CO-RELATION BETWEEN FOOD AND BEVERAGE SERVICE PRACTICES AND ORGANIZATION'S PERFORMANCE-A STUDY OF HOTELS IN HIMACHAL PRADESH

Bharat Kapoor[*]

Abstract: *This study has been undertaken to explore the co-relation between Food and Beverage service practices and organization's performance in chain hotels and resorts of Himachal Pradesh. It is pertinent to mention that most of the chain hotels and resort operators in different states particularly in Himachal Pradesh face numerous problems. In this study, the organizational performance of various chain hotels and resorts in Food and Beverage services of Himachal has been discussed. A structured instrument was developed to examine the food service practices. Survey for this study was carried out amongst 200 Food and Beverage Managers having similar kind of business. Factor analysis was performed to identify service practices, one-way ANOVA was employed to test the association of the demographic characteristics with food service practices. The information was collected from four major towns of Himachal, namely Kullu, Manali, Shimla and Mandi. The observations of the present research indicate the positive relationship between the food beverage service practices and organizational performance. The study makes a modest attempt to add information to the very little empirical knowledge available in relation to the food service practices in Indian hotel industry.*

Keywords: *Chain hotels, Resorts, F&B Service, Organization performance.*

INTRODUCTION

The Indian Hospitality Sector is witnessing one of its rare sustained growth trends. Hotel industry is inextricably linked to the tourism industry and the growth in the Indian tourism industry has fuelled the growth of Indian Hotel Industry. The major reason for the demand of hotel rooms is the underlying boom in the economy, particularly the growth in the information technology enabled services and information technology industry. Rising stock indices and new business opportunities are also attracting foreign institutional investors, funds, equity and venture capitalists. The financial year 2008 – 09 was an unforgettable one for the Indian tourism industry owing to Mumbai terror attack (26/11) and the global economic crisis affecting the industry's performance. The Hotel Industry, too, observed an overall decline in occupancy and revenue in most cities in India.

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* Assistant Professor, Lovely Professional University, Jalandhar-Punjab (India), *E-mail: bharat.kapoor@lpu.co.in*

The enormous changes have been noticed during last ten years in the service operations in terms of organizational structure, revenue, innovativeness and information technology etc. (Chand & Kapoor, 2010). The hospitality industry covers a wide range of organizations offering food services and accommodation. The industry is divided into sectors according to the skill-sets required for the work involved. Sectors include accommodation, food and beverage, meetings and events, gaming, entertainment and recreation, tourism services, and visitor information.

Every day all over the world, innumerable people make travel plans for pleasure or business-related trips. These trips may be of a short or long duration but visas are applied, flights are reserved, accommodation is booked, cars are rented, and train tickets are purchased, itineraries are planned, and the World Wide Web is surfed for travel related information and availability of seats. Thousands of people are working round the clock to provide these services and interact with the traveller, while another couple of thousands work behind the scenes to assist travellers in order to ensure a safe and memorable holiday. All these people form a part of one of the largest industry in the world - the tourism industry. When people make travel plans and visit different places, they contribute directly and indirectly towards the livelihood of millions who work in this industry (Andrew, 2007; Roday *et al.*, 2009).

Most of the researchers including Kimes & Wirtz, 2003; Kimes & Thompson, 2004 and Susskind *et al.*, 2004 have stated that table maintenance is particularly complicated in beverage operations as conditions that touch business are in constant fluidity. Furthermore, Draganska & Klapper, (2007) were of the opinion that a firm should prepare pricing policies in order to attain profitability goals. Therefore, some authors recommended that whatever service practices an organization accepts or mean to accept must be performance-oriented. Though, some scholars were of the view that hotel firms must distillate more on customer relationships rather than on short-term benefits. Gronrooss, (2001). Yasim, *et al.*, (1995) put forth that in order to attain larger organizational performance; hotels should have outstanding operation plans that match customer necessity. Similarly, Zeithaml, *et al.*, (2000) stated that in service industry, quality, speed and elasticity are connected with responsiveness. Sharifi, *et al.*, (1999) supported that responsiveness is important competence of a business to manage with the change in customer appeal and to enhance organizational performance.

