

# THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

## Service Failure and Recovery: Literature Review and Research Issues

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### **Abstract:**

*It does not matter how stellar the services delivered by the service provider. Each firm still make mistakes in meeting the customers' expectations. Services play a pivotal role in the economies of all countries. However, due to the distinct nature of services, providing error free services is an elusive goal. Thus, effective service recovery is mandatory to revoke the negative consequence associated with the services incidents. Therefore, the purpose of this paper is to explore the services literature, and identify the consequences of services failures and recovery strategies. Additionally, the study attempts to reveal the most related literature debates and research gaps. This study could be helpful for service providers to understand customers' state of mind after a services failure and recovery. Such understanding has the potential to enhance their recovery efforts.*

**Keywords:** Service encounter, service quality, service failure, service recovery, failure severity, service' involvement, failure attribution, customer satisfaction, loyalty intention, word of mouth, attribution theory, justice theory

### **1. Introduction**

Service quality is one of the core components of the service promises (Hartline and Ferrell, 1996). It represents a significant facet of the entities' values, and predominantly used by the customers, as a tool to assess the service provider's performance (Bamford and Xystouri, 2005). However, sometimes, due to some the indispensable customer participation in the service delivery, and other service situational factors, diverse types of service failures, and low performance situations may occur (Amorim et al., 2014). Thus, effective service recovery is mandatory to revoke the negative consequence associated with unfavourable service performance. However, the literature asserted that customer's perception for either service failure or recovery, and the effectiveness of recovery strategies as well, is contingent on some factors like; service failure severity (Chuang et al., 2012; Hess Jr, 2008; Huang, 2008; McQuilken and Robertson, 2011; Roggeveen et al., 2012; Swanson and Hsu, 2010), service failure attribution (Jayasimha and Srivastava, 2017; Nikbin et al., 2011; Nikbin and Hyun, 2014; Vaerenbergh et al., 2014), and the degree of customer's involvement in service delivery (Fierro et al., 2015; Sachse and Rabeson, 2015; Shin et al., 2017). Therefore, the main objective of this research is to provide an extensive literature review on service failure and recovery related research issues. This extensive review of the literature, could help service providers to, evaluate customers' perception and responses, for service recovery efforts as well as failures. Such assessment has the potential to enhance their recovery efforts. The paper organized as follow: firstly, the nature of the service is demonstrated. Since the inspirable and intangible nature of the service lead to some service incidents, thus, a description for the service failures, and recovery choices will be presented. Afterwards, the consequences of service failure and recovery are then mentioned. Besides, the theories adopted by scholars, to examine the different aspects of service provision, failure, and recovery as well, are discussed. Then moving to the most significant factors which impact the customers' perception for service failure and recovery, including service failure severity and the degree of customer's involvement. Additionally, the buffers, which shelter the service providers from the negative consequences of the service failures are exhibited. Finally, the research conclusions are demonstrated.

### **2. The Nature of Service Encounter and Service Experience**

Based on the service dominant logic, the service is the main output of all firms, and the goods is merely a distribution tools for the service provision (Vargo and Lusch, 2004). The difference between service encounter and service experience mainly lies on the continuity of the impact of the service delivered (Voorheesa et al., 2017). The service encounter is defined as a detached binary interaction between a customer and the service firm, this interaction leads to various service outcomes (Bitner et al, 1990). The outcomes divided into two elements, i.e., the service process (the way in which the client is served) and the service outcome (core service as food served in a restaurant), both are impacting the behaviour of the interacting parties (Parasuraman et al., 1988). Service encounters can have various forms as well. It can be face-to-face in the actual service setting, over the phone, or even online through mails or digital plate forms (Voorheesa et al., 2017). Although every service encounter is discrete, customer's impressions and satisfaction with the services provided are accumulative. It was found that customer's relationships are built from a series of encounters with the service provider (Voorheesa et al., 2017). During the full series of the services encounters, customers make judgments about the services' quality, and each encounter contributes to customers' overall satisfaction and desirability of the

relationship (Shin et al., 2017). Thus, service experience can be defined as all the critical encounters between the customer and the service provider that significantly impact customers' impressions of the service provider and the consumption (Löfgren, 2005). The inseparable and intangible nature of services makes it risqué for the service firms to obviate service failures during services provisions (Shin et al., 2017). Therefore, maintaining satisfying customer's service experiences represent a continuous challenge for the service providers.

