

Company's recovery strategy after service failures



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Service failure can be described as an interruption of the normal course of action that fulfills a need and or provide satisfaction to the end-user. Key to the success of service organizations are the relationships it keeps and maintains with its loyal customers. As with any industry problems will arise and customers will become dissatisfied and complain. Companies must implement strategies to deal with these issues when they arise. The manner in which they respond to problems and customer complaints are of critical importance to the retention of satisfied loyal customers. When service fails and in the absence of an effective recovery strategy, the profitability of the business is impacted. The employees of the company are also impacted. The service failure can lead to termination, loss of motivation and morale, loss of commitment and loyalty of the employees.

Effective recovery strategies can lead to satisfied customer. However, the problem is further amplified when the customer is not satisfied with the manner in which the problem is handled. It is of critical importance that companies handle customer complaints effectively and learn from them. This paper discussed the impact of service failure and recovery on the company.

Service Failure and Recovery Implications for Companies

Occurs when service performance that falls below a customer's expectations in such a way that leads to customer dissatisfaction (Zeithaml, Bitner and Gremler, 2009). It is evitable that failures will arise, and as part of the strategic plans of the company it must plan for these failures. An effective part of the quality of customer service is the company's ability to respond to service failures. It is the quality of the service provided to the customers that promotes and manages and maintains satisfied and loyal customers. Quality

service is the key to the profitability of the company; it is a competitive advantage in gaining and sustaining the market and leading the competition.

Service quality fosters both employee and customer satisfaction. Employees who are trained and involved the production of quality service are more satisfied. Companies can use reward and incentives programs to encourage employee participation in customer service excellence. Since failures in service will arise from time to time, companies must develop effective recovery strategies.

With increased competition within the industry, quality customer service and customer relationship is of paramount importance. In the service industry customer retention means the survival of the company. Existing customers, loyal and satisfied customer generate greater revenue. Dissatisfied customer can prove to be very costly, the cost of compensation and loss of revenue when they discontinue or switch to the competition, also the negative publicity will affect the profitability of the firm it is less expensive to foster satisfied customers.

The quality of service in the service industry is critically important to the survival of the industry. Customer service by definition is the process of identifying and satisfying customer needs. Customer service is an important part of the quality and effectiveness of marketing plans and strategies for competitive advantages.

Companies rely on customer to maintain their establishment. The quality of customer service is a mechanism by which loyal customers are acquired and

these customers become effective word of mouth advertisers of the company's products and services.

Customers are just as interested in the quality of the service provided as they are in the product or service itself. Dissatisfied customers will negatively affect the company but if there is a service recovery program in place, it will serve to retain customers and their loyalty. Customers whose problems are resolved will feel that they are treated fairly and the company will retain them.

Employees of the organization will also benefit from good customer service. When customers are loyal and satisfied it creates a better environment for both parties. It reduces the level of dissatisfaction and complaints.

Employees will be more motivated to work and represent the company's products and services. Customer satisfaction and praise creates a greater sense of satisfaction and provide and intrinsic value to employees of their jobs. Employees should be informed of developments, strategies and mission of the company.

Services companies need to keep abreast of the changing needs of the customers. They need to employ skill and strategies such as listening to customer perception both negative and positive of the service or product and make changes to achieve and or maintain competitive advantages. Today's customer place value on the manner in which the employees of service organizations respond to their needs, complaints or praises. They appreciate service where they feel that they are treated with courtesy, are provided accurate, timely and relevant information and their needs are met.

Value is created when employees are energetic and enthusiastic about the service they provide; the customer is more liable to trust the service. It is also created when a company and its employees will accept responsibility for service failure, are willing to apologize and take the required steps and employ measures aimed at rectifying the situation. Companies should maintain an ongoing training and development program as a component of customer service policy.

An example of service gone bad:

On July 2, 2010, I decided to treat myself to dinner at Milan, a new restaurant which was referred to me by a friend.

I arrived at 6: 00pm to beat the rush. The service personnel greeted me and then escorted me to the dining room. He handed me the menus and a wine list and said he will be right back.

While I sat reading the menus, I overheard the people at another table discussing the menu's dinner choices. I could not find those items on the menu I had therefore I assumed they had the different menu. The service personnel were busy clearing other tables and taking orders while I waited patiently to place one. As if I was not there, he then began taking orders from the table of eight, who quite obviously was not ready.

