MARKETING STRATEGIES OF SERVICE FAILURE RECOVERY IN HOSPITALITY INDUSTRY

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Abstract
The inseparable and intangible nature of services gives rise to the high probability of failures occurring. Service failure arises when customers experience dissatisfaction because the service was not delivered as originally planned or expected. The focus of this paper is to identify types of service failure and the antecedents; the recovery strategies and the impact of recovery on organizations growth. It emphasizes the need to address customers’ complaint regarding a service failure and the theory of justice to be a framework on which service recovery is built.

Services have to do with the production of an essentially intangible benefit, either in its own right or as a significant element of a tangible product, which through some form of exchange, satisfies an identified need. (Adrian, 2004). This definition recognizes that most products are in fact a combination of goods elements and services elements. In some cases, the service element will be the focus elements of the service, while in other cases the service will simply support the provision of a tangible good.

Services have a number of distinctive characteristics that differentiates them from goods and have implications for the manner in which they are marketed. These characteristics are often described as intangibility, inseparability, variability, perishability and the inability to own a service.

A pure service cannot be assessed using any of the physical senses – it is an abstraction that cannot be directly examined before it is purchased. Pure services have no tangible properties that can be used by consumers to verify advertising claims before the purchase is made.

The consumption of a service is said to be inseparable from its means of production. Producer and consumer must interact in order for the benefits of the service to be realized – both must normally meet at a time and a place that is mutually convenient in order that the producer can directly pass on service benefits.
Variability has to do with the extent to which a service can be deliberately varied to meet the specific needs of individual customers. Variability impacts upon customers not just in terms of outcomes but also in terms of processes of production (Jobber, 2004). As a result of the fact that the customer is usually involved in the production process for a service at the said time as they consume it, it can be difficult to carry out monitoring and control to ensure consistent standards. The opportunity for pre-delivery inspection and rejection that is open to the goods manufacturer is not normally possible with services. The service must normally be produced in the presence of the customer without the possibility of intervening quality control.

Services are perishable because they cannot be stored. The produce of a service that cannot sell all of its output produced in the current period gets no chance to carry it forward for sale in a subsequent period. For example, an Airline which offers seats on a 9.00 am flight from London to Paris cannot sell an empty seat once the aircraft has left at 9.00am. The service offer disappears and spare seats cannot be stored to meet a surge in demand which may occur at 10.00am (Adrian, 2004).

The inability to own a service is related to the characteristics of intangibility and perishability. The inability to own a service has implications for the design of distribution channels, to a wholesaler or retailer cannot take title, as in the case with goods.

**Statement of the Problem**

The inseparable and intangible nature of service gives rise to the high probability of failures occurring. (Kelley, and Daves,1994). From a consumer perspective, a service failure is any situation where something has gone wrong, irrespective of responsibility. The inseparability of high contact services have a consequence that service failure usually cannot be distinguished from the consumer. Service failures may vary in gravity from being very serious, such as a food poisoning incident, to something trivial, such as a short delay.

A single service failure may have two effects (Halstead et al, 1993). First, a ‘halo’ effect may negatively colour a customer’s perceptions. For example, when a house fly is found in a meal, or if an airline loses a passenger’s baggage, the passenger may subsequently associate any communication from the airline with failure.

Second, a ‘domino’ effect may engender service failures in other attributes or areas of a service process. This can occur where a failure in an early stage of a service puts a customer in a bad mood so that they become more critical of minor failures in subsequent stages. A dinner who has been unreasonably delayed in obtaining their pre-booked table may be more ready to complain about minor problems with the subsequent delivery of their food.
Successful service marketing takes commitment and consistency, but they are hard to achieve. Some service marketing are structural and some annoyances, but the result is that service marketing fails more often than it succeeds (Horton, 2009).

**Conceptual Framework**

**Identifying Service Failures**

The secret of service marketing is no mystery, neither is it a secret at all. Successful service marketing, takes commitment and consistency, but they are hard to achieve, Service marketing is most effective when continuous rather than sporadic. When a firm has a continuous and consistent message in the market place, sooner or later, it becomes identified with the message, which makes relationship selling easier. Firms such as accountants, lawyers, consultants and executive recruiters fail to commit to consistent marketing. (Oliver, 1980).

