UNIVERSITI PUTRA MALAYSIA

IMPACT OF SERVICESCAPE FAILURES AND ASSOCIATED RECOVERY STRATEGIES ON CUSTOMER BEHAVIOR IN THE FOOD SERVICE INDUSTRY

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By

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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Master of Science

IMPACT OF SERVICESCAPE FAILURES AND ASSOCIATED RECOVERY STRATEGIES ON CUSTOMER BEHAVIOR IN THE FOOD SERVICE INDUSTRY

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September 2009

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Faculty: Food Science and Technology

Servicescape has become an increasingly important element in the delivery of customers' expectation and delight in services industry. However, servicescape failure can result in customer dissatisfaction. The subsequent interaction with a service employee has a great deal of influence on customer ultimate satisfaction. Despite the acknowledged importance of servicescape and effective recovery strategy, there is a dearth of investigation on servicescape failure and the associated recovery strategy, and the influence of these on customers' subsequent behaviors, particularly in the food service industry. This study attempted to fill the research gaps by examining the effect of customers' responses to servicescape failure and satisfaction of recovery strategy on repatronage behavior and word-of-mouth communication.

The Critical Incident Technique (CIT) was used to examine customers' behaviors associated with servicescape failures and recovery strategies in the food service industry. Food service industry was chosen because it involves a high level of service involvement among customers and is consumed and evaluated in a single episode by the customers. In-depth personal interview was applied because it provides a rare glimpse into how customers respond to servicescape failures and evaluate recovery strategies effectiveness. The transcription was content analyzed through an inductive sorting process to classify data categories that summarize and describe the research phenomenon. The developed classification system was measured by inter-judge reliability and content validity.

Using the CIT, data on 226 servicescape failures and 287 recovery actions were collected from 174 informants by the personal interview. The analysis revealed that cleanliness issues (76.1%) were the most reported problem in the food service industry, followed by design issues (11.1%), social interaction issues (7.1%), and functionality issues (5.7%). Customers exhibited negative reactions to those failures with displaying of emotional (angry, annoyed, disgusted, disappointed, unhappy, shocked, embarrassed, and frustrated) and physiological (sweat, eyes pain, body hurts, and itchy) responses. The recovery strategies identified through the sorting process resulting in five major categories which were empathetic, corrective, compensatory, authority intervention, and no recovery. The implemented recoveries were perceived positively and negatively by the customers. Combination of prompt action-oriented responses and sincere empathetic responses was perceived as far more effective and was likely to meet customers'

satisfaction, regardless of servicescape failure type. A simple apology or explanation did nothing to resolve the customer's need for immediate action; meanwhile, an action without empathetic response did not ensure customer satisfaction. Customers were most likely not to repatronize the same eatery if they were dissatisfied with the servicescape as well as the way the food service employee handled the complaint. Dissatisfied customers did engage in word-of-mouth communication than satisfied customers. It is apparent that servicescape failures when combined with inappropriate recovery efforts can significantly affect customers' behavioral responses.

This study has implications for food service managers and/or practitioners who are seeking to improve the tangibles in their eateries. It is recommended that food service managers have to closely monitor the servicescapes and implement appropriate recovery strategies which may greatly affect customer satisfaction and future behaviors. Food service managers not only need to address issues that could minimize the occurrence of servicescape failures but also need to discuss specific and desired recovery efforts. Staff training is a necessary process in developing efficient and effective service delivery systems.

Keywords: servicescape failure; recovery strategy; repatronage behavior; word-of-mouth communication; food service industry; critical incident technique

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains

KESAN KEGAGALAN PERSEKITARAN PREMIS MAKANAN DAN STRATEGI PEMBETULAN YANG BERKAITAN KE ATAS GELAGAT PENGGUNA DALAM INDUSTRI PERKHIDMATAN MAKANAN

