Assessing customers' perception regarding service failure and recovery strategies and consumer future behavior in the restaurant industry ;Evidence from Mashhad, Iran

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ABSTRACT

The main objective of this research is to conduct a study to analyse service failure categories and service recovery strategies used and future customer behaviorin the context of hotelrestaurants in Mashhad, Iran. Also to evaluate the impact of demographic characteristics of customers on service failure, service recovery and customer intention.

The Thesis involves 300 respondents from Mashhad, Iran. The sampling unit is hotel restaurant customers and the data needed for the research purpose have been collected via structured questionnaires.

The study found conclusive results on selected service failure and service recovery strategies in hotel restaurants. This study further looked into the impact of demographic characteristics of customers on service failure, service recovery strategies and customer intention in the context of developing economies.

This study has important managerial implication as it facilitate the understandings of which importance of service failure category in relation to different demographic characteristics from customers' point of view.

This paper is valuable as very little has been done in the Iranian context. It also creates a perspective for restaurant managers in developing countries to evaluate and monitor their performance in order to increase their profitability and customer satisfaction.

Keywords: Hotel restaurant, service failure, service recovery, customer intention, demographic characteristics, developing countries.

ÖZ

Çalışmanın temel amacı, Iran Meşhed'deki otel restoranları bağlamında yapılan hizmet hataları ve uygulanan hizmet kurtarma stratejilerinin ana nedenlerini vegelecekteki müşteri davranışlarını analiz etmek için bir çalışma yapmaktır.Ayrıca, müşterilerin demografik özelliklerinin hizmet hataları, hizmet kurtarmanın ve müşteri niyetinin üzerindeki etkilerini değerlendirmektir.

Bu tez, Iran Meşhed'den 300 katılımcı içermektedir.Örnekleme birimi otel restoranı müşterileridir ve bu araştırma için gerekli olan veriler yapılandırılmış anketlerle toplanmıştır.

Bu çalışma, otel restoranlarında seçilen hizmet hatası ve hizmet kurtarma stratejileri üzerinde kesin sonuçlar bulmuştur.Bu çalışma, gelişmekte olan ekonomiler çerçevesinde, müşterilerin demografik özelliklerinin hizmet hataları, hizmet kurtarmanın ve müşteri niyetinin üzerindeki etkilerini de alarak içine katmıştır.

Müşteri görüşü açısından farklı demografik özellikleri ile ilgili hizmet hataları kategorilerinin önemini anlamamızı kolaylaştırdığından dolayı bu çalısmanın önemli yönetsel yansımaları vardır

Iran bağlamında çok az yapıldığından dolayı bu araştırma çok değerlidir. Aynı zamanda, karlılık ve müşteri memnuniyetini artırmak için gelişmekte olan ülkelerdeki restoran

yöneticilerine kendi performansını değerlendirmek ve gözlemlemek için bir bakış açısı oluşturmaktadır.

Anahtar Kelimeler: Otel restoranı, Hizmet hataları, hizmet kurtarma, müşteri niyeti, demografik özellikler, gelişmekte olan ülkeler.

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INTRODUCTION

1.1 Research philosophy

Service quality has been of primeimportance both to academicians and practitioners to zero-in on the factors thatconstitute service quality that results in customer satisfaction leading to creating loyalcustomers. (Parasuraman et al., 1988; Zeithaml, 1988; O'Neill and Palmer, 2004). The importance of customersis further highlighted by the fact that it costsa lot more to attract a new customer than to retain an old customer (Oliver, 1999). It is estimated that businesses every five years loses 50 % of their customers (Mack et al. 2000). It is also revaled that the multi-dimensional nature of theservice encounter creates an environment where failure may often be the norm(Mack et al. 2000).

Identifying causes of service failure will help managers to understand the routes through which service quality can be affected. The problem of service failure is further compounded by the fact that there is anincreased competition in most service industries. Therefore exploring the customersand the service providers encounters leading to service failures becomes very important issues to reduce the dissonance in customers. As service failure is inevitable in the service industry, service recovery is an important way to prevent customers from switching to another competitor and negative word of mouth and also decrease associated costs (DeTienne et al. 2008). Hoffman et al.

(1995)in their research on restaurant industry, categorized recovery strategies into seven classifications included free food, discount, coupon, managerial intervention, replacement, correction, apology, and taking no action.Tax and Brown (2000) illustrated that well-performed service recovery can help in preventing customer disappointment and anger, and can build a relationship again. But how to do it effectively remains a challenge (Miller et al., 2000).

Consumers who are dissatisfied with a service experience may take a variety of different actions. They can voice their opinion to management, they can say nothing and just not return to that organization, or they can continue patronizing the organization and not say anything (Susskind, 2002). Different elements have effect on customers' behavioral intention like satisfaction, fairness, unsuccessful recovery, and customers' emotion (Oliver, 1999; Clemmer, 1993; de Matos et al., 2007; Orsingher et al., 2010). So, exploring customers' behavioral intention becomes an important concern in service industry in order to increase customer satisfaction and in turn enhancing company profitability.

1.2 Aims and objectives

The main objective of the study is to conduct a study to analyse the main causes of service-failure and service recovery strategies used and future customer behaviorin Iran in the context of hotelrestaurants. This studyidentifies the consumer experience while eating out in the city of Mashad.

This study briefly aims to find out causes of usual service failure in restaurants and understand specific complaints and evaluate selected service failure categories. Also to identify the usual recovery strategies thathotel's restaurants adopt to cope with such failures and in respect. Finally this study evaluates the impact of demographic characteristics of customers on service failure, service recovery and customer intention. The study also intends to draw meaningful conclusions and indicators forhospitality managers in restaurant businessregarding with service failures.

1.3 Contribution of the study

The study has important managerial implications as it facilitates theunderstanding of where and how the failure-points occur and how customers perceive and react tothem. The paper is valuable as very little has been done in the Iranian context. It also aims to create perspective as to service failure in the restaurant sector in a developing country. This research can be useful for restaurant managers to deal with their service problems and failures to increase profitabilityby using suitable recovery strategies in order to prevent customer switching and negative customer behavioral intentions in Iran. Based on tourist population of Mashhad city which is over 20 million pilgrims who visit the city every year, including so many restaurants and hotels, it is necessary to understand and analyze the service failures and recommend recovery strategies for restaurants.

Also it has a significant role in attracting tourist to city of Mashhad by assisting hotels and tourism organizations in gaining customer satisfaction. In this regard I will give briefly some information about Iran tourism and Mashhad in below.

Iran has been blessed by varieties of tourism attractions. Iran's natural environment, its vast land mass with 1,648,000 Km², 636,000 Sq mi- sixteenth in size among the countries of the world, the county is a prime destination potentially. The supply of recreational and tourism opportunities are endless. Such geographical/topographical character renders Iran a four season country. The city of Mashhad, the main focus of this study, is a traditional pilgrimage destination as well as a metropolitan area. Mashhad metropolitan area has gained even more significance with the onset of Islamic Revolution in 1979. The main factor attributing to the city is the shrine of Imam Reza. It is located 850 kilometers (530 mi) east of Tehran, at the center of the RazaviKhorasan Province close to the borders of Afghanistan and Turkmenistan (en.wikipedia.org). Mashhad is the second biggest city in Iran, and it ranks among the top 3 destinations for domestic and international tourists. The highest percentage of accommodation facilities and restaurants are located in Mashhad (www.chto-khr.ir) with extensive variation to cater to different income level.

Due to massive tourist percentage in recent years in city of Mashhad, the restaurant industry is becoming a significant sector in attracting tourists. So there is need to analyze restaurant service failure and find suitable service recovery strategies for firms to increase their market-share and enhance their customer satisfaction and profitability.

1.4 Proposed methodology

Data in this studyare aimed to be gathered from the customers of fast developing hotel restaurant sector in the city of Mashhad inIran.

The convenient samplingwill be used in determining the number of respondents. In a more focused sense, convenient samplesare non- probabilistic samples and quite often a convenient sample is not a sample at all in a sense that those selected are chosen on the basis of some distribution of multiple characteristic; rather the samples are chosen because they share certain very clearly defined core characteristics. (Veal A. J. 1997)

This study has been planned to include the customers of the hotel restaurants. The target figure is threehundred.

The questionnaire will be a self administered questionnaire which will address to managers of the targeted companies. It will be prepared by reviewing the related literature and completed after interviewing the managers of specific companies. The aim is to get their perception about the reasons ofservice failures and; to identify the significant differences among the targeted companies concerning the service recovery strategies's variable.

The data collected will be interpreted under the light of relevant literature in order to have reliable conclusion. This will benefit the practitioners and academics of the field. Briefly, the data needed for the research purpose will be collected via structured questionnaires. During the distribution of the questionnaires, the aim will be explained to them.

The data collected will be entered into statistical package for the social sciences (SPSS) program in order to compute the necessary statistics, including means, standard deviations, frequencies and ANOVA (analysis of the variance) tests. ANOVA tests are

for the significance of the differences between more two sample means(Levin and Rubin, 1997). In an arithmetic average valuation unit, it is the average number of point's people has given to a certain statement out of a five point Likert scale. For better measurement a validity and reliability test will also be conducted.

1.5 Outline of the thesis

As it is mentioned before, the main aim of this study is to conduct a study to analyse the main causes of service-failure and service recovery strategies used and future customer behavior. For this reason this study has been prepared in the following sequence: the first chapter identifies the importance of the research on service failure in hotel restaurants and explains aims and contribution of the study. Chapter two includes review of service, service failure, and service recovery and customer behavioral intention in hotel restaurant. Chapter three explain which and how research methodology is used in this study. Chapter four has clarification about the findings and results, and finally chapter five discusses the findings with reference to other research conducted elsewhere. Moreover implications for management were proposed.

Chapter 2

LITERATURE REVIEW

2.1 Service

2.1.1 Service definition

Scholars have defined the service concept in different ways. Services are considered as activities, actions and interactions by most researchers (Solomon et al., 1985; Lovelock, 1991; Zeithaml and Bitner, 2003; Vargo and Lusch, 2004b). According to Hill (1977), services can be defined as something change in the possession of the consumer or alter in the condition of a person. Lovelock (1991) believes that service is a process or performance. For example, activities such as accountancy, banking and hairdressing are identified as service based. A service is an activity or series of activities of intangible nature that normally, but "not necessarily, take place in interaction between the customer and the service employee and /or physical resources or goods and/or system of the service provider, which are provide as solution to customer problems." (Gronroos, 1999, p.27). "Business benefit from good service, service skills are crucial for success at all organizational levels. A commitment to using customer service skills ignites a growth process." (Timm, 1998, p.13).

Gummesson (1995) uses value for expressing solutions to customer problems, which is mentioned by Gro¨nroos (2001). He believes that consumers buy offerings that produce

services rather than purchasing the products or services, which create value. "Indeed, from guest's point of view, service is the performance of the organization and its stuff" (Powers, 1995, p.176). "Services can be more widely described as economic activities that create 'added value' and provide benefits for customers (consumers or organizations)" (Gilmore, 2003, p.4).

