

## Assessing the Antecedents of Service Recovery Evaluation and their Impact on Repurchase Behavior

Fredy Valenzuela A.<sup>1</sup>, José Rojas M.<sup>1</sup>, Jennifer Rindfleish<sup>2</sup>, David Pearson<sup>2</sup> & Roger Epworth<sup>2</sup>

<sup>1</sup>Universidad de Talca, Chile. E-mail: [fvalenzu@une.edu.au](mailto:fvalenzu@une.edu.au), [jrojasm@utalca.cl](mailto:jrojasm@utalca.cl) <sup>2</sup>University of New England, Australia. E-mail: [jrindfle@une.edu.au](mailto:jrindfle@une.edu.au), [dpearson@une.edu.au](mailto:dpearson@une.edu.au), [repworth@une.edu.au](mailto:repworth@une.edu.au)

**ABSTRACT.** The aim of this paper is to analyse the influence of compensation, promptness and employee behaviour on customers' evaluation regarding the way companies handle customers' complaints and on their repurchase behavior. A survey was conducted based on a cross sectional random sample of customers belonging to two Chilean cities. Using Structural Equation Modelling (SEM) it was found that the best significant structure among the latent variables examined is: Compensation and Employee Behavior → Service Recovery Evaluation → Repurchase Behavior. It was also determined that compensation is the most important dimension for customers when evaluating service recovery efforts. The interrelationship between compensation and employee behavior was also found significant, meaning that customers are expecting both to be compensated, but at the same time to be treated well. The dimension of Promptness was not found significant in the final model, thus indicating that the issue of time pressure was not really relevant for Chilean customers.

**Key words:** Service Recovery Evaluation, Compensation, Promptness, Employee Behavior and Repurchase Behavior.

**RESUMEN.** El objetivo de este artículo es analizar la influencia de compensación, rapidez y conducta de los empleados sobre la evaluación de los consumidores respecto la forma en que las empresas manejan los reclamos y sobre sus conductas de recompra. Una encuesta fue realizada basada en una muestra aleatoria de consumidores pertenecientes a dos ciudades chilenas. Usando un modelo de ecuaciones estructurales (SEM) se encontró que la estructura más significativa entre las variables latentes examinadas es: Compensación y Conducta de los Empleados → Evaluación de Recuperación de Servicios → Conducta de Recompra. Se determinó también que compensación es la dimensión más importante para los consumidores cuando evalúan esfuerzos de recuperación de servicios. La interrelación entre compensación y conducta de los empleados fue también significativa, lo que significa que los consumidores están esperando tanto ser compensados como ser tratados bien. La dimensión Rapidez no fue encontrada significativa en el modelo final, indicando que el tiempo no fue realmente relevante para los consumidores chilenos.

**Palabras clave:** Evaluación de Recuperación de Servicios, Compensación, Rapidez, Conducta de los Empleados y Conducta de Recompra.

**(Recibido: 30 de mayo de 2005. Aceptado: 14 de septiembre de 2005)**

## **Introduction**

It is well known that businesses are trying to offer a high quality service or product in order to generate customer satisfaction which in turn might lead to customer repurchase and long term customer loyalty (1996:5). In his study, he argued that the impetus for the development of relationships with customers has been a growing awareness of the long-term financial benefits it can provide.

Despite this awareness, service failure remains a problematic issue for almost every firm in the world (Ennew and Shofer, 2003). Ensuing customer evaluations could affect the company's bottom line either positive or negatively (i.e. customers might exit the firm or might become more loyal). Unfortunately, and despite its strategic relevance, companies are not giving complaint management the importance it deserves (Stauss, 2002). Zairi (2000) mentioned that most organizations face important challenges in customer complaint handling, namely: they do not recognize its importance, have no technology or systematic approach, have cultures adverse to customer complaints and, finally, have not embraced the concept of quality management.

All actions that an organization may take to rectify a service failure are considered as service recovery efforts (Andreassen 2001). The prevalence of service failure in retail service settings and the growth of the service sector in the world's economy point to the need for a better understanding of the role that service recovery should play in today's business. Service recovery also continues to receive increasing attention in part due to rising customer expectations and competitive marketplace responses designed to meet and exceed those expectations (Brown, et al. 1996). Finally, firms working under changing market conditions must listen and rapidly respond to customers' complaints in order to match their expectations (Barlow and Moller, 1996:23). As a result, firms are therefore spending much more time and resources designing mechanisms for handling complaints.

## **Background**

In this section the service recovery concept is discussed. Special attention is given to the dimensions that may play a role as antecedents of service recovery evaluation.

### ***Service Recovery***

A complaint is a gift because it gives firms an opportunity to find out what customers problems are, so companies get a vital information to implement actions in order to solve them, which in turn might encourage customers to come back again and to use firms services and to buy their products (Barlow and Moller 1996:10).

As Zaire (2000) discussed, complaints have to be looked at in a constructive, positive and professional perspective. Johnston (1995) mentioned that complaints should lead to the identification of problems and actions to ensure that such failures do not happen again. For Stauss and Schoeler (2004) complaint handling has a great impact on customer retention and the beneficial usage of information for quality improvements. Although service recovery can increase costs, it also can provide the information needed to redesign systems free of deficiencies if used in a relationship context. Incidents of service failure have the potential for providing firms with valuable information which can be used to fix the root causes of failures and help them improve service processes (Brown, Cowles et al. 1996).

The service recovery efforts should play a role, both in the short-term by recovering customer satisfaction and in the long-term by improving future service design and delivery (Lewis and McCann 2004). For this to happen, a clear service recovery strategy is essential in order to minimize the negative effects of the initial failure and maximize the positive outcomes from the recovery process (Ennew and Shofer 2004).

The recovery of services failures can provide a major opportunity for organizations to create very satisfied customers. If mistakes and failures are an inevitable part of service then there are opportunities for organizations to create very satisfied customers (Johnston, 1995). Johnston (2001) also argued that good complaint processes should result in employees feeling in greater control over the work situation and thus with less stress. Johnston (2001) also established that there is a high correlation between complaint processes and employee attitude and customer satisfaction.

