

Strategic Services Marketing
Prof. Kalpak Kulkarni

Department of Management Studies,
Indian Institute of Technology, Roorkee

Week – 03

Lecture - 14

Managing Service Failures and Service Recovery Strategies

Hello everyone. If we employ more innovation and collaboration to develop services, there is always a possibility of having service failures. And that also calls for having some service recovery mechanism or strategies ready to deploy. So, in this lesson, let's understand the management of service failures and service recovery strategies. Service failure refers to instances where a business or service provider falls short of meeting customer expectations, resulting in a negative experience for the customer. These failures can manifest in various forms such as errors in delivery, lapses in communication or the inability to meet promised service standards.

Why understanding or addressing service failures is important for service provider? The first reason is of course, to address or to go for customer retention. Service failures if unaddressed can lead to customer dissatisfaction and a potential loss of loyalty. Addressing failures promptly is crucial to retaining customers and preventing them from seeking alternatives. Then comes brand reputation.

Unresolved service failures can damage a brand's reputation as negative experiences are often shared through word of mouth and online reviews. Proactive resolution contributes to positive word of mouth and helps protect the overall brand image for the service provider. Next is customer lifetime value. Effectively addressing service failures can enhance customer lifetime value by demonstrating a commitment to customer satisfaction. Satisfied customers are more likely to remain loyal and contribute to long-term revenue.

Then comes competitive advantage. Businesses that handle service failures will gain a competitive advantage by differentiating themselves through superior customer service. Customers are more likely to choose a provider that addresses issues promptly and effectively. Why it is important to address service failures but there can be again a multiple of reasons. For example, customer satisfaction.

Service failures have a direct impact on customer satisfaction as they represent a deviation from expected service quality. Unresolved failures can lead to lasting dissatisfaction affecting overall customer perception. For example, a customer orders a product online with guaranteed two-day delivery. However, the product arrives a week later. The delayed delivery is a service failure and if the issue is not addressed promptly with a sincere apology and resolution, the customer satisfaction will decline significantly.

Next is trust and loyalty. Trust is eroded when service failures occur and customers may question the reliability of the service provider. Timely resolution and effective communication contribute to rebuilding trust and fostering customer loyalty. For example, a hotel promises a room with a specific view as per the customer's reservation. Upon check-in, the room does not match the description.

If the hotel quickly acknowledges the error, apologizes and upgrades the customer to a room with a promised view, let us say pool view or balcony view or something like that, it helps rebuild the trust and fosters loyalty as well. Third importance is due to the effect on customer experience. Service failures significantly influence the overall customer experience. Addressing failures positively contributes to a more favorable customer journey and strengthen the overall customer relationship. For example, a telecommunication company experiences a technical glitch that disrupts internet services for several customers.

Effective communication about the issue, regular updates on the resolution progress and compensatory measures such as discounts or even additional data can mitigate the negative impact on the overall customer experience. Finally, addressing service failures is important with respect to having or expecting repeat businesses. Customers who experience successful service recovery are more likely to continue doing business with the company. Positive service recovery can turn negative experience into an opportunity to strengthen the customer-provider relationship. For example, a restaurant makes an error in a customer's order, resulting in dissatisfaction.

However, the restaurant promptly rectifies the mistake by offering a complimentary dessert and ensuring the correct order is provided. The positive service recovery turns the initial negative experience into an opportunity to win back that particular customer, increasing the likelihood of repeat business. Now let's understand the types of service failures that might happen or might take place. There are five types of service failures, tangible service failures, intangible service failures, process related failures, employee related failures and systemic failures. First one here is tangible service failure.

These are the failures related to the physical aspect of the service that customers can perceive. For example, a hotel room is not properly clean with visible stains on the sheets and an unpleasant odor. This tangible failure negatively impacts the customer's

perception of the service quality. Second type of service failure is intangible service failure. This means the failures that occur in aspects of the service that are not physically observable, but are experienced by the customer.

For example, a software company releases an update with numerous bugs affecting the functionality of the application. Users may not see the issues, but they experience the intangible failure through software malfunctions. Third type of service failure are called as process related failures. Failures that arise from flaws or inefficiencies in the service delivery process. For example, an airline experiences delays and cancellations due to a breakdown in its scheduling and operational processes.

