

EXPLORING THE IMPACTS OF SERVICE GUARANTEE STRATEGY IN THE  
CASUAL RESTAURANT SECTOR

By Kyuho Lee

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**Committee Chair:** Dr. Mahmood A. Khan

**Committee Members:**

Dr. Ken W. McCleary  
Dr. Pamela A. Weaver  
Dr. Barbara Almanza

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## **Exploring the Impacts of Service Guarantee Strategy in the Casual Restaurant Sector**

Kyuhoo Lee

(ABSTRACT)

This study examined the impacts of service guarantees in terms of consumers' perceived risks, loyalty, and word-of-mouth intent in the casual dining restaurant segment. In addition, the study investigated what type of service guarantee consumers preferred. A total of seven research hypotheses were developed on the basis of relevant literature review. In an effort to test the research hypotheses, a scenario method was developed. A total of seven research scenarios were created based on the Virginia Tech web survey system, which allows subjects to complete the survey online. The subjects of the study were Virginia Tech Faculty. The scenarios were sent to faculty members via e-mail during the month of September. The results of the study are striking: 5 research hypotheses are supported, 1 research hypothesis is partially supported, and only 1 research hypothesis is rejected. The results of the study suggest that a well-executed service guarantee could reduce consumers' perceived risks, raise consumers' intent to complain, and increase positive word-of-mouth and loyalty. Furthermore, the results of the study indicate that a specific service guarantee is much more effective in reducing consumers' perceived risks, and increasing consumers' intent to claim initial service failures, in comparison to those of an unconditional service guarantee in the casual dining restaurant industry. On the other hand, a service guarantee which was executed poorly resulted in reducing consumers' loyalty and increasing consumers' negative word-of-

mouth. In addition, the results of the study suggest that a service guarantee offered by independent restaurants could be a competitive advantage over a brand restaurant not offering a service guarantee. Overall, the results of the study suggest that a carefully designed, specific service guarantee could be a competitive advantage for independent restaurant operators in the competitive business environment.

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## CHAPTER I – INTRODUCTION

This dissertation is a study that extrapolates the impacts of the service guarantee in the casual restaurant sector by investigating critical factors which could impact the service guarantee model. The critical factors which restaurant operators need to consider in developing a service guarantee include consumers' perceived risk, word-of-mouth intent, and complaint behaviors. The study investigates how these factors are interrelated with each other. More specifically, the study attempts to identify how the service guarantee impacts consumers in their pre-purchase evaluation as a risk-reliever. In addition, this study investigates whether an effective service guarantee reduces consumers' negative word-of-mouth intent, while it facilitates consumers' complaint intent in the post-purchase evaluation.

While recently there has been growing research dealing with a variety of aspects of the service guarantee, the body of service guarantee research is still somewhat limited in its scope, and overall service guarantee research lags far behind the industry practices. Furthermore, most research efforts in the service guarantee literature have been directed at investigating firm's implementation of successful service guarantees using a case study method. This study provides academic researchers as well as practitioners a better understanding of the factors that impact the service guarantee, offers suggestions on developing a competitive service guarantee strategy in the restaurant context.

## **Statement of the Problem**

The restaurant industry has become fiercely competitive, due to the industry's low market entry barriers and the low capitalization requirements. For example, operating a restaurant does not require heavy financial requirements, compared to other industries such as the airline industry (Fitzsommons & Fitzsommons, 1998). Furthermore, the fierce competition in the restaurant industry has intensified significantly after 2000 as the industry becomes saturated (Leung, 2003). For example, there were 277,208 fast-restaurants in the U.S. in 2000 which account for one per every 1,000 people. This is a significant increase compared to 1980 which there were one for every 2,000 people (Leung, 2003). Furthermore, the industry's high employee turnover rate has driven to lower the industry's service quality. In addition, soaring gas prices and slow real estate markets have led consumers to minimize dining in restaurants or spend less money in restaurants (Horovitz, 2006).

Dolf (1992) pointed out that three out of four restaurants fail within the first year of their opening because many restaurant operators do not develop a competitive service strategy. Therefore, growing market saturation and competition have driven the industry to seek to differentiate a restaurant operator from its competitors by focusing on developing competitive service strategies (Hart, 1988; Tax & Brown, 1998, Zeithamal, Parasuraman, & Berry, 1990). Creating and developing a competitive service strategy becomes central to maintaining excellent service quality and surviving in the fierce marketplace.

Recently, the service guarantee has been emerging as a powerful weapon that gives a competitive edge because it has resulted in a number of benefits and advantages for service firms (Hart, 1988; Kashyap, 2001; Wirtz, 1998). Even though much of the research on the service guarantee subject has remained anecdotal or has been hampered by small sample sizes, the totality of the evidence supports that the service guarantee could result in competitive advantages including consumers' loyalty, employee motivation, and a tool to standardize service recovery for restaurant firms implementing the service guarantee.

In spite of the growing interest among academics and practitioners in the service guarantee, very few studies have been conducted on the service guarantee topic. Furthermore, most of the existing literature on the service guarantee has tried to develop conceptual models which summarize the benefits of the service guarantee on the basis of a few case studies exemplifying service firms implementing the service guarantee model successfully, such research remains in a conceptual state with little empirical testing. Furthermore, none of these studies have laid out systematically how implementing a service guarantee influences customer satisfaction, perceived risks, customers' complaint behaviors, and word-of-mouth intent. Subsequently, existing studies have tended to remain fragmented in their orientations, and service guarantee research is still at an evolutionary stage.

## **Research Questions**

This research is designed to answer the following questions.

1. Does a relationship exist between the service guarantee and consumers' perceived risk in the casual restaurant setting?
2. Does a relationship exist between brand restaurants and consumers' perceived risks regarding the service guarantee?
3. Does a relationship exist between consumers' loyalty and the service guarantee in the casual restaurant setting?
4. Does relationship exist between consumers' word-of-mouth intent and consumers' satisfaction with the service guarantee?
5. Does a relationship exist between consumers' intent to complain and the service guarantee in the event of service failures in the casual restaurant setting?

## Theoretical Framework for the Study

A theoretical framework addresses the research questions which ties together factors discussed in the preceding sections, and the factors that are more likely to influence the impact of the service guarantee during consumers' pre-purchase evaluation, service encounter, and post-purchase evaluation.

Figure 1.1  
The Effects of the Service Guarantee in Pre-Purchase Stage

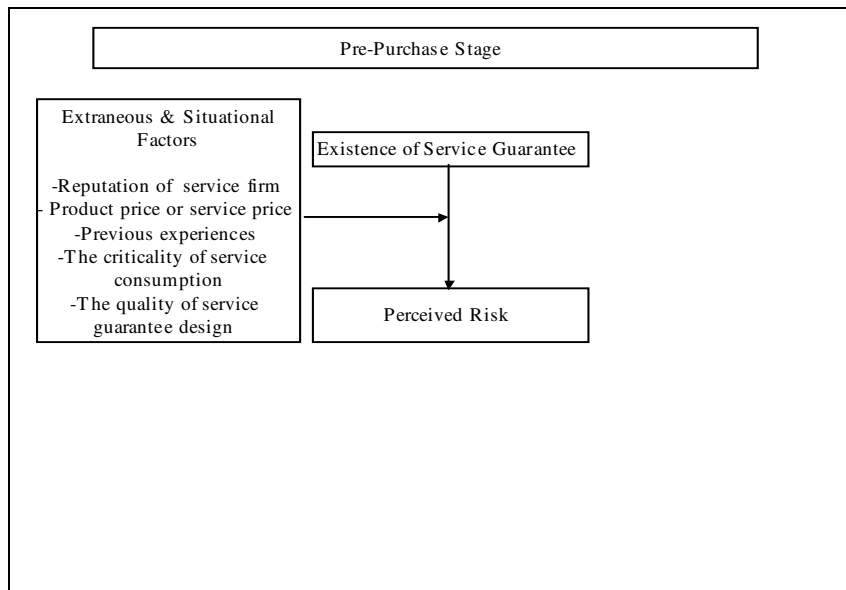


Figure 1 describes how the service guarantee influences consumers in the pre-purchase stage. As shown in Figure 1, the service guarantee could reduce consumers' perceived risks.

Figure 1.2  
The Process of the Service Guarantee during the Service Encounter

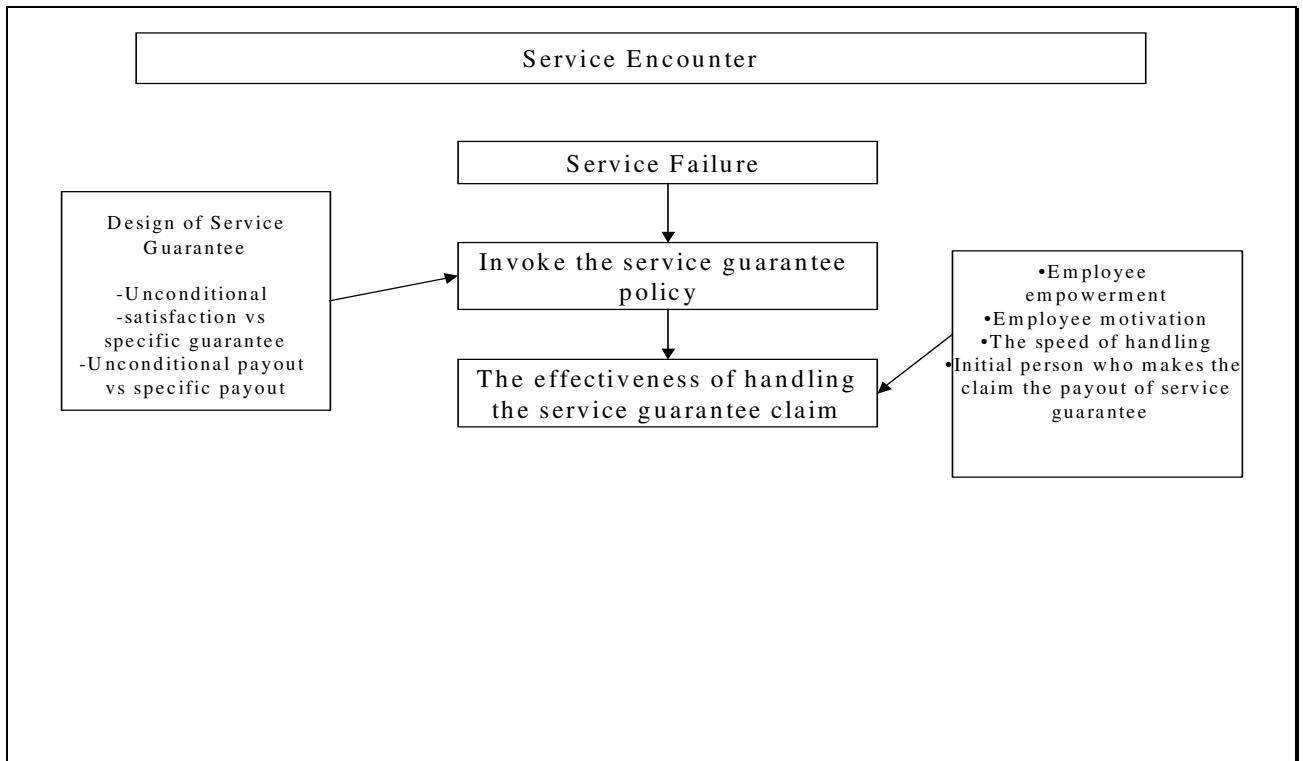
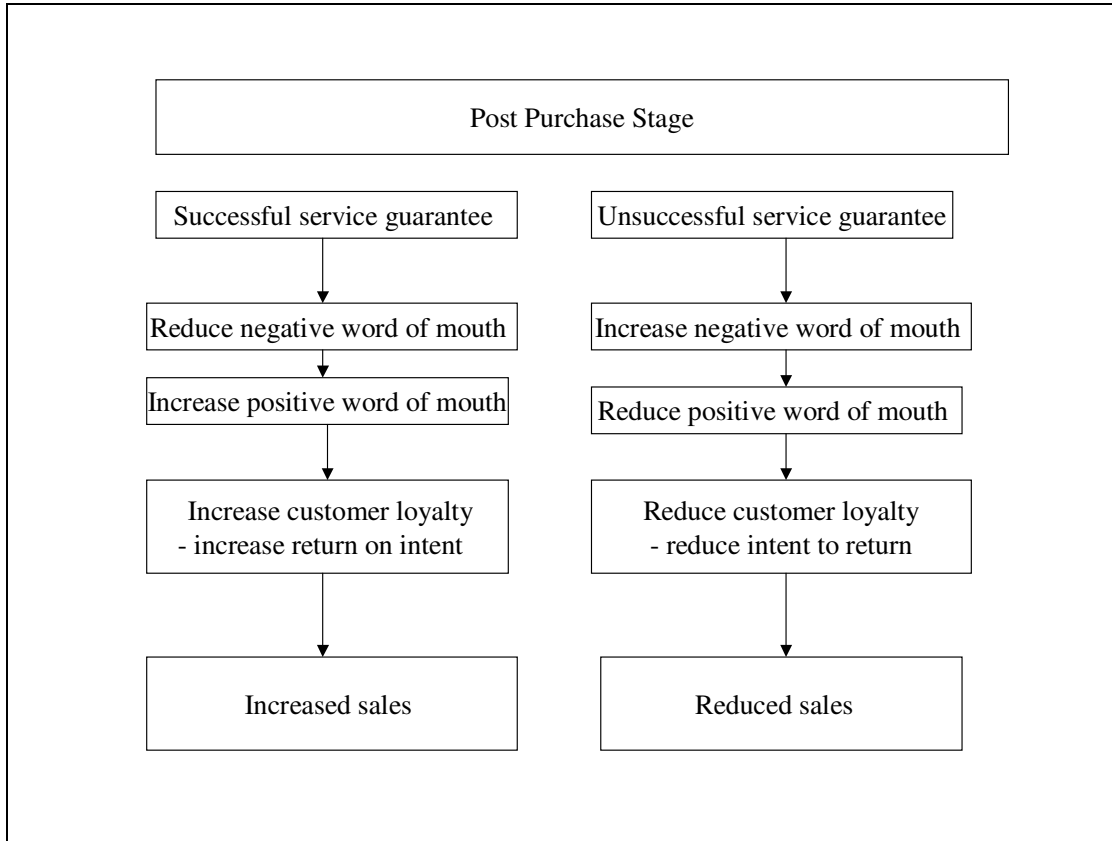


Figure 1.2 presents the process of the enactment of the service guarantee during the service encounter. For instance, the effectiveness of the service guarantee could be dependent on the design of the service guarantee, either unconditional satisfaction or a specific guarantee. Furthermore, employee empowerment and employee motivation play a significant role in the success of the service guarantee.

Figure 3 shows the effects of service guarantee in consumers' post-purchase evaluations.

Figure 1.3  
The Effects of the Service Guarantee in Post-Purchase Stage



As shown in Figure 3, the service guarantee can result in reducing negative word-of-mouth and increasing positive word-of-mouth. At the same time, the successful service guarantee can increase customers' loyalty, which eventually increases restaurants' sales. On the other hand, the service guarantee, which is not executed well could increase consumers' negative word-of-mouth and reduce customers' loyalty which can eventually result in reducing sales.

## **Boundaries of the Study**

Establishing appropriate boundaries is necessary in order to enhance the validity and reliability the study. By setting clear boundaries of the study, the results can be validated (Bacharach, 1989). First, this study is developed based on the service guarantee in the restaurant context. The results of the study may not be extended to other service sectors such as the lodging industry. The restaurant industry has a number of unique features in comparison with other service industries in terms of consumers' perceived risks, products, brand loyalty, and the level of competition which could impact the service guarantee model. As a result, this limitation is critical.

Second, the service guarantee addressed in the study is confined to only the casual restaurant sector because the theoretical model of this study is based on the casual restaurant setting. The definition of casual restaurant is as follows: According to Nation's Restaurant News (Duecy, 2006), casual dining signifies restaurants that have table service, serve liquor, and have a per-person check average of \$14 or less for lunch and \$22 or less for dinner. Outback Steakhouse, and Cheesecake Factory are some of examples in the casual dining restaurant segment. Fine dining refers to restaurants with a per-person check average well above that of casual-dining restaurants (Duecy, 2006). Quick service restaurants can be defined as establishments without table service, including major chains like McDonald's and Subway, as well as convenience stores, fast-casual restaurants and pizza outlets (Duecy, 2006). One of the key reasons that this study is limited to only the casual restaurant sector is because consumers' expectations and perceived risks, which are key concepts in this study, can differ significantly according to the type of restaurant (Lee & Madanoglu, 2005).



For instance, consumers have fewer service expectations in fast-food restaurants because the menu prices of fast-food restaurants are less expensive than those of casual dining restaurants. Third, the results of the study are limited to U.S. consumers since the theoretical framework is based on a U.S. model. A number of studies (de Mooij, 1998; Hofstede, 1980) have focused on cross-cultural research, and have contended that consumers' behaviors in terms of perceived risk and loyalty differ according to the consumers' culture. Therefore, the proposed model might not be valid for international consumers with different cultural backgrounds.

## **Definitions of Constructs**

The definitions of the major constructs in this study are explained as follows:

### **Service Guarantee**

Hart, Schlesinger, and Maher (1992) defined a service guarantee as a statement explaining the service customers can expect and what the company will do if it fails to deliver the payout. Service guarantees can be classified into five different types (specific, unconditional, implicit, external, and internal service guarantees) according to the scope of the service guarantee and the payout (Hart, 1993; Kashyap, 2001; Wirtz, 1998).

Specific service guarantees provide a detailed guideline of the guarantee scope and payout to consumers according to the type of initial service failure (Kashyap, 2001).

On the other hand, an unconditional service guarantee promises full satisfaction to customers. Thus, the scope of the unconditional service guarantee covers all aspects of a firm's service performances regardless of the type of initial service failures. The unconditional service guarantee allows customers to claim the service guarantee policy anytime whenever they are not satisfied with any aspects of service. An implicit service guarantee is an unwritten guarantee based on the understanding between customers and service providers. For instance, Ritz Carlton is famous for its implicit service guarantee (Hart, 1988). An external guarantee is a promise made by a service operator to its customers while an internal guarantee is a promise of superior service (timeliness, accuracy, and feedback) developed by a department for its internal customers, the people who serve in a support function (Hart, 1983). In addition, the function of an internal

guarantee is confined to internal communication among different departments and employees within a service organization. Kashyap (2001) contended that the service guarantee should involve two major elements: a service promise and a compensation offer. Without these two components, the concept of a service guarantee may not be established.

Hart (1993) claimed that the service guarantee is a legally binding contract. On the other hand, Evans, Clark, and Knuston (1996) postulated that the service guarantee is a service company's policy which shows a service firm's commitment toward customer satisfaction. Callan and Moore (1998) argued that a service guarantee is a promise between a service operator and its customers which service operators promise to deliver as advertised or promoted. According to Kennett (1995), the service guarantee allows customers to know what type of service recoveries and compensations they can receive from service operators in the case of any service failures, or when customers are not satisfied with the service received. Hay and Hill defined the service guarantee as a set of two promises between service operators and customers. The first promise is that a service firm offers a certain standard of service, while the second promise is that a service firm offers compensation for an initial service failure.

