Service Recovery Paradox

Customer with service failure and successful recovery

Customer loyalty

Customer without service failure

Service recovery

Service failure

Time

inside the buyer's brain

sorry

shouldn't be the hardest word
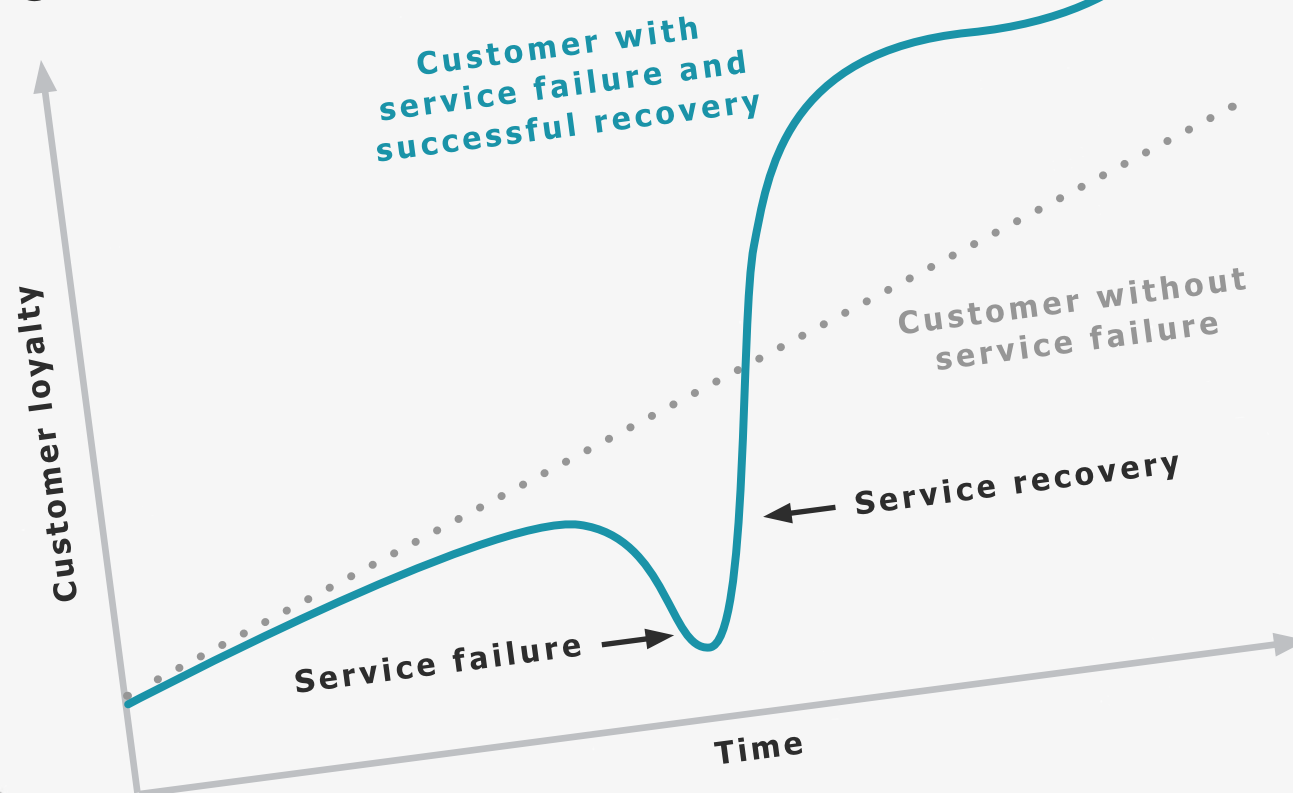
▶ apology science in the B2B world

b2b
decision*labs*

two words, *infinite difficulty*

"Mistakes were made."

"Regret the error."

"No offense intended."

No matter how you spin it, saying "I'm sorry" is never easy. Especially if you've been saying nothing but "I'm sorry" for the past two years.

Supply chain delays and staffing shortages, combined with rising inflation and continued economic uncertainty, have created an environment in which service failures are not only inevitable but increasingly intolerable. And, while vendors are able to resolve most lapses eventually, repairing the damage to the relationship has proven more challenging—no matter how sincere the apology.

In fact, it's not an exaggeration to say that a poorly handled failure can prove fatal--especially in an already tenuous business environment. Not only do you risk losing the customer you've wronged, if they share their dissatisfaction across their network they could negatively influence others' opinions. And broader-scale service lapses that affect a large swath of customers are even more problematic due to the multiplying effect of a bad experience.

Oddly enough, however, the positive benefits of a well-executed recovery can be profound. Handling a customer crisis the right way can not only rescue the relationship but advance it to an even higher level.

It's a scientific theory called **the Service Recovery Paradox, or SRP: a situation in which the customer thinks more highly of you after you've corrected a problem than if they'd never had the bad experience to begin with**.

But...there's a "but": To maximize the benefit of the SRP, you have to handle the failure and its aftermath properly—beginning with the apology itself.

And that's what this report is about.

Tim Riesterer
Chief Visionary
B2B DecisionLabs

in

do *apologies* matter?