In addition, scholars have found the most frequently cited service characteristics that greatly affect the way it is delivered and its marketing program, which are: intangibility, inseparability, heterogeneity, and perishability (Kotler, 2003).

Gummesson (1995) emphasizes that what service give to customer and what the customer receive, that can be interpreted as customer's point of view on service and service concept. Gustafsson and Johnson (2003) said that the service organization should "create a seamless system of linked activities that solves customer problems or provides unique experiences" (p. 29). This view specifies the customer's perspective that service activities can support the customer in solving problems.

Gilmore (2003) has mentioned in his book wide variety of definition and scope of service concept which are:

- "Service as an organization, that is the entire business or not-for-profit structure that resides within the service sector. For example, a restaurant, an insurance company, a charity.
- Service as core product, that is, the commercial outputs of a service organization such as a bank account, an insurance policy or a holiday.

- Service as product augmentation, that is any peripheral activity designed to enhance the delivery of a core product. For example, provision of a courtesy car, complimentary coffee at the hairdressers.

- Service as product support, that is, any product- or customer-oriented activity that takes place after the point of delivery. For example monitoring activities, a repair service, up-dating facilities.

- Service as an act, which is service as a mode of behavior such as helping out, giving advice". (p. 5)

The service sector includes different industries such as hospitality industry, tourism industry and financial industry. Also most of them like tourism include different parts like large companies which are airline, hotel chains, and small companies which are restaurants and taxis and local tourism services. So it is concluded that service industry is a varied sector with different companies within distinctive contexts. (Gilmore, 2003, P.6)

Vargo and Lusch (2004a) suggested another approach to defining service which is "the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself" (p. 2). They believe that this definition can be as a basic function of all business enterprises.

Service definition terms have different interpretations. It is not clear that what researchers mean by activities, processes, performance, experience and solutions to

customer problems. As development of the service researches, it needs more specified definition or perspectives like define it through lens of the customer (Vargo and Lusch, 2004a, b).

2.1.2 Service characteristics

Scholars specified different characteristics that were believed to differentiate services from goods. In an overall review during the period 1963-83,based on Zeithaml, Parasuraman, and Berry (1985) the most frequently cited characteristics were intangibility, inseparability of production and consumption or simultaneity, heterogeneity or non-standardization, and perishability or inability to inventory.

Regan (1963) was the earliest author in this review, who identified intangibility, inseparability, perishability, and ubiquity but neither defined nor explained them. Interestingly, Sasser, Olson, and Wyckoff (1978) were the first researcher that specified all four characteristics (and only these four); they used the term simultaneity rather than inseparability. Many other authors referenced Zeithaml, Parasuraman, and Berry (1985) as the source. It has to be mentioned that these researchers did not invent IHIP, but they approved it based on a comprehensive literature review as a preliminary input for empirical study. Also, Edgett and Parkinson (1993) researched the characteristics during the period 1963-1990, which similarly resulted. (Lovelock, Gummesson, 2004; Edvardsson et al., 2005)

Researchers still try to define characteristics of service more precise, but, in general service has been diversified from product in four main characteristics:

1. Intangibility which means services are not physically present as tangible objects in comparison to products (Kandampully, 2002; Fitzsimmons and Fitzsimmons, 2001).

2. Perishability that means service cannot be stored for later use (Kandampully, 2002).

3. Heterogeneity is related to service standardization. Services can be different from customer to customer. It depends on behavior, knowledge and service mindedness of service encounter's employees and customers (Dawes and Rowley, 1996).

4. Simultaneity or inseparability is the dependency of service characteristics on production and consumption because it is usually created in connection with the customer. In other word, Production and consumption occur at the same time (Lovelock, Gummesson, 2004).

2.1.2.1 Intangibility

The most common definition of intangibility is that service is not described as tangible and material thing (Shostack, 1977, Lovelock and Gummesson, 2004; Laroche et al., 2001; McDougall and Snetsinger, 1990). Berry (1980) described the intangibility of services as follows: "A good is an object, a device, a thing; a service is a deed, a performance, an effort" (p. 24) or Gummesson, (1987) stated that "Service is something that can be bought and sold, but which cannot drop on your foot" (p. 22). "Intangibility denotes that services are activities and not physical objects, as is the case with goods. Often services cannot be seen, felt, tasted, or touched before they are purchased" (Edvardsson, Gustafsson and Roos, 2005, p. 113). Bateson (1979) diversified the physical intangibility which means service cannot be touched and mental intangibility

which means it cannot be mentally grasped and He used the term "double intangibility" (p. 139). Bielen and Sempels (2003) empirical study supported Bateson's concept of double intangibility.

Some scholars considered intangibility as the most important characteristic of services (Bowen and Schneider, 1988; Edgett and Parkinson, 1993; McDougall and Snetsinger, 1990; Vargo and Lusch, 2004; Wright, 1995; Zeithaml et al., 1985). In fact, most the distinction between services and goods referred to intangibility of offerings (Bateson, 1979; Bowen and Schneider, 1988; Shostack, 1977).

2.1.2.2 Inseparability

Say (1836) introduced the attribute of inseparability. He mentioned that service production and consumption occur at the same time. Accordingly, Berry (1980, p. 25) said that "simultaneous production and consumption means that the service provider is often physically present when consumption takes place." Examples of inseparable services are education, serving food in restaurant, or concerts. Lovelock and Gummesson, (2004) stated that an inseparable production and consumption process include factors such as "the presence of the customer, the customer's role as co-producer, customer to employee, and customer to interactions is readily observable in many service environments and can form a critical distinguishing property between goods and services."(p. 29)

There is a difference between services and goods. Companies have to first sell goods and then produce and subsequently consumed, but for service, it should be fist sold, then produced and consumed at the same time (Regan, 1963; Berry, 1980). Bowen and

Schneider (1988, p. 52) declared: "Simultaneity dictates that when the demand for a service is present the service must be produced."

Inseparability has been criticized by some scholars. Sometimes production and consumption need not be simultaneous. There are many services that customers are not directly involved such as car repair, dry cleaning and goods transportation. In these groups of services, service can be stored in systems, building, machines, and people. For example, memories can be stored in customer's mind and effect on their future behavior and perceived quality. The service is sold, produced and then consumed, but the favorable or unfavorable experience can be stored in customer's mind (Edvardsson et al. 2005).

Lovelock and Gummesson (2004) stated that:

> "Simple observations will show that numerous widely used business and consumer services delivered to customer's possessions – such as transporting freight, laundering clothes, and undertaking routine cleaning are most commonly performed in the customer's absence."(p. 29)

2.1.2.3 Perishability

The attribute of perishability for services has been discussed for a long time in literature of service. Adam Smith (1776, p. 351) stated "the labor of the menial servant, on the contrary, does not fix or realize itself in any particular subject or vendible commodity. His services perish in the very instant of their performance".In other word, Perishability means service cannot be stored or stockpiled (Beaven and Scotti, 1990; Edgett and Parkinson, 1993; Kotler, 1994; Vargo and Lusch, 2004). Kotler (2003, p. 449) stated

simply that "services cannot be stored", and Solomon and Stewart (2003) agreed. Many scholars asserted that services cannot be saved or stockpiled for later use, or returned (Edgett and Parkinson 1993; Zeithaml and Bitner 2003). Pride and Ferrell (2003) claimed that "the unused service capacity of one time period cannot be stored for future use" (p. 325).

Also other scholars mentioned other perspective to perishability characteristics of service:

> "The claim that services cannot be stored is nonsense. Services are stored in systems, buildings, machines, knowledge and people. The ATM is a store of standardized cash withdrawals. The emergency clinic is a store of skilled people, equipment and procedures. The hotel is a store of rooms" (Gummesson, 2000, p. 124).

Edvardsson et al. (2005) also stated that memories of service can be kept for years in customer's mind. Lovelock and Gummesson (2004, p.30) cited in their article that "Unlike manufacturers, service firms cannot produce for inventory and sell their products later. Certain types of live performances— such as education, entertainment, music, religious services, and news—can be recorded for subsequent use through broadcasting or transformed into a reusable physical good in the form of DVDs, tapes, or other storage media."

According to Gummesson (2000) who indicate that a hotel is a store of beds. All aspects he mentioned are storable but it perish if there is no customer demand. So the potential

capacity of service production perishes (Lovelock, 1983). Also Rust et al. (1996) support this claim that "Time is the most perishable component of services capacity".

2.1.2.4 Heterogeneity

It is difficult to standardize the service which is the main concern in heterogeneity of service (Edgett and Parkinson, 1993). The focus of the characteristics of heterogeneity is standardization. Sasser, Olsen, and Wyckoff (1978) believe that produce standard service is difficult because behavior and performance differ in both service workers and between the same employee's interactions from one customer to another customer. Eiglier and Langeard (1975, 1977) stated that it is not easy to control service quality as customers are involved in the production process. Zeithaml et al. (1985) said that "the quality and essence of services (e.g. a medical examination, car rental, restaurant meal) can vary from producer to producer, from customer to customer, and from day to day" (p. 34). Zeithaml and Bitner (2003) noted that two customers are not alike and they concern service from different view; so their experiences will differ from one to another customer.

Scholars believe that variability caused by human involvement in service delivery and resulting quality problem (Pride and Ferrell, 2003; Kotler, 2003; Solomon and Stuart, 2003, and Kerin et al. 2003). This is equally for both services and goods. According to Lovelock (1983) it is possible to reduce variability of service by using machines and computers like an ATM or other retail banking services. Vargo and Lusch (2004) mentioned that heterogeneity is more related to the involvement of human being rather than machines, but both are present for customer resources.

Lovelock and Gummesson (2004) believe that heterogeneity of service can be criticized, because there are many possible standardized services that can reduce the variability of service like an ATM machine which is standardized as many other goods.Sabine Moeller (2010) believes that "the reference object of heterogeneity should be customer resources instead of its consequences or the transformation itself" (p.363). This shows the value of heterogeneity for services context.

2.2 Service failure

2.2.1 Definition of service failure

Many service organizations have focused to satisfy their customer by providing high quality service, but there is a mistake in every service system, because service failure is inevitable (Hart, Heskett, &Sasser, 1990; Schneider & Bowen, 1999). Webster and Sundaram (1998) stated that, "even the companies with the best strategic plans and the tightest quality control procedures cannot avoid mistakes in all interactions with customers" (p.153).

The restaurant industry has to deal with service mistakes because there is interaction between employees and customers, so there are so many probabilities for service failure to occur. A service provider cannot prevent service failure based on the human errors in service delivery (Fisk, Brown, and Bitner, 1993).

There are different definitions of service failure as Bitner (1990) stated that service failure unable service providers to meet their customer expectation and also fail to satisfy their needs. Accordingly, service failure occurs when service cannot meet customer expectation (Sparks &Fredline, 2007) because of fault in one of the stages of

service delivery (Mueller ET al., 2003). Also Liao (2007) said that service failure happen when customers are not satisfied with their service experience.

