

Service Failure: A Good News!

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Abstract: It is the aim of every business to provide the best in class service to their customer base. It is imperative to attain competitive advantage and sustenance in this modern word, where business houses are in cut throat competition in having the larger pie of the market share. These companies spend huge amount of revenue in order to make customer experiences value based and worth recalling. However, error-free service is sometimes very difficult and full of impediments due to certain circumstances. This non accomplishment of error free service can lead to severe consequences like loss of market share, increased customer grievance, loss of brand image and sometime it may lead to complete depletion of the brand as a whole. This situation is referred to as service failure. The paper deals with the various compensations designed to cater such situation and develop a better and steady ground for performance to the company.

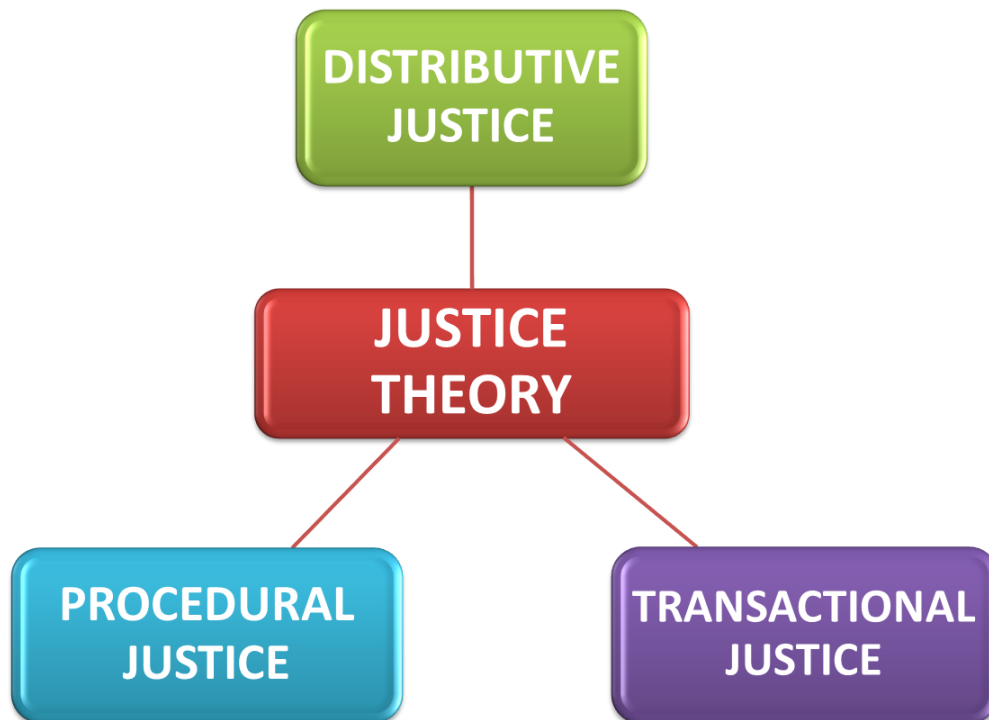
Introduction:

We all come across services of various kind day in and day out. It is the aim of every business is to provide the best in class service to their customer base. It is imperative to competitive advantage and sustenance in this modern word, where business houses are in cut throat competition in having the larger pie of the market share. These companies spend huge amount of revenue in order to make customer experiences value based and worth recalling. However, error-free service is sometimes very difficult and full of impediments due to certain circumstances. This non accomplishment of error free service can lead to severe consequences like loss of market share, increased customer grievance, loss of brand image and sometime it may lead to complete depletion of the brand as a whole. There have been cases which indicate similar situations like Whirlpool, LG and even Ford for that matter. This situation is referred as service failure. Service failure is inevitable and no company can evade it, because the world moves at a much faster pace than the elements in it. Many multinational corporations such as Toyota, General Electric and Sony have witnessed service failure resulting into huge losses. Today service providers are breaking their sweat in developing ways not only to reduce service failure but also to overcome in case of such failures as they would ultimately define their coming future because customer's further purchases will surely depend upon their experience they have shared recently. Thus service failure is that moment of truth which would define customer-marketer relationship. Though these services failures may lead to severe negative consequences and companies are trying hard to come up with a robust service delivery system, these situations may also put a company into a favorable and advantageous situation.

