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**A COMPARISON OF SERVICE RECOVERY IN SELECTED  
PUBLIC AND PRIVATE SECTOR SERVICE ORGANIZATIONS  
OF INDIAN LIFE INSURANCE SECTOR**

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**ABSTRACT**

**PURPOSE**

Failures in services are a common sight. This is on account of the fact that services are characterized by peculiarities such as intangibility, inseparability, variability and perishability. At the outset, service organizations should try to control and minimize the failure. However, if the same occurs, the aim should be to negate the adverse impact of the same by adopting adequate service recovery strategies. The present study makes an endeavor to study and make a comparative analysis of effectiveness of recovery practices being adopted by selected public and private sector insurance companies operating in India. Obviously, after getting necessary insights, relevant suggestions can be given to the selected insurers under study so that their service recovery efforts improve hither-to-be.

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## **RESEARCH TYPE**

Empirical

## **RESEARCH METHODOLOGY**

This is an empirical study. The researchers have primarily relied on primary data to attain the objectives of the study. The primary data have been collected with the help of a structured questionnaire addressed to the customers of selected life insurers. The aim is to know how the customers view their respective organization on various imperatives of service recovery. In all, 700 customers (250 of LIC and 150 of each selected private player) have constituted the sample. The customers have been selected randomly from the selected districts of Haryana, Punjab, Union Territory of Chandigarh and NCR. Obviously, the choice of places is made keeping in view the convenience of the researchers. The data so collected have been analyzed with the help of various statistical techniques like ANOVA, Mean and Standard Deviation using SPSS and presented in suitable statistical tables.

## **SCOPE OF THE STUDY**

The present study is confined to following two categories of life insurance companies operating in India;

- Public Sector
- Private Sector

From each of the above categories, four companies have been chosen for the study.

These are;

- Public Sector Category: LIC of India
- Private Sector Category: ICICI Prudential, Reliance Life and Bajaj Allianz.

## **FINDINGS**

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All the selected public and private sector companies operating in Indian life insurance industry have been found wanting on adopting service recovery strategies in a desired way. Moreover, there is a parity in the scores obtained by the selected insurance providers on various dimensions of service recovery, thereby indicating that problems relating to sufficiency of service recovery efforts are akin to public and private sector organizations. It may be said that inspite of the fact that Indian life insurance industry is a vibrant one, service recovery issues are not yet properly addressed to by it. The study has revealed that customers' expectations on various imperatives of service recovery efforts are not matched. This is true in case of both the selected categories of life insurers operating in India.

## **PRACTICAL IMPLICATIONS**

The insurance industry of India may understand and start appreciating the contribution of service recovery in enhancing the loyalty of the customers. The customers, in their turn may hope to get better treatment from their insurers in case they approach these for failure of the service. In general, service industry of India may start understanding the plight of dissatisfied customers on account of failed service and make sincere attempts to restore their faith by promptly recovering over the same.

## **RESEARCH LIMITATIONS**

Technicalities involved in understanding of the concept of service recovery might have acted as a handicap for the customers in giving prompt and accurate answers to the questions in hand.

## **KEY WORDS**

Service Recovery, Service Failure

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## **INTRODUCTION**

Failures in case of services are not very uncommon on account of peculiar nature of services (Zeithmal et al., 1985). At the outset, the service organisation must try to avoid failure. If it still occurs, the organisation must make sincere efforts to recover over the same. Service Failure can lead to negative disconfirmation and untimely dissatisfaction, though appropriate service recovery efforts may restore a dissatisfied customer to a state of satisfaction. (Bitner et al., 1990). A proper recovery, as a matter of fact, may work wonder for the service company not only in minimizing the negative impacts of service failures but also enhancing the loyalty of the customers (Lewis, 1996). A non-recovery, meanwhile, may generate a lot of ill-will in the minds of the customers and quite often they desert such a company. Service recovery is the art of recovering over the failed service. (Lovelock et al., 2011). Smith et al. (1999), treat it as a “bundle of

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resources that the organisation can employ in response to a failure.” It is a device that can once again put a smile on the face of the customer who has witnessed agony of service failure. It possesses the magic to turn angry, frustrated members into loyal ones. The goal of service recovery is to identify customers with issues and then to address those issues to the customer’s satisfaction to promote customer retention. However, service recovery does not just happen. It is a systematic business process that must be designed properly and implemented in an organisation. Perhaps more importantly, the organizational culture must be supportive of idea that customers are important and their voice has value.

