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Service Recovery Tactics and Brand Trust Among Service-Based Small & Medium scale Enterprises (SMEs) in Nigeria: A Review

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Abstract: Service based SMEs in Nigeria are individuals and groups that are solely engaged in rendering services to customers. Studies have shown that SMEs contributed greatly to the development of nations including the developed and developing nations. Among the problems that lead to the failure of SMEs is how competent they are skilled in handling challenges as business evolves. Findings show that among the problems facing SMEs is the lack of market research, low or defective customer service and lack of trained staff which constitute a major aspect of problems faced. The service-based SMEs usually have needs to closely meet their customers as a result of the inseparability nature of services with tendencies of having service failures which could arise from power failure, defective product, incompetent employee, etc. The purpose of this study is to theoretically explore the service recovery tactics for building brands among SMEs in Port Harcourt. The study concludes based on reviews that service recovery tactics are veritable tools in restoring and building trust among service based SMEs in Port Harcourt.

Keywords: Service Recovery Tactics, Refunds, Apology, Compensation, Replace, Brand Trust, Preference, Advocacy

Introduction

In several nations including Nigeria, small and medium scale enterprises (SMEs) that well-managed make up the most contributory sources of employment opportunities and creation of wealth. Members of the society gain from it as an employment source and income while government institutions also gain from SMEs by taxations which affect social stability. (Etuk, Etuk, & Michael, 2014). Notably, there are lots of the business activities of SMEs that are not inclusive in the formal national account; they constitute an estimated labor market of over 4-6% in developed countries to over 50% in developing nations (Etuk et al. 2014). The service-based SMEs are businesses that are more involved in rendering services which are more intangible in nature such as mini hotels, seminars, hair styling, hair cut/barbing saloon, home classes and schools, car wash, Cyber café etc. Aremu and Adeyemi (2011) argued that the performance and growth of small and medium enterprises (SMEs) is a trigger and key measure of a country's industrial level, modernization, urbanization, employment ratio, income per capital, equitable wealth distribution, welfare and living standard. Further, the International Finance Corporation (IFC, 2006) found a positive relationship between the overall income level of a country and the number of SMEs per 1,000 individual. These imply that SMEs growth and positive performance may have connection with countries' growth and development. Etuk, Etuk, and Michael (2014) noted that small and medium enterprises (SMEs) are defined based on specific criteria such as turnover, total number of employees, amount of profit, amount of capital employed, finance availability, market share, and firms' size in comparison to the industry members. Additionally, the National Council of Industry (2003) categorized SMEs into four major classes such as micro with 1-10 employees and less than 1 million capital, small which consist of 11-35 employees and capital of 1milliom less than 40 million, medium which consist of 36-100 employees and 40 million less than 200 million as capital, and fourthly large with over 101 employees and capital of 200 million and above.

Despite the important roles played by SMEs in a Nigeria, there seems to be a constant record of low performance in terms of meeting with the global standards as results of different factors that have been given little or no attention. For example Alli and Jimoh (2013) noted that records from financial experts show that over 80% of SMEs in Nigeria fail within the first 5 years due to lack of experience, wrong business approaches and practices. Similarly, a study conducted by Ihua (2009) on "SMEs Key Failure-Factors: A Comparison between the United Kingdom and Nigeria with an interview of both Nigerians and UK. Findings showed that poor management was the most critical factor for failure in UK whereas poor economic conditions and infrastructure found to be the remote cause of SMEs failure in Nigeria.

Similarly, the growth and development of small and medium scale enterprises (SMEs) in Nigeria over the years is faced with factors such as harsh economic conditions. The challenges are not far from finance, skills and managerial acumen, inadequate infrastructure, week electrical powers, bad roads, low institution supports, constant political conflicts, ethnocentric fights, multiple taxations, unstable foreign exchange and high inflation rates (Etuk, Etuk, & Michael, 2014). In addition, Ahmad and Seet (2009) opined that among the problems that lead to the failure of SMEs is how competent they are skilled in handling challenges as business evolves. Temtime and Pansiri (2004) found that among the problems facing SMEs is the lack of market research, low or defective customer service and lack of trained staff which constitute a major aspect of problems faced. No doubt, these could be the reason most SMEs lack the tactics to delivery service effectively to meet and exceed customer satisfaction in order to build trust.