### 3. Service Failure

Even within excellent services quality' firms, sometimes, these entities fail to meet the customers' expectations. Some scholars identify service failure in terms of customer's expectations and service's perception. They mentioned that, service failure occurs, when the service performance falls below or doesn't meet customer's expectations (Casidy and Shin, 2015; Chou, 2015; Hess Jr; 2008, Liat et al., 2017; Migacz et al., 2017; Nikbin and Hyun, 2014). Others defined the failure as any service mishaps or problems that result in customer dissatisfaction (Jung and Seock, 2017; Shin et al., 2017). Another group of scholars provided typology for the service failures. For example, Bitner et al. (1990) divided service failures into three groups: service delivery failures (e.g., bad food served in a restaurant, room in a hotel), failures related to customer needs and requests (e.g., social needs, customer to customer interactions or customer's preference) and failures related to unprompted and unsolicited employee actions (e.g., employees' politeness or sympathy in serving customers). Service failures can vary from industry to industry. However, there are some common failures identified in various service sectors. For example, errors in crediting and debiting accounts, and overdrawn of charges frequently mentioned in banking, tourism, and hospitality-based services (Ishaque et al., 2016). Service failure also can be attributed to inadequate delivery of service (e.g., unsatisfactory employees dealing with customers, lack of competency, lack of attention to the customers, rude behaviour, not apologizing for the service or product failure) or unavailability of service (e.g., unavailability of reserved room) (Huang and Lin, 2011). Some failures can be attributed to the service facility as well (e.g., hygiene issues, air conditioner breakdown, etc.). Moving to the online shops, like traditional business (offline shops), are also exposed to some service failures like late delivery, defective products, extra shipping costs as well as the communication and complain handling problems (Ahmad, 2002). Fortunately, the customer may take services incidents as a part of the service provision because they are aware of the circumstances that error free service is not possible, but he/she may get frustrated if there is no favourable response shown once the failure takes place (Jayasimha and Srivastava, 2017; Krishna et al., 2011). Since unsatisfied customers often switch brands (Jayasimha and Srivastava, 2017), engage in negative word-of-mouth (WOM) (Huang, 2010), and collapse loyalty (Jung and Seock, 2017), thus, the researchers' attention was given to the service recovery efforts, to assess its effectiveness in elevating the negative impacts of service incidents and retrieve customers' satisfaction.

### 4. Service Recovery Choices

Service recovery following a failure incident is pivotal (Miller, Craighead, and Karwan, 2000). It allows service provider to fix the problem and transform the unfavourable attitudes of unsatisfied customers into positive behavioural intentions (table 1). It is the process by which the service providers handle customers' complaint in an effort to retrieve that customer (Babin, Zhuang and Borges, 2021). Service recovery defined as efforts or actions service provider adopts to address customer complaints, respond to the service failure and return aggrieved customers to a state of satisfaction (Abney et al., 2017, Bendall-Lyon and Powers, 2001; Chou, 2015; Huang, 2010; Jung and Seock, 2017; Lewis and Spyropoulos, 2001; Liat et al., 2017; Sachse and Rabeson, 2015). It is a kind of exchange between the customer who experienced a loss due to a service failure and the service provider efforts to offset customer's loss (Albrecht, 2016). As in-service failure, Dong et al. (2008) provided a typology and divided service recovery to three dimensions: Outcome, process and interactional treatment. The outcome or technical dimension is what is done (tangible compensation) or what customers receive from complaints, whereas the process or functional dimension refers to rules, policies and timelines of complaint process. Interactional treatment focuses on the interpersonal treatment received during the complaint process; how it is done (employees' interaction with the customer). However, there are some problems that make service recovery complicated process. First, customers who choose to complain are merely from 5 to 10 % of the total oppressed customers (Krishna et al., 2011). Second; double deviations scenarios (failure on failure) drive them to thwarting situation (Basso and Pizzutti, 2016). That means a customer with service failure situation may get even more suffering (e.g., effort, money, time, or emotional loss) instead of timely recovery. Moreover, delay in handling the complaints, accessibility, timing/speed, and flexibility to acclimatized to the customer's recovery needs (Huang, 2010). Therefore, there are various recovery strategies adopted by service providers to overcome the mentioned problems and meet customers' needs. The literature classified the service providers recovery efforts in to psychological recovery (e.g., apology and empathy) and tangible recovery (monetary compensation).