Passengers here are inconvenienced and the failure is process related. Next type called as employee related failure. Failures attributed to the actions or even behavior of employees providing the service. For example, a restaurant server is rude and inattentive to customers, leading to a poor dining experience. The failure is directly linked to the behavior of the employee providing the service.

And final type is called as systemic failures. The failures that result from issues within the broader systems or structures of the organization. For example, an online banking system experiences a security breach compromising customer data. The failure is systemic as it involves a breakdown in the overall security infrastructure of the banking system. These examples illustrate how service failures can manifest in different dimensions, whether they are tangible, intangible, process related, employee related or even systemic.

Identifying the type of failure is crucial for implementing the effective service recovery strategies tailored to address that particular specific nature of the problem. Now let's understand some common causes of these failures. Five main reasons or causes for service failures are communication breakdowns, employee training and development issues, operational inefficiencies, technological glitches and unmet customer expectations. Let's discuss these in detail. First here is communication breakdown.

These are failures arising from breakdowns or gaps in communication between different stages of service delivery or among employees. For example, a customer orders a customized product online, specifying certain features. However, due to a communication breakdown between the sales and production teams, the product is manufactured with incorrect specifications, leading to customer dissatisfaction. Second cause can be employee training and development issues. These are the failures attributed to inadequacies in employee training, knowledge or skills necessary to perform their role effectively.

For example, in a retail setting, an employee lacks sufficient knowledge about the product offerings, resulting in inaccurate information provided to customers. Proper

training would ensure employees are well informed and capable of assisting customers effectively. Third cause is due to operational inefficiencies. These are the failures stemming from inefficiencies in the overall operational processes of the organization affecting the smooth delivery of services. For example, a restaurant experiences delays in serving meals due to inefficient kitchen processes, leading to longer waiting times for customers and streamlining kitchen operations can address operational inefficiencies and enhance customer delivery.

Fourth reason is because of technological glitches. These are the failures arising from technical issues, malfunctions or glitches in the systems and technologies used to deliver services. For example, an e-commerce platform experiences a website crash during a major sale event, preventing customers from completing transactions. Technological glitches can disrupt service delivery and negatively impact the customer experience. And final cause for service failures are unmet customer expectations.

These are the failures resulting from a misalignment between customer expectations and the actual service delivered. For example, a hotel advertises free Wi-Fi for guests, but the service is slow and unreliable. This failure occurs when the customer's expectations of a seamless Internet experience is not met, leading to dissatisfaction. Addressing these common causes that we have learned in the aspect of service failures requires organizations to implement strategies such as improved communication channels, comprehensive employee training programs, streamlined operational processes, robust technology maintenance, and a clear understanding of customer expectations. By identifying and rectifying these root causes, businesses can enhance service quality and customer satisfaction.

Whenever service failure happens, the next stage is whether the customers are complaining about it or not. So let's understand why do customers complain? There are four primary reasons when customers choose option to complain to the service provider. These are seeking restitution or compensation, maybe because of anger, maybe the customers want to improve the services further, or altruism that they want to help other people also. Let's discuss these particular reasons for customer's complaint behavior in detail. First here is restitution or compensation.

Customers may complain when they perceive a gap between their expectations and the actual service received. Seeking restitution or compensation is a common motivation behind complaints, especially when customers feel they have experienced a service failure or received sub-par service. For example, a customer who received a damaged product during shipping may file a complaint to seek compensation, such as a refund or a replacement of that particular item. Second reason is because of anger. Customers often express their dissatisfaction through complaints when they experience emotions such as anger.

Service failures, unmet expectations, or perceived mistreatment can trigger this emotional response, leading customers to voice their discontent. For example, a delayed flight that causes a passenger to miss an important event might elicit anger, prompting the passenger to complain about the airline service. Third reason is improve service. Some customers file complaints not only to address their individual concerns, but also with the intention of prompting improvements in the particular overall service. They see their feedback as a valuable contribution to the enhancement of service quality.

