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.
The conclusions of Dixon et al. (2010) are potentially disturbing to researchers and practitioners of service design, as they seemingly go against key assumptions of the service design literature. In particular, the primacy of customer experience seems to be challenged. Blindly accepting service efficiency as a goal in itself, without considering service efficiency as one of several means towards delightful customer experiences, may lead service providers to overlook opportunities for improvements in service delivery. Furthermore, as shown in this paper, less efficient service processes may induce even better total customer experiences than more efficient ones.

Dixon et al. draw their conclusions from studies of customer service and service recovery. By "service recovery", we mean the mitigating efforts of a service provider in response to unexpected events during a service process. To understand how the perspective of Dixon et al. may be reconciled with current service design knowledge, we present a study of service recovery as part of a larger service process. In particular, we study how service recovery affects customer experience.

The study contributes insight into how service efficiency may interplay with other factors for delightful customer experiences. We find that the service process requiring the least customer effort does not always generate the best experience. Furthermore, the study contributes new understanding of why service recovery, when well-executed, may enhance customer experience.

The paper is structured as follows. First, we present the study background. Then we present our research question, hypotheses, study method, and results. Finally, we discuss the implications of our findings for the field of service design, study limitations, and future research.

Background

To position the study, we present background on the status of customer experience in service design and how customer experience may be enhanced through service recovery.

Customer experience in service design

Customer experience is one of the truly central concepts in service design. Polaine et al. (2013) notes that the notion of experience "dominates the discussion of service design" (p. 131). Meroni and Sangiorgi (2011) argue that "understanding experience is crucial for design for services" (p. 38). Teixeira et al. (2012) describe service design as a way to orchestrate service elements and processes to "help customers co-create their desired experiences" (p. 363).

Customer experience is seen as a competitive advantage not only for experiential services, such as amusement parks or vacation hotels, but also for more mundane commercial services such as banking, telecom, and insurance (Rawson et al., 2013), and government services (Parker & Heapy, 2006). Customer experience is regarded as critical to the customer value proposition (Zomerdijk & Voss, 2010) and, therefore, is closely related to customer loyalty (Berry et al., 2002), customer recommendation behaviour (Temkin, 2009), and the service provider's economic revenue (Pine & Gilmore, 1998).
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.
Research questions and hypotheses

Based on the above background, we formulate the following research questions:

How and why does service recovery affect the customer experience of a service process? In particular, how does service efficiency interplay with other factors for delightful customer experiences?

On the basis of previous research in support of the service recovery paradox (De Matos et al., 2007; Hocutt et al., 2006), we can postulate the hypothesis that an excellent service recovery may contribute positively to the total customer experience of the larger service process. That is, customers who experience well-executed service recovery may have a better experience than customers with no need for service recovery. Such a strengthening of customer experience due to excellent service recovery is not to be expected from the conclusions of Dixon et al. (2010), though it may well be in line with the intuitions of service designers.

Furthermore, we hypothesize that less-than-optimal service recovery may negatively affect the total customer experience of the larger service process. This hypothesis is fully in line with the findings of Dixon et al., as inefficient service recovery typically can be assumed to involve higher levels of customer effort than what is required for a service process with no need for such recovery.

Method

To investigate how and why service recovery affects customer experience, we conducted a questionnaire study among customers that had completed a service process as customers of a particular broadband service provider, a major telecom operator in Norway. In this method section, we first present the service process as our study context. Then we present our approach to participant recruitment and data collection and, finally, describe our approach to data analysis.

The study context

We studied a service process in which customers order a broadband home network connection and have it installed. The service process occurs over a substantial period of time, typically from two to four weeks, and includes multiple touchpoints in different channels, including the following:

(a) Some customers may call customer service or visit the operator's self-service website as part of their pre-order research process.
(b) The customers place their order either by calling customer service or through the operator's self-service website.
(c) The customers receive receipts, contracts, and invoices by separate SMSs, emails, and traditional mails.
(d) The customers receive necessary technical equipment (e.g. a router) by a goods carrier.
(e) Some customers may have a technical support person visit their home to install the broadband connection (additional offer).
(f) Some customers may call customer service for support after placing their order.
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
participants responded to the NPS question considering the entire process of ordering the broadband connection and having it installed, not only the aspect of the process that concerned customer service.

The participants were also asked to report on the channel through which they placed the order, as well as whether or not they had called customer service or visited the operator's customer website as part of their pre-order research process.

Analysis

We investigated the question of how service recovery affects customer experience through quantitative data analysis, based on the NPS-scores and data on calls to customer service. This analysis was conducted by the statistical software package SPSS where the study hypotheses were tested through independent samples t-tests. We investigated the question of why service recovery affected customer experience through qualitative data analysis of the free text replies. This analysis was conducted as a content analysis following Ezzy (2002).

Results

In total, 312 new broadband customers completed the questionnaire. Of these, 63% were male and 37% were female. The mean age was 45 years (SD=16). The mean delivery time for the broadband connection, after placing the order, was 18 days (SD=14).

The majority of the participants (72%) had placed their order by calling customer service; the remainder (28%) had placed their order through the operator's customer website. Practically all participants intended to install the broadband connection themselves following delivery from the broadband service provider; only 8% pre-ordered a service person to help them complete this installation.

NPS-scores and reasons – shedding light on the customer experience

The customers were in general positive to the ordering and installation process. The mean score on the NPS-question was 7,2 (SD=2,7). Most participants (67%) provided a free text answer as to why they had given the particular NPS-score. Table 1 presents a summary of the most frequent reasons for the scores.