Complaint handling has also a great impact on customer retention and the beneficial usage of information for quality improvements (Stauss and Schoeler 2004). For instance, Ahmad (2002) reported that when customers have bad experiences with online shops they do not use them in the future, but customers who felt their problem was resolved to their satisfaction tended to continue to use them. Effective service recovery will enhance the probability that aggrieved customers are returned to a state of satisfaction and are likely to maintain the business relationship with the service firm that is obviously beneficial (Boshoff and Allen 2000). Complaining customers who have received service recovery action have a more positive perception of the supplier and a higher repurchase intention than dissatisfied non-complaining customers (Andreassen 2001). Andreassen (2001) also established that customer delighted with service recovery will create positive word of mouth. In the same direction, Barlow & Moller (1996:30) mentioned that an effective complaint handling mechanism can be a powerful source of positive word of mouth, and that the more dissatisfied customers become, the more likely they are to use word of mouth to express their displeasure.

Looking at company's internal outcomes, service recovery enhances frontline staff's job satisfaction, and there is a negative relationship between service recovery performance and staff turnover (Boshoff and Allen 2000).

As it can be seen, there are different reasons why a company should see complaints as something positive. Complaints should be seen as a gift (Barlow and Moller 1996), because they

are one of the primary means to communicate with customers (Barlow and Moller 1996:2). Besides, complaints tell organizations how to improve service and products (Barlow and Moller 1996:20), provide a relationship adjustment opportunity, the possibility for a company to expand its scope of knowledge about the customer, or a means to get data about its products and services (Peppers and Rogers 2004:186).

Complaint satisfaction is the satisfaction of a complainant with a company's response to the complaint (Stauss 2002). In this regard, several studies have shown different aspects or dimensions that have to be considered when evaluating service recovery efforts (Tax and Brown 1998; Boshoff 1999; Davidow 2000; Estelami 2000), and there is still no consensus in which are the key dimensions that have to be considered for this matter.

Researchers suggest that complaint satisfaction will be higher when customers are convinced that outcomes and policies are fair and are treated fairly during the process (Ennew and Shofer 2004). Boshoff and Allen (2000) mentioned that customers who have experienced unsatisfactory service do not want to be referred to numerous other people or be told to come back later when the supervisor is back from lunch. They just want the problem to be fixed. Chung-Herrera et al. (2004) mentioned that under bad performance in service recovery, customer will rate global impression variables more negatively than employees whereas in the good recovery condition, no significant differences would occur.

Figure 1 shows the potential outputs of service recovery efforts, where customers may end up being satisfied or dissatisfied. In this Figure, service recovery effort is related to a certain number of dimensions (i.e. three). Besides, customers' expectations and customers' perceptions of the performance of firms when handling complaints will lead to customers' confirmation of expectancies or may be not, and therefore, to customer satisfaction or dissatisfaction.

### *Service Recovery Dimensions*

Several studies, such as Estelami (2000) and Tax et al. (1998), have used three antecedent dimensions when explaining service recovery efforts, they are: compensation, promptness and employee behaviour. These dimensions are discussed next.

#### *Compensation*

Davidow (2000) mentioned that compensation refers to the benefits or response outcomes that a customer receives from their supplier due to the complaint. Estelami (2000) reported that compensation is the single most important dimension for customers when evaluating service recovery efforts. Similar results were obtained by Boshoff (1999), who concluded that atonement was one of the most important factors for customers. Relative to the effect on customers post-complaint behaviour, Goodwin and Ross (1989) reported that compensation has a positive impact on satisfaction and on repurchase intentions, while Mack et al. (2000) showed an effect of compensation on repurchase.

These findings argued in favour of including some redress or compensation when firms design mechanisms for handling customers' complaints. Conlon and Murray (1996) note that by doing customers will be much more willing to do business again with the company in the future. Regarding the level of compensation, Boshoff (1997) found that the higher the compensation the more satisfied were customers. However, this finding does not mean that companies must give any level of compensation to their customers because over generosity might have a negative effect on customers evaluations (Estelami and De Maeyer 2002). On the opposite, if customers feel that the outcome of their complaint was a fluke (Goodwin and Ross, 1990), then all resources invested by the company would be lost.

### ***Promptness***

Davidow (2000) defined promptness or timeliness as the customers' perceived speed regarding the way their complaints are handled by firms. Several researchers have included this dimension in their studies (Tax and Brown 1998; Davidow 2000; Estelami 2000). Results have not been conclusive because some researchers have found some impact of timeliness on service recovery evaluation and customer post-complaint behavior, and others have found no relationship at all. Davidow (2003) reported that from 18 studies dealing with response speed, nine reported a positive relationship between perceived response speed and post-complaint customer behaviour, three reported no relationship at all, and six reported mixed results.

Davidow (2000), for instance, showed that timeliness or promptness had a positive effect on satisfaction and word of mouth valence, but no effect on repurchase intentions or word of mouth likelihood. Estelami (2000) found that speed had a significant effect on delight with the complaint handling, but no effect on dissatisfaction with the complaint handling. In a similar direction are the conclusions of Clark, Kaminski, and Rink (1992), who found that a quick response improves companies' image only if redress is included. On the other hand, Boshoff (1997; Boshoff 1999) concluded that speed is not a dominant factor, which is similar to the conclusion obtained by Morris (1988), who reported that the speed of a response does not appear to influence guest satisfaction with the response.

### ***Employee Behaviour***

This dimension refers to the interpersonal communication between the company's employees and the complainers ( Davidow (2000). In the same direction, Boshoff (1999) showed that personal communication is one of the most important factor for customers when evaluating

service recovery efforts. Goodwin and Ross (1990) mentioned that even if the customer gets a completely positive outcome, this might be overshadowed by discontent with procedures used to arrive to that outcome. Thus, it could be expected that satisfaction with complaint resolution might be related to procedures used to settle the complaint. Goodwin and Ross (1990) also said that customers might be expected to believe that a firm's response to a complaint is unfair when it is accompanied by rudeness. Similar results were obtained by Estelami (2000), who reported that employee behaviour has a significant impact on satisfaction, greater even than redress. Regarding more specific aspects, Morris (1988) showed that the tone of the response is also very important.