Berry and Parasuraman (1991) defined service failure as "a Flawed outcome that reflects a breakdown in reliability" (p. 46). Hoffman and Bateson (1997) defined service failure as "service performances that fall below customer expectations". Maxham (2001) defined service failure as "any service related mishaps or problems (real or perceived) that transpire during a customer's experience with a firm" (p. 11). Some scholars believe that delay in handling service failure could be costly for Service Company and also could lead to customer rejection (Kotler, 2000; Liu, Sudharshan, and Hamer, 2000; Maxham, 2001; Roos, 1999).

Lewis and Spyrakopoulos (2001) mentioned that service failure can be caused by unique characteristics of service failure. Moreover, other researchers declare that customer behavior in delivery of service can be cause to failure of service (Armistead, Clarke, Stanley, 1995; Denham, 1998; Johnston, 1994).

2.2.2 Service failure categories

Several researchers categorize service failures by using the critical incidents technique (Bitner et al., 1990; Kelley et al., 1993; Kivela& Chu, 2001). In this approach, customers are asked for their past experience which was dissatisfying (Bitner et al. 1990). Then researchers gather these data and classify them as service failure categories. The first study by using this approach was conducted by Bitner et al. (1990) and concluded in three categories: Service system failure, Failures in implicit or explicit customers requests, unprompted or unsolicited employee behavior. Accordingly, other scholars

have used these same three categories to classify new service failures (Kelley et al., 1993; Kivela& Chu, 2001). Also in critical incidents technique, the severity of service failures can be examined (Hoffman et al., 1995). In addition, Bitner et al., (1994) categorized service failure from employees' point of view. He added problematic customers as a new variable. This variable includes four categories: drunkenness, verbal and physical abuse, breaking company policies or laws, and uncooperative customer. Hoffman et al. (1995) categorized service failure in their research, by using a deductive sorting process, into three major failures developed by Bitner et al. (1990). These categories are: employee response to service delivery system failures; employee response to implicit/explicit customer requests; and unprompted and unsolicited employee actions. Also they identified eleven unique subgroups.

First category include product defects (i.e., Food is cold or burnt), slow/unavailable service (i.e., customer waited too much for service), facility problem (i.e., bad smell or dirty silverware), unclear policy failure (i.e., not accepting credit card or cheque), and out of stock conditions (i.e., inadequate supply of menu items). Second category involved employee responses to implicit/explicit customer requests which include two subgroups. First on is food not cooked to order (for example, a customer receives medium steak instead of rare steak as he ordered), and the second on is seating problem (for example, seating smokers in nonsmoking area or ignoring customer request for a special table).The last category which is unprompted and unsolicited employee actions includes four different subgroups. These subgroups identified as inappropriate employee behavior failure (i.e., rudeness, poor attitude), Wrong order failure (i.e., delivering wrong food to the table), Lost orders failure (i.e., customer's order misplaced), and

Mischarged failure (i.e., charged incorrect prices for items ordered). (Hoffman et al., 1995)

Other researchers have mentioned two aspects of service that can cause service failure: a core technical aspect and a relational aspect (Bitner et al., 1990; Doucet, 2004). Smith, Bolton and Wagner (1999) used terms, outcome and process failures, relatively. The core technical aspect of service includes the core of service like service process or service delivery, whereas the relational aspect is about the quality of service. For example, relational failure include an employee that is unclean or unhelpful to customer, while core technical failure consisted of slow service or uncooked food or make a mistake in reservation. According to Doucet (2004), "the relational aspect of a service can only be experienced in the presence of the service provider, and it includes all the interpersonal behaviors of the service provider" (p. 762). In other word, relational failure related to the relational behavior aspect of service employees and core technical failure related to product delivery.

Recently, Dutta, K. and Venkatesh, U. (2007) expressed another category of service failure. They categories service failure into five dimensions which include operation failure, hygiene, behavior and physical evidence. Operation failure consists of food and beverage quality, inefficient staff, reservation missing, incorrect billing and other customer misbehavior. They mentioned that "Perceptions of staff inefficiency in general and incorrect billing are both indicative of poor staff training on one hand and/or lack of appropriate systems and processes on the other."(p. 356).

2.2.3 Importance of service failure

Service organizations are almost unable to provide zero-defect service, so it is important to identify service failures in order to stop customers from choosing competitors and also try to decrease service failure errors (Namkung and Jang 2010). Hoffman and Chung (1998) stated that "Service failures are a principal determinant of future patronage or its absence". (p. 67) Service failures effect on customer satisfaction and prevent continuous customer support (Kelley, Hoffman and Davis 1993). Worse than that customers state their unsatisfied experience several other people (Zemke 1999). Accordingly, Hoffman and Chung (1998) mentioned that "While disgruntled customers typically tell several others about a negative service experience, few customers who leave actually complain or report to the service provider that they are leaving due to dissatisfaction". (p. 67)

It has been proved that repeat customers are important for gaining profit in all businesses (Hoffman and Chung 1998). As Oliver (1999) illustrate it is costly for service companies to attract new customer rather than preventing current customer from switching to another competitor.

Hence, it is essential for service providers to establish a systematic management of service failures with well-performed recovery, to increase customer satisfaction and profitability (Namkung and Jang 2010).

2.2.4 Severity of service failure

Past researches revealed that service failure severity should be concerned while exploring service failure and recovery in order to integrity of the study (Hart, Heskett,

&Sasser, 1990; Kelley, Hoffman, & Davis, 1993; Webster &Sundaram, 1998). Weun, Beatty, & Jones (2004) defined service failure severity as "customer's perceived intensity of a service problem; the more intense or severe the service failure, the greater the customer's perceived loss" (p. 135). They also mentioned that "a severe service failure will produce a perceived loss even when a sufficient recovery has taken place" (p. 135).

Service failure severity has a great negative effect on customer satisfaction (McQuilken and Bednall 2008). Accordingly, De Matos et al., (2009) in their research found out that "the higher the perceived severity in the failure, the lower the customer satisfaction" (p. 468). alsoWeun et al., (2004) indicate that service failure severity influence customer satisfaction and more severe failure has higher impact, without mentioning the service recovery.

As McQuilken and Bednall (2008) mentioned in their study about the negative effect of service failure on satisfaction evaluations, they believe that higher severity of failure leads to higher negative WOM intention. Also employee effort has a stronger impact to resolve the customer's negative WOM intentions as service failure is less sever (McQuilken and Bednall 2008).

Also Wang et al., (2011) investigated that "service failure severity has a significant negative relationship with customer loyalty" (p. 355). Weun et al. (2004) mentioned that stronger service failure severity has greater effect on customer commitment. So

customers who received higher severity of service failure, they show less intention to loyalty (Wang et al. 2011).

2.2.5 Other customer misbehavior

In service sector, other customer failures can effect directly or indirectly on customers' dissatisfaction with service (Grove and Fisk 1997; Martin 1996; Moore et al. 2005). Huang (2010, p. 191) stated that "customer dissatisfaction with the consumption experience is derived, at least partially, from the misbehavior of other customers". Huang (2008) described other-customer failure as when the act/behavior of a customer negatively effect on other customer's service experience. Some researchers have stated other customer failure in their studies as talking loudly, breaking into line, unruly children, smoking, drunkenness, verbal, and physical abuse (Grove and Fisk, 1997; Huang, 2008; Martin, 1996).

Different terms have been used in researches investigating other customer misbehaviors in service. Bitner et al. (1994, p. 98) used the expression "problem customers," which mention customers who are "unwilling to cooperate with the service provider, other customers, industry regulations, and/or laws." Also Lovelock (2001) indicate to "Jaycustomers," which describe those "who act in a thoughtless or abusive way, causing problems for the firm, its employees, and other customers" (p. 73). In addition, Fullerton and Punj (1997) adopt the term consumer misbehavior, Harris and Reynolds (2003) refers to the phrase dysfunctional customer behavior and Huang (2008) used the term other-customer failure.

Other customer misbehavior can effect negatively on the customer's evaluation of service (Huang 2010; Guenzi and Pelloni 2004; Moore et al. 2005). Martin (1996) cited that unsatisfactory customer-to-customer encounters decrease customer satisfaction with the service provider. Harris and Reynolds (2003) declared that negative other customer behavior can influence on customer's loyalty and satisfaction toward the firm. Also Wu (2007) found out similar result in his study on tourism service industry. Empirical findings support the fact that dysfunctional customer behavior can result in the development of transactional dissatisfaction (Bitner et al. 1990; Guenzi and Pelloni 2004; Moore et al. 2005).

So in order to minimizing the effect of other customer misbehavior Martin and Pranter (1989) suggested to attract parallel customer and then controlling and monitoring both physical environment and customer interaction.

2.3 Service recovery

2.3.1 Service recovery definition

As service failure is inevitable in the service industry, service recovery is an important way to prevent customers from switching to another competitor and negative word of mouth and also decrease associated costs (DeTienne et al. 2008). Zemke and Bell (1990, p. 43) defined service recovery as a "thought-out, planned process for returning aggrieved customers to a state of satisfaction with the firm after a service or product has failed to live up to expectations." Michel (2001, p. 21) said that "Since most dissatisfied customers are reluctant to complain, service recovery attempts to solve problems at the service encounter before customers complain or before they leave the service encounter dissatisfied". Service recovery strategies involve actions taken by service providers to

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respond to service failures (Gro¨nroos, 2000; Johnston and Mehra 2002). Smith et al. (1999, p. 357) have described service recovery as "a 'bundle of resources' that an organization can employ in response to a failure".

Recently, Dong et al. (2008) mentioned that service recovery includes all activities taken by service provider to repair, improve and retain customer's loss after failure occurred. According to Gro¨nroos (2007) service recovery issue first discussed in service quality literature in order to assisting service organization to how define, understand, and manage customer's complaining behavior. Tax and Brown (2000, p. 272), believe that service recovery is a "process that identifies service failure, effectively resolves customer problems, classifies their root causes and yields data that can be integrated with other measures of performance to assess and improve the service system".

Michel et al. (2009, p. 267) recently described service recovery more complex as he mentioned that it is "the integrative actions a company takes to re-establish customer satisfaction and loyalty after a service failure (customer recovery), to ensure that failure incidents encourage learning and process improvement (process recovery) and to train and reward employees for this purpose (employee recovery)".

Tax and Brown (2000) illustrated that well-performed service recovery can help in preventing customer disappointment and anger, and can build a relationship again. But how to do it effectively remains a challenge (Miller et al., 2000).

2.3.2 Service recovery strategies

When service failure occurs, service providers usually use an action to recover service fault. To reduce customer satisfaction and preventing from switching customers to another service company, firms can adopt proper service recovery strategy like an apology, offering discount, a free food (Hart et al. 1990; Levesque & McDougall 2000; Yang 2005).

