

# Effect of Service Failure Criticality on Recovery Strategy Choosing: Moderating Role of Attribution

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**Abstract** The paper focuses on the service recovery strategy after failure. It contributes to the literature by exploring the relationship between failure criticality, recovery strategy and recovery outcome. It argues that recovery outcome varies due to different recovery strategies and criticality of service failure is related to recovery strategy selection. The paper also considers one of the important customers' personal traits – locus attribution as a moderator.

**Keywords** Locus attribution • Service failure • Service recovery

## 1 Introduction

In service area, service quality is one of the heavily researched topics, many studies has focused on different factors that constitute service quality and its effect on customer perceptions (O'Neil and Palmer 2004).

Mack et al. (2000) indicates that the multi-dimensional nature of the service encounter creates an environment where failure may unavoidably occur. Service failure happens when service suppliers could not provide the service that meet customers' expectation and lead to dissatisfaction (Smith and Bolton 1998). Service failures can be due to unprompted employee actions (e.g. rudeness), failure to respond to specific customer needs or preferences, or core service failures (e.g. unavailable or unreasonably slow service) (Bitner et al. 1990).

These service failures can vary in severity, frequency, and timing, resulting in dissatisfied customers (Kelley and Davis 1994). As customers are valuable assets

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to companies, the managers often take steps to ensure that when service failures do occur, there are processes in place to respond.

Therefore the service recovery emerges. It referred to as the action undertaken by an organization to face the eventualities of a service failure (Zeithaml and Bitner 2000). Effective service recovery can minimize potential losses of negative word-of-mouth to current and potential customers (Forrester and Maute 2001), improves customer satisfaction and loyalty (Bitner et al. 1990).

Identifying factors that increase positive or minimize negative behavioral responses to recovery efforts is important to the development of successful recovery strategies. This study tries to provide detailed insight to the effect of recovery strategy on customer satisfaction. There are many factors that affect the recovery outcome. On aim of this study is to explore the impact of particular attribution that may influence the recovery results. On another hand, this study follows former researcher's advice that explores the impact of attributions in service failure situations (McCollough 2000).

## 2 Proposition Development

### 2.1 *Service Failure and Service Recovery*

Bitner et al. (1990) and Chung and Hoffman (1998) identified three categories of service failures as:

1. Service system failure: This occurs in core service which is inclusive of product defects (food is cold, etc.) show or unavailable service, facility problem (dirty silverware, insect or rodent problems etc.) unclear, unfriendly policies (like not accepting credit cards) and out of stock conditions (like inadequate supply of menu items).
2. Failures in implicit or explicit customer requests: This occurs chiefly when employees are unable to comply with the customer's individual needs.
3. Unprompted and unsolicited employee actions: This includes behavior of employees that is unacceptable to guests like – rudeness; poor attitude; wrong order delivered; and incorrect charges like charging customers for items not ordered or give incorrect change.

A recent research observation suggests that effective service recovery design should be affected by the unique needs and expectations of the customer (Goldstein et al. 2002). So the attitudes and personal traits of different customers are very important in the effectiveness of service recovery.

Service providers always use two types of recovery strategy to respond to service failure: psychological and tangible (Miller et al. 2000). Psychological actions mean using verbal and emotional responses to service failure (Carson and Carson 1998). When some small failure emerge, only apology can be effective. If the employees

can employ empathizing skills, it will be better (Smith and Bolton 1998). Tangible actions involve physical steps that mitigate dissatisfied customers for real and perceived lost like giving some compensation (Chebat and Slusarczyk 2005).

Based on the previous research, this study distinguishes service recovery into four strategies. First is excuse, second is apology, third is excuse and compensation, and fourth is apology and compensation.

**Proposition 1** Different recovery strategy leads to different recovery outcomes like customer satisfaction and repurchase intention. The apology and compensation strategy (combination of tangible and psychological response) is most effective one.

## 2.2 *Criticality in Service Recovery*

In service encounters, customers have different expectations in relation to the service's criticality (Webster and Sundaram 1998). A service that is highly critical is more likely to have customers that see a service failure as more serious (Ostrom and Iacobucci 1995). The term criticality is quite similar to severity. Greater levels of service failure severity have been found to reduce the effectiveness of recovery efforts (Smith and Bolton 1998). And Sparks and Fredline (2007) proposes the more severe service failures, the lower levels of satisfaction and loyalty. Therefore, understanding the severity of a service failure is very important to service recovery.

**Proposition 2** Criticality of certain service failure is related to recovery strategy selection.

## 2.3 *Customer Attribution in Service Recovery*

Consumer attributions have been proven to predict many different types of consumer reactions in response to service failure (Van Raaij and Pruyn 1998). The three attribution dimensions of locus (who caused the failure?), stability (is the failure likely to happen again?), and controllability (could the failure have been prevented?) have been empirically shown to influence consumers' complaint intentions, repurchase intentions, word-of-mouth behavior, redress preferences, and anger toward the firm (Folkes 1984).

According to attribution theory, individuals' behavior is based on the causal inferences they process about the world around them (Folkes 1984). Understanding the classification of causes is crucial to predict behavior from attributions. According to attribution theory, customers make judgments about causal relationships that influence their subsequent emotions, attitudes, and behaviors based on three dimensions: stability, control, locus (Weiner 1985). In a service failure context, the

first dimension, “stability”, means whether the failure is relatively temporary and fairly permanent and unchanging. “Controllability”, a second dimension, is related with the extent to which the cause of the service failure is managed by choice. The third dimension, “locus”, deals with the issue of whether the cause is located on the side of the customers themselves or on the side of the service provider.

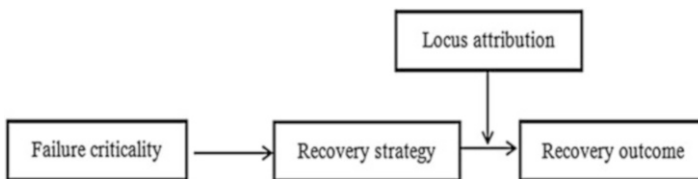
In general, research findings indicate that the more consumers believe a service failure is due to the seller (external locus), is likely to happen again (stable), and could have been avoided (controllability), the more likely they are to complain (Sparks and Fredline 2007). In this study, it represents as the locus attributions.

Attribution is very crucial to service failure, and it is proposed that consumers’ attributions are also important during service recovery. McCollough (2000) points out that “in addition to considering the customer’s attributions regarding the service failure, the customer’s attributions regarding the recovery process must also be considered”. Recovery is evaluated separately from the failure and that the recovery “is considered to have a significant impact on customer evaluations, because customers are usually more emotionally involved in and observant of recovery service than in routine or first-time service”. In evaluating recovery outcomes consumers identify the potential causes of the outcome and each party’s responsibilities for the resolution of the failure. In addition, by engaging in causal search, consumers seek to identify whether the outcome is likely to occur again in similar circumstances.

**Proposition 3** The customers’ locus attribution can moderate the relationship between recovery strategy and recovery outcome like customer satisfaction and repurchase intention. The more external locus customer is, the higher level of recovery strategy is needed to improve recovery outcome.

### 3 Conceptual Model

To sum up, the research model of this study can be found in the Fig. 1.



**Fig. 1** Research model

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