Another aspect that can be considered in this dimension is the feedback that customers get from their supplier. In this regard, Boshoff (1999) argued for the importance to companies of being constantly in touch with their customers in order to inform them about the result of the complaint process.

Because of the current importance of "employee behaviour" dimension when handling complaints, some companies are encouraging employees to solve customers' complaints. United Airlines (UA), for instance, sends this message to its customers using a television advertisement where UA's employees are being trained on this matter. In this advertisement the trainer puts employees in customers shoes by purposely showing late to the training session. The advertisement goes like this:

**Employees' Minds:** *Is this training start at six? Where is he? What is the deal? I've one hundred things to do!!*

**Trainer to Employees:** *Feel a little frustrated? Tired of waiting? You don't know what is going on? Hung on to that feeling next time a frustrated customers come to you with a problem...Make it your responsibility to solve the problem.....Act like you own the place, because you know... you do!*

**Voice in off:** *compare to other airlines United Airlines is heading in a different direction.*



This example shows the increasing importance of appropriate dealing with customer complaints. They want solutions to their problems, no excuses.

The vast majority of the studies dealing with customers' complaints have been carried out in developed countries (i.e. the US, the UK, Sweden, Australia, etc), where customers are very conscious of their rights and obligations. In addition, regulations related to these types of critical incidents have been around for long periods of time. Nevertheless, in most developing countries managing complaints is a real new issue for companies, and legislations are still evolving. Therefore, studying this issue in such an environment (i.e. like Latin America) will contribute to the debate as customers increasingly demand their rights.

### ***Theoretical Model of Service Recovery Evaluation and Hypotheses Development***

Based on the aforementioned, nine hypotheses are proposed regarding the relationships among the variables such as compensation, promptness, employee behaviour, service recovery evaluation, and repurchase behaviour (See Figure 2).

*H1: There is a positive and direct relationship between employee behavior and compensation.*

*H2: There is a positive and direct relationship between employee promptness and compensation.*

*H3: There is a positive and direct relationship between employee behavior and promptness.*

*H4: Compensation has a positive impact on service recovery evaluation.*

*H5: Promptness has a positive impact on service recovery evaluation*

*H6: Employee behavior has a positive impact on service recovery evaluation*

*H7: Compensation has a positive impact on repurchase behavior.*

*H8: Employee behavior has a positive impact on repurchase behavior.*

*H9: Service recovery evaluation has a positive impact on repurchase behavior.*

These hypotheses will be tested with customers from a developing country such as Chile.

## **Methodology**

The method used in this study was a survey and the measurement instrument was a questionnaire designed in Spanish language. Scale items developed by other researchers were used to operationalize the main constructs (Tax and Brown 1998; Estelami 2000). Few adjustments were necessary adapt them to the current Chilean context. These scale items were translated into Spanish by one of the authors, and the translation was checked by two bilingual Chilean Marketing Research Professors, so to ensure that the translation was appropriated. To apply the questionnaire, personal interviews were conducted in interviewee's households.

The population of this study was composed by the all inhabitants equal or older than 18 years of age, living in the cities of Talca and Concepción, both located in the centre-south part of Chile. The final sample size was 316 and the selection of people was done considering stratification by social class. The sample profile can be seen in Table 1.

Regarding data analysis, this issue will be discussed in detail as long as results are presented in the next section.

## **Analysis and results**

The scales to be tested postulate that the latent variable "Compensation" is composed of three observed variables (Tax and Brown 1998; Estelami 2000). Confirmatory Factor Analysis (CFA) was performed for the set of three variables to test for unidimensionality. Results suggested that a very good fit of the scale has been achieved to the sample data. A similar procedure was

followed for the analysis of the other two dimensions of “Promptness” and “Employee Behavior” scales. The results recommend that both scales should remain with the original three items each one. CFA also suggested that the “Service Recovery Evaluation” dimension should remain with its three original items. Table 2 shows the items loaded on each factor both the original English items and their translations into Spanish language. The reliability coefficient (Cronbach alpha) for each factor is as follow: Compensation 0.86, Promptness 0.88, Employee Behavior 0.79; and Service Recover Evaluation 0.92).

### ***Combined Measurement Model***

The analysis of the theoretical model proposed in Figure 2 followed the two-step approach recommended by Anderson and Gerbing (1998). The first step involves the use of CFA to develop an acceptable measurement model. The test of a measurement model allows us to assess whether observed variables are really measuring their underlying theoretical constructs and whether the measurement model provides evidence of an acceptable fit to the sample data. Figure 3 shows the measurement model for the expected antecedents of the Service Recovery in Chile.

One necessary procedure at this stage is to investigate if the model is over-identified. This process requires verifying that the number of data points in the analysis is larger than the number of parameters to be estimated. Because the model involves 9 indicators, the number of distinct sample moments from which the unknown parameters in the model are estimated is 45 (i.e.  $9 [9 + 1] / 2$ ). There are 21 distinct parameters to be estimated: 9 regression paths (all are factor loadings), 9 variances (9 measurement error variances; all latent variables variances were fixed to unity, and thus won't be estimated), and 3 covariances between latent variables. Thus, the confirmatory factor model has 24 degrees of freedom (i.e.  $45 - 21$ ) and, as such, it is an over-identified model. In Structural Equation Modeling (SEM) this is the desired situation because the model can be tested (Chou and Bentler 1995).

Model testing is not necessarily a simple procedure because it relies not only on one fit index, but also on the interpretation of several. Therefore, for the model tested in this research, multiple fit indices representing different types of measures are reported. The  $\chi^2$  statistic for the confirmatory factor analysis of the measurement model presented in Figure 3 was statistically significant ( $\chi^2(24) = 55.4, p = .000$ ), thereby suggesting that the model can be rejected. An accepted rule of thumb is that the p-value should be greater than .05 for the model not to be rejected. However, in practice this statistic is very sensitive to sample size and provides little guidance in determining the extent to which the model does not fit. Unlike fit indexes normed from 0 to 1 (e.g. goodness of fit index), the  $\chi^2$  test does not provide a direct degree of fit. The SEM literature is quite generous in providing different fit indexes and recommendations of how they should be used to evaluate theoretical models. Because an individual index is a very specific measure of fit, having an acceptable or reasonable fit index does not by itself indicate a good fit of the whole model (Kline 1998).

