

SERVICE RECOVERY STRATEGY AND CUSTOMER SATISFACTION: EVIDENCE FROM HOTEL INDUSTRY IN YOGYAKARTA-INDONESIA

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Abstract

This paper aims to discuss the findings from a study conducted concerning service recovery strategies and customer satisfaction among the hotels in Yogyakarta, Indonesia. The hospitality industry in Yogyakarta is a booming one and competition in the hotel industry is indeed stiff. To reduce the level of service failure in hotels as a result of unsatisfactory services, there is a need to identify recovery strategies to rectify and better manage the situation.

The primary aim of this study is to analyze service recovery strategies and the impact of these strategies which consist of compensation, speed of recovery, and apology on service recovery satisfaction among hotel guests. A total of 113 respondents participated in this study comprising hotel guests in Yogyakarta, Indonesia by way of answering a set of questionnaire.

Results from the regression analysis showed that compensation, speed of recovery, and apology are all influencing factors in customer satisfaction either implemented partially or wholly. Furthermore, it is indicated that apology has the biggest impact on customer service satisfaction compared to the other recovery strategies.

Keywords: *Recovery strategies, compensation, speed of recovery, apology and customer satisfaction.*

1. INTRODUCTION

Yogyakarta is a cultural city which carries a strong characteristic of ethnic nuance in order to develop and maintain their credibility as a target of tourism. For that reason, Yogyakarta strives to bring good service quality for their tourists from both domestic and foreign markets, and the hotel industry seems like the industry with the most potential. Many four and five star hotels in Yogyakarta have been developing rapidly while competing to bring good service quality to their customers. According to Culture Department of Yogyakarta (2006), the total number of hotels in Yogyakarta is around 271 (this includes Star and non-star Hotels). This is evidence that the hotel industry is gaining much interest from the major business players and bringing huge profit, becoming one of the growing industries, alongside the manufacturing and retailing industry.

Kelley and Davis (1994) found that customers who rated service quality highly also had the highest expectations for service quality. Their explanation was that organizations that deliver a high level of quality would also be expected to deliver a high level of recovery. This service recovery strategy should attract the new customers and maintain their own customers so they will be loyal and be committed to a relationship with them. In order for a

relationship to realize, hotels have to give their undivided attention and fulfill customer's expectations.

According to Zeithaml and Bitner (2000), customer satisfaction is customer evaluation of products and services whether it can fulfill customers' satisfaction. There are many strategies that would create customer satisfaction including providing high level of service quality, attractive service design, good service delivery system, and effective communication. From these strategies, providing high service quality will most suit with customer expectations, and ultimately reaching customer satisfaction (Hoffman and Bateson, 1999). But in reality, only a handful of hotel guests feel satisfied with the services offered as some of the services may not br up to the guests' expectations, even after hotels claim that the best quality of services have been rendered.

The hotel industry is an industry with high degree of interaction between employees and consumers, making it an industry that is prone to occurrences of service failure. In addition, hotels are characterized by continuous operations and highly fluctuating demands, relative constant rates of supply, which make service failure more likely to occur than in other industries (Lewis and McCann, 2004). Service failures are inevitable and occur in both the process and the outcome of service delivery. They include situations when the service fails to live up to the customer expectations (Michel, 2001).

For several examples, the guests would lodge a complaint for slow restaurant service, slow check-in or check-out, unfriendly and unhelpful staff, poor quality food and beverages, room not cleaned to customers' expectations, or incorrect billing. These service failures have been categorized by Bitner et al. (1990) according to employee behaviors when failures occur, relating to: the core service; requests for customized service; and unexpected employee actions. For the next action, service recovery must be initiated to make some service failure correction.

These service recoveries determine whether or not the hotel guests are satisfied from the recovery strategy implied by the hotel management. Service recovery has to consider the types and magnitude of service failures experienced by hotel guests, even the characteristics of the hotel guests. So, when service failures happen, the service recovery will be different depending on the magnitude of failure.

This research is focused on service failures and how to develop service recovery strategies for the hotel industry in Yogyakarta. Moreover, there are three topics which will be discussed here. First, the study observed service failures that are common to hotel guests. Second, the study investigated recovery strategies that were used by the hotels. Finally, the study investigated how compensation, speed of recovery, and apology influence to the customers' satisfaction.