<table>
<thead>
<tr>
<th>Most frequent reasons</th>
<th>Count</th>
</tr>
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<tbody>
<tr>
<td><strong>Customer service.</strong> Experiences from interaction with customer service personnel when placing the order or as part of service recovery, or general service experiences with the provider.</td>
<td>68</td>
</tr>
<tr>
<td><strong>Delivery/installation.</strong> Experiences concerning the delivery or installation of the broadband connection.</td>
<td>50</td>
</tr>
<tr>
<td><strong>Broadband quality.</strong> Experiences concerning the quality of the broadband connection, in particular speed and stability.</td>
<td>43</td>
</tr>
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*Table 1: The participants’ most frequently reported reasons for their NPS-scores.*
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.
I had some problems with the installing. Had the wrong software during installation. (P#172, broadband installing issue)

I did not get online. But had not seen the activation date in the letter I received. Hence, I thought I would be online the same date as the technical person had been enabling the connection (P#43, enquiry concerning activation date)

All participants who had called customer service after they had placed their order were asked to report on the status of the issue that had prompted their call. Many reported that the issue was resolved immediately (60) or after a while (75), but some also reported that the issue was not yet resolved (22) or that they did not know whether it was resolved or not (7).

The majority of the participants that made such calls to customer service had called only once or twice (118). However, some had called three to five times (26) and others more than five times (20), something that also reflected on their reasons for their NPS-scores.

Evidence and a possible cause of the service recovery paradox

Combining the participants' responses on the NPS questions and the questions concerning calls to customer service gives us insight into how service recovery influences the customers' assessment of the service.

First, we investigated whether the participants' experience of service recovery affected their likelihood to recommend the service provider to others. We compared the NPS-scores given by three groups of participants:

(a) Did not call: those who had not called customer service after they had placed their order.
(b) Resolved immediately: those who had made such calls and had their issue resolved immediately.
(c) Resolved after a while / not yet: those who had made such calls and had their issues resolved only after a while or not yet.

In line with the hypothesis of the service recovery paradox, we found that the participants who had made such calls and gotten their issue resolved immediately tended to report higher NPS-scores (Mean=8,3, SD=1,9) than those who had not called customer service after placing their order (Mean=7,7, SD=2,3) (t=-1,69; df=203; p(one-tailed)<0,05). This difference, however, was small with an effect size (\(r\)) of 0,11.

Participants whose issues were resolved only after a while or not yet tended to report lower NPS-scores (Mean=6,1, SD=3,1) than those who had not called customer service after placing their order (t=-4,70; df=250; p(one-tailed)<0,001). Slow or incomplete service recovery was associated with greater changes in NPS-scores than was immediate service recovery, with an effect size (\(r\)) of 0,26. Furthermore, for participants whose issues were resolved only after a while or not yet, we found that the number of calls were strongly associated with diminishing NPS-scores. Figure 1 provides an overview of mean NPS-scores for the different groups of participants.
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%.
Discussion

In this final section, we discuss our findings and the implications of these. Furthermore, we address the study limitations and outline future work.

Delightful or efficient?

On the basis of our study of service recovery as part of a larger service process, we can make a nuanced discussion of the claims of Dixon et al. (2010) Our findings clearly are in support of one of the key arguments of Dixon et al: Inefficient service recovery can indeed be detrimental to the relationship between the customer and the service provider.

However, we also find that efficient service recovery can be something more than a mere lowering of customer effort. At its best, the participants of our study that were provided immediate service recovery described the customer experience not only as efficient, but using expressions such as "pleasant", "great", and "best". Furthermore, when asked about reasons for their NPS-scores concerning the entire service process (that is, ordering, receiving various messages, confirmations, and hardware, and having the broadband connection implemented), these participants typically reported customer service to be their reason. Hence, for this group, the customer experience from service recovery dominates the entire customer experience of getting the broadband connection. Surely, for these participants their experience with customer service was something more than the mere absence of effort. In line with Hocutt et al. (2006), such experiences seem to have been the result of customers' meetings with caring persons at customer service.

Our study, hence, suggests that the conclusions of Dixon et al. truly are important. Inefficient service recovery is detrimental to customer experience, as is seen in the lower NPS-scores of customers experiencing this, in particular when customers need to make repeated calls to have their problem resolved. Hence, efficiency and lowering of customer effort indeed are important when designing and delivering services. However, ignoring the potential impact of delightful service experiences, such as that in the meeting with a caring customer service person, means ignoring what makes services memorable to customers, even for a service as mundane as that of ordering and implementing a broadband connection.

New insight in the service recovery paradox

The study provides new insight into the service recovery paradox. Previous research has shown how an increase in customer satisfaction following excellent service recovery can be explained by such recovery being beyond customer expectations (De Matos et al., 2007) and also generating positive emotions (Schoefer, 2008). In this study, we show how such service recovery can dominate the customer experience of the larger service process of which it is part. Without being prompted concerning customer service, the participants that had experienced excellent service recovery reported customer service as their main reason for a NPS-score given for the whole service process of ordering a broadband connection and having it installed. This finding is in contrast to participants who had experienced less optimal service recovery; these participants, though they tended to have made more calls to customer service after placing their order, made far less mention of customer service as a reason for their score. Rather, these participants more frequently associated their low NPS-scores with issues concerning the delivery and installation process.
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.
Acknowledgement

The study was conducted as part of the innovation project Customer Care 2015, supported by the Norwegian Research Council BIA program (NRC project number 219800).

References


