This chapter details out the review of recent related to service failure and recovery process. A number of conceptual and empirical research studies were examined to know how service recovery affects customer satisfaction. This chapter provides the basis for designing the conceptual framework of the study and formulation of the hypothesis to be tested. This chapter has been divided into four sections. Section 2.1 reviews studies related to customers’ justice perceptions and satisfaction with service recovery and their post-recovery behavior. Section 2.2 reviews the studies related to customer satisfaction and behavioral intentions. Section 2.3 reviews the studies related to non-complainants behavior. Section 2.4 reviews the studies related to severity of service failure and service recovery paradox.

2.1 Studies Related to Customer Justice Perceptions, Satisfaction with Service Recovery and Post-recovery Behavior

Bitner, Booms and Mohr (1990) conducted a study of critical service encounters in different service industries to understand particular events and behavior of contact employees that cause satisfaction and dissatisfaction among customers. It was examined whether the behaviors that lead to satisfaction or dissatisfaction are same or opposite. The critical incident technique was used to collect the data from customers of three different service settings - hotels, restaurants and airlines. The customers were interviewed by students to know about their satisfying and dissatisfying interaction with contact employee of their service settings. The findings revealed that the main cause of dissatisfactory encounters was related to employees’ inability or unwillingness to respond in service failure situations rather than the initial failure to deliver the core service. It was also found that offering sincere apologies, compensatory actions and explanations can diffuse dissatisfaction. The authors suggested that the firms which seek to improve
customer satisfaction in service encounters should provide proper knowledge and training programs to their employees to handle annoyed customers.

**Goodwin and Ross (1992)** examined the influence of procedural and interactional justice perceptions on consumer responses to service failures. The authors proposed that favorable outcomes of service recovery and opportunity to voice complaint are positively associated with fairness and satisfaction than denial of opportunity for voice, regardless of outcome. The authors conducted a $2^{\text{complaint outcome}} \times 2^{\text{apology}} \times 2^{\text{voice}} \times 4^{\text{type of service}}$ between subjects experiment to investigate the influence of distributive, procedural and interactional fairness on consumer satisfaction, perceptions of fairness and quality and willingness to return to the firm. The subjects consisted of 285 undergraduate students in urban universities who were randomly assigned to one of the four services - auto repair, vacation air travel, dental service and restaurant meal. It was found that voice and apology along with favorable outcomes enhances the perceptions of satisfaction and fairness. The authors suggested that people prefer to obtain outcomes by fair procedures rather than arbitrary rulings.

**Bitner, Booms and Mohr (1994)** investigated the perspective of contact employees about service encounters and to understand the kinds of events and behaviors that employees believe will underlie customer satisfaction. Based on role script and attribution theories, the authors examined whether customers and employees behave in a similar way for satisfied and dissatisfied service encounters. The critical incident technique was used to collect the data from hotel, restaurant and airlines industries. The employee behaviors that account for satisfactory and dissatisfaction incidents were classified as their response to service delivery failures customers’ needs and requests and an unprompted employee action. The results depicted that employees and customers do behave in similar way that is they will take credit for success and blame failure on external cause. The authors found an additional source of dissatisfaction that is problem customers who are the source of their own dissatisfaction through inappropriate behavior.
Mohr and Bitner (1995) investigated the behavioral cues on the basis of which customers judge employee efforts and the effects of those perceived employee efforts on customer satisfaction with service transaction. The authors also examined the relationship between perceived effort and transaction satisfaction while keeping the service outcome constant. The authors defined perceived effort as the amount of energy an observer believes the actors has invested in his/her behavior. To understand the role of effort in social cognition, the authors used motivation, attribution and equity theories. The authors conducted two studies. The first study was exploratory to get more information about effort. The survey included four classes of business students at a large urban university. The second study was a factorial design of 2(efforts: high/low) × 2(service outcome) × 2 (industries: airline and mail-order). The results of both studies revealed that customers do notice service employee efforts levels and use a variety of behavioral cues such as actual effort expenditure, quality of the interaction or the outcome of the service encounter to judge employee effort. It was also found that perceived effort is positively related to customer satisfaction when the perceived service outcome is kept constant. The authors suggested that effort and outcome are likely to be highly correlated in many situations which may often confuse customers therefore; when outcome is ambiguous people may perceive effort in a different manner than when the service outcome is clear.

Bendapudi and Berry (1997) presented a model which explores the antecedents and consequences of dedication based and constraint based relationship maintenance from consumers’ perspective. It was suggested that when a consumer feels dependent on other party to achieve relational outcomes, he/she will feel constrained to the relationship maintenance. It was anticipated that the customers’ dependence on the partner will be more when the environment is more dynamic and complex, when the partners’ and customers’ relationship specific investments are greater and when the service requires greater frequency of contacts. It was proposed that dedication based relationship maintenance is positively related to cooperation, relationship enhancement, identity and advocacy. It was found that it is more desirable to build relationships with customers which are dedication based rather that on constraints based. But building close relationship with customers can be double edged swords for firms as customers who are
more involved with the firm are more critical of failure and reports greater dissatisfaction than customers who are less involved with the service.

**Tax, Brown and Chandrashekaran (1998)** presented a framework based on justice theory, which integrates complaint handling with relationship marketing variables. The authors viewed complaint as a conflict between the customer and the organization in which; the resolution procedure, the interactional communications and outcome are principal evaluative criterion of the customers. The researchers also examined the relationship between satisfaction with complaint handling & prior experience with the firm over relationship variables - trust and commitment.

The authors conducted a cross-sectional survey to assess the respondents’ evaluations of their most recent service related complaint within past six months. The survey instrument was divided into two parts to test the impact of complaint handling on customer satisfaction/dissatisfaction. It was found that customers evaluate their complaint experiences in terms of benefits they receive, procedures or means used to arrive at the end and the interpersonal treatment they receive during complaint handling process. It was also found that the effect of prior experience with the firm had less impact on satisfaction with complaint handling but positive prior service experiences lessen the effects of poor complaint handling. The findings suggested that though existing customers integrate prior and current experience to frame their trust and commitment with the company, yet current experience plays a better role in shaping trust and commitment.

**Smith and Bolton (1998)** developed a model of service recovery and examined how service failure and recovery encounters influence customers overall assessment of service organization. The authors investigated the extent to which a customers’ prior overall satisfaction before service failure and recovery encounters carry over to influence their subsequent overall satisfaction. They also investigated whether a service recovery paradox exists or not that is whether a good recovery will reveal increased level of satisfaction that would not have been attained if they had not experienced service failure.
and recovery encounter. The authors conducted experimental studies in two service settings - restaurants and hotels. The research design manipulated type of failure (outcome/process), magnitude of failure (high/low) and recovery attributes (compensation, apology, initiation and response speed). In first study a sample of 375 undergraduate students was surveyed about their restaurant patronage and second study included probable sample of 220 business travelers who had stayed at one of the midrange hotels’ locations within previous three months.

