

**THE CUSTOMER'S PATH TO LOYALTY: A PARTIAL TEST OF THE
RELATIONSHIPS OF PRIOR EXPERIENCE, JUSTICE, AND
CUSTOMER SATISFACTION**

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ABSTRACT

The service sector is the fastest growing segment of the economy, responsible for 75% of the GNP, and still growing. Its success is important to the global economy. Nonetheless, throughout the 20-year evolution of services marketing literature, research that guides theory, methodology, and practice for service success has remained underrepresented. Published research regarding the effect of customers' justice perceptions on customer satisfaction is primarily experimental and focuses only on service recovery after a service failure, providing insufficient information about how the justice experienced in a service encounter affects a customer's satisfaction level. Proactive and reactive service recovery research abounds; service failures have overshadowed service success.

This is the first empirical research to investigate across service outcomes the effects 1) of interactional, distributive, and procedural justice on overall justice and customer satisfaction and 2) of overall justice on customer satisfaction. The theoretical model of the customer's path to loyalty adapts previous models of the service profit chain, customer satisfaction with service failure and recovery, and complaint handling relationships. It is a simplified version of the author's in-work conceptual model. The theoretical model has conceptual and practical value to researchers and service company executives. It considers all possible service encounter types and the heterogeneity of outcomes. It is supported by attribution and equity theories (the underpinnings of customer's justice judgments) and by behavioral intentions research.

A cross-sectional written survey was used to gather data relevant to the eight hypotheses proposed and shown on the measurement model. Sixty percent of the 302 respondents recalled satisfying service encounters and 40% recalled dissatisfying service encounters.

MANOVA testing supported the hypothesis of a positive relationship for extant prior experience to each of the justice constructs. The tested path analysis model showed direct and positive effects for the justice constructs on overall justice and customer satisfaction and for overall justice on customer satisfaction.

When providers fairly address the people, outputs, and processes in service transactions, expectations are more likely to be met, delight is possible, and trust and commitment, possibly even loyalty, may arise. Disappointment and disconfirmation resulting from gaps in performance expectations can lead to non-attractive defection and lost profits.

This research provides practical information that can lead to a better understanding of customers' evaluation methods and be used to guide the formation of improved service strategies that provide justice, a key to satisfaction.

DEDICATION

I dedicate this dissertation to my sons, Tanner Christian Severt and Noah Elledge Severt.

The inspiration for this study was provided by a tragedy that was first made more painful by incompetent service providers and then eased by caring, competent care givers. Although the following story of this tragedy is brief, the impact of the experience is everlasting.

During Noah's short life and two hospital stays, he and his parents experienced the extremes of injustice and justice. Although the hospitals could not reverse the infant's condition, both could make his time more peaceful. Both hospital experiences are forever memorable to Noah's parents: one as painfully unjust, the other as comfortingly just.

In the first experience, the hospital rendered substandard service. Staff members were inattentive (interactional injustice) and mistrusted one another. They failed to diagnose Noah's condition (distributive injustice). Files were confused, phones left unanswered, sleep interrupted, and babies misidentified in the nursery (procedural injustice). At one point after Noah had momentarily stopped breathing and hospital staff had been working on him for an hour, a nurse came and asked his parents his name, claiming a file had been misplaced. Four hours later the nurse returned, asked the name again, took out a pen, and wrote the infant's name on her hand. These and numerous other service failures made the first 2 days of Noah's life miserable and traumatic.

The hospital never noticed and then exacerbated their initial service failures by sending bills addressed to Noah to the young couple. Months later, when Noah's mother was the only one who came to a forum to discuss the hospital's service, a board member noted the lack of attendance and suggested that the hospital must be doing an excellent job. Noah's mother's detailed recounting of her family's nightmare at their hospital brought tears and alarm. The Severts will never forget the injustices they suffered with their newborn infant son.

The excellent service at the second hospital could not save Noah, yet it, too, is forever memorable. Competent caring staff responded in a pleasing way to a very distressing situation

and did everything humanly possible to make the infant and his parents comfortable (interactional justice). They quickly and accurately diagnosed Noah's condition as hypoplastic left heart syndrome (distributive justice) and skillfully orchestrated Noah's care (procedural justice). Noah died at the second hospital. He was 3 days old.

These service encounters emphasize the effect of justice on customer satisfaction and dissatisfaction. The first hospital experience exemplifies service failures that leave customers dissatisfied because they were treated unjustly. The family's experience at the second hospital exemplifies service that provides just treatment and customer satisfaction and can build loyalty.

TABLE OF CONTENTS

Chapter One: Introduction

1-1	Problem Statement	1
1-2	Background	1
1-3	Purposes of the Study	2
1-4	Importance of the Study	3
1-5	Research Questions	5
1-6	The Customer's Path to Loyalty Model	5
1-7	Research Methodology	6
1-8	Results of the Study	6
1-9	Contributions of the Study	6
1-10	Organization of the Paper	7
1-11	Definitions of Concepts and Constructs	8
1-12	Summary	11

Chapter Two: Literature Review

2-1	Introduction	12
2-2	Evolution of Services Marketing Literature Related to Service Encounters	12
2-3	Theoretical Support	13
2-4	Service Encounter Literature	16
2-4-1	Gestalt Theory	16
2-4-2	Service Success and Recovery	17
2-4-3	Service Failure and Failed Service Recovery	18
2-4-4	Service Failure and Recovery Literature	20
2-5	The Justice Constructs	23
2-5-1	Interactional Justice	23
2-5-2	Distributive Justice	25
2-5-3	Procedural Justice	25
2-5-4	Combined Constructs of Justice	26
2-6	Customer Satisfaction Literature	28
2-6-1	Prior Experience	30
2-6-2	Service Quality Literature	31

2-6-3	Service Quality and Customer Satisfaction.....	31
2-6-4	Relationship Quality.....	32
2-6-5	Delight and Loyalty.....	33
2-6-6	Disappointment and Defection.....	34
2-7	The Customer's Path to Loyalty Models.....	36
2-8	Contributions of the Model	39
2-9	Summary	39

Chapter Three: Research Design and Methodology

3-1	Introduction.....	41
3-2	Measurement Model and Research Hypotheses	41
3-2-1	Measurement Model.....	41
3-2-2	Research Objectives and Questions.....	43
3-2-3	Hypotheses	43
3-2-3-1	Hypothesis 1.....	43
3-2-3-2	Hypotheses 2a and 2b.....	44
3-2-3-3	Hypotheses 3a and 3b.....	44
3-2-3-4	Hypotheses 4a and 4b.....	45
3-2-3-5	Hypothesis 5.....	45
3-3	Study Design.....	46
3-3-1	Measures.....	47
3-3-1-1	Measurement of Prior Experience.....	48
3-3-1-2	Measurement of Interactional Justice.....	48
3-3-1-3	Measurement of Distributive Justice.....	49
3-3-1-4	Measurement of Procedural Justice.....	50
3-3-1-5	Measurement of Overall Justice.....	51
3-3-1-6	Measurement of Customer Satisfaction	52
3-3-2	Questionnaire Pretesting	52
3-3-3	Pilot study.....	53
3-3-3-1	Data Collection.....	53
3-3-3-2	Results	53
3-3-4	Main Study	57

3-4	Summary	58
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Chapter Four: Data Analysis

4-1	Introduction	59
4-2	Descriptive Statistics for Main Study.....	59
4-3	Scale Purification	61
4-4	Hypothesis Testing.....	63
4-4-1	Model Assessment.....	63
4-5	Results of Hypothesis Testing.....	65
4-5-1	Hypothesis 1	65
4-5-2	Hypotheses 2a and 2b Results	68
4-5-3	Hypotheses 3a and 3b Results	72
4-5-4	Hypotheses 4a and 4b Results	72
4-5-4	Hypothesis 5 Results	73
4-6	Decomposition of Path Analysis on Justice and Customer Satisfaction.....	73
4-7	Summary	73

Chapter Five: Discussion

5-1	Introduction.....	75
5-2	Prior Experience: Discussion, Cross-Validation, and Implications.....	76
5-2-1	Research Question One.....	76
5-2-1-1	Discussion	76
5-2-1-2	Cross-Validation	76
5-2-1-3	Implications.....	77
5-3	Interactional Justice: Discussion, Cross-Validation, and Implications.....	78
5-3-1	Research Question Two	78
5-3-1-1	Discussion	78
5-3-1-2	Cross-Validation	79
5-3-1-3	Implications.....	79
5-4	Distributive Justice: Discussion, Cross-Validation, and Implications.....	80
5-4-1	Research Question Three.....	80
5-4-1-1	Discussion	80
5-4-1-2	Cross-Validation.....	81

	5-4-1-3 Implications.....	81
5-5	Procedural Justice: Discussion, Cross-Validation, and Implications.....	82
	5-5-1 Research Question Four.....	82
	5-5-1-1 Discussion.....	82
	5-5-1-2 Cross-Validation.....	82
	5-5-1-3 Implications.....	83
5-6	Overall Justice: Discussion, Cross-Validation, and Implications.....	83
	5-6-1 Research Question Five.....	83
	5-6-1-1 Discussion.....	83
	5-6-1-2 Cross-Validation.....	84
	5-6-1-3 Implications.....	85
5-7	Contributions of the Research.....	85
5-8	Limitations of the Study.....	87
5-9	Suggestions for Future Research.....	87
5-10	Summary.....	88
5-11	Conclusions.....	88
	References	89
	Appendix A Customer Satisfaction Questionnaire (Pilot Study).....	105
	Appendix B Customer Satisfaction Questionnaire (Main Study).....	109
	Curriculum Vita	113

TABLES

3.1	Statistics and Reliability Estimates for Pilot Study Scales	54
3.2	Demographic Statistics for Pilot Study	56
4.1	Demographic Statistics for Main Study	60
4.2	Statistics and Reliability Estimates for Main Study Scales.....	62
4.3	Results of Multivariate Analysis of Variance of the Presence or Absence of Prior Experience for Interactional, Distributive, and Procedural Justice.....	66
4.4	Results of Multivariate Analysis of Variance of Positive and Negative Prior Experience for Interactional, Distributive, and Procedural Justice.....	67
4.5	Path Analysis Results for Interactional, Distributive, Procedural Justice, and Overall Justice and Customer Satisfaction.....	70
4.6	Effects of Justice on Customer Satisfaction.....	71

FIGURES

2.1	The Customer's Path to Loyalty Theoretical Model.....	37
3.1	The Customer's Path to Loyalty Measurement Model	42
4.1	Path Model of Justice and Customer Satisfaction.....	64
4.2	Path Model Showing Coefficients of Justice and Customer Satisfaction.....	69

CHAPTER ONE

INTRODUCTION

1-1 PROBLEM STATEMENT

Published research regarding the role of justice in achieving or failing to achieve customer satisfaction focuses only on service recovery after a service failure (Blodgett, Granbois, & Walters, 1993; Tax, Brown, & Chandrashekaren, 1998), overlooking the full spectrum of service encounter outcomes, i.e., service success, service recovery, and service failure (Smith & Bolton, 1998). This void leaves businesses and researchers with insufficient information concerning the relationships between the justice experienced in a service encounter and the customer's satisfaction level.

1-2 BACKGROUND

Service literature began to appear in the early 1980's in the form of anecdotal service research that defined and described customer satisfaction and service quality. Service literature expanded greatly in the 1990's, and by 1994 thousands of articles had been written addressing customer satisfaction and service quality.

Two service delivery models posited by researchers have been tested and written about frequently. The disconfirmation paradigm of customer service (Oliver, 1980) models the consumer's process in comparing expectations to a firm's performance. The paradigm refers to satisfaction judgments as positive disconfirmation and to dissatisfaction judgments as negative disconfirmation. The gap theory model of service quality (Zeithaml, Berry, & Parasuraman, 1990) differentiates the gaps between a guest's expectations and perceptions.

Delight (Oliver, 1999), disappointment (Oliver, 1999; Zeelenberg & Pieters, 1999), behavioral intentions such as return or exit (Smith, 1998), and positive or negative word-of-mouth communications (Anderson, 1998) have been modeled to understand loyalty (Oliver, 1999) and to predict firm profitability (Rust & Zahorik, 1993). Recently, customer satisfaction

theorists have suggested that extremely fair (just) actions or actions beyond the norm in the presence or absence of service failure create a perception of high levels of customer satisfaction (Berry & Seiders, 1998; Oliver, 1999). Such actions create the pleasant surprise or delight that helps lead to loyalty (Westbrook & Oliver, 1991).

Although businesses and academicians have identified service encounter research as important (Fornell, 1992), service literature that guides theory, methodology, and practice for service success is underdeveloped due to the complex nature of people, product, and process interaction during the service encounter. Service encounter research has used experimental design and customer recall methods. Experimental design methods incorporated scenarios analyzed by customers. Recall methods have been based on memorable service encounters as recalled by respondents. Much of the existing theoretical research has not been replicated or extended. In particular, empirical research that builds from the customer's point of view is needed.

No study has examined justice as a predictor of customer satisfaction and dissatisfaction across the range of recalled service outcomes, including initial satisfaction and satisfaction as a result of service recovery as well as initial dissatisfaction and double dissatisfaction as a result of failed service recovery.

A customer arrives at an overall judgment of the service transaction based on perceptions regarding the people (interactional justice), the product (distributive justice), and the process (procedural justice). In fact, these three interplay to determine a service assessment or a satisfaction judgment based on justice (Blodgett et al., 1993). The present research measures the customer's judgments regarding justice and satisfaction in the service encounter.

1-3 PURPOSES OF THE STUDY

The study had the following primary purposes:

- 1) To investigate the influence of prior experience on justice across the full spectrum of recalled service encounters,

- 2) To investigate the role justice plays in shaping customer satisfaction or dissatisfaction and to identify, if possible, the facet of justice which most influences customer satisfaction,
- 3) To aid in the development of more accurate theoretical models that explain the nature of customer satisfaction and dissatisfaction,
- 4) To provide information that can lead service sector businesses to a better understanding of how customers evaluate service encounters in order to guide the formation of improved service strategies.

1-4 IMPORTANCE OF THE STUDY

Nine out of ten new jobs created are in the service industry, making the service sector the fastest growing segment of the economy. Seventy-five percent of the gross national product comes from the service industry, giving productivity of service businesses a far-reaching impact on the economy. The American Customer Service Index (ACSI), the first U.S. economic indicator to measure customer satisfaction (Fornell, 1992), acknowledges this growth and importance by rating customer satisfaction with the goods and services of 200 companies.

Due to this exceptional growth, demand for service industry expertise and workers has increased at a faster rate than service industry expertise and the worker pool, creating a need for service sector knowledge, research, recruitment, and training. Intense competition and enhanced product offerings have led to higher expectations regarding service quality, and this affects customer satisfaction. Customers who are not satisfied with the service provided by a company will go elsewhere to fill their need (Rice, 1990). Service sector growth is expected to continue well into this century (Heskett, Sasser, & Schlesinger, 1997).

A company's soft and hard service systems affect its ability to achieve customer satisfaction. The soft service systems are the service personnel interacting with co-workers and clientele while interfacing with the company's hard service systems. Hard service systems are the capital equipment and fixtures involved in a service delivery system. Levit (1972) recommended that a business that wants to increase productivity and customer satisfaction and also build customer loyalty must explore both systems. The service provider's front-line

employee administers and the customer ultimately experiences the interactional (soft services) and procedural (hard plus soft services) justices and injustices of a service system. The customer's experience can lead to satisfaction and loyalty or dissatisfaction and defection. Accordingly, businesses must have the knowledge to design their service delivery systems to avoid injustices, respond successfully to mistakes, and maximize customer satisfaction.

Because services are heterogeneous, intangible, perishable, and simultaneously produced and consumed (Gronroos, 1992), zero defects service is nearly impossible. Research indicates that only 5% to 10% of unhappy customers complain (Dube & Maute, 1996). The "silent dissatisfieds" simply leave, and more than 50% of customers who do complain feel worse about the company's service delivery after lodging their complaint (Hart, Heskett, & Sasser, 1990).

Satisfying and dissatisfying service encounters both influence firm profitability (Band, 1991; Hanan, 1989; Heskett et al., 1997; Horovitz, 1989; Lash, 1989). For a service firm, a 1% decrease in customer satisfaction corresponded to a 5% decrease in return on equity (Hart, 1988). Reichheld's (1993) data indicated that MBNA credit card company increased profits by 60% in 5 years due to increasing customer retention by 5%. Analysts have projected that it costs five times more to recruit a new customer than to retain an existing one (Reichheld & Sasser, 1990). Service businesses need a service strategy to achieve customer satisfaction and firm sustainability (Hocutt, Chakraborty, & Mowen, 1997).

From a research standpoint, the present study is important because it includes a broader spectrum of consumers by applying a recall design method and by investigating recalled service encounters irrespective of how satisfaction or dissatisfaction occurred. The current justice and satisfaction service recovery research captures only those few customers who lodge complaints or experience a proactive service recovery. Previous research is predominately experimental scenario-based research and leaves a need for more realistic testing of service encounters and models (Smith, 1998; Tax et al., 1998).

1-5 RESEARCH QUESTIONS

This study addresses the following research questions:

- 1) What is the relationship of prior experience to justice?
- 2) What are the relationships of interactional justice to overall justice and to customer satisfaction?
- 3) What are the relationships of distributive justice to overall justice and to customer satisfaction?
- 4) What are the relationships of procedural justice to overall justice and to customer satisfaction?
- 5) What is the relationship of overall justice to customer satisfaction?

1-6 THE CUSTOMER'S PATH TO LOYALTY MODELS

The literature review for this study resulted in the creation of three models of the customer's path to loyalty: a theoretical model, a measurement model, and a conceptual model. The theoretical model begins with the customer's entry into the service encounter as a new or prior customer; shows the relationships of 1) prior experience to interactional, distributive, and procedural justice, 2) interactional, distributive, and procedural justice to overall justice and customer satisfaction and 3) overall justice to customer satisfaction and discloses the paths to loyalty and defection.

The measurement model, which is tested in the present study, focuses on the relationships of prior experience, the justice constructs, and customer satisfaction. It reflects this study's theories that prior experience with a firm influences justice and that justice influences the level of customer satisfaction achieved in a service encounter.

The conceptual model, (a model in-work), from which the theoretical model was distilled, represents the customer's path to loyalty or defection with most of its twists, turns, pitfalls, and pleasures. This working model is most closely reflected in the organization of the literature review. It is not provided or discussed except as revealed in the literature review, from which it was derived, and to be acknowledged as the source of the theoretical model.

1-7 RESEARCH METHODOLOGY

This quantitative study used the survey method to collect data to measure the relationship of prior experience to justice and the relationship of justice to customer satisfaction. The researcher used a convenience sample survey method. Graduate students in a service class collected 50 useable questionnaires for the pilot study. The researcher and two graduate students collected 302 useable questionnaires in an airport for the main study. The survey method enabled the researcher to determine the extent to which respondents hold a particular attitude or perception (Babbie, 1998). The survey method assumes that prior experience, customer satisfaction, and justice and its constructs (i.e., interactional justice, distributive justice, and procedural justice) are measured by customer perceptions.

1-8 RESULTS OF THE STUDY

The hypotheses were supported at the 0.05 significance level. The MANOVA test revealed that customers with positive prior experience with the particular service provider were more likely to have positive evaluations of interactional, distributive, and procedural justice with the current experience, and customers with negative prior experience were more likely to have negative evaluations of interactional, distributive, and procedural justice. Path analysis results showed interactional, distributive, and procedural justice all had direct effects and a significant positive relationship to overall justice and customer satisfaction and overall justice had a direct and significant positive relationship to customer satisfaction.

1-9 CONTRIBUTIONS OF THE STUDY

The contributions of the study include:

- This is the first study to explore the justice dimensions in a recall framework across a full spectrum of service outcomes when a customer service failure did not necessarily occur.
- This is the first empirical study to model justice in the absence of a service failure.
- The research developed the customer's path to loyalty model and tested the prior experience, justice, and customer satisfaction portions of the customer's path to

loyalty by exploring a full range of recalled customer satisfaction encounters, adding support to previous research in finding that prior experience and justice have a positive and significant relationship and that justice and customer satisfaction have a positive and significant relationship.