It would be nice to believe every customer relationship is a perfect relationship. But service failures are bound to happen, especially as businesses continue to struggle to recover from the pandemic. And it's fair to assume that, because of this, companies need to figure out how to apologize for those failures.
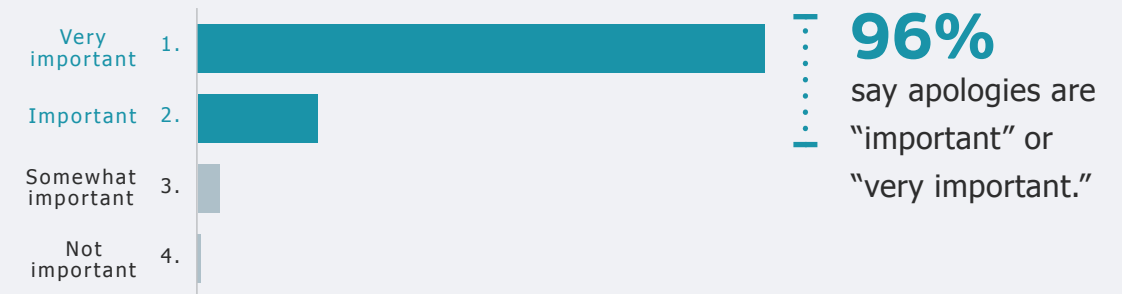
Most organizations concur.

More than 78 percent of respondents to our industry survey agreed that apologies are very important, and that their customer retention rates and revenue growth absolutely depend on delivering a convincing apology. That's no surprise.
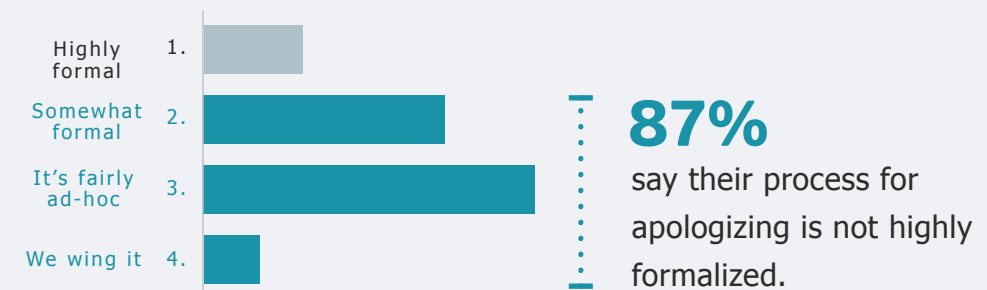
What was surprising was how ill prepared these same respondents are to actually deliver apologies: **Only 13 percent said they have a highly formalized approach** with a documented structure that everyone knows and uses. Almost half—44.5 percent—take an ad hoc approach. And nearly ten percent admit to simply "winging it"; that is, letting individual account owners decide how to handle this difficult conversation.

No wonder 82 percent of survey respondents feel less than "completely confident" in the effectiveness of their apologies. If they are achieving the Service Recovery Paradox, it seems it's happening purely by accident.

How important to your company's success is your ability to apologize convincingly and effectively to your current customers?

Very important	1.
Important	2.
Somewhat important	3.
Not important	4.

96%
say apologies are "important" or "very important."

How formal is your process for apologizing to clients for major product service failures?

Highly formal	1.
Somewhat formal	2.
It's fairly ad-hoc	3.
We wing it	4.

87%
say their process for apologizing is not highly formalized.

How confident are you in the effectiveness of your customer apologies after a major product service failures?

Completely confident	1.
Confident	2.
Somewhat confident	3.
Not at all confident	4.

82%
say they're not completely confident.

a *paradox* explained

The idea that a well-executed recovery can enhance your business has been documented extensively in B2C settings but never really examined in the B2B world. That changed in 2018, when the Journal of Business & Industrial Marketing published a study validating the Service Recovery Paradox in a B2B environment.

The study set out four key components necessary to trigger the SRP in this setting:[1]

1. INITIATION: Willingness to engage in recovery actions, even if the problem wasn't caused directly by that provider, but rather by a sub-contractor or other third party. In other words, even if the failure wasn't your fault, the customer will hold you fully responsible and expect you to resolve the issue with professional rigor.

2. RESPONSE SPEED: Timely and responsive recovery actions, especially when the failure creates costly downtime for the customer. Taking immediate recovery measures once a problem is detected or anticipated increases your chances of recovering from that problem, versus providers who do not.

3. COMPENSATION: Allocation of physical and financial resources. While the B2B customer cannot typically pass the cost of the failure on to the provider, they do prefer compensation in the form of additional free resources to resolve the service failure as quickly as possible. Delaying financial compensation doesn't elicit the same effect, nor does it restore your customer's trust. They expect you to resolve the problem immediately, at no cost to them, rather than make it up to them later.

4. APOLOGY: Expression of remorse that conveys politeness, courtesy, and concern for the client. Your SRP will increase when you communicate your efforts to eliminate the root cause of a failure and convince the customer it won't happen again.

the *apology* component

While three of the above four components are essential to SRP, without the fourth—the apology—you can't document and communicate them. And without that ability, your customer won't appreciate or give you credit for your efforts and your ability to achieve the SRP evaporates. Because that ties directly to messaging effectiveness, that's the piece that piqued our interest.

