

# Literature Review of Service Failure, Service Recovery and their Effects on Consumers and Service Employees

Roshan Kazi\*, Sandeep Prabhu\*\*

\*Allana Institute of Management Sciences, Savitribai Phule Pune University, Pune, Maharashtra, India.  
Email: drroshankazi@gmail.com

\*\*Symbiosis Institute of Telecom Management, Symbiosis International University, Pune, Maharashtra, India. Email: sprabhu@sitm.ac.in

## ABSTRACT

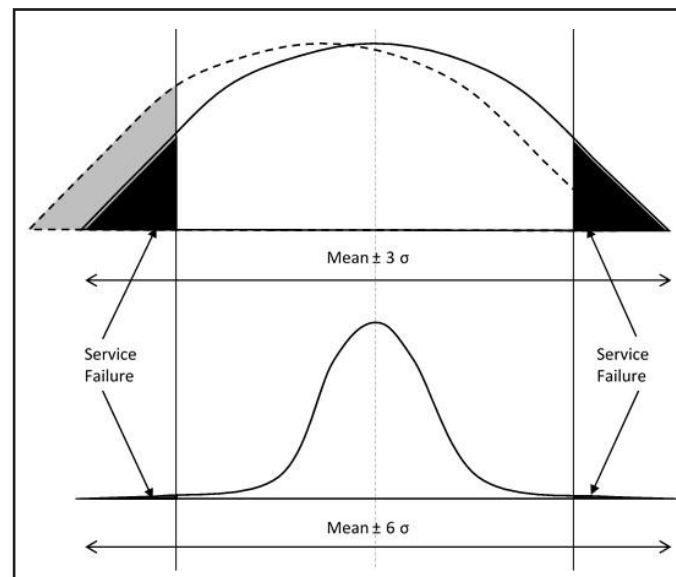
This review aims to analyze literature related to service failure; firm's attempted service recovery; and effects of failure & recovery on consumer and employees. The study identifies important themes emerging in the topic. Chronologically arranged literature is studied for themes, using relevance to the topic. The study identifies three important themes related to; service failure, service recovery and its effects on consumer and employees. First theme is about effect of service failure on consumer value & experience through; negative emotions, emotional labor, and emotion contagion. Second theme is emerged as customer reactions to service failure in terms of; justice & fairness, consumer forgiveness, consumer revenge, opportunistic claiming, recovery satisfaction, and switching behavior. Third theme is about managing service recovery using; compensation & apology, speed of response & positive ending, and customer relationship management. Services being simultaneous processes involving consumer and employees, control of service failures and subsequent service recovery are important functions of managers. Lastly, this study lists failure & recovery management methods for effective use by service manager.

**Keywords:** Service Failure, Service Recovery, Emotion, Consumer Behavior, Services Marketing

## 1. INTRODUCTION

Service failure is a situation when a service provider delivers the service performance far below the adequate service expectations of the consumer; and service recovery is a subsequent act of service provider to improve upon the failure. Service management literature extensively discusses service failures and its effects and reactions from the consumer as well as the service employee. The literature also extensively discusses service recovery mechanisms for effective handling of complaints.

The first step to service failure management is avoiding failures itself by operational improvements. Continuous incremental or radical change strategies like; total quality management, implementation of six-sigma process, reengineering of business processes, lean thinking, improvements using benchmarking, are recommended for avoiding service failures (Johnston & Clark, 2001). Figure 1 indicates, process improvement to improve service operations and reduce failures.



**Fig. 1. Service Failure, Controlling for Service Process**

## 2. OBJECTIVES

The objectives of this review of service management literature is to identify themes in; service failure, its effects on, and reactions from service consumers & service employee; and identify effective measures of service recovery.

## 3. METHODOLOGY

The study adopts systematic literature review of the themes in service failure and recovery; by using chronologically organized literature. Later the literature is reorganized on topic relevance and then on citation counts. The study uses SCOPUS literature database to identify research articles, relevant themes developed in the area of service failure and recovery. ("Scopus," 2016).

## 4. DISCUSSION

Literature discusses three broad areas; first, related to service failure and its effect on customer value & experience; second related to customer reactions to incidence of service failure; and lastly about, managing service failure using effective service recovery.

