



# ***VISIONS*** of Hospitality and Tourism Business

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# ***1. INTRODUCTION***

**Dear Reader,  
Tomorrow's Hospitality Professional**

The opus before you has come into existence out of passion for the field, passion for hospitality business, and a passion for creating true experiences and products; out of a desire to identify tomorrow's challenges and to tackle them. This publication is born out of the willingness to understand customers of today and tomorrow and out of the desire to build personal service experiences for them to enjoy.

The Haaga unit of Haaga-Helia University of Applied Sciences and its predecessors, all known for the name starting with 'Haaga', have served the hospitality industry in Finland and internationally since 1969 by educating professionals, managers, experts, and entrepreneurs of the field. We have had great success in this task, but the work continues.

This publication helps the reader understand some of the foundations of our field: how has the operational environment of the industry become what it is today, what lies ahead, and which trends, signals, and factors of change in customer behaviour affect the future of the field. In addition, the articles in this book widely discuss the most important stakeholders of the industry; namely the customers, who ultimately pays for everything and whose desires and needs the whole industry tries to fulfil.

As a leading business management school in the hospitality sector, the book also discusses management, leadership, change management, and revenue management, i.e. profitability. Which are the factors that create profitability in the field that seems rather turbulent in the contemporary age?

The last chapters of the book deal with managers' work and required competences; what a good manager needs to know and master, what they have to share with the team, and how to successfully manage a business and build profitability through people.

This book is a collection of expert articles. We are proud of the fact that all authors of this publication also belong to our staff. I sincerely hope all readers enjoy these stories; learn something new and build your career in the greatest field of all – the hospitality industry.

Haaga, November 2014

Ari Björkqvist  
Dean



Sari Kortelampi, V.A. Heikkinen and Pauli Verhelä

# Basic Concepts of the Tourism, Hotel and Catering Industries

The companies and places of business in the tourism, hotel, catering and experience industries can be classified in various ways. The experts use concepts in layered ways, interchangeably and in different contexts. A part of the overlap and confusion is related to the descriptive nature of the Finnish language. For example, the English word *industry* can be translated into Finnish as both *line of business* and *manufacture*. Consequently, the term *tourism Industry* translates into both *tourism manufacture* and *tourism line of business*.

The *manufacture* concept creates an impression of services production in a manufacturing sense, inclusive of both process and a large-scale nature. The *line of business* concept, on the other hand, creates an impression of an entire whole, complete with both small and large companies.

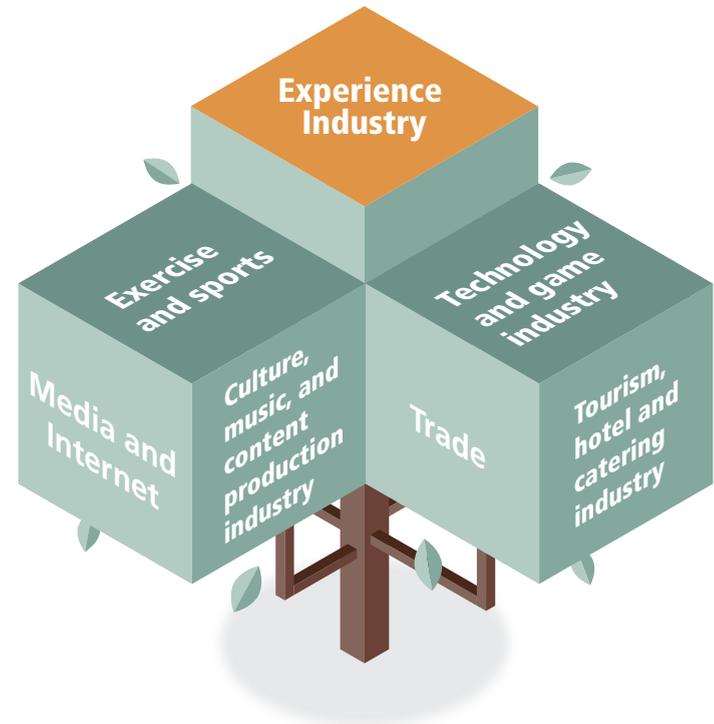


Figure 1. Experience Industry.

The concept of hospitality is derived from the latin word *hostis*, which originally meant power. The *host* refers to the *lord of strangers*. The latin word for hospitality, *hostire*, stands for both equality and compensation, meaning that the host is equal to the guests but has the right to receive compensation for the services offered. According to legend, hospitality enjoyed the protection of Zeus.

Hospitality refers to the receiving of guests by the host (male or female), whom he or she receives with helpfulness and friendliness. Hospitality also possibly includes greetings, banqueting and providing a shelter for the night.



Figure 2. Tourism Business Environment.



***2. THE FUTURE  
IS TOMORROW***

*This introductory chapter introduces the readers to the change that is taking place in the operational environments of the tourism, hotel, catering and experience industries. Change, new services and consumption trends are described in five essays.*

*Currently, the international competition for the experience and health seeking consumer is intensifying. Companies are fighting to stay updated with rapidly developing technology. The consumer appreciates quality core products, such as good and nutritious food, clean hotel rooms, personable and functioning congress and lounge spaces. Increasingly, customers are digital consumers, whose decisions on services are more and more Internet-based.*

*The essays demonstrate that companies must make their services production more efficient, increase customer experience, enhance their space design, and make use of services technology.*

Pasi Tuominen

# *Spotting Weak Signals and Future Trends from the Environment*

New technology, new services and new consumer trends are continuously emerging. In many industries companies have also had to witness the decline of their market shares and even the destruction of entire business models. This is by no means a new phenomenon.

The industrial revolution caused the replacement of millions of weavers with mechanical looms, while horse power was replaced by steam engines. Steam engines made manual labour unnecessary in many cases.

Industries are finding themselves in distressed situations in recent years include, among others, photography (which was largely unprepared for the arrival of the digital camera) and print media (where, for example, encyclopaedia publishers lost their operational preconditions almost entirely due to services like the Internet and Wikipedia).

To recognise threats, secure better service and ensure competitive advantage, companies must look for and identify weak signals in their environment. Day & Schoemaker (2005) use two breweries as an example to illustrate the importance of identifying weak signals.

The first company, Anheuser-Busch, realised at a very early stage the importance of a healthy life style to a small but vocal consumer group. As a result of Anheuser-Busch's swift reaction, a low-calorie beer was introduced to the market. It quickly seized a seven per cent market share of the light beer market in the United States.

Coors, the long-term and biggest competitor of Anheuser-Busch was not as aware of (or interested in) the trend of healthy lifestyle, and did not understand the potential of the phenomenon in its own product market. It took two years before Coors managed to

launch its own light beer, the market share of which remained under one per cent.

## Information Overload

Alongside traditional customer, personnel and stakeholder studies, for several years there has been an enormous amount of information available, generated by stakeholders on the Internet, about products of different companies, competitive environments and customers.

Of course, companies have always received feedback on their products and services, but the problem has often been the fragmentation of the information, difficulty of interpretation and definition of relevance.

This is why companies are frantically investigating new ways to search for and identify useful information from the abundance of written feedback and online references. The interviews with 77 international hotel and travel managers emphasised the following wishes for a future customer hearing system:

- accurate, reliable and real-time information to support decision-making.
- a comprehensive view of the discussions and customer feedback
- an user interface that enables rapid action and error correction and sharing of information
- product and service specific information is automatically channelled to product and service managers (Tuominen, 2012).



Figure 1. Objectives of stakeholder listening from the management perspective.

- real-time information of the impact on competitors' operation on the company's own markets

## Challenges of Business Development

The strategic business development and, naturally, the future marketing, as well, will focus more on delivering targeted and tailored solutions to the customer, rather than continuing with the strategies of mass marketing and (mass) service production.

Companies aim to engage the Internet consumers just like other stakeholders – with the aim to deepen the emotional connection between the brand and its supporters. The ability to convert the information obtained from the analyses into results that improve the business means even more in the future, when companies aim to improve the return on investment and adapt marketing to the objectives of the core business. The most important tasks and responsibility areas of a future marketing director are:

- to follow up and evaluate online discussions in real time
- to facilitate the commitment of the customer and the

creation of an emotional brand relationship in different environments

- to analyse the nuances and meanings of discussions in stakeholder groups
- to analyse the actions of the competition and the nuances and importance of the related discussion
- to support the strategic decision making of the company with the results of a stakeholder analysis
- to use feedback, (customer) data and consumer trends in the development of marketing

## Online Monitoring and Context Analysis

Online peer communication offers unprecedented opportunities for collecting consumer data. Combining traditional information retrieval systems with new solutions and collection of spontaneous opinions and feelings create real value for the development of operations, marketing or service.

Companies moving from traditional, linear marketing to a digital model, which seeks to guide the participation of consumers and their interaction with other consumers



and companies acts as a catalyst for changes. We have moved on from the experimental phase of social media and companies have begun to investigate how to achieve greater value and competitiveness enhancing information from the multidimensional and at times chaotic field of social media. The next step is to modify the available information into a format that improves business and into value adding activities generating brand awareness, reputation and market share.

Kozinets wrote already in 2002 about the potential of netnographic research (that is, ethnographic research conducted in online environment). Within ten years enormous development has taken place both in the amount of available information and in the analysis tools. Monitoring systems used by several major companies already connect seamlessly several information sources and offer real time information and value for the development of business. So far, the majority of the services only simply convert words into numbers offering a very light quantitative analysis and reports without any deeper syntactic analysis or assessment of significance.

Challenges of today's systems also include combining several languages and identifying industry-related expressions and special characteristics of the language used. The results of the analyses are indeed often very shallow and their actual utilisation in the development of business is challenging. At worst, the results of the quantitative analysis of current systems may even be erroneous, when a sentence structure or context cannot be taken into account in the analysis.

## Future Vision

Monitoring, evaluation and analysis – that is, digital market research – of the media, blogs, reviews, discussion forums and electronic bulletin boards created by consumers is of the utmost importance for future business and its development. An optimal solution for the future would help companies understand digital influencers and provide marketing, research, and marketing communication professionals with an opportunity to analyse the trends and the atmosphere emerging in consumer discussions to obtain immediate market information that leads to actions.

In addition, the future solution would provide a valuable understanding of what the current and potential future customers, competitors and workers discuss – and which themes have a significant impact on the products, reputation, employer image and sales of the company.

Increased awareness of the business environment would bring additional opportunities for the prioritisation of future activities by organising and analysing several spontaneous stakeholder feedbacks and evaluations. Such a system would produce a real time image of the future from single, small and weak signals independent of each other and measure how the company and its services are perceived in both the virtual world and in the real life of the stakeholders.

In the future, the ability to recognise the attitudes and opinions of stakeholders quickly, efficiently and accurately will be critical for the reputation of the company. It will be of the utmost importance that a company can follow up on the situation and react to problems related to products or services in real time (at the same time gaining more extensive and more in-depth knowledge of how its own services are perceived in

relation to competitors' services). It is also expected that a better ability to identify a customer's perception of the company, its brands and new trends will produce a significant competitive advantage.

A future system should collect information widely and analyse information based on a predefined variable, but also identify all possible discussion topics and individual feedback. In addition, defining numerous different variables for it is important. These should range from feelings to meanings. The system should also be able to share the analysed information optimally with the relevant people – so that for example, a restaurant manager sees the discussions concerning his own service, while a regional manager or managing director would receive longer-term trend analyses to support strategic decision-making.

An easy to utilise future solution would promote the management of custom reports in a natural way, and enable the creation of a comprehensive view of what customers are talking about and what has been discussed in different channels (or in some single channel). This way ongoing development trends could be reported and projections offered for the future.

Finally, it can be stated that with the help of the stakeholder dialogue's analysis tool, the company would be able to detect and collect authentic, detailed customer wishes, which affect the design of future products and services. Thus, they would also facilitate the company's reputation management in the increasingly fierce competition.

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Teemu Kokko

# *Thoughts about Future Service Models*

Service development is undergoing a major transition. Decades of personal customer service appreciation has reached its' culmination point. In many cases, online- or automatic services are even considered better than personal service. Also, profitability challenges drive companies to seek digital solutions.

## **The Aim for Efficiency as a Change Factor**

Efficiency and time saving have become today's keywords and undoubtedly, there are many reasons for this. In past decades keywords were, for example, friendliness and customer-focused attitude. It can be claimed that the significance of emotionality has diminished while rationality, functionality and efficiency are valued more and more.

Naturally, such development has not only been positive. Increased efficiency has brought factory-like qualities and process-likedness to many services. The user is most likely to have their best experiences when they are surprised by efficiency, rather than when they receive cultivated and professional customer service that is personal. Many are afraid that personal customer service is being displaced by service technology and that our society is becoming a playground for technological performance.

## **Towards Self-service Technology**

The fact that there is a constant flow of customers at airports because they are virtually open 24/7 has contributed to the strong rise of self-service technologies. Customers are already accustomed to using

self-service technologies. In the international context, airport customers represent a customer segment that is perhaps educated a bit above the average customer. Airports are also perceived as relatively modern forums, which is why the introduction of novelties has been painless.

Airline traffic as a business has also gone through immense change. As a result, exclusive services available earlier only for the selected few, have now become a bulk product for all. Due to the nature of airport operations, their services especially emphasize efficiency, reliability, ease of use, possibility to function without language skills, safety and personal identification.

In practice, service systems are often closed and, for example, do not need the Internet to function. Airport technology is also characterised by a global development and a relatively rapid adoption of innovations. Airports represent a certain type of multinational area where national characteristics and attributes have been faded out to almost a non-existence. Based on external factors, a customer may not be able to determine which country a certain airport they are at, is located in.



International development at shopping malls has also been heading in the same direction. This development can't be merely seen as positive and a counterforce is beginning to have market demand.

The rapid rise of labor prices in the Western countries is one reason for the change in service development described above. The staggering decline in the number of service employees in the past two decades can't

solely be explained by the evolution of technology. During this transformation process, we, the consumers, have become accustomed to new solutions. Also, the consumer approach to the use of different services has even more clearly been a personal needs-based approach.

Furthermore, we are used to acting “here and now” – regardless of whether the service in question is related to our work or personal life. The world has become a 24/7 system, and the quality of most services is explicitly evaluated based on their relation to the time and time saving. Time management has bypassed quality management. Automation and technology have long been seen as additional elements that support the service processes. This supporting role is now changing into a strong leading role.

## The Significance of Personal Touch

If the above seems like a sad and kind of involuntary drift towards boring and callous performance, some

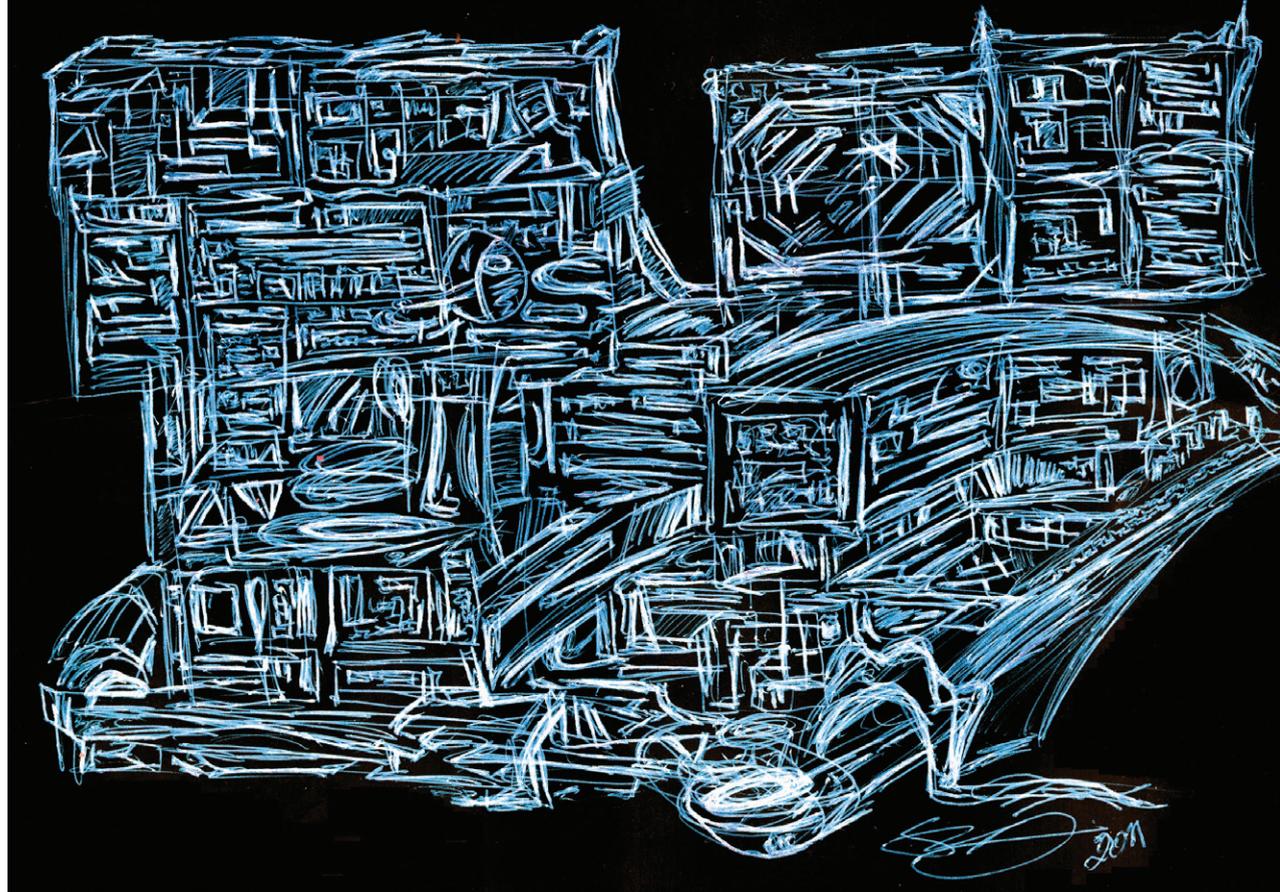
consolation may be found in the fact that people still value human contact. It only costs more, and is as if humaneness were reserved for certain selected service situations. The personal approach is thus becoming a strong and real competitive advantage, and in the future, we are going to see numerous service packages built around personal touch. These services will be more expensive than the normal everyday services and therefore, only a selected few will be able to enjoy them – or at least reserve them for certain special moments in life. A paradox in the world is: what is exclusive in industrialised and developed countries, there is less oversupply of in the less-developed countries.

It is important to keep in mind that self-service and automation are not opposites to personal service. They only represent a different option. Thus, how to create a personal touch to the technology-based self-services is a big challenge. We have another kind of paradox in our hands, as technology-based services can be made more personal specifically by the use of technology. It is possible to combine personal touch and new technology, and we are only taking the first tentative steps in

the early phases of this new courtship. Strong technology competency is becoming the quality criterion for a qualified service employee – some might even call it fast fingers!

## Only Customer Experience Matters

However, from the customer's point of view, nothing has changed. He or she wants value for their money, functionality and solutions. If he or she experiences friendliness and personal service, in addition to these, his or her satisfaction is guaranteed. Therefore, the future challenge is: how to add personal touch and humaneness to technological solutions.



It is often forgotten that the number of man-years required for the service processes has not changed much. The issue is largely about transferring the work site. Before, the work was carried out at the customer

interface. Today, an equal amount of work is used in process development and technological applications. However, this current work is background work that is less visible in nature. Thus, the customers are not able to fully estimate its amount.

The change and development of service models is real. However, we must not fail to present the new applications to customers in detail. When the technology is ready, only half of the work is done. In the end, it is only the customer experience that really matters.

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Pasi Tuominen

## *Seamless Cooperation with the Aid of Knowledge and Technology – A peek into the Future Airport Experience*

What if the airport service provider knew in advance that several flights will be delayed and that there are 300 Chinese passengers on the plane en route to New York (whose already long travel day would be stretched for yet another few hours)?

What if information already available in different databases could be merged and quickly forwarded – so that, for example, a restaurateur could keep the restaurant open for one hour longer?

Could the information system convey the information (on the number of customers arriving at the airport and their nationality) to the restaurants, so that a restaurant could perhaps try to customise its menu to serve the customer better? Could the information system also inform the organiser of the ground transport about the need for additional capacity? Perhaps the hotels

operating in the area could instantly receive information about passengers staying in the country and about the need for additional accommodation?

In order to enable a better service experience, all of this would require a harmonisation of the already existing data and various stakeholders access to critical customer data. This issue is of primary importance to the airport service provider, because the airport experience is holistic. Service encounter failures that are not even dependent on one's own operations can be also detrimental to one's brand. (King, M. 2012.)

### **New Era of Airport Experience**

Only few things bring as much pleasure as setting off for vacation, preparing for the trip and, finally, the departure

day itself. Along with the mass tourism we have, however, drifted into a situation where we grow impatient in the security checkpoint line, look for our lost luggage and second-guess the changed departure gate for our delayed flight, but not daring to sit down at a restaurant to enjoy the wait.

It is very likely that these challenges could already be solved with today's technological solutions – not to mention ones of the future. However, this article does not focus only on the problems but, based on expert interviews, analyses future opportunities to combine technology and customer communications, develop new innovations, and improve the airport experience.

In recent years, the information exchange between the customers and companies has developed considerably faster in the retail and entertainment industry than in the travel sector. In addition, the entertainment industry, in particular, has offered their customers excellent opportunities for the exchange of information between customers. For example, [www.seatguru.com](http://www.seatguru.com), and several other travel related services, have already for many years, been offering other passengers' reviews of the best seats on different routes and airlines.

It is expected that this type of cooperation will shape the travel-related operating models during the next decade and beyond. It creates numerous opportunities to improve the airport experience and, for example, reduce travel-related stress (tips to avoid traffic jams, baggage regulations, etc.).

New public services and information sharing offer more opportunities for both the airlines and the airport service providers. By shifting one's own operations away from the transaction-oriented model towards continuous dialogue, service providers can enable longer-term and more valuable, and above all, more profitable customer relationships.

The image of the future presented in this article was created based on the interviews with experts. The text is a combination of opinions and anticipated technology development trends.

The travel industry is constantly striving to develop its services. The goal is to create a uniform and continuous positive customer experience. Whether it be business or holiday travel, people look forward to the trip almost as much as they do the destination.

