An Investigation of Service Failures, Recovery Efforts and Customer Satisfaction within a Package Group Tour

Andreas W. Stratemeyer
California State University, Fresno

Susan Geringer
California State University, Fresno

Service failures seem to be inevitable given the heterogeneous nature of services. In many cases, it is the service recovery efforts performed by service providers after a service failure that affect customer satisfaction. A model is proposed that considers the impact of service failures and recovery efforts on customer satisfaction with the tourism industry. The findings indicate that service failures are related to recovery efforts, and that recovery efforts are related to customer satisfaction. In addition, an analysis of demographic factors suggests that age, employment status, and frequency of non-business trips taken each play a role in these relationships.

INTRODUCTION

When consumers and services collide there is always a chance that a service failure may occur. Group tour packages have been quite popular for years, and often bring to mind the movie, "If it's Tuesday, it must be Belgium," wherein a group of tourists on a group package tour take a whirlwind ride through European countries. The movie depicts tourists of various demographic and psychographic make-ups converging on a tour visiting a different country each day…What could go wrong???

Although current customers receive much better service than in the past, failures may continue to occur. The customer may feel slighted, but if the service provider reacts to the failure correctly, the customer may be saved; otherwise, if the provider fails to provide the proper solution to the failure, the customer may be lost (Hoffman, Kelley, & Rotalsky, 1995). These authors also suggested that service providers need to always create a viable contingency plan, just in cast customer problems arise, and that proper employee training programs are a method of minimalizing service failures. This thought is echoed by numerous authors because they comment that service recovery strategies should be developed based upon service failure understanding, with the goal of establishing better customer retention (Hart, Haskett, & Sasser, 1990; Lockshin & McDougall, 1998; Mack, Mueller, Crotts, & Broderick, 2000; Stratemeyer, Geringer, & Canton, 2014; Swanson & Hsu, 2009).

The amount of competition in most markets has required service quality from businesses. Parasuraman, Zeithaml and Berry (1988) defined service quality as "a global judgment or attitude relating to the overall excellence or superiority of the service." Nadiri and Hussain (2005) commented that service quality is imperative in developing satisfied customers, aids in guaranteeing repeat business, and lastly,

plays a vital role in recommendations through customer word-of-mouth. In addition, all of these authors commented on the need for research in relation to the customer's perspective.

Previous research concerning service failures have focused primarily on hotels, airlines and restaurants (Park, Lehto, & Park, 2008). A perusal of the current literature found a need for research concerning service failures and the group tour package industry, particularly for tourists outside of Asia. Whilst studies concerning group package tours do exist regarding Asian tourists partaking in group package tours (Chang, Lai, Huang, Hsieh, & Liu, 2013; Huang, Huang, & Hsu, 2009; Wang, Jao, Chan, & Chung, 2010), an investigation of the literature indicates a lack of research addressing American tourists and their perceptions of service failures in the group tour package industry.

The current study will investigate the effectiveness of service recovery efforts following service failures in the travel (i.e., group tour package) industry, and the subsequent effect on satisfaction from the customer's perspective.

Service Failures

Service failures are simply a part of doing business in the hospitality industry, such as group package tours, and can be a very common occurrence in services (Smith & Bolton; 2002). According to Michel (2001), service failure occurs when the expectations set by the customer are not met by the service provider. Such service failures may include, but are not limited to, core service failures or service encounter failures (Stratemeyer et al., 2014). Core service failures are problematic occurrences created by the service provider, such as poor products and facilities, whereas service encounter failures are those which include behavior by the service provider that is considered "negative and improper" (Coulter, 2009, p. 144).

In addition to creating customer disappointment, such failures, according to Hess, Ganesan and Klein (2003), may develop a large recovery expectation by the customer. Fache (2000, p. 361) states that surveys of customers, including loyal, repeat, first time and lost customers, is a method that should be employed by service providers in order to deliver quality service.

Research studies consistently point to poor staff as one of the most problematic areas in service failures and recoveries (Stratemeyer et al., 2014). A well-trained staff is often a step in the right direction in minimizing service failures and aiding in service recoveries. Mattila (2001, p. 583) points out the importance of proper service by stating that "service failures…have the potential to destroy customer loyalty".

