Critical Service Encounters: The Employee’s Viewpoint

In service settings, customer satisfaction is often influenced by the quality of the interpersonal interaction between the customer and the contact employee. Previous research has identified the sources of satisfaction and dissatisfaction in service encounters from the customer’s point of view; this study explores these sources in service encounters from the contact employee’s point of view. Drawing on insights from role, script, and attribution theories, 774 critical service encounters reported by employees of the hotel, restaurant, and airline industries are analyzed and compared with previous research. Results generally support the theoretical predictions and also identify an additional source of customer dissatisfaction—the customer’s own misbehavior. The findings have implications for business practice in managing service encounters, employee empowerment and training, and managing customers.

The worldwide quality movement that has swept the manufacturing sector over the last decade is beginning to take shape in the service sector (Business Week 1991; Crosby 1991). According to some, the shift to a quality focus is essential to the competitive survival of service businesses, just as it has become essential in manufacturing (Heskett et al. 1994; Schlesinger and Heskett 1991).

Service quality researchers have suggested that “the proof of service [quality] is in its flawless performance” (Berry and Parasuraman 1991, p. 15), a concept akin to the notion of “zero defects” in manufacturing. Others have noted that “breakthrough” service managers pursue the goal of 100% defect-free service (Heskett, Sasser, and Hart 1990). From the customer’s point of view, the most immediate evidence of service occurs in the service encounter or the “moment of truth” when the customer interacts with the firm. Thus, one central goal in the pursuit of “zero defects” in service is to work toward 100% flawless performance in service encounters. Here, flawless performance is not meant to imply rigid standardization, but rather 100% satisfying performance from the customer’s point of view. The cost of not achieving flawless performance is the “cost of quality,” which includes the costs associated with redoing the service or compensating for poor service, lost customers, negative word of mouth, and decreased employee morale.

Although more firms are realizing the importance of service quality and customer satisfaction, it is not always clear how to achieve these goals. Situations arise in which quality is low and the problem is recognized by both the firm (i.e., employees) and the customer, but there may be disagreement on the causes of the problem and the appropriate solutions. In service encounters such disagreements, sure to diminish customer satisfaction, underscore the importance of understanding the types of events and behaviors that cause customers to be satisfied or dissatisfied. Because the service encounter involves at least two people, it is important to understand the encounter from multiple perspectives. Armed with such understanding, firms are better able to design processes and educate both employees and customers to achieve quality in service encounters.

Previous research in the context of the restaurant, hotel, and airline industries identified categories of events and behaviors that underlie critical service encounters from the customer’s point of view (Bitner, Booms, and Tetreault 1990; hereafter BBT). The primary purpose of this study is to examine the contact employee’s perspective of critical service encounters and to understand, in the context of the same three industries, the kinds of events and behaviors that employees believe underlie customer satisfaction. The employee perspective is then compared with BBT to gain insight into any disparities in perspectives. A second purpose of the study is to evaluate the usefulness of the classification scheme developed by BBT (1990). If the scheme is conceptually robust, it should hold for different respondent groups.

The research is guided by the following questions:

• From the contact employee’s point of view, what kinds of events lead to satisfying service encounters for the customer? What causes these events to be remembered favorably?
• From the contact employee’s point of view, what kinds of events lead to dissatisfying service encounters for the customer? What causes these events to be remembered with distaste?
• Do customers and employees report the same kinds of events and behaviors leading to satisfaction and dissatisfaction in service encounters?
Before presenting the empirical study, we discuss relevant research and theory.

Customer and Contact Employee Viewpoints

Frontline personnel are a critical source of information about customers. There are two basic ways that customer knowledge obtained by contact employees is used to improve service: (1) Such knowledge is used by the contact employees themselves to facilitate their interactions with customers and (2) It is used by the firm for making decisions. First, employees often modify their behavior from moment to moment on the basis of feedback they receive while serving customers. Schneider (1980) argues that people who choose to work in service occupations generally have a strong desire to give good service. To the extent that this is true, contact personnel can be expected to look frequently for cues that tell them how their service is received by customers. The more accurate their perceptions are, the more likely their behavioral adjustments are to improve customer satisfaction.

Second, because contact personnel have frequent contact with customers, they serve a boundary-spanning role in the firm. As a result, they often have better understanding of customer needs and problems than others in the firm. Researchers have theorized and found some evidence that open communication between frontline personnel and managers is important for achieving service quality (Parasuraman, Berry, and Zeithaml 1990; Zeithaml, Berry, and Parasuraman 1988). Schneider and Bowen (1984) argue that firms should use information gathered from contact personnel in making strategic decisions, especially decisions regarding new service development and service modifications.

It seems reasonable to conclude that accurate employee understanding of customers enables both the employee and the firm to adjust appropriately to customer needs. However, previous research correlating customer and employee views of service is sparse and offers mixed conclusions. Schneider and Bowen (1985) and Schneider, Parkington, and Buxton (1980) found high correlations (r = .63 and r = .67, respectively) between employee and customer attitudes about overall service quality in a bank setting. Their results are contradicted, however, in a study by Brown and Swartz (1989). These researchers gathered data on patient experiences with their physicians and compared them with the physicians' perceptions of their patients' experiences. The differences they found were rather large and inversely related to overall patient satisfaction.

