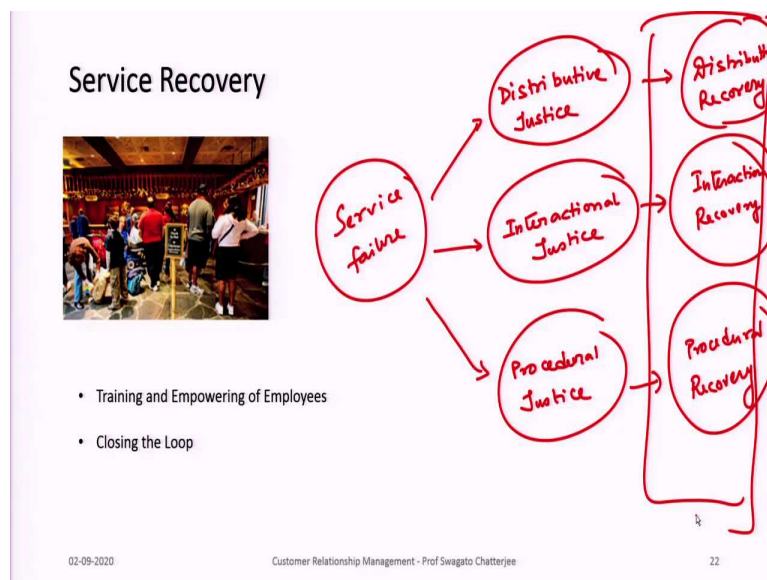


Customer Relationship Management
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Lecture – 31
CRM in B2C Markets (Contd.)

Hello everybody. Welcome to the NPTEL course on Customer Relationship Management, we are in week 5 and we are discussing CRM in B2C markets. So, in this particular class, we were — in the last video we were discussing about service failures and service recovery strategy campaigning behavior. We will continue on that.

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And here I am trying to, next part I will be trying to say is that, what are the various kinds of service recovery strategy that customers, the companies can take.

Now, service recovery, the resolution of a complaint or resolution of a problem can happen in three ways, we have to think that, what the customers are losing, and keeping that in mind we have to give them what I can do. So, that, that loss is mended. So, what customers are losing?

So, there are three times of fairness issues that customers face, when service failure happens. So, a service failure generally leads to three types of fairness issues. So, one is **Distributive Justice**. we call it. One is **Interactional Justice** and last one is **Procedural Justice**.

So, these are the three major justice issues that a service failure creates for example, let's say, you have gone to a, you have bought something, you have bought a service. And you have gone to a spa, you paid the money and the quality of the spa services was not so good. Or let's say, at least the AC was not working or let's say certain oil that they have used was not smelling bad.

Now, these are basically *distributive justice*. You paid money, but you did not get that much quality. So, that distributive justice can be mended by a *distributive recovery*. What kind of distributive recoveries are there? Distributive recoveries are like let's say I am giving a free coupon or I am giving you some money back or I am giving you a discount. So, something which is giving me monetary advantage; distributive justice is often related to monetary.

Another example is one example of distributive justice; distributive justice means that every agent in a social context will have the same equity. So, they will have the same level of benefits. So, if I am paying money and if I am not getting the service that I require, then the company which is an agent in the social context is getting more advantage and I as a customer is getting less advantage. Now, there are other kinds of social situations that happen. For example, let's say, there are three agents: me, customer number ONE, another customer, customer number TWO, and there is a service person. I am paying 10 rupees. This customer is paying 5 rupees. So, I will expect that by paying 10 rupees, I will get 10 rupees worth of products or services and he will get 5 rupees worth of products or services.

If I get 10 and he gets 10 also or let's say 7 or 8, I might be dissatisfied. If he gets 5 and I get 6 and 7 or 8 still I might get dissatisfied, which one will create more dissatisfaction — if my fellow customer gets better service than he has paid for, or I get lower service than I paid for which one will create higher dissatisfaction is a different situation, is a different question.

