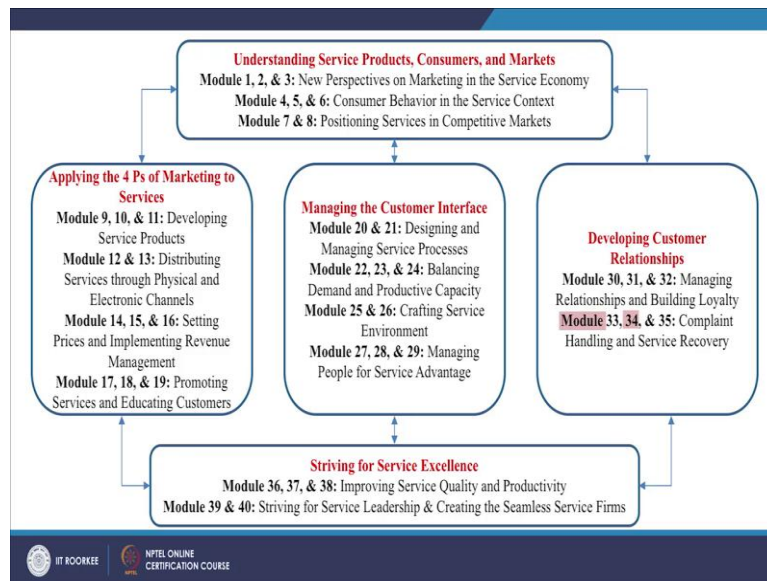


**Services Marketing:
Integrating People, Technology, Strategy
Professor Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee
Lecture 34**

Complaint Handling and Service Recovery – Part II

Welcome to Services Marketing. Now we will talk about module 34. So, we are talking about Complaint Handling and Service Recovery.

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And we started with module 33 and we will continue with module 35 on this topic. Let us see what are the things that we will talk about under this topic, that is in module 34. So, the first thing is that we will explain the service recovery paradox. The second is we will understand the principles of effective service recovery systems.

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MODULE OVERVIEW

- Explain the service recovery paradox.
- Know principles of effective service recovery systems.
- Be familiar with guidelines for frontline employees on handling complaining customers and on recovering from service failures.



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And the third is, we familiarize with guidelines for frontline employees on handling complain customers and on recovery from service failures. So, again keep in mind that all through this service recovery and service failure, we are concerned about and bothered with the frontline employees because they are the people who interact with the customers. They are the people where service go wrong or service fails and these are the people that are, these are the people that are responsible for service recovery.

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THE SERVICE RECOVERY PARADOX

- The *service recovery paradox* describes the phenomenon where customers who experience an excellent service recovery after a failure feel even more satisfied than customers who had no problem in the first place.
 - **For example-** A passenger may arrive at the check-in counter and find there are no seats for him due to overbooking, even though he has a confirmed seat. *Service failure*
 - To recover the service, the passenger is upgraded to a business class seat, at no additional cost. The customer ends up being more satisfied than before the problem had occurred. *Service Recovery paradox*

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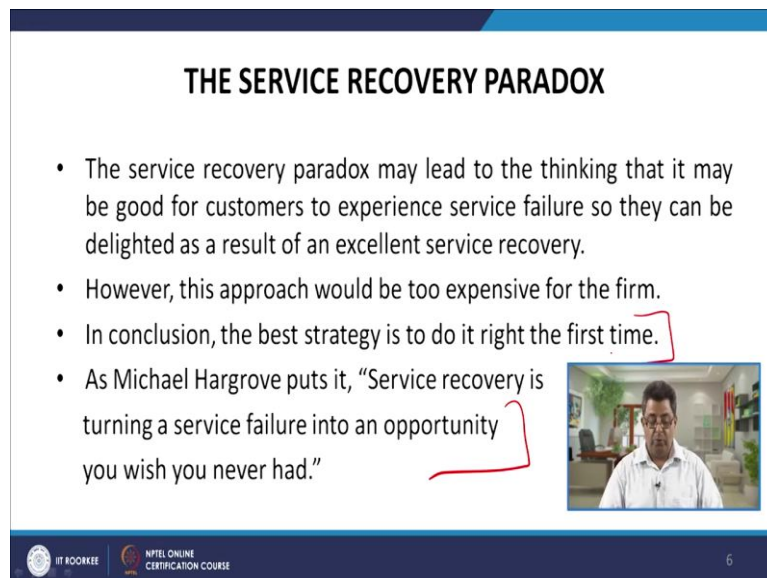
Now, what is this service recovery paradox? The service recovery paradox describes the phenomenon where customers who experience an excellent service recovery after a failure feel even more satisfied than customers who had no problem in the first place.

So, now keep in mind that when the service delivery is, is according to the promise, then the customers are satisfied, so that is one thing. Another, in this service recovery paradox, what is happening is that, once the service fails and then companies take some adequate action for service recovery, then that makes customer even more satisfied. For example, a passenger may arrive at the check-in counter and find there are no seats for him due to overbooking, even though he has a confirmed seat.

What has happened is that the service has failed, so that is service failure. Although, he had a confirmed ticket but then there were no seats available because airlines they have overbooked the aircraft. Now, what to do in order to recover the service? So to recover the service, the passenger is upgraded to a business class seat, at no additional cost. The customer ends up being more satisfied than before the problem had occurred.


