

An experimental study of service recovery options

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To avoid all mistakes in the conduct of great enterprise is beyond man's powers. But when a mistake has once been made, to use his reverses as lessons for the future is the part of a brave and sensible man (Minicius to his soldiers following the defeat by Hannibal (209 BC)).

Introduction

Customer satisfaction has been described as both the ultimate goal of the market economy (Pfaff, 1976) and the key outcome of the marketing process (Bateson, 1995, p. 25) while reliability is regarded as the core of service quality (Berry and Parasuraman, 1992). Yet, mistakes are an unavoidable feature of all human endeavour and thus also of service delivery. Although poor service delivery may initially appear to be a disaster, opportunities abound for service companies to resolve problems, go beyond the call of duty and win a customer for life. In other words, effective customer complaint handling, or service recovery, can turn angry and frustrated customers into loyal ones.

Customer loyalty has definite financial benefits since the cost to attract a new customer is significantly higher than retaining an existing one (Fornell and Wernerfelt, 1987). Canadian Airlines, for instance, have calculated the value of a satisfied business travel customer to be \$915,000 over a ten-year period (Jenkins, 1992). Repeatedly disappointing customers could thus be a costly affair.

Kloppenborg and Gourdin (1992) have produced evidence that recovery-related dimensions feature prominently in service quality/customer satisfaction evaluations, at least for the airline industry. Responses from a sample of airline passengers suggested that, of the ten most important dimensions listed, five related to service recovery: the airline is responsible for lost baggage (the most important); timely information should be available on delayed flights (second); the airline is responsible for delayed passengers (fourth); on-board comforts during delays (eighth); and, airlines should take care of delayed passengers (tenth).

The dominant influence of service failure-related dimensions can be attributed to the fact that services, because of their largely intangible nature, are perceived as more risky to buy than, for instance, physical products (Murray, 1991). Much of this risk can be attributed to "how the service will perform", that is, a reliability failure risk or quality risk (Turley and LeBlanc, 1993). Effective service recovery can go a long way towards projecting a "our service is guaranteed" image, providing a safety net and, in this way, reduce perceived risk.

Service recovery is of particular importance if one considers that in many (according to some studies, the majority of) instances dissatisfied customers simply do not complain to the seller or service provider. The few who do complain provide valuable information in terms of what can be done to improve customer satisfaction. The unwillingness to air complaints results in ignorance

among service firm decision makers and has a number of serious consequences including a declining market share, more expensive defensive marketing strategies (Fornell and Wernerfelt, 1987, p. 338), the inability to correct faulty systems and the undermining of the validity of customer complaint data as input to decision making (Bearden and Teel, 1983, p. 22). To avoid these negative outcomes customers ought to be encouraged to complain while employees should be willing and able to respond (Fornell and Wernerfelt, 1987, p. 338). In other words, effective service recovery is dependent on both customer and employee inputs.

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Service recovery

Zemke and Bell (1990) describe service recovery as a process for returning aggrieved customers to a state of satisfaction with the organization after a service or product has failed to live up to expectations. Schweikart *et al.* (1993) view service recovery as part of quality management and that the ultimate objective of it all is to maintain the business relationship with the customer. This contention is based on the premiss that customer satisfaction ensures customer loyalty, repeat sales and positive word-of-mouth communication (Bearden and Teel, 1983). Effective service recovery, on the other hand, leads to enhanced perceptions of the quality of products and services already bought, enhanced perceptions of the firm's competence and a favourable image in terms of perceived quality and value (Technical Assistance Research Programs Institute, 1985; Zemke and Bell, 1990, p. 43).

Failure to ensure customer satisfaction, both initially and belatedly, through service recovery could lead to a decline in customer confidence, lost customers, negative word-of-mouth, possible negative publicity and the direct cost of reperforming the service (Berry and Parasuraman, 1992).

In essence, the service firm's true test of commitment to service quality and customer satisfaction depends on how it responds after disconfirmation (Zemke and Bell, 1990). Effective managerial responses depend, however, on effective research of the phenomenon. Unfortunately, several limitations in consumer complaint behaviour (CCB) research have been noted. Singh (1990a and b), for instance, contends that researchers in the past tended to collect facts rather than testing hypotheses or theories while CCB has often been conceptualized too simplistically, ignoring its multidimensional nature. Despite the fact that several studies report that the purchasing and consumption of services result in higher levels of customer dissatisfaction than with products, service dissatisfaction and service recovery are relatively neglected areas (Johnston, 1995), particularly in respect of the service firm's response options (Gilly *et al.*, 1991, p. 297; Goodwin and Ross, 1992, p. 150).

To examine aspects of service recovery, a theoretical model was constructed to serve as a guideline in this study. This model is depicted in Figure 1 and consists of four main elements:

- (1) aspects related to customer satisfaction/dissatisfaction and the disconfirmation paradigm;
- (2) complaint behaviour responses;

- (3) service recovery options (the technology of service); and
- (4) the outcomes of service recovery.

