Develop a program for service recovery for a healthcare organization which can include a clinic, emergency department, and hospital. For instance, you could choose the top 10 most common service failures and establish guidelines (or perhaps scripts) for use by providers. Consider the concepts of services marketing gap analysis as you offer methods for improvement. In other words, identify the common service failures and develop customer recovery strategies using the framework of "fix the customer" and "fix the problem." This should include scripting for frontline personnel and ways to learn from the service failure for quality improvement.

Irate customers are likely to share their frustrations with others.

has social benefits and therefore do not hesitate to voice their opinions. They believe that the consequences of complaining to the provider can be very positive, and they believe less in other types of complaining such as spreading negative word of mouth or talking to third parties. Their personal norms are consistent with complaining.

Irates

These customers are more likely than others to engage in negative word-of-mouth communication with friends and relatives and to switch providers. They are about average in their propensity to complain to the provider and are unlikely to complain to third parties. As their label suggests, they are more angry with the provider, although they do believe that complaining to the provider can have social benefits. They are less likely to give the service provider a second chance and instead will switch to a competitor, spreading the word to friends and relatives along the way. Such customers are more likely than the other types to go to the trouble of creating blogs on the Internet to share their frustrations with others.

Activists

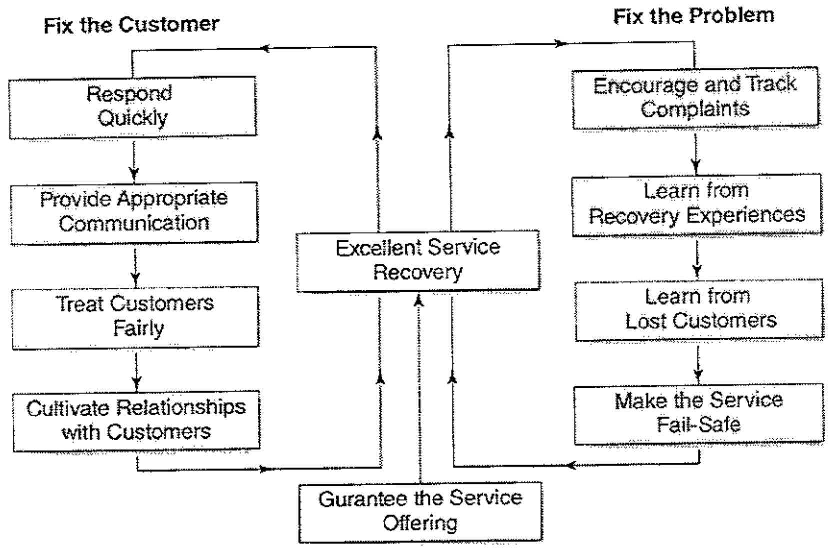
These customers are characterized by above-average propensity to complain on all dimensions: they will complain to the provider, they will tell others, and they are more likely than any other group to complain to third parties. Complaining fits with their personal norms. They have a very optimistic sense of the potential positive consequences of all types of complaining.

SERVICE RECOVERY STRATEGIES: FIXING THE CUSTOMER

Many companies have learned the importance of providing excellent recovery for disappointed customers. In the next two sections we examine their strategies and share examples of benchmark companies and what they are doing. It will become clear that excellent service recovery is really a combination of a variety of strategies, illustrated in Figure 7.4. Generally speaking, service recovery strategies fall into two general types. One type includes the actions taken by the firm to restore the relationship with the customer—that is, to "fix the customer." The second type is the actions taken to correct the problem and, ideally, to prevent it from recurring—that is, to "fix the problem." Clearly both types of actions are important, but in many situations fixing the customer needs to be done before fixing the problem. Thus, we begin by examining strategies that involve fixing the customer.

When they take the time and effort to complain, customers generally have high expectations. They not only expect a response, but also expect the firm to be accountable. They expect to be helped quickly. They expect to be compensated for their grief and for the hassle of being inconvenienced. And they expect to be treated nicely in the process. Exhibit 7.2 epitomizes this kind of service recovery.

FIGURE 7.4
Service Recovery Strategies



Respond Quickly

Complaining customers want quick responses.[24] Thus, when the company has service failures or receives complaints from customers, it must be prepared to act on them quickly. As indicated in Figure 7.5, research conducted on service customers has found that more than half of all customers who have problems resolved immediately or within 24 hours are "completely satisfied" with the action taken by the company.[25] Unfortunately, many companies require customers to contact multiple employees (a practice often referred to as "ping-ponging") before getting a problem resolved; one study found that an average of 4.7 contacts is typically needed to resolve a complaint.[26] Other research suggests that, if a problem can be handled by the first contact, customers are satisfied with the firm's response 46 percent of the time; however, once 3 or more contacts are needed the percentage of customers who are satisfied with the response drops to 21 percent.[27] The lesson here? A quick response to a service failure can go a long way in appeasing a dissatisfied customer.

The ability to provide immediate responses requires not only systems and procedures that allow quick action but also empowered employees. That is, to enable them to respond quickly, employees should be trained and empowered to solve problems as they occur. A problem not solved can quickly escalate. As we indicated earlier, customers often experience ping-ponging from employee to employee when service failures occur. Empowerment of employees, a practice discussed in more detail in Chapter 11, can often allow for quick responses and help placate dissatisfied customers. The Ritz-Carlton, for example, insists that the first person to hear a complaint from a customer "owns" that complaint until the employee is sure it is resolved. If a maintenance employee hears a complaint from a customer while the employee is in the middle of fixing a light in the hotel corridor, he owns that complaint and is charged with making sure that the problem is handled appropriately before returning to his work.

Another way that problems or complaints can be handled quickly is by building systems that allow customers to actually solve their own service needs and fix their own problems. Typically, this approach is done through technology. Customers directly interact with the company's technology to perform their own customer service, which provides

Exhibit 7.2 Story of a Service Hero

A good recovery can turn angry, frustrated customers into loyal ones. It can, in fact, create more goodwill than if things had gone smoothly in the first place. A classic story of excellent service recovery comes from Club Med–Cancun, part of the Paris-based Club Mediterranèe; its response to a service nightmare won the loyalty of one group of vacationers and is still being retold two decades later.

The vacationers had nothing but trouble getting from New York to their Mexican destination. The flight took off 6 hours late, made two unexpected stops, and circled 30 minutes before it could land. Because of all the delays and mishaps, the plane was en route for 10 hours more than planned and ran out of food and drinks. It finally arrived at two o'clock in the morning, with a landing so rough that oxygen masks and luggage dropped from overhead. By the time the plane pulled up to the gate, the soured passengers were faint with hunger and convinced that their vacation was ruined before it had even started. One lawyer on board was already collecting names and addresses for a class-action lawsuit.

