The Service Encounter: Diagnosing Favorable and Unfavorable Incidents

The service encounter frequently is the service from the customer's point of view. Using the critical incident method, the authors collected 700 incidents from customers of airlines, hotels, and restaurants. The incidents were categorized to isolate the particular events and related behaviors of contact employees that cause customers to distinguish very satisfactory service encounters from very dissatisfactory ones. Key implications for managers and researchers are highlighted.

SERVICE industries continue to grow in importance to the U.S. economy while at the same time service quality is generally perceived to be declining (Koepf 1987). For the customer, the observable symptom is decreasing quality in what has been termed the “service encounter,” or the moment of interaction between the customer and the firm (Czepiel, Solomon, and Surprenant 1985; Lovelock 1988; Shostack 1985; Solomon et al. 1985; Surprenant and Solomon 1987). Many times that interaction is the service from the customer’s point of view, yet front-line employees are not trained to understand customers and do not have the freedom and discretion needed to relate to customers in ways that ensure effective service. The fact that customer contact employees often are underpaid and undertrained results in low levels of motivation, job dissatisfaction, high turnover, and ultimately dissatisfied customers.

Some service firms have avoided this downward spiral through practices that reflect their understanding of the service encounter and recognition of the marketing role of all front-line personnel (Albrecht and Zemke 1985). These exemplary firms understand that managing the service encounter involves more than training employees to say “have a nice day” or to answer the phone on or before the third ring. Effective management of the service encounter involves understanding the often complex behaviors of employees that can distinguish a highly satisfactory service encounter from a dissatisfactory one, and then training, motivating, and rewarding employees to exhibit those behaviors.

We conducted a study of critical service encounters in three service industries to gain understanding of the particular events and related behaviors of contact employees that cause customers to distinguish very satisfactory services from very dissatisfactory ones. Through the research, 700 incidents (approximately half satisfactory and half dissatisfactory) were collected from customers of airlines, hotels, and restaurants to answer the following questions:

- What specific events lead to satisfying service encounter?
ters from the customer's point of view? What do contact employees do that causes these events to be remembered favorably?

- What specific events lead to dissatisfying service encounters from the customer's point of view? What do contact employees do that causes these events to be remembered with distaste?

- Are the underlying events and behaviors that lead to satisfactory and dissatisfactory encounters similar? That is, are these events and behaviors opposites or mirror images of each other?

- Are there "generic" events and behaviors, cutting across service industries, that could be considered the underlying causes of satisfactory and dissatisfactory encounters?

To address these questions, we use the critical incident method originally developed for industry use by Flanagan (1954). The method has been used extensively in diverse disciplines including management (e.g., White and Locke 1981), human resources (e.g., Hough 1984; Latham and Saari 1984; Latham et al. 1980; Pursell, Campion, and Gaylord 1980), and education (e.g., Copas 1984; Cotterell 1982). Here, in a marketing context, the method is adapted to identify the sources of both satisfactory and dissatisfactory service encounters from the customer's point of view. The resulting categories are based on specific events and behaviors and hence are amenable to direct management application. Before discussing the method, procedure, and results of the study, we review previous research on the service encounter and service satisfaction and quality.

The Problem Setting

The Service Encounter

The term "service encounter" has attained widespread use in marketing speeches, articles, and research in a few short years. Surprenant and Solomon (1987) define the service encounter as "the dyadic interaction between a customer and service provider." This definition draws on their earlier work suggesting that "service encounters are role performances" (Solomon et al. 1985) in which both customers and service providers have roles to enact. This use of the term "service encounter" focuses on the interpersonal element of service firm performance. Shostack (1985) defines the service encounter somewhat more broadly as "a period of time during which a consumer directly interacts with a service." Her definition encompasses all aspects of the service firm with which the consumer may interact, including its personnel, its physical facilities, and other visible elements. Shostack's definition does not limit the encounter to the interpersonal interactions between the customer and the firm, and in fact suggests that service encounters can occur without any human interaction element. We focus on the personal interactions between customers and employees in service encounters, while recognizing that the service encounter encompasses more as Shostack suggests.

Service Quality and Service Satisfaction

Empirical research in both service quality and service satisfaction affirms the importance of the quality of customer/employee interactions in the assessment of overall quality and/or satisfaction with services. Parasuraman, Zeithaml, and Berry (1985, 1988) define service quality as the overall evaluation of a specific service firm that results from comparing that firm's performance with the customer's general expectations of how firms in that industry should perform. Through focus group interviews, they initially identified 10 dimensions of service quality (1985). Through empirical validation and rigorous scale development procedures, they later reduced these dimensions to five independent dimensions of service quality (1988): tangibles, reliability, responsiveness, assurance, and empathy. Close examination of the scale items for each dimension reveals that a majority of all the items relate directly to the human interaction element of service delivery.

Several survey-based studies of service satisfaction also suggest that the human interaction component of service delivery is essential to the determination of satisfaction/dissatisfaction. A study of relationship marketing in the life insurance industry found clients' satisfaction with their contact person (or agent) to be a significant predictor of overall satisfaction with the service (Crosby and Stephens 1987). Other researchers have found the human interaction component to be of importance in evaluating professional services (Day and Bodur 1978; Quelch and Ash 1981), medical services (Brown and Swartz 1989), and retail outlets (Westbrook 1981). Similarly, experimental studies of service satisfaction also have uncovered the importance of particular contact employee behaviors (Bitner 1990; Surprenant and Solomon 1987).

