

CHAPTER 6

# The service encounter

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## Introduction

Hospitality businesses rely, to a large degree, on creating positive customer experiences. A core component of achieving this goal is to gain an understanding of the importance of the times when a customer comes into contact with the business and especially the service personnel. These contact points are frequently called 'moments of truth' (Grönroos 1988) and serve as events where customers evaluate whether the business meets their expectations. A key component of these 'moments of truth' is made up of what is commonly called a service encounter, and represents the time(s) when customers and staff interact.

While various aspects of service encounters have been investigated in a number of service industries, the focus of this chapter is primarily on the hospitality industry. What makes the hospitality industry different from other service sectors? Perhaps the most important difference is that it is primarily about creating key, positive experiences. The hospitality sector is very much an experience-driven industry. This chapter discusses a service encounter, the factors that affect a service encounter, the outcomes of a service encounter, the issue of service failure and recovery and finally the best way to manage this important phenomenon.

## Defining a service encounter: single, sequence and chains

A service encounter is that period of time during which the customer and the service firm interact in person over telephone or through other media (Shostack 1985). Essentially, a service encounter has been defined as a social interaction involving one human being interacting with another (Czepiel et al. 1985). Given the high degree of person-to-person interaction and, quite frequently the absence of an exchange of tangible goods, the service encounter becomes a critical component of service quality. There are three key players involved in a service encounter that shape the outcome of any encounter: the *service firm*, which sets policies and guidelines; the *employees*, who enact the policies of the firm; and the *customer*, who seeks to satisfy a range of needs and wants. Chandon et al. (1997) propose several service encounter dimensions on the basis of which a service encounter can be assessed. These dimensions and their subcategories differ depending on whether it is the customer or the firm doing the assessment. From the customer's view, the service provider's perceived competence (expertise), listening skills and dedication are likely to be key in assessing the service received. From the employee's view,

customer courtesy, efficiency in terms of getting the transaction completed and personal (employee) satisfaction are likely to be key in the assessment process.

Original work by Czepiel et al. (1985) identified seven key characteristics of a service encounter that can be considered the distinguishing factors when analysing service encounters. Briefly, service encounters usually

- are goal oriented
- are undertaken as part of work activities
- are primarily a stranger relationship
- are narrow in scope: only surface topics of conversation
- are mostly task oriented
- mostly follow a pre-defined set of rules to facilitate the interaction
- involve the roles of service provider and client (customer)

It is probably true to say that service encounters are alike in that they have certain common distinguishing characteristics; however, due to the dynamic nature of human interactions, every encounter differs to some degree. Many service encounters have been considered in isolation in that they have been considered outside a broader context. Often when researchers consider service encounters, they merely think about individual events rather than connections between them.

While much research has focused on discrete service encounters, more recent studies have examined multiple service encounters, or sequences of events. For example, Verhoef et al. (2004) approached the service encounter as a sequence of events. In particular, they tested a model on how events contribute to an overall evaluation of a sequence of events and found that while the average performance during the encounter is important, peak performances are critical for satisfaction formation. Thus, from a managerial point of view, it is important not only to manage the overall performance of the service encounter but also to generate a number of positive peak performances. Apart from peak performances, the performance trend – that is whether positive or negative performances are first or last in the sequence as well as the quality of the final performance in a service sequence – also significantly impacts customer evaluations (Hansen and Danaher 1999). In a hotel context, management has not only to be mindful of the average quality of the encounters a hotel guest has with various staff for the check-in process (e.g. porter, check-in clerk and bell boy) but also ensure that unexpected extras, for example, can lead to perceived peak performances from the customer's point of view.

Svensson (2004) goes one step further, referring to service encounter chains where one service encounter by one service provider affects the quality of another service encounter by a different service provider. Thus, the quality of a service encounter in a hotel restaurant may impact a subsequent service encounter with staff at the same hotel's spa. Time, context and performance potentially affect the overall evaluation by a customer of these service encounter chains. The notion of service encounter chains is relevant not only intra-organizationally but also equally, if not more, for inter-organizational service encounters, in service networks or alliances. These situations will be discussed in more detail later in this chapter. So, to summarize at this point, service encounters are critical moments of truths, which can be evaluated from the firm's or the customer's point of view. The service encounter can be a single discrete encounter or part of a larger sequence or chain of events. Indeed, many discrete encounters may accumulate over time to form a longer lasting service relationship. Next, we turn to the issue of how enduring a service encounter might be.

