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COLEGE OF BUSINESS AND ECONOMICS, SCHOOL OF COMMERCE

**THE EFFECT OF SERVICE RECOVERY STRATEGIES ON
CUSTOMER SATISFACTION: EMPIRICAL EVIDENCE FROM
CAPITAL HOTEL FRONT OFFICE DEPARTMENT**

**A THESIS SUBMITTED TO ADDISABABA UNIVERSITY SCHOOL OF
COMMERCE IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR
MASTERS OF ARTS DEGREE IN MARKET MANAGEMENT**

BY:

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June, 2024

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Acknowledgement

I am deeply thankful to the Divine for providing me with the fortitude, insight, and direction needed to carry out and finalize this research. Next, I express my sincere gratitude to my mentor, Mulugeta Gebremeden (Phd), whose priceless input, motivation, and steadfast assistance have been indispensable throughout my academic voyage. Lastly, I extend my appreciation to the individuals who participated in the questionnaire and interview

Declaration

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted at any university for a degree.

Signature: _____

Date: _____

Signature page

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This is to Certify that the thesis prepared by Hirutab Moges, entitled: *the effect of service recovery strategies on customer satisfaction: empirical evidence from Capital hotel front office department* submitted in partial fulfillment of the requirements for the Master of Arts in market management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Abstract

This study's aim was to examine the effect of service recovery strategies on customer satisfaction at Capital Hotel. As a design both descriptive and explanatory research design were utilized. Using convincing sampling 371 customers of the hotel were participated in the questionnaire. The descriptive result shown that, service Recovery scored a mean of 3.81, Empathy received a mean score of 3.84, Employee Empowerment achieved a mean score of 3.86, continuous Feedback Loopy attained a mean score of 3.78, Fair Compensation received a mean score of 3.84 and Satisfaction, which reflects all were laid in the agree cut off. The inferential result prevailed that, the predictors i.e. proactive Service Recovery valued (Beta) of 0.089, with a t-value of 3.411 and a p-value of 0.001. Empathy accounted a coefficient of 0.335, with a t-value of 7.259 and a p-value of 0.000. Employee Empowerment computed a Beta coefficient of 0.519, with a t-value of 9.002 and a p-value of 0.000. Continuous Feedback Loop's scored a Beta coefficient is 0.127, with a t-value of 2.866 and a p-value of 0.004. And, fair Compensation has Beta coefficient of 0.181, with a t-value of 4.358 and a p-value of 0.000. It was concluded that the five predictors significantly contribute to customer satisfaction, with Employee Empowerment having the strongest impact, followed by Empathy, Fair Compensation, Continuous Feedback Loop, and Proactive Service Recovery. These findings suggest that strategies aimed at empowering employees, demonstrating empathy, providing fair compensation, maintaining continuous feedback loops, and proactively addressing issues can significantly enhance overall customer satisfaction.

Key words: Empathy, Fair Compensation, Continuous Feedback Loop, and Proactive Service Recovery.

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Acronym

SF: Service Failure

SR: Service Recovery

SDS: Service Delivery System

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CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Service recovery is indispensable for businesses aiming to restore customer satisfaction and loyalty following service failures. Particularly critical in the hospitality sector, effective service recovery not only resolves issues but also leaves customers feeling valued and memorable. Heskett and Hart (1990) emphasize that successful service recovery goes beyond problem-solving; it involves rebuilding trust, addressing concerns promptly, and reinforcing brand reputation. According to Fitzsimmons and Fitzers (2011), service recovery entails an organized approach to restore dissatisfied customers' satisfaction and convert them into loyal patrons.

Distinguishing service recovery from mere complaint management, organizations focus on preemptively addressing issues before customer's express dissatisfaction or file complaints (Adesen & Best, 1977). Halstead et al. (1996) underscore the importance of both complaint management and service recovery in enhancing customer retention strategies.

Recent research by Gohary et al. (2016) advocates for enhancing service recovery efforts through value co-creation and proactive follow-up strategies. These approaches ensure that service failures are addressed promptly and comprehensively, thereby boosting overall customer satisfaction.

Key components of effective service recovery include proactive service recovery, empathy, continuous feedback loops, employee empowerment, and fair compensation (Bitner et al., 1990; Hochschild, 1983; Reichheld & Sasser, 1990; Bowen & Lawler, 1995; Tax et al., 1998). Proactive service recovery anticipates and mitigates potential service failures, while empathy fosters trust and rapport with customers by understanding their emotions and concerns. Continuous feedback loops enable organizations to gather and act on customer feedback to improve service delivery, while employee empowerment ensures frontline staff can resolve issues promptly and independently. Fair compensation demonstrates accountability and helps rebuild trust with customers after service failures.

In essence, integrating these strategies into organizational practices enhances service recovery outcomes, mitigates service failures, and cultivates long-term customer loyalty (Parasuraman et al., 1988; Zeithaml et al., 1990). Supply chain management is a system

1.2. Statement of the Problem

The implementation of successful customer recovery strategies is essential for boosting satisfaction levels in Capital Hotel and the hospitality industry. According to McCole, Roggeveen, and Beverland (2017), the prevention of service failures is crucial in maintaining customer satisfaction during service encounters, but the approach taken to address these failure types can have a significant impact on customer experience.

By promptly recognizing and rectifying service failures, Capital Hotel can shift its focus from providing high-quality service to making it more appealing to customers. According to Hu, Huang, and Zhang (2019), effective service recovery measures not only resolve the immediate problem but also provide a chance to meet customer expectations more effectively, leading to increased satisfaction levels. Additionally, Mattila and Patterson (2016) argue that the presence of empathy and personalized attention in service recovery is crucial because these factors contribute to a positive emotional response that can lead to improved customer satisfaction.

The hospitality industry, particularly the Capital Hotel, is the hotel industry particularly capital hotel is struggling to changing guest expectation, involving market trends, rising competition is a major challenges of the company.. In the hospitality industry, particularly in places like Capital Hotel, the first gap that arises from the gap between knowledge of customer satisfaction and service recovery strategies is awareness of customers' needs and effective handling of complaints. According to Johnson and Grayson (2005), hotel staff's failure or delay in responding to service issues may result in negative perception of the guest as dissatisfied with the perceived experience. McCole, Roggeveen, and Beverland's (2017) research indicates that the restoration of customer trust and loyalty can be achieved through prompt and successful service recovery actions. Nevertheless, there is a dearth of research on the particular customer requirements and preferences in relation to service recovery within Ethiopian lodging establishments such as Capital Hotel.

In addition to knowledge gaps, there are conceptual gaps that exist in understanding the theoretical underpinnings of service recovery and its impact on customer satisfaction. Despite the fact that

prior studies have shown the importance of service recovery in mitigating service failures, Fisk et al.(2010) did not provide a specific explanation. In the hospitality industry, there is a dearth of literature that explores how service recovery strategies can enhance customer satisfaction. The need for a comprehensive conceptual framework that understands the customer's perceptions and behaviors are highlighted by recent studies (by Söderlund, 2020) and (2019) by Hu, Huang, and Zhang) that investigate the causal pathways linking service recovery efforts. Consequently, there is an urgent need for empirical evidence to bridge this conceptual gap and contribute to better understanding of the dynamics of service recovery. The advancement of knowledge in this field is hindered by the lack of methods. The limitations of methodological limitations prevent the generalizability and applicability of existing studies on service recovery and customer satisfaction in real-world contexts, despite extensive research to this extent. Inconsistencies in measuring service recovery outcomes are a concern, as evidenced by recent research by Chi Wang and Wei (2018) showing that some studies solely rely on customer surveys and neglect objective performance metrics. According to Mattila and Patterson (2016), the current research needs to incorporate both qualitative and quantitative methods to provide a comprehensive approach to service recovery effectiveness in hospitality settings, which is necessary to address this methodological gap. Furthermore, the inability of hotels like Capital Hotel to translate research findings into actionable steps for improving their services is a problem. While academic research has provided valuable insights into the importance of service recovery, there remains a significant gap between theory and practice when it comes to applying evidence-based service restoration strategies. The majority of organizational barriers, such as resource limitations and resistance to change, present obstacles for the implementation of best practices in service recovery, as noted by Johnston and Michel (2018). Thus, there is a pressing need for research that not only characterizes effective service recovery interventions but also investigates the organizational factors that facilitate or hinder their implementation in hotel environments.

1.3. Research Questions

1.3.1. Main Research Question

What is the effect of service recovery strategies on customer satisfaction at Capital Hotel?

1.3.2. Sub Research Questions

1. What is the effect of proactive service recovery of front office employees on customer satisfaction at Capital Hotel?
2. What is the effect of empathy of front office employees on customer satisfaction at Capital Hotel?
3. What is the effect of continuous feedback from front-office employees on customer satisfaction at Capital Hotel?
4. What is the effect of empowerment of front office employees on customer satisfaction at Capital Hotel?
5. What is the effect of fair compensation to recover service failures on customer satisfaction at Capital Hotel?

1.5. Objectives of the Study

1.5.1 General Objective

The general objective of the study is to examine the effect of service recovery strategies on customer satisfaction at Capital Hotel.

1.5.2 Specific Objectives

1. To examine the effect of proactive service recovery of front office employees on customer satisfaction at Capital Hotel.
2. To analyze the effect of empathy of front office employees on customer satisfaction at Capital Hotel.
3. To determine the effect of continuous feedback from front-office employees on customer satisfaction at Capital Hotel.
4. To investigate the effect of empowerment of front office employees on customer satisfaction at Capital Hotel.

5. To examine the effect of fair compensation to recover service failures on customer satisfaction at Capital Hotel.

1.6. Hypothesis of the Study

H1: Proactive service recovery has no significant effect on Customer satisfaction

H2: Empathy has no significant effect on Customer satisfaction

H3: Continuous feedback loop has no significant effect on Customer satisfaction

H4: Employee empowerment has no significant effect on Customer satisfaction

H5: Fair compensation has no significant effect on Customer satisfaction

1.7. Significance of the study

The study's potential contributions to academic research and its practical ramifications for the hotel sector make it significant. The study is significant because of its potential to further academic inquiry and have real-world applications for the hospitality sector, especially with regard to the Ethiopian Capital Hotel in Addis Ababa. Firstly, by investigating the relationship between the effectiveness of service recovery strategies and customer satisfaction levels, the study aims to provide valuable insights into the factors that influence guest experiences in the hospitality sector. Understanding this relationship can help hotel managers and practitioners develop more informed strategies to address service failures promptly and effectively, ultimately leading to higher levels of customer satisfaction and loyalty.

Secondly, by identifying the specific customer recovery practices at Capital Hotel, the study seeks to uncover the existing approaches employed by the hotel to mitigate service failures and regain customer trust. This information can serve as a benchmark for other hotels in the region, allowing them to learn from best practices and improve their own service recovery efforts. Thirdly, by determining the effects of customer service recovery practices on customer satisfaction at Capital Hotel, the study aims to quantify the impact of these practices on guest perceptions and overall satisfaction levels. This empirical evidence can provide concrete data to support the importance of investing in effective service recovery strategies for hotel management. Fourthly, by examining

the role of timeliness in service recovery efforts and its effect on enhancing customer satisfaction, the study addresses a critical aspect of service delivery in the hospitality industry. Timely resolution of service issues is often key to preventing further dissatisfaction and retaining customer loyalty, making this aspect of service recovery particularly significant.

Fifthly, by evaluating the effect of perceived customer recovery on customer loyalty at Capital Hotel, the study delves into the long-term implications of service failures and their subsequent recovery on guest loyalty and repeat business. Understanding how customers perceive and respond to service recovery efforts can inform strategies aimed at fostering lasting relationships with guests. Lastly, by investigating the organizational factors that determine the implementation of best customer recovery practices in the Capital Hotel environment, the study sheds light on the internal dynamics and processes that facilitate or hinder effective service recovery. This insight can guide hotel management in optimizing their organizational structures and resource allocation to better support service recovery initiatives.

1.8. Scope of the Study

This research endeavors to explore the intricate relationship between service recovery strategies and customer satisfaction levels, with a specific focus on the front office department of Capital Hotel situated in Addis Ababa, Ethiopia. The investigation was into the efficacy of service recovery strategies employed by the hotel and their direct impact on enhancing customer satisfaction and loyalty. Furthermore, the study aims to identify and evaluate the customer recovery practices implemented within the front office department, shedding light on their effectiveness in addressing customer grievances and fostering positive guest experiences. Additionally, organizational factors contributing to the successful implementation of these practices were examined, providing valuable insights into the internal dynamics of Capital Hotel's service delivery.

