

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

A SENIOR ESSAY ON:
AN ASSESMENT OF SERVICE RECOVERY PRACTICE ON
THE CASE OF WEGAGEN BANK S.C LOAN SECTION

BY:
SAMRAWIT TILAHUN

June 2013
SMUC
ADDIS ABABA

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THE CASE OF WEGAGEN BANK S.C.**

**A SENIOR ESSAY
SUBMITTED TO THE DEPARTMENT OF MARKETING
MANAGEMENT**

**BUSINESS FACULTY
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**IN PARCIAL FULFILLMENT OF THE REQUIRMENTS FOR THE
DEGREE OF BACHELOR OF ARTS IN MARKETING MANAGEMENT**

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External Examiner

Signature

DECLARATION

I, the undersigned, declare that this senior essay is my original work, prepared under the guidance of W/ro Meseret Worku. All sources of materials used to the manuscript have been dully acknowledged.

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This senior essay has been submitted for examination with my approval as an advisor.

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CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Service recovery is the acts taken by an organization in response to a service failure. Failures occur for all kind of reasons the service may be unavailable when promised, it may be delivered late or too slowly, the outcome may be incorrect or poorly executed, or employees may be rude or uncaring. All of these types of failure bring about negative feelings and responses from customers. Left unfixed, they can result in customers leaving, telling other customers about their negative experiences, and even challenging the organization through customer right organizations or legal channels (Zeithaml&Bitner,2003).

The first law of service productivity and quality might be “Do it right the first time”. But we cannot ignore the fact that failures continue to occur, sometimes for reasons outside the organization’s control. You have probably noticed from your own experience that the various “moments of truth” in service encounters are especially vulnerable to breakdowns. Such distinctive service characteristics as real-time performance, customer involvement, and people as part of the product greatly increase the chance of service failures. How well a firm handles complaints and resolves problems may determine whether it builds customer loyalty or watches former customers take their business elsewhere (Lovelock&Wirtz,2005).

Customers evaluate the service failure/recovery counters depending on the type and the amount of resources lost and gained during the exchange and organizations may attempt to recover by offering compensation (Bolton, et al, 1999).

Among number of banks in our country Wegagen Bank Share Company (S.C.)is one of the biggest bank which started operation on June 11, 1997 with a subscribed capital of birr 60 million and a paid up capital of birr 30 million, with 2,130 shareholders and also the bank has started its operation with 9 branches and 268 permanent employees.

In addition to this the bank is governed by the Board of Directors consisting of a Chairperson, a Vice Chairperson and seven Directors. Next to this, the overall management is entrusted to the management team which comprises the President/Chief Executive Officer, who is appointed by the Board of Directors, two Vice-Presidents and twelve Department Managers, including Engineering Service.

The bank has started its operation with the aim of giving different services such as deposit, credit facilities, international banking, local money transfer, international money transfer and exchange of foreign currency services.

The credit facilities of Wegagen Bank includes term loan, overdraft facility, withdrawal, merchandise term loan, domestic trade and services term loan, foreign trade term loan, agricultural term loan, manufacturing term loan, building construction term loan, construction bridge term loan, transport vehicles term loan, transport service term loan, mortgage term loan, automobile term loan, letter of guarantee, export credit guarantee (ECG), pre-shipment loan, warehouse receipt financing, micro-finance loan and project finance.

1.2. Statement of the Problem

Customer satisfaction is the core elements of every business to run with its maximum possible market share. This becomes extremely important in competitive marketing environment. Services are primary sources of customer satisfaction or dissatisfaction. One of the primary sources of customer dissatisfaction is service failure and lack of its recovery. Significant portion of customers will buy service again after service failure if their complaints are handled properly. It also showed that customers that complain for major complaints are less likely to buy the service again than those who complain for minor complaints (Zeithaml & Bitner, 2003).

Wegagen Bank is providing wide spectrum of services to its customers reasonably well. However, a preliminary study conducted at the bank indicates that there are service failures observed at the loan section of the bank. Some of the service failures are (1) the difficulty to clearly know the requirement to be eligible for loan, (2) the time consuming process to know decision in loan department, (3) the difficulty to

know the system of collateral and thereby the disapproval of loan request, and (4) the significant shortage of foreign currency. Once such problems happened, employees try all their best to smooth out the service process. However, the above service failures lead to disproportionate service provision among the customers, ultimately making customer retention extremely difficult. Thus, this study was initiated to thoroughly investigate the service recovery practices of the loan section of Wegagen Bank S.C.

1.3. Research Questions

In order to investigate the problems outlined above, the student researcher tried to answer the following research questions:

1. What are the major factors causes of service failure in the loan section?
2. What are the major factors that affect the service recovery practice in Wegagen Bank in the loan section?
3. What is the customers' attitude towards the service recovery practice of Wegagen Bank in the loan section?
4. What is (are) the major causes of service failure at Wegagen Bank loan section?

1.4. Objective of the study

1.4.1. General Objective

The main objective of this research is to assess the service recovery practices of Wegagen Bank SC. in the loan section.

1.4.2. Specific Objectives

This study is conducted to meet the specific objectives listed hereunder:

- To investigate employees' practices of service recovery packages of the bank in the loan section.
- To describe the major factors affecting the effectiveness of service recovery in Wegagen Bank loan section.
- To investigate the extent to which customers are satisfied with the service recovery at Wegagen Bank loan section.

- To identify the major causes of service failure in the loan section of Wegagen Bank

1.5. Research Design and Methodology

1.5.1. Research Design

In this study, the student researcher employed a survey method in order to assess the service recovery practice of Wegagen Bank S.C in the loan section.

1.5.2. Population and Sampling technique

The target population for the study includes all the branches of the bank along with their corresponding employees and customers all over the country. However, since accessing all the branches through the country is exceedingly difficult, if not impossible, only four branches of the bank which are, Bole, Mesalemia, Tekle-Haimanot and Meskel branches were included in the study. The four branches were selected following a purposive sampling technique due to the fact that these branches are the biggest four branches of the bank with large number of customers and thereby numerous demands. Once the branches had been identified as indicated above, 170 customers of the four branches who were getting services at the respective branches at the time of the visit were approached and asked (using a convenience sampling technique) to fill the survey. In addition, based on the suggestion of the section heads in the four branches, 10 loan section employees in the four branches who were believed to have a good knowledge of the operation of the bank loan were contacted to capture their opinion on the service recovery practices of the loan section of the bank. Finally, the 4 loan section heads in the four branches were also interviewed to capture their opinion on the service recovery practices of the loan section of the bank.

1.5.3. Type of Data Collected

In conducting the study, both primary and secondary data were gathered.

1.5.4. Methods of Data Collection

To collect data, questionnaires and interview were used. Questionnaires were distributed to customers and interviews were held with employees (four section heads and ten operating employees) in the loan section of the bank. The questionnaire had been originally prepared in English was translated into Amharic using a back-to-back translation method and linguistic equivalence was assured.

1.5.5. Data Analysis Method

Quantitative data analysis techniques were used to summarize the data gathered from customers; percentages were computed to get the total picture of the data collected from respondents. Then the summarized data were presented in the form of tables. Qualitative data analysis techniques were used to present the interview responses as well as the response to open ended questions.