A situation which could open gates to a wider customer base with a stronger customer association with the brand and can turn the tables for the company. Brand evangelism is another aspect of such an example. Though service failure may contribute to customer defection, customer frustration and negative word of mouth ultimately resulting into disengage and withdrawal. An exceptional service recovery will help to develop long term relationship with the customers, spread positive word of mouth, fortify customer loyalty and can also lead to influence positive behavior of others. This is because business and people are meant to commit mistakes as we all are perfectly imperfect, rectifying it in such a manner that it is remembered and recalled in the most positive way by a customer can do the trick, as makes a customer feel that he has again derived some value out of it.

The study postulates insights from Justice Theory of Service Recovery and Conceptual model of Brand Evangelism to refine customer experience. Lately justice theory has gained a decent amount of attention in service recovery studies. The justice theory has been used as the founding brick in the development of service recovery framework. The three dimensions of it was the equity and social exchange theory which gave rise to the fundamentals of justice theory. According to justice theory, customers expect that the inputs should be equal to the outcomes in every exchange or transaction. However, inequity will happen if the outcomes do not meet the expectations of the customers. In this situation, the inequity is referred as Justice Theory, namely distributive

justice, procedural justice and interactional justice which form core aspects of the theory and based on which decisions regarding rectification and insights of enhancing customer experience in case of service recovery is made.

