

Impact of Service Recovery on Customer Satisfaction in Hospitality Industry of Pakistan

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Abstract

The reason behind this research is to identify and assess the outcome of service recovery on customer satisfaction in hospitality industry of Pakistan. The research aimed to highlight the significant relationship between the system recovery and satisfaction of customer. This study has been conducted in two twin cities of Pakistan i.e. Islamabad and Rawalpindi. This study has used two methods of data collection which is primary and secondary data. Furthermore, the questionnaire method technique is used for primary data and whereas for secondary data collection is gathered from online journals and research articles. Convenience sampling has been employed as the sampling strategy for this study. Sample size taken is 240. Results have clearly shown that service recovery has positive effect on customer satisfaction as far as hospitality industry is concerned. Results have also shown that employee empowerment moderates relationship between service recovery and customer satisfaction. This study is of great significance as it provides a plan of action, which if employees of hotels adopt, it will assist them to be at a better position to resolve issues related.

Keywords: Service Recovery, Customer Satisfaction, Hospitality Industry.

1. Introduction

Optimal use of resources is prime concentration of firms to enhance the productivity and performance in this highly competitive era of today. Services recovery has been given the name out of these resources as one of the key driving forces in services industry. Previously for a firm service recovery was assumed to be as cost, but with the passage of time the fashion and trend has changed and today service recovery is considered as one of the most effective tool for success and prosperity of the firm, and as well as one of the most valuable marketing tool (Zineldin, 2006).

The services industry is directly proportionate to hospitality industry in a sense of growth as observed in the recent years. Hotels, telecom sectors, transportation service providers, airline services are some of the major industries worldwide operating under the umbrella of Service Sector. The prime focus of this research paper is hotel industry. The studies from the past five years show that the average industry growth rate of Hotel sector was about 5%. As hotel industry is growing, competition is also getting tougher. Everyone is offering better services to obtain customer satisfaction and maintaining stable relationships with them. Researchers believe that it is very difficult to satisfy a customer in service industry specifically when it comes to hotels and resorts. In hotel industry customers have direct interaction and involvement with different departments of hotel. Service failures are continuously occurring despite best efforts of hotels being paid. But recovery of any failure is a chance for hotel to satisfy its customers who have faced any failure. Service recovery has strong influence on customer's perception about a hotel (Sven & Katsaris, 2009).

Over the recent years statistics Pakistan is has been one of the favorable places to do investments especially in the hotel & services industries. Hotels industry had to wait for a longer span of time to show its actual growth as compared to the recent years; besides this the trend is increasing in hoteling and tourism industry.

Service providers want to satisfy their customers through resolution of their complaints. Service recovery system is an essential ingredient for service providers to satisfy their customers. To make new customers aware of your services is far tougher than to keep the ones who are present and loyal. Recovery system is considered more efficient way to retain and satisfy customers (Irfan, 2006).

Hospitality and services industry is a wide group of platform within the subjected industry, which includes the restaurants, event management, lodging and travelling industries. It is a billion of rupees industry. This industry is dependent upon the availability of spare time and above that the income which can afford a person with these facilities. Each of the hospitality sector mentioned above consists of several of the organizers which act as facilitators, maintainers, operators, managers, marketers and other resources like humans resource.

The subject under study is not entirely new for carrying out research; however the overall framework is a blend of variables previously researched in different contexts. But we study some new dimensions that are not studied before this and very little work is done in hospitality industry. Previous studies regarding service recovery have focused on customers repurchase intention, loyalty, and word of mouth. Mostly studied mediating

effect of emotions and trust but our study focuses on moderating effect of employee empowerment in relationship of service recovery and customer satisfaction.

Andreassen (2000) says quality in services is an essential part of customer satisfaction. Service providers should provide best quality services for the first time but if any failure occurs then fair recovery should be provided to decrease customer's dissatisfaction level. Different dimensions of recovery system have different impact on customer perception. Mattila (2001) The need for research of employee empowerment on customers satisfaction has been identified by Andreassen (2000), but analyzing the impact of employee empowerment as a moderator on the association flanked by service recovery and customer satisfaction is totally a different perspective. Despite best efforts of service providers, rate of occurrence of failures is increasing. This affects the customers' satisfaction and perception towards that service provider. There is need to explore effective dimensions of recovery system with a view to improve customers perception.

A well number of reputed hotels in hospitality sector are trying to influence their target market through service recovery. This study has great significance because it will provide a plan of action by adopting which employees in hotels may be in a better position to tackle service recovery related issues. This study provides as an initial step towards the potential insinuation to anticipate service failures as it occurs. "Service recovery is the actions which an organization takes, whenever they face a disappointment in its operations. This is a deliberate, planned procedure that returns dissatisfied customer satisfaction state, towards the company's services, which did not live up to expectations" (Boshoff, Peelen, Hoogendoorn, & van der Kraan, 2005).