For example, a customer who provides detailed feedback about difficulties navigating a website may hope that the company uses the input to make user-friendly improvements in their website. And final reason is altruism. Customers may file complaints out of a sense of altruism, where they want to prevent others from experiencing the same issues. By highlighting problems, these customers aim to contribute to the overall improvement of service for the benefit of the broader customer base. For example, a hotel guest who encounters unsatisfactory cleanliness conditions might file a complaint not only for personal resolution, but also to ensure the hotel addresses these issues for future guests as well.

Understanding these motivations for customer complaints is crucial for businesses in developing effective service recovery strategies. By addressing the root causes and responding appropriately, organizations or service providers can not only resolve individual issues, but also improve overall service quality and customer satisfaction. Now, once we have understood why customers complain, there are still some customers who always don't complain. So, why do not unhappy customers complain? Here again there are four reasons, time, uncertainty, the right place to complaint and the perceptions and social norms.

Let's discuss these one by one. First is time, unhappy customers may choose not to complain due to a perceived lack of time. They may view the process of filling a complaint as time consuming, especially if it involves navigating through customer service channels or completing lengthy forms. For example, a busy professional who encounters an issue with an online purchase might opt not to complain because they believe resolving the matter would require too much of time. Second reason is uncertainty, some customers may feel uncertain about the effectiveness of complaining or doubt that their concerns will be adequately addressed. This uncertainty may stem from previous negative experiences with the customer service or a lack of confidence in the company's responsiveness.

For example, a customer who has complained in the past without a satisfactory resolution may hesitate to voice new concerns due to uncertainty about whether the company will address the issue or not. Next is the right place to complain, customers

might refrain from complaining because they are unsure about where and how to express their dissatisfaction. Lack of clarity on the appropriate channels or fear of getting caught in the bureaucratic processes can deter customers from filing complaints. For example, a customer facing issues with a mobile app may be unsure whether to contact customer support, use an online form or reach out through social media leading to inaction. And final reason is perceptions and social norms.

Social norms and perceptions about complaining can influence customer behaviour. Some individuals may avoid complaining to maintain a positive social image or because they believe expressing dissatisfaction is socially undesirable. For example, in a culture where complaining is often pursued as confrontational or impolite behaviour, customers may choose not to complain even when they are dissatisfied, opting instead to discontinue using that particular service or service provider. Understanding these reasons that why unhappy customers may not complain is essential for businesses aiming to improve customer satisfaction. So, after lodging complaint or whatever decision customer takes, there are certain customer responses to service failures.

Wiltz and Lovelock have given this framework to understand customer responses to service failures. So, when there is a negative or unsatisfactory service encounter, customer choose one of the three actions. First take some form of public action, wherein he will engage in terms of three actions. Three possible actions are first complaint to the service firm, second complaint to a third party or let's say regulator or something like that and third take legal action to seek redressal. Second option a customer can choose is in terms of private action.

For example, he might switch to another service provider which you call as defect or the second private action can be spreading negative word of mouth for that particular service provider. So, this is the second strategy. And finally, the third option customer can choose is to take no action at all. With respect to public response, customers choose to express their dissatisfaction openly and publicly sharing their negative experiences with others. This can be done through social media platforms, online reviews or even public forums.

For example, a customer tweets about a delayed flight expressing frustration and disappointment with the airline service. Second is a private response or private action. Customers opt for more private approach to address their dissatisfaction. They may communicate directly with the company through customer service channels, email or phone calls. Keeping the feedback and resolution process confined to a more personal interaction.

For example, a customer sends an email to the customer support team detailing an issue with the product and requesting a resolution. And of course, the last one is the no action.

Some customers may choose not to take any specific action in response to a service failure. They may decide to silently accept the subpar service or for various reasons may be unwilling or unable to voice their dissatisfaction. For example, a customer experiences a minor inconvenience in a restaurant but decides not to complain or provide feedback, choosing instead to avoid confrontation.

