



**ADDIS ABABA UNIVERSITY COLLEGE OF
BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE
DEPARTMENT OF MARKETING MANAGEMENT**

**ANALYSIS OF THE EFFECT OF SERVICE
RECOVERY ON CUSTOMER SATISFACTION:
THE CASE OF HILTON ADDIS ABABA**

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JUNE , 2020

ADDIS ABABA, ETHIOPIA

A thesis submitted to Addis Ababa University, School of
Commerce in partial fulfillment of the requirements for
degree of MA in Marketing Management

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Declaration

I certify that this research paper entitled Department of Marketing Management Analysis of the effect of service recovery on customer satisfaction: The case of Hilton Addis Ababa as not previously been submitted for a degree nor has it been submitted as part of requirements for a degree.

I also certify that the thesis/project has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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STATEMENT OF CERTIFICATION

This is to certify that the thesis titled "Analysis of the effect of service recovery on customer satisfaction: The case of Hilton Addis Ababa" submitted by Ato. Biruk Sebsibe to Addis Ababa University, School of Commerce towards partial fulfillment of the requirements for the award of the degree of Master of Arts in Marketing Management is a genuine record of the work carried out by him under my supervision and guidance.

Belaynesh Tefera (Ph.D.)

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Date

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Acronym

ANOVA	Analysis of Variance
SR	Service recovery
SPSS	Statistical Packages for Social Science
$\alpha\beta$	Coefficients of an Equation
VIF	Variance Inflation Factor

Abstract

In the hospitality industry it is important to maintain customer satisfaction. If a service failure happens, companies need to take steps to restore their customer loyalty from service recovery. While businesses can't stop all problems and grievances, they should strive to make up. System loss and service recovery have now become a major and daunting problem for businesses. The researcher analyzed the literature in this paper and summarized the issue of failure in services. In addition, the researcher analyzed the relationship between service failure and service recovery strategy, which culminated in the verification of the corresponding concepts of the service recovery strategy and the type of service failure. Furthermore, this thesis studied the interaction between service failure and service recovery strategy, which resulted in a verification of the matching principles of the service recovery strategy and service failure type. The main objective of this research was to examine the effect of service recovery on customer satisfaction: Hilton Addis Ababa's case. The study mainly employed quantitative technique which included 260 Addis Ababa respondents. By first using Convenience Sampling, the response was selected where the respondents are selected, as they happen to be at the right place and at the right time. The questionnaire data collected was analyzed using statistical methods including mean, standard deviation, correlation, and multiple regressions. The study findings indicate that all of the three variables (distributive justice, procedural justice, and interactional justice) have a substantial positive effect on consumer satisfaction. Interactional justice refers to the highest effect on consumer satisfaction.

Keywords: Hospitality, Service Failure Service Recovery, Customer Satisfaction

CHAPTER ONE

Introduction

This chapter of the research consists background of the study, statement of the problem, basic research questions, objective of the study, definition of terms that are mainly used in the paper, significance of the study, delimitation and organization of the research report.

1.1. Background of The Study

According to (Kotler and Keller, 2016), Satisfaction is the feelings of pleasure or disappointment of a person resulting from a comparison of the perceived performance or result of a product in relation to his or her expectations. But a little further from the customer perspective, the scholarly and applied service management literature refers to several concepts related to customer reactions to a product or service. These are primarily customer satisfaction and perceived service quality, but increasingly also customer engagement and customer experience.

Customer satisfaction is key to any business organisation's survival. Service failures are often inevitable due to both human and non-human errors, however. Such failures to perform a service inevitably lead to customer dissatisfaction (Kau & Loh, 2006). Customer dissatisfaction requires action to restore service to win back customer heart. According to (Gronroos, 1998) the purpose of service recovery is to satisfy customers despite service failures and to maintain and, if possible, improve the long-term relationship in order to maintain customers as well as long-term profitability rather than short-term cost savings. It is necessary to understand satisfaction from a service recovery perspective, since, as (Spreng, Harrel and Mackoy, 1995) illustrated, customer satisfaction with service failure recovery has a greater effect on overall satisfaction than any other individual element of the service delivery outcome has. Customer Satisfaction / dissatisfaction is the emotional pleasure / displeasure resulting from adequate fulfillment / under fulfillment in relation to consumption (OK, 2004).

According to (Lewis and McCann, 2004), The hotel industry is an industry with a high degree of interaction between employees and consumers, making it a sector prone to service failure occurrences. Furthermore, hotels are characterized by continuous operations and highly fluctuating demands, relative constant supply rates, which make service failure more likely than in other sectors. Service failures are inevitable, and occur both in the service delivery process and outcome. These include situations when the service does not meet the customer's expectations (Michel, 2001).

Recovery for service refers to the actions that a company takes in response to a service failure (Gronroos, 1988). Anyone who has experienced a service failure will be aware of the importance of service recovery to prevent tarnishing the company's image. The service provider should understand the problem and provide, where possible, a timely response to the issue.

According to (OK, 2004) In Service Recovery, there are a range of steps taken by the providers in the hospitality or service industry against an unfortunate act or against any disappointment occurring in the customer due to the improper services given by the providers, so that they can guarantee the same or better level of satisfaction and keep them loyal. Satisfaction is linked to what is given to the client, who fulfills his needs and requirements, and so seeks provision to what degree it has increased (Andreassen, 2000).

Recovery management is considered to have a significant impact on customer evaluations, since customers usually participate in and observe recovery service more emotionally than in routine or first-time service and are often more dissatisfied with an organization's failure to recover than with the service failure itself. (Berry and Parasuraman 1991; Bitner, Booms, and Tetreault 1990). While service recovery is recognized as a critical element of a customer service strategy by researchers and managers, there are few theoretical or empirical studies of service failure and recovery problems. Studying service recovery is daunting because recovery is caused by a service failure, making it impossible to perform systematic empirical work in either a field environment or a laboratory. Earlier research on service recovery dealt with the development of classification schemes (Bitner, Booms, and Tetreault 1990; Hoffman, Kelley, and Rotalsky 1995; Kelley, Hoffman, and Davis 1993) and providing correlational or anecdotal provision for the customer satisfaction effect of the service recovery (Kelly and

Davis 1994; Spreng, Harrell, and Mackoy 1995). Organizations therefore need to consider how customers react to service failures and how service recovery affects their relationship with the organization (Schoefer& Diamantopoulos 2008: 66; Smith, Bolton & Wagner 1999: 356).

This research has tried to assess the effect of Hilton Addis Ababa's service recovery activities on customer satisfaction due to the importance of the recovery efforts and the significant impact it has on the customer relationships.

1.2 Background Of The Company

Hilton Worldwide Holdings Inc. is a multinational American hospitality company that manages and franchises a wide portfolio of hotels and resorts. The company was established in May 1919 by Conrad Hilton and is now headed by Christopher J. Nassetta.

Hilton is based in Tysons Corner, Virginia. As of 31 March 2019, its portfolio comprises 5,757 properties (including timeshare properties) with 923,110 rooms in 113 countries and territories, including 689 operated and 4,947 franchised, for a total of 893,494 rooms for the combined controlled and franchised assets, in addition to 68 owned or leased entities (including 59 wholly owned or leased entities, one owned by a combined wholly owned company, two owned by combined variable interest entities (VIEs) and six owned or leased by unconsolidated affiliates. Before their IPO in December 2013, Hilton was ranked as the 36th largest private holding firm in the USA by Forbs.

Hilton has fifteen brands across various and diversified market segments, including Conrad Hotels & Resorts, Canopy by Hilton, Curio - A Collection by Hilton, Hilton Hotels & Resorts, Embassy Suites Hotels, DoubleTree by Hilton, Hampton by Hilton, Waldorf Astoria Hotels & Resorts, Hilton Garden Inn, Home2 Suites by Hilton, Homewood Suites by Hilton, Hilton Grand Vacations, Tru by Hilton, Tapestry Collection by Hilton, and Motto by Hilton.

Hilton Addis Ababa One of Hiltons' existing fifteen Hilton Hotels & Resorts brands that falls within the leased and operated division of the large corporation's various administration types.

Hilton Hotels & Resorts has been setting the benchmark for hospitality worldwide for a century, providing new product innovations and services that meet the evolving needs of guests. Hilton Hotels & Resorts properties, with 585 hotels across six continents, are located in

the world's most sought-after destinations for guests who know what matters where they stay. Members of Hilton Honors who book directly via preferred Hilton channels will have access to instant benefits.

Addis Ababa's luxurious Hilton Hotel is a vibrant historic hotel built during Emperor Haile Selassie's reign, just 15 minutes away from Bole International Airport. The Hilton's 372 contemporary rooms and suites are spacious and airy, all featuring private balconies with beautiful views of the gardens, mountains or city skyline, and internet access.

With its six distinctive restaurants and bars, Hilton Addis Ababa offers an enticing array of cuisines and settings including the popular Sunday Pool Brunch with live music performance, or pizzeria rustic wood-fired specialties. There are a range of things to occupy you inside the hotel, including a spacious outdoor heated swimming pool, tennis courts, a fully equipped fitness center and health club massages on offer.

1.3 Statement of the Problem

Companies who offer higher quality levels get higher income rates than those that don't. In the case of service organizations, the quality of a single service experience can decide customer satisfaction and loyalty (Solomon, Surprenant, Czepiel, and Gunman 1985). According to (Hart, Heskett, and Sasser 1990). One negative service experience, or service failure, can lead to dissatisfaction among consumers. Although several researchers have looked at customer complaint actions resulting from service failures, relatively little research has examined the effect that service recovery efforts can have on the level of consumer dissatisfaction due to service failures.

As (Kau and Loh, 2006) to satisfy dissatisfied consumers, consumers have to know that the results are fair or just. Hoffman and Kelley (2000) suggest that Recovery of the service itself, performance and behavioral practices implemented during the recovery and distribution process results are all important. The service organization's dedication to quality of service and customer satisfaction depends on how it reacts after disconfirmation (Zemke and Bell, 1990).

If service loss happens, service recovery is the primary mechanism for a business that can maintain its clients and reduce the costs associated with customer defection and negative word

of mouth to harm the organization's image. The service sector is characterized by heterogeneity and intensive human involvement, and service failure is therefore almost inevitable (Chan and Wan 2008; Zeithaml, Parasuraman, and Berry 1990). As service failure is almost inevitable, this research attempts to address the service failures in the Hilton Addis Ababa's Business meeting and events segment and the service recovery mechanisms used to address the service failure problem.

Service recovery paradox (SRP) has become a key issue for companies in the competitive market place (Petnji, Marimon, & Casadesus, 2013). SRP is not a new concept, but from years researchers have been trying to solve the existence and standardize this phenomenon. They have been consistently trying to identify reasons why and how successful service recovery may cancel the impact of service failure (Krishna, Dangayach, & Sharma, 2014). A growing framework of literature has analyzed the relationships between service quality/recovery, satisfaction and loyalty, however few recent field empirical studies have addressed the influence of service failure/recovery encounters on customer evaluations in the hospitality industry. Specifically, there is a number of studies that have examined consumer satisfaction and recovery strategies in the context of the service sector (Chang & Chang, 2010; Kim & Jang, 2014; Rio, Vazquez, & Diaz, 2009; Sanchez, Pieters, Zeelenberg, & Bigne, 2012) and in hotels (Mount, 2012; Mount & Mattila, 2009). Moreover, limited research of service recovery is focused on the customer perception (Krishna et al., 2014).

Thus, this study aims to contribute to a growing body of knowledge about service recovery by examining the relationship between service recovery and customer satisfaction in service recovery in Hilton International hotel, Addis Ababa.

1.4 Research Questions

This research has tried to address the following specific questions

1.4.1 Basic Research Question

- i. How do distributive justice, interactional justice, and procedural justice influence customer satisfaction?
- ii. What are the major service failures Hilton Addis Ababa encountered?

- iii. Which service recovery dimension is most important in the perspective of Hilton Addis Ababa customers?

1.5 Objective Of The Study

Based on the above foundational problem statement the researcher posed the following questions:

1.5.1 General Objective

The general objective of the study is to assess the effect of service recovery dimensions on customer satisfaction in Hilton Addis Ababa.

1.5.2 Specific Objective

- i. To identify and evaluate the main service failures and recoveries in the company's meeting and event division in relation to customer satisfaction.
- ii. To analyze the satisfaction level of the customers of Hilton Addis Ababa in relation to each of the three justice dimensions of service recovery given by the company.
- iii. To determine the relative significance of the three justice dimensions of service recovery provided by Hilton Addis Ababa
- iv. To examine the impact of distributive justice, interactional justice, and procedural justice dimensions on customer satisfaction.

1.6 Significance Of The Study

This study can be used as a baseline and serves as a secondary data source for those who wish to carry out further investigations in this area. The study findings would serve as guidance for the company to assist in decision making, defining key variables to resolve and enhance service

recovery and customer handling approaches to satisfy the client. It will also benefit other firms in the sector to be proactive regarding service recovery.

1.7 Scope Of The Study

The study was encircled to evaluating the impact of service recovery on customer satisfaction of Hilton Addis Ababa's Meeting and Events division in the case of Hilton international hotel. This paper tried to contact Hilton hotel customers directly for survey data collection with related service encounters.

1.9 Organization Of The Research Report

This research paper has five chapters. The first chapter, the introduction part, that consists the background of the study, statement of the problem, basic research questions, (general and specific) objectives of the study, definition of terms, significance of the study, delimitation of the study and organization of the paper. The second chapter deals with various related literatures reviews. The third chapter of this study encompasses research approach, research design, target population, sampling technique, sample size, instruments of data, data collection procedures and method of data analysis. The fourth chapter deals with findings of the research, analysis and discussions of the final results of the study. The last chapter, which is chapter five deals with conclusion and recommendation based on the findings and discussions of the study.

CHAPTER II

Literature Review

2.1 Theoretical Review

2.1.1. Introduction

This chapter is intended to review the literature which supports the constructs outlined in this report. To begin with, the value of the marketing relationship to both the service sector and the hospitality sector will be assessed. The second part of the literature review will provide a thorough study of fulfillment and unhappiness and the direct relationship satisfaction has with service quality, engendering loyalty and influencing future behavioral intentions. Additionally, emotion will be defined and different measures will be analyzed to support the significant contribution that emotion makes to this study. Finally, this chapter will conclude with a discussion of service failure and complaint management and provide a comprehensive review of the research that surrounds the recovery of services.

2.1.2 Services Marketing

Services marketing literature indicates that a customer orientation positions the customer at the center of the intent and operation of an organization; thus, customer service and maximization of satisfaction allow the business to remain competitive and profitable (McMullan & Gilmore, 2005). So as to make a service provider The customer's core organisation, the supplier must perhaps have a comprehensive knowledge of the needs and expectations of the customer. Today many goods and services are easily imitated as part of the service industry's approach to speedy growth and market dominance, making it quietly challenging for service providers to remain competitive by offering unique but still rudimentary services and products. In an effort to distinguish themselves from the competition, many service providers have started to put additional focus on maintaining the intangible characteristics of the service industry; thus, in

effect, putting their energies on establishing partnerships in an effort to generate loyalty and maintain consumers who reject relentless marketing in order to attain new customers.

2.1.3 Relationship Marketing

The fundamental characteristic which distinguishes marketing services from marketing goods is the intangible nature of the service industry (Zeithaml , Parasuraman & Berry, 1990). The intangible characteristics of the service industry can be defined simply by the uniqueness and quality of the service transaction that the people bring. The core of relationship marketing is therefore the development and maintenance of relationships between service company workers and micro-environment people, i.e. clients (Ravald & Gronroos, 1996).