Another study of 1300 customers and 900 customer service professionals conducted by Development Dimensions International found differences in perceptions between the two groups (Services Marketing Newsletter 1989). Customer service professionals in that study consistently rated the importance of particular service skills and competencies and their actual performance higher than customers rated the same skills and competencies. Similarly, Langeard and colleagues (1981) found that field managers at two banks tended to overestimate (compared with customer ratings) the importance of six broad service delivery dimensions. Other studies have found differences when comparing customer and employee evaluations of business situations using scenarios and role playing in product failure contexts (Folkes and Kotsos 1986), a complaint context (Resnik and Harmon 1983), and the context of retailer responses to customer problems (Dornoff and Dwyer 1981).

We would therefore expect, on the basis of these studies, to find similarities in employee and customer views of the service encounter, but we would expect significant differences as well. Role, script, and attribution theories provide conceptual bases for these expectations.

Theoretical Explanations

Role and Script Theories

Similarities in how customers and employees view service encounters are most likely when the two parties share common role expectations and the service script is well defined (Mohr and Bittner 1991; Solomon et al. 1985). A role is the behavior associated with a socially defined position (Solomon et al. 1985), and role expectations are the standards for role behavior (Biddle 1986). In many routine service encounters, particularly for experienced employees and customers, the roles are well defined and both the customer and employee know what to expect from each other.

In addition, many types of service encounters, such as seating customers in a restaurant, are repeated frequently throughout a person's life, resulting in strong, standardized, and well-rehearsed scripts (i.e., structures that describe appropriate sequences of role behaviors) (Schank and Abelson 1977). When service encounters have strong scripts, the employee and customer are likely to share expectations about the events that will occur and the order of occurrence. They are less likely to share ideas about subscripts, which are prescriptions for handling what Schank and Abelson describe as "obstacles and errors," two types of interferences that may occur in otherwise predictable scripts.

Role and script theory, combined with the routine nature of many service encounters, suggests that customers and employees are likely to share a common perspective on service experiences. It is also clear that differences in perspective may arise when roles are less defined, a participant is unfamiliar with expected behaviors, or interferences require the enactment of complex or less routine subscripts.

Attribution Theory

Dissimilarities in viewpoint may arise when service encounter partners have conflicting views of the underlying causes behind the events, that is, when their attributions differ. Research shows that there are many biases in the attribution process (Fiske and Taylor 1984). Most clearly relevant for the perceptions of service providers and customers is the self-serving attribution bias. This is the tendency for people to take credit for success (i.e., to give internal attributions for their successes, a self-enhancing bias) and deny responsibility for failure (i.e., to blame failure on external causes, a self-protecting bias). Given these biases we would expect employees to blame the system or the customer for service failures, whereas the customer would be more likely
to blame the system or the employee. The result would be different views of the causes of service dissatisfaction. It is less clear that this bias would operate in the case of a service encounter success. Although the desire for self-enhancement might lead both the employee and customer to give themselves credit for the success, the fact that the customer is paying the firm for a service would probably preclude the bias on the customer’s side. Overall, then, the self-serving attribution bias leads to the expectation that the perspectives of the employee and customer will differ more in service failure than in service success situations.

Both empirical research and theory suggest that similarities as well as differences in perspective are likely to occur between service encounter participants. Role and script theories suggest that in relatively routine situations such as the ones studied, there will be strong similarities in perspective. However, attribution biases suggest that there will also be significant differences in viewpoint. We explore to what extent the perspectives of contact personnel and those of customers are different. And, to the degree that they are different, the data provide insight into the nature of these disparities.

**Method and Analysis**

**Data Collection**

Data were collected using the critical incident technique (CIT), a systematic procedure for recording events and behaviors that are observed to lead to success or failure on a specific task (Ronan and Latham 1974), in this case, satisfying the customer. (For more detailed discussions of the method, see BBT; Flanagan 1954; Wilson-Pessano 1988). Using the CIT, data are collected through structured, open-ended questions, and the results are content analyzed. Respondents are asked to report specific events from the recent past (within 6 to 12 months). These accounts provide rich details of firsthand experiences in which customers have been satisfied or dissatisfied. Because respondents are asked about specific events rather than generalities, interpretation, or conclusions, this procedure meets criteria established by Ericsson and Simon (1980) for providing valuable, reliable information about cognitive processes. Researchers have concluded that when used appropriately (Flanagan 1954; Wilson-Pessano 1988), the critical incident method is reliable in terms of stability of the categories identified across judges, valid with respect to the content identified, and relevant that the behaviors illuminated have proven to be important to the success or failure of the task in question (Ronan and Latham 1974; White and Locke 1981).

Hotel, restaurant, and airline employees were interviewed and asked to recall critical service encounters that caused satisfaction or dissatisfaction for customers of their firms. Thirty-seven trained interviewers collected the data—781 total incidents. Each one recruited a minimum of ten employees from among the same three industries studied in BBT, asking each employee to describe one incident that was satisfactory and one that was dissatisfactory from the customer’s point of view.

Because all the interviewees were employed in the hospitality sector, they recruited fellow employees and employees of establishments with which they were familiar. They were instructed not to interview fellow students. The refusal rate was negligible. The incident sample represented 58 hotels, 152 restaurants, and 4 airlines. On average, the employee providing the incidents had 5.5 years of working experience in their respective industries. The employees ranged in age from 16 to 65 (mean age 27) and were 55% female and 45% male. The instructions to the employees being interviewed were as follows:

Put yourself in the shoes of customers of your firm. In other words, try to see your firm through your customers’ eyes.

Think of a recent time when a customer of your firm had a particularly satisfying (dissatisfying) interaction with yourself or a fellow employee. Describe the situation and exactly what happened.

