

SERVICE RECOVERY EVALUATIONS IN ONLINE TRAVEL PLATFORMS: EVIDENCE FROM INDIAN HOSPITALITY INDUSTRY

-N. A. Jojomon, Associate professor and head, Post Graduate Department of Commerce, Panampilly Memorial Government College, Kerala

-Manu C, Research scholar, School of Management Studies, Cochin University of Science and Technology, Kerala

ABSTRACT

Although considerable research attention has been given to the domain of online service failure and recovery in the recent years, extant literature has been inconclusive on the relative impact of each dimension of justice on post recovery customer outcomes following a successful service recovery. Hence this study examines the impact of online service recovery on post recovery customer outcomes as a result of varying justice dimensions such as distributional, procedural and interactional. A scenario-based role-playing survey was done among 325 Indian online hospitality customers in and results from a structural equation modelling revealed that distributive justice had the highest impact among the three dimensions of justice. The study provides significant contribution to both theory and practice which helps the managers to design robust strategies for addressing service failures in a hospitality context.

Keywords: online service failure, online service recovery, justice perceptions, distributive justice, online hospitality

INTRODUCTION

Information technology and online services have revolutionised the business world and has significantly modified the way services are being provided, particularly in the hospitality sector. In today's online markets, with the increasing dependence on technology enabled services, the chances of errors and failures are much higher than that in an offline setting due to the fact that online customers are more informed and demanding than offline customers, which makes it difficult for the service providers to meet their expectations (Kuo & Wu, 2012).

As more and more people are moving online for purchasing services, particularly in the hospitality sector, the managers are also faced with the problem of meeting the expectation of customers regarding quality service delivery (Zhao et al., 2014). A service failure occurs when the service provider is unable to meet the expectations of the customer (Maxham, 2001). Service failures can have deleterious impacts and will lead to customer dissatisfaction, switching intention and distrust towards the firm. Hence,

ensuring service quality in online environment is much more crucial than in traditional settings. Service recovery can be understood as all those measures taken by the firm in order to regain the customer who became dissatisfied due to deficiency in meeting his service expectations (Maxham, 2001; Jung & Seock, 2017).

Service recovery has become pivotal especially in the online environment due to the inherent nature of online services. Hence, it is critical to develop theoretical frameworks that are unique to the online service recovery environment, which would help the managers to better handle the service failure issues in an online context (Manu & Sreejesh, 2020). Thus, the current study focusses on explaining the service recovery process through the lens of justice theory. Further, the study also provides a clear picture regarding the relative impacts of each dimension of justice (distributive, procedural and interactional) thereby explaining which dimension is the most influential in developing positive customer evaluations. This would provide the managers a precise understanding regarding the most effective recovery measures to choose while addressing the service failure issues.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Service failure and recovery

A service failure occurs when the delivery of a service fails to meet the prior expectations held by the customer (Blodgett et al., 1997) and can lead to customers malignant customer outcomes like dissatisfaction, negative word of mouth intentions, switching intentions and damage in customer- firm relationship (Jung & Seock, 2017). Thus, the firm must ensure that it

takes appropriate measures, commonly referred as service recovery, to recover the dissatisfied customers due to the failure in service delivery. The service marketing literature describes service recovery as all the actions of an organisation in response to a service failure, in order to restore the satisfaction that was lost due to failure in service delivery (Jung & Seock, 2017). Successful service recovery measures help the service provider to regain the lost satisfaction of the customer, engenders positive word of mouth and preserve loyal customers (Kuo & Wu, 2012; Jung & Seock, 2017).

Justice theory

Justice theory has been used extensively in the domain of service failure and recovery as an important theoretical lens to examine the consequences of service failures as well the effectiveness of subsequent recovery measures adopted by the firm (e.g., Blodgett et al., 1997). Justice theory originated from equity theory (Adams, 1965), which states equity in service exchanges make people satisfied. Prior literature has identified three major dimensions of justice, namely, distributive, procedural and interactional justice dimensions.

