

SERVICE RECOVERY STRATEGY AND CUSTOMER SATISFACTION IN HIGHER EDUCATION

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ABSTRACT

This study reports customer recovery satisfaction in educational settings. Most of previous research has been conducted in banks, restaurants and hotels but none of those were from educational context. There has been keen interest in customer recovery satisfaction recently. During the service encounter, customers witnessed the dyadic interactions and experienced the moments of truth. The parties involved are customers, service providers, the physical environment of the service organization and the failure atonement. Despite the best efforts made by the service firms, service failures are inevitable. When service fails, the dissatisfied customers defect to competitors thereby firms loses business, suffer bad word of mouth and grudges. Service firms should recover. It was hypothesized that communications, explanation, feedback, empowerment, tangible, speed and atonement would influence customer recovery satisfaction. It was also hypothesized that organizational climate would moderate the relationship. Data for the study was collected from randomly sampled 103 post-graduate students in a public university in Malaysia using structured questionnaire. Analysis showed that tangible, communication, feedback, and atonement, have positive significant relationship with customer retention as they were enhanced by the organizational climate, as much as, 14.7%, 14.5%, 15% and 15.7% respectively. It was also found that these four variables predicted to contribute 10.7%, to the customer retention rate. Recommendations for further research were also discussed.

Keywords: customer satisfaction, service recovery, customer retention, service encounter.

INTRODUCTION

Higher education institutions (HEI) are now facing numerous challenges. Increased competition and a public demand for quality education are some of the pressing issues of most universities today. Furthermore, higher education is increasingly recognizing that it is a service industry and is placing greater emphasis on delivering quality services and assuring satisfaction to its customers (Cheng & Tam, 1997). However, due to the unique characteristic of service, there are inherent soft spots in the service delivery process or service encounter that are vulnerable to service failure-where customers' expectations are not met. During the service encounter, customers witnessed the dyadic interaction and experienced the moments of truth. The parties involved are customers, service providers, the organization's environment and the failure atonement.

Despite the best efforts made by the service organizations, service failures are inevitable. When service fails, the dissatisfied customers may defect to competitors or communicate their experience to others. Service organizations, therefore, should be ready with service recovery strategies in order to recover the failure and ensure the customer exit the service encounter with a pleasant experience. In higher education, the most effective and efficient means of recruiting students is through word-of-mouth promotion, which comes from current satisfied students (Elliot & Healy, 2001).

Education is a part of service that has a great potential to be developed in Malaysia. Education in Malaysia can become one of the sources of generating income from foreign students.. We can attract and retain foreign students provided the quality of service rendered is of high quality or of international standard. Therefore it is very necessary that the education institutions design an instrument that measure their level of they service quality served (Joseph & Joseph, 1998).

There has been keen interest in customer service recovery satisfaction recently. The previous research on customer recovery satisfaction mostly centers on high contact service industry where service failures are more prone to happen (Hoffman & Bateson, 2001). Boshoff (1999) for example, used RECOVSAT to study service recovery in banking services. However, in other types of services for example the mental stimulation processing service like in education and training no available literature to explain the experience in context. Therefore this study is timely and relevant trying to enrich the experience in understanding service recovery in educational setting.

The purpose of this paper is therefore, to highlight the finding of the study that examined the relationship between various dimensions of service recovery strategies and customer recovered satisfaction.

BACKGROUND OF THE PROBLEM

Service quality is the most important element in all organizations, bad quality will drive customers away (Dalton, 1994). According to Tih dan Aliah (1999) there are six factors that determine the university service standard: i) academic reputation, ii) issues related to program of studies, iii) job opportunities iv) cost and time, v) physical aspects, and vi) influence choosing the university. According to Lovelock (1996) to market an educational institution is not easy, because an educational institution offers a complete package with teaching-learning process, food, accomodation, security, recreation, and social activities and many more.

Service quality refers to the difference between customer expectation and actual service perception (Parasuraman et. al. 1985, 1988). This group of researchers have tested 10 service quality dimensions which comprized of 45 items in variety of situation. After a few refinement process Parasuraman et. al. (1990) have reduced the dimension to five only becuae they think that the five dimensions are enough and representative, and suitable to measure service quality in most of service quality firms as a whole.

A few studies in US and Britain showed that school climate and service quality contributed to the students success. (Brookover, 1979; Edmonds, 1979). Reynolds et al (1994) found that students academic performances increase when the quality of service is given increased. In Malaysia, the Ministry of Education (1995), had conducted a study on performances of 12 fully residential schools and found that the students that failed in those schools were due to a couple of indicators. First, the school climate was not conducive ie. The ambience was unsatisfactory and second, the lack of warmth in the students-teacher relationships.