### 4.1 Service Failure and Customer Value & Experience

First theme arising out of review is effect of service failure on customer value and customer experience. On incidence of service failure, emotions play negative role in customer experience. Depending upon customer's perception of cause of service failure, customer experiences negative emotions, thus affecting consumer behavior directly by negative emotions and indirectly by perception of the cause (Harrison-Walker, 2012). Emotions are an important ingredient of individual personality, and acts to create customer value, which in turn affects behavioral response. Service recovery is an important activity, as customer value is also created during service recovery process (Chang & Hsiao, 2008) through perceived risk and perceived justice based on emotional value. In a situation where the firm fails to respond to customer's complaint, then the situation is described as double deviation situation (initial service failure then a failed service recovery). Under incidence of double deviation;—size of service failure,— recovery plans,— justice system,— emotions associated with recovery, and— recovery satisfaction; are

important factors affecting customers response (Nicolau-gonza & Casado-di, 2009).

Socio-emotional selectivity theory, suggests that intensity of negative emotions has a reciprocal relationship with demographic factor of age. People tend to regulate their negative emotions better as they grow old. Young customers are likely to express stronger negative emotions than the older lot. Satisfaction through service recovery strategies (compensation, apology, and speed of service recovery) can also affect negative emotions. Thus effective recovery strategies are important for consumer recovery satisfaction (Concepcion Varela-Neira & Vazquez-Casielles, 2010). People from different culture may react differently to negative service encounters. In general, a negative service encounter is viewed with anger. Compared to others, people from African origin reported sadness and feeling of 'being let down' and humiliated at the hands of service employees during negative service encounters (Smith, 2006). The difference in emotions across cultures is a result of variance in the interpretation of appraisal of situations. In collectivist Asian cultures; showing of dissatisfaction is discouraged, in order to maintain harmony and protection of interpersonal relationships. Such harmony discourages open display of negative emotions (Laroche, Ueltschy, Abe, Cleveland, & Yannopoulos. Peter P., 2004). Service failure leads to generation of range of negative emotions in service consumer, service employee; and causes emotional contagion between them. Under this theme literature is grouped in three subthemes; negative emotions of service consumer, emotional labor of service employee, and emotion contagion between service employee & consumer.

### 4.2 Negative Emotions of Service Consumer

The service management literature lists, various emotions generated during service encounters as; anger, fear, sadness, happiness, disgust, and surprise (Robbins & Judge, 2013). Early research work identifies eight types of emotional episodes; classified in four groups;—positive emotions: happiness & delight;—situation-attributed negative emotions: anxiety & fear;—other attributed negative emotions: anger & frustration; and— self-attributed negative emotions of: guilt & shame (Menon & Dubé, 1999). During service failure, anger of the customer is found to be important predictor of consumer behavior than satisfaction (Bougie, Pieters, & Zeelenberg, 2003). Delays in service delivery negatively affect service evaluation; mediated by affective reactions to delay.

Control exercised by the service provider, and efforts to fill in the time of delay also has effect on evaluation; mediated through affective reactions of uncertainty and anger (Taylor, 1994). Researchers has also identified a regret emotion as a negative cognitive based emotion experienced by customer when the alternative approach is thought better than the one selected by him—this happens when selection consequences in an unexpected result (Liao, Liu, Liu, To, & Lin Hong-Nan, 2011).

### 4.3 Emotional Labor of Service Employee

Employee empowerment, emotional dissonance, service quality, and customer satisfaction are interconnected concepts. While employee empowerment influences emotional dissonance; a positive relationship is expressed in empowerment, service quality, and satisfaction (Aziz, 2008). The concept of emotional labor though mainly discussed in relation to employee; is equally applicable to the customer. Emotional labor is conceptualized as the effort, planning, and control required to express expected emotions during interactions. Authenticity of employee labor display is found to affect customer emotions & perceptions (Hennig-Thurau & Groth, 2006). Effect of emotional labor in case of frontline employees and customers is extensive. They are required to alter their behavior to perform to the designed emotion-display by internalizing elements of the value positioning (Sirianni, Bitner, Brown, & Mandel, 2013). Similarly customers are also required to display self-control during service encounters, especially during service failure situation. Emotional labor can create stress in employees and customers.

Continued episodes of multiple work-related stressors during customer interaction can cause employee burnout making him emotionally drained with lack of energy. Literature proposes burnout structured as; — emotional exhaustion, — de-personalization, and— perceived reduced personal accomplishment. Personality traits are said to impact burnout dimensions (Harris & Lee, 2004).