Even though there have been a number of different definitions regarding the service guarantee, there is still a lack of consensus whether a service guarantee could mean simply a policy promised by a service operator, or it could be a contract between a service operator and its guests (Kashyap, 2001). Furthermore, the scope of the service guarantee could differ among service establishments. For instance, some service operators such as Hampton Inn developed and promoted unconditional service guarantee

policies, while food service operators such as Domino Pizza developed specific service guarantee policies which can be claimed by consumers only when service failures specified by the pizza firm occurred (Sowder, 1996). Kashyap (2001) purported two different types of service guarantee definitions. First, service guarantee is a service promise by a service firm that implies the willingness of a service operator to provide reliable service based on a customer's expectations. Or, the service guarantee can be defined as a service establishment's compensation policies when initial service failures occur.

A service operator can compensate any service failures to consumers as advertised or stated in their service guarantee policies. In this case, a service firm specifies explicitly how the firm could compensate specific service failures (Kashyap, 2001). For example, Domino Pizza specified that the chain could offer a free pizza to customers if the pizza is not delivered within 30 minutes after a customer orders. According to this definition, customers are able to know when they can claim the service guarantee.

In an effort to see which type of service guarantee is more effective in the casual restaurant segment in terms of consumers' perceived risks, loyalty, and positive word-of-mouth intent, the researcher adopts both an unconditional service guarantee and a specific service guarantee in the study.

### **Word-of-Mouth**

Susskind (2002) defined "word-of-mouth" as a communication in which people share their evaluations and assessments on service providers and service products. Word-

of-mouth communication can be either positive or negative. Positive word-of-mouth is that people share their positive evaluations of service encounters to their friends or family, while negative word-of-mouth involves negative evaluations of service encounters to acquaintances (Susskind, 2002). On the other hand, Anderson (1998) defined word-of-mouth as “informal communications between private parties concerning evaluations of goods and services rather than formal complaints to firms.”

### **Complaint**

Kowalski (1996) defined a complaint as a behavioral expression of dissatisfaction” while dissatisfaction is “the attitude resulting from disconfirmation of expectancies.” Singh (1988) claimed that a complaint is the expression of emotions regarding dissatisfaction.

## **Underpinning Concepts & Phenomenon**

To gain a better understanding of the complex concepts of the service guarantee, it is necessary to comprehend the underpinning theories, and concepts relevant to the service guarantee. In the following section, the key concepts and theories concerning the service guarantee will be discussed.

### **Nature of Service**

A plethora of researchers have claimed that the service industry is different from the manufacturing industry in many different aspects (Fitzsimmons & Fitzsimmons, 1998; Mitchell, & Greatorex, 1993). The key elements differentiating the service industry from the manufacturing industry are due to the service industry's specific characteristics including intangibility, simultaneous consumption and production, perishability, and heterogeneity. For example, service products are highly intangible since we cannot see or touch service, unlike manufactured products. The intangible service characteristics raise consumers' perceived risks because consumers cannot judge service quality, based on the physical appearances of service products (Zeithaml et al., 1990).

The simultaneity between consumption and production is another critical factor which discriminates service products from manufacturing products. Unlike the manufacturing industry which can inspect its products in order to minimize errors or find imperfect products before selling to consumers, the service industry cannot inspect its service products because of the simultaneity in the process of consumption and production. Therefore, achieving a zero-defect becomes extremely difficult for the

service operators (Reinchheld & Sasser, 1990). Furthermore another characteristic of service, heterogeneity, could cause severe problems to service operators. For instance, service is produced and delivered through individual human beings. Thus, the quality of service can be affected by the condition of each individual. Sometimes, a server might be in a bad mood, and that could lower the quality of service. Therefore, offering a consistent quality of service is challenging.

Table 1 summarizes the underlying dimensions of service and their implications for the development of a service guarantee.

Table 1.1  
Underlying Nature of Service

Dimension	Description
Inseparability	Compared to the manufacturing industry, the process of production and consumption occurs at the same time. It means that service operators have little time to inspect their service products in contrast with manufacturing factories.
Intangibility	It is hard to capture the image of service due to its intangibility. Service product itself could not be seen and touched by consumers. Hence, consumers' perceived risks will increase due to the service industry's intangibility.
Heterogeneity	Service is always subject to some variation in performance, and developing realistic standards of performance is difficult. This variation inevitably increases perceived risk as the consumers cannot be sure that they will be satisfied even if the previous purchases from the service operators were satisfactory.
Perishability	Perishability characteristic may also cause unsatisfactory service due to under-staffing or over-demand. – busy periods

As shown in Table 1, service operators are often challenged in providing a consistent quality service on a daily basis, due to the underlying dimensions of service. Therefore, researchers have contended that the service industry needs to develop

competitive strategies to minimize consumers' perceived risks and to retain consumers (Heskett et al., 1997; Zeithaml et al., 1990).

### **Current Outlook of the U.S. Restaurant Industry**

Recently, independent restaurant owners have suffered from high competition, undercapitalization, and the lack of competitive marketing strategies (Enz, 2004; Parsa, Self, Njite, & King, 2005). According to the results of recent research by Parsa et al. (2005), about 60% of independent restaurants failed within three years. This failure rate is higher than that of franchise restaurants (57.2%). One of the critical reasons for the failure of many independent restaurants in three years is that independent owners tend to ignore developing competitive service strategy and focusing on service quality (Parsa et al., 2005).

Researchers have suggested that the turbulent environment surrounding the industry has caused rapid changes, and the growing competition in the industry will likely continue. As a result, it is crucial that the industry pursue competitive strategic development in the area of service. Researchers (Reinchheld, & Sasser, 1990; Zeithaml et al., 1990) have urged that service should be viewed as a strategic tool. In general, independent restaurant operators have focused on food production rather than focusing on controlling service quality (Parsa et al., 2005). Even though the ongoing problems regarding service quality in the restaurant industry have continued, there have been very limited studies to develop a model to ensure service quality and systemize ways to address service problems.



## **Synthesis of the Underpinning Theories**

It is important for researchers to integrate the underlying service dimensions in order to develop sustainable service strategies because service has a number of different characteristics compared to manufacturing industry. For instance, the intangibility dimension drives consumers to feel increased perceived risk, and seek signals of service quality, including a company's reputation and brand personality, in an effort to minimize the risks associated with the purchase of service products. A number of researchers (Mitchell & Greatorex, 1993; Roselius, 1971; Shimp & Bearden, 1982) have argued that these unique service characteristics boost the importance of the service guarantee because the service guarantee could reduce consumers' perceived risk. In other words, the service guarantee can signify quality of service to consumers. Furthermore, the competitive service guarantee can assure the quality of service to consumers who perceive a high level of risk (Shimp & Bearden, 1992).

Service failures in the restaurant industry are inevitable due to many uncontrollable factors including unpredictable weather. Thus, recovering any initial service failures is crucial to retain customers, and to increase customer loyalty. As a result, developing a competitive service strategy is necessary to handle any initial service failures effectively. The service guarantee could facilitate the efficient process of service recovery because it allows a service operator to set service standards (Liden & Shalen, 2003). A service guarantee allows service firms to recover any service failures on the basis of the firm's service guarantee policy (2003). Also, customers can expect a certain level of service quality as advertised in the service guarantee policy.

Restaurant operators need to pay attention to raising service quality in order to compete effectively (Zeithaml et al., 1990). However, to date there have been very few research efforts that consider service as a strategy based on a deep understanding of the nature of service (Heskett et al., 1997; Zeithaml et al., 1990). As a result, service operators have tended to fail to develop the service guarantee as a competitive strategy.

### **Organization of the Study**

Chapter I summarizes the overview of the study which includes the statement of the problem, research questions, the boundaries of the study, and the definitions of the major constructs. In Chapter II, relevant literature is reviewed and integrated in a way that supports the hypotheses of this study. The major literature focusing on the service guarantee, risk, product warranty, service recovery, consumers' complaint behaviors, and word-of-mouth will be discussed.

## **CHAPTER II –REVIEW OF THE RELATED LITERATURE**

### **Introduction**

The literature on the service guarantee has not been established and developed well, even though there has been growing interest in the topic among both practitioners and researchers. Since Hart (1988) introduced his breakthrough paper about the concept of the service guarantee, few researchers have attempted to understand the service guarantee and develop a theoretical framework of the service guarantee. However, existing service marketing literature has depended on qualitative study methods such as the case study approach in which the results of study might be limited in scope and validity. Furthermore, most of the service guarantee literature has not been developed by focusing on a specific service industry such as the restaurant or lodging industry; rather existing studies cover extensive service industries such as the retailing service industry.

Researchers (Carlstead, 2004; Hart, 1988; Ostrom, 1996; Wirtz, 1998; Wirtz & Kum, 2001) have attempted to investigate the nature of the service guarantee in an effort to further identify the impacts of the service guarantee in conjunction with consumer satisfaction and the types of service guarantees. In Table 2.1, major research on the service guarantee is summarized, which will be discussed in details followed by the Table 2.1.

Table 2.1  
Major Studies on the Service Guarantee

Authors	Research Focus
Hart (1988)	The first study which attempted to identify the underlying nature of the service guarantee; The author introduced a number of service companies which implemented service guarantee policies successfully. In addition, the author explained advantages and disadvantages regarding the implementation of a service guarantee.
Hart et al. (1992)	<p>The authors attempted to develop a theoretical model of the service guarantee. In addition, the authors tried to extrapolate sustainable competitive advantages by establishing service guarantee policies and investigated how a firm could minimize consumers' perceived risk by implementing service guarantee.</p> <p>This is a conceptual study and lacks empirical data to generalize findings.</p>
Evans, Clark, & Knutson (1996)	<p>This is the first study that researchers undertook about the service guarantee in the hospitality industry specifically. The authors investigated how many U.S. hotels had established the service guarantee program.</p> <p>In addition, the authors examined what types of management policies are needed in the development of the service guarantee in the lodging industry.</p>
Tucci & Talaga (1997)	The authors argued that the use of the service guarantee in the restaurant industry is effective for consumer satisfaction. However, the results of the study revealed that consumers placed more

importance on factors such as price, quality of food, and courtesy of server than the service guarantee itself.

Wirtz (1998).

The author attempted to develop a conceptual model of service guarantee based on Asian consumers' views.

The author undertook the study to understand the critical effects of the service guarantee model in terms of customer satisfaction, employee motivation, the results of company profits, and the service failure/ recovery process.

Ostrom & Lacobucci (1998)

In an effort to investigate how the existence of the service guarantee could influence consumers' perceived risk in the pre-purchase stage of service the researchers initiated the study focusing on the service guarantee in the lodging industry.

In addition, the authors investigated whether consumers' evaluations of the service guarantee could differ depending upon the reputation of service firms and the brand power of the firms offering the service guarantee.

Kashyap (2001)

The author developed a theoretical framework to identify how the establishment of the service guarantee policy could influence consumers' perceptions.

More specifically, the author argued that a successful service guarantee model could reduce consumers' financial risks associated with the purchase of the service. In addition, the author highlighted that the service guarantee model could signal higher service quality to consumers.

Wirtz & Kum (2001)

The authors claimed that consumers' perceived value of a specific service guarantee might be much higher compared to those of a full satisfaction guarantee.

The study claimed that consumers' perceived risk might be lower when a combined service guarantee

is offered than when a full satisfaction guarantee is offered.

Lidén & Skålen (2003).

The authors investigated the impacts of the service guarantee in terms of the service recovery context.

The authors claimed that developing a service guarantee could formalize a successful service recovery process. This is a huge advantage in designing a service guarantee.

Liden & Sanden (2004)

The authors underlined the role of the service guarantee in the process of service development. The author concluded that the existence of a service guarantee is essential in the development of a competitive service strategy.

Fabien (2005)

The authors reviewed the literature of the service guarantee and discussed the effects of service guarantee policies. For example, the authors discussed the benefits of service guarantee policies as well as the roles of training to support successful service guarantee policies.

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Table 2.2  
Ph.D. Dissertations dealing with service guarantee model

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Kennett (1995)	<p>The author investigated how consumers perceive the service guarantee, and the roles of the service guarantee during consumer's decision making process.</p>
Ostrom (1996)	<p>The author investigated the impacts of the service guarantee in the consumers' pre-purchase stages. More specifically, the author attempted to investigate how variables such as risk, the complexity of products, and the criticality of consumption influence consumers' perceptions of service guarantees and interactions with each other.</p> <p>The author argued that customers' service evaluations of a firm would be enhanced when a service guarantee is offered, in comparison with the absence of a service guarantee policy.</p>
Carlstead (2004)	<p>The author tested the effectiveness of Hampton Inn's unconditional service guarantee program empirically to see how the service guarantee model could increase service satisfaction, likelihood of future return, and brand loyalty.</p> <p>The author developed a service guarantee theory based on Hampton Inn's 100% unconditional satisfaction service guarantee model. However, the author did not test the attribute-specific service guarantee model.</p>

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Table 2.3  
Characteristics of Service Guarantee Research

Authors	Nature of Work		Type of service industry focused on the study
	Conceptual	Empirical	
Hart (1988)	<b>X</b>		A variety of service firms that have implemented the service guarantee policy are presented, ranging from retailing to pizza restaurants, through case studies
Kennett (1995)		<b>X</b>	The author investigated consumers' perceptions and the use of the service guarantee in the lodging industry as well as the overnight mail industry. The author used conjoint analysis for factors such as price, brand, and the service guarantee impact on consumers.
Evans, Clark, & Knutson (1996)	<b>X</b>		The authors focused on the service guarantee in the lodging industry.
Sowder (1996)	<b>X</b>		A case study was developed on the basis of Hampton Inn's service guarantee model.
Ostrom & Lacobucci(1998)	/	<b>X</b>	The author focused on the impacts of the service guarantee in the lodging industry specifically.
Tucci & Talaga (1997)		<b>X</b>	The author identified how a service guarantee in the restaurant industry impacts consumers' choice of restaurants.
Wirtz (1998)	<b>X</b>		The author developed a conceptual framework for the service guarantee. No specific industries were focused on the study.
Kashyap (2001)	<b>X</b>		The researcher illustrated several service industries regarding the implementation of the service guarantee.



Wirtz & Kum (2001)	<b>X</b>		The researchers developed two scenarios to measure the impacts of the service guarantee model. The industries included in the research method of the study are photocopying service and a travel agency.
Lidén& Skálén (2003)	/	<b>X</b>	The authors focused on the service guarantee in the lodging industry (RadissonSAS).
Carlstead (2004)	<b>X</b>	/	The study was based on Hampton Inn's service guarantee strategy.
Fabien (2005)		<b>X</b>	The author summarized the key issues which a service firm needs to consider in the development of a service guarantee. No specific service industry was focused upon.

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**Key: X=emphasized  
/=mentioned**

Table 2.4  
Key Variables addressed in the Service Guarantee Research

Authors	Type of Service Guarantee	Perceived Risk	Complaint Intent	Word-of-Mouth	Loyalty
Hart (1988)	<b>X</b>	/	/		/
Kennett (1995)	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>
Evans, Clark, & Knutson (1996)	/	/	/		/
Sowder (1996)	/	/	/		/
Ostrom (1996)	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>
Wirtz (1998)	<b>X</b>	<b>X</b>	<b>X</b>		/
Ostrom & Lacobucci (1998)	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>
Kashyap (2001)	<b>X</b>	/	/		/
Wirtz & Kum (2001)	/	/	<b>X</b>		<b>X</b>
Lidén & Skálén (2003)	/	/	/		/
Carlstead (2004)	<b>X</b>	<b>X</b>	/		/
Fabien (2005)	/	/	/		/

**Key: X=emphasized**  
**/=mentioned**

Tables 2.1, 2.2, 2.3, and 2.4 present an overview of service guarantee research. While a substantial body of literature exists on existing service research ranging from service quality to service recovery, to date the topic of the service guarantee has not received much academic attention. As shown in Table 2.2, only three Ph.D. dissertations have dealt with the service guarantee topic. A closer look at the previous studies reveals that they did not focus on the service guarantee in the restaurant industry setting specifically.

On the other hand, much of existing research covered diverse service areas such as the impacts of the service guarantee in the health insurance industry. Thus, the body of literature in the service guarantee model has been fragmented and it might be difficult to apply the results of the existing literature to the restaurant industry specifically.

## **Generic Service Guarantee Literature**

Many researchers (Hoover, Green & Saegert, 1978, Mitchell & Groatorex, 1993, Roselius, 1971) have contended that reducing consumers' perceived risks is central to motivating consumers' purchasing of products and services. The degree of consumers' perceived risks plays a significant role on the decision-making process of consumers' product purchases. Unlike product manufacturing, service products cannot be touched, seen, or tested before consumers actually purchase service products (Mitchell & Groatorex, 1993). Therefore, consumers' perceived risks in purchasing service products are much higher than those of manufactured products. Mitchell and Groatorex (1993) examined the effective risk relievers in reducing consumers' risks in the service industry. Brand reputation was ranked as the most effective risk reliever, followed by word-of-mouth referral, and reading product information. The least popular risk relievers included sales person's advice followed by a free trial. The results of the study suggested that consumers have different strategies to reduce the risks related to the purchase of a product. Even though Mitchell and Groatorex's study (1993) results were insightful regarding consumers' perceived risks and risk relievers, the study is of a descriptive nature and fails to consider several situational factors, including the criticality of service consumption which might alter the results of the study.

While Mitchell and Groatorex's study utilized American subjects which might limit the generalization of the study to American consumers, Hoover et al., (1978) attempted to extend Mitchell and Groatorex's study with a global perspective. Hoover et

al., (1978) examined how consumers' nationality and culture are related to consumers' perceived risks. American subjects were compared with Mexican subjects in the study to investigate if both countries' consumers possess a different degree of perceived risks in conjunction with the impacts of brand loyalty.

The results of the study highlighted that Mexican subjects have much less perceived risks in comparison to American subjects in the purchase of products and service. One of the possible reasons that could explain this result is related to the stability of a society (Hoover et al., 1978). Mexicans believe that they may not control their destinies and futures as much as American consumers do, because overall Mexican society is less stable in terms of its economic and social conditions in comparison with the U.S. Subsequently Mexicans might perceive fewer risks than American consumers.

In addition, the results of the study indicated that Mexican subjects tend to possess more brand loyalty than American subjects do. The Mexican subjects' mean scores of brand loyalty from three products (bath soap, instant coffee, toothpaste) were much higher than those of the American subjects. Hoover et al., (1978) explained that Mexican society still keeps a strong traditionalism. Thus, overall Mexicans are more likely to be loyal to specific brands and less likely to change brands. One of the weaknesses in the study is that the authors tested only three commodities: bath soap, instant coffee, and toothpaste, which have limited the validity of the study. As a result, we may not apply the results of the study into the service industry.

Several different types of risks influence consumers in the process of the pre-purchase stage. It has been well-documented that financial, time, social, physical, psychosocial loss, and future opportunity loss are the most common risks which

consumers confront before they purchase products (Hoover et al., 1978). Consumers are more likely to perceive financial risks significantly when they purchase high price products. Time loss could result from the service failures of products or services. For instance, consumers might perceive time loss when they have to wait for a long time to receive food items in a restaurant.

Social risk is related how other people view you in relation with the purchase of products or services. Performance risk involves the quality of products or services. Regarding physical risk, consumers can feel physical risk when they consider service or products unsafe (Hoover et al., 1978). For instance, when consumers visit a restaurant, consumers may perceive a high level of physical risk if the restaurant's floor is slippery. Physiological risk is related to consumer's self-image. Consumers might be anxious as to whether or not the products or service fit their image. With respect to future loss risk, consumers might be concerned about what if better quality products or inexpensive products are available in the future (Hoover et al., 1978). These are the major dimensions consisting of consumer's perceived risks. In addition, consumers may have different degrees of perceived risks based on their socio-cultural positions such as income and education level (Roselius, 1971).

