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Redesigning the Recovery Strategies: A Profitable Reckoning of Customers' Expectations

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Abstract:

Considering the service failure an inevitable part of service, service organizations have been very cautious as regards designing recovery strategies. This paper discusses on the subject of redesigning the service recovery policies all the way through understanding customers' expectations. Unfolding the issues such "how?" the redesign was came in to factual practice is the main purpose of the Study. A restaurant named 'Surje Bano Restaurant' was considered for the in-depth study. A single case study approach was adopted for the research; qualitative data was collected via in-depth interview. Authors have laid special emphasize on the commercial success of the accomplished phenomenon in the service setting. The study will help both managers and researchers to understand the way of designing and improvising the recovery through customer engagement.

Keywords: Service recovery, service failure, customers' expectations, 'Surje Bano Restaurant', customer satisfaction

1. Introduction

Service literature shows that from a long period of time service recovery has been a center of concern for many researchers. A significant number of researches have exposed many issues related to these issues associated with service recovery. Because of the unique and complex nature of service scholars explained service failure as an inevitable part of service (Hart *et al.*, 1990) and service failure or services related errors can leads to customer dissatisfaction (Parasuraman *et al.*, 1985). On the other hand scholars explained that desired recovery actions as the factor that positively influences customer satisfaction (Zeithaml *et al.*, 1996; Smith *et al.*, 1999). Scholars agreed on the fact that developing effectual service recovery strategy is important for maintaining long term customer relationship and customer retention (Stauss and Friege, 1999). Pervious Researches confirmed that different types of customers have different types of expectations from the firms and requires different types of solutions as well (Boshoff *et al.*, 2005). However, service recover and customers' expectations associated with the recovery in the context of Bangladesh have never been come into the spotlight in an extensive range and needed to be explored. Service atmosphere in a South-Asian developing country such as Bangladesh is fairly different than those of the service setting of developed countries. In this study authors considered a restaurant named 'Surje Bano Restaurant' located in the busy area of the capital of Bangladesh.

2. Background of the Case

In his study Michel (2002) argued that among all ninety percent of the angry customers do not complain, so it becomes much challenging for organization to obtain actual picture of service failure. It turns out to be more complicated while designing the service recovery strategies where customers' experiences and expectations are largely indefinite. Here the management of 'Surje Bano Restaurant' was facing the challenges to design appropriate recovery policies due to lack of proper communication from customers' side. As because the incidents of service failure is an unavoidable in service environment and also can lead to customer dissatisfaction. Whereas, primarily customer disappointment and less repurchase intention was found in this case as well.

On the other hand in his study Celine (2006) stated that customers' reaction may differ to service recovery actions for diverse sort of service failure incidents. So the recovery solution concept has to be diversified in the practice in order to meet the customers' expectations. Designing the recovery solutions the management had to also consider some imperative facts such as; i.e. chance of increase in cost and speed of recovery actions.

However, then the management tried to engaged their customers to redesign their recovery policies. Initially they requested some of their regular customers who seemed to be complaining about any failure incidents to recommend some recovery policies and share their expectations regarding the recoveries. Later on the recommendations were applied in real service settings of the restaurant. This managerial effort was appreciated by the customers to a great extent and also successful to interpret to vital issues related to failure and redesign the recovery strategies which reflect customer expectations as well. At the same time management was able to manage the cost fact also.

3. Case Organization Context

'*Surje Bano Restaurant*' sited in Jatrabari; came into function in December 7, 2013. The owner Nurul Alam Chowdhury, earlier had miniature street food shop named '*Surje Bano –Vojon Bilas*'. This was established in November 1990 at Jatrabari road, with a capital of only 2000 taka. He got a huge success from the business; astoundingly within one year his capital gain was doubled, then he established 3 more shops in different areas of Dhaka; such as in Shonir Akarah, Mirpur and Kallyanpur. From a very long time he has been dreaming to set up a restaurant, he thought he know the business well so he invested all his capital on the restaurant business. However, after setting up the restaurant he found that the business is not meeting his expectations on the topic of both 'revenue' and 'customer satisfaction and loyalty'. He was trying to understand the problem but could not identify the definite problem by himself. Then he hired Sayeed Ahmed as a manager in March 2015. Where the manager for the first time finds out the service failure and unjustified practice of inappropriately designed recovery policies. Nurul Alam Chowdhury gave full authority to his manager redesign the recovery policies and service setting, who also had an experience of 16 years in the restaurant industry.

4. Literature Review

4.1. Service failure- Definition

Bell and Zemka (1987) have defined such incident as service failure when service firms fail to meet their customers' expectations with services. Plamer (2001) defined service failure from consumers' perception, as any problem associated to perceived or authentic service or even any fault that occurs when consumers deal with the firms. Ever since services are produced and consumed simultaneously and delivery of service depends on several uncontrollable issues thus it turns out to be impossible to avoid service failure (Hart et al., 1990). Varela et al. (2008), DeWitt et al. (2008), Chang and Hsiao (2008), also stated that making mistakes during delivering the service can never be fully avoided. Berry (1990) and Fisk et al. (1993) also agreed that it is impossible to guarantee a hundred percent error free service because of the unique nature of service.

