Chapter 7

CONCLUSIONS & RECOMMENDATIONS
7.1. Precaution is better than Cure

7.1.1 Don’ts of Six Sigma

There’s something to be said for having at least one (hopefully minor) failure during your career. Enough to humble you a bit, The benefit of a failure is we get to do a post-mortem, understand what went wrong, and make dam sure that never happens to us again.

*Researcher is not at all Recommending* failure here, however, recommending *learning* from failure. If you’ve had a personal Six Sigma project failure, don’t feel too bad — you’ve received a potent education! For those who have not yet felt the searing pain of crashing and burning, a great deal can still be gained by observing the misfortunes of others.

This study reveals the 10 actions that will pretty much guarantee failure of any Six Sigma change project. With tongue firmly in cheek, I’ll paraphrase the logic used by those who advocate employing these tactics.

7.1.1.a Don’t tell people the change is coming — It’s a fact that everyone likes surprise. After all, who doesn’t like a surprise? An added benefit is that people won’t be in the hallways ahead of time talking about the change or worrying about it! Sure, they might not be prepared for the change and productivity, morale and trust may tank for awhile, but I’m sure they’ll get over it. Man-up and enjoy the surprise, I say. By the way — that person in the cubicle who is constantly twitching when you walk by has been here awhile — maybe too many surprises for him.

7.1.1.b Don’t listen — just keep talking — If you just keep telling people this Six Sigma change is good for them, they’ll eventually believe it. Two-way communication is way over-rated and time consuming too. A simple memo or intranet video should do the trick. This
change is coming whether they like it or not — their needs and questions are irrelevant. If you do accidentally get forced into listening to feedback, immediately defend your position by speaking louder and in an angrier tone. In addition, be certain to share how you personally will benefit from the Six Sigma change — audiences love to hear that.

7.1.1.c Don’t measure or govern the rollout – People in general don’t like being monitored, so leave them alone and let the rollout unfold naturally. Everyone in the company is excited about this as you are, so I’m sure there will be no implementation roadblocks to address. Other projects, systems, and processes should naturally make way for the Six Sigma change you are installing.

7.1.1.d Don’t bother your sponsor – Sponsors (or Champions) are busy people. Please don’t bother them with your whining requests that they communicate, govern, manage consequences, remove roadblocks, or really in any way get involved. That would be a sign of weakness on your part.

7.1.1.e Ignore the culture – Who really knows what culture is anyway? It’s kind of invisible so it may be something that exists only in the minds of consultants. Whatever worked at your last company is bound to work here.

7.1.1.f Allow multiple work-around solutions – Sure your process only works if people do things the new way. That stifles creativity. Let people do things any way they want and come to the conclusion that your new process is the way to go. Yes, this may extend your timeline a bit, or infinitely, but people thrive on variety. We’re really good at providing new stuff but really bad at turning off the old stuff anyway. Go with your strength.
7.1.1.g Ignore resistance – Quite honestly, you are too busy to have to deal with people who don’t see things your way. They don’t understand, and anything you say won’t help so why bother? Steam rolling this Six Sigma change right over them is the fastest way to go. It is for sure the changes will work short term and the organization will heal in the long term. Resistors will either stop resisting or leave the company.

7.1.1.h Wing it – There are way too many change methods and books. Six Sigma with its technical skills was hard enough to master. Change seems too “soft” or “touchy-feely” anyway. Anything one can’t do in Minitab is not that important. Plus, some of the best available around came out of Second City and they are all about improvisation. If it hit any “human” issues in the project, we will improvise as it comes up, and more worried about these p-values.

7.1.1.i No consequence management – Implementing any kind of rewards or positive consequences for the early adopters of the change feels kind of like bribery. They should do it because it’s part of their job. Also, the sponsor doesn’t feel comfortable in enforcing any negative consequences for those who don’t adopt the Six Sigma change. Not much can be done about that. It is for sure everyone will rally around all of our changes in an efficient and effective manner without any intervention needed.

