



Investigating the Relative Importance of Customer Recovery Strategies in the Hospitality Industry

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Abstract

This study examined the relative significance of service recovery strategies in enhancing customer's willingness to return to the firm, with the hospitality industry as the case study. Using descriptive and inferential statistics from a sample of 72 respondents, the study identified several recovery strategies used in the hospitality industry and their ranking in terms of effectiveness, with monetary compensation category dominating over other strategies. The study concludes with implications for management and future research.

Key words: Recovery strategy; Service failure; Hospitality management; Service elements

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INTRODUCTION

Service recovery management is increasingly receiving scholarly attention today than ever before (Bhandari & Sharma, 2011; Loverlock & Wirtz, 2007). The simple reason is that many service organizations are interestingly recognizing that it is crucial and more beneficial to manage and retain existing customers than to acquire new ones for them to remain competitively relevant (Gronroos, 1994). While attitude towards service recovery has been receiving increasing attention from both scholars and

practitioners, very few empirical studies have attempted to evaluate the use and effectiveness of these recovery strategies particularly in the context of hospitality industry.

The hospitality industry is expectedly growing by 6.2% and the tourism industry by 4.1% since 2007 (Economist intelligence unit, 2005). This indicates that the industry is significantly progressing and contributing meaningfully to the gross domestic product (GDP) of developing economies. Indeed, this growing industry in Nigeria has helped to improve national income earnings, generate employment opportunities, aid in balance of payment and foreign exchange as well as boosting national economies.

However, the growth of this industry is phenomenal and confronted with challenges of developing economies, that if left unattended to with empirical findings of scholarly enquiry may affect the industry's seeming growth. Running a good hospitality business is a complex thing, and much can go wrong. One of the distinctive characteristics of this industry is the way in which service failure occur. (Craighead *et al.*, 2004; Rougie, Preters, & Zeelenberg, 2003). All too often, however, service failure and recovery strategy seems to ignore the evaluative component and effectiveness of the strategy type, with each step in the recovery process being handled as a discrete event rather than being integrated into a holistic process.

Recovery strategy may vary considerably in the same failure situation. For examples; managers frequently use apology or money refund back strategy when there is service failure, yet we have little knowledge of the effectiveness of such strategy on consumer's willingness to return (WTR). Since recovery strategies and willingness to return differ along behavioral dimensions, much research effort is therefore needed to examine how effective these strategies are and their impact on consumer's willingness to return. It is therefore important that hospitality managers understand how espousing

certain recovery strategies could help or counter consumers' willingness to return behaviour. Our concern is that by not understanding how effective these recovery strategies have been within the context of hospitality industry is a void in the literature which this study attempts to fill.

When a service failure is addressed through a recovery strategy, it makes sense to evaluate the effectiveness of such recovery effort. Hence in this study, we assume that the effectiveness of any recovery strategy can be measured by consumers' willingness to return (WTR). While the willingness to return is a function of satisfaction which leads to a repeat purchase. From the customer's perspective, identified failure points are those that results in failure to access or enjoy the core product. In the case of hospitality business this involves the reservation (could it be booked by phone? Was the reservation available at the desired time and date? Was the reservation recorded correctly? And was everything in the right place as promised or expected? These and many other issues like requiring the customers to wait excessively while some customers may also be tortured by inept, rude and cruel service employees would undoubtedly leave the customer with some impression, be it positive or negative. It is only by identifying all the possible service pitfalls and available recovery strategies with its associated effectiveness in causing the customer to return, would hospitality managers be able to put together an effective service recovery system that will explicitly affect customers willingness to return.

It is against this background that this study attempts to provide answers to the following research questions:

- (1) To what extent do managers and customers consider important the available recovery strategies in influencing customer's willingness to return behaviour?
- (2) Is there any significant difference in the extent to which selected recovery strategies are considered important between patrons and managers in causing customers to return?

In order to provide answers to the research question, one hypothesis was formulated to guide the study and stated in its null form as:

Ho: Opinions and ranking of the relative significance of recovery strategies adopted in the hospitality industry are not significantly different between patrons and managers in terms of their impact on consumer's willingness to return.

