteristics are geographically distinct markets, higher costs in adjacent markets, and economies of scale or unused capacity. The main objective for geographic pricing is to minimize the difference between markets by sharing, or absorbing, the costs between them. This strategy allows firms to adapt their prices to the living standards in various countries where they compete.

Restaurant Pricing Strategies

The three common approaches for setting price are cost-based, demand-based, and competitive-based. Often, firms use a combination of these various approaches because it is possible to overlook important factors that will have a negative impact on revenues and profits. For example, a cost-based strategy could underestimate the potential demand for a product resulting in unrealized consumer surplus. One group of researchers examined this phenomenon using an experimental design at a medium-priced family restaurant (Kiefer, Kelly and Burdett, 1994; Kelly, Kiefer and Burdett, 1994.) Price and quantity demanded were compared for a fried fish haddock dinner over four weekends. There were four levels of price that were varied over the four weekends, and the original price (lowest level) was based on the cost of the ingredients with a desired markup. The demand was found to be inelastic over the price range used in the experiment which indicates that there was more flexibility in price than was originally thought.

Another, more recent study, examined the perceived fairness of the demand-based approach to pricing in restaurants. The authors (Kimes and Wirtz, 2002) conducted a survey of guests at a college hotel to obtain their fairness perceptions for some less common demand-based strategies that could be employed by restaurants. The main premise was that restaurants could use revenue management models that are similar to those used by hotels. There were five scenarios explaining five demand-based strategies: 1) lunch vs. dinner, 2) weekday vs. weekend, 3) time-of-day, 4) coupon (two for the price of one), and 5) table location. There were two versions of the survey; one using a price discount and the other using a price surcharge. The findings of the study indicated that price expressed as a discount was typically viewed as more fair than a surcharge; the two-for-one coupon, the time-of-day, and lunch vs. dinner were the most readily accepted strategies.

The cost-based approach to pricing was also studied using a simulation based on the actual data for 18 restaurants in a fast food chain in the Southeastern United States (Robbins and Haas, 1981). The restaurants were divided into six strata based on the mean sales volume for groups of three and the financial and operational data were used to create a simulation using alternative cost/volume conditions. The results indicated that successful attempts at increasing purchase size provide substantially more revenue. In addition, profits were highly sensitive to fixed costs, as well as variable costs such as labor costs and food costs. Finally, it was concluded that it is particularly important for smaller restaurants to improve efficiencies in these areas in order to survive. Aaronson (2001) investigated the impact of increases in minimum wage on restaurant prices in the United States and Canada using an overall restaurant price index as well as prices for specific menu items at three fast food chains (Aaronson, 2001). The author concluded that restaurant prices tend to rise with increases in the minimum wage and that the restaurants' responses to wage increases tend to take place in the quarter surrounding the date of the wage changes.

Environmental Influences on Restaurant Prices

The demand for restaurant services can be difficult to understand. For example, why do restaurants with excess demand maintain their prices rather than increase prices and realize a higher level of profit? Becker (1991) pondered this question and decided to examine the relationship between demand and supply for restaurants. The analysis was theoretical and focused on the equilibrium price and its instability. The author posited that the demand for a popular restaurant can shift quickly and an "in" restaurant can become "out" in an instant. In fact, it is the author's contention that it is much easier to move from "in" to "out" than from "out" to "in." The main reason for the instability is the social influence on demand (i.e., the restaurant's exclusivity). Therefore, the restaurant owner should determine the degree of social influence when determining their restaurant's pricing strategy.

Other environmental variables such as income and ethnic background in various geographic locations have been researched in relation to pricing by fast food restaurants. Card and Krueger (1994) conducted an analysis of 400 fast food restaurants in New Jersey and Pennsylvania to determine whether prices varied by geographic area. Graddy (1997) investigated the link between income, race, and geographic price differences for fast food menu items. The author used the price data from the Card and Krueger (1994) study and matched it with income and race data from the 1990 census report. The results indicated that there is a relationship between prices and the percentage of blacks living in a zip code area, even when income and cost differences (e.g., wages) are taken into account. Prices increased about 5% for a 50% increase in the proportion of blacks.

This is consistent with the findings in other studies that wages in Atlanta fast food restaurants were negatively correlated with the percentage of white customers, and that prices were higher for groceries in areas with a greater proportion of black residents (Inlanfeldt and Young, 1994; Sexton, 1971). There is also evidence that employee wages at fast food restaurants differ according to ownership (Krueger, 1991). It was determined that low-level managers and crew workers at company-owned units had higher wages than their counterparts at franchised units. This difference was even more pronounced when benefits were considered. One possible explanation is the incentive for franchise owners to closely monitor expenses, including wages, in an effort to maximize the return on their investment. This is meaningful in the international arena because most of the units are franchised to owners, or ownership groups, that are citizens of the country. Therefore, the owners should closely monitor wages and keep them in line with living standards in the country.

Global Pricing Issues

It is clear that there are differences in prices for fast food restaurants in the United States based on location. Further, these differences can be attributed to factors such as income, race, costs of operation, and level of competition. Therefore, prices will vary by country due to the variations in income and cost of living. However, there have been some problems associated with the measurement and comparison of the cost of living across countries (Ruff and Jackson, 1974). Some of the issues include the determination of the patterns of consumption (e.g., the basket of goods and services used for comparison), setting weights and prices for the goods and services in the basket, and monetary and fiscal adjustments for things like taxes and inflation. In addition, Dowrick and Quiggin (1994) caution about using GDP per capita or the United Nations International Comparison Project data based on purchasing power parity (PPP) without accounting for the country's level of development.

The purchasing power parity (PPP) proposition suggests that price levels across countries should be equal after converting them to a common currency using exchange rates (Balassa, 1964; Cassel, 1921). In other words, a dollar should buy the same amount of goods and services in all countries. Rogoff (1996) examines the impact of the short-term volatility of exchange rates on PPP and concludes that international markets are more segmented than domestic markets with large trading frictions across a broad range of goods. These frictions are in the form of changes in monetary and fiscal policy (e.g., taxes and government spending) and changes in the costs of capital and labor. This would suggest that PPP is a good barometer for long-term exchange rates, but not very accurate in the short-run. Fullerton and Coronado (2001) used the prices for identical menu items in restaurant chains operating in Texas and across the border in Mexico to test the "law of one price." Their tests indicated that the Peso value differed from the exchange rate implied by the restaurant price ratios.

The Economist developed a Big Mac Index based on the theory of purchasing power parity. The "basket" is a McDonald's Big Mac, which is produced in about 120 countries with a similar recipe. The Big Mac PPP is the exchange rate that would mean hamburgers cost the same in America as abroad, and comparing actual exchange rates with PPPs indicates whether a currency is under- or overvalued. The issue surrounding the Big Mac Index is whether its "basket" of goods and services (i.e., the Big Mac sandwich) is appropriate for measuring purchasing power. Ong (1997) tested the "tradeability" of the Big Mac (and its components) to determine if it is the "perfect universal commodity." The results indicated that the index is fairly accurate in tracking exchange rates over the long-term, which is consistent with other PPP instruments. However, there were some large variations over the short-term as with other PPP instruments.

The variations could be due to social influences such as the "uniqueness" of fast food restaurants in a country, resulting in lower price elasticity and a higher price than expected. In other words, the concept of purchasing power parity assumes firms use the cost-oriented approach to pricing. It does not account for firms using demand-oriented pricing strategies such as prestige pricing or psychological pricing. Other possible factors that influence the Big Mac price across countries in the short-run are the inclusion of value-added taxes in some countries and/or differing profit margins based on the competitive environment (Miljkovic, 1999). Firms must take their competitive environment into account when determining pricing strategies, in addition to cost differences across countries.

Methodology

The data for this study were obtained from a variety of secondary sources. The Big Mac price, exchange rate, implied PPP, and the valuation versus the U. S. dollar is from the Big Mac index published in the May, 2006 issue of *The Economist* that includes data for 58 countries. Data for common economic variables like GDP per capita, consumer price index (CPI), level of income, and inflation rate were obtained through various government sources. The GDP per capita and inflation rate are from the 2006 World Factbook published by the Central Intelligence Agency (CIA) of the United States of America. The level of income is from the Living Standards Measurement Study of the World Bank. The CPI for each country is from the United States Department of Agriculture's Economic Research Service.

In addition to the common economic variables, some other price-related variables were obtained. The country per diem for meals and incidental expenses is from the U. S. Department of Defense Travel and Transportation Allowance Committee. The figure used in the study is a composite of the per diem rates for the cities on the list for each country, weighted toward the more popular cities where there are definitely McDonald's restaurants. The price of beef is from the International Labour Office's data on retail prices for round of beef. In some cases, a price for round of beef was not available and the price for stewing beef or beef with/without bone was used. Finally, the food expenditures and elasticities are from the United States Department of Agriculture (USDA) Economic Research Service. All of these figures were from the latest sources for 2005 and 2006 depending upon the type of data collection and reporting method.

Results

The first step in the analysis was to examine the intercorrelations among the price for a Big Mac and the economic variables (see Table 1). The highest level of correlations (.60 to .70) represents a strong relationship between price and the federal per diem for food (.602), the GDP per capita (.636), the food price elasticity (.634), and the food income elasticity (-.641). The U.S. federal government's per diem for food by country is closely aligned with the price for the Big Mac in that country. Both the price and per diem have strong correlations with GDP per capita, which would suggest that both could be pegged to the level of development and income in the country. The price elasticity shows that as price increases, the price sensitivity of the consumer increases as well. Conversely, the income elasticity is inversely related to price. The countries with higher prices have larger negative income elasticities, indicating that consumers are less sensitive to food prices as income increases, and both types of elasticity measures are highly correlated with GDP per capita (r>..90).

Table 1: Intercorrelations among Big Mac Price and Economic Variables

	Price in US$	Per Diem	Food %	Beef Price	GDP Per Capita	CPI	Inflation Rate	Food Price Elasticity
Per Diem	.602 (.000)							
Food %	-.386 (.010)	-.510 (.000)						
Beef Price	.469 (.000)	.486 (.000)	-.284 (.072)					
GDP Per Capita	.636 (.000)	.770 (.000)	-.712 (.000)	.520 (.000)				
CPI	-.194 (.198)	-.204 (.067)	.211 (.170)	-.181 (.191)	-.406 (.002)			
Inflation Rate	-.339 (.009)	-.534 (.000)	.383 (.010)	-.386 (.004)	-.568 (.000)	.644 (.000)		
Food price elasticity	.634 (.000)	.767 (.000)	-.656 (.000)	.546 (.000)	.938 (.000)	-.403 (.007)	-.503 (.001)	
Food income elasticity	-.641 (.000)	-.788 (.000)	.645 (.000)	-.564 (.000)	-.968 (.000)	.395 (.008)	.606 (.000)	-.962 (.000)

The only correlation between .40 and .60 is beef price (.469), which is significant and considered somewhat strong. Inflation rate (-.339) and the food percentage of consumers' total expenditures (-.384) are also significantly correlated with price. This suggest that countries for which food expenditures represent a large percentage of total expenditures and with higher levels of inflation tend to have lower prices. However, the correlations are below .40, which is not considered particularly strong. The lowest correlation, and the only one that is not significant at the .05 level, is between the Big Mac price and the consumer price index (-.196). All of these findings are probably related to the level of development and income associated with the country.

Level of Income Analysis

The next step in the analysis included separating countries into income categories based on Living Standards Measurements provided by the World Bank. Middle income and high income were chosen as the groups for the correlation analysis. A separate correlation analysis was performed on each of the two income groups (see Table 2). There are two significant correlations (at the .05 level) with the Big Mac price for the middle income group: beef price (.596) and food income elasticity (-483). Similarly, there are only two significant correlations with the Big Mac price for the high income group: GDP per capita (.585) and meal per diem

(.557). It is interesting that these four variables were all significant in the first step of the analysis for the entire sample. However, this analysis by level of income demonstrates that there are differences between the countries.

Table 2: Intercorrelations by Country Level of Income

Economic Variable	Middle Income		High Income	
	Pearson coefficient	Significance	Pearson coefficient	Significance
Per Diem	.151	.365	.557	.013
Food %	-.108	.571	.009	.974
Beef Price	.596	.000	.247	.308
GDP Per Capita	.271	.099	.585	.007
CPI	-.028	.867	.188	.441
Inflation Rate	-.297	.070	.024	.919
Food price elasticity	.215	.253	.346	.226
Food income elasticity	-.483	.007	-.341	.233

Analysis of variance (ANOVA) was used to determine the significance of the differences between the means for the economic variables across three income levels (see Table 3). As expected GDP per capita was highest for the high income group (27,470), followed by the upper middle income group (11, 572), and lowest for the lower middle income group (5,105). The Duncan mean separation test was used to examine the means and determine where there were significant differences. In this case, the means for all three groups were significantly different than one another. Also, the food income elasticity decreased from the lower middle income group (.670), to the upper middle income group (.583), and was the lowest for the high income group (.335).

Table 3: Price and Economic Variables by Level of Income

	Lower Middle	Upper Middle	High Income	F	Sig.
Price in US$	2.04a	2.30a	3.32b	9.674	.000
Per Diem	63.05a	72.72a	99.32b	23.202	.000
Food %	35.50b	29.52b	16.22a	16.121	.000
GDP Per Capita	5,105a	15,572b	27,470c	147.119	.000
CPI	145.32b	161.63b	111.65a	6.064	.004
Beef Price	3.42a	5.72a	15.72b	10.972	.000
Inflation Rate	6.53b	5.87b	2.19a	10.487	.000
Food Price Elasticity	-.390a	-.378a	-.248b	95.597	.000
Food Income Elasticity	.670c	.583b	.335a	126.496	.000

The high income group separated from the middle income groups for the rest of the economic variables. The high income group was significantly higher than the middle income groups for Big Mac price, beef price, and per diem. The high income group was significantly lower than the middle income groups for food percentage of total expenditures, CPI, inflation rate, and food price elasticity. Once again, the consumers in the high income level countries have more disposable income (i.e., food is a lower percentage of their expenditures) and are less sensitive to price changes.

Conclusions

Pricing decisions are complex because of the multitude of factors in play in the marketplace. These decisions are particularly difficult in the global arena because there are additional factors such as taxes, the cost of capital, labor issues, and other government policies and regulations. The concept of purchasing power parity suggests that $1 should buy the same amount of goods and services in all countries. However, the economics literature is clear that purchasing power parity is not achieved in the short-run, and that exchange rate conversions do not result in "one price" for specific goods or services across countries. The major goal of this paper was to determine whether other economic variables besides the exchange rate could help explain the variation in prices across countries.

The price for Big Macs did vary in accordance with the meal per diem set by the U.S. Department of Defense Travel Allowance Committee. This would suggest that McDonald's sets the price based on the general economic conditions in a country and the overall level of prices based on demand and competition. This is further supported by the significant correlation between the price of a Big Mac and the food price elasticity for the country. Higher prices were found in countries with lower price elasticities, but there was a much weaker correlation between price and food as a percentage of total expenditures. This would suggest that food establishments take advantage of the strong economic environment in developed countries with high incomes by using demand-oriented pricing and charging relatively higher prices for food.