2. LITERATURE REVIEW

2.1. Service Failure

Almost inevitably, service companies (including hotel industry) will fail at some critical incidents no matter how good the quality service is. The inseparable and intangible nature of services gives rise to the inevitability of failures occurring (Palmer, 2001). From a customer's perspective, a service failure is any situation where something has gone wrong, irrespective of responsibility. The inseparability of high contact services has a consequence that service failures usually cannot be disguised from the customer (Boshoff, 1997). Service failures have been categorized by Bitner et al. (1990) according to employee behaviors when failures occur, relating to: the core service; requests for customized service; and unexpected employee actions.

There are various consequences of service failure, namely: dissatisfaction (Kelley et al., 1993); a decline in customer confidence (Boshoff, 1997; Boshoff and Leong, 1998); negative word-of-mouth behavior (Bailey, 1994; Manila, 2001); customer defection (Keaveney, 1995; Miller et al., 2000); loss of revenue and increased costs (Armistead et al., 1995); and a decrease in employee morale and performance (Bitner et al., 1994).

Service providers should have systems for identifying, tracking, and analyzing service failures. This allows management to identify common failure situations (Hoffman, Kelley and Rotalsky, 1995). It allows management to develop strategies for preventing failures occurring in the first place, and for designing appropriate recovery strategies where failure is unavoidable.

It is often suggested that a happy customer will leave and convey two or three people about the good service, but an unsatisfied customer will probably inform a dozen people about a failure. Businesses commonly lose to 15% to 20% of their customer base each year (Reicheld and Sasser, 1990). Although customers there are many factors that influence competition among these hotels, (e.g. better prices, better products, change of location), minimizing the number of customers who find the services offered defective is largely controllable. However, there is still plenty of evidence that firms do not take complaints from customers seriously and that unresolved complaints actually strengthen the customer's negative feelings towards the company and its representatives (Hart, Sasser, and Heskett, 1990). Organizations need to have in place a strategy by which they can seek to recover from failure.

2.2. Customer response options to service failures

There are three major courses of action a customer may take in response to a service failure:

1. Take some form of public action (including complaining to the firm or to a third party such as a customer advocacy group).
2. Take some form of private action (including abandoning the supplier, switch providers, and negative word of mouth).
3. Take no action.

It is important to remember that any one or a combination of any of the alternatives may be pursued by the customer. Managers need to be aware that the impact of a defection can go far beyond the loss of that person's future revenue stream. Angry customers often tell many other people about their dissatisfaction.

2.3. Understanding customer responses to service failures

In general, studies of consumers complaining behavior have identified four main purposes for complaining.

- *Obtain restitution or compensation.* Consumers often complain to recover some economic loss by seeking a refund, compensation, and/or have the service performed again.
- *Vent their anger.* Some customers complain to rebuild self-esteem and to vent their anger and frustration. When service processes are bureaucratic and unreasonable, or when employees are rude, deliberately intimidating, or apparently uncaring, the customer self-esteem, self-worth, or sense of fairness can be negatively affected. They may become very angry and emotional.
- *Help to improve the service.* When customer are highly involved with a service (e.g., at a collegian alumni association, or the main banking connection) they give the feedback to try and contribute toward service improvements.
- *For altruistic reasons.* Finally, some customers are motivated by altruistic reasons. They want to spare other customers from experiencing the same problems, and they might feel bad if a problem is not highlighted.

Customer sometimes don't want to complain because they don't wish to take the time to write a letter, fill out a form, or make a phone call, especially if they don't see the service as sufficiently important to merit the effort. Complaining behavior can be influenced by role perceptions and social norms. In services where customers have low power, they are less likely to voice complaints. Social norms tend to discourage customer criticism of such individuals, because of their perceived expertise.

Research findings show that people in higher socioeconomic level tend to complain compared to people in the lower socioeconomic level. Their better education, higher income, and greater social involvement give them confidence, knowledge, and motivation to speak up when they encounter problems. Also, those who complain tend to be more knowledgeable about the products in question.

