

Towards a Re-Conceptualisation of Service Failure and Service Recovery: A Consumer-Business Perspective



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INTRODUCTION

Maintaining current customers and attracting new ones is of great importance in marketing. Literature demonstrates that at least equal importance should be placed on maintaining current customers as well as recruiting new ones (Reichheld and Sasser, 1990). An important element for keeping customers is to demonstrate true commitment when a service failure occurs (Lovelock and Wright, 1998).

This paper aims to present a more realistic approach to understanding customer dissatisfaction arising from service failure, taking into account suggestions in the literature that include context specificity, elements of Hoffman and Kelley's (2000) contingency framework and idiosyncratic tendencies that are important for understanding the holistic process of service recovery.

The paper is primarily concerned with forwarding a "more inclusive" model for service recovery. A new model is posited based on extant literature and theories on consumer complaining behaviour, service failure and service recovery. The main theories discussed are disconfirmation theory, equity theory, prospect theory and attribution theory. The author concludes by highlighting the unique features of this "more inclusive" model and implores other scholars to test empirically the model in future research.

DISCONFIRMATION AND EQUITY THEORY

Complaint satisfaction is a prerequisite for customer retention (Stauss, 2002). In fact, it may be seen as the ultimate test of commitment towards customer service. Customers' complaint satisfaction refers not only to the problem solution offered by the company but also to additional attributes of the complaint-handling process.

Two important theoretical paradigms are prevalent in service-recovery research. The first is disconfirmation theory, which takes into account the

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difference between expectations and perceptions (see for example Patterson, 1993). The second is equity theory, which is concerned with the overall fairness of the complaint process via distributive, procedural or interactional justice elements (see for example Tax et al., 1998; Stauss, 2002; Santos and Rossi, 2003). Oliver and Swan (1989) argued that disconfirmation and equity are conceptually distinct and can be considered as complementary drivers of satisfaction. Despite being different, Andreassen (2000) argued that the attribute performance evaluation of service recovery is part of the equity judgement. Andreassen's (2000) study supports the disconfirmation paradigm and proves that disconfirmation and equity operate in tandem as two factors that have a significant impact on satisfaction with service recovery. In addition, perceived quality of service recovery was found to be an important input factor in equity formation.

Building upon the foundations of equity theory (Adams, 1965), recent evidence in services literature suggests that customers involved in service failure form their perceptions of justice on several factors: the perceived fairness of the service-recovery outcome (distributive justice), the perceived fairness of the procedures (procedural justice) and the perceived fairness of the manner in which they were treated (interactional justice). Many studies show that complaint satisfaction has a positive (in)direct influence on transaction satisfaction, commitment, trust, word of mouth and repurchase intentions (for example Bearden and Oliver, 1985; Fornell and Wernerfelt, 1987; Reichheld, 1993; Spreng et al., 1995; Smith and Bolton, 1998; Tax, Brown and Chandrashekar, 1998; Webster and Sundaram, 1998; Andreassen, 1999; Blodgett and Anderson, 2000; Miller, Craighead and Karwan, 2000; de Ruyter and Wetzels, 2000; Maxham, 2001; Stauss, 2002). According to equity theory, as the size of the loss gets larger, the customer is likely to be less satisfied with the service recovery (Levesque and McDougall, 2000). Zemke and Schaaf (1989) introduced the notion of annoyance and victimisation. According to Zemke and Schaaf (1989), more extensive service-recovery efforts are needed to correct victimisation than annoyance. It must be remembered that customer perceptions of the seriousness of service failure are individually based or idiosyncratic. Thus, context specificity is important in the design of any service-recovery research (Lewis and Spyropoulos, 2001; Mattila, 2001).

PROSPECT AND ATTRIBUTION THEORY

According to prospect theory (Kahneman and Tversky, 1979; Maxham and Netemeyer, 2002), people value a certain gain more than a probable gain with an equal or greater expected value; the opposite is true for losses. Displeasure associated with the loss is greater than the pleasure associated with the same amount of gains. Therefore, people respond differently, depending on whether the choices are framed in terms of gains or in terms of losses. Prospect theory holds that there are recurring biases driven by psychological factors that influence people's choices under uncertainty. In particular, it assumes that people are more motivated by losses than by gains and as a result will devote more energy to avoiding loss than to achieving gain. Thus, if consumers believe

that service failure is likely from a particular service provider, the incentive to use that provider (assuming there are other alternatives) is weakened, particularly following a poor evaluation of service recovery in the past.

