ABSTRACT

In today's highly competitive business environment, retaining customer loyalty and maintaining customer satisfaction are vital for success. However, service failure has the potential to destroy customer loyalty and customer satisfaction. Service recovery with its final effect on customer loyalty and customer satisfaction appears to have received relatively little attention until recent years. It is now recognized as a significant determinant of customer satisfaction and loyalty. This study starts by first describing the concept of service failure and recovery and examine how the situational factor influences the effect of service recovery on customer satisfaction. A moderation model that links trip purpose to customer satisfaction is proposed.

A scenario experiment under the framework of a 2x2 factorial design was conducted in which "trip purpose" was manipulated as either business purpose or leisure purpose. Besides, "recovered service failure" was manipulated as either the absence of it (i.e. absence of service failure and thus no recovery) or the presence of it (i.e. presence of service failure with adequate recovery). Customer satisfaction was measured as the dependent variable. A significant interaction between trip purpose and recovered service failure is found. The results indicate that business travelers expect the service provider to deliver the service right at the first time and so are less tolerable to service failure even though it is recovered adequately. On the contrary, leisure travelers are more tolerable to service failure and so are not less satisfied when the service failure encountered is recovered adequately. Implications to service managers are provided.