LITERATURE REVIEW

Service management literature recognizes two different dimensions of service; the production, technical or outcome dimension and the service related, functional or process related dimension. In the hospitality industry,

the service mix is characterized by a combination of production and the service elements, which if properly managed can generate positive outcomes like repeat purchase and overall customer satisfaction but if poorly managed can result in failure which may or may not be recovered. (Wirtz & Tomlin, 2000; Mucha, 2002; Cherbakov, 2005; Stephen, Colgate, & Bowen, 2006).

Scholars like Kotler, Boven and Makens (2006); Brady, Cronin and Brand (2002); Bitner, Booms and Tetreault, (1990) had since documented the importance of recovery strategies and their associated limitations in terms of effectiveness in driving consumers behaviour. Various studies have also documented the effect of recovery strategies on corporate performance (see for example; Stephen, Colgate, & Bowen; 2006; Mucha, 2002; Cherbakov, 2005). Numerous studies have also shown that a firm's ability to bring back customers has a crucial significance in the business growth. Kotler, Bowen and Makens (2006) for instance posit that the cost of preserving an existing customer is about 70 percent the cost of bringing in a new customer. Brady, Cronin and Brand (2002) observed that customer's willingness to return (WTR) is a function of customer satisfaction. Hence, a positive correlation is found between customer willingness to return and satisfaction.

Careful analysis of the reasons for failure in service processes is important because this will reveal opportunities for failure proofing. Harris and Reynolds (2004) in their survey of hospitality industry, highlighted same key areas that can lead to customer satisfaction to include:

- Prompt and accurate intelligible bill presentation as soon as the customer requests it.
- Polite and expeditious handling of payments.
- Pleasant thanking of the guests for their patronage and invitation to come again.
- On visiting the rooms, including rest rooms, customers find them clean and properly supplied.
- The customer car is protected, washed and is brought promptly to the door in the same condition as when it was left.
- The ability of the attendants to thank and re-thank the guest and bid him or her farewell.

Lovelock and Wirtz (2007), had however noted that one major signal of poor service design is the growing number of customer complaints about inconvenient and unnecessary procedures. Authors like Warden, Huang and Wu, (2008) and Kotler Bowen and Makens, (2006) had suggested that customers who are dissatisfied, but experience a high level of excellent service recovery, may ultimately be even more satisfied and are more likely to return than those who were satisfied in the first place. Bhandari and Sharma (2011) pointed out that service failures occur for all kinds of reasons; the service may be unavailable as promised, it may be delivered late or too slowly, the outcome may be incorrect or poorly

executed, or employees may be rude or uncaring. All these types of failures bring about negative feelings and responses from the customers. Therefore, one way to create a positive experience and exceed expectations of the customers is to adopt an appropriate recovery strategy of the right amount at the right time. (Bitner Booms & Tetreault, 1990). Accordingly, Bitner *et al.* concluded in their study of the hotel, restaurant and Aviation industry that almost a quarter of service encounters resulting in increased satisfaction is as a result of using appropriate recovery action. Hart, Heskett and Sasser (1990) in their service recovery paradox observed that customers who experience service failures and were followed with an appropriate recovery strategy were more satisfied and more likely to produce loyalty and favorable word of mouth than customers who do not experience service failure at all. Accordingly, they found out that about 43% of the respondents who were identified as dissatisfied attributed it to a firm's inability to respond to service failure appropriately and not due to the failure itself.