- The customer's path to loyalty model is the first model to be tested that uses the non-experimental customer recall design and allows for all possible outcomes in the service encounter.
- The study presents a list of definitions of concepts and constructs related to customer satisfaction.
- The study adds to the services marketing knowledge and research.
- The study findings are applicable to many types of service providers.
- The study enabled respondents to influence their own future service encounters by sharing knowledge important to service providers.
- Service providers can apply these results in developing effective training programs and strong customer relationships.
- The study enhances understanding of how interactional, distributive, and procedural justice affect customer satisfaction.
- The study can lead to increased profits and sustainability for service providers who employ its findings to refine service delivery.

1-10 ORGANIZATION OF THE PAPER

In Chapter One, Introduction, the researcher addressed the current issues surrounding the research questions; provided a brief literature review about the topic; presented the research purposes, importance, and questions; briefly introduced the researcher's models; summarized the study's methodology and results; and stated the study's contributions. Definitions of concepts and constructs used in the study are provided below. In Chapter Two, Literature Review, the relevant background theories and service literature are discussed and the theoretical model is introduced. Chapter Three, Methodology, presents and provides an explanation of the measurement model, states the hypotheses that flow from the research questions, and identifies the study design, methodology, and testing mechanisms. Chapter Four, Data Analysis, presents

discussion of the study's findings. Chapter Five, Discussion, presents a discussion of hypotheses results and their implications and cross-validation, states study limitations, and suggests future research topics.

1-11 DEFINITIONS OF CONCEPTS AND CONSTRUCTS

Although there is much literature about services marketing, the labeling and defining of concepts and constructs are in flux. For purposes of this study, the following definitions are used:

- Assurance is the knowledge and courtesy of employees and their ability to convey trust and confidence (Zeithaml, Parasuraman, & Berry, 1990).
- Attritive (natural rate) defection is defection that occurs due to factors beyond the control of the provider.
- Behavioral intentions are what the customer intends to do after a service encounter, including return, exit, switch, and engage in positive or negative word-of-mouth communications about the business (Anderson, 1998; Oliver, 1993).
- Commitment is the customer and service provider's desire to continue their relationship (Morgan & Hunt, 1994).
- Customer delight is pleasant surprise (Westbrook & Oliver, 1991) or positive affect (Mano & Oliver, 1993; Oliver, 1993) experienced by the customer as a result of unexpected value or unanticipated satisfaction (Chandler, 1989).
- Customer satisfaction and dissatisfaction are the consumer's judgments regarding a firm's success or failure in meeting expectations. Met expectations result in customer satisfaction; unmet expectations result in customer dissatisfaction (Oliver, 1980).
- Defection is a falling away from loyalty or habit in buying practice (Heskett, Sasser, & Schlesinger, 1997). It is used interchangeably with the terms switching and switching behavior.
- Disconfirmation paradigm is the model that describes the consumer's comparison of expected performance to actual performance to arrive at met expectations or unmet expectations, thus satisfaction or dissatisfaction (Oliver, 1980).
- Distributive justice is the perceived fairness of the tangible outcome of a service encounter (Hocutt, Chakraborty, & Mowen, 1997).

- Double deviation from expectations (also double deviation) is a company's wrong response to a service failure (Bitner, Booms, & Tetreault, 1990). It results in customer dissatisfaction.
- Empathy is caring, individualized attention that the firm provides to its customers (Zeithaml et al., 1990).
- Expectations are the performance anticipated or expected by the customer. They are formed from word-of-mouth communications, advertisements, and past experiences (Zeithaml et al., 1990).
- Failed service recovery is not achieving customer satisfaction on the attempt to recover from a service failure. Failed service recovery can be proactive (initiated by the company) or reactive (in response to the customer lodging a complaint) (Smith, 1998).
- Fairness is the customer's conclusion regarding equality of treatment in a single transaction. Equality may be measured against numerous variables, including treatment afforded others, past treatment, and one's own and the provider's past and/or present circumstances (Berry & Seiders, 1998).
- Interactional justice is the perceived fairness in interactions between people while the service is being carried out (Tax, Brown, & Chandrashekar, 1998).
- Justice is the customer's perception of fairness in the overall outcome of a service encounter (Berry & Seiders, 1998).
- Nonattractive defection is defection that is not attritive or natural rate defection and that could possibly be avoided or revoked by applying improved business behaviors.
- Perception is the customer's judgment about the service encounter (Zeithaml et al., 1990).
- Prior experience is the relationship or history that a customer has with a business (Oh & Parks, 1997).
- Proactive service recovery is customer satisfaction that results when a service provider recognizes the failure before the customer complains and successfully fixes the situation (Smith, 1998).
- Procedural justice is the fairness of the service provider's step-by-step actions in delivering a service (Derived from Lind & Tyler, 1988).
- Reactive service recovery is customer satisfaction achieved after a customer calls a firm's attention to a failure incident (Smith, 1998).

- Relationship quality is the level of trust and commitment the customer has for the service provider.
- Reliability as an attribute of service quality is the ability to perform the promised service dependably and accurately (Zeithaml et al., 1990).
- Responsiveness as an attribute of service quality is the willingness to help customers and provide prompt service (Zeithaml et al., 1990).
- Service encounter is consumer interactions with the service business (Shostack, 1985). It is interpreted by this author as the entire exchange between customer and service provider from the initial contact through conclusion of the exchange.
- Service failure is not performing as the customer expected the firm to perform.
- Service quality is the customer's perception of the level of success or failure in meeting expectations (Zeithaml et al., 1990).
- Service recovery is "making right what has gone wrong" (Zemke & Bell, 1990). It means performing the service right (i.e., to the customer's satisfaction) the second try, although not necessarily on a subsequent customer visit.
- Service recovery paradox is the phenomenon in some service recoveries of creating more goodwill than if things had gone smoothly in the first place (Etzel & Silverman, 1981).
- Service success is an initially satisfying service encounter that may include proactive or reactive service recovery.
- Switching or switching behavior is changing to a new service provider for the same service (Keaveney, 1995). These terms are used interchangeably with defection.
- Tangibles are the customer's perception of the appearance of physical facilities, equipment, personnel, and communication materials (Zeithaml et al., 1990).
- Trust is the confidence the customer has in the service provider's reliability and integrity (Wilson, 1995).

1-12 SUMMARY

This study was inspired by a tragedy made many times more painful because of the multiple service failures and gross injustices suffered by Noah and his parents. Noah's story is a brief and compelling account of how serious the need is for the service sector to understand, evaluate, and redefine its relationships with its customers and to provide just treatment in all circumstances, no matter how difficult.

The service sector is the fastest growing and largest sector of the economy. Customer satisfaction significantly affects company performance and, therefore, the economy. Much of the research exploring justice has been experimental and has focused on service failures and service recoveries, leaving the broader spectrum of service encounter outcomes unexplored. This researcher proposed that prior experience with a firm affects justice and that justice is predictive of customer satisfaction across service outcomes.

CHAPTER TWO

LITERATURE REVIEW

2-1 INTRODUCTION

This chapter contains a review of the literature about service encounters from initial contact to final outcome, i.e., customer loyalty or defection. It begins with a brief summary of the evolution of the relevant services marketing literature. Next, there is a review focused on service encounter literature about customer satisfaction, the study's dependent variable. To explore similarities and differences with the service quality research, there is a brief examination of service quality literature. An examination of the underpinnings for the justice framework and a review of interactional, distributive, and procedural justice and prior experience, the independent variables for the study, follows. Literature about various constructs of the customer's path to loyalty theoretical model, including delight, loyalty, disappointment, and defection, is explored. The order of the literature review coincides roughly with the flow of the constructs depicted in the researcher's theoretical model. The chapter concludes with an introduction and discussion of the researcher's customer's path to loyalty theoretical model.

2-2 EVOLUTION OF SERVICES MARKETING LITERATURE RELATED TO SERVICE ENCOUNTERS

The United States economy has shifted from a manufacturing-based economy to a service-based economy. This change has increased the need for understanding services marketing and necessitates additional service research. Initially, marketing theory purists held to the notion that the goods and products-based theories would be generalizable to service businesses. In part, the research was extendable in application, however, problems in the service businesses began to prove that the differences between providing goods and providing services required further investigation.

This further investigation has led to the development of the services marketing literature, a unique body of knowledge that developed quickly and continues to flourish. The uniqueness

results from several joint efforts. Service industry executives and academicians united to produce literature that deals significantly in managerial issues, and the interactive nature of the service sector inspired a joint effort between operations and human resource management teams, creating a highly interdisciplinary services marketing cadre. The literature has reflected an international effort from its beginning, especially among Scandinavia, the United Kingdom, France, and the United States (Fisk, Brown, & Bitner, 1993). Academicians have referred to three stages of evolution of the services marketing literature: “Crawling Out (Pre-1980), Scurrying About (1980-1985), and Walking Erect (1986-now)” (Fisk et al., p.63, 1993). Services marketing is now a well-respected academic field.

Major research topics covered in the literature include 1) service quality (Babakus & Boller, 1992; Bolton & Drew, 1991a; Swartz & Brown, 1989; Carmen, 1990; Cronin & Taylor, 1992; Zeithaml, Parasuraman, & Berry, 1990); 2) customer satisfaction (Bitner, 1990; Bitner et al., 1990; Crosby, Evans, & Cowles, 1990; Olivia, Oliver, & MacMillan, 1992; Shostack, 1987, 1992); 3) relationship marketing (Berry, 1983; Gronroos, 1987; Hart, 1988); and 4) internal marketing (George, 1990). The topics most relevant to this specific research are service failure and service recovery (Smith, 1998; Tax et al., 1998), justice theory (Blodgett et al., 1993), delight (Oliver, Rust, & Varki, 1997), and the ways in which firm performance is linked to service quality and customer satisfaction (Rust, Zahorik, & Keiningham, 1995).

2-3 THEORETICAL SUPPORT

Equity theory and attribution theory provide theoretical support for the proposed models. These theories have their roots in law, psychology, sociology, and economics and have been extended into the services arena to measure justice and fairness in the context of a service encounter. Justice, a customer’s perception of fairness of the overall outcome of a service encounter (Berry & Seiders, 1998), is the customer’s judgment about the equity in the service encounter. Fairness, the customer’s conclusion regarding the equality of treatment in the transaction, is measured against many variables, not by a strict application of a rigid set of rules or standards. This fairness conclusion, which is based on dictates of the conscience or the principles of natural justice, is a judgment in equity. In arriving at the judgment, customers

consider what happened, why it happened, and who is responsible for the event(s) and outcome(s). As customers apply an equity theory of justice and seek to attribute their dilemma to a reason and a responsible party, they are guided by attribution theory as they arrive at a judgment of satisfaction or dissatisfaction.

Attribution theory, which helps explain how consumers arrive at judgments of satisfaction or dissatisfaction regarding services (Folkes, 1984), can be examined across multiple fields and is one of the main paradigms in psychology and among marketing scholars (Swanson, 1998). Attribution theory originated with Heider's (1959) proposal of locus, stability, and control as the three causal dimensions that determine a customer evaluation. It is one component of the customer's method of assessing equity in the service encounter as they look not only at what happened but where the cause originated (locus), whether it is expected (stability), and who was to blame (control), i.e., to what or whom the situation is attributable. Weiner (1980) concluded that customer's do not blame a firm for failures outside the firm's control. In 1990, Bitner reiterated the importance of attribution theory to the formulation and evaluation of customers' satisfaction ratings.

Equity theory provides a fair and just outcome when a strict adherence to the rule of law yields an unfair or unjust result. Equity was developed in England as a system of jurisprudence comprising a body of doctrines and rules that supplemented and remedied the limitations and inflexibility of the common law system of writs. It is followed in United States courts. Equity has been acknowledged as important to attaining customer satisfaction because people want to be treated fairly (Walster, Walster, & Berscheid, 1978), and services marketing research has supported a positive correlation between inequity and customer dissatisfaction (Mowen & Grove, 1983). Individuals who sense injustice or inequity attempt to restore justice (Greenberg, 1990a). Folger's (1987) employee satisfaction research supports that individuals who cannot imagine a better distributive outcome will not perceive inequity. This research takes Folgers use of equity theory from inside the firm (measuring employee satisfaction) to outside the firm (measuring customer satisfaction). Later theorists added interactional and procedural justice as complementary models to expand equity theory beyond a pure material, i.e., distributive justice, focus (Cropanzano, 1992).

Equity theory has also been recognized and researched in other disciplines. Sociologists measure equity by a ratio of exchange of economic resources for an emotional assessment judgment. Equity theory in sociology grew out of relative deprivation theory and the social comparison era with Adams' (1965) proposal of a mathematical formula of outputs to inputs to make social comparisons. Adams' job satisfaction research concerning pay equity determined that employees who enjoy an equitable or fair pay ratio also enjoy job satisfaction. Empirical support for Adams' results includes research by Cropanzano (1992) and Greenberg (1982) that has extended pay equity and job satisfaction research principles to customer satisfaction and dissatisfaction evaluations. Smith (1998) has recently extended these principles to measure interactional, distributive, and procedural justice in studies involving service failure and recovery.

Smith's 1998 research also embraced and extended the psychologist's view of equity. Smith (1998) applied to customer satisfaction Kahneman and Tversky's (1979) theory that losses loom larger than gains and acknowledged use of a reference point against which to compare expectations. A consumer's reference points may be prior experience with the firm, prior experience with another firm, word-of-mouth from another consumer, or advertisements from the firm or another firm.

The economist's theory of utility holds that individuals strive to maximize the utility of what they receive in an exchange. This study uses the economist's theory of utility to explore the exchange of dollars for goods and/or services. Many exchanges, including the customer's exchange of money for products and services (Smith, 1998), are now evaluated for utility equity based on the customer's intangible formula of give and get. Management and marketing theorists have extended exchange and equity principles traditionally used for evaluating employee satisfaction and dissatisfaction to customer satisfaction and dissatisfaction.

2-4 SERVICE ENCOUNTER LITERATURE

The service encounter has been defined as the interpersonal relationship between the firm's employees and customers (Price, Arnould, & Tierney, 1995), a moment of truth satisfying or dissatisfying the customer (Albrecht & Zemke, 1985), the moment of interaction between the customer and the firm (Czepiel, Solomon, Suprenant, & Gutman, 1985), and the customer interactions with the service business (Shostack, 1985). This researcher defines the service encounter as the entire exchange between customer and service provider from the initial contact through conclusion of the exchange. Price, Arnould, and Tierney (1998) identified duration, affective content, and spatial proximity as the three important attributes of a service encounter.

Most of the research classifies service encounters from the customer's viewpoint (Bitner et al., 1990; Hoffman, Kelley, & Rotalsky, 1995; Hunt, Hunt, & Hunt, 1988; Keaveney, 1995; Kelley, Hoffman, & Davis, 1993). Some studies classify encounters from the employee's viewpoint (Bitner et al., 1994). Early empirical studies developed theoretical models of service failure and recovery linked to distributive and procedural justice (Blodgett, 1994). Later studies developed theoretical models of service failure and recovery that added interactional justice (Smith, 1998). Customers evaluate service delivery by subjective, emotional, and intangible perceptions. The many expectation-confirming and expectation-disconfirming events that occur during one service encounter lead to one perception of the entire encounter (Zeithaml et al., 1990).

2-4-1 Gestalt Theory

Wirtz and Bateson (1997) referred to the Gestalt phenomenon as positive or negative halo effects. The Gestalt theory supports that very strong performance of one attribute overwhelms the service judgment to positive or that very poor performance in one area will make the service judgment negative regardless of other attribute ratings. Even though multiple-attribute models have received much empirical support as measurements of customer satisfaction (Churchill & Surprenant, 1982), Gestalt evaluations of salient attributes are important to theorists because one very strong attribute may minimize weak attributes, making the salient attribute responsible for

the overall justice or service quality judgment. Services marketing researchers have suggested that a Gestalt evaluation of service is more valid than a more segmented multiple-attribute approach (Johns & Tyas, 1997). Johns and Tyas observed that Gestalt ratings often are associated with unexpected responses in both negative and positive judgments.

2-4-2 Service Success and Recovery

For purposes of this study, service successes are defined as satisfying service encounters that may include proactive or reactive service recovery. A proactive service recovery occurs when a successful service encounter results after an initial service failure from which the service provider initiates a recovery. A reactive service recovery occurs when a customer complains and the service provider then recovers from the failure (Smith, 1998). Although the literature reveals little research about initial service success, success is an integral part of the service encounter satisfaction literature that discusses service recovery.

Zemke and Bell (1990) defined service recovery as making right what has gone wrong. Regardless of outcome, service recovery efforts influence a guest's perceptions. A sufficiently positive service recovery may reduce the initial failure to insignificant in the guest's perception. Highly successful recoveries have a surprisingly satisfying effect on a customer's perceptions of service quality. The service recovery paradox (Etzel & Silverman, 1981; McCollough & Bharadwaj, 1992) has shown that service recoveries can build loyalty faster than if no failure had occurred. Spreng, Harrel, and MacKoy (1995) identified three reasons why successful service recovery may cancel the impact of service failure:

- 1) The customer begins to believe that the business is fair based on communications that occur between the customer and the service provider.
- 2) The recovery is so successful that the service failure memory is cleared.
- 3) The communication between the customer and the service provider creates an understanding in the perception of the customer so that the customer attributes the failure to extenuating circumstances.

Methods of service recovery have been empirically tested by Sundaram, Jurowski, and Webster (1997), who identified and used four types of service recovery methods in their study of restaurants: an apology, a 25% discount, a 50% discount, and a promise and immediate redo of the service. Their study supported the relationship between criticality of service and type of recovery method used in restoring satisfaction. The level of satisfaction achieved by a service recovery is determined by the customer's assessment of the recovery effort (Bitner, 1990; Bitner et al., 1990; Bitner & Hubbert, 1994). That assessment is subjective, emotional, and perceptual (Bagozzi, Gopiriath, & Nyer, 1999).

2-4-3 Service Failure and Failed Service Recovery

When the service provider does not deliver what the guest expects, a service failure that could lead to dissatisfaction has occurred (Smith, 1998). Gronroos (1992) defined service failure as not performing as the customer expected the firm to perform. A service failure has occurred when a customer leaves the system dissatisfied. Most dissatisfied customers (90% to 95%) will leave the service organization without complaining (Keaveney, 1995).

According to Smith (1998, p.1): “(1) failures are prevalent; (2) failures are memorable; and (3) failures lead to defection.” Evidence of service failures is accumulating for hospitals, hotels, restaurants, banks, automobile repair businesses, credit card companies, and other service industry businesses. When the customer's overall assessment of the service encounter is dissatisfaction and there is no customer complaint and no service recovery attempt, an unresolved failure has occurred (Smith & Bolton, 1998).

Many times, customers react to dissatisfying service encounters with negative word-of-mouth communications, changed behavioral intentions toward the firm, and lost trust in and commitment to the firm. These reactions signal the dissatisfaction that results in diminished chances of loyalty. Ultimately, the customer may end the relationship with the service firm (Smith, Bolton, & Wagner, 1999).

There are various reasons why companies do not correct service failures. They may be unaware of the service failure (no guest complaint and no recognition by the firm of the failure), they may choose to ignore the service failure, or their attempt may fail to satisfy the customer. A firm may ignore a complaint when it does not feel responsible, when it feels the customer is responsible, or when it realizes it cannot fix the service failure. A company's response to a service failure can upset a customer more than the initial failure (Bitner, 1990).

Encounter literature supports that the majority of service failures are due to the behaviors and attitudes of service employees (Bitner, 1990). Bitner showed that 43% of dissatisfied customers remained dissatisfied due to an employee's negative response to a service failure. Descriptors used by guests to describe these bad behaviors included uncaring, impolite, unresponsive, and unknowledgeable (Keaveney, 1995).

