



## Role of service encounter and context in strengthening the service recovery paradox

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### Abstract

“Service Recovery Paradox” is a remarkable phenomenon that exists in customer service, whereby a customer’s loyalty and satisfaction towards the organization offering the service increases after the customer has faced a problem. The purpose of this research paper is threefold, first to analyze such situations and contexts which may lead to the formation and strengthening of a service recovery paradox. Secondly to identify the factors which are necessary for the existence of the not-so-evident service recovery paradox and thirdly to present a theoretical framework of factors and their interrelations. The study draws significantly from the relevant available literature and case-based experiences. Being descriptive in nature, the study proceeds by making use of qualitative inputs in identifying independent variables that may have an impact on the phenomena of the service recovery paradox (the dependent variable). The paper is targeted at both academia and industry. The academic intelligentsia may pick-up tenets for further insights into the less trodden path of service recovery. Industry practitioners may need to revisit the myth that a dissatisfied customer is a lost customer. He/she may be recovered and subsequently delighted, but a lot depends on the initial service encounter.

**Keywords:** service recovery, service paradox, recovery scenarios, service recovery strategy

### Introduction

Services have been largely defined as deeds, processes and performances. They are basically market offering in which the output is not a physical tangible product. Days of pure, intangible services are passé, today; there are very few pure services or pure goods. In fact, the intangibility of services provides support to pure goods (as in the case of after sale service for consumer durables), and the tangibility of goods helps services gain acceptance with the target audience (as in the case of equipment in a hospital or a gymnasium). Therefore if we think of a goods- services continuum, we may imagine a situation where all present market offerings will lie between the two extremes, and they manifest themselves as a combination of goods and services.

According to Bhandari and Sharma (2009) [2], “Not paradigm but gradual shifts in various domains of life (demographic/ social/ economic/ political- legal/ technological), have resulted in burgeoning growth of the service sector. In the past decade, services have accounted for more than 70% share in the gross domestic product (GDP) of developed and developing countries”. This implies that as people and organizations utilize more of services such as - airlines, courier and cargo, retailing, medical, tourism, information Technology, research and development, advertising, marketing research, education, auditing and consultancy, banking etc., the parent/ host country is evidently striding towards economic development.

Due to inherent characteristics of services (intangibility, heterogeneity, inseparability of production and consumption, and perish ability), the approach towards marketing them needs to be different. Business people have taken cognizance of the fact that management of services presents unique

challenges and issues which may not surface when dealing with manufactured goods.

Especially from the perspective of a customer, services need to be managed as a unique interaction between the visible and invisible parts of the environment, i.e. management of services is interplay of tangibles and intangibles. Impression management and front stage management assume special importance. Specifically, the frontline employees are seen as playing a role, as per a pre-defined script.

The inherent characteristics of services make it even further unique as it involves

- Customer involvement at varying degrees
- Due to intangibility of services, customers often look for tangible clues for understanding the services
- Role of the customer facing employees is of prime importance Rather than the product, it is the act/ performance and all related factors which effect the customer experience

### A. Service Failure

Service failure is an inevitable occurrence in most instances of service delivery. Deeper involvement of the human factor in services makes the service industry work on a twin- edged sword. The aim of every service enterprise is to deliver qualitative service. However, there may be instances when this aim is not fulfilled i.e., the expectations of customers are not met. The services failure is basically a culmination of various acts and factors, ultimately leading to a dissatisfied customer. Failures are said to have occurred when service quality does not match-up to the quality dimensions. Specifically, service failure may mean that: -

- Service is not available when required
- Service is not available as required, in the desired form/ specification
- Service may not yield the desired result/ output
- Employee behavior during service encounter may be discourteous
- Customers may not play their part properly in the service delivery process
- Service defects in any part of the delivery process may lead to a failure of service.