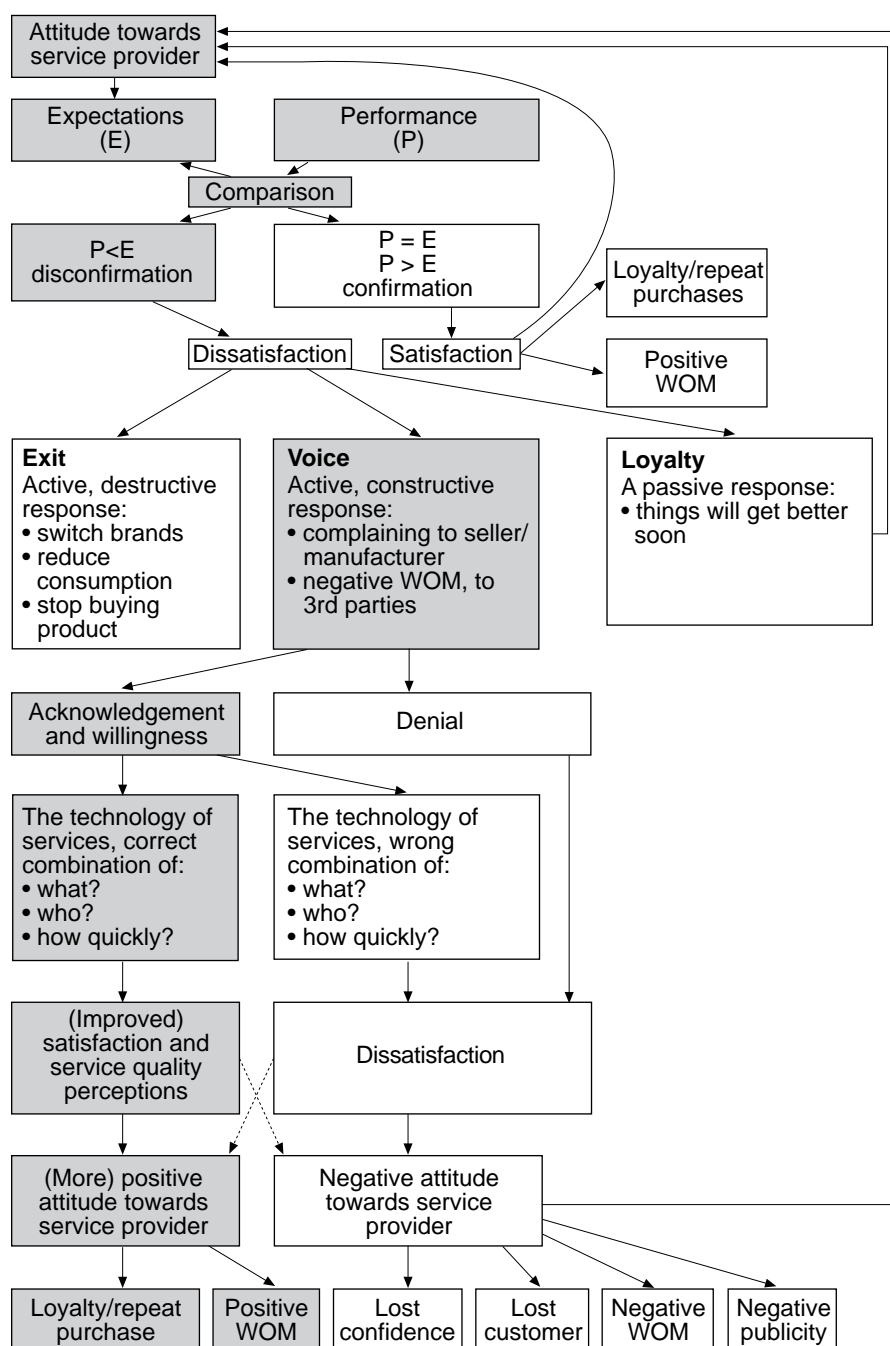


Figure 1.
Service recovery options

Customer satisfaction/dissatisfaction and the disconfirmation paradigm

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Customer dissatisfaction is a psychological state resulting from the combination of the emotional evaluation of disconfirmed expectations during (in this case) the service encounter and the feelings prior to the service encounter (Oliver, 1981, p. 27). Oliver (1981) contends that the resultant (dis)satisfaction gradually “decays” into an overall attitude towards a product, service or firm. This attitude comprises negative or positive feelings directed at some object (Lutz, 1991, p. 317), in this instance, the service provider. The attitude a consumer holds towards an object guides behaviours such as repeat purchases, eventual brand loyalty and word-of-mouth (WOM). Attitude also shapes consumer expectations and expectations are, therefore, either positively or negatively inclined. Expectations, according to the disconfirmation paradigm, exert an important influence on customer satisfaction with the service encounter and thus on service quality perceptions (Bitner, 1990).

The disconfirmation paradigm has provided the conceptual framework for the study of CCB. Conceptually, it consists of three basic elements: expectations, perceived performance and the resultant satisfaction/dissatisfaction.

Expectations are outcomes of the motivational processes and, for expectations to be formed, a subject-object relationship has to be established based on knowledge of the object. Confirmation/disconfirmation is thus an evaluative process whereby a consumer compares a service or a product’s performance to his/her prior expectations. Confirmation occurs when the actual performance is equal to or better than expectations, which may lead to satisfaction. Negative disconfirmation, on the other hand, results when a product or service does not perform to the customer’s expectations. Negative disconfirmation, in turn, contributes to possible dissatisfaction.

Although the disconfirmation paradigm has been utilized extensively in CCB research, it has a number of limitations. One criticism is that it addresses the elements and process leading to satisfaction appraisal while the ongoing process of how consumers respond to consumption experiences is only implied. In similar vein Maute and Forrester (1993) express the opinion that the disconfirmation paradigm ignores the nature, preceding conditions and consequences of dissatisfactory consumption experiences and that dissatisfaction response studies have been largely unstructured and lack a theoretical framework.

A critical analysis of the relevance of the disconfirmation paradigm falls outside the scope of this study. Suffice it to say that it is a widely accepted perspective in both CCB (Blodgett and Granbois, 1992; Maute and Forrester, 1993) and service quality research (Parasuraman *et al.*, 1988). Its basic elements are incorporated in the model which served as a framework in this study (Figure 1).