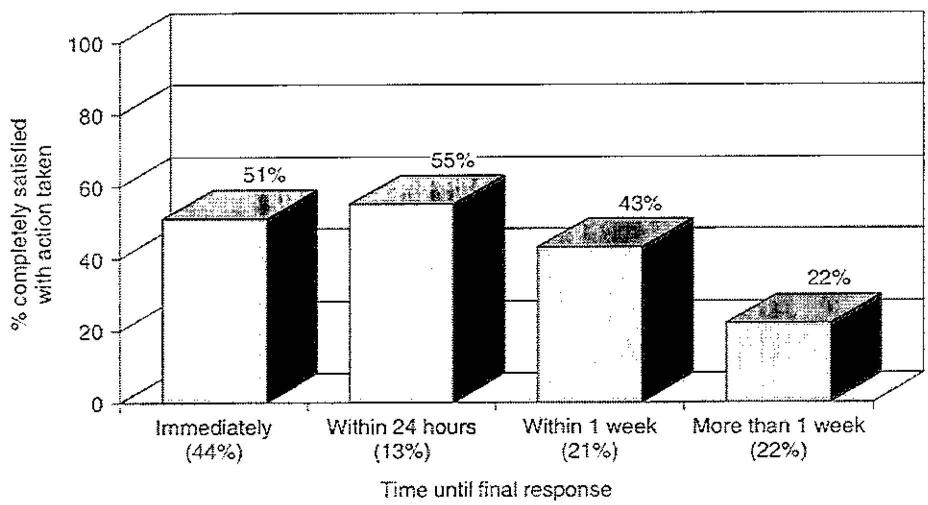
Silvio de Bortoli, the general manager of the Cancun resort and a legend throughout the organization for his ability to satisfy customers, got word of the horrendous flight and immediately created an antidote. He took half the staff to the airport, where they laid out a table of snacks and drinks and set up a stereo system to play lively music. As the guests filed through the gate, they received personal greetings, help with their bags, a sympathetic ear, and a chauffeured ride to the resort. Waiting for them at Club Med was a lavish banquet, complete with mariachi band and champagne. Moreover, the staff had rallied other guests to wake up and greet the newcomers, and the partying continued until sunrise. Many guests said it was the most fun they'd had since college.

In the end, the vacationers had a better experience than if their flight from New York had gone like clockwork. Although the company probably couldn't measure it, Club Mediterranèe won market share that night. After all, the battle for market share is won not by analyzing demographic trends, ratings points, and other global measures but by pleasing customers one at a time.

Source: Reprinted by permission of *Harvard Business Review.* An excerpt from C. W. L. Hart, J. L. Heskett, and W. E. Sasser Jr., "The Profitable Art of Service Recovery," *Harvard Business Review* 68 (July–August 1990), pp. 148, 149.

FIGURE 7.5
Customer Satisfaction with Timeliness of Firm Responses to Service Failures

Source: TARP Worldwide Inc., Service Industry Data, 2007.



The numbers across the bottom are the percentage of the total sample whose response (by the firm) was received in that time frame. So, for example, 44 percent of the sample received an immediate response. Of that group, 51 percent were completely satisfied with the response.

them with instant answers. FedEx uses this strategy for its package tracking service, for example, as does Symantec for its Internet security software products. Our Technology Spotlight features a company that is a master at online customer service—Cisco Systems.

Provide Appropriate Communication

Display Understanding Accountability

In many service failure situations, customers are not looking for extreme actions from the firm; however, they are looking to understand what happened and for firms to be accountable for their actions (or inactions).[28] Research by the Customer Care Alliance has identified the eight most common "remedies" that customers seek when they experience a serious problem;[29] three of these remedies are to have the product repaired or service fixed, to be reimbursed for the hassle of having experienced a problem, and to receive a free product or service in the future. Interestingly, however, the other five remedies—including an explanation by the firm as to what happened, assurance that the problem will not be repeated, a thank you for the customer's business, an apology from the firm, and an opportunity for the customer to vent his or her frustrations to the firm—cost the firm very little to provide.

Customers who experience a service failure often want an explanation by the firm as to what happened.

These five nonmonetary remedies consist primarily of providing employees the opportunity to communicate with customers. Understanding and accountability are very important to many customers after a service failure because, if they perceive an injustice has occurred, someone is to blame. Customers expect an apology when things go wrong, and a company that provides one demonstrates courtesy and respect; customers also want to know what the company is going to do to ensure that the problem does not recur.[30] As the figures in Table 7.1 suggest, customer discontent can be moderated if firms simply communicate well with customers. Customers clearly value such communication, because these nonmonetary remedies are positively related to satisfaction with the complaint process, continued loyalty, and positive word-of-mouth communication.[31]

TABLE 7.1
Customer Dissatisfaction from Firm Responses to Service Failures

Firm Response	Percentage of Customers Dissatisfied with Action Taken
Do nothing	79%
Explain what happened	20
Provide customer an opportunity to vent frustrations	17
Apologize to customer	10
Thank customer for business	10
Assure customer problem will not recur	6

Source: 2007 National Customer Rage Study conducted by Customer Care Alliance.

Technology Spotlight Cisco Systems—Customers Recover for Themselves

One of the challenges of high growth and increasingly diversified product lines is learning how to handle customers' service needs quickly. This is a challenge continually faced by Cisco, a worldwide leader in enabling people to make powerful connections—whether in business, education, philanthropy, or creativity. Cisco hardware, software, and service offerings are used to create the Internet solutions that make networks possible and provide Cisco clients (and their customers) with easy access to information anywhere, at any time. As networks become mission-critical to Cisco's customers and their business, failures in this environment become extremely costly very quickly. Customers want to know that their problems can be solved immediately, and they want control over the situation and its solution.

To address these issues—high growth coupled with the critical and increasingly complex nature of the business—Cisco has turned to the Internet to build upon its already world-class suite of customer service offerings. The resulting Cisco support website and online communities provide documentation, suggestions, and tools to help troubleshoot and resolve technical issues with Cisco products and technologies. This online offering has set Cisco apart in its industry and helped the company build customer loyalty in a highly competitive environment.

