EFFECTIVENESS OF SERVICE INNOVATION, WHERE SERVICE FAILURE IS AN IMPERATIVE ISSUE FOR A SMALL FOOD-SERVICE BRAND: CASE STUDY APPROACH

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ABSTRACT: This article confers regarding effectiveness of service innovation in a small restaurant environment; where, the subject of repeated incidences of service failure is a common issue. Moreover, inadequately designed recovery actions putted the final nail in the coffin. For in-depth understanding of the exacting instance surround by real-life situation a single case study approach was adopted. A restaurant namely 'Chittagong Express' was considered for the in- depth study. This conscientious study is qualitative in nature; required data were collected in through of in-depth interviews, from the duo sides; management in the one side and customers on the other. The major findings from study confirmed that the food service brand is facing additional challenges to shield its brand image. Furthermore, post failure negative consequences, i.e. less repurchasing intention of the customers, less trust and customer loyalty towards the brand, negative post recovery emotions and discomfort were found in this case. Primarily, the efforts vis-à-vis the service innovation was incredibly appreciated by the customers, nonetheless, myopic visualization with reference to the appropriate customer satisfaction can be marked as the main reason of the predicament.

KEYWORDS: Service Innovation, 'Chittagong Express', Service Failure, Service Recovery, Customer Satisfaction.

INTRODUCTION

The mega city, Dhaka initially had a colossal demand that yet not had been fulfilled; demand for restaurants offering some signature food items from the different parts of the country (Shahriar, Khan and Islam, 2016). Chittagong, the south-eastern part of Bangladesh is wellknown for its inimitable food heritage. The opportunity was very high for only a restaurant to meet up the demand of that huge crowd of food loving people. 'Chittagong Express' came into operation in, May 2014. However, It was a vision of all four partners of the business to establish a restaurant brand such as 'Chittagong express'. From the very first time they were very much aware of the opportunity and innovation facts. Wise and Baumgartner (1999) also suggested service innovation as the most useful technique to seize business opportunities for business firms. However, some researchers stated planning and controlling of new services as a complex process (Edvardsson and Olsson, 1996). Considering the fact, management designed innovation in form of the products; i.e. introducing some signature items such as 'Mezbani gosht' which is a kind of special Beef dish, 'Kala vuna' (spicy Beef dish), Akanhi Biriyani' (Special-spicy biriyani), 'Paya' (spicy beef or mutton soup) and some other special dishes, which were never been offered as commercial food items at any restaurants before. In own word management has described "Chittagong Express is a house of authentic and signature

item 'Mezbani Gosht' from Chittagong'. To reach the target customers they also took an innovative promotional strategy by using 'Facebook' as a straight communication tool.

The fact of price leadership was also a reason behind the prime success of the brand at the preliminary stage. It is running the operation with one manager (also one of the owners), 12 service staffs. Moreover, primarily they got a huge response from the customers all over the city; appreciation by many celebrities, i.e. actors, cricketers, writers, foreign guests and an enormous number of foodies (Food loving people), who really like their concept of innovation. Nevertheless, when it comes to the providing quality service they were not that efficient to fully satisfy the customers which are correlated with the repurchasing intentions. At the same time as scholars identified customer retention as one of the major indicators of the organizational performance (Kaplan and Norton, 2001). The effectiveness of service quality of a restaurant very much relies on providing the service with a right manner for the very first time; however the absence of this attribute can result service failure. Scholars agreed service failure as unavoidable incident (Hart et al., 1990). That may cost the restaurant with a chance of losing the customer. Although the organization can make the disappointed customers pleased with service recovery, kind of actions that companies take in response to service failure (Gro"nroos, 1988). Here, the trio researchers would strike the innovation, service failure and the recovery strategies of the restaurant brand through in-depth study.