Service Recovery: "These are the set of actions, which in the hospitality or service industry are being taken by the providers, against an unpleasant act or against the any dissatisfaction which arose in customer due to the improper services being provided by the providers, such that they can assure the same or better level of satisfaction for them and keeping them loyal"(OK, 2004).

Satisfaction is related to; what is being provided to the customer that is fulfilling his needs and requirements, therefore seeking the provision to what extent has it increased" (Andreassen, 2000). **Customer Satisfaction / Dissatisfaction:** "Customer satisfaction/dissatisfaction is the pleasure/displeasure emotional state resulting from the consumption-related adequate fulfillment/under fulfillment" (OK, 2004).

1.2 Problem Statement

Despite best efforts of service providers, rate of occurrence of failures is increasing. This affects the customers' satisfaction and perception towards that service provider. There is need to explore effective dimensions of recovery system with a view to improve customers perception.

1.3 Objectives of the Study

The objective of the research is to formulate a clear understanding about recovery system and highlight its significance and contribution towards customer satisfaction. Some of the objectives, we aim to seek through this research include:

1. To highlight multidimensional aspects of recovery system, and customer satisfaction.
2. To study effect of service recovery on customer's satisfaction.
3. To study role of system recovery and customer satisfaction relationship.

1.4 Research Questions

1. What are essential dimensions of service recovery, customer satisfaction?
2. What is the impact of service recovery on customer satisfaction?

1.5 Significance

This study is of great significance as it provides a plan of action, which if employees of hotels adopts will assist him to be at a better position to resolve issues related to services recovery. This study provides basic suggestions to anticipate service failures as it occurs.

2. Literature Review

2.1 Recovery System

Service recovery system includes proceedings used by service donor in order to reduce and restore the harm to customers which occur due the failure in services. If service recovery is properly executed then its negativity can be reduced or responses connected with that service failure and can increase customer loyalty. So it can be said that recovery system is both method and mechanism by which organizations attempt to retain their customers (Smith, Nagy, Karwan, & Ramirez, 2012).

Experts agree that a good recovery system helps firm in turning its unhappy customers into satisfied and happy customers after a service failure, which can also bring them to the state of loyalty. A good recovery system is the one that help firm detects failures, solve cause of the problem, and prevent failures to avoid dissatisfaction from the customers (Smith, et al, 2012).

An appropriate recovery system tend to solve customers' problems while ensuring their satisfaction with the recovery process, including complaint handling, speed of response, compensation in response to service failure, and the staff competence. (Edvardsson, Tronvoll, & Ykinpuro, 2011) Customer satisfaction depends on

how effective is the recovery system. Service providers should ensure that Restoration work should be customer-oriented (i.e. give authorities to the subordinates, program the feedback from the customers) and internally focused (i.e. measure the cost of the activity, do job-rotation or work on training the workers, and bring total quality through Kaizen).

Service recovery system should have the recovery strategies that can ensure customer satisfaction and it should include the circumstances that boost the efficacy of the mechanism. Appropriate service recovery strategies may lead to positive results and reduce customer negativity element of evaluation, even if the initial service encounter had lead into failure (Robinson Jr, Neeley, & Williamson, 2011).

Service providers should provide their personnel with number of potential resolutions, so when service failure occurs, they have alternative satisfaction offerings from which one should only choose a recovery element whenever they encounter dissatisfied customers. The broad range of recovery solutions can speed up the response and customers also feel pleased. This enhances responsiveness in recovery situation. (Smith, Nagy, Karwan, & Ramirez, 2012) There can be various recovery activities that can save the relationship of the organization with its customers and promote positive word of mouth. Such activities can be apologies, explanations, substitutions or other kind of compensations. (Edvardsson, et al, 2011).

Recovery system should encourage complaints from customers. It should provide them with multiple channels or media through which they can express the service failure they faced. Proper feedback from customers allow the firm to quickly respond to the service failure, provide compensation, and turn dissatisfied customers into satisfied ones (Smith, et al, 2012).

2.2 Customer satisfaction

When customers face any failure in service they have some negative attitude towards that service provider, but if a better service recovery is provided to customers then their attitude changes or positively affected. Customers become more satisfied, loyal, and want to maintain long-term relationships with service providers. They spread good words about that hotel; refer to other people as well. Loyal customers also increase profit of firms (Lewis & McCann, 2004).

Satisfaction from recovery differs between complainants and non-complainants. Those who receive good recovery after first failure they mostly spread positive words. There are many structural factors that affect repurchase behaviors of customers like switching cost etc. When a service provider always satisfies its customers even through recovery then a trust is built among customers about that firm. Service recovery system has a strong impact in service industry if customer is dissatisfied then he/she may spread negative words about that firm. If firm try to satisfy that dissatisfied customer it changes the attitude of customer (Kau & Wan-Yiun Loh, 2006).