Distributive justice refers to the customer perception regarding the fairness of the tangible outcome of an event (Blodgett et al., 1997). The tangible compensation provided to recover the customer can be in the form of coupons, discounts, refund, cashbacks, or alternative goods which the customer receives as during the service recovery episode (Kuo & Wu, 2012). Extant literature has acknowledged that distributive justice plays a pivotal role in service recovery and has also indicated that as the perceived distributive justice increases, customers are more

likely to show increased repurchase intentions and decreased negative WOM (e.g., Lin et al., 2011). Procedural justice refers to the customers' perception regarding the fairness of the process adopted by the firm during the service recovery effort (Blodgett et al., 1997). Higher levels of perceived procedural justice can lead to satisfaction with service recovery and re-patronage intentions (e.g., Lin et al., 2011). Interactional justice is the manner by which the firm treats the customer during the service recovery process (Blodgett et al., 1997) and may include factors like empathy, righteous explanation, apology, treating the customer with dignity etc. (Kuo & Wu, 2012). Employee interactions with the customer during service recovery influences the post recovery outcomes of the customer (Lin et al., 2011) and employee apologies are significantly associated with positive customer outcomes following a service recovery. Thus, in line with the existing literature, we posit,

H1: distributional justice positively affects customers' post recovery word of mouth intentions.

H2: procedural justice positively affects customers' post recovery word of mouth intentions.

H3: interactional justice positively affects customers' post recovery word of mouth intentions.

Understanding the relative effect of each dimension on post recovery customer outcomes will help the managers to precisely understand which aspect of the transaction has to be given utmost care and preference while dealing with service failure and recovery episodes. However, prior studies have provided contradicting results regarding the relative effects regarding each dimension and the suggestions regarding the

magnitude of each dimension is yet to reach a consensus (Manu & Sreejesh, 2020; Ding & Lii, 2016). Following the argument in equity theory and social exchange theory, that, when people are provided with outcomes that are tangible in nature, it can exert stronger feelings of better social exchange and equity in transactions (Adams, 1965). Hence, we posit that,

H4: Distributive justice has a stronger effect than interactional, and procedural justice dimensions on customers' post-recovery word of mouth.

Service recovery satisfaction

Customer satisfaction refers to the psychological state related to customer behaviour that results in an emotionally favourable, subjective evaluation (Jung & Seock, 2017) and service recovery satisfaction can be understood as the positive emotional status of a customer as a result of successful service recovery (Kim et al., 2009). Prior studies in service recovery literature have suggested that in order to engender positive customer outcomes, the firm must primarily satisfy the customer in terms of his evaluation regarding the service recovery (Jung & Seock, 2017). Therefore, we presume that customer satisfaction with the recovery effort is the factor that further drives positive customer outcomes like word of mouth and re-patronage intentions. Hence,

H5: The relationship between justice perceptions and post recovery word of mouth is mediated by recovery satisfaction.

METHODOLOGY

Design of the study

The current study made use of a scenario-based role-playing survey in order to collect the data for the study. The methodology of

scenario-based role-playing survey has been extensively used in marketing (Hess et al., 2006) and especially in the service failure and recovery literature to explore the consequences of service failures and the effectiveness of service recovery (e.g., Hess et al., 2006). The study was conducted among online shoppers from India, who were identified from the database of an online hospitality booking agent (e.g., OYO rooms). 400 customers who were identified with the help of the popular database were then contacted over mail and were sent questionnaires through e-mail. 340 questionnaires were filled out, out of which 325 constituted the usable number of samples. The questionnaire consisted of a pre-condition in the beginning that each participant in the survey had to make at least one service booking using online platform during the last one year. If the participant met the above said condition, he/ she was directed to a scenario which asked the respondent to imagine themselves, in the role of the customer, who wanted to book a hospitality service for leisure trip and made the booking using an online platform with a real-life company of their choice. Then, the respondents were directed to a failure scenario, which described that the booking they made earlier got cancelled due to unforeseen technical issues. Finally, the scenario described about the service recovery measure taken by the online service provider in the form of apology and compensation.

Measurements

In order to measure the constructs under study, established scales from existing literature was adapted and modified in order to suit the context of the study. The dependent variable of the study was positive word of mouth

intentions, which was measured using a three-item scale developed by Maxham (2001). The intervening variable considered in the study was recovery satisfaction, which was measured using a three-item scale form Jung & Seock (2017). Justice perceptions constituted the independent variables for the study and for measuring Distributive justice and procedural justice, a three-item scale was adapted form Homburg and Fürst (2005) and Smith et al. (1999). Finally, for measuring interactional justice, a three-item scale was adapted from Colquitt (2001). All these items measured on a seven-point Likert scale (1 = 'strongly disagree' to 7 = 'strongly agree').

DATA ANALYSIS AND RESULTS

Data characteristics

Out of the total 325 samples which were used in the final analysis, 63.7 % consisted of males and 36.4 % constituted female respondents. Majority of the respondents were between 20 and 30 years old, which constituted 43.1 % of the total respondents. 33.5 % of the respondents belonged to the age category between 30 and 40 years old, and the rest of the respondents were above 40 years old. Whole of the population had an educational qualification of above matriculation of which 63.7 % were graduates and 21.3 % were post graduates which ensured that the respondents of the survey were well educated and had enough knowledge in exploring service provisions in online platforms. Salaried persons constituted the lion's share of the data, with 61.4 % and the 21.3 % of the respondents were self-employed. The rest of the population belonged to unemployed category.

