

## **Teaching Note**

### **August First Bakery & Café Pulls the Plug on Laptop and Ipad Use**

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#### **Critical Incident Overview**

This critical incident describes Jodi Whalen and Phil Merrick's decision to go "screen free" by prohibiting use of laptops, iPads, and electronic reading devices at their Burlington, Vermont, restaurant, August First Bakery & Café. Whalen and Merrick made the decision to address the problem of Wi-Fi squatters- customers who spent hours at the café working on electronic devices while purchasing little food. Whalen and Merrick estimated that Wi-Fi squatters cost them \$15,000 annually in lost business. Customer response to the new policy was mixed. While some customers welcomed the ban, others said they would not return to August First Bakery & Café. The wisdom of the decision, the policy's impact on customer service at August First Bakery & Café, the "screen free" movement, and the issue of Wi-Fi squatters are central to the critical incident.

The critical incident is primarily intended for use in an undergraduate Marketing, Management, Hospitality Management, or Introduction to Business courses.

#### **Research Methods**

This descriptive critical incident was written based on interviews with Jodi Whalen at August First Bakery & Café and a review of secondary sources. The individuals and events in the case are real. This critical incident has been tested in the classroom. (Sample student answers in the TN are a composite of group answers when the CI was tested in two undergraduate Marketing classes).

Although the CI is characterized as descriptive, the decision point in this CI involves Whalen and Merrick's evaluation of whether or not they should continue with August First Bakery & Café's screen free policy.

#### **Learning Outcomes**

In completing this assignment, students should be able to:

1. Identify the issue of Wi-Fi squatters;
2. Describe the "screen free" movement and evaluate the arguments for and against adopting a screen free policy;
3. Analyze the challenges small business owners face from multiple stakeholders; and
4. Evaluate how policy decisions (e.g. prohibiting laptops, iPads, and other electronic reading devices) impact customer service.

## Discussion Questions

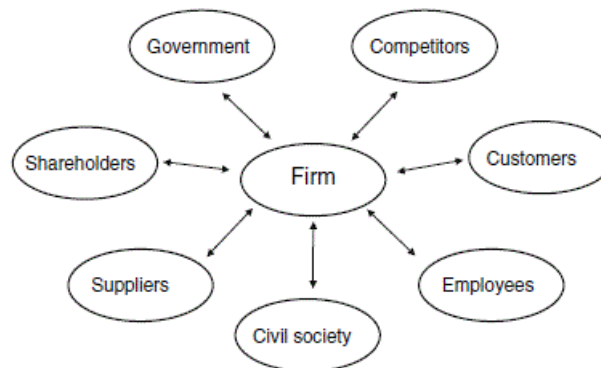
- 1) Identify the stakeholders in the critical incident and describe why they are stakeholders. (LO 1 and LO 3)
- 2) As small business owners, are Jodi Whalen and Phil Merrick within their rights to prohibit laptops and electronic reading devices at August First Bakery & Café? (LO 2 and LO 3)
  - a. Is their screen free policy discriminatory?
  - b. What legal issues, if any, apply to the screen free policy?
- 3) What are the likely impacts of a screen free policy on customer service at August First Bakery & Café? (LO 1 and LO 4)
  - a. How does the screen free policy coincide with Jodi Whalen and Phil Merrick's commitment to making customers "feel warm and welcomed"?
  - b. What, if anything, does it say about customer service at August First?
- 4) How have other similar businesses you are familiar with dealt with this problem? (LO 4)
  - a. How would you address the problem of Wi-Fi squatters if you owned August First Bakery & Café?

## Answers to Discussion Questions

- 1) **Identify the stakeholders in the critical incident and describe why they are stakeholders. (LO 1 and LO 3)**

Bryson (2004) defined stakeholders as "persons, groups or organizations that must somehow be taken into account by leaders, managers, and front-line staff" (p. 22). Freeman's (1984) classic stakeholder model (Exhibit 1) identified competitors, customers, employees, society, suppliers, shareholders, and government as groups to be considered when making business decisions.

Exhibit 1  
Freeman's (1984) Stakeholder Model



While a variety of techniques exist (Bryson, 2004), Silbiger (2005) provides a general stakeholder analysis framework when considering who is affected by business decisions.

- Get the main cast of characters.
- Determine the harms and benefits to each player.