2.4. Service Recovery

If service failure does occur, then what can service providers do to recover? "Service recovery involves those actions designed to resolve problems, alter negative attitudes of dissatisfied customers and to ultimately

retain these customers” (Miller et al., 2000, p. 38), and “it includes situations in which a service failure occurs but no complaint is lodged by the customers” (Smith et al., 1999, p. 359). Further, Johnston (1994) expresses service recovery as to “seek out and deal with service failures” (Johnston, 1994, p. 422): the “seeking out” distinguishes recovery from complaint handling, as many dissatisfied customers do not complain. Service recovery processes are those activities in which a company engages to address a customer complaint regarding a service failure (Spreng, Harrel, and Mackoy, 1995). The most important step in service recovery is to find out as soon as possible when a service has failed to meet customers’ expectations. A customer who is dissatisfied and does not report this dissatisfaction to the service provider may never come back, and worse still, may tell friends about their bad experience.

Service recovery policies involve actions taken by service providers to respond to service failures (Gronroos, 2000; Johnston and Mehra, 2002). Both, what is done (e.g. restitution and compensation) and how it is done (i.e. employee interaction with the customer) influence customer perceptions of service recovery (e.g. Andreassen, 2000; Levesque and McDougall, 2000). Justice theory appears to be the dominant theoretical framework applied to service recovery (Tax and Brown, 2000), and holds that customers evaluate the fairness of service recovery along three factors: outcome, procedural, and interactional fairness (e.g. de Ruyter and Wetzels, 2000; Goodwin and Ross, 1992; Smith et al., 1999; Tax et al., 1998).

2.5. Benefits of successful service recovery

Successful service recovery has significant benefits. It can: enhance customers’ perceptions of the quality of the service and the organization; lead to positive word-of-mouth communication; enhance customers’ satisfaction; and build customer relationships, loyalty and impact on profits. (Bitner et al., 1990; Hart et al., 1990; Spreng et al., 1995; Michel, 2001).

However, the extent of success may depend on: the type of service (Mattila, 2001); the type of failure (McDougall and Levesque, 1999); and the speed of response (Boshoff, 1997). Service recovery can also be poor or ineffective with the consequence that the customer is let down for a second time: this may lead to loss of confidence in the organization and possible defection, together with the spread of negative word-of-mouth communication.

2.6. Recovery strategies

Actions that service providers take, in response to defects or failures, comprise a combination of psychological recoveries and tangible efforts, and have been researched by a number of academics. The critical incident technique (or open-ended survey), which allows respondents to highlight any service problem they have encountered in order to identify and assess service recovery strategies, has been used by Bitner et al. (1990), Kelley et al. (1993), Johnston (1994), Hoffman et al., (1995), Tax et al. (1998), Miller et al. (2000) and Lewis and Spyropoulos (2001).

The strategies they identified may be classified as: apology; correction; empathy; compensation; follow-up; acknowledgement; explanation; exceptional treatment; and managerial intervention. An apology and correcting the problem are usually necessary planks of service recovery. The interventions of senior employees/ management were found to be important by Kelley et al. (1993) and Hoffman et al. (1995); but Lewis and Spyropoulos (2001) and Miller et al. (2000) identified benefits, if recovery was handled by front-line staff. A further set of studies, based on scenario research, uses written stories to describe hypothetical service failures, and alternative service recovery strategies are presented: respondents’ views on the magnitude of failure and satisfaction levels with recoveries are sought. The effectiveness of recovery strategies (i.e. satisfaction) has been found to relate to: “level of atonement” (Boshoff, 1997); the organization taking responsibility for the failure (Boshoff and Leong, 1998); compensation (McDougall and Levesque, 1999); type of failure (Smith et al., 1999); and type of service (Mattila, 2001).

From the research evidence, it can be concluded that the type and magnitude of service failure depend on the industry and service (i.e. outcome- or process-based). Further, the type and effectiveness of service recovery

strategies are impacted by: the service (e.g. Mattila, 2001); purpose of purchase (e.g. McDougall and Levesque, 1999); the failure (e.g. Smith et al., 1999); the magnitude of the failure (Kelley et al., 1993; Smith et al., 1999; Michel, 2001; Mattila, 2001); previous experience with an organization (e.g. Tax et al., 1998); and service recovery expectations (e.g. Miller et al, 2000).

