

Managing Services
Prof. Jayanta Chatterjee
Department of Industrial Management and Engineering
Indian Institute of Technology, Kanpur

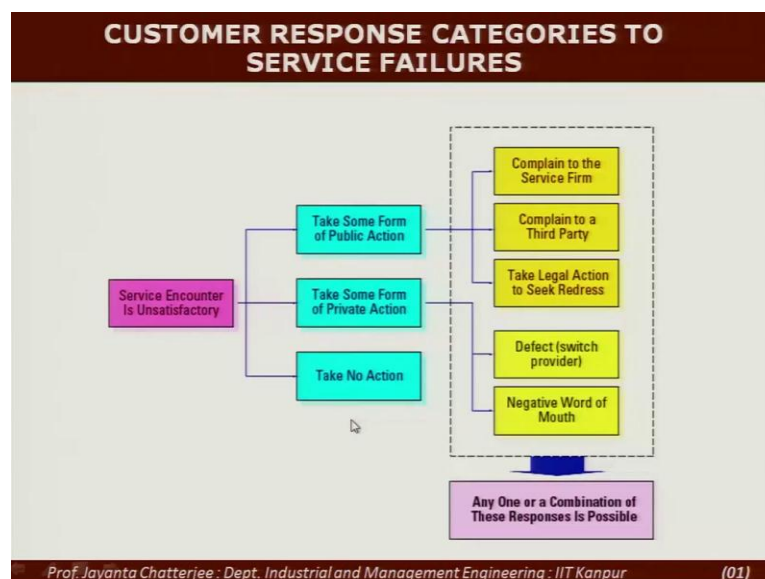
Lecture - 40
Service Complaints and Recovery Strategies

We discussed the different constructs relating to services quality and we ended the last session by introducing the concept of service recovery. And I had briefly discussed, that how important the recovery strategy is for a services organization to attend the level of customer delight and excellence. And we will see from today's session, where we will dwell deeper into this whole affair relating to Service Complaints and Recovery Strategies.

We will see that this is actually a stairway to forming relationships and ultimately achieving the customer's help for co-marketing your services, so customer as advocate. So, the journey starts from services quality that is essential. The journey starts from customer delight, but we recognize the fact that in spite of all efforts, there may be failures, because after all services are provided as a system.

So, there are people, there are machines, there are different types of processes and often services need contribution from different departments of an organization, coordinated synchronized delivery. And therefore, there are occasions, when there can be lapses, undesired lapses.

(Refer Slide Time: 02:22)



So, when such a lapse up, then as you see on the screen, the customer has different sorts of responses, the customer may either take some public action. And which is that, they can complaint to the service organization, they can go to consumer forum, they can take some legal action, they can complaint to other kinds of tribunals or consumer forum and so on. Or, they can go to court or they can take some kind of private action, which is that, they can tell others, they can just quietly switch.

They can go to another service provider, which in for example, in mobile service, we call churning. So, they can just go to the other and the entry barrier or shifting barrier is quite low these days. Particularly, when in mobile, telephone services, the number portability rules have been introduced. So, it is not very difficult for a customer, earlier the inconvenience of switching was that your telephone number was known to many friends and associates and business contacts.

So, you could not abandon the phone number, now you can take your phone number and go to another service provider. So, you can do that by making a lot of noise, you can by making a lot of complaint or you can do it quietly. And lastly, of course, you can talk to number of people and as we discussed in the previous session, earlier people used to talk to may be 10, 20. And now, because of social media and other such easily available platforms, a negative comment or a specific complaint can reach 1000s of people through the social media.

So, and of course, many times customers take no action, they brood, they are the slurp, they are unhappy, but that take no action. And the most important asset or a good source for creating customer satisfaction and customer relationship is when customer takes public action, when customer complaints. And we will see that the most dangerous and sort of silent killer of business opportunity of services, business is this, when customer takes no action.

