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## **SERVICE RECOVERY**

A Study of the Complaint Handling Process at Hotel Gothia Towers

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## **ABSTRACT**

The expansion of the service sector has resulted in an increased variety in customer demand as well as provided supply. Consequences of these developments are less predictable customer wants and needs, increased requirements to fulfil such needs on behalf of the service provider as well as a greater demand on employees to interpret such. As a result, customer service and service quality have become major sources of competitive strengths. Hence, service providers are investing substantial resources on strategies and tactics designed to establish equilibrium between customer expectations and the attributes of the service provided. Such a correspondence is essential since a lack thereof will result in service failure.

The response to a service fault is normally customer dissatisfaction with the service provider, which may result in a complaint. Whether such a complaint is met with an appropriate response or not has a great impact on the customer's perceived satisfaction with the service provided. The effectiveness of such corrective manners is determined by the appropriate recovery strategy and compensation practices utilised.

This thesis investigates the nature of service quality, customer complaints and service recovery. A case study has been performed at Hotel Gothia Towers, where such behaviours and actions were investigated in greater detail.

Key-words: complaint behaviour, complaint management, customer expectations, empowerment, service quality, service recovery.

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Finally, we thank the front desk staff at Gothia, who has been our inspiration and motivation in writing this thesis. We recognise your amazing effort and everyday challenge in handling complaining guests and would therefore like to dedicate our work to you.

*“I am a Front Desk Clerk. I am quite capable of checking three people in, two people out, taking five reservations, answering the telephone and unplugging the toilet in 1420, all at the same time.*

*Of course I should have realised that you meant to make your reservation here and not at the “Galaxy Delight Motel,” and that as a member of the Accounting & Bagel Club of North America, you are entitled to a five dollar discount.*

*It is no problem for me to get you two connecting, non-smoking, pool side, downstairs outside suites (with two king size beds in each and an additional three extra beds) and a beautiful sea view. I also take personal blame for the fact that the hotel does not have a helicopter landing pad.*

*Of course I remember that four years ago, you were accidentally charged 72 cents for a phone call you hadn't made and I will personally make sure it doesn't happen again.*

*I understand that MacGillegetty's Widget Manufacturing Corp. is a vast empire that can make or break our hotel and I am lying when I tell you we don't have any more rooms available. It's not a problem for me to quickly build two more so we can accommodate you and this time, I will include a helipad.*

*After all, I am a Front Desk Clerk."*

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Gothenburg, January 2005



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## 1. INTRODUCTION

Mr X had booked a room at Gothia Towers for himself, his wife and their two children. As they checked in to their room, they noticed that it was exceptionally hot. Mr X called the reception to ask how to operate the air conditioning, but was told the hotel doesn't have one. He was instructed to turn the knob of the cooling device to minimum, close the window and give it a few hours; the room would automatically get cooler once the sun sets, he was told. The family left the room to spend a few hours at Liseberg, and returned at 10 p.m. Still, the room was equally hot. They again called down to the reception for help, and were offered an apology and a table fan. Mr X accepted the offer and the family went to bed. Due to the heat, none of them slept very well.

In the morning, Mr X again pointed out that the family had been bothered by the heat in the room. Again, the receptionist apologised for their inconvenience and explained that the heat is a known problem during the summer months. She said she hoped the family still had a pleasant stay and had enjoyed their time in Gothenburg. Being a reasonable man, Mr X accepted the apology and decided not to make a big deal of the situation. He paid the bill and waited by the reception desk for the keys to his car, which had been parked in the hotel garage.

As he was waiting, he overheard another guest complaining about the heat. This guest, Mr Y, was in Gothenburg to attend an important business meeting. As he had called the reception for help, he too had been offered a table fan, an offer he considered to be a joke at a 4-star hotel. Mr Y claimed he had lost an entire night's sleep and was extremely upset, shouting and cursing at the receptionist. His complaint was immediately handed over to the first receptionist, who again apologised and offered him a reduction on his room rate of a couple of hundred kronor. Still, Mr. Y was by no means satisfied with the situation, or the offered compensation. He claimed that he should not have to pay for his room at all. The first receptionist regretfully told him that the hotel would not be able to offer him such compensation. As a response, Mr. Y

told her he would never stay at Gothia Towers again, and stormed out of the hotel in anger.

Mr. X, still waiting by the counter, again approached one of the receptionists to question the situation. At this point, not only was he unsatisfied with the heat, he was also upset that he had been unfairly treated. He strongly questioned the fact that he had been refused compensation for the same complaint that for another guest had resulted in a price cut of several hundred kronor. Once again, the first receptionist was called to handle the situation. She apologised for the incident and gave Mr. X a refund on his room rate equal to the amount Mr. Y had been offered. In addition, he was reimbursed for his parking cost. Still, Mr. X left the hotel with a feeling of having been unjustly treated. He felt that all guests should get the same response in a situation like this, and that he had not been taken seriously by the staff simply because he had not been upset enough. He too left the hotel unsatisfied.

### 1.1 The Challenge of the Service Recovery Process

Due to the ever increasingly globalised market place of tourism and hospitality, an understanding and dedication to customer commitment and loyalty have become increasingly important in striving for competitive advantage (Eccles et al., 1998). Regardless if a firm produces physical goods or services, it is essential for a company to manufacture a product that is consistent with consumers' expectations (Levesque et al., 2000)

One of the main reasons to strive for consistency in the production is that the customer perceives this interaction to be part of the service itself (Bitner et al., 1990). The service quality perceived at the point of contact is a main determinant of customer satisfaction. If the service provided does not correspond to the expectations of a customer, a service failure will occur (Bateson, et al., 1999). Mr. X and Mr. Y both felt that a four star hotel should offer air conditioning, and were therefore dissatisfied to find their rooms to be too hot. One of the characteristics of services is that they are produced and consumed in the immediate presence of the customer. This inherent

characteristic increases the likelihood of errors, thereby making mistakes a critical component of services (Hart et al., 1990).

In an instance where a service failure does indeed occur, customer dissatisfaction may arise. This reaction might result in a customer complaint. Whether a complaint deriving from a service failure is met with an appropriate response and/or action and subsequently is corrected in an effective manner or not has an essential impact on the customer's perceived satisfaction with the particular service at hand. Nevertheless, the introductory example points out that different customer may respond to these actions in different ways. Therefore, the interaction between the service provider and the customer has become a crucial area of concern for service providers (Hart et al., 1990). Due to the magnitude of this exchange we find this an important area to be addressed, especially considering the increasing growth in the service industry. Moreover, as we are soon entering this market ourselves, we also find it to be educating on a personal level.

The service provider also has to consider the individual needs of the customer to a far greater extent than a producer of a physical good. This consideration is based on the notion of customer predictability, thereby meaning that a standardised product implies a higher degree of predictability in the needs of the customer. Since the mere nature of services is less predictable than that of goods, services are generally less standardised than physical goods. As competition has resulted in an increased variety in demand as well as supply, the customer service provided has become a major source of competitive strength. Hence, the consequences of this development are less predictable customer wants and needs, increased requirements to fulfil those needs on behalf of the service provider and a greater demand on employees in the service sector to interpret these wants and needs (Lashley, 1999).

This progress has resulted in the development of strategies tailored to assist the employees in confronting, compensating and ultimately retaining customers who do not perceive their needs to be satisfied (Lashley, 1999). However, the manner in which these strategies is communicated to the employees seems to

vary significantly according to, for example, services provided, the service company in question and organisational structure.

### 1.2 The Complexity of the Complaint Handling Process

The introductory story about Mr. X and Mr. Y illustrates the complexity of the complaint handling process. Even as a single example, it raises many issues to be addressed in order to form guidelines for effective complaint handling management techniques. Those issues include the following three concerns:

A company's effort to offer personalised service will affect the way complaint situations are handled. The example describes how the reception staff interpreted the different situations through each guest's behaviour, and offered compensation accordingly. Although one of the receptionists managed to interpret and solve the first complaint situation in a manner fully satisfactory to the guest, the way the situation evolved later turned him into a dissatisfied customer. Therefore, the presence of guidelines or even fixed policies on compensation could possibly have saved the situation and, in this specific case, resulted in at least one satisfied guest.

Compensation might not be a short-cut to customer satisfaction in a complaint handling situation. Clearly, Mr. Y was not willing to accept the level of compensation offered by the reception staff and left the hotel unsatisfied despite the reduced room rate. On the contrary, Mr. X was willing to accept the explanation and apology he was given without demanding any compensation at all. He was, however, not willing to accept to be treated different from the other guest, something which made him feel that he was not being taken seriously. In the end, both guests received compensation for their inconvenience and both still left the hotel feeling unsatisfied.

In any business, there will always be a certain percentage of customers who will not be completely satisfied no matter what. In this specific case, Mr. Y was demanding an unacceptably high level of compensation for his inconvenience. Excessive compensation is costly and even with that, there is no guarantee that the customer will actually choose to return. In addition, over-compensating a

guest, especially at his/her demand, could result in guests making a habit out of this behaviour, always looking for something to complain about in order to get the compensation. Keeping this in mind, it is up to each service provider to determine whether it is important to satisfy all customers at any cost.

### 1.3 Purpose

Since Hotel Gothia Towers currently lacks a structured service recovery and compensation plan, as well as a training programme for handling such occurrences, we believe it to be interesting to study how these practices are conducted. Therefore, the aim of this thesis is to investigate the nature of customer complaint actions taking place at the Hotel Gothia Towers. We will closely explore the procedures taken by the frontline personnel in such encounters. Furthermore, we are to establish whether the actions taken in such instances have an impact on the customers' perceived notion of service quality.

Due to the lack of official training or instructions on how customer complaints are to be dealt with, our first undertaking will be to establish how employees at different levels of the organisation view the issue. This process focuses mainly on interviews with the frontline staff, but also includes interviews with the management team. The interviews will help us establish how customer complaints and service recovery are regarded in the different levels of the organisation as well as to detect possible discrepancies both at different levels but also between individual members of the frontline staff.

It is possible that there is in fact an unspoken system in place. If so, it would be necessary to find out who sets the standards of such a system. Furthermore, we aim to find out how the lack of training affects the actions taken by the frontline staff in handling customer complaints and if these individuals are even aware of how they can affect the service recovery process.

Areas to be explored:

Can service recovery be successfully carried out through empowerment of the frontline staff without formal training and clear guidelines on how to handle customer complaints?

How do service recovery actions taken by the frontline personnel at Hotel Gothia Towers affect the customers' notion of service quality?

How is customer loyalty affected by the behaviours of the frontline personnel and how does it effect the customers' overall perception of satisfaction?

What are the consequences of customer dissatisfaction in service encounters?

#### 1.4 Outline of the Thesis

In the following chapter we will discuss concepts such as complaint behaviour, compensation management, service quality and service recovery. Definitions of the terms are provided and explanations are presented to explain the concepts importance in a successful service organisation. We also explain how these conceptions in many instances interconnect, i.e. lay the foundation for one another. This chapter will aim to equip the reader not only with an understanding of these concepts but also to place them in a broader perspective, thereby facilitating their application to the case study of Hotel Gothia Towers.

The third chapter addresses the issue of how we approached our particular case study. A presentation is made regarding the courses of actions taken and their importance to the study and its outcomes. This chapter is also to include the selection of our interviewees and the limitations considered in regard to this group of individuals. We also introduce to the reader the procedures of evaluating and analysing the interviews and establishing trustworthiness and reliability to our particular study.

Information relating directly to the hotel is provided in the next chapter. In this section, we will provide a review regarding the complaint management system

utilised at the time of study. This information is made available not only to establish the procedures and strategies undertaken by Hotel Gothia Towers, but also to provide the reader with an understanding of the structure of the organisation. Moreover, an account for the various employee positions and their respective function in the complaint handling process is provided. In order to accurately establish the nature of the complaint system, we also closely investigate the means of education and training made available the employees during their time of employment.

In the following chapter we process and analyse our findings, i.e. the interviews with guests as well as hotel personnel. Based on the responses received, we classify the interviews according to cause and time of incident. According to such categories, we then draw conclusions as to the nature of complaint handling and service recovery utilised at the hotel. To better help the reader to develop an overall impression of the categories created, examples illustrating such are provided continuously throughout the chapter.



## **2. THE LITERATURE ON SERVICE RECOVERY**

### **2.1 The Challenge of Meeting Customer Expectations**

Even though the service encounter most often results in a satisfactory or perhaps even positive exchange, this outcome cannot not be taken for granted. On the contrary, if the service provider does not deliver a service consistent with consumer expectations, it is difficult to reach a desirable level of customer satisfaction (Eccles et al., 1998). In a changing and ever more competitive tourism marketplace, it is essential to manage the customers' expectations so that they are consistent with the service being provided (Newman et al., 1996).

Today, service providers are investing substantial resources on strategies and tactics, which aim to establish equilibrium between customer expectations and the attributes of the service being provided (Levesque et al., 2000). However, if an equilibrium between customer expectations and perceived service quality is not attained, the customer might experience dissatisfaction with the service and as a result might avoid any future involvement with the particular service provider (Zeithaml et al., 2003).

To further complicate the matter, the customer might appear to be satisfied even though the situation in fact may be quite the opposite. As a result, the service provider may experience difficulties not only in detecting the service failure but subsequently also in recovering the service failure (Eccles et al., 1998).

The perceived quality of a service is determined by customer expectations, and fulfilled expectations contribute to the satisfaction with a service. Customer satisfaction is generally regarded as a primary determinant of long-term and mutually beneficial customer/service provider relationships. The higher the level of satisfaction perceived, the greater the customer retention rate and financial benefits on behalf of the service provider.

Service providers have to take two major challenges into consideration in order to obtain as well sustain such a product consistency. Both of these challenges directly relate to the characteristics of a service. Due to the human element involved in the delivery process of a service, variability is of great importance. Moreover, since the customer is present most of the time during the production as well as consumption of the service, the issue of inseparability has to be considered (Hart et al., 1990). Furthermore, this issue of inseparability in itself may contribute to the creation of inconsistencies, which due to the consumers' presence are more easily detectable (Boshoff et al., 2003).