For our foundational research on the apology component, we turned to a 2016 article called An Exploration of the Structure of Effective Apologies that identified the five specific components of an effective apology:[2]

- **Acknowledgment of Responsibility:** Demonstrate you understand your part in the service failure

- **Offer of Repair:** Describe how you're going to fix the problem and work toward rebuilding trust with your customer

- **Explanation of the Problem:** Explain the reasons for the failure

- **Expression of Regret:** Express how sorry you are for the problem

- **Declaration of Repentance:** Promise to not repeat the problem

where's the framework?

Tim Riesterer
Chief Visionary
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This seemed like a pretty comprehensive collection.

But there were two things missing:

First, in all our review of the existing apology science literature, nowhere did we find any guidance around sequencing. Does the order in which the provider executes these steps have a material effect on apology effectiveness?

Second, and of even more concern, what's the end game for the provider? While existing literature studies the general effectiveness of apologies, it doesn't examine the apology's impact on sales and marketing outcomes. What's the point of apologizing if it's not going to influence a customer's decision to continue to do business with you?

In short: There's no official, scientifically tested framework for developing and delivering a B2B apology.

That's what we set out to change.

These questions kicked off a broader research study with 500 participants across North America and Europe. We created a test scenario in which we asked participants to imagine themselves as a customer in a service failure situation and measured their responses to important SRP-related questions.

The SRP only kicks in when the underlying service failure exceeds what Hubner et al call the "zone of indifference"; i.e., it goes beyond the typical day-to-day missteps and token apologies common to most supplier-customer relationships. So we needed to concoct a scenario that ensured participants felt particularly acute pain that affected a wide range of stakeholders.

Here's the service failure we presented:

Imagine you're the manager in charge of HR benefits.

Near the end of the benefits sign-up period, the software your employees use to sign up for benefits goes down for an extended period. Employees are emailing you directly with questions and frustrations, especially with the deadline looming. They are also submitting requests for support to IT, which cannot rectify the problem because it is an issue with the software supplier itself.

Your HR leadership team and other managers are repeatedly asking you for updates regarding when the problem will be corrected. The software ultimately comes back online, and the sign-up period ends. But this results in a much higher workload for you and your team to ensure all employees have the necessary benefits. You're also fielding numerous questions and concerns from company leaders worried about the impact this experience will have on employee satisfaction.

Once we had described the service failure, we then did three things:

1. Asked participants to rank the intensity of their negative feelings toward the supplier in the story on a scale of 1-9, where 1 was the most extreme negative perception.

2. Pinpointed the angriest respondents—those who had rated their perceptions (1) or (2)—as the subjects.

3. Drafted an apology that included each of the five components.

Next, participants were randomly assigned to one of five apology messaging conditions and were told:

You are about to meet with the software supplier for the first time since this serious incident put your department in such a difficult position. What follows will be the written text of their response to the situation.

Then, they read the apology as text and answered a series of questions. The responses from the most angry and frustrated participants (those who initially rated their perception of the supplier the lowest) were used to compare the impact of the various apology approaches. The objective was to determine which message could improve the reactions of the "saltiest" customers and provide a clear winning formula to follow when you encounter a customer problem.

In the following graphic, you'll see we drafted a sentence or two for each apology component. We then created multiple test conditions by re-ordering how the components appeared.

five elements of an *apology*

Researchers tested the order of these five apology elements across five different messages.

OFFER OF REPAIR: I want to attempt to repair any possible problems this outage caused for you, your team, or your employees. First, I have been approved to provide your company with a 1 month refund, twice the length of your benefits sign-up period. It is an expanded refund in recognition that this happened at a peak time for your company. I have also directed our customer service team to manually check all sign-ups that occurred after the software came back online to be sure they were captured accurately. I will let you know the outcome as soon as it is complete, no longer than one week from now.

DECLARATION OF REPENTANCE: I fully regret that this outage occurred, and our teams are making the necessary changes to make sure it does not happen again. Our outages should be reserved for planned down-time, with advance communication, and we regret that we failed on both accounts in this situation.
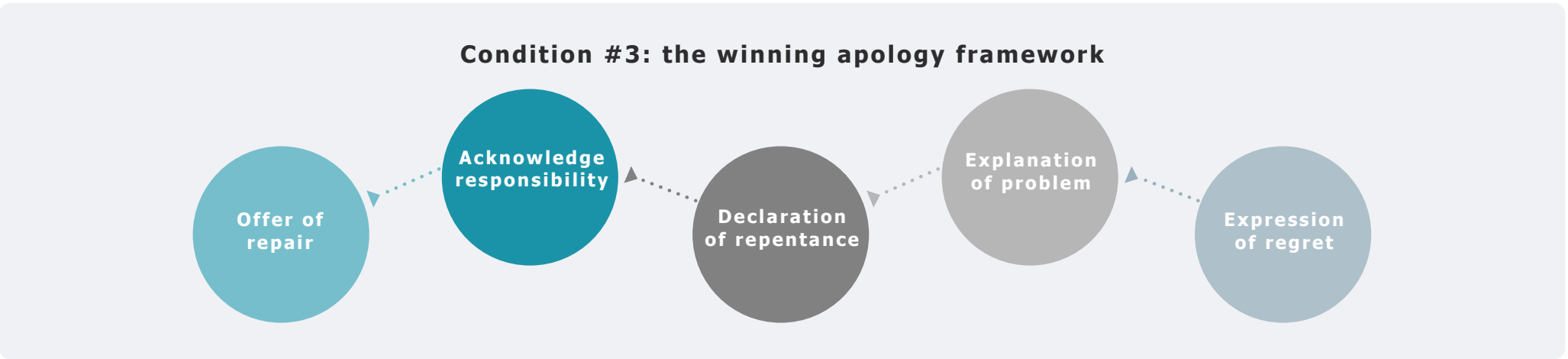
ACKNOWLEDGMENT OF RESPONSIBILITY: The software outage was entirely our fault. It should not have happened at all, let alone during such a critical time for your business. We take full responsibility and are committed to ensuring it will not happen again.

