

Project Dissertation Report on

“EFFECTIVENESS OF SERVICE RECOVERY ON CUSTOMER SATISFACTION”

Submitted By

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Under the Guidance of

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CERTIFICATE FROM THE INSTITUTE

This is to certify that the project report entitled, “**Effectiveness of Service Recovery on Customer Satisfaction**”, is Bonafide record of work done by **Ravi Raj Kumar** submitted to Delhi School of Management, DTU in partial fulfilment of the requirements for the award of the degree of **MASTER OF BUSINESS ADMINISTRATION** under my supervision and guidance.

Project Guide

Dr Deep Shree

Head of Department

Mr. Rajan Yadav

Date:

Place:

STUDENT DECLARATION

I hereby declare that this project work entitled “**Effectiveness of Service Recovery on Customer Satisfaction**” is a record of the project work carried out by me under the guidance of **Dr. Deep Shree**, Assistant Professor of MBA Department of Delhi School of Management, DTU in partial fulfilment of the requirements for the award of the degree of **MASTER OF BUSINESS ADMINISTRATION**.

I also declare that this project report has not been submitted by me, fully or partially for the award of any other degree, diploma, title or recognition before.

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ACKNOWLEDGEMENT

At the outset, I express my heartfelt thanks & gratitude to those who sincerely helped and supported me throughout the project & without their active support & help it would not have been possible for me to complete the venture. As such, I once again extend my sincere thanks & gratitude to all of them.

To this effect, at first, I take the opportunity to express my profound gratitude and deep regards to my mentor **Dr. Deep Shree** for her active guidance and constant supervision together with time to time providing of necessary information connected with the project and her active support in completing the project.

Finally, I would like to express my earnest gratitude to my friends and family members for their constant support & encouragement without which the assignment would not have been completed.

EXECUTIVE SUMMARY

Service recovery is now no more an alternative for the businesses in today's competitive world. We have seen its importance rising as an essential component for customer retention strategies and building long term relationship with their customers. Organization should incorporate necessary or suitable training to front facing personnel in terms of attitude, skills and behaviour towards handling critical customer situations at service encounter stage. Certain determinants of service recovery has been used to categorize the satisfaction level like Speed of Recovery, Management system, CRM automation and marketing.

Service recovery is an important tool for efficient customer relationship management. We will be studying about the ways to mitigate the Service Gaps, how Service recovery happens and thus, in subsequent portions of this research paper we will see whether service recovery has an impact on customer satisfaction in the online retail space particularly Big Basket as it a leading online retail for fast moving consumer goods and perishable commodities.

The CRM practices are adopted to generate better understanding of the customer for product development, segmentation, appropriate targeting, campaign management and maintenance of long term profitable and mutually beneficial relationships with customers. CRM is the strategy for building, managing and strengthening loyal and long-lasting customer relationships. CRM is a customer centric approach based on customer insight. Its ultimate objective is towards 'Personalized' handling of customers as distinct entities through the identification and understanding of their differentiated needs, preferences and behaviours.

CRM-based customer service modules can provide traditional customer service capabilities that are further enhanced by providing a complete picture of all customer interactions. The creation and management of individualized or service-all marketing initiatives and pricing strategies are also streamlined and organized. Most CRM systems also include social media listening tools that allow you to track and respond to social media sentiment in real-time.

A leading name in online retail is Big Basket. It is India's largest online food and grocery store and is known for its great quality products and on-time delivery. Its presence is spread across the country and has a wide array of products. Customers are spoilt for choice as all their grocery needs are met at one place. However, service failure is something that is unavoidable and even Big Basket has to undertake service recovery to maintain customer loyalty and satisfaction for its service failures.

The study conducted to see how successfully and efficiently service recovery methods help in having better satisfaction level. Also, the study addresses the impact of service failure and service recovery on customer loyalty. A case study on Big Basket explains how its customers responded to service recovery strategies.

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CHAPTER – 1 Introduction

1.1 Service Recovery

One of the biggest challenges faced by organizations these days is service failure in the highly competitive environment that organizations operate in. Service failure can be defined as providing services to customers that are below their expected level. Hence, extent and magnitude of service failures can hamper a company's relationship with its customers and have a significant impact on its credibility, image and profitability.