By demonstrating the importance of the human interaction component of the service encounter to service quality and satisfaction, these empirical studies provide a valuable contribution. However, the results are either intentionally general and do not specify particular behaviors associated with good and poor service, or the behaviors reported are applicable to one specific industry. Unlike previous research, our study identifies specific events and behaviors rather than general dimensions and explores the causes of both satisfactory and unsatisfactory service encounters. The behaviors identified cut across several industries rather than being related to one industry only.
Method and Procedure

Critical Incident Technique

After considering several research methods (Bitner, Nyquist, and Booms 1985), we selected the critical incident technique (CIT) as most appropriate for discovering the underlying sources of satisfaction and dissatisfaction in service encounters (Nyquist and Booms 1987). CIT consists of a set of specifically defined procedures for collecting observations of human behavior and classifying them in such a way as to make them useful in addressing practical problems (Flanagan 1954). The CIT as a method of classification can be categorized with other inductive grouping procedures such as factor analysis, cluster analysis, and multi-dimensional scaling (Hunt 1983, p. 354). Such methods determine categories based on analysis of a specific set of data and are particularly useful when there is little documentation of the properties that are likely to be important for classifying. Unlike the other grouping procedures, however, CIT uses content analysis of stories, rather than quantitative solutions, in the data analysis stage of the procedure. Content analysis “takes the communications that people have produced and asks questions of the communications” (Kerlinger 1973, p. 525). Similarly, CIT takes the stories that people have told and asks questions of the stories in order to classify each one within the scheme.

Through interviews or observation, the CIT records events and behaviors that have been observed to lead to success or failure in accomplishing a specific task (Ronan and Latham 1974). The specific descriptions of events and behaviors are identified as critical incidents. An incident is defined as an observable human activity that is complete enough in itself to permit inferences and predictions to be made about the person performing the act. A critical incident is one that contributes to or detracts from the general aim of the activity in a significant way. We define critical incidents as specific interactions between customers and service firm employees that are especially satisfying or especially dissatisfying. Hence, not all service incidents were classified, only those that customers found memorable because they were particularly satisfying or dissatisfying. Examining such memorable critical incidents is likely to afford insight into the fundamentally necessary factors leading to customers’ dis/satisfactory evaluations. An incident was required to meet the four criteria of (1) involving employee-customer interaction, (2) being very satisfying or dissatisfying from the customer’s point of view, (3) being a discrete episode, and (4) having sufficient detail to be visualized by the interviewer. Research conducted by Andersson and Nilsson (1964) on the general reliability and validity aspects of the CIT led them to conclude that the information collected by this technique is both reliable and valid; Ronan and Latham (1974) and White and Locke (1981) reached similar conclusions.

Methodological Considerations

The CIT is essentially a classification technique employing content analysis of stories or “critical incidents” as data. Content analysis of a variety of forms of communication has a long history in political science, journalism, education, social psychology, and communication research and recently has been applied in marketing to analyze the content of advertising (Pollay 1985) and comics (Belk 1987; Kassarjian 1984; Spiggle 1986), as well as retail store image (Zimmer and Golden 1988). As a research method, CIT shares the advantages and disadvantages generally attributed to content analysis (Kassarjian 1977; Viney 1983; Weber 1985). The primary advantage is “its capacity to provide accurate and consistent interpretations of people’s accounts of events without depriving these accounts of their power or eloquence” (Viney 1983, p. 560). Another advantage is that CIT and content analysis utilize both qualitative and quantitative examination of communications (combining "rigor and vigor"), usually thought to be antithetical forms of analysis (Viney 1983). Criticism of content analysis typically centers on issues of reliability and validity of the categories. Reliability and validity problems may arise as a result of the ambiguity of word meanings, category labels, and coding rules in a particular study (Weber 1985). Though use of computerized content analysis programs may reduce reliability problems to some extent, computerization introduces other potential problems, such as the possibility of “mindless content analysis” (Weber 1985, p. 69). As an exploratory method, CIT also shares the advantages and disadvantages of other exploratory inductive methods. However, when the purpose of the research is to increase knowledge of a phenomenon about which relatively little has been documented and/or to describe a real-world phenomenon based on thorough understanding, an approach such as CIT seems particularly well suited to the task.

Data Collection

Three industries—hotels, restaurants, and airlines—were selected as representative of high-contact services in which contact employees’ communication skills are particularly important (Chase 1978). The incidents were collected by 75 students who interviewed a convenience sample of customers of airlines, hotels, and restaurants over a period of three weeks. Each student was asked to recruit and interview five people to collect a total of 10 incidents—half satisfactory and half dissatisfactory. They were instructed to recruit people who traveled relatively frequently (for business or
pleasure) and who ate regularly in restaurants. They were specifically instructed not to recruit fellow students. The principal investigators gave the interviewers detailed training and written instructions for the interviews; the interviewers practiced the procedure by role-playing. The following questions were asked of all respondents and answers were recorded on standardized questionnaires.

- Think of a time when, as a customer, you had a particularly satisfying (dissatisfying) interaction with an employee of an airline, hotel, or restaurant.
- When did the incident happen?
- What specific circumstances led up to this situation?
- Exactly what did the employee say or do?
- What resulted that made you feel the interaction was satisfying (dissatisfying)?

Note that respondents were not asked to identify the underlying causes of dis/satisfaction, but rather to describe a specific instance in which good or poor service interaction occurred. Reporting events or stories in this way is something most people do very easily. It is the researcher who takes responsibility for abstraction and inference, not the respondent. The interviewers collected a total of 719 incidents. Twenty incidents failed to meet at least one of the four critical incident criteria and were eliminated from further analysis, leaving a sample of 699 incidents (347 satisfactory and 352 dissatisfactory). Of the 347 satisfactory incidents, 86 were from airlines, 165 from restaurants, and 96 from hotels. Of the 352 dissatisfactory incidents, 77 were from airlines, 191 from restaurants, and 84 from hotels. The firms from which incidents were reported represented a full range of airlines, hotels, and restaurants in terms of size and level of service offered. The customer interviewees also represented a cross section of the population. Fifty-three percent of the respondents were men and 47% were women. The median age of the respondents was 36.5 years, with a range from 16 to 82.