Assessment of model adequacy must rely on multiple criteria (i.e. theoretical, statistical, and practical considerations), rather than on single indexes (Byrne 2001). Therefore, it will be always necessary to review other indexes to have an overall evaluation. Indeed, the assessment of any model must rely on several measures of fit as recommended by Tanaka (1993) rather than on a single measure. The Relative  $\chi^2$  is ( $\chi^2 / df$ ) = 2.31, the Standardized Root Mean Square Residual (SRMR=0.03), the Goodness-of-Fit Index (GFI = 0.96), the Adjusted Goodness-of-Fit Index (AGFI = 0.93), the Comparative Fit Index (CFI = 0.98), and the Root-Mean-Square Error of Approximation (RMSEA = 0.06). All of these indexes fall within the accepted boundaries, thus indicating that the measurement model for the potential antecedents of “Service Recovery Evaluation” has been confirmed. Therefore, the next step is to test the structural model (i.e., adding the main latent variable “Service Recovery Evaluation” and the consumer behavioral observed variable “Repurchase Behavior”).

### *Structural Model*

The results of the structural model presented in Figure 4 follow: The Relative  $\chi^2$  is ( $\chi^2 / df$ ) = 3.26, Goodness-of-Fit Index (GFI = 0.92), the Adjusted Goodness-of-Fit Index (AGFI = 0.87), the Comparative Fit Index (CFI = 0.96). At least the Relative  $\chi^2$  and the AGFI are below the boundaries of accepted levels. The Root-Mean-Square Error of Approximation value (RMSEA = 0.09) is also above the recommended range of acceptability. Analyzing the Critical Ratios of the regression weights, it is found that the lowest coefficient belongs to the path “Promptness  $\rightarrow$  Service Recovery Evaluation” (0.715), which is not significant, and therefore such a path must be deleted from the model before going further with the analysis. When running the model again without such a path, every index but AGFI (0.88) scores above the required baseline levels (all equal or above the cut-off point of .90). Moreover, when checking the standardized total effects, surprisingly the latent variable “Promptness” has no effect at all upon “Service Recovery Evaluation”, which implies that such a variable could be deleted from the model. On the basis of these results and parsimony it is not possible to conclude that the sample data seems to be well described by the original model proposed in Figure 2. Thus, “Promptness” was excluded from the analysis.

The general approach of our data analysis is to use SEM to estimate the parameters. The tools for examining the fit in detail are the standardised residuals and modification indices, which help in locating potential sources of mis-specification in the model and to get insights into how the model should be modified to fit the data better. When assessing the global model every modification that becomes suitable for improving the model will follow the approach recommended by Long (1983). That is, adding or deleting only one parameter at a time. Model re-specification

began by considering possible parameter deletions, because it is generally safer to drop parameters than to add new ones (Bentler and Chou 1987). After each modification is introduced in the models, a new run will be performed and the assessment process will be carried out again. Model testing is a necessary step to observe if all the hypothesised relationships in a proposed model are supported by the sample data.

The Relative  $\chi^2$  is  $(\chi^2 / df) = 2.9$ , the Standardized Root Mean Square Residual (SRMR=0.03), the Goodness-of-Fit Index (GFI = 0.95), the Adjusted Goodness-of-Fit Index (AGFI = 0.91), the Comparative Fit Index (CFI = 0.97), and the Root-Mean-Square Error of Approximation (RMSEA = 0.08). All of these indexes fall within the accepted boundaries, thus indicating that our model assessments to this point lead us to conclude that this model represents the best fit to the data. SEM is capable of estimating not only the direct effects of one variable on another but also the indirect effects. The total standardized contribution to Repurchase Intention from Compensation was 0.349 compared with a total of 0.06 from the Employee Behavior, and 0.399 from Service Recovery Evaluation.

Table 4 shows the fit indices and coefficients achieved both by the original theoretical model and also by the most parsimonious model found here (See Figure 5).

### ***Hypotheses Testing***

The proposed hypotheses were tested by examining the critical ratios for each hypothesized link in Figure 5 (see Table 4). Hypotheses H1, H4, H6 and H9 were above 1.96 and of the expected sign and therefore significant. The other hypotheses were rejected since the proposed relationships were not significant in previous stages of the analysis or the latent variables were not impacting each other, and therefore were deleted from the model. Thus, only four out of the nine hypotheses originally formulated were supported. A reasonable level of the variance in reported Repurchase Behavior was predicted ( $R^2 = 0.16$ ).

If the customer perceived that the compensation received is appropriate, then it is more likely to have a better perception of the service recovery evaluation. Therefore, we have identified a strong impact of Compensation upon Service Recovery Evaluation. Similarly, although with less strong impact, the customer's perception of Employee Behavior is positively affecting the Service Recovery Evaluation. The two measures play a role of antecedents of Service Recovery Evaluation, which means that companies interested in keeping complaining customers should worry not only about their employee behavior in such situations, but also in compensating the complaining customers accordingly.

### **Discussion and future research**

Several important findings were obtained from this study. Convergent and discriminant validity of the different scales used to measure the constructs have been confirmed. Nevertheless, when testing the structural model promptness resulted not to be significant as an antecedent variable of service recovery evaluation. Thus, there is additional support to the findings already reported by Boshoff (1997; Boshoff 1999) and Morris (1988). SEM analyses found that the best significant structure among the latent variables examined is: Compensation and Employee Behavior → Service Recovery Evaluation → Repurchase Behavior.

This study has also shown that "compensation" construct is the single most important dimension for the service recovery evaluation and repurchase behavior. Its positive impact is almost six times greater than the "Employee Behavior" construct. This finding is consistent with what other researchers have reported in previous studies (Boshoff 1999; Estelami 2000) who have identified compensation as the most significant antecedent of service recovery evaluation, repurchase intention and repurchase behaviour.

