Apology Strategies for Informal Complaints in Service Recovery and CRM Systems

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ABSTRACT

This paper reports the results of a quasi-experiment designed to identify linkages between customer attributes and apology types in service recovery in informal resolution settings. Understanding these relationships is critical for enabling more effective and dynamic social relationships between the service provider and the customer/client with the use of technology, namely Customer Relationship Management Systems (CRM). The authors find that simple apologies decrease anger, restore distributive and interactional justice, and increase satisfaction. More importantly, the paper suggests that there are significant nuances in apology types and complex relationships between customer types and effective deployment of the apology in informal resolution settings. Further, the analysis suggests that apologies with explanations are more effective among customers with service experience and that apologies with compensation are most effective for all customers. When apologies are used with successive failures there is some evidence that the apology explanations are not equally effective for all customer types. The paper concludes with a discussion of the linkages between apology, service recovery and CRM systems in informal complaint resolution to improve senior level decision making, employee performance in service recovery, and customer satisfaction in for profit and non-profit organizations.

Keywords: Customer Relationship Management Systems (CRM), Management Information Systems, Professional Services, Quasi-Experimental Design, Service Failure, Service Recovery

INTRODUCTION

Many large service organizations have developed sophisticated Customer Relationship Management (CRM) systems and procedures that perform service recovery for many different types of formalized consumer complaints. While these formalized systems work well in many settings, service organizations that provide non or semi-standardized services encounters through sophisticated, trained, or professional front-line service providers may find that formalized systems are only partially effective. These front-line providers often deliver their services in a real time service encounters that require the ability to diagnose precursors of service failure, early service failure, informal complaints or nuances of dissatisfaction that

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occur before formalized complaints trigger the CRM processes for complaint resolution.

Encouraging the front-line service provider to diagnose informal complaints and begin informal resolution by identifying and providing remedial actions may reduce the financial burden of complaint behavior for the organization, result in effective service recovery and at the same time result in higher satisfaction levels and customer retention (Fielden, 2010). More importantly, when these informal complaints and resolution strategies are linked to existing CRM systems, they can provide the front-line provider with a rich source of information, recovery options, and processes that ensure success. Success in dealing with these informal complaints may also have the impact of reducing the exodus of lost customers who leave without even filing formal complaints. In the same way that a CRM system would examine the historic relationship between a customer and the firm, the value of a customer, past experiences with failure, and prescribe a course of action for recovery following a formal complaint mechanism (Rubens, Kaplan, & Okamoto, 2011), there is value in providing such information to service providers so that they may initiate informal resolution, perhaps long before there is a formal complaint. The value is customer satisfaction that translates into profitability in the private sector and reaching the objectives of non-profit organizations.

The goal of the paper is to develop our knowledge of informal resolution strategies that facilitates service recovery and promotes interactional and distributional justice, reduce anger, and increase satisfaction. As such, these strategies have a rich potential for incorporation and formalization as an extension of the service provider’s CRM process. The study was done in a higher education context using a series of vignettes describing consumer failures in a quasi-experimental design. The study findings are used to offer recommendations regarding failure in the service encounter, service recovery, CRM and information systems in a more general sense.

This research is specifically targeted to services delivered by trained and empowered experts in customizable service settings where the failure is recognized by responsive front-line personnel during the service encounter before any formal complaint is generated (Fielden 2010). Developing and encouraging recovery strategies provided by front-line service personnel is a growing trend in both company initiatives and in current research (DeWitt & Brady, 2003; Smith, Karwan, & Markland, 2009).

In particular we are interested in identifying promising information that a CRM might incorporate to aid in the formulation in recovery policies and enable front-line personnel in deploying those policies.

LITERATURE REVIEW

Service failure has long been recognized as a fundamental problem confronting service organizations. Researchers contend that the dissatisfaction and anger that result from service failure require mitigation through service recovery processes on the part of service organizations (Smith, et al., 2009). Apologies have long been a necessary ingredient of the service recovery process. Service recovery processes acknowledge that the customer has experienced a service failure, serve to re-establish a sense of fairness and retain the loyalty of the customer (Boshoff & Leong, 1998).

Moreover, apologies enhanced with an explanation or compensation have been shown to provide even higher levels of distributional and interactional justice and satisfaction (McCollough, 2000; McCollough, Berry, & Yadav, 2000; Sparks & McColl-Kennedy, 2001.) It has been suggested that such service recovery efforts communicate to customers that firms truly do care. (McColl-Kennedy & Sparks, 2003; Mattila, 2006; Park, Lehto, & Park, 2008.) Researchers have also stressed the importance of incorporating human behaviors such as apologies, explanations, and compensations in the evaluative framework of CRMs (Gelbrich
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