EXPLANATION OF PROBLEM: Your software went down after a major power outage at one of our data centers. Your workload was re-routed to our other data centers as part of our back-up plan and service agreement. However, the second center your content was assigned to was down due to preventive maintenance and a hardware update. This caused your system to go down for a period as the system re-configured to find the next alternative for your workload. We have now updated our redundancy system to avoid anything like this in the future.

EXPRESSION OF REGRET: I am exceptionally sorry for this outage, and as soon as I knew about it I was in constant communication with our technical teams until it was resolved. On behalf of our company, I would like to apologize not only to you, but your leadership team and all affected employees.

Four different combinations of the five elements were created to test for the best approach. In addition, since people in B2B environments often eschew what they consider "emotional" content and opt for a "just the facts" approach, we created a fifth test condition as a control. This fifth condition contained only the two most factual apology components and eliminated the more emotional elements. We wanted to see how a factual account of the problem and description of the remedy would compare to the emotionally charged test messages.

Condition #1	Condition #2	Condition #3	Condition #4	Condition #5
Acknowledgment of responsibility	Offer of repair	Offer of repair	Expression of regret	Explanation of problem
Offer of repair	Declaration of repentance	Acknowledgment of responsibility	Declaration of repentance	Offer of repair
Explanation of problem	Acknowledgment of responsibility	Declaration of repentance	Explanation of problem	
Expression of regret	Expression of regret	Explanation of problem	Acknowledgment of responsibility	
Declaration of repentance	Explanation of problem	Expression of regret	Offer of repair	

At first glance, you might not think that such subtle configuration changes, using elements already proven to be individually effective in previous apology science studies, would produce a single, consistent winning framework.

On the contrary, we discovered one of these approaches did outperform all the others across every question asked. (Remember, we were looking specifically at the responses of the most infuriated customer.) **The one clear and consistent winner was Test Condition #3.** And the emotionless, just-the-facts approach consistently landed at or near the bottom on every question.

Condition #3: the winning apology framework

Offer of repair → Acknowledge responsibility → Declaration of repentance → Explanation of problem → Expression of regret
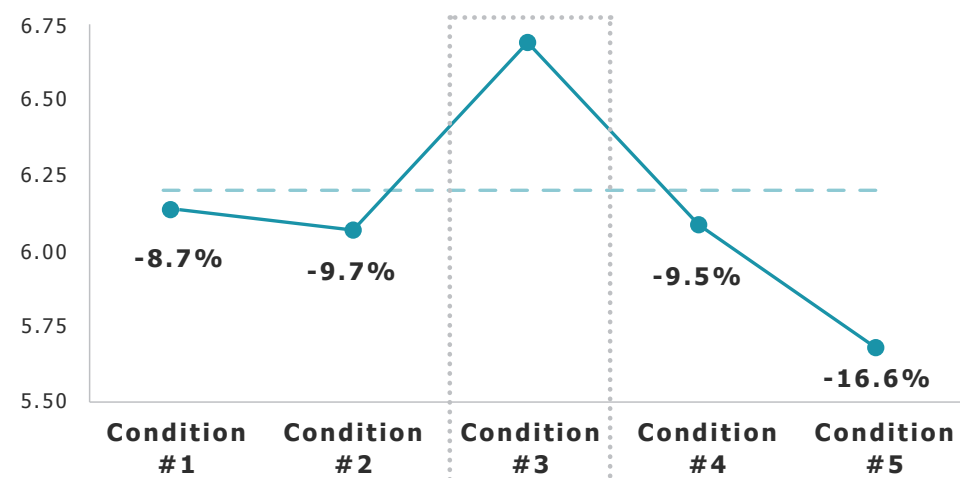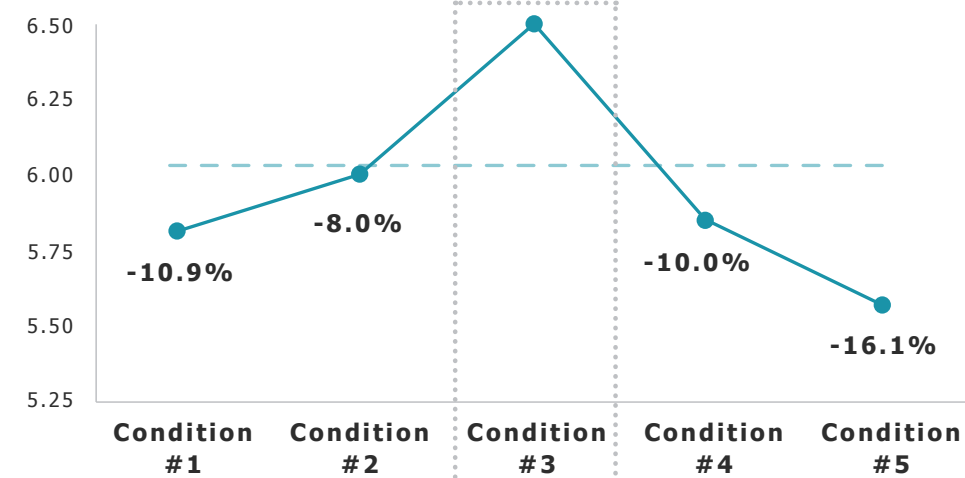
a clear and consistent *winner*