The F&B services sector varies significantly in terms of revenue brooks. Accommodation enterprises can, for example, trust on profits from their room rates to cross-subsidise restaurants if needed. Stand-alone restaurants frequently need profits from beverage sales to recompensed for the close-fitting operating limits involved in preparing and serving food. For cafes, catering businesses and takeaways with no alcohol sales, small variations to operating costs can loom their

already precarious bottom lines. By the end of 2010, the food and beverage services segment hired closely 90,000 workers, excluding those working in hotels and takeaway outlets. The distinctive profile of a food service employee in India is 18 - 28 year old female worker (RANZ, 2006). By way of contrast hospitality employers are logically salaried males, aged 25 - 35, with better educational qualifications than either staff or supervisory workers.

Quality is so carefully entngled with more quantifiable results in service delivery that it makes it very hard to separate any effect on output. The intangibility of service, and therefore the importance of psychological outcomes (e.g. ease and desire) in the procedure of quality formation, characterizes major challenges in measuring and empathetic service sector productivity in general, and the F&B sector in particular (Gummesson, 1998; Hasan & Kerr, 2003; Johnston & Jones, 2004).

REVIEW OF LITERATURE AND HYPOTHESIS DEVELOPMENT

The hotel and catering industry is considered to cover all the aspects which are related to food, drink and accommodation away from home and this will naturally include all food and beverage outlets. In simple words, food and beverage service is an important part of broader hotel and catering industry. Private and public sector establishments ranging from small privately owned concerns to large international organizations and from prison catering to most luxurious hotels catering are included in outlets. The hotels and catering industries employing 2.4 millions of total workforce in Great Britain and ranks third largest employer. This sector changes in the case of revenue stream. According to National Restaurant Association (2006), expenditure of average restaurant will be 2% of this revenue over $ 10 billion on marketing disbursements. In 2007, this industry has crossed the half-trillion dollar sales threshold (Frash et al., 2008). Life style and differences in the expenditure patterns have been the part of practical marketing research design (Murphy & Staples, 1979). National Restaurant Association (2006) reported that expenditure of families is approximately 48% on their food, which nearly doubled over the last 50 years.

A quick look at current hotel development reports shows the diversity of the food and beverage operations at hotels these days. The vast majority of new hotels have no F&B facilities at all. On the other end of the spectrum, the fastest-growing segment is upscale operations with multiple food and beverage outlets and large banquet facilities. Even those properties that fall into the traditional mid-market, full-service category are either limiting their menus or closing down during certain meal periods.

Dutta and Umashankar (2007), found conclusive results on the reasons for service failure in the restaurant business in the context of developed and developing

economies. It also sheds light on the behavioural aspects of customer's perception towards these failures and their responses to the same. They further looked into the recovery strategy employed by restaurants and the customer's perception towards the recovery strategies. According to Wildes (2008), hospitality industry is a big business in every sense of the word. Sales of U.S. restaurant industry was found to reach a record $ 537 billion in 2007, which gave employment to 12.8 million individuals and in the next decade, it is going to add two million new career and employment opportunities (NRA, 2007). Within any service industry restaurants have highest turnover of personnel regardless of the specific numbers. Internal service quality helps in encouraging the people to apply for and to stay in service work, which results in overall employee retention (Wildes & Parks, 2005).). Burton *et al.* (2006) conducted a study about nutritional habits of consumers through a survey in restaurants, as the customers were found to have a little knowledge about the nutrition contents of the meal ordered at the restaurant (Burton et al. 2006). According to menu labelling bill in California, all large chain restaurants are required to provide nutritional information on the menu by 2011. Chow et al. (2007) investigated using the decision- and experimental-oriented perspectives as theoretical guide; this article reported an empirical assessment of service quality in restaurant operations. It was investigated about the relationships of service quality, customer satisfaction and frequency of patronage. The results supported the significant links between service quality and customer satisfaction, service quality and repeat patronage.

