

ST. MARY'S UNIVERSITY COLLEGE
FUCULTY OF BUSINESS
DEPARTMENT OF MARKETING MANAGEMENT

EVALUATION OF TE SERVICE RECOVERY PRACTICE:
IN THE CASE OF DASHEN BANK

BY
HIKMA BEDEWI

JUNE 2013
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DECLARATION

I, the undersigned, hereby declare that this senior essay is my original work prepared under the guidance of Meaza G/Medhin. All sources of materials used for the manuscript have been duly acknowledged.

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ADVISOR'S DECLARATION

This paper has been submitted for examination with my appropriate approval as university college advisor.

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Executive Summary

Service recovery plays significant role in any company that is engaged in effective customer handling. Thus dissatisfied or lost customers will at best be identified and the problems fixed or making amends for the failure in customer excellent service recovery programs will be at best be performed. Failure in service will be addressed by improving the service provision. Thus the student researcher has assessed the service recovery practice of Dashen Bank with particular emphasis to the head office main branch. In doing so 120 questionnaire were collected from the total of 150 questionnaire distributed. With the result has shown the service recovery process followed by the bank is far beyond it should have been. Following the problem and the findings the student researcher has provided the possible recommendation.

Chapter One

Introduction

1.1 Background of the Study

Service recovery is the process used to “recover” dissatisfied or lost members by identifying and fixing the problem or making amends for the failure in customer excellent service recovery programs are an effective tool for retaining member and improving their level of satisfaction. Good service recovery programs can turn frustrated, disgruntled, or even furious members into loyal ones. Service recovery is about restoring trust and confidence in the ability as an organization to “get it right.” When members repeatedly experience breakdowns in service, they begin to lost confidence in the care they receive. (Leebov, 2009, pp:42)

The goal of service recovery is to identify customers with issues and then to address those issues to the customers satisfaction to promote customer retention. However, service recovery doesn't just happen. It is a systematic business process that must be designed properly and implemented in an organization. Perhaps more importantly, the organizational culture must be supportive of idea that customers are important and their voice has value. Research has shown that customers who have had a service failure resolved quickly and properly are more loyal to a company than are customers who have never had a service failure – significantly more loyal. Service recovery practices are a critical element in a customer Loyalty Program. (De Matos, 2007:13) when it comes to immediate recovery after a service breaks down, the company representatives need to consider why the service delivery broke down as the reason for the break down affects the recovery expected by the company. If the breakdown occurs due to mistakes or errors by the service personnel or external sources the recovery should be psychological---- the employees need to apologize for the inconvenience. If the error however is due to errors in the

service manager the recovery effort needs to be tangible and the customer should be compensated.

1.1.1 Background of the Company

Dashen Bank is one of the privately owned commercial banks in the country incorporated under the Commercial Code of Ethiopia, 1960. It was established 16 years back with the following vision and mission statements:

VISION STATEMENT

“In as much as Mount Dashen excels all other mountains in Ethiopia, Dashen Bank continues to prove unparalleled in banking services”

MISSION STATEMENT

“Provide efficient and customer focused domestic and international banking services, overcoming the continuous challenges for excellence through the application of appropriate technology”

The bank has succeeded to raise its number of branches (area banks, as they are called) from 13 by the end of June 1997-first year of operation- to over threefold, i.e., 40 by end of April 2007. It is gathered that 21 of the total area banks are located in Addis and the rest are located in the major cities and towns of the nation. It has also managed to secure a total workforce of 1,595 by the end of April 2007.

1.2 Statement of the Problem

An important aspect of dissatisfaction with services providers is related to services recovery. In particular, failed service recoveries are a major source of switching Smith & Bolton, (2002). When customers complain and do not get an adequate response from service providers their cognitive, emotional and behavioral responses will be destructive.

Even though adequate service recovery is an important aspect of keeping the customer's loyal Tax & Brown, (1998) and in some cases even more loyal than

the customers who had not experienced service failure Mattiala, (2001). It also creates positive word-of-mouth about a company and minimizes the bad spin that lack of service recovery practices can create (Tetreault, 1990:12).

When one thinks about one's own experiences with service or product problems, how does one get a quick acknowledgement of the problem, speedy resolution of the problem, and – perhaps – compensation for your troubles? (Imagine if you got a truly sincere apology and not some phony empathy?) Weren't you more likely to buy from that company again because of the confidence you now had in their business practices? That's the key value to effective service recovery and complaint handling: customer retention. (Honeycutt J., 2007:38)

One way to think about service recovery is that it is a positive approach to complaint handling. Complaint handling has serious negative connotations; whereas, service recovery has positive connotations. Complaint handling is placating people, minimizing a negative. Service recovery practices are a means to achieve the potential, latent value a customer holds for a company by fostering an ongoing positive relationship (Tetreault, 1990:12).

Dashen Bank long been in the banking industry has been working to meet the demands of customers. Nevertheless, as retail bank it is vulnerable to service failure. And it is not unusual to hear that customers complaining to the problems that frequently get repeated in the service. As student researcher observation in the bank, customers are experiencing problems in having good service in the bank such as: service dalliance, employees' customer handling ability, and not giving an apology for the failed service. Having identified these problems by using pilot study, the student researcher is intended to conduct the study on the bank. Therefore, this particular research tries to answer questions how the bank is working with the problem.

1.3 Basic Research Questions

- What are the factors that hinder the bank not to provide a very satisfactory service for its customers?
- How the banks empower its employees in order to provide a good service?
- To what extent is the bank exerts an effort to respond to the problem?
- What should be done for the betterment of service provision in the bank?

1.4 General Objective

The general objective of the study is to evaluate the service recovery strategy practice followed by Dashen bank and contribute an increased knowledge of service recovery practice in the banking industry.

1.4.1. Specific Objectives

- To identify the factors that hinder the bank not to provide a very satisfactory service for its customers
- To explore how the banks empower its employees in order to provide a good service
- To examine to what extent the bank exerts an effort to respond to the problem
- To provide worthwhile information for the betterment of service provision in the bank

1.5 Significance of the Study

The main purpose of the study was to evaluate the service recovery strategy of Dashen bank, thus the study is significant for:

- The company will take advantage of recommendation given at last and will address the problem.
- It will help other service giving public institutions to learn from the strengths and weaknesses of the bank and take their own remedy in time.

- Along with its primary intention required as a senior essay for the prospective graduate student researcher, this paper will also serve as a reference material.
- The student researcher, in conducting the study will benefit a lot from the research.

