SERVICE DELIVERY MANAGEMENT

A Process for Proactively Ensuring Customer Satisfaction.

PhD Thesis

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SDM is a process model, based on service marketing components, to position a service while concurrently being a service delivery management tool improving service encounter processes. Added to a service script, SDM can increase customer satisfaction, quality perception, voice levels and repurchase intentions in a general service encounter scenario as well as during episodes which include a failure. Addressing mishaps requires particular attention, since Consumer Complaint Behaviour research shows that most customers prefer to switch suppliers, rather than offer constructive feedback. This means that many service failures go unnoticed, with a large proportion of customers defecting.

Since most services are performed in real time by service personnel, consistent quality output is a challenge. Therefore, occasional service failures are inevitable. Present research recognises this by offering suggestions, but does not present an integrated framework like SDM, using the presence of a customer during a service encounter as an unique opportunity to resolve issues on the spot.

An elicitation process is used as a first step, attempting to improve voice and minimising lost feedback. Step two is a specific service recovery process, adapted to the failure type. SDM processes can also lead to a general increase of satisfaction and quality perception, regardless of whether or not there was a service failure. With satisfaction generally being regarded as an actual repurchase behaviour indicator, this may lead to increased sales turnover, while a higher quality perception may lead to a larger price premium tolerance and therefore higher profits. Higher service quality perceptions can also be used as a marketing positioning tool to differentiate a service from competitors.

Data collected supported all hypotheses put forward in this thesis, showing statistically significant improvements on all key variables, including a satisfaction rating increase of 24% when SDM was applied. In academic terms, the process model tested did not only link separate literature streams, but offered an integrated, proactive tool which is capable of operating in real time. Traditionally, academic models and their processes analyse results after an episode concludes, while SDM allows a provider to positively influence or *manage* satisfaction levels during the service delivery.

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Andre Schoen, February 2002

Table of Contents

Index of Figures

Table Index

1   *INTRODUCTION*

Chapter 1 introduces Service Delivery Management (SDM), providing an overview and the research context of the thesis.

1.1 *Synopsis*

SDM is a process model, based on service marketing components, to position a service while concurrently being a service delivery management tool improving service encounter processes. Added to a service script, SDM can increase customer satisfaction, quality perception, voice levels and repurchase intentions in a general service encounter scenario as well as during episodes which include a failure. Addressing mishaps requires particular attention, since Consumer Complaint Behaviour research shows that most customers prefer to switch suppliers, rather than offer constructive feedback. This means that many service failures go unnoticed, with a large proportion of customers defecting.

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1.2 Context

Marketing can be traced back to the turn of the twentieth century, where the early pioneers helped it break away from economics and psychology. Practitioners have only started to use marketing concepts on a larger scale since the 1970s, when Kotler and others introduced the marketing management school of thought (Sheth et al, 1988).

Services marketing broke free from product marketing around 1980 (Sheth et al, 1988). Since then, it is increasingly recognised as an independent and distinct discipline within the broader marketing field. The intangible nature of services brought with it a number of challenges. Paradigms associated with Consumer Satisfaction/Dissatisfaction (CS/D) and Consumer Complaining Behaviour (CCB) could be borrowed from product marketing. However, constructs like service quality still prove to be difficult to measure and are still being debated in the literature (Parasuraman et al, 1994).

A relatively new area within services marketing is the concept of service recovery, which has some of its roots in CS/D and CCB. Most services are performed by people in real time, bringing with it the challenge to control quality, while at the same time offering the opportunity to attempt a recovery from a service failure on the spot.

Present service recovery and CCB models make little use of the fact that the presence of the customer offers an opportunity to address shortcomings in real time, before the customer leaves. If addressed proactively, expressed

dissatisfaction can potentially be neutralised before the service encounter is complete. This in turn can lead to higher customer loyalty, minimising loss of patronage, if not actually increasing it. However, customers are generally reluctant to express, or voice, dissatisfaction to the supplier (Singh and Pandya, 1991). More often than not, they would rather switch suppliers, if and when the opportunity arises. The key reason for this is that complaining is generally seen as a painful exercise by consumers. Hence, if this obstacle is to be addressed, it requires intervention by the service provider. Without this intervention, customers are likely to keep feedback to themselves, since customers will usually see no benefit in communicating feedback or complaints. For them, quietly switching suppliers may be associated with less pain and effort. Therefore, the supplier must initiate feedback elicitation as a process embedded into the service script. The result must be as painless as possible to the customer, requiring only a token effort from him/her in a non-threatening environment with a communicated high rate of success for a win-win situation. This environment must be conducive to outcome focussed feedback, rather than destructive critique.

Initiating the dialogue requires feedback elicitation to overcome a general aversion (Crosby, 1993) to negative feedback (*voice*). To elicit feedback, some hurdles and issues have to be overcome, such as:

- Cultural *block* to communicate negative feedback
- Effort (time and energy) required to explain the situation to the supplier

- Potential risk of failure, compared to potential gain (i.e., opportunity cost versus assumed pay-off)

- Expected failure outcome (embarrassment, etc.)

- Introversion, shyness, self esteem, unfamiliarity with situation and perceived lack of bargaining power

- Belief that the provider will not care or respond appropriately to a complaint or feedback

Overcoming these hurdles requires, amongst others:

- *Breaking the ice*, initiate first step to open dialogue

- Active listening: ask (trigger) questions

- Signal genuine openness: communicate openness and receptiveness for feedback

- Minimise effort required: make complaining as painless as possible

- Personalise: address individual, build relationship, inspire trust

In essence, the service provider needs to motivate the consumer sufficiently to share feedback with the provider (Blodgett et al, 1995) before the service encounter concludes. Feedback can be elicited in a survey context, implied or explicitly. In an implied situation, the elicitation process may not be obvious to the customer, whereas in an explicit approach, no attempt is made to disguise the feedback process. Negative feedback needs to be followed up with a neutralisation process (recovery). The neutralisation process benefits from equity theory (Oliver and Swan, 1989a) to guide a service provider to select an appropriate recovery action.

Outcomes must be satisfactory for all parties. Direct cues to imply a positive outcome may be a demonstrated willingness to listen to a complaint. Indirect cues can include advertised references to successfully resolved complaint episodes, reliance on word of mouth, etc. There must also be a communicated understanding that the risk of failure (embarrassment, etc.) for the customer is low.

In a traditional face to face services context, a service provider has an opportunity to elicit feedback from the customer and attempt a recovery, if appropriate. However, Consumer Complaint Behaviour (CCB) research suggests that only a minority of customers will volunteer information (*voice*) about their true feelings when they are dissatisfied (Singh, 1989). Therefore, a proactive approach is required to elicit feedback. Further, service evaluation standards need to be moved from individual views to more absolute frameworks. Normative standards put forward in a non-threatening way may help a customer to adjust relative views. This then sets the framework for an appropriate recovery action.

1.3 Overview of SDM

Conventional *cause and effect* customer satisfaction or service recovery models analyse results after a particular episode, without attempting to influence the outcome proactively. The proposed SDM (Service Delivery Management) process model offers a service provider feedback while the

service encounter unfolds, to facilitate on the spot intervention. This can then be used to improve the outcome in real time, particularly after a service failure.

SDM is based on a process model, consisting of an elicitation process and a recovery process, embedded into the service script. During the elicitation phase, an attempt is made to overcome the voice problem. In its simplest form, elicitation uses a check list approach to probe for any evidence of dissatisfaction, using generic and then more specific questioning. Generic questions are intended to break the ice, establishing a communication rapport. Specific questions can then be used to provide cues to probe for underlying issues and trigger more specific responses. Elicitation is proactive, as it no longer depends on the customer only to initiate voice. Instead, an attempt is made to receive feedback from the customer in a no threat, minimal effort environment, regardless of his/her initial intention to voice or not. Attribution theory is then used as part of the recovery step to *assess the damage* and help the provider and customer to evaluate the episode against a logical framework, which guides the consumer to more rational reasoning. Without referencing against a framework, consumer's initial views tend to be relative to their own, limited experience, whereas a logical framework creates the impression of a more absolute benchmark standard. Following on this, equity theory provides a guide for the provider to *assess the repair effort* and select an appropriate recovery technique. Chapter 4 (SDM Process Model) elaborates further on the proposed process model.

In this thesis, a Service Delivery Management process model was developed and empirically tested in an experimental context. Data collected supported all hypotheses and satisfaction, stated repurchase intentions, voice and quality perceptions showed significant improvements when SDM was applied. With elicitation and recovery processes being built into the SDM services script as part of a proactive attempt to deal with failures, voice rates can be increased, as well as satisfaction levels, quality perceptions and repurchase intentions. Since satisfaction is generally seen as a surrogate for actual repurchase intention and quality being associated with price tolerance, this means that practitioners might expect from SDM not only happier customers, but also more repeat business at better profit levels. In addition, SDM is also a marketing tool to position and differentiate a service against its competitors.

A particular benefit of SDM is that it has been specifically designed to operate in real time. The real time component allows for an immediate recovery while a situation is still manageable, whereas current models will at best offer a chance to address a negative experience after the service concluded, or during future transactions, if the customer returns. SDM on the other hand allows service providers to manage satisfaction levels during the encounter, address service failures on the spot and recognise long term shifts in expectations. In this context, managing means not only to improve satisfaction levels, but also to consciously make an effort to get tangible results and understanding at what point a service provider's effort-return curve is no longer balanced. SDM recognises that satisfaction comes at a cost and that supplier efforts have to be proportional to achievable benefits. In its present

form, SDM assumes that a delivery process is free from systemic failures, but suffers from occasional problems. As such, the focus of the tool described is in responding to short term quality fluctuations. However, the SDM processes provide all the necessary information to recognise recurrent problems like process issues or shifts in customer expectations in the longer term.

Principles applied within SDM are drawn from the service marketing, consumer satisfaction, consumer complaint management and service encounter and recovery domain. The effect of the SDM process model was tested with an experimental design and the results supported all research hypotheses at statistically significant levels. Supplementary tests performed were equally supportive.

1.4 Academic Contribution

Consumer Satisfaction/Dissatisfaction (CS/D), Service Quality (SQ), Consumer Complaining Behaviour (CCB) and Service Recovery literature suggest that CS/D and CCB should be linked. While there is support for proactive and interactive processes, the literature review found no evidence of specific research efforts towards an SDM approach. If SDM can be operationalised in a process model, this will not only link mostly separate streams of literature, changing the focus away from examining customer impressions after a service encounter concluded, but instead attempt to positively influence satisfaction levels while a service episode unfolds.

SDM attempts to integrate and use processes of existing reactive models to create an interactive, proactive service delivery process model. Most processes embedded in established academic models are reactive by nature. Typically, they analyse a result after an event. Few attempts have been made to create processes to manipulate variables in real time, i.e. not only measuring, but influencing variables while an event unfolds. The synthesis of CS/D, CCB, Service Recovery, Service Quality, Attribution Theory and Equity Theory will also create a richer process model. None of them in isolation have the power to increase voice levels, provide a framework to review feedback or offer a benchmark for neutralisation actions, while having the potential to improve stated satisfaction, quality perceptions and repurchase intentions in real time.

1.5 Managerial Contribution

CS/D processes are reactive and in their current form do not allow for real time intervention. The same applies to the CCB framework. Extending both concepts and combining the underlying processes allows for real time interventions, with significant benefits for practitioners. Instead of trying to do better *next time*, if the customer happens to come back, service personnel can actively influence CS/D levels on the spot and if required, initiate service recovery.

More specifically, SDM offers a structured approach to elicit feedback and respond to it, using defensive marketing principles to increase customer

retention. Through an improved communication rapport between customer and supplier, feedback provided will also assist in recognising longer-term expectation shifts and systemic shortcomings of the service offer, as well as short term quality fluctuations. The problems related to real time quality control during a service encounter can now be seen as an opportunity, as the feedback loop closes.

Incremental costs to add SDM processes are expected to be minimal, both the additional process costs as well as the compensation costs. The elicitation and recovery process each require a marginal increase in provider contact time, which in terms of cost is negligible. Compensation has the potential to be more expensive, but since it is at the discretion of the supplier, the cost can be contained. In many cases, compensation only requires a token, like an apology. In a services context, tangible compensation is in most cases a service repeat or additional service, which again may only incur a marginal cost increase above the base cost of the initial service. Therefore, the expected net result for service providers from SDM is an improvement of the bottom line from revenue increases and better margins. Revenue increases are expected from more repeat business, while a higher quality perception should increase the tolerance to accept premiums, allowing service providers to charge more. Higher service quality perceptions can also be used as a marketing tool to reposition or differentiate a service from competitors.

1.6 Research Objectives

The main objective of this research is to introduce and test the effects of SDM, a process model for service delivery management purposes. SDM adds to the tool set of defensive marketing strategies, aiming at maximising customer retention in addition to improving a customer's perception of the service performance, particularly in satisfaction and quality terms. One of the means used by SDM to achieve the set goals is an attempt to improve the flow of constructive feedback from customers. To find support for these notions, stated satisfaction, perceived quality, voice level and intended repurchase have been chosen as surrogates (for reasons discussed further in the following chapters) to measure the impact of the SDM treatment levels. However, it is important to point out that the research is not about these variables per se, but rather the relative improvements observed in these variables, when subjected to different treatments.

There is some controversy as to whether CS/D is a measure that has any tangible benefits for the practitioner. This thesis will not elaborate on this or many other debates currently unfolding in the CS/D, SQ and other literature streams. The main objective of SDM is to increase repurchase patterns and service performance perceptions. Therefore, the CS/D and SQ validity debates have only a marginal impact on SDM, insofar as they are used as surrogates to measure and manipulate patronage intentions and service performance.

1.7 Thesis Structure

The thesis is structured as follows.

- Chapter 1 is an introduction to the topic.

- Chapters 2 and 3 discuss the relevant literature and how they relate to SDM. Chapter 2 deals with the service literature in the context of SDM, while chapter 3 reviews consumer and other relevant literature streams.

- Chapter 4 develops the SDM process model.

- Chapter 5 states the research propositions, before explaining the constructs and hypotheses.

- Chapter 6 concerns itself with the research methodology, measurement instruments, data collection, the experimental design and the data analysis.

- Chapter 7 presents an analysis of the raw data.

- Chapter 8 contains an analysis of hypotheses test data, followed by a discussion and summary of the combined data analysis.

- Chapter 9 concludes with a review of the findings and a discussion of the implications of the research findings on SDM.

- Appendix A shows the detail data analysis (SPSS output).

- Appendix B lists questionnaire forms used in the survey.

2   SERVICE CONTEXT

Service Delivery Management (SDM) draws on a number of marketing disciplines, with a significant part of the SDM literature support in the service marketing domain. One of the key reasons for SDM's dependence on service marketing principles hinges on its use of service provider and customer *face to face* interactions. These interactions, during and immediately after the consumption period are in many ways unique for services. The following sections review the evolution of service marketing literature and discuss the key service marketing streams which provide a framework for SDM. As briefly discussed in the introduction chapter (section 1.3, Overview of SDM), SDM is based on a process model. It uses an elicitation process to obtain feedback on service performance parameters while the service encounter unfolds and an optional SDM recovery process which offers an opportunity to address service failures. Elicitation attempts to obtain otherwise lost information and specific recovery actions are then initiated before the service episode concludes. Since the *production* and consumption of services generally occur concurrently, a unique opportunity exists to address issues on the spot, to avoid customer defections due to short term service quality fluctuations. With *the production* of services mostly happening in front of the customer, traditional quality assurance methods are not applicable and occasional

failures are inevitable. In this context, SDM offers service providers a process model to address service failures, potentially minimising or eliminating the impact of unavoidable mishaps. Generally, service providers are particularly concerned with performance impacts in terms of satisfaction, service quality perception and repurchase intentions. The SDM process model also attempts to use failure episodes to communicate to the customer that a provider cares about an individual's specific opinions and circumstances. Unlike current models applied within services, SDM is not an *after the event* analytical process model, but operates in real time, attempting to neutralise mishaps before the service encounter concludes.

2.1 Service Marketing

The following sub-sections discuss the history of service marketing and its application to SDM.

2.1.1 Overview

To better appreciate the SDM context within service marketing, it is helpful to understand the key differentiators between product marketing, a well established concept and the still evolving service marketing literature. Product marketing broke free from economics and psychology at the turn of the century (Sheth et al, 1988) and reached maturity a few decades ago. Service marketing started to become a legitimate sub-stream within marketing in the

1970s, but has since seen an explosive growth. Fisk et al (1993) defined the following periods in the evolution of services marketing:

1) < 1980:   Crawling Out

2) 1980-1985:   Scurrying About

3) 1986-present: Walking Erect

Berry and Parasuraman (1993) captured the evolution of service marketing in a model consisting of contribution forces, inhibiting forces and knowledge in the services marketing field. Their elaboration of the model shows the components of each parameter and its effect on service marketing, with a list of the main factors contributing to the explosive growth of the service marketing field from the seventies into the nineties. The *explosive growth* aspect needs to be highlighted in the SDM context, as it implies that some of the underlying literature streams are still in flux.

In his classic services marketing textbook, Lovelock (1996) offers a starting point to understand generic differences that distinguishes a service from a product:

- ◆ NATURE OF PRODUCT; a performance

- ◆ CUSTOMER INVOLVEMENT; customer often actively involved

- ◆ PEOPLE PART OF PRODUCT; contact with providers and other customers

- ◆ QUALITY CHALLENGE; real time production/consumption invalidates manufacturing approach to quality control

- ◆ NO INVENTORIES; performance cannot be stored

- ◆ TIME FACTOR; production occurs in real time, customer usually required to be present (queues)

- ◆ DISTRIBUTION CHANNELS; no physical distribution required, need to control consumption behaviour

Bowen et al (1989) compared manufacturing firms with service providers and found that compared to products, services are:

- ◆ (more) intangible

- ◆ tend to be non standard

- ◆ heterogeneous

- ◆ customised at point of sale

- ◆ stronger (external) customer focus

- ◆ more customer interaction

- ◆ production and consumption occurs simultaneously

- ◆ service cannot be inventorised (perishable)

- ◆ customer contributes to outcome

- ◆ labour intensive

- ◆ manufacturing type quality control methods ineffective

- ◆ higher perceived risk for customer

In an SDM context Lovelock's (1996) and Bowen et al's (1989) observations show some hurdles, which can be turned into opportunities. If the deliverable is a performance, there must be an interaction, which does not necessarily have to be one way, particularly when the production and consumption occurs simultaneously. This now offers a new perspective to address the quality

challenge through customisation at point of sale and involving the customer to contribute towards a mutually satisfactorily outcome.

2.1.2 Service domain

SDM is largely restricted in its application to services. It requires a customer to be in front of a service provider, during and immediately after a consumption experience. It also uses processes rather than product features for positioning, or more accurately, re-positioning, after an unfavourable episode. The marketing principles that apply here are distinctly different from a product environment. However, as listed above, the specific differences between services and products outlined by Lovelock (1996) and Bowen et al (1989) offer a starting point and there are some aspects like customer involvement as well as simultaneous production and consumption which SDM can exploit.

Shostack (1987) suggests that in services, raw materials are substituted with processes. These processes then need to be designed, managed and changed for positioning. In the absence of tangibles, the processes are the means to position a service, analogous to the positioning strategies used for products. This is a particular relevant differentiation between products and services in the SDM context, as it almost mandates that any improvements to a service will have to be done through changes or additions in the process.

Another factor which distinguishes products from services is perceived risk. Services are low on search properties (Peyrot et al, 1993, Zeithaml, 1981)

and essentially, a consumer needs to experience a service to fully understand what he/she is getting. The risk situation is further aggravated with services which are high on credence value, where the outcome of a service can not be understood or takes some time to surface (long term medical treatment for example). In this context, SDM can make a significant contribution in managing post encounter expectations. While goods can be repaired or replaced, many services cannot (Dellande, 1995), which makes it desirable to at least address problems before a service encounter concludes. High search costs create switching barriers for customers (Storbacka et al, 1994) and makes services harder to evaluate (Turley, 1990). If high search costs and perceived risks create switching barriers, it can be deduced that customers inherently prefer to stay with a selected service provider, unless there are performance issues. If SDM is able to adjust unrealistic expectations as well as address performance issues, the result would have to be a reduced customer defection rate, which should also manifest itself in improved quality and satisfaction ratings.

Services also suffer from halo effects (Murphy and Anhalt, 1992; Lapidus and Schibrowsky, 1996), where dissatisfaction with a single attribute can negatively impact on several non related attributes or even the whole service performance, since dis/satisfaction with a component influences and colours how other attributes of the service are evaluated (Whipple and Thach, 1988). It also re-distributes weighting factors of the remaining attributes (Taylor and Claxton, 1994), with more extreme and negative information carrying more weight. Problems with one attribute can lead to a negative evaluation of

overall satisfaction (Wirtz and Bateson, 1995). Anderson et al (1994) looked

at halo effects with high satisfaction levels, where other offerings of a firm are

judged more positively, building goodwill and shielding a firm from adverse

short term market developments. It is therefore desirable to unearth and

neutralise negative attribute evaluations, before they start to affect future

purchase decisions with a process model (SDM), capable of covering general

concerns as well as attribute level issues to at least avoid a negative halo

effect, if not trying to take advantage of a *positive shield*.

When reviewing literature applicable to SDM, some limitations apply, since

most service quality and related research investigate effects following positive

service encounters. Not all of this research may fully apply to a service

encounter following a dissatisfactory experience. Conclusions drawn from an

episode with a transition from a normal to a dissatisfying experience do not

necessarily imply that the same principles apply when trying to satisfy a

customer after a failed episode. Pre-failure service encounter expectations

may differ from expectations following a failed episode (Clow and Vorhies,

1993).

2.2 Service Encounters

Any attempt to obtain feedback and respond to issues necessitates a

provider-consumer interaction. Consequentially, SDM must become part of

the service encounter and its tangibles or physical surroundings (Brown et al,

1994). At the same time, it needs to be appreciated that there are restrictions

to the applicability of SDM. Bolton and Drew (1992) observed that certain service encounters by their nature have a negative impact on consumers. They cite sales calls and telephone repair episodes as examples, where only excellent employees were able to leave a positive impression after a service encounter. For customers, specific encounters like sales calls or recovery after a failure (repairs) have the potential to be inherently dissatisfying for the service recipient.

2.2.1 Interaction aspects

Obtaining and responding to feedback during a service encounter requires an understanding of the underlying interaction parameters. Services encounters are role performances in which both customers and service providers have roles to enact (Bitner et al, 1990, pg 72). They are also seen as social encounters (Ashforth and Humphrey, 1993). A consumer is simultaneously involved in the production and consumption of most services and becomes an integral part of the service process. The interpersonal nature of services suggests that the way in which consumers take part in a service influences their satisfaction (Guiry, 1992). Put together, this implies for SDM that customers are *centre stage actors*, who need to be directed and possibly seek interaction beyond satisfying the pure functional need of the service transaction. Being part of the service production means that the provider must recognise that a successful service episode depends, at least to some degree, on the ability to positively engage and direct the customer. If above this, the customer is looking for a social interaction aspect, then a pure

functional approach will not be sufficient for the full satisfaction of the holistic customer needs.

Service staff have to solve a three party conflict between the customer, the server and the service firm as embodied in the environment, rules and procedures the firm creates for the service encounter (Bateson, 1985). This is further complicated by the fact that customers are often present in the *firm's factory*. Contact personnel may also have to play marketing roles as well as performing operational functions (Bitner, 1990). Carlzon (1987) calls service encounters *moments of truth*. Scandinavian Airline System's (SAS) ten million passengers a year each go through about five contacts with an employee, lasting on average fifteen seconds. In those fifteen seconds, employees have no time to refer to instructions from distant corporate offices. If an issue cannot be resolved then and there, an opportunity to earn a loyal customer will have been lost. This means that service encounters present the single greatest opportunity for a service firm to customise its service delivery (Bettencourt and Gwinner, 1996). For this to work, a holistic approach to service management is required (Gronroos, 1994), where all staff are marketers, one way or another. However, this is now presenting a formidable challenge to service provider personnel, who have to balance marketing functions to keep future transactions in mind, yet attend to operational details for the current episode and respond to individual customer requests, while adding to, rather than detracting from company profits. Balancing these opposing interests successfully may require guidance in the form of a process model which offers reference points.

The service provider's interaction approach is another factor likely to affect repurchase intentions. At the core of the service encounter resides consumer satisfaction arising from the fusion of giving and receiving service during the personal interaction between consumers and service employees. Consumer roles (*receiving services)*, are on a continuum from autonomous through mutuality to dependence. Employee roles, (*giving services)*, are on an interaction style continuum that ranges from indifference through co-operation to dominance (Guiry, 1992). Without a permanent feedback mechanism (elicitation process), a service provider has little guidance to judge how well the *giving service* role was performed or how congruent the delivery process is with the *receiving services* role. This is further complicated by employees, who, after a service failure, have to cope with situations that they would prefer to avoid. Emotional labour and emotional stress (Ashforth and Humphrey, 1993) are additional sources for provider induced failures. Service personnel are expected to express socially desired attributes during a service transaction, regardless of their own true feelings. These stress levels may be reduced if there is a defined process (model) to deal with failures.

In many service encounters, consumer involvement levels can impact on satisfaction levels. For services not requiring special skills, customers generally respond positively to involvement. The higher the involvement and the degree to which consumers can influence the service encounter to suit their needs, the higher the expected satisfaction level. On the other hand, customers prefer little involvement for services requiring expert skills

(Dabholkar, 1990). A related concept, perceived control over the service process, allowing consumers to make choices, was also found to positively influence behavioural outcomes (Hui and Bateson, 1991). Felt involvement was used as a surrogate for motivation and found to positively influence personal relevance, interest and arousal (Celsi and Olson, 1988). Therefore, if SDM were to require customers to be involved during the service interaction, within their abilities, it is unlikely to have a negative impact, with the likely outcome being that this involvement will actually enhance the customer experience, leading to positive outcomes.

Other service encounter parameters which influence satisfaction include waiting times. While the perception of the time spent will not change significantly, appropriate measures will reduce the associated frustration (Katz et al, 1991; Taylor, 1996) or stress levels (Hui and Tse, 1996) and anger (Taylor, Shirley; 1994). More difficult parameters to influence are customer's moods. It has been suggested that moods positively affect information processing and recall (Knowles et al, 1993). Parameters that are simpler to control are physical surroundings, the *servicescapes*. Physical clues give customers and employees tangible clues about the otherwise intangible service (Bitner, 1992). These factors need consideration when designing or enhancing service processes for SDM.

2.2.2 Scripts

Most services follow a pattern, with expected behaviours for the service provider and the customer. In this sense, encounter episodes are repeated

sessions based on learned behaviour, similar to the learned scripts of movie actors. Implied and explicit service scripts help providers to *act* their roles and guide consumers through a service encounter. For SDM to become part of the service encounter, an explicit script is required for service personnel, while consumers can learn their script from or through the actions of service personnel.

A significant determinant of satisfaction with a service encounter is the degree to which it is congruent with role expectations contained in the service script (Suprenant and Solomon, 1987; Bitner et al, 1994) or service design (Gummesson, 1994). As a co-producer, consumers need to understand what their role is in the script and how they can perform it (Kingman-Brundage et al, 1995). Scripts have also been described as *expectation bundles*, incorporating process and outcome dimensions (Hubbert et al, 1995). Cognitive script theory assumes that any repetitive social encounter will become stereotyped in the form of a script (Bateson, 1985). If customers and service providers do not have a clear script, margins for errors are significantly increased. Without a communicated or implicitly understood script, the parties will feel uncomfortable with their respective roles and associated expectations. The greater the mutual understanding between service employees and customers during the service encounter, the higher the customer satisfaction with the service will be (Mohr and Bitner, 1991). Scripts were also found to be an important determinant of (intrinsic) motivation (Cellar and Wade, 1988). Customers who are only marginally motivated are unlikely to share feedback (voice) with the service provider. This links

scripting to SDM in a reciprocal way, as it requires customer involvement to get feedback, while at the same time offering an opportunity to reinforce or *teach* scripts. During the elicitation process, feedback provided will give clues to script discrepancies, which can then be addressed during the SDM recovery phase.

When moving from products to services, processes replace raw materials. The *factory* now consists of a front and back office, the front office interfacing with the customer and the back office providing the necessary logistics support. To map service processes, blueprinting has been proposed (Shostack, 1987). Blueprinting is a flow chart of all processes that must occur before, during and after a service encounter. A line of visibility is drawn, to show which processes are visible to the customer. The blueprint is not only a tool to assist in designing service encounters, but offers an opportunity to assess the efficiency of the processes. Unfortunately, not all service firms place sufficient emphasis on operations management, as is now common in the manufacturing sector (Tinnila and Vepsalainen, 1995). Blueprinting will assist in the creation of the additional processes required when designing an enhanced process model, but is only of marginal value once proven SDM processes have been put into operation.

2.3 Service Recovery

The concept of service recovery evolved over time, with marketers recognising in the late seventies the longer term benefits of recoveries,

progressing to more proactive and strategic views in the early nineties (Brown et al, 1996). Zemke and Bell (1990) defined planned service recovery as:

> *"… a thought-out, planned process for returning aggrieved customers to a state of satisfaction with the organisation after a service or product has failed to live up to expectations.*"

More recently, Johnston (as reported in Johnston and Fern, 1999) defined service recovery as "*the seeking out and dealing with service failures*". An instrument (RECOVSTAT) has been developed by Boshoff (1999) to measure the salient attributes of service recovery, using the following dimensions:

> Communication (information exchange, clarifications)
>
> Empowerment (ability of staff to solve problems)
>
> Feedback (progress of claims)
>
> Atonement (politeness and proportional compensation)
>
> Explanation (why did the mishap occur)
>
> Tangibles (professional environment)

Recognising whether recovery is required and getting consumers to provide appropriate feedback is part of the elicitation process within SDM. Selection of an appropriate service recovery action is then key for a win-win situation to occur before the service encounter concludes. Consumers need to be satisfied, or they may not return. Providers generally depend on repeat customers for profitable business. While initiating recovery may be painful, the process has a significant potential to create satisfaction. In one study, satisfaction with the recovery process was found to have a larger influence than pre-encounter cumulative satisfaction, prior to a failure (Smith and Bolton, 1998) and a substantial impact on switching behaviour.

2.3.1 Dealing with failures

"To err is human; to recover is divine" (Hart et al, 1990, pg 156).

Errors are inevitable, but dissatisfied customers are not (Hart et al, 1990).

Conceptually, service recovery has been defined as that part of a quality management program which is designed to alter the negative perceptions of dissatisfied consumers. Its ultimate goal is the motivation of consumers to continue consuming a firm's services (Schweikhart et al, 1993), or at least minimise the damage caused (Sparks and Callan, 1996). It also recognises that a service system can not be 100% perfect (Bell, 1994). Spending all energy to do it right the first time may not be practical in a service environment, where the encounter unfolds in real time. Intangibility also means that it will be difficult to please everyone, regardless of the standard applied. Firms with good service recovery processes understand that customers do not necessarily expect a perfect service, but expect providers to care about what they are doing (Bell and Ridge, 1992). The *care message* must be communicated by service providers in a polite and emphatic manner, focussing on problem resolution (Tax et al, 1998), emphasising a concern for individuals (Sparks and McColl-Kennedy, 1998). In a service context, 100% performance is seen as a goal towards 100% satisfaction with the performance (Bitner et al, 1994). If the service environment makes it difficult to deliver spotless quality and the delivery goals are measured in terms of performance, then the SDM service processes must build in flexibility to deal with failures, rather than building a rigid system aiming to produce unachievable delivery goals. Freed up energy can then be employed towards

detecting and recovering from failures. If the resulting process model acknowledges, rather than ignores failures, with efficient processes to address them, then caring about customer's needs becomes easier. Performance versus expectation mismatches can now be dealt with in a more natural fashion. Ensuring customer empathy with a demonstrated *we care* attitude, built into recovery processes then helps the provider to score well against a performance based benchmark.

A large proportion of unsatisfactory service encounters result from an inability or unwillingness to address disconfirmation (Etzel et al, 1994). Yet, services provide an opportunity to at least reactively address a service failure before a consumer leaves the premises. To exploit these opportunities, service employees must understand (Etzel et al, 1994):

    1) LEGITIMACY: Is the complaint legitimate?

    2) FAIRNESS: Is the complaint reasonable and in particular:

        a) DISTRIBUTIVE: Similar to equity theory, is fairness

            distributed equally?

        b) PROCEDURAL: Did the customer follow the instructions

            communicated to him/her?

        c) INTERACTIONAL: Manner of exchange, abusive/polite, etc.

    3) GRAVITY: Seriousness of impact on customer

If the service employee assesses the legitimacy of a claim he or she can justify recovery actions, if a complaint is legitimate. Should the complaint be perceived as not legitimate, this would equally justify not to respond in depth, other than attempting to clarify the situation. The Fairness aspect adds further

guidance to assess legitimacy in addition to offer a starting point for the recovery process, while Gravity can be used to find the appropriate compensation level. If service failures are inevitable and ignoring them is further aggravating the situation, then an obvious solution is to add specific processes into the service delivery mechanism. SDM offers service providers a process model to detect and address shortcomings in the delivery of services. Elicitation offers a non threatening way to assess legitimacy and gravity of failures, which can then lead to a fair recovery to re-build goodwill and affect overall satisfaction.

2.3.2   Consumer aspects

Conceptually, failures can be caused by service provider personnel, faults in the *system* and by consumers. Some consumers find it difficult to communicate their expectations, or are unsure of their role, leading to ambiguity and ultimately a service failure. A *try before you buy* is usually not possible (Sparks, 1999).

Consumers are often a vital part of a service, providing input to the process or even performing some of the tasks (Kelley and Donnelly, 1990). Consumers may affect the quality of the service (Kelley, 1993), to the extent where they become the source of many dissatisfactory experiences (Bitner et al, 1994). Providers are then faced with the challenge to guard against errors made by consumers. This task is made more difficult by the fact that there is little latitude for providers to increase customer's skills (Lockwood and Jones, 1989). Various suggestions have been made to guide consumers through a

service encounter. A fail safe process design following Total Quality

Management (TQM) principles is one such approach. With the help of

blueprinting processes and providing scripts for encounters, consumer and

service provider errors can be minimised (Chase and Stewart, 1994). On the

other hand, *true* TQM environments with their zero defect quality

environments are likely to be too rigid. Zero defects is too ambitious for most

services and providers are better off to build in flexibility to address failures

(Hart et al, 1990). Otherwise, the resulting *manufacturing style* service

operation will have service failures designed in by default (Schlesinger and

Heskett, 1991). Others suggest that zero defect philosophies for core services

are appropriate (Keaveney, 1995). SDM is *fault tolerant* and allows for

flexibility in the service script. The main purpose of SDM, apart from retention,

is to minimise the impact of service failures, rather than prevent them.

Prevention of failures is only a consequential benefit of SDM, when the

resultant closed feedback loop will ultimately lead to improvements and less

failures, on a transactional as well as a global level.

2.3.3 Consumer expectations

In line with equity theory (Oliver and Swan, 1989a), compensation for a failed

service must be proportional to the damage suffered. If the customer suffers a

tangible loss, then an apology will not be sufficient. But non monetary

expressions of regret are preferred when the dissatisfactory experience

involved personnel (De Ruyter et al, 1995). Similarly, a customer who has

been encouraged to voice her/his concerns, but is denied fair compensation,

will end up with more frustration (Goodwin and Ross, 1990). This implies that

SDM has the potential to be counter productive. If issues discovered during elicitation are not addressed during recovery, the result may be further frustration.

Kelley et al (1993) established a typology of failures and their recovery in a retail setting. While a retail environment contains product and service marketing elements, the findings nevertheless give indications on what to expect in a service context. The three most successful categories were: Correction (96% retention), correction plus extras (confirming equity theory, but otherwise a surprising drop to: 90%) and replacement (88%). On the bottom of the list were: do nothing (31% retention), give a store credit (36%) and escalate to management (42%). Asking consumers for evidence to support a complaint was seen as adding to the perceived legitimacy of the request (Krapfel, 1985). Simply responding to a complaint, without compensation, was shown to already increase a client's perception of a firm (Clark et al, 1992, pg 8). This calls for a sequential process model, where firstly voice is encouraged and assessed and secondly, concerns are addressed proportionally to damage suffered. Above all, it must be made clear to the customer that the provider cares. If the care message is communicated successfully, this, on its own, can already be expected to improve the situation.

Bell and Ridge (1992) suggest that customers expect the following responses after a dissatisfactory experience:

    - An apology

- A *fair fix*

- Supplier to care

- Value added atonement

- Supplier to keep promises

Providers dealing with customers who experienced a service failure episode also need to understand that consumers may have had to endure stress and anxiety over the situation and may be somewhat irritable. Customers will also be more emotionally involved and observant during a recovery phase (Smith et al, 1999). In this context, they expect courtesy and respect, followed by a fair fix. A fair fix does not necessarily imply a full refund (Blodgett et al, 1995). However, a larger perceived monetary value of a response results in a more positive impact on satisfaction (Megehee, 1994). Again, the care factor, seen in the context of an appreciation of emotional aspects surrounding a failure is well appreciated. To some degree the care factor can be *bought*. If it is obvious that a service provider is prepared to spend money to repair damage, the apparent message received is that the provider cares about the situation. It may be questionable though, whether an indiscriminate, monetary based recovery approach provides sufficient long term benefits.

