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OPTIMAL SERVICE RECOVERY STRATEGY

Abstract:

Service failure breeds customer dissatisfaction leading to customer churn. However, the customers' perception of the service recovery effort of the firm significantly impacts customers' satisfaction. An effective service recovery has the potential to turn an upset, irritated customer into a loyal one.

The present study uses structural equation model to develop the strategy for highest impact service recovery effort for various service failure contexts. It draws on the dimensions of equity theory to understand the causal motivators for customers' behavior under different service failure situations. Use of the longitudinal research design adds to the empirical robustness of the study.

The study finds that at the first instance of service failure both interactional justice as well as distributive justice has significant impact on customer satisfaction with the service recovery effort. However in case of successive service failures, interaction justice is no longer significant. In case of repeat service failure, only distributive justice is significant in achieving customer satisfaction with the service recovery effort.

Keywords:

Service Recovery, Equity Theory, Customer Satisfaction

JEL Classification: M31, M31, M31