CUSTOMERS USING TECHNOLOGY TO SOLVE PROBLEMS THEMSELVES

Essentially, Cisco has enabled customers to be in charge of much of their own service and support through the company's corporate self-support website and online communities. In most cases, customers can solve their own service problems, with no intervention from Cisco personnel—allowing Cisco staff to focus on complex issues that require hands-on support. Through the Cisco self-support website, access to information is immediate. This is important because speed and immediacy are frequently key concerns for customers in these mission-critical situations. The Cisco Support Community includes (1) community forums, which provide customers with the ability to ask questions and acquire information on problems they have encountered from fellow Cisco customers from other companies, (2) opportunities to acquire the latest support-related knowledge through a variety of programs and blogs led by Cisco experts, and (3) technical support documents and tutorials published by Cisco experts and partners on such issues as local area networks, network management, security, and data storage.

Over the past few years Cisco has evolved to provide to a unified customer experience that is channel and location agnostic by bringing together all of the previously mentioned modalities of support. Customers can now contact Cisco for support through any modality (i.e., communities, self-support, agents) and get all of the right support without having to jump back and forth between various channels. Cisco refers to this approach as Smart Interactions—which it sees as having three components.

The first component is a *unified customer experience*. Smart Interactions provides Cisco with the ability to offer a unified support experience for its customers and partners across all the modalities it provides. With Smart Interactions, all of Cisco's support channels have been coordinated to provide a seamless and consistent experience for its customers.

Although customers can use the telephone to speak to a call center agent, more than ever they are demanding real-time access to information and expertise when they encounter problems and expect to resolve them through a variety of channels. Smart Interactions provides Cisco customers support at a time that is convenient to them, whether they are "on the road," helping their clients, or troubleshooting

Supply Adequate Explanations

In many service failures, customers try to understand why the failure occurred. Explanations can help to diffuse negative reactions and convey respect for the customer.[32] Research suggests that when the firm's ability to provide an adequate outcome is not successful, further dissatisfaction can be reduced if an adequate explanation is on site. One such channel is the Cisco Support Community. The community is continually available and is up-to-date in its understanding of issues and resolutions—even call center agents frequently look to the community to help them diagnose problems. Those in the community who are particularly frequent contributors to helping others are given the title of "Cisco VIP." These people have a "badge" placed next to their user name on the communities; the badge indicates their VIP status and displays the category in which they earned their status. ("Cisco Designated VIPs" are the top contributors and are often invited to advise the communities on community direction, features, and other items.)

The second component of Smart Interactions is *anytime, anywhere support*. Recognizing customer needs for anytime/anywhere engagement with Cisco expertise and tools, Cisco has expanded its customer support experience into social media and mobile devices. Indeed, customers are increasingly using these tools when troubleshooting problems they encounter while using Cisco products. Often these issues arise when they are away from the office, making it difficult to access Cisco resources from a more traditional personal computer or laptop. In early 2011, Cisco launched applications (apps) for technical support on both the iPhone and, more recently, the iPad. The ease of use offered by the iPad app has been a hit—particularly among younger customers and those in emerging markets. When they encounter problems, Cisco customers can also participate in discussion forums, get real-time access to Cisco experts, and access technical support resources directly from Facebook, Twitter, LinkedIn, and YouTube. As of 2011, over 100,000 Cisco customers were regular users of at least one of these four sources.

The third component is *proactive support*. Cisco leverages the communities to equip its customers and partners with Cisco's latest intellectual capital before issues occur. Cisco also wants community members to turn around and help others more proactively. To do so, Cisco experts from a wide array of organizations are sharing their latest knowledge through interactive "Ask the Expert" sessions, live Web casts, video tutorials, and the Cisco Support Community Blog. The intent is for customers to be thinking about and exposed to issues they may face, so that than can resolve problems before they occur—the ultimate service recovery!

THE RESULTS

The goal of the Smart Interactions approach is to make Cisco support seamless to all of its customers and allow them to assemble a wealth of knowledge, participate in a stream of forum discussions, and learn from technical experts in the community to resolve whatever problems they face. Through its continual innovation in providing service to its customers on the Internet, Cisco has recognized tremendous benefits. Currently, 80 percent of customer support problems are handled via the Cisco.com self-support site and communities, using intellectual property provided by Cisco experts and self-help tools that allow customers to diagnose and solve their own problems. Customer satisfaction and loyalty have increased with the introduction of Internet-based customer service and support communities, productivity has increased as Cisco Support Community has helped resolve customer issues, and the company saves approximately $300 million per year through case deflection to its communities and self-support site. This is truly a win-win situation for Cisco's bottom line, its employees, and its business customers.

Sources: www.cisco.com/support, accessed August 2011; e-mail communications from Jason Cassee, Executive Communications, Cisco Services, August 2011.

provided to the customer.[33] In order for an explanation to be perceived as adequate, it must possess two primary characteristics. First, the *content* of the explanation must be appropriate; relevant facts and pertinent information are important in helping the customer understand what occurred. Second, the *style* of the delivery of the explanation, or how the explanation is delivered, can also reduce customer dissatisfaction.

Style includes the personal characteristics of the explanation givers, including their credibility and sincerity. Explanations perceived by customers as honest, sincere, and not manipulative are generally the most effective. Part of the frustration of the Doubletree Inn customers mentioned in Exhibit 7.1 was the result of not receiving an adequate explanation from the hotel; they never received an explanation as to why their confirmed, guaranteed reservations were not held, and the night clerk apparently interacted with them in a very apathetic manner.

Treat Customers Fairly

Customers also want justice and fairness in handling their complaints. Service recovery experts Steve Brown and Steve Tax have documented three specific types of justice that customers are looking for following their complaints: *outcome fairness*, *procedural fairness*, and *interactional fairness*.[34] Outcome fairness concerns the results that customers receive from their complaints; *procedural fairness* refers to the policies, rules, and timeliness of the complaint process; and interactional fairness focuses on the interpersonal treatment received during the complaint process.[35] Exhibit 7.3 shows examples of each type of fairness taken from Brown and Tax's study of customers who reported on their experiences with complaint resolution. Our Global Feature discusses how customers across cultures view fair service recovery.

Outcome Fairness

In their service recovery efforts firms should provide customers with outcomes, or compensation, that match the level of their dissatisfaction. This compensation can take the form of actual monetary compensation, an apology, future free service, reduced charges, repairs, and/or replacements. Customers expect equity in the exchange—that is, they want to feel that the company has "paid" for its mistakes in a manner at least equal to what the customer has suffered. The company's "punishment should fit the crime." Customers expect equality—that is, they want to be compensated in a manner similar to other customers who have experienced the same type of service failure. They also appreciate it when a company gives them choices in terms of compensation. For example, a student whose senior portraits taken by a professional studio are not properly printed could be offered the choice of a refund or a free sitting and package of portraits as compensation for the original portraits not arriving as promised. Outcome fairness is especially important in settings in which customers have particularly negative emotional responses to the service failure; in such situations recovery efforts should focus on improving the outcome from the customer's point of view.[36]

In the Club Med example in Exhibit 7.2, customers were compensated by being met at the airport with snacks and drinks, being chauffeured to the resort, being served a lavish buffet, and being treated to an all-night party that was not part of the package initially. These guests had suffered a lot through the delay of their long-awaited vacation, and the compensation definitely was more than adequate, given the service failure was not even Club Med's fault.