Moreover, it is more expensive for a company to acquire new customers rather than to retain already pre-established customers. Therefore, tactics and training in regard to customer service, compensation and recovery should be a part of a service company's strategy, where customer satisfaction ought to be the primary goal for business (Hart et al., 1990).

Through our own work experiences we have encountered situations that most certainly relate to the notion of service failure and the recovery process of such occurrences. These situations further contribute to our concern regarding the subject matter. Moreover, our experiences correspond to the understanding that this particular interaction can be a major obstacle to overcome in the quest for high service quality provided by the individuals employed by the service industry.

### 2.2 The Notion of Service Quality

The expanding area of the service sector has contributed to an increased interest in service quality (Getz et al., 2001). There are numerous definitions of quality and according to Swarbrooke (1995), quality is "offering a product of the right grade for the chosen market or markets, at an appropriate price" (cited in Getz, 2001). Service quality is up to the perceived expectations from the consumer viewpoint and not from a manufacturing perspective (Gummesson, 1991). Therefore, Gummesson (1991) expresses the importance of being aware of service quality from the "manufacturing stage" in order to achieve quality consistency where all employees offer the same reliable service.

The frontline staff often plays a crucial role as they frequently represent the first interaction the customer has with the service provider, called the "moment of truth," and can therefore affect the service quality and customer satisfaction (Gummesson, 1991). The link between service quality and customer satisfaction has shown to be important for profitability and customer retention (Newman et al., 1996).

However, in order to achieve customer satisfaction it is important to have already achieved a good level of motivation, teamwork and co-operation, areas which according to Newman et al., (1996) are important for successful service quality. One area of importance is the action taken by managers and the human resource department, who are responsible to lay the stable foundation necessary in order to achieve consistent service. Moreover, these individuals of authority are also responsible for motivating and guiding the employees towards these goals (Gummesson, 1991).

Since services are demanded, produced and delivered in the presence of the customer, it is inevitable that mistakes occur, and therefore mistakes are a critical component of services (Hart et al., 1990). Due to this process, the actions taken by the frontline staff play a critical role in the service encounter. In fact, customer expectations are grounded and affected by frontline personnel behaviour, and therefore judged accordingly. Such behaviour includes not only performance efficiency but also positive interpersonal contacts, service delivery attitudes, courtesy and helpfulness demonstrated. All these behaviours are closely related to the customers' evaluations of service quality (Adelman et al., 1994).

### 2.3 Complaint Behaviour and its Management

As previously pointed out, the perception of service satisfaction is highly related to customer expectations (Eccles et al., 1998). Hence, if equilibrium between customer expectations and service attributes cannot be established, the customer may experience a sense of dissatisfaction with the service provided (Zeithaml et al., 2003). One strategy used to lay the foundation for and to

establish customer satisfaction is to realise what customers indeed do expect from the service institution and the particular service at hand. One such tactic to reveal expectations is to encourage customers to provide feedback to the service provider. Such feedback may be available in many forms and can be communicated both orally and in writing (Heung et al., 2003).

The most useful and important form of feedback are consumer complaints (Sanes, 1993), which are defined as actions undertaken to communicate the involvement of something negative in relation to a service or good being provided (Jacoby et al., 1981) However, any source of customer comments should be carefully considered and taken into account. Even though customer complaints may be of the most revealing nature, it is at the same time imperative to remember that all feedback is to be viewed as a resource and tool to help improve the service being provided (Heung et al., 2003). According to John Goodman, President of TARP, customer complaints can be utilised as a source of quality information, which is also quicker and less expensive than systematic surveys (Royal et al., 1995). Furthermore, in addition to having a negative impact on the organisation's reputation, quiet dissatisfaction can lead to market share erosion and a financial loss to the organisation (Stichler et al., 2003).

While most literature on service performance and customer satisfaction recognises the significance of consumer input in service delivery, few researchers discuss how this input is communicated from the contact personnel to managers who make decisions regarding procedures and policies (Gilly et al., 1991). Zeithaml et al. (1988) identified upward, inter-organisational communication as a factor that tends to close the gap between actual customer expectations and management's perception of those expectations.

This proposal indicates that communicating customer complaints from an organisation's contact personnel to its management provides the opportunity to satisfy unhappy customers. Such communication can therefore prevent brand switching and negative word-of-mouth promotion. Furthermore, this theory suggests that forwarding information about complaints to decision makers who can take steps to reduce or even eliminate the cause of dissatisfaction offers

benefits far beyond the individual complaint. Fornell et al. (1979) characterised this distribution of information for the purpose of finding and correcting the causes of consumer dissatisfaction as complaint management, as opposed to the traditional complaint handling involved in recovering unsatisfied customers.

The implementation and maintenance of an efficient complaint management system has several benefits. It may prevent or limit the origin of dissatisfied customers, thereby restricting the spreading of negative word-of-mouth, which may have consequences on the image and perception of the service provider (Heung et al., 2003). It may also prevent the loss of dissatisfied customers while at the same time support the maximising of customer loyalty (Kemp, 1999). Further, it has been shown that good recovery and complaint management have a positive impact on staff attitude and staff retention, process improvement and, arguably more importantly, on profit (Johnston, 2001). Managing complaints well and recovering customers, i.e., dealing with them after a service failure complaint, should therefore be the cornerstone of any organisation's customer-satisfaction strategy (Tax et al., 1998).

Some researchers suggest that if properly compensated, a customer frequently remembers a successfully recovered service failure as very satisfying even though the incident began with a failure of the system (Gilly et al., 1991). Stichler et al. (2003) found that customers who complain have the potential to become an organisation's most loyal customers, assuming that their complaint has been properly addressed. Gilly (1987) even argued that the customer's perception of the complaint handling process and response were more important in determining satisfaction and repeat business than the response itself, regardless if compensation was awarded or not. From a management perspective this finding is striking, suggesting that even a failure of the service delivery system can be remembered as highly satisfactory, if handled properly.

Before putting a complaint management system into practice, several concerns and complications should be addressed by the management of the operation. Such proactive manners will help managers to help make full use of the system. Issues to be considered include the communication and incorporation of complaint handling strategies to the relevant employees. Moreover, training

must be provided these employees, thereby ensuring that they both understand the importance of their behaviour and the impact of such. It has been suggested that these strategies can be communicated in, for example, the employee handbook or in the production of an instructional video (Heung et al., 2003).

Moreover, a program encouraging customers to provide feedback should be undertaken. In this regard, all sources of comments should be encouraged, including comment cards, feedback forms and oral presentations of the experiences with the service. In regard to this step, the importance of training and understanding for the complaint policies is essential. Employees have to develop a constructive position towards receiving “criticism” so that consumers feel comfortable in approaching them with their comments and concerns. In relation to this standpoint, management should also make known that a positive correlation between in-person communication and trust building in situations of complaints have been established (Heung et al., 2003).

Most companies have great difficulty calculating the profitability of their complaint management. As a result, complaint management is often not regarded as a source of profit but rather as a cost, making it a probable victim for cost reductions. Even so, a decision to cut back on these activities in an attempt to save money may turn out to be premature. Recent studies have shown how the conceptualisation of complaint management profitability (CMP) can result in a number of benefits and costs reductions (Strauss et al., 2004).

### 2.4 Service Recovery

The concept of service recovery includes all the actions, strategies and tactics a service provider undertakes as a response to a service failure and a customer complaint. Whether a service failure is corrected effectively or not has a very strong impact on a customer’s satisfaction with a service. This leads to a recovery paradox stating that customers are actually more satisfied with an excellent service recovery than if there had been no mistake at all. Hence, a good service recovery strategy has several positive impacts, such as establishing a more loyal and satisfied customer base that potentially could

provide the service provider with positive word-of-mouth (Zeithaml et al., 2003). Furthermore, research has demonstrated strong links between effective service recovery and not only customer satisfaction, but also repurchase intentions, customer trust and commitment, and long-term relationships (Smith et al., 1999; Andreassen 2000). Moreover, it is more expensive for a service organisation to acquire new customers than to retain those that are already established customers. Hence, service recovery should be a part of a service company's strategy and customer satisfaction should be the primary goal for business (Hart et al., 1990).

### *2.4.1 The Main Elements of Service Recovery*

As previously mentioned, it is essential to remember that the situation-specific nature of services and the delivery process of such require a rapid and efficient reaction to service failures. This response is to be seen as a direct action taken to avoid any further damage to the customer's perception of the service provider (Zeithaml et al., 2003). This characteristic contributes to the importance of providing effective training to all employees that interact with customers (Eccles et al., 1998). This is crucial since these are the employees who are most often the first to come into contact with customers who have experienced a service failure. Moreover, considering these employees close proximity to the customer, they are often in the best position to establish what can be done to rectify the particular customer (Hart et al., 1990).

Furthermore, the element of training is not only applicable to the frontline employees. The understanding of complaint behaviour is indeed crucial when using a recovery strategy, but it is also essential for the management when designing strategies to be implemented (Bateson et al., 1999). Furthermore, this knowledge and training ought to be seen as a tool in recognising and deciding which strategies are the most effective in what situation. Moreover, training also involves an understanding that a response to a service failure not only includes a complaint, but also may result in either exit or loyalty (Levesque et al., 2000).

The awareness of the outcomes of exit, loyalty or perhaps even indifference highlights the importance of dealing with complaints in a fair, efficient and effective manner. One such strategy is to empower the employees to solve the issue at hand (Eccles et al., 1998). That is, enable the relevant employees to instantly react to customer needs by providing them with a greater amount of authority. This element allows the employees to react in a quick manner, thereby rectifying the failure or issue and avoiding any further distress or inconvenience for the customer (Lashley, 1999).

These elements of training and empowerment also have the potential to create an awareness of responsibility on behalf of the affected employees. Such a sense of responsibility can be related to the increased authority provided the employees (Lashley, 1999), but should also be connected with an awareness of being partially responsible for ensuring that the customers leave the service institution in a satisfied manner (Eccles et al., 1998).

Another element in the process of putting a service recovery strategy into practice is that of success recognition. This tactic implies placing attention on those employees who not only successfully seek and correct but also anticipate mistakes and service failures. That is, not only reactive but also proactive actions are highly emphasised (Heung et al., 2003).

All these element of the recovery strategy are examples of how an organisation, regardless of producing goods or services, should develop a mindset where its employees understand that customer satisfaction is a key element for organisational success. Moreover, such a state of mind places emphasis on the value of satisfying and fulfilling customer expectations, rather than focusing on the cost associated with it (Hart et al., 1990).

### 2.5 Recovery Strategies

When customers encounter a service failure they may, for example, switch to another supplier, complain to the relevant provider or spread negative word-of-mouth to other consumers. However, such future intentions may be eliminated or, perhaps more realistically, minimised if the firm develops and implements

an appropriate recovery strategy (Hirschman & Ross, 1970). Service recovery strategies are actions taken by service providers as a direct response to defects, inconsistencies or failures in the service production. Such strategies generally consist of three distinct functions, i.e. apologise, assistance and compensation. These actions can either be practiced separately or in combination with each other depending on the failure at hand and particular nature of the service being provided (Levesque et al., 2000).

Customers have expectations about the recovery process, such as acknowledgement, empathy, apology, and compensation (Johnston et al., 1999; Bowen & Johnston, 1999). These expectations are in part based on factors such as the customer's attitude toward complaining, the magnitude of the service failure, priour experience, and attitude toward the supplier of service (Johnston, 1998; Tax et al., 1998; Smith et al., 1998; Smith et al., 1999). An apology is normally the minimum requirement of what is requested by the consumer and refers to the acknowledgement of an occurred problem on behalf of the service provider. However, an apology in itself is a rather ineffective strategy unless the service failure is of a minor nature. Therefore, this strategy ought to be pursued in combination with another action (Goodwin et al., 1992).

Assistance involves the actions taken to rectify the call of attention to an unsatisfactory service. The strategy of assistance is considered by many firms the most effective since it can bring the consumer back to the original intention of consuming the particular service being provided (Parasuraman et al., 1991). The recovery strategy of compensation refers to the monetary payments allotted the consumer in order to rectify any inconveniences he/she may have experienced. This recovery strategy is also regarded to be of major importance and effectiveness for the service provider, especially in relation to failures in the hospitality industry (Levesque et al., 1999).

It is, however, important to point out that the effectiveness of any single one recovery strategy, or combination of strategies is situation-dependent, i.e. it varies from situation to situation. Moreover, the outcome efficiency of a strategy is also related to the type of service provided and its relative importance to the consumer. Another factor that may influence the success rate

of the recovery strategy pursued is the manner in which the service provider handles the problem that has arisen. That is, responsiveness, empathy and understanding (Hart et al., 1990). Hence, any recovery strategy adopted by the service provider is dependent on what is done in order to compensate the consumer, as well as the manner in which the compensation is performed.

As mentioned previously, the recovery strategies of assistance and compensation are generally considered to be the most effective. However, studies have revealed that a relationship between assistance, compensation and the notion of criticality exists. Here, criticality refers to the importance of the expected service from a consumer's perspective. Furthermore, in circumstances where the service purchase was critical, the seriousness of the failure experienced was considered to be of greater extent. The studies demonstrated that in situations of high criticality, assistance was the most effective recovery strategy. On the other hand, in situations of low criticality, compensation was the preferred strategy (Webster et al., 1998).

### 2.6 Management Approaches to Services and the Customer Encounter

Relating back to the nature of the service sector, which is characterised by increased globalisation, competition and ability to quickly adopt to changes in the marketplace (Eccles et al., 1998), the notion of employee empowerment has become a means of dealing with these proposed challenges (Lashley, 1999). Moreover, the expansion of the service sector has contributed to an increasing interest in service quality, which has led to an enhanced understanding and dedication to customer commitment and loyalty (Getz et al., 2001).

These concepts are highly related to empowerment since a positive connection has been associated with empowerment and key issues relating to employee practices, i.e. studies have shown a correlation between empowerment and an improved service quality (Lashley, 1999). However, this connection has been questioned by other researchers who point out the difficulties in defining a successful service encounter. This difficulty is founded on the fact that the

expectations of a service and its quality vary considerably from customer to customer (Lashley, 1999).