Classification of Incidents

Once the data were collected, the incident classification system of the CIT was used to categorize the incidents with the goal of making the data useful for answering the research questions while sacrificing as little detail and comprehensiveness as possible. This analytic induction process consists of repeated, careful readings and sorting of the incidents into groups and categories according to similarities in the reported experiences. After the researcher has read many incidents, similarities among incidents begin to become apparent. Next comes the process of articulating or identifying the exact nature of the similarity, which forms the basis for the labeling of each category of incidents. Over and over the incidents are sorted, combined, and resorted until all incidents in a category are more similar to each other than they are to those in any other category.

In our study, the first stage of the incident analysis was the inductive delineation of major groupings that collectively could account for all of the incidents and begin to answer in a general way the basic research question: What are the events and behaviors leading to satisfying and dissatisfying service encounters from the customer’s perspective? Two successive clustering processes conducted by two researchers resulted in the emergence of three major groups. After consensus on the major groups, the process of delineating categories within the groups was initiated. Using an iterative process, two researchers read, sorted, reread, and recombined the incidents until consensus was achieved on category labels and the assignment of each incident to one of 12 resulting categories. All incidents then were sorted by a third researcher who was given the 12 categories but had not participated in the initial categorization tasks. Interjudge agreement (based on the third researcher’s sorting of the incidents) on assignment of the incidents to the 12 categories was 88 and 92% for satisfactory and dissatisfactory incidents, respectively.

Results and Discussion

The primary results of studies using the CIT are the groups and categories that emerge through the classification procedure. In this section we describe the groups and categories. The proportions shown in both Tables 1 and 2 are analyzed and discussed subsequently to provide insights into the original research questions. Figure 1 is a tree diagram of the final sorting process that evolved through the inductive analysis of the incidents.

Incident Classification System—Major Groups

The initial sorting of the incidents resulted in three major groups of employee behaviors that could account for all satisfactory and dissatisfactory incidents, as shown in Table 1 and Figure 1.

Group 1. Employee response to service delivery system failures. When the service delivery system fails, contact employees are required to respond to consumer complaints or disappointments. The content or form of the employee response determines the customer’s perceived satisfaction or dissatisfaction. All group 1 incidents are related directly to failures in the core service (the hotel room, the restaurant meal service, the airplane flight) and inevitable system failures that occur for even the best of firms. The ability and/or willingness of the contact employee to respond and handle such failures can result in the incident being
TABLE 1
Group and Category Classification by Type of Incident Outcome

<table>
<thead>
<tr>
<th>Group and Category</th>
<th>Type of Incident Outcome</th>
<th>Satisfactory No.</th>
<th>Satisfactory %</th>
<th>Dissatisfactory No.</th>
<th>Dissatisfactory %</th>
<th>Row Total No.</th>
<th>Row Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group 1. Employee Response to Service Delivery System Failures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A: Response to unavailable service</td>
<td></td>
<td>24</td>
<td>6.9</td>
<td>29</td>
<td>8.2</td>
<td>53</td>
<td>7.6</td>
</tr>
<tr>
<td>B: Response to unreasonably slow service</td>
<td></td>
<td>17</td>
<td>4.9</td>
<td>53</td>
<td>15.1</td>
<td>70</td>
<td>10.0</td>
</tr>
<tr>
<td>C: Response to other core service failures</td>
<td></td>
<td>40</td>
<td>11.5</td>
<td>69</td>
<td>19.6</td>
<td>109</td>
<td>15.6</td>
</tr>
<tr>
<td><strong>Subtotal, group 1</strong></td>
<td></td>
<td>81</td>
<td>23.3</td>
<td>151</td>
<td>42.9</td>
<td>232</td>
<td>33.2</td>
</tr>
<tr>
<td><strong>Group 2. Employee Response to Customer Needs and Requests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A: Response to “special needs” customers</td>
<td></td>
<td>36</td>
<td>10.4</td>
<td>6</td>
<td>1.7</td>
<td>42</td>
<td>6.0</td>
</tr>
<tr>
<td>B: Response to customer preferences</td>
<td></td>
<td>51</td>
<td>14.7</td>
<td>37</td>
<td>10.5</td>
<td>88</td>
<td>12.6</td>
</tr>
<tr>
<td>C: Response to admitted customer error</td>
<td></td>
<td>20</td>
<td>5.8</td>
<td>8</td>
<td>2.3</td>
<td>28</td>
<td>4.0</td>
</tr>
<tr>
<td>D: Response to potentially disruptive others</td>
<td></td>
<td>7</td>
<td>2.0</td>
<td>4</td>
<td>1.1</td>
<td>11</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Subtotal, group 2</strong></td>
<td></td>
<td>114</td>
<td>32.9</td>
<td>55</td>
<td>15.6</td>
<td>169</td>
<td>24.2</td>
</tr>
<tr>
<td><strong>Group 3. Unprompted and Unsolicited Employee Actions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A: Attention paid to customer</td>
<td></td>
<td>48</td>
<td>13.8</td>
<td>48</td>
<td>13.6</td>
<td>96</td>
<td>13.7</td>
</tr>
<tr>
<td>B: Truly out-of-the-ordinary employee behavior</td>
<td></td>
<td>22</td>
<td>6.3</td>
<td>41</td>
<td>11.6</td>
<td>63</td>
<td>9.0</td>
</tr>
<tr>
<td>C: Employee behaviors in the context of cultural norms</td>
<td></td>
<td>16</td>
<td>4.6</td>
<td>42</td>
<td>11.9</td>
<td>58</td>
<td>8.3</td>
</tr>
<tr>
<td>D: Gestalt evaluation</td>
<td></td>
<td>55</td>
<td>15.9</td>
<td>15</td>
<td>4.3</td>
<td>70</td>
<td>10.0</td>
</tr>
<tr>
<td>E: Performance under adverse circumstances</td>
<td></td>
<td>11</td>
<td>3.2</td>
<td></td>
<td></td>
<td>11</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Subtotal, group 3</strong></td>
<td></td>
<td>152</td>
<td>43.8</td>
<td>146</td>
<td>41.5</td>
<td>298</td>
<td>42.6</td>
</tr>
<tr>
<td><strong>Column Total</strong></td>
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<td>49.6</td>
<td>352</td>
<td>50.4</td>
<td>699</td>
<td>100.0</td>
</tr>
</tbody>
</table>

