



Managing Service Quality: An International Journal

Complaining customers, service recovery and continuous improvement

Gavin Eccles Philip Durand

Article information:

To cite this document:

Gavin Eccles Philip Durand, (1998), "Complaining customers, service recovery and continuous improvement", *Managing Service Quality: An International Journal*, Vol. 8 Iss 1 pp. 68 - 71

Permanent link to this document:

<http://dx.doi.org/10.1108/09604529810199421>

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Techniques

Complaining customers, service recovery and continuous improvement

Gavin Eccles and Philip Durand

The authors

Gavin Eccles and Philip Durand are with the Business Performance Division: MSB (Managing the Service Business), Ascot, Berkshire, UK.

Abstract

Notes the fact that dissatisfied customers may not complain to the service provider, but will tell a number of people about the bad service they have received. Looks at factors related to the development of a service recovery system to ensure that dissatisfied customers are dealt with effectively so as to ensure they receive appropriate levels of service and to maximize customer retention. Considers factors such as the reasons for customer complaints, reciprocity and complaint handling and ways to instil a service recovery strategy.

One in four customers has a problem with products purchased. If the item purchased is relatively low in price, only one in five will register a complaint.

Most customers feel that complaining to staff as and when a problem occurs will only cause additional annoyance and waste time. If customers have a problem with service, rather than with product, they are even less likely to say anything. Customers will tell their friends and family about their problem rather than the producer. In general, dissatisfied customers will tell between eight and ten people about the bad service they received.

These statements must cause considerable stress to operational managers within service companies. First, customers are not complaining to staff when they receive poor service. Instead, such individuals are expressing their negative thoughts to friends and family. Due to this the company cannot recover the situation, as the customer has appeared to go away happy. It is through the provision of good customer-staff communication that firms can determine the views of customers and recover a failing situation successfully.

Complaining customers are among the most loyal customers

This argument is further strengthened by research showing that customers who complain are also more likely to repurchase, even when their complaint is not handled satisfactorily. If the problem is resolved they will tell even more people about this successful recovery than if they had received good service in the first place. Overall, customers will tell five of their closest acquaintances about the way their incident was recovered, whereas if customers receive good service initially, they will only inform three. The recovery of customer complaints is equal to, if not more important than, providing good service initially.

Reciprocity and complaint handling

The reason why customers are more likely to say positive things after a problem has been recovered, is best explained by a psychological principle called reciprocity. People like to return favours when something nice has been done for them. They reciprocate the gesture. Companies are so keen on creating reciprocity

when mishaps occur that they do not track the money they spend in doing so.

As the marketplace continues to become more competitive, customers have greater freedom in choosing where to spend their money. It is therefore through this reciprocity principle that firms can look to increase customer loyalty, especially as the individual knows the company will go out of its way to ensure the situation is resolved.

What do customers want when they complain?

When looking at why customers complain, many different approaches can be identified. In reality, the reason why people take the trouble to complain is that they only want what they were denied. This can be as simple as an apology. So if a company fulfils the needs of a complaining customer then this individual will reciprocate by continuing to do business. Equally, this customer will then comment more positively about the organisation. Research in the hotel sector has found that the way complaints are handled is the major factor determining whether customers return.

One of the most popular myths concerning complaining customers is that they always require a refund. In fact this is not always the case. For example, fewer than 10 per cent of restaurant diners expect a bill reduction if a specific dish they ordered was unsatisfactory. They would rather have the dish replaced or reheated. In essence it is the service firm that offers the refund, so tearing up the bill or giving a free coupon for a future meal may be handing over money needlessly.

Service recovery and continuous improvement

Research has shown that the least any company can receive in terms of complaining customers is around 10-12 per cent. This is still high as a percentage, and of even more concern when the actual number of guests is considered. Overall, most companies will have at least one in ten customers who will not be satisfied with the service they receive. Therefore, given that in the best managed companies problems will still occur, an emphasis should be placed on service recovery – the process of putting right what went wrong.

The explanation above brings home the importance to firms of ensuring that if

something goes wrong, then there is a mechanism in place to recover it. Of greatest importance in the service recovery process is the assurance that customers have a dedicated means by which they can express their dissatisfaction. A range of techniques must be used to ensure customers have adequate means by which they can register their views. “Self-completion questionnaires” are the most commonly used of these as they are able to identify all potential problems. They may also be completed once the service has been received, either immediately or at a later date. However, if the latter option is taken and a complaint is registered, there is little an organisation can do to recover the situation. Therefore a more customer-focused approach is required.

To ensure customers are satisfied, staff members can be selected to walk around the service area checking that all needs are being met. This ensures that customers can voice their dissatisfaction in an environment where the situation may be considered and rectified. It is here that a professional and efficient service recovery process operates.

To illustrate service failures, and in the light of implementing a successful service recovery procedure, companies are able to construct a matrix of operational strategies and possibilities. This allows firms to understand how their customers complain, and more importantly provides a stimulus for action to ensure that situations are recovered in the most positive way. This matrix is presented and described in Figure 1.