Brand loyalty and service guarantee could be the most powerful risk relievers among consumers (Fitzsimmons & Fitzsimmons, 1998). Turley (1990) further discussed the degree of consumers' perceived risks according to the type of purchase situations and the types of industry. The results of the study revealed that consumers are more concerned about quality issues when they use savings and loans/banks, auto repair shops, and attorneys. On the other hand, consumers feel less quality risk when they use dry

cleaning and movie theaters. This means that there is a strong variance of service quality in savings banks and auto repair shops, while dry cleaning and movie theaters provide consistent service quality to consumers.

In addition, the results of the study are in consistent with those of previous studies claiming that consumers perceive a high degree of risk when they purchase high priced services or products, such as law consulting services (Roselius, 1971). Overall, consumers confront several risks in the pre-stage of product or service purchase. Service firms which do not establish high brand reputations and brand personalities should develop competitive marketing strategies to signal the quality of the firm's service quality in an effort to reduce consumers' risks (Shimp & Bearden, 1982).

Product warranty has emerged as a competitive risk reliever tool among a number of manufacturing firms to show the reliability of products to potential consumers (Shimp & Bearden, 1982). Product warranty and the service guarantee share similar characteristics in many ways. Both the service guarantee and product warranty are developed in order to reduce consumers' perceived risks as well as signal product reliability and quality.

Udell and Anderson (1986) claimed that there are two types of product warranty: the protective warranty and the promotional warranty. A protective warranty is developed in order to protect firms from consumers claiming unreasonable demands. Firms designing a protective warranty should be cautious because it might hurt a firm's brand image and customers' loyalty if a protective warranty policy is too complicated for consumers to claim. On the other hand, the promotional warranty entails a firm's investing additional costs for marketing activities.

The potential advantages of a promotional warranty can be much higher than those of a protective warranty when products possess a high level of complexity (Boulding & Kirmani, 1993; Udell & Anderson, 1986). It means that complex products might entail more risks to consumers. For example, consumers could be concerned about whether products could break down easily. In addition, warranting relatively low-priced products cannot be as effective warranty as high-priced products because consumers might feel less financial risk. The effectiveness of a promotional warranty can be influenced by a potential purchaser's knowledge about products. In other words, if consumer is an expert about certain products, then a product warranty might not be as effective as a novice consumer.

Shimp and Bearden (1982) claimed that warranties could demonstrate an assurance of product quality. Furthermore, product warranty could enhance consumers' self-confidence by relieving consumers' risks. Shimp and Bearden (1982) investigated how a product warranty could impact consumers' perceived financial risks of loss. The results of the study indicated that an exceptional warranty could help potential purchasers decrease the perceptions of possible financial loss significantly. On the other hand, a poor or average warranty may not help reduce potential purchasers perceived risk of financial loss. Boulding and Kirmani (1993) argued that offering a high warranty might be risky to low-quality firms because of heavy redemption costs. Low-quality firms may not be able to afford the high payout related to their warranties.

The service guarantee can be viewed as the extension of product warranty in the service industry. The core essence of service guarantee is to reduce consumers' risks by providing a certain degree of service reliability and quality to consumers. Researchers



(Boulding & Kirmani, 1993; Udell and Anderson, 1986) argued that the reputation of a firm's brand plays a significant role in reducing consumers' perceived risks because the brand itself indicates a firm's reputation and the quality of its products and services. For instance, when consumers use the Four Seasons hotel or the Ritz Carlton hotel consumers can expect to receive superior service and product quality from these firms because the Four Seasons and the Ritz Carlton brand themselves as standing for a high quality of service. The service guarantee might not be an effective tool to firms like Four Season and Ritz Carlton hotels because these firms' brands themselves could be strong symbols of a high quality of service. Thus, the proceeding review of literature leads to the following hypotheses.

### **Hypothesis 1**

Offering a service guarantee by an independent casual dining restaurant leads to a perception reduction in consumers' purchase risks, in comparison to an independent casual dining restaurant where no guarantee is offered.

### **Hypothesis 2**

Offering a service guarantee by a brand name chain restaurant leads to less reduction in consumers' perceived purchase risks, in comparison to an independent casual dining restaurant offering a service guarantee.

## **Relationships between the Service Guarantee and Consumers' Loyalty in the Hospitality Industry**

Table 2.5 and 2.6 present the outlook of service guarantee use in the hospitality industry.

Table 2.5  
The Use of the Service Guarantee in the Lodging Industry

Name of Service Firm (Lodging Industry)	Service Guarantee	Scope	Results
Hampton Inn Sowder (1996)	In 1989, the company started its innovative 100% satisfaction guarantee program. The firm's guarantee simply stated "We guarantee high quality accommodation, friendly and efficient service, and clean, comfortable surroundings. If you're not completely satisfied we don't expect you to pay."	Unconditional	"In 1994 Hampton Inn estimated that the guarantee contributed \$12 million in net incremental revenue." Sowder (1996)
ISROTEL (Israel hotel chain) Donath (1997)	The firm developed "Warranty Certificate" Initiated in 1994	Unconditional	The total number of the hotel's service failures decreased significantly since the service guarantee was initiated.
Ritz Carlton Tax & Brown (1998)	Internal guarantee is developed. For instance, the chain established the slogan of "The Ritz-Carlton Basics" to assure that all customers have full satisfaction. One of the statements from the Ritz-Carlton Basics states, "Instant guest pacification will be ensured by all. React quickly to correct the problem immediately".	Unconditional	Unknown
Radisson SAS Hotel Lidén & Skálén (2003)	"100 percent guest satisfaction guarantee"	Unconditional	
Carnival Cruise Line: Tobin (2003)	"Satisfaction Guarantee"	Unconditional	The firm has started service guarantee policy since 2003.
Travel Inn (a lodging firm UK base budget)	The firm implemented a 100% satisfaction guarantee, which was initiated on January 8 2001.	Unconditional	The firm captured 19,000 incremental

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hotel)  
McCaskey &  
Symes (2004)

loyal customers.  
Rooms  
occupancy has  
increased by 2%

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Table 2.6  
The Use of the Service Guarantee in the Food Service Industry

Name of Service Firm (Food Service Industry)	Service Guarantee	Scope	Results
Domino's Pizza Hart (1993)	The firm's service guarantee policy is as follows. "Delivery within 30 minutes or the pizza is free." Then the company changed its policy later as follows: "Delivery within 30 minutes or \$3 off."	Specific service guarantee	Unknown
McDonald's Marvin (1992)	If customers are not satisfied with the firm's drive-through service in terms of food and speed, the restaurant offers a free meal to the dissatisfied consumers on the next visit. The guarantee policy started in July 1992.	Specific service guarantee	Unknown
Satisfaction Guaranteed Eateries Inc. Firnstahl (1989)	The independent restaurant chain operating four restaurants in Seattle started a service guarantee called "Your Enjoyment Guaranteed"	The firm developed the specific guideline of payout of the service guarantee. However, the firm has applied the guideline of payout flexibly according to each incident.	The firm's sales have increased 25% and the firm's profits have doubled since the service guarantee was established.

As shown in Tables 2.5 and 2.6, the service guarantee has been used widely in the hospitality industry in both the lodging and the restaurant industries. Globally leading hotels have implemented the service guarantee policy successfully. For example, Hampton Inn, Ritz Carlton, RadissonSAS, and ISROTEL, based in Israel, are some of the hotels that have implemented a service guarantee policy in their organizations. On the other hand, Domino Pizza and McDonald's are some of major restaurants with an

established service guarantee policy. A small-sized restaurant such as Satisfaction Guaranteed Eateries Inc. is also famous for its well-established service guarantee program.

The following is the criteria of a good service guarantee, suggested by Hart (1988).

- Unconditional Guarantee- a conditional guarantee might lower consumers' claims about unsatisfactory service because consumers might concern about the specific guidelines of the conditional service guarantee.
- Easy service guarantee policy – a guarantee should not be complicated and it should be easy to understand. In this way, customers know what to expect and what are the service policies of a firm. Also, employees can know what services they should provide to customers.
- Meaningful service guarantee – when a service firm develops a service guarantee policy, the firm should consider the most important service aspect in the service guarantee model and include key service aspects in the guarantee.
- Easy to invoke- in order to increase consumers' rate of use of the service guarantee, all the procedures relevant to the service guarantee should be simple.
- Easy to collect- the procedure to collect payout should be direct and easy.

Even though Hart (1988) developed the service guarantee concept and model, he failed to develop how each component of service guarantees is connected and what are the various factors which impact the service guarantee model empirically. Moreover, Hart (1988) relied on several cases in developing the conceptual model of service

guarantee rather than testing the model and proving the interrelationship among factors empirically. Thus, Hart's study (1988) suffers from a lack of validity and reliability.

Evans, Clark, and Knutson (1996) also discussed the use of the service guarantee in the lodging industry. A growing number of U.S. lodging companies have established service guarantee policies because more and more consumers look for high quality services from hotels (Evans et al., 1996). Evans et al. (1996) asserted that developing an innovative service quality strategy is essential in delivering a consistently high quality service to consumers.

Evans et al., (1996) contacted 50 national lodging chains and found that Promus Hotels, Howard Johnson, and Comfort Inn were the major U.S. lodging chains which implemented a 100% satisfaction guarantee program. Furthermore, these chains believe that training front-line employees, empowering employees, offering seminars and education to managers operating local franchising properties, and monitoring performance regularly are key factors in implementing service guarantee policies successfully (Evans et al. 1996).

Callan and Moore (1998) argued that a successful service guarantee could demonstrate a service establishment's high service quality to consumers. Indeed, a number of hospitality firms have developed several types of service guarantees according to a firm's needs, characteristics, and resources (Callan & Moore, 1998). For instance, Choice Hotels International, an economy and budget hotel chain, offers a 100% satisfaction guarantee across the chain's Sleep Inn brand properties. Choice hotel's service guarantee is based on an unconditional customer satisfaction guarantee. On the other hand, Marriott developed a specific service guarantee policy. Marriott advertised

that the chain offers a free breakfast if the room service's breakfast is not delivered on time as customers requested (Callan & Moore, 1998).

There are huge debates about what type of service guarantee, such as the 100% unconditional, the specific, or the implicit guarantee is the most effective in terms of customer satisfaction, and loyalty (Wirtz, 1998; Wirtz & Kum, 2001). Wirtz and Kum (2001) contended that an unconditional 100% satisfaction guarantee might be too vague for customers to gauge what is considered 100% satisfaction or not. Customers often like to acquire specific guidelines of service guarantee policies so that they know exactly when they can claim the payout for the service guarantee.

Wirtz and Kum (2001) examined whether an unconditional 100% guarantee is more effective in comparison to an attribute-specific service guarantee. The results of the study indicated that a full satisfaction guarantee is not much more effective than that of an attribute-specific guarantee. Hart (1988) proposed that an unconditional 100% satisfaction guarantee is the most powerful service guarantee, because an unconditional guarantee is less complicated for customers to claim the payout. Furthermore, customers can make claims about any service issues which may lead them to be unsatisfied under the unconditional 100% service guarantee policy.

However, according to Wirtz and Kum's study (2001), a combined service guarantee is the most effective service guarantee. A combined service guarantee is a policy that integrates a full satisfaction service guarantee into a specific service guarantee. By combining a specific guarantee policy explicitly into a full satisfaction guarantee, the combined guarantee allows a service firm to develop the specific guidelines of the service guarantee accordingly. In addition, a combined service



guarantee minimizes consumers' uncertainty and the full satisfaction guarantee's vagueness (Wirtz & Kum, 2001).

Thus, customers can obtain a clear perspective about when they can invoke the service guarantee in the case of an initial service failure situation. McDougall, Levesque, and VanderPlaat (1998) also investigated the types of service guarantees that consumers prefer most. The results of the study revealed that consumers have mixed preferences on the service guarantee policies. For instance, consumers perceived less risk when they deal with a specific service guarantee policy, rather than an unconditional service guarantee policy. It makes sense, because the rules and procedures of specific service guarantees are much clearer to consumers in claiming the payout of the service guarantee over the unconditional service guarantee. However, consumers did prefer firms offering an unconditional service guarantee over firms offering a specific service guarantee, because consumers can claim the service guarantee policy anytime under the unconditional service guarantee whenever they are not satisfied with certain service aspects.

There has been a huge gap between the ideal type of service guarantee that consumers prefer and the actual service guarantee policy offered by service firms (Fabien, 2005; Wirtz, 1998). Thus, consumers often tended to give up claiming the service guarantee due to the limited payout and a complicated procedure to file the service guarantee payout (Fabien, 2005). According to Fabien (2005), a competitive service guarantee should include the following components: it should also be offered unconditionally without excuses, transparent, credible, the focus of key service features, easy to understand and invoke, and easy to implement. Furthermore, service operators

need to consider both external and internal factors in designing a service guarantee (Fabien, 2005).

External factors include industry standards, competition, legal aspects, customer expectations, consumers' perceived risks, and perceived image of the service firm. Internal factors involve the implementation process in a service guarantee, such as process fit, employee motivations, and pricing strategies. In particular, employee motivation is a key to the success of a firm's service guarantee (Liden & Skalen, 2003; Liden & Sanden, 2004; Tax & Brown, 1998).

For instance, when the standard of a service guarantee is extremely high or unrealistic, which may be hard for a front-line employee to achieve, then the service crew loses motivation and often fails to deliver the promised services. As a result of the unreasonable standard, a firm's entire service guarantee policies may be ineffective and the service firm may suffer from high payouts and consumer complaints, due to the loss of motivation of front-line employees.

Also, providing full empowerment of front-line employees becomes crucial in the implementation of a service guarantee policy (Firnstahl, 1989; Liden & Sanden, 2004; Tax & Brown, 1998). According to Tax and Brown (1998), customers frequently become frustrated because of the way their complaints are handled, and because of rude frontline employees' attitudes. Often, front-line employees tend to waste time in handling consumers' complaints because they do not possess the empowerment to tackle consumers' complaints (Firnstahl, 1989).

Hampton Inn is a pioneer hotel chain that has initiated a service guarantee policy in the lodging industry (Sowder, 1996). Hampton Inn Hotels is the first nationwide hotel

organization that initiated a 100% unconditional satisfaction guarantee (Carlstead, 2004). Hampton Inn established its breakthrough 100% satisfaction guarantee policy in 1989 in order to achieve a sustainable strategic advantage and gain market share (Sowder, 1996). Hampton Inn's 100% satisfaction guarantee was not designed as a mere promotional marketing tool; rather, the guarantee policy is designed to attract new customers and retain existing customers by integrating a 100% service guarantee policy across the chain's entire organizations (Sowder, 1996). Hampton Inn's service guarantee policy simply specifies as follows:

“We guarantee high quality accommodation, friendly and efficient service, and clean, comfortable surroundings. If you're not completely satisfied we don't expect you to pay” (Carlstead, 2004).

Hampton Inn restructured its entire organization in a way to underpin the firm's service guarantee policy. For instance, Hampton analyzed its operational problems critically, assessed customers' expectations, and set a standard service quality which the firm wanted to achieve. In addition, Hampton Inn's executives established the firm's service guarantee as a corporate culture and placed a priority on the implementation of the service guarantee policy.

Also, the chain symbolized the service guarantee policy in each level of the firm's organization and involved all the firm's employees and managers (Sowder, 1996). Consequently, the firm's service guarantee policy has led the firm to achieve a striking outcome. For example, ninety-five percent of customers who claimed the service guarantee policy indicated that they would not have stayed in the hotel if the hotel did not offer the service guarantee. As a result, the chain's net revenue increased approximately

\$12 million in 1994, which the chain believed that \$12 million occurred because of the service guarantee policy.

On the other hand, the costs related to the service guarantee were about \$2 million per year. Carlstead (2004) also found that Hampton Inn's 100% unconditional satisfaction guarantee influenced the customer group staying in a Hampton Inn hotel for the first time significantly more in comparison with the consumers who have used the chain in the past. This suggested that the Hampton Inn's service guarantee policy may play an important role in attracting new consumers. Furthermore, Hampton Inn's the 100% satisfaction guarantee enhance consumers' brand loyalty and service satisfaction significantly.

Ostrom and Lacobucci (1998) investigated how the service guarantee impacts consumers in the pre-purchase stage of service. The results of the study indicated that an overall service guarantee provides positive cues to consumers, and consumers tend to assess service and product qualities based on evaluation of the service guarantee. In particular, the service guarantee can be more useful to the service firms having less of a reputation and brand power in comparison with companies having a high brand reputation. This result is aligned with previous study such as Wirtz (1998). It is clear that offering a service guarantee is much more effective to firms having no indicators such as brand power and brand reputations which imply a firm's service quality and service standard, than to firms having brand reputations (Ostrom & Lacobucci, 1998; Wirtz, 1998).

Tucci and Talaga (1997) investigated how a service guarantee influenced consumers' selection of a restaurant using conjoint analysis. The conjoint analysis was

used in the study because the method is helpful to determine which criteria impacts most significantly in the consumers' selection of a restaurant. The multiple attributes of the conjoint analysis included in the study are menu price, speed of service, quality of food, and the courtesy of server. Surprisingly, the results showed that a service guarantee was not considered to be a major driver that impacted consumers' selection of a restaurant.

While the attributes such as speed of service, food quality, and friendliness of server were considered important attributes, a service guarantee was not considered to be a significant factor. However, this study lacks certain validity and reliability. For instance, Tucci and Talaga's study (1997) did not consider some critical factors such as the reputation of a restaurant brand and the market segment of a restaurant in their conjoint analysis design, which might alter the results of the study as discussed previously.

In summary, the body of service guarantee literature indicated that a service guarantee helps a service firm increase consumers' satisfaction, which eventually leads to increase a firm's brand loyalty and bottom line profit. In addition, a service guarantee stimulates a service firm to achieve the promises specified in the service guarantee to meet consumers' expectations and needs. Also, consumers believe that the service provider offering a service guarantee takes responsibility regarding any service failures. Thus, the proceeding discussion of existing literature could lead to the following hypotheses.

### **Hypothesis 3**

The higher consumer satisfaction with the service guarantee of a restaurant, the higher consumer loyalty towards the restaurant.

### **Hypothesis 4**

The lower consumer satisfaction with the service guarantee of a restaurant, the lower consumer loyalty toward a restaurant

### **Word-of-Mouth Impacts on Service Guarantee**

Word-of-mouth communication provides face-to-face and vivid information to consumers, which is considered to be highly credible information. Moreover, this personal information can influence other consumers' purchase decision-making significantly. A restaurant trade magazine, *Restaurants and Institutions*, conducted a survey of over 1,400 consumers to identify factors which influence consumer restaurant selection (Hume, 2003). According the results of the survey, respondents indicated that a recommendation from friends or relatives is the most important factor they considered when selecting a restaurant (Hume, 2003). The results of the survey also pointed out that a positive evaluation of a restaurant from friends or relatives could influence consumers' decisions more strongly than TV or radio advertising. According to Cebznski (2005), approximately \$3.3 billion in sales for casual dining restaurants in 2004 can be attributed to consumers' positive word-of-mouth impacts.

This statistic illustrates that word-of-mouth plays a significant role as a critical marketing tool in the restaurant industry. Hoffman and Chung (1999) examined the

impacts of dissatisfied customers' word-of-mouth patterns. They found that dissatisfied customers tended to spread negative word-of-mouth strongly to their friends and families. About seventy-five percent of restaurant customers shared their negative service experiences with friends or family, while only 38% of restaurant customers shared their excellent service experiences with others (Hoffman & Chung, 1999). The results of Hoffman and Chung's study suggested that restaurant operators need to correct any service mistakes or errors before customers leave their restaurants, since unsatisfied consumers might influence other consumers powerfully by spreading negative word-of-mouth. With the rapid development of the Internet, the impact of word-of-mouth has become more even critical.