Many researchers argue that employee empowerment is a management technique suitable and applicable to all organisations regardless of industry. However, this statement is questioned by other researchers within the field. Even though empowerment in many instances does indeed serve as a motivational tool or incentive for the employees involved in the process, it has been argued that the success of the technique is dependent on the operating industry, the management style applied and the experience itself of being empowered (Lashley, 1999).

### *2.6.1 Production-line approach*

Opponents of a management approach to services based on empowerment claim that this theory is much too dependent on the skills and attitudes of the service providers, thereby making the service industry cost inefficient and quality restrained (Bowen et al., 1998). This approach principally originates from the concept of a “production-line approach to services,” which was strongly advocated by Lewitt in the 1970’s. This theory implied that the service industry and customer service in itself is primitive and embraces a pre-industrial manner of thinking. Rather than depending on the interpersonal skill of the service providers, Lewitt argued that operational ideas of execution ought to be adopted from the mass-production manufacturing industry. This would allow the service industry to focus more on operational goals and accompanying tools. Further, Lewitt (1972) argued that one ought not to view the service industry as a separate industry from that of manufacturing, since all businesses regardless of industry have to consider the service component.

Lewitt’s “production-line approach” suggested that in order to significantly improve the efficiency of the service sector, with regards to cost as well as quality, a technocratic rather than humanistic approach ought to be adopted. By restricting the human factor, service providers were to notice an immediate reduction in the production variety, thereby affecting the consumers’ notion of quality received. Such an approach would enable a redesign of the service

performance itself and promote the creation of new tools, processes and organisational models.

The main components of this theory were consequently very similar to those found in manufacturing. Limited deviations in employee tasks promoted standardisation and service quality. Task specialisations facilitated training and supervision. A greater reliance on technology enabled a greater production volume, while at the same time reducing the likelihood of error (Bowen et al., 1998). Hence, Lewitt (1972) stated that applying these technocratic principles services would benefit in regard to efficiency and might even achieve a competitive advantage in terms of cost leadership.

### *2.6.2 “Lean” production-line approach to service*

However, the production-line approach failed to take the very essential component of change into consideration (Bowen et al., 1998). Standardisation, task specialisation and the static nature of machines are in their mere construction elements ill equipped to handle and adjust to changes in the external environment. As the demand and supply for services increased in both size and variability, the ability to quickly adapt to changes in the marketplace became a source of competitive advantage (Lashley, 1999). This progress resulted in the development of a more human approach to services, where more emphasis was put on customer expectations, commitment and loyalty.

Interestingly enough, rather than applying technocratic conditions to the service sector, the manufacturing industry has during the past decades incorporated many service components and principles into their strategies and processes. However, in the last decade a revision of Lewitt’s production-line approach has come to be practiced by a few service providers. This revision implies an adoption of several important humanistic components, such as increased employee discretion and focus on customer preferences, while still being based on manufacturing ideas (Bowen et al., 1998).

This approach has been called a “lean” production-line approach to service and stresses the importance of using technology as a means of assistance and

support for the service personnel rather than having it replace the human element. Moreover, focus is placed on the employees to a higher degree, recognising personnel as an investment and their skills and performances as a resource. Furthermore, acknowledgment is made to the recruitment process, understanding the importance of a synergetic work team with complementing skills and knowledge (Schlesinger et al., 1991). Training is also seen as a core component, which in combination with empowerment is created as a tool to leverage customer contact (Bowen et al., 1998 1995).

Critics of the “lean” production-line theory have questioned whether this practice realistically involves the employees to a greater degree in the service process. It has been argued that the application of a manufacturing structure onto a service construction in fact compromises rather than enhances service quality. These opinions are founded on the perceptions that service organisations are more dependable on flexibility, adaptability and employee judgement to solve critical moments in the service process. However, some critics recognise that the production-line approach may be functional in organisations combining manufacturing and service components to a great extent whereas such a mentality not is appropriate for traditional forms of service organisations (Schlesinger et al., 1991).

### *2.6.3 Employee empowerment*

Even though some researchers strongly promote these alternative management approaches, most researchers agree that high customer contact services benefit from applying empowerment and teamwork reflection techniques to the organisation (Lashley, 1999). Empowerment implies that authority is being provided employees in order for them to act with a certain degree of latitude in the service process. However, this latitude or discretion should be limited to relevant tasks or area of expertise in order to be the most efficient (Bowen et al., 1992). When successfully implemented, empowerment provides an organisation with the opportunity to not only correct mistakes or rectify failed expectations, but it can also act as a tool to promote repurchases.

Moreover, empowerment may serve as an incentive or motivational tool for the employees involved in the service process (Lashley, 1999). Examples of such motivating aspects are an increased awareness of the relation between the task to be performed and the service in its entirety. Employees may also experience a greater sense of control in relation to the execution of the task, while at the same time shoulder enhanced accountability for the individual performance. Ultimately, this sense of accountability may be prolonged to the performance of the unit group or even the organisation in its entirety (Rafiq et al., 1998).

In relation to service recovery, empowerment can be a vital resource. Keeping in mind the simultaneous production and consumption of services and the difficulty in interpreting and predicting customer wants and needs, failures are an inevitable part of services (Hart et al., 1990). When such a failure does indeed occur, it is essential to respond rapidly and efficiently. Such behaviour is facilitated by the empowerment of the frontline employees, since they are usually the first points of contact for dissatisfied customers (Rafiq et al., 1998). Empowerment, when properly implemented, provides the frontline employees with the information and authority needed in order to solve the problem (Kendall, 2003). These tools enable the employees to do their utmost to remedy a complaining customer. This efficiency is critical for the service provider, since the behaviour and procedures assumed by the frontline employees' play a significant part in how the customer ultimately judges the organisation and services provided (McKenna et al., 1997) A failure that is not rectified rapidly to correspond to a customer's expectation may directly influence that customers perception of faith and reliability with the service provider (Rafiq et al., 1998).

However, it is essential to point out that the mere application of empowerment is not in itself enough to make the organisation more efficient and profitable. Rather, it has been suggested that several areas of concern have to be addressed to facilitate an effective implementation of empowerment in the service sector (Lashley, 1999). Such concerns include making proper training available, making an allowance for the interpersonal skills of the employees and providing the necessary tools to assist the employees in handling operational issues (McKenna et al., 1997).

Moreover, and as mentioned before, the different management approaches presented all have some characteristics making them more or less preferable depending on the product, environment or industry of application (Lashley, 1999). In a situation which demands a close proximity or tie to the customer, the technique of empowerment is effective, whereas efficiency in an environment with a high predictability in customer demand may be facilitated by a production-line approach. However, even though these alternative management techniques have been recognised, the technique of employee empowerment is generally promoted to be the best suitable in regard to the service industry (Rafiq et al., 1998).

In our investigations, we explore the effect of employee empowerment at the Hotel Gothia Towers. We discussed the notion of this concept with individuals working within different areas of the hotel and compared their perception of the concept to one another. Moreover, we examined the frontline employees' experiences of being empowered in the setting of customer complaints and compensation handling.

### 2.7 Service Guarantees

In an increasingly fierce hotel market, it has become important to create loyal customers and to quickly recover from mistakes (Hart et al., 1990). However, we all know that this can be difficult in an industry that relies on an intangible product, where mistakes are difficult to predict. One essential part of the service industry relates to the intangibility of the service and the performance in the presence of the customer. Due to its intangibility it is more difficult to define and explain relative to goods, thereby leaving little room for preventing and forecasting errors (Ostromet et al., 1998). If the service does not meet the customer's expectation, which are predetermined by their needs and wants such as waiting time for checking in, no free parking spaces, etc. it can all contribute to the customer having a bad experience. According to Hart et al. (1990), companies must learn recovery skills and be able to tackle mistakes in the service delivery process. Companies need to realise that every customer complaint gives them a chance to prove their commitment to the service and company. One way of improving is to reduce the risk by offering a service

guarantee that can support service failures (Björlin-Lidén et al., 2003). These guarantees are often developed so that companies can evaluate their service and identify risks in order to improve the overall service, making the service more tangible. This helps the company to set new service standards but also discover new ways to meet customer expectations (Björlin-Lidén et al., 2003). Hart (cited in “The Guest Satisfaction Guarantee Guide,” 1998, p 1) states that:

“A company cannot realistically hope to eliminate all sources of error. It can, however, try to minimise errors and mitigate the damage they cause...bringing mistakes to the attention of employees and managers, providing them with the opportunity to win back dissatisfied customers and to identify and fix those processes that account for a disproportionate share of the company’s mistakes.”

Many international hotel chains such as Hampton Inn, Radisson SAS and Choice Hotels all have similar service guarantees. Hampton Inn, who was the first hotel chain to offer 100% service guarantees, has started to offer service guarantees in order to meet the customer expectations. According to Evans (et al., 1996), these kinds of guarantees have rapidly developed due to the increasing numbers of sophisticated travellers and the importance of retaining and creating loyal customers.

As the frontline employees are delivering the service, it is also important that they are provided with the authority and tools to handle service failures. This can be done by training the employees and giving them authority by empowering them to directly deal with customers complaints (Hart et al., 1990). As the frontline employees are the ones faced with complaining customers, it is essential that they receive the right training and guidance to be able to identify service errors but also care, meet and exceed the customer needs. Performing “real life situations” can be an effective training tool when educating in recovery skills, where the employees get a better understanding of how the complaining customer is thinking and acting (Hart et al., 1990). Empowerment means giving employees the authority to act upon service errors. The authority means resources and actions available to correct the service failure. This authority also implies awarding compensation, either in the form of refunds, i.e. direct repayment of customers’ expenses, or compensation which

includes additional efforts going beyond normal standards in showing caring and empathic behaviour by employees (Björllin-Lidén et al., 2003). However, it is important that making an extra effort without having a customer complaining should be included in the service standards and thereby making customers feel special.

### 2.8 Service Guarantees in Practice

#### 2.8.1 *Radisson SAS*

The Radisson SAS service guarantee was established to transform dissatisfied customers into loyal customers (The Guest Satisfaction Guarantee Guide, 1998). The guarantee implemented by Radisson is called the 100% Guest Satisfaction Guarantee and is regarded as a helping tool to recover the unsatisfied guest by giving them the power to either compensate or implement the guarantee. The guarantee can be implemented by employees at different levels, to assure guest satisfaction, without having to consult with a manager. The Radisson guarantee lays the foundation of contributing to loyal guests, increased brand value and positive word-of mouth (The Guest Satisfaction Guarantee Guide, 1998).

In order for the employees to use the guarantee they are rewarded through, for example, managerial recognition feedback, extra vacation days, discount coupons, etc. This is done to empower the employees to use the guarantee and it can also contribute to increased confidence and positive attitude of the work force (The Guest Satisfaction Guarantee Guide, 1998).

According to The Guest Satisfaction Guarantee Guide, (1998, p 50) the 100% Service Guarantee can only be implemented at certain conditions, such as when something of high severity caused by the hotel has happened to the guest, when a problem or error has occurred that the hotel is responsible, or for when something has happened that can not be corrected in any other way.

### 2.8.2 *Hampton Inn*

The Hampton Inn was the first hotel group to implement a guest satisfaction guarantee. This was done in 1989 at 200 of their hotel properties. The guarantee helped Hampton in to ensure a competitive edge in a fierce hotel market, enhanced service quality and product and to empower and retain employees (The Guest Satisfaction Guarantee Guide, 1998). The promise by Hampton Inn states that if you are not satisfied with your stay you can receive a full refund or they set the wrong things right (Evans, et al. 1996). Hampton Inn's guarantee laid the foundation for other hotel chains to implement the service guarantees.

### 2.8.3 *Choice Hotels*

Choice Hotel's service guarantee has emphasised the empowerment of employees. They have determined that in order to achieve loyal and satisfied guests their employees must first feel valued and trusted. The guest is advised to seek help immediately in the occurrence of a service error, in order for the frontline staff to correct or use the guarantee. The staff is restricted to offer one night free accommodation (The Guest Satisfaction Guarantee Guide, 1998).

## 2.9 Are Service Recovery Strategies and Tools Useful?

As pointed out previously, the effectiveness of any single one recovery strategy, or combination of strategies, is situation-dependent, i.e. it varies from situation to situation. Therefore, it is somewhat problematic to measure the effectiveness of one strategy as compared to another. Moreover, the type of organisation, service and customer base have to be carefully considered. Hence, service organisations have to reflect upon the relative importance of the particular service to the customer, while at the same time cautiously tailor the recovery strategies utilised according to the nature of the service being provided. However, a relation between customer loyalty, positive word-of-mouth and a commitment to the service provider in the case of a successful recovery have been established, thereby encouraging an application of such tactics and strategies.

Moreover, several hotel chains have been inspired to implement Guest Satisfaction Guarantees as a means of retaining customer and increasing service quality. There is, however, little unbiased research showing the effectiveness of these guarantees, and the task of proving such effectiveness is beyond the scope of this thesis. What has been established is, however, that the guarantees are a way for hotel chains to provide frontline employees with the authority and tools to handle service failures (although most guarantees do have strict limits). This includes both empowerment and training in dealing with customer complaints. It could be argued that these processes can be introduced without the formal implementation of a service guarantee and that therefore, the formal implementation of a service guarantee is not necessary in order to gain the presumed benefits of it.



### **3. METHOD**

#### 3.1 Background Information

In order to obtain the most accurate and updated information about the hotel and its organisation, we relied on the Svenska Mässan Intranet in combination with our personal interviews with members of the management team. Considering the size of the organisation and its continuous structural changes, we find it important to point out that although the information given is the most reliable at the time of our investigation, no consideration can be taken to changes having occurred since.