Attribution theory is also important here. Attribution theory was developed over time from the theories of Fritz Heider, Edward Jones, Keith Davis and Harold Kelley. All were social psychologists. Attribution theory describes the processes of explaining events and the behavioural and emotional consequences of those explanations. There are two types of attribution: external attribution and internal attribution. An external attribution assigns causality to an outside agent or force. An external attribution claims that some outside factor motivated the event. Maxham and Netemeyer (2002) labelled this as "unstable attribution", where the effect of a service failure is beyond the control of the organisation. By contrast, an internal attribution assigns causality to factors within the person. Maxham and Netemeyer (2002) labelled this as "stable attribution", where the company accepts responsibility for the service failure and initiates attempts to minimise such "errors" in the future.

Prospect theory and attribution theory are particularly important in service failure and service-recovery research. These theories suggest that dissatisfaction with the service has a greater impact on customer satisfaction and repurchase intention than satisfaction with the service (Maxham and Netemeyer, 2002). These two theories are also important for understanding the "recovery paradox". The recovery-paradox concept asserts that if a customer complaint is satisfactorily dealt with, customers are likely to rate the service firm higher on relationship marketing variables than they did in the pre-service failure level (see for example McCollough and Bharadwaj, 1992; Michel, 2001; Maxham and Netemeyer, 2002). However, Maxham and Netemeyer (2002) assert that this will only be successful as long as the service failure was unique or the cause of failure was beyond the control of the service provider (i.e. unstable attribution). Maxham and Netemeyer also stated that the impact of the recovery paradox diminishes with each service failure. Hence, mistakes in services will happen, but it is how the company deals with and manages these situations that have consequences for re-patronage behaviour and intent.

JUSTIFICATION FOR A "MORE INCLUSIVE" MODEL

Despite several service-recovery models having been presented in the last decade (see for example Goodwin and Ross, 1990; Boshoff, 1997; Bejou and Palmer, 1998; Lovelock and Wright, 1998; Tax et al., 1998; Smith et al., 1999; Andreassen, 2000; Estelami, 2000; Hoffman and Kelley, 2000; Teo and Lim, 2001; Buttle and Burton, 2002; Maxham and Netemeyer, 2002; Stauss, 2002; Santos and Rossi, 2003), they have tended to lack the framework required for a holistic understanding of service failure, consumer complaining behaviour and evaluations of service-recovery attempts. The models may therefore be described as somewhat myopic in their outlook and applicability. In addition, some models may be too simplistic (Goodwin and Ross, 1990; Bejou and Palmer, 1998; Tax et al., 1998; Andreassen, 2000; Teo and Lim, 2001; Maxham

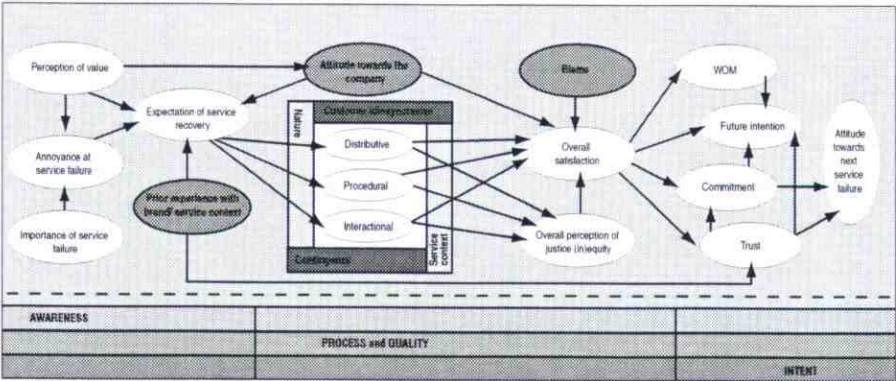
and Netemeyer, 2002) and thus limited in practical usefulness. Other models contain critical deficiencies in understanding complexity and non-linearity of service recovery (Boshoff, 1997; Lovelock and Wright, 1998; Hoffman and Kelley, 2000; Buttle and Burton, 2002; Santos and Rossi, 2003). None of the models systematically assemble the antecedents and consequences of customer dissatisfaction arising from service failure, which is likely to lead to “voice”, in order to understand the totality of service recovery.

