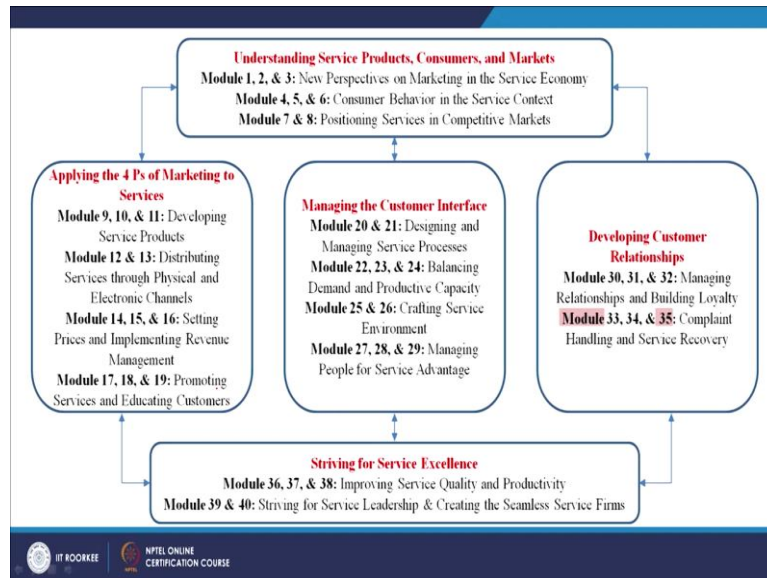


**Services Marketing:
Integrating People, Technology, Strategy
Professor Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee
Lecture 35**

Complaint Handling and Service Recovery – Part III

Welcome to Services Marketing, and today we will be talking about module 35.

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Now, we were talking about Complaint Handling and Service Recovery, in the earlier two modules that are module 33 and 34. And we will continue and finish up with this complaint handling and service recovery in this module.

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MODULE OVERVIEW

- Recognize power of service guarantees.
- Understand how to design effective service guarantees.
- Know when firms should not offer service guarantees.
- Be familiar with the seven groups of jay customers and understand how to manage them effectively.

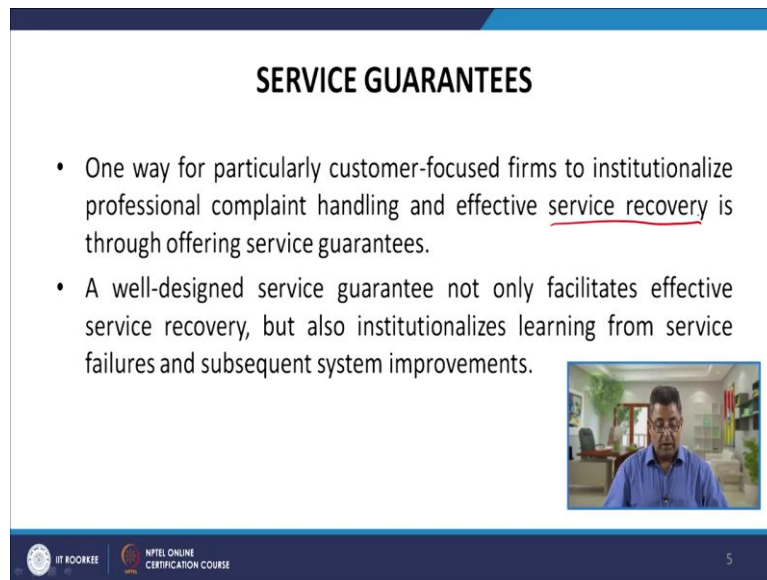


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So, now let us see what are the things that we will be talking about in this module. First is that we will recognize the power of a service guarantee, second is understand how to design effective service guarantees. Know when firms should not offer service guarantees. And be familiar with seven group of jaycustomers and understand how to manage them effectively.



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SERVICE GUARANTEES

- One way for particularly customer-focused firms to institutionalize professional complaint handling and effective service recovery is through offering service guarantees.
- A well-designed service guarantee not only facilitates effective service recovery, but also institutionalizes learning from service failures and subsequent system improvements.



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Now, let us look at what are service guarantees. So, it is a common phenomenon with products that, several products they come with guarantees. But, our concern is service guarantee, one way for particularly customer oriented firms to institutionalize professional complaint handling and effective service recovery is through offering service guarantee. So, these service guarantees are a tool for service recovery. So, we have talked about service recovery earlier and now we are talking about this tool that is service guarantee for the purpose of service recovery.


So, keep in mind that this is important for service recovery. A well-designed service guarantee not only facilitates effective service recovery but, also, institutionalize learning from service failures and subsequent system improvement. So, when there are service failures and the service fails, then people request for the service recovery. The customers, they ask for service recovery, service guarantee ensures that the service recovery is done.

But, in this process there are lots of learning for the company that is they are able to find out where there are failures in services and therefore, they can bring about appropriate changes in the system so that these failures do not occur later on. So, that is the biggest advantage of this service guarantee.

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THE POWER OF SERVICE GUARANTEES

- The market and financial results of managing people effectively for service advantage can be phenomenal.
- Among the most demanding jobs in service businesses are the frontline jobs.
- Service firms are characterized by a distinctive culture of service leadership, and role modeling by its top management.