#### 3.2 Critical Incident Technique (CIT)

Bitner et al. (1990) found CIT to be the most appropriate method for discovering the underlying reasons for both dissatisfaction and satisfaction in service encounters. According to Flanagan (1954), CIT consists of a set of specifically defined procedures for collecting observations of human behaviour and classifying them in such a way as to make them useful in addressing practical problems. As a method of classification, CIT uses content analysis of stories, rather than quantitative solutions, in the data analysis stage of the procedure. This makes it an appropriate method for our study. Content analysis "takes the communications that people have produced and asks questions of the communications" (Kerlinger 1973, p. 525). Similarly, CIT takes the stories that people have told and asks questions of the stories in order to classify each one within the scheme.

During our initial discussions regarding our thesis with Charlotte Tellermark, General Manager of Gothia Towers, the main issue was how we were going to obtain the necessary study material. The primary records of complaints kept at Gothia are the guest comment cards, which we felt were not sufficient as the basis for our research. The comment cards are handed in confidentially and although this still allows for the hotel to use them internally to improve work routines and avoid further complaints, we would not have been allowed to

contact the guests to get additional information (the comments are usually short). Another negative aspect of basing our study on guest comment cards was that they would all have been handled by a manager, which is certainly not the case with most complaints. We therefore decided that the guest comment cards could be used to a degree to complement our findings, but that the main part of the study material had to be new, obtained especially for this study.

It was an absolute condition that we were going to be able to conduct our study at the hotel without interfering neither with the guests' stay nor the work routines of the frontline staff. We would therefore not be able to conduct any interviews at the hotel, directly after the critical incident had occurred. Since two of the authors, both Emma Andersson and Kristina Nilsson worked at Gothia Towers during the summer, we suggested that as a complaint situation occurred during our work shift, we would approach the guest and ask permission to make contact at a later stage to evaluate the incident through an interview. This method was finally agreed upon.

### 3.3 The Interviews

According to Silverman (2001), in depth/qualitative interviews are most commonly used to understand the thoughts and feelings of the interviewees, and we therefore decided that this was the appropriate method for our study. As our study was going to include a number of people, each with their own experiences and perceptions of an incident, we knew that our interview method had to be flexible. According to Silverman (2001), flexibility often results in a lack of comparability of one interview with another. Furthermore, analysing unstructured interviews is more difficult and time-consuming than that of standardised interviews. Nevertheless, the use of standardised questions with multiple-choice answers was not an option in this case. We wanted to find out not only about the different experiences the interviewees had, but also how those experiences made them feel. Therefore, we used open-end questions for our interviews.

### *3.3.1 Guest interviews*

To ensure a high level of authenticity, we had decided to conduct the interviews in the respondents' native language. Unfortunately, this forced us to leave out the Norwegian guests, as we felt it would be difficult both to explain the questions to them and for us to analyse answers in Norwegian. As a result, all of the interviewees were Swedish and the interviews were carried out in Swedish. Even though Norway is the second largest market for the hotel during the summer season (Tellermark, 2004), we believe that since the Scandinavian countries are closely related in many social and cultural aspects, this would not have a big effect on our study.

Mainly due to practical reasons, we decided not to carry out the interviews as a group, but rather to record them and analyse the answers together. We also decided that one person should carry out all the interviews, so that the questions would be asked in the exact same way. In order to get the interviewees to speak freely and to be able to highlight possible weaknesses in the current routines and work process, all the interviews were carried out anonymously.

Due to reasons already mentioned, the guest interviews had to be carried out over the phone, some time after the incident had occurred. Although this was not our choice, we found that this method was very useful for our study. We felt that being interviewed by phone in their own home had a positive influence on their participation; during the interviews, the respondents generally seemed relaxed and confident. Furthermore, Silverman (2001) reported of cases where the respondents misinterpreted questions and had problems concentrating due to the unruly surrounding in which the interview was being held. In retrospect, we understand that carrying out interviews in the crowded lobby at Gothia would have been difficult both for us and the guests.

Another interesting point that some respondents commented on was that the time that passed between their stay at the hotel and the interview had provided them an opportunity to reflect on the incident; a few were even more upset while others seemed willing to "forgive and forget." If this had any effect on or

study or not is difficult to determine; we know, however, from experience that many guests who feel that they have been unfairly treated can be extremely upset, often shouting and cursing. Under such circumstances it might be difficult to be fair and objective. Later on, we also found that interviewing such a person is practically impossible.

### *3.3.2 Employee interviews*

In order to establish the current situation at the reception, we decided to carry out interviews with the employees. Our prime goal was to find out how the service recovery process is dealt with in real life situations, rather than what the manual states. Eleven interviews were performed with contact personnel, including both receptionists and shift leaders (first receptionists). Since Emma and Kristina both work at Gothia and thus are colleagues of the interviewees, these interviews were carried out in an informal setting. Most of the interviews were conducted at the hotel, during a quiet moment of the work shift, while a few were conducted over the phone.

The employees taking part in our study all had different background in terms of education and work experiences. Some have been employees at Gothia for several years while others are fairly new to the organisation, factors which we believe could have had an impact on their individual opinions.

### 3.4 Choosing a Guest Segment – Business or Leisure?

Gothia Towers has two main market segments: business travelers, who stay at the hotel mainly during spring and fall, and leisure guests, who make up almost 100 percent of business during July and August but who are also important weekend customers throughout the year (Tellermark, 2004). As the two segments differ substantially in terms of needs and wants, we decided to focus on one group rather than including both segments in our study. All of the interviewees stayed at Gothia Towers during the summer season and therefore represent the leisure segment. Our decision to focus on this specific segment was primarily based on the time frame for this thesis. We wanted to collect all interviewee-data before the beginning of the fall semester to be able to start

conducting the interviews early, as we knew this would be highly time-consuming. From our personal experiences working in the hotel industry, we also feel that leisure guests are often most willing to share their experiences of a hotel stay, whereas business travelers tend to be less talkative. This idea is supported by the fact that the majority of guest comment cards handed in at Gothia are filled out by leisure guests (Tellermark, 2004).

Furthermore, we believe that the leisure segment engage more actively in choosing their accommodation, as opposed to many business travelers who simply book whichever hotel their company has a corporate agreement with.

### 3.5 Selecting the Guest Interviewees

The sampling of interviewees was completely unsystematic. During their stay at the hotel, we contacted a number of randomly selected guests who at some point during their stay had reported a complaint to a member of staff. These guests were given a brief introduction to our thesis and asked to participate in the study. Out of the 64 guests who were approached, 26 persons accepted and provided us with their contact details.

Since the actual interviews took place several weeks after the guests had left the hotel, they all had to be carried out over the phone. As agreed, each one of the 26 interviewees received an initial phone call during September or October, during which they were given more extensive information about our study and the opportunity to ask questions. They were also informed that their participation would be anonymous and that after the interview, they would not be contacted again. We would then ask if they were still willing to participate in the study and when it would be possible to conduct the actual interview. Some respondents agreed to be interviewed immediately, while others scheduled a time for us to call back.

Since their stay, two persons had changed their minds and were no longer interested in participating. As a result, a total of 24 guest interviews were carried out.

### 3.6 Conducting the Guest Interviews

The conversation during which each guest interview took place can be divided into three parts. First, it was explained to each respondent how the interview would be structured in terms of the number and types of questions. The interviewees also had the opportunity to ask questions or raise concerns connected to the interview. This was done partially to get a conversation started before the actual interview, but also to avoid interruptions and questions later on.

Before the actual interview started, each respondent was asked for permission to have the interview recorded. None of the interviewees refused to have the conversation recorded and only few had any concerns at all. The fact that the interviews were conducted over the phone and therefore, the tape recorder was not visible to the respondent, could be one explanation for this. The questions were then read to the respondents according to the interview guide, and short notes were taken by the interviewer.

After the formal part of the interview, the notes were read to the interviewee to ensure that there had been no misunderstandings. The interviewee would give his or her approval of the material and was again given the opportunity to ask questions or give their comments. Overall, we felt that people were genuinely interested in our work and wanted to know more about our thesis, what it would be used for, etc. Immediately after the interview had taken place, the notes were transcribed and compared to the tape for accuracy.

Out of the original 24 interviewees, one person was still extremely upset about the incident that had resulted in his participation in our study. This person perceived us to be representatives of the hotel rather than unbiased researchers, and demanded an explanation and apology for the inconvenience he felt he had been caused during his stay. If this perception was a genuine misinterpretation of our status or simply a bubble of restrained emotions bursting through our questions is difficult to determine. Nevertheless, because the person was not able to calm down enough to answer our questions without shouting and

cursing, we decided to interrupt the interview. This left us with a total of 23 guest interviews to analyse.

### 3.7 Evaluation of the Guest Interviews

Although we concentrated our research to a specific market segment, we believe that we managed to get a wide spectra of individuals represented. Thirteen of the respondents were female, 10 were men. The oldest person was 76, the youngest 22. Thirteen interviews represented families, two of which included grandparents. Seven were couples and three were friends. Their complaints and level of dissatisfaction also differed and even in the few cases where the complaint and the service recovery actions taken were similar, people responded to the actions in different ways. We believe that this gives a good picture of reality; in real life, people are genuinely different.

### 3.8 Analysing the Incidents

Using open-ended interview questions for our interviews created an element of flexibility which was valuable to us when trying to understand each individual guest's experience. However, we also knew that this flexibility would complicate the process of comparing the interviews, which was necessary in order for us to summarise our findings in a structured way. To begin with, each member of our group conducted a brief, individual analysis of the interviews. This gave us an opportunity to interpret the material from our separate perspectives and form an opinion about it, without the risk of having our thoughts influenced by each other. We then compared our notes, each one of us giving our own perspective, and discussed similarities and differences. By doing this, we were able to analyse the material from as many angles as possible in order to get the most objective result.

When analysing the interviews, one has to keep in mind that what we are being told is strictly one person's version; a person on the opposite side of the counter would most likely have a different idea of what really happened. From working at the reception at Gothia, we know for a fact that some statements made during

the interviews are not accurate, and it could therefore be questioned whether these statements are valid or not. According to most researchers (see Bitner et al., 1990; Gilly et al., 1991; Hart et al., 1990) the service encounter is the service from the customer's point of view. In accordance with these authors, we have come to the conclusion that when studying guest satisfaction, it is of less importance what is really accurate; if a guest feels that an error has occurred it is up to the service provider to deal with it and to find a solution that is acceptable to both parties.

### 3.9 Trustworthiness of the Study; Reliability and Validity

Kassarjian (1977) found that as a research method, CIT generally has the same advantages and disadvantages attributed to content analysis. Criticisms of content analysis are mainly based on issues of reliability and validity (Bitner et al., 1990), as problems may arise, e.g. as a result of the possible ambiguity of word meanings. To avoid such misinterpretations, and for the interviewees to be able to express themselves properly, all interviews were carried out in the respondents' native language, Swedish, as was the verbal analysis of the material. In the written report, any Swedish expressions that were difficult to interpret without the risk of changing the initial meaning were kept within brackets. Nevertheless, in evaluating the general reliability and validity aspects of the CIT, numerous researchers (Andersson & Nilsson, 1964; Ronan & Latham, 1974, White & Locke 1981) have come to the conclusion that the information collected by this technique is both valid and reliable.

Rather than conducting the interviews as a group, they were carried out by a single person in order to ensure that each respondent was asked the same questions in the same manner. They were also given the same information about the interview prior to the actual questioning and therefore we feel that they took part in our study under similar conditions.

Silverman (2001) argued that the reliability of a study can, to a large extent, be determined in the analysis and interpretation of the material. To ensure a high level of reliability in this part of our study, special attention was given to this task. Prior to the main evaluation conducted by the entire group, each group

member individually analysed the interview transcripts in order to highlight as many aspects of the material as possible.

While working on this thesis we found it difficult to disregard what we already knew from working at Gothia when conducting and analysing the interviews. It is easy to assume things to be a certain way simply because that is what we are used to. Having one member of our group who had no prior work experience from the hotel industry helped us view things in a new way. Nevertheless, we also feel that working at Gothia for several years has given us the opportunity to compare and validate our research to prior observations.



## **4. AN INTRODUCTION TO HOTEL GOTHIA TOWERS**

### **4.1 Background Information**

Hotel Gothia Towers opened at Korsvägen in 1984, at which time it was a part of the Sara hotel chain (Svenska Mässan, 2004). The hotel had 290 rooms distributed over 18 floors, with a popular sky bar and restaurant at the top. The hotel is owned by the Swedish Convention Centre, a foundation which by law promotes and supports the interests of the regional business community. After some years, the Sara chain was dissolved and Gothia has remained independent ever since. In the spring of 2001, in time for the EU summit, a second tower was opened and the hotel changed names to become Hotel Gothia Towers. The existing hotel has 704 rooms, thereby making it the largest hotel within the Nordic region. It offers three restaurants; “Incontro”- a lobby restaurant and bar serving Italian dishes, “Heaven 23”- situated on the top floor of the West Tower with a panoramic view over Göteborg and an international gourmet menu, and “18:e våningen”- a banqueting suite which is primarily being used to cater private parties. The capacity of the hotel itself and its direct connection to Gothenburg Convention Centre, in addition to the location right in the “evenmangs-stråket” with Liseberg, Universeum, Scandinavium and Ullevi around the corner, certainly makes Gothia Towers a remarkable hotel- and conference establishment (Svenska Mässan, 2004).

Due to the connection to the Convention Centre with its recurrent fairs and exhibitions, and the extensive conference- and meeting facilities the complex has to offer, Gothia Towers primarily aims to be a business hotel. Nevertheless, the closeness to Liseberg and Universeum as well as the city centre also makes it highly attractive to leisure guests, especially families with children, during the summer months and weekends year-round. This demand creates an excellent target market for the traditionally slow business- and meeting months of June through to August, when many other hotels are struggling to attract customers. (Tellemark, 2004)

The hotel has approximately 300 employees within the reception, guest services, restaurants, and housekeeping. Out of these, 35 work at the front desk, a department that includes both guest service and reception. The reception has 20 employees working three shifts, morning-, evening- and night shift (Tellemark, 2004).

