Effective management of EFL (Executive Floor): An Investigation into quality-management on service

Keon-Wuk Kim

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EFFECTIVE MANAGEMENT OF EFL (EXECUTIVE FLOOR):
AN INVESTIGATION INTO QUALITY-MANAGEMENT ON SERVICE

by

Keon-Wuk Kim

A thesis submitted to the Faculty of the School of Food, Hotel and Travel Management at Rochester Institute of Technology in partial fulfillment of the requirements for the degree of Master of Science

July 1999
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Title of Research: **Effective Management of EFL (Executive Floor):**
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An Investigation into Quality-Management on Executive Service

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Abstract

In a recent days the hotel industries, coping with the change of management environment swiftly, are turning to pursue the quality-management of service. The merchandises of hotel are fundamentally rooms, food and beverage, and subsidiary facilities. The hotel in modern times, laying stress on service radically, have being endeavored to minimize the difference between the actual service offered and the expectation of customers on it. Especially because of the essential qualities in hotel, the need of quality-management is demanded to increase.

The EFL in hotel is not only the place where the difficulty of producing the merchandise focused on quality is reflected but also the department in which the endeavor of keeping up the service quality and the effective quality-management is demanded.

The study on the quality-management, however, is not enough to satisfy the customers and the men engaging in hotels as well as the scholars.

The purpose of this study are follows;

1. To disclose the signification of EFL in hotel management through the investigation into the conception, the importance and the character of EFL.

2. To know how to control the human resources to realize the improvement the quality service for customers and the quality-management of EFL in hotel.

3. To search the management and problem of EFL in hotel.

Therefore, this study is being concentrating on the effective management of EFL and quality service to visualize the long-term profit in hotel business.
Recently the environment around the hotel business is rapidly changing, especially in EFL market plan, and so the quality-management of EFL in hotel is regarded as the strategic enterprise to achieve the abiding improvement and development in hotel industries.

Thus, the alternative proposal of EFL in hotel is as follows;

First, the EFL in hotel must be focused on offering the individual and differentiated service to induce the positive direction in perceived benefit of the customers psychologically.

Second, the EFL in hotel should be aimed to maximize the VAT of hotel in a long-term rather than the statistical profit in a provisional period.

Third, to succeed in improving EFL business, it should be necessary for the men engaging in hotel to take the special education, specially in quality service, for the proper education is essential to satisfy the customer’s expectation.

Fourth, to satisfy EFL, it is very important for all men engaging in hotel to accept the conception of EFL at the unified mind, it is becoming the center of hotel business.

Furthermore, the competition in hotel business is focused not only on quantification but also on qualification. I hope that the various studies on the theme will be continued to develop the hotel industries, focusing on customer’s satisfaction.
Acknowledgement

I would like to thank Dr. Marecki for his guidance through the duration of my study. I would also like to thank the faculty and staff at the school of Food, Hotel and Travel Management for the assistance and kindness they have given me throughout my study at RIT.
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Chapter 1 INTRODUCTION

Background

In a recent days the hotel industries, coping with the change of management environment swiftly, are turning to pursue the quality-management of service. Hotels are trying to realize making sales profit through the quality-management on entire system – rooms, subsidiary facilities, etc.

Because of its basic of management that focusing on service, it is needed to minimize the gap between customer’s expectation and the service actually offered. However, service quality management in the past was rather impromptu way, so realizing the quality-management by organizing this system is the task of the hotel industry. Indeed, because of the peculiarity of the EFL, the necessity of service quality management is much higher.

Service quality management requires more work than visible product because it is hard to be measured (Producing & consuming occur at same time). In the other hand, this peculiarity makes service quality management to be much needed. Quality management of hotel product makes higher value-added through the satisfaction of the customers.

In managerial strategic aspect, EFL has much importance than the other part. EFL customers are not only re-visit customers but also people who care more of service than the price, so quality management of EFL can contribute as a long-term profit resource.
For effective quality management of EFL, it is important how to manage human resource.

There are some tasks can be presented for EFL’s quality management strategy;

1. Understanding of primary factor of EFL quality management. Service quality is determined by customers, employees, and products interacting. To make this harmonious, the understanding of the primary factor must be done in advance.
2. Human resource management must be improved.
3. New quality management program must be invented.

**Problem Statement**

Hotel industry’s environment is changing fast, and hotels must correspond quickly by pursuing service quality management. The purpose of this study is to know 1) factors that are must considered at providing service, 2) a better strategy in managing EFL that helps EFL to be more effective long term high-benefit resource.

**Purpose**

EFL can be a resource that makes high profit. The purpose of this study is to present a long-term profit realization by focusing on effective quality management of EFL.

To achieve this, there are 4 tasks to be done in this study.
1. To look close the signification of EFL by inspecting a concept, importance, peculiarity.

2. To study ‘How to manage’ human resource and suggest a solution.

3. To study managerial problem at EFL.

4. To study effective quality management plan of EFL.

**Limitation**

To understand the whole of EFL’s quality management, examination on every hotel where has EFL would be desirable, but this time I focused on first class hotel in Seoul, Korea.

Chapter 1 includes purpose, method, and scope of the problem.

Chapter 2 includes the theory of EFL quality management.

Chapter 3 includes an improvement plan.

And, chapter 4 includes summary & conclusion.

**Outline**

In chapter 1 & 2, I focused on documentary study. In chapter 3 & 4, I analyzed the situation of the hotel, interviewed supervisor and did case study.
The meaning of EFL is rather special floor for business customer than the other normal floor in hotel.

EFL, so called ‘VIP floor’, ‘Business floor’, ‘A small hotel within a hotel’, is designed to offer a better service for business customer. To fulfill this purpose, more care of design of room, arrangement, service, management are needed.

