

Cornell Center for Hospitality Research Roundtable Highlights Risks and Rewards of Service Innovations
2008-05-01

Hotels and restaurants must innovate to remain competitive, but service innovations must be implemented in real time, and they can easily be duplicated by competitors.

Chaired by Rohit Verma, an associate professor at the Cornell School of Hotel Administration, the high-level roundtable examined the risks and rewards involved in service innovation. One major issue for innovations is the dichotomy between innovating to improve service and innovating to cut costs. The Service Innovation Roundtable, conducted at Cornell in April 2008, is part of a series produced by the Center for Hospitality Research, which includes upcoming Roundtables on Marketing and Labor and Employment Law.

'What is clear from our symposium is that service innovation is most successful when it is undertaken as an extension of a strong culture that focuses on guests' needs,' said Verma. 'The only way to test service innovation at the moment is 'live,' with guests in the house. That said, some of our participants thought that internet-based second-life applications could be used to test innovative service ideas.' Other roundtable facilitators from the School of Hotel Administration were Christopher Anderson, assistant professor, Cathy Enz, Lewis G. Schaeneman, Jr. Professor of Innovation Management, and Gary Thompson, professor and area director of operations management.

"Regardless of how the innovation is implemented, it must be embraced by staff and management, and guests must see the changes as valuable.' When innovations are meant to cut costs, for instance, both employees and guests may need an explanation of the innovation. One example that roundtable participants cited is the addition of self-service kiosks in some hotel lobbies. Employees regarded these with suspicion and guests were slow to adopt kiosks in some cases. Several participants suggested that the moral of that experience (and of other technological innovations) is that technology needs to be balanced with personal service innovations.



Left to right: Jeff Wielgopolan, Mobil Travel Guide, Inc. and Lisa Welch, American Airlines

Measuring the return on the innovation investment presents an additional challenge. One logical approach is to measure customers' responses to the change, typically with focus groups or surveys. Roundtable participants who have used focus groups said that they are not always reliable. Moreover, many customers do not want to be questioned. Once again the internet might be of assistance, if hotels could tune into bloggers' comments about a particular hotel's services. Some hotels have used customer choice modeling, a formal process that allows customers to choose among 'packages' of services.

Instead of taking surveys, managers could observe customers' actual responses to the innovation-what they do, rather than what they say. Observing customers' loyalty, or, for that matter, employees' loyalty, could be one gauge of an innovation's success. Other participants suggested that financially oriented measurements, such as share of wallet, might make more sense. In many cases, the most successful innovations are based on customers' suggestions.

Despite the risks of service innovation and despite the likelihood that innovations will be imitated, panel members expect the industry to keep looking for new ways to do things, or better ways to do existing tasks. Indeed, some participants suggested sharing best practices for the purpose of improving operations throughout the industry.

Several representatives of partners and senior partners of the Center for Hospitality Research participated in this inaugural Service Innovation Roundtable. They are: Heba Aziz, Jumeirah Group, Tom Lewis, Deloitte, Richard Rizzo, General Growth Properties, Inc., Kyle Reardon, WhiteSand Consulting, Lisa Welch, American Airlines, and Jeff Wielgopolan, Mobil Travel Guide, Inc. Representatives of the center's partners and senior partners have a seat at each roundtable.

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