### 4.2 Complaint Handling at Hotel Gothia Towers

Although each department of the hotel is fully capable of handling their own complaint issues as they occur, in reality most complaints still seem to end up at the reception. One reason for this could be that for most guests, the reception is the first, if not the only, point of contact with the hotel staff during their stay. There are both positive and negative aspects of this practice. In general, complaint issues should be addressed, and if possible, solved by the persons who have been involved in the matter, as soon as possible after the actual incident has occurred. To address a complaint involving a different department often requires the contact person to acquire background information of the incident, a process which is often highly time-consuming and therefore might cause additional frustration to the guest. Attempting to resolve an issue based on second-hand information can also result in misunderstandings which often result in a bias judgement of the situation. On the other hand, concentrating complaint handling to one department gives the hotel management the opportunity to train the affected staff and thereby manage the complaint handling process more efficiently.

When conducting the employee interviews, we continuously found that the receptionists at Gothia Towers are given a rather high level of empowerment in their contact with the guests. We got the impression that minor complaints or other guest comments should, whenever possible, be handled by the person who was first informed about it. In a sense, this method forms a chain in the complaint handling process, where the person representing each link should determine whether or not s/he can solve the issue immediately or if it must be passed on to the next level of the chain.

## 4.3 Staff- and Management Posts and their Roles in the Complaint Handling Chain

### *4.3.1 Receptionist*

As is the case in all hotels, the job as a receptionist at Gothia Towers involves a very high level of customer interaction. The receptionists handle all daily operations at the reception desk, which mainly consists of checking guests in and out of the hotel. They also provide hotel- and tourist information, make reservations for restaurants, taxis, trains, etc, assist in locating lost luggage or re-scheduling flight tickets, and help out with any other requests the guest might have. Due to the size of Gothia and the very large number of guests who pass through the reception every day of the year, it is essential to be able to handle all types of people in order to cope with this job.

As a member of the receptionist staff is confronted by a complaining customer, s/he should attempt to solve the problem before passing the guest on to a senior receptionist, called first receptionist, or manager. The complaints most frequently handled by the receptionists include delayed check-ins, high room temperatures, untidy rooms and wrong room types,, however, the nature of complaints are as diverse as the guests. While it seems to be a firm belief throughout the different levels of the organisation that there are in fact some unspoken guidelines on how to address these more “common” complaints, at least in terms of acceptable compensation, the idea of what these guidelines actually state differs substantially depending on who is answering the question. Furthermore, there is no written documentation addressing the issue, nor is there any formal training to help the staff handle the complaints. Thus, while it would be correct to claim that the reception staff at Gothia are empowered to a rather high extent, they are also many times left to their own, or their closest co-worker’s, judgement in regards to how this empowerment should be exercised in a complaint handling situation.

### *4.3.2 First receptionist*

The first receptionist basically has the role of a shift leader and as such has the responsibility to ensure that all daily routines on the shift check-list are carried out. Their job description is similar to the receptionist but also includes assisting the reception manager in running the daily operation, lead the reception team during each shift, and see to it that all routines and checklists are completed. S/he must also make sure that all staff working together during a shift co-operate in providing a satisfactory level of service and guest satisfaction. In other words, working as a first receptionist means that the person is in charge of the shift they are working on. Therefore, there should be a first receptionist in charge on every morning- and evening shift. There are currently four first receptionists working at Gothia Towers; Kerstin, Annika, Christina and Kai.

If a receptionist is unable to handle a complaint situation, the first receptionist should be available to assist him or her, or take over the situation if necessary. While the first receptionists are allowed to award a slightly higher level of compensation, we found that there are still limits to their authority concerning this subject. What the actual limits are was not identified; again, the answer given varied depending on who was answering the question.

### *4.3.3 Front desk manager*

The front desk manager has the main responsibility of the reception, telephone operators and guest service. She reports to the hotel manager and the hotel director. In certain cases, she also handles guest complaints and compensation. Some of these cases are written complaints addressed to the front desk manager personally, while others concern guests who for different reasons insist on speaking to a manager about their complaint. The front desk manager also handles severe incidents that have occurred as a consequence of actions taken by the reception- or guest service personnel. These often involve incidents where the cost to repair the damage is extensive, or when insurance companies have to be called in to handle the issue. An example of this could be if a guest

service employee has damaged a guest's car. Another service recovery procedure which is always handled by a manager is contacting and compensating guests who hold a valid reservation but still have been turned away at the hotel due to an overbooking. These receive a letter of apology along with a voucher for a free night at the hotel at another time.

All complaint situations handled by the front desk manager are recorded and filed in order to keep track of both the incidents and the compensation received by the guest. This allows for back-tracking of guests who have complained so that the same complaint is not compensated twice.

### *4.3.4 Guest relations manager*

The guest relations manager at Hotel Gothia Towers is Jenny Olsson. She told us that it is her responsibility as guest relations manager to handle complaints sent to the hotel, but without a specific addressee, via e-mail or regular post. In addition, guests can leave their comments directly to the guest relations manager via a link on the hotel web-page. According to company policy, all written feedback (positive as well as negative) containing contact information receives a written reply. The complaints handled by the guest relations manager can therefore concern various matters, ranging from trivial issues such as long waiting times for the elevators to more serious matters such as claims of theft or personal injuries. Although the guest relations manager handles all paperwork in these cases, she is not entitled to reward monetary compensation of any kind. These matters are handed over and handled by the general manager or the hotel manager if the general manager is temporarily unavailable. The guest relations manager also assists the general manager in administrating the replies sent to guests who hand in guest comment cards.

### *4.3.5 General Manager*

Charlotte Tellermark has been the General Manager at Gothia since 2002. She is at the top of the organisational chart of Gothia Towers and as such, ultimately responsible for all activities of the hotel. In all guest rooms, guest comment cards are available for the guests to fill out and hand in their

comments, negative as well as positive. These comment cards are handed in confidentially in a sealed envelope addressed to the general manager. With the assistance of the guest relations manager, the general manager contacts all guests who have handed in comments containing complaints along with their name and contact details in an attempt to recover the service failure and offer compensation if required.

#### 4.4 Complaint Handling in Practice

The existing complaint handling chain appears to be working well. Each person attempts to resolve incidents as they occur, and pass them on only if they cannot handle a situation themselves or if they feel someone else should be informed, usually due to the seriousness of the issue. This upward communication of incidents and/or complaints is made randomly, typically in person or via e-mail or other forms of writing. There is no system in place to handle the communication process; however, this informal method still appears to be working satisfactory. Nonetheless, since most complaints are filed directly to the contact personnel at the front desk, few complaint incidents are communicated above the first few levels of the chain.

It should be pointed out that incidents, which are resolved immediately by the contact personnel, are seldom communicated to the top unless there is a specific reason to do so. This means that complaints that are resolved at the first levels of the chain are normally not registered and evaluated. Thus, there are no formal records kept of the total number of complaints reported.

Although the existing chain of upward communication appears to be functioning in the few cases that are actually forwarded to the next level, there are no standards for reverse communication from the top down. Random follow-up comments to incidents can be distributed, again in person, via e-mail or by posting of notes on the staff information boards. However, most incidents communicated to the top of the chain simply stay there. This results in a lack of feedback to the contact personnel, who as previously pointed out are most the involved in the complaint handling process.

## 4.5 Introductory Training at Hotel Gothia Towers

To introduce new employees to the reception, the employee is given an education plan, which spreads over 8 days. During these days the employee is given an in-depth introduction to the work and daily routines of the reception and surrounding areas. The education plan includes an introduction to the different departments that are connected to the reception such as housekeeping, operator, and reservations. This is important for the employee to get a clear understanding how each department is inter-dependent with each other.

In addition to the training plan, each new employee is provided with a staff handbook. This handbook gives the reader a deep introduction to the entire Hotel Gothia Towers organisation. It is also intended to work as a source of information for the staff to refer to for guidance throughout one's employment.

### *4.5.1 Introductory training plan*

#### Day 1: Introduction and Housekeeping

During the first day the employee is provided with letter of employment and staff handbook. S/he is then given a "behind the scene" tour of the building and information on how to enter the premises at the staff entrance. Identification cards and necessary keys are handed out.

The first department that each new employee is introduced to is Housekeeping. This helps him or her to get to know the hotel, to separate the different room categories (Standard, Sky, Sky Executive, Suites) and how to move around in the two towers. The employee learns how to clean a room and where the amenities such as linens, towels and cleaning products are located.

#### Day 2: Operator

The second day the employee is introduced to the hotel operator, that handles all incoming and internal calls to the hotel. The instructions includes how

operate the switchboard, how to answer calls in the correct way and how to connect the calls within the hotel. Information regarding wake up calls, incoming faxes and breakfast and restaurants opening times are also provided. The employee is also taught how to allocate rooms on the day of arrival to meet customer's reservation requirements such as a non- smoking room, connecting rooms, requests for high floor etc.

### Day 3: Reservations

The employee is introduced to the reservations department and the employees. The employee is acquainted with the different room types of the hotel such as Standard rooms, Sky rooms, Sky Executive rooms and Suites. Education on how the rooms are located, designed and different types of room rates are given. The employee is taught how to make a reservation, check availability of rooms and reservation policies.

The first three days help to lay the foundation of how the hotel is managed and how the different interlinks with the reception work. It also helps the new employee to gain valuable knowledge that is most essential before getting thrown into the occasionally hectic job at the front desk. It gives the employee a chance to get to know other employees within the organisation and helps them gain work confidence.

### Day 4-8: Reception

The employee starts the first day in the reception. S/he is provided a personal supervisor who functions as a support person as well as an instructor for him or her to shadow during the coming days. During the first day the employees learn how to move around in the lobby, how to show directions to the different towers, restaurants, conference and convention centre. An introduction of the reception's daily routines is given and can be followed by the "daily check list." Rules and safety regulations are given to employee and information on how the extensive fire alarm system is working. Information regarding the check-in and check-out times, relaxation department, parking and luggage handling is provided.

When the employee has knowledge of the daily routines, the employee can start to do check-ins under the supervision of their assigned instructor. During the check-in procedure, the employee is given information regarding different types of payment such as credit card, cash, vouchers, and invoicing. Different types of coupons and tickets for bonus guests and pre-paid guest are introduced. Routines on cash handling and exchange routines are also provided.

After the introduction week, the employee has been provided with the basic knowledge and information regarding the hotel's policies and routines. During the following weeks, the employee continues to shadow their instructor to assure a consistent and correct information flow. During the first weeks the employees also undergoes an in depth fire drill education, taking place around the hotel.

### *4.5.2 Staff handbook*

The staff handbook starts with an introduction by the General Manager, Charlotte Tellermark. She explains that employees are the most essential tools for a positive guest experience, and that having a positive atmosphere within each department is important in order to deliver good service. The staff handbook gives an introduction and overall view of the hotel and its organisation. It covers important issues such as union contacts, insurance, salaries, uniform policies for each department and security regulations. Thereafter the different departments of the hotel as well as the Swedish Convention Centre are introduced and essential information is given. An organisational chart including presentations of all departments heads (reception, restaurants, reservations, housekeeping, finance, marketing/sales, security, etc.) are displayed, together with a photo and a short personal presentation.

An A-Ö guide informs the employee about important information that is essential when working at the hotel in order to provide the guest with the best service. The guide gives information not only about the hotel but also local information about the surrounding area and the most commonly asked

questions that the staff is faced with. On the last page of the staff handbook, contact telephone numbers to the different departments can be found.

#### 4.6 Are Gothia's Contact Personnel Trained to Handle Service Recovery?

As the complaint handling chain shows, the majority of guest complaints are handled by the contact personnel as they are reported. Due to the considerable amount of guests passing through the hotel on a yearly basis, these members of staff handle hundreds of service recoveries every year, all of which require both resourceful and effective administration. We believe this challenge requires extensive training and feedback strategies in order to assure a satisfactory result.

There is currently no training programme in place at Hotel Gothia Towers to prepare contact personnel for this task and to guide the service recovery process in order to achieve a desirable level of consistency. New employees learn from their co-workers, which is a cost efficient yet inconsistent method. Furthermore, the current empowerment strategy is lacking formal guidelines on which employees can base, e.g. decisions of compensation. This results in a system where the compensation rewarded is as much dependant on each individual employee's moods and whims as on the actual incident that caused the complaint.

In addition, there is no formal feedback system in place to address the issue of recurring service failures. The service recovery process stops immediately after the complaint situation has been resolved by the contact staff, which means no formal records of complaints are kept to track where service failures occur and how they can be prevented. These records can also work as examples in training plans for the staff.

## **5. RESEARCH FINDINGS AND CLASSIFICATIONS THEREOF**

The perceived quality of the service is determined by customer expectations. Customer satisfaction is generally regarded as a primary determinant of long-term and mutually beneficial customer/service provider relationships. The higher the level of satisfaction perceived, the greater the customer retention rate and financial benefits on behalf of the service provider. It is, however, essential to point out that satisfaction alone does not ensure customer retention (Ranaweera et al., 2003). In today's tourism marketplace, it is essential to manage the customers' expectations so that they match the service being provided (Rowley, 1999). However, all expectations cannot be controlled by the service provider. Examples of uncontrollable factors that affect consumer expectations are word-of-mouth communication, experiences with other service providers and customer needs.

Keeping these uncontrollable factors in mind, it becomes even more evident how essential it is for the service provider to manage and be in command of the factors that they in fact can control and direct. Examples of such are company advertising, personal selling and a commitment to making a reality of the promises made to the customer (Zeithaml et al., 2003). If an equilibrium between customer expectations and perceived service quality is not attained, the customers will feel dissatisfied and may avoid any future involvement with the service provider. In order to avoid such a discrepancy, a co-ordination and regulation of the communication within as well as outside the organisation must be undertaken (Zeithaml et al., 2003).

### **5.1 Integrated Services Communication**

Grönroos (1982) discusses the importance of keeping the promises made to the customers. The strategic framework called the services marketing triangle was developed in order to visually illustrate the significance of firms to keep promises pledged (Zeithaml et al., 2003). The services marketing triangle exemplifies some of the complexities of the service offering. The relationships

illustrated are those between the company and the customer, the customer and the providers and the providers and the company (Thwaites, 1999). Thus, a company-customer-provider triad is demonstrated. In order for a service to be planned and executed successfully, the external, interactive and internal marketing efforts must be implemented and coordinated efficiently (Zeithaml et al., 2003).

