

CHAPTER 13



Complaint Handling and *Service* Recovery



Overview of Chapter 13

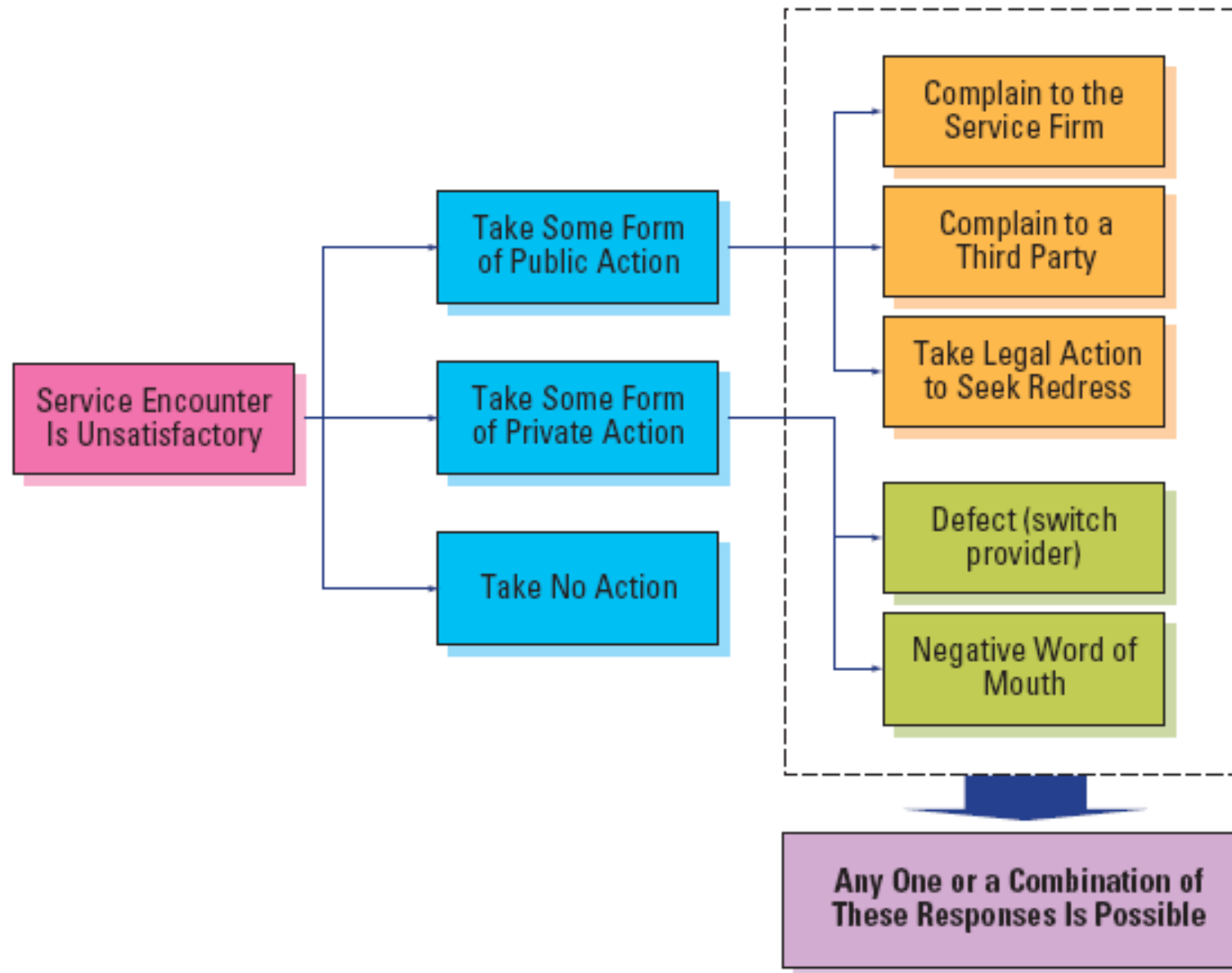


- **Customer Complaining Behavior**
- **Customer Responses to Effective Service Recovery**
- **Principles of Effective Service Recovery Systems**
- **Service Guarantees**
- **Jaycustomers**



Customer Complaining Behavior

Customer Response Categories to Service Failures (Fig. 13.3)