(Refer Slide Time: 05:17)

UNDERSTANDING CUSTOMER RESPONSES TO SERVICE FAILURE

- **Why do customers complain?**
 - Obtain compensation
 - Vent their anger
 - Help to improve the service
 - Altruistic reasons
- **What proportion of unhappy customers complain?**
4 to 10 %
- **Why don't unhappy customers complain?**
Time, Effort, Unpleasant, Helplessness, lack of outcome, lack of confidence

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (02)

We discussed that only about 4, 5 percent customers, they actually complain and a vast majority do not complain at all, they do not complain. First of all, let us see why they complain and what do they expect when they complain, they definitely expect a Redressal. Often, they may expect some kind of compensation for the harassment or for the problem they have had.

They may also very, this is when they have the customer as your friend, if the customer you have already have a relationship, the customer may complain in a constructive manner to help you to improve the service, to help you to find the gaps. Now, unhappy customers as we saw, I mean in a large majority of them take no action.

They took no action, because in a takes time, it takes effort, often this kind of complain if it is face to face despite unpleasant, customer may sometimes feel helpless, because they may be feel that, it is no point in spite of complaints, it happens with many kind of monopolistic services, like a power distributors and so on. Customer feels that, why waste time and effort, because whatever I do nothing will change, so lack of outcome, lack of confidence in that, there can be something positive coming out of the complain.

(Refer Slide Time: 06:58)

UNDERSTANDING CUSTOMER RESPONSES TO SERVICE FAILURE

- **Who is most likely to complain? More affluent**
- **Where do customers complain? Telephone, Net, Social Media**
- **What do customers expect once they have made a complaint?**
 - **Quick response, systemic acceptance**
 - **Procedural, interactional, and outcome justice**

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (03)

This key sort of things actually prohibits the better the customer from complaining, it is also found through research, that people who are in the higher socio economic status, they are more likely to complain. And a large number of people who are in the lower ranks of the economic pyramid, they may not complain, they feel diffident often, because of various past socio political reasons.

These are the people, who are the emerging customers; they are very, very important for all businesses in services businesses and these are the people, who do not come forward with their dissatisfaction. And all businesses today must focus how to persuade the customer to articulate their grievances. Because the customers, if they may not complain to the company, but they may actually post highly negative comments on the social media, they may talk to others and they may post it on the social media.

So, therefore, it can be quite damaging and so the companies must create a very good telephone contact services, they must create a very good web based complaining services. I had a very good experience yesterday, when I had ordered some stuff on an Amazon and the delivery courier came to our campus and could not deliver the stuff to me, because allegedly he could not find the building.

He was a new guy, these couriers come very often to IIT campus, but this guy did not find the building must have been quite newer whatever and then, I got an email saying that the product could not be delivered and it will be delivered next week. I was quite annoyed and I try to contact back and I found to my pleasant surprise that there was as

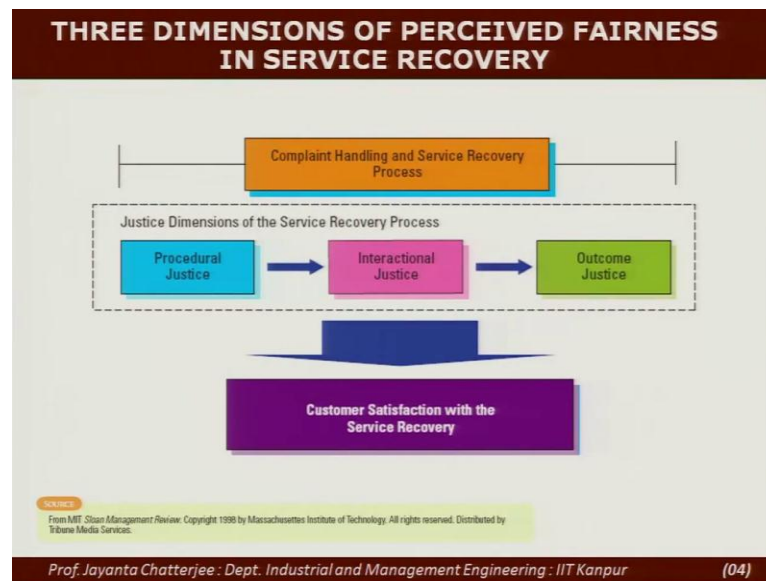
soon as I put in my nature of complaint and I put in my mobile number, then they said you want an immediate call back, I clicked yes and a call came through.