Oleh

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September 2009

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Persekitaran premis makanan merupakan satu elemen yang semakin penting dalam memenuhi jangkaan dan kepuasan pengguna dalam industri perkhidmatan. Namun demikian, kegagalan persekitaran premis makanan boleh menyebabkan ketidakpuasan pengguna. Justeru itu, interaksi antara pengguna dan pekerja premis boleh mempengaruhi tahap kepuasan pengguna ke atas premis tersebut. Kepentingan persekitaran premis dan strategi pembetulan yang efektif telah dikenalpasti, namun kajian ke atas kesan kegagalan persekitaran premis dan strategi pembetulan yang berkaitan ke atas gelagat pengguna masih kurang, terutamanya melibatkan industri perkhidmatan makanan. Dengan itu, kajian ini dijalankan untuk mengkaji kesan respon pengguna dalam kegagalan persekitaran premis dan kepuasan mereka dalam strategi pembetulan ke atas gelagat mereka, sama ada mereka masih mengunjungi premis makanan tersebut dan menceritakan insiden tersebut kepada orang lain.

Teknik insiden kritikal (CIT) digunakan untuk mengkaji gelagat pengguna berikutan kegagalan persekitaran premis makanan dan kaedah pembetulan di industri perkhidmatan makanan. Industri perkhidmatan makanan dipilih kerana ia melibatkan penggunaan servis yang tinggi dikalangan pengguna dan servisnya diguna dan dinilai oleh pengguna dalam satu masa. Kaedah penemubual secara personal digunakan kerana ia dapat memberikan maklumat secara terperinci bagaimana pengguna respon kepada kegagalan persekitaran premis makanan dan juga kepada keberkesanan kaedah pembetulan. Transkrip dianalisis untuk mendapatkan kategori yang menjelaskan fenomena kajian. Sistem klasifikasi yang dibentuk diukur dengan konsistensi antara juri dan kesahihan kandungan.

Dengan menggunakan teknik insiden kritikal, 226 insiden kegagalan persekitaran premis dan 287 kaedah pembetulan telah dikumpulkan daripada 174 responden melalui penemubual secara personal. Analisis menunjukkan isu kebersihan (76.1%) merupakan masalah yang paling banyak berlaku di industri perkhidmatan makanan, diikuti dengan isu rekabentuk (11.1%), isu interaksi social (7.1%), dan isu kefungsian (5.7%). Pengguna menunjukkan reaksi negatif ke atas kegagalan tersebut dengan reaksi emosional (marah, jijik, kecewa, tidak gembira, terkejut, dan malu) dan fisiologi (berpeluh, sakit mata, sakit badan, dan gatal). Kaedah pembetulan yang dikenalpasti telah dikategorikan ke dalam lima kategori respon iaitu melalui perkataan, pembetulan, ganti rugi, campur tangan penguatkuasa, dan tiada pembetulan. Mengikut pandangan pengguna, kaedah pembetulan dibahagikan kepada positif dan negatif. Kombinasi

tindakan yang pantas dan menggunakan perkataan yang ikhlas daripada staf dapat memuaskan pelanggan, tanpa mengira jenis kegagalan persekitaran. Hanya dengan meminta maaf atau memberi penjelasan tidak dapat memuaskan pengguna yang meinginkan tindakan pembetulan yang pantas; tindakan pembetulan tanpa empati tidak memastikan kepuasan pelanggan. Kebanyakan pengguna tidak lagi mengunjungi ke premis makanan tersebut apabila kegagalan persekitaran premis berlaku dan staf perkhidmatan gagal memuaskan mereka. Pengguna yang tidak puas hati juga cenderung menyebarkan kejadian ketidakpuasan tersebut kepada orang lain berbanding dengan pengguna yang berpuas hati. Ini membuktikan kegagalan persekitaran premis makanan dan strategi pembetulan yang tidak sesuai dapat menjejaskan gelagat pengguna.

Kajian ini memberikan implikasi kepada pengurus dan orang yang terlibat dalam perkhidmatan makanan dalam membaiki kualiti persekitaran premis makanan mereka. Pengurus perkhidmatan makanan seharusnya sentiasa mementingkan persekitaran premis makanan dan mengamalkan strategi pembetulan yang berkesan, memandangkan dua elemen ini akan mempengaruhi kepuasan pengguna dan gelagat mereka. Pengurus perkhidmatan makanan juga seharusnya memastikan bilangan kejadian kegagalan persekitaran dapat dikurangkan dan menyediakan pelan strategi pembetulan yang spesifik yang dapat memenuhi kepuasan pengguna. Latihan staf semestinya diwujudkan untuk memberi perkhidmatan yang efisien dan efektif kepada pengguna.

