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#### **EDITORIAL**

It is heartening to see that the eleventh issue of the VICHAARA AN INTERNATIONAL JOURNAL OF MANAGEMENT has been brought out successfully. An educational journal is a platform where knowledge gets amplified and disseminated; research results and innovations are documented and unique experiences are shared for enhancement of knowledge. The design architecture of Vichaara is made in such a way that it becomes a comprehensive document to reflect the different dimensions of Management discipline. Business Research forms the core part wherein original, empirical based research papers are included. This issue comprises articles on recent issues in business world from different disciplines. These articles show a methodological way of conducting a research and presenting their findings. Findings on technology influence, cultural changes in the organizations, behavioural changes among the consumers and their expectations have been presented with relevant facts. We invite scholarly articles and research papers and write ups on robust cases. Suggestions and views from readers and scholars are solicited for the qualitative improvement of the Journal.

## SERVICE FAILURE AND RECOVERY STRATEGIES IN THE RESTAURANT SECTOR WITH RESPECT TO TAMILNADU

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#### Abstract

The purpose of this research is to explore the reasons for service failure in restaurants. The paper aims to give insights into customers' perceptions and response regarding service failure and recovery and to try to draw a parallel between consumers in a developing economy like India and the same in a developed society (Tamil Nadu)

**Findings** – The study found conclusive results on the reasons for service failure in the restaurant business in the context of developed and developing economies. It also sheds light on the behavioral aspects of customers' perception towards these failures and their responses to the same. The paper further looked into the recovery strategy employed by restaurants and the customers' perception towards the recovery strategies.

**Practical implications**— The study has important managerial implications as it facilitates the understanding of where and how the failure-points occur and how customers perceive and react to them. The paper is also helpful in designing policies and procedures to proactively weed-out such failure-points and, in case of their occurrence, design responses to the same.

**Originality/value**— The paper is valuable as very little has been done in the Indian context. It also creates a comparative perspective as to service failure in the restaurant sector between a developed and a developing country.

**Keywords:** Restaurants, Customer service management, Customer satisfaction, Consumer behaviour

#### **Introduction to the Study**

Service quality is one of the heavily researched topics in management research with various studies having been conducted to study different factors that constitute service quality and its effect on customer perceptions (Parasuraman et al. , 1988; Zeithaml, 1988; Sureshchandar et al. , 2003; O'Neill and Palmer, 2004). It has been of prime importance both to academicians and practitioners to zero-in on the factors that constitute service quality that results in customer satisfaction leading to creating loyal customers. The importance of customers is further highlighted by the fact that it costs a lot more to attract a new customer than to retain an old customer (Oliver, 1999).

However, it is estimated that businesses typically lose 50 percent of their customers every five years. Mack et al. (2000) indicate that the multi-dimensional nature of the service encounter creates an environment where failure may often be the norm, not the exception. Zeithaml et al. (1988), while analyzing service quality, proposed the Gap Model to help managers understand the routes through which service quality can be affected. Lovelock and Wirtz (2004), further developed the model and came up with seven gaps in the delivery of service quality in knowledge, standard, delivery, internal communication, perception, interpretation and service.

The problem of service failure is further compounded by the fact that there is an increased competition in most service industries. The hospitality industry has witnessed exponential growth and competition in the last two decades. Thus, the customer has many options to choose from. This is most applicable to the restaurant industry where the demand at times is outstripped by the growth in number of restaurants. Earlier research has shown that dissatisfying service-encounters are particularly relevant in restaurants (Bitner et al., 1990 cited in Mack et al., 2000). Thus, in an era of increased competition and perceptual differences between the customers and the service providers leading to service failures service recovery becomes an important strategy to reduce the dissonance in customers. A failure to deliver service as per customer expectations creates depredation in the customer's psychology which, if left unattended, can ring death knells for the organization. Gro "nroos (1988), in his six criteria on which service quality is perceived good or bad by customers, gives due importance to the aspect of service recovery by saying that the customers realize and anticipate that whenever something goes wrong or something unpredictable happens the service provider would immediately and actively take action to control the situation and find a new, acceptable solution. Thus, if the customers feel that the recovery strategies are given importance they are bound to have a better perception of the organization. Keaveney (1995) reported that if organizations don't adopt recovery strategies it can lead to customer switching over to another service provider.

Service recovery is referred to as the action undertaken by an organization to face the eventualities of a service failure (Zeithaml and Bitner, 2000). Suskind (2002) discusses the effect of the service experience on the customers' word-of-mouth referral. He has based his study on the complaint type and has taken broadly two types of complaints – food-related complaints; and the service related complaint. Lewis and McCann (2004) in their study on service-failure and recovery in the hotel industry identified different factors leading to service failures and the recovery strategy used. However, this is for the hotel industry and not restaurants as is the focus of this study. Grace and O'Cass (2004), indicate in their study that service experience contributes substantially to the customers' perception of service and their evaluation of the service.