## B. Service Recovery

Services are prone to failure even if the provider is obsessive about service quality. Sometimes, failures occur due to factors which are out of management control. Whatever be the cause of service failure, organizations must make all efforts to minimize the loss and dissatisfaction of the customer. Actions taken by an organization in response to service failure are known as Service Recovery. Failure in service definitely elicits a negative response from the customer. If failures are left unchecked, it may lead to a situation where customers may switch service providers, spread unhealthy or negative word of mouth and even become activists by complaining to third parties. In order to avert such situations, organizations should resolve customer problems, ultimately keeping their bottom line performance in sight. Customers, who are satisfied through post- failure efforts of recovery, will be more loyal than those who are left unchecked.

### The Service Recovery Paradox (SRP)

The popular adage ‘do it right the first time’ is of course a strategy through which services may be made fail-safe. However, even in the event of a failure in services, research suggests that even an initially disappointed customer who has experienced good service recovery, may be more satisfied and loyal. This phenomenon has been called the *service recovery paradox* (Maxham 2001; McCollough 1995; McCollough and Bharadwaj 1992; Smith and Bolton 1998) <sup>[10, 13, 11, 12, 18]</sup>. In this context, effective service recovery may lead to higher satisfaction compared to the service that was correctly performed the first time, and recovery encounters would mean an opportunity for service providers to increase customer retention (Hart, Heskett, and Sasser 1990) <sup>[5]</sup>.

The idea suggests that dissatisfied customers may be more likely to repurchase services from an organization where they have encountered service failure. The pre-requisite for this to happen is that the customer should be treated to an excellent service recovery effort. The idea of thrilling the customer with recovery is the back-bone of making the customer better off than even a stage when satisfaction would have occurred in the first place.

### Is Service Recovery Paradox (SRP) possible in all Service Failures?

Contemplating about the SRP may lead us to the question that if disappointing customers in the first place may result in a more satisfied customer, then should companies pursue the strategy of ‘not satisfying the customer in the first instance’? Of course, this is backed by the assumption that companies

will be able to recover well and gain even greater loyalty. Research has suggested so far that the service recovery paradox has limited existence. Magini *et al.* (2007) explains that “Service recovery paradox is most likely to occur when the failure is not considered by the customer to be severe, the customer has had no prior failure with the firm, the cause of the failure was viewed as unstable by the customer, and the customer perceived that the company had little control over the cause of the failure”.

It is imperative to note that the SRP is highly dependent on the context and situation. This means that although one customer may find it easy to forgive an organization after a failure whereas another customer may not be happy even with the recovery efforts. The level of post-recovery satisfaction may depend on a number of factors, such as the magnitude of the service failure, the customer’s perception of the criticality of the consumption, and whether the service provider or the customer is first to notice the service failure (Mattila, 1999) <sup>[8]</sup>. Since it has been established that service recovery paradox does not exist in all situations hence it becomes very imperative is to identify and analyze the instances holding maximum chances of paradoxical recovery and further can such situations created and controlled by the service organizations.

- What are the situations in which one may expect to observe such a phenomenon?
- How should Service organizations identify such situations?
- Can Service organizations to create such situations as may be relevant for a service recovery paradox to be formed?

### The recovery scenario

An excellent service recovery has a direct impact on how much consumers trust the firm (Kau and Loh 2006) <sup>[6]</sup> therefore SRP must be viewed as a strategy to win over customers who may seem to be lost by the company, due to service failure. Such situations/Instances would always arise where there is a a service failure, but if company keeping these scenarios in purview plan in such a way that all service strategies work in a manner, wherein the chances paradoxical service recovery may be possible can lead to a win-win situation for both the customer and the organization.

Such circumstances which act propellants of the SRP phenomenon are collectively called as *Recovery Scenarios*. Maxham, (2001) <sup>[10, 13]</sup> in his study examined the effects on SRP, that different levels of service recovery have in such scenarios. He found that moderate to high service recovery efforts significantly increase post-failure levels of satisfaction, purchase intent, and positive WOM. Therefore a good service recovery in recovery scenarios leads to SRP

Whenever a customer goes into a service experience, there are two sets of circumstances which may have a bearing on the service delivery process and expectation. One set of circumstances are those which are subjective and individual to the customer alone. They may be called *Self-enduring scenarios*. The other set of circumstances is the one created by the company/the service principal. These may be called *Company-generated scenarios*. Since the latter scenarios are

company-oriented they have a general objective overtone. Thus, they may not be salient for each customer. In Service, it is these scenarios which have to be interwoven into the corporate, business and functional strategies of companies, so as to create chances of 'Paradoxical service-recovery'.

