The Effect Of Perceived Justice On Customer Satisfaction In The Service Recovery Context: Testing Mediating Variables

Jeanne Ellyawati, Atma Jaya Yogyakarta University, Indonesia
Bernardinus M. Purwanto, Gadjah Mada University, Indonesia
Basu Swastha Dharmmesta, Gadjah Mada University, Indonesia

ABSTRACT

This study examines the impact of service failure through the model of service recovery evaluation. The study focuses on the concept of justice theory to determine the influence of emotions on the three dimensions of justice (distributive, procedural, and interactional) for consumer satisfaction.

The study considered a sample of 102 retailers in the Yogyakarta region in Indonesia, whose customers had experienced service failure and received service recovery. This study hypothesizes that perceived justice will significantly affect customer satisfaction directly in the context of service recovery satisfaction. It is further hypothesized that there will be a significant indirect effect of perceived justice on customer satisfaction in the context of service recovery satisfaction through emotions.

This study employs the hierarchical regression model and shows that perceived justice (distributive, procedural, and interactional) significantly and directly affects customer satisfaction. Further findings indicate that perceived justice also significantly and indirectly affects customer satisfaction. Positive emotions influence the effect of perceived justice on customer satisfaction. Negative emotions only mediate between perceived procedural justice and satisfaction. Thus, negative emotions do not elicit perceived distributive and interactional justice to unsatisfied retailer as consumers. The mediating variables are only partial mediations. The findings hold significant implications for the theory and practice of service recovery management, especially for retailers and service providers.

Keywords: Service Failure; Service Recovery; Perceived Justice; Emotion; Recovery Satisfaction; B2B

INTRODUCTION

*I*n the exchange processes between service providers and customers, service failure is often unavoidable. Service failure is usually beyond the service provider's control, owing to uncontrollable external factors related to human error (Hart, Hesket, & Sasser, 1990; Rio-Lanza, Casielles, & Diaz-Martin, 2008) or non-human error (Kau & Loh, 2006). To overcome such failures, service providers should observe each case thoroughly. It would be impossible to eliminate the problem; however, if product quality is improved and the service is delivered appropriately, then the problem can be contained to the lowest possible level. Since the cause of the service failure is uncontrollable, the situation becomes more complicated. Therefore, in such situations, a service failure strategy becomes critical for the service provider to recover, maintain, and develop their relationship (especially long-term relationships) with their customers. Effective service recovery can be used as a tool to reconcile the customers' problems and to build strong relationships, thereby ensuring customers' loyalty to the company's products and preventing them from switching to competitors' products.

In reality, the same service recovery mechanism could have a different impact on different consumers based on their emotional states (Smith & Bolton, 2002). In other words, consumer satisfaction is affected by emotions. Consumers who have perceived fair service recovery will generally exhibit positive emotions. Consumers who have experienced positive emotions will feel satisfied (Andreassen, 2000). In turn, satisfied consumers will build a good relationship with the service provider and become loyal customers of the company's brand (Zeithaml, Bitner, & Gramler, 2006; Blodgett, Hill, & Tax, 1997; Maxham & Netemeyer, 2003). On the other hand, customers who have experienced a relatively less fair service recovery will exhibit negative emotions, which will subsequently lead to dissatisfaction.

This B2B empirical study examines the role of emotion, both positive and negative, toward the relationship between perceived justice and recovery satisfaction. Is perceived justice directly affected by service recovery satisfaction or indirectly affected through a mediating variable such as emotion?

CONCEPTUAL DEVELOPMENT AND HYPOTHESES

Service failure

Service failure is defined as a situation where the service fails to meet the expectation of consumers (Singh & Pandya, 1991). According to Maxham (2001), service failure is defined as any service-related mishap or problem (real or perceived) that occurs during a customer's experience with a firm. In other words, the term "service failure" is a synonym for a problem perceived by the customers (Spreng, Harrel, & Mackoy, 1995). Examples of service failure include unavailable product/service, slow service, product defect, unreasonably slow service, and other core service-related problems (such as wrong product delivery or being served rotten food). Hence, the service provider is supposed to prioritize service failure, as it affects consumer satisfaction directly (Kelley, Hoffman, & Davis, 1993) and also leads to brand switching behavior and negative word of mouth (Keaveney, 1995).

