

Chapter 13: Complaint Handling And Service Recovery

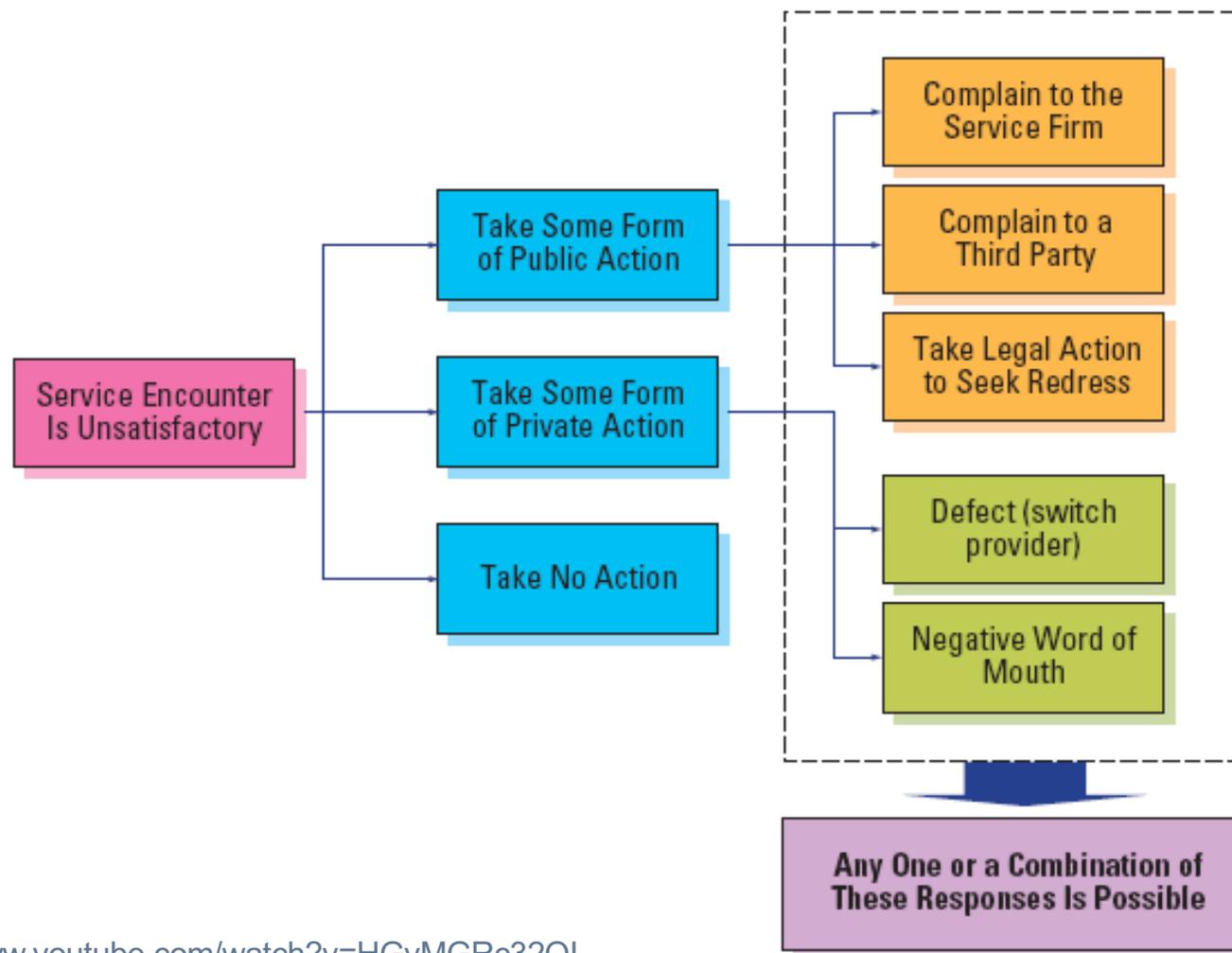


Recap

- **Which week of the course are we?**
- **Which part of the book?**
- **Why is customer loyalty important?**
- **Why are Customers Loyal?**
- **Describe the wheel of loyalty**

**Have you ever complained
about a service?
What did you do?**

Customer Response Categories to Service Failures



<https://www.youtube.com/watch?v=HGyMGRc32QI>

Example - Complaining



A screenshot of a Facebook post directed at United Airlines. The post is from a user named Laura, located in Millbrae, CA, and was posted 1 hour ago. The text of the post expresses frustration about paying extra for Economy Plus seats, which were then given away to other passengers on the plane. The post includes interaction options like 'Like', 'Comment', and 'Share', and a 'Most Relevant' sorting option at the bottom right.