EFL, based on this concept, is independently and specially cared, and differentiates its service product to be fit business customer’s need. So to speak, EFL 1) is designed for business customer, 2) function as a small hotel within a hotel, 3) offers special services that customer need. Compare to pleasure-travelers, business customers do not care of the price but service. This point makes a marketing that focused on business customer more important. As noticing this importance, each hotel operates EFL to keep up trends, and in the future, it is expected that EFL will be preferred. For instance, occupancy rate of EFL is higher that normal floor at one of the hotels in US even though room charge of EFL was $120 while the normal one was $70. Customers who choose EFL tend not to care of the price only if it is fit to operate business and its service is fast & accurate.

EFL’s basic managerial principles are

1. More personalized, differentiated service.
2. Invent, insure the convenient facilities.
3. Focus on long-term profit.
4. Consider contribution to hotel's image-up.

On the other hand, EFL is to make customers feel like VIP by offering top class service. EFL can make customer satisfied mentally by making them think they are (among the) VIP and physically by offering them a maximized comfort as 'Home away from home'. So to speak, EFL is a group of rooms that offers complete service so that customers do not need any service from outside of the hotel.

**Peculiarity at Managing EFL**

There are two big groups of hotel market, business traveler and pleasure traveler. The reason EFL has importance is its target market is business traveler. Enticing business customer can make more money, ensure long-term customer, and ensure re-visit customer. And also, EFL can contribute to diversity and superiority of the hotel.

Marketing in the hotel industry is different from other industry. Hotel must not just sell a product but also total service. Hotel sells the environment and experience from reservation to check out. So service is very important to the image of the hotel, and remained longer in customer's mind than material product. Ritz, France, shows directly how important customers are by saying, “Guest is always right”

EFL management system should be consist of a bundle of utility to maximize customer satisfaction. The marketing supervisor must be able to put together these utilities effectively. One of the roles of hotel marketing is making up the image of hotel; the image should be strong and authentic. This means the type of service is closely related to the image factor.
Hotel industry depends on human resources a lot, and also a hotel’s image depends on employees’ quality and effort. Especially, EFL deals with ‘High-class’ customers, so the influence to the hotel’s image is higher.

In terms of subsidiary service, EFL must offer a specialized service. Here is a series of examples. A customer arrives at the airport is greeted by the employee. He can use free limo/shuttle bus to the hotel. Instead of going to front desk, he goes to exclusive lounge at EFL where he can check in/out more quickly and conveniently. If he asks to extend the time he checks out, he can. At the EFL lounge, there are skillful employees – so called, floor supervisors – to support the customers by doing secretary role, for example, reservation of air ticket/rent car, information for shopping/travel, fax, phone message, etc. EFL lounge has 20-40 seats, international/domestic newspaper. Customer can have breakfast, drinks, cocktail for free without going to restaurant.

The number of women business travelers is increasing recently, EFL must appeal to them also. Westin Chosun Hotel’s (Seoul, Korea) ‘Female Program’ can be a good example.

**Peculiarity of EFL Customer**

1) Peculiarity of EFL customer

About 90% of EFL customers are composed of FIT who have different peculiarity, so EFL customers and FIT should be differentiated.

Most EFL customers prefer the room that is convenient for their business operation, and this is the reason they chose EFL. They tend to be sensitive to service than price.
2) Peculiarity of FIT customer

Hotel market can be divided into two big categories. FIT and group. Group travelers’ occupancy rate of EFL is not that high, so FIT is more important target of hotel.

FIT is divided into two, pleasure traveler and business traveler. Business traveler’s importance is higher. Their standard to choose hotel is not a price but a quality of service. They expect to be treated as VIP, and hotel should follow that expectation.

3) Relationship between EFL & FIT

Up to now, hotel’s marketing has focused on group traveler through the travel agency. However, compare to FIT and group recently, 66.7% at 1994, 65.6% at 1995, 63.4% at 1996 of entire customers were FIT. Besides that, room charge paid by FIT was much higher than group’s, and the percentage of using subsidiary facility of FIT is higher.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of the customers</th>
<th>The number of the customers</th>
<th>Percentage</th>
<th>The number of the customers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>1,426,045</td>
<td>903,596</td>
<td>63.40%</td>
<td>522,449</td>
<td>36.60%</td>
</tr>
<tr>
<td>1989</td>
<td>1,659,972</td>
<td>1,069,233</td>
<td>64.40%</td>
<td>590,739</td>
<td>35.60%</td>
</tr>
<tr>
<td>1990</td>
<td>1,874,501</td>
<td>1,250,163</td>
<td>66.70%</td>
<td>624,338</td>
<td>33.30%</td>
</tr>
<tr>
<td>1991</td>
<td>2,340,462</td>
<td>1,608,888</td>
<td>68.70%</td>
<td>731,574</td>
<td>31.30%</td>
</tr>
<tr>
<td>1992</td>
<td>2,728,054</td>
<td>1,823,986</td>
<td>66.90%</td>
<td>904,068</td>
<td>33.10%</td>
</tr>
<tr>
<td>1993</td>
<td>2,958,839</td>
<td>1,914,293</td>
<td>64.70%</td>
<td>1,044,546</td>
<td>35.30%</td>
</tr>
<tr>
<td>1994</td>
<td>3,196,340</td>
<td>2,132,664</td>
<td>66.70%</td>
<td>1,063,676</td>
<td>33.30%</td>
</tr>
<tr>
<td>1995</td>
<td>3,231,081</td>
<td>2,120,207</td>
<td>65.60%</td>
<td>1,110,874</td>
<td>34.40%</td>
</tr>
<tr>
<td>1996</td>
<td>3,331,226</td>
<td>2,110,876</td>
<td>63.40%</td>
<td>1,220,350</td>
<td>36.60%</td>
</tr>
<tr>
<td>1997</td>
<td>3,580,024</td>
<td>2,308,024</td>
<td>64.50%</td>
<td>1,272,000</td>
<td>35.50%</td>
</tr>
</tbody>
</table>

Table 1. The number of disembarkation status
(From Korean Tour Department, 1988-1997)
1. About 65% of international visitor to Korea were FIT during recent few years.