Service recovery

Service recovery is the service provider's action to respond to service failure to revise the mistakes and restore customer satisfaction. Service recovery is a part of service philosophy management, which puts customer satisfaction as the main goal of business (Hart *et al*., 1990). Thus, service recovery is a fundamental catalyst for a company to achieve excellence, which is an integral part of a company's strategy. From the service provider's perspective, service recovery not only enables the service provider to reverse its mistake but also provides the service provider a second opportunity to fulfill the customer's expectations (Sparks & McColl-Kennedy, 2001; Boshoff, 2007).

The service provider could provide a few types of services to recover consumer satisfaction, such as discount, correction, manager/employee intervention, replacement, apology, and refund. In spite of providing such service recovery, the consumer could still be dissatisfied, because different customers have different interests or needs. Consequently, the customers may stop using the company's product or may continue to use the product whilst trying to find better alternatives (inertia).

Customer satisfaction

Satisfaction is the opposite of dissatisfaction. Thus, satisfaction and dissatisfaction are the poles of a single continuum. For example, if a customer is satisfied with a purchased product, then he/she does not experience dissatisfaction. According to the disconfirmation paradigm theory (Oliver, 1980), customer satisfaction is a result of a process evaluation, where customers compare the expectation to the actual service performance. If the actual service performance is better than the expectation, then the customer will experience satisfaction and vice versa.

According to equity theory, customers will be satisfied (positive inequity) when they find that the ratio of inputs to outcomes for themselves is greater than the ratio of inputs to outcomes for the referent person or group (Oliver & Swan, 1989). Furthermore, customer satisfaction will lead to favorable behavioral intention, such as repeat purchasing and positive word of mouth (Szymanski & Henard, 2001).

Perceived justice

Customers' evaluation of service recovery from a cognitive perspective is termed perceived justice (Solomon, 2004; Schiffman & Kanuk, 2007; Rio-Lanza *et al.*, 2008).

Many research studies relate the customer's perspective about service recovery with justice theory (Sparks & McColl-Kennedy, 1998; Tax & Brown, 1998; Smith, Bolton, & Wagner, 1999; Río-Lanza *et al*., 2008). Justice theory is adopted from a social psychology theory that provides a framework of recovery strategy (Smith *et al*., 1999; Sparks & McColl-Kennedy, 2001). The framework states that the level of customer satisfaction and the customer intention behavior in the future depends on consumers' perception of how fairly they are being treated (McColl-Kennedy & Sparks, 2003). Justice theory is built on three dimensions of justice that includes distributive justice, procedural justice, and interactional justice (Blodgett *et al*., 1997; McColl-Kennedy & Sparks, 2003).

Distributive justice

The concept of distributive justice is derived from the social exchange theory that emphasizes the role of justice in determining future transactions (Adams, 1963). The main proponent of distributive justice is equity theory (Pinder, 1998, p. 287). Equity (inequity) theory states that a person compares the ratio of his/her own outcome to input with the ratio of other's outcome to input (Adams, 1963). Equity is said to exist when the ratio of a person's outcome to input is equal to the ratio of the reference source. Inequity is said to exist when the ratio of a person's outcome to input departs to a significant degree from the ratio of outcome to input perceived for the reference source (Miner, 1980, pp. 108-109).