On the other hand, customers can be uncomfortable if they are overly compensated. Early in its experience with service guarantees, Domino's Pizza offered not to charge for a pizza if the driver arrived after the 30-minute guaranteed delivery time. Many customers were not comfortable asking for this level of compensation, especially if the driver was only a few minutes late. In this case "the punishment was greater than the crime." For a while Domino's changed the compensation to a more reasonable \$3 off for late deliveries. Later the time guarantee was dropped altogether because of problems it caused with employees who were driving too fast to make their deliveries.

Exhibit 7.2 Story of a Service Hero

	Fair	Unfair
Outcome fairness: the results that customers receive from complaints	*"The waitress agreed that there was a problem. She took the sandwiches back to the kitchen and had them replaced. We were also given a free drink."* *"They were very thorough with my complaint. One week later I received a coupon for a free oil change and an apology from the shop owner."*	*"Their refusal to refund our money or make up for the inconvenience and cold food was inexcusable."* *"If I wanted a refund, I had to go back to the store the next day. It's a 20-minute drive; the refund was barely worth the trouble."* *"All I wanted was for the ticket agent to apologize for doubting my story. I never got the apology."*
Procedural fairness: the policies, rules, and timeliness of the complaint process	*"The hotel manager said that it didn't matter to her who was at fault, she would take responsibility for the problem immediately."* *"The sales manager called me back one week after my complaint to check if the problem was taken care of to my satisfaction."*	*"They should have assisted me with the problem instead of giving me a phone number to call. No one returned my calls, and I never had a chance to speak to a real person."* *"I had to tell my problem to too many people. I had to become irate in order to talk with the manager, who was apparently the only one who could provide a solution."*
Interactional fairness: the interpersonal treatment received during the complaint process	*"The loan officer was very courteous, knowledgeable, and considerate—he kept me informed about the progress of the complaint."* *"The teller explained that they had a power outage that morning so things were delayed. He went through a lot of files [effort] so that I would not have to come back the next day."*	*"The person who handled my complaint about the faulty air conditioner repair wasn't going to do anything about it and didn't seem to care."* *"The receptionist was very rude; she made it seem like the doctor's time was important but mine was not."*

Source: Reprinted from "Recovering and Learning from Service Failure," by S. S. Tax and S. W. Brown, *Sloan Management Review* 40 (Fall 1998), p. 79, by permission of the publisher. From MIT Sloan Management Review. Copyright © 1998 by Massachusetts Institute of Technology. All rights reserved. Distributed by Tribune Media Services.

Procedural Fairness

In addition to fair compensation, firms should treat customers fairly in terms of policies, rules, and timeliness of the complaint process. Customers want easy access to the complaint process, and they want things handled quickly, preferably by the first person they contact. They appreciate companies that can be adaptable in their procedures,

Exhibit 7.2 Story of a Service Hero

Service failure is inevitable, no matter what the context, country, or culture. Appropriate service recovery procedures, therefore, are needed by all firms. Service firms operating in several countries, as well as those operating in multi-ethnic countries like the United States, United Kingdom, or Australia, need to be sensitive to the cultural diversity and subsequently differing expectations of service and of service recovery.

ATTRIBUTION EXPECTATIONS

When service failures occur, customers spontaneously infer or attribute blame for the unexpected event. Researchers Anna Mattila and Paul Patterson have explored service recovery across cultures and found in Western countries, when the failure is caused by some external factor beyond the control of the service firm, customers will attribute the problem to the context or situation surrounding the service failure—particularly if an explanation is offered by the firm as to what happened. Such action can diminish the blame customers attribute to the firm and its staff, and thus not detract from their perceptions of overall perceived quality. For customers from Eastern cultures, however, a causal explanation has relatively little impact on where the blame for the failure is attributed. These customers prefer other remedies, such as a speedy resolution to the problem and a genuine apology from a manager (rather than a frontline employee) to regain "face" in the eyes of their family and friends. Eastern customers also have a lower tolerance to uncertain and ambiguous situations. Thus, when a failure is being remedied, these customers would prefer having a sense of control—the firm can provide this by keeping them informed of exactly what is being done to rectify the situation.

FAIRNESS EXPECTATIONS

Outcome Fairness

Mattila and Patterson also investigated service recovery fairness issues. In their studies they found Western (i.e., American) customers are more interested in and expect to receive tangible compensation (i.e., a discount) when a service failure occurs than are Eastern (i.e., Thai or Malaysian) customers. Offering compensation is particularly effective in restoring a sense of fairness among American customers; apparently, American consumers are particularly concerned with outcome fairness. Indeed, American customers are generally more assertive and more used to asking for reparation than consumers from Eastern cultures. Previous research on service recovery in Western contexts consistently showed that compensation has a positive effect on postrecovery satisfaction and loyalty. Eastern customers, who typically tend to be high on uncertainty avoidance, prefer other types of remedies when service failure occurs. In Eastern cultures there is a tendency to focus on avoidance of losses rather than on individual gains. East Asian customers emphasize the need to fit in with others and to avoid conflict and confrontation.

Interactional Fairness

Mattila and Patterson's research suggests that, in Western cultures, offering an explanation for service failure might shift the customer's focus away from thinking that the service provider is incompetent, uncaring, or lazy. Such an explanation tends to cause Western customers to pay more attention to the situation as a cause of the failure. Eastern customers, however, are more likely to be aware of situational constraints, seek to maintain social harmony, and avoid causing a loss of face. For them, interactional fairness appears to be particularly salient. Thus, providing an explanation and treating the offended Eastern customers in a courteous, formal, and empathetic manner is more important than the compensation offered.

Procedural Fairness

For service firms operating in the United States, hassle-free and fast recovery procedures that lead to compensation for any losses or inconveniences triggered by a service failure are preferred by customers. Although compensation is generally the primary driver of American customers' fairness perceptions, speed and convenience in the recovery process also appear to be valued. In Eastern cultures, a genuine apology from a manager (rather than a customer-contact employee) is particularly desirable; such a procedure allows customers to regain "face" in the eyes of their family and friends. Eastern customers would also prefer to have a sense of control, so having management constantly inform them of what is being done to rectify the situation is also appealing to them.

