

teaching note

Service Recovery to L.A.S.T.: The case of disgruntled customers

Summary

The Sunbird Casino, Hotel, and Racetrack is a major gaming property owned by Worldwide Gaming and Resorts. The property has no similar competition within a 300-mile radius making this property a major destination for gaming and horserace fans alike. The property also attracts many locals and community members from communities 60 to 100 miles away. For locals, the bar and grill is the only venue with a live DJ that plays 4 to 5 nights out of the week. This has created a competitive advantage for the Sunbird because the more people they have frequenting the bar, the more likely it is for people to utilize other services on the property like gambling, the fine dining restaurants, or horse betting. Even though a major corporation owns this property, it acts as its own entity without a set of corporate guidelines; however, standard operating procedures have been established in some areas of the property, but little has been done in this effort. Having no standard operating procedures can create a major problem because there is no accountability. Dave, the general manager of the bar and grill, has left for the weekend to attend a work conference.

He leaves his two assistant managers, Nick and Alex, in charge during his absence. During that time, one customer encounters one service failure—wine is not served at the bar. This is because the bar is exclusively beer and cocktails; wine can be purchased inside the restaurant on the property. Later that day, the same customer experiences another service failure, but now that customer is with a large group. The whole group experienced the service failure and left the bar and grill dissatisfied because Alex did not handle the situation professionally. This case study highlights several important issues for establishments including how to handle service failures, the service recovery process, how social media impacts service failures and the service recovery process, and the benefits of having standard operating procedures in terms of accountability and training applications.

Target Audience

Because the management of customer service relationships is important in a variety of settings, this case study can be applied to different courses at both the undergraduate and graduate levels. The intention of this teaching note is geared for both undergraduate and graduate courses because of the practical application this has for anyone dealing with customers, superiors, or subordinates. The themes present in the case study can be found in many introductory and advanced courses relating to customer relations, staffing concerns, public relations, and property management. The courses recommended for this case study are (a) Club and Resort

Management—Undergraduate/Graduate, (b) Service Marketing—Undergraduate/Graduate, (c) Hotel Operations— Undergraduate, (d) Advanced Lodging and Leisure— Graduate, and (e) Customer Service Management— Undergraduate

Learning Outcomes

This case study presents several practical issues faced by department heads, higher-level managers, lower-level managers, line-level employees, and customers. Because students need to understand the different dynamics and responsibilities of each type of employee, this gives hospitality students a unique perspective from the different employees. The major concepts addressed were: service recovery, the effects of competition on a property regarding staff and customer experiences, the role of social media when dealing with service failures, and the application of standard operating procedures (SOPs) for proper training and disciplinary matters.

By the end of this lesson, the student should be able to:

- Apply the L.A.S.T. model for service recovery
- Produce an email response a department head could send to customers regarding a complaint
- Formulate a response to complaints on social media sites
- Modify standard operating procedures regarding handling complaints
- Develop training methods to follow standard operating procedures
- Indicate how competition, or the lack thereof, affects hospitality businesses.

Lesson Plan

Prior to the lesson, students will read the case study and additional readings related to the L.A.S.T. model, social media and complaints, and the importance of SOPs. Students will also be asked to have a general understanding and be able to discuss the following topics:

- Service failure experiences
- Service recovery experiences
- Online reviews- social media or otherwise
- The effect of an online review on customers
- The application of training to standard operating procedures
- The importance of standard operating procedures regarding: (a) Complaints, (b) Product management, and (c) Discipline concerns

Discussion Topics and Questions

Word of mouth vs. Social Media

1. How does negative word of mouth impact properties with competition compared to properties without competition?
2. How does a negative review on social media impact properties with competition compared to properties without competition?
3. Explain which method of delivering a complaint, word of mouth or social media, would be more detrimental to (1) A monopolized establishment and (2) An establishment with competition.

Handling a complaint

1. Assess each incident, the incident at the bar and group encounter, based on the L.A.S.T. approach by:
 - a. Identifying the action completed by the establishment for each step in the L.A.S.T. model.
 - b. If the staff member did not complete an action or part of the model:
 - i. Identify the part of the model not complete
 - ii. Determine what should have been done differently by the staff member to complete that part of the model.
2. Formulate an email response Jeff would send to the customers regarding the complaint.
3. Formulate a response Jeff would post to the complaints on the social media sites.

Standard Operating Procedures (SOPs)

1. Considering the service failures, appraise the usefulness of the SOP for handling complaints.
 - a. Make necessary changes to the SOP to enable staff to handle complaints using the L.A.S.T. approach during a service failure AND add training questions to the SOP to enable staff to be well trained in handling complaints
2. Develop a SOP for the liquor dispensing system with training questions to ensure the staff does not mix up the liquors in the future.