That means, I did not have to call, I just filled up this form on the web, I put in my phone number and within a few minutes, there was a call from their customer service and they listen to my complaint and they immediately they had the history in front of them. They said you are a very valuable customer, we see that you have been regularly ordering stuff from us and will definitely this is an anomaly, let us see if we can set it right and you do not have to wait for one week, please give us 2 days to set this right.

And today that package was delivered, so within 24 hours or less, they were able to recover from laps caused by a new delivery person. So, it is actually at the very end at the last mile, this laps occurred, the system as a whole in the e-commerce as you know they procure stuff from other vendors. And then, they arrange for that direct delivery to the customer to me and this whole system worked quite well, all the intimations were coming to be on time, acknowledgment, my ordered, informing me that it will be delivered within the next 3 days and so on, all those things worked.

The laps was at the last moment at the last smile, but even that laps was corrected within a few hours and then, there was a call back and said an inquiring whether I received the stuff and happy with it etcetera. This is the kind of processes thorough which if you can actually make customer's complaint easily and then, you have a quick response and the systemic acceptance, then it is an occasion of creating deeper relationship with that customer.

(Refer Slide Time: 11:27)



The acceptance and response, researchers are found, the customer's like these three step process, procedural, interactional and outcome justice, which means that, even if the outcome is that the complaint has been set right, like in my case, the case I was describing, I have got my package, which was not delivered yesterday, it has been delivered today and in good condition. But, this in itself, if there was no interaction that happened with the customer's service representative, if that person had not recognize that, yes it is a laps and yes, we will set it right and yes, we must see that is are your rewarded and for a bearing with us and etcetera.

So, this procedure interaction are both important just by focusing on outcome is not enough; that means, you must set it right and you must make it known that you have put in effort to set it right. And those are opportunities for building relation with the customer.

(Refer Slide Time: 12:24)

SERVICE RECOVERY

- Service Recovery
 - Plays a crucial role in achieving customer satisfaction by testing a firm's commitment to satisfaction and service quality
 - Impacts customer loyalty and future profitability
 - Severity and "recoverability" of failure (e.g. late arrival of birthday gift or your favorite Saree spoiled at laundry) may limit firm's ability to delight customer with recovery efforts
- 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
 - If second service failure occurs, the paradox disappears
 - Best Strategy: Do it Right the First Time

Best Strategy: Do it Right the First Time

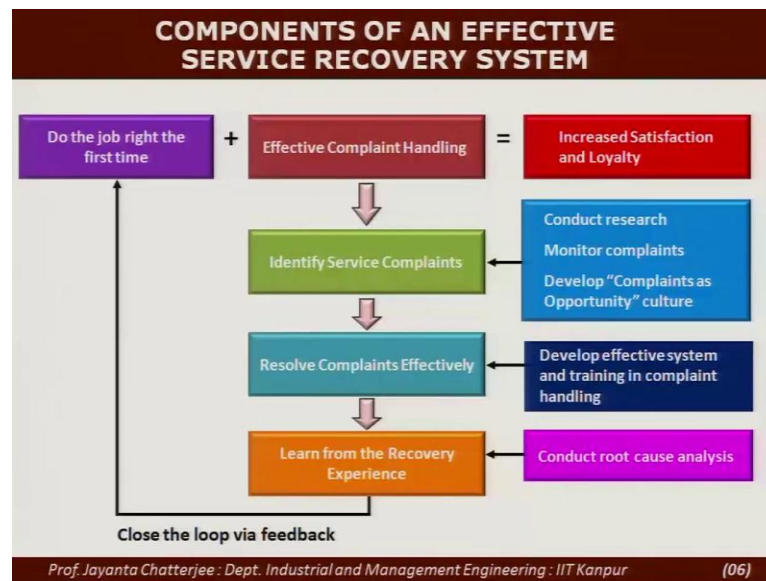
Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (05)

Service recovery, therefore place a very a crucial role in achieving customer delight, so this is a paradoxical situation; that it is a failure, but that failure can lead really in this case to long term success. Of course, if you feel one more time that will this paradox disappears. So, if you are able to set it right at the very first point of complaint and you handle it properly through this interaction and procedural justice steps and you set the outcome is rectified, then, there is an opportunity to develop long term relationship.