7.1.1.j Ready or not — here it comes – All this talk of assessing the organization to ensure they are “ready” for the change is pure rubbish. We’re all overworked and there will never be a perfect time to roll out a change. If we swamp the workforce, so be it. Other Six Sigma change projects are welcome to navigate around mine. It really don’t have time to coordinate, and heck the corporate guys don’t talk to the business unit guys anyway.
7.2 Six Sigma Way to Make a Hotel Profitable

Given the current climate of constrained financing and reduced development plans, hotel companies are now looking at their existing operations to increase profits in the near-term. In light of this situation, the study revealed and identified the “most profitable” full-service, limited-service, and all-suite hotels. Then with the help of this research an attempt is made to distinguish common operating characteristics.

7.2.1 Multiple Measurements

There are many ways to measure profitability for the purposes of analyzing property-to-property performance. Comparisons of total profits, profits-per-available room, and of course, return-on-investment can all be employed in an effort to determine “best performers”. Each method carries with it certain advantages and disadvantages.

For this analysis, it is decided to compare the profitability of different hotels on a contribution margin basis. Best performers were defined as those hotels in the top 10 percent of their property category in terms of achieved profit margin. Profits were measured after management fees, real estate taxes, and insurance, but before capital reserve, rent, interest, depreciation, amortization, and income taxes.

Like the other methods, measuring performance by comparing profit margins has its drawbacks, the first of which is the age-old argument that, “you can’t take percentages to the bank.” However, the ability of management to drop as many rupees to the bottom-line as possible is clearly a meaningful measure of performance.

7.2.2 To Feed or Not To Feed
The extent of food and beverage service at a property significantly affects the overall profit margin of a hotel. Simply put, those properties that derive less of their revenue from food and beverage achieve the higher profit margins.

It was noted in that Lodging, profitability in hotel food and beverage departments is currently at an all-time high. However, the conventional belief that food and beverage service is an absolute necessity has been challenged and frequently proven to the contrary. Properties have either leased out their outlets or reduced their level of food and beverage service, while still maintaining high occupancies and rate premiums. In fact, the top performing full-service hotels all had minimal food and beverage revenue, yet were still able to achieve occupancies and ADRs greater than their respective property-type averages. The message is not to automatically eliminate food and beverage from hotels. Instead, developers and managers should thoroughly exhaust all the implications of varying degrees of food and beverage service on property performance and profits.

7.2.3 Quality, Not Quantity

Across the board, the average size of the top performers was consistently smaller than the average property profile for each category studied. Be it the ability to manage a smaller operation, or reach economies of scale at a lower threshold, smaller properties do appear to operate more efficiently.

As might not be expected, the hotels achieving the highest profit margin in each category achieved total revenues (measured on a per available room basis) less than the average for all hotels. While the lack of food and beverage revenue would
explain this occurrence for full-service hotels, it cannot be the reason for limited-service properties and several all-suite properties.

7.2.4 Controlled, Undistributed and Unspent

According to the Uniform System of Accounts for the Lodging Industry, the expenses associated with the direct generation of revenue are classified as departmental expenses. In general, these expenses tend to be more variable in nature, and therefore, more controllable.

Across the board, all the top performing hotels were able to hold their departmental expenses under the average for all hotels. This was especially noticeable in the full-service category. The top performing full-service properties bettered the overall average profit margin. Some of these percentage points were gained by controlling their departmental expenses.

To be profitable, any business must also watch their overhead expenses. Frequently, these expenses do not directly contribute to the generation of revenue for the business, and therefore, are difficult to measure in terms of payback.

In the hotel industry, administrative and general expenses cover such costs as the salary and wages for the general and manager and their staff, accounting fees, security costs, credit card commissions, and human resources. The top performing hotels in all categories were able to control their administrative and general expenses. Measured as both a percentage of revenue and on a rupees-per-available room basis, the top performers achieved administrative and general expense margins well below the overall averages.
Marketing expenses are also classified as an undistributed item. But most managers would gladly spend more, rather than less, on marketing. Here the achievements of the top performers appear to be counterintuitive. Marketing expenditures by the top performers, measured as a percent of revenue, were all less than the overall averages for all property types. Even when measured on a rupees-per-available room basis, marketing expenditures for the top performing full-service and limited-service properties were short of the overall average expenditures. Apparently, the top performers were more efficient in the marketing of their properties. Remember, these hotels also achieved occupancies greater than the overall averages.
7.3 Key Points on Porter’s Model

Supply
Supply is catching pace. Metros will witness an oversupply situation after four to five years.