It was unlikely in the past that consumers would spread their service experiences to more than a limited number of their close acquaintances. However, currently, customers can express their service experiences easily to an unlimited audience through a global website. This option allows unlimited global Internet users to access the word-of-mouth information posted on the Internet through product forums and discussion (Swanson & Kelley, 2001). This information will very likely affect global consumers' purchase decisions. Eccles and Durand (1998) claimed that customers who experienced good service recoveries were likely to share the experiences with their friends because of a psychological reciprocity. Reciprocity is a term describing the psychological tendency of human beings to want to return a favor when they receive one. For example, consumers who received good service recoveries might return the favor of the service recovery from the restaurant operator by returning to the restaurant in the future or spreading positive word-of-mouth about the restaurant to their acquaintances. Anderson

(1998) investigated whether there is a relationship between customer satisfaction and a word-of-mouth intent. The results of the study revealed that very dissatisfied customers are more likely to spread negative word-of-mouth to their acquaintances in comparison with customers who are very satisfied. In addition, Gremer, Gwinner, and Brown (2001) discussed the relationships between consumers' positive word-of-mouth intent and interpersonal relationships between employees and customers. The results of the study found that a good interpersonal relationship between customers and employees leads customers to engage in positive word-of-mouth referrals to acquaintances. Thus, positive word-of-mouth referral can be established based on the strong emotional bonds between the service providers and customers.

Richins (1983) also discussed the relationships between the level of consumers' dissatisfaction and their negative word-of-mouth intent. The results of the study indicated that dissatisfied customers who perceive less responsiveness from service providers are more likely to express a negative word-of-mouth intent. However, even though consumers are dissatisfied with the initial services, if consumers' perceptions of the service provider's responsiveness are positive, consumers are less likely to engage in negative word-of-mouth. Also, the results of the study showed that the severity of service failures could impact consumers' negative word-of-mouth intent. For instance, the more that consumers perceive the importance of service consumption, the more likely it is that they will complain when a service failure occurs, or service providers do not meet their expectations.

Blodgett, Granbois and Walters (1993) investigated how consumers' perceptions of justice influence consumers' negative word-of-mouth intent and future patronage



intent. According to Blodgett et al. (1993), dissatisfaction itself did not thoroughly explain consumers' complaining behavior and consumers' negative word-of-mouth intent. On the other hand, consumers' perceptions of justice is central in explaining their negative word-of-mouth intent and complaint intent. In addition, consumers who believed that service failure is controllable are more likely to engage in negative word-of-mouth, and did not tend to revisit the service operators in the future (Blodgett et al., 1993). Furthermore, consumers who perceived that the process of service recovery was not smooth and was not done in a satisfactory manner, had an increased likelihood of the chance of a negative word-of-mouth intent.

Wangenheim (2005) also identified factors that drove consumers to spread negative opinions by word-of-mouth in conjunction with consumers' post-switching behaviors. The results of the study revealed that consumers who like to switch service operators, due to dissatisfaction with service quality, are more inclined to spread negative word-of-mouth than consumers who switched service operators due to price advantages. Voorhees and Brady (2005) integrated justice theory into consumers' satisfaction and complaint intentions. Front-line employees' responsiveness is the key driver which facilitates consumers' complaint intent and influences consumers' perceived justice significantly (Voorhees & Brady, 2005).

To conclude, previous research suggests that consumers' satisfaction is correlated with the fairness consumers perceive from a service provider. For example, consumers who experienced an initial service failure tend to spread this information by word of mouth, if they receive satisfactory service recovery because consumers view as a service provider's service recovery efforts as a part of fairness (Tax and Brown, 1998). In the

context of a service guarantee, the degree of consumers' satisfactions on a service guarantee can boost consumers' a word-of-mouth intent directly, either positively or negatively. The more consumers are satisfied with the service guarantee policy, the more consumers tend to exhibit a positive word-mouth intent. Thus, the preceding discussion leads to the following hypotheses.

### **Hypothesis 5**

In the event of customers' dissatisfaction with service in the casual restaurant, good implementation of the service guarantee will increase consumers' positive word-of-mouth intent.

## **Service Recovery and Consumers' Complaint Behaviors**

Hart (1988) suggested that listening to customers' complaints is the first step for a service company to improve service quality and solve service problems. However, dissatisfied customers often tend not to complain; rather, they would prefer to leave and choose a competitor (Spreng & Mackoy, 1995). Plymire (1991) pointed out that one of the reasons that the majority of customers were not willing to complain is because they are hesitant to reveal personal feelings to other people in public.

Subsequently, it is necessary for service staff or managers to encourage customers' complaints to see if the problems can be solved in cases of service failures. Consumers' complaints allow service firms to solve problems if there are any service problems or service failures. About 94% of customers would be willing to express their problems in cases where employees facilitate customer complaints proactively (Plymire, 1991). Hart et al. (1992) urged that service firms should view customers' complaints as new opportunities to improve service quality, as well as customer loyalty.

In spite of the growing importance of complaint handling, many service firms have not developed competitive complaint handling strategies (Gilly, Stevenson, & Yale, 1991). Compared to the manufacturing industry where the organizational structure regarding consumers' complaint handling has been established systematically, the service industry, whose organizations typically involving many hierarchical structures, have not developed sustainable strategies to handle consumers' complaints effectively. For instance, most major manufacturing firms run a department that deals with consumers'

complaints specifically, and consumers are able to make their complaints simply by contacting the department by phone, letter, or email.

Tax, Stephen, and Chandrshekar (1998) argued that there is a strong relationship between consumers' perceived fairness and consumers' complaint behaviors. According to Tax et al. (1998), there are three different types of fairness that are involved in the process of consumers' complaints. These types of fairness include interactional justice, procedural justice, and distributive justice.

Interactional justice is related to fairness in the interpersonal treatment by a service operator during a complaining process. For example, consumers are often frustrated because of the way they are treated by rude service employees. Procedural justice is related to the fairness of the complaining process. Typically the time-consuming and rigid nature of the complaint handling process could lead consumers to perceive a low level of procedural justice (Tax et al. 1998). Distributive justice is related to the outcomes or benefits that consumers receive from a service operator, due to initial service failures. Tax et al. (1998) further proposed that these three justices influence consumers' satisfaction significantly during the complaining handling process.

Jones et al., (2002) attempted to segment the consumers of table service restaurant on the basis of their complaint behaviors using consumers' socio-cultural demographics such as age and education as well as personality. The authors classified complainers into three groups; the consumer group who tend not to complain (non-complainers); the consumer group who tend to complain to anyone (complainers); the consumer group who tend to share their unsatisfactory service experience with acquaintance whereas this group seems not to complain to managers or servers directly (WOM complainers).

Generally, the non-complainers are an old baby boomer generation who are less concerned about product or service prices while this group has less psychological stress compared to other two groups. On the other hand, the consumer group who is more likely to complain is sensitive to product or service prices whereas this group seeks to redress information from others for the case of service failures. Finally, WOM complain group is more likely to possess psychological stress and has less price conscious compared to the complainers.

Davidow (2000) attempts to investigate how consumers assess service organizations' responses toward their complaints on the basis of six dimensions (attentiveness, redress, apology, credibility, timeliness) and integrate consumers' satisfaction, word-of-mouth likelihood, and intention to repurchase based on the magnitude of each dimension. The results of the study found that attentiveness is the most important dimension which impacts consumers' satisfaction, word-of-mouth, and repurchase intent significantly. Followed by the attentiveness, consumers also place a significance on timeliness. For instance, consumers are more likely to return to the service organization in spite of initial service failures and complaint if the organization attempted to solve consumers' complaint in a timely manner. However, surprisingly, offering an apology to consumers does not impact consumers' satisfaction, word-of-mouth intent, and return on intent in the event of initial service failures and complaints.

Richins (1983) found that the dissatisfied customers who complained about their unsatisfactory service experiences to service operators were more likely to return to the same service establishments, compared to dissatisfied customers who did not express their dissatisfactions to service operators. In addition, customers are more likely to

engage in spreading negative word-of-mouth if service firms' service recovery efforts are limited concerning consumers' complaints of initial service failures. In an effort to handle customers' complaints efficiently, service firms have developed service recovery strategies. Gronroos (1988) defined service recovery as any actions that a service provider takes in response to a service failure. Because service failures are unavoidable in the restaurant industry, service recovery has turned out to be a critical success factor in the restaurant industry as an effective way to recover from initial service failures and improve customer satisfaction, loyalty, and positive word-of-mouth intent (Mattila, 1999).

Swanson and Kelley (2001) found that service recovery time is an important aspect that influences consumer satisfaction and service recovery effectiveness. In general, the longer it takes to recover on initial service failures, the less likely customers are to spread positive word-of-mouth and increase customer satisfaction. Customers who waited for service recovery for a long time are more likely to become frustrated and dissatisfied, even though a restaurant operator attempted to offer a good service recovery (Swanton and Kelley, 2001). This suggested that customers place an importance on service recovery timing despite the fact that a restaurant has made an effort to recover the initial service failure. Mattila (1999) examined the variables that influenced the efficacy of the restaurant service recovery. The results of Mattila's study indicated that the magnitude of the initial service failure was a key factor influencing customer satisfaction with service recovery. For example, if initial service failures or errors are significant, then there is a great chance that the service recovery may be ineffective, no matter how

restaurant managers try to recover the initial service failure. However, simple minor order mistakes might be less challenging for a restaurant manager to recover.

Sundaram et al. (1997) also investigated whether the criticality of service consumption had a significant impact during the service recovery process. The researchers employed two levels of criticality of service consumption in their study. For example, a business dinner or an anniversary dinner might be included in the criteria of high criticality of service consumption because the customers for a business or anniversary usually have a time constraint and tend to have higher service expectations, as well as expectations about food quality.

In contrast, leisure dining with a family member was included in the criteria of low criticality of service consumption. The results of the study indicated that customers in low-critical situations preferred the service recovery efforts such as an apology, while customers in high-critical situations were more likely to prefer an offer to re-perform the service directly. In high-critical situations, an apology and/or monetary compensation was far less helpful in recovering initial service failures.

Liden and Skalen (2003) investigated how the service guarantee impacts a firm's service recovery process. Lidén and Skålen (2003) viewed the service guarantee as a vehicle to establish an effective service recovery strategy. The establishment of a service guarantee helps a service firm achieve two major goals (Liden & Skalen, 2003). By developing a service guarantee, front-line employees can keep clear goals about their service standards. Based on the development of standard service, service employees can focus on their service performance and can handle any service failure situations tactfully.

Second, the service guarantee integrated with a service recovery strategy can play a significant role as a risk reliever for customers.

For instance, an explicit service guarantee signals customers about what the firm offers in the case of a specific service failure. In other words, a service firm expresses what type of service recovery can be offered when a specific service failure occurs. An explicit service guarantee can be utilized as a communication tool between consumers and service providers (Liden & Skalen, 2003). Thus, a successful service guarantee could reduce consumers' perceived risks by communicating a company's service recovery policy to consumers.

Furthermore, Liden and Skalen (2003) reported that many consumers might not even be aware of the existence of a service guarantee until they make a complaint about an initial service failure. For example, Radisson SAS hotel offering has promoted the chain's service guarantee policy in many different ways including flyers (Liden & Skalen, 2003). Nonetheless, the senior management of the chain found that consumers did not always pay attention to the chain's service guarantee policy. Liden and Skalen (2003) also argued that front-line employees often emphasized monetary compensation heavily to consumers when they tackled consumers' complaints.

However, even if consumers received enough monetary compensation, many of them expressed that they were still not happy because of the way frontline employees or managers treated them. This implies that consumers expect procedural and interactional fairness from service operators during the process of enacting the service guarantee (Tax & Brown, 1998). No matter how many consumers receive the payout of the service



guarantee, if a service firm failed to treat consumers fairly, then the effectiveness of the service guarantee was very minimal.

To conclude, researchers view a service guarantee as a tool for formulating a service recovery strategy, and as a means to facilitate communication between consumers and service operators in handling initial service failures and consumers' complaints (Liden and Skalen, 2003; Wirtz, 1998). Furthermore, a service guarantee helps service providers facilitate consumers' complaints and identify service failures. The payout of the service guarantee could be an adequate incentive which appeals to consumers who otherwise may be hesitant to complain. Thus, the preceding discussion could lead to the following hypotheses.

### **Hypothesis 6**

In the casual restaurant setting, offering a specific service guarantee increases customers' intent to complain in the event of a service failure, more than under an unconditional service guarantee.

### **Hypothesis 7**

In the casual restaurant setting, offering a service guarantee (either specific service guarantee or unconditional service guarantee) increases customers' intent to complain about an initial service failure(s) to a restaurant operator more than does a restaurant operator not offering a service guarantee in the casual restaurant.

## **CHAPTER III- METHODOLOGY**

### **Introduction**

This chapter presents the objectives of the study and a description and justification of the research method used. The details of the research design, scenario development, and analysis processes are introduced.

### **Research Question & Hypotheses**

The following table 3.1 comprises a list of the research questions and the hypotheses which were developed in an effort to answer the research questions.

Table 3.1 Research Questions & Hypotheses

Research Questions	Research Hypotheses
<p><b>Research Question 1</b> Does a relationship exist between the service guarantee and consumers' perceived risk in the casual restaurant setting?</p>	<p><b>Hypothesis 1</b> Offering a service guarantee by an independent casual dining restaurant leads to a perception reduction in consumers' perceived risks, in comparison to an independent casual dining restaurant where no guarantee is offered.</p>
<p><b>Research Question 2</b> Does a relationship exist between brand restaurants and consumers' perceived risks regarding the service guarantee?</p>	<p><b>Hypothesis 2</b> Offering a service guarantee by a brand name chain restaurant leads to less reduction in consumers' perceived purchase risks, in comparison to an independent casual dining restaurant offering a service guarantee.</p>
<p><b>Research Question 3</b> Does a relationship exist between consumers' loyalty and the service guarantee in the casual restaurant setting?</p>	<p><b>Hypothesis 3</b> The higher consumers' satisfaction with the service guarantee of a restaurant, the higher consumers' loyalty towards the restaurant.</p>
<p><b>Research Question 4</b> Does relationship exist between consumers' word-of-mouth intent and consumers' satisfaction with the service guarantee?</p>	<p><b>Hypothesis 4</b> The lower consumers' satisfaction with the service guarantee of a restaurant, the lower consumers' loyalty toward a restaurant.</p>
<p><b>Research Question 5</b> Does relationship exist between consumers' word-of-mouth intent and consumers' satisfaction with the service guarantee?</p>	<p><b>Hypothesis 5</b> In the event of customers' dissatisfaction with service in the casual restaurant, good implementation of the service guarantee will increase consumers' positive word-of-mouth intent.</p>
<p><b>Research Question 5</b> Does a relationship exist between consumers' intent to complain and the service guarantee in the event of service failures in the casual restaurant setting?</p>	<p><b>Hypothesis 6</b> In the casual restaurant setting, offering a specific service guarantee increases customers' intent to complain in the event of a service failure, more than under an unconditional service guarantee.</p>
<p><b>Research Question 5</b> Does a relationship exist between consumers' intent to complain and the service guarantee in the event of service failures in the casual restaurant setting?</p>	<p><b>Hypothesis 7</b> In the casual restaurant setting, offering a service guarantee (either specific service guarantee or unconditional service guarantee) increases customers' intent to complain about an initial service failure(s) to a restaurant operator more than does a restaurant operator not offering a service guarantee in the casual restaurant.</p>

## **Research Design**

### **Research Method**

The role-playing scenario was chosen as a research method. Supprenant and Churchill (1984) defined this scenario as a research technique in which the researchers ask a subject to behave as if he or she were in various situations. The role-playing scenario method has been used by a number of researchers (Bitner, 1990; Davis, 1998; Ostrom & Lacobucci, 1998; Wirtz & Kum, 2001) because the method allows researchers to control variables which otherwise are impossible to manipulate. Furthermore, the role-playing scenario method is less biased and more flexible compared to other methods such as qualitative research methods and surveys (Eroglu, 1987; Sawyer, 1977; Supprenant and Churchill, 1984).

In addition to that, Wirtz and Kum (2001) argued that the role-playing scenario method has two major advantages over other survey designs. The first advantage is that subjects have a task that permits them to focus on the role-playing questionnaire only; this approach could minimize any undesirable social effects. Second, the scenario method allows researchers to reduce any problems regarding individual differences and minimizes any situational issues.

Several different types of role-playing scenarios can be developed in an effort to manipulate the variables of the study (Sawyer, 1977). By testing the different types of role-playing scenarios, researchers are able to identify how a variable interacts with other variables under different circumstances. Developing realistic role-playing scenarios is

critical to assure the reliability of the role-playing method. For instance, the scenario of a role-playing method needs to be established in a way that the subjects are familiar with the types of situation, in that the scenario should describe common things that the subjects might encounter in their daily lives (Eroglu, 1987). If role-playing scenarios include contents to which the subjects are sensitive, either socially or ethnically, then the subjects are less likely to provide sincere opinions (Sawyer, 1977).

Furthermore the alignment between the scenario and the selection of appropriate subjects is necessary. In the stage of developing scenarios, it is crucial for the researcher to describe scenarios that are as real as possible and in detail, so that subjects can understand the scenarios adequately and can project themselves into the scenario situations well (Davis, 1998; Wirtz & Kum, 2001).

Table 3.2 presents major research that has adopted the role-playing scenario method.

Table 3.2  
Major Service Marketing Studies Using the Scenario Method

Author(s) & Research Topic	The Details of the Scenario Method	Samples in the Study	The Type of Industry
Bitner (1990)	An experimental method based on a role-playing scenario was developed. Subjects were asked to answer questionnaires in the study according to situations in the scenario.	A total of 145 subjects participated in the study. The subjects were travelers who were waiting to board at an international airport.	The specific industry described in the scenarios was a travel agency.
Davis (1998)	Several scenarios were constructed in order to identify the brand impacts of a service firm's service guarantee policy.	A total of 118 undergraduate students participated in the study.	The types of service industries described in the scenarios included Internet service, casual restaurants, satellite providers, and a lawn-care service.
Ostrom & Lacobucci (1998)	Two different types of scenarios were developed in an effort to identify the impacts of a service guarantee in the pre-purchase stage.	Eighty-three MBA students joined in the study.	The hospitality industry was used in the study.
Voss, Parasuraman & Grewal (1998)	Several scenarios were developed to investigate the effects of performance expectations in conjunction with price-performance consistency. Subjects were told to project themselves into a situation where they were planning a personal trip to	A total of 200 faculty members at a large, national university participated. One of the major reasons that the authors selected faculty members is that the researchers	The scenarios were based on subjects' hotel service expectations and satisfaction.

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	a big city.	wanted all the subjects to be homogeneous.	
Wirtz & Kum (2001)	A series of role-playing scenarios were adopted. Subjects were asked to read the scenarios describing certain service situations involving a service guarantee policy in a photocopying service and a travel agency.	A total of 390 undergraduate and MBA students participated at a Singapore university.	Service industries in the scenarios included a photocopying shop and a travel agency.
Marmorstein, Sarel & Lassar (2001)	Twelve scenarios were established according to different circumstances.	A total of 218 students in the South-eastern region of the U.S. participated in the study. The researchers did not disclose further detailed information about the subjects.	The scenarios describe the service guarantees in the hotel industry.
Biswas, Pulling, Yagci & Dean (2002)	Different types of information regarding product purchase such as store name, product information, and low service guarantee were given to subject randomly to identify how the information influenced their selection of a store.	Two hundred nine undergraduate students participated in the study.	Subjects were needed to evaluate the impacts of limited guarantee on the purchase of 19 RCA color TV.
Hocutt & Bowers (2005)	Several types of scenarios describing a hotel's service guarantee policy were developed using different types of compensation. The subjects were assigned to select one of the seven scenarios.	168 undergraduate students participated in the study.	Service guarantees in the hotel industry were used in the scenarios.

