**SIRIJIN WONGJARUPUN**

**Kasetsart University, Bangkok, Thailand**

**KORAKOT WICHITPONG**

**Kasetsart University, Bangkok, Thailand**

**PREEYANUCH APIBUNYOPAS**

**Kasetsart University, Bangkok, Thailand**

# EFFECT OF CUSTOMER EMOTIONAL INTELLIGENCE ON RELATIONSHIP BETWEEN SERVICE RECOVERY AND CUSTOMER SATISFACTION

## Abstract:

Service is a process of human interaction, specifically an interaction between employees and customers. Service recovery is crucial in the service sector, particularly when a company fails to meet customer expectations. Prompt and appropriate actions are needed as service recovery is closely related to customer emotions, which greatly impact satisfaction. Customers exhibit varying levels of emotional intelligence (EI) when responding to service recovery.  EI is necessary for both service employees and customers in achieving effective service delivery. However, the role of customer EI during service recovery lacks attention in the academic research. Thus, this study aims to investigate the effect of customer EI, as a moderator, on the relationship between service recovery and customer satisfaction. Survey research with 305 respondents was conducted. Ordinary least squares regression was used to determine whether customer EI influences the relationship between service recovery and customer satisfaction. Quantile regression was employed to explore the moderator's effect across different levels of customer satisfaction. The results revealed that customer EI positively moderates the relationship between service recovery and customer satisfaction. However, the influence of this moderator was primarily observed at low to moderate levels of customer satisfaction. By understanding the role of EI, service providers can effectively manage customer emotions during service recovery, ultimately leading to enhanced satisfaction. Overall, this study enhances our comprehension of how customer EI impacts service recovery and customer satisfaction, enabling service providers to tailor their approaches and cultivate stronger customer relationships.

## Keywords:

Service Recovery, Customer Satisfaction, Emotional Intelligence.

**JEL Classification:**  L84

## Introduction

In the dynamic landscape of service industries, there is extensive research in the various aspects of service delivery and customer satisfaction. According to the concept of service cycle and service triangle, service can be viewed as a human interaction process. The service cycle consists of sequential service delivery steps, each containing 'moments of truth' that shape customers' attitudes. The service triangle emphasizes vital interactions between service providers and customers at every delivery stage. Thus, emotional intelligence (EI) is particularly essential in-service delivery scenarios where employees interact with customers more frequently, contributing to the enhancement of service provision (Bhaska, 2015; Routray, Dash and Ray, 2017). While numerous studies have paid much attention to the EI of employees in the context of delivery services (Kannaiah and Shanthi, 2015; Nyerere and Wawire, 2015; Şahin and Işık, 2020), limited consideration has been given the EI of customers, specifically in the context of service failure and recovery research (Xu, Liu and Gursoy, 2022). This leads to the research question: What is the effect of customers' EI on the relationship between service recovery and recovery customer satisfaction during the recovery process? Understanding and managing customer emotions can significantly heighten positive interaction relationships (Magids, Zorfas and Leemon, 2015). EI educates service providers to recognize and validate customers' emotions before diving into problem-solving mode, as a result, interactions between employees and customers become smoother and more effective (Harrison-Walker, 2012).

## Literature Review

In this study, the literature review delves into three variables: emotional intelligence, service recovery, and recovery customer satisfaction, accordingly.

### Emotional Intelligence (EI)

Serrat (2009) defined EI as the profound ability to comprehend, employ, and adeptly manage one's own emotions in a positive manner, thereby alleviating stress, fostering effective communication, empathizing with others, surmounting challenges, and diffusing conflicts. In addition, Goleman (1995) introduced a framework of EI comprising five components aimed at assessing and enhancing EI: self-awareness, self-regulation, internal motivation, empathy, and social skill. The first three components involve understanding and managing one's own emotions, while the remaining two pertain to interactions with others. Developing these skills can lead to enhanced communication, conflict resolution, leadership abilities, and relationship building. Each component is described as follows: (1) Self-awareness involves understanding one's emotions and thoughts, and recognizing how they influence both oneself and others. Self-aware individuals are comfortable with their emotions and possess the ability to identify and manage them effectively. (2) Self-regulation refers to the ability to manage and control impulses, emotions, and reactions. Individuals with strong self-regulation skills are less likely to make impulsive decisions and are better equipped to navigate challenging situations. (3) Internal motivation is characterized by a genuine passion for one's work, leading to sustain commitment, effective decision-making, and alignment with organizational goals. (4) Empathy involves understanding and responding to the emotions of others. This skill enables individuals to connect with others on a deeper level, anticipate their needs, and build stronger relationships. Empathy is crucial for effective communication and collaboration. (5) Social skills encompass capability to handle relationships adeptly. Strong social skills involve treating others with respect and politeness while leveraging these relationships to drive personal