Understanding these response categories is crucial for service providers in managing service failures effectively. Service providers can proactively encourage customers to provide feedback through designated channels, respond promptly to public complaints and create customer centric culture that encourages open communication to address these kind of issues. After understanding service failure, now let us move on to the next concept that is service recovery. What is service recovery? Service recovery is a term used to describe the systematic efforts made by a firm or service provider to correct a problem following a service failure and retain customer's goodwill. The important concept under service recovery is service recovery paradox.

What does this mean? It is the phenomena 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 in an airport and find that they lost their confirmed seat due to overbooking. To recover the service, the airline upgrades the passenger to a business class seat at no additional charge. The customer ends up being delighted, not just satisfied and even more satisfied than before the problem had occurred. Moving on to the next, let's try to understand the effective service recovery system.

Whitson-Lavlock again provided this framework that talks about the effective service recovery system. The framework says one should start with having effective complaint handling process followed by identifying service complaints, resolving those complaints effectively and then learning from the recovery experience. And whatever the feedback that is generated has to go back to the system or the provider again to do the job right time next time as well. So how can managers overcome unhappy customers reluctance to complain about service failures? The best way is to address the reasons for their reluctance directly. Following table gives an overview of potential majors that can be taken to overcome the barriers.

So the first task or first major task here is to make it easy for your customers to give feedback. For example, this table provides two columns. In first we are having complaint barriers for dissatisfied customers like why some dissatisfied customers are not taking an option to complain. First reason can be inconvenience, second can be doubtful payoff and third can be unpleasantness associated with complaining behavior. In order to address the first reason that is inconvenience where customers face it difficult

to find the right complaint procedure or they think that there is effort involved in this process.

What strategy service provider can perform? First they should try to make feedback easy and convenient to collect. Second reason can be doubtful payoff where customers are uncertain whether any or what action will be taken on their complaints or not. Here firms should reassure customers that their feedback will be taken seriously and payoff. And the third reason is unpleasantness. For example, fear of being treated rudely, fear of being hassled or even feeling embarrassed.

To address this kind of complaint barriers, firms should make providing feedback a positive experience. For example, allow for anonymous feedbacks or even thank customer for their feedback so that they can try to complain again whenever there is a service failure. Now let's look at the second most important factor that is enabling effective service recovery. To be effective a service recovery processes should be proactive, planned, trained and empowered.

Let's look at these in detail. First service recovery should be proactive. What does this mean? Service recovery is ideally initiated on the spot, preferably before customers have a chance to complain. Service personal or employee should be sensitive to signs of dissatisfaction so that they can ask whether customers might be experiencing a problem. For example, the waiter may ask guest who has only eaten half of his dinner, is everything alright sir? Or the guest may reply, yes thank you I am not very hungry or he might reply like the steak is well done, but I have asked only for medium rare. The second response given by the customer gives the waiter a chance to recover the service rather than have an unhappy diner leaving the restaurant and not coming back again.

Second 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. To simplify the task of frontline staff, firms should identify the most common service problems, for example overbooking, and then develop solution sets for employees to follow. Another example, in a contact centers, the customer service representatives prepare scripts to guide them in a service recovery situation. Third and important criteria is to have the recovery skills must be taught to your employees.

As a customer, you may quickly feel insecure at the point of service failure because things are not turning out as you had expected. So you look for an employee for assistance, but are the employees willing and able to help you? Effective training on how to handle recovery solution sets for routine service failures as well as non-routine ones builds confidence and competence among frontline staff, enabling them to turn

distress into delight. And finally, 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. This is especially true for out of the ordinary failures for which a firm may not have developed and trained solution sets.

Service employees need to be able to make decisions and spend money in order to resolve service problems promptly and recover customer goodwill. In terms of how employees can be empowered to take care or design a service recovery system, here is a video that talks about the best service recovery story you can heard ever. Have a look at this particular video. Sometimes bad stuff happens, even to the greats, the Ritz-Carlton's, the Amazons, the Apples of the world, sometimes things go south and there's a customer experience failure. But what makes these companies different is they recognize that they need not resign themselves in the face of a failure like that to creating a brand terrorist or even a dissatisfied customer.