The findings of the study suggested that a service failure and recovery encounter can have substantial impact on customers’ overall level of satisfaction with a firm and recovery efforts will have more impact on customers’ repatronage intentions than cumulative satisfaction. It was also found that cumulative satisfaction and repatronage intentions decrease after a service failure and recovery encounter for a majority of customers, so service failures should not be viewed as opportunities to impress customers as it involves risks.

Carson et al. (1998) investigated the relationship between service providers’ empowerment and willingness to respond to service failures and their work related attitudes. The providers’ willingness for both psychological and tangible service recovery was examined. The authors advanced the CARE (Compensation, Apology, Reparation and Empathy) model of service recovery given by Carson, Carson and Roe (1995). The service recovery actions of provider include four dimensions - empowered neglectors, effective recoverers, learned avoiders and recovery riskers. A survey was conducted with the members of Medical Library Association to investigate the work related attitudes of providers and their personality to respond to service breakdowns. It was found that psychological service recovery and tangible service recovery are influenced by different factors. The predictors for psychological service recovery are job and career satisfaction whereas tangible service recovery is predicted by empowerment. It was also found that positive job attitudes are related to providers’ perceptions of empowerment and that empowered neglectors have the highest levels of career satisfaction and empowerment.
**Hocutt and Stone (1998)** investigated the impact of employee’s empowerment that is autonomy and training in a service recovery situation in a restaurant setting. It was proposed that the employees who have been given autonomy and who have been trained will have greater job satisfaction than those who have autonomy but are not trained. The effect of employees’ responsiveness and their empathy/courtesy on the levels of satisfaction after a service failure was also investigated. Two experimental studies were conducted to test the prediction of service recovery model wherein subjects were asked to read scenarios describing service failure and an attempted recovery. In one study subjects played the role of frontline service employee at a restaurant to check the effect of employee empowerment on job satisfaction. In second study, subjects were asked to play the role of customers to know their satisfaction after recovery. The results of the study depicted that employees’ autonomy to handle a service recovery situation enhance their job satisfaction which further improves with training being given them how to handle service recovery problems. It was also found that employees empowerment influence their job facet satisfaction which in turn influences the perceived fairness of service recovery effort. The authors suggested that a service recovery policy should empower frontline employees to do whatever it takes to satisfy a customer along with training on a set of guidelines to help employees decide what should be done in different service failure situations.

**Smith, Bolton and Wagner (1999)** presented a model of customer satisfaction where service failure and recovery encounter is viewed as an exchange in which a customer experiences a loss due to failure and organization attempts to make up for customers loss in the form of recovery effort. The authors proposed that customers evaluate service failure and recovery incidents according to type of failure, magnitude of failure and service recovery attributes such as compensation, response speed, apology and initiation. The authors conducted two studies, one in restaurants setting and other in hotel setting. A 2×2 between subject experimental design was used in which type of failure and magnitude of failure were manipulated. The authors also conducted survey with customers of both hotels and restaurants. The first study was conducted across multiple organizations of restaurants whereas second study was conducted across multiple
locations of a single organization that is hotels. The results of both studies proved that customers who experienced process failures and high magnitude failures were more dissatisfied than those who experience outcome failures and low magnitude failures. The findings also depicted that distributive justice has a greater effect on customer satisfaction than interactional and procedural justice.

Based on disconfirmation and justice literature, McCollough, Berry and Yadav (2000) examined the antecedents of customer satisfaction after service failure and recovery encounter. Disconfirmation paradigm means that customers compare perceived performance of products or services to their expectations. The authors also analyzed the service recovery paradox that is whether customers who experience a failure followed by superior recovery might rate their satisfaction as high as than they would have, had no failure occurred. The researchers conducted two scenario based experiments in airline travel to investigate the impact of service failure and recovery expectations. One study investigated disconfirmation based hypothesis while other study evaluated justice hypothesis by manipulating distributive and interactional justice. The results proved that customer satisfaction was lower after service failure and recovery encounter than in the case of error-free service. It was also found that initial disconfirmation has a greater impact on satisfaction than recovery disconfirmation. The authors suggested that excellent recovery is not an opportunity when compared to the satisfaction resulting from error-free service delivery.

Hoffman and Kelley (2000) presented a contingency framework of service recovery to understand customers’ evaluations of service failure and recovery process based on equity theory. It was proposed that recovery effectiveness may depend upon factors such as depth of relationship, proximity of the relationship, duration of encounter, degree of customization, switching cost and criticality of consumption. The authors tried to find how these contingencies influence customers’ perceived justice and how perceived justice subsequently influence customers evaluations of service recovery efforts. The authors suggested that in some service recovery situations, interactional justice takes preference over distributive justice whereas in other cases distributive justice is the
primary factor considered in service recovery evaluation. It was also suggested that where individualized contingencies are relevant, the service provider should be aware and recognize these contingencies because they have a potentially great impact on how service recovery is evaluated.

**Winsted (2000)** identified service provider behaviors based on which consumers evaluate service encounters and how these behaviors are related to encounter satisfaction. The author identified eight dimensions - authenticity, caring, control, courtesy, familiarity, friendliness, personalization and promptness which are likely to have impact on customers’ evaluations of service evaluations. A behavior identification questionnaire was designed and used to identify individual behaviors relevant to evaluation of service encounters and customer satisfaction in two industries - restaurants and medical care. The author identified 137 behaviors which were analyzed through a questionnaire and the relationship of the level of each behavior with the service encounter satisfaction was examined. The findings suggested that behaviors important to consumers in evaluating service encounter are same across different types of service encounters. The service provider should be competent, congenial, civilized and should be concerned with the consumers. It was suggested that successful implementation of these behaviors by service personnel can be a useful tool for service providers to enhance customer satisfaction and retention.

**Sparks and McColl-Kennedy (2001)** investigated the influence of justice theory on customer satisfaction after service recovery using various combinations of procedural, interactional and distributive justice. It was also examined how the service providers’ level of concern, neutrality of decision-making process, customer voice and compensation affect customer satisfaction and future intentions. The authors used a $2\times2\times2\times2$ between subjects experimental design in a hotel setting using video vignettes. The study included variables such as expressed concern, customer voice, neutrality of service provider behavior and compensation to test the influence of justice dimensions on customer satisfaction and their future intentions. The results of the study depicted that outcome and concern had a greater effect on customer satisfaction and future intentions.
than voice and neutrality. It was also found that the manner in which a service provider reacts to customer has a strong impact on customers’ assessment of that event.

**Maxham III and Netemeyer (2002)** proposed a model to test the effect of perceived justice on customer satisfaction followed by a service failure and recovery. The authors hypothesized that distributive, procedural and interactional justice positively affects on customers’ satisfaction with the recovery and their overall firm satisfaction. It was also hypothesized that satisfaction with recovery and overall firm satisfaction affects word-of-mouth and purchase intent. The authors also hypothesized that procedural and interactional justice will have a greater influence on customers’ overall firm satisfaction than will distributive justice and satisfaction with recovery influences WOM intent more than overall firm satisfaction.