- Determine their rights and responsibilities.
- Consider the relative power of each.
- Consider the short- and long-term consequences of your decision analysis.
- Formulate contingency plans for alternative scenarios.
- Make a judgment (Silbiger, 2005, p. 65).

For purposes of this critical incident, students could engage in a stakeholder role-play using Freeman's (1984) stakeholder groups. Stakeholder role-play involves managers or business owners assuming the role of a particular stakeholder (e.g. customers, shareholders/owners) and addressing an issue or policy from that group's perspective (Eden & Ackerman, 1998). Table 1 is a listing of August First's key stakeholders and a summary of each group's position that may emerge through stakeholder role-play when considering the screen free policy and its impact on customer service.

Table 1  
August First Bakery & Café's Stakeholders

<b>Stakeholder Group</b>	<b>Position</b>
Customers	<p>Customers are stakeholders as they may want to work or read on an electronic device while enjoying food and drink at August First Bakery &amp; Café. These customers would view the screen free policy as adversely impacting customer service at August First and they may not come back.</p> <p>Customers coming to August First simply to eat or drink and not use laptops and iPads would not be impacted by the screen free policy and wouldn't see the policy as impacting customer service at all. Some may actually see it as having a positive impact in that more seating and tables are available at August First.</p> <p>In the end, students could argue that in a free market economy customers will use their power and vote with their wallets- they will either continue to visit August First Bakery &amp; Café or spend their time and money elsewhere.</p>
Shareholders/Owners (Jodi Whalen and Phil Merrick)	<p>Jodi Whalen and Phil Merrick are also stakeholders.</p> <p>As owners, their bread and butter (excuse the pun) depended on sales at their café. In their view, Wi-Fi squatters were eating into their profits (apologies again). Although they were concerned with providing good customer service and relied on repeat customers, they saw going screen free as a solution to the problem of Wi-Fi squatters. The long term impact of the policy would impact Whalen, Merrick, and their employees (below).</p>
Employees	<p>Employees of August First Bakery &amp; Café are stakeholders in that their jobs and income depended on the success of the business.</p>

	Although the nature of the restaurant (counter service) meant that staff didn't rely heavily on tips, repeat customers were important to August First's business. If customers were bothered by the screen free policy they may not return. On the other hand, eliminating Wi-Fi squatters meant increased customer turnover and more customers in the restaurant.
Suppliers	August First Bakery & Café's suppliers also had a stake in the success or failure of the business. Although they likely had other customers, suppliers naturally relied on the financial success and longevity of their customers.
Society (Burlington, Vermont)	Burlington is also a stakeholder in the critical incident.  Although there were many other restaurants and cafes in the area (see Exhibit 2), August First Bakery & Café was locally owned and popular. Although it is unlikely that August First would succeed or fail exclusively because of its screen free policy, its closure would adversely impact Burlington.
Competitors	August First's competitors would be impacted by this policy change in that customers upset about the screen free policy may eat elsewhere. That would help competitors. Alternatively, the press attention that August First's policy change received might attract new customers away from competitors.

**2) As small business owners, are Jodi Whalen and Phil Merrick within their rights to prohibit laptops and electronic reading devices at August First? Is their screen free policy discriminatory? What legal issues, if any, apply to the screen free policy? (LO 2 and LO 3)**

Like many small business owners who work at their business, Whalen and Merrick are responsible for all decisions regarding the management and marketing of the enterprise. That includes making policy decisions like going screen free. According to Ebert and Griffin (2013), decision-making skills are "skills in defining problems and selecting the best course of action" (p. 122). After identifying the problem of Wi-Fi squatters, Whalen and Merrick considered their options before going screen free. They first eliminated free Wi-Fi and then prohibited laptop use during their lunchtime rush. In early 2014, they adopted a screen free policy.

One student group responded to this question as follows:

As the owners of the privately owned business they reserve the right to handle their business the way that they see as appropriate. If a country club, restaurant or other establishment can have a dress code then we see no issue with a screen free policy. In addition, because screens proved to be a detriment to sales it is absolutely appropriate to put this rule in action. A customer has the choice to eat wherever they choose, this being the case, if they have an issue with the screen free policy then they can choose a different restaurant. There are no legal issues with the cafe having a no screen policy. It benefits the restaurant about \$15,000 a year not having customers sitting on laptops and iPads.