Laura ▶ **United** ✓
1 hr · Millbrae, CA · 🌐

Dear United, it is very frustrating to pay extra to sit in United a Economy Plus (\$46 to be exact), when a flight attendant gives them away to other people on the plane. Why do we pay extra? Last time I pay extra or fly United. have no reason to be loyal to your airline anymore.

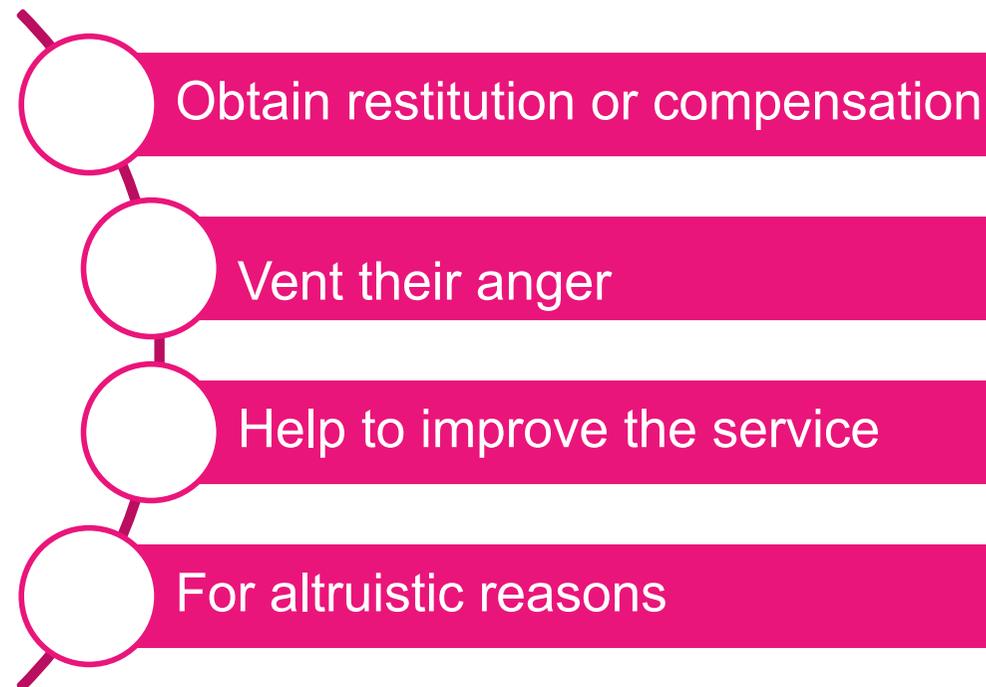
Like · Comment · Share

Most Relevant ▾

For what reason do users complain?

Understanding Customer Complaining Behavior

Studies of consumer complaining behavior have identified four main purposes for complaining:

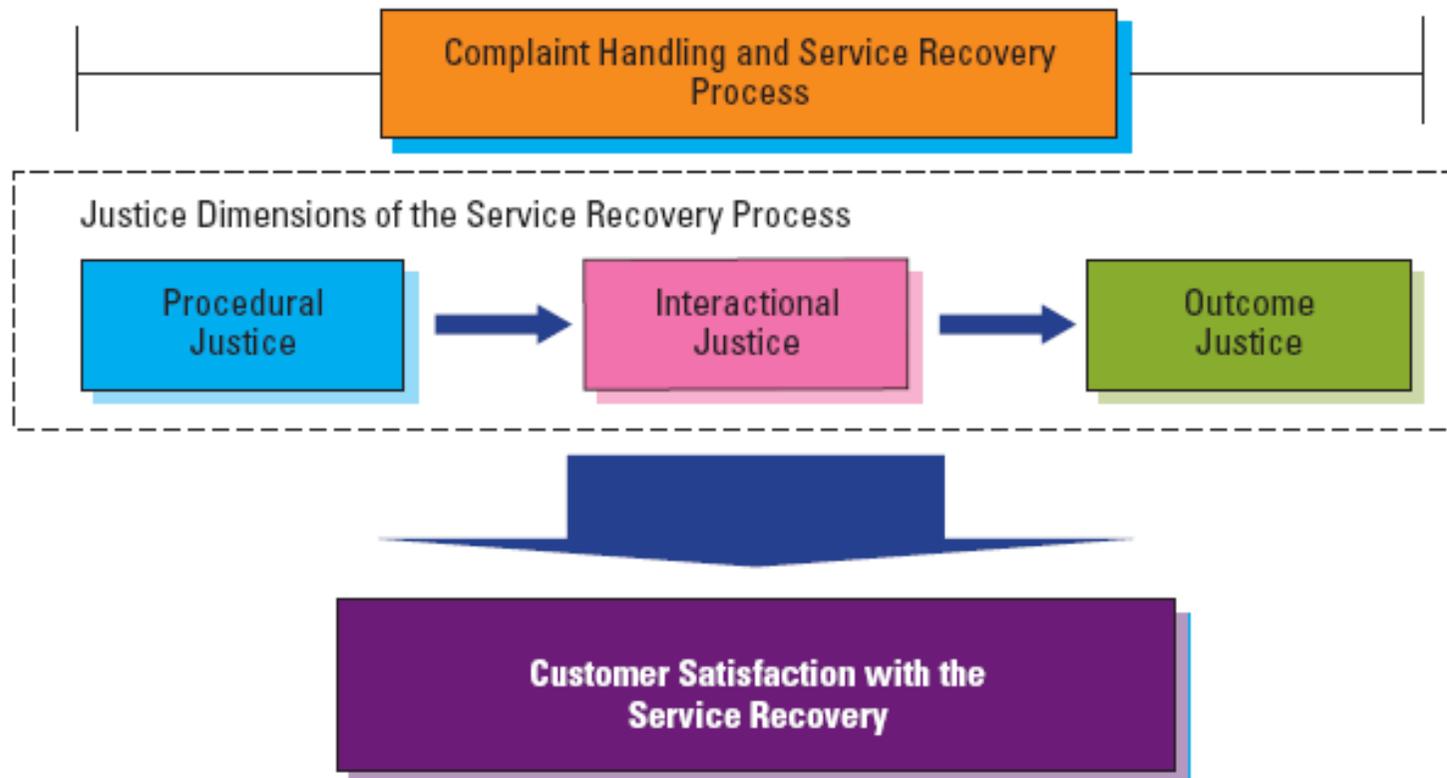


**What is the proportion of
complaining clients?**

Understanding Customer Complaining Behavior

- **Complaining behavior can be influenced by role perceptions and social norms.**
- **Research findings consistently show people in higher socioeconomic levels are more likely to complain than those in lower levels.**
- **Studies show that majority of complaints are made at place where service was received.**

Three Dimensions of Perceived Fairness in Service Recovery



SOURCE

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Customer Responses to Effective Service Recovery

Customer Responses to Effective Service Recovery

- **Service recovery is a term for systematic efforts by a firm to correct a problem following a service failure and to retain a customer's goodwill.**
- **Service recovery efforts play important role in achieving (or restoring) customer satisfaction and loyalty.**
- **Effective service recovery requires thoughtful procedures for resolving problems and handling disgruntled customers.**

Service Recovery

- **Service Recovery**

- Plays a crucial role in achieving customer satisfaction by testing a firm's commitment to satisfaction and service quality
- Impacts customer loyalty and future profitability
- Severity and “recoverability” of failure (e.g., spoiled wedding photos) may limit firm's ability to delight customer with recovery efforts

- **Service Recovery Paradox:** Customers who experience a service failure that is satisfactorily resolved may be more likely to make future purchases than customers without problems

- If second service failure occurs, the paradox disappears

Best Strategy: Do it right the first time

Impact of Effective Service Recovery on Customer Loyalty

- **If complaint is resolved to the satisfaction of the customer, retention rate jumped to 54%.**
- **The highest retention rate of 82% was achieved when problems were fixed quickly, typically on the spot.**
- **Complaint handling should be seen as a profit center, not a cost center.**

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.**
- **May lead to the thought that it may be good for customers to experience service failure so they can be delighted as a result of excellent service recovery.**
- **Whether a customer comes out delighted from a service recovery or not also depends on severity and “recoverability” of failure.**