We can explain the reason and occurrence of service failure through the **Gap Model of Service Quality**. This model consists of a **Customer Gap** and four **Provider Gaps**. The customer gap is the gap between the customers' service expectations and management's perception of these expectations. The four Provider gaps can be explained as follows:

1. Gap between the management's perception of customer expectations and the translation of these perceptions into service quality specifications.
2. Gap between the translations of managements perceptions into service quality specifications and the Service delivery.
3. Gap between Service delivery and External communications to customers.
4. Gap between External communications to customers and Customers perceptions.

A high customer turnover is a consequence of continuous service failures as businesses function amid high competition and switching costs for customers is low. Hence, companies need to take steps to reduce the occurrence and magnitude of service failures and also undertake adequate service recovery. Service recovery is the way a company addresses and solves the problems faced by its customers to avoid losing its customers and also to maintain customer loyalty. Customer satisfaction is nothing but how happy and satisfied the customers are with a company's products, offerings, services, etc. It can be measured through surveys, ratings, etc.

Service recovery is an important tool for efficient customer relationship management. We will be studying about the ways to mitigate the Service Gaps, how Service recovery happens and thus, in subsequent portions of this research paper we will see whether service recovery has an impact on customer satisfaction in the online retail space particularly Big Basket as it a leading online retail for fast moving consumer goods and perishable commodities.

1.2 OBJECTIVES OF THE STUDY

- The impact of service failure and service recovery on customer loyalty
- How customers respond to service recovery strategies

1.3 SERVICE RECOVERY STRATEGY- BIG BASKET



Figure 1

Big Basket's Service Recovery strategy should be around the above 4 parameters as they would result in building a positive image and contributing to a positive word of mouth.

CHAPTER – 2

2.1 LITERATURE REVIEW

With continuous innovation and the aim to make the economy completely digital, technology has become an important part of everyone's life. The ease and comfort with which we can perform daily activities is commendable. In this context, we cannot ignore the importance of online retail platforms. Being able to get for instance, any item delivered at our doorstep in a couple of hours just by tapping few buttons on our smartphones is no more a surprise. In fact, it has now become a common practice for most households in Urban India.

A leading name in online retail is Big Basket. It is India's largest online food and grocery store and is known for its great quality products and on-time delivery. Its presence is spread across the country and has a wide array of products. Customers are spoilt for choice as all their grocery needs are met at one place. However, service failure is something that is unavoidable and even Big Basket has to undertake service recovery to maintain customer loyalty and satisfaction for its service failures.

Examples of service failures for Big Basket are:

- Delayed and/or Incorrect deliveries
- Bad quality products
- Charging prices higher than MRP
- Spillage and packaging issues

Hence, adequate service recovery needs to take place at the earliest to maintain customer satisfaction. If adequate service recovery does not take place then customers will switch to competitors and say, through word-of-mouth communications customer turnover will also increase and customer loyalty will fall.

As a result, for its customer service Big Basket has a live chat option that is available from 10 pm to 7 am on every day of the week and a customer helpline number with the same working hours as the live chat.

2.2 SERVICE RECOVERY DETERMINANTS

Service recovery is now no more an alternative for the businesses in today's competitive world. We have seen its importance rising as an essential component for customer retention strategies and building long term relationship with their customers. Organization should incorporate necessary or suitable training to front facing personnel in terms of attitude, skills and behaviour towards handling critical customer situations at service encounter stage. Certain determinants of service recovery could be categorized as mentioned below:

- **Speed of Recovery:** This is in context of efficiency of the service provider to respond in the shortest time possible. Any sort of delay in response with respect to customer's expectations would imply inefficiency and hence could build a perception in the customer's mind that the

service provider is inefficient. Even an acknowledgement of the registered complaints helps in building the first line of trust and hence automation of this method proves helpful to the service provider to build and maintain connect with the distressed customers.