Complaint behaviour responses

CCB is a multiple set of behavioural (an expression of dissatisfaction) and non-behavioural (doing nothing) responses, triggered by an unsatisfactory purchase episode (Singh, 1988, p. 94). These responses are by no means uniform and are

often situation dependent (Singh, 1990a and b), which have complicated research efforts in the past.

A number of significant attempts have been made to classify consumer complaint behaviour. In one of the first, Hirschman (1970) used a three-factor typology termed: exit (an active effort by the customer to terminate the relationship with the seller or product); voice (efforts to maintain the relationship by pressurizing the firm to change its products, practices and policies through complaints to sellers, manufacturers and third parties); and loyalty (a passive response, merely accepting dissatisfaction in the hope that things will improve in the future). Others have suggested variations on this basic theme, ranging from Bearden and Teel's (1983, pp. 97-8) unidimensional response, the two-level response proposed by Day and Landon (1977) to the four-component structure which added neglect (passively allowing a relationship to deteriorate) as suggested by Rusbult *et al.* (1982, p. 1231). More recently Singh (1988) has proposed a three-structure theoretical model incorporating voice (no action and seeking redress from seller), private CCB (negative WOM, boycott seller/provider/manufacturer) and third party CCB (complain to public or private agency or take legal action).

The voice response and particularly the service firm response is the empirical focus of this study. Once a customer has complained to a seller or service provider, the question of redress (service recovery) needs to be considered.

Service recovery options: the technology of service

Once a service provider has acknowledged service failure and has decided to provide redress through service recovery, the obvious question is, what options are available to repair the damage to secure maximum benefit from these efforts? (Goodwin and Ross, 1992). Gnoth (1994), based on the earlier work of Heidegger (1978) argues that a service, like any piece of work, consists of four causal elements:

- (1) an idea of what the final product is;
- (2) the means necessary to produce it;
- (3) the shape, form or order these means are to take;
- (4) the person (or machine) who responds to a demand, chooses adequate means, organizes them and delivers the service.

This "technology-of-service" approach provides an operational framework for designing a service (Gnoth, 1994, p. 280). If service recovery is seen as a service, the framework can be applied as follows.

The final product

In this case, the final product is redress, in other words, a service as part of the quality management process with the ultimate objective being to maintain the business relationship with the customer. This objective will only be realized if the customer's level of dissatisfaction, which is presumed to decline following a disconfirmation experience, can be improved, at least to a level where defection is no longer a consideration. Service recovery should ensure a (more) positive

attitude towards the service provider resulting in the favourable outcomes modelled (Figure 1).

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The means used

"The means used" in Gnoth's (1994) configuration considers the question of how the service provider will go about addressing the dissatisfaction of the customer. Equity theory suggests three broad approaches (Gilly and Hansen, 1985, p. 7). An under-benefiting (indifference and neglect) approach implies that the service firm does not really care much about their customer's loss due to the service failure and largely ignores the complaint. Others may simply pursue an equitable resolution of the problem to avoid any negative consequences such as negative word-of-mouth, switching or even legal action. Over-benefiting, on the other hand, means bending over backwards for the customer giving them something extra beyond a mere refund or redo of the service. Such a strategy means a firm views service recovery as an investment which will generate a return in the future.

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The question of how the service provider will go about addressing the dissatisfaction of the customer is operationalized in this study as one of three options or levels of atonement: a mere apology (under-benefiting, implying financial loss due to disconfirmation); an apology plus compensation for expenses incurred due to disconfirmation (equity, implying neither financial loss nor gain); and an apology, compensation for expenses and some additional tangible outcome, in this case an additional free ticket for future use (over-benefiting, implying financial gain). The latter is an example of what Zemke and Bell (1990, p. 46) would describe as an aggressive act of atonement.

A number of authors have referred to the need to provide some tangible proof that the service firm is willing to compensate for poor service delivery. Bitner, Booms and Tetreault (1990) refer to upgrading to a better hotel room, a free ticket or a free meal as examples of compensation for service failure. Zemke and Bell (1990, p. 44) believe that, when disconfirmation does occur, most consumers want the service they were promised in the first place, along with some personal attention and a decent apology. (In this study an apology was forthcoming in all 27 scenarios. In other words, apologizing was held constant.) They suggest that an apology is most effective when delivered in person, arguing that a business letter lacks sincerity and authenticity. They also believe that dissatisfied customers expect reasonable compensation for their misfortune, and no more than that, provided that the service provider demonstrates some understanding. At times, aggressive atonement may, however, be in order as a demonstration of goodwill. Megehee (1994, p. 213) has reported empirical support for this contention. The positive relationship between "dollar amount" and customer satisfaction with service recovery efforts (Goodwin and Ross, 1990; Megehee, 1994) and Brockner and Adsit's (1986, p. 587) finding that positive inequitable outcomes (over-benefiting) lead to the highest levels of satisfaction provides the basis for the first hypothesis:

- H1: Level of atonement will be positively related to the level of improvement in customer satisfaction, following service recovery.

In other words, the higher the level of atonement, the higher the level of improvement in customer satisfaction is likely to be, following service recovery.