## Service encounters and service relationships

The literature makes a clear differentiation between a service encounter and a service relationship (Czepiel 1990; Gutek 1995), whereby a series of service encounters with a particular provider may or may not evolve into a service relationship. Gutek (1995) developed a taxonomy that differentiates among three types of service interactions: the encounter, the relationship and the pseudo-relationship. Service relationships are characterized by customers and providers that have *personal knowledge* of one another a history of *prior interaction* and an *anticipated future*. In a service relationship, a customer is inclined to attribute a successful encounter to the individual service provider's internal characteristics ('he is a good receptionist') but failure to external factors ('he must be having a bad day'). Conversely, in a service encounter, there is typically a lack of intimacy and familiarity between the provider and customer; thus success is often dismissed as resulting from external factors ('it was an easy job'), while failure is related to internal factors ('the receptionist was useless').

Service relationships are expensive to develop, as more staff time must be dedicated to looking after individual customers. As a result, service relationships are rare compared to service encounters. Yet, given the benefits of increased customer loyalty that can result from relationships, Gutek et al. (1999)

argue that a hybrid – a pseudo-relationship – has developed that combines the practicalities and economy of the service encounter with the loyalty-inducing features of the relationship. Instead of developing a personal relationship with the customer, service firms develop customer knowledge by building customer databases. To induce loyalty, service firms offer rewards and incentives. In addition, Gutek et al. (1999) found evidence of a link between the type of relationship a customer has with a service provider and the frequency of interaction. Specifically, they noted that customers having a service relationship with a service provider have more service interactions than customers who have not.

Relative to the service relationship, the service encounter has an advantage in terms of time and cost efficiency and offers easy access to customers to engage in the service encounter at their convenience. These advantages, however, are somewhat outweighed by its disadvantages, namely the service encounters' impersonal nature, limited choice options, potential opportunistic behaviour by a provider due to its one-time nature and a provider's lack of flexibility and autonomy to tailor service to a customer's needs. In contrast, the advantages of the service relationship include a continuing pattern of interaction, with the compilation of customer history and the anticipation of future patronage. Service relationships are more likely to satisfy instrumental and expressive needs and provide greater customization. Disadvantages of service relationships include high switching costs for the customer, uncertainty of getting better service with another provider and possible guilt and hurt feelings of dissolving relationship. For both the provider and the customer, it will take time and effort to develop a good relationship. The customer is limited to see the provider when available, with potentially long wait times.

At this point it may be useful to pause and reflect on the service encounter – relationship distinction. What examples exist within the tourism or hospitality domains? Take airlines as an example. For most economy class passengers (non-business frequent fliers), travel will involve a series of encounters with various entities. First, on arrival at the airport, the traveller will most likely check in some luggage and seek a seat allocation; next, boarding the plane, the traveller will be welcomed on board and directed to a seat by the cabin crew; third, in transit the traveller will probably have service encounters while receiving a meal or requiring some attention from the cabin crew; finally, the traveller will depart the aircraft bidding staff farewell and collect the luggage. Each of these interactions is indicative of standard service encounters, probably

characterized by a lack of familiarity or intimacy. Rather each of these encounters is most typically one of negotiated politeness, which is accepted as part of the service delivery process. These service encounters are mainly about efficient, polite and safe service. Now, consider a restaurant patron who has been going to the same restaurant for the past 10 years. In such a situation, the interaction might more closely resemble a relationship rather than an encounter. The restaurant owner may personally greet the loyal patron, which may be followed by a lengthy exchange about recent family events. Given the frequent patronage, a special dish may be prepared or a complimentary bottle of wine be offered. The guest may also get a more personal farewell from either the owner or the wait staff. Thus, in contrast to the service encounter, there is a more personal element involved in a relationship where individual exchanges may also last longer.

### Internal versus external service encounters

As previously mentioned, the customer and the employee are two of the key players of a service encounter. Traditionally, the focus of research has been on the external service encounter, that is, the encounter between an employee of a service provider and a customer as the service recipient. However, literature also points to internal service encounters whereby the employees of a company are the customers. The notion of an internal customer follows from the services marketing triangle proposed by Kotler and Armstrong (1991) that illustrates the relationships between a company, its employees and its customers. External marketing refers to the interactions between a service firm and its customers, while interactive marketing relates to the interactions between employees and customers. The latter interactions are termed the service encounter and have been the focus of most research (Bitner et al. 1990). Internal marketing, the third type of marketing in the services marketing triangle, is concerned with the relationship between the service firm and its employees. This leads to the notion of the internal service encounter whereby the needs of the employees, that is, the internal customers, have to be met. The concept of an 'internal service encounter' is rather different from the one of 'internal marketing' in that the former is about how employees of one department serve employees of another department, while the latter is about how the organization (mainly through its human resources department) serves its employees. An internal service encounter may, therefore, be

defined as the dyadic interaction between employees in different departments of the organization in which the providers have the responsibility to respond to the needs of their internal customers.