Demand
Largely depends on business travelers but tourist traffic is also on the rise. Demand normally spurs in the peak season between November and March.

Barriers to entry
High capital costs, poor infrastructure facilities and scarcity of land especially in the metros.

Bargaining power of suppliers
Limited due to higher competition, especially in the metros.

Bargaining power of customers
Higher in metro cities due to increasing room supply.

Competition
Intense in metro cities, slowly picking up in secondary cities. Competition has picked up due to the entry of foreign hotel chains.
7.4 Creativity Counts

What brings success to any individual hotel is a wide variety of controllable and uncontrollable factors. Some are internal, while others are external. And, return-on-investment is the ultimate measure of success, and control on the investment side is just as critical as any operational techniques.

7.5 Suggestions and Recommendations

(Strategies for Excellence and Sustainable Development of Hotel Industry in India)

Competition in hospitality industry is increasing day by day as in all commercial enterprises, resulting in a constant search for new ways in which to outcast & out-distance competitors. Changing fashions and legislations makes it necessary to continuously upgrade the quality of the tangible hospitality product. For example, it has become common to change complete room fittings on a regular basis with advent of new colors and styles and modernization. Such developments are going to Intensify in future, and are likely, to be regarded more and more as hygiene factors.

Accurate assessment of customer perceptions will also become more and more crucial to the success of management initiatives. The coming decade will demand a refinement of theory in this respect plus the development of more effective measurement techniques and instrument. It is also likely that social, demographic and political changes will bring greater reliance upon technology and lower levels of staffing. The hospitality industry will soon find itself in the position of seeking greater
revenue from ever-decreasing staffing levels. This is likely to further intensify the need for quality enhancement. Technological change is another easily identifiable environmental challenge for this industry, though the actual nature of innovations and their impact upon society is less predictable. Technology increases demand by getting the guests accustomed to a widening range of day to-day conveniences, both at work and at leisure. It also provides hospitality managers with the means to solve problems of productivity, communication and marketing. It should be remembered that the scope of technological advancement is much wider. For instance, it encompasses the technology of food, furnishing, finishing, materials, construction and innovation therein. All these potentially contribute to the quality of the hotel product and the efficiency of service provision.

Information technology is playing a significant impact on the provision of hospitality services. A development in global reservation systems makes it increasingly easier to reach customer early, to facilitate the service journey. Specific customer groups may also be targeted for western business travelers. For example, a specialized guest experience can be tailored. Information technology also has a very vital role to play. Currently it is possible to integrate network budgets, forecast business, accounting, and productivity standards to management information within one system. It is also possible to link together bookings, room status, yield management, personnel scheduling and task allocation. Web page-site of Hotel will co-assist in effective connectivity with the external environment at a fraction of cost. Such a system becomes a powerful tool for optimizing service standards because of fluctuation in supply and demand, and hence time and punctuality all can be managed. This also makes it possible to gauge the progress of a service quality improvement system. It
may also facilitate the reward and recognition of outstanding service by individuals and teams. Growing environmental awareness will also affect the development of quality within the hospitality industry. Organizations will increasingly be required to maintain the standard of their environment through planning, construction and the use of technologies. Hotels will increasingly face the challenge of providing luxury service in a way that is perceived as environmentally friendly.

In India the Hotel Industry needs to mature from a relatively lower competitive environment to a fiercely competitive situation. In this context the strategic planning and marketing skills are core competencies, which are going to be the distinguishing determinants for viable business performance of the hotels. Even though the hotels are managed by marketing professionals however there is still a wide gap between the demand and availability of marketing talent. The hospitality industry needs to transcend from reaction mode to proactive marketing mode before it is too late. For hotel industry the process of marketing needs to mark up as an integral part of hotel management and planning, to be able to become critically competitive tool without loss of time, money and energy.

