The role of emotions and perceived control
in the recovery strategy of service companies

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Abstract: The purpose of this study is to investigate the effectiveness of service recovery tactics. The reseach included a qualitative study based on 30 interviews with customers and employees of a telecommunication company. This was followed by a quantitative study using between subject experimental designs based on scenarios. Our research results suggest that employees' positive emotions and perceived control during the recovery process make consumers more satisfied.[1]

Key words: service recovery, justice theory, service failure, customer satisfaction

1. Introduction

Even the best services can fail some time due to the relative intangibility, the simultaneous production and consumption, the labour intensiveness and the variability of the service offering. All these factors make service recovery a critical part of services management. It is crucial therefore to understand the consequences of failure and the ways of effective recovery processes. Many researchers in services marketing have suggested that the way of handling customer complaints influence satisfaction of consumers. As suggested by Grönroos (1988) service recovery refers to the actions an organization takes in response to a service failure. Because of the inherent nature of services inseparability, it could not mean the replacement or the repair of service but mainly all the actions undertaken in order to compensate the customer's loss. Service recovery strategy involves all the actions that can be either apology, redress, attentiveness, explanation, etc.

In recent years the most widely used concept in service recovery literature is justice theory (*Tax* et al., 1998; *Smith* et al., 1999; *Maxham-Netemeyer* (2002); *McCollough* et al., 2000). Justice theory is adapted from social exchange and equity theories. This theory implies that people can judge a transaction on the basis of their investments and gains compared the other party's investment and gains. The parties try to balance the ratio in the transactions. There are three dimensions of justice: distributive, procedural and interactional justice. In the process of service recovery all three dimensions are important, meaning that not only the outcome of the recovery is important but the "how" is as well: the politeness and effort of employees (interactional justice), the speed and flexibility of the process (procedural justice) can be crucial, too. Distributive justice refers to all

actions the service provider takes to handle the complaint meaning the problem recognition, rectification, the refund, the apology (although some researchers take apology as part of interactional justice: *Smith* et al.1999). Most researches examining distributive justice came to the conclusion that these actions have strong effect on satisfaction and loyalty (*Davidow,* 2003). On the other hand, the "forced" compensation with huge efforts from the part of the customer is not as satisfactory as a smooth, fast one. This refers to the procedural justice, meaning that all service providers should have a service recovery process, that makes complaining easy, the process of recovery is fast, smooth, gives some control to the customer (*Tax* et al., 1998). *Hui and Bateson* (1991) have proved that perceived control in the process is very important in the final satisfaction. For most services, complaint handling requires the interaction of different parties. Research results show that complaints are made mainly to the front line and not to the customer service employees. This means that front line employees should be prepared to follow the appropriate recovery actions (*Goodman,* 2000). Interactional justice means not only politeness and empathy, but customers should feel real emotions from the part of the employee e.g. sincerity (*Tax* et al., 1998). Although all three element of the recovery strategy are important, *Maxham and Netemeyer* (2002) have found that customers feel process and interaction more important than the outcome i.e. the distributive justice. One reason for that can be the difficulty of judging outcome compared to the way employees handle the failure situation, which comes from the nature of services. Another research stream is the examination of emotions (*Mattila,* 2002; *Pugh,* 2001; *Shoefer-Ennew,* 2005; *Smith-Bolton,* 2002) where the common result is that the emotional state of either the service employee and the customer is critical in the recovery process.

Several variables can mediate the relationship between recovery actions and satisfaction. One of the most frequently

researched variable is the relationship between service provider and customer (*DeWitt-Brady,* 2005; *Hess* et al., 2003; *Mattila,* 2001; *Ok* el al. 2005)

The type, magnitude, severity and criticality of failure can mediate the result, as well (*Smith* et al., 1999; *Mattila,* 1999, *Craighead* et al., 2004), just as cultural norms (*Patterson* et al., 2006), or the fact whether the failure was outside the control of the salesperson (*Widmier and Jackson,* 2002) or locus and stability (*Swanson and Kelley,* 2001). Naturally, personality and behavioural factors affect complaining, as well (*Gursoy,* et al., 2007).

2. Exploratory Research

As part of the research project first we made in-depth interviews where we asked 30 customers and 30 (15 branch, 15 call centre) service front line employees of a telecommunication firm to evaluate the recovery efforts of the firm. The interviews were based on the concept of critical incidents (Bitner et al., 1990).