Case study background and objective

The first case study on 'Chittagong express' was conducted by Shahriar, Khan and Islam, (2016), where the discussion based case study argued on the point that service innovation cannot make all things right. Initially the study showed that even though the fact that customers were experiencing service failure at the restaurant, but a huge crowed of food loving people were visiting the restaurant every day. So the authors tried to investigate the organizational efforts to overcome the risk of losing customers and satisfying them through service innovation even at the presence of service failure. However, here the authors did not bring the service recovery on the discussion; where the failure and the organizational efforts towards the service innovation were the main concerns of the paper; and the data for the research were collected by interviewing a sample frame of thirty customers, the manager and selected service staffs. The findings of that research showed some post-failure negative consequences most importantly customer dissatisfaction and customers' tendency as single visitor or butterfly due to less loyalty were also found. This case study was conducted within in September 2015 to February 2016. In two another case studies by Shahriar, et al., (2016) and Shahriar, et al., (2017) authors tried to intensely discover the effective design of recovery policies. The first one was a single case study on a small restaurant brand that discusses on a successful story of the brand to redesign its recovery policies through customer involvement through feedback and suggestions Shahriar, et al., (2016). The other one was a multiple case study conducted on three different (but homogeneous by nature; e.g. business and services) restaurant brands Shahriar, et al., (2017) tried to investigate that 'how' these small restaurant brands are designing effective strategies through customer engagement with the process.

Later on, to fully interpret the curious story of the food service brand 'Chittagong Express', the authors intended to conduct another case study on the same brand. This time the study objective was to have a deeper understanding of customers' attitude towards a well-designed service innovation with the presence of inadequately premeditated service recovery policies after the service failure at a restaurant service environment. For comprehensive understanding, the paper argues about the common service failure, recovery actions and innovation efforts of

Published by European Centre for Research Training and Development UK (www.eajournals.org) particular restaurant business from both perspectives *i.e.* customers' insight as well as the provider's perspective. Researchers also tried to find out the mismatch of perceptions by cross-checking the valid information.

LITERATURE REVIEW

Service Failure and the recovery:

Scholars (Johnston and Michel, 2008; Hoffman, Kelly and Bateson, 1997) described the term 'service failure' as that service performance which falls below a customer's expectations. Researchers Such as Maxham (2001) and Plamer (2001) have tried to define the terminology 'service failure' from the consumers' point of view, based on consumers' perception service failure is any problem related to perceived or actual service or even it can be any problem that occurs when consumer deals with the organization. From the organizational perspective Bell and Zemka (1987) have defined such incident as service failure when an organization fails to meet their customers' expectations with their services. According to Varela et al. (2008) making errors during providing the service can never be fully avoided.

Based on different types of service failures that typically occur researchers such as Keaveney (1995) have classified the service failure into two major categories. Which are 'Core service failure' and the other one is named as 'process service failure or service encounter failure'. Whereas the 'core service failure' is explained as the most serious form of service failure; occurs when the core service fails, which change the fundamental nature of the service and it can also destroy its essential benefits, that's why customers cannot obtain the main service that promised by the organization (Keaveney, 1995; Bitner et al., 1990). The other form of failure is the process failure, which occurs when service providers' behavior create dissatisfaction or became unable to provide personalized service on the demand of customer (Roos and Strandvik, 1997; Keaveney, 1995). Certainly service failure has several serious negative consequences. According to Miller et al., (2000) and Tronvoll, (2012) Service failure has different consequence on customers, as it leads to customer dissatisfaction (Parasuraman et al., 1985) and also customer defection (Reichheld, 1996) and loses of customers' confidence. The action that service providers take in response to any service failure is defined as service recovery (Gro"nroos, 1988), and to ensure that the customers receive quit reasonable services after the occurrence of service failure or service related problems (Armistead et al., 1995) Another definition was suggested by Zemke and bell, (1990), that service recovery is the process of a company by which it tries to make its relationship better with those customers who were initially dissatisfied when the company's goods or services has been unable to satisfy their needs or expectation. Researchers also stated that service recovery facilitate to retain customer (Miller et al., 2000). According to Berry and Parasuraman (1991) recovery management has significant impact on the customers and their emotion who have faced the service failure before.