1.6. Significance of the study

Besides helping the student researcher fulfill her academic requirement, this research is hoped to be helpful to Wegagen Bank by indicating how to recover service failure. The research also has significance to the bank as it measures the level of satisfaction and type of frequent service failures that affects customer satisfaction. This research will also be useful to the student researcher to get a first-hand experience of doing research. Further, this research can also serve as a spring board for other researchers who will be interested in exploring issues related to the topic.

1.7. Delimitation of the study

This study focused on Wegagen Bank's service recovery practices especially in loan section. As indicated above, even though the bank has many branches all over the country, only four branches, which are, Bole, Mesalemia, Tekle-Haimanot and Meskel branches were included in the study. Also, the study focused on service recovery practices of the loan section bank in the past two years (2011-2012) as the bank has experienced many service failures and has been involved in numerous service recovery endeavors.

1.8. Limitation of the study

It is obvious that customer service is a very wide area; however, this study focused only on the issues of service failure and service recovery. Due to financial and time constraints the study was limited to only four branches of Wegagen Bank S.C in Addis Ababa (Bole, Mesalemia, Tekle-Haimanot and Meskel branches). Thus, the study didn't cover other regional branches of the bank located outside Addis Ababa.

1.9. Organization of the study

This research paper has four different chapters. While chapter one introduces the objectives, problems and methodologies of the paper, chapter two reviews of related literature. Chapter three gives the background of the organization, the data Presentation, Analysis and Interpretation. Chapter four presents the Summary of the major findings, conclusions reached and recommendations put forwarded.

Chapter 2

Review of Related Literature

2.1. Overview of Service

Balaji (2002) argued that, service is an act or performance offered by one party to another. Although the process may be tied to physical product, the performance is essentially intangible and does not normally result on ownership any of the factors of production. Furthermore, Patankar (2001) Suggested that service are activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods. In all cases the authors emphasize that meeting customer satisfaction is the prime objective of service rendering parties.

2.2. Service Marketing

Services marketing is a concept related to service quality and service management. Though different forces have led to the growth of services marketing, companies, industries and individuals have defined the scope of the concepts, frameworks, and strategies that define the field (Zeithaml&Bitner, 2003) In the first place, this field (the services marketing) have developed in response of the immense growth of service industries which in turn led to the high growth rate of world economy. In most cases no a day, quality services is no longer an option, it is a necessity. Researchers in the area of services marketing and management focused on issues such as customer satisfaction, service quality, customer relationships, service process management, service encounters, cross functional integration, and competing through services in manufacturing (Zeithaml&Bitner, 2003). However there is a big difference between marketing services and managing services. Service marketers work across disciplines and with academics and business practitioners from around the world to develop and document marketing practices for service industries. It also addresses the concerns and needs of any business where service is an integral part of the offering (Zeithaml&Bitner, 2003). Above all, frameworks, concepts and strategies developed to address the fact that “services’ marketing is different”.

2.3. Characteristics and Nature of Service

According to Balaji (2002), companies must consider the special characteristics of services when designing marketing program to attract new customer and to keep current customers coming back, find ways to meet those challenges. Furthermore, Kurtz&Clow (2002) pointed out that service possess inherent characteristics not found in good. These characteristics create unique challenges for service. According to both authors service has different or unique characteristics. This includes:-

2.3.1. Intangibility

Services are processes and performances. Due to these factors they cannot be seen, tasted or inventoried like we do in tangible goods (Zeithaml&Bitner, 2003). In addition (Balaji, 2002) indicated that, service cannot be generally seen, tasted, felt, heard or smelt before bought. The potential customer is unable to perceive the service before and sometime during and after the service delivery.

2.3.2. Inseparability

Service inseparability means that the service is produced and consumed at the same time and cannot be separated from the provider, whether the providers are people or machines (Sanjay, et al, 2003). (Balaji, 2002) also shares this view that, some services are inseparable with the service providers due to the reason that the customer must be physically present to get the required service.

2.3.3. Perishability

According to Stanton, et.al (2001), service is highly perishable because the existing capacity cannot be stored or inventoried for future use. And also, Sharlekar (2002) recognize that, service cannot be stored, saved, resold or returned to protect it from wastage. That means once a service is not used today, it is lost forever or perishes.

2.3.4. Variability

Variability of service means that the quality of service depends on that provides them as well as when and how they provided (Kottler& Armstrong, 2006). On the other hand (Kurtz&Clow, 2002) pointed out that, variability refers to the unwanted or random levels of service quality customers receive when they patronize a service.

2.4. Service Management Process

The service management process involved all the activities across the customer interface. The major tasks produced by this activity are termed as service management components and the major components of service management are:

1. **Provision of Service:** the provision of service process requires the service provider to undertake series of tasks which may vary from product to product and service to service. However, the process should be consistent from the customer's perspective, irrespective of which product or service is provided.
2. **Repair Service:** the 'repair service' tasks will also vary from product and service to service. However, the process must also be consistent from the customer's perspective, irrespective of which product or service is being repaired.
3. **Billing Service:** As with the provision service 'and repair service', the billing service must also be generic from the customer perspective, irrespective of the product or service in question. Billing interactions may concern individual products, services or the bundling of number of products and services, but still the process the customer/service supplier interface must be uniform.
4. **Customer Complaints:** Many customer's choice of a service provider is based not only on the service provided at the time of sale, but also on expected after sales service (that is what happens if something goes wrong).

Therefore, a key area of service management affecting customer's choice of supplier will be how that service provider responds to complaints. (Watkins Charley, 2006)

2.5. Effective Service Procedures

Recovering from service failures takes more than devotional expressions of determination to resolve any problems that may occur. It requires commitment, planning and clear guidelines. Specially, effective service recovery procedures should be (1) proactive, (2) planned, (3) trained, and (4) empowered. By having service failure occurs and be more likely to deliver a satisfactory resolution to the problem. (Zeithaml&Bitner, 2004)

1. **Service recovery should be proactive:** - Service recovery needs to be initiated on the spot, ideally before customers have a chance to complain. Service personal should be sensitized to signs of dissatisfaction and ask whether customers might be experiencing a problem, it gives the service personal a chance to recover the service than have a unhappy customer leave the firm and potentially not return.
2. **Recovery procedures need to be planned:** -contingency plans have to be developed for service failures, especially for those that can occur regular by and cannot be designed out of the system. To simplify the task for front line staff, firms should identify the most common service problems and develop predetermined solution sets for employees to follows.
3. **Recover skills must be taught:** -Customers easily feel in secure at the point of service failure because things are not turning out as anticipated. Effective training arms front line staff with the confidence and competence to turn distress in to delight.
4. **Recovery require empowered employees:** -Service recovery efforts should be flexible, and employees should be empowered to use their judgment and communication skills to develop solutions that will satisfy complaining customers. This is especially true for out-of the ordinary failures for which a firm may not have developed and trained potential solution sets. Employees need to have the authority to make decisions in order to resolve service problems promptly and recover customer's good will.