Much of the service failure and recovery research has occurred with customers who have lodged complaints (Tax et al., 1998) and with companies that have initiated proactive recovery (Smith, 1998). Those studies miss the largest group of dissatisfied customers, the silent dissatisfieds who did not complain to the firm and who create the iceberg effect that constitutes a major threat to the firm's future (Heskett, Sasser, & Schlesinger, 1997).

Failed service recovery is not achieving customer satisfaction on the attempt to recover from a service failure. It can result from a failed proactive or reactive recovery attempt (Smith, 1998). A dissatisfied customer may lodge a complaint that initiates a failed reactive service recovery (Tax et al., 1998). A company's knowledge of a service failure followed by an inappropriate response, i.e., double deviation from expectations (Bitner et al., 1990), further reduced the customer's perceptions of service quality and produced worse dissatisfaction than existed with the initial service failure (Bitner, Booms, & Mohr, 1994). The appropriate interactional, distributive, and procedural justice response was critical in preventing failed service recovery and double deviation (Smith, 1998).

Keaveney (1995) found that service failure or failed service recovery caused six out of ten lost customers to exit a firm or switch to another firm for the same service. The service

recovery method attempted is not as critical as an employee's response on learning about the service failure (Sundaram et al., 1997). In Keaveney's research, 17% of lost customers reported switching service providers due to poor employee response to service failures. Keaveney categorized responses as 1) reluctant responses, 2) failures to respond, and 3) negative responses. In the same study, more than 7% reported switching due to a service provider's unethical behavior, including dishonesty, intimidating conduct, dangerous practices, and conflicts of interest. Many of the switching incidents occurred due to interactional injustices.

2-4-4 Service Failure and Recovery Literature

Service failure and recovery play important roles in determining service quality and customer satisfaction (Smith, 1998). Much of the first early marketing writing about failure and recovery was anecdotal; it suggested things to do to fix a described service failure. Suggested actions included apologizing, listening, providing a fast solution, making atonement, keeping promises, and following up (Bell & Ridge, 1992; Bell & Zemke, 1987; Firnstahl, 1989; Hart et al., 1990; Zemke & Bell, 1990). Anecdotal research helps reveal a topic to management and highlight its importance (Kelley & Davis, 1994). It can inspire theoretical developments that yield empirical literature. At one time, theoretical discussions regarding service failure and recovery were limited because the only information available was from anecdotal reports.

Numerous researchers (e.g., Bitner et al., 1990, 1994; Edvardsoon, 1992; Hoffman et al., 1995; Kelley et al., 1993; and Strauss, 1993) categorized and classified service failures and recoveries using Flanagan's critical incident technique (Flanagan, 1954). Bitner et al. (1990) categorized airport service encounters into three behavior classes: 1) employee response to service delivery system failure, 2) employee response to customer needs and requests, including the further classifications of special order or request and admitted customer error, and 3) unprompted and unsolicited employee actions, which were further classified into mischarged, accused of shoplifting, employee-created embarrassments, and employee attention failures. Gremler and Bitner (1992) supported the existence of the three behavior classes across service industries.

Bitner (1990) used the critical incident technique in the restaurant, hotel, and airline industries. She identified favorable and unfavorable recoveries (i.e., actions that satisfied or dissatisfied) and their causes. Her results suggested that acknowledgment of the service failure, apologizing, explaining the failure, and then giving tangible offerings constituted an acceptable solution that accomplishes service recovery. Hoffman et al. (1995) confirmed that distributive justice offerings such as free food, gift certificates, and discounts were critical to service recovery in restaurant service failures.

Kelley et al. (1993) further developed Bitner's (1990) classification in a retail setting by identifying subgroups within the three major behavior classes. The subgroups included policy failures, slow or unavailable service, system pricing failure, packaging errors, out of stock, product defects, hold disasters, alterations and repairs, and bad information. Kelly et al. also classified acceptable service recoveries by discount, correction, manager/employee intervention, correction plus, replacement, apology, and refund. They classified unacceptable service recoveries by customer-initiated correction (i.e., reactive recovery), store credit, unsatisfactory correction, failure escalation (i.e., double deviation), and no action by service personnel.

Hoffman et al. (1995) offered a failure and recovery typology specific to restaurants. They used Bitner's three major classes and somewhat different subgroups in their restaurant-specific inquiry. Product defects, slow or unavailable service, facility problems, unclear policies, and out-of-stock conditions were common failures in the first behavior class. Food not cooked to order and requests not honored on delivery were the only two reported failures in the second behavior class. The third behavior class included inappropriate employee behaviors, incorrect food orders, lost orders, and mischarged orders. Hoffman et al. classified service recovery strategies into free food, food discounts, coupons, management intervention, food replacement, correction of failure, and apology. They identified the service provider's failure to respond as unacceptable to the customer and leading to dissatisfaction and possibly defection. Although recovery was most difficult in cases of facility failures and inappropriate employee behaviors, Hoffman et al. confirmed that recovery could be achieved from most failures regardless of failure type or magnitude.

Research on service failure and recovery confirmed the impact of service recovery on customer satisfaction, word-of-mouth communications, and repurchase intentions (Bitner, 1990; Clark, Kaminski, & Rink, 1992; Gilly, 1987; Keaveney, 1995; Spreng et al., 1995). Gilly used quality and speed to demonstrate the importance of customers' perceptions of service recovery efforts in achieving customer satisfaction. Bitner found that customers attribute higher service encounter satisfaction to the service provider who offers a systematic response to service failure. Zeithaml et al. (1990) confirmed a positive relationship between service quality and service recovery.

Service failure and recovery have been related to process (procedural justice), output (distributive justice), interaction (interactional justice), and their effects on recovery outcome. Goodwin and Ross (1992) reported the interaction effects between the process and outcome of service recovery. Their experiment represented the justice framework across four different service business types. They manipulated the service recovery outcome as favorable and unfavorable and manipulated the process by introducing the conclusion of an apology from the business and stipulating that the apology was delivered in a high (loud, inconsiderate, hostile, and rude) or low (soft, kind, gentle, polite, and considerate) voice. Results confirmed the importance of apologizing in a sincere manner when attempting to recover from a service failure. Employees who sincerely tried to resolve the service failure, whether they were successful or not, achieved higher levels of customer satisfaction than employees who did not attempt to solve the customer's problem or attempted to solve the customer's problem in an unacceptable manner.

Research has also shown that process and outcome of recovery differ according to nature and type of service (Mittal & Lassar, 1995). Mittal and Lassar's results indicated that technical quality was more important in the healthcare industry and functional quality was a stronger determinant of customer satisfaction in an automobile repair business. Other studies of service failure and recovery have classified service failures by type (outcome or process), criticality, and severity (Smith et al., 1999; Webster, 1999). In 1995, Mohr and Bitner showed the impact of employee effort on customer satisfaction in the presence of service recovery.

Level of customer satisfaction has been shown to affect behavioral intentions and to have a positive relationship with favorable intentions toward the firm, including a willingness to engage in positive word-of-mouth communications and to repatronize (Anderson, 1998; Smith et al., 1999; Sparks, 1998; Swanson, 1998). Bejou and Palmer's (1998) investigation of the relationship between service failure and customer loyalty showed support for unresolved failures greatly decreasing the chance of customer loyalty. Roos (1999) studied service failure and recovery and the firm's relationship with the customer, showing that successful recoveries increase relationship quality (i.e., increase customer trust and commitment for the firm). Zeelenberg and Pieters (1999) examined failed service delivery and showed a positive correlation with customers' unfavorable behavioral intentions, including the intention to exit, engage in negative word-of-mouth communications, or seek redress with lawsuits. Becker (2000) recently suggested that service recovery strategy would need to vary to reflect cultural differences.

2-5 THE JUSTICE CONSTRUCTS

Interactional, distributive, and procedural justice measure service encounter fairness associated with the people, output, and process involved, respectively. These constructs are based on perceptions of justice or fairness (Greenberg, 1990) and have been confirmed (Bies, 1987; Bies & Moag, 1986; Goodwin & Ross, 1989, 1992; Goodwin, Smith, & Verhage, 1991). Tax et al. (1998) highlighted the importance of considering the effects of the interaction of the three constructs on customer satisfaction. This researcher has joined the current cadre of researchers in partitioning justice into interactional, distributive, and procedural justice, which is an adaptation of Greenberg's taxonomy of justice that divided procedural justice into systems and informational justice and distributive justice into configural and interpersonal justice (Cropanzano, 1992).

2-5-1 Interactional Justice

Interactional justice arises from the interpersonal part of a transaction (Greenberg, 1990b). It is an intangible part of the service encounter experience composed of fairness

judgments related to the attributes of honesty (Goodwin & Ross, 1989), politeness (Clemmer, 1988; Goodwin & Ross, 1989), effort (Folkes, 1984; Mohr & Bitner, 1995), empathy (Parasuraman et al., 1988), and explanation (Bies & Shapiro, 1987; Bitner et al., 1990). Defined by Tax et al. (1998) as the perceived fairness in interactions between people when the guest is present in the service delivery system or while the service is being carried out, interactional justice has also been defined as the quality of interaction between two parties involved in a conflict (Bies & Moag, 1986). It has been shown to affect the quality of service delivered (Grant, Shani, & Krishnan, 1994).

Interactional justice has primarily been explored in customer satisfaction studies when an injustice or service failure has occurred. Bitner et al. (1990) discovered that 43% of poor outcomes in service transactions are due to front-line employees' responses to a service failure. Unacceptable answers about service failures from other than front-line employees (e.g., supervisors, managers, mechanics and other usually behind-the-scene technicians who are rude, inattentive, uncaring, or even arrogant in their participation in the transaction) accounted for 51% of poor outcomes (Hocutt, Chakraborty, & Mowen, 1997). Marketing studies that have employed the notion of interactional justice in customer satisfaction research (Blodgett, Wakefield, & Barnes, 1995; Blodgett & Tax, 1993; Goodwin & Ross, 1989, 1992; Oliver & Swan, 1989; Smith & Bolton, 1998; Smith et al., 1999; Spreng et al., 1995; Tax et al., 1998) support interactional justice as a significant predictor of customer satisfaction with service recovery efforts. Smith (1998) operationalized interactional justice as the presence or absence of an apology after a service failure and during a service recovery attempt. Many times, this interpersonal treatment during the service encounter appeared to remain in salient memory longer than other details.

Social psychology literature and organizational behavior literature have suggested that previous personal exchanges or prior experience are critical in resolving conflict (Schlenker, 1982; Semin & Manstead, 1983; Tedeschi & Reiss, 1981). These studies acknowledge the impact of personal interactions on problem solving. This researcher has observed that three of the service quality attributes (empathy, assurance, and responsiveness) identified by Parasuraman, Zeithaml, and Berry (1985) are anchored heavily in the interactional justice

attributes (politeness, empathy, effort, explanation and information, honesty, and attitude) identified by Hocutt et al. (1997). Zeithaml, Berry, and Parasuraman (1993) defined empathy as caring, individualized attention; assurance as the knowledge and courtesy of employees and their ability to convey trust and confidence; and responsiveness as the willingness to help customers and provide prompt service.

2-5-2 Distributive Justice

Distributive justice is the perceived fairness of the tangible outcome of the service encounter (Hocutt et al., 1997). Equity (Goodwin & Ross, 1992; Oliver & DeSarbo, 1988; Oliver & Swan, 1989), equality (Greenberg, 1990a), and need (Deutsch, 1985) have been used in defining it. Problems with measuring distributive justice arise because equity, equality, and need are not easy for the customer to distinguish and it is difficult for service personnel and customers to assess input and output value (Deutsch, 1985). The distributive justice equity model has been tested extensively in sociological and organizational behavior research (Greenberg, 1990a). Distributive justice has been used many times to explain justice or fairness (Tax, 1993). Researchers favor use of the distributive justice model when inputs and outputs are easily measured.

Empirical equity research has supported the role of distributive justice in service recovery (Blodgett et al., 1995; Blodgett & Tax, 1993; Goodwin & Ross, 1989, 1992; Goodwin et al., 1991; Spreng et al., 1995). Distributive justice is achieved in a service recovery when the customer receives at least what they would have received before the service failure occurred. This has been called restoration to at least value level (Adams, 1965) and atonement (Bell & Zemke, 1987). Reimbursement, replacement, repair, correction, credit, and no attempt at resolution are possible responses to distributive injustice (Tax et al., 1998).

2-5-3 Procedural Justice

Procedural justice is process fairness. Service recovery literature has defined procedural justice as the organization's step-by-step actions in solving problems (Lind & Tyler, 1988). Tax

and Brown (1998) called procedural justice the adequacy of the criteria or procedure used in decision making. In assessing procedures, the customer makes a subjective comparison of the processes used to handle a transaction, service recovery, or injustice. In order of importance, the attributes of procedural justice are 1) assuming responsibility, 2) timing and speed, 3) convenience, 4) follow-up, 5) process control, 6) flexibility, and 7) knowledge of process (Tax et al., 1998).

Services marketing studies have used procedural justice to measure fairness. Burroughs (1982) and Greenberg and McCarty (1990) used it to analyze pay equity. Bies and Shapiro (1987) applied it to human resource practices. Goodwin and Ross (1989, 1992) measured procedural justice using the consumer's opportunity to participate in the process by offering opinions. Procedural justice is difficult to manipulate in experimental situations; however, it can be used with retrospective self-reports of service failures and recoveries (Goodwin & Ross, 1992).

2-5-4 Combined Constructs of Justice

The reciprocal influence among the justice constructs has been explored and supported (Tax et al., 1998). It has also been suggested that customers evaluate interactional, distributive, and procedural justice independently (Greenberg, 1990b). Swanson (1998), citing the high correlation of procedural and interactional justice, examined them as a unit that influences and is influenced by distributive justice.

In 1995, Blodgett et al. confirmed that distributive and interactional justice in a retail firm's service recovery approach are related to the customer's word-of-mouth behavior and repurchase intentions. Their data, based on retrospective service reports, supported that interactional justice had a more important impact than distributive justice on the customer's future behavior with the firm, suggesting that interactional justice may be more important than researchers had realized. Earlier research (Blodgett & Tax, 1993) used an experimental scenario that had indicated that distributive justice was more important than interactional justice to future behaviors. The researchers found that customers wanted to get what they wanted (distributive

justice), but they also wished to be treated with respect (interactional justice). The different results may stem from the different methodologies, however, it is possible that customers' justice requirements vary with the type of service being rendered. Tax et al. (1998) examined the interaction between distributive and interactional justice in determining customer satisfaction after a lodged complaint. Human resource management literature concluded that the degree to which an appraisal is perceived as unfair increases if poor communication techniques are used to explain the appraisal (Greenberg & McCarty, 1990a).

McCabe (1990) and Tax et al. (1998) explored the concept that employee behavior (interactional justice) influences customer perceptions of procedural justice. For Tax et al. (1998), the hypothesized interaction between procedural and interactional justice was not statistically significant in complaint handling situations. According to Smith (1998), as customers attribute employees' actions and treatment to the organization, their interpersonal treatment will influence perceptions and, thus, assessments of procedural justice. If the workers at a firm do not provide politeness, empathy, effort, honesty, and the right attitude, the customer satisfaction perception associated with procedural justice is reduced (Goodwin & Ross, 1992).

Folger (1986) suggested that perceptions of procedural injustice cause perceptions of distributive injustice to worsen. This is especially the case when the customer thinks the outcome could have been better through a fairer process. When unfair procedures lead to poor outcomes, a customer's satisfaction is likely to decrease (Tax et al., 1998).

The three constructs of justice are correlated and complementary (Swanson, 1998). Each customer arrives at an overall judgment of the service based on perceptions regarding the people (interactional justice), the product (distributive justice), and the process (procedural justice), which interplay to determine a service assessment or a customer satisfaction judgment based on overall justice (Blodgett et al., 1993).

2-6 CUSTOMER SATISFACTION LITERATURE

Customer satisfaction continues to be one of the topics companies research most. Consequently, theorists are continuing to explore new models and methods that may unlock meaningful information about customer satisfaction.

Marketing researchers have not yet agreed on one global definition for customer satisfaction. Although the constructs have been thoroughly explored, one theoretical model has not and likely will not be accepted due to the complex process involved in arriving at a customer's judgment of satisfaction or dissatisfaction. This researcher defines customer satisfaction and dissatisfaction as the consumer's judgments regarding a firm's success or failure in meeting expectations, with met expectations resulting in satisfaction and unmet expectations resulting in dissatisfaction (Oliver, 1980).

Consumer satisfaction research started as early as the 1960's (Cardozo, 1965). The literature suggests that customer satisfaction is a by-product of the confirmation or positive disconfirmation of expectations and that customer dissatisfaction is a by-product of negative disconfirmation of expectations (Day, 1984; Oliver, 1980; Olshavsky & Miller, 1972; Olson & Dover, 1976).

During the early 1980's, customer satisfaction increased in popularity as a topic. Since that time it has been well explored in the marketing literature (Cadotte, Woodruff, & Jenkins, 1987; Churchill & Surprenant, 1982; Erevelles & Leavitt, 1992; Oliva, Oliver, & MacMillan, 1992; Oliver, 1980; Oliver & DeSarbo, 1988; Oliver & Swan, 1989; Tse & Wilton, 1988). Customer satisfaction (including discussion of expectations and the disconfirmation paradigm), service quality, similarities between customer satisfaction and service quality, delight, disappointment, customer loyalty, and defection are among the popular current topics in the customer satisfaction literature. The disconfirmation paradigm (Oliver, 1977, 1980) is the most widely used and explored measure of customer satisfaction.

Oliver developed the disconfirmation paradigm from the adaptation level theory (Helson, 1964). According to Oliver, expectations and disconfirmation are the two cognitive processes involved in customer satisfaction. Positive disconfirmation (performance above expectations) and negative disconfirmation (performance below expectations) produce the affective outcomes called customer satisfaction and dissatisfaction. Each service encounter influences the expectation level for the next visit. Numerous researchers have applied the paradigm (Bearden & Teel, 1983; Latour & Peat, 1979; Swan & Trawick, 1981; Tse & Wilton, 1988).

Swan and Trawick (1981) investigated expectations and evaluations of service and the intention to repatronize a restaurant. Their longitudinal study confirmed the disconfirmation model. The hypothesis supported was that positive disconfirmation increases with an increase in satisfaction.

Research has indicated that customer satisfaction determinants differ between goods offerings and service encounters (Churchill & Surprenant, 1982). Studies have also shown an interaction between goods and service activity in achieving customer satisfaction (Bearden & Teel, 1983; Cadotte et al., 1987; Oliver & DeSarbo, 1988). Oliver (1993) concluded that food quality and personal service interact in the dining experience to determine customer satisfaction or dissatisfaction.

Swan and Combs (1976) defined satisfaction as a post-purchase attitude. Westbrook (1980) introduced the notion that customer satisfaction involves cognitive and affective aspects in pre-purchase, purchase, and post-purchase phases of buying goods and/or receiving services. While many other conceptualizations exist, there is agreement that satisfaction is a judgment a customer makes following a service encounter in which goods and/or services are exchanged (Yi, 1990). This evaluation of satisfaction is highly heterogeneous. It differs from customer to customer, encounter to encounter, and firm to firm, supporting the need for new insights in customer satisfaction between and across industries. Tse, Nicosia, and Wilton (1990) emphasized that satisfaction is a process spanning the consumption period and that research of the post-purchase phase is critical to new knowledge development.

2-6-1 Prior Experience

Prior experience, the relationship or history that a customer has with a business, moderates the customer's service quality judgment and level of satisfaction (Oh & Parks, 1997). The satisfaction judgment a customer makes after each transaction may be a transaction-specific judgment (Bitner, 1990) or a cumulative global judgment based on multiple interactions with the firm or product (Cronin & Taylor, 1994; Ostrom & Iacobucci, 1995).

