

Case Study Sage Hill Inn Above Onion Creek: Focusing on Service Process and Quality¹

Sage Hill Inn Above Onion Creek is a popular lodging destination for those visiting the Texas Hill Country to relax and experience nearby attractions and activities. Located in Kyle, Texas, the 88-acre property is 25 miles south of Austin, Texas, and a few hours drive from San Antonio and Dallas. The property, formerly known as the Inn Above Onion Creek, was purchased in 2012 by Eric Goldreyer, founder of Bedandbreakfast.com, and John Banczak, former president of the company. The new owners focused on enhancing the popular Inn Above Onion Creek by adding new services, updating the facilities, and expanding the use of environmentally conscious practices. John Banczak was quoted in *The Houston Chronicle* as saying, "When we purchased the inn, we loved the location and topography of the land and surrounding area, and the architecture and layout of the main inn and buildings" . . . "So we set out to redesign with a modern yet rustic aesthetic, while trying to stay true to the Hill Country area."

A conversation between Amy Dolan, the innkeeper, and a consultant indicated three needs: (1) the need to understand guests' expectations, (2) the need to determine and monitor guests' perceptions, and (3) the need to identify potential service failure points. She said, "We do our best to maintain excellent service in order to build repeat business and obtain positive word of mouth. If guests' expectations are not met, then they are likely to be dissatisfied and occupancy rates will decline. That means lower revenues." To continue attracting previous guests of the Inn Above Onion Creek and build loyalty among ones staying at the inn for the first time. "We must listen closely to understand what they expect when deciding to stay here and, afterward, how they feel about their experience. With this feedback, we can provide an experience that meets expectations and effectively resolve service problems that are creating guest dissatisfaction." In addition to knowing more about guest expectations and perceptions, she said it would be good to identify potential service failure points. These could then be monitored more closely, thus ensuring guest satisfaction.

BACKGROUND

When operating as the Inn Above Onion Creek, the lodging was designed to resemble a Texas homestead of the 1800s with a main house of rustic redwood and a second building similar to one an owner would build when expanding the family's living area. The twelve guest rooms, named after famous Texans, conveyed the homestead image with a mix of modern amenities and antique furnishings. A gourmet breakfast and dinner were included with each overnight stay. Among the design changes for Sage Hill

Inn Above Onion Creek were updated guest rooms with new flat-screen TVs and more contemporary furnishings. There are three suites, eight guest rooms, three cottages, and a three-bedroom ranch house. The cottages and ranch house include amenities such as gourmet kitchens, oversized porches, and a private hot tub. The grounds were improved with a larger pool deck, a 14-person spa, and a large outdoor fire ring. Many other changes and service additions were completed, such as opening the Garden Spa in a separate building with four massage rooms, a lounge, and covered porch overlooking a flower garden. The website for the inn has numerous photographs of accommodations and descriptions of services and activities available to guests.

A gourmet prix fixe breakfast and three-course dinner are included with each overnight stay and lunch is available, by reservation, for an extra fee. Individuals not staying at the inn may also enjoy dining at the inn by making reservations in advance. Chef Ryan Castille creates the menus with fresh produce from the garden and draws on local suppliers for seasonal ingredients.

The dining room is always open with complimentary tea, coffee, soft drinks, and a selection of homemade cookies. Across from the dining area is a large library with enough seating and tables for meetings and a wide selection of books, games, and DVDs.

GUESTS' EXPECTATIONS AND PERCEPTIONS

Knowing what guests expect is important because their satisfaction with the quality of a service is formed by comparing perceptions of a stay to previously formed expectations. Amy Dolan talked with the consultant about how guests' expectations form as they find out about a hotel property from a variety of sources, including friends and family, guidebooks, websites, and previous experiences at the inn, or similar properties. She stressed that, "the website plays a big part in shaping perceptions of what they may experience when staying at the inn." The consultant said that it would be good to examine the website (www.sagehill.com) for explicit promises (e.g., breakfast and dinner menus) and implicit promises (e.g., pictures of the inn) that influence the development of expectations. He suggested that the *Five Dimensions of Service Quality* could be used as a guiding framework to figure out expectations and that a SERVQUAL questionnaire could be used to measure the five dimensions (i.e., responsiveness, assurance, tangibles, empathy, and reliability). However, he indicated some concern about all of the five SERVQUAL dimensions and survey questions being useful specifically for the hotel industry.