2.6. Service Quality

Stanton, et al (2001) comments that service quality is particular difficult to define, measure, control, and communicate. But quality is define by the customer, not by the producer-seller. In addition Palmer (1995) states that quality can depend only by customers and accurse when the organization supplies goods or services. Moreover according to Kotler and Armstrong (2006), it is difficult to define and judge service quality than product quality. Because, service quality depends on both the delivers and the quality of the delivery.

2.7. Service Quality Dimensions

According to Zeithaml and Bitner (2003) and Vangopal and Raghu (2004) service quality defines and judge based on five specific dimensions.

1. **Reliability**:- Ability to perform the service accurately and dependably.
2. **Empathy**:- Provides caring individualized attention to customers.
3. **Assurance**:- The employee's knowledge and courtesy and their ability to inspire trust and confidence.
4. **Responsiveness**:- The willingness to help customers and provide a prompt service.
5. **Tangibles**:- Are those factors that the customer can see, hear and touch. It includes the appearance o physical facilities, equipments and appearance of physical facilities, equipments and appearance of contract employees. Kotler and Keller (2006), recommended some points regarding hot to improve service quality which are: Listening what the customer want, putting reliability as a service priority better design, encouraging customers to complain to know the company's weak side and develop problem solution system, surprising customers to exceed their expectations, showing fairness to customers as well as to employees, promote team work in the company, making research on employees to know why service problems occur and finally develop an inspiring leadership throughout the company because quality service will be derived from it.

While every service standards set by the company to meet a service quality, there should be an instruction which is specific to customers, measurable and achievable goals, relevant to customers, timely and supported by the company (Ron Karr & Don Blohoiak, 1998).

2.8. Customer Service

Customer service is no longer the responsibility of the customer service department or complaint desk; the responsibility of customer service lies in the hands of every person who works for the organization even those who don't work in the front line (Wong, et al, 2000). According to Payne (2003), customer service can thus be seen as an activity which provides time and place utility for the customer more over Lovelock and Wirtz (2004) pointed that most customer's service activities are provided in support of the core service for a better service delivery. It can be further classified as facilitating service like providing relevant information, order taking.

2.9. A service Business System

Venugopal and Raghu (2004) indicate that, the service delivery system is how the service is provided to customer. It represents the interaction between the service provider and the customer, and between the customer the service facility. The delivery system includes training the employees, organizing equipment and layout for the flow of work. In addition, Lovelock and Wirtz (2004) suggested that service business can be divided into three overlapping systems. The operation system consists of the personnel, facilities, and equipment required running the service visible to the customers. Finally, the marketing system includes not only the delivery system which is composed essentially of the product and distribution elements of the traditional marketing mix, but also additional component, such as billing and payment system, exposure to advertising and sales people, and word of mouth component of people.

2.10. Importance of Service Employees

According to Watkins (2006), when customers come into contact with the organization or members of its staff, they judge the service they receive and form an opinion of the company's overall service level. On the other hand, Lovelock and Wirtz (2004) pin pointed that people in the service marketing involves all human actors who play a part in service delivery and thus influence the buyer's perception on namely, the firm personal, the customer, and other customers in the service environment. Furthermore Nagar (2002) suggested that, Service firm's had to make sure weather this contact employees are knowledgeable and courteous during the service encounter, on the other hand, how effective the sign in terms of visibility, the information provided and what are the contributions of customers during the service encounter should be effectively analyzed.

2.11. Managing Service Failure

It is believed that dissatisfaction at some level will occur whenever there is a failure. Customers can respond service failures in different ways which in turn led them for various types of actions ranging from being passive to changing his/her way to other competitor. (Zeithaml&Bitner, 2003)

Customer compliant actions, as stated by Zeithaml and Bitner, following service failures will have an end result for dissatisfaction where the dissatisfaction can proceed to compliant action or not.

Customers, based on how they respond failures, can be grouped as passives, voicers, irates, and activists according to researches done on grocery stores, automotive repair services, medical care and banking and financial services (Zeithaml&Bitner, 2003).

1. Passives

This group of customers is least likely to take any action. They are unlikely to say any thing to the provider less likely than other to spread negative work of mouth. They often a doubt the effectiveness of complaining, thinking the consequences

will not merit, it takes time and effort they will expend. Sometimes their personal values of norms argue against complaining.

2. Voicers

These customers actively complain to service provider, but they are less likely to spread negative word of mouth to switch patronage, or to third party with their complaints. These customers should be viewed as the service provider's best friend: they actively complain and thus give the company a second chance. As with the passives, these customers are less alienated from the market place than those in the other two groups. They tend to voice their opinions. They believe the consequences of complaining to the provider can be very positive and they believe less in other types of complaining such as spreading word of mouth or talking to third party. Their personal norms are consistent with complaining.

3. Irates

These customers are more likely to engage in negative word of mouth to friends and relatives and to switch providers than are other. They are about average in their interest to complain to the provider. They are unlikely to complain to third part. These talks tend to feel some what alienated from the market placed. As their names suggests they are less likely to give the service provider a second chance and instead will switch to competitors, spreading the word to friends are relatives along the way.

4. Activists

These consumers are characterized by above propensity to complain to the provider, they will tell others, and they are more likely than any other group to complain to third parties. Complaining fits with their personal norms. As with the irates, these consumers are more alienated from the market place than the other groups. They have a very optimistic sense of the potential positive consequences of all types of complaining.

Above all, service providers should know that failure may lead to dissatisfaction and compliant action, and in such cases customers primarily need a fair treatment; outcome fairness, procedural fairness, and interactional fairness (Zeithaml & Bitner, 2003).

Managing those service failures and customer complaints is a task to be done timely by the companies. Service recovery is such a stage to overcome failure. Many companies have learned the importance of providing excellent recovery for disappointed customers. Excellent service recovery is really a combination of a variety of strategies that need to work together. These service recovery strategies include: Fail-Safe your service, do it right for the first time, Welcome and encourage complaints, Act quickly, Treat customers fairly, Learn from recovery experiences, Learn from lost customers, Return to "Doing It Right" (Zeithaml & Bitner, 2003)

When those situations do occur, they will be prepared to impress the customer and keep their business anyway.

2.12. Service Recovery Strategies

Not all companies are doing poorly at service recovery. Many have learned the importance of providing excellent recovery for disappointed customers.

1. Fail-safe your service- Do it right the first time

The first rule of service quality is do it right the first time. In this way recovery is unnecessary, customers get what they expect, and the costs of redoing the service and compensating for errors can be avoided. Reliability or doing it right the first time is the most important dimension of service quality across industry contexts.

2. Welcome and encourage complaints

Even in a zero defections organization that aims for 100 percent service quality, failures occur. A critical components of a service recovery strategy is thus to welcome and encourage complaints. Complaints should be anticipated, encouraged and tracked. The complaining customer should truly be viewed as a friend.

3. Act Quickly

Complaining customers want quick responses. Thus if the company welcomes, even encourages, complaints, it must be prepared to act on them quickly. This requires systems and procedures that allow quick action, as well as empowered employees.

A. Take care of problems on the front line

Customers want the person who hears their complaints to solve their problems whether a complaint is registered in person, over the telephone, or via the internet. Another obvious way to speed complaint handling is to call (or in some cases electronically respond to) customers, rather than send responses in the mail. Even customers who take the time to write can be called back.

