SERVICES MARKETING

Introduction

Along with marketing research, segmentation, and customer relationship marketing, service recovery is another area that strategically helps us bridge gap 1. Recovery basically is an effort to fix a service failure. The best of companies with the best of intentions do run into failure situations feeling the need for fixing failures.[1] Recovery, therefore, is an effort on part of providers to come up with a well-designed system that can help providers to cope with failures effectively. The lecture looks into different strategies that providers have at their disposal to recover from failing situations.

Benefits of recovery

More satisfaction: Good recoveries when staged to compensate for failures do result in making customers more loyal than they would have been if there was no failure.[2] The impact of recovery can be big enough for dissatisfied customers to start feeling satisfied with a great sense of loyalty. Such customers are more likely to come back and buy the service than those whose complaints are not addressed.

Brings in perfection: When recovery strategies are staged effectively, they bring in perfection on part of the providers to the point that they start doing things right the very first time.[3] Recovery, therefore, becomes a basis of a continuous program of improvements.

Types of complainers

Different customers respond to complaints in different ways.[4] Actually, not all of them always respond to complaints. Despite having the negative feelings of anger, disappointment, and dissatisfaction, they may find complaining against their values or may think it is not worth the effort. Such customers are **"passive"** customers and pose a real threat to a company's future. They do not offer the company the luxury of setting things right! They also do not talk much against the service and may not spread the negative word of mouth. They simply switch suppliers.

The other kind is **"Voicers"**, who complain to the provider, do not complain to third parties and spread negative word-of-mouth. They are convinced complaining is their right; it brings in social benefits by doing a favor to others.

"Irates" are more into spreading the negative word-of-mouth. They switch suppliers. They are therefore more harmful than the preceding two categories, for they damage the company on two fronts – talking against it and doing business with someone else.

"Activists" have an even more stubborn stance toward pitching themselves against the suppliers. They complain to everyone, spread the negative word, and switch supplier. They go to the extent of complaining to the relevant associations and may also not hesitate filing a lawsuit against the company.

Expectations of complainers

What carries more significance is to know what is it that the complaining types expect from the company when they do complain? They expect fair treatment for compensation, which is divided among three themes, namely[5]

- Outcome fairness
- Procedural fairness
- Interaction fairness

Outcome fairness is the amount of compensation by way of free service, discount next time, or any other measure that the customers think is equal to their suffering. They demand equity and think what they get must be in exchange for what they have gone through in terms of their trouble. For example, a hotel staff must be able to give a better room or a discount if a guest had to wait for a room that was not readied for hours after his arrival. Or, a waitress must replace the food if it carried foul smell or looked stale.

Procedural fairness is all about customers expecting "complaint procedures" to be straight, easy and customer friendly. Complicated procedures add to complainant's misery. They make customers shy of lodging complaints.

Customers expect providers to be adaptable and spontaneous to their individual complaints. Good employees make the correction look like a minor matter and capitalize on the opportunity of making the customer more loyal. They take full responsibility and go an extra mile by being adaptable and spontaneous.

Interaction fairness is about how customers are treated when they are lodging a complaint. They want to be treated in an extra nice manner for they have already suffered. Here, providers must have in place the balance between adaptability and empowerment. An untrained employee with no powers to take responsibility is bound to create a scene in response to a complaint from an inconvenienced customer. Employees must be knowledgeable, courteous, and considerate.

Recovery Strategies[6]

Fail Safe – Do it right the first time

This is the best strategy according to which sellers must not give the customer a cause for complaint and keep him happy and satisfied. Doing this, sellers can save the recovery cost, for performing the service all over again or giving some discount or other incentives add to costs. This strategy is difficult to implement for the reasons that companies with the best of intentions do make mistakes and something can go wrong. Not being impossible, however, the strategy offers serious companies to strive for the goal of "zero defections" to do things right the first time. The result may not be absolute zero, but companies do try to achieve this by way of creating a culture of zero defections.

Toward this each employee must understand the essence of the culture and appreciate the goals of the company in maintaining and retaining customers. Employees must understand the lifetime value of a customer, which essentially is the amount spent over an average lifetime of a week, a month, or a year*. Projections are made about the number of years a customer may stick with the company for purchasing. Unless employees understand the loss of revenue on account of defections and the costs associated with bringing in new customers only to replenish the ones that leave, they cannot be fully committed to such a culture.[7]

$$*Amount\ spent \times No.\ of\ orders \times Lifetime = Life\ time\ Value$$
$$100 \times 4 \times 12 = 4,800$$

The lifetime of a customer could be any time frame depending on the projected stay of the customer with the company. Level of satisfaction of customers becomes an important determinant toward making such projections.