Order

Order implies a time dimension and addresses the question of how quickly recovery should take place. It was operationalized as: immediately; soon (three days after disconfirmation); and later (a month after disconfirmation). There is considerable evidence to suggest that time delays may be important in service recovery (Hart *et al.*, 1990, p. 153; Taylor, 1994; Zemke and Bell, 1990, p. 43). Whiteley (1994, p. 49) believes that the first 15 seconds following a customer complaint is crucial as it sets the tone for the actions to follow and determines the final outcome. Hart *et al.* (1990, p. 153) point out that service problems can quickly escalate and describe the service firm's opportunity to demonstrate its commitment to quality as "fleeting". Taylor (1994) demonstrated empirically that time delays increase the felt anger of airline passengers which impacts negatively on service quality perceptions, while Conlon and Murray (1996) reported that a speedy response to customer complaints enhances the possibility that a complaining customer will remain loyal to the firm. Although Megehee (1994) did not find empirical support for a hypothesized relationship between length of time delay and customer satisfaction with service recovery efforts, immediate action is a strategy recommended by a number of authors and researchers (Schweikhart *et al.*, 1993, p. 17; Watson, 1994, p. 310), primarily because it can prevent the harmful impact of negative WOM.

It is accordingly hypothesized that:

H2: Time delay will be negatively related to the level of improvement in customer satisfaction, following service recovery.

In other words, the sooner recovery takes place, the higher the level of improvement in customer satisfaction is likely to be, following service recovery.

Time was operationalized as an immediate response from the offending service firm, a response after three days, and a response after a month.

The person responding to the demand

The person responding to the demand considers who should recover. It refers to designating responsibilities for recovery (Mitchell, 1993, p. 24). Attribution theory, which has found considerable empirical support (Bitner, 1990, p. 76; Richins, 1987), posits that the involvement of specific people plays an important role in consumer complaint behaviour. Dissatisfied customers, Zemke and Bell (1990, p. 44) suggest, expect some personal attention. In this study, it was operationalized as who should provide the personal attention: it could have been the frontline employee, his/her supervisor or the marketing manager. Hart *et al.* (1990, pp. 150, 153) are adamant that the best person to recover is the frontline employee.

It is accordingly hypothesized that:

H3: The organizational level of the person performing the service recovery will be negatively related to the level of improvement in customer satisfaction, following service recovery.

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In other words, the lower the organizational level of the person performing the service recovery, the higher the level of improvement in customer satisfaction is likely to be, following service recovery.

Three organizational levels were included in the scenarios, namely a frontline employee, a supervisor and a marketing manager.

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The outcomes of service recovery

The CCB and service quality literature suggest that the outcomes of service recovery are (improved) customer satisfaction and (improved) service quality perceptions leading to positive behaviour intentions such as repeat purchases and loyalty. Several researchers have attempted to provide a definitive, empirically supported answer to the question of the relationships among service quality perceptions, customer satisfaction and behaviour intentions.

The most frequently cited intentions related to customer satisfaction and service quality are repeat purchases and customer loyalty; in other words, to maintain the business relationship with the customer. They also constitute the primary objective of service recovery but it is important that maintaining customer loyalty should not be seen in isolation. It should be rooted in the firm's overall strategy of delivering superior service and creating customer value. From an economic point of view, long-term customer loyalty is very important. Loyalty, and the resultant repeat purchases, impact on the bottom line (Reichheld, 1993). Even a small improvement in the defection rate can produce considerable swings in profits (Reichheld and Sasser, 1990, p. 105). Better economies mean more revenue which should convert into better pay for employees who may be motivated by the incentive of higher rewards for good service and who then become more productive as they stay longer and bring more experience and knowledge to the job which leads to better service to customers and which again enhances loyalty so that the circle starts again. The result of it all is market share gains, improved revenue, lower marketing cost to attract new customers and lower service delivery cost per customer (Reichheld, 1993, pp. 64-5). In other words, although the initial cost of winning new customers is high (generation cost), the longer they stay, the more thinly that cost is spread over time and the more profit is retained from each transaction. In addition, customers who stay are willing to spend more and are generally more willing to pay a premium for service excellence.

Customer loyalty also plays an important role in WOM communication. Referring specifically to a service environment, Gremler and Brown (1994) argue that a customer can only be described as truly loyal if that loyalty is demonstrated through consistent behaviour (repeat purchase) and attitude. Attitude refers to positive feelings towards the service provider which is seen as a prerequisite for positive WOM. Satisfied and loyal customers, in the words of Reichheld and Sasser (1990, p. 107), "do a lot of talking over the years". They cite a study by General Electric which found that recommendations from friends and

acquaintances carry twice the impact of paid advertising when consumers make purchasing decisions (Zemke and Bell, 1990, p. 44).

In addition, based on social psychology theory, Gremler and Brown (1994) propose that customers who provide other consumers with positive WOM about a service or service provider are more likely to become loyal customers themselves. Also, consumers who receive such positive WOM are more likely to become loyal customers. The rationale for the latter is that services are, typically, largely of an intangible nature and therefore perceived as being associated with relatively more risk (Murray 1991, p. 11; Turley and LeBlanc, 1993, p. 12). Positive WOM could be seen as a means of reducing this risk (Gremler and Brown, 1994, p. 332).

To summarize: when service failure is acknowledged and service recovery considered, three questions, among others, need to be addressed:

- (1) How should recovery take place?
- (2) Who should recover?
- (3) How quickly should recovery take place?

The study proposes that, if the appropriate combination of “how”, “who” and “how quickly” can be found, the customer is likely to be satisfied.

The three hypotheses suggest that the sooner recovery takes place, the higher the level of compensation provided and the closer the person who performs the recovery is to the actual disconfirmation (frontline personnel), the more significant would be the hypothesized improvement in customer satisfaction.