Researchers such as Lorenzoni and Lewis (2004), Schoefer (2008), Miller et al. (2000) also suggested that effective service recovery is equally important as providing excepted service initially to satisfy customer and keeping them as loyal. Effective service recovery could create equally better relationship and a win-win situation between the service provider and the customer (Magnini *et al.* 2007). Scholars indicated corrective actions, providing compensation or refund, empathy, proper explanation as the strategic tools of service recovery (Lewis and

Mccann, 2004). Conversely, researchers argued that customer complaint management is noticeably different from the recovery action; complaint management totally stands for the actions based on customers' complaints triggered by service failure (Michel 2001). Another case study on small restaurant brand conducted by Shahriar *et al.* (2016) suggested that organization can redesign better recovery strategies through customer engagement (e. g. feedback and suggestion).

Service Innovation

"Many companies make incremental improvements to their service offerings, but few succeed in creating service innovations that generate new markets or reshape existing ones. To move in that direction, executives must understand the different types of market-creating service innovations......" - Berry at el. (2006).

A definition of service innovation was suggested by Toivonen and Tuominen (2009), from the perspective of service provider side, it involves with changes in practice that offers value to the service firm or the provider of the service, which is new to everyone and reproducible as well. Gallouj and Weinstein, (1997) suggested that service innovation involves in the changes in the service characteristics. Wise and Baumgartner (1999) have found service innovation as the most effectual approach to create future business opportunities for various firms. Tidd and Bessant (2011) suggested innovation as essential driver for endurance, improvement and growth of firms in these days. Furthermore, Miller et al. (2007) have acknowledged that service innovation is imperative for firms' to encompass sustainable competitive advantage. On the other hand a definition from the customers' perspective was suggested by Gustafsson et al (2012) service innovation can be found in transformation in the proficiencies of the firms and customers, also changes in the fundamentals of the service offering and co-creation of value. Service innovation is directly or indirectly related to provide value to the both service provider and the customer (Salunke et al, 2011). The typology of innovation was initially proposed by Forfás (2006); however, a revision of the proposal was done by Voss and Zomerdijk (2007). This typology discusses three modes of innovation which are: product, process and business model.

van der Aa and Elfring (2002) explained that service innovation generates opportunities toward enhance the efficiency of the delivery process and also the increases the quality as well; in addition to supports to introduce new service concepts. Matthing et al. (2004) however, mainly focused on the imperative issues of customer involvement in the service innovation. The collaboration of value creation process for both the customer and service provider is also an important aspect of innovation (Moller *et al.*, 2008). Service innovation is directly or indirectly associated with providing value to the both customer and the service provider (Salunke *et al.*, 2011). However, case study related to customer attitude towards well calculated service innovation verses poorly designed service recovery policies after the service failure is rare in the context of a small restaurant service environment.

METHODOLOGY - IN-DEPTH CASE STUDY

In this research a single, qualitative case study method was applied, to intensely investigate the processes and incidents related. Initially, researchers adopted the 'participant observation technique' to better understand the service failure related problems experienced by the

customers and the service innovation phenomenon in that small restaurant brand's service setting, and to filter out a segment of customers, who seemed dissatisfied and complaining regarding the service of the restaurant. on the other hand, a number of customer were asked regarding their past experience regarding service encounter experience, from this cluster the respondents were selected who has experienced any failure incident with the organization. For the 'participant observation' researchers chased the peak hour according the management and staffs of the restaurant; from 12pm to 3pm during April 2016 to September 2016.

Data were collected in form of 'Qualitative interviews' (Seidman, 2006; Yin, 2011 particularly from in-depth interview or conversation (Lofland and Lofland, 1995). A sample of thirty customers of the restaurant was selected via purposive sampling technique, where the data saturation point was 12th customer, still researchers enlarged the sample to better or fully interpret the complex phenomenon. In case of sample determining the sample size researchers adopted a similar approach as the earlier case approach (Shahriar, Khan and Islam, 2016). Here the respondent includes customers who get service recovery, no recovery or get any complaint management compensation after the failure. The management team and member of staffs were also interviewed separately. Each interview lasted for minimum twenty to thirty minutes and extensive notes were also taken by the researchers, the manager was interviewed four times and each interview lasted for thirty to forty minutes. Each of the interviews was audio taped. The managerial practice of service recovery and innovation efforts was deeply observed as well.