Depending on the severity level, one to several of five *ingredients* should be used (Dolinsky, 1994) to compensate customers. As a minimum, when customers are annoyed, a verbal *apology* and an *urgent reinstatement* is appropriate. After a more serious incident, where a customer feels victimised and truly angry, three additional ingredients, *sense of empathy*, *an*

appropriate gift and a *follow up* are suggested. Johnston and Fern (1999) report similar findings. All respondents demanded that the problem be rectified immediately and almost all of them wanted an apology. These post failure customer expectations need to be considered in the SDM processes, since customers are often more dissatisfied by an organisation's failure to recover, than by the service failure itself (Smith et al, 1999). Customers also want a service firm to take ownership of a problem, without trying to shift blame to third parties (Boshoff and Leong, 1998).

2.3.4 Employee aspects

The key to turning dissatisfaction into satisfaction are trained and empowered frontline staff (Bell, 1994). "*Effective service recovery is a planned and managed event*" (Bell and Ridge, 1992, pg 58). Employees must be satisfied before external customers will be satisfied (Gremler et al, 1994) and there is a case for internal service recovery, to make sure employees, as internal customers, can also recover after service failures (Bowen and Johnston, 1999).

Bitner et al (1990, pg 80) suggested that even service delivery system failures can be remembered as highly satisfactory encounters, if they are handled properly. Employees responses to such failures determine how the incident is remembered. Swift and effective service recovery increases the customer's perceptions of the quality of the service and enhances the perception of the organisation's competence (Zemke and Bell, 1990). Some studies report a paradoxical situation, where a failure leads to a more favourable assessment

of a service when effective recovery strategies were in place. Customers rated the encounter more favourable, after a problem had been corrected, compared to when the transaction had been correctly performed the first time (Kelley et al, 1993). In those circumstances, recovery created an environment where the provider could demonstrate how important the customer was to him/her. The customer would have not appreciated this *we care* attitude during a normal encounter. However, while favourable satisfaction ratings were achieved, frustration levels could not be reduced. Gaeth et al (1994) also found that some frustration remained, while quality perceptions recovered. Boshoff (1997) reports that higher satisfaction after a failure was only possible if there was swift action, offering a substantial compensation.

SDM depends on processes performed by employees. This implies that employees must have discretion to deal with exceptions within authorised limits. Therefore empowerment is a key to superior recovery results. If used, the employee must be fully empowered. Limited empowerment may lead to customer satisfaction ratings that are below the corresponding ratings if the employee is not empowered at all (Sparks et al, 1995). Many recoveries fail because employees are not sufficiently empowered to make the necessary decisions. As a minimum, employees need to be given some discretionary powers (Kelley, 1993). However, empowerment is not feasible in all service environments (Bowen and Lawler, 1992) and may not lend itself for low cost and high volume operations (Sparks et al, 1995). The term employee used here is not limited to frontline employees, but includes management. In some instances it is not only desirable, but essential to escalate a problem to

management. Johnston and Fern (1999) report that in a double deviation situation (service failure followed by recovery failure), a managerial apology was mandatory.

Employees will require a point of reference (i.e., service standards). They also need to understand what their discretionary power is to compensate consumers and how best to use those powers. To be successful, they will need to be skilled in active listening and know when to escalate a problem to management (Cooke, 1994). There is a temptation for service staff to stereotype consumers early in the service encounter and then deliver the service based on those stereotypes (Lockwood and Jones, 1989). Within SDM, reference points are available to establish boundaries for compensation limits and offering formalised processes, which minimise the impact of stereotyping.

Service providers can only influence customers through their service employees. Hence, SDM needs to assist and guide employees to listen and respond to customers. This may not be *natural* to many providers, as their training may emphasise the delivery process, with an emphasis on *talking*. SDM deliberately adds a *listening* (elicitation) step and the recovery process uses reference points, to guide the employee and to make the process transparent to the customer.

2.3.5 Provider opportunities

Service failures can be used to show a consumer how a firm *loves* its
customers. A service recovery which exceeds the customer's expectations
has been reported to turn disappointed customers into satisfied or even
delighted customers (Bell, 1994). However, this is only possible if the service
firm acknowledged that failures do occur and has plans and policies to
address them. While this seems paradoxical, it may be in the best interest of a
firm to encourage consumers to complain, or potentially lose an opportunity to
address a problem, leaving both the consumer and the firm dissatisfied
(Davidow and Dacin, 1996). This statement may be too simplistic to apply to
all environments, without considering all parameters, but nevertheless
provides directions for SDM. Customers may not necessarily expect perfect
service deliveries all the time, but make judgements based on the extent to
which a firm is prepared to acknowledge mishaps and the policies in place to
address them. In a paradoxical way, the proof of the existence of such
policies is by seeing them applied successfully when recovering from a
service failure.

With an appropriate compensation, customers can remember failures as
highly satisfactory encounters (Bitner et al, 1990). This is partly explained by
customers evaluating the summation of service encounters and not just the
interaction with the provider, paying more attention to process than outcome
(Danaher and Mattsson, 1994). However, while service failures can provide
an opportunity to strengthen the provider-customer bond, using this as a
general strategy is risky (Smith and Bolton, 1998). Kelley and Davis (1994)

found that while favourably perceived recoveries potentially increase the level of customer loyalty beyond levels achievable with *just* high quality service, higher perceived service quality leads to higher recovery expectations. In the SDM context, this means a recovery process will be appreciated by customers, but may create its own benchmarks, raising expectations for future encounters. As such, SDM should only be used to address occasional mishaps and is not an appropriate substitute for a functioning service delivery environment.

Service recovery can be very profitable. Since most savings translate directly to bottom line profits, reported results are staggering. A 5% increase in retention resulted in a 60% profit growth (Reichheld, 1993). Often, customers return little if any profits in the first year of a relationship (Zeithaml, Berry and Parasuraman, 1996), but profits grow substantially over a period of five years (Reichheld and Sasser, 1990). Suitable recovery techniques have also been linked with a positive impact on market share (Blodgett et al, 1995). An appropriate and communicated recovery strategy can increase the quality perception of a consumer towards a supplier (Bloom, 1988). Brand loyalty measured as repurchase intention with the same provider in financial services (TARP, 1986) was 73% where a complaint was addressed satisfactorily. This drops to 45% for acceptable responses and 17% when consumers were dissatisfied with the complaint response or process.

Starting with failures and then engineering its removal can be a legitimate approach in business (Reichheld, 1996). In services, occasional failures may

be inevitable, but can be turned into opportunities with an appropriate process model. By showing the customer that there is a defined process to deal with exceptions, quality perceptions can be confirmed or enhanced. Addressing a specific complaint appropriately communicates a *we care* attitude. Frequent complaints are also early warning signs of systemic problems or shifts in consumer expectations. By addressing these issues, SDM is an appropriate defensive marketing tool, with a potential to retain more customers and build loyalty.

2.4 Service Quality

As discussed elsewhere (section 3.1, Consumer Satisfaction/Dissatisfaction), the lines between satisfaction and quality perceptions in a services environment can be blurred. Consumers, providers and occasionally even scholars confuse the two concepts. This means, regardless of their relative importance, both service quality and consumer satisfaction thinking need to be considered when investigating SDM. Assessing SDM's performance and usefulness requires an assessment of its ability to positively influence service quality and satisfaction ratings. The common denominator across the two are consumer's performance perceptions, as a key factor in measuring transactional and global service improvements. The following section reviews the service quality literature relevant to SDM.

2.4.1 SQ history

SDM uses both satisfaction and service quality measures to assess the relative improvements when introducing the additional processes. This means that some of the ongoing literature debates in these fields have only a marginal impact on SDM. However, to better appreciate some of the issues, a description follows below of the SQ history, before putting this into an SDM context.

At a macro level, quality means meeting requirements (expectations), comparing how the overall performance stacks up against the competition (Woodside, 1991). Service Quality (SQ) is often described as a long term concept, measuring over time how a service compares to an ideal situation (Boulding et al, 1993). The long term nature of the concept was confirmed by a longitudinal analysis (Bolton and Drew, 1991a) which showed that perceived service levels are very stable. Changes introduced lead only to a gradual shift in service quality ratings.

An early pioneer in Service Quality (Gronroos, 1983) developed a service quality model with an image component which influenced how expected service was compared to perceived service. Image was a function of technical quality (*what*) and functional quality (*how*). Service marketing was seen as a circle in a relational model. Arousal leads to purchasing, consumption and then evaluation of perceived service quality. Positive confirmation leads to repeat purchase. Negative confirmation can lead to exit at each stage.

In later models, SQ was operationalised as the gap between expectations and perceived performance across specific dimensions. Berry, Zeithaml and Parasuraman (BZP, 1985) were among the first to recognise the challenges faced by service providers to maintain quality standards. Most services are performances, provided by personnel interacting with the customer in real time. Therefore, techniques used in manufacturing to automate processes, like quality assurance and quality control principles, provide little guidance for the service provider. There are also two types of service quality: *regular service*, a typical transaction, and *exceptions/problems*, when a service failure has occurred. Using focus groups, BZP (1985) suggested that service quality is concerned with setting and meeting standards across the following ten provider dimensions:

- RELIABILITY; consistency of performance

- RESPONSIVENESS; willingness and readiness to provide timely
     service

- COMPETENCE; required skills and knowledge to perform service

- ACCESS; approachability and ease of contact

- COURTESY; respect, consideration and friendliness

- COMMUNICATION; keep customers informed

- CREDIBILITY; trustworthiness, honesty

- SECURITY; freedom from danger and risk

- UNDERSTANDING; effort to understand needs

- TANGIBLES; physical evidence (facilities, appearances, etc.)

Parasuraman, Zeithaml and Berry (PZB, 1988) then went on to develop

SERVQUAL, a 22 item instrument that measures perceived service quality

across five dimensions. The initial ten dimensions were now reduced to:

- TANGIBLES; physical facilities, etc.

- RELIABILITY; Accuracy and dependability

- RESPONSIVENESS; willingness to help

- ASSURANCE; knowledge, trust and confidence

- EMPATHY; individualised attention

Initially, SERVQUAL was well received by academics and practitioners. Being

the first tool available in this field, SERVQUAL set the seed for further

research while giving practitioners an analytical instrument. The fact that it is

still used today is testimony to the pioneer work performed by PZB. The tool

subsequently was refined and updated (PZB, 1991b). Some of the changes

related to the wording of the questions (positive instead of negative wording,

etc.) and the authors acknowledged some of the limitations of their model, as

pointed out by others.

2.4.2 Conceptual issues

More recent studies have shown that the gap model (SERVQUAL) can not be

generalised and may be flawed. Cronin and Taylor (1992) report that

expectations had very little explaining power. Their revised model

SERVPERF, using only perceived performance, outperformed SERVQUAL.

Like others, they also found little support for the 5 component model on which

SERVQUAL is based. More importantly, they found support for the notion that

SQ is an antecedent of Consumer Satisfaction/Dissatisfaction (CS/D) and not vice versa, as widely assumed in the literature. They also found that CS/D was a good predictor for repurchasing behaviour, while SQ did not seem to be directly linked with repurchase intentions. Teas (1993) suggested that a considerable portion of the variance in the SERVQUAL expectation measures may be caused by respondent's misinterpretation of the questions, not different attitudes or perceptions. A smaller study of medical services disagreed with these findings (Headley and Miller, 1993). The authors of SERVQUAL responded to the criticism, acknowledging some areas that require more research, but suggested that the basic model is still valid (Parasuraman, Zeithaml and Berry, 1994; Parasuraman, Berry and Zeithaml, 1993), with SERVQUAL being a useful starting point, not the final answer for assessing and improving service quality (PZB, 1991b).

A more recent study (Mels et al, 1997) suggests that SERVQUAL's five factors should be reduced to two. The two factors proposed were intrinsic quality (action of employees and reliability) and extrinsic service quality (tangible service aspects). The first factor is particularly relevant for SDM, as it derives mostly from employees responsiveness, assurance and empathy. Since SDM hinges on positive actions of service providers, the findings of Mels et al (1997) imply that SDM should lead to service quality improvements, since its implementation will improve provider responsiveness through elicitation and empathy (care factor).

The literature reviewed seems to agree that SQ and CS/D are linked. However, the nature of the link is not well understood and the subject of ongoing debates. Since SQ as well as CS/D have implications for the assessment and implementation of SDM, some of the debates have implications for the proposed process model. More specifically, it needs to be understood whether SQ or CS/D is the more relevant construct to assess the effectiveness of SDM. As discussed elsewhere (section 3.1, Consumer Satisfaction/Dissatisfaction) CS/D is said to operate mostly on a transactional basis. Hence CS/D may be more important in assessing the relative performance of SDM on a short term basis (transaction). However, SQ may also offer clues on the effectiveness of SDM, particularly in regards to longer term implications (global evaluation). For these reasons, the SDM hypotheses will be based on satisfaction ratings, but statistical tests will also include an assessment of perceived quality. This is expected to capture the impact of the short term changes introduced in the questionnaires (see section 6.2, Data Collection), while also giving an indication of the resulting longer term quality perceptions shifts.

A large proportion of the dissenting literature on SERVQUAL focuses on expectations. In an attempt to clarify the model, the original authors elaborated on the measurement of expectations. The different expectations identified are (Zeithaml, Berry and Parasuraman, 1993):

- EXPECTATION AS PREDICTION; customer makes predictions about what is a likely outcome

- EXPECTATION AS IDEAL; wished for level

In an earlier paper, PZB (1991a) labelled expectations as adequate and desirable. The desired level is what the customer hopes for, a blend of what can and what should be. Adequate levels are the minimum acceptable standards and what the customer predicts to receive. The area in between predictive and ideal expectations is called the tolerance zone. Interestingly, the tolerance zone is smaller for outcome dimensions, compared to service process dimensions (Parasuraman, Berry and Zeithaml, 1991a). This supports the view that consumers focus more on outcomes or performances, rather than the process required to achieve an outcome. Yet, it may be the quality of these processes which influence consumer choice behaviour (Richard and Allaway, 1993). SDM should be able to address both, the outcome and process dimension. The SDM recovery process aims to create a satisfactorily end result, using a defined and solid process, which is likely to increase quality perceptions.

Boulding et al (1993) found no support for a link between performance and ideal or *will* (predictive) expectations. They suggested that perceived performance solely influences quality perceptions. Interestingly, Zeithaml, who co-authored this article appeared to take a different view in another article (Parasuraman, Zeithaml and Berry, 1994). In addition to the expectation debate, critics (Peter et al, 1993; Brown et al, 1993) suggest that difference scores as applied in SERVQUAL inherently rate low on reliability. Non difference scores were shown to have higher reliabilities and displayed better discriminant properties. Others found similar problems with the generic

application of difference scores (Carman, 1990). All SDM constructs will be measured using absolute (non difference) scores.

While the effect of expectations on service quality levels is debatable, it is nevertheless interesting to understand what affects expectations. Thompson and Kaminski (1993) suggest that psychographic factors lead to different service expectations, forming a base for segmentation. According to Clow and Vorhies (1993), expectations are only marginally affected by the passage of time prior to a service encounter. However, immediately after the encounter, non neutral episodes produced an expectation shift. Consumers experiencing a positive encounter tended to downplay their expectations. Negative service encounters caused many consumers to overstate their prior expectations. This is indirectly supported by the ongoing debates on the applicability of expectations for SQ and CS/D (Cronin and Taylor, 1992; Tse and Wilton 1988; Gupta 1996). Expectations may not only change from pre- to post counter experiences, but shift in different ways, depending on the performance, hence the findings that the performance measure offers more explanation power. SDM indirectly depends on expectations, to the extent that unrealistic expectations will lead to low quality scores or dissatisfaction, if not detected and rectified. At the same time, SDM offers a process to address the problem. A customer overstating expectations following a dissatisfactory experience may still be open to re-assess priorities. However, to resolve expectation issues effectively, some of the above conceptual issues need to be understood.

2.4.3 SQ relevance in SDM context

In a service environment, quality is created when the customer directly interacts with the service firm (Bolton and Drew, 1992). It may take twelve positive encounters to overcome a bad one. Yet, when addressing failures, firms must not over emphasise details of a service delivery chain, but look at the whole service process (Edvardsson, 1992). SDM enhances the service process and offers a tool to perform consistent recoveries after failed episodes. Customers expect a functioning recovery process from high quality service providers. At the same time, consumers may be prepared to pay a premium for better quality. These are strong incentives for service providers to increase quality perceptions, through SDM and other means. While the literature suggests that repurchase intentions are largely driven by CS/D, rather than SQ, SQ can have some effect on repurchase through CS/D. As discussed in more detail in section 3.1 (Consumer Satisfaction/ Dissatisfaction), SQ may be an antecedent to CS/D for some services. In combination, CS/D can increase the bottom line through its impact on repurchase, while SQ helps providers to not only differentiate themselves from the competition, but benefit from customers who are willing to pay a premium for higher perceived service quality.

2.5 SDM Literature

The past chapter (chapter 2) started with the roots of service marketing, before developing the service based foundations. It highlighted the service encounter as the domain of the service interaction, as well as service

recovery concepts in an environment where failures are not always avoidable. There was also a discussion of a number of aspects influencing recovery, such as the dynamics created through a consumer interaction and the sometimes conflicting expectations of customers and service provider employees. No discussion of services can be complete without reviewing Service Quality (SQ), the tools applied, its history and an appreciation of conceptual issues, like current debates about the gap model and the relevance of expectations.

The literature review is spread across two chapters, to highlight that it is not only the services literature alone which lends support for SDM. Chapter 3, which follows, has more of a consumer focus and also includes literature streams related to SDM, but which may not readily fit into a major heading on their own. A large section has been devoted to Consumer Satisfaction/ Dissatisfaction (CS/D), which plays a pivotal role in assessing the performance of SDM. The CS/D section includes discussions of the reported link between CS/D and SQ. Reviewed Consumer Complaint Behaviour (CCB) literature offers insights into common patterns and expectations of dissatisfied customers. CCB literature also highlights the voice deficit as an issue where a large portion of dissatisfied customers rather switch suppliers, instead of complaining. Attribution Theory can offer an opportunity to assess the impact of a failure in a more rationale way, while Equity Theory can provide guidance as to which compensation actions are more appropriate under differing failure scenarios.

3 CONSUMER ASPECTS

SDM is a service marketing and management process model. While the service literature reviewed in the previous chapter plays a key role, there are other literature streams that are also important, including:

> Consumer Satisfaction/Dissatisfaction (CS/D), as for products, is a key element in the measurement of service performance

> Consumer Complaint Behaviour (CCB) research gives insights into how customers respond to negative experiences

> Attribution theory helps to formalise the *damage assessment* process and provides guidance as to which recovery action is most appropriate

> Equity theory offers a foundation to choose specific recovery actions for particular incident types.

3.1 Consumer Satisfaction/Dissatisfaction

Consumer Satisfaction/Dissatisfaction (CS/D) was briefly mentioned in the previous chapter (section 2.4, Service Quality) and is well established in the product literature. It is equally well established in service marketing, except

that there are some arguments as to what role CS/D plays versus the role of

Service Quality (SQ). As a transactional measure, CS/D lends itself to

measure short term impacts of service performances and hence is useful to

assess the effectiveness of SDM. Satisfaction is also generally seen as a

surrogate measure, or proxy, for actual repeat purchase behaviour. Patterson

et al's (1997) updated CS/D model showed that satisfaction explained 78% of

the variance in repurchase intentions. There is also support (Anderson, 1996)

for CS/D to affect price elasticity. A 1% increase in satisfaction showed a

willingness to accept a 0.6% price increase. These are strong incentives to

review CS/D in an SDM context and the CS/D literature review below is

expanded to cover its roots and some of the debates where CS/D and SQ

overlap.

3.1.1 Disconfirmation of Expectations

Creating the foundations for CS/D, the Disconfirmation of Expectations model

has only three outcomes: disconfirmation, confirmation and positive

disconfirmation of expectations. The Disconfirmation of Expectations model

works on the premise that a user compares actual or perceived performance

with a standard (expectation). Outcomes are believed to trigger a comparison

with the expectation references (Oliver et al, 1994). Confirmation occurs when

performance matches the standard, leading to a neutral feeling or *simple*

confirmation (Erevelles and Leavitt, 1992). Performance better than the

standard results in positive disconfirmation. Performance worse than the

standard creates negative disconfirmation (Cadotte et al, 1987).

The Disconfirmation of Expectations model works well with non-durable products. However, difficulties were reported when this model was applied to durable products (Erevelles and Leavitt, 1992). These difficulties were largely attributed to the norms used for expectations. Generic expectations as standards are not as reliable as needs, wants and desires based standards which include consumer's past experiences (Cadotte et al, 1987). Other researchers (Spreng et al, 1995) found similar limitations. The definition of the expectation construct is somewhat vague and it is not clear whether it is representing beliefs or probabilities attributed to certain outcomes. Also, some consumers, novices in particular, do not form comparison norms until after the encounter (McGill and Iacobucci, 1992, Arnould and Price, 1993). There is also a shift of expectations during the encounter or consumption stage. Pre-purchase expectations are more goal orientated, while post-purchase expectations are recalled at a more aggregate level and are influenced by evaluation outcomes as well as emotions (Fisher et al, 1994). Assessing Disconfirmation of Expectations in an SDM context may mean that results could potentially be a blend of pre- and post-purchase evaluations, since the service encounter may have not yet concluded, but progressed sufficiently to go past pre-purchase expectations.

3.1.2 Consumer Satisfaction/Dissatisfaction

Consumer Satisfaction/Dissatisfaction (CS/D) builds on the Disconfirmation of Expectation construct. Expectations, performance and disconfirmation together lead to the formation of satisfaction. While disconfirmation has only

three outcomes (disconfirmation, confirmation and positive disconfirmation), CS/D, as defined originally, measures satisfaction on a bipolar continuum.

CS/D and SQ literature tend to view CS/D as a transactional measure, with SQ being typically regarded as its long term derivative. CS/D is portrayed as being indicative of how satisfied a customer is with a particular encounter. SQ is then seen as a measure of the overall service level, where it is possible to be satisfied with a minimum quality level service encounter, if a person expects minimal performance (Oliver, 1993b). This would suggest that CS/D as well as SQ are important for SDM. CS/D will provide an immediate assessment of how well a service was perceived, while SQ gives a more filtered, long term view. However, recent literature (Dabholkar, 1995b) creates some doubts as to whether CS/D is a purely transactional measure and whether SQ is purely a long term, global evaluation. Consumers apparently do evaluate prior and post encounter SQ on a transactional basis and CS/D can be meaningful on a global level. While generally operationalised as a transaction measure, satisfaction showed a significant carryover effect, changing only gradually over time (Johnson et al, 1995).

Dabholkar (1995a) and other researchers report a high correlation between CS/D and SQ, where CS/D and SQ measures were found to overlap over time. CS/D is based on cognitive and affective psychological processes. SQ on the other hand is a cognitive measure. Emotional aspects influencing CS/D dissipate over time and have little or no effect on SQ. In this context, CS/D can be viewed as decaying into SQ over time. On a transactional basis, CS/D

and SQ are distinct constructs, but the borderlines become blurred after the passage of time. However, this cannot be generalised, as certain services (basic banking, etc.) may not evoke much emotional evaluation.

While emotional involvement was found to be independent from satisfaction and dissatisfaction (Mano and Oliver, 1993), it may provide clues as to whether CS/D precedes SQ, or SQ is the antecedent for CS/D. Dabholkar (1995b) suggests that emotional involvement determines whether SQ or CS/D is the antecedent for the other. Services with high emotional content like hospital visits affected CS/D first and then SQ. Directions reverse for low involvement services. For a daily bus ride, SQ is assumed to be the antecedent, influencing CS/D. Similarly, some customers may be more cognitive while others evaluate more in an affective manner, again affecting the order in which SQ and CS/D are evaluated (Dabholkar, 1995b). Others suggest that the service quality and consumer satisfaction relationship may vary across service industries (Taylor and Baker, 1994). Oliver (1994) supported the view that SQ is an antecedent of CS/D. Similarly, the American Customer Satisfaction Index (ACSI) uses a model where overall customer satisfaction is driven by perceived quality, value and expectations, i.e., quality precedes satisfaction (Fornell et al, 1996). Since SDM is expected to improve both, satisfaction and service quality perceptions, the antecedent question does not have a direct impact on the data collected. However, the potentially reciprocal link between the CS/D and SQ requires an analysis of both.

Also, many researchers seem to confuse CS/D and SQ, as reported by Patterson and Johnson (1993). A similar situation exists with practitioners (Dabholkar, 1995b). Practitioners are reported as not being interested in SQ or CS/D as such, but use them as surrogates for customer behaviour and repurchase intentions in particular. For these reasons, they use the terms CS/D and SQ interchangeably (Dabholkar, 1995b). Repurchase intentions are said to be driven by loyalty, which in turn are driven by CS/D (Fornell, 1992). Loyalty also drives profitability and growth (Heskett et al, 1994). If only one of CS/D or SQ is an important predictor of repurchase intentions, then the distinction of the two concepts is important for managers and researchers alike. The same holds if one is an antecedent of the other, i.e., a clear causal relationship exists between quality, satisfaction and purchase intentions (Taylor, Steven; 1994). Providers will need to understand whether the objective is to have satisfied customers or to deliver the maximum level of service quality (Spreng and Mackoy, 1996). Given that today both CS/D and SQ appear relevant in the SDM context and more research is required to better understand the distinction, hypotheses will favour satisfaction, which, in terms of measurement, seem less controversial. At the same time, quality measures will also be assessed, when studying the effects of SDM.

Some scholars (Bitner and Hubbert, 1994) suggest that the CS/D – SQ debates should be addressed by introducing an overall satisfaction measure. In other words, satisfaction is measured on the traditional transactional basis, but in addition, an overall or global measurement is taken on how satisfied a customer is with the organisation's service. In this framework, SQ is still

viewed as an overall attitude. A three construct approach consisting of transactional CS/D, overall CS/D and SQ was supported by a survey (Bitner and Hubbert, 1994). However, the constructs were found to be highly correlated and therefore, for practical reasons, the *classical* two construct approach with CS/D being a transactional measure and SQ being its long term derivative may be more appropriate. Yet another CS/D model variation (Droege et al, 1997) suggests that overall satisfaction is also influenced by competing, non-chosen options and their perceived satisfaction levels. As discussed in section 3.2 (Consumer Complaint Behaviour), some customers are *hostages* (Jones and Sasser, 1995) who may be considering and evaluating other options, but are unable to switch in the short term. The implication for SDM being that perceived satisfaction levels of other services may form part of the overall satisfaction forming process.

Spreng et al (1995) also suggest the use of an overall satisfaction level. Overall satisfaction is seen here as the combination of satisfaction ratings on specific attributes. A more elaborate satisfaction model was presented by Walker (1995). In order to accommodate changing expectations, Walker's model has three evaluation levels. The first level measures satisfaction on peripheral services. Subject to the outcome of stage one, a second stage will be evoked where consumers compare expectations with performance on core services. Thirdly, they make an overall judgement on peripheral and core service satisfaction. The common thread across these models (Spreng et al, 1995; Walker 1995) is an attempt to break down overall satisfaction to a component or attribute level. This means for SDM that a focus on overall

satisfaction alone may not be sufficient, if the satisfaction on an attribute level is not well understood. It is possible that attribute level satisfaction on key attributes perceived important by customers is more relevant. Hence, SDM should attempt to assess overall satisfaction as a means to identify whether there are issues, but the key to resolving issues may be linked to finding out which attributes led to a negative satisfaction outcome.

Research into product marketing (Anderson, 1973) as well as services (Rust et al, 1994; Coyne, 1989) imply that CS/D is a non linear construct. Experiences which produce satisfaction levels below a threshold band are perceived to be far more dissatisfactory than experiences with slightly better results, still inside the tolerance band. Heskett et al (1994, page 167) suggest that only very satisfied customers show very high retention rates. Below very satisfied, towards neutrality, retention rates drop dramatically. Some of this may stem from the non linear relationship between anger level and ability to reason (TARP, 1985, pg 7-23). In the recovery phase of SDM, this is of particular relevance, as it may be difficult to address the concerns of a very dissatisfied customer, while it could be relatively easy to avoid defection of an only somewhat dissatisfied customer.

Some non-linear behaviour may be linked to assimilation theory, where interpretations of experiences are assimilated in the direction of previous positions (Pieters et al, 1995). Anderson (1973) suggested that consumer's evaluation processes follow the assimilation-contrast theory, a hybrid of cognitive dissonance and contrast theory, which operates on individual's

ranges/latitudes of acceptance/rejection, leading to pseudo non-linear, stepped curves. The catastrophe model reinforces this view (Oliva et al, 1992). The catastrophe model is related to chaos theory (Hibbert and Wilkinson, 1994), where small changes in input conditions can lead to completely different outcomes. Therefore, we can expect that a service provider may need to put over proportional efforts into moving a very dissatisfied customer *up* into a dissatisfied state, compared to moving a dissatisfied customer *across* to a satisfied one. This non-linearity may help managers in making a decision on when service recovery (SDM) may be beneficial and where the expected break-even point is, when comparing required efforts with the likely outcome. Since SDM is a managed process, it is important to understand the relative payoffs for each stage, although the research in this thesis does not attempt to investigate return versus effort.

Jones and Sasser (1995) also report non linear relationships between satisfaction and loyalty. Regulated and monopolistic industries show a very inelastic satisfaction-loyalty relationship. Highly competitive industries show much more elasticity. In these competitive markets, satisfaction is not good enough. Complete satisfaction is required to avoid defection. But then, a service provider may not want to retain customers who's requirements are not aligned with the firm's resources (Jones and Sasser, 1995). In this environment, the key to success is identifying and targeting customers who appreciate the value that the company provides and then retain them (Reichheld, 1993 and 1996). The implications of these findings are that industry characteristics also need to be considered when responding to

dissatisfaction. Monopolistic markets can force customers into loyalty, but providers could be faced with mass defection, when other choices emerge. Since forced loyalty implies some form of dissatisfaction, SDM should be able to convert at least some of it into voice and offer an opportunity to address issues. Provided that the forced loyalty is not caused by systemic or other deeper rooted problem, SDM may be able to remove at least some of the dissatisfaction associated with a monopolistic stigma. Hence, an opening of the *flood gates* does not necessarily have to lead to mass defection in an SDM environment.

Service Enhancers (Dabholkar, 1995b) are another important element affecting CS/D. Essential or core aspects of a service are often not noticed or are simply expected to be there. However, their absence will be noticed and impact negatively on the service encounter. Customers usually don't know what they are getting until they don't get it (Tax and Chandrashekaran, 1992). Service enhancers or peripheral factors are usually more noticeable. To illustrate this with an example, a passenger may take it for granted that the airline will fly him/her from A to B, unless an incident causes the flight to be diverted. During the flight, a good meal is likely to leave a favourable impression, or a negative one if the food is not up to expectations. In this case, the core service may be neutral at best (punctual arrival) and a dissatisfier at worst (diverted flight). However, the peripheral service has the potential to be a satisfier or a dissatisfier. In other words, judgment of the airline is likely to depend more on peripheral rather than on core services. Studies on relationship marketing (Gwinner et al, 1998) suggest that

customers may accept failures on core attributes, while they receive

peripheral benefits. Mittal et al (1998) observed an asymmetry in the

evaluation of what they call utility preserving, versus utility enhancing attribute

satisfaction, where certain attributes had a larger impact on repurchase

intentions. This means that SDM processes need to focus on satisfaction

which relates to attributes of importance to customers and that key attributes

may not necessarily be core attributes.

Gelb (1987) provides an explanation why core services may be rated

differently from peripheral services. She suggested that for certain services,

all that a provider can do is combat dissatisfaction. Hygiene factors (Herzberg,

1992), noticed only by their absence, will not lead to intrinsic satisfaction. It is

only through motivating factors that a service provider can go beyond a

neutral feeling of confirmation and truly satisfy customers. According to Gelb

(1987), low involvement services are predominantly the type of services which

will not lead to intrinsic satisfaction (Gelb, 1987) and a provider will have to

attempt to increase involvement levels. Increased involvement will lead to

commitment and makes the customer a stakeholder who is now motivated to

achieve a positive outcome. To help the customer achieve success, service

providers need to understand customer's problems and the outcomes that

they want to achieve. A customer does not want to buy a 10 mm drill, but a 10

mm hole! The logic put forward by Gelb (1987) is supported by anecdotal

evidence. Low involvement services like everyday banking for example

involve little commitment and it is likely that satisfaction becomes only an

issue if there are problems. Hence, ratings are more likely to be made on non

core attributes (waiting time for example), rather than the core service like the ability of the bank to provide up to date and accurate statements, which is taken for granted. Getting the customer to *wake up* and through participation be more involved, excited with achievement and thus satisfied, may be more difficult to achieve. Nevertheless, this is important in the SDM context, as satisfaction on meaningless core attributes is of little use. Further, SDM may need to be adapted for services which are neutral at best and inherently dissatisfying if there is a failure. The recovery goal may now not be satisfaction, but returning to neutrality. However, the notion of using the hygiene/ motivator factor theory is not universally accepted in this context (Westbrook and Oliver, 1991).

Nevertheless, the picture emerging is that attribute level satisfaction may play a larger role and it may not be overall satisfaction, but rather asymmetric attribute satisfaction that influences repurchase patterns (Mittal et al, 1998). Satisfaction and dissatisfaction were found to be non symmetric. Equal amounts of dissatisfaction had a larger negative impact on repurchase than an equivalent positive satisfaction level. In this scenario, satisfaction needs to be optimised, rather than maximised. This means greater returns are expected if efforts are directed to eliminate dissatisfaction, before looking at measures to increase satisfaction. It may well be a problem with a particular attribute that leads to negative overall satisfaction or defection (Wirtz and Bateson, 1995). Hence, SDM should operate on a global as well as a detail level, aiming to unearth overall satisfaction issues in addition to identifying and addressing dissatisfaction, down to an attribute level.

3.1.3 Cognitive and affective factors

Cognitions, more factual assessments, have a different impact on service processes and their outcomes, compared to affective, more emotional feelings. Blodgett and Granbois (1992) suggest that negative disconfirmation is a cognition, while dissatisfaction is an affective response. Dabholkar (1995a) poses that customer satisfaction is a combination of cognitive and affective evaluations, whereas service quality is a purely cognitive evaluation. Surprise as a central element in customer satisfaction is one of the explanations offered, as to why satisfaction triggers affective responses. This implies that satisfaction, or its sub-components, consists of at least some affective factors, possibly caused by unexpected events or unpleasant surprises. Quality perceptions on the other hand are the result, possibly formed over time, of a reasoned assessment. Extending this further, more weight is added to the arguments of satisfaction being a transactional measure with only limited long term value and quality perceptions being a long term measure.

For SDM, short term effects are of more significance, when trying to respond to real time events. Therefore, understanding affect, a psychologically rich concept in the domain of human emotions is important. It has a significant impact on information processing by accelerating it, disrupting and affecting memory recall. Emotions also amplify experiences and reactions (Johnson and Zinkham, 1991). Affect is a motivational response, which may interact with cognitions (Oliver, 1994). The interaction of affect and cognitive factors

may produce very individualistic assessments, with large variances from one customer to another, under the same service delivery conditions. This is likely to lead to a large spread of observed variance when measuring the impact of SDM. Largely differing results caused by the subjective judgements of individuals may further complicate the performance evaluation of a particular service encounter, requiring some framework to *normalise* adjusted views.

3.1.4 CS/D limitations

In its present form, CS/D is seen to be a purely reactive post purchase affect measure (Drew and Bronkhorst, 1995). The reactive nature in the current CS/D model limits its use for real time service recovery (Schweikhart, 1993). CS/D is recognised as having a major effect on future revenue streams (Fornell, 1992) and strategies that include proactive solicitation of complaints from dissatisfied customers was one of the policy implications from a major survey (TARP, 1986). Therefore, an SDM extension of CS/D with an embedded ability to proactively elicit feedback and recovering from failures in real time will address a highlighted deficiency with the current CS/D model.

CS/D has not been without its critics. Analogous to the problems reported with the Disconfirmation of Expectation Paradigm and SQ, it is not clear what the expectation construct is supposed to measure, as there may be multiple comparison standards used in the CS/D formation (Tse and Wilton, 1988; Gupta, 1996). Others attempted to update the CS/D model (Oliver, 1993b). Also, some argue that satisfaction and dissatisfaction are not on the same continuum (Woodside et al, 1989) or each have different causes (Johnston,

1995). Something that produces dissatisfaction will not necessarily lead to satisfaction if it is absent and vice versa (Price et al, 1995). Since SDM builds on the CS/D model, some of its limitations are reviewed below in more detail.