1.6 Delimitation of the Study

In order to arrive at sound conclusion on the service recovery practice of the bank. It was necessary to assess the issue broadly across the branches, in general however, the student research unable to undertake such a wide scope research. The study was about the evaluation of the service recovery strategy in Dashen bank in the department of customer service the main branch of the bank from 2009-2012. The area was delimited to the head office. The subjects of the study were customers who came to get the service to the bank and those who by using accidental sampling technique chosen, employees in the service department and the two managers in the service department.

1.7. Research Design and Methodology

1.7.1 Research Design

The study adopted a descriptive research design. This is because such kind of a small scope research which is employed by using tables and percentage was better employed by using descriptive research design.

1.7.2 Population and Sample Size and Sampling Technique

The student researcher has used non probability sampling method to select the potential respondents. The head office located around Debrezeit Road ewas selected because it is the main branch where the bank reportedly admits that most of the customers visit. The method was preferred for the reason that there is not basis to choose the customers as there is not a sampling frame. By using accidental sampling customers were administered a questionnaire and it the student researcher contacted 150 customers and collected 120 questionnaire

from the customers and interviewed the Marketing Manager of the bank. The decision was based on the accessibility of the customers that were willing to fill out the questionnaire.

1.7.3 Types of Data Collected

In order to gather the data from relevant sources, both primary and secondary data were used.

1.7.4 Data Collection Method

Interview, questionnaires, and document analysis was the main tool. The primary data was collected as a form of personal interviews with the manger and closed and open ended questionnaires was distributed to the customer. On the part of secondary data, written documents, different reference book, journal articles, internet web sites, and document reports from the bank were used.

1.7.5 Method of Data Analysis

The collected data was analyzed and interpreted by using both qualitative and quantitative techniques. The data collected by open ended questionnaire and interview was analyzed qualitatively. Closed ended questionnaires was analyzed quantitatively by using tables, and percentages

1.8 Limitation of the Study

The study could have come up with plausible and reasonable data, had all the customer had responded the questionnaire. However, the respondents couldn't respond the distributed questionnaire. Therefore, the returned questionnaire could hardly represent the population. The student researcher was also probed with the scarcity of time.

1.9 Organization of the Study

The paper was organized into four chapters. The first chapter consists of introduction, statement of the problem, objectives of the study, significance of the study delimitation of study, research design and methodology. The second

chapter presents, literature review while the data presentation analysis, and interpretation is on chapter three conclusions and recommendations were presented in chapter four.

CHAPTER TWO

Literature Review

2.1 Service Recovery Defined

Service recovery refers to the actions a provider takes in response to a service failure. A failure occurs when customers' perceptions of the service they receive do not match their expectations. According to this definition, service recovery is not restricted to service industries, and similarly, empirical research shows that dealing with problems effectively constitutes the most critical component of a reputation for excellent (or poor) service for a broad range of industries. Thus, any company that serves external or internal customers must accept that failures happen and institute systems and processes to deal with them. In recent years, various empirical studies have addressed service recovery in divergent industries around the globe. Interest in service recovery has grown because bad service experiences often lead to customer switching, which in turn leads to lost customer lifetime value. However, a favorable recovery positively influences customer satisfaction (Fornell, 1992).

Service recovery refers to the action taken by a service provider to address a customer complaint regarding a perceived service failure. It is the process by which steps are taken as a result of negative customer perception of initial service delivery. Recovery management is considered to have a significant impact on customers who experienced service failures because they are usually more emotionally involved and observant of service recovery efforts (Berry and Parasuraman, 1991). Understanding service recovery is particularly important for managers as the unique nature of service (inseparability of production and consumption) makes it impossible to ensure 100 percent error-free service (Fisk et al., 1993).

2.2 Customer Recovery in Perspective

Customer satisfaction is crucial to the survival of any business organization. However, service failures are often unavoidable due to human and non-human errors. Such failures to perform a service inevitably lead to customer

dissatisfaction. The consequences can be dire to a service provider. The breakdown in relationship can contribute to a rise in customer complaints, bad word-of-mouth communications and defections. It has been found that a dissatisfied customer may relate his or her bad experience with the service provider to 10 to 20 other people (Zemke, 1999), thus eroding potential patronage of the service provider. It has therefore been recognized that once a service failure occurs, it becomes crucial that service recovery, defined as the action taken by the service provider to seek out dissatisfaction (Johnston, 1995) and as a response to poor service quality (Gronroos, 1988), be effectively carried out to reduce the damage in relationship and to pacify the dissatisfied customer. It has also been suggested that effective service recovery had led to higher satisfaction compared to service that had been correctly performed on the first time.

2.3 Dimensions of perceived justice

Distributive justice is concerned primarily with the specific outcome of the recovery effort, i.e. what did the service provider do to pacify the offended customer and whether the consequent outcomes more than offset the costs incurred by the customer (Greenberg, 1990; Gilliland, 1993). Some often quoted distributive outcomes include compensation in the form of discounts, coupons, refund, free gift, replacement, apologies and so on. The assessment of whether the compensation is fair may be also affected by the customer's prior experience with the firm, knowledge about how other customers were treated in similar situations and perception of the magnitude of his or her own loss (Tax et al., 1998). Blodgett et al. (1997) found that in a retail setting, distributive justice had a significant effect on customers' repatronage and negative word-of-mouth intentions. Procedural justice focuses on the "perceived fairness of the policies, procedures, and criteria used by decision makers in arriving at the outcome of a dispute or negotiation" (Blodgett et al., 1997, p. 189).

Tax et al. (1998) described five elements of procedural justice including process control, decision control, accessibility, timing/speed and flexibility. Laventhal

et al. (1980) concluded that procedures must be consistent, unbiased and impartial, representative of all parties concerned and based on correct information and ethical standard to be judged fair. It has also been found that procedural justice is important in service recovery as consumers who might be satisfied with the type of recovery strategy offered but still could be unhappy if the process endured to seek redress were unsatisfactory (Kelley et al., 1993). However, Blodgett et al. (1997) found that in a retailing setting, procedural justice (timeliness) did not have a significant effect on customers' repatronage intentions nor their negative word-of-mouth intentions. Interactional justice focuses on the "fairness of the interpersonal treatment people receive during the enactment of procedures" (Tax et al., 1998, p. 62). They further identified five elements of interactional justice: explanation/ causal account, honesty, politeness, effort and empathy. In a service recovery situation, interactional justice would refer to the manner in which the recovery process is operationalized and recovery outcomes presented. This distinction is important as Bies and Shapiro (1987) found that people might view the procedure and outcome to be fair and yet felt being unfairly treated as a result of interactional factors. Other research has shown that the manners in which managers and employees communicate with customers (Clemmer, 1988; Goodwin and Ross, 1992) and efforts taken to resolve conflicts (Mohr and Bitner, 1995) affected customer satisfaction. For instance, when employees apologized for their mistakes, customers often ended up feeling more satisfied. Heskett et al. (1997) also confirmed that display of empathy, being polite and willingness to listen to customers were critical elements in service encounters. Blodgett et al. (1997) also discovered that interactional justice had the strongest effect on subjects' repatronage and negative word-of-mouth intentions in their experimental study (Dwyer, Schurr, and Oh, (1987)

