

RELATIONSHIP BETWEEN SERVICE RECOVERY STRATEGIES BY  
RESTAURANTS' OF FIVE STAR HOTELS, IN BANGKOK AND  
CUSTOMERS' POST RECOVERY BEHAVIOR

By

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A Thesis Submitted in Partial Fulfillment  
of the Requirements for the Degree of

Master of Business Administration

Graduate School of Business  
Assumption University  
Bangkok Thailand

September 2003



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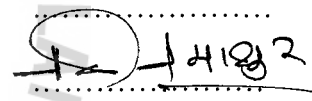


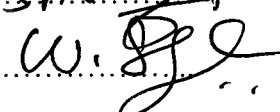
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**Approved for Graduation on :**

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## ABSTRACT

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The complexion of business operation has undergone significant changes during the concluding decades of the twentieth century and beginning of the third millennium. In the current era, the service sector has acquired more prominence in comparison to the manufacturing sector. Complaints regarding failures do occur and these can shoot down the restaurants or even a hotel faster than they can say they are sorry. A company's response can generate positive word-of-mouth and customer loyalty or destroy it.

*The purpose of this research was conducted to study the Relationship between Service Recovery Strategies (Involves those actions designed to resolve service failures/problems, alter negative attitudes of dissatisfied consumers and to ultimately retain these customers) by Restaurants of Five Star Hotels, in Bangkok and Post Recovery Behavior of Customers (A state of one's future behavior in response to the service recovery used by restaurant for the service failure encountered).*

A Self-administered questionnaire was used for 300 customers from restaurants in five star hotels, in Bangkok. There are 17 five star hotels, in Bangkok. Furthermore, *Quota sampling* was used whereby population of the respondent was assigned to three hotels. *Convenience sampling* was used to collect data from hotel customers nearby. The researcher used descriptive statistics to measure the frequency and percentages for analyzing personal data of

the respondents. Inferential statistics used were Spearman Rho, for hypothesis testing.

The results indicate that investments in service failures/complaint handling can improve evaluations of service quality, strengthen customer relationships and build customer commitment. *Compensation and Assistance* as service recovery strategies is significantly (positively) associated with spread of word-of-mouth and intention to revisit the restaurants. *No Action* as service recovery strategy is not positively related to spread of word-of-mouth and intention to revisit the restaurant in five star hotels, in Bangkok. From the above results, following recommendations can be given to the service providers: Train the employees, Empower and Reward them and encourage customer complaints. The restaurants can also have *Effective Problem-Tracking System so that Recurring Service Failures do not Occur Again*, but where key failures can be tracked and the information in the system is analyzed regularly to uncover new insights for improving the service quality

The research findings have important implications for service providers. It will help service providers in taking remedial measures, as deemed necessary, to improve/enhance the effectiveness of service delivery. Service managers will also be provided with information useful for the purpose of service delivery, suitable recovery strategies, policy formation, employee training and decisions pertaining to the improvement of customer complaints/service failures in restaurants of Five Star Hotels, in Bangkok.

## ACKNOWLEDGEMENT

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*If I have seen farther.....it is by standing upon the shoulders of **G**iants*

This thesis received cooperation from a number of people. I would therefore, like to take this opportunity to express my gratitude to all those who sacrificed their valuable time in providing the information needed to complete this thesis.

I would like to express my appreciation and owe special thanks to the pioneers - Dr. Theerachote the advisor of my thesis who has provided excellent advice, encouragement and direction throughout this study. I would also like to convey my profound gratitude to Dr. Ishwar Chandra Gupta and the other committee members- Dr. Navin Mathur and Dr. Naris for their valuable recommendations and support to improve my thesis.

Successful outcome has been contributed by my sincerely wonderful friends Aruna and Bhavna, for their incredible insights, ongoing assistance, guidance, recommendations and patience in helping me throughout the completion of my thesis.

Last but not least I would like to acknowledge deep indebtedness to my family and the wonders power of prayers can do, an inspirational motivation to keep the courage going on till end.

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# CHAPTER 1

## GENERALITIES OF THE STUDY

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This chapter provides a review on the study relating to the effect of service recovery strategies of restaurants and customers post recovery behavior in five star hotels, in Bangkok. It is sectioned into six parts. The first section covers *Background of the Study*, followed by *Statement of Problem*. The third section states the *Research Objective*. Fourth covers the *Scope of Study*, followed by *Limitations of the Study*. Next Section provides a review on the *Significance of the Study* and lastly the *Definition of Terms*.

### 1.1 Background of Study

**Behold the Tortoise, Which Makes No Progress Unless It Sticks its Neck Out.**

*High Performance Organization has learned to stick their necks out with effective recovery strategies for customers to engage in positive post recovery behavior in order to succeed when firms fail to deliver service on occasion. The most important real asset with measurable long-term value is loyal, one-to-one customer relationships.*

*(Brown, 1995)*

### **1.1.1 The Food Service Market in Thailand**

Thailand boasts a very large hotel and restaurant sector with approximately 100,000 restaurants and some 3500 hotels and resorts.

<b>Food Service Sales in Thailand</b>	
<b>Market Segment</b>	<b>2000 Sales (US \$ millions)</b>
Hotel and resorts	\$4,400
Fast food sector	300
Higher-end restaurants	550
Institutions	250
Other	1500
<b>Total food service sales</b>	<b>\$7,000</b>

**Table 1.1 Food Service Sales in Thailand**

Source: Tourism Authority of Thailand, Thai Hotels Association

**Table 1.2 \* Development of the Restaurant Sales Volume in Thailand:**

<b>Year</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002 F</b>
<b>Restaurant Sales (Mil. Bht)</b>	<b>208,989</b>	<b>210,259</b>	<b>212,033</b>	<b>218,394</b>
Growth Rate (%)	11.7%	0.6%	0.8%	3.0%
<b>Fast-Food Market Size (Mil. Bht)</b>	<b>11,557</b>	<b>11,788</b>	<b>12,124</b>	<b>13,500</b>
Growth Rate (%)	8.8%	2.0%	2.9%	11.3%

Source: - National Economic & Social Development Board, 2001  
 - Thai Farmers Research Center, 2002



**Table 1.3 Forecast Growth of Thailand Restaurant Sales (2002-2004)**

Year	2002	2003	2004
GDP Growth (%)	3.0%	3.0%	3.0%
<b>Restaurant Sales</b>	<b>218,394</b>	<b>228,221</b>	<b>238,491</b>
Fast-Food Market Size (Mil. Bht)	13,500	14,107	15,377
Fast-Food Market Share (%)	5.9%	6.2%	6.4%

*Source: Minor Food Group Plc.: Annual Report (2001)*

**Table 1.4 Number and percentage of establishments by Economic Activity**

Economic Activity	Whole kingdom	Bangkok	Central Region	Northern Region	Northeastern Region	Southern Region
<b>Total</b>	<b>817,691</b>	<b>246,410</b>	<b>123,388</b>	<b>113,874</b>	<b>149,598</b>	<b>106,830</b>
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Wholesale trade and commission	33,428	16,377	3,201	3,492	4,220	3,564
Trade, except of motor vehicles And motorcycles	(4.1)	(6.6)	(2.6)	(3.1)	(2.8)	(3.3)
Retail trade, except of motor	288,877	75,429	50,922	41,679	53,623	38,799
Vehicles and motorcycles; repair of personal and household goods	(35.3)	(30.7)	(41.3)	(36.6)	(35.9)	(36.3)
<b>Hotels and Restaurants</b>	<b>116,827</b>	<b>31,761</b>	<b>18,936</b>	<b>16,475</b>	<b>20,109</b>	<b>19,624</b>
	(14.3)	(12.9)	(15.3)	(14.5)	(13.5)	(18.4)
Computer and related activities	3,763	1,348	441	569	626	500

	(0.5)	(0.5)	(0.4)	(0.5)	(0.4)	(0.5)
Research and development and Other business activities	(3.8)	(4.0)	(3.4)	(4.0)	(4.0)	(3.7)
Manufacturing	118,829	41,844	13,219	15,889	24,591	12,150
	(14.5)	(17.0)	(10.7)	(13.9)	(16.4)	(11.4)

**Note :** Figures in the brackets are percent.

**Source :** Report of the 2002 Business trade and Services Census (Basic Information : Municipal areas) Whole Kingdom.

National Statistical Office, Ministry of Information and Communication Technology

<http://www.nso.go.th/eng/stat/busicensus/busicensus.htm#p4>, date visited: 26/06/03

### **1.1.2 Thailand Service Sector**

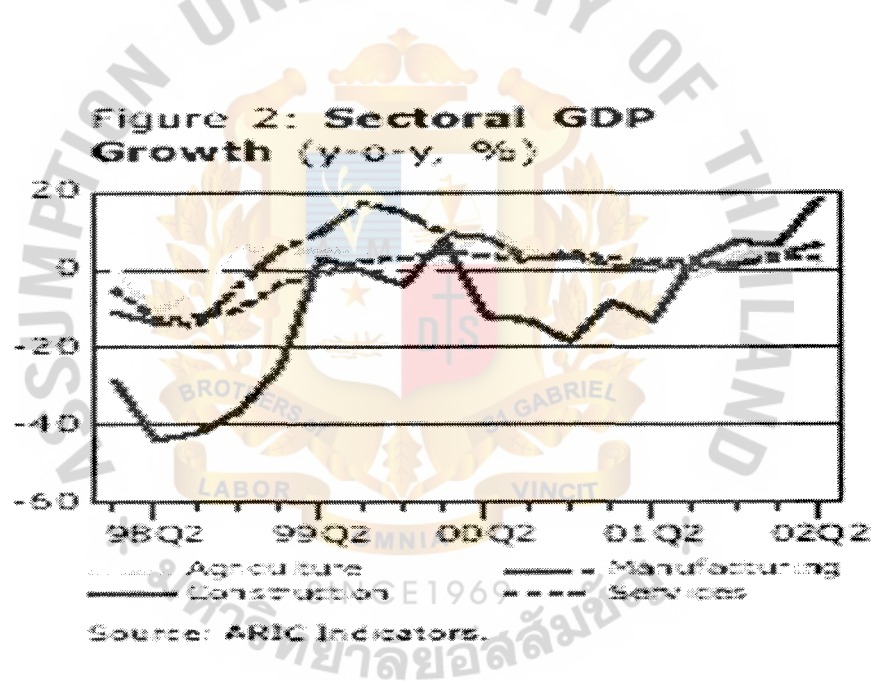
Earlier, the service sector was considered insignificant and entire focus was exclusively concentrated on improving processes related to the manufacturing and distribution of products. But, now the service sector has acquired more prominence in comparison to the manufacturing sector.

Growth in Thailand services (accounting for about 48% of GDP) moderated to 2.3% in 2001 from 4% in 2000, and was broadly in line with the general pace of economic activity. <http://www.adb.org/documents/books/ado/2002/tha.asp>, date visited: 26/06/03. In 2002 service sector continued to improve as the number of foreign tourists rose satisfactorily by 7.6 percent, higher than that of the previous

quarter. Occupancy rate was high and stood at 68.9 percent. The satisfactory performance of the tourism industry helped support activities in other tourism-related businesses, notably hotels and restaurants, trade and transportation.

<http://www.bot.or.th/BOTHomepage/DataBank/ArticlesAndPublications/Publications/Bulletin/Q1-2002.pdf>, date visited: 27/03/03.

Table 1.5: Thailand Sectoral GDP Growth – Service Sector 2002



Source: [http://aric.adb.org/aem/oct02/tha\\_oct.pdf](http://aric.adb.org/aem/oct02/tha_oct.pdf), date visited: 27/06/03.



**Table 1.6      Thailand Service Sector Output Indicators - 2002**

<b>Output</b>	<b>01Q1</b>	<b>01Q2</b>	<b>01Q3</b>	<b>01Q4</b>	<b>02Q1</b>	<b>02Q2</b>
GDP Growth (%)	1.7	1.8	1.6	2.1	3.9	5.1
Manufacturing Sector Growth (%)	1.2	1.5	0.8	1.4	4.1	6.7
<b>Services Sector Growth (%)</b>	<b>2.9</b>	<b>2.7</b>	<b>2.1</b>	<b>1.6</b>	<b>2.9</b>	<b>3.5</b>
Agriculture Sector Growth (%)	0.9	1.4	-1.7	4.2	5.2	2.0

Source [http://aric.adb.org/aem/oct02/tha\\_oct.pdf](http://aric.adb.org/aem/oct02/tha_oct.pdf), date visited: 27/06/03

Today, business players are more concerned with quality of operational activities in the service sector. “The worldwide quality movement that has swept the manufacturing sector over the last decade is beginning to take shape in the service sector”(Crosby, 1990).

Marketing managers at service organizations know that satisfying customers depends not only on what their company does right, but also on how well it recovers when something goes wrong. When service failures occur, as they inevitably do, a company's response can shore up positive word-of-mouth, repurchase intentions and customer loyalty, or destroy it. With mounting competition in all service industries, keeping current customers is more important than ever before.

*Consequences of Satisfaction leads to:*

- a. Loyalty
- b. More frequent repeat purchase
- c. Less price sensitiveness
- d. Positive word-of-mouth
- e. Switching behavior
- f. Retribution and other social behavior.

“Service managers and personnel are facing more intensive customer service pressures than ever before” (De Lisser, 1993). Today customers are more demanding, (Power, 1991) better-informed, and more assertive when service problems arise. This may be due in part to increased customer demand for value in the products and services purchased. Customer demands for value result in a stronger focus on a combination of quality, fair price and good service in the purchases they make.

### **1.1.3 Hospitality Management**

When we think of the hospitality industry we usually think of hotels and restaurants. But the term has a much broader meaning. According to the Oxford English Dictionary *Hospitality means the reception and entertainment of guests, visitors or strangers with liberality and goodwill.* Hotels and restaurants are similar in terms of management problems. Both restaurants and hotels face the crisis of service

failures and are bound to undertake the similar course of resolving the crisis. Whereas, hotels deal with provision of shelter, restaurants in hotels satisfies the need for food of the guests in the hotels. Service failures by a hotel's restaurant can have a tremendous impact on the reputation of a related hotel.

*Somehow there is a universal truth in service delivery: things will go wrong. No matter how perfectly staff, systems, and quality procedures are geared up to getting things right, events will at some point conspire against the service provider. Complaints regarding failures do occur and it can shoot down the restaurants or even the hotel faster than they can say they are sorry.*

#### **1.1.4 Service Encounter: Service Failure**

From the customer's point of view, the most vivid impression of service occurs in the service encounter, or the 'moment of truth', when the customer interacts with the service firm. It is in these encounters that customers receive a snapshot of the organization's service quality, and each encounter contributes to the customer's overall satisfaction and willingness to do business with the organization again. Unfortunately no service is perfect all of the time. Mistakes are a critical part of every service. During the service encounter there are a variety of things that can go wrong.

Service encounter is the interaction between service provider and service user. Complaints are a natural consequence of any service activity because "Mistakes are an unavoidable feature of all human endeavour and thus also of service delivery" Boshoff and Leong (1998). Negative word-of-mouth is likely to result from customer dissatisfaction; not satisfying complaining customers may have a potentially greater negative effect on business earnings than that which is lost through the customer alone (Barlow, 1996).

### **1.1.5 Service Recovery: A Critical Success Factor**

Of all the challenges facing the food industry today – including competition, globalization and technological innovation – the single most pervasive and pressing challenge is the ever-increasing demand for superior service.

Service failure and recovery is a critical issue for both service managers and researchers. Effective service recovery can overcome disappointment and even enhance relationships, whereas ineffective and uncaring service recovery procedures exacerbate dissatisfaction, undermine trust and commitment and lead to customers switching behavior (Michel 2001). However, until recently, research on the nature and determinants of customer satisfaction following service recovery (i.e., the actions a service provider takes in response to service failure (Gronroos, 1990) has been limited. Therefore, recovery has been identified as a neglected area requiring



additional research (Andreassen 1999). As a result of the limited attention given to recovery, little is known about how customers evaluate recovery efforts, what constitutes successful recovery, and the potential of recovery to convert customer dissatisfaction into satisfaction.

Many companies have recognized their customers are valuable assets and take steps to ensure that when service failures do occur; there are processes in place to respond.

**Complaint Management Service Recovery Process should:**

- ☞ Result in satisfied customers.
- ☞ Not just satisfy complainants but also encourage them to continue to use the organization.
- ☞ Lead to improvements in the organization's operations and processes.
- ☞ Improve financial performance by retaining customers, increasing revenues from word-of-mouth by delighted customers, and cutting costs by improvements from customer feedback.

<http://www.warwick.ac.uk/news/pr/business/192>, date visited: 28/06/03

Service recovery is now recognized as a significant determinant of customer satisfaction and loyalty (Tax and Brown, 1998). As a result, stabilizing the endangered relationship with dissatisfied customers by utilizing an effective service

recovery policy has become the main focus of many customer retention strategies. Various studies indicate that upset customers may tell ten to twenty people about their bad experience with a service company (Stauss and Friege, 1999). Despite its managerial importance, scholarly research in service recovery is still in its infancy stage. Research on satisfaction with complaint processes has also shown a clear relationship with loyalty and repurchase intentions.

[http://www.customernet.com/complaint/robert\\_johnston.htm](http://www.customernet.com/complaint/robert_johnston.htm), date visited: 29/06/03.

Research by Stauss and Friege (1999) found that customers who were just "satisfied" were significantly less loyal than delighted customers. Given that a large proportion of delighted outcomes were the result of service recovery, this would suggest that service recovery could be an important loyalty lever. Furthermore, customers who have been successfully recovered not only remain loyal but can become advocates for the organisation (Barlow and Moller 1996). Such advocates may then be a source of referral business, because word-of-mouth can be very persuasive in terms of influencing customers to use an organisation and its services (Spreng et. al., 1995). Customer retention has been shown to have a direct impact on revenue and profitability. Loyal customers continue to purchase the service, generate long-term revenue streams, tend to buy more, and may be willing to pay premium prices, all of which increase revenue and profitability.

Service recovery ought to be part of a service firm's quality management strategy with the ultimate objective being to maintain the business relationship with the customer (Rust and Zahorik, 1993). Effective resolution of customer problems and relationship marketing are linked closely in terms of their mutual interest in customer satisfaction, engaging in positive word-of-mouth and repurchase intentions. (Morgan and Hunt, 1994). Market research in a number of sectors has shown that an investment in service recovery invariably pays off in profits.

It's a simple equation: good recovery strategies offered to service failures builds customer loyalty and intentions to repurchase, which leads to profits. Morgan and Hunt (1994) stated that good recovery pays off in terms of word-of-mouth advertising as well. One satisfied customer will tell five others about it, while an unhappy customer will tell ten. It is also estimated that a customer who has experienced good recovery will tell three others about it.

#### **1.1.6 Why are loyal customers valuable to service businesses ?**

Loyalty is an ill-defined concept in marketing. It can probably best be defined as “intention to revisit/repurchase” or some measure of repeat purchase. Loyal customers tend to reward their suppliers with increased revenue. Due to high levels of perceived risk, loyal customers tend to concentrate their purchases with suppliers that they trust. They even may be prepared to pay a price premium in exchange for the

reduced levels of perceived risk. Long-term customers tend to have lower maintenance costs. Existing customers become accustomed to the company, employees, and procedures; therefore, they ask fewer questions and have fewer problems. Another benefit of customer retention is the positive word-of-mouth advertising generated by satisfied customers. Satisfied customers often refer businesses to their friends and family, which in turn reinforces their own decision-making.

By talking back when customers believe they have not received their money's worth, consumers give businesses an opportunity to correct the immediate problem and restore goodwill. Experience shows that consumers who complain about products and services continue to frequent the businesses and buy the products they complain about if they believe the complaint was resolved fairly.

<http://strategic.ic.gc.ca/SSG/ca00873e.html#1>, date visited: 23/06/03.

### **Customer Expectations About Service Recovery**

- a. To receive a sincere apology.
- b. To be offered a 'fair fix' for the problem.
- c. To be treated in a way that shows the company cares about the problem.
- d. To receive the recovery service promised rather than one that falls short.

*Source: Anton J (1996)*



## 1.2 Statement of Problem

“Failure to consistently deliver promises is a likely outcome for high contact service and restaurant services is one such service” (Andreassen, 2001). The restaurant industry is rich in incidents that are potentially critical in contributing to consumers’ perception of failures.

Previous research in the context of restaurant, hotel and airline industries has primarily consisted of identifying and classifying service failure and recovery types (Kelley, Hoffman and Davis 1993), overlooking the full spectrum on the impact of service recovery strategies on customer’s post recovery behavior.

*To help service companies become gymnasts so that they are able to regain their balance instantly after a slip up, this research aims to state the following problem:*

**“What is the relationship between service recovery strategies by restaurants of five star hotels, in Bangkok and Post Recovery behavior of customers?”**

### **1.3 Research Objective**

- 1.3.1 To study the relationship between service recovery strategies of restaurant and customers post recovery behavior, in five star hotels, in Bangkok.

### **1.4 Scope of Study**

- 1.4.1 This research focuses on the service recovery strategies used by Restaurants in five star hotels, in Bangkok and its effect on post recovery behavior of consumers.
- 1.4.2 The study targets customers who have experienced service failures in Restaurants of five star hotels, in Bangkok.
- 1.4.3 The study focuses only on the service aspect of restaurant and not their product.
- 1.4.4 Personal data (demographic profile of respondents) in the questionnaire are collected for classification and not for analysis. This research will be conducted in the month of June, 2003.

## 1.5 Limitations of the Study

1.5.1 This study has been limited to service recovery strategies of restaurants in five star hotels, in Bangkok. Its findings may therefore, not be generalized to other hotel classifications in Bangkok.

1.5.2 This research considers service recovery strategies in only one-service industry, that is restaurants. Therefore, its findings may not be generalized to other service industries.

1.5.3 The respondents are only those customers who have visited and dined in five star hotels. Thus, the study exempts those who have not had any experience of dining in five star hotels, in Bangkok.