A systems view of service recovery suggests that there are four main dimensions that need to form part of any service-recovery model: awareness, process, quality and intent. At best, extant models seem only to be concerned with some combination of these dimensions, but not all four. Despite the fact that several useful future research agendas have been presented in recent literature concerning service failure and recovery (see for example Tax et al., 1998; Hoffman and Kelley, 2000; Mattila, 2001), none of the suggestions seem to have been integrated into the domain of relevant published research. Thus, this research aims to develop a more realistic approach to understanding customer dissatisfaction arising from service failure, taking into account suggestions in the literature that include context specificity, elements of Hoffman and Kelley’s (2000) contingency framework and idiosyncratic tendencies that are important for understanding the holistic process of service recovery.

INTRODUCING A “MORE INCLUSIVE” MODEL

As a result of a thorough literature review on service failure, consumer complaint behaviour, service recovery and evaluations of service recovery, a “more inclusive” conceptual model is presented (see Figure 2.1). This “re-conceptualisation” contains elements of awareness (or attitude), process quality and intent. As stated previously, extant research does not address all four components in one model. The model presented aims to understand service recovery from a holistic, systems approach.

Figure 2.1: The APQI Model: Towards a More Inclusive Model for Understanding Service Failure and Service Recovery



AWARENESS DIMENSION

The model posits that "perceptions of value", "importance of service failure", "annoyance at service failure" and "attitude towards the company" are important variables in the awareness dimension. This is the stage in which consumers are given reason to complain. An attitudinal dimension is also present in this stage and it is important to note that any attitudinal variation that may occur is dependent on the service context (Zemke and Schaaf, 1989; Smith et al., 1999; Hoffman and Kelley, 2000; Lewis and Spyropoulos, 2001; Mattila, 2001), service type (Smith et al., 1999; Mattila, 2001), the nature of the failure (Lewis and Spyropoulos, 2001), the magnitude of the failure (Lewis and Spyropoulos, 2001; Mattila, 2001) and the importance of the relationship (Bejou and Palmer, 1998; Hoffman and Kelley, 2000; Buttle and Burton, 2002). The context specificity of a particular service can have an impact on a customer's perception of service value (Brady and Robertson, 2001) and the importance of the service failure to a customer (Lewis and Spyropoulos, 2001; Mattila, 2001). The perception of service and importance of the service failure would determine the level of annoyance the customer has with a service failure (Zemke and Schaaf, 1989; Levesque and McDougall, 2000). The perception and level of annoyance are positioned as key factors influencing "voice", which would then form input to the process stage.

PROCESS AND QUALITY DIMENSIONS

The process stage includes "expectations of service recovery" and the three justice variables of distributive, procedural and interactional justice. Once the customer has formed certain expectations (which may also be based on the attitude and reputation of that company in the marketplace), these expectations are then "tested" against some pre-determined internalised level of acceptance or tolerance thresholds in the complainant's psyche. This forms the core dimension of service recovery.

Distributive justice refers to the perceived fairness of the actual outcome or consequences of a decision, for example the level of refund or exchange offered. It examines the manner in which resources are allocated among exchange parties either by proportionality or equality (Goodwin and Ross, 1992).

Procedural justice refers to whether the procedures, or criteria, used in making the decision are perceived as fair: for example, how quickly a problem was resolved or if both sides were allowed to tell their story. It has also been referred to as a standard that can be applied to resolve conflict (Lind and Tyler, 1988). Procedural justice is centrally concerned with satisfaction on a moral and ethical level and is only attained when information given is awarded due to attention and consideration (Palmer et al., 2000).