Different serious sort of outcomes were suggested by Miller et al., 2000 such as it can result to customer dissatisfaction (Parasuraman et al., 1985), can lead to negative word of mouth (Richins, 1983) and the organization also loses of customers' confidence. On the other hand Miller et al., 2000 argued that effective responses to service failure can be a constructive way to achieve long-term organizational success.

4.2. Service Recovery-Definition and Customer Satisfaction

The simplest definition of service recovery was given by (Groenroos, 1988) he defined service recovery as those actions a company takes in response to occurrence of a service failure. Whereas service failure increases the possibility of customer dissatisfaction firms need to overcome that disappointment issue, that purpose can be served by service recovery actions, it is an affective the process by which service provider firm can make its relationship better with those customers who were initially dissatisfied when the company's goods or services, or it couldn't satisfy customers' requirements or expectation (Zemke and bell, 1990). So it is fairly apparent that service recovery actions are usually taken to make customers satisfied from the state of dissatisfied, it also helps to retain customer (Miller et al., 2000).

"Service recovery not only involves the costs of redressing failure but is also a powerful tool for increasing customer satisfaction" - (Michel, 2001).

Somewhat effective service failure management can satisfy the customers who were dissatisfied after experiencing service failure (Hocutt et al.,) sometimes even more satisfied than previous to, that condition is tagged as "Recovery Paradox" (Zeithaml et al. 1996; Bitner et al. 1990).

Scholars indicated corrective actions, providing compensation or refund, empathy, proper explanation as the strategic tools of service recovery (Lewis and Mccann, 2004), besides their findings was furthermore important in this case because it was related to hotel industry.

5. Purpose of the Study

Through this in-depth case study authors endeavored to explain the issues of redesigning efforts of the management team and service personnel. Techniques they applied to get appropriate information regarding the customers' expectations and their attitude towards their previous recovery strategies and how they utilized that information to redesign the recovery policies. This study will also look into how the policies were effectively brought in to real practices.

In that contest there some important issues that also have to be considered for deep understandings of the real practices. Issues such as service failure, recovery strategies of the management and customers' common expectations were carefully examined as well.

6. Methodology

Scholars such Yin (1994) stated case study approach as an suitable technique to interpret the questions such as 'How' and 'Why' regarding contemporary dealings and also over which the researchers has less or no control. As initially similar setting was found in this case, authors adopted a single case study approach to conduct the research. Required data were collected through in-depth interview; or more specifically authors adopted 'conversation with a purpose' method (Lofland and Lofland, 1995). Researchers such (Thompson *et al.*, 1990Szmigin and foxall, 2000) suggested interview method as the most effective technique to acquire qualitative insight. We collected the interview data in three stages.

At the first stage of the study manager of the restaurant and each member of the service personnel team were interviewed in-depth. Mainly they were asked questions regarding service failure and recovery redesigning issues. Why the redesign was important, and how they effectively redesigned and used the technique as a way of organizational success. Finlay authors adopted percipient observation technique to find who seemed to complaining about the service failure or know about the implications of the process of newly designed recover policies. Researcher chased the real peak hours of the business; from 11 am to 7 pm, from May 2016 to July 2016.

7. Redesigning the recovery- Initial Stage

As Celine (2006) stated that customers' reaction may differ to service recovery actions for different sort of service failure incidents. Complying with that manager of the restaurant added that

"When I joined the restaurant, I found that customers, especially who were young in age were frequently complaining about the service of the restaurant. However, we were taking immediate actions after receiving the complaint but somehow it was not working well to satisfy each of them as everyone do not feel alike about the problem and possible solution after that. Then I thought to engage our customers to decide how their compensation and recovery action should be..."

Interview data also indicate that incidents that initially frequent service failure and poorly designed recovery actions were unable to meet customers' expectations. As a result less repurchasing intentions of customers' were fairly visible. Some other consequences that were observed are; i.e. negative-word-of mouth, negative review on their official 'facebook page'. Subsequently to triumph over the situation management team invented a new policy. Throughout the service delivery process a blank paper is given to the customers, in which customers can make comments about expected service quality, perceived service quality, if faced any service failure than expected recovery policies, attitude towards perceived recovery and auxiliary recommendations to improvisation.

From the verbatim analysis of service personnel it is clear that this primary effort was really appreciated by the customers. Some of their interviews are given bellow:

"We were not sure about the feedback, as we used to believe that customers are always in hurry. Nevertheless, rather being feeling disturb they willingly accepted the chance to comment about the perceived service and their expectations"

"Sometimes customers who are visiting the restaurant for the first time usually get surprise but I think they like to share their view about the service"

"It was the idea of our new manger, still we were confused about the practice, but it helped us to evaluate our performance and also the service we provide"

In this point Manger also said –

"Actually, it helped us to understand our failure, and also customers' expectations... we now got many clue that if any incident of failure occurs, what we have to do, how we have to do that and what should be our prime target in order to satisfy the dissatisfied customers"

The most frequent complaints from the side of customers' are (From the interview analysis of the manger and service personnel)Lost reservations, long waiting lime for food, unprofessional attitude of service staffs mismanagement on delivering home deliver and long time for home delivery It has also found that most of the customers were face some small problems that they were not complaining or shearing prior to with a perspective that "*they will not get any recovery*".