B. Empower Employees

For services employees, there is a specific a real need for recovery training. Because, customers demand that service recovery take place on the spot and quickly, front line employees need the skills, authority and incentives to engage in effective recovery. Effective recovery skills include hearing the customer's problems, taking imitative, identifying solutions improving, and perhaps bending the rules from time to time.

C. Treat customers fairly

In responding quickly, it is also critical to treat each customer fairly. Customers expect to be treated fairly in terms of the outcome they receive, the process by which the service recovery takes place and the interpersonal treatment.

D. Learn from recovery Experience

"Problem-resolution situation are more than just opportunities to fix flawed service and strengthen ties with customers. They are also a valuable-but frequently ignored underutilized-source of diagnostic, perspective information for improving customer service". By tracking service recovery efforts and solutions, managers can often learn about systematic problems in the delivery system that need fixing. By conduction

root-cause analysis, firms can identify the sources of the problems and modify processes, sometimes eliminating almost completely the need for recovery.

E. Learn from Lost Customer

Another key component of an effective service recovery strategy is to learn from customers who defect or decide to leave. Formal market research to discover the reason customers have left can assist in preventing failures in the future. This type of research is difficult, even painful for companies, however. No one really like to examine their failures. Yet this is essential for preventing the same mistakes and losing more customers in the future. (Zeithaml&Bitner, 2003)

2.13. Service Failure and Recovery

Service recovery is an important role to be played by companies from their service failures to keep their customers and customer relationship and build loyalty. Service failures can occur for all kind of reasons; the service may be unavailable when promised, it may be delivered late or too slowly, the outcome may be incorrect or poorly executed, or employees may be rude or uncaring. All of these types of failures bring about negative feelings and responses from customers.

Research has shown that resolving customer problems effectively has a strong impact on customer satisfaction, loyalty, and bottom line performance, which in turn increases profitability. Customers who experience service failures, but are ultimately satisfied based on the recovery efforts by the firm, will be more loyal than those whose problems are not resolved (Zeithaml&Bitner, 2003).

Some scholars also believe that, a high level of service recovery may sometimes be granted to satisfy the customers who dissatisfied earlier and increase the degree of loyalty than the first service satisfaction. This is how service recovery is vital in increasing customers and satisfaction level of a company.

The logical, but not very rational, conclusion is that companies should plan to disappoint customers so they can recover and gain even greater loyalty from them as a result! This idea has become known as *the recovery paradox* (Zeithaml&Bitner, 2003).

Of course, this conclusion of the recovery paradox is somewhat complicated and recent study has shown that it has no support at all.

2.14. Impact of Service Recovery

As stated above under service failure and recovery, failures may occur in many kinds of reasons. In either reason, failure can result in customers leaving, telling other customers about their negative experiences, and even challenging the organization through legal channels.

There are, in worst cases, tremendous downsides to having no service recovery or ineffective service recovery strategies. Poor recovery following a bad service experience can lead to consumers who are so dissatisfied they become “terrorists”, actively pursuing opportunities to openly criticize the company. Further, repeated service failures without an effective recovery strategy in place can aggravate even the best employees (Zeithaml&Bitner, 2003). Such consequences of not having an effective service recovery strategy even costs in employee morale and high employee turnover.

2.15. Recovery Paradox

Some have suggested that customers who are dissatisfied, but experience a high level of excellent service recovery, many ultimately be even more satisfied and more likely to repurchase than are those who were satisfied in the first place. This idea has become known the recovery paradox.

Certainly, the recovery paradox is more complex than it may seem on the surface. First of all, it is expensive to fix mistakes and it would appear somewhat ludicrous to encourage service failures-after all, we know that reliability (“doing it right the first time”) is the most critical determination of service quality across industries. Second, empirical research suggests that only under the very highest level of customer’s service recovery ratings will we observe increased satisfaction and loyalty. This research suggests that customers weight their most recent experiences heavily in their determination of whether to buy again. If the experience is negative, overall

feelings about the company will decrease and absolutely superlative, it cannot overcome the negative impression of the initial experience enough to build repurchase intentions beyond whether they would be if the service had been provided correctly in the first place. (Zeithaml&Bitner, 2003)

2.16. Employees common Service Recovery Practice

Employees can be important listening posts, discovering sources of customer dissatisfaction and service failure on the front line. Each individual employee “owns” any complaint that he or she receives and is responsible for seeing that service recovery occurs. In turn, the employees report these sources of service failure and the remedies. If common themes are observed across a number of failure situations, changes are made to service processes or attributes.

2.17. Impact of Service Recovery on Customers Loyalty

When complaints are satisfactorily resolved, the customers involved are much more likely to remain loyal, complaint handling should be seen as a profit center and not a cost center. When a dissatisfied customer values the next transaction. It may also lose a long term stream of profits from the customer and from anyone else who switches suppliers or is determined from doing business with that firm because of negative comments from an unhappy friend. Thus it pays to invest in service recovery design to protect those long term profits (Lovelock &Wirtz, 2004).

2.18. Customer Satisfaction and response for the Service Recovery

2.18.1. Customer Satisfaction - Relationship Marketing

According to Anderson and Vincez (2000) Relationship marketing focus on building long term relationship with customers, suppliers, procedure, employee distributor and making facilitator. Similarly, Kotler and Armstrong (2004) stated customer relationship management as the overall process of building and maintaining

profitable customer relationships by delivering superior customer value and satisfaction.

Relationship marketing is concerned with in much broader view of marketing in order to provide the best value proposition in terms of both products and services. It is necessary to consider wide range of marketers. Relationship marketing implies consideration of not just better relationships with customer markets, but also the development and enhancement of relationship with suppliers, recruitment intend referral and influence markets (Balaji, 2002)

Resolving customer problems effectively has a strong impact on customer satisfaction, loyalty and bottom-line performances. That is customers who experience service failures, but are ultimately stratified based on recovery efforts by the firm, will be more loyal than those whose problems are not resolved. (Zeithaml&Bitner, 2003).

2.18.2. Customers Response for Service Failure

When there is a service failure, customers can respond in a variety of ways. It is assumed that following a failure, dissatisfaction at some level will occur for the customer. In fact, research suggests that a variety of negative emotions can occur following a service failure, including such feelings as anger, discontent, disappoint, self-pity, and anxiety. These initial negative responses will affect how customers evaluate the service recovery effort and presumably their ultimate decision to return to the provider or not.

Many customers are very passive about their dissatisfaction, simply saying or doing nothing. Whether they take action or not, at some point the customers will decide whether to stay with that provider or switch to a competitor. As we already have seen, those who do not complain are least likely to return. For companies, customer passivity in the face of dissatisfaction is a threat to future success. (Zeithaml&Bitner, 2003).

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with the presentation, analysis and interpretation of the data which are filled out and returned by the randomly selected Wegagen Bank loan section customers of Bole, Mesalemia, Tekle-Haimanot and Meskel branches, loan section employees and interview held with the loan section heads of the aforementioned branches.

The data were obtained through questionnaires and interview. The questionnaires were distributed to 170 customers of loan section, while interviews were held with 10 non-management employees and loan section heads of the four branches.