Tax et al. (1998) identified prior experience as an important component of the service encounter because it influences subsequent service encounters and the future relationship between the customer and the service provider. Customers continually update their beliefs and expectations regarding a service, and with each visit they integrate new information with their existing knowledge about the provider. Each service encounter yields a service quality judgment that results in updated expectations for the next visit. Aaker (1991) adapted two belief-updating processes to analyze customer dissatisfaction with complaint handling, and in each case the mitigating effect of prior experience (or lack thereof) was demonstrated.

Woodruff, Cadotte, and Jenkins (1983) contended that expectations are norms based on experience with the product. Zeithaml et al. (1990) provided support for the theories that expectations vary with the consumer and are formed from past experiences with and word-of-mouth and advertisements about a firm. Comparisons have been viewed as being made against six types of expectations: ideal (Miller, 1977), desired (Spreng & Olshavsky, 1993, Zeithaml et al., 1993); equitable and ideal outcomes (Tse & Wilton, 1988), values (Westbrook & Reilly, 1983), acceptability (Miller, 1977; Zeithaml et al., 1993), and a should-be (Boulding, Kalra, Staelin, & Zeithaml, 1993). These six expectation types are represented in six different customer satisfaction models. Recent work has begun to accept all six models as valid, recognizing that customers hold multiple expectations simultaneously (Spreng, MacKenzie, & Olshavsky, 1996).

After Westbrook and Oliver (1981) extended the traditional customer satisfaction paradigm to consider the affective role, Oliver and Swan (1989) introduced five different types of satisfaction evoked by feelings: 1) contentment (acceptance or tolerance), 2) pleasure (an

evoked positive experience ending with happiness), 3) relief (aversive state is removed), 4) novelty (interest or excitement due to expected or unexpected events), and 5) surprise (delight or outrage due to far exceeded or unmet expectations).

Regardless of how customers form expectations or arrive at satisfaction conclusions, all customers have expectations (Tse & Wilton, 1988). Expectations change as encounters with a firm change. Meeting or exceeding these evolving expectations determines the financial success of a firm (Fornell, Anderson, & Lehman, 1994).

2-6-2 Service Quality Literature

Service quality is the customer's perception of the level of success or failure in meeting expectations (Zeithaml et al., 1990). Researchers typically measure service quality using customer evaluation of tangibles, reliability, empathy, assurance, and responsiveness, the five attributes used by Zeithaml et al. (1990). Beginning with Zeithaml (1980), service quality has often been measured by differentiating customer expectations and perceptions by surveying customers both before and after a service experience. In the service delivery gap model, perceptions greater than or equal to expectations signal satisfactory service quality; perceptions less than expectations indicate unsatisfactory service quality (Parasuraman, Zeithaml, & Berry, 1985, 1988; Zeithaml et al., 1993). The majority of current researchers (Bitner, 1990; Bitner et al., 1990; Zeithaml et al., 1990) have measured service quality by analyzing customer perceptions using only post-service surveys, relying on the single inquiry to reveal the service delivery gap.

2-6-3 Service Quality and Customer Satisfaction

Strong similarities exist between the constructs of service quality and customer satisfaction, and controversy exists regarding the nature of the relationship of these distinct constructs (Oh & Parks, 1997). Some scholars consider service quality to be a state of outcome of the service encounter and customer satisfaction to be a response to service quality. Other scholars think that one leads to the other and disagree as to which comes first. Many researchers

agree that customer satisfaction and service quality are separate and distinct constructs that share many similar attributes (Bitner, 1990; Boulding et al., 1993; Carmen, 1990; Parasuraman et al., 1993). There are scholars who make no distinction between the two constructs.

Many investigators (Cadotte et al., 1987; Fornell, 1992; Oliver, 1980; Oliver & DeSarbo, 1988; Oliver & Swan, 1989; Spreng et al., 1995) have done customer satisfaction research using service quality measures. Companies have used customer satisfaction and service quality measures interchangeably in assessing service delivery (Devlin, Dong, & Brown, 1993).

Service quality and customer satisfaction both influence strategic marketing variables such as customer loyalty, trust and commitment, propensity to engage in positive word-of-mouth communications, intention to return, and firm profitability (Anderson, 1998). Extremely high levels of service quality and customer satisfaction are acknowledged as important components in building loyalty.

2-6-4 Relationship Quality

Trust and commitment, the constructs of relationship quality, are critical to long-term relationships between customers and service providers (Dwyer, Schorr, & Oh, 1987; Gronroos, 1994; Gummesson, 1994, 1998). Trust is the confidence the customer has in the service provider's reliability and integrity. Trust is a major determinant in the success of a relationship between a customer and a service provider (Wilson, 1995). Commitment is the customer and service provider's desire to continue their relationship (Morgan & Hunt, 1994). Trust and commitment grow or shrink with each service encounter.

Reliability over multiple service encounters adds to a customer's trust in the organization (Ganesan, 1994). Trust has been linked to outcome in complaint handling (Kelley & Davis, 1994). Higher levels of customer satisfaction have predicted higher levels of trust (Smith & Bolton, 1998). Higher levels of customer satisfaction have been correlated with higher levels of customer commitment across service encounter outcomes and in particular in regard to outcomes

due to complaints lodged by the customer (Kelley & Davis, 1994; Smith, 1998; Smith & Bolton, 1998; Weun & Trocchia, 1996).

Dwyer et al. (1987) identified awareness, exploration, expansion, commitment, and dissolution as the stages in the relationship between customer and service provider. Throughout these stages, customers use satisfaction or dissatisfaction to form their intentions to repatronize the business, engage in negative or positive word-of-mouth communications about the business, or exit and not return. Customers repatronize or defect from service businesses for multiple reasons, only one of which is satisfaction level. Reichheld (1996) called the latest satisfaction craze a satisfaction trap because between 65% and 85% of satisfied customers will defect. Researchers have used intentions to repatronize a service to test the validity of service quality and customer satisfaction models. Research has demonstrated that low levels of service quality and low customer satisfaction are related to switching behavior (Bitner, 1990; Boulding et al., 1993; Cronin & Taylor, 1992).

2-6-5 Delight and Loyalty

Customer delight has been defined as the pleasant surprise experienced by the customer as a result of unexpected value or unanticipated satisfaction (Chandler, 1989). Chandler proposed that customer delight is related to loyalty and suggested that delight is a competitive advantage for the firm that consistently delivers delightful service. Delight goes beyond and has been measured differently from customer satisfaction (Oliver, 1999). For example, when Ford Motor Company authorized service departments to fix certain breakdowns of a car as if under warranty even after the warranty had expired, some customers were delighted (Berry & Seiders, 1998). Delight addresses very positive states of emotions. Researchers have referred to delight as pleasant surprise (Westbrook & Oliver, 1991) and positive affect (Mano & Oliver, 1993; Oliver, 1993).

Research has demonstrated that only extreme levels of satisfaction result in loyal customers (Bitner, 1990). According to Hart (1988), this means a very positive satisfaction level (nine or ten on a ten-point scale). Although loyalty has been defined by repeated buying

behavior, Jacoby and Chestnut (1978) suggested this is unwise because of the convenience factor. Oliver (1999) agreed that a customer's loyalty must be measured further by analyzing the customer's beliefs, affects, and intentions. Dick and Basu (1994) presented the beliefs, affects, and intentions product loyalty framework, saying 1) the customer must prefer the product over the competitor's product, 2) the preference for the product must coincide with an emotional preference for the brand, and 3) the end result is the consumer has a higher intention to remain with that brand. Oliver (1999, p.34) defined the foundations of loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior." He said the loyal customer will pursue the product against all odds and at all costs. Loyalty may be determined by one good service encounter with a service organization (Solomon, Surprenant, Czepiel, & Gutman, 1985). Oliver (1999) suggested that loyalty can occur at any stage of a business relationship.

2-6-6 Disappointment and Defection

Disappointment is a deeper affective state or a more extreme dissatisfaction felt when things go differently than expected (Zeelenberg & Pieters, 1999). Zeelenberg and Pieters presented a disappointment model detailing that the emotion of disappointment (one of 32 emotions identified by Frijda, Kuipers, & ter Schure, 1989) is important to services marketing researchers because disappointment and regret are related to decision making (Inman, Dyer, & Jia, 1997). Research into the relationship between disappointment and the behavioral intentions of complaining, engaging in negative word-of-mouth communications, and defecting showed more disappointed customers complaining and engaging in negative word-of-mouth but not more defecting. This confirmed past studies (Inman et. al., 1997).

Defection is a falling away from loyalty or habit in buying behavior (Heskett et al., 1997). It is the final behavioral response that dissolves the relationship between customer and service provider. Defection has been shown to lead to reduced market share, low profitability, and increased cost (Reichheld & Sasser, 1990; Rust & Zahorik, 1993; Rust, Zahorik, &

Keiningham, 1995). Studies have linked switching behavior to service failures in retail stores (Kelley et al., 1993) and to dissatisfaction in the insurance industry (Crosby & Stephens, 1987). Research focused on quality, satisfaction, or service encounters has yielded only partial information about defecting behavior.

Extremely satisfied customers usually do not defect (Jones & Sasser, 1995). However, even customers who communicate their satisfaction do defect (Liljander, Roos, and Strandvik, 1998; Roos, 1999). Some natural rate (attritive) defection occurs due to factors beyond the control of the provider. This study refers to defection that is not natural rate defection and that could possibly be avoided or revoked by applying improved business behaviors as nonattritive defection. Both satisfied and dissatisfied customers defect attritively and nonattritively. Keaveney (1995) presented three categories of reasons for nonattritive defection: 1) price (high, increase, unfair, or deceptive), 2) inconvenience (location, hours of operation, too long for appointment, waited too long), and 3) core service failures. She identified mistakes, billing errors, and service catastrophes as the subcategories of core failures. Twenty percent of the respondents in Keaveney's study who switched mentioned inconvenience. Forty-four percent of Keaveney's respondents said their defection was related to core service failures. Thirty-four percent defected due to personal interactions with the service provider.

Roos (1999) categorized defection as revocable and irrevocable by applying the attributes of relationship length, switching determinants (push, sway, and pull), emotions, voice, and length of process. Irrevocable defections were characterized by medium relationship length, being pushed from the provider by product and service failures, the experience of strong emotions, having complained often with no response, and having taken between 2 and 4 months to make the decision to defect. Smith and Bolton (1998) disclosed that long-time customers want no failures. Loveman (1998), Rust and Zahorik (1993), and Solnick and Hemenway (1992) have indicated that dissatisfied customers have a higher likelihood of defecting than satisfied customers.

2-7 THE CUSTOMER'S PATH TO LOYALTY MODEL

This study's theoretical model of the customer's path to loyalty (Figure 2.1) conceptualizes the customer's path to loyalty from the service encounter to ultimate resolution of the relationship. The customer's path to loyalty theoretical model has conceptual value to researchers and practical value to service company executives. The model expands previous models by including unique and controversial sometimes-untested relationships. By acknowledging the path to defection, the customer's path to loyalty theoretical model reminds providers of the alternate path. The model adapts and combines previous models of the service profit chain (Haskett et al., 1997), customer satisfaction with service failure and recovery (Smith & Bolton, 1998), and complaint handling relationships (Tax et al., 1998). The theoretical model of the customer's path to loyalty is a very simplified version of the working conceptual model of the web of loyalty and defection disclosed by this researcher's understanding of the complex path to loyalty as revealed by the services literature and as experienced and observed by this researcher as a consumer and during 23 years as a service provider. The discussion of the twists and turns on the customer's path to loyalty or defection reveals the sometimes-avoidable roadblocks, pitfalls, and detours on the customer's journey to loyalty.

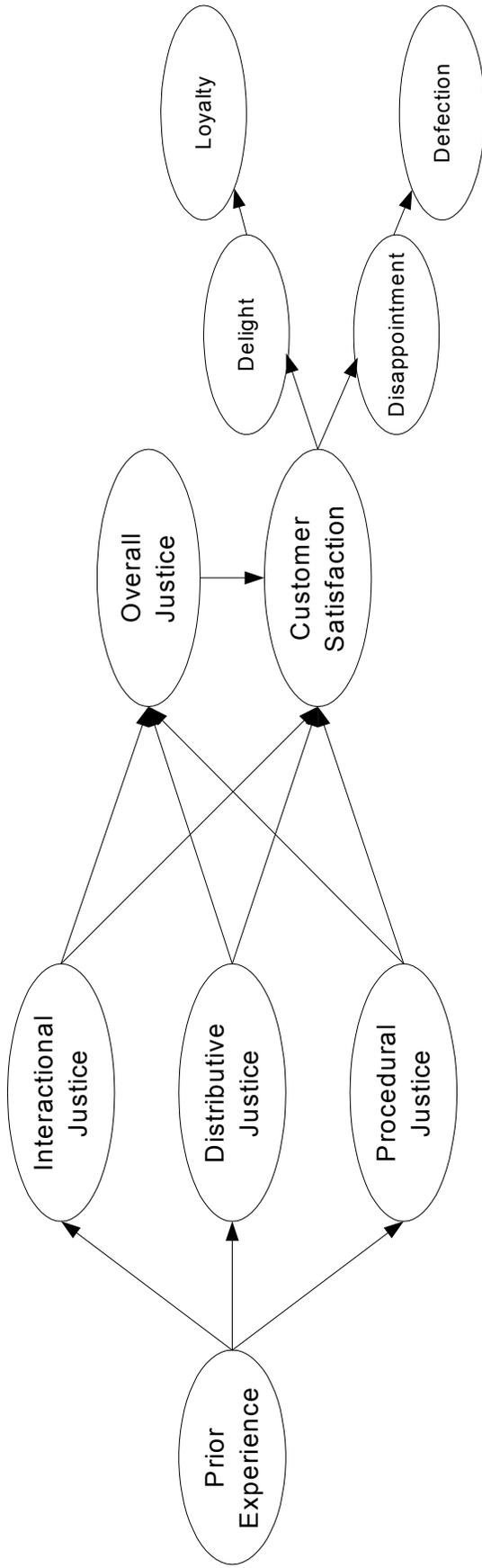


Figure 2.1 The Customer's Path to Loyalty Theoretical Model

The customer's path to loyalty theoretical model is similar to the service profit chain model in that both suggest the relationship of level of service quality to financial performance. The loyalty model's link between customer satisfaction and firm performance has been confirmed by Rust et al. (1995), who used a return on quality formula. The loyalty model extends the service profit chain model by including the outcomes of the service encounter and by adding justice as a determinant of satisfaction when failure has neither threatened nor occurred.

Previous models have used justice to explore customer satisfaction when customers exited (Blodgett, Hill & Tax, 1997) or lodged a complaint (Hocutt et al., 1997) or when there was a proactive service recovery effort. The theoretical model permits the examining of the justice and customer satisfaction relationship without restricting inquiry to incidents of service failure and recovery. It considers all possible service encounters as well as the heterogeneity of outcomes discussed by Gronroos (1983). It allows for inclusion of the silent dissatisfieds, i.e., the iceberg effect customers (Heskett et al., 1997), who are excluded by more precisely focused models such as those used by Smith and Bolton and Tax et al. (1998).

A customer's path to loyalty model that included service quality would position service quality before customer satisfaction, as Oliver did in 1993. In acknowledging research that investigates and discloses the many similar attributes of service quality and customer satisfaction, this researcher would display service quality, justice, and customer satisfaction as highly related. Service quality and justice are measured by attributes that can be divided into tangible and intangible parts of the service encounter, and they also share similar tangible and intangible constructs, i.e., 1) tangibles, 2) reliability, and 3) empathy, assurance, and responsiveness are to service quality as 1) distributive justice, 2) procedural justice, and 3) interactional justice are to justice.

The heterogeneity of the service encounter affords opportunities for creating loyal customers and reaping large financial gains. According to Heskett et al. (1997), companies that provide excellent service have outperformed firms that provide average service by 67% (NYSE indicator). Loyalty-savvy firms can err, recover successfully, and still provide satisfaction.

Sufficiently strong recovery can help produce loyalty. The customer's path to loyalty theoretical model displays delight as a construct on the customer's path to loyalty. This affective response of unanticipated satisfaction in the face of unexpected value is one of the extreme levels of satisfaction that can result in loyal customers.

The customer's path to loyalty theoretical model also presents an abbreviated view of the customer's path to defection. The customer's fast path to defection begins with service failures and becomes shorter as service failures worsen. It is also paved with failed service recoveries that can upset a customer even more than the initial service failure and can expedite defection.

2-8 CONTRIBUTIONS OF THE MODEL

Contributions of the customer's path to loyalty theoretical model include: 1) academicians can benefit by deriving additional theoretical models, 2) it enables service businesses to construct and institute more effective service strategies, and 3) it identifies and structure relationships between the customer and the service business. These contributions will advance theory and practice that can then be employed to increase the likelihood of satisfying service encounters.

2-9 SUMMARY

The research and theories about customer satisfaction in services marketing are numerous, varied, complex, and debated. The body of literature results from joint efforts by scholars, businesses, and nations. Service failure and recovery and the links between service quality, customer satisfaction, and firm performance are popular topics. Oliver's disconfirmation paradigm and Zeithaml's gap theory have measured customer satisfaction and service quality, respectively. Both have been extensively researched and employed.

The five attributes of service quality popularized by Zeithaml are reflected in the attributes of the constructs of justice. The relationship of service quality and customer

satisfaction is so complex, simultaneous, and intimate that scholars continue to debate its nature and sequence and, indeed, their separateness.

The researcher's customer's path to loyalty theoretical model is supported by attribution and equity theories, which underpin the customer's methods of judging service encounters. The customer's path to loyalty theoretical model is further supported by behavioral intentions research. Research indicates that the interactional, distributive, and procedural constructs of justice individually and in combination guide customers to conclusions about service quality and level of customer satisfaction, influencing behavioral intentions that translate directly into income and costs for a firm.

Customer delight, trust, commitment, and loyalty are achievable when a firm delivers satisfying or highly satisfying service. However, even loyalty is no guarantee that a customer will not defect. Both disappointment and regret are related to a customer's decision making process. Customer defection is costly for firms, sometimes within their control, and in need of further study.

The customer's path to loyalty theoretical model incorporates a number of models and theories previously studied. It maps the course to loyalty or defection. The model includes tested, untested, and debated relationships. The model is unique in including customer encounters without failure or complaint and in offering a cross-industry, cross-outcome perspective.

CHAPTER THREE

METHODOLOGY

3-1 INTRODUCTION

Data relevant to the eight hypotheses shown on the customer's path to loyalty measurement model were gathered and tested to determine the effects of prior experience and justice on customer satisfaction. The cross-sectional written survey used to gather data was refined for face validity in a pretest and for reliability in a pilot study before its administration to 350 respondents in the main study, which yielded 302 (86.3%) useable surveys.

The survey scales are presented in this chapter and their statistics and reliability estimates are given. Demographic statistics for both the pilot and main studies are provided, and the types of service providers are identified. Finally, the data analysis techniques employed are identified and the justification for their use is described.

3-2 MEASUREMENT MODEL AND RESEARCH HYPOTHESES

3-2-1 Measurement Model

The customer's path to loyalty measurement model (Figure 3.1) presents the prior experience, justice, and customer satisfaction variables that were tested. The remainder of the customer's path to loyalty theoretical model was not tested in the study as it would exceed the resources and time available. Moreover, marketing researchers have examined or are presently engaged in investigating many of the constructs not tested in the present study.