2. While group usually makes future payment, FIT makes direct pay when checks out.

3. Average room charge of FIT is higher than group’s and also the length of stay is longer.

Here is an example,

R hotel (Seoul, Korea)

<table>
<thead>
<tr>
<th>Year</th>
<th>FIT</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>W 108,406</td>
<td>W 66,408</td>
</tr>
<tr>
<td>1996</td>
<td>W 113,533</td>
<td>W 78,599</td>
</tr>
<tr>
<td>1997</td>
<td>W 122,035</td>
<td>W 83,200</td>
</tr>
</tbody>
</table>

FIT has high re-visit rate, they are called RG (Repeat Guest). The one thing that group is better is an easiness to approach.

For effective marketing, understanding the peculiarity of the customer group makes analyzing the need of customer easy. Here are some.

1. Most FIT is professional of their field and has picky taste of hotel. They expect the service they are used to rather than the new one. This tells that FIT tends to be loyal to the hotel they chose.

2. The tightness of their accommodation makes them think ‘Time is money’, so fast and accurate service that help them to save time is the basic factor. EFL management depends on the realization of fast and accurate service.

3. Usually, FIT is tired of being through the business. They need comfort to relax and consolidate their mind.

Once, magazine ‘Hotels’ had a survey to Global Hoteliers Club with ‘What do business traveler want?’. The results are followings.

1. Business center, fax, copy type, secretary service
2. Early morning room service before 7 AM
3. Domestic/international newspaper
4. Computer hook-up in the room
5. Convenience goods – mini bar, hair dryer, shoe polisher, etc.
6. Cocktail reception
7. Meeting room
8. Express check in/out
9. Limo service between the hotel and airport
10. Fitness center

These result are almost being done by most EFL, it shows the hotel’s endeavor to catch up with customers’ needs.

EFL is designed to offer an exclusive service to meet customers’ various needs. The receptionists are resident employees at EFL. They face customers directly and serve from check in to check out. Like above, EFL’s special services make room charge about 20% higher than the normal one.

Here are some additional services.

1. Lounge: EFL’s special feature is lounge. It prepares breakfast, cocktail, cookie, coffee, etc. and let customers use freely. It can be used as either ‘chat room’ or ‘resting place’.

1-1. Breakfast: Customers usually use restaurant to have breakfast. At the time of ‘Rush hour’, 100% service might not be available. However, EFL offers breakfast to the customers for their comfort & convenience.
1-2. Various magazines, newspaper: EFL lets customers read up-to-date information. Besides that, some hotels have library so that customers borrow business-related books.

2. Meeting room: This kind of room usually has 10-15 seats, O.H.P, white board, etc. and let customers have business meeting. Reservation required to use.

3. Receptionist/G.R.O (Guest Relations Officer)/Concierge Attendant: Receptionists supervise every EFL operations, play great role to justify a high room charge. Their functions can be divided into two, secretary function and customer managing function.

3-1. Secretary function

- Reservation, confirmation, change of schedule, cancellation, giving information of shopping, traveling, etc.
- Fax, telex, copy, translation, connection with business center
- Control the schedule of meeting room
- Prepare background music

3-2. Customer managing function

- Know customers' name, taste, peculiarity
- Receive complaint and prevent from happening again
- Make history file of customers
- Send congratulation card on customers' anniversary, or offer cake, flower, Champaign, etc. while they are staying at hotel
- Send thank you card on New year's day
4. Express check in/out: At the moment of arrival, the customer will be guided to EFL floor without going to front desk. In case of revisiting, hotel uses guest history file and let customer in just by signing.

To follow recent trend, customers want simple procedure. Some of major chain hotels already have ‘simple procedure’. For example, Marriot guide customer to special rack where customer’s card/key is ready. Hyatt has telephone check in system or in-shuttle bus check in.

Check out also can be done at EFL lounge where computer monitor and credit card reader is.

5. Extension of check out time: Check out time, usually, is 12:00 PM, but hotels let EFL customers stay longer. EFL check out time is 3:00-5:00 PM. While this is done commonly, some hotels have their own special service. H hotel (Seoul, Korea) has exclusive elevator that has a lock function (only EFL customers can use by using their room key). W hotel (Seoul, Korea) has a special concept for EFL, which is ‘EFL has to be put among the high floor’. Some hotels use a whole building as EFL. And some offer free/discount coupons for fitness club exclusive for EFL customers. Generally these services receive favorable comments.

**History of EFL**

1) Development of EFL
To meet fast-changing environment and various customers’ needs, hotels are making each and every part fractionized and high quality. Especially room part, they are trying to serve effectively so that business customers can be satisfied and loyal, because they noticed that business customers became major target market. EFL that is designed for business customers is being improved, getting bigger and high quality.

Regency Club at Hyatt Seoul was the first hotel with EFL at 1978 in Korea. After that, Hilton at 1983, Shinla at 1985. Due to 88’ Olympics, major hotels stopped expanding but started to change one or more floors into EFL. Now 1999, every five-flower-grade (It is a Korean way to grade, from 1 to 5 flowers) hotels has EFL, and some of four-flower-grade hotels.

EFL showed growth but not smoothly. Most hotel have EFL just because the others have, and there were not enough research before they have EFL. As a result, there are lots of problems, for example, a scale up and down of EFL is being done without long term plan, and some of hotels use EFL as a normal floor to overcome momentary financial difficulty. In spite of these problems, hotels that know the importance of EFL are trying to improve service and invent the new service.

2) Background

C. D. Coffman said that hotel should catch up with customers’ new needs, and hotel should have a proper marketing strategy to do that. Marketing of hotel means understanding exactly what the customers want and satisfying them. In reality, satisfying
all customers is impossible, so the fractionization of service based on the level of the
customer group is devised.

FIT has a great influence and is stable income resource, so hotel must have
product/service that makes the target market satisfied. In short, the new service, which is
not public, formal one, but private, professional one is needed.