The present study makes an attempt to assess the service recovery endeavors of prominent public and private players of Indian life insurance sector.

## **OBJECTIVES OF THE STUDY**

- To know the extent to which service recovery is practiced in the selected life insurance players.
- To know the perception of customer towards service recovery endeavors of selected organisations.
- To rate which of the selected organization is better in its service recovery efforts.
- To give practicable suggestions to the selected insurance players so that their service recovery efforts improve hither-to-be.

## **HYPOTHESIS**

H0: There is no significant difference in the effectiveness of service recovery practices being adopted by the selected public and private sector service organizations.

## **RESEARCH METHODOLOGY**

The researchers have primarily relied on primary data to attain the objectives of the study. The primary data have been collected with the help of a structured questionnaire addressed to the customers of selected life insurers. In all, 700 customers (250 of LIC and 150 of each selected private player) have constituted the sample. The customers

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## SCOPE

The present study is confined to four leading players of Indian life insurance sector. **Life Insurance Corporation of India (LIC)** is the chosen public sector player while **ICICI Prudential, Reliance Life and Bajaj Allianz** have been selected from private sector. The selected organizations are the top four players of Indian life insurance sector in terms of market share on policy bases.

## RESEARCH THRUST

The views of the customers of the selected organizations have been garnered on the following essentials of service recovery:

- Encouraging
- Apologizing
- Explaining
- Empathizing
- Acting
  
- Updating
- Correcting
- Compensating
- Learning

## REVIEW OF LITERATURE

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**Goodwin and Ross (1992)** have observed that in contrast to poor recovery, a proper recovery can restore levels of satisfaction and promote referrals for future purchases. **Kelley and Davis (1994)** have viewed service failure as the response a provider makes to a service failure. **Blodgett, Hill and Tax (1997)** consider effective service recovery as a path to generate positive word of mouth. **Tax and Brown (1998)** have found that complaint handling has a direct impact on trust and commitment. **Andreassen (1999)** has observed that service recovery has a significant impact on long-term seller customer relationship including customer loyalty. **Bowen and Johnston (1999)** have viewed that service failures usually give a second opportunity to the organisations and they must avail the same by recovering over the failure. **Ruyter and Wetzels (2000)** have found that a form of compensation and listening ear are the essence of a service failure. **Boshoff and Allen (2000)** have observed that effective service recovery has the potential to enhance the profitability and ensuring return of aggrieved customers to the state of satisfaction. **Andreassen (2001)** views service recovery as an action oriented process. **Mattila (2001)** has found that service failure has the potential to destroy customer loyalty. However, service recovery may prevent the same to a great extent. **Michel (2001)** has opined that excellent recovery tactics can leave those customers who experienced a service failure followed by successful service recovery with greater satisfaction than those who did not experience a service failure incident at all. **Suskind (2002)** has observed that service failure solutions are especially inevitable in those service industries where people factor tend to be more prominent. **Lewis and McCann (2004)** have indicated that satisfaction with the service recovery directly affects a customer's intention to repurchase and to recommend the service provider. **Valenzuela (2006)** has observed that complaining customers expect to be treated well by the employees handling the complaints. **Maginini (2004)** has opined that distributive, procedural and interactional justice are the essence of a firm's recovery effort. **Maginini, Ford, Markowski and Honeycutt (2007)** have viewed that recovery in case of a small failure may enhance the customer satisfaction but the same is not true in case of a big failure. **Kuenzel and Katsaris (2009)** upholds that a service failure followed by a poor recovery spoils previously held positive image of a service.

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## **ANALYSIS AND INTERPRETATION**

### **Encouraging Customers for Making Complaints**

At the outset, the service organization must encourage the aggrieved customers to lodge complaints. Many a times, the customers do-not lodge a complaint on the ground that organization never provides them an opportunity to do so. This is not an ideal policy as it may force the customers to switch their loyalty.

Table 1 indicates that LIC, the government owned insurer is enjoying an edge over its private counterparts concerning the way it encourages its customers to lodge complaints in case of failure. It has got a mean rating of above 5. There is definitely a task cut out for private sector insurers to genuinely encourage their customers to lodge complaints. The selected organizations have been rated differ significantly by ANOVA.

