Breaking The Mold: Redefining Service Failure and Recovery

BREAKING THE MOLD: REDEFINING SERVICE FAILURE AND RECOVERY

Yany GRÉGOIRE
HEC Montréal

Katja GELBRICH
Catholic University Eichstätt-Ingolstadt

Chiara ORSINGHER
University of Bologna

Yves VAN VAERENBERGH
KU Leuven

*** Authors' surnames are written in capital letters ***

Yany GRÉGOIRE is the corresponding author.

Keywords: Service Failure, Service Recovery, Customer Service, Service Management

Notes: All authors contributed equally. ChatGPT (v4o) was used solely for language editing. After utilizing ChatGPT, the authors reviewed and refined the content as needed and take full responsibility for the final text.

BREAKING THE MOLD: REDEFINING SERVICE FAILURE AND RECOVERY

Service failure and recovery (SFR) is one of the most established areas in service research. Yet despite the extensive body of knowledge, an alarming trend persists in practice: customers are experiencing more service failures than ever before, and an increasing number remain dissatisfied with the way organizations address their issues (Customer Care Measurement and Consulting 2023). This disconnection between theory and practice underscores the urgent need for what we term *smart SFR*—research that tackles real-world problems using innovative methods and contemporary theoretical frameworks. The notion of "being smart" reflects the importance of reconsidering "old" ways and encouraging the adoption of up-to-date practices. Recent literature reviews (e.g., Grégoire and Mattila 2020; Liu et al. 2025; Mirza et al. 2025; Van Vaerenbergh et al. 2019) highlight that SFR research often remains rooted in traditional paradigms, focusing on dyadic interactions between firms and complainers, established contexts (e.g., hospitality, banking), traditional theories (e.g., justice, attribution), and familiar methodologies (e.g., scenario-based experiments). We argue that the evolving service landscape demands a smarter approach to SFR—one that ventures into new contexts, leverages emerging data sources, and adopts fresh theoretical and methodological and analytical perspectives.

Responding to this call, this special issue advances the field of SFR by presenting seven cutting-edge articles and one innovative tutorial on text analysis (see Table 1). These contributions offer timely and valuable insights into emerging topics, including: new service failures such as customer profiling, partial service termination, and virtual brand sabotage (Béal et al.; Hill Cummings et al.; Lindsey-Hall et al.); the recovery virtues of servicescape (Khenfer and Trendel); the effectiveness of claiming victimhood after cyberattacks (Antonetti and Baghi); the use of gamification in recovery (Nazifi et al.); and the role of ethical leadership in shaping recovery outcomes (Yang, Luu, and Hoang). As illustrated in Table 1,

all these articles transcend in some ways the traditional approaches by adopting new contexts, data, theories, methods, analytics, or a combination of these elements. In many ways, these articles pave the way to a *smarter* treatment of SFR issues.

---------- Table 1 about here ----------

The process of managing this special issue—alongside the numerous calls to expand the boundaries of SFR and recent advancements in methods (Villaroel Ordenes et al.)—led us to reflect on the following question: *Are the current definitions of service failure and service recovery still relevant in today's service landscape?* The authors featured in this special issue have challenged traditional perspectives and pushed us to revisit our understanding of what constitutes *smart SFR*. In turn, our evolving understanding of SFR led us to encourage the authors to leave their comfort zone and explore new avenues. This virtuous circle of "being pushed" and "pushing" resulted in this editorial, which aims to redefine the two most fundamental notions of SFR—that is, *service failure* and *service recovery*.

Traditionally, service failures are defined as deviations from *customer* expectations, while service recovery is framed as an *organization*'s response to service failures (Khamitov, Grégoire, and Suri 2020). However, several contributions in this issue, while clearly relevant to smart SFR, do not fit neatly within these definitions—for example, when authors focus on alternative stakeholders (Villaroel Ordenes et al.) or frame the firm as a victim rather than a transgressor (Antonetti and Baghi). Nevertheless, these articles were recognized as valuable SFR contributions by the team of special issue editors, associate editors, and reviewers. While traditional definitions may have served the field well until today, an ongoing reliance on them may confine SFR to a conceptual "mold" that limits innovation and relevance.