Although is significant, by far "Employee Behavior" is not the most important antecedent of service recovery evaluation as Davidow (2000) reported in his study.

It was also demonstrated that there is an interrelationship among this variable and employee behavior. The latter means that customers are expecting to be compensated for their perceived losses, but also they want to feel they have been treated well. This finding is similar to what was suggested by Goodwin and Ross (1992), who mentioned that a good level of compensation could be overshadowed by rudeness. It seems also that one of the things that customers are expecting is to get in touch immediately with the person in charge of handling complaints, and not to be sent from one person to another or from one place to another. The last point has to be confirmed by future research, which would be an additional indication that firms must be ready for handling complaints so all employees should know the process that must be followed by customers when complaining so customers could be sent immediately to the person in charge of providing a solution to their complaints. This also implies that firms should give clear and immediate information to customer regarding the matter, which is supported by other research done in the past (e.g. Davidow 2000; Estelami 2000).

The most significant contribution of this study is to show that “promptness” not only does not have effect on Repurchase Behavior as Davidow (2000) reported, but also have no impact at all on service recovery evaluation. This may be due to structural characteristics of the Chilean society which have been classified as Present Oriented, and such less conscious of the time when compared with future oriented cultures such as the U.S. (Rojas-Méndez, Davies et al. 2002).



## Bibliography

- Ahmad, S. (2002). "Service Failures and Customer Defection: a Closer Look at Online Shopping Experiences." Managing Service Quality 12(1): 19-29.
- Anderson, J. and D. Gerbing (1998). "Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach." Psychological Bulletin 103(3): 411-423.
- Andreassen, T. W. (2001). "From disgust to delight: Do customers hold a grudge?" Journal of Service Research : JSR 4(1): 39.
- Barlow, J. and C. Moller (1996). A Complaint is a Gift. San Francisco, Berrett-Koehler Publishers.
- Bentler, P. M. and C.-P. Chou (1987). "Practical issues in structural modeling." Sociological Methods and Research 16(1): 78-117.
- Boshoff, C. (1997). "An Experimental Study of Service Recovery Options." International Journal of Service Industry Management 8(2): 110-130.
- Boshoff, C. (1999). "An Instrument to Measure Satisfaction with Transaction-Specific Service Recovery." Journal of Service Marketing 1(3): 236-249.
- Boshoff, C. and J. Allen (2000). "The influence of Selected Antecedents on Frontline Staff's Perceptions of Service Recovery Performance." International Journal of Service Industry Management 11(1): 63-90.
- Brown, S. W., D. L. Cowles, et al. (1996). "Service Recovery: its Value and Limitations as a Retail Strategy." International Journal of Service Industry Management, 7(5): 32-46.
- Buttle, F. (1996). Relationship Marketing: Theory and Practice. London, Paul Chapman Publishing Ltd.
- Byrne, B. (2001). Structural equation modeling with AMOS : basic concepts, applications, and programming / Barbara M. Byrne. Mahwah, N.J., Lawrence Earlbaum Associates.
- Chou, C.-P. and P. Bentler (1995). Estimates and tests in structural equation modeling. In Structural Equation Modeling: Concepts, Issues, and Applications. Thousand Oaks, CA, Sage.

- Chung-Herrera, B. G., N. Goldschmidt, et al. (2004). "Customer and Employee Views of Critical Service Incidents." Journal of Services Marketing 18(4): 241-254.
- Clark, G., P. Kaminski, et al. (1992). "Consumer Complaints: Advice on How Companies Should Respond Based on an Empirical Study." The Journal of Consumer Marketing 9(3): 54.
- Conlon, D. and N. Murray (1996). "Customer Perceptions of Corporate Responses to Product Complaints: The Role of explanations." Academy of Management Journal 39(4): 1040-1056.
- Davidow, M. (2000). "The Bottom Line Impact of Organizational Responses to Customers Complaints." Journal of Hospitality and Tourism Research 24(4): 473-490.
- Davidow, M. (2003). "Organizational Responses to Customer Complaints: What Works and What Doesn't." Journal of Service Research : JSR 5(3): 225.
- Ennew, C. and K. Shoefer (2004). Service Failure and Service Recovery in Tourism: A review. The Tourist: A Psychological Perspective. Raj.
- Estelami, H. (2000). "Competitive and Procedural Determinants of Delight and Disappointment in Consumer Complaint Outcomes." Journal of Services Research 2(3): 285-300.
- Estelami, H. and P. De Maeyer (2002). "Customer Reactions to Service Provider Overgenerosity." Journal of Service Research 4(3): 205-216.
- Goodwin, C. and I. Ross (1989). "Salient Dimensions of Perceived Fairness in Resolution of Service Complaints." Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior 2: 87-92.
- Goodwin, C. and I. Ross (1990). "Consumer Evaluations of Responses to Complaints: What's fair and why." The Journal of Services Marketing 4(3): 53-61.
- Goodwin, C. and I. Ross (1992). "Consumer Responses to Service Failures: Influence of Procedural and Interactional Fairness Perceptions." Journal of Business Research 25: 149-163.
- Johnston, R. (2001). "Linking complaint management to profit." International Journal of Service Industry Management 12(1): 60-69.
- Kline, R. (1998). Principles and Practice of Structural Equation Modeling. New York, The Guilford Press.
- Lewis, B. R. and P. McCann (2004). "Service failure and recovery: evidence from the hotel industry." International Journal of Contemporary Hospitality Management 16(1): 6-17.
- Long, J. S. (1983). Confirmatory Factor Analysis: A Preface to Lisrel. Newbury Park, CA, Sage.
- Mack, R., R. Mueller, et al. (2000). "Perceptions, Corrections and Defections: Implications for Service Recovery in the Restaurant Industry." Managing Service Quality 10(6): 339-346.