The researchers conducted two field studies that captured customers’ perceptions overtime. The first study included customers who actively complained about their banking service for the first time. Second study included customers of home construction, sales and servicing firm who faced a first time product failure and recovery attempt. The authors found that satisfaction with service recovery and overall firm satisfaction has a strong positive influence on purchase intent and WOM intent. It was also found that satisfaction with recovery has strong impact on WOM intent whereas overall firm satisfaction has strong impact on purchase intent than WOM intent.

**Smith and Bolton (2002)** presented a statistical model to investigate the impact of customers’ emotions on service failure and recovery encounter satisfaction after accounting for cognitive antecedents of satisfaction (performance, disconfirmation and justice). The impact of customers’ emotional responses on organizations’ recovery efforts and on their cumulative satisfaction was also measured. Two studies were conducted one in restaurant setting and other in hotel setting, where service recovery attributes that is compensation, response speed, apology and recovery initiation were manipulated. The results of the studies showed that customers who respond with more emotion may be less satisfied and evaluate organizations’ overall recovery effort more systematically than
those who respond with less or no emotion. It was also proved that customers with negative emotional responses weigh distributive justice more heavily and interactional justice less heavily than customers with no emotional responses. The authors therefore suggested that service providers must be trained to provide customized recovery efforts to customers who exhibit negative emotional cues to improve customer perceptions of service performance levels.

MaxhamIII and Netemeyer (2003) investigated how employees’ perceptions of shared organizational values and organizational justice can persuade customer-directed extra role employee performance, justice, satisfaction, WOM and repurchase intent during complaint handling. It has been hypothesized that when employees share same values with their employer it would positively affect customer-directed extra role behaviors. The authors hypothesized that employees’ perceived distributive, procedural and interactional justice positively affects customer-directed extra role behaviors. It was also hypothesized that customer-directed extra role behaviors positively affect perceived organizational justice and mediated the effects of shared values and perceived organizational justice on customers’ perceived justice. The authors also hypothesized that customers perceived organizational justice positively affects their satisfaction with recovery, overall satisfaction, purchase intent and positive WOM. It was also hypothesized that customer perceived justice mediates the effects of customer-directed extra role behaviors on customer outcomes.

To prove the hypothesis, a field study was conducted on online customers who registered telephone compliant about electronic equipment purchased and got it serviced from electronic retailer. With this data from service employees who handled the complaints were also collected and they were asked to complete a survey regarding their perceptions of organizational justice and shared values with the firm over the past six months. To prove the hypothesis, authors conducted regression with mediation analysis. The results of the study proved that shared values and perceived organizational justice have positive affect on customer-directed extra role behaviors and when customers perceive that employees have put an extra effort in service recovery, their levels of perceived justice
get increased. It has also been proved that the efforts of shared values and organizational justice perceptions on customer justice are partially mediated by extra role behaviors. The results of the study suggested that employees who share same organizational value are more likely to feel an integral part of the system and treating employees fairly inspires them to go out of their way to help resolve customer complaints.

Mattila and Patterson (2004) examined the customers’ perceptions of fairness and post recovery satisfaction judgments in cross-cultural context. Based on literature, authors focused on cultural differences in perceiving distributive and interactional justice while perceptions of procedural justice tend to be universal. It was hypothesized that offering an explanation for service failure will have higher perceptions of interactional justice among East Asian consumers than Americans. It was also hypothesized that offering compensation will have positive impact on consumers’ perceptions of distributive justice among American customers than East Asian consumers. The authors hypothesized that perceived fairness will predict post-recovery satisfaction across cultural boundaries. A 3(culture) × 2(causal explanation) × 2(service recovery outcome) quasi-experimental between subject design was used to know the major differences of consumers evaluations of service failures. The sample included 150 American participants from an undergraduate program at a state university, 281 students from two Thai universities and 130 participants from a university in Malaysia. The findings revealed that Americans are eager to seek redress than East Asian consumers. It was also found that consumers had higher perceptions of fairness when an explanation is offered for service failure. The results showed that culture does not influence post-recovery satisfaction.

Schoefer and Ennew (2005) investigated the relationship between the elements of perceived justice during service recovery and the nature of consumers’ emotional responses. It was examined that consumers’ emotional responses to service recovery will be determined by a cognitive appraisal of the fairness of that process. A 2(two levels of distributive justice) × 2(two levels of interactional justice) × 2(two types of procedural justice) between subject approach was used within tourism context using both student and non-student sample. The results of study suggested that low level of perceived justice
elicit higher levels of negative emotions whereas high level of procedural justice increases the likelihood of positive emotions which in turn has an impact on satisfaction with complaint handling.

**Kau and Loh (2006)** examined the effects of service recovery on customer satisfaction and impact of satisfaction on behavioral outcomes of those customers who encountered service failure and recovery. The authors also investigated the existence of service recovery paradox that is whether satisfactory recovery efforts will enhance satisfaction of customers who complained for the service failure than the customers who were satisfied with the service provider in the initial service contact. To examine the effects of service recovery on customer satisfaction a student survey was conducted for mobile phone service industry using a structured questionnaire. The findings of the study revealed that distributive justice had the strongest impact on satisfaction with service recovery which in turn had a positive impact on trust, WOM and customer loyalty. There was lack of support for service recovery paradox which suggests that service provider should aim to provide error free service at first instance and should not rely on recovery efforts to remedy service failure.

**Bell and Luddington (2006)** investigated the effects of negative customer feedback on service employee performance. The authors tested a model of customers’ complaints, positive and negative employee affectivity and commitment to customer service. The authors proposed that service employee positive affectivity is positively related to employee commitment to customer service. It was also proposed that the negative relation between customer complaints and service employee commitment to customer service will be reduced when employee positive affectivity is high. A study was conducted in a national retail organization in a wide variety of merchandise. The findings proved that there is negative relation between customer complaints and service employee commitment to customer service. It was also found that higher levels of negative affectivity reduce impact of complaints on commitment to customer service.
Blader (2006) investigated the factors that determine people’s fairness judgments of procedural justice evaluations under uncertainty. The author recognized two factors - social identity with the group and the outcomes related with procedures to help shaping procedural justice judgments. It was examined that the individuals who identify strongly with a group will judge procedures as fair and fair outcomes can influence procedural justice judgments in the absence of explanation for the procedures used. Two studies were conducted with undergraduate students to find the influence of social identity and outcome on procedural justice judgments. The study consisted of $3 \times 2 \times 2$ between subjects design where the procedural information, participants level of identification with the group and outcome received were manipulated. The findings of studies proved that strong identification with the group and favorable outcomes direct people to have fair view of procedures when there is absence of explicit procedural information. But when procedures are explicit, judgments are based on procedural elements themselves and do not depend upon identification and outcomes.

