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# EFFECTS OF STABILITY AND CONTROLLABILITY ATTRIBUTION ON SERVICE RECOVERY EVALUATION IN THE CONTEXT OF THE AIRLINE INDUSTRY

Davoud Nikbin
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**ABSTRACT.** This study examines the relationships between service recovery, stability and controllability attribution, recovery satisfaction, and customer loyalty. We collected data on service recovery, failure attribution, recovery satisfaction, and customer loyalty through a survey of airline passengers in Malaysia. The results indicate significant positive relationships between service recovery dimensions and recovery satisfaction, and between recovery satisfaction and customer loyalty. Both stability and controllability were negatively related to recovery satisfaction. The results provide support for the moderating effects of service failure attribution (stability and controllability) in the recovery process dimension. By recognizing the important role of stability and controllability attribution and its negative effects, service management should become highly involved in facilitating appropriate service recovery to satisfy customers after a failure. The results have important implications and suggest some interesting avenues for future research.

**KEYWORDS.** Service failure, service recovery, stability, controllability, recovery satisfaction, loyalty, airline industry

## *INTRODUCTION*

Regardless of a firm's service quality, it can still fail to meet its customers' expectations, and this is particularly the case in today's increasingly demanding and less loyal market environment. Bitner (1993) argued that because of the unique nature of services, it is not possible to guarantee error-free services. Even the most customer-oriented organizations with the strongest quality programs are not likely to eliminate all service failures (del Río-Lanza, Vázquez-Casielles, &

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Díaz-Martín, 2009). Keaveney (1995) suggested that service failure is a potential threat to service firms in gaining benefits from their long-term customers because service failures and failed recovery efforts are among the major causes of customers' switching behavior. A service failure can induce customers' dissatisfaction with the service provider, and as a result, customers may exit silently, engage in negative word-of-mouth (WOM) communication, voice their complaints to providers, or continue with the same service provider, despite their dissatisfaction (Kim, Kim, & Kim, 2009). Therefore, service recovery can be a moment of truth for firms because it is crucial not only for satisfying customers but also for strengthening relationships with them (Blodgett, Hill, & Tax, 1997; Ha & Jang, 2009; Smith & Bolton, 2002; Yoo, Shin, & Yang, 2006).

McCollough and Bharadwaj (1992) found that the effects of service recovery on customer satisfaction are non-linear. That is, fast service recovery may not always lead to high customer satisfaction, whereas slow recovery does not necessarily lead to low satisfaction. This means that customer satisfaction after service recovery is related not only to the recovery itself but also to the casual attribution of a service failure. Causal attribution is a customer's attempt to explain why a particular event has occurred (Heider, 1958). In this regard, del Rio-Lanza et al. (2009) indicated a need for considering the factors moderating the relationship between perceived justice and satisfaction, and suggested examining customers' attribution of causes of problems. However, despite the importance of failure attribution, few studies have investigated its role in the context of perceived justice regarding service recovery efforts and recovery satisfaction. Therefore, there is a need for a better understanding of the moderating effect of failure attribution on the relationship between perceived justice and recovery satisfaction.

Until recently, previous research on service failure and recovery has focused on how customers respond to failure/recovery efforts. Despite the importance of failure attributions as a critical issue in service recovery research (Choi & Mattila, 2008; Folkes, 1984; Hess Jr., Ganesan, & Klein, 2003), little effort has been made to investigate the role of failure attributions in relation to service recovery and customers' post-recovery evaluations. Thus, the primary goal of this study was to fill this research gap by examining failure attributions in association with service recovery and post-recovery evaluations. More specifically, the objectives of this study are: (1) to determine whether service recovery (outcomes and processes) are related to recovery satisfaction; (2) to determine whether recovery satisfaction is related to customer loyalty; (3) to determine whether failure attributions (stability and controllability) have a direct effect on recovery satisfaction; and (4) to verify whether failure attributions (stability and controllability) play a moderating role between service recovery (outcomes and processes) and recovery satisfaction.

## CONCEPTUAL DEVELOPMENT AND HYPOTHESES

### Service Recovery

Service recovery refers to what a service provider does in response to a service failure (Mueller, Palmer, Mack, & McMullan, 2003). Grönroos (1988) defined service recovery as the action taken by an organization in response to a service failure. It includes all activities and efforts employed to rectify, amend, and restore any loss incurred after the failure. Previous studies have shown that service recovery is crucial for building customer satisfaction under a service failure (Maxham & Netemeyer, 2002; Reichheld & Sasser, 1990).

Previous studies of service recovery have provided support for two dimensions of recovery critical to successful service recovery: outcomes and processes (Blodgett et al., 1997; Grönroos, 1988; McCollough, Berry, & Yadav, 2000; Smith, Bolton, & Wagner, 1999; Tax, Brown, & Chandrashekaran, 1998). An outcome of service recovery is defined as the tangible end result delivered to an initially dissatisfied customer (i.e., "what is delivered"). The process of service recovery refers to the manner in which a service provider handles a service problem during the course of service recovery (i.e., "how it was delivered"). Grönroos (1988) specified two dimensions

of service recovery: outcomes and processes. The outcome, or technical, dimension refers to what is done (e.g., tangible compensation), whereas the process, or functional, dimension, to how it is done (e.g., employees' interaction with customers).

Equity theory provides a useful theoretical perspective for considering the relationship between each dimension of service recovery and satisfaction (Goodwin & Ross, 1992). When customers experience some exchange inequality (i.e., a service failure), they are likely to demand some restitution (i.e., service recovery) or may choose to retaliate (e.g., negative WOM communication and switching behavior). That is, equity theory views a dissatisfied customer as a victim facing damage by a service provider and thus seeking compensation.