Reporting to Jeff

1. Compose a report to Jeff, the Food and Beverage director detailing the steps that have/will be taken to ensure these service failures will not happen in the future.

Instruction

It is recommended that this case study be taught over a minimum of four class sections: competition in the hospitality industry (LO 6), service failures and the role of social media (LO 3), properly handling service recovery—the L.A.S.T. approach (LO 1 & 2), and standard operating procedures and training methods in the workplace (LO 4 & 5).

By breaking up the class into these four sections, students will have the opportunity to work together and learn more about the issues and topics being introduced in the case study.

The first class section, competition in the hospitality industry, is very important from a marketing standpoint. A class section on competition will be beneficial for students to understand how competition affects different properties and the different variables that create a competitive market compared to a monopolized market. The class would follow these steps: (1) introduce the topic of competition and the differences between direct and indirect competition [8 minutes], (2) introduce the effect of location of an establishment compared to other similar businesses and how that may affect competition [10 minutes], (3) begin a class discussion on why fast food chains and gas stations are often in close proximity (5 minutes), (4) explain how casinos, sporting arenas, and event venues are often exclusive in regard to location and the concept of barriers to entry [10 minutes], (5) explain the importance of price in terms of competition [10 minutes], (6) explain how different firms price their products based on their competitor's pricing, (7) discuss the competition in regard to products and service and how a firm uses these two items to create distinctive competencies for a competitive advantage [7 minutes].

The second section would explain service failures and the role of social media in a service failure. Begin by introducing to the topic of service failures [10 minutes], (2) discuss the prevalence of social media and the impact social media has on the property's success [10 minutes]. (3) students read a magazine article highlighting the proper ways to handle negative reviews on social media [10 minutes], (4) students form groups of 2 to 3 students and pick one of their favorite restaurants or hotels in the local area and then search for the business on Yelp, TripAdvisor, Google+, or Facebook to find a 1-star or 2-star review for the establishment [5 minutes], (5) the group would then discuss the review and develop a response to the negative review based on the magazine article read previously in class [10 minutes]. (6) The instructor asks the groups if the negative review impacted their opinions of establishment [5 minutes].

The third section would focus on the proper handling of service recovery by using the L.A.S.T. model. The instructor introduces service recovery [5 minutes], then asks the class to break up into small groups of 3 to 4 students whereby each student discusses an experience where they received poor customer service and what the establishment did to remedy the experience [10 minutes], (2) the instructor discusses how some establishments never rectify a service failure by bringing up his/her experiences [8 minutes], (3) The L.A.S.T. model is introduced and explained to the class [10 minutes], (4) the class reads the article by Tschohl (2014) regarding the L.A.S.T. model [10 minutes], (5) the remainder of class students form three groups to discuss and respond to an assigned a complaint scenario— social media, written letter, and in-

person—using the L.A.S.T. model [12 minutes], (6) groups present their response [10 minutes]. Students complete an outside homework assignment by individually comparing how each response to the complaint may have differed depending on the type of complaint even though each group used the L.A.S.T. model. The assigned out of class reading is the article by Ogbeide, Boser, Harrington, and Ottenbacher (2015).

The final section would focus on standard operating procedures. The section would focus on four areas: why are standard operating procedures important, what are standard operating procedures, who are intended to follow the standard operating procedures, and when standard operating procedures are effective. The instructor would discuss each area of standard operating procedures [20 minutes], (2) then assign the class read the article about standard operating procedures by Betz (2013) [10 minutes], (3) then the class reviews a manual developed by the Michigan Department of Agriculture and Rural Development (n.d.) to understand the proper format and requirements of common standard operating procedures [15 minutes], and (4) students brainstorm about the standard operating procedure they would complete for the case study [5 minutes]

Additional Readings

- Betz, K. W. (2013). Operating procedures best if standardized. *Qualified Remodeler*, 39(2), 10.
- Freeman, D. (2013). New customer rage study out for holiday shopping season: We've got more problems & anger despite customer-care efforts. Arizona State University. Retrieved from: <http://wpcarey.asu.edu/news-releases/2013-11-26/new-customer-rage-study-out-holiday-shopping-season>
- How to handle criticism on social media. (2014). *Customers First*, 19(5), 4-5.
- Michigan Department of Agriculture and Rural Development. (n.d.). Food Establishment Standard Operating Procedure Manual. In Michigan.gov.
- Ogbeide, G.A., Boser, S., Harrington, R.J., Ottenbacher, M.C. (2015). Complaint management in hospitality organizations: The role of empowerment and other service recovery attributes impacting loyalty and satisfaction. *Tourism and Hospitality Research*.
- Tschohl, J. (2014). Vail Resorts. *Sales & Service Excellence Essentials*, 13(5), 14.