**I. Self – Enduring Scenarios for Service Recovery (SE)**

**SE1: Individual philosophy of service:** All customers hold a general attitude about meaning of service and proper conduct. If customers have strong philosophies of service provision, their expectations of service experience will be intensified specially in case of customers who are themselves related to service industry in past. This leaves very little room for service companies to make good a failure. However, weak service philosophies lead the customer to give more opportunities to the firm, so that the firm may utilize these chances for recovery.

**SE2: Importance of particular service:** A service which is of paramount importance to the customer has an innate edge, when compared to other services. Situations for example where a customer requires medical care, or where working parents need a safe and secure place for their children to be, when they are away at work. In situations such as these, the

service provider is at an advantage. This is because the services are in a way indispensable for the customer. Unavailability of such services may lead to inconvenient, uncomfortable times for the customer. Hence, there is a propensity of such customers to provide a chance to the service provider, for possible recovery of a failed service. This in itself will serve as stepping stones for providing befitting service recovery, thus amounting to a service recovery scenario.

**SE3: Situational factors:** The conditions under which services are rendered to customers are important determinants of the service recovery scenario. Customers often recognize that situational factors are not the fault of the company. Such factors may give rise to a phase where customers may encounter service failure. For example, catastrophes increase emergency cases at hospitals, and regular patients may not be attended to in the usual manner. However, in the face of conditions which are out of the management's control, even customers are ready and do not complain while giving an opportunity to recover service. Therefore, adverse service situations are in fact a blessing in disguise for the service principal, as they become recovery scenarios.



**Fig 1**

**SE4: Past experience:** Previous experience which the customer may have had with the organization may also be a source of a recovery scenario. Customers do not hesitate in providing an additional chance for service recovery if they have had a memorable experience in the past. Customers compare their present experience of a service with previous experiences with the same brand, general performance of a favorite brand, experience with the brand last purchased etc.

In case of previous bad experiences, an offer for service recovery may surprise and entice the customer towards the possible making of a SRP. On the other hand, if the past experience has been positive and good, the customer will follow through a recovery exercise on the basis of faith and hope of splendid recovery. Another most ideal situation is when a customer has already been the part of a service recovery paradox at an earlier date. In both the cases, past

experience is a source of a recovery scenario.

**SE5: Degree of customer involvement in service delivery:**

Customers play varying roles in delivering services. In some cases the customer are more deeply involved for example for some services may need to be physically present (such as medicine and health care, beauty services etc.) Whereas in consumption of certain services (such as courier and cargo, car repair) can be consumed even without the presence of the customer. In another case they may just need to provide certain information to be processed or may simply need to provide his belongings which are to be serviced. So, services where active participation of customers is required are the ones where there is a scope for the creation of a recovery scenario. In case a customer has not played his stipulated role in the service, the onus of service failure is on the customer. In other words, service failure is a result of improper customer actions. Thus, service recovery must be done as the next step, only on the premise that the customer's? This creates a recovery scenario where the organization may perform even better than earlier, and the customer may be much more satisfied than earlier

**SE6: Customer perception of service value vs. service price:**

When customers talk about value, they may have varied views about the attributes or components they desire from the service. Consumers make an overall assessment of the utility which the service offers to them, against what they have to forgo. There are customers who perceive a trade-off between these 'give' and 'get' components of a service. They may buy a service not only to minimize price, but to maximize benefit. When this is the value perception of a customer, he does not want to let go of any opportunity which may put him at a disadvantage, as far as service benefits are concerned. Hence, such customers may even view service recovery as a medium of gaining maximum service utility.