Two components of the equity concept are particularly relevant to this study: distributive and interactional justice (Goodwin & Ross, 1992; McCollough et al., 2000). From a service recovery perspective, distributive justice reflects the perceived fairness of a tangible outcome of service recovery efforts (i.e., a service recovery outcome), whereas interactional justice reflects the way in which a customer is treated during the service recovery process (Blodgett et al., 1997; Tax et al., 1998). A customer's perception of either distributive or interactional justice is an important determinant of the customer's evaluation of service recovery and satisfaction (Goodwin & Ross, 1992; McCollough et al., 2000; Smith et al., 1999; Tax et al., 1998).

In the context of restaurants, Hoffman, Kelley, and Rotalsky (1995) showed that service recovery outcomes (for example; free food, discounts, and coupons) and processes (i.e. apologies) are the main determinants of customer satisfaction with service recovery. Moreover, in Goodwin and Ross's (1989) analysis of service failure incidents, they highlighted that both a service provider's tangible compensation given (recovery outcome) and attitude (recovery process) have a strong effect on customers' service recovery satisfaction. Similar findings have been reported across a number of industries and studies including subjects such as hotel customers (Karatepe, 2006; Smith et al., 1999); mobile phone buyers (Kau & Loh, 2006); airline passengers (McCollough et al., 2000); and dry cleaning, auto repair, and restaurant establishments (Webster & Sundaram, 1998).

In sum, this study considers two dimensions of service recovery – processes and outcomes – and argues that a customer's post-recovery satisfaction is dependent on the customer's perception of service recovery outcomes and processes. We therefore propose the following hypotheses:

**H1a:** Service recovery outcome is positively related to recovery satisfaction.

**H1b:** Service recovery process is positively related to recovery satisfaction.

## *Recovery Satisfaction and Customer Loyalty*

Customer satisfaction is very important for business organizations because it affects customer retention and market share (Hansemark & Albinsson, 2004). Thus, organizations should constantly seek to increase customer satisfaction due to its influence on customer loyalty behaviors that can have important benefits. These loyalty behaviors include an increase in repurchase intentions, an increase in repeat sales, an increase in cross sales, a decrease in price sensitivity, and an increase in positive WOM communications. In addition, satisfied customers are less price sensitive, less influenced by competitors, buy more products or services, and remain loyal for longer periods of time (Zineldin, 2000). Furthermore, as previous literature shows, satisfaction and loyalty are interrelated. Oliver (1999) argues that satisfaction can be developed and transformed into loyalty. In contrast, loyalty also can degrade to dissatisfaction if unsatisfactory episodes are repeated (Oliva, Oliver, & MacMillan, 1992).

Many studies have suggested that satisfaction with service recovery and loyalty are related to each other. Homburg and Fürst (2005) stated that "complaint satisfaction has a strong effect on customer loyalty", and proposed that the successful resolution of a customer's complaint can become an important driver of customer

loyalty. Farquhar and Panther (2007) found that satisfaction with service recovery has a significant effect on loyalty (intentions to continue and recommend). Kau and Loh (2006) considered mobile phone buyers and found that the behavioral outcomes of complainants in terms of trust, WOM communication, and loyalty are influenced by their satisfaction with service recovery. There is also evidence that correctly solving and addressing a customer's dissatisfaction are more likely to strengthen loyalty than if the customer is satisfied the "first time around" (e.g., Oliver, 1997). By contrast, a dissatisfied customer whose problem is not solved and the customer's dissatisfaction with the way in which the complaint is handled can be a serious threat to the service provider in many ways. For example, the customer may leave the provider and engage in negative WOM communication (Bailey, 1994; Chan, Wan, & Sin, 2007).

**H2:** There is a positive relationship between recovery satisfaction and customer loyalty.

### *Role of Stability and Controllability Attributions*

This study focuses primarily on the role of stability and controllability attribution. Stability refers to the extent to which customers believe that a cause of a failure is temporary or enduring (Folkes, 1984), whereas controllability refers to the extent to which the cause is subject to some volitional alteration in which the outcome "could have been otherwise" (Weiner, 2000). Previous studies have clearly demonstrated that the attribution of controllability and stability is related to several important affective and behavioral outcomes (Bitner, 1990; Choi & Mattila, 2008; Folkes, 1984; Hess Jr. et al., 2003; Tsiros, Mittal, & Ross, 2004). Prospect theory and mental accounting principles suggest that losses from service failures are weighed more heavily than gains received during service recovery (Smith et al., 1999). Therefore, the attribution of controllability and stability has a significant negative effect on customer satisfaction (Bitner, 1990; Tsiros et al., 2004).

Diaz and Ruiz (2002) found that customers are less likely to be satisfied when the cause of a failure or delay is perceived as stable. Leong, Ang, and Low (1997) examined the effects of service failures, physical environments, and various attributions on customers' service evaluation and satisfaction and found that in the case of a failure, they are more likely to be dissatisfied when they perceive that the service provider has more control over the cause and when the failure occurs frequently. Customers update their assessments of service and incorporate them into their dissatisfaction judgments only when they consider the cause of a failure to be stable (Tsiros et al., 2004). The future negative impacts of a service failure due to an unstable cause are lesser; thus, customers are more forgiving when it comes to this type of failure as opposed to one with a stable cause (Magnini, Ford, Markowski, Jr, & Honeycutt, 2007). In addition, based on the findings of Smith and Bolton (1998) and Vázquez-Casielles, del Río-Lanza, and Díaz-Martín (2007), customers who perceive the cause of a service failure to be stable are expected to be more dissatisfied than customers who believe the failure was due to chance.

