Chapter 13
Complaint Handling and Service Recovery

GENERAL CONTENT

Multiple Choice Questions

1. Which of the following is NOT one of the reasons why customers complain that is listed in the book?
   a. Better understand the failure
   b. Vent their anger
   c. Help improve the service
   d. Obtain restitution or compensation
   e. For altruistic reasons
   (a; Easy; p. 355)

2. On average, what percentage of customers complains when they are unhappy with service?
   a. 0 percent
   b. 5–10 percent
   c. 15–25 percent
   d. 30–50 percent
   e. 60–75 percent
   (b; Easy; p. 356)

3. __________ involves the employees of the firm who provide the service recovery and their behavior toward the customer.
   a. Procedural justice
   b. Legal justice
   c. Interactional justice
   d. Relational justice
   e. Outcome justice
   (c; Moderate; p. 357)

4. The __________ refers to the sometimes-observed effect that customers who experience a service failure and then have it resolved to their full satisfaction are more likely to make future purchases than are customers who have no problem in the first place.
   a. referent renewal paradox
   b. referent contribution paradox
   c. referent acquisition paradox
   d. service recovery paradox
   e. service renewal paradox
   (d; Challenging; p. 358)
5. Effective service recovery procedures should be ____________, ____________, ____________, and ____________.
   a. proactive, engaged, universal, empowered
   b. planned, engaged, universal, trained
   c. proactive, planned, trained, empowered
   d. trained, engaged, flexible, spontaneous
   e. trained, engaged, universal, empowered
   (c; Moderate; p. 361)

6. All EXCEPT which of the following are reasons that service guarantees are powerful tools for both promoting and achieving service quality?
   a. Guarantees reduce consumer complaining, increasing customer satisfaction and information from customers.
   b. Guarantees force firms to focus on what their customers want and expect in each element of the service.
   c. Guarantees set clear standards, telling customers and employees alike what the company stands for.
   d. Guarantees building “market muscle” by reducing the risk of the purchase decision and developing long-term loyalty.
   e. Guarantees force service organizations understand why they fail and encourage them to identify and overcome potential fail points.
   (a; Challenging; p. 363)

7. Which of the following is NOT one of the guidelines provided for the Front Line on how to handle customer complaints?
   a. Consider compensation
   b. Keep the customer informed of progress
   c. Explain the problem from the service firm’s point of view
   d. Acknowledge the customer’s feelings
   e. Act fast
   (c; Moderate; p. 364)

8. Which of the following is NOT one of the criteria that service guarantees should be designed to meet?
   a. Easy to understand and communicate
   b. Meaningful to the customer
   c. Conditional
   d. Easy to invoke
   e. Credible
   (c; Easy; p. 367)
9. The ______________ jaycustomer has no intention of paying and sets out to steal goods or services.
   a. cheat
   b. thief
   c. rulebreaker
   d. belligerent
   e. vandal
   (b; Easy; p. 370)

10. The best cure for vandalism is ______________.
    a. creating positive goodwill
    b. improving client relations
    c. prevention
    d. arbitration
    e. ignoring it
    (c; Moderate; p. 373)

True/False

11. Complaining behavior can be influenced by role perceptions and social norms.
    (True; Moderate; p. 356)

12. People in lower socioeconomic levels are more likely to complain than those in higher levels.
    (False; Moderate; p. 356)

13. Procedural justice concerns the compensation that a customer receives as a result of the losses and inconveniences incurred because of a service failure.
    (False; Moderate; p. 357)

14. Interactional justice involves the employees of the firm who provide the service recovery and their behavior toward the customer.
    (True; Easy; p. 357)

15. Service recovery is an umbrella term for systematic efforts by a firm to correct a problem following a service failure and retain a customer’s goodwill.
    (True; Easy; p. 358)

16. Proper service recovery can be accomplished by making it easy for customers to give feedback, enabling effective service recovery, and establishing appropriate compensation levels.
    (True; Easy; p. 360)