Kata kunci: kegagalan persekitaran premis makanan; strategi pembetulan; pengunjungan; penyebaran; industri perkhidmatan makanan; teknik inciden kritikal

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me to feel more at ease throughout my graduate studies. I greatly appreciated his dedication and always ready to help me in any way towards making this journey my best.

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Thank you for those who shall remain unnamed but remembered.

APPROVAL

I certify that an Examination Committee has met on **2nd September 2009** to conduct the final examination of **Chua Bee Lia** on her **Master of Science** thesis entitled "**Impact of Servicescape Failures and Associated Recovery Strategies on Customer Behavior in the Food Service Industry**" in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the student be awards the **Master of Science degree in Food Management**.

Members of the Examination Committee were as follows:

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Date:

This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted as fulfilment of the requirement for the degree of Master of Science. The members of the Supervisory Committee were as follows:

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Date: 10 December 2009

DECLARATION

I declare that the thesis is my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously, and is not concurrently, submitted for any other degree at Universiti Putra Malaysia or any other institution.

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CHUA BEE LIA

Date: 5 January 2009

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LIST OF ABBREVIATIONS

CIT   Critical Incident Technique

CHAPTER ONE

INTRODUCTION

This chapter describes an introduction to the present study. The purpose of this chapter is to delineate the role of servicescape in service encounter and the important of recovery strategy as a key factor in gaining customer satisfaction leading to various behavior intentions. The chapter covers the following sections: background of study, statement of problem, purpose of study, research question, significance of study, and operational definition of terms.

1.1 Background of Study

Malaysia has a rapidly rising food service market today (Malaysia HRI Food Service Sector Report, 2009). The food service industry ranges from food stalls operating by the roadside to high class restaurant operating in hotels, restaurant chains or as independent restaurant businesses. The industry continues to remain fragmented with approximately 75% of the operations being made up of small food service operators such as open air food stalls, food stalls in food courts, single site restaurants, and coffee shops (Malaysia HRI Food Service Sector Report, 2009). With stronger purchasing power and a higher standard of living, today, Malaysia provides a significant pool of customers who are hunting to modernize their eating habit lifestyles. To meet customer demand and expectation of food service quality (Kivelä & Chu, 2001), Malaysia food service industry is continuously upgrading to standards similar to other developed countries. With increasing competition in the food service industry, food service managers are challenged to enhance the core services with value-added benefits to sustain competitive

advantage. In an effort to compete against an increasing competitor base, the physical environment has become a crucial point in the delivery of customers' expectation and delight (Hightower, Brady, & Baker, 2002).

The heightened significance of providing excellent service quality is well-documented in services marketing literature (Bell, Gilbert, & Lockwood, 1997; Cronin, Brady, & Hult, 2000; Zeithaml, Berry, & Parasuraman, 1996). In the hospitality industry, managing service quality is particularly complex as services combining features of both tangibles and intangibles (Lockwood, 1994). The rush to deliver superior intangibles somehow may lead service managers to overlook the importance of tangible aspects in service quality. A brief review of previous service quality literature which focused on effects of service quality dimensions on customers' behaviors has concluded that physical environment is apparently insignificant or the least important to customers' perceptions and behaviors. For instance, research examining customer satisfaction in restaurant industry suggested that customer satisfaction was influenced mostly by responsiveness of contact personnel and unrelated to physical environments (Andaleeb & Conway, 2006). Johnston (1995) in his research on service quality in banks found that 'tangibles' comprise the least important dimension in service quality. Wakefield and Blodgett (1999) summarized three reasons of tangibles being unimportant in service industries: (i) short duration upon service consumption; (ii) inadequate research in capturing customers' affective responses to tangibles; and (iii) inadequate dimensions of tangible aspects in SERVQUAL scale.