That is a research question, probably I do not know whether any paper actually looked at it and it might be a research question for all the academicians who are listening to me. But, for other people I am just telling you that both of them create a sense of injustice. For example, let's say, we see this kind of situation in queues a lot, recently I have done a paper on that and I will be discussing that paper. Then let's say you are standing in a queue.

And you have to wait for quite some time. Let's say, it's a long queue and when you came and joined this queue, there were 5 people in front of you. And you have to buy a very small product, but still you have to wait for a very long time. 5 people were there and then after around let's say 15 minutes, 20 minutes of waiting, when the 5 people checking out was happening in the retail store, then only your checkout happened.

Now, let's say, when you were in the retail checkout counter, you had already reached the counter at that moment another person comes in and joins behind you. And you have only one or two products; you took 1 minute and this guy within 1 minute he is in the billing counter; because he joined at that moment when the queue size was very low. Now, this is the situation where the service manager cannot do anything, it is a luck factor.

But, he will still feel dissatisfied because you had to wait a long period of time, but a person who is coming later, than you probably have to wait one minute. So, this is all different kinds of distributive injustice that happens in the world. Only those injustices will matter for service from where the injustice will be attributed towards this, towards this particular.

Now, in the social situation I might as a customer might feel that this service retail store could have opened another counter for people who have smaller numbers of — some retail stores do that. There are some retail stores who do that. He could have opened another counter where people who have a smaller number of products can go and join.

They do not have to wait for two products only in that basket; they do not have to wait 15-20 minutes behind 4-5 people. That kind of situation could have been created. So till now, till I think that the service situation is something, where the distributive injustice I will attribute to god. But the moment I start feeling that this retail store could have opened another channel, another billing counter.

I will start thinking that okay this failure is attributed, it can be attributed towards this retail store and I will feel dissatisfied. So, we have to be very careful which kind of injustice is being attributed towards this. So, in often there are situations where the service failure you do not have control of his distributive justice, but still that happens and it is number 1.

Number 2 is Interactional Justice what is interactional justice. An interactional justice often comes from a service, I would say power situation. Let's say, the 30 minutes delivery that this guy was doing, this Pizza Hut was doing I think or Domino's I forgot. So, Domino's, Pizza Hut said that 30 minutes or otherwise no pay.

Now there are for many people they have used to take this as an advantage, many customers will actually order from a certain area, where it is not able to, or a certain retail store which is a little bit away they know the retail store nearby.

But they will not order from there; they will order from a retail store of Domino's pizza or Pizza Hut which is a little bit away, they know that it will take a little bit more time. And then the 30 minutes will go away and they will take the advantage; so, this kind of thing was happening.

Whatever be the case that is different, they are devil customers whatever be the case. This kind of situation, if I am a person who earns lots of money and I think that I am powerful; I am in a power position, I might not be interested in making the person's life who is the delivery manager, his life hell.

Because, if this delivery manager misses multiple deliveries within this 30 minute service level agreement or service level promises, then probably he will not be penalized for every late delivery, but he will be penalized a little bit. His performance rating will come down because for him this particular retail store is getting a little bit of disadvantage.

So, if I am in a power position as a customer I might not always want to make this particular customer, particular delivery person, being punished. But, in certain situations I might want an apology. Sometimes an apology is; becomes enough. Now, an apology at what level? Let's say if I am Sachin Tendulkar, I will ask for an apology at a certain level. .

If I am Swagato Chatterjee, I will ask for an apology for a certain level. I will probably be okay with the apology of the store manager. Sachin Tendulkar probably will seek an apology from the Pizza Hut owner, something like that. So, different people depending on their power position might have different kinds of interactional justice expectation. And that you have to give that you have to identify what is his level and according to that level you have to give you the interactional justice.