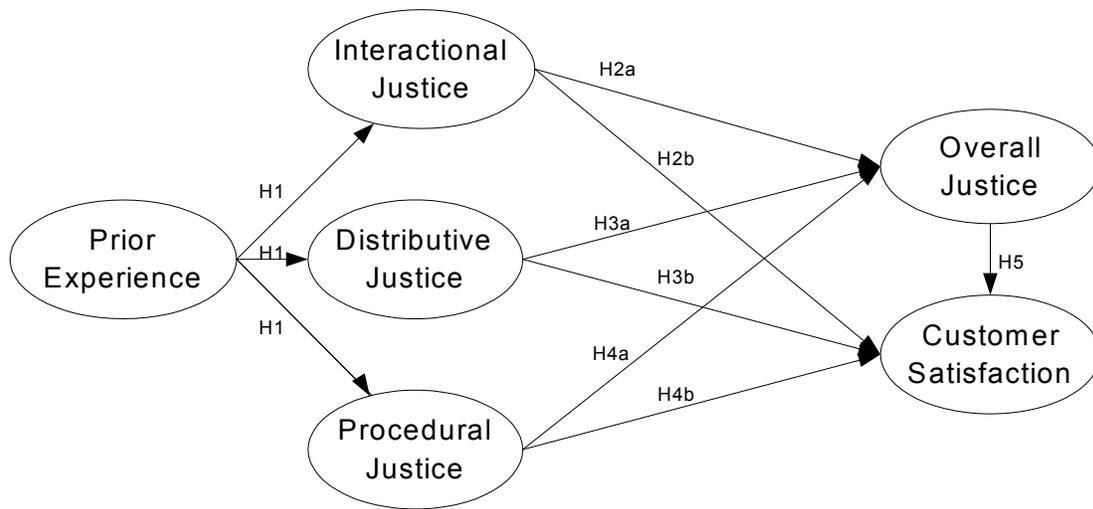


Figure 3.1 The Customer's Path to Loyalty Measurement Model Showing Hypotheses

3-2-2 Research Objectives and Questions

The objectives of this research were to determine the effects of prior experience and justice in shaping customer satisfaction. To this end, the research questions were:

1. What is the relationship of prior experience to justice?
2. What are the relationships of interactional justice to overall justice and to customer satisfaction?
3. What are the relationships of distributive justice to overall justice and to customer satisfaction?
4. What are the relationships of procedural justice to overall justice and to customer satisfaction?
5. What is the relationship of overall justice to customer satisfaction?

3-2-3 Hypotheses

3-2-3-1 Hypothesis 1

In the measurement model, prior experience is hypothesized to influence justice. Research indicates that prior experience with a firm affects customer satisfaction, however, no previous research has tested the effect of prior experience on justice. In 1991, Aaker demonstrated the mitigating effect of prior experience on dissatisfaction with complaint handling. Social psychologists and organizational behaviorists have suggested that previous personal exchanges and prior experience are critical in resolving conflict (Schlenker, 1982; Semin & Manstead, 1983; Tedeschi & Reiss, 1981). The research of Cronin and Taylor (1994) and Ostrom and Iacobucci (1995) demonstrated that customers update or change their satisfaction judgment as they experience multiple interactions with a firm. Prior experience has been shown to moderate the customer's service quality judgment and level of satisfaction (Oh & Parks, 1997). With each visit, customers continually update expectations as they integrate new information (Tax et al., 1998). Therefore, the following hypothesis was proposed:

Hypothesis 1: Prior experience influences justice.

3-2-3-2 Hypotheses 2a and 2b

In the measurement model, interactional justice is proposed to be related to customer satisfaction. Interactional justice, the interpersonal components of a transaction, is the perceived fairness in interactions between people when the guest is present in the service delivery system or while the service is being carried out (Tax et al., 1998). Interactional justice was expected to increase with customer satisfaction.

Service employee behaviors and attitudes have been identified as causing the majority of service failures (Bitner, 1990). Front-line employees' responses to service failures also caused 43% of poor outcomes (Bitner et al., 1990). When Goodwin and Ross (1992) tested the effect of employee tone and sincerity of effort in achieving recovery, customer satisfaction was more likely to be achieved when a kind, gentle, polite, considerate voice was used. Hocutt et al. (1997) determined that low levels of interactional justice in complaint handling yield low levels of customer satisfaction. Various marketing studies have shown that justice is positively associated with customer satisfaction after service recovery efforts (Blodgett et al., 1995; Blodgett & Tax, 1993; Goodwin & Ross, 1989, 1992; Goodwin et al., 1991; Spreng et al., 1995; Tax et al., 1998). Blodgett et al. (1997) showed a positive correlation between intention to exit and low levels of interactional justice. Therefore, the following hypotheses were proposed:

Hypothesis 2a: Interactional justice is positively related to overall justice.

Hypothesis 2b: Interactional justice is positively related to customer satisfaction.

3-2-3-3 Hypotheses 3a and 3b

In the measurement model, distributive justice is proposed to be related to customer satisfaction. Distributive justice, the value-for-value exchange of the service encounter, is defined as the perceived fairness of the tangible outcome of a service encounter (Hocutt et al., 1997). Distributive justice was expected to increase as customer satisfaction increased. In 1993, Tax demonstrated that distributive justice predicted customer satisfaction after a service failure. Blodgett (1994) found a positive relationship between customer satisfaction level and level of

distributive justice. Distributive offerings such as free food, gift certificates, and discounts are critical to success in service recovery efforts in a restaurant setting (Hoffman et al., 1995). Adams (1965) had identified these actions as restoring the dining experience to at least value level. Tax et al. (1998) found that distributive justice was related to customer satisfaction when guests had lodged a complaint. It was expected that the role of distributive offerings is the same in the absence of a failure and across service outcomes. Therefore, the following hypotheses were proposed:

Hypothesis 3a: Distributive justice is positively related to overall justice.

Hypothesis 3b: Distributive justice is positively related to customer satisfaction.

3-2-3-4 Hypotheses 4a and 4b

In the measurement model, procedural justice is hypothesized to be related to customer satisfaction. Procedural justice (process fairness) is the fairness of the service provider's step-by-step actions in delivering a service (Lind & Tyler, 1988). Bitner (1990) concluded that using a systematic response in service recoveries enhanced the chances of customer satisfaction. Blodgett (1994) determined that procedural justice is linked to customer satisfaction. Higher perceptions of customer satisfaction have resulted when customers had the opportunity to offer information during problem resolution (Goodwin & Ross, 1992). Therefore, the following hypotheses were proposed:

Hypothesis 4a: Procedural justice is positively related to overall justice.

Hypothesis 4b: Procedural justice is positively related to customer satisfaction.

3-2-3-5 Hypothesis 5

The measurement model shows the justice constructs as influencing overall justice and customer satisfaction. Oliver (1993) concluded that food quality and personal service interact to determine customer satisfaction with a dining experience. Service recovery research by Tax et al. (1998) indicated that interactional, distributive, and procedural justice show two-way interaction effects and also showed possible higher order interaction among the constructs. Smith (1998) concluded that as customers attribute employees' actions to the firm, their perceptions and

assessments of procedural justice are affected by employee actions, i.e., interactional justice. McCabe (1990) and Tax et al. (1998) explored responsibility and attribution relative to the reciprocal influence of interpersonal behavior and procedural justice; results were not statistically significant. Swanson (1998) called the three justice constructs correlated and complementary. Taylor (1997) called for service marketing scholars to be careful in using only regression-based importance weights without considering interaction and/or higher order interaction. Therefore, the following hypothesis was proposed:

Hypothesis 5: Overall justice is positively related to customer satisfaction.

3-3 STUDY DESIGN

The following steps were taken by the researcher to prepare the questionnaire and collect the data for this research:

- 1) A pretest of the questionnaire was done to verify face validity.
- 2) A pilot study was done to verify the reliability of the scale items.
- 3) The main study questionnaires were collected.

This study used a quantitative recall research design. Respondents were asked to recall a service encounter and answer a questionnaire about the encounter.

The customer who consumes services is the unit of measure. Using the customer offered face validity because the customer participated in the service encounter. The customer is a justifiable unit of measure for the following reasons:

- 1) Service models have identified customers as partial employees (Mills, 1990) and have shown that customer and employee perceptions of service transactions are correlated (Schneider, 1980).
- 2) The customer is similar to the units employed in other empirical services marketing studies (Bitner, Booms, & Mohr, 1994; Maxham, 1998; Smith, 1998; Swanson, 1998; Tax et al., 1998).
- 3) The individual is the unit of measure chosen most for social science research (Babbie, 1998).

The unit of analysis is the customer's assessment of a recalled service encounter. The customer's assessment is justifiable as a unit of analysis by its frequent use in previous research and by the citations offered in support of the selection of the customer as the unit of measure.

3-3-1 Measures

The study measured customer satisfaction levels with recalled service encounters. The study used a cross-sectional written survey comprising structured scale items and open-ended questions. Scale items were measured on the standard seven-point, bi-polar adjective Likert scale ranging from strongly agree (1) to strongly disagree (7). Using the Likert scale is consistent with past behavioral and services marketing research methodologies (Zeithaml et al., 1990).

The following seven scales were used in the pilot study to test the measurement model. They were modified slightly for the main study. For each encounter, the scales measured prior experience with the firm; interactional, distributive, and procedural justice; overall justice; and customer satisfaction. Reliability estimates for these scales are presented as Cronbach's Alphas (CA's). CA's verify reliability by testing the degree to which scaled items represent the phenomenon they are intended to measure (Cronbach, 1951).

Reliability is the dependability of the questionnaire to measure the variables being explored (Kerlinger, 1984). For the variables that had not been replicated in empirical studies (i.e., interactional and procedural justice), a CA of 0.70 is acceptable (Nunnally, 1978).

Measures designed to collect demographic data about the subjects and descriptive information about type of business and time of recalled event were also included in the questionnaire. The questionnaire requested a narrative summary of the service encounter.

3-3-1-1 Measurement of Prior Experience

Prior experience was measured using scale items from a Tax et al. (1998) study that examined the moderating effect of prior experience in service failures when customers lodged complaints. The scale is equally appropriate for use in this examination of the effect of prior experience when there may or may not have been a complaint and failure. No modifications were made. The reported CA for this scale is 0.88.

Prior Experience Scale

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. My past dealings with the organization left a positive impression.	1	2	3	4	5	6	7
2. My past dealings with the organization were negative.	1	2	3	4	5	6	7
3. My past dealings with the organization left me satisfied.	1	2	3	4	5	6	7
4. My past dealings with the organization left me dissatisfied.	1	2	3	4	5	6	7

3-3-1-2 Measurement of Interactional Justice

This study measured interactional justice using scale items adapted from the scale used by Smith (1998) in a recovery service study. References to a problem were removed from scale items to allow for an entire range of outcomes in the research. For example, “The company’s personnel were courteous in solving my problem” was changed to “The company’s personnel were courteous.” This researcher also added the final scale item. Smith acknowledged previous use of the scale by Clemmer (1988), Tax (1993), and Tax et al. (1998).

Particularly with regard to timing within the service encounter, past research has measured procedural and interactional justice using similar questions. Timing could refer to an employee’s speed, willingness, and sense of urgency. Previous studies (Tax, 1993; Tax et al., 1998) have included timing only on the procedural justice scale. Some studies have collapsed interactional and procedural justice into a single construct because of their high correlation (Swanson, 1998). Further adaptations by previous researchers distinguish the timeliness of

service delivered by company personnel, i.e., interactional justice, from procedural justice. The scale is very similar to other scales used to measure interactional justice. Smith reported a CA of 0.88 for the original scale.

Interactional Justice Scale

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. The company's personnel helped me in an acceptable time.	1	2	3	4	5	6	7
2. The company's personnel were courteous.	1	2	3	4	5	6	7
3. The company's personnel were honest with me.	1	2	3	4	5	6	7
4. The company's personnel showed a real interest in trying to be fair.	1	2	3	4	5	6	7
5. The company's personnel showed concern.	1	2	3	4	5	6	7
6. The company's personnel tried to help me.	1	2	3	4	5	6	7
7. The company's personnel seemed to help me as soon as they could.	1	2	3	4	5	6	7

3-3-1-3 Measurement of Distributive Justice

To measure distributive justice, this researcher adapted scale items from Smith (1998) and other authors cited in the above discussion of the interactional justice scale. The author modified the questions by removing references to a problem, as indicated above, because this research tested across all possible satisfaction outcomes. Smith and other authors reported a CA of 0.90 for the original scale.

Distributive Justice Scale

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. I received what I paid for.	1	2	3	4	5	6	7
2. The price I paid was fair.	1	2	3	4	5	6	7
3. The organization gave me what I needed.	1	2	3	4	5	6	7
4. I got what I expected.	1	2	3	4	5	6	7
5. I got what I thought I would get.	1	2	3	4	5	6	7
6. I was happy with the outcome.	1	2	3	4	5	6	7

3-3-1-4 Measurement of Procedural Justice

Procedural justice has been measured by the attributes of process control (Goodwin & Ross, 1992; Kanfer, Sawyer, Early, & Lind, 1987; Lind & Tyler, 1988), decision control (Brett, 1986; Heide & George, 1992), accessibility (Bitner et al., 1990), and timing and speed (Fisk & Coney, 1982; Maister, 1985; Narver & Slater, 1990).

For this study, the author modified some previously validated procedural justice scale items. A scale item about service being performed in a timely fashion (Tax, 1993, Tax et al., 1998) was deleted to avoid overlap with interactional justice inquiries and to provide a greater distinction between interactional justice and procedural justice. References to a problem were removed to allow for a range of service outcomes. Questions 1, 6, and 9 are similar but were not changed. The final question about anger was added. This scale is very similar to the one used by Smith (1998). She reported a CA of 0.78 for procedural justice, which meets Nunnally's (1978) requirement of 0.70 or higher for newly formed scales.

Procedural Justice Scale

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. The company's procedures were fair.	1	2	3	4	5	6	7
2. The company's procedures were sensible.	1	2	3	4	5	6	7
3. The company's procedures were clear.	1	2	3	4	5	6	7
4. The company's procedures were written and posted.	1	2	3	4	5	6	7
5. The company's procedures were streamlined.	1	2	3	4	5	6	7
6. The process was fair.	1	2	3	4	5	6	7
7. The company's personnel were authorized to do what I expected.	1	2	3	4	5	6	7
8. The process seemed sensible.	1	2	3	4	5	6	7
9. The procedures were fair.	1	2	3	4	5	6	7
10. The process filled my need.	1	2	3	4	5	6	7
11. The procedures put the customer first.	1	2	3	4	5	6	7
12. The procedures made me feel important.	1	2	3	4	5	6	7
13. The procedures made me angry.	1	2	3	4	5	6	7

3-3-1-5 Measurement of Overall Justice

Organizational literature from equity theory indicates that individuals rate justice using conclusions about interactional justice (Bies & Moag, 1986; Bies & Shapiro, 1987) distributive justice (Homans, 1961), and procedural justice (Lind & Tyler, 1988), especially in situations where a wrong has occurred. The scale chosen to measure overall justice was used by Blodget, Granbois, and Walters (1993) to study justice levels for patrons who sought redress. It yielded a CA of 0.93.

Overall Justice Scale

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. I received the outcome I expected.	1	2	3	4	5	6	7
2. The transaction was handled as I expected it to be.	1	2	3	4	5	6	7
3. I was treated as I expected to be treated.	1	2	3	4	5	6	7

3-3-1-6 Measurement of Customer Satisfaction

Customer satisfaction is the study's dependent variable. This study used the most widely accepted performance-based scale employed in customer satisfaction research (Blodgett et al., 1993; Oliver & Swan 1989; Smith, 1998; Westbrook & Oliver 1981; Weun, 1997). Scale items suited the inquiry; no modifications were made. Weun (1997) reported a CA of 0.91 for the scale.

Customer Satisfaction Scale

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. Overall, I was satisfied with the way the transaction was handled.	1	2	3	4	5	6	7
2. Overall, I was pleased with the firm.	1	2	3	4	5	6	7
3. Overall, I was pleased with the service I experienced.	1	2	3	4	5	6	7
4. Overall, I was satisfied with the service I experienced.	1	2	3	4	5	6	7
5. Overall, I was dissatisfied with the service I experienced.	1	2	3	4	5	6	7
6. Overall, I felt the service was good.	1	2	3	4	5	6	7

3-3-2 Questionnaire Pretesting

The initial draft of the questionnaire was reviewed and tested for language clarity and face validity of the scale items by two hospitality management professors and one graduate student who self administered the survey and did a critical reading, and then by a different

professor and 20 graduate students, all at a Southeastern Michigan university. Feedback from the questionnaire pretesting reviews and the 24 completed questionnaires was incorporated in the design of the pilot study.

3-3-3 Pilot Study

3-3-3-1 Data Collection

For the pilot study, students in a graduate service class administered 60 survey questionnaires (Appendix A) to family, friends, and strangers in areas where they live, work, study, and shop. Fifty of the questionnaires were useable.

3-3-3-2 Results

The pilot study was used primarily to test reliability of survey scales. Table 3.1 shows the statistics and CA's for the pilot study scale items. Minimums of 1.000 and maximums of 7.000 applied to all items. The researcher concluded from the pilot study results that the pilot study prior experience scale items had a CA of 0.92. No changes were made to it or to the interactional justice or distributive justice scales, which showed CA's of 0.95 and 0.96, respectively.

The CA for procedural justice scale items was 0.92. The following four scale items were eliminated from the procedural justice scale because the scope of the questions was beyond the knowledge of the respondents (Items 4, 5, and 7) or outside this author's interpretation of the construct of procedural justice (Item 12):

- 4) The company's procedures were written and posted.
- 5) The company's procedures were streamlined.
- 7) The company's personnel were authorized to do what I expected.
- 12) The procedures made me feel important.

The overall justice and customer satisfaction scales showed CA's of 0.93 and 0.95, respectively. They remained unchanged for the main study.

Table 3.1

Statistics and Reliability Estimates for Pilot Study Scales (n = 50)

Scale Items *	Mean	Standard Deviation	Cronbach's Alpha
Prior Experience 1	3.1800	1.9555	0.92
2	4.9400	1.9734	
3	3.1200	1.9861	
4	4.9600	1.9791	
Interactional Justice 1	2.7200	2.1193	0.95
2	2.3800	1.5765	
3	2.5200	1.9085	
4	2.4800	1.6689	
5	2.7600	1.9646	
6	2.3600	1.6005	
7	2.5400	1.6928	
Distributive Justice 1	2.5600	1.7631	0.96
2	2.6200	1.6890	
3	2.7000	1.7985	
4	2.7400	1.9672	
5	2.8400	2.0639	
6	2.8800	2.1631	
Procedural Justice 1	2.4600	1.5677	0.92
2	2.4600	1.5546	
3	2.4800	1.5810	
4	2.4900	1.5980	
5	2.5600	1.6350	
6	2.4400	1.6557	
7	2.8000	1.7320	
8	2.5400	1.6439	
9	2.4400	1.6557	
10	2.5600	1.7280	
11	2.7400	1.9463	
12	2.5200	1.7880	
13	5.3400	2.1344	
Overall Justice 1	2.4000	1.7957	0.93
2	2.6800	1.8999	
3	2.7400	1.9463	
Customer Satisfaction 1	2.7600	2.0953	0.95
2	2.6600	1.9125	
3	2.7800	2.0829	
4	2.5800	1.9388	
5	5.2200	2.1973	
6	2.7000	2.0127	

*Measured on a 7-point Likert Scale

Table 3.2 shows the descriptive relative and actual statistics for the study's demographics. Of the 50 useable surveys that were collected, 62% were from male respondents and 38% were from female respondents. Twenty-two percent of the respondents were 22 years of age or less, 28% were between 23 and 33, 32% were between 34 and 44, 14% were between 45 and 54, 10% were between 55 and 64. No respondents were 65 or older.

Respondents recalled 64% satisfied service encounters and 36% dissatisfied service encounters. Of recalled service encounters, five (10%) were from hotels, twelve (24%) from restaurants, seven (14%) from car repair and automotive services, twelve (24%) from retail shopping establishments, two (4%) from hospitals, five (10%) from grocery stores, and one (2%) from a pool repair experience. Six (8%) of the respondents did not identify the type of service establishment.