### *5.1.1 External marketing*

External marketing refers to the strategies pursued on behalf of the service company in order to set up the potential customer's expectations regarding the service offered. Examples of such are advertising, sales promotion and direct marketing. At Hotel Gothia Towers, promotion and sales efforts are directed to attract the target markets desired, but are also designed according to seasonality. In practice this would primarily include various packaging offers such as concerts, theatres and the traditional Christmas Buffet. Moreover, advertisement campaigns include announcements in selected regional newspapers such as SmålandsPosten. The selection of such newspapers is based on previous visitor statistics produced by the marketing department, but also on the proximity of the region in relation to the location of the hotel (Tellermark, 2004).

Furthermore, the hotel relies on various travel agencies, especially Göteborg & Co, to distribute its services. One strategy pursued to attract suitable travel agencies, with which the hotel wishes to develop a profitable relationship, is to invite personnel from the particular agency to stay at the hotel at favorable price. The main purpose of this strategy is to develop a future relationship with the travel agency (Tellermark, 2004) and the introduction and description provided on behalf of the hotel lays the foundation for setting the promises to be promoted by the travel agency. This is a highly important element of the marketing of the hotel in several ways considering this tactic deals directly with the setting of promises. Moreover, all such external marketing and communication efforts play an essential part in contributing to the development of customer expectations (Thwaites, 1999).

### *5.1.2 Interactive marketing*

Interactive marketing is communication from sources such as customer service centres and service encounters with the employees. This relationship is crucial since it is at this stage that promises are either kept or broken (Zeithaml et al., 2003). Such a potential discrepancy will directly influence the customers' notion of perceived quality, which is described as the variation between customer expectations and the actual performance of the service organisation (Grönroos, 1982). Sources where interactive marketing at Hotel Gothia Towers take place may, for example, be the reception, guest services and switchboard employees. These individuals are the first to come into contact with the customer in the service encounter. Hence, such employees establish whether a discrepancy between customer expectations and service provided exists. Considering such a positioning, these employees play a crucial role in the customers' general perceptions of the service provider.

### *5.1.3 Internal marketing*

In order to enable promises and fulfill customer expectations, the firm must recognise the importance of continuous development (Thwaites, 1999). This can be done by using internal marketing and by increasing the employee knowledge of the service being provided. This should be considered an important tool as the employees are "part-time" marketers of the service. At Gothia, the reception employees have been given the opportunity to further enhance their knowledge by job rotation in the reservations and housekeeping department. However, this kind of training has been implemented recently and therefore only includes newly hired employees, leaving the employees hired previous to the implementation of job rotation outside of this system. This may cause differences in the continuous development of the frontline employees, thereby also influencing the quality and value perceived by the customers.

It is essential for service firms to understand that all aspects of the service marketing triangle must communicate messages, that are consistent with what the firm is providing as well as what the customer expects. Otherwise, service

quality cannot be achieved (Thwaites, 1999). Hence, a need for a well-managed and planned integrated services marketing communication is essential.

## 5.2 Integrated Services Communication Strategies

Common factors that contribute to discrepancies between customer experiences during the consumption of a service and external communication of the service firm are inadequate management of service promises, elevated customer expectations, insufficient customer education and inadequate internal communications (Zeithaml et al., 2003). Inadequate management of service problems primarily refers to the lack of information and integration needed to fulfill the promises pledged to the customer. This discrepancy may occur due to the organisational structure of a service company. Here, the department that makes the promise to the consumer is separated from the individuals executing such promises.

One incident relating to this is the promise given by a travel agent to a family with small children that choose to stay at Gothia. They chose the hotel due to the facilities and the fact that the hotel had rooms with inter-connecting doors. However, travel agents are only able to reserve rooms without specific features such as connecting rooms. Instead, they are able to put it down as a remark and it can be given to the customer depending on the availability at the hotel.

Another incident regarded a guest who was promised by the reception staff to have breakfast on the 23rd floor, even if he was not staying in a Sky Executive room (this special “vip-breakfast” is only included for those guests). He received this particular room due to a bonus guest card and was being compensated for a dirty room on his initial arrival. When the guest in the morning went for breakfast on the 23<sup>rd</sup> floor he was stopped and told that he was not entitled to have his breakfast there and therefore had to leave. The guest tried to explain to the breakfast staff that the receptionist had promised him that he could have his breakfast on the 23<sup>rd</sup> floor. However, this information had not been communicated to the breakfast staff. One solution to this challenge is enhanced coordination and control over the promises guaranteed (Zeithaml et al., 2003).

Inadequate management of customer expectations refers to the failure of the marketing department and operational part of the service firm to accurately reflect the true nature of the service. By not portraying the service accurately the service firm is bound to further break the promise pledged to the customer (Zeithaml, 2003). Hence, equilibrium between customer expectations, which are built on inadequate communications on behalf of the firm, and customer perceptions of service delivery, is not created. Such an imbalance between customer expectations and the service available subsequently will affect the customers' perception of service quality (Zeithaml, 2003). One family staying at the hotel had at a previous stay in a room with a view facing the amusement park Liseberg. However, when checking in there was no such room available overlooking the park. This clearly made the customer very disappointed as their expectations were not met.

Considering the high degree of competition in the service industry, it is quite common that service firms, in order to attract more customers, over promise or exaggerate the service provided. There is, however, a danger in raising customer expectations. Rather than attracting more customers, such a strategy may instead adversely affect the customers' perception of service quality (Rowley, 1999).

### 5.3 Classifying the Incidents

When attempting to further classify the complaints obtained from our interviews with dissatisfied guests, we carefully investigated whether a pattern of some nature was to be found amongst the complaints received. After some examination we noticed a tendency in the responses that allowed us to categorise the complaints according to cause. The categories we found were:

Complaints due to discrepancies in expectations.

Complaints as a response to actual service failures.

Complaints deriving from a generally negative attitude towards the service organisation.

### *5.3.1 Complaints due to discrepancies in expectations*

Those customers that had experienced dissatisfaction due to the failure of the hotel to meet the consumers' expectations in fact proved to be the largest category, accounting for 12 incidents or just over 50 %. When analysing the responses received from this group of individuals, we soon noticed that such expectations were mainly derived from word-of-mouth communication. Hence, the expectations of the customers were primarily based on the experiences of friends, relatives or colleagues.

One example of a complaint based on the experiences of others is the one received by a young couple from Halmstad. When asked what the reason for their complaint was, the couple explained that at the point of check-in, they had been asked whether they wanted a room with a double bed or if they rather preferred a room with two twin beds. The couple jointly decided on the room with the double bed. However, when they entered the room in question they soon realised that this room was simply not what they had expected. These expectations were founded on the experiences of their friends, who had stayed at Gothia at a previous occasion. Not only had their friends stayed in a room with large double bed and a nice view, but they had also had a bathtub in the bathroom. The young woman revealed that she had even brought bath foam for this particular reason. However, the room this particular couple had received contained *just a regular* double bed, a shower rather than a bathtub and was only situated on the seventh floor.

After this realisation, the couple decided to contact the reception in order to see if a switch in rooms could be arranged, particularly with regards to a bathtub/shower. During this conversation it was revealed that no rooms with a double bed in fact contain a bathtub, but is only to be found in twin bed rooms, which then stood in direct conflict with the experience of the couple's friends. This particular incident was resolved when the couple was offered, and accepted, a room with a bathtub but twin beds.

However, some of the complaints deriving from an inability to meet customer expectations are also based on the guests own assumptions, presumptions and previous experiences. Many of these suppositions are directly related to the brand recognition of Hotel Gothia Towers. We believe that this recognition in relation to the size and location of the hotel all contributes to the development of customer expectations to a rather high extent. This theory is further supported by some of the explanations received by the dissatisfied customers.

An example relating to this issue was revealed by a family of three when visiting the hotel in the middle of July. This particular family had decided to extend the daughters school trip to Gothenburg by staying in the city for another night. The family had chosen Hotel Gothia Towers for their stay since they had recognised the hotel on their way to Liseberg. Moreover, the family appreciated the location and surroundings and had even sent postcards portraying the hotel to friends and family.

Their complaint dealt with the issue of room temperature. As soon as the family entered the room they noticed that the room was quite warm and contacted the reception regarding this issue. The reception staff responded that the room would probable not be that warm later in the day, when the sun had set. However, when the family returned to the room later on that evening, they still perceived the room to be too warm. The family then decided to contact the reception once again. The response received at this point was an offer of lending a fan. Moreover, the family was provided the choice of changing to another room. However, it was carefully pointed out that no guarantee of a less warm room could be made. The family accepted the fan but decided to stay in the original room. The morning after, at the point of check-out, the family filed a complaint with the reception staff.

During our interview session it was revealed that the family had been met with empathy and also had received a 200 kronor reduction on the price of the room. When asked whether the family perceived Hotel Gothia Towers to have resolved the critical incident in a satisfactory manner and if the hotel could have handled this matter in a different mode, the family replied that if they had

known before-hand how the stay would turn out they probably would not have chosen to spend the night at Gothia. Furthermore, and in relation to our classification according to cause, the family stated that they had assumed that a hotel such as Gothia would have air conditioning. This statement is directly related to presumptions regarding the hotel, which are based on individual suppositions and lack of knowledge of the facilities. This lack of knowledge is founded not only on genuine unawareness, but also on ignorance on behalf of the customer.

In regard to expectations and assumptions of Hotel Gothia Towers, we have noticed that these presumptions can have a negative as well as positive effect on the organisation. The negative aspects of such are that many times the customers expect more of the hotel and its facilities than the organisation in fact has to offer. Hence, an equilibrium between customer expectations and service attributes cannot be established (Zeithaml et al., 2003), which in turn results in customers experiencing dissatisfaction with the hotel and its services. It is momentous to point out that this nature of dissatisfaction must carefully be made aware of, considering its difficulty to manage. Moreover, this source of dissatisfaction can also be perceived as quite unfair on behalf of the employees receiving the complaint, since they may experience that they are in fact not at fault.

In order to deal with this source of dissatisfaction a realisation of what customers do indeed expect from the service institution and particular service being provided must be developed (Heung et al., 2003). Moreover, the service organisation must attempt to inform and educate potential as well as already established customers in a manner that minimises this sort of complaints. In relation to an enhanced awareness of customer expectations, the encouragement of customer feedback is an effective tool (Heung et al., 2003). However, the process of educating and informing the customers of the true nature of the service organisation and its offerings may be quite complex considering that only a selection of material can be effectively communicated to the customers. This limitation is related not only to the restricted time that the service organisation has to inform the customer but also to the attention the customer pays to these notifications (Heung et al., 2003).

In regard to positive effects of being a well-known and spoken about hotel, Gothia is provided the opportunity to attract and retain customers on the basis of brand recognition and identification. Moreover, considering the close proximity to the city and the various events and attractions surrounding the facility, Gothia has been able to use these attributes as a strong competitive advantage compared to other major hotels in the Gothenburg area. Furthermore, the tendency to choose Gothia to stay at based on pre-established expectations and assumptions regarding the hotel further help to understand the value of positive word-of-mouth.

### *5.3.2 Complaints as a response to actual service failures*

The second cause-related category we established is that of actual service failures or breaches. This group represented eight incidents, almost 35%, and included complaints such as unacceptably long waiting sessions, over-bookings and failure to fulfill special requirements such as providing extra beds.

An example of such an issue is illustrated in an incident involving a couple traveling from Skara to stay at the hotel for one night. This particular couple had made it a tradition to reside at Gothia when visiting Gothenburg and had chosen the hotel due to previous positive experiences. However, at this particular occasion the couple received a room which had appeared to not have been cleaned properly. The couple themselves described it as uninhabitable and as an act of response immediately contacted the reception staff. The reception staff reacted to the situation by apologising for the incident and offered the couple a new room without further delay.

During our interview with the couple, we asked whether they perceived Hotel Gothia Towers to have resolved the incident in a satisfactory manner and if they thought the hotel could have handled the matter in a different, more preferable mode. The subjects of the interview replied that they thought that the hotel and its staff had responded to the situation in a rapid and satisfactory manner. Further, they pointed out that it was important to remember that they had been more than satisfied with previous stays at the hotel.

Another example demonstrating complaints as a response to actual service failures is the one including a couple from Jönköping, celebrating the young woman's 30<sup>th</sup> birthday. At the point of booking, the boyfriend had made a special request regarding flowers to be placed in the room that would be found immediately when the girlfriend entered. Moreover, he made a request specifying that while the couple was having dinner, hotel personnel were to place champagne and strawberries in their room. All these requests were made in order to create a special and memorable stay for the girlfriend. However, upon arrival no flowers had been placed in the room. Instead, champagne and the strawberries, which were meant for later on that evening, were found. After this discovery, the boyfriend contacted the reception staff who sent an employee apologising for the mix-up and handed over the specified flowers.

When this particular couple responded to the question whether they perceived Hotel Gothia Towers to have resolved the incident in a satisfactory manner or if they thought the hotel could have handled the matter in a different, more preferable mode, they provided an ambiguous answer. On the one hand, the couple felt satisfied with the accommodation and hotel in general after being compensated by way of discounted room rate, free parking and mini-bar. However, the couple pointed out that a mistake such as this one is difficult to compensate, i.e. this trip had been carefully planned in order to make it a special occasion for the guests involved. All things considered, the specifications requested had not been executed properly on behalf of the hotel. However, even though this service failure was not entirely recovered, the couple expressed an intention to revisit the hotel.

An example such as this one again illustrates the complexity in complaint handling and service recovery. Not only does the service provider have to consider the actual service to be provided, but they also have to carefully consider the underlying intentions of the customer. Actual service failures per se can be recovered by enhanced communication, improved routines, increased training and a greater sense of empathy for the customer. However, failures relating to underlying intentions, expectations and assumptions are more difficult to identify. Therefore, in order to satisfy this particular category of

customers', actions applied to complaints due to discrepancies in expectations ought to be considered. Hence, a realisation of what customers do indeed expect from the service provided is essential (Heung et al., 2003).

