

# **Service Failure: A case of Hotel Industry**

## **Abstract**

This case informs the readers with a service failure incident at Hotel ABC. The incident involved a power outage for five hours during peak occupancy season in the parched hot weather. This triggered customer dissatisfaction. The case make the readers think how managers should respond under pressure and what service recovery strategies they could use during such incidents. Hence, the case is designed to stimulate discussion on crisis management, service quality, and customer relationship management in the hospitality sector with a special focus on the Service quality model (SERVQUAL).

**Keywords:** Service quality and hospitality sector.

**Subject Area:** Operations management / Marketing

**Difficulty Level:** Intermediate

**Study level:** Undergraduate

## **Background**

Hotel ABC is a small hotel in Karachi and was established in the year 2019. The hotel primarily caters to the domestic business travelers. The hotel operates 17 guest rooms and employs 13 people. Affordability and personalized service has remained the core at its competitive advantage. The hotel maintains 90% occupancy rate during the peak season, whereas, the occupancy rate during the off peak season is 70%. Furthermore, the hotel generally enjoys favorable online customer reviews.

## **The issue of Power Outage**

On a hot summer day in July 2025, a sudden power outage occurred. At that point in time, hotel was operating at the occupancy rate of nearly 95% and 16 out of 17 guest rooms were already occupied. Although, the hotel has a backup generator, however, the generator failed to start. This resulted in a prolonged power outage which lasted for nearly five hours. Consequently, the air-conditioning systems stopped functioning, elevator services were suspended, electronic door locks malfunctioned, and the hotel's online booking and payment systems became inaccessible. All this happened in the peak summer temperature of 38 degree in Karachi.

As the result of this service failure, guests became increasingly frustrated and a large number of customers gathered at the front desk and demanded immediate restoration of the electricity. Some even requested the refunds and a few checked-out early. One of the guests, posted negative review on online platforms and expressed dissatisfaction with the services at hotel. The front desk employees were unsure if they could proceed with the early departure requests of those who wish to leave.

Finally, the hotel manager responded by adopting a reactive service recovery approach. Staff members were instructed to provide complimentary refreshments. Manual procedures were implemented to manage room access and check-out processes. Partial refunds were offered to the most dissatisfied guests, while others were provided with complimentary future stay vouchers.

### **SERVQUAL Model**

The SERVQUAL model is a widely used framework for assessing service quality by measuring the gap between customer expectations and their perceptions of the service received (Parasuraman., Berry, & Zeithaml, 1991). It evaluates service quality across five key dimensions: **tangibles** (physical facilities, equipment, and appearance of personnel), **reliability** (ability to deliver promised service dependably and accurately), **responsiveness** (willingness to help customers and provide prompt service), **assurance** (knowledge and courtesy of employees and their ability to inspire trust and confidence), and **empathy** (caring, individualized attention to customers) and it is very important in the hotel industry (Chou et al., 2024) (see Figure 1).



**Figure 1. The SERVQUAL Model**

In the context of the Hotel ABC case, the five-hour power outage directly impacted several of these dimensions. The tangibles were compromised as basic facilities were unavailable, reliability suffered because the hotel failed to provide uninterrupted service, and responsiveness was tested in how staff addressed guest complaints. Assurance and empathy became critical in shaping guest perceptions, as effective communication, sincere apologies, and proactive support could help mitigate dissatisfaction. In the Hotel ABC case, the hotel demonstrated poor responsiveness during the five-hour power outage. Guests endured discomfort in the extreme heat, yet staff failed to provide timely updates, alternative solutions, or adequate assistance to those affected. Complaints were handled slowly, if at all, leaving guests frustrated and dissatisfied. This lack of prompt action and attention to customer needs intensified the negative impact of the service failure. The case illustrates that low responsiveness during a crisis can severely damage customer trust and satisfaction, emphasizing the critical role of proactive and empathetic service in maintaining service quality even under challenging circumstances. Applying SERVQUAL to this scenario highlights the importance of managing all service quality dimensions simultaneously, especially

during crisis situations, to maintain customer trust and loyalty. The link of dimensions is illustrated in Table 1.

**Table 1. SERVQUAL issues of Hotel ABC**

<b>SERVQUAL Dimension</b>	<b>Definition</b>	<b>Application to Hotel ABC Case</b>
<b>Tangibles</b>	Physical facilities, equipment, and appearance of personnel	Power outage affected the functioning of facilities such as lighting, air conditioning, and elevators, reducing the physical comfort of guests.
<b>Reliability</b>	Ability to deliver promised service accurately and consistently	Hotel failed to provide uninterrupted service, showing a gap between guest expectations and actual service.
<b>Responsiveness</b>	Willingness to help customers and provide prompt service	Staff's speed and effectiveness in responding to complaints and offering solutions (e.g., temporary arrangements, updates) were crucial.
<b>Assurance</b>	Employees' knowledge, courtesy, and ability to inspire trust	Staff needed to communicate confidently and reassure guests about resolution, maintaining trust during the crisis.
<b>Empathy</b>	Caring, individualized attention to customers	Personalized support, sincere apologies, and attention to guest discomfort could reduce dissatisfaction and strengthen customer relationships.

## **The Ramifications**

After the incident, the hotel experienced a sharp decline in occupancy rate and the occupancy rate in the peak season declined from 96% to 68%. However, this decline in the occupancy rate was short lived and the occupancy rate grew to 86% within three months. On the other side, in order to avoid any such incidents in future, the management decided to have multiple backup generators and introduced the emergency response training for staff.

### **Questions**

- What are the operational and managerial weaknesses that are revealed in this case?
- To what extent could the management prevent the incident through proactive planning?
- What alternative actions could management have taken during the incident to better manage customer expectations and reduce negative online reviews?

### **References**

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