Quality Management Theory

It is hard to determine the limitation of meaning of the word ‘quality’ because it is being
used in various ways. ‘Quality’ was originated from Latin ‘qualitas, qualis’, it means
‘special characteristic of a product/thing’. So far, quality has been used in industrial
products. But in service field, it can be used as ‘service quality’. Because of its essential
qualities, it is hard to make a flawless service. And usually, the concept of quality is said
with unclear word-goodness, luxury, and etc.-by customers. These kinds of definitions
can be integrated by four approaches. 1. Transcendent definition. 2. Product-based
definition. 3. User-based definition. 4. Manufacturing-based definition. A different
definition of ‘quality’ is defined focusing on suitability, customers’ satisfaction degree,
flexibility of price, worth of use, etc.

Gronroos divided service quality into technical quality, functional quality. While
technical quality counts the fact that customer is served as quality, functional quality
counts how to serve and how to be served. At this point of view, it can be said that
technical quality has objective characteristic and functional quality has subjective.
Juran divided service quality into five (internal quality, hardware quality, software quality, time promptness, and psychological quality) by effectiveness and influence to customers. And he emphasis quality management with these following characteristics.

1. Internal quality: Invisible internal quality of service product
2. Hardware quality: Customer can feel directly through consuming
3. Software quality: Visible, distinguishable
4. Time promptness: Time flow of service under limited condition
5. Psychological quality: Mental satisfaction through consuming

And, Lehinen approached to service quality by two ways, process quality, output quality.

Process quality, which is rather a series of consumption process than completion. In this process, quality is determined by customers’ valuation. Output quality is a quality that is determined after consumption by customers’ valuation.

Like above, service quality can be categorized by subjective VS objective, process VS result, expectation VS fulfillment. In spite of these categorization, service quality is still hard to measure/evaluate. At last, measurement and evaluation of service quality is the gap between customers’ expectation and performed service.

**Importance of Quality Management**

The quality management of EFL makes revisit customer through maximization of customer satisfaction, eventually benefit maximized. EFL is regarded as important factor at the aspect of managerial strategy.
To survive in the service industry, it is required to 1. Understand customers’ need. 2. Differentiate market positioning. 3. Respond quickly to customers’ need.

Elevating the level of customer satisfaction is followed by some advantages, which are

1. Improvement of quality & design of the product
2. Smoothness of the process
3. Elevation of employees’ morale & awareness to quality
4. Elevation of marketplace acceptance
5. Decrease of operational expenses & loss.

The whole managerial process should focus on quality so that the business has long-term growth. So quality management should be like this system.

Comparing service quality and product quality reveals,

1. Service quality does not have material characteristic
2. Service quality cannot be done same, once it is performed
3. Service quality level is determined mostly by human relationship.

In service product, like hotel, the importance of quality is high. More importantly ‘what is called’ must be considered. So to speak, meeting ‘what customer wants’ is a service quality management.

In service industry quality has both-functional quality, mental quality- sides. Functional quality means ‘role’, mental quality means ‘sincerity’. When these two are combined harmoniously, service quality can be realized.
The question ‘What is creating service quality’ is important at the aspect of management strategy. Berry, Zeithaml, Parasurman said, ‘Customers use similar standard when they evaluate quality no matter what type of the service is’ They defined 10 factors-reliability, respond, ability, approach, courtesy, communication, sincerity, stability, understanding, concreteness-as service quality determinants.

Zimmerman defined appropriateness, maintenance, timeliness, satisfaction, and pre-set specification as service quality determinants. Martin divided service quality determinants into 1. Procedure service. 2. Personal service. He suggested standards to evaluate procedure service, which are reception, anticipation, timeliness, task procedure, idea delivery, revisiting customer, supervision, and to evaluate personal service, he suggested attitude, paying attention, tone of the voice, body language, sense of humor, naming name, guiding, suggestive selling, and solving problem.

Quality management activity in service industry is composed of 3 levels, planning, operation, and confirmation.

At the planning stage,

1. As a development stage of service quality, they are to I) understand service quality that customer wants. It depends on the level of the target market. II) understand current trend and movement of the market

2. Analyze the service to guarantee requested quality

3. Clarify service strategy

4. Research for elevating the level of service quality
5. Develop new technology for elevating the level of service quality
6. Confirm operational functioning
7. Make customer complaint handling team
8. Set the goal in terms of service quality
9. Train employees with service quality management program.

At the operational stage, they start to sell the service fit to customers’ needs. At the confirmation stage, analyzing, evaluating, surveying, gathering complaints from customers, feedback, etc. are done.

**Total Quality Control of EFL**

Total quality control is an effective system for integrating the quality development, quality maintenance, and quality improvement efforts of the various groups in an organization so as to enable marketing, engineering, production, and service at the most economical levels that allow for full customer satisfaction. Total quality control, at first, is based on the leader’s belief, pursuing long term customer satisfaction, and integrate all resources of the organization to elevate the level of customer satisfaction be offering better products and service.

Total quality control brings the improvement at quality and reliability. It also brings the decrease of expenses. So total quality control enables EFL to maintain the superiority of service quality, and even improve the occupancy rate at the market. Total quality control can be performed effectively under the condition that every individuals of the organization must participate positively.
Effective human relation is basic to quality control. A major feature of this activity is its positive effect in building up employee responsibility for, and interest in, product quality. In the final analysis, it is a pair of human hands that performs the important operations affect product quality. It is of utmost importance to be successful quality control work that these hands be guided in a skilled, conscientious, and quality minded fashion.

**Quality Control Model**

The quality management of EFL realizes customer satisfaction by reflecting customers’ need. To make this effective, quality control model is to be established. Quality control model of EFL functions not only as a form of mechanism but also as a tool to measure customer satisfaction.

Quality control model is a simplified framework to express internal/external factors related to quality management system totally and systematically. EFL is related to many internal/external factors, all these factors should be analyzed. EFL should be managed with the result.