Looking at the questions best related to the Service Recovery Paradox, you will see this winning approach measurably improves your ability to increase customer satisfaction and loyalty, even after a service failure. We didn't ask questions about satisfaction or loyalty directly, but instead asked behavioral outcome-type questions related to willingness to continue buying or buy more from the supplier. We also asked questions related to advocacy and willingness to recommend or serve as a reference for the supplier. All this was asked after "experiencing" the failure and reading the apology.
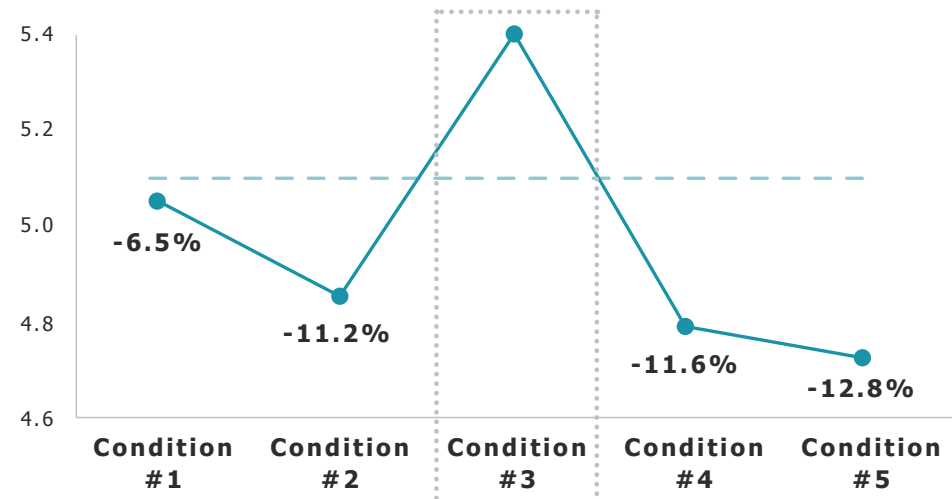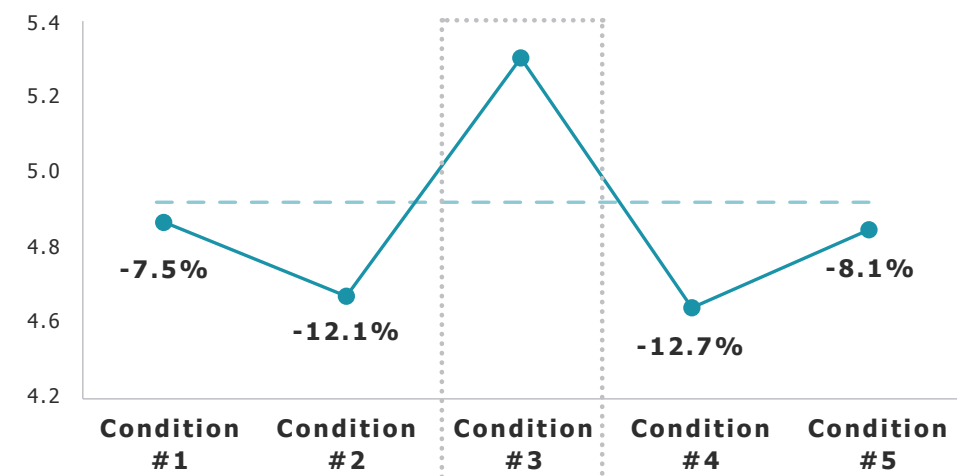
How likely are you to buy again?

How likely are you to buy more?

Likely to recommend supplier to others?

Likely to provide a reference for others?

Condition #3 is the clear, consistent winner. Meanwhile, there's so much variability in the other approaches you can't even pick a clear second place winner. This, despite the fact that the first four conditions all use the exact same content, just presented in a different order.

This proves the power of story choreography. It's not just what you say, but how and when you say it.

Another key indicator of apology success is whether your customer believes you fixed the problem and that the problem will not happen again. Even in this case, you'll see it's the same apology message that inspires the greatest confidence in the supplier moving forward—Condition #3.