TABLE 2
Incident Classification by Type of Industry

<table>
<thead>
<tr>
<th>Type of Service Industry</th>
<th>Airline</th>
<th>Restaurant</th>
<th>Hotel</th>
<th>Row Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groups</td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
</tr>
<tr>
<td>Satisfactory Incidents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 1*</td>
<td>21</td>
<td>39</td>
<td>21</td>
<td>81</td>
</tr>
<tr>
<td>Group 2*</td>
<td>39</td>
<td>40</td>
<td>35</td>
<td>114</td>
</tr>
<tr>
<td>Group 3*</td>
<td>26</td>
<td>86</td>
<td>40</td>
<td>152</td>
</tr>
<tr>
<td><strong>Column total</strong></td>
<td>86</td>
<td>165</td>
<td>96</td>
<td>347</td>
</tr>
<tr>
<td>Dissatisfactory Incidents</td>
<td>35</td>
<td>76</td>
<td>40</td>
<td>151</td>
</tr>
<tr>
<td>Group 1</td>
<td>21</td>
<td>19</td>
<td>15</td>
<td>55</td>
</tr>
<tr>
<td>Group 2</td>
<td>21</td>
<td>29</td>
<td>29</td>
<td>41</td>
</tr>
<tr>
<td>Group 3</td>
<td>21</td>
<td>96</td>
<td>84</td>
<td>146</td>
</tr>
<tr>
<td><strong>Column total</strong></td>
<td>77</td>
<td>191</td>
<td>84</td>
<td>352</td>
</tr>
</tbody>
</table>

*Employee response to service delivery system failures.
*Employee response to customer needs and requests.
*Unprompted and unsolicited employee actions.

remembered as very satisfactory or very dissatisfactory.

Group 2. Employee response to customer needs and requests. When a customer requires the contact employee to adapt the service delivery system to suit his or her unique needs, the contact employee’s response determines the customer’s dis/satisfaction. To be classified in group 2, incidents were required to contain either an explicit or inferred request for customized service. “Customized” was interpreted from the customer’s point of view because much of what customers perceive as “special needs/requests” may actually be routine (or even legally required) from the firm or contact employee’s point of view. What is important is whether or not the customer perceives that
his or her “special” requests or needs have been accommodated.

**Group 3. Unprompted and unsolicited employee actions.** Events and employee behaviors that are truly unexpected from the customer’s point of view are included in group 3. Satisfactory incidents represent very pleasant surprises (special attention, being treated like royalty, something nice but unrequested) whereas dissatisfaction incidents comprise negative and unacceptable employee behaviors (rudeness, stealing, discrimination, ignoring the customer). To be included in group 3 the employee behavior could not be triggered by a failure in the delivery of the core service, nor could there be any evidence (explicit or inferred) of the customer having a special need or making a special request. Hence these incidents represent truly unexpected and unrequested employee behaviors that either enhance or detract from the delivery of the core service.

**Incident Classification System—Categories Within Groups**
Within the three major groups, a total of 12 categories emerged. Table 1 gives the frequency of occurrence of satisfactory and dissatisfactory incidents in each category. Tables 3, 4, and 5 list sample incidents for each of the 12 categories.

**1A. Response to unavailable service.** Services normally available are lacking or absent: the hotel room is not available because of a “lost” reservation, the airplane is overbooked, or the reserved window table is occupied. The way in which unavailability is handled influences the customer’s perception of the service. The customer actually may remember the encounter as very satisfactory if, for example, he or she is upgraded to a better room, compensated by a free ticket, or offered a free meal or drink. Even acknowledging the problem, explaining why the service is unavailable, and assisting the customer in solving the problem by suggesting possible options can be enough to cause the customer to remember the event favorably. In contrast, failure to apologize, offer to compensate, or give an explanation can result in an unavailability incident being remembered as very dissatisfactory. Making the customer feel the failure is somehow his or her fault and implying that “you’re on your own” to find alternative arrangements are other behaviors that infuriate customers who are victims of unavailable service.

**1B. Response to unreasonably slow service.** This category reflects incidents in which services or employee performances are perceived as inordinately slow. Employee reaction to such delays determines the cus-
### TABLE 3

**Group 1 Sample Incidents: Employee Response to Service Delivery Failures**

<table>
<thead>
<tr>
<th>Incident</th>
<th>Satisfactory</th>
<th>Dissatisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Response to Unavailable Service</td>
<td>They lost my room reservation but the manager gave me the V.P. suite for the same price.</td>
<td>We had made advance reservations at the hotel. When we arrived we found we had no room—no explanation, no apologies, and no assistance in finding another hotel.</td>
</tr>
<tr>
<td>B. Response to Unreasonably Slow Service</td>
<td>Even though I didn’t make any complaint about the hour and a half wait, the waitress kept apologizing and said that the bill was on the house.</td>
<td>The airline employees continually gave us erroneous information; a one-hour delay turned into a six-hour wait.</td>
</tr>
<tr>
<td>C. Response to Other Core Service Failures</td>
<td>My shrimp cocktail was half frozen. The waitress apologized, and didn’t charge me for any of my dinner.</td>
<td>One of my suitcases was all dented and looked as though it had been dropped from 30,000 feet. When I tried to make a claim for my damaged luggage, the employee insinuated that I was lying and trying to rip them off.</td>
</tr>
</tbody>
</table>