What they recognize is that if they overcorrect on the recovery, if they knock the ball out of the park on the recovery, that they can actually create a peak in the experience that eclipses the negativity of the failure itself. And it's been shown in studies that if you do this well, you sometimes can actually create a more loyal customer after the failure and recovery than you had before. So the story I'm going to tell you to illustrate this, I like to leave it at for last because not only does it illustrate this principle, it actually illustrates some of the others we've talked about, things like advocacy, stirring emotion. And I can tell you this is a true story because it happened to me.

It's a personal story. And it goes back to when I was an executive at a Fortune 100 insurance company. And this company, like I'm sure you're familiar with, some of your companies probably do it, each year they hold a big event for their top performing producers. And it was a really big deal. This one was being held at the Ritz-Carlton in Naples, Florida.

The CEO was going to be there. The board of directors was going to be there. They had arranged a black tie formal dinner for one night of the event. And you know, with black tie dinners, for guys it's easy. If you own a tux, you take it out of the closet.

If you don't, you rent one. But for women, it's a lot more difficult. And my wife was actually accompanying me on the trip. And so she was stressing for weeks before trying to find the perfect formal evening gown to wear to this black tie event.

And she finally found something. And she bought it. She bought this dress. She bought accessories and some shoes to go with it. She came home. She was so excited she was going to look beautiful at the black tie dinner. So the time came for the conference.

We flew down from Connecticut, where we lived, down to Naples, Florida. And we're unpacking our bags in our hotel room. And my wife discovers that her formal evening gown got all wrinkled in transit. So she sends it out to the Ritz-Carlton dry cleaning service.

Well, it comes back the next day. And I kid you not, it's the size of a Barbie doll. Now, I am not a woman. But to hear my wife tell this story, this is the doomsday scenario. It does not get worse than this. This is even worse than showing up at the event and seeing somebody wearing the same dress. Because the event is just a few days away, and my wife has absolutely nothing to wear now.

And she is freaking out with a capital F. So I call down to the Ritz-Carlton front desk, and I ask to speak to the hotel manager. He gets on the phone, and I explain to him the situation. And I'll never forget what he said to me.

He said, Mr. Pico, I am going to take care of this for you. Now, let's just pause there for a moment. How often is it when interacting with a business that you hear somebody take that level of ownership? Utter those words. Not just utter those words, but mean those words.

Not just mean those words, but deliver on those words. But boy, did he deliver. Because the next thing I know, he had arranged for a limo to pick up my wife and to take her to the local high-end shopping mall in Naples, where there were stores like Neiman Marcus, Saks, Nordstrom. And they had arranged for a personal shopper to greet her at every store, spend as much time as she needed to find a new formal evening gown. She was out all day.

She finally found a gown she fell in love with at Nordstrom. She bought it. She bought some shoes and accessories to go with it. She came home, and she came back to the hotel room, and she was just thrilled.

She felt so much better. She was excited for the event. Again, she was going to look beautiful. Here's the kicker. Ritz-Carlton paid for the whole thing. They paid for the limo to take her to the shopping malls.

They paid for the dress, the accessories, the shoes. They paid for it all. Pretty impressive service recovery, right? Wait, it gets better. So it's the night of the event.

The event starts at 6 o'clock. We're in our room. It's about 5 o'clock. I'm getting dressed on this side of the room. My wife's getting dressed on the other side of the room. I'm putting on my tux. Suddenly I hear an audible gasp from the other side of the room. I go over to my wife and I say, Rebecca, what's the matter? She points down to the

bottom of her evening gown and says, John, Nordstrom forgot to remove the anti-shoplifting ink cartridge.

It's still on the dress. Well, quick thinking husband that I am, I said to her, Becca, don't worry about it. Nobody will notice it.

She didn't buy that. She didn't buy that. So what do I do? I pick up the phone. I call to the front desk. I ask to speak to the Ritz-Carlton Hotel manager.

He gets on the line. I tell him what's going on. What does he say to me? Mr. Pico, I am going to take care of this for you. 20 minutes later, there's a knock at our hotel room door. I open it up. It's the Ritz-Carlton Hotel manager. And there beside him is the Nordstrom employee who he summoned from the store with the ink cartridge removal device.