CHARACTERISTIC OF SERVICE

Zeithaml, Parasuraman and Berry (1990), Zeitham and Bitner (1996). Bateson and Hoffman (1999), Haksever et al (2000) sums up four common factors that characterized all services: intangibility, inseparability of production and consumption, heterogeneity, and perish ability.

Services are said to be intangible because they are performances rather than objects, and they cannot be touched or seen in the same manner as goods, rather they are experienced and customers' judgments about them tend to be more subjective than objective. Inseparability of production and consumption refers to the fact that whereas goods are first produced, sold and then consumed, services are sold first and then produced and consumed at one and the same time. Heterogeneity refers to the potential for variability in the performance of services and problems of lack of consistency that cannot be eliminated in services as they frequently can be with goods. Perishability means that services cannot be saved, unused capacity in services cannot be claimed, and services themselves cannot be inventoried.

Some service is delivered by people (e.g. hair styling or financial advice), or by equipment (e.g. freight transportation and telecommunications), or by combination of the two (e.g. airline service, restaurants and hotels). Furthermore, some service involves a good deal of interaction between the service provider and the customer (e.g. dental care and physical therapy), whereas, others involve very little interactions (e.g. utilities or telecommunications). The former are often referred to as high contact services while the later are identified as low-contact services. In addition, some services are delivered on the customer's premises (e.g. lawn care or maintenance), whereas, others occur at the service organization's site (e.g. Hotels or auto-repair).

SERVICE FAILURE

Much of customer dissatisfaction was originated from employee's response to service failure. In most cases, customer pointed out that employee ignorance towards customer need and wants therefore they showed inefficiency in the service delivery. (Bitner, Booms & Tetraulte, 1990). According to Dube – Rioux et al (1988), customer

would not compromise on slow or delayed service as well as denial of their right as customers.

The importance of employee response to customer needs and requests could not be understated. When a customer requires the contact employee to adapt the service delivery system to suit his or her unique needs, the contact employee's response determine the customer's satisfaction or dissatisfaction. What is important is whether or not the customer perceives that his or her 'special' request or needs have been accommodated. (Flanagan, 1954)

Unprompted and unsolicited employee actions are very important. Events and employee behaviors that are truly unexpected from the customers' point of view are in this group. Satisfactory incidents represent very unpleasant surprises such as, 'special attention, being treated like a royalty - something nice but not requested', whereas dissatisfactory incidents comprise negative and unacceptable employee behaviors such as, 'rudeness, gender discrimination, ignoring the customers'

Apart from that, mistakes stem-up from service firm also aplenty. For example, the service firms have imposed certain regulation and policies which are not friendly to customer thereby they have to deal with problematic customers. These customers are already dissatisfied before they consume the company services. (Bitner, Booms & Mohr, 1994)

Firm's related problems such as equipment and machinery breakdown may cause a devastating effect to business as well as in educational services. Atmospheric factors such as faulty air-conditioning in a stuffy mini-lecture room or bad smell in conference room will chase customer away. Nor forgetting, customers have to share facilities with other customers as in the library, computer labs and etc. If other customers are so unfriendly or unruly it is actually make prospective customers to shy away.

STUDENT SATISFACTION

Student satisfaction is generally accepted as a short-term attitude resulting from an evaluation of a student's educational experience. Satisfaction results when actual performance meets or exceeds expectations. Athiyaman (1997) concluded that perceived quality of an educational experience is a result of student satisfaction. West-brook (1980) defined customer satisfaction as an individual subjectively derived favorable evaluation of any outcome and or experience associated with consuming a product or services. Conceptually, satisfaction is a purchase outcome whereby customers compare rewards and cost with anticipated consequences (Bolton & Drew, 1991). Operationally, satisfaction is similar to attitude, short termed and as it represent the sum of several attribute satisfaction judgment.

Student satisfaction is multi-dimensional (Hartman & Schmidt, 1995). It is a consequence of student interactions with higher education's product, which includes student's academic, social, physical and spiritual experience (Sevier, 1996). However, one important dimension of student satisfaction that influence the likelihood behavior to relay positive word-of-mouth in term of recommending the institution to others is the experience of interaction between the students and the faculty members (Browne, Kaldenberg, Browne & Brown, 1998).