Some of the other economic variables used in the analysis are related to the income level in the various countries. The correlation between price and GDP per capita is significant and relatively strong. The same is true for price and food income elasticity. Countries with higher prices tend to have high food income elasticities as well (i.e., the quantity of food demanded increased with level of income). The analysis by country level of income also showed significant differences between high income countries and middle income countries for the Big Mac prices. Lower income countries seem to use some form of cost-oriented pricing because the price varies with the cost of beef. Also, the relationship between price and food income elasticity is more relevant in the lower income countries. People in lower income countries do not increase their expenditures on food as quickly when income rises. This is probably because food expenditures already represent a relatively large percentage of total expenditures.

It is certainly evident from this study that McDonald's uses a combination of pricing approaches and follows a pricing decision-making framework similar to Kolter's six step approach. The restaurant operators look at demand, cost, and competition in setting final prices. The approach leans more toward cost-oriented pricing in lower income countries and shifts more toward demand-oriented pricing in higher income countries. Consumers in lower income countries spend a larger percentage of their annual incomes on food and they are more sensitive to price. Food purchased away from home cannot cost much more than the food prepared at home. Conversely, consumers in higher income countries are less sensitive to price and look for a unique experience when purchasing food away from home.

Limitations of the Study and Future Work

The data used in this study were obtained from secondary sources mostly compiled by national and international organizations. These organizations are responsible for producing the statistics used in the study, but they are not tailored to meet the exact needs of the study. For example, the food price and food income elasticities are for all forms of food, not just food purchased at restaurants, or any particular type of restaurant. Also, the timing is suspect because the data are mostly annual, but are not collected the same month as the prices and exchange rates. Future studies should incorporate a time series of price data from individual restaurant units and observe the relationships and changes over an extended period of time.

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Emotional Intelligence and Organizational Commitment Among Private Club Board and Committee Volunteer Leaders: A Pilot Study*

By Ronald F. Cichy, Jaemin Cha, Seung Hyun Kim and James B. Singerling

This pilot study explored the relationship between emotional intelligence and organizational commitment among private club board and committee volunteer members. The top three items, ranked by mean scores, of each of three EI dimensions – IN, OUT, and RELATIONSHIPS were discussed. A sample of 57 volunteer leaders further was spilt into high EI and low EI groups, based on respondents' overall EI median score. Statistical differences between high and low EI groups in three aspects of organizational commitment – affective, continuance, and normative commitment- were presented. A t-test result showed that the difference between high and low EI groups in affective commitment among private club volunteer leaders was statistically significant at $p < .05$.

Introduction

Until the late 1980s, the major focus of researchers was on cognitive intelligence, when they examined human intelligence. Researchers generally have found that this traditional measure of intelligence (IQ) only accounts for a small proportion of variance in outcome variables (Hunter & Hunter, 1984; Sternberg, 1997). Since the early 1990s, intelligence, however, has been expanded to incorporate experiences and expressions of emotions and feelings – known as emotional intelligence (EI). EI is generally defined as a set of abilities or capabilities whereby an individual understands, regulates, uses, and manages his or her emotions (Law, Wong, & Song, 2004). EI first surfaced in 1920 as social intelligence, defined as an individual's ability to act wisely in human relations (Thorndike, 1920). Salovey and Mayer (1990) used the term of EI initially, and defined it as "the subset of social intelligence that involves the ability to monitor one's own and others' feelings and emotions, to discriminate among them and to use this information to guide one's thinking and actions" (p. 189). Goleman (1995) popularized the concept of EI via the book, Emotional Intelligence: Why It Can Matter More Than IQ. He claimed that EI is expected to contribute to effective performance at work as well as to success in personal life (1995; 1998).

Cichy, Cha, and Kim (2007) recently developed a new EI model, consisting of IN, OUT, and RELATIONSHIPS. They tested this EI model using various samples including leaders from the private club industry, and vending and coffee services industries (Cichy, Geerdes, & Cha, 2006; Cichy et al., 2007; Cha, Cichy, & Kim, 2007; Cichy, Kim, & Cha, 2007; Cichy, Kim, & Longstreth, 2006a; Cichy, Kim, & Longstreth, 2006b). The revised three-factor structure of their EI model showed evidence of convergent and discriminate validity. Cichy et al. (2007) suggested that the newly developed EI model can be a useful tool for application in real organizational settings.

Researchers tend to hold the view that EI can be a contributing factor to influencing positive attitudes, behaviors and outcomes in workplace settings. Researchers acknowledge the need to further test empirically the effect of EI on desired outcome variables. For one of these desired outcome variables, this present study explored the role of EI in organizational commitment among volunteer leaders, such as committee and board members in private clubs.

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Although a significant amount of research has focused on understanding antecedents of organizational commitment in business organizations, relatively little research addressed seeking antecedents relating to the organizational commitment among volunteer leaders. Currently, few researchers have discussed organizational commitment among volunteer board members (Preston & Brown, 2004; Stephens, Dawley, & Stephens, 2004).

Volunteer leaders, such as committee and board members, in private clubs are committed so deeply to their club that they volunteer numerous hours each year without remuneration to ensure that their club remains true to its mission (Cichy et al., 2006). Some private club volunteer leaders may serve as board and/or committee members, because they are attached to the club emotionally and feel loyalty to their club (known as "affective commitment"). Some private club board and committee members, on the other hand, may feel obligated to serve in their volunteer roles (known as "normative commitment"), while others may be committed to their club as volunteer leaders simply because they believe it is necessary to make important social contacts (known as "continuance commitment") (Meyer & Allen, 1991). These are all possible explanations for private club volunteer leaders' psychological relationships with their clubs. Understanding the person's organizational commitment has implications for the decision to continue or discontinue membership in the organization (e.g., volunteer positions in the private club), according to the organizational commitment theory (Meyer, Allen, & Smith, 1993).

Study objectives identified

Previous studies have shown that personal characteristics are related to a person's organizational commitment. This pilot study explored how EI is related to three components of organizational commitment – affective, continuance, and normative commitment – among private club volunteer leaders such as board and committee members. Due to the relatively small sample size, this study did not attempt to validate three dimensions of EI and organizational commitment using private club volunteer leaders. Rather, this pilot study examined differences between high EI and low EI groups, divided based on the respondents' median score, in the three components of organizational commitment. It was necessary to examine the effect of EI on each of three organizational commitment components separately, rather than summing the overall organizational commitment score, cecause researchers have been defining each commitment in different ways.

Three dimensions of the EI model used in this study

With the increased interests in the field of emotional intelligence (EI) and different EI frameworks, various researchers have developed their own EI models. EI frameworks developed by Goleman (1995; 1998; 2000), Salovey and Mayer (1990) and Mayer and Salovey (1997), and Bar-On (1997; 2000) have contributed to the field of organizational behavior in understanding different dimensions of individual EI abilities. Mayer and Salovey (1997) classified the emotionally intelligent person's skills in four areas: identifying emotions, using emotions, understanding emotions, and regulating emotions. Goleman's EI model consists of four general abilities: self-awareness, self-management, social awareness, and relationship management (Goleman, 1995; 1998). Bar-On (1997; 2000) later developed EQ-i consisting of 15 competencies in total, in five composite scales including intrapersonal, interpersonal, adaptability, stress management, and general mood. Bar-On's EI model is broader in scope than are the other models of EI developed by Salovey and Mayer (1990) and Goleman (1995). Bar-On (2000) claimed that his model is applicable to a wider range of settings such as clinical assessment and education settings, in addition to the workplace setting. Bar-On sought to develop a general measure of social and emotional intelligence predictive of emotional well-being and adaptation. Bar-On (2000, 2006) referred to his framework as "emotional social intelligence (ESI)," rather than referring to his framework as either EI or social intelligence.

Cichy et al. (2007) observed that there are several constructs from these existing and popular EI frameworks that overlap conceptually. Another critical issue, explained by Law et al. (2004) and Schutte et al. (1998), is that some popular measures using existing EI scales are too extensive to administer in real organizational settings. For example, the Mayer-Salovey-Caruso Emotional Intelligence Test (Mayer, Salovey, Caruso, & Sitarenios, 2003), or MSCEIT, includes 141 items; while the Bar-On Emotional Quotient Inventory (Bar-On, 2000), or EQ-i, has 133 items. The new model of EI developed by Cichy et al. (2007) was designed to identify a practical EI assessment for real organizational settings. Their EI model consists of three dimensions: IN, OUT, and RELATIONSHIPS. This three-factor model has proven to be reliable and valid. Their definitions are as follows:

- IN is the ability to sense, lead, and utilize one's own emotions. In short, IN is a combination of self-awareness and self-leadership.
- OUT is the ability to be aware of, relate to, and understand others' emotions. OUT is a combination of an awareness of others and empathy.
- RELATIONSHIPS is the ability to integrate one's emotional experiences with his or her own thoughts and actions, while interacting with others.

Three components of organizational commitment explored

In the early years, organizational commitment research emerged in the literature to attempt to understand and explain people's work-related attitudes (Buchanan, 1974; Hrebiniak & Alutto, 1972; Mowday, Porter, & Steers, 1982; Porter, Steers, & Mowday, & Boulian, 1974; Wiener & Gechman, 1977). Organizational commitment has continued to be a major focus of research in organizational behaviors in recent years. It is well documented that organizational commitment is a multidimensional construct and that antecedents, correlates, and consequences of organizational commitment vary across dimensions (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Mathieu & Zajac, 1990). What are identified dimensions for organizational commitment? Initially, Meyer and Allen (1984) argued that a distinction be made between affective and continuance commitment. They defined affective commitment as an emotional attachment to, identification with, and involvement in the organization, while continuance commitment represents perceived costs associated with leaving the organization. Allen and Meyer (1990) later added another dimension – normative commitment – to their model of organizational commitment. Normative commitment was defined as a perceived obligation to remain in the organization due to the work culture and social-related issues. Meyer and Allen (1991; 1997) later presented a three-component model of organizational commitment and tested its factor structure by differentiating organizational commitment into three components: affective commitment (AC), continuance commitment (CC), and normative commitment (NC).

Meyer et al. (1993) explained that "people with a strong affective commitment remain with the organization because they want to; those with a strong continuance commitment remain because they need to; and those with a strong normative commitment remain because they feel they ought to do so." Private club board and committee members' volunteer leadership commitments to their clubs are likely to be different depending on the nature of their psychological state.

Private club board and committee volunteer leaders surveyed

The Club Managers Association of America (CMAA) volunteer leaders such as board and committee members were surveyed in 2006 in a pilot study, and 57 private club board and committee volunteer leaders responded and completed the survey. Table 1 presents the sample profile. The majority of respondents (84.2%) were male and half of the respondents' ages ranged between 46 and 55. The largest percentage (44.7%) had completed some post graduate work. Most of the clubs represented were member owned (80.4%) and golf/country clubs (86.1%).

On average, the volunteer leaders had been a club member for 15.9 years and a volunteer for 8.3 years.

Table 1: Profile of Respondents (n =57)

Variables	Descriptions	Respondents
Gender		
	Male	84.2 %
	Female	15.8 %
Education		
	High school or less	5.3%
	Some college or associate (two-year) degree	7.9%
	Baccalaureate (four-year) degree	42.1%
	Post graduate work	44.7%
Age		
	35 years or younger	2.8%
	36 – 45 years	25.0%
	46 – 55 years	50.0%
	56 years or older	22.2%
Number of years as a club member		
	4 years or less	11.4%
	5 – 9 years	14.5%
	10 – 19 years	39.7%
	20 – 29 years	22.9%
	30 years or more	11.5%
	Average	15.9 (2.5 SD)
Number of years as a volunteer member		
	4 years or less	34.3%
	5 – 9 years	22.7%
	10 – 19 years	28.5%
	20 – 29 years	5.8%
	30 – 39 years or more	8.7%
	Average	8.3 (1.7 SD)
Club ownership type		
	Member owned	80.4%
	Corporate owned	15.3%
	Private owned	2.3%
	Others	2.0%
Club type b		
	City / Athletic Club	9.6%
	Golf / Country Club	86.1%
	Yacht Club	4.4%
	Others	7.9%

Note: [a] SD in parentheses indicates standard deviation, [b] Percentages add to more than 100% due to multiple responses.

Measurement scales used in this study

The EI scale was adopted from a previous empirical study conducted by Cichy et al. (2007). The initial EI scale consisted of 37 items in total: IN (20 items), OUT (9 items), and RELATIONSHIPS (8 items). Since the Cichy et al. (2007) study validated three dimensions of the EI scale previously, the revised scale with 20 items was used when summing the overall EI score to divide respondents into high and low EI groups. All items for the three dimensions of EI were measured via a five-point Likert-type scale, ranging from 1 (very seldom or not true of me) to 5 (very often or true of me). Higher scores reflect higher levels of EI.

Three components of organizational commitment – affective commitment scale (8 items), continuance commitment scale (8 items), and normative commitment scale (8 items) – were assessed by utilizing the Allen and Meyer (1990) organizational commitment scale. All measures were assessed on a five-point Likert-type scale, ranging from 1 = strongly disagree to 5 = strongly agree. Again, higher scores reflect higher levels of organizational commitment.

Three elements of EI ranked

The top three IN, OUT, and RELATIONSHIPS results are presented in Table 2. They are ranked by averages (mean scores). The top-ranked IN ability for volunteer leaders is "I am able to sense my own feelings." Knowing oneself and having the ability to sense his or her own emotions relates to earlier research that pointed out that leadership is first, foremost, and always an inner quest (Cichy, Cha, & Knutson, 2004). Two OUT capabilities are tied for top rank: "I understand and appreciate emotions of others." and "I am sensitive to other people's emotions." As a volunteer leader, it is essential that he or she understand and appreciate how he or she influences others' emotions. At the same time, being sensitive to others' emotions is essential for effective leaders. The top ranked RELATIONSHIPS capability is "People would say I am a co-cooperative, contributing, and a positive team member." Effective volunteer leaders are cooperative and usually are optimistic. It is through these actions that they contribute to the development of others and to moving the club forward.

Table 2: Means and Standard Deviations of Top Three Ranked EI Items based on Means

Top Three Ranked Items	Mean	*s. d.*
IN		
I am able to sense my own feelings.	4.09	0.61
I am able to keep in touch with my own feelings as they take place.	4.06	0.54
I am open to my feelings and am able to adjust them in myself to promote personal understanding and development.	4.00	0.59
OUT		
I understand and appreciate emotions of others.	4.03	0.66
I am sensitive to other people's emotions.	4.03	0.70
I am able to be open to emotions in others to promote understanding and development.	3.97	0.70
RELATIONSHIPS		
People would say I am a co-operative, contributing, and a positive team member.	4.31	0.56
I can easily build and participate in mutually satisfying relationships characterized by openness and affection.	4.03	0.66
I am able to clearly communicate in relationships with others.	3.97	0.74

Note: Numbers in mean column indicate means based on the scale from 1 = very seldom or not true of me; 5 = very often or true of me

High and low EI groups and organizational commitment examined

The criterion used to divide the total sample into two groups – high and low EI groups was based on the median of total EI scores. That is, the total EI score is 100 points (5 points multiplied by 20 questions), consisting of IN (40 points = 8 items x 5), OUT (35 points = 7 items x 5), and RELATIONSHIPS (25 points = 5 items x 5). To compare group differences between overall high and low EI groups, the median score of 80 was used to divide the total sample into two groups: high and low EI.

