

Chapter 7

Service Guarantees, Service Failure, and Service Recovery

STUDY OBJECTIVES

Having completed this chapter, readers should be able to:

1. understand the challenges of marketing service quality to potential and existing customers;
2. understand the benefits and challenges of empowerment, service guarantees, and service recovery;
3. appreciate the interrelationship of these strategies; and
4. apply the proposed service system in a hospitality and tourism context.

OUTLINE

- ▶ Introduction
- ▶ Service superiority: The basis for a competitive advantage
 - ▶ Reliability as the core of service quality
 - ▶ Perceptions of value
 - ▶ The two-way nature of *loyalty*
 - ▶ Empowering employees to *break the rules* to do the right thing
- ▶ Service failure
 - ▶ Types of service failures
 - ▶ Recognizing service failures
- ▶ Strategies for a competitive advantage
 - ▶ Service guarantees
 - Perceptions of risk
 - What is a service guarantee?
 - Assurance of reliable service
 - Guarantees and mutual trust

Reliability/reliable service
Risk perception
Service failure
Service guarantee
Service loyalty
Service outcome
Service process
Service promise

Service recovery
Service recovery paradox
Service system
Silent masses
Technical offering
Unconditional (service) guarantee
Value perception/perception of value

INTRODUCTION

To maintain their position in a competitive marketplace, leading organizations must continuously improve their service offerings and communicate the superiority of these offerings to various stakeholders. However, because service is generally intangible, quality is difficult to quantify. And with nothing tangible to assure them of promised quality, service customers understandably perceive a risk in purchasing services.

In addressing this problem, many service organizations offer *service guarantees*—thus communicating their commitment to service quality. However, from an operational perspective, the characteristics of service present significant challenges to the control and standardization of service quality, and hence to the delivery of an effective service guarantee. The high level of human involvement in both the production and consumption of service means that mistakes, or service failures, are unavoidable. For these reasons, service companies benefit from putting into place a service guarantee that puts pressure on the organization to fulfill their service promise, but they also establish effective *service recovery strategies* to back up the system in the event of failures occurring.

This chapter proposes a systematic approach to gaining a sustainable competitive advantage by combining these two service strategies—*service guarantees* and *service recovery*—to form a system that facilitates superior service quality and simultaneously reduces customer perceptions of risk and the chances of service duplication by competitors.



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