To illustrate the concept of an internal customer in a hotel context, a waiter may be considered the internal customer of the chef who prepared a specific dish, the chef being the internal customer of the storekeeper who, in turn, is the internal customer of the purchasing agent. All of them are internal customers of the payroll department. The internal customer/service encounter concept, while not without its critics (Harari 1991; Stewart 1997), has been widely adopted in the hospitality industry. For example, Bill Marriott, Jr, chairman of Marriott Hotels, argues that employees must be satisfied before external customers will be satisfied. Only if these internal customers are satisfied, he reasons, will they love their jobs and feel a sense of pride in the hotel. This, in turn, will lead to external customers being well served (Kotler and Armstrong 1991). Similarly, Hal Rosenbluth, president of Rosenbluth Travel, contends that the employees in his company 'have to come first, even ahead of customers' (Rosenbluth 1991: 33) as the external customer will never be uppermost in employees' minds if they are not happy with their jobs.

Several studies have examined the concept of the 'internal service encounter.' Paraskevas (2001), for example, explored an internal service chain in three international city hotels and identified the events and behaviours (service dimensions) that distinguish a successful internal service encounter from a non-successful one. He found that interpersonal relations affect to a great extent all internal service encounters in a hotel. Professionalism, dependability and conscientiousness of the internal suppliers, their communication skills and the consideration they show to their internal customers were other critical factors influencing internal service encounters.

Yoon et al. (2001) established that the service climate contributes directly to employee job satisfaction and work effort and indirectly impacts consumers' perceptions of employee service quality. Both job satisfaction and work effort affect consumer perceptions of employee service quality. Surveying 149 hotels, González and Garazo (2006) found that select dimensions of organizational service orientation – enhancing freedom to make decisions during service encounters, increasing service training and rewarding service – will increase employee job satisfaction, which in turn positively affects organizational citizenship behaviour, in particular, employee loyalty. Finally, service communication leadership was also found to have a significant

direct relationship with employee organizational citizenship behaviour, pointing to the need for management to clearly communicate with employees service expectations while at the same time soliciting employee ideas, opinions and suggestions.

Given their unique role, customer contact employees are often referred to as boundary spanners, serving both internal and external customers. Yet, this dual role can lead to potential role conflict. Chung and Schneider (2002) tested a framework to understand antecedents and consequences of such role conflicts and saw it emerge as a discrepancy between what employees think customers want and what management rewards employees for doing. Attitudinal (satisfaction) and behavioural (absenteeism) outcomes are the result of role conflict. Thus, while it is important to understand the service encounter from a customer perspective, the internal service encounters are also vital to the operation of a successful hospitality firm.

## Influence of technology

Previously, service encounters have been characterized as 'low tech, high touch', with research focusing primarily on the interpersonal dynamics of encounters. In particular, the service encounter has been conceived of as being a primarily human interaction. However, while human interactions in the service encounter are still paramount, advances in technology have been altering various facets of encounters. Research on the changing nature of service delivery and the subsequent impact on customers is lagging behind the technology adoption in practice (Bitner et al. 2000). Acknowledging the influence of technology on the service encounter, Parasuraman (1996) modified the traditional services marketing triangle to incorporate technology as the fourth dimension, apart from the company, employees and customers. Bitner et al. (2000) developed a technology infusion matrix that provides insights into how technology can improve the service encounter. On the one hand, technology can be used by contact employees to customize the encounter and facilitate an effective service recovery following a service failure or as a means of delighting customers. On the other hand, customers can also use technology to independently facilitate customization and for service recovery and customer delight. For example, Ritz Carlton, known for its service excellence standards, created an extensive database of preferences of its frequent guests that can be utilized to provide unexpected services to the guest, such as arranging the guest's favourite flowers in the room or serving a preferred tea.

Apart from the development of frameworks to incorporate technology into the traditional service encounter, several distinct research streams have emerged. For example, several authors have examined the adoption of self-service technology (Curran et al. 2003; Curran and Meuter 2005). Study findings indicate that different factors influence attitudes towards the adoption of different self-service technologies such as ATMs, phone and online banking. Another stream of research centres on the investigation of differences of traditional service encounters and technology-facilitated service encounters. For example, Colgate et al. (2005) noted differences in perceived relational benefits between traditional and Internet customers. Snellman and Vihtkari (2003) compared complaining behaviour in traditional and technology-based service encounters, with a particular focus on negative critical incidents in a retail banking setting. Contrary to predictions, the authors did not detect significant differences in the rates of complaints between the two service encounter types, suggesting the high incidence of traditional complaining behaviour as a possible explanation. However, customers who complained about technology-based service encounters experienced a greater response rate to their complaint from the provider than those who complained about traditional service encounters.

