

# A study on customer satisfaction with service recovery procedure in service industry

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## Abstract

This study has been undertaken in order to create a model and find out whether distributive justice, procedural justice and interactional justice leads to customer satisfaction and ultimately leads to customer engagement, customer trust and good Customer Loyalty. This study is conducted on the frontline employees of the service industry, since they are the people who are directly involved in the process of providing service to the customers and get direct feedback from the customers. The frontline employees are the one who handles the queries of the customers and try to provide them the solutions. Since the service industry is the fastest growing industry and the inseparable nature of the service from the provider makes this industry distinct from any other industry and it is much complex in nature. The results of this study may vary according to the sample size, nature of industry and economic conditions. The conclusions are drawn based on the responses given by the respondents and the analytical results.

**Keywords:** Service recovery, frontline employees, customer loyalty, customer trust and customer engagement.

## INTRODUCTION

Consumer loyalty is considered as an estimate that decides how products or services given by an organization meet customer assumptions. Consumer loyalty is quite possibly the main indicator of customer purchasing objectives and trust.

Exclusive prerequisite customer support can win the customers' heart and make noticeable inner objective attainment. These days when web-based media accept a predominantly important part in resolving on selecting it's essential requirement to watch out for the nature of client assistance given by the manufacturer. On the off chance that you couldn't care less about clients' fulfillment, don't anticipate that they should think often about your products or services. In today's competitive market scenario customer loyalty is

one of the important factor which leads to get competitive advantage over other firms in the market. Customer satisfaction has been referred widely by numerous researchers as a central component of a firm's marketing concept during the past several years. Any business can achieve the competitive advantage by attaining customer satisfaction in an extremely competitive marketplace.

In order to carry forward this research the researcher has used following concepts and made constructs out of them to develop an AMOS model.

Concepts used in this study:

Service recovery

Service recovery is a method of setting right what turned out badly (Gavin Eccles & Philip Durand, 1998), counting specialist

organizations of all activities taken to give a valiant effort to determine the difficult that occurred in the assistance disappointment (Gronroos, 1990) and involved concrete return and interface between employees and customers, and effect customer understandings of the service recovery (Levesque and McDougall, 2000). At the point when administration disappointment occurs, administration recuperation is the essential interaction of a firm can hold its clients and limit the expenses related with client surrender and negative informal exchange for hurting associations' standing (Kristie K. Seawright et al., 2008).

#### Customer engagement:

Customer engagement is the methods by which an organization makes a relationship with its client base to cultivate brand faithfulness and mindfulness. Customer engagement is not, at this point restricted to deals, backing, or administrations; all things being equal, it's a progressing practice of brands foreseeing clients' necessities and staying in contact with them to cultivate enduring connections, faithfulness, and subsequently, business development.

#### Customer Trust:

Customer Trust is a corresponding conduct to what they get. Trust comes when you understand your client's needs, respect them, and offer relevant help. Getting client's trust is important not entirely to make them persistent and return, but they should demand their companion's work with you as well.

#### Customer Loyalty:

Customer Loyalty is a proportion of a client's likeliness to do rehash business with an organization or brand. It is the consequence of consumer loyalty, positive client encounters, and the general estimation of the products or administrations a client gets from a business.

#### Distributive Justice:

It is an idea that tends to the responsibility for in a general public. It expects that there is a lot of reasonableness in the appropriation of

products. Equivalent work ought to give people an equivalent result regarding products gained or the capacity to get merchandise. Distributive equity is missing when equivalent work doesn't deliver equivalent results or when an individual or a gathering gains an unbalanced measure of merchandise.

#### Procedural Justice:

It is centers around the manner in which police and other lawful specialists connect with general society, and how the qualities of those collaborations shape the public's perspectives on the police, their readiness to submit to the law, and genuine crime percentages. Mounting proof shows that local area view of procedural equity can fundamentally affect public security.

#### Interactional justice:

It is defined as "nature of relational treatment got by those working in an association, especially as a feature of formal dynamic cycles". It has two segments: there is the Interpersonal perspective which references the degree to which individuals are treated with civility, pride, and regard; and the Informational viewpoint which concerns the degree to which pertinent data is imparted to workers.