In focusing solely on Capital Hotel located in Addis Ababa, Ethiopia, this study acknowledges a geographical limitation that may restrict the generalizability of findings to other hotels or regions. Moreover, the research were confined to the front office department of the hotel, thereby narrowing the scope of analysis to customer interactions and service recovery efforts within this specific operational area. The temporal scope of the study were delimited to a defined period, limiting considerations to developments and service recovery strategies implemented during this

timeframe. Additionally, the research may encounter limitations stemming from a potentially restricted sample size, impacting the extent to which findings can be extrapolated to encompass the entire customer base of Capital Hotel. Language barriers may also pose a constraint, as the study were conducted exclusively in English, potentially excluding non-English speaking individuals from participation. Lastly, resource constraints such as time, budget, and data accessibility may impose limitations on the depth and breadth of the analysis, necessitating prudent allocation of available resources.

1.9. Key Terms and Definitions

Service recovery strategies: Service recovery strategies refer to the actions and processes implemented by a hotel or service provider to effectively address and resolve customer complaints or dissatisfaction. Service recovery strategies can be evaluated and measured through various methods, including customer surveys, complaint tracking systems, and analysis of customer feedback. The effectiveness of these strategies can be assessed based on the resolution time, customer satisfaction levels post-recovery, and the retention of customers following service failures (Zeithaml, Bitner, & Gremler, 2009).

Customer Satisfaction: Customer satisfaction refers to the extent to which customers' expectations regarding service quality are met or exceeded, leading to a positive perception of the hotel and its services. Evaluation and Measurement: Customer satisfaction can be evaluated through surveys, feedback forms, and online reviews. Analysis of customer complaints and compliments, as well as repeat business and loyalty rates, can provide insights into the level of satisfaction among guests(Kotler, Bowen, & Makens,2013).

Front Office Department: The front office department is responsible for guest services within a hotel, including check-in, check-out, reservations, and handling guest inquiries and complaints. The efficiency and effectiveness of the front office department can be evaluated through metrics such as check-in and check-out times, reservation accuracy, guest satisfaction scores, and resolution of guest complaints in a timely manner (Kasavana, & Brooks, 2011).

Customer Recovery Practices: Customer recovery practices are specific actions and procedures adopted by Capital Hotel to recover and retain customers following service failures or negative experiences. The success of customer recovery practices can be evaluated by analyzing customer feedback, tracking the resolution of complaints, measuring customer satisfaction levels post-recovery, and assessing the impact on customer loyalty and repeat business(Johnston & Clark, 2008).

Timeliness of Service Recovery: The timeliness of service recovery refers to the speed and efficiency with which service recovery efforts are initiated and executed in response to customer complaints or issues. The timeliness of service recovery can be measured by tracking the response time to customer complaints, analyzing the turnaround time for resolving issues, and monitoring customer satisfaction levels before and after recovery efforts (Fitzsimmons & Fitzsimmons, 2013).

Customer Loyalty: Customer loyalty denotes the degree to which customers exhibit repeat business, positive word-of-mouth, and a strong emotional connection to Capital Hotel, resulting from satisfactory experiences and effective service recovery efforts. Customer loyalty can be measured through metrics such as customer retention rates, frequency of repeat visits, Net Promoter Score (NPS), and customer lifetime value. Analysis of customer feedback and referral rates can also provide insights into the level of loyalty among guests(Reichheld, 2003).

Organizational Factors: Internal factors within Capital Hotel that influence the implementation and effectiveness of customer recovery practices, such as organizational culture, leadership, resources, and employee training. Such factors within Capital Hotel that influence the implementation and effectiveness of customer recovery practices, such as organizational culture, leadership, resources, and employee training, play a crucial role in shaping the hotel's approach to addressing and resolving customer complaints or issues(Zeithaml, Bitner, Gremler 2009).

1.10. Organization of the study

There are five chapters in the paper that focus on exploring how service recovery strategies can contribute to improving customer satisfaction. The first chapter delves into research topics, outlines the main thesis statement, provides background information, discusses the study's objectives, and defines important terms. The second chapter of the thesis is a comprehensive examination of literature, with specialized attention given to previous studies and theoretical frameworks related to service recovery and customer satisfaction, in order to establish underlying

theories and identify research gaps. Chapter 3 outlines the research methodology, covering everything from research design to sampling, data collection and analysis methods, while also guaranteeing that the results are truthful and accurate. The fourth chapter provides a comprehensive overview of Capital Hotel's case study and data, providing practical insights into customer satisfaction and service recovery strategies in the hospitality industry. Chapter 5 concludes with a summary of the findings, including their implications for industry practice and recommendations for future research on hotels in Capital Hotel, providing valuable insights and directions for further investigation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

2.2. Theoretical Review of Related Literatures

2.2.1. Understanding Service Recovery

Businesses must undertake service recovery to restore customer satisfaction and loyalty after a service failure. Managing service failures is crucial for hospitality establishments, as they can have an impact on their reputation and profitability. However, service recovery is not just about resolving problems; it's also about making customers feel special and memorable. According to Heskett and Hart (1990), successful service recovery involves not only fixing the problem, but also restoring customer trust, attention on issues, and brand recognition. According to Fitzsimmons and Fitzers (2011), service recovery involves the organization's ability to address issues with customers and convert them into repeat customers. A deliberate and organized approach has been adopted to restore the dissatisfied customers' satisfaction with the organization or service (Grönroos, 1988). Service recovery is different from complaint management as it addresses customer complaints before customers file a complaint or leave dissatisfied. Acknowledging that dissatisfied customers are hesitant to complain (Adesen & Best, 1977), service recovery endeavors attenuates complaints by resolving issues as quickly as possible. Halstead et al.(1996) believe that both complaint management and service recovery are crucial strategies for customer retention. The effectiveness of service recovery efforts can be improved through the use of value co-creation and follow-up, as per recent research (Gohary et al. 2016).

Service Delivery is related with proactive service recovery, Empathy, Continuous feedback loop Employee empowerment and Fair compensation.

2.2.1.1. Proactive Service Recovery

Proactive service recovery involves anticipating potential service failures or customer issues and taking preemptive actions to address them before they escalate (Johnston & Michel, 2008). While traditional service recovery strategies respond to issues after they occur, proactive service recovery

aims to prevent issues from arising in the first place. This approach reduces the incidence of service failures and enhances overall customer satisfaction (Bitner et al., 1990).

For example, Airlines often use proactive service recovery by notifying passengers of potential flight delays in advance and offering alternate travel arrangements, thereby minimizing inconvenience and dissatisfaction (Johnston & Fern, 1999).

2.2.2.2. Empathy

Empathy in customer service refers to understanding and sharing the feelings of customers, especially when they are facing challenges or expressing dissatisfaction (Hochschild, 1983). Empathy is also related with service recovery. Empathy is crucial in service recovery as it fosters trust and rapport with customers. Service providers who demonstrate empathy can effectively acknowledge and address customer concerns, leading to higher satisfaction levels (Homburg et al., 2009). For example, a hotel front desk agent shows empathy by listening attentively to a guest's complaint about noise disruption, offering a sincere apology, and promptly relocating the guest to a quieter room (Pugh, 2001).

2.2.2.3. Continuous Feedback Loop

A continuous feedback loop involves systematically collecting, analyzing, and acting upon customer feedback to improve service delivery (Reichheld & Sasser, 1990). Feedback mechanisms are critical in service recovery as they provide insights into customer preferences and recurring issues. Organizations that actively solicit and act upon feedback can identify and rectify service failures more effectively (Mittal & Kamakura, 2001). For example, online retailers use continuous feedback loops by requesting customer reviews and ratings, enabling them to promptly address product issues and improve overall customer satisfaction (Kumar et al., 2004).

2.2.2.4. Employee Empowerment

Employee empowerment involves granting frontline staff the authority, autonomy, and resources to make decisions and resolve customer issues independently (Bowen & Lawler, 1995). Empowered employees are more capable of handling service recovery situations promptly and satisfactorily. They can resolve customer complaints on the spot, which enhances service efficiency and customer loyalty (Yoon & Suh, 2003). For instance, an empowered customer service representative in a telecom company can waive overage charges for a customer

experiencing billing errors without needing managerial approval, thereby resolving the issue immediately (Patterson et al., 2006).

2.2.2.5. Fair Compensation

Fair compensation involves providing customers with restitution or compensation that matches the level of inconvenience or dissatisfaction caused by a service failure (Tax et al., 1998). Offering fair compensation demonstrates accountability and concern for customer welfare. It helps to mitigate negative experiences and rebuild trust with customers after a service failure (Smith & Bolton, 1998).

In summary, proactive service recovery, empathy, continuous feedback loops, employee empowerment, and fair compensation are essential elements of effective service recovery strategies. When implemented effectively and integrated into organizational practices, these strategies can mitigate the impact of service failures, enhance customer satisfaction, and foster long-term customer loyalty (Parasuraman et al., 1988; Zeithaml et al., 1990).

2.2.2. Service Recovery Paradox (SRP)

The Service Recovery Paradox (SRP) posits an intriguing phenomenon where customers often exhibit higher satisfaction and loyalty towards a business after experiencing and subsequently having a service failure effectively resolved. This paradox underscores the significance of adept service recovery strategies in bolstering customer confidence and trust in a business. Krishna, Dangayach, and Sharma (2014) assert that effective service recovery mechanisms contribute significantly to this phenomenon by fostering customer loyalty and retention, thereby preventing customer defection which is crucial for sustained business success.

McCollough, Berry, and Yadav (2000) emphasize the necessity of service recovery in mitigating customer churn and maintaining long-term customer relationships. They argue that despite efforts to deliver flawless service, service failures are inevitable, making effective recovery strategies indispensable. Fisk, Brown, and Bitner (1993) highlight the challenges faced by service providers in consistently delivering error-free services and the pivotal role played by robust recovery techniques in addressing these challenges.

The term "Service Recovery Paradox" was coined by McCollough and Bharadwaj (1992), who defined it as a scenario where customer satisfaction following a service failure exceeds their satisfaction levels prior to the failure. Despite the theoretical underpinnings of SRP, empirical research, such as that conducted by Magnini et al. (2007), has reported mixed findings regarding the specific conditions under which this paradox manifests. This nuanced discussion builds upon earlier works by Hart, Heskett, and Sasser (1990), who stressed the strategic importance of service recovery in cultivating customer loyalty and enhancing overall business performance.

Given its substantial implications for customer retention and organizational success, academics and practitioners alike are encouraged to continue exploring and understanding the dynamics of the Service Recovery Paradox.

2.2.3. Customer satisfaction

Customer satisfaction refers to the comprehensive evaluation of a customer's overall experience with a product or service, which reflects how well their expectations align with their perceptions. It is influenced by various aspects of service delivery, including reliability, assurance, responsiveness, empathy, and tangibles. To accurately gauge levels of satisfaction, businesses employ diverse feedback channels such as surveys and reviews to solicit customer input.

Achieving high customer satisfaction also hinges on cultivating strong relationships through personalized interactions, clear communication, and consistent service delivery. Furthermore, sustaining long-term customer satisfaction and loyalty necessitates a commitment to continuous improvement. This involves leveraging feedback to enhance service quality and promptly adapting to evolving customer preferences and expectations.

To foster customer satisfaction effectively, businesses must prioritize customer-centric strategies that are informed by established principles of service excellence and responsiveness (Zeithaml, Bitner, & Gremler, 2022; Parasuraman, Zeithaml, & Berry, 2021; Kotler & Keller, 2020). These principles emphasize the importance of aligning service delivery with customer expectations and continuously striving to exceed those expectations through proactive and customer-focused initiatives.

2.2.4. Service Recovery Strategy Components

In service-related sectors, service recovery—the process of properly handling and resolving customer complaints or service failures—is essential to preserving client happiness and loyalty. The detection of service problems, the creation of reaction mechanisms, the application of resolution strategies, staff empowerment and training, and the creation of feedback systems are usually among its constituents. In order to integrate customer satisfaction with service recovery, it is necessary to coordinate recovery efforts with raising overall satisfaction, use feedback to spur ongoing improvement, give frontline staff more authority to avert complaints, and keep an eye on key performance metrics. This strategy guarantees a smooth transition between customer happiness and service recovery, building enduring bonds and loyalty. Hoffman and Bateson (2016); Mostert, Pezter, and De Meyer (2012); Lovelock, Patterson, and Walker, (2001).

2.2.5. Integration of Service Recovery and Customer Satisfaction

The smooth integration of these two elements is necessary to provide a strong conceptual foundation for both customer happiness and service recovery strategies. According to De Matos and Rossi (2008), this integration may be accomplished by coordinating service recovery initiatives with the objective of raising overall customer satisfaction levels. Additionally, as recommended by Magnini et al. (2007), using customer feedback from service recovery engagements to promote continuous improvement in service delivery guarantees that the organisation learns from its mistakes and avoids recurrence of similar difficulties. According to McCollough, Berry, and Yadav (2000), empowering frontline staff to proactively handle service issues and reduce customer discontent is essential to guaranteeing the timely and efficient resolution of customer complaints. Furthermore, keeping an eye on critical performance metrics linked to customer happiness and the efficiency of service recovery .Furthermore, as noted by Hoffman and Bateson (2016), tracking key performance indicators for customer satisfaction and service recovery efficacy offers insights into the organization's performance and opportunities for development. Establishing a thorough conceptual framework that tackles customer happiness and service recovery plan allows organizations to build stronger customer connections, increase customer loyalty, and accomplish long-term company success.