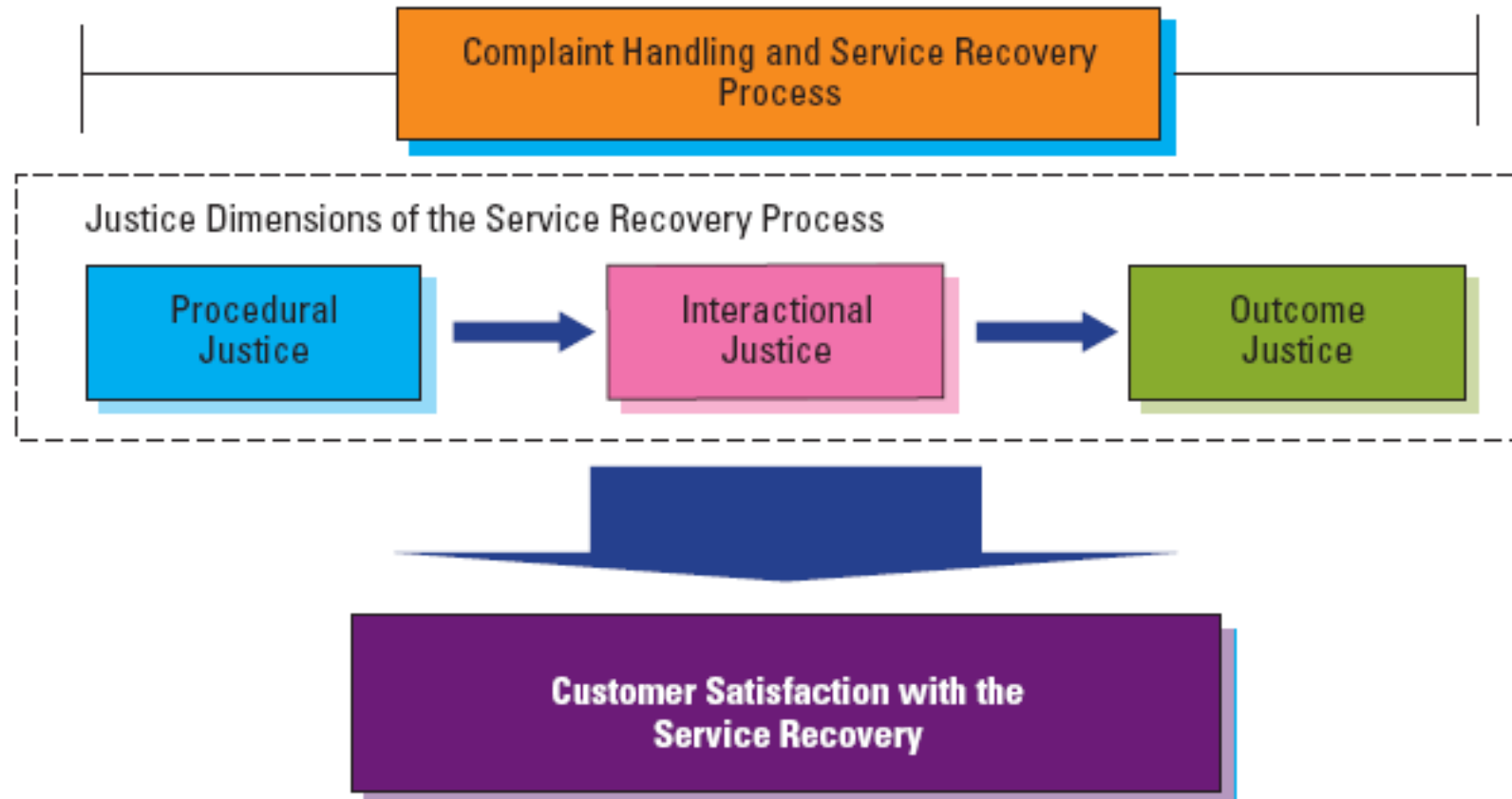


Understanding Customer Responses to Service Failure



- **Why do customers complain?**
 - Obtain compensation
 - Release their anger
 - Help to improve the service
 - Because of concern for others
- **What proportion of unhappy customers complain?**
- **Why don't unhappy customers complain?**
- **Who is most likely to complain?**
- **Where do customers complain?**
- **What do customers expect once they have made a complaint?**
 - Procedural, interactional and outcome justice

3 Dimensions of Perceived Fairness in Service Recovery Process (Fig. 13.7)



SOURCE

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Dealing with Complaining Customers and Recovering from Service Failure