- **Management System:** This is one of the key factors which have a significant impact on service recovery. Generally, service providers have a considerable fraction of customers who have some sort of dissatisfaction from the services received. Hence, even in a well-structured and managed firm the problem of service failure might still exist. Therefore, a wide range of customer touch points and service recovery techniques must be used to ensure that the clients have the required means by which they have the medium to register their complaints at the required levels of engagement.
- **Empowerment:** The front-line customer executives should be sufficiently empowered to act in interest of servicing the customers better and also to necessarily influence the organization's performance in service recovery. An unsatisfied customer doesn't want to interact with different employees at the service provider's end explaining the scenarios and waiting for long to get their concerns addressed and resolved. Front-line staff is the first line of interaction for the customer and are in best position to decide and react to grievance based upon the case. However, with lack of empowerment of the front-line staff the service recovery suffers. The "two level up" strategy can be useful in this case.
- **Culture and Psychology:** There is a proven relationship between culture, service quality and satisfaction. A strong customer centric culture has a tremendous direct and strong impact on the efficient service recovery.
- **Tangible Compensation:** Compensation can be perceived as an admission of service failure and help in efficient service recovery and therefore enhance the image of the service provider to handle the service failure cases. When the recovery personnel are in the middle of a resolution and offers an immediate recovery without an apology or, a delayed response accompanied by an apology and also offers a discount then it has a positive impact on satisfaction. Hence, it is assumed that compensation is seen as a more powerful form of apology. Vouchers and coupons also form part of tangible compensation and have proved to be effective.

As now we have seen various components of service recovery, we will now analyse its impact on customer satisfaction and CRM. There are various components to customer relationship management like:

- **Sales Force Automation:** This is one of the most essential components of customer relationship management. Tracking the past service failure incidents in CRM helps to categorize the customers in different risk and prospect levels, thus helps in providing necessary engagement information about the customer. Also, with tracking of various service failures we also gain insights about the areas which need immediate attention for service delivery based upon the frequency of the type of service failure.

- **Human Resource Management:** This also helps in training and process quality improvement initiative for the front-line staff as they have updated information about relevant service failure and its corresponding service recovery methods. It as a useful component for online retailing firms as well as other firms since it helps in building an effective people strategy and analyses the existing service recovery mechanism for the service gaps.
- **Lead Management:** Tracking of prospective sales leads and its distribution is one of the key factors of CRM. Successful service recovery helps in moving the leads successively from Cold → Warm → Hot leads, and a failed service recovery has a negative impact and might lead to the reverse level down Hot → Warm → Cold. Service recovery has a great impact on lead management and hence a positive experience for the customer is very essential for it being a good prospect in future.
- **Customer Service:** CRM has a strong focus towards collecting and maintaining the information of the customer and their purchase and past interactions and thereafter share it with necessary concerned departments. Every concerned department like sale, marketing and serviced delivery etc. are required to take steps to develop their awareness of the customer needs as well as complaints. With an efficient service recovery mechanism across all departments a customer feels more connected with the firm and it also helps the business to deliver quick and perfect solution and thereby improves the chances of customer's repeat engagements.
- **Marketing:** Publicity and brand image of a firm for being a pioneer in being a good service recovery firm definitely helps in very positive marketing, creating a sense of trust amongst the prospective customers and also builds a competitive image of the firm in the market.

CHAPTER – 3

3.1 RESEARCH METHODOLOGY

A cross sectional study was carried out among students and working professionals in the metropolitan cities of India. We have conducted both Primary and Secondary Research for the purpose of this study. The secondary research was conducted using various references and sources available on the internet.

For primary research, data was collected using a structured questionnaire which is included in the Annexure. The total number of respondents is 80. All the respondents use services offered by Big Basket on a regular basis. The methodology followed was as follows:

- **Nature of Research:** The research conducted is both qualitative and quantitative in nature. The target customers were provided with a questionnaire.
- **Sampling Procedure:** Stratified sampling method was used, the respondents identified for the survey were regular users of Big Basket.
- **Data Collection:** Data has been collected from the consumers using a pre tested questionnaire. The questions were closed ended and were framed in a simple language. Both primary and secondary data has been collected.
- **Data Analysis:** The data collected is decoded properly and analysed using MS Excel. Regression Analysis has been used to understand different implications.