Service Recovery Efforts

Proper service recovery may make an impact upon a business's future customers. According to Gilly (1987) and Spreng, Harrell and Mackoy (1995), customers who complained and were provided with a satisfactory service recovery were more likely to be repeat customers than those who did not complain because they were satisfied. Attaining customer satisfaction is imperative, as a customer who is not satisfied may share their negative experience with a service provider to 10-20 other individuals (Kau & Loh, 2006; Mattila, 2001; Zemke, 1999). The use of the internet has added exponentially to this number.

Service recovery efforts are defined as "those actions designed to resolve problems, alter negative attitudes or dissatisfied customers and to ultimately retain these customers", according to Miller, Craighead and Karway (2000, p. 388). Service-based companies should strive for the goal of no service failures, but the reality is that they most certainly exist. The travel industry is rife with chances at service failures and should strive to understand what to do if such problems occur. The importance of a smooth recover strategy is pointed out by Tax and Brown (2012) in their statement that such strategies have an undeniably dramatic impact upon the profitability and earnings of a company. Consumers' perceived services may well be different from the actual service they experienced. According to Fache (2000, p. 359), the perceived service is what the customer believes they should receive, but in fact, it may well not be what was delivered; this gap may "cause various problems". Cognitive dissonance may occur when the actual service is less than that perceived by the customer. On a good note, previous research indicates that

service failure recovery may lead to regaining customer confidence (Kelley, Hoffman, & Davis, 1993; Mattila, 2001).

Rather than complain in a situation involving a service failure, approximately 90%-95% of customers will simply not return to the service provider (Dube & Maute, 1996; Stratemeyer et al., 2014; Tax & Brown, 2012). Customers who perceive that the service provider did not prevent a service failure, left the issue unresolved, or dealt with the problem inadequately, will exhibit a negative reaction such as not returning to the service provider (Choi & Mattila, 2008). Crotts and Erdmann (2000, p. 411) suggest the importance of service in the travel industry, stating that "…leading hospitality and tourism firms recognize that profits hinge on the perceived level of customer satisfaction and the ability to achieve some level of customer satisfaction".

Customer Satisfaction

Customer satisfaction is defined by Oliver (1980, p. 463) as "when consumers receive service that is better than expected." Customer satisfaction is a vital variable in relation to repeat business. In a study of the travel industry by Swanson and Hsu (2009), they found that customers were likely to give the service provider repeat business if the company responded to the service failure in an acceptable manner. Colgate, Tong, Lee and Farley (2007) stated that positive customer experiences were found to be the strongest deterrent to switching behaviors.

One method that customers use to express their level of satisfaction is through word-of-mouth. According to Kinard and Capella (2006), word-of-mouth is often important when customers are choosing a service provider, such as a group tour package. Thus, customer satisfaction is important to maintain positive word-of-mouth. Patrons are quite open to use word-of-mouth when discussing their purchase experiences with others. Once a service failure has been rectified and the customer is satisfied they are often quite likely to use positive word-of-mouth recommendations thereafter (Lewis & McCann, 2004; Swanson & Hsu, 2009).

Demographics and Group Tours

Consumers of various demographic and psychographic characteristics have travelled to a destination through a group tour package, an all-inclusive form of travelling. Previous research has addressed the effect of demographic variables upon a consumer's opinion of travel. Crotts and Erdmann (2000) questioned subjects taken from six nations concerning their opinions of their travel experiences. The authors found that the subjects were less critical in their opinions if they were from cultures where modesty/femininity was prevalent. The subjects from more aggressive/masculine cultures were found to be more critical of tourist services. Park, et al. (2008) found that consumers from a distributive justice culture, or one that supports the social exchange theory, will be more likely to complain if a service failure exists in their travel experience. Crotts and Erdmann (2000) found that gender played a role in customers' opinions of service. According to Wells and Prensky (1996), a consumer's background may play a role in their purchasing experience. The authors stated that specific background variables are important, including demographics, personality, psychographics, lifestyle, culture, values and reference groups.