The concept of relationship marketing began to emerge in research in the mid-1980s, when the notion of developing a long-term, mutually satisfying relationship between customers and service providers was realized as an asset (Weber, 1992). Relationship marketing has become an increasingly popular approach to marketing services and engendering loyalty over the past 20 years; particularly in the hospitality industry. Indeed, it appears that many service organizations strive through their mission and vision to infiltrate relationship marketing into the organisation's culture. Both professional journals and trade publications recommend different concepts and approaches to marketing relationships; however, the most agreed concepts for successful marketing relationships are that the service provider must 1) make the needs and expectations of the customer the core of their philosophy and 2) form an emotional link based on trust and commitment between the service provider and the customer. In support of the above, McKenna (1991) as well as Shoemaker and Bowen (2003) and Shoemaker and Lewis (1999) revealed that the customer must be integrated into the design of the service or product in order to have a true bond between the customer and the organization, built on trust and commitment. To reinforce the principle and take it a step further, Claycomb and Martin (2002) have shown the companies need to improve links with current customers in an attempt to maximize loyalty and satisfy the consumer in order to be successful in marketing relationships. It must also become the cornerstone of the corporate philosophy of the organisation. Studies by Gittel (2002) in the healthcare industry showed that a partnership between the service provider and the client is directly linked to customer satisfaction and loyalty. His study also found that

the greater the connection between the service provider and the client, the more likely the customer would be to revisit the organization and recommend it.

As regards the hospitality industry, hotels, restaurants, airlines and cruise lines have been focusing much of their marketing attention and budget on building customer loyalty through relationship marketing since the early 1990s. According to Bowen and Shoemaker (1998), however, the relationship marketing approach of the hospitality industry has focused primarily on transactional tactics such as frequent user programs and free amenities and services; as opposed to 1) building relationships, 2) creating an emotional connection with the customer, and 3) generating loyalty in an effort to encourage the customer to revisit and/or recommence. While research has found that customers respond favorably to these monetary relationship tactics, their actions are not truly driven by an established, emotional relationship with the service provider. Therefore, the customer's loyalty is based on a pecuniary relationship in the event of a service failure and the customer's dissatisfaction, and switching behavior is more probable.

2.1.4 The Importance Of Service

The understanding of customer expectations and the perception of the service encounter by the customer when it comes to providing service is a vital component for delivering superior service. The provision of superior service, particularly in the hospitality sector, offers the service company a multitude of opportunities to surpass the competitive one and become a recognized leader in the service industry. It is only to rationalize that the service encounter concept directly affects satisfaction, loyalty and future behavioral intentions; which in turn directly affects the success and financial stability of the organization.

In the following section, a detailed analysis of the service industry will be presented in the form of: 1) the widely accepted definitions of service; 2) the economic impact of the service industry on the U.S. economy; and 3) a discussion on the distinctive characteristics of the service industry.

2.1.5 Service Defined

Since the early 1960s researchers have been exploring and clarifying the definition and concept of service. Although there is a large body of service research acknowledging countless definitions and theories surrounding service, Suprenant and Gutman defined service to be an interaction involving any transaction or exchange between the client and a product or service organization. The definition of service by this researcher is the moment of truth when employee training and expertise are truly tested in an effort to meet or exceed the expectations of the customer regarding the tangible and intangible components of the service encounter.

2.1.6 Unique Characteristics of the Service Industry

Given the increasingly competitive nature of the service industry, particularly the hospitality industry, service professionals must be concerned with a minimal increase in market share, in addition to maintaining their existing customer base (O'Neill, 2001). As the service industry continues to expand, customers are constantly being offered new opportunities to find a service provider capable of meeting their demands and expectations. Lovelock (2001) believed the pressure placed on service organizations to achieve excellence in service is truly justifiable. Lovelock (2001) pointed out in his research that 1) customers today are more demanding on the products and services they buy, 2) the development of sophisticated products. Technology has made it possible for all service organizations, large and small, to deliver customized services which are highly regarded by the consumer and 3) in an increasingly competitive and international marketplace, offering a quality service experience is seen as having an advantage over competition.

In addition to the aforementioned characteristics, service was also characterized in four dimensions. One of the four, intangibility, was discussed and described in a previous section; however, this section will also concentrate, in addition to further discussion of intangibility, on the distinguishing characteristics of inseparability, heterogeneity and perishability. Once again intangibility is a basic characteristic of service. As stated earlier, Zeithaml, Parasuraman and Berry (1990) claimed that the fundamental factor that differentiates between service and goods

is intangibility. Considering the tangible objects, i.e. products or goods, that are involved in a service encounter, a customer can use physical attributes such as sight, touch, sound and taste, evaluate the quality and determine their degree of satisfaction with the product or products. However, a customer cannot use their physical attributes to assess the quality and satisfaction of the service encounter with the intangible aspect (Berry, 1995). The intangible component of the service therefore depends on the ability of the employee to communicate with the customer and satisfy the customer with the customized and emotional dimension that makes the service encounter exceptional.

With respect to the characteristic of inseparability, the provider is present at most service experiences when the service is distributed and consumed. Therefore, consumers also get involved physically and become a critical part of the service delivery cycle. Thus, the quality of the service depends on the performance of the provider and on the participation of the customer (Kelly, Donnelly, & Skinner, 1990), and the provision of the service becomes a human performance from which the customer is inseparable (Zeithaml, Parasuraman, & Berry 1990).

Throughout service, the evaluation of previous service experiences continues to affect the mood and expectations of the customer when planning for a service experience to come. Zeithaml, Parasuraman & Berry (1995) called heterogeneity an outstanding phenomenon. The overall evaluation of a service experience by the consumer does not depend exclusively on the service provider's handling of measurable characteristics or intangible elements but rather on a mixture of the above, combined with the mood, emotions and attitudes of the consumer (Mantel & Kardes, 1999). Heterogeneity is challenged by the fact that many service providers strive to build loyalty from their existing customer base; therefore, service organizations tend to confuse customer satisfaction with customer loyalty. However, in good times and difficult times a customer needs to be happy with the business organization to create loyalty. Heskett, Jones, Loveman, Sasser and Schilger (1994) found that depending on the satisfaction of the customer with a specific service transaction does not automatically mean that the customer is pleased enough to return the service or support it. Yes, their work about the

Service Profit Chain has revealed that the chain's weakest link was between satisfaction and loyalty. Therefore, it appears that a happy customer does not automatically turn into a loyal company.

Perishability is the final feature of the service industry. Putting perishability simply means the services are time-sensitive and service providers have a limited, distinct window of opportunity to achieve quality excellence and meet the needs of the customers. Once again, the concept of perishability of Zeithaml, Parasuraman and Berry (1985) notes that, unlike goods which can be retained or reinvented for future orders, services cannot be recycled, recaptured or recreated; only replicated.

Industry forecasts indicate that both the US workforce and the economy will continue to dominate the service industry. Despite the above, service providers must constantly aim to strike a balance in their approach to service excellence. The most reliable approach to delivering quality service, creating satisfied customers and maintaining a competitive advantage seems to be to balance the characteristics of the service industry.

2.2. Satisfaction

Satisfaction plays a key role in the service sector and in the hospitality industry in particular (Edvardsson, Johnson, Gustafsson & Strandvik, 2000). As the service industry has grown, researchers have made significant strides in identifying and recognizing customer satisfaction. The emphasis on understanding what actually produces happy customers has resulted in an ever-increasing body of literature about satisfaction, how service providers produce satisfied customers, and the impact satisfaction has on business today (Oliver, 1997; Barsky & Nash, 2002).

McKenna (1991) proposed that companies would ignore consumer surveys, advertising, and promotions in order to attract happy consumers, and concentrate on building the right infrastructure that provides the best goods and services that meet customer expectations. Relationships can keep the customer loyal to some extent, but the customer must also be fulfilled at other levels; therefore, the customer must be genuinely satisfied with the quality and value of the services and products. For example, if a customer chooses to stay at a luxury hotel,

they have to receive accommodation and services that match other luxury properties and find value in the price they pay to be truly satisfied with.

Scholars also contributed work volumes to affirm the value of satisfaction within the service industry. Blodgett, Granbois, and Walters (1993) reported that pleased customers are much more important to a service organization than unhappy customers; therefore, the primary goal of the company should be to please the customers. The importance of satisfaction has been justified through the years by research in professional, as well as trade publications. Service providers have slowly come to understand, in response to the overwhelming amount of research, that happy customers are vital assets to the organization. By comparison, in 1996, Luchars and Hinkin agreed that managers usually prefer to disregard research on satisfaction and quality of service and proposed strategies as direct operating costs cannot be reliably calculated or correlated with individual instances of good or poor service. This, in turn, led to a manager's justification for relying on data gathered from the tangible or quantifiable measurements to make management decisions. However, when customers are satisfied, considering the ramifications, they are likely to participate in favorable behavior towards the provider, i.e. positive word of mouth advertising, willingness to recommend, revisit intentions, decreased price sensitivity over time, and their willingness to participate in research to help the organization revolutionize.

It's no surprise that an organization is truly invaluable to satisfied clients. However, service providers are still confronted at the opposite end of the spectrum with the negative consequences of the dissatisfied customer. One of the most important problems with unsatisfied customers is that some customers prefer not to complain to prevent conflict or save the employee from being reprimanded. Nevertheless, the service provider loses the opportunity to rectify the situation with every dissatisfied customer who chooses not to complain and returns the customer to a satisfied state. Besides possibly losing the customer, the service provider also misses the opportunity to fulfill a commitment to continuous improvement of the quality. Quality and service recovery approach will be addressed later in this chapter; however, it is necessary for now to understand that unsatisfied customers can be much more detrimental to an organization than happy customers can be beneficial.

2.2.1 Satisfaction Defined

Oliver's work and satisfaction concepts during the 1980s and 1990s largely revolved around transaction-specific satisfaction. Oliver (1981) defined satisfaction as one of the most widely accepted definitions as "an assessment of the surprise inherent in the acquisition and/or consumption experience of a product. Satisfaction is thus the summary psychological state that results when the emotion surrounding the expectations of disconfirmation is coupled with the prior feelings of the consumer about the experience of consumption "(p.27). Oliver further clarified satisfaction in 1997 when he stated that "satisfaction is the response of the consumer to fulfillment. It is a judgment that a product or service feature, or the product or service itself, provides (or provides) a pleasurable level of fulfillment related to consumption, including levels of under- or over-fulfillment "(p.13). Furthermore, past research has presented different theories , models and definitions to explain and justify the importance of satisfaction. In comparison to a transaction-specific approach to satisfaction, Fornell (1992) defined satisfaction as the cumulative overall assessment of the purchasing and consumption experience of a customer based on various experiences between the customer and the service provider. To support the value of cumulative satisfaction, Olsen and Johnson (2003) found that consumer loyalty and repurchase intentions are focused on a wider history of usage and may explain further variability in loyalty; thus, service providers must concentrate on satisfaction over the duration of the service provider-customer relationship.

2.2.2 Satisfaction And Dissatisfaction

Edvardsson, Johnson, Gustafsson and Strandvik (2000) pointed out that the need to have the competitive advantage is becoming more important as the hospitality industry continues to expand. A unhappy consumer may be one of a business organization's greatest liabilities. Blodgett et al . reported in 1993 that an average of nine people were told about their negative experiences by an unsatisfied customer. His research also found that service organizations each

year lost an average of twelve per cent of their annual volume of customers due to poor quality service.

Unfortunately, a vast number of disgruntled consumers prefer not to report and never seek compensation for the unsuccessful service attempt; thus, leaving the company disappointed with plans never to return and share their negative experiences with others. Much as happy consumers value the organization's loyalty and successful word-of-mouth ads, the chain reaction of disappointment may also produce a ripple effect.

Overall, the combination of diverse fundamentals typically determines satisfaction or dissatisfaction. First, the guest must process the activities surrounding the service encounter as well as the quality of the service or product itself in order for the guest to decide whether he or she is genuinely satisfied with the product or service. Furthermore, satisfaction is usually mutual observations of events over a time. Therefore a customer should experience a product or service over a period of time and numerous service encounters to determine the satisfied or dissatisfied state of a customer.

2.2.3. Disconfirmation Theory

To summarize the various definitions of satisfaction; customer satisfaction starts at the moment consumption begins and carries through during the entire service encounter. In addition, satisfaction is also the end result of post-consumption evaluations and judgments of a product or service over the service provider-customer relationship. Martin (2007) also indicated that although a customer could be satisfied at the end of a service encounter, the customer could still be unhappy with the end result, alluding to the fact that expectations play a large role in the evaluation of customer satisfaction.

Determining what a customer truly satisfies is a fundamental element of successful service. It appears for some service providers that the organization has a natural ability to customer satisfaction. For others, contact lines, friendly movements and the perfecting of the intangible elements seem less tedious. For a service provider capable of providing this level of service, an

evaluation of the degree of satisfaction of a customer may seem a valued method of continuous improvement in quality.

Yuksel and Rimmington (1998) argued that service providers who assess the degree of satisfaction of a customer and apply that information to improve service delivery are usually placed to have a greater competitive advantage. They proceed in a more detailed description by explaining that the advantages of customer satisfaction evaluation are key in defining product and service distinction, increasing consumer engagement, generating recommendation intentions, and promoting positive word of mouth contact (Yuksel & Rimmington, 1998).

Although early research considered satisfaction building a type of attitude, extensive research in the late 1980s revealed that satisfaction was considerably more complex and that there were various measurement issues (Cooper, Cooper & Duhan, 1989). Researchers have developed various competing models and theories of satisfaction measurement approaches (Yuksel & Rimmington, 1998); however, the most commonly used customer satisfaction representation is the disconfirmation approach (Ramaswamy, 1996).

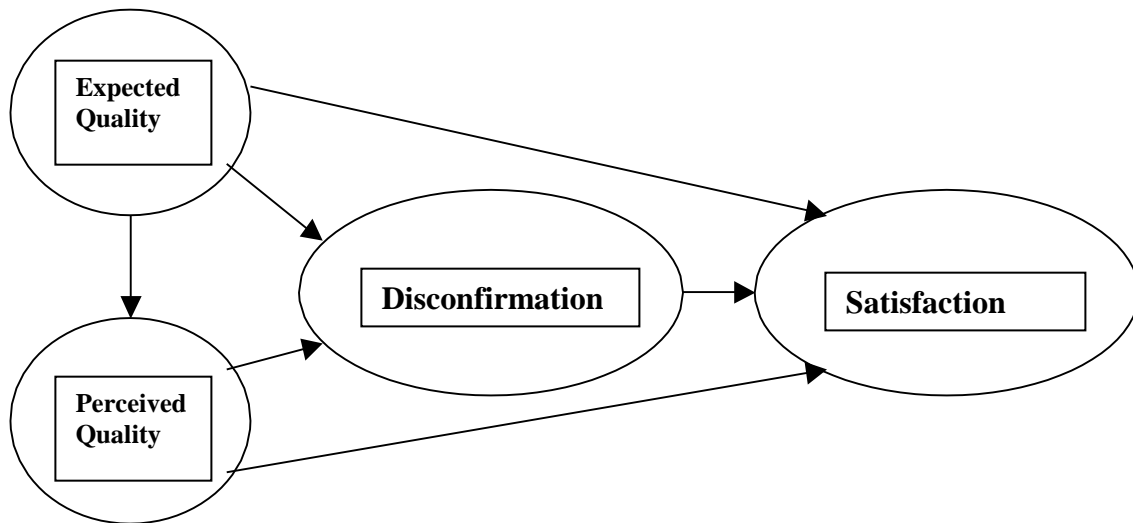
Disconfirmation theory has shown that satisfaction is directly related to the difference between a customer's expectations of pre-purchase and their impressions of the actual service experience after purchase. Festinger (1957) proposed the theory of disconfirmation is based on cognitive dissonance and how individuals respond to their degree of dissonance. Festinger (1957) clarified that dissonance is a psychological condition in which a person's action or circumstance is unpleasant. If dissonance arises in a service situation, the service provider is responsible for reducing the degree of dissonance and ensuring the customer that his or her decision was the correct one; and delivering a satisfying experience. The researcher also clarified that dissonance appears to be a motivating factor; therefore, a individual may see new events or new information; this may probably defuse or magnify the level of dissonance. That method helps a customer evaluate the service situation, which in effect decides the level of satisfaction or dissatisfaction of the customer Oliver's (1997) disconfirmation theory viewpoint is the degree of satisfaction or dissatisfaction that a customer has with a specific service experience. Consequently, it is the mechanism by which the consumer decides the disconfirmation between the performance requirements of the company and the actual perceived performance of the service experience. Whether the product or service fulfills the

expectations of the customer or does not meet expectations determines the level of satisfaction or dissatisfaction of the customer. Differences between the expected service and the actual experience of the service are called disconfirmation.