- **Take complaints professionally and not personally**
- **Be prepared to deal with angry customer who may behave in an insulting way to service personnel who may not be at fault**
- **Take the perspective that customer complaints allow firm a chance to**
 - **Correct problems,**
 - **Restore relationships**
 - **Improve future satisfaction for all**
- **Develop effective service recovery procedures**

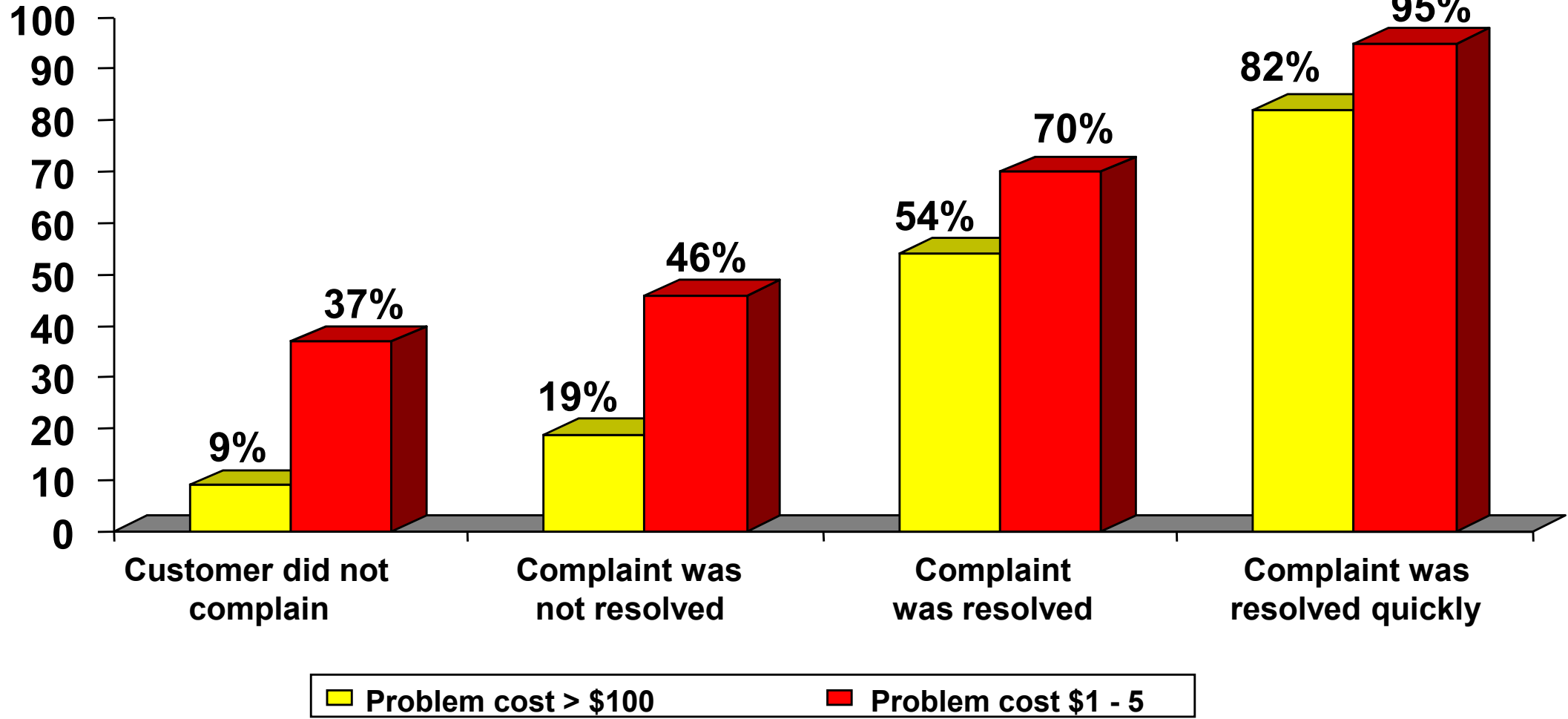


Customer Responses to Effective Service Recovery

Impact of Effective Service Recovery on Customer Loyalty



% of Unhappy Customers Retained



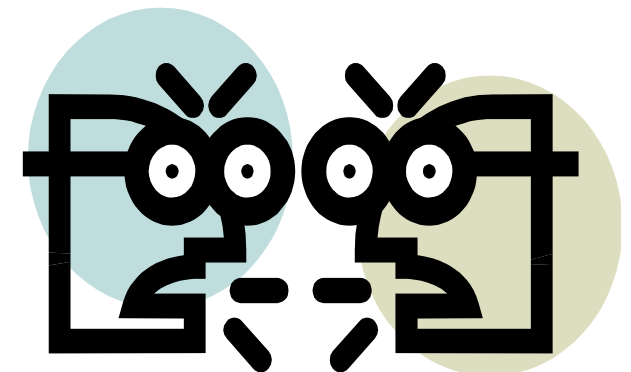
■ Problem cost > \$100 ■ Problem cost \$1 - 5