In service recovery, as in any service situation, companies need to be sensitive to the fact that culture and other factors play a role. As these studies suggest, customers in all cultures expect strong service recovery but preferences for the type of recovery or which fairness dimension to emphasize may vary.

Sources: A. S. Mattila and P. G. Patterson, "Service Recovery and Fairness Perceptions in Collectivist and Individualist Contexts," *Journal of Service Research* 6 (May 2004), pp. 336–346; A. S. Mattila and P. G. Patterson, "The Impact of Culture on Consumers' Perceptions of Service Recovery Efforts," *Journal of Retailing* 80 (Fall 2004), pp. 196–206.

so that the recovery effort can match their individual circumstances. In some cases, particularly in business-to-business services, companies actually ask the customer, "What can we do to compensate you for our failure?" Many times what the customer asks for is actually less than the company might have expected.

Fair procedures are characterized by clarity, speed, and absence of hassles. Unfair procedures are those that customers perceive as slow, prolonged, illogical, and inconvenient. Customers also feel it is unfair if they have to prove their case—when the company's assumption seems to be they are wrong or lying until they can prove otherwise.

In the Club Med case in Exhibit 7.2, the recovery happened as quickly as possible when the passengers landed in Mexico. Even though the problems were not Club Med's fault, the company went out of its way to compensate the delayed guests immediately on arrival. The vacationers had no more hassles once they were on the ground.

Interactional Fairness

Above and beyond providing fair compensation and hassle-free, quick procedures, firms need to treat customers politely, with care and honesty, during the service recovery process. This form of fairness can dominate the others if customers feel the company and its employees have uncaring attitudes and have done little to try to resolve the problem. This type of behavior on the part of employees may seem strange—why would they treat customers rudely or in an uncaring manner under these circumstances? Often it is due to lack of training and empowerment—a frustrated frontline employee who has no authority to compensate the customer may easily respond in an aloof or uncaring manner, especially if the customer is angry and/or rude.

In the Club Med case in Exhibit 7.2, Silvio de Bortoli and his staff were gracious, caring, and upbeat when they greeted the long-delayed passengers. They personally met them at the airport, even though it was late at night. They even involved other guests already staying at the resort to greet the new arrivals and party with them, making them feel welcome and helping to give their vacation a jump start.

Cultivate Relationships with Customers

In Chapter 6 we discussed the importance of developing long-term relationships with customers. One additional benefit of relationship marketing is that if the firm fails in service delivery, those customers who have a strong relationship with the firm are often more forgiving of service failures and more open to the firm's service recovery efforts. That is, it may be easier to "fix the customer" if the firm has established a strong relationship with that customer; indeed, research suggests that strong customer–firm relationships can help shield the firm from the negative effects of failures on customer satisfaction.[37] To illustrate, one study demonstrated that the presence of rapport between customers and employees provided several service recovery benefits, including increased postfailure satisfaction, increased loyalty intentions, and decreased negative word-of-mouth communication.[38] Another study found that customers who expect the relationship to continue also tend to have lower service recovery expectations and may demand less immediate compensation for a failure because they consider the balance of equity across a longer time horizon.[39] Thus, cultivation of strong customer relationships can provide an important buffer to service firms when failures occur.[40]

Strategy Insight Eliciting Complaints and Reports of Service Failure

Service failures can occur in a variety of ways and at numerous times throughout the service delivery process. However, in many cases it is difficult, if not impossible, for the firm to know that a service failure has occurred unless the customer informs the firm accordingly. Unfortunately, a relatively low percentage of customers will actually complain to the firm. Thus, a major challenge facing management is how to get customers to complain when they experience a service failure and/or they are not satisfied with service delivery. What can a firm do to elicit complaints? Here are some issues to consider.

- *Develop the mind-set that complaints are good.* Too often the complaining customer is looked on by employees in the organization as the *enemy*—someone to be conquered and subdued. The more prudent approach is to develop the mind-set that the complaining customer is the firm's *friend*. Complaints provide valuable feedback to the firm, giving it the opportunity not only to address the service failure for the complaining customer but also to identify problems that other (less vocal) customers may also be experiencing (the "tip of the iceberg" phenomenon). One scholar suggests that "complainers ought to be treated with the dignity and respect afforded to the highest-priced analysts and consultants." One company puts all customers who have complained on a VIP list. Accepting complaints is truly reflective of firms who are close to their customers.
- *Make complaining easy.* If the firm truly wants to hear from customers who experience poor service, it needs to make it easy for them to share their experiences with the firm. Sometimes customers have no idea whom to speak to if they have a complaint, what the process is, or what will be involved. Complaining should be easy—the last thing customers want when they are dissatisfied is to face a complex, difficult-to-access process for complaining. Customers should know where to go and/or whom to talk to when they encounter problems, and they should be made to feel confident that something positive will result from their efforts. Technological advances have made it possible to provide customers with multiple avenues to complain, including toll-free customer call centers, company e-mail addresses, and website feedback forms. The firm should regularly communicate to customers that complaining is easy and that it welcomes and appreciates such feedback.
- *Be an active listener.* Employees should be encouraged and trained to actively listen to customers,

SERVICE RECOVERY STRATEGIES: FIXING THE PROBLEM

Often the most pressing and immediate need in service recovery is to "fix the customer." However, in many situations the actual problem created by the poor service delivery also needs to be fixed. This may require reworking, redoing, or redelivering the service, if possible, to provide what the customer initially expected. And, if the problem is likely to recur for this or other customers, then the service delivery process may need to be fixed, too. This section highlights strategies that can be used to help the firm "fix the problem" both in the short term and in the long term.

Encourage and Track Complaints

Even if an organization aims for 100 percent service quality, failures occur. A critical component of a service recovery strategy is thus to encourage and track complaints. Our Strategy Insight describes several ways in which customer complaints can be encouraged.

Firms can utilize a number of ways to encourage and track complaints. Customer research can be designed specifically for this purpose through satisfaction surveys, critical incident studies, and lost customer research, as discussed in Chapter 5. Toll-free call centers, e-mail, and a variety of social media are now used to facilitate, encourage, and track complaints. Software applications in a number of companies also allow complaints to be analyzed, sorted, responded to, and tracked automatically.[41]

particularly to see if they can pick up on any cues to suggest less-than-ideal service. A restaurant customer might respond "fine" to the waiter's question "How is your meal?" However, the customer's body language and tone of voice, or the amount of food not eaten, might indicate that all is not fine. Some customers may not be assertive in voicing their displeasure, but they may drop clues to suggest that something is amiss. Employees as well as managers should be consistently listening not only to the customer's actual words but also to what he or she may really be trying or wanting to communicate.

