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The Impact of the Antecedents of Perceived Service Recovery Satisfaction on E Satisfaction

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Abstract

Self-service technology (SST) enables a consumer to complete the transactions by themselves using a technology interface. Service failures are common to all firms and recovering from the failure is a herculean task for organizations. Hence recovering from SST failures becomes more complicated for the company. This research shows how accumulative trust, digital commitment, employee performance and perceived service orientation influence the perceived service recovery quality. A conceptual model was developed to show the linkages and was administered on the banking customers of Kerala. Responses from 300 banking customers who had experienced a failure in SST banking were collected using a structured questionnaire. The data so obtained was analyzed using the SEM based methodology. The results suggested even in the case of an SST failure bank employee performance had a significant impact in the perceived service recovery. The findings indicate that bank managers can take remedial actions in many ways to enhance the perceived service recovery quality.

Keywords: customer retention, Self-service technology, service recovery satisfaction, service failure.

Introduction

Five years down the line, the Indian banking sector would look very different from what it is now. There would be a fewer public sector and more niche banks that cater to a particular category or group of customers. Customer choices would change dramatically with technological innovations. Service quality has emerged as an important tool to attract, retain and grow customers in the present day highly competitive services markets (Shemwell et al., 1998). In banking services too, the driving force is the customer rather than the bank. The bank that has the largest customer base and the highest retention rate will be the market leader (Khong and Richardson, 2001). SST is technological interface that enable customers to produce a service independent of direct service employee involvement (Meuter et al. 2000).

Examples are automated teller machines (ATMs), banking over phone, internet banking. Consumers have embraced these SST for the additional convenience, control and privacy that they offer (Self Service & Kiosk Association 2009). Still, failures are a common occurrence in typical self-service options based on technology (Meuter, Ostrom, Roundtree and Bitner 2000).

By the year 2020 the average age of India would be 29 years, and the youth are internet savvy and want real time information which is reliable and transparent. This ever growing competition and continuous increase and changing attitude of customer expectations have made customer satisfaction and related constructs as the main focus of research in services (Kandampully, 1998; Chumpitaz and Paparoidamis, 2004).

Customers who become dissatisfied after the service failure move to the competitors (Dwyer et al. 1987). Service failure can be seen as the prospect for service operator to resolve the perceived problem to enhance customer's satisfaction (Spreng et al. Kandampully et al. 2001).

An effective recovery can turn to a paradoxical situation; a customer who faces a failure can become more satisfied when compared to those customers who did not experience any failure at all. This may be referred as Service Recovery Paradox (OK et al., 2007). Service recovery is one of the reasons a customer may stay or exit a service firm after a service failure. (Colgate and Norris, 2001).

This study is done in the backdrop of the banking industry, the sample taken are the customers who have undergone atleast one SST failure. This study suggests that the customer's accumulative trust, system quality, employee performance quality and perceived service orientation of the firm has an impact on perceived Service Recovery quality.

Accordingly, providers who react to a service failure by offering customized service recovery will succeed in retaining their share of customers and consequently their market share (Eisingerich et al., 2014). The current study highlights the role of realizing e-service recovery satisfaction to determine customer satisfaction. E-service recovery is characterized as a fast, accurate, efficient and effective means that providers can apply to absorb the negative effects of service failure. Reviewing the literature revealed gaps, which this study has sought to address. First; through analysis of the existing literature, the study selected four existing terms that have been used mostly in relation to e service recovery satisfaction and present them as new customer determinants fore-context: 'e-trust' and 'prior experience' were merged to produce the new construct: accumulative trust; 'e-loyalty' and 'digital awareness' were merged to produce the new construct: digital commitment. Second; the study investigated the relationships

between customer determinants; accumulative trust, employee performance, service orientation of firm and digital commitment, and customer satisfaction and whether these relationships are direct or indirect. Third: the study examined the relationship between customer satisfaction and e-service recovery satisfaction, and whether implementing effective e-service recovery can generate satisfaction, that can ultimately lead to customer retention. The study also investigated the role of e-service recovery satisfaction as a mediator in the relationships between customer determinants and customer retention. The conceptualizing of the new constructs will be detailed in the following sections.

The following review illustrates the theoretical framework for the five variables incorporated in this study and the relevant hypothesis.

Theoretical Framework and Hypotheses

Accumulative Trust

Accumulative trust, the first customer determinant, can be defined as the trust generated through the continuance interactions between e-customer and e-provider in the e-context. This construct is developed by the current study, and is the result of merging two concepts that have been investigated by many scholars in the marketing literature: trust and prior experience. In the 'bricks-and-mortar market' literature (traditional market), it is suggested that trust affects the intention to repurchase from the same provider in the future (Jarvenpaa et al., 1999). Eid (2011) defined trust as consumer's beliefs regarding the provider and the consumer's future intentions and behaviors. After the internet revolution, the term 'e-trust' was developed to refer to consumers' trust in the electronic markets (Ha & Akamavi, 2009). Online trust is defined as 'the belief that the behaviour of an online vendor is dependable' (Ha & Akamavi, 2009, p. 96). Shukla (2014; Ha & Akamavi, 2009) emphasized that e-trust is the key factor in establishing and maintaining the customer–provider relationship. Studies have suggested that trust is a concept that is built over time, which means it is accumulative (Bart el al., 2005; Ha & Akamavi, 2009). As such, to build trust, customers need to experience many transactions that will generate a positive relationship with the provider. Trust in the e-context is considered even more vital and crucial element than it is in the tradition environment, as direct interaction is not available. Building on the previous literature, this study suggested the new term 'accumulative trust' which indicates to the e-trust that is based on previous e-transactions and experiences with online context.