Three results are possible when contrasting expectations with performance; 1) if the service experience exceeds the expectations of the customer, the customer may experience a positive disconfirmation; which in effect would result in a high level of satisfaction; 2) if the service experience actually fulfills the expectations of the customer and the service provider does not have a special or over-zealous approach to the service; zero disconfirmation exists and 3) if the service experience fails to meet the expectations of the customer, the customer will encounter negative disconfirmation; which in turn will result in a degree of disappointment. The different components that contribute to disconfirmation such as the degree of disconfirmation, previous customer experience, tolerance level and the attributes surrounding service failures and recovery efforts will be evaluated later in this chapter; however, it is important to note that disconfirmation will vary from customer to customer and the extent of the disconfirmation. For example, a customer who is unhappy about a poor quality cup of coffee may experience a different degree of disconfirmation compared to a customer who is unhappy about the poor quality or cleanliness of a luxury hotel room.

As seen in Figure 2.1, Wirtz and Bateson (1999) demonstrated a model to signify the path of disconfirmation and the zones of tolerance that accompany disconfirmation. As stated earlier, the disconfirmation model is one of the most recognized representations of customer satisfaction in literature today (Ramsaswany, 1996). Wirtz and Bateson (1999) explain that “almost all customer satisfaction models are based on some sort of comparison process, and the most widely used conceptualization, the disconfirmation-of- expectations model, which compares pre-consumption expectations with performance perceptions.

Figure 2.1. Disconfirmation-of-Expectations Model



Source: (Wirtz & Bateson, 1999)

Apart from the theory of disconfirmation, the desire for price of a consumer often significantly relies on the equity principle. Equity theory suggests consumers evaluate service quality by measuring the contrast between what they achieve and what they expect (Susskind, 2001). Since customer expectations play an important role in the quality of service, the theory of disconfirmation and equity serves as key elements in measuring how the needs and preferences of consumers are changing as a result of changing markets. Customers, particularly in the hospitality industry, join a service scenario with expectations and motivation set. Besides their predetermined expectations, customers tend to evaluate a service organization based on different attributes such as food quality, ambience, decoration, and personal attention. In many situations, a customer tends to follow their own personal unwritten rules of quality of service, so if expectations are not fulfilled, a guest may consider the service encounter to be lacking in quality; thus, leaving unhappy.

2.2.4 Zones Of Tolerance

The current satisfaction literature indicates that the preferences of the consumer prior to the experience with the service are important factors in assessing their degree of satisfaction or dissatisfaction. Zeithmal and Bitner (2000) define the zones of tolerance as the level of service which each individual client will accept in each service scenario. Tolerance zones may be minimal for some customers; demanding a more perfected approach to service. Many clients may have a bigger tolerance zone where they may be more tolerant of imperfections. Research suggested (Zeithmal & Bitner, 2000; Hoyer & MacInnis, 2001) that customers with demanding schedules or with time constraints may have a minimum tolerance zone compared to customers who are more flexible or looking for a relaxed service experience. Additionally, Hoyer and MacInnis (2001) warned that customers put greater emphasis on certain service experiences than others. The underlying message to research on satisfaction is that satisfaction plays a vital role in any service organization's success; especially in the hospitality industry. Customer satisfaction is, as most organizations will attest, the key to repeating customer visitation, customer loyalty, their willingness to recommend, and the ability to obtain and retain quality employees. With regard to the above, companies should be reluctant to disregard the effect on financial security, additional money, higher salaries and, last but not least, a stable outcome.

2.3. Service Failure

The primary goal of a service company in the hospitality industry should be to operate to a level of quality and excellence in order to build and retain happy customers; therefore, doing it right the first time. It is only reasonable, however, that the intangible nature creates an environment in which things can and often go wrong; service failures can therefore occur. The service organizations run the risk of endangering the relationship between the organization and the customer when a service failure occurs.

Kandampully (2002) warned that "For all the problems facing hospitality establishments today—including extreme rivalry, globalization and technological innovation—the single most important and persistent problem is consumers' ever-increasing demand for quality for service" (p. xi).

Colgate and Norris (2001) recognized that while a large amount of research focused on the one possible way to identify and operationalize the service quality model, a growing body of research is now focusing on the topic of service failure; complaint management and service recovery. They proceeded that hospitality professionals now agree that the amount and nature of the problems they face is a major factor influencing a customer's understanding of service delivery, and more specifically how such issues are treated when brought to the attention of the provider.

2.3.1 Service Failure Defined

The concept of in-service dissatisfaction was extensively researched. Dissatisfactory experiences have been classified as negative incidents (Bitner, Booms & Mohr, 1994; Bitner, Booms & Tetreault, 1990; Keaveney, 1995) or unsuccessful processes causing unsuccessful encounters (Roos & Strandvick, 1997; Smith, Bolton & Wagner, 1999; Coulter & Ligas, 2000) which, in effect, lead the customer to realize that they have failed.

The service failed to meet its expectations (Zeithaml, Berry & Parasuraman 1993; Oliver 1997). Related literature contributed numerous definitions and the dimensions of a service failure were scrutinised. Bell and Zemke (1987) claimed that a service failure occurs when the service delivery falls short of the requirements of the customers; which in effect involves the response of the service provider with recovery effort. Mattila (2001) acknowledged that a high degree of human contact exists in the service industry, especially in the hospitality industry; service failures are therefore an inevitable element for service. Although service failures are perceived within the organization as a flaw or problem region, Zemke and Bell (1990) claimed that the true measure of an organization's dedication to service quality is how the organization responds to the service failure. In order to enhance this concept, Mittal, Ross and Baldasare (1998) revealed that negative performance influences satisfaction and buying intentions more than positive performance.

When a business organization encounters a service failure, a specific window of opportunity for the company to restore faith and dedication and satisfy the customer is present. To reiterate the theory of disconfirmation reviewed in a previous section of this chapter, negative disconfirmation occurs when the delivery of the service falls short of the expectations of the customers (Bell & Zemke, 1987); which in turn necessitates the need for Service Provider

rehabilitation efforts. Zemke (1993) continued that the purpose of a service recovery effort was to move a client from a state of dissatisfaction to a state of satisfaction in an effort to generate loyalty and influence the behavioral intention of the client.

It is suggested that a majority of dissatisfied customers experience two different forms of service encounters. The first is described as a core service failure; which encompasses all actions that are involved in a failed delivery of service (Bitner, Booms & Tetreault, 1990; Bitner, Booms & Mohr, 1994; Keaveney, 1995). The second form of service failure includes negative and improper behaviors by the service provider or a lack of personalized service (Keaveney, 1995; Roos & Strandvik, 1997). Similar to disconfirmation, the amount of dissatisfaction will differ from customer to customer based on the form of the failure, severity, and the customer's zone of tolerance. The challenge to service organizations today is undoubtedly difficult: on one hand organizations must create a non-threatening environment to make complaining easier, while at the same time, design a recovery system around factors that 1) matter most to the customer, 2) build a relationship between the service provider and the customer, 3) engender loyalty, When a service organization experiences a service failure, the organization is faced with a unique window of opportunity to rebuild trust and commitment and satisfy the customer. To reiterate the disconfirmation theory reviewed in a previous section of this chapter, negative disconfirmation occurs when the service delivery falls short of the customers' expectations (Bell & Zemke, 1987); which in turn necessitates the need for the service provider's service recovery efforts. Zemke (1993) continued that the object of a service recovery effort is to move a customer from a state of dissatisfaction to a state of satisfaction in an effort to engender loyalty and influence the customer's behavioral intentions.

A majority of disgruntled clients are recommended to undergo two separate types of service experiences. The first is identified as a core service failure; which involves all behavior involving a failure in service delivery (Bitner, Booms & Tetreault, 1990; Bitner, Booms & Mohr, 1994; Keaveney, 1995). The second type of service failure involves the service provider's negative and inappropriate behavior, or a lack of personalized service (Keaveney, 1995; Roos & Strandvik, 1997). The amount of disappointment can vary from customer to customer, similar to the disconfirmation.

Based on the shape of the failure, the severity and the tolerance zone of the client, the challenge facing service organizations today is undoubtedly difficult: on the one hand, organizations need

to create a non-threatening environment to facilitate complaint while, at the same time, designing a recovery system around factors that 1) matter most to the customer, 2) building a relationship between the service provider and the customer, 3) creating loyalty and 4) influencing the future behavior of the customer.

One of the most significant factors influencing a customer's perception of service is the amount and nature of the problems they experience and, more significantly, how these concerns are treated when brought to the provider's attention (Colgate & Norris; 2001).— The primary goal of companies in the service industry should be to operate to a level of quality and excellence in order to build and retain happy customers; hence, doing it right the first time. However, it is only fair in the service sector, as well as in the hospitality industry, that the intangible existence creates an atmosphere where things can and sometimes go wrong; thus, service failures can occur; potentially jeopardizing the relationship between the service provider and the customer. While some organizations might see service failures as devastating experience, Zemke and Bell (1990) conclude that the true measure of an organization's dedication to service quality is not the stylishness of its adherence to mission statement or marketing literature, but the manner in which it reacts to service failure. In the event of a service failure, procedures and requirements must be developed for the service provider to take appropriate action to recover the failed service attempt; hence the need for a structured quality approach to service recovery is essential to the survival of the service provider-customer relation.

2.3.2. Service Recovery

The negative effects on profitability and customer satisfaction are creating drastic obstacles for service organizations to resolve when service failures happen. Although a service failure may be a crippling embarrassment for the company at first, an effective response to a customer's complaint will mitigate such negative effects and difficulties if properly handled by a service provider. This task can be accomplished through the commitment of the service organization to a process of recovery of quality services. A service organization can build the ideal strategic plan to handle customer complaints; however, a strategy that never gets implemented looks appealing on paper. Hence, one of the most critical keys to providing excellent service recovery is to

convince the customer to bring the problem to the provider's attention and to enable the company to initiate the service recovery process. Service-related literature credits the principle of social exchange and equity to provide the theoretical basis for studies investigating the assessment of service recovery efforts by customers (Adams , 1965; Well, Back, & Sharklin, 2005); According to Adams (1965), the two theories show that the relation of exchange between the service organization and the customer should be balanced. Oliver (1997) clarified the importance of social exchange when he claimed that the satisfaction of the customer is dependent on their perception of equal partners during the exchange of services. The professionalism demonstrated, for example, between workers, managers and employees, and between the service company and the customer. Oliver (1997) continued to explain that equity theory; which is also a vital component, is the perception of fair or unfair interpersonal relationships of the customer, or the amount of compensation involved in correcting the problem. A distinction between distributive justice , procedural justice and interactional or interpersonal justice was formed from this study, stressing the differential impact of procedural elements on the outcomes of consumer satisfaction (Greenberg 1987).

2.3.3 Service Failure And Service Recovery

Researchers indicate (Parasuraman, Berry & Zeithaml, 1991; Singh, 1991) that, to some degree, the overall satisfaction in a service failure situation is decided by two factors : 1) the outcome of the original service experience based on particular service attributes, and 2) the attributes associated with the service recovery process. While service organizations are trying to provide quality service and get it right the first time, Mattila and Patterson (2004) clarified that the hospitality industry is a high-level human interaction industry; thus, failures are inevitable. In an effort to retain those customers, it appears that service organizations now recognize that long-term relationships do not just happen; they are grounded in the organization's delivery of excellent service, value in the first instance, and complemented by an effective service- recovery system when things do go wrong.

Blodgett, Wakefield and Barnes (1995) claimed that consumers had selected their retailers or service company based on quality of service; thus, according to their findings, having it right is

the best approach to quality of service. But, sadly, errors are inherent in service industry features (Ruyter & Wetzels, 2000). Successful service recovery is a key element in maintaining a competitive edge; thus, it is important that service organizations take advantage of the opportunities provided to improve their quality of service. The best solution to that opportunity is an efficient, reliable service recovery method Lovelock's (2001) model Service Failure Response Option, shown in Figure 14, demonstrated the customer's choice in case of a service failure. Customers are provided with multiple options in case of a service failure. To begin with, customers have the choice of reporting the failure to an organization manager or employee, or leaving dissatisfied. Lovelock (2001) indicated the agency would be allowing the individual to protest at all costs. While service organizations want a grievance to be lodged by the client, the complaint must be lodged with the organization for the organization to genuinely profit. After a service breakdown, some of the ways a customer could pursue could be very damaging to a business organisation. For example, a customer who lodges a complainant for poor cleanliness with the Department of Health could create various challenges for an organization to overcome. Organizations, as outlined in the model, face various Sources: (Lovelock, 2001).

Keaveney found in 1995 that the consequences of switching behavior suggested that service failures and failed service recoveries were a significant cause of customer switching activity in service organizations. Hart, Heskett and Sasser (2000) revealed that more than fifty percent of complaining customers are typically unhappy with the recovery efforts of the service organization. Unfortunately, a large majority of customers choose not to complain; thus, leaving the organization with intentions never to return and practicing negative word-of-mouth advertising. A research by Blodgett, Wakefield and Barnes (1995) found that 77% of all non-complainants engaged in negative word of mouth, while only 48% of complainants engaged in negative word of mouth after attempting to seek redress from the service provider. Research has thus supported the theory that customers who complain to the service organization, compared to those who do not complain, are less likely to participate in negative word of mouth activity.

Service companies need to understand that the dilemma of each customer is an opportunity to show their dedication to service-even if the supplier is not to blame (Hart, Heskett & Sasser, 2000). Halstead and Page (1993) found that creating an environment in which consumers are willing to complain was the most important success factor for service recovery. Hart, Heskett and Sasser (2000) indicated that service providers ought to build an atmosphere in which clients feel assured their problem would be solved. They went on to say managers and staff should test

consumers constantly to make sure they fulfill their standards. Researchers have consistently found that dissatisfied clients perceiving a high probability of success are apt to seek redress (Day & Landon, 1976; Richins, 1997; Singh, 1991).

2.3.4. Service Recovery Defined

Research on satisfaction and service quality has slowly transformed since the early 1990s to focus on the customer's response to service failures and their satisfaction or dissatisfaction with the organization's approach to service recovery. As enforced in the preceding literature review, the Service Recovery Satisfaction approach of an organization should be equally important, if not more important, than its overall approach to service quality and doing things right first. Research has defined service failure as one of the "pushing decides" that drives a customer's switching behavior when treated poorly (Roos, 1999); thus successful service recovery satisfaction has become an emerging area of interest in an attempt to reduce failures and retain customers.

In 1988, Gronroos suggested a service recovery was the response of an entity to low quality service. Johnson (1995) reiterated the concept by suggesting that some form of action must be taken by a service company and that action must be efficiently taken to minimize the harm in the relationship and move the customer from the unhappy to the satisfied state. In 2000, McCollough, Berry and Yadav agreed that a good recovery was an intervention that could either kill or improve the customer's loyalty and potential behavioral intent to return a customer to a happy state with the service provider.

Although many definitions have been recognized in related literature, Zemke and Bell (1990) defined service recovery as one of the most widely accepted definitions of service recovery when they defined: "The thought-out process of returning dissatisfied customers to the company's satisfaction after a service or product has failed to meet the standards of the consumer" (p. 43). Research conducted by Mattila and Patterson (2004) led them to describe service recovery as a process involving actions taken by a service provider to respond to a situation where there was a deficiency in the core or supplementary offerings of the organisation. Research conducted by Boshoff (1999) recognized the concept of Zemke and Bell (1990), but pointed to the fact that an efficient service recovery method was one that was constructive in nature against reactive. The

researcher emphasized that for a service organization a systematic procedure for determining the success of the service recovery process was important. He also noted that positive tactics or strategies for service recovery are more likely to bring customers back to a state of satisfaction (Boshoff 1999).