Now, if he would have got a seat in the economy class for which he had purchased the ticket then, he would have been normally satisfied. But now, because no seat was, because no seat was available, he was promoted to the next higher class, that is the business class without any additional charge. So, that was service recovery. And now this has led to more satisfaction or delight in the customer. So, that is why this is called as service recovery paradox. So this, if the recovery efforts are good then the customer becomes more satisfied or even delighted.

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THE SERVICE RECOVERY PARADOX

- The service recovery paradox may lead to the thinking that it may be good for customers to experience service failure so they can be delighted as a result of an excellent service recovery.
- However, this approach would be too expensive for the firm.
- In conclusion, the best strategy is to do it right the first time.
- As Michael Hargrove puts it, "Service recovery is turning a service failure into an opportunity you wish you never had."



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So, the service recovery paradox may lead to the thinking that it may be good for customers to experience service failure so they can be delighted as a result of an excellent service recovery. So, now the paradox may lead someone to think that the service should be made to


fail in the first instance, so that the company has the chance to recover the service and that will delight the customer.

However, this approach would be too expensive for the firm because recovery needs, recovery efforts will, will incur certain kind of cost. In conclusion, the best strategy is to do it right the first time. As Michael Hargrove puts it, “Service recovery is turning a service failure into an opportunity you wish you never had.” So, this is the opportunity that you wish you never had. So, the best thing is, the best thing for a service company is to do it right the first time.

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THE SERVICE RECOVERY PARADOX

- Whether a customer comes out delighted from a service recovery may also depend on the severity and “recoverability” of the failure.
- *NO Recovery* **For Example** - No one can replace spoiled wedding photos, a ruined holiday, or eliminate the consequences of a debilitating injury caused by service equipment.
- In such situations, it’s hard to imagine anyone being truly delighted even when the most professional service recovery is conducted.




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Whether a customer comes out delighted from a service recovery may also depend on the severity and recoverability of the failure. For example, no one can replace spoiled wedding photos, a ruined holidays, or eliminate the consequences of a debilitating injury caused by a service equipment. So, in this case, in these kind of cases there can be no recovery. In such situations, it is hard to imagine anyone being truly delighted even when the most professional service recovery is conducted.

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PRINCIPLES OF EFFECTIVE SERVICE RECOVERY SYSTEMS

- Recognizing that current customers are a valuable asset base, managers need to develop effective procedures for service recovery following unsatisfactory experiences.
- Unfortunately, many service recoveries fail and some of the common causes for failure are –
 - 1 – Managers disregard evidence that shows that service recovery provides a significant financial return.
 - 2 – Companies do not invest enough in actions that would prevent service issues.




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PRINCIPLES OF EFFECTIVE SERVICE RECOVERY SYSTEMS

- 3 – Customer service employees fail to display good attitudes.
- 4 – Organizations fail to make it easy for customers to complain or give feedback.

- Next, we discuss three guiding principles for how to get it right-
 - Make it easy for customers to give feedback.
 - Enable effective service recovery.
 - Establish appropriate compensation levels.



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Let us look at the principles of effective service recovery system. The first is recognizing that current customers are a valuable asset base, managers need to develop effective procedures for service recovery following unsatisfactory experiences. Unfortunately, many service recoveries fail and some of the common causes for failure are - Managers disregard evidence that shows that service recovery provides a significant financial return. Companies do not invest enough in actions that would prevent service issues.

So, now although you may be looking at an opportunity where you can recover service and can get a more delighted customer, but unfortunately many of, many service recovery, they fail. So, that lead to the further dissatisfied customers; and they fail because managers, they

disregard the evidence that shows that service recovery provides a significant financial return or companies do not invest enough in actions that would prevent service issues.

Or customer service employees fail to display good attitudes. Organizations fail to make it easy for customers to complain or give feedback. So, all these reasons, all these four, these four reasons, because of these four reasons the service recovery efforts they may fail.

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The slide is titled "PRINCIPLES OF EFFECTIVE SERVICE RECOVERY SYSTEMS". It lists four reasons for service recovery failure, with handwritten red numbers 3 and 4 next to the first two. A bullet point follows, stating "Next, we discuss three guiding principles for how to get it right-". Below this are three principles, with handwritten red numbers 1, 2, and 3 next to them. A red arrow points from the second principle to the handwritten text "Frontline / other employees". A small video inset shows a man speaking. The slide footer includes logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE, and the number 9.