The issues reviewed earlier (SQ, etc.) on the actual role of expectations received similar attention in the CS/D literature. Third party influences are assumed to affect expectations implicitly. However, when evaluating a performance, a consumer is more likely to compare against her/his *own* expectations. To delineate those expectations from others, the Desire Congruency model has been proposed (Spreng and Olshavsky, 1993). Expectations are replaced by a consumer's desires and the evaluation process measures the level of congruency between performance and desires. A revised model (Spreng et al, 1996) uses desires and expectations. In this model, desire as well as expectancy congruency is measured, which influences overall satisfaction through attribute as well as information satisfaction. Information satisfaction is a subjective judgement of the pre-purchase information received.

Proponents for the use of expectations suggest that excellence based expectations should be used for service quality. More common predictive expectations may operate for direct influences on satisfaction (Oliver, 1993b). Expectations are assumed to decay over the purchase interval (Oliver and DeSarbo, 1988). While different industries may exhibit different characteristics, performance was found to have a greater impact on CS/D than expectations (Patterson, 1993). For continuously provided services like

local phone services, the expectation component becomes insignificant and evaluations are based on performance only (Bolton and Drew, 1991b). Even when different types of expectations were evaluated, performance by far outperformed expectation standards as a predictor of satisfaction (Gupta, 1996). Hedonic experiences showed strong satisfaction, even when customers did not know what to expect (Arnould and Price, 1993).

The picture emerging for SQ as well as CS/D is that the role of expectations within both models is either only small, not well understood, or subject to changes when moving from a pre- to a post consumption stage. As an immediate conclusion, it implies for SDM that actual performance parameters may give a more accurate insight into how a service was perceived. Combined with the discussions on the importance of attribute level issues, this means that elicitation efforts should concentrate on consumer's performance perception and not expectations.

A broader issue is services marketing myopia. Satisfaction research without reflection is superficial and the interpretation is loaded with uncertainties (Gummesson, 1994). Often, customer satisfaction surveys have no managerial relevance (Rust et al, 1995). As discussed above, it needs to be appreciated that attribute level satisfaction can have a greater impact on repurchase than overall satisfaction (Mittal et al, 1998). Consumers can concurrently be dissatisfied with one aspect of an encounter, while being satisfied with another service attribute (Oliver, 1993a). SDM addresses these issues by paying particular attention to attribute level feedback. In this

context, it is important to note that while SDM builds on the CS/D model, it does not depend on it, beyond using CS/D as a surrogate for repurchase intentions. The ultimate purpose of SDM is to increase retention and repurchase rates. However, repatronage figures in isolation are too generic to provide sufficient feedback and are not linked to an underlying theoretical framework.

3.2 Consumer Complaint Behaviour

Consumer Complaint Behaviour literature provides insights into post consumption complaining behaviour and highlights a key issue, *the voice deficit*, which leads to a lose-lose situation for the customer and the provider. The voice deficit is caused by customers not being willing to spend the time and effort to complain or voice. This is a key issue, since many studies across a number of industries show that the great majority of customers would rather switch suppliers than complain to the provider. Therefore, understanding the factors that lead to voice is instrumental in creating an environment where constructive feedback is encouraged and measurably increased.

3.2.1 History

Consumer Complaint Behaviour (CCB) concerns itself with the post-purchase complaining reaction of consumers. The most common consumer complaint behaviour falls into three categories; voice, private response and third party responses (Singh and Wilkes, 1991). Voice includes actions directed toward a

seller, i.e., voicing complaints. Private response is more informal and involves word of mouth and/or exit, e.g., ceasing to frequent a particular store. Third party responses are formal complaint actions involving consumer rights (official) bodies, legal actions, etc. A consumer may exhibit several behaviours simultaneously (Singh and Wilkes, 1996).

A CCB model incorporating these elements was presented by Singh and Widing (1991), evolving from previous research (Singh, 1989). Singh (1988) proposed a three factor model initially, but found four clusters: Passives, Voicers, Irates and Activists in another study (Singh, 1990b). The present three dimensions are an evolution of a concept derived from political science and economics (Stewart, 1994), presented by Hirschman in 1970 (Singh, 1991; Blodgett and Granbois, 1992; Maute and Forrester, 1993). Hirschman's model also used three dimensions: exit, voice and loyalty. Exit means terminating a relationship, switching to a competitor or using a substitute. Exit, while voluntary, is to some degree forced by circumstances. Therefore, it is likely to be a painful exercise. Voice is an attempt to change things and requires a consumer's motivation to complain. Voicing customers usually have some attachment to a service provider and want to continue the relationship (Blodgett and Granbois, 1992). Loyalty can be deceiving, since an unknown proportion of customers are passively loyal. Passively loyal consumers continue a relationship due to the lack of alternatives, but are likely to switch providers if the opportunity arises. These findings were confirmed to still apply in a constrained setting like army field training exercises (Malafi, 1996).

3.2.2 Response styles

Response styles are to some degree driven by a customer's coping strategy. Three strategies, problem focused, emotional focused and avoidance coping have been identified (Stephens and Gwinner, 1998). A problem focus usually leads to a customer taking direct action, like voicing. Emotion focus is more inwards directed, silent and self deceptive where fear of negative evaluation by others leads to self blame. If customers feel that voice may not be worth the effort, or there are many other alternatives, they may simply switch, exhibiting an avoidance focus. In an SDM environment, this means a provider would want to focus on a problem in a factual way, minimising opportunities which may increase emotions and emphasise positive evaluations. If it is communicated to customers that their constructive feedback is valued and seen as positive, the amount of coping required by the customer is reduced, which should lead to an increase in useful voice during an elicitation phase.

Based on Hirschman's earlier work, Singh (1991) lists 3 complaint response styles: exit, voice and loyalty. If there are many alternates and little involvement, exit is the easiest option for consumers (Stewart, 1994). It can, however, involve pain, as switching may introduce uncertainties, risks, requires unwanted search effort (Sheth and Parvatiyar, 1995) and change purchase patterns. In either case, exit is a lose-lose situation. The customer will have to change suppliers and the supplier will lose business. As there is usually no communication preceding the exit, the supplier may never fully understand why customers defect. TARP (1986) reports that for goods and services above US$ 100, repurchase intent rates are only 9.5% for

dissatisfied customers who did not complain. This compares to 54.3% repurchase where a complaint was satisfactorily resolved. Again, strong support for an (SDM) elicitation process which attempts to convert dissatisfaction into voice, offering an opportunity to resolve issues and avoid defections.

Voice requires some effort from the consumer and therefore is likely to be a signal that the consumer wants to continue the relationship. In this context, not giving a customer an opportunity to express their views has a further negative impact on satisfaction levels (Sparks and McColl-Kennedy, 1998). Complaints are often exercised to achieve a goal, like redress (Singh and Wilkes, 1996), the exception being an emotional customer who wants to vent his/her feelings. Generally, voicing customers are the tip of the iceberg, expressing the opinion of a silent majority (Singh, 1989). The behaviour of these *non complainers* is not well understood (Stephens and Gwinner, 1998). Listening to voice can also affect word of mouth actions. Singh and Panday (1991) suggest that customers who voice also use word of mouth (WOM) concurrently. Several implications follow from here. If voice is the expression of an opinion, representative of a larger majority, then each complaint is offering valuable insights into customer perceptions. More specifically, people who voice may want to repurchase and responding to issues will not only create repeat business, but is likely to lead to positive WOM. It also means that more voice can be expected, if an elicitation process is used which minimises the effort required for customers to voice. An added recovery

process may now not only satisfy an otherwise defecting customer, but avoid damaging negative WOM.

Singh and Wilkes's (1991) model includes a *private action* consumer response, consisting of exit and word of mouth (WOM). Many smaller businesses do not advertise, but rely on positive word of mouth instead, as a marketing tool. Negative WOM may trigger chain reactions that can be very damaging for firms. Marketers cannot directly control WOM. However, by seeking complaints, it may be possible to turn dissatisfied customers into contended buyers and gain positive WOM (Swan and Oliver, 1989). WOM surveys show that dissatisfied customers will tell twice as many people about their experience than satisfied customers do (TARP, 1995). Westbrook (1987) showed that WOM activity level has only a weak negative link with satisfaction. Affective influences have been suggested as being more influential on WOM. Using a recovery process, these affect factors can potentially be neutralised before a service encounter concludes. The result should be avoidance of negative WOM and an increase in positive WOM. While SDM is not primarily concerned with WOM, it is likely that a combined increase of satisfaction and voice will lead to more positive WOM.

Loyalty, in the context of complaining, means that a customer is continuing the relationship, despite being unhappy. This is forced loyalty, or a passive response, as neither voice or exit was selected. For the supplier, it will not be immediately obvious which customer is actively loyal and happy with the encounter and which customers are passively loyal and potentially waiting for

an opportunity to switch. However, suppliers can increase active loyalty by encouraging customers to complain (Fornell and Wernerfelt, 1987), where an elicitation process converts passive loyalty to voice and hopefully to a satisfactorily resolved issue, followed by repeat business.

Jones and Sasser (1995) list 4 customer types, each with a specific response style: apostles, defectors, mercenaries and hostages. Apostles are intensely loyal, are completely satisfied and happy to tell their friends about the good service. Defectors and terrorists are dissatisfied or at best merely satisfied. The defector's needs may still be aligned with the company's capability and some effort to turn them back into satisfied customers may pay off. The terrorist within the defector group generally had a bad experience with the company and has now turned into the opposite of the apostle, being extremely committed to damage the firm. Mercenaries are difficult to attract and please as well as hard to retain, since they change frequently. Hostages are stuck and must accept what is offered. While on the surface, hostages seem to pose no threat, they may be dissatisfied. This makes them difficult and expensive customers to serve and they tend to turn into terrorists when the opportunity arises. This is an indirect confirmation of the non-linearity of satisfaction/ dissatisfaction (Rust et al, 1994; Coyne, 1989). Apostles are likely to be immune to short term service fluctuations. Defectors may only require some effort and possibly respond well to an elicitation/ recovery process, while spending resources on mercenaries may not lead to tangible returns. Hostages are passively loyal customers, who may or may not

respond to SDM, depending on the reasons for their dissatisfaction or passiveness.

British Airways (Prokesch, 1995, pg 114) also identifies 4 complaint groups (Champions, Walking Wounded, Missing in Action and Detractors), grouped along two axis: perceived easiness (not easy, easy) to contact British Airways (BA) and propensity to complain (complain, don't complain). Champions, loyal customers, find it easy to contact BA and do complain. Detractors complain, but find it hard to contact BA and defect. The Missing in Action group finds it hard to contact BA and does not complain, but rather defects. Members of the Walking Wounded group find it easy to contact BA, but do not complain, are unhappy, but stay with BA. The contact statistics suggests that only 8%, the tip of the iceberg, are champions who use voice to seek change. Another 24% attempt to contact BA, but in a form that is usually not elevated further. The remaining 68% do not talk to BA at all. If this last group were to be in the *defectors group* (Jones and Sasser, 1995), then they may be open to SDM. Since they represent 68% of defections, this means that a large proportion of defections may be avoidable.

3.2.3 CCB implications and application

Many managers understand that complaints provide a valuable barometer of performance and present opportunities to reinforce the link between company and customer (Bloom, 1988). Reported returns on investments to build formal complaint channels are significant, ranging from 75% to 170%. Market shares were shown to increase by up to ten percent (Bloom, 1988).

Effective complaint management begins with the realisation that defensive marketing (Fornell and Wernerfelt, 1987; Clark et al, 1992) is more cost effective, compared to offensive marketing. Defensive (also called passive) marketing concerns itself with the retention of existing customers. Offensive (or active) marketing includes actions aimed at gaining market share through enticing dissatisfied customers from other organisations to switch, or creating new demand. If, as reported (Reichheld, 1996), firms lose on average half their customers every five years, retention has considerable potential. In comparison, offensive marketing is expensive and returns are diminishing. The cost of generating new customers can substantially exceed the cost of retaining a present customer (Fornell and Wernerfelt, 1987). Strategies based on pricing are also not creating loyal customers (Kearney, 1990). Lower population growth will also lead to a greater emphasis on customer retention (Clark et al, 1992). Yet, traditionally, marketing efforts focused on acquiring new customers. Efforts to secure the loyalty of existing consumers were not a priority (Berry, 1995), while getting new customers was reported to cost between two times (Weiser, 1995) and five times as much as retaining one (Hart et al, 1990). In terms of budgets, Fisk et al (1990) report that as much as 60% of a first year promotional budget may be required for marketing, whereas in subsequent years, *maintenance marketing* requires only 15% of the total budget. Berry (1995) cites profit increases of between 25% to 85% after a 5% reduction in the defection rate. This may be an impediment for SDM, with marketing departments clearly employing their budgets towards the acquisition of new customers. It may not have become evident yet that

enticing customers away from competitors results indirectly in cannibalising their own customer bases, if these competitors employ the same tactics. Breaking this vicious cycle, with a better balance between customer retention and targeting of new customers may take time.

There is also a generic problem for service companies to understand their costs, as traditional accounting methods were designed for product manufacturing (Berry and Yadav, 1996). This implies that the true cost of service failures may not be known and therefore not drawing management's attention to it. While a system to measure the results of an ineffective complaint handling strategy would be very valuable, the reality is that it may be too difficult to set-up. Instead, it may require common sense and leadership to use complaints effectively. One such example is British Airways, who's chairman said (Prokesch, 1995, page 107):

> *"... customer complaints are precious opportunities to hold on to customers who otherwise might take their business elsewhere and to learn about problems that need to be fixed* ..."

Customers who were encouraged to complain and could be converted from dissatisfied customers to satisfied ones were shown to be more loyal (Fornell and Wernerfelt, 1987), providing an incentive for firms to maximise complaints. Increasing the number of consumer complaints in the short term may be an appropriate service strategy (Halstead et al, 1993). Subject to recovery actions being cost effective and complaints being genuine, service providers will gain by implementing complaints management. However,

marketers may not fall into the trap of leaving complaint management entirely in the hands of managers. While good managers will readily get involved in addressing specific complaints, they tend to have a poor record in following up the more mundane, day to day complaint episodes (Gilly et al, 1991). There is also a psychological hurdle to overcome, where an increase in complaints is negatively related to a firm's willingness to listen to customers (Fornell and Westbrook, 1984).

Complaints are a form of customer initiated communication and are a potentially rich source of marketing information, complementing other types of marketing data (Kasouf et al, 1995). SDM gives firms a second chance to satisfy disgruntled customers. If correctly used, it is a very important feedback mechanism, as valuable as the most sophisticated marketing research, but without the expensive price tag. However, managers need to appreciate that complaint rates always understate the problem. There are no easy fixes to address complaints. Forced politeness is just as likely to alienate customers as is unfriendliness (Halstead, 1993). On the other hand, courtesy was found to be the largest source of variation for joy, anger, disgust and distress for professional services (Johnson and Zinkhan, 1991). This means that courtesy could be used as a lever to amplify positive impressions, but in its opposite form, can worsen the situation following a mishap. Applied appropriately and professionally, genuine courtesy could be used to moderate the effect of unsatisfactory outcomes. However, *synthetic* compassion can be more offensive than none at all (Price et al, 1995). This comes back to the care factor, which is an ingredient of SDM. If customers understand, through

genuine courtesy, that their situation is appreciated, voice barriers may be reduced. On the other hand, customers may take a cynical view and be further angered if they perceive provider actions as being superficial and not genuine.

Response times in addressing complaints are also important. Studies in Australia show that satisfaction with recovery actions depend significantly on the response time. Immediate responses satisfied 54% of consumers, while a response within two days lead to only 35% of consumers reporting that they were satisfied with the action taken (TARP, 1995). The same trends were reported in the US, where *complaints resolved* lead to a 54% repurchase rate, compared to 82% for *complaints resolved quickly* (Goodman and Ward, 1993). Earlier studies (Gilly, 1987) support this view, but emphasised the difference between perceived and actual response times. Actual response time was shown to be of little significance, compared to perceived responsiveness. Since SDM aims to resolve issues before the service encounter concludes, perceived responsiveness should be high, promising strong results. Similar to the observation of non linear satisfaction, small delays seem to have little impact on satisfaction ratings, whereas slow response times quickly lead to low satisfaction. SDM, by addressing issues without delay can expect to avoid satisfaction penalties associated with slow perceived response times.

3.2.4 Voice Deficit

A significant problem in CCB is the voice deficit, the fact that the majority of consumers will not voice, but quietly switch immediately or at an opportune time. TARP (1986) investigations into the reasons for not complaining were:

      55.6% felt it was not worth the time or effort

      21.1% decided no one would be concerned about their problem

      13.5% did not know where to go or what to do

       9.9% other factors

Redress seeking/complaining requires a dissatisfied customer. While dissatisfaction is a necessary precondition, the level of dissatisfaction has little bearing on Consumer Complaint Behaviour (CCB). Between 60% to 86% of customers were reported as taking no action following a dissatisfactory experience. Voice levels were reported to be a low 10% (Singh and Pandya, 1991) with even lower rates of 2% reported (Davidow and Dacin, 1996). Factors affecting voice include (East, 1996):

      1) EXPECTED OUTCOMES: estimated effort versus likely gain

      2) NORMATIVE INFLUENCES: influence from reference groups or

          persons, social norms

      3) CONTROL FACTORS: Effort required to register a complaint

Blodgett et al (1995) suggest that the perceived likelihood of success in getting redress is a key factor in explaining voice, while product/service importance did not affect voice levels. Others (Blodgett and Granbois, 1992) found product or service importance to be a factor, as it influenced whether

consumers felt the product was important enough to warrant the time and emotional energy required to complain. As such, product importance was seen to be a moderator of dissatisfaction (Blodgett and Granbois, 1992).

Only weak discriminators were found to explain response styles (Singh, 1990a). Demographic studies showed limited support for the notion that complainers tend to have higher incomes, more education, professional jobs and are younger. Women were found to complain more, but have lower complaint resolution expectations (Kolodinsky, 1993). However, social factors may inhibit consumers from voicing, with an: "*If you don't have anything nice to say, don't say it at all*" attitude. Complaining is seen as unattractive, whereas keeping quite is noble. Only if an expression of dissatisfaction has gained some legitimacy, will it be appreciated (Crosby, 1993). While these findings do not offer immediate guidance for SDM, they are indirectly helpful, since the voice deficit does not seem to be based on particular demographic or social sensitivities.

The voice situation is worsened by firms and in particular, senior managers, who do not always appreciate that the quality of service depends on the quality of listening (Berry and Parusaraman, 1997). Similarly, employees who do not want to communicate with customers who want to voice add to the problem (Berry, 1996). Implementing an appropriate process may also see a flood of complaints, which is viewed negatively by company personnel (Bloom, 1988). Staff also do not want to be the bearer of bad news (Fornell and Westbrook, 1984), as in some firms it may not only be unpleasant, but

may not be congruent with ambitious managers building careers on successes (Reichheld, 1996). This means that SDM is unlikely to be successful unless supported by senior management who appreciate that ignoring bad news is likely to worsen the situation, rather than improve it.

A proactive approach as used in SDM can mitigate the voice deficit problem. Complementary approaches include programs to communicate to customers that the organisation will work with them to solve problems (Davidow and Dacin, 1996). Customers factor into their purchase decisions their perception of the after sales service, should a problem arise (Blodgett et al, 1995). Warranty and service guarantees have a particular positive effect in this regard (Halstead et al, 1993), if its purpose and risks are understood and analysed (Berry, 1995). At the same time, overly intensive efforts to solicit complaints can create negative impressions of the company and have a negative overall effect (Dolinsky, 1994). The elicitation process proposed in SDM extends from passive or defensive marketing principles, offering a low threat, low risk and low effort environment for customers to voice. If this is part of a service provider's operating principles, which are communicated and understood by customers, it is likely to lower voice threshold and therefore reduce the voice deficit. Feedback received can then be used to address immediate concerns, as well as to compile information to allow for the detection of long term perception changes or expectation shifts.

3.3 Attribution Theory

After a failure, consumers assess the cause of an incident. The resultant attribution outcome will moderate or amplify a customer's negative feelings. Understanding this reasoning logic will help providers to manage the process. More importantly, Attribution Theory offers a *pseudo absolute* framework. Left to their own devices, customers will make decisions relative to their own situation, with no absolute framework. The challenge therefore is to move the customer from her/his *relative thinking* to a more absolute position, which is anchored against recognisable standards. Attribution Theory offers an opportunity to assess the dimensions of a failure in a rational and repeatable manner. The result is the outcome of a logical process, which is similar to an absolute standard. The SDM recovery process uses this as a starting point.

3.3.1 Background

Attribution Theory sees consumers as rational processors of information who look for reasons to explain why a purchase outcome turned out the way it did (Erevelles and Leavitt, 1992). More generically, Attribution Theory concerns itself with all aspects of causal inferences. In their search for the causes of a failure, consumers are assumed to apply a three dimensional schema (Folkes, 1988):

   1) LOCUS OF CAUSALITY: is the outcome attributable to the

     consumer (internal) or the service provider (external)?

   2) STABILITY: was the incident caused by a freak in an otherwise

     stable environment, or do the processes used by the provider

     appear *unstable*?

   3) CONTROLLABILITY: Was the outcome caused by events outside

     the control of the service provider/customer, or could the

     provider have prevented it?

Depending on the outcome of this three dimensional evaluation, customers

will have different expectations on how the service provider should respond to

a failure (Erevelles and Leavitt, 1992). Consumers may maintain unrealistic

attributions to gain advantages. They will be advantaged if they can

successfully persist in claiming that a service failure is the provider's fault,

when they should be accepting responsibility for the failure (Folkes, 1988, pg

555). Using the attribution framework to establish a reference, a provider can

move away from relative beliefs and use a logical fact finding process to arrive

at a pseudo absolute outcome. Establishing locus of causality, stability and

controllability in a context that is understood by the customer, provides for a

reference in SDM. This reference no longer centres on the relative

impressions by the customer, but through its reference character, produced

by a logical process, is more absolute in its nature. Given that attribution

theory views people as data gatherers who make causal inferences and act

like *naive scientists* (Folkes, 1988, pg 559; Pieters et al, 1995), such an

approach should prove successful. This is supported by Anderson (1973),

who suggests that data processing in itself produces a positive bias. However, it is expected that this will require an at least partially cognitive scenario, with customer responses not being entirely affective. Highly dissatisfied customers are unlikely to act in a sufficiently rational manner to fully benefit from SDM, due to the non linearity of CS/D, as discussed previously.

Attributions depend on a number of enabling factors, which activate the process and offer an opportunity to steer outcomes towards more favourable end results. Antecedents of Consumer's attributions are (Folkes, 1988):

> 1) MOTIVATION: Self serving bias/motivation to protect self esteem.
>
> 2) INFORMATION: Consensus of information; influence of attributions and inferences of others, seeking of consenting information.
>
> 3) BELIEFS: Self perception, source credibility

Depending on the circumstances, particular attribution dimensions can mitigate or amplify the perceived seriousness of an incident. Bitner (1990, pg 72) poses:

> - *In cases of service failure, when customers perceive that the firm has control over the cause, they are more dissatisfied than when they believe the firm has no control* (locus of control)
>
> - *In cases of service failure, when customers perceive the cause to be stable, they are more dissatisfied than when they believe the failure is a rare event* (stability).

Using physical cues to vary the appearance of a firm (organised, disorganised), Bitner (1990) tested the effect of attributional factors on the outcome of service encounters. Satisfaction measures were found to move in the hypothesised direction. This leads to the suggestion that attributions do not only influence satisfaction ratings, but that there is an opportunity to influence the ratings through the understanding of the customer's attribution process. Bolton and Drew (1992, pg 66) also found that locus of control influenced satisfaction ratings. Another study found that high competence service representatives talk more about attributions (Garrett et al, 1996). This can be interpreted as meaning that they implicitly apply attribution theory as a *fact finding tool*, similar to what is proposed in SDM.

3.3.2   SDM context

As discussed earlier, consumers frequently contribute significantly to their own dissatisfaction by not communicating expectations clearly and more importantly, by failing to perform the appropriate role during the consumption process (Bitner et al, 1994). Scripting and other techniques can mitigate the impact of this. But this may not necessarily work in all contexts. First time encounters and infrequent experiences may test the learning ability of customers, despite the provider's efforts. In this situation, it is important to convey this to the consumer in a non-threatening way. By invoking an attribution process through an appropriate questioning technique, the supplier can potentially direct dissatisfaction away from the service provider. Causal attributions for disconfirmation will mediate customer satisfaction (Bitner, 1990).

Locus of control influences voice, with consumers being less likely to complain if they accept all or part of the blame for dissatisfaction and anger is diffused (Sparks and Callan, 1996). It has been suggested that external attributions are necessary for complaining to occur (Krapfel, 1985). While adding to the voice deficit, a reduction in complaints due to locus of control will help SDM, as the absence of voice in this context suggests that the customer accepted responsibility for the mishap, which should have no satisfaction or repurchase consequences for the service provider if handled gracefully. This may of course not apply if a customer's mistake is exposed openly and causes him/her to be embarrassed in front of others.

Customers perceive stable causes for failures as more serious and may not want an exchange but rather a refund. If they lost confidence in the supplier, this implies exit intentions, at least in the short term. Accidental problems are more acceptable, whereas a preventable supplier issue can lead to angry customers. This means that attribution affects complaining behaviour through its effect on dissatisfaction and attribution of blame is a significant predictor of dissatisfaction (Blodgett and Granbois, 1992). More dissatisfaction results from a service failure which is within a provider's control, particularly when it is likely that it repeats itself (Bolton and Drew, 1992).

SDM uses attribution theory as a tool to influence satisfaction. Not all consumers will have gone through a complete attribution process before making judgements about dissatisfaction levels. Thus, if a service provider

interactively walks through an attribution *decision tree* with the customer, the resulting outcome will be a better understanding of the cause for dissatisfaction for the service provider and the consumer. Such a process, applied fairly and consistently, would apply a framework to an otherwise intangible process. The outcome of this process will provide guidelines on what compensationary actions are likely to minimise the negative impact following a dissatisfactory experience. A preventable or stable problem is likely to draw a stronger negative reaction from consumers (Blodgett et al, 1995). Similarly, the locus of control will influence the customer's attributions.

In its simplest form, the *attribution decision tree* is a set of pre-defined questions for specific and common failures. Asking a customer simple questions to clarify her/his complaint can be done fairly quickly for basic services. In a more complex service environment, this will take more time, but as it is likely that the service contact time is higher and/or the consumer involvement is higher, this should not be a concern for the application of SDM.

3.4 Equity Theory

While Attribution Theory is a tool to assess the *damage* in a logical and consistent fashion, Equity Theory can be used to assess the *repair effort*. For a given inequity or type of failure, customers, in the aggregate, have common expectations of a *fair fix*. SDM uses Equity Theory to provide guidelines on what recovery actions are appropriate for a given failure type, without having to over compensate, or risking to aggravate the situation by offering too little.

3.4.1 Background

Consumers are expected to seek equitable outcomes where exchanges have to be fair to all parties. Equity theory, leading to what is called distributive justice (Oliver and Swan, 1989a), assumes that individuals evaluate inputs and outputs before arriving at an equitable ratio (Erevelles and Leavitt, 1992). While the underlying notion of Equity Theory is simple, the framework allows for quite complex transactions. CS/D or SQ are restricted in as much as they only measure specific expectations and performance. Equity Theory on the other hand provides an explanation of why an otherwise pleased customer would be dissatisfied after hearing that other customers received arbitrary discounts of 50%. It also explains why perceived employee effort affects customer satisfaction with service transactions (Mohr and Bitner, 1995).

Traditional Equity Theory holds that exchange partners seek equitable outcomes for all involved, compared to their inputs. When roles are disparate, the theory only requires that each party has expectations of the other. Justice is then interpreted in terms of the other's performance (Oliver and Swan, 1989b). Contemporary Equity Theory recognises the multi-dimensionality of inputs and outputs. It also acknowledges that exchange parties have dissimilar resources and allows for the influence of the egoism hypothesis. The egoism hypothesis holds that distress is lower if inequity is in one's favour (Oliver and Swan, 1989b), while people have a lower tolerance for negative inequity, resulting in an increased motivation to correct a situation.

Equity Theory also stipulates that in certain situations, an apology or an encouragement to express feelings may be seen as fraudulent, if not followed by a tangible outcome like a refund or gift (Goodwin and Ross, 1990). On the other hand, customers may find a full refund as being too generous for a small delay (Tax and Brown, 1998). People prefer exchanges of resources that are *in kind* (Smith et al, 1999), i.e., recovery actions which are proportionate to the damage caused and of a kind which relates to the loss suffered.

In a service recovery context, the distributive justice and interactional justice elements within the equity framework are particularly relevant. Distributive justice deals with the equitable outcome of a transaction, with customers being concerned that the settlement was fair. Interactional justice concerns itself with the way a customer is treated. Complainants who are treated with respect and courtesy are more likely to repatronise a store. If an outcome is fair and equitable, but the customer was treated with disrespect, he or she is unlikely to change repurchase intentions (Blodgett et al, 1995).

3.4.2 SDM context

Complainants who feel that they received a fair settlement and who feel they were treated with courtesy and respect are more likely to repatronise a provider (Blodgett et al, 1995). Sparks and McColl-Kennedy (1998) report that service provider concern is of particular importance and significantly influences a customer's evaluation of services. Consumers who did not receive the desired outcome may still be satisfied. They will return if they perceive that the procedure and manner used to arrive at the outcome was

fair, particularly when they have been given an opportunity to provide input or an opportunity to express feelings and opinions (Blodgett and Granbois, 1992). However, recovery strategies involving appropriate tangible outcomes are more successful. A Critical Incident Technique survey by Hoffman et al (1995) showed a recovery rating of 8.05 on a 10 point scale where complimentary meals, desserts or drinks were offered in a restaurant setting. A rating of 1.71 was recorded when nothing was done to address the situation. Kelley et al (1993) report a 96.3% retention rate when problems were corrected, compared to 31.0% when nothing was done.

Equity Theory will assist in understanding consumer reasoning in the SDM process model, but more importantly, provide guidance on what type of recovery action is advisable in a particular scenario. Similar to using attribution theory to provide a *quasi absolute* framework to establish the perceived cause of a problem, Equity Theory provides a reference for compensation actions. While the relationship between equity (or justice) and recovery action is complex, varying equity parameters impact on how well customers perceive a service following a failed episode. Sparks and McColl-Kennedy (1999) report higher satisfaction after a compensation of appreciable value was offered, if this compensation was part of a policy rather than a special favour, whereas a token compensation lead to higher satisfaction if done at the discretion of the service provider. This implies that customers assess failures cognitively against equitable losses, which, in SDM terms, means that compensation expectations will generally be at the level of perceived losses.

3.5 Gap in Literature

As discussed, SDM components, such as CS/D, SQ, CCB and Service
Recovery, are well supported in the literature. CS/D is quite established, while
SQ is still the subject of debates, but SQ models exist. The parameters of
CCB are reasonably well documented in the literature and the Service
Recovery literature is growing. However, these literature streams deal mainly
with analytical, post mortem tools. While there are suggestions and support
for SDM, there is no apparent proactive process model which links these
separate streams of research into an interactive tool. SDM moves away from
the *classical academic domain* with a purely analytical focus. Instead, the
analysis is extended into a tool which interacts with customers in real time and
has the potential to positively influence satisfaction during a service
encounter, which in turn will affect repurchase patterns.

3.5.1 Proactive tool

Components required for SDM (Service Delivery Management) are separate,
largely unconnected streams of research. More importantly, they operate only
as post-mortem tools. For example, the CS/D paradigm is traditionally only
used to measure the outcome of an episode. In this form, it does not lend
itself for integration into a service script. In a service context, where the
customer is in front of the provider, this leads to a lost opportunity to elicit
feedback and attempt a recovery before a customer leaves. Similarly, CCB,

as discussed in the literature, focuses on complaint outcomes after the fact and does not, in its current form, attempt to influence outcomes interactively, in real time. The same applies to service recovery. While the literature discusses common failures and their remedies, none of the processes discussed in the reviewed literature operate in real time. Research agendas dealing with exceptions are yet to be developed, like Garrett et al's (1991) Interactive Complaint Communication.

SDM integrates these existing literature streams into a new and enhanced process model. This extended process model will go beyond an analytical tool, with the real time or interactive element of this process model being new in this environment. If sufficient evidence can be found to support the notion of a real time process model, then a gap can be closed, which benefits practitioners and academics alike.

3.5.2 *Literature support*

The previous sections reviewed the literature support in specific areas within the appropriate literature streams. To summarise some of the points made, this chapter concludes with relevant key quotes which support SDM:

- *"It is often held that dissatisfaction is something which retailers and manufacturers can address only in future consumption experiences. There is, nevertheless, a small but growing body of literature which suggests otherwise. Specifically, these studies indicate that retailers and manufacturers can manage consumer dissatisfaction*

- *proactively and in the process achieve long term gains"* (Singh and Pandya, 1991, pg 30).

- *"... the way complaints are handled by the seller is the major factor in the future attitudes, repurchase intentions and overall satisfaction of the complainers"* (Singh and Widing, 1991, pg 32).

- *"With Service Quality being an interpersonal dynamic, the service provider can change the standards as the service unfolds" (*Oliver, 1993b, pg 66).

- *"By getting a customer to complain and satisfy him/her, you raise that customer's loyalty by as much as 50 per cent. Each incremental complaint handled will increase revenue by half the value of the average customer"* (Goodman and Ward, 1993, pg 24).

Feedback elicitation support in the literature is somewhat weak. Psychology, motivational, organisational failure, conditioning, etc. literature mostly discusses analytical models, which do not include real time *motivation* components. Motivation to voice is a major psychology issue in its own right, with significant ramifications across a number of disciplines. This particular gap will only be partly addressed in this thesis. A key objective of the dissertation is to find support for the integrated process model, rather than all of its components.

4 SDM PROCESS MODEL

SDM is embedded into the service encounter process, adding two elements, feedback elicitation and neutralisation/recovery. Elicitation attempts to break the ice and open the feedback dialogue. Feedback is initiated through specific as well as generic questions. This will hopefully minimise the customer's complaining efforts and help him/her focus on areas of concern. Recovery within SDM relies on attribution and equity theory to give both the provider and the customer a framework against which to judge the seriousness of the incident and select an appropriate recovery action.

4.1 The Process Model

SDM is a process model, integrated into a service encounter, extending from the "classical" CS/D framework. Within CS/D, on a transactional basis, consumers compare their Expectations with Perceived Performance, creating positive or negative Disconfirmation. Perceived Performance and Disconfirmation then leads to CS/D (Patterson and Johnson, 1993), as shown below. SDM assumes that a service encounter with an added, positive service

recovery episode, can rely on the same underlying CS/D paradigm, as reported in the literature.
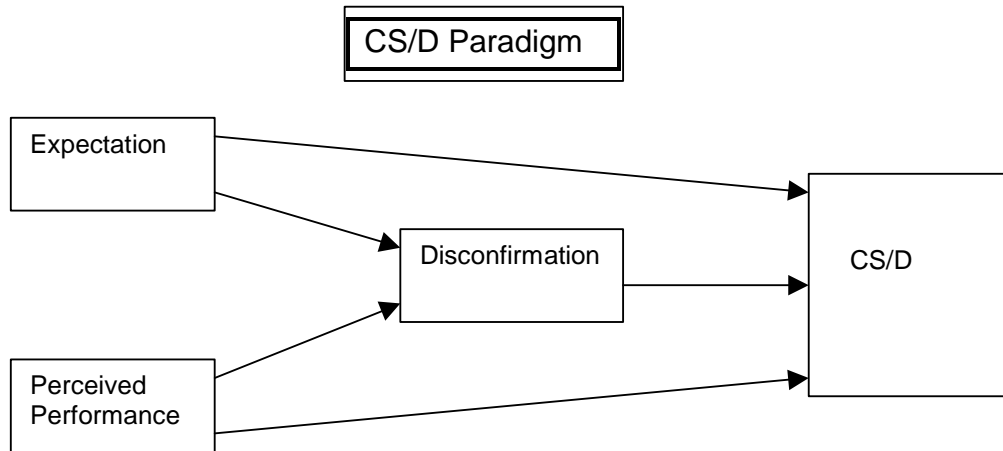
Figure 4-1 CS/D Paradigm

During and immediately after a service encounter, consumers (customers) will use cognitive and affective processes to compare prior expectations and expectations with perceived performance. Impressions will be formed prior, during and after the encounter. This process may continue after the encounter and the result of the evaluation may differ some time after the encounter, compared to immediately after the encounter. However, to establish a common basis for comparisons, for the purposes of this study, we assume that the evaluation process concludes on completion of the consumption of the service.