2.3. Review of Empirical Studies

Studies on proactive service recovery, consistently shows that proactive service recovery, which involves anticipating and addressing potential issues before they escalate, is crucial for enhancing customer satisfaction. Studies have highlighted that organizations adopting proactive approaches tend to experience fewer service failures and higher levels of customer loyalty (Johnston & Michel, 2008). This implied that organizations implementing proactive approaches experience fewer service failures and higher customer retention rates.

Empathy in service interactions is widely recognized as a critical factor in effective service recovery. Customers value interactions where service providers demonstrate understanding, concern, and empathy towards their issues. This empathetic approach not only resolves immediate problems but also builds trust and enhances the overall customer experience (Homburg et al., 2009; Kim & Baker, 2019). Empathetic service interactions play a crucial role in service recovery and customer satisfaction.

On continuous feedback loops, systems that collect and act upon customer feedback in real-time are essential for service recovery. Studies indicate that organizations using continuous feedback loops can quickly identify and rectify service failures, leading to improved service quality and customer satisfaction (Reichheld & Sasser, 1990; Mittal & Kamakura, 2001).

On employee empowerment, empowering frontline employees to make decisions and resolve customer issues independently is linked to more effective service recovery. Empowered employees are better equipped to address customer complaints promptly and satisfactorily, thereby improving service outcomes and customer loyalty (Lee et al., 2020).

Fair compensation providing fair compensation or restitution to customers affected by service failures is crucial for restoring trust and satisfaction. Research suggests that fair compensation not only mitigates the negative impact of service failures but also strengthens customer loyalty and retention (Sparks & McColl-Kennedy, 2020).

2.4. Research Gap

Though the previous empirical papers employed on proactive service recovery, empathy, continuous feedback loops, employee empowerment, and fair compensation consistently shows that these variables are crucial for enhancing customer satisfaction. However the research owe gaps like: while individual studies have examined the impact of each service recovery strategy separately, there is a gap in understanding how these strategies interact and complement each other. Future research could explore the combined effect of proactive service recovery, empathy, and continuous feedback loops on customer satisfaction. Understanding the synergies between these strategies could provide insights into optimizing service recovery processes. Another gap, most existing studies have been conducted in specific industries or cultural contexts. There is a need for research that investigates how service recovery strategies vary across different industries, organizational sizes, and cultural settings. Contextual factors such as industry regulations, customer expectations, and organizational culture may influence the effectiveness of service recovery strategies. In other words, these studies are not employed in Ethiopia with special emphasize in the hotel industry. The current study therefore, could be considered as remedy to fill the gap by investigating the effect of service recovery strategies on customer satisfaction at Capital Hotel with special emphasize on the five variables such as proactive service recovery, empathy, continuous feedback loops, employee empowerment, and fair compensation.

2.5. Conceptual Framework

The conceptual framework of the study is provided below.

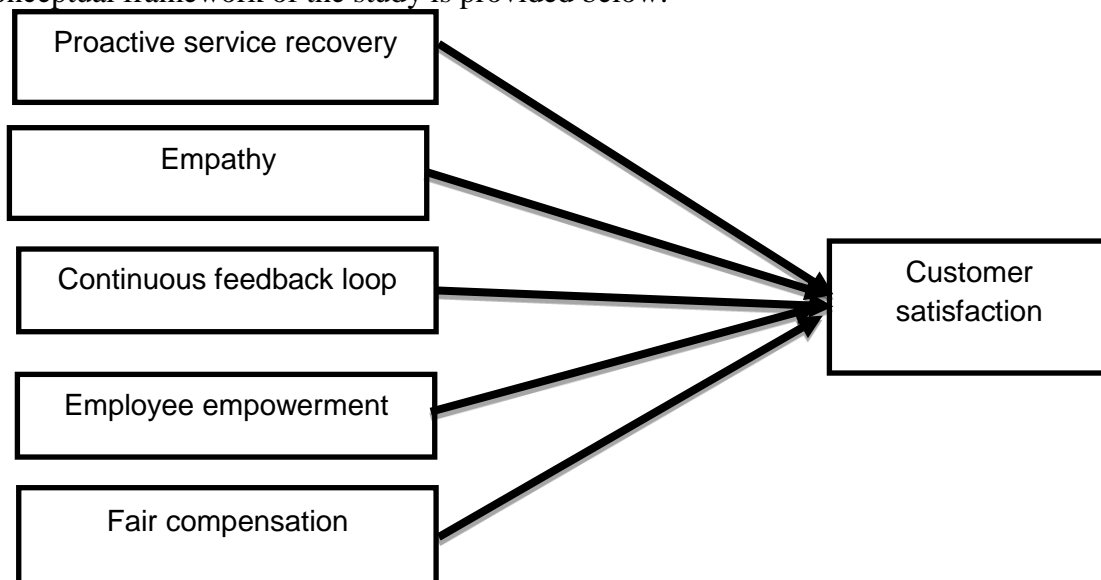


Figure 1. Conceptual model of service recovery strategies and customer satisfaction

Source: Adapted from Zeithaml & Bitner (2000)

Hypotheses

H₁: Proactive service recovery of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel.

H₂: Empathy of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel.

H₃: Continuous feedback from front-office employees has a positive and significant effect on customer satisfaction at Capital Hotel.

H₄: Empowerment of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel.

H₅: Fair compensation to recover service failures has a positive and significant effect on customer satisfaction at Capital Hotel.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 The Study Setting

Capital Hotel, situated in the heart of Addis Ababa, is a prominent luxury hotel known for its high-quality services and modern amenities. The hotel serves a diverse clientele, including business travelers, tourists, and attendees of conferences and events. Its central location makes it a convenient choice for guests, providing easy access to major business districts, cultural landmarks, and the international airport.

The front office department is often considered the face of a hotel, as it is the first point of contact for guests. This department handles reservations, check-ins, check-outs, and addresses various guest inquiries and concerns. Effective service recovery strategies in the front office are crucial because they directly influence guest experiences and satisfaction levels. The ability of front office staff to manage and rectify service failures can make a significant difference in maintaining customer loyalty and a positive reputation (Jackson, 2019).

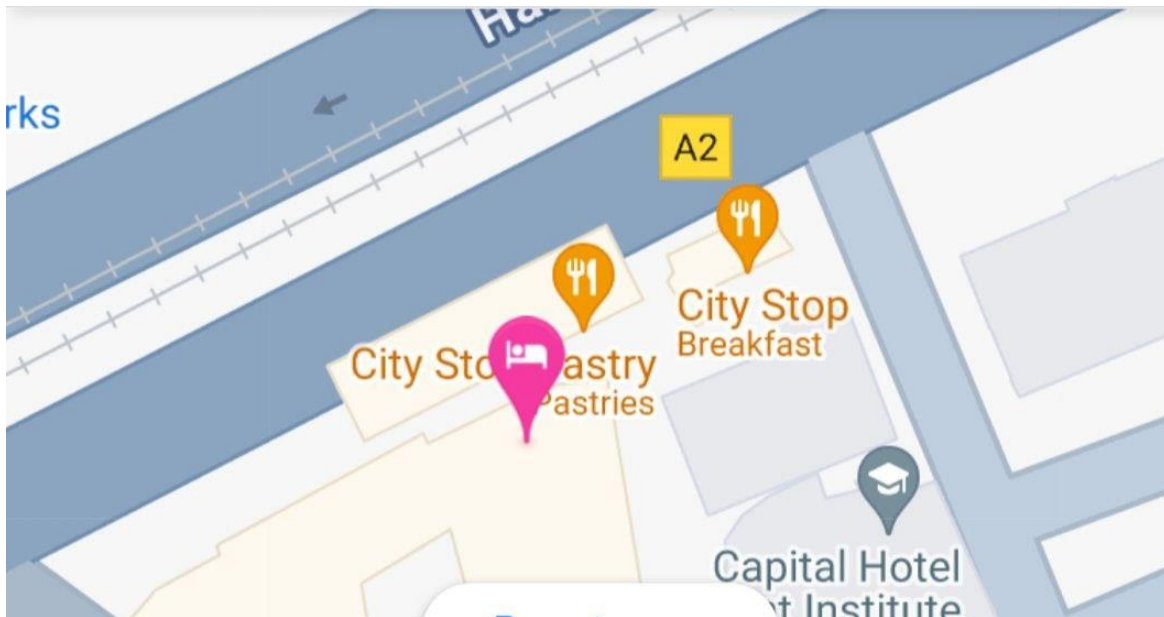


Figure 3.1: Ethiopian Capital Hotel, Setting and Google map
Source: Google map and Google Search

3.2 The Research design

The study adopted mix of descriptive and explanatory research designs. Descriptive research helps in providing an initial understanding of a phenomenon by describing its characteristics, while explanatory research delves deeper into understanding the reasons behind these characteristics. Together, they offer a more complete picture of the issue under study. Descriptive research often precedes explanatory research. It lays the groundwork by identifying patterns, trends, or relationships, which can then be further explored in explanatory research to uncover underlying causes or mechanisms. And combining descriptive and explanatory approaches allows researchers to employ a range of methods and techniques suited to different aspects of the research question.

3.3. Research Approach

The researcher employed a mixed-methods approach of qualitative and quantitative. Quantitative approaches were used to address goals 1, 2, 3, and 4. A structured questionnaire were used to gather data in order to assess the effect of the service recovery. With a 5-point Likert scale, there were 30 questions in this survey. Additionally, to evaluate the hypotheses and investigate how service recovery procedures affect customer satisfaction levels, quantitative analytical techniques including correlations and regression and correlation analysis were used. The qualitative techniques were used to address goals by employing interview with the managers of the Capital Hotel.

3.4. Data sources and techniques

Both primary and secondary sources of data were used. The primary data were obtained through questionnaire whereas the secondary data were the document. .

3.5. Sample size and sampling technique

3.5.1. Target Population

The target population of the current study were the customers of Capital Hotel. When dealing with an infinite or very large population, such as customers of Capital Hotel who visited between March

01 and March 30, 2024, selecting an appropriate sampling technique is crucial to ensure the sample is representative. Given the scenario, you might consider the following steps and techniques: To Design the Sampling Technique the following steps were applied:

First, define the population the population consists of all customers who visited the Capital Hotel from March 01 to April 30, 2024.

Second, determine the sample size. In the study Cochran's (1963) formula was applied to determine the appropriate sample size for a large or infinite population. The formula was:

$$n = Z^2 * p * \frac{q}{E^2}$$

Where:

n= is the initial sample size.

Z= is the Z-value corresponding to the desired confidence level.

P= is the estimated proportion of the population that has the attribute of interest.

e =is the desired level of precision (margin of error).

While determine Parameters for Cochran's Formula:

Confidence Level: Commonly 95% (Z = 1.96).

Estimated Proportion (p): If unknown, use 0.5 for a conservative estimate.

Margin of Error (e): Commonly 5% (0.05).

Therefore, n = 384.16

Therefore, the sample size needed is approximately 384.

3.5.2. Sampling Technique

Because convenience sampling is appropriate for the research setting, it were used as a non-probability sampling method to choose study participants. This technique is effective when time, money, or access to the complete population are restricted since it selects participants based on their ease of availability and accessibility to the researcher. Convenience sampling is justified by a number of factors, such as time restrictions, cost-effectiveness, participant accessibility, fit for exploratory or pilot studies, applicability in real-world contexts, and the capacity to make defensible conclusions based on information at hand. Convenience sampling is nevertheless useful for producing early findings and directing future research projects, even if it might not guarantee

population representativeness. Therefore, a sample size of 384 individuals is needed in this case to reach a 95% confidence level with a 5% margin of error. Assuming maximal population variability, this sample size guarantees statistical significance and reliability of the study results within the given parameters. The sample size is found to be 384 by rounding up to the closest whole number, giving confidence in the precision and representativeness of the research findings.

3.6. Data collection Instruments

Data were collected through the following instruments

3.6.1. Questionnaire

The primary data collection tool employed in this study was a structured questionnaire. This instrument was initially tested with a subset of the target respondents, representing the customers of Capital Hotel, to ensure its effectiveness. Although the goal was to engage 384 customers, the final sample comprised 371 participants.

The questionnaire was organized into four main sections. The first section gathered demographic and profile information about the respondents. The second section delved into six key variables, with each variable being represented by five distinct items.

To capture responses, the questionnaire utilized a Likert scale with five options: Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree. This scale was chosen due to its capacity to yield quantitative data, which simplifies the analysis and interpretation process. The uniformity and clarity of the Likert scale responses enabled the researcher to draw reliable conclusions, present the findings effectively, and create various graphical representations based on the participants' feedback. The structured format and pre-testing phase ensured that the questionnaire was both comprehensive and comprehensible, facilitating a smooth data collection process and robust analysis.

3.7.2. Interview

Furthermore, interviews were conducted as part of the data collection process. These interviews

involved three management personnel from Capital Hotel and were recorded with the participants' consent.