Moreso, Keaveney (1995) in his study regretted that in 60% of situations in which customers switched their service providers were as a result of response to service failure and that 45% of the customers switched because there were no appropriate responses by the firm. Accordingly, Bhandari and Sharma (2011) identified and enumerated the causes of service switching behaviour, which they divided the causes into eight categories namely:

- (a) Pricing – which includes, high price, unnecessary price increases, unfair pricing and deceptive pricing.
- (b) Inconvenience – These include; location and operational hours, waiting time for appointment and waiting time for services including procedure for booking of services.
- (c) Core service failure: such as service mistakes and billing errors.
- (d) Service Encounter Failures: These cover uncaring attitude by staff, staff impoliteness, unresponsiveness and poor knowledge of the service he or she is rendering.
- (e) Response to service failure: such as negative response, no response, relevant responses and response at wrong time.
- (f) Competition: Availability of better services elsewhere.
- (g) Ethical Problems: such as cheating, hard sells and provision of unsafe product or service.
- (h) Involuntary Switched: Always caused by customer being transferred, or relocating to another place.

Bitner *et al.* (1990) also examined the strategies necessary to combating these failures and divided them into three categories:

- (a) Monetary compensation strategies
- (b) Service interaction strategies and
- (c) No action strategies

This study explores the variables which influence

consumers' willingness to return following a recovery strategy in case of different service failure events in the hospitality industry. Our assumption is that in every service failure situation, there is a preferred recovery strategy.

Service Recovery Strategies and Customers Willingness to Return

Bhandari and Sharma (2011) view service recovery as any activity taken by an organization in response to a service failure, with the aim of reinstating the customer's level of satisfaction and thus keeping the customer loyal to the firm. Therefore, recovery strategies are win back programmes put in place by organizations to keep their highly valued customers (Griffin, 2001).

A study of hotel industry by Ibok (2009) highlighted that hotels in Akwa Ibom most commonly use coupons, apologies, money refund offer, value added offer, assistance, or offer of quick solution to the problem complained by the customer, monetary compensation, assurance of non repetition of the negative experience, opening up communication with an unhappy customer, becoming more compassionate, provide feedback on remedial measures taken, or even supply explanation for the failure outcome, provide service guarantees and respond quickly to complaints lodged by customers as some of the recovery strategies. Hoffman *et al.* (2003) also observed that some service firms present the customer with a replacement in order to recover the customer, while others do nothing. In a similar study by Craighead *et al.* (2004), loyal customers were found to have greater displeasure when problems that are less serious occur, but when serious problems occur, loyal customers tend to exhibit high level of understanding as far as recovery measures are put in place by the firm. Accordingly, they concluded in their study that loyal customers who experience less serious problems attach less importance to apology but expect that the organization will handle the problem quickly, while serious problems may attract apology, sincerity, fair compensation, an added value offer, fast recognition of the problems as well as providing quick solution to it.

In agreement with this study, Matilla (2001) concluded that customers who have emotional ties with an organization often have a low tolerance when there is a service failure. More so, scholars like McDougall and Levesque (1999) maintained that organizations can provide assistance alongside with an apology and compensation as a means of recovering the customer. Thus, he sees assistance as a recovery technique aimed at rectifying the problem in order to win back the customer to his former state. In a research by Colgate and Norris (2001), customer's willingness to return is influenced by three critical factors:

- (a) The level of satisfaction with the service recovery strategy after a complain has been made.

(b) The level of customer's loyalty towards the organization and

(c) The customer's perceived barriers to exit.

These according to Magnani and Ford (2004) is a function of how the employees have been provided or equipped with service recovery training programme and information on best recovery practices among competing firms. Accordingly, Boshoff and Staude (2003) remarked that successful service recovery strategies can be achieved by communicating with an unhappy customer, remaining compassionate with the customer, providing feedback on measures taken to alleviate the problem, building and sustaining affinity programmes, providing quick explanation to any service problem, employees empowerment to respond quickly to problems as well as providing professional training to employees on organizations recovery programmes. These according to little and Marandi (2003) will have a positive consequence on customers willingness to return.

METHODOLOGY

The purpose of this study is to investigate the use and effectiveness of recovery strategies on customer's willingness to return (WTR). The purpose is divided into two research questions: what are the recovery strategies of hospitality industry? How effective are these strategies in influencing willingness to return in case of a service failure? Hospitality industry is selected case study under investigation for this study in Akwa Ibom State, Nigeria. The case study method adopted is deemed useful in investigating contemporary phenomena within a real life context; especially when the boundaries between phenomena and the context are not clearly evident.