Table 3.2

Demographic Statistics for Pilot Study (n=50)

Characteristic	Frequency*	Percent
Gender		
Male	31	62
Female	19	38
Age		
22 and under	5	10
23-33	14	28
34-44	16	32
45-54	7	14
55-64	5	10
65 and over	0	0
Ethnicity		
African American	3	6
Asian	9	18
Hispanic	4	8
White	33	66
Other	1	2
Marital Status		
Single	16	32
Divorced	5	10
Married	29	58
Widowed	0	0
Education		
Some or no high school	1	2
High school graduate	10	20
Some college	5	10
College graduate	18	36
Some graduate study	15	30
Graduate/Professional	1	2

*Note: Demographic variables not totaling 50 represent missing values.

3-3-4 Main Study

In the main study, consumers were surveyed to identify the justice and satisfaction perceptions of recalled service encounters. Before delivering the questionnaire, the primary investigator and two graduate students trained as data collectors instructed respondents to recall a satisfying or dissatisfying service encounter that had occurred within the past six months, excluding the current day's airline experience. They then verified that their respondent's recalled encounter fit the researcher's definition of a service encounter.

Surveys were collected from 350 consumers at a large Southeastern Michigan metropolitan airport during a three-week period in June 2001. Research data was collected using the questionnaire presented in Appendix B. This effort yielded 302 (86.3%) useable surveys, a more than adequate sample size for the degrees of freedom in the study (Hair, Anderson, Tatham, & Black, 1992).

In analyzing the data, two techniques were employed. Multivariate Analysis of Variance (MANOVA) was employed for the first hypothesis to determine if there were significant differences between prior experience and no prior experience and between those having a positive prior experience and those having a negative prior experience. In this study, prior experience could take three forms, making it a categorical variable. Recalled encounters came from customers who 1) had no prior experience (the encounter being their first visit), 2) had positive prior experience, or 3) had negative prior experience. MANOVA is appropriate in viewing how a number of dependent measures, in this case, interactional, distributive, and procedural justice, differ between groups that share another distinguishing characteristic, e.g., prior experience or no prior experience. Accordingly, MANOVA was used to determine if there was a difference in justice judgments by respondents with prior experience and those with no prior experience and if there was a difference in justice judgments by respondents with positive prior experience and those with negative prior experience. The prior experience scale and questions in the survey about prior experience with the company were used to sort responses into those reflecting prior experience or no prior experience and to further sort the prior experiences as positive or negative.

Path analysis was conducted for hypotheses 2a through 5 to determine the direct and indirect effects of interactional, distributive, and procedural justice on overall justice and customer satisfaction. The research questions meet the path analysis stipulation of having one dependent and multiple independent variables. Although there are inherent complexities in dividing overall justice into the three categories of interactional justice, distributive justice, and procedural justice, it is meaningful to understand more about each construct both for research models and for practical advice for managers. The quantitative results highlight this. For example, the correlation between interactional and procedural justice was high and the correlations between distributive justice and procedural and interactional justice were high. This multicollinearity threatens validity of path models (Pedhazur, 1982), nonetheless, researchers agree that other than allowing for as large a sample size as possible, there are few simple solutions to this research dilemma.

A Chi square test of significance was applied to the data for each hypothesis to determine significance (p less than or equal to 0.05) and to verify whether the sign of the path coefficient for each justice variable was the same as the sign of the overall justice and customer satisfaction coefficients. After collecting data, the researcher tested the path assumptions, i.e., statistical relationship, normality, equal variance of customer satisfaction, and lack of correlation of error (Hair et al., 1992).

3-4 SUMMARY

In this chapter, the customer's path to loyalty measurement model, the research hypotheses, questionnaire pretest, and the pilot study and results were presented and discussed. The study design, measures, data collection procedures, and descriptive statistics were explained. Finally, the data collection and analysis processes were briefly described.

CHAPTER FOUR

DATA ANALYSIS

4-1 INTRODUCTION

Of the 350 surveys collected, 302 (86.3%) reported all necessary scaled items and were analyzed. The Statistical Package for Social Sciences (SPSS) version 9.0 was used for the descriptive statistics, reliability testing, and MANOVA. LISREL 8.0 was used for path analysis.

4-2 DESCRIPTIVE STATISTICS FOR MAIN STUDY

The survey's demographic descriptive statistics are presented in Table 4.1. Of the 302 respondents, 52% were male and 48% were female. Eighteen percent of survey respondents were 22 years of age and under, 34% were between 23 and 33, 26% were between 34 and 44, 15% were between 45 and 54, 5% were between 55 and 64, and 2% were 65 or over. Respondents reported their ethnic backgrounds as 10% African American, 17% Asian, 3% Hispanic, 67% White, and 3% other. Marital status showed 31% were single, 9% were divorced, and 60% were married; none were widowed. The education reported by respondents showed 2% had some or no high school, 13% were high school graduates, 36% had some college, 23% were college graduates, 12% had some graduate school, and 14% had a graduate or professional degree.

Sixty percent of respondents recalled satisfying service encounters and 40% recalled dissatisfying service encounters. The majority of identified service providers were restaurants (26%), retail stores (20%), airports (17%), automotive repair shops (12.3%), and hotels (6.5%). The remaining identified business types (18.2%) involved funeral home, lawn mower repair, ticket purchase, grocery shopping, telephone, housing, hospital, doctor, home repair, insurance, cleaning company, theater, local government, child care, hair, library, dry cleaner, bank, postal, and electricity services. Approximately 20% of respondents did not report the specific type of service business involved in their recalled encounter.

Table 4.1

Demographic Statistics for Main Study (n=302)

Characteristic	Frequency*	Percent
Gender		
Male	145	48
Female	154	52
Age		
22 and under	55	18
23-33	102	34
34-44	77	26
45-54	45	15
55-64	13	5
65 and over	7	2
Ethnicity		
African American	31	10
Asian	50	17
Hispanic	8	3
White	201	67
Other	8	3
Marital Status		
Single	91	31
Divorced	28	9
Married	181	60
Widowed	0	0
Education		
Some or no high school	4	2
High school graduate	38	13
Some college	106	36
College graduate	69	23
Some graduate study	36	12
Graduate/Professional	41	14

*Note: Demographic variables not totaling 302 represent missing values.

4-3 SCALE PURIFICATION

After purification of the scale items resulting from the pilot study, all measurement scales for use in the main study had CA's greater than 0.90 (Table 4.2), i.e., prior experience, 0.96; interactional justice, 0.95; distributive justice, 0.95; procedural justice, 0.96; overall justice, 0.94; and customer satisfaction, 0.97.

Table 4.2

Statistics and Reliability Estimates for Main Study Scales (n = 302)

Scale Item*	Mean	Standard Deviation	Cronbach's Alpha
Prior Experience 1	3.1026	2.0081	0.96
2	4.9073	1.9744	
3	4.9371	1.9663	
Interactional Justice 1	3.2748	2.2606	0.95
2	2.7252	1.9360	
3	2.8775	1.9887	
4	3.1457	2.0456	
5	3.2417	1.9828	
6	2.9470	1.9624	
7	3.1523	2.0965	
Distributive Justice 1	2.7152	2.0161	0.95
2	2.7815	1.8095	
3	2.9735	2.0716	
4	3.1391	2.2100	
5	3.1391	2.2055	
6	3.1060	2.2550	
Procedural Justice 1	3.0397	1.9728	0.96
2	3.1258	2.0225	
3	3.0828	1.9740	
4	3.0960	2.0380	
5	3.1656	2.0163	
6	3.0563	1.9834	
7	2.9801	2.0749	
8	3.3675	2.2056	
9	4.7053	2.3032	
Overall Justice 1	3.0033	2.1834	0.94
2	3.2384	2.2075	
3	3.2483	2.2430	
Customer Satisfaction 1	3.0795	2.2175	0.97
2	3.0033	2.0838	
3	3.1556	2.2276	
4	3.1623	2.2077	
5	4.7550	2.3384	
6	3.1192	2.2157	

*Measured on a 7-point Likert scale

4-4 HYPOTHESIS TESTING

The following sections present discussions of the structural model and the model assessment process and the results of the analyses of the hypotheses. Hypothesis 1 was tested using MANOVA. Hypotheses 2a through 5 were tested using path analysis.

Consumers' conclusions regarding interactional, distributive, and procedural justice were hypothesized to influence perceptions of overall justice and customer satisfaction. In accordance with the path analysis approach (Anderson & Gerbing, 1988), the constructs were specified in a structural model (Figure 4.1) to examine the hypothesized relationships. Because equity theory holds that justice is a function of the ratio of inputs to outputs (Adams, 1965) and that consumers judge inputs or justice types before deciding overall justice, the model begins with interactional, distributive, and procedural justice and shows the justice constructs as distinct. It does not show directional effects among the three justice variables because such directional effects were not analyzed in this study.

4-4-1 Model Assessment

To assess the model, path coefficients (direct effects) and explained variance (R^2) for the justice constructs were examined. Following the suggestions of Hoyle and Panter (1995), the model fit was determined by several goodness-of-fit statistics, including Chi square, Root Mean Square Residual (RMR), Goodness-of-Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI), and Comparative Fit Index (CFI). Chi square is the usual method for testing the closeness of fit between the unrestricted sample covariance and the restricted covariance matrix. RMR is a kind of average of the fitted residuals. GFI is a standardized overall measure of fit based on properties of the observed and reproduced values of the covariance matrix. AGFI is the GFI adjusted for the number of the model degrees of freedom. CFI is an incremental fit index that is robust across various sample sizes. The model yielded a Chi square estimate of 0, goodness-of-fit and adjusted goodness-of-fit indices of 0.99 and 0.89, respectively, a CFI reading of 1, and an RMR of 0.037. The fit between the data and the model was supported in all instances.

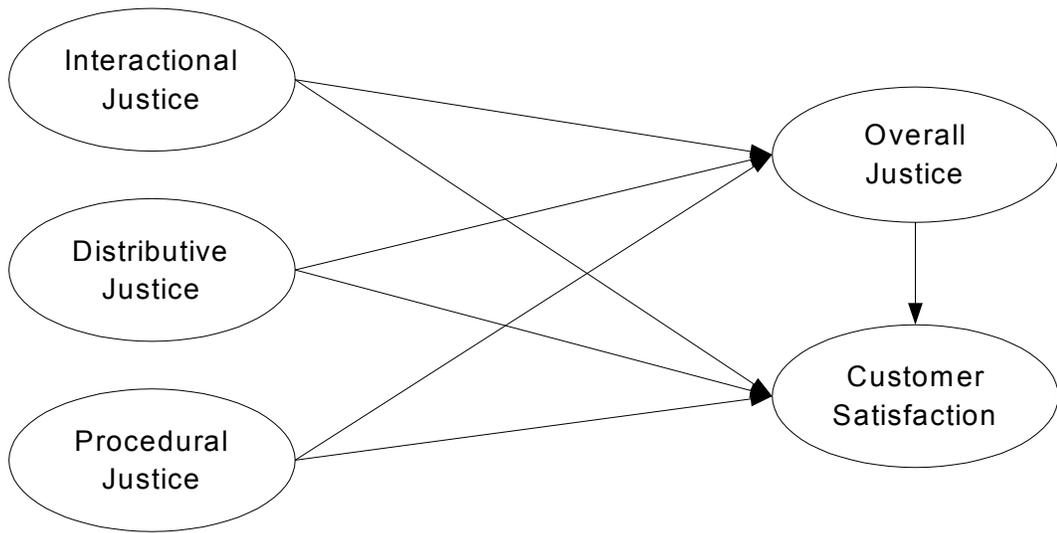


Figure 4.1. Path Model of Justice and Customer Satisfaction

4-5 RESULTS OF HYPOTHESIS TESTING

MANOVA testing supported the hypothesis of a positive relationship for extant prior experience to interactional, distributive, and procedural justice. The tested path analysis model supported the hypotheses of positive relationships for interactional, distributive, and procedural justice to overall justice and customer satisfaction and for overall justice to customer satisfaction, showing direct positive effects for all.

4-5-1 Hypothesis 1

Hypothesis 1: Prior experience influences justice.

Prior experience with the service provider was reported as positive, negative, or none. MANOVA testing of the data revealed no significant difference in levels of interactional, distributive, and procedural justice for respondents who had prior experience with the provider when compared with those who lacked prior experience with the provider (Table 4.3). Additional MANOVA testing of data from the respondents who had prior experience yielded significant results, demonstrating that positive prior experience with the provider was more likely to yield higher levels of interactional, distributive, and procedural justice in this reported subsequent encounter and negative prior experience was more likely to yield lower levels of interactional, distributive, and procedural justice (Table 4.4).

Table 4.3

Results of Multivariate Analysis of Variance of the Presence or Absence of Prior Experience for Interactional, Distributive, and Procedural Justice

Justice	Mean		Univariate	
	With Prior Experience (n = 246)	Without Prior Experience (n = 56)	F	p
Interactional	3.07	2.95	0.20	0.648
Distributive	2.99	2.90	0.10	0.745
Procedural	3.15	2.97	0.39	0.530

Note: Wilks' lambda = 0.998, F = 0.192, p = 0.902

Table 4.4

Results of Multivariate Analysis of Variance of Positive and Negative Prior Experience for Interactional, Distributive, and Procedural Justice

Justice	Mean		Univariate	
	Positive Prior Experience (n = 187)	Negative Prior Experience (n = 59)	F	P
Interactional	4.58	2.59	64	0.00
Distributive	4.80	2.42	96	0.00
Procedural	5.06	2.55	110	0.00

Note: Wilks' lambda = 0.665, F = 40.0, p = 0.00

4-5-2 Hypotheses 2a and 2b

Hypothesis 2a: Interactional justice is positively related to overall justice.

Hypothesis 2b: Interactional justice is positively related to customer satisfaction.

Path analysis results (Figure 4.2) showed interactional justice to have a significant effect on both overall justice and customer satisfaction. The path coefficients of 0.23 and 0.26 for overall justice and customer satisfaction and the corresponding t values of 3.23 and 4.55, respectively, were significant at $p < 0.05$ level and supported both hypotheses (Table 4.5).

As perceived personal interactions were favorable during the service encounter, there was a positive direct effect on overall justice and customer satisfaction. Direct effects (the path coefficient) result from interactional justice acting alone; indirect effects are mediated by distributive or procedural justice (Table 4.6). The total effect of interactional justice, the sum of its combined direct and indirect effects, was also positive.

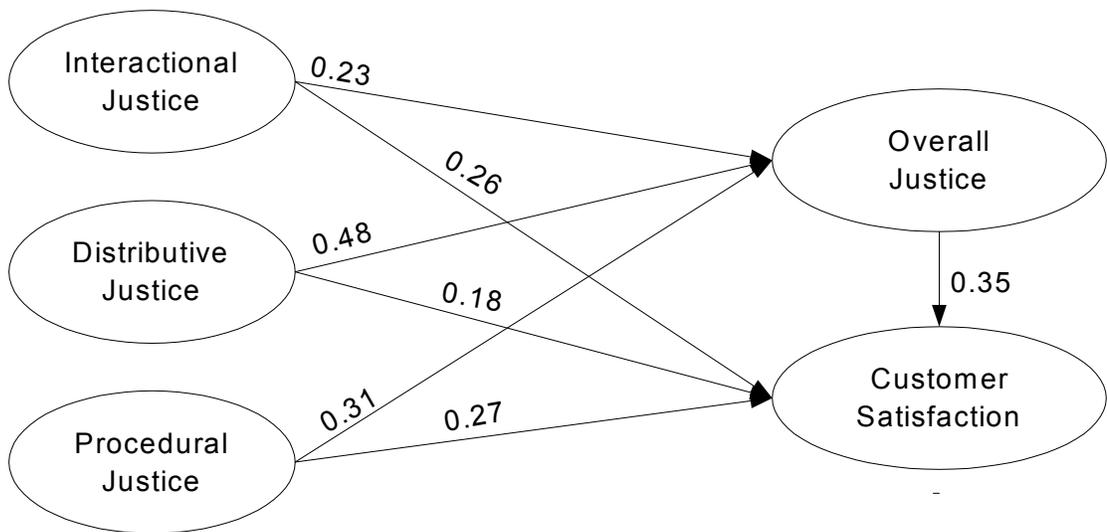


Figure 4.2 Path Model Showing Coefficients of Justice and Customer Satisfaction

Table 4.5

Path Analysis Results for Interactional, Distributive, Procedural Justice, and Overall Justice, and Customer Satisfaction

Model Path	Path Coefficient	<i>t</i> value*	p
Overall Justice ($R^2 = 0.75$)			
Interactional Justice	0.23	3.23	.0014
Distributive Justice	0.48	7.57	.0000
Procedural Justice	0.31	3.80	.0002
Customer Satisfaction ($R^2 = 0.84$)			
Interactional Justice	0.26	4.55	.0000
Distributive Justice	0.18	3.25	.0013
Procedural Justice	0.27	4.20	.0000
Overall Justice	0.35	7.76	.0000

* All were significant.

Table 4.6

Effects of Justice on Customer Satisfaction

JUSTICE	EFFECT					
	Overall Justice			Customer Satisfaction		
	Direct	Indirect*	Total	Direct	Indirect*	Total
Interactional	0.23	N/A	0.23	0.26	0.06	0.32
Distributive	0.48	N/A	0.48	0.18	0.07	0.25
Procedural	0.31	N/A	0.31	0.27	0.07	0.34
Overall	---	---	---	0.35	N/A	0.35

*N/A indicates the effect was not examined in this study.

4-5-3 Hypotheses 3a and 3b

Hypothesis 3a: Distributive justice is positively related to overall justice.

Hypothesis 3b: Distributive justice is positively related to customer satisfaction.

Path analysis (See Tables 4.5 and 4.6) showed a significant effect of distributive justice on overall justice and customer satisfaction. Distributive justice had a larger effect than interactional or procedural justice on overall justice, with a path coefficient of 0.48 ($t = 7.57$, significant at the $p < 0.05$ level). For customer satisfaction, distributive justice had a path coefficient of 0.18 ($t = 3.25$, significant at the $p < 0.05$ level).

The strong direct effect of 0.48 on overall justice showed distributive justice had the greatest effect on overall justice. Distributive justice also showed a significant yet smaller direct effect of 0.18 on customer satisfaction. The data supported both hypotheses.

4-5-4 Hypotheses 4a and 4b

Hypothesis 4a: Procedural justice is positively related to overall justice.

Hypothesis 4b: Procedural justice is positively related to customer satisfaction.

Path analysis results (See Tables 4.5 and 4.6) supported the effect of procedural justice on overall justice and customer satisfaction. For overall justice, procedural justice had a path coefficient of 0.31 and a corresponding t value of 3.80 with significance at the $p < 0.05$ level. For customer satisfaction, procedural justice showed a path coefficient of 0.27 and a corresponding t value of 4.20, significant at the $p < .05$ level. The data supported the hypothesized positive relationship of procedural justice to overall justice and customer satisfaction.

4-5-5 Hypothesis 5

Hypothesis 5: Overall justice is positively related to customer satisfaction.

Path analysis results (See Tables 4.5 and 4.6) supported the effect of overall justice on customer satisfaction, yielding a path coefficient of 0.35 ($t = 7.78$, significant at the $p < .05$ level). Negative overall justice in customer service encounters demonstrated a negative impact on customer satisfaction. A positive perception of overall justice had a direct positive effect on customer satisfaction levels. The data supported the hypothesis.

4-6 DECOMPOSITION OF PATH ANALYSIS ON JUSTICE AND CUSTOMER SATISFACTION

Decomposition of path analysis revealed direct and significant positive effects on overall justice by interactional, distributive, and procedural justice. Distributive justice was shown to have the largest direct influence on overall justice. Procedural justice showed the next largest influence. Interactional justice showed the least influence. Interactional, distributive, and procedural justice demonstrated an $R^2 = 0.75$ of overall justice (See Table 4.5), implying a robust model. Robustness was similarly indicated by interactional, distributive, procedural, and overall justice accounting for 84% of the variance in customer satisfaction levels.

