

OVERCOMING SERVICE FAILURE- AN EMPIRICAL INVESTIGATION OF SELECTED GOVERNMENT OWNED SERVICE COMPANIES OF INDIA

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ABSTRACT

PURPOSE

Failures in services are a common sight. This is on account of the fact that services are characterised by peculiarities such as intangibility, inseparability, variability and perish ability. At the outset, service organisations should try to control and minimize the failure. However, if the same occurs, the aim should be to negate the adverse impact of the same by adopting adequate service recovery strategy. Government owned Indian service companies are thought to be wanting on recovery front. Such an approach is the legacy of monopoly environment in which these were operating in not so long back. The present study makes an endeavour to assess the truth in such thinking. To gain more comprehensive insights on the said issue, service companies from different industries have been taken. The prominent Government players in the key service industries viz. banking, insurance and telecom have been included in the sample in this context.

RESEARCH TYPE

Empirical

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FINDINGS

There has been a mismatch in between the expectations and perceptions of the customers as far as adoption of service recovery strategies by the selected companies in case of service failure are concerned. The customers have been found expecting a lot but their expectations have not been met by the selected Government owned service companies.

PRACTICAL IMPLICATIONS

The Indian service industries in general and Government owned service companies in particular shall start paying greater attention to recovering over the failed service.

RESEARCH LIMITATIONS

Technicalities involved in understanding of the concept of service recovery might have acted as a handicap for the customers in giving prompt and accurate answers to the questions in hand.

KEYWORDS

Service Recovery, Service Failure

INTRODUCTION

Failures in case of services are not very uncommon on account of peculiar nature of services (Zeithmal et al., 1985) At the outset, the service organisation must try to avoid failure. If it still occurs, the organisation must make sincere efforts to recover over the same. Service Failure can lead to negative disconfirmation and untimely dissatisfaction, though appropriate service recovery efforts may restore a dissatisfied customer to a state of satisfaction. (Bitner et al., 1990). A proper recovery, as a matter of fact, may work wonder for the service company not only in minimizing the negative impacts of service failures but also enhancing the loyalty of the customers (Lewis, 1996). A non-recovery, meanwhile, may generate a lot of ill-will in the minds of the customers and quite often they desert such a company. Service recovery is the art of recovering over

the failed service. (Lovelock et al., 2011). Smith et al. (1999), treat it as a “bundle of resources that the organisation can employ in response to a failure.” It is a device that can once again put a smile on the face of the customer who has witnessed agony of service failure. It possesses the magic to turn angry, frustrated members into loyal ones. The goal of service recovery is to identify customers with issues and then to address those issues to the customer’s satisfaction to promote customer retention. However, service recovery does not just happen. It is a systematic business process that must be designed properly and implemented in an organisation. Perhaps more importantly, the organisational culture must be supportive of idea that customers are important and their voice has value.

Service sector of India has largely remained under the control of the Government. The nationalised banks control the majority of banking business. LIC, for a long time remained the only life insurance service provider and is still enjoying maximum market share. BSNL (erstwhile Department of Telecommunication) was enjoying the similar position in the telecom sector. Similarly Government has a major role to play in postal, rail, road transport, aviation, education and general insurance business and so on. On account of a monopoly type of situation and too much job security of serving employees, the Government controlled service sector of India could neither ensure failure free services nor a prompt and desired recovery of the failures. However, in the cut-throat competitive era, this tendency is not going to work. A prompt service recovery has become the need of the hour to gain the privilege of the customers.

The present study makes an attempt to assess the service recovery endeavours of prominent government owned players of banking, insurance and telecommunication sectors.

OBJECTIVES OF THE STUDY:

- To know the extent to which service recovery is practiced in the selected service sector organisations.
- To know the expectations of customers towards service recovery endeavors of selected service organisations.

- To know the actual perception of customers towards service recovery endeavors of selected service organisations.
- To assess the gap, if any in between perceptions and expectations of the customers.
- To give practicable suggestions to the selected organizations so that their service recovery efforts improve hither-to-be.

HYPOTHESIS

H0: There is no significant difference in the perceptions and expectations of the customers on the service recovery efforts of the selected Government owned service organisations.

RESEARCH METHODOLOGY

This is an empirical study. The researchers have relied on primary data to attain the objectives of the study. The primary data have been collected with the help of a structured questionnaire addressed to the customers of selected government owned service organisations. The aim is to know how the customers view these organisations on various imperatives of service recovery. In all, 150 customers have constituted the sample. The customers have been selected randomly from the selected districts of Haryana, Punjab and union territory of Chandigarh. Obviously, the choice of places is made keeping in view the convenience of the researchers. The data so collected have been analysed with the help of various statistical techniques like Combined t-test, Mean and Standard Deviation using SPSS and presented in suitable statistical tables.