" These findings eliminate all doubt as to which configuration you should apply to get the best SRP-related results and which configuration you should avoid. "
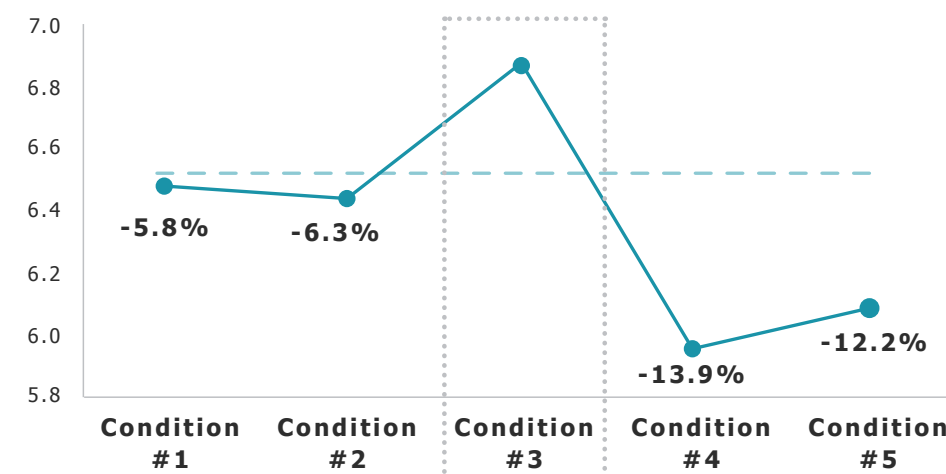
Dr. Nick Lee
Professor of Marketing
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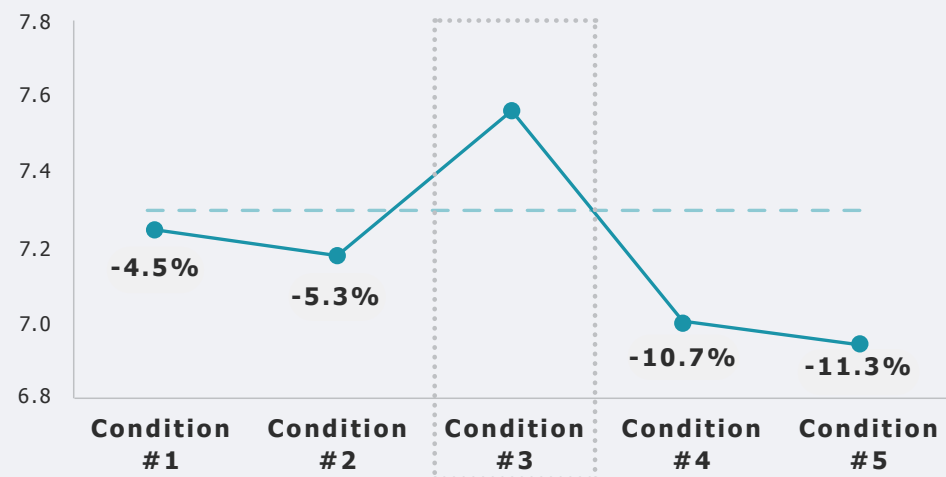
Confident they fully addressed incident?
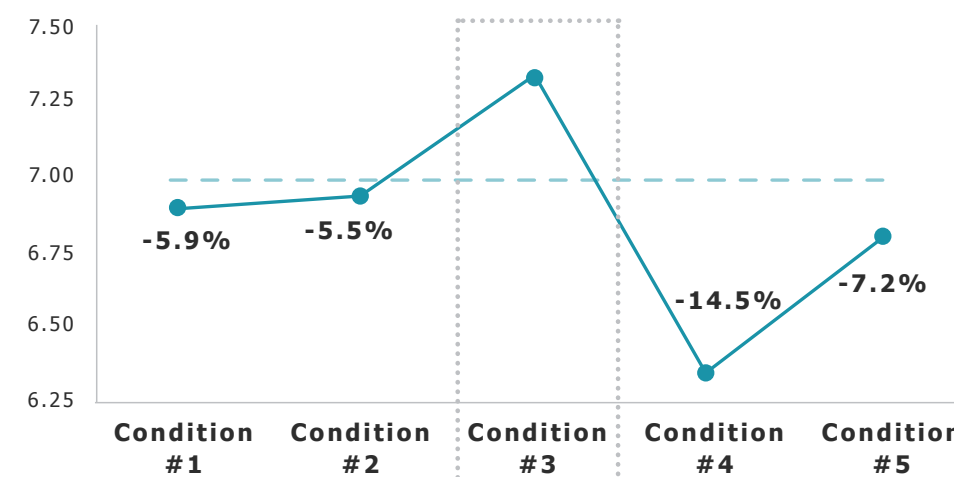
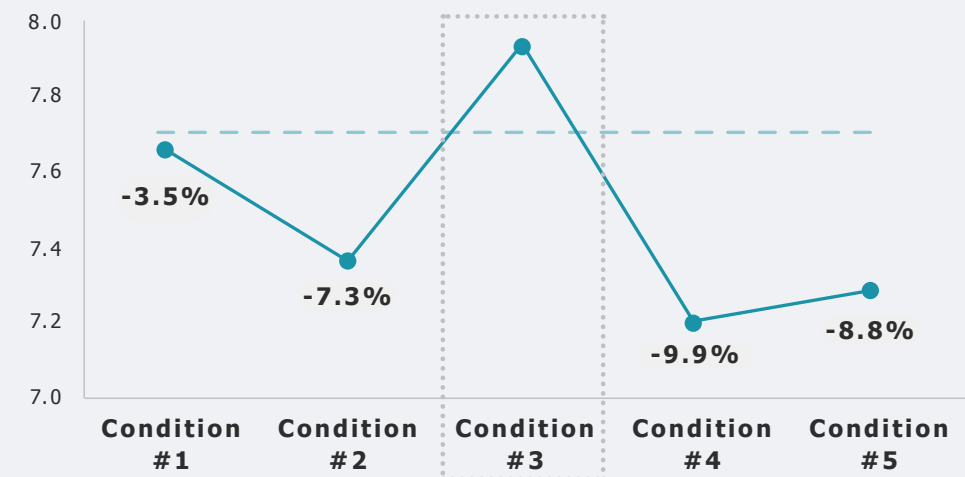**Convinced incident will never happen again?**

