

A Comparative Study of Service Failure and Service Recovery Efforts between Chain and Independent Restaurants

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Introduction

There are extensive research on customer satisfaction and service quality in the hospitality industry (Oh and Park, 1997). More recently, service failure and recovery efforts, two heavily interrelated elements of customer satisfaction study, have attracted intensified attention across the various industry segments in both hotel and restaurant sectors. Previous studies of these two elements can be divided into the following basic categories: 1) customers' behaviors and perceptions in encounter of service failures (Yuksel, Kilinc, & Yuksel, 2006; Huang & Wu, 1996; Mueller, Palmer, Mack, & McMullan, 2003; Lam & Tang, 2003, etc.), and 2) effective prevention and recovering strategies by management (Hoffman & Bateson, 1997; Boshoff & Leong, 1998; Levesque & McDougall, 2000, etc.).

Despite the various research focuses on service failure and service recovery, little is known about the impact of different ownership structure on customer's perception of service failure and of restaurants service recovery. Most of extant studies applied qualitative interviews and extracted factors that led to service failure. To build upon previous research, this study combined interviews with quantitative analysis to answer whether and how the perceived service recovery efforts by restaurants are related to customers' satisfaction and loyalty in both chain and independent restaurants. The purpose of this study is two-folded. First, this study will identify how customers' perceptions of service failure and service recovery efforts differ contingent upon ownership. Second, this study will explore the impact of the perceived differences on customer satisfaction and loyalty.

Literature Review

The study of service failure and service recovery has been developed quickly in the past decade (Blodgett, Granbois, & Walters, 1993). Ennew and Schoefer (2003) identified three service failures: service delivery failures, failure to respond to customer needs and requests, and unprompted and unsolicited employee actions. Researchers suggested roughly nine major theories on customer satisfaction (Oh and Park, 1997): 1) expectancy disconfirmation; 2) equity or cognitive dissonance; 3) contrast; 4) assimilation-contrast; 5) assimilation; 6) attribution; 7) comparison level; 8) generalized negativity; and 9) value-precept.

Another prevalent and more recent paradigm that explains how customers evaluate service recovery efforts is the equity theory (McCole, 2004). A three-dimensional view has evolved including distributive justice, procedural justice, and interactional justice (Boshoff & Leong, 1998).

Oliver (1997) defined satisfaction as "the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or

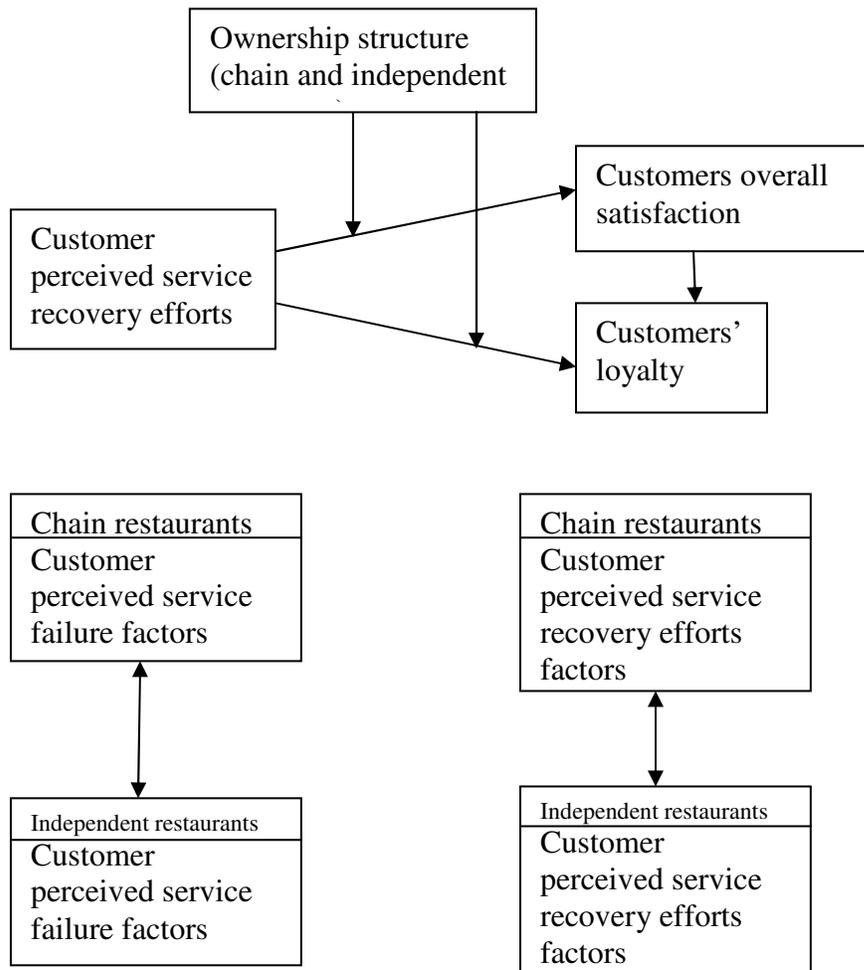
over fulfillment” (p. 13). According to this expectancy disconfirmation theory, satisfaction is the consequence of comparison between pre-purchase expectation and product or service performance.

Previous studies (Kelley et al., 1993) indicated that service companies were able to recover from failure and regain customer confidence; successful recovery can lead to satisfaction and future purchase intention (Spreng et al., 1995) and customer loyalty towards the firm (Webster and Sundaram, 19989; Levesque and McDougall,2000).

Base on the literature review, this study sought to test the hypotheses below:

- H1: Customers’ positive perception of service recovery efforts lead to their overall satisfaction.
- H2: Customers’ positive perception of service recovery efforts lead to their loyalty.
- H3: Customers’ overall satisfaction has a significant positive relationship with their loyalty.
- H4: Different ownership structure (chain and independent restaurants) moderates the relationship between customers’ perception of service recovery and overall satisfaction.
- H5: Different ownership structure (chain and independent restaurant) moderates the relationship between customers’ perception of service recovery and loyalty.
- H6: Customers have different perceived service recovery efforts factors toward chain and independent restaurants.
- H7: Customers have different perceived service failure factors toward chain and independent restaurants.

Conceptual Model



Methodology

Mixed methods research will be used in this study. First of all, the qualitative approach will be used to develop the factors of service failure and service recovery. After collecting the data, a pilot test will be conducted to confirm the variables' reliability and validity. Secondly, the self-administered and close-ended survey questionnaire with ordered choice will be used to survey a sample of customers dining in chain and independent restaurants.

Instrument

In terms of the qualitative research, the Critical Incident Technique (CIT) (Flanagan, 1954) will be employed to estimate customers' perception of service failure and service recovery efforts in chain and independent restaurants. The CIT technique is a systematic interview approach popular in service failure and recovery efforts research (Ronon and Latham, 1974; Bitner et al., 1990, 1994; Hoffman et al., 1995; Keaveney, 1995; and Andersson and Nilsson; 1964). This study will adapt CIT suggested by Hoffman et al. (1995) and Bitner et al al (1990) with a personal interview and then develop a questionnaire from the results of the content analysis.

Data analysis

In terms of the quantitative research, exploratory factor analysis, confirmatory factor analysis, and structural equation modeling will be used. First, the exploratory factor analysis (EFA) will be conducted to identify the dimensions. Second, confirmatory factor analysis (CFA) will be used to examine the appropriateness of the measurement model. Third, structural equation modeling (SEM) will used to test the hypothesized model.

Key References

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