The Effects of Service Recovery Satisfaction on Consumers' Behavioral Intentions: An Application in North Cyprus Five-Star Hotels

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ABSTRACT

The purpose of this study is to examine the effects of service recovery satisfaction on consumers' behavioral intentions. A total of 500 questionnaires were developed to distribute to customers of five-star hotels in North Cyprus. The questionnaire had 27 questions on the effect of service recovery strategies on the recovery satisfaction of customers, the effect of the recovery satisfaction on trust, trust on overall satisfaction and the effect of overall satisfaction on positive word-of-mouth and revisit intentions. The questionnaire for this study made use of the work of Boshoff (2005), Maxham and Netemeyer (2002); Brown, Cowles, and Tuten (1996), Oliver and Swan (1989) Morgan and Hunt (1994); Wong and Sohal (2002) and Mattila (2001).

The findings of this study show that among the service recovery dimensions, atonement and tangibles do not have a positive effect on the service recovery satisfaction of customers. While a positive relationship exists between feedback, empowerment, explanation and communication on service recovery satisfaction. It was also found out that recovery satisfaction does have a positive effect on trust, which leads to overall customer satisfaction and triggers positive word-of-mouth and revisit intentions.

Keywords: Service recovery satisfaction, five-star hotels, overall satisfaction, North Cyprus.

ÖZ

Bu çalışmanın amacı hizmet iyleştirme çabalarının yarattığı memnuniyetin müşterilerin davranışları üzerindeki etkisini tespit etmektir. Bu amaçla geliştirilen anket Kuzey Kıbrıs'taki beş yıldızlı otellerde 500 cevaplayıcı üzerinde uygulanmıştır. Ankette yer alan 27 yargı cümlesi ile hizmet iyleştirme stratejilerinin müşterilerin hizmet iyleştirme memnuniyetleri üzerindeki etkisi, bu memnuniyetin müşterilerin kuruma karşı olan güvenini nasıl etkilediği, bu güvenin genel memnuniyet üzerideki etkisi ve genel memnuniyet seviyesinin tekrar ziyaret etme ve tavsiye etme niyetleri üzerindeki etkisi araştırılmaya çalışılmıştır. Anketin geliştirilmesinde Boshoff (2005), Maxham ve Netemeyer (2002); Brown, Cowles, ve Tuten (1996), Oliver ve Swan (1989) Morgan ve Hunt (1994); Wong ve Sohal (2002) ve Mattila'nın (2001) çalışmalarından yararlanılmıştır.

Çalışmanın sonuçları geribesleme, yetkilendirme, açıklama ve iletişim gibi boyutların müşterilerin hizmet iyleştirme memnuniyeti üzerinde olumlu etkilerinin olduğu, özür dileme ve fiziksel özellikler boyutlarının ise olumlu etkilerinin olmadığını ortaya koymaktadır. Ayrıca hizmet iyleştirme memnuniyetinin güven üzerinde olumlu etki yarattığı, bununda genel memnuniyet seviyesini olumlu etkilediği ve genel memnuniyetinde tekrar ziyaret etme ve tavsiye etme niyetleri üzerinde olumlu etkisi olduğu tespit edilmiştir.

Anahtar Sözcükler: Hizmet iyleştirme memnuniyeti, beş yıldızlı oteller, genel memnuniyet, Kuzey Kıbrıs.

Dedicated to my dad in loving memory

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LIST OF ABBREVIATIONS

WOM ....Word of Mouth

RECOVSAT ....Recovery Satisfaction

IC ....Internal Consistency

α ....Cronbach's Alpha

AVE ....Average Variance Extracted

ATON ....Atonement

EMP..Empowerment

EXP ....Explanation

FEED ....Feedback

OVERS ....Overall Satisfaction

RCVSAT ....Recovery Satisfaction

TANG ....Tangibles

COMM ....Communication

RVINT ....Revisit Intention

SPO..State Planning Organization

Chapter 1

INTRODUCTION

Changes in the field of services and service recovery have made scholars give more emphasis to the effective implementation of a recovery process in the advent of a service failure (Rust and Oliver, 1994; Smith and Bolton, 1998; Zeithaml et al., 2009). There are different definitions of services by various scholars. For instance, (Zeithaml et al., 2009, p. 4) state that "… services are deeds, processes and performances provided or coproduced by one entity or person for another entity or person". Services are also said to be, any economic action whose outcome is not tangible and is simultaneously produced and consumed and gives values in forms that were not really the main concerns of its initial purchaser (Quinn, Baruch and Paquette, 1987). Due to the intangibility, simultaneous production and consumption of services, failures are bound to occur. When this happens, the service provider has the second and perhaps last opportunity, to retain the trust of the aggrieved customer. This second time can either make the customer a life-time-loyal or cause an exit action (Kau and Loh, 2006; Colgate and Norris, 2001). If the customer is satisfied at the second attempt by the service provider, it could lead to positive behavioral intentions such as; loyalty/ re-purchase intentions, trust and positive word of mouth (Zeithaml et al., 2009). On the other hand, if the second attempt still leads to dissatisfaction, there are negative behavioral intentions such as; lack of trust, no re-purchase intentions and negative word of mouth (Zeithaml et al., 2009).

1.1 Aim of the study

The aim of this study is to find out the effects of service recovery satisfaction on consumers behavioral intentions, taking North Cyprus five-star hotels in consideration. We aim to find out how the complaints of customers in five-star hotels were recovered via empowerment of employees, communicating the reason for the failure to the customer by the employee, proper explanation by the hotel and /or their employees, proper use of feedback, tangibles and atonement. A measurement of the effect these dimensions will have on the recovery satisfaction of the customers will also be analyzed along with the effects on trust. The mediating role of trust on overall satisfaction, overall satisfaction on positive word-of-mouth and revisit intentions are relationships that this study aims to validate.

1.2 Scope of the study

The scope of this study is to implement a successful recovery strategy among complaining customers of five-star hotels in North Cyprus, the perceptions/feelings of customers after the recovery process will also be analyzed. Although still a relatively young market, the competition among hotels in North Cyprus is very active. Customers are faced with a wide variety of options to choose from and as such the various hotels try their best to keep their customers satisfied. Service providers should be careful while delivering services and while implementing the service recovery strategies because, it is costlier to acquire a new customer than to keep an old one.

1.3 Methodology of the study

In order to carry out this study, 500 questionnaires will be distributed to the customers of different five-star hotels in North Cyprus. The items in the questionnaires are taken from (Boshoff, 2005), (Maxham and Netemeyer, 2002);

(Brown, Cowles, and Tuten, 1996); (Oliver and Swan, 1989); (Morgan and Hunt, 1994); (Wong and Sohal, 2002) and (Mattila, 2001). The respondents of this study are those customers who have either patronized a particular hotel previously, must have experienced a service failure and complained to the hotel employees or management.

1.4 Limitations of the study

The sample selected for this study, is not wholly representative of the population of interest because only the perceptions of five-star hotel customers was taken into account.

Chapter 2

LITERATURE REVIEW

2.1 Service industry

First of all, what services are and their importance will be taken into view. (Zeithaml et al., 2009, p. 4) state that "… services are deeds, processes and performances provided or coproduced by one entity or person for another entity or person". According to the (American Marketing Association, Committee of Definitions, 1960, p. 21) it is said that services can also be any act, gain or pleasure which can be offered for sale or is given in relation to the sale of a commodity. (Quinn, Baruch and Paquette, 1987) also said, it is any economic action whose outcome is not tangible and is simultaneously produced and consumed and gives values in forms that were not really the main concerns of its initial purchaser. Finally, in the words of (Etzel, Walker and Stanton, 2007. p. 287) services are "identifiable, intangible activities that are the main object of a transaction designed to provide want-satisfaction to customers".

2.1.1 Importance, characteristics and economic value

The definition of services will not be complete without a look at its characteristics. There are five main characteristics of services; intangibility, perishability, variability/heterogeneity, inseparability and lack of ownership, (Zeithaml et al., 2009); (Baines, Fill and Page, 2008).

- Intangibility

This is the inability for consumers to touch or feel purchased services. Although, (Baines et al., 2008, p. 593) make us understand that this "…does not mean that customers buy services without using their senses. What it does mean is that they use substitute cues to help make these purchasing decisions and to reduce the uncertainty because they cannot touch, see, smell, or hear the service". These cues might involve assessing the service delivery personnel, the location and tangibles of the service the communication style of the service deliverer, how the service is branded and price. When these cues are used, it makes the intangible service become tangible, (Baines et al., 2008). As a result of the intangibility of services, they cannot be inventoried and changes in demand are sometimes difficult to manage, (Zeithaml et al., 2009, p. 21). Also, since services are intangible, the purchaser uses satisfaction derived with customer service treatment as a measurement of service quality, (Gorchels, 1995).

- Perishability

Services can not be stored to be used another day, evaluation occurs right there and then while the service is being delivered. A very good example of perishability is shown when (Moeller, 2010) said that, "the labor of the menial servant… does not fix or realize itself in any particular subject or vendible commodity (Moeller, 2010, p. 364), his services perish in the very instant of their performance". In a write-up by (Zeithaml et al., 2009, p. 22), it is said that perishability is the fact "that services cannot be saved, stored, resold or returned".

-Variability

The third characteristic of services is variability, (Baines et al., 2008, p. 595), or heterogeneity, (Zeithaml et al., 2009, p. 21; Moeller, 2010, p. 363), which all the writers explain as differences in service outcomes, because no two service providers

or customers are the same. As a result of this, ensuring service quality is and can be difficult.

- Inseparability

The fourth characteristic of services is its inseparability. (Regan, 1963; Wyckham et al., 1975; Donnelly, 1976; Grönroos, 1978; Zeithaml, 1981; Carman and Langeard, 1980; Zeithaml et al., 1985; Bowen, 1990 and Onkvisit and Shaw, 1991 (in Wolak, Kalafatis, and Harris, 1998, p. 26) state that inseparability is "… the simultaneous delivery and consumption of services". Due to this, not only do customers participate in and affect the transaction, they also have the tendency to affect each other, (Zeithaml et al., 2009, p. 20). Also, the company of the consumer in the service delivery process has been recognized as a major hindrance on the efficacy of the service encounter (Bateson, 2002).

- Lack of Ownership

A last characteristic of services according to (Baines et al., 2008, p. 598) is its lack of ownership. "Services can not be owned as nothing is transferred during the interaction or delivery experience", but, "by creating involvement and participation, even though there is nothing to actually own, customers can develop an attitude based on their perceived right to be a part of the service provider", (Baines et al., 2008, p. 598).

Rarely do we analyze the exact role services play in our lives. Services are often accompanied by goods, but they, by themselves are an increasingly important part of our economy, domestically and internationally. Services are also usually responsible for more than 50% of GDP in countries with low income; the process of development usually meets with an increased role of services in the economy (Calli,

Ellis and Willem Te Velde 2008). As a result, services make up a large percentage of GDP in developing countries. In an article published by (Katircioglu, 2010, p. 143), it is said that the service sector of North Cyprus made up 72% of its GNP. A research paper published out by the (Economic Committee, Singapore, 1965, p. 4) shows that there has been a rise in the demand for services both in developed and developing nations, which is led by both supply and demand factors. In terms of demand, the need to consume more services increases with income. As households become richer, they tend to spend more on travel, education and various forms of entertainment compared to manufactured goods. The research also shows that on the supply side, economies are able to differentiate their services – medical, financial or legal and thereby gain comparative advantage. The service sector, made up of; trade, finance, insurance, real estate and repair services take up more than half of total employment and is responsible for more than half of the gross national product of the United States (Victor R. Fuchs, 1965). "Services are the fastest-growing sector of world trade, far outpacing the growth in the trade of goods" (Czinkota and Ronkainen, 2007, p. 502). It can also be noted that the service sector is responsible for a huge percent of total employment and gross domestic product of the United States (Zeithaml et al., 2009). But it can be safe to say that these high percentages not only show what is going on in the U.S but also in other economies around the world. Another economic importance of services according to (Zeithaml et al., 2009) is the increase in trading done in services. It is made clear to us that services give an average of more than 60 percent to the gross national product of industrial nations and 45 percent in developing nations; as a result services are means of job creation in these countries (Czinkota and Ronkainen, 2007). Domestic and international providers of services are involved in the exportation of information, knowledge,

creativity and hospitality. Sectors in the service industry include; transportation, communication, wholesale and trade, auto repair, business services, government services, healthcare, education, financial services (insurance, banking, real estate etc), legal services, consulting, media, tourism and hospitality (Czinkota and Ronkainen, 2007). The growth in services has led to the need for services marketing. Paulina Papasthopoulou stated in her lecture on September 2001 that services marketing have undergone 3 stages;

- the crawling out stage (pre-1980)

- the scurrying about stage (1980-1985)

- the walking erect stage (1986-today)

The crawling out stage was a period of high risk, as service marketing had to prove that it could survive and grow as a sub-discipline, its aim was also to prove that services marketing could and had the right to exist. A goods-oriented scholar, said in his book that what is the essence of giving so much consideration to the marketing of services, when although they are important only to aid the production of goods? (Converse, 1921). Paulina Papasthopoulou goes on further to explain the scurrying about stage (1980-1985) which was marked by an increased interest on the side of practitioners and academic scholars in the area of services marketing. The aim during this period was to prove even further that despite similarities, the marketing of services needed a different managerial approach. The outcome at the end of this stage was an increase in service quality, more interactions at the point of sale (service encounters) and better service design. In present days we are in the walking erect stage (1985-), it is marked by very little or no need to discuss if services need a different managerial approach or not, as it is clear. At this stage the aim is to carry

out new empirical research in finding out new areas of services marketing. The outcomes of this stage are;

- services marketing is a firm discipline under marketing,

- areas of present research are:

  - direct services marketing

  - customer retention

  - relationship marketing

  - green issues in services marketing

  - branding services

  - internationalization of services

  - sponsorship in services

  - franchising in services

2.2 Hospitality sector of service industry in North Cyprus

The hospitality sector is made up of all businesses that provide food, beverages, entertainment, recreation services, gaming facilities, functions and events manager and accommodation services. This includes; restaurants, bars, clubs, catering services, motels, inns and hotels. "Tourism on an international scale has experienced a steady increase worldwide and has evidently become one of the most distinguished economic trends for most countries in the past years", (Katircioglu, Arasli and Ekiz, 2007, p. 39).

The population of the Turkish Republic of North Cyprus (North Cyprus/ TRNC) is 265,100. The tourism industry is viewed as one of the main sources of income. Research done by the State Planning Organization, says that the "tourism industry contributed $95.1 million (3.2 percent) to the GDP of Northern Cyprus and created

6,000 jobs" (S.P.O, 2003, as cited in Kilic and Okumus, 2005, p. 315). North Cyprus is a small island and like many other small island economies, it has few natural resources and a very small internal market, as a result of this, tourism is one of the main sources of income. According to the Tourism and Planning Office, there are 128 hotels, with a total capacity of 11,858 beds (Tourism and Planning Office, as cited in Nadiri and Hussain, 2005, p. 471). Among these hotels are 6 five-star hotels, 8 four-star, 28 three-star, 32 two-star and 41 one-star hotels. These organizations enable employment for 3,736 people. In a more recent research result, the Statistical Yearbook of Tourism (in Katircioglu, Arasli and Ekiz, 2007, p. 41) states that "the North Cyprus tourism industry hosted 589,549 tourists, with its bed capacity of 12,222, with an annual occupancy which was 40.7% in 2005".

North Cyprus is seen as a new market for international tourists that want to enjoy holidays in an island destination. "In the wake of increasing competition and the dramatic changes occurring in the tourism industry in Northern Cyprus, there is a need for hotel managers and international investors to recognize the importance of service improvements in establishing a competitive advantage" (Nadiri and Hussain, 2005, p. 260). It is common knowledge that service quality leads to customer satisfaction, which triggers the intention to return and positive word of mouth. North Cyprus has a highly competitive hotel industry, individual hotels have to differentiate their services in order to stand out and have competitive advantage. A proper understanding of customers' needs and meeting customers' needs will enable individual hotels to have competitive advantage and stand out.