To examine whether the differences in affective, continuance, and normative commitment were statistically significant between high and low EI groups, a t-test was performed. Table 3 shows mean differences in affective commitment between high and low EI groups. Overall, those in the high EI group had higher scores in the composite (overall) scale of affective commitment, than had those in the low EI group. These differences were statistically significant at $p < .05$. This implies that volunteer leaders' EI positively influences their affective commitment.

Table3. Mean Differences in Affective Commitment between High and Low Emotional Intelligence Groups: t-test (one-tailed)

Affective Commitment	Mean		t-value
	Low EI	High EI	
I would be very happy to spend the rest of my time with this club as a volunteer leader.	3.70	3.65	0.30
I enjoy discussing my club with people outside it.	4.01	4.47	-2.48*
I really feel as if this club's problems are my own.	3.36	3.65	-1.08
I think that I could easily become as attached to another club as I am to this one.	2.82	2.82	0.00
I do not feel like "part of the family" at my club. (R)	4.07	4.47	-2.12*
I do not feel "emotionally attached" to this club. (R)	3.89	4.24	-1.43*
This club has a great deal of personal meaning for me.	4.06	4.12	-0.26
I do not feel a strong sense of belonging to my club.(R)	3.90	4.35	-1.65*
Total Mean	3.73	3.97	-1.96*

Note: Numbers in mean column indicate means based on the scale from 1=strongly disagree; 5=strongly agree, R represents reversed coded items, * Mean differences were all significant at $p < .05$.

As Table 4 shows, statistically significant differences between two EI groups in the continuance commitment were found for the following two items: "I am not afraid of what might happen if I quit my volunteer leadership position without having another one lined up." and "It wouldn't be too costly for me to leave my club now." Overall, there was no significant difference between high and low EI groups in the composite scale of continuance commitment at $p < .05$.

Table 4: Mean Differences in Continuance Commitment between High and Low Emotional Intelligence Groups: t-test (one-tailed)

Continuance Commitment	Mean		t-value
	Low EI	High EI	
I am not afraid of what might happen if I quit my volunteer leadership position without having another one lined up. (R)	2.29	2.94	-2.16*
It would be very hard for me to leave my club right now, even if I wanted to.	3.46	3.35	0.37
Too much in life would be disrupted if I decided I wanted to leave my club now.	2.69	2.76	-0.26
It wouldn't be too costly for me to leave my club now. (R)	3.45	2.65	2.82*
Right now, staying with my club is a matter of necessity as much as desire.	2.12	2.12	0.03
I feel that I have too few options to consider leaving this club.	2.37	2.06	1.29
One of the few serious consequences of leaving this club would be the scarcity of available alternatives.	2.87	2.47	1.32
One of the major reasons I continue to do volunteer work for this club is that leaving would require considerable personal sacrifice – another club may not match the overall benefits I have here.	2.68	2.59	0.32
Total Mean	2.74	2.62	0.76

Note: Numbers in mean column indicate means based on the scale from 1 = strongly disagree; 5 = strongly agree, R represents reversed coded items, * Mean differences were all significant at $p < .05$.

Table 5 presents mean differences in normative commitment between high and low EI groups. Those in the high EI group had higher scores than had those in the low EI group in the following two items – "If I got another offer for a better job elsewhere I would not fee it was right to leave my club." and "Things were better in the days when people stayed with one club for most of their lives." There was, however, no significant difference between high and low EI groups in the composite scale of normative commitment at $p < .05$.

Table 5: Effects Mean Differences in Normative Commitment between High and Low Emotional Intelligence Groups: t-test (one-tailed)

Normative Commitment	Mean: Low EI	Mean: High EI	t-value
I think that people these days move from club to club too often.	2.54	2.24	1.40
I do not believe that a person must always be loyal to his or her club. (R)	3.01	3.18	-0.56
Jumping from club to club does not seem at all unethical to me. (R)	2.94	2.94	-0.01
One of the major reasons I continue to do volunteer work for this club is that I believe that loyalty is important and therefore feel a sense of moral obligation to remain.	3.54	3.59	-0.19
If I got another offer for a better job elsewhere I would not feel it was right to leave my club.	3.77	3.18	2.63*
I was taught to believe in the value of remaining loyal to one club.	3.02	3.18	-0.69
Things were better in the days when people stayed with one club for most of their lives.	3.03	2.53	2.24*
I do not think that wanting to be a "company man" or "company woman" is sensible anymore. (R)	3.26	3.41	-0.61
Total Mean	3.14	3.03	0.81

Note: Numbers in mean column indicate means based on the scale from 1=strongly disagree; 5=strongly agree, R represents reversed coded items, * Mean differences were all significant at $p < .05$.

Future research recommended

Findings of this study are fundamentally consistent with previous literature in the areas of emotional intelligence (EI) and organizational commitment. Although there was no empirical study examining the relationship between emotional intelligence (EI) and organizational commitment among volunteer leaders, Carmeli (2003) examined the relationship between these two concepts among senior managers; namely chief financial officers in the local government authorities in Israel. In particular, Carmeli (2003) focused on two components of organizational commitment; these were affective and continuance commitment. He found that when senior managers had high EI, they tended to develop high affective commitment to the organization for which they work, while this positive relationship was not supported for the relationship between EI and continuance commitment. Furthermore, the meta analyses conducted by Mathieu and Zajac (1990) and Meyer et al. (2002) showed some supporting evidence for the findings of this present study. They did not explore the role of EI on three dimensions of organizational commitment. Yet, according to their studies, affective commitment has been found to be positively related to variables valued by organizations, while continuance commitment has been perceived to be negatively related to or unrelated to other variables valued by organization. The relationship between normative commitment and other variables has shown to be positive, but weak. According to the findings of this present study, it provided evidence that there was a strong relationship observed between EI and affective commitment. On the other hand, there was a negative relationship between EI and continuance commitment, meaning that those in the low EI group had higher scores in the overall score of continuance commitment than had those in the high EI group, although the statistical difference was not significant at $p < .05$. The finding of this present study also observed the week relationship between EI and normative commitment.

Future Study

Future study is required to explore the role of EI on developing affective commitment among volunteer leaders, and further to investigate the effect of EI on the other two commitment dimensions – continuance and normative commitment. Given the sample size in this pilot study, more sophisticated statistical methods could not be applied. Since it is well recognized that commitment and EI are multidimensional constructs, it would be preferred to conduct confirmatory factor analyses with this sample of private club volunteer leaders. This pilot study could not validate factor structures of organizational commitment and EI due to the relatively small size of the sample. Future research should utilize methods to obtain larger participation from volunteer club leaders.

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The North American Spa Industry: An Examination of Emergent Trends

By Katie Keri, Michael Ottenbacher and Robert J. Harrington

The spa industry is rapidly growing, both in North America and around the globe. However, hospitality and tourism professionals seem to be surprised and unprepared of the impressive evolution. The authors report of the North American spa industry's current practices and emergent trends, that are likely to prove significant for spa stakeholders and educators in this growing field of inquiry.

The global spa industry is growing at an very rapid pace (McNeil and Ragins, 2004). As professionals strive to keep up with changing trends and consumer attitudes, as well as to prepare for further growth, there will be an increasing need for industry-led research validating business acumen. The numbers are impressive as the International Spa Association stated that there are an estimated 12,100 spas throughout the U.S and 2,100 in Canada. Furthermore, 136 million spa visits in the U.S. in 2003 produced an estimated 11.2 billion dollars (Fast Facts, 2004). However, hospitality and tourism professionals appear to be surprised and unprepared for this impressive growth.

The word "spa" is rooted in the Latin language and means "salus per aquam." Often it is translated as "health from water." The term, "spa" can be traced back in origin to a mineral hot springs in a Belgian village called Spau. Traditionally people flocked to spas for health related reasons believing they could find rejuvenation in the healing waters (Mill, 2001). Historically defined as a location possessing a mineral spring, the concept of a spa has evolved considerably over time. The birth of the spa concept can really be attributed to the Romans, who engaged in both private and public healing baths for centuries. Another etymological reference claims Hungarian origins for the word "spa," which has since become a generic expression referring to natural mineral springs and areas where people come to relax (Business World, 2002). Other cultures have long enjoyed spa-like activities, including the Turkish hammam, the Finnish sauna, and the Russian banya. The Japanese, too, have long been known for health-related activities centering on the nation's hot springs (onsen).

By European standards, American spas are still in their infancy and important differences exist between American and European spas. Traditionally, Europeans have viewed spas as a venue for the treatment of illnesses and the prevention of future ailments. In addition, Europeans also placed special emphasis on the importance of spas to reduce everyday stressors. In contrast, traditional American spas have maintained their focus on wellness by offering programs built around nutrition, exercise, and beauty.

The purpose of this paper is to identify recent and emergent trends in the spa industry, with a focus on the North American market, augmented by a Canadian perspective gleaned from primary research initiatives. Currently, there is a significant gap in the literature relating to this "hot" area of growth. The little empirical data that exists are dated and arguably not truly reflective of current realities. Therefore, this information will underline the direction that the industry is taking and will help guide spa-owners and industry professionals as to what planning, strategic initiatives and marketing implications must be considered in light of these identified movements. From an academic standpoint, this research will hopefully both increase the interest in the field as well as facilitate further research in this understudied area.

Contribution of Spas

The popularity and growth of spa operations in recent years has breached the lodging sector as well. While people seeking a specialized health experience continue to visit destination spas, those staying at conventional hotels are viewing the offering of spa services as an important criterion for hotel selection and satisfaction (Anderson, 2001). This is likely due to people's desire to feel indulged and relaxed, though lacking in time and commitment to visit actual spa resorts. Additionally, the conference market is growing as more spouses are accompanying these guests and then utilizing hotel amenities such as spas.

Historically, hotels with spa facilities have generally regarded spa operations similarly to food and beverage or other amenities: justified by their ability to attract guests, but not relied upon to produce notable revenues or even break even in some cases (Anderson, 2001). However, in recent years, hotel spas have transformed from support facilities to profit centers, making significant fiscal contributions to hotels' bottom lines. A study revealed growth in spa revenues of 16.6% in 1999 among the 30 hotels sampled. Compared with 12.2% for food and 5.2% in rooms, a clearer picture of spas as a necessity emerges(Anderson, 2001). While spa operations only represented modest departmental contributions, it is the strong growth rate of 51.3% from 1998 to 1999 that remains critical (Anderson, 2001).

Hotel spas have truly come to be regarded as independent profit centers: responsible for providing detailed cost accounting to the hotel and justifying their existence with bottom line figures. As such, performance metrics typically reserved for hotels can begin to be applied to spas in order to assess their financial contributions (Foster and Wohlberg, 2006). While RevPAR (Revenue per available room) is widely used to calculate revenues per available rooms in a hotel, RevPAT (Revenue per available treatment) can be applied similarly by dividing total spa revenue by the number of treatment rooms in a spa. These two (RevPAR and RevPAT) figures will likely be widely different, primarily due to a treatment's room ability to be used repeatedly in a day. However, the authors note, that unlike hotel room revenue, there is a substantial labor cost associated with spa rooms and as such less revenue filters to the bottom line.

Additionally, a study conducted by the "Small Luxury Hotels" brand (Grossman, 2005) found that out of 1,000 spa-goer-respondents in 20 countries, 36% say they spend more in hotels on spa therapies than they do on fine dining and wines. This global luxury brand, which helps shape the unique and luxurious experiences of discerning travelers, recognized the growth in consumer demand for luxurious spa experiences and responded with a complete guide to the best spa experiences worldwide. Nearly every large resort, hotel, convention or casino has recently either built a spa facility or leased out the operation to a branded company in the spa industry. The International SPA Association cited the existence of over 1,662 resort/hotel spa properties in the U.S. as of 2004, with continuous growth forecasted. While not every hotel can afford to construct or operate a full spa operation, most are still recognizing the growing need and are at the very least attempting to offer access to some facilities either on or off-site.

In a survey of resort/hotel managers by Health Fitness Dynamics (Monteson and Singer, 2002), 97% of managers said that a spa was a marketing advantage, 83% said that it increased their revenues per occupied room, and 73% said that having a spa in their property increased their occupancy rates. Forty-three percent agreed that a spa increased guests' length of stay; 57% replied that the spa increased their room rate and 70% said that it enhanced the perceived value for the room rate Additionally, over 80% of respondents in a spa-goer survey revealed they would choose one resort over another based on the presence of a spa.

Other perceived economic advantages of housing a resort spa include: enhanced room rate (57%); perceived value for money (70%); occupancy (73%); length of stay (43%); marketing advantage (97%); revenue per occupied room (83%); number of people per occupied room (27%) (Mill, 2001). While activities such as golf used to satisfy leisure travelers, a trend toward better lifestyles, higher disposable incomes and, importantly, less available time has propelled the spa industry forward. Even corporate guests are seeking spa services more often while traveling for business as busy work schedules, high stress levels and a focus on personal health necessitates this indulgence (Foster and Mandelbaum, 2005). Moreover, Monteson and Singer (2002) suggest that while it is common for spas to attract approximately 15-25% of in-house resort guests. This number jumps to over 50% when examining resorts that primarily attract a leisure market.

Further, the demand patterns and trends in the spa industry are well illustrated by analyzing the financial performance of hotel spa operations. A 2004 study of 88 properties (Foster and Mandlebaum, 2005) revealed spa revenues averaging $2,076 per available room, or 2.3 percent of total revenue. Importantly, resort spas contributed substantially more than urban hotel spas due to the typical differences in length of stay. Additional findings showed that hotel spas generating over $1 million in revenue contributed an average of 5.3 percent of the total revenue for their properties. At the other end of the spectrum, spas that achieve less than $500,000 in revenue represent less than one-half of one percent of the total revenue at their hotels. Researchers took into consideration and accounted for properties with true dedicated spa facilities, versus health clubs that offered some spa services.