- *Ask customers about specific service issues.* A very simple, informal way to find out about any service failure is simply to ask. Managers at one hotel with a high percentage of business travelers make it a point to be at the front desk between 7:45 and 8:45 a.m. every day, because approximately 80 percent of their business travelers check out at that time. During the checkout process, managers avoid questions that can be answered with a simple "yes," "OK," or "fine" (e.g., "How was your stay?") and instead ask questions that force customers to provide specific feedback (e.g., "How could we have improved the technology accommodations in your room?" or "What needs to be done to improve our recreation center?"). Asking customers very specific questions that cannot be answered with a simple "yes" or "no" may provide customers with an easy way to point out expectations that were not fulfilled.
- *Conduct short, trailer surveys.* A follow-up telephone call to a customer still in the midst of the service experience can help to identify problems in real time and thus enable real-time recovery. Enterprise Rent-A-Car Company, for example, regularly calls customers a day after they have picked up a rental car and asks the customer if everything is okay with the car. Customers who report problems, such as a broken window or a car that smells of smoke, are brought a replacement vehicle that day without any additional questions or hassle. Trailer surveys work especially well in business-to-business services in addressing problems early, before they become major issues.

Sources: S. S. Tax and S. W. Brown, "Recovering and Learning from Service Failure," *Sloan Management Review* 40 (Fall 1998), pp. 75–88; O. Harari, "Thank Heaven for Complainers," *Management Review* 81 (January 1992), p. 59.

In some cases technology can anticipate problems and complaints before they happen, allowing service employees to diagnose problems before the customer recognizes they exist. At companies such as IBM, John Deere, and Caterpillar, information systems have been implemented to anticipate equipment failures and to send out an electronic alert to the local field technician with the nature of the problem as well as which parts and tools will be needed to make the repair—a repair the customer does not yet know is needed.[42]

Learn from Recovery Experiences

"Problem-resolution situations are more than just opportunities to fix flawed services and strengthen ties with customers. They are also a valuable—but frequently ignored or underutilized—source of diagnostic, prescriptive information for improving customer service."[43] By tracking service recovery efforts and solutions, managers can often learn about systematic problems in the delivery system that need fixing. By conducting root-cause analysis, firms can identify the sources of the problems and modify processes, sometimes almost eliminating the need for recovery. At Ritz-Carlton Hotels, all employees carry service recovery forms called "instant action forms" with them at all times, so that they can immediately record service failures and suggest actions to address them. Each employee "owns" any complaint that he or she receives and is responsible for seeing that service recovery occurs. In turn, the

FIGURE 7.6
The 100 Percent Hampton Inn® Hotels Guarantee

employees report to management these sources of service failure and the remedies. At Hampton Inn® Hotels, whenever the service guarantee (see Figure 7.6) is invoked, the reason for the customer's dissatisfaction is recorded as part of the process and the information forwarded to management. Such information is then entered into a database and analyzed to identify patterns and systemic service issues that need to be fixed. If common themes are observed across a number of failure situations, changes are made to service processes or attributes. In addition, at the Ritz-Carlton the information is entered into the customer's personal data file, so when that customer stays at any Ritz-Carlton again (no matter what hotel), employees can be aware of the previous experience, ensuring that it does not happen again for that customer.

Learn from Lost Customers

Another key component of an effective service recovery strategy is to learn from the customers who defect or decide to leave. Formal marketing research to discover the reasons customers have left can assist in preventing failures in the future. This type of research is difficult, even painful for companies, however. No one really likes to examine their failures. Yet such examination is essential for preventing the same mistakes and losing more customers in the future.[44]

As presented in Chapter 5, lost customer research typically involves in-depth probing of customers to determine their true reasons for leaving. This information is most effectively obtained by depth interviews, administered by skilled interviewers who truly understand the business. It may be best to have this type of research done by senior people in the company, particularly in business-to-business contexts in which customers are large and the impact of even one lost customer is great. The type of depth analysis often requires a series of "why" questions or "tell me more about that" questions to get at the actual, core reason for the customer's defection.[45]

In conducting this kind of research, a firm must focus on important or profitable customers who have left—not just everyone who has left the company. An insurance company in Australia once began this type of research to learn about their lost customers, only to find that the customers they were losing tended to be their least profitable customers, anyway. They quickly determined that depth research on how to keep these unprofitable customers would not be a good investment!

Make the Service Fail-Safe—Do It Right the First Time!

The first rule of service quality, and arguably the best service recovery strategy, is to do it right the first time. In this way recovery is unnecessary, customers get what they expect, and the costs of redoing the service and compensating for errors can be avoided. As you have already learned, reliability, or doing it right the first time, is the most important dimension of service quality across industry contexts.[46] Indeed, research suggests that many customers stay in a relationship because they have not experienced a (negative) critical incident.[47]

Dick Chase, noted service operations expert, suggests that services adopt the quality notion of *poka yokes* to improve service reliability.[48] Poka yokes are automatic warnings or controls in place to ensure that mistakes are not made; essentially, they are quality control mechanisms, typically used on assembly lines. Chase suggests that poka yokes can be devised in service settings to "mistakeproof" the service, ensure that essential procedures are followed, and ensure that service steps are carried out in the proper order and in a timely manner. In a hospital setting, numerous poka yokes ensure that procedures are followed to avoid potentially life-threatening mistakes. For example, trays for surgical instruments have indentations for specific instruments, and each instrument is nested in its appropriate spot. In this way surgeons and their staff know that all instruments are in their places prior to closing the patient's incision.[49]

Similarly, poka yokes can be devised to ensure that the tangibles associated with the service are clean and well maintained and that documents are accurate and up-to-date. Poka yokes can also be implemented for employee behaviors (checklists, role-playing and practice, reminder signs) and even for ensuring that customers perform effectively. Many of the strategies we discuss in Parts 4 and 5 of the text ("Aligning Service Design and Standards" and "Delivering and Performing Service") are aimed at ensuring service reliability and can be viewed as applications of the basic fail-safe notion of poka yokes.