2.3 Customer satisfaction and service industry

Access to good hospitality centers (hotels, resorts) is essential for both the populace in developed and developing countries. Their perceptions/ needs for such services are now being taken into full consideration by the providers of such services. As a result of this, there has been a remarkable growth in the hospitality sector of service industry (taking North Cyprus into consideration), with consumers demanding better quality from their service providers. With this burden on the service providers, they aim to keep their consumers satisfied, loyal and build a long term relationship with them. (Gorchels, 1995) tries to describe the importance of the service process to the customer's perception of quality by saying that, the service process plays a more vital role, than the service outcome when customers try to judge a service. How the service is delivered is an essential part of the delivery process. Purchasers and users of products which are tangible can judge the quality based on its durability, the way it looks, its functions, etc. Consumers of services can judge its quality based on what they experience during purchase/consumption as well as what they might experience later on (Gorchels, 1995).

Quality is a difficult term to define, but in services marketing service quality is important to the success of a business. Products are produced, but services are performed, so the quality of a service is not from its physical features but from its performance (Cowell, 1984). Service quality has to do with meeting the expectations of consumers. There are two main areas in service quality (Cowell, 1984).

-Technical quality, (Cowell, 1984, p. 675) "refers to 'what' the consumer receives in his or her interactions with a service organization: the bedroom in a hotel, the meal in a restaurant…"

-Functional quality, (Cowell, 1994, p. 675) "refers to 'how' the technical elements of a service are provided. Three important components are the process involved … and the people involved and the quality of interaction with the consumer".

Corporate image is made up of the total image of the firm is the corporate image which has to do with the attractiveness, as another area of service quality (Cowell, 1984).

Customer service activities are important and can not be separated from the way of doing business for any offering along the service continuum. "However, the farther an offering is on the service side of the continuum, the more important the human relationship between the provider and the consumer of the service becomes", (Gorchels 1995, p. 495). It is general knowledge that good quality leads to satisfied customers, which promotes intentions to return and positive word of mouth. So we can imply that hotels with good service quality will increase their market share and therefore profitability. But how do customers measure service quality? According to (Kang and James, 2004), customers perceive service quality based on three dimensions of the service encounter:

- "the customer-employee interaction (i.e. functional or process quality),

- the service environment, and

- the outcome (i.e. technical quality)" (p. 268)

Evaluation of quality by consumers is done by assessing their anticipations with the experience of what they get. Good quality simply means meeting the anticipations/expectations of consumers, (Cowell, 1994), says that service quality is based on five dimensions of service:

- Tangibles. The physical surroundings represented by objects…

- Reliability. The service provider's ability to provide accurate and dependable services.

- Responsiveness. A firm's willingness to assist its customers by providing fast and efficient service performances.

- Assurance. Diverse features that provide confidence to customers…

- Empathy. The service firm's readiness to provide each customer with personal service, (Parasuraman et al., 1988, p. 23; Zeithaml et al., 2009, p. 113)

Also, according to (Cowell, 1994) reliability is the most important of the above dimensions. He goes on to say that (Cowell, 1994, p. 675), "…responsiveness, assurance and empathy result directly from the behavior of people involved in service provision…"

Quality is one of the service dimensions that determine customer satisfaction, it may also indirectly reinforce quality perceptions, but satisfaction is higher in value to quality, (Rust and Oliver, 1994). Marketers of services face difficulties when trying to satisfy consumers. This is because:

- There are different levels of consumer anticipations/expectations (e.g. a first-time user may have relatively simple expectations of provision). Therefore, it is imperative that services organizations understand how expectations are shaped, formed and reinforced.

- There is the tendency for service organizations to misinterpret consumers' behavior and so deliver unneeded services.

- Service organizations may correctly deduce consumers' anticipations/expectations but fail to meet them either because it is difficult to

meet them or through failure of the service delivery systems and interactions (e.g. poor staff training; machine failure) (Cowell, 1994).

Before we go any further what is customer satisfaction and what makes customers satisfied with a particular service provider? First of all (Singh, 2006, p. 1), explains customers as "…the purpose of what we do, and rather than depending on us, we very much depend on them". Simply put, (Zeithaml et al., 2009) define satisfaction as when customers' expectations about a service is equal to or the same as perceptions. It is common knowledge that in order to satisfy customers, their needs and wants have to be met. "Customers' needs state the felt deprivation of a customer", (Kotler, 2000, as cited in Singh, 2006, p. 3), while customers' wants are "the form taken by human needs as they are shaped by culture and individual personality". Also (Oliver, 1996, as cited in Söderlund and Vilgon, 1999, p. 4) state that "customer satisfaction is a mental state which results from the customer's comparison of; a) expectations prior to a purchase with b) performance perceptions after a purchase". "Friendly employees, courteous employees, knowledgeable employees, helpful employees, accuracy of billing, billing timeliness, competitive pricing, service quality, good value, billing clarity and retention", are factors that affect customer satisfaction, (Hokanson, 1995, as cited in Singh, 2006, p. 1). Firms more often than not use customer satisfaction as a means of determining service performance and usually take into consideration customer satisfaction, when determining executive and employee compensation, (Anderson and Sullivan, 1993). But, it should be taken to note that giving incentives to increase customer satisfaction might actually be harmful to the firm. In order to promote actions that lead to a desirable level of satisfaction, the preceding of satisfaction and satisfaction's behavioral and economic outcome have to be understood, (Anderson and Sullivan,

1993). Customer satisfaction has become very popular because of the shift from transactional marketing to relationship marketing, (Hennig-Thurau and Klee, 1997) also, relationship marketing can be said to be all marketing activities aimed at establishing, developing and keeping successful relational exchanges, (Morgan and Hunt, 1994, as cited in Hennig-Thurau and Klee, 1997). It should also be noted that, customer satisfaction, when in a mental state, will not lead to customer profitability, unless it becomes a behavior, (Söderlund and Vilgon, 1999). "A customer may make such comparisons for each part of an offer (''domain-specific satisfaction'') or for the offer in total (''global satisfaction'')", (Söderlund and Vilgon, 1999, p. 5). (Czinkota and Ronkainen, 2007, p. 502) makes us understand that "… service firms do not have products in the form of preproduced solutions to customers' problems; they have processes as solutions to such problems". Therefore, services, when compared to goods have a different approach to customer satisfaction. Today's economy is marked by increased competition, and the bottom line for firms is to make profit and retain their customers.

Customer satisfaction, retention and service quality are issues that affect firms, both big and small. Customer retention is a key performance indicator and so there is the strong need for its adoption, (Kaplan and Norton, 2001). At the customer level, there is an increased focus on profitability, and this shows that there is a shift within the field of marketing towards the individual customer rather than segments of customers (Söderlund and Vilgon, 1999). A lot of work has been done on the subject of service recovery satisfaction, the effects it has on consumers' behavioral intentions and the firms' profitability. In the same vein, (Anderson and Sullivan, 1993 as cited in Söderlund and Vilgon, 1999) make us understand that satisfaction can affect re-

purchase intentions in two ways. First, if the customer is satisfied, there will be a reduction in uncertainty and provide rational economy in future choices, which may be essential to the customer. Second if the customer is satisfied there will be positive evaluations. Here, it is safe to assume that there is a positive relationship between customer satisfactions and repurchase intentions. The value in studying satisfaction and service quality as originators of customer behavioral intentions in this thesis has been put forward first, by recognizing that customer satisfaction on its own does not give rise to customer life time value, (Appiah –Adu, 1999). Secondly, customer satisfaction and service quality are related closely to market share and customer retention, (Fornell, 1992). There are arguments to prove that it is more expensive and time consuming to win new customers than to keep existing ones, (Zeithaml et al., 2009; Ennew and Binks, 1996). Advertising, promotion and sales expenses for new customers are much and sometimes take considerable time for new customers to become profitable. Finally, increase in retention rate leads to increased positive word of mouth, decreases price sensitivity and transaction costs, (Appiah-Adu, 1999). (Christo Boshoff, 2005) makes us know that

> "there is a growing body of empirical evidence that confirms that satisfactory service recovery does contribute to customer retention/loyalty/commitment and other beneficial outcomes, such as positive word-of-mouth communication, trust, enhanced perceptions of the firm's competence, and a favorable image in terms of perceived quality and value" (p.2).

Research carried out by (Cengiz et al., 2007), also sheds light on the fact that without an effective service recovery, there will be customer dissatisfaction, customer loss of faith in firm, negative word of mouth, customer deflection, increase in advertising costs by firm to acquire new customers and low employee morale.

2.4 Service failure

Service failures measure how committed customers are to the organization. According to research done by (Hess Jr et at., 2003) a service failure occurs when a service delivery or performance falls below the customer's expectations. When a consumer expects a particular outcome, but gets something else in return, such as the unavailability of a required service, a sluggishly delivered service or errors in the delivery then, he/she experiences a service failure, which leads to dissatisfaction and negative behavioral intentions. It can also occur when the service firm does not really understand what the consumer wants and as such provides an irrelevant service. It is shown with the aid of a figure that consumers do have negative emotions after a service failure (Zeithaml et al., 2009). Service failure can be defined as "service performance that falls below a customer's expectations in such a way that leads to customer dissatisfaction" (Zeithaml et al., 2009, p. 213). These service failures will either lead them to complain or remain passive or not complain. The complaint action can be in the form of; complaints to the provider, negative word of mouth or by complaining to a third party. If the consumer does not complain, he/she can either switch service providers or decide to stay on. It should also be noted that a service failure can take place at any stage of the customer/supplier relationship (Bejou, Palmer, 1998). It has been debated that when a service failure takes place in the early stages of the customer/service supplier relationship, it is more negatively perceived than when it takes place later on, this is because, the customer is not that experienced in successful service encounters in order to offset the failure (Boulding et al., 1993). Due to the intangibility and simultaneous production and consumption of services, a service failure can not be easily rectified as it is the case with product failure. These service failures can also be termed as mistakes, which occur in almost every service

delivery/encounter, (Zeithaml et al., 2009) even the best service firms cannot permanently or continuously omit mistakes in their service deliveries, and although services are carried out in the presence of the consumer, mistakes are often inevitable.

2.5 Importance of service recovery

A service encounter is the duration of time in which a customer has direct dealings with a service, (Baines et al., 2008). It can also be said that "service encounter is a discrete event occurring over a definable period of time (Rust and Oliver, 1994). In the same vein, (Zeithaml et al., 2009, p. 122; Rust and Oliver, 1994, p. 74), all term service encounters as "the moment of truth". It is the moment of truth because, that is when the consumer and the service provider finally meet, and the service provider has the opportunity to satisfy or perhaps even delight the consumer by keeping to promises made through personal or mass advertisements.

A failed service encounter is an exchange where a customer gets a loss instead of a profit due to failure on the part of the firm, (Cengiz, Er and Kurtaran, 2007). Although service firms can not prevent mistakes, they can learn to recover from them (service recovery). There are several ways service recovery can take place, it can take place before the service failure occurs, during the service encounter, or after the customer has complained, it can also be in relation to a specific transaction or to the business affiliation/relationship as a whole. Researchers have recommended that service failures and recovery encounters give organizations the chance to pass across commitment to customers and reinforce bonds (Smith and Bolton, 1998). After a service failure, do consumers respond favorably to a service recovery strategy carried out by the respective firm? The best way to retain consumers after a service failure is

to put an effective service recovery strategy into place. In the words of (Hart et al., 2000) "a good recovery can turn angry, frustrated customers into loyal ones. It can in fact, create more goodwill than if things had gone smoothly in the first place" (p. 148). Sometimes after a service recovery has taken place, the affected consumer(s) respond favorably and become even more loyal than before the service failure occurred. This phenomenon is called the "service recovery paradox" (Zeithaml, et al., 2009, p. 215). An analysis of service failures and recoveries is profitable to service firms as it equips management to recognize common areas of failures, (Hoffman et al., 1995). The authors go on to explain that "this information can in turn be used to minimize the occurrence of service failures, and improve service recovery efforts of the organization through employee training programs focusing on these issues", (Hoffman et al., 1995, p. 49). Service recovery can either be poor or ineffective if the customer is let down again for the second time. As a result of this, there may be loss of confidence in the service provider, exit actions, along with the spread of negative word of mouth communication (Cengiz et al., 2007).

2.6 Measurement of service recovery

Previously, the need for an effective service recovery after a service failure was talked about. Service recovery is any effective activity carried out by the service provider with the purpose of looking for dissatisfaction, soothing the dissatisfied customer, reducing any blemish in affiliation/relationship and reacting to low/bad service quality (Kau and Wan-Yiun Loh, 2006). In a service recovery strategy, the aim of the service provider is to achieve customer satisfaction and perform the service delivery process correctly for the second time (Zeithaml et al., 2009). This second time can either make the customer a life-time-loyal or cause an exit action (Kau and Loh, 2006; Colgate and Norris, 2001). If the customer is satisfied at the

second attempt by the service provider, it could lead to positive behavioral intentions such as; loyalty/ re-purchase intentions, trust and positive word of mouth (Zeithaml et al., 2009). On the other hand, if the second attempt still leads to dissatisfaction, there are negative behavioral intentions such as; lack of trust, no re-purchase intentions and negative word of mouth (Zeithaml et al., 2009). When employees who have a close relationship with the customer are able to find out and solve a problem, it creates an opportunity to make the customer a life-time-loyal, (Hart et al., 2000). On the same note, (Bitner et al., 1990) discovered that more than 23 percent of unforgettable satisfactory encounters in the restaurant, hotel and airline industries were directly results of the way employees reacted to service failures. On the down side, an astonishing 43 percent of dissatisfactory service encounters was due to the incapacity/hesitation of employees to react to service failures. As a result of these, it is in the best interests of the service provider to recover after a service failure. According to (Boshoff, 2005) the issue of service recovery has been in literature spotlight over recent years. Recent additions to the understanding of service recovery are theoretical modeling and empirical assessments, which have examined service recovery from a choice of various angles (Boshoff, 2005). These various angles include; the reason certain people do not complain (Stephens and Gwinner, 1998), the impact the competitive environment has on the recovery efforts of service firms (Estelami, 2000), the position of justice, fairness and equity theory (Oliver and Swan, 1989), and the impact of relationship factors on the way service is performed after recovery (Hess et al., 2003) was measured using a 3-item instrument. A four-item and one-item instrument (restaurants and hotels respectively) were used by (Smith and Bolton 1998, as cited in Boshoff, 2005) in their trial studies to measure collective satisfaction.

The main goal of any service recovery is to achieve customer satisfaction, so service recovery has to add to and promote customer satisfaction (Boshoff 2005). Those who have tried to empirically measure satisfaction with service recovery have not put into consideration the fact that there is evidence, both empirical and theoretical; to show that service recovery is multi-dimensional in structure (Johnston, 1994; Davidow, 2003, as cited in Boshoff, 2005).

2.7 Recovsat

The main idea to consider in implementing service recovery is achieving customer satisfaction. It is general knowledge that service recovery has to add to and promote the satisfaction of customers. The event of the RECOVSAT instrument was based mainly on the disconfirmation paradigm (Boshoff, 2005). (Yuksel and Yuksel, 2001) tried to explain the concept of disconfirmation paradigm by saying that it

> "… implies that consumers purchase goods and services with prepurchase expectations about anticipated performance. The expectation level then becomes a standard against which the product is judged. That is once the product or service has been used, outcomes are compared against expectations. If the outcome matches the expectation, confirmation occurs. Disconfirmation occurs when there is a difference between expectations and performance" (p.108).

