

The Royal Dining Membership Program Dilemma

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The Royal Dining membership program is highly popular with diners and generates significant revenues. However, it might be displacing regular, full-price paying customers and could have a negative effect on the painstakingly built and maintained high-end luxury image of the Hong Kong Grand Hotel. In addition, quite a few managers and servers expressed unhappiness with the program, the conflicts it creates with diners and the type of customers it attracts.

Erica Liu, Program Manager for the Royal Dining (RD) Membership Program at the Hong Kong Grand Hotel, hung up the phone after a call from a disgruntled customer. Just then, Jerome Tan, Vice President of Hotel Operations, walked into her office. “I tell you, Jerome,” sighed Erica, “I’ve been getting calls from customers complaining about all the rules we have for the RD program. It’s driving me nuts.” “Tell me about it,” Jerome replied. “These RD members really annoy our staff. All they’re looking for is free stuff. I heard the ultimate one yesterday. Some guy walked into the Cantonese Café with 10 little kids and wanted them all to eat for free! Yes, we have a rule that kids under five can eat for free, but not the whole city! It turned out it was his son’s birthday party. Can you believe that?” Erica sighed again. “I guess that means we’re going to have to create another rule for members to complain about. I mean, I think it’s a great program and all, and it definitely brings in a lot of business, but how are we going to deal with all these problems?”

THE HONG KONG GRAND LAUNCHES A DINING MEMBERSHIP PROGRAM

The Hong Kong Grand, a 140-room landmark hotel on Hong Kong Island, opened in the late 1800s and was considered a national monument. It was one of the world’s well-known grand hotels and had received numerous awards, including Best Luxury Hotel and Best Hotel in Asia. Its guest list has included luminaries such as Queen Elizabeth II, Bill Gates, and James Michener, and it was one of the most photographed sites in Hong Kong. The hotel had four restaurants, ranging from the 56-seat Hollywood Road Deli to the fine-dining 112-seat Kabuki. All the restaurants took reservations and were open for lunch and dinner. The adjoining convention center, the second largest meeting space in Hong Kong, provided an ideal setting for upscale conferences, and the adjoining

Exhibit 1 The Hong Kong Grand’s Restaurants

Restaurant Name	Cuisine	Restaurant Type	Average Check (HK\$)	Number of Seats	à la Carte or Buffet	Average Lunch Duration (hours)	Average Dinner Duration (hours)	Hours of Operation for each Meal
Cantonese Café	Local/Bufferet	Local/Bufferet	\$76	106	Both	1.0	1.0	5
Kabuki	Japanese	Fine Dining	\$250	112	à la Carte	1.0	1.5	5
Hollywood Road Deli	American Style	Casual	\$104	56	à la Carte	0.5	0.5	5
Dragon Boat	International	Smart casual	\$109	72	Both	1.0	1.0	5

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The names of the hotel, restaurants and membership program have been disguised.

Erica checked her watch and noticed that she and Jerome were due at another meeting. “Well, it’s nice that we’re all in agreement. Anyone want to take over my job?”

Erica shook her head as she walked out the door and thought about the meeting she would have with the hotel executive committee in two days. Jerome, Carmen and Susan all were members, and high on the meeting’s

agenda was the future of the RD program. She thought to herself, “I need to present a comprehensive analysis of the program’s costs and benefits and recommendations about where to go from here. How will I resolve all the differing views?”

“Better get to work,” Erica thought, as she reached for a bottle of aspirin.

Study Questions

1. In Erica Liu’s shoes, what would you present to the executive committee?
2. As Erica Liu, what analyses would you run to assess the financial performance of the RD membership program?
3. What effect does the RD membership program have on the brand and value perception of its local customers in Hong Kong and its full-paying hotel guests and diners? How could the hotel address these issues?
4. Review the rules set for the RD program. How would you go about setting rules for the program that protected the hotel against abuse, but does not make RD members feel that the program is unnecessarily restrictive and difficult to use?
5. How could negative server attitudes towards RD customers be handled?



APPENDIX A

RESTAURANT TERMINOLOGY

- Cover: A customer
 - Average check: The average amount paid per customer
 - Party: The number of customers at a particular table
 - Total check: The total check amount from a party
 - Server: A waiter or waitress
 - Seat occupancy: The percentage of seats occupied during a given period.
 - Table occupancy: The percentage of tables occupied during a given period.
 - Revenue per available seat hour (RevPASH): Total revenue divided by the number of seat-hours available.
 - Meal duration: The length of a meal. Varies based on the type of restaurant and the meal period (e.g., lunch, dinner). Dinners average 150% the time spent at lunch.
 - Meal period: The length of time that the restaurant is open for a given meal. Depending upon the part of the world, most restaurants offer lunch from 11.00 a.m. to 2.30 p.m. or 3.00 p.m., while dinner is typically offered from 5.30 p.m. or 6.00 p.m. until 10.00 p.m.
- Restaurant types (in the context of The Hong Kong Grand):
 - Fine dining: Full service, sit-down restaurant with a comprehensive menu and served in a fairly luxurious setting. High average check per person. The type of restaurant that most people visit a few times per year.
 - Upscale casual: Full service, sit-down restaurant with a comprehensive menu and served in a casual setting. High average check per person. The type of restaurant that people might visit once a month.
 - Casual: Full service, sit-down restaurant with a somewhat limited menu and served in a casual setting. Moderate average check per person. The sort of restaurants that people might visit once a month.
 - Fast casual: Limited service restaurant with a fairly limited menu. Customers can either take their food with them or eat it in the restaurant. These restaurants are fairly casual with a low to moderate average check. The type of restaurant that most people might visit a few times per month.
 - Quick service (Fast-food): Limited service restaurant with a limited menu. Customers can either take their food with them or eat it in the restaurant. These restaurants are very casual with a low average check. The type of restaurant that most people might visit on a weekly basis.

This file contains sample pages only. The full case is available in:

Jochen Wirtz and Christopher Lovelock (2016), *Services Marketing: People, Technology, Strategy*, 8th edition, World Scientific.

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