

Importance of service recovery in successful relationships



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Service recovery plays an important role in nowadays relationship marketing. Today, many organisations 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, organisations are striving to build long-term relationship with existing customers (Fornell and Wernerfelt, 1987; Kotler et al., 2003; Spreng et al., 1995). This approach helps the organisations 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 organisations.

Why do organisations need to implement service recovery programmes?

Service failure happens all the time when organisations provide services to the customers. Although a zero defect product and well-trained service delivery can result in a negative service conflict because of the heterogeneity of customer's outcome and process expectations. These unavoidable mistakes affect the goal of securing customer base (Chihyung Ok et al., 2007). For customers, service failure means they do not get what they expect to get, whether in term of products or services. For businesses, they are required to rectify customers' imbalance in equity evaluation (Chihyung Ok et al., 2007). Owing to unavoidable service failures are happened, organisations cannot ignore the importance of cost when the customer is lost (Kristie K. Seawright et al., 2008).

Increasingly profits and lower marketing costs for long-term customers

A research estimated that organisations lost about 50 per cent of their customers every five years (Mach et al., 2000). Most customers feel that complaining to staff when the problem occurs is a waste of time and dissatisfied customers will tell a number of people about the unhappiness they have received from the service provider (Gavin Eccles & Philip Durand, 1998).

Mittal and Lassar (1998) suggested that long-term customers bring more and more profits year after year in almost all service businesses. Loyal customers usually result in lower marketing costs; improve operational efficiency and higher profits. Therefore, the development of service recovery strategy is required for organisations to keep loyal customers.

Service Recovery

What is service recovery?

Service recovery is a process of putting right what went wrong (Gavin Eccles & Philip Durand, 1998), including service providers of all actions taken in order to do their best to resolve the problem that happened in the service failure (Gronroos, 1990) and involved tangible compensation and interaction between employees and customers, and influence customer realisations of the service recovery (Levesque and McDougall, 2000).

The process of service recovery

When service failure happens, service recovery is the primary process of a firm can retain its customers and minimise the costs associated with customer defection and negative word of mouth for harming organisations' reputation (Kristie K. Seawright et al., 2008).

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Degree of primary service failure

Understanding the degree of failure will help service providers to develop efficient and effective service recovery programme to their customers.

Degree of service failure is defined the importance of customer service and measure of service failure severity. There are four crucial factors are explained the degree of service failure (Kristie K. Seawright et al., 2008):

Cost

The more costs customers spend on a service, the more expectations for recovery when failure has been occurred will be. For example, a customer will have a greater expectation for recovery at an expensive steakhouse of an over-cooked steak than if he received the same service in an inexpensive fast food restaurant (Kristie K. Seawright et al., 2008).

Product and brand image

A customer who consumes a product service that has high brand awareness, a reputation of reliability and high performance will have greater expectations for recovery than he or she would with a general product brand (Kristie K. Seawright et al., 2008).

Criticality

Customer's expectation regarding service recovery on a more important service will result a higher expectation (Kristie K. Seawright et al., 2008). For instance, a customer will have higher expectation for recovery when a

service failure in a wedding banquet reception than a dinner reservation in hotel restaurant.

Inconvenience

The more inconvenient a failure was and the more inconvenient to resolve that failure will greater customer's expectations for service recovery (McCollough et al., 2000).

Elements of the service recovery system

Psychological elements

Psychological elements try to expressing concern for the customers and their needs when resolving service failures (Lewis and McCann, 2004; Miller et al., 2000; Zemke and Bell, 1990).

An apology for the failure and showing empathy towards the customers are the most commonly recommended psychological techniques in recovery process (Miller et al., 2000; Johnston and Fern, 1999; Bell and Zemke, 1987). These techniques show to the customers that service provider cares about the problem, willing to fix the problem and mitigating the inconvenience caused to the customers (Boshoff, 1999).

Tangible elements

Tangible elements are the techniques that intend to correct or complete failure of service (Goodwin and Ross, 1990; Zemke and Bell, 1990).

Completing the primary service, performing again the service, exchanging

the product, or refunding the cost are the common tangible techniques of a service recovery system (Lewis and McCann, 2004).

