Chapter 5
Handling Customer Complaints in the Hospitality Industry

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ABSTRACT

Drawing on associated literature and empirical research, this paper examines the engagement and expertise of hotels in handling customer complaints. This is of considerable interest to practitioners and academics within the field of hospitality management. The study explores hotel management's attitudes and practices toward handling customer complaints within the hospitality industry in Scotland. In this paper, the authors analyze case study interviews with four and five star hotel managers in Scotland. The findings reveal that encouraging customer complaints and feedback should be seen as a way in which to develop a better relationship with and retain customers. The results also confirm the importance of having employee training in the area of customer complaints, recommending that employees handle complaints themselves. Furthermore, the study suggests that hotels must be well equipped for logging, processing and analyzing complaints. Management implications and areas for further research are also discussed.

INTRODUCTION

Any organisation, large or small, can only operate successfully and profitably if they are providing a service that the customer desires and can afford (Stebbing, 1990). When this is not achieved a gap has formed between customer expectations of a product or service purchased and the actual standard of this product or service when delivered by the particular organisation (Lapidus & Schibrowsky, 1994). This gap does not necessarily indicate that the guest will express their dissatisfaction in the form of complaining; alternatively the disappointed customer concerned may choose to take their business to a competitor or engage in negative word of mouth communication. Bennett

(1997) found that only five percent of unsatisfied customers complain, with less than ten percent who did not complain repurchasing from the same supplier. This emphasises the importance for encouraging customer complaints within organisations, as the effects of not doing so result in loss of business. It is also more cost efficient to keep the present customers happy as recruiting a new one costs five times as much as retaining a current one (Blodgett et al., 1995). There are procedures that management within an organisation can carry out in order to attract and handle complaints; however these will be discussed in more detail at a later point in the literature review.

The hospitality industry is constantly changing and evolving (Knowles et al., 2004); therefore organisations must continually adapt their product and service offering. This is imperative in order to stay ahead of the high levels of competition and give customers what they have increasingly come to need and expect (Guardian, 2001). Complaints can occur when there is a gap between the expected and actual product of service that the guest has received. Complaints handling can be defined as the "process that addresses issues that concern customers" (Dee et al., 2004). Customer complaints are a vital issue within hotels therefore managers should recognise the importance of seeking these out and resolving them as quickly as possible. It costs five times as much to attract a new customer than to retain an existing one (Blodgett et al., 1995), therefore organisations need to recognise the benefits of attracting complaints. This research will focus on highlighting and analysing the key areas of customer complaints.

The hospitality industry is continually becoming more competitive, especially within the hotel sector. The perishable nature of hotel accommodation means that if a room is not being sold for one night, the possible revenue generated from that room will be lost (Mullins, 1998). Also, service based operations are very much different from manufacturing firms as more often that not, production and consumption are simultane-ous (Slack et al., 2007), leaving a much larger scope for something to go wrong in the service delivery process. It is therefore imperative that organisations retain there current customer base, by recognising when a customer is dissatisfied and effectively handling customer complaints that may arise. How the supplier reacts to consumer actions and feelings will determine if the customer has been retained (White & Yanamandram, 2007).

This research study will explore the different dimensions of customer complaints within the hotel sector, which is part of the broader field of the hospitality industry. Fornell (1992) states that customer dissatisfaction is a significant problem in the service industry, which further emphasises the significance of seeking feedback from guests and having relevant customer complaint handling procedures (Yi & Lee, 2005).

LITERATURE REVIEW

This section aims to introduce and analyse previous research published on customer complaints and the key topics that are connected to this area. The focus will be placed on representing and evaluating research gathered on the six main themes concerned with customer complaints in the hotel sector which can be seen from the conceptual framework detailed in Figure 1.

Why Customers Complain

Customers are arguably the most important asset to hotel organisations as without them, the company would not be able to remain profitable and operate (Cousins et al., 2002). Customer complaints can arise when individuals feel they have received a product or service which has not met or exceeded their previous expectations (Barrie, 2006). By complaining, customers are expressing their dissatisfaction which they may hope results in action being taken to put this right. This action can be in the form of compensation, a verbal apology, a

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