But, sometimes the laps can be severe, sometimes the laps can actually you know like if you have ordered both the gift for your wife or for your children and it arrives 5 days after the birth day. Then, obviously, the whole occasion, the whole point is lost or you have given a costly saree, a very favorite dress to your laundry and they have spoiled it and which is irretrievable, then you might buy a new saree, but that will not, never bring you that whole dress or whole saree back to you.

So, in this kind of situation, where there is recovery is not possible, really the Redressal is very difficult and that actually will limit the service organizations ability to develop the relationship; that it may permanently damage a particular relationship. So, best strategy is to do it right the first time, but if not, then see you set it right and absolutely ensure that, it does not happen again. So, if you do unable to do that, then there is a possibility that you will actually achieve a positive result out of a negative situation.

(Refer Slide Time: 14:34)



So, this kind of diagram explains the whole thing, they do the job right the first time and usual have effective complaint handling system identify the service complaints and identify the person. And you know, in this case as you are describing my yesterday situation, they recognized that I am not only just an angry customer. But, I am a valuable customer and they express that they very calmly explain to be weak deeply value our long relationship with your last 5 years.

And we have seen that how and you know set that, we have every time deliver to you and the last six locations and this is just temporary failure and then, unforgotten in failure. This is the kind of data when they provide that and when I see it on the website as I am talking to the person that definitely is not only the identification of the complaint, but it also actually identification of the person and then, this resolving of the complaint effectively.

And then, very important that this recovery experience must be fed back to your organizational system. So, that it can take care that next time a delivery is being made, there is a process are briefing a new delivery person that how to reach the destination and so on. So, there must be data in the system that when people have delivered packages are earlier to me and now, new person comes that person should get that advantage of the previous experience.

If you have developed the back stage technical process well, as you can see therefore, if you do the job right time, right the first time and then, there is this effective complaint

handling, then there is a increase satisfaction and scope for developing loyalty. And in the service complains stage, very important that you do internal research to find out, why it happened, what is the origin of the labs and so on. So, this is, but we call complained as an opportunity culture.

So, the whole organization we should be sensitive to the feedback coming from the customer support department and they must all immediately gear up and take it up as a priority. And you should use these instances, these cases as a training opportunity for all the different people involved that when it succeeded, why it failed and how it was broad back to a success paradigm.

(Refer Slide Time: 17:24)

| STRATEGIES TO REDUCE CUSTOMER COMPLAINT BARRIERS | |
|---|--|
| 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 |

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (07)

These are opportunities for human resource management developing the skills of your backstage and front stage people and developing the coordination processes. So, to summarize that the things that bar or deter, this satisfied customers from complaining or inconvenient doubt about pay off unpleasantness and all these issues must be taking care of by our your system.

So, you should have good telephone contact system, you should have good web based system, I am not just routine can replied by email saying we have received your complaint and we will respond back in 48 hours. You really create a good web and telephone interface, where you can easily call back the person within the next a few minutes or if not next few minutes, next few hours and not 24 hours and 48 hours and also highlight the cases, highlight the way this Redressal happen in your system.

So, that people have less doubt that if they complain and nothing will happen. So, this doubtful pay off must also be addressed in your service grand building approach and very important that take how to all possibilities unpleasantness. This is the issue that we are discussed earlier when we discussed about people issues in services, but the customer will be upset, customer will be angry and that anger should not be responded with anger.

That anger or that dissatisfaction at the complaint should be handled calmly, matter of fact with empathy. So, that is why, in the last few sessions, when we discussed our service quality, we made empathy such a strong point. An empathy as discussed is the ability to see the situation from the other perspective; that is why in the TEARR, the five dimensions of service quality empathy occupy such an important place.

And of course, our strategies to use these barriers are also there on your screen the way I discussed that make feedback easy. Assure that the feedback is taken seriously see that, it is truly taken seriously highlight the cases, encourage the customer to go to the social media and talk about the positive recovery. Because, as we discussed again earlier research source that a very few people even they go back and give positive feedback, the negative feedback's are given by many more people.