Planning Hotel Spas

It is essential for hotels to consider certain elements when contemplating whether or not to add a spa to a resort. Spas are essentially very costly to build, maintain and market. While outsourcing is a viable option, it will likely reduce the return on investment. A large hotel, with economies of scale capabilities and a strong corporate culture would likely be best suited to build their own. However being first to market, and having to undertake all the development, marketing and management costs can be intimidating and points to outsourcing as a potential solution. Moreover, spas do not generate immediate return on investment, with some taking five years to break-even and longer to become profitable. (Tabacchi, 2006)

Spas are now considered an essential add-on so that properties do not lose their market share or competitive positioning. However, it is essential to consider the addition in conjunction with its ability to help sell rooms or real estate, given the inherent challenges associated with this business venture. Problems appear to primarily arise from developers who wish to jump on the spa band-wagon, yet lack the appropriate expertise. Additionally, realistic start-up figures and benchmarks for the industry are hard to come by, thus, there is a lack of economic reality which permeates the spa industry.

Other spa experts repeatedly claim that even with financial consideration and designation being given to the construction of spas, the critical oversight is the lack of clear objectives for the spa operation (Harmsworth, 2005). This is most often attributed to lack of professional spa consultation on the project, lack of expertise or competence on the part of "specialists," or over-zealous developers.

Spas as Commodities

As spas evolve into a tangible commodity, the best maintain a truly indulgent atmosphere while ensuring accessibility for a broad guest profile. In addition to the extravagant menu of spa offerings that have become the norm, details such as décor, linens, healing herbs and products are what is now considered to be fundamental for a guest's spa experience. Spas can feasibly offer a major source of differentiation for an existing lodging property, if done correctly. Importantly, profit margins are far more flexible in the spa industry and can show greater growth than traditional hotel amenities. Treatment prices are flexible and soaring, labor intensity is declining somewhat – most apparent in the popularity of hydrotherapy treatments that involve little therapist interaction, and economies of scale for spa chains allow for greater revenue contribution as well. Unfortunately, the literature related to this particular concept is basically non-existent, providing little knowledge of the spa industry.

Essentially, spas may have to undergo a de-commoditization strategy to provide a unique value proposition to guests. This should not be too difficult for resort and destination spas who pride themselves on their unique product offerings. A day spa may be more hard-pressed to offer a differentiated product as standard massages, facials, and nail treatments reign supreme in this industry segment. Hotels have been afflicted by commoditization for years, growing increasingly similar in their offerings and forcing consumer decisions based primarily on price (Gilmore and Pine, 2002). Hotel products such as room service and wake-up calls, once distinguishing elements for consumers, have now become so standardized that guests would expect nothing less from their stay. In effect, it is the rising number of branded properties that have led to the commoditization of hospitality products and services. This has become a critical issue for large hotel chains such as Hilton, Starwood and Marriott.

This ties in to the notion of the experience economy, where almost any service within the hospitality industry can be leveraged to create a compelling experience. Innovative experience design will continue to be critical in the development of any successful establishment; hotel or spa. Further, those who seek to go beyond mere service excellence and work to stage new experiences will take the lead in creating new value in the hospitality industry. The experience economy reminds us that customers essentially buy an experience whenever they pay for the time they spend in a place (Gilmore and Pine, 2002). The lesson to be learned from hotels that continue to simply add amenities in the hopes of combating commoditization is that providing for guests' intrinsic needs, namely nurturing and caring, can help gain a competitive edge. As such, it is important that spas not be regarded as simply another amenity to add to an existing property in hopes of remaining competitive. If truly designed to meet guests' expectations and needs, they can prove to be a highly valuable resource.

Industry Growth

In 2002, the International Spa Association found that resort/hotel spas had grown annually in the U.S. by 56% since 2000 (Monteson and Singer, 2002). Additionally, spa revenues were estimated to be $10.7 billion in 2001. Other figures indicate growth of spas at resorts was approximately 147% between 1999 and 2001 (Tabacchi, 2006). According to growth patterns, the industry appears to be on pace to double in size every four years (McNeil and Ragins, 2004).

2004 figures estimated that 136 million visits were made to all spas in the U.S. and an additional 20.2 million within Canada alone. The industry generated $11.2 billion in revenues in the U.S. and $1.5 billion in Canada; a 145% increase from 2002 statistics (Oliver, 2005). The Canadian Tourism Commission revealed that one out of four adults in North America has been to a spa, representing 3.7 million Canadians and 32.2 million American consumers. Over half of those visits were made to day spas. Though with a quarter dedicated to resort/hotel spas, it is clear that other spas do generate considerable revenue as well (CTC & ISPA, 2006). Significantly, a fairly large percentage of spa-goers (15% American; 26% Canadian) responded that they have only begun visiting spas in the last year. This demographic can therefore be classified as new spa guests - which spas are beginning to recognize as unique opportunities.

Methodology

A semi-structured interview format was chosen in order to allow for a focused, conversational dialogue permitting for flexibility to probe for additional details depending on the responses to the prepared questions. Thus, while overall topics were prepared in advance, the researchers additionally hoped to uncover unanticipated information pertaining to the subject. This study is exploratory in nature and its purpose is to identify and to clarify salient issues of the spa industry.

Because it correlates with the use of exploratory methods of research, convenience sampling was employed for this study (Zikmund, 2003). Industry professionals, primarily operators of premier spas in Ontario, were contacted by e-mail or phone to attain their participation in the study. These individuals were either referred to the researcher by spa experts or located through internet searches of spa establishments and organizations in Ontario. It was determined that five interviews of industry experts were sufficient to collect the required information for the study. Together the subjects contributed decades of relevant expertise in esthetics, massage therapy, spa management and spa education development. For this reason, their responses to the study can be considered both credible and knowledgeable, though not wholly representative of the industry due to the limited sample size.

The instrument used for this study was a semi-structured questionnaire administered during either in-person interviews (four), or phone interview (one) due to geographic accessibility. The single phone interview involved a participant in British Columbia, as opposed to Ontario where all other subjects and the interviewer reside. The interview questions were constructed from the research findings which served as the basis for the literature review. The questions were formulated to address the specific purpose of this paper, trends within the spa industry, and to accommodate any areas which represent pressing issues for the industry.

All interviews were conducted over a two week period and with the exception of the phone interview, all were done at the interviewee's place of business. Original estimates forecasted approximately thirty minutes per interview, though in almost all cases, close to an hour was necessary to complete the interview. Only the phone interview, perhaps owing to the more formal nature of the conversation and lack of relaxed dialogue, adhered to the time schedule allotted. Additionally, depending on the subject's professional background, there were occasions where specific questions were omitted due to an inability to comment on the subject.

Results - Treatments

In a wellness oriented facility, massages, with their pain relief and health maintenance implications, were disclosed as the ongoing most popular treatment requested. In a place specializing in exotic treatments, it came as no surprise that alternative treatments were supplied as the area demonstrating the most growth. The general consensus, even in facilities that primarily cater to repeat local customers, is that spa operators must constantly be searching for something new and different to offer the spa-goer.

For day spas, which make up an estimated 80% of the Canadian market, it is the "bread and butter" services such as massage, skin care and nails which constitute the greatest percentage of treatments requested and offered. In contrast however, destination spas attract guests who want to experiment with treatments. They want to be delighted by a completely new and different experience. One possible emergent trend, which ultimately satisfies the aforementioned need of the guest, is signature treatments which are indigenous to a geographic area. Thus, body treatments using Canadian maple syrup, chocolate baths in Belgium, and Dead Sea mud wraps are all prime examples of using local resources to create a memorable experience for the guest.

Foreign influences

All respondents cited Asian roots as the most prolific influence on spa offerings. Additionally, ayurvedic treatments, stemming from India, and hot stone massage were mentioned as significant influences. Germany, known for its use of hydrotherapy based treatments, has influenced facilities that are based on the traditional spa model – the healing powers of water.

What appears to be most important is the experience that domestic users are seeking, without having to travel to these foreign and exotic destinations. Spa goers are seeking all-encompassing treatments, where they will not only benefit from relaxation and rejuvenation, but have other senses stimulated as well. For this reason, some spas are investing in treatment room design, in accordance with the foreign spa offering, to ultimately augment the product. For instance, spas which offer Thai body massages may adorn the walls with Thai art and décor to create that feeling of escape. Similarly, a room offering hydrotherapy based treatments may adorn the environment with marine type decorations. Unfortunately, one caveat surrounds the notion that people do bore quickly. Thus spa operators would be prudent to continually seek ways to redesign their offerings.

In addition to North Americans wanting to experience foreign cultures, locals and international travelers alike are increasingly interested in Canadian-based spa offerings. Some indigenous practices and products that have emerged include Aboriginal cultural education and treatments, use of coastal seaweeds, glacial clay and maple syrup. Government roles are critical in this aspect as partnerships with industry could help promote education surrounding these products, and the spa product itself as a tourism incentive. From a tourism perspective, in years to come, these Canadian indigenous offerings will continue to be important and will hopefully grow, although notably the foreign infusion demonstrates no evidence of slowing.

Demographic changes

The interviews revealed that spa-goers are definitely a younger market segment and includes both the teen market and pre-baby boomers. Also, more men are visiting spas than ever before; the rise in male visits may be attributable, at least in part, to a higher comfort level associated with spas brought about by gender neutral designs, male-focused treatments, and reduced stigma surrounding the product.

There appears to be a definitive shift in mindset in that the industry is not viewed as catering to mostly baby boomers anymore. Industry figures reflect a broader age category of spa goers today. It is not surprising that more teens are seeking treatments, and not simply beauty-based indulgences, since spas have become rather multi-generational as more and more people incorporate this service as part of their lifestyle. As such, respondents felt that spa goers are savvier and more sophisticated nowadays, thereby potentially complicating the delivery of quality service since their expectations continue to rise accordingly. There also appears to be a shift in frequency of spa visits demonstrated by the rise in regular spa-goers and decline in infrequent usage. Furthermore, spas attract individuals across a broad spectrum of income levels, as the product characteristics are dependent on quality over price. Similarly, price or value has limited influence on spa goers as they seek convenience - often fulfilled by spa locations, and consistency - deliverable by quality training and low therapist turnover.

Needs of spa goers

On the whole, interviewees cited stress reduction as the number one reason people are likely to visit spas. Additional relevant variables include relaxation, rejuvenation, fitness, wellness, improved quality of life, pain reduction and an all-around experience. In terms of the distinguishable components of service, people seek consistency, convenience, full service establishments, product knowledge, and the feeling of escape. Additionally, time is a critical variable to spa goers, increasingly in short supply in people's lives.

Wellness and preventative health were discussed in the context of people living longer, working longer and harder and experiencing augmented stress levels. Wellness plays a critical role in coping with these realities and treatments are sought to reduce negative physical manifestations from this type of lifestyle. All respondents shared the opinion that spa goers' needs will overall be the same in 5 years time, though a by-product of people's increased sophistication will be rising consumer expectations. However, coupled with industry survey results, this also signifies that operators will continue to strive to deliver a better product/service in order to meet those expectations. A stronger consciousness will prevail among the spa market, particularly among the younger demographic as they will continue to embrace this type of lifestyle.

Education

In comparison to the United States, respondents confirmed that Canada actually has exceptionally trained practitioners, owing to solid certification measures, as well as higher overall industry standards. A skilled labor shortage in the realm of spa managers/directors, reception staff, and spa technicians was expressed as a going concern. In the past, education has primarily been based on meeting ministry requirements rather than identified industry needs. Importantly, a pervasive lack of training has forced spas to individually invest considerable resources into on-site training; this training issue becomes further troubling when one considers the high turnover rates which plague the industry.

One respondent posited that what is needed, from an educational standpoint, is more promotion of the industry as a viable career for today's youth since the industry is facing labor shortages, particularly in spa management and esthetics fields. Unfortunately, one challenge stems from the fact that some lobbyists bad mouth the industry as employers. Educators must also better prepare students for entrance into the industry, aligning learned skill sets with industry needs. For instance, esthetics training should closely match the diversity of treatments being offered within the industry, and spa management requirements should be mirrored in the competency sets provided through education.

Respondents repeatedly compared the massage discipline to esthetics, confirming that massage is highly regulated and features mandatory re-testing which the esthetics field is lacking. In particular, massage therapists in Ontario and British Columbia undergo the most vigorous and lengthy professional training, though esthetics education may still be sorely lacking in both depth and length throughout North America. While massage therapists must adhere to a code of standards set forth by their local governing association. Unfortunately estheticians do not generally have the same mandate and as such standards vary substantially. A move toward a higher degree of standardization in esthetic schools has existed since the eighties, even though the process appears to still be unattainable.

Challenges

Respondents overwhelmingly revealed staffing as the most significant challenge facing the industry. In particular, what retains prominence is staffing in regard to a shortage of qualified people who are committed to continuing education in this field. A lack of high quality educational programs, coupled with current compensation structures and market saturation of spas in some regions, contributes to this human resources issue.

A lack of industry standards, both from operations and regulatory policies perspective, will likely continue to be a pressing concern within the industry. The fast pace at which the industry is growing has led to a highly competitive market and the notion of "survival of the fittest" may be of consequence. As well, maintaining quality of service between the multitudes of service providers can be challenging and difficult to control. Some argue, however, that part of the problem lies in the abuse of the "spa" concept, effectively diluting the concept. One geographic challenge to the Canadian spa industry lies in the under-representation of facilities in certain areas, since the vast majority of spas operate within only 4 provinces (Quebec, Ontario, Alberta, British Columbia).

Value added to Hotels

Spas in resorts and hotels are the fastest growing segment in the industry, as well as the most lucrative. They earn significant revenues and are often located in an area of the hotel where revenue generating potential is limited (such as a basement). Often overlooked is that capital outlay for spa development is quite high. In the last 7-10 years, spas have become to resorts what meeting space was to hotels in the 1970's – a crucial element with its own cost centre. Most respondents agreed that a spa is a "must have" amenity for a hotel, although it still remains questionable whether the Canadian market is big enough to sustain continued development of resort and hotel spas. Despite offering a considerable competitive advantage, the risk lies in the notion that not all hotel spas are built on the premise of a spa first and foremost, as opposed to simply an add-on amenity. Many operators fail to realize that a foray into the spa business effectively means entering the health business where managing different staff and client expectations from the hotel's becomes paramount.

Saturation

Several individuals believe that this is a problem in the United States, but has not become a viable threat in Canada. The other resounding distinction surfaced in relation to what types of spas may be experiencing alarming growth rates. Those termed "quick and easy," otherwise known as corner nail salons that perhaps tried to reposition themselves in the market, are definitely saturating the market. However, when one only considers facilities of higher caliber or which belong to organizations that provide stringent standards, the answer appears to be no. Subjects decidedly agreed that the industry needs more policing to determine just what constitutes a "spa" and monitor the number of self-appointed establishments. Rapid growth was even cited as a positive factor because it represents a natural process that the best will survive and those who will suffer will be the less legitimate facilities. Potentially of concern is that with Canada's population figures, the market can only sustain so many high caliber or upscale spas.

Growth may actually be slowing due to high capital investment requirements as well as low cost/profit levels. Too many spa operators are focused on the financial incentives surrounding running a spa, when in reality, profit margins remain low. Overall saturation was either not believed to be a significant current issue or was attributable to natural market forces, and as such few recommendations for remedies were offered. One respondent posited that nothing can combat this issue except consumers themselves, who have become more savvy and demanding; ultimately changing the face of the industry from a demand-based perspective. A likely consequence of this would be that sub-par spas will become better to meet those changing needs, while the esteemed spas will simply continue to evolve.

