RECOVER: A Seven-Element Concept for Evaluating Recovery

Mahesh S. Bhandari, School of Hospitality, Tourism and Marketing, Victoria University
Michael J. Polonsky, School of Hospitality, Tourism and Marketing, Victoria University

Abstract

In recent years empirical investigations into service recovery have examined the impact of firm’s recovery attempt on consumers’ post-purchase decisions. However, these measurements tended to be based on one or two outcomes ignoring the complexity of post purchase outcomes. As such, there exist limited empirical studies of multiple consumer outcomes. This paper considers the need to examine the impact of service recovery processes using multiple customer-based factors. Seven outcome issues are identified and described in this paper that relate to the essence of a positive after-service affiliations of customer with the service provider.

Keywords: Service failure, customer satisfaction, service encounter, service recovery

Introduction

Organizations experience an increased risk of losing customers when there is a service failure (Zemke and Bell, 1990). However, customer’s negative perceptions resulting from service failure can be prevented if organisations undertake effective recovery action (Andreassen, 2001; Bailey, 1994; Hart, Hesket and Sasser, 1990). These actions can turn dissatisfied customers into satisfied ones (Boshoff, 1998).

The service recovery literature has focused on two main areas of action – organization and employee- to deal with consumer dissatisfaction. Actions such as empowerment and compensation are organizational (Swanson and Kelley, 2001) where as responses such as apology and response speeds are more relevant to employee actions (Keaveney, 1995). In order to measure the consumers’ perception of these actions, research has followed two separate tracks; justice theory and consumer outcomes (Seungong, Beatty and Jones, 2004).

Justice theory put forward three dimensions of service experience (Smith, Bolton and Wagner, 1999). Distributive justice is the benefit received as a result of encounter (Deutsch, 1975), Procedural justice is organization’s method to guide the customers (Smith, Bolton and Wagner, 1999) and Interactional justice is quality of interpersonal treatment (Tax, Brown and Chandrashekaran, 1998). To represent these three dimensions within the recovery process; compensation, response speed, and apology can be used (Wirtz and Mattila, 2004). One could suggest that each of these types of justice has a variety of consumer outcomes associated with it. Thus justice theory would seem to support the need to measure multiple outcomes, rather than focus on one or two issues.

While justice theory is indeed important, we are focusing on discussing the need to measure multiple consumer outcomes in regards to recovery activities. This paper will firstly, examine recovery actions in response to consumer dissatisfaction and corresponding consumer perceptions. Secondly, it suggests the need of measurement of all seven elements of post-
purchase consumer outcomes in order to investigate the true success of recovery efforts and thirdly, it presents a conceptual framework of service recovery evaluation.

**Customer Expectations**

Customers will generally have some pre-purchase expectation about what a service encounter will involve (Hepworth, 1992). Customers have their own individual mental flowchart of how the service experience will operate (Lovelock, Patterson and Walker, 2004), which sets out their expectations in relation to the quality and standard of the service to be purchased (Broderick et al., 2000). Some base level customer expectations relate to; employee performance, courtesy and various service deliverer attitudes (Boshoff and Leong 1998). Consumer’s evaluation of services will be based on how well the actual service experience matched their expected delivery of these attributes (Lovelock, Patterson and Walker, 2004). In situations where the service experience does not match expectations; dissatisfaction is likely to occur (Hoffman, Kelly and Rotasky, 1995; Peterson, 1993). Customer satisfaction is therefore, a positive evaluation of service experience (Parasuraman et al., 1994). It is also an affective state or feeling reaction in which the customer’s needs, desires and expectations have been met (Lovelock, Patterson and Walker, 2004). A situation when the service is not delivered as expected is termed as service failure (Bitner Booms and Tetreault, 1990) and such events results in reduction of customer satisfaction (Smith, Bolton and Wagner, 1999).

**Service Failure and Recovery**

The literature on service failure has focused on firm’s actions designed to overcome customer dissatisfaction. There area a range of activities that might minimise customers’ negative response to failed service encounters (Mattila and Wirtz, 2004). These activities have been used as independent variables in regards to the dependent consumer outcomes. Four of the most frequently used actions will now be briefly discussed.

