



## The influences of transaction history and thank you statements in service recovery

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### ABSTRACT

A certain number of service failures are inevitable in the hotel business. In a scenario-based experiment, using an Internet-panel sample of 166 subjects, this study finds that: (1) those guests with a long transaction history are more satisfied with a recovery initiative and more willing to return than those with a short transaction history; (2) those guests who are thanked for voicing their complaints are more satisfied with the recovery initiative and more willing to return than those who do not receive a thank you statement; and (3) receiving a thank you statement while voicing a complaint might have a greater positive impact on the satisfaction of guests with short transaction histories than on guests with long transaction histories. The managerial and research implications of these findings are discussed.

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### 1. Introduction

Service failures are defined as any service-related mishaps or problems [real or perceived] that transpire during a customer's experience with a firm (Maxham, 2001). In the hotel industry, even top-rate employee training and well-orchestrated policies will not yield customer experiences with zero defects (Fisk et al., 1993; Hart et al., 1990). Unlike manufacturers that can fine-tune systems until products are of uniform quality, hotel firms cannot circumvent variations. The high human component in the hotel business is the catalyst for many service-related problems. Moreover, the service experience relies on both the employee and the customer. For instance, in terms of the employee, no amount of training can make all front desk associates homogenous in their job performance. Also, as a human, an associate's mood can often be inconsistent throughout a shift. Service failures also transpire because guests actively participate in the service delivery process (Kelley et al., 1990; Mills, 1986) and often they possess disparate expectations. For example, two guests could sleep on similar mattresses with one guest being satisfied and the other unsatisfied.

The simultaneous production and consumption that exists in the hotel industry inhibits advanced inspection of many aspects of the guest experience and consequently is also a catalyst of service

mishaps (Fisk et al., 1993; Michel, 2001; Hess et al., 2003). In other words, many 'moment of truths' can only happen after the guest arrives. This simultaneous production and consumption also permits unavoidable and often unpredictable extraneous factors to intervene in the customer transaction. For instance, even the most well-trained and personable hotel reservationist cannot accurately predict the occurrence of a natural disaster.

Since preventing all service failures is not a realistic goal, hotel firms must learn to effectively react to failures when they happen. This reaction is termed a service recovery and is defined as the process by which a firm attempts to rectify a service delivery failure (Grönroos, 1988; Kelley and Davis, 1994). Increased comprehension of recovery initiative techniques is quintessentially significant because customers are often more emotionally involved in and observant of the recovery effort than in a routine service scenario (Berry and Parasuraman, 1991; Bitner et al., 1990). In fact, poor recovery efforts can potentially have a double-deviation effect (Bitner et al., 1990; Hart et al., 1990). Double deviation is the term used to describe a scenario in which the recovery was so poorly executed that it actually represented a separate service failure in the mind of the consumer. Furthermore, misguided service recoveries can also spawn 'halo' and 'domino' effects. A 'halo' effect entails a customer having a negative impression of all interactions with the provider, and a 'domino' effect refers to phenomenon in which a misguided failure spurs failures in other attributes or areas of the service process (Halstead et al., 1993).

Due to the importance of delivering effective service recoveries, a sizable body of research exists on the topic. Nevertheless, a review of the literature uncovers some understudied, yet

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theoretically and pragmatically relevant, service recovery factors. First, some studies conducted in non-hotel-settings (e.g. Ganesan, 1994; Hess et al., 2003) found that the length of a customer's relationship with a firm intervenes in how a customer assesses a service recovery initiative. However, a more recent study (Magnini et al., 2007), using a hotel-setting, fails to find such results. These mixed findings, coupled with the modern proliferation of hotel loyalty programs, make this issue of transaction history a pertinent topic of inquiry. Hence, the first purpose of this research is to shed further light on the effect of a customer's past transaction history on his/her service recovery evaluations.

The second motivation of this research is to empirically examine the effects of an "employee thank you statement" on customer psychology. An "employee thank you statement" occurs when a customer voices a complaint and the employee hearing the complaint thanks the customer for notifying the firm of the problem. This is an important issue to investigate for two reasons: (1) hotel employees appear to inconsistently use thank you statements; and (2) thank you statements have never before been examined in the literature; yet, this research predicts that they have a significant influence on customer service recovery evaluations.

Lastly, this research studies the interaction between a customer's past transaction history and the presence of an employee thank you statement. This interaction has never before been studied despite the fact that these two elements interact on a daily basis in the hotel business. An enhanced understanding of how these two factors interplay could be of use to researchers and practitioners alike.