Case research method can employ several data collection methods, either quantitative or qualitative, depending on the variables being investigated. Data for this study was obtained mainly from primary source. The main data collection techniques were the structured questionnaire and semi structured interview schedule. The researchers carried out some group interviews with key informants in this sector. The interviews were held with known patrons, and managers of these businesses. Other valuable information in this study was collected through unstructured conversation with staff members in this industry and through direct observation during our unscheduled visits to these places.

The study population comprised private and public clients of all categories operating hospitality business in Akwa Ibom State. Specifically, patrons, and managers involved in hospitality industry. Pilot studies of twenty hotels in the study area were conducted. From the survey, 127 hospitality units were identified and their clients were adopted as the study population frame. The size of the sample of the population used for the study was 72. This was due to the researcher's inability to obtain a

comprehensive list of patrons and this prevented the use of the simple random sampling technique which statistically, is a more suitable approach to sample selection.

Data collected were analyzed to determine the ranks of the level of awareness of recovery strategies using Relative importance index (RII) and the ranks of the extent to which the recovery strategies were considered important in their willingness to return using Relative consideration Index (RCI). Both RII and RCI were calculated as the total score divided by the number of respondents. The level of importance of identified factors were therefore determined using mean scores; with the greatest mean representing the most important factor. The test of difference in the extent of consideration of the factors among the patrons and the management of hospitality business was done using chi-square. The variables were measured using five ranks namely: not considered, rarely considered, moderately considered, highly considered and most considered. The ranks were rated 1, 2, 3, 4, and 5, respectively, while ranks of importance attached to selected recovery strategies affecting customers willingness to return were measured with not important = 1; rarely important = 2; moderately important = 3; very important = 4; and most important = 5.

Data for the study were processed and analyzed with the aid of the statistical packages for social sciences (SPSS 15.0).

FINDINGS AND RESULTS

The characteristics of the respondents to the study were investigated. Four demographic characteristics namely: sex, educational qualifications, age and work or patronage experience were analyzed. The results are as presented in Table 1.

Table 1
Descriptive Characteristics of Respondents

Characteristics	N	Percentage
Sex		
Male	65	90.3
Female	7	9.7
Total	72	100
Number of Years in Business or Patronage		
1 – 5 YEARS	24	33.3
6 – 10 YEARS	12	16.7
11 – 15 YEARS	3	4.2
16 – 20 YEARS	8	11.1
ABOVE 20 YEARS	25	34.7
Total	72	100
Age		
BELOW 20 YEARS	25	34.7
21 – 30	31	43.1
31 – 40	13	18.1
41 - ABOVE	3	4.2
TOTAL	72	100
Academic Qualification		
OND/ Equivalent	8.3	
HND/B.Sc	59.7	
Post Graduate	31.9	
Total	72	100

Demographic characteristics of respondents revealed that 65 representing 90.3 percent of the respondents were male while only 7 or 9.7 percent were female. These findings suggest that more male than female are involved in hospitality business either as patrons or managers. Respondents were also asked to indicate how long they have been in the industry either as a patron or as a manager. Table 1 further reveals that a good number of respondents, 25 representing 34.7 percent have over 20 years experience. 24 respondents representing 33.3 percent have between 1-5 years experience. 12 or 16.7 percent of the respondents have between 6-10 years, while 3 representing 4.2 percent and 8 representing 11.1 percent have between 11-15 years and 16-20 years respectively. These findings indicate that participants in this industry are well experienced and conversant with the operations

of the hospitality industry. Furthermore, respondent's age characteristics indicate that a good majority of people were less than 20 years and between 21-30 years, representing 34.7 and 43.1 percent respectively. 31-40 were only 13 representing 18.1 percent while 41 and above were only 3 representing 4.2 percent. This finding suggests that younger people are mostly involved in this industry's business as compared to the relative elderly people. In terms of educational attainment as indicated in Table 1, 43 respondents representing 59.7 percent have between HND and B.Sc, 23 representing 31.9 have post graduate qualifications, while only 6 representing 8.3 percent have OND and its equivalent qualifications.