So, interactional recovery is the second one, which comes like apology, apology letter, apology card, certain kind of behavioral benefits etcetera, etcetera. That last one is procedural justice. This is what this punishment and etcetera comes in, let's say and we tell the the delivery guy, the executive is becoming late. And he is becoming late or he calls me and says that I will not go to that place, often Amazon and Flipkart guys the delivery agencies in a local area sometimes do that. store again the one that I told the delivery manager,

They say that okay I will not go to this place you have to come to this place and collect. It might be very well, I have seen I have personally had this kind of an experience, where it is very much probably accessible, my home which is in a tier two town let's say. The delivery is very much possible at my home, but certain delivery manage- executives at certain periods of time used to say. Now, they don't do. At a certain period of time, they used to say that, okay sir I will not go to this particular place, I do not know this place, why do not you come to this x y z place. And he will go on, keep on doing this repetitively. Now, I want, I as a customer will want, a procedural justice, because it is a procedural failure. He is not giving me a distributive justice or interactional justice failure. He is giving a procedural justice failure; it is his job to come to my doorstep.


But, he is not doing that and even if I am probably complaining to certain people, no steps were being taken, because this guy is doing this delivery agents agent or delivery executives is doing this repeatedly. So, then I want a procedural justice from it, I want a procedural recovery and what kind of procedural recovery can be done. I will not be happy with an apology. I will not look for money. I will look for this guy's punishment.

Some kind of corrective actions should be taken against this person. So, looking for punishment and looking for this kind of justice is called the procedural recovery. So, depending on what customers are expecting you have to decide which kind of recovery you will give and sometimes a combination of these three things works better rather than a single thing.

So, when we, now for a service manager, who is sitting in the headquarters designing this service recovery mechanism becomes very difficult, because he is not in constant touch with the customers. So, sometimes to have a very, I would say, efficient service recovery strategy it is better to train or empower your employees.

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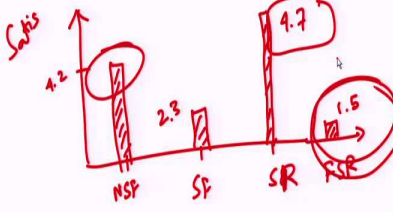
Service Recovery



- Cost of effective service recovery
- Encouraging customer inputs
- Anticipate needs of recovery
- Fast and Prompt action

- Training and Empowering of Employees
- Closing the Loop

Service Recovery Paradox



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So, first of all it is cost effective service recovery. You have to encourage consumer inputs, why? You have to know what kind of injustice they are feeling, then only you can. You have to also sometimes anticipate needs of recovery as I was telling and you have to do fast and prompt action. So, justice delayed is justice denied we call we say that. And that applies for service recovery also, it's not only applied for law and is applied for our management perspectives as well.

And sometimes you have to train or empower your employees to take the right call. It is not always possible to take a policy decision of service recovery sitting from your headquarter. Sometimes you have to empower the customers there to take the right call and that helps and you have to close the loop and you have to ensure that by doing the recovery. These customers are actually recovered, they are actually happy.

You did something and you did not check back and the customer did not even expect those kinds of recovery situations and he is still not happy is probably a money lost. So, you have to close the loop, you have to ultimately see whether these customers are, and it has been seen that and— and that is a service recovery paradox.

We call this Service Recovery Paradox. I will write it here. That sometimes it has been seen and this is heavily debated by academicians and sometimes managers also.

So, let's say, this is no service failure, this is service failure and this is a service recovery situation after service recovery okay. These three situations, this is the satisfaction level. It has been checked that out of 5, if it is 4.2 in a 1 to 5 point scale, average — average satisfaction in a no service failure situation. In a service failure situation, in something like, let's say 2.3, which is much lower.

But, if you can recover properly sometimes it is higher than 4.2 to probably 4.7. So, often service managers become very much I would say, but no service recovery, the problem is there is a catch. No service failure and a failed service recovery will be far lower. So, probably 1.5 let's say so, there is a catch here.

Often the service managers are tempted to do the service failure. Because, if they don't do the service failure they reach 4.2, but if they do the service failure and do a successful recovery they reach 4.7. So, this is a paradox. We will say that sometimes service managers want to fail. They fail, and then they recover rather than only failure.

But, the catch is that if you cannot recover if you fail to recover after service failure, you reach at a much lower stage 1.5. So, that is something that becomes a challenge. So, often various service managers become. So, I would say habituated with this kind of challenge. It is a gamble, right? It is a gamble. So, when they are habituated with this gamble, they actually take this gamble multiple times.