Bodey and Grace (2006) examined which factors influence consumers to voice their complaints or remain silent based on their personality characteristics. The authors chose four personality characteristics - perceived control, machiavellianism, self-monitoring and self-efficacy to discriminate between complainers and non-complainers. It was proposed that attitude to complaining is an important discriminating variable between complainers and non-complainers. The authors conducted a self-administered survey across undergraduate university students to know what personality factors influence individuals in their subsequent behavior to complain or not to complain. The findings revealed that complainers are those who perceive high levels of control and are low self-monitors whereas non-complainers are high self-monitors and perceive low levels of control over their environment. It was also found that Machiavellianism and self-efficacy are not significant variables to discriminate between complainers and non-complainers.

Martinez-Tur et al. (2006) assessed the effects of justice dimensions on customer satisfaction while controlling for the impact of disconfirmation paradigm. It was proposed that distributive, procedural and interactional justice dimensions differ in their
magnitude for predicting customer satisfaction and these dimensions predict significant satisfaction variance beyond the predictive power of disconfirmation paradigm. Two studies were conducted in 38 hotels and 40 restaurants. The authors collected data at service sites in order to avoid the effects of post hoc satisfaction approaches. The findings revealed that distributive justice was the important dimension for predicting customer satisfaction as compared to interactional and procedural justice. It was also found that justice dimensions predict significant satisfaction variance as compared to predictive power of expectancy disconfirmation paradigm.

Karatepe (2006) examined the impact of organizational responses to customer complaints on customers’ perceived justice evaluations and the impact of justice evaluations on customer satisfaction and loyalty. The author projected that atonement, promptness, facilitation, apology, explanation, attentiveness and effort on the part of organization has a positive effect on customers’ evaluation of perceived justice. A study was conducted in three-star four-star and five-star hotels and data was collected through judgmental sampling. The findings of the study depicted that organizational responses to complaints affect customers’ underlying justice dimensions and promptness has stronger impact on customers’ perception of procedural justice than facilitation. It was also found that attentiveness and effort has stronger effect on interactional justice and the effect of interactional justice is stronger on complainants’ satisfaction and loyalty than that of distributive justice and procedural justice. Therefore the author suggested that managers should select suitable candidates with outstanding interpersonal skills for establishing effective complaint handling mechanisms.

Ang and Buttle (2006) examined the relation between customer retention outcomes and organizational processes which includes customer retention planning process and the complaint handling process. The authors tried to find that companies that have an explicit customer retention plan, budget maintained for customer retention activities and have a particular person to be responsible for customer retention excel at customer retention outcomes. It was also anticipated that companies that excel at customer retention have a documented process of complaint handling. Data was collected from 170 companies in
Australia using a quantitative survey. The findings depicted that excellence in customer retention is associated with documented complaint handling process but the standard management practices of planning, budgeting and assigning accountability for customer retention are not associated with excelling customer retention outcomes. The findings suggested that one should implement a documented customer complaint handling process that can identify and act on the problems that motivate consumers to take their business to competitors.

Ambrose, Hess and Ganesan (2007) examined the relationship between four types of justice and customers event attitudes and system related attitudes. The authors identified three models: two factor model, three factor model and four factor model to know the relationship between justice and attitudes. In two factor model the effect of distributive and procedural justice on attitudes was determined, whereas in three factor model the effects of interactional justice were also tested. The four factor model of justice determines the impact of distributive justice, procedural justice, interpersonal and informational justice on attitudes. Based on these three models, authors provided an event mediating model wherein justice perceptions affect system related attitudes through event attitudes. A cross-sectional survey design was used to know perceptions about complaint handling experiences from the passengers waiting for flights at departure gates. The results proved that event mediation model best explains the relationship between justice and attitudes. It was therefore, suggested that it is important to know the relationship between event attitudes and system related attitudes and the indirect impact of all types of justice on system related attitudes. The findings also suggested that the deficits in one type of justice may be offset by fairness on other dimensions and event attitudes mediate the relationship between justice and system related attitudes.

Hui, Au and Zhao (2007) addressed the issue whether fairness heuristic theory can be extended from structural aspect to interpersonal aspect of the exchange process. It was posited that interactional justice will generate the fair process effect in situations in which people feel uncertain about what represents a fair outcome. It was proposed that the effects of interactional justice will be stronger on exchange outcomes when outcome
uncertainty is high and that the presence of social comparison information will weaken the positive effects of interactional justice on exchange outcomes in situations of high outcome uncertainty. An experimental between-subjects design of 2 (outcome uncertainty: low high) × 2 (interactional justice: low high) × 4 (others’ outcome: unknown, better, worse, equal) was adopted which involved undergraduate students. The findings of the study prove that the effects of interactional justice did not vary significantly between two levels of outcome uncertainty when others’ outcome is known. It was also observed that the impact of interactional justice under the condition of high outcome uncertainty may be offset by the presence of social comparison information to influence outcome evaluation.

Luria and Yagil (2007) measured the organizational ethical climate that focuses on aggregated group level data which consists of level and strength. The impact of ethical climate was examined on service performance and customer satisfaction where employees’ service performance was used as a mediator between ethical climate and customer satisfaction. Procedural justice was taken as an antecedent of ethical climate to know employees’ perceptions of the fairness of organizational decision making process. The study was conducted in a restaurant setting and participants included both restaurants employees and customers. The results of the study proved that ethical climate has a positive effect on service performance and customer satisfaction. It was found that employees of each organization perceived the importance of ethical behavior similarly within the organization and differently from the employees of other organizations.

Liao (2007) examined how employees’ service recovery performance (SRP) affects customer satisfaction with service recovery. The impact of customer perceived justice on repurchase intentions was examined through the mediation of customer satisfaction with service recovery. It was proposed that making an apology, providing explanation, being courteous and prompt handling of complaint affects customer satisfaction with service recovery positively. The author also looked for the moderating effect of severity of service failure and repeated failures between employee SRP and satisfaction with service recovery. Two studies one experimental and other laboratory were conducted to examine
the impact of employee SRP on customer satisfaction with service recovery. The findings of the studies showed that providing an explanation about the service failure may not be always taken positively by customers unless they believe that the factors responsible for service failure were beyond the company’s control. It was also found that severity of service failure and repeated failures only mitigate the positive effects of problem solving and courteous behavior on customer satisfaction but did not reduce the effects of other SRP dimensions. The author suggested that management may empower service employee with necessary resources and discretion for decision making so that they should be able to respond to customer complaints promptly.

Huppertz (2007) examined the effects of the efforts of service providers to encourage customers to voice their complaints. It was anticipated that the customers examine the cost-benefit tradeoff before voicing the complaint that is whether it is worth to go through complaint handling process or not. It was hypothesized that the companies having lenient refund policies and empowering employees to handle complaints will increase dissatisfied customers’ perceptions of ease and their intentions to voice complaints. It was also hypothesized that imposing a hassle will decrease dissatisfied customers’ perceptions of ease and intentions of voice complaints. A 2×2×2×2 experimental study was conducted in which scenarios consist of two levels of refund policy, two levels of employee empowerment, two levels of hassle and two levels of accessibility. The results of study proved that complaint intentions were greater when customers’ expected a lenient refund policy but accessibility, empowerment and hassle have no impact on customers’ intentions to voice complaints which implies that perceived likelihood of success drives consumer complaint voicing but anticipated efforts does not.