After sitting and waiting there for about 15 minutes without any type of service or acknowledgement, I decided to go to the bar on the lower level. The restaurant was not at all busy; I can recall that there were only three parties occupying tables. I was in total awe when I noticed that the waitresses used their hands to place garnishment into the drinks and one

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waitress in particular smelt the drinks before serving to patrons. I voiced my concern to a young man who said he was the shift supervisor and much to my dismay they continued handling the drink in the same manner. At that point I left without having diner and or a drink.

I later send an email followed by a snail mail letter to the company. I was contacted by phone and told that they made observation based on my complaint and the one employee was terminated. The restaurant manager stated that he will keep me informed of their effort to provide quality service in a manner that provides satisfaction and will send me a written invitation to join them for dinner. I attempted to decline his invitation and he insisted. However, to date I have not receive the written invitation promised.

The company has failed to satisfy the customer's needs. While the compensation was not important to me, I would have welcome the opportunity to see the changes made, thereby promoting repeat business from me and discouraging negative word-of-mouth.

An example of good quality service:

I visited a BestBuy store located on Reisterstown Road, Owings Mills as I was having problems connecting my laptop computer to a television I recently purchased from that location. The customer service representative was very helpful in addressing my issues. She was very knowledgeable; she knew the specification of the television and was quite effective in providing me with an understanding of and the products I needed to accomplish my goal.

I sincerely appreciated the responsiveness, reliability, assurance and empathy in the way the employee conducted the business of the company. I will recommend the company to others because of my level of satisfaction.

Service Recovery Strategies

Service recovery strategies are the actions taken by a company in response to service failure (Zeithaml, Bitner and Gremler, 2009). It is the action taken by companies to satisfy and retain its valued customers when service standards and qualities do not meet the customers' expectations and bring about satisfaction.

The effectiveness of the service recovery is dictated by the level of failure and an understanding of why the service failed. When service fails some customers will voice complaint and demand action and spread negative complaints to friends and family others will say silent and discontinue their relationship with the company, they will also inform anyone they know of their dissatisfaction and suggest to their friends and family that they should not use the services of the company.

Word-of-mouth advertising is very effective both in a positive and negative way. Some customer will not complain and continue their relationship with the company, these customers have a higher level of tolerance and expect that their experience will be different the next occasion. Sometime the service provider is the most convenient in terms of location and price and the customer decides not to complain.

In developing strategies and responding to service failures the company must understand, accept and find the cause of the failure. The company

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needs to act quickly, own the failure, and offer compensation when and where necessary to retain the loyalty of the customer. Service recovery strategies should include a sincere apology, empathy for customer feeling, interest, time and other tangibles, compensation and quick responses.

Zeithaml, Bitner and Gremler, (2009), outline several strategies that companies should embrace in the event of service failures:

Fail-safe the service

If companies challenge themselves to provide excellent service in an efficient and effective way focusing on get it right the first time, one can agree that there will be no need for recovery plans. However, since we live in an imperfect world, failures will arise from time to time and it is very important that measures are in place to deal with them. The customer needs should be met, the expectation and perception made a reality. Customers expect reliable and competent service and service personnel. Companies must develop quality services and train personnel accordingly.

The fail-safe of service is that the service is performed correct the first time, thereby maximizing the customer service experience and guaranteeing the loyalty and retention of the customer. Service employee should be trained to be responsive, and sensitive to the customers need. In many instances, it is a known fact that service failures are as a result of the non-compliance of the customer but they will not take responsibility for it. However, the business of the company is to keep the customer, therefore the employee must offer a resolution that works both ways.

Welcome and encourage Complaints

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Companies that anticipate and prepare for failure should welcome and encourage complaints and feedback from the customer. Complaints can provide an avenue for the perfection of service. It is through complaints and service feedback the company can understand what provides value to the customer and enhance their services. Zeithaml, Bitner and Gremler, (2009), state that customer complaints should be encouraged, anticipated and tracked. As part of quality service and an effective recovery plan should be customer research. According to Zeithaml, Bitner and Gremler, (2009), customer research can be done in the form of critical incidents studies, lost customer research and satisfaction surveys.

The employees should be trained in service resolution and given the authority to act accordingly so that service failures and complaints are handled as quickly and effectively as possible. Often the failure of the service has to be referred to supervisors and or upper management, who in turn have to take time to understand the nature of the failure and complaint. If the customer service representative at the heart of the failure of the service is equipped with the skill and autonomy to respond to the customers' complaint it provides for greater satisfaction.

Customers are result orientated and will appreciate an immediate response from the person affecting their need. The company has a greater chance of retaining the customer's loyalty when the response is timely and by the employee or employees involved who takes responsibility for the failure and responds in assuring and emphatic ways that will provide satisfaction to the customers.