According to equity theory, customers will be satisfied when the outcome-to-input ratio of an individual is greater than that of others. On the contrary, when an individual's outcome-to-input ratio is less than a reference source's outcome-to-input ratio, then customers experience dissatisfaction. Equity theory is not limited to injustice that harms people; there is a possibility that the injustice might give them an advantage. In other words, inequity is not always negative; it could have a positive aspect as well. A person who has experienced negative injustice will feel under rewarded, and a person who has experienced positive injustice will feel over rewarded. An individual who feels over or under rewarded will feel inequity. Nevertheless, people tend to maximize their outcome even though they are aware of inequity. When a person has experienced inequity, they tend to experience dissatisfaction. Dissatisfaction could be exhibited through either anger for being unappreciated or guilt for being over rewarded (Miner, 1980, pp. 109).

McCollough, Berry, and Yadav (2000) stated that distributive justice and interactional justice are essential predictors for post-recovery satisfaction. Spark and McColl-Kennedy (2001) proved the existence of the effect of perceived justice (distributive, procedural, and interactional) on customer satisfaction in a hotel setting. A similar premise was discussed by Holbrook Jr. and Kulik (2001); their research demonstrated that justice is productive in understanding a customer's reaction in a service context. Under this argument, the following hypothesis is proposed:

H1:   Higher level of distributive justice leads to higher level of service recovery satisfaction

Procedural justice

Procedural justice refers to perceived fairness of the policies, procedures, and criteria used by the decision makers in arriving at the outcome of a dispute or negotiation (Blodgett, 1997). In other words, procedural justice involves the detailed thought process behind the decisions being made until the problem is resolved. Procedural justice is essential in service recovery, because a customer may be satisfied with the strategy recovery being offered, but they may become dissatisfied because of the slow process (Kelley *et al.*, 1993). Based on this premise, it could be implied that when customers experience fair procedures, they feel satisfied. The procedure could be considered fair, if it is consistent, unbiased, and impartial, and represents the interests of all parties concerned, and is based on accurate information and ethical standards (Blodgett *et al.*, 1997). Thus, this argument leads to the following hypothesis:

H2:   Higher level of procedural justice leads to higher level of service recovery satisfaction

Interactional justice

Interactional justice is related to the behavior of the service provider while treating the customer during the service recovery process (Tax & Brown, 1998). Blodgett *et al*. (1997) cited some experts and stated that interactional justice refers to the service provider's attitude (in terms of being polite, respectful, or rude) while interacting with the customers during the problem solving process. The following five elements of interactional justice can be identified: control process, decision control, accessibility, timeline/speed, and flexibility. A few examples of interactional justice are righteousness, detailed explanation, attitude, hospitality, sensitivity, interest, humility, empathy and assurance, openness, and attention (Blodgett *et al.*, 1997).

Blodgett *et al.* (1997) demonstrated the importance of interactional justice in the study of service failure and recovery. In their empirical research, Tax, Brown, and Chandrashekaran (1998) stated that interactional justice is a strong predictor of customer trust and satisfaction. A survey conducted by Namkung and Jang (2009) on restaurants in the United States showed that interactional justice can improve customer retention by increased customer satisfaction. Collie, Sparks, and Bradley (2000) introduced a similar premise in their research on the hospitality industry that the level of satisfaction is determined by perceived interactional justice. The following hypothesis is proposed on the basis of interactional justice literature and related market research:

H3:   Higher level of interactional justice leads to a higher level of service recovery satisfaction

Emotion

Pinder (1998, pp. 83) defined emotion as a complex reaction related to the brain and body. This reaction includes subjective mental states, such as anger, anxiety, love, and the urge to escape or attack. According to Bagozzi, Gopinath, and Nyer (1999), emotion is defined as a current mental state of readiness that emerges from a cognitive evaluation of an occasion or thought. There are two types of emotions: positive and negative. Positive emotions include happiness, contentment, pride, being valued, etc., which express a favorable feeling. Negative emotions include anger, disappointment, anxiety, etc., which express an unfavorable feeling.