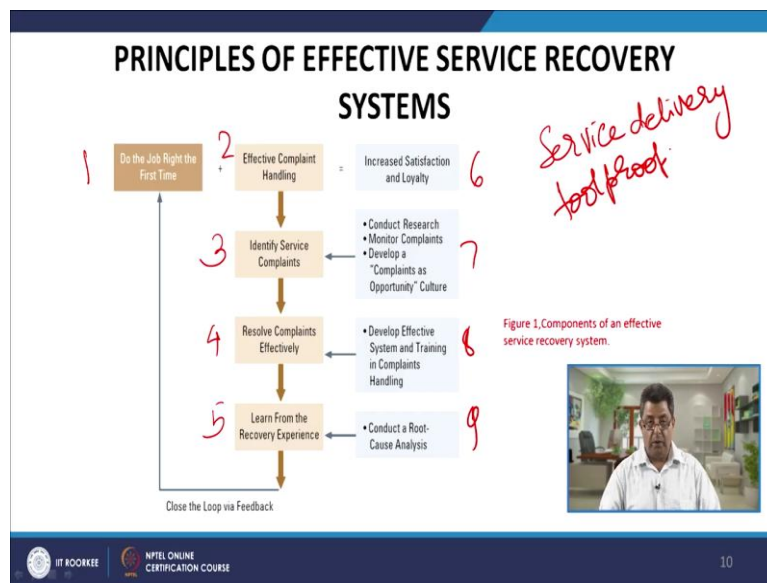
PRINCIPLES OF EFFECTIVE SERVICE RECOVERY SYSTEMS

- 3 – Customer service employees fail to display good attitudes.
- 4 – Organizations fail to make it easy for customers to complain or give feedback.
- Next, we discuss three guiding principles for how to get it right-
 - 1 – Make it easy for customers to give feedback.
 - 2 – Enable effective service recovery. → Frontline / other employees
 - 3 – Establish appropriate compensation levels.

Next, we discuss three guiding principles for how to get it right, so the first thing is make it easy for customers to give feedback. So, how do we get the service recovery right? The first thing that a company needs to do is to make it easy for customers to give the feedback. Second, enable effective service recovery, so the frontline or other employee should be empowered, enabled to go in for effective service recovery.

And the third is to establish appropriate compensation levels, the compensation levels that reflect the agony that the customer has gone through, one and second also the time and efforts and energy that he has spent, when the service is being recovered. So, these are the three important things that, these are the three guiding principles to get that right.

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Now, these are the principles of effective service recovery system. First is do the job right the first time, then effective complaint handling, identify service complaints, resolve complaints effectively, and the fifth is learn from the recovery experience. Now, this is, this leads to increased satisfaction and loyalty and to identify service complaints you need to conduct research, monitor complaint, develop a complaint as opportunity culture. So, complaint is an opportunity.

The third, next thing is develop effective system and training in complaint handling. So, there should be systems whereby employees can be trained in complaint handling and then conduct a root cause analysis, why the service has failed? What are the problems in the service? Learn from service experience and close the loop via this feedback and then you keep on making your system fool proof. So, you keep on service, you make service delivery fool proof, so this is what is needed.

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STRATEGIES TO REDUCE CUSTOMER COMPLAINT BARRIERS	
Complaint Barriers for Dissatisfied Customers	Strategies to Reduce These Barriers
1 Inconvenience • Difficult to find the right complaint procedure • Effort, for example, writing and mailing a letter	Make feedback easy and convenient: • Put customer service hotline numbers, email the website and/or postal addresses on all customer communications materials (letters, bills, brochures, website, phone book, yellow pages listings, etc.)
2 Doubtful payoff • Uncertain whether any or what action will be taken by the firm to address the issue the customer is unhappy with	Reassure customers that their feedback will be taken seriously and will pay off: • Have service recovery procedures in place and communicate this to customers, for example, in customer newsletter and website • Feature service improvements that resulted from customer feedback
3 Unpleasantness • Fear of being treated rudely • Fear of being hassled • Feeling embarrassed	Make providing feedback a positive experience: • Thank customers for their feedback (can be done publicly and in general by addressing the entire customer base) • Train service employees not to hassle and to make customers feel comfortable • Allow for anonymous feedback

Table 1, Strategies to Reduce Customer Complaint Barriers.



Now, strategies to reduce customer complaint barriers, how do we reduce customer complaint barriers. Let us look at what are the barriers, what are the complaint barriers for dissatisfied customers. The first is inconvenience that is difficult to find the right complaint procedure. The next is, effort, for example, writing and mailing a letter.

The second barrier to this filing of complaint may be doubtful payoff, uncertain whether any or what action will be taken by the firm to address the issue the customer is unhappy with. So the customer is unhappy and, but then he is not sure what action the company will take. And the third here is, unpleasantness that is fear of being treated rudely, fear of being hassled and feeling embarrassed.

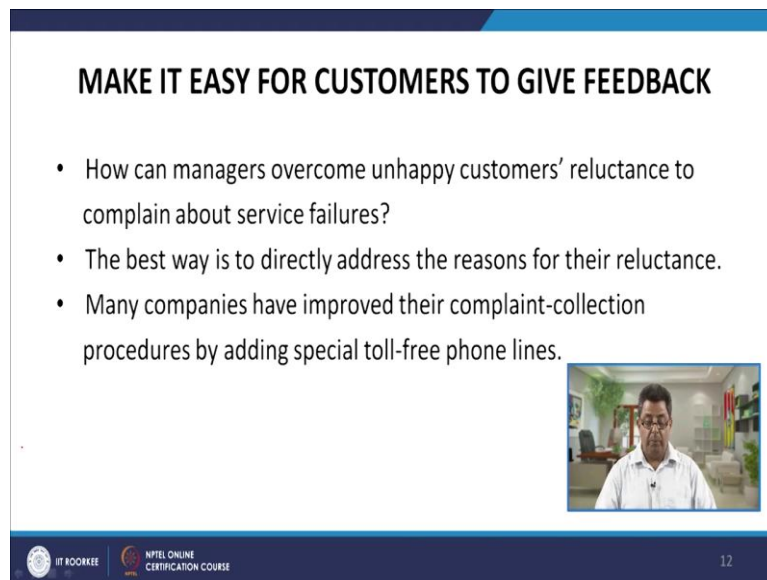
Now, let us move back to first that is inconvenience, now what are the strategies to reduce this barrier. The first is, what are the strategies to reduce these barriers. So, make feedback easy and convenient. Put customer service hotline numbers, email, the website, and or postal address on all customer communication material, for example, like letters and bills and brochures, website, phone book, yellow pages, listings, et cetera.