Firm should identify customers who faced failures and try to satisfy them through recovery because recovery has positive impact on firm's profit, loyalty of customers and customer satisfaction in long run. It also increases repurchase behavior of customers and they become loyal to firm. Firms with loyal clientele are very profitable in today's competitive world. Satisfied and loyal customers strongly affect the financial performance of a firm. They also refer it to other people (Johnston & Michel, 2008).

Customer's satisfaction depends on recovery they received and speed of response. If they receive a timely response then their perception about quality of that firm's services increases. They speak positive things about firm. Satisfied customers create long relations with firm and become loyal to the firm because they received a timely response and fair recovery. Loyalty has impact on firm's profitability and growth as well. Loyal customers are considered as an asset of firm. (Komunda & Osarenkhoe, 2012)

2.3 Relationship between service recovery and customer satisfaction

An appropriate service recovery has positive impact on customer satisfaction. Customer's that face any failure have negative feelings about that firm but after getting better service recovery they become more satisfied than before. They become loyal after better service recovery. Effective service recovery increases retention rate of employees and increases chance for customers to revisit that place in future (Christine & Klaus, 2003).

Satisfaction has positive relation with both service recovery and fairness after encountered a service failure. If customers get fair service recovery as a response to service failure by some service providers they become more satisfied. But this satisfaction is directly linked with the level of fairness and service recovery provided. When customers become more satisfied and loyal then re-purchase attention increases (G., 2001).

3. Methodology

3.1 Research Design

This research deals with measuring the impact of service recovery on customer satisfaction; which makes it a cross sectional and casual study. The instrument for the purpose of collecting data is a questionnaire that is adapted. Questionnaire is a medium of communication between researcher and respondent. It is a mean of collecting primary data. As our study is quantitative in nature, we have used questionnaires to gauge the variables, quantify the results and draw conclusions. Our questionnaire measures certain demographic variables

such as age, gender, income etc.

Researchers used Likert Scale to measure their items and dimensions on a 5 points scale (ranging from 1, strongly disagree to 5, strongly agree). Scale for each variable is adapted from different studies.

3.2 Instrument selection

This study has taken the instruments from different studies, moreover for reliability and validity the pilot test has conducted on the instruments

- **Service recovery**

For the researchers service recovery is IV (independent variable). The scale of service recovery has been adapted from different researches, (Swati Sharma, Yaj Medury and Aayushi Gupta; Davoud Nikbin, Ishak Ismail; Malliga Marimuthu, Mohammad Jalalkamali; CHIHUNG OK) because we study this variable from different dimensions. The scale has been tested through pilot study to test scale reliability

- **Customer satisfaction**

Customer satisfaction is dependent variable. The scale for customer satisfaction has been adapted from (Muhammad Shaham Bakhat; Sajjad-ul-Aziz; Ah-Keng Kau and Elizabeth Wan-Yiun Loh; Shahryar Memarbashi; CHIHUNG OK).

The target sector in this research is hotel industry. Data is collected from different hotels. Therefore our target population comprises of almost all hotels located in Rawalpindi/ Islamabad.

3.3 Population:

It is important to form a sample of the entire population that is representative of the whole population. This study has considered all the service provider hotel industry of Rawalpindi and Islamabad. Then future more they are being selected according to the ranking.

3.4 Sampling strategy:

Convenience sampling has been employed as the sampling strategy for this study. The samples of customers were collected for the study.

3.5 Hypothesis

H1: Recovery system positively influence customer satisfaction

H2: Service Recovery Predicts Customer Satisfaction

H3: there is significant relationship between system recovery and customer satisfaction

4. Data Analysis and Results:

Reliability Test

Variables	Cronbach's α	Items
Recovery System	.692	4
Customer satisfaction	.572	6

Table 1 Reliability

Table 1 show the variables used in the scale, their number of items and inter reliability of the scale. Value of Cronbach $\alpha > .6$ depicts that there is inter-item consistency among all the items of a variable, all the values of Cronbach α are greater than 0.6 i.e. all the items of each variable hang together as a set and can measure the same thing if applied individually and the tool used for the data calculation is thus reliable.

As in quantitative researches, data is collected through numerical data with the help of questionnaire. In this research also the researcher has followed this as suggested by Saunders et al (2009, p.151).

For the purpose of quantifying data and hypotheses testing, software is required. The software used is SPSS. Furthermore, it is user friendly and includes all the necessary features that we require for concluding our research. It is appropriate to use this software while testing causal relationships between variables. The process of running statistical tests on SPSS is easy and quick.