The interview focused on the following topics (both consumer and employee interviews):

- Recall of a critical incident
- Evaluation of the role of the consumer and the employee
- Ways to prevent similar incidents
- Characteristics of an ideal front line employee (consumer interviews)
- Characteristics of a "difficult" consumer (employee interviews)
- Reasons to complain, and not to complain

The analysis of the in-depth interviews revealed four main dimensions: the emotional dimension, perceived control, role perceptions and customer categories. A quotation for each dimension is presented in *Table 1.*

Table 1: Dimensions of customer and employee interaction

Dimension	Example
Emotions	*I had problems with setting the MMS, and after several phone calls the lady I talked to became quite nervous and talked to me in a despising way. So I raised my voice… (consumer)*
Role *perception*	*… It depends on both of us, my competence of course, but also on the cooperation of the customer. If the customer doesn't cooperate, it is very difficult to help him. It happened to me several times, that I couldn't help the customer simply because he wasn't willing to understand what I was trying to explain.. (employee)*
Perceived *Control*	*.. I try to talk to them quietly. Sometimes the client tells me in advance that he is going to yell. He is not angry with me. It's good to see them calming down, how their face change. It took me a long time to learn how to demonstrate quietness. (employee)*
Customer *categories*	*My experience is that people with a higher position (dr X, managing director, etc.) talk to me in a very unpleasant style compared to average people…(employee)*

The results of these interviews indicated that the way of complaint handling, the emotions, the perceived control and the explanation of the failure are critical in the satisfaction of

customers. Both consumers and employees have specific expectations and perceptions regarding their own roles and those of the front-line employees.

3. Research Questions and Hypotheses

The main finding of our interviews was the role of emotions and perceived control. Both party, either consumers or service contact people have emphasised the ways the other party communicates to them. If the counterpart is emotionally negative, the recovery process is much more difficult. This fact supports that interactive justice is as important as distributive justice. The role of politeness, empathy, attentiveness and positive emotions seem to be crucial in the process. The role of emotions in recovery literature is investigated from the customer part (*Smith-Bolton,* 2002; *Shoefer-Ennew,* 2005). They found that the emotional state of consumers has an effect on the recovery process and the final satisfaction. The employees' displayed emotions are researched in a rather general services marketing perspective, but have the common result of positive effect on satisfaction (*Mattila-Enz,* 2002; *Pugh,* 2001), although we can find evidence on the criticality of empathy and courtesy in the recovery process, as well (*Hocutt* et al., 2006). In accordance with these results in our opinion the emotional support (i.e. attentiveness and positive feelings) of apology or compensation from the service personnel can increase satisfaction, as well. It is even possible that positive emotions toward the problem can replace compensation.

H1: Positive emotions from the part of the service provider during recovery process have positive effect on satisfaction and this effect is more emphasised in the absence of compensation.

Perceived control is a very important, yet rarely researched field of services (*Hui-Bateson,* 1991; *Yagil,* 2002) and even less frequently researched in the service recovery process. We found in the qualitative phase that explanation and the possibility of consumer choice give a kind of control, and results in a higher satisfaction. As in the recovery literature explanation is part of the interactional justice concept and explanation is part of the procedural justice concept (*Tax* et al., 1998) we examined the two tactics separately, although we have the feeling that these two processes have the same underlying concept of perceived control.

In this research we would like to check how explanation or consumer choice influences satisfaction as a main effect and in interaction with compensation. Explanation in our research is justificational (*Sparks, Fredline,* 2007), meaning the service provider gives reason of the failure situation.

H2: The possibility of consumer choice has a positive effect on satisfaction and this effect is more emphasised in the absence of compensation.

H3: The explanation of the failure situation has a positive effect on satisfaction and this effect is more emphasised in the absence of compensation.

We were also interested in three-way interactions with no prior expectations. The following hypothesis is proposed.
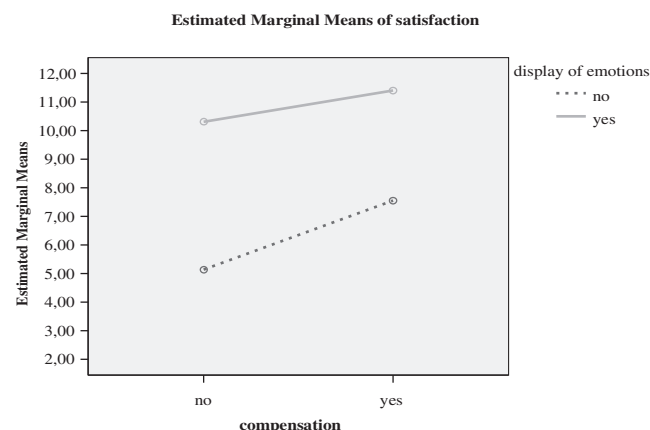
H4: The interaction effects of emotions, consumer choice, and explanation will not be the same at the different levels of compensation.

4. Research Methods and Results

In order the test our hypotheses the method of experimentation was used. A 2x2x2x2 between-subject experimental design was used with emotion consumer choice, compensation and explanation as independent variables. Each independent variable has tow levels. The dependent variable is satisfaction with service recovery (a three-item construct, each item measured on a 1-5 scale, in the analysis the summed score will be used). In total 16 scenarios were created in the context of restaurants. Credibility and distinctiveness of the scenarios were analyzed along 7 dimensions, all with significant results. The sample includes 640 consumers living in a capital. Each scenario was evaluated by 40 subjects.