## 1.6 Significance of the Study

The most serious restaurant service failures are difficult to overcome and have the potential to drive customers away, yet everyday errors, less catastrophic, may be more important. The full range of service errors deserves service manager's attention since it is these errors that form consumers' overall attitudes toward a restaurant. Not formed in a single surprising encounter, but over a number of visits, customers have expectations about how such service errors should be addressed. Rather than broadly declaring that service errors should be avoided, knowing which recoveries are

expected by customers when errors do occur can have the dual benefit of improving customers' attitude. Hence, the significance of this research is that:

Unhappy customers are likely to exit the organization (Keaveney, 1995) engage in negative word-of-mouth (Richins, 1983) and hold grudges without ever giving the service provider the chance to recover the situation. In order for managers to be able to prevent the negative impact of service failure, they need to have an understanding of consumers' post encounter psychological processes.

***Thus, the core thrust of this study provides:***

- a. Insights, illustrations and its results will give feedback to service managers on how important it is for service providers to deliver good service recovery that will affect the post recovery behavior of satisfied and dissatisfied customers.
- b. Service providers in taking remedial measures, as deemed necessary, to improve/enhance the effectiveness of the service delivery.
- c. Service managers will also be provided with information useful for the purposes of service delivery, policy formation and employee training.



## 1.7 Definition of Terms

1. **Customer:** A customer is the recipient or beneficiary of one's work efforts and is the purchaser of the product or service. While customers may be either external or internal to the organization, the customer must be the recipient who is *satisfied* with your output (Horovitz, 2000).
2. **Customer:** Dissatisfaction is an unpleasant level of consumption –  
**Dissatisfaction** related to fulfillment. Stemming from feeling of Dissatisfaction, customers will first cognitively evaluate the service failure and determine which step if any will be taken to redress the situation. (Arnould, 2001).
3. **Customer:** A feeling of pleasure or disappointment resulting from  
**Satisfaction** comparing a product's perceived performance in Relation to his/her expectation. Satisfied customers experience a "pleasurable level of consumption related fulfillment."(Arnould, 2001)
4. **Dependent Variable:** The main variable that poses the problem for a study.

5. **Five Star Hotel:** Classification of hotels in terms of number of stars given by the National Tourism Organization, based on no. of rooms, no. of restaurants, etc.
6. **Independent:** A variable that influences the dependent or criterion  
**Variable** variable and accounts for (or explains) the variance in the dependent variable.
7. **Post Recovery:** A state of one's behavior in response to service  
**Behavior** recovery used by restaurant for service failures.
8. **Service Encounter:** Personal interactions between customers and employees of service firms.
9. **Service Failure:** Any failure that occurs in a service encounter because  
**Experienced** the service is not up to expectations. Not performing the service as promised by the restaurant to perform.
10. **Service Recovery:** Involves those actions designed to resolve problems,  
**Strategies** alter negative attitudes of dissatisfied consumers, and to ultimately retain these customers.

## **CHAPTER 2**

### **LITERATURE REVIEW**

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This chapter presents a review on literature and research that contributes to the understanding of the study. It contains a review on Customer Satisfaction and Dissatisfaction, Service Failures, Service Recovery Strategies and Post Recovery Behavior of customers (Word-of-Mouth and Intention to Revisit the restaurant), along with Discussion of Theories and Related Research. Empirical Findings (Previous Studies) will also be discussed.

#### **2.1 Literature to Support the Framework**

##### **2.1.1 Satisfaction and Dissatisfaction**

##### **1. Customer Satisfaction**

Satisfaction is a judgment of pleasurable level of consumption related fulfillment, including levels of under-fulfillment or over-fulfillment. Satisfaction is an internal state. Judgments on satisfaction vary, and different customers make different satisfaction judgment about the same level of performance. (Arnould, 2001).

positive or negative force in building a firm's reputation and retaining customers (Reichheld and Sasser, 1990), rewards to companies that resolve problems of customer satisfaction appears to be very high. (Hart, Heskett and Sasser, 1990). Satisfied customers may opt to exercise one or more of these options:

- (a) Repurchase your products/services,
- (b) Recommend your products/services to others, and
- (c) Generate positive word of mouth". (Anton 1996).

There are two types of customer satisfaction, namely, service encounter satisfaction and overall customer satisfaction. Service encounter satisfaction is transaction-specific, whereas overall customer satisfaction is relationship-specific, that is, it is the cumulative effect of a set of discrete service encounters or transactions with the service provider over a period of time (Bitner, Booms and Mohr 1994; Oliver 1997). Although these two types of satisfaction are related, it is important to recognize them as distinct constructs because some of the factors influencing them may be different. For example, service encounter satisfaction is more likely to depend on performance of specific attributes of the service encounter (e.g., Was the price consistent with expectation?), whereas overall satisfaction is more likely to depend on factors that occur across transactions (e.g., Is it easy to shop for this service?).

## 2. Significance of Customer Satisfaction

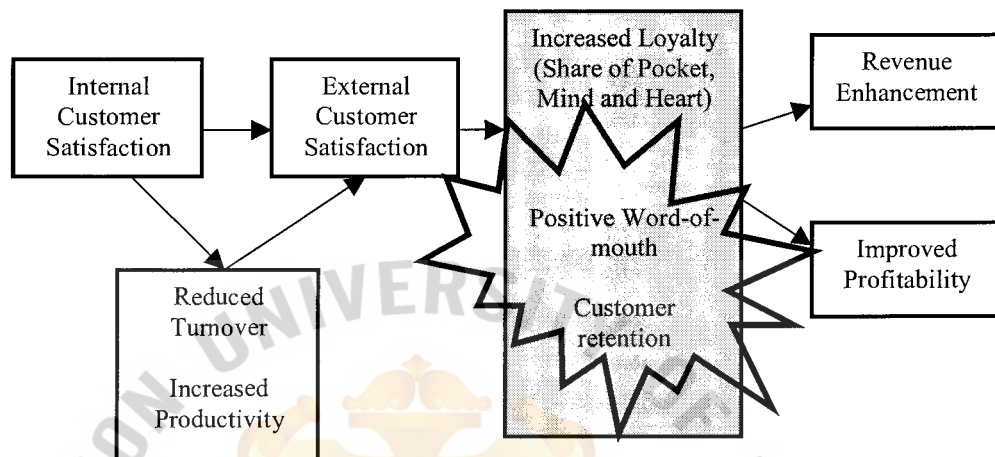
As noted by Fernell, Johnson and Anderson in their presentation of the American Customer satisfaction index (1996), there is an inverse relationship between customer satisfaction and lodging of complaints. This means that the higher the customer satisfaction, the lower the chances of complaints and higher the positive post recovery behavior generated following the service failures. Thus, customer satisfaction and positive post recovery behavior share a direct relationship.

*Schueing and Christopher (1993) stated that managerial wisdom holds that attending to customer satisfaction makes good business sense for the following two reasons:*

- a. Satisfied customers are likely to continue to buy from and/or continue to do business with a company, while dissatisfied customers are likely to take their business elsewhere. Satisfied customers are loyal customers. It is estimated to be five to seven times more expensive to attract a new customer than to keep an old one.
- b. Satisfied customers tell others about their positive experiences, while dissatisfied customers tell even more people about their negative experiences.



### 3. Customer Satisfaction/Revenue Enhancement Model



*Fig. 2.1 Customer Revenue Enhancement Model*

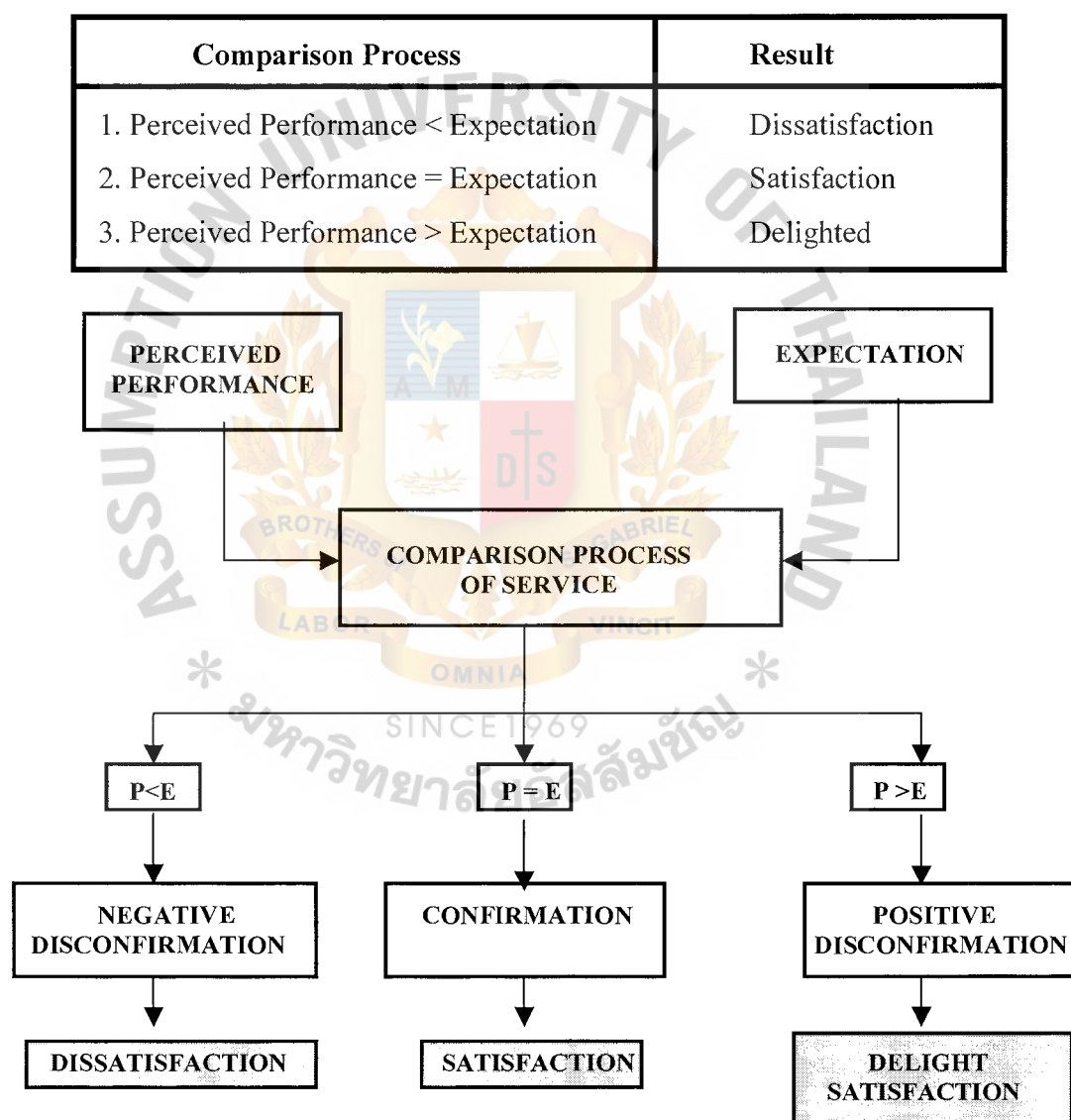
*Source: (What Customers Value Most, Stanley A. Brown, 1995)*

Customers usually are the ones who make their purchase and consumption decisions and they are the ones who enjoy the fruits of their labors in the form of a consumption experience. Increased customer satisfaction has immediate consequences for customer behavior and attitudes. These effects include increases in customer re-purchase intentions, and engaging in positive word-of-mouth. The ultimate result of customer satisfaction is revenue generation for the companies.

### 4. Customer Satisfaction Model

One of the most widely recognized customer satisfaction models is known as the **Disconfirmation of Expectations Paradigm**.

Any difference between expectations and perceived performance is known as *disconfirmation*. As illustrated in Figure 2.2, the model is constructed on the basis of comparing perceived performance and expectation, which can be summarized as the followings (Lohachitpitaks, 1998, p.13).

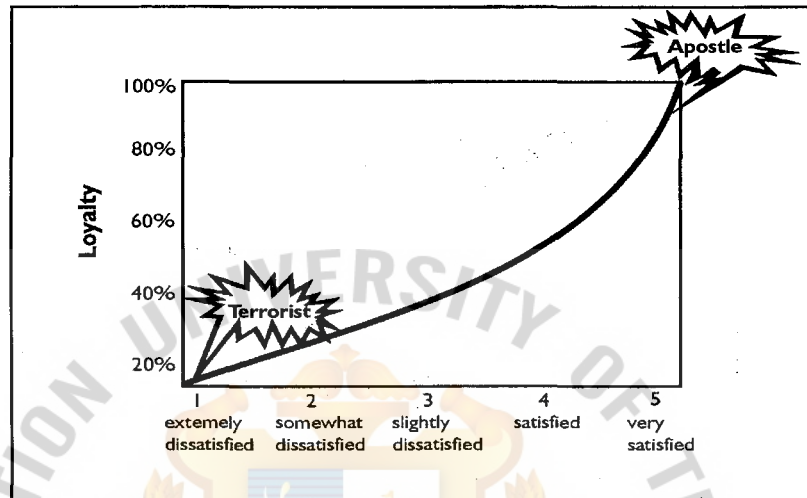


**Fig. 2.2 Disconfirmation of Expectations Paradigm**

From the above diagram, it can be seen that satisfaction increases as performance exceeds expectations (a positive disconfirmation or gap) and decreases as performance falls below expectations (a negative disconfirmation or gap). (Anderson, 1973). This model explains customer's unsatisfactory behavior after they encounter as service failure.

## **5. Service Encounters or “Moment of Truth”**

Service encounter is the personal interaction between customers and employees of the firm (service provider). While early events in the encounter cascade are likely to be especially important, any encounter can potentially be critical in determining customer satisfaction and loyalty. If the customer is interacting with a firm for the first time, that initial encounter will create a first impression of the organization. In these first encounters, the customer frequently has no other basis for judging the organization, and the initial phone contact or face-to-face experience with a representative of the firm can take on excessive importance in the customer's perceptions of quality. Even when the customer has had multiple interactions with a firm, each individual encounter is important in creating a composite image of the firm in the customer's memory. A combination of positive and negative interactions will leave the customer feeling unsure of the firm's quality, doubtful of its consistency in service delivery and vulnerable to the appeals of competitors. (Zeithaml and Bitner, 2000).



**Figure 2.3: Why it pays to delight your customer**

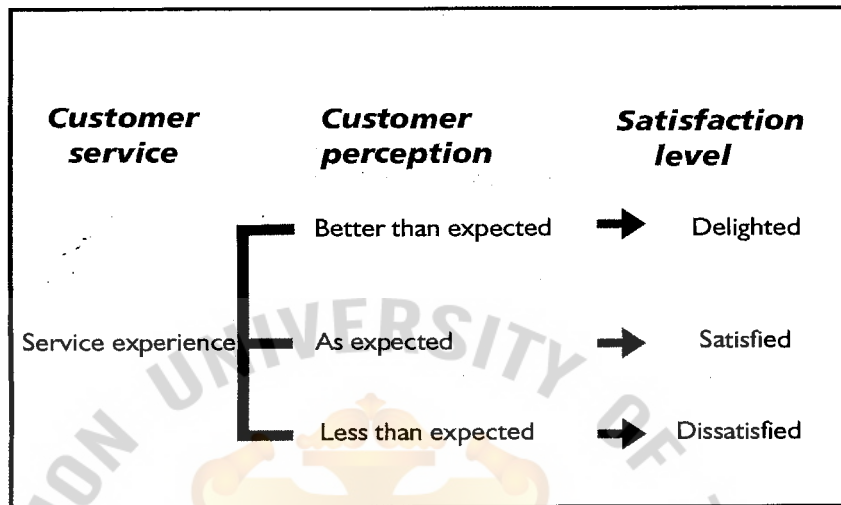
Source: Anton J., Customer Relationship Management, 1996

“A **moment of truth** is defined as every opportunity that the customer has to experience and evaluate his or her relationship with your company.” (Anton, 1996).

As Figure 2.3 shows, there are really only 3 possibilities:

- You deliver more than expected,
- As expected or
- Less than expected.

The customer will subconsciously grade or score the relationship after each experience.



**Figure 2.4 Every Moment of Truth Counts**

Source: Anton J. "Customer Relationship Management," (1996)

In Fig. 2.4 customers are divided into three distinct segments: those that are dissatisfied, those that are satisfied and those that are delighted. Research has shown that customers will react very differently depending on which of the three states of mind they are in at the time (Anton 1996). These differences show up in the following actions:

- (a) Willingness to Recommend
- (b) Intention to Revisit
- (c) Positive Word-Of-Mouth.



‘A delighted customer is 6 times more likely to repurchase your product or service than a satisfied customer’ (Anton, 1996).

6. Impact of Customer Satisfaction

In comparing and contrasting unhappy customers with happy customers, the US Office of Consumer Affairs (Knauer 1992) produced the data summarized in Table 2.1. Surveys of unhappy or dissatisfied; customers are an important link in continually improving customer relationships. It has also been found out that most dissatisfied customers would have returned if there had been a professional attempt to save them at the time of the incident. Service failures are really just mistakes made in the eyes of individual customers (Anton 1996).

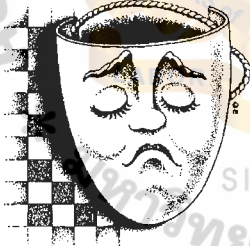

	
<b>Unhappy customers</b>	<b>Happy customers</b>
Only 4 percent of dissatisfied customers complain.	Retaining customers costs one-fifth to one-sixth less.
Over 90 percent of unhappy customers won't be back.	Satisfied customers are willing to pay more.
Each dissatisfied customer tells nine other people.	Each happy customer will tell five people about good service.

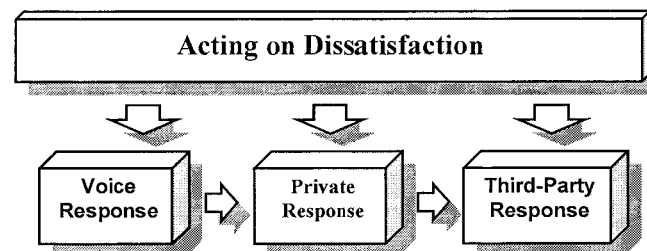
Table 2.1: The Value of Customer Satisfaction

Source: Anton J., “Customer Relationship Management,” (1996)

## 7. Customer Dissatisfaction

Dissatisfaction is an unpleasant level of consumption – related to fulfillment. Stemming from a feeling of dissatisfaction, customers will first cognitively evaluate the service failure and determine which step if any will be taken to redress the situation. (Schneider and Bowen, 1985). When a consumer has a dissatisfying purchase and consumption experience, the most common response is simply not to purchase or use that product/service again. That is, the customer will exit as a consumer of the organization.

Once dissatisfaction occurs, consumers can **communicate voice responses, private responses, and third party responses**. (Singh, 1990). Voice responses occur when an individual seeks redress directly from the seller. Private responses occur when an individual engages in word-of-mouth communication about dissatisfying experiences with others (not the seller). Third Party responses occur when an individual involves an outside party to redress the dissatisfaction such as contacting a newspaper.



*Fig. 2.5 Acting on Dissatisfaction*

Source: Zeithaml and Bitner, Services Marketing 2000.

### 2.1.2 Service Failures

The inseparable and intangible nature of services gives rise to the inevitability of failures occurring. From a customer's perspective a service failure is any situation where something goes wrong irrespective of responsibilities. Service failures may vary in gravity from something serious such as a food poisoning incident, to something trivial, such as a short delay. (Kelley and Davis, 1994). Service failures are inevitable in any type of service business. While managers work hard to control all failures, a sensible course would be to focus particularly on the service errors that are most likely to drive away customers. (Chung and Hoffman, 1998).

Service failure is not performing the service as promised by the restaurant. It is also and perhaps more importantly, an opportunity for an organization to satisfy a dissatisfied customer by fixing a service breakdown. In this way, a complaint is a gift customers give to a business. The company will benefit from opening this package carefully and seeing what is inside. When organizations listen to customers with open minds and more flexible points of view, they can experience complaints of service failures as gifts. (Barlow and Moller, 1996).

Service failures have important implications for organizations as well as consumers. Unhappy consumers are likely to exit the organization (Keaveney 1995), engage in negative word-of-mouth and hold grudges (Richins, 1983), without ever giving the service provider the chance to remedy the situation. In order for managers

to be able to prevent the negative impact of service failure, they need to have an understanding of consumers' post encounter psychological processes.

## **1. Characteristics of Service Failures and its effect on Customer's Evaluation**

Service failures can vary in terms of *Severity, Recurrence, and Recency* (Kelley and Davis 1994). One of the most intuitive characteristics of failure is severity of the problem experienced by the customers.

*Severity* is magnitude of loss that the customer experiences from the failure (Hart, Heskett, and Sasser 1990). Losses from failures can be either tangible (e.g. Monetary) or intangible (e.g. embarrassment from complaining, anger, time) in nature. The amount of loss experienced by customers can result from the nature of the event itself (poor service performance) or it can be affected by the situation or circumstances surrounding the service experience. For instance, service failure is perceived as more severe if coffee is spilled on the customer instead of the table (nature of the event); similarly it is perceived as more severe if coffee is spilled on a customer who is dressed in a wool suit rather than in jeans (situation). These examples suggest that an identical service failure (eg. spilled coffee) can be perceived quite differently depending upon the nature of event or the situation.

Next, service failures can also be isolated or *Repetitive problems* (Zeithaml, Berry and Parasuraman, 1996) found that customers who had experienced previous service failure exhibited more unfavorable behavioral intentions (i.e. complaining, switching, repurchase) towards the firm than those who had not experienced previous service failures.

Last, service failures can be viewed differently depending upon the *Recency* or timing of occurrence. Recency is the time period that has passed or the number of service encounters experienced since its occurrence (Berry and Parasuraman, 1991). For e.g. customers typically require more frequent interactions with a hairstylist than a tax preparation service. It is proposed that variations in these characteristics greatly affect customer's behavioral responses.