Continued emotional stresses during service encounters may lead to hostile behavior between the customer and the service employee. Hostile behavior is detrimental to service quality; especially during poor technical performance of high utility interaction service (Doucet, 2004).

### 4.4 Emotion Contagion between Service Employee & Consumer

Under situation of service failure and subsequent recovery process; consumer and employees exchange multiple

contagion; a sequential incidences of negative and positive emotions. This series of emotions called multiple sequential emotional displays; also effects consumer emotions. More intense the display of employees' negative emotions; more are subsequent increase in customer's negative emotions. If employee displays positive emotions, customer adopts positive emotions; if employee display negative emotions, customer adopts negative emotions (Du, Fan, & Feng, 2011).

### 4.5 Customer Reactions to Service Failure

Extensive literature discusses customer reactions to service failure and deliberates on; expectations of justice & fairness, consumer forgiveness, consumer revenge, opportunistic claiming, recovery satisfaction, and switching behavior. Literature reflect on series of consumer reactions under condition of service failures and recovery as; justice & fairness expectations, consumer forgiveness, consumer revenge, opportunistic claiming, recovery satisfaction, and switching behavior.

### 4.6 Expectations of Justice & Fairness

Emotions during service failure may not directly, but indirectly affect overall customer satisfaction through—cognitive evaluation of distributive justice (outcome equity),—procedural justice (policy & procedure equity), and—interactional justice (treatment justice). (Concepcion Varela-Neira, Vazquez-Casielles, & Iglesias-Arguelles, 2008). Various fairness aspects (price, procedure, outcome, interaction) effects positive & negative states of emotions, and eventually effects purchase behavior as well (Namkung & Jang, 2010). One of the factors affecting service recovery satisfaction is recovery justice and emotions (Wen & Chi, 2013). Preferential treatment after service failure has important connect with customer satisfaction-dissatisfaction (Concepción Varela-Neira, Vázquez-Casielles, & Iglesias, 2010).

### 4.7 Consumer Forgiveness

Under the situation of service failure and subsequent service recovery; literature conceptualizes forgiveness as customer coping strategy under incidence of service failure. Situational factors of; novelty, outcome uncertainty, time;— and contingent factors of history of relationship, social influence, competitor density, switching cost facilitates forgiveness process (Tsarenko & Tojib, 2011).

#### 4.8 Consumer Revenge

Literature discusses; when service failure occurs, customer develops a tendency to revenge against firm. Customer perception of the firm's greed (opportunistic intent); may generate feeling of customer revenge. Customer revenge can be direct (face to face) act of aggression and vindictive complaining, or indirect (behind the back) acts (Grégoire, Laufer, & Tripp, 2010). Customer delight & outrage emotions are considered to more intense and dynamic than satisfaction & dissatisfaction (Schneider & Bowen, 1999).

#### 4.9 Opportunistic Claiming

An interesting first of a kind article Wirtz & McColl-Kennedy (2010), theorized perceived fairness or justice, as playing a key role in opportunistic claiming behavior of customers. Justice worked as a trigger and justification of opportunistic claiming. Even the claim size was found to have direct relation with the size of the firm. Deeper customer-firm relations are said to prevent customers from opportunistic claiming, but opportunistic claim cannot build service recovery satisfaction.

#### 4.10 Recovery Satisfaction

Customer experiences negative emotion on service failure which further affects consumer satisfaction. Efforts taken for attempted service recovery positively affect recovery satisfaction (Concepcion Varela-Neira & Vazquez-Casielles, 2010). Failure emotions indirectly affect customer satisfaction through distributive, procedural, and interactional justice. Lack of preferential treatment explains customer dissatisfaction and resulting negative emotions mediates relationship of cognitive antecedents and dissatisfaction (Concepcion Varela-Neira et al., 2008). While quality of the past service performance develops causal attributes, emotions generated after the service failure mediate the relationship between causal attributes (stability & control) and overall customer satisfaction (Vázquez-Casielles, Rio-Lanza, & Diaz-Martin, 2007).