The methodology

The study tested the formulated hypotheses using a $3 \times 3 \times 3$ factorial design. Respondents were randomly assigned to one of the 27 conditions. All the respondents were international tourists at a holiday resort who had travelled on an international flight during the preceding six months. Following a screening question, they were then asked about their satisfaction with the particular airline they last used (initial customer satisfaction). Then, interviewers presented them with a travel scenario describing a negative service disconfirmation situation (missed connecting flight due to delay) which was held constant for all respondents. They were asked to imagine that they were the passenger in the scenario and to indicate how satisfied they would be with the airline if that happened to them (disconfirmation satisfaction). Then, one of 27 different recovery scenarios were presented, combining the options of who (the frontline employee/supervisor/marketing manager), time (immediately/after three days/after a month) and how (apology/apology and refund of expenses/apology and refund of expenses plus an additional free airline ticket). The respondents were then asked to indicate what their level of satisfaction would be (recovery satisfaction) following the efforts of the airline to recover.

The improvement from “disconfirmation satisfaction” to “recovery satisfaction” was termed “service recovery satisfaction” and served as the dependent variable in this study while the responses to the 27 different combinations of service recovery served as independent variables.

The role-playing method used in this study closely resembles similar studies by Bitner (1990) and Maute and Forrester (1993). Bitner (1990) points out that the method permits control over the manipulation of variables but accepts that it compromises external validity to some extent. As she correctly points out, however, this "loss" is counteracted by the involvement of actual travellers and realistic scenarios. In addition, all respondents were randomly selected and randomly assigned to the different treatments as recommended by Parasuraman (1991) and others. As is the case with all research methodologies, role playing yields advantages and disadvantages. Besides considerable control over otherwise uncontrollable variables and favourable cost implications, the researcher is afforded the opportunity to compress the time of "real life" events into more manageable units (Bitner, 1990, p. 75) which is an important reason why role playing was used in this study.

The sample

As 20 responses were required for each of the 27 cells (scenarios), 540 randomly selected international travellers were interviewed. The sample consisted of travellers from 26 different countries of whom those from Asia/Australasia comprised 44.4 per cent, Europe/British Isles 25.4 per cent and the USA/Canada 24.4 per cent. The majority of the respondents were on holiday/vacation (92.4 per cent), paid for their own ticket (91.1 per cent) and travelled economy class (92.2 per cent). The distribution across the different educational qualification and gender categories was even and, in total, they used 20 different airlines to reach their destination. The age distribution was somewhat bimodal. The two largest groupings were either in the youngest category of younger than 30 (24.3 per cent) or the oldest (60+) category (36.1 per cent) while the rest were evenly spread across the other three categories (about 13 per cent each). This distribution was expected as the survey was conducted shortly after the peak holiday/vacation season.

Demographics are seldom good predictors of complaining behaviour (Richins, 1987, p. 25). Bitner (1990, p. 75), for instance, reported that demographic characteristics did not impact on the dependent variables used in her study. In this study, only one of the nine demographic variables (nationality) exerted an influence on the dependent measure. As the demographic variables combined explained only 3.1 per cent of the variance in service recovery satisfaction, they were excluded from further analyses.

The measurements

Customer satisfaction was measured at three intervals: before disconfirmation (initial satisfaction); after the disconfirmation/service encounter (disconfirmation satisfaction); and again after the hypothetical service recovery scenario (recovery satisfaction). Initial satisfaction was measured with a three-item instrument, and the other two satisfactions (disconfirmation satisfaction and recovery satisfaction) on a two-item instrument, linked to a seven-point Likert-type scale (see Appendix 1). Initial satisfaction was a composite score of whether the respondent would use the airline again, would recommend it to a good friend and

gave an evaluation of overall satisfaction. Disconfirmation and recovery satisfaction were measured using only the items referring to whether the respondent would use the airline again, and an evaluation of overall satisfaction (see Appendix 1).

Table I shows that the instruments used to measure satisfaction during the various phases of the experiment demonstrated excellent internal reliability in the case of initial satisfaction and recovery satisfaction but only moderate reliability in the case of disconfirmation satisfaction.

A factor analysis was conducted to evaluate the discriminant validity of the instruments using the computer program BMDP4M (Frane *et al.*, 1990). Maximum likelihood was specified as the method of factor extraction using a direct quartimin oblique rotation of the original factor matrix (Jennrich and Sampson, 1966). The results reported in Table II show that all the items loaded on a distinct factor, as expected, confirming the discriminant validity of the instruments used.

Table I.
Descriptive statistics

Variables	Mean	SD	Alpha
Initial satisfaction	5.94 ^a	0.91	0.85
Disconfirmation satisfaction	1.96 ^b	1.05	0.60
Recovery satisfaction	4.50 ^c	1.98	0.89
Service recovery satisfaction	2.54	1.86	–

Notes:

^{a b} and ^c are all significantly different from each other

Service recovery satisfaction is the mean difference between disconfirmation satisfaction and recovery satisfaction

Table II.
Rotated factor loadings

	Factor 1 Initial satisfaction	Factor 2 Disconfirmation satisfaction	Factor 3 Recovery satisfaction
INSAT1	<u>0.742</u>	–0.030	0.021
INSAT2	<u>0.946</u>	0.025	–0.041
INSAT3	<u>0.720</u>	0.013	0.012
DISAT1	–0.024	0.004	<u>0.410</u>
DISAT2	0.065	–0.003	<u>0.982</u>
RECSAT1	–0.030	<u>0.834</u>	–0.035
RECSAT2	0.046	<u>0.963</u>	0.057
Eigen values	1.972	1.625	1.140

The empirical results

The formulated hypotheses suggest that customers' levels of satisfaction can be influenced through service recovery actions. Table I shows that the respondents' initial, predisconfirmation level of satisfaction declines from 5.94 (initial satisfaction) to 1.96 (disconfirmation satisfaction) after the disconfirmation

scenario. Following the various recovery efforts, the mean satisfaction score (recovery satisfaction) improves to 4.50. This improvement, as a result of service recovery, is, on average, 2.54. This difference in score between initial satisfaction on the one hand and satisfaction after recovery on the other hand, termed “service recovery satisfaction”, served as the dependent variable in the ANOVA reported in Table III.

