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## **Customer Satisfaction with E-Service Recovery: Roles of Perceived Justice and Customer Emotions**

*(Abstract Only)*

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### **ABSTRACT**

Multiple variables inside and outside of an organization can influence the quality of service delivery to customers. Even though some of these factors can potentially be controlled through organized efforts by the firm, there will still remain instances at which companies fail to provide their services at the expected level. Service failure encounters are important moments of truth for both firms and customers because negative emotions created throughout the process may lead to the disconnection of relationship between firms and their customers (Smith & Bolton, 2002). Thus, service recovery attempts are critical in re-building and, possibly, enhancing customer-firm relationships (Morgan & Hunt, 1994). If not done right, a failed recovery may result in negative outcomes such as customer switching behavior and negative word of mouth (Keaveney, 1995). Industry reports indicate that service failures possibly influence 70% of all repurchase or switching decisions (Balter, 2008). Therefore, strategic planning is critical for service-oriented firms in order to successfully identify and manage the service recovery processes.

Services literature defines service recovery (SR) as a process through which a firm responds to and rectifies its failures in service delivery (Kelley & Davis, 1994). Previous studies have shown that customers are emotionally involved during SR and their affective states play critical roles in their evaluation of a firm's SR efforts (Smith & Bolton, 2002). In addition, when a company fails to provide its services at the expected level, customers might perceive an imbalance between their spent resources (money, time, etc.) to receive the service and the firm's efforts in providing the service. Thus, due to customers' affective involvement during SR, customers are more sensitive to inequity and injustice issues that they observe in a firm's handling of the SR process (Maxham, 2001). As a result, previous scholars have introduced perceived justice as an important driver of customer emotions and satisfaction with SR (Chebat & Slusarczyk, 2005).

Despite significant advances in SR research, there are still important gaps in our understanding of how this process works from the perspective of customers' perceived justice, emotions, and satisfaction. First, although the role of emotions during SR has been highlighted, previous scholars have mainly focused on negative emotions and ignored the possible influence of positive emotions on customer satisfaction with SR. This is surprising because successful recovery from service failures can actually lead to senses of satisfaction, trust and loyalty to the firm (Tax, Brown & Chandrashekar, 1998). Therefore, it is important to understand the role that positive emotions with service recovery play during SR. Second, previous studies have either focused on the antecedents or consequences of customer satisfaction with SR. There is a lack of a comprehensive model that takes into both drivers and outcomes of SR. A comprehensive model can provide an appropriate managerial framework for SR handling situations. Third, there is limited amount of research on how cognitive evaluations of perceived justice during SR combine with emotional responses to SR in order to form customer satisfaction (Chebat & Slusarczyk, 2005). It is important to study this phenomenon in SR research because customer satisfaction is driven by both affective and cognitive states of customers. Fourth, there is a lack of research on how customers react to service recovery in the context of e-services where face-to-face interaction with customers is minimal or non-existent during SR and most of the recovery process happens through online channels.

This study explores how customer's perceived justice with SR leads to both positive and negative customer emotions, which finally influence customer's satisfaction with SR. We collect data from an online travel booking company in US which mainly handles customer service recovery through the online chat medium. We address the mentioned gaps in services literature by showing that dimensions of perceived justice (i.e. distributive, procedural, interactional) have varying effects on both positive and negative customer emotions. We also demonstrate that customer emotions mediate the relationship between perceived justice and customer

satisfaction with SR and, thus, need to be carefully considered in SR situations. Therefore, our findings provide a useful and practical framework for managers to understand how the SR process should be managed to maximize customer satisfaction.

*Keywords:* E-service recovery, customer emotions, customer perceived justice, customer satisfaction

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