This insight led us to take a step back, assess the current state of SFR, and propose renewed, broader definitions of service failure and service recovery—along with their fundamental qualities—that pave the way to smart SFR (see Figure 1). In the following

sections, we introduce these new definitions and their fundamental qualities, and outline how the current contributions served as both inspiration and validation for broadening the conceptual boundaries of SFR.

---------- Insert Figure 1 about here ----------

TOWARD AN EXPANDED VIEW OF SERVICE FAILURES

The most prominent definitions describe service failures as service performances falling short of customer expectations (Smith, Bolton, and Wagner 1999) or as organizational mistakes made during service delivery (Kelley and Davis 1994). Examples include an undercooked steak, a delayed delivery, or an incorrect invoice. This perspective suggests that service failures occur when organizations provide subpar service to customers. In essence, traditional definitions imply that customers suffer negative experiences due to organizational carelessness or transgressions.

This view of service failures fails to capture many instances that are increasingly prominent in society, and that have already been identified to some extent in recent work. For example, service failures can affect not only customers but also other stakeholders, who may perceive and suffer from these occurrences. Such stakeholders include observers (e.g., individuals who read and share vindictive posts on social media; Hill et al.), insulted frontline employees, and organizations themselves (e.g., a decline in market value following a data breach; Antonetti and Baghi). Likewise, service failures do not always result from organizational mistakes; they can also stem from negative actions by other customers (e.g., disruptive noise from fellow moviegoers), external entities (e.g., hackers causing a data breach), or AI-powered agents (e.g., chatbots providing incorrect information).

To reconcile these perspectives, we propose redefining service failure as a *detraction that occurs in a stakeholder's experience with the service offering of a brand or provider*. This definition encompasses a wide range of service failures and highlights their multifaceted

nature. It comprises three key components: detraction, experience with the service offering, and stakeholders. *Detraction* refers to any negative interaction that reduces the value or satisfaction of an experience, whether caused by objective mistakes or subjective perceptions (e.g., anticipated profiling by employees; Lindsey-Hall et al.). *Experience with the service offering* includes all touchpoints in the service journey, extending beyond the service delivery stage (Becker and Jaakkola 2020; Van Vaerenbergh et al. 2019) to encompass design elements (e.g., an unstructured service environment; Khenfer and Trendel), as well as the aftermath of a service (e.g., a lack of follow-up after a high-involvement purchase). *Stakeholders* include individuals, groups, organizations, and society as a whole—on both the buying and selling sides—who are involved in or affected by a failure. More broadly, "individuals" can also encompass AI-powered agents that support or act on behalf of people (see Figure 1).

On the buying side, stakeholders affected by service failures may include individual customers, such as those experiencing long wait times or receiving the wrong drink in a restaurant (Nazifi et al.); groups of customers, such as gym members unable to access facilities for a month due to renovations (Nazifi et al.); or observers, such as individuals who learn about a guest's terrible hotel experience through social media (Hill et al.). Although understudied, society as a whole can also be a stakeholder in service failures. For instance, data breaches and cyberattacks, as described by Antonetti and Baghi, can disrupt entire communities. Additionally, as customers increasingly rely on AI for purchasing decisions, AI-powered agents themselves become subject to detractions. A robo-advisor, for example, may receive incorrect input from an online broker, or an AI chatbot trained with algorithmic bias may make unfair or discriminatory decisions.