The physical environment in which services are delivered, which is also known as the 'servicescape', however, has been receiving increasing attention in the services marketing literature in recent decades (Ezeh & Harris, 2007; Reimer & Kuehn, 2005; Wakefield & Blodgett, 1996). Servicescape refers to manmade physical surroundings (such as ambient condition, spatial layout, signs and artifacts) which can be seen, felt, and touched and where service employees and customers interact (Bitner, 1992). Several researchers have highlighted the insufficiency of theoretical and empirical research of the area (Bitner, 1992; Cronin, 2003; Hoffman & Turley, 2002; Kotler, 1973) and the critical importance of the physical environments on customers' responses in service settings (Bitner, 1992; Ezeh & Harris, 2007; Wall & Berry, 2007). Since consumer is often experiencing the total service, service managers must look at all the elements of service and should not overlook the physical environments. Physical environments have a strong impact on customers' perceptions of the service experience (Reimer & Kuehn, 2005) and psychological responses (Kim & Moon, 2009), in turn, facilitate customers' repatronage behavior (Wakefield & Blodgett, 1999).

Service encounter generally involves a series of interactions between customers and both the service contact personnel and the physical environment of the organizations (Hoffman & Turley, 2002). Hence, in addition to the influence of service personnel, the influence of physical environment on customers must take into account. Physical environment would seem to be an important element of service interactions given that it has an influence on customers' attitudes and behaviors beyond their perceptions of the core product and service (Greenwell, Fink, & Pastore, 2002). Namasivayam and Mattila

(2007) reported significant effect of servicescapes on consumers' affective responses prior to a service exchange. Wall and Berry (2007) supported the conceptualization of the physical environment as an implicit service promise, with the potential to influence customers' expectations of service quality. Regardless of the image imparted by physical environments, Wall and Berry (2007) further concluded that service personnel behavior dominated physical environments in influencing service quality perceptions of restaurant. The subsequent interactions with a service employee in a service exchange have a great deal of influence on customers' eventual satisfaction levels (Namasivayam & Mattila, 2007). Integrating servicescapes with service personnel in service encounter has become increasingly crucial in determining customer perception of food service quality and satisfaction.

One important objective of any good food service eatery is reaching a high level of customer satisfaction and repatronage intention. However, no service is perfect at all time and customer dissatisfaction can be resulted from service failures. Customers who are dissatisfied with a service experience may complain to the service employee in the hope of righting matters on the spot or say nothing but never to return; they may also complain to anyone or continue to patronize despite the under-delivered service. Dissatisfied customers, however, may be turned into satisfied customers through exemplary responsiveness of service personnel (Mohr & Bitner, 1995; Spreng, Harrell, & Mackoy, 1995). The recovery is perfectly rested on the service personnel's understanding of customers' complaint, given that recovery cannot occur without a complaint (Singh & Wilkes, 1996). The measure of experience with the recovery is

pertaining to how customers feel about the service personnel attempt at rectifying the failures and how well their complaint is handled (Susskind, 2002).

Susskind (2002) concluded that customer word-of-mouth communication patterns about a service failure and the associated recovery in restaurant depend largely on the degree of correction offered, customer's perception of the complaint's resolution, and customer intention to repatronize. Indeed, customers who do not intend to return to the restaurant are far more likely to tell people about their bad service experience than who will return (Susskind, 2002). Knowing how to handle customers' complaint and implement effective recovery is critical to achieving high levels of customer satisfaction, preventing negative word-of-mouth communication, and generating favorable repatronize behavior.

1.2   Statement of Problem

Researchers acknowledge that the tangible aspect such as servicescapes and intangible aspects such as responsiveness, assurance, reliability, and empathy of a service are complementary in their effects on customers' evaluations of service quality (Kotler, 1973; Parasuraman, Zeithaml, & Berry, 1988; Wall & Berry, 2007). Services are increasingly being integrated with the physical settings in which they are rendered (Shostack, 1977) for the significant influence of servicescapes on consumers' behavior (Bitner, 1992; Kim & Moon, 2009; Mehrabian, 1977). Previous studies have emphasized the importance of servicescape in a service firm (Hoffman, Kelley, & Chung, 2003; Reimer & Kuehn, 2005; Santos, 2002; Wakefield & Blodgett, 1999). Several studies have dealt with the aspects of servicescape on behavioral effects, such as color (Bellizzi,