4-7 SUMMARY

This chapter presented the Cronbach's Alphas and descriptive statistics for the main study, the analysis results for the measurement model, and the statistical analyses of the tested hypotheses. MANOVA testing on levels of justice and customer satisfaction for respondents with and without prior experience showed no significant effect for the mere presence or absence of a previous encounter; however, comparing positive and negative prior encounters with service providers showed significantly different impacts on future service encounters, which were likely to reflect the customer's prior satisfaction level. Path analysis showed that interactional, distributive, and procedural justice had direct effects on overall justice and customer satisfaction

and that overall justice had a direct effect on customer satisfaction. All hypotheses were supported.

CHAPTER FIVE

DISCUSSION

5-1 INTRODUCTION

The purposes of this research were 1) to investigate the influence of prior experience on justice across the full spectrum of recalled service encounters, 2) to investigate the role justice plays in shaping customer satisfaction or dissatisfaction and to identify, if possible, the facet of justice which most influences customer satisfaction, 3) to aid in the development of more accurate theoretical models that explain the nature of customer satisfaction and dissatisfaction, and 4) to provide information that can lead service sector businesses to a better understanding of how customers evaluate service encounters in order to guide the formation of improved service strategies.

The study addressed the following questions:

- 1) What is the relationship of prior experience to justice?
- 2) What are the relationships of interactional justice to overall justice and to customer satisfaction?
- 3) What are the relationships of distributive justice to overall justice and to customer satisfaction?
- 4) What are the relationships of procedural justice to overall justice and to customer satisfaction?
- 5) What is the relationship of overall justice to customer satisfaction?

The study analyzed service encounters recalled by 302 consumers and tested the effects 1) of prior experience on interactional justice, distributive justice, and procedural justice, 2) of interactional, distributive, and procedural justice on overall justice and customer satisfaction, and 3) of overall justice on customer satisfaction. The study's hypotheses were supported. MANOVA results showed no difference between levels of justice for customers with and

without prior experience with the firm. When MANOVA results were viewed considering interactional, distributive, and procedural justice for customers with positive or negative prior experiences, the influence of prior experience on justice was significant. Path analysis results showed the direct and indirect effects of interactional, distributive, and procedural justice on overall justice and customer satisfaction and of overall justice on customer satisfaction.

This chapter presents discussions of 1) hypothesis results, 2) the cross-validation for each hypothesis, 3) the implications derived from the study results, and 4) the limitations of the study. Suggestions for future research are provided.

5-2 PRIOR EXPERIENCE: DISCUSSION, CROSS-VALIDATION, AND IMPLICATIONS

5-2-1 Research Question One

What is the relationship of prior experience to justice?

5-2-1-1 Discussion

A significant relationship between prior experience and justice existed for customers who had positive or negative prior experience with a service business. Whichever their experience, customers appeared more likely to have the same type of experience again. This tendency toward repeat performances shows that it is critical for businesses to discover when people are dissatisfied and immediately execute a recovery strategy. The customer who is repeatedly dissatisfied with a firm's service may exit, speak negatively of the business, and eventually defect from the firm.

5-2-1-2 Cross-Validation

While there is ample validation for the principle that prior experience affects customer satisfaction, this study is the first to address the effect of prior experience on justice. Prior experience, the relationship or history that a customer has with a business, has been shown to

moderate the customer's service quality judgment and level of satisfaction (Oh & Parks, 1997). It is an important component of the service encounter because it influences subsequent service encounters and the future relationship between the customer and the service provider. Customers continually update their beliefs and expectations regarding a service, and with each visit they integrate new information with their existing knowledge about the provider (Tax et al., 1998).

The effect of prior experience perceptions on future perceptions was significant and has been confirmed theoretically and empirically by other researchers. The mixed design study by Tax et al. (1998) supported that prior experience was a powerful predictor of future experience, highlighting the importance of each service encounter outcome.

5-2-1-3 Implications

This important role of prior experience has many implications. It is critical that staff be trained, encouraged, and empowered to detect service encounter failures and immediately execute a service recovery that is part of a planned successful approach to recovery. Immediate proactive or reactive recovery means customers will leave with positive perceptions of satisfaction even though they were unhappy with something within the overall encounter. Service personnel need to know how to create satisfaction in the service experience as a whole, without focusing on the specific complaint or service failure. If databases were employed to track and contact customers, businesses could employ identified successful techniques that satisfy customers to prevent non-attractive defections.

While businesses can expect attritive defections, creating systems to maximize positive prior experiences may minimize even certain types of attritive defection. For example, if an otherwise satisfied restaurant patron finds that the remaining portion of a delicious meal has been accidentally discarded instead of boxed to go as requested, disappointment would occur. A properly trained and empowered server would quickly ask the chef to remake a similar portion of food and restore the situation. An unprepared server may or may not even apologize to the customer. If the food were remade, the customer would probably depart with favorable perceptions of justice, overall service success would be restored, and a favorable prior

experience would be created. Otherwise, the customer would store the memory of the discarded food and recall the loss on the next visit to the restaurant or on hearing its name.

Each and every experience is important to a customer and should be to the service provider. When developing service delivery systems, businesses that consider the interactional (people), distributive (product), and procedural (process) aspects of their system will be best prepared to maximize system effectiveness and enhance customer satisfaction opportunities.

5-3 INTERACTIONAL JUSTICE: DISCUSSION, CROSS-VALIDATION, AND IMPLICATIONS

5-3-1 Research Question Two

What is the relationship of interactional justice to customer satisfaction?

5-3-1-1 Discussion

Study results showed significant direct and indirect effects of interactional justice on overall justice and customer satisfaction. Across recalled service encounters, high perceptions of interactional justice yielded high perceptions of overall justice and customer satisfaction. The results, which are supported by earlier studies that reached similar conclusions regarding higher levels of interactional justice leading to higher levels of customer satisfaction, confirm the importance of just interpersonal treatment in achieving customer satisfaction during the service encounter.

Interactional justice has primarily been explored in customer satisfaction studies when service failure has occurred. This study, which benefits greatly from prior research, is of recalled service encounters across the spectrum of outcomes and offers a more comprehensive view of interactional justice in service transactions. Interactional justice arises from the interpersonal part of a transaction (Greenberg, 1990b). It is an intangible part of the service encounter experience composed of justice judgments related to the attributes of honesty (Goodwin & Ross, 1989), politeness (Clemmer, 1988; Goodwin & Ross, 1989), effort (Folkes, 1984; Mohr & Bitner,

1995), empathy (Parasuraman et al., 1988), and explanation (Bies & Shapiro, 1987; Bitner et al., 1990). Defined by Tax et al. (1998) and this author as the perceived fairness in interactions between people when the guest is present in the service delivery system or while the service is being carried out, interactional justice has also been defined as the quality of interaction between two parties involved in a conflict (Bies & Moag, 1986).

5-3-1-2 Cross-Validation

Interactional justice has been shown to affect the quality of service delivered (Grant, Shani, & Krishnan, 1994). Bitner et al. (1990) discovered that 43% of poor outcomes in service transactions are due to front-line employees' responses to a service failure. Unacceptable answers about service failures from others in the firm accounted for 51% of poor outcomes (Hocutt, Chakraborty, & Mowen, 1997). Marketing studies that have employed the notion of interactional justice in customer satisfaction research (Blodgett, Wakefield, & Barnes, 1995; Blodgett & Tax, 1993; Goodwin & Ross, 1989, 1992; Oliver & Swan, 1989; Smith & Bolton, 1998; Smith et al., 1999; Spreng et al., 1995; Tax et al., 1998) support interactional justice as a significant predictor of customer satisfaction with service recovery efforts. Smith (1998) operationalized interactional justice as the presence or absence of an apology after a service failure and during a service recovery attempt. It has been noted that many times the interpersonal treatment experienced appears to remain in salient memory longer than the other details of a service encounter.

5-3-1-3 Implications

This important role of interactional justice in achieving customer satisfaction indicates it is essential that business owners and managers achieve satisfactory interpersonal contact during a customer's exchange with their business. This suggests that managers should develop training programs that promote honesty, politeness, effort, empathy, and explanation skills in all customer-contact employees to create favorable overall justice assessments that lead to satisfaction. These skills are similar to empathy, assurance, reliability, and responsiveness, four of the five service quality attributes espoused by Zeithaml, Parasuraman, and Berry (1993). Role

playing during training could alert personnel to recognize potential failures and, over time, instill the fair and caring behaviors and attitudes that are critical to building a satisfied loyal clientele.

5-4 DISTRIBUTIVE JUSTICE: DISCUSSION, CROSS-VALIDATION, AND IMPLICATIONS

5-4-1 Research Question Three

What is the relationship of distributive justice to customer satisfaction?

5-4-1-1 Discussion

Study results showed significant direct and indirect effects of distributive justice on overall justice and customer satisfaction. In fact, distributive justice showed the largest total effect and highest predictive power on overall justice and was significantly related to customer satisfaction. These results have been confirmed by previous theoretical and empirical research, including Smith's (1998) experimental study that found customer satisfaction was higher with higher perceptions of distributive justice.

Distributive justice is the perceived fairness of the tangible outcome of the service encounter (Hocutt et al., 1997). Equity (Goodwin & Ross, 1992; Oliver & DeSarbo, 1988; Oliver & Swan, 1989), equality (Greenberg, 1990), and need (Deutsch, 1985) have been used in defining it. Problems with measuring distributive justice arise because equity, equality, and need are not easy for the customer to distinguish, and it is difficult for service personnel and customers to assess input and output value (Deutsch, 1985).

Distributive justice is important to overall justice because it is likely that many guests form an overall perception of their service encounter based on value received compared to value expected. Clientele who receive an acceptable outcome may overlook many wrongs during the service encounter and deem the service appropriate. Distributive justice can reduce the impact of interactional and procedural injustices when the ultimate distribution is acceptable to the guest. If the multiple attribute notion of perceptions of justice and customer satisfaction is espoused, it

is still likely that achieving favorable distributive justice or product output will produce more favorable perceptions of interactional and procedural justice and, therefore, higher levels of overall justice and customer satisfaction.

5-4-1-2 Cross-Validation

Researchers tend to measure distributive justice when inputs and outputs are easily quantified, which was not always the case in the reported recalled encounters. Nonetheless, respondents identified a level of distributive justice. The distributive justice equity model has been tested extensively in sociological and organizational behavior research. Distributive justice has been used many times to explain justice or fairness (Tax, 1993). Empirical equity research has supported the role of distributive justice in service recovery (Blodgett et al., 1995; Blodgett & Tax, 1993; Goodwin & Ross, 1989, 1992; Goodwin et al., 1991; Spreng et al., 1995). Distributive justice is achieved in a service failure and recovery when the customer receives at least what they would have received before the service failure occurred. This has been referred to as restoration to at least value level (Adams, 1965) and as atonement (Bell & Zemke, 1987). Reimbursement, replacement, repair, correction, and credit are attributes of attempts to recover from distributive injustice (Tax et al., 1998).

5-4-1-3 Implications

The high predictive power of distributive justice for overall justice and its significant effect on customer satisfaction imply that service personnel should be trained to ensure that guests' needs and expectations are fairly met. Service personnel must recognize distributive injustice and know what to do to restore justice when a customer's expectations are not met. Clientele must be happy with the quantity and quality of the goods and services rendered. In order for companies to ensure that the product delivered is what the patron expects, employees and managers must be aware of product offerings and product promises and be trained to look for and correct deviations before and as they occur. Front-line employees who are empowered by specific procedural guidelines to restore distributive justice are most likely to achieve the overall justice that enhances the chances of customer satisfaction.

5-5 PROCEDURAL JUSTICE: DISCUSSION, CROSS-VALIDATION, AND IMPLICATIONS

5-5-1 Research Question Four

What is the relationship of procedural justice to customer satisfaction?

5-5-1-1 Discussion

Study results showed procedural justice had significant effects on overall justice and customer satisfaction. These results were presaged by previous theoretical and empirical research, including Smith's (1998) finding that customer satisfaction was higher when perceptions of procedural justice in a service recovery were higher.

Procedural justice, or process fairness, has been defined in service recovery literature as the organization's step-by-step actions in solving problems (Lind & Tyler, 1988). Tax and Brown (1998) called procedural justice the adequacy of the criteria or procedure used in decision making. In assessing procedures, the customer makes a subjective comparison of the processes used to handle a transaction.

5-5-1-2 Cross-Validation

Services marketing studies have used procedural justice to measure fairness. Burroughs (1982) and Greenberg and McCarty (1990) used it to analyze pay equity in an organization setting. Bies and Shapiro (1987) applied it to human resource practices. Goodwin and Ross (1989, 1992) used the consumer's opportunity to participate by offering opinions to measure procedural justice. Procedural justice, which has proven difficult to manipulate in experimental situations, has been studied in research that used retrospective self-reports focused on service failures and recoveries (Goodwin & Ross, 1992).

5-5-1-3 Implications

Assuring procedural justice across service outcomes is essential to achieving good customer satisfaction assessments. Therefore, business owners and managers will want to include procedural justice when designing systems and when training front-line staff and all personnel who interact with customers. The attributes of procedural justice should be considered when designing a service delivery system. A training program that considers customers' perceptions of procedural justice must take into account the attributes of procedural justice identified by Tax et al. (1998). In order of importance, they are 1) assuming responsibility, 2) timing and speed, 3) convenience, 4) follow-up, 5) process control, 6) flexibility, and 7) knowledge of process.

5-6 OVERALL JUSTICE: DISCUSSION, CROSS-VALIDATION, AND IMPLICATIONS

5-6-1 Research Question Five

What is the relationship of overall justice to customer satisfaction?

5-6-1-1 Discussion

Study results showed overall justice, a composite of interactional, distributive, and procedural justice perceptions, was significantly and positively related to customer satisfaction. This is not surprising. The reciprocal influence among the justice constructs has been explored and supported (Tax et al., 1993). It has also been suggested that customers evaluate interactional, distributive, and procedural justice independently (Greenberg, 1990b). Swanson (1998), citing the high correlation of procedural and interactional justice, examined them as a unit that influences and is influenced by distributive justice. Whether customers evaluate the constructs differently or on an overall basis remains uncertain.

5-6-1-2 Cross-Validation

Several researchers have found that there is a positive relationship between justice and satisfaction in a service recovery setting (Folger & Konovsky, 1989; McFarlin & Sweeney, 1992; Oliver & Swan, 1989). Because overall justice is a composite of the three justice constructs, research about them can be used to validate overall justice inquiries. In 1995, Blodgett et al. confirmed that distributive and interactional justice in a retail firm's service recovery approach are related to the customer's word-of-mouth behavior and repurchase intentions. Their data, based on retrospective service reports, supported that interactional justice had a more important impact than distributive justice on the customer's future behavior with the firm, suggesting that interactional justice may be more important than researchers had realized. Earlier research by Blodgett and Tax (1993) had indicated that distributive justice was more important to future behaviors than interactional justice when an experimental scenario was used. They found that customers wanted to get what they wanted (distributive justice), and they also wished to be treated with respect (interactional justice). The different results may stem from the different methodologies, however, it is possible that customers' justice requirements vary with the type of service being rendered. Tax et al. (1998) examined and offered support for the interaction between distributive and interactional justice in determining customer satisfaction after a lodged complaint. Human resource management research showed that the degree to which an appraisal is perceived as unfair increases if poor communication techniques are used to explain the appraisal (Greenberg & McCarty, 1990).

McCabe (1990) and Tax et al. (1998) explored the concept that employee behavior (interactional justice) influences customer perceptions of procedural justice. For Tax et al., the hypothesized interaction between procedural and interactional justice was not statistically significant in complaint handling situations. According to Smith (1998), as customers attribute employees' actions and treatment to the organization, their interpersonal treatment will influence perceptions and, thus, assessments of procedural justice. If the workers for a firm do not provide politeness, empathy, effort, honesty, and the right attitude, the customer satisfaction perception associated with procedural justice is reduced (Goodwin & Ross, 1992).

Folger (1986) suggested that perceptions of procedural injustice cause perceptions of distributive injustice to worsen. This is especially the case when the customer thinks the outcome could have been better through a more just process. When unfair procedures lead to poor outcomes, a customer's satisfaction is likely to decrease (Tax et al., 1998).

5-6-1-3 Implications

Many implications exist for service providers. This researcher espouses that due to the heterogeneous nature of the service encounter a business will never know exactly how customers evaluate them and arrive at satisfaction or dissatisfaction. Evaluation techniques probably vary across service encounters, moods, and emotions and with individuals and personality types. Businesses must be prepared to render excellent service regardless of how the service is evaluated. The more the business understands about the personal interactions (interactional justice), the processes (procedural justice), and the value outcome (distributive justice), the more likely the business will be to achieve overall justice and the consequent customer satisfaction.

For example, it is entirely possible that someone could be so pleased with the value outcome of having a car painted that their dissatisfaction with the personal interactions and the processes may be more than compensated for, resulting in a favorable overall justice perception. Understanding these nuances means the service provider has multiple avenues for achieving initial customer satisfaction and restoring satisfaction after initial dissatisfaction, maximizing the number of satisfied customers.

5-7 CONTRIBUTIONS OF THE RESEARCH

The findings of this research contribute to the available knowledge about the relationships between prior experience and justice and between justice and customer satisfaction. This added knowledge can be translated into practical skills that result in more satisfying service encounters. Although others will find additional uses for this research and its results, the primary contributions identified to date by this author are:

- This is the first study to explore the justice dimensions in a recall framework across a full spectrum of service outcomes when a customer service failure did not necessarily occur.
- This is the first empirical study to model justice in the absence of a service failure.
- The research developed the customer's path to loyalty model and tested the prior experience, justice, and customer satisfaction portions of the customer's path to loyalty by exploring a full range of recalled customer satisfaction encounters, adding support to previous research in finding that prior experience and justice have a positive and significant relationship and that justice and customer satisfaction have a positive and significant relationship.
- The customer's path to loyalty model is the first model to be tested that uses the non-experimental customer recall design and allows for all possible outcomes in the service encounter.
- The research enhances understanding of how interactional, distributive, and procedural justice affect customer satisfaction.
- The research adds to the services marketing knowledge and research.
- The research findings are applicable to many types of service providers.
- The research can lead to increased profits and sustainability for service providers who employ its findings to refine service delivery.
- Service providers can apply the results in developing effective training programs and strong customer relationships.
- The extensive list of definitions of concepts and constructs related to customer satisfaction can aid in standardizing terminology.
- Survey respondents were able to influence their own future service encounters by sharing knowledge important to service providers.

5-8 LIMITATIONS OF THE STUDY

Study limitations are due primarily to the recall design of the research and the problems inherent in studying perceptions. Limitations include:

- 1) Limited generalizability of the study exists because of the use of a convenient sample.

- 2) The sample may have been made up of more extremely satisfied and extremely dissatisfied respondents because the study used the recall method.
- 3) Bias was likely due to simplification process that customers employ when they store memories.

5-9 SUGGESTIONS FOR FUTURE RESEARCH

Specific research suggestions flowing from this empirical investigation include:

- 1) Further studies using the recalled service encounter. While the memory bias is inherent, customers do use recalled prior experience to determine their future patronage.
- 2) Future studies of justice and customer satisfaction within specific industries. While this study aimed to test a general model, the complexities of the service encounter merit testing practical models across different service businesses.
- 3) Further examination of scale refinement and development. Scale refinement will aid in the minimization of overlapping attributes between the justice constructs. Timing, for example, can refer to procedural justice or interactional justice, depending on whether the process is too time consuming or the employee is slow in executing the process.
- 4) Further exploration of the specific links between justice, customer satisfaction, service quality, and loyalty. Could justice across service outcomes be a proxy for measuring service quality and customer satisfaction with a firm?
- 5) More exploratory and empirical research on the many types of service encounters, including service failures, service recoveries, and initially satisfying service encounters. For example, there may be differences in the direct and indirect effects of the different justice types across different service encounter types.
- 6) Further exploration of the linkages between justice across all recalled service encounters. When well informed on these linkages, managers could train employees to segment the customer service encounter into people, process, and outcome factors, making the intangible subject of customer evaluation easier to understand and control.