## **2. Consequences of Service Failures**

Service failures are principal determinants of future intentions to revisit the restaurant, or its absence. (Kelley, Hoffman, and Davis, 1993). Another consequence of service failures is negative word-of-mouth. Research shows that while disgruntled customers tell others about a negative service experience, few customers who leave (about 7% by one estimate) actually complain to service providers that they are leaving due to dissatisfaction or give reasons for switching to competitors. (Keavenly, 1995)



Customers entering a restaurant bring with them both a cumulative level of satisfaction (Fornell, 1992) and a specific expectation of service transaction. When service failures take place, the responses to the failures often reinforce negative feelings created by the errors (Hart, et. al, 1990) changing the perceived value of the transaction and acting as an antecedent to intention to revisit the restaurant. (Bitner, Booms and Tetreault, 1990). Service failures not only affect customer satisfaction but also normally have a negative impact on future purchase intentions of the restaurant concerned. Behavior of switching, negative word-of-mouth, and complaint behavior arise from service failures. Zeithaml, Berry, Parasuraman (1996) found that the customers who had experienced previous service failures exhibited less favorable intentions toward the firm than those who had not experienced service failures.

### **3. Categories of Service Failures**

Hoffman et al. (1995) applied the Critical Incident Technique (CIT method), an inductive research method that draws out categories of incidents from the interview data, as well as Bitner et al.'s (1990) classification schema to the restaurant industry in the U.S. CIT proceeds by asking customers to identify significant moments of truth and to relate their experiences. Based on an analysis of the content of the situation three categories of service failures were drawn from 1990 research work of (Bitner, Booms and Tetreault).

These groups were developed based on a sample of incidents from the hotel, restaurant and airline industries and included:

- 1. Employee Response to Service Delivery System failures**
- 2. Employees Response to Implicit/Explicit Customer Requests**
- 3. Unprompted and Unsolicited Employee Action**

On identifying failure subgroups within the three broad groups noted above, the inductive process of CIT resulted in identification of 11 unique failure subgroups (5 in Group 1, 2 in Group 2 and 4 in Group 3). The underlying notion of CIT is that moments of truth contain the potential to develop into critical business situations. A bad moment of truth can generate anger among customers and lead to dissatisfaction, disputes and lost business. A good moment of truth can lead to delight, loyalty and positive word-of-mouth.

**1. Service Delivery System Failures** generally occur in the core service, which in this case involves providing guests with an unacceptable meal. There are five sub- groups:

- a. Product defects (food is cold, raw, soggy, contains hair).
- b. Slow or unavailable service (excessive delivery time, facility problems, e.g., cleanliness issues such as dirty silverware or insects or rodent sightings).
- c. Guest unfriendly policies (e.g., not accepting checks or credit cards).

- d. Out of Stock conditions (e.g., inadequate supply of menu items)

**2. Failure in Implicit or Explicit Customer Request** occurs chiefly when service employees were unable to comply with a customers' individual needs. The sub-groups for this category were:

- a. Food not cooked to order;
- b. Seating Problems.

**3. Unprompted and Unsolicited Employee Actions** constitute behavior by employees that is unexpected and unwelcome by customers. There are four sub-groups namely:

- a. Wrong order (delivery of incorrect items);
- b. Lost order (order misplaced or never filled);
- c. Incorrect charges (customer charged for items never ordered or given incorrect change);
- d. Inappropriate employee behavior (e.g. rudeness, poor attitude).

#### 4. Why Service Failures Occur?

Based on a review of the available literature and interviews within restaurant settings, the following were identified as to why service failures may occur:

- a. Lack of visible and actual management commitment;
- b. Insufficient continuous communication;
- c. Poorly defined coordinating and action-oriented structure;
- d. Resistance to change;
- e. Insufficient or unfocused training;
- f. Inadequate allocation of human and financial resources.

Source: (Brown, 1995)

##### 2.1.3 Theories on Service Failures

*A service failure is defined as service performance that falls below customer's expectations* (Bateson and Hoffman 1999). This service failure relates to the disconfirmation model of satisfaction described above in a way that service failures are a type of disconfirmation, the concept used in the disconfirmation paradigm, which deals with negative deviation between performance and customer's expectation for that performance (Oliver, 1997).

## 1. Attribution Theory

Attribution theory has previously provided significant insights into product failure experiences. When products or services fail, consumers attempt to understand the reasons why. Attribution theory was developed to understand how individuals find explanations for outcomes or behaviors.

For example, failure attributed to a seller is more likely to:

- 1) Elicit Complaints to the firm and warnings to others (Richins 1983);
- 2) Lead to less satisfaction (Oliver and DeSarbo 1988); and
- 3) Impact beliefs that the customer is owed apologies and/or refunds (Kelley, Hoffman and Davis 1993).

Attribution theory is a collection of several theories that are concerned with the assignment of causal interferences and how these interpretations influence evaluations and behavior. In the context of service failure, Oliver and DeSarbo (1988) noted that the attributed success or failure (i.e., good or bad) of a service experience is influenced by the evaluator's perception of:



- (a) *Locus of control*: (i.e., was the outcome a function of internal or external processes) - I ordered the wrong dish versus the server brought me the wrong dish.
- (b) *Stability*: (Was the cause of the outcome a consistent occurrence or irregular) 'the food is always good here but the service is terrible,' versus "I've never had bad service like this here before."
- (c) *Controllability*: (i.e. was the outcome a function of knowledge, skill or ability or attributed to uncontrollable circumstances or luck) – "even though we asked for a non-smoking table, we were seated right next to the smoky bar" versus "just as soon as we were seated at the outside patio, it started to rain."

If a customer determines that the responsible party for a failure had control over the cause they will be angrier, have lowered intentions to revisit the restaurant; and have a greater desire to complain (Folkes and Kotsos 1986). Stability has been found to influence the type of redress preferred when a product fails, compared to unstable reasons, stable attributions lead consumers to more strongly prefer refunds rather than exchanges. If the product is perceived as due to unstable causes, then subsequent product satisfaction is expected and product exchange is preferred (Folkes 1986).

#### **2.1.4 Service Recovery**

Service recovery is more than complaint handling and involves: interaction between a service provider and a customer; a shortfall in the provision of the original service; a response on the part of the provider to the service shortfall; and a desired result, to turn a dissatisfied customer into a satisfied one. A good service recovery system will also detect and solve problems, prevent dissatisfaction, and lead to customers engaging in positive word-of-mouth, intention to revisit the particular organization. (McCullough et al., 2000).

One of the axioms of customer relations is that a dissatisfied customer will not pass up an opportunity to "bad-mouth" a company with which he or she has had a bad experience. People who hear these comments do take them into consideration when making purchasing decisions. If the number of dissatisfied customers is significant, the resulting effect on your business will be substantial. Unfortunately, another axiom of customer relations is that satisfied customers aren't nearly as vocal in expressing their satisfaction. The result is that good customer relations cannot help increase business as much as poor customer relations can hurt it. Add to this the fact that it's harder to get a new customer than it is to sell products to a current one and the importance of good service recovery becomes apparent. Torp (2003).

A recovery is the action taken by the firm in response to defects or failures (Gronroos, 1988). Service recovery strategies involve actions taken by service providers to respond to service failures (Gronroos, 1990). Both what is done (tangible compensation) and how it is done (employee interaction with the customer) influence customer perceptions of service recovery (Levesque and McDougall, 2000). The purpose is to move the dissatisfied customer to a state of satisfaction and hopefully retain the customer for the future. In fact, a failure event may present an opportunity to obtain higher ratings from customers than if the failure had never happened, if the recovery is effective (McCollough and Bharadwaj, 1992). A good recovery can turn angry, frustrated customers into loyal ones and may create more goodwill than if things had gone smoothly in the first place (Hart, et. al, 1990).

The extent to which a service failure is corrected is important to customer satisfaction and satisfaction with a specific service recovery strategy is connected to a customer's desire to return to the restaurant (Susskind, 2000). Considerable evidence indicates that recovering effectively from service failures contributes to customer evaluation of firms. Effective recovery strategies can have a dramatic impact on customer retention rates, deflect the spread of damaging word-of-mouth and improve bottom line performance. (Kelley, Hoffman and Davis, 1993).

## 1. Why Do You Need Service Recovery?

The importance of service recovery develops from the realization that “having customers”, not merely “acquiring customers”, is crucial for service firms (Berry and Parasuraman, 1991). Keeping and developing relationships with current customers is a key business strategy. Yet problems and complaints are bound to occur over a lifetime of customer relationship. Handling these effectively is vital to maintaining customer satisfaction and loyalty. Some assert that it is often employees’ response to service failure, rather than the failure itself, that triggers discontent (Hoffman et al., 1995). Recoveries are critical because customers perceiving poor recovery efforts may dissolve the buyer seller relationship and purchase elsewhere (Schneider & Bowen 1985). Such turnover can be costly especially given that it costs more to win new customers than it does to retain current ones (Hart, Heskett & Sasser, 1990).

A successful recovery will have a positive impact on post-recovery satisfaction and future purchase intention as well as customer loyalty towards the firm (Levesque and McDougall, 2000). Failure to ensure customer satisfaction through service recovery, both initially and belatedly, could lead to a decline in customer confidence, lost customers, negative word-of-mouth, possible negative publicity and the direct cost of re-performing the service (Berry and Parasuraman, 1991).

Horovitz (2000) observed that systems and processes for the optimum handling of service failures are among the best investment opportunities available in customer service. Here are some reasons why:

- ❖ Building good relations with existing customers is all the more important in an economic climate where new customers are harder to acquire;
- ❖ Good service recovery brings additional sales and improves the image of the company;
- ❖ Investments in good service recovery strategies have a return on investment (ROI) of between 50% and 400%, a figure rarely equaled by other investments;
- ❖ Complaints are 'free' information provided by customers that can help to improve the quality of service.

## 2. Types of Service Recovery Strategies

Business is about winning customers and keeping them. Most companies do a great job of winning customers, but many fail to put processes in place to keep customers, particularly after a service mishap. A recent survey found that as much as 11% of a company's annual revenue is at risk due to poor service or poor problem resolution. Service recovery strategies have been identified based on the CIT technique of a similar sorting and categorization process identified by Hoffman and

Bitner, 1993. Following are the recovery strategies that have been identified for solving restaurant's service failures:

<b>Compensation</b>	<ul style="list-style-type: none"><li>- Free Food</li><li>- Discount</li><li>- Coupon</li></ul>
<b>Assistance</b>	<ul style="list-style-type: none"><li>- Replacement</li><li>- Correction</li><li>- Apology</li></ul>
<b>No Action</b>	<ul style="list-style-type: none"><li>- Did Nothing</li></ul>

Service firm's true test of commitment to service quality and customer satisfaction depends on how it responds after the disconfirmation of customer expectations (Zemke, 1990). Employee behavior that causes disconfirmed expectations (as opposed to problems caused by faulty systems or policies) is one of the most difficult types of failure from which to recover (Hoffman et al., 1995).

Often customers switch to an alternative service provider not because of core service failure but because of the unacceptable response of employees to customer attempts to redress (Keaveney, 1995). Expectancy disconfirmation theory (Oliver and DeSarbo, 1988) suggests that consumers will enter a service encounter with pre-



encounter expectations. The same applies to a service encounter during which a customer seeks redress.

Previous research has shown that it is possible to recover from failure and thus to regain customer confidence (e.g. Kelley *et al.*, 1993). A successful recovery will have a positive impact on post-recovery satisfaction and future purchase intention (Spreng *et al.*, 1995), customer perceptions of fairness (Goodwin and Ross, 1992; Smith *et al.*, 1999) and customer loyalty towards the firm (Webster and Sundaram, 1998; Levesque and McDougall, 2000). Typically, customers expect to be compensated for the inconvenience caused by the service failure (Smith *et al.*, 1999 and Tax *et al.*, 1998). As a result, many service organizations offer various combinations of refunds, credit, discounts and apology to make peace with dissatisfied customers. As one would expect, increasing the level of atonement tends to result in higher recovery satisfaction ratings (Boshoff, 1998; Hoffman *et al.*, 1995).

One of the most popular myths concerning complaining customers is that they always require a refund. In fact this is not always the case. For example, fewer than 10 per cent of restaurant diners expect a bill reduction if a specific dish they ordered was unsatisfactory. They would rather have the dish replaced or reheated. In essence, it is the service firm that offers the refund, so tearing up the bill or giving a free coupon for a future meal may be handing over money needlessly.

Across three industries - hotels, restaurants, and airlines Bitner et al. (1990) classified all satisfactory and dissatisfactory incidents into three groups. An important finding was that responses to failure incidents, such as Compensatory Actions (free Food, Discount and Coupons), and Assistance (Replacement, Correction and Apology), could help lessen the dissatisfaction of customers.

The most common and frequently used actions are assistance, and/or compensation (Hoffman, Kelley, & Rotalsky, 1995). Their effectiveness depends on the situation and is influenced by such factors as problem severity, criticality, and the type of service. While an apology is better than no apology (Smith et al., 1999), an apology alone is relatively ineffective when a customer encounters a service failure (Webster & Sundaram, 1998). Typically, customers expect some gain (e.g., assistance, compensation) for their loss (service failure) (Smith et al., 1999). An apology offers little gain but may be effective when minor service problems are encountered.

Compensation involves monetary payment (Free Food, Discount, Coupons) for the inconvenience the customer has experienced and may be required if the failure couldn't be fixed (e.g., no room available). In terms of gain and loss, increasing compensation should lead to greater satisfaction with the service recovery. However, in particular cases, higher compensation may lead consumers to feel less satisfied because they were over-rewarded (Smith et al., 1999). While consumers want a gain

in this loss situation, and increasing the gain through compensation and assistance should improve satisfaction, there may be an upper limit to the gain.

In a study of critical incidents of restaurant service, compensation received higher satisfaction and retention ratings than assistance (Hoffman et al., 1995). Darida, Levesque, and McDougall (1996) found that apology from the Assistance and No Action only was the least effective strategy, and significant improvements in respondents' loyalty were found when assistance with reference to replacement and correction and compensation were added to the recovery effort. Overall, while the effectiveness of the recovery strategies varied depending on the service setting and problem severity, compensation was a strong contributor to satisfaction.

#### **2.1.5 Theories on Service Recovery**

The leading perspective of service recovery studies has centered on justice theory (Michel 2001). Similar to complaint handling, customers evaluate perception of fairness with the service recovery by three factors: outcomes, procedural fairness and interaction treatment (Smith *et al.*, 1999).

Perceived Fairness Dimension	Definition
Distributive justice	Perceived fairness of the outcome (e.g. refund, discount or free gift)
Interactional justice	Perceived fairness of the manner in which the customer is treated (e.g. apology)
Procedural justice	Perceived fairness of the process used to rectify the service failure (e.g. company policies)

**Table 2.2 Summary of the three dimensions of equity**

Source: Zeithaml and Bitner, Services Marketing, 2000

Taken together the three fairness dimensions are assumed to explain a large percentage of variation in post-recovery satisfaction; yet their relative importance might depend on the type of service involved (Smith *et al.*, 1999).

The magnitude of a service failure can affect a service recovery strategy and varies (Kelley and Davis, 1994) depending on individual and situational factors. Understanding the seriousness of a failure is critical in determining an appropriate recovery strategy (Hart *et al.*, 1990). Recent empirical research indicates that it might be harder for service organizations to execute an effective recovery when the failure is perceived as serious rather than minor by the consumer (Darida *et al.*, 1996; Smith *et al.*, 1999; Levesque and McDougall, 2000). Equity theory provides a plausible theoretical explanation for the moderating effect of failure magnitude on the

effectiveness of service recovery. Consistent with social exchange theory (Darida *et al.*, 1996), a service recovery can be considered as an exchange in which the customer experiences a loss while the service organization tries to make up for that loss by a recovery attempt (Smith *et al.*, 1999). According to equity theory, as the size of the loss gets larger, the customer is likely to be less satisfied with the service recovery (Levesque and McDougall, 2000). This is similar to Zemke (1990) notion of annoyance and victimization. Annoyance refers to a minor feeling of irritation after service failure, while victimization reflects a major feeling of frustration from the customer's perspective. According to (Zemke,1990), more extensive service recovery efforts are needed to correct victimization than annoyance. Unlike prior studies in which the magnitude of failure has been experimentally manipulated (e.g. Smith *et al.*, 1999), we suggest that customer perceptions of the seriousness of failure are individually based. For example, one customer might be extremely annoyed by a waiting time of 30 minutes at a bar before being seated at a restaurant whereas to another individual that same delay might be considered less serious.

### **2.1.6 Post Recovery Customer Behavior**

A state of one's future behavior in response to the service recovery used by restaurant for the service failure encountered. Folkes (1986) studied the relationships among attributions, affects, and behavioral responses of consumers experiencing a service problem.

***They found that Repurchase Intentions were affected by two factors:***

- 1) Who was responsible for the service problem?
- 2) Could the service problem have been prevented.

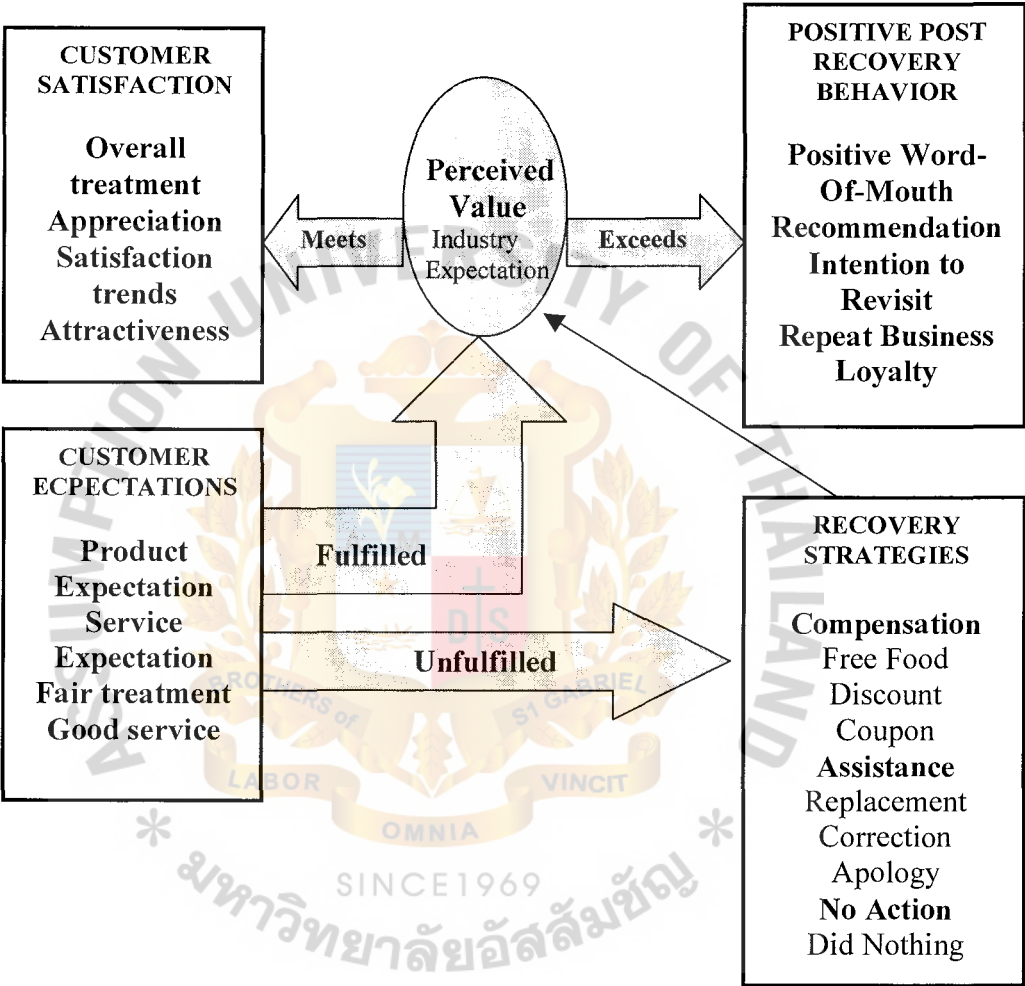
If the firm is viewed to be responsible for a service problem, future purchases will be negatively impacted. However, a firm that accepts responsibility for a service problem and makes a good effort in satisfying the customer, can reduce the negative impact on future behavior. Generally customers respond to service failure in a number of ways. They can complain, engage in negative word-of-mouth and switch service providers. (Bateson and Hoffman, 1999).

Service recovery deals with how a firm handles the cause of the dissatisfaction and the actions the firm's employees take to satisfy the customer's dissatisfaction (Spreng, Harrell, and Mackoy 1995). Customers who are dissatisfied with a product or service can be recovered. If consumers are satisfied with the service or product recovery effort of the firm, they will be willing to purchase from the firm again (Spreng, Harrell, and Mackoy 1995).

“Satisfaction with service recovery sharply increases customers’ willingness to recommend the firm. (Berry 1995)”. “Customers whose complaints are satisfactorily resolved often become more company-loyal than customers who were never dissatisfied” (Kotler 1997).



**CUSTOMER RETENTION AND LOYALTY MODEL**

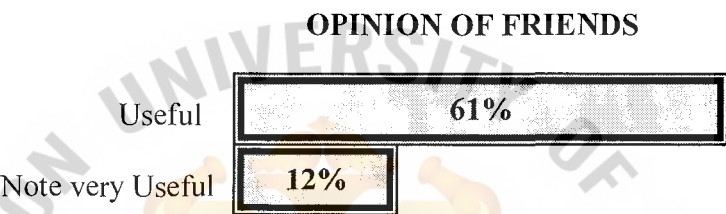


*Fig. 2.6 Customer Retention and Loyalty Model*

Source: 2001 Performance Dimensions International, LLC,

1. Word-Of-Mouth

Results of study conducted by General Electric’s market researchers (Clemmer, 1993) indicating the overwhelming importance the customers place on the opinions of friends before making a purchase decision.



