RECOVERING FROM SERVICE FAILURE: DOES SATISFACTION FORTIFY BRAND TRUST?

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ABSTRACT

Most companies across the globe are aware the impact of service failure towards the reputation and long term profitability of their businesses. However, not all companies are fully prepared for such transgression. As a result of service failure, customers will be dissatisfied and lost trust towards the company's brand. Therefore, a study on service recovery is critical to investigate its influence in building customer satisfaction and brand trust. Justice theory is one of the most prominent theoretical foundations in service recovery studies. Thus, the three dimensions of justice theory which includes distributive justice, procedural justice, and interactional justice will be employed in this study. It is expected that this conceptual paper will provide platform for practitioners and researchers who are interested to explore the importance of service recovery in retaining customers and increase profitability.

Keywords: Service failure; service recovery; justice theory; recovery satisfaction; brand trust.

1. INTRODUCTION

In today's competitive business environment, every company strives to deliver the best service to the customers. This is critical to deter existing customers from consuming rival's brands. However, in certain circumstances, transgression may happen beyond the company's control. Service failure may occur without warning and no company in the service industry can entirely escape service failure (Dong, Evans, & Zou, 2008). Therefore, effective measures should be taken to recover the service. Justice theory (Adams, 1965) is one of the most prominent foundations to service recovery studies. It comprises of three dimensions namely distributive justice, interactional justice and interactional justice. It was reported that these three dimensions of justice theory may influence customer satisfaction with service recovery (Maxham & Netemeyer, 2002). For that reason, it is imperative to conduct such studies in Malaysian contexts since most service recovery studies were established in western countries. The application of justice theory is appropriate due to the fact most service recovery studies were drawn extensively based on it (Tax, Brown, & Chandrashekaran, 1998). The study also will investigate the influence of recovery satisfaction on brand trust following service recovery. This is vital because customers may have negative perception towards the company after service failure. Thus, it may reflect their level of trust towards the company at the same time. Previous research postulates that customers will only develop trust if they recognize evidence that service recovery has achieved or surpassed their expectations (Oliver, 1980) after service failure. Trust is not easy to be developed and therefore, company has to ensure effective service recovery should be established to win back upset customers. Furthermore, Smith and Bolton (1998) claimed that if dissatisfied customers receive excellent service recovery, it can lead to higher satisfaction compared to those who has never experienced service failure. This situation is referred as 'service recovery paradox' (Smith & Bolton, 1998).

2. LITERATURE REVIEW

This section discusses the theoretical background of the study. It provides in depth discussion on service failure, justice theory, service recovery, recovery satisfaction and brand trust. Additionally, the role of recovery satisfaction as a mediator will also be presented in this section.

2.1 SERVICE FAILURE

Service failure is always associated with negative experience (Bitner, Booms, & Tetreault, 1990). It may tarnish company's reputation, jeopardize long term relationship, and negatively affect profitability. Service failure can happen to any companies even with the strongest quality program (del Río-Lanza, Vázquez-Casielles, & Díaz-Martín, 2009). Bitner (1990) defined service failure as a situation where a company fail to respond effectively to a customer's requests, thus failing to accomplish customer satisfaction in the service encounter. Service failure can occur due to factors contributed by employee, technology, and the customers themselves (Michel, 2001). Due to this notion, there is no single cause to service failure. It may happen to anyone at any time.

According to Smith, Bolton, and Wagner (1999), dissatisfied customers perceive the level of unfairness based the type of service failure they have experienced. The type of service failure may comprise of outcome or distributive failure (monetary), process or procedures failure, and communication failure. Therefore, it is crucial to train employees to deal with service failure. Employees should be exposed to the most frequent problems occurred in the company and they should be empowered to make their own decision in the event of service failure.

