

Delightful or efficient? How service recovery affects customer experience

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Abstract

While some researchers and practitioners argue for the benefit of services that delight customers, others argue that service providers rather should focus on efficient service delivery. We present a study on customer experience in the context of service recovery to show how these diverging perspectives may be reconciled. The study includes 312 customers who had ordered a home network connection from a broadband service provider; 167 of which had initiated service recovery by calling customer service. Contrary to what may be expected from an efficiency-perspective, customers who experienced well-executed service recovery tended to be more likely to recommend the service provider than those who did not need service recovery. These customers often reported customer service as decisive for their assessment of the service provider, the most enthusiastic describing it as "pleasant", "great", or "best". However, as may be expected from an efficiency-perspective, customers receiving less-than-optimal service recovery were less likely to recommend the service provider than customers not in need of service recovery. We conclude that, while efficient service delivery indeed is important, the positive effect of well-executed service recovery cannot be explained by efficiency alone.

KEYWORDS: Customer experience, service recovery, service design

Introduction

"Stop trying to delight your customers" is the provoking call made by Dixon et al. (2010) in a *Harvard Business Review* article. Here, they argue that companies' systematic attempts to delight their customers do not pay off. Rather, companies should prioritize lowering customer effort and avoiding negative experiences, in particular because customers' negative experiences are more likely to affect customer loyalty and word of mouth than are positive experiences.

Though one cannot design an experience as such, service design is argued to concern design *for* customer experience. In particular, as argued by Polaine et al. (2013), the role of service design is to unite the experiential aspects of service provision and other value-creating aspects such as effective and efficient service provision.

The findings of Dixon et al. (2010) are challenging to service design, as they imply that concern for the experiential aspect of service provision is less fruitful than concern for service efficiency. On the basis of data from 75000 customers across countries and service providers, they find that inefficient service provision does more harm to the customer experience than efforts to delight do good. For example, they find that, while only a quarter of the customers that had positive service experiences told others about it, almost half the customers that had negative service interactions did so. The area of study for Dixon et al. is interactions between customer centres and customers through non-face-to-face channels, but they go far in making their claims general to any kind of service interactions between a company and its customers, be it through self-service solutions or service personnel. Dixon et al. conclude that avoiding negative experiences is far more important than working towards delightful experiences.

Enhancing customer experience through service recovery?

The aspect of service design addressed by Dixon et al. is, in fact, that of service recovery. Curiously, service recovery has not received much attention at the ServDes conferences. However, it is amply studied within the field of service research (De Matos et al., 2007), and is also discussed as a key aspect of service design (Goldstein et al., 2002). Due to the complexity of many services and the increasing likelihood of service failure, service recovery is an important topic in service research (De Matos et al., 2007; Tax & Brown, 1998).

Service recovery is typically addressed in terms of customer expectations (Andreassen, 2000) and customers' justice perceptions (Hocutt et al., 2006). Customers' emotional or affective responses to service recovery are less studied (Gustafsson, 2009), though it has been shown how positive and negative emotions affect recovery satisfaction (Schoefer, 2008).

What makes service recovery particularly interesting as a subject of service design is the potential service recovery paradox, that is, the notion that customers who experience service failure followed by adequate service recovery are more satisfied with the service provider than customers who experience no service failure at all. However, service recovery is unlikely to have this paradoxical effect if the service provider provides inadequate recovery or is experienced to repeatedly fail the customer (Maxham & Netemeyer, 2002).

The service design paradox has been explained by reference to customer expectations, where service recovery exceeding customer expectations may give this beneficial effect (De Matos et al., 2007). However, the role of empathy and emotion has also been discussed as causes for the service recovery paradox; in particular, the induction of positive emotions during service recovery (Schoefer, 2008) or the experience of meeting a courteous and caring employee (Hocutt et al., 2006), given to customers in a vulnerable situation has been discussed as factors that may contribute to the service recovery paradox.

Studying the role of customer experience in service recovery may help us understand how to reconcile the findings of Dixon et al., with their emphasis on service efficiency and reduction in customer effort, with the notion of customer experience as a key service design concept.

This service process is highly suitable for the purposes of this study for several reasons. First, it is a service process of high importance to customers; a broadband connection is exceedingly important to peoples' lives and, hence, can be expected to have high attention by the study participants. Second, while ordering broadband home network access is not a typical experiential service, customer experience is considered a key means of differentiation between broadband service providers. Third, the service process represents a blend of self-service and manual customer service that is seen to an increasing degree in the service sector. In this case, a large proportion of customers prefer to order their broadband connection through direct contact with customer service, rather than through a self-service website; at the same time, most customers prefer to install the broadband connection themselves without the help of a service person. Fourth, due to the complexity of broadband home networks where the customers' own technical equipment is to work together with technical equipment provided by the operator, issues are likely to appear during installation; hence, service recovery will be required for a substantial proportion of the study participants.