Interactional justice refers broadly to the fairness of the interpersonal treatment people receive during the enactment of procedures. Services typically are labour intensive, thus the importance of this dimension cannot be overstated. Literature demonstrates that the sooner recovery takes place, the higher the level of compensation provided and the closer the person who performs the recovery

is to front-line personnel, the more significant would be the hypothesised improvement in customer satisfaction (Boshoff, 1997). Boshoff (1997) also reported that, relating to time ("how quickly"), over the short term, speed of recovery is not very important but it is clear that disconfirmation cannot be allowed to ferment for too long. Boshoff stated that if it is left too long, recovery would require considerable levels of atonement to decrease levels of dissatisfaction. The organisational level of the person involved in service recovery ("who") efforts was also not significant as a main effect and only had a marginal impact if combined with time, but an immediate apology was important. In summary, Boshoff (1997) reported that it does not matter greatly who performs the service recovery as long as it is not left too late and as long as it is accompanied by acceptable levels of atonement.

The process stage deals with the evaluation and mitigation of customer satisfaction or dissatisfaction (for a full discussion of these factors, see Boshoff, 1997 and Tax et al., 1998). In the process stage, it is important to include the nature and magnitude of the service failure, individual consumer psychographics, context specificity and elements of Hoffman and Kelley's (2000) contingency approach. Our model assumes that these elements are an integral component of any service-recovery research.

The quality stage superimposes the process stage. The quality stage includes the variables "attitudes towards the company", "overall perceptions of (in)equity", "overall satisfaction", "prior experience with brand in a service context" and "blame" (attribution). Combined with the process stage, it is noteworthy that the model incorporates the four theories discussed earlier, i.e. disconfirmation theory, equity theory, prospect theory and attribution theory. It also contains similar architecture to SERVQUAL (Parasuraman et al., 1985) ($Q=P-E$) and SERVPERF (Cronin and Taylor, 1992) (outcome based). Thus, the model has, at its core, consumer evaluations of the quality of the complaint process.

THE INTENT DIMENSION

The intent dimension integrates the relationship marketing literature into service recovery and is based on the work of Gabarino and Johnson (1999). It correlates the immediate outcome or evaluation of service-recovery attempts, i.e. (dis)satisfaction, together with a global evaluation of the relationship marketing variables (Bejou and Palmer, 1998; Buttle and Burton, 2002). It illustrates the influence of complaint satisfaction or dissatisfaction on transaction satisfaction, commitment, trust, word of mouth and repurchase intentions (see for example Bearden and Oliver, 1985; Fornell and Wernerfelt, 1987; Reichheld, 1993; Lovelock and Wright, 1998; Tax et al., 1998; Andreassen, 1999; Blodgett and Anderson, 2000; Miller, Craighead and Karwan, 2000; de Ruyter and Wetzels, 2000; Maxham, 2001; Stauss, 2002).

THE AP_QI MODEL

Because this model includes the four important dimensions suggested in systems

research, the author labels the model the AP_QI model for service- recovery research (Awareness, Process, Quality and Intent). The AP_QI model has a number of unique features that make it suitable for empirical testing which should yield interesting results for both academic and practitioner audiences:

- it presents a holistic structure for analysing and understanding service failure and service recovery attempts in its entirety;
- it integrates previous literature in the area and includes aspects of non-linearity, complexity, consumer heterogeneity, together with the nature, type and magnitude of service failure;
- it incorporates elements of disconfirmation, equity, prospect and attribution theory in addition to adopting principles borrowed from SERVQUAL and SERVPERF;
- through the appropriate design of research instruments, it can also accommodate the multiple recovery and double deviation effects through "attitude towards next service failure";
- although rooted in a C2B setting with strong relational elements, it may also be applicable in analysing isolated transactions. It is, of course, applicable for B2B research as well.

CONCLUSION AND FUTURE DIRECTION

The author provided a guiding framework for the comprehensive understanding of service failure, consumer complaint behaviour and service recovery. The AP_QI model is grounded in literature and is empirically testable. It encompasses many theories discussed in a number of related publications. The proposed model has several unique characteristics, which have been described above.

The author would like to encourage other scholars to critique, use and/or build upon the AP_QI model by testing it in the hope of attaining a more complete understanding of service recovery resulting from service dissatisfaction.

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