### **Apologizing for Failure**

Feeling sorry for the service failure is perhaps an ideal ointment for the customers hurt by the failure of the service. This may go a long way in reviving the faith of the customers in service.

Table 2 reveals a different story. LIC, the public sector player has got a lower rating than its private counterparts on apologizing for failure, such a result is perhaps the outcome of LIC being in monopoly situation for a long time in the past. It must however be understood that such an attitude is not going to work for it in the fiercely competitive environment. Even the private insurers need to be more prompt as only Reliance Life has attained a mean score above 5.

### **Proper Explanation for Failure**

Explaining the cause of failure to customers rather than keeping them in lurch may give them a sense of relief and an assurance that this would not happen in future again.



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Table 3 reveals that barring Bajaj Allianz, all other selected insurers have comfortably crossed the psychological barrier of 5 (mean rating) on explaining the cause of failure to customers. Bajaj Allianz must also emulate other insurers as an adequate explanation of failure enhances customers' faith in recovery process. ANOVA has again indicated a significant difference amongst the selected life insurers.

## **Empathizing**

Empathizing calls for understanding the plight of the customers by entering into their shoes. This may convey them the organization's genuine concern to get an idea of their sufferings and overcoming the same.

Table 4 suggests that customers of selected organizations are having a lot of doubt in their mind about their organization understanding their plight. All the companies have got low mean score ranging between 3.65(LIC) to 4.01(Bajaj Allianz) and have not been rated to differ significantly at 1 percent level of significance. Definitely the organizations need to practice 'empathizing' to get better rating from customers and retaining them.

## **Acting Quickly**

The service companies should leave no stone unturned in responding quickly to the complaints of the customers. The same may go on removing a lot of doubts from the minds of the customers.

As clear from table 5 there is not much to choose amongst the selected insurance providers on acting quickly to resolve the complaints of their customers. ANOVA has not detected significant difference amongst them as mean scores have varied between 4.36(Bajaj Allianz) to 4.71(Reliance life). All the selected organizations need to be more prompt to get better rating from their customers.

## **Updating the Customers with the Recovery Progress**

Timely updating the customers with the progress of recovery may keep their nerves under control.

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Table 6 gives us a hint that selected service organizations do not consider updating their customers with the progress of recovery an ideal propagation. LIC's performance is pathetic with a mean score of just above 3. Even private insurers have failed to get the mean ratio of 5. The selected insurers especially LIC must not undermine the importance of updating the customers with the progress of recovery as the same gives them a lot of assurance.

## **Correcting the Failure**

The ultimate aim of any service recovery endeavor is to correct the failure. Correcting the same forces the customers to think twice before deserting the organization. The organization may succeed in retaining them.

Table 7 reveals that customers have given a "fair" rating to their respective life insurer in correcting the failure. All the selected service providers have obtained a five plus mean score. But there is a long way to go for all the organizations to survive in ever-intensifying competition.

## **Atonement and Compensation**

Compensating customers for the mistake committed by the organization may go a long way in enhancing its image in their minds. This may convert a rather precarious situation into an opportunity of retaining them on long term basis.

Table 8 suggests that compensating customers for service failure is something that the selected organizations are discarding. Their mean scores (less than three) amply prove it. The selected service organizations must not undermine the importance of compensating customers for service failure as this may nurse their wounds quite effectively and they may forego the idea, if any, of deserting them.

## **Follow up and Future Learning**

The saying 'one learns from mistakes' holds good for corporate sector as well. Any organization which is not committing mistakes again on account of learning from previous mistakes may still keep substantial portion of its clientele intact.

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Table 9 suggests that selected organizations getting average rating from customers on the way they learn from their mistakes. Comparatively speaking, LIC has obtained a less score than its private sector counterparts. Obviously, there is an ample scope for all the selected players to treat mistake as an opportunity for future learning.