Source: Claes Fornell, Birger Wernerfelt, "A Model for Customer Complaint Management," Marketing Science, Vol. 7, No. 3 (Summer, 1988), pp. 287-298

Importance of Service Recovery



- **Plays a crucial role in achieving customer satisfaction**
- **Tests a firm's commitment to satisfaction and service quality**
 - **Employee training and motivation is highly important**
- **Impacts customer loyalty and future profitability**
 - **Complaint handling should be seen as a profit center, not a cost center**



The Service Recovery Paradox



- **Customers who experience a service failure that is satisfactorily resolved may be more likely to make future purchases than customers without problems (Note: not all research supports this paradox)**
- **If second service failure occurs, the paradox disappears—customers' expectations have been raised and they become disillusioned**
- **Severity and “recoverability” of failure (e.g., spoiled wedding photos) may limit firm's ability to delight customer with recovery efforts**
- **Best strategy: Do it right the first time**



***Principles of Effective
Service
Recovery Systems***

Strategies to Reduce Customer Complaint Barriers (Table 13.1)



Complaint Barriers for Dissatisfied Customers	Strategies to Reduce These Barriers
Inconvenience <ul style="list-style-type: none">• Hard to find the right complaint procedure• Effort involved in complaining	Make Feedback Easy and Convenient <ul style="list-style-type: none">• Put customer service hotline numbers, e-mail and postal addresses on all customer communications materials
Doubtful Pay Off <ul style="list-style-type: none">• Uncertain if action will be taken by the firm to address the problem	Assure that Feedback is Taken Seriously <ul style="list-style-type: none">• Have service recovery procedures in place, communicate this to customers• Feature service improvements based on customer feedback
Unpleasantness <ul style="list-style-type: none">• Fear of being treated rudely• Hassle, embarrassment	Make Feedback Experience Positive <ul style="list-style-type: none">• Thank customers for their feedback• Train frontline employees not to hassle• Allow anonymous feedback

How to Enable Effective Service Recovery



- **Be proactive**
 - **On the spot, before customers complain**
- **Plan recovery procedures**
 - **Identify most common service problems and have prepared scripts to guide employees in service recovery**
- **Teach recovery skills to relevant personnel**
- **Empower personnel to use judgment and skills to develop recovery solutions**

How Generous Should Compensation Be?