2.7. Justice Theory

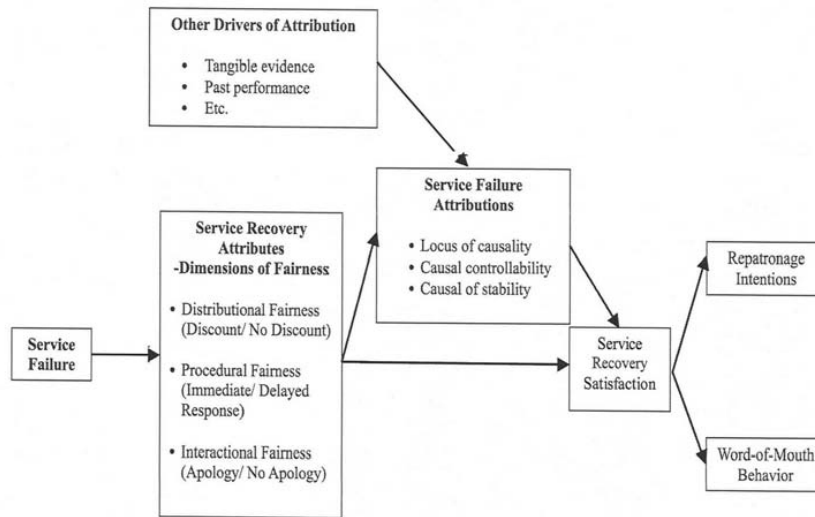
There has been a growing stream of research on the application of organizational justice theories to service encounters (Clemmer and Schneider, 1996; Tax et al., 1998). These frameworks enable us to further understand the dynamics of the service provider-customer relationship. For example, Blodgett et al. (1997) examined complainants' perceptions of justice and their consequences. They found that when people perceived injustice, they became angry, engaged in negative WOM, and defected from the retailer. A good recovery can turn angry, frustrated customers into loyal ones and may create more goodwill than if things had gone smoothly in the first place (Hart, Sasser, and Heskett, 1990).

The most recent research to explain how customers evaluate service recovery efforts is that of justice theory (see, for example, Tax et al., 1998; Smith et al., 1999; Michel, 2001; Mattila, 2001), which comprises three dimensions:

1. Distributive justice: the perceived fairness of the outcome (e.g. compensation, repairs, replacement). Tax et al. (1998) also highlight the principles of equity, equality and need.
2. Interactional justice: the perceived fairness of the manner in which the customer is treated (e.g. provision of an apology). Demonstrations of politeness, concern, honesty, an explanation and the effort put into resolving the problem are also important (Tax et al., 1998).
3. Procedural justice: the perceived fairness of the process used to rectify service failure (e.g. speed of response, accessibility and flexibility of the procedure, company policies).

In general, when organizational outcomes are unfavorable, procedural fairness is likely to influence people's reactions. In other words, fair procedures make it easier for people to accept layoffs, pay-cuts, smoking bans and other types of negative organizational outcomes (Brockner and Wiesenfeld, 1993; Greenberg, 1990, 1994). Sparks and McColl-Kennedy (2001) showed that the two-way interaction between procedural and distributive fairness is also applicable to consumption settings. In their study, the impact of compensation on post-failure satisfaction was dependent on the perceived adherence to company policy.

The research indicates that to recover effectively from service failure an organization must provide a fair outcome, with a sincere apology, while taking the blame and acting swiftly. Interactions between the justice dimensions mean that failure to deliver on one of them can impact on the total success of the recovery effort.



Source: Wirtz and Matilla, 2004.

Figure 1.
The role of the dimensions of perceived fairness and causal attributions on satisfaction and post-encounter responses

In sum, the extant literature seems to suggest that compensation is less effective in driving up satisfaction, when the other dimensions of fairness are rated poorly. On the other hand, it seems likely that a ceiling effect may be observed in a context of excellent recovery procedure and interactive justice. Here, compensation may not be needed to obtain satisfaction, and/or be able to significantly further enhance satisfaction with the recovery. A logical conclusion to this line of thought is that compensation should have the strongest impact in a mixed-bag recovery situation, where the other two fairness dimensions are not both very positive or both very negative. I propose a three-way interaction between interactional, procedural and distributive fairness on service recovery satisfaction and subsequent behavioral responses.