When we are talking of the second type of complaint barrier that is doubtful payoff, then what are the strategies to reduce these barriers? Reassure customers that their feedback will be taken seriously and will pay off. So, it is not only for the, for the purpose of getting complaints but then they should be assured that some kind of action will be taken. Have service recovery procedures in place and communicate this to customers, for example, in customer's newsletters and websites.

Feature service improvements that resulted from customer feedback. When unpleasantness is the complaint barrier then, what are the strategies to reduce this barrier? Make providing feedback a positive experience. Earlier we have seen that this was a negative experience. Now the strategy to reduce these barriers, strategy to increase customer complaint is to make this feedback a positive experience.


Thank customers for their feedback, can be done publicly and in general by addressing the entire customer base. Train service employees not to hassle and to make customers feel comfortable when they are, or after they have complained. Allow for anonymous feedback. So, the feedback can be without the name. So these are the strategies to reduce customer complaint barriers.

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MAKE IT EASY FOR CUSTOMERS TO GIVE FEEDBACK

- How can managers overcome unhappy customers' reluctance to complain about service failures?
- The best way is to directly address the reasons for their reluctance.
- Many companies have improved their complaint-collection procedures by adding special toll-free phone lines.




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Now, when it is, when the strategy is to make it easy for customers to give feedback. How can managers overcome unhappy customers' reluctance to complain about service failures? And the best way is to directly address the reason for their reluctance. Many companies have improved their complaint-collection procedure by adding special toll-free lines. So, the whole ball game is to make this giving feedback or giving complaint, lodging complaint easy.

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ENABLE EFFECTIVE SERVICE RECOVERY

- Recovering from service failures takes more than just pious expressions of determination to resolve any problems that may occur.
- It requires commitment, planning, and clear guidelines.
- Specifically, effective service recovery should be
 - 1 – Proactive.
 - 2 – Planned.
 - 3 – Trained.
 - 4 – Empowered.




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Now, how do we enable effective service recovery? Recovering from service failures take more than just pious expressions of determination to resolve any problem that may occur. It requires commitment, planning, and some clear guidelines. Specifically, effective service recovery should be proactive, planned, trained, and empowered. It is not only about having your expressions or determination that you will do something about that, but, there are things that need to be done for effective service recovery and these are those four things.

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ENABLE EFFECTIVE SERVICE RECOVERY

- **Service Recovery Should Be Proactive-**
 - Service recovery is ideally initiated on the spot, preferably before customers have a chance to complain.
 - Service personnel should be sensitive to signs of dissatisfaction, and ask whether customers might be experiencing a problem.
 - For example, the waiter may ask a guest who has only eaten half of his dinner: "Is everything all right, sir?"
 - The guest may say, "Yes, thank you, I am not very hungry," or "The steak is well done but I had asked for medium-rare." The second response then gives the waiter a chance to recover the service.



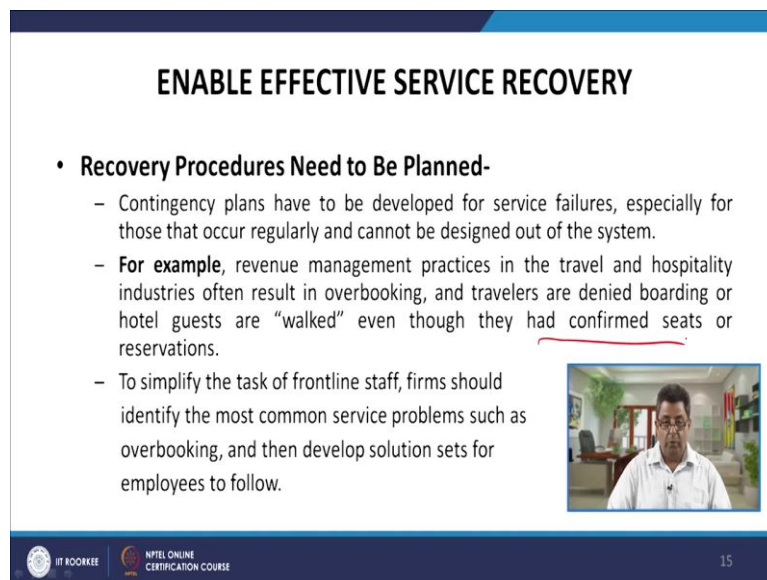
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What does this mean? Service recovery should be proactive. Service recovery is ideally initiated on the spot, preferably before customers have a chance to complain. Service

personnel should be sensitive to signs of dissatisfaction, and ask whether customers might be experiencing a problem.