### Literature Review:

In the research paper titled "Behavioral perspectives of customer engagement: An exploratory study of customer engagement with three Swiss FMCG brands", by Ana Javornik, Andreina Mandelli, the author converses diverse angles of customer engagement occurrence and targets to offer a framework of the debate within which the occurrence can be more examined. It studies the behavioral perspective in detail, as this approach indicates one of the leading guidelines of the current debate on customer engagement occurrence, especially in the social media environment. The behavioral approach is also being accepted in the experiential part. Although an online review and a focus group, an investigative study explores the readiness of customers to involve with three premium food brands online and

offline. The results recommend that customers are not eager to involve with FMCG brands if they are not being presented a unique value proposition. The study recommends new inferences for those brand approaches whose goal is to nurture customer engagement.

In the article “The Importance of Service Recovery”, by Paul Hudson, Luxury Family Hotels, the author has talked about service recovery. Basically it is an interview wherein he has explained about his experience of problem solving done by him when he was working in travel industry. He had also talked about how the reluctance of people towards solving organizational issue, the timidity of people and self-centeredness of employees at times extrapolates even a very small issue was explained very well by him.

In the article “Customer satisfaction with service recovery” by Anders Gustafsson, the author defines some of the common trends in study about customer satisfaction in association with service recovery as well as Rio-Lanza et al.'s contribution.

In the article “The Profitable Art of Service Recovery”, by Christopher W. Hart, James L. Heskett, and W. Earl Sasser, Jr. from Harvard Business Review, the writer says that mistakes are bound to occur in every field we cannot avoid it. As far as service industry is concern, services are always provided in the presence of the customer, i.e on real time basis so errors are inevitable. The companies may not be able to solve all the problems but at least they can learn from the mistakes and should try not to commit the similar mistakes again in future. A proper recovery may decrease the customer conflict and may turns the agitated customers into loyal customers. This practice may contribute in building the goodwill of the company.

#### Research Gap:

Several studies have been executed in the field of customer engagement, customer trust and customer satisfaction. But not much has been performed for Hotel industry with respect to service recovery procedure. This study has been commenced to fill the gap between

present works of customer engagement, customer trust and customer satisfaction and service recovery, but this fulfillment of research gap is from the point of view of Hotel Industry only. The findings and conclusions may differ from company to company and may change as per situations.

The following research gaps have been identified for the study:

Type of research Gap	Explanation
Evidence Gap (Contradictory Evidence Gap)	The researcher identified an apparent evidence gap in the prior research concerning service recovery. Previous research has addressed several aspects of customer satisfaction majorly: Javornik, Ana (2012), Soliman, Dr. Hisham Sayed (2011) talks about customer satisfaction but fail to address on effect of Distributive justice, Procedural justice and interactional justice on customer satisfaction. However, the previous research has not addressed several contradictions in the findings concerning the prior research. The researcher has identified there is an evidence gap in the prior studies that are contradictory in the findings [Miles, 2017].
Knowledge Gap (Knowledge Void Gap)	The researcher identified an apparent knowledge gap in the prior research concerning the area of service recovery. In addition, the prior research did not address the subject of service recovery leading to customer engagement, customer trust and customer loyalty along with Distributive justice, Procedural justice and interactional justice. This encompasses several unexplored dimensions that lately have attracted research