Spa trends

With a profound psychological change inherent in the spa industry, one respondent commented on the changing perceptions of consumers that now include viewing spas as a necessity in life. This is estimated to grow as North Americans become even more like their European counterparts who hold a different view of the purpose of spas. Furthermore, the prevailing opinion is that the current demographics which compose the spa industry will likely be stable for the near term. Opportunities abound in terms of targeting mother/daughters, teens – who are likely to contribute to the introduction of trendy industry niches, and the potential for more men as customers.

The growing medical spa market is expected to continue to make its mark within the industry. Two popular U.S. trends, resident living and spa family vacations remain in question here in Canada. The concern is whether there is a market for these components, and whether they could successfully be introduced and sustained without complimentary products. With the impressive number of day spas currently existing in Canada, it is believed that opportunities abound to package spa visits with other leisure pursuits such as cultural events, dining and shopping.

Repeatedly the concept of "experience" has been raised, and respondents concluded that the expectation of an "experience," as opposed to a "treatment," will prevail in the future. This encompasses the entire service encounter, from the moment one enters a spa facility, thru treatment and relaxation time, to exiting the facility as well. Finally, from a legal perspective, accountability on behalf of spas will feature prominently. This will be manifested in the form of mandatory signed waivers/health forms. Most spas mandate signed informational forms when it comes to massage, though this is only now becoming practice within the esthetics field. This is critical on many levels: guests often engage in contra-indicated treatments such as invasive skin procedures which cannot be combined with esthetic offerings; proper disclosure of health information and background can reduce or eliminate liability for spas in case of a medical incident or emergency. Owing in large part to the paradigm shift of spas to wellness type facilities, there is a resultant duty of care on behalf of operators to ensure a safe and healthy experience for guests.

Conclusions

From a demographic standpoint, the interview results may have significant marketing implications. The mid-level and non-spa goers are the two main groups that industry marketing efforts should be aimed at. These individuals, in particular the non-spa goers who are effectively an untapped niche, would benefit from both exposure and education about spa facilities. Further, the issue of price should be addressed since the spa association's 2005 study, which revealed that a majority of respondents thought spas were too expensive, is in direct conflict with interview responses which maintained that price is not an issue or a deciding factor when visiting a spa. Thus it is clear that public perceptions may have to be assessed and managed in order to successfully recruit certain demographics to the spa industry.

Also from a demographic standpoint, results show that while baby boomers may have brought the industry to where it is today, they do not necessarily represent the future of spas and as such marketers must be aware of the changing profiles and needs of spa goers. This notion is validated by the increased prevalence of younger clientele and the realization that most users are effectively seeking preventative treatments to enhance their lives, and this is no longer simply indigenous to aging clienteles. Similarly, evidence supports continued emphasis on the growing male and teen market. Conversely, although family orientation within the spa segment was estimated to grow, Canada in particular has not witnessed this shift as of yet and it may never effectively materialize so operators should remain cautious. Without a clear market to sustain this trend, operators should not make any costly investments or changes to try to target this group.

Another interesting issue revealed are the differing opinions on the revenue earning potential of spas. While some agree that spas can be major sources of revenues, both within hotels and independently, research revealed leading experts who claim that profit margins are low in the industry and the fact that costs are extremely high for development, maintenance and marketing. What retains prominence from a discussion of spa revenues is the profound need for relevant and accurate figures on the development and operation of spas to assist current and future operators to navigate the field.

Medical spas, though not particularly discussed within the interviews, will undoubtedly continue to represent a significant and growing segment of the North American market. However, speculative reports surrounding medical spas do not present this segment as a core component of the spa industry within Canada and actually reveal surprisingly slow growth in the years to come. Stress reduction has unequivocally emerged as the most significant factor associated with spa visits, hence marketing and strategic operating initiatives should capitalize on this. Additionally, with their focus on wellness, spas can effectively influence government health policies, a critical point when considering the importance of addressing preventative health policy within Canada. Alongside preventative health, the wellness concept will continue to grow due to an increase in people embracing the spa lifestyle and viewing it as a necessity.

In terms of qualified staff and sufficient labor pools, it is clear that academic undertakings to rectify the situation must be fulfilled or else the industry will face lethal shortages in the future. Also crystallized is the notion that governing standards must be developed in areas where lacking and uphold wherever already established, for both the safety of the customer and the reputation of the industry. These last two concepts are directly related to value of association membership within the spa industry. They provide standards and guidelines for the spas, as well as relative assurances of quality and safety for the spa guest, especially critical considering the recent proliferation of spa-like concepts which fail to deliver at acceptable quality levels.

Similarly, saturation may not have been identified as a crucial factor to consider, but its potential still has meaningful implications for the industry, especially in the United States. More than anything, associations and government must be involved in policing spa establishments to ensure common standards and practices and protect the industry from over-saturation. Spa consumers are more sophisticated and educated than ever before and know what to expect from the spa experience. They continue to seek innovation, unique offerings, value, quality and consistency. They seek an overall experience when visiting a spa, striving to both 'look good' and 'feel good', thereby further validating the health and wellness industry component. Due to the focus on the 'experience', spas that go beyond mere service excellence and strive to provide new and meaningful experiences will incur greater successes within the industry. The experience economy reminds us that customers essentially buy an experience whenever they pay for a service, and coupled with the fact that people are much savvier today, spas have a critical challenge ahead of them if they are to continue to impress, and not merely satisfy, their guests.

This research, while representing a wide breadth of information pertaining to spa trends and movements within North America, still retains a considerable Canadian influence owing to the primary research being focused within Canada alone. In addition, this study employed the qualitative study approach. Future research could use large sample proposition testing to investigate if the findings from this study can be statistically confirmed and are applicable to other countries. The lack of research and figures within the Canadian market is some cause for concern, especially considering the rate at which the industry has been growing. There remains no doubt that the spa industry can benefit from reliable and accurate statistics, figures and even estimates when it comes to assessing both the establishment and the spa consumer. Hopefully future mandates will emerge, likely through government partnerships, to allow for comprehensive studies which will assist all facets of the industry in preparing for the future. Additionally, the inclusion of spa related curriculum in hospitality and tourism management programs will likely further enhance the industry's position, validating its existence alongside long studied hotels and restaurants. Educational efforts must be focused on the spa industry in order to accommodate recent growth trends and prepare for future expansion.

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Determinants of Mid-scale Hotel Brand Equity

By Woo Gon Kim and Hyun Jeong Kim

The traditional brand management in the hotel industry is facing a great challenge as numerous brands provide many choices to hotel guests. In such competitive environments, hotel firms realize that capitalizing on one of the most important assets they own – the brand – is critical to achieve a premier growth goal not only rapidly but also in a cost-effective way. The purpose of this study is to examine the determinants of customer-based hotel brand equity for the mid-priced U.S. lodging segment by assessing the impacts of four widely-accepted brand equity dimensions: brand awareness, brand associations, perceived quality, and customer loyalty. 277 travelers participated in this study at the airport in a Midwestern city. Perceived quality, brand loyalty, brand associations were found to be the core components of brand equity, while brand awareness, a seemingly important source of brand equity, did not exert a significant influence on building brand equity of mid-priced hotels. The result of this study sheds insight about how to create, manage, and evaluate a distinctive and successful hotel brand.

Introduction

Over the last decade, hotel operators have witnessed an acceleration of brand proliferation. In particular, hotel development teams have focused on adding the extended-stay, boutique, and luxury segments. Fueled by high customer demand and strong performance, the total number of lodging brands in the extended-stay segment is over 26. Residence Inn by Marriott was the front-runner in this segment, followed by Homewood Suites by Hilton, Extended StayAmerica, and Candlewood Suites by InterContinental. Other known extended-stay brands include InTown Suites, TownePlace Suites, Hawthorn Suites, Staybridge Suites, Home-Towne Suites, Suburban Extended Stay Hotels, Studio Plus Deluxe Suites, Summerfield Suites, Sun Suites, and Sierra Suites.

To meet the increasing demand of hotel guests seeking differentiated service with a more personalized touch, the boutique hotel segment debuted and has experienced an unprecedented growth over the past few years. Some leading boutique hotels include Morgans, SoHo Metropolitan Hotel, Opus, Arc The Hotel, and Hotel St. Paul. For the luxury segment, Starwood, located in most major cities throughout the world, is a leading hotel chain aggressively adding luxury brands such as St. Regis, the Luxury Collection, and W under its umbrella.

The traditional brand management in the hotel industry is facing a major challenge as numerous brands provide hotel guests with many choices. Furthermore, bargains on cyberspace (e.g., Travelocity, Expedia, and Orbitz) drive customers to concentrate on price rather than service quality of the hotel. Hotel products face the threat of being "commoditized" almost like soap or detergents on the shelves of supermarkets. This problem is rooted in the business condition where hotel chains cannot patent their products to attain a competitive advantage.

One study found that 65 percent of hotel guests tend to switch lodging brands across different parent hotel companies on their next stay. The high turnover rate clearly discloses that most lodging brands have difficulty in maintaining customer loyalty. As lodging products become more commodity-like in nature, hoteliers must ask themselves how to differentiate their product from competing products and how to communicate the differences of their product to customers in the globe.

Research questions are addressed

A brand is the product and/or service of a particular supplier, which is distinguished by its name, such as Starwood or Hyatt for hotel companies. A hotel chain is identifiable with a name, logo, or slogan, which is the fundamental base of branding. The goal of brand management is to provide added value to both guests and hotels by building brand loyalty. Today, hotel firms are beginning to realize that capitalizing on one of the most important assets they own – the brand - may facilitate a company's premier growth in the most cost-effective way.

Over the last decade, brand equity has been one of the most important marketing concepts, extensively studied by both academic scholars and industry practitioners. The reason for its growing popularity is the importance of the concept perceived by internal and external stakeholders. A recent paradigm has changed branding from a traditional role, as an element of the marketing function, to an integral role as a part of the overall business strategy.

Studies on brand equity have mainly focused on consumer goods and recently, more attention is paid toward services. Empirical tests have been taken to validate the most popularly accepted, customer-based brand equity dimensions: brand awareness, brand associations, perceived quality, and brand loyalty. Although the conceptual definition of brand equity and how to operationalize the concept are advanced, limited empirical research is conducted to test the validity of the proposed constructs comprising brand equity in the hospitality academic field. Hence, the purposes of this study are to validate the brand equity model with four widely accepted brand equity dimensions in the mid-priced lodging segment and examine the impact of each brand equity determinant on overall hotel brand equity.

More specifically, this study addresses the following three research questions:

1. Is the proposed brand equity model valid in the mid-scale lodging segment?
2. Of four brand equity components (brand loyalty, brand awareness, brand association, and perceived brand quality), which dimensions make a significant contribution to increasing overall mid-scale hotel brand equity?
3. How are brand equity ratings different among the selected mid-scale hotel brands?

Methods

Mid-scale hotels are the focus

The mid-scale hotels with F&B operations are selected for this study. Mid-priced hotels with F&B are one of the largest segments in the U.S. lodging industry, representing 15.5 percent of total room supply and 14.5 percent of total room demand in 2001. According to Hotel Investment Handbook (2002), there are 16 hotel brands in the mid-scale with F&B segment with a total of 4,725 properties throughout the U.S. Holiday Inn, Best Western, Ramada, Quality Inn, Howard Johnson, and Four Points were ranked in the top six of this segment and these six brands are included in the sampling frame of this study.

The average room rate of the mid-scale with F&B segment is below $85. The total room supply of this segment continues to decline because many properties are old requiring major capital improvements. In 2004, this segment was not able to increase room rates as aggressively as other lodging segments due to a relatively weak demand growth . On the other hand, mid-scale hotels without F&B operations demonstrate strong demand. Therefore, the majority of new hotel construction in the mid-scale segment focuses on constructing properties without F&B operations. With declining supply and weak demand, mid-scale hotels with F&B operations experience a business challenge to maintain their current market share, competing with other growing segments, such as economy, mid-scale without F&B, and upscale.

Questionnaire is developed

Brand equity is a multi-dimensional concept. At the beginning, five determinants of brand equity were identified: brand loyalty, perceived quality, brand awareness, brand association, and other proprietary brand assets. Researchers argued that other proprietary brand assets, such as patents, trademarks, and channel relationships, are not relevant to consumer perception and therefore customer-based brand equity consists of only the first four determinants: brand loyalty, perceived quality, brand awareness, and brand association. Therefore, the researchers adopted the brand equity model with the four dimensions and developed the questionnaire accordingly.

A total of thirteen items were used to capture the four dimensions of brand equity. Specifically, "brand loyalty" had three components that were rated on a 7-point Likert-type scale (1:strongly disagree and 7: strongly agree); "perceived quality" was measured using four-items on a 7- point semantic differential scale (e.g., 1: inferior and 7: superior); "brand awareness" was assessed with three items on a 7-point response scale (1:strongly disagree and 7: strongly agree); and three "brand association items" were also rated on a 7-point response scale (1:strongly disagree and 7: strongly agree).

In addition to four brand equity determinants, four items were included to measure customer perception of overall brand equity (See Table 2 – in Results section for specific questions asked). Respondents rated all items in the measure using a 7-point response scale (1: strongly disagree and 7: strongly agree).

Travelers are surveyed

Data were collected at the airport located in a U.S. Midwestern city. The airport is considered as one of the major metropolitan airports in the Midwest handling a large number of domestic and international passenger flights. Three field surveyors approached travelers waiting for their flight departure at the food court areas. One of the major sampling problems in on-site field situations is selection bias. To minimize field researchers' selection bias, we instructed the surveyors to seek an equal number of male and female travelers in various age groups (at least 18 years of age). Then, the surveyors asked whether the travelers had stayed at one of the selected branded hotels (Holiday Inn, Best Western, Ramada, Quality Inn, Howard Johnson, and Four Points) within the past three months.

A self-administered, structured questionnaire, containing various components of brand equity, was distributed to the traveler who passed the screening question and agreed to participate. Those who experienced multiple brands during the designated time period were advised to select only one of the most recently stayed brands and answer the questionnaire. Upon completion of the survey, respondents returned their questionnaire directly to the field researchers. A total of 277 usable surveys were returned and analyzed. Females represented 41.3 percent of the sample. In terms of age, approximately one-fourth (27.3 percent) of respondents fell into the age group of 55 and over; 25.7 percent of respondents were age 45-54 years old; 23.9 percent belonged to the age group of 35-44 years; 19.3 percent were age 25-34 years old; and 3.8 percent were age 18-24 years old.

