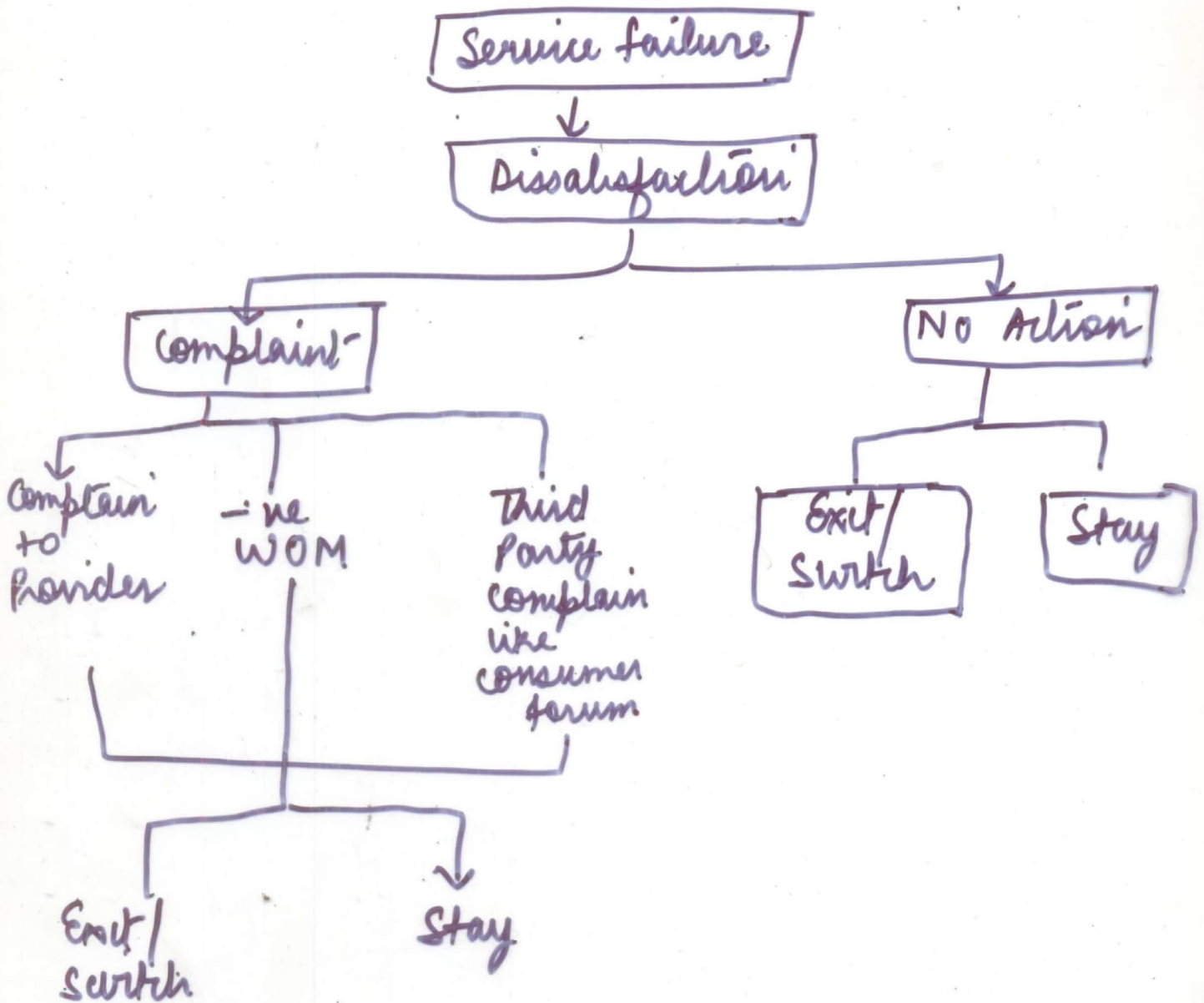


Customer Response Options to Service failures



Why Consumers Complain

- 1) To recover eco loss by compensation
- 2) Vent their anger to build their self esteem
- 3) To help improve the service as in case of others
- 4) For altruism i.e. for the benefit of future customers.
- 5) Customers look for procedural fairness i.e. fairness in policies, rules, and interactional fairness i.e. fairness in treatment with care & honesty.