CHAPTER – 4

Data Analysis

4.1 FINDINGS AND ANALYSIS

4.1.1 SAMPLE DEMOGRAPHICS

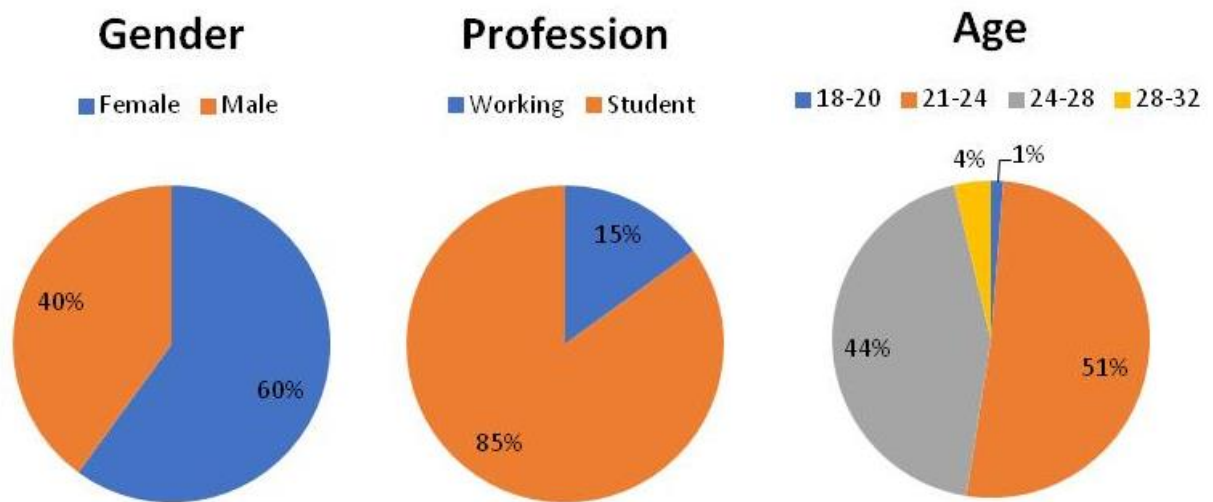


Figure 2

After running regression on a sample of 80 respondents, the R – Square for various scenarios was observed. Details of regression results, assumption and inputs are summarized below.

Dependent Variable – Customer Satisfaction, this factor was noted from the question. After receiving the remedy from the service representative, I would never shop at this online store in the future.

The response was recorded on Likert scale

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neutral
- 4 = Agree
- 5 = Strongly Disagree

The independent variables which were tested for correlation are mentioned below along with their designative questions for which the response was also recorded on the Likert scale as above.

- Compensation received as expected
 - **Designated Question:** In resolving the service failure, the vendor did not compensate as per my expectation.
- Importance of replacement or reversal of payment
 - **Designated Question:** While resolving the problem, I always demand the replacement or reversal of payment for service recovery.
- Time taken to resolve the issue
 - **Designated Question:** I feel the length of time that service representatives take to resolve my problem is longer than necessary.
- Interacting with multiple representatives and re-iterating the problem
 - **Designated Question:** I had to interact with multiple representatives and communicate my problem multiple times.

4.1.2 SCENARIO 1: BASED ON COMPLETE SAMPLE – 80 RESPONDENTS

Independent Variable –

- X1 = Compensation received as expected
- X2 = Importance of replacement or reversal of payment
- X3 = Time taken to resolve the issue
- X4 = Interacting with multiple representatives and re-iterating the problem

<i>Regression Statistics</i>	
Multiple R	0.824404878
R Square	0.679643403
Adjusted R Square	0.662557718
Standard Error	0.591644298
Observations	80

Equation: $Y = 0.14X1 - 0.35X2 + 0.08X3 + 0.55X4 + 1.53$

4.1.3 SCENARIO 2: BASED ON COMPLETE SAMPLE – 80 RESPONDENTS

Independent Variable –

- X1 = Compensation received as expected
- X2 = Importance of replacement or reversal of payment

- X3 = Interacting with multiple representatives and re-iterating the problem

<i>Regression Statistics</i>	
Multiple R	0.822120049
R Square	0.675881374
Adjusted R Square	0.663087218
Standard Error	0.591179924
Observations	80