Out of the 170 questionnaires distributed to customers only 156 were completed and returned giving rise to a 91% response rate; that is, 91% of the questionnaires distributed to customers were completed and returned. Also interview responses were obtained from ten employees of the loan section and the four loan section heads. Thus, the analysis is based on the 156 questionnaires filled and returned from customers and the interview results obtained from 10 non-management employees of the loan section as well as the opinions of the 4 loan section heads.

3.1. General Characteristics of the Customer respondents

Table 1: General Characteristics of customerrespondents

Item	Question	Frequency	Percentage (%)
1	Sex		
	A. Male	90	58
	B. Female	66	42
Total		156	100
2	Age		
	A. 18-27 years	22	14
	B. 28-37 years	29	19
	C. 38-47 years	35	22
	D. 48-56 years	45	29
	E. Above 57 years	25	16
Total		156	100
3	Educational Back Ground		
	A. Below 10 th grade	13	8
	B. 10 th complete	52	33
	C. Certificate	20	13
	D. Diploma	45	29
	E. 1 st Degree and above	26	17
Total		156	100
4	Occupation		
	A. Governmental Organization	15	10
	B. Private Organization	22	14
	C. Merchant	94	60
	D. Broker	25	16
	E. Other	0	0
Total		156	100

Source: Survey Questionnaire

Table 1 presents the profile of the customer respondents. From item 1 we understand that male and female respondent customers account for 90(58%) and 66(42%), respectively. This means the bank has reasonably higher proportion of male customers in its loan section. When we look at the age of the respondent customers, we learn that 22(14%) are in the age group of 18-27 years, 29(19%) are in the age group of 28-37 years, 35(22%) are in the age category of 38-47 years, 45(29%) are in the age category of 48-56 years and the remaining 25(16%) of the respondents are at the age of above 57 years. This means most of the respondent customers of bank in its loan section are matured adults.

Item 3 of table 1 summarizes the educational background of the respondents. From the total number of respondents 13(8%) were below 10th grade, 52(32%) of respondents were 10th complete, 20(13%) of respondents were have certificate, 45(29%) of respondents were diploma level and the rest 26(17%) of respondents were 1st degree and above. From this we can infer that most of the customers are literates who can communicate effectively the service providers.

Regarding the occupation of the respondents, 15(10%) of them are government employees, while private organization employees, merchants and brokers comprised 22(14%), 94(60%), 25(16%) of respondents, respectively. From this we can deduce that business people (merchant customers) comprised the majority of customers in the loan section of the bank.

3.2. Analysis of the finding of the study

This research study tried to investigate service recovery practice of loan section of Wegagen Bank from customers' evaluation, employees' practice of the recovery and managers point of view. Thus, in this section responses from customers, loan section employees and loan section heads are presented, analyzed and interpreted in the form of percentages and tables as follows.

Table 2: Length of time using Wegagen Bank’s loan service

Item	Question	Frequency	Percentage (%)
1	For how many years have you been using Wegagen Bank’s loan service?		
	A. <1 year	40	26
	B. 1-5 years	42	27
	C. 6-10 years	45	29
	D. 11 years and above	37	24
	Total	156	100

Source: Survey Questionnaire

From table 2 above we can see that from the total respondents 40(26%) have been using loan service of the bank for less than 1 year, 42(27%) of customers from 1 to 5 years, 45(29%) of customers using the bank from 6 to 10 years and the rest 37(24%) for 11 years or longer. From this we can infer that majority of respondents 116(74%) have been using the loan section of the bank for one or more years. Thus, they would have sufficient level of experience with the services of the bank.

Table 3: Level of Satisfaction and service failure

Item	Question	Frequency	Percentage (%)
1	How satisfied are you with the loan service provided by Wegagen Bank?		
	A. Strongly Satisfied	9	6
	B. Satisfied	22	14
	C. Neutral	54	35
	D. Dissatisfied	64	41
	E. Strongly Dissatisfied	7	4
	Total	156	100
2	Have you encountered any types of service failure from Wegagen Bank loan section?		
	A. Yes	96	62
	B. No	60	38
	Total	156	100
3	Did you get any service recovery from the loan section before?		
	A. Yes	53	55
	B. No	43	45
	Total	96	100
4	What service recovery services did you get?		
	A. Getting a less than requested loan	54	56
	B. Getting reconciliation	21	22
	C. Immediate response as per the request	16	17
	D. Referring to other banks to get foreign exchange	5	5
	Total	96	100
5	Were you satisfied with the service recovery efforts of the bank?		
	E. Yes	32	33
	F. No	64	67
	Total	96	100
6	How did the bank address the service failure?		
	A. Forced to dispose loan request		
	B. Delay in loan request approval	48	50
	C. Issues related to collateral	21	22
	D. Shortage of foreign currency	18	19
	Total	32	100

Source: Survey Questionnaire

From item 1 of table 3, we can see that from the total respondent customers, only 9(6%) are strongly satisfied, 22(14%) are satisfied, 54(35%) are neutral, 64(41%) are dissatisfied and the rest 7(4%) are strongly dissatisfied with the services given by the loan section of the bank. From this we can deduce that a good proportion 71(45%) customers are dissatisfied by the services provided by the loan section of the bank. The interview data collected from the employees (section heads and front desk employees in the loan section) indicates that their unit tries to provide a good quality service to customers. They also indicated that sometimes they witness customer complaints.

Item 2 of table 3 indicates service failure experience of customers in the loan section of the bank. Of the total customer respondents, 96(62%) encountered service failure while 60(38%) of the respondent customers haven't encountered any type of service failure in the loan section of the bank. Thus, we understand that majority of customers have experienced service failure.

Item 3 of table 3 shows whether customer respondents who have experienced service failure have got any form of service recovery. Of the total 96 customers who have experienced service failure, 53(55%) indicated that the failed services were recovered by the loan section employees while the remaining 43(45%) reported that the failed services were not recovered. That means, a fairly large proportions (45%) of the failed services are not recovered. The data obtained from the loan section employees of the bank reaffirms this by saying that the bank doesn't have the capacity (due to financial constraint created by the National Bank of Ethiopia [NBE] that compels private banks to buy government bonds for a total of 27 percent of the loan disbursement capacity of each bank, bearing only three percent interest)to recover all the service failures. When we look at the types of loan requests that usually create customer complaints at the bank, the section heads revealed that though all loan requests potentially create complaints, usually project financing loan requests are frequent sources of customer complaints and service failure.

Customers were also asked to describe types of service recovery they received. Based on this 30(56%) of them said that they get loan but it is not as they request,

12(22%) of them said that they get reconciliation, 9(17%) the bank try to respond their request immediately and the rest 3(5%) get a recovery of recommending other bank to get foreign exchange.

Furthermore, of the total customer respondents who have encountered service failure at the loan section of the bank, 48(50%) indicated that they were forced to dispose their loan request, 21(22%) reported that their loan request were not approved on time, 18(19%) reported that have encountered problems related to collateral and the rest 9(9%) faced a problem of shortage of foreign currency. From this we understand that loan request disapproval as the most common and major cause of service failure.