2.2 JUSTICE THEORY AND SERVICE RECOVERY

Justice theory has been extensively used in western's service recovery studies. However, less attention has been dedicated to its application in Asian context, particularly in Malaysia. Justice theory was originated from the social exchange and equity theory (Adams, 1965). According to Wen and Chi (2013), justice theory can be used in service failure and recovery context to demonstrate the relationship between customers and companies. Justice theory stated that customers evaluate a service recovery effort as fair or unfair (DeWitt, Nguyen, & Marshall, 2008). Customers tend to compare the inputs against the outputs, and if there is an equal balance between them, the exchange is considered as 'fair', but if the outputs do not meet the customers' expectations, then the result is considered 'unfair' (Adams, 1963).

Justice theory framework has been widely accepted in service recovery studies (Nikbin, Ismail, Marimuthu, & Jalalkamali, 2010). It is represented by three dimensions namely distributive justice, procedural justice and interactional justice. Companies need to understand these three dimensions to establish effective service recovery strategies (Ha & Jang, 2009). According to Patterson, Cowley, and Prasongsukarn (2006), the three dimensions can be presented as follows:

Table 1: Dimensions of justice theory in service recovery

Dimension	Definition	Example
Distributive justice	Perceived justice of the outcome (tangible)	Problem resolution, refund, compensation, replacement
Procedural justice	Perceived justice of the process/procedures used in rectifying the service failure	Speed of recovery, follow up, fair policies and procedures
Interactional justice	Perceived fairness of the ways customers are treated	Empathy, courtesy, respect, effective communication

Service recovery is critical to companies especially in the service business. Theoretically, service recovery is defined as the actions performed by the company in response to service failure, including all the activities engaged to correct, modify, and restore the loss incurred as a result of the failure (Liao & Cheng, 2013). Service recovery is also considered as one of the important element in service companies' strategy (Hart, Heskett, & Sasser, 1990).

Service companies include businesses in hotel industry, restaurant, contact center, government agencies, etc. Nowadays, it is difficult for company to solely depend on the product itself. A good service recovery is imperative in the event of failure. Fair compensation, less red-tape procedures, and effective communication process may bring back dissatisfied customers to the satisfaction state. Furthermore, Bell and Zemke (1987) suggested five elements that are critical for excellent service recovery: apology, urgent reinstatement, empathy, atonement, and follow up. These five elements will help companies to be better prepared in the event of service failure.

Preceding research demonstrated that effective recovery efforts will lead to numerous positive outcomes. A study in online shopping setting by Kuo and Wu (2012) found that service recovery can satisfy frustrated customers, improve customer retention rate and promote long term relationship. McCollough, Berry, and Yadav (2000) claimed that 'service recovery paradox' may happen if the company excellently resolve customers' problem. Service recovery paradox is referred to customers who are delighted with the service recovery and their level of satisfaction tend to be higher compared to those who has never experienced failure. According to Smith and Bolton (2002), service recovery is important because it represents the moment of truth on the relationship between customers and the company. The level of recovery efforts performed by the company will show how honest or committed the company towards the relationship.

2.3 RECOVERY SATISFACTION

Delivering the highest level of customer satisfaction is the aim of every company. Satisfied customers may become loyal to the company and they will share positive word of mouth, which will benefit the future growth of the company (Nikbin, Ismail, Marimuthu, & Salarzehi, 2012). In service recovery context, recovery satisfaction is defined as the customers' feeling of satisfaction towards the corrective action performed by the company after service failure (Kuo & Wu, 2012). Recovery satisfaction is different from customers' satisfaction with the first service encounter. Recovery satisfaction will only happen if service failure takes place and the company perform a series of actions to rectify the situation.

A plethora of studies claimed that service recovery influences recovery satisfaction. Maxham and Netemeyer (2002) stated that service recovery is vital to develop customer satisfaction and loyalty. This is supported by Prasongsukarn and Patterson (2012) in their service recovery studies in two different culture settings. It was found that service recovery is essential to promote customer satisfaction and retention. Therefore, the following proposition is developed based on the preceding discussion:

P1: Service recovery will affect recovery satisfaction.

