Systematic Review of Factors Influencing Post Service Failure Loyalty: Evidence from the Hospitality Industry

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Abstract

Service delivery failures can place hospitality service providers in a predicament and even out of business, if attention is not paid to the causative problems. A systematic review was performed in order to assess the factors influencing post service failures and customer loyalty in the hospitality industry. A common search strategy of five major scientific databases was conducted, and the researcher restricted the search to the English language, and also to the parameters in methodology and content. Literature demonstrates that when a service failure occurs, customer loyalty is affected by how the complaint is handled, the magnitude of the failure and the overall satisfaction generated after the poor service. Service recovery was found to have a significant positive effect on customer attitude, loyalty and behaviour loyalty respectively.

Keywords: Systematic review, service failure, loyalty, service providers

Introduction

In today’s business world, it is held strongly that how companies and businesses respond to service failures have become a key aspect of providing customer service that ultimately affects customer’s choices of service provision. Service failure and complaints arise when customers do not get their expected satisfaction from a service provider. These service failures and complaints may be rampant in the hotel industry since according to Atsutsey and Tandoh (2013). The hospitality industry is one of the world’s major industries, comprising of diverse activities, which include the hotel sector. Given these dynamics, and in order to attain and sustain customer satisfaction, services must be provided well, in order to reduce customer complaints behaviour. However, according to Dickinson, (2000) customer loyalty in the service industry is highly based on customers’ high expectation of zero defects in the service encounter, which determines their level of satisfaction. Thus, service provision in the hospitality sector entails sustaining the quality of service provision in order to achieve a reliable consistency, which customers can get to trust. Although hospitality service providers strive to provide excellent service in the first place, the nature of the environment makes service failure and human imperfections unavoidable. Service failures can be defined as the real or perceived breakdown of the service in terms of either outcome or process (Duffy et.al., 2006). In the view of Pranić and Roehl, (2013) service failure occurs, when a service provider fails to meet customers' expectations. Maxham (2001) on the other hand, defines a service failure from a customer’s perspective, as any real or perceived service-related problem that occurs
during the customer’s encounter with an organisation. Patterson, Cowley and Prasongsukarn (2006) also propound that a failed service encounter refers to an exchange where a customer perceives a loss due to a failure on the part of the service provider.

Lewis and Spyrokopoulos (2001) conclude that if customers perceive a service failure regarding any dimensions of service quality, their service expectations have not been met. Service failure research proposes that customer dissatisfaction is the primary consequence of service failures, which provides the motivation for subsequent customer complaint behaviour (Reynolds & Harris, 2005). Thus, service failures are the fall points in the provision of services resulting in customer dissatisfaction. Eventually, service failures are believed to endanger the survival and growth of service businesses (Koc, 2010; Wang, Law, Hung and Guillet, 2014).

A service failure not only impacts negatively on customers’ confidence in an organisation (Cranage 2004: 210), but it could also result in their defecting from the organisation. Avoiding service failure and consumer complaints is almost impossible (Mattila and Cranage, 2005; Shapiro & Nieman-Gonder, 2006; Sengupta et.al., 2015). If a service failure occurs, a business's response can either strengthen loyalty or worsen the situation by driving the consumer to a competitor (Knox and Van Oest, 2014; Hazée et.al., 2017). Thus, according to Bougoure, et.al., (2016) service failures and ineffective recovery steps are influential in provoking consumers’ switching behaviour. As a result, the service industry must effectively address service recovery situations to continue positive relationships with consumers (Wen and Chi, 2013). Hospitality service failure is inevitable and can be fatal to hospitality businesses if poorly managed (Zeithaml et.al., 1990).

Predicting and managing customer responses to service failure are critical for the sustainability and profitability of all hospitality businesses. Against this backdrop, significant academic attention has been paid to customers’ behavioural responses to hospitality service failures (Kim et.al., 2010), with cultural values identified as important explanatory variables (Chan et.al., 2007; Liu & McClure, 2001). However, most of the previous studies on hospitality service failures have only examined the cultural effects in the context of cross-national comparison, whereas research efforts on factors influencing post service failure loyalty is limited, to the best knowledge of the authors. It is against this background the research seeks to examine factors influencing post service failure loyalty in the hospitality industry.