The package tour has evolved and helped standardize this form of travel, commonly including a combination of flight, dining, hotel room and various activities throughout the tour (Park et al., 2008). These authors further explain that although the group package tour provider may have control over much of the customer's experience, failure may also occur at the hands of those over which they have no control, including travel agents, airline staff, hotel and resort employees, etc. Park et al. (2008) make a good point in that it may be much easier for a customer to recover from a single travel incident than from a group travel package, in that if the customer is unhappy with a restaurant meal they may simply refuse to pay the bill upon completion of the meal. The group travel package is more difficult for the customer because all costs are paid in advance and the individual may not be able to receive compensation for various aspects of the trip because they purchased an all-inclusive tour package.

Prior to Hoffman et al.'s (1995) study, there is a lack of evident research that investigates the relationships between service failure, recovery efforts, customer satisfaction and demographics within the tourism industry concerning U.S. customers, particularly in regards to group package tours, leaving the authors to suggest that these relationships be included in future studies.

HYPOTHESES AND RESEARCH QUESTIONS

Some studies (Mostert & Steyn, 2010) found similarities to U.S. customers' service failures and the recovery strategies offered to the patrons. Other studies have found that service failures experienced by customers affected their expectations of recovery efforts and the severity of the service failure resulted in negative impacts upon service recovery efforts (Hoffman et al., 1995; Liao, 2007). This leads to the following hypothesis (H1): Service Failures will have a positive relationship with Service Recovery Efforts.

Previous research findings have indicated that customers who were satisfied with a service recovery experienced "greater trust and positive word-of-mouth" when "compared with dissatisfied complainants" (Kau & Loh, 2006, p. 109). The study also found that customers viewed fairness of outcomes extremely important in relation to their level of satisfaction. In addition, Mattila (2001) found that customer satisfaction in relation to service recovery is positively related to trust. This leads to the following hypothesis (H2): Service Recovery Efforts will have a positive relationship with Customer Satisfaction.
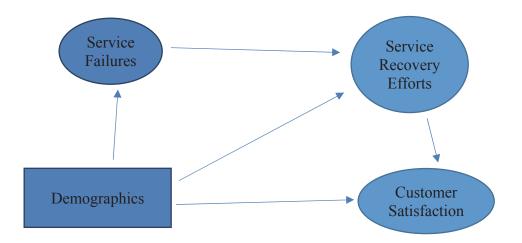
A perusal of the literature indicates a lack of research that investigates the effect of several demographic variables upon consumer's perceptions of service failures, recovery efforts, and their subsequent satisfaction. Whilst demographics are often included in the literature so that the authors may identify the classifications of their sample, there is little to no evidence of in-depth research investigating the impact of these classification categories upon their perceptions of service failures, recovery efforts, and satisfaction (Bunker & Ball, 2008). Therefore, the following research questions are posed (R1 – R3): What effect will Demographics have upon perceptions of (R1) Service Failures; (R2) Service Recovery Efforts; and (R3) Customer Satisfaction?

METHODOLOGY

The Operational Model
The theoretical framework of this study utilizes the operational model presented in Figure 1. This model suggests that there is an antecedent relationship that culminates in customer satisfaction for group tours. Specifically, the effect of service failures on customer satisfaction is mediated by service recovery efforts. Customer satisfaction should vary indirectly based on the service failures with group tours, and directly with the extent to which a group tour and, more importantly, its many subsidiaries and employees have implemented service recovery efforts. Additionally, this study examines the effect that various demographic factors have on perceptions of service failures, service recovery efforts, and customer satisfaction, respectively, within group tours.

FIGURE 1
THE OPERATIONAL MODEL

Sampling Procedure

Although this research is an exploratory investigation of the relationships that lead to the creation of customer satisfaction in group tours, a simple random sampling procedure is utilized. The sampling units consist of a paid survey panel from Qualtrics®, and an online questionnaire was developed and administered to these respondents. All items on the questionnaire were pretested with 67 undergraduate business students from a large western university in order to identify and eliminate ambiguities in the questionnaire. A total of 150 usable questionnaires were collected after eliminating 1,140 questionnaires due to screening items, which isolated respondents who in the last year (1) went on a vacation and (2) went on a group package tour.