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As shown in Table 3-1, a number of researchers have implemented role-playing methods successfully. It is interesting to note that quite a few researchers (Biswas et al., 2002; Davis, 1998; Voss et al., 1998; Wirtz and Kum, 2001) used homogeneous samples such as university students and faculty. Using student samples is appropriate when researchers want to investigate the effects of homogeneous samples.

### **Role-Playing Scenario Development**

Based on the review of previous literature, seven scenarios were developed for this study. Scenarios 1 and 2 were developed in order to test Hypotheses 1 and 2, which examine the role of the service guarantee as a risk reliever, and the effectiveness of a service guarantee in casual restaurants. Scenarios 3 and 4 were developed in an effort to determine how consumers' satisfaction with a service guarantee impacts consumers' loyalty to a restaurant that offers a service guarantee policy. Scenarios 3 and 4 were developed to test hypotheses 3 and 4. Scenarios 3 and 4 also examine the impacts of the service guarantee on consumers' word-of-mouth intent with reference to hypothesis 5. Scenarios 5, 6, and 7 were developed to investigate how the existence of a service guarantee facilitates consumers' complaint intent, and whether the type of service guarantee, either a specific or full satisfaction guarantee, is associated with consumers' complaint intent.

The service failures in the scenarios of the study were adopted from previous studies including Bitner, Boom, and Tetreault (1990), Chung and Hoffman (1998), and Jakska and Chu (2001)'s study. More specifically, Bitner et al. (1990) and Chung and



Hoffman (1998) employed the Critical Incident Technique to identify major service failures that commonly occurred in restaurants. The researchers (Bitner et al., 1990; Chung & Hoffman, 1998) found that delay of food items and reservations that are not honored are the major service failures that consumers often face in restaurants. Therefore, the scenarios of this study describe the delay of food items and reservations that are not honored as major service failures.

A total of seven scenarios were developed, and 20 graduate students from a Northeastern state university will be selected randomly as the samples of a pretest. The results of the pretest will be summarized and discussed.

Table 3.3 summarizes the match between each hypothesis and scenario.

Table 3.3  
The Alignment between Hypotheses and Role-playing Scenarios

Hypotheses	Role-playing Scenarios	Topic
1, 2	1, 2	The impacts of a service guarantee on consumers' purchase risks and consumers' intention to return in conjunction with the impacts of a brand name restaurant.
3, 4, 5	3, 4	The impacts of a service guarantee on consumers' loyalty and word-of-mouth intent in the event of service failures.
6, 7	5, 6, 7	The impacts of a service guarantee on consumers' intent to complain.

### Variables Measurements

The service guarantee is the independent variable in the study, which influences consumers' loyalty, perceived risks, complaint intent, and word-of-mouth intent. There

are several dependent variables in the study to measure the impacts of the service guarantee. The dependent variables include consumers' perceived risks, loyalty, word-of-mouth, and intent to complain. These dependent variables are manipulated based on the findings of studies as discussed below. The operationalization of each dependent variable is explained in Table 3.2.

Table 3.4  
Instrument and Its Measurement Development

Variable	Items	Scale	Sources for measurement
Perceived risk	1 item	7-point Likert Scale (1=strongly disagree, 7=strongly agree)	Hoover, Green, & Saegert (1978); Oh & Jeong (2004); Kim, Kim & Leong (2005)
Loyalty	2 items	7-point Likert Scale (1=strongly disagree, 7=strongly agree)	Kandampully & Suhartanto (2000); Karatepe (2006)
Word-of-mouth intent	2 items	7-point Likert Scale (1=strongly disagree, 7=strongly agree)	Karatepe (2006)
Complaint intent	2 items	7-point Likert Scale (1=strongly disagree, 7=strongly agree)	Huang, Huang, & Wu. (1996); Volkov, Harker, & Harker. (2002)
Age	1	Years of age	
Gender	1	2 category (male or female)	
Frequency of Dining in casual restaurants	1	4 category	

As presented in Table 3.4, one item measuring consumers' perceived risks was developed based on Hoover et al., (1978), Oh and Jeong (2004), and Kim et al., (2005).

Also, two items measuring consumers' loyalty were formulated on the basis of the work of Kandampully and Suhartanto (2000), and Karatepe (2006). In addition, two items were constructed to measure word-of-mouth intent and complaint intent. These items are adapted from previous studies, including Karatepe (2006), Huang et al., (1996), Volkov et al., (2002). In addition, a seven-point Likert scale anchored by (1= very unrealistic and 7= very realistic or 1=strongly disagree and 7=strongly agree) was developed to evaluate the realism of the study, perceived risks, loyalty, word-of-mouth intent, and complaint intent (Eroglu, 1987).

## **Subjects**

The subjects of the study are Virginia Tech faculty. One of the major reasons that the research uses Virginia Tech faculty as subjects is that faculty comprise a relatively homogeneous group in terms of their socio-cultural characteristics such as education and income. Furthermore, the faculty could be in the category of a key target market for casual dining operators. Specifically, it is critical for subjects to be familiar with the scenarios and experiences similar to those described in the study's role-playing scenarios, because subjects' familiarity with the scenarios and experiences will enhance the validity and reliability of the study (Sawyer, 1975; Voss et al., 1998).

It is not unusual for researchers to use homogeneous subjects such as university students (Hocutt & Bowers, 2005; Kim et al., 2005; Ostrom & Lacobucci, 1998; Tucci & Talaga, 1997; Wirtz & Kum, 2001; Marmorstein et al., 2001) and university faculty (Voss et al., 1998) in their service guarantee and service marketing studies. Indeed, much

of the literature dealing with service guarantees reveals that these studies have adopted role-playing scenarios and have used student samples in their research (Ostrom & Lacobucci, 1998; Tucci & Talaga, 1997; Wirtz & Kum, 2001).

However, it might be extremely challenging for researchers to use probability sampling methods such as simple random sampling or systematic sampling in studies of an experimental nature, including those involving role-playing scenarios, because researchers could not control the characteristics of subjects, which might in turn lower the reliability and validity of the studies. For instance, some subjects might not be familiar with the situations described in the role-playing scenarios. Nonetheless, Voss et al. (1998) contended that faculty subjects are a reasonably homogeneous subject group and used faculty as the subjects of their study, which adopted role-playing scenarios regarding consumer satisfaction and room prices in the hotel context. Voss et al. (1998) asserted that university faculties are knowledgeable and experienced with the scenario contents of their study.

The present study's role-playing scenarios will be conducted during the month of August 2006; the survey will be distributed using the Virginia Tech web survey system. Virginia Tech has encouraged its faculty and graduate students to use the Virginia Tech web survey system, which allows researchers to minimize the costs of, and time spent in, collecting data. Before conducting the survey, the researcher will submit the survey scenarios, along with the purpose of the research, to the VT Institutional Review Board in order to get official approval for conducting the survey. The researcher will submit the form to IRB via the VT IRB's Internet website. Once the VT IRB approves conducting this survey using VT faculty subjects, the researcher will initiate collecting the data. With

regard to methodology: First, the scenarios of the study will be posted on the Virginia Tech web survey site along with step-by-step instructions about the scenario role-playing method. Second, in an effort to obtain faculty e-mail lists, the researcher will contact the Virginia Tech graduate school and explain the purpose of the study and its potential benefits in the field of service marketing literature.

After obtaining the e-mail list of faculty, the researcher will send e-mail to the entire Virginia Tech faculty asking them to participate the study. A cover letter will be enclosed in the original e-mail. The cover letter will include the purpose of the study, the benefits of the study, and the contact information of the researcher. In addition, the researcher will confirm in the cover letter that the results of the study will be used only for academic purpose. Furthermore, the cover letter will indicate that any faculty who are not comfortable with the survey do not have to participate in the study, and that subjects can contact the researcher anytime in case they have any questions regarding the study.

Subjects who agree to participate in the study simply are instructed to click a link on the site; this link sends them to the role-playing scenario. By clicking the website, each faculty member can view two different types of role-playing scenarios and will be instructed to fill out questionnaires after they have read each role-playing scenario. Once the subjects finish filling out the questionnaires for each scenario, the subjects submit their responses by clicking the link located at the bottom of each scenario. After a week, the original e-mail is sent to the entire faculty; a further reminder e-mail will be sent to those faculty who did not respond to the role playing scenario, depending on the number of responses.

## **Subject size**

The goal of the subject size is 50 subjects per each scenario. The researcher believes that 50 subjects per scenario is a reasonable number, since similar role-playing scenarios have used between 50-70 subjects per scenario (Ostrom & Lacobucci, 1998).

## **Data Collection Method**

Because the researcher uses the Virginia Tech web survey system, the researcher can view the results of the study from the VT survey website. For example, the research can access the VT survey site frequently to check how many subjects respond to the survey. An initial e-mail enclosing the VT survey link was sent to VT faculty on 27<sup>th</sup> September 2006. Currently, there are 2,280 faculty at VT. The researcher randomly selected 1,200 faculty from the faculty list that was obtained from the Office of Institutional Research & Effectiveness at Virginia Tech under the assistance of Dr. Catley.

The researcher divided the 1,200 VT faculty into 3 groups of 400 faculty members. Based on the three groups, the researcher sent an initial e-mail to the faculty included in the selected three groups. Scenario 1 and 2 were sent to faculty in group 1 and scenario 3 and 4 were sent to faculty in group 2, whereas scenarios 5, 6, and 7 were sent to the faculty in group 3. More specifically, the researcher e-mailed the first 400 faculty scenario links 1 and 2. The researcher opened the study's VT web survey site from 27<sup>th</sup>

September to 20<sup>th</sup> October 2006. After 20<sup>th</sup> October, the researcher closed the VT survey site, which means that the period of collecting the data was one month.

## **CHAPTER IV –ANALYSIS AND RESULTS**

### **Introduction**

This chapter introduces the results of the data analysis as well as the tests of the research hypotheses. This chapter consists of four sections; in the first section, the pretest of the study and the results of the pretest will be presented. In the second section, profiles of the subjects will be discussed. In the third section, the research hypotheses will be tested. In the fourth section, the results of the hypotheses will be discussed and summarized.

### **Pretest**

A pretest was conducted to ensure that the scenarios of the study are realistic and free of errors. A total of 20 MBA students at Virginia Tech who were taking the summer service management class participated in the pretest of the study under the supervision of the class instructor. The pretest was conducted at the National Capital Region campus of Virginia Tech. The researcher divided the students into two groups for the pretest. Each group had 10 graduate students. Scenarios 1, 2, 3 were distributed to the first group of students; scenarios 4,5,6,7 were distributed to the second group of students. The researcher clearly explained the purpose of the study to the students in an effort to facilitate student feedback and suggestions about the scenarios.



The students suggested that some words in the scenarios were not clear and straightforward. Except for these comments, the results of the pretest indicated that, overall, the scenarios are realistic, clear, and easy to follow. After the pretest, the unclear words and sentences were revised.

### Subject Characteristics

The characteristics of the subjects' demographics are summarized and described in Table 4.1.

Table 4.1  
Descriptive Characteristics of Subjects

Characteristics	<i>N</i>	%
<b>Gender</b>		
Female	116	55.2
Male	93	44.3
Missing	1	0.5
Total	210	100.0
<b>Age</b>		
30 or under 30	27	12.9
31-40	58	27.6
41-50	64	30.5
51-60	43	20.5
61-70	14	6.7
Over 71	1	.4
Missing	3	1.4
Total	210	100.0
Age Mean		43.6
<b>How often do you go to the casual dining restaurant monthly?</b>		
1-2 times monthly	50	23.5
3-4 times monthly	61	28.6
5-6 times monthly	61	28.6
more than 7 times monthly	38	17.8
Missing	0	0.0
Total	210	100.0

As shown in Table 4.1, the subjects were well-balanced in terms of their gender, age, and the frequency of monthly visits to a casual dining restaurant. Approximately 55% of the subjects were female whereas about 44% of the respondents were male. With respect to the age distribution of the subjects, approximately 31% of the subjects were between 40 and 50 years old while about 31% of the subjects were between 31 and 40 years old. Only 7.2 of the subjects were over 61 years old.

Regarding the frequency of monthly visit of casual restaurants, the majority of the subjects (57.2%) stated that they visit casual restaurants between 3-6 times monthly. On the other hand, only 24% of the respondents indicated that they visit casual restaurants between 1-2 times monthly. Approximately 18% of the respondents indicated that they visit casual dining restaurants more than seven times monthly.

### **Response Rate**

As earlier mentioned, the scenarios were sent to three different groups of the faculty according to the scenario number. Thus, the response rate of the scenarios varies according to the type of the group. The response rate of each scenario is summarized below.

Table 4.2  
Response Rate

Faculty Group	Scenario	Number of the faculty in the group	Response <i>N</i> (%)
Group 1	Scenario 1 and 2 were sent via e-mail.	400	71 (17.8%)
Group 2	Scenario 3 and 4 were sent via e-mail.	400	84 (21%)
Group 3	Scenario 5, 6, and 7 were sent via e-mail.	400	55 (13.8%)

Seventy-one faculty members in group 1 responded to the survey, which generated about an 18% response rate. On the other hand, 84 faculty in group 2 responded to the survey, which generated a 21% response rate. 55 faculty in group 3 answered the survey, which generated about a 14% response rate. Faculty in group 3 recorded the lowest response rate among the three groups.

### **The realism of the study**

The author asked about the realism of the scenario at the beginning of each scenario question. The mean scores of each scenario's realism are presented below.

Table 4.3  
Realism of the scenarios

The type of the scenario	Mean score (Number of the subjects)	SD
Scenario 1	3.91(71)	1.86
Scenario 2	4.62(71)	1.83
Scenario 3	5.11(85)	1.92
Scenario 4	4.80(85)	1.76
Scenario 5	5.28(57)	1.66
Scenario 6	5.14(57)	1.74
Scenario 7	5.63(57)	1.51
Average	4.89 (481)	1.83

7= the scenario is very realistic and reflects the real situation; 1= the scenario is not realistic and does not describe the real situation.

As shown in Table 4.3, the subjects felt that each scenario described real situations in casual restaurants. Scenario 7 recorded the highest mean score (5.63) whereas scenario 1 recorded the lowest mean score (3.91) for the realism of the scenario. All scenarios had mean realism scores over 3.5.

### **Data Analysis**

#### **Scenario 1 Vs. Hypothesis 1**

This section of the chapter will present the results of the statistical analysis of the data. Scenario 1 was developed to test hypothesis 1. Hypothesis 1 was developed to see if there are any significant relationships between offering a service guarantee and consumers' perceived risks. As a reference, research hypothesis 1 is presented below.

- Hypothesis 1: Offering a service guarantee by an independent casual dining restaurant leads to a perception reduction in consumers' perceived risks, in comparison to an independent casual dining restaurant at which no guarantee is offered.

In scenario 1, subjects were asked to select a restaurant among three restaurants: A, B, and C. As a reminder, restaurant A offers a free meal if customers wait over 30 minutes to receive food after placing an order. On the other hand, restaurant B offers a free meal if customers are not satisfied with any service or product aspects. Restaurant C does not offer any service guarantee. Restaurants A, B, and C are independent local restaurants. A one-way ANOVA test was conducted to see if there are any significant differences among the means of the item measuring the subjects' intent to select a restaurant. The results of the ANOVA test are presented in Table 4.4.

Table 4.4  
Results of One-way ANOVA

(Question: You would choose to dine in restaurant A, B, or C)

Test of Homogeneity of Variance					
Levene Statistic		df1	df2	Significance	
	.280	2	210	.756	
Mean Score    SD					
You would choose to dine in restaurant A (Independent Restaurant A, offering a specific service guarantee)	5.04			1.62	
You would choose to dine in restaurant B (Independent Restaurant B, offering an unconditional service guarantee)	4.51			1.51	
You would choose to dine in restaurant C (Independent Restaurant C, not offering a service guarantee)	3.28			1.43	
	Sum of Square	df	Anova Test Mean Square	F	Significance
Between Groups	115.671	2	57.836	25.043	.000
Within Groups	484.986	210	2.309		
Total	600.657	212			

- 1= strongly disagree and 7= Strongly agree

First, as shown in Table 4.4, the Leneve’s statistic is not significant (.756). It means that each group of the independent has the same variance which satisfies the assumption of ANOVA (Hair et al., 1998).As presented in Table 4.4, restaurant A (which offers a specific service guarantee) has the highest mean (5.04) score regarding the intent to select the restaurant. On the other hand, independent restaurant C, which does not offer any service guarantee, has the lowest mean score (3.28). Restaurant B’s mean score of

intent to select is 4.51. In order to see if there are significant differences among the mean scores, a one-way ANOVA test was conducted.

As presented in Table 4.4, the results of the ANOVA test indicated that there are significant differences among three mean scores at the significance level .000. In an effort to further identify which variables differ from each other, a post hoc test was conducted. Tukey’s HSD tests were utilized for the post hoc test because Tukey’s HSD is a very conservative post hoc test (Hair et al., 1998). The results of the Post Hoc test are summarized below in Table 4.5.

Table 4.5  
Results of Tukey’s HSD Test

			Std.	
			Error	Significance
Tukey’s HSD	Restaurant a	Restaurant b	.255	.093
		Restaurant c	.255	.000
	Restaurant b	Restaurant a	.255	.093
		Restaurant c	.255	.000
	Restaurant c	Restaurant a	.255	.000
		Restaurant b	.255	.000

As presented in Table 4.5, there are significant differences between the mean scores of restaurants A and B (as well as restaurant B and C) at the significance level of .000. This finding indicates that the subject preferred to visit restaurant A (which offers a specific guarantee) as compared to restaurant B (which offers an unconditional service guarantee). Also, subjects preferred to visit restaurant B in comparison with restaurant C.

In an effort to test if there are significant differences of the mean scores of the subjects' perceived risks with respect to the selection of a restaurant, a one-way ANOVA test was conducted. There is one variable measuring consumers' perceived risks in scenario 1. Table 4.6 summarizes the results of the ANOVA tests.

Table 4.6  
Results of ANOVA Tests on Consumers' Perceived Risks

(Question: You worry whether a restaurant provides great value. )

Restaurant	Mean Score (N)	Standard Deviation
Restaurant A (Offering a specific service guarantee)	2.38 (45)	1.336
Restaurant B (Offering an unconditional service guarantee)	3.04(25)	1.428
Restaurant C (Not offering any service guarantee)	3.71(7)	2.563

Test of Homogeneity of Variances				
Levene Statistic	df1	df2	Sig.	
6.398	2	74	.003	

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	14.748	2	7.374	3.268	.044
Within Groups	166.966	74	2.256		
Total	181.714	76			

As shown in Table 4.6, the restaurant (A) offering a specific service guarantee recorded the lowest mean score of the perceived risks (2.38), followed by the restaurant (B) offering an unconditional service guarantee (3.04), and the restaurant (C) not offering any service guarantees (3.71). A one-way ANOVA test was conducted to test if there are significant differences among the mean scores of consumers' perceived risks with regard



to the three restaurants. The result of the ANOVA test is statistically significant at the significance level of .050. Because the result of the test of homogeneity of variance is significant, the researcher further undertook Games Howell post hoc test instead of Tukey's HSD test to see which restaurant differs from each other. Games Howell post hoc test is appropriate when the homogeneity of variances is not kept (Hair et al., 1998).