Vazquez-Casielles, Rio-Lanza and Diaz-Martin (2007) presented a conceptual framework to investigate the relation between quality of past service performance, causal attributions, emotions and overall satisfaction of customers. It was proposed that stability and control attributions of failure are negatively related to quality of service performance and overall customer satisfaction. The impact of customers’ negative emotional responses to service failure on overall customer satisfaction was also examined. A study was
conducted in airline industry to investigate the impact of quality of past performance on consumers’ responses to service failures. The results of the study showed that quality of past service performance significantly influences consumers’ overall satisfaction. The control attribution had an indirect and negative influence on customer satisfaction through emotions. The authors suggested that firms should train their service employees to show empathy towards consumers and orient its service recovery strategies to smoothen their emotions to manage service failures.

Bonifield and Cole (2007) presented a conceptual model of customers’ responses to service failures while showing direct relationship between consumers’ appraisal about a service failure and their post purchase behaviors. The model tried to examine whether reducing consumers’ negative emotions has an impact on their retaliatory and conciliatory behaviors and tried to find the mediating effect of anger and regret on consumers’ appraisals on retaliatory and conciliatory behaviors. It was anticipated that anger will mediate the effects of downward counterfactual thinking on retaliatory and conciliatory behaviors. Two studies were conducted in restaurant settings: one experimental; and other web based study. The results of the studies showed that consumers who blame service providers for service failure indicated a high likelihood of engaging in retaliatory behaviors than those who blamed themselves. The findings also proved that the effect of appraisals on retaliatory behavior is mediated by anger, but not by regret and anger mediates the effects of downward counterfactual intervention on both retaliatory and conciliatory behaviors.

Gregoire and Fisher (2008) presented a justice based model that incorporates perceived betrayal as an antecedent to customer retaliation while controlling the factors such as severity of service failure, firm’s blame, anger and dissatisfaction. It was hypothesized that as the relationship quality increases, customers’ perceptions of low levels of outcome and process fairness leads them to greater sense of betrayal. A study was conducted with airline travelers who experienced poor recoveries and subsequently complained. The justice theory suggested that customers first consider reparation before engaging in retaliatory behavior. The results of the study proved that when customers believe that
they have been betrayed, they try to restore fairness by all possible means which lead to retaliation. The findings indicated that the betrayal of customers who have low relationship quality with firms is conditioned by the interactional and procedural fairness of recovery. The authors suggested that to prevent betrayal and retaliation, firms should understand their customers’ expectations and identify the point where poor service recoveries are viewed as normative violations.

Robertson and Shaw (2009) empirically tested a model of the antecedents of consumers’ likelihood of voice in unsatisfactory self-service technology (SST) encounters. The authors hypothesized that likelihood of voice success has a positive relation with likelihood and ease of voice. It was also hypothesized that ease of voice mediated the relationship between likelihood of voice success and likelihood of voice. The authors hypothesized that likelihood of voice success and causal locus (self) has a negative relation with SST powerlessness. It was also hypothesized that SST powerlessness has a positive relation with need to vent and likelihood of voice. Two studies that is pilot study and main study were conducted. In the pilot study, after collecting data, CFA was carried out to check the uni-dimensionality and convergent validity. After confirming the model-fit, data was invited from 2308 online panel members out of whom only 953 responded. Then the structural relations among the constructs were tested.

The results of the study showed that ease of voice is the strongest predictor of consumers’ likelihood of voice which suggests that SST providers should be encouraged to facilitate ease of voice. It has also been found that ease of voice mediates the relationships between consumers’ perceptions of likelihood of voice success and their likelihood of voice behavior. SST powerlessness was found to have moderate positive effect on consumers’ likelihood of voice behavior. The findings of the study suggested that consumers’ perceptions of likelihood of voice success can be improved via service guarantees and organizations should show genuine concern at the time of service failure through empathy, care and personalization.
**Sajtos, Brodie and Whittome (2010)** investigated the impact of service failures on customer company relations and how these relations have an indirect effect on customer value and loyalty through service failures. The authors also compared the role of company image and company trust among respondents who faced a service failure and those who did not. The authors hypothesized that severity of service failure negatively affects customers’ perceptions of company image, trust, value and loyalty. It was also hypothesized that a service failure increases the impact of customers’ perceptions of company image and trust and reduces the effect of company image on customer value and increases the impact of image on customer loyalty. The authors also hypothesized that a service failure reduces the impact of customers’ perception of value on customer loyalty. The authors collected data from non-business passengers of a popular international airline out of which 341 passengers had experienced service failure and 211 had not.

The authors applied structural equation modeling (SEM) in two steps wherein first confirmatory factor analysis (CFA) was used to evaluate and refine the model and then structural equation model was estimated for two groups. The first group was the one which faced service failure and the other who did not. The results of CFA showed an acceptable model-fit. The results of structural model showed that for the customers who faced service failure, severity of service failure has a significant negative impact on company image and trust but it does not have direct or indirect impact on customer value and loyalty. This finding implies that the impact of service failures is magnified within customer-company relationship. The company image also has significant impact on company trust, customer value and customer loyalty which implies that company image and trust block the negative effects of service failures from the customer value-loyalty process. The findings suggest that as service failures and recovery significantly affect customer-company relationships, managers should therefore focus on building, maintaining and recovering the company’s relational protective layer.

**Smith and Karwan (2010)** tried to prove that by analyzing the relevant structural dimensions of the recovery systems, organizations can choose to align themselves along
key factors that affect recovery performance. The authors developed an empirical taxonomy of service recovery systems based on the structural dimensions which include accessibility, human intensity, system intensity, decentralization, formalization, comprehensiveness and influence. The authors hypothesized that difference in the utilization of recovery practices and recovery outcomes will be recognized across the different recovery system profiles. It was also hypothesized that differences in organizational size and organization ownership will be recognized across the different recovery system profiles. Data was collected from 158 usable practicing service managers. To collect the data for structural dimensions of service recovery some existing scales were modified to fit the research and some new scales were created to assess the capability improvement outcome and market performance due to service recovery. The authors created the profiles of service recovery systems using cluster analysis. Based on the results, the authors recognized three groups - recoverers, followers and laggards.

The results of the study revealed that the recovery performance differs between the groups when considering customer satisfaction and market performance as a result of service recovery. It was found that the recoverers place more emphasis on all the structural dimensions as compared to other groups. The followers group operates in the middle of a system maturity continuum whereas laggards appear to be at the beginning of the development spectrum as they place the least emphasis on recovery system structure. The results of the study suggest that the larger firms move along the maturity continuum toward the optimal condition and have more integrated system, wide range of techniques for recovery and they exhibit superior performance.