As private business owners, Whalen and Merrick can implement any policy they would like as long as they aren't discriminating on the basis race, national origin, gender, religion, or age. (In Vermont, it is also illegal to discriminate on the basis of sexual orientation and/or gender identity). Since there is no legal right to Wi-Fi or Internet access, August First Bakery and Café's policy is legal.

Phil Merrick rejected characterization of the screen free policy as discriminatory. "Nothing about this decision excludes anyone from being part of our community," he noted. "It just requires that they don't use laptops, etc. in our café. If this excludes a certain person, that is their decision, and is a positive result for us since that behavior was both against the culture we are promoting in our café space and ultimately the sales and profits generated in that space."

**3) What are the likely impacts of a screen free policy on customer service at August First Bakery & Café?(LO 1 and LO 4)**

- a. How does the screen free policy coincide with Jodi Whalen and Phil Merrick's commitment to making customers "feel warm and welcomed"?**
- b. What, if anything, does it say about customer service at August First?**

The Screen Free Movement: Concern about our nation's overreliance on screens (e.g. laptop computers, hand-held devices, television, and video games) has led to a national screen free movement bigger than August First. The Campaign for a Commercial-Free Childhood started a national Screen-Free week campaign to encourage children, families, schools, and communities to turn off electronic devices for at least one week per year (Linn, 2013). In 2013, Screen-Free Week was April 29-May 5. The movement was embraced by political leaders including Virginia Governor Bob McDonnell who signed a Screen-Free Week proclamation for his state (Virginia Foundation, 2012).

Students can debate whether August First Bakery & Café's new policy will alienate or attract customers. As was seen in the response to the new policy on social media, August First's screen free policy was controversial. While some customers welcomed the move, others opposed it and said they wouldn't come back. Some comments focused on an apparent inconsistency in the policy- while laptops and electronic reading devices were prohibited, books and newspapers were not. (August First Bakery & Café included bookshelves full of books for customers to read). So why, policy opponents asked, was it permitted to read a book or the *Sunday New York Times* in print but not online?

Critics may have a point. In 2013, electronic books accounted for 27% of sales, up from 23% in 2012 (Greenfield, 2014). Newspaper subscriptions experienced a similar trend. In 2013, revenue from digital-only subscriptions was up 47 percent while revenue from print-only subscriptions and single-copy newspaper sales was down 20 percent (Edmonds, 2014).

Phil Merrick understands the criticism. "I agree that reading a book in print or on a Kindle are essentially the same thing," he said. "I own both. I love the Kindle because I have a whole library of what I've read in the last two years at my fingertips. But if we allow Kindles it creates a grey area that goes back to policing. Is that a Kindle or an iPad? Are they reading or watching a movie? Do I really want someone reading a book for four hours at my café? The answer to that (question) is no. But we're not having a problem with the occasional book reader. So making the space screen free removes 90% of squatters and that may be enough."

In his book, *Uplifting Service: The Proven Path to Delighting Your Customers, Colleagues, and Everyone Else You Meet*, Kaufman (2012) says service “is not about what you do, the process you use, or how well you follow procedure. Service is about the experience and the value you create for someone else” (p. 204). Wong Eng & Sorooshian (2013) describe service quality as the “consumer’s judgment of overall service provided” or “gap between consumer’s expectation and the actual service perceived” (p. 109). According to Babin & Harris (2011), consumer satisfaction is “a mild, positive emotional state resulting from a favorable appraisal of a consumption outcome” (p. 288).

Rhoades (2011) offered a plain-spoken case for providing superior customer service and the consequence of not doing so:

I don’t need to tell you that customers deserve top-level service; I believe that, and so do all of your customers. They will pick and choose the places where they feel employees are really concerned about their experience...research has shown repeatedly that people will talk about only extremes in experience. If something really bad or really good happens, your customers will tell everyone they know, and that goes tenfold for the really bad experiences (p. 54).