The Market Matrix Hotel Index (MMHI), resulting from the national consumer opinion panel (NCOP) with over 30,000 interviews, indicates that in 2001, the age group of 35-54 accounts for the majority of U.S. lodging customers (55 percent); younger travelers (20-34) logs a quarter of hotel guests (25 percent); and mature travelers (55 and over) accounts for the remaining percent of hotel customers (20 percent). The sample demonstrates a similar age group distribution described in the MMHI with a slightly higher portion of mature travelers: mature travelers (55 and over) shows 27 percent; travelers between 35 and 54 and younger travelers (18-34) are 50 percent and 23 percent, respectively. The greater percent of mature travelers in our sample seem to reflect the fact that baby boomers (born in 1946 –1964), who have been responsible for the significant portion of U.S. household trips, are becoming mature travelers.

In terms of ethnicity, most participants were White (76.2 percent) followed by African American (8.3 percent), Hispanics (6.5 percent), Asians (6.1 percent), and Native Americans (2.5 percent). Almost every respondent indicated completion of high school and more than 80 percent had some college degree. Approximately two-sevenths (28.5 percent) of the participating travelers reported an annual household income greater than $80,001; 37.6 percent reported between $60,001 and $80,000; 16.1 percent earned between $40,001 and $60,000; and 12.8 percent made between $20,001 and $40,000; and 5.0 percent were below $20,000. The average household income was $70,100.

The 2005 AHLA lodging guest profile reveals that typical business travelers' household income is $81,100 and leisure travelers' household income is $72,600. The level of household income of our sample is relatively lower, but it is not significantly different from the AHLA profile. Overall, although the respondents were limited into mid-priced hotel users, the comparable results with MMHI and AHLA data suggest that our samplereflects the current U.S. travel trend and hotel customers.

Results

Four Points ranked highest

Table 1 presents the results of brand equity ratings with four determinants among six hotel brands. Four Points displayed the highest brand loyalty mean score (4.63) of all six companies; Holiday Inn was the next (3.75); Best Western was third (3.43); and Ramada was fourth (3.34). Four Points again led all other companies in the perceived quality dimension with the highest rating (5.39); Holiday Inn (5.08) followed Four Points closely; Best Western (4.94), Ramada (4.92), Quality Inn (4.83) were next; and Howard Johnson was the last (4.39).

For brand awareness, Holiday Inn showed the highest mean value (5.53); Best Western (5.34) and Ramada (5.24) were also fairly well known; Four Points (5.21), Quality Inn (5.18), and Howard Johnson (4.94) demonstrated relatively low brand awareness ratings. Holiday Inn again was the best in brand associations (5.22), followed by Best Western (5.13), Ramada (5.12), Four Points (5.00), Quality Inn (4.83) and Howard Johnson (4.75).

Furthermore, we conducted the analyses of variance (ANOVA) test to detect significant differences in four brand equity dimensions among the six hotel brands. Significant differences were found in the mean values of brand loyalty and perceived quality (see Table 1). The result of ANOVA assures that indeed, Four Points is doing a better job than most competitors in building brand loyalty and perceived quality. However, the mean values of brand awareness and associations were not significantly different, indicating that overall, six brands are equally well known to the public.

Lastly, for each brand, we calculated a total score of hotel brand equity by adding all four mean values of brand equity components. Four Points demonstrated the highest total brand equity value (20.23); Holiday Inn was second (19.58); Best Western was third (18.84); Ramada was ranked fourth (18.62); Quality Inn was fifth (17.79); and Howard Johnson was last (17.29).

Table 1: Brand equity rating of the top six mid-scale hotels

	Brand loyalty	Perceived quality	Brand awareness	Brand associations	Total brand equity score
Holiday Inn	3.75	5.08	5.53	5.22	19.58
Best Western	3.43	4.94	5.34	5.13	18.84
Ramada	3.34	4.92	5.24	5.12	18.62
Quality Inn	2.95	4.83	5.18	4.83	17.79
Howard Johnson	3.19	4.39	4.96	4.75	17.29
Four Points	4.63	5.39	5.21	5.00	20.23
F-value	2.96*	2.59*	0.89	0.62	

* Significant at the 0.05 level

Brand equity model is evaluated

We used the structural equation modeling (SEM) technique to answer the research questions on the validity of the proposed hotel brand equity model and the effects of four determinants on overall hotel brand equity. Prior to SEM, internal consistencies were computed for five constructs of the model: brand loyalty, perceived quality, brand awareness, brand associations and overall brand equity. Cronbach's alpha could be improved for brand loyalty and brand associations by eliminating one item in each dimension. After elimination, all five scales satisfied .7 cutoff values. Table 2 presents description of all items - including deleted items after the reliability test.

Next, the measurement model was fitted to the data. Similar to Cronbach's alpha, composite construct reliability (CRR) values showed adequate reliability for the indicators representing each construct by exceeding the .7 cutoff values. The average variance extracted (AVE) indicates the convergent validity of the construct. All average variances extracted (AVE) were .61 or higher (cutoff value: .50), demonstrating all five factors have the sufficient convergent validity. The various fit indices of the measurement model ($\chi2/df = 2.37$, GFI = .92, NFI = .97, CFI = .98, RMSEA =.07) implied that the factor model fits the data well. All factor loadings of the items exceeded .5 with t-values equal to or greater than 11.06 ($p < .001$) (see Table 2).

Table 2: Description of items used to measure hotel brand equity

Factors and scale items	Standardized loadings (t-value)	α	CCR[a]	AVE[b]
Brand loyalty		.83	.84	.67
I consider myself loyal to the hotel.	.86 (14.95)			
The hotel would be my first choice.	.83 (14.48)			
When another hotel runs specials, I will choose that branded hotel. [c]				
Perceived quality		.91	.91	.77
I expect the quality of this hotel to be: inferior … superior	.72 (13.29)			
I expect the quality of this hotel to be: unfavorable … favorable	.87 (17.52)			
I expect the quality of this hotel to be: poor … excellent	.90 (18.68)			
I expect the quality of this hotel to be: very low … very high	.88 (17.97)			
Brand awareness		.90	.89	.77
I know what the hotel's physical appearance looks like.	.87 (17.37)			
I am aware of the hotel.	.87 (17.34)			
I can recognize the name of the hotel among competing brands.	.84 (16.41)			
Brand associations		.75	.76	.61
Some characteristics of the hotel come to my mind quickly.	.73 (11.47)			
I can quickly recall the symbol or logo of the hotel.	.70 (11.06)			
I have difficulty in imagining the hotel in my mind. c				
Overall brand equity		.91	.88	.65
I stay with this hotel over its nearby competitors.	.80 (14.61)			
Even if another hotel has the same amenities as this hotel, I prefer to stay with this hotel.	.82 (15.27)			
I would not switch to another competitor unless significant differences are found.	.79 (14.49)			
Even if another brand is as good as this hotel, I prefer to stay with this hotel.	.81 (15.09)			

a CRR: composite construct reliability
b AVE: Average Variance Extracted
c The item was deleted after reliability test.

As a last step, the structural model was evaluated. In the model, the four determinants (brand loyalty, perceived quality, brand awareness, and brand associations) were constructed as exogenous (independent) variables and overall hotel brand equity as an endogenous (dependent) variable. All structural model fit indices were within the recommended levels ($\chi 2/df$ =2.41, GFI = .91, NFI = .97, CFI = .98, TLI=.98, RMSEA =.08, RMR=.05), suggesting that the structural model is satisfactory. Table 3 presents the relationships between four determinants and hotel brand equity. Overall, the brand equity model explained 75 percent of the variance (R2 = .75). Among four structural relationships, three paths were significant ($p < .05$): brand loyalty, perceived quality, and brand associations were significant antecedents of overall brand equity of mid-priced hotels. In particular, perceived quality and brand loyalty were found to be the most important determinants of mid-scale hotel brand equity with relatively high path coefficient estimates of .39 and .38, respectively. The only construct showing no significant impact on hotel brand equity was brand awareness with the lowest path coefficient value of .11.

Table 3: Effects of four determinants on overall hotel brand equity

Endogenous Construct: **Brand equity** [a]	**Path coefficients**	**t**
Exogenous Constructs:		
Brand Loyalty	.38	6.06**
Perceived Quality	.39	6.03**
Brand Awareness	.11	1.06
Brand Association	.22	2.14*
R^2	.75	

* Significant at 0.05 level
** Significant at 0.01 level

Discussion and implications

It is a challenging task to develop and to manage a strong hotel brand as the lodging industry becomes mature with numerous brands and faces fierce competition. Hospitality firms changed their company mission from a product orientation to a brand orientation to build a competitive advantage through effective brand management. The customer-based brand equity model suggests that the more contribution the four determinants (perceived quality, loyalty, brand awareness, brand associations) make to the business results in higher brand equity of the organization. We tested whether the consumer-based brand equity model is valid in the mid-scale hotel setting and the findings of this study offer empirical evidence that the model is applicable to the lodging industry.

Next, we compared customer-based brand equity ratings of six mid-priced hotel chains. Four Points and Holiday Inn stand out as the top two brands, while Quality Inn and Howard Johnson are the two bottom brands. Overall, Holiday Inn performed better than Four Points in brand awareness and associations, while Four Points exceeded Holiday Inn in brand loyalty and perceived quality. Holiday Inn's long business presence seems to be attributed to the high ratings in the dimensions of brand awareness and associations. Four Points debuted as one of sub-brands under the parent company of Starwood in 1995. Despite its short history, Four Points expanded aggressively and provided quality service to satisfy their customers, which resulted in establishing a strong brand in the mid-priced segment.

Among the four dimensions, perceived quality is found to be the most influential factor on brand equity. One study conducted by the American Society for Quality (ASQ) described Starwood as an exemplary company that implemented a quality management program (Six Sigma) successfully throughout the organization. As a result, Starwood increased the perception of service quality by 7.1 percent. The present study demonstrates that Four Points, a young sub-brand of Starwood, may benefit from the quality enhancement program, quickly achieving high brand equity in a competitive lodging market. The success of Four Points suggests that practitioners should continuously monitor perceived service quality of the hotel to keep up with ever-increasing customer expectations. These efforts ultimately can contribute to controlling and managing company brand equity.

Another important dimension affecting brand equity is brand loyalty. Previous studies have shown a strong positive relationship between brand loyalty and brand equity. For example, in Turkey's beverage industry, only brand loyalty mattered in building overall brand equity. Brand loyalty as a key component of brand equity is confirmed in this study using the mid-scale U.S. lodging segment. Loyal guests are viewed as a valuable asset because the help guarantee hotel business success. Thus, it may be wise to focus on retaining a small number of loyal guests, who typically account for a large amount of total sales. This approach can help hoteliers to successfully maintain steady cash flow and improve future earnings. In summary, top management should understand the significance of true customer loyalty and make every effort to improve brand loyalty, which in turn leads to nurturing hotel brand equity.

Although the size of impact is smaller than perceived quality and brand loyalty, brand associations are shown as another core component of mid-scale hotel brand equity. However, brand awareness, a seemingly important source of brand equity, is not a critical factor of mid-scale hotel brand equity. Brand awareness is a hotel guest's ability to recognize or recall the brand and brand associations are anything linked in memory to a brand. Typically, brand associations are led by brand awareness. Brand associations can include not only tangible, concrete characteristics (e.g., bathroom amenities, guest rooms, and other facilities) but also intangible, abstract attributes of the organization (e.g., affective benefits guests expect from staying at the hotel).

Research has shown that guests may be aware of the brand without having a strong set of brand associations in their minds. Hospitality researchers assert that even high awareness of a hotel name does not automatically convert to hotel brand equity unless favorable brand associations are developed in customers' minds. Thus, brand awareness may be necessary as the antecedent of hotel brand associations, but alone it is not a sufficient condition to be a significant source of customer-based hotel brand equity. The result of this study indicates that hotel companies should balance their efforts to improve brand awareness and brand associations.

Lastly, hotel firms should develop a valid and reliable measure to assess customer-based brand equity. The items in this study can be used as a foundation of the hotel brand equity scale. Currently, most hotel chains conduct a customer satisfaction survey. Chains should gather additional information about customer loyalty, perceived service quality, brand awareness, and brand associations. The brand equity study can offer much more comprehensive and complete information to determine decisions on creation of a new brand, revamping or closing of existing brands. Executives should understand that a carelessly designed sub-brand can lower the total equity of signature brand (parent company name) with poor performance. Also, note that even well established brands can wear out over time if the company does not practice effective brand management continuously. Therefore, it is critical for hotel corporations to measure and monitor brand equity on a regular basis across all sub-brands and different countries if the hotel company operates multi-units abroad.

Limitations

Future research is needed

The first limitation of this study originates from the sampling method. Since we used a convenience sample, the ability to generalize the findings is somewhat limited. Second, the geographical location where the survey is conducted is another limitation. Even though the participating travelers may come from different part of the U.S. or the world, it is reasonable to assume that most respondents are from the Midwest. Third, brand awareness and brand associations scales need further refinement. The current items of brand awareness and associations tap into the lowest level of brand awareness (i.e., recognition) and brand associations (i.e., focusing on primarily product-related or service-related attributes). Future researchers should include the higher level of brand awareness (e.g., unaided recall and top-of-mind) and brand associations (e.g., overall brand attitude and image). Lastly, future research should continue to validate the customer-based brand equity model in other lodging segments (e.g., luxury, extended-stay, and economy) as well as other hospitality industries (e.g., foodservice and airline). It is likely to see four brand equity determinants play a different role in brand equity of different hospitality segments. Therefore, brand awareness may matter most in selecting economy hotels and become a significant component of brand equity of economy hotels.

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Discussion Paper: Triangulation of Methodology to Solve the Practitioner – Academic Debate Concerning the Value of Research

by Seonghee Oak

In support of research in the debate concerning its relevance to hospitality academics and practitioners, the author presents a discussion of how the philosophy of science impacts approaches to research, including a brief summary of empiricism, and the importance of the triangulation of research orientations. Criticism of research in the hospitality literature often focuses on the lack of an apparent philosophy of science perspective and how this perspective impacts the way in which scholars conduct and interpret research. The Validity Network Schema (VNS) presents a triangulation model for evaluating research progress in a discipline by providing a mechanism for integrating academic and practitioner research studies.

Why Do Different Research Orientations Matter?

While academic research is related to abstracting from specific problems and contexts to develop applicable theories, practitioners' objectives are more concerned with immediate resolution of current problems in specific organizations. Due to these different perspectives, many previous studies point to the problem in utilizing hospitality academic research findings (Piccoli and Wagner, 2003; Cobanoglu and Moreo, 2001). To solve the problem, it is necessary to develop a partnership in which academics understand practitioners' issues, while practitioners must take some time to help set the research agenda and strengthen their relationship with academics.

This paper will address the distinction between academic and practitioner research and the outcomes obtainable from combining these two approaches. Further, the implications for developing scientific thought in the hospitality industry are discussed. This paper's aims are four-fold: 1) to discuss how philosophy of science assumptions impact research approaches; 2) to provide a brief summary on the historical development of empiricism; 3) to discuss the importance of the triangulation of research orientations; and 4) to present implications of the findings for hospitality research.