**SE7: Zone of tolerance of a customer:**

Services are heterogeneous, as regards to service providers, service employees, and even different service encounters with the same employee. Customers may be willing to accept variation in services only to a limited extent. This extent, to which customers recognize and are willing to accept variation, is every individual customer's unique zone of tolerance. The zone of tolerance is nothing but a range in which service performance is acceptable to the customer. A spectrum of factors influences the zone of tolerance. For a customer with a broad zone of tolerance, i.e., where the minimum and maximum levels of service are far apart, the customer may overlook failures in service. This creates a service recovery scenario wherein the company gets an opportunity to re-serve the customer.

The zone of tolerance of an individual customer may expand or contract. A pleasurable previous service experience, or even a memorable recovery experience, will make the zone of tolerance expand. This further strengthens our recovery scenario.

**II. Company - Generated scenarios for service recovery (CG)**

**CG1: Customer relationship:** The marketing order of the day

is to 'keep and improve' relationships with current customers, rather than acquiring new customers. Consumers too prefer to have an ongoing relationship with one organization rather than continually shifting among providers. The 'first act' of attracting customers is important, but attention should also be paid to the 'second act' of maintaining these customers. Today, organizations go through a process and journey of acquiring customers as strangers, satisfying customers as acquaintances, knowing them as friends and listening to them as partners. As they serve customers time after time, companies go from strength to strength. As customers move from satisfaction-based acquaintances to trust-based friendships to commitment-based partnerships, the level of cooperation between the organization and customer also enhances. With higher level of customer relationship and cooperation, the company may not be under pressure for service recovery. Even in the event of a service failure, loyal customers are likely to provide a fair chance to the company, so that they may be retrieved. Thus, healthy and operational CRM strategies are actually measures for creating recovery scenarios.

**CG2: Presence of service guarantees:** Going beyond the intangible and variable nature of services, companies are offering service guarantees to customers today. It may not be possible to undo a bad service performance, but when service fails, a prior re-assurance to the customer may help in complementing the recovery strategy. It is clear that a service guarantee is much more than just a marketing tool- it is a service recovery scenario in itself. When a service guarantee is offered, the customer knows that even if the service fails, the company will make it up. Thus, the company will be better able to create a service recovery paradox.

**CG3: Customer Education:** Since service customers are required to play a role in the service delivery process, companies must prepare and communicate with customers for the service process. This communication is better done in the form of customer education especially when the service is new or unique. When customers are educated, the probability of failure gets reduced. But even if service does fail, the customer gives a chance to the service provider for recovery. This is basically because the customer may want to go into the service process even better informed (and educated) than earlier. Thus, customer education is a strategy, which is in fact a recovery scenario.

**CG4: Equity among customers:** In most service encounters, customers are likely to come across co-customers, during some or the other phase in the service consumption and delivery process. In all mutations of service processes, customers expect that similar and equitable treatment be given to all customers. By institutionalizing such fairness in service systems, companies initiate the making of a service recovery scenario. For example, there may be situations such as a flight delay where a lot of customers face service failure together. It is easier for organizations to offer service recovery efforts to such customers, as service failure for one spells failure for all. Equitable behavior with all customers in such a situation, is in itself a factor that exerts pressure on an individual

customer, so that he accepts recovery positively. The moment a customer senses disparity among customers, it indicates the prelude to a switch in brands. According to a Micheal (2002) distributive justice (i.e. fair solution) and procedural justice (i.e. satisfaction with speed) are mandatory for successful recovery.



Fig 2

**CG5: Presence of supplementary services:** Apart from the core service offering, supplementary services form a necessary support system. The provision of such ancillary services makes service consumption convenient and hassle-free for the customer. Imagine how easy it is to shop around in a departmental store, if our belongings are safely kept, and children are enjoying in the play area. Failure of a service (which is backed by other supplementary services), may be allowed to be followed-up by a recovery effort. This is because the customer is psychologically relaxed and the non-monetary costs of going through a recovery effort are very low. Thus, presence of supplementary services is in itself a case for a recovery scenario.

**CG6: Employee behaviour:** For a service organization, employees stand for and symbolize the service, the brand and the organization itself. During their interaction with customers, employees must exhibit immaculate service behaviour. Customer-oriented behaviours of service employees especially in customer facing roles, give them an opportunity to strike the right chord with customers. This means that properly-held employee roles lead to a recovery scenario, where customers enter into a recovery effort on the basis of the interaction they have had with the frontline (and

may be other) employees. It is in this way that the 'people' element of services may be steered towards a recovery scenario.