On the selling side, detracted stakeholders may include human employees, such as those whose personal details were exposed on the dark web following a cyberattack on the

British Library (Antonetti and Baghi), or AI-powered providers, such as service robots intentionally destroyed by aggressive customers. Entire teams can also be affected, as in the case of an IT help desk team unfairly blamed after an employee spread malware across a company network. Organizations may suffer; for instance, banks terminating unprofitable customers, as described by Béal et al., may experience a decline in corporate image. Finally, service failures can impact society at large. Banks' rejection of unprofitable customers, for example, may contribute to financial exclusion, economic inequality, and increased reliance on predatory financial services.

To underscore the novelty of our definition of service failures, we propose five fundamental qualities (FQs) that capture the breadth, variability, and impact of detractions. We also highlight how the articles in this special issue contribute to this conceptualization.

FQ1: Detractions are defined by the stakeholder(s). The perception of service failure is inherently subjective, whether it is caused or experienced. What may seem minor or inconsequential to one stakeholder could be significant to another. This subjectivity is a fundamental aspect of the new definition of service failure, emphasizing the central role of stakeholder perceptions—both as givers and receivers of the failure. Service failures are not only objective or factual errors but also subjective experiences that vary within and across individuals. For instance, customers from diverse ethnic backgrounds may perceive discrimination by employees differently (Lindsey-Hall et al.). Similarly, while a hospital laboratory team may view a delay in test results as a minor operational issue, a patient may experience it as extremely stressful.

FQ2: Detractions are anticipated or factual. While service failures are traditionally viewed as arising from actual experiences, they can also affect stakeholders when they merely anticipate detractions. An insightful example is the work of Lindsey-Hall et al., which introduces the idea that customer profiling can constitute a service failure. Profiling occurs

when negative stereotypes are applied to individuals, leading to discrimination. Their research demonstrates that customers may anticipate being profiled based on stereotypical characteristics, triggering negative reactions such as posting critical online reviews. This perspective is fundamental because it expands the definition of service failure beyond factual occurrences to include the impact of expectations.

FQ3: Detractions can be unintended or intended. In the traditional view, service failures are often the result of an organization's unintended error. However, detractions can also arise from *intentional* actions. Béal et al. illustrate that organizations sometimes deliberately engage in partial service terminations, choosing to stop serving certain customers. Their research shows that customers perceive such intentional service failures as a threat to their sense of belonging in their relationship with the provider. This perception, in turn, reduces their future spending behavior. This perspective is important because it recognizes that service failures do not always stem from accidents or unintended mistakes but can also be the result of strategic decisions.

FQ4: Detractions can be recoverable or irrecoverable. Service failures can typically be mitigated through recovery efforts such as apologies, compensation, or improvements. The concept of service recovery is well-established and inherently linked to service failure. However, the idea that some service failures are irrecoverable has received less attention in the literature. We argue that certain failures can cause lasting damage that cannot be (fully) rectified. For instance, while an undercooked steak at a restaurant can be easily corrected, the same cannot be said for firms that become targets of cyberattacks (Antonetti and Baghi). Hackers may steal sensitive customer data—such as phone numbers and credit card information—and sell it on the dark web, causing irreparable harm to those affected. Such failures create lasting consequences, even if they are accidental, unintended, or—as in this case—if the firm itself is a victim. The distinction between recoverable and irrecoverable

failures is critical, as it shapes the strategies stakeholders must adopt to manage different types of failures; the management of irrecoverable service failures is clearly under-researched.

FQ5: Detractions can involve one to a very large number of stakeholder(s). Service failures can affect a single stakeholder or escalate into large-scale crises impacting many, such as service outages or product recalls. The latter has been studied in research on product-harm crises, which are considered a type of service failure (Khamitov, Grégoire, and Suri 2020). In contrast, failures affecting numerous stakeholders of different types have received less attention in the SFR literature. The research by Antonetti and Baghi on cyberattacks provides a compelling example of large-scale failures, demonstrating how such crises can create widespread consequences for both firms and customers. Their study reveals that organizations can use victimhood claims as a recovery strategy—particularly when they provide evidence of harm and are not perceived as responsible. Overall, this quality highlights the potential for service failures to escalate from isolated incidents to widespread disruptions. Recognizing this variability is essential for organizations to prioritize and allocate resources effectively for large-scale recovery efforts.