A customer will either be satisfied or dissatisfied as a result of a positive or negative difference between anticipations and perceptions. Thus, according to (McCullough et al., 2000; Yuksel and Yuksel, 2001) when service performance is better than was at first expected, there is a positive disconfirmation between expectations and performance that results in satisfaction, and when service performance is as expected, there is a confirmation between anticipations and perceptions that leads to satisfaction. On the contrary, when service performance is not as good as anticipated,

there is a negative disconfirmation between expectations and perceptions, which leads to dissatisfaction (Yuksel and Yuksel, 2001).

Boshoff began by trying to find out what connected 15 attributes of service recovery and the customers total/overall satisfaction with service recovery process (Boshoff, 1999). Christo Boshoff's questionnaire was made up of 83 items meant to measure the 15 attributes of customer's satisfaction with service recovery. 7 point Likert scale was used ranging from strongly agree to strongly disagree. The measure was first of all tested on a sample of 20 respondents in order to verify how correct the items were, that the attributes in the questionnaire were necessary, no important one was left out and that the questions were easy to understand. After that, a random sample of 2000 New Zealand households were selected and the questionnaires mailed to them presenting them with suppositional situations in which they experienced service failures and their service recovery expectations (common cases in hospitality sector). After this, Boshoff carried out a maximum likelihood exploratory factor analysis and eliminated 2 of the 15 attributes of service recovery, to be left with 13 attributes for service recovery. This random sample generated an answer rate of 20.8% which was 416 usable questionnaires. To purify the scale further, it was noted that only 61 of the original items loaded to a significant extent (.40) in the 13-factor solution after those items that did not show enough discriminant validity by loading on more than one factor were deleted (Boshoff, 1999). It was suggested by (Nunnally, 1978) to use a Cronbach's alpha of .50 as the cut off point for retaining the factors (Boshoff, 1999). But because the deletion of items with low item-to total correlation did not alter the factor structure, the scale lowered down to 54 items (Boshoff, 1999). After two more exploratory studies had been conducted, as suggested by (Churchill, 1979), the

process led to 6 items which were measured on a 23 item scale (Boshoff, 1999). These 23 items were then "loaded to a significant extent on only 1 factor (discriminant validity) … and the results confirmed internal reliability and discriminant validity of the instrument …" (Boshoff, 1999, p. 242). More empirical assessments were done on the 23-item scale, using the same mailing list used in the previous scale and an unsystematic sample of 1500 households were selected (Boshoff, 1999). Three hundred and fifty-two usable questionnaires that is 23.7% response rate were realized and the same scale that was used in the first data was used to purify the data even further. After this, six more items were deleted resulting in 17 items, and the items were tested in order to show that they had convergent, discriminant and nomological validity and were also dependable/reliable (Tull and Hawkins, 1993, as cited in Boshoff, 1999). For this thesis, 13 items and the 6 dimensions of service recovery will be used.

Service recovery satisfaction after a service failure can be measured using an instrument (Boshoff, 1999) called RECOVSAT. This instrument is made up of six items/factors, which are:

-*Communication:* this is the way service employees address the customer making the complaint.

-Empowerment: the authority given to employees to act, as well as which resources they have access to and which decisions they are permitted to make,

-Feedback: this is the case in which, once the problem has been made known, proper information is given about it and efforts made to solve it.

-Atonement: this is apologizing for any inconvenience that might have taken place as a result of the service failure (Zemke and Bell, 1990, as cited in, Boshoff et al., 2005)

and making sure that the complaining/dissatisfied customer is pleased with the apology.

-Tangibles: the various equipments used, the way the employees look, the physical environment, the tools used in communication.

-Explaining to the dissatisfied customer why the service failure occurred in a precise and easy to understand manner.

In the initial empirical work, there was an attempt to find out what the expectations of customers were after a service failure had occurred and a complaint laid. The main idea was that once service recovery had taken place RECOVSAT would be used to analyze post recovsat with the firm's service recovery efforts against customers' expectations (Boshoff, 2005). There were some drawbacks associated with the initial RECOVSAT instrument (Boshoff, 2005). The work that was done empirically before only tried to find out what the expectations of customers were in the advent of a service failure and after a complaint had been put forward. Also, the performance of the instrument showing the service recovery performance of a service firm was not empirically established (that is, the performance of the service firm against the expectations of the customer) (Boshoff, 2005). In the same vein, it was put forward by (Davidow, 2003, as cited in Boshoff, 2005) that the RECOVSAT instrument had never been tested, that is, it has not been verified by using it to find out the post-recovery satisfaction with service recovery among consumers who experienced a service failure and complained to the service provider. So, for this thesis, (Boshoff's, 2005) "a re-assessment and refinement of RECOVSAT" will be used, this is because this instrument, against the background of the initial work was used in surveying actual complaining customers. By doing this, not only were the complaining customers' satisfaction with the service provider's recovery efforts objectively

appraised, the psychometric qualities of RECOVSAT were also appraised (Boshoff, 2005). Out of the 17-items, 4 were dropped to be left with a 13-item instrument. This was done in order to make the instrument abridged, clear of cross-loadings and void of items that gave unrealistic parameter approximates (Boshoff, 2005). To be sure that the instrument was reliable, the 13 items were put through an internal reliability analysis (Churchill, 1979 as cited in Boshoff, 2005). The RECOVSAT instrument showed a high level of reliability, not just as a whole but also where the 6 different factors that are in the instrument were concerned (Boshoff, 2005). As a result of this, the instrument proved itself to be a highly reliable one. Boshoff then tried to appraise the discriminant validity and reliability of the instrument by forming the relationships between the service recovery dimensions and overall satisfaction and loyalty separately by carrying out an exploratory factor analysis and calculating the Cronbach alphas of both loyalty and satisfaction (Boshoff, 2005). The results indicated that there was a powerful impact of satisfaction on loyalty and also, satisfaction with the six factors of service recovery is related positively to overall satisfaction (Boshoff, 2005).

North Cyprus is an island and it suffers from almost the same problems that other island economies are facing. The economy of North Cyprus is based on service sectors and its location, weather conditions, natural beauties and unpolluted environment make it an emerging tourist destination in the Mediterranean. One of the leading sectors for the development of the economy is tourism sector. Accommodation establishments play major roles in overall satisfaction of tourists. Thus, in this thesis the conceptual model will be applied in luxurious accommodation establishment among guests staying in these hotels. Boshoff, who developed

RECOVSAT instrument also suggests testing the validity and reliability of instrument in different service industries including the hospitality industry (Boshoff, 2005). Due to intense competition in the hospitality sector, there is the need to satisfy, and keep the customers satisfied. Customers, with the help of the internet have a wide variety of options to choose from. In the advent of a service failure, measures should be taken to ensure a satisfactory service failure recovery. This is because, when the service provider does get it right the second time, and succeeds in satisfying the dissatisfied customer, there is overall satisfaction. This overall satisfaction can affect the trust that the customer has in the service provider and this trust has the potential of leading to revisit intentions and also positive word-of-mouth (Zeithaml et al., 2009).

2.8 The conceptual model and the hypotheses of the study

- Effects of Atonement on Service Recovery Satisfaction

When there is the occurrence of a service failure, the exchange relationship between the service provider and the consumer is unbalanced, in order to restore balance; the service provider should accept its mistake and apologize (Boshoff, 1999). An apology is remorse on the part of the service provider and acknowledgement that the customer has experienced inconveniences (Zemke and Bell, 1992). This then promotes the way the customer views fairness and satisfaction and might continue relationship (Colon and Murray, 1996). Atoning for service failure is one of the most cost effective recovery strategies especially when it is administered with other service recovery strategies (Cengiz et al., 2007). This atonement for a service failure can be undertaken in three ways; there can either be a simple apology, or an apology with compensations for incurred expenses (Boshoff, 1996), a compensation and a substantial outcome (Zemke and Bell, 1990). Research by (Zemke and Bell, 1990)

show that atonement is better when personally delivered, saying that an unhappy/dissatisfied customer might need just an apology as long as the service provider shows some understanding. With this the first hypothesis is formed:

H1: Atonement has positive effect on customers' service recovery satisfaction.

- Effects of Communication on Service Recovery Satisfaction

Customers expect to be viewed /regarded politely, with care and honesty in the advent of a service failure. This particular dimension has the tendency to override the others if the customer feels/perceives that the service provider has an uncaring attitude and might do little to resolve the failure (Zeithaml et al., 2009). According to (Boshoff, 1999) there are two types of communication styles; convergence and maintenance. Convergence is the situation in which the service provider tries to signal liking, connection, assistance or understanding either verbally or non-verbally. When this kind of communication style is in place, the service provider becomes more like the customer (Boshoff, 1999). In maintenance communication style, there is a standardized approach to service delivery and the service provider makes no attempt to be like the customer (Boshoff, 1999). (Levesque and McDougall, 2000) carried out a study on what is done in a service recovery. Their study showed that how an employee communicates with a customer during a service recovery situation is likely to affect the future intentions of customers (Levesque and McDougall, 2000).

H2: Communication has positive effects on customers' service recovery satisfaction.

-Effects of Explanation on Service Recovery Satisfaction

Explanation does not include the recognition of responsibility or an apology; it instead simply has to do with explaining to the customer why the problem took place in a clear and specific manner (Boshoff, 1999). Explanation simply means the

information given by the service provider about why the service failure took place. Appropriate and adequate provision of explanation lessens the recipient's perceptions of injustice and, in turn, affects recipient satisfaction and loyalty (Dunning and Pecotich, 2000). But more often than not, service providers render explanations in order to shield their reputations in the face of complaints (Colon and Murray, 1996). A complaining customer usually just wants the truth in knowing what happened and why the service failure occurred, this response plays a strong role in either satisfying or dissatisfying the customer (Bitner, 1990; Bitner et al., 1990; 1994). According to (Zeithaml et al., 2009) when a service provider does not render adequate explanation, further dissatisfaction may occur. An adequate explanation has content and style (Zeithaml et al., 2009). Content means the explanation has to be relevant to the situation and useful information helps the customer understand why the service failure occurred. Style refers to how the explanation is delivered; this includes the credibility and sincerity of the explanation giver (Zeithaml et al., 2009). It is therefore on the basis of this that:

H3: Explanation has positive effect on customers' service recovery satisfaction

- Effects of Empowerment on Service Recovery Satisfaction

Empowered service providers are given both the monetary and informational resources required to meet consumer needs, these resources are then used to ensure high quality service recovery satisfaction (Spreitzer, 1996). It also goes on to say that in the case of a service failure, it is up to the empowered employee to engage in service recovery (Spreitzer, 1996). According to (Grönroos, 1998) service recovery is a process and customers expect it to be on the spot and dynamic/active. Inability to act quickly will result in depreciation in dissatisfaction after service failure, and final dissatisfaction (after service recovery). As a result of this, employees should be

trained and empowered to resolve problems/service failures as they occur (Zeithaml et al., 2009). Also, for empowerment to be an effective service recovery strategy, service providers have to be both authorized and willing (Carson et al., 1998). In fact the importance of empowerment can not be overstressed because, when dealing with customer complaints, the employee who receives the complaint is considered to "own" it and must immediately and independently figure out how to deal with it (Elswick, 2001, p. 1). (Tschohl, 2005) said that empowerment is the stable force in any service recovery strategy. In recent years, many service firms are beginning to know how important employee empowerment programs are. Empowerment also gives powerful resources for organizational change, employee participation and customer satisfaction. In particular, a study suggests that an employee empowerment approach to service delivery has the potential to remedy problems such as poor customer service and inefficient operations (Bowen and Lawier, 1995). Management must support employee empowerment by clearly defining the service recovery standard of the empowerment, while remaining flexible within the standards. Management also needs to make sure that front-line employees are empowered to react to service failures without policy or rules constraint. One characteristic of unhappy customers is impatience. Because of this, some unhappy customers will become angrier when those frontline employees are unable to solve their problem immediately (Zemke and Bell, 1999). In view of this:

H4: Empowerment has positive effects on customers' service recovery satisfaction.

-Effects of Feedback on Service Recovery Satisfaction

As previously mentioned, a complaining customer gives the service provider a second chance at satisfying him/her. This satisfaction will not only hinder switching behavior, but also negative word-of-mouth. The information obtained from the

complaint can be used by the service provider to take action in reducing or eliminating the cause of the complaint (Gilly et al., 1991). When a customer's complain leads to corrective measures and the customer is told about it, it makes the customer feel like it belongs to a protracted quality control team and if it has to do with something the company can not fix/handle, the customer should be told why (Hart et al., 2000). In order for feedback to be effective, it also has to be prompt. This promptness means the fairness of the organization in replying to the customer's complaints in an on time manner (Ekiz and Arasli, 2007). The speed at which complaining customers receive feedback plays an important role in determining customer satisfaction and repurchase decisions (Kincade et al., 1992). Effective ways of feed back include; timely telephone calls, requesting even more feedback from the customer, and informing the customer that his/her ideas might be carried out (Hart et al., 2000). Going a bit further, an effective feedback enables the service provider and employees improve performance as they try to keep to their word. Therefore:

H5: Feedback has positive effects on customers' service recovery satisfaction.

-Effects of Tangibles on Service Recovery Satisfaction

Tangibles refer to the way the employees are dressed, the type of equipments in use and the physical environment in which they take care of complaints (Boshoff, 1999). They are also the visible aspects of the service facility (equipments, décor, employee appearance, etc) or the man-made physical aspect called the servicescape (Sureshchandar et al., 2003). According to (Boshoff, 1999), customers expect employees that deal with their complaints to do so in a neat and professional manner, and also goes on to tell us that these tangibles have an important part in after encounter assessments. So, it is accordingly:

H6: Tangibles has positive effects on customers' service recovery satisfaction.

-Effects of Service Recovery Satisfaction on Trust

A number of researchers have talked about the relationship between service recovery satisfaction and trust. When hotel employees act in a certain way that indicates that they take the care and needs of their customers into consideration after a service recovery strategy has been put into place, the trust of the customers is strengthened (DeWitt et al., 2007). "In a service recovery context, a customer's trust reflects his or her willingness to accept vulnerability on the basis of a positive expectation of the service failure resolution" (Dunn and Schweitzer 2005, as cited in DeWitt et al., 2007, p. 272). Some dissatisfied customers might choose not to complain, but those who choose to complain believe that their problem with the hotel will be solved in a way that supports their decision to visit the hotel in the first place. So, if the complaining customer gets a poor response from the hotel, the customer will probably think that the hotel is not trustworthy (DeWitt et al., 2007). When the hotel carries out a service recovery strategy that enhances their customers' trust, the risk the customers perceive the next time they want to complain to the hotel will be reduced. This in turn will enable customers make confident forecasts about the hotel's future recovery behavior and so doing, give themselves to continuous relationship (Morgan and Hunt, 1994). Service recovery efforts have the tendency to be significant to customers due to appraisal and aggravated attention as a result of the service failure (Spreng et al., 1995). Also, the recovery process might be the last encounter the customer has had with the hotel, leading to a recency effect. So, when the customer thinks about which hotel to visit next time, the effectiveness of the service recovery, how satisfied he/she was and the trust developed as a result of that tends to have greater effect on intentions than the original service failure.

Boshoff (2005),

> "Today there is a growing body of empirical evidence that confirms that satisfactory service recovery does contribute to customer retention/loyalty/commitment and other beneficial outcomes, such as positive word-of-mouth communication, trust, enhanced perceptions of the firm's competence, and a favorable image in terms of perceived quality and value" (p.411).