**CG7: Presence of credence qualities:** All market offerings may have different set of attributes. There may be some attributes which the customer may determine before purchase (search qualities), some attributes may be determined during consumption (experience qualities), and some may not be known even after consumption (credence qualities). The third category of qualities is very high in services, as the customer may not be cognizant of or may lack sufficient knowledge to appraise the service. Possessing only a little knowledge about the service will mean that the customer will need to endure the service until a desired level of outcome is attained. Thus, when a service high on credence qualities fails, the customer may await better performance from the service provider. This creates a service recovery scenario.

**CG8: Effective external communication:** Today's consumers demand information which is made available to them through a variety of sources. Companies need to ensure that customers must receive unified messages and promises through all the information which is disseminated. Service firms must try to create a distinct aspirational value for their services. This is done successfully by companies who use story-based, narrative approaches towards advertising. The customer is able to view a vivid, clear and strong image of the service. Importantly, the communication should be such that it offers the visualization of the service concept, especially about the post-consumption position of the customer. With this, the customer looks forward to a positive service outcome, and the imagery of getting closer to this outcome make even service failure and recovery seem as steps towards a better experience. Here, we have the creation of a recovery scenario.

**CG9: Role of technology:** Rather than interacting with service personnel, today's customers have the advantage of the Technological-convenience age. Today, service is available anytime, anywhere. Technology has manifested itself in services through the internet, automated phone encounters, kiosks etc. Such services are not only easy to consume but also easy to produce from the service principal's point of view. Service failure is a fact even for technology-based services. However, repeating a service process or undoing a wrongly-delivered service act is much simpler for some technology service providers. Even consuming the service again is less complex as it involves lesser time and effort. Thus, offering service recovery may become easier and therefore, a service recovery scenario is in order. This implies that service firms must provide their services through newly available technologies, so as to gain the advantages of such a recovery scenario.

