

## **Service Failure: Seize The Opportunity**

### Creating Customer Loyalty From Service Failure

Much of the literature about customer service, service excellence, and so on, makes a virtue, quite properly, about 'meeting customer expectations'. Customer expectations of service quality may be defined as 'pre-trial beliefs about a service that act as standards or reference points against which performance will be judged'. Customers' assessments of service quality result from a comparison of their expectations with actual performance. In other words, expectations serve as standards against which customers compare their subsequent experiences.

In an increasingly competitive market, differentiators, such as service, are of great importance. It is no longer sufficient to compete just on price alone; for one thing, price can always be copied and even bettered. For another, customers are becoming increasingly discriminating and demanding. And, generally speaking, they demand not only lower prices but better service. A few dollars off the price of the carpet makes very little impression, but improvements in fitting and after sales service quality count for a great deal. [Consumers are willing to pay a premium for consistent high quality product and service, i.e., Starbucks Coffee.]

If service quality makes such a difference, why are so many organizations unable to deliver it? Mostly through a failure to understand what customer service means (also, maintaining consistent levels of service over far reaching distances in thousands of locations across North America).

Customer service is still viewed by many as an abstract concept – one that cannot be defined, measured, or evaluated in any useful way. But it is only when we have a clear understanding of customer service requirements – the individual or discrete factors that, in aggregate, make for excellent service - that we can begin to make improvements.

Let's illustrate this by looking at the use of inbound call centers – an increasingly common means of suppliers communicating with their customers – and irritating them in the process! We've all experienced the problem of calling the supplier, only to have the 'phone ring, ring, ring, or to be told that 'You are held in a queue and will be answered shortly'. Many call center managers have recognized this as a problem and have decreed that all calls will be answered within three rings. But this is only a partial solution. Customers then find that their calls are answered immediately, only for them

to then be placed 'on hold'! (or in N.A. go through the process of pushing a number that categorizes the purpose of your call). Managers are delighted at the (apparent) improvement in service quality; customers increasingly are irritated and frustrated. Even if you are connected promptly and properly, you may still be unhappy with the service; the call handler may be rude or unhelpful or connect you to the wrong department. Unless all such influencing factors are detected it will be impossible to reach the goal of service excellence.

If such a goal is to be reached, the level of service that customers expect must be clearly defined. Then mechanisms must be established to ensure that this level of service is actually delivered.

However, very often there is a significant gap between customer expectations and managers' perceptions of these expectations – such as in the case described above. And other 'gaps' can exist; for example, there could be a gap between managers' perceptions of what factors are important and the targets set to reflect these. There may also (probably will) be a gap between the targets and the level of service actually delivered. Accurate measurement procedures are required to ensure that such problems are identified and eliminated.

'Hard' factors, the tangible elements that relate to service performance, are easy to measure. However, these are only one part of the story. 'Soft' factors are of equal, maybe even greater, importance. These cover a range of issues, from staff attitudes, the appearance of facilities, the availability of information. But because they are less easily defined and measured, they tend to be overlooked.

It is important to emphasize that, to achieve excellent customer service, attention must be paid to each and every aspect of the service delivery process. Sales transactions of any kind take the form of a series of service 'encounters'. Each of these acts as a 'moment of truth' for the customer – when the service offering is re-evaluated. To create the right impression, each must be dealt with in a way that the customer perceives as positive. Customers will only stay customers if they are satisfied with every aspect of the delivery process, every point of supplier contact, whether that be by phone, in the restroom, with the waiter, even with the captain of the 747.

### **Service Failure - Realizing an Opportunity**

Suppose that, instead of delivering excellent customer service, an organization fails completely. Does such a failure spell disaster, or provide an opportunity?

First published in 1982, 'In Search of Excellence' became the bible for a generation of business managers. But 20 years later many of the organizations featured have stumbled badly - and some are extinct. How can that be?

'In Search of Excellence', and similar management theories, can never, by themselves, help anyone achieve the model of excellence they portray. Far too much of today's management science is based on theories that speculate on the causes of historic success. Organizations and their managers are obsessed by success. Perhaps they should focus instead on failure.

Most people know, intuitively, that the greatest learning comes not from success but from failure. Warren Buffet states that '... in my business we try to study where people go astray and why things don't work. We start out with failure and then engineer its removal'.

We have all heard of Pareto - he of the 80:20 rule. Pareto also said 'Give me a fruitful error any time, full of seeds, bursting with its own corrections'.

Seeing things from the customer viewpoint, and listening to customers - especially when they have a complaint over a product or service failure, have a fundamental role to play in generating repeat business. Who wishes to further a relationship in which one partner never hears, nor takes note, of the other? To fully understand the role of customer 'feedback' in generating loyalty, we can look at Total Quality Management (TQM).

Achieving total quality is entirely dependent on continual feedback about how a process, product or service has performed and, in particular, its variance in performance against specification - especially variances as perceived by the customer against specifications based on customer expectations.

W Edwards Deming, the TQM guru, believed that organizations that did not accept product or service failures as a natural part of business were doomed. The 'Deming cycle' (Plan, Do, Check, Act) illustrates that feedback from the market - learning from mistakes - is key to achieving total quality. Deming believed that service failures demand constant attention because of, rather than in despite of, their inevitability. Improving customer service over time is

a function of both setting and achieving high service delivery standards and identifying weaknesses in quality.

But an organization that focuses primarily on 'getting it right first time' is in danger of ignoring the importance of service failures and the comments they can generate from customers. Ignoring such failures is a block to building long-term, loyal customer relationships.

However, although service recovery should (indeed, must) be seen as an opportunity, it is vital to move from 'cure' to 'prevention'.

Charles Weiser of BA developed what he termed the 'Feedback Learning Curve', showing the evolution of an organization as it moved from denying service failures to listening, accepting and then acting on them. Once the learning process has begun, organizations will begin to view customer data in a constructive light. To the delight of the accountants, service improvements that were based on recorded failures have provide excellent – and measurable - returns on investment.

Openness, and an ability to recognize and accept customer perceptions as valid, are indispensable for continuous improvement in product or service delivery which, in turn, promises greater repeat business as problems are eradicated.

The best way to ensure the survival, success, and prosperity of an organization is for its managers to recognize the contribution of service failure and the accompanying customer feedback. And sustained excellence will only be found through a constant search for, and understanding of, failure. It is only through measurement that this can be achieved. Simply put, it is not sustainable for an organization to claim that it seeks to deliver excellent customer service and then have no reliable, consistent and continuous measurement of actual service delivery.

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