TOWARD AN EXPANDED VIEW OF SERVICE RECOVERY

We also present an expanded view of service recovery, traditionally, defined as an organization's response to a service failure or its attempt to restore customer satisfaction (Smith, Bolton, and Wagner 1999). While this definition assumes that the organization initiates recovery, anecdotal evidence suggests that affected stakeholders can also take the initiative through do-it-yourself recovery (e.g., asking AI chatbots for help), as can third parties (e.g., another customer offering assistance), or even competitors (e.g., telcos attracting frustrated customers form rivals by offering early termination fees or free scam blocking). Additionally, traditional definitions imply that organizations respond reactively, but they may

also be proactive. These insights highlight the need for an updated definition of service recovery that reflects its broader scope and varied initiators.

We define service recovery as *the actions taken by any stakeholder to offset the consequences of a service failure*. This definition goes beyond the traditional view of recovery as actions initiated by organizations presumed to be at fault (e.g., apologies, compensation, favorable employee behavior, and procedural adjustments; Gelbrich and Roschk 2011). By including *any stakeholder*, it expands the scope of recovery beyond the organization, acknowledging that other actors—such as customers, AI-powered agents, or third parties—can also resolve service failures. For instance, an AI chatbot can provide dynamic, adaptive communication to address different stakeholders affected by the detraction (Villaroel Ordenes et al.), or a fellow customer might actively assist another via social media. Additionally, the emphasis on *offsetting the consequences* underscores the importance of minimizing harm, regardless of the failure's nature or origin. To illustrate the novelty of this definition, we discuss five of its fundamental qualities.

FQ6: Recovery actions can be taken by any stakeholder. Recovery actions are not limited to the organization itself. Affected stakeholders may take steps to resolve their own issues, while other parties—such as fellow customers or AI systems—can also intervene. For example, AI chatbots can autonomously handle minor problems, whereas complex issues may require human involvement. As highlighted by Yang et al., frontline employees remain critical to the recovery process and must be adequately supported by their supervisors. Through two studies using multi-source, multilevel data, the authors examine the impact of ethical leadership on frontline employees' recovery performance, revealing a curvilinear relationship between these variables. This quality is fundamental as it broadens the scope of recovery, recognizing that multiple actors can contribute to offsetting the consequences of a failure.

FQ7: Recovery actions aim at offsetting (partially, fully, or beyond) the service failure. Service recovery primarily aims to mitigate the negative impact of a failure or restore a stakeholder's experience to its original level. In some cases, recovery efforts can even enhance the experience beyond its initial promise. For example, a canceled flight may be resolved through rebooking with an upgrade. This quality reflects the core purpose of recovery: reducing harm and restoring the natural flow of an experience. At the same time, firms may seek to cut costs by offering only partial monetary compensation, often paired with non-monetary benefits. Nazifi et al. explore this dynamic, examining the combination of different compensation levels with innovative, engaging recovery tools. Through several field and online experiments, they demonstrate that gamified recovery—such as compensation delivered through a spin-the-wheel game—can increase customer satisfaction with service recovery. However, gamification backfires when it is coupled with partial compensation rather than full or overcompensation.

FQ8: Recoveries can offset psychological or functional consequences of the service failure. Service recovery can address both the emotional and functional consequences of a failure. Sincere apologies or expressions of empathy help alleviate frustration and restore equity in the relationship, while refunds, compensation, or technical fixes resolve tangible issues. This dual approach is essential, as service failures might affect stakeholders on both levels, and effective recovery must account for the full spectrum of detractions. For example, Hill et al. show that organizations responding to online brand sabotage and vindictive posts are most effective when providing informative responses rather than empathetic ones. In contrast, for non-vindictive posts, both responses yield similar results. Their findings highlight the importance of tailoring recovery strategies based on the nature of the complaint and the associated specific needs.