Nonetheless, the service recovery process appears to be transaction-specific for certain service organizations; therefore, a structured service recovery process is not followed by the organization. Instead some service organizations tend to respond in a unique and individual way to each situation. While it is crucial to make every customer feel the service recovery process is customized to their needs, Wildes (2005) indicated that workers need to be well qualified and motivated to manage all service circumstances in order to achieve maximum levels of customer satisfaction. Suggesting, therefore, that a systematic, recorded approach to service recovery will assist in employee training and consistent delivery of quality of service.

Though there is a wide array of literature on service recovery (Boshoff, Mueller, 1997, 1999; Ruyter & Wertz, 2000; Strauss, 2002; Matilla, 2002 & 2003; Palmer, Mack, & McMullan, 2003) there appear to be areas of scope for further study and new inputs. For example, there is an growing need for a comprehensive approach to monitoring and assessing service failures and overall service recovery process efficiency within the hospitality industry; more specifically within the hotel industry's luxury segment. In addition, the mediating roles of emotion and commitment will be discussed with regards to rehabilitation satisfaction, engagement and the potential behavioral expectations of the consumer towards the organization.

2.4 Justice Theory

Services are by their nature intangible and because of this the procedure and the people involved in delivering the service become important; it is therefore necessary to concentrate on how the service is delivered (process) and the relation with the customer (Ha & Jang, 2009; Yi et al., 2010). However, it is a prerequisite of effective service recovery that an organization has some understanding of the psychological expectations held by customers with regard to the service being offered, its failure to perform and the justice/fairness received in terms of any attempts at

service recovery. Ever since its adoption in the marketing literature, equity theory (or the theory of perceived justice) is repeatedly referred to as a means of understanding typical customer expectation and as a path towards understanding the requirements for customer satisfaction.

The concept of justice deals with fairness, or judgment that individuals make in reference to what quality of service they receive (Oliver, 1992). Studies often relate perceived justice in relation to service failure and recovery to satisfaction, as a customer feels satisfied only when their perception is that the treatment given is justifiable. Failure to do so results in the customer feeling dissatisfied, since the treatment offered is not perceived as just by the aggrieved customer (Kennedy-McColl & Sparks, 2003, p. 141). These same authors, writing about justice theory in the literature on service recovery, state that justice theory is based on the thought that “customers' satisfaction and their future loyalty levels would depend on whether the customer feels that they were treated fairly and that justice was done” (p.148). Chebat and Slusarczyk (2005) introduce equity into considerations of justice, stating that “perceived justice is linked to service failure and recovery because its dimensions incorporate aspects of fairness and equity theory, implying that exchange in interactions between service providers and customers should be equitable” (p. 665). The compensation provided as a part of the service recovery process is said to retrieve a complex collection of responses from the customer’s side. A low level of compensation induces a negative impact on the customer and too high a level of compensation also induces a sense of discomfort in the customer’s conscience and even a sense of guilt if the compensation provided is not to scale.

Although some researchers have tried to establish relationships between the three dimensions of justice, and satisfaction, and behavioral intentions (Karatepe, 2006), this study will consider justice only as an important element of the achievement of customer satisfaction with efforts at service recovery. Justice and its individual dimensions constitute an intermediate stage in the process of providing a service recovery effort, and strongly influence customer perceptions of the eventual outcome. Before considering the individual dimensions of justice separately, it may be useful to briefly describe them as a group.

Broadly speaking, justice theory states that the customer feels satisfied if the customer's input to the exchange process of service delivery balances the perceived output. Similarly, if in an exchange, the customer feels equitably treated, then this is referred to as distributive justice (Goodwin & Ross, 1992; Oliver 1997). Also, customers judge the perceived fairness of the outcome they receive in addition to the perceived fairness of the delivery process: this process is generally referred to as procedural justice (Beggs & Keown-McMullan 2000; Palmer, Chebat & Slusarczyk 2005; Mattila et al., 2010). The inter-personal aspect of procedural justice is referred to as interaction justice in some studies, which stresses the manner in which the service process is carried out and information is communicated to the customer by the service provider (e.g. see Seiders & Berry 1998; Tax et al. 1998; Smith, 2001).

2.4.1 Distributive Justice

Distributive fairness refers to fairness as perceived by customers. They expect at least equal compensation for their loss and for effort to be put into resolving problems within the process (Nguyen et al., 2012). Typical compensation could be replacements, refunds, and apologies (Tax and Brown, 1998; Michel et al., 2009). More importantly, distributive fairness has the greatest impact on customer satisfaction which has been proved through experiment (Kau and Loh, 2006) and has also been widely accepted by scholars (Clemmer, 1993; Mattila, 2001).

Distributive justice is the perceived fairness of the tangible outcome of the service encounter (Hocutt et al., 2006). „Equity“ (Oliver & DeSarbo, 1988; Oliver & Swan, 1989; Chebat & Slusarczyk, 2005; Prasongsukarn, 2005; Kim et al., 2009) and concepts such as „equality“ (Mattila et al., 2010), and „need“ (Casado-Díaz et al., 2006) have been used in defining it. Problems with measuring distributive justice arise because equity, equality, and need are not easy for the customer to distinguish and it is difficult for service personnel and customers to assess input and output value (Casado-Díaz et al., 2006). The distributive justice equity model has been tested extensively in sociological and organizational behaviour research (Mattila et al., 2010). Distributive justice has been used many times to explain justice or fairness (Lin et al., 2011). Researchers favour the use of distributive justice models in which inputs and outputs can be easily measured.

Empirical equity research has supported the role of distributive justice in service recovery (Yi et al., 2010; Hsin-Hui, 2011). Distributive justice is achieved in a service recovery when the customer receives at least what they would have received before the service failure occurred. This has been called restoration to at least value level (Casado-Díaz et al., 2006) and atonement (Bell & Zemke, 2003; Yi et al., 2010). Reimbursement, replacement, repair, correction, credit, and no attempt at resolution are possible responses to distributive injustice (Lin et al., 2011) and these various kinds of atonement for service failure are usually combined under the general term compensation. The implications of all this for the current study are that the research instrument must be designed to include questions which measure the extent of customer perceptions of the distributive justice of service recovery efforts particular to the hotel industry.

2.4.2 Procedural Justice

Procedural justice is connected to customer perceptions of the fairness of a service recovery effort. The service recovery literature has defined procedural justice as the organization's step-by-step actions in solving problems (Sevtr, 2002; Ha & Jang, 2009; Yi et al., 2010). Tax and Brown (1998) called procedural justice the adequacy of the criteria or procedure used in decision-making. In assessing procedures, the customer makes a subjective comparison of the processes used to handle a transaction, service recovery, or injustice. In order of importance to the customer, the attributes of procedural justice are "1) assuming responsibility, 2) timing and speed, 3) convenience, 4) follow-up, 5) process control, 6) flexibility, and 7) knowledge of process" (Tax et al., 1998, p.79).

Services marketing studies have used „procedural justice“ to measure „fairness“. Del RioLanza et al. (2009) And Vazquez & Jasso (2002) used it to analyze pay equity. Mattila et al.(2010) applied it to human resource practices. Bies & Moag (2002, 2007) measured procedural justice using the customer's opportunity to participate in the process by offering opinions. Procedural justice is difficult to manipulate in experimental situations; however, it can be used with retrospective self-reports of service failures and recoveries (Chebat & Slusarczyk, 2005; Yi et al., 2010).

2.4.3 Interactional Justice

Interactional justice arises from the interpersonal part of a transaction (Jasso, 2002). It is an intangible part of the service encounter experience composed of fairness judgments related to the attributes of honesty (Goodwin & Ross, 1998), politeness (Goodwin & Ross, 2001; Clemmer, 2003), effort (Kaiser, 2000; Chebat & Slusarczyk, 2005; Prasongsukarn, 2005), empathy (Parasuraman et al., 1988), and explanation Yim et al. (2003). It has been defined by Tax et al. (1998) as the perceived fairness in interactions between people, when a customer is present in the service delivery system or while the service is being carried out. Interactional justice may also be defined as being based on the quality of the interaction between two parties involved in a process in which one is providing a service and the other is purchasing it (Ha & Jang, 2009). It has been shown to affect the quality of service delivered (Kennedy & Sparks, 2003; Del Rio-Lanza et al., 2009).

Interactional justice has primarily been explored in customer satisfaction studies in situations where an injustice or service failure has occurred. Jasso, (2002) discovered that 43% of poor outcomes in service transactions are due to customers forming a negative perception of frontline employees' responses to a service failure. Unacceptable answers about service failures from other than front-line employees (e.g., supervisors, managers, mechanics and other usually behind-the-scene technicians who are rude, inattentive, uncaring, or even arrogant in their participation in the transaction) accounted for 51% of poor outcomes (McColl & Sparks, 2003). Marketing studies that have employed the notion of interactional justice in customer satisfaction research (Wakefield, & Barnes, 1995; Blodgett & Tax, 1997; Tax et al., 1998; Blodgett, Oliver & Swan, 1999; Goodwin & Ross, 2001) support interactional justice as a significant predictor of customer satisfaction with service recovery efforts.

Mattila et al. (2010) operationalized interactional justice as the presence or absence of an apology following a service failure and during a service recovery attempt. Many times, this interpersonal treatment during the service recovery effort appeared to remain in a customer's

salient memory longer than other details. In short, studies have found that a way a customer is treated after a service failure often has as much or even greater impact on their perceptions of justice than the compensation they are offered.

Social psychology literature and organizational behaviour literature have suggested that previous personal exchanges or prior experience can have a bearing on the resolution of conflict (Goodwin & Ross, 2001; Schlenker, 2003; Prasongsukarn, 2005). These studies acknowledge the impact of personal interactions on problem solving. Certainly, the literature of interactional justice points to a critical relationship between perceptions of justice and the quality of the personal interaction developed through the service recovery effort, whether this is face-to-face, over the telephone or even by email. Customers who are treated with respect, courtesy and empathy have been shown to be much more likely to be satisfied with service recovery efforts.

2.4.4. The Relationship between the Dimensions of Justice

In terms of the combined constructs of justice, the mutual influence among justice constructs has been explored and supported (Tax et al., 1998). It has also been suggested that customers evaluate interactional, distributive, and procedural justice independently (Jasso, 2002). Yim et al. (2003), citing the high correlation of procedural and interactional justice, examined them as a unit that influences and is influenced by distributive justice. In 2004, Wirtz et al. confirmed that distributive and interactional justice in a retail firm's service recovery approach are related to the customer's word-of-mouth behavior and repurchase intentions.

Their data, based on retrospective service reports, supported the idea that interactional justice had a more important impact than distributive justice on the customer's future behavior with the firm, suggesting that interactional justice may be more important than researchers had realized. Other research (Chebat & Slusarczyk, 2005; Yi et al., 2010) used an experimental scenario that had indicated that distributive justice was more important than interactional justice to future behaviours. The researchers found that customers wanted to get what they wanted (distributive justice), but they also wished to be treated with respect (interactional justice). The different

results may stem from the different methodologies; however, it is possible that customers' justice requirements vary with the type of service being rendered. Bies & Moag, (2007) examined the interaction between distributive and interactional justice in determining customer satisfaction after a lodged complaint.

McCabe (1990) and Tax et al. (1998) explored the concept that employee behavior (interactional justice) influences customer perceptions of procedural justice. For Tax et al. (1998), the hypothesized interaction between procedural and interactional justice was not statistically significant in complaint handling situations. According to Smith (2001), as customers attribute employees' actions and treatment to the organization, their interpersonal treatment will influence perceptions and, thus, assessments of procedural justice. If the workers at a firm do not provide politeness, empathy, effort, honesty, and the right attitude, the customer satisfaction perception associated with procedural justice is reduced (Vazquez & Jasso, 2002).

In a service industry such as civil aviation, issues of procedural justice are largely concerned with established procedures for such problems as flight delays and lost baggage, Airlines usually have well-established systems in place to deal with these problems, being relatively common, but customers still need to feel that their particular instance of service failure is being dealt with fairly, and that staff are conversant with such procedures and competent at implementing them. McCole (2004) suggested that perceptions of procedural injustice cause perceptions of distributive injustice to worsen. This is especially the case when the customer thinks the outcome could have been better through a fairer process. When unfair procedures lead to poor outcomes, a customer's satisfaction is likely to decrease (Yi et al., 2010; Tax et al., 1998).

Most now believe the three constructs of justice are correlated and complementary (Hess, 2008). Each customer arrives at an overall judgment of the service based on perceptions regarding the people (interactional justice), the product (distributive justice), and the process (procedural justice), which interplay to determine a service assessment or a customer satisfaction judgment based on overall justice (Choi & Mattila, 2008). This study's research instrument therefore needs to investigate procedural justice in the wider context of „service recovery justice“ and overall customer satisfaction.

2.4.5. Justice and customer relationships

A service failure has the potential to unbalance the relationship between a business and its customer. The distress experienced by customers after a service failure is proportionate to the perceived injustice of an exchange, and this determines the level of service recovery required.

The level of distress determines the desire by the customer to seek restitution from the service provider. In other words, customers try to get even with the firm in response to a perceived wrongdoing (Bechwati & Morrin, 2003). Therefore, the levels of distributive justice experienced by a customer before a recovery effort are proportionate to the customer's recovery expectations of the company. In effect, a company which can exceed the expectations of a customer of the service recovery attempt has the opportunity to turn a negative view of the company into a positive one, with all its implications for repurchase, word of mouth and positive feedback. In the aviation industry, which deals with huge numbers of customers in very complex service arrangements, it is extremely useful to generate this kind of disconfirmation of negative expectations.

In addition to affecting perceptions, peoples' activities are influenced by procedural justice as well. For instance, within an organization, procedures that are regarded as fair engender feelings of loyalty to the organization, which can in turn foster commitment to an individual's role in the organization, and increase the likelihood of that individual remaining with the organization (Tyler & Belliveau 1995; Martin & Bennett 1996; Olson-Buchanan 1996; David, 2003). This in turn results in job satisfaction and improved performance (Alexander & Ruderman 1987; Lind & Tyler 1988), and increases the individual's trust in the organization and their willingness to work beyond the limits contractually specified (Kim & Cha, 2002). Overall, positive perceptions of procedural justice reduce harmful emotions such as anger and hostility (Barclay et al., 2005). On the other hand, a breach of procedural justice can result in an individual exhibiting negative behaviours toward the organization, and to the collapse of normal social inhibitions and a wish to punish the organization or its representatives (Kim et al., 2009).

Marketing researchers use procedural justice as one of the factors that explain how service recovery affects customer satisfaction. Procedural justice has been shown to be positively related

to customer satisfaction following service recovery efforts (Smith, 2001; Kim & Cha, 2002), in terms of customer intentions to repurchase from the same service provider, and by generating positive word of mouth (Del Rio-Lanza et al., 2009). Conversely, negative perceptions of procedural justice can have the impact of making individuals hostile or resistant to an organizations intended outcomes: For example, Yim et al. (2003) state that procedures that are perceived to be fair by employees cause less resistance to the outcome, whereas when employees perceive a procedure to be unfair, resistance and negative attitudes are much more likely outcomes. In a service failure context, a negative outcome is likely to follow, and if customer-perceived procedural justice with regard to service recovery effort is also low, it is very unlikely that satisfaction will be achieved.

It can therefore be stated that if customers feel a high level of procedural justice, they are more likely to accept, and be satisfied with, the outcome of a service recovery effort. Given the potential benefits of reversing the negative feelings engendered in customers by a service failure by a successful service recovery effort, it is important that service providers understand what it is that customers want from service recovery, and how they should behave in the immediate aftermath of a service failure.