*Fig. 2.7 In repurchase intentions, word-of-mouth matters*

Source: Anton J., Customer Relationship Management (1996)

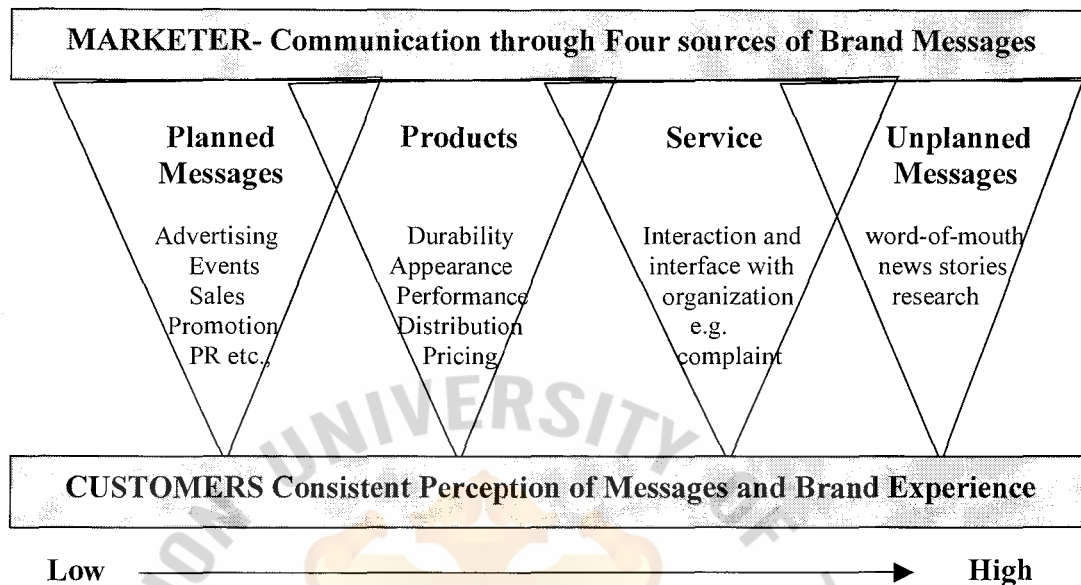
Word-of-mouth recommendation can be critical to the continued success of many types of restaurant. It has been noted that a new restaurant may open and achieve high levels of customers in the early stages as a result of diners' desire for novelty. Eventually the novelty effect is likely to wear off, and any decline in business may be accelerated by negative personal word-of-mouth recommendation and media reports.

Word-of-mouth is the much more reliable marketing concept because you’re getting the actual experiences of people who have been there rather than reading an advertisement or looking at a beautiful brochure (Gronroos, 1990).

The hospitality industry is particularly concerned with word-of-mouth recommendation because of the intangible nature of its products and the fact that it is personal experience that forms the basis of the customer's assessment of the service. "Positive word-of-mouth will not necessarily get you the sale; however, negative word-of-mouth essentially guarantees you will not get the sale". (Anton J., 1996).

## **2. Word-of-mouth from an Integrated Marketing Communication (IMC) Perspective**

In current integrated marketing communication research, word-of-mouth is positioned as an unplanned message, however, it is included as part of the overall brand communication of the company. "Duncan and Moriarty identified four sources of brand messages – planned, unplanned, service-related, and product related messages." (Duncan and Moriarty 1997). Word-of-mouth is perceived as an unplanned, non-commercial communication that preferably confirms the other brand messages. As opposed to the often expensive, planned marketing communication, the marketer does not manipulate this unplanned word-of-mouth communication. In addition, it possesses a higher credibility than other sources of brand messages. "These unplanned messages are not under the control of the organization and can create difficult problems in consistency with other marketing communication sources". (Duncan and Moriarty, 1997).



*Fig. 2.8 Communication through four sources of brand messages*

Source: Brand Communication Messages. Depicted from Duncan and Moriarty, 1997

In the preceding definitions word-of-mouth referral is perceived as a highly credible, unbiased source of information of an interpretive, subjective and affective nature. The service management and marketing literature sees word-of-mouth as a post-purchase communication channel that conveys service quality messages to potential consumers of a service. Berry and Parasuraman defined the role of word-of-mouth as a supplement for customers' direct experiences as follows: "In services, both post-sale marketing through orchestrating a satisfying experience for customers during production and word-of-mouth communication have prominent effect in winning customer's loyalty." (Berry and Parasuraman, 1991).

### **3. Word-of-Mouth from the Company's Perspective**

The primary assumption about the relevance of word-of-mouth communication in the services marketing and satisfaction literature is that satisfied customers talk about the positive experiences with the service provider in their social network. Findings from Oliver revealed that as customers' satisfaction and feelings of equity (e.g. fair deal) for the customer increased, the probability of positive post purchase communication, such as positive word-of-mouth, recommendations and praising increased. The same researchers found that when dissatisfaction or inequity increased, the likelihood of negative word-of-mouth, warnings, and complaining would increase.

### **4. Cognitive Dissonance and Word-of-Mouth Communication**

In addition to dissatisfaction, cognitive dissonance may cause feelings of psychological discomfort in the mind of the customers and can potentially prevent repeat sales even for the best of products and services. (Warren, 1995). The concept of cognitive dissonance, introduced by Festinger in 1957 describes the post decision related psychological discomfort about the purchase. This occurs when a person questions the wisdom of having spent a great deal of money for a non-essential item.

## 5. Service Recovery on Customer's Intention to Revisit

Satisfaction from service recovery has been linked to firm profitability and repurchase probability (Anderson, 1973). Demonstrating such a relationship is valuable, for explaining why consumers purchase or repurchase products underlies consumer behavior and consumer psychology. Indeed research on satisfaction with complaint processes specifically has also shown a clear relationship with loyalty and repurchase intentions (Halstead and Page 1992). The higher the satisfaction with redress that consumers perceive, the more likely they are to repurchase. Studies on a variety of services have shown that both process and outcome aspects of service recovery strategies have an effect on consumers' future behaviour towards the firm (Andreassen, 2001). "The lifetime value of a loyal customer can be astronomical, especially when referrals are added to the economics of customer retention and repeat purchases of related products. For example, the lifetime revenue stream from a loyal pizza eater can be \$8,000, a Cadillac owner \$332,000, and a corporate purchaser of commercial aircraft literally billions of dollars". (Andreassen, 2001).

*Word-Of-Mouth and Intention to Revisit the restaurants are commonly used indicators of loyalty in marketing literature.* The identification of loyalty dimensions has already commenced and loyalty researchers have historically identified two dimensions of loyalty, namely attitudinal and behavioral loyalty. In the past decade services marketing researchers have expanded the traditional bi-dimensional

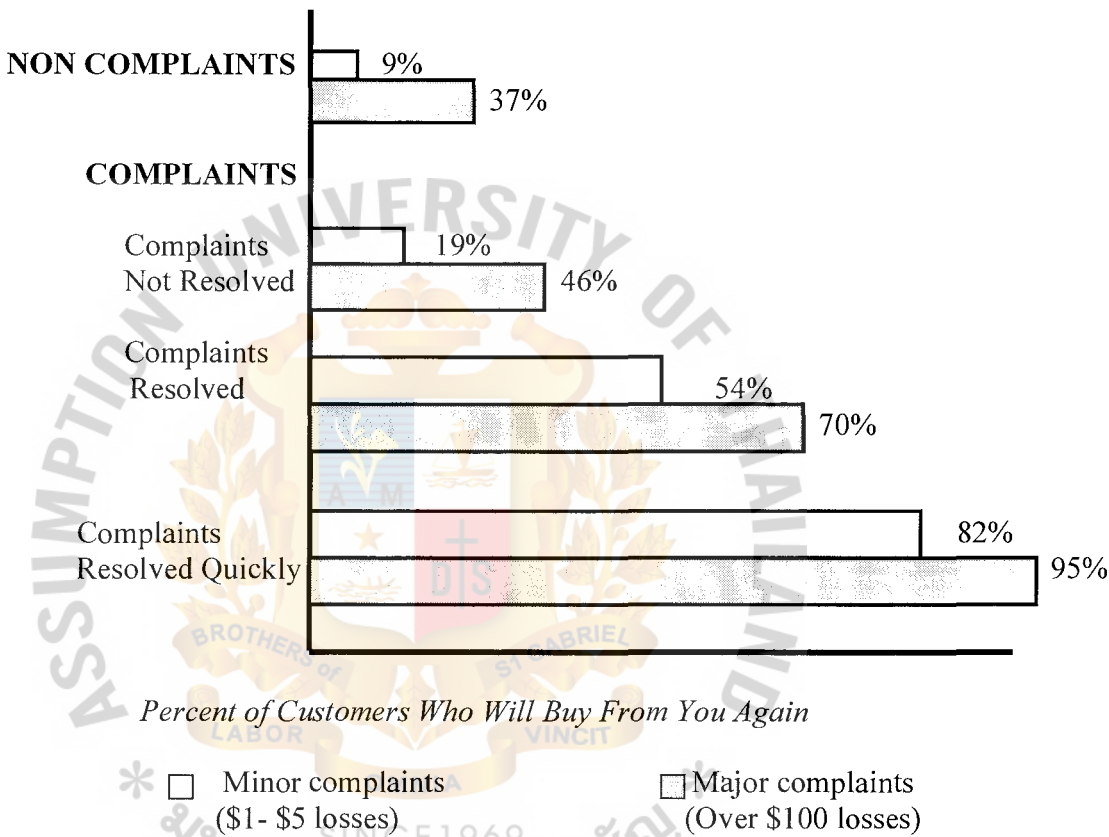


definitions of loyalty to incorporate additional dimensions of loyalty. Attitudinal loyalty can be defined as a customer's attitudes towards loyal or disloyal type behaviors towards the object of interest. Measures of attitudinal loyalty were sourced from Reichheld et, al (1990) and include intention to engage in positive word of mouth or (re) purchase.

There is a growing body of data suggesting that companies offering good service recovery strategies can realize substantial economic payoffs. According to John Goodman, president of Technical Assistance Research Programs, Inc. (TARP 1986), studies conducted across numerous industries over the last five years all find that the loyalty and repurchase intentions of customers whose problems were satisfactorily handled and resolved, are 'within a few percentage points' of the same indices for customers who had experienced no product or service failures.

### Customers Revisit Intentions

*How many of Your Unhappy Customers Will Buy From You Again?*

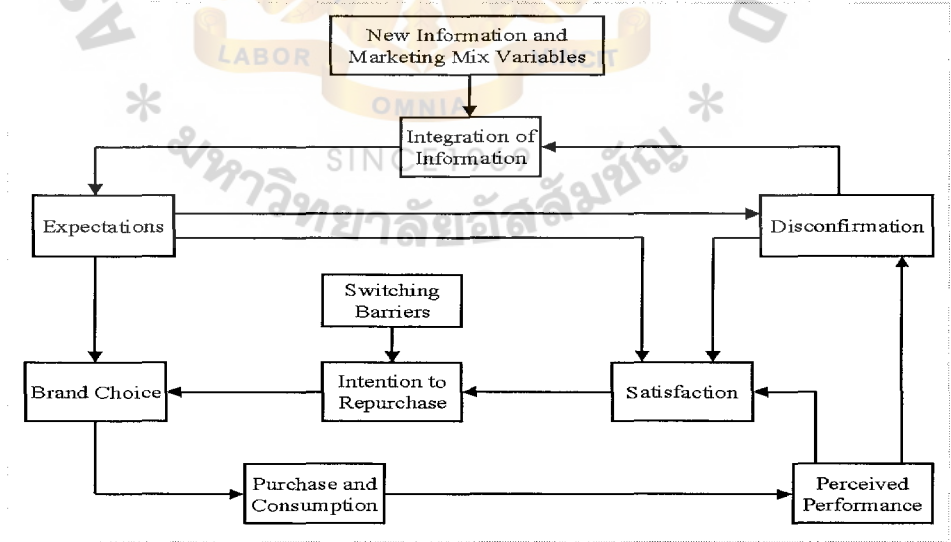


**Fig. 2.9 Customer Revisit Intentions**

Source: TARP Industry Specific Data, 1986

Effective service recovery results in an increase in satisfaction that should decrease the incidence of complaints. Increased satisfaction should also boost customer loyalty, which is a customer's psychological predisposition to repurchase from a particular product or service provider. *Those few who do complain will remain customers only if their problem is resolved.* One account is offered by Fornell (1992)

who suggests that the probability of a repeat purchase is a function of both satisfaction and switching barriers. Search costs, transaction costs, learning costs, habit, emotional cost, cognitive effort, and various forms of risk or uncertainty may all act as barriers to switching from one brand to another (Fornell, 1992). Switching barrier is high if a restaurant consistently offers good services and good recovery strategies when the failure occurs. As customer satisfaction is strongly linked to impressions of performance, satisfaction and switching barriers are assumed to be the most important antecedents of repurchase behavior, or the intention to repurchase a good or service (Bateson and Hoffman 1999). When some degree of satisfaction exists after purchase and evaluation, the intention to repurchase will be positive. Conversely, if there is dissatisfaction the intention to repurchase will be negative, and a consumer would be unlikely to repurchase the product again.



**Fig. 2.10 Disconfirmation and Intentions to Repurchase**

The depicted model is dynamic because of the feedback supplied by disconfirmation, and by the intention to repurchase derived from satisfaction and switching barriers. It integrates three important conceptual relationships:

- 1) Satisfaction is a function of expectations, perceived performance, and disconfirmation;
- 2) Intention to repurchase is a function of consumer satisfaction and switching barriers; and
- 3) Choice is a function of expectations and intention to repurchase. New information is continuously flowing into this system, in the form of marketing tools, word-of-mouth, etc., and disconfirmation provides another important source of information.

Often, customers will soon return to a restaurant where they were pleasantly surprised during an initial encounter. However, it is not uncommon to hear the sentiment that "The restaurant was not as good as I remembered." Assuming that factors such as mood and the effect of other customers are constant, two possible reasons for the discrepancy exist: either some element of the restaurant's setting, service, food, etc. was not as good the second time; or the customer's expectations were raised by the first visit, causing reduced satisfaction with the second visit. Because the individual has a better idea of what to expect during the second visit, large gaps or degrees of disconfirmation are less likely to exist. If disconfirmation is

the best predictor of satisfaction, one should expect satisfaction to decrease, due to and despite raised expectations.

### **2.1.7 Relationship Marketing**

#### **1. Philosophy of Relationship Marketing**

“The core of relationship marketing is needless to say relationships. The idea is first and foremost to create customer loyalty so that a stable mutually profitable and long term relationship is enhanced.” (Gronroos, 1990).

The basic philosophy of relationship marketing is that customers are assets. Recently customers have been considered the same as other assets in the balance sheet. This corresponds to the 80's- 00's rules of retaining the most valuable customers. This shift of paradigm from product features to customer value is the source of evolution for concepts such as recovery, complaint handling and developing customer loyalty. (Dr. Ishwar C. Gupta, 2002).

According to Hawkins, et. al (2001); 'relationship marketing' is an attempt to develop ongoing, expanding exchange relationship with a firm's customers. They state that relationship marketing has five key elements:

- a. Customizing the relationship to the individual customer;
- b. Augmenting the core service or product with extra benefits;

- c. Pricing in manner to encourage loyalty;
- d. Marketing to employees so that they will perform well for customers;

This list of elements makes it clear that relationship marketing is centered on understanding consumer needs at the individual consumer level. Relationship marketing can be used to encourage increase usage, repeat purchases and engaging in positive word-of-mouth.

## 2. The Evolution of Customer Relationship Marketing

The figure below shows a shift in battlefield for the war of business. The fourth corporate battleground – Customer Relationships.



***Fig. 2.11 Evolution of Customer Relationship Marketing***

Source: Marketplace forces in action, CRM, Anton J., 1996



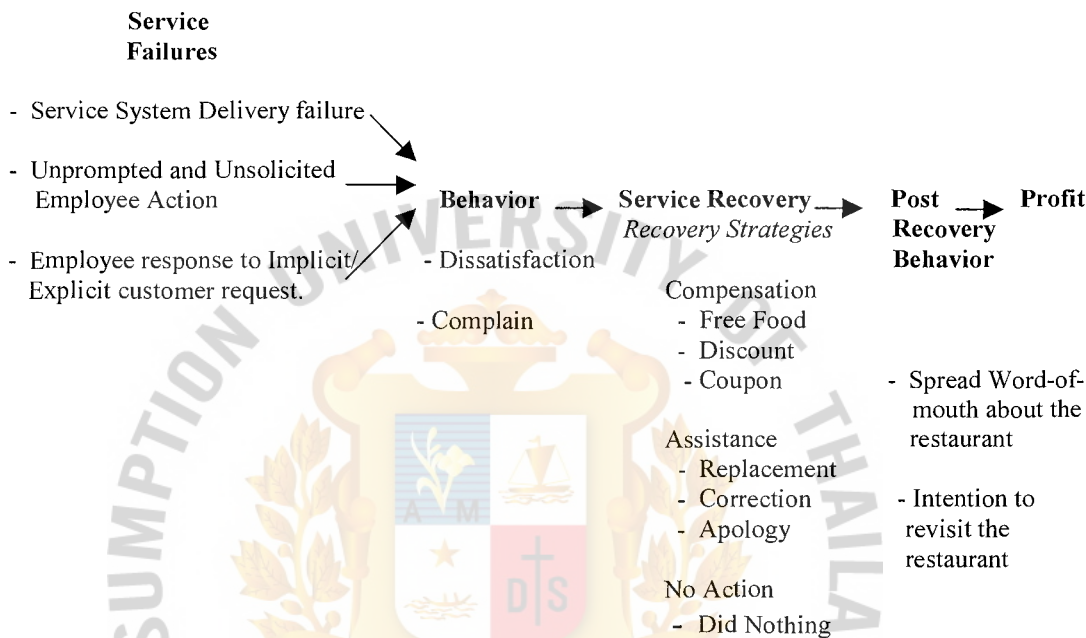
Relationship marketing essentially represents a paradigm shift within marketing – away from an acquisitions/transaction focus toward a retention/relationship focus. (Gronroos, 1990). Relationship marketing or (relationship management) is a philosophy of doing business, a strategic orientation, that focuses on keeping and improving customers, rather than on acquiring new customers.

### 3. Bottom Line Impact of CRM on Post Recovery Behavior

The real reason for managers to focus on managing customer relationships is “customer retention”. The impact of CRM on customer retention include the following responses by customers:

- Increases purchase of existing products;
- Cross purchase of your other products;
- Price premium due to appreciation of your value added service;
- Reduced operating cost because of familiarity with your service system;
- Positive word-of-mouth in terms of referring other customers to your company. Anton J., (1996)

*The relationship between service failures, recovery, customer post-recovery behavior can be understood from the following model of relationship management*



**Fig. 2.12 Customer Relationship on Post-Recovery Behavior**

Source: Dr. ICG. Current Issues in Relationship Marketing 2002

This figure explains that service failures effect customers’ evaluations towards the organization and its service. It is the role of relationship management to determine suitable recovery strategies, which will further have an impact on the post-recovery behavior of customers. If the firm has a strong customer base, it will adopt recovery strategies that will trigger positive recovery behavior..

## **2.2 Empirical Findings (Previous Studies)**

Levesque, Terrence J. (2000), “Service problems and recovery strategies: An Experiment,” Canadian Journal of Administrative Sciences, 17, Issue 1, p.20-37.

### **Research Objective**

Levesque (2000) researched on examining the effectiveness of recovery strategies after a service failure on customer loyalty, intention to revisit and complaint intentions. The objective of this paper is to provide empirical evidence on the effects on customers’ future intentions toward the provider of different recovery strategies after a service failure.

### **Research Method**

*The Dependent Variables were:*

Factor 1: Loyalty (intentions to revisit or return to the provider) and

Factor 2: Customer Complaint Behavior (CCB) which included (complaining,

Negative Word-of-Mouth and to a lesser extent switching), were analyzed by a multivariate general linear model (GLM). The analysis considered all main effects and two-way interactions.

## **Research Results**

The results of the univariate tests suggests the nature of the main and interaction effects for each intention. Effects of recovery on intentions showed that means of apology only were less than the means of any of the other levels for recovery (compensation and assistance).

However, overall, the results suggest that effectiveness of service recovery strategies – assistance, compensation and no action varied depending on the type of service, problem severity and criticality levels.

Andreassen, Tor Wallin (2001), "From Disgust to Delight: Do customers hold a grudge?" *Journal of Service Research*, 4, Issue 1, pp. 39-49.

### **Research Objective**

Andreassen (2001) researched the effects that satisfaction with service recovery may have on complaining customers' future intent and perception of, and attitude toward, the faltering (unresolved) organization.

### **Research Method**

The data was analyzed using a one-way ANOVA among complaining customers who had received recovery and customers who had not received recovery (i.e. dissatisfied non-complaining customers and ordinary satisfied customers).

### **Research Results**

The findings indicate that on average, complaining customer's perceptions of the supplier's image, after they have received service recovery, is equal to that of dissatisfied noncomplaining customers but lower than that of ordinary satisfied customers. Second, findings indicate that complaining customer's future intention after they have received service recovery is significantly lower than that of both dissatisfied non-complaining customers and ordinary satisfied customers.

Ahmad, Sohel (2002), “Service failures and customer defection: A closer look at online shopping experiences,” Managing Service Quality, 12, Issue 1, pp.19-29.

### **Research Objective**

Ahmad (2002) researched on interaction between service failure and online shop's for readiness for service recovery and the resulting impact on customer defection.

### **Research Method**

Canonical correlation analysis is used to investigate the relationship between two set of variables. Here one set is represented by the linear combination of two variables, CONSIDER and RECOMMEN, while another is represented by a single variable SATISF. The intention of customer to repurchase again is captured by the variable CONSIDER, and word-of-mouth effect is captured by RECOMMEN.

### **Research Results**

The results of this research shows that service recovery process can have a significant impact on positive or negative word of mouth. Customer's who are satisfied with the service recovery process are less likely to spread negative word-of-mouth.



Hoffman, Douglas K. Scott W. Kelley and Holly M. Rotalsky (1995),  
“Tracking Service Failure and Employee Recovery Efforts,” 9, No. 2,  
pp.49-61.

It is imperative that managers carefully consider service failure and recovery issues and have an established service recovery plan to overcome failures when they occur. Tracking and analyzing service failures and have service recovery strategies is an extremely useful management tool.

### **Research Objectives**

- The research in this journal was to identify and classify failures within the restaurant industry;
- Assess customer perceptions regarding the magnitude of each failure;
- Identify and classify recovery strategies utilized by restaurants to correct failures;
- Assess customer perceptions of the effectiveness of each recovery strategy and as subsequent patronage behaviors.