The customers who get service recovery were asked about their level of satisfaction with the service recovery. 64(67%) indicated that they were not satisfied while 32(33%) were satisfied with the service recovery. This implies that most (67%) of the customers who get service recovery were not satisfied with the recovery.

Table 4: Employee's willingness, promptness and section's service recovery system^{1*}

Item	Question	Frequency	Percentage (%)
1	Service giving employees are willing to solve problems of customers.		
	A. Strongly Agree	44	28
	B. Agree	67	43
	C. Neutral	36	23
	D. Disagree	9	6
	E. Strongly disagree	0	0
Total		156	100
2	There is prompt service recovery system on the section.		
	A. Strongly Agree	24	15
	B. Agree	26	17
	C. Neutral	29	19
	D. Disagree	30	19
	E. Strongly Disagree	47	30
Total		156	100
3	Employees are equipped with ample knowledge about loan service recovery.		
	A. Strongly Agree	26	17
	B. Agree	32	21
	C. Neutral	70	45
	D. Disagree	20	13
	E. Strongly Disagree	8	5
Total		156	100

Source: Survey Questionnaire

¹Even though only 96 customers have experienced service failure, all (156) of them answered the questions. Thus, the analysis is based on the 156 customer respondents.

Table 4 indicates employees' willingness, promptness and section's service recovery system as rated by customers. From item 1 of table 4, we understand that 44(28%) of customers strongly agree that employees are willing to help and facilitate their request, 67(43%) of the customers agree that customers are helpful enough, 36(23%) of customers are neutral as to the willingness of employees to process their request, and the rest 9(6%) indicated that employees are not willing to solve customer problems.

When we look at the promptness in which service failures are recovered (item 2 of table 4), 24(15%) of respondent customers are strongly agree that there is prompt service recovery in the loan section of the bank;26(17%) of respondent customers agree, 29(19%) of respondent customers are neutral, 30(19%) of respondent customers disagree and the rest 47(30%) strongly disagree about the promptness of the service failure recovery. From the results we understand only32% of customers believed that the service recovery is quick enough while the rest (68%) are either indifferent or unhappy with the speed of service recovery. Interview results obtained from loan section heads and other employees also reaffirm the opinion of customers that service recovery is not as such prompt enough as the service recovery passes throughseries of steps such as accepting appeal letter (reconsideration letter), analyzing the complainant's file, and handling the request by forwarding it to higher level for management decisions.

According to item 3 of table 4, customers were askedtheir opinion how knowledgeable loan section employees are about loan service recovery. About 26(17%) of customers strongly agree that employees are knowledgeable, 32(21%) of respondent customers agree that employees are knowledgeable, whereas 70(45%) of respondent customers are unsure,and 20 (13%) disagree about the qualification of employees while 8(5%) strongly disagree about the qualification of employees. Thus, we can reasonably say that most (63%) respondent customers do not believe that employees are equipped with ample knowledge about loan service recovery. Similarly, the data obtained from the respective loan section heads indicate that the employees are young (younger than 30 years old), highly qualified (70% first degree

and above holders, and 30% diploma holders), with reasonably little experience in the banking industry (average work experience in the loan section is about 2 years).

Table 5: Means of Communication, consideration of complaint and initiation towards providing immediate service recovery

Item	Question	Frequency	Percentage (%)
1	What are the means that you prefer to communicate your complain to the bank?		
	A. Using suggestion box	7	4
	B. For service desk	48	31
	C. Directly for the service provider	76	49
	D. For Managers	25	16
	E. Other, specify	0	0
Total		156	100
2	How do you evaluate employee-customer relation of Wegagen Bank S.C		
	A. Very Good	24	15
	B. Good	48	31
	C. Medium	72	46
	D. Bad	10	6
	E. Very Bad	2	1
Total		156	100
3	How do you rate the consideration of Wegagen Bank Loan Section employees for your complaint during service failure?		
	A. Very Good	19	12
	B. Good	37	24
	C. Neutral	66	42
	D. Bad	25	16
	E. Very Bad	9	6
Total		156	100
4	How do you rate employee's motivation to provide immediate service recovery?		
	A. Very Good	30	19
	B. Good	37	24
	C. Neutral	51	33
	D. Bad	26	17
	E. Very Bad	12	8
Total		156	100

Source: Survey Questionnaire

Table 5 presents survey results on the means of communication, consideration of complaint and initiation towards providing immediate service recovery. Item 1 of table 5 asked customers about their preferred way of communicating their service complaints to the bank. From the results obtained, we understand that 7(4%) respondent customers are prefer to use suggestion box, 48(31%) respondent customers prefer to use the service desk, 76(49%) respondent customers prefer to directly complain to the service provider, and the remaining 25(16%) respondent customers prefer to directly complain to the management of the loan section. Thus, the results indicate that large proportions (96%) of customers prefer to complain directly in person to the front desk, or to the service desk, or to the management of the loan section, while a very small proportion (4%) of customers prefer the use of suggestion box. This implies that there is smooth communication for handling service failure. Interview results obtained from the employees including loan section heads indicate that customers are encouraged to present their complaints directly to the concerned body – the service provider, the service desk, or to management of the loan section.

In item 2 of table 5 customers were asked to evaluate the quality of their relationship with employees of the bank. 24(15%) of the responding customers indicated that customers do have a very good relationship with employees, 48(31%) believed that the relationship is good, 72(46%) believe that the quality of relationship is medium, 10(6%) indicated that the relationship is bad, and the rest 2(1%) believed that the quality of relationship with employees is very bad. The result implies that the only a small percentage (7%) of the customers felt that they do have a bad quality relationship with employees. The results obtained from both the loan section heads and other employees supports customers' opinion as both loan section heads and other employees believe that they do have a good understanding and cordial relationship with customers. Further, interview results obtained from loan section heads indicate that the bank provides on- and off-the job customer handling training for its new employees when hired.

Customers whose satisfaction level is poor were also asked to give reasons for their below average satisfaction levels. They indicated that some employees do not treat all customers equally, some employees are involved in corruption (they are involved in kick-back business), and some others are careless.

Customers were also asked about their opinion on how considerate the loan section employees of the bank are for their complaints during service failure. From the results of item 3 of table 5, we understand that 19(12%) respondent customers rate the consideration of loan section employees for customers' complaint during service failure as very good, 37(24%) as good, 66(42%) as neutral, 25(16%) bad and, 9(6%) as very bad. The results suggest that only 22% of customers believe that employees are not considerate enough to their complaints, which ultimately leads to a fractious relationship between employees and customers during the unpleasant circumstances of service failure. The interview results obtained from loan section heads indicate that when service failure happens the bank tries to recover and provide such options as encouraging customers to write a reconsideration letter to the management of the bank, giving equivalent loan with their collateral, requesting higher management to reconsider customers request, increasing the amount on the permitted loan by considering customers' long term relationship with the bank, etc.

Item 4 of table 5 asked customers about the motivation of employees to provide immediate service recovery. 30(19%) respondent customers rated employees' motivation to provide service recovery as very good, 37(24%) rated it as good, 51(33%) rated it as neutral, 26(17%) rate it as bad and, 12(8%) rated it as very bad. From this we deduce that a quarter (25%) of customers believe that employees do have a bad or worse level of motivation to provide immediate service recovery. Interview responses obtained from loan section heads also acknowledged the fact that that some employees do lack the enthusiasm to provide an immediate service recovery when service failure occurs.