In summary, it can be said that the dimensions of justice consists of three key elements. These elements are distributive justice, procedural justice and interactional justice, and in the literature they are usually associated with the elements of service recovery in pairs so that compensation is regarded as having an influence on customer perceptions of distributive justice, speed on procedural justice and apology on interactional justice.

2.2. Empirical Review

2.1.1 Service Recovery and The Justice Theories

Recognizing the sense behind the theories of justice is one of the most critical factors in recognizing satisfaction in service recovery. Oliver (1997) clarified that the distribution of benefits and costs is defined as distributive justice; which relates to the degree of compensation associated with recovering the failed service offer. For example, distributive justice may refer to how a consumer judged the consistency of the refunds, rewards, charges adjustments, replacements, and apologies associated with the service recovery efforts of the company.

Procedural fairness is associated with the customer's view of the phase of service recovery. For example, Wildes (2005) indicated that the highest degree of customer satisfaction was created by a consistent approach to service policies and practices through employee awareness and empowerment. Thus, procedural justice tries to settle disputes by using a structured approach to be consistent and preserve the consumer relationship — even if the result to one party is unsatisfactory. Finally, the degree to which persons are treated is interactional or interpersonal justice (Oliver 1997). This typically refers to the degree of politeness, dignity and respect shown towards the clients by the service organization. Numerous studies focused on the dimensions of justice in satisfaction in service recovery. One research by Smith, Bolton and Wagner (1999) in particular proposed a model, shown in Figure 14, which extended the notion that the attributes of service recovery (compensation, speed of response, apology and initiation) affected at least one of the three types of perceived justice in selected properties in the hotel and restaurant industries. First, both hotel and restaurant clients related the compensation quality to the distributive justice system. Second, both hotel and restaurant clients related the compensation quality to the distributive justice system. Third, the nature of the apology offered and the agency that resolved the issue with little effort or discomfort on behalf of the client are linked to interactional justice in two ways; 1) by evaluating the extent of the service failure, and 2) by classifying deficiencies as they apply to each person theory of justice.

2.1.2 The Effect of perceived justice on customer satisfaction

Various scholars have analyzed the impact of perceived dimensions of justice on overall consumer satisfaction on number of organizations. The authors found that all three forms of interactional, procedural, and distributive justice have a positive impact on satisfaction in service recovery. Patterson, Cowely&Prasongsukarn (2006) studied the recovery of service loss and found that all three dimensions of the theory of justice (distributive , procedural and interactional) had a positive effect on customer satisfaction. Moreover, the effects of justice dimensions on customer recovery satisfaction were also studied in various service industries, including banks (Assefa,2014), hotel customers (Karatepe 2006)&(Smith, Bolton and Wagner, 1999), mobile phone buyers (Kau and Loh 2006) and airline passengers (McCollough, Bahradwaj and Yadaw, 2000).

2.1.3. Measurements of Service Recovery

Tax and Brown identified service recovery as one of the main ingredients in building customer relationships in 2000, improving loyalty and shaping potential behavioral intent. This in addition, strengthened Abrams and Pease (1993) indicates that consumers may feel a greater loyalty to the organization when service problems are successfully resolved compared to when no failure occurred in the first place. Therefore, it is only fair that the service recovery experience is likely to be the last encounter the customer has with the company in the event of a service failure. As a result , the service recovery effort 's success can have a greater impact on loyalty and repurchase intentions (Spreng, Harrell & Mackoy, 1995). Considerable evidence now suggests that the assessment of the quality service by the customer greatly hinders the approach of the organization to deal with service failures.

Through this rationale effective handling of complaints has a dramatic impact on customer retention rates and employee satisfaction. This in effect directly impacts the retention of clients, employee performance problems, negative word-of - mouth and the organization's financial

stability. (Fornell & Wernerfelt, 1987; Brown & Chandrashekar Tax, 1998; Smith, Bolton & Wagner, J, 1999). For example, a TARP study (1996) found that the return on investment to handle complaints far exceeds the consistent return on investment for more traditional investments, ranging from 15 per cent for packaged goods organizations to 100 per cent for automotive and consumer sustainable organizations. The results also showed that proper handling of complaints in the banking industry yielded a return on investment of 170 per cent (Barsky, 1996).

In 2001 Mattila analyzed the effect on consumer satisfaction of partnership styles in the sense of service failures. The research scope was to assess the relationship that developed when the client experienced repeated contact with the same service organization. The study applied Gutek's (1995) social relations framework in order to gain a better understanding of the optimal level of interaction between a service organization and its clients (Mattila, 2001). Gutek's (1995) model showed that service encounters can be divided into three conceptually distinct service delivery mechanisms: real service relations, pseudo-relationships, and service encounters. The study showed that, in the case of a service failure, the degree of loyalty of the consumer for true relationship-type customers was substantially higher compared to customers who experienced pseudorelationship or service. The study also showed that the true relationship type received high ratings in terms of how much special attention and emotional bonding the service agency got. Clients observing the pseudorelationship and service did not provide the same standard treatment.

Bitner, Blooms and Tetreault researched the relationship between service failures and employee conduct in 1990, and what led clients to differentiate between satisfactory service encounters and unsatisfactory service encounters. Their study revealed that 42 per cent of the dissatisfying encounters with the customer were due to the employee's response to service failure.

Furthermore, the study also revealed that customers expected the employee to respond immediately in a polite, productive and professional manner when the service failure occurred (Bitner, Blooms and Tetreault, 1990). Thus, endorsing the concept that an organization needs to have a structured, consistent method in which workers are prepared to efficiently manage the service recovery experience in order to respond effectively to a service failure. Additionally,

research suggests service organizations should also rely on a measurement approach to ensure consistent quality of service recovery.

Craighead, Karwan and Miller (2004) explored effective food service recovery, auto repair and retail industries. Their model, shown in Figure 15, shows that the service recovery antecedents, according to the extent of service failure, directly affect the understanding of the service recovery process by the customer. It eventually culminated in the customer's satisfaction or unhappiness with the recovery process. Ironically, their model explored the context of service recovery by examining multiple elements; 1) the degree of commitment of the customer prior to service failure; 2) their perception of quality; 3) the extent of the failure; and 4) the promise of service. The most significant aspect in the improvement of programs in all three support agencies was a fair resolution in each case. Sincerity, remorse and honesty followed on from this. Our results also showed that loyal customer expectations were greater.

It is demanding in comparison with disloyal customers. However, in extreme circumstances disloyal consumers only requested a reasonable repair and were not as demanding as extra compensation. The above study supports the theory that service profits are best supported by retaining loyal customers, and there are two primary ways to do so: 1) by having zero deficiencies, and 2) by an effective service recovery process (Reichheld & Sasser, 1990; Craighead, Karwan & Miller , 2004).

2.1.4. The Service Profit Chain

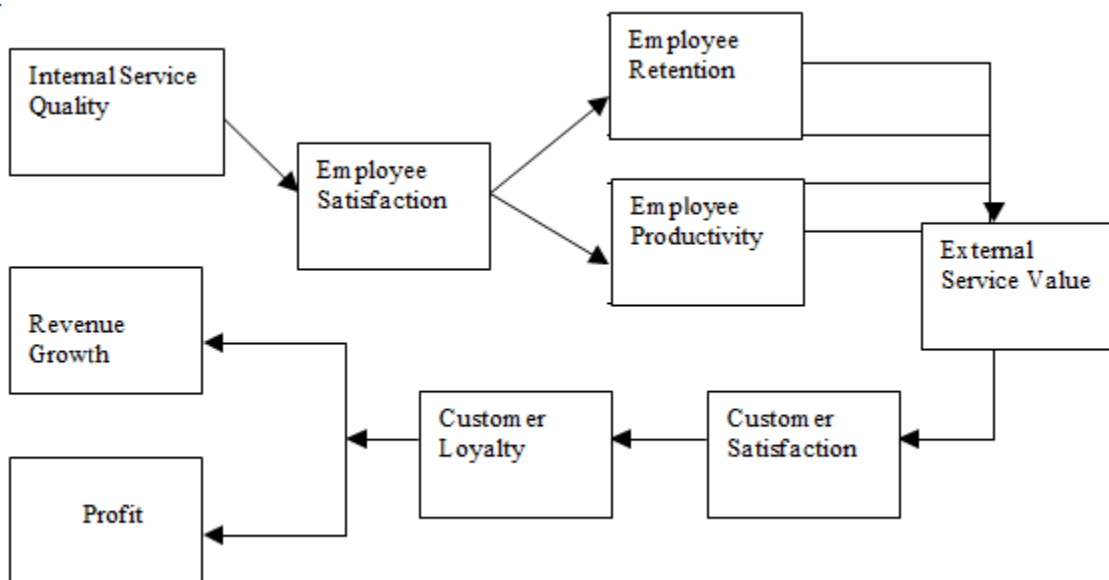
Throughout the early 1990s researchers examined the effect of quality of service, satisfaction and loyalty to consumers and employees. The Service Benefit Chain was established as an end result and the relationship developed between satisfaction, disappointment, and the performance of the organisation. In 1994, researchers, Heskett, Jones, Loveman, Sasser and Schlessinger studied the possible relationships between quality of service, consumer loyalty, competitiveness, employee satisfaction and productivity. The end result of their research was the creation of the Profit Chain for Service. Their justification for the creation of the model was as follows:

Heskett, Jones, Loveman, Sasser and Schlessinger (1994) stated:

“The service economy demands revolutionary measuring techniques. Such strategies calibrate the effect of employee satisfaction, loyalty and efficiency on the value of the provided goods and services so that managers can create customer satisfaction and loyalty and assess the resulting impact on profitability and growth. Indeed, a loyal customer's lifetime value can be astronomical, particularly if referrals are added to customer economics retention and regular purchasing of the goods concerned” (p.164).

The Service Benefit Chain, shown in Figure 2, shows the relationship between income and growth, customer satisfaction and loyalty, the value of the services and products provided to the customer, employee satisfaction, loyalty and productivity, and what is labeled as internal service quality meaning that employees have to deliver results to customers in any service meeting.

Figure 2.2 The Service Profit Chain



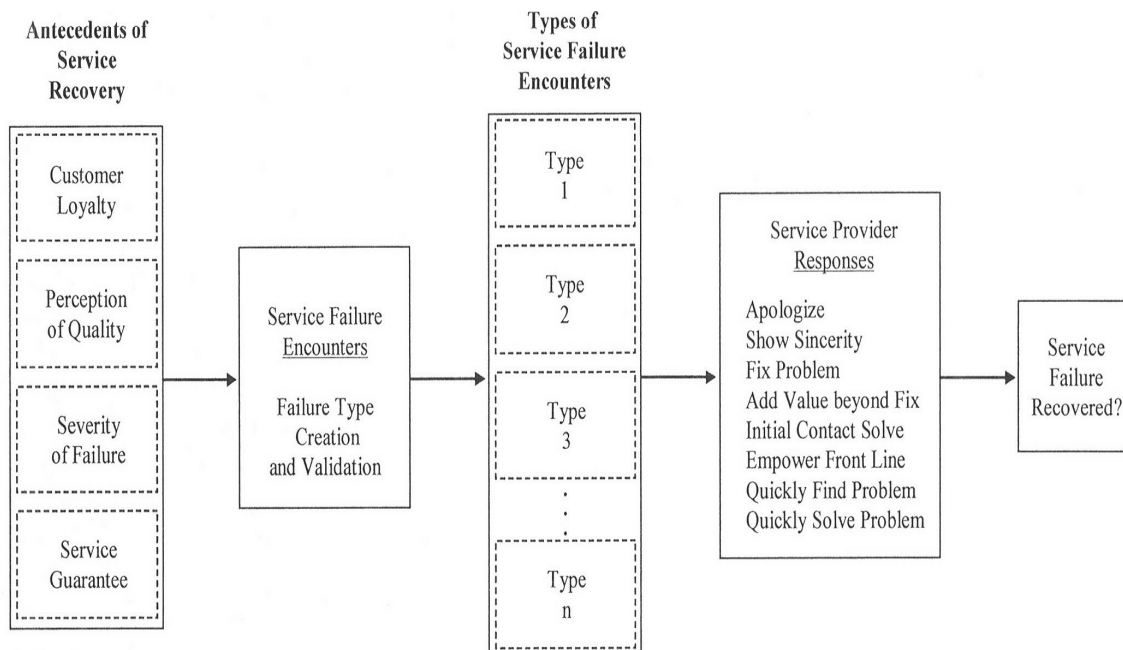
Source: (Heskett, Jones, Loveman, Sasser and Schlessinger, 1994, p.19)

The strongest link in the Service Benefit Chain, based on their study, was that between customer satisfaction and value for service. Typically, customers tend to look for quality of service processes that match the price paid. When the consumer thinks that the benefit meets the charged price, the consumer is most likely pleased with the experience with the company. Customer loyalty related to customer satisfaction was shown to be the least reliable link in the Service Benefit Chain from a different perspective. Reichheld (1996) suggested that services that satisfy customers may not always be the same services that result in service organizations being loyal to them.

Loyalty to the service organization will be discussed later in this chapter; however, it is necessary to draw attention once more to the findings of Heskett et al . (1994). Their work showed that short-term measurements of the relationship between loyalty and satisfaction could be undermined by circumstances such as aggressive price cuts, exclusive trail deals or even innovative marketing schemes. This in turn may induce customers to patronize the competitor and remove from their radar the current service provider regardless of the level of satisfaction that the customer has received in the past. Reichheld and Sasser (1990) examined the relationships between market share and profitability in service organizations and found that service organizations with higher consumer loyalty rates also enjoyed higher profitability in a given sector, and loyal customers also became more profitable over time.

In conclusion, the Service Benefit Chain research also showed that the efficiency of employees is related to loyalty. Heskett et al . (1994) explains that traditional loss measures incurred by employee turnover focus only on the cost of recruiting , hiring , training and employee replacement. The aim of this report, however, is to investigate the substantial quality loss and customer satisfaction.

Figure 2.3. Severity of Failure on Service Recovery Satisfaction



Source: (Craighead, Karwan & Miller, 2004).

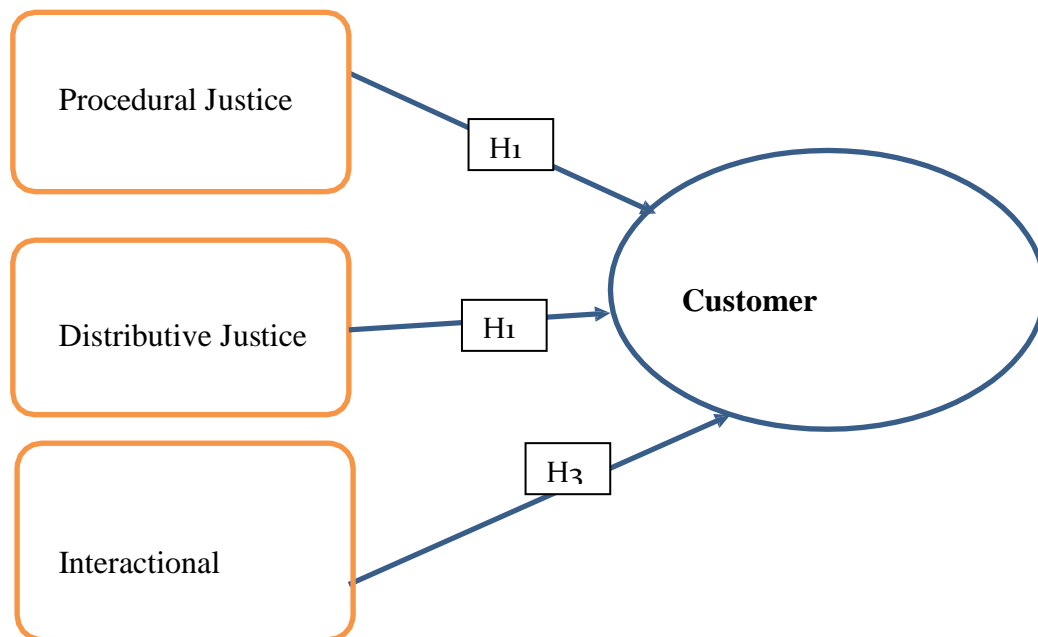
In 2006, Kau and Loh looked at the effects of justice in the cellular phone industry on service recovery satisfaction and behavioral outcomes. Their work looked at two dimensions. First their work investigated the relationship between 1) the complainant's understanding of the service recovery process as it relates to the theories of justice, 2) their satisfaction or frustration with the recovery process, and 3) the degree of confidence, word-of - mouth and loyalty of the customer. Furthermore, their work also explored the relationship between 1) non-complainants as happy or unhappy customers and 2) their degree of trust in the company, word-of - mouth intentions.