Methods

This study was a systematic review of reviews that assessed factors influencing post service failures and loyalty in the hospitality industry. The study was conducted in accordance with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) statement.

Search Strategy

A literature search was performed using ScienceDirect, Elsevier, Emerald Insight, Taylor & Francis Online; (all assessed through Balme Library, UG). The search was last run on April 13, 2018. In addition, we included further relevant systematic reviews known to the authors of this paper, but not identified by the search, and we searched the reference lists of eligible studies.
Inclusion and Exclusion Criteria

This overview included data from qualitative, quantitative and mixed methods reviews published in English. The study also included peer-reviewed articles that aimed at evaluating services failures, recovery and customer loyalty. However, reports published in languages other than English; reviews that did not services failures, recovery and customer loyalty as described in the inclusion criteria; reviews that did not report empirical findings; reviews published only in abstract form; commentaries and non-peer reviewed reports were all excluded from this study.

Review of Related Literature

Service Failure and Recovery

Duffy et al., (2006) defined service failures as the real or perceived breakdown of the service in terms of either outcome or process. That is, when service performance fails to meet a customer’s expectations. Consumers expect service providers to take action to remedy service failures (Tax, Brown and Chandrashekaran, 1998). Thus, service recovery then, or complaint handling as it is also known, refers to the actions a firm or service providers takes in response to a service failure (Bougoure, 2016). In the view of De-Matos et al., (2013) service failure and complaint handling represent critical moments of truth in the relationship between a brand and a consumer and thus, offer opportunities for firms to communicate with customers and therefore strengthen brand relationships, if well handled (Choi and La, 2013; Tuskeje et al., 2013). As such, managers must develop clear service failure and recovery procedures that are effectively communicated and shared with all staff, particularly front line staff, given they directly interact with customers (Maxham and Netemeyer, 2003), therefore influencing the customer loyalty. Since effective complaint handling or service recovery strategies can result in more satisfied and loyal customers (Patterson et al., 2006; Smith and Bolton, 1998), it is essential that service providers focus on understanding consumer satisfaction with complaint handling. The next section, thus reviews handling and managing customer complaints.

Handling and Managing Customer Complaints

Complaint handling is the procedures and actions of service providers aimed at addressing customer complaints and recovering dissatisfied customers (Taleghani et al., 2011). Many studies have pointed out the importance of a better understanding of complaints handling to improve business performance. Dee et al.,(2004) define complaints handling as a process that addresses issues that concern customers, whiles Stichler and Schumacher (2003) describe complaints management as fixing the policies, systems, or protocols so that the problem would not occur for future customers. Other investigations classify complaints handling into several subprocesses that include: receiving the complaints, investigating the cause of the complaints, resolution with the customer, creating preventive action and developing recovery (Johnston, 2001). In the end, organizations need to make sure that customers are satisfied with the complaints handling process by effectively providing a solution to the customer and thus ensuring customer retention (Davidow, 2003).

Alexandra et al., (2015) analysed the key features of an effective complaint management process as well as to explore whether these systems are formally
constituted in terms of standards or other models for complaints management. Four case studies of spa organizations from Spain were involved in the study, and the study revealed that all four organizations under the study have some mechanisms implemented to handle complaints although different levels of formalization have been achieved. However, the level of implementation or formalization of complaints handling procedures in the company is irrelevant if the employees and top management are not in line with them (Alexandra et.al., 2015). Thus, top management commitment and resources allocation is also important and the evolution of managerial practices related to customer complaints.

Another study by Gruber et.al., (2009) explores the nature of complaint satisfaction with particular emphasis on the qualities and behaviours that male and female customers’ value during personal complaint handling service encounters. A semi-standardized qualitative technique called laddering was used to reveal the cognitive structures of complaining female and male customers. In total, 40 laddering interviews with 21 females and 19 male respondents’ with complaining experience were conducted. Gruber et.al., (2009) reported from their findings that being taken seriously in the complaint encounter together with the employee’s competence, friendliness and active listening skills are particularly important for both male and female complainants. Females were more able than male respondents to develop strong associations on the highest level of abstraction and link desired employee behaviours with several values. More so, female customers tend to be more emotionally involved than male customers as they wanted employees to apologize for the problem and sometimes needed time to calm down and relax. By contrast, male complainants were mainly interested in a quick complaint solution (Gruber et.al., 2009). This study was not limited to any particular sector, hence these issues of male and female expectationS of how complaints should be handled is likely to occur in the hotel industry, and this research intends to reveal empirically if this applies to hotel customers in Ghana.

