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Always through the lens of the Customer: Proactive Service Recovery

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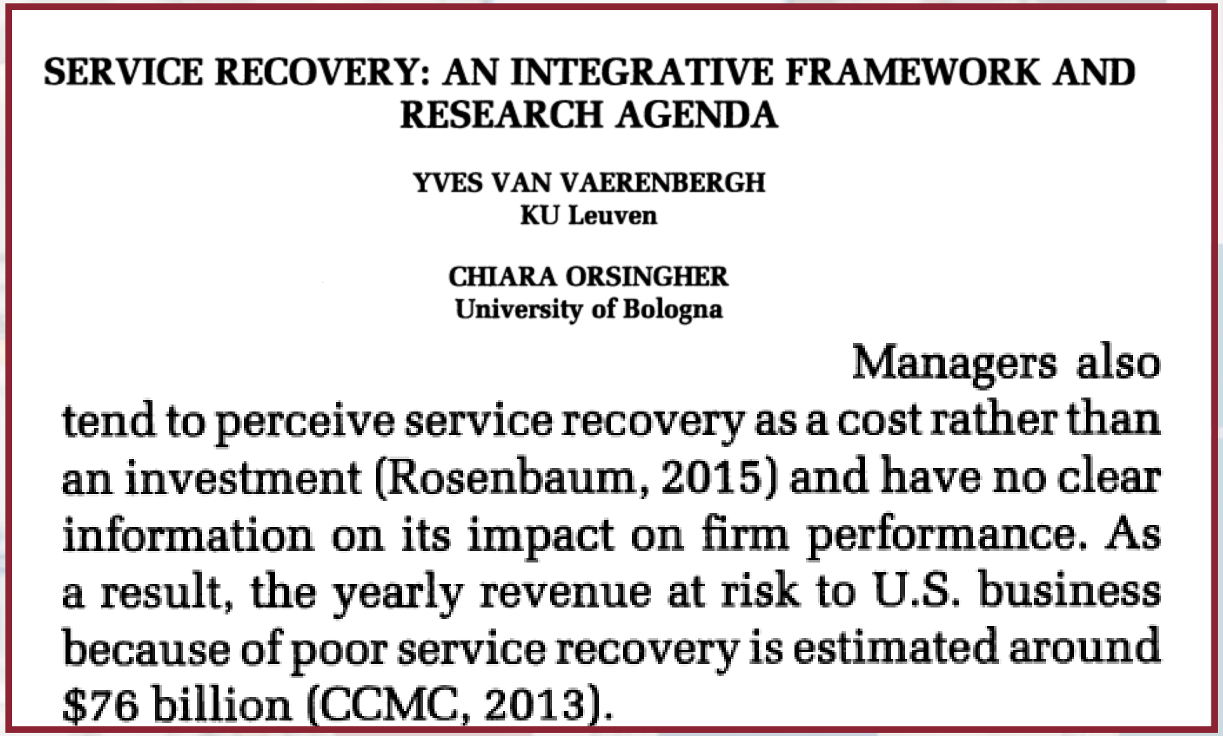
“In the service industry, **proactive service recovery** is simply the act of **reaching out to the customer and providing apologies and/or remedies with goodwill** when something goes wrong. This act **must be performed before the customer contacts the service provider** to express his or her dissatisfaction, as by that stage the service recovery becomes a reactive service recovery.”