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So the market and financial results of managing service people effectively for service advantage can be phenomenal. Amongst the most demanding jobs in service businesses are the frontline jobs. Service firms are characterized by a distinct culture of service leadership, and role modelling by its top management.

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THE POWER OF SERVICE GUARANTEES

- Service guarantees are powerful tools for both promoting and achieving service quality for the following reasons.
 - 1 - They force firms to focus on what their customers want and expect in each element of the service.
 - 2 - They set clear standards, telling customers and employees alike what the company stands for.
 - 3 - They require the development of systems for generating meaningful customer feedback and acting on it.



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Service guarantees are powerful tools for both promoting and achieving service quality, these are for both these purposes, promoting and achieving service quality and for the following reasons. First, they force the firm to focus on what their customer want and expects in each element of the service. So, because now you are giving guarantee, so it forces the company to look at what customer wants and expects in each element of service, because if services go

wrong and customer want the service to be recovered, so, company will have to go in for service guarantee and that may, that may lead to financial losses.

That is why the second reason is that they set clear standards, telling customers as well as employees alike what the company stands for. So that employees are also clear as well as the customer should be clear regarding what the company wants to deliver. And the third is that, they require the development of a system for generating meaningful customer feedback and acting on it. So, it provides a system whereby the customer gives the feedback and they are also assured that some kind of action will be taken on this feedback.

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THE POWER OF SERVICE GUARANTEES

- 4 - They force service organizations to understand why they fail and encourage them to identify and overcome potential fail points. → *Fail proof.* ✓
- 3 - They build “marketing muscle” by reducing the risk of the purchase decision and building long-term loyalty.

- From the customer’s perspective, the primary function of service guarantees is to lower the perceived risks associated with purchase.
- The presence of a guarantee may also make it easier for customers to complain and more likely that they will do so. *Customer Perceived Risk ↓*

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They force service organization to understand why they fail and encourage them to identify and overcome potential fail points. Because they are guaranteeing the service, therefore, the companies they are forced to look at where the service is failing, what are the potential fail points and to make their service fail proof. Because, what happens is that if service, if the company’s service keeps on failing and customer keeps on asking for service recovery and if the company has given a guarantee, then they will have to shell out some, some amount of money for service recovery. So, that will make the firm unprofitable in the long run. And they build marketing muscle by reducing the risk of the purchase decision and building long-term loyalty.

So, another advantage is that the customer perceived risk is reduced by way of guarantees. We have already seen that customer perceived risks is more in services as compared to products, because of the dimensions of services, because of the characteristics of services. So, now this loyalty, it reduces this perceived risk. So, from the customer’s perspective, the

primary function of service guarantee is to lower the perceived risks associated with the purchase of these services.

The presence of a guarantee may also make it easier for customers to complain and more likely that they will do so. And the, another advantage of guarantee is that the customer, if the service fail, they are more likely to complain to the company and that is a blessing in disguise for the company because that gives the chance to the company to fail proof their service.

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THE POWER OF SERVICE GUARANTEES

- The benefits of service guarantees can be seen clearly in the case of Hampton Inn's "100% Hampton Guarantee" ("If you're not 100% satisfied, you don't pay"; see Figure, 1).



Figure 1, Hampton Inn includes its "100% satisfaction guaranteed" in its advertising



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Now, let us look at this example. The benefit of service guarantee can be seen clearly in the case of Hampton Inn and they give this guarantee that is 100 percent Hampton Guarantee. So, their guarantee is 100 percent Hampton Guarantee. If you are not 100 percent satisfied, you do not pay, so that is their guarantee. Let us see at the figure one, so they, Hampton Inn include its 100 percent satisfaction guaranteed in their advertising. So, here also they are saying that 100 percent Hampton Guarantee and satisfaction, satisfaction, satisfaction all the way.

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THE POWER OF SERVICE GUARANTEES

- As a business-building program, Hampton's strategy of offering to refund the cost of the room to a guest who expresses dissatisfaction has attracted new customers and also served as a powerful retention device.
- In discussing the impact on staff and managers, the vice president-marketing of Hampton Inn stated, "Designing the guarantee made us understand what made guests satisfied, rather than what we thought made them satisfied."

Customers View point → Expected Customer ← *Customers View point*

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As a business-building program, Hampton's strategy of offering to refund the cost of the room to a guest who expresses dissatisfaction has attracted new customers and also served as a powerful retention device. So, because of this 100 percent guarantee, if the customer is not satisfied so he will not pay.

Because of this guarantee, the existing customers have become loyal and it has also brought in new customers to Hampton Inn. So, in discussing the impact on staff and managers, the vice president of marketing of at Hampton Inn stated, "Designing the guarantee made us understand what made guest satisfied, rather than what we thought made them satisfied." So, now this is the huge difference.


The difference lies in from where at, from where are you looking at the customer. So, is it from the customer's point of view or it is the company's point of view. So, this is what he is saying, "Designing the guarantee made us understand what made guests satisfied, rather than what we thought made them satisfied." So, that can be different perspective, so this is satisfaction, that is customer satisfaction.

Now, how does it look like from the customer's view point or the company's view point? So, there may be a difference in these two, company's view point and customer's view point. So, when the company designs and gives the service guarantee, they look at this satisfaction, customer satisfaction from this way and not this way.