### **Research Method**

The *Critical Incident Technique* (CIT) (Flanagan, 1954) is used in investigating a variety of issues including assessing favorable and unfavorable

incidents in the service encounter from the customers' (Bitner et al., 1990; Gremlar and Bitner 1992), and employees' perspectives (Bitner et al., 1994); determining customer reactions to product failures (Folkes, 1984); developing waiter-waitress training programs (Goodman, 1979); developing a typology of retail failures and recoveries (Kelly et al., 1993); and determining sources of communication difficulties in service encounters (Nyquist et al., 1985).

The incidents for this study were collected by five students enrolled in a service marketing class at a university located in the Southeastern United States. Each student was instructed to collect and record critical incident and associated data from respondents' contacted through convenience sampling methods using data collections form developed by authors. Each student was asked to collect approximately 80 critical incidents from consumers with the stipulations that other students should not be solely relied upon and that an effort should be made to contact individuals representing a variety of demographic groups. This resulted in the collection of 373 critical incidents.

Each respondent was asked to report a service failure associated with a favorable service recovery, as well as a service failure associated with a poor service recovery on a ten-point scale. *The analysis of the CIT data involved four steps:*

1. ***Identify failure incident.*** Initially, each critical incident was systematically categorized through a deductive sorting process into one of the three major

failure groups developed Bitner et al. (1990). These included employee response to service delivery system failures; employee response to implicit/explicit customer requests; and unprompted and unsolicited employee actions.

2. ***Identify failure subgroups within the three group major groups.*** This step involved classifying failures into subgroups with each of the three broad groups noted above.
3. ***Classify recovery strategies.*** The final step in the categorization process involved reducing 87 recovery strategies applicable to a variety of food service operations. This classification and sorting process resulted in eight recovery strategies.
4. ***Collapsing service recovery strategies.*** The final step in the categorization process involved the 87 service recovery categories to a more manageable number of recovery strategies applicable to a variety of food service operations.

## **Research Method**

In order to provide an assessment of the generalizability of the findings, appropriate statistical tests (i.e. chi square and ANOVA) were utilized to examine the relationships between gender, education, age, and restaurant type; and failure type, recovery strategies, failure ratings, recovery ratings, and subsequent patronage

behavior. Pearson Correlation was used to determine the relationship between service failure rating and recovery rating with retention.

## **Major Findings**

From the recovery strategies identified, Replacement had the highest count and percentage frequency of 124 and 33.4% respectively, followed by Free Food with a percentage of 23.5% of the total 100%. It was also found that most of the restaurants did nothing to respond to the service failures (21.3%). Free Food recovered an average recovery rating of 8.05 on a ten-point scale, which was the highest recovery rating. No Action received a rating of 1.71%, which was the lowest among all other recovery strategies used.

The recovery findings also provide information concerning the desirability of specific recovery strategies. Recoveries offering some forms of compensation were rated most favorable in the context of the recovery typology developed in the study. Compensation took the form of (Free food, Discount and Coupons) On a 10-point scale these three recovery strategies had mean recovery rating of 8.05, 7.75 and 7 respectively.

## CHAPTER 3

### RESEARCH FRAMEWORKS

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This chapter provides definitions of all variables, dependent and independent, that will be used as a foundation for the research. This research framework describes the scope and relationship amongst several variables.

This chapter has four parts. The first part presents the Definition of Variables. The second part depicts a Conceptual Framework by a diagram as well as relationship among variables. In the third section, Research Hypothesis will be described so as to identify tentative relationships to be tested for achieving the research objectives. The last section provides a Table of Operationalization of independent and dependent variables.

#### 3.1 Definition of Independent and Dependent Variables

***Service Recovery Strategies:*** Involves those actions designed to resolve service failures/problems, alter negative attitudes of dissatisfied consumers and to ultimately retain these customers.

Following are the service recovery strategies identified by Hoffman and Bitner (1990) that are commonly used in restaurants to resolve service failures. These

service recovery strategies have been grouped into three categories: Compensation, Assistance and No Action. (Warden, Huang, Wu; 2000). *These include:*

**Compensation -** Monetary recoveries used to resolve service failures.

*Free Food:* Customers being provided with a meal, desert or drink on a complementary basis.

*Discount:* Reduction in price charged for food items purchased at the time of failure.

*Coupon:* Certificates that gives discount for food items on next visit.

**Assistance -** Human related response to rectify the problem.

*Replacement:* Replacing defective food order with new order.

*Correction:* The act of making a thing correct by altering or adjusting existing order.

*Apology:* A statement of expressing that one is sorry for having committed mistake.

**No Action –** Having no response to resolve the service failure.

*Do Nothing:* No actions taken by restaurant personnel to correct service failure.



**Post Recovery:** A state of one's future behavior in response to the service recovery used by restaurant for the service failure encountered.

*Word-of-Mouth:* Customers' belief that he/she would discuss the incident favorably, unfavorably, or neutrally with other persons within the customers' social circle.

*Revisit Intention:* Customers' disposition that he/she would revisit the restaurant.

### 3.2 Conceptual Framework

Conceptual model has been applied to the service provider to test relationship between service recovery strategies and customers post recovery behavior.

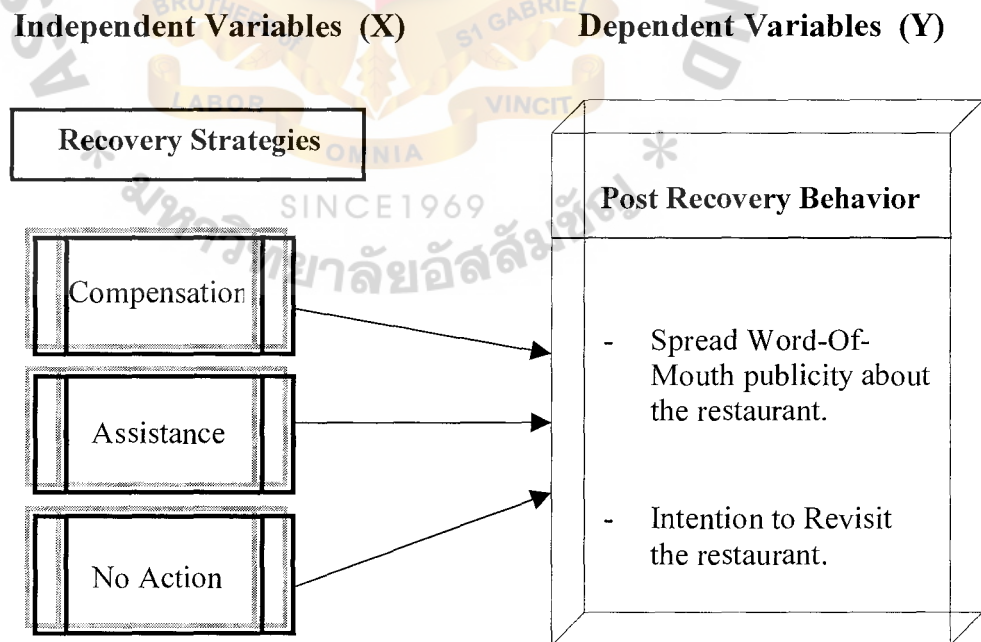


Figure 3.1 Conceptual Framework

### 3.3 Research Hypothesis

Hypothesis statements are conjectural statements of the relationship between two or more variables that carry clear implications for testing the stated relations (Davis and Cosenza, 1993). Based on the above conceptual framework the hypothesis statement are as follows:

#### Hypothesis for Compensation

- Ho<sub>1</sub>: There is no relationship between **Compensation** as service recovery strategy and **Word-of-Mouth** as post recovery behavior.
- Ha<sub>1</sub>: There is a relationship between *Compensation* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.
- Ho<sub>2</sub>: There is no relationship between **Compensation** as service recovery strategy and **Intention to revisit** the restaurant as post recovery behavior.
- Ha<sub>2</sub>: There is a relationship between *Compensation* as recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

### Hypothesis for Assistance

Ho<sub>3</sub>: There is no relationship between *Assistance* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.

Ha<sub>3</sub>: There is a relationship between *Assistance* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.

Ho<sub>4</sub>: There is no relationship between *Assistance* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

Ha<sub>4</sub>: There is a relationship between *Assistance* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

### Hypothesis for No Action

Ho<sub>5</sub>: There is no relationship between *No Action* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.

Ha<sub>5</sub>: There is a relationship between *No Action* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.

Ho<sub>6</sub>: There is no relationship between *No Action* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

Ha<sub>6</sub>: There is a relationship between *No Action* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

### 3.4 Operation of the Independent and Dependent Variables

Labeling	Definition	Operational Component	Level of Measurement
<i>Recovery Strategies</i>			
<i>Compensation</i>	Monetary recoveries Used to resolve Service failures.	- Free Food - Discount - Coupon	Ordinal
<i>Assistance</i>	Human related responses used to rectify service Failures.	- Replacement - Correction - Apology	Ordinal
<i>No Action</i>	Having no response to Resolve service failures.	- Do Nothing	Ordinal
<b>Post Recovery Behavior</b>	A state of one's future behavior in response to service recovery used by Restaurant for the service Failures.	- Spread Word of-mouth - Intention to Revisit the Restaurant	Ordinal

**Table 3.1 Operationalization of variables**

## CHAPTER 4

### RESEARCH METHODOLOGY

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The purpose of this chapter is to provide an overview of methodology that will be used in this research. Section one identifies data source. Section two explains the method of collecting the data and determining the sample size. Data measurement is explained in section three. Section four explains the data analysis.

#### 4.1 Data Source

“A data source is simply something or someone that provides information useful in solving the problem” (Nelson, 1982). For the purpose of this research, the customers who have experienced service failures at restaurants located at five star hotels will be a major source of data.

##### 4.1.1 Research Method: Sample Survey

Research techniques are tools used in collecting data from respondents. In this study, the researcher used a survey research by distributing questionnaires to the sample units. A questionnaire is a multi-purpose tool, which consists of four major parts: the introduction, the body, the classification section and the administration. It

has been stated that today the questionnaire method has to come to be widely used since it has advantages of versatility, speed and cost.

*A sample survey is a research technique in which information is gathered from a sample of people by use of a questionnaire.* In addition, surveys can provide a quick, inexpensive, efficient and accurate means of assessing information about a population (Zikmund, 2000).

Tull and Hawkin's (1987) defined survey research as the 'systematic gathering of information from respondents for the purpose of understanding and/of predicting some aspect of the behavior of the population interest'. Such information may be factual or opinion based and the researchers ability to secure it will depend heavily upon both the structure and sequence in which questions are placed for the respondents to answer.

#### **4.1.2 Research Instrument: Self-Administered Questionnaire**

Self-administered questionnaire will be used to collect information required for achieving the research objectives. Self-administered questionnaire will be filled by respondents rather than the interviewer. For self-administered questionnaire, they rely on the efficiency of written rather than that of questioning of the interviewer.

There are some advantages of self-administered survey (Cooper and Schilder, 1998) such as low cost, expanded geographic coverage without increase in cost. All



of the questions in the questionnaire used in this study are fixed alternative questions, meaning that the respondent is given specific limited alternative responses and asked to choose the one closest to his/her viewpoint. The advantages of the fixed alternative questions is that it is more cost effective, takes less time and are easier for the respondent to answer.

#### 4.1.3 Target Population

*“Target Population is the specific, complete group of respondents relevant to the research project.” (Zikmund, 1997)*

The target population in this study consists of customers above 20 years of age who have experienced service failures at restaurants located in five star hotels in the Bangkok Metropolitan Area. There are a total of seventeen, five star hotels in the Bangkok Metropolitan area with a total of 83 restaurants.

For the purpose of this study, all the customers who have experienced service failures at restaurants located in the hotels listed below are relevant to the study and these will be the target population. However, due to their vast scope as well as the limited time, only a few of these hotels will be selected as the sample unit, which will be described in the section below.

### **Bangkok Five Star Hotels**

1. Bangkok Marriott Resort & Spa (8 restaurants)
2. Banyan Tree (4 restaurants)
3. Dusit Thani Hotel (8 restaurants)
4. Grand Hyatt Erawan (5 restaurants)
5. Hilton International Hotel (4 restaurants)
6. Imperial Queens Park Hotel (7 restaurants)
7. JW Marriott Hotel Bangkok (4 restaurants)
8. Le Royal Meridien Hotel (4 restaurants)
9. Oriental Bangkok Hotel (7 restaurants)
10. Peninsula Bangkok Hotel (4 restaurants)
11. Plaza Athenee Hotel (5 restaurants)
12. Regent Bangkok Hotel (4 restaurants)
13. Royal Orchid Sheraton (4 restaurants)
14. Shangri-La Riverside Hotel (5 restaurants)
15. Sheraton Grande Hotel (4 restaurants)
16. Sukhothai (4 restaurants)
17. Westin Grand Bangkok (2 restaurants)

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#### 4.1.4 Sampling Unit and Sampling Element

*“Sampling unit is the place where researcher can find sampling element. Sampling element is an individual member of specific population.” (Zikmund, 2000).*

It is unnecessary to select every item in the population because the results of a good sample should have the same characteristics as the population as a whole. The research study will only focus on customers above 20 years of age who have experienced service failures in the following three hotels from the population of seventeen hotels. These hotels are:

- ❖ JW Marriott Hotel consisting of 4 Restaurants,
- ❖ Imperial Queen’s Park Hotel with 7 Restaurants and
- ❖ Le Meridien Hotel with 4 Restaurants.

The three, five star hotels are the sample unit and customers above 20 years of age who have experienced service failures in the restaurants located at hotels are the sampling element.

#### 4.1.5 Sampling Method

For this research, the researcher decided to use **Non-Probability Sampling**.

**Non-Probability Sampling**

A sampling technique in which units of the sample are selected on the basis of personal judgment or convenience. (Zikmund, 2000). The researcher used **Quota sampling and Convenience sampling**,

**4.1.5.1 Quota Sampling**

“Quota sampling is used to ensure that the various subgroups in a population are presented on pertinent sample characteristics to the exact extent.” (Zikmund 2000). The population of respondents in this study were therefore, assigned into three groups.

**Table 4.1 Five Star Hotels and Restaurants’ Name**

HOTELS	RESTAURANTS
JW Marriott	☛ Marriott Café
	☛ New York Steak House
	☛ Man Ho Chinese Restaurant
	☛ White Elephant Thai Restaurant
Imperial Queens Park	☛ Park View Restaurant
	☛ Lai Thong Thai
	☛ Les Nymphes

HOTELS	RESTAURANTS
	☛ The Uncle Ho Vietnamese
	☛ The Imperial China
	☛ Shabu Shabu -The Terrace
	☛ Kacho Japanese Restaurant
Le Royal Meridien	☛ Espresso
	☛ Summer Palace
	☛ Cappuccino
	☛ Fire Place Grill

Source: Hotel Management Food and Beverage Department, 2003

Table 4.2 Number of Respondents in each Hotel

Name of Hotels	Average Number of customers dining per month			Number of Respondents
JW Marriott	25,630	0.3139	94.193	94
Imperial Queens Park	40,000	0.4900	147.00	147
Le Royal Meridien	16,000	0.1960	58.801	59
TOTAL	81,630		300	300

Source: Hotel Management Food and Beverage Department, 2003

Justification for selecting the three Five Star Hotels out of the seventeen Five Star Hotels in Bangkok, were because the F&B and Human Resource Department of the three hotels mentioned above were cooperative and were willing to help distribute the questionnaires. Whereas, the other hotels found it time-consuming and would cause disturbance to the customers.

#### 4.1.5.2 Convenience Sampling

Refers to the procedure of obtaining respondents who are most conveniently available. This is a technique use to obtain large number of completed questionnaires quickly and economically (Zikmund, 2000).

#### 4.1.6 Determining Sample Size

In marketing research studies, typical ranges of sample sizes are used as shown in Table 4.1

Table 4.3 Sample Sizes Used in Marketing Research Studies

Type of Study	Minimum Size	Typical Range
Problem identification research (e.g. market potential)	500	1,000 – 2,500
<b>Problem Solving Research (e.g. Pricing)</b>	<b>200</b>	<b>300-500</b>
Product Tests	200	300-500
Test Marketing Studies	200	300-500

Source: Malhotra 2000, p. 332



The sample size for this research, based on table 4.1 is 300.

## 4.2 Data Collection

The data collection procedures is the detail and stages of the survey which includes the duration of doing survey; when and how to reach the respondents.

The survey of this research will be conducted in June 2003, to ensure that accurate data is collected. A letter of permission to distribute the questionnaire was prepared to be handed over to the Human Resource Manager and the F&B Manager. It was great generosity of the hotels to provide full cooperation in distributing the questionnaires. Data will be collected only from the samples who have experienced service failures in restaurants in the three selected Five Star Hotels. It took a month to get back responses from the hotels.

The researcher has relied on the ***Primary and Secondary Data***. Primary data include information collected from the field through questionnaires distributed to customers of Five Star Hotels. Secondary data include books, journals, previous research and related web sites.

#### 4.2.1 Pre-Testing the Questionnaire

*“Pre-testing is a run with a group of respondents used to screen out problems in the design of a questionnaire”. (Zikmund, 2000)*

Pre-testing was done to assure reliability of the questionnaire. For pre-testing this was done by distributing 30 copies of the questionnaire to target population, which are customers above 20 years of age, who have experienced service failures in restaurants of five star hotels. The feedback was used to revise the questionnaires where necessary.

The researcher examined the questionnaire instrument by trying out the questionnaire with 30 respondents as a pilot study. For the reliability test the researcher used the Cronbach's coefficient alpha scale to test the reliability of the questionnaire. Cronbach's alpha is a widely used measure for assessing the reliability of psychometrically developed scales (Cronbach and Snow, 1997).

*Reliabilities less than 0.60 are generally considered to be poor, those in the 0.70 range to be acceptable, and those over 0.80 to be good.*

## RELIABILITY ANALYSIS - SCALE (ALPHA)

1. COMP1 Free food
2. COMP2 Discount
3. COMP3 Coupon
4. ASS1 Replacement
5. ASS2 Correction
6. ASS3 Apology
7. NOACT1 Do Nothing

		Mean	Std Dev	Cases
1.	COMP1	4.2333	.7739	30.0
2.	COMP2	4.1000	.7120	30.0
3.	COMP3	3.9000	.7589	30.0
4.	ASS1	4.2333	.6789	30.0
5.	ASS2	3.8667	.9371	30.0
6.	ASS3	3.4000	.8944	30.0
7.	NOACT1	1.5000	.7768	30.0

**Reliability Coefficients:** N of Cases = 30.0 N of Items = 7

**Alpha = .7094**

The value of Cronbach's coefficient alpha .7094 shows that the questionnaire is acceptable.

4.3 Data Measurement

4.3.1 Questionnaire

Labeling	Operational Component	Question Number
<i>Recovery Strategies</i>		
<i>Compensation</i>	Free Food Discount Coupon	Question 2
<i>Assistance</i>	Replacement Correction Apology	Question 2
<i>No Action</i>	Do Nothing	Question 2
<b>Post Recovery Behavior</b>	Spread Word-of-Mouth Publicity Intention to revisit the restaurant	Question 3

Table 4.4 Measurement of Each Variable

## **4.4 Data Analysis**

The researcher will use the Statistical Package for the Social Sciences (SPSS), a widely used data analysis program to analyze the data. The form of data interpretation from these procedures is presented in easily interpretable formats. The researcher will use the following statistical tools to answer the research questions and research hypotheses of the studies.

### **4.4.1 Statistics used for Data Analysis**

#### **4.4.1.1 Descriptive Statistics**

Descriptive analysis refers to the transformation of the raw data into a form that will make them easy to understand and interpret. Describing responses or observations is typically the first form of analysis. The calculation of averages, frequency distributions and percentage distributions is the most common form of summarizing data (Zikmund, 2000).

The percentage and frequency distribution will be used to analyze the demographic profile of the respondents such as gender, age, status, personal income, education and occupational level.

4.4.1.2            Statistics Measurement for Each Hypothesis

Hypothesis	Statistical Method
Hypothesis 1	Spearman Rank Order Correlation
Hypothesis 2	Spearman Rank Order Correlation
Hypothesis 3	Spearman Rank Order Correlation
Hypothesis 4	Spearman Rank Order Correlation
Hypothesis 5	Spearman Rank Order Correlation
Hypothesis 6	Spearman Rank Order Correlation

**Table 4.5            Hypothesis Testing**

Spearman Rho uses the ranks of data to calculate correlation coefficients. Spearman’s Rho is a rank-order correlation coefficient, which measures association at the ordinal level. This a nonparametric version of Pearson correlation based on the ranks of data rather than the actual values.

4.4.2 Decision Rule for Interpretation

The Correlation coefficient generally range from -1.00 to +1.00 which could be interpreted as follows:



<b>- 1.00</b>	Perfect Negative Correlation
<b>- 0.95</b>	Strong Negative Correlation
<b>- 0.50</b>	Moderate Negative Correlation
<b>- 0.10</b>	Weak Negative Correlation
<b>0.0</b>	No Correlation
<b>+ 0.10</b>	Weak Positive Correlation
<b>+ 0.50</b>	Moderate Positive Correlation
<b>+ 0.95</b>	Strong Positive Correlation
<b>+ 1.00</b>	Perfect Positive Correlation

**Table 4.6 Decision Rule for Interpretation**

The signs of the correlation coefficient indicates the direction of relationship positive or negative. The absolute value of the correlation coefficient indicates the strength, with larger absolute values indicating stronger relationships. The correlation coefficients on the main diagonal are always 1.0, because each variable has a perfect positive linear relationship with itself. If the significance level is very small (0.05) then the correlation is significant and the two variables are linearly related. If the significance level is relatively large (0.5) then the correlation is not significant and the two variables are not linearly related.

[file:///C:/Program%20Files/SPSS/tutorial/spssout/nonparcorr\\_table\\_correlations.htm#](file:///C:/Program%20Files/SPSS/tutorial/spssout/nonparcorr_table_correlations.htm#), date visited: 18/07/03.

## CHAPTER 5

### DATA ANALYSIS

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This chapter focuses on the analysis of collected data from the questionnaire. Analysis is the application of logic to understand and interpret the data that has been collected about the subject. The results and analysis is divided into two sections. Section one describes Descriptive Statistics under Profile of Respondents. Section two emphasizes on the Research Objective, Hypothesis Testing and Explanation of Hypothesis Results.