SERVICE RECOVERY: AN INTEGRATIVE FRAMEWORK AND RESEARCH AGENDA

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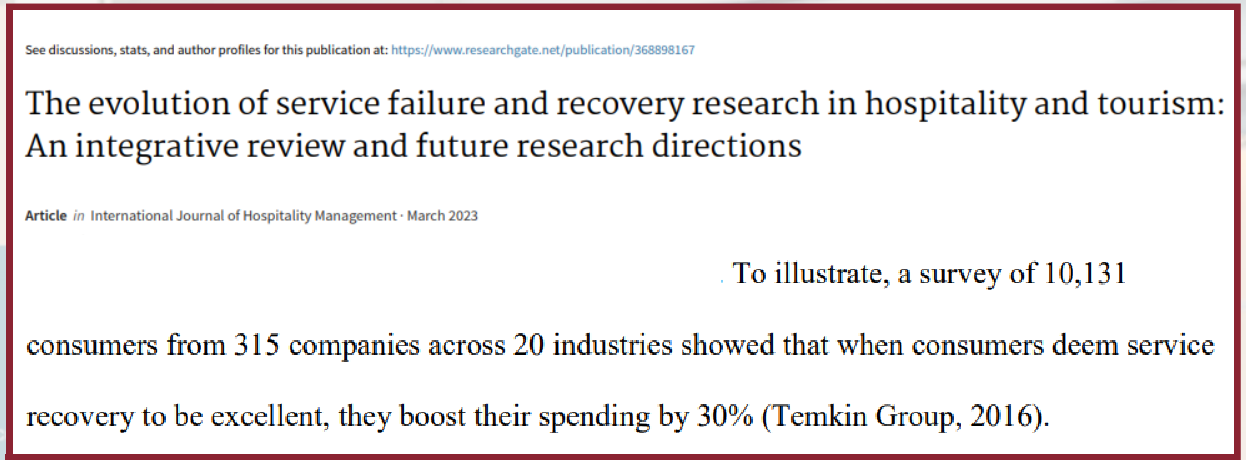
Managers also tend to perceive service recovery as a cost rather than an investment (Rosenbaum, 2015) and have no clear information on its impact on firm performance. As a result, the yearly revenue at risk to U.S. business because of poor service recovery is estimated around $76 billion (CCMC, 2013).



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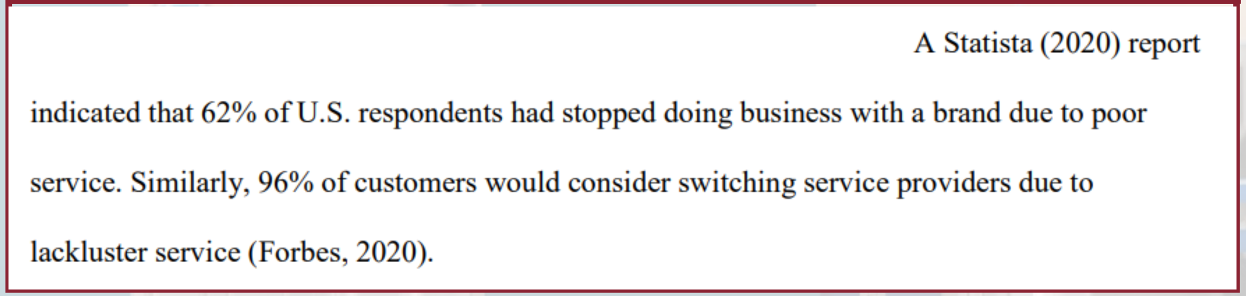
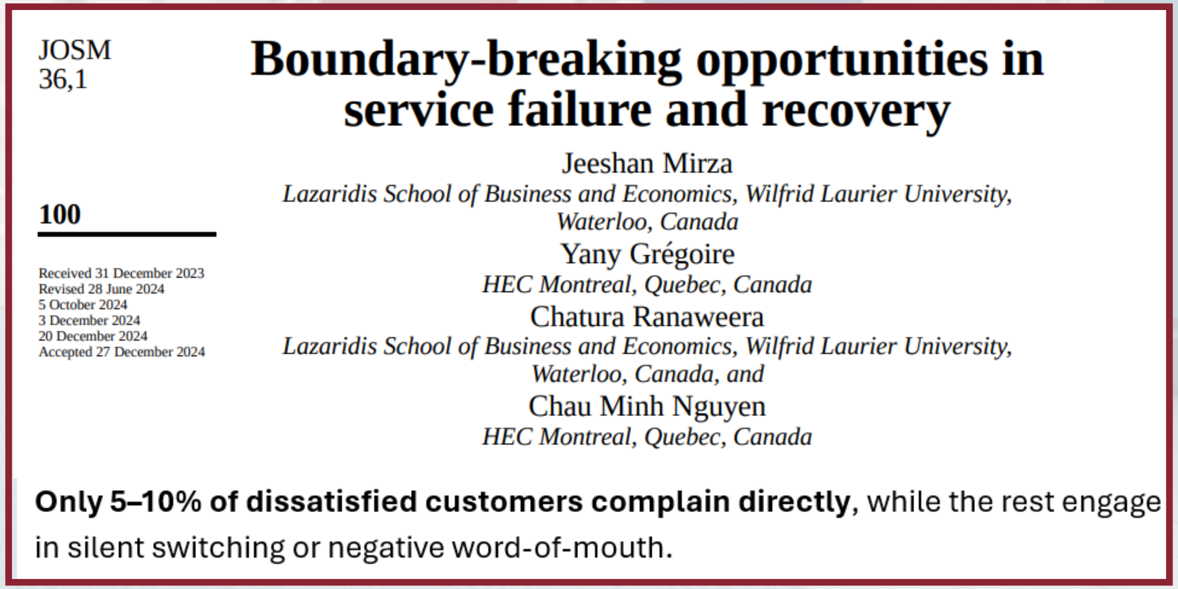
The evolution of service failure and recovery research in hospitality and tourism: An integrative review and future research directions