They were then asked the following questions:

1. When did the incident happen?
2. What specific circumstances led up to this situation?
3. Exactly what did you or your fellow employee say or do?
4. What resulted that made you feel the interaction was satisfying (dissatisfying) from the customer’s point of view?
5. What should you or your fellow employee have said or done? (for dissatisfying incident only)

To be used in the analysis, an incident was required to (1) involve employee-customer interaction, (2) be very satisfying or dissatisfying from the customer’s point of view, (3) be a discrete episode, and (4) have sufficient detail to be visualized by the interviewer. Seven incidents failed to meet these criteria, leaving 774 incidents (397 satisfactory and 377 dissatisfactory).

**Classification of Incidents**

The incident classification system developed by BBT was used as a starting point for sorting the data with the assumption that, to the degree that customers and employees remember satisfying and dissatisfying encounters in the same way, the same classification system should be appropriate. Incidents that could not be classified within the original scheme would then provide evidence for differences in perspective.

One researcher trained in the classification scheme coded the incidents. Any that did not fit into the scheme were put aside. This researcher and a second then worked together on categorizing this group of 86 incidents (11% of the total). These incidents were read and sorted, combined, and resorted until a consistent coding scheme was developed that combined similar incidents into distinct, meaningful categories. When the new categories were labeled and the two researchers achieved consensus on assignment of the incidents, the new categories (one major group with four subcategories) were added to the original classification system.

A set of complete coding instructions was then written (see Appendix A). They included general instructions for
coders, operational definitions of each category, and decision rules for assigning incidents to categories. These are procedures recommended by Perreault and Leigh (1989) for improving the reliability of judgment-based data. The coding instructions were used to train a third researcher who had not participated in the categorization decisions. This researcher then coded the 774 employee incidents, providing an interjudge reliability check on the classification system. Discrepancies between the first and third researchers' assignments were resolved by the second researcher.

The interjudge agreement between the first and third researchers was 84% for the satisfying incidents and 85% for the dissatisfying incidents. These figures are respectively high, especially considering that the classification system in this study contains 16 categories. The percentage agreement statistic probably underestimates interjudge reliability in this case because this statistic is influenced by the number of coding categories (i.e., the more categories, the lower the percentage agreement is likely to be) (Perreault and Leigh 1989). For this reason, two other measures of interjudge reliability were calculated. Cohen’s $\kappa$, which corrects for the likelihood of chance agreement between judges, was found to be .816 for the satisfying and .823 for the dissatisfying incidents. Perreault and Leigh (1989) argue, however, that $\kappa$ is an overly conservative measure of reliability because it assumes an a priori knowledge of the likely distribution of responses across categories. To correct for this they designed an alternative index of reliability, $I_\varepsilon$, appropriate for marketing data. Rather than contrasting interjudge agreement with an estimate of chance agreement, $I_\varepsilon$ is based on a model of the level of agreement that might be expected given a true (population) level of reliability. Furthermore, the index focuses on the reliability of the whole coding process, not just on the agreement between judges. $I_\varepsilon$ was found to be .911 and .914 for the satisfying and dissatisfying incidents, respectively.

**Results and Discussion**

The categories of events and behaviors that employees believe underlie their customers' satisfaction and dissatisfaction in service encounters are identified and discussed first. Then the results are compared with customer perceptions using the BBT data.

**Classification of Employee-Reported Incidents**

The critical incident classification system based on incidents gathered from customers (BBT) consists of three major groups of employee behaviors that account for all satisfactory and dissatisfactory incidents: (1) employee response to service delivery system failures, (2) employee response to customer needs and requests, and (3) unprompted and unsolicited employee actions. Of the 774 employee incidents, 668 were classified into one of these three groups and the 12 categories within them. The incidents were very similar in detail to those provided by customers. (See BBT for detailed descriptions of the groups and categories and sample incidents.)

Eighty-six encounters (11% of the total) did not fit any of the predetermined groups. These incidents were categorized into one major group labeled “problem customer behavior,” and they were added to the categorization scheme as “Group 4.” In these cases, the coders could not attribute the satisfaction and dissatisfaction to an action or attitude of the employee—instead, the root cause was the customer. Such customers were basically uncooperative, that is, unwilling to cooperate with the service provider, other customers, industry regulations, and/or laws. These situations created problems for the employees, and rarely were they able to deal with them in such a way as to bring about customer satisfaction; only 3 of these incidents were satisfactory.

Within the problem customer behavior group, four categories emerged (Table 1 provides examples of incidents from the four new categories):

1. **Drunkeness**—The employee perceives the customer to be clearly intoxicated and creating problems such as harassing other customers nearby, giving the employee a hard time, or disrupting the atmosphere of the establishment;
2. **Verbal and physical abuse**—The customer verbally and/or physically abuses either the employee or other customers;
3. **Breaking company policies or laws**—The customer refuses to comply with policies or laws, and the employee attempts to enforce compliance; and
4. **Uncooperative customers**—The customer is generally rude and uncooperative or unreasonable demanding. From the employee’s perspective, the customer is unwilling to be satisfied, no matter what is done for him or her.

