The Service Recovery Paradox

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Session Description

The rules of business have changed. We are truly in the service experiential economy where nothing differentiates an organization more than how they care for their customers. Service recovery is the term used in customer support centers for recovering the customer relationship, not recovering the services and systems. The service recovery paradox explains how a good recovery can turn angry and frustrated customers into loyal customers. For service support professionals who recognize exceptional support as the only sustainable differentiator for their customers, this session uses tabletop simulators to provide unique insights into the elements of a service recovery system, and explores a lexicon of concepts that are often missing from the traditional IT support education, including consumer scenario, successful customer outcome, service request pathway, service encounter, moment of truth, touchpoints, interactions, and sense and respond.

Speaker Background

Author of The Universal Service Management Body of Knowledge (Service Management 101, 2008), Ian Clayton is a world-renowned expert in service management and applying outside-in and lean thinking to service organization transformation efforts. He helps rescue failing or failed ITSM and ITIL initiatives by establishing customer-centric, self-funding continuous improvement programs.
Session 304: The Service Recovery Paradox

How successful service businesses use ‘outside-in’ to manage the service support experience

THE HDI 2012 Conference and Expo
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Discussion Topics:
- The service support experience in the service society
- Next generation service management
- The pillars of service support management
- Outside-in thinking and the service recovery paradox
- The anatomy of a service recovery program and system
Introduction

- We live in a service society, where our experiences using products and services, and interacting with the businesses and organizations delivering and supporting those services, shape our view of value, defines our levels of satisfaction, and acts as the basis for loyalty and advocacy.
- Service support, and service recovery, is a highly visible component of the service experience, in this session we shall explore:
  - The service recovery paradox
  - Next generation service management and outside-in thinking
  - The service support experience in the service society
  - The pillars of service support management
  - Anatomy of a service recovery system and program.
The “Service Recovery Paradox”

- A famous paradox related to research proving consumer goodwill, satisfaction and loyalty can be higher following a service failure, than without any failure occurring, if the recovery is personalized, well managed, and demonstrates empathy for the consumer.
- The service recovery paradox explains how a good recovery can turn angry and frustrated customers into loyal customers.
- The research also indicates the paradox offers only a temporary effect, and is dependent on the consumer scenario and the service experience.
- Although it can succeed when performed as part of heroic, ad-hoc response, it is most successful when part of a deliberately designed support protocol.
- Service recovery is an outside-in concept used in customer centric service management thinking by successful service businesses.

Next Generation Service Management
Think and act outside-in

- The focus has shifted from process to service, to managing the customer experience.
- Experiences are the latest economic offering, as distinct from services as services are from goods.
- The customer experience of encountering products and services, a representative from the service provider organization, and their emotional content, is at the heart of customer satisfaction.
- Service management was, and is, a systematic method for managing the provision of services to customers based upon a known quality, cost, their desired outcome, level of customer satisfaction, and management of the customer experience.
- The next generation of service management must think customer first, or outside-in.
The Outside-In, Inside-Out (OI-IO) Continuum™

- Positions key concepts and terms based upon inside-out, or outside-in bias
- Represents the span of centricity and transformation journey of a prospective service organization
- Provides context for a transformation journey driven by a continuous improvement program

Universal Service Management Framework
Product, System, Organization, Workforce, Consumer, Excellence

- At the core is the consumer and the basis for their success
- Service product: the offer, to whom, and why
- SMS: how the product is developed, offered, contracted, fulfilled, delivered, and supported
- SPO: the roles, knowledge, skills and abilities required by the SMS
- WMS: how human resources and talent is motivated and managed
- CMS: how the consumer relationship is managed
- SES: how the entire approach is maintained and improved.
Universal Service Management
Manage the magic number “42”

The 4Es
- Encounter
- Expectation
- Experience
- Emotions

Source: USMBOK

2 Vital Service Equations
- Respect two vital service equations
- Value
- Expectation

The Value and Expectation Equations

\[
\text{VALUE} = \text{Successful Customer Outcomes} + \text{Experience} \times \left( \text{Price} \times \text{Cost of Acquiring Service} \right)
\]

\[
\text{EXPECTATION} = \text{Compared to} \quad \text{Needs and Wants Expressed as Requirements} \times \left( \text{Capabilities Expressed on Offerings} \right)
\]

Role of Service Support in a Service Society
Focus on “3Cs”

Remember, most people with a complaint won’t tell you about it, they will more likely tell someone else.

Assess the impact on your customer and use this contact as a means of engaging with them and recovering satisfaction.

Regard the complaint as a gift and opportunity to serve and improve.