A final set of questions and results were more tied to perceptions of the message itself—considerations such as the credibility and overall effectiveness of the message. Once more, the clear winner is Condition #3. Again, due to the inconsistent results of the other messaging approaches, there is one clear winner and no clear second choice when it comes to the perceived quality of your apology.
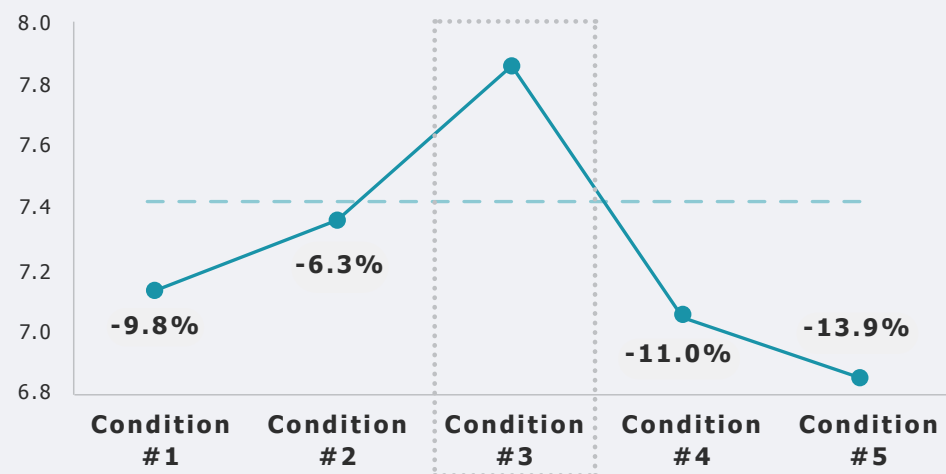
How credible was the apology?

-4.5%
-5.3%
-10.7%
-11.3%

Condition #1 | Condition #2 | Condition #3 | Condition #4 | Condition #5

How effective was the apology?

-3.5%
-7.3%
-9.9%
-8.8%

Condition #1 | Condition #2 | Condition #3 | Condition #4 | Condition #5

How adequate was the apology?

-9.8%
-6.3%
-11.0%
-13.9%

Condition #1 | Condition #2 | Condition #3 | Condition #4 | Condition #5

How does it change perception of supplier?

-5.5%
-4.9%
-6.3%
-10.3%

Condition #1 | Condition #2 | Condition #3 | Condition #4 | Condition #5
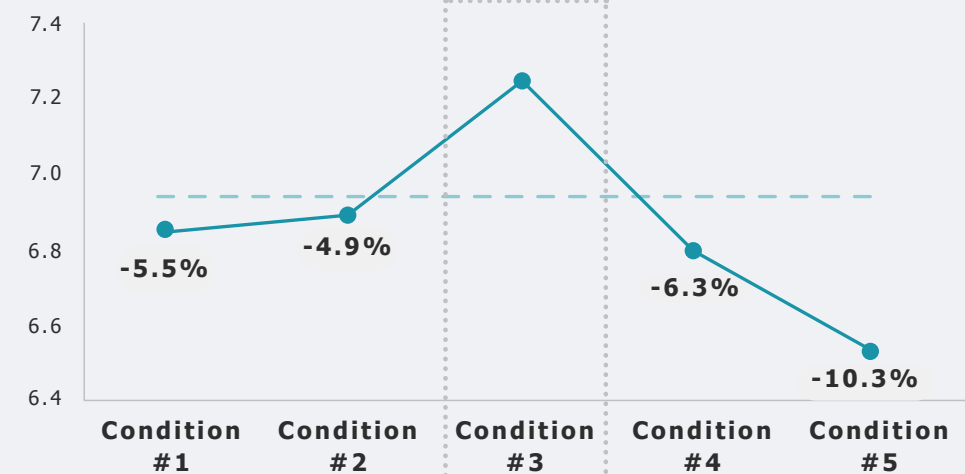
the *winning* example

Here is the winning apology messaging condition as delivered in the test:

"I want to attempt to repair any possible problems this outage caused for you, your team, or your employees. First, I have been approved to provide your company with a 1-month refund, twice the length of your benefits sign-up period. It is an expanded refund in recognition that this happened at a peak time for your company. I have also directed our customer service team to manually check all sign-ups that occurred after the software came back online to be sure they were captured accurately. I will let you know the outcome as soon as it is complete, no longer than one week from now.