Principles of Effective Service Recovery Systems

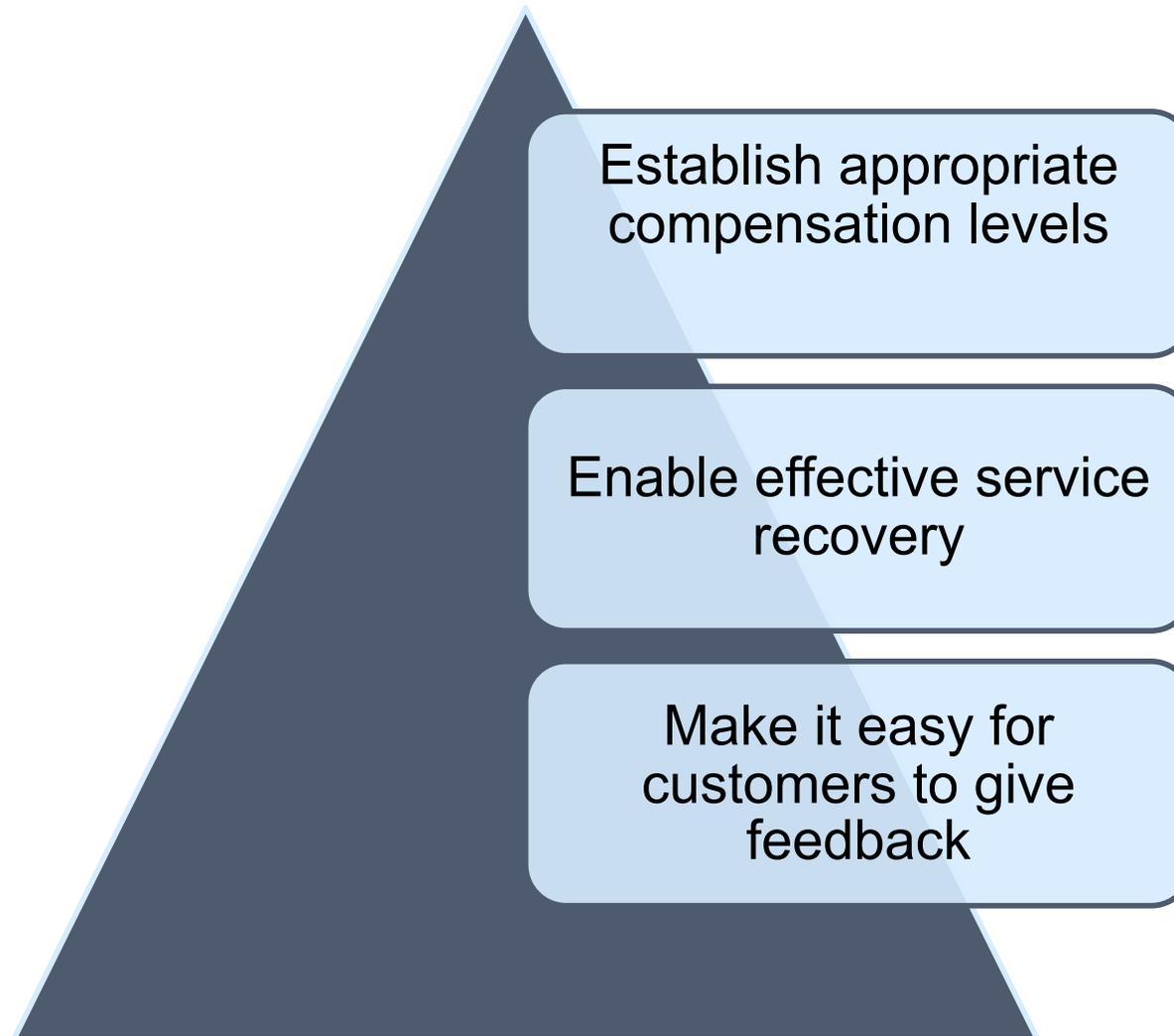
Principles of Effective Service Recovery Systems

- **Recognize that current customers are a valuable asset base, and managers need to develop effective procedures for service recovery.**
- **Some typical service recovery mistakes made by many organizations include:**
 - **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.**

