THE ROLE OF SERVICE RECOVERY IN RETAINING OF CUSTOMERS

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Abstract   This paper provides a critical analysis of the literature on customer satisfaction, service failure, and service recovery paradox effects in the field of hospitality and identifies a conceptual model of satisfaction, service failure, and service recovery.

Introduction

It is widely recognized that no service system is perfect. However, it's important to specify that service failures are often unavoidable due to human and non-human errors. Even the best services can fail some time due to the relative intangibility, the simultaneous production and consumption, the labour intensiveness and the variability of the service offering, so it is difficult to observe hospitality services in advance and even harder to "try service

before you buy". The provision of hospitality services is often rapid and spontaneous, relying on experiential aspects for consumer evaluation. For all of these reasons, achieving a situation of zero defects is difficult, perhaps even impossible. One of the most basic principles in hospitality marketing is that organizational performance is enhanced by satisfying customers. Satisfaction is a major outcome of marketing activity and it links decision-making processes and consumption with post-purchase phenomena, such as attitude change, complaining conduct, word of mouth, repetition purchase and brand loyalty (Oliver, 1980).

In recent years, service failure and service recovery have attracted considerable research attention and there is a growing body of evidence indicates that effective service recovery can have a positive impact on both organizations and customers (Chebat and Slusarsczyk, 2005). Recovery strategy should be considered a means to reinstate and validate relationships with customers (Hoffman and Chung, 1999). It has therefore been recognized that once a service failure happen, it becomes important that service recovery, that is defined as the action taken by the service provider to seek out dissatisfaction (Johnston, 1995a) and as a response to poor service quality (Gro¨nroos, 1988), be effectively carried out to reduce the damage in relationship and to pacify the dissatisfied customer. By suggestion effective service recovery had led to higher satisfaction compared to service that had been correctly performed on the first time (Etzel and Silverman, 1981) (M.A. and S.G, 1992: 119) Appropriate management of service failures involves a complex organizational response that allows an effective internal and external recovery, learn from mistakes and introduce future service innovations. (Santos-Vijande et al., 2013).

This paper aims to provide a theoretical analysis of the importance of the service recovery to retain a customer.

In this paper were used exploratory research method consisting of the use of secondary research methods. The research method also includes reviewing both academic and non-academic literature and previous studies in this field. Selection of related data to address the purpose of the study, analysis of collected data, comparison of data from different sources in order to increase their validity, reliability and accuracy are the main jobs performed in the secondary research process.

Definition of Terms

Customer satisfaction

Despite extensive research on satisfaction, researchers cannot agree on a common definition for the concept. Most definitions favor the notion of consumer satisfaction as an evaluative process. Satisfaction is also often viewed as an attitude-like judgment based on a series of consumer–product interactions (Yi, 1990).

Dissatisfaction

In general, dissatisfaction responses are relatively strong reactions to consumption episodes. Dissatisfaction is often accompanied with intense emotions (e.g., anger, frustration) and perceptions of unfairness. Most research on dissatisfaction has focused on understanding consumers' behavioral responses such as complaining behaviors and negative word-of-mouth communication (Tax et al., 1998). We also can express that consumer dissatisfaction is typically portrayed as a bipolar opposite of satisfaction.

Service

Service is an interpersonal relationship between the organization and the customer (Price et al., 1995). Also we can define service as a critical moment of truth that involves either satisfying or dissatisfying the customer.

Service failure

Service failures are viewed as an important determinant of customer dissatisfaction (Tax and Brown, 1998). Service failures arise when customers experience dissatisfaction because the service was not delivered as originally planned or expected. It is important to mention that service failures are determined by the customer and not by the service organization.

Zone of Tolerance

The zones of tolerance are defined by (Zeithaml et al., 2012) as the level of satisfying or dissatisfying service that each individual customer will accept in each service scenario.

Customer Complaint

A consumer complaint is defined as an action that involves negative communication of a costumer about a product or service consumption or experience.

Service recovery

Service recovery can be defined as an action which is designed to resolve problems, alter negative attitudes of unsatisfied customers, and after all retain these customers.

Service recovery purpose is to seek out and deal with service failures, with the main scope to keep their loyal customers (Johnston, 1995b). Service recovery is no longer conceived as a set of specific, one-off actions in response to an unsatisfied costumer, or as an operational mechanism of damage control, but as an integral part of the service company's long-term strategy which involves comprehensive management practices (Santos-Vijande et al., 2013).