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HOW TO DESIGN SERVICE GUARANTEES

- Some guarantees are simple and unconditional. Others appear to have been written by lawyers and contain many restrictions.
- Service guarantees should be designed to meet the following criteria.
 - **Unconditional -**
 - Whatever is promised in the guarantee must be totally unconditional and there should not be any element of surprise for the customer.



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Some guarantees are simple and unconditional. Other appears to be written by lawyers and contain many restrictions. So, service guarantee should be designed to meet the following criteria. So, there may be some guarantees that are simple and unconditional and it is easy for people to understand, while there may be other guarantees that are more complicated and therefore, not many people get into that.

So, what are the characteristics of a good service guarantee? The first is that it should be, the service guarantee should be unconditional. So, that is the first characteristics, whatever is promised in the guarantee must be totally unconditional and there should not be any element of surprise for the customer. So, the customer should not say that, oh I did not knew this or you have not read this.

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HOW TO DESIGN SERVICE GUARANTEES

- 2 • **Easy to understand and communicate-**
 - The customer is clearly aware of the benefits that can be gained from the guarantee.
- 3 • **Meaningful to the customer-**
 - The guarantee should be of something important to the customer and the compensation should be more than adequate to cover the service failure.
- 4 • **Easy to invoke-**
 - It should be easy for the customer to invoke the guarantee.



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The second characteristic of a good guarantee is, it should be easy to understand and communicate. The customer is clearly aware of the benefits that can be gained from this guarantee. So, he knows that if he is asking for a guarantee or if a guarantee is given to him, then what to expect? The third is it should be meaningful to the customer. The guarantee should be of something important to the customer and the compensation should be more than adequate to cover the service failure.

So, it may be that the guarantee is unconditional or and it is easy to understand and communicate, but it is meaningless to the customer that is the amount of money to be paid or the compensation to be paid to the customer is too small. And the, another characteristic of service guarantee is that, it should be easy to invoke. It means that it should be easy for the customer to invoke the guarantee like in the case of Hampton Inn 100 percent satisfaction. So, if the customer is not 100 percent satisfied, they do not expect him to pay. So, that is a plain, simple, easy to invoke. So, if I go and say that I am not satisfied, so they will not charge me. So, that is as plain, as plain and simple as that.

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HOW TO DESIGN SERVICE GUARANTEES

- 5 • **Easy to collect on-**
 - If a service failure occurs, the customer should be able to easily collect on the guarantee without any problems.
- 6 • **Credible-**
 - The guarantee should be believable.




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It should be easy to collect on if a service failure occurs, the customer should be able to easily collect on the guarantee without any kind of problems. And, then the last characteristic is that they should be credible. The guarantee should be believable. So, these are the 6 characteristics of a good service guarantee.

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IS FULL SATISFACTION THE BEST YOU CAN GUARANTEE?

- Full satisfaction guarantees have generally been considered the best possible design.
- However, it has been suggested that the ambiguity associated with such guarantees can lead to the discounting of their perceived value.
- For example, customers may raise questions such as “What does full satisfaction mean?”




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Now, is full satisfaction the best you can guarantee? So, full satisfaction guarantees have generally been considered the best possible design. However, it has been suggested that the ambiguity associated with such guarantees can lead to the discounting of their perceived value. For example, customers may raise questions such as, what does full satisfaction means? So, this may be different to different people, what does full satisfaction means?

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TYPES OF SERVICE GUARANTEES

- 1 • Attribute-specific guarantees (e.g., guaranteed delivery within 24 hours) are highly specific and therefore don't suffer from ambiguity, although their coverage is not comprehensive and limits their appeal.
- 2 • A hybrid version of the full satisfaction and attribute-specific guarantee, referred to as the "combined guarantee," addresses this issue.
- Table 1, shows examples of the various types of guarantees.





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So, let us look at the various types of service guarantee. The first is Attribute-specific guarantees that is guaranteed delivery within 24-hours. So, now you know that the delivery is within 24-hours or the pizza will be delivered in 1 hour or money back. So, this is a attribute specific guarantee. So, they are highly specific and therefore do not suffer from ambiguity, although their coverage is not comprehensive and limits their appeal. A hybrid version of the full satisfaction and attribute-specific guarantee, referred to as combined guarantee, addresses this issue. So, table 1 shows example of the various types of guarantee.



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TYPES OF SERVICE GUARANTEES

I Term	II Guarantee Scope	III Example
a Single attribute-specific guarantee	One key attribute of the service is covered by the guarantee.	"Any of three specified popular pizzas is guaranteed to be served within 10 minutes of ordering on working days between 12 a.m. and 2 p.m. If the pizza is late, the customer's next order is free."
b Multiatribute-specific guarantee	A few important attributes of the service are covered by the guarantee.	<p>Minneapolis Marriott's guarantee: "Our quality commitment to you is to provide:</p> <ul style="list-style-type: none"> • a friendly, efficient check in; • a clean, comfortable room, where everything works; • a friendly efficient check-out. <p>If we, in your opinion, do not deliver on this commitment, we will give you \$20 in cash. No questions asked. It is your interpretation."</p>
c Full-satisfaction guarantee	All aspects of the service are covered by the guarantee. There are no exceptions.	Lands' End's guarantee: "If you are not completely satisfied with any item you buy from us, at any time during your use of it, return it and we will refund your full purchase price. We mean every word of it. Whatever. Whenever. Always. But to make sure this is perfectly clear, we've decided to simplify it further: GUARANTEED. Period."
d Combined guarantee	All aspects of the service are covered by the full-satisfaction promise of the guarantee. Explicit minimum performance standards on important attributes are included in the guarantee to reduce uncertainty.	Datapro Information Services guarantees "to deliver the report on time, to high quality standards, and to the contents outlined in this proposal. Should we fail to deliver according to this guarantee, or should you be dissatisfied with any aspect of our work, you can deduct any amount from the final payment which is deemed as fair."