The ethical component in research is an important consideration and cannot be ignored. Researchers often ignore ethics while carrying out their research. All the work the researchers do is prone to biasness and unethical ways of doing research. The requirement of this research was to collect data from primary as well as secondary sources. It is often observed that people obtain scholarly articles and present those as their own piece of work. Such unethical practice was not adopted by us in this research. The literature has been written down after going through various academic journals and scholarly articles in detail. The concepts and findings of those articles have been extracted and then linked to this study. The purpose of doing so is to provide evidence about the existence and relationships of variables, and to identify the literature gap.

Reliability Test

Variables	Items	Cronbach
Recovery System	3	.845
Customer satisfaction	5	.725

This table shows the variables used in the scale, their number of items and inter reliability of the scale. Value of

Cronbach alpha > 6 depicts that there is inter-item consistency among all the items of a variable, all the values of Cronbach alpha are greater than 0.6 i.e. all the items of each variable hang together as a set and can measure the same thing if applied individually and the tool used for the data calculation is thus reliable

4.1 Demographics

Demographics		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	123	57.2	57.2	57.2
	Female	92	42.8	42.8	100.0
Age	15-25	32	14.9	14.9	14.9
	26-35	109	50.7	50.7	65.6
	36-45	52	24.2	24.2	89.8
	46-55	16	7.4	7.4	97.2
	56 and above	6	2.8	2.8	100.0
Education	Matriculation	6	2.8	2.8	2.8
	Intermediate	72	33.5	33.5	36.3
	Bachelor	91	42.3	42.3	78.6
	Master	31	14.4	14.4	93.0
	Other	15	7.0	7.0	100.0
Income	0 – 10000	35	16.3	16.3	16.3
	11000-20000	74	34.4	34.4	50.7
	21000-30000	53	24.7	24.7	75.3
	31000-40000	27	12.6	12.6	87.9
	Above 41000	26	12.1	12.1	100.0
Employment Status	Employed	111	51.6	51.6	51.6
	self-employed	73	34.0	34.0	85.6
	Unemployed	17	7.9	7.9	93.5
	student/pupil	14	6.5	6.5	100.0

Table II Demographic Profile

These are the result which this study has obtained from the server conducted. This table shows different variations in the field which stated that the participants are from different demographics.

4.2 Descriptive Statistics

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Recovery System	215	1.00	5.00	3.1209	.90278
Customer Satisfaction	215	1.00	5.00	3.5870	.72229

Table III Descriptive

Descriptive statistics is used to check the normality of the data. The bench mark for the normality is that if the value from skewness lies between (+1 to -1) data will be normal. If the values from kurtosis are (+ ve) positive the data will be normal.

H1: recovery system positively influenced customer satisfaction. (Accepted)

Therefore we accept hypothesis there is positive relationship between recovery system and customer satisfaction as $p < 0.05$. The level of significance is less than 5 percent according to the coefficients of the predictor results. Value of T is 2.739 which is greater than 2 and sig. is .007 which is less than 0.05.

H2: Service Recovery predicts customer satisfaction (Accepted)

Therefore we accept hypothesis there is positive relationship between service recovery and customer satisfaction as $p < 0.05$. This test shows that the coefficients of the predictor are statistically significant at less than five percent level of significance. Value of T is 10.225 which is greater than 2 and sig. is .000 which is less than 0.05. The result of this study is supported by the study of (Seawright, et al, 2008.)

5. Discussion

The present study was undertaken to study the effect of service recovery efforts on customer satisfaction. All the dimensions of independent variables of the study are not examined and analyzed in past but one or two dimensions are studied with the different dependent variables by assessing the individual relationship between them, but this study is the first attempt to analyze the effect of this specific set of service recovery practices as independent variables on dependent variable that is customer satisfaction in hospitality industry of Pakistan. There are number of findings in this study that were of importance , some emphasizing on the significant relationship of independent variables with dependent variable and some denying the significant relationship with the dependent variable hence contradicting the findings in the previous literature.

6. Managerial Implications

In terms of application in a managerial context, this study provides a plan of actions by adopting which, employees in hotels may tackle these types of issues in a better way. Moreover, providing hotels with the aptitude to identify service failures and anticipate need of recovery that effect customer satisfaction would surely be essential.

7. Limitations of Research

This study has faced some limitation which are time limitations and the sample size can be increased to gain the more accurate and effective results. The participant took a lot of time in filling the questionnaire.

8. Future Research

The study can be replicated in other organizations. This study has targeted hotels only; future studies may analyze the situation of other Sectors/industries. A comparison of different industries will offer a more comprehensive view of things.

9. Conclusion

The factors highlighted in terms of service recovery, employee empowerment and customer satisfaction in the current study are sensible since they assist in explaining some of the perplexing results obtained in the researches accomplished in prior formats. As is evident from various studies brought into light, service recovery is an issue that has come into existence of the Pakistani horizon only recently. During this research, it was observed that not many people are aware about the importance of service recovery. Organizations can benefit from the very phenomenon if it is properly explored and researched in future.

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