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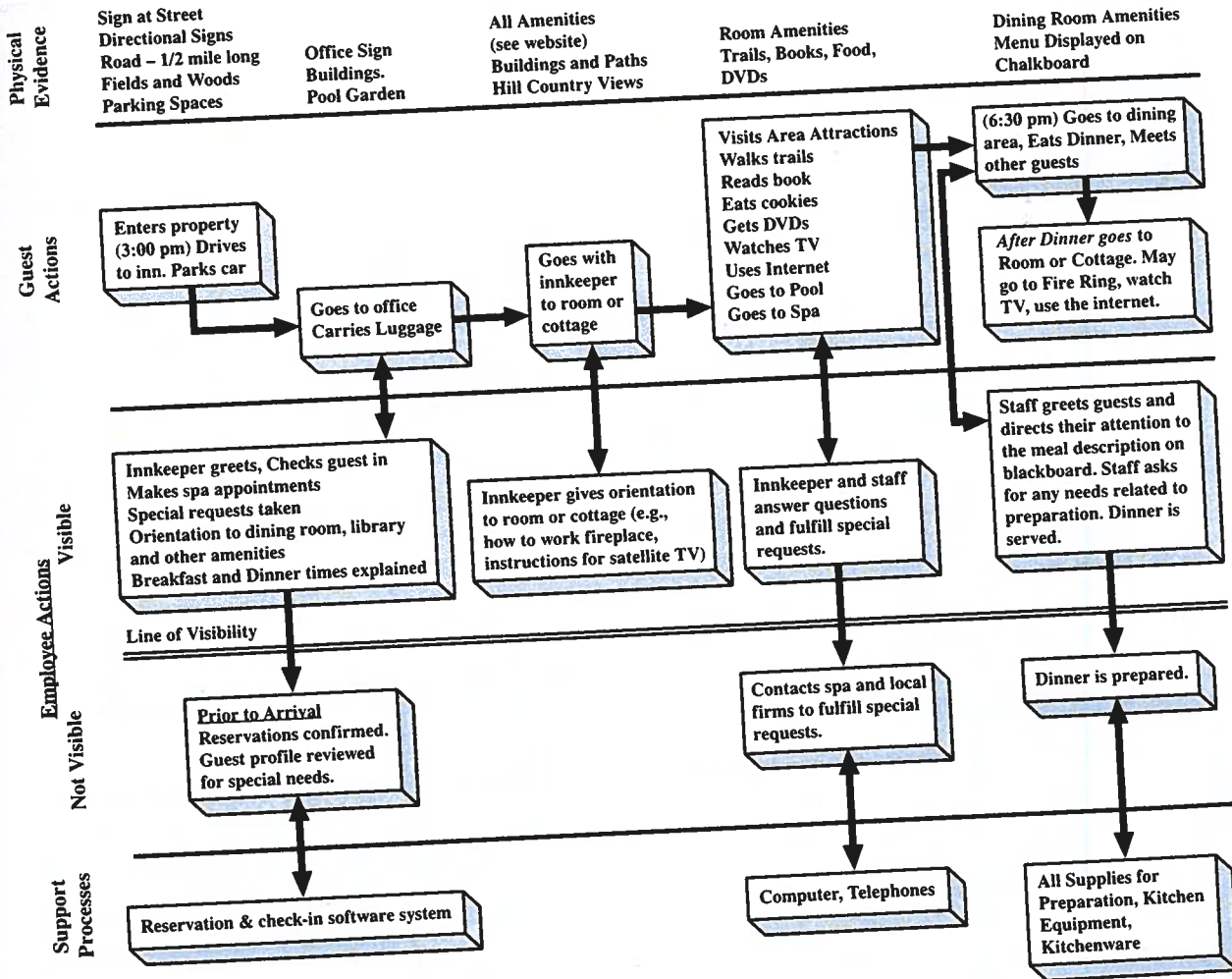
After a guest checks out, an e-mail message is sent thanking them for choosing to stay at the inn and asking for feedback via Google Reviews, bedandbreakfast.com or tripadvisor.com. These websites are monitored by regularly reviewing comments and responding to guests when they express a concern about their stay. Dolan said, "Customer comments are helpful but some guests do not post a message on one of the websites. We don't know how they felt about their stay with us." The consultant explained this as a reasonable concern because, on average, across all services, only 50% of consumers complain about a problem they have with a service (Goodman, 1999¹). Several comments from previous

guests were examined to obtain an understanding of how they perceive their stay at the inn. For example, the excerpts below show guests' perceptions of the caring individualized attention experienced while at the inn.