When customers feel that a failure is controllable by the service provider, they are more likely to experience anger. Because anger is a sign of dissatisfaction, dissatisfaction is more likely when the service failure is within the provider's control (Folkes, 1988; Taylor, 1994). Choi and Mattila (2008) recently examined the effects of perceived controllability on customers' reactions in the context of service failure and found that satisfaction with an encounter is lower when the customer perceives the provider as having the ability to prevent the failure but not doing so than when the customer feels partly responsible for the failure or when the degree of a firm's controllability is not known to the customer. Therefore, when customers perceive that a service failure is out of their service provider's control, they tend to be more understanding and forgiving (Maxham & Netemeyer, 2002) than if they believe that the service provider could have predicted and prevented the failure (Folkes, 1984). For example, if an unexpected influx of customers during a typically slow period causes a long wait, a

customer is more understanding than if the wait is caused by understaffing during a typically busy period (Magnini et al., 2007). Based on the above discussion, we propose the following hypotheses:

**H3a:** Stability is negatively related to recovery satisfaction.

**H3b:** Controllability is negatively related to recovery satisfaction.

In addition to the main effects of the attribution of stability and controllability on recovery satisfaction, the study hypothesizes significant moderating effects of stability and controllability on the relationship between service recovery and recovery satisfaction.

Stability refers to the extent to which a cause is viewed as temporary (expected to vary over time) or permanent (expected to persist over time) (Hess Jr. et al., 2003). Service failures with stable causes are more likely to recur than those with unstable ones. For example, when a hotel guest is assigned to an incorrect room category because of an outdated property management computer system, the failure may be considered an event with a stable (enduring) cause. On the other hand, if the guest's room is wrongly assigned because the staff member at the front desk is in the initial stages of training, the failure may be viewed as having an unstable (temporary) cause (Magnini et al., 2007).

Previous studies have found that service failures with stable causes are more likely to recur than those with unstable ones. Customers who attribute a failure to permanent or stable causes are more likely to feel certain that the same outcomes would be produced again in the future (Weiner, 1985). Customers are likely to be more forgiving of failures with unstable (temporary) causes (Kelley, Hoffman, & Davis, 1993) because the likelihood of a future inconvenience is minimal. That is, customers perceive the cause of a failure as a factor that is unlikely to happen again and thus accept the firm's apology and compensation, continuing the relationship. Conversely, when the customer views the cause of a failure as stable (likely to occur again), according to prospect theory, they usually weigh losses more heavily than gains and thus avoid running the risk of another failure regardless of any first-rate recovery efforts employed by the firm. Causal stability has considerable influence on expectations because customers' perception of unstable causes can result in uncertainty over future outcomes (Folkes, 1984). In this regard, we propose the following hypotheses:

**H4a:** The stability of a failure moderates the relationship between recovery outcome and recovery satisfaction.

**H4b:** The stability of a failure moderates the relationship between recovery process and recovery satisfaction.

Control attribution plays an integral role in customers' post-failure judgments. A lack of ability to prevent a controllable failure is seen as a sign of poor customer treatment or a lack of ability to correct the mistake (Poon, Hui, & Au, 2004). Customers are more forgiving if they perceive that the firm has little control over the occurrence of a given failure (Maxham & Netemeyer, 2002). Conversely, customers are less forgiving if they feel that the failure is reasonably foreseeable and should be prevented (Folkes, 1984). A bank customer may accept some waiting inside a bank lobby if there is an unexpected inflow of customers during typically slow times of the day but may be less accommodating if there is only one teller working during lunchtime on a Friday afternoon (Magnini et al., 2007). In sum, customers are most dissatisfied when they believe that the service provider has substantial control over the failure (Folkes, 1984).

Customers who attribute a failure to a controllable factor are less forgiving in their satisfaction evaluation. Taylor (1994) reported that if the cause of a delay is perceived to be under the firm's control, the customer's anger escalates, the perceived wait time increases, and satisfaction declines.

**H5a:** The controllability of a failure moderates the relationship between recovery outcome and recovery satisfaction.

**H5b:** The controllability of a failure moderates the relationship between recovery process and recovery satisfaction.

## THE PROPOSED MODEL

Figure 1 shows the research model of this study. The rationale underlying this model is straightforward. Firstly, customer satisfaction with service recovery is driven by customers' perception of service recovery outcomes and processes. The more the customer perceives service recovery outcomes and processes, the more likely he or she is to be satisfied with service recovery. Secondly, the more the customer is satisfied with service recovery, the more likely he or she is to be loyal. Thirdly, the customer's attribution of stability and controllability reduces his or her recovery satisfaction. In addition, the relationship between the customer's perception of service recovery outcomes and processes may be moderated by his or her attribution of stability and controllability.