Authors	Focus	Nature of the Study	Findings
Worsfold et al. (2007)	The impact of proactive and reactive recovery strategies, as well as the type and severity of the failure on satisfaction, re-patronage, and complaint intentions.	Experimental design	It was found that proactive recovery strategy has a high impact on customer's satisfaction and re-patronage intentions than did compensation.
Dong et al. (2008)	The impact of customer participation in service recovery on customer's satisfaction and future co-creation.	Experimental design	When customers participate in the service recovery process, they are more likely to report higher levels of satisfaction and intention to co-create value in the future.
Grewal et al. (2008)	The impacts of compensation on repurchase intention in different stability and locus of responsibility conditions.	Experimental design	Compensation is necessary only when the firm is responsible for the failure and the failure occurs frequently. If the failure occurs irregularly or the firm is not responsible, compensation does not affect repurchase intentions.
Fehr and Gelfand (2010)	The impact of apology components on customer's forgiveness.	Experimental design	Customers react most positively to apologies that are congruent with their self- construal's.
Roggeveen et al. (2012)	The impacts of co-creation of service recovery on repurchase intention in comparison to compensation.	Experimental design	Co-creation improves evaluations of severe service failures but does not affect evaluations for less severe failures. Equity mediates the relationship of co-creation recovery and post-recovery evaluations.
Roschk and Gelbrich (2013)	Examines how compensation type and failure type explain the recovery effect of compensation.	Experimental design	They proposed new classifications for both compensation and failure. Additionally, they found that resource-based classifications provide better explanation for the recovery effect of compensation.
Gelbrich et al. (2014)	The nonlinear effects of compensation on customer satisfaction.	Experimental design	Identified the compensation level that provides the best satisfaction return.
Heidenreich et al. (2015)	Implications of the failures in customer's co-created services.	Experimental design	Companies should follow a matching strategy by mirroring the level of customer participation in service recovery based on the level of co-creation during service delivery.

Authors	Focus	Nature of the Study	Findings
Sachse and Rabeson (2015)	The impact of different levels of tangible compensation on satisfaction for moderate- versus high-involvement services as well as for different conditions of responsibility for the failure and failure severity.	Experimental design	For moderate-involvement services, all types of compensation are equally suitable, except when customers are responsible for a severe failure. In this case, customer expects tangible compensation of higher benefit. For high-involvement services, the more severe the failure, the higher the benefit of tangible compensation should be, regardless of responsibility.
Parkand Ha (2016)	The impact of hedonic and utilitarian derived from co-creation of service recovery on equity and affect towards service recovery, and repurchase intention.	Experimental design	The utilitarian value reinforces both equity and affect toward the service recovery while hedonic value enhances only to equity. Additionally, both equity and affect toward the recovery are positively correlated with repurchase intentions.
Kude et al. (2017)	The impact of personality traits and social influence on service recovery perception and customer experience.	Descriptive Research	Customer' personality traits and their social environment significantly influence their perceptions of compensation, and perceived compensation positively influences service recovery and customer experience.
Jung and Seock (2017)	The impact of different types of service recovery on customers' perceptions of justice, post-recovery satisfaction, and word-of-mouth (WOM) intentions.	Experimental design	Customer's perceptions of distributive and interactional justice differ by the types of service recovery. Additionally, customers respond differently to different types of service recovery, however, they particularly favour apology among types of service recovery.
Shin et al. (2017)	The influences of proactive interaction to prevent service failure and reactive interaction to correct service failure on customer emotion and patronage behaviour (considering the moderating effect of customer and firm-related characteristics).	Experimental design	Customers prefer service providers that take the initiative to get to them before they have to initiate contact for themselves. The findings additionally identify the moderating influences of relationship quality, situational involvement, and contact person status and motive.

*Table1: Selected Literature on Various Service Recovery Strategies and their Impacts on Customers Behavioural Intention*

#### 4.1. Apology

Among individuals, apologies help to repair countless relationships and restore unison (Roschk and Kaiser, 2013). Within organizational contexts, apology is the most cost-effective recovery strategy for service providers (Fehr and Gelfand, 2010). It can alleviate the negative impacts of a service failure as well as communicates effort, courtesy, politeness, concern and empathy (McQuilken et al., 2016). In other word, it acts as catalyst in the resolution of conflict and inspire forgiveness. Fehr and Gelfand (2010) defined apology as any message containing acknowledgements of blameworthiness for negative actions or events, which can include expressions of remorse. The effectiveness of apology