Equation: $Y = 0.16X1 - 0.35X2 + 0.57X3 + 1.64$

4.1.4 SCENARIO 3: FEMALE – 48 RESPONDENTS

- X1 = Compensation received as expected
- X2 = Importance of replacement or reversal of payment
- X3 = Time taken to resolve the issue
- X4 = Interacting with multiple representatives and re-iterating the problem

<i>Regression Statistics</i>	
Multiple R	0.818563064
R Square	0.670045491
Adjusted R Square	0.639352048
Standard Error	0.574416669
Observations	48

Equation: $Y = 0.0005X1 + 0.17X2 - 0.31X3 + 0.56X4 + 1.4$

4.1.5 SCENARIOS 4: MALE – 32 RESPONDENTS

- X1 = Compensation received as expected
- X2 = Importance of replacement or reversal of payment
- X3 = Time taken to resolve the issue
- X4 = Interacting with multiple representatives and re-iterating the problem

<i>Regression Statistics</i>	
Multiple R	0.825607029
R Square	0.681626967
Adjusted R Square	0.634460591
Standard Error	0.622614365
Observations	32

Equation: $Y = 0.25X_1 + 0.08X_2 - 0.4X_3 + 0.47X_3 + 1.74$

4.1.6 SCENARIO 5: WORKING CLASS – 12 RESPONDENTS

- X1 = Compensation received as expected
- X2 = Importance of replacement or reversal of payment
- X3 = Time taken to resolve the issue
- X4 = Interacting with multiple representatives and re-iterating the problem

<i>Regression Statistics</i>	
Multiple R	0.896779086
R Square	0.804212729
Adjusted R Square	0.692334288
Standard Error	0.552571182
Observations	12

Equation: $Y = -0.07X_1 + 0.10X_2 - 0.34X_3 + 0.66X_4 + 1.83$

CHAPTER – 5

5.1 SUMMARY

The summary of the responses received from the survey has been summarized below for the independent variables and their designated question from the survey

- Time taken to resolve the issue
 - **Designated Question:** I feel the length of time that service representatives take to resolve my problem is longer than necessary.

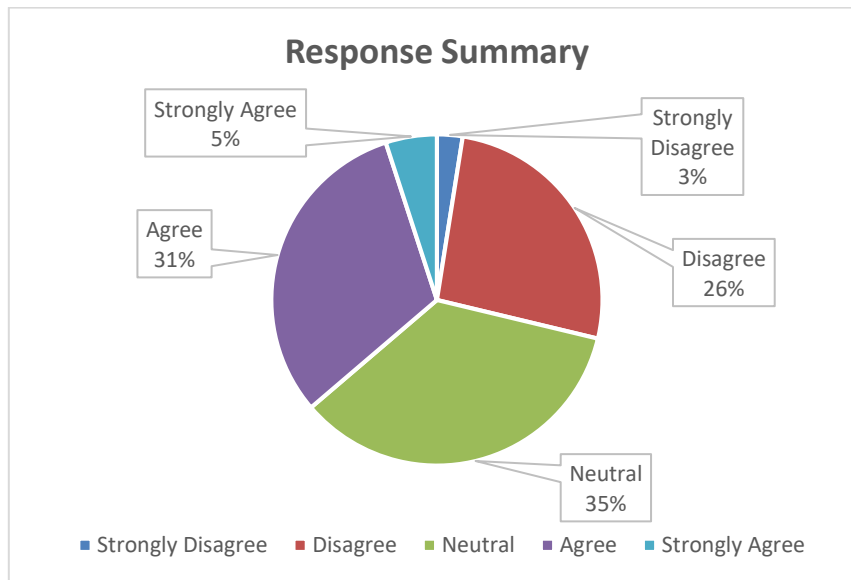


Figure 3

Response Category	Count	Response Type	Count	Male	Female
Strongly Disagree	2	Disagreement	23	12	11
Disagree	21				
Neutral	28	Indifferent	28	9	19
Agree	25	Agreement	29	11	18
Strongly Agree	4				

Figure 4

Agreement and disagreement are having a very close ratio; hence we can infer that time taken to resolve a conflict has no dominating trend.