Participant recruitment and data collection

We invited all new customers of the broadband service provider in the period May 1 – June 20, 2014 to participate in the study; in total, 2939 customers were invited. Invitations were distributed by email, and participants responded through a web-based questionnaire. As an incentive, three gift cards (valued at approximately 120 Euro) were set up as lottery prizes among the participants.

Customer experience was measured through the Net Promoter Score (NPS) question (Reichheld, 2003), worded as follows: "On the basis of your experience concerning the ordering of broadband from [the broadband service provider], how likely are you to recommend [the broadband service provider] to your family, friends, and colleagues?". The participants were asked to respond with a score from 0 (not at all likely) to 10 (extremely likely). Though actually a measure of customer's behavioural intention rather than experience (Reichheld, 2003; Keiningham et al., 2007), NPS is now established as one of the most used measures of customer experience (Temkin, 2014). NPS has also been found to be highly correlated with other measures associated with customer experience such as *satisfaction* and *word of mouth* (Pollack & Alexandrov, 2013).

One particular strength of NPS as a measure of customer experience is that its single quantitative question is complemented with a qualitative follow-up question where the participants are asked to explain their reasons for giving their particular score. In our study, this follow-up question was worded as follows: "What is the primary reason for your score?". The participants were asked to respond to this question in free text. This approach to data collection on customer experience is reminiscent of the critical incident technique where customers are asked to report in their own words on critical incidents in service delivery (Gremler, 2004).

Our main approach for gathering data on service recovery was to include questions concerning calls to customer service after the order had been placed. The participants were asked how many times they had called customer service after placing their order, which issue they had called customer service about (free text), and the current status of such issues (reported as predefined categories, i.e. resolved immediately, resolved after a while, not resolved, or don't know whether it is resolved or not). To ensure that the questions on customer service calls did not bias the participants' responses to the NPS-question, the NPS-questions were administered as the opening questions of the questionnaire. Hence, the

Customer service was the most frequently reported reason for the NPS-score. The participants in particular reported on customer service experiences when placing the order or when in need of help.

Pleasant customer service person that took my order when I called. (P#305, NPS-score 8)

[...] excellent great customer service when I called for help during the installation process. (P#221, NPS-score 10)

Interestingly, the vast majority of the reports concerning customer service were positive; that is, the participants explained that customer service was the reason they would recommend, rather than not recommend, the operator. Hence, reasons concerning customer service typically were associated with high NPS-scores.

I find that [this broadband service provider] provides good service and that all I have been in contact with have been pleasant and very helpful. (P#66, NPS-score 10)

I am very happy with [this service provider] in its entirety, phone, mobile, and broadband all have good service when I have questions. [...]. (P#220, NPS-score 10)

This close association between customer service experiences and high NPS-scores is interesting. After all, we asked the customer to assess the entire process of ordering and delivery of the broadband connection, not their particular interactions with customer service.

Participants also frequently mentioned delivery, installation, and broadband quality as the reasons for their NPS-score. However, contrary to what we have seen regarding customer service, experiences from delivery and installation were far more diverse in terms of whether they were positive or negative.

Speedy and good delivery of the broadband services, without great surprises concerning price. (P#7, NPS-score 8)

It took too long to get online. The service person had to be called upon twice. (P#43, NPS-score 0)

Similarly, experiences concerning broadband quality were also more varied than the customer service experiences.

Because the network really is very good. [...]. (P#5, NPS-score 10)

Low and varying speed. However, the service person informed that it was a poor line. (P#127, NPS-score 4)

Hence, while customer service experiences tended to be reported as associated with reasons for high NPS-scores, experiences concerning delivery, installation, and broadband quality tended to be associated with both higher and lower scores.

Calls to customer service – insight concerning service recovery

About half the participants (53%) had called customer service after they had placed their order. According to the free text answers of these participants, the topics of the calls were classical support or helpdesk issues. The most frequent topics were questions concerning: how to install the broadband network (41), the date for delivery of the broadband network (20), the order or delivery process (18), or the invoice (11). Two examples of answers from the participants as to why they had called customer service are provided below.

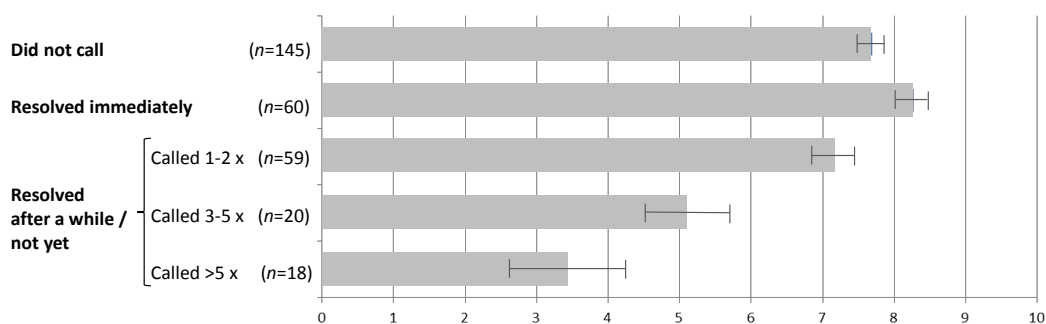


Figure 1: Mean NPS-scores for different participant groups. Error bars represent one standard error.