#### 4.11 Switching Behavior

Emotionally taxing customer switch can also affect current satisfaction significantly. More than uncontrollable service failure, customer expects proactive improvement in controllable service failures. Consumer is more likely to be

affected by strong negative emotions; if consumer believes that service provider has control over situation; and could have prevented the failure (Lin, 2012). Customers, who have switched service providers and taken up new provider on account of dissatisfaction, differ from other customers in their satisfaction and loyalty behaviors. The most recent switch and mere a presence of an emotionally taxing dissatisfied switch in the past, also affect current satisfaction. (Ganesh, Arnold, & Reynolds, 2000).

#### 4.12 Managing Service Recovery

The third group of literature is about management of service recovery; three subgroups are identified as compensation, apology, speed of response & positive ending, customer relationship. The most important part of service provider's responsibilities during situation of service failure is to effectively handle customers angered because of incidence of service failure. This anger can be effectively managed by sincere attempt of service recovery, specifically through pre-service recovery and during phases of service recovery (Nguyen & McColl-Kennedy, 2003). Preferential treatment after service failure can explain customer satisfaction or dissatisfaction. Negative emotions during service failure affects relationship of cognition and dissatisfaction (Concepción Varela-Neira et al., 2010). These encounters consists of acts, also called as moments of truth like; pre-sales, in-sales, and post-sales interactions which may include; phone calls, plant visits, service calls, service failures, service recovery (Grönroos, 2007).

#### 4.13 Compensation, Apology

Service recovery using financial compensation and social comparison with others positively improves satisfaction and behavioral intentions (Vazquez-Casielles, Iglesias, & Varela-Neira, 2012). Customers experience negative emotions after service failure, and it may affect customer satisfaction significantly. Service recovery efforts of; Compensation, apology, and speed of recovery has significant positive relation with; recovery satisfaction. In a situation of negative emotion during service failures a free gift or an apology can convert a negative emotion into a positive emotion (Golder, Mitra, & Moorman, 2012). Research in customer's "nasty" negative emotional retail shopping experiences like shoplifting accusation violates implicit trust, distrust provoked moral emotions, damages identities, and fuels retaliations (Friend, Costley, & Brown, 2010).

#### 4.14 Speed of Response & Positive Ending

Speed of response compensation process also affects customer satisfaction, but speed of response to apology may not contribute to satisfaction. Thus the effective recovery strategies should be used to check negative emotions caused by service failures (Concepcion Varela-Neira & Vazquez-Casielles, 2010). Within the sequence of various emotions during service encounter, a positive emotion at the end of the encounter is considered as a better predictor of satisfaction (Dalakas, 2006).

#### 4.15 Customer Relationship

On the incident of service failure; customer relationships and post-consumption behavior is affected by perceived justice as well as emotions related to consumption. Recovery justice and emotions (positive or negative) influences service recovery satisfaction, trust, intentions to repurchase, and spread of word-of-mouth (Wen & Chi, 2013). During service failures; angry and frustrated customers have to cop up with feeling of helplessness. Providing informational support and retrospective explanation can mitigate the feeling (Gelbrich, 2010).

### 5. CONCLUSION

One of the extensively discussed literature topic in services marketing is service failure, and service recovery as a proactive measure. Three service failure effects are identified as; negative emotions generated in service consumer, the effect of emotional labor faced by service employees, and emotion contagion exchanges between service employees and consumers. The literature also suggests customer reactions to service failure like; expectations of justice & fairness, consumer forgiveness, possibility of consumer revenge, opportunistic claiming, recovery satisfaction, and switching behavior of consumers. Lastly, literature themed around management of service recovery is discussed as; compensation & apology speed of response & positive ending, and customer relationship.