The Nordstrom employee kneels down before my wife, clips off the ink cartridge. There's no hole in her dress. There's no ink spillage. We've got 20 minutes to spare.

Pretty cool service recovery, wouldn't you say? Wait, it gets better. We go down to the event. It starts at 6. We're there a few minutes early. We find our table seating assignment. And we go and we sit down at our table. And I have my head down looking at the menu, deciding what I'm going to order that evening.

And suddenly, I hear clapping. And I look up. And there at the end of the table is the Ritz-Carlton Hotel manager and members of his staff, clapping, applauding in admiration of how beautiful my wife looks. It was like that scene from the movie *Pretty Woman*. Do you remember that? Julia Roberts had to get an evening gown for Richard Gere's event.

And she went out. She came back to the hotel. And the hotel manager was there giving her a standing ovation with his staff. That actually happened to me and my wife. Pretty cool service recovery, right? That's the end of the story.

It doesn't get better than that. But I don't just want this to be an entertaining tale for you. Here's what I want you to take away from it. I want you to think about what was going through the head of that Ritz-Carlton Hotel manager. Because at some point in this process, he ceased to focus on the mechanics of the experience, the mechanics of the recovery.

How do I fix Mrs. Pico's dress? Or how do I get her a new one? At some point, he stopped focusing on that. And he started to focus on something along the lines of this. In light of the circumstances, how do I make Mr. and Mrs. Pico feel special? And that

must be when he came up with this brilliant idea to go down to the event with his staff and to give my wife a standing ovation.

And it was sheer brilliance. Because by virtue of doing that, he made sure that wherever in the world I go and I tell this story, I'm telling a story not about how Ritz-Carlton shrunk my wife's evening gown to the size of a Barbie doll. I'm telling a story about how Ritz-Carlton engineered the greatest service recovery in the history of the world. And I just add to the aura and legend around Ritz-Carlton. But here is my counsel to you. My counsel to you is that any day of the week, you and your colleagues can embrace the same approach as this Ritz-Carlton hotel manager, focusing not just on the mechanics of the experience you're delivering, but also thinking in terms of, how do I make my customer feel special? It makes all the difference.

Going next, the final and most important thing is to establish appropriate compensation levels. This means addressing two questions. How much compensation should a firm offer when there has been a service failure? And second one, would an apology be sufficient instead? The following rule of thumb can help managers to answer these questions. First question is, what is the positioning of your firm? If a firm is known for service excellence and charges a premium price for quality, customers will expect service failures to be rare. The firm should therefore make a demonstrable effort to recover the few failures that do occur and be prepared to offer something of significant value.

However, in a mass market business, customers are likely to accept an apology and a rework of the service is okay with them. Second question to consider is, how severe was the service failure? The general guideline is, let the punishment fit the crime. Customers expect little for minor inconveniences. For example, a sincere apology will do. But a much more significant compensation is required if the failure caused major damage in terms of time, effort, annoyance, or even anxiety. And the third important question is, who is the affected customer? High spending customers typically have higher expectations, warranting dedicated efforts to retain their business.

On the contrary, one-time customers usually exhibit lower demands and possess lesser economic significance for the company. While compensation for this latter may be less, it should still be equitable. It's important to acknowledge the potential that a first-time customer may transition into repeat customer through positive and considerate treatment. Another important concept under developing effective service recovery system is offering service guarantees. What are these service guarantees? Service guarantee is a promise that if a service delivery fails to meet predefined standards, the customer will be entitled to one or more forms of compensation, such as an easy-to-claim replacement, or refund, or even a credit.

So, let's discuss the power of service guarantees. Guarantees force firms to focus on what their customers want and expect in each element of the service. Guarantees set clear standards telling customers and employees alike what the company stands for. Service guarantees require the development of systems for generating meaningful customer feedback and acting on it. Next, service guarantees force service organizations to understand why they fail and encourage them to identify and overcome potential fail points. And finally, service guarantees build marketing muscle for that particular service provider by reducing the risk of the purchase decision and building long-term loyalty.