2.3 Conceptual Framework and Hypotheses

2.3.1 Conceptual Framework

The independent variables for this analysis were taken from the justice component of the process of service recovery. Meanwhile in this analysis the independent variable is the variable that represents the findings of the customer satisfaction research report. There are three (three) components represented as independent variables comprising distributive justice, interactional justice, and procedural justice. Those elements are used to help the study investigate the relationship between Hilton Addis Ababa's service recovery and its customer satisfaction.

Figure 1: The conceptual framework on the relationship between service recovery and customer satisfaction



Source: Tax & Brown (2000)

The conceptual strategy is formed and three prepositions suggest that the satisfaction of end users is influenced by three major justice dimensions of service recovery: distributive justice, procedural justice and interactional justice.

2.3.2. Hypotheses

Following a thorough empirical analysis the hypotheses of this study were established and are described below based on the proposed conceptual framework.

Ha1 There is a positive relationship between distributive justice and recovery satisfaction.

Ho1 There is a negative relationship between distributive justice and recovery satisfaction.

Ha2 There is a positive relationship between procedural justice and recovery satisfaction.

Ho2 There is a negative relationship between procedural justice and recovery satisfaction.

Ha3 There is a positive relationship between interactional justice and recovery satisfaction.

Ho3 There is a negative relationship between interactional justice and recovery satisfaction.

Ha4 There is a positive relationship between service recovery and satisfaction

Ha4 There is a negative relationship between service recovery and satisfaction.

CHAPTER THREE

Research Design and Methodology

Introduction

On this chapter of the research, the researcher presented about the research method, research approach, research design, population, sampling technique, sample size, data collection instrument, procedure of data collection and method of data analysis.

3.1 Research Method

There are different ways to think when conducting a research in approaching the research issue. As Creswell (2003) stated, there are three main research methods which are quantitative research method, qualitative research method and combination of both. According to Cooper et.al (2003) quantitative research helps to evaluate the relation between an independent variable and a dependent variable. It also used to clarify causal relationships to promote generalization and forecast the future while qualitative research approaches offer a full picture of the situation by improving understanding of social processes and interrelationships. Based on the study objectives and the availability of relevant information, this research used quantitative research method. The quantitative research was applied to examine the relationship between the dependent variable (i.e. customer satisfaction) and the independent variables the service recovery dimensions (procedural justice, distributive justice, and interactional justice).

3.2 Research Approach

A research approach provides a sketch of what the research will do in terms of formulating the hypothesis, its operational implications, and the final analysis of the data. This research employed a deductive method focused on the knowledge obtained from a literature review on the basis of the theories were formulated.

3.3 Research Design

A research design is the arrangement of conditions for collecting and analyzing data in a way that seeks to combine importance for the purpose of study with economy in the process. The research design is in fact the conceptual structures with which research is collected; it is the blue print for data collection, measurement and analysis.

According to (Farhadi, 2009) a research design has been widely classified as exploratory, descriptive, and explanatory. The author further described exploratory research as an approach to research that aims primarily at insights into and understanding the problem situation addressing research and descriptive research as a type of research approach that has the purpose of explaining something. Furthermore, if the research is concerned with learning why (i.e. how one variable produces changes in another) it is said that the research is explicatory. And, therefore, this study will use both descriptive and explanatory research design to address the research questions.

3.4. Population and Sampling Techniques

3.4.1 Population

Population is defined as the complete collection of analytical units being investigated, and element is the unit from which the necessary data are collected (Davis 2000, pp. 220). For this study, the target population was all customers who have been dissatisfied with the service they encountered in Hilton Addis Ababa.

3.4.2 Sampling Techniques

Sampling is the technique or procedure that the researcher would adopt when selecting sample items. There are two main types of sampling technique i.e. probability sampling and non-probability sampling. According to (Kothari, 2004) Probability sampling is based on the concept of random selection of samples, while non-probability sampling is non-random sampling that will be used for large number of the sample unit. Because of time and other cost constraint, the sample of this research was selected from the targeted population by using convenience sampling technique which is one of the non-probability sampling types. Convenience Sampling is where the respondents are selected, as they happen to be at the right place and at the right time. Convenience sampling was used to obtain a sample of elements of this research since it is impossible to estimate the selection probability for each element in the population.

3.4.3 Sample Size

As sample size calculation method of the study Cochran's Sample Size Formula was applied. As (Cochran ,1977) developed a formula to calculate a representative sample for Proportions, It makes it possible to calculate the ideal sample size given the desired level of accuracy, the desired level of confidence and the estimated proportion of the population attribute. The formula is deemed particularly suitable in situations involving large populations. The total sample size was comprised of 260 customers. According to (Cochran ,1977).

$$n = \frac{Z^2 pq}{e^2}$$

where: n= sample size

e = level of precision or sampling error (is ranges in which the true value of the population would be estimated.

P= population proportion

$$q = 1 - p$$

Z= level of confidence

The sample have been drawn from maximum variability of the population (P=0.5) with 95% level of confidence with 5% precision level. Therefore;

$$n=1.962 \times 0.5 \times 0.5 / 0.05^2 = 384$$

3.5. Variables of the Study

The study has its own dependent and independent variables, based on the study's objectives. The study's independent variables are the dimensions of service rehabilitation (distributive justice, procedural justice, and interactional judges), and the study's dependent variable is consumer satisfaction.

3.6. Reliability And Validity Analysis

3.6.1 Validity Analysis

Validity is the degree to which differences identified with a measuring instrument reflect true differences between those tested, (Kothari, 2004). Furthermore, Validity is the most important criterion and shows to what degree an instrument tests what it should be measuring. To ensure the quality of the content of this research design was checked and validity of the research was constructed.

According to Kothari (2004) Validity of content is to the degree a measurement instrument offers sufficient coverage of the subject under review. If the instrument contains a representative universe sample the validity of the content is good. Its resolve is primarily judgmental and intuitive. It can also be calculated by using a jury of individuals who will decide how well the measuring instrument meets the criteria, but there is no numerical way of explaining it. Additionally, pilot survey was conducted to collect input on the questionnaire before it was used for final survey.

3.6.2 Reliability Analysis

Reliability refers to the extent to which the measure of a construct is consistent or dependable on (Bhattacharjeend, 2012). For this study Cronbach's alpha as reliability test was used to assess the internal consistency of variables in the research instrument. Cronbach alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another. In addition to these structured questionnaires with likert-scale are used to remove unstructured answers.

In addition, Cronbach's alpha is a reliability coefficient used to measure the scale's internal consistency; it represented a number between 0 and 1 and retained items scored above the acceptable value. As (Tavakol & Dennick. 2011) stated If a test has more than one concept or construct, reporting alpha for the test as a whole may not make sense as the greater number of questions inevitably inflate the alpha value. Therefore, in principle alpha should be calculated for each of the concepts instead of for the whole test or scale. According to Zikmund et al., (2010) scales with coefficient alpha between 0.6 and 0.7 imply moderate or fair reliability. Cronbach's alpha score of .70 or higher are considered as adequate and acceptable to determine reliability.

3.7. Data Collection Instrument

Questionnaire is a way of determining how to test the sample (e.g. by mail, by telephone, in person) and of establishing the basic questions that have been used.(Marczyk, DeMatteo and Festinger 2005).

This research used primary data as a primary source of data. The means to collect the primary data was through well prepared self-administered questionnaire. The list of questions in the questionnaire is taken from (Oliver and swan, 1989) and (Morgan and hunt1994). The researcher used administered questionnaire because the instrument is helpful to collect large amount of information in short period of time with larger sample size. Second, it is also the easiest method to analyze scientifically than other forms of research methods. This approach is a fairly cost-effective method and the researcher can also perform it. Questionnaire was distributed to the sample of the study which is the customers of Hilton Addis Ababa who faced service failure and recovery during the service delivery process. There are two parts to the questionnaire. The first part concerns the respondents' socio-demographic data and the second part includes the items for measuring the three dimensions of

service recovery. It was constructed by implementing the 5-point Likert scale from "strongly agree" to "strongly disagree." "first part, the rest will be measured by using 5 point Likert scale ranging from "strongly agree" to "strongly disagree".

3.7.1 Procedures Of Data Collection

It distributed a total of 260 questionnaires to potential respondents. Having dropped cases of incomplete and disqualified questionnaires, it acquired exactly the total amount of questionnaires that could be used. The respondents were Hilton Addis Ababa clients. After conducting the field survey the data was encoded to SPSS

3.7.2 Method of Data Analysis

This study used descriptive analysis method of SPSS. Descriptive analysis refers to describe, aggregate and present the constructs of interest or associations between these constructs in a statistical way. Descriptive statistical tools such as frequency, mean, standard deviation cross tabulation, and regression analysis were used to analyze the data based on the study's required outcomes and objectives. Multiple linear regression analysis has been conducted to assess the strength of relationship between each of a set of explanatory (independent) variables and a dependent variable.

3.8. Ethical Considerations

Collection of human subject data poses important ethical concerns. These vary from credibility to moral concerns and typically include trade-offs between competing interests in a given situation in which a researcher must be mindful of the harm that can happen to himself, the academic community and the respondents while carrying out research. Many of the ethical norms help to make sure that researchers can be held responsible to the public (Resnik, 2015). By keeping this in mind, the

researcher completely acknowledges the issue and, in doing so, the study used anonymity when gathering data from the respondents in addition to those respondents, only those who were willing and able to participate. The research was approved by the School of Commerce, department of marketing management. Hilton Addis Ababa marketing department and its clients included in the study were informed about the research objective.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Chapter Overview

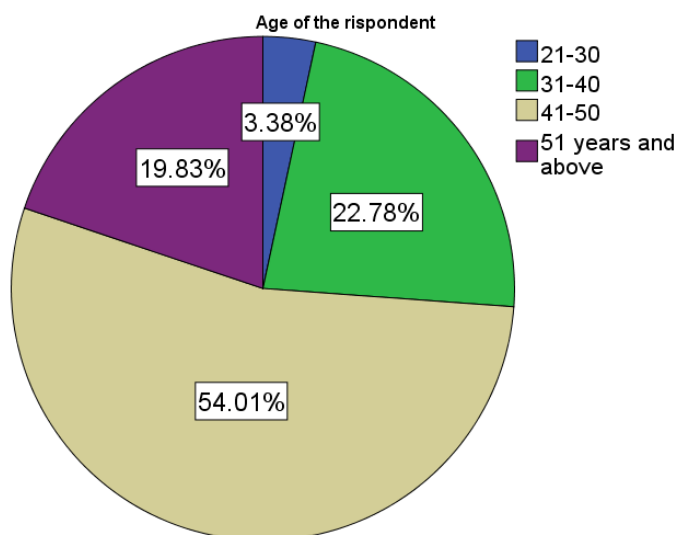
This chapter presented the findings of the research in accordance to the research objectives. The analyses and interpretation of the data collected from the respondents is presented. It began with a description of the demographic and general characteristics of the participating respondents. The results of Cronbach's coefficient alpha for reliability were examined. Then, the results of correlation analysis and regression analysis for the research variables were presented and discussed.

4.2 Characteristics of Demographic and service usage Profile

The demographic profile of the respondents is shown in Figures 4.1 to 4.4. The respondents were classified according to their age group, gender, educational background and occupation.

4.2.1 Demographic Profile

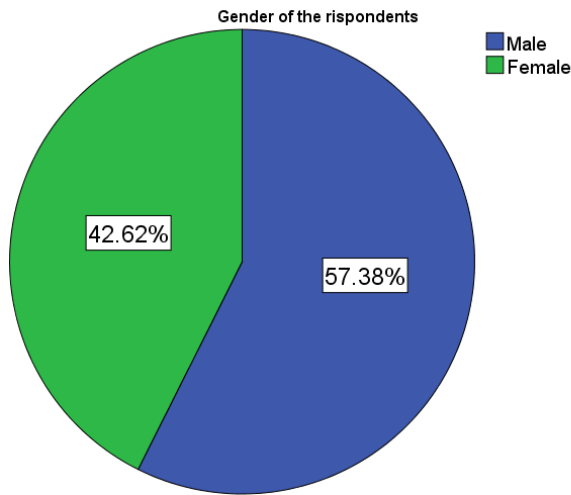
Figure 4.1 Age Group



Source: Own data survey, 2020

The majority (54%) of the respondents are between the age of 41 and 50 years. Figure 4.1 shows that the relatively older populations of the society, are major users of hotel services than the young ones. Another significant percentage which is 22.78 % of the respondents are found in the age group of 31 and 40 years.

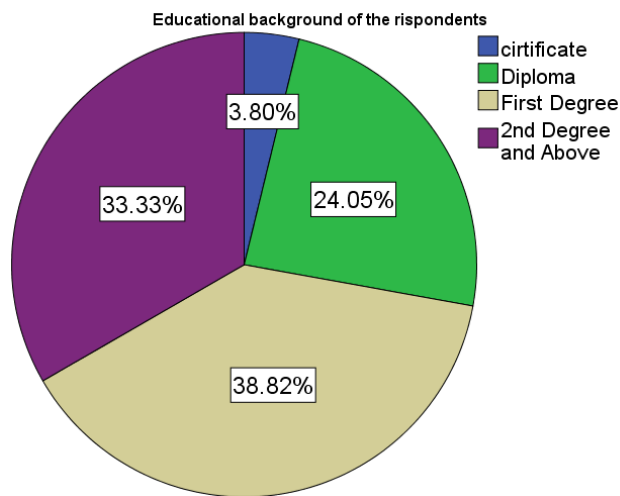
Figure 4.2 Gender Profile



Source: Own data survey, 2020

Figure 4.2 simply depicts a split of 43: 57 between female and male respondents. This figure may somewhat reveal the fact that in Ethiopia similar to most of developing countries, Male are the major income earners of the society and most of the financial decisions are made by them.

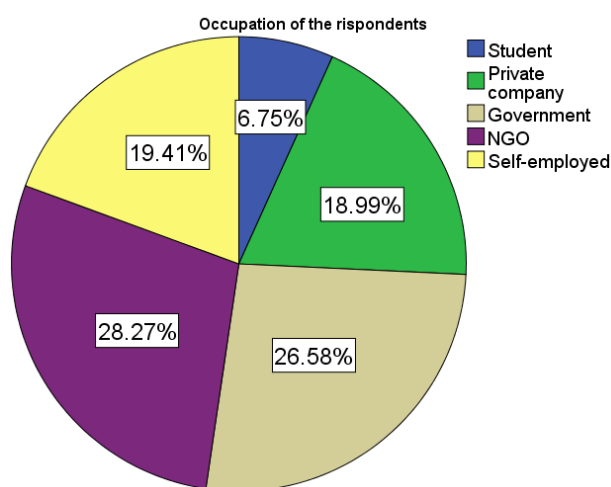
Figure 4.3 Educational Background



Source: Own data survey, 2020

Figure 4.3 shows The largest group of respondents (38.82%) reported a First Degree as their highest level of education. The second largest group (33.33%) indicated a Second Degree as their highest level of education. The next largest group (24%) indicated a diploma as their highest level of education. The rest (3.8%) have a Certificate. The data indicates that most of the customers are well educated and have second degrees.