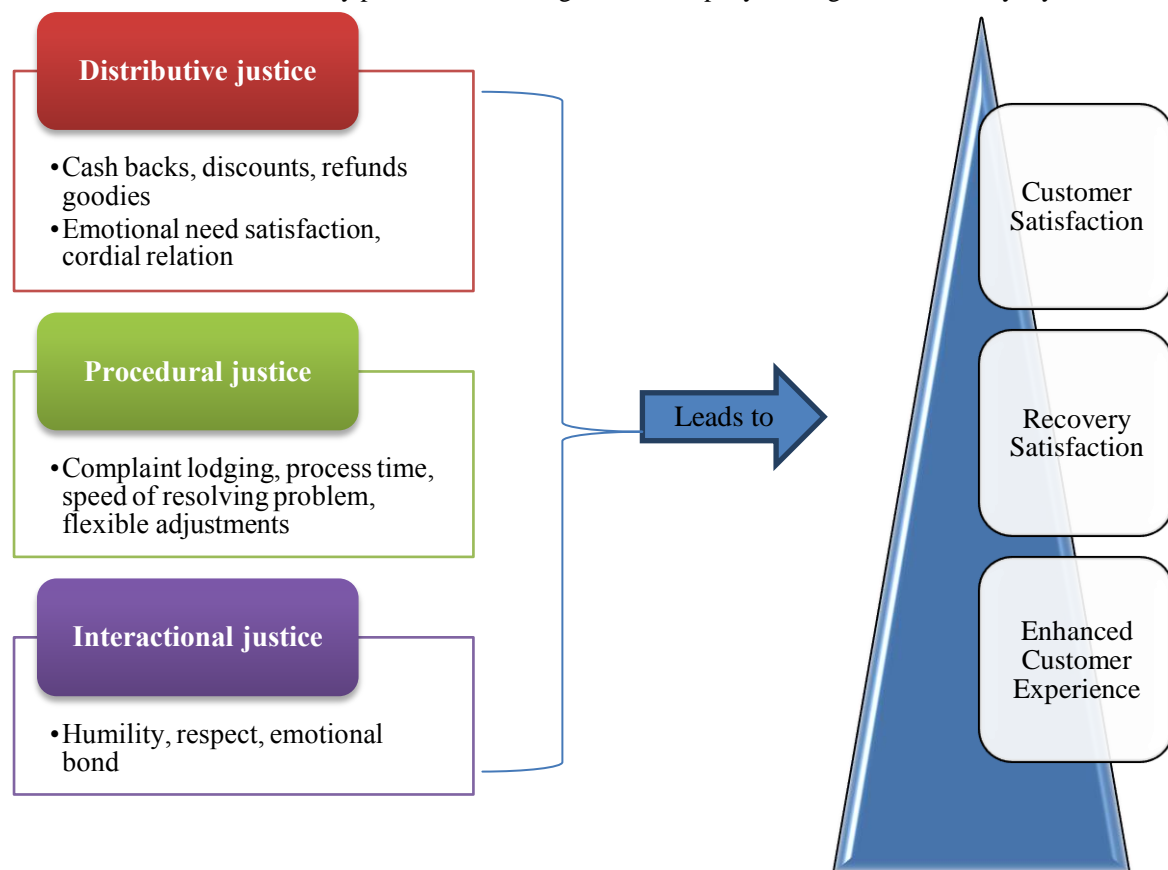


Distributive justice: Distributive justice deals with compensating customers in either monetary or non-monetary form in case of service failure. Monetary compensation includes refunds, discounts, goodies, cash backs and non – monetary compensation includes cordial relation establishment, emotional need satisfaction, ego benefits and other such compensations which require efforts, time and consideration. Distributive justice is usually provided during the process of service recovery to the customers. While applying the concept of equity and social exchange theory one must make sure that there should be parity at both the ends, that is the combination of both the compensation provided that is the monetary benefits or non- monetary benefits or combination of both must be equal to the monetary and no-monetary losses which has been incurred by the customer so as to keep the customer satisfied. Today marketers are going beyond the peripheral of service recovery by compensating much more than the losses incurred by the customers to attain customer delight.

Procedural justice: Different services have different protocols and procedures to be followed ranging from simple phone call address to a complex installation of query and grievance handling system. Procedural Justice, as the name suggests refers to the compensation provided in terms of procedures and protocols involved in service recovery process. This kind of justice or compensation include a wide range of procedures, protocols and activities which are involved in delivery of a service which might range from simple to very complicated and sophisticated processes, these may include lodging of a complaint, the registration of the complaint and process time involved, verification of the complaint and the response time for resolving problem. This may also include fixing of related issues like arrangement of spares and minor flexible adjustments that may be required in redressing the complaint and the like. Speed of redressing the problem is the founding rock of procedural justice as today world belong to those who are quick. Anything that gets re-fixed instantly is assumed to provide ease to customers and projects a positive image of the service provider. Customer trust and brand recall greatly depends upon the response time that the company or the marketer takes in redressing the problem or the complaint lodged by the customer, for example the after sale service provided by LG electronics is renowned worldwide. It is alone through which LG has been able to surpass its competitors so much so that many it has taken over the market share of powerful domestic companies in their established markets. The procedural justice vary from company to company, even if the companies fall in the same industry they might

have completely different protocols and procedure when it comes to lodging of the complaint and the way a company treats it. Taking example of Apple and its nearest competitor Samsung, the platform that Apple provides its customers like i-cloud, i-tunes, i-store etc. which makes it easy for the customers to get his or her query related to different platforms that ultimately converges to one and can be easily redressed without any hassle. Taking the information from service nature spectrum, product and service go hand in hand. One cannot separate a product from its related services. Thus many companies have started making services delivery as one of the integral part of their value chain.

Interactional justice: As the name suggests interactional justice deals with compensating a customer through company –client interactions; it is considered as one of the most critical aspects of social justice and equity theory as it entails all the qualitative elements that can be associated with a service delivery. Interactional Justice includes the interaction between the customer and representative of the company in case of service failure or service recovery process. Interactional justice focuses on the qualitative aspects of customer satisfaction which are highly subjective in nature and are difficult to be quantified. Interactional justice provides a company with an opportunity to have one on one interaction with its customers and come out better feasible solutions which are actually desired by the customers. Interactional justice involves behavioral dimensions and traits of a customer which might have an effect on the image of the company. Thus exceling in Interactional justice delivery a company can revamp its image in the minds of their customers which could further lead to positive customer referrals and positive word of mouth communication. These form the basis for recovery satisfaction that can lead to very positive brand image of the company leading to customer loyalty.



