

Service Recovery

A GREAT RETURN ON INVESTMENT

I don't care how good your organization is, or how good your people are, you will make an occasional mistake that could cost you customers. How you handle those mistakes can make the difference between your company's survival or its demise. Service recovery—doing whatever is necessary to solve a customer's problem quickly and to that customer's satisfaction—is critical for any business.

Research shows that customers who have had a problem with a company—and have had that problem solved to their satisfaction—are more loyal than customers who have never had a problem with the company. Service recovery is one of the most effective—and inexpensive—tools any organization can have in attracting and retaining customers.

Along with increased loyalty, comes another positive byproduct: word-of-mouth advertising. This is the most powerful advertising you can get, and it costs you almost nothing and it also carries much more credibility than any advertising you can pay for. When customers tell their friends and family members about the wonderful service they received from a company, they are giving that company their stamp of approval and luring other customers to it.

Service recovery has the greatest impact when it is practiced by frontline employees. At a recent dinner at Outback Steakhouse, I notified Alex, the restaurant's host, that his knife had water spots. Alex apologized, replaced it, and said, "We're going to do something for you." A few minutes later, Nate, the manager, stopped by my table, apologized, and, supporting Alex's decision

to compensate us for the water-spotted knife, he offered me a complimentary dessert. All I wanted was a clean knife, but what I got was gold-star service. The dessert, which was listed at \$6 and was large enough for two diners, was probably worth about \$1 out of pocket. But with all of the word-of-mouth advertising I have given Outback Steakhouse, both in person and through my online newsletter, as a result of how they treated me, that \$1 investment in service recovery garnered Outback Steakhouse advertising that was probably worth tens of thousands of dollars. Outback is one of very few companies that has mastered service recovery.

Service recovery is critical to keeping customers—and to the survival of any Business. I recommend taking these four steps whenever a customer experiences a problem with your organization:

1. **Act quickly.** The magic occurs when a customer's problem is handled by a frontline employee. If that employee must seek approval from several superiors, which takes time, the customer becomes increasingly frustrated and the opportunity to solve the problem—and save the sting of the situation—is greatly decreased.
2. **Take responsibility.** Don't pass the blame on to someone else, simply admit that a mistake has been made and apologize for the situation. Don't take it personally; you are merely acting on behalf of the company to ensure that the problem is solved and that the customer is satisfied. An apology also goes a long way toward defusing a customer's anger.
3. **Be empowered.** What impressed me with

the situation at Outback was that Alex took care of my problem without having to consult with his manager. He not only replaced my water-spotted knife, he offered me a free dessert. In the process, he gained my loyalty as a customer.

4. **Compensate.** Every company has something it can give to a customer who experiences a problem. It doesn't have to cost a lot, but its value as far as goodwill and customer loyalty will be priceless. Identify 10 to 20 products your company has that have value in the eyes of the customer but won't cost you an arm and a leg when used as compensation for a problem. For an airline, that might be a first-class upgrade, while for a dentist it might be a free cleaning.

In order for service recovery to work, it must be embraced by every employee in the organization, from the CEO on down. Employees, especially frontline employees, must be trained on how to deal with disgruntled customers and empowered to solve their problems quickly without having to seek approval from a superior. When you make service recovery part of your business strategy, you will boost the loyalty of your customers, attract new customers with word-of-mouth advertising, and see a dramatic increase in revenues. **RO**

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