Finally, Hogg et al. (2003), in a study on professional health care service encounters, direct attention to the emergence of parallel service encounters whereby a consumer interacts with both technology and the health care professional. In particular, the Internet allows customers to obtain information about their condition, which, in turn, changes the nature of the face-to-face encounter with the health care professional and presents challenges to professionals in terms of relationships and their professional judgement. Similarly, in a hotel context, potential guests use the Internet to obtain information about facilities and services of a hotel property in addition to comparing its price on the hotel's website with that offered by various Internet vendors. In such instances, technology allows for more informed decision making with potential follow-on effects on guest expectations and the quality of the service encounter. Airlines are relying more and more on technology for the delivery of many services that were once done by staff on a personal face-to-face basis. For instance, customers book airline tickets online, sometimes arranging their own seat allocation prior to arriving at the airport, or they check themselves in on arrival and arrange a seat allocation, just leaving the task of depositing their luggage. These 'service encounters' are influenced by interaction with technology rather than a person.

## Influences on the service encounter performance

Consumers' evaluation of a service encounter and any future decision-making process are affected by several factors. Broadly, these factors can be divided into environmental factors and individual and staff factors. To discuss the former, literature on atmospherics is assessed. The latter reviews literature pertaining to the effect of staff service pre-disposition and attitudes, communication skills, emotional labour and control or efficiency.

### Atmospherics

Kotler (1973) introduced the term 'atmospherics' to refer to the intentional control and manipulation of environmental cues. Atmospherics bears close resemblance to Bitner's (1992) 'servicescape',<sup>1</sup> a reference to the built environment as opposed to the natural or social one that has the potential not only to create a firm's image but also to influence the behaviour and feelings of customers and employees.

### Culture

A considerable growth in tourism has originated from non-Western countries. As greater mobility of tourists arises from countries, such as China, it calls into question the subject of how to deal with customers who might be used to a completely different set of norms in a service encounter. As we have already noted, service encounter interactions between customers and frontline staff consist of a mix of social, work and consumer behaviour. Thus, it is reasonable to expect that customers' cultural orientations can influence how they experience and evaluate service (Becker 2000). Lee and Sparks (2007) found that Chinese customers were especially concerned about 'protecting face' or avoiding embarrassing situations. As a consequence, care needs to be taken to maintain a harmonious service interaction when dealing with people from this culture. More work needs to be undertaken in this area to better understand how customers from different cultures evaluate service encounter experiences.

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<sup>1</sup>This is discussed in detail in Chapter 3.

## Staff attitude/service pre-disposition

Several studies have examined the requisite characteristics and skills of employees that will have an impact on consumer evaluations of service encounters. Basing his research on Bitner et al.'s work (Bitner et al. 1990; Gremler and Bitner 1992; Bitner et al. 1994), Varca (2004) proposed requisite skills for service providers along three dimensions: skills, personality and attitudes. Oral communication skills, stress tolerance, empathy, social sensitivity and behavioural flexibility rated highest. Jackson et al. (2002), in their analysis of job advertisements, found that the skills stated as necessary by employers in sales and personal services settings are social skills and personal characteristics. Likewise, a recent examination of nearly 100 human resource professionals in the United States responsible for hiring entry-level hospitality industry employees revealed that the top two criteria were pride in appearance and good attitude (Martin and Grove 2002). Literature abounds with reference to the need for 'soft skills' such as social and interpersonal skills as a critical requirement for hospitality staff (Burns 1997). Employees are expected to be responsive, courteous and understanding. More recently, Nickson et al. (2005) proposed the term 'aesthetic labour', referring to people who are employed on the basis of 'looking good' or 'sounding right'. While the initial selection of appropriate staff is critical for any hospitality business, continued training is equally important to ensure that service encounters are not only meeting but also exceeding customer expectations. The customization of the service experience by frontline employees is central in this context (Bettencourt and Gwinner 1996). Staff training as a means to managing the service encounter will be discussed later in this chapter.

## Communication

Perhaps key to any service encounter, but especially a face-to-face interaction, is the communication aspect of the service. As many researchers (Czepiel 1990; Sparks and Callan 1992) acknowledge, the service encounter is very much about a social interaction. As a result, much of the research has at its core issues of communication. Indeed, Nikolich and Sparks (1995) argued that communication facilitates the task dimension of the service interaction while also having the potential to make the customer feel valued and important. Communication effectiveness is vital to the service encounter as it aids in optimizing the service delivery process. Moreover, communication,