SCOPE

The present study is confined to Government owned service companies operating in India. Three organisations from three different industries have been included in the sample. Three chosen industries are: Banking, Insurance and Telecommunication. The three largest Government owned companies (these are also the largest companies of their respective industries) of the said industries have constituted the sample.

JUSTIFICATION OF THE STUDY

The chosen players represent Government owned/ public sector category which makes the study an illuminating one as more often than not these are being targeted for poor performance on the said front. All the three players are giants in themselves and hence it will be interesting to note whether their huge clientele allow them to practice service recovery. Further, they can be guided as to how to retain their clientele in a fiercely competitive area by practicing the concept of service recovery.

RESEARCH THRUST

The views of the customers of the selected organisations have been garnered on the following essentials of service recovery:

- Encouraging
- Apologizing
- Explaining
- Empathizing
- Acting
- Updating
- Correcting
- Compensating
- Learning

REVIEW OF LITERATURE

Goodwin and Ross (1992) have observed that in contrast to poor recovery, a proper recovery can restore levels of satisfaction and promote referrals for future purchases. **Kelley and Davis (1994)** have viewed service failure as the response a provider makes to a service failure. **Blodgett, Hill and Tax (1997)** consider effective service recovery as a path to generate positive word of mouth. **Tax and Brown (1998)** have found that complaint handling has a direct impact on trust and commitment. **Andreassen (1999)** has observed that service recovery has a significant impact on long-term seller customer relationship including customer loyalty. **Bowen and Johnston (1999)** have viewed that service failures usually give a second opportunity to the organisations and they must

avail the same by recovering over the failure. **Ruyter and Wetzels (2000)** have found that a form of compensation and listening ear are the essence of a service failure. **Boshoff and Allen (2000)** have observed that effective service recovery has the potential to enhance the profitability and ensuring return of aggrieved customers to the state of satisfaction **Andreassen (2001)** view service recovery as an action oriented process.. **Mattila (2001)** has found that service failure has the potential to destroy customer loyalty. However, service recovery may prevent the same to a great extent. **Michel (2001)** has opined that excellent recovery tactics can leave those customers who experienced a service failure followed by successful service recovery with greater satisfaction than those who did not experience a service failure incident at all. **Suskind (2002)** has observed that service failure solutions are especially inevitable in those service industries where people factor tend to be more prominent. Lewis and McCann (2004) have indicated that satisfaction with the service recovery directly affects a customer's intention to repurchase and to recommend the service provider. **Valenzuela (2006)** has observed that complaining customers expect to be treated well by the employees handling the complaints. **Maginini (2004)** has opined that distributive, procedural and interactional justice are the essence of a firm's recovery effort. **Maginini, Ford, Markowski and Honeycutt (2007)** have viewed that recovery in case of a small failure may enhance the customer satisfaction but the same is not true in case of a big failure. **Kuenzel and Katsaris (2009)** upholds that a service failure followed by a poor recovery spoil a previously held positive image of a service.

ANALYSIS AND INTERPRETATION

The data has been analysed with the help of table 1

Table 1: The Performance of the Companies in Overcoming Service Failure

PARAMETERS	MEAN PERCEPTION	MEAN EXPEC.	MEAN DIFF.	STD. DEV.	t	DF	SIG.
1	3.5667	6.78	- 3.21333	1.662	- 23.691	149	.000
2	3.36	6.84	- 3.48	1.79	- 23.810	149	.000

3	2.7667	6.92	- 4.15333	1.268	- 40.124	149	.000
4	2.4467	6.80	- 4.35333	1.11	- 47.943	149	.000
5	3.8933	6.8733	- 2.98	1.271	- 28.701	149	.000
6	2.9267	6.7667	- 3.84	1.124	- 41.851	149	.000
7	4.5667	6.9333	- 2.36667	.89305	- 32.457	149	.000
8	1.1867	5.8467	- 4.66	1.04	- 54.793	149	.000
9	3.28	6.7367	- 3.44667	1.42	- 29.795	149	.000

Source: Customers Survey

The description of the parameters is as follows:

1. Encouraging
2. Apologising
3. Explaining
4. Empathizing
5. Acting
6. Updating
7. Correcting
8. Compensating
9. Learning

Encouraging Customers for Making Complaints

At the outset, the service organisation must encourage the aggrieved customers to lodge complaint. Many a times, the customers do-not lodge a complaint on the ground that organisation never provides them an opportunity to do so. This is not an ideal policy as it may force the customers to switch their loyalty.