3.8. Method of Data Analysis

The data analysis methods employed in the present study were:

3.9.1. Qualitative Data Analysis

Qualitative data collected from interviews underwent thematic analysis. This involved reviewing and transcribing the data, followed by coding based on overarching categories derived from the content.

3.9.2. Quantitative Data Analysis

Quantitative data from the questionnaires were entered into SPSS version 26 for analysis. Simple descriptive statistics were used to summarize the data and provide an overview. And, inferential statistics like correlation and regression were employed.

For the multiple regression, the model is specified.

$$y = e + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5$$

Where

Y: Customer's Satisfaction

X1: Proactive service recovery

X2: Empathy

X3: Continuous feedback loop

X4: Employee empowerment

X5: Fair compensation

E: Is the error term explains the dependent variables not included in the study

3.10. Validity and Reliability

3.10.1. Validity

To ensure the validity of this study, rigorous steps were taken from the design phase through questionnaire distribution and interview question formulation. Initially, efforts were made to translate the concepts and terms of the instruments into Amharic.

3.10.2. Reliability

The reliability of the study's instruments was assessed using Cronbach's Alpha, a widely recognized measure ranging from 0 to 1. A higher coefficient indicates greater internal consistency among the variables within a scale. After data coding and entry into SPSS version 26, the first analysis conducted was to evaluate the reliability of the scales used. The results indicated strong reliability, with Cronbach's Alpha values exceeding 0.9, and in most cases approaching 1. This confirms that the scales used in data collection were reliable.

Table 1. Reliability Statistics

| Reliability Statistics | | | | | |
|----------------------------|--|--------------------------------|----------------------------------|------------------------------|----------------------------------|
| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | | | N of Items | |
| .976 | .978 | | | 6 | |
| Item-Total Statistics | | | | | |
| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
| Proactive Service Recovery | 19.1585 | 15.292 | .858 | .756 | .980 |
| Empathy | 19.1261 | 15.154 | .949 | .930 | .969 |
| Employee Empowerment | 19.1035 | 15.727 | .963 | .958 | .968 |
| Continuous Feedback Loopy | 19.1925 | 16.384 | .912 | .915 | .973 |
| Fair Compensation | 19.1321 | 16.279 | .913 | .906 | .973 |
| Satisfaction | 19.1526 | 15.793 | .959 | .938 | .968 |

(Source: Field Survey, 2024)

The reliability statistics provided indicate an extremely high level of internal consistency for the scale being used, as reflected by the Cronbach's Alpha values. The Cronbach's Alpha for the entire scale is 0.976, and when based on standardized items, it slightly increases to 0.978. Both values are well above the commonly accepted threshold of 0.70, suggesting that the items in the scale are highly reliable and measure the same underlying construct.

The corrected item-total correlation for Proactive Service Recovery is 0.858, indicating a strong relationship with the overall scale. However, removing this item would slightly increase the overall Cronbach's Alpha to 0.980, suggesting it is a strong but not the most critical item.

Empathy has a corrected item-total correlation of 0.949, one of the highest among the items, indicating a very strong relationship with the total score. Removing this item would lower Cronbach's Alpha to 0.969, showing it is essential for maintaining the scale's reliability.

Employee Empowerment has the highest corrected item-total correlation (0.963), indicating it is very strongly correlated with the total scale. Its removal would also reduce Cronbach's Alpha to 0.968, highlighting its critical role in the scale.

The Continuous Feedback Loopy has a corrected item-total correlation of 0.912, indicating a strong relationship with the overall scale. Removing it increases the overall Cronbach's Alpha to 0.973, showing it contributes well to the scale but is not as crucial as some other items.

Similar to Continuous Feedback Loopy, Fair Compensation has a corrected item-total correlation of 0.913. Removing it also increases the overall Cronbach's Alpha to 0.973, indicating it is valuable but not essential.

The Satisfaction item has a corrected item-total correlation of 0.959, indicating a very strong relationship with the total scale. Removing this item would lower Cronbach's Alpha to 0.968, highlighting its importance.

Overall, all items show strong corrected item-total correlations, indicating that each item is well-correlated with the overall scale. The highest correlations are seen with Empathy, Employee Empowerment, and Satisfaction, suggesting these items are particularly integral to the scale. Removing any item slightly increases or decreases the overall Cronbach's Alpha, but all items contribute significantly to the high reliability of the scale. This high internal consistency suggests that the scale is measuring a cohesive construct, and the items are suitable for the intended measurement.

3.11. Ethical Consideration

During the ethical clearance procedure for, the researcher was first present a detailed research proposal setting out the objectives, methodology and ethical considerations of study to an institutional review board of examiners. The proposal provided details on how participants were recruited, the nature of their participation, and any potential risks or discomfort they may face during the study. All participants in the study were consented by the researcher. This involves explaining to participants the purpose, procedures, potential risks and benefits as well as their rights as participants. Participants were given the chance to inquire and opt for their participation in the study. Participants were remain anonymous and private throughout the study. Only research were conducted on individuals whose personal or sensitive information was receive it. The researcher and authorized personnel have secure data storage. Furthermore, the researcher guaranteed that the research meets relevant legal and regulatory criteria, as well ethical standards and principles, such as those set forth in the Declaration of Helsinki and the Belmont Report. To ensure the validity and honesty of research results, any conflicts of interest or biases that may arise during the study were addressed and minimized. During the ethical clearance process in this study, participants' rights, welfare, and confidentiality were respected while maintaining the highest levels of research integrity and ethics.

CHAPTER FOUR

Result and Discussion

4.1. Introduction

Chapter four entails the descriptive and inferential results of this study.

4.2. Analysis of Response Rate and Respondent’s Profile

Table 2. Response Rate

| Distributed questionnaire | Responded | Response Rate |
|---------------------------|-----------|---------------|
| 384 | 371 | 96.61% |

(Source: Field Survey, 2024)

As Table 2 depicted, the distributed questionnaire yielded an impressive response rate, indicating high engagement and interest from the targeted respondents. Out of 384 questionnaires distributed, 371 were completed and returned, resulting in a response rate of 96.61%. This high level of participation suggests that the survey effectively captured the attention and interest of the respondents. It may be attributed to the relevance of the survey topic, the effectiveness of the communication strategies employed, or possible incentives provided for participation. A response rate of this magnitude significantly enhances the reliability and validity of the collected data. It reduces the risk of response bias and ensures that the findings are more representative of the target population. This level of engagement indicates that the respondents found the survey worth their time, reflecting positively on the survey design, which likely featured clear, concise questions and a user-friendly format.

Table 3. Demographic Features of the Respondents

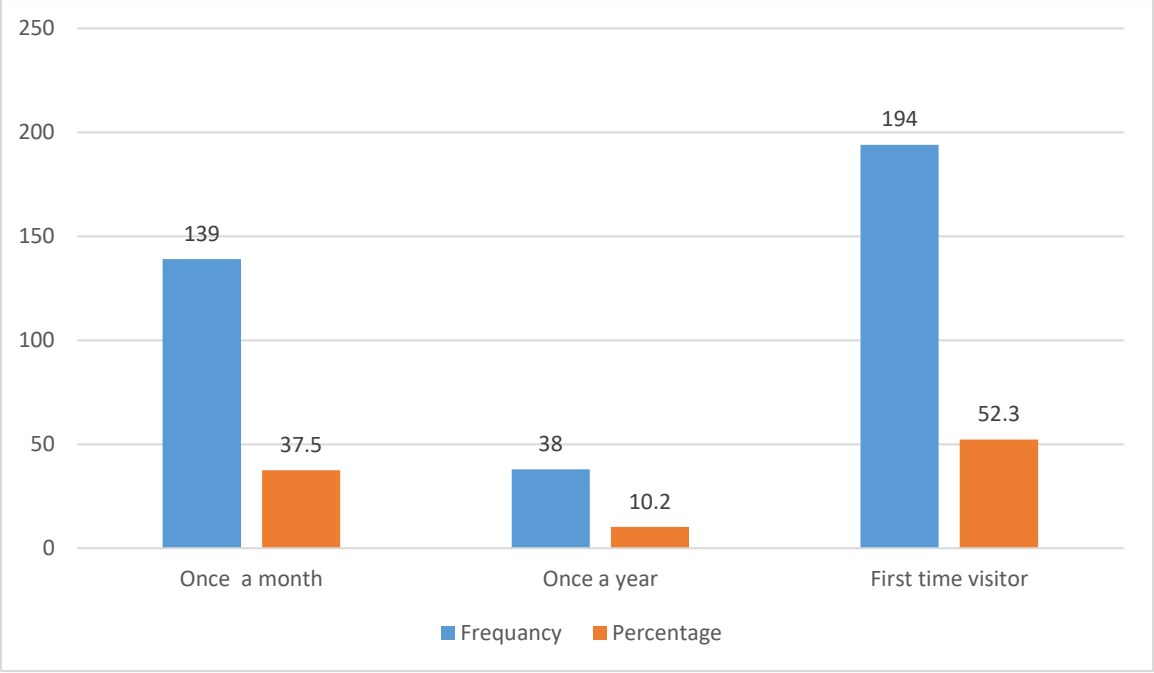
| | | Frequency | Percent |
|--------|--------|-----------|---------|
| Gender | Male | 241 | 65.0 |
| | Female | 130 | 35.0 |
| | Total | 371 | 100.0 |
| Age | 18-27 | 68 | 18.3 |
| | 28-37 | 76 | 20.5 |

| | | | |
|--|-------|-----|-------|
| | 38-46 | 112 | 30.2 |
| | 47-56 | 115 | 31.0 |
| | Total | 371 | 100.0 |

(Source: Field Survey, 2024)

Table 2 provides the demographic characteristics of the respondents in terms of gender and age distribution. Accordingly, there were 241 male respondents, comprising 65.0% of the total sample. Also, there were 130 female respondents, making up 35.0% of the total sample. And, respondents were categorized into different age groups: 18-27 years were 68 respondents (18.3%); 28-37 years had 76 respondents, making up 20.5%; 38-46 years were 112 respondents comprising 30.2%; and, 47-56 years of age group included 115 respondents, representing 31.0%.

Figure 2. *How often visits to capital Hotel?*



(Source: Field Survey, 2024)

Figure 2 displayed the data on the frequency of visits to the capital hotel provides insight into the visitation patterns of the respondents. Among the respondents, the majority are first-time visitors, accounting for 52.3% (194 respondents). This suggests that the hotel attracts a significant number of new guests. Regular monthly visitors comprise 37.5% (139 respondents) of the sample. This indicates a substantial base of loyal customers who visit the hotel frequently. Lastly, 10.2% (38 respondents) of the participants visit the hotel once a year.

Table 4. What was the Length of stay during the last visit?

| | | Frequency | Percent |
|--|--------------|-----------|---------|
| What was the Length of stay during the last visit? | In hours | 39 | 10.5 |
| | One night | 197 | 53.1 |
| | Two nights | 95 | 25.6 |
| | Three nights | 40 | 10.8 |
| | Total | 371 | 100.0 |

(Source: Field Survey, 2024)

Table 4 presents data on the length of stay during the last visit for the respondents. The customers Length of stay in hour’s accounted 39 (10.5%). The majority of respondents, with an account of 197 in total, stayed for one night, making up 53.1% of the total sample. Two nights were 95 respondents stayed for two nights, which accounts for 25.6% of the total sample. The Three nights were 40 respondents reported staying for three nights, representing 10.8% of the total sample. This table provides an overview of the distribution of respondents based on the length of stay during their last visit, offering insights into their travel behavior and patterns.

Table 5. What was the Purpose of your visit?

| | | Frequency | Percent |
|-------------------------------------|------------|-----------|---------|
| What was the Purpose of your visit? | Business | 128 | 34.5 |
| | Leisure | 92 | 24.8 |
| | Conference | 93 | 25.1 |
| | Other | 58 | 15.6 |
| | Total | 371 | 100.0 |

(Source: Field Survey, 2024)

Table 5 summarizes the purposes of respondents' visits. Accordingly, 128/34.5% were for business; 92/24.8% were for leisure; 93/25.1% were for conference; and the remaining 58/15.6% were respondents had other purposes for their visit.

Table 6. How did you make your reservation?

| | | Frequency | Percent |
|------------------------------------|-----------|-----------|---------|
| How did you make your reservation? | Online | 206 | 55.5 |
| | Phone | 94 | 25.3 |
| | in person | 71 | 19.1 |

| | | | |
|--|-------|-----|-------|
| | Total | 371 | 100.0 |
|--|-------|-----|-------|

(Source: Field Survey, 2024)

As per Table 6 which presents the methods through which respondents made their reservations. A majority of 206 respondents, constituting 55.5% of the total sample, made their reservations online. And, 94 respondents, comprising 25.3% of the sample, opted to make reservations via phone. The remaining 71 respondents, accounting for 19.1% of the sample, made their reservations in person.