The main effects

The main effects reported in Table III show that “what” (in this case atonement) has the most significant ($p < 0.01$) impact on service recovery, followed by “time” or speed of recovery ($p < 0.05$). Who is actually involved in the service recovery apparently does not seem to matter (as a main effect) as the impact of “who” on the dependent variable is not significant. These findings lead to the acceptance of *H1* and *H2* but do not support *H3*. From a management perspective, however, the individual main effects are of little value as one of them cannot be executed in isolation. The two-way interactions, therefore, afford richer insight.

The two-way interactions

Table III shows that the most significant ($f = 14.18$; $p < 0.01$) two-way interaction is between “time” and “who”. In other words, the quicker (time) the service firm responds to a disconfirmation situation via the highest possible person in terms of organizational seniority (who), the more beneficial will be the outcome for the service firm in terms of customer satisfaction with service recovery. The optimal combination is, according to Table IV, an immediate response by the marketing manager (mean: 3.05).

Also significant at the 1 per cent level, even if less so than in the previous instance, is the combination of “time” and “what”. In other words, quick recovery

Main effects	Sum of squares	df	<i>F</i>	<i>p</i> value
What	904.64	2	288.59	0.0001**
Time	10.97	2	3.50	0.0309*
Who	8.64	2	2.76	0.0645
<i>Two-way interactions</i>				
Time × who	56.71	4	14.18	0.0001**
Time × what	31.02	4	4.94	0.0006**
What × who	17.03	4	2.72	0.0293*
<i>Three way interaction</i>				
Time × who × what	30.71	8	2.45	0.0132*
R ²	56.9 per cent			
df	26			

Notes:

* = $p < 0.01$

** = $p < 0.05$

Dependent variable: service recovery satisfaction (the mean difference between disconfirmation satisfaction and recovery satisfaction)

Table III.
ANOVA results

	Mean	SD
<i>Two-way interaction: "time" and "who"</i>		
Immediately – Frontline	1.86	1.75
Immediately – Supervisor	2.89	2.07
Immediately – Marketing manager	3.05	1.79
After three days – Frontline	2.94	1.65
After three days – Supervisor	2.83	1.91
After three days – Marketing manager	2.29	1.50
After a month – Frontline	2.34	1.84
After a month – Supervisor	2.33	2.00
After a month – Marketing manager	2.38	1.91
<i>Two-way interaction: "time" and "what"</i>		
Immediately – Apology	0.60	1.00
Immediately – Refund of expenses	2.91	1.40
Immediately – Refund plus	4.30	1.20
After three days – Apology	1.13	1.12
After three days – Refund of expenses	3.38	1.52
After three days – Refund plus	3.56	1.28
After a month – Apology	0.60	1.17
After a month – Refund of expenses	2.81	1.48
After a month – Refund plus	3.65	1.56
<i>Two-way interaction: "who" and "what"</i>		
Frontline – Apology	0.54	0.75
Frontline – Refund of expenses	2.88	1.50
Frontline – Refund plus	3.73	1.21
Supervisor – Apology	0.85	1.36
Supervisor – Refund of expenses	2.97	1.74
Supervisor – Refund plus	4.24	1.51
Marketing manager – Apology	0.94	1.14
Marketing manager – Refund of expenses	3.25	1.12
Marketing manager – Refund plus	3.54	1.67

Table IV.Results of Tukey test:
two-way interactions**Note:**

Dependent variable: service recovery satisfaction

(time) with a high level of atonement (what) would also lead to a significant improvement in customer satisfaction. Table IV reveals that the optimal combination (mean: 4.30) in this instance is an immediate response accompanied by a full refund plus some added atonement (in this study a free airline ticket).

Less so, but also significant, is the combination of "what" and "who". A high level of atonement by a high ranking manager also impacts significantly ($p < 0.05$) on improved customer satisfaction but not to the same extent as the other combinations (interactions).

The three-way interaction

Table III also shows that the three-way interaction between who recovers, how (atonement) and how quickly is significant but only at the 5 per cent level of significance.

Unfortunately an ANOVA procedure often identifies small differences in means which may not be particularly important from a management perspective. To further investigate the differences between the responses to the various combinations of service recovery, the differences between mean scores were analysed using a Tukey test.

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Differences among main effects

Table V shows that there is no statistically significant difference between immediate recovery (mean 2.60) and recovery after three days (mean 2.69) but the difference between a three-day (2.69) and one-month delay (2.35) is statistically different ($p < 0.05$). The means of all three “what”s (apology, 0.78; expenses refunded, 3.03; expenses refunded plus, 3.84), on the other hand, differ significantly from each other ($p < 0.05$). Table V also shows that the level of service recovery satisfaction improves steadily as the level of atonement increases (from 0.78 to 3.03). In isolation, the person performing the service recovery (operationalized as three organizational levels: frontline employee, supervisor, marketing manager) does not seem to influence ($p > 0.05$) customer perceptions (frontline 2.38; supervisor 2.69; marketing manager 2.58).