differs among studies. For example, Jeong and Lee (2017) found that customers particularly favour apology among types of service recovery. Additionally, it was found that apology have a significant positive impact on customer's perceived justice (Jung and Seock, 2017), satisfaction (Roschk and Kaiser, 2013) and loyalty (Chou, 2015). Moreover, McQuilken et al. (2016) found that apology minimizes customer's negative word of mouth and reinforce customer's voice intention (voice is where customers work constructively with the service provider to discuss and resolve the problems). However, there is an empirical evidence as well that the presence of an apology does not necessarily recover from services failures (McDougall and Levesque, 1999) nor fosters post-complaint satisfaction (Goodwin and Ross, 1992). This difference can be attributed to that, most studies has focused on apologies as dichotomous incident (receive apology/ no apology). Little studies had explored which components of apologies are most effective (e.g., time, empathy, intensity) and for whom. For example, Huang& Ha(2020) found the service provider's empathy in addressing customers complaints positively influencing fellow customers' satisfaction and word of mouth. Considering the apology components, permits managers, employees, parents, couples or even any guilty party, to direct their apologies with a significative and expressive statements, such as showing sympathy or the confession of the infringing norms (Fehr and Gelfand, 2010). Additionally, apologies are offered to different individuals, accordingly, they are likely to differ in terms of what they expect to hear. Therefore, further research is needed to assess the effectiveness of apology components for various service failures (e.g., outcome, process or even interactional) while considering customer's psychological states.

#### 4.2. Compensation

Compensation is a tangible or physical substitute offered by the service firms to rectify a defective service (Gelbrich et al., 2014). It can be gifts, store credit for future purchases, coupons for future discounts, service upgrading, discount on the actual purchase price or refund (Sachse and Rabeson, 2015). Compensation related topics were excessively studied in the service literature. For example, the impact of different types of compensation (credit for future purchase, refund...etc) (Thaler, 1985), appropriate amount of compensation (Gelbrich et al., 2014; Gelbrich and Roschk, 2011; McQuilken et al., 2013), the different effects of compensation over time (e.g. on-the-spot vs delayed compensation) (Kim and Ulgado, 2012; Roschk and Gelbrich, 2014), the effect of compensation relative to other recovery strategies (Roggeveen et al., 2012), the effect of compensation for different failure attributions (Huang, 2010) and severity (Roggeveen et al., 2012). Moreover, the effects of both tangible and intangible compensation (Roschk and Gelbrich, 2014), and the effects of combinations of them (Miller et al., 2000). However, compensation can be less effective if the recovery process is rated poorly. Wirtz and Mattila (2004) mentioned that compensation is a poor substitute for a good recovery process. Additionally, it was found that in some service failures occasions the employee effort (Huang, 2010), apology and speed recovery (Grewal et al., 2008; Wirtz and Mattila, 2004) have a better impact on customer's satisfaction and behavioural intentions. Thus, compensation should be combined with a proper recovery process. Additionally, before offering compensation, service providers have to assess its effectiveness relative to other recovery strategies.

#### 4.3. Other Recovery Strategies

In addition to the tangible (compensation) and intangible (apology and empathy) service recovery, the impact of proactive recovery strategy is supported in the literature. Shin et al. (2017) argued that customers tend to prefer service providers that take the initiative and reach them before they have to initiate contact for themselves. They found that the proactive interaction for service failure prevention, is associated with consistently higher levels of customer positive emotions and patronage behaviour, than reactive service recovery. Worsfold et al. (2007) as well found that, the proactive (rapport) recovery strategy has a better impact on customer's satisfaction and re-patronage intention, relative reactive (compensation) recovery strategy. The literature asserted as well that the recovery efforts is not contingent only on the service provider. Dong et al. (2008) found that when customers participate in the recovery, they are more satisfied. Roggeveen et al. (2012) as well found that co-creation of recovery improves post recovery evaluations in case of severe failures. Park and Ha (2016) found that customer's co-creation of a service recovery contribute to perceived equity and enhances customer's repurchase intentions. Not only the focal customer can participate in the recovery, Nicholls (2010) argued that customer to customer interaction in service recovery can have a fruitful impact on customer's post recovery evaluation. Kim (2017) found that inter-customer helping (vs. receiving no help) increases customer satisfaction through mitigating focal customer's disappointment. The existence of various service recovery strategies, implies the various impacts of these strategies, on customers' satisfaction and behavioural intentions.