For example, the waiter may ask a guest who has only eaten half of his dinner, is everything all right, sir. The guest may say, yes, thank you, I am not very hungry or the steak is well done but I had asked for medium-rare. The second response then gives the waiter a chance to recover the service. So, these are some of the examples that can lead to service recovery. So, although he was not complaining formally, but then this is what he said and that, and if that waiter is trained and empowered, then he can take this as an opportunity to recover this service.

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ENABLE EFFECTIVE SERVICE RECOVERY

- **Recovery Procedures Need to Be Planned-**
 - Contingency plans have to be developed for service failures, especially for those that occur regularly and cannot be designed out of the system.
 - **For example**, revenue management practices in the travel and hospitality industries often result in overbooking, and travelers are denied boarding or hotel guests are “walked” even though they had confirmed seats or reservations.
 - To simplify the task of frontline staff, firms should identify the most common service problems such as overbooking, and then develop solution sets for employees to follow.

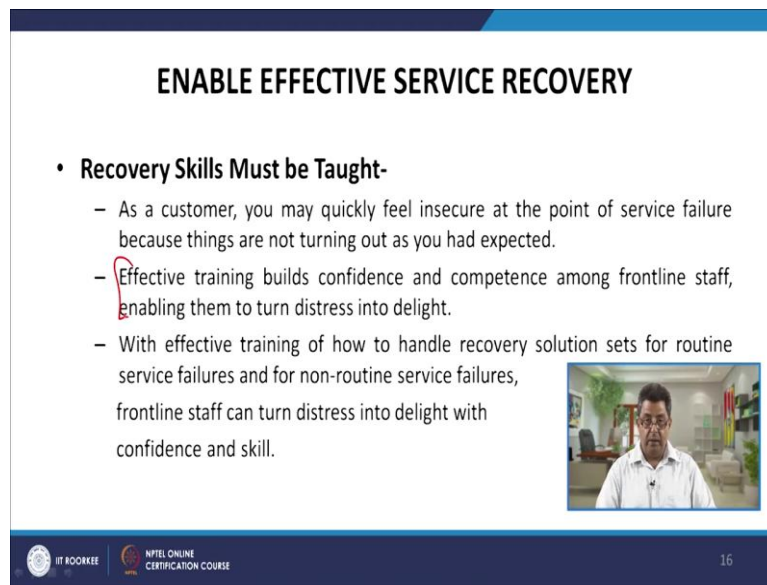
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Recovery procedures need to be planned, contingency planning has to be developed for service failures, especially for those that occur regularly and cannot be designed out of the system. For example, revenue management practices in the travel and hospitality industries often result in overbooking and travellers are denied boarding or hotel guests are walked even though they had confirmed seats or reservations.

To simplify the task of these frontline staff, firms should identify the most common service problems such as overbooking, and then develop solution sets for employees to follow. So, this is a normal practice in these kind of industries to overbook. So now, obviously if an aircraft or a hotel is overbooked, then there will be some customers who have to be, who have to wait or who will be denied the service.


So, now that leads to service failure and there is now chance to recover this service. And the, the task of the frontline staff here should be to identify the most common sort of service problems such as overbooking, and then develop solution sets for employees to follow. So what, what should be done if the company has overbooked and more than capacity customers have reported?



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ENABLE EFFECTIVE SERVICE RECOVERY

- **Recovery Skills Must be Taught-**
 - As a customer, you may quickly feel insecure at the point of service failure because things are not turning out as you had expected.
 - Effective training builds confidence and competence among frontline staff, enabling them to turn distress into delight.
 - With effective training of how to handle recovery solution sets for routine service failures and for non-routine service failures, frontline staff can turn distress into delight with confidence and skill.



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Now, service recovery skills must be taught. As a customer, you may quickly feel insecure at a point of service failure because things are not turning out as you had expected. Effective training builds confidence and competence among frontline staff, enabling them to turn distress into delight. So, now this recovery skills employees, the frontline employees were trained in this recovery skills and that make that distress into delight. With effective training of how to handle service solution sets for routine service failures and for non-routine service failures. Frontline staff can turn distress into delight with confidence and the skill that they have learnt.

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ENABLE EFFECTIVE SERVICE RECOVERY

- **Recovery Requires Empowered Employees-**
 - Service recovery efforts should be flexible and employees should be empowered to use their judgment and communication skills to develop solutions that will satisfy complaining customers.
 - Employees need to be able to make decisions and spend money in order to resolve service problems promptly and recover customer goodwill.
 - **Example-** At the Ritz-Carlton and Sheraton hotels, employees are given the freedom to be proactive, rather than reactive. They take ownership of the situation and help resolve customers' problems to the best of their ability.

Handwritten note: } Frontline employee

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Service recovery requires empowered employees, service recovery efforts should be flexible and employees should be empowered to use their judgement and communication skills to develop solutions that will satisfy complaining customers. So, these frontline employees should be empowered, they should be trained as we have seen in the earlier slide, to use their judgement and communication in order to develop a solution to satisfy a complaining customer.

