So your company has let its customers down? Whatever you do, don't let them stew!

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In the business world, it's a fact of life that companies sometimes let their customers down. Whether the letdown is minor - such as forgetting to provide silverware at a restaurant - or major, such as making airline passengers sit on a stuffy plane for 10 hours during bad weather - all companies have a vested interest in addressing such "performance failures" in a way that encourages customers to keep coming back.

How well-known companies work to retain customers after disappointing them, and how customers respond to such entreaties, is the subject of a new study co-authored by Michael Brady, an associate professor of marketing at Florida State University. Brady and a colleague, Michelle L. Roehm of Wake Forest University, have written "Consumer Responses to Performance Failures by High-Equity Brands," which is published in the current issue of the *Journal of Consumer Research*.

"Consumers expect a lot from high-equity brands such as Disney or Apple," Brady said of the study. "Because of this, when such brands fail us - perhaps by providing a product that doesn't work or service that is sub-par - we may be especially disappointed and become less enamored of the brand. In fact, we may become so disillusioned that our opinion of that brand dips below even that of less prestigious brands."

Ironically, the more severe the performance failure, the less likely it is to harm a company's reputation, at least in the short term, he said.

"As an example of how this works, imagine you're a traveler dealing with a sizable flight delay," Brady said. "After receiving an announcement, myriad questions may swirl in your mind: What caused the delay? How will it be rectified? What is the revised departure estimate? What assurance is there that the new time will be honored? How can I make the best of the situation? You might begin making phone calls to reschedule meetings at the destination. You might also weigh grabbing lunch in the airport and buying a magazine to kill time. You might even ponder rebooking on another flight and/or searching for a hotelreservation, if you suspect the initial flight will ultimately be canceled.

"Put simply, the rush of questions and plans that is brought on by the flight delay appears to occupy available mind space that you otherwise might spend assigning blame and re-evaluating the brand in ways that may be detrimental to its equity. In short, the need to grapple with a substantial problem may provide a temporary buffer that protects the company's reputation.

Such a buffer appears to be short-lived, however.

"Once the problem is understood and coping begins, a consumer's negative re-evaluation may commence. The lesson for managers is that, after serious lapses in performance, there may be a brief window of time in which a failed brand remains relatively unharmed. Strong marketers will use this temporary reprieve wisely, rectifying whatever has gone wrong before the consumer permanently changes his opinion of the brand."

Failure to do so can come at a high cost to the company's bottom line. Brady pointed to other studies indicating that an unhappy customer will relate his experience with eight to 10 other potential customers, causing exponential damage to the company's reputation.

"Just look at the recent situation involving the airline JetBlue," Brady said. "This past February, JetBlue planes sat on runways in New York for up to 10 hours because icy weather prevented them from taking off. Passengers were made to sit on the planes all that time until there were nearly onboard rebellions. Shortly afterward, after media coverage of the incident got out, JetBlue's stock price took a nosedive - and the company went from being admired to being mocked."

Companies with high-equity brands must look for ways to "soften the blow" when they have underperformed, Brady said. Offering refunds and free round-trip tickets are one possible approach. Companies also should consider making sure that televisions and other diversions are available to "distract" customers until the company can adequately address the performance issue.

"The worst possible thing a company can do is give an unhappy customer time to stew over the situation," he said.

Source: Florida State University