17. Service recovery efforts should be fairly rigid to make sure the same recovery is achieved each time.
    (False; Moderate; p. 362)
18. Compensation should be based on the positioning of the firm, the severity of the failure, and who the specific affected customer is.
(True; Moderate; p. 362)

19. Service guarantees are always appropriate.
(False; Easy; p. 368)

20. A person exhibiting “air rage” is categorized as a Rulebreaker.
(False; Moderate; p. 371)

**Short Answer**

21. What are the three main response options for customers who experience service failures?

   Take public action, take private action, or take no action.
   (Moderate; p. 355)

22. What is procedural justice?

   It concerns the policies and rules that any customer will have to go through in order to seek fairness.
   (Moderate; p. 357)

23. A single service problem can destroy a customer’s confidence in a firm under what three conditions?

   The failure is totally outrageous, the problem fits a pattern of failure, and recovery efforts are weak.
   (Challenging; p. 358)

24. Explain what is meant by “the service recovery paradox.”

   The service recovery paradox occurs when customers are more satisfied following a failure and recovery than if no failure had occurred at all.
   (Moderate; p. 358)

25. Explain a situation where a service firm should not implement a service guarantee.

   Firms that currently have poor or uncontrollably variant service performance should not implement service guarantees because they will have to enact the service guarantee more frequently than might be profitable.
   (Easy; p. 368)
Essay

26. Discuss the four common service recovery mistakes made by organizations.

The first mistake managers make is disregarding evidence that shows that service recovery provides a significant financial return. This is generated by a focus on cost cutting and failing to respect and retain their customers. Another mistake is failing to invest enough in actions that would prevent service issues. Here again, cost is a key driver, limiting training and education. Poorly trained front-line staff is not capable of performing necessary service recoveries. A third mistake is when customer service employees fail to display good attitudes. Customers respond to the attitudes of the employees they encounter. Poor attitudes decrease the effectiveness of other recovery efforts like recompense. The final mistake is that organizations make it difficult to complain or give feedback. Complaints help organizations recognize problems with their services and also allow for recovery attempts. Limiting complaints reduces customer retention and allows faulty service procedures to continue unchecked.

(Challenging; p. 359)

27. Explain what is meant by a “combined guarantee.”

Combined guarantees stem from the ambiguity inherent in traditional “full satisfaction” guarantees. The guarantee combines the wide scope of a full satisfaction guarantee with the low uncertainty of specific performance standards. The combined guarantee was shown to be superior to the pure full satisfaction or attribute-specific guarantee designs. Specific performance standards are guaranteed, but should the consumer be dissatisfied with any other element of the service, the full satisfaction coverage of the combined guarantee applies.

(Moderate; p. 367)

APPLICATION CONTENT

Multiple Choice Questions

28. Which of the following services best represents how little complaining consumers actually do?
   a. TARP
   b. Land’s End
   c. Hampton Inn
   d. FedEx
   e. A public bus company

(e; Easy; p. 356)
29. How many failures can a service firm commit before the recovery paradox is wiped out?
   a. One failure
   b. Two failures
   c. Three failures
   d. Four failures
   e. Five failures
   (a; Easy; p. 359)

30. Which of the following is NOT one of the elements of effective service recovery?
   a. Do the job right the first time
   b. Seek alternative recompense strategies
   c. Identify service complaints
   d. Resolve complaints effectively
   e. Learn from the recovery experience
   (b; Moderate; p. 360)

31. According to research by Lloyd Harris and Kate Reynolds, the most reported category of jaycustomer behavior by both employees and customers in hotels, restaurants, and bars is ____________.
   a. compensation letter writers
   b. undesirable customers
   c. oral abusers
   d. vindictive customers
   e. physical abusers
   (c; Challenging; p. 375)

32. Recent research shows that the amount of a guarantee payout has no effect on consumer cheating. Which of the following is one of the important managerial implications of this?
   a. Guarantees can be restricted to new customers because of the propensity for repeat customers to cheat.
   b. Guarantees can be kept low to prevent rewarding cheaters.
   c. Managers can reap the marketing rewards of higher guarantees without increased payouts due to consumer cheating.
   d. Managers cannot expect to recover the difference in guarantees for different types of consumers.
   e. Guarantee levels can be used to dissuade consumer cheating.
   (c; Moderate; p. 377)