In this paper, compensation, response speed, and apology are used to represent the three dimensions of perceived fairness, i.e. distributional, procedural, and interactional fairness, respectively. The three fairness dimensions are driven by different aspects of the service recovery process. Compensation is effective in restoring customers' perceptions of distributive justice, while the speed by which service failures are corrected or complaints are handled is one of the major determinants of customers' perceptions of procedural fairness (Blodgett et al., 1997; Tax et al., 1998). Finally, the presence or absence of an apology is strongly linked to customers' perceptions of interactional justice (Clemmer and Schneider, 1996).

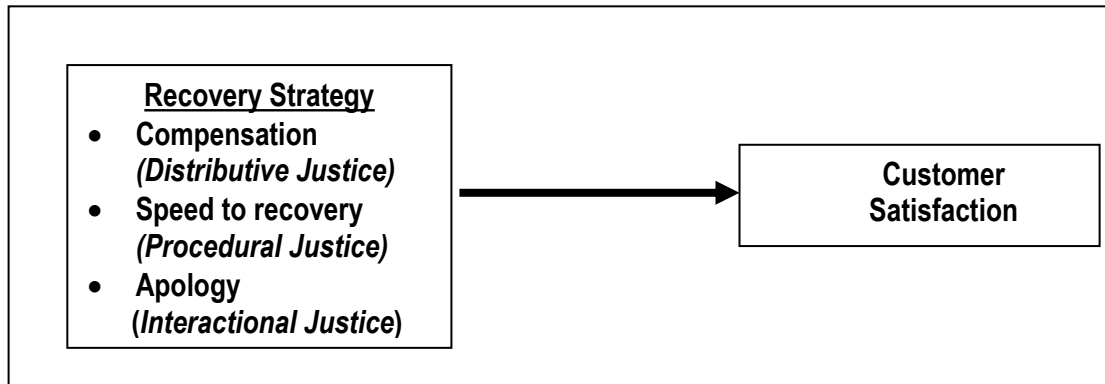


Figure 2.
Proposed model of recovery strategy to customer satisfaction

3. TYPE OF RESEARCH DESIGN

For this research, the author uses the survey method. Survey is a means of questioning the respondents via a collection of questions and instructions for both the respondents and the interviewer (Cooper, 2001). The respondents of this research are made up of past and present hotel guests in Yogyakarta. Data were collected by way of collecting distributed questionnaires to the respondents.

3.1. Sample and Respondents

Sample is a subset of the population. Sampling is the process of selecting a sufficient number of elements from the population, so that the study of the sample and an understanding of its properties or characteristics would make it possible to generalize such properties or characteristics to the population elements (Sekaran, 2003). The technique that was used to decide the sampling in this research is purposive sampling. The sampling here is confined to specific types of people who can provide the desired information, either because they are the only ones who have it, or conform to some criteria set by the researchers (Sekaran, 2003). The author uses a total of 200 samples of hotel guests in this research. The author also divides the samples to three categories based on the hotel ranking (five stars, four stars, and three below).

3.3 Data collection method

3.3.1 Primary data

Primary data are data gathered for the research from the actual site occurrence of events. The author uses survey method by distributing questionnaires that were related to the research topic in order to collect valid and reliable data. Questionnaire is a preformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. Questionnaires are an efficient data collection mechanism when the researchers know exactly what is required and how to measure the variables of interest (Sekaran, 2003). For the this study, questionnaire is identified as a method to gauge the influence of compensation, speed of recovery, and apology to the service recovery satisfaction.

This research uses closed questionnaire, a style of question where the author giving chance to the respondent for answering some question that have several limited answer. In this research, the questionnaire comprise of multiple choice questions and ranking method, where respondents are asked to give a mark (by using **x** or **✓**) on the statements that best represents their opinion for the multiple choice questions; and for the ranking method respondents are asked to rank from best to worst or first to last depending on the question.

The questionnaire is divided into two main parts. The first part of the questionnaire consists of some questions which would extract the characteristics of the respondents. The questions consist of gender, age, occupation, and income per-month. The second part of the questionnaire consists of questions that would get information about the main problem of this research. It is divided into two parts: descriptive study and hypothesis testing.