Table 1. Types of Service Guarantees Term





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And this is table 1. So here it is the term, the first column, then the scope, and then there are some examples. So, let us start with the Single-attribute specific guarantee. One key attribute

of the service is covered by the guarantee and the example include any of these specified: popular pizza is guaranteed to be served within 10 minutes of ordering on working days between 12 a.m. and 2 p.m. If the pizza is late, the customer's next order is free.

Now, let us move at, this is the a, now let us move at b, that is Multi-attribute specific guarantee and the scope of this guarantee is that a few important attributes of the service are covered by these guarantee, and the example include Minneapolis Marriott's, so that is Marriot branch of Marriot in Minneapolis. They guarantee, "Our quality commitment to you is to provide – First, a friendly, efficient check-in. Second a clean, comfortable room where everything works. And third, a friendly, efficient check-out."

So these are the 3 things that they are giving you. So, if we, in your opinion do not deliver on this commitment, we will give you 20 dollars in cash, no questions asked. It is your interpretation whether you have got what was promised or not. So, they will not ask anything, they will give you dollar 20 in cash.

The third one is the Full-satisfaction guarantee. So, the scope of the guarantee is all aspects of the service are covered by this guarantee and there are no exceptions, and the example is Lands' End's guarantee, "If you are not completely satisfied with any item you buy from us, at any time during your use of it, return it and we will refund your full purchase price. So, now you see if you are not completely satisfied with any item that you buy from us and all through the life of that item. Then, you can return and you will get the full price back. We mean every word of it. Whenever, Always. But to make sure this is perfectly clear, we have decided to simplify it further, GUARANTEED dot Period."


The next type of service guarantee term is combined guarantee, all aspect of the service are covered by the full satisfaction promise of the guarantee. Explicit minimum performance standards on important attributes are included in the guarantee to reduce uncertainty.

Datapro Information Services guarantee "to deliver the report on time, to high quality standards and to the contents outlined in their proposal. Should we fail to deliver according to this guarantee, you can deduct any amount from the final payment which is deemed as fair." So, now they are giving the amount that you can deduct to the customer, so if they are not satisfied they can deduct the amount that they think is fair.

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IS IT ALWAYS BENEFICIAL TO INTRODUCE A SERVICE GUARANTEE?

- Managers should think carefully about their firm's strengths and weaknesses when deciding whether or not to introduce a service guarantee.
- There are a number of situations in which a guarantee may not be appropriate-
 - Companies with a strong reputation for service excellence may not need a guarantee. In fact, it can be incongruent with their image to offer one as it might confuse the market.



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Is it always beneficial to introduce a service guarantee? Managers should think carefully about their service, about their firm's strengths and weaknesses when deciding whether or not to introduce a guarantee. So, it is important that, that what are the firm's strengths and weaknesses and then to decide whether to introduce a guarantee or not. There are a number of situations in which a guarantee may not be appropriate.

And, the situation, one of those situations is that the companies with a strong reputation for service excellence may not need a guarantee because they are already giving excellent service. In fact, it can be incongruent with their image to offer one as it might confuse the market, that why this company is giving a guarantee when they are already excellent in services.

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IS IT ALWAYS BENEFICIAL TO INTRODUCE A SERVICE GUARANTEE?

- 2 - A firm whose service is currently poor must first work to improve its quality to a level above what is guaranteed.
- 3 - Service firms whose quality is truly uncontrollable due to external forces would be foolish to consider a guarantee.
- 4 - In a market where consumers see little financial, personal, or physiological risk associated with purchasing and using a service, a guarantee adds little value but still costs money to design, implement, and manage.



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The second can be a firm whose service is currently poor must first work to improve its quality to a level above what is guaranteed otherwise, they will be constantly under this service recovery and people will keep on coming and asking for money back and the guarantee that they are giving. The third is service firms whose quality is truly uncontrollable due to external factors would be foolish to consider a guarantee.


So, there are things that are uncontrollable because of external forces, so in that case it becomes difficult for the service company to give a guarantee because they will never, they will not be able to fulfil that guarantee, because of the external forces. And the fourth is, in a market where consumers see little financial, personal or psychological risk associated with purchasing and using a service, a guarantee adds little value but still cost money to design, implement, and manage.

So, when the perceived risk is lesser, so there is no point in guaranteeing that service because there is little that, the customer does not see any financial, personal, or psychological risk while it will take time and money on the company's side to design, implement, and manage the service guarantee.

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IS IT ALWAYS BENEFICIAL TO INTRODUCE A SERVICE GUARANTEE?

- In markets where there is little perceived difference in service quality among competing firms, the first firm to institute a guarantee may also be able to obtain a first-mover advantage and create value differentiation for its services.
- If more than one competitor already have guarantees in place, offering one may become a qualifier for the industry, and the only real way to make an impact is to launch a highly distinctive guarantee beyond what is already offered by competitors.