2.4 Behavioral outcomes resulting from satisfaction with service recovery

As discussed in previous section, perceived justice would affect the level of customer's satisfaction of a service recovery strategy. Blodgett et al. (1995) observed that satisfactory or unsatisfactory resolution of the dispute would affect whether the complainant would repatronize the seller (or exit) and whether that person would engage in bad or good word-of mouth communication. Bitner et al. (1990) also found that customers were likely to react positively if initial service failures were followed by amiable recovery. Tax et al. (1998) argued that repurchase intentions could be influenced by "structural factors such as switching costs, availability of alternatives or contractual agreements". As such, they advocated the inclusion of commitment and trust to be the two elements in the study of customer satisfaction. In this study, trust, word-of-mouth intention and consumer loyalty (commitment) would be investigated as consequences of customer satisfaction. Trust has been a central construct in the study of marketing and customer relationships since its importance was emphasized by Dwyer et al. (1987). Research has shown that relationship marketing is built on the foundation of trust . Trust exists when "one party has confidence in an exchange partner's reliability and integrity". Moreover, repeated satisfaction over times would strengthen the perceived reliability of the provider and contribute further to trust formation (Dick and Basal, 1994).

Customer loyalty is important as the long term survival of the firm lies in its ability to retain and attract profitable customers. Loyal customers generally possess lower marketing requirements and are deemed to be more profitable than new customers (Dawkins and Reichheld, 1990). Reichheld and Sasser (1990) also reported that a service company could boost profits by 100 percent just by increasing customer retention rate by 5 percent. Retention is believed to be a function of existing customers' level of satisfaction. Other studies have also shown that an important variable that contributes to customer and employee commitment is satisfaction (Kelley and Davis, 1994; Kelley et al.,

1993). When a firm develops a good system of resolving customer complaints, it leads to greater customer loyalty. On the other hand, Tax et al. (1998) discovered that as dissatisfaction with complaint handling increases, commitment would decrease. Similarly, Andreassen (1999) also affirmed that satisfaction with service recovery had a strong impact on customer loyalty. As such, it can be hypothesized that satisfaction with service recovery would lead to higher consumer loyalty (Dick and Basal, 1994).

2.5 The proposed model

Previous literature on consumer satisfaction/dissatisfaction has focused predominantly on complainants who are dissatisfied with the service recovery process. In contrast, there is a lack of studies on non-complainants who are satisfied (ordinary satisfied customers) as well as those who are dissatisfied (non-complaining dissatisfied customers) with the service provider. As such, customers in a service setting can be broadly divided into two distinct classes: those who complain (complainants) and those who do not complain (non-complainants). Of the non-complainants, they are either satisfied with the service (ordinary satisfied customers) or dissatisfied with the service provider but did not lodge a complaint (dissatisfied non-complainants). Of the complainants, they are either satisfied (satisfied complainants) with the service recovery provided or dissatisfied (dissatisfied complainants). These four types of consumers may experience different service encounters and would be expected to display different levels of satisfaction with the service provider. This satisfaction or dissatisfaction would lead to different behavioral outcomes. Specifically, they would exhibit different levels of trust, WOM intentions and loyalty to the service provider (Dick and Basal, 1994).

2.6 Best Practices in Service Recovery

Interdisciplinary services literature offers a rich source of research and insights into effective service recovery. For example, one pattern reflects a discipline-based bias toward the study of service recovery. Management literature focuses on employees and how to prepare them to recover from service failures which we term an *employee recovery* perspective. Operations literature centers more on the processes and how to learn from failures to prevent them in the future which we refer to as *process recovery*. Finally, marketing literature focuses on the customer experience and satisfying the customer after a service failure (Dick and Basal, 1994).

2.6.1 Short-Term Vs. Long-Term Focus

Effective service recovery requires an organizational willingness to invest in customer relationships for the long-term, with the objectives of customer recovery and retention. This requires a significant investment in the long-term, ongoing development of employees to deal with the unpredictable, real-time events and issues by which customers define failure. However, the human resources (HR) function may be unwilling to invest this way in employees. For example, research on call centers reveals what the authors label a “sacrificial HR strategy,” in which firms pursue the deliberate, frequent replacement of employees to keep a constant supply of fresh, still motivated employees at low cost (Dawkins, and Reichheld, 1990).

Unfortunately, such a strategy prevents employees from progressing on the learning curve so that they may understand how to deal with the more challenging moments of service failure and recovery. Additional research evidence indicates that employee job experience relates positively to effective recovery (Dawkins, and Reichheld, 1990).

Service recovery here refers to anticipating customer problems, taking preventive action to address weaknesses in service delivery systems, generating innovative ideas to deal with structural service problems, and actively scanning and monitoring demands for change, and adaptive recovery, which entails

quickly providing alternative service offers for customers, apologizing for slow or unavailable service, and being flexible in solving customers' problems. In the context of bank employees and their customers, adaptive recovery behavior positively affects customer satisfaction and loyalty, whereas proactive recovery behavior benefits customer share. In other words, proactive and adaptive recovery behaviors complement each other. In controlling several external factors, these authors find that age relates positively to proactive behavior; therefore, they conclude that only more experienced employees possess the ability to address failure situations proactively. A similar result emerges in a business-to business context; when shipping managers suggested ways to improve their freight company, they noted that better trained, knowledgeable, and cooperative staff would provide an important means to achieve proactive recovery. Furthermore, employees are less likely to engage in service sabotage if they desire to stay and pursue their career with their current firm (Dawkins, and Reichheld, 1990).

2.6.2 Customer vs. Process Recovery

Customer recovery, which is driven by marketing, has a central focus largely on the satisfaction of individual customers after a service failure and the maintenance of their loyalty. Operations management, to state the contrast most sharply, focuses less on pleasing and saving *individual* customers and more on balancing aggregate performance metrics by optimizing service processes (Dawkins, and Reichheld, 1990).

2.6.3 Customer satisfaction vs. productivity

Although some proclaim quality is “free,” offers a positive return on investment and relates positively to satisfaction, loyalty, and profitability in practice, certain situations can increase quality and customer satisfaction at the *expense* of productivity and profitability. For example, employees may overcompensate a customer after a service failure, in a gesture referred to as “giving away the store.” Similarly, service recovery may take too much of the employee's time and therefore decrease productivity. Furthermore, the costs of

recovery usually are immediately visible and counted, whereas its returns are often delayed (Clemmer, 1988).