Article *in* International Journal of Hospitality Management · March 2023

To illustrate, a survey of 10,131 consumers from 315 companies across 20 industries showed that when consumers deem service recovery to be excellent, they boost their spending by 30% (Temkin Group, 2016).



A Statista (2020) report indicated that 62% of U.S. respondents had stopped doing business with a brand due to poor service. Similarly, 96% of customers would consider switching service providers due to lackluster service (Forbes, 2020).



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Boundary-breaking opportunities in service failure and recovery

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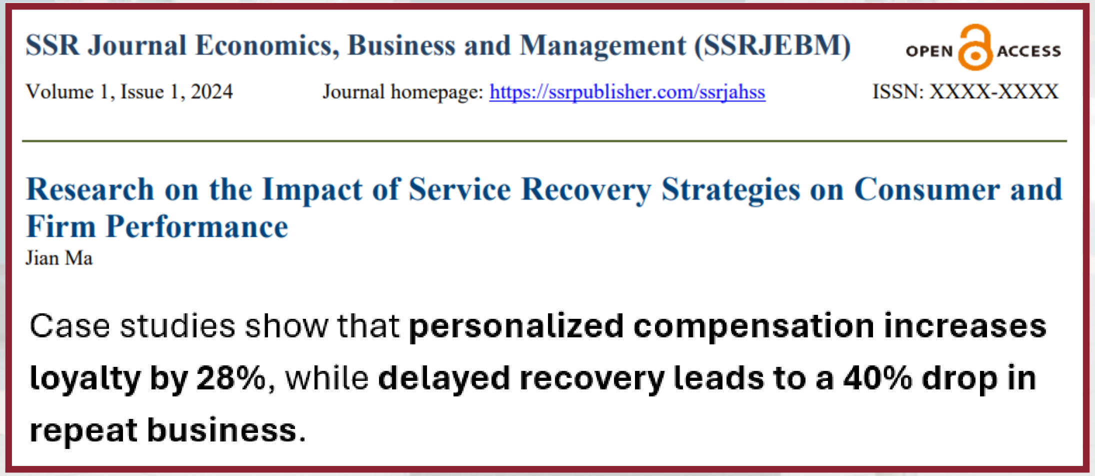
Only 5–10% of dissatisfied customers complain directly, while the rest engage in silent switching or negative word-of-mouth.



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Research on the Impact of Service Recovery Strategies on Consumer and Firm Performance

Jian Ma

Case studies show that **personalized compensation increases loyalty by 28%**, while **delayed recovery leads to a 40% drop in repeat business**.