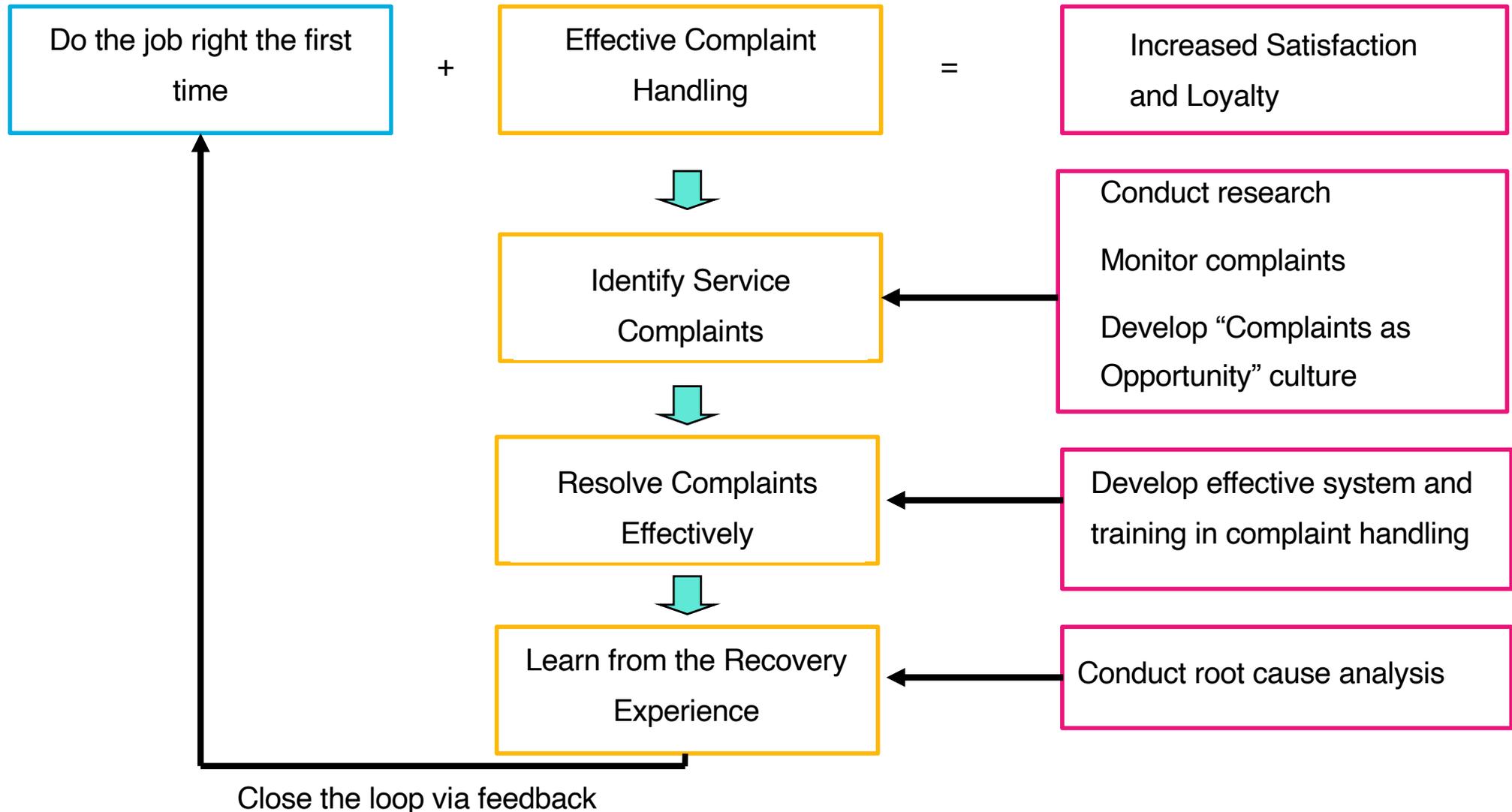
Principles of Effective Service Recovery Systems

- **Customer service employees fail to display good attitudes**
- **Organizations fail to make it easy for customers to complain or give feedback**

