

A Critical Analysis of Service Recovery Processes in the Hotel Industry

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Abstract

A number of studies have been conducted in the tourism sector on service recovery issues. However an integrated model that identifies the most important aspects is still not available in the literature. This conceptual paper focuses on the hotel sector and tries to highlight a link between service recovery attempts and the image of a destination. A number of relevant theories will be discussed to support this relationship. This paper will help managers and academics to understand complex service recovery processes better.

Keywords: Hotels, Services Marketing, Service Recovery, Tourism

Introduction

It is commonly accepted by both professionals in the tourism industry and academics that demand by tourists for highly specialised as well as customised services has increased greatly. In addition, competition in the field of tourism has always been extremely high as newcomers and adopters of new trends systematically appear and demand their own market share. Therefore, tourism industry professionals need to focus on offering better services at competitive prices. The main goal is to obtain customer satisfaction in order to secure a stable relationship with customers.

Satisfying a customer, however, is a difficult task, especially when it comes to services, since studies have shown that consumers' level of satisfaction is generally lower for services than products (Andreasen & Best, 1977). Particularly in hotels, where there is a high degree of personal interaction with many departments and services (Lewis & McCann, 2004), service failure is sometimes difficult to avoid. Thus service recovery is a valuable marketing tool which constitutes a second chance for the hotel to satisfy the customer. Studies have shown that the outcome of service recovery, whether it is positive or negative, will strongly influence the customer's image of the hotel (Cranage, 2004; Hoffman & Kelly, 2000; Levesque & McDougall, 2000; Lewis & McCann, 2004). However, apart from the apparent influence that it has on the image of the hotel, this paper proposes that it would be beneficial to also investigate whether and to what extent service recovery affects the image of the destination.

This conceptual paper aims to identify previously unexplored implications of the service recovery process. It contributes to our understanding in attempting to show that service recovery in the hotel industry also influences the image of a destination. Important theoretical frameworks will be presented to aid our understanding of this relationship. For example, justice theory, which is commonly used in service recovery

studies, can be used to show which components of the hotel's service recovery affect a destination's image. Furthermore, the authors will show how the service recovery experience affects post-trip behaviour.

Literature Review

Service Recovery

The necessity for service recovery is brought about by service failure. Service failure is defined as those situations when the service fails to live up to the customer's expectations (Michel, 2001) or, according to Maxham (2001), any service-related mishaps or problems (real and/or perceived) that occur during a consumer's experience of the firm. Service failure situations are especially inevitable in the hotel industry due to the 'people factor' nature of services (Susskind, 2002), i.e. the high level of contact between employees and customers (Lewis & McCann, 2004) due to the increasingly high demand of today's hotel guests (Kim, Kim & Kim, 2009). Furthermore, the fact that production and consumption happen at the same time and at the same point does not allow enough room for correction without the hotel guest's participation (Lewis & McCann, 2004). Bitner, Booms and Tetrault (1990) have categorised service failures in terms of their relation to the core services, requests for customised service and unexpected employee actions. Failures that deal with core services (i.e. lost hotel reservations and reserved tables that are unavailable) have been shown to be among the most serious ones because they concern the basic service agreed upon (Levesque & McDougall, 2000), thus consumers expect that the provider will resolve the problem (Hart, Heskett & Sasser, 1990), and, therefore, they constitute the major reason as to why customers change providers (Keaveney, 1995).

Thus, service recovery, which is defined as all those actions taken by a service provider in order to try to resolve the problem that caused the service failure (Gronroos, 1990), aims not only to resolve the problems in order to minimize negative outcomes and retain customers (Miller, Craighead & Karwan, 2000; Smith & Bolton, 1998; Smith, Bolton & Wagner, 1999) but also to "seek out and deal with service failures" (Johnston, 1994, p. 422). After all, a good recovery, as well as reducing customers' negative emotions, also tries to increase the positive ones (Gustafsson, in press).

However as Smith et al. (1999) state, service recovery "includes situations in which a service failure occurs but no complaint is lodged by the customers" (p. 359), meaning that service recovery also includes situations where the customer has not expressed a complaint but the provider has recognised the failure and initiated a recovery procedure. Indeed several studies show that only a minority of dissatisfied customers actually complain (Agbonifoh & Edoreh, 1986; Andreassen et al., 1977; Harari, 1992) mainly because of the emotional stress that such a move produces (Gustafsson, in press).

While service recovery's effectiveness depends on several parameters, excellent recovery tactics can leave those customers who experienced a service failure followed by successful service recovery with greater satisfaction than those who did not experience a service failure incident at all. This is known as 'the service recovery paradox' (McCollough & Bharadwaj, 1992; Michel, 2001). However, several studies consider this as a rare event, limiting its application only to service failure cases which were not severe (Magnini, Ford, Markowski & Honeycutt, 2007; Michel & Meuter, 2008).