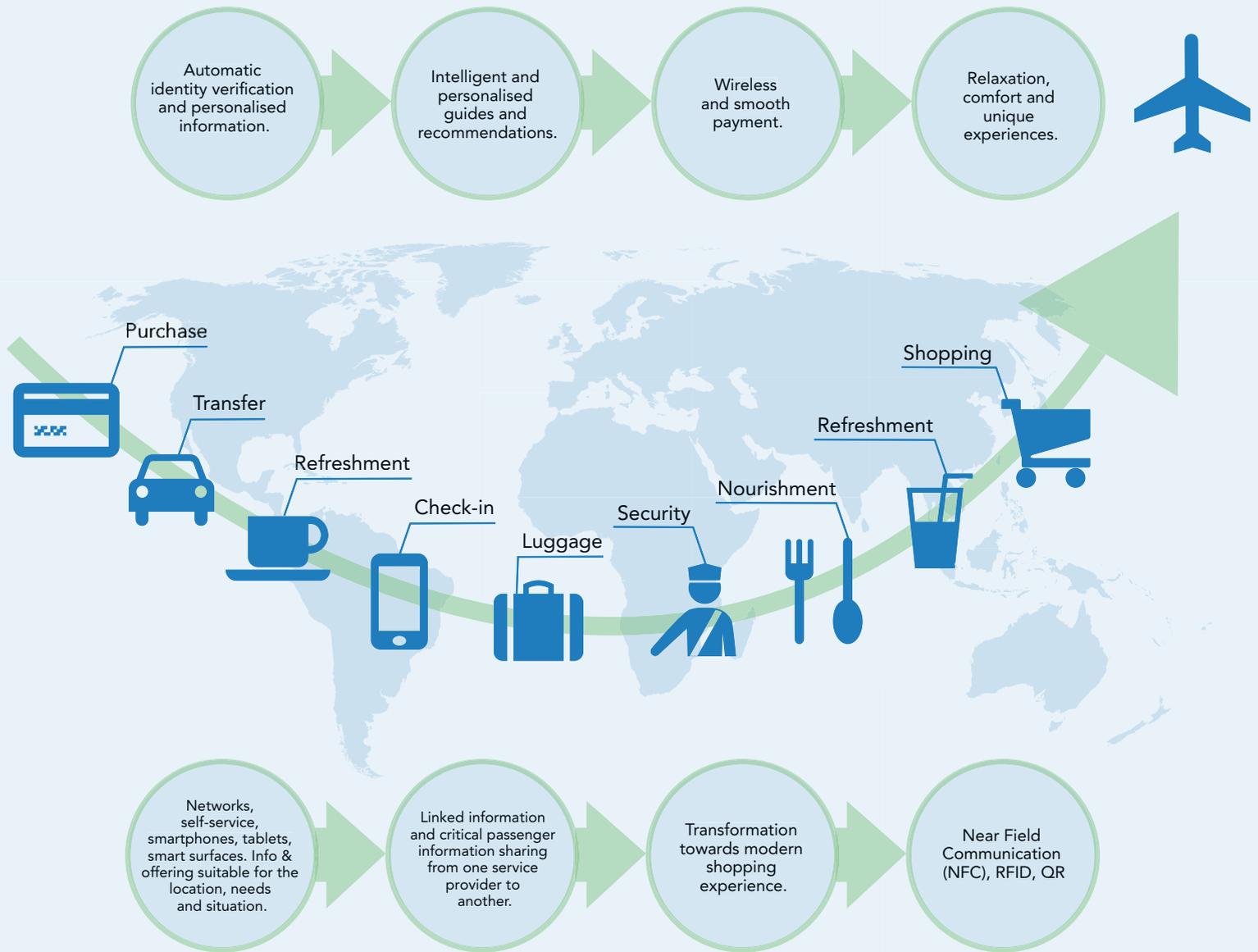


Figure 1. Future airport technology meets customer expectations.

For the airlines and also for the airport service providers, a bad airport experience has significant impact on how their brands are perceived. Travelers do not consider the airport experience as a separate function, but as part of the service and transaction package.

For the various airport operators, the lack of passenger data and non-existent airlines' customer data integration may lead to a loss of income and a lower productivity. Customer data and its optimal utilisation are at the core of the airport experience. The production of individual services and experiences is based on combining the existing (decentralised) information, internal distribution and utilisation of information and effective communication. This requires that the common goal of the airline, airport and service providers is to offer passenger data to all the parties of the customer value chain.

The studies of air travelers clearly highlight elements that make the traveling challenging or unpleasant. Three main areas are emphasized in the passengers'

claims: service disruptions, queuing at the check-in service desk, loss of luggage, and its handling.

Airport service providers can improve the service experience and focus on eliminating the above-mentioned trigger points, by introducing new communication technologies and internal data transmission systems. Airports, airport service providers and airlines are challenged to update operating systems in order to eliminate unnecessary manual phases and, at the same time, merge the existing information to better control the entire travel experience.

A number of factors enables the change. Significant improvements should be made to the infrastructure to facilitate this change. Infrastructure changes are needed to enable the seamless transfer of customer data from one service provider to another and to be able to use it. In addition to updating the technical infrastructure, the airport service providers must change their processes and even business models.

## What Will Come after 4G?

The proliferation of smartphones has revolutionised acquisition and transmission of data, but the real key to a revolution is, after all, the introduction of 4G networks. Forecasts vary, but it is likely that by 2020 a significant proportion of the population will use 4G LTE technology and the rest mostly 3G multi-touch devices.

The definitions of 4G slightly vary, but overall 4G provides faster data transmission, more safety and better multimedia support. In practice, future development means that travelers will have Internet connection and image playback features on the cell phone as fast as they already have today on their desktop computers with broadband Internet connection.

The functions that are now often slow to run on mobile Internet will be considerably faster and easier to implement. Furthermore, many new tools will be available to the travelers. Once a sufficient, critical mass of 4G users is reached, the possibilities to provide recommendations and offer additional services based on the location and movement of phones equipped with NFC chip (*Near Field Communication*) will improve.

The trend towards independent travel will continue, freeing resources from the routine performance to the real service encounters. NFC or other similar technology is used to check in, pay and receive individual offers and guidance. When NFC chips will become more common, the interaction between all the passengers and the airport could initiate a series of additional services and benefits.

Airports can install NFC readers throughout the entire terminal area and thus identify the movements of a traveler. In this way the traveler can be offered an opportunity for automatic login, departure gate guides, reminders and recommendations (possible activities at the airport in the time available). For example, railroad companies have already adopted NFC features to simplify and improve the travel process, and an air traveler expects the same experience at the airport. In the future, NFC can be linked to the location-based social media services, such as Swarm (existing alongside Foursquare), which enables automatic login to favourite locations and generates the recommendation database available to other travelers.

Product and service providers must be able to tailor both their offerings and communication to suit a particular type of passenger, encouraging him or her to spend more time in the airport shops and restaurants. It should be possible to filter individual passenger information to be able to modify the communication according to the recipient's preferences and the current situation.

A business traveler should be treated differently when leaving on a business trip rather than on a family vacation. In all sectors, the ability to collect personal data is a challenge. This is crucial and it sets challenges for the integrating of the airlines CRM systems and further information distribution. The ability to gather and use passenger data and, for example, to understand where the traveler is located, is an imperative point.

For example, a reminder of the remaining time conveyed directly to a smartphone to ensure timely arrival to the gate, and recommendations given on the basis of the time reserved for transfer and the remaining time would enable completely new service encounters and – most importantly – would reduce flight delays. Comprehensive customer data could allow all service providers



to improve their customer service and provide targeted services and products using the customer data.

A better-informed traveler is at the core of this technological development. We have already moved into the era of ubiquitous computing and ubiquitous connectivity where time, location or technical device should not play a significant role in terms of the availability of information. A traveller with constant online connection requires up-to-date and personalised information adapted to the location and current situation transmitted to a device of his or her choice. Continuous

dialogue allows airport service providers to create a personalised and enriched airport experience without queuing, service disruption or luggage search. (Tuominen, P. & Heikkinen, V.A., 2014).

When augmented reality and mixed reality services become more common, a passenger's background information can be used to enhance navigation, personal offer targeting or experience enhancement. The social media offers a traveler an instant opportunity to comment on the customer service, and service providers can use social media to measure their service quality and to obtain valuable customer data.

## Summary

The passenger experience provided by the airport has improved significantly over the last few years, but the change is just beginning. The new technological development trends and the growing information thirst of travelers will make the elimination of concerns related to airport operations possible, along with the enrichment of the future service experience.

In the future, travelers will have even better opportunities to acquire information and extend the experiences to social media services. Due to this development, all faults in service situations have a great significance, but also offer new opportunities to the service providers. Technical solutions and the seamless sharing of customer data will render to future travelers an airport experience that is as stress-free and enjoyable as possible.

The future opens up the opportunity for service providers to tailor their offerings for every passengers precise schedules and needs. Future development impacts, among other things, the intelligent recommendations fed from the networks. The development of future airport experience requires the following principles and starting points:

- **Use of Customer Data**

Passengers will have more information available. Similarly, service providers must be able to offer the right amount of the right information at the right time. Communication based on the customer data manage-

ment should not stem from the need to increase sales, but should originate from the enrichment of customer service and experience.

Following the model of Amazon.com online shopping, the customer discloses his or her own information a little bit at a time, and when the service provider succeeds in meeting (and exceeding) the expectations, the customer will tell more about him/herself.

When this stage is reached, the service provider is able to automatically tailor the message to each customer. (Tuominen, 2013e).

### • Cooperation

Service providers need to change their concept of thinking from a transaction-based short selling model to long-term customer profitability. In the airport environment, this means closer cooperation with other service providers. During the entire customer relationship, all parties are likely to benefit more from the cooperation when the traveller receives a consistent and pleasant airport experience.

### • Social Communication

In the future, when people are networked even better, added value can be generated by helping a customer to find new perspectives and new experiences from old places. Service providers can facilitate the interaction and transmission of information between different travelers. This means stepping in the shoes of a facilitator instead of a manager. Let the product or service develop amongst consumers – without having to offer a complete generic package deal.

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Andy Bull

# *Food Services of Tomorrow*

## *– a View from SSP The Food Travel Experts*

*With operations in airports and railway stations spanning 30 countries, SSP delivers food and drink to millions of travelers every day. Understanding food in a travel environment is a complex and key challenge that SSP is dedicated to through a worldwide programme of research and measurement to deliver the status of 'Food Travel Experts'.*

*Below is our view of some of the things we think are important trends and challenges that are already affecting traveler's relationship with food and drink in airports and railway stations.*

## **What Will Travel be Like in the Near Future?**

In many regards the world will be a very different place by 2025. World population growth will continue, driven significantly by countries like India and China, leading to around some 8 billion people by 2025. According to the World Resources Institute, population growth will reach 9–10 billion by the end of the century.

And with nearly 37 % of the world's commercial aircraft based in the Asia Pacific region by 2030, these same countries' thirst for air and rail travel will also help propel an anticipated growth in global travel.

It's fairly safe to assume that due to the social nature of eating and drinking, what, where and how we eat it will not change fundamentally over this fairly short time

horizon. It's unlikely that we'll be eating coloured paste from a tube!

Having said that, new food trends will continue to emerge with increasing rapidity as a consequence of increasing foreign travel. We might still see some surprising developments. Some futurologists, like Dr. Morgaine Gaye, predict that insect protein, for example, will become farmed on an industrial scale as a source of cheap, low fat protein to meet help feed world population growth. The real question is how will it be used? As a raw ingredient or as a menu item – for that we'll have to wait and see.

## What does SSP Foresee for the Future of Food Travel?

Alongside the global socio-demographic changes that will impact the supply and demand of air and rail travel, SSP has identified a number of key trends due to its on-going global research and measurement programmes that are impacting the food and drink experience that travelers want.



There are 4 Meta Insights that underpin traveler's needs and wants from their food-travel experience: Each insight relates to a universal truth about travellers' typical food travel needs and wants.

Like most existential needs, food and beverage is prioritised by travelers. Stress is typically experienced throughout travel – much of it arising from the lack of control travelers feel they have over their journey, often associated with insufficient access to information.

Physical space and environments play a crucial role in creating sanctuaries or diversions as a means of dealing with travel situations. Communication becomes even more important in unfamiliar places and situations where the primary purpose is not to miss the flight.

It therefore follows that the way these 4 Meta Insights are addressed by Food and Drink operators will have a significant impact on traveler behaviours. Compared to digital technology, for example, it's unsurprising to find that these insights have changed very little in their importance since they were first identified by SSP in 2007.

However, like the sometimes misleading appearance of a calm sea, there are strong undercurrents exacting powerful influences beneath the surface that are

## Meta Insights:



### 1. Food & beverage in transit is a growing priority

More consumers have more time and more drivers to buy, and F&B is a bigger priority than anything else in the airport.



### 2. Journey Information

Is a key driver of consumer behaviour within travel hubs behaviour, and one that has a real impact on our business.



### 3. Space & environment, not just grab & go

The physical & emotional environment is as important as the food we serve.



### 4. Give the right signals

Purchasing is dependant upon enabling the consumer make their choices by giving them the right signals.

indeed changing the way that travelers are engaging with the travel environment and the way they buy food and drink.

# Factors Influencing the Food-travel experience

Recent research by SSP has revealed 4 major shifts that are influencing the food-travel experience:

<p>1. <b>Disintermediation and digital technology</b> – the control returns to the traveler</p>	<p>2. <b>The changing nature of time</b> – quality time is precious</p>
<p>3. <b>People engagement</b> – the antidote to the virtual world</p>	<p>4. <b>Preparedness to pay for matching expectations</b> – value for time and money</p>

## 1. Disintermediation and Digital Technology

Mobile computing power and miniaturisation has produced smart phones and tablet computers that

have become ubiquitous – in the UK alone, 50 % of the population now owns a smart phone.

Similarly, wifi connectivity is now widespread in travel locations but varies hugely in the way it's delivered; some give it free, some do not; some require complicated log-in while elsewhere it's click and go. Already it is increasingly expected to be both free and as powerful as the superfast connectivity available in our home and office.

From the advertising push of broadcast messages, businesses and brand owners find themselves increasingly in a world of communities where like-minded members share needs, ideas and interests. It is this raison d'être that draws people together, where discussion and peer review reigns and advertising is rejected in favor of dialogue. In this space being relevant is absolutely essential to earning consumers' trust, share of time and attention. So it is increasingly true for travelers at airports and railway stations.

For SSP this means developing engagement strategies that are relevant and beneficial to travelers during every phase of their journey – as they plan beforehand through to their food and drink experience in the airport itself. For example, the specific social media

campaigns by Caffè Ritazza – SSP’s international coffee shop brand – that link seamlessly to in-store communication and execution, through to simply communicating where to go to find the kind of food and drink experience to meet specific traveler needs – e.g. the Food Market in Copenhagen airport, whose wholesome, fresh food can be scanned by customers to reveal nutrition and provenance information. In the future, this will be both expected and common place.

### **Placing Control Back in the Hands of Passengers**

Nowadays, you can book your flight, choose your seat, select your in-flight meal, check-in, download your boarding pass and even follow the whereabouts of the aircraft you will later fly on. Where these were once the monopoly of third parties such as travel agents and the airport operator – they are now increasingly available online from your smart device.

The quality of airports and railway station public areas have improved significantly, indeed, so much so that 63 % of air travelers now expect high quality environments – a trend that will only increase in the future.

Now, as mobile devices increasingly lead to the disintermediation of these travel activities, travelers can carry out all the practical activities mentioned above, leaving them more time to do whatever they want – whether it is working resting, socialising or eating and drinking.

## **2. The Changing Nature of Time – Quality Time is Precious**

There is an increasing blurring of the traditional boundaries of work and leisure and an increasing demand to be able to combine both.

Many internet users see air travel as a multi-tasking opportunity – 49 % of internet users claim that they can get a lot of other things done at the same time compared to just 27 % of non-users.

### 3. People Engagement – The Antidote to the Virtual World

SSP's research shows that the top 3 drivers of travelers' Overall Satisfaction *and* Value for Money when buying food and drink in a travel location are

- friendly greeting
- engagement in conversation
- smile / eye contact

People who valued knowledgeable staff in food and drink outlets, spent over 20 % more.

When it is done right, making suggestions and recommendations about what to buy to eat is positively welcomed by customers. This leads on average to a higher spend of around 19 % per transaction.

### 4. Preparedness to Pay for Matching Expectations

A key finding during the turbulent times since the financial crisis in 2008 is that 70 % of travelers are more aware of 'price' than they were before.

However, 28 % will pay more to get better service ... and they spend 50 % more when they do. Nevertheless, value for money (and time) is still very important – some 56 % like to be offered a meal deal, and as we saw earlier, travelers' expectations are increasing: for example 42 % find airport food and drink to be worse versus the high street.

### So How Might a Typical SSP Cafe Look in the Future?

Obviously no one can absolutely predict the future but we can monitor how things are changing and make educated forecasts. Knowing what we know now – here is how SSP is catering for the traveler of the future:

Everything will be geared to maximize the service experience of every customer.

Service areas will be zoned according to dwell time - there will be fast counter service for those with no time to spare and Individual spaces for people to connect to the internet.

Larger, ergonomically designed tables, cantilevered to maximize leg space for those who have time to spare to work, eat, check their travel itinerary or research their next destination.

In the future, the traveler will always be offered easy wireless access, convenience to hang their coat and safely store their bag. In other words, everything at their finger tips.

## Where Service can be Personalised to the Individual Customer

As the rapid advances in Technology accelerate further, food service suppliers will be able to deliver personalisation on a mass scale – i.e. identify and match food travel offerings to each individual traveler's unique set of tastes and preferences.

SSP foresees that in the near future, a wide range of data from your visit frequency to individual food and drink brands in a particular airport, to how you rated previous experiences, your taste preferences and even



your food allergies will all be available to your server – either from your last visit or from pre-registration – captured from the growing number of social mobile touch points.

Loyalty schemes will evolve from simply allowing travellers to be rewarded for what they spend to seamlessly integrating all of the above so that travelers are recognised and treated individually across SSP operated food and drink brands worldwide.

Recent Past:	Airport of the Future:
<ul style="list-style-type: none"> <li>• Box in a Field</li> <li>• B2B &amp; Input/Output</li> <li>• Logistics &amp; Logic</li> <li>• Engines &amp; Engineering</li> <li>• Facilities</li> <li>• Ticketing</li> <li>• Catering</li> <li>• Toilets</li> </ul>	<ul style="list-style-type: none"> <li>• Community of Commerce</li> <li>• B2C &amp; Feedback Loops</li> <li>• Segmentation</li> <li>• Choice</li> <li>• Service Delivery</li> <li>• Moving Standards</li> <li>• Emotion</li> </ul>

Table 1. Changes in services and business environment. Comparing the recent past and the airport of the future.

## In Conclusion

At SSP we believe that by embracing all that has been described above, and in close cooperation with airport operators, food service will continue to evolve into a truly integrated food travel experience of unparalleled engagement, choice and quality, helping every traveler realise their own, personal idea of the perfect journey.

### SSP Finland –The Food Travel Experts

*The name ‘SSP’ stands for Select Service Partner. It was born of Scandinavian Air Service’s in-flight catering business several decades ago but has a food and drink heritage that can be traced back to the UK and the Traveler’s Fare rail catering business some 60 years ago.*

V.A. Heikkinen

## *How's the Scene?*

In this article, the development of the Finnish operational environments of the service, tourism, hotel, catering and experience industries, in other words, the “scene”, is analysed and anticipated within the time frame of now and the year 2015. This is done from the perspective of the changes taking place in both the business sector and work life. Especially the field of tourism is in the focus.

As my starting point is the notion that the Finnish tourism and catering field (from now on referred to as the hospitality industry or field) is a crystal ball with multiple reflections because our future phenomena are global and local in nature, in other words, glocal. The waves of the global economy, the purchasing power of the consumer, and the local operational culture all influence our market and consequently the educational field of HAAGA-HELIA University of Applied Sciences.

My second point of departure is that the regions in Finland and their small and medium-sized companies, creative actors and third sector trade and culture production environments are heavily guided by the economy, consumer purchasing power and choice in addition to commercial magnets such as shopping and sports centres.

In my presentation I apply the forecasting models of Aaltonen (2007; 2004; 2003), Heikkinen (2012; 2013; 2014) and Snowden (2002) and describe eco-visionary phenomena of the hospitality field through both predictable and identifiable phenomena as well as unpredictable phenomena.

The presentation is based on over one hundred future-focused presentations, experience and food industry strategies, tourism scenarios of Lapland, the Baltic and

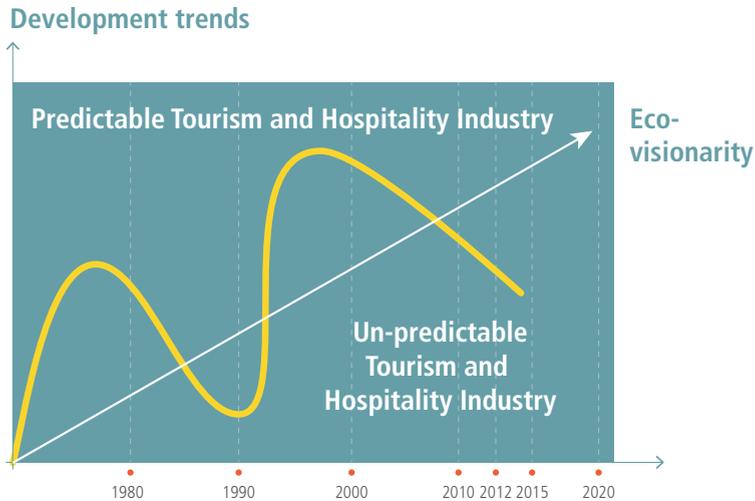


Figure 1. The Predictable and Unpredictable Hospitality Field.

the Barents region in addition to numerous study trips, expert discussions and document analyses (Heikkinen 2004–2014).

## The Predictable and Identifiable Operational Environment

Numerous slowly changing and predictable factors as well as dynamic and unpredictable phenomena shape

the development of the service and especially of the hospitality industry. All of the change factors influence the prerequisites for business and markets of the various company players. The most important and predictable of the trends are, for example, recession, globalisation, technological advancement and the polarization and ageing of the population. These phenomena also have an influence on the demand of hospitality services.

Recession is both the reason and consequence of the collapse of our export industry. As a result of the collapse, business travel into Finland and the demand for services have decreased. Globalisation and technological advancement bring the world and tourism into our pockets: flights, hotels and tickets can all be reserved and bought using mobile phones via the international search engines and reservation systems. Population polarization and ageing are evidenced by the decrease in the purchasing power of those middle class and young consumers who travel domestically. As a result, the demand for catering services has also decreased.

## Predictable and Identifiable Finnish Travel Phenomena

Generally speaking, the logic of travel does not change. It is the glocal experience, life style and experience industry which is made up of, for example, cost-efficient service production and pleasant service content: journey planning and reservation systems, transportation, restaurants, accommodation and programme and entertainment services. The existing services of the travel destination and entertainment centres give rise to new services, if only the municipality and company dare to take risks, specialise and succeed in forming a well functioning partner, operator and subcontracting network.

In our profession, the predictable development of the market includes seasonal thinking and changing market conditions. Work, meeting, congress, and trade fair travel lessen during the recession, and as a result the profitability of hotels and restaurants weakens. Those who use their own money to travel favor fun, inexpensive, and sunshine destinations. Still most continue to eat their meals at home and remain in the vicinity of the home area, as uncertainty is increased by the recession



and purchasing power weakens. Instead, cultural and sports destinations and events become more and more popular, because the consumer is careful in evaluating the price-quality ratio. Large auditoriums and stages, mass events and favourite artists entice the common consumer both now and in the future. Exercise, the local pub and (fast) food bring comfort.