They have highlighted the following factors that affect the consumer's evaluation of a service – the core service; employee service; and the "servicescape". However, this study does not identify what happens if these are not up to the customer's satisfaction or the priority of these factors for the customers. Lemmink and Mattsson (2002) report that employee behavior and feelings of warmth generate positive customer perception about the service encounter. Thus, interpersonal skills of service employees are important considerations in service quality perceptions and customer satisfaction. However, the total customer experience is not only dependent upon feelings of warmth generated by the service personnel and other operational issues namely, food and beverage quality, physical evidence etc. also affect the customers' experience of the service.

Bitner et al. (1990) and Chung and Hoffman (1998), identified three categories of service failures as: (1) Service system failure: This occurs in core service which is inclusive of product defects (food is cold, soggy, contains hair etc.) slow or unavailable service, facility problem (cleanliness issues like dirty silverware, insect or rodent problems etc) unclear, guest unfriendly policies (like not accepting cheques or credit cards) and out of stock conditions like inadequate supply of menu items).

- (2) Failures in implicit or explicit customer requests: This occurs chiefly when employees are unable to comply with the customer's individual needs like food not cooked to order; or seating problems like seating smokers in non-smoking section or lost reservations etc.
- (3) Unprompted and unsolicited employee actions: This includes behavior of employees that is unacceptable to guests like rudeness; poor attitude; wrong order delivered; order misplaced or never filled; and incorrect charges like charging customers for items not ordered or give incorrect change.

The first category of service failure is really important as Chung and Hoffman (1998) report that customers facing this type of service failure switched to others service providers the most. Chung and Hoffman (1998) concentrated on the above three broad parameters however the current study tries to identify service failures in specific categories such that managers can focus on recovery strategies within each specific category.

#### The current study

The objective of the study is to conduct a comparative analysis of service-failure causes and recovery strategies in India (Tamil Nadu) in the context of restaurants. The objective of the study is to compare the consumer experience while eating out in Tamil Nadu (India).

The study intends to determine if there are major departures in consumer behavior of these two societies to draw meaningful conclusions and indicators for hospitality managers in restaurant business.

The following objectives have been defined for this study:

To identify causes of usual service failure in restaurants;

To understand specific complaints and categorize them into generic classes;

To identify usual strategy restaurants, adopt to cope with such failures; and

The types of service-failures and corresponding recovery strategies that have been incorporated in the questionnaire for this study are based on review of extant literature. According to Berry et al. (1990), whenever a customer experiences a problem his confidence is shaken but not destroyed, it is how the organization responds to the service i.e. how the organization retrieves the service that has a lasting impact on the customer.

They identified three possible outcomes:

- (1) the customer complains and is satisfied with the company's response;
- (2) the customer complains and is not satisfied with the company's response; and
- (3) the customer does not complain to the company and remains dissatisfied.

The current study has tried to address all the above three stages and present appropriate findings. Zeithaml and Bitner (2000) identified four types of complainers in the context of service operations, namely:

- (1) **Passives:** Those customers least likely to take any action. They don't say anything to the service provider, less likely to spread negative word-of-mouth and unlikely to complain to third party. This is because they doubt effectiveness of complaining, thinking that consequence will not merit the time and effort they are going to spend on it.
- (2) **Voicers:** Customers who actively complain to the service provider but are less likely to spread negative word of mouth, switch patronage or go to third party for redressal of their complaints. They are the service provider's true friends helping them to improve their services by giving them a second chance.
- (3) **Irates**: Are most likely to complain to friends and relatives and switch over to another service provider. They are angry with the service provider and are less likely to give the service provider a second chance and switch services complaining to family and friends.
- (4) **Activists:** In comparison to the others they have a higher propensity to complain to service provider, relatives, friends and to third parties. This fits with their personal norms. They are highly optimisticabout the positive consequences of all types of complaining.

The current paper focuses on both voicers and irates for their present study and responses corresponding to these types of behaviors have been incorporated in the data collection instrument.

The paper also looks into these factors and tries to identify the core service areas where consumers faced service failures and the factors that affect service encounter, and how the employees are responding to the service failure. Carnage (2004) identified different recovery strategies on the basis of type of service failure. He identified service failures as high or low on criticality and identified that in either of the cases a recovery effort of apology or compensation could be applied.