He goes on to say that "… failure to ensure customer satisfaction through service recovery could lead to a decline in customer confidence, lost customers, negative word-of-mouth, possible negative publicity and the direct cost of re-performing the service", (Boshoff, 2005, p. 411). The extent of a successful service recovery may depend on; the nature of the service, the type of failure, and the timeliness of response. Overall satisfaction is the customers' overall accumulative satisfaction with previous exchanges in addition to the satisfaction obtained from the most recent exchange (Cengiz et al., 2007). In the case where service failure is completely unexpected, judgments of service recovery will be kept on hold until the recovery efforts are evaluated and, if the recovery efforts meet expectations the result is likely to be that of satisfaction (McCullough et al., 2000). Service recovery efforts are likely to be prominent in the minds of customers as a result of magnified attention and assessment after a service failure (Spreng et al., 1995). Also, the service recovery process might be the last experience the customer has with the service provider, so when the customer is trying out the service provider for another operation, the effectiveness of the service recovery effort has greater effect on intentions than the original failure (Spreng et al., 1995).

H7: Service recovery satisfaction has a positive effect on trust.

-Effects of Trust on Overall Customer Satisfaction

Research on trust in customer relationships is still lacking, especially in a service recovery context (Ruyter and Wetzels, 2000). Although, some show that trust in a

service provider leads to overall satisfaction with the provider (Swanson et al., 2007). Trust tends to reduce perceived risk and enables hotel customers to know what they should expect from the hotel. (Nikbin et al., 2010) make it understood that trust is a product of communication and results in cooperation, lessened conflict and increased overall satisfaction with the relationship. In the context of service failure and recovery, a demonstration of reliability and trustworthiness through responsible service recovery efforts will increase a favorable evaluation of a service provider. It is argued that, "genuine confidence that a partner can rely on another indeed will imply the behavioral intention to rely" (Morgan and Hunt, 1994) They contended that trust is a function of one's behavioral intention. Thus, this study explored the effects of trust on overall satisfaction.

Regarding process in time, service recovery takes place before and leads to overall satisfaction of a customer, which has a profound effect on trust and customer behavioral intentions such as, positive word-of-mouth and revisit intentions (Albert, and Parvez, 2000). In business, trust is considered as one of the most relevant requirements for an established and cooperative relationship (Akbar and Parvez, 2000). Also, research done by (Singh and Sirdeshmukh, 2000), shows that trust is needed for enabling and keeping long-term relationships, and this trust will exist only when one partner is assured that the exchange partner is dependable and honest (Morgan and Hunt, 1994). As explained by (Lau and Lee, 1999), if one party has trust in another party, positive behavioral intentions are likely to be aimed at the second party. But (Doney and Cannon, 1997), point out that the relevant party (service provider/firm) must also be able to continue to fulfil its responsibility to the second party (customer), so the customer should not only anticipate the positive

outcomes but also believe that these positive outcomes will be a continuous process into the future. Traditionally, customer satisfaction has always been treated as a basic determining factor in long-term customer behavior (Ranaweera and Prabhu, 2003). The degree of overall retention, positive word-of-mouth, financial benefits to the firm and trust increases with increase in overall satisfaction (Ranaweera and Prabhu, 2003). Overall customer satisfaction is the overall customer assessment of the service provider's actions to date, including the service recovery efforts (Gustafsson et al., 2005), this recovery satisfaction thus has a profound effect on customer trust. Singh, make us understand that companies whose customers enjoy overall satisfaction have a healthy advantage to make them have positive behavioral intentions (Singh, 2006). According to (Akbar and Parvez, 2009), trust is needed to build and keep long-term and loyal relationships between customers and service providers. They also go on to say that when the customer has confidence in the dependability/reliability and honesty of the service provider, which once again, could lead to positive behavioral intentions such as loyalty (Akbar and Parvez, 2009). Given the fact that retaining a customer is least expensive than acquiring a new one, it is important for service providers/marketers to keep their customers satisfied (Spreng et al., 1995). Thus the hypothesis:

H8: Trust has a positive effect on overall satisfaction.

-Effects of Overall Satisfaction on Word-of-Mouth

Word of mouth (WOM) has attracted a great deal of attention among practitioners. WOM is one of the aspects of post purchase behavior and occurs as people keep on sharing their assessment of their experiences (Kim et al. 2009). For example, several books tout WOM as a viable alternative to traditional marketing communication tools. One calls it "the world's most effective, yet least understood marketing

strategy" (Minser, 1999). Marketers are particularly interested in better understanding WOM as traditional forms of communication appear to be losing effectiveness (Forrester, 2005). The importance of consumer WOM for service firms has been well established (Mangold et al. 1999). This study, attempts to predict how customers' service experience influence their customer satisfaction and consequently their WOM. When a service experience is particularly enjoyable and/or beneficial, consumers will be motivated to encourage their friends and family to participate in the behaviour.

Perceived service value affects both customer satisfaction and WOM. As functional and emotional values directly stimulate customer satisfaction, they may also indirectly affect WOM. (Babin et al., 2005) have analysed customer satisfaction and WOM association from a different perspective that "personal shopping value" and "customer service value" are two constructs where the two explain the key post-consumption outcomes including customer satisfaction and consumer WOM. The empirical study conducted by (Lee et al., 2007) also supported the impact of perceived value on satisfaction and recommendations to others. (Host and Knie-Anderson, 2004) emphasized that price and service quality affects customer satisfaction and thus customer loyalty and willingness to recommend to others.

WOM communication that relates both to positive and negative evaluations of service encounters, has been shown to affect other people's purchase behavior. While positive WOM communication results from satisfactory service encounters, negative communication generally follows unsatisfactory encounters (Susskind, 2002). (Kim et al., 2009) observed that customer satisfaction and WOM among university student

and full-time employees visiting university dining facilities are very strongly correlated and there is a positive significant relationship between customer satisfaction and WOM. Ranaweera and Prabhu confirmed that customer satisfaction have strong positive association with positive WOM, (Ranaweera and Prabhu, 2003). Thus, WOM has a positive relationship with customer satisfaction. In the case where customers are pleased by the choice of goods or services, they will have positive WOM which can have an enormous effect on potential and existing customers, hence we established this hypothesis to study the relationship between WOM and customer satisfaction.

H9: Overall satisfaction has positive effect on WOM

- Effects of Satisfaction on Intention to Revisit

Purchase intentions refer to the degree of perceptual conviction of a customer to repurchase a particular product (good or service) or to repurchase any product (good or service) at a particular organization. The implicit assumption made by those who gather and analyse consumer intentions data is that such data will reflect future sales behaviours. Research in social psychology suggests that intentions are the best predictor of an individual behaviour because they allow each individual to independently incorporate all relevant factors that may influence the actual behaviour. Armstrong et al., compared buying intentions with other sales forecasting tools. They found that purchase intentions represent an accurate measure of future sales and that it provides better forecasts than an extrapolation of past sales trends (Armstrong et al., 2000). The benefits of maintaining a base of long-term customers are widely recognized by marketers. Given that the cost of retaining an existing customer is less expensive than prospecting for a new customer (Spreng et al., 1995), purchase intention is a very important consideration for all organizations.

Some studies in food and beverage sector have observed that customer satisfaction is an important predictor of customer intent to return (Qu, 1997; Pettijohn et al., 1997; Oh, 2000; Weiss et al., 2005). Satisfaction, in turn, has been shown to be a reliable predictor of repurchase/revisit intention (LaBarbera and Mazursky, 1983; Bitner et al., 1990; Anderson and Sullivan, 1993; Stevens et al., 1995; Patterson and Spreng, 1997; Hui et al., 2007; Jang and Feng, 2007; Kim et al., 2009). Thus, we developed a hypothesis to test the relationship between customer satisfaction and intention to revisit.

H10: Overall satisfaction has positive effect on intention to revisit.

According to the above hypothesis, the conceptual model of the thesis is represented in figure 1.
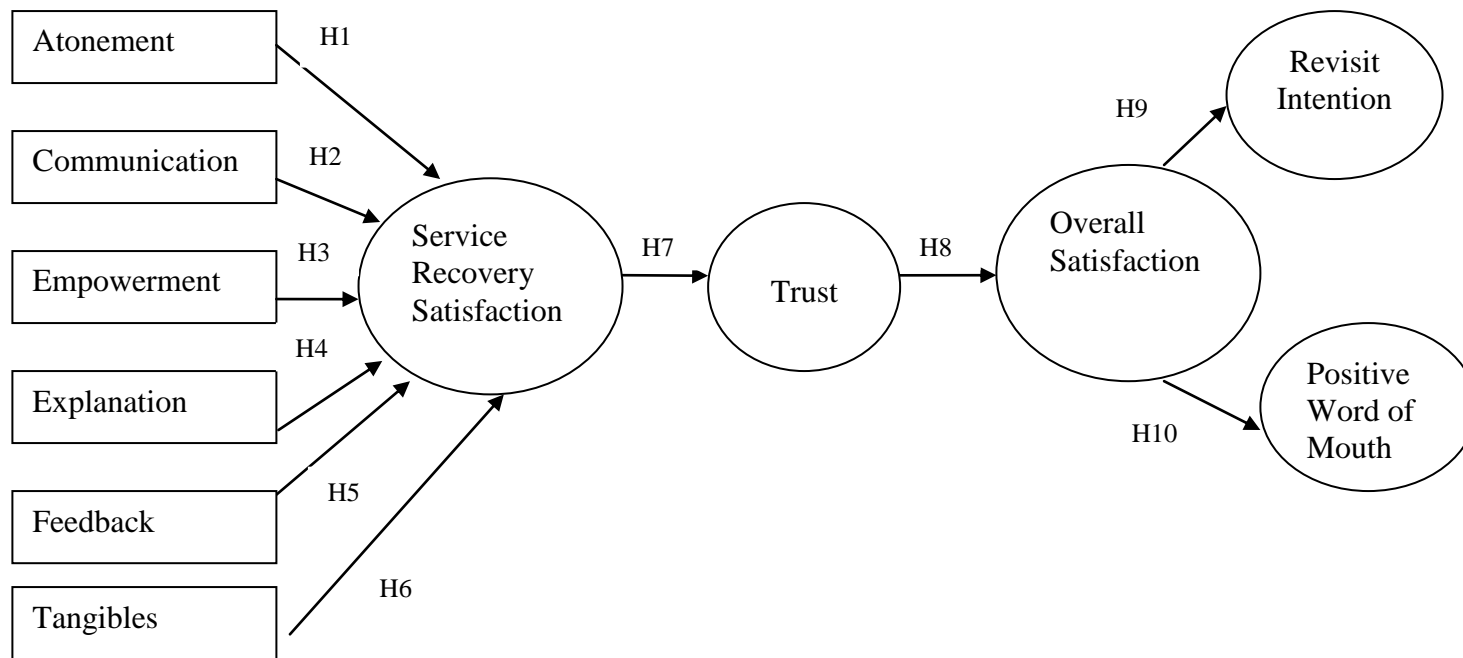
Figure 1. Conceptual Model

Chapter 3

METHODOLOGY AND DATA ANALYSIS

3.1 Five-star hotels in North Cyprus

The economy of North Cyprus is heavily dependent on the Turkish economy for support; this is because of the embargos imposed on the government of North Cyprus. A free-market economy is operated with a majority of the funding from the Turkish government. As a result of the ongoing Cyprus problem, the economy of North Cyprus is negatively affected. Since the Republic of Cyprus is an internationally recognized entity, it has ruled that all airports and seaports that are not under its effective control are to be closed down. An outcome of this is that all U.N. and E.U. member countries acknowledge the closure of air and seaports according to the above ruling. Irrespective of the constraints faced by the North Cyprus economy, as a result of all the embargoes, the economy has done very well with a real GDP growth rate of 2% in 2007 (CIA-World Fact book). It is an economy dominated mainly by services, with public sector, trade, tourism and education accounting for up to 72% of GNP (Katircioglu, 2010, p. 143). In the past 15 years, research on island tourism has been in the spotlight of a number of studies (Ekinci et al., 2003 as cited in Nadiri and Hussain, 2005). After North Cyprus made its intentions known in 1985 to use tourism sector as the main sector in achieving economic development (Nadiri and Hussain, 2005), a surge in the number and quality of hotels increased drastically, making North Cyprus the destination of many tourists who want to experience an island or Mediterranean holiday. Due to the numerous five-star hotels and favorable weather conditions, North Cyprus experiences a huge inflow of

tourists especially during the summer months. In order to keep up with the intense competition, five-star hotels aim at delivering a high standard of quality to keep their customers satisfied (Nadiri and Hussain, 2005). The relatively high number of five-star hotels has led to an increase in customer satisfaction, because of the competitive environment in which the hotels operate.

3.2 Questionnaire design

The questionnaire of the thesis is divided into three parts: at the beginning the reason why the thesis is carried is explained, along with an explanation on how the survey is designed to access the details surrounding the service experience, potential service failures, the service recovery experience and the intentions of customers to revisit and/or recommend the hotels to friends and an explanation of the scale used. In the second part, 27 questions are presented to the respondents in a table format, with answers based on a 7-point Likert scale (odd number of categories), ranging from strongly disagree to strongly agree. Numbers were denoted to these scales with 1-strongly disagree; 2-disagree; 3-somehow disagree; 4-neither agree nor disagree; 5-somehow agree; 6-agree; 7-strongly disagree. A balanced scale was used in order to get an objective data (Malhotra, 2010).The questions are aimed at showing the dimensions of service recovery satisfaction (RECOVSAT) which are; atonement, communication, explanation, empowerment, feedback and tangibles. Also, the effect of service recovery satisfaction on trust, trust on overall satisfaction, and finally effects of overall satisfaction on positive word-of-mouth and intentions to revisit. The questions were adopted from (Boshoff, 2005); (Maxham and Netemeyer, 2002); (Brown et al., 1996), (Oliver and Swan, 1989); (Morgan and Hunt, 1994); (Wong and Sohal, 2002) and (Mattila, 2001).

Demographic questions made up the third and last part of the questionnaire. In this part, respondents were asked 7 questions related to their age, gender, level of education, monthly income of family, nationality, occupation and marital status. The questionnaire also aimed at obtaining two different types of information; basic information had to do with the research problem, which is; trying to find out the effects of service recovery satisfaction on overall satisfaction, this overall satisfaction on trust and effects of trust on customers' behavioral intentions in five-star hotels, and classification information which consisted of the demographic and socioeconomic characteristics of the respondents. Also to be sure that the respondents understood the questions in the questionnaire, it was translated from English to Turkish. Back-to-back translation was also carried out because, it was important that the items meant the same thing both in English and Turkish. The process started with a bilingual translator translating from English to Turkish, and then another bilingual translator translated it from Turkish to English. The Turkish and English were compared to make sure they meant the same thing. Some differences were realized, and the process had to be repeated until the differences were negligible. This back-to-back translation process helped reduce the likelihood of errors when using the instrument among the Turkish respondents (Aulakh, and Kotabe, 1993).

3.3 Sample

For this thesis non probabilistic convenience sampling method is used. The respondents were chosen according to the fact that they had perhaps patronized the hotel before, experienced a service failure at one time, complained to a hotel employee(s) and a recovery was put in place. The responses from the pilot survey indicated that the questions were understood by the respondents, and then the

questionnaire was finalized. A total of 500 questionnaires were distributed among customers of five-star hotels in the hotels themselves, entertainment areas, at touristic sites, the university and other areas. The questionnaire was given to the respondent only after ascertaining that they had perhaps visited the hotel before, definitely experienced a service failure, complained and a recovery was attempted/carried out by the hotel. A total of 457 questionnaires were used which is about 91.4%.

3.4 Survey instrument

The conceptual model was explained in the literature review and so the questionnaire had to measure it by using 27 questions on the basis of these areas: questions 1 to 13 acquired from (Boshoff, 2005) had to do with the effect of service recovery dimensions on the service recovery satisfaction of customers. With questions 1 to 3 dealing with the communication aspect, 4 and 5 with empowerment, 6 and 7 with feedback, 8 and 9 with atonement, 10 and 11 with explanation and 12 and 13 with tangibles (Boshoff, 2005).

Questions 14 to 16 were adopted from (Maxham and Netemeyer, 2002); (Brown et al., 1996) in order to measure recovery satisfaction.