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In markets where there is little perceived difference in service quality among competing firms, the first firm to institute a guarantee may also be able to obtain a first-mover advantage and create value differentiation for its services. So, when there is little perceived differences in services, then the firm that first guarantee it will be able to take mileage out of it. If more than one competitor already have guarantees in place, offering one may become a qualifier for the industry, and the only real way to make an impact is to launch a highly distinctive guarantee beyond what is already offered by the competitor.

So, one is that when there is no difference between services, then what to do? Another is when the competitors are already given a guarantee and you also gave a similar guarantee then it will not lead to value differentiation for your services. In that case, you will have to come up with a highly distinctive guarantee, only then this differentiation will happen, otherwise not.

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DISCOURAGING ABUSE AND OPPORTUNISTIC CUSTOMER BEHAVIOR

- While we discussed the importance of professional complaint handling and service recovery, we have to acknowledge that not all complaints are honest.
- When firms have generous service recovery policies or offer guarantees, there is always the fear that some customers may take advantage of them.
- Not all complaining customers are right or reasonable in their behavior.
- We refer to such people as jaycustomers.




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Another important thing that the company has to do is to discourage abuse and opportunistic customer behaviour. While we discussed the importance of professional complaint handling and service recovery, we have to acknowledge that not all customers are honest. So, when there are some dishonest customers, then what to do. So, when firms have generous service recovery policies or offer guarantees, there is always a fear, a doubt that some customers may take advantage of them. Not all complaining customers are right or reasonable in their behaviour. We refer to such people as jaycustomers.

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DISCOURAGING ABUSE AND OPPORTUNISTIC CUSTOMER BEHAVIOR

- A jaycustomer is defined *as someone who acts in a thoughtless or abusive way, causing problems for the firm, its employees, and other customers.*
- Customers who act in uncooperative or abusive ways are a problem for any organization.
- Firms that fail to deal effectively with customer misbehaviors risk damaging their relationships with all the other customers they'd like to keep.



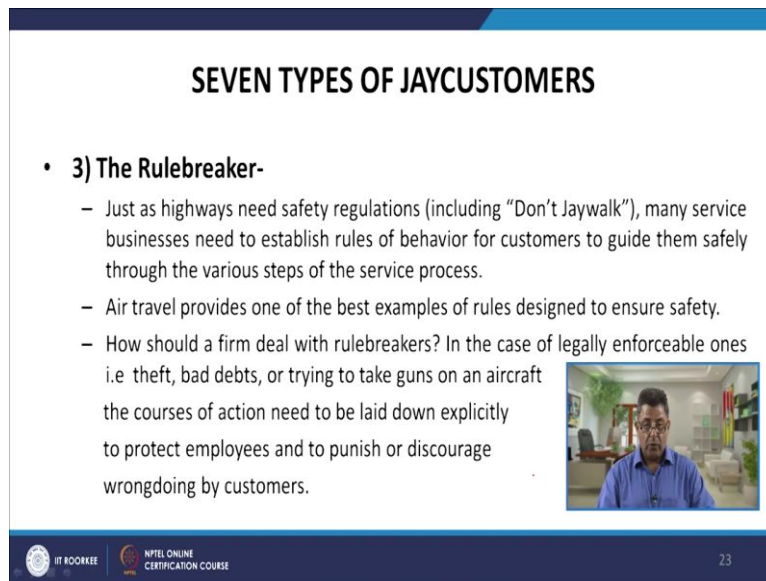
IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 21

A jaycustomer is defined as someone who acts in a thoughtless or abusive way, causing problem for the firm, its employees, and other customer. So, this one customer he is acting in

a thoughtless or abusive way and that will obviously affect the company, its employee, and other customers in the service factory.

Customers who act in uncooperative or abusive ways are a problem for any organization. Firms that fail to deal effectively with customer's misbehaviour, risk damaging their relationship with all the other customers they would like to keep because this customer, this abusive customer is, is destroying the experience of other customers also. So, there is a risk that other customers would also leave this company.

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SEVEN TYPES OF JAYCUSTOMERS

- **3) The Rulebreaker-**
 - Just as highways need safety regulations (including “Don’t Jaywalk”), many service businesses need to establish rules of behavior for customers to guide them safely through the various steps of the service process.
 - Air travel provides one of the best examples of rules designed to ensure safety.
 - How should a firm deal with rulebreakers? In the case of legally enforceable ones i.e theft, bad debts, or trying to take guns on an aircraft the courses of action need to be laid down explicitly to protect employees and to punish or discourage wrongdoing by customers.

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So, there are 7 type of jaycustomers, the first is The Cheat. Cheating ranges from writing complaint letters with the sole purpose of exploiting service recovery policies and cheating on service guarantees, to inflating or faking insurance claims and “wardrobing” that is using an evening dress or tuxedo for an evening and then returning it back to the retailer. The second is The Thief. The thief jaycustomer has no intentions of paying and sets out to steal goods and services or to pay less than full price by switching price tickets, or contesting bills on baseless grounds.

The third is the Rule breaker. Just as highways need safety regulations, including “do not jaywalk”, many service businesses needs to establish rules of behaviour to guide them safely through the various step of the service process. Air travel provides one of the best example of rules designed to ensure safety. How should a firm deal with rule breakers? In the case of legally enforceable ones like theft, bad debts, or trying to take guns on an aircraft the course of action need to be laid down explicitly to protect employees and to punish or discourage wrongdoing by the customers.