Kelley et al. (1993) found out 12 categories of service recovery in enterprises which are discount, correction, managerial intervention, correction and compensation, replacement, apology, refunding the charge, customer correction, offering rebate, correction for dissatisfaction, and doing nothing. Also Hoffman et al. (1995) in their research on restaurant industry, categorized recovery strategies into seven classifications included free food, discount (offering discounts on the price of the meal), coupon (presenting a voucher offering a future discount), managerial intervention (higher-level supervisors Dealt with customer complaint for service failure), replacement (providing a new meal for customers complained of product defects), correction (change the food as customer ordered), apology (the servers simply provided the customers with an oral apology), and taking no action (servers or supervisors ignored the complainants or took no action in response to their complaints). Warden et al. (2008) had the same result for service recovery strategies categories which had been adopted by restaurants. Also, Levesque and McDougall (2000) sorted service recovery into four groups namely apology only, compensation, assistance and assistance, and compensation.

Hoffman et al. (1995) conclude in their study that compensation form of recovery strategy is the most effective way to recover from a service failure. Compensation includes free food, discounts and coupons. Also they found out that a simple correction, apology and doing nothing is the worst recovery strategy taken by service firms. Also Kelly et al. (1993) believe that taking no action is less effective recovery strategy considered by customers. Moreover, Tsai and Su (2009) mentioned that Coupon, replacement, and free food can be favorable recovery strategies and also increase customer satisfaction and customer intention. Their result was almost consistent with Hoffman et al. (1995). Furthermore, Bitner et al. (1994) found out that customers can be uncooperative and cause recovery strategies fails.

There are other scholars that categorized service recovery strategies same as previous studies (Bitner et al. 1990; Hoffman et al. 1995) but they found out other result for the importance/effectiveness of recovery strategies from customer's point of view. For example, Silber et al. (2009) findings illustrated that assistance category of recovery strategies are more significant tools rather than compensation strategies for service recovery. Assistance strategy consists of managerial intervention, replacement, correction, and apology. Silber et al. (2009) believe that "customers demand a correction of the current problem using actions from the assistance strategy category and not a future solution from the compensation strategy category". Also they mentioned that "within the assistance category, customers are consistent in finding the direct recovery action which is most applicable to their case". For example, when the problem is with the meal, service encounter use the replacement recovery or when failure is related to the service provider, managerial intervention is needed.

2.3.2.1 Other elements of the service recovery strategies

Miller et al. (2000) classified service recovery into psychological and tangible strategies. Psychological category refers to service provider effort to resolve service failure by concerning customers' needs and wants (Lewis and McCann, 2004; Miller et al., 2000; Zemke and Bell, 1990), while tangible category refers to techniques that rectify or fix the failed service (Goodwin and Ross, 1990; Zemke and Bell, 1990).

Psychological recovery strategies are actions that directly recover customer psychological dissatisfaction from service failure, like apology and explanation (Kuo& Wu 2011). Psychological recovery strategies consist of two techniques which are apology and showing empathy towards customer (Miller et al., 2000; Johnston and Fern, 1999). Firms usually provide empathy and apology together in recovery situations (Bitner et al., 1990; Rondeau, 1994; Maxham, 2001). In this Regards Boshoff (1999, p. 239) said, "Empathy means treating the customer in a way that shows that the service provider cares about the problem, fixing the problem, and lessening the customer's inconvenience". Miller et al. (2000) believe that it is "Simple and inexpensive, the two can be a powerful remedy when used together" (p. 390).

Tangible recovery strategies provide compensation for failed service, such as discount, coupon, and refund (Kuo& Wu 2011). In some service failures psychological strategies are enough to resolve the problem, usually for miner one, but sometimes customer expect more than just an empathetic apology in order to be satisfied (Barr and McNeilly, 2003; Goodwin and Ross, 1990). According to Goodwin and Ross (1990, p. 59) that state, "If nothing [is] offered, consumers [seem] to believe that the apology was a sham",

tangible recovery seem to be necessary in most service failures. Tangible recovery strategies include completing the primary service, re-performing the service, exchanging the product, or refunding the cost (Lewis and McCann, 2004). Also value-added atonement can be described as other aspect of tangible recovery efforts. Boshoff (1997, p. 115) describes atonement as "over-benefiting" or "bending over backwards for the customer and giving them something beyond a mere refund or redo of the service." Also he found out that "The higher the level of atonement, the more significant the improvement in the level of service recovery satisfaction" (p. 116).

Regarding to the using these types of recovery strategies Hocutt et al. (2006) concluded that "high levels of satisfaction are therefore achieved only when concern about the mistake and employee responsiveness both occur. An interaction between courtesy and tangible rewards significantly decreases the level of negative word-of-mouth. But if an employee shows no empathy toward the customer, even a free meal might not prevent the customer from telling friends and relations about the bad experience" (p. 207).

2.3.3 Importance of service recovery

As service industry become more competitive, it is difficult to give 100% error-free service to customers. So service failure is inevitable and an efficient service recovery is essential to each service firm (Dong et al. 2008). Service recovery become important because bad service experience often result in switching customer to another competitor (Keaveney 1995), that can cause lost customer lifetime value (Rust et al. 2000). Well-performed recovery from a service failure can lead to customer satisfaction, preventing from negative word of mouth and enhance bottom-line performance (Tax et al. 1998; Zeithaml and Bitner 2003). In addition, it is mentioned in other studies that effective

recovery positively impact on customer satisfaction (Smith et al. 1999), word-of-mouth behavior (Maxham, 2001; Susskind, 2002; Swanson and Kelley, 2001), customer loyalty (Maxham, 2001; Maxham and Netemeyer 2002), and accordingly, customer profitability (Hogan et al. 2003; Johnston 2001; Rust et al. 2004).

Also a poor recovery can lead to lost revenues for a firm by leading customers to switch to another service firm (Maxham, 2001). Chang and Chang (2010) stated in their research that service failures can be costly to the organization; so it is important to obtain an efficient service recovery in order to prevent customer from switching to other service provider.

Service companies can implement a favorable recovery for a service failure, it results in customer trust to company and increase their loyalty to the relationship (Tax et al., 1998). These customers continue their relationship with the company and telling positive experience to others about company (Maxham and Netemeyer, 2002).

DeTienne (2008) believe that a good service recovery not only increase customer satisfaction and loyalty but also enhance the overall profitability of the organization. For example, in the hospitality industry like restaurants, hotels, and casinos, if a company can decrease its customer loss from 20% to 10%, a customer would increase its relationship from 5 to 10 years in average and also profits increase as well (Orilio, 2007).

2.3.4 Role of employees in service recovery

Nowadays, in competitive service environment, companies are trying to satisfied their customers in order to increase their relationship with the new and existing one (Singh and Sirdeshmukh, 2000). Customers' evaluation of their service experience is generating

from customer and service employee interactions. So the role of employee in creating customer satisfaction is inevitable (Webster &Sundaram 2009). In service recovery procedures, employees have to deal with complaining, offended and sometimes highly emotional customers.

Most of the studies mentioned the role of employees in recovery procedure such as their ability to adapt (Boshoff and Leong, 1998), their need to be proactive (Iacobucci, 1998) and the role of self managing teams (de Jong and de Ruyter, 2004). Bowen and Johnson (1999) mentioned the employee recovery approach. They said that beside customer recovery, employee recovery which means supporting employees in their role of dealing with complaining customers is needed. Sometimes employee feel that unfairly treated by company caused by lack of support by management regarding prepare employees to engage in successful recovery, so in result they will treat customers unfair. In this regard, Johnston and Clark (2005, p. 398) suggested that "some organizations just let their staff soak up the pressure resulting from their inadequate service systems leading not only to dissatisfied and disillusioned customers but also stressed and negatively disposed staff who feel powerless to help or sort out the problems."

Maxham and Netemeyer (2003) state that when employees perceive that they treated fairly by organization, their organizational citizenship behaviors toward customer increase which result in customer satisfaction. Also Boshoff and Allen (2000) found out that effective service recovery results in higher employee job satisfaction and lower intention to quit.

In this regard Wirtz&Mattila (2004: 162) found out: "front-line employees need to be trained to handle customers' complaints and dissatisfaction immediately on-the-spot, or offer tangible compensation in case of a delay. Regardless of the recovery speed, customers should be treated with courtesy and respect. Moreover, an apology is an integral part of the service recovery process."

2.3.5Justice theory

In service recovery studies, justice theory has been employed as the main framework for examining service recovery in order to figure out the influence of effective service recovery procedures (McColl-Kennedy & Sparks, 2003). Justice theory expresses what customer perceived from the effect of fairness of service recovery efforts on customer satisfaction and future behavioral intentions. Seiders& Berry (1998) state that when there is a conflict between customer's fairness perception and their sense related to be treated injustice or uniquely fair, customer's judgments of service justice appear. Service fairness is what customer perceives from the degree of justice in a service provider's behavior (Seiders& Berry 1998).

Scholars have established a good literature related to justice theory in the service failure and recovery (Smith et al., 1999; Blodgett et al., 1993). Customers evaluate their fairness toward service recovery within three dimensions of justice theory: distributive which focuses on the perceived fairness of the outcome of the process, procedural that purport the perceived fairness of the process to rectify the problem, and interactional that focuses on the way the customer is treated throughout the process (Smith et al., 1999; de Ruyter and Wetzels, 2000; Liao, 2007).

2.3.5.1 Distributive justice

Distributive justice refers to perceived fairness of the tangible outcome of a dispute, a negotiation, or a decision involving two or more parties (Blodgett et al. 1997). Smith et al. (1999) described distributive justice as ''the allocation of costs and benefits in achieving equitable exchange relationships'' (p. 358-359). Also del Río-Lanza (2009, p.776) said that distributive justice is "the assignment of tangible resources by the firm to rectify and compensate for a service failure".

Distributive justice is dealing with outcome given to customer after service failure which can be included compensation like discount, free-of-charge (Mattila, 2001; Sparks & McColl-Kennedy, 2001). Consumers' perception of distributive justice can be affected by tangible compensation which can be a free drink voucher for slow restaurant meal service, a replacement for an incorrect meal order, and refunding money (Mattila and Patterson, 2004). Customers expect service firms provide compensation in result of service failure. Tax et al. (1998) illustrate that fairness of compensation can be affect by customer's prior experience with the firm and perception of the magnitude of his or her own loss. Level of Compensation can be different depending of the degree of service failure severity (Hocutt et al. 2006). An annoyed customer expect fair-fix for the problem, while a victimized customer would expect some value-added atonement which is something beyond customer expectation (Bell and Ridge, 1992).

Also manager should be aware that high level of compensation can change the level of customer satisfaction. Resnik and Harmon (1983) believe that sometime managers for

gaining a favorable level of customer satisfaction is not necessary to result in "give away the store".

As a result in many empirical studies, customers in unfair relationship with service provider will be dissatisfied and that will lead to negative word-of-mouth (Greenberg 1996). So customers' perception of distributive justice can effect customer satisfaction as Hocutt et al. (2006) found out in their research that after service failure, consumers perceived fairness of outcome (distributive justice) has positive effect on levels of satisfaction which lead to decrease negative word-of mouth. Also they conclude that tangible compensation will lead to higher perception of distributive justice.