Considering all the factors, the current study suggests that the concept of 'accumulative trust' can affect e service recovery satisfaction. As such, the following hypothesis was developed for the relationship between accumulative trust and e service recovery satisfaction:

H1 *Accumulative trust positively influences E Service Recovery Satisfaction*

Digital Commitment

Digital commitment, the second customer determinant, and the second new construct generated by this study. It can be defined as the process of building a knowledgeable, loyal and committed e-customer of an e-provider within the e-context. Generating this construct was based on in-depth analysis of the previous literature and TAM. Two important variables (e-loyalty and digital awareness) were integrated to produce 'digital commitment' as a construct that applies to the e-context. Many scholars have examined the concept of loyalty because it represents a central concept in the marketing literature (Oliver 1999; Zeithaml et al., 1996). Oliver (1997) noted that customer loyalty refers to the high level of a customer's commitment to repurchase their favourite product or service in the future. Such commitment results in repeat purchases of the same brand, despite there being a great deal of marketing and promotional influences that might lead to switching behaviour. Allagui and Temessek (2005) highlighted that the theoretical foundation for e-loyalty in the online context is quite similar to the theoretical foundation for loyalty in the traditional market. Kim et al. (2009) defined e-loyalty in the retail context as the customer's attitude towards their favoured online retailer that might lead to repurchase behaviour.

This study emphasizes that e-loyalty is an important and crucial factor in the e-context (Carter et al., 2014; Chiu et al., 2009; Forgas et al., 2012). Carter et al. (2014) expressed that a committed customer is a loyal customer, who demonstrates loyalty attitudes such as recommending the provider to others and repurchasing intentions (Bashar & Wasiq, 2013; Komunda & Osarenkhoe, 2012; Pizzutti & Fernandes, 2010; Yang & Peterson, 2004). Digital commitment is a technology-based construct related to the new internet era. Its importance emerges from the fact that, within thee-context, switching providers does not bear any cost and is 'just a click away' (Shankar et al., 2003). The positive experiences with the same provider will gradually result into higher loyalty and commitment. As such, this study has generated the following hypothesis on the relationship between customer satisfaction and digital commitment

H2 *Digital Commitment positively influences E Service Recovery Satisfaction*

Employee Performance

The proficiency of the employees in routine work helps them in delivering excellent service and experience in dealing with service failures. Nearly half of all unsatisfactory service encounters are often due to employees, who lack training or skills to deal effectively with complaining customers. The importance of employee skill to maintain human relations with customers who come in direct contact was widely recognized in service recovery efficiency. These performances include ability to understand the nature of service failure and to instill confidence in customers. Hence, the following hypothesis was proposed.

H3*: There is a significant relation between employee performance and e service recovery satisfaction.*

Perceived Service Orientation of Organization

An internal attribute that decides quality of service delivery is the service orientation of the firm. Organizational service orientation is similar to the corporate culture concept that describes staff attitudes and behaviors that directly affect the quality of the service delivery process and determines the state of all interactions between an organization and its customers for maintaining quality in service delivery. Hence, the following hypothesis was proposed.

H4: *There is a significant relation between perceived organizational service orientation and service recovery satisfaction*

E-Service Recovery Satisfaction

According to Oliver (1997), consumer satisfaction is created by many evaluations over many transactions; hence, it is termed 'long-term satisfaction' or 'overall satisfaction'. Boshoff (1997) noted that service recovery refers to the response of service providers to a failed service encounter. The importance of e-service recovery satisfaction emerges from its purpose which is to retain those dissatisfied customers who may be willing to change providers in case they witnessed a poor recovery experience (En new et al., 2015). Bashar and Wasiq (2013) emphasized that offering customers fair and fast service recovery is a crucial determinant in attaining both customer satisfaction and retention as the post-recovery phase. The most important benefit of customer retention is that it leads to cost reduction (Ok, 2004) and increased profits through greater customer loyalty.

H5: *There is a significant relation between eservice recovery satisfaction* and e satisfaction

Methodology

This study followed the quantitative approach to determine the relationship expressed in the hypothesis. A self-executed questionnaire was employed as the measurement instrument. The questionnaire was in two languages, English and Malayalam. A five-item Likert scale was used for all measures (Sekaran, 2013).