Employees need to be able to make decisions and spend money in order to resolve service problems promptly and recover customer goodwill. For example, at the Ritz Carlton and Sheraton hotels, employees are given the freedom to be proactive, rather than reactive. They take ownership of the situation and help resolve customers' problems to the best of their ability. So now, here the frontline employees, they are trained and given, and empowered to treat, to rectify the problem.

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HOW GENEROUS SHOULD COMPENSATION BE?

- Clearly, vastly different costs are associated with possible recovery strategies.
- How much compensation should a firm offer when there has been a service failure? Or would an apology be sufficient instead?




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Next issue is how generous should the compensation be? Clearly, vastly different costs are associated with possible recovery strategies. How much compensation should a firm offer when there has been a service failure? Or would an apology be sufficient enough? So, there may be a situation whereby the customer wants only an apology, but that may not be across all situations. So, how much compensation should a firm offer or can they handle the angry customer without giving monetary compensation. Will an apology be sufficient to that customer?

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HOW GENEROUS SHOULD COMPENSATION BE?

- The following rules of thumb can help managers to answer these questions-
- **What is the positioning of your firm?**
 - If a firm is known for service excellence and charges a premium price for quality, then customers will expect service failures to be rare, so the firm should make a demonstrable effort to recover the few failures that do occur and be prepared to offer something of significant value.



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So, the following rule of thumb can help managers to answer these questions. What is the positioning of your firm? So, that is the first question, what is the positioning of your firm? If

a firm is known for service excellence and charges a premium price for the quality, then customer will expect service failure to be rare, so that the firm should make a demonstrable effort to recover the few failures that do occur and be prepared to offer something of significant value.

So, when the service positioning is, when the positioning of this firm is that they give excellent service and they are also charging a premium. In that case, the company should be prepared to offer something of significant value to the customer if service fails.

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HOW GENEROUS SHOULD COMPENSATION BE?

- 2. **How severe was the service failure?**
 - Customers expect little for minor inconveniences (in this case, often a sincere apology will do), but a much more significant compensation if there was major damage in terms of time, effort, annoyance, or anxiety was created by the failure.
- 3. **Who is the affected customer?**
 - Long-term customers and those who spend heavily at a service provider expect more, and it is worth making an effort to save their business.
 - One-time customers tend to be less demanding, and have less economic importance to the firm.

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How severe was the service failure? So, that is another question. All failures will not be equally severe so more severe failures will require, obviously require more compensation as compared to less service failures. So, customer expect little for minor inconveniences, in this case, often a sincere apology will do, but a much more significant compensation if there was major damage in terms of time, efforts, annoyance, and anxiety was created by the failure.

The third is who is the affected customer? Long-term customers, those who spend heavily at a service provider expect more, and it is worth making an effort to save their business because they are profitable in the long-term so the company will have to invest some more in order to retain their businesses. One-time customers tend to be less demanding, and have less economic importance to the firm. So, the first time customers, they will, they are by themselves less demanding and also they are not so important economically to the firm.

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DEALING WITH COMPLAINING CUSTOMERS

- Both managers and frontline employees must be prepared to deal with distressed customers, including jay customers who can become confrontational and behave in unacceptable ways towards service personnel who often aren't at fault in any way.
- Good interactive skills combined with training and on-the-spot thinking are critical for frontline employees to deal with such situations.



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Now, how to deal with complaining customers? Both managers and frontline employees must be prepared to deal with distressed customer, including jay customers who can become confrontational and behave in unacceptable ways towards firm personnel who often are not at fault in any way.


So, now the problem is that there are some customers for whom the service has gone wrong and they create a lot of problem. Lot of problems for the service personnel and there may be situations whereby the service personnel is not at fault. Good interactive skills combined with training and on-the-spot thinking are critical for frontline employees to deal with some such kind of bad situations.

So now again, the frontline employees are there when this person is creating problem. Now that, that is more problem for the company because that will affect the other customers at the service facility. So, now in this case, good interactive skills which are combined with training and on-the-spot thinking of this frontline employee can save this situation.

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DEALING WITH COMPLAINING CUSTOMERS

- 1. **Act fast-**
 - If the complaint is made during service delivery, then time is of the essence to achieve a full recovery.
 - When complaints are made after the fact, many companies have established policies of responding within 24 hours, or sooner.
 - Even when full resolution is likely to take longer, fast acknowledgment remains very important.



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So, when you are dealing with a complaining customer, the first thing that needs to be done is to act fast. If the complaint is made during service delivery, then time is of the essence to achieve a full recovery. So, when it is happening during the service delivery, so then this time is of importance to achieve a full recovery.

When complaints are made after the fact, after the service has failed. Many companies have established policies of responding within 24-hours or sooner. Even, when full resolution is likely to take longer, fast acknowledgement remains very important. So, the service recovery may not happen within 24-hours, but acknowledgement is important and that should be done within 24-hour or even less.

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DEALING WITH COMPLAINING CUSTOMERS

- 2. **Acknowledge the customer's feelings-**
 - Do this either tacitly or explicitly (for example, "I can understand why you're upset").
 - This action helps to build rapport, the first step in rebuilding a bruised relationship.
- 3. **Don't argue with customers-**
 - The goal should be to gather facts to reach a mutually acceptable solution, not to win a debate or prove that the customer is wrong.