Service Recovery

Service Recovery

→ Service recovery refers to the actions taken by an organisation in response to a service failure

→ Resolving customer problem effectively has a strong impact on customer satisfaction, loyalty & profitability

Impact of service failure & Recovery

Unhappy customers' repurchase intentions

Types of unhappy customers	% of customers who will buy again	
	Major complaints	Minor complaints
Unhappy customers who don't complain	9%	37%
Unhappy customers who complain but complaints not resolved	19%	46%
Unhappy customers who complain and whose complaints are resolved	54%	70%
Unhappy customers who complain and whose complaints are resolved quickly	82%	95%

The impact of Service failure & Recovery (3)

→ It is possible that dissatisfied customers whose problems are taken care of efficiently and effectively becomes more satisfied & loyal than ordinarily satisfied customers.

This is "Recovery Paradox".

● Does that mean that Co. should plan to disappoint customers?

- No
- Majority of customers do not complain
 - It is expensive to recover
 - Reliability is most imp. service quality dimension so why fail
 - There is no guarantee that after recovery customer will be loyal.
 - Whether a customer is delighted by service recovery may depend on severity & recoverability of failure - Can u recover during holiday

So Best strategy - "Do it right the first time"

The impact of service failure & recovery

(4)

- It is possible that dissatisfied customers whose problems are taken care of efficiently and effectively become more satisfied and loyal than ordinarily satisfied customers.
- ~~Not~~ However best policy is 'do it right the first time'

Types of complainers

- Passives — Not likely to take action
- Vocals — They will complain to provider but are not likely to spread -ve WOM
- Grates → They may complain to provider and are likely to spread -ve WOM. They are less likely to provide a second chance to service provider.
- Activists — They are likely to complain to the provider as will spread -ve WOM. and also complain to 3rd parties

Switching vs Staying (5)

→ whether a customer will switch or stay on with the same provider will depend on:

- 1) How well the service failure was handled
 - 2) The magnitude & criticality of failure
 - 3) Customer's attitude
 - 4) Availability of other service providers
- switching may not happen immediately
It can be a slow decision making process.

Service Recovery Strategies

- 1) fail-Safe Service - do it right the first time
- 2) Welcome & encourage complaint - carry out CSM (Customer Satisfaction Measurement) studies & tracking of dissatisfied customers.
- 3) Treat customers fairly
- 4) Learn from recovery experiences
- 5) Act Quickly -
 - Empower employees
 - ~~Put~~ Allow customers to solve their problem typically in technology intensive services through self diagnostic & software
- 6) Learn from lost customers - End-End interviews
- 7) Appreciate that some customers can be fair, honest & helpful.

Service Guarantees

(6)

→ A Guarantee is a recovery tool

→ "A pledge given by makers that they will repair/replace article free if it develops defects within certain time frame"

→ Benefits:-

- 1) A good guarantee forces the co. to focus on its customers.
- 2) An effective guarantee sets clear std for orgⁿ
- 3) A good guarantee generates immediate and relevant feedback from customers
- incentive to complain
- 4) when the guarantee is revoked there is an instant opportunity to recover.
- 5) studies of the impact of service guarantee suggests that employees morale and loyalty can be enhanced, as a result.
7. for customers, guarantees reduces their sense of risk and improves trust about co.
- An effective Guarantee can improve profitability through loyalty.

Characteristics of Effective Service Guarantee

(7)

1) Unconditional

2) Meaningful

- it should guarantee those elements of service that are meaningful
- The payout should cover fully the customer's dissatisfaction.

3) ~~Easy~~ Easy to understand & communicate

- Employees need to understand what to do.