Christian Gronroos suggested quality model at customers’ point of view, he set total quality as the integration of corporate image, technical quality, functional quality in the quality model. So to speak, total quality can be evaluated with corporate image, technical quality, and functional quality. And if these factors are balanced, the quality is higher, he said. EFL’s quality management can be evaluated this way, in spite of hotel’s service products have difficulties to be measured, because EFL has special type of service.
And Parasuman, Zeithaml, and Berry presented quality management model focused on management through the interviews with focus group and manager. Customers’ scoring for EFL depends on the gaps between customers’ expectation and performed service.

There are several mixtures of factors to raise the gap. Those gaps are between:

1. Customers’ expectation and manager’s perception
2. Manager’s perception and service quality factors
3. Service quality factors and performed service
4. Service expected and service perceived.

At last, gaps are categorized into customers’ side and manager’s side. The gaps of customers’ side are occurred by the gap between customers’ expectation that based on their personal need, past experience, etc. and customers’ perception of the service that they received. Manager’s are occurred by contact at the service delivery, self-inspection & specification of service quality, manager’s perception of the customers’ expectation, etc. While customers’ side cannot be controlled by the manager, manager can minimize the gap between customers’ expectation and his perception by quality focused management.

And they also presented ‘Expanded service evaluation model’ that includes lately affecting factors and methods to minimize gap of manager’s side. In this expanded model, they focused on ‘Front line employee management’, ‘Controlling & communicating between manager and front line employee’, etc.
Chapter 3 METHODOLOGY & ANALYSIS OF THE DATA

EFL Status in Seoul, Korea

The first EFL in Korea was at Hyatt Regency Seoul. In 1980, they opened ‘Regency Club’-The name of the EFL-, which is composed of three floors. Next, Hilton hotel made three floors as EFL, and now they have four floors. And hotel Shilla opened EFL in May, 1985, Lotte hotel at March, 1987, Seoul Garden hotel, Chosun, Renaissance, etc.

Once customers have stayed at EFL, usually they would stay at EFL again. Because EFL is designed to fit business customers’ need. Or even if the customer is non-business traveler, he will feel like to be a VIP.

<table>
<thead>
<tr>
<th>Service</th>
<th>LT</th>
<th>SL</th>
<th>HY</th>
<th>HT</th>
<th>RS</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Yugata Service</td>
<td>Available</td>
<td>Avail.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Fruit Dish</td>
<td>Once in 2 Days</td>
<td>24 Hr.</td>
<td>24 Hr.</td>
<td>Once in 2 Days. Champaign for Women customers</td>
<td>24 Hr. at Lounge</td>
</tr>
<tr>
<td>Flower</td>
<td>Available</td>
<td>Avail.</td>
<td>Only at Executive Floor Suite</td>
<td>Avail.</td>
<td>Avail.</td>
</tr>
<tr>
<td>Meeting Room</td>
<td>2 Hr. Free</td>
<td>2 Hr. Free. Six Floors have each</td>
<td>Two Floors have each</td>
<td>Offer Board Room</td>
<td>2 Hr. Free</td>
</tr>
<tr>
<td>Giveaway Item</td>
<td>Case by Case</td>
<td>Souvenir</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Etc.</td>
<td>Shirt Laundry Free (Once). Suit Pressing Free (Once)</td>
<td>Free Limousine Service</td>
<td>Exclusive Elevator</td>
<td>Late Check Out (17:00)</td>
<td>Late Check Out. KAL Limo Ticket per Person</td>
</tr>
</tbody>
</table>

Table 2. Executive Floor Status
EFL service can be a very important factor in customers’ recognition of hotel. Because hotel’s products are mostly composed of services, the service can effect hotel’s image. Among the various EFL services, the portion of food & beverage is very big. This is also related with hotel’s food & beverage selling. And to think the portion of EFL among the selling is getting bigger, food & beverage of EFL is very important.

This table shows the status of hotel’s food & beverage service at EFL in Seoul.

<table>
<thead>
<tr>
<th></th>
<th>LT</th>
<th>SL</th>
<th>HY</th>
<th>HT</th>
<th>RS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Breakfast</strong></td>
<td><strong>American Breakfast</strong></td>
<td><strong>Continental Breakfast</strong></td>
<td><strong>American Buffet Style</strong></td>
<td><strong>Continental Breakfast</strong></td>
<td><strong>Continental Breakfast</strong></td>
</tr>
<tr>
<td></td>
<td><strong>(Cake, Toast, etc.)</strong></td>
<td><strong>Buffet</strong></td>
<td><strong>(Ham, Cheese, Bread, Cereal, Bacon, etc.)</strong></td>
<td></td>
<td><strong>(Fruit, snack, etc.)</strong></td>
</tr>
<tr>
<td></td>
<td>7:00-10:00 (Weekdays)</td>
<td>7:30-9:30 (Weekdays)</td>
<td>6:30-10:00 (Weekdays)</td>
<td>7:00-10:00</td>
<td>7:00-10:00 (Weekdays)</td>
</tr>
<tr>
<td></td>
<td>7:30-10:00 (Weekends)</td>
<td>7:00-10:00 (Weekends)</td>
<td>6:30-10:00 (Weekends)</td>
<td></td>
<td>7:00-10:00 (Weekends)</td>
</tr>
<tr>
<td><strong>Happy Hour</strong></td>
<td>17:30-19:30</td>
<td>17:30-19:30</td>
<td>17:30-20:00</td>
<td>17:30-19:30</td>
<td>18:00-20:00</td>
</tr>
<tr>
<td><strong>Basic Menu</strong></td>
<td>Vegetable, snack, dried side dish</td>
<td>Vegetable, snack, dried side dish</td>
<td>Peanut, raisin, corn chip</td>
<td>Vegetable, snack, dried side dish</td>
<td>Peanut, snack</td>
</tr>
<tr>
<td><strong>Special Menu</strong></td>
<td>Fried shrimp, fried squid, meat ball</td>
<td>Fried shrimp, fish</td>
<td>N/A</td>
<td>Rotational (Chinese, Japanese, etc.)</td>
<td>Daily (Shrimp, meat ball, crab, etc.)</td>
</tr>
<tr>
<td><strong>Alcohol</strong></td>
<td>Dry Jin, Scotch Whisky, Vodka, Bourbon Whisky, Rum, Beer, etc.</td>
<td>Everything but Brandy</td>
<td>About 10 kinds of alcoholic drinks</td>
<td>Everything but Champaign</td>
<td>About 10 kinds of alcoholic drinks</td>
</tr>
<tr>
<td><strong>Employees Working Hour</strong></td>
<td>2 Full time, 2 part time 7:00-10:00 17:30-19:30</td>
<td>Rotational</td>
<td>06:30-22:00</td>
<td>07:00-22:00</td>
<td>07:00-22:00</td>
</tr>
</tbody>
</table>