Make sure every upset customer becomes a happy one, turn them into bona fide ambassadors.

Connect with those inside your organization who can make improvements and determine what should change or improve.

Review, revise, and reinforce your complaints management policy and procedures constantly.

Source: USMBOK
Complaints

Why consumers complain

- You didn’t do what you promised
- Your product didn’t do what it was supposed to do
- You are not available when I need you to be
- It takes too long for you to respond to my needs and requests
- Your staff have a bad attitude
- You seem not willing to seek a ‘proper’ or ‘appropriate’ solution
- You are not providing full explanations
- You are not willing to admit a mistake
- You are not keeping me up to date.

USMBOK: Pillars of Service Support

Break-fix, helping-hand, service recovery, complaint handling
USMBOK: Service Recovery
Recover the consumer!

- Service recovery is the term used in customer support centers for recovering the customer relationship, not recovering the services and systems.
- Systematic effort designed by the service provider organization to protect long-term profits, a brand image, and/or consumer defection.
- An authorized response by the service provider organization after a service failure to correct a problem, ensure the consumer is satisfied, and that their goodwill and loyalty is retained.
- Sometimes the recovery may involve the award of a refund, service credit, or a similar symbol or gesture of goodwill to the consumer.
- All service recoveries must be planned and approved.
- Notes: Not addressed by ITIL. One of the four pillars of service support.
Consumer Scenario

Key information collected

- Who is the customer?
  - End user
  - Buyer
- What community do they represent?
- What location are they working from?
  - Geographic policies, governance, regulations
  - Cultural aspects, language, attitude, emotions
- What activity are they performing?
- What is the desired outcome?
- How is the outcome related to a key performance target?
- What service request is best associated with the scenario?

USMBOK: Zone of Tolerance

Difference between what is desired and adequate

- The range within which consumers are willing to accept variation in service quality and capability
- The difference between ‘desired service’ and ‘adequate service’
- Influenced by ‘predicted service’
- There is a zone of tolerance for each consumer scenario and the overall service promise.
Service Recovery System
Operational overview

- A systematic approach to the design, authorization and operation of service recoveries, involving the inclusion of a service recovery plan for each consumer scenario identified as having important influence over customer satisfaction.

Service Recovery
In action – a simple example

- Consider a recent situation where you were dissatisfied with a service (service failure + zone of tolerance + emotional genie)
- And... where you contacted the provider to complain
- From their perspective, how do you think they prioritized you as a consumer – how important were you to their business?
- What was your expectation for a ‘minimum’ response, did they respond as you expected?
- Were you satisfied with the response?
- What would you share with others about the situation – would it be positive or negative?
- Would you recommend them to others?
- How does the service recovery program concept help traditional incident management thinking?
Summary

- We live in a service society and service experiential economy
- Service support is much more than just break-fix
- Service support, and service recovery are highly visible components of the service experience and significantly impacts customer satisfaction levels
- How you care for your customers if a differentiator that can influence levels of satisfaction, loyalty and advocacy, as well as purchasing decisions
- Every service support program should respect and incorporate service recovery plans that are scenario specific
- Next generation service management is here.

What is the USMBOK?
Universal Service Management Body of Knowledge

- The foremost responsibility of a service management professional is to understand the fundamental principles of managing the consumer’s expectations, emotions and experiences interacting with a provider’s products and services, or its organizational elements
- The USMBOK is a series of publications that describe and relate the numerous elements of a service management system and service organization, enabling the exploitation by professionals of many disparate information sources, standards and frameworks containing important guidance – its core reference is the Guide to USMBOK
- The USMBOK recognizes and leverages the heritage of all sources of service management theory and know-how, including ITSM and product marketing
- The USMBOK combines these methods and concepts with outside-in thinking, into a universal framework applicable for use within any type of service business or service provider organization.
Guide to USMBOK

The Guide to the UNIVERSAL SERVICE MANAGEMENT Book of Knowledge

‘Rosetta Stone’ for service management
Framework, system, organization
Universally applicable to any service business or anyone performance managed as a service provider organization

Companion practitioner guides

Lexicon of Terms (1200+)

Online best practice library www.smbok.com

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What people are saying about the USMBOK...

“The USMBOK series of publications is a welcome addition to the International Best Practice (IBP) site, extending the guidance to include that relevant to any service business in any service sector, and further helping to widen thinking by introducing an outside-in, customer centric perspective”.

Ian Fik, Business Manager, TSO – The Official Publisher of ITIL® and PMBOK®.
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Thank you for attending this session. Don’t forget to complete the evaluation!