One cross-industry study indicates a positive relationship between productivity and satisfaction for goods but a negative relationship in the context of services. A more recent study based on the Hong Kong Consumer Satisfaction Index also confirms the trade-off hypothesis between productivity and customer satisfaction in enhancing profitability. These different relationships between productivity and satisfaction may depend on the difference between “standardization” and “customization.” Improvements in standardized quality (e.g., reliability of manufacturing processes) enhance both productivity and satisfaction, whereas increasing customization (Clemmer, 1988).

2.6.4 Fixing Customers Vs. Fixing Problems

Firms’ tendency to overemphasize distributive justice conflicts with research pertaining to the relationship of the three justice dimensions and service recovery effectiveness, as well as the connection to customer satisfaction. As we mentioned previously, all three dimensions of justice are good predictors of customer satisfaction and loyalty. For example, if a bank customer requests a deposit receipt but the machine fails to print one, the bank suffers a lack of procedural justice and leaves the customer quite worried. If the bank employee neglects this concern to focus instead on distributive justice (e.g., “your account was credited the right amount”), that employee has failed further by ignoring what, in the customer’s view, is the most severe and critical aspect of the service failure. For some firms, the results from the National 2005 Customer Rage study with its more than 1000 respondents, may come as a surprise: For 53% of customers, the time lost in the recovery process represents the most severe damage, and only 30% cite financial loss as most important. Despite such findings, firms tend to assume that monetary compensation, a form of outcome justice, matters most. Furthermore, five of the six most common expectations of complaining customers relate to procedural and interactional justice (i.e., explain why the problem occurred,

assure it will not happen again, state appreciation for customer's business, apologize, offer chance to vent), whereas distributive justice (i.e., repair the product) ranks third (Bitner & Broetzmann, 2005).

2.6.5 Objective extent vs. perceived magnitude of failure

Best practices in service recovery demonstrate the need to assess failure magnitude, severity, or criticality, not from the company's perspective (what did we do wrong?) but from the customer's (what consequences does the service failure have for them?). An interesting experiment illustrates the difference: In a car repair scenario, a car is not ready at the time promised. Respondents in the experiment experienced either a low criticality (no major consequences) or a high criticality (car needed to attend an important family reunion) situation. Although the company's service failure remained the same in both scenarios, respondents' preferred recovery strategy differed according to their perceived criticality. In low criticality situations, customers prefer a discount over an apology or reperformance of the service, whereas they indicate high criticality failures can be recovered most effectively by reperformance. Thus, severity of service failures, as defined by operations management, should not be confused with customers' subjective, contexts specific evaluations of harm. Similarly, the customer perceived "acceptability" of a service failure may be a stronger predictor of failure than a provider defined "failure magnitude" (Blodgett et. al., 1997).

2.6.6 Employee vs. Process Recovery

Whereas both employee and process recovery focus internally, they differ in their approaches to service recovery. Process recovery tends to focus on the design of procedures and systems that, ideally, customer, employees, and managers will use as intended, given a common goal of improving service processes. However, employee recovery approaches acknowledge the many intra- and interpersonal processes that may facilitate or inhibit employees' willingness and capability to improve and apply processes (Blodgett et. al., 1997).

2.6.7 Circulating vs. suppressing feedback

Managers might agree that learning from customer feedback is an important, efficient, and effective tool for process improvement, but most also confront a lack of information flow between the business division that collects and deals with customer problems (e.g., customer service department) and the rest of the organization. As one study reveals, most firms fail to collect and categorize complaints adequately, to the extent that “Employees showed little interest in hearing the customer describe the details of the problem (Bitner et. Al, 1990). They treated the complaint as an isolated incident needing resolution but not requiring a report to management”. (In addition, the more negative feedback the customer service department collects, the more isolated this department becomes (Fornell & Westbrook, 1984). Some organizations even create specialist units, often geographically separate from the rest of the organization that can soak up customer complaints and problems but encounter no expectation of feeding this information back to the organization as a whole. We might label this employee orientation “See No Evil, Hear No Evil, Speak No Evil, which arises from a defensive organizational behavior approach to complaint handling. Actual or potential threats to employees’ self-esteem, reputation, autonomy, resources, and job security lead to the suppression of information (Bitner et. Al, 1990).

2.6.8 Unconditional Empowerment Vs. A Contingency Approach

According to a point of view frequently expressed in service literature and interviews with managers, only empowered employees can react to and fix a problem right on the spot but in reality, the effectiveness of empowerment is far from universal. For example, customers may be more confident about recovery justice if it is determined by policies and procedures rather than the judgment and discretion of an individual, empowered employee. Customers tend to believe that if the recovery depends on the employee, they must be fortunate enough to get the right employee to have their complaint resolved satisfactorily. Finally, managers may fall into the “HR Trap” of believing that once they free

the frontline and make it responsible for customers, they no longer need to invest as much effort in employee support and systems upgrades to enable their success (Bitner et. Al, 1990).

2.6.9 Aiming for No Failure Vs Pretending to Achieve No Failure

Investing to prepare employees to deal with failures might seem to compromise the many other investments required to build a “no failure” culture. Many organizations invest heavily in quality improvement programs such as TQM ISO 9000:2000 or Six Sigma and commit to complying with formal, certificated standards. Although such efforts may decrease the variance of quality delivered and therefore increase customer satisfaction, managers and employees also become more reluctant to accept that failures will still happen. These shared values reinforce the belief that the company is providing “zero failure” quality, in which case customer complaints and negative feedback produce cognitive dissonance, which then leads employees to engage in coping strategies in which they neither accept nor process any negative information (Bies and Shapiro, 1987).

2.7 Closing the Gap between Best Practices and Actual Practices in Service Recovery

Literature addressing service recovery best practices is rich and growing, yet the evidence indicates that service recovery practices have not actually improved. The gap between best and actual practices appears throughout various organizational systems and practices, so any attempt to specify remedies could quickly become far-reaching or even endless. However, according to our analysis of the empirical evidence, the basic source of these gaps is a lack of integration among the HR, marketing, and operations functions, which exists because of the limited perspective each area applies to service recovery management. To close the resulting gap, and to overcome the isolation of customer recovery, employee recovery, and process recovery, top management must pursue integration in four areas:

- a) Focus on a “service logic”

- b) Shared values and strategy,
- c) Seamless information flow, and
- d) Recovery-relevant metrics and rewards (Bies and Shapiro, 1987):

2.7.1 Integrate around “Service Logic”

A service logic describes how and why a unified service system works and should guide management’s design of the service system for both service delivery and recovery (Kingman-Brundage, George, & Bowen, 1995) In this sense, a service logic represents the integration of the potentially competing logics in our proposed triangle—namely, customer logic, which asks, “What is the customer trying to accomplish, and why?”; technical or process logic that considers, “How are service outcomes produced, and why?”; and employee logic, which demands, “What are employees trying to do, and why?” When the answers to these logic questions weave together synergistically, the result is service logic and a firm basis for service delivery and recovery. Thus, service logic can appear at the very center of our triangle model. The logic and its application to design require two key tools (Bies and Shapiro, 1987):

- (1) service maps and service blueprints, roughly similar approaches to detailing the service experience across time, structures, and processes, that identify likely failure points and the need for recovery management strategies, and
- (2) cross-functional teams that engage in problem solving by integrating the tensions we have

identified, the competing logics that drive them, and the service maps that reveal them (Berry and Parasuraman, 1991).