Purpose 1: Winning back the customers
Purpose 2: Early resolution of disputes

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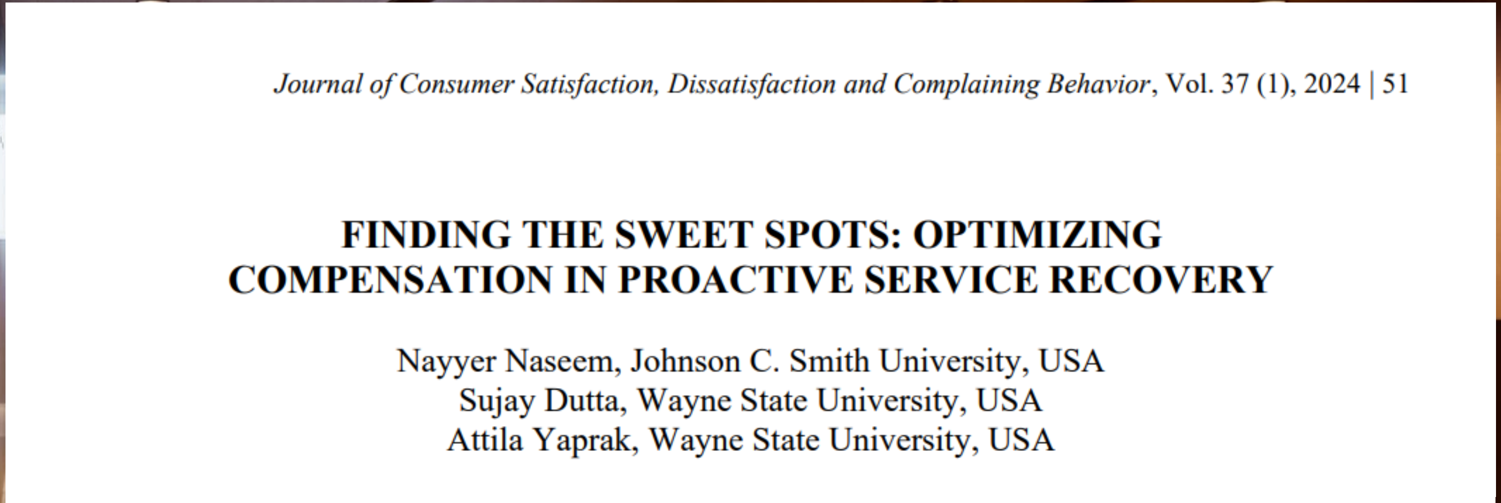
Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior, Vol. 37 (1), 2024 | 51