Quadrant 1

Within this first quadrant there are no perceived product or service failings. Customers

Figure 1 Matrix of operational strategies and possibilities

No product or service failure Customer does not say anything	No product or service failure Customer dissatisfaction – speaks up
Company action: Celebration	Company action: Customer education
1	2
Product or service failure Customer does not say anything	Product or service failure Customer dissatisfaction – speaks up
Company action: Encourage complaints	Company action: Service recovery
3	4

are happy and leave the outlet without complaining. Overall the firm has delivered what the customer requires, resulting in “celebration” being the best practice company action.

The only concern with this scenario is that customers have not determined whether their satisfaction has been met or not. We may assume that as nothing is said then nothing actually went wrong, but the business does not know this for sure, or whether this customer will return, i.e. customer loyalty cannot be gauged. A means of collecting customer commitment is therefore required.

Quadrant 2

Within this second quadrant there is also no perceived product or service failure, but customers are dissatisfied with aspects of the operation, and say so. Overall, the product and service offered has not won the “heart and mind” of the customer.

The problem for the company is that the customer does not understand the product received, therefore registering a negative view. There is nothing wrong operationally, rather the customer requires more information about what they were buying. The method of response required is company “education”, ensuring that positive perceptions are established before the product/service is consumed. It is important that an alignment of views and expectations about the product between the provider and the customer exists. This will help to increase the customer’s level of commitment, as they are made to feel special through the way their comment has been handled.

Quadrant 3

The concern within quadrant three is that there is an actual product or service failure. To make the matter worse, the customer does not actually comment on this. The outcome of such an event is that customer will not come back to purchase the product/service, and through not assessing the level of their discontent the company is unable to recover the situation.

The firm is losing both valuable customers as well as important product/service information, that could help ensure that future products live-up to customer needs and expectations. Company action is the “encouragement of customer complaints”. Through offering a dedicated arena for capturing customer

opinions, companies can gain valuable development information. For example, hotel guests would be able to voice their concerns within the confines of the hotel, ensuring that a successful service recovery process is put into action, and customer commitment is achieved.

Quadrant 4

It is within this final quadrant that service recovery can be successfully implemented, ensuring greater levels of commitment and loyalty to the product/service on offer. The main concern here is that once again there is a product/service failure. The difference with quadrant 3 is that the customer actually speaks up and registers their dissatisfaction. In ensuring a successful service recovery process, two elements are required. First, the customer lets you know there is something wrong and second, the customer is still within the operation. When both of these elements are present, through actions of service recovery, customers will return.

Successful service recovery can only be achieved if the customer is still within the operation, whether this be a hotel, store or on the phone. Once the individual has left it is more difficult to show compassion, and win over their future commitment and loyalty. Therefore, not only is it important to have the process in place, but to ensure that staff are aware that any comment made by a customer is picked up and actioned. Similarly, through communicating with customers maximum contact takes place, and further opportunities for incidents to be noted and service recovery actioned are provided.

Instilling service recovery

Service recovery does not happen automatically. When a guest notes a complaint the usual response is to pass the problem to another staff member. The customer feels that they are being pushed around the operation, with no actual outcome being offered. To ensure that a successful service recovery operation is in place, and one that can spin into action whenever a complaint is registered, organisations need to consider the implementation of a service recovery strategy.

The main elements of this strategy are as follows:

- Manage and train employees to resolve customer issues.
- Empowerment.

- Recognise success stories.
- Communicate best practice.

The most important aspects of service recovery are training and empowerment. Staff need to be made aware that they are responsible for ensuring customers leave with a positive impression of the organisation. They need to be trained in customer service practices, so that they first offer compassion to the individual, and then present a solution that meets the needs and expectations of the individual customer.

Linked closely to training is the requirement for staff empowerment. Most customer issues are normally passed to supervisors and managers. Individuals feel that they are left waiting while a mutual offering is decided within back-offices. With service recovery, the staff member who receives the complaint from the customer should be the individual who stays with the matter from start to finish. In essence, if they cannot actually do anything themselves they should at least remain with the customer throughout the recovery process. This ensures that the incident is always handled in a professional manner, as

the customer has a consistent point of contact, and that the individual feels the organisation is trying their best to resolve the situation.

In an ever increasingly competitive market, customer commitment and loyalty is a means by which companies will survive and prosper. In ensuring that the customer is looked after, businesses need to give as much attention to ensuring that product/service is delivered perfect first time, as well as to when there is a problem and a mechanism is in place to solve the issue, winning back the customer.

To conclude, research shows that 35 per cent of customers will return and purchase the product/service if they are not actually satisfied with the service they have received. In theory this suggests that if the customer is not happy, one-third of such individuals will come back, but more importantly two-thirds will not return. When a successful service recovery process is in place, the statistics somewhat change. The number of dissatisfied customers falls heavily if firms operate a service recovery system. Eighty per cent of customers will return if they are satisfied with the response to a complaint.

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