**The Employee’s View of Satisfactory Versus Dissatisfactory Encounters**

Here we examine the frequencies and proportions of employee accounts in the four groups and 16 categories as shown in Table 2. It should be noted that the frequencies and proportions shown in the table reflect numbers of reported events. The actual frequency of occurrence of the type of event represented by a particular group or category cannot be inferred from the data. Nor can greater importance be inferred by greater frequencies in a particular category (Wilson-Pessano 1988). The data are shown in full in Table 2; however, our discussion focuses on the four major groups. To facilitate understanding, the employee-reported incidents are summarized and ranked according to the percentage of incidents in the four major incident groups:

**Distribution of Dissatisfactory Incidents**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Group #</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Group 1—Response to failures</td>
<td>51.7</td>
</tr>
<tr>
<td>2</td>
<td>Group 4—Problem customers</td>
<td>22.0</td>
</tr>
<tr>
<td>3</td>
<td>Group 2—Response to requests</td>
<td>16.4</td>
</tr>
<tr>
<td>4</td>
<td>Group 3—Unprompted action</td>
<td>9.8</td>
</tr>
</tbody>
</table>

**Distribution of Satisfactory Incidents**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Group #</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Group 2—Response to requests</td>
<td>49.4</td>
</tr>
<tr>
<td>2</td>
<td>Group 1—Response to failures</td>
<td>27.5</td>
</tr>
<tr>
<td>3</td>
<td>Group 3—Unprompted action</td>
<td>22.4</td>
</tr>
<tr>
<td>4</td>
<td>Group 4—Problem customers</td>
<td>.8</td>
</tr>
<tr>
<td>Incident</td>
<td>Dissatisfactory</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>----------</td>
<td>----------------</td>
<td>--------------</td>
</tr>
<tr>
<td>A. Drunkenness</td>
<td>An intoxicated man began pinching the female flight attendants. One attendant told him to stop, but he continued and then hit another passenger. The copilot was called and asked the man to sit down and leave the others alone, but the passenger refused. The copilot then &quot;decked&quot; the man, knocking him into his seat.</td>
<td>A person who became intoxicated on a flight started speaking loudly, annoying the other passengers. The flight attendant asked the passenger if he would be driving when the plane landed and offered him coffee. He accepted the coffee and became quieter and friendlier.</td>
</tr>
<tr>
<td>B. Verbal and Physical Abuse</td>
<td>While a family of three was waiting to order dinner, the father began hitting his child. Another customer complained about this to the manager who then, in a friendly and sympathetic way, asked the family to leave. The father knocked all the plates and glasses off the table before leaving.</td>
<td>None</td>
</tr>
<tr>
<td>C. Breaking Company Policies or Laws</td>
<td>Five guests were in a hotel room two hours past checkout time. Because they would not answer the phone calls or let the staff into the room, hotel security staff finally broke in. They found the guests using drugs and called the police.</td>
<td>None</td>
</tr>
<tr>
<td>D. Uncooperative Customer</td>
<td>When a man was shown to his table in the nonview dining area of the restaurant, he became extremely angry and demanded a window table. The restaurant was very busy, but the hostess told him he could get a window seat in a half hour. He refused to wait and took his previously reserved table, but he complained all the way through the dinner and left without tipping.</td>
<td>None</td>
</tr>
</tbody>
</table>

When employees were asked to report incidents resulting in customer dissatisfaction, they tended to describe problems with external causes such as the delivery system or inappropriate customer behaviors. By far the largest number of dissatisfactory incidents were categorized in Group 1 (response to delivery system failures), with the next largest proportion falling into Group 4 (problem customers). These results are not unexpected given what attribution theory suggests. When things go wrong, people are more likely to blame external, situational factors than to attribute the failure to their own shortcomings. A modest number of dissatisfactory incidents were found in Group 2. In many of these cases, the employees implied that they were unable to satisfy customer needs due to constraints placed on them by laws or their own organization’s rules and procedures, again placing the blame on an external source. The smallest percentage of dissatisfactory incidents were classified in Group 3, which reflects spontaneous negative employee behaviors (e.g., rudeness, lack of attention). Again, this is consistent with the bias toward not blaming oneself for failures.

The largest proportion of satisfactory incidents, from the employee’s point of view, occurred in response to customer needs and requests (Group 2). Almost half of particularly satisfying customer encounters reported by employees resulted from their ability to adjust the system to accommodate customer needs and requests. Success is attributed in these cases to the employee’s own ability and willingness to adjust. The next largest proportion of satisfactory incidents were categorized in Group 1. This is an interesting set of incidents, because each one began as a failure but ended as a success because of the ability of the employee to recover. Employees clearly remember their ability to recover in failure situations as a significant cause for ultimate customer satisfaction. A relatively modest (when compared with the customer view) number of satisfactory incidents were categorized as unprompted and unsolicited employee actions (Group 3). Perhaps employees do not view their own behaviors as “spontaneous,” but they instead remember them in association with a specific external cause (e.g., a customer need, a service failure). Finally, there were virtually no satisfactory incidents categorized in the problem customer group (Group 4). This makes sense, because it is difficult to imagine a very problematic customer leaving the encounter feeling satisfied except under highly unusual circumstances.