2.3.5.2 Procedural justice

Thibaut and Walker (1975) started to systematically researching on procedural justice. Procedural justice is focusing on customer's perception of justice for the procedure and process of recovery from service failure caused by service provider (Mattila, 2001). Procedural justice refers to "perceived fairness of the policies, procedures, and criteria used by decision makers in arriving at the outcome of a dispute or negotiation" (Blodgett et al., 1997, p. 189). In other word, procedural justice is about fairness judgment of a decision making process.

Tax et al. (1998) illustrate five elements of procedural justice including process control, decision control, accessibility, and flexibility. Also speed of service recovery is one of the major elements of customer perceptions of procedural justice (Blodgett et al., 1997; Tax et al., 1998). McColl-Kennedy and Sparks (2003, p. 253) in their study state that procedural justice include "formal policies and structural consideration" that can affect

outcome perception. They believe that structural consideration include process control which is often operationalized as having *voice* (Bies and Shapiro 1988). Goodwin and Ross (1992) identified two types of voice: low voice which is customer deny to present of explain his/her problem and high voice which customer express his/her feeling and opinion about the problem.

Laventhal et al. (1980) believe that procedure must be consistent, unbiased and impartial. Also service encounters should be responsiveness, providing correct information in an ethical manner to be fairly judged by customers. Hocutt et al. (2006) in their study on service recovery found out that if customer perceives high level of employee responsiveness (procedural justice) in a service recovery, the level of customer satisfaction will be higher. Also del Río-Lanza et al. (2009) conclude that higher perception of procedural justice improves satisfaction with service recovery and lower level of negative emotion (i.e. negative word-of-mouth) regarding service.

2.3.5.3 Interactional Justice

Interactional justice focuses on the way the customer is treated throughout the service process (Liao, 2007). Clark et al. (2009, p.289) described interactional justice as "the way in which a customer is treated through interpersonal communication in a service context". McColl-Kennedy and Sparks (2003, p. 253) referred to "the manner in which the service problem is dealt with by service providers and the specific interactions between the service provider and the customer".

Past studies have identified different elements of interactional justice. Tax et al. (1998) identified five elements of interactional justice namely explanation/ causal account,

honesty, politeness, effort and empathy. McColl-Kennedy and Sparks (2003) state the interactional justice elements in other way which are interpersonal sensitivity, treating people with dignity and respect, or providing explanations for the events. So it is concluded in different studies that the main elements of interactional justice are effort, trust, explanation, empathy, apology, and communication (Mattila, 2001; Wirtz&Mattila, 2004).

In service industry, perception of interactional justice has effect on customer satisfaction, negative Word-of-mouth intention, and trust in provider. Tax et al. (1998) found that interactional justice has positive effect on trust and overall customer satisfaction. McColl-Kennedy and Sparks (2003) report that negative manner in treating customers has a great impact on customers' negative emotions and negative word-of-mouth. Hocutt et al. (2006) conclude that higher quality of treatment (showing empathy and courtesy to customer), will result in higher consumer's perception of interactional justice, which in turn effect on consumer's satisfaction with the service encounter. In other word, higher interactional justice, result in higher customer satisfaction and lower negative word-of-mouth intentions.

2.4 Behavioral intention

2.4.1 Behavioral intention definition

Consumers who are dissatisfied with a service experience may take a variety of different actions. They can voice their opinion to management, they can say nothing and just not return to that organization, or they can continue patronizing the organization and not say anything (Susskind, 2002). Behavioral intention becomes an important concern in

service industry between scholars. Behavioral intention is defined as "the degree to which a person has formulated conscious plans to perform or not perform some specified future behavior" (Warshaw and Davis, 1985, p. 214). Also Oliver (1997) defined behavioral intentions (i.e., repurchase and word-of-mouth intentions) as "a stated likelihood to engage in a behavior" (p. 28).

Researchers illustrated different dimensions of behavioral intention as recommending the company to others (Reichheld and Sasser, 1990), providing positive word-of-mouth (Boulding et al., 1993), repurchase/revisit intention (Han et al., 2009), and remaining loyal to the company (Rust and Zahorik, 1993).

2.4.2 Elements that affect behavioral intention

Different elements have effect on customers' behavioral intention like satisfaction, fairness, unsuccessful recovery, and customers' emotion (Oliver, 1999; Clemmer, 1993; de Matos et al., 2007; Orsingher et al., 2010).

Customer satisfaction is one of the important elements that influence behavioral intentions (Yi, 1990). Customer satisfaction has positive effect on post-purchase period and in result increasing repurchases intentions (Oliver, 1999). Anderson and Sullivan (1993) stated that high customer satisfaction decrease customers' switching to another competitor, so result in enhancing customer behavioral intention. Moreover, Namkung and Jang (2009) conclude that satisfaction positively influence behavioral intentions. Cronin and Taylor (1992) reported that satisfaction effect on behavioral intention is more than service quality.

Fairness theory which is included outcome justice, procedural justice and interactional justice has not any significant relationship with behavioral intention. But exceptionally, customer perceptions of interactional fairness have a positive effect on behavioral intentions (Namkung and Jang, 2010).

Research on customer behavior after service failure and recovery is few. Orsingher (2010) found out that unsuccessful recovery has negative effect on customer behavior after service failure. It is not widely research on the customer reaction after service recovery efforts. Some scholars found the topic "service recovery paradox" which de Matos et al. (2007) defined is as "levels of satisfaction and repurchase intention after a service failure and a successful recovery exceed pre-failure level, while other empirical studies do not report such an effect".

At last, customers' positive emotion has effect on behavioral intention. Positive emotions like joy, happiness, excitement have significant effect on customers' behavior (Tu, 2004). Customers with positive emotion will judge favorably the firm based on it. Namkung and Jang (2010) in their research verified that customers' positive emotions have a positive effect on behavioral intentions. In conclusion, improving current customer behavioral intention (i.e. repurchase intention, positive word-of-mouth) is more economically than investing on new customer (Sheth&Parvitiyar, 1995).

Chapter 3

RESEARCH METHODOLOGY

3.1 Deductive approach

There are two key approaches to drawing the methodology of any research: induction and deduction. A commonly held idea of the distinction between these two terms is that induction is a formation of a generalization derived from examinations of a set of particulars, while deduction is the identification of an unknown particular, drawn from its resemblance to a set of facts (Rothchild, 1994). Deductive research method works from more general to more specific. Some time it called "top-down" approach. A deductive research method entails the development of a conceptual and theoretical structure prior to its testing through empirical observation (Gill and Johnson, 1997).

3.2 Sample and data collection

The data in this study is aimed to be gathered from hotel restaurant located in Mashhad, Iran. Our target respondents are those customers of the restaurants. For the purpose of this research convenient sampling method which is appropriate has been used. This sampling method is involved using what is immediately available.

Field work carried out with a set of questions based on the requirement of the research. The questions are based on a review of the literature and hotel restaurant contexts, and the questionnaire was pre-tested and revised. The survey was carried out on hotel

restaurants located in Mashhad, Iran in order to find out the main causes of service-failure and service recovery strategies used and future customer behavior. The questionnaire were distributed based on convenient sampling and collected from hotel restaurant in Mashhad during the month of 03/01/2012 – 10/04/12.

We contacted with 10 hotels (4 stars) in Mashhad city, but 5 out of 10 hotels accepted to distribute the questionnaire to their customers. They didn't feel safe if I give the questionnaires to their customers. Three hundred and twenty questionnaires were expected to collect but out of three hundred and twenty only three hundred and three respondent were collecting by questionnaires. 95% responses rate from those who agree to participate.

3.3 Quantitative research

The objective of quantitative research is to develop and employ mathematical models, theories or hypothesis pertaining to natural phenomena. The process of measurement is central in quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. The quantitative data are valuable for predicting how a system or process will function and providing measurable characteristics of the process which are useful for evaluation purposes.

Quantitative research tends to be sequential in nature which includes:

1. Conceptualized/Plan
2. Collect data

3. Analyze data

4. Write up results

In this study thus sequential approach was used. We tried to find out causes of usual service failure in restaurants and understand specific complaints and categories them. Also identify the usual strategies restaurant adopt to cope with such failures and in respect, measure the outcome if these service recovery strategies. Finally this study evaluates the impact of the chosen strategy on consumer future behavior. Collected data was planned and collected on time, analyzed and written up.

3.4 Questionnaire structure

The questionnaire is a self-administrated questionnaire which addresses to customers. The advantage of the questionnaire technique is that it allows the information to be collected from large number of people and the finding can be expressed in numerical terms (Veal, 1997). So this study aims to develop generalizations through the use of a set questionnaire.

There are 61 questions on the questionnaire (Appendix A).The questions are aiming to evaluate:

- Causes of usual service failure and analyzing selected service failure categories
- The usual recovery strategies that hotel's restaurants adopt to cope with such service failures
- The impact of the control variables on consumer future behavior
- Control variables age and education, etc.

According to the survey questions listed to evaluate thus dimensions, thus dimensions listed between numbers of questions like; from one to twenty one questions related to service failures categories, twenty two to thirty employee response to service failure, thirty one to thirty nine related to service recovery strategies, between forty to forty nine related to customer intentions and fifty to sixty one related to control variables age and education. Responders had to fill thus questionnaires by use one to five selections, explained by one means strongly agree, two means agree, three means neutral, four means disagree and five means strongly disagree.

In the last part respondents were required to identify their demographic related characteristics (i.e. control variables), including gender, age, occupation, educational level, etc. moreover some questions such as how often they visit the restaurant and how much they spend for a meal daily were also asked for the purpose of research.

3.5 Data analysis

Analysis was carried out by the means of standards based on realistic, valid, appropriate and measurable norms. The impact of demographic characteristics of customers on service failure, service recovery and customer intention in hotel restaurant was tested by the provided data. It was used the SPSS 15.0 software to analyze my data. ANOVA is used to find out the relations between each 12 demographic characteristics and main variables.

Chapter 4

RESULT

Table 1 shows the breakdown of the demographic variables of the study. There are total of 12 demographic variables used in the current study. These are namely gender, age, marital status, education level, type of employment, times (frequency of visit), income level, residency, food payment, satisfaction level, restaurant customer (customer loyalty), and reason for travel.