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SEVEN TYPES OF JAYCUSTOMERS

Other Customers Safety

Dangerous skiers are rule breakers who pose a danger to others and need to be policed

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In this picture, dangerous skiers are rule breakers who pose a danger to others and need to be policed. So this, these kind of, this kind of behaviour can affect the safety of other customers also.

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SEVEN TYPES OF JAYCUSTOMERS


- **4) The Belligerent-**
 - You've probably seen him (or her) in a store, at the airport, in a hotel or restaurant — red in the face and shouting angrily, or perhaps icily calm and mouthing insults, threats, and obscenities.
 - If an employee lacks the power to resolve the problem, the belligerent may become angrier still, even to the point of physical attack.

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The fourth type of jaycustomers are The Belligerent. You have probably seen him or her in a store at the airport, in a hotel, or a restaurant, red in the face and shouting angrily, or perhaps icily calm and mouthing insults, threats, and obscenities. If an employee lacks the power to resolve the problem, the belligerent may become angrier still, even to the point of physical attack.

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SEVEN TYPES OF JAYCUSTOMERS



Confrontations between customers and service employees can easily escalate


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So, this is what is happening, confrontations between customers and service employee can easily escalate. So, there are these employees and here is this customer and they are both throwing things at each other.

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SEVEN TYPES OF JAYCUSTOMERS

- **5) The Family Feuders-**
 - People who get into arguments with members of their own family — or worse, with other customers — make up a subcategory of belligerents we call “family feuders”.
 - Employee intervention may calm the situation or actually make it worse.
 - Service managers in these situations need to be prepared to think on their feet and act fast.




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The fifth type are The Family Feuders, people who get into argument with members of their own family, or worse with other customers, make up a subcategory of belligerents we call “family feuders”. Employee intervention may calm the situation or actually make it worse. Service managers in this situation need to be prepared to think on their feet and act fast.

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SEVEN TYPES OF JAYCUSTOMERS

- **6) The Vandal-**
 - Vandals are basically paying customers who choose to misbehave.
 - Alcohol and drugs are sometimes the cause, at other times psychological problems may contribute, and carelessness can play a role.
 - There are also occasions when unhappy customers, feeling mistreated by the service firm, try to take revenge in some way.
 - The best cure for vandalism is prevention. Improved security discourages some vandals.
 - Good lighting helps, as well as open design of public areas.




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The sixth category is The Vandals. So, vandals are basically paying customers who choose to misbehave. Alcohol and drugs are sometimes the cause, at other times psychological problems may contribute, and carelessness can play a role. There are also occasions when unhappy customers, feeling mistreated by the service firm, try to take revenge in some way. The best cure for vandalism is prevention, improved security discourages some vandals. Good lighting helps, as well as open design of public space, areas.

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SEVEN TYPES OF JAYCUSTOMERS



Installing surveillance cameras in public car parks can discourage vandalism


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So, this is installing surveillance cameras in public park can discourage vandal, vandalism.

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SEVEN TYPES OF JAYCUSTOMERS

- **7) The Deadbeat-**
 - Leaving aside those individuals who never intended to pay in the first place (our term for them is “the thief”), there are many reasons why customers fail to pay for services they have received.
 - Deadbeat are the ones who delay payment.




IT ROORKEE NPTEL ONLINE CERTIFICATION COURSE 30

And the last type of jaycustomers are The Deadbeat. Leaving aside those individuals who never intend to pay in the first place, our term for them is the thief, there are many reasons why customers fail to pay for services they have received. Deadbeats are the ones who delay payment.

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CONSEQUENCES OF DYSFUNCTIONAL CUSTOMER BEHAVIOR

- Dysfunctional customer behavior affect frontline staff, other customers and the organization itself.
- Staff morale can be hurt, with implications on both productivity and quality.
- Consequences for customers can take both positive and negative forms.
- Companies suffer financially when demotivated employees no longer work as efficiently and effectively as before.




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Now, consequences of dysfunctional customer behaviour. The first is that this behaviour affects frontline staff, other customer, and the organization itself. Staff morale can be hurt, with implications on both productivity and quality. Consequences for customers can take both positive and negative forms. Companies suffer financially when demotivated employees no longer work as efficiently and effectively as before.

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DEALING WITH CUSTOMER FRAUD

- Dishonest customers can take advantage of generous service recovery strategies, service guarantees. They may -
 - *steal from the firm,*
 - *refuse to pay for the service,*
 - *fake dissatisfaction,*
 - *purposefully cause service failures to occur, or*
 - *overstate losses at the time of genuine service failures.*




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Now, how to deal with customer fraud. Dishonest customers can take advantage of generous service recovery strategies, service guarantee. They may steal from the firm, refuse to pay for the service, fake dissatisfaction, purposefully cause service failures to occur, or overstate losses at the time of genuine service failures.

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DEALING WITH CUSTOMER FRAUD

- What steps can a firm take to protect itself against opportunistic customer behaviors?
- Treating customers with suspicion is likely to alienate them, especially in situations of service failure.
- However, it is crucial to keep track of customers who repeatedly "experience service failures" and ask for compensation, or invoke firm's service guarantee.