### 5. Consequences of Service Failure and Recovery

Although research in service failure and recovery identified various behavioural intentions, some intentions were recognized as more important than others in the field of marketing (Swanson & Hsu, 2010). Table 2 demonstrates the impact of service failure and recovery on customers (e.g., satisfaction, re-patronage intentions, word of mouth, forgiveness, propensity to complain, etc.).

#### 5.1. Satisfaction

Satisfaction is a response to an evaluation process made to the value delivered (Atulkar and Kesari, 2017). Alzoubi et al (2020) found perceived service value, quality, price fairness even recovery could shape customers' satisfaction. Oliver (1981) defined satisfaction as an individual's positive sentiment of consumption experience. It relies on customer's subjective evaluation or judgment; thus, it is difficult to be guaranteed (Oliver, 1981; Roschk and Kaiser, 2013). The impact of service's recovery satisfaction on customer's behavioural intentions were excessively studied in the literature. For instance, it was found that service recovery satisfaction increased re-patronage intention (Jeon and Kim, 2016; Migacz et

al., 2017; Wirtz and Mattila, 2004), positive word of mouth (Jeon and Kim, 2016; Jung and Seock, 2017,) and loyalty (Fierro et al., 2015; Liat et al., 2017; Vaerenbergh et al., 2014). Consequently, although customers' satisfaction may not be the ultimate objective for the service providers, its achievement is mandatory to guarantee favourable customers' behavioural intentions (Bitner et al., 1990; Bowen and Johnston, 1999; Goodwin and Ross, 1992; Hartline and Ferrell, 1996). Whether it was studied as a mediator or main dependent variable, satisfaction explained the relationship between service recovery dimensions and post-recovery behaviours (Jr. et al., 2003; McCollough, Berry and Yadav, 2000; Wirtz and Mattila, 2004).

### 5.2. Repurchase (Re-patronage) Intention

Customer's repurchase intention is an important concern, because the costs of obtaining new customers usually greatly exceed the costs of retaining existing customer. It refers to the emotional attachment of the customer, which reveals in customer devotion to continue dealing with the same entity (Atulkar and Kesari, 2017). Wirtz and Mattila (2004) found that customer's satisfaction with the service recovery attributes increase repurchase intention and word of mouth. Moreover, Abney et al. (2017) found that effective service recoveries lead to higher repurchase intentions for customers, compared to those who were initially satisfied by the service. Additionally, Swanson and Hsu (2010) found that proactive service recovery has a positive impact on re-patronage intention. In sum, the literature asserts that effective service recovery improves repurchase intention and create stronger bonds with customer, whereas the poor recovery may prompt customers to switch.

### 5.3. Word of Mouth

The tremendous technology advances, boosted the potential impacts of customers' word of mouth significantly. There are various online channels (e.g., mails, messages, online reviews, blogs.... etc.) which enforces the vast spread of the informal communication. (Migacz et al., 2017). Word of mouth is generally defined as all informal communications directed at other customers about the ownership, usage, or characteristics of particular goods, services, stores, sellers or companies (Jayasimha and Srivastava, 2017; Jeon and Kim, 2016). It has been emphasized in the literature that; customers are prone to rely on word-of-mouth information to reduce perceived risks prior to any purchase (Swanson and Hsu, 2010). It is critical factor in service recovery related studies because an unsatisfied customer who encounters a service failure become highly engaged in negative word of mouth about the service provider (Chelminski and Coulter, 2011; Jayasimha and Srivastava, 2017). Collier (1995) mentioned that customers with negative service experience told nine or ten individuals about their poor service experience, while satisfied customers talked to at most four or five individuals about their good service experience. Moreover, previous studies asserts that customers satisfied by service recovery become involved in positive word of mouth (Albus and Ro, 2013; Jeong and Lee, 2017; Jung and Seock, 2017; Komunda and Osarenkhoe, 2012). Conclusively, customers' assessment for product or service during their buying decisions, they tend to rely more on the information they received from other customers than the information they received from the marketing commercial channels. Consequently, customers' word of mouth has a significant impact on entities survival and profitability.

Authors	Focus	Nature of the Study	Findings
Bejou and Palmer (1998)	The effects of service failure on a buyer-seller relationship life cycle.	Critical Incident Technique	Any given level of service failure resulted in reduction in commitment (loyalty) and trust in any stage of the life cycle.
Bitner et al. (1990)	The impact of service failure on customers' satisfaction.	Critical Incident Technique	Provide ideas to management about service encounter satisfaction and service quality.
Bowen and Johnston (1999)	The impact of internal service recovery on external service recovery and the satisfaction of both employees and customers.	Exploratory Study (In-depth Interviews)	Internal service recovery has the potential to affect external service recovery and the satisfaction of both employees and customers.
McCollough, Berry and Yadav (2000)	The impact of service failure and recovery on customer satisfaction.	Experimental Design	Customer satisfaction was found to be lower after service failure and recovery (even given high-recovery performance) than in the case of error-free service.
Bamford and Xystouri (2005)	The impact of the internal process on the quality of the service recovery.	Case study	Service recovery must be external (to the customers) as well as internal (to the firm employees).