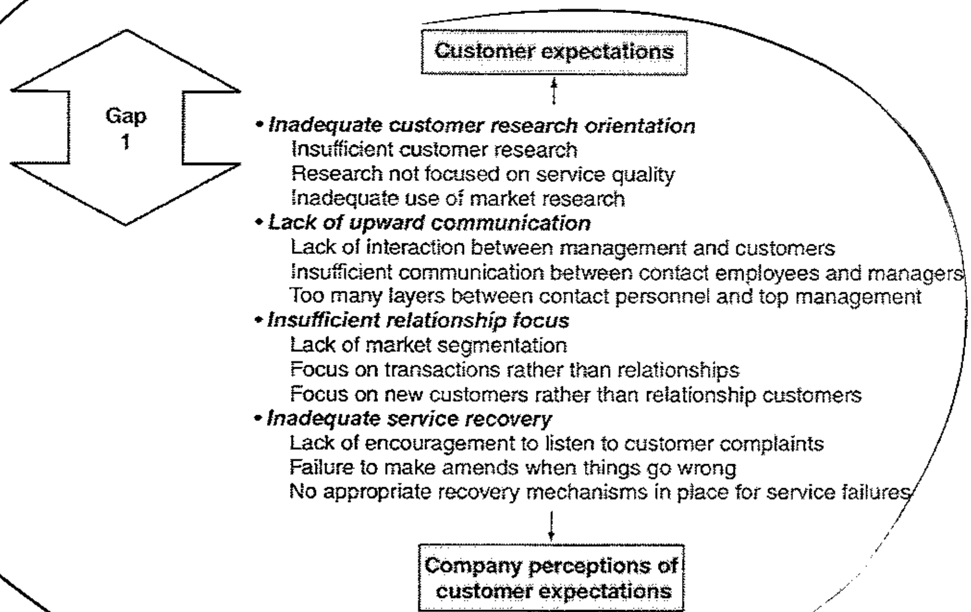
Even more fundamentally, it is important for a firm to create a culture of zero defections to ensure doing it right the first time.[50] Within a zero defections culture, everyone understands the importance of reliability. Employees and managers aim to satisfy every customer and look for ways to improve service. Employees in a zero defections culture fully understand and appreciate the "relationship value of a customer" concept that was presented in Chapter 6. Thus, they are motivated to provide quality service *every time* and to *every customer*.

SERVICE GUARANTEES

A guarantee is a particular type of recovery tool that can be used to both "fix the customer" and "fix the problem." In a business context, a *guarantee* is a pledge or assurance that a product offered by a firm will perform as promised, and if not then some form of reparation will be undertaken by the firm. Although guarantees are relatively common for manufactured products, they have only recently been used for services. Traditionally, many people believed that a service simply could not be guaranteed, given its intangible and variable nature. What would be guaranteed? With a tangible product, the customer is guaranteed that it will perform as promised and, if not, that it can be returned. With a service, it is generally not possible to receive a return or to "undo" what has been performed. The skepticism about service guarantees is being dispelled, however, as more and more companies find they can guarantee their service and that there are tremendous benefits for doing so.

Companies are finding that effective service guarantees can complement the company's service recovery strategy—serving as one tool to help support the service

FIGURE 2.2
Key Factors Leading to Provider Gap 1: the Listening Gap



which is a more conventional emphasis on acquiring new customers rather than on retaining them. Relationship marketing has always been a practice of wise business-to-business firms (such as IBM and General Electric) that recognize that clients have the potential to spend more with them if they provide excellent service. Other business-to-business firms, and many companies that sell to end-customers, often take a short-term view and see each sale as a transaction. When companies focus too much on attracting new customers, they may fail to understand the changing needs and expectations of their current customers. Technology affords companies the ability to acquire and integrate vast quantities of customer data, which can be used to build relationships. Frequent flyer travel programs conducted by airlines, car rental companies, and hotels are among the most familiar programs of this type.

The final key factor associated with provider gap 1 is lack of *service recovery*. Even the strongest companies, with the best of intentions and clear understanding of their customers' expectations, sometimes fail. It is critical for an organization to understand the importance of service recovery—why people complain, what they expect when they complain, and how to develop effective service recovery strategies for dealing with inevitable service failures. Such strategies might involve a well-defined complaint-handling procedure and an emphasis on empowering employees to react on the spot, in real time, to fix the failure; other times it involves a service guarantee or ways to compensate the customer for the unfulfilled promise.

To address the factors in the listening gap, this text will cover topics that include how to understand customers through multiple research strategies (Chapter 5), how to build strong relationships and understand customer needs over time (Chapter 6), and how to implement recovery strategies when things go wrong (Chapter 7). Through these strategies, this first gap can be minimized.

Provider Gap 2: the Service Design and Standards Gap

Accurate perceptions of customers' expectations are necessary, but not sufficient, for delivering superior service. Another prerequisite is the presence of service designs and performance standards that reflect those accurate perceptions. A recurring theme in service companies is the difficulty experienced in translating customer expectations into service quality specifications that employees can understand and execute. These problems are reflected in provider gap 2, the difference between company understanding of customer expectations and the development of customer-driven service designs and standards. Customer-driven standards are different from the conventional performance standards that companies establish for service in that they are based on pivotal customer requirements that are visible to and measured by customers. They are operations standards set to correspond to customer expectations and priorities rather than to company concerns such as productivity or efficiency.

As shown in Figure 2.3, provider gap 2—which we call the *service design and standards gap*—exists in service organizations for a variety of reasons. Those people responsible for setting standards, typically management, sometimes believe that customer expectations are unreasonable or unrealistic. They may also believe that the degree of variability inherent in service defies standardization and therefore that setting standards will not achieve the desired goal. Although some of these assumptions are valid in some situations, they are often only rationalizations of management's reluctance to tackle head-on the difficult challenges of creating service standards to deliver excellent service. Technology changes and improvements are particularly helpful in closing this gap, as the Technology Spotlight in this chapter describes.

Because services are intangible, they are difficult to describe and communicate. This difficulty becomes especially evident when new services are being developed. It is critical that all people involved (managers, frontline employees, and behind-the-scenes support staff) work with the same concepts of the new service, based on customer needs and expectations. For a service that already exists, any attempt to improve it will also suffer unless everyone has the same vision of the service and associated issues. One of the most important ways to avoid provider gap 2 is to clearly design services without oversimplification, incompleteness, subjectivity, and bias. To do so, tools are needed to ensure that new and existing services are developed and improved in as careful a manner as possible. Chapter 8 describes the tools that are most effective in *service development and design*, including service blueprinting, a unique tool for services.