Theoretical Review

Levels of customer satisfaction

The satisfaction is mostly defined using the expectancy disconfirmation paradigm which claims that when consumers receive service that is better than expected, they will be satisfied (Oliver, 1980). Cook illustrates the potential stages that customer go through in their relationship with organizations. At the base level, costumers receive substandard service that does not meet their expectation. In this case the costumers have three choices at this level about how to act: to complain to the organization, to voice their dissatisfaction to others, or to say or do nothing. Potentially they can remain a customer of the organization, or decide to leave (Cook, 2012).

If the service customers receive is satisfactory and meets their expectations (level 2), they still make a choice: whether to stay with the organization or to look elsewhere for a similar product or service. In this level the relationship between costumer and organization is transactional and the costumer is probably dealing with the organization on a rational level. Is the third level of the pyramid (costumer delighted with service) when the customers become

emotionally engaged. They receive service above and beyond their expectations and they in turn are delighted. At this stage their loyalty to the organization increases. Level 4 (customer promoters), the pinnacle of the pyramid, is when customers have consistently been delighted with the service they have received. They love the organization that is providing the service and actively promote it to their friends and acquaintances.

A general model of expectancy disconfirmation with performance

Customer satisfaction/dissatisfaction is defined as the difference between an individual's pre-purchase expectations and post purchase performance of the product or service.

The confirmation/disconfirmation pattern (Oliver, 1980) has provided the conceptual contexture for many customer satisfaction/dissatisfaction studies.

Based on (Churchill and Surprenant, 1982), a model of expectancy disconfirmation with performance, posits that customer satisfaction is related to the degree and direction of the disconfirmation experience (Mattila and Ro, 2008). The disconfirmation model is "parsimonious" and intuitively appealing and also it's important to mention that it has received strong empirical support.

Service Failure

Many researchers allege that service failure practically arises when service delivery performance does not meet a customer's expectations. Although a number of authors have suggested that organizations should aim to offer services with nil defects some service failures are unavoidable, and perhaps particularly so on in tourism. Flights may be late or cancelled, staff may be rude or inattentive, and the maintenance of the tangibles surrounding the service may not always be perfect. Assorting service failures according to their type is a useful base first step in understanding consumer reactions to failure incidents/services and identifying organizations potential recovery strategies. The services marking literature recognizes two types of service failures: outcome and process (Smith and R.N., 2002) An outcome failure occurs when the failure is related to the core service offerings. The outcome dimension reflects what customers actually receive from the service (e.g., a clean hotel room), whereas the process dimension involves how they receive the service, that is, the manner in which it is delivered. A process failure occurs when it is related to the manner in which the service is delivered (Smith and R.N., 2002).

A customer may experience many and diversified service failure types. Many researchers used the critical incident technique to identify a service failure classification model. Based on this technique, failures can be classified as being of a number of different types:

Service Delivery Failures

By the studies, we can see that service delivery system failures consist of three types of failures. *Unavailable service* refers to services that are lacking or absent such as a cancelled flight or a hotel that is overbooked but that normally are available. *Unreasonably slow service* relates to services or employees that customers perceive as being extraordinarily slow in fulfilling their function and might include delays in serving a meal in a restaurant or lengthy queues at a visitor attraction. *Other core service* failures encompass all other aspects of core service failure offered by different industries for e.g., eating service, cleanness of the plane, and baggage handling.

Customer Needs and Special Requests-Service Failure

Diverse type of service failure hooks up to how employee responses to individual customer needs and special requests. The customer needs can be explicit or implicit. The implicit needs are not requested; if a restaurant customer becomes ill it's evident that his or her needs will be apparent. By contrast, explicit requests are overtly four requested: (1) special needs, (2) customer preferences, (3) customer errors, and (4) disruptive others. Case for the first explicit requested could be the preparation of a meal for a vegetarian, so special needs it involves requests based on a customer's special medical, dietary, psychological, language, or social circumstances. A customer request for the substitution of a menu at a restaurant is a typical example of a customer preference, so require the employee to modify the service delivery system in some way that meets the preferred needs of the customer. Customer error involves scenarios where failure is initiated by a customer mistake for example when a costumer lost tickets or a lost hotel key and the employee has to respond. Last one – disruptive others; require to the employees to settle disputes to customers, such as requesting to be quiet in theatre or requesting that smoking customers not smoke in the non-smoking section of restaurants.