Authors	Focus	Nature of the Study	Findings
Huang (2010)	The impact of organizational response to other customer failure on the focal customer's level of satisfaction, word-of-mouth, and repurchase intentions.	Experimental Design	Customers who perceive that there has been good employee effort made to solve the problem give higher service evaluations than those who perceive little or no employee effort.
Swanson and Hsu (2010)	The effect of recovery locus of causality and the severity of the service failure on customer word-of-mouth and repurchase intentions.	Critical incident technique and structured self-administered questionnaire	When the customer attribute the successful recovery to the service provider not to the employee, he is more likely to engage in positive word of mouth and repurchase intention. Additionally, the more severe the initial failure, the greater the negative word of mouth engaged by the customer.
Chelminski and Coulter (2011)	The relationships between consumer advocacy and consumer complaining behaviours (voicing and negative word-of-mouth) in the context of unsatisfactory service experiences.	Experimental Design	Consumer advocacy is positively related to consumer complaining (i.e., voicing and NWOM), and that probability of NWOM is consistently greater than probability of voicing.
Komunda and Osarenkhoe (2012)	The relationship between service recovery, consumer satisfaction and loyalty.	Descriptive Research (survey-based research)	The interaction of employee responsiveness and courtesy have a positive impact on customer's satisfaction and word of mouth intentions.
Huang and Wang (2014)	It explains how customers evaluate their dissatisfaction with the service provider at times of other customer misbehaviour when they are accompanied by a number of social companions.	Experimental Design	The results indicated that participants had higher levels of dissatisfaction when they are in the company of social companions.
Casidy and Shin (2015)	The impact of the direction of harm and the role of service recovery strategies on customer positive (i.e., forgiveness) and negative (i.e., word-of-mouth) intentions.	Experimental Design	The result indicated that customer intentions are stronger among those who are directly affected by the service failure than indirectly affected customers.
Azab a Clark (2017)	The effectiveness of using language convergence and divergence in building rapport.	Experimental Design	The impact of ethnicity and language cannot be interpreted without considering the ethnic composition of customers and service providers.

Authors	Focus	Nature of the Study	Findings
Liat et al. (2017)	The influence of service quality and service recovery on satisfaction and customer loyalty (considering the mediating effect of corporate image between the relationship of customer satisfaction and loyalty).	Descriptive Research (survey-based research)	Service recovery and service quality had a significant impact on customer satisfaction. Corporate image mediated partially between the relationship of customer satisfaction and customer loyalty.

*Table 2: Consequences of Service Failure and Recovery*

## 6. Commonly Used Theories in Service Literature

An extensive review of literature over the last decade reveals the lack of a single, inclusive theory used to examine the impact of service failure and recovery on customers' perception (Abney et al., 2017). However, the existing body of literature on customers' reactions to service failure and recovery strategies has been dominated by the application of justice theory (Abney et al., 2017; Casidy and Shin, 2015; Huang, 2010; Jeong and Lee, 2017; Jung and Seock, 2017; McQuilken et al., 2016; Migacz et al., 2017; Petzer et al., 2017) and attribution theory (Folkes et al., 1987; Jayasimha and Srivastava, 2017; Sachse and Rabeson, 2015; Tsang et al., 2015).