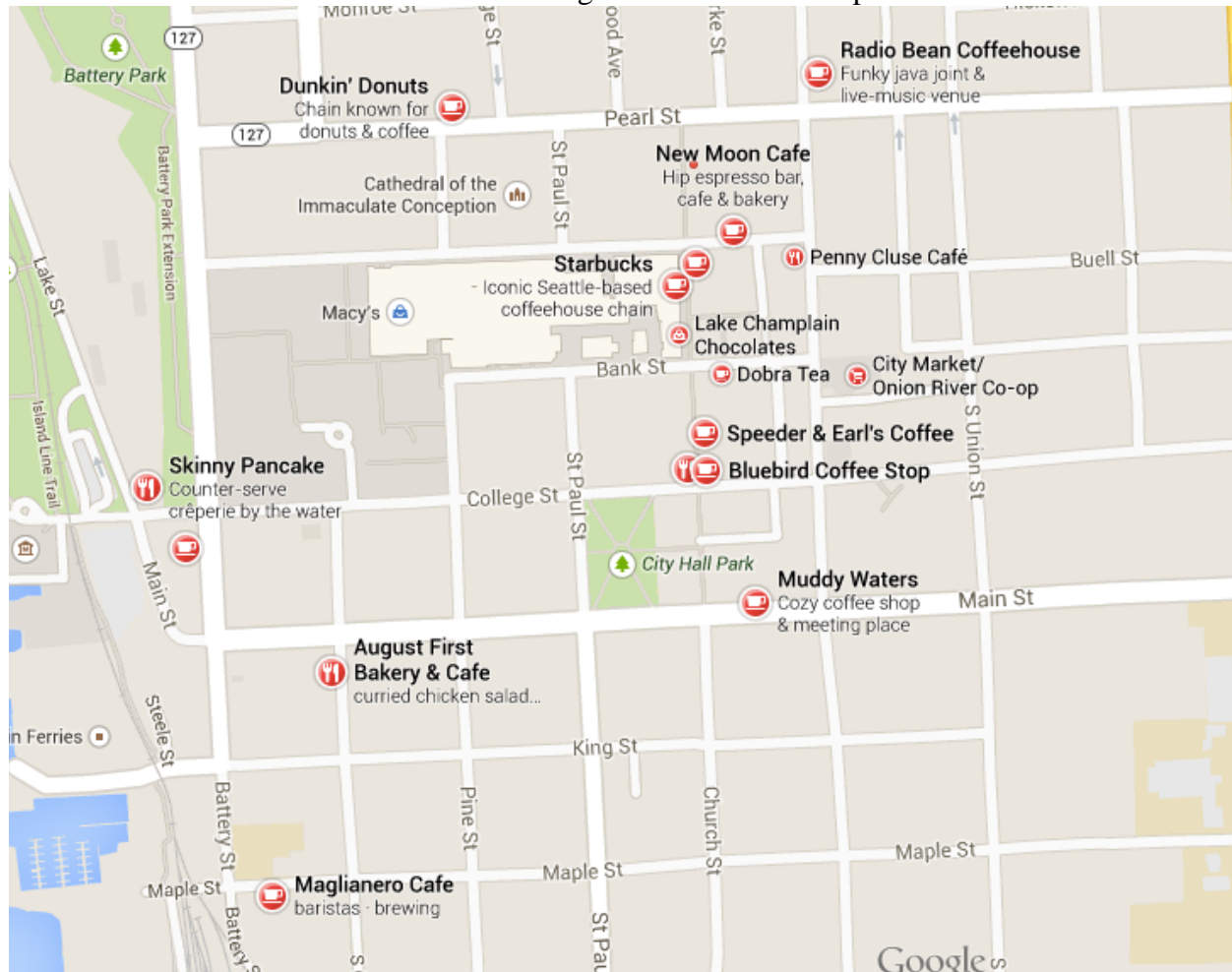
Kaufman (2012) makes the business case for building a service culture. “Organizations that build vibrant and uplifting service cultures enjoy a sustainable competitive advantage, attracting and retaining better customers as well as more talented and motivated employees” (p. xvi). Studies support Kaufman’s assertion. Zahorik & Rust (1992) found a significant relationship between customer satisfaction and operating profit while Zeithaml (2000) found a relationship between customer satisfaction and return on investment (ROI). Customer satisfaction and loyalty is important to August First and its competitors. “From a business perspective, there perhaps is nothing more valuable than having satisfied customers; indeed, for many marketers and consumers alike, satisfaction is an essential outcome variable in business transactions” (Kimmel, 2013, p. 162).