Employees must be educated to detect the defectors by way of sensing declining sales and signs of dissatisfaction and then acting to correct the situation. Declining sales on part of a customer may point out the importance of research which reveals the causes of dissatisfaction.

Employees must also be given incentives and bonuses if they can control defections. Different levels of defections can be tied with different levels of incentives. In the absence of incentives, employees may not feel wholeheartedly committed to the cause of total eradication of complaints. Incentives reduce complaints, which reduce defections!

Encourage complaints

Complaint solicitation: To be proactive, companies must create a culture that may encourage seeking of complaints. Customers must be asked of their perceptions of service to find out if they are OK with the service! This is an extension of the research study method of "Complaints Solicitation". Another method could be tracing dissatisfied customers through studies like "Critical Incident Technique" and "Lost Customer Research".

Figure 38

Valarie A. Zeithaml and Mary Jo Bitner, "Services Marketing – Integrating Focus Across The Firm", 3rd edition; McGraw Hill (198)

Angry customers are friends: Keep in mind that it is generally angry customers who complain and, therefore, they can be companies' best friends, for they are the ones who have a chance to come back.

Passive are dangerous: Passive ones switch suppliers without the company knowing of it and it is here that we need the support of "Complaint Solicitation".

Improved processes: Encouraging customers to complain let the companies look into the processes and then make corrections wherever those are warranted. To facilitate customers lodge their complaints, companies should install toll-free numbers and internet support that can make registering of complaints easy. Executive listening is a strategy for this purpose!

Act Quickly

Encouraging complaints and maintaining a database for the same is not much of use if action on complaints is taken in a belated manner. Quick action on complaints convinces the dissatisfied customer about company's willingness and commitment to resolution of problems. The following, in this regard, is important.

Recovery skills: Staff has got to be trained about recovery skills as part of creating the culture of customer friendly atmosphere. The recovery skills call for identifying the root cause of the problem, looking into the solution, and then taking initiative for its resolution.

Runaround: The problem occurs when customers are routed through different personnel to lodge their complaint to the relevant person. This could be frustrating and a sure recipe for supplier switch.

The first one takes the complaint: Some companies have made their systems so sophisticated that any personnel who come into contact with an annoyed customer can take a complaint with responsibility for its resolution. This calls for empowerment of employees and clarity of objective among everyone that customer comes first.

Empowerment with tools and resources: Empowerment brings into question the ability of the company to place at the disposal of those empowered all tools and resources required to fix the problem. A
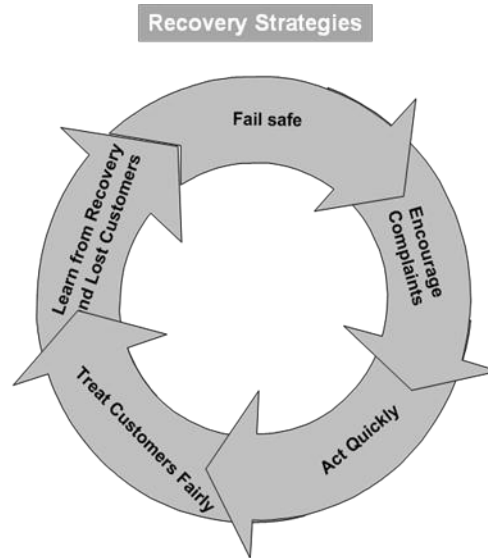
company with all the systems and procedures well laid out is in a position to better empower its employees.

Empowerment with incentives: Empowerment should be accompanied by incentives for staff to resolve customers' problems quickly. Maintenance of database of all dissatisfied customers provide an excellent opportunity to first maintaining a touch with those customers, second improving processes, and third bringing about changes for future in sight. The achievement of all this is possible only by being quick in listening to and moving for resolving the problem.

Treat Customers Fairly

Companies as a matter of strategy should follow the three elements of fair treatment:

- Fair outcome
- Fair processes with no complications
- Fair treatment when customers come with complaints

Learn from recovery and lost customers

Recovery is an excellent opportunity to record complete information about complaining customers and hence becomes the basis for improving processes and features. "Lost Customers Research" must be employed to trace the reasons for defections. It should be done at a higher level, especially in B-to-B situations, in which even the loss of one customer can adversely impact the company. The focus should be on those customers who were profitable and left causing a dent into company's revenues. Research carrying questions that really probe into the causes should be asked very straight forwardly to find out the causes of defections.