2.7.2 Integrate Around Shared Values and Strategy

The service logic must fit the shared values of the organization’s culture as well as the business strategy. In turn, shared values and strategy, not competing functional interests, should guide service recovery management strategies and help resolve competing tensions. For example, to effect a dramatic cultural shift in the company mindset, from a culture with an illusion of no failure to a

culture of recovery and improvement, the firm must manage the components of culture (Schein, 1990). Leadership must espouse recovery as a core value that leads to desirable organizational outcomes and then transmit and reinforce that value through cultural forms and practices. For example, stories that recount the outcomes of a successful or failed recovery incident should find their way into company folklore and conversation; training programs should focus on building the employee competencies required for effective recovery. Such efforts become the evidence that employees use to infer that their firm takes recovery seriously and, ideally, makes recovery a shared value (Berry and Parasuraman, 1991).

When organizational and employees' values align, employees are more willing to exert the extra effort required in a failure and recovery situation. Recovery of dissatisfied customers can be very taxing for employees, but employees who share the organization's core values likely persevere. Thus, firms must focus on employee selection and socialization techniques that build the recovery culture and thus facilitate extra effort. As to strategy, it must align with culture and thereby propose a means to resolve tensions. For example, consider the tension around "unconditional empowerment vs. a contingency approach". When the business environment is unpredictable, the strategy entails differentiation, and ties to the customer are relational, total empowerment appears applicable, but in a low-cost/high-volume environment with standardized, routine, and predictable tasks and transactional customer relationships (e.g., fast-food restaurant), a more mechanistic approach to service seems appropriate. In other words, the question of empowerment requires a contingency approach that depends, for example, on the pertinent business strategy. In further support of a contingency perspective, a recent study investigates the effectiveness of an organic approach (i.e., creating a favorable internal environment through cultural values and human resources) versus a mechanistic approach (i.e., establishing specific procedures and rules) to customer complaint handling (Berry & Parasuraman, 1991; Johnston, 1995).

The associated cross-industry study, which measures justice, satisfaction, and loyalty, shows that the effect of the mechanistic approach, which pertains mainly to distributive and procedural justice, is stronger overall, but that the approaches complement each other. In other words, an overreliance on an organic approach, which considers mainly culture and is more applicable to interactional justice, is myopic. However, because it requires empowerment, an organic approach may be more successful for businesses that are not just pursuing a low-cost strategy but rather provide customized, complex offerings. Again, a contingency perspective emerges with regard to empowerment (Berry & Parasuraman, 1991; Johnston, 1995).

2.7.3 Integrate with Seamless Collection and Sharing of Information

To resolve conflicting points of view, firms should undertake decision making based on data and information which also can help address the tensions associated with information suppression, how customers define failure, and the complainer as an enemy. All the information that customers, employees, and managers possess about service failures can paint a complete picture of what has gone wrong. Unfortunately, only a small fraction of this information usually gets shared or collected. Companies might take two complementary approaches to collecting more information. The first increases the number of customers and staffs who gives feedback about poor service, and the second ensures that customers' and staff's feedback gets recorded and is accessible for service improvement initiatives, with clearly designated responsibilities for driving those changes throughout the organization (Adams, 1965).

Although complaints provide a valuable resource, many dissatisfied customers are reluctant to complain so firms must address the problem of unvoiced complaints by "marketing the complaint-handling system to customers" (Andreasen & Best, 1977, p. 110). Complaint processing must be as simple, fast, and hassle-free as possible for the customer which requires toll-free telephone numbers and customer feedback cards, talking to customers during

service encounters, and surveying them after encounters. Existing literature also offers comprehensive guidelines that include some available software solutions (Adams, 1965).

Managers and employees must receive training regarding how to “mine” communications with

customers—not just customer complaints—for service failures. Service recovery training should include the skills necessary to recognize customer feedback and then address and catalog service failure information easily and quickly. A common understanding between employees and customers about the nature of failures and its consequences can clarify the potential economic returns of a complaining customer and motivate employees to become complaint-handling champions. For example, Hart and colleagues (1990) recommend simulated real-life situations and role playing to give employees appropriate recovery skills.

Furthermore, because complainers tend to be a firm’s more loyal customers in the first place, rather than more indifferent noncomplainers they should be considered opportunities to create satisfaction rather than “expensive nuisance[s]” (Berry & Parasuraman, 1991; Johnston, 1995).

To gain full value from consumers’ voices, companies must want to hear them and believe that the customer is right until proven otherwise. In an ideal situation, the company and its employees proactively address service failures even before the customer realizes that something went wrong, which reduces the number of dissatisfied customers who never mention their complaint to the company before they switch to another service provider.

Finally, information sharing is essential to implementing empowerment initiatives, not just in the

right situations but also in the right way. Empowerment is not as simple as just sharing power with employees; rather, it comprises sharing four ingredients: power × information × training × rewards (Adams, 1965).

In this context, power affords employees more discretion to respond to failures; information defines customer expectations for delivery and recovery if

necessary, customer satisfaction data, and the firm's cost structure; training indicates how employees should lead customers through service failures and rewards foster accountability, such that if employees use their empowered status to enhance (lose) profits, they share in those profits (losses). Employees therefore must have sufficient information to make good business decisions about how to recover a customer, including how much compensation they viably can offer (Adams, 1965).

Chapter Three

Data Presentation, Analysis and Interpretation

3.1 Introduction

This section presents the data that was collected using interview and questionnaire. The questionnaire administered to 150 respondents has been responded by 120 of the respondents, the response rate makes up 80% of the total response rate. The interview was conducted with a manager. The response to the questionnaire is presented in the tables followed by the interview with the marketing managers. Each of the responses that were presented in the table has been presented according to their order in the questionnaire.