Measures

All of the scales used to measure the constructs in this study were derived from instruments that were designed from previous studies. Because the validity of these scales has been supported in other research (Mattila, 2001; McColl-Kennedy & Sparks, 2003; McCollough, Berry, & Yadav, 2000), the primary goal was to reaffirm the reliability of these scales in the scale purification process. The internal consistency of each scale item and the overall alpha score for constructs was assessed using Chronbach's alpha.

The scale measuring service failures is adopted from the work of McColl-Kennedy and Sparks (2003). They developed 30 items to measure perceived service failures, including such factors as service issues (i.e., unavailable or slow service), service providers (i.e., employee behavior and actions), things outside service provider's control, and customer related issues. Overall, this scale received an alpha of .951, thus showing a very sufficient level of internal consistency.

The work of Mattila (2001) was utilized to represent the scale of service recovery efforts, and included such factors as distributive justice, procedural justice, and interactional justice. Ten items were adopted from this study, and several were reverse-coded. The scale as a whole received an alpha of .873, again showing a sufficient level of internal consistency.

Customer satisfaction was measured using scales developed by several authors (Mattila, 2001; McCollough, Berry, & Yadav, 2000), and incorporated the unique aspects of customer satisfaction after service failures and recovery efforts. Five items represented this construct, and all items were reverse-coded. Accordingly, the reliability analysis for this scale shows an overall alpha of .956, suggesting that this scale is also reliable for further analysis.

RESULTS

In order to test the two hypotheses and the three research questions, correlation analysis will be utilized in addition to independent-samples t-tests and one-way ANOVAs. For the two hypotheses, summated scores will be used in correlations to test the relationships between Service Failures and Service Recovery Efforts, and Service Recovery Efforts and Customer Satisfaction, respectively. The three research questions pertaining to demographics and their relationships to the three constructs (i.e., Service Failures, Service Recovery Efforts, and Customer Satisfaction) will be analyzed with independent-samples t-tests and one-way ANOVAs.

Hypothesis 1

The relationship between Service Failures and Service Recovery Efforts was significant ($r = .508$; $p < .05$), suggesting that group tour packages that have service failures employ suboptimal recovery efforts. After a service failure, customer's expectations of the proper or necessary service recovery effort may be contingent on the severity of the service failure itself. For this study, customers who experienced more service failures were more likely to view the recovery efforts as insufficient or nonexistent. Consequently, the first hypothesis was supported.

Hypothesis 2

The relationship between Service Recovery Efforts and Customer Satisfaction was also significant ($r = .658$; $p < .05$), indicating that proper or necessary service recovery efforts do have a positive impact on customer satisfaction. This indicates that service recoveries are an important factor when service failures occur within group tour packages. Customers will tend to have higher satisfaction when they believe that a group tour or its employees engaged in proper or necessary recovery efforts after a service failure. Therefore, the second hypothesis was supported.

Research Questions 1 – 3

The relationships of selected demographic variables with the three constructs (i.e., Service Failures, Service Recovery Efforts, and Customer Satisfaction) reveals that only a few significant relationships exist. These relationships occurred between: (1) age and Service Failures ($F = 5.63$; $p < .05$); (2) between age and Customer Satisfaction ($F = 4.33$, $p < .05$); (3) between employment status and Service Failures ($t = 3.08$; $p < .05$); and (4) between the number of non-business trips and Customer Satisfaction ($F = 3.87$, $p < .05$). Specifically, older customers tend to perceive fewer service failures than younger customers when participating in a group tour. In addition, older customers are generally more satisfied than younger customers. Regarding employment, those customers who were employed either part-time or full-time tend to experience more service failures that those not working or retired. Finally, customers who participated in more non-business trips within the last year were generally more satisfied with their group tour package.

DISCUSSION

Based on this study, the implication for the group tour industry is to understand that service failures are inevitable, especially when there are several service encounters over an extended period with many third-party vendors. As a result, proper recovery plans are essential for the success of the organization. Properly training these third-party employees to deal with service failures in imperative and an important component of customer satisfaction.

An opportunity for future research is to apply the model developed in this study to other service organizations, thus improving the generalizability of the results. Additional research could also attempt to use a larger sample. Finally, the model presented could be expanded to include other factors such as word-of-mouth or customer loyalty.

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