Firstly, compensation for any failed experience is considered an important tool to overcome negative disconfirmation (Deutsch, 1975). Compensation can restore equity to an exchange relationship (Berscheid, Walster and Walster, 1973), and thus, it is the most important issue associated with distributive justice (Smith, Bolton and Wagner, 1999). Compensation is suggested as the most important tool for dealing with service failure (Tax, Brown and Chandrashekaran, 1998). There are several ways that compensation can be operationalised, such as, refund, replacement or both (Boshoff 1997; Lewis and Spyrokopoulos 2001).

Secondly, empowering staff to deal with dissatisfied customers has also been considered as a service recovery strategy (Boshoff and Leong, 1998). “Empowerment means giving frontline employees the desire, skills, tools, and authority to serve the customer” (Zeithaml and Bitner, 2000, p. 302). The greater the need to recover service failures, greater the firm’s needs to empower employees (Hart, Hesket and Sasser, 1990; Parasuraman et al., 1994).

Thirdly, apology is important for at least three reasons (Boshoff and Leong 1997): 1) it can be done quickly and thus can reduce customer’s anxiety; 2) it conveys that the problem is being attended to and that the firm cares about the customer’s wellbeing (Zemke and Bell, 1992); and 3) an apology can diffuse customer anger (Nguyen and McColl-Kennedy, 2003). An apology is often associated with customers’ perception of interactional justice (Tax,

Fourthly, the speed of response in dealing with service failure is also important (Bitner Booms and Tetreault, 1990) because it enhances customers’ positive evaluation of perception (Donavan, Brown and Mowen, 2004). Speed of problem handling has been identified as an important issue in procedural justice dimension (Tax, Brown and Chandrashekaran, 1998).

**The Seven-Element Concept for Evaluating Recovery**

The impact of service recovery on consumers is not always clear (Hart, Hesket and Sasser, 1990). One of the reasons to this uncertainty of generalizing the impact of recovery effort is measurement of limited variables (Wirtz and Mattila, 2004). Research in service recovery has focused in two critical areas – perceived justice and outcomes. The area of perceived justice includes three components (Seungong, Beatty and Jones, 2004). Procedural justice concerns the policies and rules that comprise the process of recovery actions. Interational justice concerns the behaviour of firm’s representative during the process and outcome. Distributive justice relates to how fairly consumer’s are compensated (Lovelock, Patterson and Walker, 2004). Findings of the justice theory shows that nature of interpersonal treatment and outcome received forms the basis for a customer to evaluate the recovery attempt (Smith, Bolton and Wagner, 1999; Tax, Brown and Chandrashekaran, 1998). This would seem to suggest that for justice to be effectively examined multiple outcomes need to be evaluated.

Another stream of research, which is the focus of this paper, considers the outcomes of recovery effort as a basis of its evaluation. Individual research such as Hart, Hesket and Sasser, 1990; Mittal and Lassar, 1998; Nguyen and McColl-Kennedy, 2003; Smith, Bolton and Wagner, 1999; and Tax, Brown and Chandrashekaran, 1998, have investigated a various outcomes in regards to recovery. The literature seems to suggest that there are at least seven possible outcome measures that could be examined in regards to the effectiveness of service recovery. These include: **Repurchase intent; Enhanced loyalty; Complaint motive; Overall satisfaction; Varying switching decision; Expectation updates; and Referrals** by word of mouth. The first letter of these forms the acronym RECOVER, where the cumulative meaning is a re-involvement of customer into business activities (Swanson and Kelley 2001).

Figure 1 represents the conceptual model for recovery evaluation. The left side of the model illustrates that once failure occurs, consumers establish a new set of expectations of the service encounter. The success of recovery will then be determined based on how far the firm moves consumers from this new “post failure” expectation, with an aim being to achieve a satisfied post-recovery experience. The right side of the diagram reflects the actions that firm can use to operationalise recovery (i.e. independent variables), which result in seven different consumer outcomes (i.e. dependent variables). Interestingly in the literature, most research uses only one or two measures to evaluate the effectiveness of service recovery and we suggest that all of these seven outcomes need to be considered if a comprehensive picture of service recovery is to be evaluated. We will now briefly overview each of these seven issues.

**Repurchase Intent** is a key element of service recovery (Thomas, Blattberg and Fox, 2004). Research has shown that a firm has a 60% to 70% chance of successfully repeat-selling to an “active” customer, and only a 5% to 20% chance of successfully closing the sale on a brand new customer (Griffin and Lowenstein, 2001). Thus, re-patronage increases profitability by reducing expenses of attracting new customers (Mittal and Lassar, 1998). Service recovery
should therefore improve future repurchase intention (Andreassen, 2001).