Act Quickly and Provide Adequate Information

Response time in handling service failures and complaints is critical to the success of the recovery efforts. Everyone wants a response to a problem that arose today, yesterday. For this reason preparedness is of the utmost importance. When the company anticipates and tracks complaints they are better prepared to respond. Zeithaml, Bitner and Gremler, (2009), states that employees should be trained and empowered to handle failures before they arise. Employees who are trained can recognize when a service failure will occur based on the chain of action and most often can prevent the failure. According to Writz and Matilda, (2004) the importance of speed of recovery and an instant apology is a necessity when a failure in service would not be prevented. Customers will appreciate being informed as to why the service failed and kept abreast of the efforts to recovery and provide satisfaction.

Treat Customers Fairly and Cultivate Long-Term Relationships

Zeithaml, Bitner and Gremler, (2009), state that an important part of an effective service recovery process is to treat all customers fairly and build and maintain long-term relationships. Long-term relationships guarantee the long-term financial stability and success of the company. Companies build these relationships by creating value in each customer experience and respecting the customer as a friend of the company.

When service fails dissatisfied customers expect to be compensated, they expect the compensation is significant and equal to all concerned. The type of compensation is dictated by the type of Service Company. For example, in <https://assignbuster.com/companys-recovery-strategy-after-service-failures/>

the hotel industry compensation can be in the form of room upgrade or free meals. The dissatisfaction level will increase if one customer is preferred over the other or the compensation is not equal.

When offering compensation the company should only do so if there are no ways to resolve the problem quickly. For example if the customer returns a television set that is broken and a replacement unit is available, it should be given to the customer with an apology. If compensation is given the moment the service fails to tell the customer that the company's service is not up to standard and failure is a constant. When inconvenienced the customer expects the service provider to offer a solution that is greater than if the failure did not occur. Writz and Matilda, (2004), states that fair treatment of customers leads to customer satisfaction.

The customer's perception of the service company incorporates all of its facets, the service it provides, the employees, the policies and procedures and the company's commitment to the public. Service recovery plans should also incorporate these facets in designing and administering recovery solutions to the customers.

Employees play a great part of the fair treatment of customers when the service fails. The employee who is empowered to act immediately, take responsibility without becoming defensive gives the customer the impression that they are of great value to the company, is truly regretful of the failure and is concerned the needs of the customer. In the event that the employee is unable to address the failure, he/she should be equipped with the relevant information as to who the customer should contact to have the issue

effectively resolved. They should accept the blame for the failure, inform the customer about the procedures that are necessary to resolve the problem and keep the customer informed as to the progress of the resolution. This should in a manner that show care and concern and which tells the employee that they are of great value to the company. This creates a situation for the retention customer satisfaction and loyalty. According to Forrester and Maute, (2001), when service fails a certain level of angry emotion will arise, it is therefore important that the employees able to curb their emotions to avoid an escalation of the failure and the loss of customer loyalty and negative word of mouth.

Learn from the Recovery Experience

Customer complaints can have a negative impact on the financial structure of the company. It can cause a decline in market share. It is very important therefore for the company to embrace and encourage customer complaints and use it as a strategy to provide better service and train its employees.

Dissatisfied customer can affect the image of the company and its products and services. If the perceived value is not derived from the service the customer can become loyal to the competitors brands. Zeithaml, Bitner and Gremler, (2009), state that problem-resolution situations are so much more than just an opportunity to fix flawed services and strengthen ties with customers; they are also valuable and frequently ignored information for fixing and improving services. According to Zeithaml, Bitner and Gremler, (2009), tracking of service recovery efforts and solutions can be used as a service training mechanism. Effective recovery strategies will create a

positive word of mouth from the customer and encourage customer retention and satisfaction and will also encourage new customer.

Learn from Customers

Companies should conduct research to learn why customers have switched or left as a means of preventing failures in the future Zeithaml, Bitner and Gremler, (2009). Lost customer research will help the company identify the customer's perception and reality. It provides an opportunity to better understand the customer and the effect of the failure of service on them. Service failure research will provide an opportunity for fail-safe measures to take place. Companies, that focus on the actions of the customer when services fail, can quickly adapt to the customer's expectations.

Research information about complaint and lost customer will help to recognize the potential for dissatisfaction and assist in preparing strategies and educating employees to handle problem in the future. The company can structure the handling of complaints, identify areas where services are most likely to fail and take proactive corrective action.