Table 1. Demographic Breakdown of the Sample

Gender			Marital status		
	F	%		F	%
male	169	55,8	married	240	79,2
female	134	44,2	single or divorced	63	20,8
Total	303	100,0	Total	303	100,0
Age			Income level		
18-27	46	15,2	Less than 300,000 TM*	32	10,6
28-37	93	30,7	300,000 to 500,000 TM	11	3,6
38-47	122	40,3	500,000 to 700,000 TM	20	6,6
48-57	38	12,5	700,000 to 1,000,000 TM	58	19,1
58 or over	4	1,3	More than 1,000,000 TM	182	60,1

Education			Employment status		
Total	303	100,0	Total	303	100,0
Education			**Employment status**		
primary school	3	1,0	employed for wages	44	14,5
high school or equivalent	39	12,9	self-employed	219	72,3
technical school(2years)	41	13,5	out of work and not looking for work	8	2,6
bachelor degree	196	64,7	homemaker	10	3,3
master or Ph.D. degree	24	7,9	Student	18	5,9
Total	303	100,0	Retired	4	1,3
			Total	303	100,0

* 1,000 TM= 1 $

Table 1 illustrates the frequency and percentage distribution of the demographic variables. About 56 percent of the respondents were male where 44 percent of the respondents were female. Majority of the respondents (40.3%) aged between the ages of 38-47. The least of the age range was 58 and above. Moreover, most of the respondents were married (79.2%) and only 20.8% was single or divorced. Furthermore, majority of the respondents hold a bachelor's degree with a response rate of (64.7%). The least educational qualification that the respondents hold was primary school education with 1%. In relation to employment status, vast number of respondents stated that they were self-employed (72.3%). Additionally, vast number of respondents (60.1%) responded that earn over 1,000,000 Toman (Iranian currency, TM).

Table 2.Basic indicators

Times of dine out in hotel restaurant

	once a week	86	28,4
	once a month	217	71,6
	Total	303	100,0

Residency

	Local	207	68,3
	other cities	92	30,4
	other countries	4	1,3
	Total	303	100,0

Food payment

	Less than 10,000 TM*	244	80,5
	10,000 to 20,000 TM	23	7,6
	20,000 to 30,000 TM	11	3,6
	30,000 to 40,000 TM	15	5,0
	More than 40,000 TM	10	3,3
	Total	303	100,0

Satisfaction level   1,000 TM= 1 $

	very satisfied	13	4,3
	Satisfied	166	54,8
	Neutral	38	12,5
	dissatisfied	58	19,1
	very dissatisfied	28	9,2
	Total	303	100,0

Loyalty

	Less than 3 months	61	20,1
	3 months to 6 months	88	29,0
	6 months to 1 year	117	38,6
	1 to 3 years	30	9,9
	More than 3 years	7	2,3
	Total	303	100,0

Reason of dine out

Pleasure	150	49,5
Business	16	5,3
pleasure and business	137	45,2
Total	303	100,0

Table 2 shows the basic indicators. In preference to dining out in a hotel restaurant majority of the responded that they dine out once a month with a 71.6% response rate. Furthermore, most of the respondents to restaurants were local residents with a response rate of 68.3%. In relation to food payment of respondents to restaurant outlets, most of the respondents ranged less than 10,000 Toman (TM) with a rate of 80.5%. Satisfaction level of respondents was ranked as satisfied with the percentage of 54.8%. Furthermore, most loyal respondents (Q60- Rest. customer) to the restaurants ranged from 6 months to 1 year with the response rate of 38.6%. Finally, 49.5% of the respondents visited the location for pleasure purposes where only 5.3% of these respondents were on business purposes. In addition, combined purpose (business and pleasure) ranked at 45.2%.

In this research we did the Cronbach alpha reliability values for each study construct. These were Operations Failure, Service Delivery System Failure, Customer Request Failure, Employee Action Failure, Cleanliness Failure, Design Failure, Service Recovery, and Customer Intention. Overwhelming number of study variables has surpassed the benchmark value of 0.70 for a construct to be reliable. Employee action failure was just under 0.70 (0.68), however, this is not problematic in the extant literature since many empirical studies go as low as 0.55. As a final remark, 2 items (Q42 and Q44) from Customer Intentions construct were deleted from further

examination due to negative and inconsistent reliable scores within the same item to item statistics. Overall, the constructs used in this study are reliable to test further statistics.

Table 3.Categorization of Service failure according to importance

Service failure Categories	Subgroups	Mean	Std, Deviation	Rank
Service delivery system failure		3.0429	1.0586	1
	Product defects Slow or unavailable Unclear guest policy Out of stock supply menu			
Cleanliness failure		3.0264	.9997	2
	Poor cleanliness Foreign objects in meal Untidy/unkempt staff Facility problem			
Employee action failure		3.0066	.9900	3
	Unfriendly and unhelpful staff Employee behavior Mischarged Wrong order			
Operation failure		2.9241	.9301	4
	Food and beverage quality problem Inefficient staff Other customer misbehavior Reservation missing Incorrect billing			

Design failure	2.9142	1.0193	5

Poor seating design
Inaccurate menu items

Customer request failure	2.8218	1.0428	6

Not cooked to order
Seating problem

Table 3 illustrates Means, Standard deviations of the service failure category. According to finding, customers categorize the most important service failure category as service delivery system failure. Also customer request failure is the least important service failure category from customer's point of view.

Table 4. Ranking ofemployee response to service failure according to importance

Actions	Mean	Std, Deviation	Ranking
Serve on-time	3.1386	1.9718	1
Well-trained, experienced	3.0066	.9933	2
Sensitive to customers food	2.9373	.9417	3
Helpful and friendly	2.9175	.9188	4
Sensitive to serve food as ordered	2.9010	.9850	5
Pure attitude and politeness	2.8614	1.0069	6
Care to handle seating problem	2.7228	1.0208	7

Provide a clear guest policy	2.7086	.9229	8
Informs about out of menu items	2.3135	.8402	9

Table 4 reveal importance of employee response to service failure based on customers' point of view. As it is shown serving customers in the time promised by restaurant is the most important from customers' point of view. Moreover, whether informing customers about the availability of menu item or not, it is not so much important as it is the least important action by Means of 2.31.

Table 5.Ranking of service recovery strategies according to importance

Service recovery strategies	Mean	Std, Deviation	Rank
Correction	3.0891	1.0431	1
Replacement	3.0033	1.0148	2
Discount	2.9208	.9868	3
Managerial intervention	2.9043	.9837	4
Apology	2.8977	.9864	5
Coupon	2.7888	.9637	6
Free food	2.7162	.9271	7
Do nothing	2.6898	1.0748	8

Table 5 reveals the Means, Standard deviations of the service recovery strategy. Based on the results, through the eyes of the customers, correction (immediately and politely of

problem solving) is the most important strategy that restaurant can use as service recovery. In the other hand, customers believe that the least important strategy in service recovery are do nothing and free food.

Table 6. Customer intention in case of service failure occur

#	Actions	Mean	Std, Deviation
1	Switch to competitor	3.1914	1.0372
2	Do more business	3.1221	1.0956
3	Consider as first choice	2.9472	.9852
4	Complain to external agencies	2.8878	1.0003
5	Decrease business	2.8845	1.0719
6	complain to restaurant employees	2.8317	.9178
7	Complain to other customers	2.7789	1.0860
8	Pay higher price for current value	2.6931	.8960
9	Say positive thing	2.4587	.9547

Table 6 shows different customer future behaviors in case of service failure occur. As it is shown, different behavior can be happen after service failure occurred like switching to competitor, complain to restaurant or complain to other customers.

Table 7.Relation of Study Variables and Gender

Levene's Test for Equality of Variances			
	F	Sig.	T
Operation failure	6,498	,011	,258
Service delivery system failure	1,662	,198	-,549
Customer request failure	1,336	,249	,700
Employee action failure	3,276	,071	1,980
Cleanliness failure	,187	,666	,241
Design failure	,000	,985	1,595
Service recovery	,486	,486	-,076
Customer intention	,162	,688	,691

Table 7 shows the difference among study variables and gender. According to the significance levels, gender only significantly differs in relation to operations failure. None of the other variables differ in relation to gender of the respondents.

Table 8.Relation of Study Variables and Age

	Mean Square	F	Sig.
Operation failure	1,905	3,281	,012
Service delivery system failure	1,739	2,919	,022
Customer request failure	1,382	2,076	,084
Employee action failure	2,177	3,889	,004
Cleanliness failure	1,009	1,867	,116
Design failure	1,853	2,119	,078
Service recovery	1,231	3,279	,012
Customer intention	,302	1,395	,236

Table 8 reflects the analyses of variance test on age of the respondents. The results showed that age of the respondents differs among operations failure, service delivery

system failure, employee action failure, and service recovery. This may mean that age of the respondents depend and differ on the abovementioned variables.The ANOVA statistics of study variables and age revealed thatnone of the other remaining variables differed significantly in relation to age of the respondents.

Table 9.Relation of Study Variables and Marital Status

	F	Sig.
Operation failure	7,641	,006
Service delivery system failure	1,688	,195
Customer request failure	1,690	,195
Employee action failure	9,589	,002
Cleanliness failure	,015	,903
Design failure	1,709	,192
Service recovery	1,163	,282
Customer intention	,347	,556

Table 9 illustrates the difference statistics among study variables and marital status. Accordingly, the results of the analysis show that marital status of the respondents only differed in operations failure and employee action failure. These significances are at 0.05 level. This may mean that perceptions of the respondents differ when they are married or single/divorced in relation to operations failure and employee action failure. The remaining variables did not differ in relation to marital status of the respondents.

Table 10.Relation of Study Variables and Education Level

	Mean Square	F	Sig.
Operation failure	3,064	5,424	,000
Service delivery system failure	1,311	2,179	,071

	Mean Square	F	Sig.
Customer request failure	2,527	3,888	,004
Employee action failure	1,054	1,834	,122
Cleanliness failure	,856	1,577	,180
Design failure	1,210	1,370	,244
Service recovery	,896	2,356	,054
Customer intention	,308	1,425	,226

Table 10 displays the results of the analyses of variance and the education level of the respondents. According to the ANOVA statistics education level only differed in operations failure and customer request failure. This may indicate that as respondents' education level increase, they differ in the response to operations failure and customer request failure. The significance level was set out at 0.05 level. None of the other variables did not differ in relation to education level of the respondents.

Table 11.Relation of Study Variables and Employment Type

	Mean Square	F	Sig.
Operation failure	1,902	3,301	,006
Service delivery system failure	2,119	3,618	,003
Customer request failure	1,016	1,519	,184
Employee action failure	,454	,778	,567
Cleanliness failure	1,696	3,214	,008
Design failure	,806	,906	,477
Service recovery	,985	2,614	,025
Customer intention	,723	3,456	,005

Table 11 shows the findings of the analyses of variance of the study variables and employment type. Majority of the variables has differed in relation to employment type. The variables of operation failure, service delivery system failure, cleanliness failure,

service recovery and customer intentions significantly differed in relation to employment type. The other variables did not differ relative to employment type.

Table 12.Relation of Study Variables and Frequency of Time in Dining Out

	F	Sig.	T
Operation failure	,434	,511	,899
Service delivery system failure	2,434	,120	1,047
Customer request failure	1,144	,286	1,129
Employee action failure	,099	,754	-,033
Cleanliness failure	5,242	,023	1,153
Design failure	,137	,712	1,184
Service recovery	2,602	,108	,787
Customer intention	,008	,927	,626

Table 12 demonstrates the independent sample t-test of study variables and frequency of time in dining out. According to the results only cleanliness failure significantly differs in relation to frequency of time in dining out. None of the remaining variables differed in accordance to frequency of time in dining out. This means that respondents vary in their perceptions (once a week or once a month) in relation to cleanliness concept.