The interest of the merchandise industry and commerce towards tourism and restaurants will grow alongside the market for food. People naturally gravitate towards the centres, which provide entertainment, nature, wellness, culture and sports services all under one roof. Customer experiences are born there where services are provided and people gather. And where the consumers are in search for eternal pleasure and health, there the brands, concepts and fashion can also be found.

Quiet shopping centres are, in fact, being reconceptualised at a fast pace. The service worlds are being enhanced with more variety and marketing campaigns are arranged. Experience, sports and entertainment events are marketed, because merchandise consumption is not increasing. Trade fairs, meeting and congress

centres are actively expanding to the side of the experience and event industry. The professional kitchens of the public sector are being centralised and changed into mini food factories in such a way that the food is distributed to units.

It is predicted that the hospitality industry will continue to polarise. Big, global and national tour operators, transportation companies and hotel and restaurant chains strengthen their position through business acquisitions and coalitions. The well-established operators, most well known brands and service concepts are visible and obtain access to the best game positions (right location, right block, best and most natural visitor streams) due to their ability to pay the rent.

There will be more small restaurants, because there will always be those who want to establish them. In addition, immigrants want to employ themselves and their family namely by establishing a food restaurant or grocery shop. Earning models, operational culture, marketing (communications) and the use of personnel remain the same. Pop up culture brings freshness to traditional service and city block infrastructure, although business-

wise a “temporary sales mindset based on a hobby” has more to do with having fun than running a serious business. On the other hand, a functioning business can grow out of a street food experiment.

Despite the excitement, creativity and experimentality, the core products and services of the hospitality field (good food, drink, bar, buffet, hospitality, bed, meeting room, auditorium, sauna, dance floor among others) take time, although trends come and go. Depending on the situation, customers value both self service and table service. Service production is made more efficient by intelligent kitchens, technology, streamlined production processes and educated staff.

Hotels and congress centres offer their space for accomodation, meetings, encounters and escapes from home. Restaurants, on the other hand, offer square meters with maximal cost for eating, drinking and having fun, while at the same time optimizing personnel, resource and energy costs. The building of experiences and the travelization and pricing of clean nature run smoothly, but selling and marketing is still challenging for Finnish companies. This is because the marketing budgets stay small.

Strong digitalization benefits the sale of Finnish destinations and services abroad. Our main clients, our domestic and Russian customers, make their purchasing decisions with the help of the Internet and (social) media. Generally, purchasing and making payments are becoming easier. Big search engines (like Google) and reservation and recommendation systems (Ebookers, Hotels.com, TripAdvisor, Trivago) define destinations, prices and popularity. The price, image and service

Fine Dining	→	Hot Dog units	→
Casual restaurants	→	Drinking bars	→
Catering	↗	Music bars	→
Home delivery	↗	Pubs	→
Hamburger restaurants	→	Motorway restaurants	→
Event restaurants	↗	Restaurants on airports	→
Cafées	→	Train restaurants	↗
Bakeries	→	Restaurants on ferries and boats	→
Restaurants on shopping centres	↗	Restaurants on destinations	↗
Ethnic restaurants	↗	Event restaurants	↗
Lunch restaurants	↘	Season restaurants	→
Sandwich restaurants	↗	Spa restaurants	↗
Pizzerias	↗	Golf restaurants	→
Kebab restaurants	→	Kiosks	→
Grills, street units	↘	Vending	→

Figure 2. Development Predictions.

combat only intensifies as destinations gain visibility with money and super-special content. Small destinations try to embetter their visibility by specialising and with the aid of partner networks and targeted marketing.

In a predictable future development scenario, Helsinki Airport, downtown Helsinki, the cruise ships between Sweden and Estonia, Estonian spas, the ski destinations of Rovaniemi and Lapland and the shopping centres of Eastern Finland all remain to be the largest tourism magnets. As a result of increased mobility and strategic, tactical (positioning of attractiveness, pricing, brand and concept) business maneuvering, the visit numbers to airports, railway and bus stations increase.

It is forecasted that travel that is related to free time, meetings, spa visits, sports, nature tourism and cultural tourism will experience a steady growth in the next following years. At the same time the popularity of transportation stations, specialty shops and sports events is believed to increase. Nature destinations and places that have cultural historic significance steadily increase in their popularity, even though visitor numbers vary yearly. In addition, new destinations are steadily born.

In large cities department stores, shopping centres as well as hotels and restaurants significantly influence consumer streams. Especially the shopping, hotel and restaurant chains are eager to place their units in the best addresses (right location, right block, best and most natural visitor streams). Because of competition, wear and tear and brand "weariness", they must also reconceptualise their hotels, restaurants and cafés.

In smaller towns and in the regions outside of the capital region, it is the culture and sports events -for example icehockey, baseball and basketball games, along with salibandy tournaments - that are the regional minimagnets which function as the most important and well known influencers of resident and customer volumes. These regions are strengthening their tourism and business cooperation, as small towns must, in order to better appeal to the young, freshen their image in an ageing Finland.

It is clear that tourism in Finland will remain city, summer and local destination focused. Unfortunately the summer season of our tourism jewels (the Åland islands, Hanko, Keitele, Naantali, the Archipelago and

the Saimaa region) only lasts from midsummer to the end of July, although product developers have been conceptualizing new services for decades. Many of our destinations are very quiet during the time period in-between August and May. Finns bury themselves in their work, homes and studies. Despite this, a great number of travellers pass through Helsinki Airport (15 million in 2014), because they continue onward in their travels. In addition, more and more travellers cross the Finnish- Russian border and use the Moscow-St. Petersburg-Helsinki train connection, but this is largely affected by the Ukranian crisis, new border crossing stations and possible visa exemption.

Christmas and the time period of February-March comprise the tourist season in Lapland. The season expands slowly to late spring and the autumn colors. New development projects and mega investments in the arctic hills take place as soon as investors are found, flights increased and the railway plans become concrete.

Many of our travel cities - for example Helsinki, Tampere and Turku, and especially the largest Nordic tourism town in planning, Golden Peaks (Noitatunturi) – need new hotel and restaurant players of different sizes.

Nevertheless, attracting international hotel operators to the regions outside of the capitol area is still difficult because they rather be placed in the megametropolises of China, Russia and India, instead of in travel destinations of approximately 100 000-200 000 tourists.

### **The Significance of Travel in the North is Strengthened**

Generally speaking, Scandinavia and arctic Finland, Sweden and Norway will remain Europe's last wilderness area. They will remain as scarcely populated "wellness regions" and will increase in uniqueness as tourism, culture and nature destinations. From an european viewpoint, while nature values are acknowledged, North Europe will continue to be seen as an important production area for energy, wood, cellulose, precious metals and metal raw materials. The mining industry and nuclear power plant discharges create risks.

Tourism does represent the so-called "soft" service sector which offers employment, while being the industry that best portrays the formation of the competitive advantage of these regions. On the other hand, the energy and chimney industry represents the "hard" industry, the profitability and productivity of which

significantly influences taxation. In tourism, import is export. In other words, the travellers, festivals and weekend events that come to Finland bring tourism revenue to the regions and their companies in the fields of hotel, catering, transportation, events and retail trade. Especially the companies in the hospitality field sector create dynamism in the regions.

Globally, in the tourism areas, the biggest commercial units such as travel and experience centres form the dynamos of the regions. The direction of the development is that they integrate more and more into multiservice units. *Services give birth to services!* Retail trade, event, spa, hotel, golf and even municipal services unite in one area, or even under the same roof (see for example Levi, Nilsian Tahkivuori).

Audience magnets are built into new residence areas. As a consequence of new apartments rising up, natural consumer streams are formed (the Kalasatama area in Helsinki, for example). This is prevalent development thinking. In Finland, new and identifiable shop and restaurant magnets, along with both international and local markets, form into significant commuting junctures: railway stations, airports and road-sides.

Some hotels, spas and grocery shops are closed down due to lack of profitability. This is also regionally significant, and is partly due to overly large investments in the 1980-2000 time period, increasing competition and the rise in marketing and utility costs.

The Finnish tourism strategy will last, because it is not based on mass tourism. Low cost production will not be created in Finland. Instead, we have to endure in attracting foreign travellers who search for nature, exoticism, wellness and experiences and increase both their satisfaction and length of stay. It is assumed that new travellers will come especially from Russia, England and Germany, although the competition to attract free time travellers will tighten in North Europe.

Yet, growing inbound tourism will not save Finland's tourism economy, because our nation is only a small distribution channel for the global tourism and food industry. Finland's percentage of the world's tourism market is only about 0,4%. In a pricing competition, many travellers will rather choose inexpensive Tallinn, Pärnu, Riga and Stockholm than Pyhänturi. Domestic consumers must be supported to remain in Finland, finding our travel destinations.

Experienced managers know that in time, the demand and supply of hotel, catering, congress and experience services always balance out: the weakest companies disappear from the map and new companies are born. The natural development of the market includes times of purchase, selling and re-organization. For us, growth is always specifically targeted, and takes place in specifically targeted concepts and specifically targeted destinations.

Customer and consumer behaviour is, for the most part, quite traditional. The travel, meeting, and eating out motives of the consumers will remain, in addition to the seasonal nature of their travel. Purchasing power, habits, and the time available for travel will determine the choice of services. The customers will adapt to self service systems, and will be willing to pay for customer service. The demand for luxury services will also grow.

## Operational Environment Lack of Predictability as a Challenge for the Industry

An operational environment that lacks predictability has become familiar to increasingly many consumers and companies in the fields of tourism, hotel, catering, experience and wellness. Many service providers (entrepreneurs) work in the core of the changing environment and complex economy. There always have been and will be customers, but in the future their behaviour will

Fast Change Factors	How Visible in Industry?	Influence on Consumption?
1. Climate change	Green strategies, energy saving programs	Green, responsible choices, ecological thinking
2. Dynamic economy	Hypercyclical market change	Chameleon-like consumption, "this and that" choices
3. Complex markets	Tightening competition for customers and money	New concepts, processes and products
4. Shattering markets	New entrepreneurs, concepts, immigrants	New services, pop up shops, food trends
5. Increasing process effectiveness	Top conceptualisation, streamlining	More international trends, cheap production

Table 1. Unpredictable Factors of Change.

be more and more chameleon-like. A trend destination or popular restaurant of the day can be “out” very soon. A street-side café or night club can be popular today and forgotten tomorrow. For example, a restaurant in Moscow becomes a classic if it has remained open for over a year.

Climate change related phenomena are increasingly difficult to predict. Even the most attractive and competitive tourism areas are helpless when faced with large-scale accidents and uncontrollable environmental catastrophes. Our most brilliant tourism marketing and branding minds can do nothing if the weather is poor, it does not snow, pandemics hit or the nuclear power plant risks in Eurajoki and Northwest Russia create image problems. In this reputation competition, Slovenia or Argentina can replace the nordic hills of Lapland in a moment in the winter travel catalogs of the tour operators.

For the free time traveller, the decisive factors are precisely price and image. In addition, large, international tour operators and airlines build demand. When tour operators leave out a destination, or when an airline stops flights, visiting numbers drop radically. This immediately has an impact on the utilisation rate of

hotels, and the demand for transportation, restaurant and programme services. Yet, at the same time, climate change may possibly cause the Finnish climate to become an attraction factor. Instead of hot Southern European destinations, travellers may journey to Finland.

In a hectic tourism and experience economy (and in both virtual and physical media environments), travel destinations compete with each other furiously. The same site may contain destinations ranging from New York to Tokyo and Cape Town to Reykjavik. All of these destinations provide wellness, experience, parties and authenticity. In this dynamic image-based economy, Finland and Levi are stationed towards the back of the tourism hypermarket. In the digital tourism market that is becoming increasingly complex, the Maiden of Finland’s neck (Rovaniemi) and the hem of her skirt (Helsinki) disappear into the bit driven cosmo of search engines, social media and video/knowledge distribution channels.

Unexpected, global financial storms can hammer the development of a tourism region or destination. In this kind of complex business environment, the former earning logic of companies does not work in the same

way as earlier in a traditional, service production dominant, very mechanic and linear economy. In an unpredictable tourism and experience economy, organizations can make entirely unexpected moves. Competitors buy businesses or customers disappear. Event arenas or festivals may change concepts in a moment. Consumers are unloyal and hybrid in form!

The ongoing, possibly long lasting economic downturn will firstly influence those companies that are in debt and have weak profitability and equity ratios, along with those towns that have deficient budgets. Especially indebted towns face a challenge, as industrial work continues to lessen, the population ages. Consumers and youth with purchasing power leave the rural towns. When jobs disappear and demands diminishes, supply also lessens. And when supply centralizes, its variety suffers. And when life loses in variety, people become unsatisfied. And when consumers move elsewhere, service sector jobs lessen. And when there is no work, there is more time, but no money to consume. This, it follows, is a loss for the companies in the fields of tourism, hotel, catering and hairdressing, which in an economy are classified as fields that produce non-essential commodities and luxury items.

In upcoming years, many cities will wonder what to do with empty industrial buildings, schools and factories. In Geneva, Dublin and Manchester, they have been converted into cultural spaces, art work shops and working spaces of small creative companies. In an unlinear economy, what are especially sought after? New actors and jobs. Some knowledge and service industry towns must build new service production and image, because their schools, business premises and shopping centres reflect the life patterns of the 1990-2010 time period.

The development of our tourism regions is directly linked to the distribution channel strategies of international tour operators and agencies, the interest and resources of european companies in sending bonus travelers to Finland, Nokia's new economic success and the purchasing power of Russian travelers. The existence of travel destinations, such as the Finnish arctic hills and Mid-Finland lake destinations, can be a matter of continuous profitability battle at its most extreme. Therefore, idea-rich managers, entrepreneurs and leaders with good financial management capacity, are constantly needed in the industry.

## An Eco-visionary Operational Environment

Constant and identifiable phenomena along with unpredictable non-linear change factors combine in a visionary development. When thinking about the future, maintaining a sense of reality is important, as is the ability to differentiate extremes. Examples of these are international and local change factors or steady, dynamically changing hypercyclical markets (contrast Finnish non-capital regions, Helsinki centre, St.Petersburg).

Developing the hospitality field in an anticipatory way has to do with strategic intelligence, where the future is not invented, but built. At the moment in many tourism and restaurant organizations the attempt has been to anticipate the future through linear phenomena. For example, Finland is ageing and its heavy industry is lessening. Some of the organizations have wanted to base their "work on the future" only on facts, and have taken the view that the phenomena of tomorrow are, for the most part, visible and determinable. Some organisations on the other hand, have wanted to expand their thinking by playing with unpredictable change



factors. The future has also been born by imagining and guessing scenarios together (nuclear explosion in Russia, influx of Russian and Chinese travelers).

For the most part, Finnish tourism visions have been very reality-based and have had positively believed in the future – in other words, very linear. In these visions, the municipal, service and administration infrastructure is maintained, along with government support, tax revenue and the purchasing power of consumers. It has been believed, that the big enterprises grow and become more international, micro companies grow into medium-sized companies quite naturally and Lapland is invested in by the East and Asia; Russia provides both travelers and investment. It has been estimated that small companies will continuously be born just even as a consequence of immigration and unemployment.

The embetterment of Finland's image, tourism marketing and product development have for a long time comprised the main paradigm of Finnish tourism strategies and scenarios. Developing competitive advantage and ecovisionariness have not been in the focus, even though society's most significant challenge, climate change, has been visible all this while. We have seen

the change, but have not believed it. Many seekers and builders of the future have been lacking in this: *"We can see it, but we don't believe it!"* And so, we still believe in the idea of continual growth, believing that we will find something new that will radically support the competitive advantage of the regions. We believe this even though what we are facing is a mission to save.

The hospitality field must choose ecological thinking, responsible nature conservation and the reducing of emissions to be its new focal points. The demand for change is made by everyone: by researchers, international tour operators, responsible travelers and restaurant visitors. This is because climate change will hit everyone. The tourism companies and destinations must lessen their carbon emissions, because otherwise the prerequisites for operation will disappear.

The profession has a large-scale planning task ahead of it, through which the growth strategies will be turned green. Bio energy and eco-efficiency will become the main attraction factors of regions and centres. Those who merely "launder in the green" will be exposed in YouTube. On the other hand, that which does good, for example Santa's hybrid car for the snowless context,

can be introduced online for example in Real Person Fiction and Twitter.

Can one of our domestic destinations be turned into an eco (tourism) city that produces its own energy? The strong environmental knowhow of destinations is created by participating in the making of Hospitality Clean & Green Strategies (Zero Strategies). This is based on water and energy management. Operators and above all constructors learn how to order and build kitchens, congress spaces, saunas and swimming pools in an energy efficient way and participate in measures preventing climate warming along with saving water and energy. In the near future our destinations will use intelligent technology (intelligent kitchens, smart hotels and meeting spaces).

Domestic tourism destinations could have a strong role in advancing eco-efficient business within the entire industry, because green eco-efficient thinking will rise to take its place right alongside traditional efficiency thinking on work productivity. New, green concepts and service content will be sought above all else from the creative industry. An innovative, domestic operational environment will be born predominantly from contents

within the fields of culture, history, art, music, food and lifestyle.

## Epilogue

You, dear (future) doer of the hospitality field, must retain your love for service, hospitality, gastronomy, food and restaurant culture, eating, enjoying and having fun. Some may put us at Haaga-Helia down by saying that life is not about enjoyment, but about running after customers and competitive edge. It is also said, that restaurants create serious problems. The civil servants of the social and wellbeing field threaten to close the destinations, because ski centres, local pubs, addictive and charming trance caves, red light bars entice people to spend their wellbeing. We have to learn to debate this: Have not the politicians and war generals, in addition to the drug, weapon, porn, violence and media industries caused much more havoc and destruction to the world (on a completely different scale!) than the tourism and restaurant industry?

We must continue relating, via stories, how eateries, bars, fine dining restaurants (and beer, seasonal and

hotel restaurants) and cafes represent a significant portion of Encounter Culture. We must always be ready to justify to civil servants and academics why a pint of beer, shots, dj:s and vj:s, karaoke, fast food, wines, vendace and mashed potatoes, rock festivals and jazz evenings are to be classified every bit as "culture" as other art.

Our main tasks which are serving different customers in different settings, selling drink, food and spaces and helping the customer to stay, enjoy, reload and encounter, remain. Yet, does not the tourism, hotel and restaurant field with its professionals represent the wellness industry, in other words, the encounter and social industries, alongside the traditional social and health fields? Domestic food and drink restaurants, spas, tourism and retreat centres, golf centres and design hotels produce wellbeing for people alongside medical health facilities and centres.

Entrepreneurs in the creative fields (musicians, entertainers, artists, poets, authors and actors/actresses) can perform to different kinds of audiences in our spaces, and can, at the same time, sell their knowhow, products

and services. Our field is also close to sub-cultures. Interesting projects live, are born, and die in the cellars, festivals and urban events. Bands, poets and events rise in a constant manner from game and digi cultures and techno and ethnic music cultures. They are an important part of city travel and form the basis of restaurant culture.

Restaurants offer a good workplace for social and creative people, but also to those who have a hunger for adventure and life. The secret of a hospitality profession is, after all, in that once one has found the attraction of this many-leveled and multifaceted work, one wants to remain in this field for the rest of one's life.

Our field is and will continue to be physically and mentally taxing, but it is also a bubbly "trend and luxury field". The consumers will always continue to invest first in themselves, their homes and their health, although the consumer constantly also wants to escape and invest their money in travel and eating out. This often results in pleasure, new experiences, and even euphoria – consequently our tourism and restaurant field of hospitality will always offer employment and always "be in"!



### ***3. THE CUSTOMER AS GUIDING STAR***

*This chapter describes and predicts customer-based knowledge building, as well as customer and consumer behaviour at the airport through some of the Finavia's indicators and case studies. The essays are based on market analyses conducted at HAAGA-HELIA, personal observations, travel and consumption trends, as well as interpretations of airport phenomena.*

*Finavia knows the Helsinki Airport travellers well, because they leave many traces. Passenger information can be found in the Internet and airline reservation systems. The travellers show their tickets at the shops, use their loyalty and credit cards, telephone and location technologies at the airport. They provide customer feedback and use social media.*

*The essays describe how customer identifiers can be used extensively, for example, in the development of product and service landscapes, Finland and Helsinki tourism, restaurant, café and shop concepts, offers, campaigns, service packages, menus, wine lists and interior design.*

V.A. Heikkinen

## *The Ever-changing, Ordinary Finnish Traveler*

Every once in a while social scientists predict the fall of the middle class. In Finland, Paavo Haavikko wrote about the collapse of the middle class in the beginning of the 1990's. The purchasing power and liquidity of working class households with mid-level incomes are continually being put to the test: inflation swallows salary raises and tax deductions, the prices of basic necessities rise and the value of accumulated assets is uncertain.

In tourism, for both the product and experience-based businesses, the ordinary person barely has a profile; he or she is a common consumer who does not stand out. He or she shows up in statistics and research as an average individual who works 30–35 hours per week and earns between EUR 15,000 - 20,000 a year. (The equivalent average income of workers is about EUR 23,000. Incomes in Lapland are among the lowest).

The rhythm of life of an ordinary family with children is well-established: it is a mixture of going to and from school and work, eating, sleeping, driving a car, participating in hobbies, shopping, taking vacations and watching television.

The ordinary consumer is a lifeline to the success of the grocery store, food industry and media. He or she stays true to certain brands and is a loyal user of branded products and loyalty cards. A typical adult favors nature, peace, jeans, Japanese and European cars, basic radio and TV channels, Internet news and furniture chain stores. The thirst for entertainment and the need for technology is strong.

The typical Finn commutes more and more between their home and workplace, and wants to live in their own country style haven close to the city centre.

A commoner sees people like themselves at work, in cash register lines, at traffic lights, in parking lots, shopping centres, ski trails and gas service stations.

The tourism, food and experience industry is interested in how the ordinary person behaves and moves during his free time. This is because they are the ones who fill up the three-star hotels, amusement parks, museums, pizzerias and other travel destinations both home and abroad. However, the motives of a common traveler rarely change; he or she wants a good balance of routines, activities and encounters. The traveler eats out more often and whether it be at home or at the buffet counter, they indulge in meatballs and mashed potatoes, pizza, kebab, pasta with tuna fish sauce, spinach pancakes, bread, milk



chocolate, sausage and milk. Nettle stew, kidney stew, pike fish balls or kohlrabi will not entice the average traveler, no matter how much someone encourages them.

The most fundamental change has taken place in social life. Only a few decades ago, young people met at school, in discos, at church and 4-H clubs, in social events organized at youth and workers' club-houses, and at fairs and camps. Today, new contacts are continuously made when the perpetual adolescents (12–35-year-olds) speed-meet on Facebook and cross the borders mentally and physically when surfing the Internet. The predominant elite values – freedom of movement, non-commitment, relaxed ways of working and living along with flexible consumption – have now become feasible for every citizen.