4.3. Descriptive Statistics

In this study, the variables were assessed using a 5-point Likert Scale where respondents could indicate their agreement from Strongly Disagree (labeled as 1) to Strongly Agree (labeled as 5). To interpret the data, the range intervals were determined following a standard approach. This involved calculating the difference between the maximum and minimum values of the scale ($5 - 1 = 4$) and dividing by the highest value on the scale ($4 / 5 = 0.8$). This calculation was then adjusted by adding the minimum value of the scale (1) to establish the thresholds for each category. Therefore, the categories used for interpretation were: Strongly Disagree if the mean score ranged from 1 to 1.8; Disagree from 1.6 to 2.64; Neutral from 2.65 to 3.2; Agree from 3.21 to 4.2; and Strongly Agree from 4.21 to 5.00.

4.3.1. Proactive Service Recovery

Table 7. Proactive Service Recovery

| | Mean | Std. Deviation |
|---|--------|----------------|
| 1. The staff proactively addressed any issues or concerns I had during my interaction. | 3.7089 | 1.16545 |
| 2. I felt that the service provider took initiative to prevent potential problems from occurring. | 3.6658 | 1.19972 |
| 3. The service provider was quick to offer solutions before I even raised any complaints. | 3.7951 | 1.02460 |
| 4. I appreciated the proactive measures taken by the staff to ensure a smooth experience. | 3.7763 | 1.10335 |

| | | |
|--|--------|--------|
| 5.The service provider demonstrated foresight in anticipating and resolving issues | 4.0458 | .94472 |
|--|--------|--------|

(Source: Field Survey, 2024)

The item reads as *the staff proactively addressed any issues or concerns I had during my interaction* accounted a score mean value of 3.70. The mean score falls within the "Agree" range (3.21 to 4.20). This suggests that customers generally feel that the staff are proactive in addressing any issues or concerns during interactions. The standard deviation indicates some variability in responses, but the overall perception is positive.

The item i.e. I felt that the service provider took initiative to prevent potential problems from occurring valued a mean value of 3.66 and Standard Deviation 1.19. This mean score also falls within the "Agree" range. It indicates that respondents typically perceive the service provider as taking the initiative to prevent potential problems, reflecting a proactive approach. The variability in responses, as indicated by the standard deviation, suggests a range of customer experiences.

The item (The service provider was quick to offer solutions before I even raised any complaints) was computed a mean 3.79 and Standard Deviation 1.023. The mean score is in the "Agree" range, showing that customers generally recognize the service provider's quickness in offering solutions before complaints are raised. The lower standard deviation compared to the previous statements suggests more consistency in this positive perception.

Fourth item i.e. *I appreciated the proactive measures taken by the staff to ensure a smooth experience* (Mean= 3.77; Standard Deviation=1.103). With a mean score in the "Agree" range, it is evident that customers appreciate the proactive measures taken by the staff to ensure a smooth experience. The standard deviation, while indicating some variability, still reflects a predominantly positive sentiment.

Fifth, *the service provider demonstrated foresight in anticipating and resolving issues* (mean= 4.045; Standard Deviation= 0.94). This mean score is also within the "Agree" range, close to the "Strongly Agree" threshold. It indicates that customers largely feel that the service provider

demonstrates foresight in anticipating and resolving issues, showcasing a high level of proactive service recovery. The relatively lower standard deviation suggests a strong consensus among customers regarding this positive aspect.

To sum up the items of proactive service recovery, the mean scores for the statements on Proactive Service Recovery all fall within the "Agree" range (3.21 to 4.20), indicating a generally positive customer perception of proactive service measures. Customers feel that the staff are proactive in addressing issues, preventing problems, offering solutions quickly, and ensuring a smooth experience. The highest mean score is for the statement regarding foresight in anticipating and resolving issues, highlighting this as a particularly strong aspect of the service. These findings suggest that the service provider is successful in implementing proactive service recovery strategies, which are well-received by customers. However, to achieve even higher levels of customer satisfaction, it would be beneficial to focus on reducing the variability in customer experiences. This can be achieved through continuous staff training and development programs aimed at reinforcing proactive behaviors. Ensuring that all staff members consistently exhibit these proactive measures will help in maintaining and enhancing customer satisfaction.

The interview reply assured that, proactive Service Recovery at the Capital Hotel involves anticipating potential service failures and addressing them before they impact the guest experience. The hotel likely implements several strategies to practice proactive service recovery: Guest Feedback Monitoring: Continuously monitoring guest feedback through surveys, online reviews, and direct communication helps identify potential issues early. Staff are trained to spot signs of dissatisfaction and take immediate action. Guest Communication: Staff are encouraged to communicate proactively with guests, asking about their stay and addressing any concerns promptly. This can be through phone calls, emails, or face-to-face interactions. Compensation and Apologies: When a service failure is identified, the hotel offers sincere apologies and appropriate compensation, such as complimentary services, room upgrades, or discounts on future stays, to make amends.

4.3.2. Empathy

Table 8. Empathy

| | Mean | Std. Deviation |
|--|--------|----------------|
| 1. The staff showed genuine concern and understanding for my needs and concerns. | 3.6226 | .97975 |
| 2. I felt listened to and understood by the service provider during my interaction | 3.9299 | 1.12247 |
| 3. The staff displayed empathy and compassion towards my situation or issue. | 3.8059 | 1.12229 |
| 4. I felt that the service provider genuinely cared about my satisfaction and well-being | 3.7898 | .89080 |
| 5. The staff demonstrated sensitivity and empathy towards my feelings and experiences | 3.9542 | 1.26301 |

(Source: Field Survey, 2024)

Table 8 depicted five items. (1) The staff showed genuine concern and understanding for my needs and concerns were mean= 3.6226, this indicates that, on average, respondents feel that the staff generally show genuine concern and understanding for their needs and concerns. The relatively low standard deviation suggests a consistent perception among respondents. (2) I felt listened to and understood by the service provider during my interaction valued a mean of 3.92 suggests that respondents typically feel listened to and understood during their interactions with the service provider. The slightly higher standard deviation indicates more variability in responses, but the overall perception remains positive. (3) The staff displayed empathy and compassion towards my situation or issue calculated a mean value of 3.80, evident that respondents generally perceive the staff as displaying empathy and compassion. (4) I felt that the service provider genuinely cared about my satisfaction and well-being (Mean= 3.78) suggesting that customers generally believe the service provider cares about their satisfaction and well-being. (5) The staff demonstrated sensitivity and empathy towards my feelings and experiences (Mean=3.95) this mean score indicates that respondents generally feel that the staff are sensitive and empathetic towards their feelings and experiences.

The overall mean scores for the five statements related to empathy fall within the "Agree" range (3.21 to 4.20). This indicates a generally positive perception of the staff's empathy during service interactions. Customers feel that the staff show genuine concern, listen and understand them, display compassion, care about their satisfaction, and demonstrate sensitivity. These findings suggest that while the service provider's staff are generally perceived as empathetic, there is room for improvement to ensure more consistent customer experiences. Training programs focused on enhancing empathy skills and regular feedback mechanisms could help in reducing variability and ensuring that all customers consistently receive high levels of empathetic service. This approach could further enhance overall customer satisfaction and loyalty.

4.3.3. Continuous Feedback Loopy

Table 9. Continuous Feedback Loopy

| | Mean | Std. Deviation |
|---|--------|----------------|
| 1. I was given opportunities to provide feedback throughout my interaction with the service provider. | 3.9164 | .80607 |
| 2. The service provider actively sought my input to improve their services. | 3.5768 | 1.00614 |
| 3. I felt that my opinions and suggestions were valued and taken into consideration. | 3.8167 | 1.29399 |
| 4. The service provider encouraged open communication and welcomed feedback. | 3.8652 | 1.15695 |
| 5. I appreciated the efforts made by the service provider to gather feedback for continuous improvement | 3.6604 | .97427 |

(Source: Field Survey, 2024)

As shown in the above Table 9, the mean scores for the statements related to the Continuous Feedback Loop all fall within the "Agree" range (3.21 to 4.20). This indicates that customers generally have positive perceptions of the service provider's efforts to gather and use feedback. The highest mean score is for the statement regarding opportunities to provide feedback, indicating this as a particularly strong aspect. However, the standard deviations, particularly for the statement about valuing opinions and suggestions, show variability in customer experiences. These findings suggest that the service provider is perceived positively in terms of gathering and using feedback. However, the variability in responses indicates room for improvement, especially in consistently valuing customer opinions and suggestions. To enhance customer satisfaction, the service provider should focus on ensuring that all customers consistently feel their feedback is valued and acted upon. This could involve more transparent communication about how feedback is used and continuous training for staff on the importance of actively seeking and valuing customer input. By addressing these areas, the service provider can strengthen the feedback loop, leading to more consistent positive experiences and higher overall customer satisfaction.

According the replies in the interview, managing a continuous feedback loop at the Capital Hotel involves consistently gathering, analyzing, and acting on feedback from guests and employee

through guest Feedback Channels. In the hotel, utilizing various channels such as comment cards, online surveys, review websites, and direct interactions to collect feedback from guests.

4.3.4. Employee Empowerment

Table 10. Employee Empowerment

| | Mean | Std. Deviation |
|---|--------|----------------|
| 1. The staff demonstrated autonomy and authority in addressing my needs or concerns. | 3.8760 | .96744 |
| 2. I felt that the service provider empowered their employees to make decisions and take action | 3.8032 | 1.11820 |
| 3. The staff had the necessary authority to resolve issues without needing to escalate them. | 3.9084 | .91072 |
| 4. I noticed that the employees were empowered to go above and beyond to assist me. | 3.7143 | 1.31695 |
| 5. The service provider empowered their employees to provide personalized and effective solutions.. | 3.8086 | .78398 |

(Source: Field Survey, 2024)

The data on Employee Empowerment reflects customer perceptions shown that: The staff demonstrated autonomy and authority in addressing my needs or concerns valued a mean of 3.87. This indicates that respondents generally feel that the staff demonstrate autonomy and authority when addressing their needs or concerns. The relatively low standard deviation suggests consistent perceptions among respondents. The score mean value of the statement reads as “I felt that the service provider empowered their employees to make decisions and take action” was 3.80, suggesting that customers perceive the service provider as empowering employees to make decisions and take action. The higher standard deviation indicates some variability in customer experiences, with some customers feeling more strongly about this empowerment than others. The score mean value of the item (The staff had the necessary authority to resolve issues without needing to escalate them) was 3.90. The mean score is within the "Agree" range, showing that customers generally feel that staff have the necessary authority to resolve issues independently. The lower standard deviation suggests more consistency in this perception among customers. The fourth item that is *I noticed that the employees were empowered to go above and beyond to assist me* computed a mean value of 3.71. This indicates that customer’s notice employees are empowered to go above and beyond in assisting them. However, the high standard deviation

suggests significant variability, indicating mixed experiences among customers regarding this aspect of empowerment. The last statement of employees' empowerment reads as *the service provider empowered their employees to provide personalized and effective solutions* accounted a mean value of 3.80 and Standard Deviation 0.78. The mean score falls within the "Agree" range, suggesting that respondents feel employees are empowered to provide personalized and effective solutions. The relatively low standard deviation indicates a more consistent perception among respondents.

To generalize, the mean scores for the statements related to Employee Empowerment all fall within the "Agree" range (3.21 to 4.20). This indicates a generally positive perception of the empowerment of staff to address and resolve issues. Customers feel that staff demonstrate autonomy, have the authority to make decisions, and are empowered to provide personalized and effective solutions. The highest mean score is for the statement about staff having the necessary authority to resolve issues independently, indicating this as a particularly strong aspect of empowerment. These findings suggest that the hotel is successful in empowering their employees, which is positively perceived by customers. However, the variability in responses, especially regarding the perception of employees going above and beyond, indicates room for improvement. To enhance customer satisfaction, the hotel should focus on consistently empowering all staff members to take initiative and go the extra mile in assisting customers.

By ensuring that all employees feel empowered and have the necessary tools and authority to act independently, the service provider can enhance the overall customer experience. Continuous training and development programs aimed at reinforcing empowerment and autonomy can help achieve more consistent positive experiences and higher overall customer satisfaction.

As per the informants in the interview, employee empowerment at the Capital Hotel is likely practiced through several initiatives aimed at giving employees the authority and confidence to make decisions: (1) Training and Development: Providing comprehensive training programs that equip employees with the skills and knowledge they need to make informed decisions and provide excellent service. (2) Recognition and Rewards: Implementing a recognition and reward system to acknowledge employees who take initiative and go above and beyond in their roles. (3) Open Communication: Fostering an environment of open communication where employees feel

comfortable sharing their ideas and feedback with management. (4) Supportive Leadership: Managers and supervisors provide support and guidance, helping employees grow professionally and build confidence in their decision-making abilities.