Offer of repair

"The software outage was entirely our fault. It should not have happened at all, let alone during such a critical time for your business. We take full responsibility and are committed to ensuring it will not happen again.

Acknowledgment of responsibility

"I fully regret that this outage occurred, and our teams are making the necessary changes to make sure it does not happen again. Our outages should be reserved for planned down-time, with advance communication, and we regret that we failed on both accounts in this situation.

Declaration of repentance

"To let you know what occurred, your software went down after a major power outage at one of our data centers. Your workload was re-routed to our other data centers, as part of our back-up plan and service agreement. However, the second center your content was assigned to was down due to preventive maintenance and a hardware update. This caused your system to go down for a period as the system re-configured to find the next alternative for your workload. We have now updated our redundancy system to avoid anything like this in the future.

Explanation of problem

"I am exceptionally sorry for this outage, and as soon as I knew about it I was in constant communication with our technical teams until it was resolved. On behalf of our company, I would like to apologize not only to you, but your leadership team and all affected employees."

Expression of regret

the Science of "sorry"

So why did the winning condition win? What can we conclude from the findings? Decision Science offers some tantalizing theories.

One involves something called the "Primacy/Recency Effect." This happens when items at the beginning (Primacy) and items at the end (Recency) of a list or string of information are more easily recalled than items that appear in the middle. We call this concept "The Hammock Effect." It makes sense if you put yourself in your customer's shoes: They're not going to care about the "whys" and "hows" behind your actual apology until they know what you're going to do to fix it. So you don't want to squander their peak attention with a long-winded, self-serving excuse for a failure, because by the time you get around to actually solving their problem you've already lost whatever residual good will they might have held onto.

But if it were simply a matter of leading with the fix, why did Condition #2 underperform? Remember, both Condition #2 and Condition #3 led with the Offer of Repair—yet it was Condition #3 that was the clear winner. That's where "Recency" comes into play: Research shows that the most resonant part of a message is what the recipient hears last. It's the sincere Expression of Regret at the end that appears to have tipped the balance in favor of Condition #3.

The lack of an emotional element appears to have also factored into the consistent, miserable failure of the "just the facts" approach. The lesson here? While you might be inclined to shy away from including a sincere emotional component in your apologies, the science shows you'd be making a big mistake. You'd be sacrificing the very component that makes the apology successful.

And, finally, don't underestimate the importance of contrast in your apology message. Daniel Kahneman's work in Prospect Theory emphasizes the importance of contrasting pain with gain. Perceived value lies in the contrast between the two. There's no better contrast in an apology than the pain of the failure and the gain of a great recovery. The Offer of Repair resolves that pain, and because of its primacy in the message framework, you're able to extract the maximum value from that resolution.

conclusion: make your apologies work for you

Doug Hutton
EVP Customer Experience
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Mistakes are inevitable. Lost business doesn't have to be. The Service Recovery Paradox demonstrates a service failure could become an opportunity to increase customer satisfaction and loyalty to levels greater than if your customer never experienced a problem with you. That's an advantage most companies need these days.

But how you engage your customer to achieve this result matters. In this study, you've seen there is a specific choreography to building and delivering your apology message—and positively influence even your angriest and most bitterly disappointed customers.

No more guesses or opinions about how to apologize. And no more vague advice telling you to be authentic, transparent, and empathetic. (How do you know for sure when you are even doing that?) Based on this research, you now have a specific, detailed, science-backed apology messaging framework to deal more effectively with the most difficult parts of sales and customer success: apologizing for a service failure.

about B2B DecisionLabs

B2B DecisionLabs is the only advisory firm and membership community dedicated to helping marketing, sales, and customer success departments improve seller and buyer interactions to drive better commercial outcomes. B2B DecisionLabs offers science-backed insights, expert guidance, and field-ready tools through four dedicated research laboratories:

- **Behavioral studies** – to understand why buyers behave the way they do through fast, large-scale simulations.

- **Neuroscience research** – to observe what's going on inside buyers' brains using EEG, ECG, GSR, eye tracking, and facial analysis tools.

- **Field trials** – to optimize your digital selling initiatives by testing, tracking, and validating real-world customer interactions and outcomes.

- **Machine learning & sales analytics** – to transform unstructured sales data into useful insights and coaching opportunities using AI-powered technology.

CONTACT US TO LEARN MORE

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Tim Riesterer, Chief Visionary at B2B DecisionLabs, is dedicated to helping companies harness the power of Decision Science to win more business with prospects and customers. He is a recognized thought leader, keynote speaker, and practitioner with more than 20 years of experience in marketing and sales management. Riesterer is co-author of four books, including *Customer Message Management*, *Conversations that Win the Complex Sale*, *The Three Value Conversations*, and *The Expansion Sale*.

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[1] *The Service Recovery Paradox in B2B Relationships; Hübner, Denis & Wagner, Stephan & Kurpjuweit, Stefan; Journal of Business & Industrial Marketing; February, 2018*

[2] *An Exploration of the Structure of Effective Apologies; Lewicki, Roy & Polin, Beth & B. Lount, Robert; Negotiation and Conflict Management Research; May, 2016*