The current study also tries to identify the recovery effort adopted by the restaurants in Tamil Nadu in the event of a service failure. Weun et al. (2004) have correlated the severity of service failure with the satisfaction outcome of service-recovery. They found that despite the positive influence of service recovery there remained a negative influence on customer's satisfaction if the original problem was severe. In our study we have also tried to relate the service recovery with the effect it has on the word-of-mouth referral of the customer and whether the customer is going to repeat his purchase in the future. The questionnaires were administered personally to a sample of respondents in both the countries. Convenience sampling was adopted to collect responses from two hundred respondents who faced service failures, which was considered to be a large enough sample for an exploratory study of this nature (Malhotra, 2001). To complete this target of 200 respondents more than 200 individuals were contacted as only those who have experienced service-failure of any kind in a restaurant were the population. Data analysis entailed forming comparative statements of both markets to determine trends. Based on literature review the major types of service failure in restaurants have been identified as - slow service; inefficient staff; food and beverage quality problem; cleanliness; unfriendly and unhelpful staff; incorrect billing; untidy staff; reservation missing; physical evidence lacking in ambience; and finally, advertised promises not having been met. Similarly, various strategies used for failure recovery by restaurants have been identified and incorporated in the questionnaire. The after-effects of various recovery strategies have also been elicited in the form of customer response in the form of repeat visits and recommendations to family and acquaintances, and the same has been used to come to draw managerial implications. The study has an urban bias as it was conducted in Tamil Nadu and within the Region of Coimbatore in Tamil Nadu, India and in and around the city of Chennai

#### Categories of service failure

The study has found generic resemblance across the two markets as far as causes for dissatisfactions are concerned. The study has elicited responses across five categories of service failure, namely, – operations; hygiene; behavioral; quality of food and beverages and physical evidence. In both the markets operations related service failures have been ranked first followed by quality of F&B; Hygiene and physical evidence, in that order. Within operations, slow service is cited as the top reason for customer complaint across both the markets.

Reduction in cycle-time is an obvious area of improvement, along with improving the quality of F&B as per the promise directly/indirectly conveyed. Perceptions of staff inefficiency in general and incorrect billing are both indicative of poor staff training on one hand and/or lack of appropriate systems and processes on the other. Almost 20 percent respondents have complained of incorrect billing across the two markets, which is slightly more difficult to explain in the Indian context as most restaurants there are using POS (automated) systems.

Finally, almost equal complaints have been raised about inefficient, unfriendly or unhelpful staff across both markets indicating towards a lack of the right attitude and/or aptitude on part of the staff. This obviously has implications on the various stages of human resource management – right from the job design, job description/specification phase to recruitment, selection, induction, training and compensation of team members, scheduling of shifts and team design and management.

#### Strategies employed for service failure recovery by restaurants

There is a major departure in this area between Coimbatore and Chennai restaurants. Almost 60 percent of complaints in the Indian context are dealt by extending an apology and offering assistance short of compensation, whereas in the Indian context – extending an apology along with offer of assistance and compensation is the chosen strategy for service recovery in almost 68 percent of the cases. This reflects towards a clear abhorrence amongst the management of Indian restaurant companies to offer compensation to aggrieved clients. It is significant to relate this to the lower percentage of complainants in the Coimbatore compared to the almost 100 percent in Chennai. And second, later on in this discussion it is also going to be clear that almost double the percentage of aggrieved (and compensated) clients in the Tamil Nadu are ready to return to the same outlet and more than double are willing to recommend the said outlet to their acquaintances as compared to Indian respondents. This also points towards the aspect of poor empowerment environment in the Indian restaurants (Tamil Nadu) and a distinct lack of laid down system of handling customer complaints based on which the staff are trained and are obligated to respond in a specific manner.

Customer perceptions about recovery strategies About 58 percent Indian customers reported that recovery step taken by the staff was prompt as compared to 55 percent by respondents. In Indian restaurants, usually an apology or offer for assistance was the only outcome of a service failure compared to almost double this percentage in the India (Tamil Nadu) who are offered compensation.

Obviously, the higher percentage of promptness in Indian restaurants is because of the fact that mostly it does not entail any financial/in kind compensation, and an apology does not "cost" anything. Again, if a higher degree of Indian customers felt that recovery was prompt then why are such a majority of them either not willing to recommend the outlet to their friends or family; or not wanting to return themselves? The answer is simple enough – most probably the customers also understand these apologies as mere "lip-service" and no more; and worse so does the staff member responsible for this. At 43 percent, a larger chunk of the Tamil Nadu respondents have reported delayed response. This obviously can be connected to the fact that most of the times they offer a compensation of some kind to their aggrieved clients and hence this may require an approval/decision making process which may take a bit longer than offering apologies/ assistance.