## 2. Literature review and hypothesis development

### 2.1. *The effect of the customer's past transaction history with the firm*

Customer-specific factors should be taken into consideration when designing redress initiatives in the hospitality industry (McDougall and Levesque, 1998). Research conducted by Boulding et al. (1993), Ganesan (1994) and Jones and Suh (2000) indicates that a service failure that occurs early in a customer's relationship with the firm will trigger more dissatisfaction than a failure occurring later. The logic behind this contention is that a long-standing customer possesses more experience and information to counterbalance the failure. In other words, as a customer builds more confidence and experience over time, s/he places more mental emphasis on past information (Boulding et al., 1995; Bolton, 1998; Tax et al., 1998). This past information, in essence, can be conceptualized as a satisfaction buffer.

Theoretical support for the existence of this buffer is found in attribution theory. That is, in hospitality settings, when a service failure occurs, customers undertake attributional thought processes in an attempt to digest the happenings (Sparks, 2001). Attribution theory, therefore, entails individual attempts to understand the causes and implications of events (Ajzen and Fishbein, 1983; Fincham, 1983; Monson, 1983). According to this logic, the cause of the failure is more likely to be attributed to a temporary source if the customer is an established one as opposed to being new to the firm (Hess et al., 2003). Furthermore, since attribution theory also pertains to customers attributing the failure either internally or externally (Mattila and Ro, 2008), the research posits that long-standing customers [due to their satisfaction buffer] are more likely to attribute the causes of failures outside the control of the firm than new customers.

Theoretical anchoring for the existence of a satisfaction buffer that is formed through past transactions can also be found in justice theory (Tax et al., 1998). Specifically, one facet of a customer's distributive justice perceptions entails the "provisions

of outcomes proportional to inputs to an exchange" (Tax et al., 1998, p. 63). According to the reasoning, a customer's mental stockpile of favorable transactions with a service provider reduces the erosion of commitment and trust that is typically spawned by poor complaint handling. The primary trigger of this mitigating effect is that the customer considers previous exchanges that were perceived as equitable—hence, the firm builds brand equity in the eye of the consumer (Tax et al., 1998).

In summary due to the influences of attribution theory and distributive justice perceptions, the same service recovery initiative service will likely be viewed more satisfactorily by long-standing customers. Moreover, since the marketing literature demonstrates evidence supporting a robust positive relationship between customer satisfaction and repurchase intent (Blodgett et al., 1993, 1997; Tax and Chandrashekar, 1992), the same recovery initiative would likely produce higher repurchase intentions for established customers than for new ones. Therefore, the following hypotheses are offered:

**H1.** All other factors being equal, those customers with a long transaction history will be more satisfied with a recovery initiative than those with a short transaction history.

**H2.** All other factors being equal, those customers with a long transaction history will exhibit greater repurchase intent after a service failure and recovery than those with a short transaction history.

### 2.2. *The effect of an employee thank you statement*

As previously stated, an "employee thank you statement" occurs when a customer voices a complaint and the employee hearing the complaint thanks the customer for notifying the firm of the problem. This research posits that a service recovery initiative that includes a thank you statement will result in higher satisfaction sentiment toward the recovery initiative and greater repurchase intentions. Theoretical anchoring for this contention lies in the interactional justice and service failure stability bodies of literature.

First, the notion of interactional justice was first introduced by Bies and Moag (1986). Interactional justice involves the manner in which the service failure is handled by the service provider and the explicit interactions between the service provider and the customer (McCull-Kennedy and Sparks, 2003). This justice dimension entails perceptions interpersonal sensitivity, treating people with dignity and respect, and offering explanations for actions (McCull-Kennedy and Sparks, 2003). A study undertaken by Tax et al. (1998) found that interactional justice has the strongest influence on a consumer's overall satisfaction with a service provider. Based upon these findings, this research posits that an employee thank you statement leads to bolstered interactional justice perceptions which, in turn, stimulate higher satisfaction sentiment.

In addition, this research contends that employee thank you statements reduce failure stability perceptions, ultimately resulting in improved satisfaction with the redress initiative. In the service failure literature, stability is the degree to which a cause of the failure is perceived as temporary [expected to vary over time] or permanent [expected to persist over time] (Folkes, 1988; Hess et al., 2003). Service failures with stable causes have higher reoccurrence probabilities than failures with unstable causes. Customers are typically more understanding of failures with unstable (temporary) causes because the likelihood of a future inconvenience is minimal (Kelley et al., 1993; Weiner, 1986). Weiner et al. (1982) and Folkes et al. (1987) found that customers were more satisfied when they perceived that service failure was

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