Furthermore, respondents were asked to rank the importance they attached to recovery strategies affecting customers' willingness to return. Their responses were presented in Table 2 below:

Table 2
Ranks of the Importance Attached to Service Recovery Strategies as They Affect Customer's Willingness to Return

Recovery strategies in use	1	2	3	4	5	N	Score	RII	RANKS
Money refund back	1	0	9	30	32	72	308	4.28	1 st
Apology	0	0	15	25	32	72	305	4.24	2 nd
Coupon offers	0	0	7	43	22	72	303	4.21	3 rd
Added value offer	0	3	6	37	26	72	302	4.19	4 th
Monetary compensation	1	3	3	47	18	72	294	4.08	5 th
Assurance of non repetition	1	0	9	44	18	72	294	4.08	6 th
Providing service guarantees	1	0	9	48	14	72	290	4.03	7 th
Quick response to complaints	0	0	13	48	11	72	286	4.00	8 th
Showing compassion	1	0	13	47	11	72	283	3.93	9 th
Providing feedback on remedies	0	1	13	49	9	72	282	3.92	10 th

Not important = 1; rarely important = 2; moderately important = 3; very important = 4; most important = 5.

Table 2 shows that the importance attached to money refund back (RII=4.28) ranks first. The importance attached to apology (RII = 4.24) ranks second while coupon offers (RII = 4.21); Added Value offer (RII = 4.19) rank third and fourth respectively. Others indicated in their order of importance include; monetary compensation (RII = 4.08) Assurance of non repetition (RII = 4.08)

providing service guarantees (RII = 4.03) quick response to complaints (RII = 4.00) being compassionate (RII = 3.93) and provision of feedback or remedial measures taken (RII = 3.93).

Moreso, respondents were also asked to indicate how they consider the recovery strategies in terms of their ability to win back the customers to the firm. Their responses are as presented in Table 3.

Table 3
Ranks of the Extent of Consideration of Recovery Strategies in Terms of Their Ability to Win Back Customers

Recovery strategies	1	2	3	4	5	N	Score	RCT	Rank
Money refund back	0	0	6	40	26	72	308	4.28	1 st
Monetary compensation	0	0	1	50	21	72	308	4.28	1 st
Added value offer	0	0	7	40	25	72	306	4.25	2 nd
Service guarantees	0	3	3	40	26	72	305	4.24	3 rd
Quick response to complaints	0	3	6	35	28	72	304	4.22	4 th
Assurance of non repetition	0	0	6	45	21	72	303	4.21	5 th
Coupon offers	0	0	14	35	23	72	277	4.13	6 th
Feedback on remedies	0	0	16	41	15	72	287	4.00	7 th
Apology	0	8	6	39	19	72	285	3.96	8 th
Showing compassion	0	0	16	44	12	72	284	3.94	9 th

Not considered = 1; rarely considered = 2; moderately considered = 3; highly considered = 4 and mostly considered = 5
RCI = Relative consideration Index Score = Total Score

The results in table 3 indicate that money refund back (RCI = 4.28) and monetary compensation (RCI = 4.28) ranks first in terms of consideration and effectiveness. Added value offer (RCI = 4.25) and service guarantees (RCI = 4.24) rank third and fourth respectively while

quick response to complaints (RCI = 4.22); assurance of non repetition (RCI = 4.21) and coupon offers (RCI = 4.13) were fifth and sixth in their order of consideration. Feedback on remedial measures taken (RCI = 4.00); apology (RCI = 3.96) and being compassionate (RCI =

3.94) took 7th, 8th and 9th position respectively in order of how they are considered effective in winning back the customers.

The hypothesis was tested using t Chi-Square test at

$p < 0.05$. The rule for rejection of the hypothesis is that when the P-value > 0.05 ; the hypothesis is accepted, but when the p-value ≤ 0.05 , the hypothesis is rejected. The results of the hypothesis test are presented in Table 4.