### REFERENCE

- Aziz, Y. A. B. (2008). The Effects of Emotional Dissonance and Employee's Empowerment on Service Quality and Customer Satisfaction Perception: Customer Level Analysis. *International Journal of Economics and Management*, 2(2), 237–258.
- Bougie, R., Pieters, R., & Zeelenberg, M. (2003). Angry customers don't come back, they get back: the experience and behavioral implications of anger and dissatisfaction in services. *Journal of the Academy of Marketing Science*, 31(4), 377–393.
- Chang, H.-S., & Hsiao, H.-L. (2008). Examining the causal relationship among service recovery, perceived justice, perceived risk, and customer value in the hotel industry. *The Service Industries Journal*, 28(4), 513–528.
- Dalakas, V. (2006). The importance of a good ending in a service encounter. *Services Marketing Quarterly*, 28(1), 35–53. <http://doi.org/10.1300/J396v28n01>
- Doucet, L. (2004). Service provider hostility and service quality. *Academy of Management Journal*, 47(5), 761–771. <http://doi.org/10.2307/20159617>
- Du, J., Fan, X., & Feng, T. (2011). Multiple emotional contagions in service encounters. *Journal of the Academy of Marketing Science*, 39, 449–466. <http://doi.org/10.1007/s11747-010-0210-9>
- Friend, L. a., Costley, C. L., & Brown, C. (2010). Spirals of distrust vs spirals of trust in retail customer service: consumers as victims or allies. *Journal of Services Marketing*, 24(6), 458–467. <http://doi.org/10.1108/08876041011072573>
- Ganesh, J., Arnold, M. J., & Reynolds, K. E. (2000). Understanding the customer base of service providers: an examination of the differences between switchers and stayers. *Journal of Marketing*, 64(July), 65–87.
- Gelbrich, K. (2010). Anger, frustration, and helplessness after service failure: coping strategies and effective informational support. *Journal of the Academy of Marketing Science*, 38(5), 567–585. <http://doi.org/10.1007/s11747-009-0169-6>
- Golder, P. N., Mitra, D., & Moorman, C. (2012). What is quality? an integrative framework of processes and states. *Journal of Marketing*, 76(July), 1–23.
- Grégoire, Y., Laufer, D., & Tripp, T. M. (2010). A comprehensive model of customer direct and indirect revenge: understanding the effects of perceived greed and customer power. *Journal of the Academy of Marketing Science*, 38(6), 738–758. <http://doi.org/10.1007/s11747-009-0186-5>
- Grönroos, C. (2007). *Service Management and Marketing: Customer Management in Service Competition* (Third). Wiley India (P.) Ltd.
- Harris, E., & Lee, J. (2004). The Customer, Co-Worker, and Management Burnout. Distinction in Service Settings: Personality Influencers and Outcomes. *Services Marketing Quarterly*, 25(4), 13–32.