And which impacts the overall service. It is not something that at an organizational level people take this strategy. They don't take this strategy. Because in an organization level we are always discovered, but some of the service managers at a personal level can be deceiving and they want to do this gamble and which sometimes becomes detrimental.

So, it is important from an organizational culture's perspective to train these service managers that you do not do this gamble. The service recovery paradox is something which is very dangerous to play with. So, we have to keep that in mind.

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Service Failure Handling at United Airlines

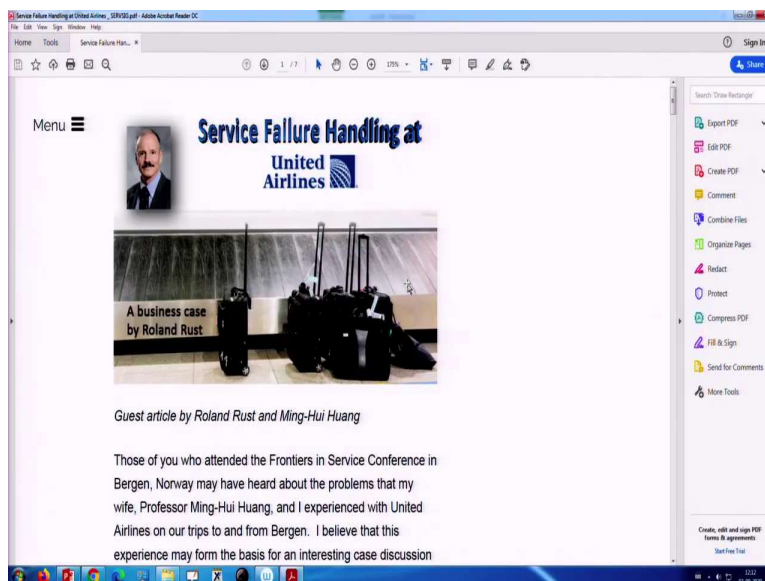
A business case by Roland Rust

- 1) Is the compensation offer sufficient?
- 2) Consider Professor Huang's situation. Is it OK that she had to purchase a train ticket for a 7-hour train trip, at her own expense, to fill in for the flight reservation that United canceled?
- 3) Note that the reply comes from "Corporate Customer Care." Is that the appropriate level?
- 4) Should the CEO be insulated from customer contact by customer service offices?
- 5) Do you think that the fact that the people complaining were conference committee members at the world's leading annual service conference should make a difference in their response?

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So, one of the case studies that I will be giving you in this context; I will not go and discuss this. I have shared this file and you will find the files in week 5. So, here the professor, there are two professors and they are prominent professors in the context of service business, Roland Rust and Ming Huang.

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Service Failure Handling at United Airlines

A business case by Roland Rust

Guest article by Roland Rust and Ming-Hui Huang

Those of you who attended the Frontiers in Service Conference in Bergen, Norway may have heard about the problems that my wife, Professor Ming-Hui Huang, and I experienced with United Airlines on our trips to and from Bergen. I believe that this experience may form the basis for an interesting case discussion

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So they have written many — many papers and Roland Rust is one of the, I would say one of the top five probably top five researchers in the area of services marketing. So, they were going to a conference, the Frontiers in Service Conference. So, Frontiers in Service Conference is a conference where all the global leaders. Let's say, if you talk about the top 100-200 institutes or universities, B-schools. In those B-schools, whichever service marketing professors actually teach in this B-schools will come to this particular conference.

And they were going to this conference and there was a service failure that happened by United Airlines and these guys are loyal customers of United Airlines. She/he has lots of points in it, when he has, he is an avid traveler for conferences, for professional purposes, for personal purposes he travels a lot and he has collected lots of miles.

Now, once this guy has collected lots of miles, if there is a service failure happens. And if you give me miles, miles is what kind of justice, distributive interactional or procedural. Free miles is what kind of? It's a distributive justice right. Now, this guy is a power guy, powerful guy, he is not looking for distributive justice. He is looking for, not looking for his money's worth.