As discussed earlier, three justice theory dimensions will be used in this study. The dimensions comprising of distributive justice, procedural justice, and interactional justice. Extant studies reported that the three dimensions of justice theory influences recovery satisfaction. As noted by Kuo and Wu (2012), previous research argued that justice theory is recognized as the key component that influence recovery satisfaction and behavioral intentions. A study among airline passengers by Nikbin et al. (2010) stated that the three dimensions of justice theory influences recovery satisfaction. Additionally, Wen and Chi (2013) claimed that a fair service recovery will strengthen customer satisfaction and will lead to positive referral and re-patronage intentions. Thus, the following propositions are derived based on the aforementioned discussion:

P1a: Distributive justice will affect recovery satisfaction.

P1b: Procedural justice will affect recovery satisfaction.

P1c: Interactional justice will affect recovery satisfaction.

2.4. BRAND TRUST

Trust is one of the aspects that has been incorporated in preceding service recovery studies. According to Choi and La (2013), trust is vital in promoting customer loyalty following service failure. Recovery satisfaction alone is insufficient to develop trust towards the brand. In service recovery, brand trust is referred as the customers' inclination to accept service failure with a positive expectation that the company will do something to correct the situation (Dunn & Schweitzer, 2005). Choi and La (2013) claimed that recovery satisfaction may influence brand trust and fortify brand loyalty. Trust cannot be developed in a short period of time, therefore companies have to act immediately and effectively in recovering the service. The relationship between recovery satisfaction and trust were also reported in a study conducted by Tax et al. (1998). In relation to the preceding discussion, the following proposition is developed:

P2: Recovery satisfaction will affect brand trust.

A number of studies reported that recovery satisfaction is recognized as a key mediator on the relationship between service recovery and brand trust. Wen and Chi (2013) confirmed that recovery satisfaction as the mediator that connect the relationship between service recovery and brand trust. It proves that effective recovery efforts can enhance recovery satisfaction and trust can be rebuilt if the customers think the company has given their best in rectifying the situation. Ok (2004) also shared the same findings in his experimental studies in restaurant setting. It was concluded that the three dimensions of justice theory influences recovery satisfaction and promote brand trust. Therefore, the following proposition is derived based on the previous discussion:

P3: Recovery satisfaction mediates the relationship between service recovery and brand trust.

P3a: Recovery satisfaction mediates the relationship between distributive justice and brand trust.

P3b: Recovery satisfaction mediates the relationship between procedural justice and brand trust.

P3c: Recovery satisfaction mediates the relationship between interactional justice and brand trust.

3. CONCLUSION

Service failure and recovery have been gaining popularity in service marketing studies. Practitioners and researchers are keen to explore the impact of service failure and recovery towards customers' behavioral intentions. The adoption of justice theory has provided platform for further investigation in service recovery studies. Based on extant literatures, the three dimensions of justice theory (distributive, procedural, and interactional justice) were found to influence recovery satisfaction and promote brand trust. Therefore, it is imperative to further investigate service recovery since less attention has been devoted to such studies particularly in Malaysian context.

4. IMPLICATIONS FOR MANAGER

This study will benefit the practitioners in many ways. Employees will be aware of the aspects that should be taken into consideration in recovering from service failure. Employees may offer fair compensation (distributive justice), less hassle procedures (procedural justice), and effective communication (interactional justice) to the customers in the event of service failure. This will avoid dissatisfied customers from leaving the company and customers will appreciate the proactive actions taken to recover the service. As a result, customers can be returned to the state of satisfaction and they will share positive word of mouth with others. Therefore, it is crucial to not underestimate the power of service recovery. A poor service recovery may lead to double deviation, while effective recovery will enhance satisfaction and fortify brand trust.

5. RECOMMENDATIONS FOR FUTURE RESEARCH

Future research is suggested to expand the current research scope. Appropriate moderating variable may be included to further investigate the study. Future study is also recommended to expand the current study by investigating how brand trust may lead to certain behavioral intentions. Even though service recovery studies were extensively researched in western countries, however limited studies were found in Asian context, particularly in Malaysia.

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