### TABLE 4

**Group 2 Sample Incidents: Employee Response to Customer Needs and Requests**

<table>
<thead>
<tr>
<th>Incident</th>
<th>Satisfactory</th>
<th>Dissatisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Response “Special Needs” Customers</td>
<td>The flight attendant helped me calm and care for my airsick child.</td>
<td>My young son, flying alone, was to be assisted by the stewardess from start to finish. At the Albany airport she left him alone in the airport with no one to escort him to his connecting flight.</td>
</tr>
<tr>
<td>B. Response to Customer Preferences</td>
<td>The front desk clerk called around and found me tickets to the Mariners’ opening game. It was snowing outside—car broke down. I checked 10 hotels and there were no rooms. Finally, one understood my situation and offered to rent me a bed and set it up in one of their small banquet rooms.</td>
<td>The waitress refused to move me from a window table on a hot day, because there was nothing left in her section. The airline wouldn’t let me bring my scuba gear on board coming back from Hawaii even though I brought it over as carry-on luggage.</td>
</tr>
<tr>
<td>C. Response to Admitted Customer Error</td>
<td>I lost my glasses on the plane; the stewardess found them and they were delivered to my hotel free of charge.</td>
<td>We missed our flight because of car trouble. The service clerk wouldn’t help us find a flight on an alternative airline.</td>
</tr>
<tr>
<td>D. Response to Potentially Disruptive Others</td>
<td>The manager kept his eye on an obnoxious guy at the bar, to make sure that he didn’t bother us.</td>
<td>The hotel staff wouldn’t deal with the noisy people partying in the hall at 3 a.m.</td>
</tr>
</tbody>
</table>
TABLE 5
Group 3 Sample Incidents: Unprompted and Unsolicited Employee Actions

<table>
<thead>
<tr>
<th>Incident</th>
<th>Satisfactory</th>
<th>Dissatisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Attention Paid to Customer</td>
<td>The waiter treated me like royalty. He really showed he cared about me.</td>
<td>The lady at the front desk acted as if we were bothering her. She was watching TV and paying more attention to the TV than the hotel guests.</td>
</tr>
<tr>
<td>B. Truly Out-of-the-Ordinary Employee Behavior</td>
<td>We always travel with our teddy bears. When we got back to our room at the hotel we saw that the maid had arranged our bears very comfortably in a chair. The bears were holding hands.</td>
<td>I needed a few more minutes to decide on a dinner. The waitress said, &quot;If you would read the menu and not the road map, you would know what you want to order.&quot;</td>
</tr>
<tr>
<td>C. Employee Behaviors in the Context of Cultural Norms</td>
<td>The busboy ran after us to return a $50 bill my boyfriend had dropped under the table.</td>
<td>The waiter at this expensive restaurant treated us like dirt because we were only high school kids on a prom date.</td>
</tr>
<tr>
<td>D. Gestalt Evaluation</td>
<td>The whole experience was so pleasant ... everything went smoothly and perfectly.</td>
<td>The flight was a nightmare. A one-hour layover went to 3½ hours. The air conditioning didn’t work. The pilots and stewardesses were fighting because of an impending flight attendant strike. The landing was extremely rough. To top it all off, when the plane stopped, the pilots and stewardesses were the first ones off.</td>
</tr>
<tr>
<td>E. Performance Under Adverse Circumstances</td>
<td>The counter agent was obviously under stress, but kept his cool and acted very professionally.</td>
<td></td>
</tr>
</tbody>
</table>

customer’s satisfaction level. Acknowledging the delay, explaining the cause of the delay, and offering to compensate can alleviate dissatisfaction and even cause the customer to remember the event favorably. In contrast, acting as though nothing is wrong, not explaining the delay, and leaving customers to figure out what to do on their own are ways to aggravate the customer.

1C. Response to other core service failures. Because unavailability (1A) and slowness (1B) were dominating causes of core service failure, separate categories were established for each. Category 1C encompasses incidents in which other aspects of the core service do not meet basic performance standards for the industry (e.g., the hotel room is not clean, the restaurant meal is cold, or the baggage arrives damaged). How the employee responds to these failures determines the customer’s perceptions of the encounter. Again, as in the case of unavailable and unreasonably slow services, the keys to success are to acknowledge the problem, apologize when appropriate, explain what happened, and offer to compensate. In poorly managed organizations, customers may be left to fend for themselves or the employee may even imply that the customer is somehow to blame.

2A. Response to “special needs” customers. This category involves customers who have special medical, dietary, psychological, language, or sociological difficulties. Some of the incidents in this category were medical emergencies as well as needs to accommodate the elderly, children, and persons with language difficulties. Failure to recognize the seriousness of the customer’s need and/or inappropriate or inadequate treatment of the problem can result in a very dissatisfactory incident. In contrast, acknowledgment of and success in accommodating the needs of these special customers often will be remembered as very satisfying from the customer’s perspective.

2B. Response to customer preferences. This category includes incidents when, from the customer’s perspective, “special” requests are made. These requests reflect personal preferences unrelated to the
customer’s sociological, physical, or demographic characteristics (2A). Requests in this category may be within industry/firm policy and norms, but nevertheless require the employee to adapt the system in some way. This category also includes incidents in which the customer requests a level of service customization clearly beyond the scope of or in violation of firm/industry policies or norms. In the case of satisfying incidents, the employee acknowledges the request, exhibits an accommodating attitude, and at least attempts to adapt to the customer’s preferences. Frequently only a minor adjustment of the system is necessary. Sometimes the employee even shows initiative in anticipating a request or actually “bends the rules” to fit the customer’s need. However, customers can be very dissatisfied when their preferences are not accommodated, especially if the employee shows no interest and exerts no effort to be responsive, is unwilling to consider “bending the rules,” or promises to do something and then fails to follow through.

2C. Response to admitted customer error. In this category the triggering event is a customer error that strains the service encounter (e.g., lost tickets, incorrect order, missed reservations). Highly satisfactory encounters result when the employee acknowledges the customer’s problem, takes responsibility, and assists the customer in solving the dilemma without embarrassing the customer in the process. To do so often requires considerable effort on the part of the employee (personally escorting a passenger without a visa through customs; calling around to find an alternative flight/room when a reservation is missed). Dissatisfactory employee responses include laughing at and embarrassing the customer for his or her mistake, avoiding any responsibility, and demonstrating an unwillingness to assist the customer in solving the problem.