ANALYSIS OF THE INTERVIEW AND FINDINGS:

Service setting outline of 'Chittagong Express':

Table no -1: Profile of service provider Team

Position in the business and Number	Key Responsibilities
Manger (1)	Responsible for service management of the restaurant, Managing the 'Facebook' page. Key decision maker regarding the recovery actions. Responsible for managing contacts with the other partners of the business.
Waiter (12)	Taking order from the customers, Serving the customers, maintain the contacts with the mange, cook and customers
Chef (1)	Cooking and Kitchen management
Assistant Cooks and kitchen staffs (3)	Assist the Chef, cooking

The restaurant holds the capacity of serving 40 customers at a time; it provides home delivery service through Third Party Corporation.

Verbatim analysis from the manager - service innovation:

The service innovation efforts and the strategies from the manager's perspective are covered by the following statement made by the manager of the firm:

"We tried our best, to serve something different to our customers and they also appreciated us. People love our food; it is famous for its taste. Our dishes are quite spicy but mouthwatering as well. In order to provide the genuine taste we have appointed chef from Chittagong, who is very famous in Chittagong for cooking. He has an experience of 20 years in this profession. We always try to serve the food in our traditional way.............. Price that we are charging for food items and services are also quite low, compare to others....... We designed our logo, cover picture of the 'Facebook' page, all decoration of the restaurant in a different way that is relatively different from others; we also tried to demonstrate our tradition through all these"

From the statement the key innovation efforts are fairly visible. Both types of innovation were found in this case. 'Product', the innovation came in form of offering a new type of food in the market or 'Service line extension' along with the 'price level' by achieving the status of price leadership in the market. Finally the other sort of innovation was found in form of 'Process innovation' by serving the food in traditional ways and through 'physical evidence'.

However, in terms of their promotional activities manager says that they consider 'Facebook' as their main communication tool.

"……....We do all of our promotional activities through our 'Facebook page'… we also take reservation and orders through 'Facebook' message, we also do reply to messages usually within an hour…… we believe in direct communication. We find that it is the cheapest and effective way for us to communicate with our customers, to know their feedback and needs"

Verbatim analysis from the manager - service failure and recovery:

"......It happens... However, we always try to provide the best service, but we cannot provide completely flawless service all the time but when customers complain, we try to solve the problem immediately......"

"Providing same quality service may not be possible, but we constantly try to keep smile in our faces, and listen to the customers complaint carefully, according to the complain we took corrective actions"

However, he accepted the incident of service failure that often occurs during providing services, whereas researchers also recognized that. Since services are produced and consumed simultaneously and the delivery of the service depends on many uncontrollable factors so it becomes impossible to avoid service failure (Hart *et al.*, 1990). Fisk *et al.* (1993) stated that it is impossible to ensure a hundred percent error free service because of the unique nature of service. It is also a matter of complexity for satisfying customers with the service quality that, customers' satisfaction *per se* largely depends on the customers' level of expectations.

Verbatim analysis from the service staffs - service innovation:

Key issues regarding innovation are presented from the perspective of service personnel. Here, interview of 7 staffs are prearranged, which the authors found were important.

Table no -2: Interview Summary of service staffs on service innovation.

Service Staffs	Comments regarding the Service innovation
Waiter 1	"I believe customers really like the concept Sometimes they even try all our signature dishes such as 'Mezbani Gosht', 'Kala vuna', 'Akanhi Biriyani', and 'Paya'.
Waiter 2	"Although sometimes, many customers found the some dishes much spicy but they still enjoy the taste variety"
Waiter 3	Similar as Waiter 1
Waiter 4	"Our customers are happy with our foods and our traditional way of serving them we always try to maintain the image of 'special' through our services"
Waiter 5	"No other restaurant provide such services, what we serve, lots of foreign guests and celebrities have visited the restaurant, they have eulogized us for our services, environment and food"
Waiter 6	"One cannot find such type of restaurant anywhere else in the city People love the authentic taste I think they also like the interior decoration of the restaurant and facilities"
Waiter 7	"People sometimes need variation in food items, in that cases I personally believe 'Chittagong Express' is the best place in the city to try something new

From the interview it is comprehensible that, service personnel are also very concern about the service innovation fact. However, they seemed not very much careful about maintain proper service quality during the service delivery. When they were asked question regarding quality service they just mentioned "we try our best to provide the best quality service", but when the question were arise "How?" they could not endow with appropriate answer or any information regarding the progression. When they were asked about training on providing quality service or proper service management they agreed that they require training to improve their service. From further investigation authors also found, absence of explicit and proper instruction from the side of management on how to provide quality service.