However, the results of the Games Howell test indicated that none of the restaurants differ significantly as shown in Table 4.7.

Table 4.7  
Results of Post Hoc Test on Consumers' Perceived Risks

			Mean Difference (I-J)	Std. Error	Sig.
Games- Howell	Restaurant a	Restaurant b	-.66	.348	.149
		Restaurant c	-1.34	.989	.417
	Restaurant b	Restaurant a	.66	.348	.149
		Restaurant c	-.67	1.010	.789
	Restaurant c	Restaurant a	1.34	.989	.417
		Restaurant b	.67	1.010	.789

As a result, hypothesis 1 is partially supported.

### **Scenario 2 Vs. Hypothesis 2**

Scenario 2 was developed to test hypothesis 2. Hypothesis 2 is presented below.

Hypothesis 2: If a service guarantee is offered by a brand name chain restaurant, there is less reduction in consumers' perceived purchase risks in comparison to an independent casual dining restaurant offering a service guarantee.

In scenario 2, independent restaurant A offers a service guarantee, while restaurant B is a brand restaurant chain not offering a service guarantee. Subjects were asked to select either restaurant A or restaurant B in conjunction with the level of their perceived risks. An independent samples T test was conducted to test hypothesis 2. There

is a significant difference in the subjects' preferences in the selection of a restaurant. The results of the independent samples T test are summarized below.

Table 4.8  
Results of T-test on Scenario 2

Question Item	Restaurant A, B	Mean (N)	Std. Deviation
You would choose restaurant A or B.	Restaurant A (A chain restaurant not offering a service guarantee)	3.13* (70)	1.80
	Restaurant b (An independent restaurant offering a service guarantee)	5.37(71)	1.64
Levene's Test for Equality of Variances			
	F		Sig.
	.786		.377
T-test Results			
	t	df	Sig
	-7.713	139	.000

\*1=strongly disagree and 7=strongly agree

The results of the Levene's Test indicated that each group has the same variance, which satisfies the assumption of T-test. Also, the analysis of boxplot tests indicated that the data are normally distributed. As presented in Table 4.8, there is a significant difference in the subjects' selection of a restaurant. The mean score of the subjects' intent to select restaurant B is significantly higher than that of restaurant A. Independent restaurant B offering a specific service guarantee is much preferred in comparison with brand restaurant A not offering a service guarantee. The results of the T-test indicated that the mean score difference is significant statistically at a significance level of .01.

Also, subjects were asked to indicate which restaurant they will select. In addition, there is a question item to measure the subjects' perceived risks. The mean scores of the risk item were compared using a t-test.

Table 4.9  
Consumers' Perceived Risks on a Brand Name Restaurant Vs. an Independent Restaurant Offering a Service Guarantee

Question		Mean (N)	Std. Deviation	Std. Error Mean
You worry whether a restaurant would provide great service and food, which you desire.	Restaurant A	2.30 (10)	1.636	.517
	Restaurant B	2.61(61)	1.584	.203
Levene's Test for Equality of Variances				
	F		Sig	
	.010		.919	
T test				
	T	df	Sig. (2-tailed)	
	-.565	69		.574

1=strongly disagree and 6=strongly agree

Even though consumers preferred to select independent restaurant B over brand name restaurant A, there was no difference in consumers' perceived risks between two restaurants as shown in Table 4.9. Thus, hypothesis 2 is not supported.

### Scenarios 3, 4 Vs. Hypotheses 3, 4, 5

Scenarios 3 and 4 were developed in order to test hypotheses 3, 4, and 5, which are summarized below.

Hypothesis 3: The higher consumer satisfaction with the service guarantee of a restaurant, the higher consumers' loyalty towards the restaurant.

Hypothesis 4: The lower consumer satisfaction with the service guarantee of a restaurant, the lower consumers' loyalty toward a restaurant.

Hypothesis 5: In the event of customers' dissatisfaction with service in the casual restaurant, good implementation of the service guarantee will increase consumers' positive word-of-mouth intent.

Manova test was used to test hypotheses 3, 4, and 5 and the Manova test is effective in reducing type I error. The results of the Manova test are presented below in Table 4.10.

Table 4.10  
Results of Manova tests (Scenario 3, and 4)

Descriptive Analysis			
Questions		Mean (N)	SD
Overall, how would you rate the quality of the service?+	Restaurant A	3.37 (83)	1.487
	Restaurant B	1.73(84)	1.068
You are satisfied with the restaurant's service guarantee.-	Restaurant A	5.07(83)	1.968
	Restaurant B	1.46(84)	.963
You would dine at the restaurant again in the future.-	Restaurant A	3.95(83)	1.724
	Restaurant B	1.71(84)	1.025
What is the likelihood that you will switch to another restaurant?	Restaurant A	4.88(83)	1.301
	Restaurant B	6.39(84)	1.030
You would recommend this restaurant to someone else.-	Restaurant A	3.43 (83)	1.416
	Restaurant B	1.73(84)	1.123
You would recommend that your friends and relatives dine in this restaurant.-	Restaurant A	3.45(83)	1.467
	Restaurant B	1.62 (84)	1.017
	Results of Manova test		
Intercept	Wilks' lambda (F: 3064.176, Significance: .000)		
Type of scenario	Wilks' lambda (F: 48.166, Significance: .000)		

Restaurant A (a restaurant offering a satisfaction service guarantee in scenario 3)

Restaurant B (a restaurant offering a dissatisfied service guarantee in scenario 4)

+:1=very poor and 7=excellent

-:1=strongly disagree and 7=strongly agree

#:1=least likely and 7=very likely

As presented in Table 4.10, the subjects' responses differ significantly on the basis of their satisfaction regarding the service guarantee received, in terms of their loyalty and word-of-mouth intent. In scenario 3, restaurant A is described as a restaurant offering a satisfactory service guarantee, due to the restaurant's smooth execution of the service guarantee promise, whereas restaurant B was described as a restaurant offering a service guarantee which is not executed well.

As shown in Table 4.10, the subjects' loyalty to restaurant A is significantly higher than that of restaurant B after the subjects received the service guarantee which was carried out smoothly. More specifically, the mean score for future intent in restaurant A (3.95) is significantly higher than that of restaurant B (1.71). The result of the Manova test indicates that the mean difference between restaurant A and restaurant B is statistically significant at the significance level of .000. Similarly, the mean score of restaurant A is significantly lower than that of restaurant B in the item measuring customers' intent to switch to another restaurant. The lower the mean score in this item, the more loyalty subjects have. The result of the Manova test indicates that the mean difference in restaurant A and restaurant B is statistically significant at the significance level of .000.

Furthermore, the subjects' positive word-of-mouth intents with regard to restaurant A were significantly higher than those with regard to restaurant B. For instance, restaurant A's mean score (3.43) for the item, "You would recommend that your friends and relatives dine in this restaurant" is significantly higher than that of restaurant B (1.73). Similarly, restaurant A's mean score (3.45) for the item, "You would recommend that your friends and relatives dine in this restaurant" is much higher than that

of restaurant B (1.62). This finding is statistically significant at the significance level of .000.

The results of the Manova tests are all statistically significant between restaurant A and restaurant B. As a result, hypotheses 3, 4, and 5 are supported.

### **Scenarios 5, 6, 7 Vs. Hypotheses 6, 7**

Scenarios 5, 6 and 7 were constructed to test hypotheses 6 and 7. In hypotheses 6 and 7, the researcher attempted to test if there are relationships between consumers' intent to complain and the existence of a service guarantee in the event of a service failure.

Hypotheses 6 and 7 are presented below.

Hypothesis 6: In a casual restaurant setting, offering a specific service guarantee increases customers' intent to complain in the event of a service failure, more than under an unconditional service guarantee.

Hypothesis 7: In the casual restaurant setting, offering a service guarantee (either specific service guarantee or unconditional service guarantee) increases customers' intent to complain about an initial service failure(s) to a restaurant operator more than does a restaurant operator not offering a service guarantee in the casual restaurant.

Scenario 5 describes a situation in which the subject waits for over one hour to receive entrees in restaurant A. The restaurant offers a specific service guarantee specifying that consumers will receive a free meal if they wait for over 45 minutes to



receive their entrees. Scenario 6 describes the same service situation as in scenario 5 except with regard to the type of service guarantee offered. More specifically, the only difference between scenario 5 and 6 is that restaurant B in scenario 6 offers an unconditional service guarantee (The restaurant promises that customers can invoke the restaurant's service guarantee anytime if customers don't like the restaurant's service or food) unlike the situation with restaurant A, which offers a specific service guarantee.

There are two items measuring the subjects' intent to complain about initial service failures and intent to claim the service guarantees. In an attempt to test hypothesis 6, a T test was conducted to see if there are any significant mean differences between restaurant A (which offers a specific service guarantee) and restaurant B (which offers an unconditional service guarantee).

Table 4.11  
Results of T test (Complaint intent, Scenario 5, 6)

Question Item (Complain item)	Restaurant	Mean (N)	SD
You would complain about the delayed service, claim the service guarantee policy, and ask for the payout of the restaurant service guarantee from servers or managers (Q1)	Restaurant a	5.09(57)	2.029
	Restaurant b	4.89(57)	1.819
You would do nothing about the delayed service and would not claim the service guarantee (Q2)	Restaurant a	2.11(57)	1.633
	Restaurant b	3.54(56)	1.972
Levene's Test for Equality of Variance (Q1)			
		F	Sig
		.348	.556
T test (Q1)			
		T	Sig
		.535	.594
Levene's Test for Equality of Variance (Q2)			
		F	Sig
		7.234	.008
T test (Q2)			
		T	Sig
		-4.195	.000
		df	106.57

\*Significant at the significance level .000

+1=strongly disagree and 7=strongly agree

- 1=least likely and 7=most likely

Note: Restaurant A offers a specific service guarantee; restaurant B offers an unconditional service guarantee.

As seen in Table 4.11, subjects are more likely to complain about the service failure in the restaurant (A) offering a specific service guarantee in comparison with the restaurant (B) offering an unconditional service guarantee. In the complain intent item 1, the mean score of restaurant A is 5.09 while the mean score of restaurant B is 4.89.

However, the result of T test indicates that the difference is not significant statistically. On the other hand, in another item measuring the intent to complain, there is a significant difference statistically at the significance level of .000 between the means of restaurant A and B. Thus, hypothesis 6 is supported.

Scenario 7 depicts the same service failure situation as in scenarios 5 and 6 except that restaurant C (described in scenario 7) doesn't offer any service guarantees. There are two items related to the measurement of consumers' intent to complain in the scenario 7 as well. A one-way ANOVA test was conducted to determine if there are significant differences among subjects' intent to complain in the event of an initial service failure at three restaurants. The results of the ANOVA test are presented below.

Table 4.12  
Descriptive Analysis (Complaint intent)

Intent to complain	Restaurant	Mean (N)	Standard Deviation	
Questionnaire Item 1 (Q1) You would complain about the delayed service, invoke the service guarantee policy, and ask for no charges for the meal from the servers or the managers. You would complain about the delayed service, invoke the service guarantee policy, and ask for no charges for the meal from the servers or the managers. You would complain about delayed food to servers or managers.	Restaurant A (Offering a specific service guarantee)	5.09 (57)	2.03 (57)	
	Restaurant B (offering an unconditional service guarantee)	4.89 (57)	1.82 (57)	
	Restaurant C (No service guarantee offered)	4.93 (56)	1.88 (56)	
Questionnaire Item 2 <sup>+</sup> (Q2) (You would do nothing about the delayed service and simply stop dining at this restaurant in the future)	Restaurant A (Offering a specific service guarantee)	2.11(57)	1.63	
	Restaurant B (offering an unconditional service guarantee)	3.54 (56)	1.97	
	Restaurant C (No service guarantee offered)	4.04 (55)	2.04	
Test of Homogeneity of Variances (Q1)				
Levene Statistic	Df1	Df2	Sig	
.192	2	167	.826	
ANOVA test				
Sum of Squares	df	Mean Square	F	Sig.
1.209	2	.604	.166	.848
Test of Homogeneity of Variances (Q2)				
Levene Statistic	Df1	Df2	Sig	
4.612	2	165	.011	
ANOVA test				
Statistic	Df1	Df2	Sig	
Welch 17.579	2	108.358	.000	

\* Question 1: 1 =strongly disagree and 7=strongly agree

+ Question 2: 1=least likely and 7 most likely

- Significant at the significance level of .000

As shown in Table 4.12, the restaurant (A) offering a specific service guarantee has the highest mean score (5.09) in e question item 1 for the complaint intent (“You would complain about the delayed service, invoke the service guarantee policy, and ask for no charges for the meal from the servers or the managers”) followed by restaurant C (mean score: 4.93) and the restaurant B (mean score: 4.89). Surprisingly, the restaurant (B) offering an unconditional guarantee recorded the lowest mean score (4.89) in the consumers’ complaint intent.

In addition, restaurant C has the highest mean score (4.04) in e item 2, which measures intent to complain, whereas restaurant A (2.11) has the lowest mean score in the item, which means that restaurant A is more effective in facilitating the subjects’ complaint intent in the event of any initial service failures (“You would do nothing about the delayed service and simply stop dining at this restaurant in the future.”).

As presented in Table 4.12, the first item measuring consumers’ intent to complain is not significant statistically in the ANOVA test. The second item measuring the consumers’ intent to complain is significant at the significance level of .000. In an attempt to further investigate the relationship among the mean scores for the second questionnaire item, a Games Howell post hoc test was conducted for questionnaire item 2 to determine which restaurant is significantly different each other. A Games Howell post hoc test was used because the homogeneity of variance was not kept as shown in Table 4.12. The results of the Games Howell test are summarized below in Table 4.13

Table 4.13  
Results of Games Howell Test (Complaint Intent)

Questionnaire Item	Games Howell	Restaurant Type	Standard Error	Significance
You would do nothing about the delayed service and simply stop dining at this restaurant in the future.		Restaurant A (Offering a specific service guarantee)	Restaurant b .341	.000
		Restaurant B (Offering an unconditional service guarantee)	Restaurant c Restaurant a .350	.000
			Restaurant c Restaurant a .341	.000
		Restaurant C (Offering no service guarantee)	Restaurant c Restaurant a .381	.390
			Restaurant a Restaurant b .350	.000
		Restaurant b .381	.390	

The results of the Games Howell test indicate that there are significant differences between restaurant A and restaurant B, and restaurant B and restaurant C, at the significance level .000. Thus, hypothesis 6 is supported. In general, in the event of a service failure, subjects tended to express their intent to complain in the restaurants offering service guarantees over the restaurant not offering a service guarantee. Interestingly, the subjects' intent to complain is much higher in the restaurant (A) offering a specific service guarantee compared to the restaurant (B) offering an unconditional service guarantee and the restaurant (C) not offering any service guarantee.

Therefore, hypothesis 7 is supported. More specifically, in the restaurant (A) offering a specific service guarantee, subjects are more likely to show their intent to complain compared to the restaurant (C) not offering a service guarantee. On the other

hand, there is no significant difference between restaurant B and restaurant C. Moreover, the mean score of intent to complain in restaurant C (4.89) is higher than that of restaurant B (4.93). In addition to the intent to complain, the loyalty of subjects with regard to the restaurants is measured in scenarios 5, 6, and 7. There are two items measuring consumers' loyalty toward a restaurant. One-way ANOVA tests were conducted to see whether there are significant differences in consumers' complaint intent. The descriptive analysis of loyalty is presented in Table 4.14.

Table 4.14  
Descriptive Analysis (Customer Loyalty)

Customer Loyalty	Restaurant Name	Mean (N)	Standard Deviation
What is the likelihood that you will switch to another restaurant? (Q1)*	Restaurant A (Offering a specific service guarantee)	4.96 (57)	1.74
	Restaurant B (Offering an unconditional service guarantee)	5.18 (56)	1.63
	Restaurant C (No service guarantee)	5.96 (56)	1.14
Questionnaire Item (Q2)+ You recommend this restaurant to someone who seeks your opinion	Restaurant A (Offering a specific service guarantee)	2.98	1.59
	Restaurant B (Offering an unconditional service guarantee)	3.02	1.45
	Restaurant C (No service guarantee)	1.98	1.14

\* Question 1: 1 =not at all likely and 7=extremely likely

+ Question 2: 1=strongly disagree and 7=strongly agree

As shown in Table 4.14, subjects are less likely to show their intent to switch in restaurant A (4.96), and B (5.18) in comparison to restaurant C (5.96). On the other hand, subjects are less likely to recommend restaurant C compared to restaurants A and B. In other words, customers' loyalty to restaurants A and B is higher than that to restaurant C. A one-way ANOVA test was conducted to see if there are significant differences in subjects' loyalty to the three restaurants. Table 4.15 summarizes the results of the ANOVA test.

Table 4.15  
Results of ANOVA Tests (Loyalty)

Test of Homogeneity of Variance					
Question Item (Loyalty)	Levene	df1	df2	Sig.	
	Statistic				
Q1	5.178	2	166	.007	
Q2	7.048	2	167	.001	
		Statistic	Df1	Df2	Sig.
What is the likelihood that you will switch to another restaurant?	Welch*	8.284	2	106.73	.000
You recommend this restaurant to someone who seeks your opinion	Welch*	11.999	2	109.34	.000

\* Welch test were used because of the test of homogeneity of variance is significant.

As seen in Table 4.15, there are significance differences among the three restaurants with respect to loyalty. In the first item dealing with the likelihood to switch to another restaurant, there is significant difference statistically at the significance level of .000, while the item dealing with recommending the restaurant to someone who seeks your opinion is also significant statistically at the significance level of .000. In order to



further explore the differences in the mean scores, a Games Howell test was conducted. A Games Howell test was conducted because each group does not have the same degree of variance. The results of the Tukey’s HSD test are presented below.

Table 4.16  
Result of Games Howell Test (Loyalty)

Questionnaire Item			Standard Error	Significance
What is the likelihood that you will switch to another restaurant?	Restaurant A	Restaurant B	.317	.779
		Restaurant C	.277	.001
	Restaurant B	Restaurant A	.317	.779
You recommend this restaurant to someone who seeks your opinion		Restaurant C	.266	.011
	Restaurant A	Restaurant B	.284	.992
		Restaurant C	.259	.001
	Restaurant B	Restaurant A	.284	.992
	Restaurant C	.244	.000	

As presented in Table 4.16, there are significant differences between restaurant A and C as well as restaurant B and C in both question items measuring loyalty. More specifically, in the question item, “What is the likelihood that you will switch to another restaurant, there is a significant difference between restaurant A and C at the significance level of .005, while there is also significant difference between restaurants B and C at the significance level of .05. On the other hand, with regard to the question item, “You recommend this restaurant to someone who seeks your opinion”, there is a significant difference between restaurant A and restaurant B at the significance level of .005. The difference in significance level between restaurants B and C is .000.

## **Chapter Summary**

Chapter IV includes the analysis of the pretest, the analysis of the data analysis, and the test of the research hypotheses. Several different types of statistic techniques were used to test the research hypotheses. More specifically, a t-test, a one-way ANOVA, and a Tukey's HSD test were used. Table 4.17 summarizes the results of the hypotheses.