In their study, Smith and Bolton (2002) asserted that based on their previous research, satisfaction, besides a cognitive evaluation, is also an affective (emotional) evaluation from an experience. Both these evaluations are valuable and important to the consumer behavior model in the service industry. The idea that cognitive and affective elements may complement each other in determining satisfaction is now being widely accepted (Oliver, Trust, & Varki, 1997; Schoefer & Ennew, 2005). Emotion plays a part as a mediating variable between perceived justice and recovery satisfaction (Bougie, Pieters, & Zeelenberg, 2003; McColl-Kennedy *et al*., 2003; Chebat & Slusarczyk, 2005; Schoefer & Ennew, 2005; Bonifield, 2007; Mattila & Ro, 2008; Weber & Spark, 2009).

Many service recovery research studies have focused on negative emotion, because service failure has a negative valence (Andreassen, 1999). Consumer dissatisfaction is associated with anger, disappointment, or sadness, and thus, customers experience negative emotions (Voorhess, Brady, & Horowitz, 2006). When the service provider manages to satisfy the needs of the customer during the service recovery process, there is high probability that the customer's negative emotion may decrease and simultaneously positive emotion may increase (DeWitt, Nguyen, & Marshall, 2008). Based on available information on perceived justice and emotion, the proposed hypotheses are as follows:

H4:   Positive emotion mediates between perceived justice and recovery satisfaction

H5:   Negative emotion mediates between perceived injustice and recovery dissatisfaction
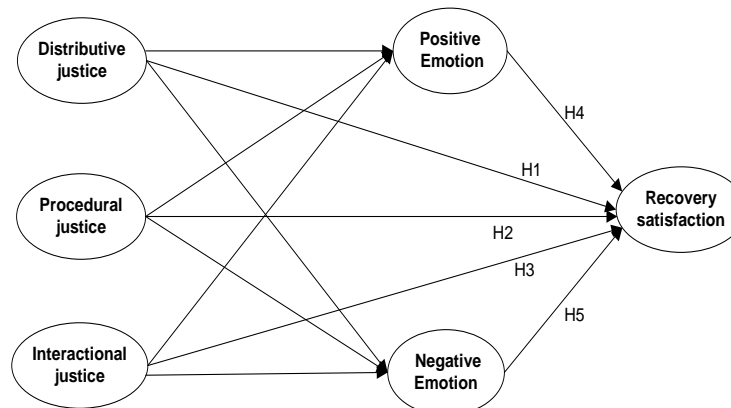
Figure 1 Research model

METHODOLOGY

Data

Data was collected through a cross-sectional survey. To maintain heterogeneity of the sample size, only those respondents who had experienced a service failure and recovery encounters with micro-, small- and medium-sized retailers last year were short-listed.

The survey instruments comprised three parts. In the first part, closed-ended questions were used to enable the respondents to describe their identity. In the second part, the respondents were requested to recall the time that they had experienced the service failure. In the third part, structured questions were used to measure respondent's experiences with regard to justice, emotion, and satisfaction. Respondents were requested to identify their experience during service recovery and the emotion that emerged at that moment, including both negative and positive emotion. Moreover, respondents were asked to express their level of satisfaction after service recovery. The third part of the survey instrument was aimed at verifying the hypotheses.

Sample size

Micro-, small- and medium-sized retailers that operate under a B2B model in Indonesia were a part of the sampling frame. Thus, the unit of analysis was an organization. The sample size was taken from the Yogyakarta Special Region Province in Indonesia. The purposive sampling method was used to formulate a sample from the population.

Procedure

Questionnaires were directly distributed through owners, managers, or decision makers of retail stores. Overall, 105 questionnaires were distributed and 102 questionnaires were returned. The response rate was 97.14%. Three respondents had to be eliminated, because one questionnaire was not returned and two others were incomplete.