**Orsingher, Valentini and Angelis (2010)** used meta-analysis to examine whether satisfaction with complaint handling (SATCOM), mediates the relationship between customers’ perceived justice and their attitudes and repurchase intentions. The authors tried to assess the relative importance of relationships between perceived justice dimensions, SATCOM, and their behavioral outcomes. The authors also identified five moderator variables - methodological approach, participants, number of industries, measurement level and culture that will affect the variance in the relationship between
justice dimensions and behavioral outcomes. It was hypothesized that the effects of justice dimensions on word-of-mouth, repurchase intentions and overall satisfaction are mediated by SATCOM. The authors retrieved to more than 80 published and unpublished studies to check for the measures of the relationships of the antecedents and consequences of satisfaction with complaint handling. The analysis of the data was done in three steps that is analysis of pair-wise relationship, analysis of the effects of the moderators and causal model.

The authors found that distributive justice has strongest correlation with satisfaction with complaint handling which was followed by interactional justice and then procedural justice. Out of the behavioral outcomes, SATCOM has the highest correlation with positive WOM, which is followed by return intent and overall satisfaction. The results of the study showed that SATCOM mediates the relationships between perceived justice and WOM but did not supported its mediating role between justice and repurchase intent and justice and overall firm satisfaction. The authors suggested that service recovery systems are important because they prepare the organization to react to potential problems and multinational service companies should consider cultural differences of the countries where they are operating.

### 2.2 Studies Related to Customer Satisfaction and Behavioral Intentions

**Oliva, Oliver and MacMillan (1992)** presented a model to examine how different investments in service strategies affect customer loyalty and repeat purchasing, while understanding the relations among customer-transactions costs, customer satisfaction/dissatisfaction and purchase loyalty. The authors examined that neither commitment nor satisfaction has a linear relation to loyalty because commitment accompanied by dissatisfaction will result in switching and that satisfaction followed by a series of dissatisfied events will not result in loyalty until a satisfaction threshold is attained. To test the model data was obtained from General Electric supply over 31 statements which included services such as personnel quotations, ordering delivery, post-
order service, dispute and returns and overall evaluation. The findings depicted that while depending on transaction costs, relation between customer satisfaction and loyalty can be nonlinear for some facets of services, so firms should distinguish it from competitors by providing superior service and by identifying the key variables from which major increases in loyalty can be gained for relatively small investments.

**Anderson, Fornell and Lehmann (1994)** investigated the relation between customer based measures of firm performance that is customer satisfaction and economic returns such as market share and profitability. To test the relationship authors viewed quality as customers’ current perceptions of a product or service and customer satisfaction as based on all past experiences, current experiences as well as future anticipated experiences. It was proposed that quality relative to price and expectations have a direct impact on customer satisfaction with the supplier. To test the model data was collected from SCSB in an ongoing project managed by National Quality Research Center (NQRC). The results of the study suggested that customer satisfaction is dependent on current quality and past satisfaction and return on investment is also strongly effected by customer satisfaction. The findings also revealed that economic returns from improving customer satisfaction are not immediately realized and suggested that therefore customer satisfaction should be treated as investment rather than expenses.

**Zeithaml, Berry and Parasuraman (1996)** presented a model of impact of service quality on behavioral intentions and proposed to link that behavior to sales and customer retention data to provide evidence for the financial impact of service quality. The authors examined the relationship between service quality and behavioral intentions and to find the impact of favorable and unfavorable behavioral intentions on the profitability of the company. A study was conducted with four companies’ viz. company manufacturer, audits retail chain, automobile insurer and life insurer. The findings depicted that the company which has better service quality scores, has more loyal customers, higher pay and lower switching. It was also found that customers who receive services without any problem have the strongest loyalty intentions and the weakest switch and external response intentions as compared to those customers who experiences service problems.
and got satisfactory resolution of problem. It was suggested that firms must decide the service quality that must be delivered to retain customers and provide service initiatives to encourage customers to recommend the company, spend more with the company and to pay premium price.

**Anderson (1998)** presented a utility based model of word-of-mouth activity to understand the relationship between customer satisfaction and WOM. The authors examined the extent to which high-satisfaction customers and low-satisfaction customers will engage in WOM behavior. The authors tried to investigate the rate at which WOM activity increase or decrease given the rate of increase in customer satisfaction or dissatisfaction. To test the model, data was obtained from two countries US and Sweden from the ongoing research projects managed by National Quality Research Center (NQRC). The findings proved that in Sweden, dissatisfied customers are two and a half times more likely to relate their experiences than dissatisfied customers. In US, there is significantly less WOM by satisfied customers and more WOM by dissatisfied customers. It was found that negative communications are delivered with greater force than positive ones and the U-shape relationship between customer satisfaction and WOM has been supported.

**Bansal and Voyer (2000)** examined the influence of WOM processes within a services purchase decision context. The authors studied for the effects of non interpersonal forces and interpersonal forces on the influence of WOM on service purchase decisions and the effects of non interpersonal forces on interpersonal forces. The authors investigated the impact of the perceived risk of service, tie strength between the sender and receiver on WOM intentions and influence of senders’ expertise on receivers’ purchase decision. The study was conducted across a wide range of services and participants were selected on the basis of self admission. The findings depicted that there is strong positive relation between receivers’ expertise and the degree of search for WOM. It was also found that when sender and receivers’ tie strength is strong, the WOM information will significantly influence receivers’ purchase decision and the greater the perceived risk, more actively WOM information will be sought.
Maxham III (2001) investigated the effects of low, moderate and high service recovery levels on satisfaction, positive WOM and purchase intentions. The authors examined that the levels of satisfaction, positive WOM and purchase intent will be high (less) than customers’ post service failure levels when a high (low) service recovery effort is perceived. It was proposed that high service recovery will lead to greater satisfaction, purchase intent and positive WOM than will a moderate or low service recovery. The authors conducted two studies. The first study used hypothetical scenarios to manipulate high, moderate and low levels of service recovery efforts in hair-cut service and the experiment included 406 university students. The second study was a field study with actual service failure and recovery efforts in internet service. The findings did not support service recovery paradox where post service satisfaction is greater than satisfaction before service failure. The findings depicted that effective service recoveries can enhance customer satisfaction, positive WOM and purchase intent, but there is no significant difference in satisfaction and purchase intent between groups receiving high and moderate service recoveries. The authors therefore suggested that firms may not always benefit from expending recovery effort beyond the moderate level. It was also suggested that the managers should socialize the recovery process, streamline the process and empower the employees to respond quickly to customer problems.