Three Guiding Principles of an Effective Service Recovery System



Components of an Effective Service Recovery System



Strategies to Reduce Customer Complaint Barriers

Complaint Barriers for Dissatisfied Customers	Strategies to Reduce These Barriers
Inconvenience <ul style="list-style-type: none">• Hard to find the right complaint procedure• Effort involved in complaining	Make Feedback Easy and Convenient <ul style="list-style-type: none">• Put customer service hotline numbers, e-mail and postal addresses on all customer communications materials
Doubtful Pay Off <ul style="list-style-type: none">• Uncertain if action will be taken by the firm to address the problem	Assure that Feedback is Taken Seriously <ul style="list-style-type: none">• Have service recovery procedures in place, communicate this to customers• Feature service improvements based on customer feedback
Unpleasantness <ul style="list-style-type: none">• Fear of being treated rudely• Hassle, embarrassment	Make Feedback Experience Positive <ul style="list-style-type: none">• Thank customers for their feedback• Train frontline employees not to hassle• Allow anonymous feedback

Example

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Student Guarantor

The Student Guarantor is a body in charge of receiving complaints, remarks and proposals to protect the students in order to promote the improvement of University educational activities and services. Upon request students who turn to the Student Guarantor are entitled to anonymity. During its meeting on 18th February 2014 the Academic Senate appointed Professor Giovanni Bruno as Student Guarantor.

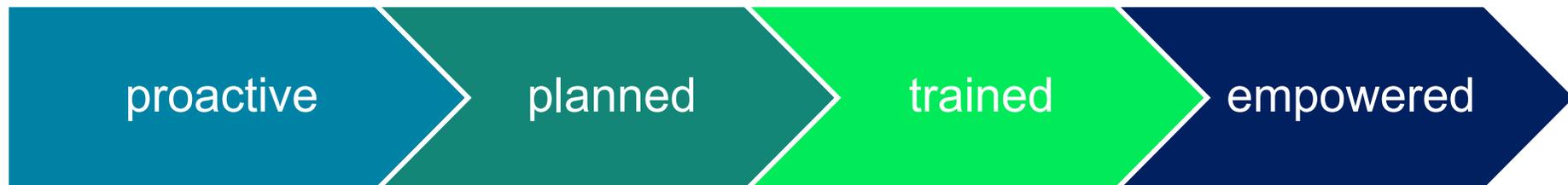
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How to Enable Effective Service Recovery

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



Dealing with Complaining Customers

<https://www.youtube.com/watch?v=T20hV4ynU7o>

How to Handle Complaining Customers and Recover from a Service Failure:

1. Act fast
2. Acknowledge the customer's feelings
3. Do not argue with customers
4. Show that you understand the problem from each customer's point of view
6. Clarify the facts and sort out the cause
7. Give customers the benefit of the doubt
8. Propose the steps needed to solve the problem
9. Keep customers informed of progress
10. Consider compensation
11. Persevere to regain customer goodwill
12. Self-check the service delivery system and improve it

Service Guarantees

Service Guarantees Help Promote and Achieve Service Loyalty

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



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How to Design Service Guarantees

- **Unconditional**
- **Easy to understand and communicate**
- **Meaningful to the customer**
- **Easy to invoke**
- **Easy to collect on**
- **Credible**

<https://www.youtube.com/watch?v=zBkAKs71vW8>

Types of Service Guarantees

Single attribute-specific guarantee

- Explicit minimum performance standard on one important attribute is guaranteed (e.g., delivery by noon the next day)

Multi-attribute-specific guarantee

- Explicit minimum performance standard on a few important attributes is guaranteed

Full-satisfaction guarantee

- All service aspects are guaranteed to be delivered to the full satisfaction of the customer with no exceptions or conditions attached

Combined guarantee

- All service aspects are guaranteed (as for full-satisfaction guarantee)
- Explicit minimum performance standards on important attributes are guaranteed (as for multi-attribute-specific guarantee)

Is it Always Suitable to Introduce a Guarantee?

- **It may not be appropriate to introduce guarantees when**
 - **Companies have a strong reputation for service excellence**
 - **Company does not have good quality level**
 - **Quality cannot be controlled because of external forces**
 - **Consumers see little financial, personal, or physiological risk associated with the purchase**

Discouraging Abuse and Opportunistic Customer Behavior

- **With generous service recovery or policy guarantees, some customers can take advantage**
- **Not all complaining customers are right or reasonable, referred to as *jaycustomers***
- **Firms that fail to deal effectively with customer misbehaviors risk damaging relationships with customers they want to keep**