Figure 4.4 Occupation



Source: Own data survey, 2020

As we can observe from table 4.1a above, majority of the respondents were (28.27%) work in non-governmental organizations; (26.58%) of them work in government office. While private companies and self-employed respondents take the lesser percentages the students are the least (6.75%) of the respondents.

4.1.2: Respondents relationship with company

Table 4.1: Respondents membership

Years in relationship with Hilton Addis Ababa		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 years	14	5.9	5.9	5.9

	4-6	31	13.1	13.1	19.0
	7-10	88	37.1	37.1	56.1
	11 years and above	104	43.9	43.9	100.0
	Total	237	100.0	100.0	

The largest groups of the respondents, (43%) have been customers for over 11 years. The second significant group (37.1) has relationship with Hilton for 7-10 years. Relatively small (5.9%) numbers of its customers are composed those who have been customers for 1-3 years. This shows that the majority of its customers are longtime customers.

4.1.3: Service failure

Out of the 260 questionnaires distributed, only 15 respondents answered that they did not encounter service failures and 8 were not filled appropriately. As the research assesses the service recovery effect those questioners have been disregarded so that the researcher precedes with the rest relevant data. Of the respondent who encountered service failure the highest type of failure is delayed service delivery with a percentage of 38.5 and only 7.4 percent encountered an issue of non-delivery.

Type of service failure

Table 4.2: Percent of Respondents who encountered service failure

Have you ever encountered any service failure?		Frequency	Percent	Valid Percent		Cumulative Percent
Valid	Yes	237	100.0	100.0		100.0
				Responses		Percent of Cases
				N	Percent	
Type of service failure encountered		Delayed Service Delivery		208	38.5%	88.1%
		Unrequested service		47	8.7%	19.9%

	lost service items	79	14.6%	33.5%
	Non-delivery	40	7.4%	16.9%
	Service quality low	61	11.3%	25.8%
	complicated procedure	96	17.8%	40.7%
	None of the above	9	1.7%	3.8%
Total		540	100.0%	228.8%

4.1.4: Compensation and time taken for Service failure

Respondents were asked whether they were compensated or not for the service failure in general and majority of the respondents accounting for 89.5% of the total number of respondents' have received compensation for the failure but the rest 10.5% of the respondents were not compensated for the failure. Including the respondents that did not receive compensation, majority of the respondents 50.5% of the respondents have not received their compensation in a timely manner.

Table 4.3: Percent of Respondents who have got service recovery for service failure they encountered

Have you been compensated for the failure?		Frequency	Percent	Cumulative Percent
Valid	Yes, I have been compensated	212	89.5	89.5
	No, I have not been compensated	25	10.5	100.0
	Total	237	100.0	
Do you get the compensation on time?		Frequency	Percent	Cumulative Percent

Valid	Yes, I have received the compensation on time	117	49.4	49.4
	No, I have not received the compensation on time	120	50.6	100.0
	Total	237	100.0	

What sort of reaction do you get on the spot from Hilton Addis Ababa?		Frequency	Percent	Cumulative Percent	Mean	Std. Dev
Valid	I received an apology	6	2.5	2.5	6.0844	1.69785
	I received an explanation about the failure	9	3.8	6.3		
	I received compensation	19	8.0	14.3		
	I received apology and explanation	6	2.5	16.5		
	I received apology and compensation	16	6.8	23.2		
	I received explanation and compensation	19	8.0	31.2		
	I received apology, explanation and compensation	157	66.2	97.5		
	I received nothing	5	2.1	100.0		
	Total	237	100.0			

4.15 Reliability Statistics

Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale; it represented as a number between 0 and 1 and items which scored above the acceptable value were retained. As per Tavakol & Dennick (2011) if a test has more than one concept or construct, it may not make sense to report alpha for the test as a whole as the larger number of questions will inevitably inflate the value of alpha. In principle therefore, alpha should be calculated for each of the concepts rather than for the entire test or scale. According to Zikmund et al., (2010) scales with coefficient alpha between 0.6 and 0.7 indicate fair reliability. Cronbach's alpha score of .70 or higher are considered as adequate to determine reliability.

Procedural Justice			Distributive Justice			Interactional Justice		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.876	.886	5	.724	.761	4	.800	.791	6

One of the most important assumptions for parametric tests is that the data are from normally distributed populations. The researcher checked normality of the data using an objective test of skewness and kurtosis statistics. For an ideal normality, the values of skewness and kurtosis should be zero. Positive values of skewness indicate a pile-up of scores on the left of the distribution, whereas negative values of skewness indicate a pile-up of scores on the right of the distribution. Positive values of kurtosis indicate a pointy distribution whereas negative values of kurtosis indicate a flat distribution (Field, 2005).

According to Mardia (1970) for testing of normality skewness statistics value less than 2 and kurtosis statistics value less than 6 is acceptable. Refer to the skewness and kurtosis statistics values shown below, all values fall below 2 and 6 ceiling. Thus the data is taken as a normally distributed one.

Tests of Normality- Skewness & Kurtosis

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Procedural Justice	237	3.9342	-1.204	.158	.671	.315
Distributive Justice	237	3.4335	-1.045	.158	.153	.315
Interactional Justice	237	3.7370	-1.949	.158	2.802	.315
Customer satisfaction	237	3.4209	-.603	.158	-.637	.315
Valid N (listwise)	237					

Tests of Normality- Kolmogorov-Smirnova & Shapiro-Wilk

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Procedural Justice	.193	237	.000	.833	237	.000
Distributive Justice	.201	237	.000	.844	237	.000
Interactional Justice	.321	237	.000	.645	237	.000
Customer satisfaction	.198	237	.000	.874	237	.000

a. Lilliefors Significance Correction

4.2: Dimensions of service recovery and customer satisfaction of client service failure recovery intentions

4.2.1. Procedural Justice

Representatives were questioned about their level of consensus and disagreement on procedural justice and the majority agreed on the questions related to Procedural Justice which indicates that the policy and procedure is well perceived among them.

Table 4.4: Respondents Level of Agreement on Procedural Justice

The policies and procedures are simple and adequate		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Strongly disagree	1	.4	.4	3.3008	.95792
	Disagree	80	33.8	34.3		
	Neutral	2	.8	35.2		
	Agree	153	64.6	100.0		
	Total	236	99.6			
Missing	System	1	.4			
Total		237	100.0			
The company's policies procedures are flexible		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Disagree	34	14.3	14.3		

	Neutral	10	4.2	18.6	3.6709	.71405
	Agree	193	81.4	100.0		
	Total	237	100.0			
The policies and procedures appropriate with the problems encountered		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Disagree	72	30.4	30.4	3.3291	.91209
	Neutral	15	6.3	36.7		
	Agree	150	63.3	100.0		
	Total	237	100.0			
The policies and procedures of the business represented my position and my status while handling the inconvenience		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Strongly disagree	1	.4	.4		
	Disagree	30	12.7	13.1	3.7173	.69520
	Neutral	4	1.7	14.8		
	Agree	202	85.2	100.0		
	Total	237	100.0			
The time taken to solve my problem was in short period of time		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Disagree	63	26.6	26.6		
	Agree	166	70.0	96.6	3.502	.9234
	Strongly Agree	8	3.4	100.0		
	Total	237	100.0			

(Source: Researcher's survey, 2020)

4.2.2. Distributive Justice

Respondents were asked four questions regarding distributive justice and they described their level of agreement and disagreement. The highest agreement was on showing results for whether they received what they deserved after the service failure which 75 percent of the participants agreed that they have. The highest level of disagreement was on being provided premium service and being treated exactly as per their expectations

Table 4.5: Respondents Level of Agreement on Distributive Justice

The treatments I received are fair considering the efforts made by the company to make me happy		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Strongly disagree	3	1.3	1.3	3.2321	.96163
	Disagree	78	32.9	34.2		
	Neutral	18	7.6	41.8		
	Agree	137	57.8	99.6		
	Strongly Agree	1	.4	100.0		
	Total	237	100.0			
The compensation I received in response to the failure is adequate		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Disagree	19	8.0	8.0		
	Neutral	34	14.3	22.4	3.6962	.61108
	Agree	184	77.6	100.0		
	Total	237	100.0			
I received what I deserved		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Disagree	25	10.5	10.5	3.1519	1.01792
	Neutral	32	13.5	24.1		
	Agree	180	75.9	100.0		
	Total	237	100.0			
When I choose Hilton Addis Ababa I expected a premium service and I was treated exactly like I wanted it		Frequency	Percent	Cumulative Percent	mean	Stddev
Valid	Strongly disagree	6	2.5	2.5	3.1519	1.01792
	Disagree	88	37.1	39.7		
	Neutral	8	3.4	43.0		
	Agree	134	56.5	99.6		
	Strongly Agree	1	.4	100.0		
	Total	237	100.0			

4.2.3. Interactional Justice

Respondents were asked about their level of consensus and disparity on interactional justice. Majority of the interactional justice responses were agreed. Top of the line agreement were 94 % on the employee(s) being patient, confident, and empowered and second highest is on the employees treating the customers with care throughout the overall process and the highest disagreement was on employees apology with a percentage of 22.8%.

Table 4.6: Respondents Level of Agreement on Interactional Justice

The employee apologised for the mistake and treated my case in an professional manner		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Disagree	54	22.8	22.8	3.5443	3.5443
	Agree	183	77.2	100.0		
	Total	237	100.0			
The personnel gave me an honest explanation for my questions		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Disagree	45	19.0	19.0	3.6203	.78606
	Agree	192	81.0	100.0		
	Total	237	100.0			
The employee(s)treated me with care during the overall process		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Disagree	30	12.7	12.7	3.7468	.66642
	Agree	207	87.3	100.0		
	Total	237	100.0			
The employee(s) were polite and willing to help		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Disagree	29	12.2	12.2	3.7089	.67306
	Neutral	11	4.6	16.9		
	Agree	197	83.1	100.0		
	Total	237	100.0			
The employee(s) were patient ,confident, and empowered		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Disagree	14	5.9	5.9	3.8819	.47252
	Agree	223	94.1	100.0		
	Total	237	100.0			

The personnel were understanding, respectful and go extra mile to solve my problem		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Strongly disagree	3	1.3	1.3	3.9198	.50202
	Disagree	7	3.0	4.2		
	Neutral	1	.4	4.6		
	Agree	221	93.2	97.9		
	Strongly Agree	5	2.1	100.0		
	Total	237	100.0			

(Source: Researcher's survey, 2020)

4.24. Customer satisfaction with the Dimension of service recovery

Identifying the respondents' level of satisfaction with respect to the three dimensions of service recovery (distributive, interactional and procedural) Respondents were asked to show their level of agreement and disapproval about the aspects of service recovery in relation to the service failure that they encountered in Hilton Addis Ababa. The highest consensus on the overall service recovery cycle is 80 percent and the level of disagreement is relatively higher on interactions with the company's personnel which is about 39 percent.

Table 4.7: Respondents overall Satisfaction on the service failure

I am satisfied with the outcomes of the service recovery		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Disagree	25	10.5	10.5		
	Neutral	32	13.5	24.1		
	Agree	180	75.9	100.0		
	Total	237	100.0			
I am satisfied with the interactions I have had with the company's staff over the whole process		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Strongly disagree	6	2.5	2.5	3.2489	.98358
	Disagree	88	37.1	39.7		
	Neutral	8	3.4	43.0		

	Agree	134	56.5	99.6		
	Strongly Agree	1	.4	100.0		
	Total	237	100.0			
I am satisfied with the policies and procedures used to handle my problem		Frequency	Percent	Cumulative Percent	Mean	Stddev
	Disagree	54	22.8	22.8	3.2489	.98358
	Agree	183	77.2	100.0		
	Total	237	100.0			
I am satisfied with the overall service recovery process		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	Disagree	46	19.4	19.4	3.2489	.98358
	Agree	191	80.6	100.0		
	Total	237	100.0			

4.2.5. Relative Importance of Service recovery dimensions

In order to determine the level of significance of the three dimensions of service recovery (distributive , procedural and interactional justices) from the viewpoint of the consumer, the respondents were asked to rate from the most relevant to the least important. Although the variance is relatively small, based on the results the most important dimension is the interactional justice followed by procedural justice and the least distributive justice dimension.

Table 4.8 Relative Importance

Which of the following you think was the most relevant in relation to service failure		Frequency	Percent	Cumulative Percent	Mean	Stddev
Valid	The effort of company's personnel to handle the problem	90	37.8	38.0	1.9241	.82501
	The company's policies and procedures used to handle the failure	75	31.5	69.6		
	The final service outcome	72	30.3	100.0		
	Total	237	99.6			
Total		238	100.0			

(Source: Researcher's survey, 2020)

4.2.6. Correlation Analysis

Correlation coefficient is a very useful means to summarize the relationship between two variables with a single number that falls between -1 and +1 (Field, 2005). A correlation analysis with Pearson's correlation coefficient was conducted on all the independent and dependant

Correlations

		Procedural Justice	Distributive Justice	Interactional Justice	Customer satisfaction
Procedural Justice	Pearson Correlation	1	.526**	.284**	.561**
	Sig. (2-tailed)		.000	.000	.000
	N	237	237	237	237
Distributive Justice	Pearson Correlation	.526**	1	.093	.708**
	Sig. (2-tailed)	.000		.155	.000
	N	237	237	237	237
Interactional Justice	Pearson Correlation	.284**	.093	1	.618**

variables in this study to explore the relationship between variables. According to guidelines suggested by Field (2005) to interpret the strength of relationship between variables, the correlation coefficient(r) is as follows: if the correlation coefficient falls between .01 to .29, it is weak; .3 to .49 is moderate; and > .5 is strong relationship between variables. In this study, bivariate Pearson correlation was used to examine the relationship between each of the independent variables and the dependant variable using a two tailed test of statistical significance.

	Sig. (2-tailed)	.000	.155		.000
	N	237	237	237	237
Customer satisfaction	Pearson Correlation	.561**	.708**	.618**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	237	237	237	237

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

Table 4.8: Correlation matrix between dependent (overall satisfaction) and independent variables (procedural, distributive, and interactional Justice)

(Source: Researcher's survey, 2020)

The correlation matrix above displays correlation between the dependent variable (satisfaction) with the overall service failure recovery mechanisms by Hilton Addis Ababa versus the independent variables of dimensions of service recovery (Distributive, Procedural and Interactional Justices). All of the correlations are relatively high and significant to the error level less than 0.05 indicating that the changes in the independent variables will bring a significant change on the dependent variable.

The Pearson correlation coefficient reveals that Procedural Justice ($r=.561^{**}$); Distributive Justice ($r=.708^{**}$) and Interactional Justice ($r=.618^{**}$) all the independent variables have statistically significant positive correlation with customer satisfaction supporting all the four alternative hypotheses of the research. The strength of correlation is highest for price followed by trust, satisfaction and switching barriers. The correlation is also significant at .01 level (2-tailed).

4.2.7. Regression Analysis

As one can see from the Model Summary table the adjusted R Square statistic tells us the proportion of variance in the dependent variable that is accounted for by the independent variables. In this case the co- efficient of determination adjusted (R²) was 0.813. This implies that about

81.3% of the dependent variable (i.e. customer satisfaction) can be explained by the independent variables (i.e., procedural justice, interactional justice and distributive justice).

In other words, over 81% of the variance in customers' satisfaction with service recovery is described by the customer's perception of the service recovery dimensions provided. Adjusted R2 values also indicate the overall effect size of all the independent variables on the dependent variable.

Table 4.9: service recovery dimensions and customer satisfaction (model summary)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.903 ^a	.815	.813	.22761

a. Predictors: (Constant), Interactional Justice, Distributive Justice, Procedural Justice

b. Dependent Variable: Level of Satisfaction on the overall service failure recovery

(Source: Researcher's survey, 2020)

Table 4.10 service recovery dimensions and customer satisfaction (Anova)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.220	3	17.740	342.420	.000 ^b
	Residual	12.071	233	.052		
	Total	65.291	236			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Interactional Justice, Distributive Justice, Procedural Justice

(Source: Researcher's survey, 2020)

In the regression model fit for level of satisfaction of customers with the Hilton Addis Ababa’s service failure recovery against the independent variables Dimensions of service recovery (Distributive, Procedural and Interactional Justices). All perceived justice dimensions have strongly significant influence actually to the error level less than 1% error.