3.2 Demographic Characteristics of the Respondents

Table 1 General Characteristics of the Respondents

S. No	Variables	Category	Frequency	%
1	Sex	Male	78	65
		Female	42	35
Total			120	100
2	Level of education	Certificate	24	20
		Diploma	25	21
		Degree	71	59
Total			120	100
3	Customer	One to two years	26	22
		Three-five years	50	41
		Five to eight years	44	37
Total			120	100

As it can be seen in item 1 table 1 in the previous page the gender composition of the respondents shows that the composition of male respondents in the questionnaire comprises 78(65%) of the total respondents and the remaining 42(35%) comprise the female respondents. This shows that the composition of male respondents is greater than that of female respondents in this study.

The educational status of the respondents was also presented in table 1 of item 2 in the previous page it shows that 24(20%) of the respondents possess certain certificate for accomplishing certain level of education below the level of diploma. The 25(21%) of the respondents have attained diploma and the remaining and 71(59%) comprise those who possess degree. Based on this it is possible to say that all of the respondents have completed formal education such as elementary and high school education plus further education. This entails that they are mature enough to describe the situation based on their literal aspect of customer service recovery.

According to table 1 of item 3 in the previous page the respondents were also asked how long they have been customers of the bank and the student researcher has categorized the length of time in to three categories where 26(22%) of the respondents have been customers of the bank for one to two years from now 50(41%) have been customer three to five years from now 44(37%) of the respondents have been customers of the bank for the last five to eight years. Based on this data it is possible to say that there are many customers whose responses could be very much valuable from both in the late eight years and in this couple of years and a lot is expected to be heard from both sides.

3.3 Service efficiency, location and convenience

Table 2 Service Efficiency, Location and Convenience

S. No	Questions	Very Agree		Agree		Neutral		Disagree		Very disagree	
		No	%	No	%	No	%	No	%	No	%
1	The bank's location is convenient	-	-	100	83	12	10	7	6	1	1
2	The bank has operating hours convenient to all its customers	-	-	32	27	-	-	79	66	9	7
3	Customers do not have to wait for services	-	-	108	90	-	-	-	-	12	10

As it is indicated in item 1 of table 2 above the responses for the question about the location of the bank indicates that 100(83%) of the respondents agree that the bank's location is convenient, 12(10%) neutral, 7(6%) of the respondents disagree only 1(1%) of the respondents very disagree. Based on this we can say that the bank's location is very accessible and convenient. Convenience in this regard entails that its accessibility for transaction and further situational advantage for the inquiries of the customers.

As it is indicated in item 2 of table 2 above the respondents were also asked if the bank has operating hours convenient to all its customers the operating hours of the bank and 32 (27%) of the respondents agree, none of the respondents said neutral 79(66%) and 9(7%) strongly disagree. From this we can infer that the operating hours of the bank is not convenient to most of the customers.

As it is indicated in item 3 of table 2 above 108(90%) the respondents agree that when asked if the customers had to wait long to get the service and 12(10%) of the respondents believe that the bank's waiting time is too small that customers are not expected to wait longer. This entails that the bank

provides efficient and effective services to the customers. Therefore, this makes the bank to win the hearts and minds of its customers easily as customers don't want to stay longer to get services they want instead they want to stay served the service first time right.

3.4 The Bank's physical Features and Equipment Quality

Table 3 The Bank's physical Features and Equipment Quality

S. No	Item	Very Agree		Agree		Neutral		Disagree		Very disagree	
		No	%	No	%	No	%	No	%	No	%
1	The Bank has modern looking equipment	-	-	107	89	-	-	13	11	-	-
2	The bank's physical features are visually appealing	-	-	109	91	-	-	-	-	11	9
3	When the bank promises to do something by a certain time, it does so.	-	-	15	13	18	15	87	72	-	-

As it can be observed from item 1 table 3 above it is clear that the respondents were asked about the equipment and 107(89%) of the respondents agreed that the bank has modern looking equipment and 13 (11%)very disagree to this issue.

From this we can understand that the bank's equipments are modern. Hence some company's enjoy providing equipments that are value laden and impress the customers who happen to see them and trap the customers.

As it is pointed out in table 3 of item 2 above the respondents were also asked about the physical feature of the bank. In this regard 109(91%) of the respondents agree that the bank's physical features are visually appealing 11(9%) of the respondents very disagree.

Based on this data it can be said that the bank has physically interesting, attractive view that impress customers. Hence it is true that most of the banks in Addis Ababa and throughout the country don't own a building of theirs in every branches they open instead they had to rent and reside and provide service in the rental building. The location, type of building and the structural design depends from place to place depending on the site it site located.

As it is indicates in table 3 of item 3 in the previous page the respondents were asked about the promises the bank makes and 87(72%) of the total respondents disagree that when the bank promises to do something by a certain time it does so followed by 15(13%) agree and 18(15%)are neutral about the issue. From this the student researcher can infer that the bank doesn't provide the service it has promised on the time.

3.5 Service Efficiency and Responsiveness

Table 4 Service Efficiency and Responsiveness

S. No	Questions	Very Agree		Agree		Neutral		Disagree		Very disagree	
		No	%	No	%	No	%	No	%	No	%
1	The bank performs the service right the first time.	-	-	22	18	12	10	86	72	-	-
2	Services of the bank are done without delay	-	-	25	21	-	-	77	64	18	15
3	Contact personnel in the bank have the knowledge to answer your questions	-	-	34	28	-	-	85	71	1	1
4	Support personnel in the bank have the knowledge to answer your questions	-	-	32	26	-	-	81	68	7	6

As it can be seen in the table 4 of item 1 above it is described about the efficiency of the Bank and the responsiveness of the support and contact personnel. From this 22(18%) agree 12(10%) neutral and 86(72%) of the respondents very disagree about the bank performs the service right the first time.

From this it can be understood that the bank does hardly perform service right the first time.

As it is indicated in item 2 of table 2 above the respondents were also asked about the efficiency of the service and 25(21%) agree 77(64%) disagree and 18(15%) very disagree that the service of the bank are done without delay.

The data shows that there is delay in the service delivery process and services are not delivered. The delay in the service delivery hampers the customer satisfaction since the customers want services delivered efficiently and promptly.

As it is indicated in item 4 the table 4 in the previous page respondents were also asked about the competence of the contact personnel and 34(28%) agree 85(71%) disagree and 1(1%) very disagree that the contact personnel in the bank have the knowledge to answer your question.

From this it is possible to say that the contact personnel in the bank have competent enough or have acquired the knowledge required to answer the customers' question.

As the table above also shows the respondents were asked about competency and responsiveness of the contact personnel. Based on this 32(26%) agree, 81(68%) disagree and 7(6%) very disagree that the support personnel in the bank have the knowledge to answer your questions.