Process of service recovery

A successful service recovery procedure, companies are recommended to implement a matrix of operational strategies and possibilities. This helps organisations understand their customers complains, and provides an effective action to resolve the situation (Gavin Eccles and Philip Durand, 1998). This matrix is expressed and presented in the figure below by Gavin Eccles and Philip Durand in 1998:

Figure: Matrix of operational strategies and possibilities (Eccles & Durand, 1998)

1

**No product or service failure – Customer does not say anything
Company action: Celebration**

2

**No product or service failure Customer dissatisfaction – speaks up
Company action: Customer education**

3

**Product or service failure Customer does not say anything
Company action: Encourage complaints**

4

**Product or service failure Customer dissatisfaction – speaks up
Company action: Service recovery**

Quadrant 1:

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There is no failure of product and service within quadrant 1. Customers are happy and satisfied without complaining. The firm delivers what the customers expected and this is the best company practice action. However, customer loyalty cannot be gauged in this quadrant because customers may not voice out doesn't mean nothing went wrong.

Quadrant 2:

Within quadrant 2 customers are dissatisfied even though there is no perceived product and service failure. This implies customers do not understand the product received by the company; therefore they are having a negative view. The action response for this situation of the company is “education”. Education ensures positive cognitions are built before the product/service is consumed. This will help to increase the customer's level of commitment, as they may feel that their comment has been handled and respected.

Quadrant 3:

There is an actual product or service failure in this stage but the customer does not comment on this. The possible outcome in this situation is that customers will not return to consume product/service again; the firm is losing valuable customers and important information from customers to improve their product/service in future to live up customer needs and expectations. Encourage customers to complain is the possible way for the firm to improve this situation. For example, restaurants could encourage customers to fill up a service questionnaire after their consumption.

Quadrant 4:

The difference between quadrant 3 and quadrant 4 is customers speak up their dissatisfaction with the product/service failures. Service recovery can be successfully implemented within this final quadrant. Two essential elements are required for implementing a successful service recovery: first is customers tell you there is something wrong and second is customers are still within the operation. Customers will return when both of these elements are present through actions of service recovery.

Service providers need to set up simple procedures or customers to complain when service does not meet expectations (David Cranage, 2004). Customers evaluated service recovery is focus on what they were supposed to get in the first place (Lewis & Sotiris, 2001). So if service providers cannot get it right at the first time, the most successful way is to make things right by eliminating the problems (David Cranage, 2004).

Implementation of a service recovery strategy

Following are the main elements of recovery strategy:

Develop ways to encourage customers to complain (David Cranage, 2004)

Simplify the complaining process to encourage customers' voice out their dissatisfaction.

Enhance employee's skills on resolving customer issues through training

Employees need to be trained in customer service practices and are awarded of responsible for ensuring customers leave with a positive impression of the firm. This ensures employees first offer sympathy to the individual, and then presents a solution that meets the expectations of customers (Gavin Eccles and Philip Durand, 1998).

Empowerment

Staff member who receives the complaint from the customer should be the individual who stays with the matter from start to finish. If they cannot actually do anything themselves they should at least remain with the customer throughout the recovery process. This helps customers remain a feeling that the organisation is trying their best to resolve the situation (Gavin Eccles and Philip Durand, 1998).

Communicate best practice

Effectiveness of a service recovery depends on problem handling by contact employee through responsiveness, compassion and understanding (Bitner et al., 1990; Hart et al., 1990; Smith et al., 1999).

Most customers feel that complaining to staff when a problem occurs will only cause additional annoyance and waste time (Gavin Eccles and Philip Durand, 1998). Therefore, communicate plays a very important role in service recovery programme.

Identify the level of service failure and apply appropriate recovery strategy

Customer expectations of service recovery are not the same, according to the type and level of failure (David Cranage, 2004). Different service recovery strategies apply in different situations will lead different results (David Cranage, 2004). For minor failures, a humble apology would be satisfied by customers but serious failures required a managerial apology to gratify the customers (David Cranage, 2004). Service providers need to understand the affection level of service failure to individual customer and provide appropriate recovery actions such as apologies, discounts and compensation.

Consumers' responses to service recovery

Three fairness dimensions

Recovery outcomes, procedures and interactional treatment have a joint effect on post-recovery satisfaction. Customers evaluate the effectiveness of a service recovery with three main dimensions which are distributive, procedural and interactional fairness. The three fairness dimensions are driven by different viewpoints of the service recovery process from customers (Jochen Wirtz & Anna Mattila, 2004).

Distributive Justice and procedure

Distributive justice refers to the perceived expectations (Smith et al., 1999).