## METHODOLOGY

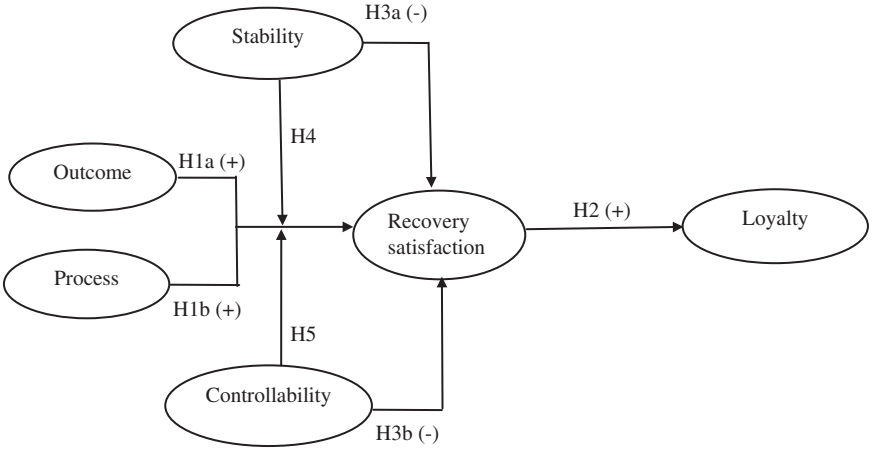
### Content Validity

Data was collected through a survey administered to a sample of airline passengers. The instruments were pre-tested for clarity and more importantly, to improve the content validity of the instrument items. This process was undertaken to ensure that the measurement items satisfactorily fit the construct of the study. In order to achieve this objective, adapt the scale items to the specific industry context, elicit comments on the content, and assess the questions for face validity, the authors carried out interviews with airline managers to confirm the content validity. In addition, a pre-test questionnaire was given to four university professors. They were primarily engaged to identify whether the content of the scales was sufficient to represent the construct of the study. Finally, the questionnaire was pilot-tested with 41 airline passengers. During the pilot testing, the researcher met face-to-face with 10 respondents and thoroughly discussed all items (questions). Feedback was requested regarding the clarity of the questions and the changes that were required in order to make the questions simpler. During the process, statements and items were rephrased or removed from the questionnaires in order to reduce confusion and improve clarity.

### Research Design and Data Collection

Data for the study was collected from individual airline passengers in the departure hall of Kuala Lumpur International Airport (KLIA). We

FIGURE 1. The Proposed Model



expected that these individuals would willingly respond to the survey because a majority of airline passengers are accustomed to waiting for their flights in airport lounges. The main advantage of this procedure was the possibility of approaching airline customers without having to obtain customer records in advance. Everyone who participated in this study claimed that he or she had experienced a flight with the particular airline and encountered a failure at least once. Sampling experienced passengers made the evaluation of customer satisfaction more valid. In addition, their familiarity with the context increased their survey involvement and motivation. The use of consumers engaged in a service act can increase realism and external validity. The type of service considered in this study provided an appropriate setting for the exploration of service failures and recovery efforts.

A self-reported survey questionnaire was distributed to 750 airline passengers in Kuala Lumpur International Airport (KLIA). Approximately 720 questionnaires were returned (for a 96% response rate). There were a number of filtering questions in the questionnaire ("When was the last time you flew with a full-service airline?", "Have you experienced any kind of service failures with the airline?", "Did you complain about the failure that you had encountered?", "Did you receive any kind of service recovery for the failure that you encountered?"). Since some respondents were not eligible to respond to the remainder of the questionnaire after answering the filtering questions, or because they had experienced service failure and recovery more than one year ago, their responses were omitted for further analysis, leaving 230 questionnaires. In addition, it was revealed that 15 questionnaires were incomplete and they were subsequently excluded from further data analysis. In total, 218 questionnaires were useable for subsequent analysis, yielding a usable rate of 29%.

### *Questionnaire and Measures*

The questionnaire consisted of five sections: (1) service recovery, (2) failure attribution, (3) recovery satisfaction, (4) loyalty, and (5) demographic information. To ensure content validity, the measurement items were adapted primarily from previous research. More specifically, the scale was adapted for service recovery outcomes (e.g., "Given my service failure experience and trouble, my compensation from the airline was acceptable") from Maxham and Netemeyer (2002) and Smith and Bolton (1998). Service recovery processes (e.g., "The airline had good policies for dealing with my problem") were measured with 12 items adapted from Blodgett et al. (1997); Folger and Konovsky (1989); Maxham and Netemeyer (2002), and Smith and Bolton (1998). The measures for failure attribution (e.g., "The causes of the service failure were something permanent/temporary", "The service failure occurred due to factors that were uncontrollable/controllable by the airline") were adapted from previous research in psychology and marketing (Bulman & Wortman, 1977; Hess Jr. et al., 2003; Russell, 1982) and used to measure satisfaction with a service provider's handling of a problem (e.g., "This airline's response to the service failure was better than expected") by using a five-item Likert-type scale adapted from Brown, Cowles, and Tuten (1996) and Maxham and Netemeyer (2002). Finally, the measures for loyalty (e.g., "I will continue using the same airline for traveling") were adapted from Mattila (2001) and Maxham and Netemeyer (2002) and were used to measure all items on a 7-point Likert-type scale.

## *DATA ANALYSIS AND RESULTS*

### *Respondent Profile*

Among the respondents, 36.7% were between the ages of 40 and 49, followed by those between the ages of 30–39 (31.7%). In addition, 54.6% (119) were male. In terms of marital status, 51.8% were married, 45.4% single, and 2.8%, divorced. In terms of educational level, 50.5% had a bachelor's degree, followed by a master's degree (22.0%), a certificate/diploma (17.0%), a high school diploma or lower (5.5%), a doctoral degree (3.7%), and a professional certificate (1.4%). These results imply that most of the respondents had a high level of education. In

terms of their ethnicity, a majority (45.5%) were Malay, followed by Chinese (38.5%), Indian (13.8%), and others (2.3%). Finally, most had a salary between RM 9001 and RM 12000 (23.9%).

## *Goodness of Measures*

We conducted a factor analysis to validate the instruments, and a principle component factor analysis to summarize a large number of original variables and isolate a small number of factors for prediction purposes in the subsequent multivariate analysis. In addition, we employed the Varimax rotation technique to obtain simpler and more interpretable factor solutions. The selected factors were based on eigenvalues greater than or equal to 1.00. The cut-off point selected for significance loadings was 0.50. We grouped and renamed the factors and selected items accordingly (Hair, Black, Babin, Anderson, & Tatham, 2006).

We conducted a factor analysis using the questionnaire items based on eigenvalues greater than 1 to ensure significant factor loadings (Hair et al., 2006). Table 1 shows the results. We then verified internal consistency by conducting a reliability analysis. Here we considered Cronbach's $\alpha$ to analyze the reliability of the instruments. According to Sekaran (2003), Cronbach's $\alpha$ is good if it is greater than 0.80, acceptable if it is about 0.70, and poor if it is less than 0.60. Table 1 shows the results. The results indicate that Cronbach's $\alpha$ exceeded 0.70 for service recovery outcomes and processes, stability, recovery satisfaction, and loyalty, indicating sufficient reliability and suggesting that the validity and reliability of the instruments based on the factor analysis and the reliability test served as a good foundation for hypothesis testing.