However service recovery's major importance is owed to the fact that it affects customer satisfaction and, as a consequence, customer loyalty (Smith et al., 1998; Tax & Brown, 1998). Furthermore, a number of studies have shown that satisfaction with the service recovery directly affects a customer's intention to repurchase and to recommend the service provider (Lewis & McCann, 2004; Maxham, 2001). These relationships constitute the vital reasons why providers pay so much attention to service recovery because in financial terms loyal customers can increase profits (Jacob, 1994; Mittal & Lassar, 1988; Peters, 1988; Reichheld & Sasser, 1990) including through their recommendation of the service to others (Cranage, 2004).

Justice Theory

Justice theory is widely used in service recovery studies to help analyse the way that customers perceive the entire recovery process. Similarly, the current paper proposes the use of this theory in order to understand which elements affect the customer's image of the destination. Equity theory forms the basis of justice theory. It was developed in 1963 by J.C. Adams, stating that in every exchange that takes place, people weigh the inputs (the perceived contributions) against the outcomes (the perceived rewards received) and compare them with those of others in similar situations. In the event that there is an equal balance between them, the exchange is considered as 'fair', but if the outcomes do not meet with the person's expectations, then this results in inequity. In the case of service recovery, inputs can be defined as the costs associated with the service failure (economic, time, energy, psychological costs) and outcomes as the result of the service recovery tactics (e.g. cash refund, apology, replacement) together with the manner and the process in which the outcome is handled (Austin, 1979; Hoffman et al., 2000; Kotler, 1997).

Consequently, perceived justice will let customers determine whether a recovery attempt was fair or not (Sheppard, Lewicki & Minton, 1992). Its three dimensions are:

- Distributive justice (focusing on the outcome of the recovery process)
- Procedural justice (examining the process undertaken in order to arrive at the final outcome)
- Interactional justice (referring to the manner in which the process is implemented and the customer is treated)

(Hoffman et al., 2000; Tax, Brown & Chandrashekar, 1998).

But while distributive justice seems to conclude the result of the firm's recovery effort, the other two dimensions appear to play an equally or, in some cases, a potentially even more important role in a customer's satisfaction (Chebat & Slusarczyk, 2005; Karande, Magnini & Tam, 2007; Karatepe, 2006; Ok, Back & Shanklin, 2005; Tax et al., 1998; del Rio-Lanza et al., 2009).

Image of the Destination

This paper aims to highlight a connection between customer satisfaction with the service recovery and the image of the destination. The image of the destination has not been investigated before in studies on service recovery. In the current section, the term is defined and some previous related studies are presented. According to Crompton's (1979) most cited definition, destination image is a sum of beliefs, ideas and impressions that a person has of a destination. Thus, it is the image that differentiates destinations from each other (Baloglu & Brinberg, 1997). According to Mossberg & Kleppe (2005), when defining a destination's area, studies refer to both large scale environment, such as country level (Baloglu & McCleary, 1999; Kale & Weir, 1986; Konecnic & Go, 2008) and small scale environment, such as regional

level (Phelps, 1986; Singh, 2008). Indeed, Buhalis (2000) states that a destination is “a perceptual concept which can be interpreted subjectively by consumers, depending on their travel itinerary, cultural background, purpose of visit, educational level and past experience” (p. 97).

Numerous studies have dealt with the concept of destination image since it affects two phases: both the consumers’ decision making process (Baloglu et al., 1997; Buhalis, 2000) and the visitor’s future behaviour, such as the intention to return and word-of-mouth (Bigne, Sanchez & Sanchez 2001). One important issue at both levels is the direct relation of the image with buying behaviour (Chi & Qu, 2008); during the decision-making process, the pre-trip image affects the final decision of buying, while the post-trip image affects the repurchase intention of the consumer, as well as word-of-mouth recommendation.

Customers evaluate the attributes of the destination through both cognitive and affective processes (Baloglu et al., 1999). Through the cognitive process, components of the image which are related to beliefs and knowledge are considered, while through the affective process, components related more to feelings are taken into account (Baloglu et al., 1997; 1999). The experience of a visit to a destination plays an important role in the creation of the image that a traveller will have of the destination following his trip. Several studies have measured the difference between the pre-trip and the post-trip image of the destination. In particular, Dann (1994) conducted a socio-linguistic analysis regarding the differences between tourists’ pre- and on-trip perceptions about cognitive, affective and conative components of a destination image, Pearce (1982) concluded that it is possible for tourists to change their perception of the destination that they visit and Phelps (1986), studying the case of Menorca, found that the package-holiday product itself plays a more important role to the tourists than the destination.