Interview analysis from the service staffs - service failure and Recovery:

These issues of service failure incidents were primarily considered from the complaints of the customers and then the service staffs were asked question regarding the incidents. The typical corrective action (service recovery) after the failure, reasons of failure from stance of the service personnel were also considered.

Table no -3: Interview Summary of service staffs on service failure and recovery

Customers' most reported service failure	Corrective actions- Recovery and Customer complaint management	Information regarding the failure
Long waiting time to serve the food,	Apology	It occurs in the rush hour, due to huge pressure of customers.
Lost reservation	Apology and try to manage a table within minimum possible time.	Ignorance of the manager
Unprofessional behavior from the staffs	Apology from the manager and staffs	Employee attitude differs, due do may internal and external issues, However management do not provide any training on effectively handling customers.
Not getting ordered food on time or mistakes related to order delivery	Apology	It happens most often in case of 'Facebook' or telephone orders for home delivery, As we depend on the third party of home delivery.
Food quality Or problems related to food	Apology and replacing the dish	Sometimes customer found dishes very spicy, as providing food of same taste is not possible every time.

In this case service staffs of the restaurants explained that the top most complaint that they face from the customers side that is about the service failure related to long waiting time after making any order. But according the waiters (service staffs) it happens often in the busy or rush hours, i.e. lunch hour for 12 pm to 3pm. Again one service staff explained that "Mostly, the service personnel from different organizations situated at the same area, college and university students come to the restaurant to taste something unique, and even some corporate or individuals bring their foreign friends and guests here to introduce them with some authentic foods of Bangladesh, so at these rush hours we find it very difficult to take proper care of all the customer equally."

From the conversation with the service staffs, it was also found that the management did not provide any tanning or clear guideline on effective service management, contingency policies for critical dealings or effective situation handling. On the point of lost reservation they completely blame the manager, as it is his duty to maintain the reservation. Sometimes in rush hours it happens; nevertheless sometimes it becomes very serious and complicated issue as these reservations often are made on any special occasions. When the service staffs were asked about customers' complaints related to unprofessional behavior from the staffs, they more or less agreed that sometimes it happens. As during the service delivery frontline service

employees directly interact with the customers and customer satisfaction is immeasurably dependent on the moment of truth. Then again 'people' itself is a part of 'Expanded Marketing mix for service' (Zeithaml et al., 2013 p.27), where employees and customers both influence the service delivery so the interactions are important for a successful service process. Here, the unprofessional behavior from the staffs due to many reasons, e.g. lack of tanning, emotions, dissatisfaction at the workplace environment and management, is hampering the customers' brand experience. Not getting ordered food on time or mistakes related to order delivery, is related to online ordering system, mainly via Facebook. As they do not have own delivery system and have to depend on others, they described that they do not have proper knowledge about the reasons behind these types of failure issues. Regarding failure related to food quality, as they totally depend on human participation with the cooking process and no machine involvement in the food preparation process, the traditional way of Bangladeshi cooking. So they believe that the quality may differ time to time. Interestingly, the thing that they mentioned that they cannot change the way of cooking as it is their originality and signature. Another important thing that is related to their foods is these are very spicy, so people who do not have previous experience of these kinds of spicy foods and people who do not like spicy foods face some problem while eating here. According to a service staff "Most of them like to taste something different and spicy".

When the service staffs were asked about the common practice of corrective actions as service recovery or customer complaint management after any failure; it was found that, in most of the cases the management and service staffs believe that apology can is enough or it can solve the problems and then for serious issue they try to solve the problems according to the situations. However, on the point quick recovery, they could not explain any accurate policy or administrative effort.

Service failure and recovery at 'Chittagong Express'

Table no -4: Summary of experienced failure and recovery, from the view of customers

Experienced service failure (Total)	30	
Complain about the failure	6	The problem was serious, they expect complaint management actions and immediate response from the service staffs,
Did not complain	24	Expect any recovery strongly, did not expect any recovery action strongly, effected their positive perception regarding the organization.