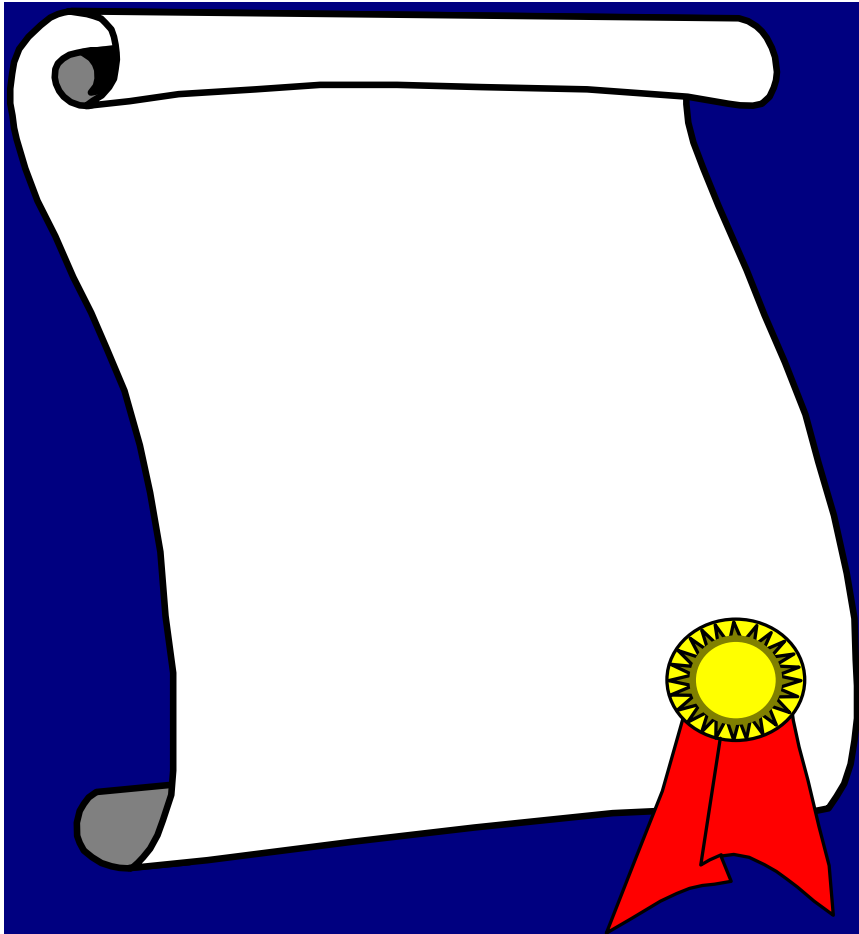


- **Rules of thumb for managers to consider:**
 - **What is positioning of our firm?**
 - **How severe was the service failure?**
 - **Who is the affected customer?**



Service Guarantees

The Power of Service Guarantees



- **Force firms to focus on what customers want**
- **Set clear standards**
- **Require systems to get & act on customer feedback**
- **Force organizations to understand why they fail and to overcome potential fail points**
- **Reduce risks of purchase and build loyalty**

How to Design Service Guarantees



- **Unconditional**
- **Easy to understand and communicate**
- **Meaningful to the customer**
- **Easy to invoke**
- **Easy to collect**
- **Credible**

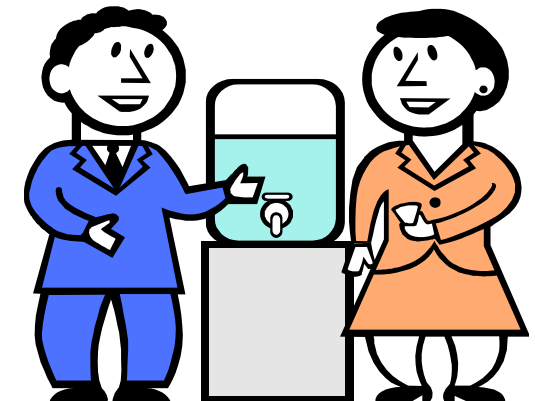


Types of Service Guarantees

(Table 13.2)



- **Single attribute-specific guarantee**
 - One key service attribute is covered
- **Multiattribute-specific guarantee**
 - A few important service attributes are covered
- **Full-satisfaction guarantee**
 - All service aspects covered with no exceptions
- **Combined guarantee**
 - All service aspects are covered
 - Explicit minimum performance standards on important attributes



Is it Always Suitable to Introduce a Guarantee?



- **It is not appropriate to introduce guarantees when**
 - **Companies have a strong reputation for service excellence**
 - **Company does not have good quality level**
 - **Quality cannot be controlled because of external forces**
 - **Consumers see little financial, personal or physiological risk associated with the purchase**



Jaycustomers

Addressing the Challenge of Jaycustomers



- **Jaycustomer: A customer who behaves in a thoughtless or abusive fashion, causing problems for the firm, its employees, and other customers**
- **More potential for mischief in service businesses, especially when many customers are present**
- **No organization wants an ongoing relationship with an abusive customer**



Seven Types of Jaycustomers: (1)

The Cheat and Thief



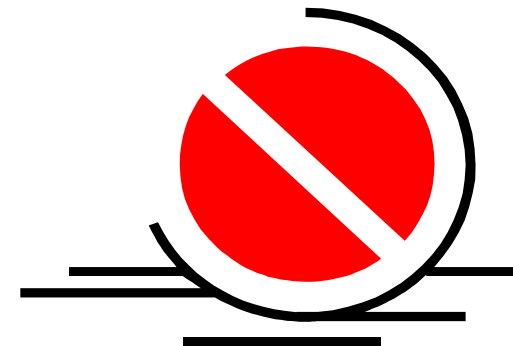
- **The Cheat: thinks of various way to cheat the firm**
- **The Thief: No intention of paying--sets out to steal or pay less**
 - **Services lend themselves to clever schemes to avoid payment**
 - **e.g., bypassing electricity meters, circumventing TV cables, riding free on public transportation**
 - **Firms must take preventive actions against thieves, but make allowances for honest but absent-minded customers**