### *5.3.3 Complaints deriving from a generally negative attitude towards the service organisation*

The smallest of the three categories was a group of customers who, even before an actual service failure had occurred, appeared to have a tendency to complain. Only three cases, or 13%, of our study fell under this category. Indeed, these cases were all based on complaints of incidents, derived from either actual service failures or guest expectations which had not been met. What separated these cases from the other two categories was that the customers seemed to have a tendency to *look* for mistakes in order to have something to complain about, and if/when an incident did occur, tended to make an exceptionally big deal about it. It could therefore not be excluded that the reason for the complaint and the outcome of it could in fact be based on factors not related to the actual incident.

Some of these customers based this attitude either on their own or other people's negative experiences during previous stays, therefore almost *expecting* something to go wrong. One man, the father of one of the interviewed families, told us that he hesitated to stay at Gothia due to an incident that had occurred to him during a previous stay, although he had received a voucher entitling him to a 50% room discount for his next stay as compensation. In the end, the reduced price was the reason the family decided to give Gothia a second chance despite the father's negative attitude. However, it was clear that the father still had a rather suspicious attitude towards Gothia.

When the family came to the hotel to check in, they asked to have their car parked in the basement. The person at the front desk answered that the garage was full, and unless they had a reservation for the valet parking service they would have to park their car in a nearby parking garage. As it turned out, the family had no such reservation. The father immediately became furious and refused to accept the answer, a reaction which in itself might be considered an

exaggerated reaction in relation to the incident. After a short discussion, the hotel staff decided to park the car anyway, an offer which seemed to make the father even more upset. He meant that the hotel staff shouldn't have argued with him in the first place, saying that the garage was full, if this was not the case.

When asked if they received any compensation for the incident, he replied that he had refused to pay for the parking since he thought he shouldn't have to pay for such bad service,, however, he did not consider this to be a compensation for the incident and therefore felt that they had not received any compensation at all, not even an excuse. He also commented that the incident had "pissed him off really bad" and that he thought that at the very least, such an incident should entitle him to a sincere apology from a manager, or free accommodation. When asked if the family would stay at Gothia again, he told us they definitely would not, but rather choose a hotel with a higher service level next time.

Other customers who fall under this category are simply difficult to please, for reasons not controllable by the service organisation itself. Bitner et al. (1990) stated that despite the popular perception, not only is the customer *not* always right, but some are even abusive or out of control. Royal et al. (1995) found most companies to agree that customers can, and indeed do, complain too much. These customers are demanding more than the company can, and has agreed to, deliver. Such behaviour can even lead to a termination of the customer relationship, or in other words, the company can fire the customer (Royal et al., 1995).

One young couple with an infant had turned to their local travel agent to book a family hotel. The travel agency recommended Gothia and the couple booked a room with a baby cot in the beginning of July. As they arrived at the hotel, they found the lobby to be noisy with a lot of children running around. This caused the mother to throw a fit. As they came up to their room, they found it to be equally noisy from the traffic outside the window and other guests staying on the same floor. The mother commented that already at this point, they knew that their entire weekend was ruined.

The family felt that they had been misled; in their opinion, a family hotel was supposed to be a quiet hotel where a family could relax, not a hotel where a lot of families with children stay. The mother asked to speak to someone in charge. She presented her complaint and demanded to be compensated. She was told that since it was not the hotel who had given her a false impression of the hotel, she would have to present her complaint directly to the travel agency. The woman was by no means satisfied with this answer and the young family decided to leave the hotel immediately. She felt that the hotel was trying to blame the travel agent instead of accepting their responsibility as a service provider. She also said that free accommodation or at least a free upgrade to a suite would not have been too much to ask for as compensation for this service failure. When asked if they would stay at Gothia again, she responded that she would never even consider it because it was the worst hotel she had ever stayed at.

Although this category of complaints was by far the smallest, it is essential not to dismiss it as being insignificant. What it proves is that no matter what measures a service provider will take in order to please its customers, there will always be a small group of people who will not be satisfied. In a sense, these customers pose the biggest challenge to the service organisation and especially to the customer contact employees who have to handle them. Dealing with upset, possibly rude or even abusive customers can be extremely stressful and therefore, it is important for both managers and frontline personnel to be aware that they exist.

### 5.4 When Do Critical Incidents Occur?

During our first level of analysis of the guest interviews, we established three categories of reasons for each filed complaint. In conducting this analysis, we often found that the point in time when a service failure or other incident that led to a complaint occurred to some extent affected both the complaint handling and service recovery process. In some cases, there even seemed to be a connection between the exact time the incident occurred and the level of

dissatisfaction it resulted in. In order to evaluate if this pattern was more than mere accidental occurrences, we decided to examine the interviews a second time and, if possible, establish how this presumed behaviour works. We also wanted to find out if and how the hotel could make use of this information by turning it into a theory that could improve the existing complaint handling management techniques.

Our first task was to divide the actual hotel stay into categories into which the time of each individual service failure had occurred could be divided. We established three such categories; the beginning, middle and end, and after the stay.

### *5.4.1 Early stage service failures*

Most service failures reported in our guest interviews had occurred at the beginning of the stay. In this category, we included the check-in and the hours immediately following. Complaints concerning incident that had occurred during this time period amounted to just over 50 percent of the cases. We came to the conclusion that this high percentage is related to the fact that the category includes the guest's first contact with the hotel, a time during which many mistakes are discovered. The complaints in this category typically concerned: a) miscommunications during the time of booking, often between the guest and an external booking agent or travel agency, b) failed expectations based on external factors such as guests having too high expectations based on other people's experiences, and c) actual service failures, including examples such as the guest being checked into a room which had not been cleaned. There were also a few cases where people complained over a negative attitude or bad treatment from the front desk staff; however, these complaints also occurred in the other categories and mainly in combination with other issues. The interviews that were placed in this first category were further divided into three groups; (1) complaints that could be easily solved, (2) complaints that could not be solved and, (3) complaints that were beyond recovery.

The first group included six complaints which could easily be solved, and compensated for when required. Five of these guests appeared as if, or even

verbally expressed, the negative incident ultimately had a positive affect on the outcome of their stay. An example of this was a young couple who by mistake had been checked in to a room which had not been cleaned. As they contacted the front desk with their complaint, they were immediately given a new room on one of the sky floors despite the fact that their original booking was for a slightly cheaper standard room. Although this upgrade incurred no additional cost to the hotel, the guests felt as if the value of their stay had increased and left the hotel more satisfied than they would if the incident had not occurred at all.

The second group, consisting of another four cases, concerned guests who had complained about issues which for different reasons could not be solved. Two of them had been promised specific rooms by a travel agency who had failed to communicate these demands to the hotel, and they were therefore not available. The other two were complaints about the high temperature in the room, a problem which is difficult to resolve since the hotel has no air conditioning system. All of these guests accepted the explanations and apologies given by the staff. However, they were still less satisfied with their stay than the other group. Two of them also complained about other issues during their stay.

The third group concerned two guests who complained immediately during their first interaction with a member of staff, and who displayed such a negative attitude from the start that we would consider them to be beyond recovery. Both guests demanded free accommodation as compensation for their inconvenience, both of which were merely trivial issues.

#### *5.4.2 Service failures during the visit*

The second category was made up of complaints from incidents occurring during the middle and end of the stay. This category accounted for nine incidents or almost 50 percent of the cases. Although the incidents that caused the complaints varied widely, the success or failure of the service recovery attempt was to a very large extent affected by the guest's perception of their previous contact with the staff, regardless of both if the situation could be

solved or not and if any compensation was rewarded. This category of complaints also included guests who had stayed at Gothia before and through their previous experiences already have a positive attitude towards the hotel. This conclusion strengthened our previous theory that guests who have a positive first impression of the hotel through a kind and welcoming attitude from the customer contact personnel are more likely to be understanding and reasonable in a complaint situation, which makes the complaint handling procedure less stressful for both parts.

### *5.4.3 Post visit service failures*

Complaints deriving from incidents taking place after the stay were the smallest of the three categories, accounting for only two interviews or less than 10 percent. Both of these cases concerned guests who had checked out of the hotel and later discovered that the amount of their bill had been reserved twice on their debit card with which they had paid for their room. Although one of these cases concerned a couple of newlyweds, and the amount of money reserved from their bank account was considerable enough to impede their honeymoon plans, the guests claimed to be more than satisfied with their stay, entirely due to the friendly and positive treatment they had received as they arrived to the hotel initially. The second interviewee who had experienced the same problem after checking out of the hotel also told us she was willing to accept and forgive the mistake, much due to the same reasons. Again, we concluded that the service recovery process was facilitated by the positive treatment the guests received earlier on during their stay.

## 5.5 Analysis of Employee Interviews

All of the interviewees, regardless of education and prior experience, recognised their role in the hotel's common effort to satisfy the guest to be highly important. Comments were given that since the reception staff is most often the first personal contact the guest has with the hotel, the receptionists often become representatives of the service in the guest's eyes. One employee even believed that the reception staff has the power to affect the outcome of the

entire stay, having the first and last interaction with the guests. S/he meant that a hotel guest who is treated well from the start is more willing to overlook minor incidents that may occur during their stay, such as not getting fresh towels.

This pattern of behaviour could possibly also affect the outcome of a situation where a major incident in fact does occur. A guest who has a positive first impression of the hotel through a kind and welcoming attitude from the customer contact personnel is then likely to be more understanding and reasonable in a complaint situation, which makes the complaint handling procedure less stressful for both parts. To further establish a possible consistency in this pattern, we compared our employee interviews to the ones carried out with the guests. Through this comparison, we found several cases supporting this proposal.

*“One young family with two children had stayed at Gothia at a time when the hotel was fully booked. Due to a miscommunication between the hotel and the travel agency who made the booking for the family, they did not get the two rooms with inter-connecting doors that they had asked for. Instead, they spent their first night crammed together in one room with only two beds for them to share, which resulted in a lost night’s sleep. Although the family was compensated for the incident, they commented that the primary reason they were still satisfied with their stay was the treatment they received from the reception staff.”*

*“Another interviewee, representing a young couple told us they had hesitated to complain at all after checking in to a room which was not properly cleaned, because they had received such a warm welcoming at the reception. For similar reasons, a second couple said that they had complained only because the receptionist had asked if they were satisfied with their stay as they were checking out. This couple had stayed at Gothia before and said that because they had always been treated politely, they were willing to accept a mistake. In contrast, a family who had complained about their room being too small for 5*

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*persons were compensated but were still dissatisfied with their stay due to the treatment they had received from the personnel.”*

When asked if the hotel has provided the employees with the sufficient tools to satisfy the guests, the answers varied substantially. Only a few of the employees were fully satisfied with the tools provided, while the majority felt that they had not been equipped with the right tools. The high level of discrepancy among the answers can to some extent be attributed to the length of employment and the sense of loyalty and security that evolves with time. Furthermore, employees who have recent educational and/or work experiences have the ability to compare and might therefore be more critical. Re-occurring comments included lack of training, specific routines and guidelines, support from the management and feedback. As a result of this, each employee has his or her individual way of handling guest contact.

One employee found that the lack of rules and specific guidelines gives the reception staff the opportunity to satisfy each guest individually. Nevertheless, the same employee later commented that “sometimes it is difficult to know how far I’m allowed to go in order to satisfy a guest, because there are no specific guidelines.” While it could be argued that the lack of guidelines creates a sense of personalised service, it should also be taken into consideration that in such a system, the service level becomes highly inconsistent. In terms of complaints and compensation, it could even be assumed that the louder a guest complains, the more compensated he will be.

*“One family with two small children staying at Gothia was woken up during the night by a stranger entering the room. Fortunately, the person quickly realised s/he had entered the wrong room by mistake and left immediately. Still, the father said that he found the situation to be rather serious, considering what could have happened if the strange person. would have been under the influence of alcohol or drugs, for example. The next morning he contacted the reception to inform them about the incident, and to at least get an explanation as to how it could have happened. He told us that although he spoke to several people, he did not feel as if the situation was taken seriously by the reception staff.*

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*In the end, he had asked to be compensated, not so much for the actual incident but rather for the indifferent attitude he had encountered. Even if he was more than satisfied with the actual compensation he received, he commented that it should not be necessary to get upset in order to be taken seriously, which he felt is often the case.”*

*“Another family who complained about the heat in the room was offered a table fan and a friendly apology but were told that all the rooms were equally warm and that there was nothing else to be done. The family accepted this explanation and went to bed. In the morning, they again mentioned the problem as they were checking out, and were given the same apology but no offer of compensation. The family did not want to make a big deal about the situation so they simply paid their bill and waited by the reception desk for their car keys. After a few minutes, they overheard another guest complaining about the heat. This guest was very upset, shouting and cursing at the receptionist. He immediately was offered a reduction on his room rate. The first guest thought this was very unfair, and approached the reception staff a second time. In the end, he too was compensated for the heat. Still, he commented he felt unfairly treated and that he shouldn't have to get angry in order to get compensated. He also questioned why different guests get different treatment for the same complaint, and wondered if there were no guidelines on how to handle such situations. In his opinion, a complaint should be dealt with based on the error that caused it, not depending on the specific guest who reported it.”*

The interviewees were also asked to give examples of situations where they had made special efforts to satisfy a guest, or when they had failed to do so, and why. All of the employees said they had experienced both situations, although some found it difficult to think of specific examples. Again, a few people commented that the lack of guidelines restricted their efforts, especially in complaint handling situations.

Time was another frequently mentioned concern. The employees said that when the reception area is busy, they simply don't take the time to ask each

guest if they have had a pleasant stay. As a few of the hotel guests commented, a direct question by the reception staff at the time of check-out was the only reason they had brought up their dissatisfaction at all. Thus, a lack of time can result in guests leaving the hotel without being given the opportunity to express their opinion and therefore remain unsatisfied, even in situations where the problem could have easily been solved.