Table 4.17  
Results of the Hypotheses Test

Research Hypotheses	The Results of Hypotheses
<p><b>Hypothesis 1</b> The offering of a service guarantee by an independent casual dining restaurant leads to a perception reduction in consumers' perceived risks, in comparison to an independent casual dining restaurant at which no guarantee is offered.</p>	<p>The hypothesis is supported partially.</p>
<p><b>Hypothesis 2</b> The offering of a service guarantee by a brand name chain restaurant leads to less reduction in consumers' perceived purchase risks, in comparison to an independent casual dining restaurant offering a service guarantee.</p>	<p>The hypothesis is not supported.</p>
<p><b>Hypothesis 3</b> The higher consumer satisfaction with the service guarantee of a restaurant, the higher consumer loyalty towards the restaurant.</p>	<p>The hypothesis is supported.</p>
<p><b>Hypothesis 4</b> The lower consumer satisfaction with the service guarantee of a restaurant, the lower consumer loyalty toward a restaurant.</p>	<p>The hypothesis is supported.</p>
<p><b>Hypothesis 5</b> In the event of customer dissatisfaction with service in the casual restaurant, good implementation of the service guarantee will increase consumers' positive word-of-mouth intent.</p>	<p>The hypothesis is supported.</p>
<p><b>Hypothesis 6</b> In the casual restaurant setting, offering a specific service guarantee increases customers' intent to complain in the event of a service failure, more than under an unconditional service guarantee.</p>	<p>The hypothesis is supported.</p>
<p><b>Hypothesis 7</b> In the casual restaurant setting, offering a service guarantee (either specific service guarantee or unconditional service guarantee) increases customers' intent to complain about an initial service failure(s) to a restaurant operator more than does a restaurant operator not offering a service guarantee in the casual restaurant.</p>	<p>The hypothesis is supported.</p>

As presented in Table 4.17, all hypotheses except hypotheses 1 and 2 are supported by the statistical test. In the next chapter, the results of the hypotheses will be discussed. The managerial implications of the study's results will also be discussed.

## **CHAPTER V- DISCUSSION AND CONCLUSION**

### **Introduction**

This chapter presents the discussion and managerial implications of the study's findings. The limitations of the study and the recommendations of the study will be discussed in this section as well. First, the summary of the findings will be discussed as follows.

### **Summary of the Findings**

This study is designed to answer the following questions:

1. Does a relationship exist between the service guarantee and consumers' perceived risk in the casual restaurant setting?
2. Does a relationship exist between brand restaurants and consumers' perceived risks regarding the service guarantee?
3. Does a relationship exist between consumers' loyalty and the service guarantee in the casual restaurant setting?
4. Does a relationship exist between consumers' word-of-mouth intent and consumers' satisfaction with the service guarantee?
5. Does a relationship exist between consumers' intent to complain and the service guarantee in the event of service failures in the casual restaurant setting?

Aligned with these research questions, a total of seven research hypotheses were developed. As discussed in chapter IV, all of the hypotheses were accepted except the hypothesis 2. A detailed discussion of the results of each hypothesis test is presented below.

### **Perceived Risks Vs Service Guarantee**

Research hypotheses 1 and 2 were developed to test if offering a service guarantee could reduce consumers' perceived risks in the selection of a casual dining restaurant. First, according to the results of hypothesis 1, subjects did prefer to dine in the independent restaurant (A) offering a specific service guarantee, followed by the independent restaurant (B) offering an unconditional service guarantee. The independent restaurant (C) not offering a service guarantee was preferred least. This result suggests that offering a service guarantee is effective for independent restaurant operators with regard to attracting potential consumers.

The results of the study further indicate that offering a specific service guarantee could be more effective than offering an unconditional service guarantee. This result contradicts Hart's (1988) previous study, which argues that an unconditional service guarantee is the most efficient service guarantee in the service industry. One of the presumable reasons for these different findings might be that the boundary of the studies between this study and Hart's study is different. Hart's study (1988) includes the generic service industry while this study focuses on the service guarantee in the casual dining segment. In other words, the unique characteristics of the casual dining segment might

impact the results. For example, a specific service guarantee in a casual dining restaurant might be more straightforward and easy to claim in comparison to an unconditional service guarantee.

In hypothesis 1, the researcher argued that an independent restaurant operator offering a service guarantee could reduce consumers' perceived risks significantly compared to the independent restaurant operator not offering a service guarantee. This hypothesis is supported partially because there are significant differences among the three restaurants' mean scores on the perceived risks even though the results of Post hoc are not significant statistically. The subjects felt less perceived risks in the restaurant A (mean score: 2.38), which offered a specific service guarantee compared to restaurant B (mean: 3.04), which offered an unconditional service guarantee, and restaurant C (mean: 3.91), which did not offer a service guarantee. Interestingly, the mean of restaurant A is higher than that of restaurant B.

The results of the study suggest that offering a specific service guarantee could reduce consumers' perceived risks more effectively compared to offering an unconditional service guarantee in the casual dining restaurant segment. It can be argued that offering a service guarantee could help reduce consumers' perceived risk in a casual dining restaurant setting; this finding is in line with the findings of previous studies (Wirtz, 1998; Wirtz & Kum, 2001). A carefully developed service guarantee could signal the quality of service and could reduce consumers' perceived risks.

## **Perceived Risks between Brand Restaurants and Independent Restaurant**

Research hypothesis 2 dealt with service guarantee impacts between a brand name restaurant and an independent restaurant with regard to consumers' perceived risks. Scenario 2 was developed to test hypothesis 2. Scenario 2 depicts a situation in which a consumer needs to select either a brand name restaurant or an independent restaurant offering a specific service guarantee. The scenario question includes the subject's perceived risks.

The results of the scenario 2 indicate that subjects would dine in independent restaurant B offering a service guarantee (mean: 5.37) over brand name restaurant A (mean: 3.13). Interestingly, even though the subjects would dine in independent restaurant B, the subjects' perceived risk with regard to restaurant B (2.61) is slightly higher than that of brand name restaurant A (2.30). Thus, hypothesis 2 is not accepted. One possible reason for this conclusion might be that the restaurant's brand name might be more helpful and powerful in reducing the subjects' perceived risks in contrast to the independent restaurant offering a service guarantee.

## **Consumers' Loyalty Vs Service Guarantee**

Hypotheses 3 and 4 deal with how the execution of a service guarantee could impact consumers' loyalty. Both hypotheses 3 and 4 are fully supported. More specifically, the subjects' loyalty to a restaurant offering a well-executed service guarantee is much higher than the restaurant offering a service guarantee that is not



executed well. This result suggests that it is critical how restaurant operators execute a service guarantee after developing and offering a service guarantee. Even though restaurant operators offer a service guarantee, if they fail to implement the service guarantee successfully and smoothly, then the service guarantee may not increase customers' loyalty to the restaurant (Firnsthahl, 1989). In order for a restaurant operator to develop a satisfactory service guarantee, it is essential to provide a high level of empowerment to front-line employees and flexibility in the service guarantee policy (Firnsthahl, 1989).

Merely using a service guarantee as a marketing tool without careful execution strategy could lower customers' loyalty. Interestingly, this result supports Liden and Skalen's argument (2003) claiming that a successful service guarantee could systematize service recovery strategy and facilitate the service recovery process. In other words, a successful service guarantee strategy could simplify the process of service recovery and reduce any confusion in service recovery executions among employees. More specifically, customers' loyalty could be enhanced by successful service guarantee execution even in the event of an initial service failure.

### **Word-of-mouth Intent Vs Service Guarantee**

The results of the study support hypothesis 5. In hypothesis 5, the research claimed that a successful service guarantee could enhance consumers' positive word-of-mouth intent. The subjects' positive word-of-mouth intent was much higher in restaurant A offering a well-executed service guarantee as compared to restaurant A, which offered a service guarantee that is not executed well. Surprisingly, the results of the study showed

that a successful service guarantee could increase customers' positive word-of-mouth in spite of an initial service failure. For instance, restaurant A's mean scores of two items measuring positive word-of-mouth intent are 3.45 and 3.43, respectively. Researchers (Susskind, 2002; Zeithaml et al., 1990) argued that a number of dissatisfied customers tend to spread negative word-of-mouth instead of complaining in front of service operators. However, the results of this study imply that a successful service guarantee could reduce consumers' dissatisfaction and even increase consumers' positive word-of-mouth in the event of any service failures.

One of the presumable reason explaining the subjects' positive word-of-mouth intent after receiving a well-executed service guarantee might be that the subjects would express their appreciation of a restaurant which provided a service guarantee resulting in a high degree of their satisfaction, thereby spreading a positive word-of-mouth. Not surprisingly, subjects' intent to spread positive word-of-mouth was much lower in the case of the restaurant offering a service guarantee which is not executed well. Restaurant B's mean scores of two items measuring the subjects' positive word-of-mouth are 1.73 and 1.62 respectively.

In summary, the results of the study suggest that a successful service guarantee could facilitate subjects' positive word-of-mouth intent while it reduces subjects' negative word-of-mouth intent even in the event of an initial service failure.

### **Complaint Intent Vs Service Guarantee**

Hypotheses 6 and 7 were developed in order to test the relationships between intent to complain and the type of service guarantee. Scenario 5, 6, and 7 were created to

test hypotheses 6 and 7. In hypothesis 6, it was argued that consumers were more likely to complain about a service failure and claim the payout of the service guarantee in a restaurant offering a specific service guarantee in contrast to a restaurant with an unconditional service guarantee.

The results of the T test indicated that consumers' intent to complain in the restaurant (A) offering a specific service guarantee is much higher than that with regard to the restaurant (B) that offers an unconditional service guarantee. This result is in line with previous research such as Wirtz and Kum (2001). One of the possible reasons for this result may be that subjects feel more comfortable in claiming a specific service guarantee in contrast to an unconditional service guarantee. It is obvious that a specific service guarantee (unlike an unconditional service guarantee) is more straightforward and easy for consumers to claim. The results of this study suggest that developing a specific service guarantee might be more beneficial to restaurant operators in dealing with consumers' complaints.

Zeithaml et al. (1990) argued that listening to consumer complaints is the first step in improving service quality and customer satisfaction. However, customers often tend to be reluctant to complain in public (Reinchheld & Sasser, 1990; Zeithaml et al., 1990). Providing a specific service guarantee could spur consumers' complaint intent by providing an incentive for claiming when service failures occur. Not surprisingly, the results of the test of hypothesis 7 confirm that subjects are more likely to complain in restaurants offering service guarantees in the event of a service failure as compared to a restaurant not offering a service guarantee. The mean score of the restaurant (B) offering an unconditional service guarantee (4.89) is lower than that of restaurant (C) (4.93) not

offering any service guarantee in spite of non-significant difference. As mentioned previously, offering an unconditional service guarantee might not be effective in the casual dining restaurant segment.

Even if there are a number of hotel firms (such as Hampton Inn) which have developed an unconditional service guarantee (Evans et al., 1996; Hart, 1993), it seems that offering such unconditional service guarantee might not be effective in a casual dining restaurant in facilitating consumers' complaint intent. One of the possible reasons for subjects' preferences with regard to a specific service guarantee might be related to subjects' expected service quality. If consumers' level of service quality expectation is low, then the chance for the subjects making a claim that invokes an unconditional service guarantee policy might be low as well. It is obvious that consumers' service expectation in luxury hotels such as Ritz Carlton and Four Season Hotels are much higher than the service expectations with regard to casual dining restaurants. Thus, consumers might be hesitant to claim a conditional service guarantee in the event of an initial service failure even though a casual dining restaurant offers an unconditional service guarantee.

### **MANAGERIAL IMPLICATIONS**

The purpose of this study was to identify the impacts of a service guarantee in terms of consumers' perceived risks, loyalty, word-of-mouth, and intent to complain. Specifically, this study focuses on the impacts of service guarantees in the casual restaurant context, unlike previous studies which have focused on the lodging industry and retailing industry (Callan & Moore, 1998; Carlstead, 2004; Evans et al., 1996). The

results of the study provide a number of insightful managerial suggestions and implications to restaurant operators who might want to implement a service guarantee strategy.

First, the results of the study suggest that offering a service guarantee positively influences consumers' selection of a restaurant. This finding is consistent with previous studies (Kashyap, 2001; Liden & Saden, 1997) arguing that a service guarantee plays an important role as a marketing tool by signaling a high level of service quality to consumers. Surprisingly, subjects did indicate that they prefer to eat at a casual dining restaurant offering a specific service guarantee to a brand restaurant, provided the quality of food and service at the restaurants are equal. This is an encouraging finding for independent restaurant owners.

As earlier mentioned, one out of four restaurants tend to fail within the first year because of undercapitalization, lack of experiences and the lack of the brand power (Dolf, 1992). Furthermore, major restaurants have developed competitive marketing strategies such as powerful nationwide TV advertising and a variety of promotions thanks to their significant capital availability, which is to an extent due to their franchising business. Most major restaurant chains operate a franchising business in order to quickly expand their business. Each franchisee is required to pay between 5-8% of their sales for marketing expenses to franchisors.

Independent restaurant operators have been challenged to market and promote their business efficiently to compete with major chain restaurants possessing high-brand power and awareness. Thus, offering a well-planned service guarantee could be helpful to entice new consumers, with relatively less capital expense for independent restaurant

operators. Of course, independent restaurant operators might develop a service guarantee carefully and strategically based on an understanding of their operation and service delivery systems to avoid high payouts of a service guarantee (Fabien, 2005). Otherwise, restaurant operators could jeopardize themselves due to the high expenses of the payouts of service guarantees (Kashyap, 2001).

The results of the study also indicate that a specific service guarantee could be a more effective guarantee in the casual dining context compared to an unconditional service guarantee in terms of consumers' preferences, perceived risks, loyalty and intent to claim the service guarantee. Thus, it is strongly recommended that restaurant operators who want to implement a service guarantee strategy adopt a specific service guarantee. In the development of a specific service guarantee, it is crucial for restaurant operators to identify the most critical service quality dimension that could affect consumers' selection of a restaurant and develop a specific service guarantee.

It is obvious that a specific service guarantee must be significant to consumers in order for restaurant operators to appeal to consumers. For instance, Domino's Pizza offered a free meal to consumers who didn't receive pizza within 30 minutes after they placed an order. Domino Pizza viewed prompt delivery as a key service dimension, which influences consumers. Hence, the pizza chain was able to maximize the service guarantee marketing strategy.

The results of the study suggest that only well-executed service guarantee strategies could increase consumers' loyalty, satisfaction, and positive word-of-mouth intent. A service guarantee, when executed poorly, could reduce consumers' loyalty and satisfaction. Therefore, restaurant operators who plan to implement a service guarantee

need to understand the critical factors in implementing a service guarantee strategy. Giving a high degree of empowerment to front-line employees, fostering teamwork among employees, and providing a series of training sessions could be some of the most critical factors in the successful execution of a service guarantee (Fabien, 2005; Firnstahl, 1989). Furthermore, developing a strong service culture in a company is essential for successful service guarantee implementation (Sowder, 1996). Each employee's passion to keep a firm's service guarantee promise can be created only on the basis of an organization's strong culture.

All successful service firms, such as Ritz Carlton hotels and Four Season hotels, have a well-established service culture within the organizations. In order to establish a strong corporate culture, strong support from a firm's executives is critical (Zeithaml et al., 1990). For example, one of the reasons that Hampton Inn has been able to develop and implement its breakthrough service guarantee strategy is due to the strong leadership of the firm's executives (Sowder, 1996). A restaurant operator who wants to implement a service guarantee strategy needs to show his/her leadership to their employees and provide consistent support to their employees in order to make their service guarantee successful.

## **FUTURE STUDIES AND STUDY LIMITATIONS**

There are a number of limitations for the research conducted in this dissertation. First, the study only used Virginia Tech Faculty as the subjects of the study. Although, the results of the study indicated that the faculty visited casual dining restaurants

frequently and the reliability of the subjects is high, it might be interesting to use other samples in future studies.

Second, this study adopted the scenario method, which might limit the validity and reliability of the study. The high realism of each scenario is the key in ensuring the reliability of the scenario method. The subjects of this study indicated that the scenarios of this study reflect a high degree of reality. For instance, the average of the realism of the scenarios in the study is 4.89, which is considered to be high. However, the realism score of the study scenario 1 is low (mean score: 3.91) compared to the average realism scores of all the scenarios (average: 4.89). Thus, scenario 1 might lack the reliability and validity.

Another issue regarding the scenario method is that the service failures described in each scenario might not be major service failures that occur in casual restaurants even if the researchers created the service failures of each scenario on the basis of previous studies. Subsequent studies might be undertaken reflecting different types of service failures to validate the results of this study.

Third, the study sample size is not large which could limit the reliability of the study. For example, the subject size ranges between 57 and 85 in each scenario. In addition to the small sample size, the response rate of the study is relatively low. The response rate of the study ranges between 13.8% and 21% according to the type of scenario. This response rate is low in comparison to similar studies such as Ostrom (1996) which used MBA students as the subjects of the study. Therefore, there might be a non-response bias in the study and it might require a high degree of caution in interpreting the results of the study. Future study might be undertaken using more ample



subject size and different type of population in order to see if there is a significant difference in comparison to this study.

Fourth, this study focuses only on the service guarantee of casual dining restaurants. A high degree of caution is required in the application of the results of this study to other service industries because the casual dining restaurant industry has many unique features and characteristics, such as the degree of consumers' perceived risks with respect to the selection of a restaurant and expectations of service quality that might affect the results of the study. Future studies might select the service guarantee of other service industries and compare their studies with the results of this study. For instance, a study dealing with the impacts of service guarantee on the lodging industry could be interesting.

Also, this study was developed on the basis of U.S. samples. It might be interesting to develop a study focusing the impacts of service guarantees on international customers to see if there are differences between the US samples and variables relating to international customers.

In summary, Hart (1988) ascertain that there has been a lack of service marketing literature especially focusing on developing service strategies. Thus, this study is attempted to expand the body of service strategy literature. More service marketing studies focusing on service strategy are needed because of the significance of the topic.

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## APPENDIX A

### COVER LETTER

Dear Professors:

I am a Ph.D. candidate in Hospitality and Tourism Management at Virginia Tech. For my Ph.D dissertation, I am conducting a study that examines the impacts of the service guarantee in the restaurant industry. Your response to this survey will provide valuable information for my research and will eventually help the restaurant industry to improve its customer service and satisfaction.

To thank you for your participation, I would like to offer you the chance to enter your name to win a Outback Steakhouse Restaurant Gift Card. There will be randomly selected five winners each receiving a \$30 gift card as a token of appreciation for their help. This survey consists of two parts. In the first section, you will be presented with a scenario about a restaurant situation. When you read the scenario, please picture yourself experiencing it as if you were at the restaurant. In the second section, you will be instructed to answer questions regarding your reactions to the scenario.

This is a short survey that you should be able to complete within 10-15 minutes. Also, please be advised that participating in this survey is voluntary. Also, please be assured that your identity will not be revealed in any report of this research's findings. All of your answers will be held confidentially and only collective data will be used. Your name and address will not be used for any other purposes. If you have any questions about this survey, please contact me.

In order to assess the survey, please click this link (<https://survey.vt.edu/survey/entry.jsp?id=1159128708087>) and simply press "submit" after you complete the survey.

Thank you for your help

Sincerely,

Kyuho Lee



## APPENDIX B

### RESEARCH SCENARIOS

#### Scenario 1

Imagine that you are attending a conference in a city that is unfamiliar to you when you and your colleagues decide to look for a steak restaurant for dinner. Assume that you and your colleagues are not busy. Also, assume that you have no restaurant information about the area around the conference hotel where you and your colleagues are staying. Thus, you ask a hotel clerk for some recommendations; the hotel clerk recommends **restaurants A, B, and C** which are **all independent steak restaurants** located nearby. You have never dined at these restaurants before. All these restaurants are famous for their excellent service and food. The only difference among restaurants A, B, and C is that **Restaurant A** and **Restaurant B** offer a service guarantee to consumers, while **Restaurant C** does not offer any service guarantee to consumers.