FINDING THE SWEET SPOTS: OPTIMIZING COMPENSATION IN PROACTIVE SERVICE RECOVERY

Nayyer Naseem, Johnson C. Smith University, USA
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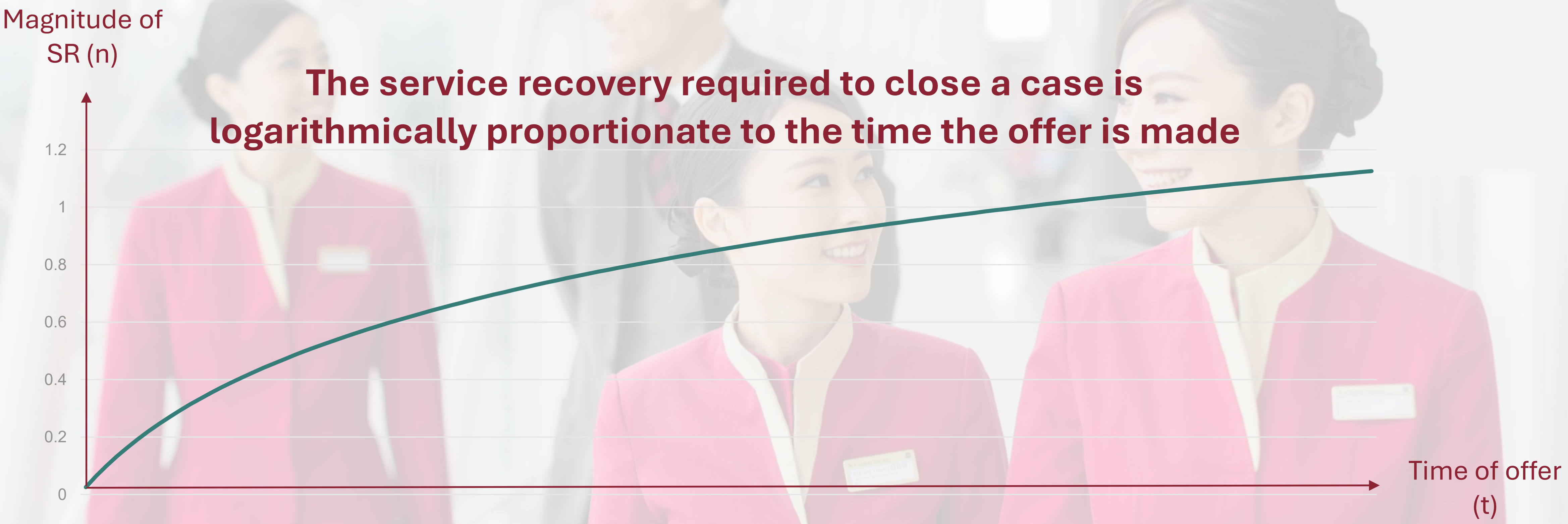
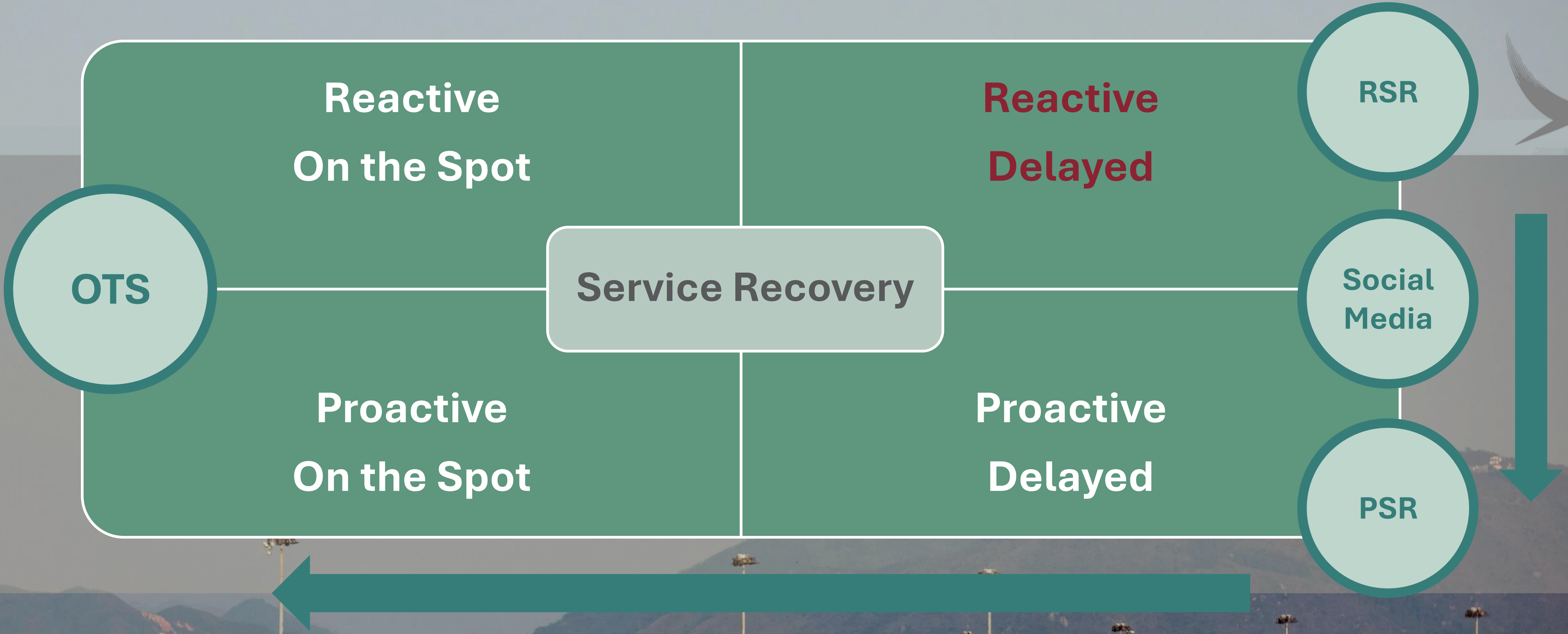
In the coat defect scenario (moderate failure), proactive compensation led to:

- 22.6% higher customer satisfaction than reactive recovery.
- 10.3% higher repurchase intentions.
- 18.3% lower negative word-of-mouth.
- 11.3% lower anger levels.

Why is time of the essence?