Table 4
Ranks and Chi-square Test of Difference in the Extent of Effectiveness Considered for the Selected Criteria by Both Patrons and Managers

Selected criteria	Patrons		Managers		X ²	Df	R Value	Decision
	N	RCI	N	RCI				
Money Refunds	45	4.31	27	4.22	1.746	2	0.418	Accept
Money compensation	45	4.22	27	4.19	0.476	2	0.788	Accept
Added value offer	45	3.91	27	4.11	3.157	2	0.206	Accept
Service Guarantees	45	3.89	27	4.04	3.677	2	0.159	Accept
Quick complaint Response	45	4.33	27	4.04	12.297	2	0.006	Reject
Assurance of non Repetition	45	4.40	27	4.00	10.882	2	0.004	Reject
Coupon offers	45	4.18	27	3.30	11.273	2	0.004	Reject
Feedback on Remedies	45	3.73	27	3.22	9.849	2	0.020	Reject
Apology	45	3.13	27	3.15	2.766	2	0.429	Accept
Being compassionate	45	3.00	27	2.07	17.190	4	0.001	Reject

N = Number respondents; RCI = Relative consideration index; X² = Chi-square value; DF = Degree of freedom. Table 4 shows that the P-value for chi square test of difference between the extent of consideration of money refunds back (0.418) monetary compensation (0.788) Added value offer (0.206) service guarantees (0.159) and apology (0.429) for its influence to win back customers are higher than the critical P-value (0.05). therefore, the test fails to reject the hypothesis these results further indicate that the extent of consideration of the five factors by both patrons and hospitality managers is not significantly different.

DISCUSSION

For all the recovery variables under consideration, the one that has no monetary effect or which aims at securing future repeat purchase such as coupons have weak effectiveness as opposed to the ones that bring immediate impact. The data suggest that to the extent that managers engaged in recovery effort and expected their customers to willingly return to the firm, customers want to recover the failure as it happens before deciding about future consumption. The findings of the study are in consonance with a vast number of studies demonstrating that recovery strategy should be matched against the nature of failure (Gronroos, 1999; Bhamdari & Sharma, 2011; Lovelock & Wirtz, 2007; Pieters & Zeelenberg, 2003; Mucha, 2002; Tomlin, 2000; Stephen, Colgate, & Boven, 2006). A number of studies (Warden, Huang, & Wu, 2008; Hart, Heskett, & Sassen, 1990; Keaveney, 1995; Bitner *et al.*, 1990; Matilla, 2001; McDougall & Levesque, 1999) also demonstrated that recovery strategy that has monetary reward produce strong willingness to return behaviour among the customers. Generally speaking, customers can be more readily influenced when the strategy is appropriate given the circumstance that it occurs. The finding of this study clearly point to compensation

strategies as the most significant tool for service recovery. This implies that customers will be more willing to return if the firm uses a direct recovery action which is most applicable to their case. Moreso, recoveries that offer a solution perhaps in the future such as coupons is less effective when compared to actions that offer customers immediate recovery from the service failure. The results of the hypothesis show consistency in findings between the patrons and hospitality management.

Managerial Implications and Future Research

Two important findings about the effectiveness of recovery strategies adopted by hospitality industry can be deduced. First, it is clear that customer's willingness to return is a function of a firm's ability to correct current problem using actions from the compensation strategy category and not a promissory solution. Secondly, the findings demonstrate that customers are quite consistent in finding the direct recovery action which is most applicable to the failure situation. For instance, if there is a failure that is not necessarily the service provider's fault, an apology may just be sufficient, but if the failure is caused by negligence of the service provider, then there is need for managerial intervention to resolve the problem.

However, the implication of this study for future research is that the results are based on limited sample size which does not necessarily represent the entire hospitality industry population. Future research should therefore validate these results using a large sample size, across other geographic areas. In addition, this study focused on a limited set of recovery strategies; this should be well elaborated in subsequent studies.

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