However, the purchasing power indicates the status of an ordinary person. The ordinary middle class consumer has started to worry, because the cost of living is spiraling out of control: the current way of life is more expensive than before. Economic concerns and the decline of the purchasing power compels

the consumer to recheck his or her buying habits, whereupon one gives up on superfluous things and luxury first: restaurants, travel, extra TV-channels and car rides. The food industry and retailers also have a reason for concern. Who will be left to shop if the consumer ceases to buy XL – chips, soft drinks, sweets and the daily/weekly newspapers – in other words, if the consumer chooses to purchase only the bare essentials?

Every Finnish man or woman is basically quick to adapt, even after they have become accustomed to a better way of life. For the most part, they do not spend more than they can afford, chase after trends or shop bohemian style. In some respect, he or she is restless and chameleon-like, or to paraphrase José Ortega y Gasset, merely one amongst the masses. This mass is comprised of commoners who, for some good or bad reasons, do not particularly appreciate their individual qualities. They merely view themselves as ordinary members of the middle class. Nevertheless, this commoner is not terrified of this mediocrity, but is rather quite pleased to be like everyone else.

V.A. Heikkinen

# *Observations on the Behaviour of the Traveller as a Customer and Consumer*

This article describes and predicts customer and consumer behaviour at the airport based on information given by Finavia.

Finavia knows the Helsinki Airport travellers well, as they leave many traces behind. Passenger information can be found on the Internet and airline reservation systems. The travellers show their tickets at the shops and they use their loyalty and credit cards, telephone and location technologies the airport. They provide customer feedback and are active on the social media.

Customer identifiers are used extensively, for example, in the development of product and service landscapes, Finland and Helsinki tourism, restaurant, café and shop concepts, offers, campaigns, service packages, menus, wine lists and interior design.

## **Challenges of Customer Segmentation**

The Helsinki Airport is a playground for fragmented consumption and travel, where service providers try to stand out and differentiate between the different types of customers in the crowd: different nationalities, business and group travellers, budget travellers, young adults with purchasing power, adults, families with children, senior citizens and couples.

Customer profiles sought and created in order to increase and improve the sales of products and services are becoming smaller and smaller. The challenge now is how the ever-transforming chameleon air travellers could be “hooked”, because the majority of them at the moment evade buying products and services and only wait for their plane departure.

## What we know about Helsinki Airport air travellers:

In 2013, Helsinki Airport was visited by more than 15 million air travellers, of which almost 13 million were foreigners.

### Of them:

- 12 % buy cosmetics and perfumes
- 9 % buy something to read
- 7 % buy alcohol and cigarettes
- 2 700 eat in the area's restaurants and cafés
- 1 600 buy drinks from the bars daily
- 1 200 customers spend time in the lounges every day

### We know about Helsinki Airport air travellers that:

- 38% are efficient, well-travelled business travellers
- 31% are leisure travellers seeking pleasure and enjoyment, who want to shop around and gain new experiences
- 18% are travellers who are used to quick service and short queues
- 13% are safety seeking family travellers

One third of the people arrive to the airport by air, one fifth by taxi and only a small part arrive by car. Business travellers arrive 25 minutes later than leisure travellers. Services that are used include café services, wireless internet, toilets and shops. The next most popular activities are dining, drinking and spending time in the airport lounges. The best-selling products are cosmetics, something to read, alcohol, cigarettes and gifts.

## The Profile of a Foreign Traveller

A typical foreign air traveller arrives to Finland only to change their flight on their way to Europe or Asia, since the shortest and fastest route between Japan and Europe runs through Helsinki.

### Almost one fourth have travel rituals:

- most of them drink coffee or eat at the airport before their departure
- 9 % do shopping
- 5 % travel in familiar clothing
- 8 % want to be the first ones to board the plane, only a fraction want to be the last ones



Market heterogeneity and consumer individualization make the customer segmentation and profiling more difficult. However, the middle class international businessman is and will remain in the core of the business travel market, despite the fact that the nation is divided by income gap, the number of low-income people is increasing and the median income is decreasing, all at the same time.

Another important customer, the leisure traveller, is king in his or her ordinariness and basic needs. This customer belongs to the social mass of tourists characterised by a mediocre lifestyle, hunting for cheap travel deals and described as like-minded. It is essential that

their confidence in their own finances and in the Finnish economy has not yet wavered significantly.

## Fragmentation of Customer Groups

As the competition grows, tourism and restaurant businesses have to stand out more than before and mass-customise their services. They do not treat consumers as a group of ordinary consumers. Instead, the entrepreneurs and marketing professionals are seeking to find relatively homogeneous groups that are smaller and more solid. The desired target groups are then divided into segments based on general and situation-specific variables.

General variables include for example, demographic factors (gender, age, income, education, profession, marital status, family size), geographic factors (place of residence, country of departure and arrival) and personality traits. Situation-specific variables are for example consumption habits (travel destinations, number of times the service is used and purpose, motives, loyalty) attitudes, concepts and preferences.

In addition to the situation-specific variables, service providing companies also study the mood, sociological taste and lifestyle of the customer. These partly explain the consumer's postmodern, erratic behaviour. This is portrayed, for example, by individuality, materialism and consumerism. This has to do with "fast life" and an avalanche of individualism that is related to Western goods, information, products, novelties, trends and experience-seeking.

Fast consumption lifestyle is evident in the fragmentation of the boundaries between work and leisure as well as everyday life and celebrations. The fact that there are no limits to the desirability and availability of "everything" makes consumer specific profiling even more difficult.

## An Example Customer Group: Characteristics of Senior Travellers

In 2025 an increasing amount of Helsinki Airport's customers will be senior travellers. As travellers they are described as partly traditional, partly conservative and partly bohemian bourgeois or "bobos".

The senior consumer does not need excessive services but is satisfied with the basic ones. They expect the services and products to be safe, reliable and good in quality. This consumer cherishes their habits and customs. They are loyal, particular and even meticulous to some degree. Some of them are content with little.

Older domestic travellers are strict about keeping to schedules and agreed arrangements. They avoid stress, queues and peculiarities. They do not like disturbances nor surprises and do not long for anything special or out of the ordinary.

Surely there are plenty of seniors who always seem to be in a hurry: energetic and impatient grandmas and grandpas. They do not want to be looked after and

prefer to do things themselves, independently. Some of them can afford to pay for good service or even high-priced, personal service.

The majority of senior travellers appreciate tidiness, cleanliness and brightness. The ageing consumer avoids restaurants and cafés, if there is no room to sit down. Meal times are important. They know what to order in the café-restaurant. The food must be tasty and smell good. The staff must speak clearly, audibly and illustratively. The menus and menu boards must be written clearly and in large-font letters.

Some service providers pay special attention to the ageing travellers and aim to develop their services specifically in the area of smoothness and predictability of processes. It is essential to design services according to the functional abilities of the customer.

## Customer Complexity

Generally speaking, the domestic service consumption is fragmented. The population is divided into even smaller groups, based on purchasing power and con-

sumption styles. The customers' demands and tastes disintegrate and become multicultural. The question is about consumer confidence in their personal finances and the national economy, general uncertainty, and as a result, a complexity of consumption behaviour. The complexity is exhibited in the consumer's volatile, unpredictable chameleon behaviour. Consumption is reflected in relation between income, expenditure and time.

**Travellers at the airport can be classified, for example, as follows**

 those with time and money	 those who have time but no (extra) money
 those who do not have time but have money	 those who do not have time or (extra) money

Taste, age, health and style complexity also shape the airport customers. Mood complexity is part of the post-industrial chameleon traveller's behaviour.

A postmodern customer makes quick purchase choices at the shops, cafés and restaurants. However, in a deeper sense, his or her selection criterias for the products and services are unstable and unpredictable.

A customer may want something different now, than what they will want the next moment. They can also be both demanding and indifferent. He or she can simultaneously be a selfish, independent and safe-seeking consumer. And their behaviour can be double-minded, which can be seen as an "either-or" attitude, indifference, or absoluteness. Their purchase behaviour is fuelled at the same time by both the Euro currency exchange rate and the joy of heading off for vacation.

## Values Are Seen in Choices

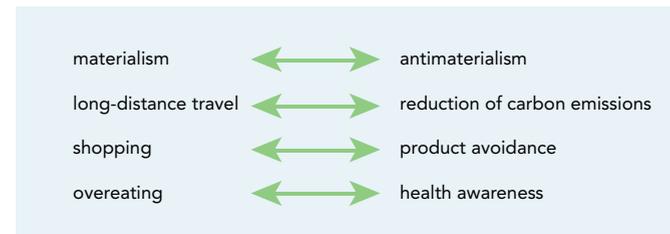
The shops at the airport are and will continue to be distribution points for quality and premium products. These shops are not affected by consumer disloyalty in the same way that shopping centers are, where the customers' marionette behaviour is reflected in an

eagerness to experiment as well as in ever-changing brand and concept choices.

The freedom to combine and modify is part of the shopping religion. A sociological taste can be both conservative and trend aware (taste complexity). This is particularly evident in choices made in food, fashion and music consumption. Seasons, styles and genres have indeed become partly similar, partly mixed.

In the fervent hunt for trends and fashion, novelties follow one after the other. An innovation-hungry person greedily collects weak signals and trends, even counter trends. Dichotomies are meaningful. That is, how people react to phenomena at any given time.

Typical dichotomies revealed in air travel include, for example:



Other typical, dichotomic travel phenomena include: the desire to move/rest, social needs/ isolation, sense of community/individuality, secularism/ spirituality and so on...

## Classification of Customers Based on Behavior

In the analysis of traditional power and countertrends and lifestyles, the basic needs and motives of air travelers should not be underestimated. Customers always



prioritise their personal needs such as boarding the plane, flight safety, sleeping, resting, eating and drinking, going to the toilet and showering. Only then comes the need for socialisation, self-actualization and social responsibility.

There are several ways to classify trendy lifestyles (lifestyle complexity). Significant classifications are ones relating to work and leisure, age and circle of friends, hobbies and values.

Especially breweries and the music and fashion industry continually find and build user groups around their product groups and brands. For example, in England, teenage girls are divided into dozens of different micro-segments. The Chic Teens – group, among others, is an important group for clothing stores, cosmetics companies and cafés. The teen life is all about hanging out in the city and at shopping malls, being on-the-go, shopping, hanging out with friends and checking out boys.

Similar lifestyle classifications have also been made for boys (e.g. Players, hip-hoppers, nerds), young adults

(e.g. Hipsters), childless adult couples (*DINKS= Double Income No Kids*), middle class families with children (e.g. Eco-health tourists, *LOHAS= Lifestyle of Health and Sustainability*) and for seniors based on their functional abilities and mobility (*Go Go, Slow Go, No Go*), different professional groups, teachers and so on.

Lifestyle, age (*age complexity*) and nationality do not fully explain the customer's attitudes towards, for example, new products and services. The consumer's absorptive capacity for innovations is not linked to human capital. Neither can the education or cultural background (*education complexity*) exhaustively explain the tastes, preferences, and buying behaviour.

The media and the Internet, in particular, nourish post-industrial, transnational consumption. The essential aspects today are fluctuating mega and micro phenomena, as a result of which a travel destination, brand, concept, restaurant, rock star, TV programme or a clothing store are part of a trend game. These and those trends are always either up or down, depending on who is being asked and when. Every customer is an

expert in the social media, and in every industry and style (*expert complexity*).

The prediction is that cycles of consumption phenomena will become shorter as a result of glocalisation; habits will slacken and rules will continue to unravel (*trend complexity*). So, the complex chameleon consumer lives here and now as if were their last day. For him or her, the future and history are too far away. What is essential, is continuous renewal, quick reaction, and the pursuit of publicity. It is harder than ever to satisfy the needs of a world traveller who has experienced "everything" (*experience complexity*). Some travellers want to participate in the design, production and development of the service.

## Lifestyle Example: Growth in the Significance of Wellness

The wellness industry is one of the fastest growing markets in the world. In North America, Asia and Central Europe, the use of spas and wellness services is growing every year by approximately 5-10%. In Central Europe and especially in Asia, new wellness destinations (including day spas, family and luxury spas) are emerging monthly.

The growth of the wellness market can also be seen in travel. Many business travellers support the wellness lifestyle. The glocal consumer aims at mental and physical self-management, because the work is tough and very



competitive. The goal is overall wellbeing, where a consumer's health and physical, mental and emotional life are well balanced. Freedom, relaxation and carefree life are also part of wellbeing.

Wellness is an ideal state that is based on a humanistic way of life. It should be reflected in the ethical, ecological and aesthetic ways of life. Essential values include moderation, intelligence, critical thinking and social responsibility.

Travel services can also support wellness and a good state of mind. The traveller wants to recuperate, relax, recharge, exercise – even work out, maintain and enhance his or her working capacity in addition to treating and foreseeing illnesses beforehand. He or she may want to practice yoga, engage the mind, bathe or take a sauna.

Healthy and holistic food is an essential part of the wellness culture. Nourishing meals in themselves are functional food. There are no such things as good or bad diets, only good and bad foods. General nutrition recommendations withstand time, but personal nutrition and target nutrition thinking is highlighted alongside.

## From Postmodern to Transmodern Consumption

Fast-cycle consumption has already aroused opposing forces. Middle class consumers want to downshift and slow down their pace of life and work in the midst of the hectic society (the so-called slow life phenomenon). They want to get rid of all struggles and vicious cycles. Meaning and profundity to the rat race is sought through physical and mental exercises, family and new-communality.

Groups that criticise global consumption of disposables are on the rise throughout the Western world. The reasons behind their anti-marketing behaviour are ethical, cultural, social, economic and ecological. These critical consumers are very heterogeneous, and are quite a networked group. What unites them all, for instance, is the boycotting of the current globalisation process, faceless markets, high corporate profits and environment-polluting products.

Critical environmental activists are not interested in mass production by the food, media and tourism

industries. Instead, they seek modest, ordinary, sustainable and nature-respecting consumption and living. Extreme green consumer tribes are marginal groups in Finland, but in Europe, they are already notable, influential groups. It is important to assess the degree of their criticism and critical acts. They are highly critical of flying.

Some of the large global companies have already taken these critical consumer groups (from young to old) seriously. In order to understand them better, various operational strategies have been created and risk analyses have been performed. Everyone's wellbeing, especially the wellbeing of the impoverished middle class consumers and the youth, is beneficial to the business. Companies want to create positive future phenomena in parallel with the sustainable world and predictions of jobs lost. One of such rising phenomena is *transmodernism*, which is depicting the rise of a new humanity and a meaningful reality and life.

A transmodernist values general wellbeing and harmony between humans and nature. This can be

seen, for example, as comfortableness, consumption satisfaction, in the physical, mental and spiritual well-being as well as in the dialog between the customers and service providers. It can also be seen as a genuine, transparent appreciation of people, work and services.

A transmodern traveller is self-driven and independent, but he does not try to play the king's role. They respect nature, foreign ideologies and cultures. They are not resolute and serious, but understands, for example, the human emotions and errors of a service employee. They do not expect the service to be perfect, but wish it to be acceptable to a customer. They do not have a need for extreme or non-stop action.

## Research Data to Support Customer Analyses

The future Helsinki airport will be a runway for the post- and transmodern travellers: while the post-experience consumer flies from one destination and service to another, the thoroughly modern consumer is selective

and critical. While the post-tourist seeks for brands, weather and promotions, the trans-traveller avoids shopping and focuses on carbon emissions and the effectiveness of the trip. In the near future it will be a gateway for Asians to enter into the West and the Western world. For them it will also serve as a portal into Finnish culture: Santa Claus, Moomin World, cultural peculiarity and winter.

Purchasing power, state of mind, available time, motive cluster, lifestyle, weather, natural catastrophes, air and noise pollution, heat waves, traffic jams and UV-radiation all influence the flight choice of group travellers.

The customer analysis and profiles of the airports are now and will continue to be based on the purchasing power, motives and behavioural data. Customer foresight is needed to support marketing and segmentation. In terms of customer foresight, it is essential to understand what is changing in the customer and consumption behaviour and to what

extent a person remains the same, regardless of the time, place, nationality and purchasing power.

In the future methods used to study customer and consumption behaviour, scenarios, predictions and future workshops are among the most important. In foresight analysis of the traveller, the future is not imagined but built. The problems of marionette travellers are forecasted, the solution options are sought and the new services satisfying the customers, airlines and property owners are found. The forecasts will take into account both tourist masses and small micro groups.

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## *Example of a Consumer The Senior in a Leading Role*

Basic daily routines: getting up early in the morning, morning coffees, trips to a store, visits. TV, radio, Internet and newspapers keep you busy. You are cheered up by repeats of reruns and grandchildren and prefer basic food for sustenance, along with easy-to-chew small meals. The program includes association meetings and excursions, afternoon events, bus rides and so on.

The eyes are watery and pain hits the hip. Sleepless nights are familiar, as are disturbing sounds, and forgotten names. Where do the experiences of loathing, fatigue, tiredness and depression come from?

“You” play the lead role: ageing but energetic Go-Go active retiree, thought wealthy. You, in the lead role, slow-going: Slow-Go. Thought to have been confined at home or in a nursing home. You, in the lead role, feebly moving No-Go. Thought useless. Elderly with a walker. You do not want to be categorised by your age, but by your ability to move.

How little we know about your abilities, needs, expectations, or feelings! Perhaps you yearn to maintain health and good mood. Tradition, established



habits, routines. One more season, one more year and one more day at a time. Not withering, whatsoever. Looking for new experiences and new friends. Small joys!

You, however, feel like travelling. For the love of revisiting the destinations of youth. To the warmth and sun!

Elisa Aunola

# *Customer-Centred Service Development through Service Design*

*According to a study conducted in 2005 by Bain & Company, an American research organisation, 80 % of businesses believe they provide outstanding customer service, but only 8 % of their customers feel they've received such excellent service. Furthermore, a study from the University of Westminster reveals that nearly half of all companies run their product development without asking the clients what is needed.*

Service design is a customer-centred and future-oriented means of service development. Main emphasis is put on acquiring and making use of customer understanding already prior to launching the development process. During the process, ideas are tested on customers, thus creating services that genuinely provide added value to the customers, as the developments are based on real customer needs.

## **Deep Customer Understanding Is at Core of Customer-Centricity**

Whether dealing products or services, customers are interested in benefits and solutions that serve their current needs.

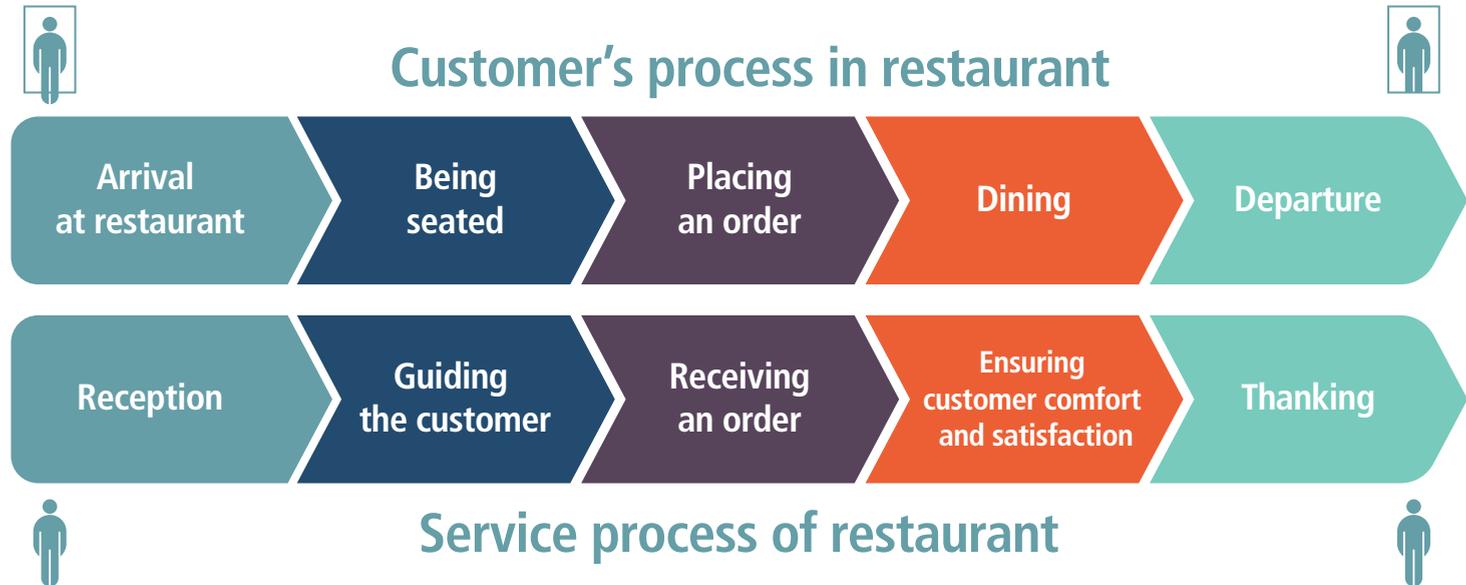
Customers purchase benefits. When buying winter shoes, for example, the customer might not necessarily need the shoes, but are concerned with the ability to look good and the ability to move outdoors in winter-time. If someone comes up with an alternative means of gaining these benefits, the shoes might remain in the store.

What needs bring customers to a restaurant or a hotel? To understand this, the service provider has to ponder

on the true motivations of their clientele and be able to meet the customers' needs. Instead of basic needs such as hunger or shelter, the genuine reason might deal with relaxation, a special day, or pipe repairs at home.

Service path depicts the journey during which the customer accumulates user experience regarding the service and makes observations about it. Over the

course of the service path, the customer passes touchpoints, through which he/she is in contact with the service. Touchpoints include, for instance, noticing an advert, meeting service staff, and entering the service premises. The service path starts already prior to the customer's purchase decision and ends as the process of service consumption ends (or even later). All touchpoints add to the customer's experience of the business and the service.



Once the customer's service path is known and it is understood, why he/she wishes to traverse that path, the service provider is able to offer a service that is desired and for which the customer is willing to pay.

## Understanding Hidden Needs Requires Interpretation Skills

Customers are rarely able to explain what they need. Thus interpretation and foresight are necessary skills in acquiring customer information. Customers need to be understood especially on the emotional level, as half of each consumption decision is based on emotions and only 50 % on rational criteria.

While trying to create customer understanding, a variety of means should be utilised: for example interviewing the customer, observing his/her actions, and interpreting hidden needs.

Customers' hidden needs can be identified, for instance, by puzzle interviews, where customer chooses an image from a pre-defined set of pictures

and explains how the chosen image depicts him/herself. Other possible means of collecting info include bricolage or storytelling exercises, the outcomes of which might reveal something profound of the interviewee's needs and personality. By interpreting the customer's stories or creations, hidden needs can be identified and analysed.

Observation is an easy and, if used well, a very informative method. It provides accurate information of what customers actually do instead of reporting what they think they are doing. For example, joining a customer in visiting a restaurant, the researcher notices and understands which issues the customer responds to during the restaurant experience.