especially the interpersonal interactions between providers and customers, forms the basis of many service quality evaluations. Early work by Parasuraman et al. (1985) highlighted the importance of responsiveness, courtesy, empathy and communicative aspects of the service provider's behaviour in the evaluations consumers make about service purchases. Employers seem to recognize the importance of what might be called 'softer' service skills – those that are interpersonal in orientation. Nickson et al. (2005) found that employers rated social and interpersonal skills as highly important (99% agreement), much higher than they rated the importance of technical skills (48% agreement). They also found that employers believed applicants for service provider roles tended to lack the social and interpersonal skill required for the position (indeed this was as high as 88% believing this to be the case). Why is it that interpersonal skills are so important in the hospitality industry? One reason is that customers are easily able to determine whether they have received good service when they use interpersonal treatment as an indicator. Most of us know if we have been treated with respect, dignity and appropriate social standing (Bies 2001). As Gabbott and Hogg (2000) point out, within a service interaction there is a complex language of communication that takes place, which involves not only the spoken word but also a range of non-verbal behaviours. Non-verbal communication can actually make a significant difference as to how a customer might perceive an otherwise identical event. Using video stimulus material, Gabbott and Hogg (2000) were able to demonstrate that the same service event was evaluated quite differently when non-verbal communication varied.

## Emotional labour

Implicitly, the service encounter demands the delivery of pleasant service. This is because to a large extent, there is an understanding that service providers' positive emotional displays are associated with matching consumer's positive affect. As a result, it is commonplace to hear the management mantra of 'service with a smile', as advocated by Pugh (2002). A rising interest in the concept of emotional labour is evident from the research literature (see for example, Grandey and Brauburger 2002). Emotional labour is the concept that service providers will manage their own emotional state, often suppressing actual felt emotions and engaging in acting out of other (sometimes not felt) emotions. In an effort to meet the demands of the job, such as those of a restaurant waiter, the

employee might regulate his or her own emotions, modifying what is displayed in order to meet the role. Early research by Rafaeli and Sutton (1989) demonstrated that many service personnel are required to act in ways that may not be congruent with what is actually being felt emotionally. Related to emotional labour is the concept of emotional contagion, which conceptualizes the idea that the observation of another's emotional expression will invoke the same emotional reactions in the observer (Pugh 2002). For instance, a happy and smiling receptionist should engender similar feelings in the guest who is checking in. Thus, it is understandable that in hospitality jobs it is desirable for the service personnel to act in a welcoming and warm manner. However, as suggested, this may not be without challenges for the frontline staff member.

## Control and efficiency

An issue for many hospitality firms is how to balance the control and efficiency of the operations. As Bateson (2000) has pointed out, the service encounter may sometimes be characterized by a 'three cornered' struggle for control. That is, the customer, the frontline service staff member, and the firm's management are all vying to control the encounter. Quite frequently the needs of each party might differ, which may result in some sense of struggle. Take for example the process of a guest checking into a hotel. The guest has a need for a speedy check in, getting a nice room (perhaps with an ocean view), the right configuration (a king-size bed) and friendly treatment. Meanwhile, the frontline service provider wants to get the correct paperwork completed and quick allocation of a room, all in an efficient manner. Once again, communication is central to the effective conduct of a service encounter. A considerable component of communication between the frontline staff member and the guest will revolve around getting specific tasks done, whether it be checking out of a hotel or arranging for a reservation to be made. Furthermore, management has views on how the service encounter might be conducted. This might lead to the service provider (frontline staff) having to meet efficiency targets rather than dedicating time to the customer. Such tensions can lead to feelings of a struggle between the parties to control the service encounter.

In summary, the very nature of most customer service work brings with it incredible demands, especially for pleasantness, smiles and a generally polite demeanour. Research has coined the term 'display rules' to describe what service staff are

required to do as part of their everyday job. That is, within the service encounter, the staff are expected to suppress any negative emotions or feelings and display customer friendly, polite behaviour. At a broader level, this type of work is often called 'emotional labour'. The service encounter is the characteristic of the point in time that is very demanding emotionally, presenting management with many challenges to keep service staff motivated and happy. A considerable amount of communication work is about controlling the service encounter and making certain work-related actions in an efficient and speedy manner.

## Evaluation of service encounters

Customer perceptions of service encounters are important elements of perceptions of quality, customer satisfaction, and service loyalty (e.g., Solomon et al. 1985; Bitner et al. 1990). Evaluation of a service encounter depends on several factors, including the attitudes of frontline staff and the behaviour of customers. Service encounters in which the expectations of customers are not met have received considerable attention in the literature. As noted by Hart et al. (1990), due to the number of uncontrollable factors and the nature of a service with its inherent characteristics, it is impossible to assure a 100% error-free service, that is, service failures are inevitable. Yet, Zemke and Bell (1990) noted that while in manufacturing industries allowances are typically made for breakage, spoilage or items that do not meet required standards, the same does not necessarily hold true for service systems that are often managed as though service failures are impossible.