	attention in other disciplines “The Profitable Art of Service Recovery”, by Christopher W. Hart, James L. Heskett, and W. Earl Sasser, Jr. from Harvard Business Review. The relationship between Distributive justice, Procedural justice and interactional justice with customer recovery should be explored further to provide an understanding as to why such is not the case with customer satisfaction leading towards customer engagement, customer trust and customer loyalty. [Miles, 2017].		customer loyalty and customer engagement along with customer trust. Furthermore, previous theoretical research has focused primarily on customer satisfaction and customer service recovery individually but the effect of service recovery is not studied and very little practical-research has been done on service recovery field [Miles, 2017].
Practical Knowledge Gap (Action-Knowledge Conflict Gap)	There appears to be a practical-knowledge gap in the prior research. There is a lack of rigorous research in the prior literature. Some of these unexplored areas like relationship between distributive justice, procedural justice and interactional justice with customer satisfaction using service recovery appear to be lacking in the practice of customer satisfaction field. The field of service recovery is ripe for an investigation of practical focus research on distributive justice, procedural justice and interactional justice. Many of the prior studies focus on the theoretical aspects of the field of customer satisfaction, customer loyalty and customer engagement. However, there are very few practical studies or action research in the field of customer satisfaction, customer loyalty and customer engagement. This is an important and worthy of investigation in the context of customer satisfaction through service recovery. An investigation of these issues is important because service recovery model helps in getting	Methodological Gap (Methodology Void Gap)	The researcher identified a methodological gap in the prior research. There is a lack of descriptive research designs in service recovery. Based on the research we are trying implement as a research design, we found there is dearth in the prior research on service recovery research designs. In this study we seek to establish a new inquiry on research designs with customer satisfaction through service recovery. We seek to extend study of effect of distributive justice, procedural justice and interactional justice on customer satisfaction the research by addressing the gaps with customer loyalty in the research methodologies with AMOS model [Miles, 2017].
		Empirical Gap (Evaluation Void Gap)	There is appears to be an empirical gap in the prior research. There is a lack of rigorous research in the prior literature. Some of these unexplored sections like effect of service recovery on customer engagement, customer trust and customer loyalty with distributional justice, procedural justice and interactional justice as input appear to be important and worthy of investigation in the context of customer

	<p>satisfaction. An empirical investigation of these issues is important because service recovery is very important to get customer satisfaction. Furthermore, previous research has focused primarily on qualitative research concerning customer satisfaction and loyalty. No study to date has directly attempted to empirically evaluate distributional justice, procedural justice and interactional justice leading to customer loyalty with customer satisfaction as mediation. Very little empirical research has been done on customer satisfaction with service recovery [Miles, 2017].</p>		<p>and service recovery as an independent concept and studies separately. It does not encompass new paradigms in service recovery [Miles, 2017].</p>
<p>Theoretical Gap (Theory Application Void Gap)</p>	<p>The researcher identified an apparent theoretical gap in the prior research concerning service recovery and distributive justice, procedural justice and interactional justice. The theory on customer satisfaction is rather dated and the current studies bear the fruit of this theoretical gap. Some of the prior theory appear to be important and a foundation worthy of recognition. However, an investigation in terms of model and theoretical development is warranted. An investigation of these issues is important because service recovery keeping customer engagement, customer trust and customer loyalty in concern. Furthermore, previous theoretical models need to embrace contemporary research in customer satisfaction and related fields to provide a stronger theoretical basis for projects. The previous theory tends to focus primarily on customer satisfaction, customer engagement, customer loyalty</p>	<p>Population Gap (Under-researched Sub-Groups Gap)</p>	<p>Based on the review of the prior research, there is a population gap. Some of these sub-populations have been unexplored and under researched. The frontline executive of the service industry appears to be important and worthy of investigation in the context of service recovery leading to customer engagement, customer trust and customer loyalty for which distributive justice, procedural justice and interactional justice. An investigation of this group is important because they are in direct contact with the customer. Very little research has been done on front line executives of service industry [Miles, 2017].</p>

#### Research Methodology:

In this study Quantitative Research methodology is used. This study targets to accomplish certain objectives and for the same the data was collected from the front line executives of selected Hotels from Nagpur city. The questionnaire was filled up from the respondents and the incomplete questionnaires were rejected. Hypothesis for the study have been formed and tested using SPSS and model was developed using AMOS software. Cluster random sampling technique was used to collect data since the clusters of front line employees were created after having an interaction with the Hotel managers. The respondents are selected randomly and were asked to fill up the questionnaire.