From CCB research we know that only a minority of people will complain and that the drivers to motivate people to voice dissatisfaction are not well understood. But we also understand from past research that particularly loyal customers are eager to tell someone about a bad experience (Singh, 1991).

Building on this, we will try to encourage feedback from customers during the service encounter. Elicitation of feedback has to be simple and should not encourage people to "whine" for this exercise to be productive. To achieve this, a service provider can ask "trigger questions" to establish whether, to what extent and why a consumer is dissatisfied.

Trigger questions are the backbone of the feedback elicitation process used here. For each environment, salient attributes have to be established through pilot studies, focus groups, failure analysis or similar means. Trigger questions will be based on the five or so most important (common) attributes that customers rate as important for the specific type of service. The questions will be attribute specific, but open ended otherwise to induce a customer to provide feedback on those attributes and once the "ice is broken", on other aspects of the service. Breaking the ice means that the provider has to get over the customer's initial hesitation to respond in non generic terms, as discussed in the voice deficit section (Chapter 3, Section 3.2.4; "Voice Deficit"). Trigger questions, at an attribute level, are expected to work well only in a medium to high level involvement service encounter with sufficient contact time (see boundary conditions below). In its simplest form, trigger questions can be a memorised "check list". In more elaborate environments, service employees will make use of their training, active listening skills and empowerment to vary the questioning/probing technique as appropriate.

The most immediate question to be answered is whether a customer is satisfied or neutral/dissatisfied. Indifferent or neutral and dissatisfied

customers have to be treated the same, since indifference can be viewed as an overt form of dissatisfaction (Jones and Sasser, 1995). Indifference may also be the result of tacit satisfaction or a no care attitude, but for the purposes of SDM, a borderline case should a priori be treated like a somewhat dissatisfied customer. The proposed questioning technique is a "top down", probing first on an overview level to find the relevant detail level to be explored further. But questions that are too general may not be helpful. Generic questions ("how was your meal") are expected to lead to a generic answer ("fine"). To elicit more specific responses, attribute level questions are more likely to get an initial response. Once the ice is broken, the provider can elaborate from there, to probe further at the attribute level and on more general views. As discussed earlier, the literature suggests that attribute satisfaction and particularly attribute dissatisfaction carries more weight, compared to general views.

No further action is required if the customer appears content, other than reinforcing the positive view ("thank you for your business, I look forward to seeing you again soon"). An overtly positive customer may still be dissatisfied, but chose not to respond to invitations to offer feedback. However, it may be counter productive to search for more dissatisfaction clues at this point, while a recovery process is required for customers who have offered critique. After establishing the cause of dissatisfaction or indifference, the service provider will need to use techniques borrowed from attribution theory to attempt a recovery. It is important for the provider as well as the customer to understand the attribution dimensions. The customer may not have completed his

attribution process and can still be influenced. It is also important that the provider understands what went wrong. A "standardised attribution tree" can be used to establish the root of the problem(s) in a non threatening way. In its simplest form, this process uses rehearsed questions to establish the locus (consumer or supplier fault), stability (temporary or systemic issue) and controllability (could the provider have prevented the problem).

As appropriate, the service provider apologises or offers compensation of some form, or attempts to reset unrealistic expectations. Again, a memorised checklist can be used to address the most common situations, whereas in a more sophisticated service environment, service personnel are sufficiently empowered and skilled to address the situation in the most equitable way. Equity Theory provides guidance as to what customers see as an appropriate response for a given failure type. Rehearsed responses may include an apology, a "fair fix", caring attitude, value added atonement or delivering on promises made.

Apart from receiving feedback to address periodic shortcomings, the SDM process model allows for the recognition of longer term shifts in expectations. Changes in the frequency of complaints of a particular nature will alert the service provider to a shift in consumer expectations and give him/her the opportunity to improve the service well before the general population becomes dissatisfied with the provider. If used systematically, this provides for a continuous feedback loop that allows the service provider to stay ahead of changing consumer patterns.

Subject to the boundary conditions being met (see below), the trigger questions (elicitation step) alone are already expected to positively influence satisfaction. If used appropriately, active listening, i.e., asking customers about how they felt and giving them an opportunity to express their opinions, will convey a "we care" message. Equitably addressing specific complaints (recovery step) is expected to further increase satisfaction.

If neither of these measures are taken, dissatisfied customers may simply never return and the service provider will rarely know why customers are using their services less often than they otherwise might. Therefore, SDM is expected to lead to an overall increase in satisfaction ratings. An increase in satisfaction levels has been shown to be a key variable affecting repurchase intentions (Fornell, 1992). Other benefits of SDM include a feedback mechanism similar to TQM (Total Quality Management) principles, allowing for constant feedback to continuously improve service levels and align offerings in a world of shifting expectations.

The figure below shows the process model for SDM. A service encounter is followed by feedback elicitation (trigger questions) to establish the satisfaction level. Elicitation is a proactive step, as it cues the customer to initiate a feedback process. Satisfied customers will be re-confirmed in their views ("yes, our chef does make very good steaks"), while dissatisfied customers will go through a recovery process. After establishing the cause of dissatisfaction, an appropriate service recovery action will be initiated. While

the initiation is proactive, recovery, once the cause and magnitude are known,

is a reactive process, applying experience or established norms to respond to

the incident.

Service Delivery Management – Process Model
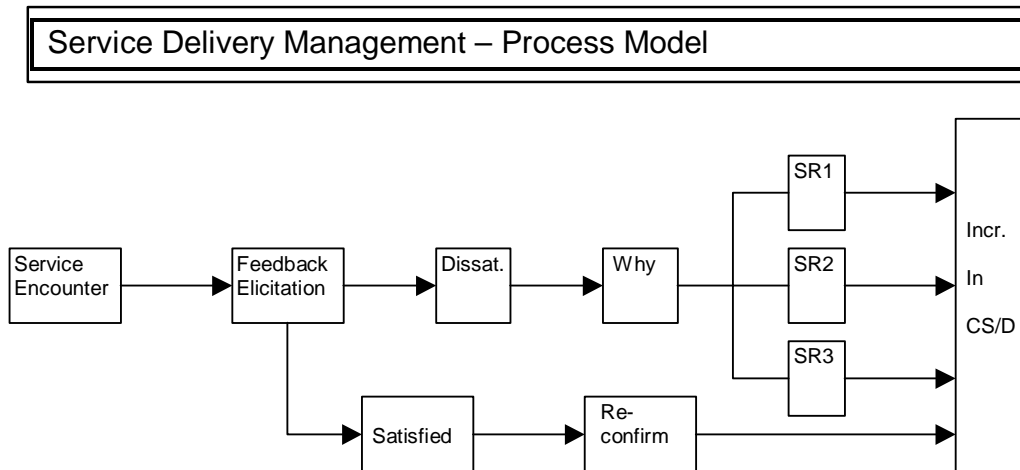
Figure 4-2 SDM Process Model

4.2 Assumptions

The proposed SDM process model is based on a number of assumptions and

boundary conditions.

Customers do not expect to routinely see a service failure, but when a

recovery is necessary, it has to be genuine. If a supplier pretends to care and

address a situation, but has no real intention or ability to do so, the result is

likely to be an increase in dissatisfaction. Genuine in this context means that

the supplier is not routinely using recovery techniques to make up for a

permanently or deliberately flawed process. Ability refers to the capacity of the

supplier to rectify a situation. As discussed in the Attribution Theory section, a

systemic problem in the service provision or an unstable delivery process leads to more dissatisfaction. Managers may not be seduced into too great a focus on recovery, at the expense of service reliability. Customers respond much more positive to recovery efforts, if they are the result of policies, rather than good luck with a particular responsive employee (Bowen and Lawler, 1992). A token effort without real intentions to address shortcomings or an environment which cannot address reasonable complaints is likely to have a negative impact (Halstead, 1993; Goodwin and Ross, 1990, pg 43).

SDM is expected to show no or little improvement when customers are very dissatisfied. This is due to the non-linearity of CS/D. Non linearity means it would take significant efforts to move a very dissatisfied customer up the scale, compared to a customer who is only somewhat dissatisfied (Kolodinsky, 1993, pg 209). Therefore, a non genuine environment, inability to rectify failed episodes and unstable processes may lead to an environment where SDM can not improve the situation.

There is literature support suggesting that both quality and satisfaction positively impacts on repurchase rates or business performance. When testing the SDM process model, it is assumed that satisfaction and quality measures are appropriate surrogates/proxies for repurchase patterns (Patterson et al, 1997). Repurchase intentions are also measured, although it is understood that repurchase intention and actual repurchase patterns are not necessarily the same (Rust et al, 1995). As discussed in the literature section, CS/D is expected to be a stronger predictor of actual repurchase

behaviour. Service Quality is seen to be influential, however, more literature support was found to suggest that CS/D is the more important construct to measure. Academically, current SQ models are not universally accepted and from a practitioners point of view, CS/D is seen to be more influential on repurchase intentions. Therefore, more emphasis will be placed on CS/D. An implied assumption to assess SDM is that a satisfaction improvement leads to a corresponding increase in repurchase intentions, which in turn drives profitability.

Another assumption is that the positive effects of feedback elicitation will outweigh the potential negative effects of an increase in voice levels. Elicitation of feedback must be used in a constructive way and focus on a positive outcome for the customer (Kolodinsky, 1993, pg 210). If it encourages customers to amplify their negative feelings or it creates unreasonable resolution expectations (Kolodinsky, 1993, pg 210), then the CS/D level is expected to drop and the SDM process model may no longer be appropriate. A service provider may want to use some discretion, as to which customer groups have needs which are aligned with the provider's resources. Customers with needs that cannot be addressed by the provider would naturally complain. Addressing these complaints will require significant resources, with only marginal economic returns.

SDM is assumed to work best in a high involvement service. High volume, low involvement services may not provide sufficient contact time to apply SDM.

4.3 Data Sources

To examine the effects of SDM, data would ideally be collected during a "classical" service encounter where the customer is in front of the service provider during and/or immediately after the consumption stage of a service. If the service provider is not present during the consumption stage of the service (Automatic Teller Machine for example), then taking feedback from the customer and responding to it would be difficult.

A high involvement type service is more likely to motivate the customer to take the time and fill in a questionnaire. Also, in such an environment, service personnel tend to be more trained and empowered to make judgements and trade off decisions. Better trained and empowered service personnel are expected to increase the potential benefits from SDM.

4.3.1 Reviewed options

On the surface, there are a number of potential data collection sources. The services mentioned here do not violate the key assumptions listed above and would lend themselves to collect data without too many difficulties. Options were selected on the basis of logistics (resources required to perform surveys) and the extent to which similar environments have been mentioned in the reviewed literature. Therefore, the list is not exhaustive, but also serves as proposed examples for an SDM application, beyond data collection.

a) Air Travel

Transaction times for business class travelling for medium to long term trips are in the order of a few hours, providing for sufficient contact time to apply SDM. Airline staff for business travellers are typically well trained and provide personalised service. Many of the larger airlines implement a customer focused service culture and in some instances, have already well established satisfaction survey procedures in place. From a data collection point of view, the number of flights and passenger volumes allow for the collection of large survey samples in a relatively short time period.

All treatments would be carried out verbally, "face to face" and followed up with a self administered, written questionnaire at the end of the service encounter. The treatment could be carried out/introduced in the context of a verbal survey, half way through the service encounter (after serving main meal, or other defined stage). Cabin personnel may use written checklists and ask passengers towards the end of a flight to assist in a survey and provide feedback on specific questions and in general.

Cabin personnel would elicitate feedback from (randomly selected) passengers through the use of trigger questions. Trigger questions would be based on key attributes, established in a pilot survey. Key attributes are those parameters which most passengers rate as an important part of the service. In order to receive feedback, elicitation questions must be open ended and neutral, yet fairly specific, to avoid generic answers. Potential attributes are:

- Ease of booking

- Check-in performance

- Time schedules

- Punctuality

- Meal quality

- Entertainment quality

- Waiting times

- Overall performance

- General feedback

It is expected that, in the right context, the trigger questions will establish a rapport and a passenger may provide general feedback at the end of the survey, which s/he would have not otherwise volunteered. Thus, the selection of the appropriate attributes is important, but even more important is the context and atmosphere in which the questions are asked. Apart from elicitating specific feedback, the trigger questions are a means to "break the ice" and establish a rapport with the passenger.

Cabin personnel participating in this survey would need to be trained in this aspect, and the backing of the airline's management would be required. Since the atmosphere is important, only airlines with a strong customer service focus are suitable for this survey. Airlines with a process rather than a customer focus are less likely to be successful in applying SDM.

Recovery from negative responses will make use of attribution and equity theory. To operationalise this, a checklist of common failures may be

compiled with a suggested response for each category. While the level and appropriateness of compensation has not yet been established, it can be assumed that some form of redress will be required. Compensations applicable in this environment may include:

- Apology / Explanation

- Upgrade (current or next/return trip)

- Free flight

- First class meal/beverage instead of business class meal/beverage selection

- Gift from duty free store, or similar

b) Restaurant

Business type or up-market restaurants will have sufficient contact time for SDM to operate. The same principles as listed under airline travel apply. Elicitation is to commence after the main meal has been served, in the context of a verbal survey. For data collection purposes, all visits are followed up by a self administered written questionnaire.

Potential attributes for use in the elicitation process include:

- waiting times

- quality of food and beverage

- variety offered in menu selection

- quality of service

- seating arrangements

- ease of booking

- ease of finding restaurant, availability of parking

Compensations may include:

- apology / explanation

- Free desert or drink

- Discount

- Voucher

Again, the context in which the trigger questions are asked may be more important than the questions themselves. If the service provider manages to convey a "we care" message as part of the elicitation process, then the customer is likely to sense a genuine openness to critique and provide feedback about perceived failures or areas needing attention.

c) IT service

Many businesses already have some means to measure satisfaction levels and have implemented procedures to respond to complaints. It is likely that such a company would be willing to collaborate and use the SDM process model and collect data to improve their service. A specific example would be an IT service firm that provides hardware and software maintenance support for larger companies or an out-sourcing service. Trigger questions for the feedback elicitation process would be established during a pilot survey and may include: computer downtime, perceived responsiveness, engineer's professionalism, etc. Compensation measures include escalation to management, calling in of experts at no charge, working overtime at no

charge, free follow up visit, etc. For the survey, engineers would leave a

questionnaire, to be filled in and faxed back.

d) Other Business to Business

While SDM is not limited to business to business exchanges, a business

environment offers advantages for data collection purposes. Examples of

potential business to business services which are expected to benefit from

SDM include:

- Business travel agency

- Accounting firm

- Management consultant

- Management recruitment consultant

- Legal firm

- Advertising agency

As a compromise, a "new breed" technology based service could be used.

For example, a telephone company could be used for data collection,

provided that they have periodic face to face or phone contact with the

majority of their customer base. This contact could be the settlement of the

account over the phone or at a counter. In this case, the service provider does

not have the consumer in front of them during the consumption stage, but

gets periodic opportunities to apply SDM to the majority of the customer base.

e) Staged Service

If a "live service" proves too difficult to implement (provider willingness) and distorts the data collection (confounding), a simulated or a staged service may be an alternate. In a university context, a "staged" service could be an Internet introduction course (Internet, web browsing, e-mail) to novice students. Such a course would need to cover a well defined area and ideally, to minimise resources required for the survey, would be relatively short (say fifteen minutes). To avoid variations due to different initial knowledge of the topic, only novices would be eligible to attend this introduction course.

Trigger questions, subject to the findings during a pilot survey, include:

- understanding of concepts

- confidence level to apply new knowledge

- were stated learning goals met

- perceived competence level of presenter

- perceived quality of tools/environment used

- enrolment procedure

Compensation to include generics (apology, etc.), redress, gifts (free limited access to Internet), etc.

It is likely that the variation (dissatisfaction) of such a simple course is minimal and therefore, variation (deliberate, specific failures) as part of the script may need to be introduced on a pre-selected random basis. This would also assist in analysing the data, as it will be clearer whether dissatisfaction was caused by a "true" failure, or was purely a perception problem of the consumer.

4.3.2 Limitations

Service Delivery Management is an interactive process model, not a "post mortem" measurement instrument. As such, data collection should ideally be conducted in a real time environment. However, examining the effects of the SDM process model presents a number of problems:

- Ratio of complainers to non-complainers may be quite low, requiring very large sample sizes.

- Forced variation (inducing errors, etc.) may be problematic, as few service providers would be willing to subject their customers to intentional service failures.

- Confounding may occur, if more than one service outlet is used to concurrently collect data or data is collected over a period of time. As not all background variables can be controlled, environment changes not related to the experiment can bias the results.

Therefore, a laboratory setting to test the SDM process model is more desirable.

This narrows the choices down to a staged service encounter, or a projective technique, such as a written "story" with a self-administered questionnaire. An example for a staged service was discussed above (Internet introduction course). A staged service still suffers from some of the problems explained above, plus may require a significant amount of resources. To overcome this, a narrative will be used. As explained more fully in the methodology chapter, an experimental design will be used to simulate different approaches.

A specific service encounter will be described in a self administered questionnaire. The same story base will be used across all simulated versions, but the details of the story will be adapted to reflect three treatment levels: control group, elicitation and elicitation with recovery. Additional factors will be added to the experimental design to test key assumptions. The resultant experiment will be a full factorial design with participants randomly assigned to a particular treatment group and attribute level combination. The format of this approach is similar to Bitner (1990) as well as Maute and Forrester (1993). Boulding et al (1993) also used a projective technique to manipulate attributes in an experimental design, except that the self administration was through a computer, rather than paper. Self administered questionnaires describing a scenario are quite common in experimental designs, where a real experience may be difficult to simulate. Research which uses projective techniques, or "stories/description", include Brown et al (1996), Gupta (1996), Johnson and Zinkham (1991), Levesque and McDougall (1993), Mano and Oliver (1993), Megehee (1994) and Murray (1991).

5 RESEARCH QUESTIONS

The main objectives of the thesis are:

1) Introduce the concept of Service Delivery Management

Develop and describe the Service Delivery Management (SDM) concept

- introduce a proactive component to CS/D and CCB, which, combined,

gives marketers a tool to affect satisfaction levels during or immediately

after a service encounter.

2) Examine effects of Service Delivery Management

Apply SDM in an experimental study and examine its effects on

satisfaction. In particular, find supporting evidence that SDM has the

desired effects on satisfaction and its surrogates (patronage).

5.1 Propositions

The SDM Process Model discussed in the previous chapter adds two

processes to the service script, elicitation and recovery. Elicitation alone or

elicitation and recovery together are expected to improve the service

performance. However these processes depend to some degree on being successful to increase voice levels. Therefore, in a service context, the following propositions will be tested in a quasi experiment.

A genuine "we care message" in itself is expected to increase satisfaction levels. Customers appreciate that services can not be perfect all the time and may be more concerned that a service provider cares what they are doing when responding to failures (Bell and Ridge, 1992) and expresses empathy (Tax et al, 1998), with customers wanting to be differentiated from others (Sparks and McColl-Kennedy, 1998). Following a mishap, customers will also be more observant and possibly more emotional (Smith et al, 1999), expecting respect and courtesy. A paradoxical situation exists, where a service failure provides an opportunity to demonstrate a provider care attitude (Kelley et al, 1993). When going through a "normal" experience, communicating this care attitude may be more difficult, hence the paradox, where a failure provides an opportunity to reinforce provider-customer bonds. Expressed concerns must be genuine, as artificial courtesy will be recognised as such and may be counter productive (Price et al, 1995). At this point, reasonable consistency is assumed across the cumulative survey responses, with no considerations for differing attitudes between respondents ("customers"), which can lead to different evaluations of the same situation. However, auxiliary variables collected will allow for a post analysis segmentation or covariate analysis, should this prove beneficial. The resulting proposition is as follows:

P1: *Active elicitation of feedback during or immediately after a service encounter has a distinct positive effect on stated satisfaction levels, when compared to the same service encounter, which is not subjected to feedback elicitation.*

After a service failure, with the feedback gained during the elicitation process and using complaint neutralisation (SDM recovery process), a service provider can further increase satisfaction levels. After offering his feedback, a customer will build compensation expectations (Goodwin and Ross, 1990), particularly after a dissatisfactory experience (Bell and Ridge, 1992). In some instances, simply acknowledging and responding to the complaint is sufficient (Clarke et al, 1992), whereas more generally, the response needs to consider the severity level (Dolinsky, 1994) of the incident. Complaint neutralisation is a service recovery process, which uses Attribution and Equity Theory to address complaints, adjust performance perceptions and/or reset expectations. Consumers will search for causes of failures, applying elements of Attribution Theory to make causal inferences (Folkes, 1988). This builds a framework to understand how consumers evaluate failures and form recovery expectations (Erevelles and Leavitt, 1992). Attributions affect dissatisfaction levels and direction of blame (Blodgett and Granbois, 1992). Less dissatisfaction towards a provider can be expected, if a cause were to be outside a provider's control and is unlikely to repeat itself (Bolton and Drew, 1992). Responses to dissatisfaction can build on Equity Theory, also called distributive justice (Oliver and Swan, 1989a), which assumes that individuals

compare inputs and outputs, seeking equitable outcomes for given situations (Erevelles and Leavitt, 1992). Beyond the egoist theory, where equity outcomes in one's favour are preferred (Oliver and Swan, 1989b), Equity Theory holds that complainants seek fair settlements (Blodgett et al, 1995) and provides a foundation to understand what types and level of responses are required after a dissatisfactory experience (Bell and Ridge, 1992; Dolinsky 1994). Building on the previous proposition, a new proposition is added:

> **P2:** *Adding complaint neutralisation (recovery) to feedback elicitation will have a distinct positive effect on stated satisfaction levels, exceeding levels achieved with feedback elicitation alone.*

As mentioned during the literature review, the majority of dissatisfied customers do not complain. Feedback elicitation proactively motivates customers to provide constructive criticism. With this stimulation, the percentage of customers who voice is expected to increase. A higher voice level is instrumental to get appropriate feedback for an effective complaint neutralisation (SDM recovery) process. If voice and loyalty have a positive relationship (Fornell and Wernerfelt, 1987) and active loyalty is in essence repeat purchase, which is said to be linked to satisfaction (Patterson et al, 1997), then the inverse should be observable, where an increase in satisfaction corresponds to an increase in voice. More importantly, the SDM processes intend to increase the communicated likelihood of success in

getting redress, which was found to be a key factor in explaining voice (Blodgett et al, 1995). With SDM applied, customer's should make more favourable assessments of estimated efforts versus likely gain, which should again positively influence voice (East, 1996). Linked to the previous propositions, the last proposition is introduced as:

> **P3:** *Feedback elicitation or recovery will increase voice levels, when compared to the same service encounter, which is not subjected to feedback elicitation or recovery.*

5.2 Constructs

No new constructs will be introduced. Feedback elicitation and complaint neutralisation (SDM recovery) are processes (treatments) and their effects can be measured using existing constructs. The proposed constructs to analyse the effect of the processes are well defined in the literature, as reviewed in chapter 2 and 3 and include:

- **Stated satisfaction level**:

  CS/D was reported to have a strong link to loyalty (Fornell, 1992) and repurchase (Patterson et al, 1997; Fornell 1992). Generally, satisfaction is seen as a transactional performance measure, which lends itself well to investigate the immediate effects of a service encounter improvement, although CS/D can also be of use for global evaluations (Dabholkar, 1995b;

Johnson et al, 1995). As such, it is best placed to investigate transactional service improvements in SDM.

- **Voice level** (percentage of customers who complain to provider):

  The voice deficit identified in CCB research (Singh and Pandya, 1991; Davidow and Dacin, 1996) is a particular issue for SDM. A reduction of voice barriers should show at least some improvements in observed voice behaviour.

With the reported correlation between Satisfaction, Quality and Repurchase (Dabholkar, 1995a; Taylor and Baker, 1994), the main variables will be investigated in parallel with:

- **Overall service quality** :

  Practitioners do not always distinguish between CS/D and SQ and use them interchangeably (Dabholkar, 1995b), but some of the debates in the literature suggest that SQ is not a good predictor for repurchase (Cronin and Taylor, 1992). However, quality is created when customers interact with service firms (Bolton and Drew, 1992), hence, a functioning SDM process model should lead to an increase in service quality perceptions.

- **Stated repurchase intention**:

  While satisfaction is used to extract more specific feedback on attributes, practitioners ultimately seek increased patronage levels. High satisfaction ratings are expected to have a high

correlation with repurchase intention score levels. Satisfaction and repurchase scores are expected to move in the same direction across treatment groups. However, stated repurchase and actual repeat purchase patterns may not necessarily be the same (Rust et al, 1995) and longitudinal studies to examine the correlation pose some challenges (Gilly, 1987), whereas CS/D is seen as a proxy for actual repurchase (Patterson et al, 1997). Repurchase as a measure is also not directly linked to established models like CS/D or SQ. For these reasons, repurchase intentions are measured, but are not the prime focus of investigation within SDM.

For validation purposes, a number of additional constructs will be measured. While they are not intended for the primary investigation of results, they may assist in interpreting findings.

- **Stated "care factor"**; score on a semantic differential scale: Used as an indicator and boundary condition test to assess whether SDM gives the impression that an organisation cares about individuals. If SDM is perceived to be more than just a meaningless gesture, then this rating should be higher when SDM has been applied. Should the "care factor" be lower when SDM has been applied, compared to a "non SDM" environment, then this might be an indication that SDM is viewed as being none genuine and that the boundary conditions have not been met. Efforts may be counterproductive if customers perceive

that a service provider does not care and is not able to address reasonable complaints (Halstead, 1993; Goodwin and Ross, 1990). If provider care or empathy expectations are not met, then this may also affect satisfaction levels (Bell and Ridge, 1992; Tax et al, 1998).

- **Listening**; extent to which the service provider was perceived to be willing to listen to feedback:
  Customers expect providers to listen to their concerns (Cooke, 1994) and there may be a link between the perceived quality of a service and the quality of listening (Berry and Parusaraman, 1997).

- **Perceived severity of incident;** Response styles need to reflect severity levels (Dolinsky, 1994). While the study will not vary severity levels, measuring the perceived severity level will give insights into how individuals rate the particular incident.

- **Stated level of affect;** Affect can influence the evaluation of CS/D and SQ (Dabholkar, 1995b). Again, the level of affect will be kept constant in the study and variations observed will show variance caused by individualistic assessments.

Additional variables have been added to allow for manipulation checks. For each attribute modified in the different scenarios, there is at least one test

variable. Also, test variables were added for attributes which remain constant to either test for potential violations of assumptions as well as to get an understanding of how far individual's responses spread when assessing the same situation.

- **Adequacy of response**:

    How happy was the customer with the response. This will also serve as a manipulation check (compensation level), together with a question asking what the company's usual mishap response is.

- **Locus of control**:

    Manipulation check; ability of respondent to recognise whether a stable or unstable scenario was presented.

- **Purpose of study**:

    Demand artifact check, several choices offered to respondent.

A second part of the questionnaire will collect information on the individual's propensity to complain and to get demographic information. Individual complaining preference data may be useful as a covariate for further analysis. Demographics include age group, life stage information, sex, education and employment.

All constructs will be used in their unipolar, absolute form. No multi-dimensional or differential scores are used to establish the impact of the different treatments (SDM processes).

5.3 Hypotheses

Each proposition can be mapped directly into one corresponding hypotheses, which means the proposition discussions above apply equally to the hypotheses. Following from the above construct review, satisfaction measures will be used for H1 as well as H2 and voice for H3.

Following the preceding discussions, P1 translates into:

H1; The aggregate satisfaction level in an environment which does not use feedback elicitation will be lower compared to an environment which uses feedback elicitation.

Similarly, P2 becomes:

H2; Feedback elicitation and complaint neutralisation (recovery) together will have a positive impact on satisfaction, exceeding the increase achieved by feedback elicitation alone.

P3 maps into:

H3; Feedback elicitation or recovery will lead to higher voice levels, compared to a no treatment situation.

6 METHODOLOGY

The review of potential data sources in chapter 4 discussed some restrictions for the SDM data collection, suggesting that a projective technique is the most appropriate approach, using a description of a hypothetical service encounter in a self administered survey. Using a projective technique, the description of a service episode can be altered to test the effects of different variable combinations. This creates the basis for an experimental design to investigate the validity of the proposed SDM process model. Standard methods (ANOVA) to analyse the results of the experiment are used, as described in this chapter.

All dependent variables are metric, but are subjected to manipulations (non metric). The analytical focus is not on absolute values, but the relative performance of dependent variables when subjected to different dichotomous or multichotomous factors (manipulations). Attributes (dependent variables) measured are interrelated, but the scales applied are uni-dimensional. Therefore, a number of standard and some multivariate techniques can be considered. Regression as well as correlation analysis are options, but given the number of combinations, would not be ideal, except to investigate specific effects (interactions, etc.). The process model as presented does not lend

itself for structural equation modelling. Therefore, an experimental design appears to be the most appropriate approach. The research interest is to assess the impact on Satisfaction (and other key variables), when the environment is subjected to particular changes (manipulations). Using an experimental design, the effect of each manipulation can be assessed in isolation, using (M)ANOVA (or t-tests for simple comparisons). Basic statistical tools (means analysis, frequency analysis, tabulations and graphs) are used for secondary analysis purposes.

6.1 Measurement Instruments

SDM uses established constructs to measure the impact of the treatment levels across the experimental cells. Data analysed includes key attributes which are directly linked to the hypotheses and constructs closely related to those attributes. In addition, auxiliary measures are collected. These auxiliary data are expected to assist with the investigation of interactions and unexpected results. Auxiliary data also includes some demographic measures, allowing segmentation of the data, should there be specific sub groups exhibiting different patterns. Other information collected include manipulation and demand artifact check data.

6.1.1 Scales

Since no new constructs are introduced, existing scales (Hausknecht, 1990) and standards will be used to measure the effect of each treatment. All

constructs measured are in their uni-dimensional form. This simplifies the questionnaire and avoids some of the problems associated with differential measures, as reviewed in the literature section. For a relative analysis of cell differences, only single item data are required. Bias, evidenced in a negatively skewed distribution inherent in self reported satisfaction surveys (Peterson and Wilson, 1992) will be of little significance, as we are looking for variance across treatment groups, rather than absolute values.

To overcome the issue where satisfaction responses tend to be concentrated in the upper or lower end of the scale, a 9 point semantic differential scale was used. More discriminatory power is expected from a 9 point scale, compared to more traditional 7 point scales. Many researchers and practitioners also use 10 point scales, due to the statistical problems of skewness with satisfaction and quality measures (Hurley and Estelami, 1998), enabling respondents to make better discriminations (Fornell et al, 1996, Fornell 1992). However, the 9 point scales offers a mid-point, acting as a "middle anchor". Researchers applying 9 point scales include Berry and Parasuraman (1997) and are reported in Hausknecht (1990).

The applied 9 point scale was expanded from published 5 & 6 point scales (*:Green et al, 1988, pg 307; +:Fairweather and Tornatzy, 1977, pg 244):

Weight & original wording	Translated to
9 Strongly Agree *	Very likely/satisfied
8 Quite agree	Quite likely/satisfied

7   Agree *   Likely/satisfied

6   Slightly Agree +   Somewhat likely/satisfied

5   Neither Agree nor Disagree *   Indifferent/Undecided

4   Slightly Disagree +   Somewhat unlikely/dissatisfied

3   Disagree *   Unlikely/dissatisfied

2   Quite disagree   Quite unlikely/dissatified

1   Strongly Disagree *   Very unlikely/dissatisfied

Table 6-1 Scale applied

During SDM survey pilot trials (see "Surveys" section below for a discussion of pilot surveys), support was found for the notion that more statistical explanation power can be extracted in this environment from a 9 point scale compared to a 7 point scale.

The first pilot (9 point scale) produced the following results:

Treatment group		Satisfaction
Control	**Mean**	2.59
Elicitation	**Mean**	3.53
Recovery	**Mean**	4.33
Total	**Mean**	3.55
	N	53
	Std. Deviation	1.94

Table 6-2 Pilot survey 1, scale test

Whereas the second pilot (7 point scale) yielded:

Treatment group		Satisfaction
Control	Mean	2.33
Elicitation	Mean	2.55
Recovery	Mean	2.70
Total	Mean	2.53
	N	119
	Std. Deviation	1.16

Table 6-3 Pilot survey 2, scale test

The second pilot was an improvement (removal of wording inconsistencies, etc.) of the first trial and was administered to a larger population. Yet, the 7 point scale reduced the difference between the treatment levels much more than what would be expected.

6.1.2 Variables

The survey instrument collected 3 types of data: key variables, auxiliary variables and respondent data. A more detailed discussion on the selection of variables or constructs is included in the previous chapter (Section 5.2, Constructs).

Key measures linked to the hypotheses and related tests were:

1.   Overall satisfaction

2.   Repurchase intentions

3.   Voice

4.   Overall service quality level

Table 6-4 Final survey, key variables

Further data was collected to verify the effectiveness of the manipulations and see whether there were any demand artifact effects. Measures included:

5. Care factor

6. Service provider's willingness to listen to feedback

7. Process stability

8. Locus (level of the provider's responsibility for the mishap)

9. Adequacy of response to mishap

10. Severity of mishap

11. Affect (level of upset caused)

12. Provider response pattern to mishaps

13. Study purpose

Table 6-5 Final survey, auxiliary variables

Additional measures were collected to enable an analysis of specific patterns of subgroups, should there be a statistically significant difference among certain subgroups. Data collected:

A. Respondents stated propensity to complain

B. Respondents switching behaviour

C. Post complaint behaviour

D. Age group

E. Family situation

F. Sex

G. Education level

H. Employment situation

Table 6-6 Final survey, respondents variables

6.2 Data Collection

Using a projective technique, the data collected in the self administered
questionnaire is a proxy of how SDM is expected to operate in the "real
world". As such, the data collection is part of the experiment. The discussion
in the SDM Process Model chapter (section 4.3.2; Data Sources, Limitations)
reviewed the appropriateness and literature references of projective
techniques.

6.2.1 Projection technique

The chosen projection technique is a story with an attached self administered
questionnaire. While the underlying story remains the same, details of the
described service encounter vary, depending on the treatment group and the
attributes being manipulated. Three attributes are varied with 2 or 3 levels
each, while other significant attributes are being held at a specific level. A
base story has been created and is varied for each of the 12 (3*2*2) cells of
the full factorial design:

Treatment Level (experiment groups)

1. Control group

2. Elicitation only

3. Elicitation and Recovery

Attribution – stability (Assumption/attribute test 1)

1. Unstable

2. Stable

Recovery action (Assumption/attribute test 2)

1. Apology only

2. Apology and service upgrade

Care factor projection

Kept constant across all cells

Attribution, locus and controllability

Kept constant across all cells

The underlying story is an overnight business class flight. A failure will occur which is of a medium severity level, sufficient to be noticeable, but not a major failure. For comparison purposes, the mishap described is the same in all scenarios. This represents a trade-off between keeping the analysis of the empirical data within practical limits, while limiting the immediate applicability of the results to medium severity level failures (see also chapter 9, "Limitations").

The stability situation was manipulated by implying that an unusual combination of staff holiday and staff sickness led to a trainee being in charge, making a mistake. Half of the questionnaires explain this exceptional

situation ("stable" scenarios), whereas the "unstable" group did not receive an explanation as to why a trainee was left in charge.

Recovery includes a compensation, which varies between an apology only or a service upgrade. Not all experimental groups include "real" compensation scenarios, since only the recovery treatment level actually offered compensation. However, each story version contains an explanation of the company's usual compensation policy and what kind of compensation can be expected.

The attribution-locus is kept constant, i.e., it is clearly the airline's fault. The same goes for attribution-controllability, where the airline could have prevented the fault. Each scenario contains words to imply that the service provider does genuinely care about the concerns of its customers.

Trigger questions are used as part of the elicitation process to cue customers and obtain feedback. As documented in the literature review section, many customers find it difficult to complain and would rather switch providers before making a complaint. Trigger questions are used as a non threatening way to "break the ice" and induce the customer to provide constructive feedback. In this context, trigger questions include specific questions relating to different steps of the service (check-in, food, staff responsiveness) followed by less specific questions (how the flight experience was overall, etc.). This sequence will help the customer to recall each step and provides the customer with several opportunities to raise specific and generic issues. The trigger

questions will convey to the passenger that this is not just a ritual ("is everything fine"), but a genuine attempt to obtain feedback. These pro-active, non threatening steps to start a dialogue are expected to lead to more constructive feedback, as measured in an increase in voice levels.

Each subject will be randomly assigned to one of the scenario combinations. After reading the story, they will be asked to fill in a short questionnaire.

6.3 Experimental Design

The result of SDM is particularly moderated by:

- The effectiveness of the elicitation process
- The adequacy of the recovery process

Therefore, as mentioned above, a 3 group experimental design will be used, with the following **treatment groups**:

1) No treatment, control group

   This is the control group against which the other groups will be compared. Individuals in this group will receive the "standard service", i.e., no treatment.

2) Elicitation only (passive recovery)

   Trigger questions are used to listen to complaints and obtain satisfaction feedback, but no recovery is attempted.