Obviously, studies on the issues that bother on SMEs have attracted lots of researchers but very few have deemed it necessary to pay more attention to how service failure can be recovered to gain brand trust. Meanwhile, effective service delivery posits to be a sine qua non as most of the SMEs businesses require contact and interaction with customers regardless of whether the business is focused on tangible goods or intangible goods. Customers will always feel bad when they encounter an experience that is negative to their expectation and these could require the business concerned to recover this experience by making the customers happy again. SMEs in Nigeria need more understanding of what brand trust means and how it could be enhanced using service recovery tactics as trust seems to be key in business. The dearth in literature linking SMEs services recovery tactics and brand trust in Nigeria stands as a literature gap which the current study seeks to bridge. Similarly, Bell and Zemke (1987) opined that a service failure happens when customers' expectations are not reached. Reichheld and Sasser (1990) maintained that businesses usually lose 15 to 20% of their annual customer base as a result of factors like: better offers from competitors, uncontrollable factors, and low service recovery tactics. Michel, Bowen, and Johnston (2009) opined that services often fails as a result of unsettled tensions between customer, process, and employee recovery. The customer recovery aspect seeks to bring customers back to their satisfied state, process recovery is geared towards understanding the causes of the failure and reduce its chances of occurrences while employee recovery entails settling employees' complains to ensure stable work flow. The service-based SMEs usually have needs to closely meet their customers as a result of the inseparability nature of services with tendencies of having service failures which could arise from power failure, defective product, incompetent employee etc. How would a business bring back lost confidence or trust as a result customers' bad service experience? Hence, this study seeks to theoretical explore service recovery tactics for brand trust among service-Based SMEs in Nigeria.

Theoretical Foundations

Expectation-Confirmation Theory

The expectation confirmation theory (ECT) is a cognitive theory that explains consumers after purchase behavior based on the functions of expectation, perceived performance and belief. The theory was developed by works of Richard L. Oliver in the year 1977 (Oliver, 1997). The expectation-confirmation theory states that satisfaction of individual customers depends on the interplay of prior expectations and perception of delivery. The theory opines that before any event, one already has an expectation and if that expectation is met in a positive manner, then one is satisfied but a situation where the expectation is met in a negative manner then one is dissatisfied (James & Gary, 2009). Oliver (1980) opined that the expectation confirmation theory explains and suggests that customers buy goods/services based on their expectations for a good performance. The theory relates to the Gaps Model which is based how consumers evaluate quality and takes into consideration the factors that contribute to determine the quality such as quality expected by the customers, quality offered by firms, and quality perceived by users after the service consumption (Oliver, 1980).

Further, Oliver (1977) noted that the ECT holds four major construct which are expectations, perceived performance, disconfirmation belief, and satisfaction. According, the expectation entails features that an individual anticipates, perceived performance is an individuals' personal judgment about the functionality of a product. Also, disconfirmation belief is the comparison between what an individual expects and what is actually received which could either be positive or negative disconfirmation while satisfaction indicates the degree of individuals delight about what is was expected and what was given.

Furthermore, the theory faces some limitation despite its relevance to management and marketing decision making. Hill (1985) opined that the theory lacks validation of its applicability in experiential services that poses difficulty in measurement than tangible goods which may be easily measure. Further, the theory asserted that when a consumer does not meet or meet his/her expectation, the customer gets satisfied/dissatisfied which usually not in all purchase situations. Also, Churchill and Surprenant (1982) argued that the ECT suffers limitation in its inability to incorporate and specify other consumer buying decision standards like ideas, desires, and tolerable level which are core part of the decision variable.

Nevertheless, Chiu, Hsu, Sun, Lin, and Sun (2005) opined that expectation confirmation or disconfirmation theory is widely appreciated as a model of the consumer behavior which is used in explaining and predicting consumer's satisfaction and repeat purchase behavior. Further, the theory can be used to explain how consumers react to service failure and service recoveries as well. It enables owners of small and medium enterprises (SMES) in Nigeria to understand that when a consumer is faced with a failed service, the consumer feels dissatisfied as a result of the fact that it does not meet the expectation. This creates a gap between the consumer and the business organization. It becomes the role of SME manager or service provider to bridge this gap via service recovery tactics.