Leveraging Customer Experience through Service Recovery:

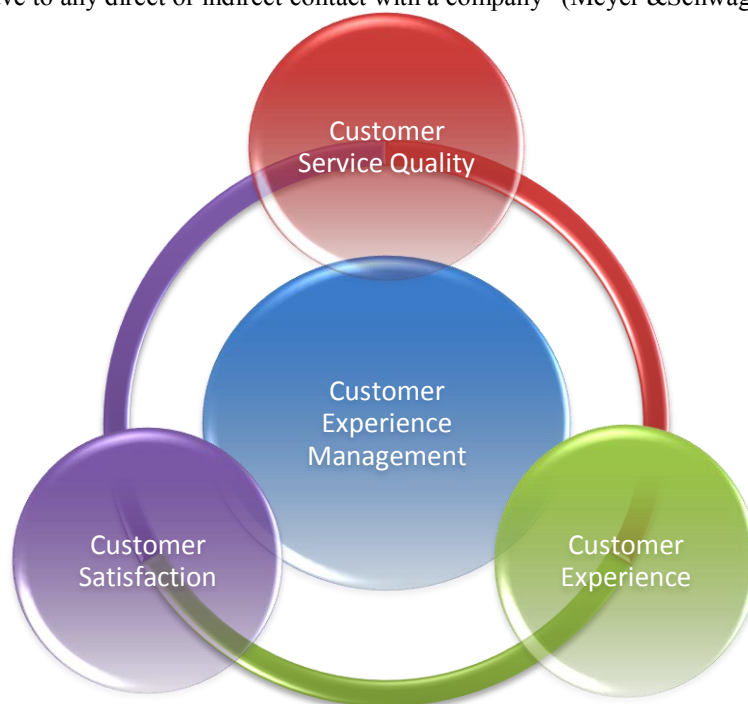
Customer needs vary and so as their expectations when they experience a service failure. A marketer needs to assess these distinctive needs of diverse customer base so as to cater them in the best possible way so as to create a lasting and impactful impression in the minds of the customers. Companies focus on the point of contact while serving their customers and these contact points serves as the locus of value delivery when it comes to service recovery. People responds to incentives, and these incentives are provided by the marketers to not only bind the existing customer but also lure new ones through building strong relationship with the customer during service recovery. These incentives are the little extra that the marketers provide their customer in order to develop a strong ground for customer experience. Apart from the quantitative aspects like the price,

quality and the product the marketer also tries to incorporate ways to stimulate the qualitative aspects of the customers such as emotional, psychological and personal aspects which makes the customers realize that they are being importance in more than one way.

This is where companies try to differentiate its services with that of its competitors as well as the primitive and trivial service recovery that has been followed through ages. In order to hit the spot while service recovery the company has to come up with a perfect blend of these quantitative and qualitative aspects of customer expectations so as to create a long lasting and pleasant customer experience. Thus these contact points play a significant role in determining the success of a service recovery process aimed at providing a significant customer experience. The whole experience comes from the set of interactions between a company and its customers and plays a fundamental role in determining the customers' preferences, which then influence the purchase decisions. (Gentile et al. 2007)

The concepts of service recovery, customer experience and customer satisfaction are interwoven into one another so much so that it is practically almost impossible to detach one from any two. There have been many researches and studies in various economies taking into consideration different markets proving the fact that as service aspect of a product cannot be separated these concepts are result of the combination or a multiplied result of the other two that results in creating supreme customer experience.

“Customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at different levels (rational, emotional, sensorial, physical, and spiritual)” (Gentile, Spiller & Noci, 2007, p. 397). Another definition is that “customer experience is the internal and subjective response customers have to any direct or indirect contact with a company” (Meyer & Schwager, 2007, p. 118).



Customer Experience Management takes the whole idea of serving a customer to the next level. Unlike traditional CRM, CEM focuses on all the point of contact that the customer has or might have which is not present in CRM as it focuses on the two extremes of the chain which is company and the customer. Marketers through a well-equipped service recovery provision can leverage this customer experience with a surety of brand association by creating a positive image of the company in the mind of the customers.

Conclusion:

Products and Services form an integral part of the buyer and consumer markets where there is sharing of value in all the transactions that happens. Products are always linked to a service in more than one forms, these are mostly viewed as after sale services. As it cannot be separated from the product, service recovery needs to be designed in such a way that it differentiates the overall product even though in case of a service failure. Companies are trying to provide different forms of compensations in case of service failure. These compensations range from quantitative to highly qualitative compensations. Marketers are trying to strike a balance and come up with a perfect blend of compensation so as to provide better customer experience at the

time of crises. The result of such an effort is magnanimous as it sometimes results into a competitive advantage and the company can use this advantage to strengthen its brand association and brand image on a whole.

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