4.3.5. Fair Compensation

Table 11. Fair Compensation

| | Mean | Std. Deviation |
|---|--------|----------------|
| 1. I believe that the compensation offered for any inconvenience was fair and reasonable. | 3.7736 | .85895 |
| 2. The service provider offered appropriate compensation to acknowledge any service failures. | 3.9677 | 1.14137 |
| 3. I was satisfied with the compensation provided to make up for any inconvenience caused. | 3.7601 | 1.07860 |
| 4. The compensation offered by the service provider adequately addressed the impact of the service failure. | 3.9838 | .74308 |
| 5. I felt that the service provider valued my time and effort by offering fair compensation. | 3.5714 | .99683 |

(Source: Field Survey, 2024)

Regarding fair compensation,

The mean scores for the statements related to Fair Compensation all fall within the "Agree" range (3.21 to 4.20). This indicates a generally positive perception of the compensation offered by the service provider. Customers believe that the compensation is fair and reasonable, acknowledges service failures appropriately, is satisfactory, adequately addresses the impact of service failures, and demonstrates that the service provider values their time and effort. These findings suggest that the service provider is perceived positively in terms of offering fair and adequate compensation for service failures. However, the variability in responses, particularly regarding satisfaction with the compensation and the perception of being valued, indicates room for improvement. To enhance customer satisfaction, the service provider should focus on ensuring consistent experiences for all customers, particularly in the areas of satisfaction with compensation and demonstrating value for customers' time and effort. By ensuring that all compensation is perceived as fair and adequate, and by consistently demonstrating that customer time and effort

are valued, the service provider can strengthen customer satisfaction. Continuous evaluation and improvement of compensation policies, as well as clear communication about the reasoning behind compensation decisions, can help achieve more consistent positive experiences and higher overall customer satisfaction.

4.3.6. Customer Satisfaction

Table 12. Customer's Satisfaction

| | Mean | Std. Deviation |
|---|--------|----------------|
| 1. Overall, I am satisfied with the service provided by the company. | 3.7655 | 1.19073 |
| 2. I would recommend the company's services to others based on my experience. | 3.7224 | .71661 |
| 3. The service provided by the company met or exceeded my expectations. | 3.5714 | 1.10876 |
| 4. I am likely to continue using the company's services in the future. | 3.9137 | .74115 |
| 5. My overall satisfaction with the company's service is high | 4.0863 | .84986 |

(Source: Field Survey, 2024)

The dependent variable that was Customer Satisfaction was analyzed as follows. The respondent's response on the item reads as *overall, I am satisfied with the service provided by the company* was computing a mean value of 3.76 and Standard Deviation of 1.19. These figures indicating that respondents are generally satisfied with the service provided by the hotel. The relatively high standard deviation suggests some variability in satisfaction levels among customers, indicating that while many are satisfied, some may have had different experiences. The customer's response for the statement i.e. *I would recommend the company's services to others based on my experience* (Mean=3.72; and, Standard Deviation= 0.71). The mean value showing that customers are generally willing to recommend the company's services to others based on their experiences. The lower standard deviation indicates more consistency in this positive sentiment among respondents. On the third item (The service provided by the company met or exceeded my expectations) the mean was 3.57 (agreed) and the Standard Deviation 1.108 (relatively heterogeneous response

respondents on the item). The mean score suggesting that the service met or exceeded customer expectations. The score mean of the item reads as *I am likely to continue using the company's services in the future* was 3.91, indicating that customers are likely to continue using the company's services in the future. The last item of customer's satisfaction was *my overall satisfaction with the company's service is high*, valued a score mean of 4.08, indicating a high level of overall satisfaction with the hotel's service.

To sum up, the mean scores for all statements related to customer satisfaction fall within the "Agree" range (3.21 to 4.20), indicating a generally positive perception of the company's service. Customers are overall satisfied, willing to recommend the service, feel that the service meets or exceeds their expectations, are likely to continue using the service, and have high overall satisfaction. These findings implicated that the hotel is performing well in terms of customer satisfaction, but there is still room for improvement, especially in ensuring that the service consistently meets or exceeds customer expectations.

According to the interview, the Capital Hotel rates customer satisfaction through various methods and aims to maintain high levels of satisfaction by Online Reviews. This is done by Monitoring and analyzing reviews on platforms like TripAdvisor, Google Reviews, and booking websites to gauge overall guest sentiment. And, Direct Feedback by Encouraging guests to provide direct feedback during their stay, allowing staff to address any issues immediately. The degree of customer satisfaction at the Capital Hotel can be determined by: High Ratings: Achieving consistently high ratings and positive feedback in surveys and online reviews. Repeat Business: A high percentage of returning guests indicates strong customer satisfaction.

By focusing on these areas, the Capital Hotel can ensure it provides high-quality service, empowers its employees, maintains fair compensation, manages continuous feedback effectively, and achieves high levels of customer satisfaction.

4.3.7. Summary

Table 13. Summary

| | Mean | Std. Deviation |
|----------------------------|--------|----------------|
| Proactive Service Recovery | 3.8146 | .95357 |

| | | |
|---------------------------|--------|--------|
| Empathy | 3.8469 | .89868 |
| Employee Empowerment | 3.8695 | .81328 |
| Continuous Feedback Loopy | 3.7806 | .76324 |
| Fair Compensation | 3.8410 | .77630 |
| Satisfaction | 3.8205 | .80754 |
| Valid N (listwise) | | |

(Source: Field Survey, 2024)

To summarize the respondents reply on the variables, the above table 12 presents mean scores and standard deviations of the variables. Firstly, Proactive Service Recovery scored a mean of 3.8146 with a standard deviation of 0.95357. This dimension typically assesses the organization's ability to address and resolve customer issues promptly and effectively, indicating a moderate level of capability and variability in this area. Secondly, Empathy received a mean score of 3.8469 with a standard deviation of 0.89868. This dimension highlights the organization's capacity to understand and respond to the emotions and needs of its customers, suggesting a slightly higher level of performance and consistency compared to proactive service recovery. Thirdly, Employee Empowerment achieved a mean score of 3.8695 and a standard deviation of 0.81328. This dimension focuses on empowering employees to make decisions and take actions that enhance customer satisfaction, indicating a relatively high mean score and moderate variability. Fourthly, Continuous Feedback Loopy attained a mean score of 3.78 with a standard deviation of 0.76. This dimension evaluates the organization's practice of gathering and utilizing feedback from customers and employees to improve service delivery continuously, showing a moderate mean score with moderate variability. Fifthly, Fair Compensation received a mean score of 3.84 and a standard deviation of 0.77. This dimension assesses the perception of fairness in compensation among employees, highlighting a moderate mean score and variability in how compensation practices are perceived within the organization. Lastly, Satisfaction, which reflects overall satisfaction levels, scored a mean of 3.82 with a standard deviation of 0.807.

4.4. Inferential Statistics

4.4.1. Correlations

Table 14. Correlations

| | | Proactive Service Recovery | Empathy | Employee Empowerment | Continuous Feedback Loopy | Fair Compensation | Satisfaction |
|----------------------------|---------------------|----------------------------|---------|----------------------|---------------------------|-------------------|--------------|
| Proactive Service Recovery | Pearson Correlation | 1 | .831** | .852** | .830** | .776** | .844** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 |
| | N | 371 | 371 | 371 | 371 | 371 | 371 |
| Empathy | Pearson Correlation | .831** | 1 | .918** | .870** | .939** | .945** |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 |
| | N | 371 | 371 | 371 | 371 | 371 | 371 |
| Employee Empowerment | Pearson Correlation | .852** | .918** | 1 | .950** | .897** | .944** |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 |
| | N | 371 | 371 | 371 | 371 | 371 | 371 |
| Continuous Feedback Loopy | Pearson Correlation | .830** | .870** | .950** | 1 | .819** | .880** |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 |
| | N | 371 | 371 | 371 | 371 | 371 | 371 |
| Fair Compensation | Pearson Correlation | .776** | .939** | .897** | .819** | 1 | .926** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 |
| | N | 371 | 371 | 371 | 371 | 371 | 371 |
| Satisfaction | Pearson Correlation | .844** | .945** | .944** | .880** | .926** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | |
| | N | 371 | 371 | 371 | 371 | 371 | 371 |

** . Correlation is significant at the 0.01 level (2-tailed).

(Source: Field Survey, 2024)

The above Table 14 displayed the correlation matrix for Proactive Service Recovery, Empathy, Employee Empowerment, Continuous Feedback Loopy, Fair Compensation, and Satisfaction provides valuable insights into the relationships between these variables. All correlations are significant at the 0.01 level, indicating strong and meaningful associations.

Proactive Service Recovery has a strong positive correlation with Satisfaction ($r = 0.844$, $p < 0.01$). This suggests that when staff proactively address issues, customer satisfaction increases significantly. It also shows high correlations with Empathy ($r = 0.831$), Employee Empowerment ($r = 0.852$), Continuous Feedback Loop ($r = 0.830$), and Fair Compensation ($r = 0.776$). These correlations indicate that proactive service recovery is closely linked with other service recovery dimensions, implying that a proactive approach often involves demonstrating empathy, empowering employees, and providing fair compensation.

Empathy exhibits the highest correlation with Satisfaction ($r = 0.945$, $p < 0.01$). This underscores the critical role of empathy in achieving high levels of customer satisfaction. When customers feel understood and valued, their overall satisfaction with the service increases substantially. The strong correlations with Employee Empowerment ($r = 0.918$), Continuous Feedback Loop ($r = 0.870$), and Fair Compensation ($r = 0.939$) suggest that empathetic service providers are likely to empower their employees, seek continuous feedback, and offer fair compensation, all of which contribute to customer satisfaction.

Employee Empowerment is also highly correlated with Satisfaction ($r = 0.944$, $p < 0.01$), indicating that giving employees the authority to address customer concerns effectively leads to higher satisfaction levels. It shows very strong correlations with Continuous Feedback Loop ($r = 0.950$) and Fair Compensation ($r = 0.897$). Empowered employees are more capable of engaging in continuous feedback and ensuring fair compensation, further enhancing customer satisfaction. The Continuous Feedback Loop has a strong correlation with Satisfaction ($r = 0.880$, $p < 0.01$). This indicates that customers appreciate opportunities to provide feedback and see their suggestions implemented, which enhances their satisfaction. It is also highly correlated with Employee Empowerment ($r = 0.950$), suggesting that empowered employees are better positioned to implement continuous feedback mechanisms.

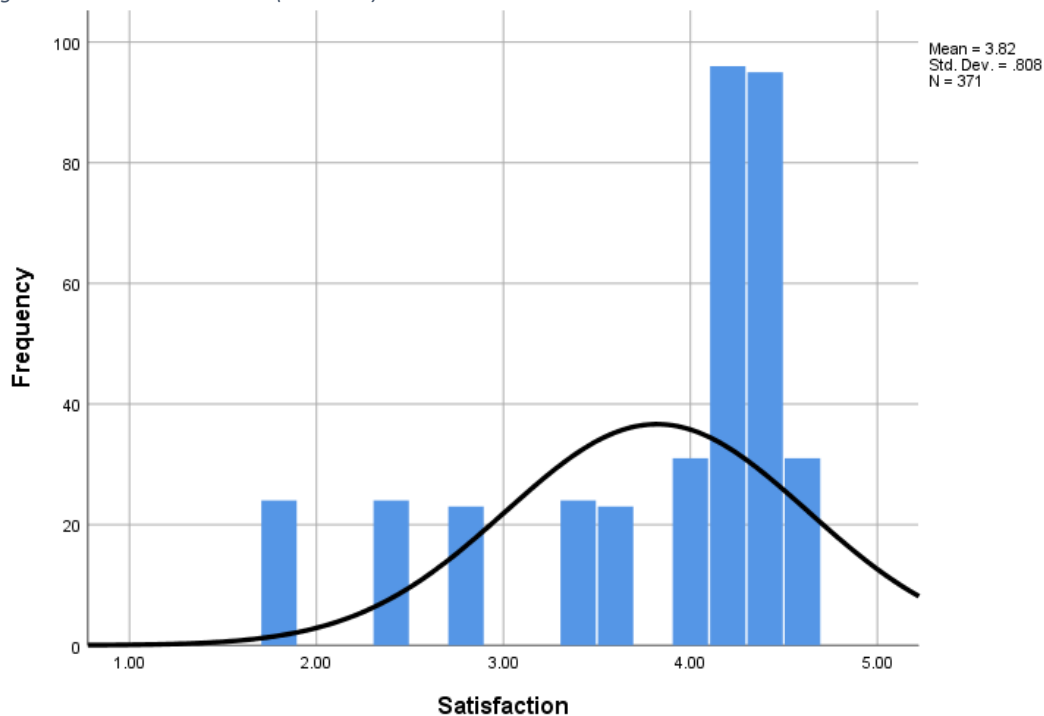
Fair Compensation shows a very strong correlation with Satisfaction ($r = 0.926$, $p < 0.01$), highlighting the importance of compensating customers fairly for any inconveniences or service failures. This practice significantly boosts customer satisfaction. It is highly correlated with Empathy ($r = 0.939$) and Employee Empowerment ($r = 0.897$), indicating that fair compensation is often part of an empathetic and empowered service approach.