"The innkeeper welcomed us by name, gave us our key, and showed us around the dining room, kitchen, and library. She was so welcoming, we felt right at home from the beginning."

"We arrived a bit late, as we were both coming from work on a Friday. The innkeeper actually went above and beyond to accommodate us by plating our dinner so we could eat in the calm of our cottage."

EXHIBIT 1 Guest's first day.



¹ Goodman, J. (1999). Basic Facts on Customer Complaint Behavior and the Impact of Service on the Bottom Line. *Competitive Advantage*, (June), 1-5.

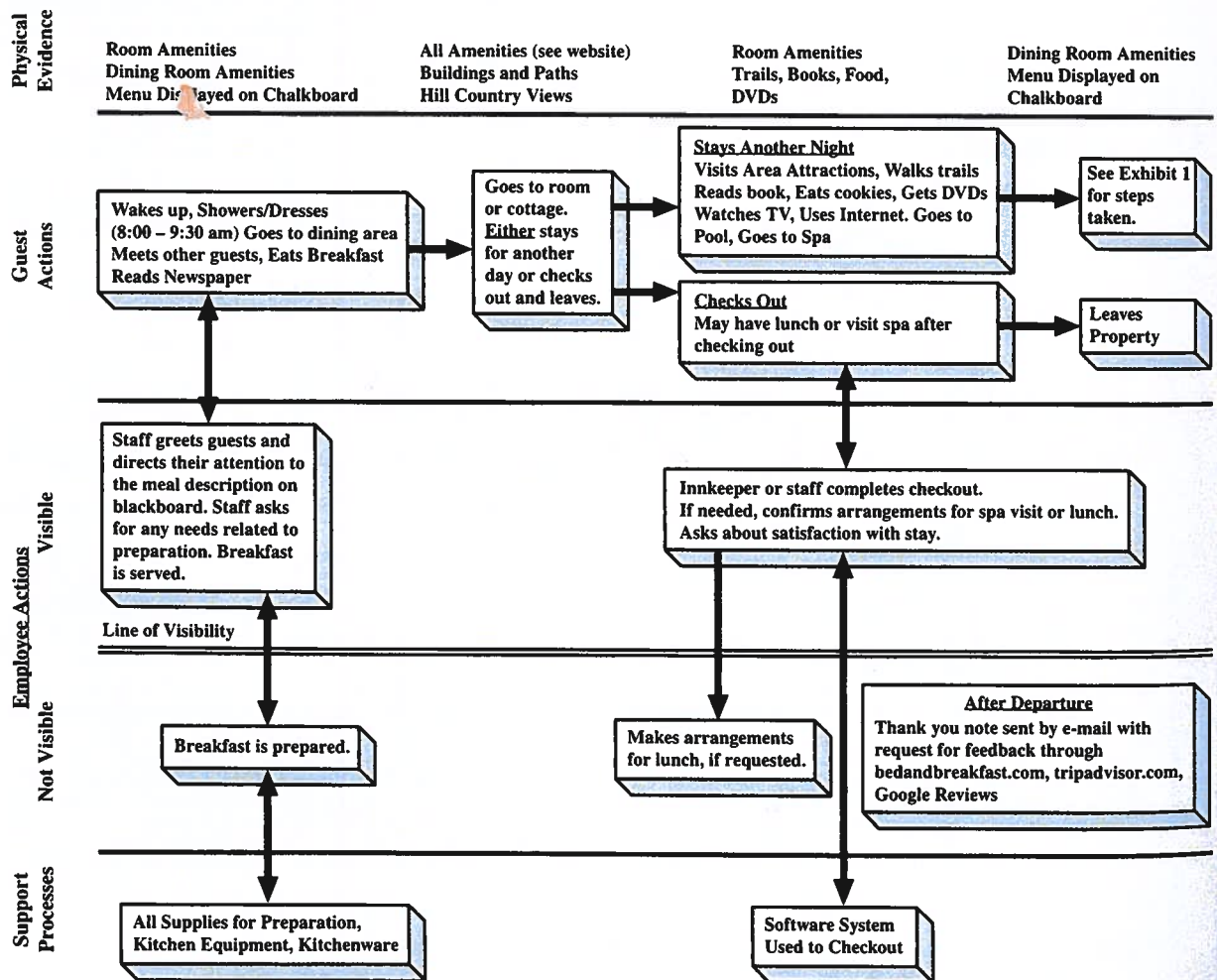
FAIL SAFE THE GUEST'S EXPERIENCE

Service encounters occurring during a stay result in guests' perceptions of property features and interactions with the staff that may lead to satisfaction or dissatisfaction. In addition to identifying guest expectations before a stay and perceptions afterward, Amy Dolan expressed that they "would want to identify any potential service quality problems so they can be handled effectively." The consultant agreed that determining potential failure points, in advance, would help to fail safe the guest's experience. He said that closely examining the inn, as if you are a guest visiting for the first time, helps to identify areas requiring more attention. To this end, a service blueprint (Exhibits 1 and 2) was developed that represents the service process experienced by a guest during the first and second day of a stay. An initial review identified one potential

failure point; guests have to carry their own luggage to the rooms.

The consultant confirmed with Dolan that he would help her with the situation by recommending ways to learn more about guests' expectations and perceptions. She could then decide which ones would be implemented as a research program at the inn. Before developing recommendations, he wanted to look at the website of Sage Hill to get an idea of guests' expectations. The consultant also needed to complete secondary research to find out if a research tool based on SERVQUAL exists for the hotel industry. Finally, he wanted to examine the service blueprint to identify where there is even a remote possibility that guests' perceptions may not meet their expectations. Identifying these potential failure points would help to fail-safe the guests' stay at the inn.

EXHIBIT 2 Guest's second day.



Discussion Questions

1. Define the service-product bundle that is being provided for guests, including the tangible services, the intangible services and the facilitating goods. Do you see any missing elements or areas of possible improvement?
2. Using the service blueprint, make a list of all the key service failure points and the associated customer expectations. For example a service failure point with expectations is: *check-in* should be fast and hassle free. You should find 10 to 15 service failure points.
3. For each service failure point in question 2 is it self-service or service provided by the hotel, and is it high contact or low contact service? Does this indicate any possibilities for improvement?