**Note: Restaurant A's service guarantee is as follows: Restaurant A offers a free meal if consumers are not happy with any aspects of the service or food. On the other hand, restaurant B offers a free meal if consumers have to wait over 30 minutes to receive food after placing an order.**

*The following questions deal with your reactions to the scenario. Please read the scenario carefully and circle the number that **best reflects your opinion**.*

Q1. This scenario is realistic and the situation described in the scenario could happen.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q2. You would choose to dine at restaurant A.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

You would choose to dine at restaurant B.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

You would choose to dine at restaurant C.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q3. Reconsidering all the information in the scenario, which restaurant would you choose?

Restaurant  Restaurant  Restaurant

Q4. (a) In question 3, if you chose restaurant A (**offering a free meal if consumers are not satisfied with the service or food**), you believe that Restaurant A provides better value for the money you spend.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

(b) In question 3, if you choose restaurant A (**which offers a free meal if consumers are not satisfied with the service or food from the restaurant**), you worry about whether restaurant A will provide great service and food to you.

Not at all 1 2 3 4 5 6 7 A great deal

(c) In question 3, if you choose restaurant B (**which offers a free meal if consumers have to wait over 30 minutes to receive food after placing an order**) you believe that Restaurant B provides value for the money you spend.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

(d) In question 3, if you choose restaurant B (**which offers a free meal if consumers have to wait over 30 minutes to receive food after placing an**

**order**), you were concerned about whether restaurant A would provide a great service and food to you.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

(e) Answer this question only if you chose restaurant **C**. **Although restaurant C does not offer a service guarantee**, you believe that Restaurant C would provide better value for the money you would spend there.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

(f) Answer this question only if you chose restaurant **C (no service guarantee is offered)**. You were concerned about whether the restaurant A would provide great service and food to you.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q5. Your gender: Female\_\_\_\_\_ Male\_\_\_\_\_

Q6. Your age:

Q7. How often do you dine in casual restaurants?

a.1-2 per month    b.3-4 per month    c. 5-6 per month    d. more than 7 times per month

## Scenario 2

You are about to go out to a restaurant with your family for dinner. You and your family enjoy dining in steak restaurants. There are two steak restaurants in your town.

**Restaurant A is a famous brand name restaurant** that is well-known for its high quality meat. **Restaurant B is managed by an independent owner** and is famous for its service and quality. **Both of the restaurants are similar in terms of food, service, and the variety of the menu.** Both restaurants accept reservations in advance. At **brand name restaurant A**, customers generally have to wait 10-20 minutes to be seated. The **independent restaurant B** on the other hand, offers a free meal to customers if customers have to wait **more than 15 minutes** over their reservation time.

*The following questions deal with your reactions to the scenario. Please read this scenario carefully and circle the number that **best reflects your opinion.***

Q1. This scenario is realistic and the situation described in the scenario could happen.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q2. You would choose to dine in restaurant A.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

You would choose to dine in restaurant B.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q3. Based on all the information in the scenario, which restaurant would you choose?

Restaurant  A Restaurant  B

Q4. (a) In question 3, if you chose **restaurant A (a brand restaurant)**, you believe that Restaurant A provides good value for the money you would spend there.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

(b) In question 3, if you chose **restaurant A (a brand restaurant)**, you would worry about whether the restaurant A would provide great service and food to you.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

(c) Answer this question only if you chose **restaurant A**. You are certain that the **brand reputation of restaurant A** helps you receive the level of service and food that you desire.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q5. (a) In question 3, if you would dine in **restaurant B (an independent restaurant offering a service guarantee)**, you believe that Restaurant B provides value for the money you would spend there.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

(b) Answer this question only if you chose **restaurant B**. You are worried about whether restaurant B would provide great service and food to you.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q6. Your gender: Female\_\_\_\_\_ Male\_\_\_\_\_

Q7. Your age:

Q8. How often do you dine in casual restaurants?

- a. 1-2 per month
- b. 3-4 per month
- c. 5-6 per month
- d. more than 7 times per month

### Scenario 3

Imagine that you had to wait for 50 minutes to receive your entrée (pasta) in a casual dining restaurant offering a service guarantee. **According to the service guarantee of the restaurant, the restaurant offers a free meal if consumers have to wait more than 30 minutes to receive food after placing an order.** When you finish your meal you claim a free meal, indicating that you waited for your food for more than 30 minutes. The restaurant manager comes to you and apologizes for the lateness of the food and does not charge you for the entire meal.

*The following questions deal with your reactions to the scenario. Please read the scenario carefully and circle the number that **best reflects your opinion.***

Q1. This scenario is realistic and the situation described in the scenario could happen.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q2. Overall, how would you rate the quality of the service in the restaurant?

Very poor 1 2 3 4 5 6 7 Excellent

Q3. You are satisfied with the restaurant's the service guarantee.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q4. How much does the service guarantee policy of the restaurant influence your answer to question 2 above?

Not influential at all 1 2 3 4 5 6 7 Very influential

Q5. You would dine in the same restaurant again in the future.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q6. What is the likelihood that you will switch to another restaurant?

Not at all likely 1 2 3 4 5 6 7 Extremely Likely

Q7. You would recommend this restaurant to someone else.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q8. You would recommend that your friends and relatives dine in this restaurant.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q9. You would say positive things about this restaurant to other people.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q10. Your gender: Female\_\_\_\_\_ Male\_\_\_\_\_

Q11. Your age:

Q12. How often do you dine in casual restaurants?

- a. 1-2 per month    b. 3-4 per month
- c. 5-6 per month    d. more than 7 times per month

#### Scenario 4

Imagine that you made a reservation in a favorite restaurant one week ago to dine out with your family. **The restaurant is well known for its service guarantee, which indicates that a free meal is offered when a reservation is not held.** However, when you arrive at the restaurant, the hostess of the restaurant says that the restaurant has some seating problems and **you need to wait an hour to be seated.** After an hour, you and your family are seated and have dinner together. At the end of the dinner, you request a free meal by speaking with the server. However, the server tells you that he needs to speak with the manager of the restaurant to get an approval about the service guarantee. However, after 10 minutes the server approaches you and tells you that the manager is not in the restaurant. Therefore, he informs you that the restaurant could not honor the service guarantee policy for you.

*The following questions deal with your reactions to the scenario. Please read the scenario carefully and circle the number that **best reflects your opinion.***

***The Definition of Casual Restaurant:***

Q1. This scenario is realistic and the situation described in the scenario could happen.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q2. Overall, how would you rate the quality of the service in the restaurant?

Very poor 1 2 3 4 5 6 7 Excellent

Q3. You are satisfied with the restaurant's the service guarantee.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree



Q4. You would dine in the restaurant again in the future.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q5. What is the likelihood that you will switch to another restaurant?

Not at all likely 1 2 3 4 5 6 7 Extremely Likely

Q6. You would recommend this restaurant to someone else.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q7. You would recommend the restaurant to your friends and relatives.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q8. You would say negative things about this restaurant to other people.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q9. Your gender: Female\_\_\_\_\_ Male\_\_\_\_\_

Q10. Your age:

Q11. How often do you dine in casual restaurants?

- a. 1-2 per month
- b. 3-4-per month
- c. 5-6 per month
- d. more than 7 times per month

## Scenario 5

Imagine that you are at a dinner with your business partner in a well-known casual restaurant. However, you and your business partner have to wait for over 1 hour to receive entrees. You know that the restaurant offers a **specific service guarantee**. The service guarantee of the restaurant specifies that the restaurant will offer a free meal if the customers have to wait for food **over 45 minutes**. Assume that no servers approach and apologize for the delayed food. In this situation, how likely are you to complain about the delayed service and claim the payout as per the service guarantee policy?

*The following questions deal with your reactions to the scenario. Please read carefully and circle the number that **best reflects your opinion**.*

Q1. This scenario is realistic and the situation described in the scenario could happen.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q2. You **would complain about the delayed service**, claim the service guarantee policy, and ask for the payout of the restaurant service guarantee from servers or managers.

Least likely 1 2 3 4 5 6 7 Most likely

Q3. You would do nothing about the delayed service and **would not claim the service guarantee**.

Least likely 1 2 3 4 5 6 7 Most likely

Q4. Let's assume that the restaurant accepted your complaint and **did not charge for the food**. How satisfied are you with the restaurant's service guarantee policy?

Strongly dissatisfied 1 2 3 4 5 6 7 Strongly satisfied

Q5. Let's assume that the restaurant accepted your complaint and did not charge for the food. Then, you **would still dine in the restaurant again** in the future.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q6. Let's assume that the restaurant accepted your complaint and did not charge for the food. Then, what is the likelihood that you will switch to another restaurant?

Not at all likely 1 2 3 4 5 6 7 Extremely Likely

Q7. Let's assume that the restaurant accepted your complaint and did not charge for the food. You would **recommend** this restaurant to someone who seeks your opinion.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q8. In general, what you would say about this restaurant would be

Very negative 1 2 3 4 5 6 7 Very positive

Q9. Your gender: Female\_\_\_\_\_ Male\_\_\_\_\_

Q10. Your age:

Q11. How often do you dine in casual restaurants?

a. 1-2 per month   b. 3-4 per month   c. 5-6 per month   d. more than 7 times per month

## Scenario 6

Imagine that you are at a dinner with your business partner in a well-known casual restaurant. You and your associate wait for **1 hour** to receive the pasta dishes that you and your business partner ordered. The restaurant offers a **100% unconditional satisfaction guarantee** for all restaurant service and food. According to the restaurant guarantee, the restaurant won't charge if customers are dissatisfied with the service and products. You are aware of the restaurant's 100% unconditional satisfaction guarantee. Assume that your server did not approach you and explain about the late service. In this situation, how likely are you to complain about the delayed service and claim the service guarantee payout?

**Note: The restaurant's 100% satisfaction guarantee delineates that the restaurant offer a free meal to consumers who are not satisfied with any service or food aspects under any circumstances.**

*The following questions deal with your reactions to the scenario. Please read the scenario carefully and circle the number that **best reflects your opinion**.*

Q1. This scenario is realistic and the situation described in the scenario could happen.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q2. You would **claim the service guarantee** and ask for the free meal from servers or managers for the delayed food.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q3. You would do nothing about the delayed service, **would not claim the service guarantee**, and **simply stop dining at this restaurant in the future**.

Least likely 1 2 3 4 5 6 7 Most likely

Q4. Let's assume that the restaurant accepted your complaint and did not charge for the food. How satisfied are you with the restaurant's service guarantee policy?

Very dissatisfied 1 2 3 4 5 6 7 Very satisfied

Q5. Let's assume that the restaurant accepted your complaint and did not charge for the food. Would you still dine in the restaurant again in the future?

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q6. What is the likelihood that you will switch to another restaurant?

Not at all likely 1 2 3 4 5 6 7 Extremely Likely

Q7. Let's assume that the restaurant accepted your complaint and did not charge for the food. You would recommend this restaurant to someone who seeks your opinio.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q8. In general, your opinion about this restaurant would be

Very Negative 1 2 3 4 5 6 7 Very Positive

Q9. Your gender: Female\_\_\_\_\_ Male\_\_\_\_\_

Q10. Your age:

Q11. How often do you dine in casual restaurants?

- a. 1-2 per month
- b. 3-4 per month
- c. 5-6 per month
- d. more than 7 times per month

### Scenario 7

Imagine that you are at a dinner with your business partner in a well-known casual restaurant. You and your associate wait for **1 hour** to receive the pasta that you and your business partner ordered. **Assume that your server did not approach you and explain about the late service.** In this situation, how are you likely to complain the delayed service?

*The following questions deal with your reactions to the scenario. Please read the scenario carefully and circle the number that **best reflects your opinion.***

Q1. This scenario is realistic and the situation described in the scenario could happen.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q2. You would complain about delayed food to servers or managers.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q3. You would do nothing about the delayed service and simply stop dining in the restaurant in the future.

Least likely 1 2 3 4 5 6 7 Most likely

Q4. Overall, how would you rate the quality of the service in the restaurant?

Very poor 1 2 3 4 5 6 7 Excellent

Q5. Let's assume that you did not complain about the delayed food. You would still dine in the restaurant again in the future.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q6. What is the likelihood that you will switch to another restaurant?

Not at all likely 1 2 3 4 5 6 7 Extremely Likely

Q7. Let's assume that you did not complain about the delayed food. You would recommend this restaurant to someone who seeks your advice.

Strongly disagree 1 2 3 4 5 6 7 Strongly agree

Q8. Your gender: Female\_\_\_\_\_ Male\_\_\_\_\_

Q9. Your age:

Q10. How often do you dine in casual restaurants monthly?

- a. 1-2 monthly    b. 3-4 monthly
- c. 5-6 monthly    d. more than 7 times monthly

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## CURRICULUM VITAE

### KYUHO LEE

Belk 219  
Western Carolina University  
Cullowhee, NC 28723  
Klee@wcu.edu

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#### EDUCATION

Assistant Professor Department of Management and International Business Western Carolina University	Present- August 2006
Ph.D. Hospitality and Tourism Management Department of Hospitality and Tourism Management Pamplin College of Business, Virginia Tech University	December 2006-August 2002 Blacksburg, VA
Specialization: F&B Management, Service Management, Hospitality Franchising Management, Wine Marketing <b>Dissertation Title: Exploring the Impacts of Service Guarantee Strategy in the Casual Restaurant Sector</b> Chair: Dr. Mahmood Khan	
M.S., Hospitality & Food Service Management Florida International University	August 2001 Miami, FL
Diploma, Hotel Management Hotel Institute Montreux	May 1999 Montreux, Switzerland

#### TEACHING & RESEARCH EXPERIENCE

<b>Assistant Professor</b> Department of Management and International Business Western Carolina University	Present to August 2006
<b>Instructor</b> Department of Hospitality and Tourism Management Pamplin College of Business, Virginia Tech University	August 2002 to May 2006 Blacksburg, VA
<b>Courses Taught</b> <ul style="list-style-type: none"><li>• <b>HTM 3474 Hospitality Facility Planning Management Present</b></li><li>• <b>HTM 4414 Food and Beverage Management (Lab section) 2003</b></li></ul>	<b>August 2004 to Present</b> <b>August 2002 to May 2003</b>
<b>Research Assistant</b> (Under Dr.McCleary's Supervision) Department of Hospitality and Tourism Management Pamplin College of Business, Virginia Tech University	August 2003 to May 2004 Blacksburg, VA



## PROFESSIONAL EXPERIENCE

<b>Assistant Restaurant Manager</b> Fontainebleau Hilton Resort	2001 Miami, FL
<b>F&amp;B Management Training</b> Intercontinental Hotel	2000 Miami, FL
<b>Restaurant Server</b> JW Marriott	2000 Miami, FL
<b>F&amp;B Internship</b> Noga Hilton	1998 Geneva, Switzerland
<b>F&amp;B Internship &amp; Night Audit</b> Golf Hotel	1997 Montreux, Switzerland
<b>Part-Time Restaurant Server</b> Golf Hotel	1997-1999 Montreux, Switzerland

## PROFESSIONAL CERTIFICATIONS

**Hospitality Operations Certificate** (American Hotel & Motel Association–1999)

## COMPUTER & LANGUAGE SKILLS

- **Property Management Systems:** Fidelio
- **Distance Learning:** Blackboard
- **Statistical Packages:** SPSS
- **Languages:** Korean (Native), French (Intermediate), Japanese (Intermediate)

## PROFESSIONAL MEMBERSHIPS

- Foodservice Consultants Society International (FCSI)

## AWARDS

### **Winner of 3<sup>rd</sup> Best Student Paper Award**

**Lee, K., & Madanoglu, M.** Who shook the throne of Big Mac?: A strategic analysis of Panera Bread, Co. Virginia Tech Student Annual Research Symposium and Exposition, March 23, 2005, Blacksburg, VA.

## REFEREED JOURNAL ARTICLES

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**Lee, K.**, & Zhao, J. (2002). Japanese travelers' preferences in U.S. hotels. *Journal of Hospitality and Tourism Marketing*, 14(2), 67-85.

#### **MANUSCRIPTS UNDER REVIEW**

Madanoglu, M., **Lee, K.**, & Kwansa, F. A. Risk-Return Analysis of Casual Dining vs. Fast Food Restaurant Segments: Who Moved my Cheeseburger? (Under second review).

#### **WORK-IN-PROGRESS**

**Lee, K.**, Khan, M., & Ko, J. The Globalization of US Casual Restaurant Chains: The Success Case of the Outback Steakhouse Korea.

**Lee, K.**, Khan, M., & Ko, J. Antecedents of successful U.S. international restaurant franchising: Delving into the challenges and needs of the American franchising restaurants in the international markets.

#### **REFEREED CONFERENCE PROCEEDINGS AND PRESENTATIONS**

**Lee, K.**, & Madanoglu, M. (2006). Lessons from the domestic struggles and global strides of the fast-food giants: The case of McDonald's and Yum! Brands. International Management Development Association (IMDA) 15<sup>th</sup> Annual World Business Congress. Sarajevo, Bosnia and Herzegovina.

**Lee, K.**, & Khan, M. (2005). Culture and its impacts on the international service management : Exploring global consumers' different service perceptions and preferences in the international hospitality industry. Presented at International Conferences on Service Management, New Delhi, India.

**Lee, K.**, Khan, M., & Ko, J. (2005). Antecedents of successful U.S. international restaurant franchising: Delving into the challenges and needs of the American franchising restaurants in the international markets. Presented at the International Council on Hotel, Restaurant and Institutional Education (CHRIE) Conference, Las Vegas, NV.

**Lee, K.**, McCleary, K., & Meacham. (2005). Exploring the operational issues of the small regional wineries: The case of the commonwealth Virginia. Presented at the International Council on Hotel, Restaurant and Institutional Education (CHRIE) Conference, Las Vegas, NV.

Madanoglu, M., & **Lee, K.** (2004). Risk-Return Analysis of Casual Dining vs. Fast Food Restaurant Segments: Who Moved my Cheeseburger? Presented at the Ninth Conference on Graduate Education and Research in Hospitality and Tourism, Houston, TX.

**Lee, K.**, Khan, M., & Ko, J. (2004). A cross-cultural comparison of consumer perceptions: The impact of service recovery over loyalty, word-of-mouth, and future patronage intent. Presented at the International Council on Hotel, Restaurant and Institutional Education (CHRIE) Conference, Philadelphia, PA, July 28-31, 2004.

**Lee, K.** & Zhao, J. (2001). Japanese travelers' unique preferences during a stay in U.S hotels, Presented at the International Council on Hotel, Restaurant and Institutional Education (CHRIE) Conference, Toronto, Canada.

#### **PEER-REVIEWED SYMPOSIA PRESENTATIONS**

**Lee, K.**, & Zhao, J. (2005). Challenges for the U.S. fast-food industry: Does the industry need a new strategic mindset? Presented at the International Council on Hotel, Restaurant and Institutional Education (CHRIE) Conference, Las Vegas, NV.

**Lee, K.**, & Madanoglu, M. (2004). Delving into Food Novelty of the New Millennium: Hey BigMac Make some Room for Panera Bread! Presented at the International Council on Hotel, Restaurant and Institutional Education (CHRIE) Conference, Philadelphia, PA.

#### **UNIVERSITY SERVICE**

**Delegate** of the Department of Hospitality and Tourism Management to the Graduate Student Assembly of Virginia Tech, 2004-present.