**Comparing Customer and Employee Views**

Table 3 combines data from the current study with the original BBT data for purposes of comparison. Because the employees and customers in these two studies all described different incidents, conclusions from employee-customer comparisons are exploratory, and the explanations are somewhat speculative. Although we rely on role and attribution theo-
TABLE 2  
Group and Category Classification by Type of Incident Outcome  
(Employees Only)

<table>
<thead>
<tr>
<th>Group and Category</th>
<th>Type of Incident Outcome</th>
<th>Satisfactory</th>
<th>Dissatisfactory</th>
<th>Row Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td><strong>Group 1. Employee Response to Service Delivery System Failures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. To unavailable service</td>
<td>31</td>
<td>7.8</td>
<td>37</td>
<td>9.8</td>
</tr>
<tr>
<td>B. To unreasonably slow service</td>
<td>23</td>
<td>6.0</td>
<td>46</td>
<td>12.7</td>
</tr>
<tr>
<td>C. To other core service failures</td>
<td>55</td>
<td>13.9</td>
<td>110</td>
<td>29.2</td>
</tr>
<tr>
<td>Subtotal, Group 1</td>
<td>109</td>
<td>27.5</td>
<td>195</td>
<td>51.7</td>
</tr>
<tr>
<td><strong>Group 2. Employee Response to Customer Needs and Requests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. To &quot;special needs&quot; customers</td>
<td>80</td>
<td>20.2</td>
<td>14</td>
<td>3.7</td>
</tr>
<tr>
<td>B. To customer preferences</td>
<td>99</td>
<td>24.9</td>
<td>43</td>
<td>11.4</td>
</tr>
<tr>
<td>C. To admitted customer error</td>
<td>11</td>
<td>2.8</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>D. To potentially disruptive others</td>
<td>6</td>
<td>1.5</td>
<td>5</td>
<td>1.3</td>
</tr>
<tr>
<td>Subtotal, Group 2</td>
<td>196</td>
<td>49.4</td>
<td>62</td>
<td>16.4</td>
</tr>
<tr>
<td><strong>Group 3. Unprompted and Unsolicited Employee Actions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Attention paid to customer</td>
<td>43</td>
<td>10.8</td>
<td>6</td>
<td>1.6</td>
</tr>
<tr>
<td>B. Truly out-of-the ordinary employee behavior</td>
<td>25</td>
<td>6.3</td>
<td>28</td>
<td>7.4</td>
</tr>
<tr>
<td>C. Employee behaviors in the context of cultural norms</td>
<td>7</td>
<td>1.8</td>
<td>3</td>
<td>0.8</td>
</tr>
<tr>
<td>D. Gestalt evaluation</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>E. Performance under adverse circumstances</td>
<td>14</td>
<td>3.5</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Subtotal, Group 3</td>
<td>89</td>
<td>22.4</td>
<td>37</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Group 4. Problematic Customer Behavior</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Drunkenness</td>
<td>3</td>
<td>.8</td>
<td>16</td>
<td>4.2</td>
</tr>
<tr>
<td>B. Verbal and Physical Abuse</td>
<td>0</td>
<td>0.0</td>
<td>9</td>
<td>2.4</td>
</tr>
<tr>
<td>C. Breaking company policies or laws</td>
<td>0</td>
<td>0.0</td>
<td>16</td>
<td>4.2</td>
</tr>
<tr>
<td>D. Uncooperative customer</td>
<td>0</td>
<td>0.0</td>
<td>42</td>
<td>11.1</td>
</tr>
<tr>
<td>Subtotal, Group 4</td>
<td>3</td>
<td>.8</td>
<td>83</td>
<td>22.0</td>
</tr>
<tr>
<td><strong>Column Total</strong></td>
<td>397</td>
<td>51.3</td>
<td>377</td>
<td>48.7</td>
</tr>
</tbody>
</table>

ries to explain the differences we observed, it is possible that these differences could be due to sampling variations or differences in the incident pool from which the two groups drew. However, given the care taken in collecting the data to avoid systematic biases, that both studies were conducted in the same city using the same three industries, and that many of the same firms were the source of incidents in both studies, we have confidence in our theoretical explanations of the results.

A large majority of the employee incidents from the current study could be categorized in the original three groups and 12 categories, suggesting strong similarities in the way employees and customers report the sources of satisfaction and dissatisfaction in service encounters. Recall that these are relatively routine service encounters and in both studies the respondents were experienced service participants. Even so, the addition of a fourth group and the significant differences in frequencies and proportions of incidents found in the groups suggest that there are dissimilarities in what they report as well. Hierarchical log-linear analysis of Table 3 shows a significant three-way interaction between group (1, 2, 3, or 4), type of outcome (satisfactory or dissatisfactory), and incident source (employee or customer) (L.R. $\chi^2$ change = 8.17; $p = .04$). There is also a significant two-way interaction between group and incident source (L.R. $\chi^2$ change = 263.31; $p < .0001$). Because of the significant three-way interaction, the results are discussed separately for satisfactory and dissatisfactory incidents.

Within the dissatisfactory incident classifications, customers and employees have relatively similar proportions in Groups 1 and 2. The significant interaction is caused by Group 3, which is dominated by customer incidents, and Group 4, which contains incidents reported by employees only. These results are very consistent with expectations based on attribution biases. Employees are highly unlikely to describe customer dissatisfaction as being caused by their own predispositions, attitudes, or spontaneous behaviors. Customers, on the other hand, will be likely to blame the employee rather than anything they themselves might have contributed. This is clearly reflected in the observation that customers report no dissatisfactory incidents caused by their own problem behaviors (Group 4).