Measures

Each of the constructs shown in Figure 1 was measured with multi-item scales. The scales were developed to measure the following constructs: distributive justice, procedural justice and interactional justice; negative emotion and positive emotion; and satisfaction. These scale items were anchored at endpoints ("strongly agree" and "strongly disagree"). The validity of the scales was assessed through confirmatory factor analysis using SPSS. The measurement model provided an acceptable fit to the sample data. The research instrument can be considered valid, as the loading factor was greater than or equal to 0.6. According to Hair, Black, Babin, Anderson, and Tatham

(2006), if the entire item's factor loads are more than ±0.5, then the items are valid. On the other hand, the reliability test was measured using Cronbach's alpha. In this study, the Cronbach's alpha coefficient for every construct was greater than or equal to 0.7. Thus, all constructs were significant (Hair *et al*., 2006).

Perceived justice

Perceived justice was measured with instruments developed by Smith *et al.* (1999) and Blodgett *et al.* (1997). Four items were used to measure compensation to reflect the concept of distributive justice. Three items were used to measure the speed of response to reflect the concept of procedural justice. Three items measured apology and empathy to reflect the concept of interactional justice. We conducted the confirmatory factor analysis of the perceived justice model, which comprised three latent constructs and ten observed variables.

Emotion

Negative emotion was measured using the scale developed by Smith and Bolton (2002), and positive emotion was measured using the scale developed by Ellsworth and Smith (1988), Richins (1997), and Smith and Ellsworth (1985) in Dewitt *et al.* (2008).

Satisfaction

Satisfaction was measured using the scale developed by Bitner (1990) and Brown & Leigh (1996) in Rio-Lanza *et al*. (2008), and Davidow (2000).

It was necessary to test the validity and reliability of the instruments before distributing them among the respondents. A construct is often ambiguous, diffused, and not directly observed, and thus a second test is undertaken to help establish the truth, credibility, or ability to trust the findings (Neuman, 2006).

Validity indicates how good and fit the construct is with the actual thinking (Neuman, 2006). Validity tests how well an instrument measures a particular concept that needs to be measured. In other words, validity relates to whether the researchers have measured the right concept, and the reliability and consistency of measurement (Hair *et al.*, 2006; Sekaran, 2003). All research instruments used in this study were valid and each factor focused on a single component. Thus, all the items were tested for reliability. Reliability is a measure of the extent to which the measurement is without bias (error-free) and hence it ensures consistent measurement across time and across a variety of items in the instrument. In other words, the reliability of a measure is an indication of the stability and consistency at which the instrument measures the concept and helps assess the accuracy of a measurement (Hair *et al.*, 2006; Sekaran, 2006)

By using the SPSS program, the item to total correlation items showed values greater than 0.700, and all items were significant. Every construct had coefficient Cronbach's alpha values of more than 0.700 (refer to Table 1), and therefore all the variables were reliable.