3.3.2 Secondary data

Secondary data are data that already exist and do not have to be collected by the researcher. According Sekaran (2003) secondary data refers to information gathered by someone other than the researcher conducting the current study. Secondary data from this research is gathered from journals, articles, textbooks.

3.4 Data Measurements

Measurements of the variables in the theoretical framework is an integral part of the research and an important aspect of the research design, because unless the variables are measured in some way, the researcher will not be able to test the hypothesis and find answers to complex research issues (Sekaran, 2000). To measure the data, the author uses scale; a scale is a tool or mechanism by which individuals are distinguished on how they differ from one another on the variables of interest to the study.

In the first parts of the questionnaire, the author uses a nominal scale. A nominal scale is one that allows the researcher to assign subjects to certain categories or groups. Nominal scale is always used for obtaining personal data such as gender or department in which one works (Sekaran, 2003). The first part of the questionnaire consists of questions to get the characteristics of the respondents by using nominal scale.

For the second part of the questionnaire, the author uses Dichotomous Scale, Ranking scale and Likert Scale. Dichotomous scale is used to elicit a Yes or No answer. But to do the research analysis, a nominal scale is used to get the response and which can be easily measured. Ranking scale uses multiple items to elicit a single response. This Dichotomous and Ranking Scales are usually used for descriptive study. For the purpose of measuring the hypothesis, the author uses the Likert scale because Dichotomous and Ranking scales have less significance than the Likert scale. The Likert scale is a variation of the summated rating scale, which rather than just asking to agree or disagree, respondents have the option to respond to statements expressed with either favorable or unfavorable attitudes toward the object. The strength of attitude is reflected in the assigned score and individual scores may be totaled for an overall attitude measure (Cooper, 2001). On data measurement, primary data usually poses a the problem answer of the questionnaire distributed to the hotel guests.

4. DATA ANALYSIS

In this part the author analyzes the data that has been collected from the research. To analyze the data there are some steps to follow: firstly, measure the questionnaire by testing them using validity and reliability. Once the questionnaire is valid and reliable, the questionnaire is appropriate for the research and can be processed further. Secondly, process the data using SPSS 14 version.

From the 200 questionnaires that were distributed, all respondents filled and answered all question parts of the questionnaire. The respondents are categorized into three levels, comprising of hotels guests from every class of the hotel industry in Yogyakarta. The number of respondents are 64 respondents (32%), from five hotels, followed by 78 respondents (39%) from 12 four-star hotels, while 58 respondents (29%) from three -star hotels and below it are which distributed in 28 hotels in Yogyakarta.

4.1. Service Failures and Recovery Strategy

Table 1 identifies that from the total number of 200 respondents who have service failures experience, 56.5 % (113 respondents) have felt dissatisfied with the service quality provided at the hotels while they were staying at the hotels, while 87 respondents (43.5%) stated that they were fairly satisfied with the services. We can therefore conclude that more than half of the guests did feel dissatisfied with the services provided at the hotels despite the

services were of high quality. This is evident as there were still complaints or dissatisfaction expressed by hotel guests who stayed at five-star hotels which indicates that service failures are inevitable as it could still be committed by even the most prestigious service providers.

Table 1.
Number of respondent service failures experience

Service Failures Experience	Dissatisfied	Satisfied
Five stars (64 respondents)	27	37
Four stars (78 respondents)	47	31
Three stars and below (58 respondents)	39	19
Total Respondents (n=200)	113 respondents	87 respondents
Percentage	56.5%	43.5%

Source: Primary Data (2006)

Table 2 indicates the percentages are well organized in ascending order. The biggest percentage represents the biggest complaint for service failures coming from 113 questionnaires distributed to the respondents. The biggest service failures are: slow on check-in or check-out with 15 respondents (13.27%); room not clean with 13 respondents (11.5%); receptionist unfriendly and unhelpful with 10 respondents (8.85%); room facility not working/not available and items in bathroom not available/missing are same with 9 respondents (7.96%); room service slow and unreliable with 7 respondents (6.2%); and key room are difficult to open with 6 respondents (5.31%).