Differences among two-way interactions

Table V suggests that the two-way interactions require some further scrutiny. This was done by comparing the means for the different scenarios, again using a Tukey test (Table IV). When comparing the “time-who” interactions, the only two means that were different from each other were immediately/frontline (1.86) compared to immediately/marketing manager (3.05) but only at the 10 per cent level of significance.

When comparing the “time-what” interactions, almost every mean was statistically different ($p < 0.05$) from all the others except when a refund of

Independent variables	Mean	SD
<i>Time</i>		
Immediately	2.60	1.94
Soon (after three days)	2.69 ^a	1.71
Later (after a month)	2.35 ^b	1.91
<i>What</i>		
Apology	0.78 ^c	1.12
Expenses refunded	3.03 ^d	1.48
Expenses refunded plus	3.84 ^e	1.39
<i>Who</i>		
Frontline employee	2.38	1.80
Supervisor	2.69	2.00
Marketing manager	2.58	1.77

Notes:

^a differs significantly from ^b at $p < 0.05$

^c ^d and ^e differ significantly from each other at $p < 0.05$

Table V.
Results of Tukey test:
main effects

expenses was offered. In other words, it does not matter whether a refund is offered immediately (2.91), after three days (3.38) or after a month (2.81). There is also no difference in service recovery satisfaction when a refund plus a ticket is offered after three days (3.56) and a refund plus a ticket after a month (3.65). In addition, there is no difference between an immediate refund of expenses plus an airline ticket (4.30) and a refund of expenses after three days (3.38).

When comparing the means of the “who-what” interactions, all the means are statistically different ($p < 0.05$) from each other except when a refund of expenses offered by the marketing manager (3.25) is compared to a refund plus an airline ticket offered by the supervisor (2.97). When a refund of expenses is offered, it does not matter whether it is done by a frontline employee (2.88), by a supervisor (2.97) or by the marketing manager (3.25). There is also no difference between a refund plus an airline ticket by a frontline employee (3.73) and a refund plus an airline ticket by the marketing manager (3.54) but both are statistically more significant than a refund by a frontline employee (2.88). When only an apology is offered, there is no difference between one offered by a frontline employee (0.54), a supervisor (0.85) or the marketing manager (0.94).

When comparing the nine “who-what” interactions, a steady increase in service recovery satisfaction is evident when higher levels of atonement are offered, irrespective of who is involved. The highest level of satisfaction is, however, a refund of expenses plus a free ticket offered by the supervisor (4.24).

The low means reported in Table IV when only an apology is offered seem to support the findings of Goodwin and Ross (1990, p. 39) who reported that “an apology will not compensate for failure to provide a tangible outcome such as a refund or exchange. In fact, an apology...may be perceived as fraudulent if not followed by a tangible outcome”.

Can satisfaction be restored?

Some authors seem to suggest that, through effective service recovery, customer satisfaction levels could be restored to predisconfirmation levels or even higher levels (Bateson, 1995, p. 492; Goodman *et al.*, 1987; Zemke and Bell, 1990, p. 43). Although not specifically stated as an objective, Table I shows that initial satisfaction (5.94) and recovery satisfaction (4.50) are both significantly higher ($p < 0.05$) than service recovery satisfaction (the satisfaction level following the various service recovery efforts) which does not seem to support the “even better than it was” contention. When the individual difference scores of the 27 scenarios were considered (rather than the overall scores in Table I), only one scenario produced a level of satisfaction after service recovery significantly higher ($p < 0.05$) than before disconfirmation. In this instance, if the supervisor immediately presents the aggrieved customer with an offer of a refund for expenses incurred plus an additional free airline ticket, the level of initial customer satisfaction of 5.63 increases to 6.30 ($p < 0.05$). These findings (for both overall scores and individual scenario scores) provide virtually no support for the proposition put forward by Goodman *et al.* (1987) and others that effective service recovery can restore satisfaction to higher than preservice failure levels. Achieving this remarkable turnaround calls for speedy and considerable atonement and it seems as if no less will suffice.

Summary of empirical findings

Of the three main effects considered in this study, “what” (level of atonement) and “time” emerged as the most dominant, being significant as main effect and in the two-way and three-way interactions.

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What: level of atonement

Level of atonement (what) turned out to be the most significant main effect in this study and confirms the finding of Brockner and Adsit (1986) that positive inequity enhances satisfaction. Table IV shows that, irrespective of the other interactions involved, the higher the level of atonement, the more significant the improvement in the level of service recovery satisfaction. This finding also seems to confirm those of Goodwin and Ross (1990, p. 44) who found that their respondents “consistently reported more satisfaction and a willingness to return to the firm for future service when they were given even a token refund”.

At first glance, this finding appears to be at odds with Johnston (1995) whose critical incident study found that “atonement, contrary to the limited literature and espoused beliefs, is not required”. Atonement may indeed not be required if other elements of service recovery are well executed such as immediate corrective action, an acceptable explanation or even a simple apology but, in their absence or their tardy execution, atonement will certainly impact on post-disconfirmation customer satisfaction.

Time

Although this study found a negative relationship between time (delay) and customer satisfaction as suggested by the work of Conlon and Murray (1996), Taylor (1994) and Katz *et al.* (1991), the relationship does not appear to be linear. Over the short term (immediately to three days), speed of recovery is not very important but it is clear that disconfirmation cannot be allowed to ferment for too long. If it is indeed left too long (“decays” in Oliver’s terms), Table IV suggests that recovery will require considerable levels of atonement to decrease levels of dissatisfaction. This finding also seems to support the contention that consumers have a perception of what constitutes a reasonable waiting time (Katz *et al.*, 1991) and, if that is exceeded, considerable atonement would be required to appease an annoyed customer.