7.5.1 THE MARKETING MODEL

To face the challenges & to have a competitive edge the following marketing strategies is recommended.

7.5.1.a Marketing should be the core and well integrated business
Philosophy of the hotels.

- It should not be a function left to be carried out only by the Marketing department, but should be actually very much customer centric.

- This customer orientation must penetrate the organization at all levels and should be able to transmit excitation to Consumer. Service Orientation and Customer Satisfaction and Delight should be the passion of everyone’s role from the Receptionist to the General Manager.

- Every employee through his/her gestures should convey the message to every customer that he is the most sought after and an esteem guest.
7.5.1.b Every hotel should undertake strategic planning

- Environmental scan and internal analysis of current situation should be done on an annual basis through a SWOT analysis.
- Factors that could be used in the SWOT analysis of the hospitality industry are as under.

7.6 SWOT ANALYSIS

7.6.1 STRENGTHS

- Location (near the market, Corporate Offices, good restaurants nearby, near Airport, Bus stand. Railway station, touching the highways, quiet and serene location).
- Parking place/drivers room.
- Trained multi functional staff. (Resulting into well-guarded Moments of truth).
- Good spacious rooms with modem fittings and good functional Furniture.
- Value added services like Business center, secretarial service, etc. Multi cuisine restaurants. Variety, creativity and freshness in the cuisines.
- Quick and efficient service, Latest communication facilities like internet.
- Integrated communication and Marketing mix, Differentiation creating an opportunity to develop a Unique Selling Proposition (USP).
- Value for money.

7.6.2 WEAKNESS

- Location.
High employee turnover. (Demand for trained employee in other Service industries)

Parking place.

Inconsistency in quality of food and service.

Factors inhibiting expansion.

Management policies. (Inequitable salary, no clear recruitment policy, lack of training, inconsistent policy of sloughing back of profit for renovation, etc.).

Insensitivity to the moment of truths. (As human factor is involved).

Hidden charges.

Exit barriers.

7.6.3 OPPORTUNITIES

Industrial growth. Foreign collaborations attracting visits/stay of foreign professionals have increased.

Boom in the Information Technology Industry (IT), resulting in setting of IT Parks.

Constant flow of Executives and Businessmen. Standard of living improving with double income (both husband and wife earning).

Small houses/flats paucity of space resulting into den-rand for outside open space, parry halls utility catering services. Outside catering.

Percentage of female working has increased, lifestyle improved and dinning and entertaining in hotels/restaurants has become a trend.

Nuclear family culture and small accommodations has induced enhanced dependence on hotels.
Educational center.

Pune-Mumbai Express-way has resulted increase in the transit customers segment.

Constant supply of well-trained staff from the Hotel management and catering colleges.

The potential to develop into a tourist center, Location opportunities for hotels with growth of the city.

Seminars and training programmes on the increase.

7.6.4 Threats

- Competition for disposable income.
- Pune-Mumbai express highway has resulted into saving of traveling time and return of guests on same day.
- Increase in operating costs, Government Policies, High increase in Taxes/licenses.
- Price cutting/fierce competition.
- Increased expectation of the savvy customers.
- Huge reinvestment to prolong the maturity stage.
- Heavy demand for well trained hospitality staff in other service industries.
- Corporate investing in their own centers for training.

7.7 Marketing plan

Hotels should formulate a time bound Annual Marketing Plan with a rolling plan for next few years.
In order to develop a marketing plan, firstly the target sales/income from each profit center should be estimated. For this purpose the hotel should have a well-established Management Information System (MIS). The hotel should also consider the information regarding the latest trends in the market, strategies adopted by the competitors, threats that should be taken care of and the possible opportunities that should not be missed.

Once the yearly estimate is made, the figures should be further broken into monthly, weekly and if possible even daily. This should be done to earn the targeted income by adjusting the Average Room Rate (ARR). Further the income from the other profit centers should be planned so as to earn the target income from each profit center and adjust/maintain the monthly and seasonal changes in the demand. For example during the off season various events like food festivals, more banqueting, corporate training programs etc should be encouraged to be scheduled to compensate for reduced income from due to drop in the occupancy level.