## *The Relationship Between Perceived Justice and Recovery Satisfaction*

H1a and H1b predicted a significant positive relationship between service recovery (outcomes and processes) and recovery satisfaction. The regression results for the two dimensions of service recovery (Table 2) indicate that the variables jointly explained 59% of the total variance in recovery satisfaction. Both dimensions were positively and significantly related to recovery satisfaction: service recovery outcomes ($\beta = .53$, $p < .001$) and processes recovery ($\beta = .28$, $p < .001$). These results provide support for H1a and H1b.

TABLE 1. Results of the Factor Analysis and Reliability Statistics

| Variables | Loadings | Eigenvalue | Variance | Reliability | Mean | Standard deviation |
|---|---|---|---|---|---|---|
| **Outcome recovery** | | 1.29 | 20.87 | 0.92 | 4.33 | 1.27 |
| Given my service failure experience and trouble, my compensation from the airline was acceptable. | .740 | | | | | |
| The airline took good compensation measures to solve the problem. | .841 | | | | | |
| The airline's efforts were sufficient and offered satisfactory compensation. | .790 | | | | | |
| The airline was quite fair in compensating me for the problem. | .733 | | | | | |
| In general, the airline was able to compensate me adequately for its service delivery problem. | .734 | | | | | |
| **Process recovery** | | 17.13 | 35.91 | 0.97 | 4.42 | 1.25 |
| The airline had good policies for dealing with my problem. | .695 | | | | | |
| The airline employees were interested in my problem. | .734 | | | | | |

(*Continued*)

TABLE 1. (Continued)

| Variables | Loadings | Eigenvalue | Variance | Reliability | Mean | Standard deviation |
|---|---|---|---|---|---|---|
| The airline employees did all they could to solve my problem. | .749 | | | | | |
| The airline employees were honest in dealing with my problem. | .728 | | | | | |
| The airline employees proved to have sufficient authority to solve the problem. | .697 | | | | | |
| The airline employees addressed me courteously when solving the problem. | .709 | | | | | |
| The airline employees were fair in solving the problem. | .769 | | | | | |
| The employees of the airline proved to have enough authority to solve the problem. | .782 | | | | | |
| The employees of the airline dealt with me courteously when solving the problem. | .758 | | | | | |
| The employees of the airline remained fair when solving the problem. | .802 | | | | | |
| **Stability** | | 2.13 | 30.42 | 0.84 | 3.22 | 1.22 |
| The cause of the service failure was something temporary/permanent. | .850 | | | | | |
| The cause of the service failure was something that varied over time/was stable over time. | .897 | | | | | |
| The cause of the service failure was something changeable/unchangeable. | .844 | | | | | |
| **Controllability** | | 2.79 | 31.09 | 0.86 | 3.24 | 1.34 |
| The cause of the service failure was something uncontrollable/controllable. | .809 | | | | | |
| The cause of the service failure was something unpreventable/preventable. | .912 | | | | | |
| The cause of the service failure was something unavoidable/avoidable. | .889 | | | | | |
| **Recovery satisfaction** | | 2.35 | 30.29 | 0.96 | 4.39 | 1.40 |
| I am satisfied with the manner in which the service failure was resolved. | .904 | | | | | |
| This airline's response to the service failure was better than expected. | .897 | | | | | |
| I now have a more positive attitude toward this airline. | .890 | | | | | |
| Regarding this particular event, I am satisfied with this airline's recovery effort. | .895 | | | | | |
| Overall, I am satisfied with the service I received. | .873 | | | | | |
| **Customer loyalty** | | 8.85 | 44.24 | 0.96 | 4.63 | 1.26 |
| I will continue using the same airline for traveling. | .865 | | | | | |
| I intend to use the same airline for my next flight. | .859 | | | | | |
| If I were to have a flight in the near future, I would not use the same airline as my service provider. | .671 | | | | | |
| I have strong intentions to fly with this airline again. | .855 | | | | | |
| I consider this airline as my first choice compared to other airlines. | .867 | | | | | |
| I would recommend this airline to my friends. | .891 | | | | | |
| If my friends are looking for an airline, I will tell them to try this airline. | .831 | | | | | |
| I would inform others positive things about this airline. | .805 | | | | | |
| I would encourage my friends and relatives to do business with this airline. | .841 | | | | | |

TABLE 2. Multiple Regression Results: The Relationship between Service Recovery and Recovery Satisfaction

| | Recovery satisfaction | | |
|---|---|---|---|
| Service recovery | Beta | *t* | Sig |
| Outcome | 0.530*** | 8.024 | .000 |
| Process | 0.288*** | 4.365 | .000 |
| F-value | 156.000*** | | |
| Durbin Watson | 1.942 | | |
| $R^2$ | 0.594 | | |

*Note*. *$p < .10$, **$p < .05$, ***$p < .00$.

### *The Relationship Between Recovery Satisfaction and Loyalty*

H2 predicted a significant positive relationship between recovery satisfaction and customer loyalty. As shown in Table 3, recovery satisfaction explained 33% of the total variance in customer loyalty. Recovery satisfaction had a significant positive relationship with customer loyalty ($\beta = .57$, $p < .001$), providing support for H2.

### *The Role of Stability and Controllability Attributions*

H3a and H3b predicted significant negative relationships between stability/controllability and recovery satisfaction. We conducted a multiple regression analysis to test these hypotheses. As shown in Table 4, stability ($\beta = -.14$, $p < .1$) and controllability ($\beta = -.23$, $p < .001$) had significant negative effects on customer satisfaction, providing support for H3a and H3b, respectively.