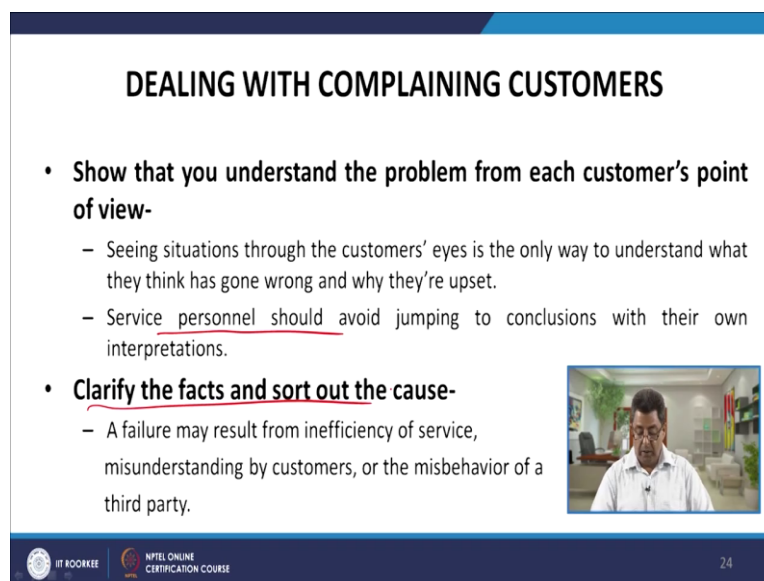


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The second thing that needs to be done is to acknowledge the customer's feeling. Do this either tactically or explicitly, for example, "I can understand why you are upset", and then take action, this action helps to build rapport, the first step in rebuilding a bruised relationship. Another important thing that the frontline employees can do is to acknowledge the customer's feeling. Just to say that, "I can understand why you are so upset". So, that is the first step in building back this relationship.


The third is, do not argue with the customers. The goal should be to gather facts to reach a mutually acceptable solution, not to win a debate or prove that the customer is wrong. So, there is no point in arguing with the customer, more important is that you can, you will talk to the customer so that some acceptable solution is comes out. It is not about winning a debate or proving who is wrong, that will, that will affect the company. It is about whether the solution is acceptable to the company as well as the customer so that the customer is satisfied and he continues with the firm.

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DEALING WITH COMPLAINING CUSTOMERS

- **Show that you understand the problem from each customer's point of view-**
 - Seeing situations through the customers' eyes is the only way to understand what they think has gone wrong and why they're upset.
 - Service personnel should avoid jumping to conclusions with their own interpretations.
- **Clarify the facts and sort out the cause-**
 - A failure may result from inefficiency of service, misunderstanding by customers, or the misbehavior of a third party.



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Show that you understand the problem from each customer's point of view. Seeing situations through the customer's eye is the only way to understand what they think has gone wrong and why they are upset. Service personnel should avoid jumping to conclusions with their own interpretations.


So, the service personnel, the frontline employee should not be jumping to conclusion and have their own interpretation about what would have happened. So they, the frontline employees and the service personnel should see from the customer's eyes about what has happened. Next, next thing that needs to be done is to clarify the facts and sort out the cause.

A failure may result from inefficiency of service, misunderstanding by customer, or misbehaviour of a third party. So, it is important to clarify and sort out what is the cause of service failure, that may be because of inefficient delivery of service or some misunderstanding with the customer or there has been a misbehaviour by someone, the third party, someone outside the organization.

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DEALING WITH COMPLAINING CUSTOMERS

- ✘ – If you've done something wrong, apologize immediately in order to win the understanding and trust of the customer.
- ✘ ✘ – The more the customer can forgive you, the less he or she will expect to be compensated.
- ☹ ☹ ☹ – Don't be defensive; reacting defensively may suggest that the organization has something to hide or is reluctant to fully look into the situation.



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If you have done something wrong, apologize immediately in order to win the understanding and trust of the customer. So, this is what is important that if you think that you have done something wrong, there is a need to apologize immediately in order to win the understanding and the trust of the customer. The second is, the more, the next is the more the customer can forgive you, the less he or she will expect to be compensated.

So, that is another important thing, if the customer is more than willing to forgive you then he will not expect anything as compensation. Do not be defensive; reacting defensively may suggest that the organization has something to hide or is reluctant to fully look into the situation. So, there is no need to be defensive, things go wrong. So, reacting defensively will suggest that the organization has not done the homework fully and that will put the organization in bad light. So, there is no need to be defensive.

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DEALING WITH COMPLAINING CUSTOMERS

- **Give customers the benefit of the doubt-**
 - Customers should be treated as though they have a valid complaint until clear evidence proves that it is not true.
 - If a lot of money is at stake (as in insurance claims or potential lawsuits), careful investigation needs to be carried out.
 - If the amount involved is small, it may not be worth haggling over a refund or other compensation.
 - However, it's still a good idea to check the records to see if there is a past history of dubious complaints by the same customer.

habitual offender/complainer.

