Exploring Customer Loyalty Following Service Recovery: The Relationships of Perceived Justice, Commitment, Trust, and Loyalty

Soyeon Kim  
Department of Consumer Sciences  
Ohio State University

and

Jay Kandampully  
Department of Consumer Sciences  
Ohio State University

ABSTRACT

Existing research shows that loyalty is a function of customer perceptions of trust and commitment following service recovery. This study proposes and tests an integrative model of customer loyalty following service recovery in the context of social exchange theory. Specifically, this article argues that perceptions of justice (distributive, procedural, and interactional justice) in service recovery influence customer trust-commitment towards the service encounters, which in turn affects customer loyalty. Customers’ trust and commitment in service providers were proposed to mediate the relationship between perceived justice to service recovery efforts and subsequent loyalty intention. Finally, the author discusses important theoretical and managerial implications for service industries.

Keywords: perceived justice, service failure, service recovery, customer loyalty, trust, commitment, social exchange theory.

INTRODUCTION

Services are heavily people-based, requiring various interactions with the customers and the coordination of different service providers. Also, since production and consumption are taking place at the same time, little or no possibility of supervision exists before the service delivery. Due to these unique characteristics of services, service firms will not be able to eliminate mistakes entirely.

In recent years, the subjects of service failure and service recovery have attracted considerable research attention during the past decade and there is a growing body of evidence that effective service recovery can have a positive impact on both organizations and customers. From a managerial point of view, a good understanding of how fairly complaining customers are treated is a matter of profitable management (Chebat & Słusarczyk, 2005). Given the high cost (e.g. loss both current and potential customers due to negative word of mouth) associated with poor recovery, managers seek to mitigate the negative consequences associated with failures in service firm-customer exchanges. From a customers’ viewpoint, if recovery efforts are successful, customers tend to become even more satisfied and more loyal than they would have been in the first place (Etzel & Silverman, 1981; Ha & Jang, 2009).
In order to understand the impact of effective service recovery, researchers have utilized justice concept as the main framework for examining service recovery procedures (McColl-Kennedy & Sparks, 2003). The rationale of justice theory is that customer perceptions regarding the fairness of service recovery efforts influence customer satisfaction and future behavioral intentions. The three generic dimensions of justice were identified in previous studies: distributive, procedural, and interactional. Specifically, the three dimensions of justice relate to monetary rewards (distributive), a service organization’s policies (procedural), and an employee’s manner and responsiveness (interactional), each of which influences customer satisfaction and loyalty, which, in turn, enhances a service organization’s relationship with its customers.

The formation of customer loyalty following service recovery addressed in this study can be understood based on the Social Exchange Theory. According to Smith et al. (1999), a service failure/recovery encounter can be viewed as an exchange through which the customer experiences a loss due to the failure and the organization attempts to provide a gain, in the form of recovery effort, to make up for the customer’s loss. Much of research on reactions in social exchange relationships emphasizes the importance of perceived justice by parties to the exchange (Greenberg, 1990). Many organizational behavior studies also suggest that the perceptions of justice in exchanges with management are significant predictors of employee workplace attitudes and behaviors. Hence, it is logically assumed that attitudes about justice are useful for analyzing and understanding customers’ evaluations of services in their exchanges with providers.

Therefore, the present study has adopted a social exchange perspective in which perceived justice, trust, commitment are determinants of customer loyalty. The major contribution of our model is the adaptation of the concept of social exchange theory to explain the mediating roles of trust and commitment between justice perception and customer loyalty. Research on customer loyalty following service recovery has been conducted largely without a theoretical framework, often referencing, but failing to systematically explore. In a service recovery context, the cognitive stage of the complaint recovery process begins with a customer’s cognitive appraisal of the fairness of the resolution of his or her complaint. Subsequently, the outcome of that appraisal determines the degree of trust and commitment. A proposed model which integrates the hypothesized relationships is depicted in Figure 1.

**RESEARCH OBJECTIVES**

As mentioned above, the present study attempts to take an initial step toward integrative theoretical framework for understanding consumer loyalty after service recovery in relational exchanges. More specifically, the objectives of this study are as follows:

1) To examine customers’ perceived justice of service recovery by using multi-attributes: distributive justice, procedural justice, and interactional justice and the influence of customers’ justice evaluations on trust, commitment, and loyalty.

2) To propose and test an integrative social exchange model, suggesting the relationships among perceived justice, trust, commitment, and loyalty.
CONCEPTUAL FRAMEWORK AND HYPOTHESES

**Figure 1. Conceptual framework**

- **H1a-c.** (a) Distributive justice, (b) procedural justice, and (c) distributive justice is related positively to customer trust.
- **H2a-c.** (a) Distributive justice, (b) procedural justice, and (c) distributive justice is related positively to customer commitment.
- **H3a-c.** (a) Distributive justice, (b) procedural justice, and (c) distributive justice is related positively to customer loyalty.
- **H4.** Customer trust is related positively to customer commitment.
- **H5.** Customer trust is related positively to customer loyalty.
- **H5.** Customer commitment is related positively to customer loyalty.

**METHODOLOGY**

A self-administered survey questionnaire will be developed based on scales validated in previous studies. Structural Equation Modeling (SEM) using AMOS 17.0 will be used to test the relationships among constructs. We will adopt two-step approach to a model construction and testing suggested by Anderson and Gerbing (1988): a measurement model and subsequent structural model.

**IMPLICATIONS**

This study contributes to the academic literature as well as restaurant management from a number of perspectives. Firstly, this study applies social exchange theory which has...
been frequently used to explain the relationship mechanism among people as a theoretical foundation. Given that service exchanges can be considered as social exchange, perceived justice is an important determinant of customers’ cognitive and emotional responses following service recovery. Secondly, most of past studies of service recovery have focused on the perceived justice and its effect on customers’ outcome evaluations such as satisfaction which then has consequences for loyalty. However, despite its significance, trust and commitment in response to successful service recovery efforts have been largely neglected in the previous research. Like trust and commitment are the critical components in maintenance high-quality relationships, they also can be considered as important elements in customers-service providers relationships as well.

Effective service recovery not only corrects service failure but also builds and maintains strong relationships, ultimately leading to customer loyalty. Once a strong relationship between service organizations or service providers and customers is built, customers are engaged in social exchange process in which a high level of trust and a strong commitment are served as key dimensions.

REFERENCES