Table 2.
The critical incident of service failures

Rank	Critical Incident Happen	Respondents	Percentage
1	Slow on check-in or check-out	15	13.27%
2	Room not clean	13	11.50%
3	Receptionist unfriendly and unhelpful	10	8.85%
4	Room facility not working/not available	9	7.96%
5	Items in bathroom not available/missing	9	7.96%
6	Room service slow and unreliable	7	6.20%
7	Key room difficult to open	6	5.31%
8	Inefficient staff	5	4.42%
9	Variety of food limited	4	3.54%
10	Reservation missing	4	3.54%
11	Gym and/or swimming facilities poor	4	3.54%
12	Slow service in restaurant	3	2.65%
13	Food and beverage not on high quality	3	2.65%
14	Room not ready	3	2.65%
15	Time of facilities leisure poor	3	2.65%
16	Keep waiting for table at breakfast	2	1.77%
17	Bill incorrect	2	1.77%
18	No secure safe for the stuff	2	1.77%
19	Staff untidy in appearance	2	1.77%
20	Staff not knowledgeable about local area (DIY)	2	1.77%
21	Access to business facilities poor	2	1.77%
22	Room keeping unfriendly/unhelpful	1	0.88%
23	Restaurant staff unfriendly/unhelpful	1	0.88%
24	No information about local entertainment event (DIY)	1	0.88%
25	Not sure of fire escape and emergency way		0%
	TOTAL	113	100%

Source: Primary Data (2006)

Based on table 3, we can identify that from the total number of 113 respondents who have service failures experience and already get the recovery from the hotels. Usually, 35 respondents (30.97%) said that majority hotel make an apology to the hotel guests for the service failures happen. At second, 27 respondents (23.89%) said that the hotels will make speed recovery. On third, usually hotel give compensation to the hotel guests as a strategy to recover the service failures happen (21.24% represent 27 respondents).

For this research, we only focus on the best three service recovery strategies (compensation, speed recovery, and apology). Based on descriptive study, it proves that these three strategies are the best way to reduce the dissatisfaction of hotel guests for the service failures happen. But descriptive study not strong enough to prove this hypothesis, that's why we should need hypothesis testing to make tested for this research. The analysis of this three strategies influence to the service recovery satisfaction together (simultaneously) or independent (partially) will described on the hypothesis.

Table 3.
Table of service recovery strategies done

No.	Service strategies	recovery			Respondents	
		3 below	4 stars	5 stars	total	Percentage
1	Make an apology	10	16	9	35	30.97%
2	Hotel give compensation	9	10	5	24	21.24%
3	Make speed recovery	9	12	6	27	23.89%
4	Exceptional treatment	2	2	4	8	7.08%
5	Give explanation	6	3	2	11	9.73%
6	Make some correction	3	4	1	8	7.09%
					113	100%

Source: Primary Data (2006)

4.2. Multiple Regression Result

From the calculation by using SPSS 14.0 version for Windows, the author use the significance level 0.05 or $\alpha = 5\%$ to process the data. After that we can get the result of multiple regressions as follows:

Table 4.
The Result of Multiple Regression

Variable	Coefficient	t-value
Service recovery satisfaction		
Constanta	2.788	15.677
Compensation	0.113	2.708
Speed of recovery	0.153	3.462
Apology	0.185	3.353
Model	R-square = 0.387; Adjusted R-square = 0.377	
		F = 41.183

Source: Processing Data (2007)

From the previous data which is already valid and reliable, so we try to process the data after we get the data about the multiple regression result. For the analysis of the first variables of service recovery strategies (compensation), we can see that compensation show the significance influence to the service recovery satisfaction because t value is greater than t table (DF=196; 5 %). t table shows the result 1.972; so t value is greater than t table (2.708 > 1.972). The second variable of service recovery strategies (speed of recovery), also shown t value > t table (3.462 > 1.972). It means that speed of recovery variable also show the significance influence to the

service recovery satisfaction. For the apology variable the result of t value is greater than t table ($3.353 > 1.972$) and it also show the significance influence to the service recovery satisfaction. It means that partially variables significantly influence the service recovery satisfaction. For the result of Adjusted R square is 0.377. It means that the independent variable (compensation, speed of recovery, and apology) can explain the changing of dependent variable as 37.7% and the rest as 62.3% ($100\% - 37.7\%$) is explained by the other factor outside that models.

