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The Hidden Value of Service Recovery

A colleague relates: "I rented an apartment for two weeks in Paris this past October that had a number of problems. I submitted descriptions and photographs of the problems and had half of my rental charges refunded without any further discussion."

When you purchase a product or service, what are your expectations? Most customers expect to receive what was promised. They first look for *outcomes* from a product or service: does the new office cleaning company vacuum thoroughly, empty the trash, and remember to lock up when they leave? And do they do this consistently, each time they clean?

Once the *outcomes* are satisfied, customers look at *process.* These might include: the prompt arrival of the cleaning service, the completion of their work in the agreed timeframe, clear communication from the cleaners about any issues, concerns, or needs they perceive, courteous behavior to employees they encounter, and the like. Customers are concerned first with getting what they paid for and second with the *process* of using the product or service.

The Sales/Service Cycle

We are often involved in both sales and customer service and find that viewing these as a cycle is a useful way to evaluate their effectiveness. We believe a sale should be the beginning of a relationship between a seller and buyer, not the end, and customer service should be an integral part of the entire experience and the on-going relationship. It is a cyclical process rather than linear because the situation dictates how seller and buyer move around within the cycle's activities.

A generic sales/service cycle includes these activities:
- Prospecting and making contact with a customer
- Building rapport
- Identifying customer needs
- Presenting an appropriate product or service
- Making the sale
- Completing the transaction
- Delivering the product or service
- Monitoring the sales outcome and providing on-going service

While the last activity is servicing what was sold, it does not describe what happens when the wrong product or service is delivered or fails to perform. This is when **service recovery** becomes critical. Here's an example from another colleague:

I have a niece who LOVES Taylor Swift. I ordered a number of items from Amazon,

which in turn were processed by the TaylorSwift.com Official Online Store. When I received the order, I had two different style red shirts. I was supposed to have one red and one black. I couldn't find a phone number to call anywhere, so I sent a note to their generic customer service email. Honestly, I thought with the holidays it would be lost in cyberspace. Within a few hours, I had an apology with a note asking me to send a photo of the two shirts. I did as requested and within two days I had the black shirt at no extra charge and got to keep the additional red shirt. Now, that's service...

Service Recovery Defined

When a seller puts a smile on a customer's face after the seller has made a mistake as in our shirt example, that is **service recovery.** When the problem is solved and the customer thinks your company is the best on the planet that is even better **service recovery.** When she then tells everyone about your extraordinary service, that is free marketing from **service recovery**. (Tschohl)

Further, **service recovery** can result in customer satisfaction that is even greater than what may occur without product or service failure. This is the "service recovery paradox." (Wikipedia) It is best described this way, "Now that you've made a mistake and fixed it so that your product or service is even better than I expected, I love your company and will buy from you forever."

The goal of **service recovery** is to "…solve a customer's problem and send him away singing your praises." (Tschohl)

Here's another colleague's example that meets the **service recovery** goal:

> My family *(was)* traveling on an over-night train from Venice to Paris during the holiday. It was scheduled to arrive *(at)* Gare De Lyon on 12/28 (at) 9:30 am. But around 4:30 in the morning, I woke up and realized the train wasn't moving and we were in a small town in Switzerland. We found out that the engine had broken down and the company was getting an engine from France to replace it. We waited until 8:40 and the engine arrived so the train started again. To my surprise, the conductor began to visit each cabin and handed us a box of breakfast and an instruction to get *(a)* refund for the trip (without any of us asking!) I know next time I travel to Europe I will use them again.

Recovery Matters

Even the finest companies make errors and upset customers. Problems immediately add costs. The way an organization responds to problems can increase that cost, cancel it out, or use it to add to the customer's perception of quality, creating a devoted and even evangelical fan. Customers see the value of a company's **service recovery** efforts through the same two lenses that they view the product/service's quality:
- Functional: How well did they fix the problem?
- Behavioral: How did they make me feel about it?

If an airline, for example, quickly delivers lost luggage to a customer, *functionally* it has done a good job of fixing the problem. If the airline's *behavior* is abrupt and the customer feels like a nuisance, the customer may choose another airline in the future. (Our thanks to D.T. Tosti for these insights.)