4. There are five dimensions to SERVQUAL: responsiveness, assurance, tangibles, empathy, and reliability. What dimensions of service quality do you think are important for the hotel? Feel free to define your own dimensions or use SERVQUAL. Then for each of these dimensions construct 2 questions that could be used in a questionnaire when measuring customer satisfaction at some of the service failure points from question 2.
5. How should the hotel handle service recovery and service guarantees? Suggest some options they could implement.

Assessment Rubrics for Merrick School of Business:

The following rubric may be used to evaluate the Case Studies:

	Exceeds Standards	Meets Standards	Fails to Meet Standards
Problem Identification (15%)	Important problems faced by the company's decision-makers are identified, and stated in terms that are actionable by the company's leadership.	At least 1 of the company's substantial problems is identified and stated in terms that are actionable by the company's leadership	Fails to identify the significant problems
Problem Analysis (15%)	Identified problems are analyzed thoroughly using appropriate tools/methods.	Identified problems are analyzed adequately using appropriate tools/methods.	Analysis of the identified problems is inadequate/approaches used are inappropriate.
Identification of Alternatives (15%)	Identifies a comprehensive set of thoughtful alternatives, excluding "Do Nothing" alternatives to solve the identified problems.	Identifies majority of alternatives to solve the identified problems	Identifies few, if any, alternatives to solve the identified problems
Evaluation of Alternatives (20%)	Pros and cons for alternatives are provided. Arguments are convincing, supported & comprehensive.	Pros and cons for alternatives are provided. Most of the arguments are convincing & supported. May be missing a few pros and/or cons.	Pros & cons for few, if any alternatives provided for each problem; Missing significant discussion of alternative pros or cons.
Recommended Course of Action (20%)	Student articulates and defends the analysis and recommendations and provides a comprehensive course of action to solve identified problems.	Student partially articulates analysis and defends recommended actions to solve the problems identified. Proposed course of action is adequate.	Recommendations not based on analysis, and no clear course of action recommended
Implementation Plan (15%)	Timeline and those responsible are identified and detailed. (5)	Timeline is adequate but responsibilities are not identified OR responsibilities are identified by the timeline is not adequate. (3)	Timeline with those responsible not provided. (0)

LO 4.1: Plan, Design and Improve Operations Systems (OPM 615/625)

Scoring Key:

_____ Exceeds Standards 90 – 100
 _____ Meets Standards 70 – 89
 _____ Fails to Meet Standards ≤69

Total Score: _____