Rust, Moorman and Dickson (2002) determined the impact of revenue expansion, cost reduction and dual emphasis of both revenue expansion and cost reduction on quality return (profitability). It was examined that the impact of revenue to quality profitability will have more positive effects on firms’ outcomes than either a cost or a dual emphasis. It was also emphasized that reducing defects and increasing efficiency will improve profitability through cost reduction. The influence of industry competitiveness, past emphasis and quality information processes was also tested on firm performance. The results of the study revealed that firms which adopt revenue emphasis to manage quality profitability get the greatest rewards as compared to the firms which adopt cost emphasis or dual emphasis. The authors suggested that firms should focus more on customer satisfaction programs, customer retention, loyalty programs and customer equity programs.
Ranaweera and Neely (2003) presented a holistic model of customer retention while considering the impact of service quality perceptions, price perceptions, customer difference and inertia in telecommunication industry. The model incorporated that better perceptions of service quality, price, inertia and customer indifference have positive impact on repurchase intentions and that price perceptions and customer indifference will moderate the relationship between service quality perceptions and repurchase intentions. The findings of the study showed that service quality is an important driver of customer retention but where negative price perceptions are associated with high service quality perceptions, service quality alone will be inadequate to retain customers. It was also found that that at low perceived service quality levels, both those who have low and high inertia are more likely to leave service provider than to stay and that where customers have poor price perceptions, level of inertia did not have significant effect in determining customers’ propensity to stay or leave.

Davidow (2003) provided in-depth look into what aspects of organization responses to customer complaints influence their post-complaint responses. The author identified six dimensions of organizational responses - timeliness, facilitation, redress, apology, credibility and attentiveness. The authors analyzed how these organizational responses influence customer satisfaction, WOM, repurchase intentions and attitude to company. Based on the results of previous studies that examined the impact of organizational responses on customers’ post-complaint behavior author presented various propositions to clarify what is really known or not known about the effect of each dimension on post-complaint customer behavior. The authors presented an expanded framework where perceived justice is assumed to mediate the influence between organizational response and customer behavior and how situational contingencies such as product/service criticality, stability, voice and past experience associate with complaint management procedures. The model also postulates to know the effects of those who do not complain on their post dissatisfaction customer behavior.

Chumpitaz and Paparoidamis (2004) presented a model of business loyalty to clarify the contradictory evidence in reference to the relationships among the concepts of service
quality, industrial satisfaction and loyalty. The empirical evidence of the mediating role of industrial satisfaction in forming loyalty was also offered. It was proposed that both the quality perceptions and industrial satisfaction have positive influence on loyalty and that industrial satisfaction mediates the relationship between service quality perceptions and loyalty. The data was collected from the clients of information system suppliers. The results depicted that service quality perceptions significantly influence overall industrial satisfaction but the impact of service quality perceptions on brand loyalty was not significant. The mediating role of satisfaction in forming loyalty attributes was partially supported which suggested that to achieve high rates of repeat purchase it is not enough to focus one service quality dimension rather one should try to generate overall satisfied customers.

Hocutt, Bowers and Donavan (2006) investigated consumer reactions to service recovery efforts to examine its impact on customer satisfaction and WOM intentions. It was proposed that after a service failure, level of satisfaction will be higher if consumers perceive fair redress, high employee responsiveness and courtesy in a service recovery attempt than if there had been no service failure. It was also proposed that satisfaction after a service failure will be higher if any recovery effort is made than no effort is made. An experimental study of 2×2×2 factorial design was used in a restaurant setting with undergraduate marketing students. The results revealed that effective service recovery will lead to higher levels of satisfaction and lower tendency to express NWOM. It was also found that post recovery effort may increase satisfaction level beyond levels held before service failure.

2.3 Studies Related to Non-Complainants Behavior

Richins (1983) examined consumers’ reactions to dissatisfaction which may include potential responses such as switching brands, making complaint to seller or to a third party and telling others about the unsatisfactory product. The author proposed that the more severe the problem associated with dissatisfaction or the greater the blame for the dissatisfaction placed on marketing institutions, the tendency of customer to indulge in
negative word-of-mouth (NWOM) will be greater. Two studies one exploratory and other field study were conducted. Based on exploratory study, questionnaires were prepared, which were administered to a sample of middle to upper middle-class adult consumers, who had experienced dissatisfaction with either a clothing item or a small or large appliance. The results depicted that consumers who experienced dissatisfaction with an appliance had lower expectations of remedies and greater expectations of experiencing difficulty in finding the appropriate complaint procedure. The findings revealed that severity is the most important determinant of effort of response, while the choice between word-of-mouth (WOM) and complaint behavior is influenced by perceptions of retailer responsiveness. The author suggested that to decrease the incidence of WOM, marketing institutions should show their customers that they are responsive to legitimate complaints.

Blodgett, Wakefield and Barnes (1995) presented a dynamic model of consumer complaining behavior process in which they determined why some dissatisfied customers complain and why others do not complain to seller and engage in negative word-of-mouth immediately. The authors made distinction between pre-redress NWOM behavior and post-redress NWOM as they depend upon different factors. The authors conducted a survey via a self-report questionnaire in which the respondents were asked to report on the most recent situation in which they were dissatisfied with a product purchased at a retail store.

The researchers found that consumers who perceived high likelihood of success and had positive attitude towards complaining are more likely to seek redress and less likely to engage in pre-redress NWOM, whereas customers who perceive less likelihood of success and had negative attitude towards complaining are less likely to seek redress and more likely to engage in pre-redress NWOM. It was found that the major factor as to whether a dissatisfied customer seeks redress is the perceived likelihood of success. Researchers concluded that complainants who rank service provider low on distributive and interactional justice and believe that the problem is stable and was controllable are more likely to engage in post-redress NWOM and less likely to repatronize the seller.
Colgate and Norris (2001) generated a model of how customers react to service failure by gaining a more detailed understanding of what drives a customer to remain or exit after they have encountered a service failure with their service provider in the same service context. The authors proposed that there will be times when customers exit without complaining, thus giving no chance to service provider for service recovery. It was also proposed that there will be time when customers exit after they have complained because they had received poor service recovery and even though they have received good service recovery. The authors also proposed that there will be time when customers stay with the service provider even though they encountered a service failure and did not complain. It was further proposed that there will be times when customers stay with a service provider when they complained and had received good service recovery and also when they receive poor service recovery.

The authors conducted a qualitative research for small business customers in the banking industry to test these propositions. The authors questioned two different groups of customers the one who left the bank after service failure and the other who remained with their bank after seriously considering leaving. The findings of the study revealed that the majority of the respondents who remained with the service provider were emotional about the service failure and this led them to complain. The authors found that there are three main factors that influence a customers’ decision to remain or exit after a service failure which are satisfaction with recovery, loyalty and barriers to exit.