He is looking for his status, whether his status is being maintained, whether his interactional injustice is fulfilled or not, whether it's mended or not, that is something that he is more concerned about. You know, you see that he can — this particular person Roland Rust probably not known in the, not so much known in the public domain. But, he has a huge influence on people who will teach services marketing.

So, future service managers will read this United Airlines case year after year, if they can convince them and that is what is happening. So, he has written a case based on his personal experience, you can read the case and try to answer certain questions that have been written.

And you can put it down in the forum that we have put up. What are the various kinds of issues or what service recovery strategies that United Airlines could have taken in the case of Roland Rust, in this particular situation.

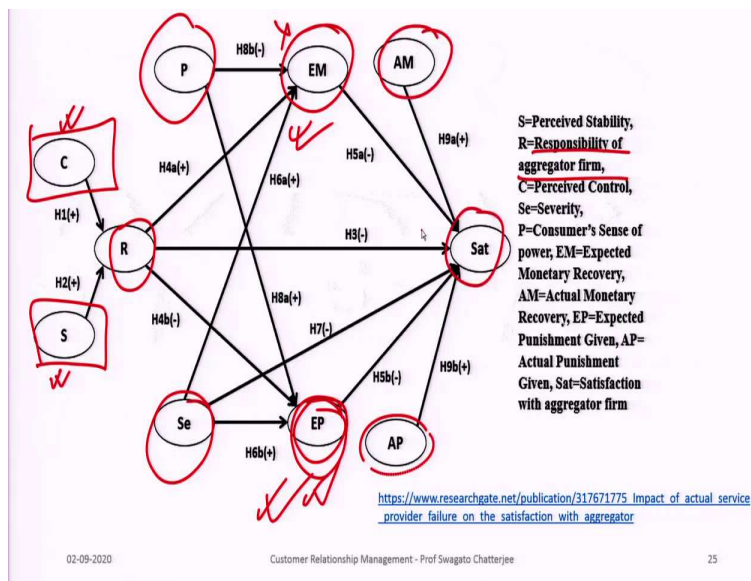
Where both, Roland Rust and his wife Professor Huang both are basically service marketing managers, service marketing professors very prominent — very well-known professors in the domain of services marketing. Where, when I am saying well-known the top hundred universities will the professors from those universities will be affected by whatever.

So, he is probably an influencer in the group of service marketing professors, who will be teaching the future leaders in the top 100 B-schools. So, you can read the case and get an idea.

The key questions that he has asked after the case are, were the compensation sufficient or whether the compensation offer, I would ask the second question that whether the compensation offer is at all needed or something else was needed.

And there are several other questions which level of apology was something that could have been prominent in this particular service context, or failure context you can discuss about that in the forum.

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I have given another link. This link is practically a paper written by me on general services, a strategic marketing. And probably another paper on the same domain is coming out. Then there is one kind of business, which we call as *aggregated business*. What is an aggregated business? An aggregated business is an Aggregator, is a person, who joins a customer and a service provider, there is an actual service provider. Let's say, in this case the drivers.

And there is let's say, Uber. In Uber's case, the drivers and the car owners are the actual service providers and you are the customers. And Uber's job is just to connect you guys. Swiggy, the restaurant is this actual service provider, you are the customer. Swiggy's job is to collect the food and give it to you. So, connect the now, there are certain situations where the actual service provider is the reason for the fall.

For example, the restaurant's food quality is not good. Delivery has happened, if the delivery guys are delayed, I will say that it is a problem. If Uber's app is not working properly or not enough cars are there, I will say it's Uber's fault. But the food quality is not good or the driver is misbehaving, it is basically the fault of the actual service provider.

Now, the question is that, can the aggregator say that okay, I am not responsible? Can he say that no this is not my domain I am not legally responsible or legally liable to answer you when the problem is done by this actual service provider? It might not be, he can be legally not obligated.

Because, there are some terms and conditions, where they write some things you cannot probably sue the company for a food quality, for the behavioral quality, of the restaurant or the driver. But, still sometimes the customers think that they attribute the failure towards this aggregated business. Now, why I am talking about this particular paper; because, aggregated business is very common in the current digital world.