- Morris, S. (1988). "How Many Lost Customers Have You Won Back Today? An Agresive Aproach to Complaint Handling in the Hotel Industry." Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior 1: 86-92.
- Peppers, D. and M. Rogers (2004). Managing Customer Relationships. Hoboken, New Jersey, John Wiley & Sons, Inc.
- Rojas-Méndez, J. I., G. Davies, et al. (2002). "A time Attitude Scale for Cross-Cultural Research." The Journal of Global Marketing 15(3-4): 117-147.
- Stauss, B. (2002). "The dimensions of complaint satisfaction: process and outcome complaint satisfaction versus cold fact and warm act complaint satisfaction." Managing Service Quality 12(3): 173-183.
- Stauss, B. and A. Schoeler (2004). "Complaint Management Profitability: What Do Complaint Managers Know?" Managing Service Quality 2(3): 147-156.
- Tax, S. and S. Brown (1998). "Customer evaluations of service complaint experiences: Implications for relationship marketing." Journal of Marketing 62(2): 60-76.
- Zairi, M. (2000). "Managing Customer Dissatisfaction Through Effective Complaints Management Systems." The TQM Magazine 12(5): 331-335.

Figure 1  
Service Recovery Processes (Modified version of Andreassen 2001 model)

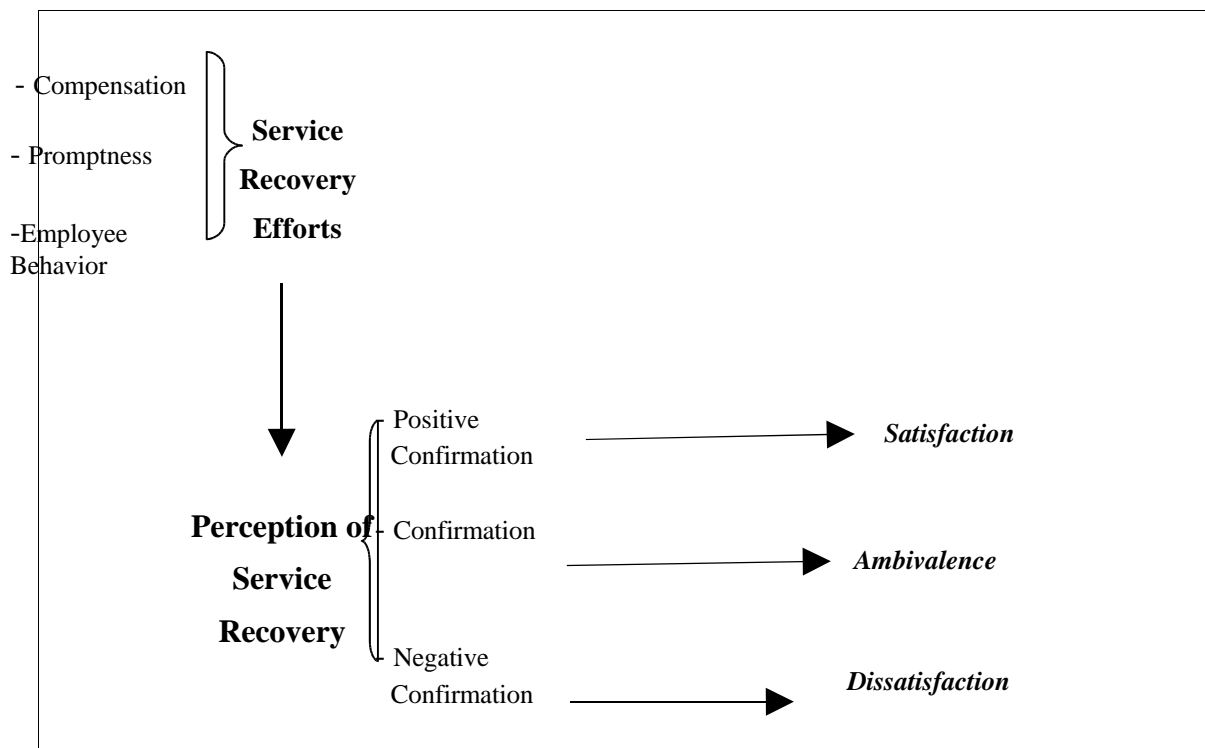
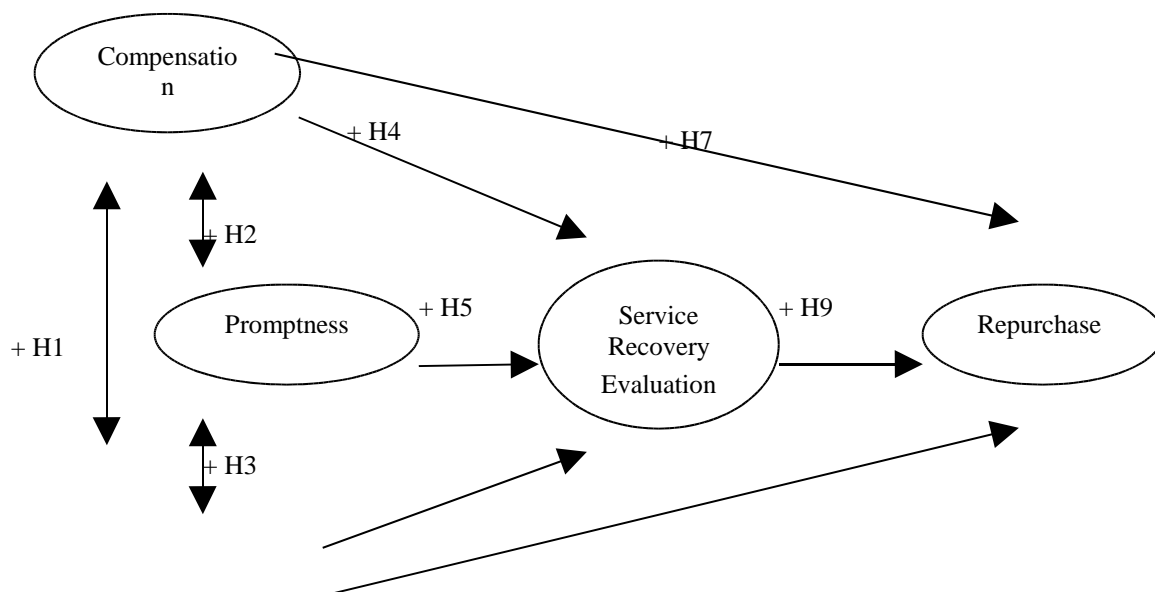