According to Kuhn (1996), a scientific community is composed of practitioners who share a scientific specialty. In the process of providing a similar education and through the professional socialization process, members of a research community rely on the same technical and professional literature. Members of a scientific community, consisting of scholars and practitioners in a specific professional discipline, share a common value with other members depending on their philosophical orientation. People outside the discipline see members of the hospitality community as the individuals uniquely responsible for the pursuit of a set of shared goals, including the training of their successors.

Although scholars and practitioners frequently appear to present a dichotomy of thought relative to the value of science, there is some evidence that a synergistic effect accrues when academic and practitioner research is combined. For example, practitioners use hotel real estate value as published by Hospitality Valuation Services (HVS) to understand hotel property value and determine the proper investment strategies depending on the business cycle. Practitioners also develop valuation techniques for hotel real estate such as sales, cost, and income approaches. Based on the same data, theorists can test market efficiency hypotheses, identifying which information in the hotel real estate market will most immediately impact hotel real estate value (Oak and Andrew, 2002). While practitioners bring the ability to ask the right or related questions to any study, academics bring a theoretical perspective to answering questions.

The research debate between theorists and management practitioners stems from misunderstanding of the other's viewpoint, often referred to incommensurability. Kuhn (1996) used the term to explain disagreement between scientific communities. Bernstein (1983) found that incommensurability is related to differing views of problems and standards among scientists—that is, those with competing allegiances who practice their tasks in different worlds see the same thing differently. Each scientific community supports a particular viewpoint over other viewpoints from other communities. As a scientific community absorbs the same technical literature and draws many of the same lessons, community members pursue shared goals on a specific subject. The notion of shared goals takes time to develop and often leads to newer disciplines such as consumer behavior that may not yet be represented as a single community. Yet, mathematics and philosophy are strong communities in which scientists share similar goals and approaches to problem solving.

The question is whether inter-disciplinary communication is possible between academics and practitioners who have different research orientations. Critics of incommensurability assume that theories in each community are mutually untranslatable. However, researchers have been known to translate another's work into their own language. Kuhn (1996) argued that the main focus of the process is not simply translating theory from different language communities but persuading others about the theory. By discovering more about the other's social and cultural contexts, the researcher finds that at some point in the translation that a transition has occurred—a conversion to other new ideas.

Transitions between communities or disciplines are helpful in contexts. For example, practitioners who are concerned about finding new solutions to new and existing problems certainly need to know the basis for academic research that presents new solutions. Academic or theoretical research is always incomplete since it deals with a subset of variables in the real world. Thus, the design process relies on assumptions about operationalizing both theoretical and non-theoretical variables (Calder, Phillips and Tybout, 1981). Advice from peers and scholars outside disciplines, using the translation process, aids in theory development. Theoretical studies are verified through falsification procedures that meet two sets of criteria. First, abstract scientific explanation should be rendered fully testable; second, concrete theory-based intervention is viable under conditions present in the real world.

The author does not intend to provide a resolution of the opposing views of academics and practitioners about hospitality research. Synergy might accrue, however, from combining the two approaches so that academics provide new concepts to problem solving and practitioners' research which significantly contributes to the formation of more relevant questions as well as practical applications (Brinberg and Hirschman, 1986).

How Philosophy of Science Assumptions Impact Research

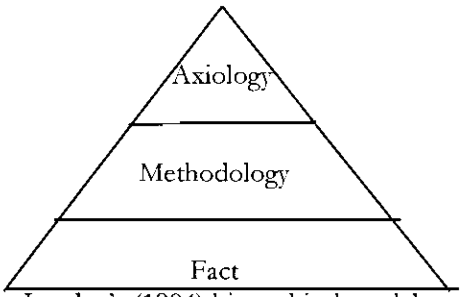
In the context of practitioner research, the objective is to maximize benefits to clients within a given time frame and cost constraints. Such research increases the efficiency of the managerial decision process and minimizes time consumption (Calder, Phillips and Tybout, 1981; Brinberg and Hirschman, 1986). Academic research, on the other hand, is a scientific process aimed at developing theory or solving anomalies within an existing theoretical framework (Kuhn, 1996). Scotter and Culligan (2003) described the scientific method of academic research such that "Platt described science as a series of planned activities that are designed to test a theory ... researchers map out the essential parts of the theory as if they were branches on a tree, and systematically test each branch." Also, they stated that both academic and practitioner research begins by proposing a problem statement. Academics call this process hypotheses development while managers generally regard it as the process of problem-definition. While practitioners look for the solutions and information that may solve the problem, academics formulate critical elements related to important outcomes and devise tests (Scotter and Culligan, 2003).

How can hospitality community use philosophy of science assumptions to better understand the research approaches used by academics and practitioners? This question cannot be addressed without looking at the philosophical bases for each research orientation. An appreciation of the skill, art, and imagination required to conduct theoretically and socially responsive studies is a first step in building collaborative academic and practitioner models. In underscoring these features, this study is not suggesting that such comparisons are irrational but that they open up types and varieties of practical reason involved in such rational comparisons.

Focus on Scientific Consensus Building

How is it that scientists, who previously had different views about a particular subject, can eventually come to hold substantially identical views about that subject?

Figure 1. The hierarchical model of justification

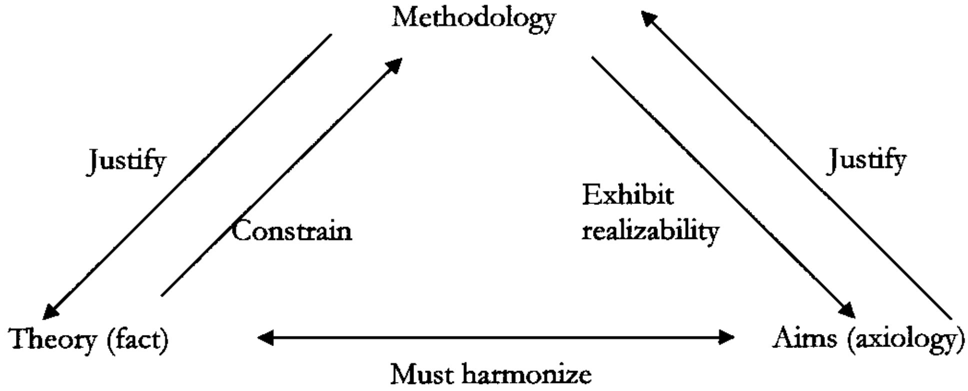


Source: Adopted from Laudan's (1984) hierarchical model

Laudan (1984) showed how the hierarchical model of justification (see Figure 1) helped the empiricist in scientific communities to understand the process of consensus building. Scientific consensus is forged at three interrelated levels. The hierarchy's lowest level has disputes about matters of fact. The matters of fact refer not only to assertions about directly observable events but also to all manner of claims about what there is in the world, such as theoretical claims. Factual disagreements can be resolved by moving one step up the hierarchy to the level of shared methodological rules. Some disagreement may exist about the rules of evidence or procedure, or about how those rules are to be applied to the case at hand. Methodological controversies are resolved at the axiological level, where basic cognitive aims are involved. However, empirical argument in the hierarchical model would be threefold: different goals among different scientists, no rational deliberation possible about the suitability of different goals, and covariant clusters of goals, methods, and factual claims (Laudan, 1984).

An alternative explanation for scientific rationality is the reticulated model. The model is characterized as a complex process of mutual adjustment and mutual justification that flows upward as well as downward in the hierarchy, linking aims, methods, and factual claims (see Figure 2).

Figure 2. The reticulated Model from Laudan (1984)

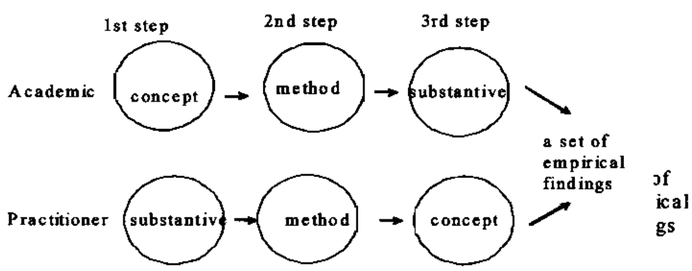


Source: Laudan (1984)

The reticulated model is similar to the triangulation of methodology that underlies much of the writing on methodology in the social and behavioral sciences. In the reticulated model, axiology, methodology, and factual claims are inevitably interlinked in relationships of mutual dependency. Similarly, the triangulation of research orientations holds that multiple perspectives are needed so that the weaknesses in one approach may be compensated for by the strengths of another (Brinberg and Hirschman, 1986).

Brinberg and McGrath (1985) developed the Validity Network Schema (VNS) framework based on a triangulation of methodology that analyzes the marketing research process and various validity issues within that process. As the reticulated model is a triadic network of justification that is mutually dependent on three components—axiology, methodology, and factual claims—the VNS framework involves a conceptual schema that includes three interrelated yet analytically distinct domains: conceptual, methodological, and substantive (see Figure 3).

Figure 3. Application of the VNS to Research Orientation



Source: Adopted model based on Brinberg and Hirschman (1986)

Each domain contains different elements, relationships, and embedding systems. Since a research path with three domains is limiting, each path is flawed in different ways. Thus, it is necessary to know the components of each domain in order to analyze the weaknesses and strengths of research. In the conceptual domain, elements are properties of subjects that behave in a context (e.g., the beliefs or attitudes of a guest in a hotel). There are the logical-causaltemporal relationships between several properties (e.g., purchasing process in the hotel) in the embedding system, a set of paradigmatic assumptions, or the conceptual paradigm (e.g., consumer psychology). In the methodological domain, elements are modes of treatment of variables, or methods for gathering information (e.g., annual statistics from visitor's bureau), which relate to comparison techniques (e.g., cost-benefit analysis). The embedding system pertains to the research strategies within which the modes of treatment and the comparison techniques are executed (e.g., event studies for measuring the economic impact of an attraction). In the substantive domain, elements are subjects behaving in some context, such as when a customer purchases an admission ticket in a particular amusement park. Relations are patterns of events (e.g., the interaction between a guest and servers in a restaurant). The embedding system pertains to a higher level of organization within which the entities and events are embedded. For instance, the type of or geographic location of a hotel (urban vs. suburban) might be an embedding system for a customer's purchase decision.

While balancing three domains during the research stage results in a set of empirical findings, triangulation methodology has attracted very limited attention. Researchers have argued that one particular approach, or orientation, has sufficiently desirable features to investigate research questions. Brinberg and McGrath (1985) added that marketing traditionally has been a discipline in which the pragmatic investigation is the basis of determining worth. Thus, triangulation methodology in marketing is worthy of attention by both researchers and practitioners.

Triangulation Methodology for Academics and Practitioners

In the VNS framework, a research scientist works through three distinctive stages of development (Brinberg and Hirschman, 1986). First, a preparatory stage involves development, clarification, and evaluation of elements and relations within each of the three domains. Defining problem statements and conducting literature searches are completed in the preparatory stage. Second, a central or executive stage involves the combination and use of elements and relations from each of the three domains. An actual experiment or data collection is completed in a central stage. The third stage involves following up the findings from stage two by replication and a systematic analysis of the scope and limits of those findings. Analyzing, interpreting, and forming conclusions from data are done in the follow-up stage. The VNS system can be used to distinguish one research orientation from another.

The research pathway used by academics is characterized as a concept-driven design (see Figure 3). A researcher first selects elements and relations from a conceptual domain, then draws upon the methodological domain to construct a design, and finally implements that design on some substantive system. Zeithaml, Berry and Parasuraman (1996) used the academic path to test the behavioral consequences of service quality. Their study offered a conceptual model of the impact of service quality on particular behaviors that signals whether customers remain with or defect from a company. Results from an empirical study of relationships from a model of customers' behavior intentions show strong evidence of intentions influenced by service quality.

A practitioner orientation, on the other hand, leads to the development of studies from a system-driven design (see Figure 3). Practitioners first select elements and relations from some substantive system, then form the methodological design to develop a set of observations, and finishes in a conceptual domain that interprets the set of observations. Berry and Parasuraman (1997) discussed the concept of a service-quality information system. Initially, they presented diverse cases to be used in demonstrating research approaches for building service-quality information systems. Their conclusion was that companies must use multiple research approaches to ensure that customers are heard and that managers respond to their suggestions.

Both research approaches entail observations of some effects that relate to a theoretical framework and result in a set of empirical findings (Calder, Phillips and Tybout, 1981). The distinction would be whether the researcher's primary goal is to apply the specific effect observed or to apply a more general theoretical understanding.

Depending on a given research orientation, scientists apply different sets of rules or standards to a study. In academic research, there is a belief that studies are based on methods of scientific inquiry. The theorist's quest is based on objectivism, or the search for an Archimedean point upon which to ground their knowledge 5 (p. 16). From a practitioner's point of view, there is no such basic structure except that which the researcher invents or temporally accepts.

Implications for Hospitality Research

Are researchers justified in continuing their philosophical orientation because it is the accepted paradigm within a given discipline or profession? Social science is the consequence of the researcher's own self-understanding. Practical wisdom begins when the researcher learns that intuitive, obvious, or universal constructs are not the sole answer to research problems. The perspectives in the social sciences are based on the researcher's own self-understanding of social possibility as reflected in an individual's scientific orientation or his personal knowledge, among several alternatives.

The significance of stating that a philosophy ought to be self-referential implies that its validity depends on the researcher, not to a fact or situation external to it. However, the possible resolution of argument between practitioners and academics is shown in the reticulated model. In the research, theory, methodology, and aim are interlinked. The VNS systems for academics and practitioners have the same components but the sequence for practicing the VNS system is different.

Hospitality research has taken both academic and practitioner pathways. Some academic researchers have selected theoretical frameworks before selecting a methodology for testing hypotheses. For instance, Oh (2000) introduced a customer value framework and then tested an extended value model with lodging products. Others have taken a more practitioner approach in their research orientation, relying on system concepts as the basis of their research. For example, Mattila (1999) conducted a survey of how business travelers evaluate luxury-hotel services.

These two differing approaches present outcomes that are substantially different, and thus add to the notion that both academic and practitioner perspectives are needed in hospitality research today. A closer examination of the Oh and Mattila research shows that their research protocols began with hypotheses and they both embraced similar methodologies toward research outcomes. Both appear to be equally rigorous and produce socially or theoretically significant results. The important determinant is the outcome of the research. A valuable research study will be achieved not only by theoretical speculation or accumulations of practical facts, but by iteration between theory and practice.

In hospitality research multiple orientations should be given special attention because the solution to industry problems must engage more complex problem solving. Special attention should be given to the use of multiple orientations as the nature of industry problems implies a need for much more complex problem solving. The training of new researchers requires an in-depth understanding of the philosophy of science, a new model and new approaches based on the integration of academic and practitioner research. In addition, training requires baseline data that may be used in evaluating published research, using the VNS framework, to understand where the hospitality discipline eventually will go and to support both industry and academic in developing more robust methodologies.