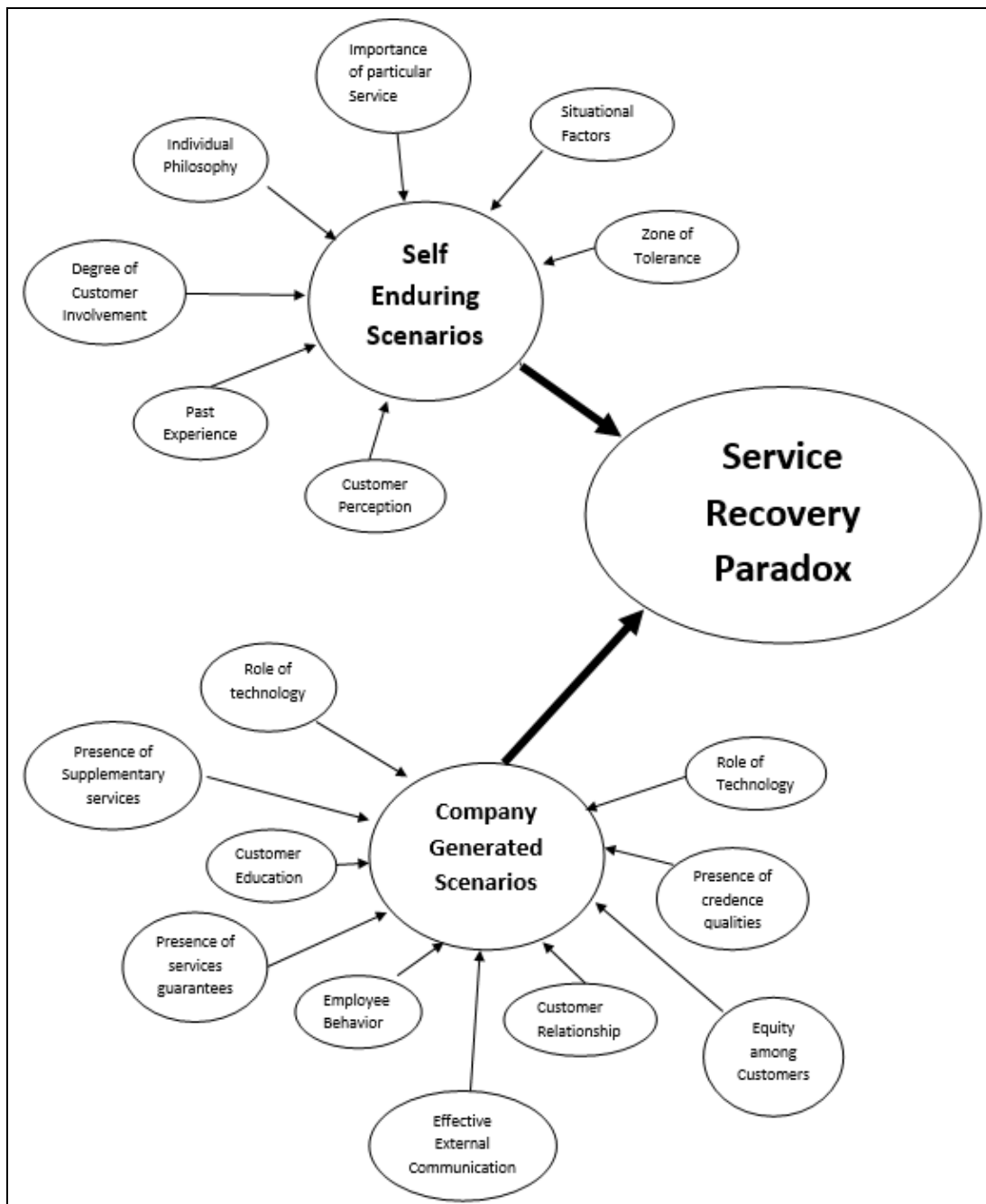


Fig 3

Similarly results of a scenario-based repeated measures design utilized by processes (Swanson & Kelley, 2001) [19], suggest that 1) customer behavioral intentions are more favorable in stable service recoveries, 2) an employee based service recovery results in more favorable evaluations and word-of-mouth intentions, and 3) customer evaluations and behavioral intentions will be more positive for service failures remedied by expeditious and less complicated recovery.

**Conclusion**

Service failure is an inevitable occurrence in most instances of service delivery. The phenomenon of service recovery is definitely a possible outcome of service failure, followed by recovery efforts. However, whether the experience of failure

may be handled efficiently so that it translates into satisfaction depends on a number of conditions such as deviations from customer’s zone of tolerance, dimensions of service quality, nature of service failure, nature of customer resources at stake, employee- customer rapport at the time of service to name a few.

The service recovery paradox may be a phenomenon that is not widely prevalent in the service industry at present. In fact, in the present era of stiff competition, often on a worldwide platform, organizations hardly leave scope for their customers to be dissatisfied. However, for intangible services, there may not be a fail- proofing mechanism, as there are quality control systems for products. In such a situation where service failures are bound to occur, the companies concerned may not be able

to afford losing customers on account of failed service. Companies will instead, strive to look for ways in which the dissatisfied customers and their confidence may be won back through service recovery.

A ray of hope in this direction is the service recovery paradox, which says that a disappointed customer may be made better-off than he would have been with the original service encounter. The bridge between customer dissatisfaction and post-failure customer experience is service recovery. Even the best of recovery efforts may not yield appropriate results. Getting closer to service recovery paradox situation is then questionable. It is here that we look at circumstances which increase the chances of a paradoxical service recovery. These circumstances may be created by the customer or by the company.

The task which service companies are encountered with is that they should be able to recognize the situational factors in customers, so as to take mileage of them. On the strategy front, companies must innovate and approach service planning and provision in a way that is conducive for smart recovery efforts to be conducted. In the absence of such supporting situational factors, the service recovery paradox may indeed be a phenomenon not easy to achieve. We may infer that the recovery effort should be made superlative so that it overshadows the perceptions taken from the initial service experience. It involves identifying and setting a '*paradox strategy*' in place.

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