Figure 2  
Theoretical Model of Service Recovery Evaluation



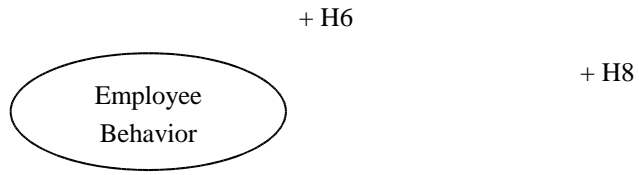


Figure 3  
 Measurement Model of Service Recovery in Chile (2004)  
 Chi-Square=55,395 [24 df] p=,000  
 GFI=,962; AGFI=,929; CFI=,981  
 RMSEA=,064

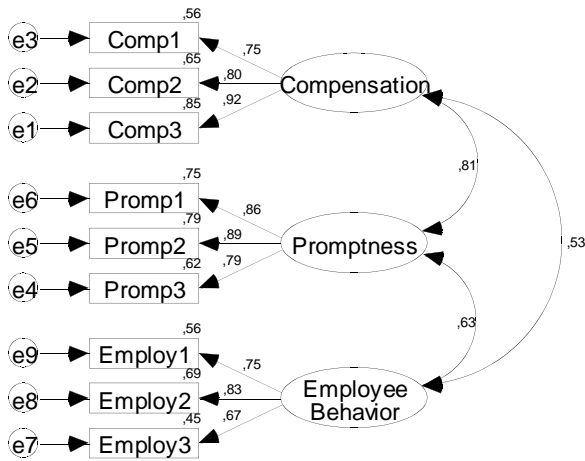


Figure 4  
 Structural Model of Service Recovery in Chile (2004)  
 Chi-Square=184,068 [56 df] p=,000  
 GFI=,921; AGFI=,871; CFI=,956  
 RMSEA=,085

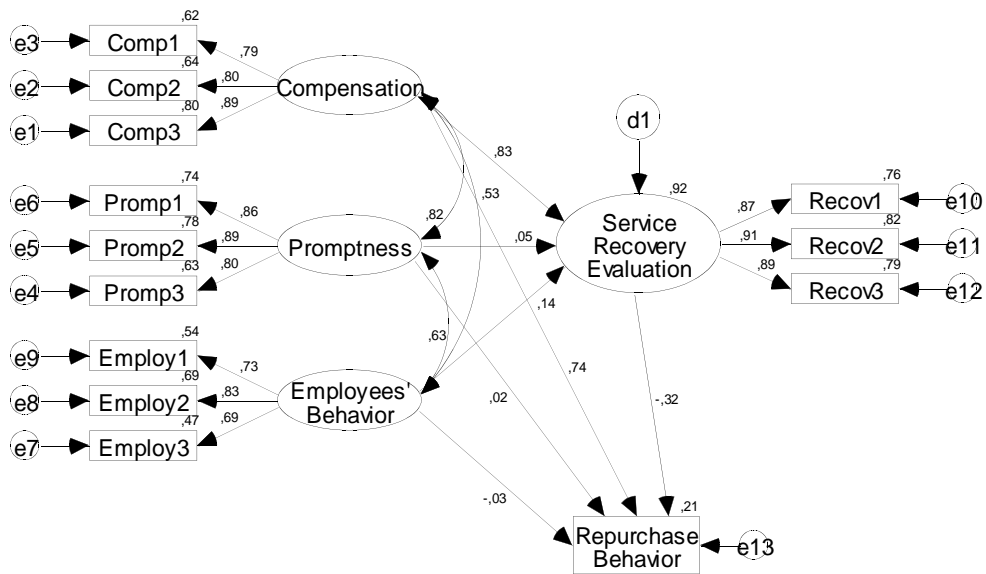


Figure 5  
 Final Structural Model of Service Recovery in Chile (2004)  
 Chi-Square=93,195 [32 df] p=,000  
 GFI=,945; AGFI=,906; CFI=,970  
 RMSEA=,078

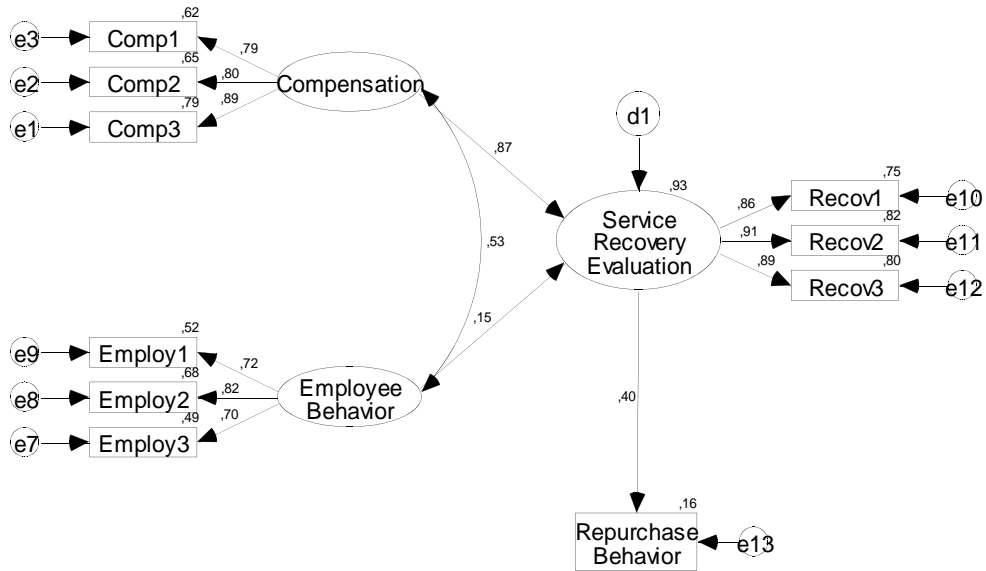




Table 1:  
Sample Demographic Characteristics

<b>Variable</b>		<b>Frequency</b>	<b>Percentage</b>
City	Talca	117	37%
	Concepción	199	63%
Sex	Male	145	46%
	Female	171	54%
Social Class	High	29	9.2%
	Medium	176	55.7%
	Low	111	35.1%