The most powerful statement about your organization is a personal recommendation from a satisfied customer. **Service recovery** can turn an angry customer, who will tell everyone he knows about your terrible company, into a fanatically loyal customer for life who will extoll your fabulous service. It will provide a competitive advantage, keep your customers from going elsewhere, and increase your sales and profits. Thoughtfully designed and implemented, your

organization's **service recovery** process will help you retain employees and support a welcoming and inclusive internal culture.

Without a solid **service recovery** process in place, organizations stand to lose customers, employees, reputation, and market share. How they respond to mistakes is what separates service leaders from other organizations.

Service Recovery Design

As Performance Architects, we have a particular interest in how organizations conceptualize **service recovery** and make it a part of their cultural DNA. Most **service recovery** models include these elements (Tschohl):

Act Quickly

The faster you can solve the customer's problem, the more effective the recovery will be. If you can do it in 60 seconds or less, you create a loyal customer and save money. Escalating a complaint takes more time and increases costs as more people become involved. Empowering frontline employees is a potent way to enable **service recovery**.

Apologize and Take Responsibility

An upset customer holds your organization responsible for the problem. Therefore, the employee who receives the complaint is perceived as being the company and will be most effective when he owns the problem and says, "I am so sorry this happened. Let me take care of this for you. I will do whatever it takes to make this right for you."

Be Empowered

That frontline employee can only act within the magic 60 seconds if he is empowered to act. These folks need the authority to do whatever is needed to take care of the customer and resolve the issue. And, what is "making it right" for one customer may be something different for another customer. Does the customer want a replacement, a repair, a refund, something else? Ask, and then make it happen!

Compensate the Customer

Part of righting a wrong is giving something of value to the customer in addition to resolving the problem. Every organization has something to offer that is of low cost to them but will mean a great deal to an upset customer: upgrade the customer's room to a suite, give free minutes to a cell phone customer, or extend the printer's warranty. Also known as the "wow factor" or "knock-your-socks-off service," this critical final component of **service recover**y is the "above and beyond" gesture: a lunch while you wait, an apology card signed by all the associates.

Implementing Service Recovery

While the architecture of the **Service Recovery** process is important, the results will only be as good as the implementation's effectiveness. As Performance Architects, we find it useful to consider implementation at the three organizational levels:

Workplace/Organizational Level

The CEO sets the example and reinforces the value of treating the customer well, strategically driving **Service Recovery**. This leader ensures that the service philosophy and the empowerment of all employees to care for the customer is in place and effective.

Work/Process Level

The organization's policies, procedures, and systems reinforce the **service recovery** strategy and are built for the customer's convenience. These include everything from how customers order and pay for their products to how they get help using their product or service.

Worker Level

Managers hire talented individuals and treat them as they want them to treat their customers. They invest in employee development and ensure they are trained and continually coached in providing fantastic customer service. Employees are given the authority to use their common sense, stretch and break the rules, and do what it takes to care for the customer.

What matters is that the customer is taken care of to the customer's satisfaction, not to the satisfaction of the organization.

A Final Word

Carol was working on this Column at the Toyota dealership in Vallejo, California while her car was in for a factory authorized recall. She was writing away in a cubical on the sales floor when the assistant service manager came to tell her that the water pump on her car was starting to leak and should be replaced. Carol told him to go ahead and do the work for the unexpected $500 although it meant she would spend most of the day there. When the general manager, whom Carol has gotten to know, came by to see how she was doing, she explained that she was writing about **service recovery**, that she was fine, and then told him about the service surprise. He immediately said, "Let me go do something about that," and went off to authorize a reduction in the cost of the water pump replacement. Now, Carol was not upset or unhappy, just inconvenienced, but the general manager saw a **service recovery** opportunity and said, "You are a good customer," and that was reason enough for him.

We close with yet another colleague's **service recovery** example that says it all:

> During a deeply discounted sale, I bought a 3-piece suit from Sak's, after chasing through three areas to find the matching pieces. The sales person was a bit harried, and when packing up my purchase left the security clamps on both the jacket and the skirt. The alarm did not sound when I left the store. When I showed my bargain to people in my office, I discovered the clamps! It takes a special tool to remove them without damaging the fabric. I called Sak's, and the department manager apologized, and told me to bring the suit back. I explained that I live in Oakland, and driving to San Francisco would be inconvenient for me. The manager sent the sales person, in a taxi, to my office with the tool. She removed the clamps, apologized again, and thanked me again for my purchase. I have told dozens of people about this extraordinary service.

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