The Service Recovery Strategies, Customer Satisfaction, Customer Loyalty

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Abstract

This paper reports on a study investigating key attributes of service recovery strategies in internet shopping mall. In these days, service recovery has received important attention in the service operation management literature. Service recovery involves those actions designed to resolve problems, alter negative attitudes of dissatisfied consumers and to ultimately retain these customers. The study examined that service recovery strategies (apology, compensation) impact on the customer satisfaction. And customer satisfaction impacts on customer loyalty with SEM (Structural Equation Modeling). This study can be used a strategic implication for internet shopping mall managers to develop successful service recovery strategies.

Key Words: Service Recovery Strategies, SEM (Structural Equation Modeling), Customer Satisfaction, Customer Loyalty

1. Introduction

Loyal customers are a vital asset of service companies. The most effective way to ensure repeat customers is to provide a product and service that meets or exceeds the customer’s expectations every time (Miller et al., 2000). Although this fact is important, effective application of recovery strategies may enable service managers to maintain or even increase loyalty. Generally, Good service recovery not only turns angry and frustrated customers into loyal ones, but it also has the potential to create more goodwill than if things do go wrong.

Hocutt et al. (1997) found that when the customer causes the service failure, satisfaction (complaint) levels are higher (lower) after service recovery efforts than in situations where no service failure occurs. Indeed, Hart et al. (1990) stress that a good recovery can turn angry, frustrated customers into loyal ones.

This paper provides a cause and result research model for service managers to get im-

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plication a service operations perspective as well as a turning point for a researcher in service operation management to identify recovery strategies.

When one shops on the Web, Service recovery is a concern. However, there is no further study on service recovery about internet shopping in South Korea. So, The purpose of this study draws on the service failure and service recovery literature to develop and experimentally test a conceptual research model that link customer satisfaction and customer loyalty.

2. Literature Review

2.1 Service Recovery

A service failure occurs when the quality of service delivery fall short of customers’ expectations (Bell and Zemke, 1987). As service mistakes are an unavoidable feature of service delivery just lie all human endeavors, service firms must have service recovery strategies to recover service failures. Service recovery involves those actions designed to resolve problem, alter negative attitudes of dissatisfied consumers and to ultimately retain these customers (Miller et al., 2000).

According to Miller et al. (2000), service recovery frame work typically consist of three phases that are pre-recovery phase, immediate recovery phase, and follow-up recovery phase.

![Figure 1. A service recovery framework](image-url)

Miller et al. (2000) have discussed what constitutes service recovery strategies which are psychological, tangibles, speed of recovery, and front line empowerment. Bell and zemke (1987) proposed five ingredients for service recovery: apology, urgent reinstatement, empathy,