Once the monthly estimated sales for the various profit centers is estimated the plan to achieve these targets should be formulated by the marketing department. The detailed plan of maintaining and getting the estimated business from the regular customer, and developing the new customers, should be marked out. Further the responsibility to be assigned to every Marketing personnel, the target sales to be achieved within time frame and the plan & tactics to be followed to achieve the target sales. The aim of every hotel should be to give what the customer want, where he wants, when he wants, how he wants and value for his money.
7.8 SET THE TOTAL PROMOTION BUDGET AND MIX

Every hotel should determine the promotional mix, and the budget required for the various promotional tools to be utilized to achieve the predetermined objectives for the various profit centers. The budget should be enough to cover all the promotional expenses. Hotels should try to get the maximum from every Rupee spent on promotion by being innovative and cost effective.

Hotels are needed to be responsive to consumer needs on a concurrent basis.

7.9 UNDERTAKE CONTINUOUS MARKETING RESEARCH

In order to be responsive to the changing trends, customer needs and demands and be proactive in providing creativity and variety in its products / services every Hotel should conduct Market research on continuous basis. Also to support the important decisions that the hotel has to take regarding the strategic plan for which it needs comprehensive information, which should be made readily available through well-planned and continuously updated internal information system.

Serve in future. By identifying more clearly the particular needs and requirements of particular groups, the sample hotels will be in a better position to provide the appropriate service and marketing mix to attract and satisfy the target guest’s needs.

While segmenting the customers the hotel management should along with the usual basis of segmentation also consider the occasions for which the guests use their type of Hotel/Restaurant. The customers may visit different types of
hotels and restaurants for different reasons and at different situations. For example. Celebrations refuel, not inclined to cook, family outing etc.

Positioning: The sample hotels should position itself into Luxury Hotels, Business Hotels, Budget Hotels or Family Hotels.

After the sample hotel identifies more objectively attractive segments, it must decide which segments fits best with its business strengths existing and future. Once a hotel has chosen its market segments, it must decide what positions to occupy in those segments.

The management of the hotels should not leave their products/services positions to chance, but must proactively plan and positions the product service that should occupy in the minds of the guests in relation to competing products services.

It is equally important to design marketing mix to create and the desired position. Here the m hotels should understand its unique selling proposition (USP), which may be anything like offering consumer lower price than competitors or providing more benefits that justify incremental price, etc.

Every hotel may not have advantage of an abundance of opportunities for gaining competitive edge. The sample hotels should innovatively identify new potential advantages and introduce them one by one to keep competitors at bay.

The hotels after identifying the various differences or competitive advantages should very carefully decide how many differences to promote and anchor on. They should be able to closely position themselves by proper integration between the planning and operational execution. They need to be very careful to avoid the slippage into a situation, which might gravitate them gradually in either a state of under positioning or over positioning. Finally once having
chosen positioning characteristics and an operational plan, the hotels must communicate their position to targeted customers on a continuous basis.

All of its marketing mix efforts must support its positioning strategy. Thus, if a hotel decides to build service superiority, it should hire service oriented employees, provide continuous training, reward and recognize employees for providing excellent service, and develop sales and advertising messages to broadcast its service excellence.

Brand image: The hotels should proactively establish a strong positive brand image in the minds of the present and prospective customers. And through such brand image creation attract customers by developing a perception of good quality and value for money.

7.10 AMBIENCE, INFRASTRUCTURAL FACILITIES AND AMENITIES.

Physical evidence ambience of a hotel should convey the quality of service to the customers. It should create positive first impression, image and expectation. It should develop a perception of value and positive post purchase feeling. While designing the exterior of the Hotel/Restaurant Marketing aspects as well as convenience should be optimized. It should also clearly project the 'class' or 'category' of the hotel and the impression that it seeks to display.

The infrastructure facility provided by the hotel should suit the class of category it is in and also to the target segment. It Business hotel should have the facilities like business center. Or in case one or two star or budget Hotels, if the exterior is too flashy particular target market may feel it to be very expensive and may fight shy and not feel comfortable in opting for such
Hotels, expecting the rates to be very high. In effect the interior and exterior ambience should be consistent in attracting the right segment.