Second, we investigated the possible reasons for the observed association between service recovery and customer experience. To do this, we analysed the participants' reported reasons for making the NPS-score and compared these for the same three participant groups as above, that is, (a) *did not call*, (b) *resolved immediately*, and (c) *resolved after a while*.

Members of the first two participant groups most frequently reported customer service as the reason for their NPS-scores. However, the participants who had not called customer service after placing their order mentioned customer service far less frequently. Whereas nearly half (48%) of those who called customer service and had their issue immediately resolved mentioned customer service as a reason for their NPS-score, only one out of four (27%) of those not calling customer service after placing their order mentioned customer service as a reason. Customers who had called customer service and had their issue resolved immediately reported reasons like these:

I always get good answers whenever I have questions, and you have great customer service. (P#56, NPS-score 10)

Was customer for 50 years. Now I have had half a year with a competitor, but this was a downer in terms of service. Home is best; hence, I am back. (P#160, NPS-score 10)

The difference between the first two participant groups holds also if we consider only those participants who had placed their order by calling customer service; for these participants, more than half (52%) of those who called customer service and had their issue immediately resolved mentioned customer service as a reason, whereas less than one-third (32%) of those not calling customer service after placing their call made such mention of customer service.

No such differences were found between these two participant groups for the other main types of reasons for their NPS-score. For both groups, less than one-fifth of the participants reported the delivery and installation process (13% vs 19%) or the broadband quality (18% vs. 19%) as their reason for giving the particular NPS-score.

The third participant group, those who had their issues resolved only after a while or not yet, differed markedly from the two others. Participants in this group most frequently reported reasons concerning delivery or installation (34%) for their NPS-score.

When I first placed my order in April [this service provider] should deliver mid-May. Then I got the message that it was delayed to May 30. By May 26, I had not received the router [...]. Router was delivered June 2. (P#136, NPS-score 5)

Customer service was mentioned as a main reason for the NPS-score by 24% of those in this third participant group. Broadband quality was reported as a main reason by 21%.

Hence, our findings indicate that the service recovery paradox may arise because well-executed service recovery, conducted by caring customer service personnel, is something that is particularly memorable to customers. Even in a complex service process with numerous touchpoints across different channels, personal customer service during service recovery is remembered and cherished.

Implications for service design

Several implications for service design may be drawn from the presented study. We have already discussed the need to consider both how to reduce customer effort and how to set the stage for positive customer experiences. In particular, the study illustrates how combining efficiency and positive experiences may generate memorable moments for the customer. In addition, we will discuss (a) implications of the study concerning service recovery as an object of service design and (b) implications concerning the usefulness of NPS as a means to gather insight into what matters for customers.

Service recovery, as is shown in the study, is a potentially critical part of a larger service process. Hence, it may be beneficial to consider service recovery as an integrated part of any service design process, given both the potential for memorable experiences through well-executed service recovery and the potentially detrimental consequences of its neglect. Service recovery has, until now, not received much attention at the ServDes conference. An important implication of the presented study is to see service recovery as an exciting service design challenge worthy of further study and discussion in this context.

The usefulness of NPS as a means of gathering insight into customer experience is made evident in the study. Due to the widespread uptake of NPS across the service industries, NPS represents a highly accessible route to customer insight. In particular, the free text follow-up question of NPS may be useful to gain insight into the factors most prominent in shaping customers' experiences. NPS, as may be deduced just by looking at its wording, does not directly ask the customers about their subjective experience. Nevertheless, asking customers about why they will (or will not) recommend a service provider to their family, friends, or colleagues reveals which aspects of the service process are critical for their customer experience.

Limitations and future work

While the study has produced useful results, it also has limitations; the most important of which being that the study has been conducted in the context of only one service process at one service provider. Hence, future work involving varied service contexts is needed to investigate whether service recovery has similar implications for customer experience as what we have found in this study. The study is also limited in that it considers the service at only one stage of development. It would be really interesting to see future work concerning how the entire service design process may be oriented towards service recovery as a means for improving customer experiences.

In spite of its limitations, we hope that the study will serve as a starting point for discussions concerning how to design for customer experience in service recovery, thereby setting the stage for service recovery that is delightful, not just efficient.

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