FQ9: Recovery actions can be reactive or proactive. Recovery actions can be reactive, responding to stakeholder complaints, or proactive, initiated by the organization upon identifying a potential or actual failure. While reactive responses address unanticipated failures, proactive actions signal organizational awareness and a commitment to preventing harm. Despite its importance, the SFR literature provides little guidance on executing proactive service recovery effectively. One exception is the work of Khenfer and Trendel, which explores preemptive service design. Through a series of field and lab experiments, the authors demonstrate that organizations can use atmospherics—such as structured service environments—to enhance predictability and mitigate negative responses to service failures. For example, presenting app functionalities step by step or using crowd control barriers in airports creates a sense of order, reducing customer frustration, particularly in situations perceived as unstable or uncontrollable. Another contribution comes from Villarroel Ordenes et al., who illustrate how organizations can implement proactive strategies using algorithm-driven interventions. Their research shows that text-based algorithms, trained on customer-written reactions from an organization's website, can predict key outcomes such as customer satisfaction, churn, or retaliatory behavior, allowing firms to intervene before dissatisfaction escalates.

FQ10: The affected stakeholder defines whether the recovery actions offset the consequences of the service failure. Recovery success is determined by the stakeholder's perception of whether the actions taken have adequately addressed the failure and mitigated its consequences. This quality reinforces the subjective nature of recovery, highlighting the need for organizations to align their efforts with stakeholders' experiences. Even well-intentioned recoveries may fall short if they fail to meet the affected stakeholder's expectations. This subjectivity is particularly relevant in failure resolution, as stakeholders and organizations may have different perceptions of when a detraction has been satisfactorily

addressed. This issue becomes salient when service failures are unintended but remains under-researched, as noted Lindsey-Hall et al. Their qualitative study reveals that frontline employees may unknowingly discriminate against certain customers, such as the elderly or individuals from different ethnic backgrounds. The authors suggest that future research should explore whether awareness training could help mitigate negative customer perceptions.

CONCLUSION

Inspired by the articles in this special issue, we propose new definitions of service failure and recovery that broaden the scope of SFR to make it *smarter*. Our definition of service failure underscores that detractions are subjective, multifaceted, and sometimes irrecoverable. Furthermore, we propose that service recovery is not a one-size-fits-all process but a dynamic interaction involving various stakeholders, approaches, and outcomes. Both definitions emphasize the importance of considering a broader range of stakeholders involved in and affected by service failures and recoveries. We encourage researchers to move beyond the traditional view that customers are always the victims and organizations are solely at fault and responsible for recovery. We believe that embracing a broader perspective—one that incorporates the view point of multiple stakeholders involved in smart SFR—will enhance the theoretical and practical relevance of the field.

REFERENCES

Becker, Larissa and Elina Jaakkola (2020), "Customer experience: Fundamental Premises and Implications for Research," *Journal of the Academy of Marketing Science,* 48 (4), 630-648.

Customer Care Measurement and Consulting (2023), "2023 National Customer Rage Study," Available at: https://customercaremc.com/2023-national-customer-rage-study/ (retrieved Nov 22, 2024)

Gelbrich, Katja and Holger Roschk (2011), "A Meta-Analysis of Organizational Complaint Handling and Customer Responses," *Journal of Service Research,* 14 (1), 24-43.

Grégoire, Yany and Anna S. Mattila (2021), "Service Failure and Recovery at the Crossroads: Recommendations to Revitalize the Field and its Influence," *Journal of Service Research*, 24 (3), 323-328.

Khamitov, Mansur, Yany Grégoire and Anshu Suri (2020), "A Systematic Review of Brand Transgression, Service Failure Recovery and Product-Harm Crisis: Integration and Guiding Insights," *Journal of the Academy of Marketing Science*, 48 (3), 519-542.