3) Elicitation and (active) recovery

   As for 2), followed by a recovery process, if appropriate

(disconfirmation evident).

Normally, group three will consist of the self selected sub groups 3a (satisfied, no recovery required) and 3b (dissatisfied, recovery process applied). With the projective approach used here, where a failed episode is described, this is not the case and all respondents will be subjected to the recovery process.

The proposed experiment is a full factorial 3*2*2 design, also called CRF-322 (Kirk, 1995). Factors are treatment level (T: control, elicitation, elicitation & recovery), attribution setting (A: unstable, stable) and compensation offered (C: apology only, free service upgrade & apology). A more complex design would be desirable, particularly for the attribution factor (4 levels: unstable, stable, external and internal), however, this would lead to very large sample sizes or a reduction in statistical significance.

Several data sources were examined, the initial approach being to get large firms or government authorities to volunteer and distribute questionnaires to employees through the personnel department. Unfortunately, most firms (banks, insurance companies, head offices, etc.) as well as government authorities declined, generally citing that it was company policy not to respond to survey requests from students. Therefore, universities and in particular business schools were used to collect data. Using post graduate students in MBA classes was unlikely to be representative of all service settings, however, most of these students would be familiar with the scenario presented in the questionnaire (business travel) and the pilot iterations of the

survey wording particularly catered to this audience type. Responses are therefore expected to be similar to what can be expected of someone actually experiencing the described service encounter.

The chosen design (3*2*2) contains 12 cells. With a minimum cell size of 30 or more for sufficient statistical accuracy, 360 valid responses are required. For data collection methods with low response rates, a crossover design (Kirk, 1995) also called within subject design (Keppel, 1982), looks attractive on the surface. Using this method, each subject answers all treatment scenarios in turn. This means each subject will rate 3 scenarios, reducing the number of subjects required by a factor of 3 (there are 3 treatment groups in this scenario). This is an established and proven method, however, it can create a bias if previous treatments influence the subject's evaluation of subsequent questions. In the SDM context, it is likely that a carry over effect would bias subjects when evaluating the second and third treatment scenario. Therefore, a conventional "quantity" approach was used.

Manipulation checks (Sawyer et al, 1995) were built into the data collection, using the direct question technique (Laczniak and Muehling, 1993). Measures to counter demand artifacts or demand effects (Murray, 1991) are not considered necessary in the SDM context. For more simplistic environments, like basic classical conditioning experiments (Janiszewski and Warlop, 1993), demand effects are expected to bias results to some degree. In the SDM context, this is unlikely. Probabilities of meeting the three conditions for demand effects (Shimp et al, 1991):

1) subject encoding demand cue,

2) subject discerning research hypothesis and

3) subject biased and attempting to confirm hypothesis, despite own differing views,

are expected to be low. In SDM, there is no single demand cue, but a combination of cues, therefore, the probability to meet condition 1) is low. The other conditions are similarly unlikely to be met, since the hypotheses are based on group differences, rather than absolute values. Subjects responding to one scenario have no knowledge of the scenarios presented to other subjects. Therefore, there is again a low probability of conditions 2) and 3) being met. With the experiment being differential in nature, i.e. comparing differences between groups, a naive experimental subject has no reference point (Shimp et al, 1993). The non-trivial scenario will also make it less likely that subconscious analysis of information influences a consumer's attitude (Darley and Lim, 1993). In addition, an introduction paragraph to explain the study disguises the actual purpose of the survey. Attempts to filter demand artifacts with postexperimental enquiries are likely to add, rather than remove systematic bias (Shimp et al, 1993).

The design employed is as follows:

Cell	Treatment Group	Attribution Condition	Compensation Offered
1	Control	Unstable	Apology
2	Control	Unstable	Upgrade
3	Control	Stable	Apology

4	Control	Stable	Upgrade
5	Elicitation	Unstable	Apology
6	Elicitation	Unstable	Upgrade
7	Elicitation	Stable	Apology
8	Elicitation	Stable	Upgrade
9	Recovery	Unstable	Apology
10	Recovery	Unstable	Upgrade
11	Recovery	Stable	Apology
12	Recovery	Stable	Upgrade

Table 6-7 Experimental design, cells

The flow of treatment groups 1-3 is shown below:
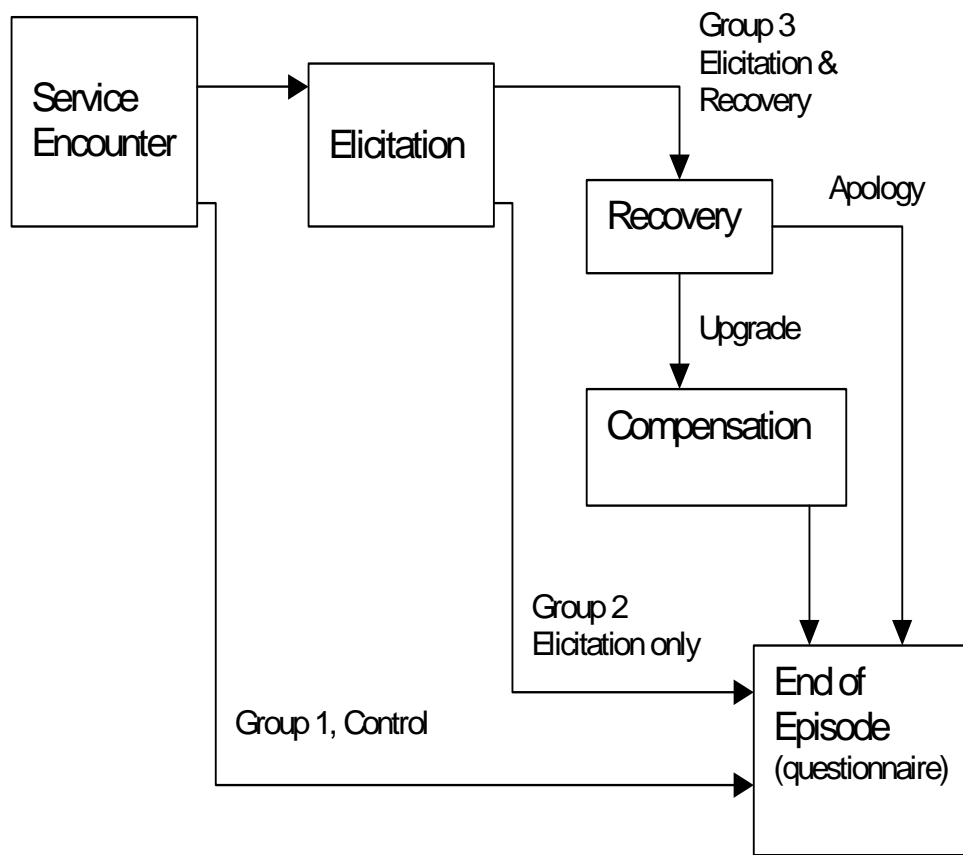
Figure 6-1 SDM Experimental design, treatments

6.3.1 Scenarios

Below is an abbreviated form of the final surveys issued. Samples of actual

versions of the surveys distributed are shown in appendix B.

SCENARIO 1 (control, unstable, apology)

Problem at check in, airline disorganised
Sarah Miller was booked on an overnight flight to attend meetings for the rest
of the week. When checking in at the business class counter, she had to <u>wait
longer than usual</u>, as there was an <u>unsupervised trainee</u> at the check-in
counter. In response to her question, the trainee confirmed that her request
for a vegetarian meal was registered. The trainee seemed to have <u>problems</u>

with the computer, but advised that all should be in order. Sarah got the impression that the airline was generally not well organised.

Booked special meal not available, no explanation offered
During the flight it became obvious that no vegetarian meal was available and the choices were restricted to the standard business class dinner menu. Since Sarah has to follow a medical diet, this meant that she missed out on dinner. The cabin crew apologised, but could not explain why this happened.

Average to good service otherwise, responsive and caring
The service was good otherwise, with the crew trying to be responsive and caring.

Complain or switch? Company apologises
Sarah was thinking about whether she should complain or switch airlines without further dialogue. She appreciated that today's problem was the result of an unusual situation. Previous flights have been without incidents, but Sarah heard that the company apologises for mishaps brought to their attention. Other than that, Sarah felt no particular loyalty to this airline, given that the alternatives had similar levels of service and equally convenient departure times. Sarah was not yet a member of a frequent flier scheme, so switching airlines had no further complications.

SCENARIO 2 (control, unstable, upgrade)

Problem at check in, airline disorganised
Sarah Miller was booked on an overnight flight to attend meetings for the rest of the week. When checking in at the business class counter, she had to wait longer than usual, as there was an unsupervised trainee at the check-in counter. In response to her question, the trainee confirmed that her request for a vegetarian meal was registered. The trainee seemed to have problems with the computer, but advised that all should be in order. Sarah got the impression that the airline was generally not well organised.

Booked special meal not available, no explanation offered
During the flight it became obvious that no vegetarian meal was available and the choices were restricted to the standard business class dinner menu. Since Sarah has to follow a medical diet, this meant that she missed out on dinner. The cabin crew apologised, but could not explain why this happened.

Average to good service otherwise, responsive and caring
The service was good otherwise, with the crew trying to be responsive and caring.

Complain or switch? Company upgrades to first class
Sarah was thinking about whether she should complain or switch airlines without further dialogue. Previous flights have been without incidents, but

Sarah heard that the company apologises and <u>sometimes compensates</u> with an <u>upgrade to first class</u> service for mishaps brought to their attention. Other than that, she felt no particular loyalty to this airline, given that the alternatives had similar levels of service and equally convenient departure times. Sarah was not yet a member of a frequent flier scheme, so switching airlines had no further complications.

SCENARIO 3 (control, stable, apology)

Problem at check in, airline otherwise well organised
Sarah Miller was booked on an overnight flight to attend meetings for the rest of the week. When checking in at the business class counter, she had to <u>wait longer than usual</u>, as there was an <u>unsupervised trainee</u> at the check-in counter. In response to her question, the trainee confirmed that the request for a vegetarian meal was registered. The trainee seemed to have <u>problems with the computer</u>, but advised that all should be in order. Sarah felt that the airline was <u>otherwise well organised</u>.

Booked special meal not available, explanation offered
During the flight it became obvious that <u>no vegetarian meal was available</u> and the choices were restricted to the standard business class dinner menu. Since Sarah has to follow a medical diet, this meant that she <u>missed out on dinner</u>. The cabin crew apologised and explained that the unsupervised trainee was the <u>result of a rare and unusual combination</u> of a staff shortage due to holidays and sickness. It appeared that the trainee accidentally cancelled Sarah's request.

Average to good service otherwise, responsive and caring
The <u>service was good otherwise</u>, with the <u>crew</u> trying to be <u>responsive and caring</u>.

Complain or switch? Company apologises
Sarah was thinking about whether she should <u>complain</u> or <u>switch airlines</u> without further dialogue. She appreciated that <u>today's problem</u> was the <u>result of</u> an <u>unusual situation</u>. Previous flights have been without incidents, but Sarah heard that the company <u>apologises for mishaps</u> brought to their attention. Other than that, Sarah felt no particular loyalty to this airline, given that the alternatives had similar levels of service and equally convenient departure times. Sarah was not yet a member of a frequent flier scheme, so switching airlines had no further complications.

SCENARIO 4 (control, stable, upgrade)

Problem at check in, airline otherwise well organised

Sarah Miller was booked on an overnight flight to attend meetings for the rest of the week. When checking in at the business class counter, she had to <u>wait longer than usual</u>, as there was an <u>unsupervised trainee</u> at the check-in counter. In response to her question, the trainee confirmed that the request for a vegetarian meal was registered. The trainee seemed to have <u>problems with the computer</u>, but advised that all should be in order. Sarah felt that the airline was <u>otherwise well organised</u>.

Booked special meal not available, explanation offered
During the flight it became obvious that <u>no vegetarian meal was available</u> and the choices were restricted to the standard business class dinner menu. Since Sarah has to follow a medical diet, this meant that she <u>missed out on dinner</u>. The cabin crew apologised and explained that the unsupervised trainee was the <u>result of a rare and unusual combination</u> of a staff shortage due to holidays and sickness. It appeared that the trainee accidentally cancelled Sarah's request.

Average to good service otherwise, responsive and caring
The <u>service was good otherwise</u>, with the <u>crew</u> trying to be <u>responsive and caring</u>.

Complain or switch? Company upgrades to first class
Sarah was thinking about whether she should <u>complain</u> or <u>switch airlines</u> without further dialogue. She appreciated that <u>today's problem</u> was the <u>result of</u> an <u>unusual situation</u>. Previous flights have been without incidents, but Sarah heard that the company apologises and <u>sometimes compensates</u> with an <u>upgrade to first class</u> service for mishaps brought to their attention. Other than that, she felt no particular loyalty to this airline, given that the alternatives had similar levels of service and equally convenient departure times. Sarah was not yet a member of a frequent flier scheme, so switching airlines had no further complications.

SCENARIO 5-8 (elicitation, combinations of attribution & compensation**)**

As for scenario 1-4 (respectively), plus:

Cabin crew seeking general feedback, listening to complaints
Towards the end of the flight, the head steward came through the cabin, handing out immigration forms for the destination. He appeared relaxed and friendly, frequently asking passengers whether they were happy with the flight and the crew's performance. In most cases, he took the time to <u>listen to specific complaints</u>. The airline seemed to be <u>eager to get feedback</u> from its customers.

Sarah remembered her earlier thoughts about complaining, or just switching airlines, when the head steward addressed her with a smile and asked whether she enjoyed the flight.

SCENARIO 9 (recovery, unstable, apology)

As for scenario 5, plus:

Staff responsive to individual feedback
It was obvious that the cabin crew made an <u>effort to not only listen</u>, <u>but respond to individual feedback</u>. A passenger a few rows in front of Sarah went through a similar experience with this flight. The head steward sensed this and <u>spent</u> quite some <u>time</u> with him, asking specific questions as to how the check-in went, whether the meal was cooked to satisfaction, etc.

Personal apology as compensation
In a factual way, the passenger explained what happened to him.
The head steward was very sympathetic and <u>sincerely apologised</u> for what happened.

Staff seeking dialogue, addressing complaints
The airline seemed to have a very <u>positive attitude towards complaints</u>, <u>encouraging feedback</u> and <u>trying to make up for mishaps</u>.

Sarah remembered her earlier thoughts about complaining, or just switching airlines, when the head steward addressed her with a smile and asked whether she enjoyed the flight.

SCENARIO 10 (recovery, unstable, upgrade)

As for scenario 6, plus:

Staff responsive to individual feedback
It was obvious that the cabin crew made an <u>effort to not only listen</u>, <u>but respond to individual feedback</u>. A passenger a few rows in front of Sarah went through a similar experience with this flight. The head steward sensed this and <u>spent</u> quite some <u>time</u> with him, asking specific questions as to how the check-in went, whether the meal was cooked to satisfaction, etc.

Free upgrade to first class as compensation
In a factual way, the passenger explained what happened to him.
The head steward was very sympathetic and sincerely apologised for this. He offered a free <u>upgrade to first class</u> for the return flight, as compensation for what happened.

Staff seeking dialogue, addressing complaints
The airline seemed to have a very <u>positive attitude towards complaints</u>, <u>encouraging feedback</u> and <u>trying to make up for mishaps</u>.

Sarah remembered her earlier thoughts about complaining, or just switching airlines, when the head steward addressed her with a smile and asked whether she enjoyed the flight.

SCENARIO 11 (recovery, stable, apology)

As for scenario 7, plus:

Staff responsive to individual feedback
It was obvious that the cabin crew made an <u>effort to not only listen</u>, <u>but respond to individual feedback</u>. A passenger a few rows in front of Sarah went through a similar experience with this flight. The head steward sensed this and <u>spent</u> quite some <u>time</u> with him, asking specific questions as to how the check-in went, whether the meal was cooked to satisfaction, etc.

Personal apology as compensation
In a factual way, the passenger explained what happened to him.
The head steward was very sympathetic and <u>sincerely apologised</u> for what happened.

Staff seeking dialogue, addressing complaints
The airline seemed to have a very <u>positive attitude towards complaints</u>, <u>encouraging feedback</u> and <u>trying to make up for mishaps</u>.

Sarah remembered her earlier thoughts about complaining, or just switching airlines, when the head steward addressed her with a smile and asked whether she enjoyed the flight.

SCENARIO 12 (recovery, stable, upgrade)

As for scenario 8, plus:

Staff responsive to individual feedback
It was obvious that the cabin crew made an <u>effort to not only listen</u>, <u>but respond to individual feedback</u>. A passenger a few rows in front of Sarah went through a similar experience with this flight. The head steward sensed this and <u>spent</u> quite some <u>time</u> with him, asking specific questions as to how the check-in went, whether the meal was cooked to satisfaction, etc.

Free upgrade to first class as compensation

In a factual way, the passenger explained what happened to him.
The head steward was very sympathetic and sincerely apologised for this. He offered a free upgrade to first class for the return flight, as compensation for what happened.

Staff seeking dialogue, addressing complaints
The airline seemed to have a very positive attitude towards complaints, encouraging feedback and trying to make up for mishaps.

Sarah remembered her earlier thoughts about complaining, or just switching airlines, when the head steward addressed her with a smile and asked whether she enjoyed the flight.

6.3.2 Questionnaire

Each survey used an introduction paragraph, similar to the sample below:

Please participate in this survey (PhD research project)

*Below is a questionnaire, looking at people's **attitudes towards services**. It takes 5 to 10 minutes to fill it in. Kindly complete and return it as soon as possible.*
There is a description of a service (section 1), followed by some questions (section 2).
*When reading section 1, **assume that you are the passenger on this flight**.*
Thank you   (Andre Schoen, PhD student).
Please RETURN the questionnaire to the ASSIGNMENT BOX (Attn: Prof. Les Johnson)

Section 1, the service encounter desription, followed the introduction with the

appropriate scenario (1-12). Section 2, the questionnaire, was the same for all

scenarios:

SECTION 2

When answering the questions below, **assume that you were the passenger on this flight**:

1)　Had you been in this situation, **how satisfied** would you have been **with the overall service**?								
Circle/tick one number only　　(9 point scale, 5 being neutral):								
9: very satisfied	8: quite satisfied	7: satisfied	6: somewhat satisfied	**5:** indifferent	4: somewhat dissatisfied	3: dissatisfied	2: quite dissatisfied	**1:** very dissatisfied

2) How likely is it that you would **use this airline again**, rather than switching airlines?								
9: very likely	8: quite likely	7: likely	6: somewhat likely	**5:** undecided	4: somewhat unlikely	3: unlikely	2: quite unlikely	**1:** very unlikely

3) In a real situation, would you have **voiced your complaint (meal) to the head steward or other airline staff**?								
9: very likely	8: quite likely	7: likely	6: somewhat likely	**5:** undecided	4: somewhat unlikely	3: unlikely	2: quite unlikely	**1:** very unlikely

4) How do you rate the overall **service quality level** of this airline?								
9: very good	8: quite good	7: good	6: somewhat good	**5:** neither good or bad	4: somewhat bad	3: bad	2: quite bad	**1:** very bad

5) Did the airline appear to **care** for their passengers?								
9: very caring	8: quite caring	7: caring	6: somewhat caring	**5:** undecided	4: somewhat indifferent	3: indifferent	2: quite indifferent	**1:** very indifferent

6) Did the airline appear to make an adequate attempt to **listen to feedback**?								
9: very adequate	8: quite adequate	7: adequate	6: somewhat adequate	**5:** indifferent	4: somewhat inadequate	3: inadequate	2: quite inadequate	**1:** very inadequate

7) **How stable** do you perceive the overall service level at this airline (tick most applicable, tick one only)?		
1:　Organised, but temporary problems	*2:*　Disorganised, no explanation for the incident	**3**:　Not sure

8) Was it entirely the **airline's responsibility to avoid this mishap** (meal)?								
9: very true	8: quite true	7: true	6: somewhat true	**5:** undecided	4: somewhat untrue	3: untrue	2: quite untrue	**1:** very untrue

9) **How well** did the airline appear to **respond to or address mishaps**?								
9: very adequate	8: quite adequate	7: adequate	6: somewhat adequate	**5:** indifferent	4: somewhat inadequate	3: inadequate	2: quite inadequate	**1:** very inadequate

10) How **severe** do you rate this incident?								
9: very severe	8: quite severe	7: severe	6: somewhat severe	**5:** indifferent	4: somewhat minor	3: minor	2: quite minor	**1:** very minor

11) How **upset** would you have been with this encounter?								
9: very upset	8: quite upset	7: upset	6: somewhat upset	**5:** indifferent	4: somewhat happy	3: happy	2: quite happy	**1:** very happy

12) *How do you think this airline **usually responds to mishaps** (tick most applicable, tick one only)?*		
1: *Apology only*	**2:** *Offers compensation (free upgrade, etc.) and apology*	**3:** not sure

13) *What do you think is the **purpose of this study** (tick most appropriate, tick one only)?*							
1: *Study attitudes towards services*	**2:** *Study satisfaction levels*	**3:** *Study complaint behaviour*	**4:** *Study service quality levels*	**5:** *Study service failure handling*	**6:** *Study complaint handling*	**7:** *Not sure*	**8:** *Other (please specify)*

Please answer the following questions **about yourself**

A) When going to a restaurant, **if not satisfied** (slow service), how likely is it that you will **complain**? *Circle one number only (9 point scale, 5 being neutral):*								
9: very likely	**8:** quite likely	**7:** likely	**6:** somewhat likely	**5:** undecided	**4:** somewhat unlikely	**3:** unlikely	**2:** quite unlikely	**1:** very unlikely

B) When dissatisfied with a restaurant (slow service) and if there are similar restaurants in the area, are you likely to **change restaurants without first complaining**?								
9: very likely	**8:** quite likely	**7:** likely	**6:** somewhat likely	**5:** undecided	**4:** somewhat unlikely	**3:** unlikely	**2:** quite unlikely	**1:** very unlikely

C) Once you **complained** at a restaurant (slow service), are you more or less likely to **return** to it in the future?								
9: very likely to return	**8:** quite likely to return	**7:** likely to return	**6:** somewhat likely to return	**5:** undecided	**4:** somewhat unlikely to return	**3:** unlikely to return	**2:** quite unlikely to return	**1:** very unlikely to return

D) Which age group do you belong to (circle one number):						
1: under 20 years of age	**2**: 20-29	**3**: 30-39	**4**: 40-49	**5**: 50-59	**6**: 60-65	**7**: above 65

E) Your family situation (circle one number):							
1: Living with parents	**2**: Single with own household	**3**: Sharing household with partners/friends	**4**: Married, no children	**5**: Married with children	**6**: Married, grown up children	**7**: Retired	**8**: Other

F) Your sex (circle one number):	**1**: Male	**2**: Female

G) Education, your highest achieved level (circle one number, most applicable):						
1: School certificate	**2**: High school certificate	**3**: Vocational or trade certificate	**4**: Diploma	**5**: University degree	**6**: Post graduate degree	**7**: Other

H) Your Employment, select most appropriate category (circle one number):							
1: Not in work force	**2**: Student	**3**: Housewife	**4**: Worker	**5**: Staff	**6**: Professional	**7**: Manager	**8**: Other

Thank you again for your time. Feel free to add comments.

6.3.3 Surveys

Originally, only one pilot survey was planned. However, data analysis, written comments provided and follow up interviews suggested that there were questionnaire wording problems, which required iterations. There were also sample size problems, where very low response rates let to usable responses in the order of 100 returned surveys, far short of the targeted minimum of 360 for the 12 cell experimental design, impacting on the statistical accuracy and making the results unsuitable for use in the main study. Therefore, these studies were used to correct obvious ambiguities and largely eliminate marginal manipulation effects, as well as to compare, to some degree, different approaches and audiences. The final survey used questionnaire wordings where the 12 cell manipulations showed distinct effects. It was also possible to ensure acceptable questionnaire return rates through co-operation with lecturers in the final study.

An initial pilot survey was conducted at a site of a multinational engineering company (ALSTOM Projects Group, Sydney). Fifty four valid surveys were returned. This study exposed a number of deficiencies (ambiguous questionnaire wording, treatment levels not sufficiently distinguishable, etc.), which were addressed in a second pilot (119 responses received and analysed), conducted at two business schools (Graduate School of Business/ University of Sydney, Monash Mt Eliza Business School/ Melbourne). Again, a few deficiencies were identified. A change from a 9 point to a 7 point scale impacted on the result and manipulation checks showed that some manipulations were not sufficiently effective (scenario description changes to

subtle). A final pilot was run, using the original 9 point scale, but improved questionnaire wording, with the consulting services group of the NSW railways (RSA, Rail Services Australia), where 136 responses were collected from staff participating in the pilot survey. Data analyses suggested that the earlier wording ambiguity problems have been largely resolved and the full survey followed closely the format, as applied to the RSA pilot survey.

Results from the initial pilot survey suggested that the nature of the failure episode reduced the effect of SDM. If it was perceived that the failure was due to generally bad service, then recovery attempts were viewed as non genuine and had little effect. This was to be expected and in fact is a stated boundary condition of SDM. However, the wording of earlier pilot surveys appeared to violate this assumption. In the final version, the cause of the mishap was changed to a make it clear that the incident was unusual and did not stem from a systemic management problem.

To test the results with a simpler encounter (restaurant episode), a separate pilot was run with a different story at another business school (Macquarie). However, this story appeared too simplistic for the audience (MBA students) and the responses (90 surveys returned) to the manipulations were less pronounced compared to the airline story. Results observed between the control group and full recovery resembled the findings from the airline scenario, however, the differentiation between the control group and elicitation only was marginal. No attempt was made to fine tune this questionnaire

(check for wording ambiguities, sufficiency of manipulation wording differentiation, etc.) and the airline scenario was used for the full survey.

All pilot surveys were run during 1998. The final (full) surveys were issued in 1999 to students in all major business schools in the area (Monash Mt Eliza Business School/ Melbourne, GSB/ Sydney, AGSM/ UNSW, Macquarie University/ Sydney and UTS). Response rates varied from 20% (GSB) to 100% (Monash). All final surveys were identical, except for the introduction paragraph (instruction on where to return the survey). All surveys (pilot and final) were administered in the same fashion, i.e. written questionnaire distributed, filled in by individuals and returned via a common deposit point (lecturer, drop off box or internal mail).

6.4 Data Analysis

The data analysis was performed in two steps: specific testing and raw data analysis. Specific testing only concerned itself with examining findings relevant to the hypotheses, assumptions or manipulations, without an analysis of potential interactions. The analysis of raw data looked at the data more broadly and investigated cell interactions.

Specific statistical tests were performed to analyse the support found for each hypothesis. Since violation of a key assumption could invalidate the findings, separate tests were carried out, examining the extent to which the key

assumptions applied. The performance of the manipulations in each scenario was also reviewed.

6.4.1 Hypothesis analysis

The purpose of this thesis was to find support for SDM. A positive result, aligned with the hypotheses, will justify the additional effort required to translate the findings into processes with tangible results for practitioners. Results which disagree with some or most of the hypotheses will give important clues as to which service recovery strategies can be used to influence satisfaction ratings and voice levels. Generally, statistically significant results at the 5% level or better are expected.

H1: The aggregate satisfaction level in an environment that does not use feedback elicitation will be lower compared to an environment that uses feedback elicitation.

Statistical support for H1 will be analysed using ANOVA and group means comparisons to show a statistically significant (5% level) difference between the control group and the elicitation group, regardless of attribute settings. Variables investigated are: stated satisfaction, repurchase intentions, and perceived quality. While overall satisfaction is the key variable, repurchase and quality data will assist in the interpretation of the result.

H2: Feedback elicitation and complaint neutralisation together will have a

positive impact on satisfaction, exceeding the increase achieved by

feedback elicitation alone.

The H1 tests will be repeated and similar results are expected as for H1,

except that the groups compared are the "elicitation" group against the

"elicitation/recovery" group.

H3: Feedback elicitation and recovery will lead to higher voice levels.

The same tests to be performed as for H1, except that the measurement

examined is the "voice level", instead of satisfaction, quality and repurchase.

Also, the contrast group is no treatment versus a treated group (elicitation or

recovery).

In addition to these tests, the no treatment situation versus the full treatment

contrast will be examined, ignoring the intermediate treatment (exclusion of

elicitation only cases), since this is more representative of an actual SDM

application.

6.4.2 Assumption tests

A1: A stable attribution setting will increase satisfaction ratings, compared to a

non stable situation.

Attribution theory literature suggests that a stable environment will moderate

dissatisfaction. This has ramifications for SDM, as it can be used to

manipulate satisfaction ratings. To analyse this assumption, the same tests

(ANOVA, group means, etc.) and variables (satisfaction, quality, repurchase)

as for the hypothesis analysis will be used, the difference being the grouping variable, which is not the treatment level, but the stability manipulation. A statistically significant difference is expected between aggregate groups which are presented with a stable environment, compared to a non stable environment. Aggregates are formed across/regardless of treatment groups and factors/attributes, other than attribution.

A2: Tangible compensation will lead to higher satisfaction.

Service recovery literature suggests that a "fair fix" moderates dissatisfaction. Therefore, an adequate compensation is a pre-requisite for a successful recovery. This assumption was tested as described under A1, except that the comparison groups for A2 are the two compensation types offered (apology only or apology with upgrade).

A3: Service provider genuinely interested in caring about their customers.

SDM is unlikely to function if the service provider has no intentions or abilities to address complaints, or if this is not communicated. A "care factor" group means analysis was performed across the 12 cells. All cells are expected to show a group mean "care factor" of 5 or higher (9 point scale). Levels below 5 (mid-point) would suggest that the subjects do not believe that a genuine recovery process is in place.

A4: Increase in voice does not lead to a decrease in satisfaction.

If the SDM process were to solely amplify a customer's negative feelings, then an increase in voice may lead to a decrease in satisfaction. Therefore,

satisfaction and voice means are expected to move in the same direction, across the 3 treatment groups. To assess this, a group means and regression analysis was performed with the treatment group as a dummy variable.

6.4.3 Manipulation checks

M1: Care factor constant

The care factor has been kept constant across the 12 cells. Therefore, a "care factor" ANOVA and group mean comparisons should not differ substantially across the 12 cells.

M2: Compensation policy

Half of the questionnaires suggest or demonstrate a compensation policy of apologising, while the other scenarios include an apology with compensation, if mishaps occur.

a) Most subjects receiving "apology only" manipulated questions are expected to correctly identify that the company apologises (only) when mishaps occur. Therefore, recovery action "apology" (manipulation) scenarios are expected to show a high percentage of "compensation, apologies" (measurement) responses.

b) The opposite holds for "compensation – apologies/compensation". The majority of subjects receiving scenarios where compensation was offered are expected to recognise that there is an apology AND compensation policy.

c) A low percentage of "compensation – not sure" responses are expected. A "not sure" reply would suggest that the manipulation failed, or the participant did not understand or recall what action was taken.

M3: Attribution, stability

Two scenarios are presented: **a)** problem is temporary (unusual combination of staff holiday plus sick leave) and **b)** implied systematic or frequent failures (no explanation offered, airline disorganised). Testing this manipulation is similar to M2, with a comparison table between the "attribution-situation" (manipulation) and "attribution stability" (measurement). Again, "not sure" response rates are expected to be low.

M4: Attribution, locus (constant)

Since locus is kept constant (airline's fault), no discernible difference (ANOVA, group means comparisons) is expected across the 12 cells.

Finally, demand artifact data is analysed (tabulation) and interpreted.

6.4.4   Raw data analysis

Further tests are added to examine the null hypothesis and look for as well as analyse interactions.

Key variables examined are: satisfaction, voice, repurchase and quality perception.

Specific raw data tests include:

1. Graphs of main effects (key variables group means) against the different manipulations (treatment, stability, compensation).

2. Key variables means graph against repurchase intentions

3. Interaction graphs of each key variable against the manipulation combinations

4. ANOVA of each key variable, looking for interactions with the manipulations

5. MANOVA univariate analysis, key variables against all manipulation factors.

6. Influence of auxiliary measures (ANOVA, mean graphs) like response adequacy, upset level and severity on the key variables.

7. Descriptives and group mean values of all variables

Results of these tests are expected to support the proposition that there is a stepped increase in satisfaction and voice levels from group 1 (no treatment), to group 2 (elicitation only) through to group 3 (elicitation and recovery). No predictions have been made at this stage as to what the likely interactions may be.

The findings of these raw data tests will be summarised and discussed, particularly the extent to which they agree/disagree with the hypotheses (H1-H3).

Statistical significance for the key tests is expected to be << 0.05, reducing the problem of a disproportional increase in type 1 error probabilities, when conducting several statistical tests with the same data. Nevertheless, multiple statistical tests will use the most conservative means available, like Scheffe's

test (Hair et al, 1995). For c number of comparisons, with a significance level

a, the adjusted significance level for multiple observations is:

$$a_{adj} = 1 - (1 - a)^c$$

7 PRELIMINARY RESULTS

The preliminary results chapter discusses findings of tests performed which are not directly linked to hypotheses, starting with sample data details, followed by a review of the assumption and manipulation test results. Other tests discussed in this chapter include an overall assessment for the SDM support found, interaction analysis and further detailed tests performed.

Unless indicated otherwise, tests were performed across all collected data, i.e., the findings in this chapter do not exclude interaction cells which are highlighted in the following "main results and discussion" chapter (chapter 8). For readability, the detailed results of the statistical tests are shown separately in appendix A. Discussions of hypothesis related tests follow in the next chapter.

7.1 Sample Data

A total of 798 valid surveys were collected. Missing data across the key variables (satisfaction, voice, repurchase and quality ratings) was negligible (three or less out of the 798 surveys). The survey data was collected from

major business schools in Sydney (AGSM/GSB, UTS, Maquarie) and

Melbourne (Mt Eliza/Monash), Australia. Bio data collected was consistent

with the data collection source, post graduate management students.

More than half of those surveyed were below 30 years of age and 87.6% were

below 40. Almost two thirds were not married and 76% did not have children.

The male to female ratio was 60.1% males and 39.9% females. A large

proportion of the population (52.5%) reported a university degree, with 39.3%

at post graduate level. While there was a significant number of full time

students (29.6%), a large part of the sample reported to be in a professional

position (32.7%) or a manager (26.1%). Surveys were distributed in a pseudo

random fashion. Responses showed an equal distribution of returned surveys

across the treatment levels (33.1% control group, 33.3% elicitation, 33.6%

recovery). Similarly, the stability responses were even (49.5% and 50.5%), as

were the compensation manipulations (51.4% versus 48.6%).

7.2 Frequency Analysis

As discussed in chapter 6, some skewing was expected, hence the

application of a 9 point scale. Observed clustering of responses for

satisfaction, repurchase and quality was near the midpoints and not

concentrated towards the extreme poles. Voice was the exception, with a

tendency towards the upper extreme. In addition, 27.8% of the voice

responses were at the highest level, suggesting at least a partial bias. With

around one quarter of responses being concentrated at the upper extreme

pole of the scale, regardless of manipulation combinations, a differential

analysis of treatment levels can be expected to be somewhat compromised

for this particular group. This may have some impact on the interpretation of

voice related tests (see also chapter 9 "Limitations"), but was not subjected to

further analysis for the purposes of this study.

Group mean values, all data (9 point scale)

Satisfaction	Repurchase	Voice	Quality
4.03	5.37	6.93	5.16

Table 7-1 Group means, key variables

7.3 Assumption Tests

SDM requires a number of boundary conditions or assumptions to be met,

which, if violated, may create unwanted variance, affecting the data

interpretation. Hence, some tests are required to confirm that the scenarios

presented in the questionnaires did not violate these assumptions. In the

following sub-sections, quantitative tests relating to these key assumptions

are discussed. Sufficient support was found to confirm that most assumptions

are valid and operate as expected. There was one exception (A2), but with

little impact on SDM, beyond offering guidance for future research.

7.3.1   A1 - Stability improves result

One of the underlying assumptions of SDM is that it will not work in a systematically flawed environment. To indirectly test this assumption, half of the surveys described a scenario where the service processes were implied to be unstable. The other scenarios described an environment which had temporary flaws, but with otherwise stable processes. This is an indirect test of the assumption, as the test performed only looks for support as to whether a stable environment improves results compared to a non stable environment. Data collected showed that a stable environment did improve satisfaction, repurchase and quality results (p = 0.000).

Voice data was only significant at a slightly higher level (p = 0.075) and showed a reduction of voice levels in a stable environment. This reduction of voice in a stable environment was not expected and further investigations (interaction analysis below) suggest that there is a tolerance factor operating. A discussion of this follows in the interaction section. Since this affects voice only and not satisfaction, the finding is interesting, but has no direct impact on the A1 test result.