Table 3. EFL Food & Beverage Service

As the table above shows, operation time of EFL is restricted. They open only at morning and evening time. It reflects the fact that EFL customers who are mostly FIT,
usually do not eat in hotel at lunch time, even they do, they are tend to use the restaurant of hotel.

<table>
<thead>
<tr>
<th>LT</th>
<th>SL</th>
<th>HY</th>
<th>HT</th>
<th>RS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting Room</td>
<td>Old &amp; new</td>
<td>2 rooms</td>
<td>N/A (Offer suite room if</td>
<td>1 room</td>
</tr>
<tr>
<td>buildings have 1 each</td>
<td>buildings</td>
<td></td>
<td>needed)</td>
<td></td>
</tr>
<tr>
<td>Airport Pickup</td>
<td>Free pickup &amp; sending</td>
<td>Free</td>
<td>Rent car (charged)</td>
<td>Rent car (charged)</td>
</tr>
<tr>
<td>Check In</td>
<td>EFL Floor C/l, Express C/l</td>
<td>EFL receptionist takes care of it</td>
<td>Express C/l</td>
<td>Normal</td>
</tr>
<tr>
<td>Check Out</td>
<td>Express C/O (If pay with credit card)</td>
<td>Express C/O, Normal C/O</td>
<td>Express C/O for repeat guest</td>
<td>Express C/O</td>
</tr>
</tbody>
</table>

Table 4. EFL Status of Major Hotels 1

LT hotel has no difference between normal room and EFL room. They change the number of floor at their own convenience depends on the peak/non-peak season. They let Japanese travelers and domestic customers stay at EFL to increase room occupancy rate. As a result, their EFL has damaged image. New marketing strategy is required to recover from it.
<table>
<thead>
<tr>
<th>EFL Floor Charge</th>
<th>LT</th>
<th>SL</th>
<th>HY</th>
<th>HT</th>
<th>RS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>W 40,000</td>
<td>W 55,000</td>
<td>W 35,000 (included at room charge)</td>
<td>W 24,000 (included at room charge)</td>
<td>W 35,000 (included at room charge)</td>
</tr>
<tr>
<td>Rooms</td>
<td>Main building: 70 rooms, New building: 38 rooms</td>
<td>7 floors, 253 rooms</td>
<td>4 floors, 154 rooms</td>
<td>4 floors, 133 rooms</td>
<td>4 floors, 103 rooms</td>
</tr>
<tr>
<td>Room Charge</td>
<td>Normal DBL 165,000, Ground TWN 180,000, Grand DBL 170,000, Grand DBL(a) 220,000, Grand DBL(b) 190,000, Business DLX 250,000, Jr. Suite 300,000</td>
<td>Superior 160,000, Deluxe 190,000, Jr. Suite 280,000, Corner Suite 300,000</td>
<td>Superior 215,000, Corner Suite 300,000, Tub Bed Suite 460,000, Parkhill Suite 1,400,000, Vistas Suite 1,800,000, NamDaeeMoon Suite 2,800,000</td>
<td>Deluxe 205,000, Executive 255,000, Corner Suite 480,000, Renaissance Suite 650,000, Royal Suite 1,300,000, Present Suite 2,200,000</td>
<td></td>
</tr>
<tr>
<td>EFL Lounge</td>
<td>Each floor have 1 Fax, audio, copier, TV, VTR, OHP, type writer, 1 each floor have 1 TV, audio, VTR, 2 (at 19th, 21st floor)</td>
<td>Fax, codeless phone, audio, type writer, 1 (at 21st floor)</td>
<td>TV, copier, VTR, type writer, Fax, copier, phone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees Number</td>
<td>10 Supervisor 1, Manager 1, Receptionists 14</td>
<td>Manager 1, Receptionists 9</td>
<td>Manager 1, Receptionists 3</td>
<td>Manager 1, Receptionists 5</td>
<td></td>
</tr>
<tr>
<td>Degree &amp; Experience</td>
<td>Bachelor Degree 2, College Degree 8</td>
<td>Studied Abroad 3, Bachelor Degree 13</td>
<td>Studied Abroad 2, Bachelor Degree 8</td>
<td>Studied Abroad 1, Bachelor Degree 2, College Degree 1</td>
<td>Bachelor Degree 6</td>
</tr>
<tr>
<td></td>
<td>1 year</td>
<td>2-5 Yrs.</td>
<td>2 Yrs.</td>
<td>3 Yrs.</td>
<td>2, 8 Yrs.</td>
</tr>
<tr>
<td>Etc.</td>
<td>Handle fax, copy, type writing</td>
<td>Entrust translation service to business center</td>
<td>Entrust translation, fax, copy, type writing to business center</td>
<td>Entrust translation, fax, copy, type writing to business center</td>
<td>Entrust translation, fax, copy to business center, handle type writing service</td>
</tr>
</tbody>
</table>

Table 5. EFL Status of Major Hotels 2

**Analysis of the Data**

After studied the status of hotel’s EFL in Seoul, some common points were found.
1. Most hotels don't have restriction to use EFL, EFL is open to anonymous only if he can afford it.