and organizational growth (Chaidi and Drigas, 2022; Kumari, 2022; Serrat, 2009; Ugoani, Amu and Kalu, 2015).

Customers with a high degree of EI excel in various aspects. Firstly, customers with high EI tend to possess a superior understanding of their own emotions and those of others, including customer service representatives. This heightened sense of empathy contributes to more effective communication, proficient problem-solving, and adept conflict resolution. Consequently, this elevates customer service experiences, resulting in heightened satisfaction. Secondly, customers with high EI typically demonstrate increased adaptability and openness to different outcomes, resulting in enhanced patience when encountering challenges with a solution-oriented mindset, fostering positive interactions and ultimately higher satisfaction levels. Thirdly, individuals with strong EI often foster positive relationships with the brands or companies they engage with. These relationships cultivate heightened loyalty, repeat business, and positive word-of-mouth referrals. Such factors significantly contribute to overall customer satisfaction. Lastly, customers with high EI exhibit a constructive and considerate in providing feedback to companies. Their adeptness in communicating concerns in a balanced and respectful manner facilitates effective improvements in products or services. The dedication to productive communication ultimately enhances satisfaction levels (Bhalerao and Sharma, 2017; Majdalani and Maamari, 2016; Meirovich, Bahnan and Haran, 2013).

## Service Recovery (SR)

Regardless of how well employees perform their service, service failure can still happen. Service failure is any type of error, mistake, deficiency or problem that arises during the provision of a service (Koc, 2017). In other words, it encompasses services that do not meet customer expectations (Sparks and Fredline, 2007). When a service failure occurs, customers can experience a variety of negative emotions (Harrison-Walker, 2012; Akarsu, Marvi and Foroudi, 2022). Service recovery is the action taken by a service provider in response to a service failure, aimed at resolving the issues encountered by dissatisfied customers. The theory of service recovery justice postulates that during service recovery, customers anticipate and seek fairness in the behavior exhibited by service providers. When their expectations are met, their satisfaction is restored (del Rio, Vázquez-Casielles and Díaz-Martín, 2009; Gidakovic and Čater, 2021; Odoom, Agbemabiese and Hinson, 2019). Within this theory, three dimensions of fairness come into play: distributive justice, procedural justice, and interaction justice (Jha and Balali, 2015). Distributive justice is perceived by customers when they receive tangible resources from the service provider to rectify and compensate for the service failure, ensuring an equitable resolution. Procedural justice is perceived when the measures employed by service providers to address issues during service delivery align with the unique recovery needs of each customer. Interaction justice, meanwhile, revolves around the interpersonal dynamic, encompassing attributes such as clear explanations, honesty, politeness, earnest effort, and empathetic engagement throughout the recovery process.

## Recovery Customer Satisfaction (RCS)

Customer satisfaction refers to the comprehensive perception and sentiment that customers maintain regarding a product, service, or brand, shaped by their experiences and interactions with

the company. Satisfied customers are more likely to continue their engagement with the business, yielding benefits such as improved customer retention rates and increased revenue. Therefore, customer satisfaction is a critical element of any businesses' success. Recovery satisfaction, as explained by Boshoff (2005), pertains to the satisfaction a customer experiences following a service recovery effort by a company. When a service recovery is executed fairly and effectively, it can restore the customers' satisfaction, leading to observable manifestations such as repurchase intentions, positive word-of-mouth recommendations, enhanced trust, and steadfast loyalty (bin Mohd Amin et al., 2020; del Rio, Vázquez-Casielles and Díaz-Martín, 2009; Gidakovic and Čater, 2021; Odoom, Agbemabiese and Hinson, 2019). This satisfaction is experienced by customers after the service recovery has been performed. Therefore, the customer satisfaction referred to in this study specifically relates to recovery customer satisfaction.