The differences in how customers and employees report satisfactory encounters are provocative as well, albeit less extreme. Again, this is consistent with attribution theory, which predicts larger differences in perceptions in failure than in success situations. Within the satisfactory incidents, Groups 1 and 4 are equally represented for both customers and employees. The significant interaction is the result of Group 2 being dominated by employee incidents and Group 3 being dominated by customer incidents.
TABLE 3
Comparison of Employee and Customer Responses:
Incident Classification by Type of Incident Outcomea

<table>
<thead>
<tr>
<th>Groups</th>
<th>Type of Incident Outcome</th>
<th>Satisfactory</th>
<th></th>
<th>Dissatisfactory</th>
<th></th>
<th>Row Total</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Group 1. Employee Response to Service Delivery System Failures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Data</td>
<td>109</td>
<td>27.5</td>
<td>195</td>
<td>51.7</td>
<td>304</td>
<td>39.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Data</td>
<td>81</td>
<td>23.3</td>
<td>151</td>
<td>42.9</td>
<td>232</td>
<td>33.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 2. Employee Response to Customer Needs and Requests</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Data</td>
<td>196</td>
<td>49.4</td>
<td>62</td>
<td>16.4</td>
<td>258</td>
<td>33.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Data</td>
<td>114</td>
<td>32.9</td>
<td>55</td>
<td>15.6</td>
<td>169</td>
<td>24.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 3. Unprompted and Unsolicited Employee Actions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Data</td>
<td>89</td>
<td>22.4</td>
<td>37</td>
<td>9.8</td>
<td>126</td>
<td>16.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Data</td>
<td>152</td>
<td>43.8</td>
<td>146</td>
<td>41.5</td>
<td>298</td>
<td>42.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 4. Problematic Customer Behavior</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Data</td>
<td>3</td>
<td>.8</td>
<td>83</td>
<td>22.0</td>
<td>86</td>
<td>11.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Data</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Column Total</td>
<td>397</td>
<td>51.3</td>
<td>377</td>
<td>48.7</td>
<td>774</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Data</td>
<td>347</td>
<td>49.6</td>
<td>352</td>
<td>50.4</td>
<td>699</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

aCustomer response data from Bitner, Booms, and Tetreault (1990)

Implications for Researchers

Generalizability of the Service Encounter Classification Scheme

The importance and usefulness of robust classification schemes for theory development and practical application have been discussed by social scientists (e.g., McKelvey 1982) and marketing scholars (e.g., Hunt 1991; Lovelock 1983). Yet we have few such frameworks in marketing, primarily because the classification schemes that have been proposed have rarely been subjected to empirical validation across times and contexts.

This study represents one contribution in a program of research designed to test the validity and generalizability of a scheme for categorizing sources of service encounter satisfaction and dissatisfaction (BBT). If the scheme holds in different settings (e.g., different industry contexts, or in internal as well as external encounters) and across different respondents (e.g., customers versus providers, customers in different cultures), then the scheme can be viewed as more robust and of greater theoretical as well as practical value. Other studies have reported that the three major groups of behaviors identified by BBT are also found in a retail context (Kelley, Hoffman, and Davis 1993) and a study of 16 consumer services (Gremler and Bitner 1992). Through replication, the framework becomes more valuable in identifying generalizable “service behaviors.”

The results of our research indicate that all the categories found in the original customer-perspective study were also found when employees were asked to report except “problem customers.” The addition of this new group provides a more complete classification system that can be further examined in other contexts.

Problem Customers

A primary contribution of this research effort is the empirically based finding that unsatisfactory service encounters may be due to inappropriate customer behaviors—the notion that sometimes customers are wrong. Others have suggested the existence of problem customers (e.g., Lovelock 1994; Schrage 1992; Zemke and Anderson 1990). Lovelock, for example, suggests the term “jaycustomers” to label customers who “misconsume” in a manner similar to jaywalkers who cross streets in unauthorized places. Our research provides empirical evidence that these difficult customer types do exist and in fact can be the source of their own dissatisfaction.

Although no one really believes customers are always right, firms have policies that pretend this is so, and managers urge and demand that customer contact employees treat customers as if they are always right. Needless to say, such avoidance leads to stresses and strains for managers and frontline personnel alike and potentially bigger problems for firms. (See Hochschild 1983 for a discussion of personal and organizational impacts of nonauthentic ways of dealing with customers.) With a better understanding of problem customers can come better methods for eliminating or dealing with the underlying causes of the problems.

This area is ripe with important research questions, such as the following: What types of problems do customers cause? What are the most frequent problems? What types of customers tend to be problem customers? Under what circumstances do customers create either more or fewer problems? And, from a management viewpoint, what can be done to identify problem customers, and how can and should employees deal with them?

This initial research represents a start at addressing some of these questions and the beginnings of a typology of prob-
The self-serving attribution bias suggests explanations for why some of these differences were observed.

Managerial Implications

Using the Classification Scheme

One purpose of this study was to evaluate the soundness of the classification scheme developed by BBT in a distinctive context. Through the addition of the problem customer grouping, the framework is now more complete, and the scheme itself can provide a starting point for a company or industry to begin identifying with greater specificity the events and behaviors peculiar to its own setting. For example, the framework has been used for proprietary purposes in medical and travel agent contexts. In these cases, the companies began with the existing groups in the classification scheme and fleshed out the categories with useful specifics that could be employed in service training or service redesign.

The Customer Is Not Always Right

In the industries studied here, problem customers were the source of 22% of the dissatisfactory incidents. This group may be even larger in industries in which the customer has greater input into the service delivery process (e.g., health care, education, legal services).

Several implications are suggested by the problem customer group. First, managers must acknowledge that the customer is not always right, nor will he or she always behave in acceptable ways. Contact employees who have been on the job any period of time know this, but frequently they are being told that the “customer is king” and are not given the appropriate training and tools to deal with problem customers. Employees need appropriate coping and problemsolving skills to handle customers as well as their own personal feelings in these situations. Employees can also be taught to recognize characteristics of situations (e.g., unexpected peaks in demand, inordinate delays) and anticipate the moods of their customers so that some potential problem situations can be avoided completely or alleviated before they accelerate.