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Give customers the benefit of doubt, customers should be treated as though they have a valid complaint until clear evidence prove that it is not true. So, first the company should assume that what customer is saying is correct, unless it is proven otherwise. If a lot of money is at stake as in insurance claims or potential lawsuits, careful investigation needs to be carried out. If the amount involved is small, it may not be worth haggling over a refund or offer compensation.

So, if the severity is high then there is a need to carry out investigation and if the amount involved is low, is small, so then there is no point in wasting time on that. However, it is still a good idea to check the records to see if there is a past history of dubious complaints by the same customers. So, that will tell whether this customer is a habitual offender or complainer, that is he keeps on complaining just in order to get a compensation, so that the records will show.

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DEALING WITH COMPLAINING CUSTOMERS

- **Propose the steps needed to solve the problem-**
 - When instant solutions aren't immediately available, tell customers how the firm intends to take action to deal with the problem.
 - This also sets expectations about the time involved, so firms should be careful not to overpromise!
- **Keep customers informed of progress-**
 - People tend to be more accepting if they know what's going on and receive periodic progress reports. Therefore, people should be kept informed about what is going on regularly.



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Propose the steps needed to solve the problem, when instant solutions are not immediately available, tell customers how the firm intends to take action to deal with this problem. So, the instant solutions are not possible. So, the company will have to tell the customer how they intend to take action, so as to deal with this problem. This also sets expectations about the time involved, so firms can be careful not to overpromise.


So, when you are doing that, when the company is doing that, when there are no instant solution, then it is important that the company will, is able to communicate the right amount of time in which actions can be taken. So, there is a chance to overpromise and if the company is not able to deliver in that time period, then again it will lead to more severe service failure.

So, keep customer informed of the progress. People tend to be more accepting if they know what is going on and receive periodic progress reports. Therefore, people should be kept informed about what is going on regularly. So, then there is a need to keep the customer informed about what is happening regarding their complaint; so, where it is, and at what stage of the process it is.

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DEALING WITH COMPLAINING CUSTOMERS

- **Consider compensation-**
 - This type of recovery strategy may also reduce the risk of legal action by an angry customer.
 - Service guarantees often lay out in advance what such compensation will be, and the firm should ensure that all guarantees are met.
- **Persevere to regain customer goodwill-**
 - Perseverance may be required to defuse customers' anger and to convince them that actions are being taken to avoid a recurrence of the problem.
 - Truly exceptional recovery efforts can be extremely effective in building loyalty and referrals.



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Another thing that needs to be done is to consider compensation. This type of recovery strategy may also reduce the risk of legal action by an angry customer. Now, if the service has gone wrong and the customer goes to court, takes legal action, then the company may be in trouble.

So therefore, this compensation can be a type of recovery strategy that can be used so that the customers do not take any legal action. Service guarantees often lay out in advance what such compensation will be, and the firm should ensure that all guarantees are met. So, when the service goes wrong and there is a chance that the customer may take legal action, then obviously it is important to give him compensation.


Now, service guarantees, when you have an effective service guarantee in place, it lays out in advance, what will be the compensation and that compensation should be paid to the customers and the company should also make sure that all guarantees are met. Another thing that needs to be done while dealing with complaining customer is to persevere to gain customer goodwill.

Perseverance may be required to defuse customer's anger and to convince them that actions are being taken to avoid a recurrence of the problem. So, that is, perseverance is required in order to defuse an angry customer. Truly exceptional recovery efforts can be extremely effective in building loyalty and referrals. So, this is what is important here, truly exceptional recovery efforts. So, recovery efforts should be truly exceptional in order to build loyalty and the word-of-mouth.

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DEALING WITH COMPLAINING CUSTOMERS

- **Self-check the service delivery system and improve it-**
 - After the customer has left, you should check to see whether the service failure was caused by accidental mistakes or system defects.
 - Take advantage of every complaint to perfect the whole service system. *Why*
 - Even if the complaint is found to be a result of a misunderstanding by customer, this implies that some part of your communication system is ineffective.



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Then, what can the company do next is to self-check the service delivery system and improve it. After the customer has left, you should check to see whether the service failure was caused by accidental mistake or systemic defects. So, whether it is accident or systemic, so that has to be checked. Take advantage of every complaint to perfect the whole service system. So, if it is by accident, if the system is defective then the system has to be rectified.

And, if it is accidental then it has to be found out why this accident has happened. Why it has occurred in the first place. So, whenever there is a complaint, take advantage of that to perfect the whole service system. Even if the complaint is found to be result of a misunderstanding by customer, so why this went misunderstanding has happened, because there are chances that this misunderstanding will happen again. That implies that some part of your communication system is ineffective and because it is ineffective, it has to be changed.

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CONCLUSION

- In this module we understood the service recovery paradox.
- Learnt principles of effective service recovery systems.
- Discussed the guidelines for frontline employees on handling complaining customers and on recovering from service failures.




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So, to conclude, in this module we have understood the service recovery paradox, like what happens when service fails and what should company do. We have then learnt principles of effective service recovery systems. Discussed the guidelines for frontline employees on handling complaining customers and on recovering from service failures.

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These are the 3 books from which the material for this module was taken. Thank you.