8. Implementation Stage

At this stage the service tem became more wide awake about impeccable service delivery. But it seemed impossible to fully avoid the service failure incidents. Due to the heterogeneous characteristics of service, so the management then became conscious about redesign the recovery policies. In the course of the customer feedback they already had enough information of customers' expectations about recovery. This divulged that some recover actions that customers more often than not expect from the restaurant service setting. In their study Bell and Zemke (1987) recommended five imperatives constituents for successful service recovery, these elements are apology, immediate restoration, compensations, empathy, and follow-up. In this study authors also will consider these imperative ingredients rather the justice theory proposed by Tax *et al.* (1998).

8.1. Customers' View (some selected verbatim)

"It was my daughter's 5th birthday; I wanted to throw a birthday party, so I made a reservation of four tables day before yesterday. They also confirmed. But when we checked into the restaurant, we found no empty table and I wondered how they could let this happen..... however when I complained, the manager apologized (seemed like an honest apology) and within 20 minutes, I don't

know what kind of miracle they performed, I got my reservation with decoration just the way I wanted. Managers also gave us some complimentary drinks without any charge!.... later on the manger told me this type of action was suggested by another customer, who previously faced a similar sort of awful service experience....whatever I actually like their policy... ”

“I and my colleagues often come here for launch as it’s sited nearby my workplace. It was disappointed that they used to take long time to serve food after order. However, we complained several times about it, and now, yes I will admit that they had improved the process to serve sooner than before.....and oh yeah... one day the manager came to us and asked for suggestions that how they can improve their service and corrective actions after any mistake.... So it is feels great that implementations of our suggestions are fairly visible”

“It seems that their waiters are more professional and well-effective than before. The managers told me that they had provided some training to their stuffs. As a regular customer of this restaurant, I must say that it was a great initiative taken by the restaurant management.”

8.2. Service staffs’ View (some selected verbatim)

“After getting any complaint from the customers we try not go for any argument... And try to solve the problem as soon as possible, apology and sometimes explanations of the error fact do work sometimes, when it takes time to solve the problem”

“Admitting the guilt and immediate apology is the most important thing that customers want first.... Even after replacing the problem dish or arranging new table for lost reservation sometimes we found that customers’ again complain and seemed to be angry or behave uncompromisingly That time apology is the most useful apparatus to convince them....”

8.3. Manager’s View

“It is important to instantaneous response and apologizes to the customers; I believe from our side it is these are the primary steps to defeat any mistake..... customers want unconditional admission of guilt.... In that case in our restaurant a waiter can (service personnel) plays the critical role as they directly serve the customers and can understand the seriousness of the failure in details better than anyone”

“If there is any problem with the food we immediately replace the dish..... After the replacing I used to go the customers personally and ask about whether it was satisfactory or not.... Sometimes I also arrange some complementary dishes or drinks for them”

“Compensation may not enhance satisfaction when the recovery process is well-executed (an immediate response combined with an apology). Similarly, compensation failed to lessen dissatisfaction with a poor recovery process (a delayed response without apology)”- (Wirtz and Mattila, 2004).

From the interview we can comparatively summarize the factual managerial effort and practices vis-à-vis the apology, immediate response, compensation, follow-ups in the restaurant environment.

9. Case Analysis Summary and Concluding Remarks

For any service providing firm service failure seemed to be considered as an unavoidable curse that illustrates the feebleness. Likewise, failure can also leads to customer dissatisfaction and upsurges the threat of losing valuable customers (Zemke and Bell, 1990). To precisely fix a service failure or its consequences and to indemnify the provided service an effective service recovery is a must. Thus, service recovery literature points toward the correlation between continual satisfaction and conviction in the brand (Ganesan, 1994). However, a recovery that lacks appropriate initiatives as well as customers’ expected criteria is likely to be a fruitless remedy for a failed service. In this study authors revealed that recovery policies which reflects customers’ expectations about the recovery or corrective action from the firm, can lead to meet customers’ satisfaction more accurately. The customer dissatisfied with service recovery may prolong the consequences through voicing a complaint to the provider, to the third party and finally switch the brand. Service recovery performance can be assessed in two ways, one is service recovery affects encounter (McCullough et al. 2000: smith et. al., 1998) and another one is overall satisfaction with the company (Brown et al.1996). Within this study authors have showed that if customers’ expectations are well addressed in the recovery strategy, customers gets more satisfied with that which is demonstrated in case of a small restaurant brand ‘*Surje Bano Restaurant*’ that has designed its recovery policy considering customer’s expectations and succeeded to safeguard their commercial profitability.

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