Table 1 Validity and reliability of research instruments

Research instrument and references	Pearson correlation*	Cronbach's alpha
Distributive justice Smith *et al.* (1999); Blodgett *et al.* (1997)		0.832
The outcome I received was fair	0.903	
I did not get what I deserved (R)	0.841	
In resolving the problem, the provider gave me what I needed	0.831	
Given the circumstances, I feel that the provider offered adequate compensation	0.724	
Procedural justice Blodgett *et al.* (1997); Smith *et al.* (1999), Rio-Lanza *et al.* (2008)		0.903
I think my problem was resolved in the right way	0.794	
I think the provider has good policies and practices for dealing with problems	0.873	
The customer's complaint was not resolved as quickly as it should have been ®	0.933	
The provider showed adequate flexibility in dealing with my problem	0.851	
The provider tried to solve the problem as quickly as possible	0.832	
Interactional justice Blodgett *et al.* (1997); Smith *et al.* (1999); Rio-Lanza *et al.* (2008)		0.813
The employees were appropriately concerned about my problem	0.808	
The employees did not put the proper effort into resolving my problem	0.601	
The employees proved able and to have enough authority to solve the problem	0.641	
The customer was treated with courtesy and respect	0.808	
The employees showed interest in being fair when solving the problem	0.725	
The treatment and communication with employees to solve the problem were acceptable	0.855	
Negative emotion Smith & Bolton (2002)		0.886
Anger	0.729	
Discontent	0.846	
Disappointment	0.804	
self-pity	0.600	
Anxiety	0.750	
Annoyed	0.856	
Uncomfortable	0.800	
Positive emotion Tom DeWitt *et al.* (2008); Shoefer & Ennew (2005)		0.912
Enjoyment	0.804	
Happiness	0.831	
Pleased	0.808	
warm feeling	0.898	
being valued	0.732	
enthusiastic	0.773	
Proud	0.813	
Recovery satisfaction Bitner (1990); Davidow (2000); Rio-Lanza *et al.* (2008)		0.911
I am satisfied with the way my problem was dealt with and resolved	0.833	
I am happy with the way my problem was solved	0.809	
I am satisfied with the treatment from the employees involved in resolving the problem	0.767	
I am satisfied with the procedure (way of working) and the resources used to solve the problem	0.781	
I am satisfied with the resources used to solve the problem	0.836	
In my opinion. the firm provided a satisfactory solution to this particular problem	0.780	
I am satisfied with the compensation offered by the firm (restored service, money refund, etc.)	0.858	

Note: * item to total item correlation

RESULTS

Descriptive

Among the 102 respondents who experienced dissatisfaction during purchase last year, most of them were males (56.9%) aged 30–39 years (45.1%). Moreover, most of the male respondents were high school graduates (38.2%) and store owners (66.7%). The businesses were primarily service businesses (51.0%) with maximum sales of US$30,000 per year (74.5%). Their assets (excluding land and building) were valued at less than US$5,000 (56.9%), and the businesses employed less than 5 people (52.0%). Thus, most of the respondents belonged to micro-sized businesses. Table 2 provides the summary of the respondent's profile.

Table 2 Demographic characteristics of the respondents

Sex:		Annual sales (Rupiah)	
Males	56.9	≤50 million	74.5
Females	43.1	300million - 2.5 billion	23
		≥2.5 – 50 billion	3
Age (years)		**Total assets (Rupiah)**	
<30	23.5	<50 million	56.9
30-39	45.1	50 – 500 million	33.3
40-49	10.8	500million – 10 billion	9.8
≥50	20.6		
Education		**Total employees**	
Secondary school	6.9	<5	52.0
High school	38.2	5 – 19	38.2
College	46.1	20 – 99	9.8
Graduate school	8.8		
Position in the company			
Owner	66.7		
Manager	10.8		
Staff	20.6		
Other	2.0		

Note: exchange rate 1 US$ ± Rp. 10.000.00

HYPOTHESIS TESTING

The hierarchical regression model was used to verify the hypothesis. The hierarchical regression model was processed based on the steps conducted by Baron & Kenny (1986), and the EVIEWS program was used.

Hierarchical regression testing supports the influence of perceived justice to satisfaction: H1 (p-value<0.05), H2 (p-value<0.05), and H3 (p-value<0.05). Furthermore, in regression analysis, the positive emotion variable acts as a mediator for recovery satisfaction, which can be seen from regression, where all the p-values are less than 0.05. Thus, hypothesis 4 is supported. Regression analysis does not support negative emotion as a mediator, owing to the result of regression, where p-value of distributive justice is 0.0521 and that of interactional justice is 0.2670 (refer to Table 3). The two p-values are greater than 0.05 and only perceived procedural justice has a p-value of less than 0.05.