#### 5.1 Profile of the sample

##### 5.1.1 Descriptive Statistics

Descriptive analysis is the transformation process of the raw data into a form that makes it easy to understand and interpret. It is used to analyze the respondents' personal data. This research has been conducted by using primary data collection method accounting for 300 questionnaires.

*For the purpose of analyzing the data, the analysis of descriptive statistics is as follows:*

1. Frequency tables for respondent's personal data (i.e., gender, age, marital status, personal income, education level, occupation).
2. Frequencies presented in Central tendency and Dispersion Format for Independent Variables.



**1. Respondents Personal Characteristics**

**Table 5.1 Gender of Respondents**

Gender	Frequency	Percent
Male	179	59.7
Female	121	40.3
Total	300	100.0

**Figure 5.1 Chart of Gender**

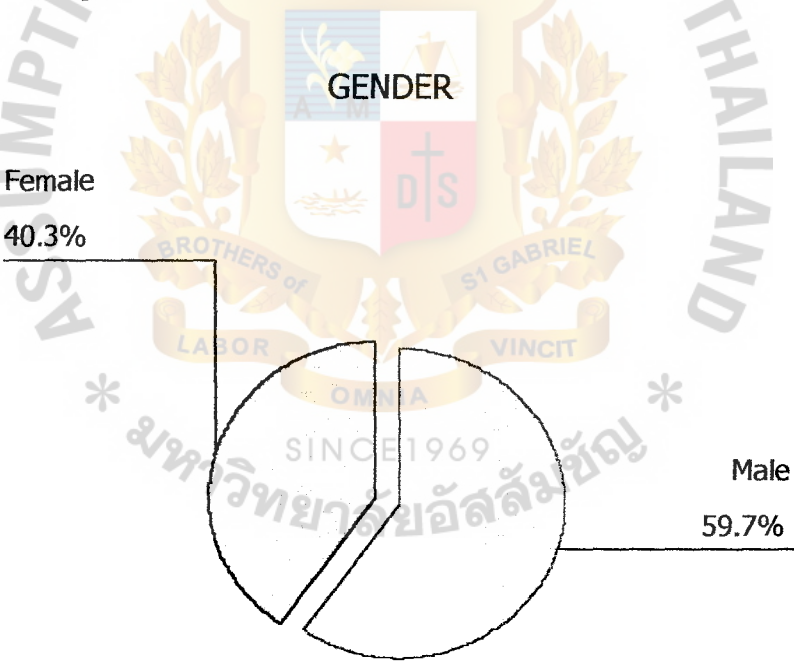


Table 5.1 and Figure 5.1 displays the respondents' Gender. Male represents 59.7% of the respondents, whereas, female represents 40.3% of the total respondents.

**Table 5.2      Age Range of Respondents**

Age	Frequency	Percent
20-30 yrs	47	15.7
31-40 yrs	114	38.0
41-50 yrs	95	31.7
Above 50 yrs	44	14.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

**Figure 5.2      Chart of Age**

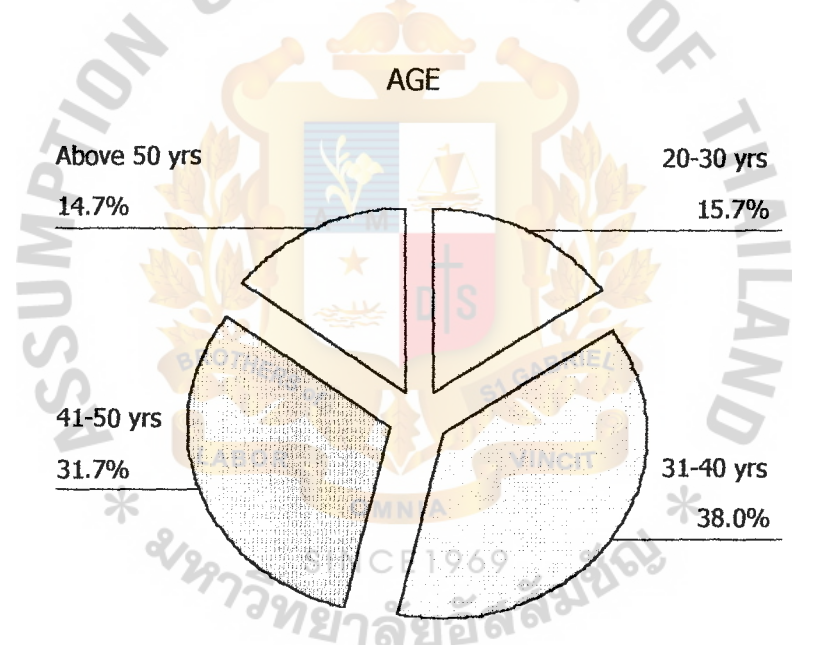


Table 5.2 and Figure 5.2 highlight's the respondents' Age. Largest group of respondents are aged between 31-40 years representing 38.0% of the respondents. Percentage of respondents' aged 41-50 years' represents 31.7%. Smallest group of respondents is the age group above 50 years and 20-30 years representing 14.7% and 15.7% respectively.

**Table 5.3      Marital Status of Respondents**

<b>Marital</b>	<b>Frequency</b>	<b>Percent</b>
Single	96	32.0
Married	162	54.0
Divorced	42	14.0
<b>Total</b>	<b>300</b>	<b>100.0</b>

**Figure 5.3      Chart of Marital Status**

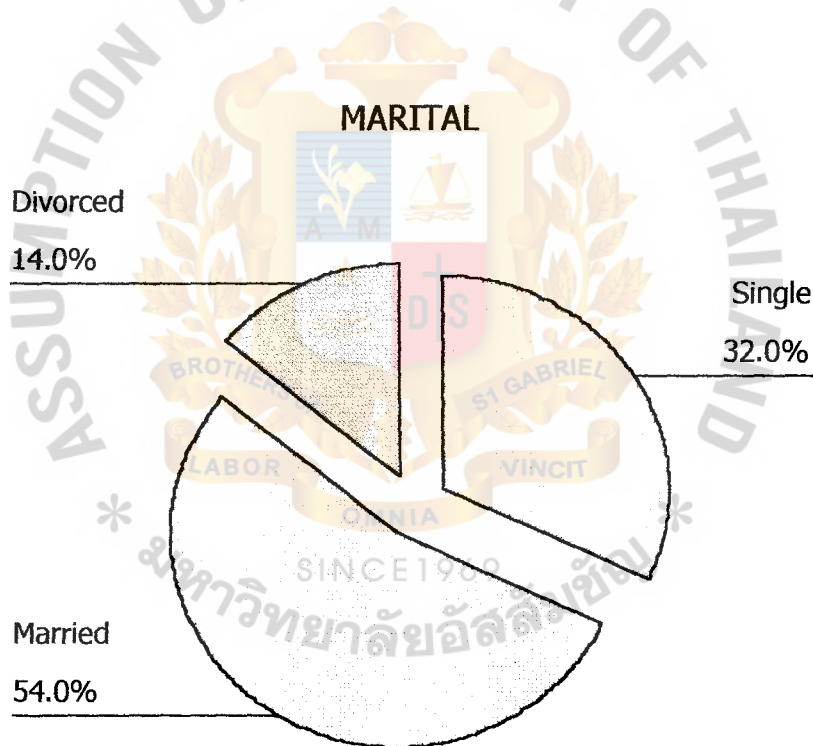


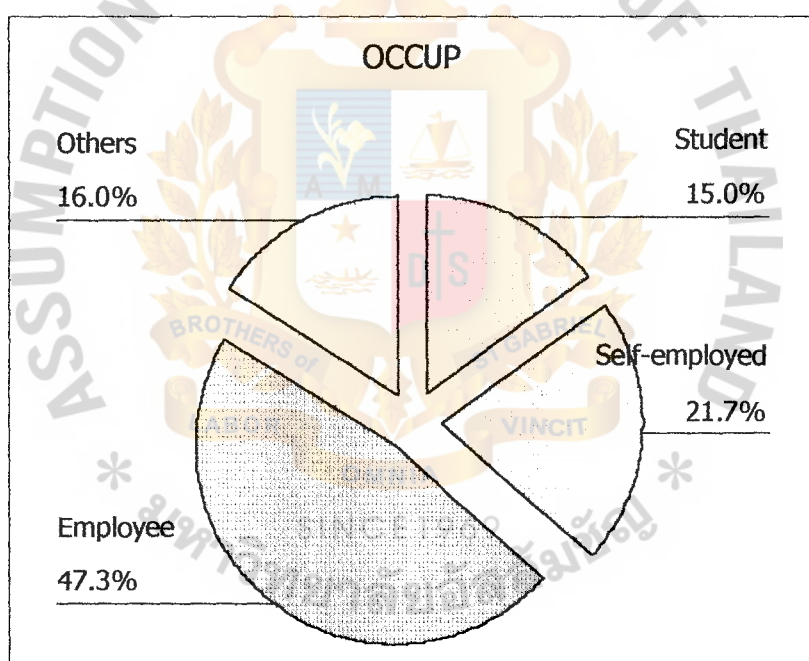
Table 5.3 and Figure 5.3 exhibits the Marital Status of respondents. Thirty-two percent of respondents are single. While the married status and divorced status represent 54% and 14% of respondents respectively.



**Table 5.4 Occupation level of Respondents**

Occupation	Frequency	Percent
Student	45	15.0
Self-employed	65	21.7
Employee	142	47.3
Others	48	16.0
<b>Total</b>	<b>300</b>	<b>100.0</b>

**Figure 5.4 Chart of Occupation level**



From the above table 5.4 and chart 5.4, largest group of respondents Occupation Level represent Business Employees accounting to 47.3%. Respondents (21.7%) are Self-Employed. The Smallest group belongs in the category of Students and Others representing 15% and 16% of respondents.

**Table 5.5    Education of Respondents**

Education	Frequency	Percent
Diploma	24	8.0
Bachelor's Degree	117	39.0
Masters or above	159	53.0
<b>Total</b>	<b>300</b>	<b>100.0</b>

**Figure 5.5    Chart of Education**

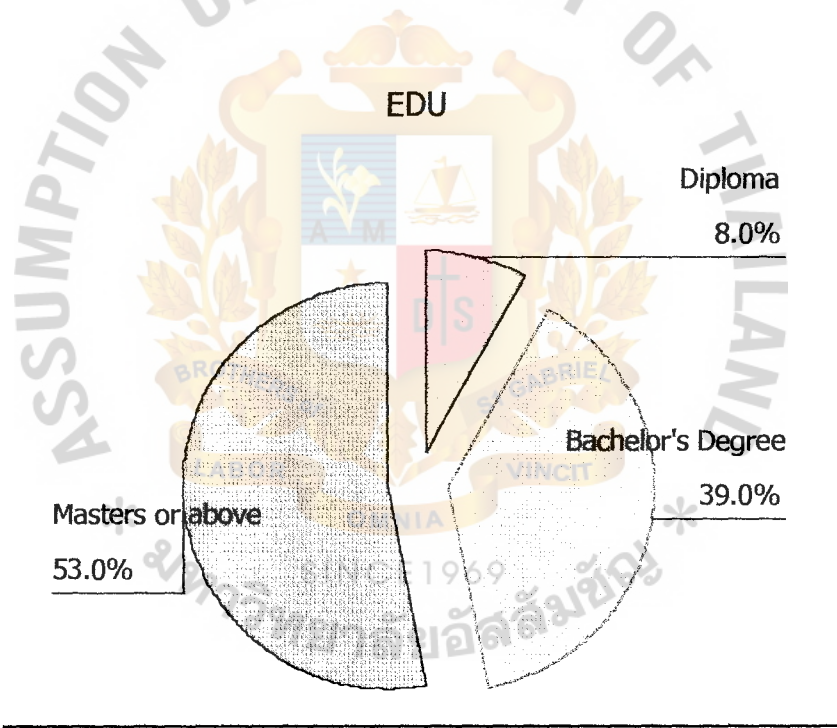


Table 5.5 and Figure 5.5 above illustrates the Education Level of respondents. Largest group of respondents 53% hold masters degree or above. Thirty-Nine percent of respondents hold bachelor's degree and minority 8.8% of the respondents have a diploma.

**Table 5.6      Personal Income of Respondents**

Income	Frequency	Percent
<b>Below 20,000</b>	27	9.0
20,000-40,000	96	32.0
40,001-60,000	100	33.3
Above 60,000	77	25.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

**Figure 5.6      Chart of Personal Income**

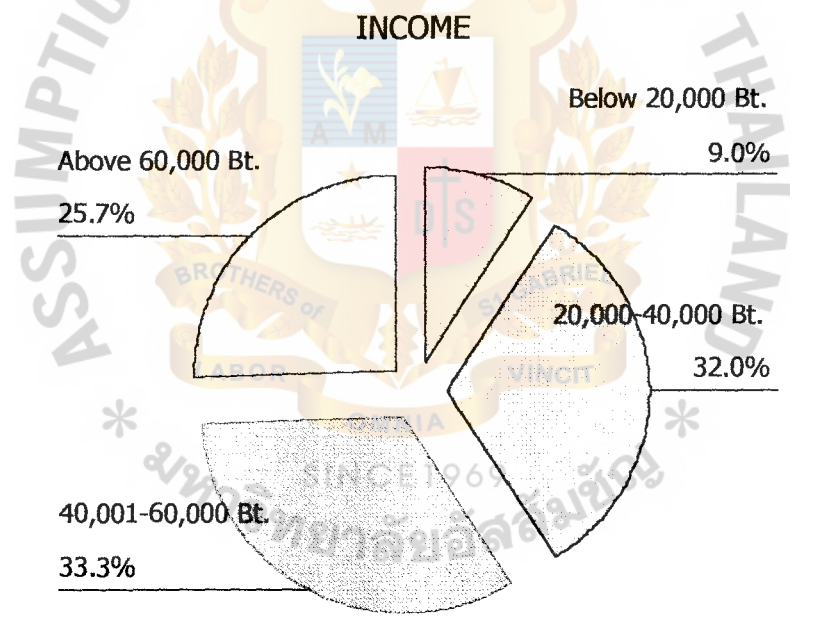


Table 5.6 and chart 5.6 put on view the Personal Income of respondents. Majority of the respondents representing 33.3% have their personal income between 40,0001-60,000 Bt. Respondents (25.7%) earns a monthly income above 60,000 Bt. Smallest group of respondents represent 9% with personal income below 20,000.

## 2. Frequencies presented in Central tendency and Dispersion Format for Independent Variables

**Table 5.7 Variables under the main Dimension of Compensation**

	Median	Mode	Range	Minimum	Maximum
<b>Free Food</b>	4.0000	4.00	3.00	2.00	5.00
<b>Discount</b>	4.0000	4.00	3.00	2.00	5.00
<b>Coupon</b>	4.0000	4.00	4.00	1.00	5.00

Table 5.7 Illustrates that majority of the respondents *Agree to Free Food, Discount and Coupon* as the **Mode** of all three-service recovery strategies is 4 which equates to Agree. Based on the respondents' findings from the questionnaire, the response varies from Strongly Agree to Disagree for Free Food and Discount as service recovery strategies, since the **Maximum Number** = 5 (Strongly Agree) and the **Minimum Number** = 2 (Disagree). However, for Coupon the respondent's response ranges from Strongly Agree with the maximum number being 5 to Strongly Disagree with the **Minimum Number** being 1.

**Table: 5.8      Respondents Percent of Free Food as Service Recovery Strategy**

**Free Food**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	13	4.3	4.3	4.3
	Neutral	33	11.0	11.0	15.3
	Agree	129	43.0	43.0	58.3
	Strongly Agree	125	41.7	41.7	100.0
	<b>Total</b>	<b>300</b>	<b>100.0</b>	<b>100.0</b>	

**Figure: 5.7      Chart of Free Food**

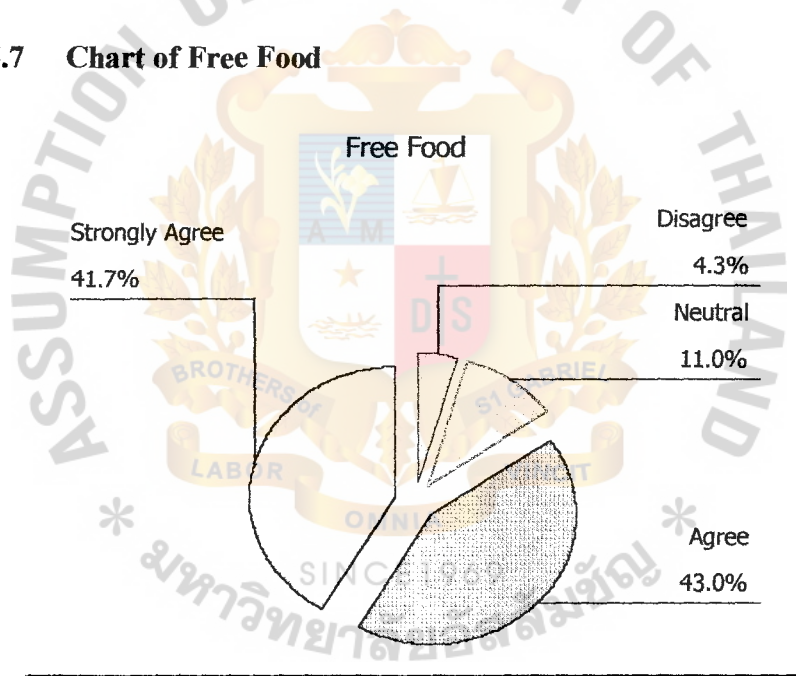


Table 5.8 and Figure 5.7 exhibits the respondents' percent of Free Food as service recovery strategies. Largest group of respondents 43.0% Agree to Free Food as service recovery strategy. Respondents (11.7%) find it Neutral and Minority 4.3% of respondents Disagree to Free Food offered as service recovery strategy.

**Table: 5.9      Respondents Percent of Discount as Service Recovery Strategy**

		Discount			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	1.7	1.7	1.7
	Neutral	31	10.3	10.3	12.0
	Agree	154	51.3	51.3	63.3
	Strongly Agree	110	36.7	36.7	100.0
	Total	300	100.0	100.0	

**Figure: 5.8      Chart of Discount**

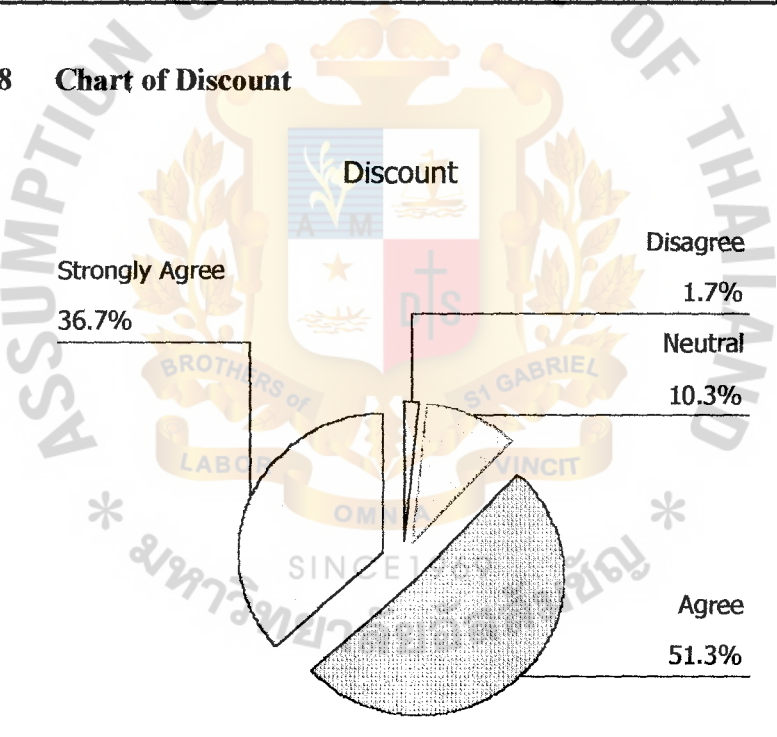


Table 5.9 and Figure 5.8 highlight's the respondents' percent in terms of Discount offered as service recovery strategy in five star hotels, in Bangkok. Largest group of respondents 51.3% agree to discount as service recovery strategy.



**Table: 5.10    Respondents Percent of Coupon as Service Recovery Strategy**

Coupon		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	4	1.3	1.3	1.3
	Disagree	13	4.3	4.3	5.7
	Neutral	111	37.0	37.0	42.7
	Agree	114	38.0	38.0	80.7
	Strongly Agree	58	19.3	19.3	100.0
	Total	300	100.0	100.0	

**Figure: 5.9    Chart of Coupon**

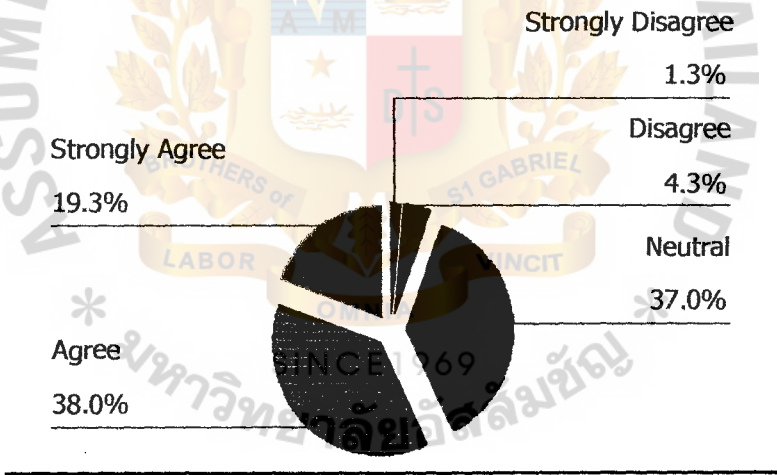


Table 5.10 and Figure 5.9 above illustrates the respondents percent in terms of Coupon offered as Service recovery strategy in restaurants of five star hotels in Bangkok. Largest group of respondents 38% agree to coupon offered as service recovery strategy. Minority 1.3% of the respondents strongly disagree to coupon as service recovery strategy.