Review of Related Literature

Concept of Service Recovery Tactics

The concept service recovery is defined as the actions undertaking by a business that renders services in response to a service failure (Gronross, 1988). Sparks' (2001) classification of service failures differentiates between acts of omission and acts of commission. Acts of omission are committed if the service offering is not provided, for example, a flight is cancelled or a reserved seat on an aircraft is not available due to overbooking. Conversely, acts of commission refer to situations where the service is delivered but not to acceptable standards. Service recovery is defined as attempt made by organization to compensate for the negative effects of a breakdown in order to alter customers' dissatisfaction to satisfaction and ultimately to retain those customers (Zemke & Bell, 1990). Michel (2001) opined that service recovery seeks to settle short comings at the environment where the service is being rendered before customers complain or get dissatisfied. Bitner, Booms, and Tetreault (1990) opined that service recoveries ranges from doing what it takes to restore faults in the service delivery. The study identified several dimensions service recoveries such as apology, assistance, follow-ups, acknowledgement, compensation etc which depends on the kind of situations including the type of service involved.

For instance, in Nigerian business could callback a customer who bought an item that is defective to ensure the item is in a good condition. Further, saying "*we are sorry for the inconveniences*" to customer who did not get the exact service paid for implies adoption of apology in service recovery. Service recovery tactics constitutes all efforts taken to make the customer smile when an error of failure occurs in the service centre.

Further, Johnson and Michel (2008) identified seven important activities involved in customer recovery to acknowledgement, empathy, apologizing, owning the problem, fixing the problem, providing assurance and providing compensation. Gordon and Terrence (1991) maintained that effectiveness of service recoveries depends on the level of responsiveness, empathy, and better understanding of the problem at hand. The concept of service recovery can be divided into technical and functional dimensions. The technical dimension entails what customers actually obtain from a service provider which are part of the tactics used to recover failed service, while the functional dimension consists of how the tactics process is executed (Lewis & Spyrakopoulos, 2001). Service recovery tactics is the measures tacking by a business organization in order to bring a customer back from sad mood or moment of regret to a happy mood. Lewis and McCann (2004) identified different tactics undertaking in response to service failures to include apology, corrective actions, empathy, compensation, confirmation, explanations, exceptional treatments, management intervention. The authors opined that each tactics can be either used independently or as a combine mechanism to recovery service failure.

Refunds

Refunds are policies taking by businesses to allow customer who bought faulty goods or undervalued service to receive their payments or charges back. Refunds entails a business practice that enables a customer to be paid back his or her money if the service received is not equivalent with what is paid for in order to make the customer feel satisfied.

Apology

Apology is the act of saying sorry to customers when they receive a service or a product that does not meet their expectations. Apology is expression of respect and value to the individual customer's value and showing of remorse when the businesses delivery does not match what.

Compensation

Compensation is the act of paying an individual an amount that is equivalent or near equivalent to his or her lost. Compensation may not necessary be an amount of money but could be in services or goods given to an individual customer to serve as a make-up for a loss.

Replace

Replace is a business activity that involves replenishing a defective product with a better or another alternative. Replacement occurs where customers' goods or services are exchanged for another similar or different one as result of default or unpleasant experience.

Concept of Brand Trust

Brand trust is the customer's belief that a business is worthy and faithful in terms of keeping to their promises and rendering of services devoid of deceits. Chaudhuri and Holbrook (2001) defined brand trust as the willingness of an individual customer to depend on the ability of the brand to perform the function is has said to perform. Brand trust is an element of loyalty and support which is derived from positive customer experience over a period of time. Supportively, Pina e Cunha, Rego and Kamoche (2009) opined that trust is logically connected to loyalty. In other words, those who do not trust a business organization will likely not be loyal as well. Also, Rod and Ashill (2010) opined that trust is an important element in explaining loyalty divided trust in credibility and benevolence. Brand trust is a vital element in achieving successful marketing practices (Garbarino & Johnson, 1999). Ganiyu, Uche and Elizabeth (2012) agreed that customer satisfaction can lead to trust and a repurchase behavior. Trust is when a customer highly believes in the performance of a particular product or organization.

Preference

Preference is choosing or liking something instead of another. It is a part of consumers' behavior which could occur as a result of personal or general reasons such as price, belief, taste, age, location, relationship, gender, income etc. Trust could also be a reason for preference as studies like Pina e Cunha, Rego and Kamoche (2009); Ganiyu, Uche and Elizabeth (2012) have shown that trust is directly related to loyalty and positive attitude towards a product or organization.