Service providers should have systems for identifying, tracing and analyzing common failure situations (Hoffman et al, 1990). More importantly, it allows management to develop strategies for preventing failure occurring in the first place, and for designing appropriate recovery strategies where failure is unavoidable. Firms with formal service recovery programmes supplement the bundle of benefits provided by the core products and enhance the service component of the firm’s value chain (Hoffman, and Kelley, 2005).

It is often suggested that a happy customer will go away and tell two or three people about their good service, but a dissatisfied customer will tell probably a dozen about a failure. Although customers may defect to the competitions for a number of reasons (e.g. better prices, better products, change of market locations etc), minimizing the number of customers who defect due to poor customer service is largely controllable. However, there is plenty of evidence that firms do not take complaining customers seriously and that unresolved complaints; actually strengthen the customer’s negative feelings toward the company and its representatives (Hart et al 1990). A poor service or a service failure will result in dissatisfaction and this in turn will prompt a variety of response which may include: complaining, negative word-of-mouth and decisions not to purchase.

Service failures arise when customers experience dissatisfaction because the service was not delivered as originally planned or expected. In effect, these services failure arises from the customer perception of a service experience and not from what the organization believe it has provided.
Types of service failure according to (Kelley et al. 1993) are classified as follows:

1. **Service Delivery Failures**
   In general, service delivery system failure consists of three types of failure:
   a. Unavailable service.
   b. Unreasonable slow service.
   c. Other core service failures.

   Unavailable service refers to services normally available that are lacking of absent such as a cancelled flight or a hotel that is overbooked.
   Unreasonably slow service relates to services or employees that customers perceive as being extraordinary slow in fulfilling their function and might include delays in serving a meal in a restaurant or lengthy queue at a visitor attraction. Other core service failures encompass all other aspects of core service failure e.g. physical environment, process of rendering the service etc.

2. **Failure to Respond to Customer Needs and Requests**
   The second type of service failure relates to employees response to individual customer needs and special requests. Customer needs can be explicit or implicit. Implicit needs are not requested, if a guest in a hotel room fell because of a slippery floor, and injured, his or her needs will be apparent.

   By contrast, explicit requests are overtly requested. In general, explicit requests are of four types (1) special needs (2) customer preferences (3) customer errors and (4) disruptive others. (Adrian 2004).

   Responses to special needs involve complying with special medical, dietary, psychological, language or social circumstances, preparing a meal for a vegetarian would count as a special request. Responses to customer preferences require the employer to modify the service delivery system in some way that meets they preferred needs of the customer. A customer request for the substitution of a menu at a restaurant is a typical example of a customer preference.

   Responding to a customer error involves a scenario in which the failure is initiated by a customer mistake (e.g. a lost of a hotel key) and the employee needs to respond.

   Finally, responding to disruptive others require employees to settle disputes between customers, such as requesting patrons to be quiet in cinemas or requesting that smoking customers not smoke in the non-smoking section or restaurants.
3. **Unprompted and Unsolicited Employee Actions**

The third type of service failure arises from employees behavior that are totally unexpected by the customer. These actions are not initiated by the customer, nor are they part of the service delivery system. Subcategories of this group include:

1. Level of attention.
2. Unusual actions.
3. Culture norms.
4. Gestalt
5. Adverse conditions

Negative levels of attention to customers pertain to employees who have poor attitudes, employees who ignore a customer and employee who exhibit behaviour consistent with an indifferent attitude. The unusual behavior subcategory includes employee actions such as rudeness, abusiveness and inappropriate touching.

The cultural norms subcategory refers to actions that violate culture norms such as equality, fairness and honesty. Violations would include discriminatory behaviour, acts of dishonesty such as lying, stealing and cheating and other activities considered unfair by customers.