However, female respondents seem to have an unpleasant experience in terms of waiting time as compared to the male respondents.

- Importance of replacement or reversal of payment
 - **Designated Question:** While resolving the problem, I always demand the replacement or reversal of payment for service recovery.

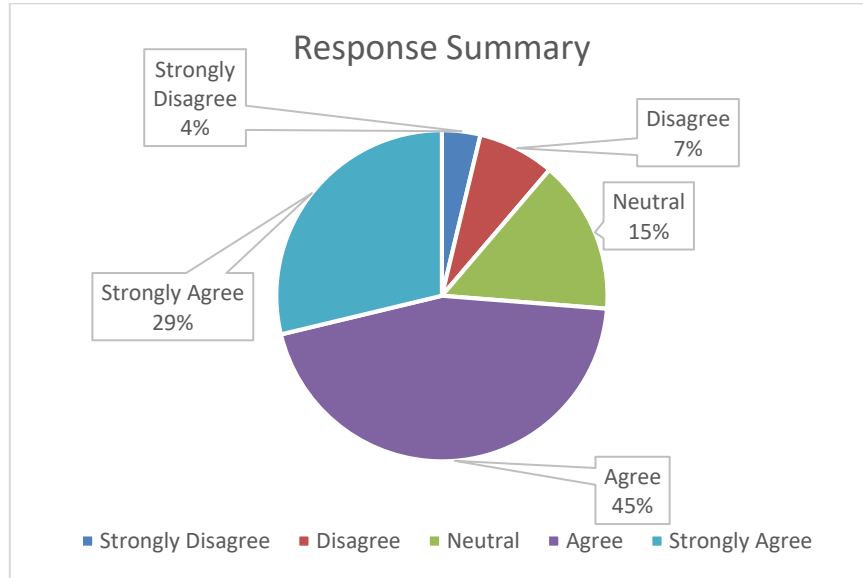


Figure 5

Table 1

Response Category	Count	Response Type	Count	Male	Female
Strongly Disagree	3	Disagreement	9	5	4
Disagree	6				
Neutral	12	Indifferent	12	4	8
Agree	36	Agreement	59	23	36
Strongly Agree	23				

Agreement is dominating here, hence we can infer that replacement or reversal of payment is the most desired customer expectation

Also, female respondents are more likely to ask for a replacement or reversal of payment as compared to male respondents

- Compensation received as expected
 - **Designated Question:** In resolving the service failure, the vendor did not compensate as per my expectation.

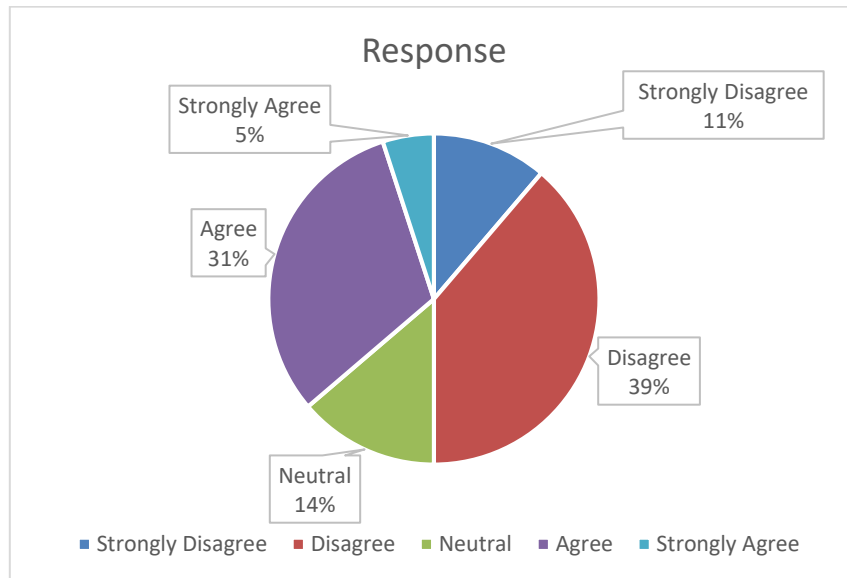


Figure 6

Table 2

Response Category	Count	Response Type	Count	Male	Female
Strongly Disagree	9	Disagreement	40	13	27
Disagree	31				
Neutral	11	Indifferent	11	4	8
Agree	25	Agreement	29	13	16
Strongly Agree	4				

Disagreement is dominating here, hence it can be inferred that Vendor did compensate the customer as per their expectation

However, female respondents seem to have a fair experience in terms of their service recovery expectations as compared to male respondents

- Interacting with multiple representatives and re-iterating the problem
 - **Designated Question:** I had to interact with multiple representatives and communicate my problem multiple times.