#### Research Problem:

We all are very much aware that customer is the king and every company takes hard efforts to satisfy its king i.e. customer. Every time

when it was noticed by the company that something is not going in the right direction with respect to services they have taken immediate actions well in time to save its precious customers from getting lost to competitors. This timely actions if moved in the right directions then it build lifelong customer trust and helps to build the goodwill of the organization. But it needs continuous customer engagement throughout the process. In order to achieve these three things viz. customer engagement, customer trust and good Customer Loyalty the company needs to focus on the aspects like distributive justice, procedural justice and interactional justice. This study has been undertaken in order to create a model and find out whether distributive justice, procedural justice and interactional justice leads to customer satisfaction and ultimately leads to customer engagement, customer trust and good Customer Loyalty.

Type of research:

Exploratory Research

This study is conducted in order to explore the above stated research problem. There are very few studies being performed in this area so the current study uses the approach of exploratory research.

Objectives:

The following are the objectives of the study:

1. To identify the major contributor factor of distributive justice.
2. To identify the major contributor factor of procedural justice.
3. To identify the major contributor factor of interactional justice.

4. To study whether distributive justice, procedural justice and interactional justice creates customer satisfaction.

Hypothesis:

H01: Distributive justice leads to customer satisfaction.

H11: Distributive justice does not lead to customer satisfaction

H02: Procedural justice leads to customer satisfaction.

H22: Procedural justice does not lead to customer satisfaction.

H03: Interactional justice leads to customer satisfaction.

H33: Interactional justice does not lead to customer satisfaction.

H04: Customer satisfaction with service recovery process leads to customer engagement, customer trust and Customer Loyalty.

H44: Customer satisfaction with service recovery process does not lead to customer engagement, customer trust and Customer Loyalty.

Variables:

Independent Construct: Distributive justice, Procedural justice and Interactional justice

Dependent Construct: Customer satisfaction

Outcome Construct: Customer engagement, Customer trust, Customer Loyalty

Variables describing Independent construct  
Distributive justice, Procedural justice and Interactional justice (Jason A. Colquitt and Jessica B. Rodell, 2015)

S.No.	Name of the Construct	Variables	Labels
1.	Distributive Justice	Outcomes are allocated according to contributions	Equity
		Outcomes are allocated equally	Equality
		Outcomes are allocated according to need	Need
2.	Procedural Justice	Procedures provide opportunities for voice	Process Control
		Procedures provide influence over outcomes	Decision Control
		Procedures are consistent across persons and	Consistency

		time	
		Procedures are neutral and unbiased	Bias Suppression
		Procedures are based on accurate information	Accuracy
		Procedures offer opportunities for appeals of outcomes	Correctability
		Procedures take into account concerns of subgroups	Representativeness
		Procedures uphold standards of morality	Ethicality
3.	Interactional Justice	Enactment of procedures are sincere and polite	Respect
		Enactment of procedures refrain from improper remarks	Propriety
		Justification for any decision taken	justification
		Truthfulness towards decisions and employees	truthfulness