The most frequently mentioned reason for both “walking the extra mile” and neglecting to do so was the attitude expressed by the guest. In cases where the guest acted in a courteous manner in expressing their complaints and/or demands, the employees found it easier to go beyond the call of duty than in situations where the guest acted disrespectfully or rude. Many of the employees told us that they responded to this negative attitude by neglecting to provide the appropriate service, sometimes even in cases where s/he knew the guest was right. While it is not possible for any service provider to control individual guest’s behaviour, it is important to recognise that a positive attitude goes a long way when dealing with personal interactions.

## 6. CONCLUSION

“Service companies must become gymnasts, able to regain their balance after a slipup and continue their routines. Such grace is earned by focusing on the goal of customer satisfaction, adopting a customer-focused attitude, and cultivating the special skills necessary to recovery” (Hart et al., pp 149, 1990).

Today, Hotel Gothia Towers is the largest hotel within the Nordic region. Keeping in mind the size of the manpower employed, the carrying capacity of guests and multitude of functions to coordinate at the hotel, we set out to examine the employee training programme, service recovery and complaint handling plans executed. We wanted to investigate how these tactics and actions were designed compared to those taken by other hotels of a larger size. However, we soon realised that Hotel Gothia Towers was lacking such formal practices. Considering this development, we decided to study how these practices were conducted in reality at the hotel. This direction was taken since we understood that despite the lack of formal practices and training, actions of service recovery and compensation indeed were undertaken by the employees on a daily basis. Thus, the aim of this thesis instead became to investigate the nature of customer complaints and service recovery actions assumed, regardless of formality or official training.

Relating to the characteristics of services, i.e. that they are demanded, produced and delivered in the presence of the customer, we have learnt that it is inevitable that service mistakes occur, thereby making failures a critical component. This sense of criticality is not merely related to the service in itself, but is most definitely also applicable to the customer’s general perception of the service organisation. Moreover, an understanding of a rapid response and an effective handling of a service fault makes the actions taken and attitudes assumed by the employees’ critical elements to the service provider. These behaviours are facilitated by empowering, educating and training the employees. This is particularly true in relation to frontline employees, that usually the first to come into contact with dissatisfied customers.

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One of the main objectives of our studies at Hotel Gothia Towers was to closely investigate the actions and tactics pursued by the frontline personnel in encounters due to service failures or mistakes. Considering the size of the hotel and its variety of functions, the organisation has been subdivided into various departments. Each one of these departments is equipped to facilitate the management of complaint issues relating to their particular area of responsibility. Theoretically, this separation of departments would make it possible for the service organisation to respond more rapidly and without unnecessary involvement of the management, thereby enabling a more efficient complaint handling. However, in practice, the vast majority of customer complaints are presented to the frontline personnel. We support the theories attributing this tendency to the close proximity between frontline personnel and customers. In many instances these individuals represent not only the first employees that customers come into contact with but are also the closest to hand when having been exposed to a service failure.

The close proximity between the customers and this group of employees supports the implementation and maintenance of an efficient complaint management system. In relation to this discussion it is important to keep in mind that most employees at Hotel Gothia Towers consider themselves as having a rather high level of empowerment. This notion in combination with the encouragement to appropriately deal directly with the complaining customer, makes us believe that it is possible to actually discern an informal complaint handling process for the personnel.

However, in order for such a complaint management system to be efficient, the employees affected by such procedures must be equipped with the tools and authority needed to handle issues related to service recovery and complaint management. It is also essential to remember that empowerment in itself does not work as a motivational tool for the affected employees. In order for empowerment to be a vital resource and provide the frontline employees with the information and authority needed in order to solve a problem, training and tools to assist the employees in handling operational issues must be provided. Interestingly enough, our interviews with the employees revealed that the majority of the affected employees perceived these tools to not be sufficient,

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i.e. employees experienced a lack of training, specific routines and guidelines, support from the management and feedback. Moreover, when analysing the interviews with the complaining guests, we came to the awareness that the lack of a concrete system for the employees to support their reactions and acts sometimes creates a marked inconsistency in the service level provided.

Moreover, in the analysis of the employee interviews we discovered that the behaviours and attitudes of the employees indeed have a bearing on the customers' perception of the service provided. However, not only the manners of the service personnel appeared to affect the service encounter. Rather, the manners of the customers seemed to influence the treatment or level of service received by the employees. Hence, the behaviour presented at the initial service encounter is a two-way process and has a bearing on the service delivery and recovery actions provided.

Furthermore, in relation to the discussion regarding tools and authority needed to effectively manage complaints and compensation, we noticed a difference in attitudes relating to experience with the organisation. Individuals having worked for Hotel Gothia Towers for a longer period of time generally experienced that they were provided enough tools and authority to effectively handle complaints and compensation, whereas individuals not as familiar with the organisation made inquiries regarding such tools to a greater extent. We believe that such a discrepancy exists due to a familiarity and higher level of comfort with the practises and procedures of individuals having worked for the organisation for a longer period of time. Additionally, such individuals may feel a greater sense of support from the administration based on networks and specific organisational experience.

The above observations further illustrate discrepancies between theory and actual practice. Despite the fact that the personnel is provided with an education plan, an employee handbook to support their actions and manners and a rather high degree of empowerment they still request more efficient training, specific routines and guidelines to rely on, support from the management and feedback on their performances.

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We find it important to point out that it is essential for managers to realise that effective complaint handling and service recovery is highly dependent on the type of organisation, the characteristics of the customers and the nature of the service being provided. It has been suggested that in situations demanding a close proximity or tie to the customer, it is beneficial to apply empowerment and teamwork reflection techniques to the organisation, whereas such techniques are less suitable in environments with a high predictability in customer demand.

An understanding that different groups of customers hold differentiating intentions regarding their service experience is essential. We believe that this recognition can be rewarding for the management of any service organisation. An identification and segmentation of such a variety in intention may in fact assist the organisation in implementing and maximising the utilisation of a complaint and compensation management system. However, in order to perform such a segmentation of customer intentions, it is necessary to distinguish between different groups of customers. Such a distinction can be revealed by developing an awareness of customer expectations. The tactic to reveal intentions, which originates in customer wants and needs, is to encourage customers to provide feedback to the service provider.

The development of an understanding that different customers hold not only different expectations but also dissimilar intentions regarding their service experience is essential in the sense previously described. However, such awareness is also important in the complaint handling process. This is especially true in regard to the group of complaints that we chose to recognise as “complaints deriving from customers with a negative attitude towards the service organisation in general.” These complaints derived from customers that we perceived to systematically look for mistakes, which could be based on factors not relating to an actual incident. This category also included individuals founding their attitude on pre-established negative experiences, thereby being more susceptible to mistakes.

By recognising the existence of these customers, service organisations are equipped to handle such in a more effective manner. Even though employee

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training, tailored service recovery strategies and an efficient complaint management system are resources that greatly can enhance customer satisfaction, some customers are bound to be more difficult to please than others. In a sense, these customers pose the biggest challenge to the service provider since they often demand more than the organisation is able to and even has agreed to deliver. The service organisation then has to carefully consider whether such a relationship is rewarding and profitable enough to maintain, keeping in mind that one of the dangers with such a relationship is the degree of compensation provided and the risk of a successive demand on behalf of the service provider.

The study conducted has proven that the appropriate service recovery and complaint handling strategies indeed have a positive influence on customer satisfaction in situations of service failures. Literature on the subject of service recovery has suggested that it is imperative to identify the appropriate strategies according to customer needs and wants. We support these theories while at the same time acknowledging the importance of realising that customers must also be classified according to intentions. This recognition is crucial when selecting the most appropriate complaint and/or compensation procedure.

Further, our findings also support theories suggesting that recovery and/or complaint handling procedures alone do not constitute the most efficient strategy. Rather, the manner in which the customer is received when presenting a service failure, i.e. responsiveness, understanding and empathy, also play an important role in the mind of the consumer. Therefore, an understanding of not only the suitable recovery strategy is essential but also the understanding of the manners conducted.

Moreover, in order to maximise the utilisation of a complaint management system the communication and incorporation of complaint handling strategies to the relevant employees needs to be carefully considered. As of today, employees are requesting training and procedures to rely on in their daily routine. The recognition of the management to provide these tools is positive not only in the sense that the employees feel recognised but also work as a means to help achieve service reliability. Literature on the subject of service

recovery and complaint management also suggests that the development of such awareness may also have positive effects on the service quality. This is of particular interest in relation to Hotel Gothia Towers. Keeping in mind the sometimes marked inconsistency in the service level being provided at the hotel, this area of concern has a bearing on the overall customer satisfaction with the organisation.

As suggested by several prominent authors, failures and the recovery and compensation strategies pursued to rectify them can assist in reaching the goal of reliability and consistency in the service delivery. Here, the main essence is to capitalise upon the knowledge achieved from the recovery effort and make use of this information to further develop the service system currently being utilised. In summary, service recovery and complaint handling is to be viewed as a fundamental part of a service organisation's strategic planning while at the same time customer satisfaction and its maintenance are crucial factors to consider in long-term measures of business success.

### 6.1 Areas of Further Investigation

Suggestions for further research involve business travellers in a similar study. This would be particularly interesting considering their distinction in terms of needs and wants compared to those of leisure guests. Bearing in mind that this particular study, in careful consideration for a high level of authenticity, only included Swedish customers, it would also constitute an interesting study to examine the perceptions of foreign guests. In particular, it would be interesting to follow-up with guests from areas outside of Scandinavia, thereby revealing whether social or cultural aspects indeed does have a bearing on complaint behaviour as well as recovery and/or compensation management.

Moreover, it would also be interesting to further develop the relation between service recovery and the steps involved in a service process, i.e. to attempt to quantify the effects of successful service recovery and complaint management in terms of how it affects net profit per unit of input. The results of such a study might potentially further increase the relevance of the theories and actions being taken by service organisations.

## 6.2 Management Implications – How We Would Do It.

In addition to handling individual customer complaints, we suggest that Gothia adopt complaint management techniques to deal with consumer dissatisfaction by tracking complaints and taking steps to see that future customer dissatisfaction is minimised. Complaints should be considered a source of data to drive improvements and should therefore be encouraged by the staff and management. In order for this system to function, the organisation needs to accept that not only are mistakes inevitable but that they are also acceptable, except where repeated mistakes are being made.

Since most complaints are handled by the contact personnel, these members of staff must be considered a key component in the organisation's complaint management structure. Although it has been established that empowerment of these employees is a crucial factor in service recovery, it must be pointed out that staff empowerment alone does not facilitate complaint handling. Therefore, we suggest that the existing empowerment should be connected to control through feedback and support, and training.

The current system encourages contact personnel to forward the complaint only if they feel they cannot resolve the problem or if they feel there is a specific reason someone else should be informed. We suggest that all complaints should be recorded and analysed in terms of numbers, types, and trends in order to understand where the problems exist and to be able to deal with them. Service failures concerning operational issues should lead to an improvement of the particular procedures. Service failures deriving from skills shortages must result in coaching and training, where issues raised by complaints could be fed directly into the training program. In addition, while the organisation through its guest relations department is certainly managing the correspondence with the customers, the management of the flow of information from the consumer throughout the company must not be neglected. Reports of complaint issues and learning points need to be widely circulated throughout an organisation. Staff should be seen as a major source of improvement ideas and it is therefore

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essential that resolved complaint issues do not stay at the first levels of the complaint chain.

Calling the customers on the phone whenever possible provides a speedy acknowledgement of the complaint but more importantly offers the opportunity to present a human face to the customer, ensuring that the complaint process is seen as being genuine and caring rather than routine and impersonal. Furthermore, a personal telephone call also functions as a follow-up procedure with customers to see if the resolution is satisfactory.

As previously stated, successful complaint management techniques require proactive, top-level management involvement. Senior managers must therefore involve themselves with complaints in different ways. This includes not only handling complaint reports and being available to talk to the guests directly, but equally important to be both available and willing to talk to staff members when they feel there is an issue to be resolved.

Although individual departments should be responsible for dealing with their own complaints, one manager will still have the overall responsibility for complaint management. We suggest that this person could also be responsible for analysis of trends with overall responsibility for policies and overseeing improvements. Alternatively, a complaint management team including both managers and contact staff could be put together to handle these tasks.

In addition to the cost of managing customer complaints properly, there are also a number of benefits to be gained. This includes both financial benefits through the reduction of costs and time spent dealing with problems and benefits for the customers by preventing dissatisfaction from recurring. The organisation therefore needs to calculate not only the costs associated with the implementation of complaint management techniques, but also to adopt a good understanding of how much complaints are costing them. This includes financial costs in terms of staff costs, compensation, and goodwill costs as well as cost of time. Thus, if complaints are managed properly, we believe they can be not only a key contributor to operational improvement, but more importantly to the organisation's long-term financial success.

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## **APPENDICIES**

### **Questions asked to the guests**

1. Who stayed at the hotel? (Names, age and relation)
2. Home city
3. When did you stay at Gothia Towers?
4. Why did you choose Gothia Towers for your stay in Gothenburg? Have you stayed at this hotel before?
5. Which expectations did you have before the stay? What were those expectations based on?
6. How did Gothia Towers fail to meet those expectations?
7. How and to whom did you convey your dissatisfaction? What was the response to you received?
8. Do you think the situation was handled in an appropriate way? Are you satisfied with your stay despite what happened? If not, what could Gothia have done differently to make you satisfied?
9. Will you choose to stay at Gothia in the future? Why/why not?

## **Questions asked to the receptionists**

1. Name (gender)
2. Age
3. Do you have any previous work experience within the hotel industry?
4. How long have you worked at Gothia Towers? What is your current term of employment?
5. What was your motivation of choosing Gothia Towers as your employer?
6. How would you describe your role in the hotels effort to satisfy the guests?
7. Which tools would you describe as the most important for a receptionist in order to satisfy the guests?
8. Do you feel that you have been provided with those tools at Gothia Towers? If not, what do you feel is missing?
9. Have you ever felt that you went beyond the call of duty to make a guest satisfied? Why did you do that?
10. Have you ever felt that you could have done more to satisfy a guest? What stopped you from doing so?