So, how to design service guarantees? These are some criteria that qualifies to say a good service guarantee development. First, service guarantees should be unconditional. Whatever is promised in the guarantee must be totally unconditional, and there should not be any element of surprise for the customer. Guarantees should be easy to understand and communicate. The customer must be clearly aware of the benefits that can be gained from that particular service guarantee.

Third, service guarantees should be meaningful to the customer. The guarantee must be on something that is important to the customer, and the compensation should be more than adequate to cover the service failure. Next, design service guarantees should be easy to invoke. It should be easy for the customer to invoke the guarantee or claim the guarantee. Next, guarantee should be easy to collect on.

If a service failure occurs, the customer should be able to easily collect on the guarantee without any problems. And finally, the service guarantees should be credible. The guarantee should be believable by your customers. After learning service failures and service recovery systems, there's one still question persist. Are all the complaints honest? No, not all complaints are honest. When firms have general service recovery policies or offer guarantees, there is always the fear that some customers may take advantage of them.

Moreover, not only complaining customers are right or reasonable in their behavior, and some may actually be the cause of complaints by the other customers. We refer to these kind of people or customers as JI customers. What is a JI customer or what are these JI customers are? These are the customers who intentionally act in a thoughtless or abusing manner, causing problem for the company. Wits and Lovelock identified seven different types of JI customers.

These are the cheat or cheaters, the thief, the rule breakers, the belligerents, the family feuders, the vandals, and the deadbeat. What they are, let's understand. First one is the cheat or the cheaters. There are many ways in which customers can cheat service firms. 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 even wardrobing, for example, using an evening dress or tuxedo for an evening and then returning it to the retailer.

So that's called as a wardrobing. And these customers who follow these practices are called as the cheaters. Second type of JI customer is thief. The thief JI customer has no intention 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 the baseless grounds. Shoplifting is a major problem in the retail store. Riding free on public transportation, sneaking into movie theaters and not paying for restaurant meals are also popular examples of this type of JI customer, that is thieves.

Next type of JI customers are rule breakers. Many service businesses need to establish rules for behavior of customers to guide them safely through the various steps of the service process. Rules set by service firms facilitate smooth operations, avoid unreasonable demands on employees, prevent misuse of product and facilities and protect the firms legally and discourage individual customers from misbehaving. Ski resorts, for example, are getting tough on careless skiers who pose risk to themselves as well as other customers. Next type of JI customer is the belligerent ones. You have probably seen them shouting angrily in a store, at the airport or in a hotel or restaurant or perhaps with insults, threats and even obscenities.

Service personnel are often abused even when they are not to blame. If an employee lacks the power to resolve this kind of problem, the belligerent may become madder still even to the point of physical attack. Next comes the family feuders. The members of their own family or worse with other customers make up a subcategory of belligerent ones, which are keep fighting with their own family members affecting the overall customer experience for other customers in that particular service scape or service environment. Next comes vandals. These people do activities like pouring soft drinks into bank cash machines, burning holes from cigarette's car into carpets, table clothes and bed covers, slashing the bus sets and even the furniture, breaking it down, customer's cars or even vandalizing these cars and vehicles.

Next comes the deadbeat. They are the ones who delay payment. A growing number of firms insist on prepayment because of these deadbeats. Any form of ticket sale is a good example of this. Direct marketing organizations ask for your credit card number as they take your order. The next best thing is to present the customer with a bill immediately on completion of a service. So, this is the way to avoid or kind of confront these deadbeaters.

So, how to deal with these type of J customers? First, try to spot them ahead of time. Second, have your employees or managers well trained to address or handle these kind of customers. Third, understand what is the conflict is all about and then try to solve that

particular conflict. Keep your most important customers or patrons away from these kind of customers.

Next, prepare ahead of time when you are expecting that some issues are getting escalated. Plan it well in advance. Next, introduce the prepayment plans to avoid some of these kind of J customers. And finally, improve on your security, offering safety to your employees as well as other customers in the process. So, in this lesson, we tried to understand the concept of service failures, service recovery strategies and even J customers and others and try to see how to manage these kind of aspects in the context of services marketing. Thank you.