SERVICE RECOVERY STRATEGIES

According to Zeithaml and Bitner (2003) service recovery refers to action taken by an organization or service provider in response to service failure. In other word, it means any actions taken by the service suppliers to seek out dissatisfaction, and plan a process to return the aggrieved customers to a state of satisfaction with the suppliers after a service has failed to live up to expectation. Based on the disconfirmation theory (Jones & Ioannou, 1992) it can be postulated that disconfirmation occurs when there is a discrepancy between expectation and performance, and overall satisfaction is determined by combining the satisfaction and dissatisfaction outcomes of various attributes of service.

Since student satisfaction rooted in dimensions to include those related to physical (tangible) and interaction with service provider, it is logical that the recovery strategies should be in line with the source of satisfaction. Therefore, it is propose that *the recovery strategies options, including: tangible, empowerment, communication style, feedback, explanation and atonement is/are related to student recovery satisfaction.*

Communication style

What is the communication style of the service provider when he or she is being confronts by the angry customer? The manner with which a customer is talked to, very much influence his evaluation of the service recovery efforts. Sparks, Bradley and Callan (1997) distinguished two communication styles that can affect the outcome of interaction between service provider and customer namely: accommodative and under-accommodative. Despite its popularity in use and importance in recovery, the communication style as a dimension of recovery strategy was not examined in the previous research.

Explanation.

Explanation can be both excuses and apology, denies and accept responsibility respectively, for the failure incidents. Explanations have received considerable attention recently in organization literature. Past researches suggest that appropriate explanation can reduce feelings of anger and resentment that often occurs when people experience unfavorable incident and enhance perception that the procedures used were fair (Conlon and Murray, 1996).

Tangible.

According to Boshoff (2003), tangible dimension refers to appearance and standard of dress of employee, the equipment they use, and the physical environment in which they handle complaints. Many marketing scholars including Zeithaml et al (1990) findings show that, tangibles is one of the most important dimensions that customers use to evaluate service quality. Both the service industry executives and the focus group participants taking part in the study, confirmed that tangible play an important role in customer evaluation of service satisfaction

Feedback

One of the most important activities in service recovery is providing feedback to the customer about how that customer's complain made a difference. In recovering the

service failure, service provider should mention how any of the incidents that befell the customer will be prevented in the future. “If you are happy with what we do, tell them (friends) but if you are not tell us” (Mudie and Cottam, 1999)

Atonement

Offering customers a marginal discount and an apology as compensation for service failure, as compared to mere apology, result in greater customer satisfaction and received fairness. The monetary amount of restitution (i.e. percentage of initial service charge) and prior usage experience were found to also influence perceptions of satisfaction, appropriateness of compensation, reputation of the firm and intention to return and repeat purchase. Unsurprisingly, a greater monetary compensation was considered to be more appropriate by customers and consequently resulted in higher customer satisfaction (Goodwin and Ross, 1992; Megehee, 1994)

Empowerment

Essentially, empowerment is giving the employee the power to act in the interest of serving customers better and thus to influence organizational performance. Because of the nature of the services, it is the frontline staff who are most affected by the introduction of empowerment. They are the closest to the customer and they are in the best position to determine what action is required, as they know what expectations customers have of their service and what customers want when things go wrong. They are also in the best position to provide it (Rust et al, 1996; Boshoff and Allen, 2000). Empowerment allows the employee to provide efficient, personal and more responsive service and recovery efforts.

Organizational climate

Organizational climate is said to be one of the factors that facilitate the effective delivery of service (Clark, 2000). From the perspective of customer retention, climate is dichotomized as high retaining and low retaining climate. According to Clark (2000) the former climate is more susceptible to customer retention especially in recovering service failure. In earlier study, Johnston (1996) found that service climate is related to facets of customer satisfaction. To further examine the effect of climate on customer satisfaction in service interactions, Rongga, Schmidt, Shull and Schmidt (2001) found that the factor moderate the relationship between human resources practice and customer satisfaction. Hence, this study examined the moderating effect of organizational service climate on the relationship between service recovery strategy and customer/student satisfaction.

METHODOLOGY

Data were collected from post-graduate students who had some form of experience with, an educational institution. These students of a moderately size public university, converged to the university from various parts of the country to attend lectures during the weekends. The instrument used was a structured 54 items - questionnaire adopted from Boshoff (1999) – The Recovery Satisfaction scale (RECOVSAT.). The instrument’s reliability coefficient of the previous and the present is .91 and .88 respectively.

