

HOW CAN IT GET ANY WORSE? TWO HURRICANES IN FOUR WEEKS

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Jim Foster, the owner of the Selwyn Pub, had managed to steer his family business through many difficult challenges since it opened in 1990. Fierce competition, recessions, and even the death of the iconic Selwyn Pub oak tree had not managed to erode the customer loyalty that was essential to the success of the Selwyn Pub. However, two hurricanes in the past 30 days the last leaving no power, spoiled food, and no prediction on when the power would be restored. Unexpectedly, power was restored three days early, should he open with no food, and limited service staff and risk disappointing customers or wait until he was fully ready. This was the decision he had to make.

INTRODUCTION

Jim Foster, the owner of the Selwyn Pub in Charlotte, NC, had managed to steer his family business through many difficult challenges since it opened in 1990, quite a feat when on average 80% of all bars close in the first five years. Jim was proud of the Pub, and especially proud of the how successfully he had been able to attract a loyal customer base. However, two lengthy closures in the past 30 days due to hurricanes Florence and Michael downing trees and power lines left him with spoiled food, warm beer, and no idea of when power would be restored.

As he considered the situation, his mind wandered to the circumstances that led to the opening of Selwyn Pub. In September 1989, Hurricane Hugo took an unexpected turn during the middle of the night and did extensive damage to Charlotte. Much of the city was without power for several weeks, and many businesses had to close their doors. The closing of one of these businesses, a Cuban restaurant, provided the opportunity to establish the Selwyn Pub. How ironic would it be if another powerful hurricane put the Selwyn Pub out of business?

HURRICANES FLORENCE AND MICHAEL

The Carolinas took a direct hit from Hurricane Florence in mid- September 2018. Selwyn Pub was one of the many establishments that closed Saturday during the peak of the storm. Sunday brought more rain but greatly reduced winds. Since the

Selwyn Pub was recently recognized as Charlotte's "Best Sports Bar," the staff showed up early to make sure everything was ready for what promised to be a busy day. The Pub staff was clocked in, set up, geared up and ready to go. Then the power went off. A huge oak in a neighbor's yard had fallen and taken down the power lines. While the patrons and staff were disappointed, there was little doubt that the Pub would all be back to normal on Monday. The power was indeed restored by Sunday night, and employees were informed by text that the pub would open as scheduled on Monday.

When Hurricane Michael came calling the Selwyn Pub, while not damaged, lost all power. The most distressing part was that Duke Power had no solid estimate of when power would be restored. Once again, unfortunately, the Selwyn Pub was the only the neighborhood bar without power. Jim wondered how he could retain both customers and employees (turnover rates for bar wait staff was notoriously high) if the Pub alone remained closed for an extended period. In an area with many choices, employee and customer loyalty would be put to the test.

The stress of being closed began to show after three days to say nothing about the food in warm freezers. Typical revenues at the Pub were; Mondays-\$500, Tuesdays-\$800, Wednesdays-\$1200, Thursdays-\$2400, Fridays-\$3200, Saturdays-\$4800, and Sundays-\$2800 respectively. Tips averaged 15%-20% of revenue. Loss of only a few days tips, especially weekend days was significant to the staff. To give the employees an opportunity to make some money, Jim called the staff and offered them all \$25 per hour to clean out refrigerators and freezers during the daylight hours on Saturday.

Duke Energy finally estimated that the power would be restored by Tuesday. That would be five days without power and plenty of time for the competition to become acquainted with the Pub's regulars as they settled into a new watering hole.

As Jim sat at home, his cell phone rang. It was Mike, one of the Pub regulars. The lights were on at Selwyn Pub. It was 9:00 PM on Saturday when Jim met with his two managers. The refrigeration equipment was clean and working, but there was not a scrap of food in the place. There was no possibility of getting a food truck in on Sunday. Also, the staff had been told that they were off until Tuesday.

THE DECISION

Jim had always believed that he was not in the beer or food business but rather the hospitality business. Jim had read the statistics; nearly half of all restaurants fail within three years (Cline, 2003). Jim was a strong believer in Aaker's Brand Loyalty Pyramid. The model divided customers into four types:

1. Switchers, no loyalty
2. Satisfied/habitual buyer, reasonably satisfied customers who do not see any reason to change but will change brands relatively easily
3. Satisfied buyer with switching costs, typically loyal because the cost of switching is high
4. Brand likers, enthusiasts whose preferences are engendered by emotional benefits
5. Committed buyers, proud users whose personal values align with the brand (Aaker, 1991)

Jim believed so strongly that most of his customers fell into the second level of Aaker's Brand Loyalty Pyramid, that he was open 364 days a year, closing only on Christmas. Jim was fond of saying, "a customer turned away today may be your competitor's customer tomorrow." Jim had a decision to make; open on Sunday with little or no food, a limited staff, and an uncertain number of patrons, or wait until Monday night when everything was ready to go. He knew he risked losing more revenue, customers, and potentially waiters by staying closed, but what about disappointing customers if he opened understaffed with no food. Was opening worth the risk? What should he do?

REFERENCES

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