More so, a study on the effect of justice in complaint handling on customer’s negative emotion unveils that distributive justice, procedural justice, interactional justice, and informational justice has a negative influence on negative emotion of customers (Badawi, 2012). The respondents of this study were laptop customers with one-year minimum of warranty and have been experiencing service failure which amounted to 180 people being involved. With the use of the Structural Equation Model (SEM), more findings were unveiled: 1) negative emotion can raise complaint handling satisfaction, 2) distributive justice, procedural justice, interactional justice, and informational justice on complaint handling has a positive significant influence on complaint handling satisfaction, 3) negative emotion can be mediating the effect between justices on complaint handling satisfaction (Badawi, 2012).

Handling customer complaints often represents the last opportunity that an organisation has to address the dissatisfaction from customers and to retain them (Vincent and Webster, 2005), and the hospitality and tourism industry is growing rapidly globally and always face a huge influx of customers (Ramphal, 2016). In a study conducted by Ramphal (2016) on complaint handling systems in the hospitality industry, a content analyses was conducted on 20 complaints handling management system documents and it was outlined that complaint handling systems should be supported by top management’s involvement and commitment to provide policies and resources and instil an open culture for complaints acceptance and subsequent handling.
In a study conducted by Dinnen and Hassanien (2011) to explore hotel management’s attitudes and practices toward handling customer complaints within the hospitality industry in Scotland, it was reported that it is important to have employee training in the area of customer complaints, recommending that employees handle complaints themselves. A case study interview was carried out with four and five-star hotel managers in Scotland. However, the findings revealed that encouraging customer complaints and feedback should be seen as a way in which to develop a better relationship with customers and retain them. More so, it is important having employee training in the area of customer complaints, recommending that employees ideally handle complaints themselves where possible.

Sharma (2017) explains some practical approaches to handling complaints in the dental care service. First of all, a complaints manager should investigate the complaint and should not be limited in seeking the views of all relevant parties. Also, it is fundamental not to provide a detailed response to the patient before gathering all the facts and investigating and the professional must remain neutral and not become defensive or aggressive. However, if there was some sort of misunderstanding then purely apologising for the inconvenience caused will often put the patient at ease. Allowing the patient to fully voice their concern and having an open conversation will allow for the situation at hand to be clear. It may also be that after a comprehensive investigation the practitioner is not at fault then the patient needs to be informed of this (Sharma, 2017).

In an African article, Nicolaides (2015) asserts that quality is undoubtedly a critical aspect of management practice and is infused into the ‘psyche’ of many companies thus making quality service critical. He unpacks a number of important questions and the main purpose of his study was to advance our understanding of the importance of ethics in the workplace as part of a quality ethos including how customers are treated and their complaints are handled in general. Nicolaides (2015) also states that quality initiatives and a greater consciousness of quality is an all important aspect of operational employees impacting positively on a business and ultimately sustainability due to customer satisfaction.

Donaldson and Cavanagh (1992) investigated complaint handling procedures in the hospitals and found that hospital complaints procedures take too long and its final peer review stage may not demonstrate sufficient impartiality. Written responses are considered below the standards agreed by the expert panel because the written responses suggest that face to face criticism is not welcomed as a way of improving service. The median time taken to complete the complaints procedure is 381 days. Also, More complaints alleging failure of communication were upheld by peer review (46/599 78%) than those alleging misapplication of clinical skills (20/98, 20%) or failure to initiate appropriate investigations or treatment (8/32, 25%) (Donaldson and Cavanagh, 1992).

In a study to examine the effectiveness of complaint handling processes in the banking industry, most customers perceived that appropriate action is not taken against the employees accused of misconduct. Customers also noted that the use of suggestion boxes as a step in handling complaints and the absence of suggestion boxes in fact discourages complaints (Chikosha and Vutete, 2016), as many of them may prefer using the suggestion box to issue their complaints. According to Chikosha and Vutete (2016), about 22.6% of customers agreed that they hardly see suggestion boxes or customer complaints registers in their respective banks.
It appears that, most researches on complaint handling procedures have been conducted on different populations, some from the health sector and a few are based on customers in the banking industry. Hence, findings of these studies may differ from that of this research, and also cannot be generalized to the hospitality industry as well, unless this research reveals similar results.