2D. Response to potentially disruptive others. Within the environment of the service encounter, other customers’ behaviors can strain the encounter (e.g., intoxication, rudeness, social deviance). The contact employee or firm either does or does not cope with the disruptive person(s) to the satisfaction of other customers present.

3A. Attention paid to customer. This category includes incidents in which the level of attention paid the customer is viewed very favorably or very negatively. Satisfactory encounters result when contact employees make the customer feel “unique” or “pampered” by taking extra time, being attentive and anticipating needs without interfering, showing an interest in the customer’s comfort, or providing extra information to the customer. Dissatisfactory encounters occur when contact employees demonstrate poor attitudes toward the customer, ignore the customer, or treat the customer impersonally as evidenced by such behaviors as being impatient, not anticipating needs, not caring about the customer’s comfort, and failing to provide information.

3B. Truly out-of-the-ordinary employee behavior. In this category are incidents in which the employee does some small thing that for the customer translates into a highly satisfactory or dissatisfactory encounter. For satisfactory service encounters, out-of-the-ordinary behavior consists of extraordinary actions or expressions of courtesy or thoughtfulness, such as unrequested acknowledgment of an occasion with a special song or gift or giving a hotel guest a vase of flowers he had admired. In the case of dissatisfactory encounters, extraordinary employee behavior may consist of profanity, yelling, inappropriate touching, or rudeness.

3C. Employee behaviors in the context of cultural norms. Incidents in this category reflect employee behaviors relating to cultural norms such as equality, honesty, and fairness. Satisfactory encounters are associated with customers’ pleasant surprise that an ideal cultural norm is upheld by an employee (tourists are not “ripped off,” women and children customers are treated respectfully or “equally,” a waiter returns a large tip left in error). Dissatisfactory encounters are associated with employee behaviors that clearly violate cultural norms (discrimination against female/black/young customers; employee theft, bribery, or lying).

3D. Gestalt evaluation. For both satisfactory and dissatisfactory incidents in this category, customers are unable to attribute dis/satisfaction to any single feature of the service encounter. Instead, the service encounter is evaluated holistically, either “everything went right” or “everything went wrong.” Each incident in this category reflects a number of employee behaviors and it is not possible to categorize the incident within one of the other, more specific categories. Satisfactory incidents in this group are reported by a combination of such words and phrases as “a sincere and professional team effort,” “accommodating,” “polite, but not pushy,” “warm atmosphere,” “courteous, efficient, and professional,” “no waiting,” “best service I ever received,” “everything was perfect.” Reports of dissatisfaction incidents, in contrast, refer to a combination of the following types of behaviors: inefficient, unprepared, slow, not accommodating or attentive, no assistance, unprofessional, bad decor/atmosphere. Also included in this category are cases in which customers remember favorably or unfavorably a series of encounters they have had with one provider.
3E. Exemplary performance under adverse circumstances. This category includes incidents in which the customer is particularly impressed/displeased with the way a contact employee handles a stressful situation. This category emerged only for satisfactory encounters. Apparently, customers' empathy for contact employees and admiration for their "grace under pressure" leaves a significantly indelible impression to counteract customer discomfort with crowds, short-handedness, or "acts of God."

Insights Into Research Questions

What conclusions about the initial research questions can we draw by examining the classification of the incidents and the frequencies and proportions reported in Tables 1 and 2? The classification schema itself as well as contingency table analyses (Fienberg 1980; Freeman 1987) of Tables 1 and 2 provide insights. The results of the contingency table analyses, based on hierarchical model tests, illuminate statistically significant relationships among classification variables in both tables. For Table 1, significant relationships are found between (1) type of outcome and categories (Δ L.R. $\chi^2 = 117.28; p < .000$) and (2) type of outcome and group (Δ L.R. $\chi^2 = 42.58; p < .000$). The analysis of Table 2 reveals significant interactions between (1) type of outcome and group (Δ L.R. $\chi^2 = 42.58; p < .000$) and (2) industry and group (Δ L.R. $\chi^2 = 34.63; p < .000$). Neither the three-way interaction in Table 2 nor the interaction between type of outcome and industry is significant. The significant interactions are highlighted and explained in the following discussion, which is structured around the four research questions posed at the beginning of the article.

Sources of satisfaction in service encounters. The three broad groups and 12 categories capture the types of events and behaviors that lead to very satisfactory encounters. Examination of the frequencies and proportions reported in Table 1 provides further insights. Note that 23.3% of the memorable satisfactory encounters are in group 1. Incidents in this group relate to the way employees respond to difficulties attributable to failures in core service delivery. Thus, when an employee compensates a customer for his or her long wait in a restaurant by offering a free drink, or when a hotel guest is upgraded to a better room when the originally requested room is not available, the customer frequently remembers such incidents as very satisfying even though the incident began with a failure of the system. From a management perspective, this finding is striking. It suggests that even service delivery system failures can be remembered as highly satisfactory encounters if they are handled properly.

Another substantial proportion (33.9%) of satisfying encounters are classified within group 2. Group 2 represents all of the incidents in which employees are able to accommodate customer needs for customized service. The data show that these incidents range from minor "special requests" such as a vegetarian asking for a special meal to "extraordinary requests" such as a hotel guest asking the room service employee to wear a blindfold because the guest and his companion are in bed naked.

Finally, observe from Table 1 that 43.8% of satisfactory encounters are a result of customer delight with unprompted and/or unsolicited employee actions (group 3). These exemplary attitudes and behaviors are truly unexpected by the customer. In these cases the core service (meal, hotel room, airplane flight) appears adequate, but the employee's attitude (i.e., "treating me like royalty") or unusual exemplary behavior (i.e., the maid "arranged our teddy bears so they were holding hands") transforms the encounter into a highly satisfactory incident. Thus, independent of core service requirements, and even when customers have no special need or request, customers remember with considerable frequency those occasions when they receive special treatment by the service employee.