## Service failures

The probability of a service failure depends on a number of factors. For example, new employees, technology and first-time customers may increase service failure rates (Michel 2001). If a service failure occurs and customers experience dissatisfaction, they may either directly complain to the organization or alternatively simply engage in negative word-of-mouth communication that is detrimental to the organization (Blodgett et al. 1997). If the former is the case, the organization has an opportunity to rectify the situation by means of an effective service recovery. Therefore, while service failure is inevitable, dissatisfied customers are not, provided that the service recovery is effective (Hart et al. 1990). Service recovery has been

defined as the actions a service provider takes in response to a service failure (Grönroos 1988), aimed at returning the customer to a state of satisfaction. However, service recovery has to go beyond putting things back to normal; it is critical to consider the kind of processes and outcomes that will enhance customer perceptions (Johnston 1995).

## Service recovery

Several studies found that the ability to recover from a service failure favourably affects customers' evaluation of the service and the organization (Smith and Bolton 1998; Tax et al. 1998). Yet, according to a study by Hart et al. (1990), more than 50% of customers felt more negative about the organization after they had complained about a service failure. Therefore, not only an understanding of the importance of service recovery but also that of appropriate measures and procedures is critical. In this context, Sparks and McColl-Kennedy (2001) argued that while previous research has established the importance of effective service recovery, the exact measures and procedures appear to be much less established.

Recovering a failed service delivery can take several forms. Rectifying the original service breakdown is considered the most desirable option, though it may not always be feasible; for example, if a flight has been delayed (Sparks 2001). Explanations for the service failure, an apology, compensation in the form of a refund or discount and providing customer input into the service recovery process are additional measures service providers can draw upon in the service recovery process (Goodwin and Ross 1990; Hoffman et al. 1995; Blodgett et al. 1997). However, equally, and in many instances more important than the provision of these individual measures are the timeliness and the manner in which these service recovery measures are offered to the customer (Blodgett et al. 1993, 1997).

Sundaram et al. (1997) suggested that the more critical the consumption of a service is to a customer, the greater is that customer's desire for the service to be performed without major shortcomings; if shortcomings do arise, a greater effort will be expected from the provider's service recovery. Studies by Webster and Sundaram (1998), Tax et al. (1998) and Blodgett et al. (1997) confirmed the importance of service criticality. Hoffman and Kelley (2000) proposed a number of additional factors that impact the evaluation of service recovery effectiveness, namely the depth of the customer-service provider relationship, the duration and degree of customization of the service

encounter and customers' switching costs. Consequently, the relative effectiveness of service recovery strategies is situation specific (Levesque and McDougall 2000).

Several studies suggested that a service provider's inability or unwillingness to recover effectively from a service failure and the consequent repeated disconfirmation of service expectations are likely to result in dissatisfied customers (Parasuraman et al. 1985; Johnston and Fern 1999). After all, customers experience what Bitner et al. (1990) referred to as a 'double deviation' from expectations in that the firm failed to deliver the initial service and then the service recovery. Conversely, effective service recovery may lead to customer satisfaction (Fornell and Wernerfelt 1987; Hart et al. 1990; Bitner et al. 1994; Johnston 1995). Service recovery effort has also been linked to satisfaction in that the greater the effort by a service provider to recover in an excellent manner, the greater the customer satisfaction (Goodwin and Ross 1992; Kelley and Davis 1994; Smith et al. 1999; Tax et al. 1998). Recognizing that staff may be unable to respond in a timely manner to a service failure, Colenutt and McCarville (1994) established that in some instances, the involvement of the customer in the service recovery following an explanation, apology and discount offer could lead to satisfaction.

Word-of-mouth communication refers to an exchange of thoughts, ideas, or comments between two or more consumers, none of whom is a marketing source (Mowen and Minor 1998). That is, they tell others, external to the transaction, of their (dis)pleasure with the service and service provider. The importance of effective service recovery is highlighted when considering that customers who experience a service failure tell 9–10 people about their poor service experience, while satisfied customers only tell four to five individuals about their positive experience (Collier 1995). Several studies confirmed that ineffective service recovery leads to negative word-of-mouth communication (Richins 1983; Bitner et al. 1994; Blodgett et al. 1995). Conversely, service recovery that is marked by courteous and respectful treatment is likely to result in positive word-of-mouth communication (Blodgett et al. 1997). Maxham (2001) noted that a high level of effort in service recovery resulted in greater positive word-of-mouth communication than only moderate service recovery effort.

In examining the effect of word-of-mouth communication, one has to take into consideration not only the impact on friends, relatives and colleagues but also the one resulting from submissions to a third party like a consumer claims tribunal following a service failure, whereby the ineffective service

recovery becomes a matter of public record. If covered widely in the press, the impact on the service provider may be much more damaging and widespread than if confined to individual cases (Fisher et al. 1999).