Since students in hospitality education are required to acquire a systematic body of knowledge, the development of a unique curriculum with a universally accepted professional core will give practitioners the opportunity to join with academics in making the profession of hospitality much like other traditional professions such as law and medicine (Crocker, Schrock and Walker, 2001).

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Using Risk Management as a Tool for Accident Prevention in the Resort Golf Arena

By Steve Eisenberg

Risk Management can be an effective preventative measure to optimize accident prevention in the resort golf arena. This article explores known risks, identifies other potential areas of risk, and offers solutions that may be adopted by Resort Facilities to minimize risk in the golf sector.

Introduction

In 1995, after six years as a personal injury lawyer, and three years as a golf professional, this researcher began to explore liability issues in the golf business. In this age of litigation-happy consumers, it had become necessary to face the reality of personal injury liability litigation in the golf arena. This article offers an assessment based on trends that have been present in the industry from 1995 to the present time, and how the modern resort golf facility can offset the risks associated with these trends by adopting a comprehensive risk management plan.

It is suggested that there are four categories within the context of this issue that will help successfully implement such a preventative plan. They are:

A) Identifying Sources of Risk
B) Determining and implementing measures to eliminate or minimize risk
C) Supplementing the plan with various forms of insurance coverage
D) Steps to take to minimize exposure in case of an accident

Categories of risk and measures to eliminate risk

The first and second categories of the preventative plan are inexorably woven together and vitally important to its success. Many facilities neglect to even do a cursory examination of their premises, assuming that insurance will avoid the necessity of this time consuming endeavor. Obvious, without the examination, the cure is never applied. However, such facilities miss the obvious; that accidents themselves make it harder for an entity to remain eligible for insurance at competitive rates. Sources of risk run the gamut of the obvious to the subtle. They can involve golf car paths, golf cars defects, negligent golf car operation, bridges, steep grades, golf spike use, errant golf shots, negligence in golf course design, driving range and practice area design and use, or risks involved in teaching the game to patrons, alcohol-related risks, and weather-related risks.

As stated in an article published by Joseph and Diane Devanney (2002), "The best general advice that can be given to operators, managers and owners of golf courses is that the law varies often from state to state and, in any event, any case anywhere will have a specific set of facts that will often "make or break" the eventual outcome. Owners should try as much as possible to anticipate problems in advance rather than simply wait for an issue to arise. "

A facility should engage in a risk assessment on a regular basis, involving not just those hired to do such an assessment, but also staff members working in all areas of a particular golf operation. This should involve an "A to Z" examination, as well as thinking broadly about various contingency situations. One excellent practice that is often utilized is trying to replicate possible situations where incidents could occur. Rather than using the facility in a safe manner, examine what would happen if a patron were to exhibit less than safe behavior. As an example, while car paths are meant to be traveled upon, players often go off the edges of such paths while driving. Are there steep drop-offs on the sides that could contribute to an accident? If there is even a fair chance an accident would occur, roping off such an area or adding fill would be prudent solution to avoid a potential accident. Such conduct may be viewed positively by a jury if a case does go to trial.

Another example regarding golf car paths is the fact that many patrons ride with their feet outside the golf car floor area. This behavior exposes them to danger from protruding rocks or curbs built to contain a golf car. While it would appear that the curb is designed as a safety precaution, litigation has occurred as a result of a curb built too close to the side of a golf car path, which exacerbated driving errors in a way that may lead to foot and leg injuries.

This approach to risk assessment is amplified by Joseph and Dianne Devanney (2002), "It is not enough to just design pleasant and attractive surroundings. In developing the necessary proactive protections against lawsuits, everyone has to be as diligent as possible and try to foresee how the design could lead to accidents." Other articles also recommend that course owners put out highly visible signs in areas where golf cart users must cross public roadways or make slow turns, etc. "Make sure you have great signage and police it," he says. "If you see someone violating that rule, stop them and get them out of the cart."

The attorneys cited also mentioned incidences where golf carts have been struck by automobiles with the parties being severely injured. Such situations can create catastrophic liability exposures for a golf course. "If they have golf cart paths that cross public roadways, they really need to be well-marked-rumble sticks, stop signs. Golf clubs really need to do a good job making that a more defensible situation."

Safety measure implementation and recent areas of injury

In implementing safety measures regarding car paths, it is best to insure they are properly designed, and constructed using materials that will last based given anticipated climate conditions. The designs should avoid sharp turns and blind spots; warning signs should be specified for any steep gradients. The golf facility must also do continuous inspection of the paths, with course rangers specifically mandated to do such inspection on a daily basis. If dangers are noted, barriers must immediately be placed as appropriate. Riding bridges should be assessed at the same time as they may be prone to collapse if not properly maintained.

Golf car defects are another area that is ripe with litigation potential. While it is often difficult to assess the legitimacy of complaints in this area, it is quite common for an injured party to claim that the car's brakes malfunctioned or that there was improper training given to them prior to their use of the car. Regarding this area of potential liability, this researcher interviewed several prominent personal injury attorneys in the golf car accident area. Also, my own experiences support the contention by McDonald (2005) that "clients obtain releases from people when they sign up for golf carts." This is a verification that the party acknowledges they are responsible for driving that golf cart and any injuries that may ensue.

There is a need for set training policies in use of a golf car. The attorneys who were interviewed spoke of the "surprising the number of claims from people who have been tossed out of golf carts or were injured when a golf cart overturned." Another interviewee stated, "You can't have people out there horseplaying on golf carts." Personal experience has been that Golf Resort Operations and golf courses in general tend to fail to take the time to show patrons how to use the golf cars prior to operating them. This problem is endemic in the resort facility business as the "laid back-on vacation" atmosphere is perceived as not being conducive to convincing a patron of the need to properly operate a golf car and the dangers inherent in faulty operation. We recommend operators always instructed staff to have the patron demonstrate their skills operating the basic controls before releasing the car to them. Also, facility operators should have warning signs placed on all steep grades that prevent parking on such grades.

The importance of the rental agreement should not be minimized. It should have a "hold harmless" clause in place, indemnification clause and property damage repayment clause. It must be signed by the patron.

Another area of concern in regard to operation is poor maintenance practices tolerated by some resort facilities. Golf car attendants are under paid, under trained and under motivated. If a golf car is exhibiting a problem, and that problem might prevent the employee from leaving on time, it may not get reported. It is incumbent on the facility to make reporting and car line removal procedures as painless as possible. Having a qualified mechanic available is essential to a proper safety program. A daily checklist of the proper operation of a golf car is strongly recommended. All these measures will eventually find their way into the minds of jurors should litigation occur.

The risks from actually playing should present another area of concern to resort golf course operators. Many golf courses exist where it is obvious that someone will eventually get hurt by an errant golf shot. Humorous signage designed to "warn" but those warnings are inappropriate. Golf courses have taken it upon themselves to try to convince a golfer to hit their ball straight and not left or right, but such warnings will not substitute for design or other preventative measures that could be implemented to reduce the likelihood of injury. Landscaping or netting and fencing can be incorporated into the design of the course so as to prevent injury. Litigation involving errant golf shots, where mere landscaping would have avoided the accident, but was not considered serious enough to cure can result in very large awards. One golf course paid $500,000 to a claimant. In another case, the claimant injured himself on a metal spike protruding from the tee area, which acted as a "tee marker." The risk of injury from using such a device was major, and could have been prevented by using a plastic marker.

Top golf course designers in the world, they will tell you that they have to rethink the design and hit points of golf holes, the landing areas and barrier landscaping, because of the change in the golf ball and the golf club. Homebuilders have been consistently expanding the corridor widths on the advice of counsel, design experts and golf construction experts. At existing golf courses, owners are redesigning many holes including realigning tee boxes and installing barrier landscaping and fencing to accommodate the problem. The main thing with errant golf balls is that if you have an issue, identify it and deal with it.

Another area of concern are negligently designed practice areas where the hitting area faces an area where patrons might be sitting or waiting to play; injuries are inevitable in that environment. A simple net or landscaping can be put in place to minimize injury here. In regard to practice golf ranges, there are many places where the spacing between those using the range is insufficient to prevent one golfer from possibly hitting another with their club.

Changes in the design of golf shoes have contributed to slip and fall accidents. It was not too long ago that the design of "softspikes" was all the rage. They were designed with protection of the surface of the green in mind, not the safety of the golfer. Golf courses were often designed with steep grades, knowing the player's metal spikes would allow them to traverse the steep terrain. That inherent safety measure changed with the introduction of softspikes. Now, even slight grades that are wet are areas of danger. Wood walking bridges are also an obvious flashpoint of shoe-related accidents. It would be prudent for course owners to evaluate their walkways, slopes and paths to provide greater traction in order to minimize the number of claims.

Severe weather is a concern for most golf course operators. It appears that courses are "damned if you do, damned if you don't." Employing lightning detection and weather detection systems seem prudent, but if not used correctly, can lead to catastrophe. Many facilities just tell patrons to vacate when they see storms coming. If you warn your staff of dangerous weather, and not your patrons, you are ripe for a lawsuit. A jury may consider warning systems to be evidence of a caring operator.

Use of alcohol while playing golf contributes to as many problems in the golf sector as it does in any other sector of life. Many states have "dram shop" laws that permit people who are injured by intoxicated individuals to file lawsuits against the person or company that sold or served the alcohol. This could potentially be devastating for a golf course. Liquor license authorities now are under tremendous pressure, and they may try to pull your license in addition to any liability claim you have from the injured party.

Courses must be diligent about liquor licenses, consumption and the training of staff to identify and deal with customers who are intoxicated or on their way to that condition. The key is to make sure that the operation's alcohol awareness programs are being implemented and that the training program is being properly implemented. Clubs sometimes let someone who is not familiar with all the regulations be in charge of the beverage area. Many clubs don't even know if they have a proper permit that allows people to take alcoholic beverages onto the golf course.

The growth in tournaments, special events and banquets presents a special problem in the area of alcohol consumption. During the tournament the many roving golf carts with people out on the course five or six hours on a hot day often drinking large amounts of alcoholic beverages is a problem. In addition, many of these attendees then come back into the clubhouse and drink even more. When they leave the club, they can easily be considerably over the legal limit and pose a hazard on the road. It situation should be a matter of grave concern to an operator.

Liquor liability insurance is very critical to protect golf courses and private clubs from catastrophic claims resulting from such liquor liability. But the insurance may not cover acts of incompetence on the part of the operator. It is always better to take action to mitigate a problem before that problem occurs. Put a liquor policy in place immediately.

Environmental issues are present at many older golf courses that are not compliant with current environmental laws and regulations. Many golf courses, in the areas where the golf carts and maintenance equipment are being cleaned, allow a drain line to flow into a creek public tributary or stream. Golf courses must remain in compliance with environmental codes and if not, they are being forced to remove underground fuel storage tanks, clean areas of potential spills. An operator must also carefully monitor the use of pesticides, herbicides and other chemicals on the course.

Supplementing your risk management plan with insurance

While safety and training are the most important components of protecting your golf course operation, if something does happen, insurance is important to protect your business. A thorough risk evaluation on a continuing basis can help keep your premiums down and the club insurable. It is recommended to buy a commercial umbrella liability policy providing additional liability limits.

Minimizing exposure in case of an accident

In light of the above, steps must still be taken to minimize liability in the case of an accident that has already occurred. If the following steps are taken, in this researcher's judgment, liability exposure will be minimized:

1) Insure medical aid is immediately summoned. This cements the feeling of concern for the well-being of the patron which endears the operation to the jury.
2) Make the patron comfortable and provide blankets, without unduly moving the injured party.
3) Get signed statements from all witnesses immediately, as they may leave the area, and don't forgot to record any statements made by the injured party. They may implicate themselves.
4) Obtain statements that the patron made to medical personnel at the scene and at the hospital.

5) Take photographs of the patron, the accident scene, impact marks, any pertinent markings, and if a golf car was involved, of the car itself. Date all photos upon development.
6) If a golf car is involved, pull the car from service and do an immediate inspection by a qualified inspector and obtain the report.
7) If a golf car is involved, pull the service and inspection records to determine if the car was operating properly prior to the accident, as well as to note if the proper inspection and maintenance work was performed.
8) Communicate all information to your insurance agent and company immediately.
9) Do not communicate with other parties concerning the accident. If the patron calls, memorialize the conversation and date.
10) If your insurance company claims you are not covered, hire a personal attorney for the facility. Do this also if the claim exceeds your commercial policy limits.

Conclusion

Golf can be dangerous to the player, but most importantly, to the operator as well. Considering our litigious society and the fact that insurance rates have escalated since Sept. 11, it has become more important than ever to implement a sound risk management program to help prevent injuries and property damage, as well as to protect against liability.

Effective safety training and risk management programs are not developed overnight. But like it or not, golf course resort operators must consider the tasks of safety training and risk management as the highest priorities within their operations. Zero accidents, while possibly utopian in outlook, should be the goal for the entire golf course staff.

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Revised Title Page[1]

Perceptions of the Beach Users: A Case Study of the Coastal Areas of North Cyprus Towards Establishment of a 'Carrying Capacity'

By Natasha Christodoulidou, Habib Alipour, Mehmet Altinay, Kashif Hussain, and Nazita Sheikhani

Within the main elements of economic sustainability, socio-cultural sustainability, and environmental sustainability, the criteria of 'carrying capacity' have been emphasized through residents' perception analysis to explore practical methods towards the application and implementation of such criteria. As data analysis revealed, the main tourist resources in the case of North Cyprus—the coast and the beach—have a certain capacity to sustain the impact and pressure or tourism. Despite the significance of the indigenous environment and with respect to the residents' perception of optimum carrying capacity levels, this issue has not been given a due consideration. This has resulted in a process of coastal development which bypasses any measure ore application of a standard to harmonize the degree of physical development and the capacity of the beach. The main objective of this paper is to establish the concept of 'carrying capacity' as the means to achieve the reconciliation of environmental impacts with tourism development. The study concludes that, if carrying capacity measurement and its implementation are not incorporated into the planning decision as a clear policy, there will be grave negative consequences for the those resources attracting visitors.

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[1] The Editor deeply regrets that one of the authors names was omitted from the *FIU Review*, Fall 2006 issue (Volume 24, Number 2) in error. A correction has been sent to the appropriate databases.

Florida International University
School of Hospitality and Tourism Management
Announces another successful
South Beach Wine and Food Festival

food network

SOUTH BEACH WINE & FOOD FESTIVAL
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February 22 - 25, 2007

Florida International University's School of Hospitality and Tourism Management proudly announces another successful South Beach Wine and Food Festival. The Festival has become one of the two major food and wine events in the United States. The school works closely with Southern Wine and Spirits to stage an event that had more than 30,000 people attend. The activities of over 80 celebrity chefs were telecast throughout the world. More than 200 wineries and other suppliers attended.

Over four hundred students participated in this event, gaining experience on how very large special events operate. Their participation made them eligible for over $200'000 in scholarships. The event generated more than $1.5 million dollars for the School.