From this we can understand that the support personnel lack the competence and the requisite knowledge to respond to the customers' questions. This shows that the contact personnel lack the training and expertise.

3.6 The Employee and the Bank's Service Recovery

Table 5 The Employee and the Bank's Service Recovery

S. No	Questions	Very Agree		Agree		Neutral		Disagree		Very disagree	
		No	%	No	%	No	%	No	%	No	%
1	Employees are willing to help customers	-	-	26	22	2	2	82	68	10	8
2	Employees are consistently polite during service contact	-	-	23	17	-	-	90	75	7	6
3	The bank has employees who understand individual customer's need	-	-	17	14	-	-	102	85	1	1
4	The bank addresses complaints quickly	-	-	32	26	-	-	81	68	7	6
5	The bank provides appropriate solutions to problems	-	-	5	4	8	6	107	90	-	-

As it is indicated in item 1 of table 5 above the willingness of the employees of the bank was described and 26(22%) agree, 2(2%) neutral 82(68%) disagree and 10(8%) very disagree that the employees of the bank are willing to help customers.

Based on this it is possible to say that the employees are reluctant to respond to the inquiries raised by customers. This entails that customers are not responsive enough it could be lack the required training and effective service recovery.

As it is indicated in item 2 of table 5 in the previous page about the politeness of the employees and consistency of the politeness 23(17%) of the respondents agree, 90(75%) disagree and 7(6%)of the respondents very disagree about the question raised employees are consistently polite during service contact.

From this we can understand that the employees lack consistency in the way they adhere courteous service to the customers. This could dissatisfy the customers of the bank which makes the bank require effective service recovery system.

As it is indicated in item 3 of table 5 in the previous page the respondents were asked regarding the extent to which the employees of the bank are focused towards understanding individual customer needs. Thus of the entire respondents 17(14%) agree 102(85%) disagree and only 1(1%) very disagree about the question they were inquired the bank has employees who understand individual customer needs.

From this we can understand that employees of the bank are not in a position to give attention to individual customer needs. Thus often times customers want their individual inquiries responded but when this is not done the customer dissatisfaction will appear that could make the customer feel annoyed and stop from being customers anymore.

As it is indicated in item 4 of table 5 above 32(26%) agree 81(68%) disagree and 7(6%) very disagree about the question they were raised about the bank addresses complaints quickly.

From this it is possible to understand that the bank is not prompt enough in addressing the complaints presented by the customers. This has a two way challenge to the bank in that when complaints when remain a problem all the time it is difficult to find customers to see being customers any longer. Thus they will quit their tie with the bank. As the data, however, is showing it is difficult to say that the bank is in a situation to address the complaints. It is true that when complaints are repeated they will be accompanied by other more challenging problems that leave the company hard to solve after a while.

As it is indicated in item 5 of table 5 in the previous page the respondents have also responded regarding the appropriateness of the solution the bank provides

and 5(4%) agree, 8(6%) neutral and 107(97%) very disagree about the bank provides appropriate solutions to problems.

From this we can understand the service recovery strategy followed by the bank is not appropriately addressing to the issues that customers are raising now a days.

Interview for the Managers

Do you have certain criterion for on the type of service recovery? Please explain

The managers were also interviewed if they have certain criteria over the type of service recovery strategy they follow and the manager has described that

The first issue we do is not certain criteria it is wide open to entertain the views and interests of the customers we have. Thus the very criteria that we consider if we have to say it as a criterion is that we include the views of experts in the service department in consultation with the department managers that we undertake service recovery for the reactions and complaints that customers might raise proactively. We undertake a detailed investigation of those critics and some views customers have raised. The meeting is undertaken once in three days. This is a continuous it doesn't stop somewhere just after some solutions have been developed we continue working towards the problem and we still strive to solve the problems.

This indicates that the company doesn't have a rigid criterion to follow to make the service recovery process. The company rather has to mitigate the problems observed the ultimate goal being resolving problems and forecasting problems that could arise and working towards to it continuously.

3.7 The types of Service Recovery Activities Followed by the company

What are types of Service Recovery activities followed by the company?

The bank undertakes various models of service recovery in a much customized way. Thus some of the models employed by the bank will less likely are similar with the other types of models. We don't have specific types that I could describe for one thing it is a matter of competitive advantage as a result it is confidential and for the other thing we don't stick on specific types of models of service recovery we find various ways and we change them in to our best interest.

Therefore we can say that the bank doesn't have certain type of service recovery that is it fails to stick on a certain specific type of service recovery.

Do you think the service recovery process of the bank is responsive to the inquiries of customers? Please explain

We believe that the company's service recovery process is responsive enough to the inquiries of the customers who visit our branches. We have so far made the suggestion boxes, customized the questionnaire once and again to which they apply and sometimes we ask customers while they intend to explain their complaints. They often provide their feedbacks as the bank's service recovery is well off. Here we don't think our service recovery is an excellent one. We believe that it requires further revision and examination.

From this we can understand that the bank has some problems that need revision and the bank has some ways by which it makes follow up over the customers' complaint areas and it uses its way.

3.8 Efficacy of Service Recovery

How effective is the service recovery?

The company is often effective in the service recovery process it undertakes. Hence the service recovery process followed by the bank is open and the bank is very successful to handle challenging situation and fully backed by expertise and materials that could solve the problems that are frequently occurring. From this it can be understood that the service recovery process followed by the bank is pretty good.

The responses gathered from the respondents however, do contradict with this issue. Thus the company has not considered the context it is operating the customers are somehow dissatisfied with the service recovery process followed by the bank.

Chapter Four

Summary of Major Findings Conclusion and Recommendation

4.1 Summary of Major Findings

- ☞ 86(72%) of the respondents very disagree about the bank performs the service right the first time.
- ☞ 77(64%) disagree and 18(15%) very disagree that the service of the bank are done without delay.
- ☞ 85(71%) disagree and 1(1%) very disagree that the contact personnel in the bank have the knowledge to answer your question.
- ☞ 81(68%) disagree and 7(6%) very disagree that the support personnel in the bank have the knowledge to answer your questions.
- ☞ 87(72%) of the total respondents disagree that when the bank promises to do something by a certain time it does so
- ☞ 109(91%) of the respondents agree that the bank's physical features are visually appealing 11(9%) of the respondents very disagree.
- ☞ 107(89%) of the respondents agreed that the bank has modern looking equipment and 13 (11%)very disagree to this issue.
- ☞ 82(68%) disagree and 10(8%) very disagree that the employees of the bank are willing to help customers.
- ☞ 102(85%) of the respondents disagree and only 1(1%) very disagree about the question they were inquired about the bank has employees who understand individual customer needs.
- ☞ 90(75%) disagree and 7(6%) of the respondents very disagree about the question raised employees are consistently polite during service contact.
- ☞ 81(68%) disagree and 7(6%) very disagree about the question they were raised about the bank addresses complaints quickly.
- ☞ 107(97%) very disagree about the bank provides appropriate solutions to problems.