Table 6: Response time for service recovery and overall methods of customers' problem resolution of Wegagen Bank Loan Section

Item	Question	Frequency	Percentage (%)
1	How do you rate the response time for service recovery?		
	A. Very Fast	26	17
	B. Fast	31	20
	C. Moderate	42	27
	D. Slow	36	23
	E. Very slow	21	13
Total		156	100
2	How do you evaluate the overall methods of customer's problem resolution of Wegagen Bank Loan Section?		
	A. Very Good	29	19
	B. Good	21	13
	C. Medium	72	46
	D. Bad	24	15
	E. Very Bad	10	6
Total		156	100

Source: Survey Questionnaire

Table 6 captures customers' opinion regarding the response time for service recovery and customers' problem resolution methods of Wegagen Bank Loan Section. Item 1 addresses response time for service recovery. The results indicate that 26(17%) of the customer respondents believe that the service recovery time is very fast, 31(20%) believe that the service recovery time is fast, 42(27%) believe that the service recovery moderate, 36(23%) believe that the service recovery time is slow, and 21 (13%)believe that the service recovery time is very slow.From this information we can understand service recovery takes a relatively long time as one-third (33%) of customers did not believe that the service recovery was quick enough. The interview results also support the customers' claim. In an interview conducted with

employees, the essential factors that affect service recovery time are identified to be the bank's procedure that need to be followed, the slow response of management, personal opinions of service providers, and the directives issued by the National bank of Ethiopia.

In item 2 of table 6 customers were asked their opinion about the complaint resolution methods employed by the loan section of the bank. Accordingly, 29 (19%) respondent customers believe that the overall methods of customers' problem resolution of the bank as very good, 21(13%) as good, 72(46%) as medium, 24(15%) as bad, and 10 (6%)as very bad. From these results we can infer that a good proportion (21%) of customers rate the overall customer complaint resolution methods as bad or very bad.

Those customer respondents who rated the overall customer complaint resolution methods of the bank as medium or below were asked to give their reasons for their 'below good'. Accordingly, they indicated the following points: (1) most of the time the methods does not satisfy customers, (2) some problems can't be solved by the loan section employees so loan section employees refer the problems to managers; but the managers do not give responses quickly.

Further, customers were asked to pinpoint strengths and weaknesses of the loan section service recovery system (practice) of Wegagen Bank's loan section. They only identified weaknesses such as lack of employees' motivation to handle customer complaints, frequent disapproval of loan requests, unclear loan policies of the bank, and lengthy loan approval process followed in the bank. The last weakness (lengthy loan approval process) is also acknowledged by employees of the bank.

At last employees were asked about the most common problems that create service failure in the loan section. They identified as the main cause: disapproval of loan, difficulty of getting loan upon customers' request, National Bank orders not to give loan up on customers' demand, failure of customers to pay the loan on time, and insufficient documentation presented by customers when they apply for requesting loan.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Ever since the final goal of the study is determined to be assessing the service recovery practice of loan section of Wegagen Bank, research question were raised, related literatures were reviewed and data were collected using questionnaire from customers and interview loan section employees- section heads and other employees.

The gathered data were presented, analyzed and interpreted through descriptive method as revealed in the previous chapter. From the analysis made in the third chapter the following summary, conclusions and recommendations were drawn:

4.1 Summary of Major Findings

- The customers of the bank are relatively well-established with 74% of them using the bank for one year or more.
- 80% of customers are either dissatisfied or neutral with the services provided by the loan section of the bank.
- 62% of the total customer respondents encountered service failure in the loan section of the bank.
- Project financing loan requests are frequent sources of customer complaints and service failure.
- 55% of the customer respondents who have experienced service failure indicated that the failed services were recovered by the loan section employees.
- Loan request disapproval is found to be the most common and major cause of service failure whereby 50% of the respondents indicated that they were forced to dispose their loan request.
- Most (67%) of customers who get service recovery were not satisfied with the service recovery efforts of the bank.
- 71% of customers moderately agree that employees are willing to help and facilitate their request.

- Majority (68%) of customers believed that the service recovery process is not quick.
- Service recovery at the bank involves the following steps: writing appeal letter (reconsideration letter), analyzing the complainant's file, and handling the request by forwarding it to higher level for management decisions.
- Most (96%) customers prefer to communicate service complaints to the bank directly in person to the service provider, or to the service desk, or to the management of the bank.
- About 53% of customers believe that the quality of customer-employee relationship at the bank is medium, bad or very bad.
- The bank provides on-the-job and off-the-job customer handling training to new employees when they are hired.
- Some of the complaints aired by customers include some employees do not treat all customers equally, some employees are involved in corruption (they are involved in kick-back business), and some other employees are careless.
- Most (64%) customers rate employees' concern for service failures as indifferent or bad.
- When service failure happens employees try to recover the service by providing such options as encouraging customers to write a reconsideration letter to the management of the bank, giving equivalent loan with their collateral, requesting higher management to reconsider customer's request, increasing the amount on the permitted loan by considering customers' long term relationship with the bank, etc.
- Most (58%) respondent customers rated employees' motivation to provide immediate service recovery as indifferent or [very] bad.
- Majority (63%) of the customer respondents believe that the time it takes for the bank to recover service is long.
- The factors that affect the service recovery time are (1) the bank's lengthy procedure that needs to be followed, (2) the slow response of management, (3) personal opinions of service providers, and (4) the directives issued by the National Bank of Ethiopia.

- Interview results indicate that the main causes of service failure in the loan section are (1)disapproval of loan, (2) difficulty of getting loan upon customers' request, (3) National Bank orders not to give loan up on customers' demand, (4) failure of customers to pay the loan on time, and (5) insufficient documentation presented by customers when they apply for requesting loan.
- Customers indicated that the major weaknesses of the bank as lack of employees' motivation to handle customer complaints, frequent disapproval of loan requests, unclear loan policies of the bank, and lengthy loan approval process followed in the bank.

4.2 Conclusions

The gathered data were presented, analyzed and interpreted through descriptive method as revealed in the previous chapter. From the analysis made in the third chapter the following conclusions were drawn:

- The major causes of service failure in the loan section are (1) disapproval of loan, (2) difficulty of getting loan upon customers' request, (3) National Bank orders not to give loan up on customers' demand, (4) failure of customers to pay the loan on time, and (5) insufficient documentation presented by customers when they apply for requesting loan.
- The factors that affect the service recovery are (1) the bank's lengthy procedure that needs to be followed, (2) the slow response of management, (3) personal opinions of service providers, (4) lack of sufficient capacity (capital), (5) unclear loan policies of the bank, and (6) the directives issued by the National bank of Ethiopia.
- The most commonly used methods of service recovery are obtaining modified loans, referrals to other banks to get foreign exchange, and immediate response to appeals.
- Most customers who get service recovery were not satisfied with the service recovery efforts of the bank, and most customers believe that employees are neither highly motivated nor very considerate to their complaints and requests.
- Most customers prefer to present their complaints to the bank in person to the front desk, or to the service desk, or to the management of the loan section.