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**Table 1: Encouraging the Customers to Make Complaints**

| Organization  | Mean | Std. Deviation | F       | Sig. |
|---------------|------|----------------|---------|------|
| LIC           | 5.49 | .751           | 100.406 | .000 |
| ICICI         | 4.56 | .764           |         |      |
| RELIANCE LIFE | 4.41 | .928           |         |      |
| BAJAJ ALLIANZ | 4.22 | .842           |         |      |
| TOTAL         | 4.79 | .973           |         |      |

**Source: Customer Survey**

**Table 2: Apologize for Service Failure**

| Organization | Mean | Std. Deviation | F      | Sig. |
|--------------|------|----------------|--------|------|
| LIC          | 4.07 | 1.335          | 57.129 | .000 |
| ICICI        | 4.83 | 1.255          |        |      |

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|               |      |       |  |  |
|---------------|------|-------|--|--|
| RELIANCE LIFE | 5.66 | .940  |  |  |
| BAJAJ ALLIANZ | 4.46 | 1.151 |  |  |
| TOTAL         | 4.66 | 1.340 |  |  |

**Source: Customer Survey**

**Table 3: Proper Explanation for Failure**

| Organization  | Mean | Std. Deviation | F      | Sig. |
|---------------|------|----------------|--------|------|
| LIC           | 5.47 | .874           | 24.893 | .000 |
| ICICI         | 5.39 | .873           |        |      |
| RELIANCE LIFE | 5.67 | .932           |        |      |
| BAJAJ ALLIANZ | 4.79 | 1.121          |        |      |
| TOTAL         | 5.35 | .991           |        |      |

**Source: Customer Survey**

**Table 4: Empathizing**

| Organization  | Mean | Std. Deviation | F     | Sig. |
|---------------|------|----------------|-------|------|
| LIC           | 3.65 | 1.342          | 3.316 | .020 |
| ICICI         | 3.95 | 1.402          |       |      |
| RELIANCE LIFE | 3.67 | 1.364          |       |      |
| BAJAJ ALLIANZ | 4.01 | 1.282          |       |      |
| TOTAL         | 3.80 | 1.354          |       |      |

**Source: Customer Survey**

**Table 5: Acting Quickly**

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| Organization  | Mean | Std. Deviation | F    | Sig. |
|---------------|------|----------------|------|------|
| LIC           | 4.42 | 3.993          | .618 | .604 |
| ICICI         | 4.54 | .720           |      |      |
| RELIANCE LIFE | 4.71 | .929           |      |      |
| BAJAJ ALLIANZ | 4.36 | .907           |      |      |
| TOTAL         | 4.50 | 2.483          |      |      |

Source: Customer Survey

**Table 6: Timely Updating the Customers about the Progress of Recovery**

| Organization  | Mean | Std. Deviation | F       | Sig. |
|---------------|------|----------------|---------|------|
| LIC           | 3.07 | .893           | 136.193 | .000 |
| ICICI         | 4.66 | .947           |         |      |
| RELIANCE LIFE | 4.52 | .895           |         |      |
| BAJAJ ALLIANZ | 4.31 | .898           |         |      |
| TOTAL         | 3.99 | 1.140          |         |      |

Source: Customer Survey

**Table 7: Correcting the Failures**

| Organization  | Mean | Std. Deviation | F      | Sig. |
|---------------|------|----------------|--------|------|
| LIC           | 5.62 | .768           | 13.870 | .000 |
| ICICI         | 5.48 | .739           |        |      |
| RELIANCE LIFE | 5.23 | .837           |        |      |
| BAJAJ ALLIANZ | 5.15 | .873           |        |      |
| TOTAL         | 5.41 | .822           |        |      |

Source: Customer Survey

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**Table 8: Atonement and Compensation**

| Organization  | Mean | Std. Deviation | F    | Sig. |
|---------------|------|----------------|------|------|
| LIC           | 2.71 | .727           | .291 | .832 |
| ICICI         | 2.77 | 1.026          |      |      |
| RELIANCE LIFE | 2.80 | .969           |      |      |
| BAJAJ ALLIANZ | 2.73 | 1.369          |      |      |
| TOTAL         | 2.75 | 1.007          |      |      |

**Source: Customer Survey**

**Table 9: Follow Up & Future Learning**

| Organization  | Mean | Std. Deviation | F     | Sig. |
|---------------|------|----------------|-------|------|
| LIC           | 4.01 | 1.251          | 5.399 | .001 |
| ICICI         | 4.39 | 1.258          |       |      |
| RELIANCE LIFE | 4.13 | 1.278          |       |      |
| BAJAJ ALLIANZ | 4.45 | 1.173          |       |      |
| TOTAL         | 4.21 | 1.254          |       |      |

**Source: Customer Survey**