Repeat purchase intentions are closely linked to customer satisfaction (Yi 1990). As is the case with customer satisfaction, a successful service recovery may also positively contribute to future repeat purchase intentions (Goodwin and Ross 1992; Blodgett et al. 1997; Sparks and Bradley 1997). Kelley et al. (1993) suggested that retention exceeded 70% for customers who experienced a satisfactory service recovery. Conversely, switching behaviour as a result of ineffective service recovery has also been reported, especially after a failure in a core service (Keaveney 1995; Dube and Maute 1996). Yet, even if a service failure is not resolved to the satisfaction of the customer, they may remain with the service provider. Switching costs; the lack of perceived alternatives; constraints in terms of time, money and choice; habit and inertia represent possible reasons (Bitner 1990). Alternatively, customers may switch to another firm even if satisfied with a service recovery: In these instances, constraining factors may be of a low magnitude (Colgate and Norris 2001). Therefore, it is important to differentiate between positive attitudes about a service provider and repeat purchase when discussing loyalty (Dick and Basu 1994).

Loyalty is of importance to a firm for a number of reasons. Loyal customers are the most profitable customers since they tend to spend more over a long time period. The 'lifetime' value of loyal customers can be enormous (Reichheld and Sasser 1990). At the same time, costs can be substantially decreased. Furthermore, loyal customers represent a source of positive word-of-mouth communication, often resulting in referral business. The customer retention model developed by Bain & Company illustrates how the creation and maintenance of a relationship generates profit (Jacob 1994). Repeat sales, reduced selling costs, increased customer value and increased new business from referrals are all factors contributing to increased profitability.

## Multiple service encounters

Researchers have devoted considerable attention to the study of service failure and recovery in recent years (Tax et al. 1998; Smith et al. 1999; DeWitt and Brady 2003). Yet, the vast

majority of previous research has concentrated on the impact of a single service failure event, in part facilitated by the critical incident technique. However, the evaluation of multiple service encounters results in overall service evaluations (Bolton and Drew 1991). Numerous studies confirmed that there is a high correlation between the evaluation of service encounters and more global service evaluation measures (Bitner and Hubbert 1994; Surprenant and Solomon 1987).

More recently, several researchers have begun to investigate how multiple service failure events over an extended time period influence consumer evaluations (Mittal et al. 1999, 2001), consistent with the notion of a distinction between encounter and cumulative satisfaction (Bitner and Hubbert 1994). However, research to date has neglected the investigation of the effects of service encounters in situations in which two or more service organizations are involved in the service provision, as is the case in strategic alliance settings.

Weber (2006) investigated the link between service failure events and more global evaluations of organizations and their partners. She based her research program on work by Cropanzano et al. (2001), who have recently suggested that the investigation of justice has tended to pay attention to one of two paradigms: the event paradigm or the social entity paradigm. In the event paradigm, researchers have investigated a range of microelements that lead to the formation of event fairness judgements. Thus, a customer may evaluate a service event on the basis of distributive, procedural or interactional justice elements. In contrast, other researchers have focused on the evaluation of the social entity (either a service provider as a person or the organization as a whole). Thus, from this perspective, customers make more global judgements about the fairness of the service provider or organization overall. Weber's work is situated within the airline industry and investigates micro service failure events as well as the implications for airline and alliances brands. Her research found that consumers form both justice perceptions of an entity for a particular event and justice perceptions at a more global, general level. These justice perceptions are related to all four dimensions of justice: distributive, procedural, interactional and informational justice. Event and global fairness were identified as additional consumer evaluations whereby the event fairness refers to a summary judgement of an entity in a particular situation, based on an evaluation and weighing of individual event justice perceptions. In contrast, global fairness relates to a summary judgement of an entity in general, based on an

evaluation of event fairness and global justice perceptions over time and across events.

So what do service encounters across organizations that are affiliated, either loosely in a network or more closely in a strategic alliance, mean for the hospitality industry? Research on the positivity effect and brand alliances (Rao et al. 1999; Folkes and Patrick 2003) points to the potential transfer of consumer perceptions of the actions of a single employer in a firm to that of the entire firm and from one brand to another, respectively. However, in a service failure context that involves various alliance partners, Weber's (2006) findings showed that the effect of interactional justice is confined to the organization dealing with the service failure, that is, there appears to be no transfer in consumer perceptions and subsequent responses from the actions of one alliance partner to other alliance entities. In other words, if an employee of a hospitality business is courteous and respectful and displays empathy, or alternatively is rude and does not expend effort when addressing a service failure, their actions will not automatically affect a customer's perceptions of the alliance partner.

## Managing the service encounter

This chapter has covered quite a bit of ground in terms of reviewing the extant literature on service encounters and related topics. It now turns to addressing some key aspects a manager might want to consider to optimize the service encounter. From the perspective of operations management, there are a number of issues to consider.