### 6.1. Justice Theory

Justice theory is often the dominant theoretical framework used to understand how customers evaluate the level of fairness attributed to the firm's service recovery response. The central tenet of this theory is that customers evaluate the fairness of a service recovery based on three elements of justice: distributive, procedural, and interactional fairness (Rawls, 1971). Distributive fairness refers to the realized outcomes following the service failure (Casidy and Shin, 2015). Individuals evaluate the fairness of an exchange by comparing costs with the gains received. Procedural justice refers to the process involved in making the recovery effort, and interactional fairness refers to the way the service failure is handled by the service provider (Casidy and Shin, 2015). Past studies have linked apologies and compensation with customers' perceived distributive and interactional fairness (Fierro et al., 2015; Jung and Seock, 2017; McCollough et al., 2000; Migacz et al., 2017). In addition, a combination of apology and compensation is also positively linked with procedural fairness (Fierro et al., 2015; Jeong and Lee, 2017). Cultural variables as well were found to have a moderating role in the relationship between service recovery justice dimensions and customers' satisfaction and behavioural intentions (Chebat, Roth and Chebat, 2020; Lee, Siu and Zhang 2020). However, the impact of each justice dimension on customer post recovery evaluation remains unclear. For example, Tax and Brown (1998) found distributive justice to be the most significant aspect of recovery with regard to service recovery satisfaction. However; Jung and Seock (2017) found that perceived justice mediates the relationship between service recovery activities and customer satisfaction and procedural justice influences customers' post-recovery satisfaction the most. Because neither costs nor gains need to be only economic and are viewed from the subjective viewpoints of the exchange principles, it is possible for differences in perspective to lead to differences in perceived justice (McCollough et al., 2000).

### 6.2. Attribution Theory

Customer's responses are not simply based on outcomes (Sachse and Rabeson; 2015). The inferred cause, or attribution, for what happens can impact how the customer responds. According to the attribution theory, customer's subsequent attitudes, responses, feelings and behaviours are based his/her verdicts about the relationships between the causes and the effects (Nikbin and Hyun, 2014). Attribution theory was firstly introduced in 1958, by Austrian psychologist Heider, then it was later modified by Weiner (1972, 1980, and 1985 cited in Tsang et al., 2015). It concerns the process of how individuals interpret events in their subjective surroundings (Hess Jr, 2008). Weiner (1980) has identified three primary attributions. Locus of responsibility is defined as customer's determination of the cause of failure (organization, other customer or even the customer himself). Controllability is defined as the degree to which the customer believes that the cause of failures could have been prevented by the service provider. Finally, stability is the degree to which the customer believes that the cause of failure is either provisional or permanent (Folkes, 1984). Attribution theory employed by marketing scholars to explain different customer's responses and emotions towards service failure and recovery strategies (Folkes et al., 1987; Jayasimha and Srivastava, 2017; Sachse and Rabeson, 2015; Tsang et al., 2015). They found that the effectiveness of various recovery strategies is contingent on customers attributions for either failure or recovery. For example, Vaerenbergh et al. (2014) found customer's attribution for controllability and stability of the failure have negative impact on customer's satisfaction, loyalty and trust. Nikbin et al. (2015) as well found that customer's attribution for controllability and stability of the failure reduces customers loyalty and trust. For locus of responsibility, Rummelhagen and Benkenstein (2017) found that customer's perception for the severity of the failure increased, when the failure is attributed to other misbehaving customer rather than the front-line employees. Therefore, in order to



reconcile the impact of service failures and implement effective service recovery, the service provider has to consider the impact of customers' service failure attributions.

## 7. Service Failure Severity and Customer's Service Involvement

The literature asserted that service failure severity and the degree of customer's service involvement dictates the manner of recovery (Fierro et al., 2015; Keiningham et al., 2014; McQuilkena and Robertsonb, 2011). Service failure severity refers to the magnitude or intensity of the service loss experienced by the customer (Hess Jr, 2008; Sengupta et al., 2014). Such losses can be either tangible (e.g., a monetary loss) or intangible (e.g., time, anger, frustration) (Smith et al., 1999). Customers who experience severe failure are likely to perceive greater loss (Roggeveen et al., 2012), evaluate the service unfavourably and report dissatisfaction (Hess Jr, 2008; Keiningham et al., 2014). Additionally, they show aversion towards continuing relationship (Lai and Chou, 2015), and indulge in negative word-of-mouth towards the service firm (McQuilkena and Robertsonb, 2011; Swanson and Hsu, 2010). Furthermore, severe failures reduce the effectiveness of recovery efforts (Chuang et al., 2012), customer's zone of tolerance (Lai and Chou, 2015) as well as customers' trust (McQuilkena and Robertsonb, 2011). Demeter, Walters and Mair (2021) found that, even when the severe failure was not attributed to the service provider, customers' assessment for the service failure situation, and their behavioural intentions, is strongly influenced by the service providers' recovery efforts. On the other hand, it was found that service failure severity reinforces customer's coping mechanism (Sengupta et al., 2014) and complaining behaviour (McQuilkena and Robertsonb, 2011). Thus, it provides service organizations with additional insights into customer's response. Moving to the service involvement, customers with high degree of involvement in the service process usually realize more about their real needs, and the benefit they can get (Lai and Chou, 2015). Past research showed that customer's level of service involvement impacts their perception for service failure and recovery. For example, Fierro et al. (2015) found that the perceived effort has a greater impact on satisfaction with the service recovery for customers who have a higher level of involvement than for those with a lower level of involvement. Furthermore, Sachse and Rabeson (2015) found that the impact of tangible compensation on satisfaction differ with different levels of customer's involvement. Moreover, it was found that involvement level impact customer's perception for the service failure (Lai and Chou, 2015; Raajpoot and Sharma, 2006).