Sources of dissatisfaction in service encounters. The classification system also details the major groups and categories of behaviors associated with dissatisfactory encounters. Examination of Table 1 reveals that a large proportion of dissatisfactory encounters (42.9%) were related to employees' inability or unwillingness to respond in service failure situations (group 1). Interestingly, repeated, careful reading of the incidents indicates that it is not the initial failure to deliver the core service alone that causes dissatisfaction, but rather the employee's response to the failure. The importance of the employee's response comes out very vividly in the respondents' answers to the question, "What resulted that made you feel the interaction was dissatisfaction?" In all group 1 dissatisfactory incidents, the employee failed to handle the situation in a way that could have satisfied the customer. Perceived inappropriate and/or inadequate response to failures in the service delivery system may represent a "double deviation" from role expectations that consumers hold for providers, resulting in magnification of the negative evaluation.

Group 2 has the lowest proportion (15.6%) of dissatisfying service encounters. These incidents reflect the employee's response to customer needs and requests for customized service. Perhaps the service industries studied do a good job handling customer requests for customized service so that the proportion of failures in this group is, in reality, relatively small. Many of the incidents in group 2 reflect customer per-
ceptions of the need for customized service. Possibly, from the employee’s point of view, most of these requests are routine and the ability to respond is well practiced. Thus, failures to accommodate the need for customized service are relatively infrequent in comparison with other sources of dissatisfaction.

Finally, Table 1 reveals that a substantial proportion of dissatisfactory service encounters (41.5%) are related to customers’ negative reactions to unprompted and unsolicited employee behaviors (group 3). In all of these group 3 incidents, it is not the quality of the core service or failure to address a special need or request that causes dissatisfaction, but rather the assessed character or attitude of the service employee as inferred from particular behaviors, both verbal and nonverbal.

Underlying similarities between satisfaction and dissatisfaction. The third exploratory question is whether relationships are present among the underlying causes of satisfactory and dissatisfactory service encounters. In other words, are the underlying causes of satisfaction and dissatisfaction mirror images of behaviors along particular dimensions? Examination of Table 1 reveals that, though the underlying causes appear to be the same, the frequency of occurrence differs when satisfactory and dissatisfactory incidents are compared. This observation is supported by the contingency table analysis that shows statistically significant interactions between (1) type of outcome and group (Δ L.R. $\chi^2 = 42.58; p < .000$) and (2) type of outcome and category (Δ L.R. $\chi^2 = 117.28; p < .000$).

First, a considerably larger proportion of dissatisfactory incidents (42.9%) than satisfactory incidents (23.3%) is found in group 1. This finding is hardly surprising; nobody likes a failure in service delivery. However, it is how employees respond to such failures that determines how the incident is remembered. The details reported in the incidents suggest that offering sincere apologies, compensatory actions, and explanations can dissipate anger and dissatisfaction. One might expect that dissatisfaction could be mitigated in failure situations if employees are trained to respond, but the fact that such incidents can be remembered as very satisfactory is somewhat surprising.

From Table 1 note the large difference between satisfactory and dissatisfactory incident proportions for group 2. The relationship is the reverse of that in group 1, however, with group 2 having twice as many satisfactory as dissatisfactory incidents. A relatively small proportion (15.6%) of all dissatisfactory incidents occur because needs or requests are not met, whereas twice as many (32.9%) satisfactory incidents are memorable because employees are willing and able to accommodate needs for customization. The results suggest that, across the three industries studied, employees are doing a good job of accommodating the explicit needs and requests of their customers and that customers frequently remember such accommodations as very satisfying.

Finally, the large proportion of both satisfactory (43.8%) and dissatisfactory (41.5%) encounters attributed to unprompted and unsolicited employee actions (group 3) warrants mention. These memorable incidents result from unprompted exhibition of truly exemplary or egregious service demeanor. The fact that there are so many satisfactory and dissatisfactory incidents in this group suggests two conclusions. First, the importance of spontaneous interactive quality in service delivery cannot be overemphasized. With more than 40% of all incidents reported being the direct result of unexpected treatment by an employee, the importance of the “how” in service delivery is clearly substantiated. Second, the large proportion of both satisfactory and dissatisfactory incidents in group 3 may indicate a high degree of variability in interactive quality.

Generalizability across industries. The objective of the final exploratory research question is to examine whether there are “generic behaviors” across all three service industries that could be associated with satisfactory and dissatisfactory service encounters. A general answer to the question is “yes.” All satisfactory and dissatisfactory incidents for each of the industries can be classified within the schema. Thus, the classification system appears to work equally well for hotels, restaurants, and airlines. Contingency table analysis reveals a significant industry by group interaction (Δ L.R. $\chi^2 = 34.63; p < .000$), however, suggesting that the proportion of satisfactory and dissatisfactory incidents in each group does vary across the three industries. Examination of the frequencies shows that all three industries have similar proportions of their total incidents in group 1 (airline 34.3%, restaurants 32.3%, hotels 33.9%). The significant industry by group interaction is therefore attributable to the differences in proportions within groups 2 and 3. The restaurant industry has significantly fewer incidents in group 2 (16.6% overall) and significantly more incidents in group 3 (51.1% overall) than the other two industries. The reverse relationship holds for the airline industry, which has significantly more incidents in group 2 (36.8% overall) and fewer in group 3 (28.9%).

Conclusions

Managerial Implications

For service firm managers seeking to improve customer satisfaction in service encounters, the study has
implications related to (1) the usefulness of the method and (2) the generalizability of the classification system and the insights based on the group and category frequencies.