Overall satisfaction was the item of measurement in questions 17 to 19 retrieved from (Oliver and Swan, 1989); (Maxham and Netemeyer, 2002).

In questions 20 to 23 customers trust was measured with questions adopted from (Morgan and Hunt, 1994); (Wong and Sohal, 2002).

To be able to ascertain the effect of trust on behavioral intentions (positive word-of-mouth and revisit intentions), questions 24 to 27 were added. Questions 24 and 25 measured the positive word-of-mouth intentions of customers obtained from (Mattila, 2001); (Wong and Sohal, 2002). The revisit intention of customers was measured in questions 26 and 27 again attained from (Mattila, 2001); (Maxham III and Netemeyer, 2002).

3.5 Findings

The demographic analyses of respondents are given below:

Figures 2 to 8 show the demographic distribution of the respondents.

3.5.1 Age
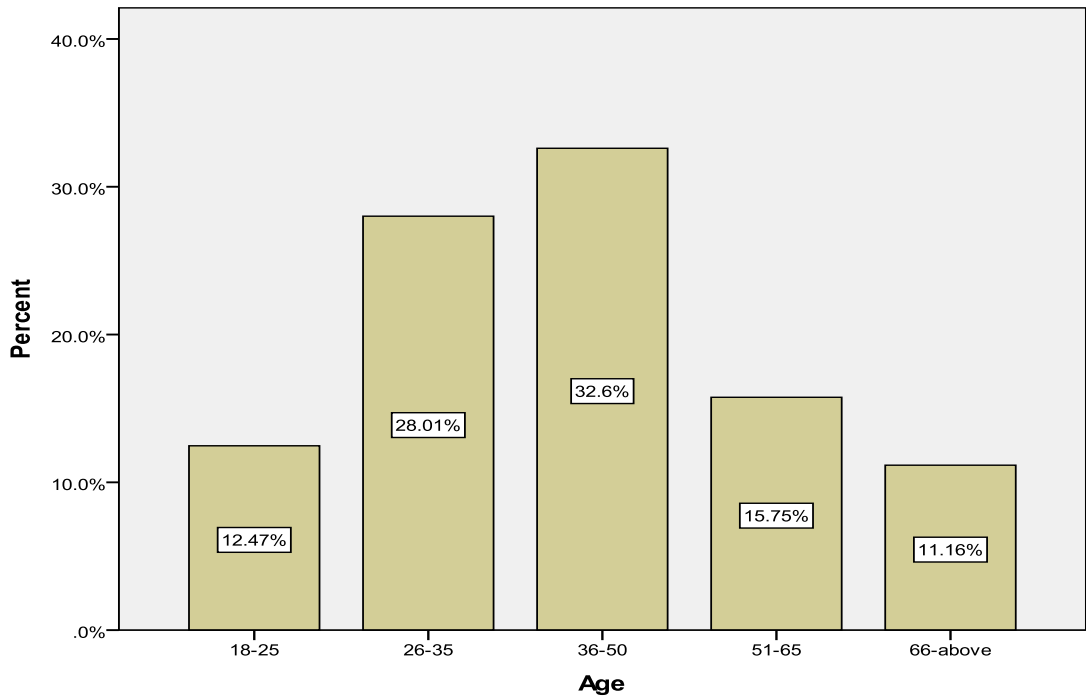
Figure 2: Age distribution of respondents

The distribution of the respondents in the above figure indicates that respondents between the ages of 36-50 are the majority with 32.6%, while respondents 66 and above make up the minority with 11.6%. From this, it is clear that the respondents of this study are experienced middle aged people. Going further, the ages between 26 and 35 is the second largest group, while ages between 18 and 25 is the second smallest with 28.01% and 12.47% respectively. A look at the percentages shows that there is little difference between the largest and second largest group and also between the smallest and second smallest group, with differences of 4.59% and 0.87% respectively.

3.5.2 Gender
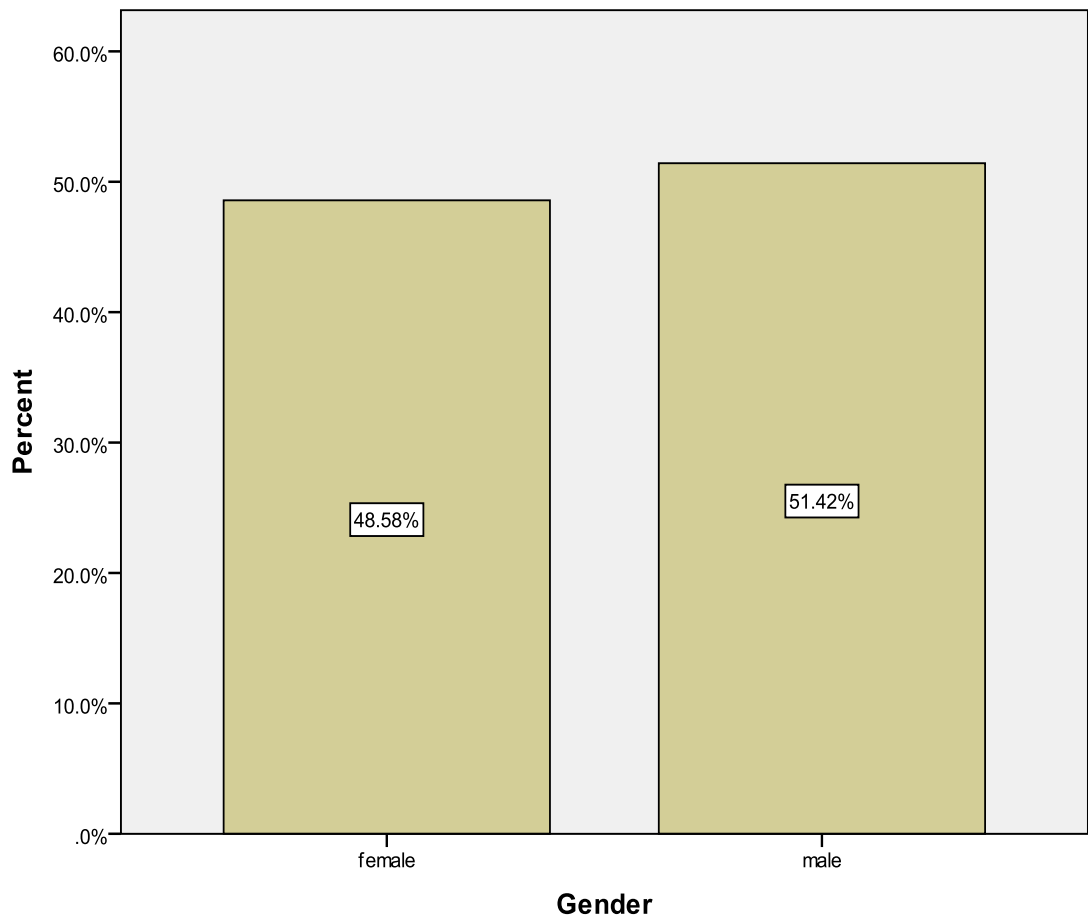
Figure 3: Gender distribution of respondents

The figure above shows a very little difference between the male and female respondents, with males 2.84% higher than females, having 48.58%.

3.5.3 Level of education
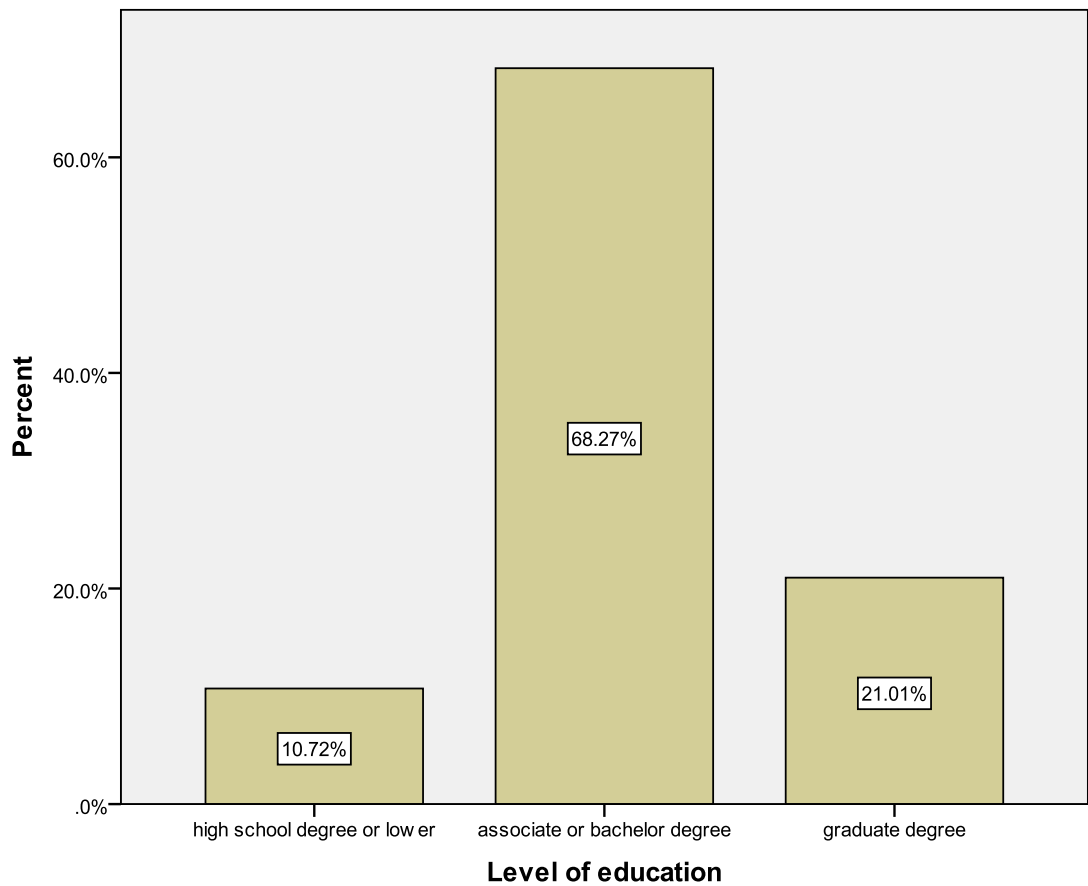
Figure 4: Level of education of respondents

The above bar graph in figure 4 shows the three levels of education of the participants in this study. It is obvious from the figure that tourists with either an associate or bachelor's degree make up the majority at five-star hotels in North Cyprus with a 68.27%. On the other hand, tourists with a high school degree or lower are the minority with 10.72%. The difference between these two groups is 57.55% with graduate degree holders in the middle having 21.01%. So, it can be induced from the above graphs that the majority of tourists who visit the five-star hotels are well educated and middle-aged.

3.5.4 Monthly income
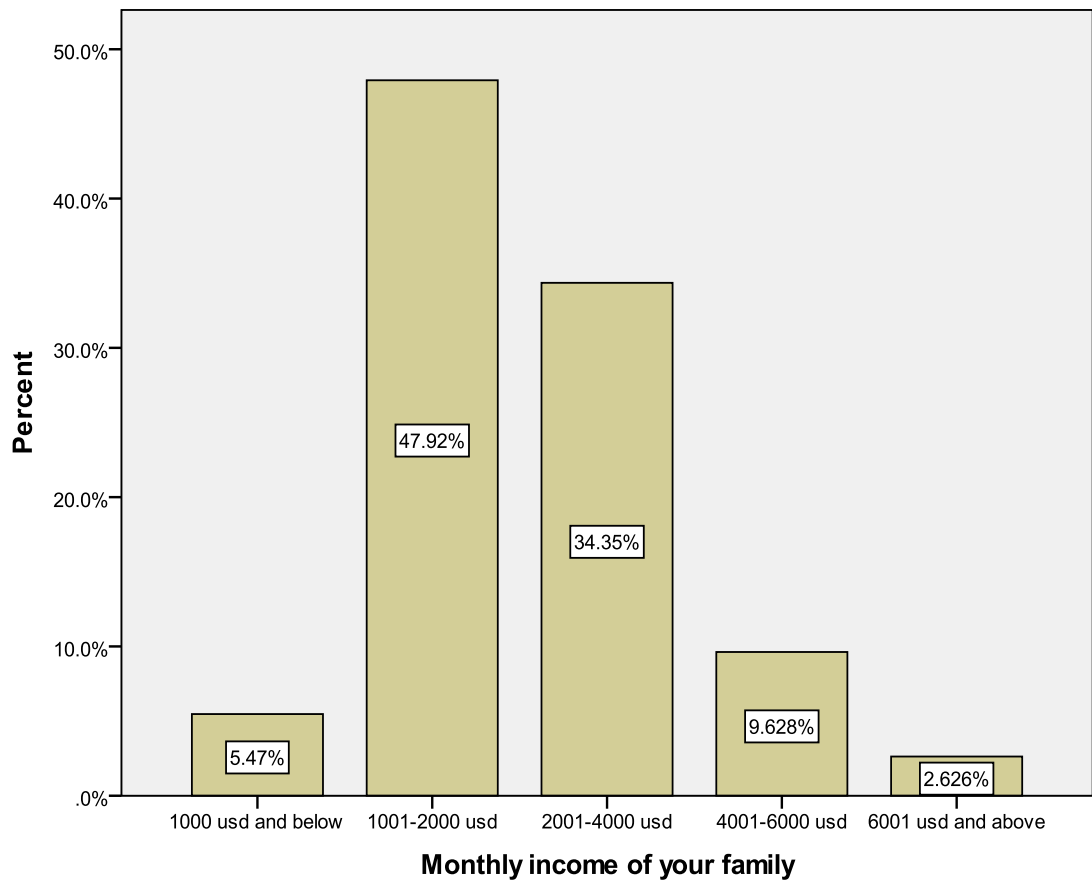
Figure 5: Monthly income of respondents

The above graph shows the monthly income distribution among respondents. It is understood from figure 5 that almost half of the respondents have a monthly income of between $1001 and $2000 with 47.92%, while respondents with a monthly income of $6001 and above have the least percentage of 2.626. The incomes of $4001-$6000, $2001-$4000 and $1000 and below have 9.628%, 34.35% and 5.47% respectively.