The issue of the screen free policy’s impact, if any, on customer service at August First Bakery & Café is also debatable. Some will argue that Whalen and Merrick only have an obligation to provide good bakery items with friendly service. As a café, quality food and drink is August First’s primary product. Kaufman (2012) describes primary products as “the main reason people come to see you” (p. 226). While providing Wi-Fi isn’t mission central, August First’s competitive environment could compel them to revisit their decision. None of August First’s local competitors had gone screen free and many provided free Wi-Fi. Many of these competitors also offered quality food and drink. Offering free Wi-Fi is a way to exceed customer expectations. “It’s amazing how most of life, and certainly customer service, is about exceeding or at least meeting expectations” (Jantsch, 2010, p. 158). “In some instances companies have created a simple way to exceed expectations, and that simple thing became a key point of differentiation.”

One criticism of Whalen and Merrick’s decision to go screen free could be their failure to include customers in the decision-making process. As a key stakeholder group, customers could have offered their opinions before the decision to ban laptops, iPads, and other electronic reading devices was made. Rhoades (2011) supports this approach. “You’ll never know what your customers want if you don’t ask them,” she said (p. 148).

A map of August First Bakery & Café's local competition is included in Exhibit 2.

Exhibit 2: Burlington Area Coffee Shops



Source: Google Maps.

**4) How have other similar businesses you are familiar with dealt with this problem? How would you address the problem of Wi-Fi squatters if you owned August First Bakery & Café?**

Students can describe their experiences with Wi-Fi squatting and how they have seen other businesses address it. They can then discuss ways they might address Wi-Fi squatting at August First Bakery & Café including:

- Do nothing: some coffee shops welcomed cyber squatters. For example, Starbucks greeted its customers with the following message when they signed onto its company-provided Wi-Fi: “Starbucks is pleased to offer free Wi-Fi including the Starbucks Digital Network to all of you who are enjoying our food and beverages.” More recently, Starbucks announced a plan to place 100,000 wireless smartphone charging stations in 7,500 stores throughout the United States eliminating the need for customers to use electrical outlets (Kell, 2014).

Students should be encouraged to consider the cost of taking no action. Jodi Whalen estimated that Wi-Fi squatters cost August First Bakery & Café \$15,000 annually in lost sales. (August First's average sale is \$9.00. Five or six Wi-Fi squatters per day resulted in a loss of \$50 per day.  $\$50 \times 300 \text{ days per year} = \$15,000$ ).

- Take action: August First Bakery & Café isn't the only coffee shop trying to address the problem of Wi-Fi squatting. Hillen (2014) says some coffee shops have eliminated free Wi-Fi, set limits on the amount of time it could be used, covered electrical outlets to prohibit charging of electronic devices, and slowed Wi-Fi speed. Banning laptops, iPads, and other electronic devices is another option.

## Epilogue

Months after banning laptops, iPads, and other electronic reading devices, Jodi Whalen and Phil Merrick were happy with their decision to go screen free. "Sales are up," Merrick said, estimating a 15 percent increase in sales. In addition to the bottom line, Whalen was pleased with the policy's impact on the environment at August First. "What we've noticed is a liveliness to the bakery that wasn't there before," she said. "When people are on their laptops, they're silent...now it feels more alive, because of all the conversation."

In late 2014, Whalen and Merrick announced plans to expand August First Bakery & Café into a nearby restaurant in downtown Burlington. "It's really an ideal expansion for us," Whalen told the *Burlington Free Press*. "There will be a bigger selection of everything and also more convenience when it comes to the speed."

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## **Other Pedagogical Materials**

After reading the critical incident, and before addressing the questions, the instructor can engage students by asking them about their use of laptops, iPads, and other electronic reading devices. Students can also be asked how often they visit and how much time they spend in coffee shops. Students could also be asked about their experiences, both good and bad, with customer service. This will set a good foundation for a discussion of the issues raised in *August First Bakery & Café Pulls the Plug on Laptop and iPad Use*. The incident also lends itself to role-play or a class debate with one side making the case for going screen free and the other side making the case against it.

As students have experience with customer service and laptops and iPads, no prior assignments are required for this critical incident. The incident is brief and could be reproduced and distributed as the basis of a class discussion of customer service, small business management, public relations, and/or the screen free movement. Alternatively, it could serve as a homework assignment with students writing a response paper addressing the issues faced by Jodi Whalen and Phil Merrick at August First Bakery & Café and whether they should continue with their screen free policy as they evaluate its impact on customer service.