So, pursue the customer to give the positive feedback calling back and say sir are you satisfied and request the customer to give some kind of comment or something and see that this common cards etcetera, I have reach the internal people as well as a locations when it is permitted use them for external communication. So, make the feedback experience, positive for both the customer as well as for the service provider.

(Refer Slide Time: 20:54)

HOW TO ENABLE EFFECTIVE SERVICE RECOVERY

- **Methods:**
 - **Be proactive—on the spot, before customers complain**
 - **Plan recovery procedures**
 - **Teach recovery skills to relevant personnel**
 - **Empower personnel to use judgment and skills to develop recovery solutions**

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (08)

And so to enable effective service recovery, we proactive on the spot before the customer complain or immediately respond have number of recovery procedure yours plan by creating a data base of different failures. So, that you do not have to scamper around in a failure occurs above what to do, you already know that if x is happen, then y and z are the best ways to handle that complain are that laps.

(Refer Slide Time: 21:28)

SERVICE GUARANTEES HELP PROMOTE AND ACHIEVE SERVICE LOYALTY

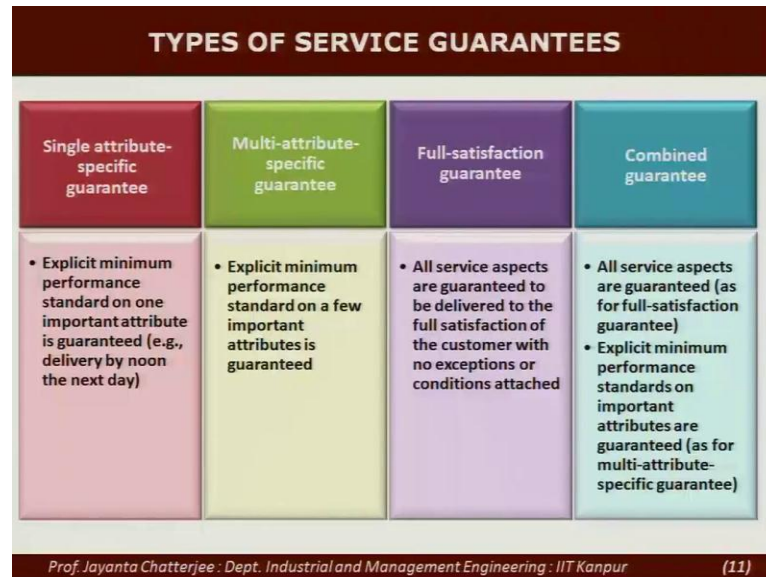
- **Force firms to focus on what customers want**
- **Set clear standards**
- **Highlight cost of service failures**
- **Help firm identify and overcome fail points**
- **Reduce the risk of purchase decision and build long-term**

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (09)

And one of the things that if your organization is well equipped after handling creating the service recovery system, then you can give this service guarantee, very few you service companies give this unconditioned guarantee. So, if you are able to give a very clear simple unconditional guarantee, your service brand will be highly strengthened.

But, to make this unconditional easy to understand communication happened, easy to invoke guarantee to become operative.

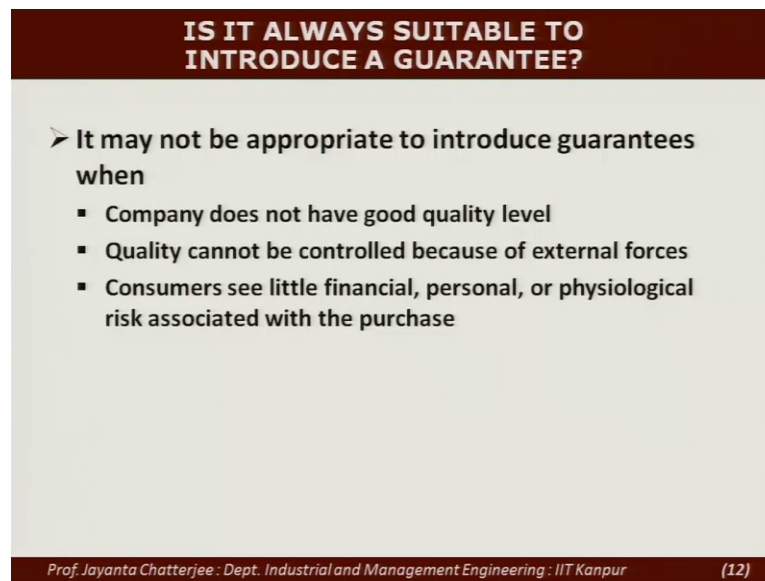
(Refer Slide Time: 22:06)