## 8. Buffers of Service Failures

The literature asserted that there are some buffers the organization can apply parallel to service recovery strategies to reduce the impact of service failure or poor recovery (Hartline and Ferrell, 1996; Hess Jr, 2008; Jr. et al., 2003). These buffers could be corporate social responsibility (Albus and Ro, 2013), firm reputation (Sengupta et al., 2014), and rapport (Shin et al., 2017). Abney et al. (2017) defined failure buffers or tolerance to failure as a customer's heightened sense of leniency shown towards the service provider in future encounters, as the result of a positive prior encounter. Albus and Ro (2013) found that positive service recovery has a significant positive impact on behavioural intentions (trust, word-of mouth, and repeat patronage intentions) only when the customer have positive company's CSR perception. Hess Jr (2008) as well found that firm reputation moderated the relationship between failure severity and satisfaction, lowered attributions of controllability and stability, and led to higher repurchase intentions following service failures. Moreover, Nikbin et al. (2011) found that firm reputation act as a moderator in the relationship between perceived justice for the service recovery and repurchase intention. Moving to relationship quality (rapport), it was found that customers who enjoy a strong rapport with employees are more forgiving when it comes to service failure (Jr. et al., 2003; Shin et al., 2017). Conclusively, by providing effective service recovery responses, and adapting service failure buffers, service providers can reduce the negative impact of service failures.

## 9. Conclusions and Recommendations

Understanding service failure consequences and service recovery process is not a cost and time-wasting process. However, it is a tool to create loyal and satisfied customers. Past studies suggest a lot for implementation, but in practice not much has been really implied. In fact, service providers are not considering service recovery as part of the service delivery system. However, they consider the recovery as an extra work which consumes time, effort and money. On contrary, the literature proves that service recovery does not consume many resources but gives a high return in terms of reputation (goodwill) and profit (repurchase intention) if properly implemented. There are various service recovery strategies (apology, compensation, employee efforts, customer co-creation of recovery, inter-customer helping recovery). The existence of various service recovery strategies ensures that there is no universal antidote for all the services failures. However, the effectiveness of the any recovery choice is contingent on many factors. For example, the type of the service failure, either outcome or process failure, each may require different courses of actions. Locus of responsibility for the failure, the failure may be attributed to the service provider, global conditions, other customers or even the focal customer himself. The service provider has to adopt the proper recovery for each situation. Not only the responsibility attribution, but also the controllability and stability attributions of the failures impacting customers' perception for both the failure and recovery. Therefore, the service provider should implement recovery strategies, that can transmit to the customer, that the failure is attributed to unstable cause and it will be further controlled. Moving to the service failure severity, previous literature asserted that, in case of severe service failures, the customers expect considerable recovery from the service providers, even if the service provider is not responsible for the failure. And finally, the degree of customer's involvement in the service delivery, the literature suggested that involving the customer in the service recovery as he/she was involved in the service delivery could enhance satisfaction with recovery. The service providers have to consider all these factors in the development and implementation of recovery strategies. Therefore,

maintaining effective service recovery represents a competitive challenge for service firms. On the other hand, the service recovery choices have shown various impacts on customers' satisfaction and behavioural intentions as well. For example, apology; although what someone says is important, how someone begs for forgiveness will also matter. Consequently, apology components (time, empathy and intensity) could create different impacts on customers' satisfaction and behavioural intentions. The kind of compensation as well (e.g., type, amount, time ...etc.) could either satisfy or frustrate customer after service failure. Moreover, the proactive interaction for service failure preventions and customer's participation in the recovery could impact customers' response differently. The combinations of any of the recovery choices as well matters in customers' response. Conclusively, there are many factors that dictate the manner of service delivery or even recovery. Therefore, continuous further research is needed to reduce service failures, improve service experience quality and enact successful service recovery strategies.

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