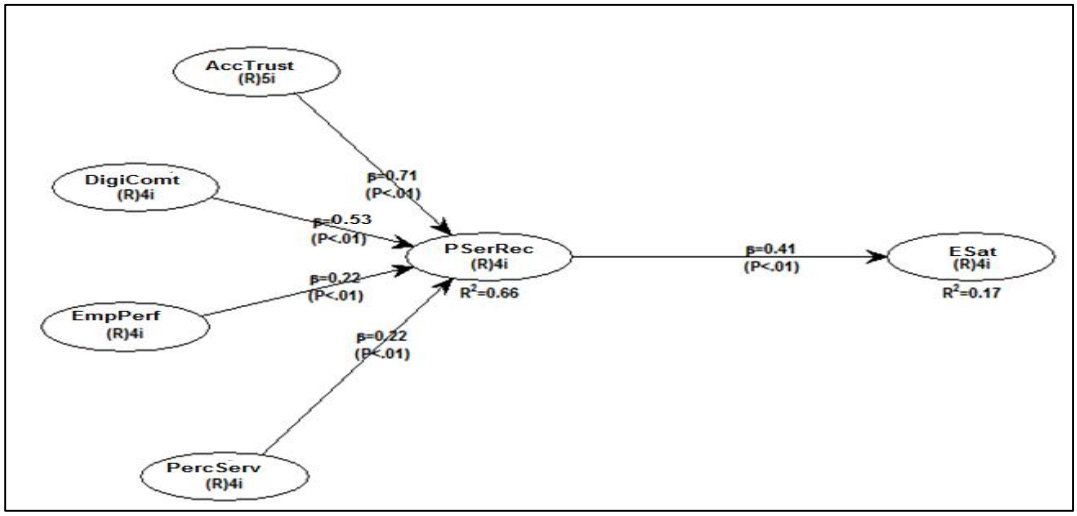
Purposive random sampling or judgment sampling (Zikmund, 2012) was used to fulfill the study's objectives. The respondents were bank customers who used online banking transactions and had experienced a service failure. Two hundred questionnaires were distributed and 175 questionnaires were collected. The final number of usable questionnaires was 150. Structural equation modelling (SEM) was performed by utilizing software analysis through the Statistical Package for the Social Sciences (SPSS) 22.0 and the Analysis Moment of Structures (AMOS) package version 22.0 (Byrne, 2013; Sentosa & Mat, 2012).

Table: 1 Reliability Analysis

Variables	***CR***	***AVE***	***Cronbach's Alpha***
AT	0.866	0.683	0.757
DC	0.832	0.621	0.701
EP	0.831	0.626	0.721
PSO	0.825	0.613	0.744
ESRS	0.804	0.573	0.711
ES	0.841	0.653	0.788

The reliability of the measurement instrument is defined in term of its ability to consistently measure the specified phenomenon (Hair et al., 2011; Ho, 2006; Sekaran, 2006). Table 3 shows the results of reliability test for the current study. Literature recommends using different benchmark ranges to judge the adequacy of reliability coefficients, which ranges from .50 to.90 (e.g., DeVellis, 2003; Helms, 2007; Nunnally & Nunnally, 1970; Streiner,2003). The results have indicated that Cronbach's alphas for all variables are more than .70. Moreover, Composite Reliability (CR) and Average Variance Extracted(AVE) show that the measurement of this study meet the minimum threshold as the CR of all constructs are more than .7 and the AVE is more than .5 (Hair, Black, Babin & Anderson, 2010). Therefore, the results have fulfilled the minimum requirement and considered as satisfactory for the purpose of this study.

Figure.1: The Proposed SEM Model



The results of SEM show that the structural model is fit as RMR= .027, GFI=.966, CFI=.933, NFI .933 and CMIN/DF=6.25 meet the minimum requirements that is suggested by various studies (Hair et al., 2010). The results show that H1 (p-value <.01, β=.71), H2 (p-value <.01, β =.53), H3 (p-value <.01, β =.22), H4 (p-value <.01, β=.22) and H3 (p-value<.01, β=.41) are supported as all p-values are less than.05. Moreover, these results indicate that Accumulative Trust has the highest influence on customer e satisfaction followed by Digital Commitment and Perceived Service Recovery. Current results also show that customer satisfaction has positive and significant relationship with perceived trust, H1 (p-value,.01, β= .71).

Conclusions & Recommendations

The current research aims at examining the impact of satisfaction with E-Service recovery on the relation between the five customer determinants in the context of banking Industry in India. The findings are expected to draw the intention of the industry management and marketing practitioners to the importance of incorporating the online technology in their strategies and efforts to retain existing customers which constitute valuable source for future revenues. The findings will also enhance understanding the vital role of E service recoveries in maintaining long–term relations with customers, spreading the positive WOM and preventing customers from switching to competitors and this study will also open the research on wide scales in the area of e-context, e-recoveries and its e-determinants from both industry and customer perspectives. In addition, scholars can explore more mediating and moderating variables that impact the level of customer retention in the e-context.

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