The moderating variable is organizational climate, which was adopted from Clark (2002). Basically, there are five main themes in this organizational climate, namely are structure, rewards and recognition, cohesion, warmth and support, and customer oriented services. Data collected were analyzed using simple correlation, multiple regression and hierarchical moderated regressions. Data collected were analyzed by SPSS version 11.5.

Analysis and Findings

The overall descriptions of the respondents are as follows: Male respondents are 70.9% and female respondents are 29.1%. The majority of them are Malays (84.5%), Chinese and Indians are 10.7% and 2.9% respectively. Most of them are married (83%), aged between 41-50 years (47.6%) and 31-40 years (35.9%). The majority of them are holding a degree (87.0%) and earning an income between RM1500-3000 monthly (95.1%)

The correlation analysis was conducted. It was found that tangible, feedback, and atonement, significantly correlated to the customer recovery satisfaction as shown in Table 1 below.

Table 1: Correlation of recovery satisfaction and recovery strategy (n=103)

| Recovery strategies | Recovery Satisfaction |
|---------------------|-----------------------|
| Tangible | .254** |
| Empowerment | .070 |
| Communication | .129* |
| Feedback | .219** |
| Explanation | .089 |
| Atonement | .243** |

** Correlation is significant at $p < 0.01$ level (2 tails)

* Correlation is significant at $p < 0.05$ level (2 tails)

When the data were treated with multiple regression analysis it was found that the three significantly correlated independent variables predicted to contribute 10.7% to the recovery satisfaction.

Table 2: Multiple regression analysis

| R | R ² | R ² adjust | R ² change | F change | Sig. F change |
|-------|----------------|-----------------------|-----------------------|----------|---------------|
| 0.328 | 0.107 | 0.093 | 0.107 | 7.501 | .000 |

Analyzing how climate moderated the relationships by moderated hierarchical regression analysis, it was found that the moderating variables enhanced the relationship between recovery satisfaction and tangible, communication, feedback, and atonement as

much as 14.7%, 14.5%, 15% and 15.7% respectively. Result of the analysis is shown in Table 3.

Table 3: Moderated Hierarchical - Regression Analysis (n=103)

| Variables | R | R ² | R ² Change | Significance |
|---------------|------|----------------|-----------------------|--------------|
| Tangible | .383 | .147 | .082 | .000 |
| Communication | .381 | .145 | .128 | .000 |
| Feedback | .387 | .150 | .102 | .000 |
| Atonement | .397 | .157 | .098 | .000 |

The finding is consistent with Boshoff and Staude (2003), who found that the major South African bank employee's atonement and tangible were correlated to customer recovery satisfaction but did not support the feedback.

But contrary to the previous findings whereby tangible was not correlated, this study revealed that tangible is an important variable that influence the customer recovery satisfaction.

Therefore it can be concluded that even though all other factors are constant, the physical environment or tangible or servicescape is very important and determinant to customer satisfaction. This finding is contrary to popular belief that in education, the older the college the better. Meaning, students are more confident in an old and established college rather than the new colleges, unlike shopping at supermarkets or shopping complexes, where customers prefer to shop at new and posh environment (Canterbury, 1999).

Communication is also important, as customers need to know when service is available and the reason why they are not available. Communication break down will create lots of problems and misunderstanding between service provider and customers, thus perceived as service failure by customers.

Feedback is providing the information to customer about the problem and what is being done to solve it. One of the most important activities in service recovery is providing feedback to customer about how that customer's complaint made a difference and the service firms may take precautionary steps so that it will be prevented in future.

Atonement was found significantly correlated with recovery satisfaction. It refers to some value added compensation to restore of inputs to outputs by making up to the customer for the economic and time lost and inconvenience caused.

CONCLUSIONS

From the above analysis it can be concluded that the recovery strategies used by the firm were effective as all the customers are satisfied.

The findings show that communication is the most importance variable to the customer when they report a service failure to the educational institution. This finding support those discovered by Sparks and Callan (1995) and Boshoff and Staude (2003) that the communication styles of the service provider greatly influenced customer's recovery satisfaction.

In this respect also, meaning that customer should be informed when and why service will be perform and why they are not perform. In term of educational services, lecturers should inform students before hand if a lecture is postponed or cancelled.

Communication, feedback and atonement should not be neglected. These variables proved to be also important in restoring customer recovery satisfaction after a service failure.

The findings of this study anyway must be interpreted with caution as it is limited to educational settings and the moderating variable is organizational climate. Perhaps a more through study using a bigger sample in high contact people processing service industry would give better and more interesting result.

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