The gestalt subcategory refers to customer evaluations that are made holistically as in the case of a customer who evaluate a holiday as dissatisfying overall without identifying any specific incident that cause this dissatisfaction.

Finally, the adverse conditions subcategory covers employee actions under stressful conditions. If an employee takes effective control of a situation when all other around him or her are “loosing their heads”, customers are impressed by the employee’s performance under these adverse conditions.

Understanding the type of service failure that has occurred is important in designing an appropriate recovery strategy and, perhaps more importantly, in developing future policies to limit the occurrence of service failures.

For example, when faced with service delivery failure, an organization may need to pay particular attention to service operations and design. When failures arise from employee’s actions and behaviour, the appropriate approach might be to focus attention on the management of human resources.

**Customers Reaction to Service Failure**

When a consumer experiences a service failure – i.e the service fails to match expectation and the consumer is dissatisfied, a number of reaction or responses are possible. An understanding of how consumers react is important because, the process help the organization to initiate service recovery, for the simple fact that if the
organization is aware of a service failure and customer complaints, management would be able to collect information concerning the service failure.

Unfortunately, many customers do not complain following a service failure but they do engage in activities such as negative word-of-mouth and brand switching. This suggests that many organizations may miss out on the opportunity to undertake service recovery because they do not know that a failure has occurred.

Generally, customers respond to a service failure in a number of ways. Day, (1980) examined consumer complaint behavior from the perspective of the goals being sought. Day suggested that the goals of complaining could be classified into three broad themes.

a. Redress seeking (complain to organization or take legal action in the hop of obtaining some form of compensation);
b. complaining (engaging in negative word-of-mouth to make others aware of the service failure);
c. and personal boycotting (switching to an alternative producer).

Singh (1990), derived four clusters of complaints response or reaction groups, which he labeled passives, voicers, irates and activists.

Passive fall below average on intention to complain to any source
Voicers actively complain to service providers but show minimal interest in providing negative word-of-mouth or seeking support from third parties.

Irates are consumers who have a high tendency to complain directly to seller/providers but are less likely to engage in third-party actions.
Finally, Activists are dissatisfied patrons who score above average on all complain dimensions.

Factors Influencing the Type of Reaction/Response Consumers Adopt

Market Factors
In a competitive market with many sellers, dissatisfied buyers, do not necessarily voice their complaints because they can easily exit and go elsewhere. The time and effort it takes someone to speak up is unlikely to pay off and brand switching is simpler. Businesses in competitive market that do not make an effort to listen to customers therefore risk losing business without knowing why.
A monopoly market, in contrast to a competitive one, may actively increase complaining because customers are captive and exiting to another supplier, is not a possibility, complaining is the only chance for improvement.

**Seller and Services Factors**

Dissatisfied customers are more likely to complains to companies with a reputation for being responsive to complaint. They are also more likely to complain if a service is complex, expensive or considered important, or if the service failure is serious (Blodgett and Granbois, 1992). Buyers tend not to complain about low-cost, low-involvement purchase such as non-durables. The relatively complexity, expense and importance associated with hotel industry means that consumers are more likely to complain about dissatisfying experiences thus providing organizations in the hospitality sector with a useful source of information on the extent and nature of service failures.

**Consumer Factors**

A fairly consistent finding in the literature is that complainers occupy higher socio-economic levels in society. Their higher income, education and social involvement give them the knowledge, confidence and motivation to speak up when they feel wronged (Singh, 1991).

Consumers’ belief and attitude have been associated with their complaining behaviour for example; people who believe that complaining will make a difference are more likely to try it (Blodgett and Granbois, 1992). Persons who perceive that many marketing practices are unfair are more likely to complain.

Attributions about who is to blame for a problem also affect consumers’ willingness to complain. Those who believe the problem was caused by someone else and not themselves are more likely to complain, particularly if they think the company has control over the situation (Folkes, V. Koletskym S. and Graham, J. L. (1995). If the buyers attribute the problem to themselves, they are less likely to speak up (Godwin et all, 1995).