Increases of group mean values – stability manipulation

Stability Manipulation	Satisfaction	Repurchase	Voice	Quality
Unstable	3.81	5.14	7.06	4.92
Stable	4.25	5.60	6.80	5.40

Table 7-2 Group means, stability manipulation

7.3.2 A2 - Tangible compensation

SDM assumes that the type of compensation offered after a mishap influences customer's perception of the service encounter. To test this assumption, half of the surveys implied an apology only, whereas the remainder implied a tangible compensation. It was expected that the apology only scenario would lead to lower results. However, customers who received an apology only or were offered a flight upgrade responded almost identically. The ANOVA results are not significant ($p > 0.3$) and mean values across the two scenario versions showed virtually no difference. Built into the survey was a supplementary question to ask respondents whether the service provider adequately addressed the situation. Again, the apology only and upgrade groups responded almost equally, i.e., virtually no change in mean values between the two groups and no statistical significance ($p > 0.3$).

Since the study focus was not the effect of compensation types, the data collected did not lend itself for a further analysis of this finding. It is not clear whether customers are happy to only receive an acknowledgement that a mistake was made and therefore a non tangible compensation is sufficient, or whether the promise of additional free service for the next service encounter was an insufficient tangible compensation for this particular mishap. As discussed in the literature review, less severe mishaps require only an apology and only mishaps which cause a tangible loss require a compensation. Since the mishap description was of medium severity, but without material loss, it is possible that no compensation was expected,

beyond an apology. The subject of compensation type for a particular

scenario will require further research, but the inconclusive finding does

otherwise not affect the SDM process model.

7.3.3   A3 – Provider genuine

A further SDM assumption is that the proposed process model will not work, if

the provider is not genuine and customers feel that the provider has actually

no intention to provide a satisfactorily service. Therefore, all scenarios

presented implied a caring provider. Respondents were then asked to rate to

what degree they felt the provider cared about their situation. An average

above the scale midpoint was required to confirm this assumption. Data

collected shows a stepped increase from no treatment to full treatment, with

all cells being above the midpoint, supporting this assumption (A3). The

average was 5.98, with individual cell mean values ranging from 5.23 to 6.81

(midpoint = 5.0). The care factor is lower for the control group and higher for

the maximum treatment level, suggesting a small interaction between care

factor and treatment level. This is further examined below (M1).

7.3.4   A4 – Satisfaction and voice

While an increase of constructive voice is desirable, SDM will fail if it only

amplifies negative feelings. Therefore, an increase in voice can not come at

the expense of a decrease in satisfaction. To test this assumption, the

movement of mean satisfaction versus mean voice across the treatment

groups was analysed. The data collected shows stepped increases of voice

and satisfaction in response to increased treatment levels. This supports the assumption that SDM's increase in voice is based on constructive consumer feedback, leading to increased satisfaction.

7.4 Manipulation Tests

To find support for SDM, questionnaires described a particular service encounter. While the base service encounter environment was the same for all surveys, specific service encounter details were varied across 12 scenarios, to include particular treatment levels and other manipulations. Built into the answer section of the questionnaire were specific questions to test the effectiveness of these manipulations. As shown in the sections below, data collected suggests that all manipulations operated as expected. Again, there was one exception (M1), which showed an interaction. However, the particular interaction lends further support to SDM and therefore did not require any particular attention.

7.4.1 M1 – Care factor

The care factor was not manipulated and met the minimum criteria (assumption 3 discussion above). However, it is not constant (ANOVA $p = 0.000$) across the 12 cells in the experimental design, suggesting an interaction with the treatment level. Care factors are lowest in the control group and highest at the maximum treatment level. It is likely that the increase in provider-customer contact time with higher treatment levels led to perceived

higher care factors. This may be an additional benefit of SDM, with the processes applied communicating a "we care" message. Therefore this interaction was not investigated further.

Care factor

Scenario	Mean	N	Std. Deviation
Ctrl-Unst-Ap	5.23	75	1.78
Ctrl-Unst-Upgr	5.39	61	1.78
Ctrl-Stbl-Ap	5.75	65	1.64
Ctrl-Stbl-Upgr	5.92	61	1.56
Elic-Unst-Ap	5.92	66	1.28
Elic-Unst-Upgr	5.33	60	1.57
Elic-Stbl-Ap	5.81	70	1.77
Elic-Stbl-Upgr	6.29	70	1.40
Reco-Unst-Ap	6.48	66	1.64
Reco-Unst-Upgr	6.42	65	1.46
Reco-Stbl-Ap	6.39	66	1.53
Reco-Stbl-Upgr	6.81	70	1.39
Total	5.98	795	1.64

Table 7-3 Group means, care factor

7.4.2 M2 - Compensation

One of the manipulation test questions asked respondents to state how the service provider addressed mishaps. With the questionnaire scenario coding, it was then possible to compare to what degree the correct scenario (compensation level) was identified. Responses from the "apology only" scenarios showed that 69% of the respondents correctly identified their scenario (wrong answers, excluding "not sure": 31%). In the "upgrade" surveys, 65.6% were correctly identified, with 34.4% wrong answers. Across the total response, 18.5% ticked "not sure". These figures suggest that the manipulation worked sufficiently.

7.4.3 M3 – Attribution stability

Attribution stability results are similar to the results found above ("compensation"), suggesting that the manipulation was sufficiently effective. Surveys describing a stable environment were correctly identified by 63.7% of respondents (excluding "not sure", 36.3% wrong answers). The unstable scenario was correctly identified by 75.2% (24.8% wrong answers). Across the total, 12.3% of the respondents ticked "not sure". With the error rates being asymmetric, the error rate in the non stable situation suggests that the unstable scenario was easier to recognise, compared to the stable scenario.

7.4.4 M4 – Attribution locus

Attribution locus was kept constant in all questionnaire versions, implying that the provider caused the mishap. The question relating to whether the provider could have avoided the mishap showed virtually no variation across treatment levels. Group means varied from 7.37 (control group) to 7.56 (full treatment) without statistical significance ($p = 0.239$), suggesting that the manipulation operated as intended.

7.5 Demand Artifacts

In the questionnaire introduction, respondents were told that the research was concerned with attitudes towards services. This was followed by a question in the answer section, to check for potential demand artifact clues. No demand artifact influences were expected, as it would be difficult for respondents to

guess the particular research hypotheses from the questionnaire and then

bias their responses in support of the thesis. The demand artifact test results

support this view. Only 13.1% of the respondents identified the research

purpose in broad terms.

7.6 Overall Support for SDM

As an overall test of the SDM effectiveness, the control group (no treatment)

was contrasted against the recovery group (full treatment). The ANOVA test

for the 4 key variables supports SDM at a significance level of $p < 0.05$.

Satisfaction, the prime variable used for SDM validation purposes is

significant at $p = 0.000$ (n = 529, excluding the intermediate treatment group).

Quality shows equally strong support ($p = 0.000$, n = 530). Repurchase

intentions is still very significant at $p = 0.002$ (n = 530), with voice slightly

weaker at $p = 0.022$ (n = 528). Mean values improved from the no treatment

scenarios to the full treatment scenarios accordingly.

Increases of group mean values in response to treatment level

Treatment	Satisfaction	Repurchase	Voice	Quality
None/Control	3.58	5.18	6.73	4.72
Full/Recovery	4.43	5.61	7.13	5.67

Table 7-4 Group means, no treatment versus full treatment

While the first test contrasts no treatment versus full treatment, a second test

was added to look at the support found with the intermediate treatment level

included. The results of this second test (n = 798, all cases) show that all key results are still significant at $p < 0.01$, with the exception of voice which is not significant at $p = 0.05$, but significant at $p < 0.10$. As shown in the "main results and discussion" chapter, this was mostly caused by an interaction (removing interaction cells improves the result to $p < 0.01$).

7.7 Mean Graphs, Key Variables

To search for unexpected interaction terms, mean values of the key variables (satisfaction, repurchase, voice and quality) were plotted against the various manipulation combinations.

Most variables moved as expected, including:

> Treatment levels positively influence all key variables, i.e., higher treatment levels lead to improved results.
>
> Satisfaction versus upgrade showed a stepped increase across the treatment levels, with slightly higher values for the upgrade situation, compared to an apology only.
>
> Satisfaction versus stability shows a clear improvement in the stable situation (reliable service), i.e., lower means in the unstable scenarios (unknown or frequent service problems).
>
> Repurchase and quality graphs versus stability and upgrade show the same trends as the satisfaction graphs.

The exceptions were:

In an unstable environment, voice shows a positive slope, increasing with higher treatment levels. However, in the stable scenario, a reversal was observed. The full treatment level shows less voice, compared to the intermediate treatment level. This will be further investigated in the following section (interactions).

Graph, voice versus treatment & stability
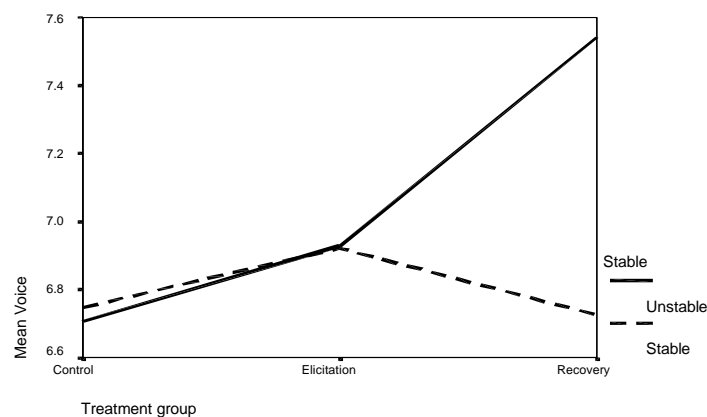
Figure 7-1 Voice-stability interaction

Stability showed a negative slope for voice, but a positive slope for satisfaction, repurchase and quality. More people complained in the unstable situation compared to a stable environment, while satisfaction ratings improved in a stable environment. This is related to the voice reversal observed across treatment levels in the previous paragraph and also supports the findings of the A1 (stability assumption) discussions.

Compensation type (apology only or upgrade) shows only a marginal impact on all key variables. Again, this supports earlier discussions (A2).

Higher stated repurchase intentions show a clear trend of higher satisfaction and quality, but there is only a weak link with voice, suggesting that repurchase intention and voice are not linked or have only a weak link. Since this does not really impact on SDM, this finding was not analysed further.

7.8 Interactions, (M)ANOVA

The previous section showed one likely interaction with potentially major ramifications for the SDM thesis. Plotting voice against treatment levels and the stability manipulations showed a very distinct and unexpected reversal. There is significantly more voice in an unstable process delivery environment compared to an environment which is perceived as being more reliable and stable. Since the graph gave only qualitative information, a quantitative analysis was performed, confirming the significance. ANOVA tests of voice across all data is only marginally significant at $p = 0.073$. When filtering out all stable cases, voice in the unstable scenarios across treatment groups is significant at $p = 0.003$, whereas the same test using stable scenarios only is not significant with $p = 0.669$.

Combining these data with the interaction graph shown in the "mean graphs" section (above) suggests that there is a statistically significant interaction operating for the stable scenarios, creating induced voice variance across all cases. A likely explanation for this is that in a stable environment, customers are more tolerant and therefore voice less. On the other hand, when voice is

encouraged and there is clear evidence of systemic service delivery problems (unstable situation), customers voice more. Indirectly, this is supporting SDM, as it shows that customers are encouraged to voice if there are "real" problems, but providing an environment conducive to voice does not mean that the opportunity is abused by customers (see also the discussion on A4, voice not to the detriment of satisfaction). Hence, when it is obvious to customers that a service delivery problem is of a temporary nature, they will accept it, if they understand the root cause as not being an unstable process. Therefore, this interaction does not invalidate the SDM findings, but provides guidance and clues for future voice research.

Additional analysis using MANOVA to find second or third order interactions showed two additional potential interactions. The stability versus upgrade term for quality was significant at $p = 0.025$. However, a graphical analysis showed no unusual patterns. The graphical analysis of the compensation manipulation impact on quality showed different slopes between treatment levels, but all slopes are positive, as expected. Therefore, the interaction term may have been caused by differing slopes and is of no significance in the SDM context.
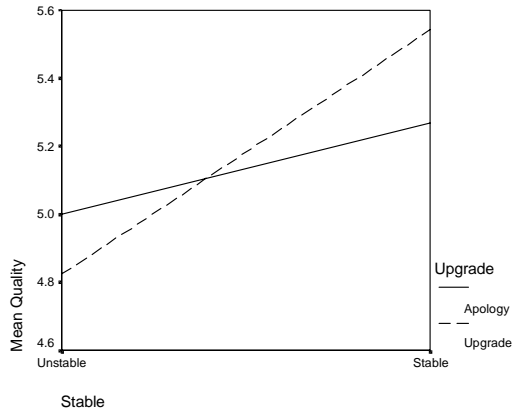
Figure 7-2 Quality versus stability and upgrade

The second interaction found (p = 0.023) concerned a second order voice

term, stability versus treatment levels. Analysing the graphs shows that this is

related to the same interaction found earlier on, concerning the voice reversal.
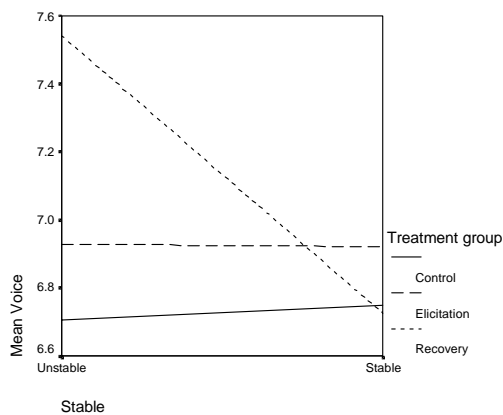
Figure 7-3 Voice reversal (interaction)

7.9 Other Observations

A significant increase of satisfaction was registered when SDM was applied.

In the control group, 15.2% gave a satisfaction rating above 5 (5 = indifferent).

The recovery group (full SDM treatment applied) showed 32.2% of the respondents rating satisfaction above 5. This finding is particularly useful for practitioners who use satisfaction ratings as a surrogate for repurchase intentions. Being able to satisfy twice as many customers demonstrates that SDM can produce tangible results and potentially provide economic benefits to service providers.

The stated upset level had a significant ($p < 0.01$) impact on all key variables. Not surprisingly, increasing upset levels lead to lower satisfaction ratings. Respondents stating that they were somewhat upset gave satisfaction ratings in the order of 6, whereas the rating dropped to 3 for the very upset category. Similarly, but somewhat less pronounced, repurchase and quality declined as the upset level increased. Voice had a positive relationship, with increases in upset levels leading to higher voice. Generally, voice increased almost linearly with the stated upset level. The near linear ranges operated from the somewhat upset level to the very upset level. No consistent pattern is evident when respondents were not or only mildly upset.

Perceived mishap severity levels showed the same (significant at $p < 0.01$) pattern. Voice increases with the severity level, while the other key variables decrease for higher perceived severity levels. The mishap severity level was not manipulated, but reflects the variation of individual responses to the same situation.

Perceived service provider response adequacy showed again a significant (p < 0.05) link with the key variables. Low adequacy produced satisfaction ratings of less than 2, whereas more adequate responses (averages across all manipulations) reached 4. Repurchase and quality showed the same trend, although less pronounced. Voice was significant (p = 0.041), but the graph shows an essentially flat curve, i.e., voice levels remain largely constant, regardless of the perceived adequacy level. Again, response adequacy levels were not manipulated, but show individual's variance when responding to the same incident.

Like voice, perceived adequacy levels of the supplier's response to the mishap seemed to be subject to large variance, induced by individual's perceptions, not external factors. These variances show that individual responses to the very same scenario can vary substantially, causing a considerable amount of induced and non controllable variance. This is one of the difficulties surrounding the analysis of voice and other variables, where responses are very individualistic.

8 MAIN RESULTS AND DISCUSSION

This chapter discusses the results of the hypothesis tests and then discusses the findings and implications of the combined data tests. Similarly to the support found in the previous chapter (preliminary results), the hypothesis tests supported the SDM process model at statistically significant levels ($p < 0.05$), with $p < 0.015$ for the satisfaction related tests and $p < 0.05$ for the voice tests (which improved to $p < 0.01$ after removing an interaction).

8.1 Results summary

While each hypothesis concerns only one variable (satisfaction for H1 and H2, voice for H3). All tests were carried out for the variable concerned as well as the key auxiliary variables, i.e., satisfaction, repurchase, voice and quality. While none of the hypotheses makes predictions on the movements of key auxiliary variables, it was generally expected that they would move in the same direction.

Analysis of data shows that all group means move in the hypothesised direction. A stepped increase can be observed with increasing treatment

levels. Data shown are for the full sample (n = 798), except for voice data

shown in brackets (n = 395), which excludes "stable scenarios". As discussed

in the previous chapter (preliminary results), an interaction for stable

scenarios caused large voice variances, hence the improvement when this

data is excluded (voice figures shown in brackets).

Treatment Group	Satisfaction	Repurchase	Voice	Quality
Control	3.58	5.18	6.73 (6.71)	4.72
Elicitation	4.06	5.32	6.92 (6.93)	5.09
Recovery	4.43	5.61	7.13 (7.54)	5.67

Table 8-1 Impact of treatment level on key variables

In summary terms, the hypotheses are supported (p < 0.05) with an increase

of mean values between 0.4 for voice (improves to 0.83 after removing

interaction cells), 0.43 for repurchase, 0.85 for satisfaction and 0.95 for

quality.

8.1.1 H1 – Satisfaction improvement

Data collected supports H1 of the SDM process model at a statistically

significant level. H1 suggests that elicitation (treatment level 1) on its own has

a positive and distinct impact on satisfaction levels. Observed average

satisfaction means for the control group were 3.58 compared to 4.06 for

elicitation, a half point improvement with a significance of p = 0.001. Quality

perception measurements show similarly distinctive and significant results,

with an improvement (average means) from 4.72 to 5.09 at p = 0.004. When

comparing quality data with satisfaction data, it is quite obvious that the two are closely linked, as suggested by the literature. This link was not only obvious when investigating H1, but applied to most other tests as well.

The other auxiliary variables investigated, repurchase and voice, showed improvements in the hypothesised direction, but were not significant ($p = 0.32$ and $p = 0.267$ respectively). Better results for these auxiliary measures were expected. However, this has no direct impact on H1. The repurchase measure was a repurchase intention measure and the literature suggests a link with satisfaction, but actual repurchase may differ from intended repurchase. For this reason, satisfaction is generally (and in this study) used as a surrogate for predicted actual repurchase patterns. Voice generates very individual responses, with a wide range of responses by different individuals for the same situation. The exact factors driving voice are not well understood today, as discussed in the literature review. Hence, the large observed voice variance is not a complete surprise. Since H1 as hypothesised was supported at statistically significant levels, the repurchase and voice results were not subjected to further analysis, other than looking at voice data in isolation, after removing interaction cells (data shown in brackets), which improved voice to $p = 0.003$.

8.1.2 H2 – Satisfaction, further improvement

H2 predicts a further improvement of satisfaction when moving from elicitation (treatment level 1) to recovery (treatment level 2). Data collected shows satisfaction mean values increasing from 4.06 to 4.43 at $p = 0.012$. The

auxiliary measures analysed showed improvements of similar magnitudes. Quality is significant at p = 0.000 and repurchase at p = 0.035. The exception is again voice, which moves in the hypothesised direction, but is not significant with p = 0.241. Similarly to the case for H1, H2 does not make predictions for voice data, although it is expected that it shows a similar trend. Again, the data collected supports H2 of the SDM process model at statistically significant levels. Therefore, the voice result was not subjected to further analysis. No attempt was made to filter out voice interaction cells, since H2 concerns itself with satisfaction, not voice.

8.1.3 H3 – Voice improvement

H3 suggests that treatment level 1 and higher will show an improvement in voice, compared to the no treatment (control) situation. Voice means move as hypothesised, with an improvement from 6.73 to 7.03 (control versus treated groups) at p = 0.049. Satisfaction improved from 3.58 to 4.25 at p = 0.000. The other auxiliary variables followed the pattern of satisfaction. Voice data for H3 is just inside the p = 0.05 boundary, which is not surprising, given the spread of individual responses to the very same scenario. However, some of the observed voice variance seems to be induced by an interaction, as discussed in the preliminary results chapter. Stable scenarios with maximum treatment level (recovery) had lower voice levels, compared to unstable voice scenarios at the same treatment level. There seems to be a "tolerance factor", which was not predicted. If these interaction cells are removed, H3 significance improves to p = 0.003. In either case, there is sufficient statistical support for H3 as hypothesised.

8.2 Discussion

While the previous sections discussed the findings of preliminary results as well as the results of the hypothesis tests, the following sections discuss the combined findings and their implications.

8.2.1 Main results

Finding support for a process model (SDM) is difficult if a specific service failure induces a wide range of responses due to individual attitudes, which are difficult to control even in an experimental environment. However, since this was anticipated from the beginning, data collected included auxiliary variables, to assist in the interpretation of results. In addition, the tests performed were not restricted to the hypotheses tests alone.

As discussed at the beginning of this chapter, all hypothesis tests were supported with statistically significant results. A stepped and distinct increase in satisfaction was observed with increasing treatment levels. If the intermediate treatment level is filtered out and the complete SDM process model is contrasted with a control group, the impact of SDM is very obvious, generally at $p < 0.01$, i.e., at statistical significance levels which substantially exceed the set threshold of 5%. If satisfaction is a surrogate for actual repurchase behaviour, as discussed in the literature review, then the increase

of satisfaction when SDM is applied will lead to increased sales turnover through improvements in repeat business.

The voice related tests follow this trend, although showing more variance. However, significance levels are below the 5% threshold and improve to $p < 0.01$ after removing interaction cells. Nevertheless, while statistically speaking, the voice hypotheses were confirmed, better results were expected. Since voice triggers very individualistic responses and the motivation factors for voice are today not well understood, this is not a complete surprise.

In addition to satisfaction and voice, perceived quality and repurchase intentions were analysed as auxiliary variables to assist in the interpretation of results. Quality data showed a strong link with satisfaction. This was largely expected and supported by the literature reviewed. It is interesting to note though that satisfaction and quality had generally similar statistical significance levels, but quality result differences from the control group to the full treatment group were more pronounced. Satisfaction showed a group mean value improvement from no to full treatment of 0.85 scale points, compared to 0.95 scale points for quality (with $p = 0.000$ in both cases). This raises the question whether quality ratings are more perceptive to service failures, or whether a good recovery is more appreciated in quality terms, compared to satisfaction ratings. The study conducted did not lend itself to investigate this further, given that the focus was on satisfaction. Nevertheless, the findings provide guidance for future research. In either case, the significant increase in quality perceptions when SDM is applied should permit

service providers to command higher premiums and/or differentiate themselves better from their competitors. Higher premiums can result in higher profits, given that the expected costs of applying SDM are marginal.

Intended repurchase results were generally significant, but similar to voice, showed more variance than satisfaction and quality. As discussed in the literature review, intended repurchase data may not be a good predictor of actual repurchase pattern. Again, since intended repurchase was not the prime focus in terms of the SDM data analysis, but rather an auxiliary variable to assist with the interpretation of main findings, this was not investigated further. However, the voice and repurchase variance caused by individual's responses is reviewed further below in this chapter (unexpected results section), where satisfaction and quality are regarded as passive responses, whereas voice and to some degree stated repurchase intentions are seen as active responses. Passive responses only require respondents to state their present impressions, whereas active responses involve a trade-off analysis on whether or not to perform an action (voice or repurchase for example). Hence, active responses trigger a more complex evaluation, which may explain some of the variance observed. It is possible that these evaluations invoke a cognitive dissonance scenario (Anderson, 1973), where a trade off between potential efforts and likely results leads to an adjustment of views. The outcome of these evaluations can then vary substantially.

8.2.2 Preliminary results

Assumption tests

There are some restrictions in the applications of SDM, which have been documented in the assumption section of the SDM process model chapter (chapter 4). A violation of the key assumptions would invalidate the SDM process model, with a potentially large impact on the analysis of the data collected. Therefore, several assumption tests were performed. These test results suggest that no key assumption was violated, but some of the findings require discussion.

The stability assumption as stated applied to satisfaction only and in satisfaction terms, the data supported the assumption. However, voice data did not follow the same pattern. In the context of testing this assumption, voice was only an auxiliary variable. Nevertheless, the voice reversal observed was instructive in understanding more about consumer's voicing patterns. It appears that in a stable environment, consumers are more tolerant and voice less, but if they perceive a mishap to be caused by an unstable process, they will voice, as predicted. While this observation has no direct impact on SDM, it provides clues for future voice research. Since the reversal applied to voice only and not the other variables investigated, it is unlikely that it was caused by a manipulation failure and not surprisingly, the manipulation check supports this view.

Additional guidance for future research was given by the inconclusive findings of the compensation type assumption. Data collected suggested that in all

scenarios presented, customers responded equally, regardless of whether they were compensated with an apology only, or whether they received a tangible compensation. While this finding may not affect the outcome of the SDM analysis, there is no immediate obvious explanation for this finding. As discussed in the literature chapter, the compensation level is expected to affect recovery perceptions, but no tangible compensation is expected for a non tangible loss. Perhaps the scenario described was interpreted as an insufficiently tangible loss and therefore only an apology was expected. Alternatively, the compensation offered may have been viewed as being insufficient and therefore had only the same effect as an apology. Another explanation is that the manipulation did not work sufficiently. However, the relevant manipulation check did not support this view.

Manipulation tests

The SDM process model did not lend itself for a "live" test, for the reasons discussed in the methodology chapter. Instead, a projective technique was applied, with manipulated narratives. This necessitated a number of manipulation checks, built into the questionnaire, in addition to the checks mentioned above. Again, some findings merit a discussion.

An implied SDM assumption is that the process model will not work if the provider is not seen to care for their customer's needs. Or stated in the opposite, SDM will not work in an environment which is flawed and the provider has no intention to do anything about it. For this reason, the care factor was not manipulated and the same "care" message put into all

scenarios, suggesting that the provider was generally responsive and caring. The care factor manipulation check showed that respondents rated the provider as caring. However, the reported level was not constant and increased with the treatment level ($p = 0.000$). It seems that the marginal increase in contact time between treatment levels reinforced the "we care" message. This finding provides further indirect support for SDM, potentially strengthening the provider-customer bond, which may to some degree explain the improvements in quality perceptions.

Similarly to the care factor, attribution locus was not varied and kept constant, with all scenarios implying that the mishap was the supplier's fault. The manipulation check supports this, with no significant variation being observed between scenarios. This is in contrast to the findings above (care factor), where SDM treatment levels confounded the result. In the context of the above care factor analysis, it is worthwhile to note that the treatment level confounding is not universal, but specific to particular variables, as observed.

8.2.3 Unexpected results

A 12 cell experimental design is likely to show some interactions and this was one of the reasons to extend the data analysis to a set of key variables (satisfaction, repurchase, voice and quality), rather than just the variable strictly related to the hypothesis tests. Further, additional variables were added to the questionnaire, to assist with the explanation of potential interactions or other unexpected findings. Surprisingly, only one significant interaction was found, which provided some insights into consumer attitudes.

The interaction found concerned a reversal of voice patterns, as already mentioned above. In an unstable environment, when it was not clear to customers what the cause of the problem was, they voiced as predicted. However, in a more stable environment, when a logical explanation was offered as to why the mishap occurred, customer voice suddenly dropped. This is in line with the discussion of Attribution Theory in the literature chapter. The interaction result provides strong support for the notion that consumers are rational processors of information. More specifically, it suggests that the stability dimension is indeed operating as predicted, but only affects voice. This then raises the question as to why there was no similar interaction observed on the other key variables. The other variables (satisfaction, repurchase and quality) show lower values for an unstable environment, but the slopes follow the same trends of the stable environment, without a reversal. Finding the cause for this is outside the research aim of this thesis and subject to future research. Nevertheless, a potential explanation may be that out of the 4 variables, voice can be seen as an "active" variable whereas satisfaction and quality can be regarded as being "passive". Passive in the sense that the respondent only reports a perceived status or attribute level following an experience, without further immediate consequences to the respondent (customer). Active means that it requires an action and the person has to be sufficiently motivated to initiate this action (i.e., voice). Using the terms active and passive in this sense, the passive response requires little effort, beyond a thought and some reasoning. Active responses on the other hand are more complicated. They require the same initial reaction as a

passive response, but are then followed by an "effort-reward/benefit analysis", to confirm whether it is worthwhile to spend the energy and initiate the action. Since a much more complicated scenario is evoked in this situation, a much wider variance should be expected for active responses.

These views regarding active versus passive variables are put forward by the author and are not based on literature support and were not tested. However, if subsequent research were to find support for this notion, then this would further explain why voice showed significantly more variance than satisfaction and quality ratings. It would also explain why stated repurchase intention patterns show some similarities with voice results, since stated repurchase intentions imply a future action. This would make stated repurchase intentions a hybrid between active and passive responses.

Another finding concerning voice was that a very high number (28%) of respondents ticked the scale extreme point (9), with a skewed response scale towards the extreme pole (mean value was 6.93). However, this was anticipated, since the literature review and the pilot survey suggested some scale skewing. For this reason, a 9 point scale was selected to add more discriminatory power for responses which are condensed into a narrow part of the whole scale. Nevertheless, it is possible that the skewing had some impact on the interpretation of results, but this is difficult to quantify and filtering out voice responses at the extreme pole may add further distortions. The other variables (satisfaction, repurchase and quality) showed more even

distributions, with mean values near the scale mid points, as discussed in the

previous chapter.

9 CONCLUSION

The Service Delivery Management (SDM) process model introduced a service marketing tool to positively influence customer satisfaction and encourage constructive voice. As discussed in the previous chapters, SDM produced an improvement of satisfaction and voice levels, in addition to providing opportunities to address service mishaps and increasing quality perceptions. All hypotheses tested were confirmed at statistically significant levels, demonstrating clear benefits for service providers and making an academic contribution. Full application of SDM compared to a control group showed measurable and statistically significant improvements of the mean values of the key variables. Increases recorded where: 24% (3.58 to 4.43) for stated satisfaction, 20% for quality perception, 8% for intended repurchase and 6% for voice (improves to 12% after removing interaction cells).

Service encounters unfold in real time, which in quality and service delivery consistency terms are a challenge with inevitable, occasional service failures. A further complication in a real time service encounter environment is the well documented fact that most customers will, given the choice, switch suppliers, rather than voice their complaints. In this scenario, SDM fills a unique gap by offering a process model to proactively induce constructive feedback and a

mechanism to "manage" satisfaction. Managing satisfaction meaning that, with SDM, the provider has the information and the processes available to reduce the impact of service failures by better managing dissatisfying experiences. This may not be economic under all circumstances, since satisfaction responses tend to be non-linear and some provider discretion is required. Nevertheless, the provider now has the opportunity to go beyond a passive waiting approach, to see if the customer returns. Instead, providers can employ an active strategy to positively influence satisfaction ratings. Applying the SDM process model has an added benefit of projecting a "we care" message, which was shown to increase satisfaction in all scenarios where some form of SDM was applied. Combined, these effects help practitioners to use SDM as a marketing and management tool. The increase in stated repurchase are expected to lead to increases in sales turnover in the form of otherwise lost future business, directly as well as indirectly through improvements in satisfaction. Quality perception improvements can either be used to better differentiate a service against competitors or potentially command higher price premiums, which can lead to improved profits. This is subject to the quality conscious customer being less price sensitive, which is generally assumed to be the case, but was not investigated in this study.

In academic terms, SDM filled an existing literature gap between satisfaction, consumer complaint behaviour and service recovery research, in addition to providing insights and guidance for future research in related research streams. It also offered a proactive process model by using an elicitation process to initiate customer feedback. All reviewed models in SDM related

research fields are reactive, in the sense that they analyse data after an event. Offering insights after an event concluded only benefits service providers, if the customer comes back. Even if the customer returns, there are logistics problems, since the same service personnel may not be present to recognise the customer, or the damage is done and the customer is only returning because there are no alternates, but is now waiting for an opportunity to switch. Therefore, a proactive process model is required, where the analysis is done in real time and a response initiated before the service encounter concludes. This is where SDM is making an academic contribution, by integrating traditionally reactive models into a proactive process model.

9.1 Review of Findings

All hypotheses tests supported the SDM process model at statistically significant levels (generally at $p < 0.01$). As predicted (hypotheses H1 and H2), the application of SDM let to a stepped increase in satisfaction and quality perceptions, with twice as many respondents (in absolute terms) reporting to be satisfied when SDM was applied, compared to the control group. Contrasting control versus treated groups also produced a statistically significant increase in voice (H3), implying that SDM can induce customers to volunteer constructive feedback. This is additional feedback which customers did not share with the provider in a non SDM environment (control group).

Auxiliary tests performed on passive variables, like satisfaction and quality, provided further strong support for the SDM findings. Passive means not

requiring an action by the respondent, other than stating a perception. Active variables, as in variables which implied an action by the customer, showed a larger variance. While still showing statistically significant results, variables like voice and to some degree stated repurchase intention exhibited more variance. This variance was not the subject of this research, but the findings nevertheless provided important pointers for future research. It appears that when customers do not just simply have to state a perceived attribute level, but make trade off decisions whether or not to initiate an action, such as voice, the decision making becomes more complex, inducing more variance.

The SDM hypotheses built on each other in incremental steps, following the treatment levels. Rather than testing the full process model only, the hypotheses were broken down into parts which looked at elements of the process model. This allowed for an analysis of underlying factors of the process model and provided more data, to investigate unexpected results.

One of the research findings related to this stepped approach was that practitioners can make deliberate trade off decisions. Different businesses may have different objectives, such as to increase satisfaction only, assuming that it is a measure of real repurchase intention, or to increase quality, to command a higher premium or differentiate the service from competitors. For example, if the objective is to increase satisfaction only, the recovery step may not be cost effective, since the elicitation process alone may provide sufficient results. On the other hand, if the quality perception is to be increased, the recovery step may offer more benefits.

In satisfaction terms, there was a group mean increase of 0.48 scale points between the control group and elicitation mean values. Moving from elicitation to full treatment (recovery) improved satisfaction mean values by an additional 0.37. Therefore, in satisfaction terms, a quite significant improvement can be achieved with very little effort, through elicitation alone. Voice means across all data are quite even, with the first treatment level showing an improvement of 0.19 and the full treatment level compared to the intermediate level adding a further 0.21. However, when removing the voice interaction cells, a different picture emerges. The first level of treatment shows a voice means improvement of 0.22, whereas the full treatment adds a further 0.61. Quality data (across all cases), also shows most of the benefits at the maximum treatment level. Quality mean values increase by 0.37 for the intermediate treatment step and adding a further 0.58 between the intermediate and full treatment level.

In summary, if the recovery step leads to a disproportionate cost increase, elicitation alone may be sufficient, with its already large impact on satisfaction. However, to get the full benefit of SDM, the elicitation and recovery process steps are required.

Another significant finding was that when contrasting the control group against the treated groups, twice as many (15% versus 32%) respondents reported satisfaction levels above the scale midpoint. This means that with SDM applied, roughly one third of the respondents still reported to be satisfied,

despite the service failure. In addition, this data also provides some quantitative clues to practitioners, to what extent SDM can offer tangible results.

Only one significant interaction was observed, which did not affect SDM, but was otherwise useful in providing insights to customer's voice attitudes. As predicted, all key variables showed a stepped increase from no treatment to full treatment. In non stable environments (i.e., unreliable or uncertain service delivery processes), the increase was less pronounced compared to stable environments (i.e., exceptional failures with otherwise predictable service outcomes). However, voice showed a reversal. In a stable environment there was a drop in voice, whereas voice increased as predicted in the non stable environment. This suggests that a tolerance factor may be operating, where customers accept mishaps if they understand the cause of a mishap and recognise it as being an exception in an otherwise stable environment. This can be viewed as a confirmation that attribution theory operates in an SDM environment, as discussed in the literature chapter.

The assumption test to confirm that voice does not come at the expense of satisfaction (Kolodinsky, 1993), combined with the findings of the interaction analysis provide strong support that customers are reasonable and do not generally abuse an environment which offers more opportunities to voice. As shown in the assumption test, an increase in voice produced an increase in satisfaction. Further, the voice interaction analysis showed that customers voiced less, when they understood the reasons for a mishap and the reasons

implied that the mishap was due to exceptional circumstances. This is an important finding, as an increase of voice at the expense of satisfaction would be of little benefit to practitioners.

While this was not further investigated, the compensation analyses suggests that the severity of a mishap alone may not necessarily influence the type of compensation required. If this were to be confirmed by future research, then mishaps should first be categorised as to whether they produced tangible or non tangible losses. As seen in the literature review, non tangible losses may not require tangible compensation. In the SDM survey, the loss described was non tangible, but assumed to be severe enough to require a tangible compensation. Data collected showed virtually no response differences when only an apology was offered, compared to an apology and a tangible compensation. Therefore, the mishap severity level in isolation may not be a key factor when deciding to offer a tangible or non tangible compensation.