Table 3 Relationship among constructs

Constructs	β₁	β₂	R-square	p₁-value	p₂-value
Distributive justice					
DJ → RS	1,696269		-0,164941	0,0000	
DJ → NE	1,0594		-4,287495	0,0000	
DJ → NE → RS	1,578723	0,152425	0,062872	0,0000	0,0521
DJ → PE	1.447427		-0.348804	0.0000	
DJ → PE → RS	1.159388	0.370921	0.094766	0.0000	0.0000
Procedural justice					
PJ → RS	1.374318		0.009545	0.0000	
PJ → NE	1.306624		-3.746493	0.0000	
PJ → NE → RS	1.277425	0.155867	0.056033	0.0000	0.0000
PJ → PE	1.159482		-0.730115	0.0000	
PJ → PE → RS	0.923887	0.388476	0.374949	0.0000	0.0000
Interactional justice					
IJ → RS	1.149042		0.268293	0.0000	
IJ → NE	1.577356		-0.221703	0.0000	
IJ → NE → RS	1.112296	0.070496	0.277299	0.0000	0.2670
IJ → PE	0.978201		-0.221703	0.0000	
IJ → PE → RS	0.913788	0.240496	0.367184	0.0000	0.0000

Note: DJ: distributive justice, PJ: procedural justice, IJ: interactional justice, PE: positive emotion, NE: negative emotion, RS: recovery satisfaction

DISCUSSION AND CONCLUSION

The findings support the hypothesis that perceived justice directly affects customer satisfaction. The indirect effect of perceived justice on satisfaction through emotion is not fully supported. All dimensions of perceived justice indirectly influence customer satisfaction through positive emotions. On the other hand, negative emotions only mediate between procedural justice and satisfaction. Thus, negative emotion does not act as a mediator between the effect of perceived, distributive, and interactional justice and satisfaction.

Effect of perceived justice on recovery satisfaction

The study states that the three dimensions of perceived justice directly affect satisfaction in the service recovery context. The finding of the study is aligned to the research conducted by Kau and Loh (2006); in the mobile phone industry in Singapore, they found that perceived justice affects customer satisfaction in the service recovery context. Besides, distributive justice, procedural justice, and interactional justice also affect satisfaction. For example, the hospitality of an employee could increase customer satisfaction. Spark and Kennedy (2001) investigated the influence of justice (distributive, procedural, and interactional) on customer satisfaction in a hotel. Specifically, the study investigated the level of satisfaction related to various combinations of procedural, interactional, and distributive justice in the context of service recovery strategy. The premise supports the theory that perceived justice strongly affects recovery satisfaction. Thus, suppliers should pay attention to the three types of justice to overcome service failure.

The perception of fair service recovery is a way to improve customer satisfaction. A good service recovery mechanism will not only satisfy the customer but also will create a service recovery paradox (Magnini, Ford, Markowski, & Honeycutt, 2007; Michel, 2001).

Negative emotion as a mediating variable

Previous studies (such as Kau and Loh, 2006; Ha and Jang, 2009) have discussed service recovery from the cognitive perspective; however, current studies (such as Bonifield, 2007; Schoefer & Ennew, 2005; Bougie *et al*., 2003; Weber & Spark, 2009) state that customers are affected by factors such as emotion. The studies attempted to apply a variable such as emotion to the relationship between perceived justice and satisfaction. The model does not fully support the influence of perceived justice to satisfaction through negative emotion. Further, the model also

does not support the influence of distributive and interactional justice to satisfaction through negative emotion. Only the influence of procedural justice to satisfaction is supported by the model. This has probably happened as the data is not well distributed, which in turn has not yielded a particular answer.

Regression analysis shows that even though the service provider's empathy and redress is considered fair, the procedure might be considered unfair. Thus, negative emotions still emerge. Even though customers experience service failure, they are still satisfied with their purchase, which indicates that Indonesian customers are forgiving, patient, and pragmatic. This, however, needs to be investigated further. Many customers give up on service providers, as most suppliers are often irresponsible. After the product has been delivered to the customer, they do not assume responsibility. Thus, any form of service failure from the service providers/suppliers would eventually lead to a better experience for the customer that must be learned for future purchases.