To provide employees with the appropriate training and skills for working with problem customers, the organization must clarify its position regarding such customers. A basic problem customer strategy might be conceptualized as ranging along a continuum from “refuse to serve them” to “satisfy them at all costs.” For example, some car rental companies have attempted to refuse customers with bad driving histories by checking records in advance and rejecting bad-risk drivers (Dahl 1992). In a different context, some Madison Avenue ad agencies say that “some accounts are so difficult to work with that they simply cannot—or will not—service them” (Bird 1993). Although organizations have intuitively recognized that not all customer segments are right for the firm and that each individual customer is not right all the time, some are beginning to acknowledge these facts more explicitly and are attempting to quantify the impact of problem or “wrong” customers on profitability and organizational stress.
Beyond the need to develop employee skills, there is the need for "training" customers so that they will know what to expect and appropriate behaviors in given situations. For example, some upscale resorts that offer highly discounted rates in nonpeak seasons find that their discount customers, who may not be accustomed to the "rules of behavior," appreciate information on what to wear and other expected behaviors while at the resort. In other more complex and less familiar service situations (e.g., professional services), customers may truly appreciate knowing more about their role in the service process and the behaviors and information that are needed from them to make the service succeed (Bloom 1984). It has been suggested that by treating customers as "partial employees" they can learn to contribute to the service in ways that will enhance their own satisfaction (Bowen 1986).

**Employees as Sources of Customer Data**

Previous research has suggested that contact employees are good sources of information on customer attitudes (Schneider and Bowen 1985; Schneider, Parkington and Buxton 1980). Our study confirms these findings insofar as employees of hotels, restaurants, and airlines report all the same categories of customer satisfaction and dissatisfaction reported by customers in the same industries. However, we would caution against relying too much on contact employee interpretations of customer satisfaction for two reasons. First, although they report the same basic categories, the proportions of incidents found in the categories are significantly different from those reported by customers. Second, in some industries in which service encounters are not routine, contact employees may not be as accurate in their assessment of customer expectations and satisfaction (see Brown and Swartz 1989).

**Employee Desire for Knowledge and Control**

It is apparent in reading the incidents that contact employees want to provide good service and are very proud of their abilities to do so. This pride comes through in the large percentage of satisfactory incidents found in Group 2, in which employees’ own skills, abilities, and willingness to accommodate customer needs were the sources of customer satisfaction. Balancing out this sense of pride are a large number of frustrating incidents in which employees believe they cannot for some reason recover from a service failure or adjust the system to accommodate a customer need. These reasons usually stem from a lack of basic knowledge of the system and its constraints, inability to provide a logical explanation to the customer, cumbersome bureaucratic procedures, poorly designed systems or procedures, or the lack of authority to do anything.

**Reliability Is Critical**

The data show that a majority of the dissatisfactory incidents reported by employees resulted from inadequate responses to service delivery system failures. This result, together with other research reporting service reliability as the single most important dimension used by consumers to judge service quality (Parasuraman, Zeithaml, and Berry 1988, 1990), implies a need for service process and system analysis to determine the root causes of system failures (Kingman-Brundage 1989; Shostack 1984, 1987). Systems can then be redesigned and processes implemented to ensure higher reliability from the customer’s point of view. The best way to ensure satisfaction, however, is not to have a failure in the first place.

**Conclusion**

The research suggests that many frontline employees do have a true customer orientation and do identify with and understand customer needs in service encounter situations. They have respect for customers and a desire to deliver excellent service. Oftentimes the inability to do so is governed by inadequate or poorly designed systems, poor or nonexistent recovery strategies, or lack of knowledge. When employees have the skills and tools to deliver high-quality service, they are proud of their ability to do so.

We also learned from employees that customers can be the source of their own dissatisfaction through inappropriate behavior or being unreasonably demanding. We suspect that this new group of dissatisfactory incidents caused by problem customers would surface in any service industry and that its existence represents a strategic challenge for the organization as well as an operational, real-time challenge for service employees. In a time when “customer is king,” the stated philosophy of most forward-thinking organizations, acknowledgment that wrong customers exist, coupled with creative thinking about customer roles and management of customer expectations, may considerably deepen understanding of and ability to cultivate customer relationships.

**Appendix A**

**Instructions for Coders**

**Overview**

1. You will be provided with a set of written critical service encounter events. Each “story” or “event” is recorded on a standardized questionnaire. Two types of questionnaires were used, one for satisfying interactions and one for dissatisfying interactions.

2. Each service encounter questionnaire reflects the events and behaviors associated with an encounter that is memorable because it is either particularly satisfying or particularly dissatisfying. The respondents were employees of restaurants, airlines, and hotels. However, they were asked to take the customer’s point of view in responding to the questions. Thus, the data reflect employees’ recollections of times when customers had particularly dissatisfactory encounters with their firms.

3. You will be asked to categorize each incident into one of 16 categories, based on the key factor that triggered the dissatisfactory incident. Sorting rules and definitions of categories are detailed below.

4. It is suggested that you read through each entire service encounter before you attempt to categorize it. If an incident does not appear to fit within any of the 16 categories, put it aside. In addition, do not attempt to categorize incidents that do not meet the basic criteria. An incident must: (A) include employee-customer interac-
tion, (B) be very satisfying or dissatisfying from the customer’s point of view, (C) be a discrete episode, and (D) have sufficient detail to be visualized by the interviewer.