The service recovery required to close a case is logarithmically proportionate to the time the offer is made



Reactive

On the Spot

Reactive

Delayed

OTS

Service Recovery

RSR

Social Media

PSR

Proactive

On the Spot

Proactive

Delayed

Potential considerations (to be taken by each airline separately)

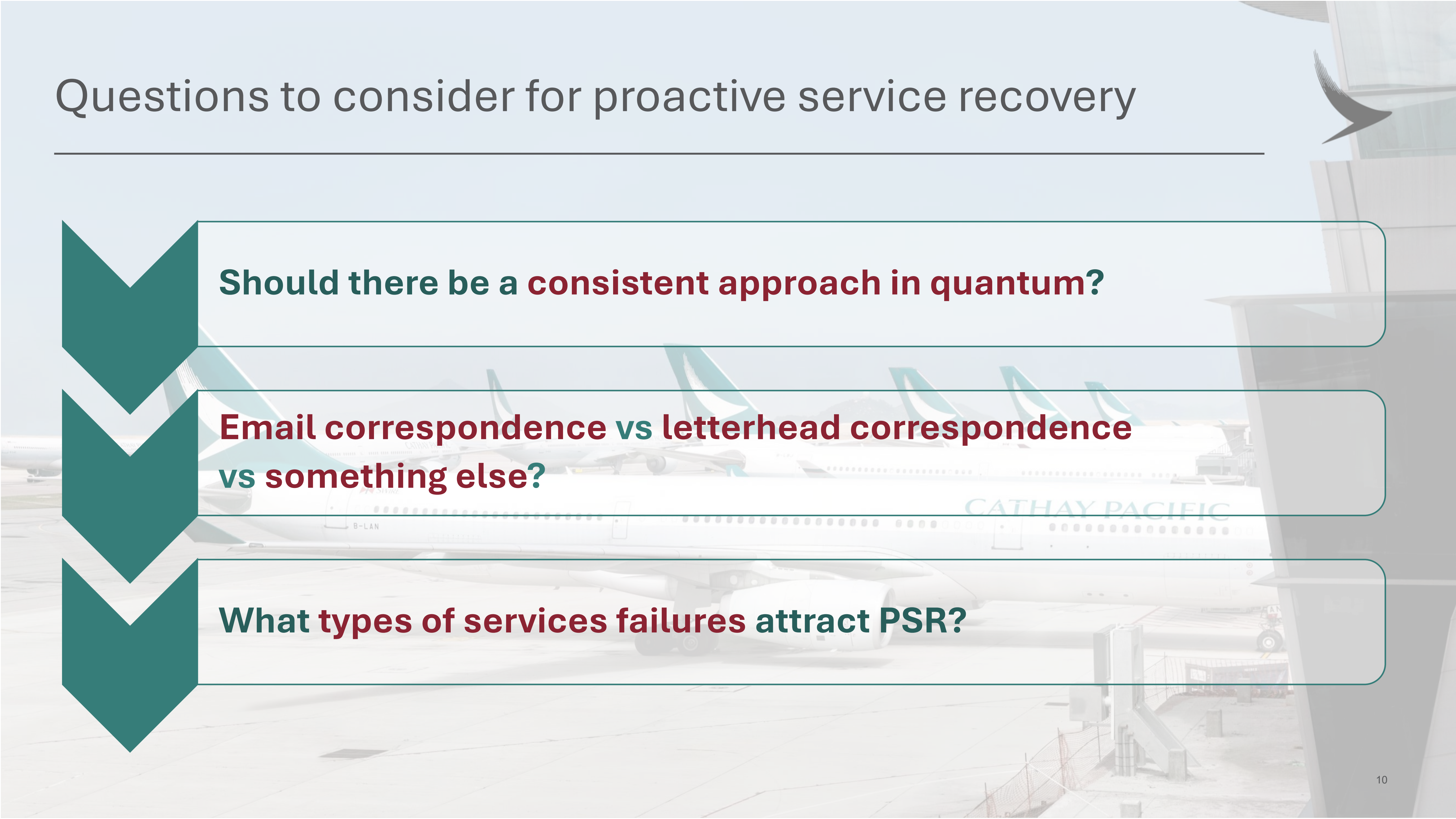
Focus on “non-extraordinary” events, events which happen because of the airline’s fault.

Regardless of who paid for the ticket the proactive service recovery should be provided to the passenger.

Offering frequent flyer miles can keep goodwill offered back into the airline’s ecosystem.

Be clear what is offered is goodwill and not compensation and not refunds.

Questions to consider for proactive service recovery



- **Should there be a consistent approach in quantum?**
- **Email correspondence vs letterhead correspondence vs something else?**
- **What types of services failures attract PSR?**