The p value for F statistic in the ANOVA table is .000 which is < .05 indicates that at least one of the independent variable is a significant predictor of the dependent variable (customer satisfaction).

Table 4.11: Estimates of Regression Coefficients for the dependent variable (Level of Satisfaction on the overall Addis Ababa Hilton Service recovery dimensions)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.839	.141		-5.944	.000					
	Procedural Justice	.067	.027	.086	2.484	.014	.561	.161	.070	.668	1.498
	Distributive Justice	.524	.028	.614	18.491	.000	.708	.771	.521	.720	1.388
	Interactional Justice	.606	.033	.537	18.241	.000	.618	.767	.514	.915	1.093

a. Dependent Variable: Customer satisfaction

(Source: Researcher's survey, 2020)

As per Table 4.11 above, correlations are very useful research tools but they tell us nothing about the predictive power of variables (Field, 2005). To support the correlation tools, a regression analysis was implemented. A regression analysis was used to further investigate the relative importance of the independent variables in predicting the dependent variable. In other words, it answers the second research question of the research. Table 4.11 shows the result of regression analysis. Regression analysis is a statistical method which is used to explain and predict dependent variable from independent variables. In regression analysis the predictive model is used to predict the values of dependent variable from independent variables.

From the multiple regression result, estimate of regression weight shows that all the independent variables Procedural Justice ($\beta=.067$), Distributive Justice ($\beta=.524$), and Interactional Justice ($\beta=.606$) predict customer satisfaction. Interactional Justice is the most dominant factor to influence customer satisfaction.

With the regression analysis, multicollinearity of variables was tested. The commonly used cut-off points as Pallant (2005) mentioned for determining the existence of multicollinearity among independent variables are Tolerance value and Variance inflation factor (VIF) value. Tolerance value should be greater than 0.2 and the VIF should be less than 10. Multicollinearity occurs when there are high inter-correlations among some set of the predictor variables. In other words, multicollinearity happens when two or more predictors contain much of the same information. The presence of multicollinearity poses threat to the validity of multiple regression analysis by affecting the statistical significance of beta coefficients. VIF values are all well below 10 and the tolerance statistics all well above .2; therefore, we can safely conclude that there is no collinearity with in the data.

Regression Equation

$CS = -0.839 + 0.067(PJ) + 0.524(DJ) + 0.606(IJ)$ Where:

CS = customer satisfaction

PJ= Procedural Justice

DJ = Distributive Justice

IJ = Interactional Justice

-0.839= constant (y-intercept)

Based on the result in table 4.11, customer satisfaction is predicted (explained) by Procedural Justice, Distributive Justice and Interactional Justice with beta coefficient of .067, .524 and .606, respectively with all have sig value of less than .05.

4.3. Results of the hypothesis

H1: Distributive justice affects the customer satisfaction.

According to the study result, H1 significantly affects. Therefore, the hypothesis is Accepted which is $\beta = 0.000, p > 0.05$

H2: Procedural justice affects customer satisfaction

According to the study result, H2 significantly affects. Therefore, the hypothesis is accepted which is $\beta = 0.014, p < 0.05$

H3: Interactional justice affects customer satisfaction.

According to the study H3 is accepted. This is because of $\beta = 0.000, p < 0.05$

According to the study interactional justice and procedural justice and distributive justice affect positively customer satisfaction which is agreed with the hypothesis mentioned. Service recovery dimensions have an impact on customer satisfaction is also accepted as per the findings of the study.

4.4. Discussion on Findings

The study showed that majority of the customers of Hilton Addis Ababa, are male and are in the age group above age group of 40.

Number of respondents who were member of Hilton Addis Ababa for 11 and above years is the largest of all this is followed by those who member for 7-10 years.

Based on the major service failures of the company, respondents were asked to mention the type of failure they faced, the proportion of respondents who encounter service failure is well beyond of those respondents who have not faced any service of Hilton Addis Ababa. For this research only those who have encountered service failure were considered with the majority encountering (37%), delayed service recovery (17%), lost service items and, (14%) complicated procedure or others (about 6.7% each).

Respondents were asked whether they were compensated or not for the service failure, in general and majority of the respondents accounting for 89.5% of the total number of respondents have received get compensation for the failure but the rest 10.5% of the respondents were not compensated for the failure.

Respondents were requested to mention the responses they obtained immediately after service failure, based on the study findings, most of the respondents received apology, explanation and compensation (66.2%) and the least mentioned was nothing (2.1%).

The three service recovery dimensions were assessed separately. Regarding the procedural justice, the highest disagreement was 33.8 % which is about the time taken solving problem and the policy and procedures are simple and adequate.

From distributive justice, the highest agreement was on showing results for whether they received what they deserved after the service failure which 75% of the participants compered to highest level of disagreement was on being provided premium service and being treated exactly as per their expectations.

The respondents were also questioned about their level of agreement and disagreement with regard to interactional justice and the highest disagreement was about 37% which is the personnel's apology and about 22% which is satisfaction with the policies and procedures used to handle their problem. However majority of the responses for the interactional justice agree.

Regarding the three dimensions of service recovery and their overall satisfaction Respondents were also asked about their level of satisfaction, therefore all dimensions was found positive response. Respondents were asked about their perception of which service recovery dimension is the most important. The majority of the respondent perceives that interactional justice dimension was the

CHAPTER FIVE

Conclusion and Recommendations

5.1 conclusions

This chapter will discuss the summary conclusions and recommendations of the study. Based on the response from the collected questioner, the study reached the following conclusion

According to the finding, the major service Addis Ababa Hilton was delayed service recovery. The Level of satisfaction of Addis Ababa Hilton customers was assessed from the three service recovery dimensions. Based on the results found, interactional justice was highly perceived by the company's customers. Whereas out of the three-dimension distributive was perceived less satisfactory.

The relative value of the three aspects of service recovery (distributive, procedural and interactional justices) were assessed from the customer's perspective. The most significant element, based on the findings, is interactional justice followed by procedural justice which and the least important dimension mentioned by the respondents was distributive justice.

Regarding the perceived justices and their overall satisfaction over 81% of the variance in customers' satisfaction with service recovery is described by the customer's perception of the service recovery dimensions provided. From The result of this study indicate that interactional justice took a significant position (0.606) for the variation in customer satisfaction in service recovery.

The effect of service recovery dimensions on customer satisfaction was assessed; according to the finding satisfaction with service recovery dimensions has a positive relationship. As the result of this relationship, all interactional justice, procedural and distributive justices have strong significant impact on customer satisfaction.

The Pearson correlation coefficient reveals that Procedural Justice ($r=.561^{**}$); Distributive Justice

($r=.708^{**}$) and Interactional Justice ($r=.618^{**}$) all the independent variables have statistically significant positive correlation with customer satisfaction supporting all the four alternative hypotheses of the research. The strength of correlation is highest for Distributive Justice followed by Interactional Justice and Procedural Justice. The correlation is also significant at .01 level (2-tailed).

From the multiple regression result, estimate of regression weight shows that all the independent variables Procedural Justice ($\beta=.067$), Distributive Justice ($\beta=.524$), and Interactional Justice ($\beta=.606$) predict customer satisfaction. Interactional Justice is the most dominant factor to influence customer satisfaction.

5.2 Recommendation

Based on the conclusion of the study and the researcher's personal observation, the following points are recommended.

The regression coefficient of .067 gives the estimated change in customer satisfaction associated with a unit change in Procedural Justice. Thus, the hotel should exert maximum effort so as to enhance customer satisfaction by exceeding customers expectation on the reliability and problem solving capacity of the policies and procedures that are put in place during service failures. The policies should be better perceived by customers and up to date in order to fit the changing demand of customers.

The regression coefficient of .524 gives the estimated change in customer satisfaction associated with a unit change in Distributive justice. Distributive fairness refers to fairness as perceived by customers. They expect at least equal compensation for their loss and for effort to be put into resolving problems within the process. Otherwise what they would have received if the service failure did not happen. A significant amount of change in distributive justice affects customer satisfaction. This means that the hotel should have a system in place that has an accurate representation of the customer's judgment of fairness of the compensation.

The regression coefficient of .606 gives the estimated change in customer satisfaction associated with a unit change in interactional justice. Compared to the other two variables, a higher percentage change in customer satisfaction is reflected along with a unit change in interactional justice. Because of this, the hotel should focus and work on each of the interactions that occur during failures. It should have a mechanism in place that allows it to track every interaction that occur during the recovery effort and continually learn from them and improve.

Based on the results of this study the major problem that customers complain about is delay in service. Thus the service delay should be reduced if not eliminated. Once a service failure happens, the service recovery should come very fast due to the negative nature of the moment, the company has a responsibility to deliver the service recovery on time and remind them why they the company in the first place. Therefore much emphasis should be given on delivery time.

The company should arrange continuous training for its employee on service recovery speed and focus allocated on it.

From the three service recovery dimension, interactional justice was perceived least satisfactory by the organizations' customers. Although the majority of the customers agree that the employees treated them well, the relative result indicates that there is attitude problems by the organization employee that they need to train more on. It is well known that the effectiveness and success of an organization lies on the people who form and work within the organization. Therefore, the organization should have to know that employees are the most valuable assets of any organization, with the systems, materials and even the money; nothing gets done without man-power. Therefore the organization should encourage, reward and arrange training on customer service in order to keep and satisfy customers.

From the three service recovery dimension, distributive justice was also disagreement by customers' response in line with being treated exactly as per their expectations. The company should therefore improve the system to fit its customers' exact expectations. It may take the form of actual monetary compensation, an apology, future free service, or reduced fees.

Proper compensation on time is also the disagreement by slight (50.6%) majority customers. Late response given by the company makes its customer more dissatisfied. Therefore, the company should develop prompt service recovery activity so as to satisfy its customers.

In the procedural Justice dimension, majority of the customers responded 'agree' to the procedural justice questions. However, there is a higher level of disagreement on the adequacy of the policies and procedures. It indicates that the company policy and procedure are not adequate for customers.

Therefore The Company should work on its policies and procedure to be adaptable to match their individual circumstances. The procedures should be clear and absence of hassles in order to be problem solver.

The organization already has a system of analyzing customers complaints and feedback if it improves the already established system to fine-tune it with the customers need to be more flexible, it will result in higher satisfaction levels.

5.3 Limitations and directions for further research

The study is also limited to the assessment of service recovery programs effectiveness on customer satisfaction on Hilton Addis Ababa only and does not include the other hotels that operate in Addis Ababa, Ethiopia because of the time and resource limitations. This makes it difficult to know the position of the company in relation to the competitors based on this study. Therefore, this research could be a starting ground to assess service recovery systems on hotels across Addis Ababa and even Ethiopia.

The second limitation on this study is the time limit. Some limitations had to be made in order to focus the study on certain parts of the topics mentioned in the background. In addition, although the research aimed to have a larger sample size because of the limited amount of customers the researcher was able to find due to corona, the researcher had to proceed with the currently specified amount.

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Appendix 5; Questionnaire

Addis Ababa University School of Commerce

Department of Marketing management

Post graduate program

Dear respondents;

This questionnaire is designed to gather information on the customer satisfaction impact of service recovery in Addis Ababa Hilton for educational purposes. The information is solicited for the partial fulfillment of a Master of Arts Degree in Marketing Management, the Department of Marketing Management at Addis Ababa University School of Commerce. All the information you provide will be kept confidential and used only for academic purpose. As a customer of the company who has faced service failure and recovery, you will have valuable insights which can assist this research for the achievement of the study objectives. Your cooperation is highly appreciated.

Thus, I kindly request you to give me your response by completing this questionnaire.

Thank you in advance for your cooperation

Instruction: please put a tick mark on the space.

1) Have you ever encountered any service failure?

1/ Yes

2/ No

Part I. General Information of Respondents

2. Gender

1. Female

2. Male

3. Age group

1/ 21-30 2/ 31-40 3/ 41-50 4/ 51yrs & above

3. Educational background:

4 / 12 grade complete 2/ Certificate 3/ Diploma

4/First Degree 5/ 2nd Degree and Above

5. Occupation

1/Student 2/Private company 3/ Government

4/ NGO 5/Self-employed others

6. Years in relationship with Hilton Addis Ababa

1/ 1-3 Years 2/ 4-6years 3/ 7 -10 years 4/11 year and above

7. Please indicate the service failure you encountered (you can select more than one)

- a/ Delayed Service Delivery b/ Unrequested service c/ lost service items
d/ Non-delivery e/ Service quality low f/ complicated procedure

8. If the answer for the above question is “yes have you been compensated for the failure?

- 1/ Yes I have been compensated 2/ No I haven’t been compensated

9. If the answer for the above question is “yes” do you get the compensation on time?

- 1/ Yes, I received my compensation right away
2/ No, it took them forever to give me the compensation

10. What kind of response do you get from Addis Ababa Hilton on the spot?

- a/I received an apology b/ I received an explanation about the failure
c/I received compensation d/ I received apology and explanation
e/ I received apology and compensation f/I received explanation and compensation
g/I received apology, explanation and compensation h/I received nothing

Part two: service recovery dimensions

Instruction: please indicate your degree of agreement or disagreement against each question by encircling the appropriate number (where, 1=strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree)

Procedural justice

11. What do you think about the company’s policies and procedures considering the service failure you encountered?

S.No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
11.1	The policies and procedures are simple and adequate	1	2	3	4	5
11.2	The company’s policies and procedures are flexible	1	2	3	4	5
11.3	The policies and procedures appropriate with the problems encountered	1	2	3	4	5
11.4	The company’s policies and procedures considered my class and my status while handling the inconvenience.	1	2	3	4	5
11.5	The time taken to solve my problem was in short period of time	1	2	3	4	5

Distributive justice

12. Do you think the whole service recovery process is fair?

S.no.	Statements	Strongly disagree	disagree	neutral	agree	Strongly agree
12.1	The treatments I received are fair considering the efforts made by t company to make me happy	1	2	3	4	5
12.2	The compensation I received in response to the failure is adequate	1	2	3	4	5
12.3	I received what I deserved	1	2	3	4	5
12.4	When I choose Hilton Addis Ababa I expected a premium service and I was treated exactly like I wanted it	1	2	3	4	5

Interactional justice

13. How did the Hilton Addis Ababa personnel handle the failure?

S.no	statement	Strongly disagree	disagree	neutral	agree	Strongly agree
13.1	The employee(s) apologized for the failure and handled my case in a professional way	1	2	3	4	5
13.2	The personnel gave me an honest explanation for my questions	1	2	3	4	5
13.3	The employee(s) treated me with care during the overall process	1	2	3	4	5
13.4	The employee(s) were polite and willing to help	1	2	3	4	5
13.5	The employee(s) were patient, confident, and empowered	1	2	3	4	5
13.6	The personnel were understanding, respectful and go extra mile to solve my problem	1	2	3	4	5

Part three: Overall satisfaction

14. Are you satisfied with the overall failure handling process?

s.no	Statements	Strongly disagree	disagree	neutral	agree	Strongly agree
14.1	I am satisfied with the outcomes of the service recovery	1	2	3	4	5
14.2	I am satisfied with the interactions I had with the personnel of the company during the overall process	1	2	3	4	5
14.3	I am satisfied with the policies and procedures used to handle my problem	1	2	3	4	5
14.4	I am satisfied with the overall service recovery process	1	2	3	4	5

Level of importance of major dimension of the service recovery

15. Which one of the below do you think was most important regarding the service failure and recovery process? Please rank 1 to 3, (where 1=most important and 3=least important).

15.1 The efforts of the company's personnel to handle the problem _____

15.2 The company's policies and procedures used to handle the failure _____

15.3 The final service outcome _____