Shammout and Haddad (2014) identified the most important impacts of complaints handling on customer satisfaction in commercial banks in Jordan. Five commercial banks were used and 419 questionnaires were distributed. Complaints' handling was the main domain of the study with six dimensions considered to be the sub-independent variables for the purpose of the study (service recovery, service quality, switching cost, service failure, service guarantee and perceived value) and the dependent variable was customer satisfaction. It was pointed out that there is a statistically significant impact of the overall dimensions of complaint handling (service recovery, service quality, switching cost, service failure, service guarantee, and perceived value) on customer satisfaction. Another study by Supriaddin (2015) also examines the effect of complaint handling towards customer’s satisfaction of in South Feat Sulawesi. In this study 168 customers of banks were sampled using purposive sampling. Using path analysis, findings revealed that, better of customers’ complaint handling increases customers’ satisfaction of Bank BRI in Southeast Sulawesi. It was also reported that better customers’ complaint handling increases customers trust and loyalty of Bank BRI in Southeast Sulawesi.

Wasfi and Kostenko (2014) investigated the aftermath of effective complaint management structures in relevance to customer’s retention in the banking industry. The framework is structured on the bases of determining the strength of the relationships between the following variables, complaint management, customer’s satisfaction and loyalty. Relationship between variables were determined by correlation and linear regression analysis to calculate the extent to which each variable affects the other. It was revealed that there is significance relationship between customer satisfaction and effective complaint handling in Lebanon than in Sweden. This is because, the linear regression analysis shows that effective complaint handling in Lebanon determines 71.6% of the variance in customer satisfaction (R=0.716; R2=0.513; Sig.=0.000) and on the other hand, in case of Sweden it explains about 44.1% of the variance in customer satisfaction (R=0.441; R2=0.195; Sig.=0.001) (Wasfi and Kostenko, 2014). Moreover, Dash et.al., (2009) also point out that customers from low power distance countries assume reliable and responsive service having high service quality expectations. Therefore, it is likely that complaint handling efforts employed by banks in response to failure encounters simply meet Swedish customer expectations and do not lead to extra delight as is the case for Lebanese customers. Thereby, higher customer expectations of service quality in Sweden explains the less significant moderate relationship between effective complaint handling and customer satisfaction.

All studies carried out appear to prove a significant relationship between complaint handling and customer satisfaction irrespective of the study area or the business industry concerned. More so, there is very little research available on factors contributing to customer complaint behaviour in the hotel industry and especially in Ghana. This may imply that researchers concentrate more on customer satisfaction in the industry, or could it be that complaint behaviours are not rampant in the hospitality industry?
The Concept of Customer Loyalty

Customer loyalty has received increased attention by both practitioners and researchers, who realize that attracting new customers is more expensive than retaining existing ones (Holmund and Kock, 1996; Wong and Sohal, 2002). Oliver, (1999) defined customer loyalty as a consumer’s deep and consistent commitment to a product, service, or brand. Simply, customer loyalty can be explained as power of relationship between relative and repeated patronage of an individual. Dick and Basu (1994) on the other hand highlighted that loyalty is based on customer attitude as well as behavioural phenomenon. In their view, Berry and Parasuraman (1991) argued that the ultimate goal of the marketing process is to intensify relationships with loyal customers, and to transform indifferent customers into loyal ones, emphasizing the importance of customer loyalty in the success of services marketing.

A study by Kandampully and Suhartanto, (2003) has defined and measured customer loyalty mainly from two perspectives: behavioural and attitudinal perspectives. The behavioural perspective views customer loyalty as the actual behaviour of repurchasing products or services from the same provider and engaging in positive word-of-mouth (Osman, 1993). On the other hand, Jones and Sasser (1995) stated that customer loyalty is “a feeling of attachment to or affection for a company’s people, products, or services.” Getty and Thompson (1994) supplemented the behavioural approach with the concept of relative attitude, which refers to a customer’s intention to repurchase and recommend a service provider.