Further, customer understanding can be gained through the exploitation of user profiles that follow the behavioural models of different customer groups. These profiles are not based on socio-demographic information (such as age, gender, income, or education) but on their behaviour. One such behavioural point could be, e.g., how actively the customer wishes to take part in the service process.

## Innovating with Customers

A researcher has to be empathetic and future-oriented. Measuring customer satisfaction is insufficient to acquire customer understanding, as it merely measures the past. Focus ought to be placed on assessing the benefits the customers are looking for and what their behaviour has been like.

The researcher should have enough time to get to know the customers; what kinds of challenges do they face and how they would like to solve them, what means have they used in the past, and what would be the ideal solution to create a service that would be as memorable an experience as possible.

In developing a service, acquired customer understanding is used by assessing how the customers' lives



change and what new challenges they face when using the new service. What might the customer want from us and how could we help him/her in the future, and where do we find new customer segments?

The core of service development is in value for customers. The only thing the customer is interested in is his/her own needs and the experienced value. This is why the value the service creates for the customer is of paramount importance in service development.

A service developer has only a narrow view to an individual's life. It is easy to overestimate one's abilities in understanding the customer. Besides lasting or permanent characteristics, a service experience is also affected by the context of the touchpoint and the company the customer keeps at that moment. Each individual has multiple roles in life and people are always looking for solutions to fulfil their then-current roles.

Indeed, it is worthwhile to include customers in the ideation and development of services. Customers' commitment to a company is enhanced if they have participated in creating the products or services.

## Case: HOK-Elanto Food Lab

In HOK-Elanto Food Lab, customers form a part of the product development team. Shared by HOK-Elanto and SOK, Foodlab is a restaurant service development platform, a sort of test restaurant, where fast dining concepts are developed in cooperation with customers in month-long test runs. Anyone can take part in the development work by providing ideas or feedback at the restaurant, through social media, or the restaurant



web site. Customers have the opportunity to influence the restaurant and they share some of the responsibility for new products.

“We’ve noticed that by involving customers in the development work, we also make them more loyal to our concept and turn our customers active in marketing our services through their own networks. Many people are eager to look ‘behind the curtain’ at a restaurant. Other participation motives include the possibility to influence, a sense of community, willingness to learn, and desire for new stimuli,” says Marita Parkkari, Development Manager at HOK-Elanto.

“We developers are motivated by the opportunity to find the exact services, service models, and products that our customers want to use. This development method also provides us a great learning opportunity. Further, we do not have to finalise the tested concepts beforehand. Instead, the ideas may and should change during the test phase. Through our research, the customers’ needs and emotions are better reflected in the development work,” Parkkari continues.

## Testing Prior to Launch

A new service or improving an existing one has to be proven valid in a real environment prior to a full-scale launch. Usually the service design process includes a prototyping phase, during which the new service idea is made concrete and public, providing customers feedback possibilities. The service is further developed based on the testing and thus the development process reaches closer to the desired outcome.

Means of testing may include, for example, acted scenes, video, or cartoons.

For example, service design agency Palmu Inc. has excelled in developing new customer-centred services and service concepts in cooperation with their clients. Their website depicts a number of service design tools and methods as well as examples of actualised projects: <http://palmu.fi/en/>

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## Example of a Consumer IT and Do-It-Yourself in the Lead Role



Enacting the French IT fashion documentary and Frédéric Beigbeder's novel *24,99 Euros* (2004), you, young independent traveller, wish to play the lead role. You are the IT, the You Brand whose attributes and preferences should be known to and identified by all service professionals. You should be spotted from the mass and indulged with every attention.

You live the fast, urban life. You are riding in the fast lane! You live in micro-moments, without a script. These moments you fill with relationships, running, errands, snacks, pads, pods and games.

You dream of having many lives, you dream of multi-humanity. Your everyday life, your parties, entertainment preferences, dreams and real world mix into a joyous cocktail.

Your success, your bliss, your visibility and your image are the most important. You don't want to live a boring life, but you want to party, travel and enjoy the luxury, without having to work. Your obsession is to be cool – to be the most popular girl or boy in the city, restaurant and workplace, who invests in a smile and who posts the wittiest comment on Facebook or Instagram. And when you catch a cold, you receive a humongous mass of compassionate messages.

You want easy money and an easy life. You are a lord/lady of leisure who makes a living from his or her narcissism:

an idle, multirole persona whose sociability is pretentious and calculated. You have everything but you want more. You have everything but tomorrow you will have nothing.

You circle in the scene that imitates youth, where the most important affairs are thrill, teenage swag and consumption: famous brands, nightclubs, events, shows. You act as if you were constantly being interviewed by the telly. You expect everyone and everything to keep you entertained: issues, radio stations, sports, fashion, mother, father, grandma, interviewer, electronic music, flow and fashion. You love yourself the most! Your power – Power of Me and Now!

You edit yourself all the time. You design your own current feelings and your life at nightclubs, bars, on the road and track. You mix the styles and history skilfully but thinly. You are made of bling-bling, Lolita and farm wife, hired hand and Lothario. You have style and a mask-changing mass rocker within.

Opinions and visibility are bought from you. You sell blogs, even if you don't know how to write. You travel from the virtual to the material and back again, proclaiming your narcissistic illusion.

You are a multi-talented individual who has won many singing contests, an acting, painting, poetry writing part-time star. You are on Twitter also, and are being followed

even though you yourself don't like the content of others and are not emotionally present. But what are you going to do when your ego fades? Soon, you are only an appendage in the microblogs and gossip columns, tomorrow - nothing.

And when you are no longer in or are not in headlines, you must do the "gaga" – become extravagant and radical, look for sensations and mess about.

In spite of all your excessive individuality, "I brands," multi-selves and your desire for freedom, you are an ordinary boy or girl who longs for direction in their life. You are a child of your own time who had a chance to flourish for a time and enjoy the dynamic spirit of the age. But finally, the fragmentation of everything, the constant element of surprise and the risks began to tire you, wearing you out.

Your youth fades away. You grow up and the thought of being in or out doesn't shock you anymore! You decide for yourself what is hot and what is not, and in any case, you are already building your own play lists, friends' lists, mix tapes and potpourris. Now you yourself must also show that you can plan, do, develop and invent. You create events, culture, spaces, parties, trips, interiors, restaurants, shops, codes and communications, clothes and handicrafts, all by yourself... You are a designing, pimping as well as tailoring "me" (Me design) as well as "we" (We design)!

Satu Dillström, Ulla Heininen, Pasi Latva and Eva Loippo-Sännälä

## **Service Design Case:** *Future Lounge Facility – Ideas and Visions*

The core of service development originates from the value that the customer experiences. The customer is only interested in their needs and reality. Value is equivalent to the customer's subjective understanding and it is dependant upon the customer's perceptions, of how their need has been fulfilled.

Three perspectives should be taken into account in service development. *Operational perspective* includes raw materials, processes, products and costs. *Marketing perspective* focuses on building the concept that creates and meets the needs and takes into account the opportunities for the income stream. *Customer perspective*, by contrast, sees only the final service product, its value and contribution to the experience. (Moilanen 2012.)

In the lounge design process, we have aimed to take into account these three levels by pondering how to make the most of the space. When visiting the site, we sense its physical and architectural opportunities. We are aware of the resources available: for example, how many customer service personnel can be used in a shift and what could potentially be served in the space.

In order to achieve a positive image, we wanted to create a space that enables many functions and yet is harmonious and peaceful - without being uninspiring and boring. After all, the very purpose of the lounge is to pass the time. In addition, we have made an effort to maximise the sales opportunities by making purchasing as easy as possible and by offering ancillary merchandise.

Our main aim in the design process has been to get inside the customer's head and create a service that would produce experience and insight for the customer – something that would cause them to come back and also tell about the service to others. Moreover, we want to create tangible benefits to the customer. Visiting the lounge will enhance customer advantage; it will aid in relaxation and forgetting about work or it will provide a creative and functional environment where knowledge work can be done efficiently.

The lounge makes social interaction possible, helps to overcome a fear of flying, entertains, provides an opportunity to make purchases, satisfies hunger and thirst, offers a place to sleep and yields pleasant experiences and a positive memory. The lounge is part of the journey, a destination in itself and a reason to arrive at the airport on time!

## Experiential Elements

Experience is a multi-sensory, positive and comprehensive emotional experience that can lead to personal

change. By influencing individuality, authenticity, story, multi-sensory perception, contrast and interaction, it is possible to offer the customer something memorable and unique. It is important that the key elements of the service product are involved in every stage – from the marketing services to the service performance and even further to the after-sales support. (Tarssanen & Kylänen 2006, 139–140.)

*Individuality* refers to the product's own uniqueness and top grade. Individuality also speaks of a customer-oriented way of staging the product. When the product is profiled through individuality, the customer feels uniquely valued and appreciated.

In the experience context, *authenticity* refers to the credibility and authenticity of a product. *The formation of the story* is closely connected to authenticity. An authentic story links the experience to reality and adds content and social significance. *Multi-sensory stimuli* mean that the experience of a product should engage multiple senses. It should be visually impressive (as well as audible), the scent and aroma should be attractive, and one should be able to taste it. All sensory stimuli

should work in harmony with each other supporting the desired impression and theme. (Ibid., 140–145.)

In the future lounge, we have aimed to create a unique service product intended to evoke the thought of daring to return to the creative and playful childhood – i.e. daring to indulge for a moment in the world of

games and play, and to experience the joy of creation, the elation of winning and a break from the everyday life. Authenticity and brand are essential aspects.

*Contrast* refers to the difference in relation to the customer's own perspective. The product should be different with respect to the customer's daily routine



and should bring them the opportunity to experience a change (new and exotic). *Interaction*, on the other hand, represents the relationship between the customer service representative, the customer and other customers. It represents successful communication between the product and its producers. (Ibid., 145-146.)

“Contrast” in the lounge can be created by offering business travellers an opportunity to break away from thoughts that relate to work. At the same time, we aim to create a functional environment that also nurtures creativity. Business travellers are also taken into account with the provision of the closed conference facilities, so it is possible to do some work in the lounge as well. The interaction can be emphasized so that the customer service representative serves also as a hostess and by the commitment to personal service (as opposed to coffee by the press of a button).

The lounge hostess is assisted by a multilingual “Service Angel”, who helps with games and other less formal functions. The interaction perspective can also refer to a successful business meeting where nobody

needs to be afraid that somebody else might hear what is being discussed. Interaction can also mean a successful, adrenaline rush accompanying game moment with other customers.

## Levels of Experience

Customer experience can be described by six different levels. *The Motivational level*, which refers to the awakening of customer interest, is the lowest. On this level, the customer expectations are created by awakening the interest and willingness to participate and experience the product.

The next level is *physical*. On this level, the customer is experiencing the environment through the senses. The product is received, tested, recognised and introduced to the customer awareness. Through our physical senses, we understand where we are, what is happening and what we are doing. On the physical level, a good product means a pleasant and safe experience.

On the *intellectual level*, we process the sensory stimuli created by the environment. We learn, think and form opinions. On the intellectual level, we decide if we are satisfied with the product or not.

On the fourth, *emotional level*, we actually experience a meaningful experience. It is hard to predict and control emotional reactions. However, if all basic elements of the product have so far been well taken into account (so that the physical and rational levels are functioning), it is quite likely that the customer will experience a positive emotional reaction: delight, excitement, fulfilment, performance satisfaction, triumph, affection – something that a person considers meaningful.

The last and the highest level is *mental*. A positive and powerful emotional reaction entailed by meaningful experience may lead to an experience of personal change, resulting in rather permanent changes in the person's physical state, state of mind and lifestyle. The individual feels they have changed. (Ibid., 147-149.)

## 5S Kaizen and Service Design

*Kai* means “change” and *zen* means “good (better).” The *kaizen* way of thinking implies the gradual, orderly and continuous improvement of every aspect involving every employee. It is needed in developing a work culture that is committed to the principle of continuous improvement.

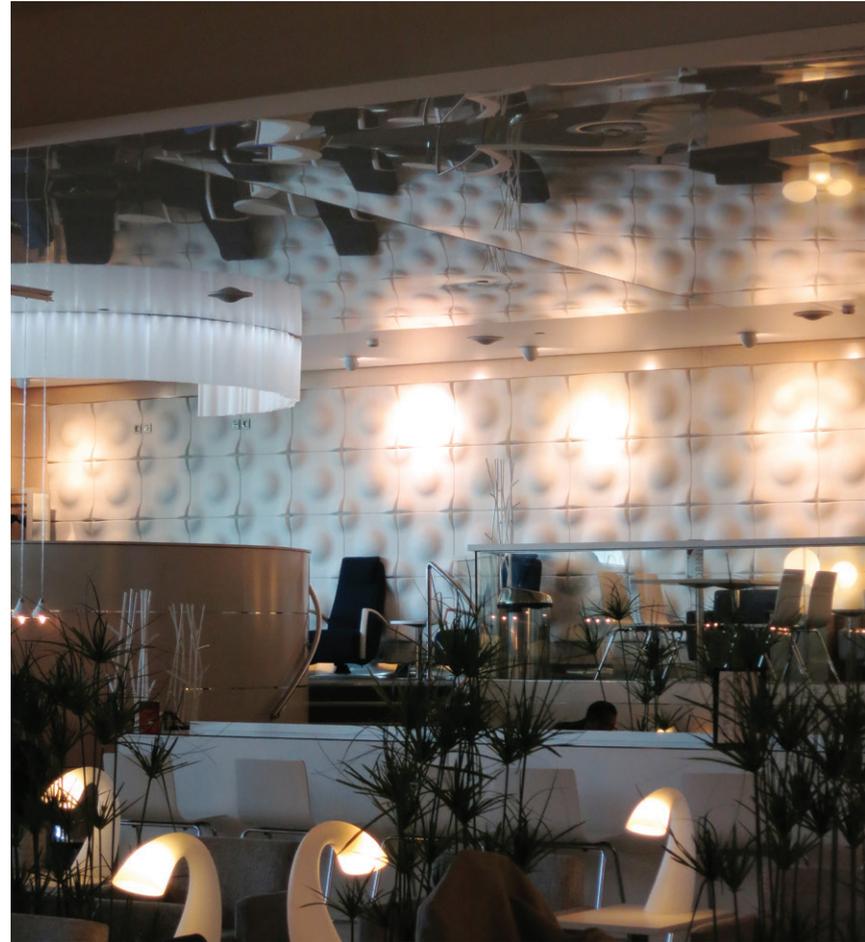
All of this aspires to achieve, above all, better quality and consequently, greater efficiency. Quality and efficiency result in fewer mistakes, contributing to the enhancement of corporate image. The result achieved is improved productivity and safety, as well as better employee morale with lower operating costs. (SSP Finland 2012b.)

The goals are reached by aiming for a clean, well-organised workplace and by focusing only on activities that are relevant. In other words, retaining only that which is absolutely necessary. Eliminating these extraneous “non-value-added activities” is the main basic principle of 5S Kaizen. Non-value-added

activities include storage (materials and tools, goods standing unproductively), any kind of overproduction, repair and rejects of goods and issues, unnecessary motions at work and processing inefficiency.

Also waiting and unnecessary transport fall under the unproductive category. In addition, failure to utilise the professional skills of personnel and organisation has a negative impact. Such philosophy can also be applied to services. Why produce more when less is enough? The following principles are elements of 5S Kaizen philosophy:

- *sort* – eliminate extraneous products and sort in order
- *straighten* – eliminate unnecessary activities
- *shine* – clean and assign areas of responsibility in cleaning
- *standardize* – create permanent procedure and work instructions
- *sustain* – maintain the level of attained order (SSP Finland 2012.)



From the point of view of service design, 5S Kaizen brings into light *customer orientation*. The facilities should be pleasant, attractive and functional for the customer. They should easily find what they want. Furthermore, the personnel motions and service paths will be inspected in the design phase. The key questions to ponder are: what could help the customer, what can get in the way of customer service personnel or be an obstacle to customer service?

Improving customer service by using the right structure and organisation adds user-friendliness. The easy location of information channels and availability of new technology are examples of this. Too many choices and too much stimulation may produce a negative experience.

Another important aspect is “teamwork” – issues and processes are designed and implemented together with the personnel. The operations are managed in a visible manner, and ideas could and should be brought into the design process. It is important to involve the personnel and the customers in design and development. Internal communication, training and

orientation as a continual process, builds both the service and the commitment of the personnel towards this operating model. As they are involved in the process of creating future solutions, the customers’ commitment is also strengthened.

Thirdly, we will examine the issue from the perspective of “personal discipline”: adhering to standards, committing to maintenance, minimising waste and recycling. In terms of service design, recycling points will be designed with a user-friendly approach and the customer will have the opportunity to sort the trash.

Next, we will take into account the aspect of “improved morale”, in which responsibility, the learning path of continuous improvement, and a recycling theme are centrally included. An increase in cooperation with other airport operators and combining forces takes place. Competitors are also invited and taken as cooperation partners. There is no need to reinvent the wheel.

Also “quality circles” will be taken into account: homogeneity, joint development and implementation, active

follow-up on feedback and new adaptation. Renewability and adaptability bring customers back to the familiar and safe lounge. The customer has been able to visit and express his or her wishes for the seasonal themes even before the trip. In this way, the customer can see a tangible influence on the development of the lounge.

“Suggestions for improvement” are also an important aspect: the operations are continually developed. This is achieved through active feedback processes. The feedback system will be made interactive and it will be developed together with the professionals representing the cutting edge of technology. Old-fashioned paper forms will be eliminated and the development of feedback forms on a touch screen will be piloted in the lounge. This is very cost effective.

## Development Sketches and Modelling – Procedure for Service Product Development and Service Design

The purpose of the service design is to produce and develop the service so that it is efficient, useful, easily

accessible, adequate and desirable. Service design is an ongoing, interactive process that connects organisations and customers in a new innovative way. (Moritz 2005, 43).

Service design always includes a business approach. Service experience is designed to meet the needs of the users. However, this is done while never losing sight of the service provider’s business objectives. Services are developed using innovative methods.

Service design consists of touchpoints, service moments and a service path. Touchpoints are divided into four categories: spaces, objects, processes and people. The spaces can be physical or virtual spaces. The purpose of objects is the interaction between the customer and the service provider.

Processes determine how the service is provided. People are either customers or customer service representatives (Saffer 2007, 177–180.) Single service moments are segments of the customer’s experience, which constitute a service package that produces added value (Ibid., 190). Service moments and touch-

points form a service path. Every customer has the option to choose his or her own path, in other words, how to walk down the service path, but the direction of the path can be steered. (Ibid., 179)

Different techniques can be employed in the development of service design. These include, for example, situation monitoring, blueprinting, involving users, analysing the existing service and a new service prototyping. (Design Council 2012.)

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## Example of a Consumer The Healthy Traveller



Canadian, global sales rep Jeff, 32, has decided to stay overnight at the Hilton hotel at Helsinki Airport, although he could have caught an evening flight to his next meeting destination. He checks in and watches the departing planes from his business classroom on the 6th floor. In the after-

noon he changes into a more comfortable outfit and heads to the English-speaking yoga class located at the Flamingo Spa.

Jeff lies down with the group. The group instructor tells the participants to forget everything that is on their minds. Focus on the breath, the body and the self becomes absolute. There is no music; the light is dimmed down. The sounds of traffic are muted and the problems of the meeting day go away.

After yoga, Jeff enjoys a massaging shower, Turkish steam room and a cold-water pool. He spreads a facial mask, and lightly massages his face. He puts lotion on his body, blow-dries his hair and gets dressed. He does not use cologne.

At the Hilton restaurant, Jeff enjoys his dinner alone: fresh fish of the week, Arctic char lightly smoked over oak, leek and Saarenmaa potato salad with cold-pressed wheat germ oil. He rewards himself with dessert, with one very small serving of yogurt ice cream, which has fresh high-bush blueberries. As he eats, Jeff enjoys two glasses of cava.

Jeff takes his sports bag to the hotel and straightaway goes off to meet with Nanna (30), the Finnish member of his Twitter tribe's Kissing Club, at the Kaarle XII restaurant.



## ***4. PERSPECTIVES ON THE DEVELOPMENT OF BUSINESS KNOWHOW***

*In this chapter, perspectives on how to develop and manage business knowhow in the tourism, hotel and catering industries, are presented. Forecasting the future is essential, as is knowledge about the markets and customer expectations. As a manager, one must be empathetic and people-focused. One has to be able to interpret numbers and data, and be able to make right decisions based on these interpretations regardless of whether matters relate to pricing, investment or selections. In order to be able to develop the results of sales, the principles of sales and customer service must be understood. A few answers to these challenges will be presented in the following.*

Julia Stadler

# *Management of Accommodation Operations*

This article covers several topics of major importance to a hospitality business: organisational design, internal communication, and change management. Due to the fact that the management of an accommodation operation has a major focus on communication, a number of points have to be taken into account.

## **Definition and Goal**

According to the definition of Businessdictionary.com, an organisation can be defined as a social unit that is structured and managed to meet a need or to pursue collective goals. All organisations have a management structure that determines the relationships between different activities and members, and subdivides and assigns roles, responsibilities, and authorities to carry

out tasks. Organisations are open systems; they affect and are affected by their environment (Businessdictionary.com, 2014). Thus, the goals of an organisation – no matter the industry – can be narrowed down to the fact that it is a tool to make resources function as efficiently as possible. This goal provides the basis for all hotel operations as every hospitality business is an organisation (aiming to increase revenue and thus profits).

In order to reach the previously mentioned goal, an organisation focuses not only on the product or service which it is selling, but also on employee aspects and thus on organisational design and internal communication within the business.

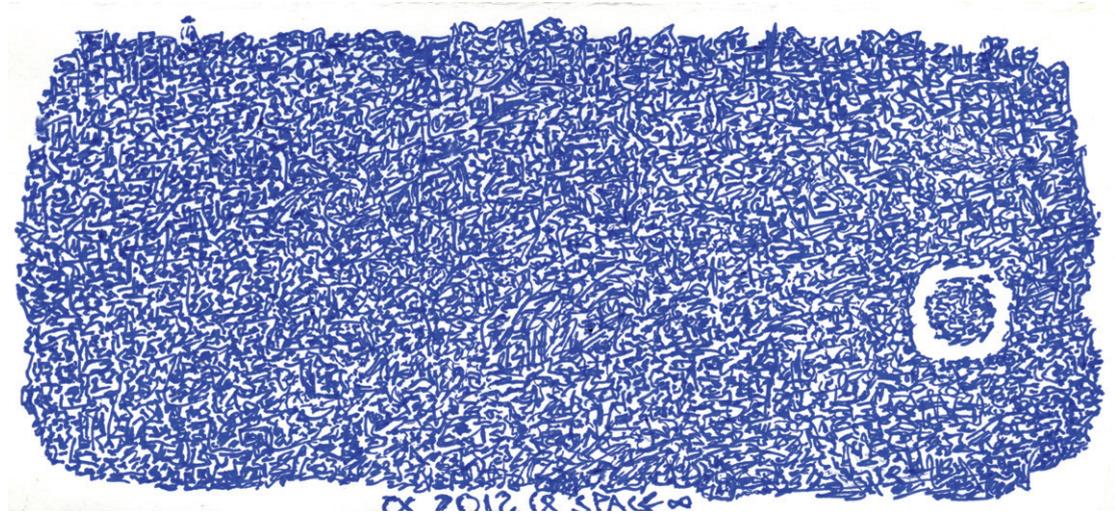
## Organisational Design

Organisational design deals mainly with the allocation of various tasks. Dividing tasks into jobs and assigning a certain number of employees for each task includes specifying the appropriate person for each job, in terms of knowledge, skills, experience and 'new thinking.'