Regarding the perspective of the local National Tourism Organisations (NTO), it has been argued that shaping public’s image of a destination is considered the most important function of destination branding (Richards, 1992; McCleary & Whitney 1994). Therefore, since NTOs are responsible for branding the destinations, it then becomes apparent why image shaping and each activity that affects its interests these organisations directly.

Post-trip behaviour

This concept is of major importance for both academics and managers involved in the hotel industry for reasons described below. As already mentioned, the reason that the hospitality industry seeks to satisfy customers is because it is financially more efficient and profitable to retain existing customers than to search for new ones (Cranage, 2004). Indeed, Mittal et al. (1998) state that loyal customers lead to lower marketing expenses, more efficient operations and higher profits, while Peters (1988) calculated that attracting new customers costs five times more than retaining existing ones. So, one essential assumption is to keep customers satisfied (Baker & Crompton, 2000) because an unsatisfied tourist will not return (Dube, Renaghan & Miller, 1994).

Along with the intention to return, another factor that characterizes the tourist’s future behaviour in the post trip phase is recommendation through word of mouth (Oppermann, 2000). In addition, the increasing rise of the internet in recent years as a tool of communication which allows information exchange between users, especially in the recent web 2.0 format, affects the tourism industry in such a significant way that it can be characterised as Travel 2.0 (Adam, Cobos & Liu, 2007;

Laboy & Torchio, 2007). It is the nature of tourism and hospitality products which cannot be tested and evaluated before consumption that makes interpersonal influence so significant (Lewis & Chambers, 2000). This characteristic of influence is common to the nature of web 2.0 which permits peer-to-peer applications as well as the formation of websites with user-generated content (UGC) (O'Reilly, 2005). In particular, travel-related UGC sites allow consumers and potential travellers to exchange opinions and recommendations over tourism products and destinations (Schmallegger & Carson, 2008). As a result, an increasing number of studies regard online reviews and recommendations as the new digital form of word of mouth (Dellarocas, 2003; Hennig-Thurau, Gwinner, Walsh & Gremler, 2004; Litvin, Goldsmith & Pan, 2008).

As mentioned in the destination image section, each destination's element - a product or a service - is produced and managed by individuals who are not controlled by the local tourism organization but at the same time constitute a part of a consumer's experience (Buhalis, 2000). Thus, any incident or personal impression, no matter if it is valid or significant, can be spread around through negative or positive word of mouth (WOM) influencing potential customers (Crick, 2003; Morgan, Pritchard & Piggott, 2003; O'Neill, Palmer & Charters, 2002). As a result, through UGC sites the holiday experience of one single person proves to be enough to create an impact in his home country over a relatively unknown destination and transform it to a trend – for example, the image of Greece created in Taiwan due to the content of the "I left my heart in Aegean Sea" internet blog (Lin & Huang, 2006, p.1201).

Principle of Generalization and the Formation of a Model

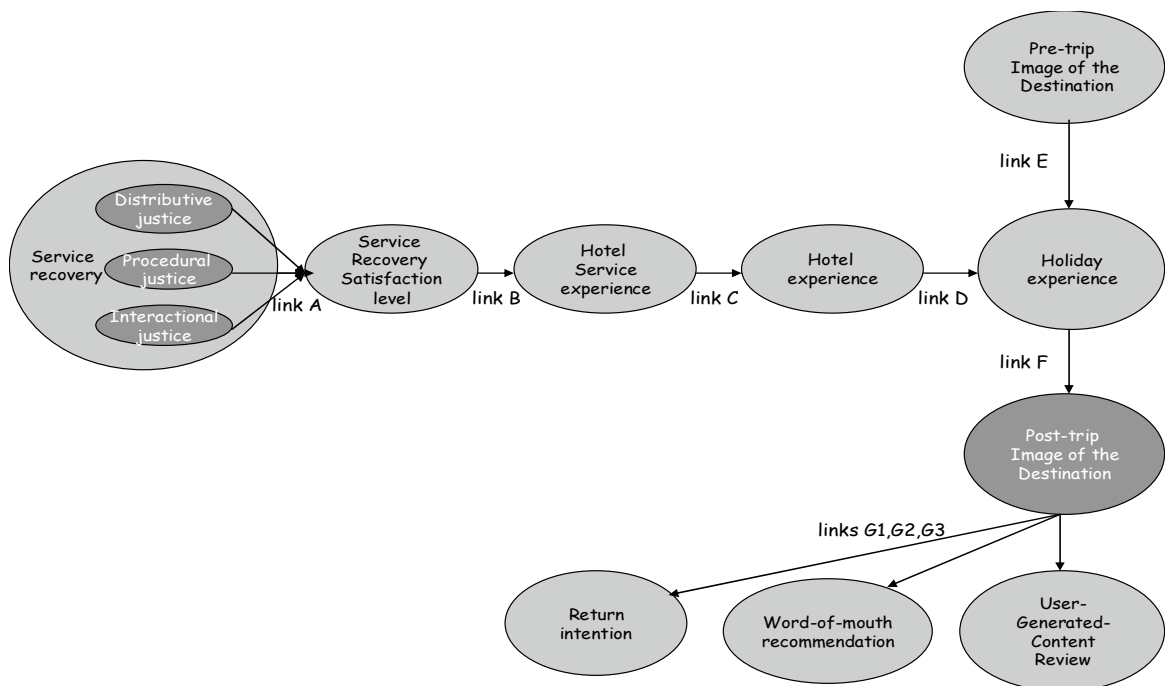
In this section, the principle of generalisation will be presented which will lead to the development of a model. This principle will help to understand the possible link between a service recovery in a hotel with the image of a destination.