Variables describing Independent construct Customer satisfaction

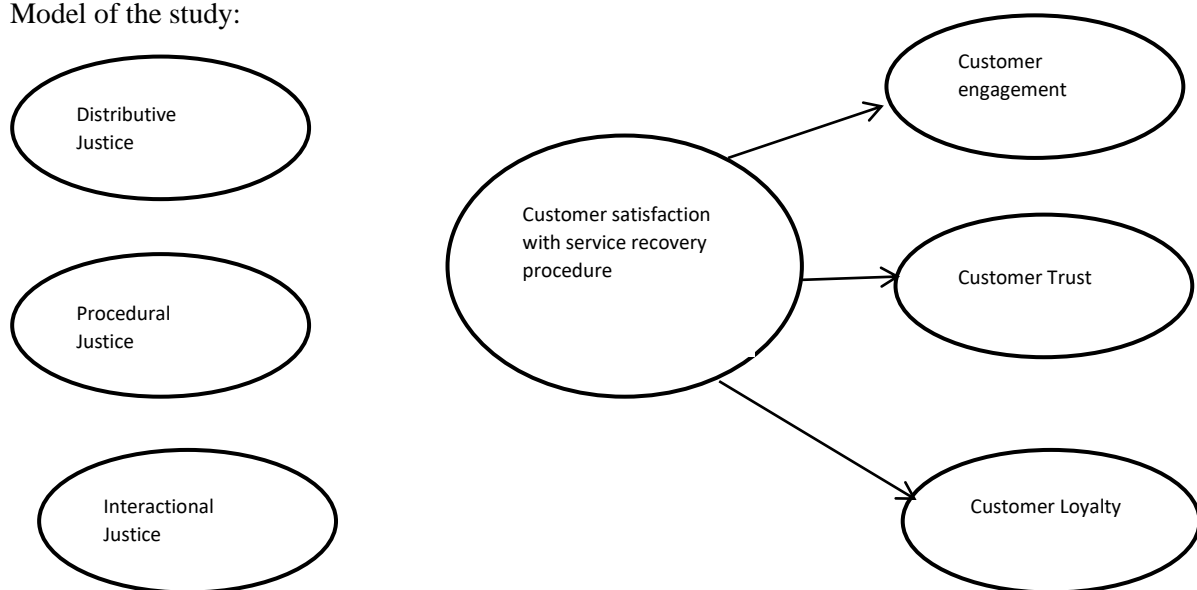
S.No.	Name of the Construct	Variables	Labels
1.	Customer satisfaction with service recovery procedure (Waseem, S. Nazneen and Chhapra, Imran Umer and Bhutto, Shumaila, 2014)	Empathy	EM
		Service Quality	SQ
		Customer Relationship Management	CRM
2.	Empathy (Dan Batson, 2007)	Knowing another person's internal state, Including thoughts and feelings	IS
		Adopting the posture or matching the neural responses of an observed other	NR
		Coming to feel as another person feels	PF
		Intuiting or projecting oneself into another's situation	PS
		Imagining how another is thinking and feeling	IF
		Imagining how one would think and feel in the other's place	IT
		Feeling distress at witnessing another person's suffering	FD
		Feeling for another person who is suffering (empathic concern)	FS
3.	Service Quality (Oliver Bacetic and Adam Persson, 2014)	Reliability	RE
		Efficiency	EFF
		Privacy	PRI
		Fulfillment	FUL
4.	Customer Relationship Management (Dr. Hisham Sayed Soliman, 2011)	Preserving current customers	PCC
		Attracting new customers.	ANC
		Increasing the market share.	ICS
		Enhancing the customer's satisfaction	ECS
		Increasing the standard of sales growth.	ISG
		Adding the net profit standard to sales.	ANP

Variables describing Outcome variables Customer engagement, Customer trust, Customer Loyalty

S.No.	Name of the Construct	Variables	Labels
1.	Customer Engagement (Mojtaba Poorrezaei, 2016)	Socializing	Socializing
		Sharing	Sharing

		Advocating	Advocating
		Co-developing	Co-developing
		Learning	Learning
2.	Customer Trust (Sahlin et al., 2011)	I feel confident in the Service provider	FC
		The Service provider guarantees satisfaction	GS
		The Service provider would be honest and sincere in addressing my concerns	HS
		The service provider would make any effort to satisfy me	ES
3.	Customer loyalty (Sahlin et al., 2011)	I will continue to be a follower of this Service provider	FOL
		I express positive things about this Service provider to other people	PT
		I intend to recommend this service provider to other people	RECO

Model of the study:



Source: Developed by the researcher

Population: Frontline employees (who directly interact with the customers) from 3 star Hotels of Nagpur city.

Sample Size:

Type of industry	Name of the Industry	No. of frontline executives considered
Hotels	Tuli	10
	Radisson Blu	10
	Center Point	10
	Hotel Heritage	10
	Hotel Rahul	10
	Pride	10
TOTAL		60

Sampling technique:

Cluster Random Sampling technique is used to gather data from the respondents.