In addition, this also involves deciding whether teamwork with cross-departmental responsibilities is better or whether teamwork should be narrowed down to individual departments. Further, it has to be considered whether job specialisation or multitasking (and cross-training) is applied in the hospitality business.

### Span of Control

While these issues deal with the assignment of the various tasks and thus jobs, the span of control can be considered as the next level of organisational design. The span of control can be described as the amount of people reporting to one manager or supervisor.



Thus, this term can also be called the 'hierarchy of an organisation.' As in all organisations, the hospitality industry also differs in two ways: flat organisations (with a wide span of control) and tall organisations (with a narrow span of control). The flat (or horizontal) organisation has relatively few managers or supervisors to report to. Thus, this organisation type is rather "free," meaning that it encourages well-trained employees to be directly involved in the decision-making process and thus to be more productive. This organisation type is mainly used in smaller and individual businesses. However, the more hierarchical and therefore vertical

organisation can be seen in larger organisations. It pursues the goal of uniformity and strict control. Further, it ensures that the organisation is well structured and tasks are assigned to certain, specialised people. In a flat organisation, the individual employee is exposed to more authority and thus carries more responsibilities than an employee in a tall organisation.

## Empowerment

A crucial ingredient of an effective working organisation is the delegation of authority. The empowerment of employees does not only relieve the manager or supervisor in the hotel department but also increases employee motivation. Being able to make one's own decisions and thus gaining greater power boosts the self-confidence of the employees and increases the mood at the working space.

## Internal Communication

After having dealt with the organisational design and its structure (which is developed to reach organisational objectives), internal communication can be examined

in more detail. However, close links between the topics should always be kept in mind (especially due to the fact that the organisational design defines the basis for internal communication).

## Respect

The key point of internal communication can be narrowed down to '*leading by example*' and '*treating every individual with respect.*' As the hospitality industry is an industry which deals with human beings, the moods, attitudes, cultures, etc., of all employees have to be considered individually. Each employee should get and have the feeling of being respected as a human being. Thus, the managers and supervisors should lead by example. They are the ones who set the tone within the business. If they are treating every employee with respect, the whole atmosphere will be different than if they do not follow this rule.

## Leading by Example

Setting an example, inspiring, encouraging, and motivating the employees will not only change the working atmosphere but also improve the business due to the fact that the employees will be happier and will thus

treat your customers with more delight. The way an organisation treats its employees is the way the employees will treat the customers. Thus, internal communication can be easily linked back to the profitability and effectiveness of a hospitality business.

## Change Management

After having dealt with the overall topic of organisational design and internal communication, the next section will deal with several essential factors of how to successfully manage change at a hotel in terms of organisational design and internal communication.

While change can always be considered a challenge for each organisation, the process of implementing change is very important to the final outcome. Due to the fact that change always creates uncertainty and insecurity, employees create some kind of rigidity against it. Social and communication skills are the key to success. The way change is communicated to the employees can only be achieved by a skilled communicator. The crucial point is that the employees have to be convinced that change is needed.

## First steps

After having communicated the upcoming change to the employees, the tasks and jobs have to be redefined according to the new needs. The span of control can also be influenced due to this change.

On average it can be said that it takes between seven and eight years until an organisation has fully adopted the change. This includes that every employee has fully understood and accepted the new concept. Leading by example is again the key to success over years of change. Motivating, inspiring, and encouraging the employees to be open for new opportunities are included in the manager's and supervisor's role when implementing change.

## Employee Involvement

Additionally, the involvement of the employees should not be underestimated. Creating an open and welcoming atmosphere where each employee has the chance to provide input and participate in the process of change leads to the feelings of contribution and being part of the organisation. Commitment and loyalty to the organisation and standing behind the change can then be achieved. Interacting, understanding,

and listening to the employees' viewpoints concerning problems, improvements, and technical issues are additional factors for ensuring a successful change.

## Honesty

Overpromising and holding back important information just to keep the process of change going on does not only endanger the motivation of the employees but also creates a break among the ones who lead the change and the ones who carry it out. Being honest, on the other hand, creates trust and loyalty when it is needed most. At the same time, the employees have the right to get regular updates of the success of implemented change. Nevertheless, reporting on failures is just as important as the success stories. Each failure provides an opportunity to improve and thus a chance for new ideas and success factors to emerge.

## Feedback and Encouragement

While the afore mentioned aspects of change include various ways of interaction among the managers or supervisors and the employees, feedback and encouragement should be mentioned in a separate



paragraph. Due to the fact that the process of change is related to communication, feedback has to be given in order to improve stakeholders' abilities. Not only do the employees need to get feedback, the managers and supervisors require some as well. During the process of change, the situation is new for everybody and, therefore, feedback can be considered very important to everyone. If there is no feedback, change cannot be implemented successfully due to the lack of motivation.

### **Guidance and Support by Training**

Certain aspects and behaviours should be trained and coached by external professionals. Providing guidance on how to implement certain procedures do not belong under this topic. Here, training and coaching are used, for example, for improving the communication skills of the managers leading and implementing the change. Hiring a well-trained and experienced coach provides knowledge to the employees which can never be gathered by a layman.

In addition, training can be understood as a type of guidance which employees receive when new

procedures are introduced to the hotel. New standards and working processes have to be trained in order to reach perfection as well as to increase the well-being and self-confidence of individual employees. Furthermore, training helps avoid some mistakes and at the same time increase the speed of the process.

### **Common Goals**

Defining common goals is not only of high importance to the managers (who create the goals) but also to the employees who actually put them into action and make them come true. Designing common goals in productivity and performance can be used for measurement as well as for rewarding. The feeling of heading into an unsecure future can be reduced by creating and communicating those common goals among the entire hotel. The need of clear instructions as well as common goals can be considered as especially important in times of change.

### **Teamwork and Cooperation**

Due to the fact that change and the normal day-to-day procedure cannot be carried out by one single person, teamwork and cooperation among the employees,

the departments, and the various levels of the hotels (managers, supervisors, subordinates, etc.) is necessary to keep the business going. Designing teams within

an organisation and assigning them to specific tasks includes higher responsibilities which in return lead to employees' higher willingness to work hard on their task. Furthermore, the hotel management team will get more insights into employee perspectives and therefore have the opportunity to improve certain procedures within the hotel. Besides, the managers find out quickly if the changed procedures are working properly. Another important consequence is that the team spirit among the employees will be strengthened and a more pleasant atmosphere within the hotel can be created. Consequently, the change can only be achieved if the teams are cooperating. Thus, a genuine cooperation requires responsibility and performance by employees.

### **Communication is the key to success**

As already indicated and mentioned throughout the article, communication is the key to success (not only when implementing change but also in other

situations). Providing training sessions to the major communicators is highly important and absolutely crucial when implementing change, communicating information or during team work. However, there will always be people who are born communicators with the ability to convince others by just using a few words.

### **Level of Staff Satisfaction**

On the management level, other factors have to be taken into account as well: measuring the level of staff satisfaction has to be done on a regular basis to ensure a successful implementation of change. It can be said that employee satisfaction is one of the key measures which decide if the change can be or is implemented successfully. Were the employees overwhelmed with the changes, left alone, felt insecure, or were not comfortable with the changes, the likelihood of successful implementation closes down to zero. Consequently, regular feedback from the employees, concerning their moods, improvements, and suggestions, is needed and the managers and/or supervisors need to involve, motivate, and encourage the employees. Following these hints, the satisfaction level of the staff will increase.

## Monitoring and Controlling

Finally, monitoring and controlling is needed throughout the entire process of implementing a new process as well as during the normal day-to-day procedure of a hotel business. The monitoring and controlling process does not only take place on an observable level but also on a measurable level. Certain measurements have to be established and standards should be set. Thus, analysing performance can be easily done by comparing the standards against actual performance. If performance is not measured, the organisation cannot be managed which in return leads to no improvement opportunities.

## Conclusion

To sum up, managing an accommodation operation does not only include good management but also good communication and social skills. Especially when implementing change in hospitality industry, those

skills are of crucial importance. Handling employees with respect and providing feedback as well as support and encouragement are included in this strategy. Thus, it can be said that communication on verbal and non-verbal level are success factors of a hospitality business.

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Mariitta Rauhala

# *How to Guide Restaurant or Café Operations and Finances?*

Accounting can be outsourced, but designing, monitoring, and guiding one's operations as well as related calculations are activities every entrepreneur and manager has to be able to do themselves. Calculations are tools that help understand the big picture of a company's operations; what forms the profits and the costs, what is profitable at the moment, and what could be done to improve the profitability of the business. The commercial goals of a business are always defined by the entrepreneur within the boundaries of the operational environment and one's own resources.

When profitability and development operations are assessed, one also needs to take the developments of the national economy and the overall developments

of the hospitality industry into consideration, because demand in the field usually follows general economic climate. A good view of the current state of affairs of the industry in Finland is provided by the Finnish Hospitality Association MaRa, in its industry development report.

Operating statement is a useful tool to assess how a company has fared in a given time frame. MaRa has released a recommendation for the basis of an internal operating statement, which largely relies on the idea of contribution margin. This recommendation or a separate modification of it, which takes company-specific aspects into consideration, is used by many restaurant businesses to measure profitability.

Food Sales
Beverage Sales
Other Sales
<hr/> TOTAL SALES
- Sales adjustment items (e.g. VAT charged)
<hr/> REVENUE 100 %
- Cost of Raw Materials
<hr/> GROSS PROFIT
- Labour cost (incl. rented labour)
<hr/> INCOME AFTER LABOUR COST
- Other operational costs
<hr/> GROSS OPERATING INCOME
- Fixed costs; property and rental costs
<hr/> INCOME before Interest, Taxes, Depreciation, and Amortisation
- Planned depreciation
<hr/> OPERATING INCOME

## Key Indicators Support Development Actions

All the goals of economic activity, i.e. profitability, productivity, and cost efficiency can be described as

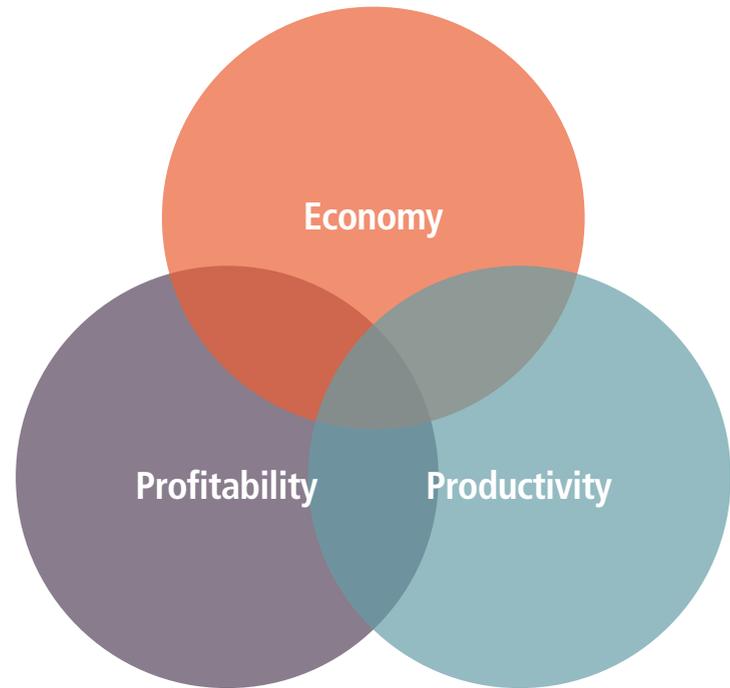


Figure 1. The Elements of Financial Feasibility.

factors making up what's commonly called financial feasibility. In the everyday management of financial feasibility, key financial indicators form a good toolset. Monitored indicators should be carefully chosen so that they provide the right information at the right time to support decision-making.

Many-sided bookkeeping ensures financial feasibility. The key indicators act as quick operational statements and they should be monitored continuously and from different viewpoints. Constant monitoring shortens the gap between operation and reporting and enables immediate action on identified issues.

For a company to operate profitable in the long-run, it has to be able to cover all its operational costs and paid dividends from its sales revenue. The profitability of a restaurant or a café should be planned not only on the level of financial year, but also on a monthly or even daily basis as well as separately as regards given customers and/or events. Possible differences between plans and actual operations have to be investigated and taken into consideration in managing operations in the future.

Absolute profitability means the difference between income and costs and is measured in Euros. Relative profitability, often measured as a percentage, reflects the relation between profits or a cost item and turnover. Examples of this include gross profit margin and

operating margin. Beside these figures, relative profitability is measured by return on investment.

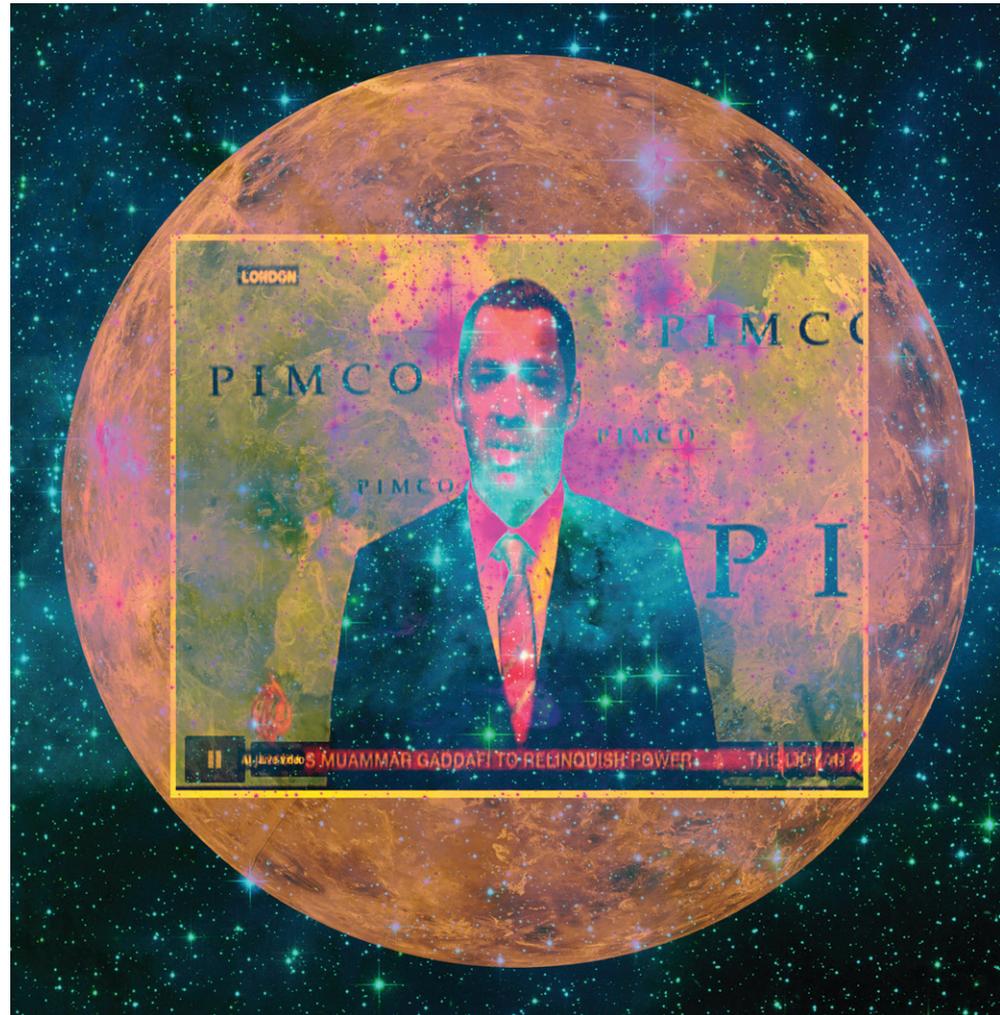
Productivity means the efficiency of production and it is measured as relation between outputs and inputs. The most essential production investments include raw ingredients, labour, and capital invested in equipment, machinery, and storages. When productivity is discussed in the restaurant business, it usually refers to the efficiency of labour. From the productivity viewpoint, the goal is to maximise revenue (in Euros or units) or minimise resources invested (man-hours).

Cost efficiency is a part of productivity. The goal is to reach the desired outcome with as little financial investment as possible. In restaurants and cafés, cost efficiency usually relates to the efficient use of raw materials, but it is also worthwhile to monitor other costs, such as wages, in comparison with profits.

Increased financial feasibility is often achieved in the restaurant business through cutting costs, by increasing sales prices or volume, and through

optimising invested capital. Costs can be affected, for example, by motivating employees or developing production processes through streamlining work operations, logistics, production equipment, or sales channels. Increasing sales prices or volume often requires efficient marketing, development of new products, and employees motivated to increase sales. Staff can be motivated by, for instance, bonus systems.

On the other hand, amount of invested capital is managed, as regards inventories, by controlling the average value of inventory and inventory turnover; where fixed assets are concerned, by their value and purposefulness; and with regard to accounts receivables, by rationalising their amount and payment schedules. If a company has a lot of invoiced sales, a good guideline is to aim to receive payments in a quicker cycle time than one has to pay one's bills. This usually ensures that sales revenue is received before related costs have to be paid.



## Other Key Indicators

Alongside mere numbers, planning and monitoring operations should also include so-called soft indicators, which measure financial feasibility indirectly. These include, amongst others, customer satisfaction, employee satisfaction, and employee turnover. If customers did not receive the quality they expect, the outcome is directly visible in sales. Recruiting and familiarising a new person to replace a resigned, competent employee is expensive and all related costs are difficult to even measure.

Understanding one's own operations and its revenue logic is of paramount importance in running a restaurant or a café. Good and successful business is built on the mutual satisfaction of the company, its employees, and customers. Managing and monitoring these issues should include the toolset offered by essential financial and soft indicators.

*Article originally published in Finnish in Aromi magazine in 2011.*

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Pekka Heikkilä

# *Money Tied in Business Operations*

Especially when launching a new business, it is essential to measure the amount of money needed to start and run the business. Part of money is provided by the owners which is owners' equity, for example in limited liability companies invested as share capital. Rest of the needed money is often borrowed from financial institutions which is called long-term liabilities.

Besides control of the company, investors of the share capital expect return in the form of dividends from the company as a compensation for their investment. Providers of long-term liabilities, on the other hand, demand the company remains able to pay back its debts and pay sufficient interest on the borrowed money. The greater the total amount of capital tied to the company, the higher the capital costs.

## **Long-term Factors of Production, i.e. Investments**

In the restaurant business, capital is mostly tied to long-term factors of production, such as the acquisition of machinery and equipment. Sometimes an investment may include the purchase of existing business from another entrepreneur. Measuring the capital required for necessary investments is usually easy because it equals market prices. Instead of investing, long-term factors of production can also be acquired through leasing agreements. In such cases capital is only tied to the extent of the leasing payments and the size of required collateral is usually decreased.

## Daily Activities Require Working Capital

In addition to investments, business activities require working capital. Working capital means the amount of capital tied to a company's production processes needed to run the company's daily operations. Working capital is tied in inventories, accounts receivables, e.g. in form of time between sales and payment time, necessary cash reserve on bank accounts or actual cash currency, which are called current assets. The capital needs for working capital are often underestimated, especially in launching a new business, because all operating costs due to be paid before receiving sales revenue are not taken into consideration. Furthermore, the need for working capital usually increases as the revenue grows.

The need for working capital is decreased by short-term financing (current liabilities), e.g. in form of accounts payables for suppliers and advance payments from customers. Other forms of current liabilities include unpaid employee holiday compensations, and interest debt (adjusting entries for liabilities).

In small businesses, entrepreneurs often cover operations with short-term financing.

The net working capital tied to an operating restaurant is calculated with the following formula:

$$\begin{aligned} &+ \text{Inventories} \\ &+ \text{Accounts Receivables} \\ &+ \text{Paid advances, other accounts receivables} \\ &+ \text{Cash reserves} \\ &- \text{Accounts payables} \\ &- \text{Received advance payments} \\ &- \text{Adjusting entries for liabilities} \\ &- \text{Other current liabilities} \\ \hline &= \text{NET WORKING CAPITAL} \end{aligned}$$

## Goal: Optimise Working Capital Cycle Time

Cycle times of net working capital items are monitored, for instance, through payment times and storage times. Naturally, a restaurant business should aim to as low a level of working capital as possible and to make the

cycle time of working capital as short as possible. The slower the cycle time, the longer the company has to wait before capital tied to ingredients, sales accountables, and other current assets can be returned to be used in the business. The goal is that profitable operations produce an increase in cash reserves in each cycle. The reserve can then be used to pay off debt, repair investments, grow the business, and to pay dividends. A slow cycle time of working capital may lead to a financing risk where the business does not generate enough revenue to take care of all liabilities.

Net working capital percentage is calculated as follows:

Net working capital percentage = (Net working capital / annual turnover) × 100

In restaurant business the net working capital percentage is quite low in comparison to other fields, standing at approximately 1-5 percent of annual turnover. The financing structure of the field is very front heavy, i.e. sales are most often cash sales and revenue

is created before related costs have had to be paid. Naturally this is not the whole truth, as invoiced sales can in some segments of the restaurant business form a major share of sales.

Money tied to working capital is so-called idle capital. In order to be flexible in the running of a business, storages need to be of optimal size and certain customers require some payment time. But remember increasing the amount of working capital does not create new revenue. To create new revenue, available funds should be placed into new investments. Increases in unproductive working capital are caused by too lengthy storage times and unnecessarily loose terms of payment for customers.

*Article originally published in Finnish in Aromi magazine in 2011.*

Elisa Aunola

# *Significance of Revenue Management in Hospitality Business*

Price, capacity, time, and customer. These act out as the four fundamentals of *revenue management*. Traditionally revenue management is linked to accommodation and air travel businesses, but the concept has a lot to offer, for example, to restaurants or event service providers. The core of the idea is that sales of capacity (e.g. rooms) is optimised so that the service provider (hotel) gains the best possible profit from its service capacity. To reach the best possible results, one needs the skills to assess demand, set the right price, and bring marketing efforts to customers through different channels to ensure that the hotel is as full as possible at the best possible level of profitability at all times.

Just as hotels, restaurants need to maximise the use of their capacity; to gain customers in the quiet hours and reach the best possible revenue per seat.