4.2 Conclusion

As it has been attempted to describe in the previous section based on which the student researcher can conclude the following issues.

- ❖ The bank is located in the most accessible areas. Accessibility makes a company to be much preferred in attracting customers and is one of the preconditions that service quality can be valued through.
- ❖ The case company lacks keeping promises in that it doesn't deliver what it intended to provide for the customers. Service delivery is delayed and as a result the bank lacks efficiency.
- ❖ As it was found out in the analysis section the bank lacks employees who are well informed and knowledgeable in. This by far affects the satisfactory service delivery by the bank.
- ❖ The bank has determined to provide a fully fledged training service across its branches in this regard in order to be proactive enough to respond to the inquiries of the customers.
- ❖ The bank has designed ways to respond to the inquiries of the customers by customizing the questionnaire in place and preparing other complaint handling and data gathering using suggestion box, and personal contacts.

4.3 Recommendation

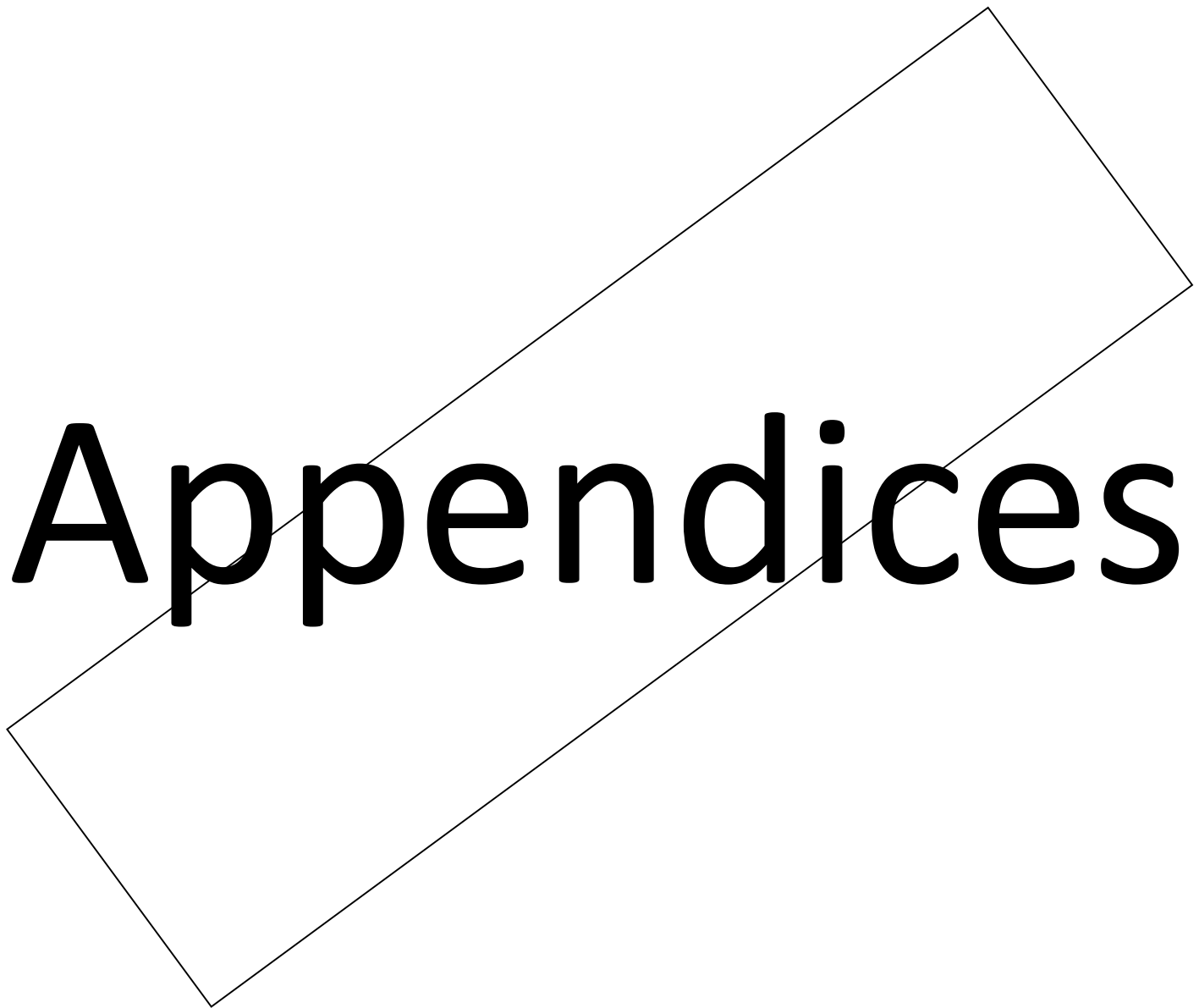
The following recommendations can be made from the stand points provided in the aforementioned analysis, major findings and conclusions

- ❖ In order to satisfy the needs and interests of its customers the bank should provide the required training and orientation both for the existing as well as for the newly joining employees. In doing so it will be easier to address the problems that will be evident in the service recovery area.
- ❖ In addition to the existing ways of collecting customers' complaint, it is necessary for the company to use further novice ways of tracking performance of service quality in a way that addresses the needs and interests of customers.
- ❖ While the company undertakes such an activity, it should also further investigate continuously the statuesque of service quality in that it should remediate problems that are frequently observed in the contact personnel.
- ❖ The bank should improve areas that remain hurdles in the willingness of employees towards service delivery in this regard the bank should always be in the move to respond promptly to the service inquires of customers, in addition to this the bank should be always in a position to respond to customer complaints.

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Appendices

Appendix A

St. Mary's University College

Faculty of Business

Department of Marketing Management

Interview for managers

This interview is designed to gather information on “evaluation of service recovery practice in the case of Dashen Bank”. The purpose of the study is to fulfill a senior essay requirement for the Bachelor of Arts of Marketing Management at St. Mary's University College. The study is purely for academic purpose and thus not affects you in any case. So, your genuine, frank and timely response is vital for successfulness of the study. Therefore, I kindly request you to respond to each items of the question very carefully. Finally, I would like to thank you very much for your cooperation and sparing your valuable time for my request.

1. How effective is the service recovery?
2. Do you think the service recovery process of the bank is responsive to the inquiries of customers? Please explain
3. What are types of Service Recovery activities followed by the company?
4. Do you have certain criterion for on the type of service recovery? Please explain