The layout should be functionally accessible, aesthetically decorated and user friendly and comfortable. While planning the layout and physical evidence, the marketing angle and the requirements of the various functional units must be incorporated. Continuous assessment and identification of physical evidence opportunities should be conducted to find the change in perception and expectation of guests. And modernized keeping in view the need of target segment with a view to extend the maturity stage.

7.11 MAPPING THE PHYSICAL EVIDENCE OF THE HOTEL SERVICE

Should be undertaken to assign the individual responsibility of all-important areas. With the help of modern equipments, a videotape or blueprint of the service evidence should be prepared. Service maps and blue prints should be used to visually capture and display the physical evidence opportunities from marketing angle, role-required to be played by each person and individual responsibility therein. Through the display and understanding of these processes, individuals should be able to closely visualize their training needs; and focus their attention and energy on focal issues.

7.12 Cuisine

Regional cuisines should be added to existing cuisines. Instead of providing a large variety, a hotel can be more focused by serving a specialized menu, become famous for its special menu and try to create a niche market of itself.
7.13 INTERNAL- MARKETING

- Every Hotel irrespective of its size should have a well-conceived Personal Policy. This is essential to control the employee turnover, maintain discipline and sustain motivated and committed workforce.

- Every hotel should build a strong culture so that the employees are well aware of the expected norms that they need to follow.

- While recruiting employees should be recruited through a well laid recruitment and selection process to ensure the incumbent meets the demands of the job/role existing and future in terms of knowledge, skills and behavior. Incumbents with potential to pick up multiple-skills should be encouraged.

- The following traits should be given importance while recruiting: extravert, mild and pleasant manners, empathetic, persuasive communication skills, committed & motivated, high energy level (as the work involves long working hours and heavy work) resilience, team working, adaptable and flexible.

- Steps suggested reducing the employee turnover. The employees should be given good facilities (hygiene factors) like rest rooms, uniforms, food etc. Further they should be motivated by giving them training to perform multifunctional tasks and thereby an opportunity to develop and grow and along with increasing their income; Also important is consistency in recognition and promotions, review of additional responsibilities and release of incentives based on performance.

- Keep all the employees well informed of the various policy decisions especially those affecting them directly. Hold Quality improvement Program (QIP) meetings regularly to elicit their views and involvement. Also encourage
them to come forward with practical suggestions to improve the quality of service and discuss problems to be addressed. Also empower employees through proper training, solve non-routine problems of guests. This shall facilitate them to effectively build their competencies to address issues that may arise and which need to be attended at the spur of the moment for customer delight.

- The process will help them to win customer's faith and delight them, there by converting the transaction into relationship, and also spreading a positive word of mouth.

- In order to have multifunctional workforce continuous training should be given to the employees. For example the chefs/waiters should be well trained in persuasive communication skills, empathy, high service orientation and etiquettes amongst others.

- Invariably guests are in a hurry and do not prefer to approach different people for different information. Hence wherever possible a guest coordinator should be appointed with the responsibility to respond and address to all types of problems proactively without loss of time.

- The Employees should also be trained and empowered to solve the non-routine problems as well. To encourage customer oriented service the employees should be observed for their quality of work. Appraisal and feedback.
Concerned departmental heads should watch for signs of concern or conflict; both tacit, implicit and get the root cause analysis and address the issues in an integrated manner for long-term effectiveness.

The General Manager should hold the meetings of the departmental heads on daily basis to plan and track developments, address operational problems, and extend support and coordinate for enhanced effectiveness.

7.14 Future area of Research

Six Sigma process is to be implemented in all areas like operations and logistics management. After 26/11 attack, security is one of the major concerns for all and hence applying Six Sigma will definitely do wonder in this area.

A study can be carried out for introduction of Six sigma as a separate specialization in Management education.

Can be implemented for proper functioning of Exam related work in the universities so as to achieve perfection in Paper setting, printing, Evaluation and result declaration.

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