Advocacy

Advocacy is the intentional or willful act of an individual in supporting a view or an idea. Consumers' advocacy is the consumer's willingness to tell good stories about a specific product or organization to others as result of trust and loyalty. Lowenstein (2011) opined that customers are brand advocates when they are loyal for a very long period of time. Advocacy of consumers does not come in at immediate effect, rather it comes via long period of skeptics, trial, experience that conforms to their expectations.

Empirical Review

In the case of service failures, service recovery is the key method of retaining customers and reduces the cost involved in customer defection and negative referral behaviors (Kristie, Seawright, Presto, Charlotte, & Hoopes, 2008). Lewis and McCann (2004) found that lots of studies have revealed that satisfaction and service recovery directly influences a customer's intention to repurchase and to refer the service provider to others. Cranage (2004) holds that the bonds and loyalty that comes as an outcome of service recovery are part of the critical reasons service providers pay extremely attention to service recovery because. The author added that gaining customers that are loyal can increase profits including and customers' advocacies. A study conducted by Abou and Abou (2013) on "The Influence of Perceived Service Failure Recovery Strategies on Customer Satisfaction and loyalty in Hotels." Using critical incident technique, 172 samples collected from both foreign and non foreign guest of hotels in Egypt found that service failure has the ability to influence satisfaction and intentions of customers negatively. The result also shows that service recovery is a veritable tool to enhance loyalty of customers. Nwokorie (2016) conducted a study on Service recovery strategies and customer loyalty in selected hotels in Lagos State, Nigeria." Using inferential statistics and z-test statistical technique, findings show that there is a significant relationship between service recovery strategies, satisfactory, and loyalty level of customers. The study suggested that training of employees on better communication procure and development of complaint platforms, are key headways in achieving business success. Komunda and Osarenkhoe (2012) study of the "Remedy or cure for service failure?: Effects of service recovery on customer satisfaction and loyalty." With a sample of 120 staff and business school students at Makerere, Kampala, Uganda; data was analyzed using regression analytic tool. Findings show that communication had a momentous relationship with service recovery and that when issues are highly redressed; it increases the positive responses of customers towards the business. Additionally, finding shows that the employees' interactions and responsiveness asserts a positive relationship with satisfactory level of customers.

Furthermore, these imply that SMEs whose employees have good interactive skills can capture the customers trust by making them feel satisfied when service failure occurs. The studies of Nwokorie (2016) reveal that employees contributes immensely to the recovery level of service failure since they are mostly the frontiers of the business organization. Confidence can be build by telling a customer "*sorry for the incontinences, it will be fixed shortly"* and customers could decide to remain loyal to business that employ effective service recovery tactics. Evidently, Lewis and McCann (2004) found that satisfied customers via service recovery could decide to prefer a businesses' product to another. These also imply that refunding a customer certain amount for a defective product, replacing malfunction items with the better items and acknowledging the businesses' error or mistake aid in enhancing level of trust. Notably, Pina e Cunha, Rego, and Kamoche (2009); and Ganiyu, Uche and Elizabeth (2012) that customers that trust a business could be more loyal, committed, willing to repeat purchase and even spread positive word of mouth. Based on these reviews, the study proposed the following hypotheses as thus:

H_1: Refunds positively influence brand trust of small and medium scale enterprises in Nigeria.

H_2: Apology positively influence brand trust of small and medium scale enterprises in Nigeria.

H_3: Compensation positively influence brand trust of small and medium scale enterprises in Nigeria.

Summary and Conclusion

The study began with an introduction which provided the background to the study and established the fact that service recovery has been a matter of discuss but most scholars have not deemed it necessary to link service recovery tactics and brand trust of SMEs in Nigeria. The theoretically examined the relationship between service recovery tactics and brand trust; and explored different tactics that could be employed by SMEs in handling service failure situations. Findings from related studies hold that service recovery is an element that enhances satisfaction and trust of businesses. Studies also revealed that employees are direct contributors of effective service recoveries hence; they should be well-equipped and trained to meet customers' expectations. Based on findings from the review, the study concludes that service recovery tactics are veritable tools for restoring and building trust among service-based SMEs in Port Harcourt.

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