## Conceptual Framework

The conceptual framework of this study provides a theoretical structure for understanding the relationships between service recovery (SR) and recovery customer satisfaction (RCS), and the moderating role of emotional intelligence (EI) as shown in Figure 1.

**Figure 1: Framework**
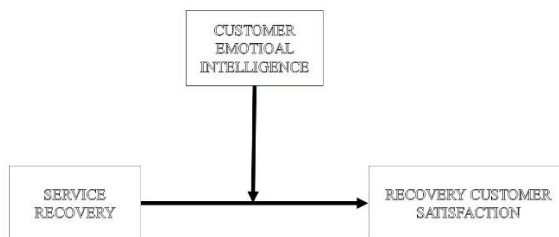


## Research Methodology

In this study, the statistical model will be conducted as follows: RCS=SR+EI+MOD. When MOD, as a moderator, is a product of SR and EI. The study questionnaire design is composed of three parts. Part 1, there are three questions about three service recovery justices (distributive justice, procedural justice and interactive justice). Part 2, there are four questions about intention behavior after recovery customer satisfaction (repurchase intention, word of mouth, trust and royalty). Part 3, there are five questions about EI (self-awareness, self-regulation, self-motivation, empathy and social skills). Data was accidentally collected from 305 college students who experienced service failure and service recovery. Ordinary least squares regression was used to investigate whether EI, has impact on the relationship between SR and RCS. Quantile regression was used to investigate the impact of moderator variable, EI, across all levels of service recovery satisfaction.

## Results

This part presents the results from the ordinary least squares regression and from the quantile regression. The results from ordinary lease squares regression show the model fit and standard coefficient. While the quantile regression shows the values of $\beta_{MOD}$ across levels of RCS.

1. Results from ordinary least squares regression

   a. Model fit.

**Table 1: Model fit**

|  | Adjusted R square | | 0.311 | |
|---|---|---|---|---|
|  | Standard error of estimate | | 0.830 | |
|  | Sum of square | df | Mean square | F | Sig. |
| Regression | 96.558 | 3 | 32.186 | 46.702 | 0.000 |
| Residual | 207.442 | 301 | 0.689 |  |  |

Table 1shows the value of adjusted R square is not zero (F = 46.702 and Sig.= 0.000). Adjusted R square equals to 0.311 at 95% confidence level. This model is fitted.

   b. Standard coefficient ($\beta$)

**Table 2: Standard coefficient**

| Variables | Std. Err. | Std. Coef. ($\beta$) | t | Sig. | 95% confidence interval | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
|  |  |  |  |  | Lower Bound | Upper Bound | Tolerance | VIF |
| EI | 0.052 | 0.444 | 8.544 | 0.000 | 0.342 | 0.546 | 0.842 | 1.188 |
| SR | 0.054 | 0.218 | 4.020 | 0.000 | 0.111 | 0.325 | 0.772 | 1.296 |
| MOD | 0.050 | 0.112 | 2.225 | 0.027 | 0.013 | 0.211 | 0.896 | 1.116 |

It indicates that there are no multicollinearity problems in this regression model (all VIF<10 and all tolerances > 0.1) and the value of $\beta_{EI}$, $\beta_{SR}$ and $\beta_{MOD}$ are 0.444, 0.218 and 0.112 accordingly which significance at 95% confidence intervals (see Table 2). For the first two variables (EI and SR), which are the main effects, have a positive impact on RCS. Another variable, which is interaction effect or moderating effect, has also a positive impact on RCS. Thus, it concludes that EI can enhance the strength of relationship between SR and RCS in a positive way.