**Table 5.11 Variables under the main Dimension of Assistance**

	Median	Mode	Range	Minimum	Maximum
<b>Replacement</b>	4.0000	<b>4.00</b>	3.00	<b>2.00</b>	<b>5.00</b>
<b>Correction</b>	4.0000	<b>4.00</b>	3.00	<b>2.00</b>	<b>5.00</b>
<b>Apology</b>	3.0000	<b>3.00</b>	4.00	<b>1.00</b>	<b>5.00</b>

Table 5.11 put on view that majority of the respondents *Agree* to Replacement and Correction as the **Mode** of the two - service recovery strategies is 4 which equates to Agree, whereas for Apology majority of the respondents find it Neutral with the mode of 3. Based on the respondents' findings from the questionnaire, the response varies from Strongly Agree to Disagree for Replacement and Correction as service recovery strategies, since the **Maximum Number** = 5 (Strongly Agree) and the **Minimum Number** = 2 (Disagree). However, for Apology the respondent's response ranges from Strongly Agree with the maximum number being 5 to Strongly Disagree with the **Minimum Number** being 1.

**Table: 5.12    Respondents (%) of Replacement as Service Recovery Strategy**

**Replacement**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	2.0	2.0	2.0
	Neutral	39	13.0	13.0	15.0
	Agree	137	45.7	45.7	60.7
	Strongly Agree	118	39.3	39.3	100.0
	Total	300	100.0	100.0	

**Figure: 5.10    Chart of Replacement**

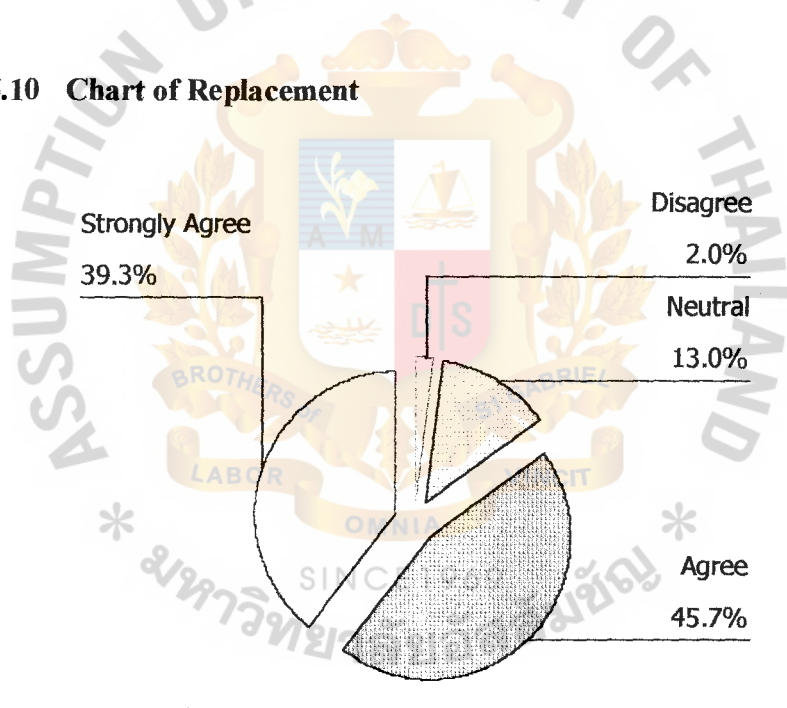


Table 5.12 and chart 5.10 put on view the percent of Replacement as service recovery strategies of respondents. Largest group of respondents representing 45.7% agree to replacement as service recovery strategies. Minority of respondents accounting to 2.0% strongly disagree to this service recovery strategy.

**Table: 5.13    Respondents Percent of Correction as Service Recovery Strategy**

**Correction**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	10	3.3	3.3	3.3
	Neutral	85	28.3	28.3	31.7
	Agree	152	50.7	50.7	82.3
	Strongly Agree	53	17.7	17.7	100.0
	Agree				
Total		300	100.0	100.0	

**Figure: 5.11    Chart of Correction**

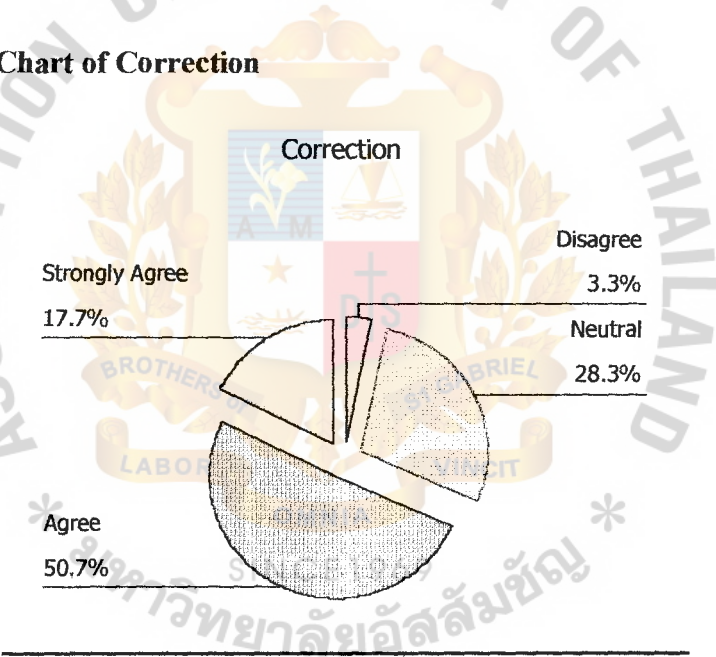


Table 5.13 and Figure 5.11 displays the respondents’ percent of Correction as service recovery strategy. Largest group of respondents 50.7% Agree to Coupon as service recovery strategy. Minority of the respondents 3.3% Disagree to Coupon being offered as Service recovery strategy in restaurants of Five Star Hotels, in Bangkok.

**Table: 5.14    Respondents Percent of Apology as Service Recovery Strategy**

Apology				
	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	67	22.3	22.3	22.3
Disagree	71	23.7	23.7	46.0
Neutral	91	30.3	30.3	76.3
Agree	54	18.0	18.0	94.3
Strongly Agree	17	5.7	5.7	100.0
Total	300	100.0	100.0	

**Figure: 5.12    Chart of Apology**

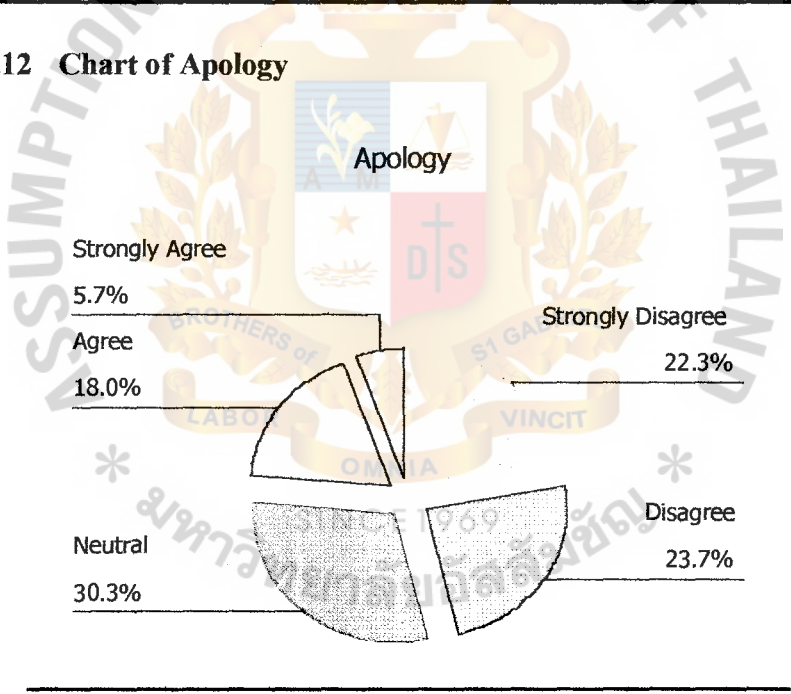


Table 5.14 and Figure 5.12 highlight's the respondents' percent in terms of apology offered as service recovery strategy. Largest group of respondents 30.3% finds Apology neutral. 23.7% of respondents disagree to apology offered as service recovery strategy.

**Table 5.15 Variables under the main dimension of No Action**

	Median	Mode	Range	Minimum	Maximum
<b>Do Nothing</b>	1.0000	<b>1.00</b>	1.00	<b>1.00</b>	<b>2.00</b>

Table 5.15 displays that majority of the respondents *Strongly Disagree* to Do Nothing, as the **Mode** of this service recovery strategy is 1 that equates to Strongly Disagree. Based on the respondents' findings from the questionnaire, the response varies from Strongly Disagree to Disagree as the **Maximum Number** = 2 (Disagree) and the **Minimum Number** = 1 (Strongly Disagree).



**Table: 5.16    Respondents Percent of Do Nothing as Service Recovery Strategy**

**Do Nothing**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	234	78.0	78.0	78.0
	Disagree	66	22.0	22.0	100.0
	Total	300	100.0	100.0	

**Figure: 5.13    Chart of Do Nothing**

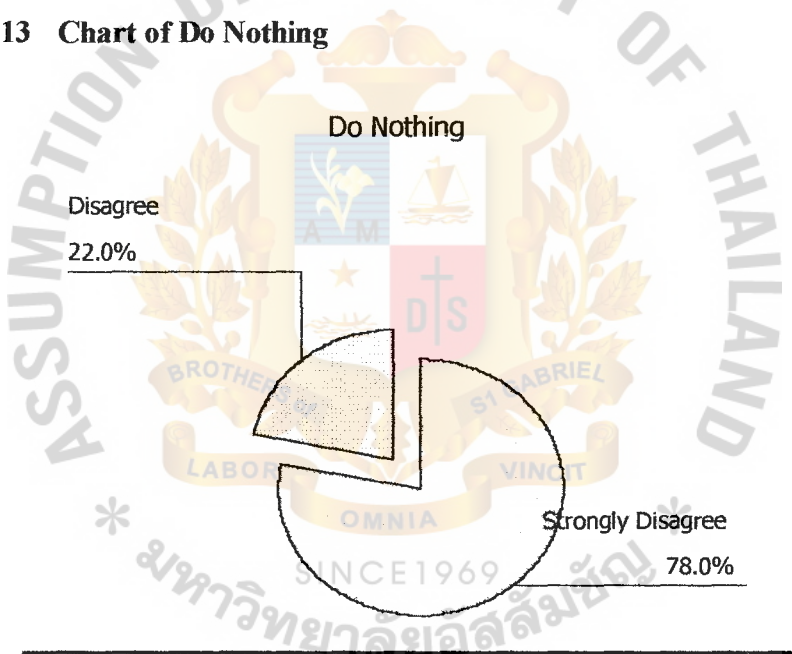


Table 5.16 and Figure 5.13 above illustrates the respondents percent in terms of Do Nothing offered as Service recovery strategy in Restaurants of Five Star Hotels, in Bangkok. Majority of the respondents 78.0% Strongly Disagree to Do Nothing offered as Service Recovery strategy. 22.0% of respondents Disagree when Nothing is done solve service failures.

## 5.2 Test and Explanation of Hypothesis Result

### 5.2.1 Inferential Statistics

Inferential statistics involves the analysis and verification for hypothesis statements in the populations, which are used to make inferences about the characteristics of the population. Kinnear and Taylor (1991) said that inferential statistics is a branch of statistics that allows researcher to make judgment about the population based upon the results generated by samples.

Nonparametric statistics is used in the hypothesis testing. Spearman Rho correlation Coefficient (*Nonparametric measures of association*) will be used for testing the hypothesis.

**Hypothesis 1: Test of relationship between Compensation and Spread of Word-of-mouth**

- Ho<sub>1</sub>: There is no relationship between *Compensation* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.
- Ha<sub>1</sub>: There is a relationship between *Compensation* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.

**Table 5.17 Nonparametric Correlation between Compensation and Spread of Word-of- Mouth.**

			T_COMP	Word-of-mouth
Spearman's rho	T_COMP	Correlation	1.000	.407
		Coefficient		
		Sig. (2-tailed)		
	Word-of-mouth	N	300	300
		Correlation		
		Coefficient		
		Sig. (2-tailed)	.000	1.000
		N	300	300

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

**Rule of Rejection:** If the significance value is greater than 0.05, the null hypothesis will be accepted, otherwise, the null hypothesis will be rejected.

**Significant Level:** Significant level (2-tailed test) is .000, which is less than the set criteria of alpha 0.05, so the *null hypothesis is rejected and the alternative hypothesis is accepted.*

**Correlation Coefficient** : is .407\*\*, which means there is *Positive Correlation* between compensation and word-of-mouth. The symbol \*\* illustrates that the correlation is significant at the 0.01 level under 2-tailed test and the result will, by chance, create 1% error.

The result from the table shows that there is *Weak Positive Relationship* between Compensation and spreading Word-of-mouth.

**Hypothesis 2: Test of relationship between Compensation and Intention to revisit the restaurant.**

Ho<sub>2</sub>: There is no relationship between *Compensation* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

Ha<sub>2</sub>: There is a relationship between *Compensation* as recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

**Table 5.18 Nonparametric correlation between Compensation and Intention to Revisit the Restaurant.**

			T_COMP	Intention to revisit
Spearman's rho	T_COMP	Correlation Coefficient	1.000	.378
		Sig. (2-tailed)	.	.000
		N	300	300
	Intention to revisit	Correlation Coefficient	.378	1.000
		Sig. (2-tailed)	.000	.
		N	300	300

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

**Rule of Rejection:** If the significance value is greater than 0.05, the null hypothesis will be accepted, otherwise, the null hypothesis will be rejected.

**Significant Level:** Significant (2-tailed test) is .000, which is less than 0.05, so the *null hypothesis is rejected and the alternative hypothesis is accepted.*

**Correlation Coefficient :** is .378\*\*, which means there is *Positive Correlation* between Compensation and Intention to Revisit the restaurants' in Five Star Hotels in Bangkok. The symbol \*\* illustrates that the correlation is significant at the 0.01 level under 2-tailed test and the result will, by chance, create 1% error.

The result from the table shows that there is *Weak Positive Relationship* between compensation and Intention to revisit the restaurants' in Five Star Hotels in Bangkok. Thus, the result of the test reveals the fact that there is relationship between compensation as service recovery strategy and Revisit Intention as Post Recovery Behavior.



**Hypothesis 3: Test of relationship between Assistance and Spread of Word-of-mouth**

Ho<sub>3</sub>: There is no relationship between *Assistance* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.

Ha<sub>3</sub>: There is a relationship between *Assistance* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.

**Table 5.19 Nonparametric correlation between Assistance and Spread of Word-of-Mouth.**

			T_ASS	Word-of-mouth
Spearman's rho	T_ASS	Correlation Coefficient	1.000	.147
		Sig. (2-tailed)	.	.011
		N	300	300
	Word-of-mouth	Correlation Coefficient	.147	1.000
		Sig. (2-tailed)	.011	.
		N	300	300

\*. Correlation is significant at the 0.05 level (2-tailed)

**Rule of Rejection:** If the significance value is greater than 0.05, the null hypothesis will be accepted, otherwise, the null hypothesis will be rejected.

**Significant level:** Significant level (2-tailed test). The bivariate test shows the significant value of .011, which is less than the set criteria of alpha 0.05; it means that *the null hypothesis will be rejected*.

**Correlation Coefficient :** value equates to 0.147, which means that there is a *Positive Relationship* between Assistance and Word-of-mouth.

The results from the test confirms the null hypothesis that there is a *Weak Positive Relationship* between assistance and word-of-mouth regarding the restaurants in Five star hotels. The sign \* shows that the correlation is significant at 0.05 level under 2-tailed test, which means that the result will, by chance, create 5 percent error.

**Hypothesis 4:    Test of relationship between Assistance and Intention to Revisit the restaurant**

- Ho<sub>4</sub>:    There is no relationship between *Assistance* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.
- Ha<sub>4</sub>:    There is a relationship between *Assistance* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

**Table 5.20    Nonparametric correlation between Assistance and Intention to Revisit the restaurants.**

			T_ASS	Intention to revisit
Spearman's rho	T_ASS	Correlation Coefficient	1.000	.177
		Sig. (2-tailed)	.	.002
		N	300	300
	Intention to revisit	Correlation Coefficient	.177	1.000
		Sig. (2-tailed)	.002	.
		N	300	300

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

**Rule of Rejection:**    If the significance value is greater than 0.05, the null hypothesis will be accepted, otherwise, the null hypothesis will be rejected.

**Significant Level:** The bivariate test shows the significant value of .002, which is less than 0.05; it means that the *null hypothesis will be rejected*.

**Correlation Coefficient** : value equates to 0.177\*\*, which means that there is a *Positive Relationship* between Assistance and Intention to Revisit the restaurant.

The results from the test confirm the null hypothesis that there is a *Weak Positive Relationship* between Assistance and Intention to revisit restaurants in Five Star Hotels, in Bangkok.

**Hypothesis 5: Test of relationship between No Action and Spread of Word-of-Mouth**

- Ho<sub>5</sub>: There is no relationship between *No Action* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.
- Ha<sub>5</sub>: There is a relationship between *No Action* as service recovery strategy and *Word-of-Mouth* as post recovery behavior.

**Table 5.21 Non-parametric correlation between No Action and Spread of Word-of-Mouth.**

			Do Nothing	Word-of-mouth
Spearman's rho	Do Nothing	Correlation Coefficient	1.000	-.143
		Sig. (2-tailed)	.	.013
		N	300	300
	Word-of-mouth	Correlation Coefficient	-.143	1.000
		Sig. (2-tailed)	.013	.
		N	300	300

\* Correlation is significant at the 0.05 level (2-tailed).

**Rule of Rejection:** If the significance value is greater than 0.05, the null hypothesis will be accepted, otherwise, the null hypothesis will be rejected.

**Significant level:** The bivariate test shows the significant value of .013, which is less than 0.05, it means that *the null hypothesis is rejected and the alternative hypothesis is accepted.*

**Correlation Coefficient :** Correlation coefficient value equates to  $-.143^*$  which means that there is a *Negative Relationship* between No action and spreading word-of-mouth about the restaurants. The sign \* shows that the correlation is significant at 0.05 level under 2-tailed test, which means that the result will, by chance, create 5 percent error.

The result from the test confirms the null hypothesis that there is a *Weak Negative Relationship* between Do Nothing and Word-of-Mouth regarding the restaurants in five star hotels, in Bangkok.



**Hypothesis 6:    Test of relationship between No Action and Intention to Revisit the Restaurant.**

- Ho<sub>6</sub>:    There is no relationship between *No Action* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.
- Ha<sub>6</sub>:    There is a relationship between *No Action* as service recovery strategy and *Intention to revisit* the restaurant as post recovery behavior.

**Table 5.22    Nonparametric correlation between No Action and Intention to Revisit the Restaurants.**

			Do Nothing	Intention to revisit
Spearman's rho	Do Nothing	Correlation	1.000	-.337
		Coefficient		
		Sig. (2-tailed)	.	.000
	Intention to revisit	N	300	300
		Correlation	-.337	1.000
		Coefficient		
		Sig. (2-tailed)	.000	.
		N	300	300

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

**Rule of Rejection:**    If the significance value is greater than 0.05, the null hypothesis will be accepted, otherwise, the null hypothesis will be rejected.

**Significant level:** is .000, which is less than the set criteria of  $\alpha = 0.05$ , so the *null hypothesis is rejected and the alternative hypothesis is accepted*.

**Correlation Coefficient :** is  $-.337^{**}$ , which means that there is *Weak Negative Correlation* between Do nothing and intention to revisit the restaurants. The symbol  $^{**}$  illustrated that the correlation is significant at the 0.01 level under 2-tailed test and the result will, by chance, create 1% error.

The result from the above table shows that there is *Weak Negative Relationship* between No action and Intention to Revisit the Restaurant. Thus, the result of the test reveals the fact that there is a relationship between Do Nothing and Revisit intention.

### 5.3 Discussion of Results

The results from the hypothesis testing illustrates that two service recovery strategies (Compensation and Assistance) have a significant relationship with Post-Recovery Behavior, i.e., spread of word-of-mouth and intention to revisit the restaurant. However, the results reveal a weak positive relationship with Post-Recovery Behavior. On the other hand, No Action (when nothing is done to solve service failures) as service recovery strategy, the result from hypothesis testing illustrates that it is not positively related to spread of word-of-mouth and intention to revisit the restaurant in five star hotels, in Bangkok.

## CHAPTER 6

### CONCLUSION AND RECOMMENDATIONS

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This chapter presents the summary, conclusion and recommendations based on the results of the study and are divided into three sections. The first section summarizes the *Conclusion of Demographic Characteristics*. In the second section, *Conclusion of Hypothesis* will be discussed. The last section offers *Recommendations* that are based on the results of the study. Finally suggestions are made for *Further Study*.

#### 6.1 Summary of Descriptive Statistics

##### 6.1.1 Summary of Demographic Characteristics

A total of 300 respondents were analyzed for the research. Following were the results that revealed the characteristics of respondents.

**Gender:** Largest group of respondents were Males that represented 59.7% of the respondents, whereas, Females represented 40.3% of the total respondents.

**Age:** Largest group of respondents are aged between 31-40 years representing 38.0% of the respondents. Minority is the age group above 50 years representing 14.7% of the respondents.

**Marital Status:** Majority of the respondents are Married representing 54% of the respondents. Minority are Divorced representing 14% of the respondents.

**Education:** Majority of the respondents 53% hold Masters Degree or above and Minority 8.8% of the respondents have a Diploma.

**Monthly Income:** Largest group of respondents representing 33.3% have a Personal Income between 40,001-60,000. Minority of respondents represents 9% with Personal Income below 20,000.

**Occupation:** Largest group of respondents' Occupation are Business Employees accounting to 47.3%. Minority belongs in the category of students representing 15% of the respondents.