Table 13.Relation of Study Variables and Income Level

	Mean Square	F	Sig.
Operation failure	2,089	3,613	,007
Service delivery system failure	2,131	3,608	,007
Customer request failure	1,502	2,262	,063
Employee action failure	1,349	2,362	,053
Cleanliness failure	,849	1,564	,184
Design failure	1,630	1,857	,118
Service recovery	,747	1,955	,101

	Mean Square	F	Sig.
Customer intention	,069	,316	,867

Table 13 reveals the difference among study variables and income level of the respondents. There are only two significant differences in relation to income levels. These are operations failure and service delivery system failure. This indicates that respondents differ in opinion on operations failure and service delivery system failure in comparison to income levels. The other remaining variables did not differ in relation to income levels.

Table 14.Relation of Study Variables and Residency

	Mean Square	F	Sig.
Operation failure	,017	,029	,972
Service delivery system failure	,085	,139	,871
Customer request failure	,306	,452	,637
Employee action failure	,055	,093	,911
Cleanliness failure	,272	,495	,610
Design failure	,447	,502	,606
Service recovery	,191	,491	,613
Customer intention	,032	,145	,865

Table 14 depicts the analyses of variance test in relation to residential area of the respondents. The ANOVA statistics revealed no significant differences among the study variables and the residential area (locals, domestic, and international).

Table 15.Relation of Study Variables and Food Payment

	Mean Square	F	Sig.
Operation failure	1,458	2,485	,044
Service delivery system failure	2,146	3,635	,007

Customer request failure	,198	,291	,884
Employee action failure	,907	1,572	,182
Cleanliness failure	1,772	3,340	,011
Design failure	,880	,991	,413
Service recovery	1,592	4,294	,002
Customer intention	,091	,415	,798

Table 15 reveals the differences among study constructs and food payment spent of the respondents. According to the spent money, respondents differ in opinion on operations failure, service delivery system failure, cleanliness failure, and service recovery. Hence, the amount of spent cash differed in four different study variables. The other variable did not elicit any significant differences to food payment.

Table 16.Relation of Study Variables and Satisfaction Level

	Mean Square	F	Sig.
Operationfailure	24,037	84,782	,000
Service delivery system failure	23,649	78,351	,000
Customer request failure	16,843	36,786	,000
Employee action failure	17,775	50,730	,000
Cleanliness failure	19,815	68,739	,000
Designfailure	21,500	35,187	,000
Service recovery	17,384	109,527	,000
Customerintention	6,560	49,521	,000

Table 16 illustrated the analyses of variance of the study variables and the satisfaction level of the respondents. The findings demonstrated that satisfaction level of the respondents (Very satisfied to Very dissatisfied) differed at all levels of the study

variables. This means that respondents differ in perceptions according to the Operations Failure, Service Delivery System Failure, Customer Request Failure, Employee Action Failure, Cleanliness Failure, Design Failure, Service Recovery, and Customer Intentions.

Table 17.Relation of Study Variables and Loyalty

	Mean Square	F	Sig.
Operation failure	5,678	10,714	,000
Service delivery system failure	5,921	10,969	,000
Customer request failure	3,456	5,421	,000
Employee action failure	2,983	5,433	,000
Cleanliness failure	2,371	4,538	,001
Design failure	3,109	3,624	,007
Service recovery	3,801	11,146	,000
Customer intention	,857	4,098	,003

Table 17 provided the analyses of variance of the study variables and the loyalty of the respondents to the restaurants. The findings demonstrated that loyalty of the respondents (Less than 3 months to More than 3 years) differed at all levels of the study variables. This means that respondents differ in perceptions according to the Operations Failure, Service Delivery System Failure, Customer Request Failure, Employee Action Failure, Cleanliness Failure, Design Failure, Service Recovery, and Customer Intentions.

Table 18.Relation of Study Variables and Reason of Travel

	Mean Square	F	Sig.
Operation failure	,712	1,193	,305
Service delivery system failure	,821	1,347	,262
Customer request failure	,094	,138	,871
Employee action failure	1,449	2,519	,082

Cleanliness failure	2,122	3,956	,020
Design failure	1,313	1,483	,229
Service recovery	,946	2,469	,086
Customer intention	,205	,939	,392

Table 18 depicts the analyses of variance in relation to reason of travel (Business, pleasure, business and pleasure combined). The results revealed that variable of cleanliness failure have significantly differed in relation to reason of travel. None of the other study variables differed with reason of travel. Overall, the respondents ranged and differed among many diverse variables in relation to demographic variables. However, most of the respondents differed in perceptions on operations failure in relation to all demographic variables used in this study.

Chapter 5

DISCUSSION AND CONCLUSION

5.1 Discussion of findings

Based on results, customers Chose service delivery system failure as the most important service failure category. It means that customersconcern more about product defect, slow service, facility problem and unclear guest policy. In other word, customers believe that food shouldn't be burnt or raw. Also all restaurants should care more about facilities and how they give service to customers. Hoffman et al (1995) concluded, in their research regarding service failures and recovery effort, that service delivery system is the most severe and important category among other service failure categories.

From customers' point of view serving customers in the time promised by restaurant is the most important action by employees. Also customers prefer well-trained and experienced employee in the restaurants. Accordingly other studies mentioned about importance of employee (Chung, et al. 2004). It means that customers do not like to wait so much for their meal. Actually it depends on the types of restaurant. For example, in a fine dining restaurant, meal shouldn't serve too quickly like fast food restaurants. Customers feel satisfied with an experienced waiter instead of an amateur one.

According to results of service recovery strategies, correction (immediateness and politeness of problem solving) is the most important strategy that restaurants can use as service recovery, through the eyes of the customers. It means that customers want to see the respect immediately and in polite way after service failure occurred. Moreover, they consider food replacement as an important service recovery strategy. In this way customers can feel how much value they have for restaurant. Dutta et al (2007) found out information concerning the desirability of specific recovery strategies such as correction and replacement.

As it is shown in the result, different behavior can be happen after service failure occurred like switching to competitor, complain to restaurant or complain to other customers. Namkung (2009) expresses customer future behavior as recommending the company to others, providing positive word-of-mouth and remaining loyal to the company. However, it can be different based on whether restaurant use service recovery or not. According to different recovery strategies used by restaurant, customers can say positive thing about restaurant or consider it as their first choice.

The result shows that gender only significantly differs in relation to operation failure. It means that different gender of customer expect different about the food and beverage quality, inefficient staff, reservation missing, incorrect billing, other-customer misbehavior and mechanical issues. Based on different perception of male and female, the desirability of food and beverage quality is different (Mack et al, 2000). There is not significant differ in relation to gender of customers and other variables.

The results showed that age of customers differs among operations failure, service delivery system failure, employee action failure, and service recovery. Customers with different age value restaurant differently about providing adequate supply of menu items, clear guest policy like whether accepting credit card or not and serving food on time. Also customers have different concern about personnel's behavior and ordering procedure. None of the other remaining variables differed significantly in relation to age of customers.

According to the results of the analysis, marital status of the customers only differed in operations failure and employee action failure. It means that marital status of the customer effect on their perception about employee behavior, other-customer misbehavior and reservation problems. There is not any significant difference between other variables and marital status.

The analysis expresses that education level only differed in operations failure and customer request failure. It can be understand that guests with different education level have different expectation in relation to seating problems such as seating smokers in non-smoking area. Also food not cooked to order is important for guests with different education level. For example a customer may ask for the food in a specific manner (e.g. no mustard) and that request is not honored on delivery. Moreover, it can be say that guests' expectation about the quality of food and beverage and staff efficiency may increase among their education (Moeller 2010). None of the other remaining variables differed significantly in relation to education level of customers.

The findings of the analyses of variance of the study variables and employment type show that majority of the variables has differed in relation to employment type. The variables of operation failure, service delivery system failure, cleanliness failure, service recovery and customer intentions significantly differed in relation to employment type. It means that customers with different employment types think differently regarding to correct billing, efficient staff, clear policy, high quality food, cleanliness and suitable equipment. It is important for customers with different employment type that how they say about the restaurant (WOM) in future and whether they return or not (Ha 2008). Based on the result, with different employment type it appears that customers concern which type of service recovery should be used in restaurant like free food, discount, coupon, apology, etc.There is not any of differ between remaining variables and employment type.

By referring to result of testing frequency of time in dinging out and study variables only cleanliness failure significantly differs in relation to frequency of dine out. We can say that cleanliness issues like avoid foreign object in food or facility problems are the most important factor for customers with different frequency of dine out. None of the other variables have significant differ in relation to frequency of dine out.

As it is shown in result, there are only two significant differences in relation to income levels. These are operations failure and service delivery system failure. It indicate that different income level of customer like rich customer or poor one value differently regarding food and beverage quality, other-customer behavior and efficient staff. In addition, in customers' opinion the level of importance of service failure categories like

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slow or unavailable service or product defect is different in relation to different income levels. The result showed no any significant differ between other variables and income levels.

Based on the analyses of variance test in relation to residential area of the customers, statistics revealed no significant differences among the study variables and the residential area. In other word, where customers are living has no significant effect on their expectation about service failure, recovery and customer future behavior.

The outcome of the analysis revealed the differences among study constructs and food payment spent of the respondents. According to the spent money, customers differ in opinion on operation failure, service delivery system failure, cleanliness failure, and service recovery. It appears that customers with different level of food payment expect different from the quality of food, efficiency of staff, reservation and billing procedure and policy that restaurant employ. Furthermore, as the spent money on food change, the expectation of customers will change regarding which service recovery strategy should be used. In the analysis of food payment, the other variable did not elicit any significant differences to food payment.

The findings of the study demonstrated that satisfaction level of the respondents differed at all levels of the study variables. This means that respondents differ in perceptions according to the Operations Failure, Service Delivery System Failure, Customer Request Failure, Employee Action Failure, Cleanliness Failure, Design Failure, Service Recovery, and Customer Intentions. It means that different levels of customer

satisfaction from very satisfied to very dissatisfied evaluate differently variables like quality of food and beverage, slow service delivery, other-customer misbehavior, seating problems, employee behavior, general cleanliness and seating design. In addition, it is very important for them that restaurant which recovery strategy is using to cope with service failures. Also how customer say thing to their relative and friends about restaurant in future or choose restaurant as their first choice for dine out, will differ with levels of satisfaction (Chan et al. 2007).

The analyses of variance of the study variables and the loyalty of the respondents to the restaurants resulted in that loyalty of the respondents (Less than 3 months to More than 3 years) differed at all levels of the study variables. This means that customers with different period of dining out in a restaurant think different regarding cleanliness issue, ordering procedure, accurate menu item, clear policy of restaurant, efficient staff, etc. Also it should be mentioned that service recovery strategies used by restaurant and customer future behavior regarding WOM and turnover will differ in evaluation of customer with different period of loyalty.