In this case it is visible that most of the customers, who faced any problem during the service encounter, did not complaint. Whereas, Andereasen and Best (1977) and Singh (1990) the fact is most of the customers who faced a problem or dissatisfied with the service do not complain. Michel (2002) argued that ninety percent of total dissatisfied customers do not make any complains about the service.

Table no-5: number of customers experienced service recovery

Got Recovery	11
Did not get any recovery	
Got complaint management compensation from the service provider	6

Interview analysis from the customers' side- service innovation, service failure and recovery:

Here six verbatim from the customers' regarding service innovation, service failure and recovery are presented,

"The taste of the food is definitely different; the ways of traditional presentation is also fairly different from any other restaurant.....but in case of maintaining proper service they are not that efficient... it took half an hour to serve food when we complain they just said 'sorry'... this is not how a restaurant service should be... However, I might come here again, despite of the service failure factor because I really like the food taste and quality."

"As I love to eat spicy food, I found it the very right place... but I believe they are not much professional in serving people in right manner....after I think their staffs really need training"

"I often visit the restaurant... As I often have to eat lunch outside the home... I prefer to eat here, as I am also from Chittagong, sometimes I feel like eating at home as the taste is very genuine... but I think management should be very careful about dealing with the customers... especially in the busy hours. They often lost reservations and took too much to arrange another table..."

"Their facebook ordering system is just terrible; it took three hours for home delivery within in a distance of three kilometers. From that day I stopped ordering online.... Sometimes I do come here as I like their food and the restaurant..."

"They serve foods on clay pots; I found that is the most interesting thing about eating here. Foods are oily and spicy but delicious at the same time.... But I must say the staffs are too unprofessional so as the manager"

"I ordered 'Akanhi Biriyani', and 'Paya' and after twenty minutes waiter told me the items are out of stock, we cannot serve the items anymore today.... When I complained to the manger about the issues, the manager said we cannot do anything now... he apologized about the delay... and offered 'Kala Vuna' and 'rice', which was actually good in taste then also serve complementary 'Finnih' free of cost...but I really believe it was a unprofessional way of dealing with customers."

After deeply analysing all the interviews from customers' trio researchers found most reported service failure is long waiting time to serve the food, then unprofessional behavior from the staffs, unprofessional behavior from the staffs, Not getting ordered food on time, Food quality were the other service failure incidents that the customers face more often at 'Chittagong Express'. These issues were confirmed after crosschecking the statements of the manager and the staffs. Nevertheless, service innovation efforts of the management team are very much appreciated at the same time.

CASE ANALYSIS SUMMARY AND CONCLUSION

Certainly, service innovation is described as the most useful mode for creating new business opportunities for many companies (Wise and Baumgartner, 1999). However, it is not just a way of offering new things but also better co-creation of customer value (Ordanini and

Parasuraman, 2011) which is actually a vital issue for service firms. At the same time service failure increases the risk of losing customer (Zemke and Bell, 1990).

In this case the restaurant, 'Chittagong Express' is experiencing the same thing. Their innovation helped them a lot to create a special identity or brand image in the customers' mind, but it has a huge chance of losing customers trust due to repeated service failure. Whereas aftermaths of the research indicates that customers have less loyalty and less repurchasing intention after experiencing the failure at the restaurant. Service recovery on the other hand considered as the most effective element for getting customer loyalty (Tax and Brown, 2000), in this case the management team did not explained any future outline of improved recovery. There is massive misapprehension on the side of management was found regarding the 'customer need' and 'satisfaction' concerns. The study would suggest the manager to attain the customers view after the service, or in the time of service delivery to obtain clear requirements and formation of expectations from the services, Hart et al (1990) also proposed that the pattern of recovery expectations depends on the type of failure takes place. The prime findings say that the management team along with the service staffs are myopic, lack of proper service management knowledge was found as well. Conversely still there is hope 'Chittagong Express' can utilize the innovation to catch the attention of prospects. For improved managerial implication this research proposes customer feedback regarding the failure and perceived recovery can be a better investigative instrument to comprehend the expectations of customers' and it can furthermore help to redesign the recovery strategies.

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