Hypotheses testing

Structural equation modelling was used to analyse the relationship among variables and for testing the hypotheses associated with them. Before proceeding to the hypotheses testing, the study conducted a confirmatory factor analysis (CFA) using Amos 24 with maximum likelihood estimation was conducted using all the multi item constructs used in the study (e.g., distributive justice, interactional justice, procedural justice, satisfaction and word of mouth), in order to analyse the reliability and validity of the scales. The results of the confirmatory factor analysis indicated a good model fit. CFA results supported a good fit of the model with the data

($\chi^2 = 681.13$, $\chi^2/df = 2.131$). For the structural model, the GFI (.828), AGFI (.801), NFI (.877), and CFI (.915) values were also satisfactory. Further, the results also confirmed that all the items have a good loading with the corresponding variables (greater than 0.50),

thereby confirming that all the scales had necessary validity and reliability.

As per the results, the standardized estimates of the model clearly support the positive impact of the three dimensions of justice on customer satisfaction and word of mouth, thereby providing support to H1, H2, and H3. As the results clearly suggests, the dimension of distributive justice had the strongest impact on recovery satisfaction of the customer ($b = .453$, $p < .01$), which was followed by interactional justice ($b = .231$, $p < .01$), and finally procedural justice ($b = .16$, $p < 0.05$), Hence, providing support to H4. Similarly, as proposed, recovery satisfaction is positively related to positive and examination of the indirect effects revealed that recovery satisfaction acts as an intervening variable which significantly mediated the relationship between justice perceptions and positive word of mouth ($b = .26$, $p < 0.01$). This provides support for our hypothesis 5.

Table 1: Mean and correlations

Variables	Mean	Correlations			
		1	2	3	4
Distributive justice (1)	4.60				
Procedural justice (2)	4.36	0.45*			
Interactional Justice (3)	4.65	0.28*	0.34*		
Recovery Satisfaction (4)	4.13	0.35*	0.31*	0.29*	
Word of Mouth (5)	4.15	0.23*	0.26*	0.28*	0.34*

* shows significant at 0.05 level.

DISCUSSION AND MANAGERIAL IMPLICATIONS

This study aimed to examine the relative impact of three dimensions of justice (e.g., distributive, procedural and interactional) on the post recovery outcomes of the customers such as word of mouth and recovery satisfaction. The findings of the study suggest that all the three dimensions of justice has significant positive impact on the recovery satisfaction and word of mouth of the customers following a successful service recovery. Among the three dimensions of justice conceptualised in the study, distributive justice had the strongest influence on positive word of mouth intentions of the customer through the intermediating effect of recovery satisfaction, followed by procedural and interactional justice. Distributive justice is concerned with the fairness of the outcome of the recovery, and the stronger influence of distributive justice clearly suggests that customers in hospitality industry need concrete outcomes when they suffer a service failure and mere apologising cannot recover the dissatisfied customer.

The findings of the study provide significant directions not only to academia, but also to managerial practice. When a service failure occurs, which is unavoidable in most situations, the managers must take sufficient efforts for recovering the customer who suffered the service failure, failing to which will lead to negative word of mouth in shared online platforms. The study suggests that the managers should focus on tangible recovery measures like replacement, compensation or coupons/ discount in order to increase the level of customer evaluations about the brand. This is because, when the customers

suffer a service failure, they are most concerned about the concrete actions that the firm takes in order to mitigate the failure situation. They must be compensated in real outcome terms for the failure that has occurred, which will increase their distributive justice dimensions and consequently their evaluations about the brand. Further, the managers must also ensure that the recovery is being provided in a fair procedural manner in order for the recovery to be effective.

LIMITATIONS AND FUTURE RESEARCH

Although the study provides critical contributions to both literature and managerial practice, the study is not free from its limitations. Firstly, the study employed a scenario-based role-playing method, which made use of a hypothetical scenario for measuring the constructs in the study. Although this method has been widely used in both marketing and services literature, the external validity of the study may be lesser compared to traditional survey methods. Further, the study was done exclusively in the context of a hospitality service failure and recovery context, which would limit the generalisability of the study findings to other service industries. As a result, future studies may investigate may investigate the impact of service failures and the effectiveness of service recovery across various industries and may use methodologies other than scenario-based survey in order to increase the external validity.

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