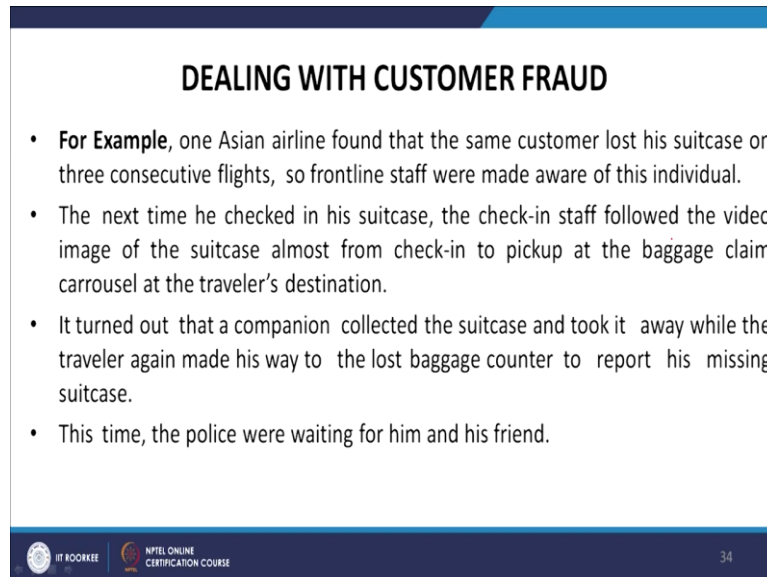


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What step can a firm take to protect itself against opportunistic customer behaviour? Treating customers with suspicion is likely to alienate them, especially in situations of service failure. So, not all customers can be, can be wrong. However, it is crucial to keep track of customers who repeatedly experience service failures and ask for compensation, or invokes firm's

service guarantee. So, those people who are doing it all the time, every time, so the company has to be aware of that and take care of these kind of customers.

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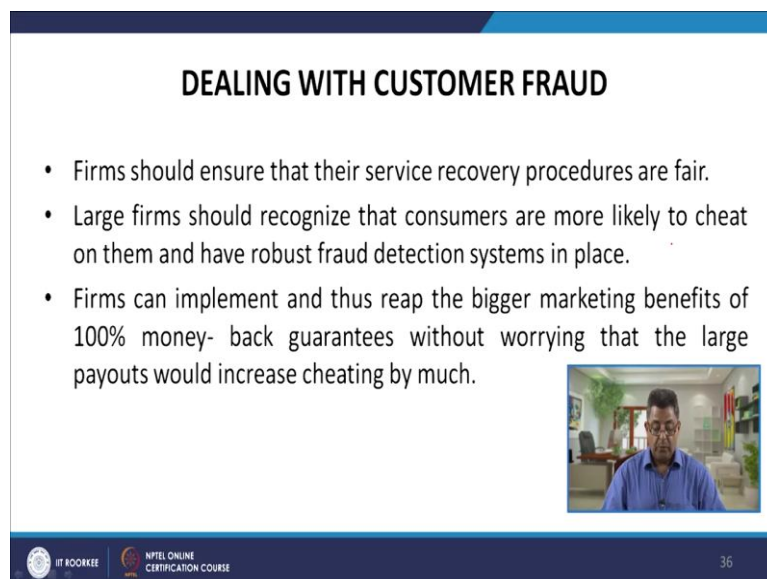
DEALING WITH CUSTOMER FRAUD

- **For Example**, one Asian airline found that the same customer lost his suitcase on three consecutive flights, so frontline staff were made aware of this individual.
- The next time he checked in his suitcase, the check-in staff followed the video image of the suitcase almost from check-in to pickup at the baggage claim carousel at the traveler's destination.
- It turned out that a companion collected the suitcase and took it away while the traveler again made his way to the lost baggage counter to report his missing suitcase.
- This time, the police were waiting for him and his friend.

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For example, one Asian airline found that the same customers lost his suitcase on three consecutive flights, so frontline staff was made aware of this individual. The next time he checked in his suitcase, the check-in staff followed the video image of the suitcase almost from check-in to pick up at the baggage claim at the traveller's destination. It turned out that the, that a companion collected the suitcase and took it away while the traveller again made his way to the lost baggage customer to report his missing suitcase. This time, the police were waiting for him and his friend.

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DEALING WITH CUSTOMER FRAUD

- Firms should ensure that their service recovery procedures are fair.
- Large firms should recognize that consumers are more likely to cheat on them and have robust fraud detection systems in place.
- Firms can implement and thus reap the bigger marketing benefits of 100% money- back guarantees without worrying that the large payouts would increase cheating by much.