Zeithaml, Bitner and Gremler, (2009), suggest that the factors influencing the customer's satisfaction are:

Product quality

Service quality

Price

Service and or product features

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The emotions of the Customer

The attribution for service successes or failures

The perception of equity and fairness

Other customers, family and coworkers

Personal factors

Situational factors

The learning paradigm has to encompass these factors which are translated in the various dimensions of service quality according to Zeithaml, Bitner and Gremler, (2009).

Reliability - the ability to perform the promised service in a dependable and accurate manner

Assurance - the knowledge and courtesies of the employees and their ability to promote trust and confidence

Tangibles - the physical facilities, equipment, and appearance of employees and other service personnel

Empathy - the caring, individualized attention the company provides to the customer

Responsiveness – the willingness to assist customers and provide them with prompt

service

Learning from loyal customer is also a great competitive tool for the company. Learning from the customer experience is a continual process, since time changes and the wants and needs of the customer also changes. Each encounter with an existing or new customer is different and should be monitored to enhance the recovery strategies. Successful companies are those who learn from their customer experiences and challenge themselves to meet and exceed the customer's expectations with each service encounter and experience. Companies that learn from their customers will be able to not just offer good service but develop a service culture organization.

Complainers and Service Guarantees

When service fails it is natural that the customers will complain and while the company will try to resolve the issues and offer some type of compensation, most customers are more interested quality services that are guaranteed. Therefore, as part of a service recovery plan a guarantee of service is necessary.

According to Zeithaml, Bitner and Gremler, (2009), customers can be passives, irates, voicers or activists in the way they respond to service failures. Passives are the customers who consider it a waste of time to complain and cope quietly with the failure, hoping for a different outcome the next time. Irates are those customers who will openly complain as they

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believe it will effect changes. The share the opinions about their perception of the service and the value it should bring to the customer. These customers will switch to the competitor and talk about the company in a negative way. Voicers are the customers who will not switch or spread negative things about the company but will openly complain as they believe it will effect changes. The share the opinions about their perception of the service and the value it should bring to the customer. These customers are actually viewed as the friends or the best supporters of any service company. Activists are those customers who will complain to the company and to the competitors thereof.

The service guarantee as part of the service recovery strategy is a guarantee that the failure will not arise and the promise of service delivery.

Zeithaml, Bitner and Gremler, (2009), discussed the case of Jet blue and it services failure in the midst of an ice storm. The company was able to respond to the failure and later introduced a Customer Bill of Rights as a service guarantee. Consequently, the Customer Bill of Rights as a service guarantee was a great effort by the company to reaffirm its commitment, mission and vision for the customers and the company. The policy however was not clearly written to promote understanding by the average customer. Service guarantees should be clear and easy to understand and it should cover the exact services affected that are of most importance to the customer (Hart, 1998). Nevertheless, the Bill of Rights will promote customer loyalty. Jet blue's customers will never forget the crisis on February 14, but with the effective handling of the Customer Bill of Right and effective communication the company managed to recover positively and retain its

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customer's loyalty. However, Jet blue and all service companies must carefully manage service guarantees.

There are financial implications of these plans for the company. According to Hart, (1988), financial resources allocated to service guarantee programs are an investment into customer satisfaction and loyalty. There should be careful planning and cost measures in place. In the case of Jet blue their guarantee plan has to take into consideration weather related conditions as most often like the snow storm on February 14 is outside of the control of the company.

This type of guarantee should be focused more on making reasonable accommodation for travelers and providing current, relevant and useful information. Zeithaml, Bitner and Gremler, (2009), indicates that service guarantees benefits the company in that it forces the company to focus on its customers, the sets clear standards for the organization and generates immediate and relevant feedback from the customers. It also guarantees a reduced sense of risk and builds confidence in the company. The information gathered from service guarantees can be tracked and integrated in continuous improvement plans for the company.

Conclusion

Service failure can be described as an interruption of the normal course of action that fulfills a need and or provide satisfaction to the end-user. Service recovery strategies are the actions taken by a company in response to service failure.

Customers have certain perceptions and expectation of the service industry and when these materialized they will complain. Service failures can

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determine the survival of the company. Therefore, the successful companies welcomes and encourages complains, they consider the complaining customers friends and learn from them in an effort to perfect services and build long standing relationships. A long standing relationship with loyal customers ensures the financial success of the company. Successful companies employ effective service recovery strategies. They anticipate and evaluate possible service failure and devise recovery mechanisms. They train and empower their employees to act quick, treat customers fairly, to be responsive, empathetic and assuring. They challenge themselves to produce and offer fail-safe services but are prepared to act on recovering and maintaining customer loyalty and satisfaction, since they are aware that regardless of how great the service quality is failure to arise.