Who

The organizational level of the person involved in service recovery efforts is not significant as a main effect and has only a marginal impact if combined with time. In fact, the only individual interaction involving “who” which approached significance was the improvement effected when an immediate apology is tendered by a frontline employee (1.86) compared to an immediate one offered by the marketing manager (3.05) but, even then, the difference is significant only at the 10 per cent level. Table IV shows that what is offered (level of atonement) is not affected by the person who offers it.

In summary, it appears as if it does not matter greatly who performs the service recovery as long as it is not left too late and as long as it is accompanied by acceptable levels of atonement.

Managerial implications

The results also show that great service recovery cannot compensate for poor service delivery but it can go a long way towards limiting its harmful impact. To achieve that, the service firm's customer complaint system must be geared to move with some speed and ensure that the customer is not financially disadvantaged due to the poor service delivery. The longer the service recovery is delayed, the higher the level of atonement that will be required.

The notion of speed in service recovery implies that frontline employees should be involved in the process, especially considering that the organizational level of the person performing the service recovery does not really matter. It is, then, essential that frontline employees be empowered to take responsibility for service recovery. There are two additional reasons supporting this contention. First, frontline employees, through their frequent contact with customers, probably know their needs better than anyone else and, second, their involvement frees management to concentrate on more strategic issues.

The crucial role of frontline employees in service delivery and service recovery is often acknowledged but seldom implemented properly. Jenkins (1992, p. 18), for instance, argues that the secret to improvement efforts is having the right employees participate in improvement efforts. Those directly involved are ideally positioned to point out waste, inefficiency and system breakdowns as well as to suggest alternative ways of doing things. In practice, these good intentions often fall flat because frontline staff are not empowered to act in the best interests of their customers.

Although empowerment is sometimes sarcastically referred to as yet another flavour-of-the-month-type fad, its relevance for the unique and unpredictable situations in which frontline staff often find themselves cannot seriously be questioned. In fact, Kingman-Brundage (as quoted by Coleman, 1989, p. 14) is of the opinion that empowering employees to provide good service is what produces quality in both service delivery and work life which "cascades" into customer satisfaction. There is a downside to empowerment but, at times, service recovery efforts fail simply because staff are not empowered (Bowen and Lawler, 1992, p. 33). The relative importance of time and delays in successful service recovery presupposes that, at the second moment of truth, inertia should not be the organizational response. Frontline employees shackled by restrictive organizational policies and procedures cannot "bend over backwards" for their customers even if they want to. Such situations are not only harmful due to the risk of losing the customer but place frontline staff under considerable pressure. The conflicting demands placed on frontline staff in these situations are referred to as "role stress" and have been shown to lead to higher levels of absenteeism, labour turnover and poor job performance (Rhoads *et al.*, 1994; Van Droogenbroeck and Singh, 1995). Thus, not empowering frontline staff to deal with customer complaints could not only result in a lost customer but could also result in employees who are disillusioned to the extent that they are not there to

implement a successful service recovery programme (absenteeism and turnover) and/or result in employees whose helplessness spills over to affect negatively other facets of their jobs.

Although some authors believe that time is of the essence in service recovery (Bateson, 1995, p. 498), time did not emerge quite as dominant as suggested by, among others, the TARP (1985) studies. Unsophisticated measures of the importance of time (delays, response times) which do not allow respondents to articulate properly their exact needs and the importance of time to service quality perceptions and customer satisfaction could be misleading. Most surveys will show that time is important to customers, and correctly so, but not at the expense of need satisfaction. In addition, other dimensions or issues may be of greater importance. Gilly and Gelb (1982, p. 326), for instance, have shown that the speedy resolution of a customer complaint is only important when no financial loss has been suffered. If a customer has suffered a loss, speed of resolution does not enhance satisfaction. In other words, speedy service recovery will not necessarily ensure customer satisfaction.

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Limitations

As an experimental study, a number of factors which could have exerted an influence on customer satisfaction were held constant. These included an apology, consumer responses, attribution, employee reactions (aggressive vs. apologetic), communication styles and levels of empowerment. All of these leave scope to contribute to what Johnston (1995) describes as a fast-developing debate on service recovery, a debate which continues to suffer from inadequate empirical testing of some key hypotheses.

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Appendix 1. Example of scenario

Directions: following these instructions there is a short scenario of a hypothetical incident at an international airport. Imagine that such an incident has occurred. If you were the passenger involved, tell us your likely perceptions by answering the questions which follow:

You arrive at International Airport on Airlines Flight 720 from The flight is 1 hour 20 minutes late. As a result, you miss your internal Airlines flight to The next flight does not leave until the next morning at 7.00. You approach the Airlines customer service desk and insist on transport to the nearest hotel and free accommodation for the night. The employee behind the counter refuses your request, blaming Airport for the delay. You leave the desk to arrange your own transport and accommodation (estimated cost.....).

How satisfied would you be? (On a scale of 1 = extremely dissatisfied to 7 = extremely satisfied.)

Given your experience, would you use Airlines again in the future? (On a scale of 1 = definitely would not to 7 = definitely would.)

(The above questions reflect disconfirmation satisfaction.)

One month later you receive a letter from the marketing manager of Airlines apologizing for the unfortunate incident. Attached is a cheque for

How satisfied would you be with Airlines after this gesture? (On a scale of 1 = extremely dissatisfied to 7 = extremely satisfied.)

Would this method of complaint handling ensure that you use Airlines again in the future? (On a scale of 1 = definitely would not to 7 = definitely would.)

(The above questions reflect recovery satisfaction.)