### Selection and recruitment of suitable employees

Identifying the right employees is not an easy task but the one that managers should be focused on. Perhaps all too often in the hospitality industry, there is a tendency to place a low priority on recruitment and selection, especially when it comes to small or medium-sized businesses. On the basis of the review presented in this chapter, it would be advisable for managers to focus on appointing staff who have a customer-oriented attitude, which is depicted by the ability to communicate effectively, work as part of a team, are resilient to customer and emotional demands and understand the importance of the service encounter within the broader context of service quality.

## Appropriate induction and training of employees

Once employees have been appointed, managers must provide appropriate induction programs to set the standard of what is expected from an employee. It is essential to remember that people (staff) are the face of most service organizations. It is the frontline staff member who welcomes the customer and facilitates a smooth transaction. Training programs to assist in both the delivery of task related activities and communication skills relevant to the service encounter are required. Supervisors or managers can ensure that service personnel operate with some sort of script to deliver friendly and polite service. Often, in many part of the hospitality industry, personnel are recruited without any basic skills in customer service. As a result, managers must identify quality training programs that will ensure that the customer experience is enhanced whenever there is a 'moment of truth'.

## Providing appropriate levels of empowerment in the job role

Some researchers have investigated the topic of empowerment (Lashley 1995) and provide a compelling argument for ensuring that the frontline staff has the latitude in decision making to provide satisfying service to the customer. McColl-Kennedy and Sparks (2003) showed that the ability of the frontline personnel to think more laterally about feasible options was a key factor in determining customers' satisfaction with the organization. In a series of focus groups, respondents recounted incidents where negative perceptions and feelings were increased because employees could not or did not offer any possible options or solutions for customers who had experienced a service failure. If managers can work toward empowering the frontline staff to use their own initiative to deal with customer problems, it is likely that a more customer-focused work environment will result.

## Systems for optimizing the service encounter

Managers need to ensure that there are good systems in place to facilitate the offering of service to customers. This requires undertaking various analyses of the service delivery processes. Some researchers have suggested using service blueprints (Shostack 1992) to gain insight to the overall service process and to identify any points in the process that may be subject

to error. A blueprint provides a visual representation of the activities and the subsequent sequence of events required for providing a customer with a service. Blueprints cover the activities that are both front and back of house. Service encounter contacts can be depicted in a blueprint diagram, and a manager can attempt to identify any vulnerable points. By plotting the components of service in this manner, a manager can also provide a training tool to staff so that additional care can be taken to optimize customer satisfaction points. Managers in hospitality firms should also monitor the delivery of service via feedback mechanisms such as customer satisfaction questionnaires.

### Mechanisms to monitor the performance of staff in the service encounter role

Managers can monitor performance through various mechanisms including mystery shoppers, observation by supervisors and the development of rating criteria to be used in assessment.<sup>2</sup> Much of this material can be used to provide ongoing feedback to service staff. As Hinkin and Schriesheim (2004) note, it is not uncommon for hospitality service personnel to be uninformed about the day-to-day quality of their job performance. A conclusion to be drawn (Hinkin and Schriesheim 2004) is that feedback is vital and it should focus on behaviour. By focusing on behaviour, it provides an opportunity for the front-line staff to learn and mould behaviour to that most effective service. Testa and Sipe (2006) provide an overview of a systems-based approach to improving service delivery and suggestions on how to improve service:

- define and communicate issues;
- train and educate employees;
- improve processes;
- evaluate results and provide feedback;
- celebrate successes.

Within each of these five areas Testa and Sipe (2006) suggest using a range of tools to facilitate the objective under consideration. Thus, under 'train and educate', a tool might include a service standards workshop aimed at improving communication between the frontline staff and customers.

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<sup>2</sup> These are discussed in Chapter 13.

## Summary and conclusion

The service encounter is an important point in the delivery of hospitality services. It is the time when customers come into contact with the firm and ultimately make a range of evaluations about the firm and their own desire to patronize or recommend the firm to others. The service encounter is dynamic and varies from one episode to another. However, there are a number of scripted or ritualized aspects of the service encounter that assist in its efficiency. Service encounters can be considered discrete one-off events, accumulated events or a chain of events. Similarly, service encounters can occur in multiple but linked organizations (such as an alliance) and result in evaluations that might affect affiliated organizations. A key aspect of the service encounter is the communication that occurs and encompasses both verbal and non-verbal aspects. The service encounter is also subject to failure, and negative experiences are likely to result in negative outcomes such as customer dissatisfaction, the loss of customers and negative word-of-mouth communication. Managers need to be proactive to optimize the service encounter. Actions can include selecting appropriate service-oriented staff, providing regular training on the service encounter, ensuring that staff are empowered to deal with issues arising in the service encounter and monitoring the effectiveness of service delivery at the frontline.

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