Seven Types of Jaycustomers: (2)

The Rulebreaker



- Many services need to establish rules to guide customers safely through the service encounter
- Government agencies may impose rules for health and safety reasons
- Some rules protect other customers from dangerous behavior
 - e.g. ski patrollers issue warnings to reckless skiers by attaching orange stickers on their lift tickets
- Ensure company rules are necessary, not should not be too much or inflexible



Seven Types of Jaycustomers: (3)

The Belligerent



- Shouts loudly, maybe mouthing insults, threats and curses
- Service personnel are often abused even when they are not to be blamed
- Confrontations between customers and service employees can easily escalate
- Firms should ensure employees have skills to deal with difficult situations
 - In a public environment, priority is to remove person from other customers
 - May be better to support employee's actions and get security or the police if necessary if an employee has been physically attacked



Confrontations between Customers and Service Employees Can Easily Escalate

Seven Types Of Jaycustomers: (4)

Family Feuders And Vandals

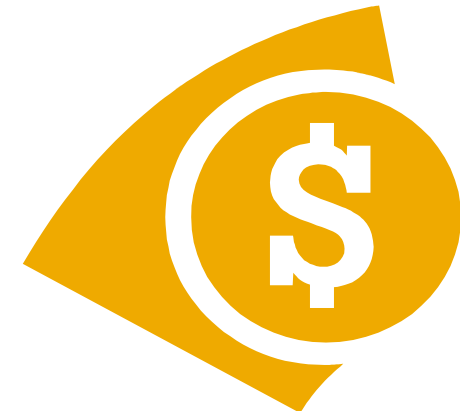


- **Family Feuders: People who get into arguments with other customers – often members of their own family**
- **The Vandal:**
 - **Service vandalism includes pouring soft drinks into bank cash machines; slashing bus seats, breaking hotel furniture**
 - **Bored and drunk young people are a common source of vandalism**
 - **Unhappy customers who feel mistreated by service providers take revenge**
 - **Prevention is the best cure**

Seven Types Of Jaycustomers: (5) The Deadbeat



- **Customers who fail to pay (as distinct from “thieves” who never intended to pay in the first place)**
 - **Preventive action is better than cure--e.g., insisting on prepayment; asking for credit card number when order is taken**
 - **Customers may have good reasons for not paying**
 - **If the client's problems are only temporary ones, consider long-term value of maintaining the relationship**



Dealing with Customer Fraud



- **If in doubt, believe the customer**
- **Keep a database of how often customers invoke service guarantees or of payments made for service failure**
- **Insights from research on guarantee cheating:**
 - **Amount of a guarantee payout had no effect on customer cheating**
 - **Repeat-purchase intention reduced cheating intent**
 - **Customers are reluctant to cheat if service quality is high (rather than just satisfactory)**
- **Managerial implications:**
 - **Firms can benefit from offering 100 percent money-back guarantees**
 - **Guarantees should be offered to regular customers as part of membership program since regular customers are unlikely to cheat**
 - **Excellent service firms have less to worry about than average providers**

Summary of Chapter 13 –Service Recovery and Customer Feedback (1)



- **When customers are dissatisfied, they can**
 - Take some form of public action
 - Take some form of private action
 - Take no action
- **To understand customer responses to service failures, some questions to ask are**
 - Why do customers complain?
 - What proportion of unhappy customers complain?
 - Why don't unhappy customer complain?
 - Who is most likely to complain?
 - Where do customers complain?
 - What do customers expect once they have made a complaint?

Summary of Chapter 13 –Service Recovery and Customer Feedback (2)



- **Effective service recovery can lead to customer loyalty**
- **The service recovery paradox does not always hold true—better to get it right the first time**
- **Guiding principles for effective service recovery include**
 - **Make it easy for customers to give feedback**
 - **Enable effective service recovery**
 - **Focusing on how generous compensation should be**
- **Issues to consider in having services guarantees are**
 - **Power of service guarantees**
 - **How to design service guarantees**
 - **Is full satisfaction the best a firm can guarantee?**
 - **Is it always appropriate to introduce a service guarantee?**

Summary of Chapter 13 –Service Recovery and Customer Feedback (3)



- **There are seven types of jaycustomers**
 - **The Cheat**
 - **The Thief**
 - **The Rule Breaker**
 - **The Belligerent**
 - **The Family Feuders**
 - **The Vandal**
 - **The Deadbeat**
- **To discourage abuse and opportunistic behavior, we need to deal with customer fraud**