Then, the correlation analysis reveals that all service recovery dimensions—Proactive Service Recovery, Empathy, Employee Empowerment, Continuous Feedback Loop, and Fair Compensation—are strongly associated with each other and with overall customer satisfaction. Empathy and Employee Empowerment emerge as the most strongly correlated with satisfaction, underscoring their pivotal roles.

4.4.2. Assumption for Regression Diagnosis

4.4.2.1. Normality

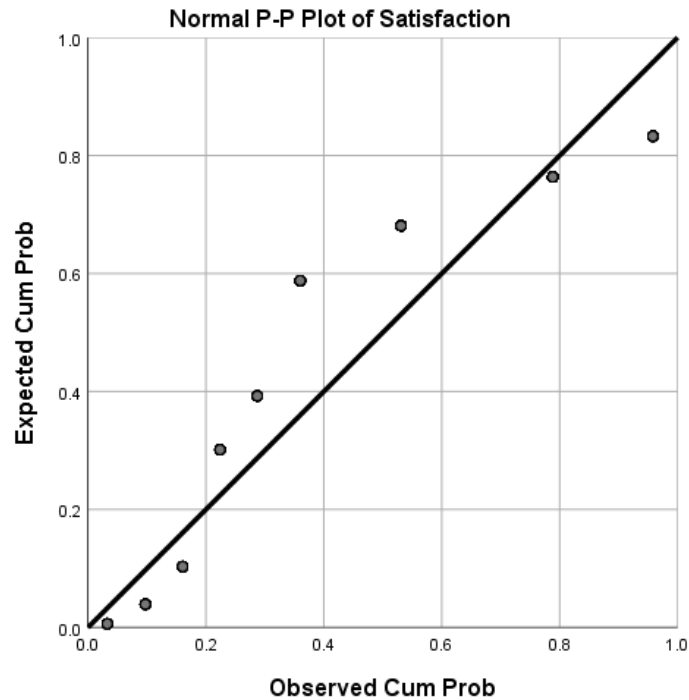
Figure 3. GRAPH HISTOGRAM (NORMAL)



(Source: Field Survey, 2024)

4.4.2.2. Linearity

Figure 4. Linearity



(Source: Field Survey, 2024)

4.4.2.3. Multi Collinearity Statistics

Table 15. Multi collinearity

| Variable | Tolerance | VIF |
|----------------------------|-----------|-------|
| (Constant) | | |
| Proactive Service Recovery | .252 | 3.970 |
| Empathy | .080 | 2.496 |
| Employee Empowerment | .051 | 3.501 |
| Continuous Feedback Loopy | .087 | 4.460 |
| Fair Compensation | .099 | 3.082 |

(Source: Field Survey, 2024)

Table 15 provides an assessment of multicollinearity among the variables included in the regression model. As a result, Empathy and Fair Compensation demonstrate relatively lower levels of multicollinearity, suggesting they are more independent of the other predictors in the model. Proactive Service Recovery, Employee Empowerment, and Continuous Feedback Loopy show moderate levels of multicollinearity, which should be considered when interpreting their

coefficients in the regression analysis. Addressing multicollinearity through techniques like variable selection or regularization could enhance the robustness of the regression results.

4.4.3. Model Summary

Table 16. Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|--|-------------------|----------|-------------------|----------------------------|
| 1 | .968 ^a | .938 | .937 | .20288 |
| a. Predictors: (Constant), Fair Compensation, Proactive Service Recovery, Continuous Feedback Loopy, Empathy, Employee Empowerment | | | | |

(Source: Field Survey, 2024)

Table 15 above summarizes the model performance metrics for the regression analysis conducted. The table provides key indicators of how well the model fits the data and predicts the outcome variable based on the predictors included.

One, the table indicates that the overall model fit is strong, with an R (multiple correlation coefficient) of .968. This value suggests a very high correlation between the predictors (Fair Compensation, Proactive Service Recovery, Continuous Feedback Loop, Empathy, and Employee Empowerment) and the outcome variable being predicted.

Two, the R Square value of .938 indicates that approximately 93.8% of the variance in the outcome variable can be explained by the predictors included in the model. This suggests that the model is effective in capturing and explaining the variability in the dependent variable (such as Satisfaction or another relevant outcome measure).

Three, the Adjusted R Square, which takes into account the number of predictors in the model, is .937. This adjusted value is slightly lower than the R Square but remains very high, indicating that the predictors collectively account for a significant portion of the variance in the dependent variable while adjusting for the complexity of the model.

Four, the Std. Error of the Estimate (.20288) provides an estimate of the standard deviation of the residuals (the differences between observed values and predicted values). A lower value indicates that the model has a better fit to the data, with smaller residuals around the predicted values.

In summary, Table 11 demonstrates that the regression model including Fair Compensation, Proactive Service Recovery, Continuous Feedback Loop, Empathy, and Employee Empowerment as predictors performs well in explaining the variance in the outcome variable. The high R and R Square values suggest a robust relationship between the predictors and the outcome, indicating that these dimensions significantly contribute to understanding and predicting organizational outcomes related to satisfaction or other relevant measures.

4.4.4. ANOVA^a

Table 17. ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|--|------------|----------------|-----|-------------|----------|-------------------|
| 1 | Regression | 226.261 | 5 | 45.252 | 1099.442 | .000 ^b |
| | Residual | 15.023 | 365 | .041 | | |
| | Total | 241.284 | 370 | | | |
| a. Dependent Variable: Satisfaction | | | | | | |
| b. Predictors: (Constant), Fair Compensation, Proactive Service Recovery, Continuous Feedback Loopy, Empathy, Employee Empowerment | | | | | | |

(Source: Field Survey, 2024)

Table 17 presents the results of the ANOVA (Analysis of Variance) conducted for the regression model used to predict the dependent variable, Satisfaction, based on the predictors Fair Compensation, Proactive Service Recovery, Continuous Feedback Loop, Empathy, and Employee Empowerment. The regression row provides information about the variance explained by the regression model. The sum of squares for Regression is 226.261, indicating the total variation in the dependent variable that can be attributed to the predictors included in the model. The F statistic is 1099.442. This statistic compares the variability explained by the regression model against the variability that cannot be explained (residual variability). A higher F value indicates that the regression model is statistically significant. The significance level (p-value) associated with the F statistic is .000 (b). This p-value is less than .05 (assuming a significance level of .05), indicating that the regression model as a whole is significant. In other words, at least one of the predictors in the model has a statistically significant relationship with Satisfaction. The residual row provides information about the residual variability in the model, which is the variability in the dependent

variable that is not explained by the predictors. The residual sum of squares is 15.023, representing the unexplained variability after accounting for the predictors in the model. df for Residual is 365, reflecting the degrees of freedom associated with the residual variability. Mean Square for Residual is .041, indicating the average amount of unexplained variance (residuals) in the model. To sum up, the results from Table 16, indicate that the regression model is highly significant ($p < .001$), suggesting that the predictors collectively contribute significantly to explaining Satisfaction.

4.4.5. Coefficients

Table 18. Regression

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------------------------------------|----------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .165 | .061 | | 2.708 | .007 |
| | Proactive Service Recovery | .075 | .022 | .089 | 3.411 | .001 |
| | Empathy | .301 | .041 | .335 | 7.259 | .000 |
| | Employee Empowerment | .516 | .057 | .519 | 9.002 | .000 |
| | Continuous Feedback Loopy | .134 | .047 | .127 | 2.866 | .004 |
| | Fair Compensation | .188 | .043 | .181 | 4.358 | .000 |
| a. Dependent Variable: Satisfaction | | | | | | |

(Source: Field Survey, 2024)

Table 18, of the regression analysis results for the model predicting customer satisfaction based on various service recovery dimensions provide insightful findings. The model includes the following predictors: Proactive Service Recovery, Empathy, Employee Empowerment, Continuous Feedback Loop, and Fair Compensation. The unstandardized and standardized coefficients, along with their significance levels, indicate the relative contribution of each predictor to customer satisfaction.

In the model the constant (intercept) is 0.165, with a standard error of 0.061, and is statistically significant ($t = 2.708$, $p = 0.007$). This indicates that when all predictors are held at zero, the baseline level of customer satisfaction is 0.165.

The predictor i.e. proactive Service Recovery has an unstandardized coefficient (B) of 0.075 and a standardized coefficient (Beta) of 0.089, with a t-value of 3.411 and a p-value of 0.001. The positive and significant Beta coefficient suggests that proactive service recovery positively influences customer satisfaction. For every one-unit increase in proactive service recovery, customer satisfaction increases by 0.075 units.

The variable that is Empathy has an unstandardized coefficient of 0.301 and a standardized coefficient of 0.335, with a t-value of 7.259 and a p-value of 0.000. This strong and significant relationship indicates that empathy is a critical factor in enhancing customer satisfaction. A one-unit increase in empathy leads to a 0.301 unit increase in customer satisfaction.

The independent variable i.e. Employee Empowerment has the highest unstandardized coefficient of 0.516 and a standardized coefficient of 0.519, with a t-value of 9.002 and a p-value of 0.000. Employee empowerment significantly contributes to customer satisfaction, suggesting that empowering employees to address customer needs and concerns can lead to substantial improvements in customer satisfaction. A one-unit increase in employee empowerment results in a 0.516 unit increase in customer satisfaction.

The fourth predictor i.e. Continuous Feedback Loop's unstandardized coefficient is 0.134 and the standardized coefficient is 0.127, with a t-value of 2.866 and a p-value of 0.004. This indicates that continuous feedback loops positively impact customer satisfaction, though to a lesser extent compared to other predictors. A one-unit increase in the continuous feedback loop leads to a 0.134 unit increase in customer satisfaction.

The explanatory variable of Fair Compensation has an unstandardized coefficient of 0.188 and a standardized coefficient of 0.181, with a t-value of 4.358 and a p-value of 0.000. Fair compensation also positively affects customer satisfaction, indicating that adequately compensating customers for any inconveniences can enhance their satisfaction. A one-unit increase in fair compensation results in a 0.188 unit increase in customer satisfaction.

From these figures, the five predictors significantly contribute to customer satisfaction, with Employee Empowerment having the strongest impact, followed by Empathy, Fair Compensation, Continuous Feedback Loop, and Proactive Service Recovery. These findings suggest that strategies aimed at empowering employees, demonstrating empathy, providing fair compensation,

maintaining continuous feedback loops, and proactively addressing issues can significantly enhance overall customer satisfaction.

4.4.6. Hypothesis Test

Table 19. Hypothesis Test

| Hypothesis | p-value | Decision |
|--|---------|----------|
| H ₁ : Proactive service recovery of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel. | .000 | Accepted |
| H ₂ : Empathy of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel. | .000 | Accepted |
| H ₃ : Continuous feedback from front-office employees has a positive and significant effect on customer satisfaction at Capital Hotel. | .004. | Accepted |
| H ₄ : Empowerment of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel. | .000 | Accepted |
| H ₅ : Fair compensation to recover service failures has a positive and significant effect on customer satisfaction at Capital Hotel. | .000 | Accepted |

(Source: Field Survey, 2024)

Table 19 above summarizes the hypothesis tests conducted to assess the impact of various factors on customer satisfaction at Capital Hotel.

Hypothesis 1 (H1) *Proactive service recovery of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel.* The p-value obtained was .000, leading to the decision to accept this hypothesis. This indicates that when front office employees take proactive steps to recover service failures, it positively influences customer satisfaction.

Hypothesis 2 (H2) *Empathy of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel.* Similarly, the p-value obtained was .000, resulting in the acceptance of this hypothesis. This suggests that displaying empathy towards customers significantly enhances their satisfaction levels.

Hypothesis 3 (H3) *Continuous feedback from front-office employees has a positive and significant effect on customer satisfaction at Capital Hotel.* The p-value obtained was .004, leading to the decision to accept this hypothesis. This indicates that receiving continuous feedback from front-office employees contributes positively to customer satisfaction.

Hypothesis 4 (H4): *Empowerment of front office employees has a positive and significant effect on customer satisfaction at Capital Hotel.* The p-value obtained was .000, resulting in the acceptance of this hypothesis. This implies that when front office employees are empowered to make decisions, it positively impacts customer satisfaction.

Hypothesis 5 (H5): *Fair compensation to recover service failures has a positive and significant effect on customer satisfaction at Capital Hotel.* The p-value obtained was .000, leading to the acceptance of this hypothesis. This suggests that providing fair compensation to customers in response to service failures significantly enhances their satisfaction.

In summary, all hypotheses tested in this study were supported by the data, indicating that proactive service recovery, empathy, continuous feedback, empowerment of employees, and fair compensation are all significant factors contributing to customer satisfaction at Capital Hotel. These findings underscore the importance of these factors in enhancing overall customer experience and satisfaction levels in the hospitality industry context.