Validity and Reliability test:

Reliability statistics

Construct	Cronbach Alpha
Distributive Justice	0.08
Procedural Justice	0.103
Interactional Justice	0.15
Customer Engagement	0.9
Customer Trust	0.159
Customer Loyalty	1.00

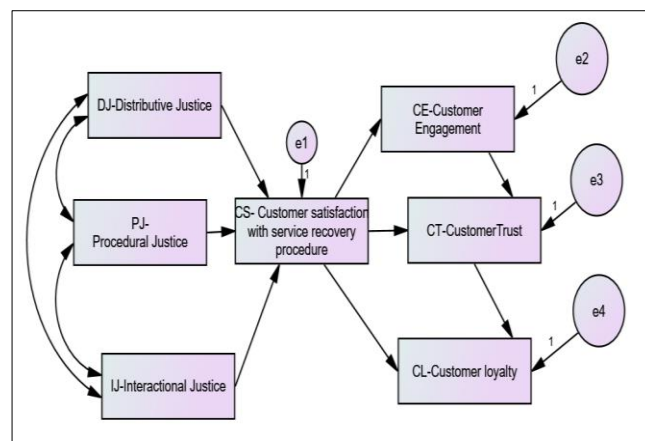
From the above Table we can say that Cronbach's alpha for all four constructs investigated is above the lower limit of acceptability of 0.60 as per Du Plessis (2010: 12). This shows that the instrument used in this study is reliable.



Validity and reliability can be attained by undertaking the following activities:

- A self-administered questionnaire aligned with the research objectives was designed.
- According to the feedback of the pilot study the necessary adjustments were made to the questionnaire.
- To increase the accuracy of the results a large sample size was used.

Model estimated by the researcher on AMOS



The model is recursive i.e it is a model in which no variable in the model has an effect on itself. Means in the path diagram of the model it is not possible to start at any variable and by following a path of single headed arrow, return to the same variable.

The Model fit indices are as follows:

Model Fit Indices	Recommended Values	Observed Value	Authors
Chi-square (CMIN/DF)	1-5	4.8	Bollen and Long (1993) and Kelloway (1995)
Normed Fit Index (NFI)	> 0.90	0.91	Byrne, 1994
Relative Fit Index (RFI)	> 0.90	0.92	Bollen, 1990
Incremental Fit Index (IFI)	> 0.90	0.94	Bollen, 1990
Tucker Lewis Index (TLI)	> 0.90	3.028	Hu and Bentler, 1998
Comparative Fit Index (CFI)	> 0.90	1.8	Byrne, 1994
Root Mean Square Error of Approximation (RMSEA)	< 0.08	0.000	Browne and Sugawara, 1996

Chi-square = 8.837

CFI = 1.8

Degrees of freedom = 10

From the above values we can say that the model is acceptable.

Probability level = .548

Test of Hypothesis:

Independent Variable	Dependent Variable	P- value	Hypothesis	Accepted	Rejected
Distributive Justice	Customer Satisfaction	0.633	H01	Accepted	
Procedural Justice	Customer Satisfaction	0.108	H02	Accepted	
Interactional justice	Customer Satisfaction	0.736	H03	Accepted	

Customer Satisfaction	Customer Engagement	0.330	H04	Accepted	
Customer Satisfaction	Customer Trust	0.286	H04	Accepted	
Customer Satisfaction	Customer Loyalty	0.040	H04		Rejected

### Conclusion:

From the above data analysis, we can conclude that the factor need, biased supervision and truthfulness contributes more in the distributional justice, Procedural justice and interactional justice respectively. In order to identify the major contributors of these variables descriptive statistics were calculated and the table is given in the appendix-1.

From the analysis of the hypothesis, it has been identified that Distributive justice leads to customer satisfaction (which is hypothesis H01) Procedural justice leads to customer satisfaction (which is hypothesis H02), Interactional justice does not lead to customer satisfaction (which is hypothesis H03) and finally Customer satisfaction with service recovery process leads to customer engagement, customer trust and Customer Loyalty (which is hypothesis H04).

### Implication of the research:

This study can be useful for every industry where customer satisfaction is considered to be the utmost concern for the management. It can also be used to identify the major contributors of the customer engagement, customer loyalty and customer trust elements and how can we improvise them further for the betterment of the industry as well as the customers.

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