Hypothesis: There is a positive correlation between food & beverage service practices and organisational performance.

MATERIALS AND METHODS

Sampling and data collection

Sample hotels were identified from the highly respected directory of the Ministry of Tourism, Govt. of Himachal, Govt. of India and FHRAI that serves as a resource centre for business information and maintains relevant databases of hospitality firms. To initiate the sample, 760 food and beverage managers were contacted through mail, only 250 food & beverage managers responded and agreed to participate in the survey, all of which were sampled. They represented a mix of industry, size and operation. A survey methodology was chosen because it was deemed to be the most efficient way of reaching a large number of respondents, whereas the data required facilitated the use of a mail-administered questionnaire with close-ended questions. Usable questionnaires were returned by 200 (54.05%) respondents from the total sample. Table 1 presents F-values from the one-way ANOVA on organization performance variables for this study.

Table 1
F-values from the one-way ANOVA on organisation performance variables

Performance variables		Control variables				
Measures	Mean scores	Category of hotel	Age	Size in capital	Size in employees	Type of enterprise
Profitability compared to business unit objectives	3.70	4.385**	0.987	1.924	1.423	6.207**
Profitability compared to industry average	4.13	5.63**	2.85	0.978	0.999	7.23***
Market share compared to business unit objectives	6.22	3.442**	1.760	1.211	0.678	4.431*
Market share compared to major competitor	5.78	4.981**	0.992	0.564	1.219	5.776**
Sales growth compared to hotel industry average	3.51	5.412**	1.08	1.321	1.311	2.986
Sales volume compared to business unit objectives	5.07	3.230**	1.257	1.201	1.214	4.332**
Return on investment compared to industry average	4.89	3.82**	1.125	0.988	0.975	4.561**
Goal achievement	3.99	5.270**	1.67	0.499	1.213	4.551**
Good service quality	5.08	3.860*	0.993	1.527**	0.426	0.534
Overall assessment(OA)	6.86	5.13	2.45**	1.570	1.32*	1.67*

Note: *p $\leq$ 0.05, **p$\leq$0.01, ***p$\leq$0.001

*Food and Beverage Service practices***:** the research used existence of 9 food & beverage service performance variables (see Table 2) measured on a Likert-type 7-point scale, where all means are above level 4. It presents the corresponding F-values. The findings in this table are informative. In column mean scores the average scores of the corresponding performance variables are reported.

To find the impact of food and beverage service practices on organizational performance in hotel enterprises in Himachal, correlation co-efficient was applied which is a common measure to examine the relationship between two or more than two variables. The research used the existence of 9 performance variables (Table 2) measured on Likert-type 7-point scale ranging from 1=very strongly disagree, 2=strongly disagree, 3=disagree, 4= neutral, 5=agree, 6 = strongly agree and 7= very strongly agree.

Profitability compared to business unit objectives is highly correlated with Room Service practices (RSP) factor where as there is no relationship with Bar Service Practices (BSP) factor. Further, other factors of food and beverage service practices are significant at 10 % level. Profitability compared to industry average found significantly correlated with All Food & Beverage Service Practices (AFBSP) at 1% level and revealed no correlationship with dinning service practices (DSP). Market share compared to business unit objectives revealed significant

Table 2
Correlation coefficients between Food & beverage service Practices and organisation performance Variables

Performance Variables	Food & beverage service Practices (Factors)				
	DSP	GRSP	BSP	BSP	AFBSP
Profitability compared to business unit objectives	0.643**	0.601*	0.350	0.352**	0.369**
Profitability compared to industry average	0.764	0.472**	0.574*	0.461**	0.534***
Market share compared to business unit objectives	0.380***	0.528***	0.349**	0.420**	0.293**
Market share compared to major competitor	0.430	0.281	0.185	0.198	0.318***
Sales growth compared to hotel industry average	0.870***	0.270**	0.310**	0.535***	0.345**
Sales volume compared to business unit objectives	0.291	0.421*	0.396	0.279	0.328
Return on investment compared to industry average	0.56***	0.680***	0.403**	0.340**	0.419**
Goal achievement	0.390*	0.370**	0.299**	0.545*	0.378**
Good service quality	0.470*	0.291	0.235**	0.234	0.451
Overall assessment(OA)	0.567	0.565**	0.480	.059*	0.483*