We conducted a three-step hierarchical regression analysis to test H4a and H4b. The results for the first step indicate that both stability and controllability were negatively and significantly related to recovery satisfaction. The second step examined the direct effect of stability on recovery satisfaction, and the third step focused on the moderating effects of stability on the relationship between the two dimensions of service recovery and recovery satisfaction. The service recovery process and stability had a significant interaction effect on recovery satisfaction ($p < .001$), indicating a moderating effect. That is, stability interacted with the recovery process to influence recovery satisfaction. These results provide support for H4b. However, the results of this study found that the interaction effect of recovery outcome and stability on recovery satisfaction is not significant, hence rejecting H4a. Table 5 shows the results of this hierarchical regression.

Figure 2 plots the interaction between the recovery process and stability to better illustrate the significance of the interaction term (stability*process). This indicates that every one-unit change in recovery process produced a higher-unit change in recovery satisfaction in low stability as compared to high stability. This graph indicates that the higher the procedural justice, the higher the recovery satisfaction.

We conducted a hierarchical regression analysis to test H5a and H5b. The results

TABLE 3. Regression Results: The Relationship between Recovery Satisfaction and Loyalty

| Recovery satisfaction | Loyalty | | |
|---|---|---|---|
| | Beta | *t* | Sig |
| Recovery Satisfaction | 0.577*** | 10.294 | .000 |
| F-value | 105.972*** | | |
| Durbin Watson | 2.371 | | |
| $R^2$ | 0.333 | | |

*Note*. *$p < .10$, **$p < .05$, ***$p < .00$.

TABLE 4. Multiple Regression Results: The Relationship between Stability and Controllability Attribution and Recovery Satisfaction

| Failure attribution | Recovery satisfaction | | |
|---|---|---|---|
| | Beta | *t* | Sig |
| Stability | –0.149** | –2.274 | .050 |
| Controllability | –0.236*** | –3.599 | .000 |
| F-value | 9.569*** | | |
| Durbin Watson | 1.947 | | |
| $R^2$ | 0.182 | | |

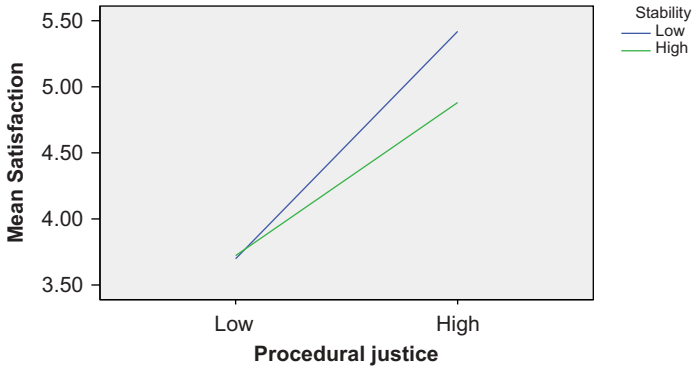
*Note*. *$p < .10$, **$p < .05$, ***$p < .00$.

TABLE 5. Hierarchical Regression Results Using Stability as a Moderator of the Relationship Between Service Recovery and Recovery Satisfaction

| Dependent variable | Independent variable | *p*-value | *t*-value | R2 |
|---|---|---|---|---|
| **Recovery satisfaction** | **Service recovery** | | | 0.59 |
| | Outcome | 0.253 | 1.146 | |
| | Process | 0.001*** | 3.472 | |
| | **Stability attributions** | | | 0.60 |
| | Stability | −0.541 | −0.612 | |
| | **Interaction terms** | | | 0.61 |
| | Outcome × Stability | 0.151 | 1.441 | |
| | Process × Stability | −0.035** | −2.117 | |

*Note*. *$p < .10$, **$p < .05$, ***$p < .00$.

FIGURE 2. Moderating Effect of Stability on the Relationship Between the Recovery Process and Recovery Satisfaction




for the third step in this analysis provide support for the moderating effect of stability in the relationship between recovery process and recovery satisfaction. The results provide support for H5b, indicating that stability had a negative moderating effect on the relationship between the recovery process and recovery satisfaction. Moreover, the interaction term between controllability and recovery outcome on recovery satisfaction was insignificant, thus rejecting H5a. Table 6 shows the results.

Figure 3 shows an interaction graph based on the results in Table 6. The graph provides support for the hypothesis positing a negative moderating effect of controllability on the relationship between the recovery process and recovery satisfaction. This means that every one-unit increase in recovery process produced a higher-unit increase in recovery satisfaction, and that this was more likely under a low degree of controllability. The moderating graph on the effect of controllability on the relationship between recovery process and recovery satisfaction is presented in Figure 3.

## *DISCUSSION*

The empirical results for the relationships between service recovery and recovery satisfaction provide support for the hypothesized relationships between service recovery outcomes and processes and recovery satisfaction (H1a and H1b). The effect of service recovery outcomes on recovery satisfaction was stronger than that of service recovery processes, which is consistent with the findings of Maxham and Netemeyer (2002) and Kim et al. (2009), who determined that distributive justice (outcome

TABLE 6. Hierarchical Regression Results Using Controllability as a Moderator of the Relationship between Service Recovery and Recovery Satisfaction

| Dependent variable | Independent variable | *p*-value | *t*-value | R2 |
|---|---|---|---|---|
| **Recovery satisfaction** | **Service recovery** | | | 0.49 |
| | Outcome | .201 | 1.282 | |
| | Process | .001*** | 3.507 | |
| | **Controllability attributions** | | | 0.50 |
| | Controllability | –.044 | –2.028 | |
| | **Interaction terms** | | | 0.52 |
| | Outcome × Controllability | .443 | .769 | |
| | Process × Controllability | –.041** | –2.055 | |

*Note*. *$p < .10$, **$p < .05$, ***$p < .00$.