A first reference of the process of generalization can be found in Pavlov's classical conditioning theory in the early twentieth century, describing a response in the same way to similar stimuli (Pavlov, 1927). Osgood (1963) subsequently applied this theory in psycholinguistics, describing semantic generalization as the process first from an object (significate) to a sign of that object and then from that sign to either another significate or to a sign of that significate. As Kerby (1967) explains, "the person views two or more objects as similar because they carry a common meaning, even though the objects themselves may have different physical characteristics" (p. 314). Thus, applying this theory in the service recovery case which is examined in this paper, the common meaning that service recovery and destination image carry, even though they have different characteristics, is the location of the consumption of the holiday itself. Several studies have also used this theoretical framework in the field of marketing in order to investigate the extent to which the meaning derived from the brand name can be transferred to the franchise extension, as Hartman, Price & Duncan (1990) state. While Kerby (1967) reported insufficient support for semantic generalization to take place, Roman (1969) as well as Mazanec & Schweiger (1981) found that transfer items are important in their studies and that products sharing a brand name were perceived as more similar than ones which did not.

Furthermore, Matte Blanco (1975) adapted his earlier (1959) principle of generalization stating that "the unconscious treats an individual thing (person, object, concept) as if it were a member or element of a set or class which contains other members; it treats this class as a subclass of a more general class, and this more general class as a subclass or subset of a still more general class and so on" (Matte

Blanco, 1975, p. 38). As a result, since “a destination can be regarded as a combination of all products, services and ultimately experiences provided locally” (Buhalis, 2000, p. 98) and “destination image can also be seen as an umbrella construct for different products and services” (Mossberg et al., 2005, p. 497), then it becomes apparent (see Figure1) that the justice dimensions are determinants of the service recovery satisfaction level (link A) which are a part of the hotel service experience (Huang, Cheng & Farn, 2007) - link B – which, in turn, is a component of the overall hotel experience (Ekinci, 2001) – link C . The hotel experience is a part of the overall holiday experience (link D) which combined with the pre-trip image of the destination (link E) forms the post-trip image of the destination (Baloglu et al., 1999; Dann, 1994; Pearce, 1992; Phelps, 1986) – link F. Indeed, “a tourist’s overall experience is composed of numerous small encounters with a variety of tourism principals, such as taxi drivers, hoteliers, waiters, as well as with elements of the local attractions such as museums, theatres, beaches, theme parks” (Buhalis, 2000, p. 99). Finally, post-trip image is regarded as an influence on customer’s future behaviour (Bigne et al., 2001) - links G1, G2, G3.

Figure 1: From service recovery to behavioural outcomes



Conclusion

This model intends to expand the impact of service recovery from the service provider to the destination. Putting the model into practice requires that the service recovery process need not be seen merely from the service provider’s perspective (as has been the case in research to date) but rather from the viewpoint of the promoters of the destination, namely the local tourism organizations. Among the organizations’ responsibilities is to build a suitable image of the destination in order to make it attractive for future visitors. Thus, investigating the impact that hotels’ service recovery strategies have on the image of the destination, more attention should be paid to the potentially underestimated but in fact highly critical impacts that incidents

may have on travellers' overall image of the destination. No matter how effective a promotion of a place can be, a mishap in a hotel followed by poor service recovery may be enough to spoil a previously held positive image. Therefore, tourism bodies for different destinations should be aware of local hotels' practices in terms of service recovery and should collaborate in this area with individual hotels. Future studies should be conducted to empirically assess the proposed linkages.

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