Note: *p≤0.05, **p≤0.01, ***p≤0.001;
Dinning Service Practices =DSP; Room Service practices =RSP; Bar Service Practices =BSP; Banquet Service Practices =BSP; All Food & Beverage service practices =AFBSP.

correlationship with all factors of food and service practices. Good service quality is highly correlated with Dinning Service Practices (DSP) factor whereas sales volume compared to business unit objectives is least correlated but it is significant at 10 % level. Return on investment compared to industry average is highly correlated with all Food & Beverage service practices (AFBSP) at different levels. Goal achievement is also found is highly correlated with All Food & Beverage Service Practices (AFBSP) at different levels.

RESULTS AND DISCUSSION

Profitability compared to business unit objectives is highly correlated with dining service practices and moderately correlated with guest room service practices, banquet service practices and other practices but there is no relationship with bar service practices. Profitability compared to business unit objectives is highly correlated with all food and beverage service practices and moderately correlated with banquet and guest room food services, it is less correlated with bar service practices and there is no correlation with dining service practices. Market share compared to business unit objectives is highly correlated with dining service and guest room service practices and moderately correlated with banquet, bar and all

food and beverage service practices. Market share compared to major competitor is highly correlated with all food and beverage service practices but there is no correlation with dining service, bar service, banquet service and guest room service practices. Sales growth compared to hotel industry is highly correlated with dining and banquet service practices and moderately correlated with guest room service, bar service and all food and beverage service practices. Sales volume compared to business unit objectives is moderately correlated with guest room service practices and there is no correlation with dining service, bar service, banquet service and all food and beverage service practices. Return on investment compared to industry average is highly correlated with dining and guest room service practices and moderately correlated with bar service, banquet service and all food and beverage service practices. Goal achievement is highly correlated with guest room service, bar service and all food and beverage service practices but moderately correlated with dining and banquet service practices. Good service quality is highly correlated with bar service practices and moderately correlated with dining service practices and there is no correlation with other service practices like banquet service, guest room service and all food and beverage service practices. In the light of these results we may accept Hypothesis, supporting thus, that there is a positive relationship between food and beverage service practices and organisational performance.

CONCLUSIONS

The scope of this paper was to test the organizational performance in relation to food and beverage service practices of chain hotels of Himachal. The performance variables such as profitability compared to business unit objective, profitability compared to industry average , market share compared to business unit objectives, market share compared to major competitor, sales growth compared to hotel industry average, sales volume compared to business unit objectives, return on investment compared to industry average, goal achievement and good service quality are highly affected by food and beverage service practices whereas performance variables such as return on investment and overall assessment are least affected by food and beverage service practices. It would be appropriate to opine, if hotel enterprises want to achieve higher performance levels and compete in hotel marketplace, they should preferably increase the application of food and beverage service practices. The scope of this study was of two-fold purpose: First, to explore food and beverage service practices in the towns of Himachal hotel industry and to compare the food and beverage service practices in chain hotels and resorts. In general, food and beverage service practices have not been widely researched so there is a need for further research in this field. In the last two decades, only few academic studies have concentrated on this area which means that the knowledge of food & beverage management literature has not advanced very far. This study investigates several new food service dimensions, which have never been tested before in hospitality literature. These new aspects reflect new insights

from services research. Hotel organisations have to continuously develop new food & beverage services practices in order to be successful and further investigations will be of potential significance to hotel and hospitality managers, as it will enable them to focus on food and beverage services more strategically and professionally. According to demographic findings, hypothesis indicates that there is a positive relationship between the food and beverage service practices and organisational performance. The study found that the hotels should enhance the applications of food and beverage service practices to achieve the higher performance levels, thus to compete in hotel marketplace.

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