FIGURE 3. Moderating Effect of Controllability on the Relationship Between the Recovery Process and Recovery Satisfaction


recovery) had a stronger effect on recovery satisfaction than other dimensions of justice. This result is consistent with the findings of previous social exchange research which suggests that distributive justice (service recovery outcome) has a stronger effect on customer satisfaction because it is easier for customers to access information on outcomes than on procedures or interactions (Smith et al., 1999). The significant role of recovery outcomes in recovery satisfaction is supported by fair distributive treatment such as refunds, discounts, and coupons, among others, which are expected to play important roles in regaining dissatisfied customers' satisfaction.

The results indicate that stability attribution had a direct effect on recovery satisfaction. Here, stability attribution had a negative effect on recovery satisfaction. This result is consistent with the findings of previous studies which suggest that customers are less likely to be satisfied when they perceive the cause of a service failure as stable (Díaz & Ruíz, 2002; O'Neill & Mattila, 2004; Tsiros & Mittal, 2000; Tsiros et al., 2004; Vázquez-Casielles et al., 2007). Stability is related to uncertainty, and therefore failures with stable causes are more likely to recur than those whose causes are not stable. Therefore, when passengers attribute a failure to a stable cause, they are likely to expect its recurrence. This suggests that if a service provider is aware of the potential recurrence of a failure, it should have appropriate policies and procedures in place to prevent its recurrence.

Controllability had a direct negative effect on recovery satisfaction, which is inconsistent with

the findings of Vázquez-Casielles et al, (2007), who suggested that control attribution has no significant direct effect on satisfaction. Controllability refers to the extent to which the cause is perceived to be under the firm's volitional control. When passengers perceive that the firm has control over the failure but fails to do so, they are likely to hold the firm responsible for the negative experience, which exacerbates their anger and consequently produces dissatisfaction.

Although stability had a negative relationship with recovery satisfaction, the results indicate no moderating effect of stability on the relationship between recovery outcomes and recovery satisfaction. This suggests that the stability of a service failure in the airline industry is not likely to weaken the relationship between service recovery outcomes and recovery satisfaction, which is consistent with the findings of Grewal, Roggeveen, and Tsiros (2008). Grewal noted that when there is a stable failure, there is some damage to equity if consumers believe that a stable problem should be corrected by the firm and the firm fails to correct the problem or provide some compensation for the loss. However, if there is a recurring failure but customers are treated fairly in terms of outcomes, they are likely to view the firm as somewhat responsive in trying to restore an equitable relationship (Grewal et al., 2008). In addition, when customers are compensated after a failure they will feel that it is less risky to have future transactions with the service provider, since they expect that the service provider will compensate them in an effort to restore relationship equity if a failure occurs again.

The results for the stability of a service failure indicate that it moderated the relationship between the service recovery process and recovery satisfaction. This suggests that the frequent recurrence of a failure (stable) weakens the relationship between the service recovery process and recovery satisfaction. This suggests that in the context of the airline industry, customers who perceive a failure to recur frequently are less likely to show recovery satisfaction (which will alleviate their perception of the positive relationship between the recovery process and customer satisfaction) than those who perceive the failure to recur infrequently (unstable).

As in the case of the stability of a service failure, the results indicate no moderating effect of controllability on the relationship between service recovery outcomes and recovery satisfaction. This suggests that airline passengers who attribute a failure to a controllable cause are likely to retain their perception of a positive relationship between distributive justice and recovery satisfaction. Bitner (1990) suggested that offering compensation implies an admission of guilt on the part of the service provider. Therefore, if the failure is controllable by the service provider and customers are treated fairly by fair distributive treatment, they may believe that the service provider realizes and accepts its responsibility for the failure and they may thus attempt to restore an equitable relationship. Additionally, where there is post-failure compensation or fair distributive treatment, customers may feel less risk associated with future transactions with the service provider and feel secure that the service provider will restore equity in some manner in the event of a controllable failure. Therefore, the controllability of a service failure may not necessarily weaken the relationship between service recovery outcomes and recovery satisfaction.

The results indicate that controllability had a moderating effect on the relationship between the service recovery process and recovery satisfaction. The more controllable the failure, the weaker the relationship between the recovery process and recovery satisfaction was. This implies that in the context of the airline industry, customers who perceive a failure to be highly controllable are more likely to exhibit low post-recovery satisfaction and mitigate their feelings toward the positive relationship between the service recovery process and recovery satisfaction than those who perceive the failure to be less controllable.

## *IMPLICATIONS*

The results have important implications for airline managers and policymakers. At the micro level, airline managers should first be

committed to the delivery of superior service quality and effective complaint management. A lack of top management commitment to effective complaint management is likely to produce disastrous results for the firm because each dissatisfied customer is likely to be engaged in negative WOM communication by talking to their friends and relatives about their unsatisfactory experiences. Therefore, the first step in developing an effective complaint management team requires full commitment of top managers. However, top management commitment alone is not enough for effective complaint management. Managers need to ensure that front-line employees understand the importance of successful complaint resolution for the future of the firm and their jobs, and that their employees are happy and satisfied with their jobs because job satisfaction is likely to enhance customer satisfaction and loyalty (Rust, Stewart, Miller & Pielack, 1996). In addition, airline managers should establish appropriate complaint procedures so that their customers know how and where to complain. Because most customers are reluctant to complain, airline managers should encourage their customers to voice their complaints by providing necessary tools. However, establishing appropriate complaint mechanisms is not enough to manage the service recovery process. Yavas, Karatepe, Babakus, and Avci (2004) suggested that airline managers should hire front-line employees who have appropriate interpersonal skills and can identify unhappy customers.