Table 3

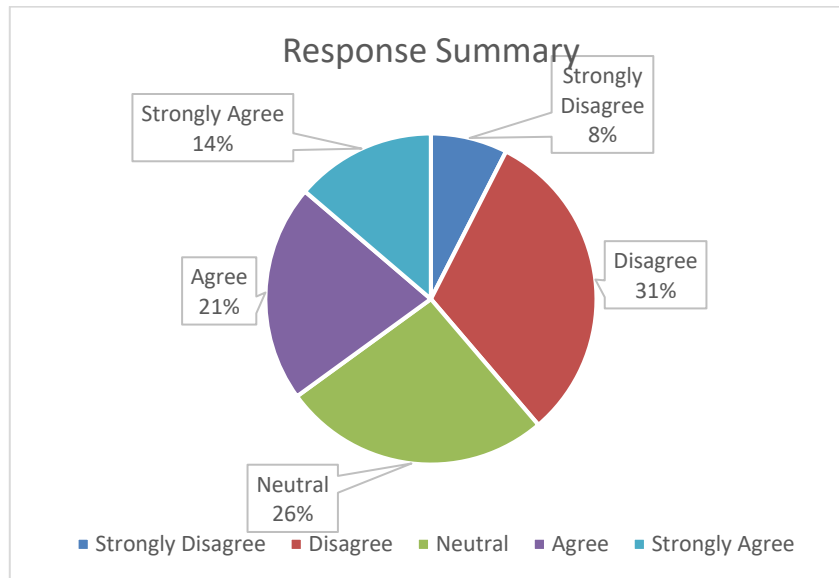


Figure 7

Table 4

Response Category	Count	Response Type	Count	Male	Female
Strongly Disagree	6	Disagreement	31	8	23
Disagree	25				
Neutral	21	Indifferent	21	4	8
Agree	17	Agreement	28	13	15
Strongly Agree	11				

Disagreement and Agreement both have a close ration, hence we can assume that there is no dominating trend when it comes to required interaction with multiple service representatives and re-iterating the problem

However, Female respondents seem to have a fair experience and interact with minimal service representatives as compared to male respondents

5.2 CONCLUSION

- As observed from various existing research and also proved from the primary research conducted for this project, we can see that the variation in dependent variable - Customer Satisfaction, this factor was noted from the question. (After receiving the remedy from the service representative, I would never shop at this online store in the future) has been explained by around 67% by the independent variables (Compensation received as expected, Importance of replacement or reversal of payment, Time taken to resolve the issue, Interacting with multiple representatives and re-iterating the problem).
- We have seen that when regression was by further sampling the survey based on demographics the R Square remained similar, hence showing a consistent relationship amongst the dependent and independent variable.

ANNEXURE

Name:					
Age group:	18-20	21-24	24-28	28-32	
Gender:	Male	Female	Other		
Profession:	Working	Student			
Rate the following:	Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly Agree 5
I have experienced service failure without a satisfied service recovery at least once a month from the vendor					
In resolving the service failure, the vendor did not compensate as per my expectation					
While resolving the problem, the apology from the customer service agent is a sufficient effort for service recovery.					
While resolving the problem, I always demand the replacement or reversal of payment for the service recovery.					
I feel the length of time that service representative take to resolve my problem was longer than necessary					
I had to interact with multiple representatives and communicate my problem multiple times.					
After receiving the remedy from the service representative, I would never shop at this online store in the future					
I would tell my friends and relatives about the way and detail of the remedy provided by this online store.					
I sometimes misuse the service recovery option to receive unethical benefits.					

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