Coding rules

Each incident should be categorized within one category only. Once you have read the incident, you should begin asking the following questions in order to determine the appropriate category. Definitions of the categories are attached.

1. Is there a service delivery system failure? That is, is there an initial failure of the core service that causes the employee to respond in some way? Is it the employee’s response that causes the event to be remembered as highly satisfactory or dissatisfactory?

   If the answer is yes, place the incident in Group 1. Then ask, what type of failure? (A) unavailable service; (B) unreasonably slow service; (C) other core service failures.

   If the answer is no, go on to question 2.

2. Is there an explicit or implicit request or need for accommodation or extra services? That is, is the customer asking (either explicitly or implicitly) that the system be somehow adjusted to accommodate him/her? Is it the employee’s response that causes the event to be remembered as highly satisfactory or dissatisfactory?

   If the answer is yes, place the incident in Group 2. Then ask what type of need/request is triggering the incident: (A) ‘special needs’ customer; (B) customer preferences; (C) admitted customer error; (D) potentially disruptive others.

   If the answer is no, go on to question 3.

3. Is there an unprompted and unsolicited action on the part of the employee that causes the dis/satisfaction? That is, does a spontaneous action or attitude of the employee cause the dis/satisfaction? (Since this follows rules 1 and 2, it obviously implies that there is no service failure and no explicit/implicit request.)

   If the answer is yes, place the incident in Group 3. Then, ask what type of unprompted and unsolicited action took place: (A) attention paid to customer; (B) truly out-of-the-ordinary action; (C) employee behaviors in the context of cultural norms; (D) gestalt evaluation; (E) exemplary performance under adverse circumstances.

   If the answer is no, go on to question 4.

4. Does the dis/satisfaction stem from the actions/attitudes/behaviors of a “problem customer”? That is, rather than the dis/satisfaction being attributable to an action or attitude of the employee, is the root cause actually the customer?

   If the answer is yes, place the incident in Group 4. Then, ask what type of behavior is causing the problem: (A) drunkenness; (B) verbal/physical abuse; (C) breaking/resisting company policies or laws; (D) uncooperative customer.

   If the answer is no, put the incident aside.

CIT Classification System—Definitions

Group 1. Employee response to service delivery system failure (failure in the core service, e.g., the hotel room, the restaurant meal service, the flight, system failures).

A. Response to unavailable service (services that should be available are lacking or absent, e.g., lost hotel room reservation, overbooked airplane, unavailable window table).

B. Response to unreasonably slow service (services or employee performances are perceived as inordinately slow). (Note: When service is both slow and unavailable, use the triggering event.)

C. Response to other core service failures (e.g., hotel room not clean, restaurant meal cold or improperly cooked, damaged baggage).

Group 2. Employee response to customer needs and requests (when the customer requires the employee to adapt the service delivery system to suit his/her unique needs; contains either an explicit or inferred request for customized [from the customer’s point of view] service).

A. Response to “special needs” customers (customers with medical, dietary, psychological, language, or sociological difficulties; children; elderly customers).

B. Response to customer preferences (when the customer makes “special” requests due to personal preferences; this includes times when the customer requests a level of service customization clearly beyond the scope of or in violation of policies or norms).

C. Response to admitted customer error (Triggering event is a customer error that strains the service encounter, e.g., lost tickets, incorrect order, missed reservations.).

D. Response to potentially disruptive others (when other customers exhibit behaviors that potentially strain the encounter, e.g., intoxication, rudeness, deviance).

Group 3. Unprompted and unsolicited employee actions (events and behaviors that are truly unexpected from the customer’s point of view, not triggered by a service failure, and show no evidence of the customer having a special need or making a special request).

A. Attention paid to customer (e.g., making the customer feel special or pampered, ignoring or being impatient with the customer).

B. Truly out-of-the-ordinary employee behavior (particularly extraordinary actions or expressions of courtesy, or profanity, inappropriate touching, violations of basic etiquette, rudeness).

C. Employee behaviors in the context of cultural norms (norms such as equality, honesty, fairness, discrimination, theft, lying, or refraining from the above when such behavior was expected).

D. Gestalt evaluation (no single feature stands out, instead “everything went right” or “everything went wrong”).

E. Exemplary performance under adverse circumstances (when the customer is particularly impressed or displeased with the way an employee handles a stressful situation).

Group 4. Problematic customer behavior (customer is unwilling to cooperate with laws, regulations, or the service provider; this includes rudeness, abusiveness, or a general unwillingness to indicate satisfaction with the service regardless of the employees’ efforts).
A. Drunkenness (in the employee’s perception, the customer is clearly intoxicated and creating problems, and the employee has to handle the situation).

B. Verbal and physical abuse (the customer verbally and/or physically abuses either the employee or other customers, and the employee has to handle the situation).

C. Breaking/resisting company policies or laws (the customer refuses to comply with policies [e.g., showing airplane ticket to the flight attendant before boarding]) or laws [e.g., use of illegal drugs in the hotel room], and the employee has to enforce compliance).

D. Uncooperative customer (customer is generally rude and uncooperative or extremely demanding; any efforts to compensate for a perceived service failure are rejected; customer may appear unwilling to be satisfied; and the employee has to handle the situation).

REFERENCES


*Business Week* (1991), Special Issue on Quality.


nal of Applied Psychology, 70 (3), 423–33.