4.3 Recommendations

Based on the analysis made and conclusions drawn, the following recommendations are forwarded to the bank so that it improves its services, reduce service failure and improve customer satisfaction.

- Most customers indicated that they have experienced service failure and a fairly large proportions (44%) of the failed services were not recovered; the bank is advised to take the necessary measures to avoid service failures through the use of one or more of the following methods:
 - Make clear the requirements to be eligible for loan,
 - Implement a speedy loan approval process,
 - Make the system of collateral clear to customers,
 - Set clear guidelines and empower employees to avoid referring loan request decisions to upper management of the bank and,
 - Increase the foreign currency reserve of the bank.
- Customers also indicated that some employees of the bank do not treat all customers equally, some are involved in corruption (they are involved in kick-back business), and some others are careless. The bank is advised to take all the necessary steps to clear customers' doubt about discriminatory service rendering practices at the bank.
- Good proportions of customers who get service recovery were not satisfied with the service recovery efforts of the bank, and also believe that employees are neither highly motivated nor very considerate to their complaints and requests. Thus, the bank is advised to offer employees continuous (not once as is the practice) on-and off-the-job customer handling trainings to improve customer-employee relations and thereby enhance customers satisfaction as dissatisfied customers might shift to other banks in not so long.
- Loan request disapproval is found to be the most common and major cause of service failure whereby 50%of the respondents indicated that they were forced to dispose their loan request. The bank is advised to find ways in which to improve the approval of customers' loan request.

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Appendices

St. Mary's University College

Faculty of Business

Department of Marketing Management

Questionnaire to be filled by customers of Wegagen Bank S.C

This questionnaire is prepared by the student of St. Mary's University College department of Marketing Management for the partial fulfillment of degree program in Marketing Management.

The main purpose of this questionnaire is to support a study titled as, an assessment on service recovery practice of Wegagen Bank. The questionnaire will be filled by loan section users of Bole, Mesalemia, T/Haimanot and Meskel branches of the bank. Thank you in advance for due care and correct answer.

N.B.

- You are not required to write your name
- Please make to answer the questions
- Questions related to your opinion please write in shortly and precisely on the space provided.

I. General Background

1. Sex

A. Male

B. Female

2. Age

A. 18-27 years

D. 48-56 years

B. 28-37 years

E. Above57years

C. 38-47 years

3. Educational back ground

A. Below 10th grade

D. Diploma

B. 10th complete

E. 1st Degree and above

C. Certificate

4. Occupation

A. Governmental Organization

C. Merchant

B. Private Organization

D. Broker

E. Other (pleas specify) _____

II. Research Related Questions

5. For how many years have you been using Wegagen Bank's loan service?

A. <1 year

C. 6-10 years

B. 1-5 years

D. Above 11 years

6. The loan service delivered by Wegagen Bank is in the level of satisfaction?

A. Strongly Satisfactory

D. Dissatisfactory

B. Satisfactory

E. Strongly dissatisfactory

C. Neutral

7. Have you encountered any type of service failure from Wegagen Bank?

A. Yes

B. No

8. If your answer is "Yes" for question No. 7 please explain the failure?

9. Did you get any service recovery from the loan section before?

A. Yes

B. No

10. If your answer is "yes" for question No. 9

a. What type of service recovery was made?

b. Are you satisfied by the service recovery that you have received?

A. Yes

B. No

11. Service giving employees are willing to solve problems of customers.

A. Strongly Agree

D. Disagree

B. Agree

E. Strongly Disagree

C. Neutral

12. There is prompt service recovery system on the section.

A. Strongly Agree

D. Disagree

B. Agree

E. Strongly disagree

C. Neutral

13. Employees are equipped with ample knowledge about loan service recovery.

- A. Strongly Agree D. Disagree
B. Agree E. Strongly Disagree
C. Medium

14. What are the means that you prefer to communicate your complain to the bank? (Put check mark on the appropriate box or boxes)

- A. By using suggestion box
B. For service desk
C. Directly for engaged person
D. For managers
E. Other (please specify) _____

15. How do you evaluate employees relation with customers of Wegagen Bank?

- A. Very Good D. Bad
B. Good E. Very Bad
C. Medium

16. If your answer is below good for question No. 15 please reason out your answer?

17. How do you rate the consideration of Wegagen Bank loan section employees for your complaint during service failure?

- A. Very Good D. Bad
B. Good E. Very Bad
C. Medium

18. How do you rate employee's initiation towards providing immediate service recovery?

- A. Very Good D. Bad
B. Good E. Very Bad
C. Medium

19. How do you rate the response time for service recovery?

- A. Very Fast D. Slow
B. Fast E. Very Slow
C. Moderate

20. If you have any problem that doesn't mentioned once you want to indicate other than the above?

21. How do you evaluate the overall methods of customer's problem resolution of Wegagen Bank loan section?

- A. Very Good
- B. Good
- C. Medium

- D. Bad
- E. Very Bad

22. Please list the strength and weakness of loan section service recovery system (practice) of Wegagen Bank's loan section.

Strength _____

Weakness _____

St. Mary's University College

Faculty of Business

Department of Marketing Management

Interview questions for loan section employee's of Wegagen Bank S.C

1. For how many years have you been working in Wegagen Bank's loan section?
2. Is the service delivery given by loan section satisfactory for customers?
3. What are the reasons for not satisfactory?
4. How do you evaluate your relation with customers?
5. What type of service recovery did you give for the loan section customers?
6. Did you provide prompt service recovery for loan customers
7. How do you rate your dedication towards providing immediate service recovery?
8. What are the factors that affect service recovery practices at loan section?
9. How do you evaluate your willingness to give solution to the complaints?
10. What are the most common problems that arouse service recovery in the loan section?
11. How do you evaluate the overall methods of customer's problem resolution of the section?

St. Mary's University College

Faculty of Business

Department of Marketing Management

Interview Question for Loan Section Managers

This interview questions are prepared for Bole, Mesalemia, T/Haimanot and Meskel branches Loan Section Heads in relation to customer's complaint handling and service recovery practice.

1. What type of training does Wegagen Bank gives for its contact employees on loan section to improve customer handling?
2. What are the reasons that Wegagen Bank Loan section service not delivered as promised by the bank?
3. Which kind of loans are frequently complaining by the customers?
4. How does the section respond to different kinds of complainers during service failure?
5. How do you recover the complaints?
6. When service fail or errors made, do you late your contact employees resolve the situation using their judgment?
7. What specific mechanisms are used by the section to recover the failure?
8. How does the section use customer's complaint and suggestion as a contribution for service recovery improvement?
9. What are the major factors that affect service recovery?

External Examiner

Signature

DECLARATION

I, the undersigned, declare that this senior essay is my original work, prepared under the guidance of W/ro Meseret Worku. All sources of materials used to the manuscript have been dully acknowledged.

Name: Samrawit Tilahun G/Mariam

Signature: _____

Place of Submission: St. Mary's University College

Date of Submission: _____

SUBMISSION APPROVAL SHEET

This senior essay has been submitted for examination with my approval as an advisor.

Name: _____

Signature: _____

Date: _____