- 7) Extension and testing of the customer's path to loyalty model within organizations, examining employer-employee relationships by applying the principles of the model.
- 8) Extension and testing of the customer's path to loyalty model to psychological and sociological relationships.

Development and discrimination of service literature that provides practical advice on achieving customer satisfaction is a natural outgrowth of this research. Converting complex research findings into easily understood principles that can produce practical skills would be an exceptional service with which academicians and researchers could delight service providers

5-10 SUMMARY

This chapter briefly summarized the purposes of the study, reiterated the research questions, gave the answers to the research questions, presented cross-validation for findings, provided some examples of the implications for practitioners and researchers, listed limitations, and offered suggestions for future research.

5-11 CONCLUSION

This study of prior experience and its influence on justice and of justice and its influence on customer satisfaction yielded support for the model tested. All hypotheses were supported. For service businesses, it signals that profitability and sustainability may ultimately depend on the ability of owners and managers to incorporate interactional, distributive, and procedural justice into all interactions with guests to build a satisfied and loyal clientele.

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APPENDIX A

Customer Satisfaction Questionnaire (Pilot Study)

Please mark the most appropriate response.

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. My past dealings with the organization left a positive impression.	1	2	3	4	5	6	7
2. My past dealings with the organization were negative.	1	2	3	4	5	6	7
3. My past dealings with the organization left me satisfied.	1	2	3	4	5	6	7
4. My past dealings with the organization left me dissatisfied.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. The company's personnel helped me in an acceptable time.	1	2	3	4	5	6	7
2. The company's personnel were courteous.	1	2	3	4	5	6	7
3. The company's personnel were honest with me.	1	2	3	4	5	6	7
4. The company's personnel showed a real interest in trying to be fair.	1	2	3	4	5	6	7
5. The company's personnel showed concern.	1	2	3	4	5	6	7
6. The company's personnel tried to help me.	1	2	3	4	5	6	7
7. The company's personnel seemed to help me as soon as they could.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. I received what I paid for.	1	2	3	4	5	6	7
2. The price I paid was fair.	1	2	3	4	5	6	7
3. The organization gave me what I needed.	1	2	3	4	5	6	7
4. I got what I expected.	1	2	3	4	5	6	7
5. I got what I thought I would get.	1	2	3	4	5	6	7
6. I was happy with the outcome.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. The company's procedures were fair.	1	2	3	4	5	6	7
2. The company's procedures were sensible.	1	2	3	4	5	6	7
3. The company's procedures were clear.	1	2	3	4	5	6	7
4. The company's procedures were written and posted.	1	2	3	4	5	6	7
5. The company's procedures were streamlined.	1	2	3	4	5	6	7
6. The process was fair.	1	2	3	4	5	6	7
7. The company's personnel were authorized to do what I expected.	1	2	3	4	5	6	7
8. The process seemed sensible.	1	2	3	4	5	6	7
9. The procedures were fair.	1	2	3	4	5	6	7
10. The process filled my need.	1	2	3	4	5	6	7
11. The procedures put the customer first.	1	2	3	4	5	6	7
12. The procedures made me feel important.	1	2	3	4	5	6	7
13. The procedures made me angry.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. Overall, I was satisfied with the way the transaction was handled.	1	2	3	4	5	6	7
2. Overall, I was pleased with the firm.	1	2	3	4	5	6	7
3. Overall, I was pleased with the service I experienced.	1	2	3	4	5	6	7
4. Overall, I was satisfied with the service I experienced.	1	2	3	4	5	6	7
5. Overall, I was dissatisfied with the service I experienced.	1	2	3	4	5	6	7
6. Overall, I felt the service was good.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. I received the outcome I expected.	1	2	3	4	5	6	7
2. The transaction was handled as I expected it to be.	1	2	3	4	5	6	7
3. I was treated as I expected to be treated.	1	2	3	4	5	6	7

Please mark the appropriate response.

For me the service encounter component most important to creating satisfaction is: (circle one)

Interactions with people Product Process

Overall, I was _____ satisfied or _____ dissatisfied with the service encounter.

I had prior experience with the company. Yes _____ No _____

My past experience with the company left me satisfied _____ or dissatisfied _____.

If anything, the organization could have done the following to handle my situation better.

Number of front-line personnel who appeared to be working at the job I needed performed was:
0 1-5 6-10 11-15 16-20 21 or more

Number of supervisors or managers to whom I spoke was:
0 1 2 3 4 5 or more

Number of years I have dealt with the business where the encounter occurred is:
1/2 1 2 3 4 5 or more

Number of times I have patronized the business where the encounter occurred is:
1 2-4 5-10 11-20 21-30 31 or more

Number of miles the business is from my home is:
Less than 1 2-4 5-10 11-15 16-21 22 or more

The biggest reason I was satisfied was:
People Process Product

The biggest reason for my dissatisfaction was:
People Process Product

I would best sum up this service encounter by saying I was:

- _____ Very Satisfied
- _____ Satisfied
- _____ Dissatisfied
- _____ Delighted
- _____ Disappointed
- _____ Regretful
- _____ Very Dissatisfied

If I could suggest to the business that they change one thing, it would be:

I have _____ have never _____ worked in a service business.

I have worked in a service business for the following number of years.

0 1-2 3-5 6-10 11-20 21-30 31 or more

The service business I worked in was a: _____

I currently do _____ do not _____ work in a service business.

Please tell the story of this service encounter here including the type of business. (Please continue on reverse if you need more space.)

Please check or circle your response for the following demographic data.

Male _____ Female _____

22 and under _____ 23-33 _____ 34-44 _____ 45-54 _____ 55-64 _____ 65 and over _____

Single _____ Divorced _____ Married _____ Widowed _____

Employed _____ Not Employed _____

Racial/Ethnic Background:

African/Americian _____ Asian _____ Hispanic _____ White _____ Other _____

Education:

Some or no high school _____

High school graduate _____

Some college _____

College graduate _____

Some graduate study _____

Graduate/professional _____

Please double check that all questions have been answered.
THANK YOU FOR YOUR PARTICIPATION.

APPENDIX B

Customer Satisfaction Questionnaire (Main Study)

Please mark the most appropriate response.

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. My past dealings with the organization left a positive impression.	1	2	3	4	5	6	7
2. My past dealings with the organization were negative.	1	2	3	4	5	6	7
3. My past dealings with the organization left me satisfied.	1	2	3	4	5	6	7
4. My past dealings with the organization left me dissatisfied.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. The company's personnel helped me in an acceptable time.	1	2	3	4	5	6	7
2. The company's personnel were courteous.	1	2	3	4	5	6	7
3. The company's personnel were honest with me.	1	2	3	4	5	6	7
4. The company's personnel showed a real interest in trying to be fair.	1	2	3	4	5	6	7
5. The company's personnel showed concern.	1	2	3	4	5	6	7
6. The company's personnel tried to help me.	1	2	3	4	5	6	7
7. The company's personnel seemed to help me as soon as they could.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. I received what I paid for.	1	2	3	4	5	6	7
2. The price I paid was fair.	1	2	3	4	5	6	7
3. The organization gave me what I needed.	1	2	3	4	5	6	7
4. I got what I expected.	1	2	3	4	5	6	7
5. I got what I thought I would get.	1	2	3	4	5	6	7
6. I was happy with the outcome.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. The company's procedures were fair.	1	2	3	4	5	6	7
2. The company's procedures were sensible.	1	2	3	4	5	6	7
3. The company's procedures were clear.	1	2	3	4	5	6	7
4. The process was fair.	1	2	3	4	5	6	7
5. The process seemed sensible.	1	2	3	4	5	6	7
6. The procedures were fair.	1	2	3	4	5	6	7
7. The process filled my need.	1	2	3	4	5	6	7
8. The procedures put the customer first.	1	2	3	4	5	6	7
9. The procedures made me angry.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. Overall, I was satisfied with the way the transaction was handled.	1	2	3	4	5	6	7
2. Overall, I was pleased with the firm.	1	2	3	4	5	6	7
3. Overall, I was pleased with the service I experienced.	1	2	3	4	5	6	7
4. Overall, I was satisfied with the service I experienced.	1	2	3	4	5	6	7
5. Overall, I was dissatisfied with the service I experienced.	1	2	3	4	5	6	7
6. Overall, I felt the service was good.	1	2	3	4	5	6	7

	Strongly Agree	Moderately Agree	Mildly Agree	Neither	Mildly Disagree	Moderately Disagree	Strongly Disagree
1. I received the outcome I expected.	1	2	3	4	5	6	7
2. The transaction was handled as I expected it to be.	1	2	3	4	5	6	7
3. I was treated as I expected to be treated.	1	2	3	4	5	6	7

Please think about what is most important to you in terms of your satisfaction and answer the following question.

For me the service encounter component most important to creating satisfaction is: (circle one)

Interaction with people Product Process

Overall, I was _____ satisfied or _____ dissatisfied with the service encounter.

I had prior experience with the company. Yes _____ No _____

My past experience with the company left me satisfied _____ or dissatisfied _____.

For me the service encounter component most important to creating satisfaction is: (circle one)

Interactions with people Product Process

If anything, the organization could have done the following to handle my situation better.

Number of front-line personnel who appeared to be working at the job I needed performed was:

0 1-5 6-10 11-15 16-20 21 or more

Number of supervisors or managers to whom I spoke was:

0 1 2 3 4 5 or more

Number of years I have dealt with the business where the encounter occurred is:

1/2 1 2 3 4 5 or more

Number of times I have patronized the business where the encounter occurred is:

1 2-4 5-10 11-20 21-30 31 or more

Number of miles the business is from my home is:

Less than 1 2-4 5-10 11-15 16-21 22 or more

The biggest reason I was satisfied was:

People Process Product

The biggest reason for my dissatisfaction was:

People Process Product

I would best sum up this service encounter by saying I was:

_____ Very Satisfied
_____ Satisfied
_____ Dissatisfied
_____ Delighted
_____ Disappointed
_____ Regretful
_____ Very Dissatisfied

If I could suggest to the business that they change one thing, it would be:

I have _____ have never _____ worked in a service business.

I have worked in a service business for the following number of years.

0 1-2 3-5 6-10 11-20 21-30 31 or more

The service business I worked in was a: _____

I currently do _____ do not _____ work in a service business.

Please tell the story of this service encounter here including the type of business. (Please continue on reverse if you need more space.)

Please check or circle your response for the following demographic data.

Male _____ Female _____

22 and under _____ 23-33 _____ 34-44 _____ 45-54 _____ 55-64 _____ 65 and over _____

Single _____ Divorced _____ Married _____ Widowed _____

Employed _____ Not Employed _____

Racial/Ethnic Background:

African/American _____ Asian _____ Hispanic _____ White _____ Other _____

Education:

Some or no high school _____

High school graduate _____

Some college _____

College graduate _____

Some graduate study _____

Graduate/professional _____

Please double check that all questions have been answered.
THANK YOU FOR YOUR PARTICIPATION.

Curriculum Vita

DENVER SEVERT

EDUCATIONAL EXPERIENCE

Ph.D. in Hospitality and Tourism Management, 2002
Virginia Polytechnic Institute and State University, Blacksburg, VA
Concentration: Finance, Marketing Services, QCA: 3.92

Master's in Business Administration, 1991
University of Oregon, MBA, Eugene, OR
Concentration: General Management and Accounting, QCA: 3.2

Bachelor of Science in Business Administration, 1988
Appalachian State University, Boone, NC
Triple Major: Finance, Economics and Banking, QCA: 3.5

WORK EXPERIENCE

1996 – 2002
Eastern Michigan University Ypsilanti, MI

Associate Professor

Taught 50 classes in six years with 18 new preparations. See classes taught listed on last page. Earned tenure in 1999 and was promoted from Assistant to Associate. Received high teaching evaluation scores and nominated for University-wide teaching award during 1999 and 2000. Awarded University service award in 1999.

2001-2002
Polo Fields Golf and Country Club Ann Arbor, MI

Quintessa Room- Dining Room Manager

Responsible for operations in this fine dining room in a 700 member non-equity country club. During this time, customer loyalty ratings and word-of-mouth increased considerably. Managed full phase dining room with 20 employees.

1997 – 2001

The Chuck Muer Corporation, Gandy Dancer Ann Arbor, MI

Server, Fill-in Manager, Schedule Writer and full phase accounting.

Averaged 20 hours/week in this fine dining restaurant that employees 100 people and was voted Employee of the Year 1998. Meal average was 50\$ / head. Restaurant Sales: 5 million.

1978 – 1988; 1992-1995

TCB Management Corporation

West Jefferson, NC

General Manager

Oversaw the daily restaurant operations from back of the house to front of the house including purchasing, accounting, payroll and operations. Annual revenue approximately 1 million. During my term as General Manager, record sales were achieved. Started at age 12 and worked virtually every position before hired back as general manager. Positions worked includes dishwasher, assembly, grill cook, fry cook, kitchen manager, dining room manager, busser, server, host and general manager. Increased customer loyalty and achieved revenue records.

1993 – 1995

Virginia Polytechnic Institute and State University, Instructor

- Taught Introduction to Hospitality Management Course
- Taught Introduction to Service Management Course
- Taught Accounting and Financial Cost Controls in the Hospitality Industry

1988 – 1990

The Cato Corporation

Charlotte, NC

Human Resource Management Assistant

- Responsible for worker's compensation, employee benefit packages, COBRA assistance, benefit packages, advertising assistance to some 600 women's apparel stores, and EEOC monitor.

Steak and Ale Corporation, Server (moonlight)

- Responsible for serving guests in this full service up-scale family restaurant.

1989- 1991

Emerald Valley Resort

Eugene, OR

Banquet Set-up, Banquet Server and Most Requested Dining Room Server

- Responsible for serving guests in this exclusive resort while being a full-time MBA student during the day.

1992 – 1993

Grady's American Grille (Brinker International) Charlotte, NC

Server (achieved #8 sales in nation in a six month period)

- Served guests in this casual dining chain.
- Rated #1 out of 60 servers in the area of attitude and in the top 10 with in the three areas of attitude, skill, and professionalism.

HONORS

- 2002, 2001, 2000, 1999 Nominated for University wide teaching award
- 2000 Technology Across the Curriculum Fellowship, Eastern Michigan University, Ypsilanti, MI
- 2000 Undergraduate Experience Fellowship, Eastern Michigan University, Ypsilanti, MI
- 1999 Employee of the year (80 employees), CA Muer Corporation, Gandy Dancer, Ann Arbor, MI
- 1999 Writing Across the Curriculum Fellowship, Eastern Michigan University, Ypsilanti, MI
- 1999 Nominated to North Central Association Accreditation Committee by President William Shelton and Provost Ronald Collins
- 1998 Eastern Michigan University Marketing Service to the University Excellence Award
- 1998 Achieved the Certified Hospitality Educator Designation from the Educational Institute of American Hotel and Motel Association.

PRESENTATIONS

Severt, Denver (2000) People Skills Class Results. 2000 Annual meeting of International Council on Hotel Restaurant and Institutional Educators, New Orleans, Louisiana.

Severt, Kimberly, Severt, Denver (2000) Generation Y, What we need to know?, Invited presentation to Marriott Human Resource Managers, Livonia Marriott, Livonia, Michigan.

Severt, Denver (2000) People Skills, Should We, Can We, Are We Teach/Teaching Them. 2000 Mid-west Council of Hotel Restaurant and Institutional Educators Annual meeting, Merrillville, Indiana.

Severt, Denver. (1999) Being versus Becoming: The Path of the Student and the Role of the Educator. 1999 Annual meeting of the Association of Integrative Studies, Naperville, Illinois.

Buchanan, P., Severt, D. (1999) Student Journaling: By E-mail or by Hand? 1999 Annual meeting of the International Council of Hotel and Restaurant Institutional Education. Albuquerque, New Mexico.

Severt, K., Severt, D. (1999) What do our future employees have to say about us? Peer-reviewed poster session. 1999 Annual meeting of the International Council of Hotel and Restaurant Institutional Education. Albuquerque, New Mexico.

Severt, D. (1999) Honoring front-line employees. Invited Presentation by Detroit Coalition of Customer Service, Detroit, Michigan.

Chan, K., Murrmann, S., and Severt D. (1996) Training from a multi-cultural perspective. 1996 Annual meeting of the International Council of Hotel Restaurant and Institutional Education.

DEPARTMENT COMMITTEES

1996 – 1999 Explore Eastern Visit the Campus Day
1996 – 1999 Fall Graduation and Commencement Participant
1996 – 1999 Personnel and Finance
1999 – 2001 HECCR Evaluation Committee
1996 – 1999 Receptions Committee – Chairperson
1996 – 2001 Hospitality Student Association Faculty Advisor
1996 – 2000 Grade Grievance Committee
1996 – 1999 Graduate Program Committee
1997 – 1998 Faculty Search Committee
1999 – 2001 American Association of University Professors Union Steward
1999 – 2001 American Association of University Professors Bargaining Council
1999 – 2001 American Association of University Professional Committee
1998 – 1999 Managed and Directed the Advisory Board Annual Meeting
2000 – 2001 North Central Accreditation Presidential Steering Committee (18 month committee)
2000 – 2001 The Undergraduate Experience Strategic Cross-Cutting Planning Committee

COLLEGE COMMITTEES

1996 – 1997 Grade Grievance Alternate
1996 – 1997 Hosted Dean's Theater Night for 80 members of Dean's Advisory Committee

UNIVERSITY COMMITTEES

1997 – 1998 Constituent Services Customer Service Committee
1997 – 1998 Authored Employee Customer Service Training Manual
1997 – 1998 Basic Studies Task Force; wrote comparison between Wayne State University's Basic Studies and Eastern Michigan University Basic Studies

- 1998 – 2001 Appointed to North Central Association Accreditation Self Study Committee:
Five faculty appointed by President and Provost out of 800 faculty
- 1998 – 1999 Facilities Lab Update Board
- 1996 – 1997 Hosted and directed 80 – 100 person reception for Congresswoman Lynn Rivers
- 2000 - 2002 AAUP Faculty HECC Department Steward

PROFESSIONAL MEMBERSHIPS AND ASSOCIATIONS

- 2002 American Marketing Association
- 1996 – 2002 Council on Hotel Restaurant and Institutional Education
- 1997 – 1998 American Hotel and Motel Association Research Review Committee
- 1996 – 1998 National Restaurant Association
- 1996 – 1998 Michigan Restaurant Association
- 1999 Association for Integrative Studies Membership

PROFESSIONAL CONFERENCES ATTENDED

- 1999 International CHRIE Conference, Albuquerque, New Mexico.
- 1999 Association for Integrative Studies Conference, Naperville, Illinois.
- 1999 Writing Across the Curriculum Teaching Workshop, Ypsilanti, Michigan.
- 1997 International Asynchronous Learning Conference, New York City, New York.
- 1997 - 1998 National Restaurant Show, Chicago, Illinois
- 1997 – 1998 International Hotel, Motel and Restaurant Show, New York City New York
- 1997 First Annual meeting of Mid-west CHRIE, Merrillville, Indiana.
- 1997 – 1998 EMU World College 16th Annual Conference on Languages and Communications
for World Business and the Profession, Ypsilanti, Michigan.
- 1996 – 1998 Michigan Restaurant Show, Novi, Michigan.

COURSES TAUGHT

Undergraduate Courses:

- Introduction to Data Processing
- Basic Mathematics
- Introduction to Hospitality Management
- Catering Services Management
- Introduction to Services Management
- Hospitality Finance and Accounting
- Purchasing in the Hospitality Industry
- Cost Control in the Hospitality Industry
- Cap-stone Senior course, Hospitality Management Internship
- Legal Issues within the Hospitality Management Industry

Hospitality Marketing of Services
Improving Your People Skills

Graduate Courses:

Productivity within the Hospitality Management Industry
Advanced Food Systems for the Hospitality Management Industry
Service Quality for the Hospitality Management Industry
Cost Control Strategies for the Hospitality Management Industry