Chapter Six

SERVICE RECOVERY

6.1 The concept of service recovery

Service recovery refers to the ‘actions taken by an organization in response to a service failure’. Failures occur for all kinds of reasons — the service may be unavailable when promised, it may be delivered late or too slowly, the outcome may be incorrect or poorly executed, or employees may be rude or uncaring. All of these types of failures bring about negative feelings and responses from customers.

The goal of service recovery is to identify customers with issues and then to address those issues to the customers’ satisfaction to promote customer retention. However, service recovery doesn’t just happen. It is a systematic business process that must be designed properly and implemented in an organization. Perhaps more importantly, the organizational culture must be supportive of idea that customers are important and their voice has value.

6.2 Importance of service recovery

Service recovery plays an important role in nowadays relationship marketing. Today, many organizations are facing challenges in the area of customer service and service delivery. It has been found that as the cost of attracting a new customer is more expensive than retaining an existing customer, therefore, organizations are striving to build long-term relationship with existing customers. This approach helps the organizations to keep their existing customers higher the loyalty level towards their businesses and also benefit the customers in enjoying a high level of customer service which is provided by the organization.

6.3 The service recovery paradox

The recovery paradox theory advances the contention that if a service firm exhibits an excellent recovery in the event of a service failure, then the

customer's satisfaction may exceed pre-failure levels. While a number of researchers have provided evidence in support of the recover paradox, several recent studies have failed to find such support.

- Customers who are dissatisfied but experience a high level of excellent service recovery may become more satisfied and more likely to repurchase than those who were satisfied in the first place.
- Even if do it right the first time is preferable, when a failure occurs every effort should be made for superior recovery.

How Do Customers Respond to a Service Failure?

- Take action (switch provider of stay with provider)
  - Complain to provider
  - Complain to friends
  - Complain to third party
- Do not take action (switch provider or stay with provider)

6.3 Customer complaint

- Complaints are defined as any expression of dissatisfaction or concern made to the organization by, or on behalf of, an individual client, group related to the organizations products or services.

The purpose of a complaint handling policy

- to support the provision of the highest possible quality service to external clients;
- to increase the level of client satisfaction with the delivery of the organization's services and products; and
- to enhance organizational relationships with external customers.
- Possible manifestations or signs of an organization's commitment to effective systematic suggestion or effective complaint handling.

❖ *A fair complaint handling procedure provides complainants the right to;*

- be heard;

- know whether the organization's relevant service and products procedures have been followed;
- be provided with, and request all relevant material to support the complaint
- be informed of the criteria and processes;
- be informed of the response of the officer or part of the organization complained of;
- be informed of the organization's decision and the reasons for that decision;
- know that a genuine, thorough and unbiased examination of the complaint has been undertaken,
- confidentiality, if requested

6.4 Types of customer complaint actions

Types of Complainers

There are four types of Complainers;- Passives, Voicers, Irates and activists

Complainers can be classified in terms of their behavior whether they:

a) Take action or do not take action
b) Complain to the service provider
c) Complain to third parties and spread negative word of mouth
d) Switch patronage and alienated from the market place

Passives

- Do not take action. Believe that the consequences of complaining will not merit the time and effort they will expend.
- Do not complain to the provider and third parties
- Are less alienated from the market place.
- Do not have a complaining personality

Voicers

- Are the service providers best friend
- Complain to the service provider
- Do not complain to third parties

- Do not spread negative word of mouth
- Do not switch patronage
- Believe that complaining has a social benefit and positive outcomes.

Irates

- Are more angry with the service provider
- May or may not complain to the provider
- Engage in negative word of mouth
- Switch patronage and feel alienated from the market place

Activists

- Complain to friends and relatives
- Complain to a third party
- Are alienated from the market place.
- May become terrorists in extreme cases

6.5 Service Recovery Strategies

1. Do it right the first time
2. Welcome and encourage complaints
3. Act quickly
4. Treat customers fairly
5. Learn from recovery experiences
6. Learn from lost customers

6.6 Service guarantees

A **service guarantee** is a marketing tool service firms have increasingly been using to reduce consumer risk perceptions, signal quality, differentiate a service offering, and to institutionalize and professionalize their internal management of customer complaint and service recovery. By delivering service guarantees, companies entitle customers with one or more forms of compensation, namely easy-to-claim replacement, refund or credit, under the circumstances of service delivery failure. Conditions are often put on these compensations; however, some companies provide them unconditionally.

For customers, service guarantees play an important role in alleviating perceived risks of the purchase. The guarantees also facilitate more ease and more likelihood for customers to complain, since they expect the front-line staff to be ready with resolutions and appropriate compensations.

Benefits of Service guarantees;

- By delivering service guarantees, firms are forced to focus on customers' want and expectation in every aspect of the service.
- Guarantees establish clear standards which create a common image of what the company stands for in both customers and employees' mind. Managers are motivated to seriously concern service guarantees, because they emphasize the financial expenditure of quality failures.
- With service guarantees, firms are required to build effective systems to generate meaningful customer feedback and develop corresponding courses of action.
- Guarantees require service organizations to understand reasons of failure and motivate them to identify and manage potential fail points
- Guarantees help customers to reduce risk in making purchase decisions and to reinforce their long-term loyalty.