Kelley, Scott W., and Mark A. Davis (1994), "Antecedents to Customer Expectations for Service Recovery," *Journal of the Academy of Marketing Science*, 22 (1), 52-61.

Liu, Dong, Yanhui Zhao, Guocai Wang, Wyatt A. Schrock and Clay M. Voorhees (2024), "Thirty Years of Service Failure and Recovery Research: Thematic Development and Future Research Opportunities from a Social Network Perspective," *Journal of Service Research,* 27 (2), 268-282.

Mirza, Jeeshan, Yany Grégoire, Chatura Ranaweera and Chau Minh Nguyen (2025) "Challenging the Boundaries of Service Failure & Recovery," *Journal of Service Management*, 36 (1), 100-132.

Smith, Amy K., Ruth N. Bolton and Janet Wagner (1999), "A Model of Customer Satisfaction with Service Encounters Involving Failure and Recovery," *Journal of Marketing Research*, 36 (3), 356-372.

Van Vaerenbergh, Yves, Dorottya Varga, Arne De Keyser and Chiara Orsingher, (2019) "The Service Recovery Journey: Conceptualization, Integration, and Directions for Future Research," *Journal of Service Research*, 22 (2), 103-119.

Figure 1: Redefining Service Failure and Recovery

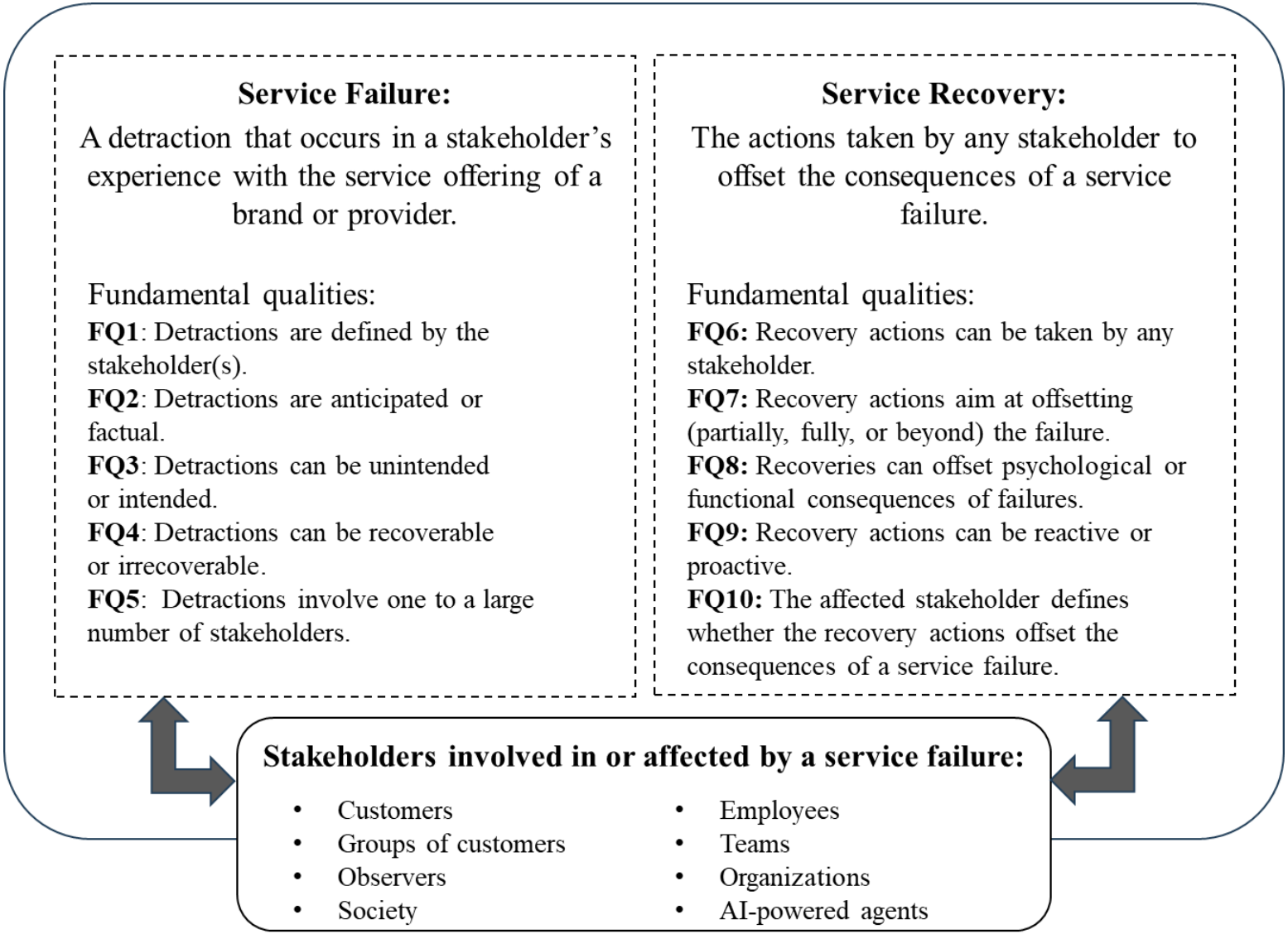

Table 1: Key Contribution of the Articles to the Call for Research on Smart Service Failure and Service Recovery

Authors	Short Title	Key Insight	Focus[1]	New Contexts	New Data	New Theories	New Methods	New Analytics
Villarroel Ordenes et al.	Tutorial on Text Analysis	Text analysis and large language models (LLMs), i.e., methods, algorithms and tools, are a new way to represent unstructured data in smart SFR research.	SF, SR	—	Conversations produced in-person, phone, or digital services	Language theory applied in concert with text analysis methods	Scraped data, (Experimentally generated) human or AI conversations	Dictionaries, topic models, supervised machine and deep learning, embeddings, LLMs