**Table 6.1      Summary of Characteristics of Respondents**

	<b>Largest Group of Respondent in %</b>	<b>Minority in %</b>
<b>Gender</b>	Male: 59.7%	Female: 40.3%
<b>Age</b>	31-40 yrs – 38.0%	Above 50 yrs – 14.7%
<b>Marital Status</b>	Married 54%	Divorced 14%
<b>Education</b>	Masters & above – 53%	Diploma – 8.8%
<b>Monthly Income</b>	40,001-60,000 – 33.3%	Below 20,000 – 9%
<b>Occupation</b>	Employees – 47.3%	Students – 15%



## 6.2 Hypothesis Testing Results

### 6.2.1 Summary of Hypothesis Testing Results

Hypothesis	Statistical test	Significant Value (alpha)	Correlation Coefficient	Result
H <sub>a1</sub> : There is Relationship between <b>Compensation and Word-of-Mouth</b>	Spearman's Rank Correlation	0.000	.407 Positive Correlation	Reject H <sub>0</sub>
H <sub>a2</sub> : There is Relationship between <b>Compensation and Intention to Revisit</b>	Spearman's Rank Correlation	0.000	.378 Positive Correlation	Reject H <sub>0</sub>
H <sub>a3</sub> : There is Relationship between <b>Assistance and Word-of-Mouth</b>	Spearman's Rank Correlation	.011	.147 Positive Correlation	Reject H <sub>0</sub>
H <sub>a4</sub> : There is Relationship between <b>Assistance and Intention to Revisit</b>	Spearman's Rank Correlation	.002	.177 Positive Correlation	Reject H <sub>0</sub>
H <sub>a5</sub> : There is Relationship between <b>No Action and Word-of-Mouth</b>	Spearman's Rank Correlation	.025	-.130 Negative Correlation	Reject H <sub>0</sub>
H <sub>a6</sub> : There is Relationship between <b>No Action and Intention to Revisit</b>	Spearman's Rank Correlation	.000	-.321 Negative Correlation	Reject H <sub>0</sub>

**Table 6.1      Summary of Relationship between Independent and Dependent Variables**

## **6.2.2 Elaboration of Hypothesis Results**

### **6.2.2.1 Relationship between Compensation and Spread of Word-of-Mouth**

There was significant relationship between compensation and spread of word of-mouth. The results of hypothesis testing stated the significance value less than 0.05, therefore, the alternative hypothesis  $H_{a1}$  was accepted and null hypothesis  $H_{o1}$  was rejected.

Compensation relates to monetary recoveries used to resolve service failures and these include free food, discounts and coupons. Since most of the customers dining in five star hotels, in Bangkok, incur a high expense for the food items purchased, they expect recoveries of monetary values in terms of free food (customers provided with a meal, desert or drink on a complimentary basis), discounts (reduction in price charged at the time of failure), or coupons (certificates that give discounts for food items on next visit) for service failures they experience while dining.

#### **6.2.2.2 Relationship between Compensation and Intention to Revisit Restaurant**

Result from the second hypothesis points out that there was a significant relationship between compensation and intention to revisit the restaurants as the results of hypothesis testing stated the significance value less than 0.05.

In terms of correlation, the result shows that there was positive correlation between compensation and intention to revisit the restaurant. (Spearman Rho: 0.378). According to the result, the positive correlation between compensation and intention to revisit the restaurant implies that compensation had more effect with revisit intention and vice versa.

#### **6.2.2.3 Relationship between Assistance and Spread of Word-of-Mouth**

There was significant relationship between assistance and spread of word-of-mouth. The results of hypothesis testing stated the significance value less than 0.05, therefore, the alternative hypothesis was accepted.

In terms of correlation, the result shows that there was positive correlation between assistance and word-of-mouth (Spearman Rho: 0.147). According to results a positive correlation between assistance and spread of word-of-mouth can imply that assistance had more effect with word-of-mouth and vice versa.

#### **6.2.2.4 Relationship between Assistance and Intention to Revisit Restaurant**

There was a significant relationship between assistance and spread of word-of-mouth. The results of hypothesis testing stated the significance value less than 0.05, therefore, the alternative hypothesis was accepted.

In terms of correlation, the result shows that there was positive correlation between assistance and intention to revisit the restaurant (Spearman Rho: 0.177). According to result the positive correlation between assistance and intention to revisit can imply that Assistance had more effect with intention to revisit the restaurant and vice versa.

#### **6.2.2.5 Relationship between No Action and Spread of Word-of-Mouth**

Results from the hypothesis point out that No Action is not positively related to spread of word-of-mouth. No Action as service recovery strategies consists of do nothing (Nothing is done to solve service failures).

According to results the negative correlation (Spearman Rho: -.130) between no action and word-of-mouth can imply that no action has an inverse relationship with word-of-mouth, i.e., when nothing is done to solve service failures customers will spread Negative word-of-mouth about the restaurants in five star hotels.

#### **6.2.2.6 Relationship between No Action and Intention to Revisit Restaurant**

Results from the hypothesis point out that no action is not positively related to intention to revisit the restaurant. No Action as service recovery strategies consists on Do Nothing (Nothing is done to solve service failures).

According to result the negative correlation (Spearman Rho: -.321) between No Action and Intention to revisit the restaurant can imply that when

nothing is done to resolve service failures, customers have no intention to revisit restaurants in five star hotels, in Bangkok.

### 6.3 Implications and Recommendations

Table 6.3      Summary of Recommendations based on the Findings of the Hypotheses





Hypotheses	Recommendations
<p><b>Hypothesis 1 &amp; 2</b></p> <p><b>Relationship between Compensation &amp; Spread of Word-of-Mouth and Intention to Revisit the Restaurant</b></p>	<p><i>The findings of hypothesis 1 &amp; 2 disclose there is a Positive Relationship between Compensation and Word-of-Mouth and Intention to Revisit the restaurant.</i></p> <p>Service providers should study the opportunity cost to customers' and provide recovery - redress in terms of monetary value by giving free food and discounts whose value is experienced immediately.</p> <p>Fair and balanced compensation recovery should be given to achieve justice and to reap the desired effect of spreading positive word-of-mouth and keep customers coming back to dine in five star hotels, in Bangkok.</p>
<p><b>Hypothesis 3 &amp; 4</b></p> <p><b>Relationship between Assistance &amp; Spread of Word-of-mouth and Intention to Revisit the Restaurant.</b></p>	<p><i>The findings of hypothesis 3 &amp; 4 reveals that there is a positive relationship Between Assistance and word-of-mouth And intention to revisit the restaurant.</i></p> <p>It is therefore, recommended that <i>training</i> should be given to service personnel to acknowledge complaints regarding service failures.</p>

Hypotheses	Recommendations
<p><b>Hypothesis 3 &amp; 4 – cont’d</b></p> <p><b>Relationship between Assistance and Spread of Word-of-mouth &amp; Intention to revisit the Restaurant</b></p>	<p><i>Most dissatisfied customers’ want:</i></p> <ul style="list-style-type: none"> <li>- Recognition that they have a legitimate grievance</li> <li>- An explanation of what went wrong and why</li> <li>- An apology or redress</li> <li>- An assurance that things will be put right in future.</li> </ul>
<p><b>Hypothesis 5 &amp; 6</b></p> <p><b>Relationship between No Action &amp; Spread of Word-of-Mouth and Intention to revisit the restaurant.</b></p>	<p>The findings of hypothesis 5 &amp; 6 divulges that there is a negative relationship between No Action And word-of-mouth and intention to revisit the restaurant.</p> <p>Positive action should be taken to resolve service failures that will encourage customers to spread positive word-of-mouth about the restaurant and keep them loyal. Employee responses to service problems cannot be left to chance. <i>Employees should be empowered and prepared for recovery and not leave the problem unsolved.</i> They should communicate, be responsive, reassuring, empathetic and redress the failure by compensating or providing assistance. The company’s representative should listen empathetically to the customer from the point of view that the company is totally responsible for what happened. Employees must never compel customers to end the conversation.</p>

The results from the findings indicate that restaurants in five star hotels, favorable actions of service recovery strategies during episodes of customer dissatisfaction demonstrates its reliability, loyalty (customer revisit intention) and imply that investments in service failures/complaint handling can strengthen customer relationships and build customer commitment. Given this finding, five star hotels, in Bangkok should re-assess the appropriateness of service recovery strategies offered when service failure occurs. The hotel must determine who are the service personnel that interact most with the dissatisfied customers. Service providers – waiters/waitresses frequently receive complaints. Establishing complaint handling as an important part of an employee’s job description is critical to ensuring good future intentions/post recovery behavior of customers.

Despite the current rhetoric/speech-making in corporate circles about the importance of customer service, hotels by and large do a poor job of righting the service wrongs their customers experience and endure. Managers can have several options in satisfying dissatisfied customers by *serving* their customers rather than merely *selling* to them.

*The following suggestions are offered for stimulating employee behavior that maximizes the likelihood of converting a problem situation into a positive one for both customer and company:*

## **1. Training Employees**

Investments in training and educating staff to provide appropriate service recovery strategies and to satisfy dissatisfied customers are definitely a necessity. Constant training can change attitudes and employee behavior. Training should therefore, be provided to those employees that interact most with the guests and are most likely to receive complaints. Employees should receive training on topics such as listening skills, diffusion of anger, effective complaint resolution, interpersonal communication, etc.

Training should also convince staff that complaints on service failures matter, and that it is worth the time and effort that will be needed to handle them properly. One of the benefits of training people to handle complaints properly is that this will naturally promote teamwork across departments as people explore ways of working together to deal effectively with customer problems. (Williams, 1996).

## **2. Empowering the Employees**

Giving employees the authority to satisfy customers is as critical as training employees to be effective problem-solvers. Schermerhorn et al. (2000) stated that empowerment is the process by which managers help others to acquire and use the power needed to make decisions affecting themselves and their work.

Some requirements for implementing empowerment include clear delegation of authority to lower levels. Planning must be integrated at all levels, managers at all levels, especially the top, should exercise strong communication skills.

Bowen and Lawler (2002) indicated that empowered employees provide “quick responses to customer needs during service delivery, quick responses to dissatisfied customers during service recovery”.

The hotel should institute a customer satisfaction policy in which frontline service personnel are empowered to handle and resolve customer complaints. Giving this power to employees is critical, as customers are usually present during the service creation and consumption. Empowerment addresses critical issues when service failures occur in determining appropriate service recovery strategies that will turn dissatisfied customers to satisfied customers. One pre-requisite in order to be able to empower employees is to make sure that the turnover levels are low. This requires the hotels to emphasize on an organizational structure that encourages employees to stay.

### 3. Reward the Employees

Top management should praise and reward employees responsible for good service recovery. This may compensate for any lack of positive reinforcement from the employees' immediate superiors or supplement it, where it exists.

Besides empowering the employees, they should be given knowledge, information and rewards. The hotels should allocate rewards to employees based on how they use knowledge, information and power to keep customers coming back and to improve customer evaluations of complaint handling. Rewards can be stock options or other plans that tie employees' financial rewards to the hotel's success.

*To motivate all service representatives to be good at problem resolution and to encourage good ones to become better, a reward system might:*

- ☛ Offer several levels of awards with varying degrees of visibility and recognition to reflect different levels of recovery excellence;
- ☛ *Make available a relatively large number of awards at lower levels to place them within reach of anyone willing to put forth a sincere, all-out recovery effort;*
- ☛ **Publicize** widely and prominently the specific accomplishments of higher-level awardees as shining examples of excellent recovery and as inspiration for peers. (Parasuraman et. al, 2002).



#### 4. Encouraging Customer Complaints

Customers who choose to complain are offering the five star hotels in Bangkok the opportunity to demonstrate their future behavior in terms of Intention to revisit the restaurants and spreading word-of-mouth. One effective method is the comment cards, but it takes many cards to get a few responses and most people complete a comment card only if something very good or very bad has happened, so the results are often skewed. In order to encourage guests to fill in these comment cards the hotels should provide guests with incentives, such as free meals, free hotel stays, etc., that submit negative feedback on these comment cards.

These ‘freebies’ can generate significant goodwill, provided one condition is met: the compensation is paired with an improvement from the bad experience. The message to the customer must be, ‘Not only will you receive a free night’s stay in our hotel, but we’ll do everything in our power to remedy the situation that you told us about’. The customer thus receives two things - a freebie and a fix.

#### 6.4 Overall Recommendation for the Hypothesis Results

Hypothesis Results for Compensation and Assistance as service recovery strategies with post recovery behavior, i.e. spread of word-of-mouth and intention to revisit the restaurant exemplifies a **positive relationship**. However, even though

the relationship is positive, it is a *Weak Positive Relationship*. This signifies the importance that even though service recovery strategies are given, it is not good enough to turn dissatisfied customers into satisfied customers. Following actions should be taken for avoiding service failures and achieving service recovery excellence:

- ***Effective system for capturing complaints/service failures volunteered by customers.*** Encourage customers to voice their grievances and make it easy for customers to complain.
- ***Have an effective problem-tracking system so that recurring service failures do not occur again,*** but where key failures can be tracked and the information in the system is analyzed regularly to develop insights for improving service quality. To make full use of information in the system, management should receive, discuss and act on regular reports summarizing the type and frequency of service problems.
- ***Training should be given to service representatives and there should be good quality control.***

## 6.5 Suggestions for Further Research

An interesting avenue for future research might consider customer preferences for recovery strategies as they pertain to specific failure types and their effects on future intentions.

Future research in hotels can also emphasize on similar lines by segmenting customers' into first-time customers and existing customers to study the impact of prior customer experiences at the hotel. This could examine differences in the impact of service recovery strategies among first time and repeat customers.

Researchers might also consider the effectiveness of how recovery strategies should be explored, either alone or preferably, with a combination of what strategies. The objective is to understand the relative effectiveness of how and what strategies, particularly the combination of strategies is most effective in a given situation. For example: Apology alone or Apology with Compensation, Apology with Assistance etc.

Researchers should use the Critical Incident Technique (CIT) to identify service failures and recovery strategies in Restaurants of Five Star Hotels, in Bangkok. The service recovery strategies used in this research has been based on the restaurant industry in the U.S.

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**Office of Graduate Studies, Assumption University**

มหาวิทยาลัยอัสสัมชัญ

Grad. 556/2003

7<sup>th</sup> July, 2003

**Mr.Strieby Markus**  
**Food & Beverage Manager**  
**Imperial Queens Park**

This is to certify that *Ms.Rachana Sachasiri* is a student of Master of Business Administration at the Graduate School of Business, Assumption University. As part of the course requirements for subject entitled "*BG 7000 Thesis* " our student is assigned various field of non-governmental and governmental organizations. During this short period she selected to observe and collect in the companies and firms selected for her and prepare thesis paper by analyzing the strategic planning, organization and implementation methods adopted and problems encountered including suggestions for solution of these problems.

*Ms.Rachana Sachasiri* , is assigned to distribute questionnaires at your company. I shall be obliged if you will accord her and to achieve the course objective by facilities to do the necessary field work.

If you have any further information do not hesitate to contact to the coordinator of MBA program Ms.Wiriya or Ms.Thanyalak at 719-1515 ext. 1307,1318 or Fax. 719-1521

Thanking you in anticipation

Yours faithfully,

**Mr.Rangsan Traibutra**  
Assistant Director

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Grad. 555/2003

7<sup>th</sup> July, 2003

**Food & Beverage Manager  
The Royal Meridien Hotel**

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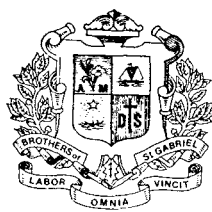
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Thanking you in anticipation

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Grad. 534/2003

26<sup>th</sup> June , 2003

**Director of Human Resource**  
**JW Marriott Hotel**

This is to certify that *Ms.Rachana Sachasiri* is a student of Master of Business Administration at the Graduate School of Business, Assumption University. As part of the course requirements for subject entitled "*BG 7000 Thesis* " our student is assigned various field of non-governmental and governmental organizations. During this short period she selected to observe and collect in the companies and firms selected for her and prepare thesis paper by analyzing the strategic planning, organization and implementation methods adopted and problems encountered including suggestions for solution of these problems.

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Thanking you in anticipation

Yours faithfully,

  
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## QUESTIONNAIRE

Dear Madam/Sir,

This questionnaire is designed for an MBA thesis of Assumption University. The study is about “**The relationship of Restaurant’s Service Recovery Strategies on Customers Post Recovery Behavior, in Five Star Hotels in Bangkok.**” Please take few moments to complete this questionnaire based on your experience.

### Screening Question

1. Did you face any problem related to services in Restaurants in Five Star Hotel?

☐

Yes (Go to question 2)

☐

No (please end here)

2. To what extent do you agree on the effectiveness of the following recovery strategies (to solve service failures) in Five Star Hotels restaurants, in Bangkok. Please tick for each statement.

	Strongly Agree 5	Agree 4	Neutral 3	Disagree 2	Strongly Disagree 1
1	COMPENSATION				
1.1	Free Food on a complimentary basis				
1.2	Discount (discount for food items purchased at the time of failure)				
1.3	Coupon (discount for food items on next visit)				
2	ASSISTANCE				
1.4	Replacement (of defective food order with new order)				
1.5	Correction (of existing order)				
1.6	Apology				
3	NO ACTION				
1.7	Do Nothing				

3. According to the assessment above what will be your behavioral intention (future behavior) related to the restaurant? (Please answer both).

	Strongly Positive	Moderately Positive	Neutral	Moderately Negative	Strongly Negative
a. Spread of Word-Of-Mouth	5	4	3	2	1
b. Intention to revisit the restaurant	5	4	3	2	1

## DEMOGRAPHIC PROFILE OF RESPONDENT

Please remark (✓) at your appropriate answer

1. Gender : ☐ Male ☐ Female
3. Age : ☐ 20-30 years  
☐ 31-40 years  
☐ 41-50 years  
☐ Above 50 years
4. Marital Status : ☐ Single ☐ Married ☐ Divorced
5. Occupation : ☐ Student  
☐ Self-employed  
☐ Employee  
☐ Government Officer  
☐ Others \_\_\_\_\_
6. Education Level : ☐ Diploma  
☐ Bachelor's Degree  
☐ Master's Degree and above
7. Personal Income : ☐ Below 20,000 Baht  
☐ 20,000 - 40,000 Baht  
☐ 40,001 - 60,000 Baht  
☐ Above 60,000 Baht

***Thank you for your time you have spent in completing the questionnaire. The results will help to provide you with the best possible service in the future.***



## Reliability – Compensation

\*\*\*\*\* Method 1 (space saver) will be used for this analysis \*\*\*\*\*

### RELIABILITY ANALYSIS - SCALE (ALPHA)

- 1. COMP1 Free food
- 2. COMP2 discount
- 3. COMP3 coupon

		Mean	Std Dev	Cases
1.	COMP1	4.2333	.7739	30.0
2.	COMP2	4.1000	.7120	30.0
3.	COMP3	3.9000	.7589	30.0

Reliability Coefficients

N of Cases = 30.0

N of Items = 3

**Alpha = .8659**

## Reliability- Assistance

\*\*\*\*\* Method 1 (space saver) will be used for this analysis \*\*\*\*\*

### RELIABILITY ANALYSIS - SCALE (ALPHA)

- 1. ASS1 replacement
- 2. ASS2 correction
- 3. ASS3 apology

		Mean	Std Dev	Cases
1.	ASS1	4.2333	.6789	30.0
2.	ASS2	3.8667	.9371	30.0
3.	ASS3	3.4000	.8944	30.0

Reliability Coefficients

N of Cases = 30.0

N of Items = 3

**Alpha = .8424**

Reliability

\*\*\*\*\* Method 1 (space saver) will be used for this analysis \*\*\*\*\*

RELIABILITY ANALYSIS - SCALE (ALPHA)

- 1. COMP1 Free food
- 2. COMP2 discount
- 3. COMP3 coupon
- 4. ASS1 replacement
- 5. ASS2 correction
- 6. ASS3 apology
- 7. NOACT1 do nothing

		Mean	Std Dev	Cases
1.	COMP1	4.2333	.7739	30.0
2.	COMP2	4.1000	.7120	30.0
3.	COMP3	3.9000	.7589	30.0
4.	ASS1	4.2333	.6789	30.0
5.	ASS2	3.8667	.9371	30.0
6.	ASS3	3.4000	.8944	30.0
7.	NOACT1	1.5000	.7768	30.0

Reliability Coefficients

N of Cases = 30.0 N of Items = 7

Alpha = .7094





HOTELS	STAR RATING	RESTAURANTS
1. JW MARRIOTT	*****	Marriott Café New York Steak House Man Ho Chinese Restaurant White Elephant Thai Restaurant
2. DUSIT THANI	*****	Benjarong Mayflower China Town Thien Duong Shogun Pavilion Hamilton Tiara Restaurant
3. GRAND HYATT	*****	Spasso Ruen Thai You & Mee The Chinese Restaurant The Dining Room
4. HILTON	*****	Suan Saranrom Ma Maison Genjj The Noble House
5. IMPERIAL QUEENS PARK	*****	ParkView Restaurant Lai Thong Thai Les Nympeas The Uncle Ho Vietnamese The Imperial China Chinese Shabu Shabu – The Terrace Kacho Japanese Restaurant
6. SHANGRILA	*****	Horizon Cruise Maenam Terrace Salathip Shang Palace Edogin

<b>HOTELS</b>	<b>STAR RATING</b>	<b>RESTAURANTS</b>
7. SHERATON GRANDE	*****	Basil Orchid Café Riva's Brossini
8. PLAZA ANTHEREE	*****	Raintree Thai Smooth Curry Silk Road Reflection Utage
9. THE REGENT	*****	Spice Market Biscotti Shintaro Madison
10. LE ROYAL MERIDIEN	*****	Espresso Summer Palace Cappuccino Fire Place Grill
11. BANYAN TREE	*****	Vertigo Bai Yun Saffron Rom Sai
12. WESTIN GRANDE SUKHUMVIT	*****	All Day Dining Rest. Kisso Japanese Rest.
13. PENSINSULA	*****	Jesters Restaurant & Lounge Mei Jiang Cilantro & the River Terrace The Lobby
14. BANGKOK MARRIOTT RESROT & SPA	*****	Riverside Terrace Trader Vic's Benihana Kabuki The Rice Mill The Market Loy Nam Bar Manohra Dining

HOTELS	STAR RATING	RESTAURANTS
15. SUKOTHAI	*****	Celadon La Scala Colonnade Private Dining Rooms
16. ORIENTAL	*****	Normandie Lord Jim's The China House The Verandah Riverside Terrace Ciao Sala Rim Naam
17. ROYAL ORCHID SHERATON	*****	Thailand Tonight Giorgio's Thara Thong ETC