The quality of service delivered by customer contact personnel is critically influenced by the standards against which they are evaluated and compensated. Standards signal to contact personnel what management priorities are and which types of performance really count. When service standards are absent or when the standards in place do not reflect

FIGURE 2.3
Key Factors Leading to Provider Gap 2: the Service Design and Standards Gap

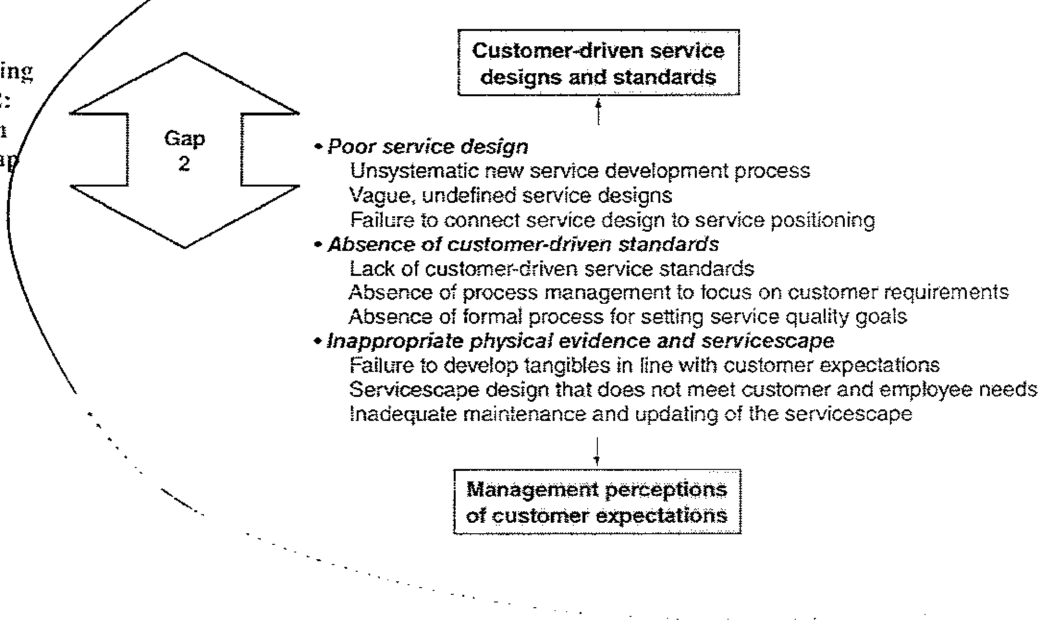
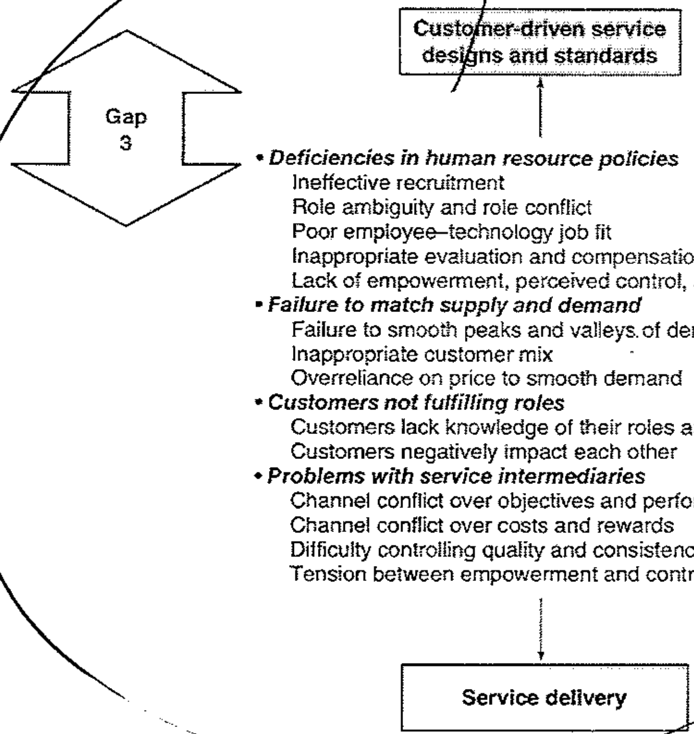


FIGURE 2.4
Key Factors Leading to Provider Gap 3: the Service Performance Gap



instructions—service quality is jeopardized. Customers can also negatively influence the quality of service received by others if they are disruptive or take more than their share of a service provider's time. Understanding customer roles and how customers themselves can influence service delivery and outcomes is critical.

A third difficulty associated with provider gap 3 involves the challenge in delivering service through such *intermediaries* as retailers, franchisees, agents, and brokers. Because quality in service occurs in the human interaction between customers and service providers, company control over the service encounter is crucial, yet it rarely is fully possible. Most service (and many manufacturing) companies face an even more formidable task: attaining service excellence and consistency in the presence of intermediaries who represent them and interact with their customers yet are not under their direct control. Franchisers of services depend on their franchisees to execute service delivery as they have specified it. And it is that execution by the franchisee which the customer uses to evaluate the service quality of the company. With franchises and other types of intermediaries, someone other than the producer is responsible for the fulfillment of quality service. For this reason, a firm must develop ways to either control these intermediaries or motivate them to meet company goals.

Another issue in the service performance gap is the need in service firms to *synchronize demand and capacity*. Because services are perishable and cannot be inventoried, service companies frequently face situations of over- or underdemand. Lacking inventories to handle overdemand, companies lose sales when capacity is inadequate to handle customer needs. On the other hand, capacity is frequently underutilized in slow periods. Most service companies rely on operations strategies such as cross-training employees or varying the size of the employee pool to synchronize supply and demand. Marketing strategies for managing demand—such as price changes, advertising, promotion, and alternative service offerings—can supplement approaches for managing supply.

We will discuss strategies to deal with the roles of employees in Chapter 11, customers in Chapter 12, and demand and capacity in Chapter 13.

Provider Gap 4: the Communication Gap

Provider gap 4, the *communication gap,* illustrates the difference between service delivery and the service provider's external communications. Promises made by a service company through its media advertising, sales force, and other communications may raise customer expectations, the standards against which customers assess service quality. The discrepancy between actual and promised services, therefore, can widen the customer gap. Broken promises can occur for many reasons: overpromising in advertising or personal selling, inadequate coordination between operations and marketing, and differences in policies and procedures across service outlets. Figure 2.5 shows the key factors that lead to the communication gap.

In addition to unduly elevating expectations through exaggerated claims, there are other, less obvious ways in which external communications influence customers' service quality assessments. Service companies frequently fail to capitalize on opportunities to educate customers to use services appropriately. They also neglect to manage customer expectations of what will be delivered in service transactions and relationships.

One of the major difficulties associated with provider gap 4 is that communications to consumers involve issues that cross organizational boundaries. Because service advertising promises what people do, and because what people do cannot be controlled the way machines that produce physical goods can be controlled, this type of communication involves functions other than the marketing department. This type of marketing is what we call *interactive marketing*—the marketing between contact people and customers—and it must be coordinated with the conventional types of *external marketing* used in product and service firms. When employees who promote the service do not fully understand the reality of service delivery, they are likely to make exaggerated promises or fail to communicate to

FIGURE 2.5
Key Factors Leading to Provider Gap 4: the Communication Gap