The results provide additional support for the importance of service recovery outcomes and processes. Service managers should design service recovery systems that are well balanced in terms of outcomes and processes. Given the critical importance of distributive justice, tangible outcomes for addressing the inequity of a service failure are critical. Therefore, airline managers should develop specific monetary compensation guidelines while training both full- and part-time employees to quickly and appropriately react to various service failures. A comprehensive training program can facilitate the determination of appropriate compensation. Depending on the type of complaint and the situation of passengers, airline managers should train front-line staff members to offer an appropriate array of compensation of similar value and let passengers select the best option. Because compensation of less value can be more appealing to a displeased passenger, offering optimal compensation that is less costly can be a win–win strategy for both unhappy passengers and airlines. For better recovery practices, training programs should focus on instilling appropriate procedures and correct policies by reacting to customer problems quickly and handling their complaints in a timely manner.

In addition, front-line employees should be empowered in such a way that they can provide quick recovery resolution for any service breakdown. It is important for airlines to incorporate empowerment and mentoring procedures into their operating manuals by clearly delineating critical issues such as the maximum monetary incentive for contact employees without supervisor approval; the promptness of responses; and employees' behavioral responses reflecting empathy, compassion, apology, and flexibility in complaint management procedures (Tax et al., 1998). When airline managers empower their front-line employees, it is important for them to clearly identify authority and decision-making boundaries. These boundaries need to be revisited by employees and managers when staff empowerment efforts are not successful. Managers should be cautious about meeting employees' basic needs and ensure that employees are not undercompensated, undertrained, overworked, and underappreciated (Karatepe, 2006). Under such negative circumstances, empowered employees are not likely to demonstrate any discretionary energy or make any extra effort to remedy service failures. Managers should coach their employees and provide proper training and learning opportunities to ensure that their employees make better decisions in the future. It is critical for managers to have strong trust in their employees' ability to respond to complaints or service failures.

The results for the moderated relationships have important implications for service managers. The stability and controllability of a service failure had significant moderating effects on the relationship between the service recovery process and recovery satisfaction, suggesting that service

providers should not necessarily expect equally high levels of recovery satisfaction in response to excellent redress for stable and controllable service failures. This suggests that service managers should recognize the extremely negative effects of the stability and controllability of service failures. Therefore, it is critical that service managers are highly involved in offering appropriate procedures and providing explanations to satisfy customers after stable and controllable service failures.

The results also demonstrate that the attribution of stability and controllability has a moderating effect on the relationship between perceived justice and recovery satisfaction in the recovery process. However, there were no moderating effects of stability and controllability on the relationship between outcome and recovery satisfaction. This suggests that process-related recovery efforts may be more effective in the case of a low degree of stability or controllability. In addition, making all possible process-related recovery efforts should facilitate customer satisfaction after service recovery for failures that are highly stable and controllable as well as unstable and uncontrollable. However, if airline resources are too limited to provide all service recovery efforts for such failures, it may be more efficient in terms of generating recovery satisfaction to implement appropriate policies and procedures such as promptly addressing service failures as well as treating well in cases of low stability and controllability. In addition, outcome-related recovery efforts may be similarly helpful for such failures, which suggests that airline managers should recognize that monetary compensation such as free coupons and discounts is a fundamental factor influencing customer satisfaction and loyalty. Overall, the results suggest that it is meaningful to think about recovery efforts for service failures from the perspective of failure attribution.

When considering the importance of failure attribution (stability and controllability), airline managers should make continuous efforts to satisfy their customers and maintain good relationships with them even in the case of service failures or recovery situations. In addition, the results indicate a need for developing service recovery strategies that match varying failure attributions (stability and controllability) by customers. This may be an effective way to induce loyalty from customers experiencing a service failure.

Finally, the ultimate goal of service recovery is not only to prevent some loss of customers but to maintain long-term cooperative relationships with them. The results are expected to be useful for airline managers wishing to develop procedures that maximize customer satisfaction with service recovery and subsequently enhance long-term customer relationships.

## *LIMITATIONS AND FUTURE RESEARCH*

This study has some limitations. Firstly, we examined only one service context: the airline industry. Therefore, generalization of the results to other service-oriented industries should be made with caution. This is a practical constraint that may be difficult to overcome because of the context-specific nature of service recovery (Mattila, 2001). In fact, most studies of service recovery have focused on a single industry sector. However, Foster and Cadogen (2000) noted that although any generalization of findings based on a single firm requires some caution, the findings are likely to show increased internal validity. In this regard, future research should focus on increasing this study's external validity. Secondly, the results may reflect some memory bias by the respondents because this study is based on a cross-sectional survey of airline passengers with a failure experience. In addition, the survey relied on the respondents' honesty and recall. It is known that individuals agree more on socially desirable answers while disagreeing on socially undesirable ones instead of fully and truly expressing their feelings and opinions. Therefore, future research should provide a longitudinal analysis of service recovery efforts in a more accurate manner. A longitudinal analysis examining the effects of service recovery efforts on airline passengers' satisfaction and loyalty should provide a better understanding on whether similar outcomes or findings can be expected. In this context, Kim et al. (2009) mentioned that most relationship

variables may be measured more accurately through designs based on time series.

## CONCLUSION

This study provides a better understanding of the relationship between service recovery (outcomes and processes) and recovery satisfaction and customer loyalty. The two dimensions of service recovery and recovery satisfaction had significant positive relationships. Failure attribution (stability and controllability) had a significant moderating effect on the relationship between service recovery and recovery satisfaction. In particular, both stability and controllability moderated the relationship between process recovery and recovery satisfaction. The results verify a significant positive relationship between recovery satisfaction and loyalty. This study provides an empirically justified foundation for those service providers wishing to develop effective strategies for encouraging customer loyalty.

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