Several research studies on service failure based on perceived justice supported the model. Tax *et al*. (1998) stated that a consumer who had a bad experience in complaint handling would still complain to the organization, owing to expectations arising from brand equity. Bonifield (2007) identified the important role of anger in retaliatory and post-purchase behavior. When customers complain to the provider about service failure, the anger causes customers to rebel against the provider. The study conducted by Chebat and Slusarczyk (2005) proved that the effect of positive and negative emotion affects the relationship between justice and loyalty or leads to a customer's exit in the banking industry. Negative emotion will decrease the consumer's loyalty and could trigger their exit, whereas positive emotion will increase the customer's loyalty.

Positive emotion as a mediating variable

This study found that positive emotion significantly influences all dimensions of perceived justice, which shows the importance of service recovery for the customer after service failure has occurred. Although consumers experienced service failure and did not get a proper refund, they still felt positive emotions and also felt satisfied. It is interesting to observe most consumers in Indonesia, who often receive unfair treatment from a provider. The consumers feel helpless, because they are often in a weak position. Therefore, when consumers receive a smile and a little attention from service providers, they feel appreciated. Therefore, the proper redressal, procedure, and interaction in handling service failure could lead to positive emotion and ultimately consumers would be satisfied.

This study is consistent with the study conducted by Schoefer and Ennew (2005), which stated that a high rate of perceived justice could cause positive emotions such as happiness and comfort. According to Karande, Magnini, and Tam (2007), the customer's perception of procedural justice would be higher if the customer is given a recovery voice. Thus, a low rate of procedural justice could be handled using *recovery voice* as an alternative by asking the consumer regarding the kind of service recovery they would prefer. However, this case should be examined further, since it will impact other cases as well, such as various requests that may cause trouble to the organization.

In this study, there are no perfect mediations, but only partial mediations, which means that customer satisfaction is not only influenced directly by perceived justice but also indirectly by emotions that act as mediators. Partial mediation occurs in the relationship between the three dimensions of perceived justice and satisfaction through positive emotion. Furthermore, it occurs in the relationship between procedural justice and satisfaction through negative emotion.

MANAGERIAL IMPLICATIONS

In this study, perceived justice affects customer satisfaction in the context of service recovery. Thus, the provider has to make the three dimensions of justice a priority for overcoming service failure. Customer perception of a fair service recovery may increase customer satisfaction and vice versa. A good service recovery may also lead to a service recovery paradox (Magnini *et al*., 2007; Michel, 2001).

In this study, perceived distributive, and interactional justice do not show any relationship with negative emotion as a mediating variable, which means that the customer still has high tolerance to accept anything from the

company by way of product replacement or empathy for recovery of service failure. In the future, the service provider should pay more attention to such situations to competitors.

LIMITATIONS AND FUTURE RESEARCH

1. In this study, the sample size consisted of retailers who sell various products, thereby leading to varied perceptions and interpretations. Thus, the study may not reflect specific customer perception. In future, it would be ideal to include retailers who sell a specific product.
2. Only 102 respondents were used for analysis; however, to achieve a more realistic outcome, a greater number of respondents should be used.

AUTHOR INFORMATION

Jeanne Ellyawati is a lecturer at the Management Department, Economic Faculty, Atma Jaya Yogyakarta University, Indonesia. Currently, she is studying at the Faculty of Business and Economics, Gadjah Mada University, Indonesia towards a doctoral program. Her research interests are in the areas of service marketing and consumer behavior. For any comments or suggestions, please feel free to contact her at ellyawati@hotmail.com or jeanny@mail.uajy.ac.id (Corresponding author)

Bernardinus Maria Purwanto is an Associate Professor at the Faculty of Business and Economics, Gadjah Mada University, Indonesia. His research interests are in the areas of marketing management, consumer behavior and research methodology.

Basu Swastha Dharmestha is a Professor of Marketing at the Faculty of Business and Economics, Gadjah Mada University, Indonesia. His research interests are in the areas of service marketing, green marketing and consumer behavior.

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<u>**NOTES**</u>