Now, this responsibility of the responsibility of the 'R'— 'R' stands for the responsibility of the aggregator firm. This comes from two things; one is the control whether their aggregator firm would have controlled it. So, they could have punished it, they could have checked the quality, did the quality checking before doing a tie up with the restaurant and etcetera. And whether this problem is stable, let's say okay I could. I could not have checked it, but for many of my restaurants, this problem is happening.

Now, or if I have a control that will have a higher impact on my responsibility of the aggregator firm and if it is stable also, if the problem is stable also if it is a repetitive problem. Then also I will think that this aggregator firm is responsible because he is not taking enough measures to make sure this problem can be reduced. So, one time I might not make him responsible.

But, if we can be controllable and if it can be stable, then stable means it is repetitive the same problem is happening again and again with multiple different restaurants or multiple different drivers. If that happens, then I will know that okay there is no policy. If multiple different drivers behave badly and I complain and nothing happens still, they keep on behaving badly. At one point of time I remember, we used to, Ola and Uber were fighting with each other a lot and that is why, because Ola and Uber were competing with each other a lot, there was less control on the drivers. Drivers could have chosen Ola today and tomorrow Uber. And in an evening if I am booking a particular trip, the driver will call me and the driver will call and ask me that, where, where will you want to go sir.

And based on my answer he will accept the trip or reject the trip or he will not even come. He will stop taking calls, if the trip is long he will or distant from whatever he wants to go he will stop taking calls.

Now, at this current period of time Uber understands or Ola understands that there is a problem. And now they are doing the matching better, but at that point of time they were not doing the matching better. Now, I as a customer will be feeling very annoyed!

So, whom I will attribute this failure to one time, two times, three times, I will attribute to this driver. I will say that this driver is bad. But, if it keeps on happening I will say that no, no it's not the drivers problem, it's only Uber's and Ola's problem, they are not taking the right measures, strict measures or better matching to give a better solution to me. So, it's Uber's problem.

So, if it is a stable problem, it's a Uber's problem, if I think Uber can control it. It's a Uber's problem. Let's say service delay happens for heavy rains, I will not say that it is a Uber's problem, it's not controllable, but delay happening because a driver is not responding, its Uber's problem. Because it's Ubers responsibility to make the driver respond to my call.

So, depending on whether I think Uber can control or the aggregator can control or if the problem is stable I will think. Now, if the responsibility of the aggregator firm is high, I will expect monetary compensation; if it is low then I would expect punishment, procedural justice. So, if I think the company itself, the Uber company itself which is a capitalist organization, if that capitalist organization is at fault I will not expect it.

Now, who travels in Uber, those kinds of people travel in Uber who have value for money, who do not need huge luxury who need decent kinds of travel! So, they are basically people who will look for monetary compensation distributive justice. So, I will look for distributive justice if Uber is creating, if Uber is responsible.

And, if Uber is not responsible if the Uber is less responsible, then I will seek punishment to whoever is responsible, in this case the actual service provider. Other than the attribution if I am powerful, I will ask for more punishment and less distributive justice. I will my, want my ego to be boosted up my ego will be boosted up when the defaulting person will get punished.

And my ego will be less boosted up, if I get monetary compensation monetary compensation often customers think then it is a bribe. So, I might not want to have that bribe. I want to have an ego boost up more so, when my power is high. Sense of power, perceived power is high. And if the, it

is severe if the problem is a severe problem. Let's say it's a sexual assault. Then I will want both monetary compensation and punishment; if it is let's say an accident I will want both.

So, depending on what kind of problem it is depending on which kind of person I am and depending on whom I can attribute the failure, what kind of compensation I am asking for will change. And then what kind of compensation I am asking for and what I got, we will together, will create my satisfaction.

So, that is some of the models that we proposed, we collected data, we analyzed the data; and we got support for this thing for various kinds of services. Also we got support. You can go and read the paper in this link that is given.

So, that is all about service recovery we will continue on service guarantee in the next week probably. Thank you very much for being with me. This B2C in services will go on for another one video in the next week. And then we will slowly move to B2B-CRM and certain case studies. Thank you very much for being with me. See you in the next video.