Lindsey-Hall et al.	Profiling as Service Failure	The mere sense or anticipation of being discriminated constitutes a service failure, requiring specific recovery tactics.	SF	—	—	Stereotype Threat Theory (STT)	Multi-method (critical incident technique, in-depths interviews, experiment)	—
Béal et al.	Partial Service Terminations as Service Failures	Partial service termination is a deliberate service failure, which can be mitigated by various recovery tactics.	SF	Multiservice providers	—	Belongingness theory	Multiple methods (interviews with managers, quasi-field experiment, scenario-based experiments)	—
Antonetti and Baghi	Claiming Victimhood in Cyberattacks	Firms affected by a cyberattack can recover customers by claiming victimhood.	SR	Data breach by cybercriminals	—	—	Ecological validity in sample with managers, incentive-compatible studies	—
Hill Cummings et al.	Informative Response for Virtual Brand Sabotage	Firms can recover readers of vindictive social media posts by an in formative, rather than empathetic, response.	SR	Reading and sharing vindictive social media posts	User posts from application programming interfaces	—	Combination of large-scale field studies with lab experiments, incentive-compatible study	Modeling approach included
Nazifi et al.	Gamification in Service Recovery	Firms can recover customers by offering compensation in a gamified way.	SR	Gamification	—	—	Combination of field study with online experiments	Single-paper meta-analysis included
Yang, Luu, and Hoang	Ethical Leadership in Service Recovery	Ethical leadership has a curvilinear (inverted U-shaped) effect on service recovery performance.	SR	—	Multilevel data (individual and teams)	Social Cognitive Theory	—	Direct curvilinear analysis
Khenfer and Trendel	Structured Environments as Proactive Recovery	Firms can recover customers by preemptively presenting structured service environments.	SR	Preemptive service design	—	Meaning maintenance model (MMM)	Combination of field study with lab and online experiments	—

[1] SF = service failure, SR = service recovery.