Based on cognitive dissonance theory, Wangenheim (2005) investigated the impact of postswitching negative word-of-mouth (PNWOM) on service organizations’ performance. The customers attach more importance to specific buying behaviors because of their product involvement, market mavenism and perceived risk. It was anticipated that service customers will spread more PNWOM about a dropped service as their product involvement with new service, level of market mavenism, perceived risk and level of satisfaction with new provider increases. It was also investigated that customers who switch due to dissatisfaction, spread more PNWOM than those who switch because of a better deal. An empirical study was conducted in telecommunications.
industry to know how many customers involve in PNWOM. The results of the study proved that about one fourth of all lost customers engage in PNWOM and customers with high product involvement market mevenism will speak positively about their provider when satisfied. The author suggested that it is more harmful for firms to lose customers due to dissatisfaction because that leads to PNWOM whereas losing customers due to better price offerings by competitors are not followed by PNWOM.

Chebat, Davidow and Codjovi (2005) proposed a theoretical model where emotions play a key mediating role between the incident and the behavioral response of customers of complaining and not complaining. The authors hypothesized that consumers scoring low on seeking redress propensity (SRP) assess the service failure incident as less critical and less frequent than those scoring high on SRP. It was also hypothesized that SRP moderates the relation between the magnitude of the incidents and emotions, attribution of the incident and the emotions and the perceived frequency of the incident and emotions. The authors also hypothesized that effects of emotions on complaining and noncomplaining are moderated by SRP. The study was conducted for banking customers who had complained about an incident within last six months. While doing survey two screening questions were asked to customers whether they complained or they did not complain. The incident was classified into three dimensions magnitude, recurrence and attribute. The results proved that SRP is a significant moderator and is strongly related to the likelihood of complaining. The authors suggested that by understanding the emotions that drive consumer complaint behavior, an organization can increase the likelihood of consumer success in voicing their complaints. It was also suggested that impact of SRP on consumers will enable firms to improve their complaint-handling.

Voorhees, Brady and Horowitz (2006) conducted both qualitative and quantitative studies to investigate non-complainers. In qualitative study, authors identified reasons why some customers do not complain after facing service failures. In quantitative study, the authors compared two groups of non-complainers (i) customers who exited the encounters without complaining and (ii) customers who received organization-initiated recoveries. The authors hypothesized that customers who receive satisfied organization-
initiated recovery efforts will show high repurchase intentions and lower levels of negative affect than those who complained and received satisfactory recovery efforts. It was also hypothesized that non-complainers will show higher repurchase intentions and lower negative affect and will engage less in NWOM than customers who complain and receive either no recoveries or dissatisfactory recoveries. The authors also hypothesized that non-complainers will exhibit low repurchase intentions and high levels of negative affect and will engage more in NWOM than customers who receive satisfactory recoveries. The critical incident survey was used to gather data wherein respondents were asked to describe recent dissatisfactory service experiences. Then they were asked to respond to scaled items that assess repurchase intentions, NWOM, negative affect and perceived regret.

The results of qualitative study showed that if service firms act proactively, they are rewarded with benefits such as customer satisfaction and increased patronage. The results of the quantitative study revealed that non-complainers are more likely to repurchase and are less negative than customers who complain and receive no recoveries or dissatisfactory recoveries. The reasons identified for not complaining included time and effort, service provider responsiveness and personality factors. The findings suggest that when firms initiate recovery, consumers tend to experience less negative affect than any of the other groups. It is also suggested that a recovery effort itself may be a stronger driver of customer reactions than the method by which recovery effort is initiated.

2.4 Studies Related to Severity of Service Failure and Service Recovery Paradox

Webster and Sundaram (1998) examined the effects of various service failure recovery efforts on customer satisfaction and loyalty across various levels of severity for different service industries. The authors investigated that type of failure recovery efforts such as an apology, different levels of monetary compensation and an offer to re-perform for the service will have significant effect on customer satisfaction and loyalty. The authors tried
to find that whether there is not significant interaction of service type, recovery effort and criticality on consumers’ attitudes. An experimental design of 4(types of service recovery efforts) × 2(criticality conditions) × 3(types of services) was used. The findings suggest that both failure recovery effort and criticality have a significant effect on customers’ attitudes and there is significant interaction effect of criticality with recovery effort on customers’ attitudes.

Mattila (2001) examined the effectiveness of service recovery strategies in three different service settings – restaurants, hair styling and dry cleaning. The author hypothesized that customer perceptions of service recovery, perceived justice and their behavioral intentions depend on the type of service. It was also hypothesized that regardless of service type, customers will give lower ratings for service recovery when magnitude of failure is high as compared to when magnitude of failure is low. The researcher used a 3(service type) × 2(compensation) × 2(magnitude of failure) between subject design, where subjects were exposed to a written scenario describing a service failure within the context of one of three service settings. The sample included 441 undergraduate students. The results of the study depicted different ratings of satisfaction with service recovery and customer loyalty differ among different services. The findings indicated that the importance of fairness dimensions in deriving service recovery satisfaction depend upon the type of service and magnitude of failure. It was also found that distributive justice is the most important determinant of satisfaction with service recovery as compared to interactional and procedural justice.

Hess Jr., Ganesan and Klein (2003) investigated the impact of customers’ relationship with the organization on service failure and recovery encounter that is how post relationships alter customers’ reactions to service failures. The effect of number of past encounter with the organization, quality of past service experience, customers’ expectations of relationship continuity and their attribution of stability and controllability were investigated on customer satisfaction with service performance after recovery. The authors also examined the impact of severity of service failure on customers’ service recovery expectations. A between subjects experimental design of 2×2×2×3 was used in
restaurant industry where the severity of failure, quality of past performance, number of past encounters and quality of recovery performance were manipulated. The results of the study depicted that customers’ who expect continuity of relationship, have lower service expectation which in turn leads to higher satisfaction with service recovery and have favorable attributions about stability. It was also proven that customers who perceive failure as more severe have high service recovery expectations. The authors suggested that managers should know constitutes adequate recovery expectations for their customers.

Weun, Beatty and Jones (2004) investigated the role of severity of service failure on customers’ post recovery satisfaction and their future relations with their service providers. The authors also examined the influence of satisfaction on relationship outcome variables. It was proposed that perceived severity of service failure will have a negative influence on satisfaction, trust, commitment and positive influence on NWOM. It was also proposed that perceived severity of service failure will moderate the relationship between distributive justice & satisfaction and between satisfaction & relationship outcome variables that is trust, commitment and NWOM. A 2(severity of service failure) × 2(distributive justice) × 2(interactional justice) between subject experimental design was used. Scenarios were created for two service industries - hotel and mail order which described service failure and recovery. The sample of 1136 respondents participated in the experiment which included both students and non-students. It was found that severity of service failure plays a significant role in shaping customers’ evaluations of service failure and recovery evaluation and their relations with service provider.

2.5 Summary

This chapter has reviewed various studies related to customers’ justice perceptions, service recovery and behavioral intentions of customers. The review of literature helps in understanding the various concepts and in formulation of the hypothesis. The chapter assists to understand the role of justice perceptions and severity of service failure in
shaping customer satisfaction with service recovery. The literature review has shown that there are few studies that have considered severity of service failure and have measured service recovery paradox. Based on this review of literature the next chapter discusses the conceptual model and hypothesis of the study to be tested.