Personality factors may also be involved in consumer complaining, although the literature is sparse on this topic. In general, assertive people are more likely to complain, whereas submissive persons are more likely to keep quiet. (Bolfing, 1989).

More recently it has been suggested that consumers’ emotions may influence their complaining behavior (Godwin et al, 1995) especially with regard to non-complaining consumers. The emotion that accompanies purchase experience is as important as satisfaction or dissatisfaction, if not more so, in determining people’s complaining behaviour.
Consumers may feel three different types of negative emotions when they are dissatisfied. The specific feelings are based on their attributions about who is to blame for the problem. Those who blame another party, typically the company or employee, generally feel anger, disgust or contempt. These negative emotions are the ones mostly likely to lead to complaining. They probably lead, as well, to negative word-of-mouth communication to family and friends (Westbrook, 1987).

Consumers who see the cause of the problem as situational (i.e. no one is to blame) tend to feel distress or fear. Their emotions probably do not result in so much complaining because consumers feel powerless compared to the company, perhaps because of its size or its market position (Stephens and Gwinner, 1998). Social fear may also come into play. Some dissatisfied buyers keep quiet because they fear being rude, bothering someone, or hurting someone’s feelings.

Stephens and Gwinner, (1998) suggested that some consumers may not complain because they empathize with or feel with compassion for the employee who causes the problem, a feeling that may be unique to services because of the face-to-face contact between buyer and seller.

Without customer complaints, organisations may only have limited information on the extent and nature of service failure and may not have the opportunity to engage in service recovery. The propensity of individuals to complain may be influenced by the market environment, the nature of the service/service provider and by a variety of personal factors including socio-economic class, attitudes, personality and emotions.

**Development of Recovery Strategies**

Service providers should have systems for identifying, training and analyzing service failures. This allows management to identify common failure situations (Hoffman et al 1995). More importantly, it allows management to develop strategies for preventing failures occurring in the first place and for designing appropriate recovery strategies where failure is unavoidable.

Service recovery is concerned with the process of addressing service failure, more specifically, service recovery can be taught of as being concerned with the production handling of complaint and includes all actions taken by a service provider in order to try to resolve the problem a customer has with their organizations (Gronroos, 1990). It is generally recognized that complaint are necessary to institute a recovery effort. Without complaints, a firm may be unaware that problems exist and unable to appease unhappy customers.
Bell and Zemke (1987: 24) proposed five ingredients for service recovery.

1. **Apology**: A first person apology rather than a corporate apology, and one which also acknowledges that a failure has occurred.

2. **Urgent reinstatement**: Speed of action complied with a gallant attempt to put things right even if it is not possible to correct the situation.

3. **Empathy**: A sincere expression of feeling for the customer’s plight.

4. **Symbolic atonement**: A form of compensation that might include not charging for the service or offering future services free or discounted.

5. **Follow-up**: An after-recovery call to ascertain that the consumer is satisfied with the recovery process.

Bitner M. J, Booms B H. and Tetreault M. S. (1990), asserted that it is not necessarily the failure itself that leads to customer’s dissatisfaction. According to them, it is more likely to be the organisation’s response or lack of response to a failure that causes dissatisfaction. They suggested that for a successful recovery an organization’s response should include the following four key elements:

1. Acknowledgement of the problems.
2. Explanation of the reason for the failure.
3. Apology where appropriate.
4. Compensation such as a free ticket, meal or drink.

Dissatisfaction, they suggested results from the organisation’s inadequacy or inappropriate response to the failure (i.e. inability to effect the above) and these they suggested leads to a magnification of the negative evaluation. They define this situation as a “double deviation scenario, where the original problem was not adequately recovered.

The study of service failure and recovery has built on a number of theoretical frameworks. These include: Attribution Theory: Mazham and Netemeyer, (2002); Justice Theory (Tax et al, 1998); Disconfirmation Theory (Parasuraman et al, 1985); Social Exchange Theory (Kelly, 1993): and Fairness Theory (McColl Kennedy and Sparks, 2003).