Hotels, restaurants, and events all have high fixed costs, for example in facilities and venues. This is why it is often preferable to fill the capacity with a decreased price instead of not creating any sales at all. The commodity of a service business cannot be stored; the unsold room, concert ticket, or meal cannot be sold tomorrow. Day of the week and special season also affect the pricing of the service. Furthermore, the varying needs and ability to pay affect the price customers are prepared to pay. Business travelers' needs and therefore also their choice of purchased services differ from those of tourists.

## Anticipation and Systematic Approach at Core of Revenue Management

At it's simplest, anticipating demand means staying on top of what happens nearby in the immediate future. For example, a large event in the area provides traffic that should affect the operations of a restaurant or accommodation business. Such an event should affect the duty roster, capacity management, offerings, and pricing. The contents and nature of the event provide a basis for deducting the potential customer profiles and their needs: in other words what should be offered.

Holidays either increase or decrease demand, depending on the service offered and location. For example, Christmas holidays are busy in spa hotels, but rather quiet in midtown restaurants as people dine at home.

Anticipation also deals with reflecting on the past. One has to ask, what did business look like a year ago. Looking at the past provides a means to anticipate customer flow this year. Campaigns – both one's own as well as those of competitors – also affect the use of capacity. Even weather plays a role: when it rains, camping areas lose customers to hotels and restaurant

guests dine somewhat longer. This is why decisions on product offerings and pricing should also be made in the short term.

Systematic approaches in revenue management means consistent work on maximising profits. Revenue management does not necessarily require expensive systems: simple spreadsheets can form an effective toolset.

A good example of a simple tool is a demand calendar, which allows a manager to assess and follow reservations of the next weeks or days. A demand calendar

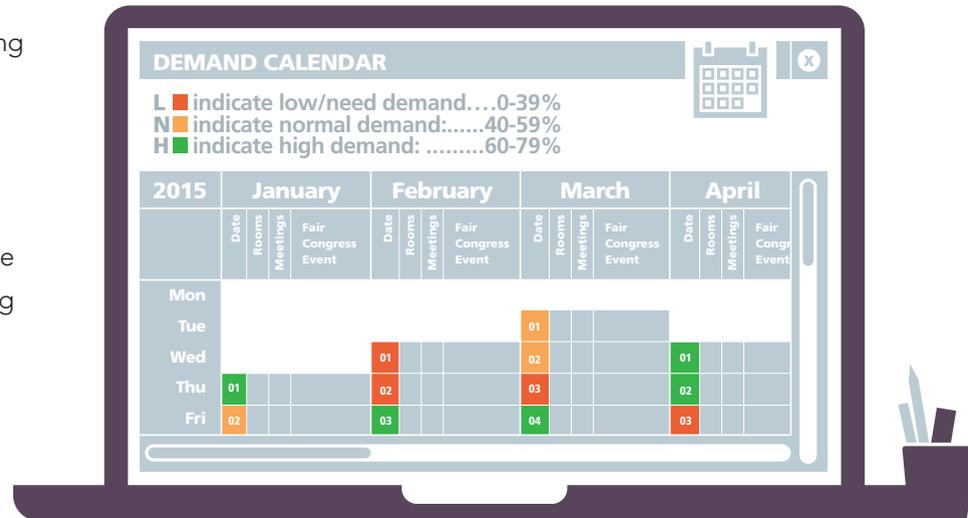


Figure 1. Demand Calendar allows a manager in assessing and following the up-coming reservations.

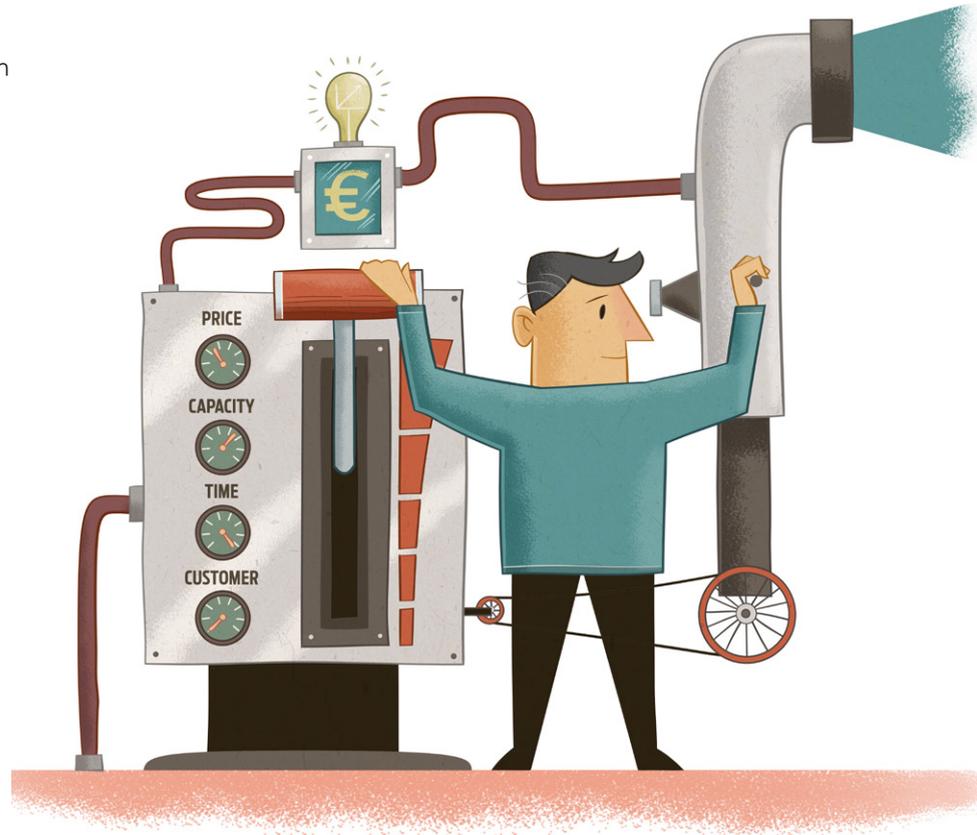
could be used in attempts to guide future demand to quiet hours, affect pricing, or to optimise the use of human resources. Demand calendar is useful in both customer service and back office tasks.

One glance of the calendar provides an overview of reservations for the following weeks. The situation with reservation acts as a basis for pricing and marketing decisions: if reservations are plentiful and capacity largely in use, prices can be somewhat increased. However, if reservations were few and far between, marketing efforts through e.g. social media seem worth investing in.

## Pricing and Capacity Management Require Courage

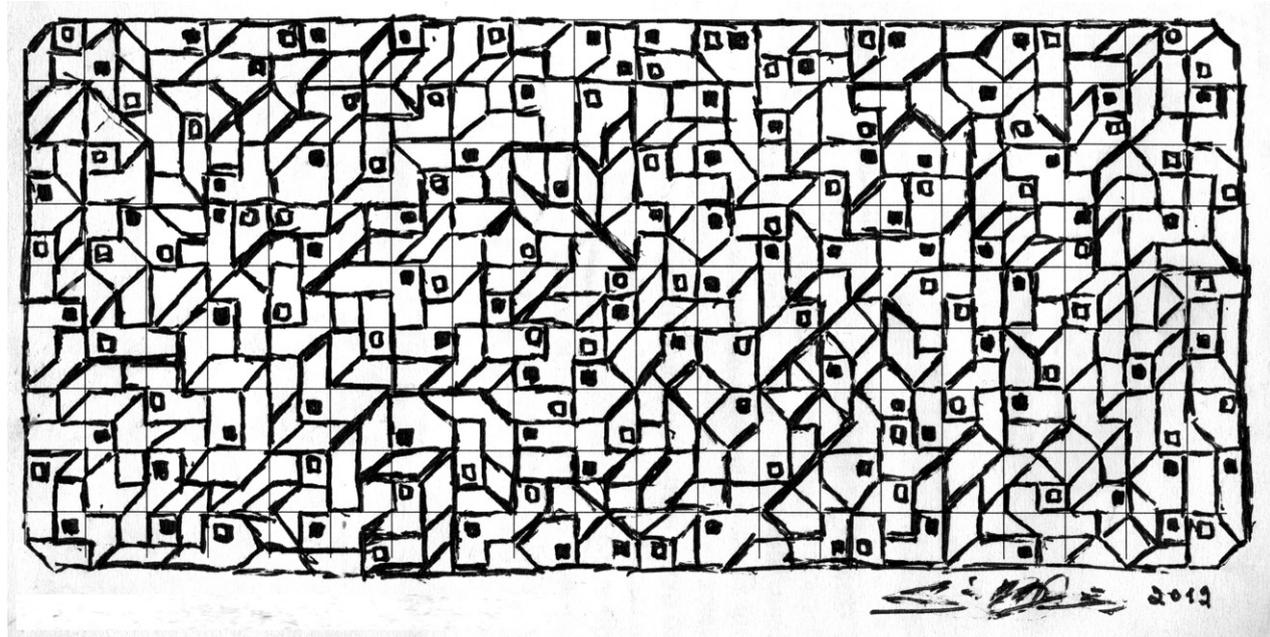
Pricing is an essential part of revenue management. In hotels and air traffic, prices are tied to the time of booking: the earlier the reservation is made, the cheaper the price. Payment conditions and terms as well as advance payments can be used to guide customers and to bind them to their purchase decisions.

Customers accept the changing prices of air travel, so why couldn't a similar practice be used in the restaurant business? Some restaurants use dynamic pricing during e.g. lunch time: peak hours have a different price than the next time slots. This balances customer flow. In



addition, last moment discounts and limited time offers are also means of revenue management.

Services such as *Groupon* or *illalla.fi* are great temporary channels of sales. However, customers should not get used to reduced, last minute prices for products or services.



Capacity management deals with room types, menus, and price categories: e.g. which products and which price categories are available at a given point in time. The whole variety of offerings should not necessarily be available at all times. The goal should be in selling as profitably as possible.

Sometimes capacity management may lead to a situation where the service provider declines a

customer, particularly if the service provider can reasonably expect to make better profit from a different customer. For example, the most prestigious area might not be rented for a coffee meeting if the same space could be used for serving a five course dinner. Similarly, it is not profitable to book 20 rooms at a reduced price if there is enough demand to fill the rooms with list prices. Managing prices and capacity is a routine activity in hotel business and it requires courage.

## Key Indicators of Revenue Management

In accommodation business, revenue management uses the following key indicators to measure the success of sales and marketing.

Traditional performance indicators include *accommodation revenue, average room price, capacity utilisation, and RevPAR.*

**Accommodation revenue** is reported without Value Added Tax.

Formula: Accommodation (room) sales – Value Added Tax

**Average Daily Rate (ADR)** is calculated by dividing accommodation revenue of a chosen time frame (e.g. a day, week, or month) with the number of rooms sold

Formula: Average Daily Rate (ADR) (without VAT) = Accommodation revenue / sold rooms

*Example: In week 45, 480 rooms were sold and Accommodation turnover was 50,500€. Thus the average Daily Rate for week 45 was 50,500€ / 480 rooms = 105.21€ / room*

**Room Occupancy - %** is calculated by dividing the number of sold rooms by rooms available in a chosen time frame (e.g. day, week, month, or year).

Formula: Room Occupancy - % = (sold rooms / rooms available) \* 100

*Example: a hotel has 100 rooms / day and in week 45 480 rooms were sold. Thus the week's capacity utilisation rate was: [480 rooms / 7 (days) \* 100 rooms] \* 100 = 68.6 (%)*

**Revenue per Available Room (RevPAR)** shows the total revenue of accommodation operations within the chosen time frame (e.g. day, week, month, or year)

Formula: RevPAR = accommodation revenue / rooms available in the time frame OR  
Average daily rate \* room occupancy -%

*Example: a hotel has 100 rooms and its accommodation revenue in week 45 was 50,500€.*

RevPAR (without VAT) in week 45 = 50,500€ / (7 days \* 100 rooms) = 72.14€

With the alternative formula, RevPAR could also be calculated as 105.21€ \* 68.6% = 72.17€. The difference between the figures comes from rounding up the original figures (see earlier examples).

## Sales, Marketing, and Revenue Management Go Hand in Hand

Revenue management is also a part of marketing. When a company's services are available, for example, on an international web site, it gains visibility, marketing opportunities in low season, and a chance to reach new customers.

In all simplicity, revenue management means guiding capacity to the right customers, at the right time, at the right price through the right channels, with the aim of maximising profits.

Combining all this might seem a great challenge. However, the most essential issues are the abilities and willingness to develop one's own operations and stay up-to-date as regards trends and what's happening in the industry. These coupled with the collection and usage of customer understanding (customers' needs, desires, ability to pay, and consumption patterns), gives a service provider the tools needed to reach for maximum turnover and profits.

*Article originally published in Finnish in "Vetriini" magazine of the Finnish Hospitality Association MaRa in 2014.*

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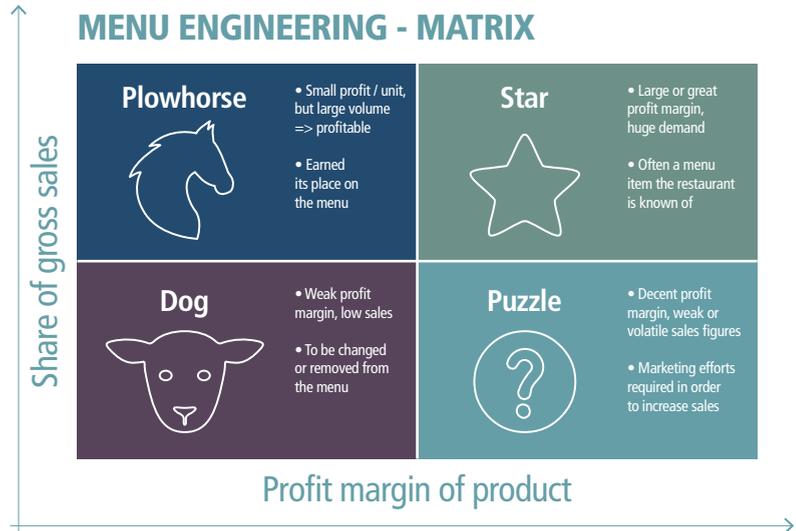
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Elisa Aunola

# Menu Engineering Leads to Profitable Business Operations

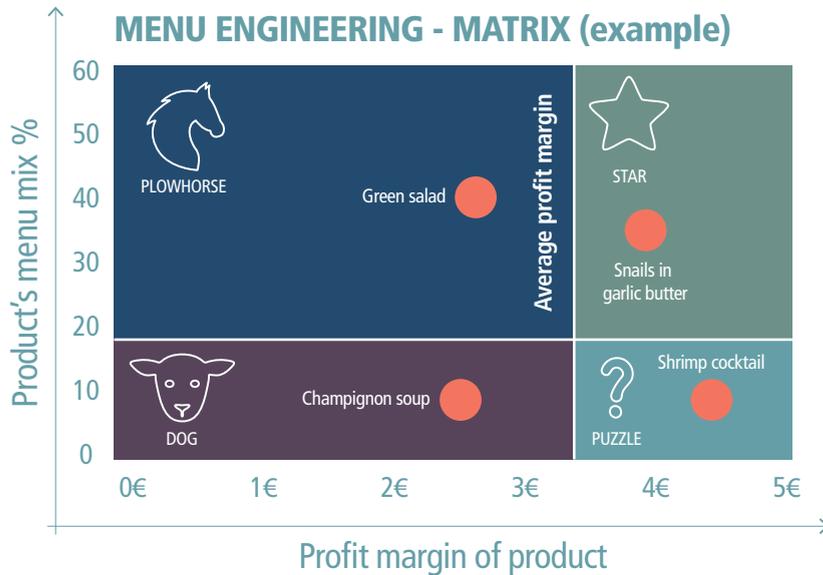
The most essential marketing tool of a restaurant, the menu, calls for key performance indicators just as well as other means of marketing. Menu engineering, i.e. menu analysis provides easily understood information about the profitability of different menu items, provided that background work is properly done.

Analysing the offerings of a restaurant focuses on one product group at a time and the method applied is menu analysis. The product group could be, for example, starters. Prerequisites for the analysis include ingredient expense analysis and sales figures. By comparing sales figures and turnover to the preparation cost information available in ingredient expenses analysis, it is easy to figure out which menu items are profitable and which are not.



## Analysis Based on Boston Matrix

The table shows which products are the stars. Those which are doing well above the rest. Then there are the plowhorses. Items that are selling nicely. Followed by dogs, low performance products. Final category are puzzles. Products that need repositioned on the menu.



Based on the analysis, a plan of action can be created for each product. The dogs are discarded, the stars given more visibility, the flexibility of plowhorse pricing is tested (eg. how the change in price affects the demand), and an analysis is conducted on what should be done with the puzzles.

Such menu analysis is used in only a few restaurants. It is either unknown or considered a difficult tool. Another challenge may be caused by inadequate systematic gathering of data.

Because of its usefulness, the prerequisites and possibilities of menu engineering are worth the trouble. The necessary data for analysis should be easily available at least in restaurants using ingredient expense analysis as a basis when preparing courses. Where ingredient expense analysis is not yet in use, mere profitability should demand a more systematic means of operation.

However, one should never rely only on a simple spreadsheet. Besides optimising the product range and profit pricing, customer feedback should also be taken into consideration.

If a menu item analysed as a dog is favoured by an important customer segment, one should carefully consider what to do with it. Were it kept on the menu, waste and overall costs should be minimised in order to decrease related losses.

Menu engineering analysis does not factor in waste or procurement challenges. If the availability of an ingredient is low, the time spent in acquiring the



ingredient may seriously hinder the profitability of a product that seems a star in the analysis.

Furthermore, all items on the menu should match the business idea of the restaurant: the chosen customer segment defines what customers want to buy. This brings forth the questions what is sold and how. The image and the service environment of the restaurant affect final decisions – as do employee competences, facilities, and equipment.

## Analysis Helps Pricing and Sales Monitoring

Once the menu analysis is complete and other issues factored in, the plans of action are executed. The star products, i.e. the items that you want to sell more of, are favourably placed on the menu. Also the floor personnel ought to know which courses should be recommended. The price flexibility of plowhorses should be tested by increasing their prices a little.

Pricing is a characteristic part of menu engineering and profitability as a whole. Restaurants should test the price flexibility of demand, i.e. find out how much prices can be increased before demand starts to decrease. Some products are less flexible than others. Luxury items cannot be sold too cheaply, or else they experience value drops.

All in all, menu analysis and related operations need to be closely followed. Once analysis is complete and action taken, one has to monitor what happens to the sales volume of each product, profit of each item, and the sales mix of whole product groups. If the chosen changes prove disadvantageous, corrective action has to be taken as soon as possible.

## Menu Engineering Is a Management Tool

The significance of food is constantly increasing, and merely following the overall profit margin is no longer enough for a restaurant. Restaurants need more analytic approaches to assess their product

offerings in order to be able to make the right calls on the product level.

Menu engineering is first and foremost a management tool that enables the measuring and defining of operational guidelines, marketing, product development, and quality control.

Simply put, menu engineering aims to optimise product range by analysing profitability and demand, thus defining which products should be offered. This is not simply about managerial decisions; all employees should take part in planning and executing the actions that follow the initial analysis.

*Article originally published in Finnish in "Vitriini" magazine of the Finnish Hospitality Association MaRa in 2014.*

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Elisa Aunola

# *Sales Management Extends to All Organisational Levels*

The weak economic situation has witnessed the hospitality industry struggle against diminishing profit margins. In many companies, attempts to heighten profitability have been made through increasing the role of service personnel in active sales work.

Active sales work or additional sales usually refer to a situation where a customer makes an unplanned purchase due to active efforts of customer service personnel. Even the slightest increase in the average check may translate into a sales peak. But such activities do not usually bring about a positive change in the long run.

## **Developing Sales Requires Change in Culture**

To achieve better sales figures by only focusing on service staff actions is insufficient. The whole organisation, including the top executives, has to seek new means of operation.

This demands the right kind of sales orientation from the management; an understanding of the firm's connection between sales and customer service. Active sales work based on understanding customer's needs is the best kind of customer service. Sales and profit making have to go hand in hand also amongst customer service staff.

Sales strategies have to be recreated to match the business concept. Often management also has to reconsider the sales processes as a whole. This requires the right kind of sales orientation.

Many experts conclude that developing the sales competences of the customer service staff deals primarily with developing individuals' thinking towards a sales orientation (see e.g. Ilmoniemi 2008). This development is supported by an organisational culture that genuinely appreciates sales. Strengthening sales orientation within an organisation is the foremost task of sales.



## Sales-oriented Customer Encounter Starts with Customer's Needs

In sales-oriented customer encounters the actions of service staff is built on the employee's expertise and ability to identify customer's needs. It is based on active

communication between staff and the customer. Knowing the customer's needs, the employee is able to find suitable products and explain the reasoning behind all product and service recommendations.



Figure 1. Framework for sales-oriented management in a restaurant.

A sales-oriented employee is able to generate a positive experience for the customer for example through a new culinary sensation or learning experience.

For instance, in the context of a table reservation, it is worth finding out why and with whom the customer is coming to a restaurant. If the reason is a celebration, champagne aperitifs can already be sold over the phone. Further, when a celebrating customer enters the restaurant, congratulations bring about a positive emotional response. Once a customer feels he/she receives special treatment, selling additional items becomes easier. In this way a sales-oriented style is an easy way to increase average sales per customer.

The customer is far too often forgotten in service development. Yet it is the customer who should form the basis on which the sales and marketing processes of a restaurant are designed. Thinking about the customer journey provides understanding of their behaviour prior to becoming actual customers in the restaurant table.

Indeed, it is worthwhile to step into the customers' shoes and figure out what else they need than food and a seat at the table. Comprehensive customer understanding provides an opportunity to clear the obstacles that might hinder their arrival at the restaurant, thus decreasing the number of reasons they might not become actual clients. A concrete example of addressing the needs of a couple with children might be a link to a babysitter service on the restaurant web site.

The starting point for every sales process should be the purchasing processes of each customer segment and the act of purchasing should be made as easy as possible. In addition, it has to be ensured that all processes help and support the service staff working eye to eye with the customers. The processes should enable interaction between the customer and the staff. In restaurants this often means developing cooperation between the kitchen and the floor staff, processing of customer information to ease the waiting staff's work, reshaping sales monitoring systems, and reassessing the contents of recruitment, training, and reward systems.

## Goals on Personal Level

Sales targets and measuring schemes should be documented and known by all employees. Unit-wide objectives are not enough; targets should be set on the individual level.

When all employees know their daily targets as well as the measuring schemes related to them, reaching the target becomes one's own matter. And when all employees meet their personal targets, the unit reaches its target as well. Each objective should be assigned to an individual and concrete actions to reach the target and a schedule should be written down. Naturally, the path towards the objectives should be monitored. Otherwise one might end up merely wondering why the set goals were never met.