One of the manipulation check analyses produced an unexpected finding, where perceived care factors, which were kept constant in all scenarios, showed a stepped increase with the treatment level. This was likely to be a benefit caused by the small increase in contact time between provider and customer in an SDM environment. Nevertheless, it lends further support to the notion that the application of SDM leads to a general increase of satisfaction, not just in cases where it assists in the recovery of service mishaps.

9.2 Academic Conclusions

9.2.1 Academic contribution

Academically, SDM contributes a richer and more integrated process model. At present, few academic models extend beyond post mortem analysis. From an analytical perspective, a rigorous, more accurate, analysis some time after the event is preferable to an on the spot expectation versus performance gap analysis. The opposite applies from an operational perspective, where speed may be more valuable, even when some sacrifices have to be made in accuracy or data completeness. Managing the encounter means that key gap information available immediately is more desirable than a detailed assessment after the customer left. With SDM, the analyst's view is extended, to provide feedback in real time. This feedback will then allow for interactive improvements and proactive service encounter management. With academic models predominantly focussing on analysis of facts after events, this adds another dimension to academic analytical models. Moving into the real time domain, where tradeoffs between accuracy and speed have to be made is not a current main focus of academic models. The contribution to the service marketing literature includes the integration of the separate streams discussed in the literature, closing a gap, to allow them to become integrated in a more holistic process model.

9.2.2 Academic implications

SDM covers a number of literature streams, but despite the review across several research streams like service marketing, service encounters, service recovery, service quality, satisfaction, complaint behaviour, attribution theory and equity theory, no evidence was found of a proactive, integrated process model, which practitioners can apply during a service encounter. Research exists on satisfaction measures and quality measures. Yet, these research streams are separate for example from service encounter or service recovery research. In addition, the literature's main focus is the academic domain of analysing data after an event. Recommendations made are mostly aimed at future encounters or to be used to formulate generic strategies or improve processes in a general form. Most of the tools offered did not lend themselves to concurrently analyse and address a problem during a service encounter.

The SDM process model showed that these separate and by their nature mostly reactive concepts can be combined to offer a proactive tool, which offers guidance to a service provider during a service encounter. Two specific processes were added to a service encounter, elicitation and recovery. Both processes draw heavily on established concepts from the literature reviewed. As a result, elements from satisfaction, quality, complaint and services literature streams were combined and extended into an integrated concurrent process model.

While the combination of otherwise disconnected research streams was a significant contribution, SDM's key academic contribution was the paradigm

shift to extend from the purely analytical into an integrated process model, which allows for real time adjustments to be made and manipulate, in a positive sense, key variables such as satisfaction. This real time process model adds another dimension to service marketing, as a tool to differentiate and reposition a service.

On a more detailed level, the care factor (manipulation) interaction added further support to the arguments put forward in the literature (Tax et al, 1998; Sparks and McColl-Kennedy, 1998) that a care message, genuine concern and empathy are important in a services context, where failures can occur. However, when extending the care message to tangible recovery actions, there were inconclusive findings. Offering a compensation seemed to have no impact in the scenario presented, despite respondents generally reporting that the airline response was acceptable (average adequacy response was close to neutral). Since the mishap in this case was unlikely to make customers feel victimised or truly angry, it is possible that in line with Dolinsky's (1994) recommendations, only an apology and urgent re-instatement was required. It may also fit De Ruyter et al's (1995) description of an environment where non monetary expressions of regret are sufficient. Following Equity Theory (Oliver and Swan, 1989b), respondents may have judged that the service provider performance was fair and only an exchange of resources "in kind" (Smith et al, 1999) was expected. However the SDM finding appears to contradict Hoffman's (1995) prediction that complementary offerings increase recovery ratings.

Quantitative analysis as well as qualitative results confirm a strong correlation among stated satisfaction, quality perception and repurchase intentions as predicted by the literature (Dabholkar, 1995a). While satisfaction, quality and intended repurchase showed the same trends, qualitative analysis shows that repurchase and quality were more closely linked, with some of the curves (quality and repurchase) being almost identical. The graph showing the influence of upset levels on key variables is an example of this observed trend. In this graph, the curves of the key variables show close to linearity from the somewhat upset level to the very upset level. Slopes are pronounced, suggesting that affect has a large influence, with emotions amplifying reactions (Johnson and Zinkham, 1991). Voice increases significantly with increasing upset (affect) levels, whereas satisfaction drops dramatically. Quality and repurchase drop, but less pronounced. This could be seen as a confirmation of the view that quality is a longer term concept, as put forward in the literature (Boulding et al, 1993, Bolton and Drew, 1991a). At the same time, it adds weight to the argument that dissatisfaction with one attribute can lead to a negative evaluation of overall satisfaction (Wirtz and Bateson, 1995; Mittal et al, 1998), as in this instance, there were no core service failures. Other graphs (treatment levels, stability, compensation type, severity and response adequacy plotted against key variables) show similar trends.

Quantitative analysis of key data shows a different picture, highlighting a satisfaction-quality link, separately from a voice-repurchase link. While on the surface contradicting the qualitative analysis, it may be seen as

complementary, as the quantitative analysis looked at the data from a different angle. The no treatment to full treatment improvements for mean values for satisfaction and quality was at similar levels, with 24% (satisfaction) and 20% (quality). Improvement of repurchase mean values was only 8%. Across all respondents, voice improved by 6%, which increases to 12% if the interaction cells are removed. When looking at improvements from elicitation to full recovery only, quality measures improved by 12%, compared to 10% for satisfaction. This supports the view that CS/D and SQ are not always distinguished by consumers (Patterson and Johnson, 1993) and that SQ may not only be a pure long term derivative of CS/D (Dabholkar, 1995b). However, this appears to contradict findings by others (Boulding et al; 1993, Bolton and Drew, 1991a), which suggest that service quality is a stable long term perception. In this study, quality clearly seemed susceptible to short term fluctuations, with magnitudes being close to the ones observed for satisfaction.

Current CCB models (Singh and Wilkes, 1996) may not fully utilise Attribution Theory (Erevelles and Leavitt, 1992; Folkes, 1988). The observed voice reversal in the study is difficult to explain with present CCB discussions (East, 1996; Blodgett et al, 1995). However, when combined with Attribution Theory as well as Equity Theory (Oliver and Swan, 1989a), there is some logic in the findings. Attribution Theory, controllability in this instance, moderates compensation requests, which may also reduce voice. Some of this may be explained by diffusing anger (Sparks and Callan, 1996) and the precondition of external attributions before initiating complaints (Krapfel, 1985). If a failure

was unusual in an otherwise stable environment, then it would not be

equitable to voice. In this context, consumers may see voice as an unfair

attempt to seek compensation. This apparent loss of voice should be of no

concern for SDM, as it merely means that the customer has no resolution

expectations from the provider, if an external exception caused a temporary

mishap. However, it may require extensions to the CCB framework to better

understand the academic implications.

Related to the findings of the voice reversal, linked to attribution outcomes,

the SDM satisfaction results appear to agree with the reviewed literature.

Bitner (1990) predicts satisfaction to be higher when a failure is expected to

result from a rare event. Similarly, Bolton and Drew (1992) suggested that

repeated failures will cause more dissatisfaction. This is also in line with

attribution predictions by Blodgett and Granbois (1992) as well as Blodgett et

al (1995).

9.3 Managerial Conclusions

9.3.1 Managerial contribution

SDM offers help with a number of service issues, including addressing the

voice deficit. It provides a process model to assess the level of dissatisfaction

and respond appropriately to a service failure. In service management, this is

particularly significant, since the real time nature of the performance makes

quality control difficult and occasional mistakes are unavoidable, even in an otherwise perfect environment. The reviewed CCB models and satisfaction literature imply that providers largely depend on consumers making the first step to complain. The response to these complaints is unlikely to be consistent across different service personnel or repeat episodes if there is no framework in place to provide guidance. SDM puts more emphasis on the provider to make the first step. An attempt is made to elicit complaints, requiring as little effort from the customer as possible and largely removing the negative stigma of complaining. The framework provided to respond to failure types will lead to more consistent and appropriate responses. At the very least, SDM will exploit the opportunity which is unique to service encounters. With the customer being in front of a service provider, there is the potential to use this to extract feedback and address problems on the spot. Unlike the situation that exists with products, consumption occurs in front of the provider and there is no need to defer the analysis until after the event, nor is there an excuse to wait with a recovery action until the next episode, if the customer happens to come back.

In summary, service providers receive a tool to proactively manage satisfaction by addressing attribute dissatisfaction which affects the overall service assessment. This in turn will lead to increased patronage, with its associated positive effects on sales turnover, profits, market share, etc. Another important aspect is the ability to use SDM as a marketing positioning tool to differentiate a service against competitors.

9.3.2 Managerial implications

Present Consumer Satisfaction/Dissatisfaction (CS/D) and Consumer Complaint Behaviour (CCB) models are reactive in the way they treat customer complaints. Their present focus is on analytical accuracy, rather than a trade off, using limited data available in time to influence outcomes before a service encounter concludes. As such, these models provide little guidance on how to influence satisfaction in real time and how to proactively deal with dissatisfaction. By using a proactive CCB strategy which is embedded into an extended CS/D model, practitioners can not only receive vital feedback about customer's expectations and how they perceive a supplier's performance, but they can actively influence CS/D levels while at the same time convert dissatisfied customers into repeat purchasers. In Oliver's (1993b) words: *"With Service Quality being an interpersonal dynamic, the service provider can change the standards as the service unfolds".*

Embedded into the existing CS/D paradigm, SDM adds elicitation and recovery steps into the service encounter process. Elicitation is a process step to extract feedback from customers. It is a well documented fact in the CCB literature that only a minority of consumers complain. To avoid customers "quietly" taking their business elsewhere, elicitation proactively seeks constructive criticism from consumers and addresses feedback in real time. Feedback is encouraged with the help of "trigger questions", which try to avoid the negative stigma usually associated with complaining. Based on the outcome of the elicitation process, a service provider can elect to use

recovery as a second step. During the recovery phase, a provider has an opportunity to address specific complaints, within a defined framework.

Through the use of concepts from attribution and equity theory, the extent and causes of dissatisfaction can be established. Recovery then includes an appropriate response which can be an attempt to reset unrealistic expectations, an apology, or an appropriate compensation. Lower (revised) expectations and a higher perceived performance will increase satisfaction levels. Higher satisfaction levels in turn are expected to affect repurchase decisions. A tool to "manage" and improve CS/D levels in real time, converting dissatisfied customers into repeat purchasers offers a distinct benefit to practitioners.

The data analysis clearly supports the notion of improved satisfaction and quality perceptions in an SDM environment, which, in managerial terms, has a measurable "bottom line" impact through repeat business (turnover) and the ability to command higher premiums (profit) with less price sensitive quality conscious customers. It also provides an option to differentiate a service from competitors. As discussed, the improvements are not necessarily restricted to cases where there was a service failure, with SDM showing a general increase in satisfaction levels. Overcoming the voice deficit is less quantifiable in managerial terms, as there is no measure to capture how many customers "quietly" defected to the competition. However, the clear improvements in satisfaction with SDM give an indication of the magnitude, if, as suggested in the literature, satisfaction is a surrogate for actual repurchase behaviour.

9.4 Limitations

There are several research limitations which require discussion. Most of them stem from the approach used for the SDM research. These restrictions are largely pointers to guide future research, rather than serious restrictions which would limit the SDM findings.

As is generally the case, the data source raises some questions as to whether the data collected can be generalised. Data was collected from business school students, with a distinct demographic profile which is typical for this environment, but unlikely to be representative of the general population. However, the questionnaire was designed for this audience (business travel scenario), but more importantly, the data analysis compared the differences between treatment levels, rather than absolute values. In this context, it is expected that similar results will be recorded with any data source, provided that respondents have experience with or can relate to the particular service scenario.

A perhaps more significant limitation of the research relates to the use of a projective method for the experimental design, rather than the use of a "real" service encounter. Since this was a simulated environment, the question can be raised whether in a real service encounter, customers would indeed react in the same way. Again, since the data analysis concentrated on differences between treatment levels rather than absolute values, it is expected that

similar magnitudes will be observed in a normal service encounter situation. But measuring the real impact of SDM during an actual service encounter is likely to remain a challenge, as confounding of environmental variables may distort results. Further, deliberately inducing mishaps would probably not be acceptable to service providers. Finding a service encounter with a "natural" high rate of specific failures may be difficult, as each failure may be seen as unique by individuals and keeping all other environmental factors constant may prove to be too much of a challenge. Hence, it is difficult to assess the real impact of this limitation. However, the results of passive variables (satisfaction and quality) are unlikely to change significantly, which would suggest that SDM will perform as predicted. Active variables like voice may be subjected to further variance, since emotions may trigger more voice than what was captured in the survey, while some people who stated that they will voice, may actually not be sufficiently motivated to voice in a real scenario. Assuming that the two effects roughly cancel each other, the net result will be similar to the findings in this study, but potentially with a further increase in variance. Therefore, this limitation is not expected to affect the findings of the SDM research conducted.

The scenario presented included a mishap, with the manipulations only showing differences in how the mishap was addressed and including manipulations of some environment factors in which the service encounter took place. For these reasons, the direct results and their interpretation are limited to service encounters with a failure. However, the improvements with elicitation alone and care factor tests performed suggest that SDM will also

show improvements if there is no mishap. Again, while this is a potential limitation of the study performed, it is unlikely to influence the SDM research findings. A more serious limitation of this study is the failure severity level applied. It was intended to portray a mishap of a medium severity level and the study did not lend itself to directly predict the outcomes of other severity levels. It can be speculated that severity levels will mediate the results, i.e., less pronounced SDM benefits with low severity levels and higher benefits with more serious mishaps, but this will require further analysis.

Another limitation was the skewing of the voice scale. A large proportion of respondents (27.8%) ticked the upper extreme end of the scale, irrespective of the manipulation combination. This applied to voice only and may offer an explanation why some of the voice related findings were statistically weaker. While this was not further analysed in this study, it is likely that the skewed voice responses somewhat limit the interpretation of the voice related findings.

9.5 Implications for future research

SDM introduced a process model, which was mostly based on existing frameworks. Nevertheless, there was an important gap relating to voice motivation which requires more research. In addition, the data analysis highlighted several other items, which had no direct impact on the SDM analysis, but provided clues for future research required.

The first step added to SDM, elicitation, requires a customer to voice his opinion. Yet, the consumer complaint behaviour literature consistently reports that a large portion of consumers do not want to voice. In the SDM context, this was overcome by the use of trigger questions, which were aimed at breaking the ice and opening the flow of feedback. However, the elicitation step in the SDM process model and voice research in general would benefit from a better understanding of the factors which motivate consumers to voice. Literature reviewed in this thesis and an additional search across psychology and political science research streams did not produce a model or explanations about the relevant factors which lead to voice. If future research could find a model to explain the underlying voice factors and more specifically, what motivates consumers to voice, then a large gap could be closed in several research streams, including consumer complaint behaviour, consumer psychology and political science. Closing this gap may also allow the SDM process model to be enhanced and refined.

A voice interaction offered further clues for additional research required. Data collected suggested that consumer voice patterns are moderated by Attribution Theory and Equity Theory factors. Further research is required to understand the underlying factors, with the key questions being whether customers are generally fair and tolerant and the implications which derive from there, particularly in regards to voice. In an environment with temporary problems and the root cause of the problem being understood by customers, there seemed to be a tolerance factor operating, with a drop in voice for the recovery step, while satisfaction increased. When the environment appeared

to have permanent problems and no explanation was offered, customers voiced as predicted. The exact underlying factors for this observation require further studies.

There was a distinct difference between satisfaction and quality data versus voice and to some degree stated repurchase intentions. The author put forward a suggested classification, where satisfaction and quality are labelled as passive measures. Passive here means that consumers only have to state their current impression of the attribute level, either intuitively or by going through a reasoning process. Voice on the other hand was seen as an active measure. When making voice decisions, consumers do not only have to state their impressions, but act on them. A cognitive dissonance scenario (Anderson, 1973) may now be evoked, where the consumer may adjust his/her assessment, following an effort/benefit analysis, with a resulting adjustment to the voice propensity. This makes active measures a more complex scenario compared to passive measures. In turn, this may explain some of the additional variance observed when comparing active with passive measures. This notion was put forward by the author, but was not further tested in this thesis. Further research is required to confirm or otherwise the distinction of active versus passive measures and their impact on data analysis in service marketing and related fields. Any research in this area may also provide further clues to the voice motivation question discussed above.

Some SDM results showed stronger results for absolute quality measures compared to satisfaction measures, particularly for the recovery step. This

suggests that SDM type efforts lead to a generic increase of quality perceptions and a specific quality perception increase if the provider attempts to recover from a service failure. This was not further analysed and it was not clear why recovery had a larger impact on quality perceptions. Potential explanations are that customers relate a good recovery process with a quality provider. Further analysis is required, as a better understanding of the quality perception factors is linked to premiums which providers may be able to command for offering superior service, or can be used to differentiate the service from competitors.

To keep the data collection exercise within practical limits, without impacting on statistical accuracy, the experimental design was limited to 12 cells. From a research point of view, it would have been desirable to add further manipulations. More specifically, the scenario described included one specific mishap only. A replication of this study with different types of mishaps and varying levels of failure severity would be desirable, to better understand where the boundaries are where SDM ceases to operate. At present, SDM is assumed to work with all services, which have sufficient customer contact time to make SDM practical. It would also be desirable to test a no mishap scenario, to reconfirm the generic benefits of SDM.

Compensation levels were manipulated between apology only and apology with compensation. Data collected showed virtually no difference between the two scenarios. When reviewing these results, it was not obvious whether the non tangible loss described only required a non tangible compensation

(apology only), regardless of the severity of the mishap, or whether the severity level in this case meant that the compensation level was insufficient. More research is required to understand compensation types and levels as a function of service failure types and failure severity.

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A   Appendix - SPSS RESULTS

Data gathered were analysed with SPSS version 10.0.1, with the detail results

as shown below:

Oneway - full sample

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	96.827	2	48.413	17.313	.000
	Within Groups	2217.509	793	2.796		
	Total	2314.335	795			
Repurchase Intentions	Between Groups	25.874	2	12.937	4.998	.007
	Within Groups	2050.171	792	2.589		
	Total	2076.045	794			
Voice	Between Groups	21.329	2	10.665	2.619	.073
	Within Groups	3224.439	792	4.071		
	Total	3245.769	794			
Quality	Between Groups	119.997	2	59.999	26.963	.000
	Within Groups	1766.798	794	2.225		
	Total	1886.795	796			

Means - full sample

Report

Treatment group		Satisfaction	Repurchase Intentions	Voice	Quality
Control	Mean	3.58	5.18	6.73	4.72
	N	263	264	263	264
	Std. Deviation	1.60	1.64	2.07	1.52
Elicitation	Mean	4.06	5.32	6.92	5.09
	N	266	264	266	266
	Std. Deviation	1.67	1.60	2.05	1.45
Recovery	Mean	4.43	5.61	7.13	5.67
	N	267	267	266	267
	Std. Deviation	1.74	1.59	1.94	1.50
Total	Mean	4.03	5.37	6.93	5.16
	N	796	795	795	797
	Std. Deviation	1.71	1.62	2.02	1.54

Oneway - no versus full treatment (Elicitation excluded)

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	96.337	1	96.337	34.425	.000
	Within Groups	1477.595	528	2.798		
	Total	1573.932	529			
Repurchase Intentions	Between Groups	24.821	1	24.821	9.539	.002
	Within Groups	1376.539	529	2.602		
	Total	1401.360	530			
Voice	Between Groups	21.327	1	21.327	5.312	.022
	Within Groups	2115.943	527	4.015		
	Total	2137.270	528			
Quality	Between Groups	118.090	1	118.090	51.792	.000
	Within Groups	1206.148	529	2.280		
	Total	1324.237	530			

Oneway, H1 - Control vs Elicitation (Recovery excluded)

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	30.744	1	30.744	11.459	.001
	Within Groups	1413.906	527	2.683		
	Total	1444.650	528			
Repurchase Intention	Between Groups	2.593	1	2.593	.989	.320
	Within Groups	1378.905	526	2.621		
	Total	1381.498	527			
Voice	Between Groups	5.215	1	5.215	1.233	.267
	Within Groups	2228.785	527	4.229		
	Total	2234.000	528			
Quality	Between Groups	18.188	1	18.188	8.226	.004
	Within Groups	1167.465	528	2.211		
	Total	1185.653	529			

Oneway, H2 - Elicitation vs Recovery (Control excluded)

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	18.296	1	18.296	6.294	.012
	Within Groups	1543.517	531	2.907		
	Total	1561.812	532			
Repurchase Intentions	Between Groups	11.339	1	11.339	4.460	.035
	Within Groups	1344.898	529	2.542		
	Total	1356.237	530			
Voice	Between Groups	5.481	1	5.481	1.381	.241
	Within Groups	2104.150	530	3.970		
	Total	2109.632	531			
Quality	Between Groups	43.701	1	43.701	20.005	.000
	Within Groups	1159.984	531	2.185		
	Total	1203.685	532			

Oneway, H3 - Control only versus Elicitation and Recovery

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	78.531	1	78.531	27.889	.000
	Within Groups	2235.805	794	2.816		
	Total	2314.335	795			
Repurchase Intention	Between Groups	14.535	1	14.535	5.591	.018
	Within Groups	2061.510	793	2.600		
	Total	2076.045	794			
Voice	Between Groups	15.848	1	15.848	3.891	.049
	Within Groups	3229.921	793	4.073		
	Total	3245.769	794			
Quality	Between Groups	76.296	1	76.296	33.502	.000
	Within Groups	1810.499	795	2.277		
	Total	1886.795	796			

Means, H3 - Control versus Elicitation & Recovery

Report

Control/Treatment		Satisfaction	Repurchase Intention	Voice	Quality
Treatment1/2	Mean	4.25	5.47	7.03	5.38
	N	533	531	532	533
	Std. Deviation	1.71	1.60	1.99	1.50
No Treatment	Mean	3.58	5.18	6.73	4.72
	N	263	264	263	264
	Std. Deviation	1.60	1.64	2.07	1.52
Total	Mean	4.03	5.37	6.93	5.16
	N	796	795	795	797
	Std. Deviation	1.71	1.62	2.02	1.54

Oneway, A1 - Stability

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	38.376	1	38.376	13.388	.000
	Within Groups	2275.960	794	2.866		
	Total	2314.335	795			
Repurchase Intentions	Between Groups	41.167	1	41.167	16.043	.000
	Within Groups	2034.878	793	2.566		
	Total	2076.045	794			
Voice	Between Groups	12.921	1	12.921	3.169	.075
	Within Groups	3232.848	793	4.077		
	Total	3245.769	794			
Quality	Between Groups	47.487	1	47.487	20.525	.000
	Within Groups	1839.308	795	2.314		
	Total	1886.795	796			

Group Statistics

	Stable	Mean
Satisfaction	Unstable	3.81
	Stable	4.25
Repurchase Intentions	Unstable	5.14
	Stable	5.60
Voice	Unstable	7.06
	Stable	6.80
Quality	Unstable	4.92
	Stable	5.40

Oneway, A2a - Compensation

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	2.611	1	2.611	.897	.344
	Within Groups	2311.724	794	2.911		
	Total	2314.335	795			
Repurchase Intentions	Between Groups	1.447	1	1.447	.553	.457
	Within Groups	2074.599	793	2.616		
	Total	2076.045	794			
Voice	Between Groups	1.240	1	1.240	.303	.582
	Within Groups	3244.529	793	4.091		
	Total	3245.769	794			
Quality	Between Groups	.812	1	.812	.342	.559
	Within Groups	1885.984	795	2.372		
	Total	1886.795	796			

Group Statistics

	Upgrade	Mean
Satisfaction	Apology	3.97
	Upgrade	4.09
Repurchase Intentions	Apology	5.42
	Upgrade	5.33
Voice	Apology	6.97
	Upgrade	6.89
Quality	Apology	5.13
	Upgrade	5.20

Oneway, A2b : Compensation adequacy - upgrade

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Adress/response	Between Groups	3.085	1	3.085	.826	.364
	Within Groups	2958.930	792	3.736		
	Total	2962.015	793			

Means, A3: Provider care genuine

Report

Care factor

Scenario0	Mean	N	Std. Deviation
Ctrl-Unst-Ap	5.23	75	1.78
Ctrl-Unst-Upgr	5.39	61	1.78
Ctrl-Stbl-Ap	5.75	65	1.64
Ctrl-Stbl-Upgr	5.92	61	1.56
Elic-Unst-Ap	5.92	66	1.28
Elic-Unst-Upgr	5.33	60	1.57
Elic-Stbl-Ap	5.81	70	1.77
Elic-Stbl-Upgr	6.29	70	1.40
Reco-Unst-Ap	6.48	66	1.64
Reco-Unst-Upgr	6.42	65	1.46
Reco-Stbl-Ap	6.39	66	1.53
Reco-Stbl-Upgr	6.81	70	1.39
Total	5.98	795	1.64

Means, A4: Satisfaction and Voice move in same direction

Report

Treatment group		Satisfaction	Voice
Control	Mean	3.58	6.73
	N	263	263
	Std. Deviation	1.60	2.07
Elicitation	Mean	4.06	6.92
	N	266	266
	Std. Deviation	1.67	2.05
Recovery	Mean	4.43	7.13
	N	267	266
	Std. Deviation	1.74	1.94
Total	Mean	4.03	6.93
	N	796	795
	Std. Deviation	1.71	2.02

Oneway, M1: Constant care factor

ANOVA

Care factor

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	190.024	11	17.275	6.966	.000
Within Groups	1941.794	783	2.480		
Total	2131.819	794			

Means, M1: Care factor stability

Report

Care factor

Scenario0	Mean	N	Std. Deviation
Ctrl-Unst-Ap	5.23	75	1.78
Ctrl-Unst-Upgr	5.39	61	1.78
Ctrl-Stbl-Ap	5.75	65	1.64
Ctrl-Stbl-Upgr	5.92	61	1.56
Elic-Unst-Ap	5.92	66	1.28
Elic-Unst-Upgr	5.33	60	1.57
Elic-Stbl-Ap	5.81	70	1.77
Elic-Stbl-Upgr	6.29	70	1.40
Reco-Unst-Ap	6.48	66	1.64
Reco-Unst-Upgr	6.42	65	1.46
Reco-Stbl-Ap	6.39	66	1.53
Reco-Stbl-Upgr	6.81	70	1.39
Total	5.98	795	1.64

Crosstabs, M2: Compensation policy

Provider response * Upgrade Crosstabulation

			Upgrade		
			Apology	Upgrade	Total
Provider response	Apology only	Count	216	97	313
		% within Provider response	69.0%	31.0%	100.0%
		% within Upgrade	54.1%	25.2%	39.9%
	Compensation	Count	112	214	326
		% within Provider response	34.4%	65.6%	100.0%
		% within Upgrade	28.1%	55.6%	41.6%
	Not sure	Count	71	74	145
		% within Provider response	49.0%	51.0%	100.0%
		% within Upgrade	17.8%	19.2%	18.5%
Total		Count	399	385	784
		% within Provider response	50.9%	49.1%	100.0%
		% within Upgrade	100.0%	100.0%	100.0%

Crosstabs, M3: Attribution stability

Stability * Stable Crosstabulation

			Stable		
			Unstable	Stable	Total
Stability	Stable	Count	169	296	465
		% within Stability	36.3%	63.7%	100.0%
		% within Stable	43.4%	74.2%	59.0%
	Unstable	Count	170	56	226
		% within Stability	75.2%	24.8%	100.0%
		% within Stable	43.7%	14.0%	28.7%
	Not sure	Count	50	47	97
		% within Stability	51.5%	48.5%	100.0%
		% within Stable	12.9%	11.8%	12.3%
Total		Count	389	399	788
		% within Stability	49.4%	50.6%	100.0%
		% within Stable	100.0%	100.0%	100.0%

Oneway, M4: Attribution locus

ANOVA

Avoidability

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	36.024	11	3.275	1.266	.239
Within Groups	2020.060	781	2.587		
Total	2056.083	792			

Means, M4: Attribution Locus - Treatment

Report

Avoidability

Treatment group	Mean	N	Std. Deviation
Control	7.37	262	1.58
Elicitation	7.52	265	1.63
Recovery	7.56	266	1.62
Total	7.49	793	1.61

Frequencies, Demand Artifact

Study purpose

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Survey attitudes	233	29.2	29.6	29.6
	Study satisfaction	91	11.4	11.6	41.2
	Study complaint behaviour	155	19.4	19.7	60.9
	Study quality levels	116	14.5	14.8	75.7
	Study service failure handling	103	12.9	13.1	88.8
	Study complaint handling	50	6.3	6.4	95.2
	Not sure	30	3.8	3.8	99.0
	Other	8	1.0	1.0	100.0
	Total	786	98.5	100.0	
Missing	System	12	1.5		
Total		798	100.0		

Univariate Analysis of Variance, Satisfaction/manipulations

Between-Subjects Factors

		Value Label	N
Treatment group	1	Control	263
	2	Elicitation	266
	3	Recovery	267
Stable	0	Unstable	394
	1	Stable	402
Upgrade	0	Apology	408
	1	Upgrade	388

Tests of Between-Subjects Effects

Dependent Variable: Satisfaction

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	149.184[a]	11	13.562	4.911	.000
Intercept	12812.516	1	12812.516	4639.405	.000
TREATMEN	94.121	2	47.061	17.041	.000
STABLE	35.155	1	35.155	12.729	.000
UPGRADE	1.165	1	1.165	.422	.516
TREATMEN * STABLE	4.115	2	2.058	.745	.475
TREATMEN * UPGRADE	2.840	2	1.420	.514	.598
STABLE * UPGRADE	6.245	1	6.245	2.261	.133
TREATMEN * STABLE * UPGRADE	2.014	2	1.007	.365	.695
Error	2165.151	784	2.762		
Total	15235.000	796			
Corrected Total	2314.335	795			

a. R Squared = .064 (Adjusted R Squared = .051)

Univariate Analysis of Variance, Repurchase/manipulations

Between-Subjects Factors

		Value Label	N
Treatment group	1	Control	264
	2	Elicitation	264
	3	Recovery	267
Stable	0	Unstable	392
	1	Stable	403
Upgrade	0	Apology	407
	1	Upgrade	388

Tests of Between-Subjects Effects

Dependent Variable: Repurchase Intentions

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	82.504[a]	11	7.500	2.946	.001
Intercept	22800.300	1	22800.300	8955.235	.000
TREATMEN	25.423	2	12.711	4.993	.007
STABLE	40.370	1	40.370	15.856	.000
UPGRADE	2.589	1	2.589	1.017	.314
TREATMEN * STABLE	1.519	2	.759	.298	.742
TREATMEN * UPGRADE	5.272	2	2.636	1.035	.356
STABLE * UPGRADE	2.577	1	2.577	1.012	.315
TREATMEN * STABLE * UPGRADE	4.800	2	2.400	.943	.390
Error	1993.542	783	2.546		
Total	25032.000	795			
Corrected Total	2076.045	794			

a. R Squared = .040 (Adjusted R Squared = .026)

Univariate Analysis of Variance, Voice/manipulations

Between-Subjects Factors

		Value Label	N
Treatment group	1	Control	263
	2	Elicitation	266
	3	Recovery	266
Stable	0	Unstable	393
	1	Stable	402
Upgrade	0	Apology	407
	1	Upgrade	388

Tests of Between-Subjects Effects

Dependent Variable: Voice

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	73.963[a]	11	6.724	1.660	.078
Intercept	38019.707	1	38019.707	9385.642	.000
TREATMEN	22.492	2	11.246	2.776	.063
STABLE	13.326	1	13.326	3.290	.070
UPGRADE	1.287	1	1.287	.318	.573
TREATMEN * STABLE	30.675	2	15.338	3.786	.023
TREATMEN * UPGRADE	2.043	2	1.021	.252	.777
STABLE * UPGRADE	3.648	1	3.648	.901	.343
TREATMEN * STABLE * UPGRADE	1.084	2	.542	.134	.875
Error	3171.805	783	4.051		
Total	41393.000	795			
Corrected Total	3245.769	794			

a. R Squared = .023 (Adjusted R Squared = .009)

Univariate Analysis of Variance, Quality/manipulations

Between-Subjects Factors

		Value Label	N
Treatment group	1	Control	264
	2	Elicitation	266
	3	Recovery	267
Stable	0	Unstable	394
	1	Stable	403
Upgrade	0	Apology	409
	1	Upgrade	388

Tests of Between-Subjects Effects

Dependent Variable: Quality

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	181.507[a]	11	16.501	7.596	.000
Intercept	21114.991	1	21114.991	9719.922	.000
TREATMEN	116.538	2	58.269	26.823	.000
STABLE	45.766	1	45.766	21.068	.000
UPGRADE	.104	1	.104	.048	.827
TREATMEN * STABLE	2.789	2	1.395	.642	.527
TREATMEN * UPGRADE	1.718	2	.859	.395	.674
STABLE * UPGRADE	10.971	1	10.971	5.050	.025
TREATMEN * STABLE * UPGRADE	1.793	2	.896	.413	.662
Error	1705.288	785	2.172		
Total	23133.000	797			
Corrected Total	1886.795	796			

a. R Squared = .096 (Adjusted R Squared = .084)

General Linear Model, MANOVA: key variables/manipulations

Multivariate Tests[c]

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.965	5324.831[a]	4	775	.000
	Wilks' Lambda	.035	5324.831[a]	4	775	.000
	Hotelling's Trace	27.483	5324.831[a]	4	775	.000
	Roy's Largest Root	27.483	5324.831[a]	4	775	.000
TREATMEN	Pillai's Trace	.082	8.322	8	1552	.000
	Wilks' Lambda	.918	8.475[a]	8	1550	.000
	Hotelling's Trace	.089	8.629	8	1548	.000
	Roy's Largest Root	.087	16.819[b]	4	776	.000
STABLE	Pillai's Trace	.036	7.284[a]	4	775	.000
	Wilks' Lambda	.964	7.284[a]	4	775	.000
	Hotelling's Trace	.038	7.284[a]	4	775	.000
	Roy's Largest Root	.038	7.284[a]	4	775	.000
UPGRADE	Pillai's Trace	.003	.616[a]	4	775	.651
	Wilks' Lambda	.997	.616[a]	4	775	.651
	Hotelling's Trace	.003	.616[a]	4	775	.651
	Roy's Largest Root	.003	.616[a]	4	775	.651
TREATMEN * STABLE	Pillai's Trace	.014	1.400	8	1552	.192
	Wilks' Lambda	.986	1.401[a]	8	1550	.191
	Hotelling's Trace	.014	1.402	8	1548	.191
	Roy's Largest Root	.013	2.525[b]	4	776	.040
TREATMEN * UPGRADE	Pillai's Trace	.008	.808	8	1552	.595
	Wilks' Lambda	.992	.808[a]	8	1550	.595
	Hotelling's Trace	.008	.808	8	1548	.595
	Roy's Largest Root	.008	1.469[b]	4	776	.210
STABLE * UPGRADE	Pillai's Trace	.008	1.645[a]	4	775	.161
	Wilks' Lambda	.992	1.645[a]	4	775	.161
	Hotelling's Trace	.008	1.645[a]	4	775	.161
	Roy's Largest Root	.008	1.645[a]	4	775	.161
TREATMEN * STABLE * UPGRADE	Pillai's Trace	.004	.375	8	1552	.934
	Wilks' Lambda	.996	.375[a]	8	1550	.934
	Hotelling's Trace	.004	.374	8	1548	.934
	Roy's Largest Root	.003	.524[b]	4	776	.718

a. Exact statistic

b. The statistic is an upper bound on F that yields a lower bound on the significance level.

c. Design: Intercept+TREATMEN+STABLE+UPGRADE+TREATMEN * STABLE+TREATMEN * UPGRADE+STABLE * UPGRADE+TREATMEN * STABLE * UPGRADE