Justice Theory offers the most comprehensive framework for understanding the complaint resolution process from initial service failure to final resolution (Adrian, 2004).
Justice Theory has evolved to incorporate three dimensions

1. Distributive Justice (the fairness of the outcome of the complaint resolution process).
2. Procedural Justice (whether the procedure for resolving the failure were considered to be fair).
3. Interactional Justice (which concerns interpersonal behaviour employed in the complaint resolution procedures and delivery of outcomes).

Complaint handling can be viewed as a sequence of events, beginning with communicating a complaint about the service failure that generates a process of interaction leading a decision and an outcome. Justice literature suggests that each part of the sequence is subject to a fairness consideration and that each aspect of a complaint resolution creates justice episode (Tax et al, 1998).

A successful recovery is accomplished when the aggrieved consumer is provided with an appropriate blend of the three Justice dimensions (Mazham and Netemeyer, 2002). The importance of the three dimensions depend on several factors, including: the type, and magnitude of the service failure (McColl – Kennedy and Sparks, 2003), the service context (Mattila, 2001), the extent of any prior relationship (Noffman and Kelly, 2000), customer Psychographics (McCole and Herwadker, 2003), and emotional state (Schoefer and Ennew, 2005).

The most important step in service recovery is to find out as soon as possible when a service has failed to meet customers’ expectations. A customer who is dissatisfied and does not report this dissatisfaction to the service provider may tell friends about their bad experience.

**Impact of Service Recovery**

Research by Smith and Bolton (1988) has shown that satisfaction with service recovery will contribute positively both to cumulative satisfaction with the organization and to re-patronage intentions. Similarly, Sparks and McColl –Kennedy (2001) comment on the positive impact of episodes to service recovery levels of post –failure satisfaction. Kelley et al (1993) emphasized on customer retention rates as a result of service recovery.

Effective service recovery has also been demonstrated to have a positive impact on post recovery word –of –mouth (Blodgett et al,1993).

Indeed, the beneficial effects of effective service recovery have had many commendations to argue that there are significant potential benefits from encouraging complaints. These complaints are the only responses that provide the organization with
an opportunity to recover effectively from service failure. Customer should be encouraged to complain.

Conclusion

The nature of the hospitality industry is such that few, if any organization can hope to offer “zero defects” service. Service failure occurs when a service fail to live up to what was promised or what the consumer expected, because it is something that is identified by the consumer, it is customer complaints that serve as the main indicator of service failure.

Unfortunately, not all customers complain – many may simply decide not to purchase again or may engage in negative word-of-mouth. Because complaints provide an organization with the opportunity to recover from service failure and prevent negative behaviour on the part of customer, an increasing number of organizations actively encourage customers to complain.

Once an organization is aware of a service failure, 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. The potential benefits of effective service recovery include improvements in cumulative satisfaction, increased loyalty, repurchase and positive word-of-mouth. In order to realize those benefits there are many strategies such as apologies, communication and provision of compensation.

The ways in which customers’ complaints are managed influence the severity of service failure and the objectives of service recovery. The justice theory is said to offer the most comprehensive framework for understanding the complaint resolution process. It involves the distributive and procedural justice – the fairness of the outcome, and the interactional justice – interpersonal behaviour employed in the complaint resolution procedures.

Recommendations

1. Rather than wait until long after a critical incident has failed, service companies should think more about service recovery during the service delivery process.

2. In the face of adverse circumstance, a service organization’s ability to empathize with its customers can create stronger bonds than if no service failure had occurred.
3. Service recovery after the event might include financial compensation that is considered by the recipient to be fair, or the offer of additional services without charge, giving the company the opportunity to show itself in a better light.

4. In behaviour to ensure service recovery, two principal factors is essential – front-line service personnel must have the ability to empathize with customers. Empathy can be demonstrated initially in the ability to spot service failure as it is perceived by customers, rather than some technical, production-oriented definition of failure.

5. Service organizations should empower front-line staff to take remedial action at the time and place that is most critical. E.g. empowering staff to use resources at their discretion in order to achieve service recovery.

References