4.5. Discussion

This study revealed that proactive service recovery, empathy, continuous feedback, empowerment of employees, and fair compensation are all significant factors contributing to customer satisfaction. Studies have consistently shown that proactive service recovery significantly enhances customer satisfaction. For instance, a study by Van Vaerenbergh et al. (2018) found that customers appreciate when service providers anticipate issues and take preemptive actions to address them, leading to higher satisfaction levels. The current study results indicate that proactive service recovery has a positive and significant impact on customer satisfaction (Beta = 0.089, $p = 0.001$), supporting the notion that addressing potential problems proactively can improve customer experiences.

Empathy has been highlighted as a critical component in service recovery. According to research by Wirtz and Lovelock (2018), empathetic interactions where staff show genuine concern and understanding significantly boost customer satisfaction. Similarly, a study by Kim and Baker (2019) confirmed that empathy in service interactions fosters trust and loyalty. This study's model shows empathy as a strong predictor of customer satisfaction (Beta = 0.335, $p = 0.000$), corroborating these findings. It suggests that when staff exhibit empathy, it greatly enhances the customer's perception of the service, leading to higher satisfaction.

The importance of employee empowerment has been emphasized in numerous studies. Lee et al. (2020) found that empowering employees to make decisions improves their ability to resolve issues efficiently, which in turn increases customer satisfaction. Furthermore, a study by Ashill et al. (2019) demonstrated that empowered employees are more motivated and capable of providing superior service. This study also indicates that employee empowerment has the highest impact on customer satisfaction (Beta = 0.519, $p = 0.000$). This aligns with previous research, emphasizing that granting employees the authority to address customer concerns directly can significantly enhance service outcomes and customer satisfaction.

Previous empirical evidence on continuous feedback mechanisms are crucial for ongoing service improvement. Research by Bowen and Chen (2021) suggests that soliciting and incorporating customer feedback can lead to better service adaptations and higher satisfaction. Another study by Gustafsson et al. (2022) found that customers value when their feedback is acknowledged and acted upon.

Fair compensation for service failures is a well-documented factor in customer satisfaction. Research by Noone and Lee (2018) indicated that appropriate compensation mitigates the negative effects of service failures, restoring customer satisfaction. Further studies by Sparks and McColl-Kennedy (2020) confirmed that fair compensation is essential for maintaining customer trust and loyalty after service disruptions.

Chapter Five:

Conclusion and Recommendation

5.1. Conclusion

This study driven the following conclusions:

Proactive service recovery plays a crucial role in boosting customer satisfaction. By anticipating and addressing potential service issues before they escalate, organizations can significantly improve customer experiences. Implementing proactive strategies helps reduce customer dissatisfaction and enhances overall satisfaction levels.

Empathy emerges as a critical component of effective service recovery. When service employees show genuine concern and understanding, customers feel valued and are more likely to be satisfied with the service. This underscores the importance of training programs that enhance the empathetic skills of service staff, ensuring they can connect with customers on a personal level.

Employee empowerment has a profound impact on customer satisfaction. Empowered employees who can make decisions and resolve issues efficiently contribute significantly to higher levels of customer satisfaction. Organizations should focus on policies that grant employees the authority to handle customer concerns directly, as this enhances service outcomes and customer satisfaction.

The importance of continuous feedback mechanisms is evident in improving service quality and customer satisfaction. By regularly incorporating customer feedback, organizations can adapt their services to better meet customer expectations. Continuous feedback ensures services remain aligned with customer needs and can be adjusted in real-time to address any issues promptly.

Fair compensation for service failures is critical in maintaining customer satisfaction. Ensuring fair compensation helps maintain trust and loyalty even after service disruptions. Organizations should have clear policies for compensating customers fairly to mitigate the negative impacts of service failures and restore customer satisfaction.

5.2. Recommendation

Based on the conclusions drawn from the study, the following recommendations can be made to further enhance customer satisfaction at the hotel:

- Enhance Proactive Service Recovery through training programs like Implement comprehensive training programs for employees focusing on identifying and addressing potential service issues proactively.
- Utilize technology and data analytics to predict and preemptively manage service disruptions, ensuring issues are resolved before customers are affected.
- Develop clear communication channels to inform customers about potential issues and the steps being taken to mitigate them.
- Conduct regular empathy training workshops to help employees understand the importance of emotional intelligence in customer interactions
- Create guidelines and best practices for empathetic customer service to ensure consistency in customer interactions.
- Implement recognition programs to reward employees who consistently demonstrate high levels of empathy in their service delivery.
- Grant employees greater decision-making authority to resolve customer issues on the spot, reducing the need for escalations.
- Create a supportive environment where employees feel confident and supported in making decisions that benefit the customer.
- Regularly seek feedback from employees about their empowerment levels and adjust policies to enhance their autonomy in service recovery situations.
- Conduct regular customer satisfaction surveys to gather continuous feedback on service experiences.
- Develop systems to integrate customer feedback into service improvement processes promptly.
- Communicate back to customers how their feedback has been used to improve services, showing that their input is valued and acted upon.
- Establish clear and fair compensation policies for service failures, ensuring customers feel valued and compensated appropriately.

- Train employees on these policies to ensure consistent application across all service encounters.
- Implement a follow-up process to ensure customers are satisfied with the compensation received and their issues are fully resolved.

5.3. Farther Studies

For future studies, several areas can be explored to build on the findings of the current research:

- To analyses the Service Recovery Impact over Time it is advisable to conduct longitudinal studies to examine the long-term impact of proactive service recovery, empathy, employee empowerment, continuous feedback loops, and fair compensation on customer satisfaction.
- Compare the effectiveness of these service recovery strategies across different industries to determine if certain sectors benefit more from specific approaches.
- Explore how cultural differences influence the effectiveness of these service recovery strategies in different geographical locations or among diverse customer demographics.
- By integrating other variables like future researchers can employ the test between customer's satisfactions.

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Appendix I: Questionnaire

Dear Participant,

Thank you for joining our research, dear Participant. This study is focused on exploring the impact of service recovery strategies on customer satisfaction, with a particular focus on Capital Hotel. I am grateful for the empirical evidence that supports our efforts to understand how service recovery strategies affect customer satisfaction in hospitality. You can choose to participate and leave any comments anonymous. You were contributing to the growth of knowledge in marketing management, both within industry and beyond. Your rights as a participant were respected, and all data collected will exclusively be used for research purposes. My thanks to you for your willingness to collaborate on this significant research project.

Contact Address:

Mobile: +251 947 31 9689

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Yours Sincerely,

Hirutab, Graduate Student at Addis Ababa University

Part I: Demographic Information

1. How old are you? _____
2. What is your Gender?
 - A. Male
 - B. Female
3. What is your current Occupation: _____
4. How often visits to Capital Hotel?
 - A. Once a month,
 - B. Once a year
 - C. First-time visitor
 - D. Specify if other _____
5. What was the Length of stay during the last visit _____
 - A. some hours
 - B.1 night
 - C.2 nights
 - D.3 nights
 - E. Specify if other _____
- 6 . What was the Purpose of your visit?
 - A. Business
 - B. Leisure
 - C. Conference
 - D. Other (please specify) _____
6. How did you make your reservation?
 - A. Online

B. Phone

C. In person

Part II: Instructions: Please indicate your level of agreement with each statement using the Likert scale where the smallest value is one and the maximum is five points: 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4= Agree; 5=Strongly Agree

| | | Your Rating of the Service Recovery in Likert Scale | | | | |
|--|---|---|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| Service Recovery Strategy and Dimensions | | | | | | |
| Proactive Service Recovery | 1 The staff proactively addressed any issues or concerns I had during my interaction. | | | | | |
| | 2. I felt that the service provider took initiative to prevent potential problems from occurring. | | | | | |
| | 3. The service provider was quick to offer solutions before I even raised any complaints. | | | | | |
| | 4. I appreciated the proactive measures taken by the staff to ensure a smooth experience. | | | | | |
| | 5.The service provider demonstrated foresight in anticipating and resolving issues | | | | | |
| Empathy | 1. The staff showed genuine concern and understanding for my needs and concerns. | | | | | |
| | 2. I felt listened to and understood by the service provider during my interaction | | | | | |
| | 3. The staff displayed empathy and compassion towards my situation or issue. | | | | | |
| | 4. I felt that the service provider genuinely cared about my satisfaction and well-being | | | | | |
| | 5. The staff demonstrated sensitivity and empathy towards my feelings and experiences | | | | | |

| | | | | | | |
|--------------------------|--|--|--|--|--|--|
| Continuous Feedback Loop | 1. I was given opportunities to provide feedback throughout my interaction with the service provider. | | | | | |
| | 2. The service provider actively sought my input to improve their services. | | | | | |
| | 3. I felt that my opinions and suggestions were valued and taken into consideration. | | | | | |
| | 4. The service provider encouraged open communication and welcomed feedback. | | | | | |
| | 5. I appreciated the efforts made by the service provider to gather feedback for continuous improvement | | | | | |
| Employee Empowerment | 1. The staff demonstrated autonomy and authority in addressing my needs or concerns. | | | | | |
| | 2. I felt that the service provider empowered their employees to make decisions and take action | | | | | |
| | 3. The staff had the necessary authority to resolve issues without needing to escalate them. | | | | | |
| | 4. I noticed that the employees were empowered to go above and beyond to assist me. | | | | | |
| | 5. The service provider empowered their employees to provide personalized and effective solutions. | | | | | |
| Fair Compensation | 1. I believe that the compensation offered for any inconvenience was fair and reasonable. | | | | | |
| | 2. The service provider offered appropriate compensation to acknowledge any service failures. | | | | | |
| | 3. I was satisfied with the compensation provided to make up for any inconvenience caused. | | | | | |
| | 4. The compensation offered by the service provider adequately addressed the impact of the service failure. e. I felt that the service provider valued my time and effort by offering fair compensation. | | | | | |
| | 5. I felt that the service provider valued my time and effort by offering fair compensation. | | | | | |

| | | | | | | |
|-------------------------------|---|--|--|--|--|--|
| Dependent Variable Evaluation | | | | | | |
| Customer Satisfaction | 1. Overall, I am satisfied with the service provided by the company. | | | | | |
| | 2. I would recommend the company's services to others based on my experience. | | | | | |
| | 3. The service provided by the company met or exceeded my expectations. | | | | | |
| | 4. I am likely to continue using the company's services in the future. | | | | | |
| | 5. My overall satisfaction with the company's service is high | | | | | |

Dear Advisor, the following questions are optional. However, Without the following activities the study will fail fill the existing gaps on the topic which I have listed under problem Statement. Hence, I would appreciate if cooperate and I achieve the remaining objectives which are currently out of the conceptual framework.

Questionnaire on Research gap 1: To identify the customer recovery practices at Capital Hotel

1. How satisfied are you with the resolution provided by Capital Hotel when you encountered a service issue?
2. Have you ever experienced a service failure during your stay at Capital Hotel?
A.yes B.No

If yes, please describe the situation_____

3. How would you rate Capital Hotel's responsiveness in addressing your service issues or complaints?

4. Did Capital Hotel offer any compensation or gesture of goodwill when addressing your service issue?

A.yes B.No

If yes, please specify.

Questionnaire on research gap 2: To determine the influence of customer service recovery practices on customer satisfaction at Capital Hotel

1. On a scale of 1 to 10, how satisfied are you with your overall experience at Capital Hotel?_____
2. How do you perceive Capital Hotel's efforts in resolving service failures compared to other hotels you've stayed at?_____
3. Has the way Capital Hotel handles service issues influenced your overall satisfaction with your stay?_____

If yes,please specify,_____

- 4.Would you recommend Capital Hotel to others based on how they handle service recovery situations?

Questionnaire on Research Gap 3 : To examine the influences of timeliness of service recovery efforts play in enhancing customer satisfaction at Capital Hotel

1. How quickly did Capital Hotel respond to your service issue or complaint?
2. Did the timeliness of Capital Hotel's response impact your satisfaction with the resolution?
3. On a scale of 1 to 5, how important is it for you that service issues are resolved promptly during your stay at Capital Hotel?
4. Have you ever felt dissatisfied with the speed at which Capital Hotel addressed your service issue?

Questionnaire on Objective 5: To evaluate the effect of perceived customer recovery on customer loyalty at Capital Hotel

1. How likely are you to continue staying at Capital Hotel in the future based on your experience with their service recovery efforts?
2. Has Capital Hotel's handling of service failures influenced your likelihood to book with them again?
3. Do you believe that Capital Hotel values your loyalty based on how they handle service issues?
4. Would you consider switching to another hotel if you experienced a similar service failure elsewhere?

Questionnaire on research gap 4: What are the organizational factors that determine the implementation of best customer recovery practices in the Capital hotel environments?

1. How would you rate Capital Hotel's training programs for staff in handling service recovery situations?
2. Do you think Capital Hotel has adequate resources allocated for resolving service issues promptly?
3. How would you describe the culture at Capital Hotel regarding customer satisfaction and service recovery?
4. Are there any specific policies or procedures at Capital Hotel that hinder effective service recovery efforts?