Tests of Between-Subjects Effects

| Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	Satisfaction	147.332[a]	11	13.394	4.845	.000
	Repurchase Intentions	81.267[b]	11	7.388	2.914	.001
	Voice	72.297[c]	11	6.572	1.616	.089
	Quality	178.974[d]	11	16.270	7.460	.000
Intercept	Satisfaction	12748.371	1	12748.371	4611.534	.000
	Repurchase Intentions	22631.837	1	22631.837	8925.149	.000
	Voice	37738.817	1	37738.817	9279.666	.000
	Quality	20901.433	1	20901.433	9582.784	.000
TREATMEN	Satisfaction	92.224	2	46.112	16.680	.000
	Repurchase Intentions	26.746	2	13.373	5.274	.005
	Voice	21.547	2	10.774	2.649	.071
	Quality	114.557	2	57.279	26.261	.000
STABLE	Satisfaction	34.553	1	34.553	12.499	.000
	Repurchase Intentions	40.721	1	40.721	16.059	.000
	Voice	12.159	1	12.159	2.990	.084
	Quality	44.406	1	44.406	20.359	.000
UPGRADE	Satisfaction	.879	1	.879	.318	.573
	Repurchase Intentions	2.275	1	2.275	.897	.344
	Voice	1.080	1	1.080	.265	.607
	Quality	.179	1	.179	.082	.774
TREATMEN * STABLE	Satisfaction	4.881	2	2.440	.883	.414
	Repurchase Intentions	.774	2	.387	.153	.858
	Voice	30.604	2	15.302	3.763	.024
	Quality	2.290	2	1.145	.525	.592
TREATMEN * UPGRADE	Satisfaction	3.068	2	1.534	.555	.574
	Repurchase Intentions	4.430	2	2.215	.874	.418
	Voice	2.098	2	1.049	.258	.773
	Quality	2.012	2	1.006	.461	.631
STABLE * UPGRADE	Satisfaction	6.343	1	6.343	2.295	.130
	Repurchase Intentions	2.413	1	2.413	.951	.330
	Voice	4.225	1	4.225	1.039	.308
	Quality	11.354	1	11.354	5.206	.023
TREATMEN * STABLE * UPGRADE	Satisfaction	1.737	2	.868	.314	.731
	Repurchase Intentions	3.629	2	1.814	.715	.489
	Voice	1.153	2	.577	.142	.868
	Quality	1.959	2	.980	.449	.638
Error	Satisfaction	2150.745	778	2.764		
	Repurchase Intentions	1972.804	778	2.536		
	Voice	3163.993	778	4.067		
	Quality	1696.930	778	2.181		
Total	Satisfaction	15155.000	790			
	Repurchase Intentions	24832.000	790			
	Voice	41097.000	790			
	Quality	22906.000	790			
Corrected Total	Satisfaction	2298.077	789			
	Repurchase Intentions	2054.071	789			
	Voice	3236.290	789			
	Quality	1875.904	789			

a. R Squared = .064 (Adjusted R Squared = .051)

Oneway, influence of upset level on key variables

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	246.515	8	30.814	11.737	.000
	Within Groups	2055.695	783	2.625		
	Total	2302.211	791			
Repurchase Intentions	Between Groups	65.477	8	8.185	3.201	.001
	Within Groups	1999.249	782	2.557		
	Total	2064.726	790			
Voice	Between Groups	208.537	8	26.067	6.803	.000
	Within Groups	3000.048	783	3.831		
	Total	3208.586	791			
Quality	Between Groups	55.452	8	6.932	2.989	.003
	Within Groups	1820.589	785	2.319		
	Total	1876.042	793			

Graph, influence of upset level
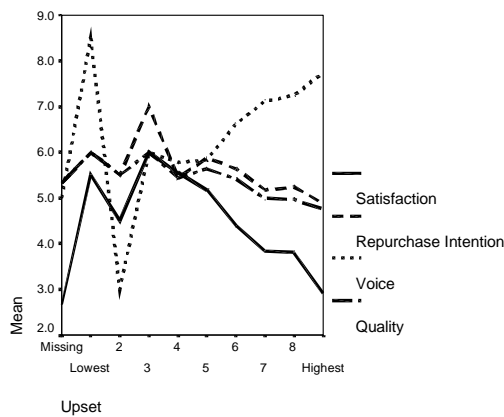
Oneway, influence of severity level

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	149.877	8	18.735	6.824	.000
	Within Groups	2152.335	784	2.745		
	Total	2302.212	792			
Repurchase Intentions	Between Groups	75.913	8	9.489	3.731	.000
	Within Groups	1991.461	783	2.543		
	Total	2067.374	791			
Voice	Between Groups	178.848	8	22.356	5.777	.000
	Within Groups	3033.999	784	3.870		
	Total	3212.847	792			
Quality	Between Groups	49.348	8	6.168	2.643	.007
	Within Groups	1834.735	786	2.334		
	Total	1884.083	794			

Graph, stated severity influence

Failure severity
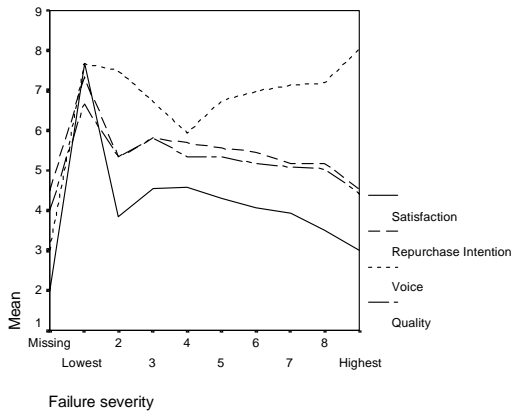
Oneway, influence of perceived response adequacy

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Satisfaction	Between Groups	333.459	8	41.682	16.656	.000
	Within Groups	1959.551	783	2.503		
	Total	2293.010	791			
Repurchase Intentions	Between Groups	134.209	8	16.776	6.787	.000
	Within Groups	1933.024	782	2.472		
	Total	2067.234	790			
Voice	Between Groups	65.121	8	8.140	2.028	.041
	Within Groups	3143.465	783	4.015		
	Total	3208.586	791			
Quality	Between Groups	336.250	8	42.031	21.326	.000
	Within Groups	1547.137	785	1.971		
	Total	1883.387	793			

Graph, influence of adequacy of response

Adress/response
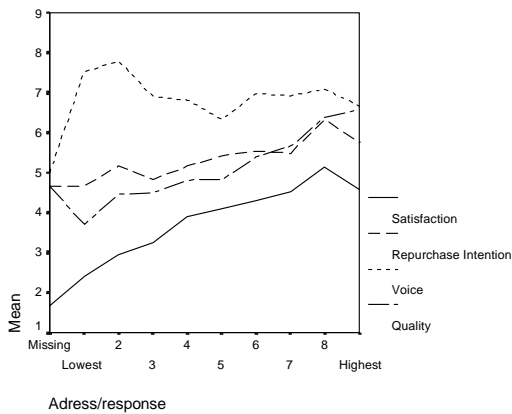
Descriptives, whole population

Descriptive Statistics

	N	Min.	Max.	Mean		Std. Dev.
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Satisfaction	796	1	9	4.03	6.05E-02	1.71
Repurchase Intention	795	1	9	5.37	5.73E-02	1.62
Voice	795	1	9	6.93	7.17E-02	2.02
Quality	797	1	9	5.16	5.45E-02	1.54
Care factor	795	1	9	5.98	5.81E-02	1.64
Listen	794	1	9	6.23	6.26E-02	1.76
Stability	788	1	3	1.53	2.51E-02	.70
Avoidability	793	1	9	7.49	5.72E-02	1.61
Adress/response	794	1	9	5.17	6.86E-02	1.93
Failure severity	795	1	9	6.09	5.35E-02	1.51
Upset	794	1	9	6.84	4.27E-02	1.20
Provider response	784	1	3	1.79	2.62E-02	.73
Study purpose	786	1	8	3.10	6.58E-02	1.85
Complaint propensity	789	1	9	6.08	6.86E-02	1.93
Switch propensity	788	1	9	6.39	7.26E-02	2.04
Repurchase propensity	784	1	9	4.19	6.30E-02	1.76
Valid N (listwise)	751					

Frequencies, control groups only (no treatment)

Satisfaction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lowest	27	10.2	10.3	10.3
	2	37	14.0	14.1	24.3
	3	70	26.5	26.6	51.0
	4	68	25.8	25.9	76.8
	5	21	8.0	8.0	84.8
	6	29	11.0	11.0	95.8
	7	9	3.4	3.4	99.2
	8	1	.4	.4	99.6
	Highest	1	.4	.4	100.0
	Total	263	99.6	100.0	
Missing	System	1	.4		
Total		264	100.0		

Frequencies, recovery groups (full treatment)

Satisfaction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lowest	11	4.1	4.1	4.1
	2	15	5.6	5.6	9.7
	3	63	23.5	23.6	33.3
	4	71	26.5	26.6	59.9
	5	21	7.8	7.9	67.8
	6	47	17.5	17.6	85.4
	7	30	11.2	11.2	96.6
	8	8	3.0	3.0	99.6
	Highest	1	.4	.4	100.0
	Total	267	99.6	100.0	
Missing	System	1	.4		
Total		268	100.0		

Frequencies, all data

Satisfaction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lowest	54	6.8	6.8	6.8
	2	80	10.0	10.1	16.8
	3	194	24.3	24.4	41.2
	4	210	26.3	26.4	67.6
	5	63	7.9	7.9	75.5
	6	127	15.9	16.0	91.5
	7	53	6.6	6.7	98.1
	8	12	1.5	1.5	99.6
	Highest	3	.4	.4	100.0
	Total	796	99.7	100.0	
Missing	System	2	.3		
Total		798	100.0		

Repurchase Intentions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lowest	13	1.6	1.6	1.6
	2	23	2.9	2.9	4.5
	3	62	7.8	7.8	12.3
	4	122	15.3	15.3	27.7
	5	188	23.6	23.6	51.3
	6	190	23.8	23.9	75.2
	7	129	16.2	16.2	91.4
	8	56	7.0	7.0	98.5
	Highest	12	1.5	1.5	100.0
	Total	795	99.6	100.0	
Missing	System	3	.4		
Total		798	100.0		

Voice

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lowest	14	1.8	1.8	1.8
	2	11	1.4	1.4	3.1
	3	48	6.0	6.0	9.2
	4	51	6.4	6.4	15.6
	5	33	4.1	4.2	19.7
	6	89	11.2	11.2	30.9
	7	189	23.7	23.8	54.7
	8	139	17.4	17.5	72.2
	Highest	221	27.7	27.8	100.0
	Total	795	99.6	100.0	
Missing	System	3	.4		
Total		798	100.0		

Quality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lowest	9	1.1	1.1	1.1
	2	20	2.5	2.5	3.6
	3	75	9.4	9.4	13.0
	4	187	23.4	23.5	36.5
	5	158	19.8	19.8	56.3
	6	182	22.8	22.8	79.2
	7	120	15.0	15.1	94.2
	8	43	5.4	5.4	99.6
	Highest	3	.4	.4	100.0
	Total	797	99.9	100.0	
Missing	System	1	.1		
Total		798	100.0		

Frequencies, respondents data

Age group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	400	50.1	50.7	50.7
	30-39	291	36.5	36.9	87.6
	40-49	89	11.2	11.3	98.9
	50-59	8	1.0	1.0	99.9
	60-65	1	.1	.1	100.0
	Total	789	98.9	100.0	
Missing	System	9	1.1		
Total		798	100.0		

Family situation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	With parents	106	13.3	13.5	13.5
	Single, own household	109	13.7	13.8	27.3
	Sharing household, partner/friends	253	31.7	32.1	59.4
	Married, no children	138	17.3	17.5	76.9
	Married, children	155	19.4	19.7	96.6
	Married, grown up children	10	1.3	1.3	97.8
	Other	17	2.1	2.2	100.0
	Total	788	98.7	100.0	
Missing	System	10	1.3		
Total		798	100.0		

Sex

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	473	59.3	60.1	60.1
	Female	314	39.3	39.9	100.0
	Total	787	98.6	100.0	
Missing	System	11	1.4		
Total		798	100.0		

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	School certificate	3	.4	.4	.4
	High school certificate	15	1.9	1.9	2.3
	Vocational or trade certificate	10	1.3	1.3	3.5
	Diploma	35	4.4	4.4	8.0
	University degree	414	51.9	52.5	60.5
	Post graduate degree	310	38.8	39.3	99.7
	Other	2	.3	.3	100.0
	Total	789	98.9	100.0	
Missing	System	9	1.1		
Total		798	100.0		

Employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not in work force	12	1.5	1.5	1.5
	Student	233	29.2	29.6	31.1
	Housewife	3	.4	.4	31.5
	Worker	12	1.5	1.5	33.0
	Staff	48	6.0	6.1	39.1
	Professional	258	32.3	32.7	71.8
	Manager	206	25.8	26.1	98.0
	Other	16	2.0	2.0	100.0
	Total	788	98.7	100.0	
Missing	System	10	1.3		
Total		798	100.0		

Treatment group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Control	264	33.1	33.1	33.1
	Elicitation	266	33.3	33.3	66.4
	Recovery	268	33.6	33.6	100.0
	Total	798	100.0	100.0	

Stable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unstable	395	49.5	49.5	49.5
	Stable	403	50.5	50.5	100.0
	Total	798	100.0	100.0	

Upgrade

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Apology	410	51.4	51.4	51.4
	Upgrade	388	48.6	48.6	100.0
	Total	798	100.0	100.0	

Graph, group mean vs treatment
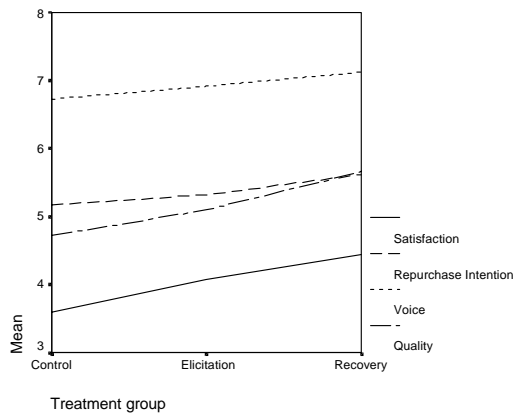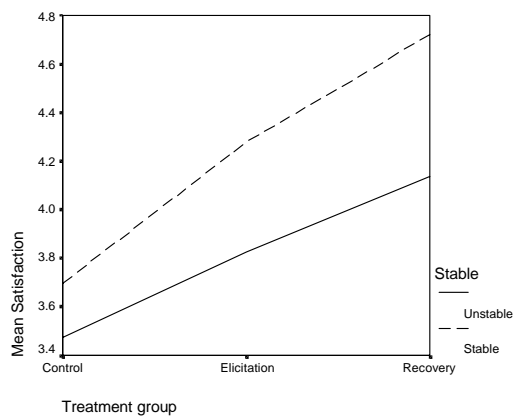

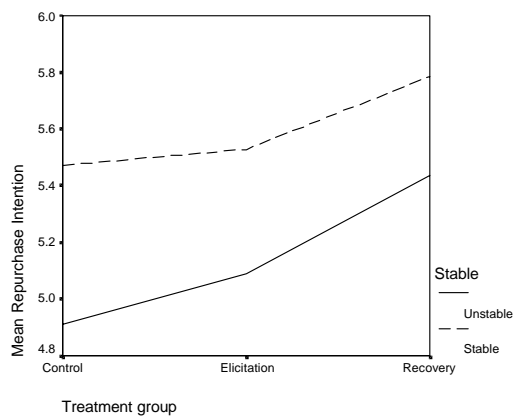## Graph, group mean vs stability
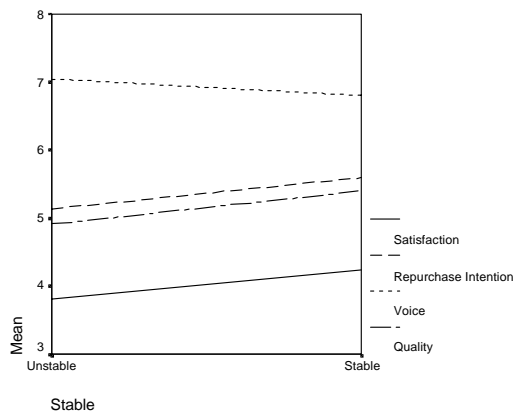
Graph, group mean vs compensation type
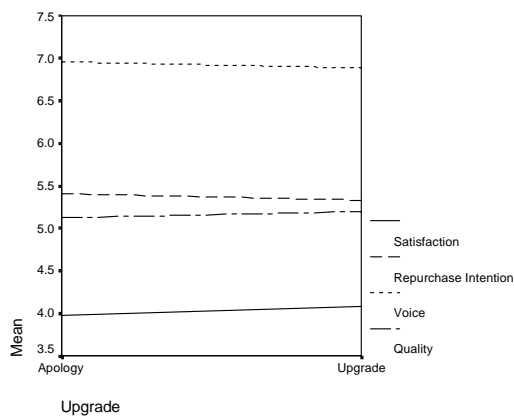
Graph, satisfaction vs treatment & upgrade
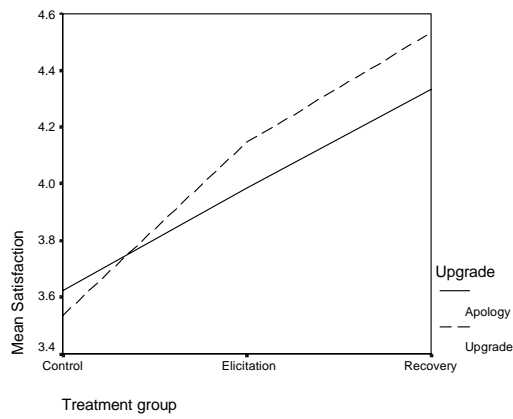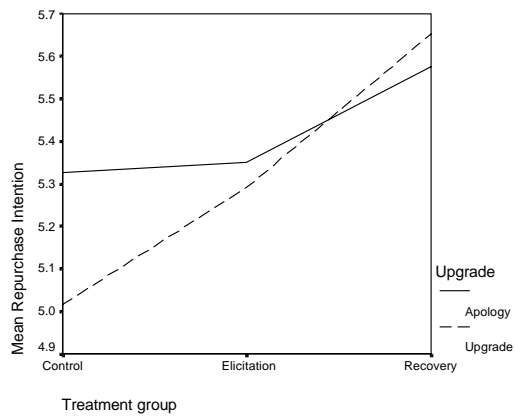

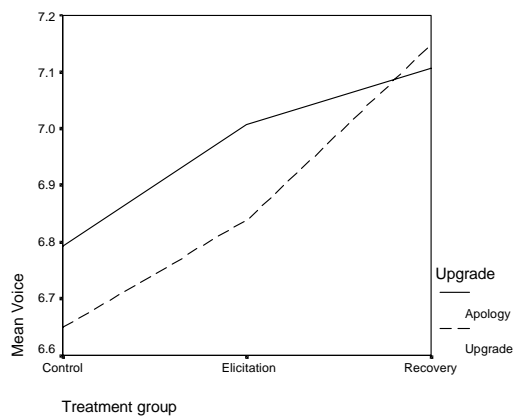## Graph, satisfaction vs treatment & upgrade

Graph, repurchase vs treatment & stability

Graph, repurchase vs treatment & upgrade

Graph, voice vs treatment & upgrade
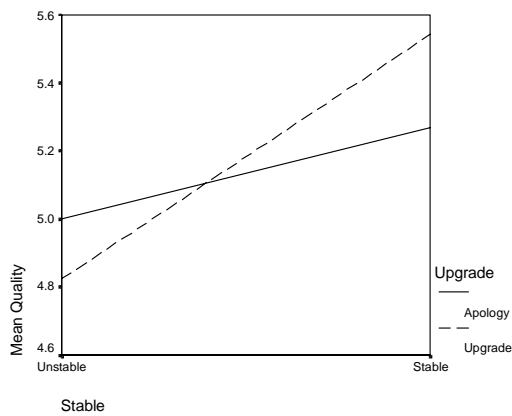

Graph, voice vs treatment & stability (interaction)
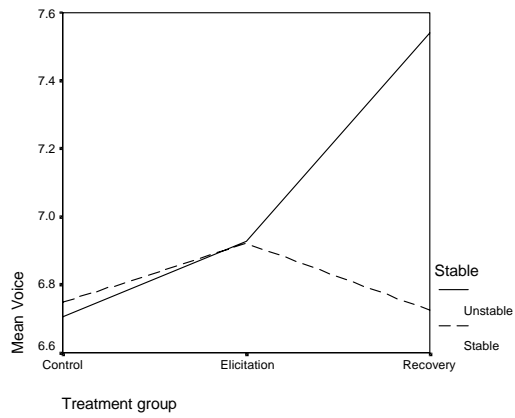
Graph, quality vs treatment & stability
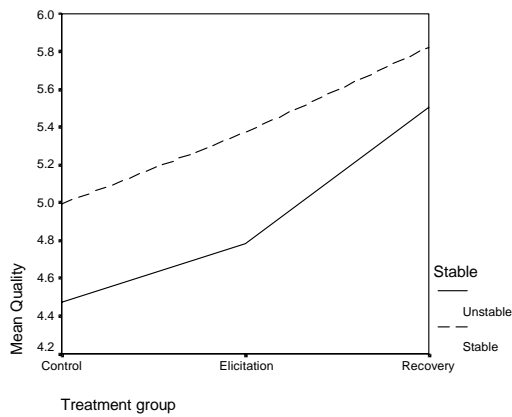
Graph, quality vs treatment & compensation
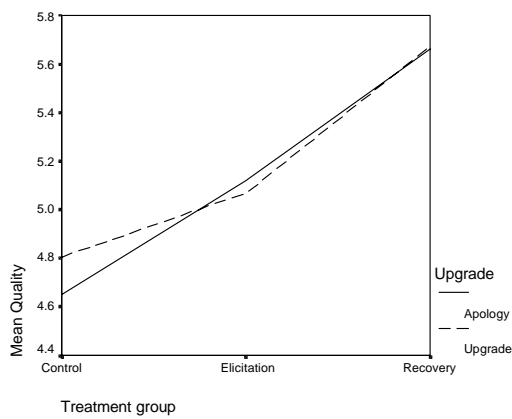
Graph, interaction analysis: quality vs stability & upgrade

Oneway, Voice - Stability Interaction; all cases

ANOVA

Voice

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	21.329	2	10.665	2.619	.073
Within Groups	3224.439	792	4.071		
Total	3245.769	794			

Report

Voice

Treatment group	Mean	N	Std. Deviation
Control	6.73	263	2.07
Elicitation	6.92	266	2.05
Recovery	7.13	266	1.94
Total	6.93	795	2.02

Oneway, Voice - Stability Interaction; unstable only

ANOVA

Voice

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	49.657	2	24.828	5.988	.003
Within Groups	1617.112	390	4.146		
Total	1666.768	392			

Means

Report

Voice

Treatment group	Mean	N	Std. Deviation
Control	6.71	136	2.11
Elicitation	6.93	126	2.16
Recovery	7.54	131	1.82
Total	7.06	393	2.06

Oneway, Voice - Stability Interaction; stable cases only

ANOVA

Voice

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.148	2	1.574	.402	.669
Within Groups	1562.932	399	3.917		
Total	1566.080	401			

Report

Voice

Treatment group	Mean	N	Std. Deviation
Control	6.75	127	2.03
Elicitation	6.92	140	1.95
Recovery	6.73	135	1.97
Total	6.80	402	1.98

Graph, interaction analysis: voice vs stability & treatment
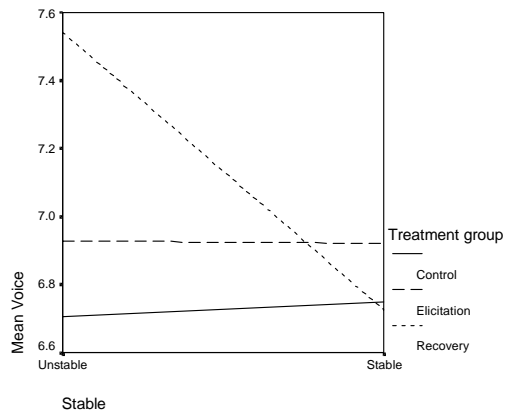
B   *Appendix - QUESTIONNAIRES*

Chapter 6 discussed the elements of each questionnaire scenario. For better readability, 3 actual survey samples are shown below. Questionnaire 1 (first scenario without treatment) is complete, including section 2 which was the same for all scenarios. Questionnaire 5 (first scenario with intermediate treatment level) and Questionnaire 12 (last scenario, full treatment) do not show section 2.

Samples are shown in the format (margins and fonts) as issued, except that scenario codes in actual surveys were only shown as small print in the footer. Versions below are shown without the original footer.

Scenario 1 survey sample (complete)

Monash/Mt Eliza (Aug 99)

Please participate in this survey (PhD research project)

*Below is a questionnaire, looking at people's **attitudes towards services**. It takes 5 to 10 minutes to fill it in. Kindly complete and return it as soon as possible.*
There is a description of a service (section 1), followed by some questions (section 2).
*When reading section 1, **assume that you are the passenger on this flight**.*
Thank you   (Andre Schoen, PhD student).
Please RETURN the questionnaire to the ASSIGNMENT BOX (Attn: Prof. Les Johnson)

SECTION 1

Problem at check in, airline disorganised
Sarah Miller was booked on an overnight flight to attend meetings for the rest of the week. When checking in at the business class counter, she had to <u>wait longer than usual</u>, as there was an <u>unsupervised trainee</u> at the check-in counter. In response to her question, the trainee confirmed that her request for a vegetarian meal was registered. The trainee seemed to have <u>problems with the computer</u>, but advised that all should be in order. Sarah got the impression that the airline was generally <u>not well organised</u>.

Booked special meal not available, no explanation offered
During the flight it became obvious that <u>no vegetarian meal was available</u> and the choices were restricted to the standard business class dinner menu. Since Sarah has to follow a medical diet, this meant that she <u>missed out on dinner</u>. The cabin crew apologised, but <u>could not explain why this happened</u>.

Average to good service otherwise, responsive and caring
The <u>service was good otherwise</u>, with the <u>crew</u> trying to be <u>responsive and caring</u>.

Complain or switch? Company apologises
Sarah was thinking about whether she should <u>complain</u> or <u>switch airlines</u> without further dialogue. She appreciated that <u>today's problem</u> was the <u>result of</u> an <u>unusual situation</u>. Previous flights have been without incidents, but Sarah heard that the company <u>apologises for mishaps</u> brought to their attention. Other than that, Sarah felt no particular loyalty to this airline, given that the alternatives had similar levels of service and equally convenient departure times. Sarah was not yet a member of a frequent flier scheme, so switching airlines had no further complications.

SECTION 2

When answering the questions below, **assume that you were the passenger on this flight***:*

2) *Had you been in this situation,* **how satisfied** *would you have been* **with the overall service***?*								
Circle/tick one number only (9 point scale, 5 being neutral):								
9: very satisfied	**8:** quite satisfied	**7:** satisfied	**6:** somewhat satisfied	**5:** indifferent	**4:** somewhat dissatisfied	**3:** dissatisfied	**2:** quite dissatisfied	**1:** very dissatisfied

2) *How likely is it that you would* **use this airline again***, rather than switching airlines?*								
9: very likely	**8:** quite likely	**7:** likely	**6:** somewhat likely	**5:** undecided	**4:** somewhat unlikely	**3:** unlikely	**2:** quite unlikely	**1:** very unlikely

3) *In a real situation, would you have* **voiced your complaint (meal) to the head steward or other airline staff***?*								
9: very likely	**8:** quite likely	**7:** likely	**6:** somewhat likely	**5:** undecided	**4:** somewhat unlikely	**3:** unlikely	**2:** quite unlikely	**1:** very unlikely

4) *How do you rate the overall* **service quality level** *of this airline?*								
9: very good	**8:** quite good	**7:** good	**6:** somewhat good	**5:** neither good or bad	**4:** somewhat bad	**3:** bad	**2:** quite bad	**1:** very bad

5) *Did the airline appear to **care** for their passengers?*

9: very caring	**8:** quite caring	**7:** caring	**6:** somewhat caring	**5:** undecided	**4:** somewhat indifferent	**3:** indifferent	**2:** quite indifferent	**1:** very indifferent

6) *Did the airline appear to make an adequate attempt to **listen to feedback**?*

9: very adequate	**8:** quite adequate	**7:** adequate	**6:** somewhat adequate	**5:** indifferent	**4:** somewhat inadequate	**3:** inadequate	**2:** quite inadequate	**1:** very inadequate

7) ***How stable*** *do you perceive the overall service level at this airline (tick most applicable, tick one only)?*

1: Organised, but temporary problems	**2:** Disorganised, no explanation for the incident	**3:** Not sure

8) *Was it entirely the **airline's responsibility to avoid this mishap** (meal)?*

9: very true	**8:** quite true	**7:** true	**6:** somewhat true	**5:** undecided	**4:** somewhat untrue	**3:** untrue	**2:** quite untrue	**1:** very untrue

9) ***How well*** *did the airline appear to **respond to or address mishaps**?*

9: very adequate	**8:** quite adequate	**7:** adequate	**6:** somewhat adequate	**5:** indifferent	**4:** somewhat inadequate	**3:** inadequate	**2:** quite inadequate	**1:** very inadequate

10) *How **severe** do you rate this incident?*

9: very severe	**8:** quite severe	**7:** severe	**6:** somewhat severe	**5:** indifferent	**4:** somewhat minor	**3:** minor	**2:** quite minor	**1:** very minor

11) *How **upset** would you have been with this encounter?*

9: very upset	**8:** quite upset	**7:** upset	**6:** somewhat upset	**5:** indifferent	**4:** somewhat happy	**3:** happy	**2:** quite happy	**1:** very happy

12) *How do you think this airline **usually responds to mishaps** (tick most applicable, tick one only)?*

1: Apology only	**2:** Offers compensation (free upgrade, etc.) and apology	**3:** not sure

13) *What do you think is the **purpose of this study** (tick most appropriate, tick one only)?*

1: Study attitudes towards services	**2:** Study satisfaction levels	**3:** Study complaint behaviour	**4:** Study service quality levels	**5:** Study service failure handling	**6:** Study complaint handling	**7:** Not sure	**8:** Other (please specify)

Please answer the following questions **about yourself**

A) When going to a restaurant, **if not satisfied** (slow service), how likely is it that you will **complain**?   *Circle one number only (9 point scale, 5 being neutral):*

9: very likely	**8:** quite likely	**7:** likely	**6:** somewhat likely	**5:** undecided	**4:** somewhat unlikely	**3:** unlikely	**2:** quite unlikely	**1:** very unlikely

B) When dissatisfied with a restaurant (slow service) and if there are similar restaurants in the area, are you likely to **change restaurants without first complaining**?

9: very likely	**8:** quite likely	**7:** likely	**6:** somewhat likely	**5:** undecided	**4:** somewhat unlikely	**3:** unlikely	**2:** quite unlikely	**1:** very unlikely

C) Once you **complained** at a restaurant (slow service), are you more or less likely to **return** to it in the future?

9: very likely to return	8: quite likely to return	7: likely to return	6: somewhat likely to return	**5**: undecided	4: somewhat unlikely to return	3: unlikely to return	2: quite unlikely to return	**1**: very unlikely to return

D) Which age group do you belong to (circle one number):

1: under 20 years of age	**2**: 20-29	**3**: 30-39	**4**: 40-49	**5**: 50-59	**6**: 60-65	**7**: above 65

E) Your family situation (circle one number):

1: Living with parents	**2**: Single with own household	**3**: Sharing household with partners/friends	**4**: Married, no children	**5**: Married with children	**6**: Married, grown up children	**7**: Retired	**8**: Other

F) Your sex (circle one number):   **1**: Male   **2**: Female

G) Education, your highest achieved level (circle one number, most applicable):

1: School certificate	**2**: High school certificate	**3**: Vocational or trade certificate	**4**: Diploma	**5**: University degree	**6**: Post graduate degree	**7**: Other

H) Your Employment, select most appropriate category (circle one number):

1: Not in work force	**2**: Student	**3**: Housewife	**4**: Worker	**5**: Staff	**6**: Professional	**7**: Manager	**8**: Other

Thank you again for your time. Feel free to add comments.

Scenario 2-4: additional manipulations as shown in chapter 6.

Scenario 5 sample survey text follows:

(section 1 only, section 2 same as scenario 1).

Scenario codes in document footer omitted.

Monash/Mt Eliza (Aug 99)

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There is a description of a service (section 1), followed by some questions (section 2).
*When reading section 1, **assume that you are the passenger on this flight**.*
Thank you   (Andre Schoen, PhD student).
Please RETURN the questionnaire to the ASSIGNMENT BOX (Attn: Prof. Les Johnson)

SECTION 1

Problem at check in, airline disorganised
Sarah Miller was booked on an overnight flight to attend meetings for the rest of the week. When checking in at the business class counter, she had to <u>wait longer than usual</u>, as there was an <u>unsupervised trainee</u> at the check-in counter. In response to her question, the trainee confirmed that her request for a vegetarian meal was registered. The trainee seemed to have <u>problems with the computer</u>, but advised that all should be in order. Sarah got the impression that the airline was generally <u>not well organised</u>.

Booked special meal not available, no explanation offered
During the flight it became obvious that <u>no vegetarian meal was available</u> and the choices were restricted to the standard business class dinner menu. Since Sarah has to follow a medical diet, this meant that she <u>missed out on dinner</u>. The cabin crew apologised, but <u>could not explain why this happened</u>.

Average to good service otherwise, responsive and caring
The <u>service was good otherwise</u>, with the <u>crew</u> trying to be <u>responsive and caring</u>.

Complain or switch? Company apologises
Sarah was thinking about whether she should <u>complain</u> <u>or</u> <u>switch airlines</u> without further dialogue. She appreciated that <u>today's problem</u> was the <u>result of</u> an <u>unusual situation</u>. Previous flights have been without incidents, but Sarah heard that the company <u>apologises for mishaps</u> brought to their attention. Other than that, Sarah felt no particular loyalty to this airline, given that the alternatives had similar levels of service and equally convenient departure times. Sarah was not yet a member of a frequent flier scheme, so switching airlines had no further complications.

Cabin crew seeking general feedback, listening to complaints
Towards the end of the flight, the head steward came through the cabin, handing out immigration forms for the destination. He appeared relaxed and friendly, frequently asking passengers whether they were happy with the flight and the crew's performance. In most cases, he took the time to <u>listen to specific complaints</u>. The airline seemed to be <u>eager to get feedback</u> from its customers.

Sarah remembered her earlier thoughts about complaining, or just switching airlines, when the head steward addressed her with a smile and asked whether she enjoyed the flight.

Scenario 6-11: additional manipulations as shown in chapter 6.

Scenario 12 sample survey text follows:

(section 1 only, section 2 same as scenario 1).

Scenario codes in document footer omitted.

Please participate in this survey (PhD research project)

*Below is a questionnaire, looking at people's **attitudes towards services**. It takes 5 to 10 minutes to fill it in. Kindly complete and return it as soon as possible.*
There is a description of a service (section 1), followed by some questions (section 2).
*When reading section 1, **assume that you are the passenger on this flight**.*
Thank you   (Andre Schoen, PhD student).
Please RETURN the questionnaire to the ASSIGNMENT BOX (Attn: Prof. Les Johnson)

SECTION 1

Problem at check in, airline otherwise well organised
Sarah Miller was booked on an overnight flight to attend meetings for the rest of the week. When checking in at the business class counter, she had to wait longer than usual, as there was an unsupervised trainee at the check-in counter. In response to her question, the trainee confirmed that the request for a vegetarian meal was registered. The trainee seemed to have problems with the computer, but advised that all should be in order. Sarah felt that the airline was otherwise well organised.

Booked special meal not available, explanation offered
During the flight it became obvious that no vegetarian meal was available and the choices were restricted to the standard business class dinner menu. Since Sarah has to follow a medical diet, this meant that she missed out on dinner. The cabin crew apologised and explained that the unsupervised trainee was the result of a rare and unusual combination of a staff shortage due to holidays and sickness. It appeared that the trainee accidentally cancelled Sarah's request.

Average to good service otherwise, responsive and caring
The service was good otherwise, with the crew trying to be responsive and caring.

Complain or switch? Company upgrades to first class
Sarah was thinking about whether she should complain or switch airlines without further dialogue. She appreciated that today's problem was the result of an unusual situation. Previous flights have been without incidents, but Sarah heard that the company apologises and sometimes compensates with an upgrade to first class service for mishaps brought to their attention. Other than that, she felt no particular loyalty to this airline, given that the alternatives had similar levels of service and equally convenient departure times. Sarah was not yet a member of a frequent flier scheme, so switching airlines had no further complications.

Cabin crew seeking general feedback, listening to complaints
Towards the end of the flight, the head steward came through the cabin, handing out immigration forms for the destination. He appeared relaxed and friendly, frequently asking passengers whether they were happy with the flight and the crew's performance. In most cases, he took the time to listen to specific complaints. The airline seemed to be eager to get feedback from its customers.

Staff responsive to individual feedback
It was obvious that the cabin crew made an <u>effort to not only listen</u>, <u>but respond to individual feedback</u>. A passenger a few rows in front of Sarah went through a similar experience with this flight. The head steward sensed this and <u>spent</u> quite some <u>time</u> with him, asking specific questions as to how the check-in went, whether the meal was cooked to satisfaction, etc.

Free upgrade to first class as compensation
In a factual way, the passenger explained what happened to him.
The head steward was very sympathetic and sincerely apologised for this. He offered a free <u>upgrade to first class</u> for the return flight, as compensation for what happened.

Staff seeking dialogue, addressing complaints
The airline seemed to have a very <u>positive attitude towards complaints</u>, <u>encouraging feedback</u> and <u>trying to make up for mishaps</u>.

Sarah remembered her earlier thoughts about complaining, or just switching airlines, when the head steward addressed her with a smile and asked whether she enjoyed the flight

Sarah remembered her earlier thoughts about complaining, or just switching airlines, when the head steward addressed her with a smile and asked whether she enjoyed the flight.