**True/False**

33. Customers are less likely to complain to doctors and lawyers than they are to restaurant staff.
   (True; Moderate; p. 356)
34. Hampton Inn’s 100 percent satisfaction guarantee is a good example of a service guarantee that goes wrong and hurts a firm’s financial performance.  
(False; Moderate; p. 365)

35. Research indicates that at least 5–10 percent of a company’s customer base is composed of consumers who premeditate rip-offs and firms defend themselves by treating the 90–95 percent of honest customers like crooks.  
(False; Moderate; p. 376)

36. Hampton Inn has developed a way to identify guests who appear to be cheating and give them a lot of personalized attention and follow-up from the company.  
(True; Easy; p. 376)

37. An Asian airline tracked a missing suitcase of a fraudulent customer using radio frequency identification to catch him in the act.  
(False; Moderate; p. 376)

Short Answer

38. Who are airline customers most likely to complain about an unsatisfactory meal?  
Flight attendants.  
(Easy; p. 357)

39. The story about the desk clerk at the Marriott Long Wharf Hotel in Boston is a good example of what aspect of effective service recovery?  
Planned service recovery.  
(Challenging; p. 361)

40. What is the purpose of a service guarantee from the customer’s perspective?  
To lower the perceived risks associated with the purchase.  
(Moderate; p. 363)

41. Give an example of a single attribute-specific guarantee.  
Any of three popular pizzas that guarantee they will be served within 10 minutes of ordering on weekdays between 12:00 a.m. and 2:00 p.m. If the pizza is late, the customer’s next order is free.  
(Moderate, p. 368)
42. Give an example of a full-satisfaction guarantee.

   Land’s End guarantee: “If you are not completely satisfied with any item you buy from us, at any time during your use of it, return it and we will refund your full purchase price.”
   (Moderate; p. 368)

Essay

43. Describe the three complaint barriers for dissatisfied consumers and explain how a firm can reduce these barriers.

   Inconvenience, doubtful payoff, and unpleasantness are the three key barriers to complaining. Inconvenience consists of difficulty in finding the right complaint procedure or the effort involved in the procedure. Firms can reduce inconvenience through customer service hotlines, e-mail addresses, phone book listings, brochures, etc. Doubtful payoff refers to a consumer’s belief that complaining will result in any positive response. Minimizing doubtful payoff can be accomplished by having solid and recognized service recovery procedures in place. Service improvements that result from customer feedback should be prominently featured. Unpleasantness results from fear of being treated poorly, being hassled, or feeling embarrassed. Firms can reduce these fears by thanking customers for feedback, training the frontline staff not to hassle or belittle customers, and through allowing anonymous feedback.
   (Challenging; p. 360)

44. Describe a service guarantee offered in the chapter that instills confidence and one that does not.

   The Bugs Burger Bug Killer Guarantee represents a total service guarantee that is not limited to certain components of the service or qualified by situational factors. Their guarantee instills consumer confidence by agreeing not to charge the customer until all pests are eradicated, offering refunds on unsatisfactory work, covering incidental expenses from poor service, and coverage for any closing and fines caused by pest problems.

   The U.S. Post Office exemplifies the opposite policy. Their policies are conditional. For example, express mail and military shipments are not covered under their guarantee. The guarantee attempts to limit the USPS’s responsibility or obligation to the customer as much as possible.
   (Challenging; p. 366)
45. Discuss the perceived advantages of Hampton Inn’s 100 percent satisfaction guarantee.

The guarantee provides many advantages to Hampton Inn. Customers like it because they are confident that they will be satisfied. Another important aspect is that it helps managers identify new opportunities for quality improvement. In essence, it increased the pressure and exposed leaks in the system, providing financial incentives to fix the holes. Ultimately, the guarantee has helped generate increased consistency across the service delivery for Hampton Inn and allowed for much greater customer retention.

(Moderate; p. 365)