Table 2:

## Scale Items Loaded on Each Dimension (Factor) of Service Recovery

Original English Item	Spanish Translation
<b>Compensation</b>	<b>Compensación</b>
<ul style="list-style-type: none"> <li>I got what I deserved from the complaint (comp1)</li> <li>The company compensated me for my problems (Comp2)</li> <li>The company made adequate efforts to replace my losses (Comp3)</li> </ul>	<ul style="list-style-type: none"> <li>Recibí lo que merecía de mi reclamo</li> <li>La empresa me compensó por mis problemas</li> <li>La empresa hizo lo adecuado por reponer mis pérdidas</li> </ul>
<b>Promptness</b>	<b>Rapidez</b>
<ul style="list-style-type: none"> <li>The company responded quickly to my complaint (Promp1)</li> <li>The complaint handling process in this company was quick (Promp2)</li> <li>The speed of the company's response to my complaint was very adequate (Promp3)</li> </ul>	<ul style="list-style-type: none"> <li>La empresa respondió rápido a mis reclamos</li> <li>El proceso de solución de reclamos de la empresa fue rápido</li> <li>La velocidad de respuesta a mi reclamo fue la adecuada</li> </ul>
<b>Employees' Behavior</b>	<b>Comportamiento de los empleados</b>
<ul style="list-style-type: none"> <li>The employee who handled my complaint were polite (Employ1)</li> <li>The employees who handled my complaint seemed very much concerned about my problem (Employ2)</li> <li>The employees who handled my complaint gave me individual attention (Employ3)</li> </ul>	<ul style="list-style-type: none"> <li>El empleado que manejó mi reclamo fue muy educado</li> <li>El empleado que manejó mi reclamo parecía muy preocupado por mi problema</li> <li>El empleado que manejó mi reclamo me dio atención personalizada</li> </ul>
<b>Service Recovery Evaluation</b>	<b>Evaluación de la Recuperación del Servicio</b>
<ul style="list-style-type: none"> <li>I am satisfied with the way that my complaint was solved (Recov1)</li> <li>The supplier met all the requirements that I see reasonable in the complaint resolution (Recov2)</li> <li>The supplier satisfied my need in the complaint resolution (Recov3)</li> </ul>	<ul style="list-style-type: none"> <li>Estoy satisfecho en la forma en que mi reclamo fue resuelto</li> <li>La empresa hizo todo lo posible para solucionar mi problema</li> <li>La empresa satisfizo mis necesidades en cuanto a la solución del reclamo</li> </ul>
<b>Repurchase Behavior</b>	<b>Comportamiento de Recompra</b>
<ul style="list-style-type: none"> <li>Have you continued purchasing products/services to the company where you complained last time?</li> </ul>	<ul style="list-style-type: none"> <li>¿Ha continuado comprando productos/servicios de la empresa a la que le efectuó el último reclamo?</li> </ul>

# The label in parenthesis indicates the variable name used in the database.

Table 3:  
Fit Indices of the Model Tested (#)

Paths	Theoretical Model		Refined Model	
	Coefficients	Critical Ratios	Coefficients	Critical Ratios
Compensation $\leftrightarrow$ Employees' Behavior	0.53	6.54	0.53	6.56
Compensation $\leftarrow \rightarrow$ Promptness	0.82	9.21		
Promptness $\leftrightarrow$ Employees' Behavior	0.63	7.12		
Compensation $\rightarrow$ SRE*	0.83	10.51	0.87	16.23
Employees' Behavior $\rightarrow$ SRE	0.14	2.99	0.15	3.52
Promptness $\rightarrow$ SRE	0.06	0.70		
SRE $\rightarrow$ RB**	-0.33	-0.92	0.40	7.25
Compensation $\rightarrow$ RB	0.74	2.09		
Promptness $\rightarrow$ RB	0.02	0.19		
Employees' Behavior $\rightarrow$ RB	-0.03	-0.28		
<b>R<sup>2</sup></b>				
SRE	0.92		0.93	
RB	0.21		0.16	
<b>Model Fit Indexes</b>				
Chi-Square (df)	184.07(56)		93.20(32)	
Cmin/df	3.29		2.91	
<b>Absolute Fit Indexes</b>				
SRMR	0.04		0.03	
RMSEA	0.09		0.08	
GFI	0.92		0.95	
AGFI	0.87		0.91	
<b>Comparative Indexes</b>				
NFI	0.94		0.96	
IFI	0.96		0.97	
CFI	0.96		0.97	
<b>Parsimonious Fit Indexes</b>				
PNFI	0.67		0.68	
PCFI	0.69		0.69	
PGFI	0.57		0.55	

# A shadowed cell means that the coefficient does not achieve the minimum generally accepted level.

\* SRE = Service Recovery Evaluation

\*\* RB = Repurchase Behavior

Table 4:  
Hypotheses Testing

<b>Hypothesis</b>	<b>Standardized regression weight</b>	<b>Critical Ratio</b>	<b>Confirmed</b>
<b>H1</b> There is a positive and direct relationship between employee behavior and compensation.	<b>0.53</b>	<b>6.56</b>	<b>Yes</b>
<b>H2</b> There is a positive and direct relationship between promptness and compensation.			<b>No</b>
<b>H3</b> There is a positive and direct relationship between employee behavior and promptness.			<b>No</b>
<b>H4</b> The better the perception of the compensation received from the company the higher the service recovery evaluation.	<b>0.87</b>	<b>16.23</b>	<b>Yes</b>
<b>H5</b> Promptness has a positive impact on service recovery evaluation			<b>No</b>
<b>H6</b> The better the perception of the employee behavior the higher the Service Recovery Evaluation.	<b>0.15</b>	<b>3.523</b>	<b>Yes</b>
<b>H7</b> Compensation has a positive impact on repurchase behavior.			<b>No</b>
<b>H8</b> Employee behavior has a positive impact on repurchase behavior.			<b>No</b>
<b>H9</b> A positive Service Recovery Evaluation will increase customers repurchase	<b>0.40</b>	<b>7.25</b>	<b>Yes</b>