You must be very clear that you have the necessary where will call your organization and you services of that kind quality, where you can give this short of guarantee. So, guarantees can be given in different ways, it can be single attributes specific guarantee for a particular part that can be exceptions and make it very clear. It can be multi attribute, there can be separate different path of guarantees of different something can be guaranteed for immediate replacement within 3 months, something can be a coupon will be given, so if your package is last and the coupon will be given immediately.

So, in a service like airlines, you will see that all these different service guarantees are given separately with respect to your baggage laws with respect to in ordinate delays. And if the flight is in add it delayed and you have to stay overnight, they will provide you the most airlines good airlines will provide you provide you a Redressal, they are on the spot or if the flight in order to delayed, food and beverage and snacks and other services will be provided on time right there. So, they are at this difference classes of guarantees; obviously, it is very, very difficult to ah provide this.

(Refer Slide Time: 23:31)



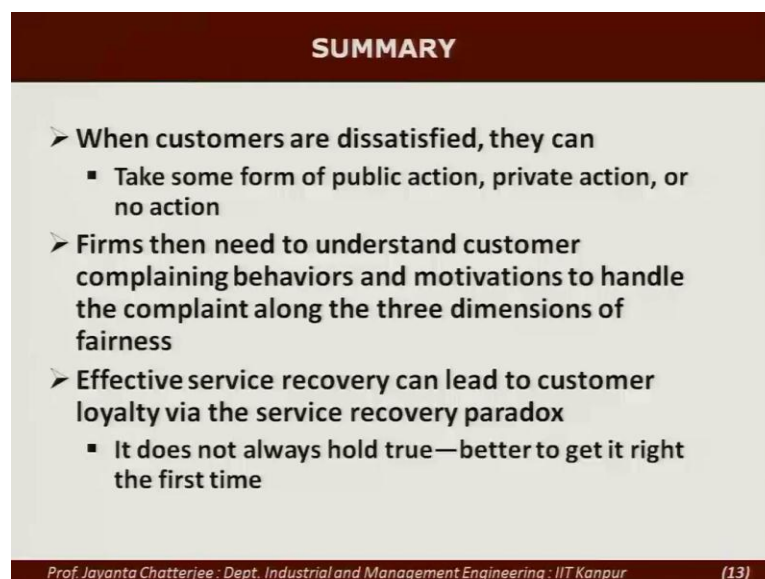
IS IT ALWAYS SUITABLE TO INTRODUCE A GUARANTEE?

- It may not be appropriate to introduce guarantees when
 - 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

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (12)

Unconditional guarantee or composite guarantee, because unless you have good quality level, unless you are very clear that we are able to execute then there is no point in giving that kind of guarantee. So, we have to be internally synchronized to be able to externally provide this kind of guarantee.

(Refer Slide Time: 23:56)



SUMMARY

- When customers are dissatisfied, they can
 - Take some form of public action, private action, or no action
- Firms then need to understand customer complaining behaviors and motivations to handle the complaint along the three dimensions of fairness
- Effective service recovery can lead to customer loyalty via the service recovery paradox
 - It does not always hold true—better to get it right the first time

Prof. Jayanta Chatterjee : Dept. Industrial and Management Engineering : IIT Kanpur (13)

So, to summarize, when customers are dissatisfied, they can take different actions, but very few people take actions, but if they do take actions, see that they are encouraged and your process is easy, but they can complain to you rather than go to a public forum and complain. And even if they do and go complain on the public forum, you should have a mechanism to read the Facebook postings, to read the Twitter postings and there

should be people, who are task to do these things.

So, that you can immediately spot negative trends and address those and if the service can be recovered in time and efficiently, then it actually creates an opportunity to create a relationship, which we call service paradox. But, it is very clear that if that problem happens again, if that lap happens again, then it is no longer a paradox your actually damage the relationship. So, if should be clear and it is better to do it the first time right and always right.

Thank you.