3.5.5 Nationality
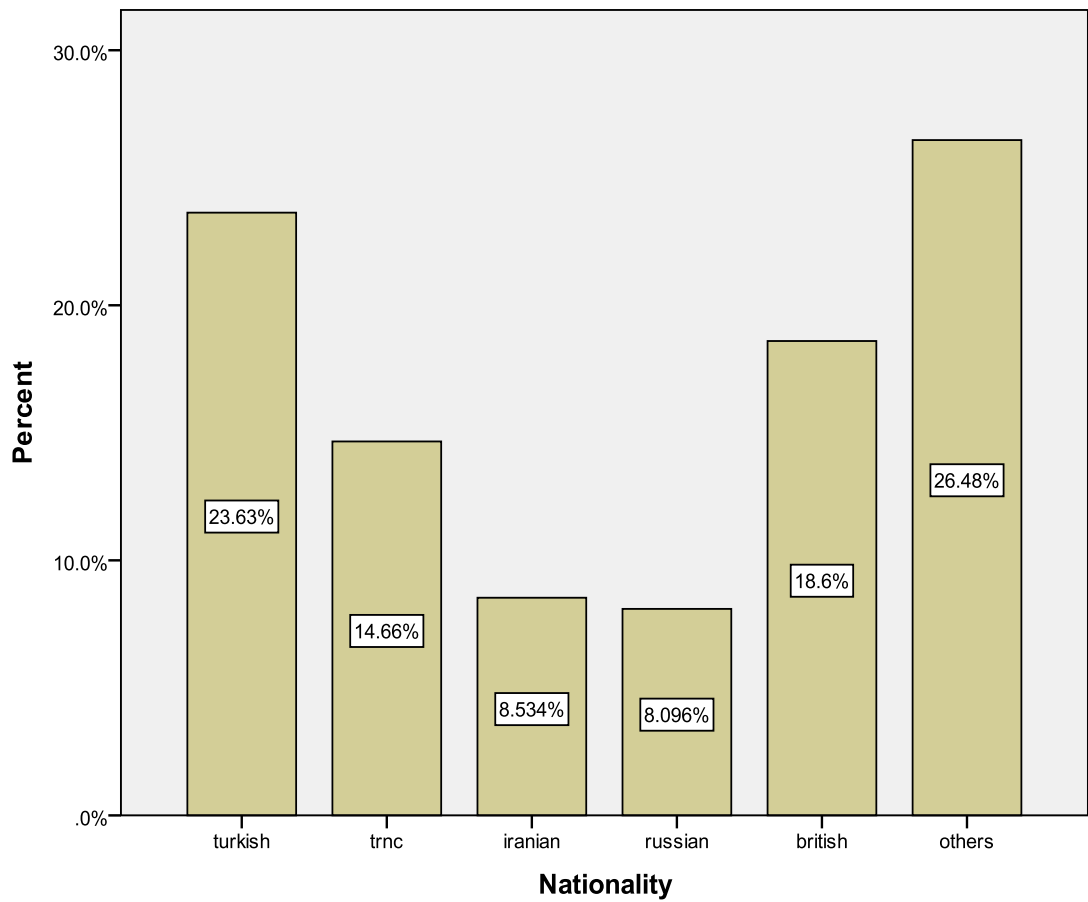
Figure 6: Nationality of respondents

As can be seen, the Turks and Turkish Cypriots both have relatively high percentages of 23.63 and 14.66% respectively after other nationals with 26.48%. It can be said that the reason for that percentage of Turks is because Turkey is closer to North Cyprus with the same culture and as such, the Turks find it cheaper and more convenient to holiday in North Cyprus. Iranians, British and Russian make up 8.53, 18.6 and 8.19% respectively.

3.5.6 Occupation
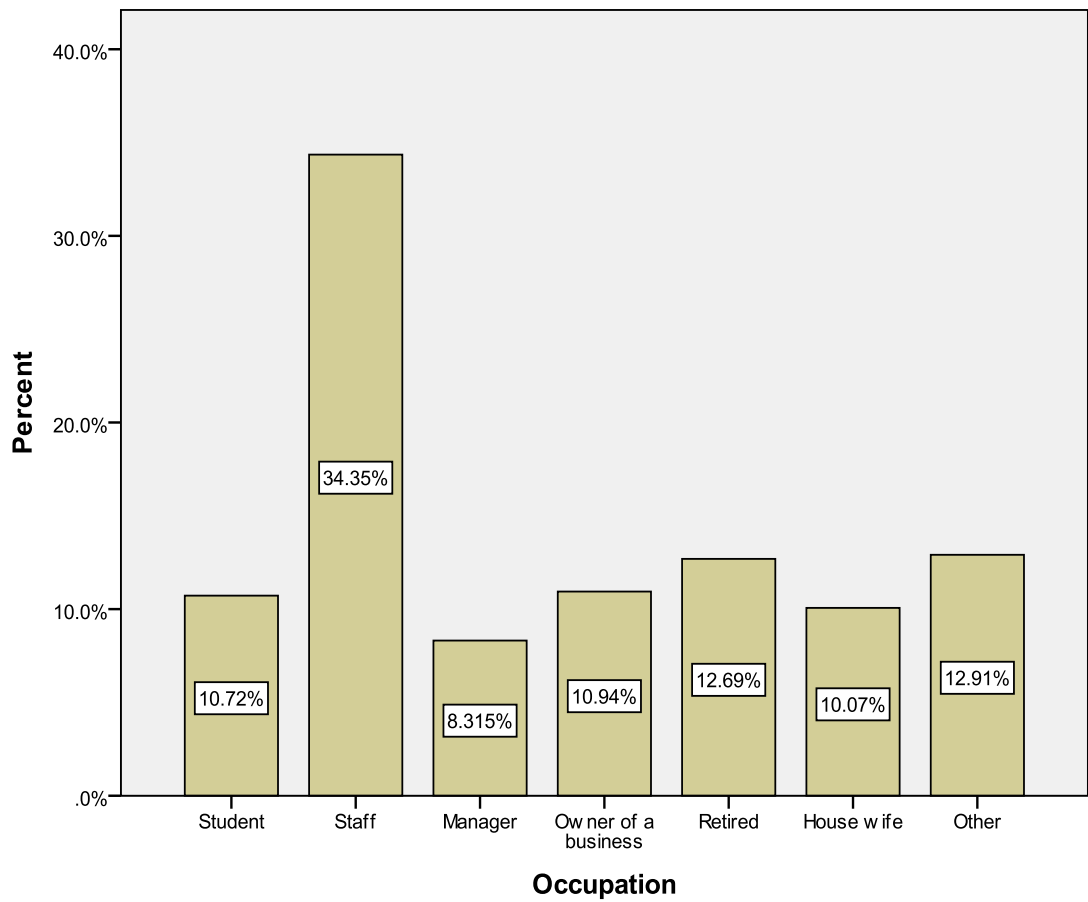
Figure 7: Occupation of respondents

The occupation area in this study indicates that staff (government or private) makes up the largest group with 34.35%, followed by other at 12.91% and retirees at 12.69%. Other occupations such as owner of a business, students, house wives and managers have 10.94%, 10.72%, 10.07% and 8.31% respectively.

3.5.7 Marital status
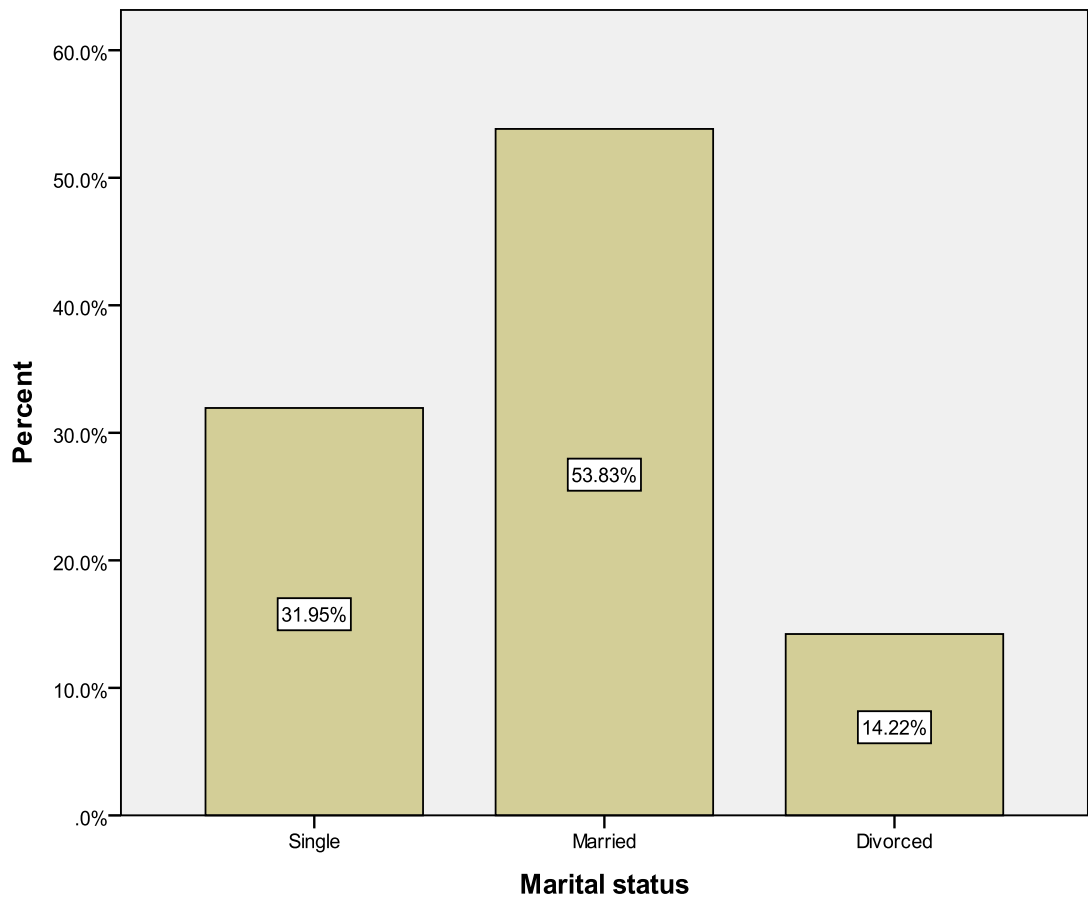
Figure 8: Marital status of respondents

Figure 8 above shows the marital status of the respondents in this study. A clear difference is shown with married respondents having the highest percentage at 53.83%, the difference between the married and single group is 22.18%. The second largest group is the single respondents with 31.95% and divorced the smallest with 14.22%.

3.6 Data analysis

This data analysis is composed of the structural equation modelling (SEM) tool (smart-PLS 2.0 M3) and partial least square (PLS), which were used in the hypothesis testing of this study. PLS is acknowledged as one of the instruments in SEM technique as expatiated by (Kline, 2010) when the writer wrote that structural

equation modelling alludes to a category of procedures that are related and not to only a singular statistical method. This method has been used by scholars and writers including; (Simoglou et al., 1999); (Ghasemi and Seifi, 2003); (Westad et al., 2007); (Sang et al., 2009) and (Huang et al., 2010). PLS is a multivariate technique used concurrently in the assessment of the measurement model (Fornell and Cha, 1994) it is accountable for the "relationships between constructs and their corresponding indicators" (Sang et al., 2009, p. 147), and the structural model is accountable for correlation between constructs in order to decrease error variance (Chin, 1998).

The measurement model is made up of various dimensions of analysis including; Average Variance Extracted (AVE), Internal Consistency (IC) and Cronbach's alpha (α). These important measurements in this model are used to approximate the reliability of the items in the questionnaire in each of the sections. Although there are various kinds of reliability coefficient, internal consistency is the most commonly used to estimate reliability. In the same vein, Cronbach's alpha (α) functions in the same way. Larcker and Fornell, developed both the internal consistency and Cronbach's alpha (Larcker and Fornell, 1981). Internal consistency is used to ascertain the homogeneity of the items in the questionnaire and is also used in order to see how well the items in the questionnaire measure the construct. (Nunnally, 1987) suggested a standard level of 0.70 to be used in order to measure the composite reliability. This is because, a result lower than 0.70 indicates low consistency that can be caused by different types of underlying causes, such as poor construct definition and/or multidimensionality of construct (Hulland, 1999).

Discriminant validity is very important in the analysis of data. A test has sufficient discriminant validity when it does not have a high correlation with other tests which measure theoretically different concepts. Hulland, says that "in a PLS context, one criterion for adequate discriminant validity is that a construct should share more variance with its measures than it shares with other constructs in a given model" (Hulland, 1999, p. 199). So, by taking into consideration writings by (Fornell and Larcker, 1981), where values higher than 0.50 were recommended, it can be said that this test has a sufficient level of discriminant validity which is around 0.90. Similar to discriminant validity is convergent validity which examines if constructs that should be related are actually related, when they are, the convergent measure is more than 0.7 (Chin, 1988).

3.7 Results

PLS methodology (smart-PLS 2.0 M3) was used to estimate the internal consistency of the model by measuring the internal consistency, convergent and discriminant validity of the construct (Table 1). The Average Variance Extracted scores (AVE) in Table 1 are above the recommended level of 0.50. Also, the reliability measures in the table show that the questionnaire items have both internal consistency and alpha of above 0.7. The validity of the items is obvious in Table 1 where the items are loaded on their constructs from 0.71 to 0.99.

Table 1: Convergent and discriminant validity of the model construct

Variable										Factor Loading
Atonement										
ic =	0,81	Factor mean score =	4,72	α =	0,74	SD = 1.95	AVE =	0,68		
Aton. 1										0.7541
Aton. 2										0.8916
Communication										
ic =	0,96	Factor mean score =	4,30	α =	0,94	SD = 1.98	AVE =	0,89		
Com. 1										0.9445
Com. 2										0.9455
Com. 3										0.9351
Empowerment										
ic =	0,93	Factor mean score =	3,77	α =	0,85	SD =2,27	AVE =	0,87		
Emp. 1										0.9415
Emp. 2										0.9222
Explanation										
ic =	0,97	Factor mean score =	4,05	α =	0,94	SD = 2,19	AVE =	0,94		
Exp. 1										0.9704
Exp. 2										0.9716
Feedback										
ic =	0,94	Factor mean score =	2,18	α =	0,87	SD = 1,77	AVE =	0,89		
Feedbk. 1										0.952
Feedbk. 2										0.9299
Tangibles										
ic =	0,98	Factor mean score =	5,60	α =	0,96	SD = 1,53	AVE =	0,96		
Tan. 1										0.9764
Tan. 2										0.9819

Recovery Satisfaction										
ic =	0,98	Factor mean score =	4,00	α =	0,97	SD = 2.22		AVE =	0,94	
Recovsat1										0.9744
Recovsat 2										0.9702
Recovsat 3										0.9666
Trust										
ic =	0,98	Factor mean score =	3,98	α =	0,97	SD = 2.08		AVE =	0,92	
Trust 1										0.9611
Trust 2										0.9627
Trust 3										0.9543
Trust 4										0.9582
Over. Sat.										
ic =	0,98	Factor mean score =	3,99	α =	0,98	SD = 2.14		AVE =	0,95	
Osat. 1										0.9694
Osat. 2										0.9771
Osat. 3										0.9839
Revisit Intention										
ic =	0,97	Factor mean score =	3,63	α =	0,94	SD = 2.19		AVE =	0,94	
Rev. 1										0.9701
Rev. 2										0.9723
Word of Mouth										0,9711
ic =	0,99	Factor mean score =	3,96	α =	0,98	SD = 2.21		AVE =	0,98	
Wom1										0.9898
Wom2										0.9897
Notes:	"ic" is international consistency measure; "α" is Cronbach's alpha; "AVE" is average variance extracted									

Table 2: Correlation among construct scores

	Aton	Emp	Exp	Feed	Ovrs	Rcvst	Tang	Trst	Com	Rvisit	Wom
Aton	**0.83**										
Emp	0.4309	**0.93**									
Exp	0.7593	0.4539	**0.97**								
Feed	0.1728	0.1099	0.2852	**0.94**							
Ovrs	0.7411	0.4818	0.9128	0.3071	**0.98**						
Rcvst	0.7333	0.5056	0.9185	0.3196	0.9403	**0.97**					
Tang	0.422	0.1987	0.3432	-0.1204	0.3475	0.3068	**0.98**				
Trust	0.7787	0.5127	0.8732	0.315	0.9087	0.8968	0.3759	**0.96**			
Com	0.7378	0.4313	0.8172	0.2291	0.847	0.8628	0.3161	0.79	**0.94**		
RvInt.	0.7255	0.4396	0.8872	0.3518	0.8863	0.9059	0.294	0.8681	0.7922	**0.97**	
WOM	0.7482	0.4615	0.8997	0.3403	0.9287	0.9153	0.3053	0.925	0.8223	0.9168	**0.99**

Note: Square root of AVE in the diagonal

The correlation matrix (Table 2) shows the correlation among the structures. Also, the main point, which is important, is the square root of the average variance obtained in the diagonal. To be able to find the correlation between the constructs, calculating the square roots of the average variance obtained in diagonal for each of the constructs was carried out.