Unprompted and Unsolicited Employee Actions

Unprompted and unsolicited employee actions arises from employee behaviors that are totally unexpected by the customer. These actions are not initiated by the customer, and also are not part of the service delivery system. The subcategories of this group are: 1 level of attention, 2 – unusual actions, 3– cultural norms, 4 – gestalt, and 5 – adverse conditions (Ennew and Schoefer, 2003/6). This subcategory includes cases where employs have negative attention to costumers or employees who ignore a customer, and employees who exhibit behavior consistent with an indifferent attitude. Rudeness, abusiveness, and inappropriate touching are cases of unusual behavior of employs. The cultural norms subcategory refers to cases as discriminatory behaviors such as lying, stealing, and cheating that violate cultural norms equality, or fairness and honesty. Gestalt are customer evaluations that are made holistically as in the case of a customer who evaluates a trip as dissatisfying without identifying any specific incidents that could cause this dissatisfaction. Adverse conditions subcategory covers employee actions under stressful conditions.

Understanding why a service can fail and it's types and reason is important because it helps in designing an appropriate recovery strategy and in developing future policies to limit the occurrence of service failures.

Zones of Tolerance

The zones of tolerance are defined by (Zeithaml et al., 2012) as the level of service that each individual customer will accept in each service scenario. For some customers, zones of tolerance may be minimal; demanding a more perfected approach to service. Other customers may have a larger zone of tolerance where he or she may be more tolerant to imperfections. Research suggested (Hoyer and MacInnis, 2001) that customers with demanding schedules or who are limited for time may have a minimal zone of tolerance compared to customers who have more flexibility or who are seeking a relaxed service experience. In addition (Hoyer and MacInnis, 2001), cautioned that customers place more emphasis on certain service encounters than others.

Customer Complaint

The best definition for a customer complaint is 'any expression of dissatisfaction'. It does not matter whether the complaint comes from an existing costumer or not, or whether the complaint is justified or not. If someone is unhappy with a service or product and voices their concern, this counts as a complaint and should be taken seriously.

According to International Standards program for complaints, called ISO 10002:2004,3.2 the complaint is: 'an expression of dissatisfaction made to an organization related to its product, or the complaint-handling process itself, where a response or resolution is explicitly or implicitly expected.

The overriding findings show that only the minority of costumers who are dissatisfied do in fact complaint. This is often likened to an iceberg: the tip of the iceberg represent those customers who directly voice their concerns to the organization. Underneath the waterline are the vast majority of costumers who do not complaint.

Why don't unhappy customers complain?

The percentage of formal complaints made by dissatisfy clients is very low this compared with the total number of service rendered deficiently (Santos-Vijande et al., 2013).

Reasons why unhappy customer don' complaint are different, as they may not want to take time writing a letter, to send an E-mail, fulfill a form, or make a phone call, especially if they don't see the service as worth the effort. Many unhappy customers see the gain as uncertain and believe that no one would be concerned about their problem or would be willing to resolve it. In some situations, people simply don't know where to go or what to do. Also about costumers who most likely complain, research findings consistently show that people in higher socioeconomic levels are more likely to complain than those in lower levels.

Ways to encourage people to complain

All organizations need costumers to tell them when they are unhappy with their products and service so they can understand where they are going wrong and do something about it. There are three key actions that organizations need to take to encourage people to complain:

– publicize ways to complain,
– respond to complaints quickly,
– publicize improvement actions.

Types of financial and non-financial redress

If your service has failed and you uphold the customer's complaint, you have four options about how to recompense them, depending on the circumstances (Cook, 2012). These are:

– replace or exchange,
– reimburse,
– refund,
– compensate.

Service Recovery

Service recovery could be defined as an umbrella term for systematic efforts by a firm to correct a problem following a service failure and to retain a customer's goodwill (Lovelock and Wirtz, 2011). Service recovery is about redress and retention (Zemke and Bell, 2000). More specifically, service recovery can be deemed of as being concerned with the productive handling of complaints and includes all actions taken by a service provider in order to try to resolve the problem a customer has with their organization. In response to service defects or failures, service providers take actions and implement activities to return "aggrieved customers" to a state of satisfaction. The goal of any recovery response must be to fix the immediate problem and restore equity to a potentially damaged customer-company relationship (Roggeveen et al., 2011). Considering the fact that most of dissatisfy customers tend not to complain about negative experiences a proactive initiation of service recovery is worthwhile.