First, the critical incident method appears to be a useful tool for assessing customer dis/satisfaction in service encounters. Use of the method uncovers specific events and behaviors that underlie service encounter dis/satisfaction, which then can be used as a base for developing customer satisfaction monitoring programs, designing service procedures and policies, and training contact personnel. The method enables the researcher to get behind such general concepts as "friendly, efficient, professional" to the actual contact employee behaviors that are linked to those concepts. The results of CIT studies provide much greater detail and depth of understanding than do typical customer satisfaction surveys.

Second, the classification system that emerged from the data can be used by managers of the industries studied and may be applicable to other high-contact transaction-based service industries as well. The classification system is abstract enough to generalize across several industries, but is sufficiently detailed to suggest an overall management approach to improving customer satisfaction in service encounters. For example, with the proper employee response, dissatisfactory encounters due to failure of the delivery system can be transformed into satisfactory encounters (group 1). Likewise, the proper response to customer needs and requests can lead to customer satisfaction (group 2). The data from our study suggest that the ability of an employee to make a proper response is largely a function of the employee's knowledge and control. The CIT enables managers to identify what knowledge is needed and what control is required as well as providing a basis for determining which is more important for a given type of encounter.

Knowledge of the service concept, the service delivery system and its operation, and the system standard enables employees to inform customers about what happened, what can be done, and why their needs or requests can or cannot be accommodated. The incidents show that often a customer's need is for knowledge. Frequently information alone creates satisfaction or mitigates dissatisfaction. However, for many encounters, action of some kind is needed to create satisfaction. Having control enables employees to take appropriate action. Though standardized responses or actions can be used for some types of incidents, in most cases the response must be tailored to the specifics of the incident. Giving employees control empowers them to act and enables them to fix problems and respond to requests in effective ways.

Managers have the ability to influence the level of customer contact employees' knowledge and control.

The CIT can identify what employees need to know by making clear what general information customers consider important in different encounters. It is crucial that employees not only be taught scripts, but also be given appropriate knowledge. Training programs should be designed to develop a broad repertoire of responses (range of knowledge) and to allow for practice in selecting from the repertoire.

The CIT also can assist managers in isolating situations in which employees need control rather than rules, determining the range of control to grant employees, and specifying a repertoire of action alternatives. Again, employees must be empowered (given discretion and latitude) to take whatever action is proper in a specific situation. Many companies appear to believe that a management philosophy of endorsing action will empower employees. Broad endorsements, encouragements, and guidelines such as "the customer is always right" or "we put service first" are not enough. As all customer contact employees soon find out, not all customers are right, and some are even abusive and out of control. Further, such open-ended criteria leave the employee in the very ambiguous position of not knowing what action is possible or how any action taken will be judged by managers.

The CIT can be used by managers to define a range of action alternatives that employees can exercise. These alternatives can be focused on groups of incidents that emerge from a CIT analysis. Various types of service failures can be addressed by spelling out specific action steps and authorization levels that can be used to fix problems. A set of "Plan B" actions can be developed jointly with managers and line employees and then incorporated as "failsafes" in the service system. Employees would have discretion, but they would be supported by efforts to build a repertoire, classroom practice in selecting from that repertoire, and guidelines about what actions are permissible with and without authorization.

Unprompted and unsolicited employee actions (group 3), whether pleasing or unpleasing to the customer, are less subject to management control. Even the best employees have bad days. However, recruitment and selection procedures can be used to hire employees with a strong service orientation (Hogan, Hogan, and Busch 1984; Schneider and Schecter 1988). A strong service culture, effective supervision and monitoring, and quick feedback to employees also will control to some extent the seemingly random occurrence of group 3 behaviors.

**Implications for Research**

Our study deepens general knowledge and understanding of service encounter satisfaction and service quality. Unlike previous research that has identified
general, abstract dimensions of service quality, our study isolates specific events and behaviors that result in dis/satisfaction. The classification system identifies sources of dis/satisfaction that are generalizable across the three industries studied, and possibly others, giving the results broader applicability than previous findings in service satisfaction. In addition, the study supports the appropriateness of the CIT for marketing applications. The critical incident method employed in the study is well used in other fields. Our results suggest that the CIT is also an appropriate and useful method for studying marketing questions and for assessing customer perceptions. Other marketing uses of the technique might include the study of salesperson interactions with customers or incidents in the provision of professional and business-to-business services. In addition, the data analysis procedure prescribed by CIT could be modified to test predetermined classification schemes based on theory or previous empirical evidence.

The results are theoretically fruitful in suggesting hypotheses that could be tested in future research. For example, the research should be replicated across industries differing in characteristics such as those identified by Lovelock (1983). Given that specificity of events and behaviors is the desired outcome of such studies, the generalizability of the classification system may well be limited to transaction-based service industries in which communication between employees and customers is relatively routine. Different groups and categories are likely to result for industries such as professional services in which communication patterns are complex and long-term and customer problems are more involved. In such cases, the events and behaviors that determine the favorableness of an encounter may depend on the phase of the buyer-seller relationship (Dwyer, Schurr, and Oh 1987).

Another direction for future research involves comparing manager, customer, and contact employee perceptions of critical incidents in service encounters and the specific role expectations of all parties. Service quality theory suggests that to achieve customer satisfaction in service encounters, agreement between the firm's managers, contact employees, and customers as to what constitutes dis/satisfactory service is important (Parasuraman, Zeithaml, and Berry 1985). Though some previous work suggests that customers and employees share common perceptions of quality of service provided (Schneider and Bowen 1985), other research suggests that customers and employees may disagree about the causes of dis/satisfaction (Folkes and Kotows 1986; Nyquist, Bitner, and Booms 1985). A comparison of manager, employee, and customer perceptions of critical service encounters, combined with the assessment of customer and employee role performance scripts (Leigh and Rethans 1984), would begin to address the interactive complexities of service encounters. In addition, whereas our study and others focus on interpersonal factors, future research should consider also the role of nonhuman elements (e.g., equipment, facilitating goods, atmospheres) in service encounter dis/satisfaction.

REFERENCES
Dwyer, F. Robert, Paul H. Schurr, and Sejo Oh (1987), "De-