2. Every hotel's EFL lounge has 'Happy hour' around 5:30 PM - 8:00 PM. Many customers welcome this, and even outside visitors for staying customers come and have meeting. This helps lounge to play its role more efficiently.

3. Most employees at EFL are women. The reason is because women can be more careful, smooth in contact with customers.

4. There is flexibility of check out time. It can be extended up to 5:00 PM.

Most EFL managers said they thought their customer's level is pretty high. Customers like them are ideal, and they also can contribute to good image of the hotel.

EFL customer revisiting rate is high in most hotels. It means each hotel somewhat assures loyal customers. It is resulted from employee's effort to know, contact, satisfy customers.

**Methodology**

The survey was performed from Feb, 3, 1999 - Feb, 10, 1999 with cooperation of employees of EFL.

The questionnaire is composed of 17 questions. 9 of them are related to the factors that are must considered at providing service and those were subjective. 8 of them are personal information of the interviewees, which are objective.
Evaluation

At the quality of general EFL managing status, interviewees scored about 8 out of 10. One of the reasons, I think, is because all of them were working in 5 flower grade hotels.

Problems they found were,

1. There must be more rooms due to increasing number of EFL customers
2. The number of employees is less than the number of customers
3. More subsidiary facility & place are needed
4. The quality of equipment (Phone, fax, etc.) are low

The services that EFL customer calls are mostly related to equipment. They want to have reservation & information by using the equipment. So, constant education of employee (usage of new equipment, language, etc.) is required.

Related to hotel’s strategy, the interviewees said their hotel used differentiation strategy (image, etc.), invention of new item or product, substitution of equipment to new one, etc.

The factor that they have in mind at service was providing the best service. They try to minimize complaint of customers, offer fast & accurate service, satisfy customers by making cozy environment, they said. Some of them try to memorize customers’ name to show customers they care.

Generally, it is showed that most hotel give EFL priority, but some of them do not invest on EFL much.

Related to service provided with product (material aspect), they replied those were mostly food & beverage, fax, copier, typewriter, etc. And related to service provided by employee (human resource aspect), they replied there were some part timer due to the
lack of the number of the employee. That might cause a lack of professionalism. And the continuous education of employee is needed, they said.

Finally, most of them said the most important thing was the balance of product service & employee service.

1) Problems of Price Strategy

There are two problems at quality management of EFL. One is room charge strategic aspect, the other is quality management strategic aspect.

One of the peculiarities of hotel industry is big fluctuation of room occupancy rate depends on on/off season. Besides that, because hotel products are simultaneous and perishable, it is impossible to have inventory. So room occupancy rate management is very important to decide hotel’s long term growth.

At managerial expense’s aspect, price strategy that controls on/off season structure effectively is required. EFL, as a business unit that makes high priced product, has an importance at managerial strategic aspect. So to speak, EFL can be used as strategic business unit.

In spite of increasing importance of EFL, EFL has been treated & regarded as normal business unit. This perception must be changed.

So far, EFL has been offered to FIT or convention group. While hotels prefer FIT and tend to avoid group at on-season, they offer low price to group at off-season.

2) Problems of Quality Management Strategy
It is hard to standardize service quality, because they offer low price to group at off-season to elevate the room occupancy rate.

To see short term, discount of EFL can be done to maintain managerial expenses. To see long term, however, it is more important to focus on quality management strategy for long term growth, image maintenance than focus on price strategy.

In spite of that, price strategy has had priority than quality management strategy. In terms of the realization of quality management, this was the essential problem, and lot of hotel was revealed to this problem. This caused quality gap between on/off season. And this blocked quality management based on ‘High quality durability’.

3) External Problems

Problem of external quality management is mostly concerned of variation of the service product. Different from normal floor, EFL customers have much variation of their tastes. However, in reality, hotel tends to offer standardized service. External quality management & invention of service product based on that are important in hotel’s imaging aspect. But in Korea, their endeavor of imaging and inventing product are insufficient, because they did not realize the importance of EFL.

4) Internal Problems
Problem of internal quality management is related to attribute of hotel’s service product. Hotel’s products must be get together in balance to make a quality service. But there is a limitation in quality management in Korean hotel industry. In product service, they are still focusing on material-structural aspect rather than its functional aspect. And they are also focusing on their own convenience than customers’.

In human service, they are offering standardized service, not individualized one. Among the customers’ level, EFL’s target market is business traveler & people who prefer EFL’s service. So EFL must be managed under the concept that it must be able to offer a differentiated service. But, EFL in Korean hotel has a limitation at long-term growth because they have not reflected these different customers’ needs.
Chapter 4 RECOMMENDATIONS

Managerial Aspect

People’s perception of hotel is changed from a lodging place to the place that performs social, cultural function. Hotel nowadays forms a part of people’s social life, and people’s needs are becoming various. So, structural, functional environment should be created to meet those needs.

To face this rapid-changing environment, hotel industry is ready to have environment-facing management strategy.

EFL must pursue diversified & luxurious facility, and market strategy that handles customer’s needs. To make market strategy successful, they must study to invent and differentiate product, elevate image, and have effective management plan.

It is needed that using EFL as a means of achieving hotel’s growth. Market strategy, product differentiation strategy, quality management strategy are needed to achieve growth, and those can be also used as plan that face rapid-changing environment and create value as continuously growing company.

Organizational Aspect

Different from normal floor, food & beverage service and secretary service are EFL’s important constituent factors. So to speak, EFL needs to have a special constitution. In spite of that, EFL has been regarded as a same unit as normal floor. And most of
employees who serve food & beverage belong to room service part. Also, EFL room service employees, who are called 'Butler', could not differentiate their service. So, it is needed to organize a new part only designed for EFL. In reality, while some hotel’s EFL employees are captain levels among the waiters, some of them are part-timers. This has an essential problem in terms of quality management.

To solve these problems, the structure of the hotel must be reorganized.