Enhanced Loyalty is one of the important means of getting customers back to the business (Swanson and Kelley 2001). Loyalty is developed over time, when exchanges meet, or exceed, customers’ expectations (Mittal and Lassar, 1998). Loyal customers “often cost less to service, spend more as their time with the firm lengthens, and provide a good source for new business” (Levesque and McDougall, 1993, p. 40). Further, loyal customers might accept some level of deviation from expected levels of performance (Hirschman, 1970).

Figure 1: Determination of the success of Service Recovery

Complain Motive occurs when organizations do not meet expectations (Bailey, 1994). Interestingly, it has been suggested that customers who complain also are more likely to repurchase services (Eccles and Durand, 1998). Satisfactorily meeting or exceeding expectations when dealing with complaints can turn customers into satisfied one (Fornell and Wernerfelt, 1987; Hart, Hesket and Sasser, 1990; Levesque and McDougall, 1993; Oliver, 1980) and thus is one of the critical measures of the effectiveness of service recovery.

Overall Satisfaction is a core measure of any service experience, even one that has failed and is seeking recovery. Research has suggested that effective service recovery can have a larger influence on overall satisfaction and behavioural intentions than does original service outcome factors (Spreng, Harrell and Mackoy, 1995). Quick recovery can even lead to higher levels of praise and recommendation than in the original service (Tax, Brown and Chandrashekaran, 1998). Customers’ often compare the outcomes based on the service as encountered with failure to that of the unaffected encounter (Swanson and Kelley, 2001).

Varying switching decision as to where to purchase a service is an important issue for service providers (Palmer, Beggs and Keown-McMullan, 2000). Service failure has been found to be one key reason consumers switch (Keaveney, 1995) and thus reductions in intentions to switch are an important measure of service recovery effectiveness. Switching of service
providers not only damages the firms’ market share and profitability, but also generates negative word of mouth (Lewis and Spyrakopoulos, 2001; Broderick et al, 2000).

Expectation updates relate to how customers modify expectations based on the failed service encounter (Hepworth, 1992). Successful recovery might result in minimal variations in future expectations and could possibly even enhance further expectations about the quality and standard of service in regards to the purchase of service (Deutsch, 1975; Hart, Hesket and Sasser, 1990). As such service providers can potentially use recovery experiences to redefine customer expectations (Rust and Oliver, 2000).

Referrals are relates to encouraging or discouraging other consumers (Hirschman, 1970). Word of mouth has been identified as an important way of referrals as it is face-to-face and provides highly credible and vivid information (Liu, Sudharshan and Hamer, 2000). Ensuring that negative word of mouth is minimized can therefore be an important measure of service recovery (Wirtz and Mattila, 2004). It has been suggested that consumers are more likely to spread positive word of mouth after a successful recovery (Richins, 1985).

Conclusion, Contribution and Future Directions

The aim of this paper is to overview the various post-purchase consumer outcome measures that can be used to evaluate the effectiveness of service recovery attempts. We suggest that failed service recovery would only occur when the post-recovery experience is in fact, below what was anticipated at the time of failure. Management could be guided by considering seven elements of service recovery as the issue of keeping organization in continuous growth and maintaining customer relationship tend to stay in balance with implementation of proper service recovery strategy. By considering multiple outcome measures, the suggested approach would bridge the gap between unaccountable findings in the literature based on examination of limited outcomes and recovery actions.

The operationalisation of a multi-dimensional evaluation would be complex and future research would need to consider how multiple outcome dimensions can be aggregated across criteria. For example, is a reduction in the likelihood of negative word of mouth, accompanied by a negative shifting of future expectations? If this were to occur, the “benefits” of recovery may be less than anticipated using a single measure such as “word of mouth”. Future research needs to consider not only how these multiple issues can be aggregated, but also how varying recovery strategies will impact on the full range of recovery outcomes. That is, will a speedy recovery process affect all seven outcomes in the same way? If not than the firm will need to consider what complementary activities need to be undertaken to have a balanced recovery process, considering all seven-outcome issues.

Despite the two streams in the literature, justice theory and outcome based evaluation; researchers need to be careful on other issues such as level of both service failure and recovery actions. It is not easy to identify to what level the service is failed and how much effort is given while taking actions to recover the failure. Difficulty is recognised in undertaking such research, but this paper gives an insight to a critical area for future studies.
References


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