## Core of Sales-oriented Business

1. understanding amongst top management/owners about the firm link between active sales and customer service (sales strategy included in business concept)
2. an organisational culture that values sales, actively sustained by top management
3. foremen who support sales and day-to-day leadership of individuals and teams
4. support functions contributing to sales increases

*Article is based on the project Myyntiorientoitunut asiakaskohtaaminen [Sales-oriented customer encounter] run at Haaga-Helia University of Applied Sciences by Timo Moilanen in 2012-13. The project aimed to create new knowledge regarding means of managing customer service staff to improve sales and customer experience in the restaurant industry*



***5. IN THE UNIFORM  
OF A HOSPITALITY  
PROFESSIONAL***

*The competitive advantage of the tourism, hotel, restaurant and experience fields, when compared to many other service fields, is in that the work locations and communities of our companies are more intriguing than those of many other static companies or centers. Work is done in international environments, in environments that are both physical and virtual. Consequently the managers need skills to manage multicultural teams. Multi-unit management skill is also a required.*

*What is also intriguing in our field is dynamism. New concepts arise and new entrepreneurs arrive on the scene. Innovation, courage and passion are needed. The work and tasks are flexible, emotionally gratifying, but physically demanding. One thing about the future is clear: service production and personal service tasks do not ever disappear, even though technology increases. People want hands, smiles and hospitality alongside the self-service culture.*

V.A. Heikkinen

## *Adieu to the Working Times*

*– The Competence of Tomorrow's Tourism, Hotel and Catering Field Supervisor*

A typical supervisor of the tourism, hotel, catering and experience fields is ideal for the employer: proficient in languages, energetic and flexible. The supervisor adapts into the hourly, daily, weekly and seasonal rhythms. He or she is constantly reacting to the ever-changing conditions: customer streams, busy and quiet moments, times of celebration, tardiness, sudden absences and sick days. The supervisor manages people and tasks altruistically, no matter how busy the situation, or even despite any struggles with savings programmes or financial and image problems that the company may have. He or she pushes on loyally, even though directors, projects, service personnel and trends come and go.

The loyal supervisor has put in countless unpaid hours and has long ago said adieu to the regular working

hours. Nevertheless, this is not always enough, if the pressure for results is unbearable. At these times there is a rapid turnover of supervisors, trainers and managers. For example, in airline companies, the continuous employee cooperation negotiations have become a concept. People actually speak of spring and autumn staff, because no one knows who will still be working after the summer and winter.

The supervisor often leads and directs part-time young adults who work part-time in variable conditions. He or she reacts promptly and is flexible, because exceptional situations arise on a daily basis. A service supervisor continuously works in high-pressure, demanding and hyperactive jobs, having to lead the ever-changing workload, designate the personnel, cover for absences and manage the units.

## The Many Roles of the Supervisor

The nature of the work of a supervisor is such that it can be likened to playing “poker” with different roles: the supervisor creates results and coordinates service and production processes. As a manager of middle level management, the supervisor provides spark for various issues, for the personnel, for sales. He or she plans, coordinates and train, and is a researcher, developer, designer, analyst, creator, therapist, promoter and coordinator.

A supervisor solves the problems of service employees and customers (even owners!) of different ages, with different cultural backgrounds, in various states of alertness. Delayed orders and/or customers, congestion in the morning and in the afternoon, lines and projects cause “fires.” Problems tend to multiply if they cannot be solved right away. The middle management is not able to deal with global fires (global economic and environmental problems and crises), whereas they are having a powerful affect on hotels and travel agencies.

The middle management may have numerous business development projects going on at the same time:

development projects related to customer acquisition, marketing, sales and online shopping. The supervisor must “boost” the staff in customer experience building and sales!

The supervisor operates, employs tactics and strategies whilst carrying out business battles and on-the-spot plans. Middle management adopts and develops processes in order to improve the productivity of work.



The supervisor optimises the work of the regular and part-time employees in compliance with the legislation, business, lay-offs, vacations and peak times.

A supervisor also recruits – from any labour bank or staffing agency, wherever a service professional can be found. The workforce is in a short supply during economic boom, but during economic downturns, competent workforce is available more readily. There is no place for individual and performance heroes, the so-called “samurais,” because results are achieved together.

The reputation of the employer, the dynamics of the work environment and the creativity are increasingly important factors in the recruitment and engagement of supervisors and service personnel. The salary is structured so that building a good work environment atmosphere is rewarded in addition to building profitable and productive business, good service production and the management of people.

As a recruiter and interviewer one has to understand that an individual employee is interested in working together with colleagues, creating ideas, developing

his or her own work and also partly influencing the decision-making. Nevertheless, the simple issues are usually the ones that affect the work motivation and the spirit. Service employees are not inspired by strategies, if the management, processes, work and the team do not function well or if the work environment and pay are shabby. When the work becomes more complicated, it also complicates personal concerns.

In the near future, environmental knowhow to reduce carbon emissions will increasingly be demanded from service supervisors. As a result, the supervisor must be knowledgeable about green tourism and eco-efficiency. The energy costs must come down!

The work of the supervisor in the fields of tourism, hotel, restaurant and experience can be seen to be many-layered and situation-specific. This is work that requires multi-talent. The problem, customer, company, concept, brand, event and situation do provide the solution to how to proceed in any given situation. Depending on the companies and concepts, the skills-sets that are needed are comprised of the following: management and development skills, technical know-

how related to production, language skills, sociocultural service skills and financial and mathematic skills. In general, the middle management should have business and professional finesse, especially when working at top-grade international destinations.

## Growing into a Leader

For the hospitality professional managing services, the companies in the tourism, hotel and catering field are an excellent school, because the domestic service landscapes rarely offer a chance for the managers to work in such a dynamic operational environment and culture. The growth from an employee to a manager and on to a service supervisor is measured by the ability to both survive and succeed in dynamic operational environments and cultures that are continuously changing. To promptly and unambiguously solve complex problems at varying levels is skill, even mastery. The supervisor learns to respond to change in situations quickly and learns to instantly change practices and habits.

The supervisor has a sense of relativity, because when working at his or her best, small and big issues are

dealt with simultaneously. The company leadership's project, plan and strategy map is plentiful. It includes crisis procedures and strategies for business (location), concepts, brands, products, service, sales, marketing, (service) technology, logistics, automation, personnel, quality, development, product development, innovation, rationalisation, environmental and communication issues. The demands for dedication and the pressures to deliver innovation are huge.

A fundamental pressure for change is business-related. An excellent business, or customer of today, can disappear overnight. Current excellent business location can be lost when the lease agreement expires. During renovation, the flow of customers can detour the premium location. One must always be aware of what is happening in the neighborhood block and what competitors are up to. Any type of upcoming development, renovation or construction plans must be identified. Risk analyses must be made together with the top management!

Together with the management team, a manager learns to forecast because he or she must constantly perceive the consequences of decision-making, instructions and projects. It is through these that the customer masses,



the personnel and thus, the revenue streams are influenced. However, the perspective is not relegated to, for instance, the year 2025, but it is in the forthcoming weeks and months. Nevertheless, something unexpected may happen even tomorrow – for example, a destruction of customer data when a “cloud” crashes in a cyberattack.

## How Does Supervisory Work Change?

The companies of the tourism, hotel and catering field criticise us teachers, saying that we do not teach our hospitality management students to count. There must be capital! The costs must be known before one can invest in spaces and people. One entrepreneur emphasises that the supervisor must be in the “front” of their troops. One must lead by example, network and represent, being visible for example on the covers of magazines! Another entrepreneur reiterates that the work of a guesthouse or restaurant is managed from the “back”, in other words, from the kitchen, back door and office. Service production must be run smoothly. It is the customer that should be in the limelight, not the

personnel. We are servants and maids who sense what the customer may perhaps want!

Whether in the front or in the back, the supervisor's work includes many segments of the profession that are changing fast. Yet, the core competence does not change. What is always needed are the skills of handling, guiding and serving people. In addition, hospitality and product knowledge are needed. One must also be able to keep the door opening!

The managers, foremen, supervisors, specialists, different service employees (safety professionals, cleaners, cooks, waiters, conference hosts and hostesses) and office personnel are certainly needed in the near future. Their responsibilities are to take care of service production, sales, communication and development.

New service occupations, fields of knowhow and tasks are generated as a result of new concepts and service production processes. A part of the service production is bought from outside: one must be able to purchase knowhow. For example some production, maintenance and monitoring work is automated and outsourced. New

responsibility areas are born, of which environmental monitoring is one. Creative and innovative jobs increase.

In general, sales and marketing work is going through digitalization. New, electronic service models are built online. *Service designers* are needed to plan and develop physical, visual and virtual services. The supervisor increasingly trains, instructs and guides virtually, via pictures, videos and net content. There is no time for long introductory training periods for work tasks.

New experience and event parks and spaces are created. *Service visualists* are needed. New service personnel in the shop worlds and restaurant, café, meeting and lounge environments include, for example, *service design manager*, *ambient manager* and *space designer*. The role of the *mood manager* is to support the service providers of the service production companies, especially the shop keepers and the restaurateurs. He or she helps in building multi-sensory spaces, sound and lighting atmosphere, as well as customer facilities. He or she also helps in improving customer comfort at, for example, tourism, service, culture and sports centers, stations and stadiums.

## Why Does the Hectic Tourism, Hotel and Experience Field Attract?

The competitive advantage of our profession, when compared to many other service industries, is that our companies, as work communities and a milieu, are more intriguing than many static companies or centres. The work is carried out in a multicultural physical and virtual environment. The number of foreign employees, (especially Asian services personnel), is growing. In the future, the supervisor will be expected to have the ability to manage both youth from the “Wild West,” always on the go, and compliant Asians. *Multi-unit management* skill is also needed.

The dynamic operational environment is both motivating and stressful. Consequently, the standards, leadership, (war) strategies, answers and decision-making must be clear. The hectic state calls for quick decisions, planning and project engineering as well as constant renewal, meaning that there isn't necessarily even time to see the results before one is already out.

The freshness and innovativeness of our field is fascinating as well. New service technologies, processes and work methods are adopted fast. Pioneering brands, operators and people want to make appearances. (Business) strategies are flexible and alive. Their running force is comprised of alliances, partnerships, vision and efficiency.

A versatile service company and destination (Helsinki Airport, for example) is also an educator in part: it is an educational institution that opens paths into a fast-paced working life and captivating world. It leads to diversity, global locality, ethicality, stress management, exercise and positive service concept.

By 2025, at least one thing will be certain: service production and personal service work will never end, even though technology would increase. People want personal service and hospitality despite the increase in self-service culture. We will proudly wear our stylish uniforms, with an aspiration to stand out from the crowd, all the while assisting them and standing by their side.

*Elisa Aunola and Timo Moilanen*

## *Sales Management Requires Multiple Skills and Qualities*

Managers designing and leading the daily activities of a service business hold key positions in actualising sales-oriented customer service. It falls under their responsibility to guide teams and individuals to the best possible results as regards both sales figures and customer experience.

It is a challenging task that becomes nearly impossible without the support of a sales-oriented organisational culture. Success demands skills to manage both individuals as well as processes. Managerial work aims to create teams that consist of motivated individuals who actively develop their own competencies and skills. The teams should be ones where all team members have their own roles as well as tasks that reflect each individual's expertise and skills and that provide challenges that motivate the people further.

Where sales are concerned, the essential parts of daily managerial work include supporting the employees in independent decision-making as well as planning, guidance, and providing feedback. Supervisors need to be able to support their staff. It is their most important job.

A very essential detail in restaurant manager's managing and developing sales is their own attitude: are actions guided by a fear of failure or desire to succeed and thrive; do they have courage to lead employees from the front without prejudice; do they have the courage to try new means to develop operations in the different phases of the sales process.



## What Is a Sales-oriented Restaurant Manager Like?

Managing successful sales work requires the ability to make profit. The manager has to be familiar with the

key indicators of the restaurant business and be able to utilise them in guiding operations. He must also have the courage to make independent decisions and to analyse operations. The ability to prioritise is essential. Because it is impossible to do everything, the manager

has to quickly assess what is essential what can be left undone. And the things that are acted upon must be completed.

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The manager must master the sales process and be familiar with the purchasing processes of the customers. Their attitude and desire to create sales and results motivate the employees to create results as well. A motivating means of managing enables teams and individuals to do their best to reach desired goals. The manager has to be able to give and receive feedback and to communicate understandably at all

organisational levels. They also have to be an active communicator who encourages employees to take part in interactive discourse.

The manager has to be committed to a long and sometimes tough process that “never ends.” They also have to be able to use various indicators in developing sales. The managers’ own success is best measured by the success of the teams and their members.

Passion for the restaurant business and one’s own work are absolutely essential. A desire to develop the field and oneself and continuous learning keep the manager motivated, which is reflected on the employees, i.e. the people who make sales happen.

*Article is based on the project Myyntiorientoitunut asiakaskohtaaminen [Sales-oriented customer encounter] run at Haaga-Helia University of Applied Sciences by Timo Moilanen in 2012-13. The project aimed to create new knowledge regarding means of managing customer service staff to improve sales and customer experience in the restaurant industry.*

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Juuso Kokko

# *Entrepreneurship as Career Choice*

Many of us have a dream of launching our own restaurant. Many sports and rock stars have established their own restaurants. It is no wonder that interest in starting a new restaurant or café has increased. Many imagine running a restaurant/café to be an effortless and leisurely activity and the launching of one to be simple and quick. The truth, however, is completely different.

Starting a café or a restaurant is subject to authorisation and licensing in most countries, Finland included. Usually licenses are controlled by a number of authorities. In addition, the business is also rather risky. The average net income in the field in Finland was approximately 1-2 % of revenue in 2010. The hospitality industry saw 211 companies enter bankruptcy the same year. The reasons for the low profitability and

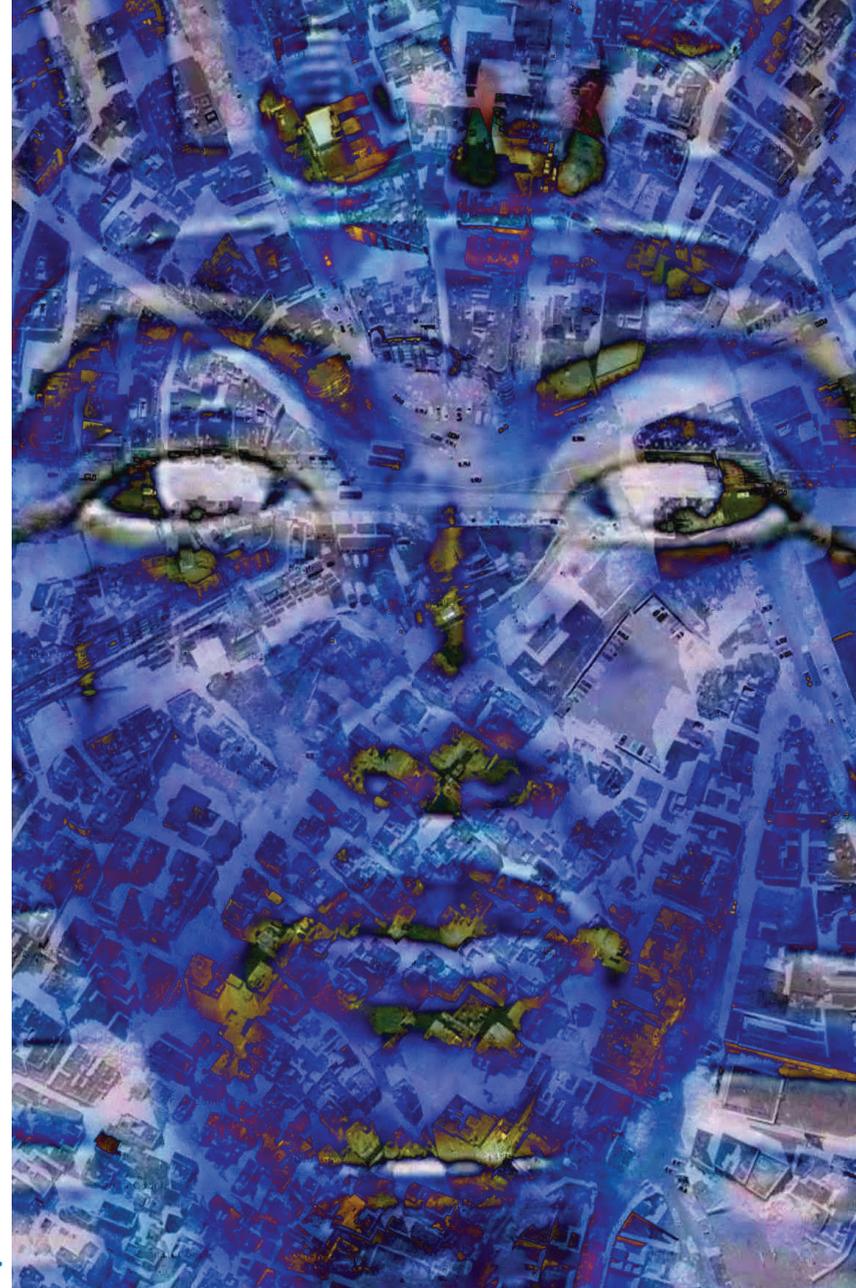
the challenges of launching new companies are many. They include large initial investments, tight regulation, extensive bureaucracy, and entrepreneurs' unrealistic assumptions regarding the profitability of their business.

## **Planning of Business Operations Is Essential**

The most essential phase in launching a new business is the development and testing of one's own business plan – unless the idea is to invest in buying an existing café or restaurant without altering its business concept. The business idea should be written down in order to clarify the picture and to be able to test it amongst potential customers, colleagues, and potential financiers.

Planning operations in advance is of paramount importance as approximately half of European entrepreneurs enter insolvency or close operations in the first operating years. The largest reasons for failures include overblown expectations and lack of systematic approaches. This is why testing one's business idea prior to starting business operations is advisable.

Once the business idea is clear, it is worth considering whether to buy an existing restaurant or to launch a new company at vacant premises, which requires renovations dictated in part by authorities. The latter option requires a lot more work, is often more expensive, and includes risks in regard to licences from the authorities. Purchasing existing business operations and subsequent change of business idea is often the lighter option of the two, but the buyer often ends up with paying for futile "value" – as the new owner is surely renovating the premises to match the new business idea. This translates into the entrepreneur paying too much for the premises.



## Choice of Location a Key to Success

Location is one of the essentials in the restaurant and café business. Attempts to find the best possible location should be made as soon as the business idea is clear. The choice of location is affected by numerous issues, the most essential of which are:

- Availability
- Size of premises in relation to business idea
- Location in relation to business idea
- Rental costs in relation to financial liquidity
- Facilities – kitchen, terrace vs business idea

Before finalising the purchase or signing a rental agreement it is important to find out and ensure that authorities grant all necessary licenses to operate according to the business plan.

Prior to renting a place (in Finland), negotiations should be conducted with at least the following authorities:

- Building Control – licences and authorisations regarding renovations and construction of premises for sales of foodstuffs
- Regional State Administrative Agency – liquor license and authorisations regarding opening hours
- Finnish Environment Institute – as regards customer seats, food preparation, hygiene, and potential noise impacts
- Safety authorities – fire safety issues

Once a location is found and all licences are sorted, the next step is to sign a lease.

While signing a lease, the most essential things to keep in mind are:

- Duration of the lease – temporary or open-ended
- Rent due (fixed, tied to revenue or a mixture of both)
- Limitations – in reference to business idea, opening hours, construction, renovations, etc.

## Founding a company requires paper work

Choosing the company form needs to be decided early in the founding process. Company forms include, for example, sole proprietor, general partnership, limited partnership, and limited liability company. Range of operations and questions of responsibility decide which company form is suitable for the given situation. One should keep in mind that founding a company brings about specific responsibilities that alter between company forms.

After the company has been founded, numerous safety plans and self-monitoring plans as well as liquor licence supervision and monitoring reports have to be filed. In addition, there is a multitude of deals to be signed in the name of the company, ranging from electricity contracts to supplier deals.

A key part of launching a restaurant is ensuring required funding. This is of great interest to suppliers, landlords, and employed renovation companies alike. The relatively undeveloped Finnish finance markets hardly offer any other means of financing for restaurants besides bank loans or personal savings. Bank loans require real securities, usually in form of the entrepreneurs' private property. This increases the risks related to the business to a great extent.

It is wise to bear in mind that contemporary Finnish license practices are partly based on social policy, which makes the whole system somewhat rigid. If easing entrepreneurship in the hospitality industry were encouraged and made easier, the regulators should concentrate on reducing bureaucratic burden and to replace extensive supervision and control activities with efforts to solve black market problems.

*Article originally published in Finnish in Aromi magazine in 2011.*

V.A. Heikkinen

# *The Hospitality Professional At Work*

Stylish hotel and restaurant managers (hotel director, headwaiter, restaurant supervisor, hotel hostess), marketing, human resource and sales department workers, receptionists, concierge service personnel, butlers dressed in black and white, waitresses and kitchen helpers, white-jacketed kitchen staff (for example chefs, kitchen administrators and helpers, dish washers, trainees), real-estate, garden, floor and storage caretakers. All are service personnel who believe in top service, and in international hotel brands and careers. With streamlined expressions and mannerisms, in good posture, they welcome customers to four and five star hotels.

Our tourism centers in Lapland during the winter: restaurateurs, hosts and hostesses of guesthouses and

cabin villages, reindeer farmers, entrepreneurs, shopkeepers, hotel, restaurants and bar staff, safari and nature guides, ski centre workers, real-estate caretakers, medical center staff. But what do we find outside of the season? It's all...empty, empty empty! Why?

At the food courts of shopping malls: busy entrepreneurs, restaurant and shift managers, unit supervisors, service managers, waitresses and cooks, café and kiosk managers. Many work simultaneously in many units. In the floors comprised of brands and concepts: shopkeepers, sales personnel, cashiers, visualists, shelf administrators, cleaners, guards. Account, beauty, concept, design, marketing, sales and wellness managers.

At the airport: a stylish entourage of flight attendants and captains, flight and travel officers, efficient salesmen, survey takers, lounge hosts and hostesses, cool-hunters, border and passport control personnel, police, guards, planners, announcers, car renters, chauffeurs, travel agency workers, guides, cleaning personnel, cabbies...

In a micro-company: a hard-working entrepreneur complete with life partner and family, children and a few workers. Everyone does everything – laughing, crying and cursing together. All one family!



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This book enables readers to understand the changes in the operational environment of the hospitality industry at large. The articles in this book describe customer and consumption behaviour, discuss new services as well as consumption and travel trends, and provide insights into the development and management of business competences and know-how.

The material depicts the future of the hospitality industry as an increasingly versatile and diverse field and casts light on its characteristics and changing competence requirements. One has to understand the rules and principles of sales and customer service in order to develop sales results and business.

This opus explicates the captivating nature of the field. How do new concepts take hold and how new entrepreneurship is born. The hospitality industry requires passion, courage, and innovativeness. Jobs and tasks are constantly changing and intellectually rewarding.

This book reaffirms confidence in the continuity of service production and person-to-person service tasks, no matter the degree of technological advancement. Customers demand skilled helping hands, smiles, and true hospitality in a world that increasingly relies on self service. Further, running a successful hospitality business requires skilful and proficient leadership.