The conclusion therefore, is that compensation works better than an apology or offer for assistance in case of a service-failure as it denotes seriousness on part of the service provider towards valuing (the franchise of) their clients and their eagerness to have them back as repeat customers. Second, the need is to have simpler and quicker processes of offering these compensations and laying down and communicating formal procedures to handle such eventualities, based on a philosophy of "compensate first and then discuss the reasons thereof". And finally, the employee needs to be trained in these recovery strategies enabling them to face irate customers with confidence and empathy, rather than being defensive & antohonistic.

#### Outcome of recovery action

Significantly, in the case of Indian restaurants, in almost 51 percent cases the result of recovery action has been characterized as one of helplessness (on part of the staffer); inappropriate communication or worse a feeling of "could-have-been-handled-better", whereas in the US context this constitutes about 26 percent only. Almost 47 percent US respondents said that they had to speak to the manager for a solution whereas in India this was only about 23 percent. This harks back to the point made above that a defensive mindset leads to the manager not coming to the fore and letting the staffer bear the brunt of the customers' ire in Indian restaurants. Also, to the fact that most probably the Indian manager was not empowered to take a compensation decision, and hence felt no reason (or use) to go in and intervene in the altercation.

#### **Managerial implications**

Past research indicates that when organizations offer similar levels of product and service quality, the delivery of relationship benefits becomes an important means of gaining competitive advantage (Berry, 1995; Gwinner et al., 1998; Juttner and Wehrli, 1994).

Relationship related efforts and the creation of trust based on positive customer experience takes on greater significance in the "servicescape". The extent to which a service-provider makes relationship efforts is what proves to the customer that the service-provider is believable, cares for the relationship and is willing to make sacrifices (Doney et al., 1997). Increased levels of communication between buyers and sellers enhances feelings of trust amongst customers (Bendapudi and Berry, 1997; Doney et al., 1997) and therefore needs to be planned for and practiced. In Indian restaurants this particularly needs to be reinforced, as there clearly is a trustdeficit that exists between clients and the firm. The environment needs to be one of openness and transparent transactions where the customers are not perpetually worried about the possibility of getting short-changed by the service-provider. For this to happen, team orientation, existence of a formal code of conduct for staff, employee empowerment and motivational programs are some of the areas that seem to be predicated by the data. Employee empowerment programs are going to prove beneficial as even after recovery strategies being in place, customer outrage is evident in their relative unwillingness to return to the outlet or recommend it to others. Empowered employees tend to be satisfied employees and increasing job satisfaction among service personnel has the potential of generating higher customer satisfaction with the service, repeat purchases by current customers, and positive word-of-mouth communications to potential customers (Venkatesh and Kulkarni, 2002).

Operational efficiency and effectiveness is thus a key area of concern, as also pointed out by Bitner et al. (1990) and Chung and Hoffman (1998) as service system failure, and the way out is to create, communicate and implement formal and documented procedures and systems, which also lays down the policies and procedures for handling customer complaint. Improving cycle-time is a clear concern across markets and demands that restaurant companies re-look at their process-design and rationalize the order-taking and delivery cycle such that customer wait-time is minimized. Informing the approximate wait-time at the time of confirming the customer order could also alleviate the customer anxiety. Another variation on this could be to print the wait-time in front of the entre 'e on the menu, provided one is sure of being able to deliver within that time.

Quality of F&B is seemingly a "grey" area as it relates to customer tastes and perceptions on one hand and how the restaurant has defined their cuisine/recipe as well as the resources available in terms of skills and raw material/ingredients on the other. Authenticity needs to be defined for the customer (along with kitchen and service staff) as there may be a possibility of the customer not really appreciating the "real" taste of authentic cuisine and thus getting "dissatisfied" even after being served authentic food.

This could be done by communicating to them (say, in the menu) about the details of a recipe and the ingredients and what they can expect on the taste front through proper description. The service staff can also be trained to communicate on this aspect of taste and authenticity of the cuisine, which will also enhance the customer experience.

Providing compensation seems to be a better strategy of handling service failures as they seemingly are most effective in reducing the sense of disenchantment that customers obviously suffer from in the aftermath of a service-failure and ensuing recovery action by the restaurant. It is clear that in the Indian context the heavy dependence of extending apologies and assistance but falling short of providing any compensation the other markets where there is a higher propensity to provide for immediate compensation is working to the detriment of the industry.

Finally, there is a need to manage the dissonance that seemingly still remains once the recovery action has been implemented, especially in the context of Indian restaurants. This could be done by co-opting these clients in the new promotional schemes and giving them overtly preferential offers as "valued customers". It is imperative that effort is made to win these clients back to the outlet's fold as the negative word-of-mouth that is evidently being generated is severely damaging to the reputation of the outlet. Service failure and recovery strategies

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