Table 1 indicates the selected Government owned service organisations not matching the expectations of their customers on the way they are being encouraged to make complaint in case of a failure. A negative mean score of 3.21 explains customers' agony on this front. A further investigation revealed that although all the selected organisations have installed complaints/suggestion box in their branches yet, these are for the sake of accomplishing formalities and there is no serious encouragement from personnel of these companies in a real sense. Such a tendency is not desirable to retain customers. As indicated by combined t test, the gap in between the expectations and perceptions of the customers is significant in this case.

Apologising for Failure

Feeling sorry for the service failure is perhaps an ideal ointment for the customers hurt by the failure of the service. This may go a long way in reviving the faith of the customers in service.

Table 1 reveals that selected service organisations are reluctant in apologising for the failure. A negative mean score of 3.48 is a testimony to it. This is rather ironical as customers are the undisputed kings of the modern day market. They at least expect sorry for the service failure. The Government owned service organisations would have to shun such a babu type attitude. Earlier it is done better it would be.

Proper Explanation for Failure

Explaining the cause of failure to customers rather than keeping them in lurch may give them a sense of relief and an assurance that this would not happen in future again.

An examination of table 1 reveals that the Government owned service organisations do not recognise the importance of explaining the cause of failure to the customers. These have obtained a miserably low perception mean score of 2.76. Negative mean score (P-E) has also been detected to be more than 4. These companies must not undermine the importance of explaining the failure in keeping even the aggrieved customers intact.

Empathizing

Empathizing calls for understanding the plight of the customers by entering into their shoes. This may convey them the organisation's genuine concern to get an idea of their sufferings and overcoming the same.

Table 1 suggests that customers of selected organisations are having a lot of doubt in their mind about their organisation understanding their plight. The perception mean score has further fallen to a pathetic 2.4 and thereby negative mean (P-E) score has increased to 4.35. Quite obviously the difference between perceptions and expectations has been rated significant by combined t test. Definitely the organisations need to practice 'empathizing' to get better rating from customers and retaining them.

Acting Quickly

The service companies should leave no stone unturned in responding quickly to the complaints of the customers. The same may go on removing a lot of doubts from the minds of the customers.

As clear from table 1 selected service sector organizations have got a "fair" rating from their customers on the front of acting quickly on the complaints of the customers pertaining to service failure. For a change negative mean (P-E) score has come down to below 3. The perception score has reached in the proximity of 4 on this front. Still, there is an ample scope for these Government owned service organisations to be more prompt on this front.

Updating the Customers with the Recovery Progress

Timely updating the customers with the progress of recovery may keep their nerves under control.

Table 1 gives us a hint that selected government owned service organisations do not consider updating their customers with the progress of recovery an ideal propagation. Perception mean score has again fallen to below 3 and P-E score has increase to 3.8. This is certainly not an ideal scenario as lack of information during recovery never allows

the customers to relax. They may not mind deserting their organisation in such a situation

Correcting the Failure

The ultimate aim of any service recovery endeavor is to correct the failure. Correcting the same force the customers to think twice before deserting the organisation. The organisation may succeed in retaining them.

Table 1 suggests that customers have given a decent rating to their respective organisation in correcting the failure. Perceptions mean score of 4.56 has been the highest for these service organisations. A relatively lower score on the earlier aspects of “service recovery” suggests that although the organisations are able to correct the failure yet, the path adopted for the same is not of much liking to the customers. The organisations besides ultimately correcting the failure also need to be more active in steps before it.

Atonement and Compensation

Compensating customers for the mistake committed by the organisation may go a long way in enhancing its image in their minds. This may convert a rather precarious situation into an opportunity of retaining them on long term basis.

Table 1 suggests that compensating customers for service failure is something that the Government owned service organisations are discarding. The lowest perceptions mean score (less than two) amply prove it. These service organisations must not undermine the importance of compensating customers for service failure as this may nurse their wounds quite effectively and they may forego the idea, if any, of deserting them.

Follow up and Future Learning

The saying ‘one learns from mistakes’ holds good for corporate sector as well. Any organisation which is not committing mistakes again on account of learning from previous mistakes may still keep substantial portion of its clientele intact.

Table 1 suggests that selected organisations getting average rating from customers on the way they learn from their mistakes. The perceptions mean score of 3.28 proves beyond doubt that there is an ample scope for these to treat mistake as an opportunity for future learning.

CONCLUSION

To sum up, one may say that Indian Government owned/ Public sector companies have not yet fully learn the art of recovering over failed service. The study suggests that these may correct the failure yet, the procedure adopted for the same may not be of liking to the customers. One of the noticeable finding of the study has been the proximity in the scores obtained by selected companies on the various parameters of service recovery. It means that problems pertaining to service recovery are akin in public sector service organisations. Obviously, in lieu of ever-intensifying competition, they may have to pull up their socks sooner than the later to avoid customer churn.

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