- Harrison-Walker, L. J. (2012). The role of cause and affect in service failure. *Journal of Services Marketing*, 26(2), 115–123. <http://doi.org/10.1108/08876041211215275>
- Hennig-Thurau, T., & Groth, M. (2006). Are all smiles created equal? How emotional contagion and emotional labor affect service relationships. *Journal of Marketing*, 70(July), 58–73.
- Johnston, R., & Clark, G. (2001). *Service Operations Management Improving Service Delivery* (2nd ed.).
- Laroche, M., Ueltschy, L. C., Abe, S., Cleveland, M., & Yannopoulos, P. (2004). Service quality perceptions and customer satisfaction: evaluating the role of culture. *Journal of International Marketing*, 12(3), 58–85. <http://doi.org/10.1509/jimk.12.3.58.38100>
- Liao, C., Liu, C.-C., Liu, Y.-P., To, P.-L., & Lin Hong-Nan. (2011). Applying the expectancy disconfirmation and regret theories to online consumer behavior. *Cyberpsychology, Behavior, and Social Networking*, 14(4), 241–246. <http://doi.org/10.1089/cyber.2009.0236>
- Lin, W.-B. (2012). The determinants of consumers' switching intentions after service failure. *Total Quality Management*, 23(July), 837–854. <http://doi.org/10.1080/14783363.2011.637808>
- Menon, K., & Dubé, L. (1999). Scripting Consumer Emotions in Extended Service Transactions: A Prerequisite for Successful Adaptation in Provider Performance. *Advances in Consumer Research*, 26, 18–24.
- Namkung, Y., & Jang, S. C. (Shawn). (2010). Effects of perceived service fairness on emotions, and behavioral intentions in restaurants. *European Journal of Marketing*, 44(9/10), 1233–1259. <http://doi.org/10.1108/03090561011062826>
- Nguyen, D. T., & McColl-Kennedy, J. R. (2003). Diffusing Customer Anger in Service Recovery: A Conceptual Framework. *Australasian Marketing Journal*, 11(2), 46–55. [http://doi.org/10.1016/S1441-3582\(03\)70128-1](http://doi.org/10.1016/S1441-3582(03)70128-1)
- Nicolau-gonza, J. L., & Casado-di, A. B. (2009). Explaining consumer complaining behaviour in double deviation scenarios : the banking services. *The Service Industries Journal*, 29(12), 1659–1668. <http://doi.org/10.1080/02642060902793524>
- Robbins, S. P., & Judge, T. A. (2013). *Organisational behavior* (15th ed.). Pearson Education.
- Schneider, B., & Bowen, D. (1999). Understanding customer delight and outrage. *Sloan Management Review*, (Fall), 35–45.
- Scopus. (2016). Retrieved March 13, 2015, from <http://www.scopus.com>
- Sirianni, N. J., Bitner, M. J., Brown, S. W., & Mandel, N. (2013). Branded Service Encounters: Strategically Aligning Employee Behavior with the Brand Positioning. *Journal of Marketing*, 77(November), 108–123.
- Smith, A. M. (2006). A cross-cultural perspective on the role of emotion in negative service encounters. *The Service Industries Journal*, 26(7), 709–726. <http://doi.org/10.1080/02642060600898203>
- Taylor, S. (1994). Waiting for Service: The Relationship Between Delays and Evaluations of Service. *Journal of Marketing*, 58(April), 56–69.
- Tsarenko, Y., & Tojib, D. R. (2011). A transactional model of forgiveness in the service failure context: a customer-driven approach. *Journal of Services Marketing*, 25(5), 381–392. <http://doi.org/10.1108/08876041111149739>
- Varela-Neira, C., & Vazquez-Casielles, R. (2010). The effects of customer age and recovery strategies in a service failure setting. *Journal of Financial Services Marketing*, 15(1), 32–48. <http://doi.org/10.1057/fsm.2010.2>
- Varela-Neira, C., Vázquez-Casielles, R., & Iglesias, V. (2010). Lack of preferential treatment: effects on dissatisfaction after a service failure. *Journal of Service Management*, 21(1), 45–68. <http://doi.org/10.1108/09564231011025119>
- Varela-Neira, C., Vazquez-Casielles, R., & Iglesias-Arguelles, V. (2008). The influence of emotions on customer's cognitive evaluations and satisfaction in a service failure and recovery context. *The Service Industries Journal*, 28(4), 497–512.
- Vazquez-Casielles, R., Iglesias, V., & Varela-Neira, C. (2012). Service recovery, satisfaction and behaviour intentions: analysis of compensation and social comparison communication strategies. *The Service Industries Journal*, 32(1), 83–103.
- Vázquez-Casielles, R., Rio-Lanza, A. B. del, & Diaz-Martin, A. M. (2007). Quality of past performance: Impact on consumers' responses to service failure. *Marketing Letters*, 18(4), 249–264. <http://doi.org/10.1007/s11002-007-9018-x>
- Wen, B., & Chi, C. G. (2013). Examine the cognitive and affective antecedents to service recovery satisfaction: A field study of delayed airline passengers. *International Journal of Contemporary Hospitality Management*, 25(3), 306–327. <http://doi.org/10.1108/09596111311310991>

Wirtz, J., & McColl-Kennedy, J. (2010). Opportunistic customer claiming during service recovery. *Journal of the Academy of Marketing Science*, 38, 654–675. <http://doi.org/10.1007/s11747-009-0177-6>

### BRIEF BIO OF AUTHOR/S



**Dr. Roshan** is a Professor and Head of Department, MBA Programme at Allana Institute of Management Sciences, Pune. He specializes in Marketing and Quantitative methods. He has taught Marketing and Business Statistics over several years. He is a sought-after trainer, in statistical software SPSS.

He has a Ph.D. in Business Administration from the University of Pune and Post-Doctoral fellow in

Management from Indian Institute of Management Indore. He has national and international publications to his credit. His papers have been published in referred journals like *Journal of Marketing and Communication*, *Indian Journal of Management*, *Prabandhan*, *International Journal of Management Cases*, Darwen, Lancashire, UK.”



**Mr. Sandeep Prabhu** is a Management Faculty at Symbiosis Institute of Telecom Management, constituent of Symbiosis International University Pune. He is BE (Mech), MBA (Marketing), MBA (Finance), and UGC-NET Certified.

He has industry, business, and teaching experience of over 19 years. He has been teaching Business Analytics, Services Marketing. He has a special interest in Structural Equation Modeling.