What indicates an effective service recovery has been the subject of many debates. We posit that customers have distinct service recovery preferences and that when a failure occurs it is critical that service providers match the customer's preference in the recovery effort (Nguyen et al., 2012). A service provider could offer several different service recovery solutions to the costumer to recover a service failure situation. They could focus on four possible service recovery solutions: namely a zero recovery solution which reflect a situation where the provider has made no attempt to recover; a quick solution – reflects a recovery attempt that is provided quickly with minimal interaction and with a focus on financial compensation; a thorough solution – refers to a situation where the recovery attempt involves a high level of interaction with service staff; and a customized solution – reflects a situation where the recovery attempt involves a high level of customization, tailoring and special treatment for the costumer (Nguyen et al., 2012).

The Impact of Service Recovery

The best strategy, certainly, is to do it right the first time. The *service recovery paradox* refers to the effect that customer who experience a service failure and then have it resolved are sometimes more satisfied than customers who have had no problem in the first place (Lovelock and Wirtz, 2011). The failure of an service has the potential to have a significant negative impact on organization's reputation. Especially in tourism, negative word-of-mouth may be a particular motive for concern because of the importance of personal recommendations. Effective service recovery can scotch many of the negative upshot associated with service failure and indeed some researchers have pointed to the existence of a so-called service recovery paradox which suggests that excellent service recovery can lead to levels of cumulative satisfaction that are higher than those existing prior to the service failure.

Recovery – Satisfaction

The secret is to understand the customer's problems and provide solutions so as to help that customers be profitable and feel good about the transaction. Francis (Buck) Rodgers.

Effective service recovery can in many cases avoid customer switching and restore confidence in the service firm. When customers complain, they give the firm a chance to correct problems, restore the relationship with the complainer, and improve future satisfaction. Service recovery is therefore an important opportunity to retain a valued customer. When customers experience service failures, their post-failure satisfaction or pre-recovery satisfaction – transaction specific satisfaction will be lower to some degree than previous overall satisfaction. Not all frustrated customers will complain, but some of them will give service providers chances to correct any problems.

Sometimes, service providers may find service failures before customers recognize them and initiate service recovery. An appropriate service recovery will mitigate harmful effects and raise satisfaction (recovery satisfaction – transaction specific satisfaction) (Tax et al., 1998).

Extraordinary service recovery efforts can produce a service "recovery paradox". A situation where the levels of satisfaction rates of customers who received good or excellent recoveries are actually higher than those of customers who have not experienced any problems (Smith and R.N., 2002). On the other hand, it is clear that an inappropriate response or no response to a service failure complaint will magnify negative evaluation, also referred to as "doubly deviation" (Hart et al., 1990).

A conceptual model of satisfaction – service failure – service recovery

The conceptual model proposes that when customers experience a service failure, the initial dissatisfaction turns into more specific negative emotions depending on the customers' appraisal of the responsibility of the problem. The current model includes four negative emotions: *anger* arising from controllable failures with others blamed, *disappointment* stemming from uncontrollable causes that can be attributed to the situation, *regret* resulting from self-blame, and *worry* coming from threat with uncertainty. If the customers voice their dissatisfaction to the service provider or organization respondents, some form of service recovery it would be likely to follow. Customers will then evaluate the service recovery efforts based on perceived fairness. An exceptionally successful service recovery may sometimes convert dissatisfied customers into even more satisfied customers (recovery paradox) while an unsuccessful service recovery is bound to lead to a highly negative double deviation effect. According to (Mattila and Ro, 2008) and (OK, 2004), post-consumption satisfaction may be assessed at three time points, satisfaction with a particular transaction experience (T-satisfaction), satisfaction with service recovery effort by the organization (R-satisfaction), and overall/accumulated satisfaction with the service provider/the company (O-satisfaction)

Conclusions

To build long-term relationships with customers, service providers should do their best to deliver service as expected. Service failure occurs when a service fails on what the consumer expected or when company lives up to what was promised knowing that it is something that is identified by the consumer. The main indicator for service failure it is customers' complaint. But unfortunately, not all customers complain, so many may simply decide not to purchase again or may engage in negative word-of-mouth. Since no service is perfect, service providers have to strive to recover service failure so as not to harm customers' confidence in reliability toward service providers. A clear service recovery strategy is essential in order to minimize the negative effects of the initial failure and maximize the positive outcomes from the recovery process. This study confirmed that successful service recovery reinforces customers' trust including improvements in cumulative satisfaction, increased loyalty, repurchase and positive word-of-mouth.

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