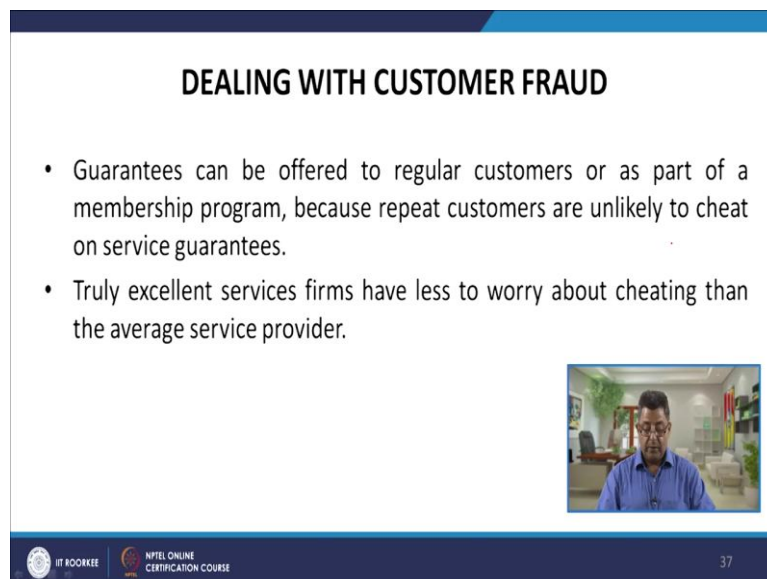


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To be able to effectively detect consumer fraud, maintaining a central database of all compensation payments, service recoveries, returned goods and any other benefit given to customer based on special circumstances are needed. It is important to merge customer data across departments and channels for detecting these unusual transactions. Research has shown that customers who think they were treated unfairly in any way are much more likely to take advantage of a firm's service recovery effort.


Firms should ensure that their service recovery procedures are fair. Large firms should recognize that customers are more likely to cheat on them and have robust fraud detection system in place. Firms can implement and thus reap the bigger marketing benefit of 100 percent money back guarantees without worrying that the large pay-outs would increase cheating by much more.

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DEALING WITH CUSTOMER FRAUD

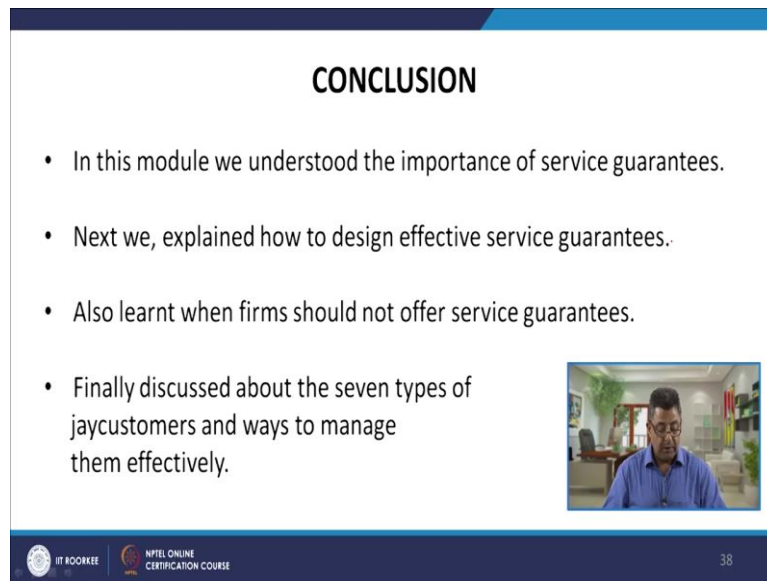
- Guarantees can be offered to regular customers or as part of a membership program, because repeat customers are unlikely to cheat on service guarantees.
- Truly excellent services firms have less to worry about cheating than the average service provider.



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Guarantee can be offered to regular customers or as part of a membership program, because repeat customers are unlikely to cheat on service guarantees. Truly excellent services firms have less to worry about cheating than the average service providers.



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CONCLUSION

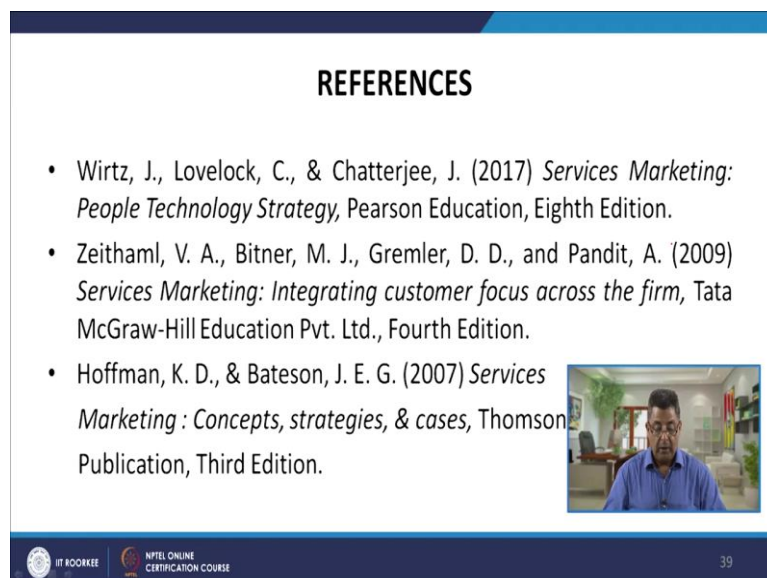
- In this module we understood the importance of service guarantees.
- Next we, explained how to design effective service guarantees.
- Also learnt when firms should not offer service guarantees.
- Finally discussed about the seven types of jaycustomers and ways to manage them effectively.



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So, to conclude, in this module we have understood the importance of service guarantees. Next, we have explained how to go about designing an effective service guarantee. We have also learnt when firms should offer the service guarantee and when they should not offer service guarantee, for which firms it is important, for which firms it is not, and how to make this service guarantee and in what situation to make it this service guarantee as, as a sustainable competitive advantage. Finally we have discussed about the 7 types of jaycustomers and way to manage them effectively.



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And these are the 3 books from which the material for this module was used. Thank you.