The result reported in current study illustrated that variable of cleanliness failure have significantly differed in relation to reason of travel. In other word, customers with different reason of travel, like business or pleasure, have different opinion about cleanliness, foreign object in their meal or facility problems like air conditioner. None of the other study variables differed with reason of travel.

5.2 Managerial implication

Based on the result of the thesis there are some managerial implication for management or owners of hotel restaurants. As we find out in our result,the most important service failure that restaurant owners should be aware is service delivery system failure. In other word managers should concern more about product defects, availability of service and clear gust policy. They can control the process of preparing food till serving it to customers more efficient.

In addition customers see correction as the most important service recovery strategy that can be adopt by restaurant to cope with service failures. Front line employees like waiters should be well-trained to handle problems in efficient way. They have to be polite and be able to quickly decide the best recovery strategy in order to recover the service failure.

Most of the customers differed in perceptions on operations failure in relation to all demographic variables used in this study. It means that restaurant management should improve their food and beverage quality, efficiency of staff and avoid other-customer misbehavior and reservation and billing problems.

5.3 Limitation of the research and future research initiatives

Like any other service failure and recovery studies, this research also had some limitations which need to be addressed with further study into the topic in future. Firstly, lack of time was a limitation to this study because this research could be done by two times distributing questionnaire.Secondly, this research was only conducted in Mashhad

city which is limited to one district in Iran. This study may well limit the generalization that could be made to hotel restaurants in Iran.

This study considered service failures and recoveries in one service industry which is restaurant industry. In addition to investigating types of failures and recoveries in other service industries, future research might consider the relative importance of different types of failures, as well as customer preferences for recovery strategies as they pertain to specific failure types in hotel restaurant in Mashhad, Iran.

Also researchers might consider the impact of organizational antecedents such as organizational structure, leadership, and empowerment on service failures and subsequent recovery efforts. In addition, employee-related antecedents such as job satisfaction, organizational commitment, and motivation may be of interest as well.

5.4 Conclusion

This research has shown the main causes of service-failure and service recovery strategies used and future customer behavior in the context of hotelrestaurants in Mashhad, Iran. Also evaluate the impact of demographic characteristics of customers on service failure, service recovery and customer intention. Mashhad the second biggest city in Iran and with tourist population of Mashhad city which is over 20 million pilgrims who visit the city every year need to be more systematic and professional in restaurant industry. Customers play an important role in gaining profit for restaurants. For this reason, we analyzed demographic characteristics of customers in relation to service failure categories and service recovery strategies and customer future behavior.

Based on the result of this study, we found out that restaurant management or owners should monitor and improve their performance in different part of service such as food and beverage quality, speed of service, employee behavior, other-customer behavior, cleanliness, etc. in addition, as result revealed the most important service failure category that should be concern by hotel restaurant are operation failure and service system delivery failure.

This thesis draws several useful implications for managers for business practice based on the results of the empirical investigation. Limitations and avenues for future research are also given in the thesis.

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APPENDIX

Appendix A: questionnaire

Dear respondent:

This research is aimed to explore and analyze the main-cause of service failure and related recovery actions in hotel restaurant sector in Iran. It is tried to gather customer experience while dining out in restaurants.

Any sort of information collected during our research will be kept confidential. We appreciate your time and participation in our research very much.

If you have any questions about our research, please do not hesitate to contact Mr. Shahryar Memarbashi through his email address: Shahryar.memarbashi@yahoo.com

Thank you for your kind cooperation.

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Part A: SERVICE FAILURE

Please indicate the extent to which you agree or disagree with the following statements as they relate to your **observations of this restaurant**. A score of **"1"** represents that you **strongly agree** with the statement and a score of **"5"** represents that you **strongly disagree** with the statement.

Please note there are no wrong or right answers.

1	This restaurant presents high quality food (i.e. taste, warm food, design…)	1	2	3	4	5
2	This restaurant has employees who are responsible and efficient	1	2	3	4	5
3	This restaurant is well organized (i.e. billing and reservation)	1	2	3	4	5
4	This restaurant care dealing with other customer misbehavior (i.e. making noise)	1	2	3	4	5
5	This restaurant fix any machinery problems (i.e. water dispenser, air-conditioning)	1	2	3	4	5
6	This restaurant provides adequate supply of menu items	1	2	3	4	5
7	This restaurant provides a clear guest policy (i.e. whether accepting credit card or not)	1	2	3	4	5
8	This restaurant serves you in the time promised (fast and available service)	1	2	3	4	5
9	This restaurant is sensitive to customer food (raw or burnt, contain hair or glass)	1	2	3	4	5
10	This restaurant gives extra effort to handle your seating problem (likelost or disregarded reservation, denied request for special tables, …)	1	2	3	4	5
11	This restaurant anticipates your individual needs and wants(customer preferences in seating)	1	2	3	4	5
12	This restaurant serves your food exactly as you ordered it (cooked as ordered)	1	2	3	4	5
13	This restaurant has employees who are helpful and friendly in dealing with them	1	2	3	4	5
14	This restaurant has personnel who seem well-trained, competent, and experienced (i.e. take order correctly or never mischarged any customer)	1	2	3	4	5
15	Employees have pure attitude and politeness in dealing with customers	1	2	3	4	5
16	This restaurant has staff members who are clean, neat and appropriately dressed	1	2	3	4	5
17	This restaurant has rest rooms that are thoroughly clean (i.e. bad odor or offensive smell)	1	2	3	4	5
18	This restaurant has a dining areas that are thoroughly clean (including cutlery, seating chair and tables	1	2	3	4	5
19	This restaurant cares about food hygiene and cleanness (i.e. foreign objects in food, hair, insects)	1	2	3	4	5
20	This restaurant has a dining area that is comfortable and easy to move around	1	2	3	4	5
21	This restaurant has a menu that is easily readable	1	2	3	4	5

Part B: EMPLOYEES RESPONSE TO SERVICE FAILURE

Please indicate the extent to which you agree or disagree with the following statements as they relate to **employees response and action** to service failure. A score of **"1"** represents that you **strongly agree** with the statement and a score of **"5"** represents that you **strongly disagree** with the statement.

Please note there are no wrong or right answers.

22	**In this restaurant, employees inform customers about out of menu items**	1	2	3	4	5
23	**In this restaurant, employees provide a clear guest policy (i.e. accepting credit card or cheque)**	1	2	3	4	5
24	**In this restaurant, employees serve you in the time promised by restaurant**	1	2	3	4	5
25	**In this restaurant, employees are sensitive to customers food (raw or burnt, contain hair or glass)**	1	2	3	4	5
26	**In this restaurant, employees care to handle your seating problem (likelost or disregarded reservation, denied request for special tables, …)**	1	2	3	4	5
27	**In this restaurant, employees are sensitive to serve your food exactly as you ordered it**	1	2	3	4	5
28	**In this restaurant, employees are helpful and friendly in dealing with them**	1	2	3	4	5
29	**In this restaurant, employees are well-trained, competent, and experienced (i.e. take order correctly or never mischarged any customer)**	1	2	3	4	5
30	**In this restaurant, employees have pure attitude and politeness in dealing with customers**	1	2	3	4	5

Part C: SERVICE RECOVERY STRATEGIES

Please indicate your opinion about level of importance that should be considered by any restaurant as **recovery actions** for any service failures. (Note: 1=not at all important; 2=slightly important; 3=somewhat important; 4=very important; 5=extremely important)

Please note there are no wrong or right answers.

31	**A free meal for current visit**	1	2	3	4	5
32	**A discount for current visit**	1	2	3	4	5
33	**A coupon for next visit**	1	2	3	4	5
34	**The replacement for the order**	1	2	3	4	5

35	**Managerial intervention**	1	2	3	4	5
36	**Immediacy of problem solving**	1	2	3	4	5
37	**Apology from the store manager**	1	2	3	4	5
38	**Politeness of problem solving**	1	2	3	4	5
39	**No action needed**	1	2	3	4	5

Part D: CUSTOMER INTENTION

Please evaluate these statements based on your experience in this restaurant. A score of **"1"** represents that you **extremely likely** with the statement and a score of **"5"** represents that you **extremely unlikely** with the statement.

Please note there are no wrong or right answers.

40	**You would say positive things about this restaurant**	1	2	3	4	5
41	**You would pay a higher price than competitors charge for the value you currently receive from this restaurant**	1	2	3	4	5
42	**You would switch to a competitor if experience a problem with this restaurant service**	1	2	3	4	5
43	**You would complain to this restaurants employees if you experience a problem with this restaurant service**	1	2	3	4	5
44	**You would do more business with this restaurant in the next few years**	1	2	3	4	5
45	**You would complain to external agencies, such as the better business bureau, if you experience a problem with this restaurant service**	1	2	3	4	5
46	**You would complain to other customers if you experience a problem with this restaurant service**	1	2	3	4	5
47	**You would continue to do business with this restaurant if its prices increase somewhat**	1	2	3	4	5
48	**You would consider this restaurant your first choice to dine in**	1	2	3	4	5
49	**You would do less business with this restaurant in the next few years**	1	2	3	4	5

Hotel name:

Part E:DEMOGRAPHICAL

1. What is your Gender?
Male   ( )
Female   ( )

2. What is your Age?
18-27   ( )
28-37   ( )

38-47   ( )
48-57   ( )
58 or over   ( )

3. What is your marital status?
Married   ( )   If yes: ... Children
Single or Divorced   ( )

4. What is the highest level of education you have completed?

Primary school ( )
High school or equivalent ( )
technical school (2 years) ( )
Bachelor's degree ( )
Master's or Ph.D. degree ( )

5. What is your current employment status?

Employed for wages ( )
Self-employed ( )
Out of work and looking for wok( )
Out of work but not looking for work( )
A homemaker ( )
A student ( )
Retired ( )
Unable to work ( )

6. How often do you dine out at a hotel restaurant?

Once a week ( )
Once a month ( )
Once a year ( )

7. What is your income level?

Less than 300,000 TM ( )
300,000 to 500,000 TM ( )
500,000 to 700,000 TM ( )
700,000 to 1,000,000 TM ( )
More than 1,000,000 TM ( )

8. Where do you currently reside?

Mashhad (Local) ( )

Other cities (Tourist) ( )
Other countries ( )
   *please indicate the city ……

9. How much money do you spend for food and beverage on average daily?

Less than 10,000 TM* ( )
10,000 to 20,000 TM ( )
20,000 to 30,000 TM ( )
30,000 to 40,000 TM ( )
More than 40,000 TM ( )
1 TM=10Rial

10. How are you satisfied with the overall service quality of this restaurant?

Very satisfied ( ) satisfied ( ) no idea ( )dissatisfied ( ) very dissatisfied ( )

11. How long have you been a customer of this restaurant?

Less than 3 months ( )
3 months to 6 months ( )
6 months to 1 year ( )
1 to 3 years ( )
More than 3 years ( )

12. When you dine out at a hotel restaurant, what is the reason you dine out?

Pleasure ( )
Business ( )
Both pleasure and business ( )
If other please indicates …