Further, Dick and Basu (1994) proposed that loyalty is greatly affected by the relative strength of the relationship between attitude and behaviour. They posited that true loyalty only exists when repeat patronage coexists with a high relative attitude. Attitude denotes the degree to which a consumer’s disposition toward a service is favourably inclined (Azjen and Fishbein, 2000). This is reflected, for instance, in the willingness to recommend a service provider to other consumers or the commitment to re-patronize a preferred service provider (Gremler and Brown, 1996). Based on their favourable attitude toward a service provider, customers may develop preferences. Thus, current definitions of customer loyalty include both attitudinal and behavioural components (Fullerton, 2005). Customer loyalty is the key to success in today’s competitive hotel industry (Mattila, 2006). Moreover, customer loyalty is a profitable approach since, as a mature industry, the hospitality business must pursue market share gains, rather than market-growth gains (Jarvis and Mayo, 1986).

Relationship between Service Recovery and Loyalty

The fact that service recovery results in customer loyalty has been focused upon by many authors. Andreassen’s (1999:325) findings show that customer satisfaction resulting from complaint resolution causes customer loyalty. Thus, service recovery results in the needed positive word of mouth marketing by happy customers. A study by Johnston and Michel (2008) has found that successful service recovery results in repurchase buying intentions. Shapiro and Gonders (2006), on the other hand associate the firms productivity and sustainable growth with the customer satisfaction. Thus, if the efforts of service recovery are performed in a better way this can lead to the customer satisfaction, loyalty and positive word of mouth (Maxham, 2001:11). If service failure happens, the service provider should respond to recover the customer. The service recovery is the response of a service provider to a dissatisfied customer. However, if the customer continues to complain and does not
get any response, such a customer can destroy the reputation of the service provider through a negative word of mouth and can switch to another service provider. A study by Morrison and Huppertz, (2010) stated that the better the service recovery system of an organization, the more it reduces the customers’ problems, improve customers’ satisfaction and solves negative word of mouth. Hence, it is important for service providers to establish strategies for the service recovery (Maxham, 2001:24). The strategies of service recovery process are of two types, one is the psychological strategy that is focusing on the actions. Thus, by explaining a problem to a customer and the second type of the strategy is the tangible strategy that is based on giving material compensation for poor services rendered such as reducing customer practical loss (Miller et.al., 2000). Edvardsson Bo et.al, (2011) have given a different view about the service recovery and customer loyalty issues, and state the customer may complain after the first unfavourable service experience. In the case of successful service recovery, the loyal customer looks beyond the occasion of service failure. On the other hand, in the case of unsuccessful service recovery, the customer can come with additional complaints, even if he/she is not compensated by the seller, it will not affect his/her loyalty; however, in the case of unsuccessful service recovery, the customer will come to senior management with additional complaints. The unsuccessful service recovery at third deviation can negatively impact the customer’s loyalty and customers can take unfavourable service experiences as given. Thus, service recovery is important to undertake. However for a loyal customers this is different than what it is for the disloyal customers, which stresses that loyalty is not merely dependent on service recovery processes.

**Discussion and Conclusions**

Literature demonstrates that when a service failure occurs, customer loyalty is affected by how the complaint is handled, the magnitude of the failure and the overall satisfaction generated. Also, service recovery was found to have a significant positive effect on attitude loyalty and behaviour loyalty, respectively. This means that service recovery strategies are very important in determining the customer's satisfaction in the hospitality industry. This will rapidly affect the customer’s decisions whether or not to recommend to others the services of a service provider.

Also, the main purpose of a hospitality industry is to create and retain customers who ultimately bring profits into a company in order to be able to keep it sustainable. Research shows that the main income of the hospitality sector comes from its loyal base of existing customers. Therefore, hospitality managers argued whether or not satisfying customers is sufficient, or perhaps customer loyalty within the hospitality industry is of higher importance than customer satisfaction (Kandampully and Suhartanto, 2000).

Accordingly, the hospitality industry suppliers are dependent on retaining customers and that is why customer relationship management is wise to use so as seek to ensure customer loyalty. It is assumed by Kandampully and Suhartanto (2000) that a loyal customer is involved within a customer-supplier relationship, where the customer repurchases from the same service provider whenever possible, and then continues to uphold a positive attitude towards the supplier in what becomes a lifelong relationship.
References