From the F test that can be inferred that as a whole independent variable (compensation, speed of recovery, and apology) significantly can influence dependent variable (service recovery satisfaction) because the significance level is less than alpha ($0.000 < 0.05$). So it means that H_a are accepted, because F value $>$ F table ($41.183 > 2.65$).

5. DISCUSSION AND ANALYSIS OF THE ENTIRE FINDINGS

After we make the reliability, validity and test the result by using multiple regression method, the author analyzes the result of the entire findings. From the result above we can see there are significance influence between three variables (compensation, speed of recovery, and apology) and service recovery satisfaction. It means that if the hotel management can applied this three service recovery strategies together or partially it will reduce dissatisfaction of the hotel guests caused by service failures happen. The more service recovery strategy reduces the dissatisfaction, the less service failures problems happen to the hotel industry.

This research study sheds some light into the role of distributive, procedural and interactional fairness (compensation, speed of recovery, and apology) to the service recovery satisfaction. The three-way interaction on satisfaction implies that recovery outcomes, procedural (speed of recovery) and interactional (apology) style jointly influence customer perceptions following a service failure, and highlights the complexity of satisfaction evaluations in a service recovery setting. These findings are largely consistent with prior research in organizational justice (e.g. Brockner and Wisenfeld, 1996; Cropanzano and Folger, 1991) and service recovery (e.g. Sparks and McColl-Kennedy, 2001; Tax et al., 1998). Further analysis showed that in the absence of compensation, recovery speed interacted with apology on post-recovery satisfaction. Specifically, our results indicate that an apology is highly effective when combined with an immediate recovery, while offering an apology with a delayed recovery is less powerful. Both interactive and procedural fairness seem to be needed to deliver a satisfying service recovery in the absence of compensation. We can say, that these three strategy are effective, but the most effective strategy is apology (interactional); then follow by speed of recovery (procedural); then compensation (distributive).

On hotel management training programs should focus on the importance of the interactional and procedural dimensions of fairness on customer satisfaction. In other words, front-line employees need to be trained to handle hotel guests complaints and dissatisfaction immediately on-the-spot, or offer tangible compensation if necessary. Regardless of the recovery speed, hotel guests should be treated with courtesy and respect. Moreover, an apology is an integral part of the service recovery process. These recovery skills can be effectively taught via role-playing and simulated real-life situations (Hart et al, 2003)

6. CONCLUSION , MANAGERIAL IMPLICATIONS AND LIMITATIONS

6.1 Conclusions

The purpose of this research is to obtain a clear understanding about the influence of service recovery strategies (compensation, speed of recovery, and apology) as a reflection of three dimensions of fairness (distributive, procedural, and interactional) to the customer service satisfaction. The author made a hypothesis on how the hotel industry uses the recovery strategy in order to get service satisfaction. Based on the data analysis, some conclusions have been made as follows:

1. Speed of recovery and apology are able to influence customer service satisfaction simultaneously.
2. Compensation gives a significant influence to partial customer service satisfaction.
3. Speed of recovery gives a significant influence to partial customer service satisfaction.
4. Apology gives a significant influence to customer service satisfaction partially.

5. Apology has the biggest influence to the partial customer service satisfaction compared to the others (speed of recovery and compensation).

6.2. Managerial implication

Based on the research findings, there are some managerial implications that could be drawn. The design of product form is important to gain consumer attention. For that reason managers when producing the new product should emphasize on the product form which involves packaging, branding and labeling. For the new products, packaging should be designed as attractive as possible in order to gain customer's attention. Informative and practical labeling gives new product the boost they need to compete with other providers while also creating a brand for the product or service.

6.3. Limitation and recommendations for further study

There are several limitations and recommendations which can be concluded from this research and for the benefit of future researches.

1. The cultural context of the study was an Asian setting (especially Indonesian setting). Due to cross-cultural differences in attribution processes (e.g. Morris and Peng, 1994), the future study should be extended to other cultural contexts; for example in European, American or African setting.
2. For the future research, we should mention other types of service recovery attributes. Exceptional treatment, empathy, follow up, giving explanation or correction are the other kinds of service recovery strategies (e.g. Bitner et al. (1993); Kelley et al. (1993); Johnston (1994), Hoffman et al. (1995); Tax et al. (1998); Miller et al. (2000); and Lewis and Spyropoulos (2001).

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