2.  Results from quantile regression

**Figure 2: Values of β<sub>MOD</sub> across levels of RCS**

Figure 2: Values of $\beta_{MOD}$ across levels of RCS
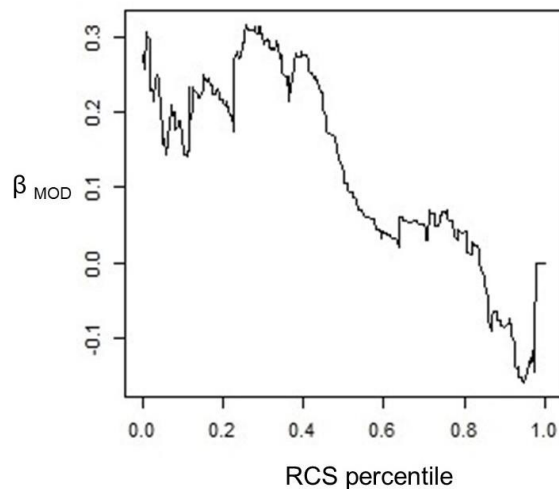


From Figure 2, the values of $\beta_{MOD}$ are varied across levels of RCS. Although EI can enhance the strength of the relationship between SR and RCS in a positive way, it has some limitations. It still works between the level of 0-40 percentile of RCS. But its strength sharply decreases between the level of 40-60 percentile of RCS. It is steady between the level of 60-80 percentile of RCS. At the level > 80 percentile of RCS, its influence turns to be a negative direction.

## Discussions and Implications

Effective service recovery, which is a service recovery solution perceived as fair and appropriate by customers with high EI, is more likely to result in higher satisfaction levels. It can be accomplished through interaction between employees and customers with high EI. Firstly, customers with high EI are more likely to express their emotions effectively and communicate their dissatisfaction constructively. This helps service providers better understand the issue and facilitate effective service recovery. Secondly, customers with high EI are adept at understanding their own emotions as well as those of others. They can empathize with service providers' challenges in rectifying a mistake, thus fostering stronger connections and positive perceptions. Thirdly, customers with high EI often possess superior problem-solving skills and a willingness to seek cooperative solutions. Customers with high EI are more likely to collaborate with service providers to find suitable resolutions. Lastly, customers with high EI tend to exhibit greater patience and resilience when encountering service failures. They may be more willing to allow service providers the opportunity to rectify the situation before forming a negative opinion.

While effective service recovery can significantly improve customer satisfaction, it may not always achieve 100% satisfaction for several reasons. At times, a customer's initial dissatisfaction is so severe that even a well-executed service recovery effort may fall short of completely satisfying them. Customer expectations vary, and some may hold unrealistic or exceptionally high standards. Even if a company addresses their issue perfectly, customers might remain unsatisfied due to their expectations that exceed reasonable limits. Perceptions and emotions are diverse among customers; what one deems a satisfactory resolution, another might not. This subjectivity makes

achieving universal 100% satisfaction challenging. If a customer repeatedly experiences issues with a company's services, even successful service recovery efforts might prove insufficient. Such customers expect consistent quality and reliability, and multiple service recoveries could erode their trust. In some cases, the underlying issues causing customer dissatisfaction may remain unaddressed through service recovery. For instance, systemic issues within a company might not be rectifiable through individual service interactions. Factors beyond a company's control can influence customer satisfaction. Economic conditions, personal circumstances, or even competitors' actions can influence can impact a customer's contentment, and service recovery might not suffice to mitigate these external factors. Customers possess unique preferences, and even if a company resolves an issue according to standard procedures, it might not align with a specific customer's preferences. Additionally, customers might recall the initial negative experience more vividly than the subsequent service recovery, leading to reduced overall satisfaction. In cases where a company with a history of poor customer service or ethical issues, customers may find it harder to trust that a service recovery is genuine, which affects their overall satisfaction.

## Conclusion

In conclusion, this study focused on the role of customers' EI, as the moderator, on the relationship between service recovery and customer satisfaction. The customers' EI was found positively moderate the relationship. The interplay between a customer's EI and the service recovery justice is crucial in shaping customer satisfaction. However, achieving 100% customer satisfaction may be challenging depending on customer expectations, perceptions and emotions, or other controllable or uncontrollable factors. The findings are valuable for service companies to recognize customers' emotions before diving into problem-solving mode, as a result, interactions between employees and customers become smoother and more effective. Moreover, by understanding the role of EI, service providers can effectively manage customer emotions during service recovery, ultimately leading to enhanced satisfaction. Overall, this study enhances our comprehension of how customer EI impacts service recovery and customer satisfaction, enabling service providers to customize their approaches and cultivate stronger customer relationships.

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