**Quality Management Factors**

1) Product Service Aspect

The problem in product service aspect is lack of consideration of function. Until now, structural differentiation was done, but from now on function also must be considered. Improvement of product service should be reorganized in consider of the function and essence of product service.

2) Employee Service Aspect

* Recruiting & reorganizing

To serve better, EFL needs to recruit the employees. It will help receptionist to concentrate on his job and the others, also. In most hotels, it is hard to serve customers
good enough during the breakfast time & happy hour with current number of employees. So recruitment and replacement are needed.

* ‘Change of position’ management

There is a problem between EFL receptionists and waiters’ relationship. Most of the waiters are older and more experienced, but less educated than receptionists. This causes communication problem, the survey said. Because receptionists and waiters are in charge of most operation and service at EFL, this might be a big problem. If this problem consists, customers will not be satisfied with the service.

It is worth to consider that most receptionists have less than 2year experience, and they are young, well educated, and talented. This might make them to take chances if there are better position. They would. To consider this a bit differently, working at weekend might cause problems to married women. In the other industry also, employees tend to be reluctant to work after hour, especially younger people do.

To prevent high turnover rate, reconsideration and deliberation for employees are needed. Frequent changing of employees is loss, at last. More importantly, the receptionists who memorize and understand each & every customers’ individual taste must not be changed frequently.

* Education
In most hotels, it is hard to utilize the employees’ educational system because education part is not independent but belongs to personnel part. To elevate the level of EFL employees, a systemized educational program for training must be invented. Without better quality service, it is hard to expect to have revisit customers.

* Incentives

It would be better to expand incentives. For instance, incentive for front desk employees who could do up-selling by advertising EFL to normal floor customers would be nice. And, to think that usually secretaries make EFL reservations, an expansion of incentives to them seems to be worth to consider.

**Recommendations**

In Korean travel industry, the portion of Japanese travelers is pretty big, and so is in hotel industry. However, there were no hotel where offer Japanese meal at EFL. And some of Japanese travelers refused to stay at EFL just because there were no Japanese meal. It might be worth to offer at least ‘semi-Japanese meal’. Or if that is hard in terms of managerial expense, offering Japanese meal at low price with supporting of Japanese restaurant in hotel can be other way. Recently, most hotels have almost same level of facilities, so adornment of outlook makes less importance. At last, the important thing is a good service, especially at EFL.
For quality management of EFL, customer management and information offering must be substantial. If revisited customer get exactly same information as last time, his satisfaction and loyalty decrease. EFL must provide customers what they want by using guest history system. And this appeals to customers because customers prefer the hotel that is interested in him.
Chapter 5 CONCLUSION

Recently, due to development of communication, increment of income, the world is changing fast. It caused change of life style, and again, change of life style vitalized travel and hotel industries.

Following these changes hotel’s market is also changing. Fast development of EFL can be a good example. Under this situation, quality management of EFL is critical in terms of long term growth of the hotel.

To ensure the position as a hotel’s strategic unit, EFL must have long/short term customer focused strategies. As I said before, as EFL’s portion at hotel’s revenue is getting bigger, EFL’s quality management is the preceding task for hotel’s growth. To realize EFL’s customer focused quality management, strategies in consider of environment, structure, quality management factors are needed, here are some

1. EFL provides every service it has to customers. But more personalized and differentiated service can lead customer’s perceived benefit to a positive way.

2. EFL can maximize its worth of existence by focusing on long term benefit than short-term benefit.

3. Especially EFL needs to have highly educated employees who can fully understand, serve customers, and even handle customers’ complaint. So, consistent education for employees is needed to maintain employees’ quality level high.

4. EFL’s endeavor to satisfy customers is not enough. Every part of the hotel must cooperate to satisfy customers and make hotel’s image up.
By making and doing exclusive service, hotel can differentiate itself from other hotels and also can occupy high portion of the market. And meeting customers’ need, avoiding excessive competition, having strategy in refined way, and pursuing benefit only based on customer satisfaction are desirable.

From now on, quantity competition is no longer needed, expanding market occupancy rate with quality service is critical. Only the hotel that constantly study and meet customers’ need with quality service can survive in the future.
Charles D. Zimmerman, (1985, June), Quality: Key to Service Productivity, Quality Progress, pp. 32-33.


Christopher, W. L., David A. Troy, (1984), Strategic Hotel & Motel Marketing, p. 84.


G. W. Laffin, (1968), Modern Hotel and Motel Management, p. 5.

Harvey Chipkin, (1992, December), Instant Check-In, Checks in, Frequent Flyer, pp. 22-23.

Hee-Young Han, (1992), Marketing Management, pp. 396-397.


James Carper, (1992, April), Too Little or Too Much?, Hotels, pp. 50-51.


Philip B. Crosby, (1979), Quality is Free-The Art of Making Quality Certain, p. 17.


Questionnaire

1. What score (out of 10) would you give to general status of EFL where you are working?

2. What services do the customers mostly want?

3. What strategy does your EFL have for the customers?

4. What do you consider most when you serve the customers?

5. Tell me about employee status of the EFL, please.

6. What score (out of 10) would you give to the hotel’s interest on EFL?

7. What kind of material service do your hotel have?

8. What kind of service by employees do your hotel have?

9. What do you think of service balance (material & employee) at your hotel?

1. You are Male/Female

2. Your age group is 1) 20-24 2) 25-29 3) 30-34 4) 35-39 5) 40-44 6) Over 45

3. Your are Married/Single

4. Degree: 1) High-School Degree 2) College Degree 3) Bachelor Degree 4) Over Master Degree

5. Major: 1) Hotel-related 2) Not-related

6. Average Income (Korean Won, Ten Thousand: MANWON): 1) Under 50 2) 50-70 3) 75-100 4) 100-125 5) 125-150 6) Over 150

7. Experience: 1) Under 1yr. 2) 1-2 3) 2-3 4) 3-5 5) 5-10 6) Over 10