The dependent variable is satisfaction with service recovery (a two-item construct, each item measured on a 1–5 scale, in the analysis the summed score will be used). Statistical analysis was performed with factorial ANOVA (*Field,* 2003). Subjects are students, sample size is 317. Each scenario was evaluated by approximately 40 students.

Research results are displayed in the appendix and *Figure 1 and Figure 2*. The main effects of all four independent variables are significant meaning that by offering compensation, providing choice for the consumer, giving an explanation for the failure and displaying emotions satisfaction is higher. With regard to two-way interactions the interaction of compensation and display of emotions is significant as proposed in H1. Figure 1 shows the impacts of emotions and compensation as main effects. We can see that by displaying emotions, and also by offering some compensation, higher degree of satisfaction can be reached. With regard to the interaction of emotions and compensation, our results suggest that in the case when no compensation is offered, displaying emotions lead to higher satisfaction compared to the situation when there is some compensation.

Figure 1: The effect of compensation and display of emotions on satisfaction

H2 and H3 are partially confirmed, since the main effects are significant, but the interaction effects are not significant.

Figure 2 displays a significant three-way interaction (H4). We can see that in case of no compensation, if the employee displays emotions, consumer choice does not increase satisfaction considerably. However if there is no display of emotions, consumer choice can improve satisfaction. If compensation is offered, the lack of display of emotions is not balanced by the choice of consumer.
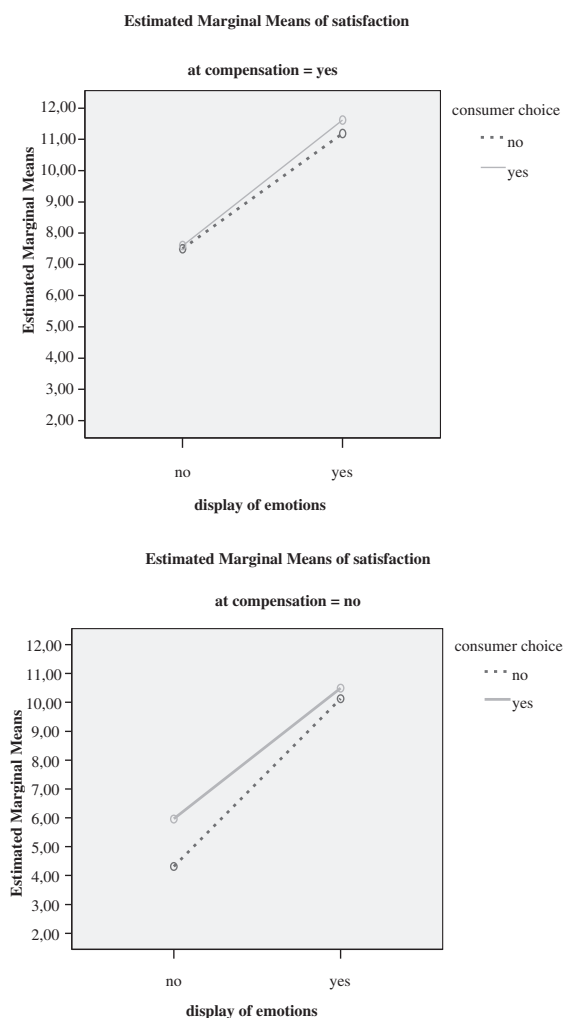
Figure 2: The effect of compensation, display of emotions and consumer choice on satisfaction

5. Conclusion

In our research we investigated the impacts of compensation, display of emotions, explanation and consumer choice on satisfaction during service recovery. We found that all independent variables have a favorable impact on satisfaction. The different combinations of these service recovery tools however result in different satisfaction scores that suggest that service recovery tools should be selected according to service characteristics. We emphasize the role of emotions. With regard to the main effects, we found that the display of emotions lead to the highest satisfaction score compared to

the impact of compensation, consumer choice or explanation. The highest satisfaction can be obtained with the combination of compensation, emotions and consumer choice.

Our research has limitations. One limitation is that only one service was investigated in both studies. By increasing the number of services the external validity of the research could be improved. Second, our research results could be refined by increasing the number of independent variables and the complexity of the research design.

Appendix 1: Mean values of satisfaction by levels of the independent variables

Independent variable	Independent variable	Independent variable	Satisfaction
			Minimum: 3, Maximum: 15
Compensation			F=70,66 Sig. 0,000
Yes			9,47
No			7,67
Display of emotions			F=479,09, Sig.0,000
Yes			10,86
No			6,33
Consumer choice			F=9,74, Sig. 0,002
Yes			8,87
No			8,27
Explanation			F=5,167, Sig. 0,023
Yes			8,81
No			8,35
Compensation	Display of emotions		F=10,176, sig.0,001
Yes	Yes		11,39
	No		7,54
No	Yes		10,31
	No		5,13
Compensation	Display of emotions	Consumer choice	F=3,73, Sig.0,054
Yes	Yes	Yes	11,62
		No	11,19
	No	Yes	7,59
		No	7,50
No	Yes	Yes	10,49
		No	10,12
	No	Yes	5,96
		No	4,31

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