The other important element in this section is the average variance obtained in the diagonal. Each construct is expected to have a higher value with respect to the other value of variance extracted in the diagonal, which is found below the main core. An example can be seen in Table 2, where the value of the square roots of the average variance extracted in the diagonal for atonement is **0.83**. This value shows important information about the correlation of atonement with the other constructs. This goes on to say that any value, located below **0.83**, should be less than the mentioned value. So, by checking Table 2, it can be found that there is no other value greater in the column related to average variance extracted in the diagonal of atonement. The same applies for empowerment, with regards to the other values that are in the core of the empowerment construct. As shown in Table 2, the value of the square roots of the average variance in the diagonal of empowerment is **0.93**. This goes on to say that values below this are less than **0.93.** The same applies for other constructs; explanation, feedback, tangibles, communication, recovsat, overall satisfaction, trust, revisit intention and word-of-mouth.

Table 3. Structural model results

Effect on Recovsat(R-Square 0.892)	Proposed Effect	Path Coefficient	Observed T-value	Significance
Atonement	+	-0.015	0.5203	0.603
Communication	+	0.328	7.3767	0.000
Empowerment	+	0.091	4.8999	0.000
Explanation	+	0.605	12.0287	0.000
Feedback	+	0.063	3.2057	0.001
Tangible	+	-0.009	0.413	0.680
Effect on Trust (R-Square 0.804)				
Recovsat	+	0.897	75.2503	0.000
Effect on Over. Sat. (R-Square 0.826)				
Trust	+	0.908	67.5573	0.000
Effect on Revisit Int. (R-Square 0.785)				
Overall Satisfaction	+	0.886	64.5709	0.000
Effect on WOM Com.(R-Square 0.862)				
Overall Satisfaction	+	0.929	70.1268	0.000

P value $\leq$ 0.05

The usefulness of Partial Least Square (PLS) is seen in both loading and path coefficients. Path coefficients are the links between various constructs while loading refers to the relationship between measures and constructs. The ability of both loading and path coefficient to function at the same time is one of the major advantages of PLS. The structural model results illustrated in Table 3 is one of the important functions carried out in the data analysis of this study. Table 3 illustrates the effects of each structure on the other structures by explaining path coefficient in terms of R^2 (variance). With regards to R^2, the foremost reason of the PLS method is to minimize error, while increasing the variance among all endogenous constructs at the same time (Hulland, 1999). An approximation of the reliability and validity of the measurement model along with the estimation of the structural model are the two stages in which the PLS method analyzes data. Data shown in Table 3 indicates that the structural model gives 89% variance in the recovery satisfaction construct. This indicates that communication, empowerment, feedback and explanation (independent

variables) explain **89.2%** of recovsat (dependent variable). The structural model results in Table 3 were obtained by deriving R-square (R^2) for each dependent construct, along with the value of the t-statistics and also calculating the significant level of the path-coefficient. The results illustrate how each dependent construct affects the others in terms of R^2, which is viewed as the variance of the constructs. The table shows the influences of the dimensions of service recovery on the recovery satisfaction of the customers. In this area, the effect of recovery satisfaction (RECOVSAT) in terms of variance (R^2) is **0.892**, which is very acceptable, the calculations of path coefficient for atonement, communication, empowerment, explanation, feedback and tangibles are -0.015, 0.328, 0.091, 0.605, 0.063 and -0.009 respectively. This implies that communication, empowerment, explanation and feedback explain the recovery satisfaction variance around 80% among the respondents in North Cyprus and are significant while atonement and tangibles do not. The path-coefficients show what one unit change in the independent variable has on the dependent variable. For instance, in table 3, the path co-efficient for overall satisfaction is **0.929.** This means that a unit change in word-of-mouth has a **0.929** effect on overall satisfaction.

Hypothesis 1 and 6 are not supported as can be seen from Table 3 (atonement positively affects service recovery satisfaction and tangibles positively affects service recovery satisfaction). So, it is obvious that although the five-star hotels in North Cyprus put in their best while trying to recover from their service failures by communicating and explaining the reason for the service failure, empowering employees and providing timely feedback to complaining customers, much attention is not paid to the role of atonement and tangibles, or customers do not react

positively to the influence of atonement and tangibles during the service recovery process. Zeithaml et al., made it known that there exists four types of customers in terms of complaining after a service failure (Zeithaml et al., 2006). Passives are customers who do not complain, do not take any action after a service failure and may not return to the service provider. Then there are Voicers who make their complaints known to the service provider in a positive manner. Thirdly are Irates who tend to spread negative word-of-mouth to other customers or potential customers. And finally, are the Activists who not only complain to the service provider, but spread negative word-of-mouth while communicating with others. Another term for this last type of customer is "terrorist" (Zeithaml, 2006, p. 221).

The customers of five-star hotels are a mixture of both voicers and irates as they not only complain to the service provider and take part in the service recovery process in a positive way; they also have the tendency to spread negative word-of-mouth to others. So, the effectiveness of a service recovery in North Cyprus five-star hotels is dependent not only on the ability of the hotels, but also on the participants who expect to know why the service failure took place in the first place, not to be passed from one employee to the next and to be given information on the progress made to solve their problem.

Table 4: Mean and standard deviation distribution of responses

Statements	Mean	Standard Deviation
Comm1	4,1379	2,02740
Comm 2	4,2013	1,99642

Comm 3	4,5558	1,90500
Emp 1	3,7462	2,26847
Emp 2	3,7899	2,26812
Feed 1	2,2888	1,79049
Feed 2	2,0635	1,75417
Aton 1	4,6477	2,02954
Aton 2	4,7856	1,87726
Exp 1	4,0853	2,17223
Exp 2	4,0241	2,21475
Tang 1	5,5930	1,54770
Tang 2	5,6018	1,50840
Rcvsat 1	3,9912	2,22721
Rcvsat 2	3,9934	2,18597
Rcvsat 3	4,0044	2,23998
Overs 1	3,9606	2,13538
Overs 2	3,9540	2,18550
Overs 3	4,0547	2,11077
Trust 1	3,8293	1,99489
Trust 2	3,9081	2,01101
Trust 3	4,0591	2,10753
Trust 4	3,9716	2,12990
WOM 1	3,9825	2,19742
WOM 2	3,9431	2,21563
Rvint 1	3,4836	2,16741
Rvint 2	3,7790	2,20579
Valid N (list wise) 457		

The means and standard deviation of the questionnaires are shown in Table 4. The means for questions dealing communication as a dimension in service recovery tend to lean towards neither agreeing nor disagreeing. The same can be said for empowerment, explanation, recovery satisfaction, trust, overall satisfaction, word-of-mouth and revisit intentions, with mean values leaning towards **4**. Feedback on the other hand has mean values centring around **2** which indicate disagreement. While atonement has mean values around **5** indicating somehow agreeing and tangibles, **6** indicating agreement.

As shown in Table 3, there exists a negative relationship between atonement and service recovery satisfaction with a path coefficient of **-0.015** and a significance of **0.603** so, this hypothesis is not supported, as **0.603** shows that atonement has no significant effect on recovsat. The hotel industry has a very high degree of interaction between employees and guests and so most of the dealings with the customers appeals to their psychology. Chang, Ho and Tseng, gives an understanding of what the underlying reason for this non-support of the hypothesis might be, by saying that; although atonement is a simple, economical and effective recovery process dimension, it involves a psychological process, which if, and when not used properly can result in a hostile response and therefore increase the negative experience of the customer (Chang, Ho and Tseng, 2007). As a result of this, H1 is not accepted.

The result in terms of communication indicates that it has an important effect on service recovery satisfaction. So, findings from this study support the findings of Levesque and McDougall (2000) when they showed that the way an employee

communicates with a customer during a service recovery most definitely has an effect on the future intentions of customers. This study also supports the findings of (Zeithaml et al., 2009) in which it was said that this dimension has the tendency to override the other dimensions if the customer feels that the service provider has an uncaring attitude. The five-star hotel customers in North Cyprus expect to be told clearly why the failure occurred, asked questions in order to help in clarifying the situation and be dealt with understandingly with the hotel employees. Due to these, H2 is accepted.

Explanation has to do with the hotel employees explaining to the dissatisfied customer why the service failure occurred in a precise and easy to understand manner. The importance of explanation on the service recovery satisfaction of the customer after a service failure has been found out in this study. This study indicates that employees are able to recover the satisfaction of customers through explanation by explaining in a satisfying way why the problem took place in the first place, the hotel can do so in the same way. This supports the findings of (Boshoff, 1999) when he found out that explanation does not necessarily have to involve apologies but simply explaining to the customer the reason the problem took place in a clear and precise manner. The reason why the customers in this study responded well to explanation was because it was given in an adequate and appropriate manner, which aided in lessening their perceptions of injustice (Dunning and Pecotich, 2000). The results of this study support H3.

Empowerment as already explained in the literature review has to do with the authority given to employees to act, as well as which resources they have access to

and which decisions they are permitted to make. The empowered hotel employees are given both the monetary and informational resources required to meet their consumer needs, these resources are then used to ensure high quality service recovery satisfaction (Spreitzer, 1996). It also goes on to say that in the case of a service failure, the empowered hotel employee has to engage in service recovery (Spreitzer, 1996). Complaining customers responded well to the fact that they were not passed from one employee to the other and their problems were solved by the first employee they complained to. A study carried out by (Grönroos, 1998) supports the findings in this study by stating that during the service recovery process, customers expect it to be instant and dynamic. It is clear that the hotel employees are not only trained and given the necessary authority to solve failures/problems as they occur, they are also willing to solve the problem. Therefore, among the respondents in five-star hotels in North Cyprus H4 is accepted.

One of the important dimensions in service recovery is feedback. It is clear from this study that feedback is directly linked with service recovery satisfaction among five-star hotels in North Cyprus. As explained in the literature review, information that hotel employees get from the complaints of their customers helps them to take action in reducing or eliminating the cause of the complaint (Gilly et al., 1991). When the hotel's customers complained, and the complaint led to corrective measures it made the customers feel like they were part of a protracted quality control team, especially when they were told about it (Hart et al., 2000). In this study, effective feedback enabled the hotels and their employees keep their word and supported H5, showing from table 3 a significance of less than 0.05 and a path coefficient of **0.063**.

Table 3 shows that there exists a negative relationship between tangibles and service recovery satisfaction with a path coefficient of **-0.009** and significance of **0.680** so, this hypothesis is not supported. Contrary to findings in the literature review by Boshoff (1999) our study shows that this particular dimension of service recovery is not significant and does not have a positive effect on service recovery satisfaction. This can be because, the customers of the five-star hotels in North Cyprus pay an average of €100/night and as such expect neat and professional surroundings, and they do not expect it to be a reward after a service failure.

The results of this study show that there is a positive relationship between service recovery satisfaction and trust so, the hypothesis is accepted. As stated in the literature review, some dissatisfied customers might choose not to complain, but those who choose to complain believe that their problem with the hotel will be solved in a way that supports their decision to visit the hotel in the first place. So, if the complaining customer gets a poor response from the hotel, the customer will probably think that the hotel is not trustworthy (DeWitt et al., 2007). The support of this hypothesis is also in line with a study carried out by (Ok, et al., 2005) in which a positive relationship between service recovery satisfaction and trust was discovered. In order to enable a customer's trust, the hotel should endeavour to continually meet the expectations of skilled performance (Ok et al., 2005). Service failures usually lead to a breakdown in the reliability of the service provider, so it is essential that effective service recovery efforts change the customer's perceptions of the service provider's trustworthiness, reliability and integrity. Ruyter and Wetzels, state that this perception/feeling of inequity after a service failure can be reduced by a

successful recovery strategy, which can lead to increased trust by the customer in the service provider (Ruyter and Wetzels, 2000).

From table 3, a positive relationship exists between trust and overall satisfaction and as such the hypothesis is accepted. It was mentioned earlier on that research on trust in customer relationships is still lacking, especially in a service recovery context (Ruyter and Wetzels, 2000). This study tried to explore the effects of trust on overall satisfaction. It also supported the hypothesis and findings of (Ok et al., 2005) in which they also found a positive relationship between trust and overall satisfaction along with findings that trust does precede overall satisfaction. The build-up of trust is very important in high-involvement services and so trust gained after a service failure is paramount to the establishment of overall satisfaction by the customer.

The ninth hypothesis in this study saying that overall satisfaction has a positive effect on positive word-of-mouth was accepted as can be seen in table 3. The positive word-of-mouth is a result of the overall satisfaction obtained from the experience the customer had with the hotel. Customers who recover successfully from a service failure tend to recommend the hotel to others. As a result of the credibility qualities of services, this tends to be very important, since word-of-mouth communication can influence to a very large extent the consumer purchasing process (Zeithaml and Bitner, 1996). This word-of-mouth has an even more influential impact on potential customers than mass media advertising. Like earlier on said in the literature review, customer overall satisfaction has a strong positive effect on positive word-of-mouth, so in the case where customers are pleased with the hotel, they tend to have a

positive WOM which has the tendency to have a huge effect on potential and existing customers.

Revisit intentions refer to the extent to which a customer perceives a need to visit again a particular service provider, in this case hotels. Studies carried out by (Un et al., 2006) revisit intentions of customers is an out spring of satisfaction. The positive relationship between overall satisfaction and positive WOM confirms H10.

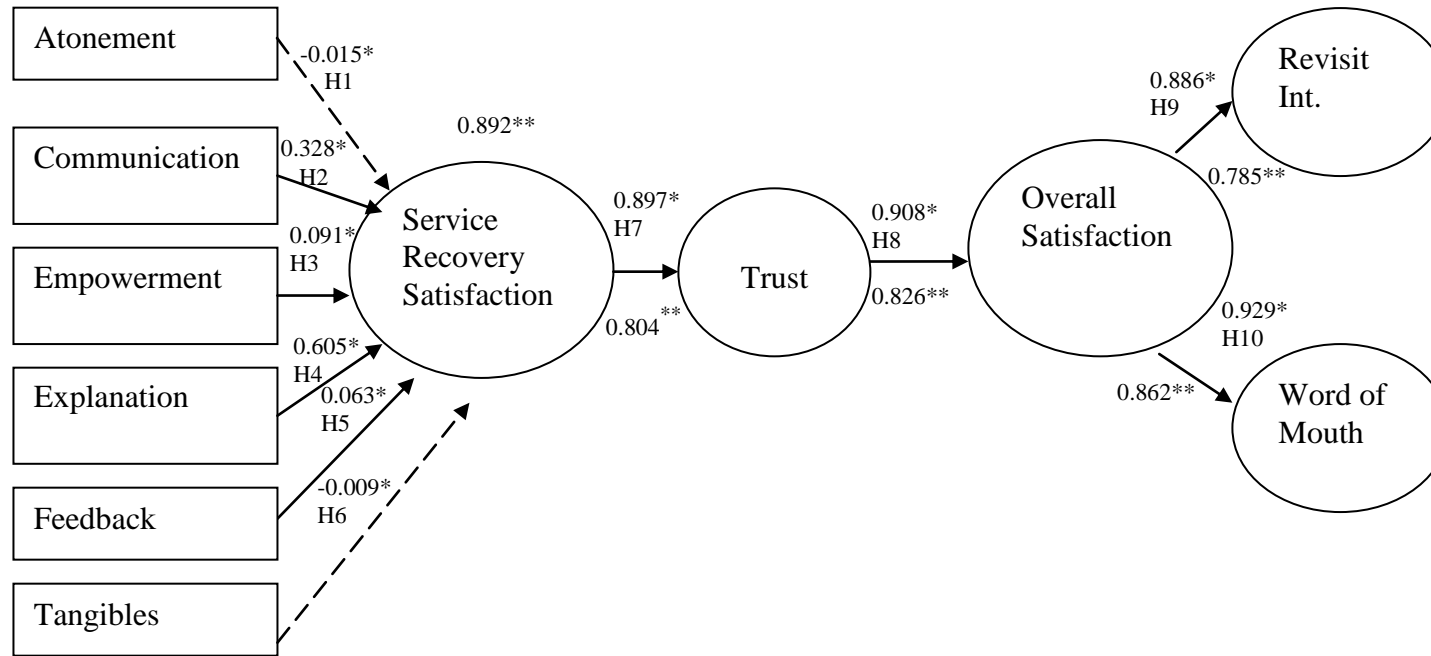Therefore, the appraised conceptual model of this study is given below after processing and analyzing the data:

Figure 9: Evaluated conceptual model

Path Coefficient: * R^2: **

Accepted hypothesis: ⟶

Rejected Hypothesis: ⤍

Chapter 4

CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion and managerial implications

The understanding and proper application of recovery is very important for managers, because service failure is one factor that pushes customers to switch and successful recovery is the difference between satisfaction/retention and dissatisfaction/defection, (McCullough et al., 2000). A look at table 3 shows that the dimensions of service recovery have a very strong effect on service recovery satisfaction of customers (**0.892**) and as such managers of hotels should endeavour to pacify aggrieved customers after a service failure. In the process of explanation the hotel is not necessarily accepting guilt, but only trying to douse any doubts the customer may have by making the situation clearer. One more thing that managers should aim at doing is, communicate clearly with the customer. This can be done by asking in an understanding manner, questions to aid in clarifying the situation. Although, more attention should be given to the effects of atonement and tangibles during a service recovery process. This can be in the form of making sure that not only should the aggrieved customer(s) not experience a financial loss after the service failure and during the recovery process, the customer should not experience emotional and psychological turmoil. Furthermore, despite the disappointment on the part of the customer and embarrassment on the part of the service provider, the service provider can counter negative effects by reacting to the customer's complaints effectively (Alleah and Riscinto-Kozubic, 2011). Compared to a poor recovery strategy, many researchers have thrown light on the fact that when

customers are satisfied with the recovery strategies put in place by service providers, their levels of satisfaction are restored (James and Maxham, 2001). In the same way, (Godwin and Ross, 1992), say that satisfaction levels after an efficient service recovery has the tendency to be higher than the previous levels of satisfaction. But service recovery should not be confused with complaint management in that service recovery strategies embrace proactive, often immediate, efforts to reduce negative effects on service evaluation (Michel, 2001). Customers revise and update their satisfaction and behavioral intentions based on prior assessments and new information (Smith and Bolton, 1998). Once a dissatisfied customer seeks a remedy, effective service recovery efforts may greatly affect recovery satisfaction (Bitner et al., 1990). This study has shown that the effect of recovery satisfaction on trust should not be overlooked by managers of the hotels. The R-square obtained in table 3 supports this claim with a value of **0.804**. In order to build the trust of the customer, the hotel should carry out a recovery strategy that leaves no doubt in the mind of the recovering customer that the hotel is capable of catering for their needs. In the course of 15 years, there have been studies to show that trust does influence the attitudes and behaviors of customers in a positive way (Grayson et al., 2008). The r-square value in table 3 shows a high effect of trust on overall satisfaction (**0.826**) and as such validates the research that trust does positively affect overall satisfaction. It was researched that although the main service outcome attributes may have a strong effect on the customers initially, the trust gained during the service recovery process will play a greater role in positive/negative word-of-mouth (Spreng et al., 1995). Trust can be seen to mean that the hotel keeps to their promise and will fulfil their duty of preventing the reoccurrence of the service failure after a service recovery strategy has been successfully implemented. After the customer is satisfied with the

service recovery strategy, the trust gained makes the customer belief that the hotel now has the necessary skills and is now competent enough to meet their needs during sequential encounters. All these, leads to an increase in customers' overall satisfaction as well as reduced conflict and increased cooperation which results from better communication. The presence of overall satisfaction leads to a mutually satisfying relationship; the customer is satisfied and revisits, this revisits leads to a stable source of income for the hotel. A lot of research has been done on the importance of positive word-of-mouth in the service sector, in that it gives information about a service provider/firm to prospective customers (James and Maxham, 2001). This information sometimes aids prospective customers in deciding whether or not to patronize the service provider (Lundeen et al., 1995). Also, word-of-mouth communication gives personal and often clear information that is very realistic; this information can affect the beliefs of potential customers and their intentions to purchase from the service provider (Spreng et al., 1995). To buttress this point further, are the findings in this study having a r-square of **0.862**, research by Mangol et al., 1999) also shows that service customers have the tendency to rely very much on word-of-mouth, in order to reduce the level of perceived risk associated to a purchase. It is a known fact that the retention of customers is very important to profitability, (Stauss and Friege, 1999). In fact, in some instances, a hotel can increase profits by nearly 85% just by increasing customer retention via positive word-of-mouth by 5%, (Reicheld and Sasser, 1990). It therefore follows that; the management of hotels should increase the likelihood of their customers spreading positive word-of-mouth by increasing customers' overall satisfaction after a service failure (Godwin and Ross, 1992). After a service failure and a successful recovery strategy, the trust and satisfaction gained by the customer permits him/her

to want to visit the hotel again. This is because the customer views the hotel as reliable and capable of catering and satisfying their needs, this is evident once again from the r-square value in table 3 of **0.785**.

A lot of research has been done on the effects of service recovery satisfaction on overall satisfaction and its subsequent effects on customers' behavioral intentions. This study also aimed at doing the same, while taking the different service recovery dimensions into account while trying to measure service recovery satisfaction. Some implications for managers can be obtained from this study. First is the need for the managers of hotels in North Cyprus to understand and act upon which aspects of the service recovery strategy is important to customers. Table 4 shows the mean of the responses with empowerment and feedback having relatively low means (about **3.7** and **2.0** respectively), indicating that the customers did not agree that empowerment and feedback were effective tools in the service recovery strategy. In order to remedy this, hotel management in North Cyprus should endeavour to give more financial and psychological authority to their employees that have a higher contact with guests so that, should a service failure occur, the already aggrieved customer will not have to be passed from one employee to the next; "ping-pong effect" (Zeithaml et al., 2009). Timely feedback as mentioned in the literature is also important, as the customer wants to know what the situation is in solving the problem. Customers also value a clear explanation of why the problem occurred, they do not want to be left thinking that the problem was their fault, or perceive any injustice during the transaction. Should there be a problem language barrier; the employee should endeavour to explain the situation in the simplest way that the customer can understand. Communication and explanation both have means of about **4.0.** Hotel managers

should implement a system of getting and analysing customers' complaints on a periodic basis, should there be a common reoccurring problem, a standard solution should be put in place. Depending on these findings, management should then periodically train their staff, focus on each staff that has high guest contact and try to find out how to improve their skills. Employees should be trained and encouraged to be empathetic while explaining the reason for the failure to the customer, the explanation should be appropriate and adequate for the customer. During the explanation process the customers should not feel that the hotel is trying to protect their reputation. The complaints of the customers have to be solved in a one-stop process in order to minimize the negative effects of the service failure. Like buttressed earlier on, creating customer satisfaction and positive behavioral intentions is the main goal of the recovery strategy. Hotel management should endeavour not to disappoint their customer for the second time after a failure. Secondly, workshops for employees can be organized by hotel management in which they are taught conflict resolution. The workshops should also aim at improving listening and once again the empathetic skills of employees, along with teaching or improving on skills needed for rendering an effective apology which is aimed at lessening the emotional turmoil experienced by the aggrieved customer. A last implication is for management to recognize employees that put skills acquired at such workshops into practice when carrying out recovery strategies. This will help build a strong culture of ensuring recovery satisfaction in the hotel.

To conclude, this study has important implications for using an effective service recovery strategy as a tool in relationship marketing, where the customer is not just seen as a source of profit but mainly as a partner (Zeithaml et al., 2009). Customer

trust in the hotel which is a product of the customers' recovery satisfaction is a building block for long-standing relationships and positive behavioral intentions.

4.2 Limitations and implications for future study

The major setback of this study is the fact that it was carried out on only guests of five-star hotels in North-Cyprus and as such cannot be generalized for other types of hotels and lodgings. Another limitation is the fact that non probabilistic convenience sampling method was used and as such, the outcome of this thesis might not be applicable for all the customers benefiting from the hospitality industry in North Cyprus.

For future studies, it is important that studies be carried out in other countries such as the West African and Eastern European countries. Also, besides trust, commitment perceptions of the respondents can be another mediating factor that recovery satisfaction has effect on.

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APPENDIX

Appendix (A)

Değerli Katılımcı,

Bu araştırmanın amacı Kuzey Kıbrıs'taki birinci sınıf otellerde karşılaştığınız hizmetle ilgili başarısızlıkların otel tarafından iyleştirilmesi yönündeki çabaların sizleri ne ölçüde memnun ettiği konusunu tespit etmektir. Ayrıca iyleştirme çabalarının sizlerin ileriye yönelik tekrar ziyaret etme ve tavsiye etme kararlarınız üzerindeki etkiside araştırılmaya çalışılmaktadır.

Araştırmanın uygulaması yaklaşık 5-7 dakikalık zamanınızı alacak tır. Çalışma sonuçları toplu olarak değerlendirilecek ve akademik amaçla kullanılacaktır. Katkılarınız için şimdiden teşekkür ederiz.

Dear Participant,

You are invited to participate in a research study to evaluate your satisfaction with the service recovery process at first class hotels of North Cyprus.

As a result of this study, we hope to evaluate the effectiveness of the service recovery process implemented at first class hotels and how the effectiveness of that experience will determine your willingness to return to the hotel for future visits or recommend the property to your friends.

The questions on the surveys are designed to access the details surrounding the service experience, potential service failures, the service recovery experience and customers' intentions to repurchase and/or recommend the Hotel to friends. Your time commitment should be approximately 5-7 minutes.

Any information obtained in connection with this study will remain anonymous. Your participation in this study is truly appreciated.

Çalışma içerisindeki yargı cümleleri ile ilgili düşünceleri ifade ederken alttaki ölçeği göz önüne alınız.

While expressing your perceptions about statements, please use the following scale.

1	2	3	4	5	6	7
Kesinlikle Katılmıyorum			Ne katılırım nede katılmam			Kesinlikle Katılıyorum
Strongly Disagree			Neither agree nor disagree			Strongly Agree

Yargı Cümleleri	1 2 3 4 5 6 7	Statements
İletişim kurduğum çalışanlarının şikayetim ile ilgili geri dönüm sağlarken yaptıkları açıklamalar netti.	1 2 3 4 5 6 7	The employees I dealt with communicated clearly when providing feedback about my complaint.
Yetersiz(zayıf) hizmet kalitesinden şikayet ettiğimde, otel çalışanları durumu açıklayıcı/berraklaştırıcı sorular sordular.	1 2 3 4 5 6 7	When I complained about poor service, the hotel employees asked questions to help clarify the situation.
İletişim içinde olduğum otel çalışanları çok anlayışlıydılar.	1 2 3 4 5 6 7	The hotel employees I dealt were with were very understanding.
Şikayetimi ilk ilettiğim çalışan sorunumu çözebilmişti.	1 2 3 4 5 6 7	The employee I complained to, did not find someone else to solve my problem.
Şikayetim bir çalışandan diğerine aktarılmadı.	1 2 3 4 5 6 7	My complaint was not passed from one employee to the next.
Otel yazılı olarak sorunumun çözümü ile ilgili kaydedilen gelişmeleri bana iletti.	1 2 3 4 5 6 7	The hotel informed me in writing about the progress made to solve my problem.
Otel bana yazılı özürlerini iletti.	1 2 3 4 5 6 7	The hotel sent me a written apology.
Otel maddi kayba/zarara uğramayacağımı garanti etmişti.	1 2 3 4 5 6 7	The hotel ensured that I was not out of pocket.
Bu süreçte iletişimde olduğum otel çalışanları nazikti	1 2 3 4 5 6 7	The hotel employees I complained to were very polite.
Otel bana sorunun neden meydana geldiğini açıkladı.	1 2 3 4 5 6 7	The hotel provided me with explanation of why the problem had occurred.
Bu süreçte iletişimde olduğum otel çalışanları sorunun neden meydana geldiğini ile ilgili tatminkar açıklamarda bulundular.	1 2 3 4 5 6 7	The hotel employees I dealt with, provided a satisfactory explanation of why the problem had occurred.
İletişimde olduğum otel çalışanları iyi giyimliydi.	1 2 3 4 5 6 7	The hotel employees I dealt with were well dressed.
İletişimde olduğum otel çalışanları tertipli ve profesyönel bir ortamda çalışmaktaydılar.	1 2 3 4 5 6 7	The hotel employees I dealt with worked in a tidy, professional environment.
Bana göre otel soruna tatminkar çözüm sağlamıştır.	1 2 3 4 5 6 7	In my opinion, the hotel provided a satisfactory solution to the problem.
Otelin sorunu ele alış biçiminden memnunum.	1 2 3 4 5 6 7	I was satisfied with the way the hotel handled the problem.
şadığım tecrübeden tatmin oldum.	1 2 3 4 5 6 7	I was satisfied with my experience.
Genel olarak otel ile ilgili tecrübemden tatmin oldum.	1 2 3 4 5 6 7	I am satisfied with my overall experience with the hotel.
tün olarak otelden memnunum.	1 2 3 4 5 6 7	As a whole I am happy with the hotel.
Genel olarak otel ile ilgili hizmet tecrübemden hoşnutum.	1 2 3 4 5 6 7	Overall, I am pleased with the service experiences

								with this hotel.
Bu otelin çalışanlarına her zaman itimat edilir.	1	2	3	4	5	6	7	This hotel's employees can be trusted at all times.
Bu otelin çalışanlarının dürüstlükleri üst seviyededir.	1	2	3	4	5	6	7	This hotel's employees have a high level of honesty.
Bu otelin çalışanları müşterilerine karşı söz verdiklerini yerine getirmek için her türlü çabayı gösterirler.	1	2	3	4	5	6	7	This hotel's employees made every effort to fulfill the promises made to its customers.
nel olarak bu otel güvenilirdir.	1	2	3	4	5	6	7	Overall, this hotel is reliable.
Bu oteli diğer kişilere tavsiye ederim.	1	2	3	4	5	6	7	I would recommend this hotel to other people.
Bu otelle ilgili diğer kişilere olumlu şeyler söylerim.	1	2	3	4	5	6	7	I would tell other people positive things about this hotel.
Bu oteli diğer otellere kıyasla ilk tercihim olarak düşünürüm.	1	2	3	4	5	6	7	I consider this hotel as my first choice compared to other hotels
Bu oteli tekrar ziyaret etme yönünde güçlü bir niyetim vardır.	1	2	3	4	5	6	7	I have a strong intention to visit this hotel again.

Demografik Sorular / Demographic Questions

1.   Yaşınız/Age

( ) 18-25
( ) 26-35
( ) 36-50
( ) 51-65
( ) 66 ve daha büyük / 66 and above

2. Cinsiyetiniz/Gender

( ) Kadın / Female
( ) Erkek / Male

3. Eğitim Durumunuz / Level of Education

( ) Lise veya daha alt seviye eğitim
( ) Önlisan/Lisans eğitimi
( ) Lisansüstü eğitim

4. Ailenizin Toplam Aylık Geliri / Monthly income of your family

( )   1500 TL ve altı / 1000 USD and below
( )   1501-3000 TL / 1001-2000 USD
( )   3001-6000 TL / 2001-4000 USD
( )   6001-9000 TL / 4001-6000 USD
( )   9001 TL ve daha üstü / 6001 USD and above

5. Uyruğunuz/Nationality:

_____

6. Mesleğiniz/Occupation

( )   Öğrenci/Student
( )   Memur(Devlet veya özel)/ Staff
( )   Yönetici(Devlet veya özel) / Manager
( )   İşveren(İşadamı) / Owner of a business
( )   Emekli / Retired
( )   Ev Hanımı /House wife
( )   Diğer/Other (.......................(Belirtiniz/Please mention))

7. Medeni Haliniz/Maritual Statues

( )   Bekar/ Single
( )   Evli/ Married
( )   Dul/ Divorce