Procedural fairness

Procedural fairness involves the processes, policies and rules which are made by recovery effort decisions (Smith et al., 1999). Procedural fairness is likely to influence people's reactions especially when organisational

outcomes are unfeasible. It hints that fair procedures make it easier for people to accept types of negative organisational outcomes (Jochen Wirtz & Anna Mattila, 2004).

Interactional fairness

This focuses on the interactional treatment during the service recovery process, including an apology, helpfulness, politeness, and sympathy of the service contact staff in dealing with the recovery to the customers (Jochen Wirtz & Anna Mattila, 2004).

Consumers' feedback on apology and compensation

Compensation is effective in regaining customers' viewpoints of distributive justice, when the service failures are corrected or complaints are handled (Blodett et al., 1997; Tax et al., 1998). The presence or absence of an apology is strongly linked to customers' attitude of interactional justice (Clemmer and Schneider, 1996; Goodwin and Ross, 1992; Smith et al., 1999).

In the study of Jochen and Anna (2004), their findings were that tangible compensation had a positive impact on satisfaction with the service recovery process. Also, an apology is highly efficacious when it is jointed an immediate recovery. Both interactive and procedural fairness seem to be required to deliver a satisfying service recovery when compensation is absence.

Consumers' satisfaction

Satisfaction is a medium to explain the relationship between service recovery dimensions and post-recovery behaviours (Jochen Wirtz & Anna Mattila 2004).

An excellent service recovery programme needs to emphasise both the outcome and the process of the service recovery programme to the customers. Compensation might not be required when the recovery is immediate and an apology is offered, at least when service failure condition that does not incur monetary costs to the consumers (Jochen Wirtz & Anna Mattila, 2004). A strategy focuses on an immediate recovery with an apology is likely to satisfy the customers and be cost effective at the same time. If an on-the-spot recovery is not possible, then compensation is required to fully restore peace with the customers. Specially, a discount offering might incur consumers to believe that the service failure is under control and will less likely to be happened again in the future. In conclusion, recovery efforts affect service failure ascriptions (Jochen Wirtz & Anna Mattila 2004).

Advantages of service recovery strategy

A good service recovery design can remarkably strengthen customers' perceptions of the quality of products or services, the organisation's capability, and the value of the organisation's other offering (Zemke and Bell, 1990). Such perceptions establish the satisfaction and loyalty of the customer to the business, and also the overall profitability of the business (Kristie, et al., 2008).

Enhancing customer loyalty

Customer loyalty is a medium of management procedures and outcomes for service recovery strategy (Robbins & Miller, 2004). Customer loyalty is often considered as an asset because it is linked to profitability (Hoffman & Kelley, 2000; Reichheld & Sasser, 1990) and other benefits for organisations (Robbins & Miller, 2004). Customer loyalty is a result of successful service recovery strategies (Robbins & Miller, 2004). An establishment of a closer relationship between customers and service providers will have higher volume of business (Reichheld & Sasser, 1990) and less price sensitive (Reichheld, 1996). The probability of loyal customers to consider alternatives or shop for lower prices is low (Goodwin & Gremler, 1996). They are different from non-loyal customers who are easily attracted by convenience and cost (Robbins & Miller, 2004).

Retaining loyal customers

An effective service recovery strategy can significantly influence loyal customers' attitudes as well as behavioural intentions following the service failure (Blodgett, et al., 1997; Tax, et al, 1998; Robbins & Miller, 2004). Loyal customers are probably to comprehend their relationship with the service provider differently than non-loyal customers who those are more influenced by convenience and cost in service exchanges (Robbins & Miller, 2004; Goodwin & Gremler, 1996). Recovery management for loyal customers seems more significant (Kelley & Davis, 1994) because they expect some particular treatment which is different from other consumers (Goodwin & Gremler, 1996; Kelley & Davis, 1994). Loyal customers are likely more concerned with their long-term relationship with the service providers given

by important social interactions that provide emotional support and a sense of belonging (Tyler, 1989). Moreover, most of long-term customers will probably do business again if their problems are solved satisfactorily.

Conversely, unfair recovery treatment is likely to have a substantial adverse impacts on loyal customers due to the fact of their investments in particular organisations are more than ordinary consumers (Robbins & Miller, 2004).

Consequently, a successful service recovery strategy is able to retain loyal customers to the organisations and provide generate increasingly more profits yearly (David C, 2004).

Conclusion

We understand there is no perfect service system and so failures happened by time to time whereas customers are satisfied as long as service providers are able to meet or exceed their service expectations.

The role of service recovery in successful relationship