Causes of defection

According to a research conducted by American marketing Association, there are eight different major causes of defections (exhibited as figure 39) that a company, if it is open to be critical of itself, may look into.[8] For the convenience of learning, the causes are bracketed into the following three areas:

- Company prompted
- Market prompted
- Strategy prompted

A further division of them is presented in the graphical presentation and is also summarized below:

Company prompted

1. Pricing (high price; frequent price increases; unfair pricing; and, deceptive pricing)
2. Inconvenience (location not ideal; unsuitable working hours; waiting etc)
3. Core service failure (service mistakes; billing errors)

Strategy prompted

1. Encounter failures (Impolite; unresponsive; unknowledgeable staff members)
2. Response to service failure (negative response; no response; no positive outcome; complicated procedures)
3. Ethical problems (cheat; unsafe; conflict of interest)

Figure 39
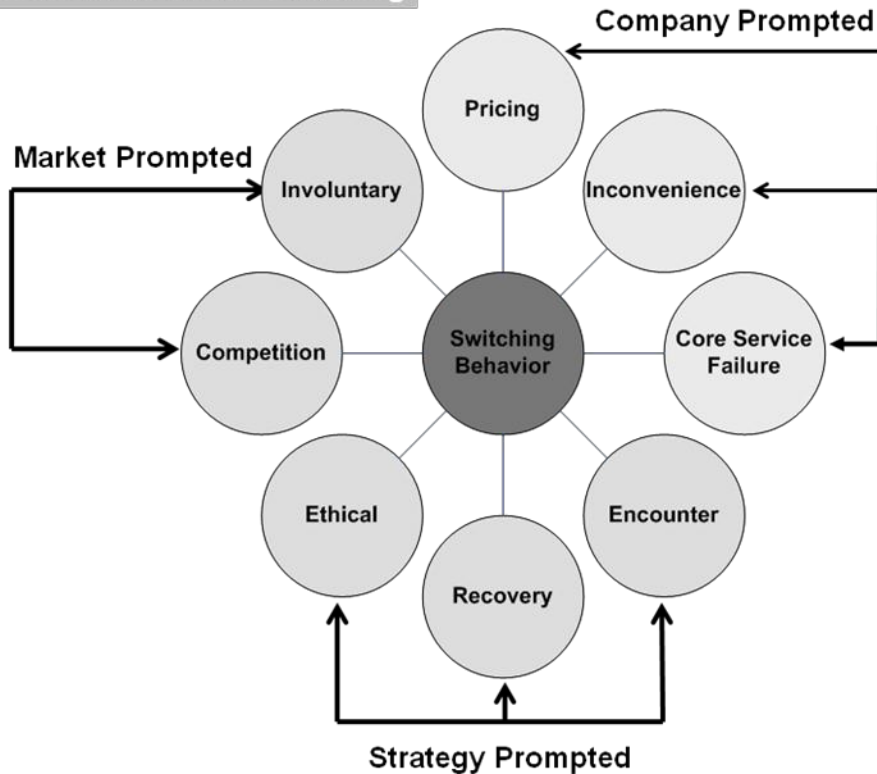
1. Competition (performs better; offers attractions)
2. Involuntary switching (provider moved or closed)

Summary

Lapses do occur and therefore every company should be prepared to recover any possible losses from service failures. If recovered effectively, service failures have a chance to convert disgruntled customers into loyal customers. For that, companies must stage effective recovery strategies quickly in a way that customers feel convinced of getting the desired satisfaction by going through simple procedures and getting a fair treatment.

Companies should also learn from the mistakes they have been making to gain mastery of the procedures they work on day in and day out. For the objective to retain customers, companies should also understand the factors responsible for defections. Such an understanding helps companies do things right the first time and institutionalize effective recovery strategies.

Bibliography

1. *Valarie A. Zeithaml and Mary Jo Bitner, "Services Marketing – Integrating Customer Focus Across The Firm", 3rd edition; McGraw Hill (187)*
2. *Ibid (189)*
3. *Ibid (189)*
4. *Ibid (191-193)*
5. *Ibid (193-196)*
6. *Ibid (197-205)*
7. *Kenneth E. Clow and David L. Kurtz, "Services Marketing – Operation, Management, and Strategy", 2e;Biztantra (321-323)*
8. *Valarie A. Zeithaml and Mary Jo Bitner, "Services Marketing – Integrating Customer Focus Across The Firm", 3rd edition; McGraw Hill (205)*